

Loss Runs - Introduction:

Loss runs reflect an insured's claim history during one or more policy years with a particular insurance company. A loss run is a report generated by the insurance company showing claim activity which serves several purposes:

- Provides detailed look of a claims activity during a given policy term or terms
- Helps insurance company assess the risk level and helps determine pricing and terms of the coverage
- Allows ongoing assessment (allows to identify problematic risks by showing:
 - Claim Frequency - large number of claims
 - Claim Severity - significant monies paid out in settlement, judgment and defense costs
- provides useful tool for other carriers when the risk is seeking transfer.

Information usually found on a loss run report:

- Company Name / Issue Company (may list MGA and/or Carrier's name)
- Claim Number
- the name of the Insured / Involved Insured
- the name of the Claimant / Patient Name;
- the policy number and/or period (also listed as policy term, policy start date, effective date / eff date, expiration date / cancellation date: exp date / cancel date);
- retroactive date (if risk written on claims made form) - date from which Insured have held uninterrupted professional indemnity insurance coverage (even if insurer is changed during this time) or a date in the past from which insurer has agreed to cover you. Any claims that arise from events prior to this date is not covered by your insurance.
- Loss report valuation date / report date / "as of" date) – date loss runs were last updated by issuing company
- Date of the claim / Loss Date
- Date claim was reported to the insurance company (Report Date)
- Status: whether a claim is open, closed, open/settled (will be closed – waiting for payment):
- Loss/Claim Type or Incident description (reason for claim / description of the claim): quick description such as Failure to Diagnose, Delay in Treatment, Death
- Category: examples - Suit, Incident, Disclaimer
- the amount paid or reserved (estimated value) by an insurance company with respect to indemnity (settlement or judgment) and expenses (such as legal expenses):
 - Amount paid to date by insurer in legal/defense cost
 - Amount paid to date by insurer in settlement costs, property damage, medical expenses
 - Amount insurer has set aside for future costs (reserve funds)

Important:

- Report Date = As of Date (loss runs should be currently valued – within past 3 months)
- Number of policies / policy terms reported
- Status = Open (loss is still developing; projected amounts may change) or Closed (amounts will not change as the loss is closed/settled and final)
- Total Incurred for each policy period as well as the sum for all periods
- Total Incurred = Total Indemnity / Loss (also called Indemnity or Loss Reserve + Indemnity or Loss Paid) + Total Expense / ALAE* (also called Expense / ALAE Reserve + Expense / ALAE Paid)

*ALAE – Allocated Loss Adjustment Expense

