



## **“Fall of Hammer Insurance for Yearling Purchases”**

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A “Fall of Hammer” insurance policy on a yearling is effected when a lot is knocked down to the buyer at a public auction, thereby coinciding with the risk passing from the vendor to the purchaser. This type of cover is therefore essential to eliminate any gap in insurance to protect the new owner’s investment.

Fall of Hammer cover is a mortality insurance that reduces the impact of financial loss from the death of the horse due to accidental injury or illness. It also covers humane destruction when recommended by a qualified vet in the case where the horse’s suffering is incurable and excessive.

The policy is intended to place the owner in the same financial position after the horse’s death, as before it died. It therefore indemnifies the policyholder for loss of their asset by paying them the horse’s fair market value in order to allow them to replace the horse. Fair market value for yearlings bought at sale is generally considered to be their purchase price until they have their first start (provided no circumstances arise which substantially alter their worth in the interim). After their first race, it is recommended the Sum Insured be reviewed in terms of the ability shown and its performance on the track. Such monitoring should continue for the remainder of the policy period.

Insuring yearlings via a Fall of Hammer policy is particularly relevant in the twelve months following purchase at sale for the three specific reasons.

Firstly, horses of this age are exposed to a unique set of risks which arise from being placed in an environment that is completely new to them. Spending extended periods in a stable, breaking-in and training all place stress on yearlings/two year olds which can lead to a greater risk of injury and a higher susceptibility to contracting illness or disease than those of seasoned racehorses.

Secondly, the movement of a horse from a sale will include loading and unloading onto and off a float, presenting a risk of injury, in addition to during the float trip itself. Travel sickness is another inherent risk in transporting horses, particularly when long distances are involved.

Thirdly, gelding of yearlings commonly occurs in the months after purchase at sale. This and other surgery, when conducted by a qualified veterinarian under local or general anaesthetic, is covered by the Lloyd’s equine mortality policy.

Despite the abovementioned higher risk profile of yearlings, the premium rate charged for Fall of Hammer insurance is lower than for racehorses, making it comparatively more affordable and better value for the owner.



Fall of Hammer policies have the added benefit that a Veterinary Certificate is not necessary because it is a condition of sale that horses are presented as sound which satisfies the pre-requisite of the horse being in good health and without pre-existing illness or injury at policy inception.

To be fully effective, prospective buyers should set up Fall of Hammer cover prior to the intended Yearling Sale.

For more information on this subject, please contact the Equine & Bloodstock team at Gow-Gates on (02) 8267 9999 or [info@gowgates.com.au](mailto:info@gowgates.com.au).

*Disclaimer: The information in the above article is intended as a guide only and should not be relied upon without reading the policy wording and seeking independent professional advice.*