

Introduction to Medical Malpractice Insurance

Module 1

Understanding legal protection for healthcare professionals

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Malpractice defined

Purpose of Medical Malpractice Insurance

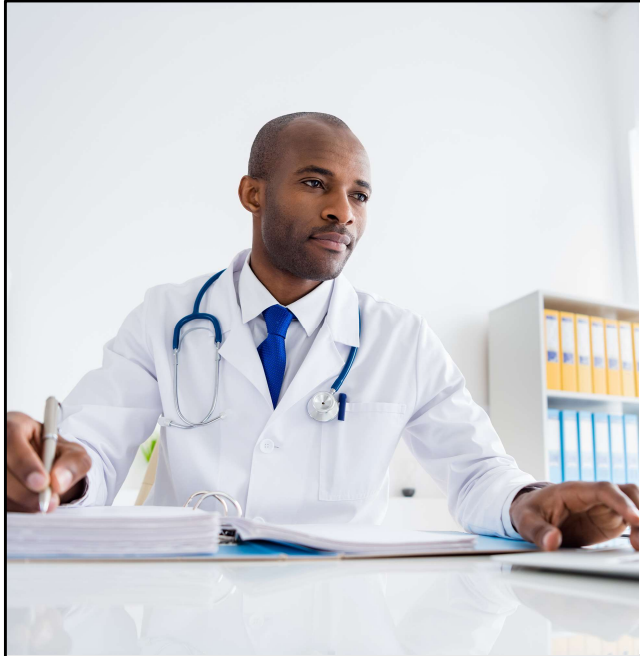
- Protects healthcare providers from financial losses due to lawsuits and claims alleging negligence or errors in care.

Financial security for providers

- Ensure continuity of practice and prevents financial ruin, including bankruptcy and loss of license.

Maintaining patient trust

- Reassures patients that providers are accountable and that mechanism exist for redress in case of harm.



Importance in clinical practice

Protection for Healthcare Providers

- Medical malpractice insurance safeguards clinicians' professional and financial interests from potential lawsuits.

Credentialing and Employment

- Hospitals require proof of malpractice insurance before credentialing or employing healthcare practitioners.

Risk Management Support

- Insurance encourages adherence to best practices and offers legal and educational resources to reduce claims.

Significance in High-Risk Specialties

- Malpractice insurance is especially critical in high-risk fields like surgery and obstetrics due to greater risks.

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Malpractice: policy types



TYPES OF MEDICAL MALPRACTICE INSURANCE

CLAIMS-MADE POLICY



Coverage applies only if the claim is made while the policy is active (and the incident happened after the retroactive date).

Key feature:
Requires tail coverage when you stop practicing or switch insurers

OCCURRENCE POLICY



Coverage applies to any incident that happened during the policy period, even if the claim is filed years later.

Key feature:
No need for tail coverage

TAIL COVERAGE (EXTENDED REPORTING)



An add-on for claims-made policies that lets you report claims after the policy ends

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The “subscription” analogy



Claims-Made: “You’re covered only while you’re subscribed.”



Occurrence: “You’re covered forever for what happened during your subscription.”



Tail Coverage: “Buying extra time on your subscription”

Claims Made: Defined

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Claims Made Policy

What it means: Coverage applies **only if the claim is made while the policy is active** (and the incident happened after the retroactive date).

Think of it like: A subscription service—if you cancel, you lose access unless you buy “tail coverage.”

Key feature: Requires **tail coverage** when you stop practicing or switch insurers to cover future claims for past incidents.



Claims-made considerations

Coverage Conditions

- Claims-made policies cover claims made during active policy and incidents during coverage period.

Tail Coverage Importance

- Tail coverage extends protection after policy expiration and is vital for career changes or retirement.

Cost Considerations

- Claims-made policies are initially less expensive, but tail coverage costs can be significant.

