



American Alternative Insurance Corporation

555 College Road East
Princeton, NJ 08543-5241

Phone: 800-305-4954
Fax: 609-951-8310

January 4, 2005

Ms. Gayle Neuman
Illinois Department of Financial and Professional Regulation
Division of Insurance
320 West Washington Street
Springfield, IL 62767

**RE: American Alternative Insurance Corporation (AAIC)
NAIC No. 361-19720 / FEIN No. 52-2048110
Commercial Liability Insurance – General/Professional/Medical Mal.
Rate/Rule Filing
National Hospice and Palliative Care Organization Program
NHO Risk Purchasing Group
Our File No. GL IL0164501C02**

Dear Ms. Neuman,

American Alternative Insurance Corporation (AAIC) recently submitted a rate/rule and form filing under filing # GL IL0164501C01. We hereby replace the rate/rule portion of that filing with the enclosed new/revised rate/rule filing. We wish for the department to continue their review of the forms contained in GL IL0164501C01.

As required, we have separated the General Liability and Professional Liability rates from each other (see enclosed manual pages). Please note however, that we are unable to give an exact measure of the rate level impact separated out for GL and PL since our prior/current filings include one base class rate for both GL and PL. As such, we have noted the overall impact of the filing instead.

The purpose of this filing is to revise our National Hospice and Palliative Care Organization Program filing (for use by the NHO Risk Purchasing Group) which is currently on file with your department. Please refer to the attached explanatory memorandums for further detail on the changes being proposed.

Please note that the material contained in this submission will replace our currently approved Hospice Program filings for General Liability/Professional Liability in its entirety. However, we are not proposing any changes to the D&O portion of our program at this time

The following is enclosed, in this order, for your review:

- 1) Filing Transmittal Forms
- 2) Rate/Rule Explanatory Memorandums
- 3) Copies of Proposed Rates/Rules

We propose that this filing apply to all policies effective on or after March 1, 2005.

Your early acknowledgment is appreciated. I have enclosed an extra copy of this submission to be stamped upon your acknowledgment and returned to me in the self-addressed, stamped envelope provided.

Should you have any questions regarding this submission, please do not hesitate to contact me.

Sincerely,



Beth MacDougall, CPCU
State Filing Manager
bmacdougall@amre.com
(609) 243-5540

Property & Casualty Transmittal Document (Revised 1/1/04)

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:

f. State Filing #:

g. SERFF Filing #:

3. Group Name _____ **Group NAIC #** 0361

4.	Company Names(s)	Domicile	NAIC #	FEIN #
	American Alternative Insurance Corporation	DE	19720	52-2048110

5. Company Tracking Number GL IL0164501C02

Contact Info of Filer(s) or Corporate Officer(s) [include toll-free number]

6.	Name and Address	Title	Telephone #s	FAX #	e-mail
	Beth MacDougall 555 College Road East Princeton NJ 08543-5241	State Filing Manager	800-305-4954 Ext. 5540	609-951-8310	bmacdougall@amre.com

7. Signature of Authorized Filer *Beth MacDougall*

8. Please print name of authorized filer Beth MacDougall

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

9. Type of Insurance (TOI)	Commercial Liability
10. Sub-Type of Insurance (Sub-TOI)	General Liability/Professional Liability
11. State Specific Product Code(s) (if applicable) [See State Specific Requirements]	-
12. Company Program Title (Marketing Title)	National Hospice and Palliative Care Organization Program
13. Filing Type	<input type="checkbox"/> Rate/Loss Cost <input type="checkbox"/> Rules <input checked="" type="checkbox"/> Rates/Rules <input type="checkbox"/> Forms <input type="checkbox"/> Combination Rates/Rules/Forms <input type="checkbox"/> Withdrawal <input type="checkbox"/> Other (give description)
14. Effective Date(s) Requested	New: 3-1-05 Renewal: 3-1-05
15. Reference Filing?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
16. Reference Organization (if applicable)	NA
17. Reference Organization # & Title	NA
18. Company's Date of Filing	1-04-05
19. Status of filing in domicile	<input type="checkbox"/> Not Filed <input type="checkbox"/> Pending <input checked="" type="checkbox"/> Authorized <input type="checkbox"/> Disapproved

Property & Casualty Transmittal Document

20.	This filing transmittal is part of Company Tracking #	GL IL0164501C02
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21.	Filing Description [This area should be similar to the body of a cover letter and is a free-form text]
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Revision to our National Hospice and Palliative Care Organization Program (Rates/Rules). RPG.

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]
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Check #:
Amount:

NA

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

***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 and Rule or Rate, etc.)

(Do not refer to the body of the filing for the component/exhibit listing.)

1.	This filing transmittal is part of Company Tracking #	GL IL0164501C02
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2.	This filing corresponds to form filing number (Company Tracking number of form filing, if applicable)	GL IL0164501C01
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Rate Increase
 Rate Decrease
 Rate Neutral (0%)

3.	Overall percentage rate impact for this filing	+64.2%
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4.	Effect of Rate Filing - Written Premium change for this program	+\$227,803
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5.	Effect of Rate Filing - Number of policyholders	30
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6.	Filing Method (Prior Approval, File & Use, Flex Band, etc.)	U&F
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7. Rate Change by Company			
Company Name	Percentage Change for this program	# of policyholders for this program	Written premium for this program
American Alternative Insurance Corporation	+64.2%	30	+\$227,803

8.	Overall Percentage of last rate revision	NA - Initial Filing
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9.	Effective Date of last rate revision	1-31-01
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10.	Filing Method of Last filing (Prior Approval, File & Use, Flex Band, etc.)	U&F
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11.	Exhibit Name/Description /Synopsis	Rule # or Page #	Replacement or Withdrawn?	Previous state filing number, if required by state
01	Hospice Program Rate/Rule Pages	HGL-1 thru HGL-10 (03-05)	<input checked="" type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn <input type="checkbox"/> Neither	GL IL0102201C01
02			<input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn <input type="checkbox"/> Neither	
03			<input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn <input type="checkbox"/> Neither	
04			<input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn <input type="checkbox"/> Neither	
05			<input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn <input type="checkbox"/> Neither	

To be complete, a rate/rule filing must include the following:

1. A completed Rate/Rule Filing Schedule (PC RRFS-1) (Do not refer to the body of the filing for the component/exhibit listing) and,
2. A completed Property & Casualty Transmittal Document (PC TD-1) and,
3. One copy of all rate/rule component/exhibits submitted with the filing, and
4. The appropriate state review requirements, if required, and,
5. The appropriate filing fees, if required, and
6. A postage-paid, self-addressed envelope large enough to accommodate the return
7. You should refer to each state's checklist for additional state specific requirements (i.e. # of additional copies required, other state specific forms, etc.)

PC RRFS-1

SUMMARY SHEET

Change in Company's premium or rate level produced by rate revision effective 3-1-2005

(1) Coverage	(2) Annual Premium Volume (Illinois)*	(3) Percent Change (+ or -)**
1. Automobile Liability Private Passenger	_____	_____
Commercial	_____	_____
2. Automobile Physical Damage Private Passenger	_____	_____
Commercial	_____	_____
3. Liability Other Than Auto	354,834	+64.2%
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 _____	_____	_____
Line of Insurance		

Does filing only apply to certain territory (territories) or certain classes?
If so, specify: N/A

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

* Adjusted to reflect all prior rate changes.
** Change in Company's premium level which will result from application of new rates.

