

SERFF Tracking Number: AMEE-125456892 State: Arkansas
Filing Company: AMEX Assurance Company State Tracking Number: EFT \$100
Company Tracking Number: AX0923-AR-0002R
TOI: 09.0 Inland Marine Sub-TOI: 09.0006 Other Personal Inland Marine
Product Name: Premium Baggage Protection
Project Name/Number: PBP/AX0923-AR-0002R

Filing at a Glance

Company: AMEX Assurance Company
Product Name: Premium Baggage Protection SERFF Tr Num: AMEE-125456892 State: Arkansas
TOI: 09.0 Inland Marine SERFF Status: Closed State Tr Num: EFT \$100
Sub-TOI: 09.0006 Other Personal Inland Marine Co Tr Num: AX0923-AR-0002R State Status: Fees verified and received
Marine
Filing Type: Rate Co Status: Reviewer(s): Alexa Grissom, Betty Montesi, Brittany Yielding
Author: Michelle Correa Disposition Date: 02/15/2008
Date Submitted: 02/12/2008 Disposition Status: Filed
Effective Date Requested (New): On Approval Effective Date (New): 03/03/2008
Effective Date Requested (Renewal): Effective Date (Renewal):
State Filing Description:

General Information

Project Name: PBP Status of Filing in Domicile:
Project Number: AX0923-AR-0002R Domicile Status Comments:
Reference Organization: Reference Number:
Reference Title: Advisory Org. Circular:
Filing Status Changed: 02/15/2008
State Status Changed: 02/15/2008 Deemer Date:
Corresponding Filing Tracking Number:
Filing Description:
February 12, 2008
Via SERFF

Arkansas Insurance Department
1200 West Third Street
Little Rock, AR 72201

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RE: FILING SUBMITTED FOR APPROVAL

AMEX Assurance Company

Group Inland Marine Filing-“Premium Baggage Protection”

NAIC #: 27928

Company FEIN: 36-2760101

Company File Number: AX0923-AR-0002R

Actuarial Memorandum

Dear Sir or Madam:

On behalf of AMEX Assurance Company, I am respectfully submitting the above-referenced rates for your review and approval pursuant to 23-67-211 of the Arkansas Insurance Code. These rates do not replace any previously approved rates.

These rates were previously filed in your state on June 22, 2007, under SERFF file number, AMEE-125169899. The rates have not changed, however due to changes in benefits we are providing a new actuarial memorandum. There are two main changes to the forms included in this filing from those previously filed in your state. First, the benefit limit for Checked Baggage has been reduced from \$2,000 to \$1,000. Second these new forms indicate benefits will be paid primary where under the previous acknowledged forms, benefits were paid excess to other coverage.

These rates will be used under Master Group Policy AX0923. The Policy was approved in North Carolina, our situs state on January 31, 2008. This is Group Inland Marine Policy. The Group Policyholder, Travel Related Services Company, Inc. is an issuer of charge and lending cards, which can be used to buy goods and services and was not formed solely for the purpose of purchasing insurance. The group consists of American Express Cardmembers.

“Premium Baggage Protection” provides benefits up to \$2,000 for carry-on Baggage, up to \$1,000 for checked Baggage and up to \$2,000 for personal and business items that are lost, stolen or damaged by a hotel, while traveling on a Covered Trip. A benefit of up to \$500 is also provided for necessary replacement items when Baggage is delayed three hours or more at the Covered Person’s Scheduled Airline destination. Coverage is activated and a premium of \$9.95 is automatically billed each time an enrolled Cardmember uses their American Express Card to purchase a Scheduled Airline ticket.

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Premium Baggage Protection will be mass marketed through direct mail and in-bound and out-bound telemarketing as well as through the American Express website.

We have submitted forms associated with these rates in a separate filing via SERFF under Company File Number: AX0923-AR-0002F.

This filing has been reviewed and to the best of my knowledge, complies with all applicable Arkansas laws and regulations now in effect.

