

SERFF Tracking Number: AMEE-125240126 State: Arkansas
Filing Company: AMEX Assurance Company State Tracking Number: AR-PC-07-026447
Company Tracking Number: AX0126-AR-0008R
TOI: 09.0 Inland Marine Sub-TOI: 09.0006 Other Personal Inland Marine
Product Name: GTS Car Rental
Project Name/Number: GTS Car Rental/AX0126-AR-0008R

Filing at a Glance

Company: AMEX Assurance Company
Product Name: GTS Car Rental
TOI: 09.0 Inland Marine
Sub-TOI: 09.0006 Other Personal Inland Marine
Filing Type: Rate

SERFF Tr Num: AMEE-125240126 State: Arkansas
SERFF Status: Closed State Tr Num: AR-PC-07-026447
Co Tr Num: AX0126-AR-0008R State Status:
Co Status: Reviewer(s): Alexa Grissom, Betty Montesi, Edith Roberts, Brittany Yielding
Author: Michelle Correa Disposition Date: 10/29/2007
Date Submitted: 10/16/2007 Disposition Status: Filed
Effective Date Requested (New): Effective Date (New):
Effective Date Requested (Renewal): Effective Date (Renewal):

General Information

Project Name: GTS Car Rental
Project Number: AX0126-AR-0008R
Reference Organization:
Reference Title:
Filing Status Changed: 10/29/2007
State Status Changed: 10/17/2007
Corresponding Filing Tracking Number:
Filing Description:
October 16, 2007

Status of Filing in Domicile: Pending
Domicile Status Comments:
Reference Number:
Advisory Org. Circular:
Deemer Date:

Arkansas Insurance Department
Property & Casualty Department
Submitted via SERFF

RE: FILING SUBMITTED FOR APPROVAL

SERFF Tracking Number: AMEE-125240126 State: Arkansas
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AMEX Assurance Company

NAIC # 27928

Company FEIN 36-2760101

Group-Personal Inland Marine

Company File No. AX0126-AR-0008R

Rates:

Actuarial Memorandum

Dear Sir or Madam:

AMEX Assurance Company respectfully submits the above-referenced rates for approval pursuant to 23-67-211 of the Arkansas Insurance Code. These rates are new and do not replace any previously approved rates.

These rates were approved by the Rhode Island Department of Insurance on August 21, 2007 and will be used under Group Travel Policy Number AX0126 which was approved by the Rhode Island Department of Insurance on February 26, 2002. The Policy is issued to the AMEX Assurance Travel Group Trust.

This new insurance plan provides physical damage and theft coverage for rental vehicles. Ancillary benefits for accidental death or dismemberment and accidental injury expenses associated with an accident in the rented vehicle are also provided. A per day premium will be charged for coverage under this plan. Coverage levels and the corresponding premium charge are outlined in the actuarial memorandum.

In order to help expedite your review, please feel free to contact me if you have any questions or comments. Otherwise, I look forward to your subsequent approval.

Sincerely,

Amy Baumeister

Compliance Specialist

Phone: 920.431.4022

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 Product Name: GTS Car Rental
 Project Name/Number: GTS Car Rental/AX0126-AR-0008R
 Fax: 920.431.4040
 E-mail: amy.m.baumeister@aexp.com

Company and Contact

Filing Contact Information

Amy Baumeister, Compliance Specialist amy.m.baumeister@aexp.com
 480 Pilgrim Way (888) 618-8441 [Phone]
 Green Bay, WI 54303 (920) 431-4040[FAX]

Filing Company Information

AMEX Assurance Company CoCode: 27928 State of Domicile: Illinois
 480 Pilgrim Way Group Code: 4 Company Type:
 Ste 1400
 Green Bay, WI 54304 Group Name: State ID Number:
 (920) 431-4000 ext. [Phone] FEIN Number: 36-2760101

Filing Fees

Fee Required? Yes
 Fee Amount: \$50.00
 Retaliatory? No
 Fee Explanation:
 Per Company: No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
AMEX Assurance Company	\$50.00	10/16/2007	16134106

SERFF Tracking Number: AMEE-125240126

State: Arkansas

Filing Company: AMEX Assurance Company

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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Edith Roberts	10/29/2007	10/29/2007

SERFF Tracking Number: AMEE-125240126

State: Arkansas

Filing Company: AMEX Assurance Company

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Disposition

Disposition Date: 10/29/2007

Effective Date (New):

Effective Date (Renewal):

Status: Filed

Comment:

Rate data does NOT apply to filing.

