

The Question Box
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The Year 2000 Question Box attempts to answer five common questions asked by horse business owners and horse club directors who are seeking a quote for liability insurance. Keep in mind each horse operation is unique and will be rated on its own merits. NAHA staff underwriters are available to help you and to answer insurance questions relating to your horse operation..

Question: Will my insurance be rated higher if my horse related business is a corporation instead of a single proprietorship?

Answer: The usual methods by which to organize a horse business or horse organization include corporation, LLC, proprietorship, or partnership, and sometimes include non-profit tax status. Insureds frequently think that the cost of liability insurance will be rated higher if it is a corporation, or that if their organization has non-profit status, their premium will be rated at next to nothing. Under the NAHA equine liability program, the method by which a business is organized or its profit-making motive does not make a difference in how the premium will be rated. Premiums are based upon the types of and level of activities that make up the business venture or the association's activities, not according to its business structure.

Question: What factors go into developing the premium to cover my horse operation?

Answer: Each operation is rated according to the activities (exposures) it has or provides as its services. Base rates and minimum premiums have been developed by the insurance company from statistical information for each activity according to its level of perceived risk. Your policy premium development will further depend upon the size of your operation and the amount of "exposure" you have for each activity. To rate and develop your policy premium, the following factors come into play: the number of horses you own, lease, and use in your operation and the uses of those horses; annual gross receipts (not profit) for each activity you provide; the number of participants in your activities each year; the number of members of a club; your number of public event days; the number of independent contractors you choose to add to your policy for coverage; the number of professionals you add to your policy for professional liability coverage; and the state in which your business operates its primary location.

Thereafter, credits will usually be applied according to what is allowed for the premium size and those for which the insured qualifies. Crediting factors can include those given for: Tort Reform (determined by state in which your business is located); Key Staff Member Professional Certifications and Red Cross Certifications; Continuing Education of Staff Members; Above Average Premises Conditions and Maintenance; and Positive Past Experience. Positive Past Experience can include the number of years the insured has been in business, the insured's safety record, attitude toward and comprehension of safety standards, and openness, honesty, and thoroughness in the application process.

Question: I know we can easily cover a boarding and training stable for liability insurance, but will you continue to insure us if we want to add other activities, such as horse rentals or a small petting zoo?

Answer: Every insurance program and insurance company has a different philosophy and capability about what activities it will and will not insure. Many will insure traditional horse business activities, such as boarding, breeding and training. However, many will not insure the recreational, hospitality parts of the business, such as horse rentals, horse drawn vehicle rides, camps, campgrounds, petting zoos, and bed and breakfast accommodations, to name a few.

NAHA has always tried to update and diversify its program to meet the changing needs of the horse community. We are generally able to insure many and most equine activities as well as many non-extreme incidental activities such as guest food service, petting zoos, photo-prop setup, judging horse shows, etc. We do sometimes have to say "NO" to insuring an activity, but we carefully review each request to determine its insurability prior to saying, "NO". It is important to understand that before you start a new service you must seek and secure coverage for it or it will not be covered by your insurance policy, and that adding a new service will usually result in additional premium.

>From 1980 to 1990, it seemed as though most horse operations fit into a neat category, having two or three traditional equine exposures that usually included personal horses, horse boarding, breeding, training, and riding lessons. During the 90's, the horse world greatly diversified and re-classified its activities base. This became a challenge to insurance providers to define and determine how far they wanted to go to insure those new and developing interests. Diversifying a horse operation's activity base was and continues to be extremely important to sustaining those businesses through the off-season. Diversification is also part of the need to provide enhanced services to capture and hold customers. Therefore, many horse operations of today have some incidental hospitality, recreational and/or horse facility rental exposures, in addition to the traditional activities I spoke of earlier that make up the core of the business and its business and income volume.

Question: I hate paper-work! How necessary is it for me to be careful and thorough in completing my insurance application? Can't my agent complete it for me?

Answer: Your insurance policy is a coverage contract and its content and coverages are based upon your disclosures on your application for insurance. In most instances it is the only way an underwriter can know you and understand your coverage needs. Do not take the completion of your application for insurance lightly. The business is yours, you know it best. Only you know how it may have changed and evolved over the past year or what you will want to change in the coming year. It is critical that you take that hour or two to correctly and thoughtfully complete your application once each year. NAHA staff are just a phone call away to help you with your questions.

Some insurance agents will complete an application for you, either by getting the answers by phone call or personal interview with you. It can be a business mistake to simply tell your agent, "Oh, just put down the same information as last year....nothing has changed." If your agent is completing the application for you, be sure that you sign it and that you have thoroughly reviewed the application prior to signing it and submitting it for a quote.

Be sure to update your gross receipts and that they are accurate projections for the coming business year. If you fail to complete the application correctly; if you fail to disclose all your activities and the level of those activities, or you fail to disclose your three-year claim history, you could have coverage problems if a claim occurs.

Some insureds mistakenly think an insurance policy is a cover-all contract and that if they don't disclose an activity or everything about it, their premium will cost less but all their activities will still be covered anyway. This is not true and today can lead to serious questions of fraud if a non-covered claim develops. In recent years the business liability policies of most insurance companies state clearly that activities or exposures not declared or stated on the declarations pages (usually within the first two or three pages of the policy) are not covered by the policy. If a claim dispute develops, the content of the application is usually the deciding factor. For these reasons, it is extremely important that your application is completed in a way that fully describes your business activities. And it is, of course, just as important to later review your policy declaration pages to be certain your activities are listed there as covered.

Question: Will an insurance company allow me to insure some of my horse activities, but allow me to pick those I do not wish to insure?

Answer: If the insurance company has the capability to cover all your horse activities, and the activities are all done at the same premises or under the same business name, it is unlikely the company will allow you to cover some activities, but not others.

Sometimes if an activity can be totally separated from the rest of the activities, such as an off premises horse drawn vehicle ride operation and an on-premises boarding operation, a company may allow one activity to be covered by another company but they will want to have proof that the exposure is covered by another carrier.

Usually, however, if an insurance company can provide coverage for all your business activities it will want to cover all the activities or not insure the operation at all. The reason for this is that there is frequently a cross-over of participants or activities at the same premises and if there is a claim it is difficult to determine who or what was covered and what was not. For example, we know of an operator that chose not to disclose and cover a large boarding operation, but did declare and insure the higher risk seasonal horse rental operation also run at the same premises and under the same business name. An incident occurred in which a paying guest trail ride group on rental horses was taken out by trail guides and three boarders tagged along on their own horses. During the ride a boarder's horse spooked and ran off, causing a chain reaction in the rental horses. Two guest horse rental riders fell off rental horses and a boarder also fell off their own horse.

One can understand that if a claim resulted from this incident, coverage issues would be very complicated to determine. It is for this reason that most insurers will want to insure all the activities of the stable or not write the policy at all.