Liability Insurance 101

Larry Hornsby, CRNA, BSN
Liability Insurance Defined

- Contractual Relationship
- Insurance Company agrees to provide a service
- CRNA/MD/Company agree to terms
- Secured with premium payment
Insurance Company Agrees to:

- Pay all expenses related to a filed claim
- Attorney fees
- Expert witness
- Time out of work to testify
- Investigation
- Judgment or Settlement
Typical CRNA Coverage

- Individually Purchased
- Employer Purchased
- May “share” limits with MD
- May “share” limits with group
- Individual Limits
- Corporate Limits
Limits of Liability

- Usual $1,000,000/$3,000,000
- May add separate corporate limits
- May have facility or state mandated limits
- May purchase additional coverage limits
- Beware of “DEEP POCKETS”
Shared Limits

• CRNA and MD share limits of policy
• May have entire group sharing limits
• KNOW your coverage
• CRNA may purchase “personal” policy
Moonlighting Coverage

• Most employer policies will NOT cover work outside the practice
• AANA Insurance offers moonlighting policy
• Inexpensive insurance based on State
• Ask for written Certificate of coverage if facility is covering insurance listing YOU as a named insured
Denied Coverage

- Open or existing claim
- Loss History
- Substance Abuse
- Physical Limitations
- Gaps in Practice
- Licensing/Credential Issues
- No Tail purchased with last policy
"Special Considerations"

- New Graduates may be denied coverage outside of hospital setting
- Substance abuse may require upto five years “clean”
- Large judgment may require prolonged investigation prior to new coverage
- Pending litigation makes new coverage difficult
Rating The Company

• A.M. Best: Oldest independent rating
• Based on ability to pay claims
• Superior: A++ or A+
• Excellent: A or A-
• Very Good: B++ or B+
• Anything less is problematic!!
Rule to Live By

If it is too good or too cheap or too easy to acquire... DON'T BUY IT!!!!!

Many CRNAs have been hit by Insurance Companies exiting the market and were left with no coverage and no potential to purchase "tail" coverage. Be careful!!!
**Occurrence Coverage**

Covers incident that occurred while policy was in force

- Coverage is NOT based on WHEN the claim is filed
- "No Tail" Coverage
- Hard to find in current market
Claims Made Coverage

- Covers CLAIM that occurs during policy
- Claim MUST be filed during policy period
- Tail MUST be purchased to cover claims filed after term of policy
- BEWARE of definition of “Claim”
- Beware of Time limitation on “Tail” coverage
Claims Made Concerns

- Unlimited Time on Tail
- Some Limit to ONE YEAR!!
- KNOW WHAT YOU HAVE!!
- Definition of Claim “Suit filed and Served” vs ANY Communication regarding an incident with POTENTIAL for claim
- KNOW WHAT YOU HAVE!!!!!!!!!!
Claims Made Coverage

- Premium Low first year
- Increases each year until 5th year
- Always ask for the current 5th year rate
- Budget based on increasing premiums
- Premium increases as risk of claim increases with each year's case load
Limits of Liability

• Per Occurrence
  • Max per CLAIM
  • $1 Mil/$3 million
  • New Limits with renewal

• Aggregate
  • Max for ALL Claims
  • $1 mil/ $3 MILLION
  • New limits with renewal
Questions to ask the Company

• **Deductible**: A predetermined cost that may be assessed at the time of the claim or at the time of a judgment.

• **Covered Cost**: Are ALL defense costs covered under your policy including lost wages due to depositions and required presence at hearings?
Consent to Settle

- Company MUST have your written consent before making a decision to settle a case.
- Important due to National Data Bank
- ANY Settlement may also trigger investigation by State Board of Nursing
Employer Provided Coverage
Things you should know

• Occurrence vs Claims Made
• Is tail coverage available should you leave
• Who will pay for the tail
• Will you get documentation of paid tail
• How much will it cost if you must pay
• Will you be able to purchase new policy if no tail is available
Employer Provided Coverage

More Questions

- Do you get a certificate of insurance?
- Who is the company/underwriter?
- Do you have separate limits of liability?
- Do you have separate legal counsel?
- Is there a consent to settle clause?
- Are you a named individual on the policy?