



Beyond Basics: Smart Insurance Strategies for Compounding Owners

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AVP Professional Liability Strategic Operation
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1

Options to Manage Risk

- Avoidance
- Retention
- Spreading
- Risk Management: Loss Prevention and Reduction
- Transfer (through Insurance and Contracts)



2

Why Insurance Matters for Compounding Pharmacies

- **Unique Risks in Pharmacies**
Compounding pharmacies face risks like dispensing errors, unique equipment and building requirements, and sensitive information handling.
- **Importance of Insurance Coverage**
Insurance protects pharmacies from liabilities including lawsuits, equipment failure, and employee injury claims.
- **Maintaining Business Continuity**
Proper insurance ensures pharmacies can continue operations despite interruptions or shutdowns.
- **Regulatory Compliance and Risk Management**
Insurance helps pharmacies meet regulations and reduces financial and legal risks effectively.



3

The Insurance Policy

Legal Contract

- Definitions
- Coverages
- Exclusions
- Endorsements
- Limits
- Conditions

Insurance policies are contracts.
You may not understand every word of the policy, but you should be able to get a big picture idea of what the policy covers.



4

Core Insurance Coverages



5

Common Coverages for Business Owners

- Commercial property; building and/or contents
- General liability
- Professional liability
- Cyber liability
- Sexual misconduct & physical abuse
- Employment-related practices liability (EPLI)
- Loss of Income
- Workers Compensation
- Commercial Auto
- Commercial Umbrella



6

Businessowner's Policy (BOP)

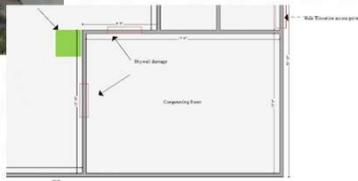


- Streamlined insurance package designed for small business
- Combines two essential type of protection—Property coverage and General Liability
- Property coverage includes your building, equipment, inventory, and other physical assets
- General liability coverage provide protection to the business if someone is injured in your store or claims damage resulting from your business operations.
- Cost effective to bundle the coverages



7

Property Claim Example: Damaged Clean Room



- Break-in where the perpetrators came through an exterior wall in the ante room
- Damaged the walls in two more sections of the clean room
- Cut into safe
- Clean Room Contamination Response
Contaminated clean room requires shutdown, disposal of CSPs, environmental testing, and thorough decontamination.
- Property Insurance Coverage
Insurance claim covers structural repairs, equipment replacement, remediation, and business interruption losses.



8

Professional Liability (Malpractice)

Coverage for Dispensing Errors

Insurance protects pharmacists from claims arising due to dispensing errors, misfills, patient counseling, prescribing (where allowed), compounding errors, and many more pharmacy services

Legal and Regulatory Support

Coverage for legal expenses pharmacists may incur when responding to complaints, investigations, or disciplinary actions brought by a state board of pharmacy or other regulatory authority.

Includes hiring an attorney, preparing required documents, and representing the pharmacist during hearings or inquiries.

Risks in High-Risk Preparations

Sterile and high-risk compounded medications elevate error potential, making specialized malpractice coverage essential for pharmacists.



9

Professional Liability Claim Example



- Compounding eye drops for corneal procedure
- Common medication compounded in this pharmacy, relationship with an ophthalmic center nearby
- Technician added sodium hydroxide drops, more was added than normal to get to desired pH of 6.5-7
- No documentation of pH meter calibration
- During procedure one drop added every 2 minutes for 10 minutes, patient complained of pain/discomfort
- Procedure was discontinued as iris clouded
- Drops sent back to the pharmacy, same pH meter was used to test, at that point the pH measured 8.5
- Patient is now blind and has eye disfigurement
- Patient is unable to perform his job as a drone pilot
- Settled at policy limits



10

Workers Compensation

- **Importance of Workers' Compensation**
Workers' compensation protects employees from job-related injuries and illnesses by covering medical and wage loss expenses.
- **Risks in Compounding Pharmacies**
Employees face hazards like chemical exposure, repetitive motion injuries, slips, falls, and contamination in sterile areas.
- **Benefits for Employers**
Maintaining workers' compensation ensures regulatory compliance, protects against lawsuits, and supports operational continuity.



