

SERFF Tracking Number: AGNY-125297512 State: Arkansas  
Filing Company: American Home Assurance Company State Tracking Number: AR-PC-07-026275  
Company Tracking Number: AIC-07-EO-22  
TOI: 11.2 Medical Malpractice - Occurrence Only Sub-TOI: 11.2000 Med Mal Sub-TOI Combinations  
Product Name: Psychoanalysts Professional Liability Program  
Project Name/Number: Psychoanalysts Professional Liability Program/AIC-07-EO-22

## Filing at a Glance

Company: American Home Assurance Company

Product Name: Psychoanalysts Professional Liability Program SERFF Tr Num: AGNY-125297512 State: Arkansas

Liability Program

TOI: 11.2 Medical Malpractice - Occurrence Only SERFF Status: Closed State Tr Num: AR-PC-07-026275

Sub-TOI: 11.2000 Med Mal Sub-TOI Combinations Co Tr Num: AIC-07-EO-22 State Status:

Filing Type: Rate Co Status: Reviewer(s): Betty Montesi, Edith Roberts, Brittany Yielding

Author: Myron Harry Disposition Date: 10/22/2007

Date Submitted: 10/01/2007 Disposition Status: Filed

Effective Date Requested (New): 11/01/2007 Effective Date (New):

Effective Date Requested (Renewal): 11/01/2007 Effective Date (Renewal):

## General Information

Project Name: Psychoanalysts Professional Liability Program

Project Number: AIC-07-EO-22

Reference Organization:

Reference Title:

Filing Status Changed: 10/22/2007

State Status Changed: 10/01/2007

Corresponding Filing Tracking Number:

Filing Description:

American Home Assurance Company (the "Company") has on file with your Department its Psychoanalysts Professional Liability Program (the "Program"). The Company submits, for your review and approval, its rates to be used with this Program. Please be advised that this filing replaces the rates currently on file with your Department.

Status of Filing in Domicile: Not Filed

Domicile Status Comments:

Reference Number:

Advisory Org. Circular:

Deemer Date:

Please refer to the attached actuarial materials for information about the rates.

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## Company and Contact

### Filing Contact Information

Myron Harry, myron.harry@aig.com  
175 Water Street - 17th Floor (212) 458-7057 [Phone]  
New York, NY 10038 (212) 458-7077[FAX]

### Filing Company Information

American Home Assurance Company CoCode: 19380 State of Domicile: New York  
70 Pine Street Group Code: Company Type:  
New York, NY 10270 Group Name: State ID Number:  
(212) 770-7000 ext. [Phone] FEIN Number: 13-5124990  
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## Filing Fees

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

CHECK NUMBER	CHECK AMOUNT	CHECK DATE
00102860	\$100.00	09/21/2007

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## Correspondence Summary

### Dispositions

Status	Created By	Created On	Date Submitted
Filed	Edith Roberts	10/22/2007	10/22/2007

### 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	10/02/2007	10/02/2007	Myron Harry	10/10/2007	10/10/2007

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## Disposition

Disposition Date: 10/22/2007  
 Effective Date (New):  
 Effective Date (Renewal):  
 Status: Filed  
 Comment:

Company Name:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Premium:	Maximum % Change (where required):	Minimum % Change (where required):	Overall % Indicated Change:
American Home Assurance Company	3.000%	\$0	0	\$0	3.000%	3.000%	%

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<b>Item Type</b>	<b>Item Name</b>	<b>Item Status</b>	<b>Public Access</b>
<b>Supporting Document</b>	Uniform Transmittal Document-Property & Casualty	Filed	Yes
<b>Supporting Document</b>	NAIC Loss Cost Filing Document for OTHER than Workers' Comp	Filed	Yes
<b>Supporting Document</b>	NAIC loss cost data entry document	Filed	Yes
<b>Supporting Document</b>	Form PRONOT	Filed	Yes
<b>Supporting Document</b>	Form PROMAL	Filed	Yes
<b>Supporting Document</b>	Explanatory Memorandum and Actuarial Exhibits	Filed	Yes
<b>Supporting Document</b>	Impact Statement and Med Mal Survey Form	Filed	Yes
<b>Rate</b>	Rate Page	Filed	Yes

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## Objection Letter

Objection Letter Status Pending Industry Response  
Objection Letter Date 10/02/2007  
Submitted Date 10/02/2007  
Respond By Date

Dear Myron Harry,

This will acknowledge receipt of the captioned filing.

