

SERFF Tracking Number: PHAR-127317329 State: Illinois
Filing Company: Pharmacists Mutual Insurance Company State Tracking Number: PHAR-127317329
Company Tracking Number: IL-PSPL-12-11-RR
TOI: 11.0 Medical Malpractice - Claims Sub-TOI: 11.0021 Pharmacy
Made/Occurrence
Product Name: Pharmacy Services Professional Liability
Project Name/Number: 2011 PSPL Compounding Rating/IL-PSPL-12-11-RR

Filing at a Glance

Company: Pharmacists Mutual Insurance Company

Product Name: Pharmacy Services Professional Liability SERFF Tr Num: PHAR-127317329 State: Illinois

TOI: 11.0 Medical Malpractice - Claims SERFF Status: Closed-Filed State Tr Num: PHAR-127317329
Made/Occurrence

Sub-TOI: 11.0021 Pharmacy Co Tr Num: IL-PSPL-12-11-RR State Status:

Filing Type: Rate/Rule Reviewer(s): Gayle Neuman
Disposition Date: 05/08/2012

Authors: Heidi Allen, Janine MacVey

Date Submitted: 10/13/2011

Disposition Status: Filed

Effective Date Requested (New): 12/01/2011

Effective Date (New): 12/01/2011

Effective Date Requested (Renewal): 12/01/2011

Effective Date (Renewal):
12/01/2011

State Filing Description:

General Information

Project Name: 2011 PSPL Compounding Rating

Status of Filing in Domicile: Pending

Project Number: IL-PSPL-12-11-RR

Domicile Status Comments:

Reference Organization:

Reference Number:

Reference Title:

Advisory Org. Circular:

Filing Status Changed: 05/08/2012

State Status Changed:

Deemer Date:

Created By: Janine MacVey

Submitted By: Janine MacVey

Corresponding Filing Tracking Number: PHAR-127384462

Filing Description:

Pharmacists Mutual Insurance Company (PhMIC) is filing revisions to its Pharmacy Services Professional Liability (PSPL) Program. This program is specifically designed to provide Pharmacy Professional Liability coverage to a business entity that would not otherwise qualify for Pharmacists Mutual's Commercial Liability or Businessowners programs. This is a limited line for PhMIC; there are currently only 355 in-force policies countrywide. We currently have only two policyholders in your state.

We have revised the language of our manual rules and rates, to correspond to recent revisions to pharmacy

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professional liability language and rating which was filed and approved for our Businessowners and Commercial Liability Programs. In addition, we are revising our loss cost multiplier as suggested by our company rate indication. A state supplemental exception page, providing reference to the loss cost multiplier, has been submitted for your review and consideration. The overall effect of this revision will be a -21.5% decrease in premium.

We would like for these revisions to become effective for all policies written on or after December 1, 2011.

State Narrative:

Company and Contact

Filing Contact Information

Janine MacVey, Rate Analyst janine.macvey@phmic.com
 PO Box 370 515-395-7207 [Phone]
 Algona, IA 50511 515-295-9306 [FAX]

Filing Company Information

Pharmacists Mutual Insurance Company	CoCode: 13714	State of Domicile: Iowa
808 Highway 18 West	Group Code: 775	Company Type: Mutual
P.O. Box 370	Group Name:	State ID Number:
Algona, IA 50511	FEIN Number: 42-0223390	
(800) 247-5930 ext. [Phone]		

Filing Fees

Fee Required?	Yes
Fee Amount:	\$0.00
Retaliatory?	No
Fee Explanation:	Billed in arrears.
Per Company:	No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
Pharmacists Mutual Insurance Company	\$0.00		

State Specific

Refer to our checklists prior to submitting filing

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(http://www.idfpr.com/DOI/Prop_Cas_IS3_Checklists/IS3_Checklists.htm): Acknowledged

Refer to our updated (04/06/2007) SERFF General Instructions prior to submitting filing. They have been updated to clarify what rates and rules are required to be filed as well as what rates and rules are not required to be filed. Also, the "Product Name" is the Filing Title and not the Project Number.: Acknowledged

NO RATES and/or RULES ARE REQUIRED TO BE FILED FOR LINES OF COVERAGE SUCH AS COMMERCIAL AUTO (except taxicabs), BURGLARY AND THEFT, GLASS, FIDELITY, SURETY, COMMERCIAL GENERAL LIABILITY, CROP HAIL, COMMERCIAL PROPERTY, DIRECTORS AND OFFICERS, ERRORS AND OMISSIONS, COMMERCIAL MULTI PERIL just to mention a few. However, a Summary Sheet (RF-3) is required to be filed. Please refer to the State Specific Field below for what rates/rules are required to be filed and to our checklists for specific statutes, regulations, etc. : http://www.idfpr.com/DOI/Prop_Cas_IS3_Checklists/IS3_Checklists.htm: Acknowledged

Medical Malpractice rates/rules may only be submitted in paper.: Acknowledged

The only rates and/or rules that are required to be filed are Homeowners, Mobile Homeowners, Dwelling Fire and Allied Lines, Workers' Compensation, Liquor Liability, Private Passenger Automobiles, Taxicabs, Motorcycles and Group Inland Marine Insurance which only applies to insurance involving personal property owned by, being purchased by or pledged as collateral by individuals, and not used in any business, trade or profession per Regulation Part 2302 which says in part, "each company shall file with the Director of Insurance each rate, rule and minimum premium before it is used in the State of Illinois.": Acknowledged

When selecting a form filing type for a multiple form filing, use the dominant type from these choices: APP - application; CER - certificate; COF - coverage form; DPS - declaration page; END - endorsement; POJ - policy jacket; ORG - Companies adopting an Advisory or Rating Organization's filing. Example: If you are submitting a policy as well as endorsements, a declaration page and an application, you would select "POL" for policy.: Not applicable to this filing

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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Gayle Neuman	05/08/2012	05/08/2012

Objection Letters and Response Letters

Objection Letters				Response Letters		
Status	Created By	Created On	Date Submitted	Responded By	Created On	Date Submitted
Pending	Gayle Neuman	03/19/2012	03/19/2012	Janine MacVey	03/20/2012	03/20/2012

Industry
Response

Filing Notes

Subject	Note Type	Created By	Created On	Date Submitted
Effective date - Response	Note To Reviewer	Janine MacVey	05/08/2012	05/08/2012
effective date	Note To Filer	Gayle Neuman	05/08/2012	05/08/2012

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Disposition

Disposition Date: 05/08/2012
 Effective Date (New): 12/01/2011
 Effective Date (Renewal): 12/01/2011
 Status: Filed
 Comment:

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where required):	Minimum % Change (where required):
Pharmacists Mutual Insurance Company	-9.900%	-21.500%	\$-5,678	2	\$26,439	-21.500%	-18.200%

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Schedule	Schedule Item	Schedule Item Status	Public Access
Supporting Document	Explanatory Memorandum		Yes
Supporting Document	Form RF3 - (Summary Sheet)		Yes
Supporting Document	Certification		Yes
Supporting Document	Manual		Yes
Supporting Document	Immunization Liability Coverage Minimum Premium Support		No
Supporting Document	Pharmacy Service Professional Liability Extension Minimum Premium Support		No
Supporting Document	Claims Made & Extended Reporting Period Factors Memorandum & Calculations		No
Supporting Document	Supporting Analysis for Compounding Rating Factors		No
Rate	Pharmacy Services Professional Liability Countrywide Program Rules/Rates, edition 09 11		Yes
Rate (revised)	IL Pharmacy Services Professional Liability Supplemental, edition 09 11		Yes
Rate	IL Pharmacy Services Professional Liability Supplementa., edition 09 11		Yes

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Objection Letter

Objection Letter Status Pending Industry Response
Objection Letter Date 03/19/2012
Submitted Date 03/19/2012
Respond By Date 03/30/2012

Dear Janine MacVey,

This is to acknowledge receipt of your filing. Your submission is not acceptable for filing in Illinois due to the following reasons:

1. 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?
2. The extended reporting period (tail) coverage premium must be priced as a factor of one of the following: (1) the last twelve months premium; (2) the premium in effect at policy issuance; or (3) the expiring annual premium. Which amount is meant by "preceding annual policy premium"?
3. Do you utilize any territory factors or payment plans? If so, they must be included in the manual.
4. On the Illinois manual page, is the 1.189 lost cost multiplier applicable for all liability limits listed on countrywide manual page 10, paragraph 1.2?

