

DIVISION OF INSURANCE
STATE OF ILLINOIS/IDFPR
FILED
APR 01 2008
SPRINGFIELD, ILLINOIS

RATING MANUAL SUPPLEMENT
Podiatry Insurance Company of America

State of Illinois

I. Item # 3 under Subsection H. **POLICY CANCELLATION** of Section I. **GENERAL RULES** is hereby deleted in its entirety and replaced with the following:

3. A policy canceled for non-payment of premium will not be reinstated unless the total amount of outstanding premium is received. If payment is received after the effective date of cancellation, the policy may be reinstated with a satisfactory underwriting review, and will be charged a \$50 reinstatement fee.
- a. Cancellation for non-payment will not be effective for 10 working days. Postal holidays and weekends will extend the number of days.
 - b. Cancellation notice will be sent by certified mail return receipt requested.

II. Section IV. **EXTENDED REPORTING PERIOD COVERAGE (OPTIONAL EXTENSION COVERAGE)** is hereby deleted in its entirety and replaced with the following:

IV. EXTENDED REPORTING PERIOD COVERAGE (OPTIONAL EXTENSION COVERAGE)

For Malpractice Liability

A. The premium for the optional Extended Reporting Period Coverage shall be the product of the applicable percentage factor in the following Table and the expiring annual premium of the policy:

<u>Years of Prior PICA Claims-Made Coverage</u>	<u>Percentage of 4th Year Claims-Made Premium</u>
One	100%
Two	155%
Three	175%
Four or More	180%

Study

Superseded by

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The number of consecutive years of prior claims-made coverage shall be determined as of the date the optional Extended Reporting Period Coverage is purchased.

B. The availability of Extended Reporting Period Coverage shall be governed by the following rules:

1. Available Limits of Liability shall not exceed those afforded under the current claims-made policy.
2. Extended Reporting Period Coverage applies to claims first made against the insured immediately following the effective date of cancellation or non-renewal; but only by reason of alleged malpractice which occurred on or after the retroactive date and prior to the effective date of cancellation or non-renewal (and which is otherwise covered by this insurance) for a period of unlimited duration.
3. Extended Reporting Period Coverage is granted at no charge in the event of death or permanent disability or in the event of permanent retirement at any age after 5 years of continuous coverage. Permanent disability is defined as having existed continuously for not less than six months, having rendered the Insured unable or incapable of practicing or continuing to practice, and expected to be continuous and permanent.
4. Extended Reporting Period Coverage will be available to all insureds.
5. The insured may purchase optional Extended Reporting Period Coverage. The insured is eligible for this coverage provided:
 - a. The insured requests Extended Reporting Period Coverage within 30 days of the effective date of termination; and
 - b. any outstanding premium with respect to the terminated policy is paid
6. An insured who retires from practice will receive a discount from the applicable Extended Reporting Period Coverage premium for each consecutive year with PICA. These discounts are reflected in the following Table.

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<u>Consecutive Years with PICA</u>	<u>Discount Applicable To Extended Reporting Period Coverage Premium</u>
1	20%
2	40%
3	60%
4	80%
5	100%

Credit on a two for one basis to bridge prior PICA coverage may be granted toward the retirement tail coverage.

Consideration may be given to new applicants to allow credit for consecutive years of coverage with another carrier subject to underwriting approval.

7. Extended Reporting Period Coverage premium will be waived for policyholders who have been insured by PICA for 10 years and enter full time academia.
8. The Company shall inform the Insured of the optional Extended Reporting Period Coverage (ERP) premium at the time the last policy is purchased. The Company may not wait until the Insured requests to purchase the ERP to tell the Insured what the premium will be or how the premium would be calculated.
9. The following credits: Employed Podiatrist, New Practitioner, Part-Time, Semi-Retired and Residency Director (as defined under Rule I.E.) shall, if applicable, be applied when determining the final extended reporting period premium.

The following credits: Leave of Absence and Risk Management (as defined under Rule I.E.) shall not be applied when determining the final extended reporting period premium.

10. The Company will offer the Extended Reporting Period Coverage when the policy is terminated for any reason, including non-payment of premium, and whether the policy is terminated at the company's or insured's request.

For General Liability

- A. For General Liability, there is no additional premium charge for an unlimited reporting period under the optional Extended Reporting Period Coverage.

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For General Liability, if the insured does not choose the free unlimited reporting period coverage, they will be provided a free 5 year extended reporting period after the free 60-day Automatic Extended Reporting Period.

C. The availability of Extended Reporting Period Coverage shall be governed by the following rules:

1. During the Automatic Extended Reporting Period, the aggregate liability limit shall be equal to the amount of coverage remaining in the policy's annual aggregate liability limit at termination.

Under the option of an unlimited extended reporting period, 100% of the aggregate liability limit of the current claims-made policy shall be reinstated for the duration of the extended reporting period.

Under the option of a free five year extended reporting period, the aggregate liability limit shall be equal to the amount of coverage remaining in the policy's annual aggregate liability limit at termination.

2. Extended Reporting Period Coverage applies to claims first made against the insured immediately following the effective date of cancellation or non-renewal; but only by reason of bodily injury, property damage or personal injury which occurred on or after the retroactive date and prior to the effective date of cancellation or non-renewal (and which is otherwise covered by this insurance).

3. Extended Reporting Period Coverage will be available to all insureds.

4. The insured is eligible for the optional Extended Reporting Period coverage provided:

- a. The insured requests Extended Reporting Period Coverage within 60 days of the effective date of termination; and
- b. any outstanding premium with respect to the terminated policy is paid

5. The Company will offer the Extended Reporting Period Coverage when the policy is terminated for any reason, including non-payment of premium, and whether the policy is terminated at the company's or insured's request.

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III. **Item E. 8. Schedule Rating** under Section I. **GENERAL RULES** is hereby deleted in its entirety and replaced with the following **Group Discount** as **Item E. 8. under Section I. GENERAL RULES**

8. **Group Discount:** A group of practitioners insured by the company may be eligible for a group discount based on the following:

1. Must have Uniform Tax Identification Number for billing
2. Must be a Legal Entity (i.e. Corporation, Professional Association, Partnership or Limited Liability Corporation)
3. Premium considered for discount excludes employed podiatrists
4. A total annual premium of at least \$10,000 will be eligible for the group discount as follows:
 - a. \$10,000 - \$30,000 = 6% discount
 - b. \$30,001 - \$50,000 = 9% discount
 - c. \$50,001 or greater = 7% discount

IV. The following is added to Rule E., 3. Risk Management under Section I. **GENERAL RULES:**

IPMA and APMA members who attend the PICA sponsored Risk Management Seminar at either the Annual APMA or IPMA will receive a 15% Risk Management discount.

V. The following is hereby added as **Rule I. Premium Payment Plan Options** under **SECTION I. GENERAL RULES:**

I. PREMIUM PAYMENT PLAN OPTIONS

OPTION A: QUARTERLY INSTALLMENT

1. A quarterly installment option is available upon issuance of a new policy or upon renewal of an existing policy. The quarterly installment option will include an installment charge of \$25.00 per installment or 1% of the total annual premium whichever is less. Available option shall be a quarterly (four payment) option with equal installments of 25% each.

The first installment is due (as a down payment) when the policy is issued or renewed. The remaining installments are due 3, 6, and 9 months from policy inception.

2. **Collection:** Past due accounts will be sent for collection after three attempts have been made to clear the account.

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Arrangements may be made to allow the Insured time to pay the outstanding balance.

Additional premium from a policy change shall be spread over the remaining installments, if any. If there are no remaining installments, additional premium resulting from change shall be billed immediately as a separate transaction.

4. Insureds shall have the option of paying the premium in full at any time without incurring additional fees.
5. In the event that an Insured makes his/her payment after the due date, he/she will be charged a flat late fee of \$10.00.
6. The Company shall not apply interest charge.

OPTION B: FIVE PAYMENT PLAN

1. A five payment premium plan option is available upon issuance of a new policy or upon renewal of an existing policy. The five payment premium plan option will include an additional 9.5% annual percentage rate finance charge. This finance charge will apply to all policyholders.
 - a. Collection: Past due accounts will be sent for collection after three attempts have been made to clear the account. Arrangements may be made to allow the practitioner time to pay the outstanding balance.
 - b. In the event that an insured makes his/her payment after the due date, he/she will be charged a flat late fee of \$10.00.

OPTION C: TWO PAYMENT PLAN

1. A two payment premium plan option is available upon issuance of a new policy or upon renewal of an existing policy. The two payment premium plan option will not include a finance charge or installment fee.

OPTION D: ANNUAL PAYMENT PLAN

1. An annual payment premium plan option is available upon issuance of a new policy or upon renewal of an existing policy. The annual payment premium plan option will not include a finance charge or installment fee.



July 19, 2007

Ms. Gayle Neuman
Illinois Department of Insurance
320 West Washington Street
Springfield, Illinois 62767

RE: Podiatry Insurance Company of America a Mutual Company
NAIC Group# 3504 - NAIC Company# 14460 - FEIN# 58-1403235
Line 11.1-Medical Malpractice-Claims Made Only
Podiatrist Professional Liability Program
2008 Revised Rate Filing w/currently approved rules
Company Filing Number: IL-867-P
Proposed Effective Date: April 1, 2008



Dear Ms. Neuman:

We are submitting for your approval revisions to the currently approved rates for the above referenced program. The last revision of the rates currently approved for this program was approved with an effective date of 4/1/2007. The currently approved Illinois Rating Manual Supplement was approved with an implementation date of 2/1/2007.

