

GLOSSARY (BOLD TERMS ARE DEFINED)

Claims Made Policy – covers claims made or reported during the policy period for medical incidents that happened on or after the policy **Retroactive Date** (as set forth in the policy Declarations Page).

Extended Reporting Endorsement (Tail Coverage) – This coverage allows the Insured to report claims first made after the policy termination date. However, such claims must result from a medical incident that happened on or after the **Retroactive Date**, but prior to the policy termination date. Some carriers waive the additional premium for this coverage in the event of an Insured's death, disability or permanent retirement (i.e. DDR provision).

Limits of Liability – The maximum dollar amount a liability policy will pay on behalf of an Insured. Limits are usually stated as a per occurrence/claim amount and an annual aggregate amount. The per occurrence/claim amount is the amount the carrier will pay for each occurrence or claim arising during the policy term. The aggregate limit represents the total amount the carrier will pay for all occurrences/claims arising during one policy period. For example, if you have a policy with limits of \$1,000,000/ \$3,000,000 and the carrier pays a \$500,000 claim which arose during the policy period, the carrier will only pay up to \$2,500,000 more with respect to the same policy period.

Modified Claims Made Policy – Same as claims made, except coverage will continue for claims made after the Insured terminates the policy that arose out of a medical incident that happened during the coverage period (**Retroactive Date** through termination date).

Occurrence Policy – Covers claims based on medical incidents occurring during that policy year, regardless of when the claim is actually made.

Prior Acts Coverage – Similar to an **Extended Reporting Endorsement** or **Tail Coverage**, this coverage allows the Insured to report claims arising from events that happened after the **Retroactive Date** but prior to the effective date of the Insured's current policy. Prior acts coverage is offered by the Insured's new carrier when coverage is purchased under a new policy. In contrast, **Tail Coverage** is provided by the prior carrier and allows the reporting of claims after the expiration of coverage with that carrier.

Retroactive Date – Generally listed on the declarations page of a claims made policy, this is the date after which an incident must have happened in order to be eligible for coverage under the policy. Typically, the date the claims made policy was first purchased.

Tail Coverage – See definition of “**Extended Reporting Endorsement**.”

Policy terms are very important!

- Is Tail Coverage *Unlimited*?
- Is defense *Outside* the Limits?
- Are you *Sharing* the Limits?
- Policy Exclusions

Beaumont

Beaumont Physicians Insurance Company
(BPIC)

Beaumont Service Center-433-5B
26901 Beaumont Boulevard
Southfield, MI 48033-9805

Phone (947) 522-1040
Fax (947) 522-1041

Email: BPIC@beaumont.org

Beaumont Physicians Insurance Company
(BPIC)

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CLAIMS MADE MODIFIED CLAIMS MADE OR OCCURRENCE POLICY TYPE

What are the practical differences between the policy types?

Features of a Claims Made policy:

- Cover claims made or reported during the policy period for medical incidents that happened on or after the policy **Retroactive Date**.
- Coverage can be triggered by either a demand being made (“demand trigger”), or by an incident that happened that is likely to result in a claim being made (“incident trigger”); the difference between these can result in confusion if not properly understood and further result in a denial of coverage.
- Claims made and reported policies also require that a claim or incident be reported to the carrier within the same policy period as it was made; failure to do so can result in the carrier denying coverage.
- Generally inexpensive the first year and gradually increases or steps-up over a period of time (typically 5 yrs) to a “mature” claims made premium.
- If changing insurers, secure **Prior Acts Coverage** by maintaining your **Retroactive Date**.
- Requires the purchase of an **Extended Reporting Endorsement** or **Tail Coverage** to ensure that claims reported after termination of the policy are covered, resulting in less flexibility when transferring from employment or moving to a new geographic location. There are certain situations when free Tail Coverage may be available (ie. DDR provision).

Features of a Modified Claims Made policy:

- Similar to claims made, except coverage will continue for claims made after the Insured terminates the policy that arose out of a medical incident that happened during the coverage period (**Retroactive Date** through policy termination date).
- Premium is based on the “mature” claims made premium from the onset as it includes “pre-paid” tail premium so there is no additional expense at policy termination.
- Easy transition when leaving employment or moving to a new geographic location since there is no additional tail premium.

Features of an Occurrence policy:

- Although not offered by BPIC, Covers claims based upon medical incidents occurring during that policy year, regardless of when the claim is actually made.
- Each policy year has a new limit of coverage, so if an incident occurs in a different year than that in which another incident occurred, a separate limit applies.
- Generally more expensive than claims made coverage, at least until the claims made policy reaches “maturity” (typically 5 yrs).
- The policy limits stay in place after termination, with respect to alleged errors occurring during the policy period allowing for flexibility upon leaving employment or moving to a new geographic location.
- No **Tail Coverage** is required as this policy allows for reporting of claims subsequent to policy termination.

THE APPLICATION AND UNDERWRITING PROCESS

Ensuring that your insurance application has all the correct information may prevent delays during the underwriting process. Information sought by carriers to assess risk and determine premiums includes the following:

- Training
- Degree
- Specialty
- Number and type of surgeries performed
- Years in practice
- Practice location
- Group affiliation
- Hours worked (part or full time)
- Professional program membership
- Prior claims:
 - How many?
 - How long ago?
 - How much paid?
- Current carrier
- Policy type
- Limits of coverage desired
- History of alcohol or drug abuse
- Full time in emergency room

BPIC also offers **Information Security and Privacy Insurance** to physicians on Beaumont staff. Traditional insurance policies exclude this risk and many privacy policies provide an inadequate solution to the unique challenges posted by data breaches. With premiums as low as \$390 per physician, contact BPIC today for a quote!