

SERFF Tracking Number: CHUB-125282939 State: Arkansas
Filing Company: Federal Insurance Company State Tracking Number: AR-PC-07-026153
Company Tracking Number: 07-PIM-1-R
TOI: 33.0 Other Lines of Business Sub-TOI: 33.0004 Service Contracts
Product Name: Buyer Protection
Project Name/Number: Buyer Protection/07-PIM-1-R

Filing at a Glance

Company: Federal Insurance Company

Product Name: Buyer Protection

TOI: 33.0 Other Lines of Business

Sub-TOI: 33.0004 Service Contracts

Filing Type: Rate

SERFF Tr Num: CHUB-125282939 State: Arkansas

SERFF Status: Closed

Co Tr Num: 07-PIM-1-R

Co Status:

Author: Diana Cardone

Date Submitted: 09/21/2007

State Tr Num: AR-PC-07-026153

State Status:

Reviewer(s): Betty Montesi,
Llyweyia Rawlins, Brittany Yielding

Disposition Date: 10/03/2007

Disposition Status: Exempt from
Review

Effective Date Requested (New): 10/21/2007

Effective Date Requested (Renewal): 10/21/2007

Effective Date (New): 10/21/2007

Effective Date (Renewal):
10/21/2007

General Information

Project Name: Buyer Protection

Project Number: 07-PIM-1-R

Status of Filing in Domicile: Pending

Domicile Status Comments: Mailed to
domiciliary state of Indiana on 8/15/07, awaiting
approval

Reference Organization: N/A

Reference Title: N/A

Reference Number: N/A

Advisory Org. Circular: N/A

Filing Status Changed: 10/03/2007

State Status Changed: 09/21/2007

Deemer Date:

Corresponding Filing Tracking Number: CHUB-125282938, our # 07-
PIM-1-F

Filing Description:

RE: Buyer Protection Policy

Federal Insurance Company

NAIC: 038 20281

FEIN: 13-1963496

Our Filing No. 07-PIM-1-R

SERFF Tr Num: CHUB-125282939

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Project Name/Number: Buyer Protection/07-PIM-1-R

Type: Other Lines of Business #33.0000

This filing and its attachments serve to submit for your review and approval of Chubb's new Buyer Protection Policy insurance program. This is a countrywide initiative and will be available to financial institution groups and marketed by our Licensed and Appointed agents and brokers. Coverage will be provided for purchases that are damaged or stolen if the item was purchased using a charge or debit card issued by the financial institution. Coverage is not provided for purchases which are stolen from vehicles. The financial institution will pay the policy premium for this coverage. It is our belief that this product will meet the needs of our customers and be positively received in the market place.

Please refer to the attached rates and actuarial filing memorandum for additional details regarding this filing.

We are simultaneously submitting to the Department the corresponding form filing for this program; under our filing number 07-PIM-1-F and SERFF Tr. Num CHUB-125282938 .

Please contact me should you have any questions. Your approval of this filing will be greatly appreciated.

Company and Contact

Filing Contact Information

Fran Muldoon, Manager - CPI State Filings fmuldoon@chubb.com
Dept.
202 Hall's Mill Rd. (908) 572-2875 [Phone]
Whitehouse Station, NJ 08889-9977 (908) 572-4034[FAX]

Filing Company Information

Federal Insurance Company CoCode: 20281 State of Domicile: Indiana
202 Hall's Mill Road Group Code: 38 Company Type:
P.O. Box 1650
Whitehouse Station, NJ 08889-1650 Group Name: State ID Number:
(908) 572-4726 ext. [Phone] FEIN Number: 13-1963496

Filing Fees

SERFF Tracking Number: CHUB-125282939 State: Arkansas
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Fee Required? Yes
Fee Amount: \$100.00
Retaliatory? No
Fee Explanation: One rate filing @ \$100.00 each = \$100.00

Date check mailed to DOI: 9/21/07

Per Company: No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
Federal Insurance Company	\$0.00	09/21/2007	