With this filing, we are requesting a rate change of -5.0%. Our request is based upon the attached exhibits prepared by our Chief Actuary, John E. Daniel, FCAS, MAAA, whose Actuarial Memorandum is also enclosed to provide a more detailed explanation with respect to the materials being filed.

In addition, we are submitting the following:

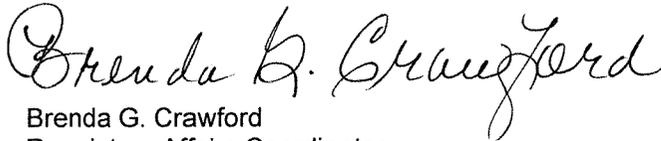
- Two copies of the Cover Letter and a postage paid self addressed return envelope for the return of one copy of the Cover Letter with your stamp of approval.
- For your advisement, we are including a copy of the currently approved PICA Podiatric Rating Manual Ed. 1-05 and Illinois Rating Manual Supplement. All changes have been effected via the Illinois Rating Manual Supplement. The currently approved Illinois supplement is Ed. 2-07 (effective 2/1/2007). There are no additional rule revisions being proposed under this filing.
- We affirm that the Company does not unfairly discriminate in offering, administering, or applying the filed rating manual and/or any amended provisions. Certification by a company officer is included.
- The Illinois Dual Certification as required.
- Two copies of Illinois Form RF-3 as required.
- Proposed 2008 Rates for each Illinois Territory
- 2007 Rates for each Illinois Territory with all revisions marked.
- A completed Illinois Review Requirements Checklist.

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Ms. Gayle Neuman
Illinois Department of Insurance

Please do not hesitate to contact me if you need any additional information. Your review and consideration are appreciated.

Sincerely,

A handwritten signature in cursive script that reads "Brenda G. Crawford". The signature is written in black ink and is positioned above the typed name and title.

Brenda G. Crawford
Regulatory Affairs Coordinator
1-800-251-5727 Ext. 2150

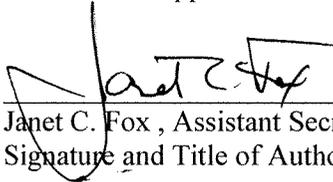
Enclosures

ILLINOIS CERTIFICATION FOR MEDICAL MALPRACTICE RATES

(215 ILCS 5/155.18)(3) states that medical liability rates shall be certified in such 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.

I, Janet C. Fox, a duly authorized officer of Podiatry Insurance Company of America a Mutual Company, am authorized to certify on behalf of the Company making this filing that the company's rates are based on sound actuarial principles and are not inconsistent with the company's experience, and that I am knowledgeable of the laws, regulations and bulletins applicable to the policy rates that are the subject of this filing.

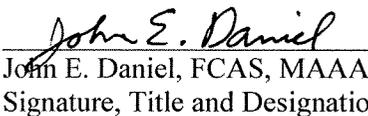
I, John E. Daniel, FCAS, MAAA, a duly authorized actuary of Podiatry Insurance Company of America a Mutual Company am authorized to certify on behalf of Podiatry Insurance Company of America a Mutual Company making this filing that the company's rates are based on sound actuarial principles and are not inconsistent with the company's experience, and that I am knowledgeable of the laws, regulations and bulletins applicable to the policy rates that are the subject of this filing.



Janet C. Fox, Assistant Secretary
Signature and Title of Authorized Insurance Company Officer

7-18-2007

Date



John E. Daniel, FCAS, MAAA
Signature, Title and Designation of Authorized Actuary

7-18-07

Date

Insurance Company FEIN 58 - 1403235 Filing Number IL-867-P

Insurer's Address 110 Westwood Place

City Brentwood State TN Zip Code 37027

Contact Person's:

-Name and E-mail Brenda G. Crawford bcrawford@picagroup.com

-Direct Telephone and Fax Number 1-800-251-5727 x. 2150 Fax: 615-370-4803

ILLINOIS FORM RF-3

50 Ill. Adm. Code 754 Exhibit A Summary sheet (Form RF-3)
§ 754. Exhibit A Summary sheet (Form RF-3)

SUMMARY SHEET

Change in Company's premium or rate level produced by rate revision effective April 1, 2008

(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. Worker's Compensation		
16. Other: <u>Medical Malpractice</u> Line of Insurance	\$6,910,010 [2006 Direct Written Premium]	-5%

Does filing only apply to certain territory (territories) or certain classes? If so, specify: This filing applies to all Territories in Illinois and Podiatric rates only.

Brief description of filing. (If filing follows rates of an advisory organization, specify organization): This is a revised rate filing requesting a -5% decrease in Podiatric Professional Liability rates

*Adjusted to reflect all prior rate changes.

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

Name of Company Podiatry Insurance Company of America a Mutual Company

Official - Title John E. Daniel
John E. Daniel, FCAS, MAAA
Chief Actuary

Authority.-- Implementing Articles VII-A and XXVI of the Illinois Insurance Code (Ill. Rev. Stat. 1989, ch. 73, par. 735A) and authorized by Section 401(a) of the Illinois Insurance Code (Ill. Rev. Stat. 1989, ch. 73, par. 1013).

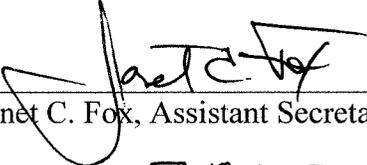
HISTORY Filed September 9, 1975, effective September 30, 1975; codified at 7 Ill. Reg. 3458.

CROSS REFERENCE 215 ILCS 5/401



CERTIFICATION

I, Janet C. Fox, a duly authorized officer of
Podiatry Insurance Company of America a Mutual Company,
am authorized to certify on behalf of the Company making this filing that the company
does not unfairly discriminate in offering or administering this program.



Janet C. Fox, Assistant Secretary

7-18-2007

Date

Insurance Company FEIN 58 - 1403235 Filing Number IL-867-P
Insurer's Address 110 Westwood Place
City Brentwood State TN Zip Code 37027
Contact Person's:
-Name and E-mail Brenda G. Crawford bcrawford@picagroup.com
-Direct Telephone and Fax Number 1-800-251-5727 x. 2150 Fax: 615-370-4803

Podiatry Insurance Company of America
2007 Podiatric Rates
Illinois Territory 01 - All counties except Cook

Sole Podiatrist

Limits (000 omitted)	Claims Made							
	1st Year		2nd Year		3rd Year		4th Year	
	Non-surg.	Surgical	Non-surg.	Surgical	Non-surg.	Surgical	Non-surg.	Surgical
100/300	\$1,762	\$2,565	\$2,643	\$3,848	\$3,745	\$5,451	\$4,406	\$6,413
200/600	\$2,115	\$3,078	\$3,172	\$4,618	\$4,494	\$6,542	\$5,287	\$7,696
250/750	\$2,273	\$3,309	\$3,410	\$4,964	\$4,831	\$7,032	\$5,684	\$8,273
500/1000	\$2,467	\$3,591	\$3,701	\$5,387	\$5,243	\$7,631	\$6,168	\$8,978
500/1500	\$2,538	\$3,694	\$3,807	\$5,541	\$5,393	\$7,850	\$6,344	\$9,235
1000/1000	\$2,732	\$3,976	\$4,097	\$5,964	\$5,804	\$8,449	\$6,829	\$9,948
1000/3000	\$2,996	\$4,361	\$4,494	\$6,541	\$6,366	\$9,267	\$7,490	\$10,982

Podiatry Insurance Company of America

2007 Podiatric Rates

Illinois Territory 02 - Cook county only

Sole Podiatrist

Limits (000 omitted)	Claims Made							
	1st Year		2nd Year		3rd Year		4th Year	
	Non-surg.	Surgical	Non-surg.	Surgical	Non-surg.	Surgical	Non-surg.	Surgical
100/300	\$2,777	\$4,042	\$4,165	\$6,063	\$5,901	\$8,589	\$6,942	\$10,105
200/600	\$3,332	\$4,850	\$4,998	\$7,276	\$7,001	\$10,307	\$8,331	\$12,126
250/750	\$3,582	\$5,214	\$5,373	\$7,821	\$7,612	\$11,080	\$8,955	\$13,035
500/1000	\$3,888	\$5,659	\$5,831	\$8,488	\$8,261	\$12,025	\$9,719	\$14,147
500/1500	\$3,999	\$5,820	\$5,998	\$8,731	\$8,497	\$12,368	\$9,997	\$14,551
4000/1000	\$4,304	\$6,265	\$6,456	\$9,398	\$9,146	\$13,314	\$10,768	\$15,663
4000/3000	\$4,721	\$6,872	\$7,081	\$10,307	\$10,032	\$14,602	\$11,802	\$17,179



**ACTUARIAL MEMORANDUM
PODIATRY PROFESSIONAL LIABILITY PROGRAM
UNDERWRITTEN BY PODIATRY INSURANCE COMPANY OF AMERICA,
A MUTUAL COMPANY (PICA)
2008 PODIATRIC RATE INDICATION**

RE: PODIATRY INSURANCE COMPANY OF AMERICA (PICA)
4/1/2008 ILLINOIS PODIATRIC RATE INDICATION

Enclosed are exhibits to support PICA's proposed statewide average podiatric rate change of -5.00% (Table 1, Line 17) in Illinois. The point estimate indicated rate change is -7.27% (Table 1, Line 16). The selected rate change reflects PICA management's consideration of underwriting, legislative, and marketing issues.