Risk Management

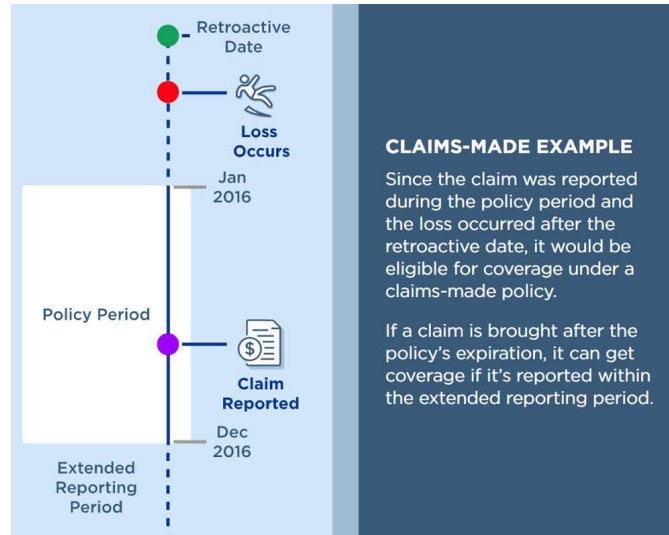
- Understanding claims-made policies ensures better risk management and financial planning.

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- Claims-made policies provide coverage for claims filed during the active policy term, as long as the incident occurred while the policy was in force.
- This structure differs from occurrence-based policies, making it essential for professionals to understand the timing requirements for both claims and incidents.
- Tail coverage plays a critical role in maintaining protection after a policy expires, especially during career transitions, retirement, or when switching insurers.
- Without tail coverage, professionals risk being exposed to claims arising from past services.
- While claims-made policies often start at a lower premium compared to occurrence policies, the cost of tail coverage can be substantial—sometimes amounting to several times the annual premium—so budgeting for this expense is key.
- Ultimately, understanding how claims-made coverage works, including its limitations and cost implications, is vital for effective risk management and long-term financial planning.

Claims Made Policy and Reporting-example



10

Source: The Hartford [Comparing A Claims-Made vs. Occurrence Policy | The Hartford](#)

What Is a Claims-Made Policy?

Insurance companies commonly write policies on a claims-made form. This means your insurer helps cover claims filed during your policy period.

There are two features of a claims-made policy that can affect coverage:

Retroactive date: Your policy provides coverage if an incident occurs on or after a specified date. Let's say you have [professional liability insurance](#) written on a claims-made policy. Your coverage starts in January 2021 and has a November 2019 retroactive date. If your client sues you in February 2021 for an event that occurred in December 2019, your insurer can help cover the claim because it happened after your retroactive date and the claim got reported during your policy period.

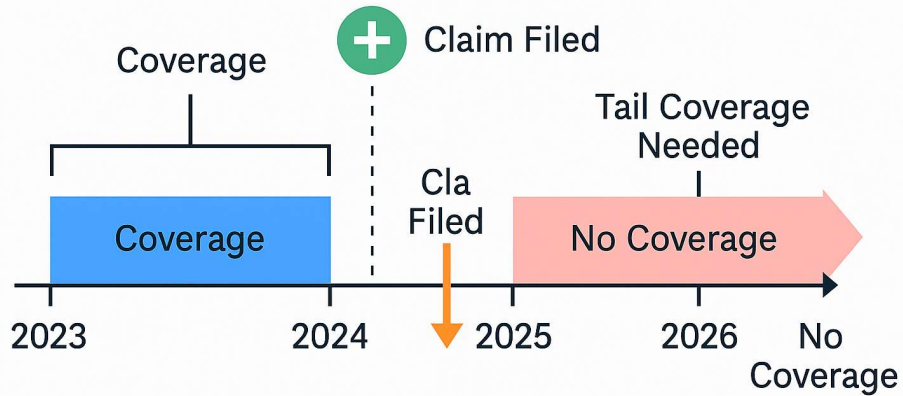
Extended reporting period: This helps cover claims made during a specified time after your policy expires. Generally, it lasts between 30 and 60 days. So, if your policy expires in December 2021 and you have a 60-day extended reporting period, your insurer can help cover claims reported in this window. This is also known as [tail coverage](#).

