



“Claims Made” compared to “Occurrence Based” Policies

In the context of non-investment insurance policies, we can conveniently divide them into two types. First, “Claims Made” policies and second “Occurrence Based” policies as outlined below:

1) **Claims Made Policies**

It could be suggested that a Claims made Policy is a policy running in the present which pays out for claims relating to events which took place in the past!
To explain this, this is a policy, currently open, which responds to a claim against it at the time that the claim is made, regardless of when the event causing the claim took place.

So, if an event took place on 14th July 1998 which gave rise to a claim against a Claims Made Policy then to be of value that Policy must be in existence at the time the claim is made.

The sole limitation to this is that there frequently exists a Retro-active Date of Inception (RDI), which limits the earliest an insured event can have taken place. (See NB below)

2) **Occurrence based Policies**

By comparison to the above, an Occurrence based Policy could be a policy running in the past which responds to an event that took place in the past (during the period that the Policy was open).

In other words, if an event took place on 14th July 1998, which resulted in a claim in August 2005 then if the policy responding is an Occurrence based Policy then to be of value, that policy must have been in existence on 14th July 1998.

In the context of these notes, Professional Indemnity Policies are “Claims Made” policies and Employers’ Liability and Public Liability policies are “Occurrence Based” policies.

NB.

RDI; the use of the word “inception” in insurance terms describes the first date on which the Policy is valid; the start date. Because of the nature of (in particular) Claims Made Policies, it is common practice for Insurance Companies to allow an RDI reflecting the origination of a continuous coverage. So, if a Company took its’ first coverage in June 1994 and maintained coverage until today, then a Policy incepting in June 2007 would (should) have an RDI of June 1994. In this event, the June 2007 Policy would protect the Insured against claims made now concerning an event which took place at any time after June 1994 (the RDI).