It is my belief that the attached Tables and Exhibits indicate that the proposed rate change is not inadequate, excessive, or unfairly discriminatory. If you have any questions concerning these Tables and Exhibits, please call me at (615) 984-2030 or email me at jdaniel@picagroup.com.

Sincerely,

John E. Daniel

John E. Daniel, FCAS, MAAA
Chief Actuary
The PICA Group

**PODIATRY INSURANCE COMPANY OF AMERICA
PODIATRIC DIRECT RATE INDICATION FOR 2008
Illinois**

Table 1

INDICATED RATE CHANGE

Expense Item	Percentage of Written Premium
(1) General Administrative Expense	17.00%
(2) Policyholder Dividends	0.00%
(3) Profit and Contingencies	5.00%
(4) Investment Income Offset	-6.93%
(5) Taxes, Licenses, and Fees	0.50%
(6) Total	15.57%
(7) Target Loss & LAE Ratio	84.43%
(8) Loss + ALAE	51.32%
(9) ULAE	6.00%
(10) Death, Disability, and Retirement Loading	5.00%
(11) Total Loss & LAE	62.32%
(12) Indicated Rate Change	-26.18%
(13) Annual Trend Factor	4.00%
(14) Complement of Credibility for Indicated Rate Change	4.00%
(15) Credibility factor	38.47%
(16) Credibility Weighted Indicated Rate Change	-7.61%
(17) Selected Rate Change	-5.00%

Notes:

- (1) From Appendix, Exhibit 1.
- (2) From PICA's budget for 2008.
- (3) From PICA's budget for 2008.
- (4) = Item (8) of Appendix, Exhibit 5.
- (5) = Illinois premium tax rate.
- (6) = Sum of (1) through (5).
- (7) = 100.00% - (6).
- (8) = Item (8) from Table 2.
- (9) From Appendix, Exhibit 1.
- (11) = Sum of (8) through (10).
- (12) = [(11) / (7)] - 100.00%.
- (13) = 100.00% + Item (3) from Appendix, Exhibit 5.
- (15) = Item (4) from Appendix, Exhibit 3.
- (16) = (15) x (12) + [100% - (15)] x (14).
- (17) Selected by PICA Group management.

**PODIATRY INSURANCE COMPANY OF AMERICA
PODIATRIC DIRECT RATE INDICATION FOR 2008**

Illinois

Table 2

PROJECTED LOSS + ALAE RATIO FOR 2008

(1) Report Yr	(2) Trended Ultimate Losses + ALAE	(3) On-Level Earned Premium	(4) On-Level Loss + ALAE Ratio
2002	2,247,904	2,330,933	96.44%
2003	1,875,759	5,090,403	36.85%
2004	1,527,232	6,116,479	24.97%
2005	3,357,848	6,464,717	51.94%
2006	4,717,239	6,745,650	69.93%
	<u>13,725,982</u>	<u>26,748,182</u>	51.32%

(5) 5 Year Weighted Average =	51.32%
(6) 4 Year Weighted Average =	47.01%
(7) 3 Year Weighted Average =	49.68%
(8) Projected Loss + ALAE Ratio for 2008 =	51.32%

Notes:
(2) From Column (11) of Table 3.
(3) From Column (10) of Appendix, Exhibit 4.
(4) = (2) / (3).
(8) = (5).

**PODIATRY INSURANCE COMPANY OF AMERICA
PODIATRIC DIRECT RATE INDICATION FOR 2008
Illinois**

Table 3

TRENDED ULTIMATE LOSSES + ALAE

A. SELECTION OF ESTIMATED ULTIMATE LOSSES + ALAE

Estimated Ultimate Losses + ALAE					
(1)	(2)	(3)	(4)	(5)	(6)
Report Yr	Paid Loss Development Method	Reported Loss Development Method	Paid Born-Ferg Method	Reported Born-Ferg Method	Selected
2002	1,585,901	1,913,425	1,559,409	1,911,509	1,742,561
2003	1,192,750	1,715,562	1,391,084	1,746,565	1,511,490
2004	761,707	1,291,495	1,658,070	1,409,371	1,280,161
2005	1,119,136	2,481,591	3,096,021	2,758,989	2,927,505
2006	1,007,632	2,814,560	4,720,343	3,833,127	4,276,735
	<u>5,667,126</u>	<u>10,216,633</u>	<u>12,424,927</u>	<u>11,659,561</u>	<u>11,738,452</u>

B. TRENDING OF SELECTED ESTIMATED ULTIMATE LOSSES + ALAE

(7)	(8)	(9)	(10)	(11)
Report Yr	Selected Estimated Ultimate Losses + ALAE	Years of Trend	Loss Trend Factor	Trended Ultimate Losses + ALAE
2002	1,742,561	6.5	1.29	2,247,904
2003	1,511,490	5.5	1.241	1,875,759
2004	1,280,161	4.5	1.193	1,527,232
2005	2,927,505	3.5	1.147	3,357,848
2006	4,276,735	2.5	1.103	4,717,239
	<u>11,738,452</u>			<u>13,725,982</u>

Notes:	
(2)	From Column (4) of Section A of Table 4.
(3)	From Column (8) of Section B of Table 4.
(4)	From Column (8) of Section B of Table 4.
(5)	From Column (8) of Section B of Table 4.
(10)	Based on Item (3) of Appendix, Exhibit 5.

**PODIATRY INSURANCE COMPANY OF AMERICA
PODIATRIC DIRECT RATE INDICATION FOR 2008
Illinois**

Table 4

**ESTIMATED ULTIMATE LOSSES + ALAE
LOSS DEVELOPMENT METHODS**

A. PAID LOSS DEVELOPMENT METHOD

(1) <u>Report Yr</u>	(2) PICA Podiatry Illinois Direct Paid <u>Losses + ALAE</u>	(3) Direct Paid Development <u>Factor</u>	(4) Estimated Direct <u>Losses + ALAE</u>
2002	1,500,810	1.057	1,585,901
2003	1,038,563	1.148	1,192,750
2004	539,124	1.413	761,707
2005	472,526	2.368	1,119,136
2006	85,666	11.762	1,007,632
	<u>3,636,690</u>		<u>5,667,126</u>

B. REPORTED LOSS DEVELOPMENT METHOD

(5) <u>Report Yr</u>	(6) PICA Podiatry Illinois Direct Reported <u>Losses + ALAE</u>	(7) Direct Rptd. Loss + ALAE Development <u>Factor</u>	(8) Estimated Ultimate Direct <u>Losses + ALAE</u>
2002	1,908,963	1.002	1,913,425
2003	1,662,976	1.032	1,715,562
2004	1,231,505	1.049	1,291,495
2005	2,147,274	1.156	2,481,591
2006	1,540,846	1.827	2,814,560
	<u>8,491,563</u>		<u>10,216,633</u>

Notes:	
(3)	Cumulative factors from Appendix, Exhibit 6.
(4)	= (2) x (3).
(7)	Cumulative factors from Appendix, Exhibit 7.
(8)	= (6) x (7).

**PODIATRY INSURANCE COMPANY OF AMERICA
PODIATRIC DIRECT RATE INDICATION FOR 2008
Illinois**

Table 5

**ESTIMATED ULTIMATE LOSSES + ALAE
BORNHUETTER-FERGUSON METHODS**

Initial Expected Ultimate Direct Losses + ALAE

(1) Report Yr	(2) PICA Podiatry Illinois Direct Earned Premium	(3) Initial Expected Ultimate Loss + ALAE Ratio	(4) Initial Expected Ultimate Direct Losses + ALAE
2002	1,456,196	75.00%	1,092,147
2003	3,636,002	75.00%	2,727,002
2004	5,105,575	75.00%	3,829,181
2005	6,054,240	75.00%	4,540,680
2006	6,753,755	75.00%	5,065,316
	23,005,768		17,254,326

Paid Bornhuetter - Ferguson Method

(5) Report Yr	(6) Initial Expected Ultimate Direct Losses + ALAE	(7) Expected Percentage of Ultimate Direct Losses + ALAE Unpaid as of 12/31/2006	(8) Expected Losses + ALAE Unpaid as of 12/31/2006	(9) Expected Losses + ALAE Paid as of 12/31/2006	(10) Actual Losses + ALAE Paid as of 12/31/2006	(11) Estimated Ultimate Losses + ALAE
2002	1,092,147	5.37%	58,599	1,033,548	1,500,810	1,559,409
2003	2,727,002	12.93%	352,521	2,374,481	1,038,563	1,391,084
2004	3,829,181	29.22%	1,118,946	2,710,235	539,124	1,658,070
2005	4,540,680	57.78%	2,623,494	1,917,186	472,526	3,096,021
2006	5,065,316	91.50%	4,634,676	430,640	85,666	4,720,343
	17,254,326		8,788,237	8,466,089	3,636,690	12,424,927

