'Claims made' versus 'Occurrence' policies.

With '**claims made**' insurance policies, you are effectively insuring for a 12 month window. If during this 12 month window you first become aware of a circumstance that would give rise to a claim under the policy, irrespective of what past event or action actually triggered the circumstance and so long as you record that circumstance during the 12 month window with the insurer, the claim will be recorded by the insurer as notified.

If you don't renew or replace a 'claims made' policy, then there is no 'new' 12 month window to cover any new circumstances that may arise and therefore you have no cover for the past.

With '**occurrence**' insurance policies, you are insuring specific periods of insurance and those specific periods of insurance remain insured for life even if you don't subsequently renew or replace the insurance cover. When you first become aware of a circumstance that would give rise to a claim, you need to identify as to which year the potential claim relates and claim under the policy in place for that specific year.

An example.

Let's say that you lodged a tax return in 2000 and that you have <u>just been advised</u> that the tax return is to be audited by the ATO.

If you currently have a '**claims made**' policy, then you would report the claim to the insurer. (If you had a 'claims made' policy in place in 2000 and have failed to keep the policy renewed, then there is no current policy in force and thus no insurance cover to cover the past.)

If you have an '**occurrence**' policy, you would need to check to see if you had a policy in force in 2000 and report the potential claim to the insurer who held that policy.

For and against 'claims made' and 'occurrence'.

With '**claims made**' you need to renew or have the ability to renew the annual 12 month window to have any form of continuing insurance protection. The upside is that any circumstances that arise from any past years will be potentially covered if you receive first advice during the 12 month window and report the advice to the insurer.

The downside is that (a) if you don't renew or can't renew a 'claims made' policy because the existing insurer won't offer renewal and an alternative insurer can't be found or (b) you fail to advise the insurer in the 12 month window that you have received advice of a potential claim, then you have NO insurance cover.

With an '**occurrence**' policy, so long as the particular year that the potential claim relates to is insured, then the insurer must record your potential claim. The upside is that if you don't renew or can't renew because the existing insurer won't offer renewal and an alternative insurer can't be found, at least the previous years insured will provide cover should a circumstance arise in the future that relates to one or more of the previous insured years.

The downside is that if the potential claim relates to a year where you didn't have insurance cover, then there can be no claim.