

FAQ'S: CLAIMS-MADE VS. OCCURRENCE POLICIES

WHAT IS A CLAIMS-MADE POLICY?

A claims-made policy generally protects you if named in a practice-related legal proceeding (ex. a lawsuit) if both the legal proceeding/"claim" is "made" against you and the psychiatric service was provided during the policy period.

The limits of liability in effect at the time when the legal proceeding is filed will apply. Also, the premium generally increases annually over five years when it matures (eight years in New York).

Generally, if you cancel your policy, you should consider additional coverage to extend the reporting period – commonly called a "tail coverage". Premium for tail coverage may be waived in cases such as retirement, longevity with the program, death or permanent disability.

WHAT IS AN OCCURRENCE POLICY?

An occurrence policy protects you in a practice-related legal proceeding as long as the policy was active at the time the treatment or incident occurred, regardless of when the legal proceeding is filed.

The limits of liability in effect at the time of the "occurrence" will apply. Also, the premium generally does not automatically increase each year like the claims-made policy (unless discounts change).

DO I NEED TAIL COVERAGE WHEN AN OCCURRENCE POLICY IS CANCELED?

No – should you cancel your policy, you do not need to buy tail coverage with an occurrence policy.

HOW DO I CHOOSE BETWEEN A CLAIMS-MADE AND OCCURRENCE POLICY?

Starting a new practice? Weigh the options.

If you are unsure of how long you will need a policy (ex. private practice not staying open long), you may consider an occurrence policy. The projected premium for tail coverage and claims-made policy after one year is usually more expensive than an occurrence policy active for only one year.

If you think you will maintain a policy for at least a decade (ex. the rest of your career), you may consider a claims-made policy. Tail coverage premium may be waived if you cancel a claims-made policy (do not simply let it expire) after certain circumstances. You should be certain with your projections because, if plans change and you do not qualify for a waived tail coverage premium, your tail coverage payment may be expensive.

HOW DO I CHOOSE BETWEEN A CLAIMS-MADE AND OCCURRENCE POLICY?

Moonlighting outside of a residency or fellowship program? An occurrence policy is the lone option in most states, but discounts up to 80% may be available.

While it is true that your choice may be limited, given that many of our insured clients' moonlighting positions only last a year or two until residency graduation, the occurrence policy allows you to avoid tail coverage premium.

Switching insurance companies? It depends on your current policy.

If you are canceling a claims-made policy, insurers' tail coverage premium can be expensive, so you may consider

transferring your retroactive date (date coverage begins) to another claims-made policy. This means claims you would have reported to your old insurer may now be reported to your new insurer. Instead, you may technically purchase an occurrence policy, but you will also need to add prior-acts coverage. The prior-acts and occurrence policy premium is usually expensive.

If you are canceling an occurrence policy, the choice is yours. If you choose a claims-made policy, please remember tail coverage will eventually be needed.

Have another scenario? Practices and policies can be...interesting, and your situation may be unique. The good news is PRMS is also unique, so we encourage you to [ask PRMS](#) any questions as it relates to your practice and which policy is right for you. For more information, visit our webpage on [Claims-Made and Occurrence Policies](#).

Compliments of:



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