If you have any questions or concerns, please feel free to contact me by phone at 920-431-4048, by fax at 920-431-4040 or via e-mail at Kathy.M.Nelson@aexp.com.

Sincerely,

Kathy Nelson

Kathy M. Nelson
Senior Compliance Analyst
AMEX Assurance Company

Company and Contact

Filing Contact Information

Kathy Nelson, Sr. Compliance Analyst
480 Pilgrim Way
Green Bay, WI 54304

kathy.m.nelson@aexp.com
(888) 618-8441 [Phone]
(920) 431-4040[FAX]

Filing Company Information

AMEX Assurance Company
480 Pilgrim Way
Ste 1400

CoCode: 27928
Group Code: 4

State of Domicile: Illinois
Company Type:

SERFF Tracking Number: AMEE-125456892

State: Arkansas

Filing Company: AMEX Assurance Company

State Tracking Number: EFT \$100

Company Tracking Number: AX0923-AR-0002R

TOI: 09.0 Inland Marine

Sub-TOI: 09.0006 Other Personal Inland Marine

Product Name: Premium Baggage Protection

Project Name/Number: PBP/AX0923-AR-0002R

Green Bay, WI 54304
(920) 431-4000 ext. [Phone]

Group Name:
FEIN Number: 36-2760101

State ID Number:

SERFF Tracking Number: AMEE-125456892 State: Arkansas
Filing Company: AMEX Assurance Company State Tracking Number: EFT \$100
Company Tracking Number: AX0923-AR-0002R
TOI: 09.0 Inland Marine Sub-TOI: 09.0006 Other Personal Inland Marine
Product Name: Premium Baggage Protection
Project Name/Number: PBP/AX0923-AR-0002R

Filing Fees

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

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
AMEX Assurance Company	\$100.00	02/12/2008	17936607

SERFF Tracking Number: AMEE-125456892 State: Arkansas
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TOI: 09.0 Inland Marine Sub-TOI: 09.0006 Other Personal Inland Marine
Product Name: Premium Baggage Protection
Project Name/Number: PBP/AX0923-AR-0002R

Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Alexa Grissom	02/15/2008	02/15/2008

SERFF Tracking Number: AMEE-125456892 *State:* Arkansas
Filing Company: AMEX Assurance Company *State Tracking Number:* EFT \$100
Company Tracking Number: AX0923-AR-0002R
TOI: 09.0 Inland Marine *Sub-TOI:* 09.0006 Other Personal Inland Marine
Product Name: Premium Baggage Protection
Project Name/Number: PBP/AX0923-AR-0002R

Disposition

Disposition Date: 02/15/2008

Effective Date (New): 03/03/2008

Effective Date (Renewal):

Status: Filed

Comment:

Rate data does NOT apply to filing.

SERFF Tracking Number: AMEE-125456892 *State:* Arkansas
Filing Company: AMEX Assurance Company *State Tracking Number:* EFT \$100
Company Tracking Number: AX0923-AR-0002R
TOI: 09.0 Inland Marine *Sub-TOI:* 09.0006 Other Personal Inland Marine
Product Name: Premium Baggage Protection
Project Name/Number: PBP/AX0923-AR-0002R

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
Supporting Document	Actuarial Memorandum	Filed	Yes

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Rate Information

Rate data does NOT apply to filing.

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Project Name/Number: PBP/AX0923-AR-0002R

Supporting Document Schedules

Satisfied -Name: Uniform Transmittal Document-
Property & Casualty **Review Status:** Filed 02/15/2008

Comments:

Please see below.

Attachment:

P&C Universal Transmittal.pdf

Bypassed -Name: NAIC loss cost data entry document **Review Status:** Filed 02/15/2008
Bypass Reason: Not Applicable.

Comments:

Bypassed -Name: NAIC Loss Cost Filing Document
for OTHER than Workers' Comp **Review Status:** Filed 02/15/2008
Bypass Reason: Not Applicable.