Sign up to get e-mail notification for updates to the Department's website. <http://insurance.illinois.gov/RSS/>

Please refer to the appropriate Property Casualty IS3 Review Requirements Checklist before submitting any filing. The checklists are available at the Department's Web site or at the following link:

http://insurance.illinois.gov/Prop_Cas_IS3_Checklists/IS3_Checklists.htm

Please submit compliant form(s) no later than the date shown above or the entire filing may be disapproved. Please be advised that when the Director disapproves the form(s) you must immediately cease using the form(s) in Illinois.

Please give this matter your immediate attention. If you have any question regarding this filing please feel free to contact me.

Sincerely,

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Response Letter

Response Letter Status Submitted to State
 Response Letter Date 03/20/2012
 Submitted Date 03/20/2012

Dear Gayle Neuman,

Comments:

Response 1

Comments: 1. We use AAIS for our stat reporting agency.

2. The "preceding annual policy premium" refers to the expiring annual premium.

3. We do utilize a payment plan. I have revised our IL Pharmacy Services Professional Liability Supplemental, edition 09 11 to include the payment plan. We do not utilize any territory factors in this program.

4. The Loss Cost Multiplier of 1.189 is applicable for all of the liability limits listed on the countrywide manual, Countrywide Rates 1.2 Pharmacy Services Professional Liability Loss Cost (per \$1,000 of pharmacy receipts).

Please advise if you need anything additional to complete our filing request.

Changed Items:

No Supporting Documents changed.

No Form Schedule items changed.

Rate/Rule Schedule Item Changes

Exhibit Name	Rule # or Page #	Rate Action	Previous State Filing #
IL Pharmacy Services Professional Liability Supplemental, edition 09 11	All	New	
Previous Version			

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Rate Information

Rate data applies to filing.

Filing Method: File & Use
Rate Change Type: Decrease
Overall Percentage of Last Rate Revision: -5.000%
Effective Date of Last Rate Revision: 07/01/2009
Filing Method of Last Filing: File & Use

Company Rate Information

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where required):	Minimum % Change (where required):
Pharmacists Mutual Insurance Company	-9.900%	-21.500%	\$-5,678	2	\$26,439	-21.500%	-18.200%

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Rate/Rule Schedule

Schedule Item Status:	Exhibit Name:	Rule # or Page #:	Rate Action	Previous State Filing Number:	Attachments
	Pharmacy Services Professional Liability Countrywide Program Rules/Rates, edition 09 11	All	Replacement	IL-PSPL-07-09	CW PSPL Rules 09 11R.pdf
	IL Pharmacy Services Professional Liability Supplemental, edition 09 11	All	New		IL PSPL Rules Supplemental 09 11.pdf

PHARMACISTS MUTUAL INSURANCE COMPANY
Pharmacy Services Professional Liability Program
COUNTRYWIDE

PROGRAM RULES

RULE 1 -- PROGRAM DESCRIPTION

1.1 Policy Coverage

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

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

1.2 Policy Forms

The forms used to provide coverage are described below.

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

Form PM 307 provides coverage on an occurrence basis.

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

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

Refer to Rule 8.

1.3 Policy Limits

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

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

1.3.1 Pharmacy Services Professional Liability Limits

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

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

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

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

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

1.3.2 Limited Pharmacy License Defense Reimbursement Limits

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

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

PHARMACISTS MUTUAL INSURANCE COMPANY
Pharmacy Services Professional Liability Program
COUNTRYWIDE

1.4 Higher Limits

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

RULE 2 – POLICY WRITING INSTRUCTIONS

2.1 Policy Term

2.1.1 Annual

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

2.1.2 Less Than One Year

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

2.2 Cancellation

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

2.3 Policy Changes

Changes can be made to the policy after inception.

2.3.1 Additional Premium Changes

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

Calculate additional premium on a pro rata basis.

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

2.3.2 Return Premium Changes

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

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

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

PHARMACISTS MUTUAL INSURANCE COMPANY
Pharmacy Services Professional Liability Program
COUNTRYWIDE

RULE 3 – LIABILITY DEDUCTIBLE

3.1 Deductible

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

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

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

3.2 Deductible Aggregate

3.2.1 Deductible Aggregate (Occurrence form)

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

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

3.2.2 Deductible Aggregate (Claims-made form)

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

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

PHARMACISTS MUTUAL INSURANCE COMPANY
Pharmacy Services Professional Liability Program
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RULE 4 – ADDITIONAL INSURED

4.1 Additional Insured

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

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

RULE 5 – PREMIUM DEVELOPMENT

5.1 Calculation of Premium

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

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

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

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

Step 5 – For Each Location:

A - multiply the results of Step 4 by the annual pharmacy receipts, in thousands. Pharmacy receipts include the total amount collected for prescriptions, drugs, and pharmacy services;

B - determine the percentage of filled prescriptions that falls into each of the following categories: (the sum of these 3 groups must equal 100%);

- 1) non-compounded prescriptions;
- 2) non-sterile compounded prescriptions (involving only ingredients in manufacturer-produced dosage forms); and
- 3) all other compounded prescriptions.

C - Non-compounded prescription premium:

- 1) Multiply the result of Step 5. A. by the percentage of non-compounded prescriptions (B. 1.);
- 2) Multiply the result of Step C. 1. by the appropriate factor (Rate 5.1 - Table A).
- 3) When risk management equipment is utilized, multiply the result of Step C. 2. by the appropriate factor (Rate 5.1 - Table B).

D - Non-sterile compounded prescription premium:

- 1) Multiply the result of Step 5. A. by the percentage of non-sterile compounded prescriptions (B. 2.);
- 2) Multiply the result of Step D. 1. by the appropriate factor (Rate 5.1 - Table A).

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Pharmacy Services Professional Liability Program
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E - All other compounded prescription premium:

- 1) Multiply the result of Step 5. A. by the percentage of all other compounded prescriptions (B. 3.);
- 2) Multiply the result of Step E. 1. by the appropriate factor (Rate 5.1 - Table A).

Step 6 - Add results of Step 5. C., D., and E. to determine the Pharmacy Services Professional Liability premium.

Step 7 - If the location has an additional insured, multiply the Additional Insured Factor (Rate 4.1) by the number of additional insureds to obtain the Total Additional Insured Factor. If no Additional Insureds, use 1.000. Multiply the Total Additional Insured Factor by the results of Step 6.

Step 8 - Add the results of Step 6 and Step 7 for the base location premium.

Step 9 - If form PM 500 is used, multiply the result of Step 8 by the applicable Claims-Made Discount factor (Rate 8.2) to determine the claims-made base location premium. If form PM 307 is used, continue with Step 10 premium.

Step 10 - Determine the applicable individual risk premium modification (IRPM) as outlined in Rule 7. Convert the total credit or debit developed to an IRPM factor.

Step 11 - Multiply the IRPM factor to the result of Step 9. The resulting modified location premium is subject to the minimum location charge.

Step 12- Repeat Steps 5-11 for each location.

Step 13 - If Health Care Services Liability coverage is included, multiply the appropriate charge (Rate 6.1) by the number of eligible professional employees, as shown in Rule 6.1.

Step 14 - If form PM 500 is used, multiply the result of Step 13 by the applicable Claims-Made Discount factor (Rate 8.2) to determine the claims-made Health Care Services Liability premium. If form PM 307 is used, continue with the Step 15 premium.

Step 15 - Multiply the IRPM factor determined in Step 10 by the result of Step 14 to determine the modified Health Care Services Liability premium.

