

Pharmacists Mutual[®] Companies **WITHDRAWN**

- Pharmacists Mutual Insurance Company
- Pharmacists Life Insurance Company
- Pharmacists National Insurance Corporation
- Pro Advantage Services, Inc.
- PMC Quality Commitment, Inc.

FEB 04 2010

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE
SPRINGFIELD, ILLINOIS



May 11, 2009

ILLINOIS DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION
DIVISION OF INSURANCE
PROPERTY AND CASUALTY COMPLIANCE UNIT
320 W WASHINGTON ST
SPRINGFIELD IL 62767-0001
Attn: Gayle Neuman

RE: PHARMACISTS MUTUAL INSURANCE COMPANY
NAIC #13714 NAIC GROUP #0775 FEIN: 42-0223390 ✓
RATE/RULE Pharmacy Services Professional Liability Rate/Rule Filing IL-PSPL-07-09

Pharmacists Mutual Insurance Company (PHMIC) is filing a revision to their Pharmacy Services Professional Liability program. We have revised the language of our coverage form and related endorsements, (included in a separate filing,) as well as our manual rules and rates, to correspond to recent revisions to pharmacy professional liability language and rating in other company programs. In addition, included with the separate filing, we are also submitting for review new claims-made versions of this policy and certain endorsements.

Pharmacists Mutual is requesting that this filing become effective for all policies effective on and after July 1, 2009.

If you have any questions, please contact me at any of the numbers listed below.

Sincerely,

Heidi T. Allen
Research & Development Director
800-247-5930 ext. 7219
Heidi.allen@phmic.com

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Jeh

Property & Casualty Transmittal Document

1. Reserved for Insurance Dept. Use Only	2. Insurance Department Use only	
	a. Date the filing is received:	
	b. Analyst:	
	c. Disposition:	
	d. Date of disposition of the filing:	
	e. Effective date of filing:	
	New Business	<div style="border: 2px solid black; padding: 5px; text-align: center;"> RECEIVED MAY 18 2009 IDFPR (MPC) DIVISION OF INSURANCE SPRINGFIELD </div>
	Renewal Business	
f. State Filing #:		
g. SERFF Filing #:		
h. Subject Codes		

3. Group Name	Group NAIC #
Pharmacists Mutual Companies	0775

4. Company Name(s)	Domicile	NAIC #	FEIN #	State #
Pharmacists Mutual Insurance Company	IA	13714	42-0223390	

5. Company Tracking Number	IL-PSPL-07-09-R
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Contact Info of Filer(s) or Corporate Officer(s) [include toll-free number]

6. Name and address	Title	Telephone #s	FAX #	e-mail
Heidi T. Allen	Research & Development Director	800-247-5930 x-7219	515-395-7484	heidi.allen@phmic.com

7. Signature of authorized filer	<i>Heidi T. Allen</i>
8. Please print name of authorized filer	Heidi T. Allen

Filing information (see General Instructions for descriptions of these fields)

9. Type of Insurance (TOI)	Med Mal
10. Sub-Type of Insurance (Sub-TOI)	Pharmacy Professional Liability
11. State Specific Product code(s) (if applicable)[See State Specific Requirements]	
12. Company Program Title (Marketing title)	PHL
13. Filing Type	<input type="checkbox"/> Rate/Loss Cost <input type="checkbox"/> Rules <input checked="" type="checkbox"/> Rates/Rules <input type="checkbox"/> Forms <input type="checkbox"/> Combination Rates/Rules/Forms <input type="checkbox"/> Withdrawal <input type="checkbox"/> Other (give description)
14. Effective Date(s) Requested	New: 7/1/2009 Renewal: 7/1/2009
15. Reference Filing?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
16. Reference Organization (if applicable)	
17. Reference Organization # & Title	

RATE/RULE FILING SCHEDULE

(This form must be provided ONLY when making a filing that includes rate-related items such as Rate; Rule; Rate & Rule; Reference; Loss Cost; Loss Cost & Rule or Rate, etc.)

(Do not refer to the body of the filing for the component/exhibit listing, unless allowed by state.)

1.	This filing transmittal is part of Company Tracking #		IL-PSPL-07-09					
2.	This filing corresponds to form filing number (Company tracking number of form filing, if applicable)		PHAR- 126128533					
	<input type="checkbox"/> Rate Increase		<input checked="" type="checkbox"/> Rate Decrease		<input type="checkbox"/> Rate Neutral (0%)			
3.	Filing Method (Prior Approval, File & Use, Flex Band, etc.)		F&U					
4a.	Rate Change by Company (As Proposed)							
	Company Name	Overall % Indicated Change (when applicable)	Overall % Rate Impact	Written premium change for this program	# of policyholders affected for this program	Written premium for this program	Maximum % Change (where required)	Minimum % Change (where required)
		0%	-5%	-\$1983	2	39655		
4b.	Rate Change by Company (As Accepted) For State Use Only							
	Company Name	Overall % Indicated Change (when applicable)	Overall % Rate Impact	Written premium change for this program	# of policyholders affected for this program	Written premium for this program	Maximum % Change (where required)	Minimum % Change (where required)
Overall Rate Information (Complete for Multiple Company Filings only)								
						COMPANY USE	STATE USE	
5a.	Overall percentage rate indication (when applicable)							
5b.	Overall percentage rate impact for this filing							
5c.	Effect of Rate Filing – Written premium change for this program							
5d.	Effect of Rate Filing – Number of policyholders affected							
6.	Overall percentage of last rate revision							
7.	Effective Date of last rate revision							
8.	Filing Method of Last filing (Prior Approval, File & Use, Flex Band, etc.)							
9.	Rule # or Page # Submitted for Review			Replacement or Withdrawn?			Previous state filing number, if required by state	
01	Pharmacy Services Professional Liability Program Rules			<input type="checkbox"/> New <input checked="" type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn			Ed. 06/01 - Eff 8/1/2001	
02				<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn				
03				<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn				

18. Company's Date of Filing	5/12/2009
19. Status of filing in domicile	<input type="checkbox"/> Not Filed <input type="checkbox"/> Pending <input checked="" type="checkbox"/> Authorized <input type="checkbox"/> Disapproved

Property & Casualty Transmittal Document—

20. This filing transmittal is part of Company Tracking #	
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21. Filing Description [This area can be used in lieu of a cover letter or filing memorandum and is free-form text]
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Pharmacists Mutual Insurance Company (PhMIC) is filing revisions to its Pharmacy Services Professional Liability program. We have revised the language of our coverage form and related endorsements, (included in a separate filing,) as well as our manual rules and rates, to correspond to recent revisions to pharmacy professional liability language and rating in other company programs. In addition, included with the separate filing, we are also submitting for review new claims-made versions of this policy and certain endorsements.

Prior to this revision, the rates for this coverage referenced AAIS's Commercial Liability Manual edition 06-01. Because Pharmacy Professional Liability is no longer available in the 09-06 edition of AAIS's manual, we have deleted the past rate reference and inserted instead the same rating as filed and approved in our Commercial Liability Exception Pages 07-08. As compared to current rates for this program, this revision will result in an overall rate decrease. The change in the base rate, depending on class code used, will range from +19% to -14%. However, the per pharmacist charge has been eliminated, resulting in an additional decrease to all insureds. The number of pharmacists varies greatly among our 32 current policyholders; we estimate that the net effect of this revision will range between +5% to -20%, averaging about -5%, and most insureds will see a decrease in premium.

Pharmacists Mutual is requesting that this filing become effective for all policies effective on and after July 1, 2009.

22. Filing Fees (Filer must provide check # and fee amount if applicable) [If a state requires you to show how you calculated your filing fees, place that calculation below]

Check #: n/a
Amount: 0.00

Refer to each state's checklist for additional state specific requirements or instructions on calculating fees.

