

SERFF Tracking Number: AMEE-125527045 State: Arkansas
Filing Company: AMEX Assurance Company State Tracking Number: EFT \$100
Company Tracking Number: AX825-AR-0001R
TOI: 09.0 Inland Marine Sub-TOI: 09.0006 Other Personal Inland Marine
Product Name: Identity Protection/Business Identity Protection
Project Name/Number: IDP/BIDP/AX825-AR-0001R

Filing at a Glance

Company: AMEX Assurance Company

Product Name: Identity Protection/Business Identity Protection SERFF Tr Num: AMEE-125527045 State: Arkansas

Identity Protection

TOI: 09.0 Inland Marine

SERFF Status: Closed

State Tr Num: EFT \$100

Sub-TOI: 09.0006 Other Personal Inland Marine

Co Tr Num: AX825-AR-0001R

State Status: Fees verified and received

Filing Type: Rate

Co Status:

Reviewer(s): Becky Harrington, Betty Montesi, Brittany Yielding

Author: Michelle Correa

Disposition Date: 03/26/2008

Date Submitted: 03/17/2008

Disposition Status: Filed

Effective Date Requested (New): On Approval

Effective Date (New):

Effective Date Requested (Renewal): On Approval

Effective Date (Renewal):

State Filing Description:

General Information

Project Name: IDP/BIDP

Status of Filing in Domicile: Pending

Project Number: AX825-AR-0001R

Domicile Status Comments:

Reference Organization:

Reference Number:

Reference Title:

Advisory Org. Circular:

Filing Status Changed: 03/26/2008

Deemer Date:

State Status Changed: 03/17/2008

Corresponding Filing Tracking Number:

Filing Description:

March 17, 2008

Arkansas Department of Insurance

Via SERFF

SERFF Tracking Number: AMEE-125527045 State: Arkansas
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RE: FILING SUBMITTED FOR APPROVAL

AMEX Assurance Company

Group Inland Marine Filing – “Identity Protection” and “Business Identity Protection”

Company FEIN: 36-2760101

NAIC #: 27928

Company File Number: AX825-AR-0001

Actuarial Memorandums

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 will be used under Master Group Policy AX825. This Policy was situated and approved in the state of Rhode Island on March 11, 2003. This is a Group Inland Marine Policy. The Group Policyholder, the AMEX Assurance Group Identity Protection Insurance Trust, consists of members of participating organizations interested in identity theft insurance. This program will be marketed to members of participating organizations interested in identity fraud protection, and only individual members may enroll for coverage. These members are ultimately responsible for the premium and do receive the benefits under the program.

This plan, “Identity Protection” provides coverage for incurred expenses due to Identity Theft or Identity Fraud. These expenses include, but are not limited to, costs for obtaining credit reports, re-filing applications, lost wages, legal fees, fraudulent transactions, and other administrative fees. There is a monthly and annual billing plan.

This plan, “Business Identity Protection” provides coverage for incurred expenses due to Identity Theft or Identity Fraud. These are for personal and/or business expenses that include, but are not limited to, costs for obtaining credit reports, re-filing applications, lost wages, legal fees, fraudulent transactions, communication costs, and other administrative fees. There is a monthly and annual billing plan.

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

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If you should have any questions, please contact me by phone at 1-920-431-4065, by fax at 1-920-431-4040 or by email at Kiley.M.Rickert@aexp.com.

Sincerely,

Kiley Rickert

Kiley Rickert
Senior Compliance Analyst
AMEX Assurance Company

Company and Contact

Filing Contact Information

Kiley Rickert, Sr. Compliance Analyst
480 Pilgrim Way
Green Bay, WI 54304

kiley.m.rickert@aexp.com
(800) 618-8441 [Phone]
(920) 431-4040[FAX]

Filing Company Information

AMEX Assurance Company
480 Pilgrim Way
Ste 1400
Green Bay, WI 54304
(920) 431-4000 ext. [Phone]

CoCode: 27928
Group Code: 4

State of Domicile: Illinois
Company Type:

Group Name:
FEIN Number: 36-2760101

State ID Number:

Filing Fees

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

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Per Company: No

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COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
AMEX Assurance Company	\$100.00	03/17/2008	18702807

SERFF Tracking Number: AMEE-125527045 State: Arkansas
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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Becky Harrington	03/26/2008	03/26/2008

Objection Letters and Response Letters

Objection Letters				Response Letters		
Status	Created By	Created On	Date Submitted	Responded By	Created On	Date Submitted
Pending Industry Response	Becky Harrington	03/17/2008	03/17/2008	Michelle Correa	03/25/2008	03/25/2008

SERFF Tracking Number: AMEE-125527045 *State:* Arkansas
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Disposition

Disposition Date: 03/26/2008

Effective Date (New):

Effective Date (Renewal):

Status: Filed

Comment:

Rate data does NOT apply to filing.