SERFF Tracking Number: AMEE-125240126 State: Arkansas
 Filing Company: AMEX Assurance Company State Tracking Number: AR-PC-07-026447
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Item Type	Item Name	Item Status	Public Access
Supporting Document	Uniform Transmittal Document-Property & Casualty	Filed	Yes
Supporting Document	NAIC loss cost data entry document	Filed	Yes
Supporting Document	NAIC Loss Cost Filing Document for OTHER than Workers' Comp	Filed	Yes
Rate	Actuarial Memorandum	Filed	Yes

SERFF Tracking Number: AMEE-125240126

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Rate Information

Rate data does NOT apply to filing.

<i>SERFF Tracking Number:</i>	<i>AMEE-125240126</i>	<i>State:</i>	<i>Arkansas</i>
<i>Filing Company:</i>	<i>AMEX Assurance Company</i>	<i>State Tracking Number:</i>	<i>AR-PC-07-026447</i>
<i>Company Tracking Number:</i>	<i>AX0126-AR-0008R</i>		
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<i>Product Name:</i>	<i>GTS Car Rental</i>		
<i>Project Name/Number:</i>	<i>GTS Car Rental/AX0126-AR-0008R</i>		

Rate/Rule Schedule

Review Status:	Exhibit Name:	Rule # or Page #:	Rate Action	Previous State Filing Attachments Number:
Filed	Actuarial Memorandum		New	Final GTS Car Rental Memo 071907.pdf

ACTUARIAL MEMORANDUM
AMEX ASSURANCE COMPANY
GLOBAL TRAVEL SHIELD CAR RENTAL PROTECTION COVERAGE

AMEX Assurance Company (AMEX) is introducing a new car rental protection insurance product. This product will provide coverage for physical damage to and theft of rental vehicles with the amount of coverage limited to \$40,000, accidental injury expense coverage of \$15,000 per passenger and accidental death and dismemberment (AD&D) with limits of \$50,000 for the primary insured (renter) and \$10,000 per person for other passengers. AMEX is adding this new product to its Global Travel Shield portfolio to remain competitive in the existing travel insurance market place.

Development of Indicated Rate

Exhibit 1 shows the development of the indicated rate of \$16.43 per day for this coverage.

Derivation of Expected Loss Cost for Automobile Physical Damage Coverage

In order to determine the estimated loss cost for the physical damage component, we relied on the historical claims data for a similar product underwritten by AMEX, with appropriate adjustments to account for differences in the level of coverage provided. Historical transaction counts for the other product were provided by AMEX and are shown in Row (2) of Exhibit 2. We assumed that the transaction count growth rate of 12% from 2005 to 2006 would continue into 2007. The average cost per claim and the claim frequency (claims per 1,000 transactions) were selected based on a review of the available experience for the other product, with less weight placed on the results for accident year 2006 since the results for that year are not fully developed. The selected estimated loss cost per rental for physical damage coverage is \$4.72. Since the new product will be priced on a per day basis rather than on a per rental basis, we then divided the estimated losses per transaction by the estimated number of days per rental (3) to arrive at an estimated loss cost of \$1.57 per day.

Derivation of Expected Loss Cost for Accidental Death and Dismemberment Coverage

While we considered the use of actual claims experience for the other AMEX product in determining the estimated loss cost for AD&D coverage, the available experience was too sparse to yield credible results. Consequently, industry data was relied on to determine an estimated loss cost. The AD&D loss cost for each limit of coverage was estimated by multiplying the applicable benefit by an estimated claim frequency which was based on a combination of countrywide Fast Track data for the personal injury protection coverage and data published by the Insurance Research Council (IRC). The indicated loss costs were then converted to a daily basis and further adjusted to account for the increased exposure inherent in the use of rental vehicles. These vehicles are driven more per day than the average personal vehicle. They are also driven in unfamiliar areas and exposed to other hazards. An additional

hazard factor of 1.25 was selected on a judgmental basis to reflect this additional exposure to loss.

The total loss cost for this coverage assumes an average of one passenger in addition to the primary insured. The limits of \$50,000 for the primary insured and \$10,000 for other passengers result in a total loss cost of \$0.05 per day, as shown in Exhibit 3.

Derivation of Expected Loss Cost for Accidental Injury Expense Coverage

Historical data for the other AMEX product was used to estimate the loss cost for the accidental injury expense coverage. Adjustments were made to the historical losses to reflect the \$15,000 limit applicable to the new product. Due to the low volume of historical experience, the estimated loss cost based on this historical data was credibility-weighted with an estimated loss cost based on a review of data for similar private passenger auto coverage provided by affiliate Ameriprise Auto and Home Insurance (Ameriprise), using a credibility standard of 3,000 claims.

