



ace usa

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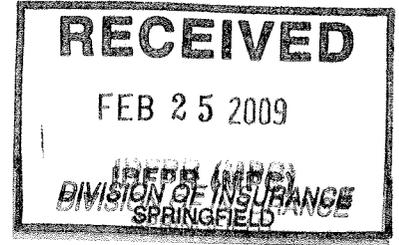
February 23, 2009

Director of Insurance
Illinois Department of Insurance
320 West Washington Street
Springfield, Illinois 62767

FILED

AUG 01 2009

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE
SPRINGFIELD, ILLINOIS



Re:	Company	ACE USA #0626	NAIC#	FEIN
	ACE American Insurance Company		22667	95-2371728
	Chiropractors Professional Liability Program			✓
	Rates Filing			
	Our Filing Number : 09-MR-2008219			

RATE/RULE

Dear Commissioner:

We are filing a rate increase for our independently filed Chiropractors Professional Liability program. Our intention is to increase base rates by fifty percent. We feel that this increase is necessary, based upon a review of the historical experience for this program, which was originally approved in 2000. To support this filing, we have provided a rate indication package.

We are seeking approval for new and renewal policies, effective July 1, 2009, and after.

Sincerely,

Viola McBride

Viola McBride

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MEM
RMT
glw*

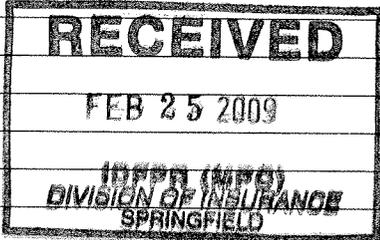
Jeh

+50%

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	
Renewal Business	
f. State Filing #:	
g. SERFF Filing #:	
h. Subject Codes	



3. Group Name	Group NAIC #
ACE Group	626

4. Company Name(s)	Domicile	NAIC #	FEIN #
ACE American Insurance Company	PA	22667	95-2371728

5. Company Tracking Number	09-MR-2008219
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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
	Viola McBride 510 Walnut Street Philadelphia, PA 19106	Regulatory Associate	(215) 640-5238		viola.mcbride@acegroup.com

7. Signature of authorized filer	<i>Viola McBride</i>
8. Please print name of authorized filer	Viola McBride

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

9. Type of Insurance (TOI)	Medical Malpractice
10. Sub-Type of Insurance (Sub-TOI)	
11. State Specific Product code(s) (if applicable) [See State Specific Requirements]	
12. Company Program Title (Marketing title)	
13. Filing Type	<input checked="" type="checkbox"/> Rate/Loss Cost <input type="checkbox"/> Rules <input 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: 07/01/09 Renewal: 07/01/09

Property & Casualty Transmittal Document---

15.	Reference Filing?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
16.	Reference Organization (if applicable)	
17.	Reference Organization # & Title	
18.	Company's Date of Filing	02/23/09
19.	Status of filing in domicile	<input checked="" type="checkbox"/> Not Filed <input type="checkbox"/> Pending <input type="checkbox"/> Authorized <input type="checkbox"/> Disapproved

20.	This filing transmittal is part of Company Tracking #	09-MR-2008219
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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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The objective of this filing is to obtain a 50% increase in the chiropractor program's current base rates, which we feel is necessary based on a review of the historical experience. This program was originally approved in 2000.

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]
<p>Check #: Amount:</p> <p>Refer to each state's checklist for additional state specific requirements or instructions on calculating fees.</p>	

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

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 #	09-MR-2008219
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2.	This filing corresponds to form filing number (Company tracking number of form filing, if applicable)	
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Rate Increase Rate Decrease Rate Neutral (0%)

3.	Filing Method (Prior Approval, File & Use, Flex Band, etc.)	Use & file
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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)
Ace American Insurance Company	+54%	+50%	+151,620	471	303,238	+50%	+50%

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	Minimum % Change

5. 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	NA new program
7.	Effective Date of last rate revision	6/1/00
8.	Filing Method of Last filing (Prior Approval, File & Use, Flex Band, etc.)	Use & File

9.	Rule # or Page # Submitted for Review	Replacement or Withdrawn?	Previous state filing number, if required by state
01	CH-IL 2/2009	<input type="checkbox"/> New <input checked="" type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
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	

**ACE American Insurance Company
Illinois
Chiropractors
Actuarial Certification**

1

Statement of Actuarial Opinion

215 ILCS 5/155.18

In my opinion, the rates proposed in this filing are based on sound actuarial principles and are not inconsistent with the company's experience.

Name: Nanette Tingley

Title: Vice President and Actuary

Accreditation: A.C.A.S., M.A.A.A.

Date: February 25, 2009

Signature:



Change in Company's premium or rate level produced by rate revision effective 07/01/09

(1) Coverage	(2) Annual Premium Volume (Illinois)*	(3) Percent Change (+ or -)**
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>Medical Malpractice</u>	<u>303,238</u>	<u>+50.0</u>

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):

We are filing a rate reduction for our independently filed Chiropractors Professional Liability program. Our intention is to increase base rates by fifty percent. To support this filing we have provided a rate indication package.

* Adjusted to reflect all prior rate changes.

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



H29219D

ACE American Insurance Company
Name of Company

Robert Reilly, Vice President
Official - Title

FILING# 09-MR-2008219

Under Rule XVII. SUPPLEMENTAL PROFESSIONAL LIABILITY MODIFICATIONS, sections B. Loss Control Education and C. Experience Rating are deleted in their entirety.

XXV. PREMIUM PAYMENT INSTALLMENTS

The following installment premium payment plans shall be offered:

1. For annual premiums up to an including \$80,000, a four-installment payment plan payable as follows:
 - a. an initial payment equal to 40% of the premium due at policy inception;
 - b. a second payment equal to 20% of the premium due 3 months from policy inception;
 - c. a third payment equal to 20% of the premium due 6 months from policy inception; and
 - d. a fourth payment equal to 20% of the premium due 9 months from the policy inception

2. For annual premiums in excess of \$80,000, a four-installment payment plan payable as follows:
 - a. an initial payment equal to 25% of the premium due at policy inception;
 - b. a second payment equal to 25% of the premium due 3 months from policy inception;
 - c. a third payment equal to 25% of the premium due 6 months from policy inception;
 - d. a fourth payment equal to 25% of the premium due 9 months from policy inception;

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

There are no interest charges or installment fees charged for premium installment payment plans.

XXVI. The following rates and rating factors apply to the rate plan for Chiropractors Professional Liability:

State: Illinois

Table II – State Rates (\$1,000,000/\$1,000,000 Limit)

Territory	Class I	Class II	Class III	Class IV	Class V
1	2,252	2,384	3,278	5,673	1,563
2	1,725	1,820	2,463	4,187	1,230
3	1,631	1,719	2,318	3,920	1,170

Territory Definition:

1. Cook County
2. DuPage, Lake, Will Counties
3. Remainder of State

FILED

AUG 01 2009

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE
SPRINGFIELD, ILLINOIS

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE



IN THE MATTER OF THE
MEDICAL MALPRACTICE
RATE INCREASE OF:

HEARING NO. 09-HR-1138

THE ACE AMERICAN INSURANCE COMPANY

ORDER

I, Michael T. McRaith, Director of the Illinois Department of Insurance, hereby certify that I have read the Record in this matter and the hereto attached Findings of Fact, Conclusions of Law and Recommendations of the Hearing Officer, Timothy M. Cena, appointed and designated pursuant to Section 402 of the Illinois Insurance Code (215 ILCS 5/402) to conduct a Hearing in the above-captioned matter.

I, Michael T. McRaith, Director, Director of the Illinois Department of Insurance, being duly advised in the premises, to hereby adopt the Findings of Fact, Conclusions of Law and Recommendations of the Hearing Officer as my own and based upon said Findings, Conclusions and Recommendations enter the following Order under the authority granted to me by Article IX and Article XXIV of the Illinois Insurance Code (215 ILCS 5/132 et. seq. and 215 ILCS 5/401 et. seq.).

This Order is a Final Administrative Decision pursuant to the Illinois Administrative Procedure Act (5 ILCS 100/1-1 et. seq.). Further, this Order is appealable pursuant to the Illinois Administrative Review Law (735 ILCS 5/3-101 et. seq.).

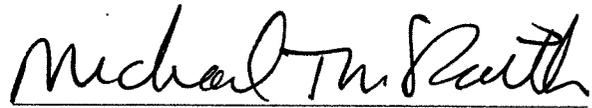
NOW IT IS THEREFORE ORDERED THAT:

- 1) Ace American Insurance Company Filing # 09-MR-2008219 is not in violation of the applicable provisions of the Illinois Insurance Code and therefore the Filing may be implemented in the State of Illinois.

- 2) Ace American Insurance Company shall pay as costs of this proceeding, within 35 days of the date of this Order, the sum of \$246.00, directly to the Illinois Department of Insurance, 320 W. Washington, 4th Floor, Springfield, Illinois 62767.

ILLINOIS DEPARTMENT OF
INSURANCE

Date: 13 April 2010



Michael T. McRaith
Director

STATE OF ILLINOIS

DEPARTMENT OF INSURANCE



IN THE MATTER OF THE
MEDICAL MALPRACTICE
RATE INCREASE OF:

HEARING NO. 09-HR-1138

THE ACE AMERICAN INSURANCE COMPANY

FINDINGS OF FACT, CONCLUSIONS OF LAW AND RECOMMENDATIONS OF THE HEARING OFFICER

Now comes Timothy M. Cena, Hearing Officer, in the above-captioned matter and hereby offers his Findings of Fact, Conclusions of Law and Recommendations in the above-captioned matter to the Director of Insurance.

FINDINGS OF FACT

- 1) On February 23, 2009, Ace American Insurance Company (Ace) filed with the Illinois Department of Insurance (Department) a Rate Increase Filing for its Chiropractor's Professional Liability Program, Filing # 09-MR-2008219 (the Filing), (see Department Exhibit # 1 and # 1A) seeking to increase its base rates for chiropractic professional liability insurance coverage by 50%.
- 2) On November 9, 2009, the Illinois Director of Insurance (Director) issued a Notice of Hearing in the matter for the purpose of determining whether Ace's Filing was in compliance with Section 155.18 of the Illinois Insurance Code (215 ILCS 5/155.18). The Notice required Ace to appear at an administrative hearing regarding the Filing before the Director, or his designee, on November 24, 2009, at the Department's Offices in Springfield, Illinois (see Hearing Officer Exhibit # 2).

- 3) On November 9, 2009, Joseph T. Clennon filed a Notice of Appearance in the matter on behalf of the Department (Hearing Officer Exhibit # 2).
- 4) On November 9, 2009, the Director issued an Authority to Conduct Hearing designating and appointing Timothy M. Cena as Hearing Officer to conduct the administrative hearing in this matter (Hearing Officer # 1).
- 5) On or about November 18, 2009, Ace filed with the Hearing Officer a Notice of Receipt of the Notice of Hearing and Motion for Continuance (Hearing Officer Exhibit # 3).
- 6) On November 19, 2009, the Department filed with the Hearing Officer a Response to the Motion for Continuance indicating that the Department had no objection to Ace's Motion for Continuance (Hearing Officer Exhibit # 4).
- 7) On December 10, 2009, the Hearing Officer issued an Order granting Ace's Motion and setting the new hearing date for January 12, 2010 (Hearing Officer Exhibit # 5).
- 8) On November 30, 2009, Kirk H. Petersen, of Zack Stamp Ltd. filed a Notice of Appearance in this matter on behalf of Ace (Hearing Officer Exhibit # 6).
- 9) The Hearing in this matter was convened on January 12, 2010 at 11:00 AM, at the Department's Offices in Springfield, Illinois at which time were present: Timothy M. Cena, Hearing Officer; Joseph Clennon, on behalf of the Department; Kirk H. Petersen, on behalf of Ace; Judy P. Mottar, Sarah J. Fore and Michael Lamb (telephonically), all with the Department; and Renee Carino, Nanette Tingley, and Caroline Clouser all with Ace.
- 10) The purpose of the Hearing was to receive information from Ace, other interested parties, or the general public to determine whether the Filing is in compliance with Section 155.18 of the Illinois Insurance Code. This filing seeks a rate increase of 50%. Section 155.18 requires the Director of Insurance to hold a hearing on medical malpractice insurance rate increases which exceed 6%.
- 11) At the start of the Hearing the Department indicated that the Department had, prior to the hearing, performed an extensive review of the Filing. The review determined that the Filing was complete and included all documentation, transmittal forms and certificates required by law. The Department reviewed the Rules section of Ace's Rating

Manual. Correspondence was exchanged between the Department and Ace in order to clarify the filing. Ace complied with all post-filing requests for additional information and documentation made by the Department.

As a part of the Department's review, consideration was given to Ace's rate-making methodology, trend selection, and schedule experience rating. The Department indicated that, based on this review, but also pending additional questions to the company during the hearing, that the Department had no initial reasons to object to the Filing.