You will need to include an impact statement regarding the Civil Justice Reform Act of 2003 as required by Bulletin 2-2003. Also, you must complete the med mal survey form at the below address. Most if not all of the questions, you will need to respond "N/A" as the form is aimed for physicians, surgeons and dentist. You may access the form here:

<http://www.insurance.arkansas.gov/PandC/RR23Forms/MM%20Survey%20FORM%20MMPCS.xls> – or much more complicated...go to AR Insurance Dept website at: <http://insurance.arkansas.gov/>, then choose "Divisions", then "Property and Casualty", then under "Insurance Companies Rule 23 and Forms" click on the word "Forms" .

Upon receipt of this, I will be able to stamp "Filed".

Thank 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 10/10/2007  
Submitted Date 10/10/2007

Dear Edith Roberts,

**Comments:**

### Response 1

SERFF Tracking Number: AGNY-125297512 State: Arkansas  
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Comments: Ms. Edith Roberts:

In response to your request, attached please find an Impact Statement regarding the Civil Justice Reform Act of 2003, and a Med Mal Survey Form.

Please let us know if we can be of any further assistance.

**Changed Items:**

**Supporting Document Schedule Item Changes**

Satisfied -Name: Impact Statement and Med Mal Survey Form

Comment: Attached please find an Impact Statement and a Med Mal Survey Form.

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Sincerely,  
Myron Harry

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**Rate Information**

Rate data applies to filing.

**Filing Method:**

**Rate Change Type:**

Increase

**Overall Percentage of Last Rate Revision:**

Increase

**Effective Date of Last Rate Revision:**

05/09/2006

**Filing Method of Last Filing:**

**Company Rate Information**

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Premium:	Maximum % Change (where required):	Minimum % Change (where required):
American Home Assurance Company	%	3.000%	\$0	0	\$0	3.000%	3.000%

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## Rate/Rule Schedule

Review Status:	Exhibit Name:	Rule # or Page #:	Rate Action	Previous State Filing Attachments Number:
Filed	Rate Page	Rate Page 1	Replacement	09-07 AR Psychoanalysts-Rate Page.pdf

**AMERICAN HOME ASSURANCE COMPANY  
PSYCHOANALYSTS PROFESSIONAL LIABILITY  
ARKANSAS**

**I. PSYCHOANALYSTS PROFESSIONAL LIABILITY RATES**

LIMITS OF LIABILITY	RATE
\$200,000/\$600,000	2,334
\$1,000,000/\$1,000,000	3,175
\$1,000,000/\$3,000,000	3,478
\$2,000,000/\$2,000,000	3,757
\$2,000,000/\$3,000,000	3,861
\$2,000,000/\$4,000,000	3,965
\$2,000,000/\$5,000,000	4,070
\$2,000,000/\$6,000,000	4,174
\$3,000,000/\$3,000,000	4,172
\$3,000,000/\$4,000,000	4,276
\$3,000,000/\$5,000,000	4,381
\$4,000,000/\$4,000,000	4,498
\$4,000,000/\$5,000,000	4,603
\$5,000,000/\$5,000,000	4,780

**II. SCHOOL/INSTITUTE/SOCIETY RATES**

**A. SCHOOL/INSTITUTE**

LIMITS OF LIABILITY	RATES BASED ON OUTPATIENT VISITS
\$100,000/\$300,000	0.494 first 5,000 visits
	0.396 next 3,000 visits
	0.356 next 8000 visits and over
\$500,000/\$500,000	0.633 first 5,000 visits
	0.506 next 3,000 visits
	0.456 next 8000 visits and over
\$1,000,000/\$1,000,000	0.732 first 5,000 visits
	0.585 next 3,000 visits
	0.527 next 8000 visits and over
\$1,000,000/\$3,000,000	1.204 first 5,000 visits
	0.963 next 3,000 visits
	0.867 next 8000 visits and over

Minimum Policy Premium - \$750 for \$1,000,000/\$1,000,000  
\$1,000 for \$1,000,000/\$3,000,000

**B. SOCIETIES**

LIMITS OF LIABILITY	PREMIUM
\$500,000/\$500,000	335
\$1,000,000/\$1,000,000	515
\$1,000,000/\$3,000,000	773

**III. ADDITIONAL COVERAGES**

ECT - Electroconvulsive Therapy Coverage - An additional charge of 25%  
Part-Time Psychoanalysts- 50% for psychoanalysts practicing 20 hours or  
less per week

**IV. ADDITIONAL INSURED CHARGES:**

Landlord: 20% of the policy premium  
Corporation with Other Employees: 40% of the policy premium  
Additional Insured: 20% of the policy premium. Only applies to School/Institute/Society

**V. ADMINISTRATIVE HEARING**

INCREASED LIMITS	RATE
\$10,000	\$175
\$25,000	\$500

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## Supporting Document Schedules

**Satisfied -Name:** Uniform Transmittal Document-Property & Casualty **Review Status:** Filed 10/22/2007

**Comments:**

Attached please find a PCTD Transmittal.