Comments:

Satisfied -Name: Actuarial Memorandum **Review Status:** Filed 02/15/2008

Comments:

Please see below.

Attachment:

Final PBP Memo 011608.pdf

Property & Casualty Transmittal Document

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
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3. Group Name	Group NAIC #

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

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 (give description)
14. Effective Date(s) Requested	New: <input type="text"/> Renewal: <input type="text"/>
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

Property & Casualty Transmittal Document—

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]

Check #:
Amount:

Refer to each state's checklist for additional state specific requirements or instructions on calculating fees.

***Refer to the each state's checklist for additional state specific requirements (i.e. # of additional copies required, other state specific forms, etc.)

PC TD-1 pg 2 of 2

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 #	
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2.	This filing corresponds to rate/rule filing number (Company tracking number of rate/rule filing, if applicable)	
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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			<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		
06			<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn		
07			<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn		
08			<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn		
09			<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn		
10			<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn		

PC FFS-1

RATE/RULE FILING SCHEDULE

(This form must be provided ONLY when making a filing that includes rate-related items such as Rate; Rule; Rate & Rule; Reference; Loss Cost; Loss Cost & Rule or Rate, etc.)

(Do not refer to the body of the filing for the component/exhibit listing, unless allowed by state.)

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

2.	This filing corresponds to form filing number (Company tracking number of form filing, if applicable)	
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Rate Increase
 Rate Decrease
 Rate Neutral (0%)

3.	Filing Method (Prior Approval, File & Use, Flex Band, etc.)	
-----------	--	--

4a.	Rate Change by Company (As Proposed)						
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Company Name	Overall % Indicated Change (when applicable)	Overall % Rate Impact	Written premium change for this program	# of policyholders affected for this program	Written premium for this program	Maximum % Change (where required)	Minimum % Change (where required)

4b.	Rate Change by Company (As Accepted) For State Use Only						
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Company Name	Overall % Indicated Change (when applicable)	Overall % Rate Impact	Written premium change for this program	# of policyholders affected for this program	Written premium for this program	Maximum % Change	Minimum % Change

5. Overall Rate Information (Complete for Multiple Company Filings only)			
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		COMPANY USE	STATE USE
5a	Overall percentage rate indication (when applicable)		
5b	Overall percentage rate impact for this filing		
5c	Effect of Rate Filing – Written premium change for this program		
5d	Effect of Rate Filing – Number of policyholders affected		

6.	Overall percentage of last rate revision	
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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	

ACTUARIAL MEMORANDUM
AMEX ASSURANCE COMPANY
PREMIUM BAGGAGE PROTECTION INSURANCE PLAN (AX0923)

AMEX Assurance Company (AMEX) is filing a new insurance product called the Premium Baggage Protection (“PBP”) Insurance Plan under Master Policy AX0923. The product provides benefits as a result of loss, damage, theft, or delay of baggage and/or personal and business items when the insured Cardmember uses his or her American Express Card to purchase a Scheduled Airline ticket. Eligible Cardmembers include residents of the 50 United States, the District of Columbia, Puerto Rico and the U.S. Virgin Islands.

Description of Coverage

The coverages and maximum benefits available under the plan are as follows:

<u>Benefit</u>	<u>Limit</u>
Checked Baggage	up to \$1,000 per Covered Person per Covered Trip
Carry-On Baggage	up to \$2,000 per Covered Person per Covered Trip
Delayed Checked	up to \$500 per Covered Person per Covered Trip
Hotel/Motel Personal Property	up to \$2,000 per Covered Person per Covered Trip

These benefits are paid if the Covered Person sustains a Loss while riding solely as a passenger in, or boarding or alighting from a Scheduled Airline while on a Covered Trip. A more detailed description of each benefit is provided in the following paragraphs.

Checked Baggage – This benefit will apply in case of Loss to checked baggage on a primary basis, up to the Replacement cost (defined as the lesser of the cost to repair or replace with material or property of like kind and quality) of the covered property or \$1,000, whichever is less.