- 12) Ace's Filing, as originally filed with the Department, plus any additional information received as a part of the Department's initial review were tendered and received into evidence in this matter as Department Exhibit # 1. The Filing consists of an actuarial memorandum, property and casualty transmittal documents, a rate/rule filing schedule and a rate manual. Upon submitting the Filing into evidence, the Department rested its case in the matter pending additional questions to Ace's witness.
- 13) Nanette Tingley, Ace's Vice President of Compliance and Actuary, testified on behalf of Ace in this matter, as follows:
 - a) She has been employed with Ace in her current positions since 2002. She is an associate of the Casualty Actuarial Society and member of the American Academy of Actuaries. She prepared the Filing which is the subject of the proceeding;
 - b) As part of her preparation of the Filing, she gave consideration to Ace's past and prospective loss experience. Her calculations indicated that a rate of 54% was appropriate for the line of business at this time. Ace rounded the filing request down to 50%. Ace has requested no changes in its rates in Illinois for this line of business since 2000;
 - c) As a part of her preparation of the Filing, consideration was given for developing a reasonable margin for underwriting profit. The profit was projected at 5 % from underwriting but then that percentage was reduced by 8% for investment income to be realigned by Ace, which nets to a negative 3.5% profit margin;

- d) As a part of her preparation of the Filing, she gave consideration to Ace's past and prospective expenses;
 - e) As a part of her preparation of the Filing, different classifications were used in the Filing and the classifications are reasonable;
 - f) The Filing contains an option for insureds to pay a quarterly premium payment to the company on their policies. If insureds participate in risk management activities outlined by the company, premium discounts are available to the insureds;
 - g) In her opinion, the proposed new rates are consistent with Ace's past experience, the rates are based upon sound actuarial principles, the rates are not excessive, nor are the rates inadequate or unfairly discriminatory.
- 14) On questioning by the Department, Witness Tingley and Ace Witness, Caroline Clauser testified as follows:
- a) This rate filing applies to 472 Illinois policyholders. The average dollar increase in premium to insureds per policy is approximately \$500.00. The range of possible increased rates range from \$5,000.00 on the high side to \$1,000.00 on the low side;
 - b) The insurance policy provides coverage to the insured for defense costs for licensure disciplinary action;
 - c) Generally, the nature of the claims filed by Illinois policyholders involved allegations by insureds that the chiropractic manipulation leads to a patient stroke in some instances. Ace's definition of what constitutes a claim has not changed in this Filing;
 - d) Ace has standard procedures regarding the evaluation, documentation and analysis of reserving of claims. The Company is a strong proponent of alternative dispute resolution and or arbitration mediation, and has been for many years. In a given year the number of cases taken

to trial, across Ace's entire medical malpractice book of business is less than 20, and for chiropractors, less than five;

- e) Ace's approach to settlement of claims, and its marketing of that approach, is one of fairness and firmness. The company is not afraid to take cases to trial that warrant it, but also realizes that some cases need to be settled where insured liability is clear. The company works closely with insureds to ensure that policyholders are in agreement with the approach that is selected;
- f) Ace has not changed its approach to claims handling due to changes in Illinois law placing caps on non-economic damages and other tort reform in Illinois or any other state. Ace's rates are based upon their experience in a given state. Ace does monitor reform in individual states and will make a rate change if such is warranted;
- g) The witnesses testified about Ace's Country-wide Medical Malpractice Trend Analysis (see Department Exhibit # 2). The document provides information per calendar year quarter starting in 2005 regarding policy number counts, claim counts, closed claims, paid losses, and total losses on closed claims. Ace's trend analysis began in 2005. Prior years do not provide appropriate information for trend analysis because of a mixing of line of business information. Specifically, Ace's psychologist book of business, for 2003-2005, had a higher claim frequency which would have inflated all of the trend figures to the point of actuarial incorrectness;
- h) Ace compared reported claim counts and closed claim counts to earned policy counts and finds that reported claim counts show a slightly reducing frequency and closed claim counts show an increasing frequency over time. Ace witnesses could not account for the reasons for such frequency change;
- i) Ace believes that Illinois claims would follow the trends indicated in Exhibit # 2 because Illinois

claim counts are quite low and there are no other clear factors to indicate a different trend than the rest of the country. It is Ace's belief that the established trends will continue through the coverage period anticipated in the Filing. Such belief is based upon historical information and by the insured service office analysis of industry-wide data for medical malpractice;

- j) Ace's Illinois claim frequency is 14.5% and approximately 5% country-wide;
- k) Ace has not seen any trends in allocated loss adjustment expenses paid or incurred;
- l) Ace uses the services of a Managing General Agent (MGA), HCI Insurers (HCI). HCI manages all of the insurance policies affected by the Filing. HCI does the underwriting on all policies issued by Ace. For other lines of business Ace uses other underwriting channels, HCI handle chiropractors and podiatrists. HCI provides input to Ace on rate matters, but Ace retains final decision making authority;
- m) Physician's Assurance Company a competitor of ACE, (PACO) current rates were filed in Illinois in January of 2004 (see Department Exhibit # 2). Ace did not compare its filings with its competitors rates prior to making its current filing with the Department Competitors ratio are considered on a varying basis depending on product;
- n) Ace waited nine years between rate changes because company time was utilized to analyze product lines with more priority;
- o) Ace, in determining how competitive it wants to be in the marketplace, determines whether the historical results of competition companies are acceptable to the company. This work is done in-house and is not done by Ace's MGA;
- p) Ace has not observed a trend on the profitability of medical malpractice insurance since 2002;

- q) Ace insureds receive a premium credit and Ace's manuals provide for such credits, for insureds that follow written patient safety policy and practice standards, utilize terms of acceptance forms and attend risk management seminars. All Ace applicants for insurance receive the credits if they indicate on their application that they comply with the credits. The credits are applied solely based on answers to questions provided in the application. Ace does not maintain a list of providers for insureds to contact about attending risk management seminars;
 - r) The Department has communicated with Ace about getting information from the MGA regarding how Ace is using scheduled rating going forward. Ace is setting up a new computer system for providing the requested information to the Department. Implementation of the new system will likely be in 2011;
 - s) Ace's actuary has not had specific discussions with the MGA about how scheduled rating is applied to risks by the MGA. Ace performs an annual audit process to make sure that objective standards are used and documented in the file. The actuary does not know if the MGA uses schedule rating debits for risks having any suspected rating inadequacy;
 - t) Ace, in correspondence with the Department regarding this Filing, indicated that their experience rating provisions are used rarely, and the company wishes to therefore withdraw those provisions. Upon the actuary's query to the MGA about the use of those provisions, the MGA stated that they don't understand the provisions so they have never used them.
- 15) On Re-direct examination Ace witnesses Tingley and Clouser testified as follows:
- a) The Company's definition of a claim is contained in its policy of insurance;

- b) In their opinion it is unlikely that a chiropractic provider would ever face multiple defendants for a particular action;
 - c) The witnesses were not aware of any federal or state requirements that a med-mal insurer compare its rates to another med-mal insurers;
 - d) Ace has experienced no deficiencies in its underwriting because of the use of the MGA HCI for that purpose.
- 16) At the end of the oral testimony at the Hearing the Hearing Officer left the Record in this matter open to allow the Department to pose, and for Ace to answer, certain questions regarding the Filing that Ace witnesses were unable to answer and/or for Ace to provide additional written documentation to the Department regarding the filing. By agreement with the Parties, the Parties provided to the Hearing Officer written copies of the questions presented, documents requested, and Ace's responses thereto.
- 17) Midwest Litigation Services recorded the testimony taken in this matter and charged the Department \$246.00 for a Transcript of the Proceedings and the Court Reporter's attendance (Hearing Officer Exhibit # 7).
- 18) As agreed to by the parties, on January 21, 2010 the Department provided to Ace a letter (see Hearing Officer Exhibit # 7) listing a number of questions from the Department which Ace could not answer at hearing. On or about February 16, 2010 Ace provided written responses (see Hearing Officer Exhibit # 8) to the Department's written questions.
- 19) On February 4, 2010 the Illinois Supreme Court in Lebron v. Gottlieb Memorial Hospital, 2010 WL 375190 (Ill.) pg. 18, issued an opinion striking down as unconstitutional the specific Sections of the Illinois Insurance Code (Sections 155.18, 155.18a and 155.19 (215 ILCS 5/155.18, 5/155.18a and 15/155.19)) pursuant to which the Director had authority to conduct the administrative hearing in this matter regarding Ace's rate filing and which was the subject of the testimony at hearing in this matter.
- 20) A review of the law in the area of court invalidation of state statutes indicates that where statutes are held invalid and such statutes contain repeals of previously enacted statutes then on a ruling of invalidity

such repeals are also held invalid thereby reinstating the previously enacted statutes into law (see Perlstein v. Wolk, 218 Ill. 2d 448).

Based upon the above, the Hearing Officer finds that the evidence taken in the hearing in this matter pursuant to invalid statutes cannot be used as a basis for a decision by the Director, also based upon the invalid statutes. The Hearing Officer also finds, however, that the predecessor statutes (Pre-2005 statutes), pursuant to Perlstein, are now in full effect and the Director has authority pursuant to those laws to determine, pursuant to standards contained therein, and after an administrative hearing, whether the rates filed by Ace are excessive or inadequate, or are unfairly discriminatory and whether sufficient competition exists in the marketplace.

21) On March 2, 2010 and on the Hearing Officer's Motion, the Hearing Officer and the Parties participated in a telephonic post-hearing conference to discuss Ace's Filing in light of the Supreme Court's ruling on the relevant Insurance Code statutes. It was agreed by and between the Parties and the Hearing Officer as follows:

- That the Record produced at the January 12, 2010 administrative hearing in this matter would remain intact and is offered by the Parties as their evidence regarding Ace's Filing to the Director of Insurance pursuant to the Pre-2005 statutes and that the Director shall use such Record to make a decision regarding the Filing; and
- That on or before March 3, 2010, the Department would be allowed to file an Additional Response to Ace's Response to the Department's written questions (see Hearing Officer Exhibit # 8) and further supplement the Record as the Department saw fit; and
- That on or before March 10, 2010, Ace would be allowed to file a Reply to the Department's Additional Response and further supplement the Record as Ace saw fit.

22) On the respective agreed upon dates the Parties made the above described Filings and such Filings are entered into this Record as Hearing Officer Exhibits # 9 and # 10 respectively.

DISCUSSION AND ADDITIONAL FINDINGS

- 23) The purpose of this proceeding is to determine if the Ace American Insurance Company's Medical Malpractice Rule/Rate Filing 09-MR-2008219 is in compliance with Section 155.18 of the Illinois Insurance Code.

Section 155.18 of the Insurance Code provides, in part, as follows:

- "(a) This Section shall apply to insurance on risks based upon negligence by a physician, hospital or other health care provider, referred to herein as medical liability insurance. This section shall not apply to contracts of reinsurance, nor to any farm, county, district or township mutual insurance company transacting business under an Act entitle "an Act relating to local mutual district, county and township insurance companies", approved March 13, 1936, as now or hereafter amended, nor to any such company operating under a special charter.

- (b) The following standards shall apply to the making and use of rates pertaining to all classes of medical liability insurance;
 - (1) Rates shall not be excessive or inadequate, as herein defined, nor shall they be unfairly discriminatory. No rate shall be held to be excessive unless such rate is unreasonably high for the insurance provided, and a reasonable degree of competition does not exist in the area with respect to the classification to which such rate is applicable.

No rate shall be held inadequate unless it is unreasonably low for the insurance provided and continued use of it would endanger solvency of the company.

- (2) 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 this State, and to all other factors, including judgment factors, deemed relevant within and outside this State.

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 policyholder's members or subscribers.

- (3) 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.
 - (4) Risks may be grouped by classifications for the establishment of rates and minimum premiums. 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 of the class.
- (c) Every company writing medical liability insurance shall file with the Director of Insurance the rates and rating schedules it uses for medical liability insurance.

- (1) This filing shall occur at least annually and as often as the rates are changed or amended.
 - (2) For the purposes of this Section 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.
 - (3) It 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.
- (c) If after a hearing the Director finds:
- (1) that any rate, rating plan or rating system violates the provisions of this Section applicable to it, he may issue an order to the company which has been the subject of the hearing specifying in what respects such violation exists and stating when, within a reasonable period of time, the further use of such rate or rating system by such company in contracts of insurance made thereafter shall be prohibited;
 - (2) that the violation of any of the provisions of this Section applicable to it by any company which has been the subject of hearing was willful, he may suspend or revoke, in whole or in part, the certificate of authority of such company with respect to the class of insurance which has been the subject of the hearing.
- 24) As indicated above, and by agreement of the Parties hereto, the evidence produced in this matter will be examined in light of Section 155.18 of the Illinois Insurance Code in effect prior to the 2005 amendment to that Section which was recently invalidated by the Illinois Supreme Court.

Section 155.18b states four standards that apply to the making and use of rates pertaining to all classes of medical liability insurance.

Section 155.18(b)1 – Rates shall not be excessive, inadequate or unfairly discriminatory. A rate cannot be held to be excessive unless such rate is unreasonably high for the insurance provided and a reasonable degree of competition does not exist in the area.