SERFF Tracking Number: AMEE-125527045 State: Arkansas
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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		No
Supporting Document	NAIC Loss Cost Filing Document for OTHER than Workers' Comp		No
Supporting Document	Actuarial Memorandums	Filed	Yes
Supporting Document	Response Letter	Filed	Yes
Rate	Rate Manual	Filed	Yes

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Objection Letter

Objection Letter Status Pending Industry Response
Objection Letter Date 03/17/2008
Submitted Date 03/17/2008

Respond By Date
Dear Kiley Rickert,

This will acknowledge receipt of the captioned filing.

Objection 1

No Objections

Comment: Please provide the rate/rule manual pages.

Please feel free to contact me if you have questions.

In accordance with Regulation 23, Section 7.A., this filing may not be implemented until 20 days after the requested amendment(s) and/or information is received.

Sincerely,
Becky Harrington

Response Letter

Response Letter Status Submitted to State
Response Letter Date 03/25/2008
Submitted Date 03/25/2008

Dear Becky Harrington,

Comments:

Response 1

Comments: Please see response to objection dated 3/17/2008

Related Objection 1

Comment:

Please provide the rate/rule manual pages.

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Changed Items:

Supporting Document Schedule Item Changes

Satisfied -Name: Response Letter

Comment: Please see below

No Form Schedule items changed.

Rate/Rule Schedule Item Changes

Exhibit Name	Rule # or Page #	Rate Action	Previous State Filing #
Rate Manual		New	

Sincerely,
Michelle Correa

SERFF Tracking Number: AMEE-125527045 *State:* Arkansas
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Rate Information

Rate data does NOT apply to filing.

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Rate/Rule Schedule

Review Status:	Exhibit Name:	Rule # or Page #:	Rate Action	Previous State Filing Attachments Number:
Filed	Rate Manual		New	Rate Page 3.25.08.pdf

AMEX ASSURANCE COMPANY

Identity Protection and Business Identity Protection

RATE/RULE MANUAL PAGE

Business Identity Protection

Aggregate Limit	Annual Rate	Monthly Rate
\$20,000	\$126.00	\$10.99
\$30,000	\$144.00	\$12.99

Identity Protection

Aggregate Limit	Annual Rate	Monthly Rate
\$15,000	\$59.95	\$5.95

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Supporting Document Schedules

Satisfied -Name: Uniform Transmittal Document-
Property & Casualty **Review Status:** Filed 03/26/2008

Comments:

Please see below.

Attachment:

industry_rates_PCtransDoc_intelligent.pdf

Satisfied -Name: Actuarial Memorandums **Review Status:** Filed 03/26/2008

Comments:

Please see below.

Attachments:

Final IDP Memo 030608.pdf

Final BIDP Memo 030608.pdf

Satisfied -Name: Response Letter **Review Status:** Filed 03/26/2008

Comments:

Please see below

Attachment:

AR Response Cover Letter RATES 3.25.08.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 #	
-----------	--	--

2.	This filing corresponds to rate/rule filing number (Company tracking number of rate/rule filing, if applicable)	
-----------	---	--

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)	
-----------	---	--

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	
-----------	---	--

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
IDENTITY PROTECTION (AX825)

AMEX Assurance Company (AMEX) is filing an amendment to its Identity Protection insurance product under Master Policy AX825. AMEX introduced this product in 2003 and is proposing a number of amendments to broaden the scope of coverage in response to feedback from covered Cardmembers and a review of competitor products. The most significant change relates to a broadening of coverage to reimburse various costs associated with any identity theft event. The current product provides coverage only in the event of an act of identity fraud. Eligible Cardmembers include residents of the 50 United States and the District of Columbia.