Carry-On Baggage – This benefit will apply in case of Loss to carry-on baggage, up to the Replacement Cost or \$2,000, whichever is less.

Delayed Checked Baggage – This benefit will apply for the cost of renting or replacing, on an emergency basis, necessary personal or business articles contained in a Covered Person’s checked baggage, up to \$500, when the checked baggage is not delivered to him or her within three (3) hours of arrival at the Scheduled Airline’s destination. Such emergency rentals must be initiated and/or emergency purchases made prior to arrival of the delayed checked baggage.

Hotel/Motel Personal Property – This benefit will apply during a Covered Trip, for Loss to personal or business property when staying as a registered guest at

any hotel or motel while anywhere on the premises of that establishment, up to the Replacement Cost of the covered property, or \$2,000, whichever is less.

Once the Scheduled Airline tickets are purchased (pre-ticketed), the scope of the Checked Baggage, Carry-on Baggage and Hotel/Motel Personal Property benefits are extended as defined in the policy.

Development of Indicated Rate

Exhibit 1 presents indicated pricing for PBP.

Development of Indicated Loss Cost

AMEX currently markets a similar product that provides coverage on a basis excess of any reimbursement received from the airline. While we used that historical experience to determine indicated pricing for this new product to the greatest extent possible, a number of adjustments were necessary since the new product will provide coverage on a primary basis.

The development of the indicated loss cost for PBP is performed in two sections as follows: (1) Claims that have been reported to AMEX under the terms of coverage for the current excess product after adjustment to a primary basis and (2) claims not reported to AMEX and that were assumed to have been paid entirely by the airline under the current terms of the excess coverage product.

The first section of the analysis, shown in Section A of Exhibit 1, focuses on the claims reported to AMEX. Using the description of loss for each claim in the historical experience database, indicators were created to identify which type of coverage (checked, delayed checked, etc.) and, hence, which limit would apply to each loss. For those claims on which AMEX made a payment, it was assumed that the airline had paid its limit of coverage and that AMEX was therefore making a payment for the amount of covered loss excess of the airline's liability. This analysis is based on research of the websites of several major U.S. air carriers. Specifically, we found that the limit of coverage provided by United Airlines, American Airlines and Southwest Airlines is \$2,800 for checked and delayed baggage. Consequently, for those types of claims, we assume the total loss is the sum of the \$2,800 airline limit and the amount AMEX paid. For carry-on baggage and hotel/motel personal property, the airlines do not provide any coverage and we therefore assumed that the AMEX coverage is primary.

The indicated loss cost for this component is \$2.63 as shown on Row (13) of Exhibit 1.

In Section B, the cost of the losses paid by the airlines and not previously covered by AMEX is estimated. Such losses will result from claims that had been completely paid by the airlines in the past, with no excess liability being incurred by AMEX. Since the new AMEX product will provide coverage on a primary basis, a provision for these losses must be contemplated in the development of the indicated rate. It

was assumed that these claims would only include losses categorized as checked or delayed checked baggage. In order to estimate the severity of these new claims, we used historical results for carry-on baggage and hotel/motel personal property claims. Since these are the only claim types that have historically been covered by AMEX on a primary basis, we believe that they are the most relevant data source for determining the estimated claim severity for primary checked and delayed checked baggage claims.

In order to develop an estimate of the claim frequency per trip, we reviewed data from various editions of *Air Travel Consumer Report*, as shown in Exhibit 4. We selected a claim frequency for primary coverage of 7.00 baggage reports per 1,000 passengers. Assuming a claim frequency for the excess coverage currently offered by AMEX of 3.75 per 1,000 as shown on Row (12) of Exhibit 1, the claim frequency for the incremental level of coverage is 3.25 per 1,000 ($= 7.00 - 3.75$).

The indicated loss cost for this component is \$1.74 as shown on Row (18) of Exhibit 1.