Step 16 - Add the modified location premiums (from Step 11) for all locations to the modified Health Care Services Liability premium (from Step 15) to determine the total policy premium.

RULE 6 – COVERAGE OPTIONS

6.1 Health Care Services Liability

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

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

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

Attach Endorsement PM 1110

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Pharmacy Services Professional Liability Program
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6.2 Immunization Liability Coverage

Coverage may be provided for Immunization Liability when a non-employee immunization provider administers immunizations on the insured's behalf.

The additional premium charge is computed by pro-rating the annual Health Care Services Liability per person charge, from Rule 6.1, for the period that Immunization Liability Coverage is provided, subject to a minimum \$100.00 premium.

Rule 7, Individual Risk Premium Modification, does not apply. Immunization Liability Coverage minimum premium is in addition to any policy minimum premiums.

Attach endorsement PM 1130P.

6.3 Pharmacy Services Professional Liability Extension

This option is only available when the Pharmacy Services Professional Liability policy, Occurrence Form PM 307, is being cancelled at the insured's request due to the sale or closure of the business.

Pharmacy Professional Liability coverage can be extended for bodily injury or property damage which occurs after the policy cancellation date, provided that the incident causing the bodily injury or property damage, such as dispensing a prescription, occurred while the policy was in force.

The extension term is provided for a maximum of 6-months, beginning on the policy cancellation date and ending after 182 days, unless other dates are shown on the policy endorsement.

To determine the additional premium for this Extension, multiply the policy's annual Pharmacy Services Professional Liability premium (Rule 5) by 2.0%, subject to a minimum \$100.00 premium. The additional premium charged is fully earned and cannot be cancelled once accepted.

Rule 7, Individual Risk Premium Modification, does not apply. Pharmacy Professional Liability Extension minimum premium is in addition to any policy minimum premiums.

Attach endorsement PM 1118P

PHARMACISTS MUTUAL INSURANCE COMPANY
Pharmacy Services Professional Liability Program
COUNTRYWIDE

RULE 7 – INDIVIDUAL RISK PREMIUM MODIFICATION

7.1 Individual Risk Premium Modification

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

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

RISK VARIATIONS	Range of Modifications		
	CREDIT		DEBIT
(1) Cooperation with insurer recommendations and/or industry standards with respect to risk management procedures	-10%	to	+10%
(2) Employees: selection, training, supervision, experience	- 5%	to	+ 5%
(3) Professional liability claims experience	-10%	to	+10%
(4) Professional accreditation/sanction	- 15%	to	+15%
(5) Professional services provided	-10%	to	+10%
(6) Quality control procedures	-10%	to	+10%

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

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

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

8.1 Retroactive Date

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

Show the applicable Retroactive Date on the policy declarations.

8.2 Claims-Made Discount Factor

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

PHARMACISTS MUTUAL INSURANCE COMPANY
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8.3 Extended Reporting Period

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

8.3.1 Basic Extended Reporting Period

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

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

8.3.2 Supplemental Extended Reporting Period

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

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

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

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

Attach endorsement PM 501.

PHARMACISTS MUTUAL INSURANCE COMPANY
Pharmacy Services Professional Liability Program
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COUNTRYWIDE RATES

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

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

Minimum Location Charge \$ 750.00

3.1 Deductible Factors

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

4.1 Additional Insured Factor 0.10

5.1 Pharmacy Risk Modification Factors

Table A

Prescription Category	Factor
Non-Compounded	0.95
Non-Sterile Compounded	1.00
All other compounded	1.25

Table B

Risk Management Equipment Count	Factor
1	0.95
2	0.90
3+	0.85

6.1 Health Care Services Liability

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

PHARMACISTS MUTUAL INSURANCE COMPANY
Pharmacy Services Professional Liability Program
COUNTRYWIDE

8.2 Claims-Made Discount Factor

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

8.3 Extended Reporting Period Options

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

PHARMACISTS MUTUAL INSURANCE COMPANY
Pharmacy Services Professional Liability Program
ILLINOIS

PROGRAM RULES

LOSS COST MULTIPLIER

A loss cost multiplier of 1.189 will be applied to all "Loss Costs" as established in the Pharmacists Mutual Insurance Company Pharmacy Services Professional Liability Program Manual.

8.2 Claims-Made Discount Factor has been withdrawn from the Countrywide Rates and replaced by the following:

8.2 Claims-Made Discount Factor

<u>Year</u>	<u>Factor</u>
1 Year	.74
2 Years	.90
3 Years	.95
4 Years	.98
5 Years +	1.00

Rule 2.4 has been added:

2.4 - Premium Installment Plans

Payment Option	Due Date	Service charge
Payment in Full	Policy eff date	No service charge
Tri-Annual	Policy eff date, 60 & 120 days	No service charge
Semi-Annual	Policy eff date & 180 days	\$5.00 on final installment
Quarterly	Policy eff date, 90, 180 & 270 days	\$5.00 on last 3 installments
EFT - monthly	Down payment of 1 month premium	\$1.00 per monthly withdrawal

PHARMACISTS MUTUAL INSURANCE COMPANY

Pharmacy Services Professional Liability ILLINOIS Rate Filing Memorandum

Pharmacists Mutual Insurance Company (PhMIC) is filing revisions to its Pharmacy Services Professional Liability (PSPL) Program. This program is specifically designed to provide Pharmacy Professional Liability coverage to a business entity that would not otherwise qualify for Pharmacists Mutual's Commercial Liability or Businessowners programs. This is a limited line for PhMIC; there are currently only 355 in-force policies countrywide.

We have revised the language of our manual rules and rates to correspond to recent revisions to pharmacy professional liability language and rating which was filed for our Businessowners Program (BOP), in filing PHAR-126792355, and our Commercial Liability (CL) Program, in filing PHAR-127130595. Most of our insured will experience a rate decrease of 5% as a result of the compounding rating portion of this revision, as they do not perform the compounding activities which we have determined to be higher risk.

Over 90% of our commercial pharmacy professional liability coverage is written under our Businessowners Program, thus, we have used the BOP data as the basis for rating this coverage in all three programs under which we provide this coverage: BOP, CL and PSPL.

As suggested by our rate indication, we are decreasing our loss cost multiplier from 1.459 to 1.193. The overall effect of these revisions will be a 21.5% rate decrease. The following exhibits contain the justification for the selected rate level change in this filing. Premiums and losses through 2010 have been analyzed.

We would like for these revisions to become effective for all policies written on or after December 1, 2011.

Rate Indication

Exhibit 1

Exhibit 1 presents the rate level indications for accident years 2006 – 2010 as of 12/31/2010. Actual earned premiums have been adjusted to current manual rates and losses have been developed to an ultimate settlement value and trended to the midpoint of the period that the rates are expected to be in effect. The resulting loss ratio is then compared to the expected loss ratio producing a gross indication. A credibility value has been assigned to the company data based on reported claim counts. The complement to the company data is the annual trend which is derived from industry averages for professional liability and medical malpractice. The overall weighted indicated change is a decrease of 9.9%. Please note, we currently have only 2 policyholders in your state with only a little over \$30,000 in premium.

Exhibit 2

Exhibit 2 contains Company rate change history and the calculation of current rate level factors.

Exhibit 3

Exhibit 3 contains the calculation of PMIC annual exposure trend factors. PMIC has made the assumption that premium trend is adequately captured in the rate change history (Exhibit 2.)

Exhibit 4

In Exhibit 4 the Adjusted Earned Premium is calculated by applying the Current Rate Level Factors (Exhibit 2) to the accident year Actual Earned Premium.

Exhibits 5.2

Exhibit 5.2 contains PMIC's loss development through 2010 from internal reports. Over 90% of our commercial pharmacy professional liability coverage is written under our Businessowners Program, thus, we have used the BOP data as the basis for rating this coverage. The selected loss development factors used for Businessowners in total match those selected by PMIC's external actuarial consultants to evaluate company reserves for this line. The selected loss link ratios for our Professional and Other Liability business are the factors resulting from the difference between total Businessowners and the Property/General Liability portion.