No where in the Record in this matter does the Department provide the evidence necessary for the Hearing Officer to find that the rate filing is excessive (i.e. both unreasonably high and that a reasonable degree of competition does not exist in the area). The Record contains a discussion that the proposed rates for this Chiropractic Professional Liability Product would yield average policyholders in premium policy increases of \$500.00. Further, there is no evidence in the Record that the rate is inadequate or unfairly discriminatory,

Section 155.18(b)2 – Consideration shall be given, to the extent applicable, to not and prospective lack experience within and without the State, to a reasonable margin for underwriting profit and contingencies, to part and prospective expenses, and to all other factors, including judgment factors deemed relevant. Consideration may also be given to dividends, savings or unresolved premium deposits allowed or returned by insurers.

The evidence in the Record in this matter indicates that Ace made the Filing in question on February 25, 2009. The Record indicates that additional information about the Filing was requested from Ace by the Department, on or about, May 29, 2009 and October 9, 2009. Further, Ace presented testimony at the administrative hearing in this matter conducted on January 12, 2010 and responded to additional written post-hearing questions posed by the Department on January 21, 2010. A review of the Record in this matter indicates that, and the Hearing Officer finds that Ace has presented sufficient evidence, to the extent applicable, regarding the areas of information contained in Section 155.18(b)2) to be in compliance with the standards contained therein.

Section 155.18(b)3 – Systems of expense provisions included in the rates for use by any company may differ from those of other companies to reflect the operating method of such company. The Hearing Officer finds that there is no evidence in this record to indicate that Ace is in violation of this standard.

Section 155.18(b)4 – Risks may be grouped by classification for the establishments of rates. The Hearing Officer finds that there is no evidence in this record to indicate that Ace is in violation of this standard.

The Department, in its Reply to Aces' Post Hearing Response, states that it does not believe that it has enough information from Ace regarding the standard listed in Section 155.18(b)(2) to make a determination that the standards have been met and that then, therefore, the Filing should be deemed incomplete. The Hearing Officer disagrees. The statute only requires that Ace file information to the extent applicable. The Hearing Officer, after reviewing the evidence, believes that Ace has provided sufficient evidence, to the extent applicable, for a determination to be made in this matter. The Record contains evidence on each subject matter area listed in the statute and the Department, since the original Filing, has had numerous pre-hearing, at hearing, and post-hearing opportunities to gather additional information from Ace.

Taking the evidence presented in this matter as a whole, and in light of the above discussion, the Hearing Officer hereby finds that the use of the rates contained in the Filing should not be restricted by the Director.

CONCLUSIONS OF LAW

Based upon the above stated Findings of Fact and the entire Record in this matter the Hearing Officer offers the following Conclusions of Law to the Director of Insurance.

- 1) Timothy M. Cena was duly appointed as Hearing Officer in this matter by the Director of Insurance pursuant to Section 5/402 of the Illinois Insurance Code (215 ILCS 5/402).
- 2) The Director of Insurance has jurisdiction over the parties and the subject matter of this proceeding pursuant to Sections 155.18, 401, 402 and 403 of the Illinois Insurance Code (215 ILCS 5/155.18, 5/401, 5/402 and 5/403).
- 3) Ace American Insurance Company Filing # 09-MR-2008219 is not excessive, inadequate or unfairly discriminatory and therefore does not violate Section 5/155.18 of the Illinois Insurance Code.
- 4) Ace American Insurance Company should be assessed the costs of this proceeding in the amount of \$108.75.

RECOMMENDATIONS

Based upon the above stated Findings of Fact, Conclusions of Law and the entire Record in this matter the Hearing Officer makes the following Recommendations to the Director of Insurance.

- 1) That Ace American Company Filing # 09-MR-200810 be approved;
and
- 2) That Ace American Insurance Company be assessed the costs of this proceeding.

Respectfully submitted,

Date: 4/7/10



Timothy M. Sena
Hearing Officer

Neuman, Gayle

From: Loughran, Jennifer M [Jennifer.Loughran@acegroup.com]
Sent: Thursday, April 22, 2010 2:04 PM
To: Neuman, Gayle
Subject: FW: ACE American - Filing 09-MR-2008219

Importance: High

Hi Gayle,

August 1, 2009 effective date. Thank you.

Jennifer Loughran

Medical Risk Product Manager
Ace Group
510 Walnut Street, WB04G
Philadelphia, PA 19105
215-640-4330

From: McBride, Viola
Sent: Thursday, April 22, 2010 2:26 PM
To: Loughran, Jennifer M
Subject: FW: ACE American - Filing 09-MR-2008219
Importance: High

Please respond. Thanks.

From: Neuman, Gayle [mailto:Gayle.Neuman@illinois.gov]
Sent: Thursday, April 22, 2010 2:22 PM
To: McBride, Viola
Subject: ACE American - Filing 09-MR-2008219

Ms. McBride,

The Director of Insurance issued an Order signed on April 13, 2010 upholding the above referenced filing. Do you wish the effective date of this filing to be July 1, 2009?

Your prompt attention is appreciated.

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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Neuman, Gayle

From: McBride, Viola [Viola.McBride@acegroup.com]
Sent: Thursday, February 26, 2009 11:42 AM
To: Neuman, Gayle
Subject: RE: ACE American - Rate/Rule Filing #09-MR-2008219
Attachments: Statement of Actuarial Opinion.doc; IL RF3.DOC

Dear Ms. Neuman,

We have attached the PF-3 and actuarial certification.
We report all statistics to ISO.

From: Neuman, Gayle [mailto:Gayle.Neuman@illinois.gov]
Sent: Wednesday, February 25, 2009 12:12 PM
To: McBride, Viola
Subject: ACE American - Rate/Rule Filing #09-MR-2008219

Ms. McBride,

We are in receipt of the above referenced filing submitted by your letter dated February 23, 2009.

ACE American is required to provide a RF-3 Summary Sheet with this filing to indicate the rate increase being submitted.

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.

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? This information is required in every rate/rule filing for medical malpractice.

We request receipt of your response by March 6, 2009.

Gayle Neuman
Property & Casualty Compliance, Division of Insurance
Illinois Department of Financial & Professional Regulation
(217) 524-6497

Please refer to the Property and Casualty Review Requirement Checklists before submitting any filing. The checklists can be accessed through the Department's website (<http://www.idfpr.com/>) by clicking on: Insurance; Industry; Regulatory; IS3 Review Requirements Checklists; Property Casualty IS3 Review Requirements Checklists.

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Gayle.Neuman@illinois.gov

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2/26/2009

Neuman, Gayle

From: McBride, Viola [Viola.McBride@acegroup.com]
Sent: Wednesday, March 04, 2009 2:53 PM
To: Neuman, Gayle
Subject: RE: ACE American - Rate/Rule Filing #09-MR-2008219

Attachments: Chiropractors Rates - IL-eff-7-1-09.doc; Chiropractors Rates - IL(redlined).doc



hiropractors Rates
- IL-eff-7...



hiropractors Rates
- IL(redli...

Dear Ms. Neuman,

We have attached updated rate/rule pages, which should address your concerns. We have deleted ACE Insurance Company of Illinois because it has merged into ACE American Insurance Company.

Thank you.

From: Neuman, Gayle [mailto:Gayle.Neuman@illinois.gov]
Sent: Wednesday, February 25, 2009 12:12 PM
To: McBride, Viola
Subject: ACE American - Rate/Rule Filing #09-MR-2008219

Ms. McBride,

We are in receipt of the above referenced filing submitted by your letter dated February 23, 2009.

ACE American is required to provide a RF-3 Summary Sheet with this filing to indicate the rate increase being submitted.

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.

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? This information is required in every rate/rule filing for medical malpractice.

We request receipt of your response by March 6, 2009.

Gayle Neuman

Property & Casualty Compliance, Division of Insurance

(217) 524-6497

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Review Requirements Checklists; Property Casualty IS3 Review Requirements Checklists.

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Neuman, Gayle

From: Neuman, Gayle
Sent: Thursday, February 26, 2009 3:13 PM
To: 'McBride, Viola'
Subject: ACE American - Rate/Rule Filing #09-MR-2008219

Ms. McBride,

Upon reviewing the manual pages filed in August, 2000, we find that ACE American has not submitted changes to comply with 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.

We request receipt of your response by March 6, 2009.

Gayle Neuman
Property & Casualty Compliance, Division of Insurance
Illinois Department of Financial & Professional Regulation
(217) 524-6497

Please refer to the Property and Casualty Review Requirement Checklists before submitting any filing. The checklists can be accessed through the Department's website (<http://www.idfpr.com/>) by clicking on: Insurance; Industry; Regulatory; IS3 Review Requirements Checklists; Property Casualty IS3 Review Requirements Checklists.

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Gayle.Neuman@illinois.gov

2/26/2009

CHIROPRACTORS PROFESSIONAL LIABILITY COVERAGE

CH - IL

XXVI. The following rates and rating factors apply to the rate plan for Chiropractors Professional Liability:

State: Illinois

Table II – State Rates (\$1,000,000/\$1,000,000 Limit)

Territory	Class I	Class II	Class III	Class IV	Class V
1	2,252	2,384	3,278	5,673	1,563
2	1,725	1,820	2,463	4,187	1,230
3	1,631	1,719	2,318	3,920	1,170

Territory Definition:

1. Cook County
2. DuPage, Lake, Will Counties
3. Remainder of State

The following rates and rating factors apply to the rate plan for Chiropractors Professional Liability:

State: Illinois

Table II – State Rates (\$1,000,000/\$1,000,000 Limit)

Territory	Class I	Class II	Class III	Class IV	Class V
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2. DuPage, Lake, Will Counties
3. Remainder of State

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Territory	Class I	Class II	Class III	Class IV	Class V
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2	1,725	1,820	2,463	4,187	1,230
3	1,631	1,719	2,318	3,920	1,170

Territory Definition:

1. Cook County
2. DuPage, Lake, Will Counties
3. Remainder of State

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- Deleted: 1,146
- Deleted: 1,545
- Deleted: 2,613
- Deleted: 780

- Deleted: Original
- Deleted: 3
- Deleted: 2000
- Deleted: ACE Insurance Company of Illinois

Neuman, Gayle

From: McBride, Viola [Viola.McBride@acegroup.com]
Sent: Thursday, April 16, 2009 11:04 AM
To: Neuman, Gayle
Subject: RE: ACE American - Rate/Rule Filing #09-MR-2008219

Attachments: II Manual Page -final.doc



II Manual Page
-final.doc (49 ...

I apologize. A final print copy is attached. Thanks.

-----Original Message-----

From: Neuman, Gayle [mailto:Gayle.Neuman@illinois.gov]
Sent: Thursday, April 16, 2009 11:51 AM
To: McBride, Viola
Subject: RE: ACE American - Rate/Rule Filing #09-MR-2008219

Thanks for your prompt attention. We also need a final print copy for the manual. Thanks.

Gayle Neuman
Division of Insurance

-----Original Message-----

From: McBride, Viola [mailto:Viola.McBride@acegroup.com]
Sent: Thursday, April 16, 2009 10:47 AM
To: Neuman, Gayle
Subject: RE: ACE American - Rate/Rule Filing #09-MR-2008219

We have attached a revised manual page indicating that no interest or fees are charges on installment payments.

-----Original Message-----

From: Neuman, Gayle [mailto:Gayle.Neuman@illinois.gov]
Sent: Thursday, April 16, 2009 9:56 AM
To: McBride, Viola
Subject: RE: ACE American - Rate/Rule Filing #09-MR-2008219

Ms. McBride,

The payment plans provided on 4/14/09 comply with our requirements. We additionally request the manual confirm there are no interest charges or installment fees required with such payment plans.

Thank you for your cooperation.

Gayle Neuman
Division of Insurance

-----Original Message-----

From: McBride, Viola [mailto:Viola.McBride@acegroup.com]
Sent: Tuesday, April 14, 2009 3:25 PM
To: Neuman, Gayle
Subject: RE: ACE American - Rate/Rule Filing #09-MR-2008219

Dear Ms. Neuman,

We have attached a revised rule page reflecting revised payment plans, and a redlined version.

Viola McBride

Regulatory Associate

-----Original Message-----

From: Neuman, Gayle [mailto:Gayle.Neuman@illinois.gov]
Sent: Tuesday, April 14, 2009 9:27 AM
To: McBride, Viola; McBride, Viola
Subject: FW: ACE American - Rate/Rule Filing #09-MR-2008219

No response to my March 5, 2009 e-mail (see below) has been received. Your prompt attention is appreciated.

Gayle Neuman
Division of Insurance

-----Original Message-----

From: Neuman, Gayle
Sent: Thursday, March 05, 2009 2:39 PM
To: 'McBride, Viola'
Subject: RE: ACE American - Rate/Rule Filing #09-MR-2008219

Ms. McBride,

Because the payment plans you offer are not more generous than the payment plan in our guidelines, it is our position that the payment plan being offered does not comply with the Administrative Code and requires changes/adjustments for filing.

Your prompt attention is appreciated.

Gayle Neuman
Division of Insurance

-----Original Message-----

From: McBride, Viola [mailto:Viola.McBride@acegroup.com]
Sent: Wednesday, March 04, 2009 2:53 PM
To: Neuman, Gayle
Subject: RE: ACE American - Rate/Rule Filing #09-MR-2008219

Dear Ms. Neuman,

We have attached updated rate/rule pages, which should address your concerns. We have deleted ACE Insurance Company of Illinois because it has merged into ACE American Insurance Company.

Thank you.

