Insuring Your Practice

If you were in an accident and couldn’t work for several months, a client brought a malpractice suit against you, or a fire caused significant damage to your office, would you and your practice be protected?

Unexpected and often uncontrollable events have the potential to threaten your practice and your financial future. While it is not feasible to insure against every conceivable loss, practitioners need to make sure they have adequate insurance coverage for potentially large losses that may be anticipated. This article outlines some of the insurance options, including professional liability and other types of coverage, that practitioners should consider.

Professional Liability Insurance

Professional liability insurance is designed to cover claims and legal actions that stem from alleged malpractice by a psychologist. The amount of professional liability insurance that you as a practitioner may need depends on a variety of factors, including your geographic area of practice, your specialty and the services you provide. If you serve on a managed care panel, be sure to carry at least the minimum amount of professional liability coverage required by your contract with the managed care entity.

There are different kinds of professional liability insurance. “Claims made” policies cover only claims filed during the policy period. “Occurrence” policies cover events occurring within the policy period, even if a claim is made later. Be sure to talk to your insurance company about what you need to do to protect yourself if you are retiring or closing your practice and your policy does not cover complaints filed after your closing or retirement date.

Group practices present unique insurance considerations and require special coverage to ensure that each member of the group, as well as the entire group, is protected adequately. Liability policies for psychology group practices have historically required all members of the group to share an aggregate liability limit. If a claim was paid on behalf of any member of the group, it decreased the available coverage for all members. Some group policies, such as one offered by the APA Insurance Trust, provide every insured individual in a group with his or her own personal aggregate liability limit. The result is that each insured’s protection is not diminished as a result of claims paid on behalf of a member of the group.

Coverage Related to Key Personnel

Practitioners should consider insurance to cover losses related to key personnel. “Key person insurance” is designed to cover the losses in revenue that a practice would experience if a key employee were not able to practice due to death, disability or severe illness, as well as the expense of recruiting and training a competent replacement.

Office overhead insurance covers a portion or all of the overhead costs of maintaining an office and staff, such as salaries, rent and utilities, during the period of a psychologist’s incapacitation. In selecting a policy, it is important to pay attention to the benefit waiting period—the amount of time that must pass after an insured meets the requirements to become eligible for benefits and benefits are payable under the policy—and the definition of disability contained within the policy.

Coverage for You and Your Employees

Depending on your staffing arrangement, you may want to consider providing health insurance for employees and their families, as well as yourself. Certain additional coverage, such as workers’ compensation insurance, may be required by law. Disability or income replacement insurance is designed to cover the losses in revenue that a practice would experience if a key employee were not able to practice due to death, disability or severe illness, as well as the expense of recruiting and training a competent replacement.

In addition, consider whether you need life insurance or long-term care insurance—designed to cover costs associated with long-term care, such as nursing home or home health care costs—for yourself, your family members and your employees.

Property Insurance

If you own or lease the property where your office is located, you may need to carry property insurance that includes general liability and hazard coverage. General liability insurance, commonly called “occurrence” coverage, includes protection against accidents and injury that might happen on your property resulting from certain risks such as fires and severe storms. Business interruption insurance is designed to cover losses that may result from interruption of your business while your office is being repaired following property damage.

Depending on factors such as the nature of your practice and the geographic area in which your practice is located, you may want to consider additional property insurance such as burglary, theft and comprehensive damage insurance.

Getting Help

A wide variety of insurance products are available on the market, and they are being redesigned continuously. Some insurance carriers may offer special packages of small business policies at a discounted rate. Be sure to get quotes from several insurance carriers so you can compare prices as well as coverage. In addition, ask your insurance company about package deals and discounts for multiple policies.

You may want to work with one or more highly reputable insurance brokers to help you decide how much and what kind of insurance you need. Consider alternative insurance products, weigh the cost of the premiums and various deductible levels, and periodically obtain competitive bids. While cost is an important factor, also consider whether the quality of the coverage, the service and the details of the policy meet your needs. It can be helpful to talk to colleagues in your geographic area about their experiences with different insurance companies. Many consultants recommend avoiding brokers with ties to specific insurance products or companies.

Note: Insurance needs vary according to individual circumstances. The information presented in this article is for informational purposes only and does not constitute legal or financial advice. Talk to your attorney, financial advisor and insurance agent to ensure that you are adequately covered.

