

PROTECTING YOUR DENTAL PRACTICE

by

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All those years in school and the substantial costs associated with the degree that hangs on your wall were assumed because you dreamed of becoming a doctor of dentistry. Your hands have been trained to treat and heal humanity, and your equipment is top notch and in keeping with the technological wonders that the industry can offer. Your staff has been hand picked to represent your philosophy and you include your employees when attending educational seminars. You are the envy of your fellows, have a great family and live in a beautiful home. So how are you protecting all that you've achieved? Just what do you know about your dental liability insurance coverage? The truth is it's what you **don't** know about professional liability insurance that can easily take away everything you've worked so hard to build.

Dental professional liability insurance, also known as dental malpractice insurance, is one of the most important components of your practice. Many dentists are uncomfortable with the thought of a lawsuit, yet they place themselves in jeopardy of losing their dream because they don't have a good understanding of malpractice insurance options. While your dental school may have provided some information about professional liability insurance, you probably received only a brief overview of this very important topic. As such, I would

like to take this opportunity to provide you with a refresher of some basic, but key details of the professional liability insurance that is available to you.

Dental professional liability insurance (malpractice) is customarily written on either a "claims-made" or an "occurrence" basis.

CLAIMS-MADE COVERAGE

"Claims-Made" coverage provides protection for claims that arise and are reported while a policy is in force. You are covered up to the policy limits in effect at the time the claim is reported. Remember, you are only covered if the claim is actually filed while a policy is in force.

To be protected for claims that are reported **after** the policy has been cancelled, you must purchase an **Extended Reporting Period Endorsement** ("tail coverage") or obtain similar protection from a subsequent carrier.

Tail coverage is a supplement to a claims-made policy and provides coverage for any incident that occurred while the claims-made insurance was in effect, but had not been brought as a claim by the time the insurer-policyholder relationship terminated. Tail coverage is generally necessary whenever a doctor covered by a claims-

made policy does not continue an active policy. Remember, a claims-made policy must continue “in force” to provide protection, or be replaced by tail coverage.

Example: A doctor had a claims-made policy in effect from April 1999 to April 2006, at which time the policy was not renewed and tail coverage was not purchased. In March of 2007, a patient, treated in 2005, filed a claim against the doctor. The insurance company would not defend the doctor because the claim was not reported during the policy period.

When you elect to change claims-made insurance carriers, retroactive coverage (**Prior Acts Coverage**), which is similar to “tail coverage,” should be obtained to cover your exposure from your first day of claims-made coverage. This day is what is known as your “retro” date and will appear on the Declaration Page of your policy.

Prior Acts Coverage is a supplement to a claims-made policy and may be purchased from a new insurance carrier when a doctor changes insurers and had claims-made coverage with a previous company. A prior acts policy, also known as “**nose**” coverage, covers incidents that occurred prior to the beginning of the new insurance relationship, but for which no knowledge of any claim possibility exists.

Example: It is March 2009 and a dentist has claims-made coverage with ABC Insurance Company, with a policy inception date of April 1, 1999. The doctor decides to non-renew her current policy and applies to XYZ Insurance Company. She would like her new policy to be retroactive to her first day of claims-made coverage, so she requests supplemental “Prior Acts

Coverage” with a “retro” date of April 1, 1999. XYZ Insurance Company approves her application and the dentist’s policy is issued with an effective date of April 1, 2009 and a retro date of April 1, 1999. In June 2009, a claim is filed against the doctor by a former patient treated in January 2008. Because her new policy has a “retro” date of April 1, 1999, the XYZ Insurance Company will defend the doctor.

OCCURRENCE COVERAGE

“**Occurrence**” coverage provides protection for claims that may arise from incidents which occurred while a policy was in force, regardless of when a claim is reported, even if the policy is no longer in force. You are covered up to the limits of the policy in force at the time the alleged incident took place. Again, an occurrence policy will cover claims whenever they are reported as long as the incident leading to the claim happened during the policy period.

Example: A doctor had an occurrence policy in effect from April 1999 to April 2006, at which time the existing policy was not renewed. In March of 2007, a patient, treated in 2005, filed a claim against the doctor. Since the doctor had an occurrence policy in effect in 2005, the company would defend the doctor, based on the 2005 coverage.

WEIGHING THE DIFFERENCES

Occurrence coverage offers long-term continuing protection, but the premium for this policy type is higher from the onset because it offers solid protection without the worry of possible gaps in coverage and additional cost of tail coverage. Occurrence rates are, in many instances, the basis for pricing of professional liability insurance.

Premiums in the first few years of claims-made policies are lower than occurrence coverage, making them an attractive option for dentists just starting a practice. The premium will increase each year until it reaches “maturity,” usually from three to five years, depending upon the insurance carrier and the state.

The next time you have a few free minutes, pull out your current professional liability

policy and give it a review. If you need help understanding the details, call your agent and ask questions. Your agent is an expert in this line of insurance and is happy to explain. And, remember that no matter which type of policy you choose for your practice, the premium is a bargain compared to the high costs of defending a malpractice lawsuit and paying for claims out-of-pocket.



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