It's important to remember that a claims-made policy covers your business only if the claim is:

- Filed during your policy period or within your extended reporting period
- For a loss occurring on or after your retroactive date

Claims-Made Policy Example

CLAIMS-MADE POLICY



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Blue section (2023–2024): Active coverage period.

Claim filed in 2025: Outside the active policy period → **No coverage unless tail coverage is purchased.**

Red section (2025 onward): Gap where tail coverage is needed.

Claims made – key terms

Retro date

- A retroactive date defines **how far back in time a loss can occur for your policy to cover your claim.** A retroactive date defines **how far back in time a loss can occur for your policy to cover your claim.**

Nose

- Nose coverage is a **feature of claims-made insurance that covers a mistake or oversight you made while insured under a previously terminated policy.**

Tail

- **Permits an insured to report claims** that are made after a policy period has expired or has been canceled provided the wrongful act giving rise to the claim took place during the policy term.
- **Provides coverage** for a claim which occurred after the inception or retroactive coverage date of the policy and is reported to the insurance company while the policy or any replacement policy is still in effect.

Tail coverage defined

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Tail coverage – extended reporting



What it means: An add-on for claims-made policies that lets you report claims **after the policy ends**.



Think of it like: Buying extra time to report problems after your subscription ends.

Tail coverage



What is tail coverage?

Extended Reporting Period
Add on



Why is needed?

Switch insurers
Retire
Leave a job



Key Features

Duration
Cost
Trigger

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Tail coverage, also called an **Extended Reporting Period (ERP)**, is an **add-on** that allows you to **report claims after the policy ends** for incidents that happened while the policy was active. It does **not** cover new incidents after the policy ends—only claims arising from past work.

If you **switch insurers, retire, or leave a job**, you might lose the ability to report claims under your old policy. Without tail coverage, you could be personally liable for lawsuits filed after your policy ends.

Duration: Can be 1 year, 3 years, 5 years, or even unlimited.

Cost: Often **100%–300% of the expiring premium** (because risk continues without new premiums).

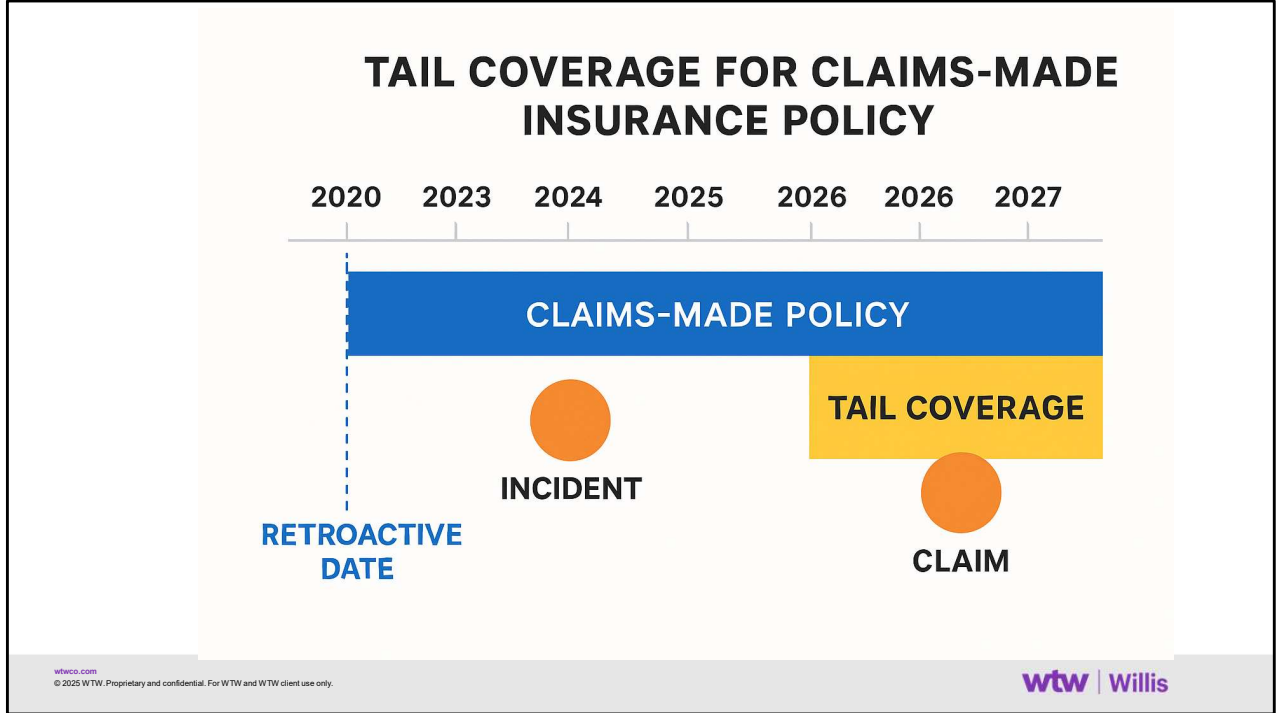
Trigger: Must be purchased **when the policy ends**—usually within 30–60 days.