Reported Bornhuetter - Ferguson Method

(12) Report Yr	(13) Initial Expected Ultimate Direct Losses + ALAE	(14) Expected Percentage of Ultimate Direct Losses + ALAE Unreported as of 12/31/2006	(15) Expected Losses + ALAE Unreported as of 12/31/2006	(16) Expected Losses + ALAE Reported as of 12/31/2006	(17) Actual Losses + ALAE Reported as of 12/31/2006	(18) Estimated Ultimate Losses + ALAE
2002	1,092,147	0.23%	2,547	1,089,600	1,908,963	1,911,509
2003	2,727,002	3.07%	83,589	2,643,413	1,662,976	1,746,565
2004	3,829,181	4.65%	177,866	3,651,315	1,231,505	1,409,371
2005	4,540,680	13.47%	611,715	3,928,965	2,147,274	2,758,989
2006	5,065,316	45.25%	2,292,281	2,773,035	1,540,846	3,833,127
	17,254,326		3,167,998	14,086,328	8,491,563	11,659,561

Notes:

- (4) = (2) x (3).
- (7) = 100.00% - 1.000 / Column (3) from Table 4.
- (8) = (6) x (7).
- (9) = (6) - (8).
- (10) From Column (2) of Table 4.
- (11) = (8) + (10).
- (14) = 100.00% - 1.000 / Column (7) from Table 4.
- (15) = (13) x (14).
- (16) = (13) - (15).
- (17) From Column (6) of Table 4.
- (18) = (15) + (17).

PODIATRY INSURANCE COMPANY OF AMERICA
PODIATRIC DIRECT RATE INDICATION FOR 2008
 Illinois

Appendix, Exhibit 1

DERIVATION OF COUNTRY WIDE EXPENSE LOADINGS

A. DOLLARS OF EXPENSE

	2002	2003	2004	2005	2006	Total
(1) General Administrative Expense	11,429,657	9,504,460	12,310,795	10,515,632	11,348,922	55,109,466
(2) ULAE	2,858,462	2,702,319	3,644,681	3,939,008	4,160,203	17,304,673
(3) Taxes, Licenses, and Fees					1,751,059	
(4) Direct Earned Premium	31,277,508	42,120,745	50,941,950	59,953,904	71,602,574	255,896,681

B. EXPENSE LOADING

	2002	2003	2004	2005	2006	Total	Selected Expense Loadings
(5) General Administrative Expense	36.54%	22.56%	24.17%	17.54%	15.85%	21.54%	17.00%
(6) ULAE	9.14%	6.42%	7.15%	6.57%	5.81%	6.76%	6.00%
(7) Taxes, Licenses, and Fees					2.45%		2.45%

Notes:

(1)	From PICA's Annual Statements.
(2)	From PICA's Annual Statements.
(3)	From PICA's Annual Statements.
(4)	= (1)/(3)
(5)	= (2)/(3)

**PODIATRY INSURANCE COMPANY OF AMERICA
PODIATRIC DIRECT RATE INDICATION FOR 2008
Illinois**

Appendix, Exhibit 2

ESTIMATION OF INVESTMENT INCOME

(1) Discount Rate = 4.0%

Year of Payment	Paid Loss + ALAE Development Factor	Cumulative Percent of Losses Paid	Incremental Percent of Losses Paid	Discounted Incremental Percent of Losses Paid
(2)	(3)	(4)	(5)	(6)
1	11.762	8.50%	8.50%	8.34%
2	2.368	42.22%	33.72%	31.79%
3	1.413	70.78%	28.56%	25.89%
4	1.148	87.07%	16.29%	14.20%
5	1.057	94.63%	7.56%	6.34%
6	1.019	98.12%	3.49%	2.81%
7	1.014	98.59%	0.47%	0.36%
8	1.006	99.40%	0.81%	0.61%
9	1.002	99.80%	0.40%	0.28%
10	1.000	100.00%	0.20%	0.14%
			100.00%	90.76%

(7) Investment Income as Percent of Losses + ALAE =	9.24%
(8) Expected Loss + ALAE Ratio =	75.00%
(9) Investment Income as Percent of Premium =	6.93%
(10) Investment Income Offset =	-6.93%

Notes:	
(3)	Cumulative factors from Appendix, Exhibit 5.
(4)	= 100.00% / (3)
(5)	= [(4) - (4) for prior year]
(6)	= (5) / {[100.00% + (1)] ^ (2 - 0.5)}
(7)	= Total (5) - Total (6)
(9)	= (7) * (8)
(10)	= Additive Inverse of (9)

**PODIATRY INSURANCE COMPANY OF AMERICA
PODIATRIC DIRECT RATE INDICATION FOR 2008
Illinois**

Appendix, Exhibit 3

DERIVATION OF CREDIBILITY FACTOR

<u>Report Year</u>	<u>Reported Claims</u>
(1)	(2)
2002	19
2003	36
2004	26
2005	27
2006	40
Total	<u>148</u>
(3) Full Credibility:	1000
(4) Credibility Factor:	38.47%

Notes:

(3) = Expected annual 2 year countrywide claim count for all PICA Group Podiatrists.

(4) = [{Total (2)} / (3)] ^ 0.5 with a minimum of 25.00%.

**PODIATRY INSURANCE COMPANY OF AMERICA
PODIATRIC DIRECT RATE INDICATION FOR 2008
Illinois**

Appendix, Exhibit 4

DERIVATION OF STATE ON-LEVEL EARNED PREMIUM

1. PREMIUM ADJUSTMENT FACTORS

(1)	(2)	(3)	(4)	(5)	(6)
Report Year	Rate Change	Rate Change Factor	Cumulative Rate Change Factor	Average Earned Premium Factor	Premium Adjustment Factor
2000	3.00%	1.0300	1.0300	1.0300	1.7337
2001	3.00%	1.0300	1.0609	1.0455	1.7080
2002	10.30%	1.1030	1.1702	1.1156	1.6007
2003	18.00%	1.1800	1.3808	1.2755	1.4000
2004	15.90%	1.1590	1.6003	1.4906	1.1980
2005	9.00%	1.0900	1.7443	1.6723	1.0678
2006	5.00%	1.0500	1.8315	1.7879	0.9988
2007	-5.00%	0.9500	1.7399	1.7857	1.0000

2. STATE ON-LEVEL EARNED PREMIUM

(7)	(8)	(9)	(10)
Report Year	Illinois PICA Podiatry Direct Earned Premium	Illinois PICA Podiatry Premium Adjustment Factor	Illinois PICA Podiatry On-Level Premium
2002	1,456,196	1.6007	2,330,933
2003	3,636,002	1.4000	5,090,403
2004	5,105,575	1.1980	6,116,479
2005	6,054,240	1.0678	6,464,717
2006	6,753,755	0.9988	6,745,650
	23,005,768		26,748,182

Notes:

- (3) = 1.0000 + (2).
- (4) = Cumulative Product of (3).
- (5) Assumes continuous distribution of writings throughout the year.
- (6) = (5) for 2007 / (5) for applicable Report Year.
- (10) = (8) x (9).

**PODIATRY INSURANCE COMPANY OF AMERICA
PODIATRIC DIRECT RATE INDICATION FOR 2008
Illinois**

Appendix, Exhibit 5

DERIVATION OF COUNTRYWIDE SELECTED LOSS TREND FACTOR

1. DERIVATION OF SEVERITY TREND FACTOR

Report Yr	Years of Trend	Estimated Ultimate Loss+ALAE	Reported Claims	Estimated Ultimate Average Severity	Ln of Est. Ult. Average Severity	Fitted Ln of Est. Ult. Average Severity
1998	0	15,394,674	184	83,667	11.334600	10.946504
1999	1	16,655,074	219	76,051	11.239159	11.021604
2000	2	19,794,764	232	85,322	11.354188	11.096704
2001	3	17,098,461	263	65,013	11.082343	11.171804
2002	4	28,643,405	364	78,691	11.273284	11.246904
2003	5	32,271,242	384	84,040	11.339048	11.322004
2004	6	31,787,239	394	80,678	11.298221	11.397104
2005	7	36,052,339	361	99,868	11.511605	11.472204
2006	8	45,177,802	430	105,065	11.562334	11.547304
		242,875,000	2,831	85,791		

Based on Last 9 Years Experience:

Intercept	11.207884 R	36.23%
Slope	3.12%	

Based on Last 5 Years Experience:

Intercept	10.946504 R	81.79%
Slope	7.51%	

(1) Selected Severity Trend 6.00%

2. DERIVATION OF FREQUENCY TREND FACTOR

Report Yr	Years of Trend	Reported Claims	Average Insured Count	Frequency per 100 Insureds	Ln of Frequency per 100 Insureds	Fitted Ln of Est. Ult. Average Severity
1998	0	184	3,419	5.38	1.682688	10.946504
1999	1	219	3,742	5.85	1.766442	11.021604
2000	2	232	4,429	5.24	1.656321	11.096704
2001	3	263	4,959	5.30	1.667707	11.171804
2002	4	364	6,001	6.07	1.803359	11.246904
2003	5	384	7,343	5.23	1.654411	11.322004
2004	6	394	7,671	5.14	1.637053	11.397104
2005	7	361	7,948	4.54	1.512927	11.472204
2006	8	430	8,782	4.90	1.589235	11.547304
		2,831	54,293	5.21		