CHECK NUMBER	CHECK AMOUNT	CHECK DATE
00364560	\$100.00	09/20/2007

SERFF Tracking Number: CHUB-125282939

State: Arkansas

Filing Company: Federal Insurance Company

State Tracking Number: AR-PC-07-026153

Company Tracking Number: 07-PIM-1-R

TOI: 33.0 Other Lines of Business

Sub-TOI: 33.0004 Service Contracts

Product Name: Buyer Protection

Project Name/Number: Buyer Protection/07-PIM-1-R

Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Exempt from Review	Llyweyia Rawlins	10/03/2007	10/03/2007

<i>SERFF Tracking Number:</i>	<i>CHUB-125282939</i>	<i>State:</i>	<i>Arkansas</i>
<i>Filing Company:</i>	<i>Federal Insurance Company</i>	<i>State Tracking Number:</i>	<i>AR-PC-07-026153</i>
<i>Company Tracking Number:</i>	<i>07-PIM-1-R</i>		
<i>TOI:</i>	<i>33.0 Other Lines of Business</i>	<i>Sub-TOI:</i>	<i>33.0004 Service Contracts</i>
<i>Product Name:</i>	<i>Buyer Protection</i>		
<i>Project Name/Number:</i>	<i>Buyer Protection/07-PIM-1-R</i>		

Disposition

Disposition Date: 10/03/2007

Effective Date (New): 10/21/2007

Effective Date (Renewal): 10/21/2007

Status: Exempt from Review

Comment:

This line is exempt from filing rates in compliance with ACA 23-67-206 which states that P&C insurance for commercial risks, excluding workers' compensation, employers' liability and professional liability insurance, including but not limited to, medical malpractice insurance, are exempted from the rate filing and review requirements.

SERFF Tracking Number: CHUB-125282939 *State:* Arkansas
Filing Company: Federal Insurance Company *State Tracking Number:* AR-PC-07-026153
Company Tracking Number: 07-PIM-1-R
TOI: 33.0 Other Lines of Business *Sub-TOI:* 33.0004 Service Contracts
Product Name: Buyer Protection
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An error occurred rendering Disposition 125263724: null.

SERFF Tracking Number: CHUB-125282939
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 Company Tracking Number: 07-PIM-1-R
 TOI: 33.0 Other Lines of Business
 Product Name: Buyer Protection
 Project Name/Number: Buyer Protection/07-PIM-1-R

State: Arkansas
 State Tracking Number: AR-PC-07-026153
 Sub-TOI: 33.0004 Service Contracts

Rate Information

Rate data applies to filing.

Filing Method: Prior Approval
Rate Change Type: Neutral
Overall Percentage of Last Rate Revision: Neutral
Effective Date of Last Rate Revision:
Filing Method of Last Filing: New Program

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):
Federal Insurance Company	%	%				%	%

SERFF Tracking Number: CHUB-125282939 State: Arkansas
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Rate/Rule Schedule

Review Status:	Exhibit Name:	Rule # or Page #:	Rate Action	Previous State Filing Attachments Number:
Accepted for Informational Purposes	Buyer Protection-Exhibit 1		New	buy prot act memo and rate.PDF
Accepted for Informational Purposes	Underwriting Adjustment Factors-Exhibit 2		New	

**Actuarial Memorandum for
Federal Insurance Company
Buyer Protection**

Scope and Purpose of Filing

This is a new manual rate filing to be used to support the Buyer Protection insurance products being filed by Federal Insurance Company. This product is designed to be a benefit attached to an account with a financial institution. The financial institution pays the premium, and the account holders are the insureds. This document has been prepared for the purpose of demonstrating compliance with regulatory authorities' requirements, and may not be appropriate for other purposes.

Description of Benefits

This policy will reimburse the Insured up to the benefit amount for covered purchases that are damaged or stolen, except if stolen from vehicles. This coverage only applies if the Insured charged or debited the entire cost of the covered purchase to the Insured's account during the policy period

Renewability Clause

This policy may be renewed on the first and all succeeding anniversary dates, subject to the payment of premiums.

Applicability

Buyer Protection insurance rates apply to the writing of new business. This is a new product, therefore there are no renewal premiums to which these rates apply.

Mortality, Morbidity, & Incidence Rates

Assumptions used to price this benefit are described in detail in the exhibits that follow.

