

SERFF Tracking Number: CNAC-125251608 State: Arkansas  
First Filing Company: Continental Insurance Company, ... State Tracking Number: AR-PC-07-025680  
Company Tracking Number: 07-R2181  
TOI: 11.0 Medical Malpractice - Claims Sub-TOI: 11.0009 Hospitals  
Made/Occurrence  
Product Name: Hospital Professional Liability  
Project Name/Number: Medical Malpractice Rule Revision/2007R2181

## Filing at a Glance

Companies: Continental Insurance Company, Continental Casualty Company  
Product Name: Hospital Professional Liability SERFF Tr Num: CNAC-125251608 State: Arkansas  
TOI: 11.0 Medical Malpractice - Claims SERFF Status: Closed State Tr Num: AR-PC-07-025680  
Made/Occurrence  
Sub-TOI: 11.0009 Hospitals Co Tr Num: 07-R2181 State Status: Fees verified and received  
Filing Type: Rule Co Status: Reviewer(s): Betty Montesi, Edith Roberts, Brittany Yielding  
Author: John Lockhart Disposition Date: 03/19/2008  
Date Submitted: 08/02/2007 Disposition Status: Filed  
Effective Date Requested (New): 09/01/2007 Effective Date (New): 11/29/2007  
Effective Date Requested (Renewal): 09/01/2007 Effective Date (Renewal):  
State Filing Description:

## General Information

Project Name: Medical Malpractice Rule Revision Status of Filing in Domicile: Pending  
Project Number: 2007R2181 Domicile Status Comments:  
Reference Organization: Reference Number:  
Reference Title: Advisory Org. Circular:  
Filing Status Changed: 03/19/2008  
State Status Changed: 03/19/2008 Deemer Date:  
Corresponding Filing Tracking Number:  
Filing Description:

With this rate filing, we are proposing to adopt the Continental Casualty Company ("CCC") rates for The Continental Insurance Company ("CIC"). The introduction of CIC as a new underwriter for this program is proposed with an effective date of September 1, 2007. We are also revising the expected loss ratio used in the experience rating plan. The expense provisions underlying the revised expected loss ratio can be found in Exhibit 1.

SERFF Tracking Number: CNAC-125251608 State: Arkansas  
 First Filing Company: Continental Insurance Company, ... State Tracking Number: AR-PC-07-025680  
 Company Tracking Number: 07-R2181  
 TOI: 11.0 Medical Malpractice - Claims Sub-TOI: 11.0009 Hospitals  
 Made/Occurrence  
 Product Name: Hospital Professional Liability  
 Project Name/Number: Medical Malpractice Rule Revision/2007R2181

## Company and Contact

### Filing Contact Information

John Lockhart, Regulatory Filings Technician john.lockhart@cna.com  
 40 Wall Street (877) 269-3277 [Phone]  
 New York, NY 10005 (212) 440-2877[FAX]

### Filing Company Information

Continental Insurance Company	CoCode: 35289	State of Domicile: New Hampshire
40 Wall Street	Group Code: 218	Company Type:
9th Floor		
New York, NY 10005	Group Name:	State ID Number:
(212) 440-3478 ext. [Phone]	FEIN Number: 135010440	
	-----	

Continental Casualty Company	CoCode: 20443	State of Domicile: Illinois
40 Wall Street	Group Code: 218	Company Type:
9th Floor		
New York, NY 10005	Group Name:	State ID Number:
(212) 440-3478 ext. [Phone]	FEIN Number: 36-2114545	
	-----	

## Filing Fees

Fee Required? Yes  
 Fee Amount: \$100.00  
 Retaliatory? No  
 Fee Explanation:  
 Per Company: No

CHECK NUMBER	CHECK AMOUNT	CHECK DATE
0010384449	\$100.00	07/26/2007

SERFF Tracking Number: CNAC-125251608 State: Arkansas  
 First Filing Company: Continental Insurance Company, ... State Tracking Number: AR-PC-07-025680  
 Company Tracking Number: 07-R2181  
 TOI: 11.0 Medical Malpractice - Claims Sub-TOI: 11.0009 Hospitals  
 Made/Occurrence  
 Product Name: Hospital Professional Liability  
 Project Name/Number: Medical Malpractice Rule Revision/2007R2181

## Correspondence Summary

### Dispositions

Status	Created By	Created On	Date Submitted
Filed	Edith Roberts	03/19/2008	03/19/2008

### Objection Letters and Response Letters

Objection Letters				Response Letters		
Status	Created By	Created On	Date Submitted	Responded By	Created On	Date Submitted
Pending Industry Response	Edith Roberts	11/29/2007	11/29/2007	John Lockhart	11/29/2007	11/29/2007
Pending Industry Response	Edith Roberts	08/13/2007	08/13/2007	John Lockhart	09/13/2007	09/13/2007

### Amendments

Item	Schedule	Created By	Created On	Date Submitted
New Program Supporting Document Filing - California Hospital - National Fire Insurance		John Lockhart	03/07/2008	03/07/2008

### Filing Notes

Subject	Note Type	Created By	Created On	Date Submitted
Arkansas File No. AR-PC-07-025680;	Note To Reviewer	John Lockhart	03/17/2008	03/17/2008





SERFF Tracking Number: CNAC-125251608 State: Arkansas  
First Filing Company: Continental Insurance Company, ... State Tracking Number: AR-PC-07-025680  
Company Tracking Number: 07-R2181  
TOI: 11.0 Medical Malpractice - Claims Sub-TOI: 11.0009 Hospitals  
Made/Occurrence  
Product Name: Hospital Professional Liability  
Project Name/Number: Medical Malpractice Rule Revision/2007R2181

## Disposition

Disposition Date: 03/19/2008  
Effective Date (New): 11/29/2007  
Effective Date (Renewal):  
Status: Filed  
Comment:

Rate data does NOT apply to filing.