*****Refer to the each state's checklist for additional state specific requirements (i.e. # of additional copies required, other state specific forms, etc.)**

SUMMARY SHEET

Change in Company's premium or rate level produced by rate revision effective 7-1-2009

(1) Coverage	(2) Annual Premium Volume (Illinois)*	(3) Percent Change (+ or -)**
1. Automobile Liability Private Passenger Commercial		
2. Automobile Physical Damage Private Passenger Commercial		
3. Liability Other Than Auto		
4. Burglary and Theft		
5. Glass		
6. Fidelity		
7. Surety		
8. Boiler and Machinery		
9. Fire		
10. Extended Coverage		
11. Inland Marine		
12. Homeowners		
13. Commercial Multi-Peril		
14. Crop Hail		
15. Other <u>Med Mal</u> Line of Insurance	39,000	-5.0%

Does filing only apply to certain territory (territories) or certain classes? If so, specify: No

Brief description of filing. (If filing follows rates of an advisory organization, specify organization):
Revision of policy form language and rating to make this program consistent with pharmacy professional liability coverage consistent in all programs. Also adding claims-made option to program.

*Adjusted to reflect all prior rate changes.

**Change in Company's premium level which will result from application of new rates.

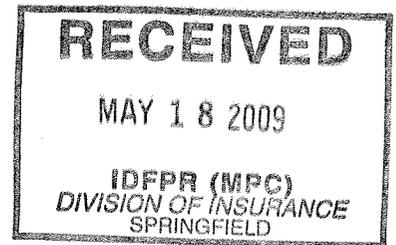
Pharmacists Mutual Insurance Company
Name of Company

Ken Andrews - Regional Vice President
Official - Title

WITHDRAWN

FEB 04 2010

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE
SPRINGFIELD, ILLINOIS



FILING# IL-PSPL-07-09

FILING CERTIFICATION

I, Matthew J Even, certify that the rates submitted to the state of Illinois for Pharmacists Mutual's Individual Pharmacist Professional Liability policy, filing IL-PSPL-07-09, have been reviewed by an actuary, are consistent with our rates for Pharmacy Professional Liability coverage under other company policies, and are consistent with the company's experience.



Officer Signature

Matthew J Even, Assistant Vice President

Officer Name (Please Print)

September 30, 2009

Date

PHARMACISTS MUTUAL INSURANCE COMPANY

Pharmacy Services Professional Liability COUNTRYWIDE Rate-Rule Filing Memorandum

Pharmacists Mutual Insurance Company (PhMIC) is filing revisions to its Pharmacy Services Professional Liability program. This program is specifically designed to provide Pharmacy Professional Liability coverage to a business entity that would not otherwise qualify for Pharmacists Mutual's Commercial Liability or Businessowners programs. This is a limited line for PhMIC; there are currently only 32 in-force policies countrywide. We have revised the language of our coverage form and related endorsements, (included in a separate filing,) as well as our manual rules and rates, to correspond to recent revisions to pharmacy professional liability language and rating in other company programs. In addition, included with the separate filing, we are also submitting for review new claims-made versions of this policy and certain endorsements.

RATES/RULES

Prior to this revision, the rates for this coverage referenced AAIS's Commercial Liability Manual edition 06-01. Because Pharmacy Professional Liability is no longer available in the 09-06 edition of AAIS's manual, we have deleted the past rate reference and inserted instead the same rating as filed and approved in our Commercial Liability Exception Pages 07-08. As compared to current rates for this program, this revision will result in an overall rate decrease. The change in the base rate, depending on class code used, will range from +19% to -14%. However, the per pharmacist charge has been eliminated, resulting in an additional decrease to all insureds. The number of pharmacists varies greatly among our 32 current policyholders; we estimate that the net effect of this revision will range between +5% to -20%, averaging about -5%, and most insureds will see a decrease in premium.

Manual Revision Details

1. Rule 1.1 Policy Forms – language modified to match description of Pharmacy Professional Liability Coverage in other PhMIC forms and added a description of our new claims-made version of this policy form, PM500.
2. Rule 1.2 Policy Limits – defined base policy limits available; limits below \$1MM/\$2MM are no longer being offered since we have not written any policies for lower limits. Limit options added for \$1MM/\$3MM and \$2MM/\$4MM to match Commercial Liability program.
3. Rule 1.3 Higher Limits – expanded to include company rules for underwriting documentation of higher limits. Limits for Limited Pharmacy License Defense Reimbursement defined here as well.
4. Rule 2 – Policy Writing Instructions – revised to match other PhMIC program manuals.
5. Rule 3.1 – Deductible – clarifying language revisions and related factors, although unchanged, have been moved to the rate section of the manual.
6. Rule 3.2 – Deductible Aggregate – this is a new optional coverage with no premium impact. The rule includes reference to both the occurrence, PM437, and claims-made, PM502, versions of this endorsement.

7. Rule 4 – Additional Insured – clarifying language revisions and related factors, although unchanged, have been moved to the rate section of the manual.
8. Rule 5 – Premium Development – this section is entirely new. Rating of this policy matches our Commercial Liability rating, and the premium determination rules reflect this change. Steps 1 - 11 address all policy premium determination. Step 12 is added for when the claims-made version of the policy applies.
9. Rule 6 – Coverage Options – language clarification of the coverage option, including changing the coverage name, but endorsement PM 1110 is not new.
10. Rule 7 – Individual Risk Premium – language clarifications only.
11. Rule 8 – Claims-Made Form Rule – new rule to accompany new version of coverage form. Added language addresses retroactive date, claims-made discount factor use, and extended reporting period options available.
12. Countrywide Rates –
 - a. 1.2 – Loss Costs are the same as filed/approved for our Commercial Liability and Businessowners programs for Pharmacy Professional Liability coverage.
 - b. 3.1 – Deductible Factors – are the same as filed/approved for our Commercial Liability program for Pharmacy Professional Liability coverage and are extracted from AAIS's Commercial Liability program rules.
 - c. 4.1 – Additional Insured Factor – no change, simple moved to this section
 - d. 6.1 - Health Care Services Liability – renamed from Ancillary Pharmacy Services Professional Liability Coverage; rate for \$1MM/\$2MM coverage is unchanged; rates for higher coverage limits match those filed and approved for our Commercial Liability program.
 - e. 8.2 – Claims-Made Discount Factor – applicable only with new PM500; based on industry factors.
 - f. 8.3 – Extended Reporting Period Options – applicable only with new PM500 & PM501; based on industry factors.

Neuman, Gayle

From: Neuman, Gayle
Sent: Thursday, July 30, 2009 2:50 PM
To: 'Heidi.Allen@phmic.com'
Subject: Pharmacists Mutual - Rate/Rule Filing #IL-PSPL-07-09

Ms. Allen,

I am in receipt of the above referenced filing submitted with your letter dated May 11, 2009. Please address the following questions/concerns:

1. 215 ILCS 5/155.18 states it shall be certified in this filing by an officer of the company and a qualified actuary that the company's rates are based on sound actuarial principles and are not inconsistent with the company's experience. This information is required in every rate/rule filing for medical malpractice.
2. Please indicate if your company has a plan for the gathering of statistics or the reporting of statistics to statistical agencies? If yes, what stat agency is being used?
3. Pursuant to 50 Ill. Adm. Code 929, all companies writing medical liability insurance shall file with the Secretary or Director a plan to offer each medical liability insured the option to make premium payments, in at least quarterly installments. For purposes of this requirement, insurers may, but are not required to, offer such premium installment plans to insureds whose annual premiums are less than \$500, or for premium for any extension of a reporting period. Quarterly installment premium payment plans subject to this Section shall be included in the initial offer of the policy, or in the first policy renewal occurring after January 1, 2006. Thereafter, the insurer may, but need not re-offer such payment plan, but if an insured requests such payment plan at a later date, the insurer must make it available. All quarterly installment premium payment plan provisions shall be contained in the filed rate and/or rule manual in a section entitled, "Quarterly Installment Option" or a substantially similar title. If the company uses a substantially similar title, the Rule Submission Letter must indicate the name of the section that complies with this requirement. All quarterly installment premium payment plans shall include the minimum standards listed below. Insurers may provide for quarterly installment premium payment plans that differ from these minimum standards, as long as such plans have terms that are at least as or more favorable than those listed below.
 - i) An initial payment of no more than 40% of the estimated total premium due at policy inception;
 - ii) The remaining premium spread equally among the second, third, and fourth installments, with the maximum for such installments set at 30% of the estimated total premium, and due 3, 6, and 9 months from policy inception, respectively;
 - iii) No interest charges;
 - iv) Installment charges or fees of no more than 1% of the total premium or \$25.00, whichever is less;
 - v) A provision stating that additional premium resulting from changes to the policy shall be spread equally over the remaining installments, if any. If there are no remaining installments, additional premium resulting from changes to a policy may be billed immediately as a separate transaction.