Expenses

Gross rates and adjustment factors are developed such that the packaged product offering generates an Anticipated Loss Ratio (ALR) of 65.0%. This loss ratio was calculated based on following expenses:

Commission	15.0%
Premium Tax & License Fees	2.5%
Profit Margin	5.0%
Overhead Expenses	<u>12.5%</u>
	35.0%

Marketing Method

The product will be distributed through brokers.

Underwriting

No individual underwriting is applied when issuing policies.

Premium Classes

For the Buyer Protection product has two premium classes: Basic and Gold. The Basic premium class applies to general-purpose consumer accounts and applies to most risks. The Gold premium class applies to accounts specifically of high income-earners and corporate cardholders.

Adjustments may be made to the gross premium rates to reflect the benefit amount, aggregate limit sets on the policy, case size, and level of anticipated benefit utilization.

Issue Age Range

There are no limits on the issue age.

Premium Modalization Rules

There is no modal adjustment for this product.

Claim Liability and Reserves

Reserves are set based on our historical claim payment patterns for other high-frequency/low-severity credit card products.

Active Life Reserves

Active Life Reserves are not applicable to these products.

Trend Assumption

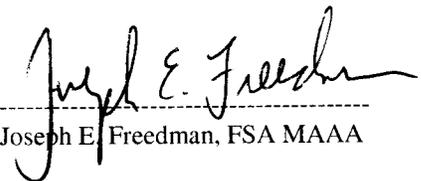
There is no trend assumption used in rating accident only products.

Actuarial Certification (subject to state requirements)

I certify that to the best of my knowledge this rate filing is in compliance with the applicable laws of the state and the rules of the Department of Insurance. Furthermore, I certify that the rates are reasonable to the benefits being provided

July 27, 07

Date:



Joseph E. Freedman, FSA MAAA

**Actuarial Rate Justification
Federal Insurance Company
Buyer Protection**

The attached exhibits provide a brief description of each insurance benefit followed by a justification of the sources, assumptions, and calculations used to develop the rates. Each exhibit ultimately documents the net rate, also known as the claims cost or burn rate, for each benefit.

Scope statement: Pricing considers coverage will attach to financial account coverages whose exposure is defined within account membership.

Exhibit number correspond to policy provision section number.

Benefit	Exhibit
Buyer Protection	1
Underwriting Adjustment Factors	2

Exhibit 1 Buyer Protection

Benefit Description

This policy will reimburse the Insured up to the benefit amount for covered purchases that are damaged or stolen, except if stolen from vehicles. This coverage only applies if the Insured charged or debited the entire cost of the covered purchase to the Insured's account during the policy period

Rate Development, Sources, and Assumptions

- (1) Average expenditure on large appliances, small appliances, and consumer electronics annually*
- | | | |
|-----|--|---------|
| (a) | Basic card (annual cardholder income <\$70K) | \$846 |
| (b) | Gold card (annual cardholder income \$100K+) | \$2,043 |
- (2) Assumed distribution of product warranty lengths:
- | <u>Duration</u> | <u>Percentage of warranties</u> | <u>Insured period</u> | <u>Probability of product failure during insured period**</u> | <u>Average Annual Expenditure for Basic Card</u> | <u>Average Annual Expenditure for Gold Card</u> |
|-----------------|---------------------------------|-----------------------|---|--|---|
| 90 days | 33% | Day 91-180 | 0.018 | \$4.99 | \$12.06 |
| 180 days | 17% | Day 181-360 | 0.036 | \$5.02 | \$12.12 |
| 1 year | 50% | Year 2 | 0.067 | <u>\$28.23</u> | <u>\$68.19</u> |
| Total | 100% | | | \$38.24 | \$92.36 |
- (3) Probability of insured making purchase on card *** 0.03
- (4) Probability of statement-active insured using coverage, if eligible 0.10
- (5) Expected loss cost per active-statement member
- | | | |
|-----|--|---------|
| (a) | Basic card (annual cardholder income <\$70K) | \$0.111 |
| (b) | Gold card (annual cardholder income \$100K+) | \$0.268 |
- 6) Buyer's Protection expected to have the same loss costs as Extended Warranty.****

* www.bls.gov/cex "Table 2301: Consumer Expenditure Survey, 2004."