**Attachment:**

10-07 PCTD Transmittal.pdf

**Bypassed -Name:** NAIC Loss Cost Filing Document for OTHER than Workers' Comp **Review Status:** Filed 10/22/2007

**Bypass Reason:** N/A

**Comments:**

**Satisfied -Name:** NAIC loss cost data entry document **Review Status:** Filed 10/22/2007

**Comments:**

Attached please find a RF-a Rate Filing Abstract/NAIC Data Entry Form.

**Attachment:**

10-07 AR NAIC Data Entry Form.pdf

**Bypassed -Name:** Form PRONOT **Review Status:** Filed 10/22/2007

**Bypass Reason:** N/A

**Comments:**

**Bypassed -Name:** Form PROMAL **Review Status:** Filed 10/22/2007

**Bypass Reason:** N/A

**Comments:**

**Review Status:**

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**Satisfied -Name:** Explanatory Memorandum and Actuarial Exhibits Filed 10/22/2007

**Comments:**

Attached please find an Explanatory Memorandum and Actuarial Exhibits.

**Attachment:**

09-07 AR Psychoanalysts Expl Memo and Actuarial Exhs.pdf

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**Review Status:**

**Satisfied -Name:** Impact Statement and Med Mal Survey Form  
Filed 10/22/2007

**Comments:**

Attached please find an Impact Statement and a Med Mal Survey Form.

**Attachments:**

10-07 Impact Statement.pdf

AR Med Mal Survey FORM MMPCS.pdf

**Property & Casualty Transmittal Document (Revised 1/1/06)**

**1. Reserved for Insurance Dept. Use Only**

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**2. Insurance Department Use only**

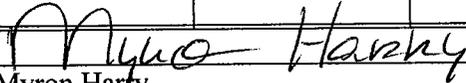
a. Date the filing is received:
b. Analyst:
c. Disposition:
d. Date of disposition of the filing:
e. Effective date of filing:
New Business
Renewal Business
f. State Filing #:
g. SERFF Filing #:
h. Subject Codes

<b>3. Group Name</b>	<b>Group NAIC #</b>
American International Group, Inc.	012

<b>4. Company Name(s)</b>	<b>Domicile</b>	<b>NAIC #</b>	<b>FEIN #</b>
American Home Assurance Company	NY	19380	13-5124990

<b>5. Company Tracking Number</b>	<b>AIC-07-EO-22</b>
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**Contact Info of Filer(s) or Corporate Officer(s)** [include toll-free number]

6.	Name and address	Title	Telephone #s	Fax #	e-mail
	Myron Harry 175 Water Street, 17th Fl. New York, NY 10038	Filings Analyst	(212) 458-7057	(212) 458-7077	Myron.harry@aig.com
7.	Signature of authorized filer				
8.	Please print name of authorized filer		Myron Harry		

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

<b>9. Type of Insurance (TOI)</b>	11.0 – Medical Malpractice
<b>10. Sub-Type of Insurance (Sub-TOI)</b>	11.0029 – Other
<b>11. State Specific Product code(s)(if applicable)[See State Specific Requirements]</b>	
<b>12. Company Program Title (Marketing title)</b>	Psychoanalysts Professional Liability Program
<b>13. Filing Type</b>	<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
<b>14. Effective Date(s) Requested</b>	New: November 1, 2007    Renewal: November 1, 2007
<b>15. Reference Filing?</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>16. Reference Organization (if applicable)</b>	
<b>17. Reference Organization # &amp; Title</b>	
<b>18. Company's Date of Filing</b>	October 1, 2007
<b>19. Status of filing in domicile</b>	<input checked="" type="checkbox"/> Not Filed <input type="checkbox"/> Pending <input type="checkbox"/> Authorized <input type="checkbox"/> Disapproved

## Property & Casualty Transmittal Document---

20.	<b>This filing transmittal is part of Company Tracking #</b>	AIC-07-EO-22
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21.	<b>Filing Description</b> [This area can be used in lieu of a cover letter or filing memorandum and is free-form text]
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The Company listed in item 4 above submits for your review and approval its proposed base rate change.