### Overall Rate Information for Multiple Company Filings

Overall Percentage Rate Indicated For This Filing	0.000%
Overall Percentage Rate Impact For This Filing	0.000%
Effect of Rate Filing-Written Premium Change For This Program	\$0
Effect of Rate Filing - Number of Policyholders Affected	0

SERFF Tracking Number: CNAC-125251608 State: Arkansas  
 First Filing Company: Continental Insurance Company, ... State Tracking Number: AR-PC-07-025680  
 Company Tracking Number: 07-R2181  
 TOI: 11.0 Medical Malpractice - Claims Sub-TOI: 11.0009 Hospitals  
 Made/Occurrence  
 Product Name: Hospital Professional Liability  
 Project Name/Number: Medical Malpractice Rule Revision/2007R2181

Item Type	Item Name	Item Status	Public Access
Supporting Document	Uniform Transmittal Document-Property & Casualty	Filed	Yes
Supporting Document	NAIC Loss Cost Filing Forms (all P&C lines)	Filed	Yes
Supporting Document	NAIC loss cost data entry document	Filed	Yes
Supporting Document	Form PROMAL	Filed	Yes
Supporting Document	Form PRONOT	Filed	Yes
Supporting Document	Arkansas Rate Support	Filed	Yes
Supporting Document	Form RF 1	Filed	Yes
Supporting Document	Med Mal Survey	Filed	Yes
Supporting Document	Medical Malpractice (Excel) Survey	Filed	Yes
Supporting Document	New Program Filing - California Hospital - National Fire Insurance	Filed	Yes
Rate	AR HPL Manual Pages	Filed	Yes

SERFF Tracking Number: CNAC-125251608 State: Arkansas  
First Filing Company: Continental Insurance Company, ... State Tracking Number: AR-PC-07-025680  
Company Tracking Number: 07-R2181  
TOI: 11.0 Medical Malpractice - Claims Sub-TOI: 11.0009 Hospitals  
Made/Occurrence  
Product Name: Hospital Professional Liability  
Project Name/Number: Medical Malpractice Rule Revision/2007R2181

## Objection Letter

Objection Letter Status Pending Industry Response  
Objection Letter Date 11/29/2007  
Submitted Date 11/29/2007

Respond By Date

Dear John Lockhart,

This will acknowledge receipt of the captioned filing.

I am so sorry for the oversight.

If you will send the Med Mal survey in Excel Form, it is ready for approval. Please advise your managers, that this was not your fault. My Director will only accept the the survey form in Excel Format, as that is the way the data will transfer from the spreadsheet.

I will process ASAP.

Thanks you,

Please feel free to contact me if you have questions.

Sincerely,

Edith Roberts

## Response Letter

Response Letter Status Submitted to State  
Response Letter Date 11/29/2007  
Submitted Date 11/29/2007

Dear Edith Roberts,

**Comments:**

### Response 1

Comments: Dear Ms. Roberts:

*SERFF Tracking Number:* CNAC-125251608                      *State:* Arkansas  
*First Filing Company:* Continental Insurance Company, ...                      *State Tracking Number:* AR-PC-07-025680  
*Company Tracking Number:* 07-R2181  
*TOI:* 11.0 Medical Malpractice - Claims                      *Sub-TOI:* 11.0009 Hospitals  
*Made/Occurrence*  
*Product Name:* Hospital Professional Liability  
*Project Name/Number:* Medical Malpractice Rule Revision/2007R2181

I really appreciate your review of this filing and your prompt report on the status.

In response to your request in your Objection Letter earlier, I now attach the med mal survey in the desired excel format.

Thank you for your kind comments and for your concerns. I am sure that your communication has gone a far way in allaying all concerns.

All the very best

**Changed Items:**

**Supporting Document Schedule Item Changes**

Satisfied -Name: Medical Malpractice (Excel) Survey

Comment:

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Sincerely,  
John Lockhart

SERFF Tracking Number: CNAC-125251608 State: Arkansas  
First Filing Company: Continental Insurance Company, ... State Tracking Number: AR-PC-07-025680  
Company Tracking Number: 07-R2181  
TOI: 11.0 Medical Malpractice - Claims Sub-TOI: 11.0009 Hospitals  
Made/Occurrence  
Product Name: Hospital Professional Liability  
Project Name/Number: Medical Malpractice Rule Revision/2007R2181

## Objection Letter

Objection Letter Status Pending Industry Response

Objection Letter Date 08/13/2007

Submitted Date 08/13/2007

Respond By Date

Dear John Lockhart,

This will acknowledge receipt of the captioned filing.

You will need to submit the RF-1 form. You have submitted Form PC RRFS which is the Uniform transmittal form but we must also ask that you complete Form PC-RLC that is required under Rule & Regulation 23. This form may be accessed here:

<http://www.insurance.arkansas.gov/PandC/RR23Forms/FORM%20RF-1%20Rate%20Filing%20Abstract.doc>

Please chose "RF-1" which will direct you to Form PC RLC. Please disregard the title "NAIC Loss Cost Data Entry Document". Under #2, please inform this IS NOT a "Loss Cost" filing.

Also, please go to this site address to find and complete the Med Mal survey form that is required with all med mal rate/rule filings: <http://www.insurance.arkansas.gov/PandC/RR23Forms/MM%20Survey%20FORM%20MMPCS.xls>

Please also explain how this filing is rate neutral and if there have been any specific class rate increases or decreases and identify the classes affected, if any.

Please feel free to contact me if you have questions.

Sincerely,

Edith Roberts

## Response Letter

Response Letter Status Submitted to State

Response Letter Date 09/13/2007

Submitted Date 09/13/2007

SERFF Tracking Number: CNAC-125251608 State: Arkansas  
First Filing Company: Continental Insurance Company, ... State Tracking Number: AR-PC-07-025680  
Company Tracking Number: 07-R2181  
TOI: 11.0 Medical Malpractice - Claims Sub-TOI: 11.0009 Hospitals  
Made/Occurrence  
Product Name: Hospital Professional Liability  
Project Name/Number: Medical Malpractice Rule Revision/2007R2181

Dear Edith Roberts,

**Comments:**

**Response 1**

Comments: Continental Casualty Company and the Continental Insurance Company acknowledge your objection letter dated August 13, 2007, and in response we now attach the RF-1 form and the Med Mal survey form.

There is 0% rate change associated with this filing and there is no specific class rate increase or decrease, and consequently no class affected. We are making this filing in order to add the Continental Insurance Company. Please do not hesitate to contact us if you need further clarification.

**Changed Items:**

**Supporting Document Schedule Item Changes**

Satisfied -Name: Form RF 1

Comment:

Satisfied -Name: Med Mal Survey

Comment:

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Sincerely,  
John Lockhart

SERFF Tracking Number: CNAC-125251608 State: Arkansas  
First Filing Company: Continental Insurance Company, ... State Tracking Number: AR-PC-07-025680  
Company Tracking Number: 07-R2181  
TOI: 11.0 Medical Malpractice - Claims Sub-TOI: 11.0009 Hospitals  
Made/Occurrence  
Product Name: Hospital Professional Liability  
Project Name/Number: Medical Malpractice Rule Revision/2007R2181

**Note To Reviewer**

**Created By:**

John Lockhart on 03/17/2008 07:37 AM

**Subject:**

Arkansas File No. AR-PC-07-025680; SERFF Tracking No. CNAC-125251608

**Comments:**

From: Lockhart,John C.