4. Please provide a copy of the final draft of the pages without the markings.

5. What was the effective date of the last filing of the pages in this filing?

I request receipt of your response by August 13, 2009.

Gayle Neuman
Illinois Department of Insurance
Property & Casualty Compliance
(217) 524-6497

7/30/2009

Please refer to the Property & Casualty Review Checklists before submitting any filing. The checklists can be accessed through the Department's website at www.insurance.illinois.gov.

THIS MESSAGE IS INTENDED FOR THE SOLE USE OF THE ADDRESSEE AND MAY BE CONFIDENTIAL, PRIVILEGED AND EXEMPT FROM DISCLOSURE UNDER APPLICABLE LAWS. IF YOU RECEIVE THIS MESSAGE IN ERROR, PLEASE DESTROY IT AND NOTIFY US BY SENDING AN E-MAIL TO: GAYLE.NEUMAN@ILLINOIS.GOV.

Neuman, Gayle

From: Heidi.Allen@phmic.com
Sent: Monday, August 17, 2009 2:42 PM
To: Neuman, Gayle
Subject: Pharmacists Mutual Filing IL-PSPL-07-09

Ms. Neuman,

We have not completed the response to your email dated 7/30 regarding this filing. I respectfully request until August 21st to respond to your questions and concerns.

Thank-you,

Heidi T. Allen, MBA, ACP
Research & Development Director
Pharmacists Mutual Insurance Company
1-800-247-5930 x - 7219
heidi.allen@phmic.com

8/18/2009

**Secured Message**[Reply](#)[ReplyAll](#)[Forward](#)

From: Heidi Allen <Heidi.Allen@phmic.com>
To: "Neuman Gayle" <Gayle.Neuman@illinois.gov>
Date: Wed, 30 Sep 2009 14:27:27 -0500
Subject: RE: Pharmacists Mutual - Rate/Rule Filing #IL-PSPL-07-09
Attachments: [PSPL Rules 07 09.pdf](#) [FILING CERTIFICATION.docx](#) [PhMIC Premium Payment Options.doc](#)

Gayle,

I have just found this email and realized I never responded to your questions. I apologize for missing the August 13th deadline you gave us, however, we have NOT implemented these revisions with the 7/1/09 effective date requested. We would like to proceed with an 11/1/09 effective date. Related form filing, PHAR-126128533, is still outstanding on SERFF, and needs to be amended to an 11/1/09 effective date as well. I have not received any comments from you on that filing.

I have noted our responses to your questions below, within your original email. Please let me know if you have any further questions. Again, I apologize for our delay in responding to your questions. Thank you for your continued consideration.

Heidi T. Allen, MBA, ACP
Research & Development Director
Pharmacists Mutual Insurance Company
1-800-247-5930 x – 7219
heidi.allen@phmic.com

From: Neuman, Gayle [mailto:Gayle.Neuman@illinois.gov]
Sent: Thursday, July 30, 2009 2:50 PM
To: Heidi Allen
Subject: Pharmacists Mutual - Rate/Rule Filing #IL-PSPL-07-09

Ms. Allen,

I am in receipt of the above referenced filing submitted with your letter dated May 11, 2009. Please address the following questions/concerns:

1. 215 ILCS 5/155.18 states it shall be certified in this filing by an officer of the company and a qualified actuary that the company's rates are based on sound actuarial principles and are not inconsistent with the company's experience. This information is required in every rate/rule filing for medical malpractice.
2. Please indicate if your company has a plan for the gathering of statistics or the reporting of statistics to statistical agencies? If yes, what stat agency is being used? Yes, AAIS is our stat agent.
3. Pursuant to 50 Ill. Adm. Code 929, all companies writing medical liability insurance shall file with the Secretary or Director a plan to offer each medical liability insured the option to make premium payments, in at least quarterly installments. For purposes of this requirement, insurers may, but are not required to, offer such premium installment plans to insureds whose annual premiums are less than \$500, or for premium for any extension of a reporting period. Quarterly installment premium payment plans subject to this Section shall be included in the initial offer of the policy, or in the first policy renewal occurring after January 1, 2006. Thereafter, the insurer may, but need not re-offer such payment plan, but if an insured requests such payment plan at a later date, the insurer

must make it available. All quarterly installment premium payment plan provisions shall be contained in the filed rate and/or rule manual in a section entitled, "Quarterly Installment Option" or a substantially similar title. If the company uses a substantially similar title, the Rule Submission Letter must indicate the name of the section that complies with this requirement. All quarterly installment premium payment plans shall include the minimum standards listed below. Insurers may provide for quarterly installment premium payment plans that differ from these minimum standards, as long as such plans have terms that are at least as or more favorable than those listed below. Please see the attached Premium Payment Options document which includes our standard payment options countrywide. While these are not specifically included with our PSPL Manual Rules, they are part of our company's accounting rules. The note addressing how additional premium is handled has been added to meet the IL requirements noted above, but was already our standard procedure. Please advise if the entirety of this information needs to be added as an IL Supplement to our Pharmacy Services Professional Liability Manual Rules, or just the quarterly payment portion and the note.

- i) An initial payment of no more than 40% of the estimated total premium due at policy inception;
 - ii) The remaining premium spread equally among the second, third, and fourth installments, with the maximum for such installments set at 30% of the estimated total premium, and due 3, 6, and 9 months from policy inception, respectively;
 - iii) No interest charges;
 - iv) Installment charges or fees of no more than 1% of the total premium or \$25.00, whichever is less;
 - v) A provision stating that additional premium resulting from changes to the policy shall be spread equally over the remaining installments, if any. If there are no remaining installments, additional premium resulting from changes to a policy may be billed immediately as a separate transaction.
4. Please provide a copy of the final draft of the pages without the markings. The attached Manual is edition 07 09 which contains minor clarifications from the initially submitted 06 09 edition.
5. What was the effective date of the last filing of the pages in this filing? The last, and only, prior rate/rule filing for this line was out initial filing PSPC-08-01, effective 8/1/2001.

I request receipt of your response by August 13, 2009.

Gayle Neuman
Illinois Department of Insurance
Property & Casualty Compliance
(217) 524-6497

Please refer to the Property & Casualty Review Checklists before submitting any filing. The checklists can be accessed through the Department's website at www.insurance.illinois.gov.

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[Reply](#) [ReplyAll](#) [Forward](#)

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Neuman, Gayle

From: Heidi Allen [Heidi.Allen@phmic.com]
Sent: Monday, February 01, 2010 11:35 AM
To: Neuman, Gayle
Subject: RE: Pharmacist Mutual - Filing #IL-PSPL-07-09

Gayle,

We still have not received the actuary certification. I will follow-up with our consultant today. Thanks for the additional time.

Heidi Allen

Research & Development Director
x-7219

From: Neuman, Gayle [mailto:Gayle.Neuman@illinois.gov]
Sent: Monday, February 01, 2010 11:13 AM
To: Heidi Allen
Subject: FW: Pharmacist Mutual - Filing #IL-PSPL-07-09

Ms. Allen,

I don't see where I received a response to the below e-mail. Your immediate attention is required. I request your response by no later than February 3, 2010.

Gayle Neuman
Department of Insurance

From: Neuman, Gayle
Sent: Thursday, January 21, 2010 1:55 PM
To: 'Heidi Allen'
Subject: RE: Pharmacist Mutual - Filing #IL-PSPL-07-09

Heidi,

Please address the following:

1. We are still awaiting the actuarial certification.
2. You indicate the extended reporting period charge is based on the preceeding annual policy premium – I will interpret that as being the expiring annual premium.
3. Were the pages being replaced filed effective August 1, 2001? Please provide a copy of the filing that will not be replaced by this filing that contains the loss cost multiplier.
4. You provided the Premium Payment Options. I assume this is to be a page in the manual however it does not contain a page number or edition date.

I request receipt of your response by January 26, 2010.