Example Scenario

Tail coverage

- A doctor has a claims-made policy from 2020–2025.
- A patient sues in 2026 for a surgery done in 2024.
- If the doctor **didn't buy tail coverage**, the claim is **not covered**, even though the incident happened during the policy period.





Blue bar = Active claims-made policy period (2020–2025). **Retroactive date** = Start of coverage for incidents. **Orange circle (Incident)** = Event occurs during policy period. **Yellow bar (Tail Coverage)** = Extended reporting period after policy ends (2026 onward). **Orange circle (Claim)** = Claim reported after policy ends, covered only because tail coverage was purchased.

Nose coverage defined

Nose coverage

Also called, "Prior Acts Coverage"



Nose coverage is purchased **from a new insurer** when you switch from one claims-made policy to another.



It allows the new policy to **cover past acts** (incidents that occurred before the new policy started), as long as the claim is reported during the new policy period.

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How It Works

Instead of buying tail coverage from your old insurer, you negotiate nose coverage with your new insurer.

The new insurer sets a **retroactive date** that matches your original policy's retroactive date. This way, your coverage history continues seamlessly under the new policy.

Why Choose Nose Coverage?

Often **less expensive** than tail coverage.

Keeps everything under **one policy** going forward.

Simplifies administration and claims handling.

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Example



You had a claims-made policy from 2020–2025.



You switch insurers in 2025.



Instead of buying tail coverage from the old insurer, you buy nose coverage from the new insurer.



The new policy retroactive date = 2020, so claims for incidents from 2020 onward are covered.

Tail coverage vs. nose coverage

Key Differences from Tail Coverage

Feature	Tail Coverage	Nose Coverage
Who provides it?	Old insurer	New insurer
When purchased?	At the end of old policy	At the start of new policy
Coverage type	Extended reporting for old acts	Full coverage for old acts under new policy
Cost	Often 100–300% of expiring premium	Usually cheaper than tail coverage

Retroactive date: defined

Claims made and the retroactive date

What is the retroactive date?



It's the **earliest date an incident can occur and still be covered** under your claims-made policy.



Think of it as the **starting line for coverage**—anything that happened before this date is **not covered**, even if you have a current policy.

Why it matters

If you switch insurers or start a new policy, the retroactive date determines whether past work is protected.



Example:



Retroactive Date: January 1, 2020



Policy Active: January 1, 2023



A claim filed today for an incident in **2019**? **Not covered.**



A claim for an incident in **2021**? **Covered**, because it's after the retroactive date.

Key points



Claims-Made Policies: Retroactive date is essential.



Occurrence Policies: Do **not** use retroactive dates (coverage is based on when the incident occurred).



Tail Coverage: Extends reporting time, but only for incidents **after the retroactive date**.

Tip: Always confirm the retroactive date on your declarations page—it's the key to protecting your past work.