Sent: Monday, March 17, 2008 8:37 AM

To: 'edith.roberts@arkansas.gov'

Subject: Arkansas File No. AR-PC-07-025680; SERFF Tracking No. CNAC-125251608

Importance: High

Dear Ms. Roberts:

Thank you for your review of the above filing which was submitted on 9/13/2007.

On 11/29/07 you requested a Medmal survey and we attached the document on the same day.

Since that time the filing has been pending.

Our Management is now questioning the length of the review, and are anxious to ascertain the current status.

I would therefore be very grateful for your attention in this matter.

This follows on a telephone message left at the Department this morning (3/17/08).

I look forward to your response.

Thanks again.

John Lockhart

K

P&C State Filing Unit

40 Wall Street, 9th Floor

New York, NY 10005-1401

877-269-3277 ext. 3270

IMPORTANT NOTICE:



SERFF Tracking Number: CNAC-125251608 State: Arkansas  
First Filing Company: Continental Insurance Company, ... State Tracking Number: AR-PC-07-025680  
Company Tracking Number: 07-R2181  
TOI: 11.0 Medical Malpractice - Claims Sub-TOI: 11.0009 Hospitals  
Made/Occurrence  
Product Name: Hospital Professional Liability  
Project Name/Number: Medical Malpractice Rule Revision/2007R2181

**Amendment Letter**

Amendment Date:

Submitted Date: 03/07/2008

**Comments:**

Based on your discussions with our Actuary, Jim Leonard, I now attach our New Program Document for your review.  
Thank you.

**Changed Items:**

**Supporting Document Schedule Item Changes:**

**User Added -Name: New Program Filing - California Hospital - National Fire Insurance**

Comment:

New Program - California (2).pdf



SERFF Tracking Number: CNAC-125251608 State: Arkansas  
 First Filing Company: Continental Insurance Company, ... State Tracking Number: AR-PC-07-025680  
 Company Tracking Number: 07-R2181  
 TOI: 11.0 Medical Malpractice - Claims Sub-TOI: 11.0009 Hospitals  
 Made/Occurrence  
 Product Name: Hospital Professional Liability  
 Project Name/Number: Medical Malpractice Rule Revision/2007R2181

## Rate/Rule Schedule

Review Status:	Exhibit Name:	Rule # or Page #:	Rate Action	Previous State Filing Number:	Attachments
Filed	AR HPL Manual Pages	1-11	Replacement	05-R2081	AR HPL 2007 Pages.pdf

**Continental Casualty Company**  
**The Continental Insurance Company**  
**Hospital Professional Liability and Ancillary Coverages**  
**State of Arkansas**

**Definitions**

Occupied Beds:	Licensed beds times occupancy rate, or number of inpatient days for the policy period divided by 365 days.
Acute Care Beds:	All medical-surgical beds including pediatrics, special care, intensive care and burn units. Also, included in this category are newborn bassinets and neonatal intensive care beds. Any licensed medical-surgical bed defined under another category should not be included as an acute care bed.
Extended Care Beds:	Provide intermediate care (the provision of health-related care and services, on a regular basis to individuals who do not require the degree of care or treatment that a skilled nursing unit is designed to provide), typically in nursing home type units. Skilled Nursing Beds should be included with Chemical / Rehabilitation / Skilled Nursing Beds.
Psychiatric Care Beds:	Provide acute care to emotionally disturbed patients including, but not limited to, the chronically mentally ill, mentally disordered, or other mentally incompetent persons.
Chemical / Rehabilitation / Skilled Nursing Beds:	Include in this category alcoholism / substance abuse units, rehabilitation units, and skilled nursing beds (that is, for patients not in an acute phase of illness). Services are provided under the supervision of a licensed registered nurse on a 24-hour basis.
Deliveries:	The actual number of deliveries, including stillbirths, during the policy period. Do not include infants transferred from other institutions.
Outpatient Visits:	<p>The actual number of persons (counting each visit) who come through the door and use your outpatient facilities or services. Office visits to hospital owned physician practices should also be counted in this category.</p> <p><i>(1) Use <u>visits</u> rather than <u>occasions of service</u>. For example, a patient referred to the hospital by a physician for a laboratory test and an x-ray would be counted as <u>one</u> visit but <u>two</u> occasions of service. A visit is a person's physical threshold crossing into a facility which may involve multiple occasions of service from more than one clinical department.</i></p>

**Continental Casualty Company**  
**The Continental Insurance Company**  
**Hospital Professional Liability and Ancillary Coverages**  
**State of Arkansas**

**Definitions (continued)**

- Outpatient Visits (continued):
- (2) For serial visits or registrations, whereby several visits are necessary for the same type of treatment, use visits or occasions of service rather than number of registrations. For example, if a chemotherapy registration commonly requires 8 visits, or episodes of treatment, and there are 100 chemotherapy registrations, report 800 outpatient visits.*
  - (3) Registrations through the emergency room for “23 hour” observation services should be reported as *Emergency Room or Other Outpatient visits* (as currently registered by the institution).*
  - (4) Specimens delivered for evaluations do not constitute *Outpatient Visits*.*
- Emergency Room Visits: Unscheduled outpatient services (including psychiatric emergency) to patients whose conditions are considered to require immediate care. These visits may occur in a hospital or urgent / walk-in facility.
- Other Outpatient Visits: Scheduled or unscheduled professional contact visits, outpatient therapy and treatment visits, and ancillary service visits not performed in the emergency room.
- Outpatient Surgical Visits: Scheduled surgical services provided to patients who do not remain in the hospital overnight. The surgery may be performed in operating suites also used for inpatient surgery, specially designated surgical suites for ambulatory surgery, or procedure rooms within an ambulatory care facility.