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XXVI. The following rates and rating factors apply to the rate plan for Chiropractors Professional Liability:

State: Illinois

Table II – State Rates (\$1,000,000/\$1,000,000 Limit)

Territory	Class I	Class II	Class III	Class IV	Class V
1	2,252	2,384	3,278	5,673	1,563
2	1,725	1,820	2,463	4,182	1,230
3	1,631	1,719	2,318	3,920	1,170

Territory Definition:

1. Cook County
2. DuPage, Lake, Will Counties
3. Remainder of State

XXV. PREMIUM PAYMENT INSTALLMENTS

The following installment premium payment plans shall be offered:

1. For annual premiums up to an including \$80,000, a four-installment payment plan payable as follows:
 - a. an initial payment equal to 40% of the premium due at policy inception;
 - b. a second payment equal to 20% of the premium due 3 months from policy inception; and
 - c. a third payment equal to 20% of the premium due 6 months from policy inception.
 - d. a fourth payment equal to 20% of the premium due 9 months from the policy inception
2. For annual premiums in excess of \$80,000, a four-installment payment plan payable as follows:
 - a. an initial payment equal to 25% of the premium due at policy inception;
 - b. a second payment equal to 25% of the premium due 3 months from policy inception;
 - c. a third payment equal to 25% of the premium due 6 months from policy inception;
 - d. a fourth payment equal to 25% of the premium due 9 months from policy inception;

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

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~~Deleted: 2,613~~

~~Deleted: 780~~

~~Deleted: The following installment premium payment plans shall be offered:~~

~~¶~~

~~1. For annual premiums up to an including \$80,000, a three-installment payment plan payable as follows:~~

~~a. an initial payment equal to 50% of the premium due at policy inception;~~

~~b. a second payment equal to 25% of the premium due 2 months from policy inception; and~~

~~c. a third payment equal to 25% of the premium due 4 months from policy inception.~~

~~¶~~

~~2. For annual premiums in excess of \$80,000, a five-installment payment plan payable as follows:~~

~~a. an initial payment equal to 30% of the premium due at policy inception;~~

~~b. a second payment equal to 25% of the premium due 2 months from policy inception;~~

~~c. a third payment equal to 20% of the premium due 4 months from policy inception;~~

~~d. a fourth payment equal to 15% of the premium due 6 months from policy inception;~~

~~e. a fifth payment equal to 10% of the premium due 8 months from policy inception.~~

~~¶~~

~~Additional premium resulting from changes to the policy shall be spread over the remaining installments ... [1]~~

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XXVI. The following rates and rating factors apply to the rate plan for Chiropractors Professional Liability:

State: Illinois

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Territory	Class I	Class II	Class III	Class IV	Class V
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Territory Definition:

1. Cook County
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The following installment premium payment plans shall be offered:

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 - c. a third payment equal to 20% of the premium due 6 months from policy inception.
 - d. a fourth payment equal to 20% of the premium due 9 months from the policy inception
2. For annual premiums in excess of \$80,000, a four-installment payment plan payable as follows:
 - a. an initial payment equal to 25% of the premium due at policy inception;
 - b. a second payment equal to 25% of the premium due 3 months from policy inception;
 - c. a third payment equal to 25% of the premium due 6 months from policy inception;
 - d. a fourth payment equal to 25% of the premium due 9 months from policy inception;

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

No interest charges or installment fees are charged for premium installment payment plans.

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Under Rule XVII. SUPPLEMENTAL PROFESSIONAL LIABILITY MODIFICATIONS, sections B. Loss Control Education and C. Experience Rating are deleted in their entirety.

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XXV. PREMIUM PAYMENT INSTALLMENTS

The following installment premium payment plans shall be offered:

1. For annual premiums up to an including \$80,000, a four-installment payment plan payable as follows:
 - a. an initial payment equal to 40% of the premium due at policy inception;
 - b. a second payment equal to 20% of the premium due 3 months from policy inception;
 - c. a third payment equal to 20% of the premium due 6 months from policy inception; and
 - d. a fourth payment equal to 20% of the premium due 9 months from the policy inception

2. For annual premiums in excess of \$80,000, a four-installment payment plan payable as follows:
 - a. an initial payment equal to 25% of the premium due at policy inception;
 - b. a second payment equal to 25% of the premium due 3 months from policy inception;
 - c. a third payment equal to 25% of the premium due 6 months from policy inception;
 - d. a fourth payment equal to 25% of the premium due 9 months from policy inception;

Deleted: <#>The following rates and rating factors apply to the rate plan for Chiropractors Professional Liability:¶

¶ State: Illinois ¶

¶ Table II – State Rates (\$1,000,000/\$1,000,000 Limit)¶

¶ Territory

... [1]

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

There are no interest charges or installment fees charged for premium installment payment plans.

XXVI. The following rates and rating factors apply to the rate plan for Chiropractors Professional Liability:

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State: Illinois

Table II – State Rates (\$1,000,000/\$1,000,000 Limit)

Territory	Class I	Class II	Class III	Class IV	Class V
<u>1</u>	<u>2,252</u>	<u>2,384</u>	<u>3,278</u>	<u>5,673</u>	<u>1,563</u>
<u>2</u>	<u>1,725</u>	<u>1,820</u>	<u>2,463</u>	<u>4,187</u>	<u>1,230</u>
<u>3</u>	<u>1,631</u>	<u>1,719</u>	<u>2,318</u>	<u>3,920</u>	<u>1,170</u>

Territory Definition:

1. Cook County
2. DuPage, Lake, Will Counties
3. Remainder of State

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Revised

ACE American Insurance Company

10/2009

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**ACE American Insurance Company
Illinois
Medical Malpractice-Chiropractors
Filing to Increase Base Rates
Actuarial Memorandum**

The objective of this filing is to obtain a 50% increase in the chiropractor program's current base rates, which we feel is necessary based on a review of the historical experience. This program was originally approved in 2000.

Analysis

A review was conducted of the loss experience evaluated as of third quarter 2008. The losses and premiums used were specific to chiropractor coverage written in Illinois. Since policies can be written on a claims-made or on an occurrence basis, we reviewed the loss experience separately by report year for claims-made loss experience and accident year for occurrence loss experience. The resulting ultimate losses were combined before developing an overall indicated rate change. This approach enabled us to take into consideration the different development patterns seen in claims-made policies versus occurrence policies. The loss development factors used were selections based off of countrywide loss and allocated expense experience from the ACE chiropractor program.

A loss trend of 5.0% was selected from a review of ISO's countrywide combined claims-made and occurrence medical professionals' liability loss experience. The resulting indicated rate increase of 54.0% supports our proposed increase of 50%.

Supporting Exhibits

Rate Level Indication Package - Chiropractor experience review

Profit Provision Support – Medical Malpractice IEE data and Profit Provision calculations

Please note Ace Insurance Company of Illinois was merged into Ace American Insurance Company on 12/31/07. Therefore, Ace Insurance Company of Illinois is being deleted from the rate page.

**Illinois
Medical Malpractice-Chiropractors
ACE American Insurance Company**

Actuarial Support

Index of Exhibits

<u>Exhibit</u>	<u>Exhibit #</u>	<u>Sheet #</u>
Summary	1	1
Experience Review		
Rate Level Indication	2	1
Historical Expenses	2	2
Permissible Loss Ratio	2	3
On Level Factors	2	4
Loss Development	2	5
Trend	2	6

Illinois
Medical Malpractice-Chiropractors
ACE American Insurance Company

Summary

Comparison of Proposed and Indicated Rate Changes

2007 Earned Premium	303,238
Indicated Rate Change	54.0%
Proposed Rate Effect	50.0%
2007 Earned Premium after Rate Change	454,858
Proposed Effective Date	7/1/2009

**Illinois
Medical Malpractice-Chiropractors
ACE American Insurance Company**

Indicated Rate Change: Claims-Made Policies

Data valued as of 9/30/2008

Report Year	Written Premium	Earned Premium	On Level Factor	Prem Trend Factor	Annualized Adjusted Earned Premium	Incurred Loss + AX	LDL	Loss Trend Factor	Ultimate Loss + ALAE	Incurred Claim Count	Loss Ratio For B-F Method
2002	14,439	9,686	1.000	1.000	9,686	1,679	1.025	1.477	2,544	4	
2003	33,569	24,509	1.000	1.000	24,509	0	1.126	1.407	0	0	
2004	48,680	43,548	1.000	1.000	43,548	0	1.207	1.340	0	0	
2005	72,879	65,214	1.000	1.000	65,214	0	1.279	1.276	0	0	
2006	94,763	85,276	1.000	1.000	85,276	0	2.512	1.216	48,072	0	77.1%
2007	122,368	109,985	1.000	1.000	109,985	75,000	5.032	1.158	165,439	2	77.1%
Total		338,218			338,218	76,679			216,054	6	

Indicated Rate Change: Occurrence Policies

Data valued as of 9/30/2008

Accident Year	Written Premium	Earned Premium	On Level Factor	Prem Trend Factor	Annualized Adjusted Earned Premium	Incurred Loss + AX	LDL	Loss Trend Factor	Ultimate Loss + ALAE	Incurred Claim Count	Loss Ratio For B-F Method
2002	24,106	19,315	1.000	1.000	19,315	0	1.080	1.477	0	0	
2003	42,633	34,560	1.000	1.000	34,560	18,435	1.544	1.407	40,038	2	
2004	78,486	66,445	1.000	1.000	66,445	0	2.000	1.340	0	0	
2005	112,807	97,079	1.000	1.000	97,079	11,178	2.644	1.276	37,719	2	
2006	157,977	138,357	1.000	1.000	138,357	10,011	8.169	1.216	125,897	2	77.1%
2007	222,122	193,254	1.000	1.000	193,254	1,602	26.453	1.158	167,732	2	77.1%
Total		549,010			549,010	41,225			371,386	8	

Indicated Rate Change: Both Claims-Made and Occurrence Policies

Data valued as of 9/30/2008

Accident/Report Year	Written Premium	Earned Premium	On Level Factor	Prem Trend Factor	Annualized Adjusted Earned Premium	Incurred Loss + AX	LDL	Loss Trend Factor	Ultimate Loss + ALAE	Ultimate Loss & LAE Ratio	Incurred Claim Count	Weighting
2002	38,545	29,001	1.000	1.000	29,001	1,679			2,544	8.8%	4	0%
2003	76,202	59,069	1.000	1.000	59,069	18,435			40,038	67.8%	2	0%
2004	127,166	109,993	1.000	1.000	109,993	0			0	0.0%	0	0%
2005	185,686	162,294	1.000	1.000	162,294	11,178			37,719	23.2%	2	20%
2006	252,741	223,634	1.000	1.000	223,634	10,011			173,969	77.8%	2	30%
2007	344,489	303,238	1.000	1.000	303,238	76,602			333,170	109.9%	4	50%
Total		887,228			887,228	117,905			587,440	90%	14	

	Credibility
a) Selected Loss & all LAE Ratio	90.1%
b) Permissible Loss & all LAE Ratio	77.1%
c) Raw Indication	16.9%
d) Complement of Credibility Trended Loss & all LAE Ra	120.0%
e) Permissible Loss & all LAE Ratio	77.1%
f) Complement of Credibility Indication	55.8%
g) Credibility Weighted Indication	54.0%

Credibility

Credibility Standard: **6500**

**ISO-GL-2007-BGL1 Credibility Standard

**Illinois
Medical Malpractice-Chiropractors
ACE American Insurance Company**

Development of Expense Provisions

	Direct IEE Data in (000) - ACE Consolidated				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>Total</u>	
<u>Medical Malpractice</u>					
(1) Written Premium	126,231	135,231	122,563	384,025	
(2) Earned Premium	104,566	129,284	130,905	364,755	
(3) Other Acquisition Expense	2,134	2,704	2,924	7,762	
(4) General Expense	4,321	4,606	5,024	13,951	
(5) Commission and Brokerage Fees	16,223	16,736	16,372	49,331	
(6) Taxes, Licenses, and Fees	1,695	2,992	955	5,642	
<u>All Lines Combined</u>					
(7) Earned Premium	7,357,766	7,740,876	8,418,841	23,517,483	
(8) Incurred ULAE (Adjusting & Other Expense)	447,405	527,952	458,277	1,433,633	
(9) Incurred Loss + ALAE (Defense & Containment Cost)	5,730,073	4,559,215	4,970,630	15,259,918	
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>Average</u>	<u>Selected</u>
Commission and Brokerage Fees (5)/(1)	12.85%	12.38%	13.36%	12.86%	20.00%
Other Acquisition Expense (3)/(2)	2.04%	2.09%	2.23%	2.12%	2.13%
General Expense (4)/(2)	4.13%	3.56%	3.84%	3.84%	3.84%
Taxes, Licenses, and Fees** (6)/(1)	1.34%	2.21%	0.78%	1.44%	0.50%
ULAE as % Loss and ALAE (8)/(9)	7.81%	11.58%	9.22%	9.39%	9.00%

Support for Selected Commission Ratio
Historical Commission Ratio for Chiropractors