Gayle Neuman

2/1/2010

Illinois Department of Insurance
Property & Casualty Compliance
(217) 524-6497

From: Heidi Allen [mailto:Heidi.Allen@phmic.com]
Sent: Monday, January 18, 2010 4:17 PM
To: Neuman, Gayle
Subject: RE: Pharmacist Mutual - Filing #IL-PSPL-07-09

Gayle,

Please see my responses below. We are still awaiting response from our actuarial consultant on item #1.

Heidi Allen

Research & Development Director
x-7219

From: Neuman, Gayle [mailto:Gayle.Neuman@illinois.gov]
Sent: Monday, January 11, 2010 2:19 PM
To: Heidi Allen
Subject: Pharmacist Mutual - Filing #IL-PSPL-07-09

Ms. Allen,

Upon review of your 9/30/2009 response, please address the following issues/questions:

1. The certification provided did not include the statement from a qualified actuary as required. **[Heidi Allen]** We are still awaiting response from our actuary; I will forward the statement when I receive it.
2. Extended reporting period (tail coverage) premium must be priced as a factor of one of the following: (1) the last twelve months premium; (2) the premium in effect at policy issuance; or (3) the expiring annual premium. You must list the factor(s) to be used to figure the premium, which of the three premiums the factor will be applied to, and any credits, discounts, etc. that will be added or removed when determining the final premium. **[Heidi Allen]** Rule 8.3.2 states: The additional premium for the Supplemental Extended Reported Period is shown in the rating information section of this manual and is **based on the preceding annual policy premium**; the associated factors are included on the Countrywide Rates page, 8.3.
3. Please provide the baser rate and the base location premium. **[Heidi Allen]** The base rates are identified in item 1.2 on the Countrywide Rates page. This is liability coverage only; there is no variance by location.
4. Please provide the loss cost multiplier (Step 4). **[Heidi Allen]** Our previously filed and approved loss cost multiplier for this line is 1.459.
5. The regulation requires the premium payment options be included in the rate/rule manual pages. Additionally, 50 Ill. Adm. Code 929 states the installment fees can be no more than 1% of the total premium or \$25.00, whichever is less. I have attached our Premium Payment Options; these options are available companywide for all policy programs.

I request receipt of your response by no later than January 19, 2010.

Gayle Neuman

Illinois Department of Insurance
Property & Casualty Compliance
(217) 524-6497

2/1/2010

Please refer to the Property & Casualty Review Checklists before submitting any filing. The checklists can be accessed through the Department's website at www.insurance.illinois.gov.

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Neuman, Gayle

From: Heidi Allen [Heidi.Allen@phmic.com]
Sent: Thursday, February 04, 2010 9:57 AM
To: Neuman, Gayle
Subject: RE: Pharmacist Mutual - Filing #IL-PSPL-07-09

Gayle,

I apologize for the continued delay in responding to your request. The reason for it has been that, as a result of feedback from another state about this filing, our actuarial consultant has been reviewing the assumptions used in developing our claims-made discount and extended reporting period factors. This is a countrywide program, and our rating is consistent across all states; he wanted to resolve that re-analysis prior to issuing the actuarial certification to IL.

That has not yet been finalized, so I would like to withdraw filing IL-PSPL-07-09 at this time. We will resubmit with the required certification at a later date. We have NOT implemented this revision yet, and will not until the future filing has been submitted and approved.

Thank-you for your patience. I apologize for the inconvenience we have caused you.

Sincerely,

Heidi T. Allen, MBA, ACP
Research & Development Director
Pharmacists Mutual Insurance Company
1-800-247-5930 x – 7219
heidi.allen@phmic.com

From: Neuman, Gayle [mailto:Gayle.Neuman@illinois.gov]
Sent: Thursday, February 04, 2010 8:36 AM
To: Heidi Allen
Subject: FW: Pharmacist Mutual - Filing #IL-PSPL-07-09

Ms. Allen,

I did not receive a response to the below e-mails. The Department is implementing a new procedure when we cannot get information from an insurance company, which would require the company to appear at a hearing. The certification should have been provided when the filing was submitted in May 2009. There is no excuse for further delay. Pharmacist Mutual also has the option of withdrawing the filing if such information cannot be provided. YOUR IMMEDIATE RESPONSE IS REQUIRED BY NO LATER THAN FEBRUARY 4, 2010 (today).

Gayle Neuman
Department of Insurance

From: Neuman, Gayle
Sent: Monday, February 01, 2010 11:13 AM
To: 'Heidi Allen'
Subject: FW: Pharmacist Mutual - Filing #IL-PSPL-07-09

Ms. Allen,

2/4/2010

I don't see where I received a response to the below e-mail. Your immediate attention is required. I request your response by no later than February 3, 2010.

Gayle Neuman
Department of Insurance

From: Neuman, Gayle
Sent: Thursday, January 21, 2010 1:55 PM
To: 'Heidi Allen'
Subject: RE: Pharmacist Mutual - Filing #IL-PSPL-07-09

Heidi,

Please address the following:

1. We are still awaiting the actuarial certification.
2. You indicate the extended reporting period charge is based on the preceeding annual policy premium – I will interpret that as being the expiring annual premium.
3. Were the pages being replaced filed effective August 1, 2001? Please provide a copy of the filing that will not be replaced by this filing that contains the loss cost multiplier.
4. You provided the Premium Payment Options. I assume this is to be a page in the manual however it does not contain a page number or edition date.

I request receipt of your response by January 26, 2010.

Gayle Neuman

Illinois Department of Insurance
Property & Casualty Compliance
(217) 524-6497

From: Heidi Allen [mailto:Heidi.Allen@phmic.com]
Sent: Monday, January 18, 2010 4:17 PM
To: Neuman, Gayle
Subject: RE: Pharmacist Mutual - Filing #IL-PSPL-07-09

Gayle,

Please see my responses below. We are still awaiting response from our actuarial consultant on item #1.

Heidi Allen

Research & Development Director
x-7219

From: Neuman, Gayle [mailto:Gayle.Neuman@illinois.gov]
Sent: Monday, January 11, 2010 2:19 PM
To: Heidi Allen
Subject: Pharmacist Mutual - Filing #IL-PSPL-07-09

Ms. Allen,

2/4/2010

Upon review of your 9/30/2009 response, please address the following issues/questions:

1. The certification provided did not include the statement from a qualified actuary as required. **[Heidi Allen]** We are still awaiting response from our actuary; I will forward the statement when I receive it.
2. Extended reporting period (tail coverage) premium must be priced as a factor of one of the following: (1) the last twelve months premium; (2) the premium in effect at policy issuance; or (3) the expiring annual premium. You must list the factor(s) to be used to figure the premium, which of the three premiums the factor will be applied to, and any credits, discounts, etc. that will be added or removed when determining the final premium. **[Heidi Allen]** Rule 8.3.2 states: The additional premium for the Supplemental Extended Reported Period is shown in the rating information section of this manual and is **based on the preceding annual policy premium**; the associated factors are included on the Countrywide Rates page, 8.3.
3. Please provide the baser rate and the base location premium. **[Heidi Allen]** The base rates are identified in item 1.2 on the Countrywide Rates page. This is liability coverage only; there is no variance by location.
4. Please provide the loss cost multiplier (Step 4). **[Heidi Allen]** Our previously filed and approved loss cost multiplier for this line is 1.459.
5. The regulation requires the premium payment options be included in the rate/rule manual pages. Additionally, 50 Ill. Adm. Code 929 states the installment fees can be no more than 1% of the total premium or \$25.00, whichever is less. I have attached our Premium Payment Options; these options are available companywide for all policy programs.

I request receipt of your response by no later than January 19, 2010.

Gayle Neuman

Illinois Department of Insurance
Property & Casualty Compliance
(217) 524-6497

Please refer to the Property & Casualty Review Checklists before submitting any filing. The checklists can be accessed through the Department's website at www.insurance.illinois.gov.

THIS MESSAGE IS INTENDED FOR THE SOLE USE OF THE ADDRESSEE AND MAY BE CONFIDENTIAL, PRIVILEGED AND EXEMPT FROM DISCLOSURE UNDER APPLICABLE LAWS. IF YOU RECEIVE THIS MESSAGE IN ERROR, PLEASE DESTROY IT AND NOTIFY US BY SENDING AN E-MAIL TO: GAYLE.NEUMAN@ILLINOIS.GOV.

