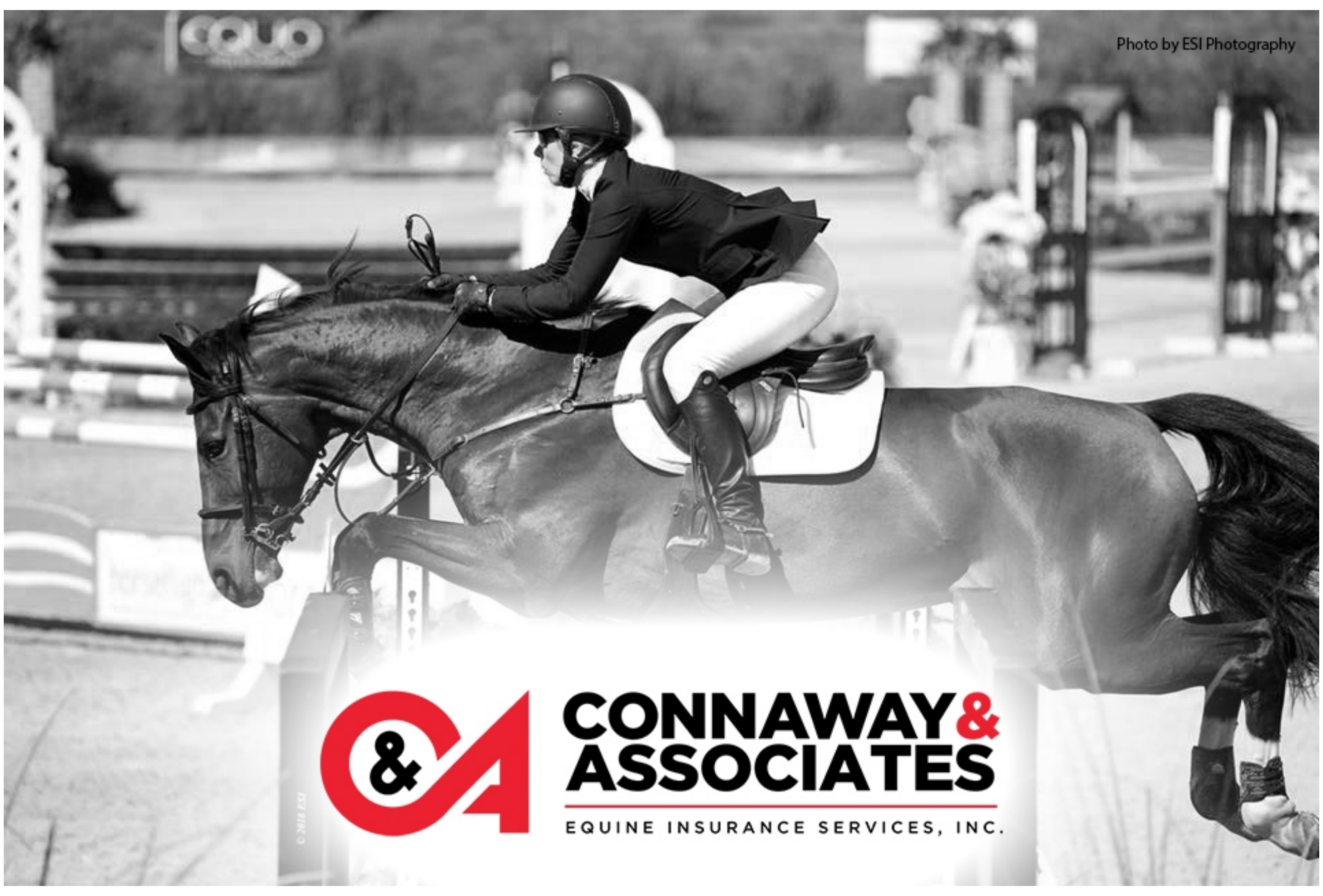
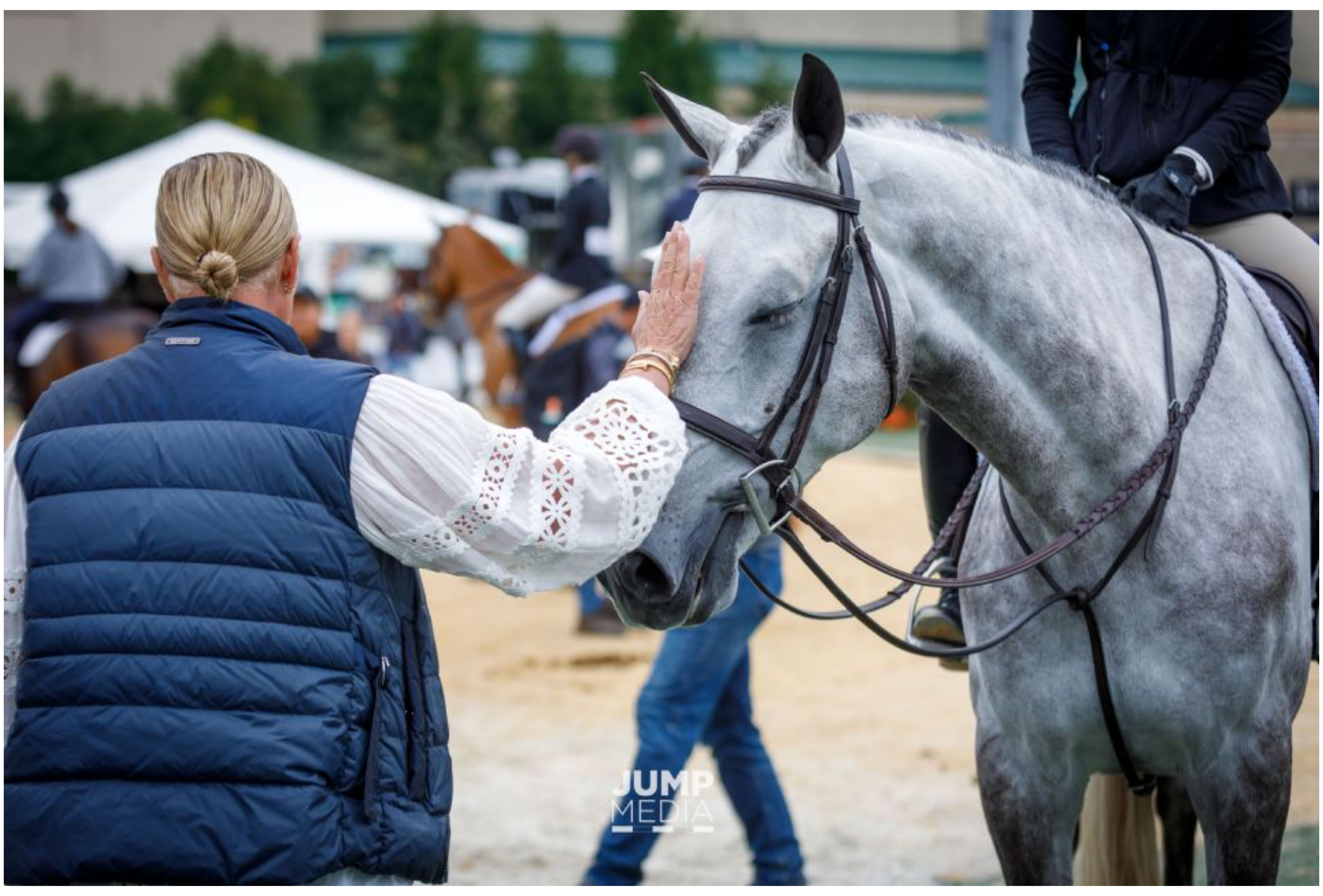