**Continental Casualty Company**  
**The Continental Insurance Company**  
**Hospital Professional Liability and Ancillary Coverages**  
**State of Arkansas**

**A. Professional Liability Rates**  
**- Limits of Liability \$100,000 / \$300,000**

Class	Claims-Made Step Rates					
	1	2	3	4	5	6+
<b><u>Per Occupied Bed</u></b>						
Acute	\$328.17	\$542.86	\$701.88	\$775.55	\$843.68	<b>\$906.81</b>
Extended Care	32.82	54.29	70.19	77.56	84.37	90.68
Psychiatric	229.72	380.00	491.32	542.89	590.58	634.77
Rehabilitation	164.09	271.43	350.94	387.78	421.84	453.41
<b><u>Per Delivery</u></b>						
Per InPt. Surgery	5.25	8.69	11.23	12.41	13.50	14.51
Per OutPt. Surgery	1.31	2.17	2.81	3.10	3.37	3.63
<b><u>Per 100</u></b>						
ER Visits	49.23	81.43	105.28	116.33	126.55	136.02
Other OPV Visits	22.97	38.00	49.13	54.29	59.06	63.48
Home Healthcare	9.85	16.29	21.06	23.27	25.31	27.20

**B. Employed Physicians, Residents, and Fellows Professional Liability Rates**  
**- Limits of Liability \$100,000 / \$300,000**

Rate using filed Continental Casualty Company without application of longevity or loss prevention credit. For higher limits, refer to Physician and Surgeon's filing for increased limits factors.

**C. Other Employees Subject to Individual Rating Professional Liability Rates**  
**- Limits of Liability \$100,000 / \$300,000**

Rate the following types of employees using filed Continental Casualty Company rates:

- |                      |                    |
|----------------------|--------------------|
| Physician Assistants | Nurse Anesthetists |
| Surgeon Assistants   | Dentists           |
| Nurse Midwives       | Oral Surgeons      |

**Continental Casualty Company**  
**The Continental Insurance Company**  
**Hospital Professional Liability and Ancillary Coverages**  
**State of Arkansas**

**D. Healthcare Ancillary Business Professional Liability Rates**  
**- Limits of Liability \$100,000 / \$300,000**

1. *Managed Care Organizations* - Rate based upon hospital outpatient visit rate and physician exposures, including credit for shared limits and defense, if applicable. Add 5% surcharge for managed care.
2. *Kidney Dialysis Centers* - Rate based upon other outpatient visit rate.
3. *Contract Chemical Dependency Units* - Charge extended care rate for occupied beds; charge 50% of other outpatient visit rate.
4. *Birth Center* - Charge based upon bed rate, delivery rate, and other outpatient visit rate.
5. *Pathology Laboratory* - \$1.50 per \$1,000 of gross revenue.
6. *Pharmacy* - \$1.50 per \$1,000 of gross revenue.
7. *Medical Equipment Rental* - \$0.50 per \$1,000 of gross revenue.
8. *Urgent Care Clinics* - Rate based upon employed physicians and other outpatient visit rate.
9. *Home Healthcare* - Rate based upon home healthcare visit rate.

**Continental Casualty Company  
The Continental Insurance Company  
Hospital Professional Liability and Ancillary Coverages  
State of Arkansas**

**E. Increased Limits**

<u>Desired Limits</u>	<u>Increased Limit Factors</u>
\$100,000 / \$300,000	1.000
250,000 / 750,000	1.324
500,000 / 1,500,000	1.619
500,000 / 2,500,000	1.683
1,000,000 / 1,000,000	1.831
1,000,000 / 3,000,000	1.927
Higher Limits	Refer to Company

**F. Extended Reporting Period**

The extended reporting period endorsement provides for an unlimited reported period. It reinstates the limits of liability that were written under the expiring policy.

The factors in the following table shall be applied to the mature claims-made rate in effect at the inception of the last claims-made policy.

<u>Years of Prior Claims-Made Coverage</u>	<u>Prepaid Factors</u>
1	0.77
2	1.19
3	1.43
4	1.58
5	1.65

**G. Sizable Risk Rating**

If a risk develops an annual manual premium of \$100,000 or more at \$1,000,000 / \$3,000,000 limits of liability, the risk may be submitted to the company for “a” rating. Proper documentation as to the determination of such rate will be maintained in the underwriting file. An individual risk filing for such risks will be submitted to the Arkansas Insurance Department for approval at least twenty days prior to the effective date of coverage.

**H. Deductibles / Self-Insured Retentions**

Deductibles and self-insured retentions may be offered to qualified insureds.

**Continental Casualty Company**  
**The Continental Insurance Company**  
**Hospital Professional Liability and Ancillary Coverages**  
**State of Arkansas**

**I. Hospital General Liability Rates**  
**- Limits of Liability \$100,000 / \$300,000**

To obtain rates for hospital general liability, multiply the hospital professional liability rates for the same limits, deductible, and maturity by a percentage within the range of 8% to 20%.

**J. Inclusion of Hospital Required**

Since this is a hospital professional liability program, these rates apply only when one or more hospitals are rated together with affiliated healthcare providers.

**K. Umbrella Coverage**

Umbrella Liability Coverage is available to 1) provide coverage for those sums in excess of the amount payable under primary insurance, and 2) provide coverage for bodily injury, property damage, personal injury, or advertising injury claims brought against those covered. These risks will be individually rated, based upon primary premium and limits purchased, loss experience, scope of underlying coverages, scope of this umbrella coverage, and any other unique or unusual characteristics.

**L. Whole Dollar Rule**

In the event the application of any rating procedure applicable in accordance with this manual where the result is not a whole dollar, each rate and premium shall be adjusted as follows:

- a. any amount involving \$0.50 or over shall be rounded to the next highest whole dollar amount.
- b. any amount involving \$0.49 or less shall be rounded down to the next lowest whole dollar amount.

**M. Policy Writing Minimum Premium**

The minimum premium shall be \$25,000 per annual or lesser period for hospital professional liability and general liability, if included.

**Continental Casualty Company**  
**The Continental Insurance Company**  
**Hospital Professional Liability and Ancillary Coverages**  
**State of Arkansas**

**N. Return Premium**

- a. Deletion of any coverage, other than optional coverages, is not permitted unless the entire policy is canceled.
- b. Compute return premium at the rates used to calculate the policy premium at the inception of this policy period. The insured will be notified of the availability of any return premium.
- c. Compute return premium pro rata and round in accordance with the Whole Dollar Rule when any coverage or exposure is deleted or an amount of insurance is reduced.
- d. Waive return premium of \$25.00 or less. Grant any return premium due if requested by the insured. This waiver only applies to cash exchange due on the endorsement effective date.
- e. Retain the policy writing minimum premium.

