RISK strategies
DENTAL PRACTICE

PRACTICE ENTITY VICARIOUS LIABILITY COVERAGE

Insurance companies design “individual professional liability” policies to defend and indemnify you (the individual practitioner) — not the practice you own or for which you work. If you own a practice structured as a formal entity (i.e., Inc., PLLC, PC, PA, etc.), then it’s important to make sure the practice entity also has protection.

Is it possible to add the practice entity to an individual professional liability policy?

A practice entity can be added as an “additional insured” on some individual professional liability policies under certain circumstances, but this may not meet all your needs. When doing so, you’ll only have coverage for your individual actions or those of your non-dental staff. If someone sues your practice entity for alleged malpractice by an associate dentist, the claim will not qualify for coverage under an individual professional liability policy, even if the entity is named as an additional insured on the policy.

Can associates add your practice as an “additional insured” on their individual policies?

Most professional liability insurance carriers will not allow an associate to add your practice as an “additional insured.” Even if you find one that will, the coverage will be less comprehensive than true vicarious liability coverage. Also, you’ll be placing the responsibility of protecting your practice in the hands of your associates. What if an associate forgets to pay the premium and lets the coverage lapse — or simply removes the additional insured endorsement from their policy? You can’t be certain the right coverage will be in place when a claim arises.

Is there a better solution?

Employing associates in your practice changes the risk profile of the practice. This legal term for the increased risk is vicarious liability,” which means you (the dental practice) are on the hook for the actions of a dentist who works for you (an associate, whether contracted or employed).

Every malpractice insurance company offers a solution to protect your practice entity from vicarious liability lawsuits. The structure, cost, and underwriting criteria vary depending on which insurer you choose. Purchasing this type of coverage places control in your hands as the practice owner, where it belongs.

To learn more or discuss your specific situation, contact:

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Let’s Talk.
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