

CLAIMS-MADE VS. OCCURRENCE-BASED INSURANCE: WHY YOU SHOULD BE CONCERNED



An occurrence errors and omissions (E&O) insurance policy provides coverage for damage that occurs during the policy period, regardless of when the claim is made or suit is brought. As a result, you could have an incident, such as a faulty installation problem, that is discovered years from today and still have coverage. This is the most favorable type of coverage trigger available in the insurance marketplace today.

A FEW OF OUR COMPETITORS PROVIDE CLAIMS-MADE E&O INSURANCE.

CLAIMS-MADE E&O POLICIES ARE FAR MORE RESTRICTIVE.

Under a typical claims-made policy, a claim must be both made and reported during the policy period before coverage will exist. In some instances, the incident causing the claim must also take place after the designated retroactive date in the policy. These are three critical tests that if failed, can cause the insurer to deny coverage.

Additionally, a claim is often defined not only as a lawsuit, but any formal demand for money or services. Therefore, even the most inconsequential incident must be reported to the insurer in case they give rise to a suit, or it may later cause the claim to be denied. In the most extreme cases, claims-made policies may even require that an insured report circumstances that may give rise to a claim.



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As a result of all these potential pitfalls, many brokers won't sell claims-made insurance if occurrence coverage is available. And if they do, most state regulators require those brokers to provide customer disclosures so the insured has been made aware of the potential shortcomings and pitfalls.

Finally, seldom is E&O sold without also including general liability insurance. This is because often a single claim will have both general liability and E&O components. When the E&O is on a claims-made basis, and the general liability is on an occurrence basis in the same policy, this can result in conflicts with your insurers as to which years' policy applies to a single claim. Worst case scenario, no insurer will step up to defend or indemnify for the claim.

Security America RRG provides occurrence-based general liability and professional errors and omissions insurance. Get a free, no-obligation quote from Security America and see how much money you could be saving.

Security America RRG provides broad occurrence-based E&O protection in conjunction with a tailored general liability insurance program to ESA members. For additional information or to request a quote, visit SecurityAmericarrg.com or call 866-315-3838 to speak with a representative.