**Continental Casualty Company**  
**The Continental Insurance Company**  
**Hospital Professional Liability and Ancillary Coverages**  
**State of Arkansas**

**Experience Rating Plan**

**A. Eligibility**

This plan may apply to the hospital professional liability, physician and surgeon professional liability, other professional liability, and general liability experience of a healthcare facility or an affiliated group of healthcare providers which includes at least one healthcare facility.

The experience of all members of an affiliated group of healthcare providers may be combined to establish an experience rating applicable to the group. The experience modification so established shall be applied uniformly to all participating members.

**B. Application of Modification**

The experience modification, determined according to the procedures described in this manual, applies to the manual premium at \$1,000,000 / \$3,000,000 limits (or the policy limits, if less than \$1,000,000 / \$3,000,000).

In addition to any experience rating modification developed under this plan, a modification reflecting specific risk characteristics may be applied to the premium for the healthcare facility or affiliated group, in accordance with the Schedule Rating Table, which is part of this plan.

**C. Experience Used**

Regardless of whether claims-made or occurrence coverage is being purchased, the experience modification factor will be determined using loss data compiled on a report year basis. Report year data may include a combination of experience compiled under claims-made and occurrence policies, compiled on the basis of the report date of the losses.

The experience modification will be determined from the latest available five complete report years of experience. In the event that the experience for the full five year period is not available, the total experience which is available (subject to a minimum of one complete report year) is to be used.

The experience period will end at least six months prior to the effective date of the experience modification being established. Experience incurred by other companies or self-insured experience may be used subject to the periods described above and given credence in accordance with its apparent reliability.

**Continental Casualty Company  
The Continental Insurance Company  
Hospital Professional Liability and Ancillary Coverages  
State of Arkansas**

**Experience Rating Plan (continued)**

**D. Experience Period Premium at Present Rates**

The experience period premium at present rates is the total of the premiums computed by extending the actual exposures developed during the experience period at present manual rates for \$100,000 limits. If loss data is available such that each report year is mature (that is, if the retroactive date is at least 5 years prior to the effective date of the experience year), then the experience period premium will be the mature claims-made premium extended by the exposures. If the retroactive date is less than 5 years before the effective date of the experience year, then the exposures will be extended by the appropriate claims-made rates.

Ratable exposures in effect during the experience period may be estimated if not available.

**E. Experience Period Premium Subject to Experience Rating**

The experience period premium is the premium calculated in **D.**, multiplied by the following adjustments for trend and undeveloped losses:

<u>Experience Period Year</u>	<u>Trend Multiplier</u>	<u>Loss Development Multiplier</u>	<u>Composite Multiplier</u>
Latest Report Year	0.89	0.90	0.80
2nd Latest Report Year	0.84	0.95	0.80
3rd Latest Report Year	0.79	1.00	0.79
4th Latest Report Year	0.75	1.00	0.75
5th Latest Report Year	0.70	1.00	0.70

**F. Losses Subject to Experience Rating**

The losses subject to experience rating include paid and outstanding losses. The indemnity portion of each claim is to be limited to \$100,000 per claim, with no aggregate limit. Allocated loss adjustment expenses are then added and are subject to no limitation.

**G. Actual Loss Ratio**

The actual loss ratio for the risk is determined by dividing the “Losses Subject to Experience Rating” by the “Experience Period Premium Subject to Experience Rating”.

**Continental Casualty Company**  
**The Continental Insurance Company**  
**Hospital Professional Liability and Ancillary Coverages**  
**State of Arkansas**

**Experience Rating Plan (continued)**

**H. Credibility**

The credibility is calculated as the *square root* of:

$$(\text{Experience Period Premium Subject to Experience Rating}) / \$8,000,000$$

The maximum credibility a risk may receive is 1.00.

**I. Experience Modification**

The experience modification shall be determined by application of the following formula, with the expected loss ratio equal to 75.0%:

$$((\text{Actual Loss Ratio} - \text{Expected Loss Ratio}) / (\text{Expected Loss Ratio})) \times \text{Credibility}$$

For the rate calculation, the experience modification must be added to 1.0, to produce an experience modification multiplier. The experience modification multiplier is limited to a minimum of 0.50 and a maximum of 2.00.

**J. Schedule Rating**

The hazard of a healthcare facility, or of an affiliated group of healthcare providers which includes at least one healthcare facility, varies with the organization, loss prevention activities, the types of services rendered, and other factors. To a significant extent these factors can be expected to be reflected in the loss experience. However, many facilities/groups are not large enough to have significant credibility in their historical loss experience, or have not been in business in their current organizational form for a very long period. Recent changes may have been made in loss prevention programs. To recognize these and other factors peculiar to a particular healthcare provider or group, it shall be permissible to apply a debit or credit to the rates and premiums otherwise developed, dependent upon the underwriter's overall evaluation of the risk. The table on the following page identifies the characteristics applicable for rating and the credit and debit ranges for them. The maximum net schedule credit or debit may not exceed 40%.

**Continental Casualty Company  
The Continental Insurance Company  
Hospital Professional Liability and Ancillary Coverages  
State of Arkansas**

**Experience Rating Plan (continued)**

**Schedule Rating Table**

		<u>Maximum Credit / Debit</u>
<b>1.</b>	<b><u>Loss Control Program</u></b> The underwriter will evaluate the procedures in place with the facility or group, including adherence to prior CNA recommendations.	+/- 10%
<b>2.</b>	<b><u>Accreditation</u></b> The underwriter will determine whether the risks in the group are accredited by the appropriate authority (Joint Commission on Accreditation of Hospitals; Accreditation Association for Ambulatory Healthcare; or similar agencies).	+/- 5%
<b>3.</b>	<b><u>Patient Advocate Program</u></b> The underwriter will determine whether a mechanism exists for patients or their families to communicate concerns about the institution, and will determine whether a program exists for early intervention when a problem exists.	+/- 5%
<b>4.</b>	<b><u>Physicians Insurance Limits</u></b> All physicians practicing at the healthcare facility (or facilities) are required to carry liability insurance limits of at least \$1,000,000 / \$3,000,000	+/- 5%
<b>5.</b>	<b><u>Continuing Education Program</u></b> Existence of a continuing education program including risk management topics for employed and staff physicians, administration, governing board, and nurses.	+/- 5%
<b>6.</b>	<b><u>Unusual Risk Characteristics</u></b>	+/- 10%