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Yes, in many cases you **can negotiate the retroactive date**, but it depends on the insurer and your situation:

How Negotiation Works

When starting a new policy: You can request the retroactive date to match your original coverage start date (from a previous insurer) so past work remains covered.

When switching insurers: Most carriers will honor your prior retroactive date if you provide proof of continuous coverage.

When buying tail coverage: The retroactive date stays the same—it doesn't change—but you extend reporting time.

Factors That Affect Negotiation

Continuous Coverage: If there's a gap in coverage, insurers may refuse to keep the old retroactive date.

Risk Profile: High-risk specialties or prior claims can make insurers less flexible.


Cost: Extending retroactive coverage often increases premiums.

Tip: Always confirm the retroactive date on your declarations page—it's the key to protecting your past work.

Occurrence Policy: Defined

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Occurrence policy considerations

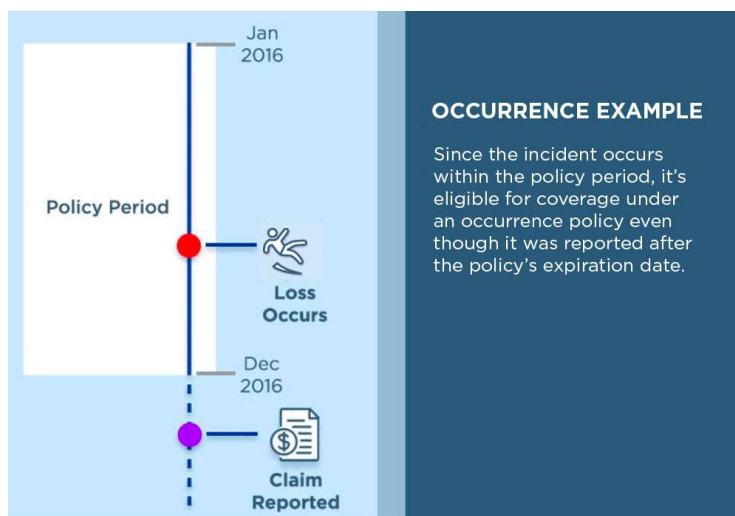
- Coverage Based on Incident Timing**
 - Occurrence policies cover incidents during the policy period regardless of when claims are filed, ensuring lasting protection.
- No Tail Coverage Needed**
 - Unlike claims-made policies, occurrence policies eliminate the need for tail coverage, simplifying insurance management.
- Higher Upfront Cost**
 - Occurrence policies generally have higher initial premiums due to their extensive liability coverage over time.
- Benefits for Long-Term Practice**
 - These policies benefit providers expecting stable practices by reducing transition complexities and ensuring comprehensive coverage.

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- Occurrence policies provide coverage for incidents that happen during the policy period, regardless of when a claim is filed, offering lasting protection.
- Unlike claims-made policies, they eliminate the need for tail coverage, simplifying insurance management and reducing future administrative burdens.
- While these policies typically come with higher upfront premiums due to their extended liability coverage, they are especially advantageous for providers with stable, long-term practices.
- By minimizing transition complexities and ensuring comprehensive protection, occurrence policies deliver peace of mind for those planning sustained careers.
- Provides coverage for a claim that occurred during the policy period regardless of when the claim is reported to the insurance company.

Occurrence Coverage- example



29

Source: The Hartford [Comparing A Claims-Made vs. Occurrence Policy | The Hartford](#)

What Is an Occurrence Insurance Policy?

An occurrence policy provides coverage for incidents that happen during your policy period, regardless of when you file a claim. These policies can be more expensive than a claims-made policy because of how long coverage applies.

Let's say your business has commercial general liability insurance coverage written on an occurrence form. During your policy period, your customer breaks their arm after a slip and fall in your business. However, they don't report the incident until a year after your policy expires. Because they got hurt while your policy was in effect, the claim can still get coverage.

Do I Need Tail Coverage If I Have an Occurrence Policy?

No, you don't need tail coverage if you have an occurrence policy. That's because you'll get coverage for a claim if the incident occurred during the policy period – even if you're reporting claims after your policy's expiration date. So, tail coverage isn't needed.