Please refer to the attached explanatory memorandum and actuarial materials for information about this filing.

22.	<b>Filing Fees</b> (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 #:	00102860
Amount:	\$100.00

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**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.)**

**NAIC LOSS COST DATA ENTRY DOCUMENT**

<b>1.</b>	This filing transmittal is part of Company Tracking #	<b>AIC-07-EO-22</b>
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<b>2.</b>	If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/ Item
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	Company Name		Company NAIC Number
<b>3.</b>	<b>A.</b>	<b>American Home Assurance Company</b>	<b>B.</b> <b>19380</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</b>	<b>B.</b>

**5.**

(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	FOR LOSS COSTS ONLY				
			(D) Expected Loss Ratio	(E) Loss Cost Modification Factor	(F) Selected Loss Cost Multiplier	(G) Expense Constant (If Applicable)	(H) Co. Current Loss Cost Multiplier
<b>Psychoanalysts Professional Liability</b>	<b>5.64%</b>	<b>3.00%</b>					
<b>TOTAL OVERALL EFFECT</b>	<b>5.64%</b>	<b>3.00%</b>					

**6.**

5 Year History

Rate Change History

Year	Policy Count	% of Change	Effective Date	State Earned Premium	Incurred Losses (000)	State Loss Ratio	Countrywide Loss Ratio
<b>2002</b>	<b>0</b>	<b>20.00%</b>	<b>12/24/02</b>	<b>0</b>	<b>0</b>	<b>0.000</b>	<b>0.646</b>
<b>2003</b>	<b>0</b>	<b>20.00%</b>	<b>11/18/03</b>	<b>0</b>	<b>0</b>	<b>0.000</b>	<b>0.427</b>
<b>2004</b>	<b>0</b>	<b>20.00%</b>	<b>10/19/04</b>	<b>0</b>	<b>0</b>	<b>0.000</b>	<b>0.499</b>
<b>2005</b>	<b>0</b>			<b>0</b>	<b>0</b>	<b>0.000</b>	<b>0.508</b>
<b>2006</b>	<b>0</b>	<b>5.00%</b>	<b>05/09/06</b>	<b>0</b>	<b>0</b>	<b>0.000</b>	<b>0.670</b>

**7.**

Expense Constants	Selected Provision s
A. Total Production Expense	<b>19.5%</b>
B. General Expense	<b>1.8%</b>
C. Taxes, License & Fees	<b>4.4%</b>
D. Underwriting Profit & Contingencies	<b>5.0%</b>
E. Other (explain)	
<b>F. TOTAL</b>	<b>30.6%</b>

**8.** \_\_\_\_\_ Apply Loss Cost Factors to Future filings? (Y or N)

**9.** 3% Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable): \_\_\_\_\_

**10.** 0% Estimated Maximum Rate Decrease for any Insured (%). Territory (if applicable): \_\_\_\_\_

**\*Basic limits earned premium has been provided**

**American Home Assurance Company**  
**Psychoanalysts Professional Liability**

**Explanatory Memorandum**  
**ARKANSAS**

American Home Assurance Company is proposing to increase the base rates for the Psychoanalysts Professional Liability Program by 3%.

**Exhibit 1: *CALCULATION OF INDICATED RATE LEVEL CHANGE***

Ultimate developed, trended and on-level results are shown for countrywide and state loss experience for this program. Countrywide and state earned premiums have been adjusted to each state's present rate level by using the standard parallelogram method. Incurred Losses and Lae are trended to one year past the proposed effective date, in order to reflect changes in frequency and severity subsequent to the experience period. The indicated rate level change is based on a comparison of the credibility weighted loss ratio to the expected loss ratio. An offset for investment income is applied to the calculation of the target profit & contingency. The calculation of profit is based on the company's target rate of return of 15%.

**Exhibit 2: *DEVELOPMENT OF REPORTED INCURRED LOSS AND LAE TO ULTIMATE***

Countrywide and state calculation of ultimate loss and LAE ratios are shown for the most recent five years. Ratios are based on calendar year earned premiums and accident year ultimate loss and LAE, including unallocated LAE (ex. 6).

**Exhibit 3: *INCURRED LOSS AND LOSS ADJUSTMENT EXPENSE DEVELOPMENT***

Accident Year Loss and Allocated Loss Adjustment Expense experience for Psychoanalysts Professional Liability is shown as of 6/2007, along with age to age factors and the corresponding age to ultimate development factors (exhibit 3A). These factors are then applied to the countrywide (exhibit 3A) and state (exhibit 3B) loss experience for Psychoanalysts Professional Liability.