PHARMACISTS MUTUAL INSURANCE COMPANY

Pharmacy Services Professional Liability Program

COUNTRYWIDE

Pharmacy Services Professional Liability Policy

Program Rules

~~1. Program Description~~

The **RULE 1 -- PROGRAM DESCRIPTION**

1.1 Policy Coverage

1.1.1 Pharmacy Services Professional Liability Policy (PSPL) provides coverage for damages which an insured is legally obligated to pay as damages because of an occurrence. The occurrence must result in bodily injury, property damage, or personal injury, bodily injury or property damage to which the insurance applies, and arising out of the rendering or failure to render Pharmacy Services.

1.1.2 Limited Pharmacy License Defense Reimbursement for legal fees arising out of a disciplinary proceeding or official investigation arising out of the rendering or failure to render pharmacy services. PSPL includes Prescription Products Liability Reimbursement is subject to the conditions as set forth in the policy and applies in excess of a \$500 deductible per incident.

~~2. Eligibility~~

~~A PSPL may be issued to a business that provides pharmacy services.~~

~~Terms of~~ 1.2 Policy Forms

~~A PSPL may be written for a one-year term. A policy may be written for a term of less than one year upon written request. The premium will be figured on a pro-rata basis of the annual premium for the policy term. The PSPL may be continued for successive terms by payment of required premiums.~~

~~3. Limits of Liability~~

~~The base limit of liability is \$100,000 per occurrence / \$200,000 aggregate per location.~~

~~4. Premium Computation~~

~~The products premium charge is calculated separately for each location by selecting the applicable classification, multiply the A&A Commercial Liability base rate (Products/Completed Work) by pharmacy sales (.000), then by the increased limit factor and finally by the loss cost multiplier, this results in the products premium per location charge. The per location premium is subject to a minimum premium.~~

~~The Pharmacists charge is calculated based on each full-time and part-time Pharmacist, Pharmacists Technician and Pharmacy Student, including temporary or leased employees. This is a policy charge, not a location charge. The~~

PHARMACISTS MUTUAL INSURANCE COMPANY

Pharmacy Services Professional Liability Program

COUNTRYWIDE

Pharmacists charge is calculated by selecting the AAIS Pharmacists Professional Liability base rate (per person), multiplying by the increased limit factor, then by the loss cost multiplier and finally by the total number of Pharmacists, Pharmacists Technicians and Pharmacy Students, this results in the total per pharmacists charge.

An additional insured charge is calculated by multiplying the products premium charge of the location listing the additional insured by a factor of .10.

5. Increased Limits

The increased limits for The forms used to provide coverage are described below.

1.2.1 PM 307, Pharmacy Services Professional Liability Coverage (Occurrence Form)

Form PM 307 provides coverage on an occurrence basis.

1.2.2 PM 500, Pharmacy Services Professional Liability Coverage (Claims-Made Form)

Form PM 500 provides coverage on a per location claims-made basis.

-Refer to Rule 8.

1.3 Policy Limits

The Each Occurrence Limit, subject to the Aggregate Limit, is the most that will be paid for all injury and damages covered for one occurrence.

The Aggregate Limit is the most that will be paid during an annual policy period for all covered losses.

1.3.1 Pharmacy Services Professional Liability Limits

(.000) Omitted

Aggr. Limit	Each Occurrence Limit			
	100	300	500	1,000
200	1.00	---	---	---
300	1.01	1.25	---	---
500	1.03	1.26	1.38	---
1,000	1.05	1.28	1.40	1.57
2,000	---	1.31	1.43	1.60
3,000	---	1.33	1.45	1.62

6. Minimum Premium

Each policy location is subject to a minimum products premium charge of \$750.

The rating information shown in this manual reflects the following limits of insurance.

\$1,000,000 each occurrence / \$2,000,000 aggregate

PHARMACISTS MUTUAL INSURANCE COMPANY
Pharmacy Services Professional Liability Program
COUNTRYWIDE

\$1,000,000 each occurrence / \$3,000,000 aggregate
\$2,000,000 each occurrence / \$4,000,000 aggregate

Show the Each Occurrence and Aggregate Limits on the declarations page.

1.3.2 Limited Pharmacy License Defense Reimbursement Limits

The following limits of insurance are shown on the declarations page:

\$10,000 each occurrence / \$10,000 aggregate

1.4 Higher Limits

Higher Pharmacy Services Professional Liability limits may be available, subject to reinsurance approval. Pharmacists Mutual Insurance Company will maintain all underwriting files, premium, loss and expense statistics, financial and other records pertaining to policies providing limits higher than those shown above.

RULE 2 – POLICY WRITING INSTRUCTIONS

2.1 Policy Term

2.1.1 Annual

Annual rating information is shown in the rating information section of this manual.

2.1.2 Less Than One Year

A policy can be written for a term of less than one year. Prorate the annual rating information to determine the premium.

2.1.2.2 Cancellation

The PSPL will be cancelled. Policies canceled by either the insured or the Company must be canceled in accordance with the terms of the cancellation provisions that apply. The return premium, if any, is computed on a pro rata basis.

2.3 Policy Changes

Changes can be made to the policy after inception.

2.3.1 Additional Premium Changes

Use the rules and rating information in effect on the policy effective date when calculating the additional premium. If changes are made after the anniversary date of the policy, use the rules and rating information in effect on the anniversary date.

Calculate additional premiums on a pro rata basis.

PHARMACISTS MUTUAL INSURANCE COMPANY

Pharmacy Services Professional Liability Program

COUNTRYWIDE

If the additional premium that occurs as a result of a change is \$5.00 or less, the additional premium will be waived.

PHARMACISTS MUTUAL INSURANCE COMPANY
Pharmacy Services Professional Liability Program
COUNTRYWIDE

2.3.2 Return Premium Changes

Calculate all return premiums using the rating information that was in effect when coverage was issued.

Calculate return premiums on a pro rata basis when a limit is reduced or an exposure is eliminated. Retain the minimum location charge, if applicable state's laws. Any.

If the return premium that occurs as a result of a change is \$5.00 or less, the return premium will be computed pro-rata-waived. However, return premiums will be refunded at the insured's request.

7. Deductibles

RULE 3 – LIABILITY DEDUCTIBLE

3.1 Deductible

Deductible options are available on a per occurrence claim basis for bodily injury, property damage and personal injury. Show the deductible limit on the Policy Declarations.

Deductible Discount Factors

- A. Deductible discount factors are displayed in the tables below.
- B. Deductible discount factors are applicable only to the company's basic limits rates and minimum premiums.
- C. Insured's retention may not be above the basic limit.
- D. Rating Procedures
 - 1. Determine the applicable increased limits factor for the coverage.
 - 2. Determine the applicable deductible factor.

Subtract the following per claim deductible factor from the increased limits factor to determine the adjusted limits factor. amounts are shown in the rating information section of this manual.

- 3. Multiply the adjusted limits factor times the basic limits rate.

TABLE 4.1F Pharmacy Services Professional Liability Deductible Discount Factors

This table applies to Bodily Injury, Property Damage or Personal Injury deductible.

<u>Deduct Amount</u>	<u>Stat. Code</u>	<u>Deductible Discount Factors Amount</u>
<u>\$ 1,000</u>		<u>Table B</u>
<u>-\$250\$ 5,000</u>	<u>-04</u>	<u>0.007</u>
<u>—500\$ 10,000</u>	<u>-05</u>	<u>0.013</u>
<u>—750</u>	<u>-06</u>	<u>0.018</u>
<u>-1,000</u>	<u>-07</u>	<u>0.023</u>

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PHARMACISTS MUTUAL INSURANCE COMPANY
Pharmacy Services Professional Liability Program
COUNTRYWIDE

-3,000		-13	0.054
5,000	\$ 15,000		0.075
10\$ 20,000	-10		0.114
\$ 25,000	-18		0.187
\$ 50,000	-19		0.261
\$ 75,000	-20		0.311
\$ 100,000	-21		0.349

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Credits & Debits:

The rates may 3.2 Deductible Aggregate

3.2.1 Deductible Aggregate (Occurrence form)

Deductibles of \$10,000 or higher are subject to an Aggregate Deductible limit, which limits the maximum out-of-pocket expense the insured has for claims resulting from injuries that occur during the policy period, regardless of when the loss payment or claims expenses are made. The Aggregate Deductible Limit will equal four times the Deductible Limit accepted.