SERFF Tracking Number: CNAC-125251608 State: Arkansas  
 First Filing Company: Continental Insurance Company, ... State Tracking Number: AR-PC-07-025680  
 Company Tracking Number: 07-R2181  
 TOI: 11.0 Medical Malpractice - Claims Sub-TOI: 11.0009 Hospitals  
 Made/Occurrence  
 Product Name: Hospital Professional Liability  
 Project Name/Number: Medical Malpractice Rule Revision/2007R2181

## Supporting Document Schedules

**Satisfied -Name:** Uniform Transmittal Document-Property & Casualty  
**Review Status:** Filed 03/19/2008

**Comments:**

**Attachment:**

NAIC P&C Transmittal AR.pdf

**Bypassed -Name:** NAIC Loss Cost Filing Forms (all P&C lines)  
**Review Status:** Filed 03/19/2008

**Bypass Reason:** Not applicable

**Comments:**

**Satisfied -Name:** NAIC loss cost data entry document  
**Review Status:** Filed 03/19/2008

**Comments:**

**Attachment:**

AR ROE Exhibits.pdf

**Bypassed -Name:** Form PROMAL  
**Review Status:** Filed 03/19/2008

**Bypass Reason:** No rate impact

**Comments:**

**Bypassed -Name:** Form PRONOT  
**Review Status:** Filed 03/19/2008

**Bypass Reason:** No rate impact

**Comments:**

**Satisfied -Name:** Arkansas Rate Support  
**Review Status:** Filed 03/19/2008



SERFF Tracking Number: CNAC-125251608 State: Arkansas  
First Filing Company: Continental Insurance Company, ... State Tracking Number: AR-PC-07-025680  
Company Tracking Number: 07-R2181  
TOI: 11.0 Medical Malpractice - Claims Sub-TOI: 11.0009 Hospitals  
Made/Occurrence  
Product Name: Hospital Professional Liability  
Project Name/Number: Medical Malpractice Rule Revision/2007R2181

**Review Status:**  
**Satisfied -Name:** Form RF 1 Filed 03/19/2008  
**Comments:**  
**Attachment:**  
FORM RF-1 Rate Filing Abstract.pdf

**Review Status:**  
**Satisfied -Name:** Med Mal Survey Filed 03/19/2008  
**Comments:**  
**Attachment:**  
MM Survey FORM MMPCS.pdf

**Review Status:**  
**Satisfied -Name:** Medical Malpractice (Excel) Survey Filed 03/19/2008  
**Comments:**  
**Attachment:**  
MM Survey FORM MMPCS.xls

**Review Status:**  
**Satisfied -Name:** New Program Filing - California Hospital - National Fire Insurance Filed 03/19/2008  
**Comments:**  
**Attachment:**  
New Program - California (2).pdf

## Property & Casualty Transmittal Document

<b>1. Reserved for Insurance Dept. Use Only</b>	<b>2. Insurance Department Use only</b> a. Date the filing is received: b. Analyst: c. Disposition: d. Date of disposition of the filing: e. Effective date of filing: New Business Renewal Business f. State Filing #: g. SERFF Filing #: h. Subject Codes
---	---

<b>3. Group Name</b>	<b>Group NAIC #</b>

4. Company Name(s)	Domicile	NAIC #	FEIN #	State #

<b>5. Company Tracking Number</b>	
-----------------------------------	--

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

6.	Name and address	Title	Telephone #s	FAX #	e-mail

7. Signature of authorized filer	
8. Please print name of authorized filer	

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

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

## Property & Casualty Transmittal Document—

20. This filing transmittal is part of Company Tracking #

21. Filing Description [This area can be used in lieu of a cover letter or filing memorandum and is free-form text]

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

Check #:  
Amount:

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

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

PC TD-1 pg 2 of 2

## RATE/RULE FILING SCHEDULE

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

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

<b>1.</b>	<b>This filing transmittal is part of Company Tracking #</b>	<b>07-R2181</b>
-----------	--	-----------------

<b>2.</b>	<b>This filing corresponds to form filing number</b> (Company tracking number of form filing, if applicable)	<b>07-F2181</b>
-----------	---	-----------------

Rate Increase     
  Rate Decrease     
  Rate Neutral (0%)

<b>3.</b>	<b>Filing Method (Prior Approval, File &amp; Use, Flex Band, etc.)</b>	<b>Prior Approval</b>
-----------	--	-----------------------

<b>4a.</b>	<b>Rate Change by Company (As Proposed)</b>						
------------	---	--	--	--	--	--	--

Company Name	Overall % Indicated Change (when applicable)	Overall % Rate Impact	Written premium change for this program	# of policyholders affected for this program	Written premium for this program	Maximum % Change (where required)	Minimum % Change (where required)
CCC	N/A	0%	0	0	0	0.0%	0.0%
CIC	N/A	N/A	N/A	N/A	N/A	N/A	N/A

<b>4b.</b>	<b>Rate Change by Company (As Accepted) For State Use Only</b>						
------------	--	--	--	--	--	--	--

Company Name	Overall % Indicated Change (when applicable)	Overall % Rate Impact	Written premium change for this program	# of policyholders affected for this program	Written premium for this program	Maximum % Change (where required)	Minimum % Change (where required)

<b>Overall Rate Information (Complete for Multiple Company Filings only)</b>			
--	--	--	--

		COMPANY USE	STATE USE
<b>5a.</b>	<b>Overall percentage rate indication (when applicable)</b>	0.0%	
<b>5b.</b>	<b>Overall percentage rate impact for this filing</b>	0.0%	
<b>5c.</b>	<b>Effect of Rate Filing – Written premium change for this program</b>	0	
<b>5d.</b>	<b>Effect of Rate Filing – Number of policyholders affected</b>	0	

<b>6.</b>	<b>Overall percentage of last rate revision</b>	<b>25.9%</b>
-----------	---	--------------

<b>7.</b>	<b>Effective Date of last rate revision</b>	<b>7/1/2005</b>
-----------	---	-----------------

<b>8.</b>	<b>Filing Method of Last filing (Prior Approval, File &amp; Use, Flex Band, etc.)</b>	<b>Prior Approval</b>
-----------	---	-----------------------

9.	Rule # or Page # Submitted for Review	Replacement or Withdrawn?	Previous state filing number, if required by state
01	CNA - HOSP - AR - 1 to 11	<input type="checkbox"/> New <input checked="" type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
02		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
03		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	