For more information about APA Insurance Trust products, call (800) 477-1200.
Insuring Your Practice

If you were in an accident and couldn’t work for several months, a client brought a malpractice suit against you, or a fire caused significant damage to your office, would you and your practice be protected?

Unprecedented and often uncontrollable events have the potential to threaten your practice and your financial future. While it is not feasible to insure against every conceivable loss, practitioners need to make sure they have adequate insurance coverage for potentially large losses that may be anticipated. This article outlines some of the insurance options, including professional liability and other types of coverage, that practitioners should consider.

Professional Liability Insurance
Professional liability insurance is designed to cover claims and legal actions that stem from alleged malpractice by a psychologist. The amount of professional liability insurance that you as a practitioner may need depends on a variety of factors, including your geographic area of practice, your specialty and the services you provide. If you serve on a managed care panel, be sure to carry at least the minimum amount of professional liability coverage required by your contract with the managed care entity.

There are different kinds of professional liability insurance. “Claims made” policies cover only claims filed during the policy period. “Occurrence” policies cover events occurring within the policy period, even if claim is made later. Be sure to talk to your insurance company about what you need to do to protect yourself if you are retiring or closing your practice and your policy does not cover complaints filed after your closing or retirement date.

Group practices present unique insurance considerations and require special coverage to ensure that each member of the group, as well as the entire group, is protected adequately. Liability policies for psychology group practices have historically required all members of the group to share an aggregate liability limit. If a claim was paid on behalf of any member of the group, it decreased the available coverage for all members. Some group policies, such as one offered by the APA Insurance Trust, provide every insured individual in a group with his or her own personal aggregate liability limit. The result is that each insured’s protection is not diminished as a result of claims paid on behalf of a member of the group.

Coverage Related to Key Personnel
Practitioners should consider insurance to cover losses related to key personnel. “Key person insurance” is designed to cover the losses in revenue that a practice would experience if a key employee were not able to practice due to death, disability or severe illness, as well as the expense of recruiting and training a competent replacement.

Office overhead insurance covers a portion or all of the overhead costs of maintaining an office and staff, such as salaries, rent and utilities, during the period of a psychologist’s incapacitation. In selecting a policy, it is important to pay attention to the benefit waiting period—the amount of time that must pass after an insured meets the requirements to become eligible for benefits and benefits are payable under the policy—and the definition of disability contained within the policy.

Coverage for You and Your Employees
Depending on your staffing arrangement, you may want to consider additional property insurance such as burglary, theft and comprehensive damage insurance.

In addition, consider whether you need life insurance or long-term care insurance—designed to cover costs associated with long-term care, such as nursing home or home health care costs—for yourself, your family members and your employees.

Property Insurance
If you own or lease the property where your office is located, you may need to carry property insurance that includes general liability and hazard coverage. General liability insurance, commonly called “slip and fall” coverage, includes protection against accidents and injury that might happen on your resulting from certain risks such fires and severe storms. Business interruption insurance is designed to cover losses that may result from interruption of your business while your office is being repaired following property damage.

Depending on factors such as the nature of your practice and the geographic area in which your practice is located, you may want to consider additional property insurance such as burglary, theft and comprehensive damage insurance.

Getting Help
A wide variety of insurance products are available on the market, and they are being redesigned continuously. Some insurance carriers may offer special packages of small business policies at a discounted rate. Be sure to get quotes from several insurance carriers so you can compare prices as well as coverage. In addition, ask your insurance company about package deals and discounts for multiple policies.

You may want to work with one or more highly reputable insurance brokers to help you decide how much and what kind of insurance you need, consider alternative insurance products, weigh the cost of the premiums and various deductible levels, and periodically obtain competitive bids. While cost is an important factor, also consider whether the quality of the coverage, the service and the details of the policy meet your needs. It can be helpful to talk to colleagues in your geographic area about their experiences with different insurance companies. Many consultants recommend avoiding brokers with ties to specific insurance products or companies.

Note: Insurance needs vary according to individual circumstances. The information presented in this article is for informational purposes only and does not constitute legal or financial advice. Talk to your attorney, financial advisor and insurance agent to ensure that you are adequately covered.

For more information about APA Insurance Trust products, call (800) 477-1200.