**Exhibit 4: *TREND ANALYSIS***

Calculation of annual frequency/severity trend is based on the most recent policy year experience for Healthcare Professional Liability Programs. The least squares method has been used to measure the average change in frequency and severity. The trend period extends from the midpoint of each accident year to one year beyond the assumed effective date.

**Exhibit 5: *EXPENSE PROVISIONS AND DETERMINATION OF EXPECTED LOSS RATIO***

Expense provisions are based on the expenses found for Medical Malpractice in the American Home/National Union/ New Hampshire Group's Insurance Expense Exhibit. The commission expense is program specific. The expected loss & lae ratio is the complement of the total expenses and profit load. The profit & contingency factor has been calculated based on a target rate of return on equity of 15%.

**Exhibit 6: *DETERMINATION OF UNALLOCATED LOSS ADJUSTMENT EXPENSE FACTOR***

The unallocated loss adjustment expense provision is determined using data from the Healthcare cost statements for the five most recent years. The factor is expressed as a percentage of total incurred losses and allocated loss adjustment expense.

**Exhibit 7: *INVESTMENT INCOME EXHIBITS***

The investment income exhibits are based on American Home/ National Union/ New Hampshire Group's Annual Statement experience and incorporate the Medical Malpractice premium and program expense provisions to determine an indicated investment income offset. The calendar year method was used to determine investment income.



**AMERICAN HOME ASSURANCE COMPANY  
PSYCHOANALYSTS PROFESSIONAL LIABILITY**

Exhibit 2

(\$ IN 000'S)

DETERMINATION OF ULTIMATE LOSS AND LOSS ADJUSTMENT EXPENSE RATIOS

**ARKANSAS**

Accident Year	(1) Basic Limits Earned Premium	(2) Basic Limits Reported Incurred Loss & ALAE (Exhibit 3)	(3) Loss Development Factors (Exhibit 3A)	(4)=(2)*(3) Ultimate Loss & L.A.E. (Incl. 1.3% Unalloc L.A.E.)	(5)=(4)/(1) Ultimate Loss & L.A.E. Ratio
COUNTRYWIDE					
2002	1,840	1,255	1.485	1,887	1.026
2003	2,108	682	1.933	1,334	0.633
2004	2,339	357	2.152	777	0.332
2005	2,641	136	2.899	399	0.151
2006	2,867	135	8.888	1,216	0.424
Total	11,795	2,564		5,612	0.476

**ARKANSAS**

2002	0	0	1.485	0	0.000
2003	0	0	1.933	0	0.000
2004	0	0	2.152	0	0.000
2005	0	0	2.899	0	0.000
2006	0	0	8.888	0	0.000
Total	0	0		0	0.000





**AMERICAN HOME/NATIONAL UNION/ NEW HAMPSHIRE GROUP  
HEALTH PROFESSIONAL LIABILITY PROGRAMS**

**Calculation of Annual Trend Factor**

(in \$000's)

Countrywide as of 12/2006

Total Limits Frequency Trend

(1) Policy Year	(2) Ultimate Incurred Claims	(3) Number of Policies	(2)/(3) Incurred Claims Per 100 Policies	(4) Exponential Curve of Best Fit
2001	464	18,143	2.55603	3.37024
2002	1,618	27,661	5.85101	4.49231
2003	2,320	34,095	6.80526	5.98797
2004	3,059	36,929	8.28286	7.98158
2005	3,702	39,719	9.32062	10.63894
2006	3,601	25,914	13.89431	14.18103
Average Annual Change in Claim Frequency			[ R Squared = 0.88818427 ]	33.29%

Total Limits Severity Trend

(1) Policy Year	(2) Ultimate Incurred Claims	(3) Ultimate Incurred +Lae Losses	(3)/(2) Ultimate Incurred +Lae Losses per Claim	(4) Exponential Curve of Best Fit
2001	464	31,744	68.5	49.9
2002	1,618	50,852	31.4	41.7
2003	2,320	77,795	33.5	34.7
2004	3,059	81,215	26.6	29.0
2005	3,702	75,600	20.4	24.2
2006	3,601	93,848	26.1	20.1
Average Annual Change in Claim Severity			[ R Squared = 0.67142459 ]	-16.60%