Based on Last 9 Years Experience:

Intercept	1.742428 R	39.37%
Slope	-1.98%	

Based on Last 5 Years Experience:

Intercept	1.981236 R	71.14%
Slope	-5.70%	

(2) Selected Frequency Trend -2.00%

(3) Selected Loss Trend Factor 4.00%

**PODIATRY INSURANCE COMPANY OF AMERICA
PODIATRIC DIRECT RATE INDICATION FOR 2008
Illinois**

Appendix, Exhibit 6

DERIVATION OF COUNTRYWIDE DIRECT PAID LOSS DEVELOPMENT FACTORS

Report Yr.	Age of Report Year in Months								
	12	24	36	48	60	72	84	96	108
1998	528,331	4,498,050	8,678,595	12,410,016	13,947,271	15,366,743	15,391,209	15,394,674	15,394,674
1999	762,180	6,165,269	10,498,574	14,973,872	15,790,240	16,241,786	16,381,511	16,640,310	
2000	1,526,254	9,998,465	14,838,895	17,826,342	19,279,592	19,528,442	19,607,861		
2001	1,449,065	8,381,941	13,076,904	15,531,506	16,401,076	16,691,703			
2002	1,925,625	11,596,546	19,163,392	22,563,463	25,096,960				
2003	2,344,803	13,621,799	22,160,480	25,466,789					
2004	3,763,052	12,306,202	21,579,398						
2005	2,141,115	11,820,496							
2006	3,511,023								

Report Yr.	Age to Age Factors								
	12 to 24	24 to 36	36 to 48	48 to 60	60 to 72	72 to 84	84 to 96	96 to 108	108 to Ult
1998	8.514	1.929	1.430	1.124	1.102	1.002	1.000	1.000	
1999	8.089	1.703	1.426	1.055	1.029	1.009	1.016		
2000	6.551	1.484	1.201	1.082	1.013	1.004			
2001	5.784	1.560	1.188	1.056	1.018				
2002	6.022	1.653	1.177	1.112					
2003	5.809	1.627	1.149						
2004	3.270	1.754							
2005	5.521								
Wtd. Avg.	5.428	1.652	1.230	1.087	1.037	1.005	1.008	1.000	
5 Yr Wtd Avg.	4.966	1.625	1.208	1.087					
3 Yr Wtd Avg	4.576	1.676	1.168	1.087	1.019	1.005			
Selected	4.966	1.676	1.230	1.087	1.037	1.005	1.008	1.004	1.002
Cumulative	11.762	2.368	1.413	1.148	1.057	1.019	1.014	1.006	1.002

PODIATRY INSURANCE COMPANY OF AMERICA
PODIATRIC DIRECT RATE INDICATION FOR 2008
 Illinois

Appendix, Exhibit 7

DERIVATION OF COUNTRYWIDE DIRECT REPORTED LOSS DEVELOPMENT FACTORS

Report Yr.	Age of Report Year in Months									
	12	24	36	48	60	72	84	96	108	
1998	12,474,059	14,734,586	13,892,162	13,874,660	15,028,946	15,454,774	15,391,209	15,394,674	15,394,674	
1999	12,224,680	18,945,374	15,771,375	16,535,299	16,719,344	16,683,889	16,561,999	16,655,074		
2000	13,557,841	18,956,728	18,145,596	19,801,093	19,796,247	19,802,425	19,735,139			
2001	10,661,248	12,869,325	16,194,543	16,683,696	17,137,612	17,130,312				
2002	17,427,060	24,138,994	26,101,059	25,843,553	26,165,567					
2003	16,403,111	27,406,281	30,868,335	29,991,319						
2004	18,816,443	26,082,850	28,577,690							
2005	17,654,629	30,081,198								
2006	22,843,984									

Report Yr.	Age to Age Factors									
	12 to 24	24 to 36	36 to 48	48 to 60	60 to 72	72 to 84	84 to 96	96 to 108	108 to Ult	
1998	1.181	0.943	0.999	1.126	0.989	0.996	1.000			
1999	1.550	0.832	1.048	1.011	0.998	0.993	1.006			
2000	1.398	0.957	1.091	1.000	1.000	0.997				
2001	1.207	1.258	1.030	1.027	1.000					
2002	1.385	1.081	0.990	1.012						
2003	1.671	1.126	0.972							
2004	1.386	1.096								
2005	1.704									

Wtd. Avg.	1.453	1.045	1.015	1.029	0.997	0.995	1.003	1.000		
5 Yr Wtd Avg.	1.489	1.095	1.017	1.029						
3 Yr Wtd Avg	1.581	1.102	0.991	1.012	0.999	0.995	1.003	1.000	1.000	1.000
Selected	1.581	1.102	1.017	1.029	0.999	1.000	1.003	1.000	1.000	1.000
Cumulative	1.827	1.156	1.049	1.032	1.002	1.003	1.003	1.000	1.000	1.000

Contact Person:
Gayle Neuman
217-524-6497

Illinois Division of Insurance
Review Requirements Checklist

320 West Washington Street
Springfield, IL 62767-0001

Gayle.Neuman@illinois.gov

Effective as of 8/25/06

<u>Line(s) of Business</u>	<u>Code(s)</u>	
<input checked="" type="checkbox"/> MEDICAL MALPRACTICE	11.0000	***This checklist is for rate/rule filings only.
<input type="checkbox"/> Claims Made	11.10000	See separate form checklist.
<input type="checkbox"/> Occurrence	11.2000	

<u>Line(s) of Insurance</u>	<u>Code(s)</u>	<u>Line(s) of Insurance</u>	<u>Code(s)</u>	<u>Line(s) of Insurance</u>	<u>Code(s)</u>
<input type="checkbox"/> Acupuncture	11.0001	<input type="checkbox"/> Hospitals	11.0009	<input type="checkbox"/> Optometry	11.0019
<input type="checkbox"/> Ambulance Services	11.0002	<input type="checkbox"/> Professional Nurses	11.0032	<input type="checkbox"/> Osteopathy	11.0020
<input type="checkbox"/> Anesthetist	11.0031	<input type="checkbox"/> Nurse – Anesthetists	11.0010	<input type="checkbox"/> Pharmacy	11.0021
<input type="checkbox"/> Assisted Living Facility	11.0033	<input type="checkbox"/> Nurse – Lic. Practical	11.0011	<input type="checkbox"/> Physical Therapy	11.0022
<input type="checkbox"/> Chiropractic	11.0003	<input type="checkbox"/> Nurse – Midwife	11.0012	<input type="checkbox"/> Physicians & Surgeons	11.0023
<input type="checkbox"/> Community Health Center	11.0004	<input type="checkbox"/> Nurse – Practitioners	11.0013	<input type="checkbox"/> Physicians Assistants	11.0024
<input type="checkbox"/> Dental Hygienists	11.0005	<input type="checkbox"/> Nurse – Private Duty	11.0014	<input checked="" type="checkbox"/> Podiatry	11.0025
<input type="checkbox"/> Dentists	11.0030	<input type="checkbox"/> Nurse – Registered	11.0015	<input type="checkbox"/> Psychiatry	11.0026
<input type="checkbox"/> Dentists – General Practice	11.0006	<input type="checkbox"/> Nursing Homes	11.0016	<input type="checkbox"/> Psychology	11.0027
<input type="checkbox"/> Dentists – Oral Surgeon	11.0007	<input type="checkbox"/> Occupational Therapy	11.0017	<input type="checkbox"/> Speech Pathology	11.0028
<input type="checkbox"/> Home Care Service Agencies	11.0008	<input type="checkbox"/> Ophthalmic Dispensing	11.0018	<input type="checkbox"/> Other	11.0029

Illinois Insurance Code Link	Illinois Compiled Statutes Online	
Illinois Administrative Code Link	Administrative Regulations Online	
Product Coding Matrix Link	Product Coding Matrix	
NAIC Uniform Transmittal Form	50 IL Adm. Code 929 NAIC Uniform Transmittal Form	If insurers wish to use the NAIC Uniform Transmittal form in lieu of a cover letter/explanatory memorandum, the Division will accept such form, as long as all information required in the "Cover Letter & Explanatory Memorandum" section below are properly included.
NAIC Self-Certification Pilot Program	Newsletter Article regarding Division's Participation Self-Certification form	If an authorized company officer completes the Self-Certification form, and submits such form as the 1 st page of the filing, the Division will expedite review of the filing ahead of all other filings received to date. The Division will track company compliance with the laws, regulations, bulletins, and this checklist and report such information to the NAIC.
Location of Standard within Filing Column	See checklist format below.	To expedite review of your filing, use this column to indicate location of the standard within the filing (e.g. page #, section title, etc.)
Description of Review Standards Requirements Column	See checklist format below.	These brief summaries do not include all requirements of all laws, regulations, bulletins, or requirements, so review actual law, regulation, bulletin, or requirement for details to ensure that forms are fully compliant before filing with the Division of Insurance.