Exhibit 6

Exhibit 6 contains the calculation of PMIC annual loss trend factor. We have used a selected loss trend from an industry average trend for Professional Liability and Medical Malpractice of 6%.

Exhibit 7

In Exhibit 7, the Trended Ultimate Losses are calculated by applying Loss Development Factors (Exhibit 5.2) and Loss Trend Factors (Exhibit 6) to the accident year Actual Reported Losses.

Exhibit 8

PMIC's Countrywide and your state's Underwriting Expense History for the Businessowners line is contained in Exhibit 8. Selected Total Underwriting Expenses of 25.7% are used in this filing because that is our anticipated long-term expense ratio. Loss adjustment expense of 36.0% is estimated based on actual experience.

Exhibit 9

Exhibit 9 contains the calculation of the value of credibility assigned to the company data in the indications. 6,560 is used as the number of claims needed for full credibility. We have selected a credibility of 15.0%.

Return on Equity Model

A Return on Equity analysis has been completed for Pharmacy Services Professional Liability coverage. The calculation of the projected return on equity can be determined from the summation of the following three (3) sources of income, less federal income taxes:

1. Investment Income from unearned Premium and Loss Reserves
2. Investment Income from Surplus
3. Underwriting Profit Provision

Item A from Exhibit 1R shows the estimated target rate of return on equity based on the review of the total return on policyholders' surplus for the property/casualty insurance industry. Exhibit 5R provides the detailed support for the selected return.

The investment income from unearned premium reserves and loss reserves is determined on Exhibit 2R. The formula relies on calendar year reserves to produce a return on premium. The unearned premium reserves are adjusted to reflect the revenue offset provision of the 1986 Tax Reform Act. The loss reserves are adjusted to reflect federal taxation based upon discount losses; this is also a provision of the 1986 Tax Reform Act. Item B from Exhibit 1R addresses this income source.

The investment income from surplus is determined from the average rate of return on invested assets during the last three calendar years. The federal income tax adjustment factors is calculation on Exhibit 2R and is the complement of the average tax rate based on the Company's mix of taxable and tax-exempt investments. Item C from Exhibit 1R addresses this income source.

The underwriting profit provision is determined as the target return on equity less the two previously determined sources of income. Item D provides this calculation.

PHARMACISTS MUTUAL INSURANCE COMPANY

ILLINOIS

**Pharmacy Services Professional Liability
Filing Summary**

Program Type	Inforce Premium	LCM	Compounding Rating Revision	Total Change	Indicated Change
Pharmacy Service Professional Liability	31,582	-18.2%	-4.0%	-21.5%	-9.9%

	Current <u>LCM</u>	Proposed <u>LCM</u>
Pharmacy Services Professional Liability	1.459	1.193

ILLINOIS

Rate Level Indications at 12/31/2010

Pharmacy Services Professional Liability	Accident Year					5 year
	2006	2007	2008	2009	2010	Total
(1) Adjusted Earned Premium	354	345	3,446	3,492	3,358	10,995
(2) Developed - Trended Losses	0	0	0	0	0	0
(3) Actual Loss Ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

	PSPL
(3) Actual Loss Ratio - 5 Year	0.0%
(4) Expected Loss Ratio	53.6%
(5) Indicated Change	-100.0%
(6) Credibility	15.0%
(7) Complement	85.0%
(8) Annual Trend	6.0%
(9) Weighted Indicated Chg	-9.9%
(10) Selected Change	-21.5%

- (1) Exhibit 4
- (2) Exhibit 7
- (3) (2) / (1)
- (4) Exhibit 8
- (5) ((3) / (4)) - 1.00

- (6) Exhibit 10
- (7) 1.0 - (6)
- (8) Exhibit 6
- (9) (5) * (6) + (7) * (8)

ILLINOIS

Rate Change History and Current Rate Level Factors

Pharmacy Services Professional Liability		
Effective Date	Rate Change	Cumulative Index
8/1/2001		1.000
7/1/2009	-5.00%	0.950

Year	Average Rate Level	Current Rate Level
2006	1.000	0.950
2007	1.000	0.950
2008	1.000	0.950
2009	0.994	0.956
2010	0.956	0.994

PHARMACISTS MUTUAL INSURANCE COMPANY

Exhibit 3

ILLINOIS
Exposure Trend

Selected Annual Exposure Trend 0.0%
Assumed Effective Date 12/1/2011

AY	(1)	(2)	(3)	(4)	(5)
2006	7/1/2006	6/1/2012	5.917	1.000	1.000
2007	7/1/2007	6/1/2012	4.917	1.000	1.000
2008	7/1/2008	6/1/2012	3.917	1.000	1.000
2009	7/1/2009	6/1/2012	2.917	1.000	1.000
2010	7/1/2010	6/1/2012	1.917	1.000	1.000

- (1) Average Written Date for experience years
- (2) Trend Date, average written date when new rates are expected to be in effect
- (3) Number of years between (1) and (2)
- (4) Annual Exposure Trend - assumed all premium trend is captured in rate change history.
- (5) Trend Factor

PHARMACISTS MUTUAL INSURANCE COMPANY

Exhibit 4

Pharmacy Services Professional Liability

Adjusted Earned Premium
ILLINOIS

Pharmacy Services Professional Liability

(1)	(2)	(3)	(4)	(5)
Accident	Actual	Current	Exposure	Adjusted
Year	Earned	Rate Level	Trend	Earned
	Premium	Factor	Factor	Premium
2006	373	0.950	1.000	354
2007	363	0.950	1.000	345
2008	3,627	0.950	1.000	3,446
2009	3,653	0.956	1.000	3,492
2010	3,378	0.994	1.000	3,358

Source: (2) Internal Reports
(3) Exhibit 2
(4) Exhibit 3
(5) = (2) * (3) * (4)

PHARMACISTS MUTUAL INSURANCE COMPANY

Exhibit 5.2

ILLINOIS
Loss Development - As of 12-31-2010

CW Direct & Assumed Cumulative Losses Reported (\$000's)										
Accident Year	Months of Development									
	12	24	36	48	60	72	84	96	108	120
2001	1,171	1,294	2,243	3,110	2,959	3,244	3,239	3,241	3,241	4,241
2002	645	1,852	3,658	5,054	5,195	5,201	5,206	6,021	6,171	
2003	898	3,012	3,160	5,056	5,353	5,313	5,248	4,498		
2004	1,553	5,091	8,936	9,058	9,711	10,746	11,709			
2005	2,045	3,460	5,521	6,817	6,783	7,483				
2006	3,183	6,626	7,492		10,732					
2007	2,377	5,917	7,110	6,033						
2008	1,836	2,980	3,505							
2009	1,512	948								
2010	2,114									

CW Direct Reported Loss Link Ratios										
Accident Year	Development Intervals									
	12:24	24:36	36:48	48:60	60:72	72:84	84:96	96:108	108:120	120:Ult
2001										
2002	2.871	1.975	1.382	1.028	1.001	1.001	1.157	1.025		
2003	3.354	1.049	1.600	1.059	0.993	0.988	0.857			
2004	3.278	1.755	1.014	1.072	1.107	1.090				
2005	1.692	1.596	1.235	0.995	1.103					
2006	2.082	1.131	1.322	1.084						
2007	2.489	1.202	0.849							
2008	1.623	1.176								
2009	0.627									

Summary of Direct Link Ratios										
	Development Intervals									
	12:24	24:36	36:48	48:60	60:72	72:84	84:96	96:108	108:120	120:Ult
Average	2.252	1.412	1.233	1.048	1.051	1.026	1.007	1.025		
Avg Excl H-L	2.339	1.372	1.238	1.053	1.052	1.001				
Weighted Avg	1.799	1.335	1.082	0.905	0.785	0.794	0.542			
3 Yr Wtd Avg	1.720	1.166	1.131	1.056	1.078	1.042	1.005			
Selected	2.252	1.412	1.233	1.048	1.051	1.026	1.007	1.025	1.000	1.000
Cumulative	4.571	2.030	1.438	1.166	1.113	1.059	1.032	1.025	1.000	1.000

