

Ask The Insurance Guy

I own a farm and have horses of my own.

A few weeks ago, my neighbor approached me to ask if he could keep his horse in my field for the summer. I already have horses outside all summer and this one lonely horse might as well be here too. When winter comes, I am considering this non-owned horse to stay here as I have an extra stall and the neighbor tells me he will help with chores if I can provide shelter during the colder months.

I have no intent of charging anything to have this horse here ... I just want to be neighborly.

Are there liability issues I should be concerned about?

Signed, The Good Neighbor.

Dear Good Neighbor,

This is a very common occurrence in the horse world and there is no question that you have a liability exposure.

Let's try and explain this one piece at a time...

- a) As an "occupier" of land (own or rent), you are obliged in law to contain and control the animals that live on your property.
- b) The same rules of legal liability apply to horses and other large animals as for cats and dogs. If an (any) animal escapes from your land and causes a problem on the road or at a neighboring property, there is little doubt you can be held responsible.
- c) Most property insurers recognize and cover the liability exposure that arises from the ownership of small (household pet type) animals automatically in their policies. That said, many insurers charge a separate premium for liability coverage arising from owned horses or other large animals (some, on a per animal basis).
- d) When you look after animals that do not belong to you, you have changed the usual (anticipated) exposure for these same insurers. In order to keep yourself protected, you will need to change the policy to recognize the CARE, CUSTODY and CONTROL of non-owned animals.
- e) It probably will not matter that you are not collecting a fee for this non-owned horse to be on your farm (keep in mind that if the neighbor is providing a service (helping with chores) to reduce or eliminate a boarding cost that otherwise could / would be charged, a court may determine that they are trading "in kind", which technically is no different than you charging money for board). If this happens and your insurer has not recognized the additional exposure of a non-owned horse in your care, custody and control, you could find yourself without any insurance coverage at all.

So, here a few pointers:

- 1) Keep your insurance company fully informed about this, (and all) activities on the farm. As a policy holder of insurance, you are obliged to keep your insurer aware of all exposures that could affect coverage. It is better to “ask the question” and be told that you are already covered (if you are told this over the phone... get it in writing!), then to find out - after a claim has occurred - that there is no coverage.
- 2) Find an insurer that understands the business of horse boarding and whether or not your activities are “incidental” or truly a Commercial enterprise. This distinction could mean a big difference in the premiums charged (if any).
- 3) Be absolutely certain that your neighbor / boarder has liability insurance in their name that covers their ownership of their own horse. The best way to do that is to make sure they are members of HCBC, where all members automatically receive **\$5,000,000 of Personal Liability** insurance as part of their annual membership dues. By doing this, you will be helping your neighbor to protect him or herself and at the same time you might be helping to “insulate” yourself against a claim. This strategy of *deferral of liability* really means that both insurers (your farm policy and the personal liability policy held by the owner of the horse) can potentially “share” in the loss.

Hope this helps you and your neighbor find a way to have the horses together

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