The Difference Between an Occurrence Policy Form and a Claims Made Policy Form

In the world of casualty insurance, insurance companies can offer insurance coverage on two type of policy forms. These forms are discussed here.

An *Occurrence* policy form is one way that an insurance company can offer liability coverage. On Occurrence policy forms, the policy that was in force when an incident occurred would be the policy where the claim is made, and coverage sought. The occurrence policy form usually has a condition that an Insured must report a claim as soon as practicable. Statute of limitations may come into play because they set the maximum time after an event or occurrence within which legal proceedings can start.

A *Claims Made* policy form is another way that insurance companies offer liability coverage to an Insured. A Claims Made policy form is triggered when a claim is made against an insured during the policy period for an occurrence that took place after the *retroactive date,* after the inception date (if there was no retroactive date) or in some cases at any time in the past (when there is full prior acts given). In other words, a Claims Made policy responds to a loss when the claim is received and reported to the insurance company, rather than when the loss occurred.

A *retroactive date* is a provision found in most Claims Made policies. Claims Made policy forms can typically be offered in three ways: no retroactive date, date of first inception of the coverage or the inception date of a new policy. Effectively, the retroactive date eliminates coverage for wrongful acts that took place prior to the specified date, even if the claim is first made during the policy period. For example, a Claims-Made policy written for the term of 4/1/2020 to 4/1/2021 with a retroactive date of 4/1/2019 would exclude coverage for a loss that occurred prior to 4/1/2019, even if it was reported during the 4/1/2020 to 4/1/2021 policy term.

Insurance companies utilize Claims Made policy forms to more astutely manage risk and more closely match premium with losses. At the end of a policy term, Insurance companies can choose to non-renew an Insured's policy which then alleviates potential claims payments from that insurer for any unknown historical occurrences that turn into a future claim (barring the purchase of tail coverage on the expired policy).

EXHIBIT A:

CLAIMS MADE	VS	OCCURRENCE
• Lower premium in early years • Usually requires retroactive date • May need tail coverage if coverage ceases • Claims made after the policy expires are not covered • One single limit of liability transcends throughout all policy periods • Defense costs are typically inside the limit		• Premium may be higher in early years • Coverage for policy period never ends • No need for retroactive date or tail coverage • Get new set of limits of liability every policy term • Defense costs usually outside the limit • There is infinite tail – can turn in claim even after policy is over

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EXHIBIT B:

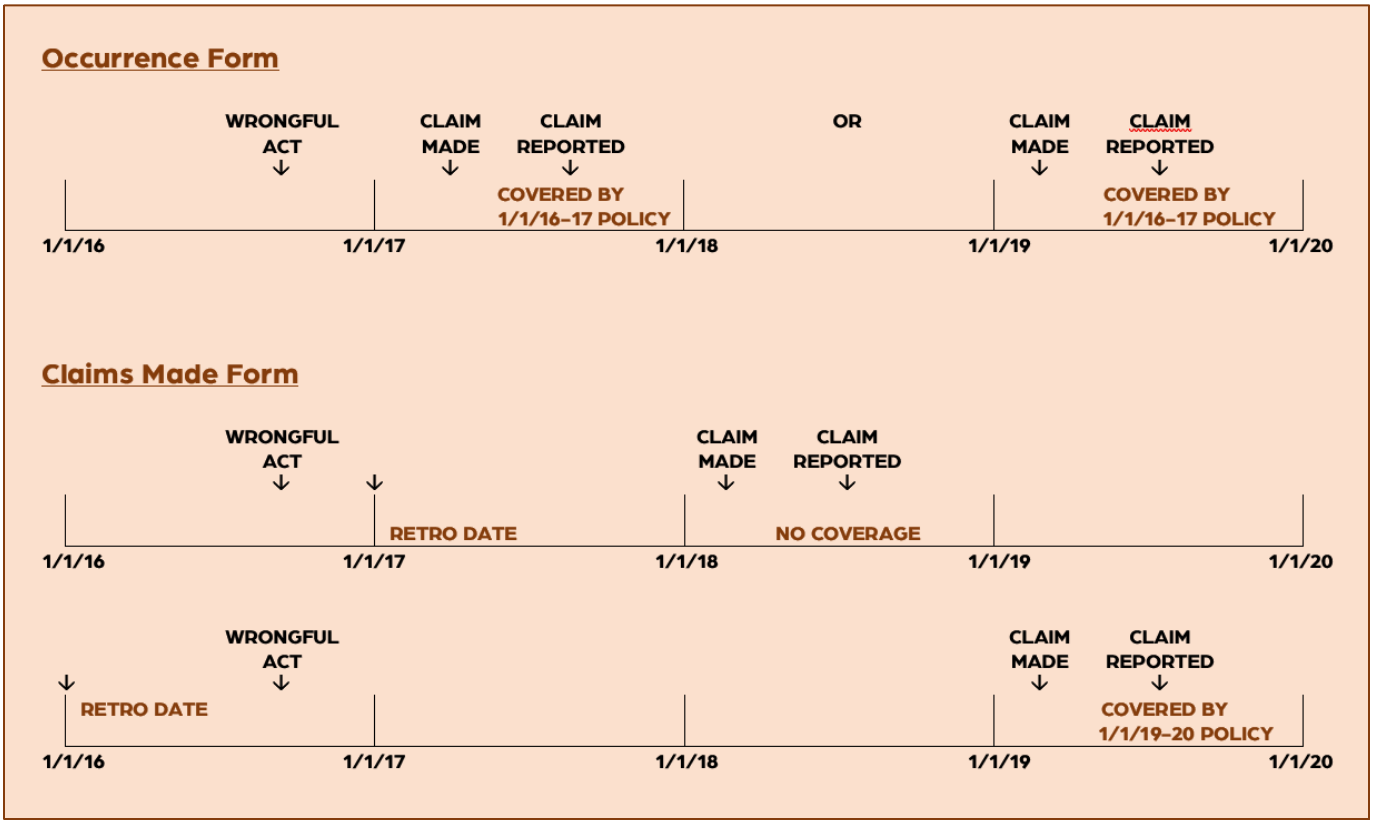
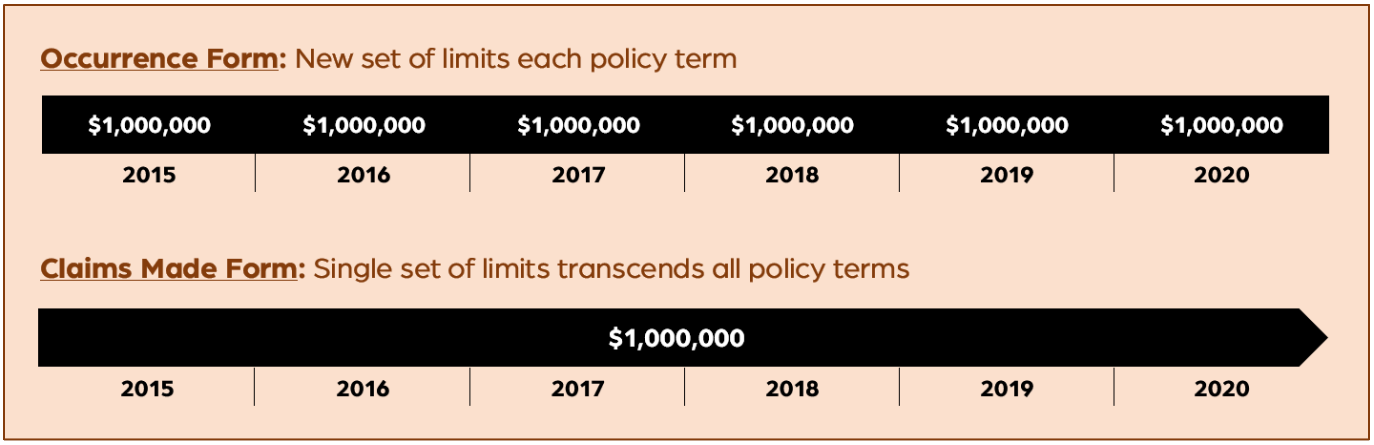


EXHIBIT C:



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