American Alternative Insurance Corporation
Name of Company

Stephen J. Corbett - Vice President
Official - Title

**American Alternative Insurance Corporation
National Hospice and Palliative Care Organization Program
Professional/General Liability**



Actuarial Memorandum Table of Contents

Illinois

Exhibit/ Pages	Description	
Pages 1-2	Explanatory Memorandum	
Exhibit 1	Professional/General Liability Rate Indication Page 1 – Illinois Page 2 – Countrywide	
Exhibit 2	Loss Development Factors	
Exhibit 3	Loss Trend Factors	
Exhibit 4	Investment Income	
Appendix A	Explanation of Professional/General Liability Rate Indication Methodology	



**American Alternative Insurance Corporation
National Hospice and Palliative Care Organization Program
Professional/General Liability Proposed Rate Changes**

Explanatory Memorandum

Illinois

OVERVIEW

In late 2000, the National Hospice and Palliative Care Organization (NHPCO), a risk purchasing group, filed to change insurance carriers from Legion Insurance Company to American Alternative Insurance Corporation (AAIC). Consequently, effective January 1, 2001, AAIC became the insurance program administrator of this program, insuring all of the Property and Casualty exposures relevant to Hospice and Home Health Care agencies. Due to the strict timeframes involved with filing this program in order to provide uninterrupted coverage to insureds at the time, AAIC filed the same rates used by the previous insurance carrier for Professional/General Liability Coverage. However, based on our Professional/General Liability coverage experience since 2001, we now believe the previous carriers' rates were inadequate for this line of business, and did not adequately account for all of the unique exposures faced by Hospice and Home Health Care agencies. Therefore, we have decided to increase our filed rates and revise our rating plan for Professional/General Liability coverage in this program. The proposed effective date of this filing is March 1, 2005.

EXPOSURE BASES – Current vs. Proposed

As a result of the underwriting experience gained since 2001, we've identified a number of unique exposures faced by Hospice and Home Health Care agencies that are not explicitly accounted for in our current Professional/General Liability rating plan, but which present significant risk that can vary greatly from one purchasing group member to the next. Therefore, we propose introducing explicit rates for the following exposures: Physicians, Nurse Practitioners, Bereavement camps, In-house pharmacies, Medical equipment, and Wellness programs. Due to the low claim frequency, high claim severity nature of this line of business and considering our relatively small volume of business, the selected rates for these exposures are based on current industry rates. The rates for Physicians and Nurse Practitioners are based on a review of the October 2003 edition of the Medical Liability Monitor, an annual physician liability insurance rate survey of the largest insurance carriers writing this line of business in each state. The rates for Bereavement camps, In-house pharmacies, Medical equipment, and Wellness programs, are based on a review of Insurance Services Office (ISO) loss costs and Estimated Loss Potentials (ELP's) for similar exposures, adjusted for our expense levels.

Since information on the new exposure bases is not readily available to re-rate our entire book of business, we estimated the rate level impact of the above changes based on a sampling of over 20% of our book of business in Illinois. The estimated rate level impact of all changes discussed above for Professional/General Liability in the state is +64.2%. The justification for this rate change can be found in the remaining attached exhibits.

**American Alternative Insurance Corporation
National Hospice and Palliative Care Organization Program
Professional/General Liability Proposed Rate Changes**



Explanatory Memorandum

Illinois

Bearing in mind the limitations of our own experience, as respects credibility, and the inherent variability between estimates of projected vs. actual rates, we believe the requested changes are not excessive, inadequate, or unfairly discriminatory.

**HOSPICE PROGRAM
ILLINOIS
PROFESSIONAL/GENERAL LIABILITY RATE INDICATION
Total Limits
Data evaluated as of 6/30/04**

PREMIUM ADJUSTMENTS:

	(1)	(2)	(3)	(4)	(5)
Calendar/ Accident Year*	Written Premium	Manual Earned Premium	On-Level Factor	Exposure Trend	Trended EP at Current Level <u>(2)x(3)x(4)</u>
2001	119,671	59,963	1.000	1.000	59,963
2002	150,461	141,915	1.000	1.000	141,915
2003	227,208	173,267	1.000	1.000	173,267

LOSS ADJUSTMENTS:

	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Calendar/ Accident Year*	Reported Loss+ALAE Limited to <u>\$1,000,000</u>	Excess Loss+ALAE Load	Loss+ALAE Development Factor	Loss Trend Factor	ULAE Adjustment Factor	Developed Trended Loss+LAE <u>(6)x(7)x(8)x(9)x(10)</u>	Projected Loss+LAE Ratio <u>(11)/(5)</u>	Experience Year Weights
2001	209	1.000	1.145	1.525	1.100	402	0.7%	20%
2002	125,507	1.000	1.319	1.395	1.100	254,020	179.0%	30%
2003	22,199	1.000	1.617	1.275	1.100	50,331	29.0%	50%

EXPENSE ITEMS:

(14) Commission	7.0%
(15) Other Acquisition	15.5%
(16) General	9.3%
(17) Taxes,Licenses,Fees	1.5%
(18) P&C incl Inv Inc	0.7%
	<u>34.0%</u>
(19) Expected Loss+LAE Ratio	66.0%

CALCULATION OF INDICATED RATE NEED:

	(20)	(21)
	Total # of Incurred Claims for Exp. Period	Credibility Weights
(22) Weighted Projected Loss+LAE Ratio	68.4%	5
(23) Countrywide Projected Loss+LAE Ratio	154.1%	252
(24) Trended Expected Loss+LAE Ratio	96.3%	6.0%
(25) Credibility Weighted Loss+LAE Ratio	114.2%	34.0%
(26) Expected Loss+LAE Ratio	66.0%	60.0%
(27) Indicated Manual Rate Change	73.1%	

* For claims-made, data is on a reported year basis.

**HOSPICE PROGRAM
COUNTRYWIDE
PROFESSIONAL/GENERAL LIABILITY RATE INDICATION
Total Limits
Data evaluated as of 6/30/04**

PREMIUM ADJUSTMENTS:					
	(1)	(2)	(3)	(4)	(5)
Calendar/ Accident Year*	Written Premium	Manual Earned Premium	On-Level Factor	Exposure Trend	Trended EP at Current Level (2)x(3)x(4)
2001	3,534,885	1,826,570	1.000	1.000	1,826,570
2002	4,945,520	4,029,282	1.000	1.000	4,029,282
2003	8,809,397	6,247,655	1.000	1.000	6,247,655

LOSS ADJUSTMENTS:								
	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Calendar/ Accident Year*	Reported Loss+ALAE Limited to \$1,000,000	Excess Loss+ALAE Load	Loss+ALAE Development Factor	Loss Trend Factor	ULAE Adjustment Factor	Developed Trended Loss+LAE (6)x(7)x(8)x(9)x(10)	Projected Loss+LAE Ratio (11)/(5)	Experience Year Weights
2001	2,030,191	1.000	1.156	1.525	1.100	3,937,543	215.6%	20%
2002	2,757,064	1.000	1.340	1.395	1.100	5,670,332	140.7%	30%
2003	3,682,508	1.000	1.663	1.275	1.100	8,586,485	137.4%	50%

EXPENSE ITEMS:	
(14) Commission	7.0%
(15) Other Acquisition	15.5%
(16) General	9.3%
(17) Taxes, Licenses, Fees	2.9%
(18) P&C incl Inv Inc	-1.3%
	33.4%
(19) Expected Loss+LAE Ratio	66.6%

CALCULATION OF INDICATED RATE NEED:		
	(20)	(21)
	Total # of Incurred Claims for Exp. Period	Credibility Weights
(22) Weighted Projected Loss+LAE Ratio	154.1%	40.0%
(23) Trended Expected Loss+LAE Ratio	97.1%	60.0%
(24) Credibility Weighted Loss+LAE Ratio	119.9%	
(25) Expected Loss+LAE Ratio	66.6%	
(26) Indicated Manual Rate Change	80.1%	

* For claims-made, data is on a reported year basis.