The Ameriprise Auto and Home Insurance data relates to semi-annual private passenger rates for Additional Personal Injury Protection (PIP) – Supplemental Medical Expense coverage for its Florida private passenger auto program. While the rates for the proposed product will be implemented on a countrywide basis, we believe that the Florida PIP coverage is reasonably reflective of the coverage that will be provided on a countrywide basis, and that the indications produced by the use of this data is reasonable. Since Ameriprise does not offer coverage at a \$15,000 limit, rate relationships from competitor filings were reviewed and used to select an estimated \$15,000 limit rate. The selected \$15,000 rate was then converted to a daily basis. The daily rate was then converted to a loss cost basis using the permissible loss ratio from a recent Ameriprise Florida rate filing. Finally, an adjustment was applied for the increased exposure inherent to rental vehicles, as explained above.

The estimated loss cost for \$15,000 accidental injury expense coverage is \$0.40 per day, as shown in Exhibit 4.

Derivation of Estimated Underwriting Expenses

Exhibit 5 shows the anticipated fixed and variable expenses associated with this product. We relied on the forecast expenses for the Global Travel Shield (GTS) program for 2007 and projections for this product, as provided by AMEX. The GTS program provides coverage on a per trip basis. Since the proposed product will be priced on a per day basis rather than on a per trip basis, we divided the estimated fixed expenses per transaction for the GTS product by the estimated number of days per covered trip. The estimated fixed expense per day is \$3.06.

The variable expenses associated with this product are shown on Exhibit 5.

Development of Underwriting Profit Provision

The development of a provision for underwriting profit is shown in Exhibit 6.

The starting point in the determination of a reasonable underwriting profit provision is the selection of a target rate of return on GAAP equity. Exhibit 6, Sheet 3 shows historic data on rates of return for business finance companies, consumer finance companies, savings banks, commercial banks, property/casualty insurers and life/health insurers as compiled by the Insurance Information Institute. We have selected a target after-tax return on GAAP equity of 12.5%. We then related this target return to statutory surplus based on AMEX's ratio of GAAP equity to statutory surplus. The selected after-tax return as a function of statutory surplus is 11.9%. Finally, the target after-tax rate of return was related to premium using a selected premium to surplus ratio of 1.11 (see Exhibit 6, Sheet 2).

In order to determine a reasonable underwriting profit provision, it is necessary to reduce the target after-tax return to recognize anticipated investment income on equity as well as anticipated investment income on policyholder-supplied funds (including unearned premium and loss reserves). Based on historic experience for AMEX, we selected an average pre-tax rate of return of 5.4%. Stated as a percentage of premiums, the expected investment return on equity is 4.1% on an after-tax basis (Row (2) of Exhibit 6, Sheet 1).

In order to determine a provision for expected investment returns on unearned premium and loss reserves, we utilized AMEX's historic experience for the private passenger auto physical damage line of business. The selected provision on an after-tax basis is 1.0%.

Subtracting expected returns on equity and policyholder-supplied funds yields a required underwriting profit provision of 5.8% on an after-tax basis and 9.0% on a pre-tax basis. We have selected an underwriting profit provision of 8.0% for pricing purposes.

Development of Indicated Rate Per Day

The indicated rate of \$16.43 per day is developed in Exhibit 1 as the sum of the estimated loss cost per day plus estimated fixed expenses divided by (1 – variable expenses).

Competitive Analysis

Since this is a new program, we have no actual underwriting experience with which to develop a fully credible indication of rates. For this reason, as described above, we have relied on historical data for a similar product underwritten by AMEX in developing an actuarially indicated rate. However, it is possible that the historical experience for that product will not be representative of the exposure associated with the new product. For that reason, we believe it is reasonable to also give weight to competitor rates in determining the selected rates for this product.

In particular, Access America currently offers a similar product on the Orbitz website which is priced at \$9.00 per day. The Orbitz product provides physical damage coverage on rental vehicles with a limit of \$40,000. Also, a review of TravelGuard's website indicates that it offers a similar product with a \$35,000 limit for physical damage coverage and a \$250 deductible. That product is priced at \$9.00 per day, plus a \$3.00 policy fee.

The proposed AMEX product will provide more coverage than these competing products for the same price.

Selected Rate

AMEX Assurance Company selected a rate of \$9.00 per day for the coverage.

As a result of the low estimated loss cost and the high commissions required to allow AMEX to market this product, expenses constitute a relatively more significant portion of the total premium than may be expected for other types of insurance. We believe that the proposed rate for this program is reasonable in relation to the benefits provided.



