



Understanding Your Professional Liability Insurance Protection

If you are not completely comfortable with how your claims-made professional liability insurance policy protects you against malpractice claims – you are not alone.

Most Errors & Omissions insurance policies are provided using a “Claims Made and Reported” Policy form.

A claims-made insurance policy provides protection for covered claims that arise during the **current policy year** prompted by services provided any time AFTER the **prior acts date**.

Policy Elements:

The prior acts date is shown on the first page of the policy. If a claim arises from services provided before that date, it will not be covered. Your prior acts date should not change when you renew or replace your coverage.

The current policy year is the effective date and expiration date shown on the first page of your policy. These dates change each year when you renew your policy.

The Policy Limits are shown on the declaration page of the policy. Example: \$250,000 / \$750,000.

The first amount is the most that can be paid for a single claim in a policy year. The second amount is the most that can be paid for all claims during the current policy year. The cost of defending the claim is usually included within these limits. However, you may be given the option, at the time that you apply for insurance, of whether you want defense costs provided in addition to your policy limits.

Observation:

Because a Claims Made policy protects you for covered claims presented during the current policy year - regardless of when the incident occurred that prompted the claim (*providing it was after the prior acts date shown on your policy*) - you could have a problem when several claims are presented during a single policy year and your total policy limits for that year prove to be inadequate, or your single claim limit is not enough.

Leverage Your Protection

Increasing your policy limits has a positive impact beyond the current policy year. When you increase your limits today, the new limits may stretch back in time beyond the current policy year because they apply to services you have provided since your prior acts date. Check with your current insurance company to confirm this benefit.

Why is this a good Idea ?

It is distinctly possible - because of the way claims-made coverage works - that incidents from a number of years of practice could give rise to claims during the same coverage year, straining even substantial limits. It makes sense to take advantage of both the leverage and the cost-effectiveness of higher limits.

Higher Limits are Cost Effective

For a nominal premium you should be able to increase your policy limits. To find out more about this topic, contact your agent and ask about the cost of increasing your financial protection.

For More Information Contact:

The Herbert H. Landy Insurance Agency is the National Administrator for the Real Estate Agents & Brokers Errors & Omissions Insurance program