Calendar <u>Year</u>	Written <u>Premium</u>	Commission <u>(Dollars)</u>	Commission <u>Rate</u>
2003	2,833,469	566,751	20.0%
2004	3,302,308	660,459	20.0%
2005	3,659,537	731,817	20.0%
2006	4,029,014	805,676	20.0%
2007	4,712,093	941,732	20.0%
Total	18,536,421	3,706,434	20.0%

**Illinois
Medical Malpractice-Chiropractors
ACE American Insurance Company**

Calculation of Permissible Loss and all LAE Ratio

	<u>Expenses</u>	<u>% of Premium</u>
	Commissions	20.00%
	Other Acquisition	2.13%
	General Expenses	3.84%
	Taxes, Licenses, Fees	0.50%
	<u>Other - Reinsurer Expenses</u>	<u>0.00%</u>
	Subtotal Expenses	26.47%
	Profit & Contingencies	5.00%
	<u>Offset for Investment Income</u>	<u>-8.53%</u>
	Profit Net of Inv Income	-3.53%
(1)	Expense Ratio excl all LAE	22.94%
(2)	Permissible Loss & all LAE Ratio 1.0 - [(1a)]	77.06%

Calculation of Trended Permissible Loss and all LAE Ratio

	Annual Exposure Trend Rate	0.0%
	<u>Annual Loss Trend Rate</u>	<u>5.0%</u>
(3)	Annual Net Trend Rate	5.0%
(4)	# Years from Last Revision to Proposed Eff Date 6/1/2000-7/1/2009	9.1
(5)	<u>Trended</u> Permissible Loss & all LAE Ratio* { (2) x [1+(3)] ^ (4) }	120.0%

* for Complement of Credibility

**Illinois
Medical Malpractice-Chiropractors
ACE American Insurance Company**

Rate Change History

<u>Effective Date</u>	<u>Rate Change</u>
6/1/2000	New Program

Premium On Level Factor

<u>CY</u>	<u>On Level Factor</u>
2002	1.000
2003	1.000
2004	1.000
2005	1.000
2006	1.000
2007	1.000

Illinois
Medical Malpractice-Chiropractors
ACE American Insurance Company

ACE Countrywide Claims-Made Experience for Chiropractors

Report Year	<u>21</u>	<u>33</u>	<u>45</u>	<u>57</u>	<u>69</u>	<u>81</u>	<u>9/30/2008</u>
2002	331,793	1,180,415	1,735,509	1,712,995	1,922,797	2,111,244	2,111,244
2003	542,354	1,014,434	1,565,499	1,601,521	1,635,767		1,635,767
2004	443,956	843,287	1,248,711	1,509,213			1,509,213
2005	692,139	1,437,334	4,827,249				4,827,249
2006	1,902,403	3,364,354					3,364,354
2007	638,000						638,000

ACE Countrywide Claims-Made Age-to-Age Factors

Report Year	<u>21-33</u>	<u>33-45</u>	<u>45-57</u>	<u>57-69</u>	<u>69-81</u>	<u>81-Ult.</u>
2002	3.558	1.470	0.987	1.122	1.098	
2003	1.870	1.543	1.023	1.021		
2004	1.899	1.481	1.209			
2005	2.077	3.358				
2006	1.768					

ACE Countrywide Claims-Made Averages

	<u>21-33</u>	<u>33-45</u>	<u>45-57</u>	<u>57-69</u>	<u>69-81</u>	<u>81-Ult.</u>
3-Yr Weighted	1.858	2.319	1.060	1.074	1.098	
3-Yr Straight	1.915	2.127	1.073	1.072	1.098	
All-Year Weighted	2.004	2.095	1.060	1.074	1.098	
<u>All-Year Straight</u>	<u>2.235</u>	<u>1.963</u>	<u>1.073</u>	<u>1.072</u>	<u>1.098</u>	
Selected ATA	2.004	1.963	1.060	1.072	1.098	
	<u>21-Ult.</u>	<u>33-Ult.</u>	<u>45-Ult.</u>	<u>57-Ult.</u>	<u>69-Ult.</u>	<u>81-Ult.**</u>
Selected ATU	5.032	2.512	1.279	1.207	1.126	1.025

**Tail factor of 1.025 was selected from ISO circular LI-PR-2008-060 page E-19

ACE Countrywide Occurrence Experience for Chiropractors

Accident Year	<u>21</u>	<u>33</u>	<u>45</u>	<u>57</u>	<u>69</u>	<u>81</u>	<u>9/30/2008</u>
2002	50,913	68,782	156,244	228,367	437,828	625,917	625,917
2003	37,489	317,463	905,487	975,189	1,121,911		1,121,911
2004	94,496	285,932	632,259	902,062			902,062
2005	306,476	833,650	3,505,749				3,505,749
2006	228,107	905,352					905,352
2007	41,021						41,021

ACE Countrywide Occurrence Age-to-Age Factors

Accident Year	<u>21-33</u>	<u>33-45</u>	<u>45-57</u>	<u>57-69</u>	<u>69-81</u>	<u>81-Ult.</u>
2002	1.351	2.272	1.462	1.917	1.430	
2003	8.468	2.852	1.077	1.150		
2004	3.026	2.211	1.427			
2005	2.720	4.205				
2006	3.969					

ACE Countrywide Occurrence Averages

	<u>21-33</u>	<u>33-45</u>	<u>45-57</u>	<u>57-69</u>	<u>69-81</u>	<u>81-Ult.</u>
3-Yr Weighted	3.219	3.510	1.243			
3-Yr Straight	3.238	3.090	1.322	1.534	1.430	
All-Year Weighted	3.361	3.453	1.243	1.296	1.430	
<u>All-Year Straight</u>	<u>3.907</u>	<u>2.885</u>	<u>1.322</u>	<u>1.534</u>	<u>1.430</u>	
Selected ATA	3.238	3.090	1.322	1.296	1.430	
	<u>21-Ult.</u>	<u>33-Ult.</u>	<u>45-Ult.</u>	<u>57-Ult.</u>	<u>69-Ult.</u>	<u>81-Ult.**</u>
Selected ATU	26.453	8.169	2.644	2.000	1.544	1.080

**Tail factor of 1.080 was selected from ISO circular LI-PR-2008-060 page E-21

**Illinois
Medical Malpractice-Chiropractors
ACE American Insurance Company
Trend**

ACE Exposure Trend

**The exposure based used for this program is number of doctors. This exposure base is not inflation sensitive and an exposure trend of 0% was used in this review.

Selected = Wtd Avg

0.0%

Frequency & Loss Severity Trend

ISO Circular LI-PR-2006-076 Pg. E-30

ISO Medical Professional Liability: Physicians, Surgeons and Dentists

Policy Year	Basic Limit Losses	Aggregate Loss Costs at	Experience Ratio	Fitted Values by Exponential Curves		
				6 Yr	7 Yr	8 Yr
<u>Ending</u>	<u>at Ultimate</u>	<u>Current Level</u>				
6/30/1998	349,304,864	558,391,050	0.626			0.602
6/30/1999	341,144,717	534,714,528	0.638		0.619	0.632
6/30/2000	333,674,158	525,557,772	0.635	0.639	0.653	0.664
6/30/2001	383,217,019	521,137,939	0.735	0.679	0.689	0.696
6/30/2002	390,675,138	573,335,946	0.681	0.721	0.727	0.731
6/30/2003	413,189,973	553,861,992	0.746	0.765	0.767	0.767
6/30/2004	399,403,721	522,924,203	0.764	0.813	0.809	0.805
6/30/2005	448,203,787	483,450,567	0.927	0.863	0.854	0.845
Annual Trend - ISO - incl latest year				6.2%	5.5%	4.9%

Selected Pure Premium Trend

5.0%

Calculation of Trend Factors

Proposed Effective Date	7/1/2009
Effective Period Avg. Written Date	1/1/2010
Effective Period Avg. Accident Date	7/1/2010

Year	Exper Period Av Writ / Accid Date	Proj Period Av Written Date	Proj Period Av Accid. Date	Premium Trend Period	Loss Trend Period	Prem Trend Factor	Loss Trend Factor
2002	7/1/2002	1/1/2010	7/1/2010	7.5	8.0	1.000	1.477
2003	7/1/2003	1/1/2010	7/1/2010	6.5	7.0	1.000	1.407
2004	7/1/2004	1/1/2010	7/1/2010	5.5	6.0	1.000	1.340
2005	7/1/2005	1/1/2010	7/1/2010	4.5	5.0	1.000	1.276
2006	7/1/2006	1/1/2010	7/1/2010	3.5	4.0	1.000	1.216
2007	7/1/2007	1/1/2010	7/1/2010	2.5	3.0	1.000	1.158

Medical Malpractice
Development of Expense Provisions and Permissible Loss Ratio
ACE Consolidated

	Direct IEE Data in (000) - ACE Consolidated					
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>Total</u>		
(1) Written Premium	126,231	135,231	122,563	384,025		
(2) Earned Premium	104,566	129,284	130,905	364,755		
(3) Commission & Brokerage Fees	16,223	16,736	16,372	49,331		
(4) Other Acquisition Expense	2,134	2,704	2,924	7,762		
(5) General Expense	4,321	4,606	5,024	13,951		
(6) Taxes, Licenses, and Fees	1,695	2,992	955	5,642		
(7) Unallocated LAE	3,267	6,151	1,866	11,284		
(8) Allocated LAE	27,474	35,285	40,126	102,885		
				<u>Average</u>	<u>Selected</u>	
(3)/(1) Commission & Brokerage Fees	12.9%	12.4%	13.4%	12.8%	20.0%	
(4)/(2) <u>Other Acquisition Expense</u>	2.0%	2.1%	2.2%	2.1%	<u>2.1%</u>	
Total Production Expense					22.1%	
(5)/(2) General Expense	4.1%	3.6%	3.8%	3.8%	4.0%	
(6)/(1) Taxes, Licenses, and Fees	1.3%	2.2%	0.8%	1.5%	0.5%	
(7)/(2) Unallocated LAE	3.1%	4.8%	1.4%	3.1%	N/A	
(8)/(2) Allocated LAE	26.3%	27.3%	30.7%	28.2%	N/A	
						Expense Provision 26.63%
						Pre Tax Profit Provision - Target 5.0%
						<u>Investment Income Recognition</u> -8.5%
						Pre Tax Profit Provision - Net of Inv Inc -3.5%
						Permissible Loss and LAE Ratio 76.90%

ACE
Medical Malpractice
Estimated Investment Earnings

A. Unearned Premium Reserve			
A1.	Direct Earned Premium (for this line, from the IEE)	CY = 2007	130,905,000
A2.	Mean Unearned Premium Reserve	(Sheet 2)	59,006,500
A3.	Deduction for Prepaid Expenses	(Exhibit 1 Sheet 1)	
	a.) Commission and Brokerage Expense		20.0%
	b.) 50% of Other Acquisition Expense		1.1%
	c.) 50% of General Expense		2.0%
	d.) Taxes, Licenses, and Fees		0.5%
	<u>e.) Profit and Contingencies</u>		<u>5.0%</u>
	f.) Total Prepaid Expense		28.6%
A4.	Deduction for Federal Income Tax Payable	(Exhibit 2 Sheet 2)	7.0%
A5.	Net Subject to Investment	[A2 x (1.0 - A3f - A4)]	38,021,427
B. Delayed Remission of Premium (Agent's Balances)			
B1.	Direct Earned Premium (for this line, from the IEE)		130,905,000
B2.	Ratio, Agents Uncoll Prem Balances to Dir Earned Prem	(Exhibit 2 Sheet 2)	31.5%
B3.	Delayed Remission	[B1 x B2]	41,225,517
C. Loss Reserve			
C1.	Direct Earned Premium (for this line, from the IEE)		130,905,000
C2.	Expected Loss and LAE Incurred	[C1 x ELR on Exhibit 2 Sheet 3]	89,502,362
C3.	Expected Mean Loss Reserve	[C2 x After Tax Reserve Ratio on Exhibit 2 Sheet 3]	225,228,430
D.	Reserve Funds Subject to Investment	[A5 - B3 + C3]	222,024,341
E.	Average Rate of Return on Investments - After FIT	(Sheet 5)	3.3%
F.	Investment Earnings on Reserve Funds - After FIT	[D x E]	7,259,710
G.	Investment Earnings on Reserve Funds as a % of Premium - After FIT	[F / A1]	5.55%
H.	Investment Earnings on Reserve Funds as a % of Premium - Before FIT	[G / .65]	8.53%
I.	P/S - Premium to Surplus Ratio	(Sheet 6)	0.762
J.	E/S - Equity to Surplus Ratio	(Sheet 6)	1.100
K.	Surplus Funds Subject to Investment	[A1 / I]	171,869,840
L.	Equity Funds Subject to Investment	[K x J]	189,060,455
M.	Investment Earnings on Equity Funds - After FIT	[L x E]	6,181,863
N.	Investment Earnings on Equity Funds as % of Premium - After FIT	[M / A1]	4.7%
O.	Investment Earnings on Equity Funds as % of Premium - Before FIT	[N / .65]	7.3%
P.	Target Total Return as % of Equity - After FIT	(Sheet 7)	9.8%
Q.	Target Total Return as % of Premium - After FIT	[P x J / I]	14.1%
R.	Target Total Return as % of Premium - Before FIT	[Q / .65]	21.7%
S.	Target UW Profit as % Premium - Net of all II - After FIT	[Q - G - N]	3.8%
T.	Target UW Profit as % Premium - Net of all II - Before FIT	[S / .65]	5.9%