PHARMACISTS MUTUAL INSURANCE COMPANY

Exhibit 6

Pharmacy Services Professional Liability

**Loss Trend
ILLINOIS**

Pharmacy Services Professional Liability

Selected Annual Loss Trend: 6.0%
Assumed Effective Date 12/1/2011

AY	(1)	(2)	(3)	(4)	(5)
2006	7/1/2006	12/1/2012	6.417	1.060	1.453
2007	7/1/2007	12/1/2012	5.417	1.060	1.371
2008	7/1/2008	12/1/2012	4.417	1.060	1.294
2009	7/1/2009	12/1/2012	3.417	1.060	1.220
2010	7/1/2010	12/1/2012	2.417	1.060	1.151

- (1) Average Loss Date for experience years
- (2) Trend Date, average loss date when new rates are expected to be in effect
- (3) Number of years between (1) and (2)
- (4) Annual Loss Trend - source: Industry averages for professional liability and medical mal
- (5) Trend Factor

PHARMACISTS MUTUAL INSURANCE COMPANY

Exhibit 7

Pharmacy Services Professional Liability
Trended Ultimate Losses
ILLINOIS

Pharmacy Service Professional Liability

(1)	(2)	(3a)	(4)	(5)
Accident Year	Actual Reported Losses	Loss Development Factor	Loss Trend Factor	Trended Ultimate Losses
2006	0	1.113	1.453	0
2007	0	1.166	1.371	0
2008	0	1.438	1.294	0
2009	0	2.030	1.220	0
2010	0	4.571	1.151	0

Source: (2) Internal Reports
(3a) Exhibit 6a
(3b) Exhibit 6b
(6) Exhibit 7
(7) = (3) * (4) * (5) * (6)

PHARMACISTS MUTUAL INSURANCE COMPANY

Exhibit 8

ILLINOIS
A/S Line 11.0
Underwriting Expense History

Countrywide (\$000's omitted)								
	2008		2009		2010		Total	
	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent
Written Premium	\$6,590		\$3,527		\$6,869		\$16,986	
Earned Premium	6,539		6,487		6,757		\$19,783	
Commission and Brokerage (W)	7	0.1%	40	1.1%	73	1.1%	\$120	0.7%
Other Acquisition Expense (W)	999	15.2%	1,020	28.9%	1,112	16.2%	\$3,131	18.4%
General Expense (E)	453	6.9%	472	7.3%	509	7.5%	\$1,434	7.2%
Taxes, Licenses, and Fees (W)	159	2.4%	154	4.4%	142	2.1%	\$455	2.7%
Incurring Loss	\$2,271		\$816		\$394		\$3,481	
Defense Expense	197	8.7%	119	14.6%	(177)	-44.9%	\$139	4.0%
Adjusting Expense	499	22.0%	430	52.7%	175	44.4%	\$1,104	31.7%
Total LAE	696	30.6%	549	67.3%	(2)	-0.5%	\$1,243	35.7%

State of (Actual Dollars)								
	2008		2009		2010		Total	
	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent
Written Premium	\$394,893		\$372,566		\$373,696		\$1,141,155	
Earned Premium	392,290		383,193		370,266		1,145,749	
Commission and Brokerage (W)	2,756	0.7%	2,538	0.7%	2,066	0.6%	7,360	0.6%
Taxes, Licenses, and Fees (W)	1,898	0.5%	3,729	1.0%	2,738	0.7%	8,365	0.7%
Incurring Loss	\$31,072		\$12,340		\$18,338		\$61,750	
Defense Expense	4,060	13.1%	14,840	120.3%	(7,640)	-41.7%	11,260	18.2%

Selected Expense Provisions	Total
Commission and Brokerage	0.0%
Other Acquisition Expense	16.0%
General Expense	7.5%
Taxes, Licenses, and Fees	2.2%
Total Underwriting Expenses	25.7%
Profit Provision	1.4%
Total Expense Provision	27.1%
Expected Loss & LAE Ratio	72.9%
Loss Adjustment Expense Ratio	36.0%
Expected Loss Ratio	53.6%

**ILLINOIS
Credibility**

If we assume a Poisson claim distribution, then CV is the coefficient of variation where:
CV = standard deviation/mean

Then the number of claims for full credibility = $N = n * (1 + CV^2)$

Based on a review of actual company data a coefficient of variation of 2.25 has been selected. This would imply that the number of claims needed for full credibility would be liability = 8,680.

Partial Credibility = $(\text{Actual number of claims} / N)^{.5}$

Accident Year	Pharmacy Services Professional Liability Reported		Total Claims
2006	0		0
2007	0		0
2008	0		0
2009	0		0
2010	0		0
Total	0		0

# Claims for Full Credibility	8,680	6,560
Calculated Credibility	0.0%	0.0%
Selected Credibility	15.0%	15.0%

PHARMACISTS MUTUAL INSURANCE COMPANY
Pharmacy Services Professional Liability

Calculation of Return on Equity

Exhibit 1R

Estimated Target Rate of Return on Equity
 (From Exhibit 5)

10.0%

	Percent of Premium		Percent of Surplus	
	Pre-Tax	After Tax	Pre-Tax	After Tax
A. Investment Income from Unearned Premium and Loss Reserves (From Exhibit 2)	5.1%	4.0%	7.7%	6.1%
B. Investment Income From Surplus (From Exhibit 2)	2.1%	1.7%	3.2%	2.5%
C. Underwriting Profit Provision (From Exhibit 3)	1.4%	0.9%	2.1%	1.4%
D. Total Sources of Return on Equity (Sum of B, C, and D)	8.7%	6.6%	13.0%	9.9%

NOTES

Premium to Surplus Ratio of 1.50 based on Exhibit 6

Investment Income taxed at effective rate of 0.209

Underwriting Profit taxed at corporate rate of 0.340

PHARMACISTS MUTUAL INSURANCE COMPANY
Pharmacy Services Professional Liability
ILLINOIS

Exhibit 2R

**Estimated Investment Earnings on Unearned Premium
Reserves and on Loss Reserves**

A. Unearned Premium Reserve			
1. Direct Earned Premium for Latest Available Year			\$6,757
2. Mean Unearned Premium Reserve: (1) x 50.9%			\$3,438
3. Deduction for Prepaid Expenses			
Commission and Brokerage Expense	8.0%		
Taxes, Licenses and Fees	2.2%		
50% of Other Acquisition Expense	4.0%		
50% of Company Operating Expense	3.8%		
Total	18.0%		
4. Deduction for Federal Taxes Payable			6.8%
5. Total Prepaid Expenses (2) x [(3) + (4)]			\$851
6. Net Subject to Investment (2) - (5)			\$2,587
B. Delayed Remission of Premium (Agents' Balances)			
1. Direct Earned Premium (A.1)			\$6,757
2. Average Agents' Balance			29.1%
3. Delayed Remission (1) x (2)			\$1,970
C. Loss Reserves			
1. Direct Earned Premium (A.1)			\$6,757
2a. Expected Incurred Losses and Loss Adjustment Ratio			74.3%
2b. Expected Incurred Losses and Loss			\$5,020
3a. Expected Mean Loss and LAE Reserve/Incurred Ratio			2.061
3b. Expected Mean Loss and LAE Reserves (3a)			\$10,349
D. Net Subject to Investment (A.6.) - (B.3.) + (C.3b.)			\$10,966
E. Average Rate of Return on Invested Assets			3.2%
F. Investment Earnings on Net Subject to Investment (D) x (E)			\$347
G. Average Rate of Return as a % of Direct Earned Premium (F) / (A.1)			5.1%
H. Average rate of Return as a % of Direct Earned Premium After Federal Income Taxes (G) x (1-0.2140)			4.0%

PHARMACISTS MUTUAL INSURANCE COMPANY
Pharmacy Services Professional Liability
ILLINOIS

Exhibit 2R

**Estimated Investment Earnings on Unearned Premium
Reserves and on Loss Reserves**

EXPLANATORY NOTES

Line A.1 Direct earned premiums are from Page 14 of the Annual Statement for line of insurance for the latest available year. \$6,757

Line A.2 Mean Unearned Premium Reserve

The mean direct unearned premium reserve is determined by multiplying the direct earned premium in line (A.1) by the countrywide ratio of the mean direct unearned premium reserve to the direct earned premium for the latest calendar year for the line of insurance

1. Direct Earned Premium for the latest calendar year	\$6,757
2. Direct Unearned Premium Reserve as of the end of prior year	3,392
3. Direct Unearned Premium Reserve as of end of latest year	3,484
4. Mean Direct Unearned Premium Reserve [(2) + (3)] / 2	3,438
5. Ratio (4)/(1)	50.9%

Line A.3 Deduction for prepaid expenses:

Production costs and a large part of the other company expenses are incurred when the policy is written, but before the premium is paid. Therefore, the deduction for these expenses is determined by use of the provision for expenses used in our ratemaking procedure.

