

PODIATRIC PHYSICIANS INSURANCE PROGRAM DEFINITIONS OF KEY PROGRAM TERMS



Rockwood Programs, Inc.

4001 Miller Road
Wilmington, DE 19802-1999
Tel: 800-365-0816 • Fax: 302-764-9125
www.rockwoodinsurance.com

Maintaining adequate professional liability insurance is a critical component of any Podiatric physician's overall risk management strategy. Unfortunately, healthcare professionals can become confused by the vast array of insurance choices available to them—especially when faced with unfamiliar coverages and complicated policy terms.

Here are some clear, concise definitions of the coverage terminologies used in the Podiatric Physicians Insurance Program:

1. Claims Made and Reported

The Podiatric Physician's Professional Liability Policy is written on a claims-made and reported basis. Under this type of form, you will be covered for claims brought against you during the policy period—regardless of when the underlying incident occurred. Two developments together trigger coverage:

- a claim is made against you; and
- you report the matter through the proper channels as a claim.

2. Duty to Defend

One element of the policy is a provision that the insurer has an obligation to defend the insured in a suit brought by a third party. For occurrences covered by the policy, a defense must be provided even if a suit is found to be groundless or false.

3. Defense Outside the Limits

Most professional liability policies include the costs of defense within the Limit of Liability. If the insurer spends a significant amount of the Limit on defense costs, there is a greater possibility that the remaining limit will not be enough to pay a court judgment. The insurer must inform the insured of this possibility, which leaves the insured's assets at risk for any judgment in excess of the insurance policy.

The Podiatric Physicians Professional Liability policy contains a Defense Outside the Limit (DOL) provision. Under this provision, the insurer has separate dollars to apply to defense costs, outside of the dollars available to pay for judgments and settlements. Although a DOL option will not make legitimate claims disappear, it does provide the insurance company with a better chance to mitigate frivolous and questionable claims.

4. The "Hammer" Clause

As a partner in the resolution process, policyholders work in tandem with our legal defense team in determining how best to handle a claim—negotiated settlement, court trial, or some other legal remedy. This collaborative approach helps ensure that the final decision will be mutually agreed upon by both the insurance company and the policyholder.

There may still be instances where the insured and the insurer may disagree on the best way to resolve a claim. There are provisions in the policy wording—sometimes referred

to as the “hammer clause” –that allow the company to handle these differences. If the policyholder and carrier fail to reach an agreement, the insurer’s exposure would be capped at the amount they would pay to settle the claim plus 50% of the future costs incurred toward ultimate resolution.

5. Reimbursement for Loss of Income

Under the terms of the policy, the insured will be reimbursed for loss of earnings experienced while participating in a trial, hearing, or proceeding in which he/she is named as a defendant. The claim must be covered under the terms of the policy in order for this benefit to apply. Coverage is subject to a \$750/day maximum.

6. Extended Reporting Period

An Extended Reporting Provision in a claims-made policy simply extends the period of time, beyond the expiration of the policy, during which a claim can be made against the insured and reported to the company. In order for coverage to be activated under the Extended Reporting Provision, the following conditions must be present:

- The wrongful act must have occurred during the time the policy was in force and after the retroactive date. There is no coverage for acts that occur during the Extended Reporting Period.
- The claim must be first made and reported during the Extended Reporting Period.

An additional premium is usually associated with the Extended Reporting Period (also referred to as “tail coverage”) endorsement. Under the terms of the Podiatric Physicians Professional Liability Policy, this coverage will be offered at no charge in the following situations:

- The insured dies.
- The insured becomes permanently disabled so that he/she can no longer function as a podiatric physician.
- The insured retires after having been insured under the Podiatric Physicians Professional Liability Policy for five consecutive years.

7. Coverage Written on a Surplus Lines Basis

The Professional Liability coverage form is underwritten by surplus lines (non-admitted) insurers. This means that the carriers’ rates and policy language are not subject to Insurance Department review or most state insurance statutes. This gives the companies maximum flexibility to provide a market for unique, specialized, or hard-to-place risks. Insurance policies written on a surplus lines basis are also not covered under individual state guaranty funds. We should note here that Ironshore Specialty Insurance Company– is rated “A-” (Excellent) by A.M. Best–the recognized authority in analyzing the financial strength of insurance carriers.