INSURANCE 101

PSYCHE
the policy for psychology

CLAIMS-MADE VS. OCCURRENCE POLICIES

When you start looking at malpractice insurance, one of the first questions you may come across is whether to choose a claims-made or an occurrence policy. Both types protect you from professional liability claims, but they work in different ways.

Understanding how each policy type applies helps you make informed choices about your coverage and avoid surprises later.

WHAT EACH TYPE MEANS

Both malpractice policy types are designed to protect you if a client or patient alleges that your care caused harm. The difference is the policy trigger.

- Change to: The trigger for a **claims-made policy** is the date of the alleged wrongdoing. Additionally, the claim must be made while the policy is in force.
    - Tail coverage can be added on for an additional charge to extend the reporting period.
    - Prior acts coverage can be added when you switch insurers, and it reaches back to the earliest date of your prior claims-made coverage also known as your retroactive date. If you have never had prior coverage, your retroactive date will be the effective date of your first claims made policy.
- The trigger for an **occurrence policy** is when the alleged incident occurs, regardless of when the claim is made.

The timing of when the claim is made is what sets them apart.

A SIMPLE EXAMPLE

Let's look at two psychologists, Dr. Smith and Dr. Jones.

Dr. Smith has a claims-made policy that expires on December 31, 2024. A former client files a claim against her in February 2025 for an incident that took place in November 2024. Because the claim was made after the policy expired, Dr. Smith is not covered unless she renewed her policy or purchased tail coverage to extend her reporting period.

Dr. Jones is in a similar situation, but has an occurrence policy that was active in November 2024 when the incident happened. Even though the claim was made months later, it is still covered because the event took place while the policy was in force.

Both providers were insured, but the difference is that with a claims-made policy it's important to confirm the appropriate steps have been taken to ensure continuous coverage.

HOW A CLAIMS-MADE POLICY WORKS

With a claims-made policy, both the alleged incident and the date the claim is made must occur while the policy is active. If the policy ends and a claim is made later, it will not be covered unless you have purchased an extended reporting period, often called tail coverage.

Claims-made policies are often more affordable at first because the risk of older claims is lower. For example, an insurer is only responsible for incidents that happened and were made within the first year of coverage. The likelihood of wrongdoing is lower because of the short period of time involved. Premiums gradually increase each year as the policy matures, reflecting your growing exposure to past incidents. Generally by about the fifth year, the premium stops increasing because the policy is then considered mature. A claims-made policy will have a retroactive date which will cover your exposure back to the date of your first claims made policy with another carrier, as long as there are no gaps in your coverage.

For many psychologists starting out in private practice, claims-made coverage can be an economical and flexible choice as long as you understand how to keep your coverage continuous, active or add protection later by purchasing an extended reporting period when applicable.

HOW AN OCCURRENCE POLICY WORKS

An occurrence policy covers incidents that take place during the policy period, regardless of when the claim is made.

This type of policy provides lasting peach of mind. This is because once you pay your premium, any future claim that falls within that policy period is covered. You can cancel or retire and still be protected for the professional services provided.

The tradeoff is cost. Occurrence policies are typically more expensive in the early years because they must account for claims that may be filed long after the policy ends.

MAINTAINING PROTECTION WHEN YOUR CAREER CHANGES

If you have a claims-made policy, it is important to think ahead about how you will stay protected when you retire, switch jobs, or change insurers. There are two main ways to make sure your protection continues:

1. **Tail Coverage (Extended Reporting Period):**

   Tail coverage extends the time to report claims that arise from work you performed while your claims-made policy was active. It does not cover new incidents after the policy ends but allows you to report past ones which took place during the policy period.

   Tail coverage can be purchased for a set period or as an unlimited option that keeps your reporting rights open indefinitely. Some malpractice policies include free tail coverage in cases of death, disability, or full retirement after a certain number of years. The absence of an extended reporting period can leave you exposed to claims for past mistakes.

2. **Prior Acts Coverage (Nose Coverage):**

   Prior acts coverage protects you against claims that are reported during the current policy period for incidents that occurred before the policy's effective date. This coverage, also called retroactive coverage, is tied to a retroactive date, which is typically the start date of your first claims-made policy if coverage has been maintained continuously.

   This type of coverage helps you maintain continuous protection without purchasing a separate tail policy.

HOW TO DECIDE WHAT FITS YOUR PRACTICE

Both policies are reliable and offer strong protection when managed correctly. The right choice depends on your professional goals and personal preference.

You might choose a **claims-made policy** if:

- You are early in your career or starting in private practice.
- You prefer lower initial premiums and plan to stay insured continuously.
- You want the flexibility to add tail coverage later when you retire or stop practicing.

You might prefer an **occurrence policy** if:

- You want straightforward protection that covers past work without extra steps.
- You expect to maintain steady, long-term coverage.
- You prefer to pay more upfront for lasting simplicity.

Psyche can help you understand how each option fits your practice and guide you through transitions so that you never experience a gap in covergage.

IN SUMMARY

Both claims-made and occurrence policies protect you from professional liability, but they operate on different timelines. Knowing which one aligns with your career path helps ensure you are protected now and in the future.

With Psyche, you can feel confident that your coverage fits your needs today and adapts as your practice evolves. Whether you choose claims-made or occurrence, our team will help you understand your options, maintain continuous protection, and focus on what matters most, your clients and your work.



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(800) 309-1673 | psycheinsurance.com | clientcare@psycheinsurance.com

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