Line A.4 Deduction for Federal Taxes Payable

The Tax Reform Act of 1986 taxes 20% of the unearned premium reserve. At a corporate tax rate of 34%, this tax equals 6.8% (.20 x .34 = .068) of the unearned premium reserve.

Line B.2 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. (000's omitted)

1. Net Earned Premium for the latest calendar year	\$98,356
2. Net Agents' Balances as of end of prior year	29,229
3. Net Agents' Balances as of end of latest year	28,108
4. Mean Agents' Balances 1/2 [(2) + (3)]	28,669
5. Ratio (4)/(1)	29.1%

The above percentage include the effect of agents' balances or uncollected premiums overdue for more than 90 days.

PHARMACISTS MUTUAL INSURANCE COMPANY
Pharmacy Services Professional Liability
ILLINOIS

Exhibit 2R

**Estimated Investment Earnings on Unearned Premium
Reserves and on Loss Reserves**

Line C.2 Expected Loss and LAE Ratio

The expected loss and LAE ratio is calculated by using an iterative approach. This ratio is dependent upon the underwriting expenses, the investment income from operations, the investment income from surplus, and the income tax on the underwriting profit. However, the investment income from operations and the underwriting profit are dependent on the expected loss and LAE ratio, as well as the target return on equity (ROE.) Starting with an initial value for the expected loss ratio, the values were calculated and recalculated until the values stabilized. The implied underwriting profit as well as the resulting components are shown in Exhibit 3. The resulting underwriting profit load implies a 10% ROE.

Line C.3 Mean Loss and LAE Reserves

The expected mean loss and loss expense reserves are determined by multiplying the expected incurred loss and loss expense in line (C.2) by the countrywide ratio of the mean loss and loss adjustment reserves to the incurred losses and loss adjustment expenses in the latest and prior calendar years. This ratio includes an adjustment for the estimated Federal Income Taxes payable due to discounting of loss reserves. (Source: Insurance Expense Exhibits) (000's omitted)

1. Incurred Loss and LAE for prior calendar year	\$1,365
2. Incurred Loss and LAE for current calendar year	\$392
3. Loss & LAE Reserves as of end of two years previous	\$6,130
4. Loss & LAE Reserves as of end of prior year	\$5,534
5. Loss & LAE Reserves as of end of current year	\$5,300
6. Mean Loss and LAE Reserves for prior year [(3) + (4)] / 2	\$5,832
7. Mean Loss and LAE Reserves for current year [(4) + (5)] / 2	\$5,417
8. Reserved/Incurred Ratio (6) / (1)	4.2725
9. Reserved/Incurred Ratio (7) / (2)	13.8189
10. Average of Reserved/Incurred Ratios [(8) + (9)] / 2	9.0457
11. Selected Mean Loss Reserve	2.1188
12. Estimated Reserve Discount	0.0798
13. Federal Taxes Payable (% of Reserves): (12) x .34	0.0271
14. After-tax Reserve/Incurred Ratio (11) x [1.0 - (13)]	2.0613

Line E Average Rate of Return

The rate of return is the ratio of net investment income earned plus realized capital gains to cash and invested assets (including interest, dividends, and real estate income due and accrued). (000's omitted)

<u>Year</u>	Net Investment Income Earned (In Thousands of Dollars)	Mean Cash and Invested Assets (In Thousands of Dollars)	(1)/(2) Rate of Return
Latest	\$5,019	\$169,850	3.0%
Prior	\$4,758	\$156,486	3.0%
Total	\$9,777	\$326,336	3.0%

<u>Year</u>	Realized Capital Gains (or Losses) (In Thousands of Dollars)	Mean Cash and Invested Assets (In Thousands of Dollars)	Rate of Return
Latest 5 Years	\$264	\$153,275	0.2%

Total Rate of Return: Net Investment Income Earned and Net Realized
Capital Gains (or Losses) 3.2%

PHARMACISTS MUTUAL INSURANCE COMPANY
Pharmacy Services Professional Liability
ILLINOIS

Exhibit 2R

**Estimated Investment Earnings on Unearned Premium
Reserves and on Loss Reserves**

Line H Federal Income Tax Adjustment on the Rate of Return

The average rate of Federal Income Tax was determined by applying the appropriate tax rates to the distribution of investment income earned and realized capital gains for the latest year. (000's omitted)

	<u>Investment Income Earned</u>	<u>Tax Rate</u>
<u>Bonds</u>		
Taxable	\$3,185	34.0%
Non-Taxable	<u>\$2,196</u>	<u>5.1%</u>
Total	<u>\$5,381</u>	<u>22.2%</u>
<u>Stocks (B)</u>		
Taxable	<u>\$727</u>	<u>13.8%</u>
Mortgage Loans and Real Estate	\$0	
Real Estate	\$312	
Collateral Loans	\$0	
Cash & Short Term Investments	\$15	
All Other	-\$14	
Sub-Total	<u>\$313</u>	<u>34.0%</u>
Total	<u>\$6,421</u>	21.8%
Realized Capital Gains (Non-Affiliates)	\$1,199	34.0%
Investment Deductions	\$1,406	34.0%
Net Investment Income Earned	\$6,214	21.4%

Notes

(A) 100% of the income on tax-exempt bonds is subject to proration; that is, 15% of that income is taxed at a full corporate income tax rate of 34%. The applicable tax rate is thus 5.1% ($1 \times .15 \times .34 = .051$).

(B) 30% of dividend income is subject to the full corporate income tax rate of 34%. 12.8% of the remaining dividend income on stocks is subject to proration; that is, 15% of the remaining 70% of dividend income is taxed at a rate of 34%. The applicable tax rate is thus $((.30 \times .34) + (1 \times .70 \times .15 \times .34) = .1377)$.