Description of Benefits

Provided that there was a covered occurrence during the coverage period as defined in the description of coverage, AMEX will reimburse the following expenses incurred as a direct result of an act of identity theft or identity fraud, up to \$15,000 per occurrence:

1. Costs for obtaining a maximum of four (4) credit reports from an organization approved by AMEX subsequent to an occurrence;
2. Costs for refiling applications for loans, grants, and other credit or debt instruments that are rejected solely because the lender received incorrect information from any source;
3. Costs for time spent by the insured away from work as a result of his or her efforts to amend or rectify records as to his or her identity. Payments will be based on lost wages, which will include partial or whole days;
4. Costs for reasonable accountant's, attorney's and related court fees;
5. Costs incurred for which the insured is held liable with respect to fraudulent transactions involving any of the insured's stolen credit, charge or debit cards or card information;
6. Cost incurred for which the insured is held liable with respect to any new accounts opened involving the fraudulent use of the insured's name or identity information;
7. Costs for fees incurred by a financial institution or credit issuer;
8. Costs for deductibles payable by the insured from other personal identity theft insurance policies that provide coverage for expenses not covered under this plan;
9. Costs for obtaining day care or elder care necessitated by an occurrence; and
10. Costs to report an identity theft or identity fraud to law enforcement agencies, financial institutions, credit grantors, credit agencies, merchants, and vendors or to amend or rectify records or to replace identifying materials, to include the following:
 - a. Notarizing affidavits or similar documents;
 - b. Long distance phone calls;
 - c. Postage;
 - d. Copying documents;

- e. Stolen driver's license;
- f. Stolen checks;
- g. Stolen passports; and
- h. Stolen Permanent Alien Resident Card

Development of Estimated Loss Cost and Loss Ratio

The estimated loss cost and loss ratio for the revised product are developed in the attached Exhibit 1. In order to avoid disruption, AMEX is proposing no change to the current monthly or annual premiums of \$5.95 and \$59.95, respectively.

Our approach to the development of the estimated loss cost and loss ratio for the proposed product enhancements relies heavily on data provided by AMEX and gathered from publicly available data sources as follows:

- Federal Trade Commission (FTC) – Identity Theft Survey Report prepared by Synovate, September 2003
- Javelin Strategy & Research – 2006 Identity Fraud Survey Report, January 2006
- U.S. Department of Labor, Bureau of Labor Statistics – May 2006 National Occupational Employment and Wage Estimates

Given the nature of the proposed coverage, relevant data could not always be found. Where that was the case, we applied judgments that we believe to be reasonable. Data sources are documented and discussed in this narrative and in the attached exhibit.

Estimated Frequency of Identity Theft Incidents

The research conducted by Synovate for the 2003 FTC study cited above included 4,057 telephone interviews with U.S. adults. Victims of identity theft were classified as belonging to one of three categories based on the most serious problem the victim reported. The categories were:

- New Accounts & Other Frauds
- Misuse of Existing Credit Card or Credit Card Number
- Misuse of Existing Non-Credit Card or Account Number

According to the Synovate survey, 1.5% of participants reported that they had discovered that their personal information had been used to open new credit accounts, take out new loans, or engage in other types of fraud, such as misuse of the victim's name and identifying information when charged with a crime, renting an apartment, obtaining medical care or employment ("New Accounts & Other Frauds").

In addition, 2.4% of survey participants reported that the stolen identity event involved misuse of one or more of their existing credit cards or credit card account numbers ("Misuse of Existing Credit Cards or Card Numbers"). Also, 0.7% of

participants reported misuse of one or more of their existing accounts other than credit cards (for example, checking or savings accounts or telephone accounts) (“Misuse of Existing Non-Credit Card Accounts or Account Numbers”).

The Javelin 2006 Identity Fraud Survey Report was issued as an update to the 2003 FTC report. That report found that the occurrences of identity theft declined from approximately 4.6% in 2003 to 4.25% in 2005, and then further declined to 4.0% in 2006.

Our analysis began with the values from the 2003 FTC report (1.5% for “New Accounts & Other Frauds” and 3.1% for “Misuse of Existing Accounts”) and adjusted these values using the results from the 2006 Javelin study. Specifically, the 4.0% frequency rate from the Javelin study was split between the “New Accounts & Other Frauds” and the “Misuse of Existing Accounts” categories based on relationships in the 2003 FTC report. (e.g. adjusted frequency for “New Accounts & Other Frauds” = $1.5\% \times [4.0\% / 4.6\%] = 1.3\%$)

The adjusted percentages were applied to the current number of IDP enrollees provided by AMEX to calculate an expected number of enrollee victims by type of identity theft (Exhibit I, Rows (2b) and (3b)).

Estimated Severity of Identity Theft Incidents

According to the 2003 FTC report, victims of “New Accounts & Other Frauds” and “Misuse of Existing Accounts” estimated that the fraud events led to costs that totaled \$500 on average. Victims of the “New Accounts & Other Frauds” events estimated that they spent \$1,180 on average, while victims of “Misuse of Existing Accounts” events estimated they spent \$160.