Klayton N. Southwood, FCAS, MAAA
July 19, 2007

AMEX Assurance Company
 Car Rental Protection Coverage
 Summary of Indicated and Selected Rates

A. Loss Cost Per Day	
(1) Physical Damage - \$40,000 Limit	\$1.57
(2) Accidental Death and Dismemberment - \$50,000 Limit Per Primary Insured and \$10,000 Limit Per Other Passengers	0.05
(3) <u>Accidental Injury - \$15,000 Limit Per Person</u>	<u>0.40</u>
(4) Total Loss Cost Per Day	\$2.02
B. Indicated Rate Per Day	
(5) Fixed Expenses	\$3.06
(6) Variable Expense Ratio	69.0%
(7) Indicated Rate Per Day	\$16.43
C. Selected Rate	
(8) Selected Rate Per Day	\$9.00

Notes:

- (1) From Exhibit 2, Row (8)
- (2) From Exhibit 3, Row (10)
- (3) From Exhibit 4, Sheet 1, Row (10)
- (4) = (1) + (2) + (3)
- (5) From Exhibit 5, Row (6)
- (6) From Exhibit 5, Row (7) f.
- (7) = [(4) + (5)] / [1 - (6)]
- (8) Selected by AMEX Assurance Company

AMEX Assurance Company
 Car Rental Protection Coverage
 Development of Estimated Loss Cost - \$40,000 Physical Damage Limit

	<u>2007 Estimate</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
(1) Losses		\$1,690,647	\$4,361,086	\$3,353,011
(2) Transaction Counts	1,170,155	1,044,781	935,806	643,773
(3) Transaction Count Growth	12%	12%	45%	
(4) Claim Counts	5,383	1,812	4,198	3,307
(5) Average Cost Per Claim	\$1,025	\$933	\$1,039	\$1,014
(6) Claims Per 1,000 Transaction Counts	4.60	1.73	4.49	5.14
(7) Loss Cost Per Transaction	\$4.72	\$1.62	\$4.66	\$5.21
(8) Estimated Loss Cost Per Day	\$1.57			

Notes:

- (1) Historical losses from a similar car rental coverage offered by AMEX Assurance Company, limited to \$40,000 for physical damage coverage.
- (2) Provided by AMEX Assurance Company, 2007 assumes 12% growth from (3)
- (3) = (2) / (2) from prior year
- (4) Provided by AMEX Assurance Company, 2007 Estimate = (2) x (6) / 1,000
- (5) = (1) / (4), 2007 estimate selected judgmentally based on historical claims experience
- (6) = (4) / (2) x 1,000, 2007 estimate selected judgmentally based on historical claims experience
- (7) = (5) x (6) / 1,000
- (8) = (7) / 3, where the average trip length is assumed to be 3 days

AMEX Assurance Company

Car Rental Protection Coverage

Development of Estimated Loss Cost - Accidental Death and Dismemberment Coverage

\$50,000 per Primary Insured and \$10,000 per Other Passenger

(1) PIP Claim Frequency per 1,000 Cars					16.69
(2) Death Claims as a Percent of all PIP claims					1%
(3) Dismemberment Claims as a Percent of all PIP claims					0.5%
(4) Estimated AD&D Claim Frequency per 1,000 Cars					0.250
	(5)	(6)	(7)	(8)	(9)
	Benefit	Indicated	Indicated	Increased	Adjusted
	<u>Level</u>	<u>Annual</u>	<u>Daily Loss</u>	<u>Exposure</u>	<u>Indicated</u>
		<u>Loss Cost</u>	<u>Cost</u>	<u>Adjustment</u>	<u>Daily</u>
				<u>Factor</u>	<u>Loss Cost</u>
	\$10,000	\$2.50	\$0.01	1.25	\$0.01
	\$50,000	12.52	0.03	1.25	<u>0.04</u>
(10) Loss Cost for Limits of \$50,000 per Primary Insured and \$10,000 per Other Passenger					\$0.05

Notes:

- (1) Based on countrywide Fast Track data for five years ending December 31, 2006
- (2) Based on 1999 study by the Insurance Research Council, *Injuries in Auto Accidents*
- (3) Based on 1999 study by the Insurance Research Council, *Injuries in Auto Accidents*
- (4) = (1) x [(2) + (3)]
- (6) = (4) x (5) / 1,000
- (7) = (6) / 365
- (8) Judgment
- (9) = (7) x (8)
- (10) Sum of Column (9)

AMEX Assurance Company

Car Rental Protection Coverage

Development of Estimated Loss Cost - \$15,000 Accidental Injury Expense Coverage Limit

	<u>2007 Estimate</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
(1) Losses		\$132,079	\$104,997	\$207,037
(2) Transaction Counts	1,170,155	1,044,781	935,806	643,773
(3) Claim Counts	29	24	24	34
(4) Average Cost Per Claim	\$5,500	\$5,503	\$4,375	\$6,089
(5) Claims Per 1,000 Transaction Counts	0.025	0.023	0.026	0.053
(6) Loss Cost Per Transaction	\$0.14	\$0.13	\$0.11	\$0.32
(7) Loss Cost Per Day - Actual Experience	\$0.05			
(8) Loss Cost Per Day - Industry Experience	\$0.44			
(9) Credibility	0.10			
(10) Credibility Weighted Loss Cost	\$0.40			