ACE
Medical Malpractice
Explanatory Notes
Estimated Investment Earnings On Unearned
Premium Reserves And Loss Reserves

Line A2

The mean unearned premium reserve is determined by multiplying the direct earned premium in line A1 by the ratio of the mean unearned premium reserve to the direct earned premium for the above

		<u>IEE Amount For the Above Line</u>
1)	Direct Earned Premium CY = 2007	130,905,000
2)	Direct Unearned Premium Reserve as of 12 / 31 / 2007	54,835,000
3)	Direct Unearned Premium Reserve as of 12 / 31 / 2006	63,178,000
4)	Mean Unearned Premium Reserve: $.5 \times [(2) + (3)]$	59,006,500

Line A4

The Tax Reform Act of 1986 taxes 20% of the unearned premium reserve. The effective tax rate on UPR is calculated as follows:

Corporate Tax Rate	35.0%
Portion of Unearned Premium Taxable under TRA 1986	20.0%
Effective Tax Rate on Unearned Premium Reserve	7.0%

Line B2

Delayed remission of premium:

This deduction is necessary because of delay in collection and remission of premium to the companies beyond the effective dates of the policies. Funds for the unearned premium reserve required during the initial days of all policies must be taken from the company's surplus. The ratio of agents' uncollected premium balances to net earned premium is calculated as follows:

		<u>ACE Consolidated Ann Statement Amt</u>
1	Net Earned Premium - Total All Lines CY = 2007	4,011,115,266
2	Net Agent's Balances (Net Admitted) as of 12 / 31 / 2007	1,319,292,179
3	Net Agent's Balances (Net Admitted) as of 12 / 31 / 2006	1,207,124,679
4	Ratio: $[(2) + (3)] / [2.0 \times (1)]$	0.315

ACE
Medical Malpractice

Explanatory Notes
Estimated Investment Earnings On Unearned
Premium Reserves And Loss Reserves

Line C2

The expected loss and loss adjustment expense incurred is determined by multiplying the direct earned premium by the expected loss and loss adjustment expense ratio determined below.

1 General Expenses	(Exhibit 1 Sheet 1)	4.00%
2 Commission and Brokerage Expenses		20.00%
3 Other Acquisition Expenses		2.13%
4 Taxes, Licenses, & Fees		0.50%
5 <u>Profit & Contingencies</u>		<u>5.00%</u>
6 Total Expense Ratio:		31.63%
7 Expected Loss and LAE Ratio: 1.00 - (6)		68.37%
8 Direct Earned Premium	Cal Yr 2007	130,905,000
9 Expected Loss and LAE Incurred (7) x (8)	Cal Yr 2007	89,502,362

Line C3

The expected mean loss reserve is determined by multiplying the expected incurred losses in line C2 by the IEE ratio of the mean loss and loss adjustment expense reserves to the loss and loss adjustment expense incurred in the last 2 calendar years for the above named line of business. This ratio, which includes an adjustment for the estimated Federal Income Tax payable due to discounting of loss reserves, as required by the Tax Reform Act of 1986, is based on the following:

		<u>IEE Amount</u> <u>for the Above Line</u>
1 Direct Loss and Loss Adjustment Expense Incurred	Cal Yr 2007	115,508,000
2 Direct Loss and Loss Adjustment Expense Incurred	Cal Yr 2006	91,638,000
3 Direct Loss and Loss Adjustment Expense Reserves	Year End 2007	334,814,000
4 Direct Loss and Loss Adjustment Expense Reserves	Year End 2006	261,724,000
5 Direct Loss and Loss Adjustment Expense Reserves	Year End 2005	221,951,000
6 Mean Loss and Loss Adjustment Expense Reserve	Cal Yr 2007	298,269,000
7 Mean Loss and Loss Adjustment Expense Reserve	Cal Yr 2006	241,837,500
8 Pre Tax Reserve Ratio: (6) / (1)		2.582
9 Pre Tax Reserve Ratio: (7) / (2)		2.639
10 Mean Pre Tax Reserve Ratio: 0.5 x [(8) + (9)]		2.611
11 Estimated Reserve Discount - Sheet 4		0.103
12 Federal Taxes (ratio to reserves): (11) x 0.35		0.036
13 After Tax Reserve Ratio (10) x [1.0 - (12)]		2.516

ACE Consolidated - Annual Statement - Schedule P
Medical Malpractice
Calculation of Reserve Discount
Data in (000's)

<u>Year</u>	(1) Net Loss & Expense <u>Unpaid</u>	(2) Reserve Discount <u>Factor</u>
Prior	98	0.89224
1998	15	0.88485
1999	1	0.87645
2000	435	0.86993
2001	4,531	0.89154
2002	10,689	0.89336
2003	5,039	0.89487
2004	24,877	0.88250
2005	45,898	0.89066
2006	58,867	0.87680
2007	<u>61,341</u>	<u>0.92813</u>
	211,791	0.89691 = Average
		0.10309 = 1.00 - Average

(1) ACE Consolidated Annual Statement, Schedule P, Part 1, Column 24
(2) Internal Revenue Bulletin: 2008-3 dated January 22, 2008

ACE Consolidated
Calculation of Average After Tax Rate of Return
2007

	(1) Average of Latest 2 Year Ends <u>Asset Value</u>	(2) Interest & Dividend <u>Income</u>	(3) Net Interest and Dividends <u>(2) x (1 + a)</u>	(4) Pre-Tax Return <u>(3)/(1)</u>	(5) Federal Tax <u>Rate</u>	(6) Federal Tax <u>(3)x(5)</u>	(7) After Tax Return <u>((3)-(6))/(1)</u>
Cash & Short Term Invested Assets	529,945,277	32,841,461	31,724,718	6.0%	35.0%	11,103,651	3.9%
Bonds							
Tax Exempt		46,584,242	45,000,189		2.4% (b)	1,098,567	
Taxable		644,004,575	622,105,805		35.0%	217,737,032	
Total	12,994,647,847	690,588,817	667,105,994	5.1%		218,835,599	3.4%
Affiliated Stock at Fair Value							
Preferred	0	0	0		0.0%	0	
Common	70,061,513	0	0		0.0%	0	
Total	70,061,513	0	0	0.0%	0.0%	0	0.0%
Unaffiliated Stock at Fair Value							
Preferred	217,102,268	10,641,492	10,279,638		14.2% (c)	1,457,139	
Common	836,503,340	20,431,026	19,736,288		14.2%	2,797,619	
Total	1,053,605,608	31,072,518	30,015,926	2.8%		4,254,758	2.4%
Mortgage Loans on Real Estate	0	0	0	0	35.0%	0	0.0%
Real Estate	96,897,057	550,284	531,572	0.5%	35.0%	186,050	0.4%
Contract Loans	0	1,590,255	1,536,180	0	35.0%	537,663	0.0%
A/O Inv. Assets	423,951,674	0	0	0.0%	35.0%	0	0.0%
Total	15,169,108,974	756,643,335	730,914,390	4.8%	32.1%	234,917,721	3.3%

NOTES:

a. Investment Expenses and Write-ins for Investment Income of apply uniformly to all items of income.

	Total Interest and Dividend Income (excluding Write-ins & Expenses):	756,643,335
PLUS	Write-ins for Investment Income:	19,704,046
LESS	<u>Investment Expenses & Real Estate Depreciation:</u>	<u>45,432,991</u>
	Total Net Investment Income (incl. Write-ins, Net of Investment Expenses):	730,914,390
	Write-ins / Expense Multiplier:	(a) = -3.4%

b. 46.5% of the income on tax-exempt bonds is subject to proration; that is, 15% of that income is taxed at a full corporate rate of 35%.

The applicable tax rate is therefore: $2.4\% = [.465 \times .15 \times .35]$

c. For domestic corporations, 30% of dividend income from unaffiliated stocks is taxed as ordinary income at a full corporate rate of 35%.

and 100% is subject to proration, so that 15% of the remaining 70% is taxed as ordinary income at a full corporate rate of 35%.

The applicable tax rate is therefore: $14.2\% = [(0.30 \times 0.35) + (0.70 \times 0.15 \times 0.35) + (0.70 \times .85 \times 0.00)]$

**ACE Consolidated
EXPLANATORY NOTES
FOR RETURN ON EQUITY CALCULATION**

Line I Premium to Surplus Ratio

Surplus was determined by dividing the premium in Line A1 by a premium to surplus ratio.
The calculation of the premium to surplus ratio is as follows:

	2007 <u>All Lines</u>
A/S Net Written Premium	4,044,759,560
A/S Surplus as Regards Policyholders	5,310,508,977
A/S Premium to Surplus Ratio	0.762

Line J Equity to Surplus Ratio

Equity was determined by applying an equity to surplus ratio to the surplus in Line K.
The calculation of the equity to surplus is as follows:

	2007 <u>Year End</u>
ACE Consolidated	5,310,508,977
<u>ACE Ins. Co. Puerto Rico</u>	<u>16,065,210</u>
SAP Surplus: ACE Consolidated ex PR and International	5,294,443,767
GAP Equity: ACE Consolidated ex PR and International	5,824,000,000
Equity to Surplus Ratio	1.100

ACE
EXPLANATORY NOTES
FOR RETURN ON EQUITY CALCULATION

Line P.

	Return on
<u>Year</u>	<u>Equity</u>
1997	13.0%
1998	9.6%
1999	6.6%
2000	6.3%
2001	-2.2%
2002	3.1%
2003	9.7%
2004	10.7%
2005	11.6%
2006	14.4%
Average	8.3%
Selected	9.8%

Note: The source for the historical industry Returns on Equity is
Net Income / Average Policyholder Surplus from:

1997 - 2000	Standard & Poor's Industry Surveys
2001-2006	Best's Aggregates and Averages - QAR

**Medical Malpractice
Trend Analysis**

ACE Data - Countrywide Medical Malpractice

A Qtr	B Earned Policy Count	C Rptd Claim Count	D Closed Claim Count	E Paid Loss	F Total Paid Loss on Closed Claims	G		H		I		J		K		L		M		N	
						Loss Cost		Frequency		Severity		\$ Paid Total / # Pol	\$ Paid on Closed / # Pol	# Rptd / # Pol	# Closed / # Pol	\$ Paid Total / # Rptd	\$ Paid on Closed / # Rptd	\$ Paid Total / # Closed	\$ Paid on Closed / # Closed		
						E/B	F/B	C/B	D/B	E/C	F/C									E/D	F/D
05 - 1	8,128	142	96	2,951,228	2,759,040	363	339	17.5	11.8	20,783	19,430	30,742	28,740								
05 - 2	10,453	135	179	3,536,214	2,056,739	338	197	12.9	17.1	26,194	15,235	19,755	11,490								
05 - 3	13,641	162	101	5,415,265	4,578,566	397	336	11.9	7.4	33,428	28,263	53,616	45,332								
05 - 4	13,666	156	75	3,870,616	2,483,836	283	182	11.4	5.5	24,812	15,922	51,608	33,118								
06 - 1	13,783	205	100	3,605,850	3,889,291	262	282	14.9	7.3	17,590	18,972	36,059	38,893								
06 - 2	13,820	241	136	4,222,095	3,512,107	306	254	17.4	9.8	17,519	14,573	31,045	25,824								
06 - 3	14,028	189	131	4,246,861	4,312,612	303	307	13.5	9.3	22,470	22,818	32,419	32,921								
06 - 4	14,090	178	204	7,669,976	7,561,721	544	537	12.6	14.5	43,090	42,482	37,598	37,067								
07 - 1	14,213	200	207	3,295,115	2,888,759	232	203	14.1	14.6	16,476	14,444	15,918	13,955								
07 - 2	14,287	228	224	6,324,422	4,618,177	443	323	16.0	15.7	27,739	20,255	28,234	20,617								
07 - 3	14,472	189	167	4,492,426	3,818,379	310	264	13.1	11.5	23,769	20,203	26,901	22,865								
07 - 4	14,589	192	170	7,249,919	7,096,792	497	486	13.2	11.7	37,760	36,962	42,647	41,746								
08 - 1	14,738	178	171	6,147,682	5,458,890	417	370	12.1	11.6	34,538	30,668	35,951	31,923								
08 - 2	14,816	189	117	5,061,960	5,400,521	342	365	12.8	7.9	26,783	28,574	43,265	46,158								
08 - 3	14,943	178	236	4,577,536	3,498,565	306	234	11.9	15.8	25,716	19,655	19,396	14,824								
08 - 4	14,039	245	224	9,059,134	8,502,878	645	606	17.5	16.0	36,976	34,706	40,443	37,959								