Besides the “out-of-pocket” expenses incurred by the victims, a considerable amount of victims’ own time was spent resolving the various problems that occurred because of the misuse of personal information. On average, the 2003 FTC report indicated that victims spent an average of 30 hours resolving problems.

The 2006 Javelin study updated these amounts to show that consumer costs had declined to an average of \$422 as compared to the average of \$500 shown in the 2003 FTC report. Conversely, the average resolution time increased substantially to 40 hours in 2006.

Since the 2006 Javelin study did not provide claim severities by type of fraud, the expected claim severities shown on Rows (2c) and (3c) of Exhibit 1 are equal to the amounts shown in the 2003 FTC report adjusted downward in a proportionate fashion such that the average across fraud types balances to the value of \$422 in the 2006 Javelin study. (e.g. adjusted “New Accounts & Other Frauds” severity = $\$1,180 \times [\$422 / \$500] = \996)

The costs associated with time spent resolving identity theft cases was estimated using the 40 hour time estimate from the Javelin study and a May 2006 National Occupational Wage Estimate, which indicated a median hourly wage estimate of \$14.61 for all occupations. The wage estimate multiplied by the number of hours spent resolving problems was used as a proxy for time spent away from work.

However, since it is not likely that all of the time spent on resolution would occur during working hours, we have reduced the 40 hour value from the 2006 Javelin study to 20 for the purposes of this analysis. In addition, AMEX has provided us data indicating that approximately 23% of IDP insureds are age 65 or over. For the purposes of this analysis, we have assumed that 80% of such insureds are retired and would thus not be eligible for reimbursement of any lost time claims.

Estimated Losses and Loss Cost

Estimated losses are developed for each of the three categories described above, as shown in Exhibit 1. The estimated losses due to "New Accounts & Other Frauds" of \$3,606,655 on Row (2d) was developed as the product of the number of current IDP enrollees, the likelihood of an event (1.3%) and the estimated claim severity of \$996. Likewise, the estimated losses due to "Misuse of Existing Accounts" of \$1,010,678 on Row (3d) was developed as the product of the number of current IDP enrollees, the likelihood of an event (2.7%) and the estimated claim severity of \$135. Finally, the estimated losses due to wage loss \$2,644,749 on Row (4c) was developed as the product of the number of claims from Rows (2b) and (3b), the expected number of hours of lost wages (20), the median hourly wage (\$14.61) and the adjustment for non-working Cardmembers (0.815).

Summing these three values produces a total loss estimate of approximately \$7.26 million. Dividing this amount by the number of program enrollees produces an estimated loss cost of \$26.16 per year.

Comparing the estimated loss cost with the current program premiums produces estimated loss ratios are 43.6% on an annual premium basis and 36.6% on a monthly premium basis.

Klayton N. Southwood

Klayton N. Southwood, FCAS, MAAA
March 6, 2008

AMEX Assurance Company
Identity Protection Coverage
Development of Estimated Loss Ratios

(1) Number of Current IDP Enrollees 277,643

Development of Estimated Losses and Loss Cost

I. New Accounts & Other Frauds

(2a) Estimated Frequency of New Account or Other Fraud 1.3%
 (2b) Estimated Number of Claims 3,621
 (2c) Estimated Claim Severity \$996
 (2d) Total Estimated Losses \$3,606,655

II. Misuse of Existing Accounts (both Credit Card and Non-Credit Card)

(3a) Estimated Frequency of Misuse of Existing Accounts 2.7%
 (3b) Estimated Number of Claims 7,484
 (3c) Estimated Claim Severity \$135
 (3d) Total Estimated Losses \$1,010,678

III. Time Spent Resolving Identity Theft

(4a) Estimated Number of Hours Spent to Resolve 20
 (4b) Proportion of Eligible Cardmembers 81.5%
 (4c) Median Hourly Wage \$14.61
 (4d) Total Estimated Losses \$2,644,749

IV. Total Estimated Losses and Loss Cost

(5a) Total Estimated Losses \$7,262,083
 (5b) Total Estimated Loss Cost \$26.16

Development of Estimated Loss Ratios

(6a) Current Annual Premium \$59.95
 (6b) Current Monthly Premium \$5.95
 (6c) Estimated Loss Ratio - Annual 43.6%
 (6d) Estimated Loss Ratio - Monthly 36.6%

Notes:

(1) Provided by AMEX Assurance Company
 (2a), (3a) Based on Federal Trade Commission – Identity Theft Survey Report prepared by Synovate in September 2003, adjusted based on 2006 Javelin Identity Theft Report update. See narrative for discussion.
 (2b) = (1) x (2a)
 (2c), (3c) Based on Federal Trade Commission – Identity Theft Survey Report prepared by Synovate in September 2003, adjusted based on 2006 Javelin Identity Theft Report update. See narrative for discussion.
 (2d) = (2b) x (2c)
 (3b) = (1) x (3a)
 (3d) = (3b) x (3c)
 (4a) Based on 2006 Javelin Identity Theft Report update. See narrative for discussion.
 (4b) Data provided by AMEX indicates that approximately 18.5% of current enrollees are retired. See narrative for discussion.
 (4c) Based on U.S. Department of Labor Wage Estimate
 (4d) = [(2b) + (3b)] x (4a) x (4b) x (4c)
 (5a) = (2d) + (3d) + (4d)
 (5b) = (5a) / (1)
 (6a), (6b) Provided by AMEX Assurance Company
 (6c) = (5b) / (6a)
 (6d) = (5b) / [(6a) x 12]

ACTUARIAL MEMORANDUM
AMEX ASSURANCE COMPANY
BUSINESS IDENTITY PROTECTION (AX825)

AMEX Assurance Company (AMEX) is filing an amendment to its Business Identity Protection (BIDP) insurance product under Master Policy AX825. AMEX introduced this product in 2005 and is proposing a number of amendments to broaden the scope of coverage in response to feedback from covered Cardmembers and a review of competitor products. Eligible Cardmembers include residents of the 50 United States and the District of Columbia.

Description of Benefits

Provided that there was a covered occurrence during the coverage period as defined in the description of coverage, AMEX will reimburse the following expenses incurred as a direct result of an act of identity theft or identity fraud, up to \$20,000 per occurrence or \$30,000 per occurrence as selected by the insured:

1. Costs for obtaining a maximum of four (4) credit reports from an organization approved by AMEX subsequent to an occurrence;
2. Costs for refiling applications for personal or business loans, grants, and other credit or debt instruments that are rejected solely because the lender received incorrect information from any source;
3. Costs for time spent by the insured away from work as a result of his or her efforts to amend or rectify records as to his or her identity. Payments will be based on lost wages, which will include partial or whole days;
4. Costs for reasonable accountant's, attorney's and related court fees;
5. Costs incurred for which the insured is held liable with respect to fraudulent transactions involving any of the insured's stolen personal or small business credit, charge or debits cards or card information;
6. Cost incurred for which the insured is held liable with respect to any new accounts opened involving the fraudulent use of the insured's personal or small business name or identity information;
7. Costs for fees incurred by a financial institution or credit issuer;
8. Costs for public relations by legal or other professionals from an organization approved by AMEX;
9. Costs for deductibles related to other personal or business identity theft insurance policies that provide coverage for expenses that are not covered under this policy;
10. Costs for obtaining day care or elder care necessitated by an occurrence;
11. Costs to communicate to partners, customers, vendors, employees, or suppliers; and
12. Costs to report to law enforcement agencies, financial institutions, credit grantors, credit agencies, merchants, and vendors or to amend or rectify records or to replace identifying materials, to include the following:
 - a. Notarizing affidavits or similar documents;
 - b. Long distance phone calls;
 - c. Postage;

- d. Copying documents;
- e. Stolen driver's license;
- f. Stolen personal or business checks;
- g. Stolen passports; and
- h. Stolen Permanent Alien Resident Card

Currently, AMEX offers a total of six different coverage levels. The revised product will have only two coverage levels available – a \$20,000 coverage option for \$10.99 per month or \$126 per year; and a \$30,000 coverage option for \$12.99 per month or \$144 per year. These benefit levels and the associated rates are consistent with two of the six current options.

Development of Estimated Loss Cost and Loss Ratio

The estimated loss cost and loss ratio for the revised product are developed in the attached Exhibits 1 through 3. As mentioned above, AMEX is proposing to eliminate four benefit level options; the pricing for the remaining two options will be consistent with the current product pricing in order to minimize disruption.

Our approach to the development of the estimated loss cost and loss ratio for the proposed product enhancements relies heavily on data provided by AMEX and gathered from publicly available data sources as follows:

- Federal Trade Commission (FTC) – Identity Theft Survey Report prepared by Synovate, September 2003
- Identity Theft Resource Center – Identity Theft: The Aftermath 2003, Summer 2003
- Javelin Strategy & Research – 2006 Identity Fraud Survey Report, January 2006
- U.S. Department of Labor, Bureau of Labor Statistics – May 2006 National Occupational Employment and Wage Estimates

Given the nature of the proposed coverage, relevant data could not always be found. Where that was the case, we applied judgments that we believe to be reasonable. Data sources are documented and discussed in this narrative and in the attached exhibits.