Notes:

- (1) Provided by AMEX Assurance Company
- (2) From Exhibit 2, Row (2)
- (3) Provided by AMEX Assurance Company, 2007 Estimate = (2) x (6) / 1,000
- (4) = (1) / (4), 2007 estimate selected judgmentally based on historical claims experience
- (5) = (3) / (2) x 1,000, 2007 estimate selected judgmentally based on historical claims experience
- (6) = (5) x (6) / 1,000
- (7) = (6) / 3, where the average trip length is assumed to be 3 days
- (8) From Exhibit 4, Sheet 2
- (9) = square root of ((3) / 3,000)
- (10) = (7) x (9) + (8) x [1 - (9)]

AMEX Assurance Company

Car Rental Protection Coverage

Development of Estimated Loss Cost - \$15,000 Accidental Injury Expense Coverage Limit

(1)	(2)	(3)	(4)	(5)	(6)
<u>Limit</u>	Estimated AMEX Private Passenger Semi-Annual <u>Rate</u>	AMEX Daily <u>Rate</u>	Estimated Pure Premium <u>Per Day</u>	Increased Exposure Adjustment <u>Factor</u>	Adjusted Estimated Pure Premium <u>Per Day</u>
\$10,000	\$68.80				
\$15,000	\$82.04	\$0.45	\$0.35	1.25	\$0.44
\$20,000	\$99.54				

Notes:

- (2) Rate at the \$10,000 and \$20,000 limits equal to Ameriprise semi-annual base rates for additional PIP - Supplemental Medical Benefits Rates. Since the Company does not offer a \$15,000 limit option, the rate was estimated based on a study of increased limit factors of competitors.
- (3) = (2) / 182.5, to convert the semi-annual rate to a daily rate
- (4) = (3) x .784, where .784 is the permissible loss ratio from AMEX Assurance Company Florida private passenger auto filing
- (5) Judgment
- (6) = (4) x (5)

AMEX Assurance Company
 Car Rental Protection Coverage
 Summary of Estimated Underwriting Expenses

	2007 <u>Selected</u>
(1) Premium - GTS Program	\$6,399,324
(2) Transaction Counts - GTS Program	45,024
(3) Transaction Counts - Car Rental Program	308,805
(4) Direct General and Other Acquisition Expenses - GTS Program	
a. General Expenses	\$323,500
b. Allocated Corporate Overhead	\$76,000
c. Total General and Other Acquisition Expenses	\$399,500
d. Expense Per Transaction	\$8.87
e. Expense Per Day	\$2.96
(5) Direct Technology and Marketing Expenses - Car Rental Program	
a. Technology Development and Maintenance	\$53,100
b. Marketing	\$44,250
c. Total Technology and Marketing Expenses	\$97,350
d. Expense Per Transaction	\$0.32
e. Expense Per Day	\$0.11
(6) Total Fixed Expense Per Day	\$3.06
(7) Direct Variable Expenses	
a. Premium Tax	1.9%
b. AMEX Discount Fee (Credit Card Service Fees)	2.1%
c. Service Fees (Customer Service, Claims Administration)	7.0%
d. Commissions	50.0%
e. Underwriting Profit	8.0%
f. Total Variable Expense	69.0%

Notes:

- (1) Provided by AMEX Assurance Company
 (2) Provided by AMEX Assurance Company
 (3) Provided by AMEX Assurance Company
 (4) a. Provided by AMEX Assurance Company
 (4) b. Provided by AMEX Assurance Company
 (4) c. = (4) a. + (4) b.
 (4) d. = (4) c. / (2)
 (4) e. = (4) d. / 3; assumes an average trip length of 3 days
 (5) a. Provided by AMEX Assurance Company
 (5) b. Provided by AMEX Assurance Company
 (5) c. = (5) a. + (5) b.
 (5) d. = (5) c. / (3)
 (5) e. = (5) d. / 3; assumes an average trip length of 3 days
 (6) = (4) e. + (5) e.
 (7) a. Provided by AMEX Assurance Company
 (7) b. Provided by AMEX Assurance Company
 (7) c. Provided by AMEX Assurance Company
 (7) d. Provided by AMEX Assurance Company
 (7) e. From Exhibit 6, Sheet 1, Row (7)
 (7) f. = Sum of (7) a. through (7) e.

