

How Long Should You Keep Out-dated (Expired) Insurance Policies?

Resource Type: Risk eNews

Topic: Insurance and Risk Financing

In the event you need to file a claim, could you quickly put your hands on all insurance policies that might cover an incident, including expired claims?

Insurance policies cover events that are addressed by claims presented to the carrier at some time in the future. By the time the event triggering a claim occurs, the original insurance policy covering that event may have expired, and the new policy may contain different provisions. The questions to ask yourself are: “Which policy applies—the old one or the new one? And what exactly does the applicable policy provide?”

Sometimes a liability claim that takes place during the policy period won’t be discovered until after the policy expires, perhaps years later. A prime example of such a long-tail claim is loss from fraud that is covered by a Crime Insurance policy. The fraud may take place over a period of years and not be discovered until long after the policy is expired.

Missing Policies

What if you couldn’t find your expired policies? Could you count on your broker or agent to have a copy handy? In a surprising number of cases even insurance companies can’t locate a copy of expired policies. Businesses that do nothing but archaeology to find the paper trail to support such claims do quite well. But why spend the money after the fact when you can put a simple system in place that will keep your policies organized and available?

Filing Policies

Sound risk management practices mandate having a system for filing expired policies, but how long should expired policies be kept in the file cabinet?

State Laws

State laws vary, but generally require insurance agents to keep copies of their customer’s policies for 6–7 years. Since a nonprofit can’t always count on having access to the insurance agent’s files when needed, each nonprofit should also maintain copies of expired policies.

NRMC Recommendations

The Nonprofit Risk Management Center recommends that a nonprofit’s document retention policy should require all but claims-made policies to be maintained *permanently*. Now that policies are available electronically (you can either scan your policies into your computer system or request that the insurance carrier provide the policy in electronic format), storage takes up a lot less physical room. Instead of overflowing file cabinets or

bookcases filled with 3-ring binders, you can save policies on your server. Of course you will have a sound backup system in place, will archive hard copies of policies offsite and inform key office staff or key volunteers where the backups and hard copies are maintained. You will also want to run tests of the backup media to make certain that they are capable of being reinstated in an emergency situation.

The Nonprofit Risk Management Center welcomes questions and comments at 703.777.3504 or info@nonprofitrisk.org.