Estimated Frequency of Identity Theft Incidents

The research conducted by Synovate for the 2003 FTC study included 4,057 telephone interviews with U.S. adults. Victims of identity theft were classified as belonging to one of three categories based on the most serious problem the victim reported. The categories were:

- New Accounts & Other Frauds
- Misuse of Existing Credit Card or Credit Card Number

- Misuse of Existing Non-Credit Card or Account Number

According to the Synovate survey, 1.5% of participants reported that they had discovered that their personal information had been used to open new credit accounts, take out new loans, or engage in other types of fraud, such as misuse of the victim's name and identifying information when charged with a crime, renting an apartment, obtaining medical care or employment ("New Accounts & Other Frauds").

In addition, 2.4% of survey participants reported that the stolen identity event involved misuse of one or more of their existing credit cards or credit card account numbers ("Misuse of Existing Credit Cards or Card Numbers"). Also, 0.7% of participants reported misuse of one or more of their existing accounts other than credit cards (for example, checking or savings accounts or telephone accounts) ("Misuse of Existing Non-Credit Card Accounts or Account Numbers").

The Javelin 2006 Identity Fraud Survey Report was issued as an update to the 2003 FTC report. That report found that the occurrence of identity theft declined from approximately 4.6% in 2003 to 4.25% in 2005, and then further declined to 4.0% in 2006.

Our analysis began with the values from the 2003 FTC report (1.5% for "New Accounts & Other Frauds" and 3.1% for "Misuse of Existing Accounts") and adjusted these values using the results from the 2006 Javelin study. Specifically, the 4.0% frequency rate from the Javelin study was split between the "New Accounts & Other Frauds" and the "Misuse of Existing Accounts" categories based on relationships in the 2003 FTC report (e.g., adjusted frequency for "New Accounts & Other Frauds" = $1.5\% \times [4.0\% / 4.6\%] = 1.3\%$).

The adjusted percentages were applied to the current number of BIDP enrollees provided by AMEX to calculate an expected number of enrollee victims by type of identity theft event (Exhibits 2 and 3, Rows (2a) and (3a)).

Estimated Severity of Identity Theft Incidents

According to the 2003 FTC report, victims of "New Accounts & Other Frauds" and "Misuse of Existing Accounts" estimated that the fraud events led to costs that totaled \$500 on average. Victims of the "New Accounts & Other Frauds" events estimated that they spent \$1,180 on average, while victims of "Misuse of Existing Accounts" events estimated they spent \$160.

Besides the "out-of-pocket" expenses incurred by the victims, a considerable amount of victims' own time was spent resolving the various problems that occurred because of the misuse of personal information. On average, the 2003 FTC report indicated that victims spent an average of 30 hours resolving problems.

The 2006 Javelin study updated these amounts to show that consumer costs had declined to an average of \$422 as compared to the average of \$500 shown in the 2003 FTC report. Conversely, the average resolution time increased substantially to 40 hours in 2006.

In order to estimate claim severities at the \$20,000 and \$30,000 limits, we also relied on the Identity Theft Resource Center (ITRC) study, "Identity Theft: The Aftermath 2003", which provides data by size of loss. Approximately 67% (or 113 of those surveyed) reported dollar losses ranging from a low of \$4 to a high of \$30,000. One respondent reported \$8,000, two respondents reported \$15,000, one respondent reported \$20,000, and one respondent reported \$30,000. This information was used to determine an average claim size by limit and relativities by coverage limit.

Since the 2006 Javelin study did not provide claim severities by type of fraud, the expected claim severities shown on Rows (2c) and (3c) of Exhibits 2 and 3 were derived by first adjusting the amounts shown in the 2003 FTC report in a proportionate fashion such that the average across fraud type balances to the value of \$422 in the 2006 Javelin study, and then multiplying by limit relativities of 0.893 at the \$20,000 limit and 0.949 at the \$30,000 limit. These limit relativities are consistent with the analysis underlying the original BIDP rate analysis of 2005.