Ask The Expert: How Do You Insure A Leased Horse?

For most people, equine insurance is a critical component of horse ownership. It is important for horse owners to know that changes in their ownership interest, such as leasing their horse, need to be reported to their insurance carrier. Leased horses present a unique scenario for the horse owner (the lessor) and for the individual leasing the horse (the lessee).

The most common insurance policies for leased horses are the same as for any other horse; the policy provides reimbursement for full mortality and non-routine medical care. However, there are several key components to insuring a leased horse that lessors and lessees should be aware of to be set up for success: agreeing on who holds the insurance policy, determining the full mortality/insured value of the horse, understanding what happens to the insurance coverage when the lease is terminated, and considering liability coverage. These factors are important for both parties to agree upon upfront to protect their financial investments and ensure peace of mind throughout the term of a lease agreement.

Let's start at the top.



Understanding the various components to insuring a leased horse is critical to both the lessor and the lessee in order to protect both parties' financial investment.
Photo by Jump Media

Leasing: Who Insures the Horse?

In insurance terms, a person can insure a horse as long as they have a financial interest/insurable interest in the horse. Some examples include a lessor, co-owner, loss payee or lessee. Full mortality coverage is the base coverage, and it reimburses up to the insured value for death due to any cause, theft, and authorized humane destruction. Medical coverage for non-routine care can be added to the full mortality policy. In this discussion, I have assumed the policyholder has added medical coverage to the policy.

All insurance carriers require notification when a horse is leased. The insurance carrier will typically require the lease agreement to state the names of the lessor and lessee, the term (time frame of the lease), and the annual cash lease price. The mailing and email addresses should be provided for both parties named in the lease.

Insurance carriers prefer that the lessor insures the horse in their name. This is beneficial for the lessor because it allows the horse owner to maintain control of their insurance policy. Maintaining ownership of the policy allows the horse owner to keep the policy in place if the horse is returned from the lease in an ill or injured condition. As a lessee, being added to an existing policy that covers non-routine medical expenses is also important. Often, the lessee pays for veterinary care for the duration of the lease and would be reimbursed for covered medical expenses. Being added to the policy as a lessee also gives the lessee the right to contact the insurance agent or claims adjuster.

While the lessee can take out the policy in their name and name the lessor as the loss payee, this can present a significant downside to the lessor. For instance, if the horse is ill or injured and the lease is terminated, the horse may be in an uninsurable condition, and the horse owner may not be able to re-insure the horse, or the coverage may be restricted by exclusions for the existing illness or injury. With most carriers, the lessee is not able to transfer an existing policy from their name to the lessor's name as insurance policies are not transferable. Some carriers provide an exception that will allow the policy to be transferred from the lessee to the lessor. Check with your agent to see what your carrier allows.

Continue Reading at The Chronicle of the Horse

This article originally ran on The Chronicle of the Horse on October 31, 2023.

About Connaway & Associates Equine Insurance Services, Inc.

At Connaway & Associates, teamwork allows horse people to protect horse people. Since 1992, Connaway & Associates has built a strong reputation as a reliable partner in competition and in business. Connaway & Associates is licensed in 48 states and offers competitive insurance coverage options through several A-rated admitted insurance carriers. Connaway & Associates does the work so its clients can enjoy their passion for horses. For more information on Connaway & Associates and its offerings, visit www.connaway.net.