**CNA INSURANCE COMPANIES**  
**ARKANSAS**  
**Primary - Hospital Professional Liability**

**Calculation of Permissible Loss & ALAE Ratio**

(1) Target CNA ROE	15.0%
(2) 2007 Plan Loss & ALAE Ratio	68.0%
(3) <u>ULAE to Premium Ratio</u>	<u>5.7%</u>
(4) ULAE to Loss & ALAE	8.3%
(5) Commission	10.0%
(6) General Expenses	6.0%
(7) State Premium Tax	2.4%
(8) Expense Ratio (ER)	18.4%
(9) Present Value Premium Factor (60 day Lag) (PVP)	0.9922
(10) Present Value L&ALAE Factor PV <sub>1</sub>	0.8609
(11) Present Value ULAE Factor PV <sub>2</sub>	0.9189
(12) Leverage Ratio (L)	1.90
(13) Yield on Capital (Y)	4.5%
(14) Percent Investable (I)	70.0%
(15) Income Tax Rate (T)	35.0%
(16) Permissible Loss & ALAE Ratio (L&ALAE)	75.0%
(17) Targeted Combined Ratio	99.1%

**CNA INSURANCE COMPANIES  
ARKANSAS  
Primary - Hospital Professional Liability**

**Calculation of Investment Income Adjustments**

<u>Months</u>	L&ALAE	ULAE	<b>4.8%</b>	L&ALAE	ULAE
	Incremental Payout Pattern	Incremental Payout Pattern	Discount Factor	Discounted Payout	Discounted Payout
(1)	(2)	(3)	(4)	(5)	(6)
12	3.6%	51.8%	97.7%	3.5%	50.6%
24	22.5%	11.2%	93.2%	20.9%	10.5%
36	22.1%	11.0%	89.0%	19.7%	9.8%
48	19.0%	9.5%	84.9%	16.1%	8.1%
60	22.5%	11.2%	81.1%	18.2%	9.1%
72	4.8%	2.4%	77.4%	3.7%	1.9%
84	2.4%	1.2%	73.8%	1.7%	0.9%
96	1.5%	0.7%	70.5%	1.0%	0.5%
108	1.0%	0.5%	67.2%	0.7%	0.3%
120	0.5%	0.2%	64.2%	0.3%	0.2%
132	0.3%	0.1%	61.2%	0.2%	0.1%
144	0.0%	0.0%	58.5%	0.0%	0.0%
156	0.0%	0.0%	55.8%	0.0%	0.0%
	100%	100%		86.1%	91.9%

(4) =  $(1.048)^{-((1) - 6) / 12}$   
 (5) = (2) x (4)  
 (6) = (3) x (4)

**Continental Casualty Company**  
**The Continental Insurance Company**  
Hospital Professional Liability

Actuarial Memorandum  
ARKANSAS

With this rate filing, we are proposing to adopt the Continental Casualty Company ("CCC") rates for The Continental Insurance Company ("CIC"). The introduction of CIC as a new underwriter for this program is proposed with an effective date of September 1, 2007. We are also revising the expected loss ratio used in the experience rating plan. The expense provisions underlying the revised expected loss ratio can be found in Exhibit 1.

The revised rating manual pages referencing both CCC and CIC are attached. In addition, Experience rating rule I on Page 10 has been changed to reflect the updated expected loss ratio of 75.0%.

**CNA INSURANCE COMPANIES**  
**ARKANSAS**  
**Primary - Hospital Professional Liability**

**Calculation of Permissible Loss & ALAE Ratio**

(1) Target CNA ROE	15.0%
(2) 2007 Plan Loss & ALAE Ratio	68.0%
(3) <u>ULAE to Premium Ratio</u>	<u>5.7%</u>
(4) ULAE to Loss & ALAE	8.3%
(5) Commission	10.0%
(6) General Expenses	6.0%
(7) State Premium Tax	2.4%
(8) Expense Ratio (ER)	18.4%
(9) Present Value Premium Factor (60 day Lag) (PVP)	0.9922
(10) Present Value L&ALAE Factor PV <sub>1</sub>	0.8609
(11) Present Value ULAE Factor PV <sub>2</sub>	0.9189
(12) Leverage Ratio (L)	1.90
(13) Yield on Capital (Y)	4.5%
(14) Percent Investable (I)	70.0%
(15) Income Tax Rate (T)	35.0%
(16) Permissible Loss & ALAE Ratio (L&ALAE)	75.0%
(17) Targeted Combined Ratio	99.1%

**CNA INSURANCE COMPANIES  
ARKANSAS  
Primary - Hospital Professional Liability**

**Calculation of Investment Income Adjustments**

<u>Months</u>	L&ALAE	ULAE	<b>4.8%</b>	L&ALAE	ULAE
	Incremental Payout Pattern	Incremental Payout Pattern	Discount Factor	Discounted Payout	Discounted Payout
(1)	(2)	(3)	(4)	(5)	(6)
12	3.6%	51.8%	97.7%	3.5%	50.6%
24	22.5%	11.2%	93.2%	20.9%	10.5%
36	22.1%	11.0%	89.0%	19.7%	9.8%
48	19.0%	9.5%	84.9%	16.1%	8.1%
60	22.5%	11.2%	81.1%	18.2%	9.1%
72	4.8%	2.4%	77.4%	3.7%	1.9%
84	2.4%	1.2%	73.8%	1.7%	0.9%
96	1.5%	0.7%	70.5%	1.0%	0.5%
108	1.0%	0.5%	67.2%	0.7%	0.3%
120	0.5%	0.2%	64.2%	0.3%	0.2%
132	0.3%	0.1%	61.2%	0.2%	0.1%
144	0.0%	0.0%	58.5%	0.0%	0.0%
156	0.0%	0.0%	55.8%	0.0%	0.0%
	100%	100%		86.1%	91.9%

  

(4) =  $(1.048)^{-((1) - 6) / 12}$   
 (5) = (2) x (4)  
 (6) = (3) x (4)

### NAIC LOSS COST DATA ENTRY DOCUMENT

<b>1.</b>	This filing transmittal is part of Company Tracking #	<b>07-R2181</b>
-----------	---	-----------------

<b>2.</b>	If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/ Item Filing Number	<b>This is not a loss cost filing.</b>
-----------	---	--

	Company Name		Company NAIC Number
<b>3.</b>	<b>A.</b>	<b>Continental Casualty Company</b>	<b>B.</b> <b>20443</b>

