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UNIQUE PERSPECTIVES  
FROM OUR WORLD



## EQUINE

### SEPTEMBER'S MILLION-DOLLAR SHOW RING

The Keeneland Yearlings Sale is a marquee event for the equine industry, but also a finger on the pulse of the global economy. Julian Bowen-Rees, Liberty Specialty Markets' global head of equine and livestock, provides the inside track on the world's leading auction of young horses.

#### Authors



**Julian Bowen-Rees**  
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Blue Grass Airport nudges up against the four lanes of US-60 in the verdant, rolling Kentucky countryside just outside the city of Lexington. It's a pastoral setting by US standards: across the highway from the grassy expanse of the airport, manicured trees and the occasional water tower dot the skyline. Cessna light aircraft are dwarfed by a white Boeing 747 parked close to the perimeter fence, the flag of Dubai emblazoned on its tailfin. This is the private jet of Dubai's ruler, Sheikh Mohammed bin Rashid Al Maktoum. And if His Highness is in town, that can mean only one thing: the Keeneland Yearlings sale is on.

For devotees of all things equine, September's Keeneland Yearlings Sale is a landmark event – the world's most important sale of thoroughbred horses at one year of age (yearlings). Each September, over 10 days, around 4,000 yearlings are sold at auction. This equates to around 20% of the annual foal crop of the USA. The most expensive yearlings are sold first and their prices can be eye-watering. Back in 1985, Seattle Dancer, sired by the 1971 British Triple Crown winner Nijinsky, went for \$13.1 million.

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Last year, 27 yearlings all breached the \$1m price point. Overall, the sale can achieve well in excess of \$400m.

The price of a yearling is based on potential – potential that has yet to be realised. In human terms, a yearling would be a 13–14-year-old athlete with plenty of growing and developing still to do. One considers their pedigree, their physical specifications and their promise. Fairly soon after they are sold, they will start training in preparation to begin racing after their second birthday.

Each year, I make a point of attending the sale at Keeneland, which is a race course and auction house combined in a single 147-acre site set on former farmland just to the west of Lexington. It was founded in 1936 on land formerly owned by Jack Keene, himself a trainer and owner. The atmosphere at the sale is electric. Horse-lovers from all over the world including billionaires, CEOs and royalty don blue jeans and boots to join the throng at the sales ring.

My purpose in attending is partly to meet the considerable numbers of brokers and agents with whom Liberty Specialty Markets has relationships and partly to manage any underwriting issues that might arise. After all, the equine trade is far more globalised than it was 20–30 years ago.

Once purchased, yearlings can be transported to virtually any part of the world. We have excellent relationships with most of the world's largest shipping

companies, such as IRT, the market leader. They will be heavily involved in the transportation of the yearlings from the sale. Our team at Keeneland will gather information from them about which horses are on which planes in order to understand how the horses are being moved and any potential aggregations issues. If we have a large aggregation of risk on any single flight, we may buy Total Loss Only (TLO) reinsurance on the aircraft to mitigate our exposures.

Most of our clients involved in buying at Keeneland have automatic provisions in their policies that will cover their purchases. As soon as they make a winning bid at the public auction, they are instantly insured. However, if the yearling is bought for a particularly large sum of money, we have a team of underwriters on the spot to provide the necessary cover there and then. In addition, our underwriters will spend time talking to breeders and horse farms about the farming and liability sides of their businesses. During the last two years, we've developed our farming product and gained regulatory approval across the US so now it is ready for market.

Although Liberty Specialty Markets writes the mortality insurance for a wide range of equine risks, we are one of very few carriers who also provide for the wider business in terms of liability cover and farming risks. While the Lloyd's market as a whole tends to be keen on mortality cover, it shies away from farm-based risks. Our balanced portfolio and our appetite allows us to do both, and we find our farming clients appreciate being able to place all their risks with a single insurer rather than having to canvass the market for different carriers.

Being present at the sale is a tremendous buzz but the Liberty Specialty Markets team has a job to do. Networking with brokers comes high on my list. We deal with a broad mix of broking houses – from the likes of Aon, Marsh and Willis

with a considerable number of high net worth clients, to smaller, specialist agents focusing solely on equine insurance. Unsurprisingly, the city of Lexington is home to more specialist equine agencies than any other part of the US. When I'm in town for the sale, I will endeavour to meet as many of these producers as possible, often meeting their end-clients, who relish the opportunity to meet their insurer.

One of the most delightful aspects of underwriting equine risks is that clients are truly passionate about their horses. There's nothing they like more than to talk about their animals, share a few photos, tell some war stories. As an underwriter, these meetings bring the risks to life and allow us to fully comprehend the depth of our clients' involvement with their horses. That's something many other underwriters never get the chance to do.

Ultimately, for a team of equine specialists like Liberty's, – 12-strong in the UK and US – Keeneland represents a chance to take the pulse of not just the global horse market, but also economic confidence in its broadest sense. Back in 2009, when the credit crunch made itself felt, sales dropped sharply at the sale. 2008's \$325m total sales fell to just \$191m the following year. Clearly, the wealthy felt less disposed to part with their money. This dip lasted for 4–5 years, but by 2017 the figures topped \$300m once more.

Across the highway at the airport, a succession of flawlessly groomed yearlings make their way aboard a range of jets. Seasoned sale watchers count the planes as they depart to make their assessment of just how successful this year's event has been. Back at the sale's grounds, Liberty's team of underwriters pack up their laptops and prepare to return to base in Richmond, Virginia. It's been another tiring but successful year. The Keeneland Yearlings Sale is back with a vengeance. ■

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