PHARMACISTS MUTUAL INSURANCE COMPANY

Exhibit 3R

ILLINOIS

Calculation of Permissible Loss and LAE Ratio

Rate of Return Implied Permissible Loss and LAE Ratio		
(1)	Total Underwriting Expenses (Exhibit 4)	25.7%
(2)	Permissible Loss and LAE Ratio = 1.00 + (6) + (7) - (1) - (5) - (8)	72.9%
(3)	Total Loss and Expense ' = (1) + (2)	98.6%
(4)	Underwriting Profit Provision = 1.00 - (3)	1.4%
(5)	Income Tax on Underwriting Profit = 0.34 x (4)	0.5%
(6)	Investment Income from Operations - After Tax = Exhibit 2, Page 2 - Line H	4.0%
(7)	Investment Income from Surplus - After Tax = [1.00/(9)] x Exhibit 2, Page 2, Line E x (1.00 - 0.214)	1.7%
(8)	Return as a Percent of Premium = (10)/(9)	6.7%
(9)	Premium to Surplus Ratio (Exhibit 6)	1.5
(10)	Desired After Tax Return on Equity (Exhibit 5)	10.0%

CONSOLIDATED INDUSTRY TOTALS - PROPERTY/CASUALTY

Exhibit 5R

ILLINOIS
(in millions)

	(1)	(2)	(3)	(4)	(5)	(6)
Year	Beginning of Year PHS	Net Income	Other Gain/Loss in PHS	\$ Total Return	Ending PHS	% Total Return
2001	332,207	20,559	(35,405)	(14,846)	317,361	-4.5%
2002	316,501	(6,970)	(19,925)	(26,895)	289,606	-8.5%
2003	294,538	9,169	(12,560)	(3,391)	291,147	-1.2%
2004	290,582	31,229	32,038	63,267	353,849	21.8%
2005	354,468	40,530	7,265	47,795	402,263	13.5%
2006	401,389	48,796	(11,455)	37,341	438,730	9.3%
2007	435,348	67,594	(1,735)	65,859	501,207	15.1%
2008	502,859	65,573	(31,244)	34,329	537,188	6.8%
2009	538,671	3,562	(67,052)	(63,490)	475,181	-11.8%
2010	477,640	31,348	22,620	53,968	531,608	11.3%
TOTAL	3,944,203	311,390	(117,453)	193,937	4,138,140	4.9%
Average All Years:						5.2%
Average Last 9 Years:						6.3%
Average Last 4 Years:						5.4%
Selected:						10.0%

Source: A.M. Best's Aggregates & Averages -- Property/Casualty

PHARMACISTS MUTUAL INSURANCE COMPANY

Exhibit 6R

ILLINOIS

Historical Premium to Surplus Ratios

Calendar Year	Direct Earned Premium	Surplus	Leverage Ratio
(000 omitted)			
2005	\$98,693	\$58,143	1.697
2006	\$103,100	\$64,425	1.600
2007	\$104,798	\$68,168	1.537
2008	\$104,962	\$54,290	1.933
2009	\$102,343	\$65,997	1.551
Total	\$513,896	\$311,023	
Selected Premium to Surplus Factor:			1.5

Section 754.EXHIBIT A Summary Sheet (Form RF-3)

FORM (RF-3)

SUMMARY SHEET

Change in Company's premium or rate level produced by rate revision effective 12/01/2011.

	(1) Coverage	(2) Annual Premium Volume (Illinois) *	(3) Percent Change (+or-) **
1.	Automobile Liability Private Passenger Commercial		
2.	Automobile Physical Damag 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 Medical Malpractice	\$31,582	-21.5%
	Life of Insurance		

Does filing only apply to certain territory (territories) or certain Classes? If so, specify: Not applicable

Brief description of filing. (If filing follows rates of an advisory Organization, specify organization):

We are revising the rating for Pharmacy Professional Liability Coverage based on compounding activities which we have determined to be a higher risk. We are also revising our loss cost multiplier.

*Adjusted to reflect all prior rate changes.

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

Pharmacists Mutual Insurance Company
Name of Company
Kenneth Andrews, Regional Vice President
Official – Title

ILLINOIS CERTIFICATION FOR MEDICAL MALPRACTICE RATES

(215 ILCS 5/155.18)(3) states that medical liability rates shall be certified in such filing by an officer of the company and a qualified actuary that the company's rates are based on sound actuarial principles and are not inconsistent with the company's experience.

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

I, Steven J Regnier, a duly authorized actuary of Regnier Consulting Group, Inc am authorized to certify on behalf of Pharmacists Mutual Insurance Company making this filing that the company's rates are based on sound actuarial principles and are not inconsistent with the company's experience, and that I am knowledgeable of the laws, regulations and bulletins applicable to the policy rates that are the subject of this filing.



Regional Vice President

09/09/2011

Signature and Title of Authorized Insurance Company Officer

Date



President, ACAS, MAA, FCA

10/13/2011

Signature, Title and Designation of Authorized Actuary

Date

Insurance Company FEIN 42-0223390 Filing Number PHAR-127317329

Insurer's Address 808 Hwy 18 W

City Algona State Iowa Zip Code 50511

Contact Person's:

-Name and E-mail Janine M MacVey janine.macvey@phmic.com

-Direct Telephone and Fax Number (515) 395-7207

PHARMACISTS MUTUAL INSURANCE COMPANY

Pharmacy Services Professional Liability ILLINOIS Rule Filing Memorandum

Pharmacists Mutual Insurance Company (PhMIC) is filing revisions to its Pharmacy Services Professional Liability (PSPL) Program. This program is specifically designed to provide Pharmacy Professional Liability coverage to a business entity that would not otherwise qualify for Pharmacists Mutual's Commercial Liability or Businessowners programs. This is a limited line for PhMIC; there are currently only 355 in-force policies countrywide.

We have revised the language of our manual rules and rates to correspond to recent revisions to pharmacy professional liability language and rating which was filed and approved for our Businessowners Program (BOP), in filing PHAR-126792355, and our Commercial Liability (CL) Program, in filing PHAR-127130595.

Over 90% of our commercial pharmacy professional liability coverage is written under our Businessowners Program, thus, we have used the BOP data as the basis for rating this coverage in all three programs under which we provide this coverage: BOP, CL and PSPL. Most of our insured will experience a rate decrease of 5%, as they do not perform the compounding activities which we have determined to be higher risk.

We have also provided, for your review and consideration, a state supplement which provides reference to the loss cost multiplier.

We would like for these revisions to become effective for all policies written on or after December 1, 2011.

Manual Revision Details

1. Rule 5 – PREMIUM DEVELOPMENT, Step 5
 - a. We are introducing rating and premium development directions for non-compounded and compounded prescriptions and risk management equipment used in processing non-compounded prescriptions, in order to determine the Pharmacy Services Professional Liability premium.
2. Rule 6.2 – Immunization Liability Coverage
 - a. This optional coverage may be provided for Immunization Liability when a non-employee immunization provider administers immunization on the insured's behalf.
3. Rule 6.3 – PHARMACY PROFESSIONAL LIABILITY EXTENSION
 - a. This coverage option has been added for a policyholder who closes or sells their business, but, wishes to extend pharmacy professional liability coverage beyond the policy cancellation date.

4. Rule 7 – INDIVIDUAL RISK PREMIUM MODIFICATION
 - a. We have revised and expanded the list of Risk Variations.

COUNTRYWIDE RATES –

1. 5.1 Pharmacy Risk Modification Factors - These factors are those referenced in the Premium Development for Rule 5.1. These are the same factors which were approved for our BOP and CL Programs.

PHARMACISTS MUTUAL INSURANCE COMPANY
Pharmacy Services Professional Liability Program
COUNTRYWIDE

Program Rules

RULE 1 -- PROGRAM DESCRIPTION

1.1 Policy Coverage

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

1.2 Policy Forms

The forms used to provide coverage are described below.

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

1.3 Policy Limits

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

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

1.3.1 Pharmacy Services Professional Liability Limits

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

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

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

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1.3.2 Limited Pharmacy License Defense Reimbursement Limits

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

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

1.4 Higher Limits

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

RULE 2 – POLICY WRITING INSTRUCTIONS

2.1 Policy Term

2.1.1 Annual

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

2.1.2 Less Than One Year

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

2.2 Cancellation

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

2.3 Policy Changes

Changes can be made to the policy after inception.

2.3.1 Additional Premium Changes

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

Calculate additional ~~premiums~~premium on a pro rata basis.

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

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2.3.2 Return Premium Changes

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

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

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

RULE 3 – LIABILITY DEDUCTIBLE

3.1 Deductible

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

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

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

3.2 Deductible Aggregate

3.2.1 Deductible Aggregate (Occurrence form)

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

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

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3.2.2 Deductible Aggregate (Claims-made form)

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

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

RULE 4 – ADDITIONAL INSURED

4.1 Additional Insured

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

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

RULE 5 – PREMIUM DEVELOPMENT

5.1 Calculation of Premium

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

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

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

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

Step 5 – For Each Location⁷:

A -multiply the results of Step 4 by the ~~locations's projected~~ annual pharmacy receipts ~~(~~ in \$000's thousands. Pharmacy receipts include the total ~~amounts~~ amount collected ~~from customers~~ for prescriptions, drugs, and pharmacy services⁷:

Step 6B - determine the percentage of filled prescriptions that falls into each of the following categories: (the sum of these 3 groups must equal 100%);

1) non-compounded prescriptions;

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- 2) non-sterile compounded prescriptions (involving only ingredients in manufacturer-produced dosage forms); and
- 3) all other compounded prescriptions.