** Consumer Reports. 20% of consumer electronics break due to product defect in the first 3 years.

This statistic fits an exponential distribution with mean failure time of 13.4 years.

*** Simon, Jeremy. "Credit Card Industry Facts and Personal Debt Statistics." August 2006. www.creditcards.com

**** Actuarial judgement. No relevant data available.

Exhibit 2
Underwriting Adjustment Factors

Multiple product discount

Factor if Extended Warranty and Purchase Protection combined in one coverage: 0.875

Target Permissible Loss Ratio = 1 - (Commission %) - (Service Tax %) - (Expense %) - (Profit %)

	Extended Warranty 10% comm.	Extended Warranty 15% comm.
i) Commission	10.00%	15.00%
ii) Expense	15.00%	15.00%
iii) Profit	5.00%	5.00%
iv) Total = i) + ii) + iii)	30.00%	35.00%
v) Target Permissible Loss Ratio = 1 - Total (iv)	70.00%	65.00%

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Supporting Document Schedules

Satisfied -Name: Uniform Transmittal Document-Property & Casualty
Review Status: Accepted for Informational Purposes 10/03/2007

Comments:

Attached is our Rate Filing Letter. We understand the DOI will accept our letter in lieu of the Uniform Transmittal Document.

Attachment:

Rate Filing Letter.pdf

Bypassed -Name: NAIC Loss Cost Filing Document for OTHER than Workers' Comp
Review Status: Accepted for Informational Purposes 10/03/2007

Bypass Reason: N/A There is no Loss Cost involved with this filing.

Comments:

Satisfied -Name: NAIC loss cost data entry document
Review Status: Accepted for Informational Purposes 10/03/2007

Comments:

Attached.

Attachment:

NAIC LOSS COST DATA ENTRY DOCUMENT.pdf



CHUBB GROUP OF INSURANCE COMPANIES

202 Hall's Mill Road, P.O. Box 1600, Whitehouse Station, NJ 08889-1600

September 21, 2007

Arkansas Insurance Department
Property/Casualty Division
1200 West Third Street
Little Rock, AR 72201-1904

Attention: Mr. Bill Lacy, Director
Property/Casualty Division

RE: Buyer Protection Policy
Federal Insurance Company
NAIC: 038 20281
FEIN: 13-1963496
Our Filing No. 07-PIM-1-R
SERFF Tr. Num: CHUB-125282939
Type: Other Lines of Business #33.0000

This filing and its attachments serve to submit for your review and approval of Chubb's new Buyer Protection Policy insurance program. This is a countrywide initiative and will be available to financial institution groups and marketed by our Licensed and Appointed agents and brokers. Coverage will be provided for purchases that are damaged or stolen if the item was purchased using a charge or debit card issued by the financial institution. Coverage is not provided for purchases which are stolen from vehicles. The financial institution will pay the policy premium for this coverage. It is our belief that this product will meet the needs of our customers and be positively received in the market place.

Please refer to the attached rates and actuarial filing memorandum for additional details regarding this filing.

We are simultaneously submitting to the Department the corresponding form filing for this program; under our filing number 07-PIM-1-F and SERFF Tr. Num CHUB-125282938

Please contact me should you have any questions. Your approval of this filing will be greatly appreciated.

Sincerely,
Chubb & Son,
a division of Federal Insurance Company

By: **Fran Muldoon**

Fran Muldoon
Manager, State Filings Department
(908) 572-2875/Fax: (908) 572-4034
fmuldoon@chubb.com

NAIC LOSS COST DATA ENTRY DOCUMENT

1. This filing transmittal is part of Company Tracking # **CHUB-125282939**

2. If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/ Item Filing Number

		Company Name	Company NAIC Number
3.	A.	Federal Insurance Company	20281

		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.	33.0000	33.0004

5. This is a new program, Loss Cost not applicable for this filing

(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	FOR LOSS COSTS		
			(D) Expected Loss Ratio	(E) Loss Cost Modification Factor	(F) Selected Loss Cost Multiplier
	0	0	0	0	0
TOTAL OVERALL EFFECT			0	0	0

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

8. 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):

PC RLC
U:LossCost