Development of Estimated Underwriting Expenses

AMEX provided historical expenses for 2004 through 2006, as well as projected amounts for 2007, as shown in Exhibits 2 and 3. These expenses were separated into components for customer service and claims administration, fixed underwriting expenses per ROC and variable expenses.

As shown in Exhibit 2, customer service and claims administration costs have ranged between 17.0% and 22.5% of losses between 2004 and 2007. Based on this experience, we have selected a provision for customer service and claims administration equal to 20% of losses for pricing purposes.

Provisions for fixed underwriting expenses (general, other acquisition and allocated corporate overhead) and variable expenses (premium tax and AMEX discount fee) are based on the analysis of historical data shown in Exhibit 3.

The development of a provision for underwriting profit is shown in Exhibit 5.

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 5, 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 13.5%. 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 12.9%. Finally, the target after-tax rate of return was related to premium using a selected premium to surplus ratio of 1.11 (see Exhibit 5, 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 5, 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 inland marine line of business. The selected provision on an after-tax basis is 1.7%.

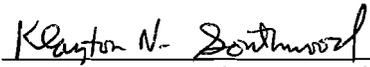
Subtracting expected returns on equity and policyholder-supplied funds yields a required underwriting profit provision of 5.8% on an after-tax basis and 8.9% on a pre-tax basis. We have selected an underwriting profit provision of 8.9% for pricing purposes.

Development of Indicated Rate

As shown in Exhibit 1, an indicated rate of \$7.57 is calculated by adding the estimated loss cost and fixed expenses together and dividing the sum by (1 – variable expenses).

Selected Rates

AMEX Assurance Company selected a per trip rate of \$9.95 for the coverage. In making this selection, AMEX Assurance Company gave consideration to the indicated rate, the uncertainty associated with providing a primary coverage product and the estimated loss ratio relative to the estimated loss ratios for its recently filed Baggage Delay and Loss Protection and Executive Baggage Protection Products.



Klayton N. Southwood, FCAS, MAAA
January 16, 2008

AMEX Assurance Company
 Premium Baggage Protection Program (PBP)
 Estimated Cost of Change from Excess to Primary Coverage

Exhibit 1

	Description	2007 Estimate	2006	2005	2004	2003	2002
(1)	Premium	\$31,864,727	\$33,483,749	\$31,931,382	\$27,704,593	\$23,893,000	\$19,764,000
(2)	Records of Charge (ROC)	3,202,485	3,365,201	3,209,184	2,784,381	2,401,307	1,986,332
A. Adjustments to Historical Losses to Reflect Primary Coverage							
(3)	Adjusted Losses capped @ \$1,000 - Checked Bags		\$4,354,000	\$3,222,000	\$2,940,000	\$2,405,000	\$2,035,000
(4)	Adjusted Losses capped @ \$500 - Delayed Checked Bags		\$4,562,500	\$3,572,000	\$2,921,500	\$2,130,500	\$1,884,000
(5)	Losses capped @ \$2,000 - Carry On Bags		\$500,821	\$587,654	\$513,382	\$438,125	\$394,267
(6)	Losses capped @ \$2,000 - Hotel/Motel Personal Property		\$222,446	\$223,428	\$235,871	\$145,176	\$137,133
(7)	Claim Count - Checked Bags		4,354	3,222	2,940	2,405	2,035
(8)	Claim Count - Delayed Checked Bags		9,125	7,144	5,843	4,261	3,768
(9)	Claim Count - Carry On Bags		534	541	462	373	337
(10)	Claim Count - Hotel/Motel Personal Property		234	196	191	120	121
(11)	Average Cost Per Claim	\$700	\$677	\$685	\$701	\$715	\$711
(12)	Claim Frequency Per 1,000 ROCs	3.75	4.23	3.46	3.39	2.98	3.15
(13)	Estimated Loss Cost Per ROC	\$2.63	\$2.86	\$2.37	\$2.37	\$2.13	\$2.24
B. Incremental Claims Added Due to Providing Primary Coverage							
(14)	Adjusted Losses capped @ \$1,000		\$477,533	\$538,213	\$479,966	\$369,477	\$344,120
(15)	Adjusted Losses capped @ \$500		\$281,151	\$316,178	\$279,541	\$213,779	\$199,988
(16)	Estimated Average Cost Per Claim	\$535	\$449	\$523	\$531	\$548	\$547
(17)	Claim Frequency Per 1,000 ROCs	3.25					
(18)	Estimated Loss Cost Per ROC	\$1.74					
C. Indicated Rate							
(19)	Estimated Loss Cost Per ROC	\$4.36					
(20)	Load for Customer Service/Claims Administration	1.20					
(21)	Estimated Loss, LAE and Customer Service Cost Per ROC	\$5.24					
(22)	Estimated Fixed Expense Per ROC	\$1.37					
(23)	Estimated Variable Expense Ratio	12.75%					
(24)	Indicated Rate	\$7.57					
(25)	Estimated Loss Ratio	57.7%					

