

CHANGE IN PRACTICE ENTITY

TYPES OF CHANGES: Change to Partnership or Corporation (PA, PC, Chartered, LLC)
Change in members of Partnership
Change in members of Corporation

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If you change your practice entity there are several insurance issues that should be addressed.

Professional Liability: It is customary to include the practice entity on the professional liability policy as an additional insured. If the practice entity changes, this change must be made on the professional liability policy.

Additional Insured If the entity is named as an additional insured, the limit of liability will apply to suits against both the Dentist Named on the policy and the entity.

Named Insured If the entity is a named insured, a separate limit of liability will be available for the corporation. Most insurance companies will charge about 10% of the professional liability premium for the Dentists insured on the policy for the Entity Named Insured. If the practice has several Dentists, Hygienists, or other covered professionals, the Named Insured Option should be elected.

Office Liability and Property Coverage: The entity should be named on the office liability and property policies. This will ensure coverage for the practice entity. This will also eliminate problems with settlement of property claims, if office equipment and contents are owned by the practice entity.

Worker's Compensation: If the new entity is the employer, the workers compensation insurance policy must be changed to reflect the new entity. If the type of entity changes there may other matters to consider.

Sole Proprietors and Partners are not covered by workers compensation unless they specifically request to be included.

Officers of Close Corporations are automatically included in workers compensation insurance unless they reject coverage.

Therefore if the practice changes from a partnership to a corporation, the members should consider whether to be included in coverage and take the appropriate action.

Reminder: Worker's Compensation Insurance is mandatory for most employers.

Medical Insurance: Changes to consider.

If the entity changes, you may want to review options for employer group coverage. If employer group coverage is in effect, you should report the change in entity (partnership, PA, PC, LLC etc.) to the insurance company.

Disability Income Insurance

If the entity changes group disability coverage may be available. However, for professionals individual coverage should be in effect. Individual policies may offer greater protection for individual professionals that is portable should the practice change in the future.

Should the corporation pay for individual disability coverage. Contact your tax advisor for specific advise based on your circumstances. Generally it is not advantageous for the corporate entity to pay disability premiums. If the corporate entity pays the disability premiums, benefits that would otherwise be tax free could be taxed as income.

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This is intended to provide general information. For a complete description of coverage including policy provisions, limitations and exclusions, please consult the actual insurance policy.

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