**American Alternative Insurance Corporation
National Hospice and Palliative Care Organization Program
Professional/General Liability**

Exhibit 2

Incurred Loss plus ALAE Development Factors

Age (Months)	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Age-to-Age Factors		Age-to-Ultimate Factors		Percent Reported		
	ISO Hospital Professional Liability	ISO Owner's, Landlord's, and Tenants	ISO Hospital Professional Liability	ISO Owner's, Landlord's, and Tenants	ISO Hospital Professional Liability	ISO Owner's, Landlord's, and Tenants	Weighted
123 to ult	1.001	1.027	1.001	1.027	0.999	0.973	0.995
111-123	0.988	1.001	0.989	1.028	1.011	0.972	1.005
99-111	0.994	1.003	0.983	1.031	1.017	0.970	1.010
87-99	1.011	1.005	0.994	1.037	1.006	0.965	1.000
75-87	1.042	1.009	1.036	1.046	0.966	0.956	0.964
63-75	1.003	1.015	1.039	1.062	0.963	0.942	0.960
51-63	1.034	1.043	1.074	1.107	0.931	0.903	0.927
39-51	1.081	1.093	1.161	1.210	0.861	0.826	0.856
27-39	1.165	1.242	1.353	1.503	0.739	0.665	0.728
15-27	1.214	1.466	1.642	2.204	0.609	0.454	0.586
				Weights	85%	15%	100%

Age (Months)	(8)	(9)	(10)
	Weighted Percent Reported	Weighted Age-to- Ultimate Factors	Selected Age-to- Ultimate Factors
114 to ult	1.003	0.997	0.997
102 to ult	1.009	0.991	0.991
90 to ult	1.002	0.998	0.998
78 to ult	0.973	1.028	1.028
66 to ult	0.961	1.041	1.041
54 to ult	0.935	1.070	1.070
42 to ult	0.873	1.145	1.145
30 to ult	0.758	1.319	1.319
18 to ult	0.618	1.617	1.617

Column Notes:

(1), (3) Source: ISO HPL Circular AS-PR-2004-004, page 42, Best 3/5

(2), (4) Source: ISO OL+T Circular AS-GL-2004-029, page 69, Best 3/5

(5) = 1 / (3)

(6) = 1 / (4)

(7) = [(5) x 85%] + [(6) x 15%] (Based on assumed split of Professional and General Liability exposure)

(8) 18 to ult = [(7) 27-39 / (7) 15-27] ^ (3/12) x (7) 15-27

(9) = 1 / (8)

**American Alternative Insurance Corporation
National Hospice and Palliative Care Organization Program
Professional/General Liability**

Exhibit 3

Loss Trend

LINE OF BUSINESS*	1997	1998	1999	2000	2001	2002	2003	Weights**
<i>General Liability</i> - Premises / Operations Loss Severity Trend	1.465	1.364	1.264	1.192	1.147	1.103	1.050	15%
<i>General Liability</i> - Premises / Operations Loss Frequency Trend	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
<i>General Liability</i> - Premises / Operations Total Loss Trend	1.465	1.364	1.264	1.192	1.147	1.103	1.050	
<i>Hospital Professional Liability</i> - Premises / Operations Loss Severity Trend	1.659	1.543	1.436	1.335	1.242	1.156	1.075	85%
<i>Hospice Professional Liability</i> - Premises / Operations Loss Frequency Trend	1.189	1.160	1.131	1.104	1.077	1.051	1.025	
<i>Hospice Professional Liability</i> - Premises / Operations Total Loss Trend	1.972	1.790	1.624	1.474	1.338	1.214	1.102	
<i>Professional/General Liability</i> - Premises / Operations Total Loss Trend	1.896	1.726	1.570	1.432	1.309	1.197	1.094	100%

*Loss Trend Sources: General Liability: ISO Circular AS-GL-2004-015; Hospital Professional Liability: ISO Circular AS-PR-2004-008.

Total Loss Trend = [Loss Severity Trend] x [Loss Frequency Trend]

** Assumed split of Professional and General Liability exposure.

Note: Trend shown here is to an average accident date of 7-1-2004. In order to replicate the trend used in the indications, additional trend must be applied from 7-1-2004 to the average accident date underlying the proposed rates, 3-1-2006. The latest year's annual trend raised to the appropriate power is used to accomplish this.

Factors used in the rate indications are as follows:

$$2001 = 1.309 \times (1.094 \wedge 1.7) = 1.525$$

$$2002 = 1.197 \times (1.094 \wedge 1.7) = 1.395$$

$$2003 = 1.094 \wedge 2.7 = 1.275$$

MEDICAL MALPRACTICE CLAIMS MADE

AMERICAN ALTERNATIVE INSURANCE CORPORATION
INVESTMENT INCOME
MEDICAL MALPRACTICE CLAIMS MADE : COUNTRYWIDE

2003 AAIC Direct Written Premium (000 omitted)	6,281
2003 AAIC Direct Earned Premium (000 omitted)	4,784

Given AAIC's small premium volume, we have based our analysis on industrywide statistics available from One Source (see attached notes)

UNEARNED PREMIUM :

1 - Countrywide Calendar Year 2002 Direct Earned Premium		8,888,823
2 - Mean Unearned Premiums:		
A. Calendar Year 2001 Unearned Premium	3,249,152	
B. Calendar Year 2002 Unearned Premium	3,983,755	
C. Mean Unearned Premium [(A+B)/2]		3,616,454
3 - Deduction for Delayed Remission of Premium (All Lines):		
A. Countrywide Calendar Year 2002 Direct Earned Premium	389,467,310	
B. Direct Agents Balances due @ 12/31/2001	79,354,129	
C. Direct Agents Balances due @ 12/31/2002	86,692,454	
D. Mean Agents Balance [(B+C)/2]	83,023,292	
E. Ratio [D/A]	21.3%	
F. Deduction for Delayed Remission of Premium (1) x E		1,894,843
4 - Deduction for Prepaid Expenses		
A. Countrywide Calendar Year 2002 Net Premium Earned	6,938,985	
B. Commission & Brokerage	401,976	
C. 50% Other Acquisition	114,132	
D. 50% General Expenses	250,888	
E. Taxes, Licenses & Fees	192,652	
F. Total Prepaid Expenses [B+C+D+E]	959,648	
G. Ratio [F/A]	13.8%	
H. Deduction for Prepaid Expenses [(2C) x G]		500,148
5 - Net Subject to Investment [(2C)-(3F)-(4H)]		1,221,463