Exponential Trend Rates

Quarterly	<u>Trend Line Fitted</u>									
	Last 16 Qtrs - Incl Last Point	2.1%	3.2%	-0.2%	2.5%	2.3%	3.4%	-0.4%	0.7%	
Last 15 Qtrs - Incl Last Point	2.6%	4.2%	0.4%	3.2%	2.1%	3.7%	-0.6%	1.0%		
Last 14 Qtrs - Incl Last Point	2.9%	3.6%	0.4%	5.4%	2.6%	3.2%	-2.4%	-1.7%		
Last 13 Qtrs - Incl Last Point	4.1%	4.7%	-0.1%	5.3%	4.1%	4.8%	-1.2%	-0.6%		
Last 12 Qtrs - Incl Last Point	4.1%	3.3%	-0.9%	3.4%	5.0%	4.3%	0.6%	-0.1%		
Last 11 Qtrs - Incl Last Point	3.4%	3.4%	-0.9%	1.8%	4.3%	4.3%	1.6%	1.6%		
Last 10 Qtrs - Incl Last Point	3.1%	2.6%	0.4%	0.9%	2.7%	2.2%	2.2%	1.7%		
Average - All 7 Lines	3.2%	3.6%	-0.1%	3.2%	3.3%	3.7%	0.0%	0.4%		
Average - Ex High/Low	3.2%	3.5%	-0.1%	3.2%	3.2%	3.8%	0.0%	0.5%		
Last 15 Qtrs - Excl Last Point	0.8%	1.9%	-0.9%	2.0%	1.8%	2.9%	-1.1%	0.0%		
Last 14 Qtrs - Excl Last Point	1.2%	2.8%	-0.3%	2.7%	1.5%	3.2%	-1.5%	0.2%		
Last 13 Qtrs - Excl Last Point	1.4%	2.0%	-0.5%	5.2%	1.9%	2.5%	-3.6%	-3.1%		
Last 12 Qtrs - Excl Last Point	2.4%	3.0%	-1.2%	5.0%	3.7%	4.2%	-2.5%	-2.0%		
Last 11 Qtrs - Excl Last Point	2.1%	1.0%	-2.4%	2.8%	4.6%	3.5%	-0.6%	-1.7%		
Last 10 Qtrs - Excl Last Point	0.9%	0.6%	-2.7%	0.6%	3.6%	3.4%	0.3%	0.0%		
Average - All 6 Lines	1.5%	1.9%	-0.6%	3.7%	3.7%	4.2%	-0.7%	-0.2%		
Average - Ex High/Low	1.4%	1.9%	-1.3%	3.1%	2.8%	3.2%	-1.4%	-0.9%		
Annualized	Average - All 6 Lines	6.1%	7.8%	-2.5%	15.8%	15.5%	17.9%	-2.8%	-0.6%	
	Average - Ex High/Low	5.7%	8.0%	-4.9%	13.0%	11.5%	13.6%	-5.5%	-3.6%	

RATE PGS FILED

EFFECTIVE

AUG. 15, 2000.

CHIROPRACTORS PROFESSIONAL LIABILITY COVERAGE
Underwriting & Rating Rules - Illinois

I. APPLICATION OF MANUAL RULES

- A. The rules contained in these pages will govern the writing of Professional Liability policies for Chiropractors.
- B. The rates, rating plans and forms filed on behalf of the Company will govern in all cases not specifically provided for by these manual rules.

II. POLICY TERM

Policies may be written for a term of one year, and renewed annually thereafter.

III. PREMIUM COMPUTATION

- A. Compute the premium at policy inception using rules, rates and rating plans in effect at that time.
- B. Prorate the premium when a policy is issued for other than a whole year.
- C. Premiums are calculated as specified for the respective coverage. The final premium will be rounded in accordance with the whole dollar rule.

IV. FACTORS OR MULTIPLIERS

Whenever applicable, factors or multipliers are to be applied consecutively and not added together.

V. POLICY WRITING MINIMUM PREMIUM

No minimum premium amounts apply to this coverage.

VI. WHOLE DOLLAR RULE

The premium for each peril, coverage or exposure for which a separate premium is calculated will be rounded to the nearest whole dollar as follows:

- A. Any amount involving \$.50 or over will be rounded to the next highest whole dollar amount;
- B. Any amount involving \$.49 or less will be rounded to the next lowest whole dollar amount.

VII. ADDITIONAL PREMIUM CHARGES

- A. Prorate all changes involving an additional premium.
- B. Apply the rates and rules that were in effect at the inception date of the policy period. After computing the additional premium, charge the amount applicable from the effective date of the change.
- C. Waive additional premiums of \$15 or less. This waiver only applies to cash exchange due on the effective date of change endorsements.

AUG 15 2000

VIII. RETURN PREMIUM

- A. Deletion of any coverage under this professional liability policy is not permitted. The entire policy must be canceled if coverage is not desired.
- B. Compute return premiums at the rates used to calculate the premium at policy inception.
- C. Compute return premium pro rata and round in accordance with the Whole Dollar Rule when any coverage or exposure is deleted or an amount of insurance is reduced.
- D. Waive return premiums of \$5 or less. Grant any return premium due the insured if requested. This waiver only applies to cash exchange due on the effective date of change endorsements.

IX. COVERAGE

This coverage may be written on an Occurrence or Claims-Made basis. For details of coverage, please refer to the Chiropractors Occurrence Professional Liability Policy or the Chiropractors Claims-Made Professional Liability Policy. Both Coverage Forms include: 1. Medical Expense Coverage; 2. Medical Waste Legal Expense Reimbursement; and, 3. Disciplinary Defense Coverage. Disciplinary Defense Coverage may be deleted for a reduced premium; refer to Rule XIV. for further information.

X. LIMITS OF LIABILITY

Manual rates provide a basic limit of \$100,000 Each Claim and \$300,000 Aggregate. The standard coverage provides for a separate limit to apply to each insured chiropractor or chiropractic entity. Employees share in the limit of either the insured chiropractor or chiropractic entity (See Section IV. for specific treatment by employee type).

Maximum limit offered is \$3 million/\$3 million. Refer to Policy Limit Factor Table for applicable factors to be applied.

XI. CLASSIFICATIONS (SEE ADDENDUM A FOR MORE COMPLETE DESCRIPTIONS)**Class I Straight Chiropractors**

Straight Chiropractic consists of analyzing and adjusting vertebral subluxation (Adjustment to the spinal column). Straight Chiropractors do not engage in the medical procedure of diagnosing and treatment of disease by medical methods. Therefore they represent the lowest risk of Chiropractor.

Class II Modified Straight Chiropractors

Modified straights are also a lower risk category. However, they do engage in some higher tech modalities that a straight chiropractor will not use, such as low voltage stimulation, ultrasound and hydrotherapy. Like straight chiropractors, they do not engage in the medical procedure of diagnosing and treatment of disease by medical methods.

Class III Mixer Chiropractors

Mixers encompass all of the elements of the straight practices as well as using modalities for treatment and to cure diseases rather than simply as aids or enhancements to vertebral subluxation adjustments. Such modalities may include more advanced neurologic or orthopedic exams for screening purposes such as EMG or EKG. They may also draw blood and perform urinalysis for the detection of vitamin or nutritional deficiencies and under certain circumstances, they may perform manipulation under anesthesia.

Class IV Liberal Mixer Chiropractor

Liberal Mixers present a greater risk because patient expectations are elevated to expect a "cure" and they are much more likely to incur "failure to diagnose" claims in their role as a primary healthcare provider. This Chiropractor class uses medical testing procedures for the purposes of diagnosing and treating disease, in addition to performing vertebral subluxation.

Class V Interns, Externs and/or Postceptors

XII. ANCILLARY PERSONNEL

Whenever the following licensed personnel are employed by an insured chiropractor or chiropractic entity, the individual will share in the supervising chiropractor's limit or the chiropractic entity's limit. No additional premium will be assessed for the following providers:

1. Nurse
2. Nurses Aide
3. Dietician/Nutritionist
4. Chiropractic Assistant/Technician
5. Students(Pre or Postceptees)

Whenever the following health care providers are employed by an insured chiropractor or chiropractic entity, the provider shall share the chiropractor's limit of liability or the chiropractic entity's limit, however there will be a premium charge for each. The factors to be used are identified below and are to be applied to the applicable chiropractor's policy premium:

<u>Provider</u>	<u>Factor</u>
Acupuncturist	.108
EEG/EKG Technician	.033
Laboratory Supervisor	.049
Massage Therapist	.322
Medical Technician	.033
Medical Office Assistant	.033
Occup. Therap. Aide/Ass't	.033
Occupational Therapist	.291
Paramedic/E.M.T	.322
Physical Therap. Aide/Ass't	.033
Physical Therapist	.289
Physician's Assistant	.493
Physicist/Biologist	.414
Social Worker	.108
X-Ray Technician	.033

Example: Assume an Occurrence Policy Class 2 chiropractor in Territory I with one employed physical therapist, one employed acupuncturist and one employed nurse at limits of \$1 Million/\$1 Million:

Chiropractor Premium	= \$4,896
Physical Therapist Premium	= \$1,415 (\$4,896 x .289)
Acupuncturist Premium	= \$ 529 (\$4,896 x .108)
Nurse Premium	= \$ 0
Total Premium	= \$6,840

XIII. OCCURRENCE RATING PROCEDURES

- A. Each individual Chiropractor receives a premium charge which is determined by reviewing the individual's application and matching indicated procedures to one of the classifications defined above. 1,000,000/\$1,000,000 limit rates are then selected from **Table II - State Rates** by finding the applicable Class and Territory.
- B. If different policy limits are needed, simply select the desired policy limit and apply the corresponding policy limit factor from **Table III - Policy Limit Factor** to the \$1,000,000/\$1,000,000 limit premium displayed in the State Rate Table.

Example: Assume Occurrence Coverage limits of \$500,000/\$1,000,000 are needed for a Class II Chiropractor in Territory 1 (No ratable employees).

Step 1: Select Class II rates in applicable territory from the \$1,000,000/\$1,000,000 State Rate Table;

Step 2: Select the \$500,000/\$1,000,000 Policy Limit Factor;

Step 3: Multiply the rate selected in step one times the applicable policy limit factor to produce the unmodified standard premium.

- C. Credits or Debits are to be applied, if applicable. (See **XV. Deductibles, XVI. Premium Modifications**).

Using the same example as in B. above, further assume that a deductible of \$10,000 is desired and that a 5% credit for a written patient safety policy applies:

Step 1: Multiply the \$1,000,000/\$1,000,000 unmodified standard premium developed in above step 3 times .925 (reciprocal of .075, the deductible credit);

Step 2: Multiply the premium developed in above step times .95 to reflect the 5% credit for the written patient safety policy and to produce the final modified Policy Premium.

XIV. ADDITIONAL CLASSIFICATIONS/CHARGES/DISCOUNTS**Defense Coverage Amendatory Endorsement – PF-9W86**

Disciplinary Defense Coverage is included in the Chiropractors policy with limits of \$2,500 Per Proceeding and \$5,000 Annual Aggregate. This coverage enhancement is optional and may be eliminated by request for a reduction in premium of \$250.

Other Employees

Employees of individual Chiropractors and Chiropractor partners, except for other Chiropractors or other health care providers (See Section XII, page 3 of these rules), are covered under the policy issued to the individual or partners at no additional charge. Such employees are not covered when acting on their own outside of their employment by the insured Chiropractor.

Independent Contractors – Additional Insured-Vicarious Liability, PF-608599

1099 form independent contractors who carry their own professional liability insurance may be added but must be listed on the policy and certify coverage of at least equal limits from an insurance carrier with at least an A.M. Best rating of B+. A 10% charge of the applicable professional liability rate at policy limits will be charged to cover the vicarious liability exposure assumed in such arrangement.

Locum Tenens - PF-3W63

A Locum Tenens Endorsement may be provided for non-insured chiropractors that temporarily replace an insured chiropractor for a period up to 60 days each policy year. The Locum Tenens will share in the insured chiropractor's limit of liability. As a result, there will be no additional premium charge.

Blanket Coverage – PF-609490

All students, faculty, teaching chiropractors and graduate students in a single School of Chiropractic may be written under one Blanket Policy if application is made and the School assumes responsibility for coordination of premium payment and claims reporting. All individuals covered under this blanket option must carry the same limit. A separate limit applies to each individual named on the policy. Because of administrative savings realized in the inclusion of everyone under one policy, a 15% credit is applied to the professional liability premium under the Blanket Coverage option. The charge for this option is as follows:

	<u>\$1,000,000/\$1,000,000 Limit</u>
Blanket Rate per Student*	\$120.00

*Blanket student rate includes Chiropractor faculty members who instruct students insured under the Blanket policy.

The School, College or University may be added as an **Additional Insured** per PF-609491 for 25% of the Total Student Premium, subject to a minimum premium of \$100.00.

Corporation/Partnership

Corporation/Partnership coverage can be added with separate limits for an additional premium of 10% of the total professional liability premium of all insured Chiropractors. There is no premium charge for adding the Corporation/Partnership on a shared limit basis.

Additional Insureds – PF-3X27 or PF-3X26 (Arizona)

Additional Insureds may be added for a premium charge of 5% of the total professional liability premium, except for Landlords who may be added for a flat charge of \$15.

Disability and Leave of Absence – PF-4U38a

An insured individual chiropractor who becomes disabled, or is on leave of absence for a period of 45 days or more, but less than 180 days, may be eligible for restricted coverage at a reduced rate of 75% of the applicable full time rate for the period of disability or leave of absence. Leave of absence may include professional education, but does not include vacation.

Acupuncture Coverage Endorsement – PF-609494

Amends policy exclusion to allow for needle acupuncture, subject to underwriting, which includes the training, history and experience of the practitioner. There is no additional charge for attaching this endorsement.

