

# Changes to Your Horse's Insurance Policy in 2014

By Loren Hitchcock

You would be hard-pressed to turn on a television or visit any sort of news website and not see numerous articles about the current healthcare changes going on in the United States with the passing of the Affordable Health Care Act. Did you know that there are changes coming in 2014 to your horse's insurance policy, too? There are ways for owners, trainers, and exhibitors to adjust to the new changes in the coming year. *The Equine Chronicle* sought the expertise of Tim Folck of Folck Insurance from Lexington, KY to discuss these changes and determine how they might affect the future of the horse industry.

"Insurance is not only a fundamental part of most consumers' financial lives, it's also among the most confusing," Folck says. You can help clear up any misunderstandings with a few basic guidelines. First and foremost, know your policy. For instance, if you purchased a major medical policy, what does that cover? Individual policies may cover treatments ranging from injections to shockwave therapy. It's important to know how many of these treatments and up to what dollar amount your policy covers. Don't wait until you have to make a claim to know exactly what your policy covers. If your policy doesn't cover what you think your horse might need, it's smart to rethink and add coverage. Likewise, if you feel your policy has too much coverage or a feature you won't use, choose a policy with less coverage. Although, with horses, it's always better to have too much coverage than not enough, given the unpredictable nature of the beast. It's also a sound idea to reevaluate your policy every year to make sure you have your horse insured for the right amount as based on any added monies earned, points accumulated, or Championship titles.

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## CHANGES TO YOUR HORSE'S INSURANCE POLICY IN 2014

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Arming yourself with information about your horse's insurance is just the first step in becoming what Folck refers to as a "smart consumer." Prior to the purchase of any horse, always make sure that you have an independent veterinarian conduct a pre-purchase exam. Always make sure that proper X-rays are done and, if you can justify the expense, an MRI. This will help to determine any pre-existing soundness issues. Provide your insurance agent with the results of this exam to ensure your horse is insurable and at what rate. Always complete a Purchase Agreement that reveals all details agreed to by the buyer and the seller including the sales agent or selling trainer.

After you've completed these steps, shop around for insurance rates. Speak with a minimum of two different agents. Don't just pick the cheapest rate available because you often get what you pay for. This could cause trouble down the line and end up costing you more out of pocket than if you had purchased the more expensive policy. Folck recommends a policy with Full Mortality and Theft along with options for Major Medical and Surgical. Loss of use is another important benefit to consider when shopping around for an insurance policy. "A horse owner is ten times more likely to have a major medical claim for illness or injury than the horse dying or being euthanized," Folck says.

Choosing your agent is as important as choosing your policy. Choose an agent that has substantial experience serving the equine industry. Ask other policyholders about their experiences and determine if the agent has a highly valued reputation for quality care and service. Agents that represent more than one company have more flexibility than agents that represent just one company. Select an agent that has the ability to step in on your behalf should things go awry.

Another thing to consider is to keep your insurance policy up to date. Also, to avoid any surprises, such as benefits being dropped or even your whole policy being made null, report incidents to your agent immediately and claims adjuster as they happen. This is especially critical of any service requiring a veterinarian. "This is a standard policy condition, and failure to do so can void your insurance," Folck remarks. You might be thinking that of course you would report any major trauma like colic, but the small maintenance issues are important too. Joints that are routinely injected need to be reported. Injecting too frequently can cause an injury, which really needs to be claimed, to go unnoticed for a long period of time. That could disguise a major underlying problem. Also, be aware that if you sell any fractional interest (i.e. you become partners with someone on a horse) a new policy must be applied for, because the current one becomes null and void. The new owners need to be noted.

Now that we've addressed the basics of being a smart insurance consumer, it's important to discuss the changes that are coming this year. "Every underwriter is experiencing unprecedented high claims/loss ratio well exceeding 150% due to the rapidly rising cost of veterinary medical care including diagnos-

tic and treatment options such as stem cell therapy, shockwave, and the like," Folck says. This is resulting in too many claims for Major Medical policies, which in turn causes companies to lose money and drive the consumer cost up. Here's an example: The average company charges between \$350-\$500 above the mortality rate for Major Medical with a \$10,000 limit that has a \$300 deductible. One major illness can very quickly and easily exceed \$1,000, so it's easy to see what's happening to the company's bottom line.

Then, you see a snowball effect. Claims adjusters are forced to enforce policies more strictly, which leads to claim denials, reductions in settlements or, in worst case scenarios, cancellations of entire policies. Horse trainers, owners, and exhibitors become disgruntled with the insurance companies. Oftentimes, the cause for these changes begin with trainers and owners failing to notify the insurance companies about issues usually related to soundness. Instead, "maintenance" injections are given gradually over time and the problem "clears up." A good example of this might be a bone chip in a horse's knee. If this chip is routinely injected time and time again, the chip could move, unbeknownst to the trainer or owner. Even if the chip moves slowly over the course of six years, a major problem could occur. This becomes an issue when the problem doesn't clear up but is actually masked by weeks, months, or in some cases years of injections that were not covered by insurance in the first place. If underlying issues were treated and claimed by owners and trainers, rather than being temporarily patched, the prices of insurance would most likely not be changing as drastically as they are in 2014.