LOSS RESERVES:

6 - Expected Incurred Losses	(1) * PLR= 0.491	4,364,412
7 - Expected mean loss reserves:		
A. Calendar Year 2002 Direct Loss Reserve	22,545,480	
B. Calendar Year 2001 Direct Loss Reserve	20,596,547	
C. Mean Loss Reserve [(A + B)/2]	21,571,014	
D. Calendar Year 2002 Direct Incurred Losses	8,302,478	
E. Ratio [C/D]	259.8%	
F. Calendar Year 2001 Direct Loss Reserve	20,596,547	
G. Calendar Year 2000 Direct Loss Reserve	20,204,696	
H. Mean Loss Reserve [(F + G)/2]	20,400,622	
I. Calendar Year 2001 Direct Incurred Losses	7,000,991	
J. Ratio [H/I]	291.4%	
K. Average [(E + J)/2]	275.6%	
L. Selected Loss Reserve Ratio	170.0%	
M. Expected Mean Loss Reserves [(6) x L]		7,419,500

MEDICAL MALPRACTICE CLAIMS MADE

AMERICAN ALTERNATIVE INSURANCE CORPORATION
INVESTMENT INCOME
MEDICAL MALPRACTICE CLAIMS MADE : COUNTRYWIDE

8 - Expected mean loss and loss adjustment expense reserve:		
A. Calendar Year 2002 Net Loss Reserves	9,877,082	
B. Calendar Year 2001 Net Loss Reserves	9,437,334	
C. Mean Net Loss Reserve [(A + B)/2]	9,657,208	
D. Calendar Year 2002 Net Loss Adjustment Expense Reserve	3,415,560	
E. Calendar Year 2001 Net Loss Adjustment Expense Reserve	3,102,245	
F. Mean Net Loss Adjustment Expense Reserve [(D + E)/2]	3,258,903	
G. Ratio [1 + (F/C)]	1.34	
H. Expected mean loss and loss adjustment expense reserve [(7M) x G]		9,923,270
TOTAL:		
9 - Total net subject to investment [(5) + (8H)]		11,144,733
10 - Pre-Tax rate of return		
A. Net investment income for latest calendar year	42,977,974	
B. Assets available for investment for Calendar Year 2002	842,216,284	
C. Assets available for investment for Calendar Year 2001	794,620,571	
D. Mean assets available for investment [(B+C)/2]	818,418,428	
E. Pre-tax rate of return [A/D]		5.3%
11 - Investment earnings on total net subject to investment [(9) x (10E)]		585,248
12 - Federal Income Tax Rate		35.0%
13 - Average after-tax rate of return as a percentage of earned premium [(11) x {1-(12)}] / (1)		4.3%

MEDICAL MALPRACTICE CLAIMS MADE

AMERICAN ALTERNATIVE INSURANCE CORPORATION
INVESTMENT INCOME
MEDICAL MALPRACTICE CLAIMS MADE : COUNTRYWIDE

NOTES:

Line 1	One Source - Page 24 (Statutory Page 14) - 2002		column 2,	Direct Premiums Earned	Line 11
Line 2A	One Source - Page 24 (Statutory Page 14) - 2001		column 4,	Direct Unearned Premium Reserves	Line 11
Line 2B	One Source - Page 24 (Statutory Page 14) - 2002		column 4,	Direct Unearned Premium Reserves	Line 11
Line 3A	One Source -- 2003 Edition	Schedule T	column 3,	Direct Premiums Earned, Totals	
Line 3B	One Source -- 2003 Edition	AS Page 2,	column 4, Prior Year	Line 10.1 + Line10.2	
Line 3C	One Source -- 2003 Edition	AS Page 2,	column 3,	Line 10.1 + Line10.2, net admitted assets	
Line 4A	One Source -- 2003 Edition	IEE Part II,	column 3,	(IEE4) Premiums Earned	Line 11
Lines 4B-E	One Source -- 2003 Edition	IEE Part II,	cols 23, 25, 27, 29	(IEE5)	Line 11
Line 6	PLR = 1 - AAIC expense selections				
Line 7A	One Source - Page 24 (Statutory Page 14) - 2002		column 7,	Direct Losses Unpaid	Section 2
Line 7B	One Source - Page 24 (Statutory Page 14) - 2001		column 7,	Direct Losses Unpaid	Section 2
Line 7D	One Source - Page 24 (Statutory Page 14) - 2002		column 6,	Direct Losses Incurred	Section 2
Line 7F	One Source - Page 24 (Statutory Page 14) - 2001		column 7,	Direct Losses Unpaid	Section 2
Line 7G	One Source - Page 24 (Statutory Page 14) - 2000		column 7,	Direct Losses Unpaid	Section 2
Line 7I	One Source - Page 24 (Statutory Page 14) - 2001		column 6,	Direct Losses Incurred	Section 2
Line 7L	Selected Loss Reserve Ratio based on IRS 2002 Loss Payout Patterns for Medical Malpractice Claims Made and AAIC's years of operation (began writing Refer to next page of this exhibit.				
Line 8A	One Source -- 2003 Edition	U&I Part 2A - 2002	column 8,	Net Losses Unpaid	Line 11
Line 8B	One Source -- 2002 Edition	U&I Part 3A - 2001	column 8,	Net Losses Unpaid	Line 11
Line 8D	One Source -- 2003 Edition	U&I Part 2A - 2002	column 9,	Unpaid Loss Adjustment Expenses	Line 11
Line 8E	One Source -- 2002 Edition	U&I Part 3A - 2001	column 9,	Unpaid Loss Adjustment Expenses	Line 11
Line 10A	One Source -- 2003 Edition	AS Page 4 - 2002	column 1, current year	Line 11	
Line 10B	One Source -- 2003 Edition	AS Page 2 - 2002	column 3, current year	Line 9, Net Admitted Assets	
Line 10C	One Source -- 2003 Edition	AS Page 2 - 2002	column 4, prior year	Line 9, Net Admitted Assets	

AMERICAN ALTERNATIVE INSURANCE CORPORATION
INDUSTRY MEDICAL MALPRACTICE CLAIMS MADE PAYOUT PATTERNS
DATA SOURCE = ONESOURCE
SCHEDULE P (1F, 3F)

<u>MONTHS</u>	<u>INCREMNT PAID LDFs</u>	<u>CUMUL PAID LDFs</u>	<u>CUMUL PAYOUT PATTERN</u>	<u>INCREMNT PAYOUT PATTERN</u>
12	5.535	23.256	4.3%	4.3%
24	2.008	4.202	23.8%	19.5%
36	1.366	2.092	47.8%	24.0%
48	1.184	1.531	65.3%	17.5%
60	1.097	1.294	77.3%	12.0%
72	1.053	1.179	84.8%	7.5%
84	1.031	1.120	89.3%	4.5%
96	1.024	1.086	92.1%	2.8%
108	1.019	1.060	94.3%	2.2%
120	1.015	1.041	96.1%	1.8%
132	1.011	1.026	97.5%	1.4%
144	1.008	1.014	98.6%	1.1%
156	1.006	1.006	99.4%	0.8%
168	1.000	1.000	100.0%	<u>0.6%</u>
			TOTAL	100.0%

