

**PLAIN TALK...About Insurance**  
**By Debi DeTurk**

**Limits**

“Do we have enough insurance? Do our policy limits provide sufficient protection?” Customers often ask these questions.

Limits are the maximum dollar amounts a policy is obligated to pay in the event of a covered loss. Different types of policies provide different types of limits.

General Liability policies have Per Occurrence limits and Aggregate limits. Umbrella Liability policies have a Per Occurrence limit equal to the Aggregate limit. Farm Package policies provide both General Liability coverage (with limits as noted above) and Property coverage limited to all scheduled buildings and Farm Personal Property.

Full Mortality policies have very specific limits – the Agreed Value of each animal. Equine Major Medical policies are subject to an annual Aggregate limit.

One word that occurs frequently in the preceding paragraphs is Aggregate. An Aggregate limit is the maximum amount the policy is obligated to pay for all covered losses occurring during the policy term.

**General Liability Policies**

The cornerstone of a commercial insurance program is the General Liability policy. General Liability coverage protects the policy’s Named Insured(s) against Bodily Injury and/or Property Damage suits up to the limits selected.

Liability policies have several limits. The two most important are:

- Per Occurrence limit
- Aggregate limit (Markel policies provide an Aggregate limit 3 times the Per Occurrence limit)

The policy also provides several other limits of coverage, namely:

- Products-Completed Operations limit (equals the Per Occurrence limit)
- Personal and Advertising Injury limit (equals the Per Occurrence limit)
- Damages To Premises Rented To You limit (Markel policies provide a \$100,000. limit; \$50,000. to \$100,000. limit is the industry standard)
- Medical Expense limit (Markel policies provide a \$5,000. per person limit; \$1,000. to \$5,000. per person limit is the industry standard)

The Per Occurrence limit is the maximum amount the policy is obligated to pay for any one covered Occurrence. As noted above, the Aggregate limit is the total amount the policy is obligated to pay in any one policy term, subject to the Per Occurrence limit. In other words, the policy will never pay more than the Per Occurrence limit for any one occurrence. A Markel General Liability policy could pay the Per Occurrence limit more than one time during the policy term.

Markel offers Commercial General Liability coverage to horse operations in limits of \$300,000. Per Occurrence, \$500,000. Per Occurrence or \$1,000,000. Per Occurrence. Our policies provide an Aggregate limit of three times the Per Occurrence limit. An insured who selects \$1,000,000. Per Occurrence/\$3,000,000. Aggregate has purchased limits to pay up to \$1,000,000. for Bodily Injury and/or Property Damage claims arising out of a single incident. The policy could pay up to three \$1,000,000. Per Occurrence claims during a policy term.

### **Umbrella Liability Policies**

An insured desiring Liability limits in excess of the primary \$1,000,000. Per Occurrence policy would purchase an Umbrella Liability policy. Commercial Umbrella policies are available in \$1,000,000. increments and normally cost less than the primary General Liability layer. If an insured desired a \$3,000,000. Per Occurrence limit, the purchase of a \$2,000,000. Umbrella policy would be required. The primary \$1,000,000. Per Occurrence General Liability policy plus the \$2,000,000. Umbrella would bring the insured's Per Occurrence limit to \$3,000,000.

Umbrella Aggregate limits equal the Umbrella policy's Per Occurrence limits. In other words, a \$2,000,000. Per Occurrence Umbrella policy has a \$2,000,000. Aggregate limit. The policy's maximum obligation during the policy term is \$2,000,000.

### **Property Policies**

Property policies provide coverage for all structures and personal property items scheduled, subject to the dollar limits shown for each item. For example, an insured desiring \$250,000. of coverage on a new barn/arena complex and \$5,000. on show saddles and bridles would list those items at those limits when requesting coverage. After Underwriting review, the insurance company would add the items to the insured's Property policy, increasing that policy's limits by \$255,000. If a fire caused a total loss of the building and the tack stored there, the insured would expect to collect \$255,000. minus any applicable deductibles. If the insured also owned a tractor stored in the barn that was destroyed by the fire, there would be no coverage for the tractor since it was not declared.

### **Full Mortality and Major Medical Policies**

Full Mortality policies are designed to replace an insured's financial investment in a horse. The policies are known as Agreed Value policies. This means that the company and the insured agree on an animal's value at the inception of the policy. Should the horse die during the policy term due to a covered cause, the insured would receive the Agreed Value of the animal. The Agreed Value of each insured animal is the limit the Full Mortality policy will pay in the event of loss.

Equine Major Medical policies have an Aggregate limit available to pay all covered vet care during the policy term, subject to a Per Occurrence deductible. Markel's Major Medical policy has an Aggregate limit of \$8,000. per animal during the policy period. This limit could be paid on covered vet care for one injury, or could pay for many small problems, up to the \$8,000. Aggregate limit. Major Medical policies have a deductible that applies to each injury or illness.

### **Choosing Limits for Your Unique Needs**

The purchase of insurance should provide peace of mind for the insured by protecting earnings and assets against unexpected loss. General Liability limits must be sufficient to protect against lawsuit. Property coverage limits should protect owned structures and equipment that

must be replaced in case of loss. Financial investment in a horse can be protected by Full Mortality insurance.

Choice of limits affects the extent and the cost of protection. The cost of protection must be weighted against the cost of absorbing the loss. Choosing appropriate limits of insurance is another of the many challenges professional horsemen face.

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