Next, an adjustment to the severities on Rows (2c) and (3c) was applied to account for business-related communications that would be required in the event that private information of the Cardmember's clients, partners and suppliers is compromised. In order to quantify the adjustment, we relied largely on the analysis underlying the actuarial support prepared for BIDP in 2005. At that time, AMEX informed us that it expected that 80% of businesses in the target market for BIDP would have fewer than 5 employees. We assume that most of these businesses will have a relatively small base of clients, partners and suppliers whose data may be subject to compromise. The cost that would be involved in such a communication would result from creating the communication, printing it and mailing it. In the original actuarial support, we selected an expected claim severity of \$2,000 for both the \$20,000 and \$30,000 aggregate limit coverage options. While the current BIDP product has a limit of \$3,000 for communication costs and the proposed product will not have such a sublimit, the small size of typical insureds should limit the potential cost of communications. We have used an estimated severity of \$1,688 (calculated as $\$2,000 \times 422 / 500$) for both the \$20,000 and \$30,000 coverage options. The adjustment factors on Rows (2d) and (3d) of Exhibits 2 and 3 were then calculated assuming that 80% of claims will be personal in nature and 20% will be business-related. This assumption is consistent with the original analysis of 2005.

The costs associated with personal time spent resolving identity theft cases was estimated using the 40 hour time estimate from the Javelin study and a May 2006 National Occupational Wage Estimate, which indicated a median hourly wage estimate is \$14.61 for all occupations. The wage estimate multiplied by the number of hours spent resolving problems was used as a proxy for time spent away from work. However, since it is likely that not all of the time spent on resolution would occur during working hours, we have reduced the 40 hour value from the 2006 Javelin study to 20 for the purposes of this analysis.

The cost of lost sales is based on the 2003 ITRC Study. Pages 23 and 24 of that report address the cost associated with lost time. Table 3 on page 24 of that report contains a size-of-loss distribution which we used to estimate costs of \$4,800 at the \$20,000 limit and \$6,400 at the \$30,000 coverage limit. These amounts were

adjusted to \$4,051 and \$5,402 using the \$422 and \$500 values cited earlier. The adjusted amounts were used to calculate the adjustment factors on Row (4d) of Exhibits 2 and 3.

Estimated Losses and Loss Cost

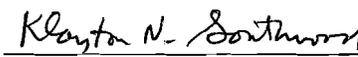
Estimated losses are developed for each of the three categories described above. The summary of the analysis is shown in Exhibit 1. The estimated loss due to "New Accounts & Other Frauds" of \$69,650 on Row (2c) is the sum of the estimated losses for the \$20,000 and \$30,000 coverage limits. For each coverage limit, the estimated loss is the product of the number of current BIDP enrollees, the likelihood of an event (1.3%) and the estimated claim severity for each coverage limit (\$1,008, or \$889 x 1.134, for the \$20,000 limit and \$1,054, or \$945 x 1.115, for the \$30,000 limit).

Similarly, the estimated loss due to "Misuse of Existing Accounts" of \$19,435 on Row (3c) is the sum of the estimated losses for each coverage limit. For each coverage limit, the estimated loss is the product of the number of current BIDP enrollees, the likelihood of an event (2.7%) and the estimated claim severity for each coverage limit (\$137, or \$121 x 1.134, for the \$20,000 limit and \$143, or \$128 x 1.115, for the \$30,000 limit).

The estimated loss due to "Time Spent Resolving the Identity Theft" of \$221,094 on Row (4c) is the sum of the expected losses for each coverage limit. For each coverage limit, the estimated loss is the product of the number of claims from Rows (2b) and (3b), the expected number of hours lost (20), the median hourly wage (\$14.61) and the adjustment factor for business-related claims.

Summing these three values produces a total loss estimate of \$310,180. Dividing this amount by the number of program enrollees produces an estimated loss cost of \$58.84 per year.

Comparing the estimated loss cost with the current average premium produces an estimated loss ratio of 44.5%.



Clayton N. Southwood, FCAS, MAAA
March 6, 2008

AMEX Assurance Company
 Business Identity Protection Coverage
 Development of Estimated Loss Ratios

(1) Number of Current BIDP Enrollees 5,272

Development of Estimated Losses and Loss Cost

I. New Accounts & Other Frauds

(2a) \$20,000 Limit \$68,597
 (2b) \$30,000 Limit 1,053
 (2c) Total Estimated Losses \$69,650

II. Misuse of Existing Accounts (both Credit Card and Non-Credit Card)

(3a) \$20,000 Limit \$19,150
 (3b) \$30,000 Limit 286
 (3c) Total Estimated Losses \$19,435

III. Time Spent Resolving Identity Theft

(4a) \$20,000 Limit \$217,152
 (4b) \$30,000 Limit 3,942
 (4c) Total Expected Loss \$221,094

IV. Total Estimated Losses and Loss Cost

(5a) Total Estimated Losses \$310,180
 (5b) Total Estimated Loss Cost \$58.84

Development of Estimated Loss Ratios

(6a) Current Premium \$696,387
 (6b) Current Average Premium \$132
 (6c) Estimated Loss Ratio 44.5%