Notes:

- (1), (2), (7) - (10) Provided by AMEX Assurance Company
- (3) Estimated primary coverage losses capped at \$1,000 per claim for checked items. Current coverage is excess. Assumes airline provides primary coverage of \$2,800 of loss. See narrative for discussion.
- (4) Estimated primary coverage losses capped at \$500 per claim for delayed checked items. Current coverage is excess. Assumes airline provides primary coverage of \$2,800 of loss. See narrative for discussion.
- (5), (6) Estimated primary coverage losses capped at \$2,000 per claim for carry on items and hotel/motel personal property
- (11) = [(3) + (4) + (5) + (6)] / [(7) + (8) + (9) + (10)]; 2007 estimate selected based on historical experience
- (12) = [(7) + (8) + (9) + (10)] / (2) x 1,000; 2007 estimate selected based on historical experience
- (13) = (11) x (12) / 1,000
- (14) Estimated losses for carry on items and hotel/motel personal property capped at \$1,000
- (15) Estimated losses for carry on items and hotel/motel personal property capped at \$500
- (16) = [(14) / [(9) + (10)] x (7) + (15) / [(9) + (10)] x (8)] / [(7) + (8)]; 2007 estimate selected based on historical experience
- (17) = Exhibit 4, Column (3) - (12)
- (18) = (16) x (17) / 1,000
- (19) = (13) + (18)
- (20) From Exhibit 2
- (21) = (19) x (20)
- (22) = Exhibit 3, (3) d. + Exhibit 3, (4) b.
- (23) = Exhibit 3, (5) d.
- (24) = [(21) + (22)] / [1 - (23)]
- (25) = (19) / (24)

AMEX Assurance Company
Premium Baggage Protection (PBP)
 Analysis of Customer Service and Claims Administration

(1)	(2)	(3)	(4)
Calendar	Incurred	Customer	
<u>Year</u>	<u>Losses</u>	Service/ Claims <u>Administration</u>	<u>Ratio</u>
2004	\$4,253	\$958	22.5%
2005	6,107	1,036	17.0%
2006	6,180	1,137	18.4%
<u>2007</u>	<u>6,422</u>	<u>1,273</u>	<u>19.8%</u>
Total	\$22,961	\$4,404	19.2%
Selected Ratio			20.0%

Notes:

- (2) Provided by AMEX Assurance Company
 (3) Provided by AMEX Assurance Company
 (4) = (3) / (2)

AMEX Assurance Company
Premium Baggage Protection (PBP)
 Analysis of Underwriting Expenses