11

Commercial Auto

- Insurance for vehicle used for deliveries, running errands such as going to the bank, or handling other pharmacy related tasks
- The coverage protects your business if your driver is involved in an accident that causes injuries or property damage while driving on behalf of the pharmacy.
- Personal auto policies do not generally cover business use



12

Employment Practices Liability Insurance

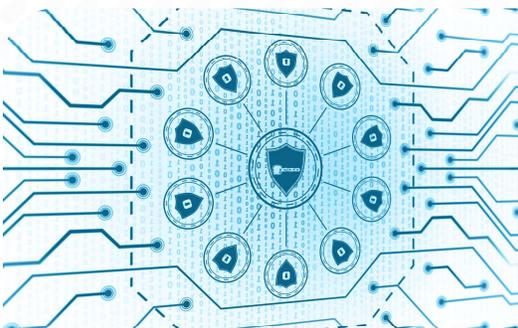


- Covers damages due to injury to an employee resulting from wrongful employment practices as well as defense costs
 - Allegations of discrimination, wrongful termination, harassment, retaliation, and other employment related issues
- Many standard businessowner's policies exclude EPL
 - Exclusions eliminate coverage for some type of risk and narrow the scope of coverage provided by the insuring agreement
- EPL can be added as an endorsement
 - Endorsements are legally binding documents attached to the insurance contract to change the policy in some way
- Claims are on the rise across all industries largely because employment laws continue to evolve and applicants and staff are more aware of their rights



13

Cyber Liability Insurance



- Cybersecurity Risks for Pharmacies
Pharmacies face cyber threats due to integrated systems like dispensing software and electronic health records.
- Consequences of Cyberattacks
Breaches result in halted operations, HIPAA violations, legal settlements, and reputational damage.
- Role of Cyber Liability Insurance
Insurance covers forensic investigations, ransomware payments, system restoration, and legal fees.
- Protection Against Financial Loss
Coverage safeguards pharmacies from costly operational and financial consequences of cyberattacks.



14

Wrap-Up: What Compounding Pharmacy Owners Should Take Away

- **Insurance is a strategic business tool, not just a requirement.** It protects your people, your reputation, and your ability to keep serving patients when something goes wrong.
- **Compounding carries unique operational and legal risks.** Sterile environments, specialized equipment, high-risk preparations, and individualized medications make tailored coverage essential.
- **Know the core coverages that matter most.** Property, general liability, professional liability, cyber, workers' compensation, EPLI, auto, and business interruption each play a different role in protecting the business.
- **Real-world claims show the stakes are high.** Clean room failures, contamination events, and compounding errors can lead to massive losses—financially, operationally, and reputationally.



15

Wrap-Up: What Compounding Pharmacy Owners Should Take Away

- **Cyber risks are no longer optional to insure.** Pharmacies are prime targets due to PHI, integrated software systems, and ransomware vulnerabilities. Cyber liability coverage is now foundational.
- **Risk management and documentation protect you beyond insurance.** Calibration logs, SOP adherence, staff training, and consistent documentation reduce claim exposure and improve outcomes when incidents occur.
- **Work with an insurance partner who understands compounding.** Policies must account for sterile environments, equipment limitations, regulatory requirements, and high-severity risk profiles. Not all insurers understand these nuances.



16

Action Items

- ✓ Review your current policies and coverage gaps
- ✓ Confirm your limits match your real exposure
- ✓ Evaluate cyber and business interruption readiness
- ✓ Strengthen your documentation and risk-prevention processes
- ✓ Build an ongoing relationship with a specialized agent or carrier



17

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18