OVERALL COMBINED TREND [Frequency x Severity] 11.17%

SELECTED ANNUAL TREND 5.50%

Derivation of Expected Loss Ratio

(1) Target rate of return on equity		15.0%
(2) Premium to Surplus Ratio		109.9%
(3) Target rate of return on premium [(1)/(2)]		13.6%
(4) Rate of return on premium		7.7%
(5) Target underwriting profit (loss) [(3)-(4)/.65]		9.2%
(6) Selected underwriting profit (loss)		5.0%
(7) Total Expenses		25.6%
	a. Commissions	14.50%
	b. Other Acquisition	4.99%
	c. General Expenses	1.78%
	d. Taxes, Licenses & Fees	4.36%
<hr/>		
(8) Expected Loss Ratio [1-(6)-(7)]		69.4%

Expenses from Countrywide American Home/National Union/New Hampshire Group IEE

(in 000's) Expense	2006		2005		2004		3 Yr. Wght. Avg. %
	\$	%	\$	%	\$	%	
Written Premium	142,907	----	122,052	----	134,980	----	----
Other Acquisition	8,079	5.65%	6,126	5.02%	5,768	4.27%	4.99%
General Expenses	2,480	1.74%	2,293	1.88%	2,340	1.73%	1.78%
Taxes, Licenses and Fees	7,636	5.34%	5,483	4.49%	4,325	3.20%	4.36%

**AMERICAN HOME/NATIONAL UNION/NEW HAMPSHIRE GROUP  
HEALTHCARE**

(000's)

Determination of Unallocated Loss Adjustment Expense Provision

(SOURCE: COMPANY COST STATEMENTS)

	ITEM	2002	2003	2004	2005	2006	5-year Average
(1)	Losses Paid	186,248	241,104	271,474	175,786	206,975	216,317
(2)	Changes in Unpaid Losses	138,853	212,932	273,715	465,082	52,387	228,594
(3)	Losses Incurred (1) + (2)	325,101	454,036	545,189	640,868	259,362	444,911
(4)	Allocated Loss Adjustment Expenses	56,436	77,932	76,023	68,936	72,293	70,324
(5)	Total Loss & ALAE (3) + (4)	381,537	531,968	621,212	709,804	331,655	515,235
(6)	Unallocated Loss Adjustment Expenses	4,665	7,428	7,550	5,547	7,136	6,465
(7)	Unallocated Loss Expense Ratio (6)/(5)	1.2%	1.4%	1.2%	0.8%	2.2%	1.3%

ESTIMATED INVESTMENT EARNINGS ON UNEARNED  
PREMIUM RESERVES AND ON LOSS RESERVES

(Explanatory Notes)

## MEDICAL MALPRACTICE

A. UNEARNED PREMIUM RESERVE

1.	Medical Malpractice Direct Earned Premium for Calendar Year 2006				\$138,603
2.	Mean Unearned Premium Reserve [0.314* (1) ] (See Notes p. 2)				43,527
3.	Deduction for Prepaid Expenses (See notes p. 2)				
	a) Commission and Brokerage	14.50%			
	b) Taxes, Licenses and Fees	4.36%			
	c) 50% of Other Acquisition Expenses	2.50%			
	d) 50% of General Expenses	0.89%			
	e) Total	22.25%			
4.	Deduction for Federal Taxes Payable (See Notes p. 2)				7.0%
5.	Net Amount Subject to Investment Income [ (2) x (1.000 - (3) - (4) ) ]				30,796

B. DELAYED REMISSION OF PREMIUMS (Agents' Balances)

1.	Direct Earned Premium [ (A.1) ]				138,603
2.	Average Agents' Balance (See Notes pp. 2-3)				0.159
3.	Delayed Remission [ (1) x (2) ]				22,066

C. LOSS RESERVE:

1.	Direct Earned Premium [ (A.1) ]				138,603
2.	Expected Incurred Loss and L.A.E. Reserves	@ ELR:	0.694		96,143
3.	Expected Mean Loss Reserves [1.427 x (2) ] (See Notes p. 3)				137,222

D. SURPLUS

1.	Direct Written Premium				142,907
2.	Surplus Subject to Investment [(D.1)/prem to surp]				130,034

E. NET AMOUNT SUBJECT TO INVESTMENT: [ (A.5) - (B.3) + (C.3) + (D.2) ] 275,986F. AVERAGE RATE OF RETURN ON INVESTED ASSETS (See Notes p. 4) 4.56%G. INVESTMENT EARNINGS ON NET SUBJECT TO INVESTMENT [ (E) x (F) ] 12,589H. AVERAGE RATE OF RETURN (As % of Direct Earned Premium) [ (G) / (A.1) ] 9.08%I. AVERAGE RATE OF RETURN (After Federal Income Taxes) [ (H) x 0.871 ] 7.91%

ESTIMATED INVESTMENT EARNINGS ON UNEARNED  
PREMIUM RESERVES AND ON LOSS RESERVES  
(Explanatory Notes)

MEDICAL MALPRACTICE

Line A.1

MEDICAL MALPRACTICE direct earned premium for calendar year 2006 as provided by American Home/National Union/ New Hampshire Group.