Attach endorsement PM 437 and show the Aggregate Deductible Limit on the form.

PHARMACISTS MUTUAL INSURANCE COMPANY

Pharmacy Services Professional Liability Program

COUNTRYWIDE

3.2.2 Deductible Aggregate (Claims-made form)

Deductibles of \$10,000 or higher are subject to an Aggregate Deductible limit, which limits the maximum out-of-pocket expense the insured has for claims reported during the policy period, regardless of when the loss payment or claims expenses are made. The Aggregate Deductible Limit will equal four times the Deductible Limit accepted.

Attach endorsement PM 502 and show the Aggregate Deductible Limit on the form.

RULE 4 – ADDITIONAL INSURED

4.1 Additional Insured

Pharmacy Services Professional Liability Coverage can extend the insured's liability protection to other persons or entities, by listing the other persons or entities in the Policy Interest section of the declarations as an Additional Insured. Coverage is provided the additional insured for their liability arising out of the named insured's acts or omissions in the rendering or failure to render pharmacy services.

An Additional Insured can be modified in accordance added to the policy for an additional premium charge and is determined separately for each insured location. The factor for the Additional Interest charge is shown in the rating information section of this manual.

RULE 5 – PREMIUM DEVELOPMENT

5.1 Calculation of Premium

Step 1 - Determine the applicable Pharmacy Services Professional Liability loss cost based on the liability limit provided (Rate 1.2).

Step 2 - If a deductible is chosen, subtract the applicable deductible factor (Rate 3.1) from 1.000. If there is no liability deductible, use 1.000.

Step 3 - Multiply the loss cost from Step 1 by the results of Step 2.

Step 4 - Multiply the results of Step 3 by the loss cost multiplier.

Step 5 - For each location, multiply the results of Step 4 by the location's projected pharmacy receipts (in \$000's). Pharmacy receipts include total amounts collected from customers for prescriptions and pharmacy services.

Step 6 - If the location has an additional insured, multiply the Additional Insured Factor (Rate 4.1) by the number of additional insureds to obtain the Total Additional Insured Factor. If no Additional Insureds, use 1.000. Multiply the Total Additional Insured Factor by the results of Step 5.

Step 7 - Add the results of Step 5 and Step 6 for the base location premium.

PHARMACISTS MUTUAL INSURANCE COMPANY

Pharmacy Services Professional Liability Program

COUNTRYWIDE

Step 8 - If form PM 500 is used, multiply the result of Step 7 by the applicable Claims-Made Discount factor (Rate 8.2) to determine the claims-made base location premium. If form PM 307 is used, continue with the following Risk Management consideration to a maximum of 25% Step 7 premium.

Step 9 - Determine the applicable individual risk premium modification (IRPM) as outlined in Rule 7. Convert the total credit or debit. ~~Written justification of~~ developed to an IRPM factor.

Step 10 - Multiply the IRPM factor to the result of Step 8. The resulting modified location premium is subject to the minimum location charge.

Step 11- Repeat Steps 5-10 for each location.

Step 12 - If Health Care Services Liability coverage is included, multiply the appropriate information ~~shall be maintained in customer file regarding any charge~~ (Rate 6.1) by the number of eligible professional employees, as shown in Rule 6.1.

Step 13- If form PM 500 is used, multiply the result of Step 12 by the applicable Claims-Made Discount factor (Rate 8.2) to determine the claims-made Health Care Services Liability premium. If form PM 307 is used, continue with the Step 12 premium.

Step 14 - Multiply the IRPM factor determined in Step 9 by the result of Step 13 to determine the modified Health Care Services Liability premium.

Step 15 - Add the modified location premiums for all locations to the modified Health Care Services Liability premium (from Step 14) to determine the total policy premium.

RULE 6 – COVERAGE OPTIONS

6.1 Health Care Services Liability

Coverage can be added for bodily injury, property damage, and personal injury arising from the rendering or failure to render health care services.

Eligible professionals include a registered nurse, licensed practical nurse and similar health care professionals whose professional duties are ancillary to the duties of a professional licensed to prescribe medications.

The charge, per professional, is shown in the rating information section of this manual.

Attach Endorsement PM 1110

PHARMACISTS MUTUAL INSURANCE COMPANY
Pharmacy Services Professional Liability Program
COUNTRYWIDE

RULE 7 – INDIVIDUAL RISK PREMIUM MODIFICATION

7.1 Individual Risk Premium Modification

The following modifications can be applied to recognize special characteristics of the risk that are not fully reflected in the rates.

RISK-MANAGEMENT MODIFICATIONS

The total credit or debit developed using the following table cannot exceed 25%.

<u>Risk Variations</u>	<u>Range of Modifications</u>	
	<u>Credit</u>	<u>Debit</u>
1. Management qualifications and experience <u>—5% debit</u>	<u>—5% credit</u>	<u>to</u>
2. Employee training and supervision <u>—10% debit</u>	<u>—10% credit</u>	<u>to</u>
3. Special Risk Management <u>Loss Control</u> procedures taken <u>debit 10%</u>	<u>—10% credit</u>	<u>to 0%</u>
4. Care and condition of pharmacy area <u>—10% debit</u>	<u>—10% credit</u>	<u>to</u>
5. Professional liability claims experience	<u>10%</u>	<u>to 10%</u>

RULE 8 – FORM PM 500, PHARMACY SERVICES PROFESSIONAL LIABILITY – (Claims-Made Form)

Pharmacy Services Professional Liability coverage can be written on a claims-made basis.

Claims-made coverage applies only to claims that occur on or after the Retroactive Date shown in the policy declarations and before the end of the policy period. The claim for damages must be made within the policy period or the Extended Reporting Period.

8.1 Retroactive Date

The Retroactive Date selected should coincide with the original inception date of the claims-made professional liability coverage and should be retained on all subsequent renewals of the coverage.

Show the applicable Retroactive Date on the policy declarations.

8.2 Claims-Made Discount Factor

PHARMACISTS MUTUAL INSURANCE COMPANY

Pharmacy Services Professional Liability Program

COUNTRYWIDE

To reflect the maturity of the risk, determine the number of years that professional liability coverage will have been in effect on a claims-made basis as of the end of the policy period, and select the corresponding Claims-Made Discount factor shown in the rating information section of this manual.

8.3 Extended Reporting Period

Extended reporting periods allow for the triggering of coverage for injuries that occur after the retroactive date and before the end of the policy period, but the claim is not made until after the policy's expiration.

8.3.1 Basic Extended Reporting Period

The Basic Extended Reporting Period extends the time for reporting a claim after the policy terminates and begins with the end of the policy period and lasts for 60 days with respect to claims that have not previously been reported to us.

The Basic Extended Reporting Period is provided automatically for no additional premium.

No additional endorsement is required.

8.3.2 Supplemental Extended Reporting Period

The Supplemental Extended Reporting Period extends the time for reporting a claim after the policy terminates. The Supplemental Extended Reporting Period begins when the Basic Extended Reporting Period ends and continues in effect for either 12 months, 24 months, or for an unlimited time period.

Coverage applies only to claims for injury which occurred after the Retroactive Date, if any, and before the end of the policy period, but that are first reported during the Supplemental Extended Reporting Period.

A separate Aggregate Limit, equal to the Aggregate Limit shown on the declarations, applies to claims that are eligible for coverage under the Supplemental Extended Reporting Period.

The additional premium for the Supplemental Extended Reported Period is shown in the rating information section of this manual and is based on the preceding annual policy premium.

Attach endorsement PM 501.