AMEX Assurance Company
Calculation of Provision for Underwriting Profit

Assumptions		Reference
(A) Target rate of return on GAAP equity (after-tax, all lines)	12.5%	Exhibit 6, Sheet 3
(B) Ratio of GAAP Equity to Statutory Surplus	0.955	
(C) Target rate of return on Statutory Surplus	11.9%	=(A) x (B)
(D) Premium to Statutory Surplus ratio	1.110	Exhibit 6, Sheet 2
(E) Federal income tax rate on underwriting income	35.0%	
(F) Federal income tax rate on investment income	15.8%	Exhibit 6, Sheet 7
(G) Average rate of return (pre-tax)	5.4%	Exhibit 6, Sheet 6
(H) Investment Income on reserves (pre-tax)	1.0%	Exhibit 6, Sheet 4

Calculation of Underwriting Profit Provision

(1) Target rate of return on premium (after tax) = (C) / (D)	10.8%
(2) Investment income on equity as % of premium (after tax) = [(G) / (D)] * [1 - (F)]	4.1%
(3) Operating return as % of premium (after tax) = (1) - (2)	6.7%
(4) Investment income on unearned premium reserves and loss and LAE reserves (after tax) = (H) * [1 - (F)]	0.8%
(5) Underwriting Profit (after tax) = (3) - (4)	5.8%
(6) Underwriting Profit (pre tax) = (5) / [1 - (E)]	9.0%
(7) Selected Profit Provision	8.0%

AMEX Assurance Company
Premium to Statutory Surplus Ratio

<u>Year</u>	<u>Net WP (000's)</u>	<u>Statutory Surplus (000's)</u>	<u>Prem/Surplus Ratio</u>
2001	165,418	171,478	0.965
2002	197,103	176,438	1.117
2003	219,594	205,958	1.066
2004	246,092	216,753	1.135
2005	118,888	115,233	1.032
Selected Premium to Statutory Surplus Ratio:			1.110

Source: Page 18 of the 2005 Annual Statement of AMEX Assurance
Company

AMEX Assurance Company
Support for Target Rate of Return

Calendar <u>Year</u>	Savings Banks Return on <u>Equity</u>	Commercial Banks Return on <u>Equity</u>	Property/ Casualty Return on <u>Equity</u>	Life/ Health Return on <u>Equity</u>
2000	11.14%	13.99%	5.90%	10.00%
2001	12.33%	13.08%	-1.20%	7.00%
2002	12.36%	14.46%	2.20%	1.00%
2003	13.66%	15.31%	8.90%	9.00%
2004	10.87%	13.74%	9.40%	11.00%
<u>2005</u>	<u>10.38%</u>	<u>12.91%</u>	<u>9.40%</u>	<u>13.00%</u>
Average	11.79%	13.92%	5.77%	8.50%
Standard Deviation	0.012	0.009	0.044	0.042
Selected Return on Equity:				12.5%

Source: Insurance Information Institute Financial Services
Roundtable, *Financial Services Fact Book 2006*

AMEX Assurance Company
Estimated Investment Earnings On Unearned
Premium Reserves And On Loss Reserves

A. Unearned Premium Reserve

1.	Direct Earned Premium for 2006		\$	183,366
2.	Mean Unearned Premium Reserve	(1) x 0.205	\$	37,647
3.	Deduction for Prepaid Expenses			
	Commission and Brokerage Expense		0.0%	
	Taxes, Licenses and Fees		1.9%	
	50% of Other Acquisition & General Expense		20.8%	
	Total			22.7%
4.	Deduction for Federal Taxes Payable			7.0%
5.	(2) x [(3) + (4)]		\$	11,181
6.	Net Subject to Investment	(2) - (5)	\$	26,465

B. Delayed Remission of Premium (Agents' Balances)

1.	Direct Earned Premium (A.1)		\$	183,366
2.	Average Agent's Balance			0.0%
3.	Delayed Remission	(1) x (2)	\$	0

C. Loss Reserve

1.	Direct Earned Premium (A.1)		\$	183,366
2.	Expected Incurred Losses and Loss Adjustment Expenses #	(1) x 0.475	\$	87,076
3.	Expected Mean Loss Reserves	(2) x 0.081	\$	7,069

D. Net Subject to Investment

(A.6) - (B.3) + (C.3) \$ 33,534

E. Average Rate of Return

5.40%

F. Investment Earnings on Net Subject to Investment

(D) x (E) \$ 1,811

G. Average Rate of Return as a Percent of Direct Earned Premium

(F) / (A.1) 0.99%

H. Average Rate of Return as a Percent of Direct Earned Premium After Federal Income Taxes

(G) x 0.842 0.83%

Line C.2 contemplates investment income.

AMEX Assurance Company
Estimated Investment Earnings On Unearned
Premium Reserves And On Loss Reserves

Explanatory Notes

Line A.1

Direct earned premiums are the earned premiums for the private passenger auto physical damage line of business for the latest year.

