



TAIL COVERAGE 101

By now I'm sure many of you have heard stories from physicians in utter shock and disbelief when they received their Extended Reporting Period Policy (tail) quote. Most carriers use a factor of 2.25 of the ongoing premium and is not negotiable. The days of old where one had to purchase their tail from their incumbent are gone. Many carriers now offer stand alone tails at discounts from 10 to 25% depending on venue, specialty and claims history. This article will be a quick review of tail, what it does, who and when it needs to be purchased.

What is an Extended Reporting Period Policy

Extended Reporting Period Policies are designed to cover claims reported after the termination of a practitioner's expiring claims made policy. They cover unknown claims that can occur after the termination of the ongoing claims made policy. Over 90% of medical professional liability claims are reported to an insurance company within 48 months of an "incident". Due to this risk of a future claim being made against you tail coverage is necessary to protect yourself.

Physicians

Physicians leaving a group practice or discontinuing private practice is the most common time when one needs tail. It is highly recommended to call an advisor to ask about options. Applying is simple, copy of last long app, declaration page and current loss runs from the incumbent carrier is usually enough information to receive various offers.

Group Practices

When group practices hire new physician (s) or acquire other groups the cost of tail can be exorbitant. Some groups decide to take on these new hires and provide prior acts in order to save a few dollars from purchasing tail. What this does is invite claims from the previous practice which now becomes a part of your group's claims history. It's highly recommended walling off the prior acts and purchasing a one time tail. The new hires start with a clean slate and begin with a first year claims made policy, relatively inexpensive.

Factors in determining best carrier for stand alone policies

With the collapse of numerous carriers, it's crucial to find A.M Best A rated carriers to facilitate these lifelong policies.