Manipulation Under Anesthesia – PF-609493

Deletes the policy exclusion to allow for manipulation under anesthesia, subject to underwriting, which includes the training, history and experience of the practitioner. There is no charge for attaching this endorsement.

New Practitioner Discounts

License Date: Use the license date as the reference date to be eligible for discounts. The license date is defined as the first date the chiropractor is eligible to practice chiropractic. We only use one date as the license date to reference discounts. The license date used to reference discounts is the first time a chiropractor ever becomes licensed to practice.

1. First Year Licensure Discount

Chiropractors who become licensed and are eligible to practice chiropractic for the first time shall be given a first year licensure discount of 75% of the filed and approved base premium. The insured's first licensure date must fall within 18 months of the insured's graduation date. The discount applies only to the first year of coverage with this company.

2. Second Year Licensure Discount

Chiropractors in their second year of practice after becoming licensed for the first time shall be given a second year licensure discount of 40% of the filed and approved base premium. The insured's first licensure date must fall within 30 months of the insured's graduation date. This discount applies only to the second year of coverage with this company.

3. Third Year Licensure Discount

Chiropractors in their third year of practice after becoming licensed for the first time shall be given a third year licensure discount of 25% of the filed and approved base premium. The insured's first licensure date must fall within 42 months of the insured's graduation date. This discount applies only to the third year of coverage with this company.

4. Fourth Year Licensure Discount

Chiropractors in their fourth year of practice after becoming licensed for the first time shall be given a fourth year licensure discount of 15% of the filed and approved base premium. The insured's first licensure date must fall within 54 months of the insured's graduation date. This discount applies only to the fourth year of coverage with this company.

XV. DEDUCTIBLES

The basic chiropractor policy has no deductible and manual rates displayed in the rate table include no deductible provision. However, the following deductibles may be selected and manual rates credited as follows:

<u>Deductible</u>	<u>Credit</u>
\$5000	5.0%
\$10,000	7.5%
\$15,000	10.0%

XVI. PREMIUM MODIFICATIONS

A. The manual rates will be modified when applicable by the following Credits:

<u>Description</u>	<u>Credit</u>
1. Inter/Extern practice under 20 hours per week	50%
2. Part-time Chiropractors (less than 20 Hrs per wk)	50%
3. Part-time Chiropractors (less than 10 Hrs per wk)	75%

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B. The following premium modifications will be applied when applicable:

- 1. Written Patient Safety Policy/Practice Standards -5%/+5%

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2.	Utilization of "Terms of Acceptance" forms	-5%/+5%
3.	Risk Management Seminar attendance in last year	-10%/+10%
4.	Longevity + Loss Free:	
	<u>No Claims or Incidents in the past:</u>	<u>Credit</u>
	1 to 2 years	0%
	2 to 3 years	5%
	3 to 4 years	10%
	4 years or more	15%

C. Group Practice - Apply the following "Size of Practice" credit as follows:

<u>Practice Size*</u>	<u>Premium Credit</u>
3 - 5	4%
6 - 10	6%
11 - 15	8%
16 - 20	10%
20 and over	15%

*NOTE: Practice Size means the total number of ratable professional headcount (owners and employees) and does not include independent contractors.

Maximum Discounts Available

The maximum risk management and claims free discounts that can be obtained are 40%. However, the maximum risk management and claims free discounts available for any one insured who is also receiving a premium discount will be the actual risk management and claims free discounts (up to 40%) multiplied by percentage of discounted premium paid by the policyholder.

#XVII. SUPPLEMENTAL PROFESSIONAL LIABILITY MODIFICATIONS

A. Schedule rating

Based upon the following individual risk characteristics, the maximum credit or debit produced will not exceed 25%:

	<u>Credit</u>	<u>Debit</u>
1. Procedure mix	0 to 10%	0 to 10%

Applicable to those whose procedures or practices are primarily concentrated in areas other than their practice classification/specialty.

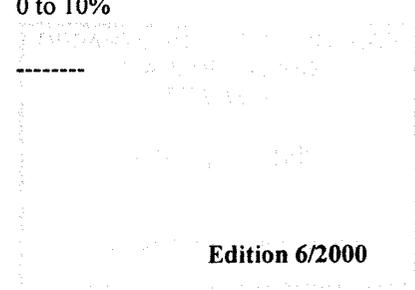
2. Exposure Modification	0 to 10%	0 to 10%
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Applicable to those whose practice or coverage has been modified to reflect an increased or decreased exposure.

3. Unusual Risk Characteristics	0 to 10%	0 to 10%
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B. Loss control education 5 to 10%

A credit will be applied to each Chiropractor who attends a Company approved loss prevention workshop. This credit will be applied for 3 consecutive years.



C. Experience Rating

----- 0 to 75%

Based upon the claim history of an individual chiropractor over a preceding 5 year period, a debit not to exceed 75% may be applied to the chiropractor's rate for the first subsequent policy period. Criteria used to determine the application of such debits for the preceding 5 year claim history will include:

- Number of claims
- Incurred losses
- Paid losses
- Cause of reported losses

Debits are to be applied on a one year basis and then reviewed annually for subsequent applicability using the same criteria above.

XVIII. EXPENSE MODIFICATION

The policy premium contemplates standard allowances for expense. If expense varies from standard, the premium may be modified to reflect this difference.

XIX. OCCURRENCE RATES

Occurrence Rates are displayed in **TABLE II** at limits of \$1,000,000 Each Claim/\$1,000,000 Aggregate. Policy Limit Factors for other available limit options may be determined by multiplying the applicable Policy Limit Factor from **TABLE III** in section **XIV**.

XX. CLAIMS-MADE PRIOR ACTS COVERAGE

Including PF-1U24 or PF-2U79 (New York) may extend the occurrence policy to provide prior acts coverage to those whose most recent coverage has been Claims-Made,.

If the individual Chiropractor has been insured under a claims-made policy and desires to purchase "Prior Acts" coverage from ACE American Insurance Company in lieu of buying Extended Reporting Period coverage from the prior insurer, the Prior Acts Premium will be charged in addition to the Occurrence Policy Premium. To obtain the Occurrence Policy Premium with Prior Acts Coverage, the following steps should be followed:

1. Determine the applicable occurrence premium from the State Rate Table;
2. Select the applicable Prior Acts Factor from the following table and apply to the occurrence premium selected in step 1 above:

Prior Acts Period	Factor
1 Year	.70
2 Years	1.10
3 Years	1.30
4 or More Yrs..	1.40

3. Add the occurrence premium selected in step 1 to the premium developed in step 2. This total premium is the "Occurrence Policy Premium with Prior Acts Coverage."

XXI. CLAIMS-MADE RATING PROCEDURES

If coverage is to be written on a "Claims-Made" basis, the following rating procedures are to be followed:

- A. Applicable Occurrence premium rates are to be determined for the applicable Class and Limit (See XIII. Occurrence Rating Procedures).
- B. Determine retroactive date from application. If the date goes back 5 years or more, the Mature Claims-Made Factor from TABLE I should be applied to the premium developed in Step 1.
- C. If the Chiropractor is just entering practice, has been continuously insured under an occurrence policy, or if Prior Acts Coverage is not being provided, select Year 1 Claims-Made Factor in TABLE I and apply it to the Occurrence premium determined in Step 1.
- D. If the Chiropractor has been insured under a Claims-Made policy for one or more years immediately preceding the effective date of the policy to be issued, and Prior Acts Coverage is being provided, the following procedure will apply:
 1. Determine the number of years in which the Chiropractor has been insured under a Claims-Made policy;
 2. The number determined in step 1 will be the "Prior years of exposure". Fractional years of 6 months or more will be rounded up to the next higher year; less than 6 months will be rounded down to the next lower year.
 3. The selection from TABLE I is made by adding one year to the "prior years of exposure developed in above steps. The additional year is to account for the new policy to be issued.
 4. The applicable factor in TABLE I are to be applied to the premium developed in step 1.

TABLE I

CLAIMS-MADE STEP FACTORS

YEARS	STEP FACTORS
YEAR 1	.35
YEAR 2	.60
YEAR 3	.85
YEAR 4	.90
YEAR 5 OR MORE (Mature)	.95

XXII. EXTENDED REPORTING PERIOD COVERAGE

- A. Basic Extended Reporting Period

A "Basic Extended Reporting Period" is automatically provided without additional charge. This period starts with the end of the policy period and lasts for 60 days. This automatic extension will provide an additional period of time in which to report claims to the Company that arise from "chiropractic incidents" that take place subsequent to the Retroactive Date and before the end of the policy period.

The "Basic Extended Reporting Period" does not apply to claims that are covered under any other insurance purchased after the expiration of our policy, or to claims that would have been covered but for the exhaustion of any subsequently purchased insurance applicable to such claims.

B. Supplemental Extended Reporting Period, PF-5X84a

The "Supplemental Extended Reporting Period" is unlimited and its availability will be governed by the following rules:

- 1. The Limits of Liability may not exceed those afforded under the terminating claims-made policy;
- 2. "Supplemental Extended Reporting Period" coverage will be available to
Named Insureds shown on the Declarations Page of the terminating policy. Should an insured terminate association with an entity, coverage will also be offered to the entity, provided that the entity was also insured by the Company.
- 3. Upon termination of the claims-made policy, all named insureds shown on the Declarations Page may purchase this coverage by giving the Company written notice of intent to purchase within 60 days following the termination date of their claims-made policy, and paying the applicable premium.
- 4. Upon termination of coverage of the claims-made policy by reason of death, the deceased's unearned premium for this coverage will be waived and "Supplemental Extended Reporting Period" coverage will be provide at no additional charge.
- 5. There will be no charge for "Supplemental Extended Reporting Period" coverage under the following circumstances:

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a. Insured meets the following Total Disability/Death requirements:

- 1. Totally and continuously disabled at least 6 months as a result of sickness or accidental injury;
- 2. A medical doctor, not the Insured, any other protected person, or member of insured's immediate family, must certify that the insured is unable to perform the duties of the insured's profession.

b. Insured meets the following Retirement criteria:

<u>Continuous Years Insured by</u> <u>ACE AMERICAN INSURANCE COMPANY</u> <u>on Claims-Made Basis</u>	<u>Minimum Age</u> <u>Requirement</u>
5 years	55 or older

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c. We shall provide extended reporting endorsement (tail coverage) automatically to an insured or their estate upon the death of the insured. The endorsement is free of charge and dates back to the current ACE American claims made policy retroactive date.

6. The Retroactive Date of coverage with this Company will determine the years of prior exposure for "Supplemental Extended Reporting Period" coverage.
7. Premium must be paid promptly when due. Premium must be paid in full at inception of coverage.
8. In the event the claims-made policy is canceled, any return premium due the insured will be credited toward the premium for "Supplemental Extended Reporting Period" coverage, if the insured elects this coverage. If any premium is due for the period of time between the earlier of the claims-made policy's Retroactive Date or effective date and the termination date, any monies received by the Company will first be applied to the premium owing for the claims-made policy and then to the "Supplemental Extended Reporting Period Coverage Endorsement".
9. The factors in the following table will be applied to the mature claims-made rate in effect at the inception of the last claims-made policy to determine the premium for the "Supplemental Extended Reporting Period Coverage Endorsement".

Yrs. of Prior Claims-Made Coverage	Factor
1	.79
2	1.16
3	1.32
4	1.37
5 or More	1.42

XXIII. CHANGE OF CLASSIFICATION - CLAIMS-MADE COVERAGE

- A. In the event an insured changes their practice during a claims-made policy period which results in a classification change, a difference in Supplemental Extended Reporting Period exposure is potentially created. The following procedure shall be used to determine the applicable surcharge, if any:
 1. Calculate the "At Limits" Supplemental Extended Reporting Period premium applicable for:
 - a. the previous classification according to the rates and rules contained herein;
 - b. the premium applicable for the new classification;
 2. If the "At Limits" Supplemental Reporting Period premium for the new classification:
 - a. is less than the premium for the previous classification, the dollar difference is the surcharge to be applied.
 - b. exceeds the premium for the previous class, there will be no charge.

XIV. RATES

- A. Refer to specific state rate pages for rates.

Revised

ACE American Insurance Company
ACE Insurance Company of Illinois

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XXV. POLICY LIMIT FACTORS

The minimum policy limit available is \$100,000 Each Claim/\$300,000 Aggregate. Varying Occurrence limits displayed below in **TABLE III** may be quoted up to the maximum limit of \$3,000,000 Each Claim/\$3,000,000 Aggregate by applying the applicable Policy Limit Factor to the \$1,000,000/\$1,000,000 premiums displayed in **TABLE II**.

TABLE III
POLICY LIMIT FACTORS

LIMITS	FACTORS
\$100,000/\$300,000	.56
\$200,000/\$600,000	.72
\$250,000/\$750,000	.76
\$300,000/\$800,000	.79
\$400,000/\$900,000	.85
\$500,000/\$1,000,000	.89
\$1,000,000/\$1,000,000	1.00
\$1,000,000/\$2,000,000	1.02
\$1,000,000/\$3,000,000	1.04
\$2,000,000/\$2,000,000	1.30
\$3,000,000/\$3,000,000	1.45