Side by side comparison

Pros and cons of each policy type

Claims-Made Policy Advantages

- Claims-made policies are initially more affordable, ideal for early-career professionals or limited budgets.

Claims-Made Policy Disadvantages

- Requires costly and complex tail coverage upon termination, adding future financial burden.

Occurrence Policy Advantages

- Occurrence policies offer lifelong coverage for incidents during the policy period without tail coverage.

Considerations for Policy Choice

- Choice depends on career stage, financial resources, credentialing, portability, and future insurability.

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Claims-Made Policy Risks

Physicians retiring without tail coverage face personal liability for lawsuits filed after policy ends.

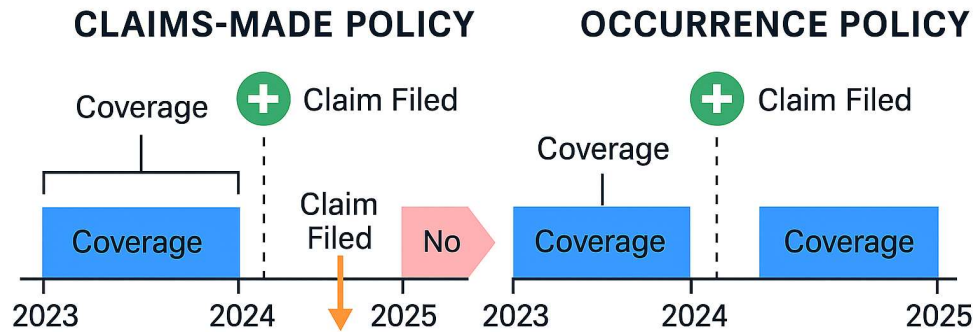
Occurrence Policy Benefits

Occurrence policies cover claims from incidents during active coverage, even if reported after retirement.

Importance of Coverage Planning

Understanding policy details and proactive planning prevent financial and legal vulnerabilities for physicians.