	Product Coding Matrix Line of Business (i.e., Type of Insurance)		Product Coding Matrix Line of Insurance (i.e., Sub-type of Insurance)
<b>4.</b>	<b>A.</b>	<b>Medical Malpractice Insurance</b>	<b>B.</b> <b>Hospital Professional Liability</b>

<b>5.</b>		FOR LOSS COSTS ONLY					
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
COVERAGE (See Instructions)	Indicated % Rate Level Change	Requested % Rate Level Change	Expected Loss Ratio	Loss Cost Modification Factor	Selected Loss Cost Multiplier	Expense Constant (If Applicable)	Co. Current Loss Cost Multiplier
<b>HPL</b>	<b>0</b>	<b>0</b>					
TOTAL OVERALL EFFECT							

<b>6.</b>	5 Year History	Rate Change History					
Year	Policy Count	% of Change	Effective Date	State Earned Premium (000)	Incurred Losses (000)	State Loss Ratio	Countrywide Loss Ratio
<b>2002</b>	<b>0</b>	<b>24.1</b>	<b>3/15/02</b>	<b>981,311</b>	<b>696,705</b>	<b>.710</b>	<b>.781</b>
<b>2003</b>	<b>1</b>	<b>24.1</b>	<b>9/3/02</b>	<b>3,490,608</b>	<b>2,196,148</b>	<b>.629</b>	<b>.602</b>
<b>2004</b>	<b>52</b>	<b>24.1</b>	<b>3/3/03</b>	<b>5,285,456</b>	<b>3,133,459</b>	<b>.593</b>	<b>.463</b>
<b>2005</b>	<b>101</b>	<b>24.1</b>	<b>9/1/03</b>	<b>5,811,755</b>	<b>3,754,626</b>	<b>.646</b>	<b>.471</b>
<b>2006</b>	<b>102</b>	<b>11.2</b>	<b>11/1/04</b>	<b>6,452,877</b>	<b>3,640,610</b>	<b>.564</b>	<b>.402</b>
		<b>25.9</b>	<b>7/1/05</b>				

<b>7.</b>		
	Expense Constants	Selected Provisions
	A. Total Production Expense	<b>10.0%</b>
	B. General Expense	<b>6.0%</b>
	C. Taxes, License & Fees	<b>2.4%</b>
	D. Underwriting Profit & Contingencies	<b>0.9%</b>
	E. Other (explain)	
	F. TOTAL	<b>19.3%</b>

8.   N   Apply Lost Cost Factors to Future filings? (Y or N)
9.   0   Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable): \_\_\_\_\_
10.   0   Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable): \_\_\_\_\_

**Malpractice Premium Comparison Survey Form  
FORM MMPCS - last modified August, 2005**

**USE THE APPROPRIATE FORM BELOW - IF NOT APPLICABLE, LEAVE BLANK**

NAIC Number:	20443
Company Name:	Continental Casualty Company
Contact Person:	William Feehan
Telephone No.:	312-822-1621
Email Address:	<a href="mailto:william.feehan@cna.com">william.feehan@cna.com</a>
Effective Date:	9/1/2007

**Submit to:** Arkansas Insurance Department  
1200 West Third Street  
Little Rock, AR 72201-1904

**Telephone:** 501-371-2800

Email as an attachment to [insurance.pnc@arkansas.gov](mailto:insurance.pnc@arkansas.gov)  
You may also attach to a SERFF filing or submit on a cdr disk

Physicians

Base Rate	Hospital	Clinic	Private
At 100,000/300,000	\$ 3,485	\$ 3,485	\$ 3,485
<b>Discounts and Surcharges</b>			
Emergency Room	0 %	0 %	0 %
Surgery	0 %	0 %	0 %
Delivery	0 %	0 %	0 %
Claims Free	-5 %	-5 %	-5 %
Over 5 years Experience	-5 %	-5 %	-5 %
Other:			
Loss Prevention Credit	-5 %	-5 %	-5 %

Dental

Base Rate	Dentist	Orthodontist	Oral Surgeons
At 1M/1M Occ.	\$ 1,029	\$ 1,029	\$ 6,173
<b>Discounts and Surcharges</b>			
Claims Free	0 %	0 %	0 %
5 years Experience	0 %	0 %	0 %
Surgery	0 %	0 %	0 %
Other:			
Association Credit	-5 %	-5 %	-5 %

**National Fire Insurance Company of Hartford**  
California  
Hospital Professional Liability

**Re: New Program Filing**

It has been over four years since National Fire Insurance Company of Hartford (CNA) has written a primary hospital professional liability policy in the state of California. CNA had never really made any progress in penetrating the California marketplace as evidenced by its largest written premium year since 1997 was just under \$1 million. Given this, it is nearly impossible to make credible rates from a volume of information so small, relative to the size of the California's market. Therefore, in an effort to reposition ourselves to be a more competitive carrier in the market CNA is making major changes to the rates and territory structure and thus filing as a "New Program".

As mentioned in the actuarial memorandum, the indicated base rate change was based on "industry hospital experience". Using this experience is a new approach for CNA in developing individual state base rates. We have used this new approach on individual states countrywide, where data was available. This new approach is geared toward coming up with the correct base rate for California and not necessarily a base rate for "CNA business written in California". And since CNA has no credible experience on its own books, this approach is the most viable to come up with a starting point for its new program.

CNA captured ten years of loss and exposure data from California hospital accounts that were submitted to CNA for price quotes. Exhibit 14-2 shows the calculation of the indicated rate change. We developed and trended the loss and ALAE data (limited to \$1m) using traditional actuarial projection techniques (i.e. incurred loss development and Bornhuetter-Ferguson methods). These ultimate estimates were then related to the years earned exposure units to result in loss cost estimates by year (Exhibit 14-2, Column 8). An average of the last six years was chosen to be our prospective loss cost (i.e. \$3,665.88) that underlies our new base rate proposal for our new Territory 1 (LA, Orange, Riverside, and San Bernadino counties).

Our new territory structure was developed from numerous discussions with our underwriting counterparts as well as a review of competitor filings. It was determined that the current structure needed to be refined. As is shown on Exhibit 15, CNA has lowered the territory relativities for all the counties except the four that remain in our new Territory 1 mentioned above (i.e. the new base counties). The impact of these territory changes range from -37.5% in Northern California to -6.3% in the San Francisco Bay area.

Also being filed with these rates is a new primary facility policy form.

It is our belief that with these changes CNA has repositioned itself well for a fresh start in the California primary hospital marketplace. We intend to monitor these new rates annually as we continue to aggregate hospital submission data so as to better refine our new program.