Contact Person:
Gayle Neuman
217-524-6497
Gayle.Neuman@illinois.gov

Illinois Division of Insurance
Review Requirements Checklist

320 West Washington Street
Springfield, IL 62767-0001

Effective as of 8/25/06

<u>Line(s) of Business</u>	<u>Code(s)</u>	
<input checked="" type="checkbox"/> MEDICAL MALPRACTICE	11.0000	***This checklist is for rate/rule filings only.
<input type="checkbox"/> Claims Made	11.10000	See separate form checklist.
<input type="checkbox"/> Occurrence	11.2000	

<u>Line(s) of Insurance</u>	<u>Code(s)</u>	<u>Line(s) of Insurance</u>	<u>Code(s)</u>	<u>Line(s) of Insurance</u>	<u>Code(s)</u>
<input type="checkbox"/> Acupuncture	11.0001	<input type="checkbox"/> Hospitals	11.0009	<input type="checkbox"/> Optometry	11.0019
<input type="checkbox"/> Ambulance Services	11.0002	<input type="checkbox"/> Professional Nurses	11.0032	<input type="checkbox"/> Osteopathy	11.0020
<input type="checkbox"/> Anesthetist	11.0031	<input type="checkbox"/> Nurse – Anesthetists	11.0010	<input type="checkbox"/> Pharmacy	11.0021
<input type="checkbox"/> Assisted Living Facility	11.0033	<input type="checkbox"/> Nurse – Lic. Practical	11.0011	<input type="checkbox"/> Physical Therapy	11.0022
<input type="checkbox"/> Chiropractic	11.0003	<input type="checkbox"/> Nurse – Midwife	11.0012	<input type="checkbox"/> Physicians & Surgeons	11.0023
<input type="checkbox"/> Community Health Center	11.0004	<input type="checkbox"/> Nurse – Practitioners	11.0013	<input type="checkbox"/> Physicians Assistants	11.0024
<input type="checkbox"/> Dental Hygienists	11.0005	<input type="checkbox"/> Nurse – Private Duty	11.0014	<input checked="" type="checkbox"/> Podiatry	11.0025
<input type="checkbox"/> Dentists	11.0030	<input type="checkbox"/> Nurse – Registered	11.0015	<input type="checkbox"/> Psychiatry	11.0026
<input type="checkbox"/> Dentists – General Practice	11.0006	<input type="checkbox"/> Nursing Homes	11.0016	<input type="checkbox"/> Psychology	11.0027
<input type="checkbox"/> Dentists – Oral Surgeon	11.0007	<input type="checkbox"/> Occupational Therapy	11.0017	<input type="checkbox"/> Speech Pathology	11.0028
<input type="checkbox"/> Home Care Service Agencies	11.0008	<input type="checkbox"/> Ophthalmic Dispensing	11.0018	<input type="checkbox"/> Other	11.0029

Illinois Insurance Code Link	Illinois Compiled Statutes Online	
Illinois Administrative Code Link	Administrative Regulations Online	
Product Coding Matrix Link	Product Coding Matrix	
NAIC Uniform Transmittal Form	50 IL Adm. Code 929 NAIC Uniform Transmittal Form	If insurers wish to use the NAIC Uniform Transmittal form in lieu of a cover letter/explanatory memorandum, the Division will accept such form, as long as all information required in the "Cover Letter & Explanatory Memorandum" section below are properly included.
NAIC Self-Certification Pilot Program	Newsletter Article regarding Division's Participation Self-Certification form	If an authorized company officer completes the Self-Certification form, and submits such form as the 1 st page of the filing, the Division will expedite review of the filing ahead of all other filings received to date. The Division will track company compliance with the laws, regulations, bulletins, and this checklist and report such information to the NAIC.
Location of Standard within Filing Column	See checklist format below.	To expedite review of your filing, use this column to indicate location of the standard within the filing (e.g. page #, section title, etc.)
Description of Review Standards Requirements Column	See checklist format below.	These brief summaries do not include all requirements of all laws, regulations, bulletins, or requirements, so review actual law, regulation, bulletin, or requirement for details to ensure that forms are fully compliant before filing with the Division of Insurance.

FILING REQUIREMENTS FOR FORM FILINGS	REFERENCE	DESCRIPTION OF REVIEW STANDARD REQUIREMENT	LOCATION OF STANDARD WITHIN FILING
See separate form filing checklist.		<p>To assist insurers in submitting compliant medical liability rate/rule filings as a result of newly-passed PA94-677 (SB475), the Division has created this separate, comprehensive rate/rule filing checklist for medical liability filings.</p> <p>Please see the separate form filing checklist for requirements related to medical liability forms.</p>	
GENERAL FILING REQUIREMENTS FOR ALL RATE/RULE FILINGS			
LINE OF AUTHORITY			
Must have proper Class and Clause authority to conduct this line of business in Illinois.	<p>215 ILCS 5/4</p> <p><u>List of Classes/Clauses</u></p>	<p>To write Medical Liability insurance in Illinois, companies must be licensed to write:</p> <p>1. Class 2, Clause (c)</p>	Agree.
RATES AND RULES REQUIRED TO BE FILED			
Rates/Rules Must be Filed Separately from Forms			
Insurers shall make separate filings for rate/rules and for forms/endorsements, etc.		<p>The laws and regulations for medical liability forms/endorsements and the laws for medical liability rates/rules are different and each must be reviewed according to its own set of laws/regulations/procedures. Therefore, insurers are required to file forms and rates/rules separately.</p> <p>For requirements regarding form filings, see separate form filing checklist.</p>	Agree
New Insurers			
New insurers must file their rates, rules, plans for gathering statistics, etc. upon commencement of business.	<p>215 ILCS 5/155.18</p> <p>50 IL Adm. Code 929</p>	<p><input type="checkbox"/> New Insurers <input type="checkbox"/> are insurers who are:</p> <ul style="list-style-type: none"> • New to Illinois. • New writers of medical liability insurance in Illinois. • Writing a new Line of Insurance listed on Page 1 of this checklist, <p>New insurers must file the following:</p> <p>a) Medical liability insurance rate manual, including all rates.</p>	N/A

		<p>b) Rules, including underwriting rule manuals which contain rules for applying rates or rating plans,</p> <p>c) Classifications and other such schedules used in writing medical liability insurance.</p> <p>d) Statement regarding whether the insurer:</p> <ul style="list-style-type: none"> • Has its own plan for the gathering of medical liability statistics; or • Reports its medical liability statistics to a statistical agent (and if so, which agent). <p>The Director, at any time, may request a copy of the insurer's statistical plan or request the insurer to provide written verification of membership and reporting status from the insurer's reported statistical agency.</p> <p>Insurers are instructed to review all requirements in this checklist, including the requirements for applicable actuarial documentation, as well as all medical liability laws and regulations, to ensure that the filing contains all essential elements before submitting the filing to the Division.</p>	
Amendments to Initial Rate/Rule Filings			
<p>After a new insurer has filed the rates/rules/information described above, insurers must file rates/rules, or advise of changes to statistical plans, as often as they are amended.</p>	<p><u>215 ILCS 5/155.18</u></p> <p><u>50 IL Adm. Code 929</u></p>	<p>After a new insurer has filed the rates/rules/information described above, insurers must file rates/rules/rating schedules (as described above for new business) as often as such filings are changed or amended, or when any new rates or rules are added.</p> <p>Any change in premium to the company's insureds as a result of a change in the company's base rates or a change in its increased limits factors shall constitute a change in rates and shall require a filing with the Director.</p> <p>Insurers shall also advise the Director if its plans for the gathering of statistics has changed, or if the insurer has changed statistical agents.</p> <p>The Director, at any time, may request a copy of the insurer's statistical plan or request the insurer to provide written verification of membership and reporting status from the insurer's reported statistical agency.</p> <p>Insurers are instructed to review all requirements in this checklist, including the requirements for applicable actuarial documentation, as well as all medical liability laws and regulations, to ensure that the filing contains all essential elements before submitting the filing to the Division.</p>	<p>Agree/All</p>
EFFECTIVE DATES OF RATE/RULE FILINGS			
<p>Illinois is "file and use" for medical liability rates and rules.</p>	<p><u>215 ILCS 5/155.18</u></p> <p><u>50 IL Adm. Code</u></p>	<p>A rate/rating plan/rule filing shall go into effect no earlier than the date the filing is received by the Division of Insurance, Property & Casualty</p>	<p>Agree</p>

