What is a Claims Made Policy?

Most policies (Automobile, General Liability, Property) are issued on an Occurrence basis; i.e., the policy that is in force at the time of the occurrence provides the coverage, regardless of when a claim is made.

Educator Professional Legal Liability policies are usually issued on a Claims Made basis; the incident must occur and the claim must be presented during the policy period. This is a significant limitation of coverage.

However, some companies are willing to establish a "Retroactive Date" prior to the policy inception date in order to afford coverage back to that date for unknown occurrences prior to policy inception. For example, the Retroactive Date may be five years prior to policy inception or the date that a professional liability policy was first issued. Some companies offer policies that provide "unlimited prior acts". All policies that include coverage for prior acts contain some sort of statement requiring that the acts were unknown or undiscovered.

If you plan to change Professional Liability insurance companies and are aware of any incidents that may lead to a future claim, we suggest that you report the potential claim before the current policy expires. Who needs to be aware of the claim in order to be excluded? Definitions vary by policy. Be sure to check with all department heads and principals.

Consider purchasing "tail" or "extended discovery". This coverage allows for discovery of claims after the policy expiration date. Most companies offer this coverage with a limited time period at an additional premium, but the coverage is expensive and must usually be purchased before the policy expires.