	<u>Selected</u>	<u>2007</u> <u>Forecast</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
(1) Premium		\$31,864,727	\$33,483,749	\$31,931,382	\$27,704,593
(2) Records of Charge (ROC)		3,202,485	3,365,201	3,209,184	2,784,381
(3) Direct General and Other Acquisition Expenses					
a. General Expenses		\$560,733	\$636,191	\$0	\$0
<u>b. Other Acquisition Expenses</u>		<u>3,264,721</u>	<u>4,281,238</u>	<u>3,636,746</u>	<u>3,078,622</u>
c. Total General and Other Acquisition Expense		\$3,825,454	\$4,917,429	\$3,636,746	\$3,078,622
d. Total General and Other Acquisition per ROC	\$1.35	\$1.19	\$1.46	\$1.13	\$1.11
(4) Allocated Corporate Overhead					
a. Total Allocated Overhead		\$53,000			
b. Total Allocated Overhead Per ROC	\$0.02	\$0.02			
(5) Direct Variable Expenses					
a. Premium Tax	1.90%				
b. AMEX Discount Fee	1.95%				
<u>c. Underwriting Profit</u>	<u>8.90%</u>				
d. Total Variable Expenses	12.75%				

Notes:

- (1) From Exhibit 1, Row (1)
 (2) From Exhibit 1, Row (2)
 (3) a. Provided by AMEX Assurance Company
 (3) b. Provided by AMEX Assurance Company
 (3) c. = (3) a. + (3) b.
 (3) d. = (3) c. / 2
 (4) a. Provided by AMEX Assurance Company
 (4) b. = (4) a. / 2
 (5) a. Provided by AMEX Assurance Company
 (5) b. Provided by AMEX Assurance Company
 (5) c. From Exhibit 5
 (5) d. = (5) a. + (5) b. + (5) c.

AMEX Assurance Company
Premium Baggage Protection (PBP)
 Development of Selected Primary Claim Frequency

<u>Time Period</u>	(1) Total Baggage Reports	(2) Enplaned Passengers	(3) Reports Per 1,000 Passengers
2002	1,808,977	471,351,588	3.84
2003	2,198,934	524,515,038	4.19
2004	2,822,206	575,364,288	4.91
2005	3,449,253	562,611,354	6.13
2006	4,083,054	606,604,432	6.73
Jan-Sept 2007	3,449,435	476,606,091	7.24
October 2007	283,042	52,792,192	5.36
<u>2007 to Date</u>	<u>3,732,477</u>	<u>529,398,283</u>	<u>7.05</u>
Total	18,094,901	3,269,844,983	5.53
2005 - Oct 2007			6.63
Selected			7.00

Notes:

$$(3) = [(1) / (2)] \times 1,000$$

Based on *Air Travel Consumer Report*, published by the Office of Aviation Enforcement and Proceedings, Aviation Consumer Protection Division. Data compiled by the Bureau of Transportation Statistics. See narrative for further discussion.

**AMEX Assurance Company
Calculation of Provision for Underwriting Profit**

Assumptions		Reference
(A) Target rate of return on GAAP equity (after-tax, all lines)	13.5%	Exhibit 5, Sheet 3
(B) Ratio of GAAP Equity to Statutory Surplus	0.955	
(C) Target rate of return on Statutory Surplus	12.9%	=(A) x (B)
(D) Premium to Statutory Surplus ratio	1.110	Exhibit 5, Sheet 2
(E) Federal income tax rate on underwriting income	35.0%	
(F) Federal income tax rate on investment income	15.8%	Exhibit 5, Sheet 7
(G) Average rate of return (pre-tax)	5.4%	Exhibit 5, Sheet 6
(H) Investment Income on reserves (pre-tax)	2.1%	Exhibit 5, Sheet 4

Calculation of Underwriting Profit Provision

(1) Target rate of return on premium (after tax) = (C) / (D)	11.6%
(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)	7.5%
(4) Investment income on unearned premium reserves and loss and LAE reserves (after tax) = (H) * [1 - (F)]	1.7%
(5) Underwriting Profit (after tax) = (3) - (4)	5.8%
(6) Underwriting Profit (pre tax) = (5) / [1 - (E)]	8.9%
(7) Selected Profit Provision	8.9%