Line A.2

The mean direct unearned premium reserve is determined by multiplying the Medical Malpractice direct earned premium in line (A.1) by the countrywide ratio of the mean direct unearned premium reserve to the direct earned premium for 2006. See below for calculation of this ratio. This ratio is based on data for Medical Malpractice from page 15 of the Annual Statement for American Home/National Union/ New Hampshire Group

	(In 000's)
1. Direct Earned Premium for Calendar Year 2006	\$ 138,603
2. Direct Unearned Premium Reserve as of 12/31/05	23,287
3. Direct Unearned Premium Reserve as of 12/31/06	63,767
4. Mean Direct Unearned Premium Reserve 1/2 [(2) + (3)]	43,527
5. Ratio [ (4) / (1) ]	0.314

Line A.3

Deduction for prepaid expenses:

Production costs and a large part of the other company expenses in connection with the writing and handling of the filed insurance coverage exclusive of claim adjustment expenses, are incurred when the policy is written and before the premium is paid. Therefore, the deduction for these expenses is determined by use of the provisions for expenses used in our ratemaking procedure as shown.

Line A.4

Deduction for Federal Taxes Payable:

Taxable percentage of unearned premium reserves (Tax Reform Act of 1986):	20.0%
Corporate Tax Rate:	35.0%
Total Percentage of Unearned Premium Reserve:	7.0%

Line B.2

Delayed remission of premium:

This deduction is necessary because of delay in collection and remission of premiums beyond the effective dates of the policies. Funds for the unearned premium reserve required during the initial days of all policies must be taken from the company's surplus. (continued)

ESTIMATED INVESTMENT EARNINGS ON UNEARNED  
PREMIUM RESERVES AND ON LOSS RESERVES  
(Explanatory Notes)

## MEDICAL MALPRACTICE

Line B.2 (continued)

Agents' balances or uncollected premiums for premiums due less than 90 days are calculated as follows:

	<u>(In 000's)</u>
1. Net Earned Premium for Calendar Year 2006	\$ 21,215,096
2. Net Agents' Balances as of 12/31/05	2,422,685
3. Net Agents' Balances as of 12/31/06	2,845,895
4. Mean Agents' Balances $1/2 \times [(2) + (3)]$	2,634,290
5. Ratio $[(4) / (1)]$	0.124

The above percentage must be multiplied by a factor of 1.282 to include the effect of agents' balances or uncollected premiums overdue for more than 90 days. The factor 1.282 is based on 2006 company data.

Final adjusted Agents' Balance: 0.1592

Line C.2

The expected loss and loss adjustment ratio reflects the expense provisions used in the filing.

Line C.3

The expected mean loss reserve is determined by multiplying the expected incurred losses in line (C.2) by the average countrywide ratio of the mean loss and loss adjustment reserves to the incurred losses and loss adjustment expenses in 2004 and 2005 for Medical Malpractice Insurance. This ratio is based on Annual Statement Data.

	<u>(In 000's)</u>
1. Incurred Losses and L.A.E. for Calendar Year 2005	39,477
2. Incurred Losses and L.A.E. for Calendar Year 2006	204,914
3. Loss Reserves and L.A.E. as of 12/31/04	50,628
4. Loss Reserves and L.A.E. as of 12/31/05	77,903
5. Loss Reserves and L.A.E. as of 12/31/06	482,785
6. Mean Loss Reserve 2005: $1/2 [(3) + (4)]$	64,266
7. Mean Loss Reserve 2006: $1/2 [(4) + (5)]$	280,344
8. Ratio (6) / (1)	1.628
9. Ratio (7) / (2)	1.368
10. Average Ratio $1/2 [(8) + (9)]$	1.498
11. Loss reserve for American Home/National Union/ New Hampshire Group, selected	1.500
12. Estimated Reserve Discount	13.9%
13. Federal Taxes Payable (% of Reserves): (12) x .35	0.048
14. (11) x [1.0 - (13)]	1.427

ESTIMATED INVESTMENT EARNINGS ON UNEARNED  
PREMIUM RESERVES AND ON LOSS RESERVES  
(Explanatory Notes)

## MEDICAL MALPRACTICE

Line E

The rate of return is the ratio of net investment income earned and net realized capital gains (or losses) to mean cash and invested assets (including interest, dividends, and real estate income due and accrued).

