

Gaps in Coverage are Dangerous!

Gaps in coverage for E&O claims made policiesA gap in coverage, or lapse in coverage could result from not renewing the E&O coverage the same day it expires. Several carriers[citation needed] who underwrite policies will not allow professionals to backdate your coverage to your expiration date without a valid explanation (such as, but not limited to: natural disaster or personal medical issue that prevented your from renewing on time) and a signed warranty letter informing the carrier the specific professional is not aware of any pending claims. For example, with an effective date of 06/01/2010 and coverage expiring on 06/01/2011 and the insured does not renew the coverage on or before 06/01/2011 then the insured may have to enroll with a gap in coverage, resulting in a loss of prior acts coverage such that there is no coverage for any business placed prior to their new effective date. Although some carriers may allow a 30 - 45 day grace period, it is not uncommon for them to not allow this.[citation needed]

Gaps in coverage are common in E&O coverage. A modest survey suggested that most professionals are unaware of what a gap in coverage really is or its harsh consequences. Several professionals agreed that they incorrectly believed since they were not writing business during specific months, they did not need continuous coverage.[citation needed]

A gap in coverage should not be confused with terminating or not renewing a policy due to retirement or death. In these cases, an extended reporting policy (ERP) may be purchased. The availability of extended reporting policies depends on the carrier, the specific policy, and the reason for terminating business. Certain provisions will limit the professional from writing new business during the ERP, since only past policies are generally covered in an ERP policy, nothing current or new.[citation needed]