PHARMACISTS MUTUAL INSURANCE COMPANY

Pharmacy Services Professional Liability Program

COUNTRYWIDE

COUNTRYWIDE RATES

1.2 Pharmacy Services Professional Liability Loss Cost (per \$1,000 of pharmacy receipts)

<u>Occurrence / Aggregate Limit</u>	<u>Loss Cost</u>
\$1,000,000 / \$2,000,000	\$ 0.76
\$1,000,000 / \$3,000,000	\$ 0.77
\$2,000,000 / \$4,000,000	\$ 0.90
Minimum Location Charge	\$ 750.00

3.1 Deductible Factors

<u>Deductible</u>	<u>\$1MM/\$2MM</u>	<u>\$1MM/\$3MM</u>	<u>\$2MM/\$4MM</u>
\$ 1,000	0.034	0.034	0.040
\$ 5,000	0.102	0.103	0.121
\$ 10,000	0.151	0.153	0.179
\$ 15,000	0.187	0.189	0.221
\$ 20,000	0.216	0.219	0.256
\$ 25,000	0.240	0.243	0.284
\$ 50,000	0.326	0.330	0.386
\$ 75,000	0.381	0.386	0.451
\$ 100,000	0.423	0.429	0.501

4.1 Additional Insured Factor 0.10

6.1 Health Care Services Liability

<u>Occurrence / Aggregate Limit</u>	<u>1st Professional</u>	<u>Each Additional</u>
\$ 1,000,000 / \$2,000,000	\$ 1,200	\$ 250
\$ 1,000,000 / \$3,000,000	\$ 1,300	\$ 275
\$ 2,000,000 / \$4,000,000	\$ 1,600	\$ 350

8.2 Claims-Made Discount Factor

<u>Year</u>	<u>Factor</u>
1 Year	.84
2 Years	.92
3 Years	.97
4 Years	.99
5 Years +	1.00

8.3 Extended Reporting Period Options

12 Months	100% of preceding annual policy premium
24 Months	150% of preceding annual policy premium
Unlimited	200% of preceding annual policy premium

PHARMACISTS MUTUAL INSURANCE COMPANY

COUNTRYWIDE Premium Payment Options

1. **Payment in Full** / due upon effective date of policy / no service charge
2. **Three Equal Payments** / 1/3 due on effective date of policy, next third in 60 days and final third in 120 days / no service charge
3. **Semi-annual** / ½ due on effective date of policy and ½ due in 180 days / service charge of \$5.00 on final installment
4. **Quarterly** / ¼ due on effective date of policy, ¼ due in 90 days, ¼ due in 180 days and final ¼ due in 270 days / service charge of \$5.00 on last 3 installments
5. **EFT – monthly EZ Funds Transfer** / down payment equal to one month's premium along with a void check must be submitted to initiate EFT / automatic debit on checking or savings account drawn monthly on the effective day of the policy / \$1.00 service charge per monthly withdrawal

Note: Under all installment options above, additional premium resulting from changes to the policy will be spread equally over the remaining installments, if any. If there are no remaining installments, additional premium resulting from changes to a policy will be billed immediately as a separate transaction.

WITHDRAWN

FEB 04 2010

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE
SPRINGFIELD, ILLINOIS

PHARMACISTS MUTUAL INSURANCE COMPANY

COUNTRYWIDE Premium Payment Options

1. **Payment in Full** / due upon effective date of policy / no service charge
2. **Three Equal Payments** / 1/3 due on effective date of policy, next third in 60 days and final third in 120 days / no service charge
3. **Semi-annual** / 1/2 due on effective date of policy and 1/2 due in 180 days / service charge of \$5.00 on final installment
4. **Quarterly** / 1/4 due on effective date of policy, 1/4 due in 90 days, 1/4 due in 180 days and final 1/4 due in 270 days / service charge of \$5.00 on last 3 installments
5. **EFT – monthly EZ Funds Transfer** / down payment equal to one month's premium along with a void check must be submitted to initiate EFT / automatic debit on checking or savings account drawn monthly on the effective day of the policy / \$1.00 service charge per monthly withdrawal

WITHDRAWN

FEB 04 2010

**STATE OF ILLINOIS
DEPARTMENT OF INSURANCE
SPRINGFIELD, ILLINOIS**

PHARMACISTS MUTUAL INSURANCE COMPANY
Pharmacy Services Professional Liability Program
COUNTRYWIDE

Program Rules

RULE 1 -- PROGRAM DESCRIPTION

1.1 Policy Coverage

- 1.1.1 Pharmacy Services Professional Liability coverage for damages which an insured is legally obligated to pay because of an occurrence. The occurrence must result in bodily injury, property damage, or personal injury arising out of the rendering or failure to render Pharmacy Services.
- 1.1.2 Limited Pharmacy License Defense Reimbursement for legal fees arising out of a disciplinary proceeding or official investigation arising out of the rendering or failure to render pharmacy services. Reimbursement is subject to the conditions as set forth in the policy and applies in excess of a \$500 deductible per incident;

1.2 Policy Forms

The forms used to provide coverage are described below.

- 1.2.1 PM 307, Pharmacy Services Professional Liability Coverage (Occurrence Form)
Form PM 307 provides coverage on an occurrence basis.
- 1.2.2 PM 500, Pharmacy Services Professional Liability Coverage (Claims-Made Form)
Form PM 500 provides coverage on a claims-made basis.
Refer to Rule 8.

1.3 Policy Limits

The Each Occurrence Limit, subject to the Aggregate Limit, is the most that will be paid for all injury and damages covered for one occurrence.

The Aggregate Limit is the most that will be paid during an annual policy period for all covered losses.

1.3.1 Pharmacy Services Professional Liability Limits

The rating information shown in this manual reflects the following limits of insurance.

\$1,000,000 each occurrence / \$2,000,000 aggregate
\$1,000,000 each occurrence / \$3,000,000 aggregate
\$2,000,000 each occurrence / \$4,000,000 aggregate

Show the Each Occurrence and Aggregate Limits on the declarations page.

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PHARMACISTS MUTUAL INSURANCE COMPANY
Pharmacy Services Professional Liability Program
COUNTRYWIDE

1.3.2 Limited Pharmacy License Defense Reimbursement Limits

The following limits of insurance are shown on the declarations page:

\$10,000 each occurrence / \$10,000 aggregate

1.4 Higher Limits

Higher Pharmacy Services Professional Liability limits may be available, subject to reinsurance approval. Pharmacists Mutual Insurance Company will maintain all underwriting files, premium, loss and expense statistics, financial and other records pertaining to policies providing limits higher than those shown above.

RULE 2 – POLICY WRITING INSTRUCTIONS

2.1 Policy Term

2.1.1 Annual

Annual rating information is shown in the rating information section of this manual.

2.1.2 Less Than One Year

A policy can be written for a term of less than one year. Prorate the annual rating information to determine the premium.

2.2 Cancellation

Policies canceled by either the insured or the Company must be canceled in accordance with the terms of the cancellation provisions that apply. The return premium, if any, is computed on a pro rata basis.

2.3 Policy Changes

Changes can be made to the policy after inception.

2.3.1 Additional Premium Changes

Use the rules and rating information in effect on the policy effective date when calculating the additional premium. If changes are made after the anniversary date of the policy, use the rules and rating information in effect on the anniversary date.

Calculate additional premiums on a pro rata basis.

If the additional premium that occurs as a result of a change is \$5.00 or less, the additional premium will be waived.

WITHDRAWN

PHARMACISTS MUTUAL INSURANCE COMPANY
Pharmacy Services Professional Liability Program
COUNTRYWIDE

2.3.2 Return Premium Changes

Calculate all return premiums using the rating information that was in effect when coverage was issued.

Calculate return premiums on a pro rata basis when a limit is reduced or an exposure is eliminated. Retain the minimum location charge, if applicable.

If the return premium that occurs as a result of a change is \$5.00 or less, the return premium will be waived. However, return premiums will be refunded at the insured's request.

RULE 3 – LIABILITY DEDUCTIBLE

3.1 Deductible

Deductible options are available on a per claim basis for bodily injury, property damage and personal injury. Show the deductible limit on the Policy Declarations.

Factors for the following per claim deductible amounts are shown in the rating information section of this manual.

Deductible Amount
\$ 1,000
\$ 5,000
\$ 10,000
\$ 15,000
\$ 20,000
\$ 25,000
\$ 50,000
\$ 75,000
\$ 100,000

3.2 Deductible Aggregate

3.2.1 Deductible Aggregate (Occurrence form)

Deductibles of \$10,000 or higher are subject to an Aggregate Deductible limit, which limits the maximum out-of-pocket expense the insured has for claims resulting from injuries that occur during the policy period, regardless of when the loss payment or claims expenses are made. The Aggregate Deductible Limit will equal four times the Deductible Limit accepted.

Attach endorsement PM 437 and show the Aggregate Deductible Limit on the form.