Line A.2

The mean unearned premium reserve is determined by multiplying the direct earned premiums in line (1) by the ratio of the mean unearned premium reserve to the direct earned premium for 2006 for the private passenger auto physical damage line for AMEX Assurance Company.

1. Direct Earned Premium for Calendar Year 2006	\$183,366
2. Unearned Premium Reserve as of 12/31/2005	\$45,510
3. Unearned Premium Reserve as of 12/31/2006	\$29,783
4. Mean Unearned Premium Reserve $[(2) + (3)] / 2$	\$37,647
5. Ratio $(4) / (1)$	0.205

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 policies in this line of business, 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 countrywide planned expense provisions for AMEX Assurance Company for the upcoming year.

Line A.4

The Tax Reform Act of 1986 taxes 20% of the unearned premium reserve. At a corporate tax rate of 35%, this tax equals 7.0% $(.20 \times .35 = .070)$ of the unearned premium reserve.

Line B.2

Delayed remission of premium:

This deduction is necessary because of delay in collection and remission of premium to the companies 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.

Agents' balances or uncollected premiums due less than 90 days amount to 0.0% of direct earned premiums for this line for AMEX Assurance Company.

The 0.0% is based on the following:

1. Direct Earned Premium for Calendar Year 2006	\$183,366
2. Direct Agents' Balances as of 12/31/2005	\$0
3. Direct Agents' Balances as of 12/31/2006	\$0
4. Mean Agents' Balances $[(2) + (3)] / 2$	\$0
5. Ratio $(4) / (1)$	0.000

AMEX Assurance Company
Estimated Investment Earnings On Unearned
Premium Reserves And On Loss Reserves

Explanatory Notes

Line C.2

The expected loss and loss adjustment ratio reflects the countrywide planned expense provisions for AMEX Assurance Company.

Line C.3

The expected mean loss reserve is determined by multiplying the expected incurred losses in line (2) by the average countrywide ratio of the mean loss and loss adjustment reserves to the incurred losses and loss adjustment expenses in 2006 for the private passenger auto physical damage line of business. This ratio is based on data for AMEX Assurance Company and includes an adjustment for the estimated Federal Income Taxes payable and due to discounting of loss reserves as required by the Tax Reform Act of 1986.

1. Direct Incurred Losses for Calendar Year 2005 *	\$129,696,000
2. Direct Incurred Losses for Calendar Year 2006 *	\$124,157,000
3. Direct Loss Reserves as of 12/31/2004 *	\$7,533,000
4. Direct Loss Reserves as of 12/31/2005 *	\$10,098,000
5. Direct Loss Reserves as of 12/31/2006 *	\$13,778,000
6. Mean Direct Loss Reserve 2005: [(3) + (4)] / 2	\$8,815,500
7. Mean Direct Loss Reserve 2006: [(4) + (5)] / 2	\$11,938,000
8. Ratio (6) / (1)	0.068
9. Ratio (7) / (2)	0.096
10. Average Ratio [((6) + (7)) / ((1) + (2))]	0.082
11. Estimated Reserve Discount	2.0%
12. Federal Taxes (ratio to reserve): (11) x .35	0.007
13. (10) x [1.0 - (12)]	0.081

Line E

The rate of return is the ratio of net investment income earned to mean cash and investment assets for AMEX Assurance Company.

Year	Net Investment Income Earned	Mean Cash and Invested Assets	Rate of Return
2004	\$11,767,299	\$250,212,165	4.70%
2005	\$10,604,400	\$166,483,437	6.37%
2006	\$5,899,770	\$108,676,726	5.43%
Selected			5.40%

* Including all loss adjustment expenses.

AMEX Assurance Company
Estimated Investment Earnings On Unearned
Premium Reserves And On Loss Reserves

Explanatory Notes

Line H

The average rate of Federal income tax was determined by applying current tax rates to the distribution of investment income earned in 2006 for AMEX Assurance Company.

	Investment Income Earned	<u>Tax Rate</u>
Bonds		
Taxable	\$475,053	0.350
Non-Taxable	<u>\$3,819,763</u>	<u>0.053 #</u>
Subtotal	\$4,294,816	0.086
Stocks		
Taxable	\$0	0.142 ##
Non-Taxable	\$0	<u>0.000</u>
Subtotal	\$0	0.000
Mortgage Loans on Real Estate	\$0	
Real Estate	\$0	
Contract Loans	\$0	
Cash on Deposit and Short Term Investments	\$1,699,132	
All other	<u>\$165</u>	
Subtotal	\$1,699,297	<u>0.350</u>
Gross Investment Income Earned	\$5,994,113	0.161
Investment Deductions	\$94,342	<u>0.350</u>
Net Investment Income Earned	\$5,899,771	0.158

Assume 100% of the income on tax-exempt bonds is subject to proration; that is, 15% of that income is taxed at a full corporate income tax rate of 35%. The applicable tax rate is thus 5.3%
($1.00 \times 0.15 \times 0.35 = 0.053$).