		<p>superseded filing.</p> <ul style="list-style-type: none"> Copies of all manual pages that are affected by the new filing, including but not limited to subsequent pages that are amended solely by receiving new page numbers. <p>6) Effective date of use.</p> <p>7) Actuarial certification (see Actuarial Certification section below). Insurers may use their own form or may use the sample form developed by the Division.</p> <p>8) Statement that the insurer, in offering, administering, or applying the filed rate/rule manual and/or any amended provisions, does not unfairly discriminate.</p> <p>Companies under the same ownership or general management are required to make <u>separate, individual company filings</u>. Company Group ("Me too") filings are unacceptable.</p> <p>If insurers wish to use the NAIC Uniform Transmittal form in lieu of a cover letter/explanatory memorandum, the Division will accept such form, as long as all information required in this section is properly included.</p>	<p>Supplement Ed. 2-07 as attached.</p> <p>Agree/Attached.</p> <p>Certification attached.</p>
FORM RF-3 Summary Sheet			
<p>For any rate change, duplicate copies of Form RF-3 must be filed, no later than the effective date.</p>	<p><u>50 IL Adm. Code 929</u></p> <p><u>Form RF-3 Summary Sheet</u></p>	<p>For any rate level change, insurers must file two copies of Form RF-3 (Summary Sheet) which provides information on changes in rate level based on the company's premium volume, rating system, and distribution of business with respect to the classes of medical liability insurance to which the rate revision applies. Such forms must be received by the Division's Property & Casualty Compliance Section no later than the stated effective date of use.</p> <p>Insurers must report the rate change level and premium volume amounts on the "Other" Line and insert the words "Medical Liability" on the "Other" descriptive line. Do not list the information on the "Other Liability" line.</p> <p>If the Medical Liability premium is combined with any other Lines of Business (e.g. CGL, commercial property, etc.), the insurer must report the effect of rate changes to each line separately on the RF-3, indicating the premium written and percent of rate change for each line of business.</p> <p>The RF-3 form must indicate whether the information is "exact" or "estimated."</p>	<p>Agree/ Attached</p> <p>Agree</p> <p>N/A</p> <p>Agree</p>
PAYMENT PLANS			
<p>Quarterly premium payment installment</p>	<p><u>215 ILCS 5/155.18</u></p>	<p>A company writing medical liability insurance in Illinois shall offer to each of its medical liability</p>	<p>Agree/All</p>

<p>plan required as prescribed by the Director.</p>		<p>insureds the option to make premium payments in quarterly installments as prescribed by and filed with the Director. Such option must be offered in the initial offer of the policy or in the first policy renewal occurring after January 1, 2006. Thereafter, the insurer need not offer the option, but if the insured requests it, must make it available. Such plans are subject to the following minimum requirements:</p> <ul style="list-style-type: none"> • May not require more than 40% of the estimated total premium to be paid as the initial payment; • Must spread the remaining premium equally among the 2nd, 3rd, and 4th installments, with the maximum set at 30% of the estimated total premium, and due 3, 6, and 9 months from policy inception, respectively; • May not apply interest charges; • May include an installment charge or fee of no more than the lesser of 1% of the total premium or \$25; • Must spread any additional premium resulting from changes to the policy equally over the remaining installments, if any. If there are no remaining installments, the additional premium may be billed immediately as a separate transaction; and • May, but is not required to offer payment plan for extensions of a reporting period, or to insureds whose annual premiums are less than \$500. However, if offered to either, the plan must be made available to all within that group. 	<p>Included via the Illinois Rating Manual Supplement Ed. 2-07 as attached.</p>
DEDUCTIBLES			
<p>Deductible plans should be filed if offered.</p>	<p><u>215 ILCS 5/155.18</u></p>	<p>A company writing medical liability insurance in Illinois is encouraged, but not required, to offer the opportunity for participation in a plan offering deductibles to its medical liability insureds. Any such plan shall be contained in a filed rate/rule manual section entitled "Deductibles Offered" or substantially similar title. If an insurer uses a substantially similar title, the Rate/Rule Submission Letter or NAIC Uniform Transmittal form must indicate the name of the section that applies.</p>	<p>N/A</p>
DISCOUNTS			
<p>Premium discount for risk management activities should be filed if offered.</p>	<p><u>215 ILCS 5/155.18</u></p>	<p>A company writing medical liability insurance in Illinois is encouraged, but not required, to offer their medical liability insureds a plan providing premium discounts for participation in risk management activities. Any such plan shall be contained in a filed rate/rule manual section entitled "Risk Management Activities Discounts" or substantially similar title. If an insurer uses a substantially similar title, the Rate/Rule Submission Letter or NAIC Uniform Transmittal form must indicate the name of the</p>	<p>Agree. Included in Rating Manual Ed. 1-05 and via Illinois Rating Manual Supplement Ed. 2-07</p>

CLAIMS MADE REQUIREMENTS

section that applies.

Extended reporting period (tail coverage) requirements.

215 ILCS 5/143(2)
Company Bulletin 88-50

When issuing claims-made medical liability insurance policies, insurers must include the following specific information in their rate/rule manuals:

Agree. Included via Illinois Rating Manual Supplement Ed. 2-07 as attached.

- Offer of an extended reporting period (tail coverage) of at least 12 months. The rate/rule manual must specify whether the extended reporting period is unlimited or indicate its term (i.e. number of years).***
- Cost of the extended reporting period, which must be priced as a factor of one of the following:***
 - the last 12 months' premium.
 - the premium in effect at policy issuance.
 - the expiring annual premium.
- List of any credits, discounts, etc. that will be added or removed when determining the final extended reporting period premium.
- Insurer will inform the insured of the extended reporting period premium at the time the last policy is purchased. The insurer may not wait until the insured requests to purchase the extended reporting period coverage to tell the insured what the premium will be or how the premium would be calculated.
- Insurer will offer the extended reporting period when the policy is terminated for any reason, including non-payment of premium, and whether the policy is terminated at the company's or insured's request.
- Insurer will allow the insured 30 days after the policy is terminated to purchase the extended reporting period coverage.***
- Insurer will trigger the claims made coverage when notice of claim is received and recorded by the insured or company, whichever comes first.

***If the medical liability coverage is combined with other professional or general liability coverages, the medical liability insurer must meet all of the above requirements, except those indicated with ***, in which case, the insurer must:

- Offer free 5-year extended reporting period (tail coverage) or
- Offer an unlimited extended reporting period with the limits reinstated (100% of aggregate

		<p>expiring limits for the duration)</p> <ul style="list-style-type: none"> • Cap the premium at 200% of the annual premium of the expiring policy; and • Give the insured a free-60 day period after the end of the policy to request the coverage. 	
GROUP MEDICAL LIABILITY			
Group medical liability insurance is not specifically allowed under the Illinois Insurance Code.	50 IL Adm. Code 906	Part 906 of the Illinois Administrative Code prohibits writing of group casualty (liability) insurance unless specifically authorized by statute. The Illinois Insurance Code does not specifically authorize the writing of group medical liability insurance.	Agree
CANCELLATION & NONRENEWAL PROVISION REQUIREMENTS			
If rate/rule manuals contain language pertaining to cancellation or nonrenewal, must comply with all cancellation/nonrenewal laws.	See Medical Liability Forms Checklist for Specific Information about Illinois Cancellation & Nonrenewal Laws and Regulations,	If a rate or rule manual contains language pertaining to cancellation or nonrenewal of any medical liability insurance coverage, such provisions must comply with all cancellation and nonrenewal provisions of the Illinois Insurance Code, including but not limited to the following: 143.10, 143.16, 143.16a, 143.17a. See Medical Liability Forms Checklist for Specific Information about Illinois Cancellation & Nonrenewal Laws and Regulations,	Agree
ACTUARIAL REVIEW REQUIREMENTS			
Rates shall not be excessive, inadequate, or unfairly discriminatory.	215 ILCS 5/155.18	<p>In the making or use of rates pertaining to all classes of medical liability insurance, rates shall not be excessive, or inadequate, nor shall they be unfairly discriminatory.</p> <p>Rate and rule manual provisions should be defined and explained in a manner that allows the Division to ascertain whether the provision could be applied in an unfairly discriminatory manner. For example, if a rate/rule manual contains ranges of premiums or discounts, the provision must specify the criteria to determine the specific premium/discount an insured or applicant would receive.</p> <p>The Director may, by order, adjust a rate or take any other appropriate action at the conclusion of a public hearing.</p>	Agree
PRICING			