AMERICAN ALTERNATIVE INSURANCE CORPORATION
National Hospice and Palliative Care Organization Program (NHPCO)
Professional/General Liability
Explanation of Rate Level Indication Methodology

State Rate Level Indications

Premium Adjustments:

- (1) & (2) The written and earned premium is from the Data Warehouse (DW). The earned premium has been adjusted to remove any individual risk rating modifications.
- (3) On-level factors are intended to adjust the historical premium to the current rate level. There have been no rate changes during the period, therefore no on-level factors are needed.
- (4) The Exposure Trend Factor adjusts for the changes in exposure base due mostly to inflation from the average date written in the experience period to the average date written in the prospective period. The exposure base for Professional/General Liability is not inflation sensitive therefore no exposure trend is needed.
- (5) Trended EP at Current Level = (2) x (3) x (4)

Loss Adjustments:

- (6) Incurred Loss+ALAE Limited to \$1,000,000 – Accident Year Incurred
Loss+ALAE as of 6/30/04 has been limited by claim to \$1,000,000 to smooth large loss experience. An excess Loss+ALAE load is applied in Column (7) to account for expected experience > \$1,000,000 per claim.
- (7) Excess Loss+ALAE Load – Higher layers of loss are subject to greater variability. Therefore, excess loads for these layers, based on Limited Average Severities underlying ISO's Hospital Professional Liability ILF's, are applied to the limited losses in order to provide more stable results rather than using the specific excess experience of the program. The excess layer is between the loss limitation in (6) above and the policy limit of the claim. As claims occur with higher policy limits, the excess load will increase. There have been no claims in excess of \$1,000,000, therefore no excess load is needed.
- (8) Loss+ALAE Development Factors (LDF) – Loss+ALAE development factors adjust the incurred loss+ALAE to an estimate of the ultimate settlement amount. The selected LDF's are based on a combination of ISO's Hospital Professional Liability and OL+T liability loss development found in ISO circulars AS-GL-2004-029 and AS-PR-2004-004.

- (9) Loss Trend Factor – adjusts for changes in claim frequency and severity levels due to economic, social, and legal trends expected to occur between the average date of loss in the experience period and the average date of loss in the prospective experience period. An annual trend of 9.4% was selected based on a review of ISO Hospital Professional Liability and OL+T liability trends.
- (10) ULAE Adjustment Factor - The loss experience includes ALAE but not ULAE. This factor is applied to the Loss+ALAE to load for ULAE. The factor shown is based on Hospice program claim administration expense levels.
- (11) Developed Trended Loss+LAE = (6) x (7) x (8) x (9) x (10)
- (12) Projected Loss+LAE Ratio = (11) / (5)
- (13) Experience Year Weights of 20/30/50 were used to combine the three years of data. The weights are based on ISO standards for Professional Liability.

Expense Items:

- (14)-(18) Expenses shown are the expenses we would expect to incur during the prospective period and are based on Hospice program expense levels.
- (19) The Expected Loss+LAE ratio = $1 - [(14)+(15)+(16)+(17)+(18)]$.

Calculation of Indicated Rate Need:

- (20) The Total # of Incurred Claims for the Experience Period is the total number of claims for all three accident years combined. Col (20) Row (22) is the total number of claims for that state, while Col (20) Row (23) is the total number of claims countrywide.
- (21) Credibility Weights – As the size of a state's volume grows, the predictive value of the experience grows and becomes more credible. Credibility weights in this analysis are determined based on the claim counts in (20) and are used to combine (22), (23), and (24). Partial credibility is based on the square root method and a full credibility standard of 1,549 claims. (22) and (23) are subject to the partial credibility calculation. The credibility for (23) is capped at 1- the credibility for (22). (24) is assigned the residual credibility, if any. The full credibility standard is a combination of using the Mayerson, Jones and Bowers formula for General Liability (with 90% confidence that the estimated loss+ALAE will be within 7.5% of the actual expected value) and the ISO Hospital Professional Liability full credibility constant of 900 claims.
- (22) Weighted Projected Loss+LAE Ratio = Weighted average of Developed Trended Loss+LAE Ratios using the Experience Year Weights.

- (23) Countrywide Projected Loss+LAE Ratio = (22) from the countrywide indication.
- (24) Trended Expected Loss+LAE Ratio = (19) * Loss Ratio Trend Factor. The trend factor is based on the same loss and exposure trend information in (4) and (9) but the trend period is based on the effective date of the last rate change and the prospective effective date.
- (25) Credibility Weighted Loss+LAE Ratio – Weighted average of (22), (23), and (24) using the weights in (21).
- (26) Expected Loss+LAE Ratio = (19).
- (27) Indicated Manual Rate Change = (25) / (26) – 1.

Countrywide Rate Level Indications

- (1) through (16), (19), and (22) through (26) – Same as State Indications except with Countrywide data.
- (17) Taxes, Licenses and Fees – Based on an average of all states.
- (18) P&C Including Investment Income – Based on an average of all states.
- (20) Total # of Incurred Claims for Experience Period – total number of countrywide claims for all three accident years combined.
- (21) Credibility Weights – Credibility weights for countrywide data is based on the claim counts in (20) and are used to combine (22) and (23). Partial credibility is based on the square root method and a full credibility standard of 1,549 claims. (23) is capped at 1-(22). The full credibility standard is a combination of using the Mayerson, Jones and Bowers formula for General Liability (with 90% confidence that the estimated loss+ALAE will be within 7.5% of the actual expected value) and the ISO Hospital Professional Liability full credibility constant of 900 claims.

**AMERICAN ALTERNATIVE INSURANCE CORPORATION (AAIC)
NATIONAL HOSPICE AND PALLIATIVE CARE ORGANIZATION PROGRAM
PROFESSIONAL/GENERAL LIABILITY INSURANCE
RATE/RULE MANUAL**

Hospice and Home Health Care Liability Coverage Form – Claims-Made (HGL101)

A. Coverage Availability

The following coverages are provided in the base coverage form (HGL101) on a Claims-Made basis:

Coverage A – Bodily Injury and Property Damage Liability

Coverage B – Personal and Advertising Injury Liability

Coverage C – Professional Health Care Liability

Coverage D – Medical Expenses

The following limits of insurance apply:

Each Occurrence or Medical Incident Limit	\$1,000,000
Damage to Premises Rented to You Limit	\$1,000,000 Any one premises
Medical Expense Limit	\$ 50,000 Any one person
Personal & Advertising Injury Limit	\$1,000,000 Any one person or organization
General Aggregate Limit	\$3,000,000
Products/Completed Operations Aggregate Limit	\$3,000,000

B. Base Coverages Rating Formula

The following rating formula applies to both General Liability and Professional Health Care Liability:

Step 1

Depending on the risk, more than one entity classification may apply to an account.