Essentially, the bottom line is to report any soundness issues to your insurance adjuster and deal with them accordingly. Don't just mask problems with injections or other remedies. Do a pre-purchase exam because there is no such thing as a perfect horse. Report the findings of this exam to your agent immediately because, if you fail to do so, your company might say you didn't disclose information and as a result they won't pay for the injury and residual treatments. Notification allows your agent to deal with the issues straight up rather than giving them a reason not to pay. Maintenance is not a negative thing and is obviously needed in many cases with show horses. Be smart about how much maintenance your horse needs. Hopefully, this article will help to clear up the gap of understanding among owners, trainers, adjusters, and agents. Knowledge is power in this scenario and being an informed owner in turn makes you a smarter owner.

*The Equine Chronicle* would like to give a special thanks to Tim Folck of Folck Insurance for all of his help with this article. Folck is more than just an insurance agent. His family has been active in The American Quarter Horse Association and other racehorse-related organizations for some time. For more information about his insurance agency including policies, history, and other informative articles please visit [www.folckequine.com](http://www.folckequine.com).

# Equine INSURANCE Policies: READ THEM CAREFULLY

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**H**orse owners, stable managers, and trainers often have insured horses in their care. What people sometimes forget is that insured horses are the subject of a contract that requires special attention and action, such as notifying the insurer if the horse becomes injured or ill. Representing an insurance company, this author recently won an equine insurance lawsuit in an Illinois federal court where the court denied the horse owner any benefits under an equine insurance policy because he waited too long before notifying his insurance company that his horse had become seriously lame.

This article briefly discusses the case and concludes with some examples of how you can avoid disputes with your insurer.

## THE INSURANCE CASE

The case, decided in 2013, involved a show horse that was insured under a policy of equine mortality insurance. The horse sustained an injury while under a lease arrangement, but 15 days passed before anybody notified the insurer. By then, the horse's condition had worsened to the point where the owner's veterinarian recommended euthanasia. The owner had the horse euthanized and then submitted a claim for insurance benefits.

In response to the claim, and after an investigation, the insurer denied coverage. It believed that the owner, among other things, failed to satisfy a condition in the policy that required the owner to give the insurer "immediate notice" of the horse's illness, injury, or lameness. The horse owner, arguing in favor of coverage, suggested that he should be excused from the policy's "immediate notice" requirement because his horse was under a lease and he was unaware of the lameness problem. Rejecting that argument, however, the Court cited policy language that the notice condition applied "whether you have personal knowledge of such circumstances or events or such knowledge is confined to your family members, representatives, agents, veterinarians, employees, bailees, co-owners or other persons who have care, custody or control of [the insured horse] at any time." As a result, the court sided for the equine insurer and dismissed the case. It found that the owner's 15-day delay before notifying the insurer of the horse's lameness was not "immediate notice" as the policy required, and the horse owner could not recover under the policy.

## AVOIDING DISPUTES

Equine mortality insurance policies typically require "immediate" or "prompt" notice of an insured horse's injury, lameness, or illness. Failing to comply with this requirement brings the risk that the insurer will deny a claim. Here are a few suggestions for avoiding disputes:

## READ YOUR POLICY

Since notice requirements can vary from company to company,

read your equine insurance policy carefully so that you know when the insurer expects you to give notice of your horse's illness, lameness, or injury, and to whom notice should be directed.

## DIRECT YOUR NOTICE TO THE CORRECT PERSON OR NUMBER

Your equine insurance policy, or information attached to it, will provide the name and phone number of the person or company that your insurer designates to receive notice. The agent who sold you the policy, you might be surprised to learn, may not be the right one to call. Giving notice to the wrong person could potentially be treated as giving *no* notice at all.

## KEEP - AND SHARE - YOUR INSURER'S NOTICE CONTACT INFORMATION

Insurers often send, along with their insurance policies, handy cards that provide the designated (800) number to call to notify the insurer that the insured horse is not well. Keep the information in your purse or wallet and share the information with others who are caring for your horse such as the trainer and boarding stable.

## ENCOURAGE YOUR CLIENTS TO SHARE AND UPDATE INSURANCE INFORMATION

If an insured horse's condition takes a turn for the worse, and if the owner cannot be reached, horse trainers and boarding stable management might need to contact the insurer on the owner's behalf. With that in mind, equine businesses can keep their clients' (800) numbers for each horse's equine insurer in a few places such as the smart phone, stall card, barn office, truck, and trailer. Encourage your clients to provide the most updated information. Include it in boarding and training contracts.

*This article does not constitute legal advice. Where questions arise based on specific situations, consult with a knowledgeable attorney.*

## ABOUT THE AUTHOR

Julie Fershtman, one of the nation's most experienced Equine Law practitioners, is a shareholder with Foster Swift Collins & Smith, PC. An attorney and legal consultant for more than 27 years, she has successfully tried equine cases in 4 states and has drafted hundreds of contracts. She is a Fellow and officer of the American College of Equine Attorneys and has lectured in 28 states. She is listed in *The Best Lawyers in America* for Business Litigation and Insurance Law. For more information, please visit [www.fershtman-law.com](http://www.fershtman-law.com), [www.equinelaw.net](http://www.equinelaw.net), or [www.equinelawblog.com](http://www.equinelawblog.com). And please "LIKE" our Facebook Page: "Foster Swift: Equine Law."