WITHDRAWN

PHARMACISTS MUTUAL INSURANCE COMPANY
Pharmacy Services Professional Liability Program
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3.2.2 Deductible Aggregate (Claims-made form)

Deductibles of \$10,000 or higher are subject to an Aggregate Deductible limit, which limits the maximum out-of-pocket expense the insured has for claims reported during the policy period, regardless of when the loss payment or claims expenses are made. The Aggregate Deductible Limit will equal four times the Deductible Limit accepted.

Attach endorsement PM 502 and show the Aggregate Deductible Limit on the form.

RULE 4 – ADDITIONAL INSURED

4.1 Additional Insured

Pharmacy Services Professional Liability Coverage can extend the insured's liability protection to other persons or entities, by listing the other persons or entities in the Policy Interest section of the declarations as an Additional Insured. Coverage is provided the additional insured for their liability arising out of the named insured's acts or omissions in the rendering or failure to render pharmacy services.

An Additional Insured can be added to the policy for an additional premium charge and is determined separately for each insured location. The factor for the Additional Interest charge is shown in the rating information section of this manual.

RULE 5 – PREMIUM DEVELOPMENT

5.1 Calculation of Premium

Step 1 - Determine the applicable Pharmacy Services Professional Liability loss cost based on the liability limit provided (Rate 1.2).

Step 2 - If a deductible is chosen, subtract the applicable deductible factor (Rate 3.1) from 1.000. If there is no liability deductible, use 1.000.

Step 3 - Multiply the loss cost from Step 1 by the results of Step 2.

Step 4 - Multiply the results of Step 3 by the loss cost multiplier.

Step 5 - For each location, multiply the results of Step 4 by the location's projected pharmacy receipts (in \$000's). Pharmacy receipts include total amounts collected from customers for prescriptions and pharmacy services.

Step 6 - If the location has an additional insured, multiply the Additional Insured Factor (Rate 4.1) by the number of additional insureds to obtain the Total Additional Insured Factor. Multiply the Total Additional Insured Factor by the results of Step 5. If no Additional Insureds, use 0.

Step 7 - Add the results of Step 5 and Step 6 for the base location premium.

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- Step 8 - If form PM 500 is used, multiply the result of Step 7 by the applicable Claims-Made Discount factor (Rate 8.2) to determine the claims-made base location premium. If form PM 307 is used, continue with the Step 7 premium.
- Step 9 - Determine the applicable individual risk premium modification (IRPM) as outlined in Rule 7. Convert the total credit or debit developed to an IRPM factor.
- Step 10 - Multiply the IRPM factor to the result of Step 8. The resulting modified location premium is subject to the minimum location charge.
- Step 11- Repeat Steps 5-10 for each location.
- Step 12 - If Health Care Services Liability coverage is included, multiply the appropriate charge (Rate 6.1) by the number of eligible professional employees, as shown in Rule 6.1.
- Step 13- If form PM 500 is used, multiply the result of Step 12 by the applicable Claims-Made Discount factor (Rate 8.2) to determine the claims-made Health Care Services Liability premium. If form PM 307 is used, continue with the Step 12 premium.
- Step 14 - Multiply the IRPM factor determined in Step 9 by the result of Step 13 to determine the modified Health Care Services Liability premium.
- Step 15 - Add the modified location premiums for all locations to the modified Health Care Services Liability premium (from Step 14) to determine the total policy premium.

RULE 6 – COVERAGE OPTIONS

6.1 Health Care Services Liability

Coverage can be added for bodily injury, property damage, and personal injury arising from the rendering or failure to render health care services.

Eligible professionals include a registered nurse, licensed practical nurse and similar health care professionals whose professional duties are ancillary to the duties of a professional licensed to prescribe medications.

The charge, per professional, is shown in the rating information section of this manual.

Attach Endorsement PM 1110

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RULE 7 – INDIVIDUAL RISK PREMIUM MODIFICATION

7.1 Individual Risk Premium Modification

The following modifications can be applied to recognize special characteristics of the risk that are not fully reflected in the rates.

The total credit or debit developed using the following table cannot exceed 25%.

Risk Variations	Range of Modifications		
	Credit		Debit
1. Management qualifications and experience	5%	to	5%
2. Employee training and supervision	10%	to	10%
3. Special Loss Control procedures taken	10%	to	10%
4. Care and condition of pharmacy area	10%	to	10%
5. Professional liability claims experience	10%	to	10%

**RULE 8 – FORM PM 500, PHARMACY SERVICES PROFESSIONAL LIABILITY –
(Claims-Made Form)**

Pharmacy Services Professional Liability coverage can be written on a claims-made basis.

Claims-made coverage applies only to claims that occur on or after the Retroactive Date shown in the policy declarations and before the end of the policy period. The claim for damages must be made within the policy period or the Extended Reporting Period.

8.1 Retroactive Date

The Retroactive Date selected should coincide with the original inception date of the claims-made professional liability coverage and should be retained on all subsequent renewals of the coverage.

Show the applicable Retroactive Date on the policy declarations.

8.2 Claims-Made Discount Factor

To reflect the maturity of the risk, determine the number of years that professional liability coverage will have been in effect on a claims-made basis as of the end of the policy period, and select the corresponding Claims-Made Discount factor shown in the rating information section of this manual.

8.3 Extended Reporting Period

Extended reporting periods allow for the triggering of coverage for injuries that occur after the retroactive date and before the end of the policy period, but the claim is not made until after the policy's expiration.

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8.3.1 Basic Extended Reporting Period

The Basic Extended Reporting Period extends the time for reporting a claim after the policy terminates and begins with the end of the policy period and lasts for 60 days with respect to claims that have not previously been reported to us.

The Basic Extended Reporting Period is provided automatically for no additional premium.

No additional endorsement is required.

8.3.2 Supplemental Extended Reporting Period

The Supplemental Extended Reporting Period extends the time for reporting a claim after the policy terminates. The Supplemental Extended Reporting Period begins when the Basic Extended Reporting Period ends and continues in effect for either 12 months, 24 months, or for an unlimited time period.

Coverage applies only to claims for injury which occurred after the Retroactive Date, if any, and before the end of the policy period, but that are first reported during the Supplemental Extended Reporting Period.

A separate Aggregate Limit, equal to the Aggregate Limit shown on the declarations, applies to claims that are eligible for coverage under the Supplemental Extended Reporting Period.

The additional premium for the Supplemental Extended Reported Period is shown in the rating information section of this manual and is based on the preceding annual policy premium.

Attach endorsement PM 501.

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COUNTRYWIDE RATES

1.2 Pharmacy Services Professional Liability Loss Cost (per \$1,000 of pharmacy receipts)

Occurrence / Aggregate Limit	Loss Cost
\$1,000,000 / \$2,000,000	\$ 0.76
\$1,000,000 / \$3,000,000	\$ 0.77
\$2,000,000 / \$4,000,000	\$ 0.90
Minimum Location Charge	\$ 750.00

3.1 Deductible Factors

Deductible	\$1MM/\$2MM	\$1MM/\$3MM	\$2MM/\$4MM
\$ 1,000	0.034	0.034	0.040
\$ 5,000	0.102	0.103	0.121
\$ 10,000	0.151	0.153	0.179
\$ 15,000	0.187	0.189	0.221
\$ 20,000	0.216	0.219	0.256
\$ 25,000	0.240	0.243	0.284
\$ 50,000	0.326	0.330	0.386
\$ 75,000	0.381	0.386	0.451
\$ 100,000	0.423	0.429	0.501

4.1 Additional Insured Factor 0.10

6.1 Health Care Services Liability

Occurrence / Aggregate Limit	1st Professional	Each Additional
\$ 1,000,000 / \$2,000,000	\$ 1,200	\$ 250
\$ 1,000,000 / \$3,000,000	\$ 1,300	\$ 275
\$ 2,000,000 / \$4,000,000	\$ 1,600	\$ 350

8.2 Claims-Made Discount Factor

<u>Year</u>	<u>Factor</u>
1 Year	.84
2 Years	.92
3 Years	.97
4 Years	.99
5 Years +	1.00

8.3 Extended Reporting Period Options

12 Months	100% of preceding annual policy premium
24 Months	150% of preceding annual policy premium
Unlimited	200% of preceding annual policy premium