

Malpractice Insurance Do's & Don'ts

Liability insurance is one area busy professionals often overlook in their business planning. Pharmacists in particular must consider the possibility of malpractice lawsuits. When you consider the number of prescriptions you will fill over the span of your career, the possibility for error is quite high. Pharmacists, like anyone, can make mistakes.

Being named in a lawsuit could prove extremely costly if you were forced to pay legal costs of defending the action on your own. You could in fact pay legal fees to defend a charge that later proves to be groundless.

Professional liability insurance provides coverage for defense costs and compensatory damages awarded in the event you are found legally liable. Punitive damages (fines or charges resulting from a criminal act) are not covered.

A relatively new extension of coverage found in a few professional liability policies is Legal Expense coverage related to disciplinary hearings held by the provincial licensing body. Again, this extension would not respond against charges of criminal acts such as fraud, sexual harassment etc. but does protect the Pharmacist against additional legal expense related to a malpractice issue being investigated by the college.

There are two types of liability forms: "claims made" and "occurrence" type contracts. An occurrence contract pays for loss that actually occurred during the term of the policy. This means that if you are sued five years from now for an incident that occurred while your policy was in effect, you would still be covered regardless of whether that policy was still in place when the lawsuit was presented.

A claims made form on the other hand pays for a loss that is reported during the term of the policy. That means that the policy must still be in effect when a claim is made against you.

Occurrence type forms are mostly found in store insurance policies and claims made forms in personal liability policies. Various endorsements can be added to a claims made contract to either broaden or restrict coverage. However, be extremely careful if you switch coverage forms as it may leave you with a potential gap in coverage. Your best bet is to deal with a knowledgeable insurance broker to help guide you in the right direction.

When comparing policies to purchase here is a quick check list;

Occurrence or Claims Made Form?

What limits of coverage are available?

Does the policy carry a deductible?

Does the policy provide additional coverage for legal expense?

Is coverage subject to maintaining membership in any organization?

In summary, remember a little planning now goes a long way in the future; the time to review your coverage is not when you receive notice of a pending claim. By then it may be too late.