

Claims-made Policies

What You Should Know

What is a Claims-made Policy?

Claims-made policies respond to claims reported during the term that the policy is in effect, provided that the act, error or omission giving rise to the claim occurred on or after the Prior Acts Retroactive Date. The Retroactive Date, not the inception date of the policy, determines coverage. Any claim reported during the policy period arising from an act or omission that occurred before the Prior Acts Retroactive Date is not covered. Please refer to the specific terms of conditions and exclusions of the policy.

The claims-made rate is determined by the number of years of prior acts coverage to be provided. This results in a “stair-step” structure for rating premiums and is the industry standard. Because of this, renewal premiums may increase each year until the mature rate group is reached. If your quotation reflects “Full Prior Acts” coverage, the “stair-step” rating structure will not impact your renewal premiums. This rate structure increase is separate from actual rate changes. If you have questions regarding how the “stair-step” rating may affect your policy, please feel free to contact your Account Manager at 1-800-422-1370 or (612) 341-4530.

Once your claims-made policy expires, you no longer have coverage for new claims reported, even if you had a policy in force at the time of the alleged error. Generally, there are two ways to continue prior acts coverage:

1. If you are changing carriers, you should consider requesting the same Prior Acts Retroactive Date that you had on your previous policy from the new carrier.
2. If the new carrier is not willing to provide prior acts coverage, the firm may purchase an Extended Reporting Period Endorsement from the expiring carrier.

Once your claims-made policy expires, you no longer have coverage for new claims reported.

The Extended Reporting Endorsement extends the time in which you can report claims under the expired claims-made policy. There is a limited time in which you can exercise the option to purchase the Extended Reporting Period Endorsement.

The Extended Reporting Period Endorsement renewal options and other provisions are explained in your policy. This endorsement covers claims only if the act, error or omission giving rise to the claim occurred after the Prior Acts Retroactive Date and prior to the expiration date of the policy.

How Claims-made Rates are Determined