<u>Year</u>	Net Investment Income Earned (In 000's)	Mean Cash and Invested Assets (In 000's)	Rate of Return
2005	1,958,547	48,226,323	4.06%
2006	2,207,870	57,914,122	3.81%
Total	4,166,417	106,140,446	3.94%

<u>Year</u>	Realized Capital Gains (or Losses) (In 000's)	Mean Cash and Invested Assets (In 000's)	Rate of Return
1997-2006	2,179,232	348,904,381	0.62%

Total Rate of Return:

Net Investment Income Earned and Net Realized Capital Gains (or Losses)

4.56%

Line H

The average rate of Federal Income Tax was determined by applying the appropriate tax rates to the distribution of investment income earned for 2006 for the American Home/National Union/ New Hampshire Group.

	Rate of Return	Federal Income Tax Rate
Net Investment Income Earned	3.94%	0.094
Net Realized Capital Gains (or Losses)	0.62%	0.350
Total	4.56%	0.129

1.000 - Federal Income Tax Rate

0.871

ESTIMATED INVESTMENT EARNINGS ON UNEARNED  
PREMIUM RESERVES AND ON LOSS RESERVES  
(Explanatory Notes)

## MEDICAL MALPRACTICE

<u>Line H (continued)</u>		Investment Income Earned		Federal Income Tax Rate
<u>Bonds</u>				
Taxable	\$	208,168		0.350
<u>Non-Taxable</u>		<u>1,338,765</u>		<u>0.026</u>
Total	\$	1,546,933	(A)	0.070
<u>Stocks</u>				
Taxable	\$	168,925		0.123
<u>Non-Taxable</u>		<u>266,967</u>		---
Total	\$	435,892	(B)	0.048
<u>Mortgage Loans and Real Estate</u>				
Mortgage Loans	\$	0		
Real Estate		0		
Collateral Loans		0		
Cash on Deposit		0		
Short Term Investments		21,719		
<u>All Other</u>		<u>503,234</u>		
Sub-Total	\$	524,953		0.350
Total	\$	2,507,777		0.125
Investment Deductions	\$	299,907		0.350
Net Investment Income Earned	\$	2,207,870		0.094

(A) Assume 50% of the income on tax-exempt bonds is subject to proration; that is, 15% of that income is taxed at the full corporate income tax rate of 35%. The applicable tax rate is thus 2.6%.  $((.50 \times .15 \times .35) = .026)$

(B) 30% of dividend income is subject to the full corporate income tax rate of 35%. Assume 50% of the dividend income on stocks is subject to proration; that is, 15% of the remaining 70% of dividend income is taxed at a rate of 35%. The applicable tax rate is thus 12%  $((.30 \times .35) + (.50 \times .70 \times .15 \times .35) = .123)$ .

**AMERICAN HOME ASSURANCE COMPANY**

**NAIC NUMBER:** 19380

**PROGRAM:** Psychoanalysts Professional Liability Program

**COMPANY FILING NUMBER:** AIC-07-EO-22

**IMPACT STATEMENT REGARDING ACT 649**

Please be advised that no claims have been experienced to affect this Act.

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

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

NAIC Number:	19380
Company Name:	American Home Assurance Company
Contact Person:	Myron Harry
Telephone No.:	(212) 458 7057
Email Address:	<a href="mailto:myron.harry@aig.com">myron.harry@aig.com</a>
Effective Date:	November 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 500,000/1,000,000	\$ N/A	\$ N/A	\$ N/A
<b>Discounts and Surcharges</b>			
Emergency Room	N/A %	N/A %	N/A %
Surgery	N/A %	N/A %	N/A %
Delivery	N/A %	N/A %	N/A %
Claims Free	N/A %	N/A %	N/A %
Over 5 years Experience	N/A %	N/A %	N/A %
Other:	N/A %	N/A %	N/A %

**Dental**

Base Rate	Dentist	Orthodontist	Oral Surgeons
At 100,000/300,000	\$ N/A	\$ N/A	\$ N/A
<b>Discounts and Surcharges</b>			
Claims Free	N/A %	N/A %	N/A %
5 years Experience	N/A %	N/A %	N/A %
Surgery	N/A %	N/A %	N/A %
Other:	N/A %	N/A %	N/A %