

Valuations for Horse insurance purposes.

The question of value often arises when it comes to horse insurance.

Given the fact that one of the prime motivations to acquire horse insurance is (typically) mortality or life insurance, the “limit” of coverage obtained and provided is an important element and with “limit” comes the question of “value”.

Unlike human life insurance, where you or I can buy as much life coverage as we want to, horse insurers are not as generous and are more inclined to set a maximum on the amount of coverage that will be provided on any one horse.

So, back to the question - “how does the value get established”?

A few scenarios:

- 1) You bought the horse “today” for \$5,000.00 and want to obtain insurance “today”... This is an easy one... Your legal insurable interest in the horse is \$5,000.00 and therefore, the limit of insurance available is also \$5,000.00.. (Quick note- it doesn't matter if you got a good deal and /or the seller was under duress and /or that the “farmer” had no idea what he was selling etc.)
- 2) You bought the horse two years ago for \$5,000 and since then, the horse has matured and received training that legitimately has increased his/her value in the marketplace. This is a little more challenging. The supplemental questions that might be asked by the insurer before agreeing to a limit include:
 - a) what (exactly) does the horse do now that it did not do at the time of purchase and;
 - b) why does this additional training increase the value?
(Quick note – I do appreciate that trainers charge a fee for training, but there is not necessarily a direct correlation between the actual investment in training and increased fair market value).
- 3) You bought the horse last year for \$5,000 and have had a great show season and have even had offers for purchase from others. This is one of the most common reasons to increase the limit and experienced horse insurers will accept the argument that in these circumstances, the value may be more. So, my advice is to make sure you can substantiate the assertion that the value has increased by being able to provide a show record, perhaps a letter from trainer etc.
- 4) You want to insure a 3 month old foal that is out of your own mare. Most insurers will agree to a maximum value for the foal of 3 X stud fee / breeding fee. This is intended to recognize at least some of the actual costs associated with producing the foal (mare care etc.).

A few other important notes on “value”

- a) A mare or stallion who have not successfully produced offspring are not a “broodmare” or “stud”, so the lineage of the horse may not have any significant bearing on the value of your horse until the performance is proven.
- b) Values are (should be) reviewed on the occasion of each annual renewal of the policy so that you are buying a limit of insurance that is realistic.
- c) The value of any horse is very subjective – they are truly only worth what someone is prepared to pay – on any given day. We often counsel clients to imagine that they were to sell the horse in the next 30 days and to use that short timeline to establish a limit of coverage. That way, things like “potential” and “show records from long ago” can be left out of the equation.

Our advice through all of this is the same.... Deal with an insurer / broker who understands the horse business like Capri Insurance and work with them through the inevitable ups and downs of horse ownership.