**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
2006			
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 Year	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%
2005	10.38%	12.91%	9.60%	13.00%
<u>2006</u>	<u>8.70%</u>	<u>13.06%</u>	<u>12.20%</u>	<u>12.00%</u>
Average	11.35%	13.79%	6.71%	9.00%
Standard Deviation	0.016	0.009	0.047	0.040
Selected Return on Equity:				13.5%

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		\$ 134,554
2.	Mean Unearned Premium Reserve	(1) x 0.016	\$ 2,173
3.	Deduction for Prepaid Expenses		
	Commission and Brokerage Expense		0.0%
	Taxes, Licenses and Fees		1.9%
	50% of Other Acquisition & General Expense		10.0%
	Total		11.9%
4.	Deduction for Federal Taxes Payable		7.0%
5.	(2) x [(3) + (4)]		\$ 410
6.	Net Subject to Investment (2) - (5)		\$ 1,763
B. Delayed Remission of Premium (Agents' Balances)			
1.	Direct Earned Premium (A.1)		\$ 134,554
2.	Average Agent's Balance		2.5%
3.	Delayed Remission (1) x (2)		\$ 3,382
C. Loss Reserve			
1.	Direct Earned Premium (A.1)		\$ 134,554
2.	Expected Incurred Losses and Loss Adjustment Expenses #	(1) x 0.692	\$ 93,178
3.	Expected Mean Loss Reserves	(2) x 0.567	\$ 52,840
D. Net Subject to Investment			
		(A.6) - (B.3) + (C.3)	\$ 51,221
E. Average Rate of Return			
			5.40%
F. Investment Earnings on Net Subject to Investment			
		(D) x (E)	\$ 2,766
G. Average Rate of Return as a Percent of Direct Earned Premium			
		(F) / (A.1)	2.06%
H. Average Rate of Return as a Percent of Direct Earned Premium After Federal Income Taxes			
		(G) x 0.842	1.73%

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 inland marine 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 inland marine line for AMEX Assurance Company.

1. Direct Earned Premium for Calendar Year 2006	\$134,554
2. Unearned Premium Reserve as of 12/31/2005	\$1,747
3. Unearned Premium Reserve as of 12/31/2006	\$2,598
4. Mean Unearned Premium Reserve $[(2) + (3)] / 2$	\$2,173
5. Ratio $(4) / (1)$	0.016

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 2.5% of direct earned premiums for this line for AMEX Assurance Company.

The 2.5% is based on the following:

1. Direct Earned Premium for Calendar Year 2006	\$134,554
2. Direct Agents' Balances as of 12/31/2005	\$3,121
3. Direct Agents' Balances as of 12/31/2006	\$3,642
4. Mean Agents' Balances $[(2) + (3)] / 2$	\$3,382
5. Ratio $(4) / (1)$	0.025

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 for the inland marine line of business. This ratio is based on data from 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 *	\$10,162,000
2. Direct Incurred Losses for Calendar Year 2006 *	\$46,142,000
3. Direct Loss Reserves as of 12/31/2004 *	\$25,700,000
4. Direct Loss Reserves as of 12/31/2005 *	\$11,430,000
5. Direct Loss Reserves as of 12/31/2006 *	\$16,159,000
6. Mean Direct Loss Reserve 2005: [(3) + (4)] / 2	\$18,565,000
7. Mean Direct Loss Reserve 2006: [(4) + (5)] / 2	\$13,794,500
8. Ratio (6) / (1)	1.827
9. Ratio (7) / (2)	0.299
10. Average Ratio [((6) + (7)) / ((1) + (2))]	0.575
11. Estimated Reserve Discount	3.8%
12. Federal Taxes (ratio to reserve): (11) x .35	0.013
13. (10) x [1.0 - (12)]	0.567

Line E

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

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%
<u>2006</u>	\$5,899,770	\$108,676,726	<u>5.43%</u>
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	<u>\$0</u>	<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%
($(.30 \times .35) + (1.00 \times .70 \times .15 \times .35) = .142$).