Only 30% of dividend income is subject to a full corporate income tax rate of 35%. 100% of the remaining 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 14.2%
($(.30 \times .35) + (1.00 \times .70 \times .15 \times .35) = .142$).

SERFF Tracking Number: AMEE-125240126

State: Arkansas

Filing Company: AMEX Assurance Company

State Tracking Number: AR-PC-07-026447

Company Tracking Number: AX0126-AR-0008R

TOI: 09.0 Inland Marine

Sub-TOI: 09.0006 Other Personal Inland Marine

Product Name: GTS Car Rental

Project Name/Number: GTS Car Rental/AX0126-AR-0008R

Supporting Document Schedules

Satisfied -Name:	Uniform Transmittal Document- Property & Casualty	Review Status: Filed	10/29/2007
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Comments:

Please see below.

Attachment:

AR PC Universal Transmittal.pdf

Satisfied -Name:	NAIC loss cost data entry document	Review Status: Filed	10/29/2007
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Comments:

Please see below.

Attachment:

AX0126-AR-0008R loss_cost_data_entry.pdf

Bypassed -Name:	NAIC Loss Cost Filing Document for OTHER than Workers' Comp	Review Status: Filed	10/29/2007
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Bypass Reason: Not Applicable.

Comments:

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

1. Reserved for Insurance Dept. Use Only

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

3. Group Name	Group NAIC #

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

5. Company Tracking Number	
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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

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: _____
14. Effective Date(s) Requested	New: _____ Renewal: _____

Property & Casualty Transmittal Document---

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
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]
<p>Check #:</p> <p>Amount:</p> <p>Refer to each state's checklist for additional state specific requirements or instructions on calculating fees.</p>	
<p>***Refer to the each state's checklist for additional state specific requirements (i.e. # of additional copies required, other state specific forms, etc.)</p>	

FORM FILING SCHEDULE

(This form must be provided ONLY when making a filing that includes forms)
 (Do not refer to the body of the filing for the forms listing, unless allowed by state.)

1.	This filing transmittal is part of Company Tracking #				
2.	This filing corresponds to rate/rule filing number <small>(Company tracking number of rate/rule filing, if applicable)</small>				
3.	Form Name /Description/Synopsis	Form # Include edition date	Replacement Or withdrawn?	If replacement, give form # it replaces	Previous state filing number, if required by state
01			[] New [] Replacement [] Withdrawn		
02			[] New [] Replacement [] Withdrawn		
03			[] New [] Replacement [] Withdrawn		
04			[] New [] Replacement [] Withdrawn		
05			[] New [] Replacement [] Withdrawn		
06			[] New [] Replacement [] Withdrawn		
07			[] New [] Replacement [] Withdrawn		
08			[] New [] Replacement [] Withdrawn		
09			[] New [] Replacement [] Withdrawn		
10			[] New [] Replacement [] Withdrawn		

Overall Rate Information (Complete for Multiple Company Filings only)			
		COMPANY USE	STATE USE
5a.	Overall percentage rate impact for this filing		
5b.	Effect of Rate Filing – Written premium change for this program		
5c.	Effect of Rate Filing – Number of policyholders affected		
6.	Overall percentage of last rate revision		
7.	Effective Date of last rate revision		
8.	Filing Method of Last filing (Prior Approval, File & Use, Flex Band, etc.)		
9.	Rule # or Page # Submitted for Review	Replacement or Withdrawn?	Previous state filing number, if required by state
01		<input type="checkbox"/> New <input 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	
04		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
05		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	

NAIC LOSS COST DATA ENTRY DOCUMENT (EFFECTIVE AUG. 16, 2004)

1.	This filing transmittal is part of Company Tracking #	AX0126-AR-0008R
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2.	If filing is an adoption of an advisory organization loss cost filing, give name of advisory organization and Reference/Item Filing Number	N/A
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Company Name		Company NAIC Number	
3.	A.	AMEX Assurance Co.	B. 27928

Product Coding Matrix Line of Business (i.e., Type of Insurance)		Product Coding Matrix Line of Insurance (i.e., Sub-type of Insurance)	
4.	A.	Inland Marine	B. Personal Inland Marine

5.			FOR LOSS COSTS ONLY				
(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	(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
TOTAL OVERALL EFFECT							

6.		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

7.	
Expense Constants	Selected Provisions
A. Total Production Expense	52.7%
B. General Expense	38.6%
C. Taxes, License & Fees	1.9%
D. Underwriting Profit & Contingencies	-17.6%
E. Other (explain)	0.0%
F. TOTAL	75.6%

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