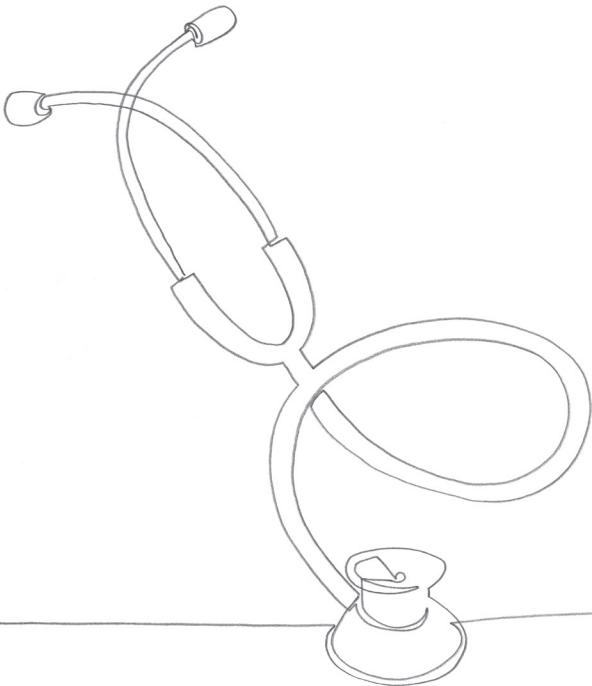


Beazley Insight

A Prescription that Works for Pharmacy Risks

by Dan Springman



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Once upon a time insurers would jump at the chance to provide a neighborhood pharmacy with a Business Owners Policy that included professional liability coverage by endorsement. But as the extent of this sector's professional liability exposures has become apparent, many carriers have come to view the class as unattractive. Beazley's approach is different. Working closely with pharmacies and their brokers to identify pharmacies' exposures and ensure that appropriate risk management procedures are in place, we continue to provide competitive coverage while minimizing claims.

All pharmacies, from the largest national chains down to Main Street mom-and-pop shops, have substantial professional liability risks. Opportunities for human error are abundant. Since many medicines look alike, a prescription container may be mislabeled, or the wrong capsules may be grabbed off a shelf. Improperly securing medicine (not using child-proof caps, for example) can put a pharmacist at risk. It can be as simple as a cashier accidentally handing over the wrong bottle to a customer. Or as monumental as a pharmacist erring in transcribing a prescription for 21 polo horses, resulting in a fatal overdose of the animals.

Compounding the exposure

Compounding drugs involves combining, mixing, or reconstituting existing pharmaceuticals to meet the unique needs of a patient. It may mean suspending and flavoring an antibiotic to make it child-friendly, or altering the dosage of medication capsules to accommodate a doctor's prescription. Compounding elevates exposures. Consider the recent, high-profile case of a meningitis outbreak sparked by a widely-given steroidal injection that was contaminated during the compounding process.

While specific pharmaceuticals are regulated by the US Food and Drug Administration, compounded drugs are not. Change is in the wind, with Congressional passage late last year of the Drug Quality and Security Act, which opens the door for the FDA to develop voluntary regulations on compounding and traceability of prescription drugs.

Smaller pharmacies are especially vulnerable to many professional liability claims since they are less likely than their larger counterparts to have extensive procedural checks and

balances in place. Moreover, the state-of-the-art IT systems that help pharmacists separate similar-looking drugs or spot potentially adverse drug interactions may be beyond their budgets.

Outside the professional liability realm, pharmacies are at high risk for slip and fall claims given the substantial number of customers visiting their premises every day. Many local pharmacies have also found a lucrative avenue in leasing medical equipment. They rent everything from hospital beds and walkers, to oxygen machines and nebulizers, which draws them into the vortex of potential products liability claims.

Privacy liability exposure is also pronounced in this sector. Pharmacies have access to a host of personal information on customers, including sensitive healthcare information on prescribed medications printed on each prescription.

Boosting immunity

At Beazley, we provide retail pharmacies with professional liability insurance that protects them properly for the long term. On our small business team our target market is pharmacies writing up to 150,000 prescriptions annually, with revenues up to \$25 million. (Our miscellaneous medical team also offers coverage for larger retail pharmacies, including bulk compounding pharmacies.)

We combine miscellaneous medical professional liability insurance with general liability insurance and other coverages that experience has shown are essential for this sector. As more pharmacies offer “mini clinics” with immunization services for influenza and the like onsite, we have expanded our coverage to encompass these activities. Our coverage also extends to products liability and privacy and network security liability exposures.

What do we look for in underwriting this risk?

The experience of the pharmacists and the longevity of a particular pharmacy in the community is important. Our underwriters also want to know what systems are in place to help identify look-alike drugs, avoiding mix-ups, as well as to pinpoint potentially dangerous drug interactions.

Underwriters also ask about a pharmacy’s practices and procedures. For example, what safeguards are used to ensure accuracy and authenticity of prescriptions handwritten by physicians? Where does the pharmacy source its drugs? (Suppliers outside the US – and so not FDA-regulated – are a red flag.) How much compounding does the pharmacy do on premises? You can also expect underwriters to inquire about how customers’ personal information is secured in the pharmacy’s systems.

US pharmacies are estimated to transact \$248 billion worth of business annually. With major pharmacies taking unprecedented action to align themselves with the public as true healthcare companies – evidenced recently by a major pharmacy chain pulling tobacco products from its shelves – medical exposures are likely to become more prevalent – and proper protection will be even more valuable to this sector.

Dan Springman is an underwriter in the Private Enterprise/ Small Business unit of Beazley Group.



Dan Springman
Underwriter
Chicago, IL
dan.springman@beazley.com

beazley

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