



# Understanding medical malpractice insurance

## Business Insurance

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A specialized type of professional liability insurance, medical malpractice insurance provides coverage to physicians and other medical professionals for liability arising from disputed services that result in a patient's injury or death. A majority of American doctors face at least one medical malpractice lawsuit in the course of their career.

Carrying this type of insurance is essential for physicians and is required by law in most states. Other

medical professionals who should consider this type of coverage include dentists, psychologists, pharmacists, optometrists, nurses and physical therapists, among others.

## Options for purchasing medical malpractice insurance

Depending on the location and nature of a medical practice, medical malpractice insurance can take several forms, including:

- An individual or group policy purchased from a traditional private insurer.
- An individual or group policy obtained through a medical risk retention group (RRG), a mutual organization of medical professionals organized to provide liability insurance.
- Coverage provided as part of a policy held by an employer, such as a hospital.

Medical professionals employed by federal agencies, such as the U.S. Department of Veterans Affairs, do not need malpractice coverage since the federal government self-insures against liability claims. State and local governments in some instances may also provide liability protection for medical employees.

Medical professionals should seek insurance coverage for themselves as individuals, as well as for their business entity—e.g., corporation, partnership, limited liability company—and their employees.

## What's covered, and what's not

Medical malpractice insurance covers a range of expenses associated with defending and settling malpractice suits; it also pays damages if you're found liable. Covered costs include:

- Attorneys' fees and court costs.
- Arbitration costs.
- Settlement costs.
- Punitive and compensatory damages.
- Medical damages.

Medical malpractice does not cover liability that arises from sexual misconduct, criminal acts, and inappropriate alteration of medical records.

When weighing medical malpractice insurance options, it's important to recognize that a claim may be filed years after the disputed treatment took place. There are two types of policies you can obtain: A "claims-made" policy will only provide coverage if the policy is in effect both when the treatment took place and when a lawsuit is filed. An "occurrence" policy will cover any claim for an event that took place during the period of coverage—even if the claim itself is filed after the policy lapses. Some claims-made policies will provide a period of "tail" coverage that extends coverage for a set amount of time—e.g., five years—after the policy ends. Medical professionals may want to purchase tail coverage when they change insurance policies, take a new position or retire.

In addition to facing medical liability claims, medical practices also face risks associated with cyber liability and regulatory requirements—such as compliance with the Health Insurance Portability and Accountability Act (HIPAA). Medical professionals may want to consider purchasing separate cyber liability insurance or seeking a malpractice policy that covers these types of exposures.

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