Comparison of Claims-Made vs. Occurrence Policies

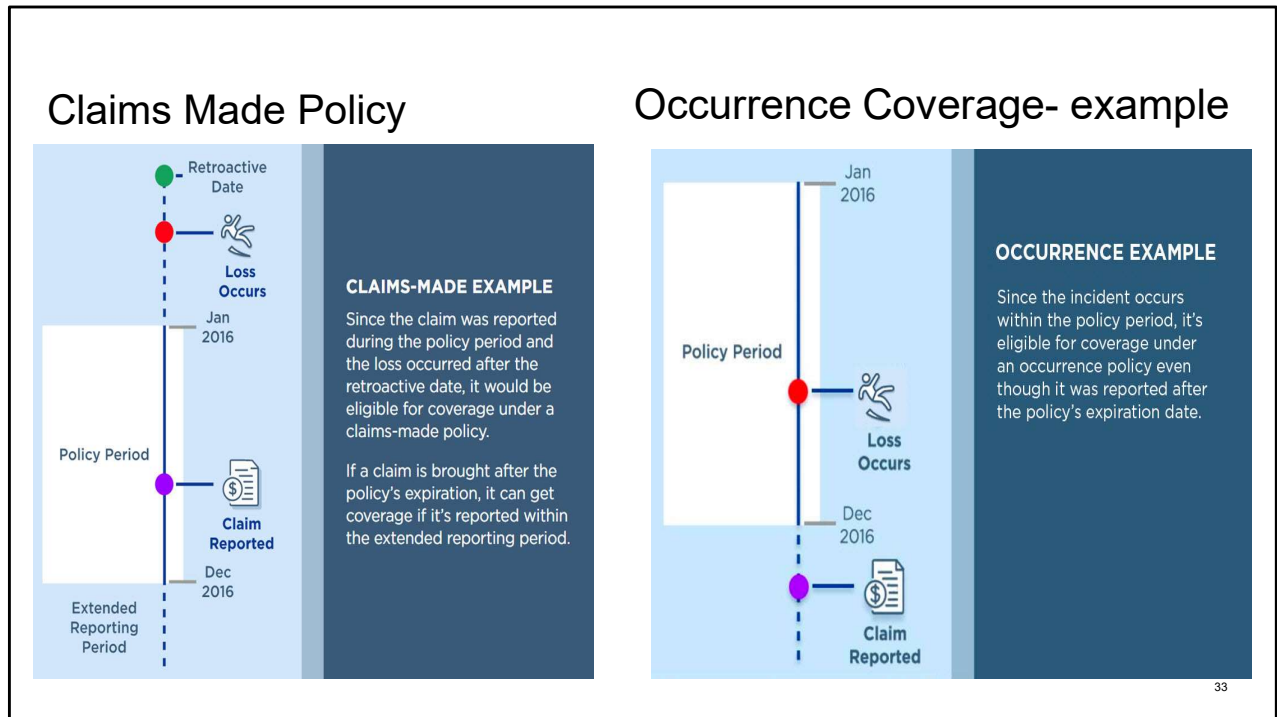


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Claims-Made Policy: Coverage only if the claim is filed during the active policy period (or with tail coverage).

Occurrence Policy: Coverage applies based on when the incident occurred, regardless of when the claim is filed.



Source: The Hartford [Comparing A Claims-Made vs. Occurrence Policy | The Hartford](#)

What Is an Occurrence Insurance Policy?

An occurrence policy provides coverage for incidents that happen during your policy period, regardless of when you file a claim. These policies can be more expensive than a claims-made policy because of how long coverage applies.

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Case Studies

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Example 1

A physician purchases a **claims-made policy** starting January 1, 2023, with a retroactive date of the same day.

If a malpractice incident occurs on **March 15, 2023**, and the claim is filed on **April 10, 2023**, the policy covers it because both the incident and the claim happened while the policy was active.

If the claim is filed in **2026** after the policy has expired, coverage will only exist if the physician purchased **tail coverage** (extended reporting endorsement).

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Example 2

A doctor insured under Carrier A with a claims-made policy from **2018 to 2023** moves to a new practice and switches to Carrier B in 2024.

If a patient files a claim in **2024** for an incident that happened in **2021**, Carrier B will not cover it unless the doctor purchased **prior-acts (nose) coverage** or Carrier A's **tail coverage**.

Without these, the physician is exposed to liability for past acts.

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Example 3

Claims-made premiums start low and increase annually for 5–7 years until they reach a mature level.

Example: A new physician pays \$3,000 in year one, \$6,000 in year three, and \$12,000 by year six. This gradual increase reflects growing exposure to past acts.

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Example 4

- A surgeon has a **claims-made policy** from **2015 to 2025**.

- In **2026**, the surgeon retires and cancels the policy.

- A patient files a malpractice claim in **2027** for a surgery done in **2024**.

Problem: The claim is outside the active policy period, so, there's **no coverage** unless the surgeon bought **tail coverage** when retiring.

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How do you decide your coverage?

Variables to consider



Organizational structure



Financial health



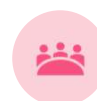
Types of risk



Risk-taking comfort level



Long-term mission and goals



Maturity of the risk management department and program

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When deciding on insurance coverage, a doctor should consider several key variables:

Type of Policy: Whether to choose a claims-made or occurrence policy, as this affects long-term liability and reporting requirements.

Retroactive Date: Ensures past work is covered under a claims-made policy.

Tail Coverage Needs: Important when retiring, changing jobs, or switching insurers to protect against future claims for past services.

Limits of Liability: Adequate per-claim and aggregate limits to match the scope of practice and potential exposure.

Specialty Risk Profile: Higher-risk specialties (e.g., surgery, obstetrics) may require higher limits or additional endorsements.

State and Employer Requirements: Compliance with local laws and hospital credentialing standards.

Cost vs. Coverage: Balancing premium affordability with comprehensive protection, including optional endorsements for cyber liability or regulatory defense.

Future Career Plans: Anticipating changes like retirement, relocation, or practice expansion to avoid coverage gaps.

Thank you

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