For each entity classification, calculate the entity class manual premium as follows:

	Entity Class base rate
X	Number of entity class exposures
X	Pediatric factor
X	Sexual Abuse factor
X	Claims-made factor
X	Deductible factor
X	<u>Expense variation factor</u>
=	Entity Class manual premium

Step 2

Sum all Entity Class manual premiums to get the Total Entity Class manual premium

Step 3

For each medical professional, calculate the medical professional manual premium as follows:

	Medical Professional Class base rate
X	(Number of hours worked per month / 160)
X	Medical Malpractice factor
X	Board Certified factor
X	Claims-made factor
X	Deductible factor
X	<u>Expense variation factor</u>
=	Medical Professional manual premium

Step 4

Sum all Medical Professional manual premiums to get the Total Medical Professional manual premium

Step 5

Depending on the risk, more than one Bereavement Camp may apply to an account. For each Bereavement Camp, calculate the Bereavement Camp manual premium as follows:

$$\begin{array}{r}
 \text{Bereavement Camp base rate} \\
 \times \text{ Number of times held annually} \\
 \times \text{ Sexual Abuse factor} \\
 \times \text{ Claims-made factor} \\
 \times \text{ Deductible factor} \\
 \times \text{ Expense variation factor} \\
 = \text{ Bereavement Camp manual premium}
 \end{array}$$

Step 6

Sum all Bereavement Camp manual premiums to get the Total Bereavement Camp manual premium

Step 7

Depending on the risk, more than one Special Event may apply to an account. For each Special Event, calculate the Special Event manual premium as follows:

$$\begin{array}{r}
 \text{Special Events base rate} \\
 \times \text{ Number of times held annually} \\
 \times \text{ Claims-made factor} \\
 \times \text{ Deductible factor} \\
 \times \text{ Expense variation factor} \\
 = \text{ Special Events manual premium}
 \end{array}$$

Step 8

Sum all Special Events manual premiums to get the Total Special Events manual premium

Step 9

$$\begin{array}{r}
 \text{[Pharmacy Operations base rate} \\
 + \text{ (Number of patients in excess of 500 times excess rate)]} \\
 \times \text{ Claims-made factor} \\
 \times \text{ Deductible factor} \\
 \times \text{ Expense variation factor} \\
 = \text{ Pharmacy Operations manual premium}
 \end{array}$$

Step 10

$$\begin{array}{r}
 \text{Medical Equipment base rate} \\
 \times \text{ Number of inventory items} \\
 \times \text{ Claims-made factor} \\
 \times \text{ Deductible factor} \\
 \times \text{ Expense variation factor} \\
 = \text{ Medical Equipment manual premium}
 \end{array}$$

Step 11

$$\begin{array}{r}
 \text{[(Wellness Programs base rate} \\
 \times \text{ Number of annual immunizations/shots up to 10,000)} \\
 + \text{ (Wellness Programs excess rate} \\
 \times \text{ Number of annual immunizations/shots in excess of 10,000)]} \\
 \times \text{ Claims-made factor} \\
 \times \text{ Deductible factor} \\
 \times \text{ Expense variation factor} \\
 = \text{ Wellness Programs manual premium}
 \end{array}$$

Step 12 Thrifts Shops base rate
 X (Annual gross sales receipts / 1,000)
 X Claims-made factor
 X Deductible factor
 X Expense variation factor
 = Thrifts Shops manual premium

Step 13 Total Entity Class manual premium
 + Total Medical Professional manual premium
 + Total Bereavement Camp manual premium
 + Total Special Events manual premium
 + Pharmacy Operations manual premium
 + Medical Equipment manual premium
 + Wellness Programs manual premium
 + Thrift Shops manual premium
 = Total Base Coverage manual premium

C. Base Coverage Rating Basis

Class Type	Class Code	Description	Exposure Rating Base
Entity	H001	Hospice Not For Profit – In-home Care	Per Patient Day on Service
	H002	Hospice Not For Profit – In-patient Care	Per Licensed Bed
	H003	Hospice For Profit – In-home Care	Per Patient Day on Service
	H004	Hospice For Profit – In-patient Care	Per Licensed Bed
	H005	Home Healthcare -- Not For Profit	Per Patient Visit
	H006	Home Healthcare -- For Profit	Per Patient Visit
	H007	Palliative Care – Non-Hospice Patients – Not For Profit	Per Patient Visit
	H008	Palliative Care – Non-Hospice Patients – For Profit	Per Patient Visit
	H009	Domestic Service Provider	Per Client
	H010	Hospice Association	Per Member Organization
Medical Professional	H011	Physician	Hours per month / 160*
	H012	Nurse Practitioner	Hours per month / 160*
Bereavement Camp	H013	Low Hazard Bereavement Camp	Each Camp
	H014	Medium Hazard Bereavement Camp	Each Camp
	H015	High Hazard Bereavement Camp	Each Camp
	H016	Bereavement Camp – more than 100 campers	Each Camp
Special Event	H017	Low Hazard Special Event	Each Event
	H018	Medium Hazard Special Event	Each Event
	H019	High Hazard Special Event	Each Event
	H020	Special Event – more than 1,000 guests	Each Event
Pharmacy	H021	In-house Pharmacy Operation	Per Patient
Medical Equipment	H022	Owned Diagnostic or Treatment Devices**	Per Inventory Item
	H023	Owned Critical Life Monitoring Equipment***	Per Inventory Item
Wellness	H024	Wellness Program	Per Immunization
Thrift Shop	H025	Thrift Shop	Per \$1,000 gross sales

* subject to a minimum of 8 hours per month for any one medical professional.

** Includes treatment devices or equipment other than those used to sustain life or perform critical life monitoring functions.

*** Includes dialysis or heart/lung machines, apnea monitors, SIDS monitors or any other life dependent monitors, equipment, or devices.

Bereavement Camp Hazards		
Low Hazard	Medium Hazard	High Hazard
Less than 15 campers	15 to 35 campers	36-100 campers
No Overnight campers	No overnight campers	Overnight campers
No Sports activities	With Sports activities	With or Without Sports Activities

If the characteristics of a camp place it in more than one class, the highest hazard class applicable to the camp will be used.

Special Events Hazards		
Low Hazard	Medium Hazard	High Hazard
Less than 200 guests	201 to 500 guests	501 to 1,000 guests
No Alcohol Served	Alcohol Served	Sports Events w/Children
Angel Trees	Dances	Water Events
Toy Drives	Casino Nights	Animal Events
Auctions	Sports Events	Vehicle Events
Meals	Carnivals	
Clothing Drives		

If the characteristics of a Special Event place it in more than one class, the highest hazard class applicable to the event will be used.

D. Base Coverage Rates

Class Code	Territory/Rating Tier	Base Rates	
		General Liability	Professional Health Care Liability
H001	Cook, Will, DuPage, and Lake Counties	\$0.06	\$0.34
	Remainder of State	\$0.04	\$0.21
H002	Cook, Will, DuPage, and Lake Counties	\$42	\$240
	Remainder of State	\$27	\$155
H003	Cook, Will, DuPage, and Lake Counties	\$0.07	\$0.39
	Remainder of State	\$0.04	\$0.25
H004	Cook, Will, DuPage, and Lake Counties	\$49	\$276
	Remainder of State	\$31	\$178
H005	Cook, Will, DuPage, and Lake Counties	\$0.07	\$0.39
	Remainder of State	\$0.04	\$0.25
H006	Cook, Will, DuPage, and Lake Counties	\$0.08	\$0.44
	Remainder of State	\$0.05	\$0.28
H007	Cook, Will, DuPage, and Lake Counties	\$0.07	\$0.39
	Remainder of State	\$0.04	\$0.25
H008	Cook, Will, DuPage, and Lake Counties	\$0.08	\$0.44
	Remainder of State	\$0.05	\$0.28
H009	<= 20 Clients – Entire State	\$2,000	No Charge
	Each of next 30 Clients – Entire State	\$70	
	Each of next 25 Clients – Entire State	\$45	
	Each of next 25 Clients – Entire State	\$25	
	Each additional Client – Entire State	\$5	
H010	Entire State	\$0.50	No Charge
H011	Cook, Madison, St. Clair, and Will Counties	No Charge	\$36,641
	DuPage, Kane, McHenry, Jackson, Lake, and Vermillion Counties		\$33,765
	Remainder of State		\$25,390
H012	Cook, Madison, St. Clair, and Will Counties	No Charge	\$9,160
	DuPage, Kane, McHenry, Jackson, Lake, and Vermillion Counties		\$8,441
	Remainder of State		\$6,347
H013	Entire State	\$100	No Charge