Insurers shall consider certain information when developing medical liability rates.	<u>215 ILCS 5/155.18</u>	<p>Consideration shall be given, to the extent applicable, to past and prospective loss experience within and outside this State, to a reasonable margin for underwriting profit and contingencies, to past and prospective expenses both countrywide and those especially applicable to Illinois, and to all other factors, including judgment factors, deemed relevant within and outside Illinois.</p> <p>Consideration may also be given in the making and use of rates to dividends, savings or unabsorbed premium deposits allowed or returned by companies to their policyholders, members or subscribers.</p> <p>The systems of expense provisions included in the rates for use by any company or group of companies may differ from those of other companies or groups of companies to reflect the operating methods of any such company or group with respect to any kind of insurance, or with respect to any subdivision or combination thereof.</p>	Agree/All
Minimum Premium Rules			
Insurers may group or classify risks for establishing rates and minimum premiums.	<u>215 ILCS 5/155.18</u>	Risks may be grouped by classifications for the establishment of rates and minimum premiums.	N/A
"A" RATED RISKS			
Individual Risk Rating			
Risks may be rated on an individual basis as long as all provisions required in Section 155.18 are met.	<u>215 ILCS 5/155.18</u>	Classification rates may be modified to produce rates for individual risks in accordance with rating plans which establish standards for measuring variations in hazards or expense provisions, or both. Such standards may measure any difference among risks that have a probable effect upon losses or expenses. Such classifications or modifications of classifications of risks may be established based upon size, expense, management, individual experience, location or dispersion of hazard, or any other reasonable considerations, and shall apply to all risks under the same or substantially the same circumstances or conditions. The rate for an established classification should be related generally to the anticipated loss and expense factors or the class.	N/A
RISK CLASSIFICATION			
Risks may be grouped by classifications.	<u>215 ILCS 5/155.18</u>	Risks may be grouped by classifications for the establishment of rates and minimum premiums.	Agree
Rating decisions based solely on domestic violence.	<u>215 ILCS 5/155.22b</u>	No insurer may that issues a property and casualty policy may use the fact that an applicant or insured incurred bodily injury as a result of a battery committed against him/her by a spouse or person in the same household as a sole reason for a rating decision.	Agree
Unfair methods of	<u>215 ILCS 5/424(3)</u>	It is an unfair method of competition or unfair and	Agree

competition or unfair or deceptive acts or practices defined.		deceptive act or practice if a company makes or permits any unfair discrimination between individuals or risks of the same class or of essentially the same hazard and expense element because of the race, color, religion, or national origin of such insurance risks or applicants.	
Procedure as to unfair methods of competition or unfair or deceptive acts or practices not defined.	<u>215 ILCS 5/429</u>	Outlines the procedures the Director follows when he has reason to believe that a company is engaging in unfair methods of competition or unfair or deceptive acts or practices.	Agree
Territorial Definitions			
Rate/rule manuals must contain correct and adequate definitions of Illinois territories.	<u>215 ILCS 5/155.18</u>	When an insurer's rate/rule program includes differing territories within the State of Illinois, rate/rule manuals must contain correct and adequate definitions of those territories, and that all references to the territories or definitions are accurate, so the Division does not need to request additional information.	Agree. See Rate Pages.
ACTUARIAL SUPPORT INFORMATION REQUIRED			
ACTUARIAL CERTIFICATION			
Actuarial certification must accompany all rate filings and all rule filings that affect rates.	<u>215 ILCS 5/155.18</u> <u>50 IL Adm. Code 929</u> <u>Actuarial Certification Form</u>	Every rate and/or rating rule filing must include a certification by an officer of the company <u>and</u> a qualified actuary that the company's rates and/or rules are based on sound actuarial principles and are not inconsistent with the company's experience. Insurers may use their own form or may use the sample form created by the Division.	Agree. Dual Certification included with filing.
ACTUARIAL OR STATISTICAL INFORMATION			
Director may request actuarial and statistical information.	<u>215 ILCS 5/155.18</u> <u>50 IL Adm. Code 929</u>	The Director may require the filing of statistical data and any other pertinent information necessary to determine the manner of promulgation and the acceptability or unacceptability of a filing for rules, minimum premiums, rates, forms or any combination thereof. If the Director requests information or statistical data to determine the manner the insurer used to set the filed rates and/or to determine the reasonableness of those rates, as well as the manner of promulgation and the acceptability or unacceptability of a filing for rules, minimum premiums, or any combination thereof, the insurer shall provide such data or information within 14 calendar days of the Director's request.	Agree/All
Explanatory Memorandum			
Insurers shall include actuarial explanatory memorandum with any	<u>215 ILCS 5/155.18</u> <u>50 IL Adm. Code</u>	Insurers shall include actuarial explanatory memorandum with any rate filing, as well as any rule filing that affects the ultimate premium. The	Agree. Actuarial Memo included under filing.

rate filing, as well as any rule filing that affects the ultimate premium.	<u>929</u>	<p>explanatory memorandum shall contain, at minimum, the following information:</p> <ul style="list-style-type: none"> • Explanation of ratemaking methodologies. • Explanations of specific changes included in the filing. • Narrative that will assist in understanding the filing. 	
Summary of Effects Exhibit			
Insurers shall include an exhibit illustrating the effect of each change and calculation indicating how the final effect was derived.	<u>215 ILCS 5/155.18</u> <u>50 IL Adm. Code 929</u>	Insurers shall include an exhibit illustrating the effect of each individual change being made in the filing (e.g. territorial base rates, classification factor changes, number of exposures affected by each change being made, etc.), and include a supporting calculation indicating how the final effect was derived.	Agree. See Tables and Exhibits.
Actuarial Indication			
Insurers shall include actuarial support justifying the overall changes being made.	<u>215 ILCS 5/155.18</u> <u>50 IL Adm. Code 929</u>	<p>Insurers shall include actuarial support justifying the overall changes being made, including but not limited to:</p> <ul style="list-style-type: none"> • Pure premiums (if used). • Earned premiums. • Incurred losses. • Loss development factors. • Trend factors. • On-Level factors. • Permissible loss ratios, etc. 	Agree. See Tables and Exhibits
Loss Development Factors and Analysis			
Insurers shall include support for loss development factors and analysis.	<u>215 ILCS 5/155.18</u> <u>50 IL Adm. Code 929</u>	Insurers shall include actuarial support for loss development factors and analysis, including but not limited to loss triangles and selected factors, as well as support for the selected factors.	Agree. See Tables and Exhibits
Ultimate Loss Selections			
Insurers shall include support for ultimate loss selections.	<u>215 ILCS 5/155.18</u> <u>50 IL Adm. Code 929</u>	Insurers shall include support for ultimate loss selections, including an explanation of selected losses if results from various methods differ significantly.	Agree. See Tables and Exhibits
Trend Factors and Analysis			
Insurers shall include support for trend factors and analysis.	<u>215 ILCS 5/155.18</u> <u>50 IL Adm. Code 929</u>	Insurers shall include support for trend factors and analysis, including loss and premium trend exhibits demonstrating the basis for the selections used.	Agree. See Tables and Exhibits
On-Level Factors and Analysis			
Insurers shall include support for on-level factors and analysis.	<u>215 ILCS 5/155.18</u> <u>50 IL Adm. Code 929</u>	Insurers shall include support for on-level factors and analysis, including exhibits providing on-level factors and past rate changes included in calculations.	Agree. See Tables and Exhibits
Loss Adjustment Expenses			

Insurers shall include support for loss adjustment expenses.	<u>215 ILCS 5/155.18</u> <u>50 IL Adm. Code 929</u>	Insurers shall include support for loss adjustment expenses, including exhibits providing documentation to support factors used for ALAE and ULAE. If ALAE is included in loss development analysis, no additional ALAE exhibit is required.	Agree. See Tables and Exhibits
Expense Exhibit			
Insurers shall include an expense exhibit. Insurers may use expense provisions that differ from those of other companies or groups of companies.	<u>215 ILCS 5/155.18</u> <u>50 IL Adm. Code 929</u>	Insurers shall include an exhibit indicating all expenses used in the calculation of the permissible loss ratio, including explanations and support for selections. The systems of expense provisions included in the rates for use by any company or group of companies may differ from those of other companies or groups of companies to reflect the operating methods of any such company or group with respect to any kind of insurance, or with respect to any subdivision or combination thereof.	Agree. See Tables and Exhibits
Investment Income Calculation			
Insurers shall include an exhibit for investment income calculation.	<u>215 ILCS 5/155.18</u> <u>50 IL Adm. Code 929</u>	Insurers shall include an exhibit demonstrating the calculation for the investment income factor used in the indication.	Agree. See Tables and Exhibits
Profit and Contingencies Calculation			
Insurers shall include an exhibit for profit and contingencies load.	<u>215 ILCS 5/155.18</u> <u>50 IL Adm. Code 929</u>	Insurers shall include an exhibit illustrating the derivation of any profit and contingencies load.	Agree. See Tables and Exhibits
Credibility Standard Used			
Insurers shall include the number of claims being used to calculate the credibility factor.	<u>215 ILCS 5/155.18</u> <u>50 IL Adm. Code 929</u>	Insurers should include the number of claims being used to calculate the credibility factor. If another method of calculating credibility is utilized, insurers should include a description of the method used.	Agree. See Tables and Exhibits
Other Actuarial Information Required			
Insurers must include the information described in this section.	<u>215 ILCS 5/155.18</u> <u>50 IL Adm. Code 929</u>	Insurers shall also include the following information: <ul style="list-style-type: none"> • All actuarial support/justification for all rates being changed, including but not limited to changes in: <ul style="list-style-type: none"> ○ Base rates; ○ Territory definitions; ○ Territory factor changes; ○ Classification factor changes; ○ Classification definition changes; ○ Changes to schedule credits/debits, etc. • Exhibits containing current and proposed rates/factors for all rates and classification factors, etc. being changed. 	Agree. See Tables and Exhibits

		<ul style="list-style-type: none"> Any exhibits necessary to support the filing that are not mentioned elsewhere in this checklist. 	
Schedule Rating			
Insurers must include the described information described at right.	<u>215 ILCS 5/155.18</u> <u>50 IL Adm. Code 929</u>	Insurers should include appropriate actuarial justification when filing schedule rating plans and/or changes to schedule rating plans.	N/A – Schedule Rating removed via IL Rating Manual Supp. Ed. 2-07