C - Non-compounded prescription premium:

- 1) Multiply the result of Step 5. A. by the percentage of non-compounded prescriptions (B. 1.);
- 2) Multiply the result of Step C. 1. by the appropriate factor (Rate 5.1 - Table A).
- 3) When risk management equipment is utilized, multiply the result of Step C. 2. by the appropriate factor (Rate 5.1 - Table B).

D - Non-sterile compounded prescription premium:

- 1) Multiply the result of Step 5. A. by the percentage of non-sterile compounded prescriptions (B. 2.);
- 2) Multiply the result of Step D. 1. by the appropriate factor (Rate 5.1 - Table A).

E - All other compounded prescription premium:

- 1) Multiply the result of Step 5. A. by the percentage of all other compounded prescriptions (B. 3.);
- 2) Multiply the result of Step E. 1. by the appropriate factor (Rate 5.1 - Table A).

Step 6 - Add results of Step 5. C., D., and E. to determine the Pharmacy Services Professional Liability premium.

Step 7 - If the location has an additional insured, multiply the Additional Insured Factor (Rate 4.1) by the number of additional insureds to obtain the Total Additional Insured Factor. If no Additional Insureds, use 1.000. Multiply the Total Additional Insured Factor by the results of Step ~~5. If no Additional Insureds, use 0.6.~~

Step ~~7~~8 - Add the results of Step ~~5~~6 and Step ~~6~~7 for the base location premium.

Step ~~8~~9 - If form PM 500 is used, multiply the result of Step ~~7~~8 by the applicable Claims-Made Discount factor (Rate 8.2) to determine the claims-made base location premium. If form PM 307 is used, continue with ~~the~~Step ~~7~~10 premium.

Step ~~9~~10 - Determine the applicable individual risk premium modification (IRPM) as outlined in Rule 7. Convert the total credit or debit developed to an IRPM factor.

Step ~~10~~11 - Multiply the IRPM factor to the result of Step ~~8~~9. The resulting modified location premium is subject to the minimum location charge.

Step ~~11~~12 - Repeat Steps 5-~~10~~11 for each location.

Step ~~12~~13 - If Health Care Services Liability coverage is included, multiply the appropriate charge (Rate 6.1) by the number of eligible professional employees, as shown in Rule 6.1.

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Step ~~13~~14 - If form PM 500 is used, multiply the result of Step ~~12~~13 by the applicable Claims-Made Discount factor (Rate 8.2) to determine the claims-made Health Care Services Liability premium. If form PM 307 is used, continue with the Step ~~12~~15 premium.

Step ~~14~~15 - Multiply the IRPM factor determined in Step 910 by the result of Step ~~13~~14 to determine the modified Health Care Services Liability premium.

Step ~~15~~16 - Add the modified location premiums (from Step 11) for all locations to the modified Health Care Services Liability premium (from Step ~~14~~15) to determine the total policy premium.

RULE 6 – COVERAGE OPTIONS

6.1 Health Care Services Liability

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

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

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

Attach Endorsement PM 1110

6.2 Immunization Liability Coverage

Coverage may be provided for Immunization Liability when a non-employee immunization provider administers immunizations on the insured's behalf.

The additional premium charge is computed by pro-rating the annual Health Care Services Liability per person charge, from Rule 6.1, for the period that Immunization Liability Coverage is provided, subject to a minimum \$100.00 premium.

Rule 7, Individual Risk Premium Modification, does not apply. Immunization Liability Coverage minimum premium is in addition to any policy minimum premiums.

Attach endorsement PM 1130P.

6.3 Pharmacy Services Professional Liability Extension

This option is only available when the Pharmacy Services Professional Liability policy, Occurrence Form PM 307, is being cancelled at the insured's request due to the sale or closure of the business.

Pharmacy Professional Liability coverage can be extended for bodily injury or property damage which occurs after the policy cancellation date, provided that the

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incident causing the bodily injury or property damage, such as dispensing a prescription, occurred while the policy was in force.

The extension term is provided for a maximum of 6-months, beginning on the policy cancellation date and ending after 182 days, unless other dates are shown on the policy endorsement.

To determine the additional premium for this Extension, multiply the policy's annual Pharmacy Services Professional Liability premium (Rule 5) by 2.0%, subject to a minimum \$100.00 premium. The additional premium charged is fully earned and cannot be cancelled once accepted.

Rule 7, Individual Risk Premium Modification, does not apply. Pharmacy Professional Liability Extension minimum premium is in addition to any policy minimum premiums.

Attach endorsement PM 1118P

RULE 7 – INDIVIDUAL RISK PREMIUM MODIFICATION

7.1 Individual Risk Premium Modification

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

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

RISK VARIATIONS	Range of Modifications	
	CREDIT	DEBIT
1. Management qualifications and experience	5%	to 5%
2. Employee training and supervision	10%	to 10%
3. Special Loss Control procedures taken	10%	to 10%
4. Care and condition of pharmacy area	10%	to 10%
5. Professional liability claims experience	10%	to 10%
<u>(1) Cooperation with insurer recommendations and/or industry standards with respect to risk management procedures</u>	<u>-10%</u>	<u>to +10%</u>
<u>(2) Employees: selection, training, supervision, experience</u>	<u>- 5%</u>	<u>to + 5%</u>
<u>(3) Professional liability claims experience</u>	<u>-10%</u>	<u>to +10%</u>
<u>(4) Professional accreditation/sanction</u>	<u>- 15%</u>	<u>to +15%</u>
<u>(5) Professional services provided</u>	<u>-10%</u>	<u>to +10%</u>
<u>(6) Quality control procedures</u>	<u>-10%</u>	<u>to +10%</u>

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

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

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

8.1 Retroactive Date

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

Show the applicable Retroactive Date on the policy declarations.

8.2 Claims-Made Discount Factor

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

8.3 Extended Reporting Period

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

8.3.1 Basic Extended Reporting Period

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

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

No additional endorsement is required.

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8.3.2 Supplemental Extended Reporting Period

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

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

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

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

Attach endorsement PM 501.

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COUNTRYWIDE RATES

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

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

Minimum Location Charge \$ 750.00

3.1 Deductible Factors

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

4.1 Additional Insured Factor 0.10

5.1 Pharmacy Risk Modification Factors

Table A

<u>Prescription Category</u>	<u>Factor</u>
<u>Non-Compounded</u>	<u>0.95</u>
<u>Non-Sterile Compounded</u>	<u>1.00</u>
<u>All other compounded</u>	<u>1.25</u>

Table B

<u>Risk Management Equipment Count</u>	<u>Factor</u>
<u>1</u>	<u>0.95</u>
<u>2</u>	<u>0.90</u>
<u>3+</u>	<u>0.85</u>

6.1 Health Care Services Liability

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

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8.2 Claims-Made Discount Factor

<u>Year</u>	<u>Factor</u>
1 Year	0.84
2 Years	0.92
3 Years	0.97
4 Years	0.99
5 Years +	1.00

8.3 Extended Reporting Period Options

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

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PROGRAM RULES

LOSS COST MULTIPLIER

A loss cost multiplier of 1.189 will be applied to all "Loss Costs" as established in the Pharmacists Mutual Insurance Company Pharmacy Services Professional Liability Program Manual.

8.2 Claims-Made Discount Factor has been withdrawn from the Countrywide Rates and replaced by the following:

8.2 Claims-Made Discount Factor

<u>Year</u>	<u>Factor</u>
1 Year	.74
2 Years	.90
3 Years	.95
4 Years	.98
5 Years +	1.00