Class Code	Territory/Rating Tier	Base Rates	
		General Liability	Professional Health Care Liability
H014	Entire State	\$200	No Charge
H015	Entire State	\$300	No Charge
H016	Entire State	Refer to Company	No Charge
H017	Entire State	\$100	No Charge
H018	Entire State	\$250	No Charge
H019	Entire State	\$500	No Charge
H020	Entire State	Refer to Company	No Charge
H021	Base – Entire State	\$38	\$212
	Excess – Entire State	\$0.08	\$0.42
H022	Entire State	\$11	No Charge
H023	Entire State	\$14	No Charge
H024	Base – Entire State	\$0.02	\$0.08
	Excess – Entire State	\$0.01	\$0.04
H025	Entire State	\$4.00	No Charge

E. Pediatric Factor

The rates for classes H001 through H009 are subject to modification to reflect the percent of total care that is pediatric.

Pediatric factor = 1 + (number of pediatric exposures / number of total exposures)

F. Sexual Abuse Factor (if applicable, attach endorsement HGL311)

The rates for classes H001 through H010, and H013 through H016 is subject to modification if the risk is eligible for Sexual Abuse Vicarious Liability Coverage.

Sexual Abuse Vicarious Liability Coverage attached?	Sexual Abuse Factor
Yes	1.15
No	1.00

G. Medical Malpractice factor

Medical Professional Scheduled?*	Underlying Medical Malpractice Policy		Medical Malpractice Factor
	Policy In-force?	Extends coverage to the entity?*	
No***	Yes	Yes	0.05
		No	0.20
	No	N/A	0.20
Yes	Yes	Yes	0.26
		No	0.41
	No	N/A	1.00

* scheduled medical professionals are those listed as additional insureds using endorsement HGL303.

** i.e., does the medical professional's underlying medical malpractice liability policy extend coverage to the entity for professional healthcare liability due to the wrongful acts of the medical professional?

*** Note: no charge will be made for medical professionals named on endorsement HGL206.

H. Board Certified factor

For each medical professional, a credit of 10% (i.e., factor of 0.90) applies if they are board certified.

I. Claims-made factor

Years in Claims-made	Claims-made factor
0	0.50
1	0.75
2	0.85
3	0.90
4	0.95
5 or more	1.00

Note: Round up to the next highest claims-made year.

J. Deductible factor (if applicable, attach Endorsement HGL301)

Deductible*	Deductible Factor
\$0	1.00
\$25,000	0.85
\$50,000	0.75
\$100,000	0.60

* each medical incident or occurrence.

K. Expense Variation factor

Expense Variation Factor = Expected Loss Ratio underlying the company manual premium / (Expected Loss Ratio underlying the company manual premium minus Expense ratio adjustment for the policy)

L. Employee Benefits Liability (EBL) Coverage – Claims-made (HGL305)

Employee Benefits Liability coverage is available on a claims-made basis and can be added by attaching endorsement HGL305. This coverage is rated as follows (which includes a \$1,000 deductible per employee):

$$\begin{aligned} & \text{EBL Base rate} \\ & \times \text{Expense variation factor} \\ & = \text{EBL manual premium} \end{aligned}$$

Per Occurrence Limit	Aggregate Limit	EBL Base Rate
\$25,000	\$50,000	No Charge
\$50,000	\$50,000	\$100
\$100,000	\$100,000	\$150

M. Schedule rating factor

Premiums are subject to modification reflecting specific individual characteristics of the risk. All insureds are eligible for the Schedule Rating Plan. Such rate modification may be applied in accordance with the following Schedule Rating Plan, subject to a maximum credit or debit of 40%:

Risk Characteristics	Range of Modification	
	Credit	to Debit
1. Management: Experience in industry, Safety Committee	10%	to 10%
2. Services – Day care services, Infusion therapy, Consulting, Training, Software sales, Other than Hospice/Home Healthcare services	0%	to 15%

- | | | | | |
|----|---|-----|----|-----|
| 3. | Accreditation – Medicare, JCAHO, ACHC, etc. | 10% | to | 10% |
| 4. | Employees & Volunteers – selection & training, supervision, Qualifications of professionals, employed/contracted physicians | 10% | to | 10% |
| 5. | Documented Policies and Procedures: Risk Management program, Quality Assurance program | 10% | to | 10% |

N. Policy Premium

The policy premium is calculated as follows:

- Step 1**
- | | |
|---|---|
| | Total General Liability Base Coverage manual premium |
| + | Total Professional Health Care Liability Base Coverage manual premium |
| + | <u>Employee Benefits Liability manual premium</u> |
| = | Policy manual premium |
- Step 2**
- | | |
|---|---|
| | Policy manual premium |
| X | <u>Schedule rating factor</u> |
| = | Annual Policy premium (subject to a \$500 minimum, pro-rated for other than annual policy terms. Waive additional or return premium of \$15 or less. However, any return premium requested by the insured must be granted.) |

O. Supplemental Extended Reporting Period Coverage (SERP)

Supplemental Extended Reporting Period coverage is available separately for General Liability, Professional Healthcare Liability, Employee Benefits Liability, and Sexual Abuse Vicarious Liability.

a. SERP Rating Formulas**General Liability SERP (attach endorsement HGL315)**

- | | |
|---|---|
| | (Group 1 General Liability SERP rate |
| X | Group 1 General Liability expiring policy premium) |
| + | (Group 2 General Liability SERP rate |
| X | Group 2 General Liability expiring policy premium) |
| + | (Group 4 General Liability SERP rate |
| X | Group 4 General Liability expiring policy premium) |
| + | (Group 5 General Liability SERP rate |
| X | <u>Group 5 General Liability expiring policy premium)</u> |
| = | General Liability SERP premium |

Professional Healthcare Liability SERP (attach endorsement HGL309)

- | | |
|---|---|
| | (Group 1 Professional Healthcare Liability SERP rate |
| X | Group 1 Professional Healthcare Liability expiring policy premium) |
| + | (Group 3 Professional Healthcare Liability SERP rate |
| X | Group 3 Professional Healthcare Liability expiring policy premium) |
| + | (Group 4 Professional Healthcare Liability SERP rate |
| X | <u>Group 4 Professional Healthcare Liability expiring policy premium)</u> |
| = | Professional Healthcare Liability SERP premium |

Employee Benefits Liability SERP (attach endorsement HGL310)

- | | |
|---|--|
| | EBL SERP rate |
| X | <u>EBL expiring policy premium</u> |
| = | Employee Benefits Liability SERP premium |

Sexual Abuse Vicarious Liability SERP (attach endorsement HGL312)

