



Prior Acts or Extended Reporting Period (Tail) Coverage Which Do I Buy??

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When a physician leaves one practice and goes to another he/she is almost always faced with the question – *Do I purchase prior acts coverage from the new carrier or the extended reporting period (tail) coverage from the insurance company he/she is currently insured with?*

The real answer is – *well it depends!*

At first glance, from a cost standpoint, the answer would generally be prior acts coverage from the new insurance company but from a practical standpoint it might not be that easy.

When a physician joins a medical practice he/she is often required to sign an employment agreement that describes the date of hire, duties and responsibilities of the employee (physician) and the commitments of the employer such as compensation, time off, reimbursed expenses, benefits and information regarding the professional liability insurance.

The agreement should state who is responsible for paying for the coverage, the limits of liability required and the type of policy being purchased; i.e. claims made or occurrence coverage.

Under a claims made policy (most, although not all, policies in Florida are written on a claims made form) coverage only applies while the policy is in effect for incidents that occur on or after the physician's retroactive date. In the event of cancellation or non-renewal an extended reporting (tail) endorsement is typically offered by the insurance company. This endorsement extends the period of time the insured physician has to report claims after the policy has been terminated. The employment agreement should address this as part of the insurance program. Is the physician required to have this and if so, who pays for it?

If the employment agreement requires the terminating physician to purchase the extended reporting period (tail) coverage prior acts coverage may not be an option.

If the terminating physician isn't required by contract to purchase the extended reporting period (tail) coverage upon termination of employment, prior acts coverage may still not be an option. His/her new employer may not be willing to accept the risk exposures of his/her prior practice and he/she may again be faced with the need to purchase the extended reporting period (tail) coverage.

Here are some issues to consider when determining if you should purchase prior acts or extended reporting period (tail) coverage:

- Am I required by contract to purchase the extended reporting period (tail) coverage?
- Is my employer required by contract to purchase the extended reporting period (tail) coverage on my behalf?
- Will my new employer allow me to purchase prior acts coverage under their existing program?
- If the new employer allows you to purchase prior acts coverage are the limits equal to or greater than the limits you previously carried? If not, are you comfortable with the lower limits? Is the coverage comparable to coverage under your previous policy?

Once these questions have been answered you should be in a better position of making a conscience business decision!

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