- (Group 4 (General Liability) Sexual Abuse Vicarious Liability SERP rate
 X Group 4 General Liability expiring policy premium)
 + (Group 4 (Prof Hlthcare Liability) Sexual Abuse Vicarious Liability SERP rate
 X Group 4 Professional Healthcare Liability expiring policy premium)
 + (Group 5 Sexual Abuse Vicarious Liability SERP rate
 X Group 5 General Liability expiring policy premium)
 = Sexual Abuse Vicarious Liability SERP premium

b. SERP Rates

Years of SERP Coverage	General Liability			Employee Benefits Liability
	Groups 1 and 2	Groups 4 and 5		
		with Sex Abuse*	without Sex Abuse*	
1Year	0.750	0.652	0.750	0.750
3 Years	1.250	1.087	1.250	1.250
5 Years	1.750	1.522	1.750	1.750
Unlimited	2.000	1.739	2.000	2.000

Years of SERP Coverage	Professional Healthcare Liability			Sexual Abuse Vicarious Liability		
	Groups 1 and 3	Group 4 (with Sex Abuse*)	Group 4 (without Sex Abuse*)	Group 4 (General Liability)	Group 4 (Prof Hlthcare Liability)	Group 5
1Year	1.000	0.870	1.000	0.098	0.130	0.098
3 Years	1.500	1.304	1.500	0.163	0.196	0.163
5 Years	2.000	1.739	2.000	0.228	0.261	0.228

* With Sex Abuse means that Sexual Abuse Vicarious Liability Coverage was provided on the expiring policy.

Group 1 = H021, H024

Group 2 = H017 through H020, H022, H023, H025

Group 3 = H011, H012

Group 4 = H001 through H008

Group 5 = H009 and H010, H013 through H016

NA = Not available.

c. SERP Conditions

The availability of the SERP options shall be governed by the following rules:

1. The available limits of liability shall not exceed those afforded under the expiring claims-made policy; and
2. The Employee Benefits Liability SERP is not available unless the General Liability SERP is also purchased, and the years of SERP coverage for Employee Benefits Liability must be the same as the years of SERP coverage for General Liability; and
3. The Sexual Abuse Vicarious Liability SERP is not available unless either the Professional Healthcare Liability SERP or General Liability SERP is also purchased, and the years of SERP coverage for Sexual Abuse Vicarious Liability must be less than or equal to the years of SERP coverage for General Liability or Professional Healthcare Liability; and

4. The insured may purchase a SERP if the company non-renews or cancels coverage under the policy for any reason, except nonpayment of premium; or if the insured non-renews or cancels their coverage, provided:
 - a. The insured requests the SERP, in writing, within 60 days of the non-renewal or cancellation of the policy; and
 - b. The insured pays the premium (in full) promptly, when due.

P. Endorsements

The following **endorsements** are available. Refer to each endorsement for specific details. Unless otherwise noted, there is no premium impact associated with these endorsements.

1. Deductible Liability Insurance (HGL301) -- this endorsement may be used to provide the insured with a deductible. Refer to Section J. of the rating rules for deductible credit factors.
2. Employee Benefits Liability Coverage (HGL305) – this endorsement may be used to provide Employee Benefits Liability Coverage for damages arising out of negligent acts, errors or omissions in the insured's administration of employee benefits programs. Refer to the rating rules for the charge for this coverage.
3. Sexual Abuse Vicarious Liability Coverage (HGL311) – this endorsement may be used to indemnify the named insured for damages resulting from a sexual abuse occurrence perpetrated by an employee or volunteer of the named insured. Refer to section F. or the rating rules for the sexual abuse factor to be applied with this endorsement.
4. Pharmacy Amendatory (HGL316) – this endorsement may be used to provide liability coverage for pharmacies which service the general public.
5. Legal Expense Reimbursement (HGL102) – this endorsement may be used to provide reimbursement for legal expenses resulting from an action instituted against the insured by any federal, state, or local agency resulting from the insured's participation in Medicare, Medicaid programs or similar government healthcare programs.
6. Blanket Additional Insured (HGL304) – this endorsement may be used to provide that anyone added as an additional insured on a certificate of insurance, other than Health Care Professionals, will be an additional insured under the policy.
7. Additional Insured – Scheduled Medical Professionals (HGL303) -- this endorsement may be used to include scheduled medical professionals as additional insureds. Refer to section B. of the rating rules for the determination of premium for each scheduled medical professional.
8. Additional Insured – Designated Person or Organization (HGL307) – this endorsement may be used to include a designated person or organization as an additional insured.
9. Additional Insured – Lessor (HGL308) – this endorsement may be used to include the owners of a property leased by the named insured as an additional insured.
10. Exclusion of Specific Accidents or Incidents (HGL200) – this endorsement may be used to exclude liability arising out of previous specific accidents or incidents.
11. Exclusion of Specific Activity or Event (HGL201) – this endorsement may be used to exclude liability arising out of a specific activity or events.
12. Exclusion – Designated Operations (HGL203) – this endorsement may be used to exclude liability arising out of designated operations conducted by the named insured.

13. Exclusion – All Hazards in Connection with Designated Premises (HGL204) – this endorsement may be used to exclude liability arising out of the ownership, maintenance, or use of the designated premises.
14. Exclusion – Designated Contract(s) (HGL205) – this endorsement may be used to exclude liability assumed by the named insured under a designated contract.
15. Exclusion of Vicarious Liability for Specified Medical Professionals (HGL206) – this endorsement may be used to exclude liability arising out of medical incidents committed by medical professionals specified in the endorsement.
16. Amendment – Clinical or Experimental Trials Exclusion (HGL202) – this endorsement may be used to provide liability coverage arising from specified clinical or experimental trials conducted by the named insured as described in the schedule.
17. Supplemental Extended Reporting Period Endorsement – General Liability (HGL315) – this endorsement may be used to provide an extended reporting period for General Liability coverage. Refer to the Supplemental Extended Reporting Period section in the rating rules for the charge.
18. Supplemental Extended Reporting Period Endorsement – Professional Liability (HGL309) -- this endorsement may be used to provide an extended reporting period for Professional Liability coverage. Refer to the Supplemental Extended Reporting Period section in the rating rules for the charge.
19. Supplemental Extended Reporting Period Endorsement – Employee Benefits Liability (HGL310) - - this endorsement may be used to provide an extended reporting period for Employee Benefits Liability coverage. Refer to the Supplemental Extended Reporting Period section in the rating rules for the charge.
20. Supplemental Extended Reporting Period Endorsement – Sexual Abuse Vicarious Liability (HGL312) -- this endorsement may be used to provide an extended reporting period for Sexual Abuse Vicarious Liability coverage. Refer to the Supplemental Extended Reporting Period section in the rating rules for the charge.
21. Cancellation Endorsement (HGL300) – this endorsement clarifies the cancellation effective date.
22. Illinois Changes (HGLIL1) – this is a mandatory endorsement in order to comply with state requirements. Attach to all policies.

Q. Enabling Rule

The rules, rates, forms, and classifications in this manual make up the National Hospice and Palliative Care Organization Professional/General Liability Program and may not be amended unless specifically permitted. However, any other rules, rates, or forms filed and approved for use by AAIC may apply when not in conflict with the National Hospice and Palliative Care Organization Program.