Notes:

(1) Provided by AMEX Assurance Company
 (2a)-(2b) From Exhibits 2 and 3, Row (2e)
 (2c) = (2a) + (2b)
 (3a)-(3b) From Exhibits 2 and 3, Row (3e)
 (3c) = (3a) + (3b)
 (4a)-(4b) From Exhibits 2 and 3, Row (4e)
 (4c) = (4a) + (4b)
 (5a) = (2c) + (3c) + (4c)
 (5b) = (5a) / (1)
 (6a) Provided by AMEX Assurance Company
 (6b) = (6a) / (1)
 (6c) = (5b) / (6b)

AMEX Assurance Company
 Business Identity Protection Coverage
 Development of Estimated Loss Ratios

(1) Number of Current BIDP Enrollees - \$20,000 Limit 5,211

New Accounts & Other Frauds

(2a) Estimated Frequency of New Account or Other Fraud 1.3%
 (2b) Estimated Number of Claims 68
 (2c) Estimated Claim Severity - Personal \$889
 (2d) Adjustment for Business Claims 1.134
 (2e) Total Expected Loss \$68,597

Misuse of Existing Accounts (both Credit Card and Non-Credit Card)

(3a) Estimated Frequency of Misuse of Existing Accounts 2.7%
 (3b) Estimated Number of Claims 140
 (3c) Estimated Claim Severity - Personal \$121
 (3d) Adjustment for Business Claims 1.134
 (3e) Total Expected Loss \$19,150

Time Spent Resolving Identity Theft

(4a) Estimated Number of Hours Spent to Resolve 20
 (4b) Median Hourly Wage \$14.61
 (4c) Estimated Claim Severity - Personal \$292.20
 (4d) Adjustment for Business Claims 3.573
 (4e) Total Expected Loss \$217,152

Notes:

- (1) Provided by AMEX Assurance Company
 (2a), (3a) Based on Federal Trade Commission – Identity Theft Survey Report prepared by Synovate in September 2003, adjusted based on 2006 Javelin Identity Theft Report update. See narrative for discussion.
 (2b) = (1) x (2a), rounded
 (2c) = \$1,180 x (\$422 / \$500) x .893. See narrative for discussion
 (2d), (3d) = $[\.80 \times ((2c) + (3c)) + .20 \times \$1,688] / [(2c) + (3c)]$. See narrative for discussion.
 (2e) = (2b) x (2c) x (2d)
 (3b) = (1) x (3a), rounded
 (3c) = \$160 x (\$422 / \$500) x .893. See narrative for discussion
 (3e) = (3b) x (3c) x (3d)
 (4a) Based on 2006 Javelin Identity Theft Report update. See narrative for discussion.
 (4b) Bureau of Labor Statistics (http://www.bls.gov/oes/current/oes_nat.htm#b00-0000)
 (4c) = (4a) x (4b)
 (4d) = $[\.80 \times (4c) + .20 \times \$4,051] / (4c)$. See narrative for discussion.
 (4e) = $[(2b) + (3b)] \times (4c) \times (4d)$

AMEX Assurance Company
 Business Identity Protection Coverage
 Development of Estimated Loss Ratios

(1) Number of Current BIDP Enrollees - \$30,000 Limit 61

New Accounts & Other Frauds

(2a) Estimated Frequency of New Account or Other Fraud 1.3%
 (2b) Estimated Number of Claims 1
 (2c) Estimated Claim Severity - Personal \$945
 (2d) Adjustment for Business Claims 1.115
 (2e) Total Expected Loss \$1,053

Misuse of Existing Accounts (both Credit Card and Non-Credit Card)

(3a) Estimated Frequency of Misuse of Existing Accounts 2.7%
 (3b) Estimated Number of Claims 2
 (3c) Estimated Claim Severity - Personal \$128
 (3d) Adjustment for Business Claims 1.115
 (3e) Total Expected Loss \$286

Time Spent Resolving Identity Theft

(4a) Estimated Number of Hours Spent to Resolve 20
 (4b) Median Hourly Wage \$14.61
 (4c) Estimated Claim Severity - Personal \$292.20
 (4d) Adjustment for Business Claims 4.497
 (4e) Total Expected Loss \$3,942

Notes:

- (1) Provided by AMEX Assurance Company
 (2a), (3a) Based on Federal Trade Commission – Identity Theft Survey Report prepared by Synovate in September 2003, adjusted based on 2006 Javelin Identity Theft Report update. See narrative for discussion.
 (2b) = (1) x (2a), rounded
 (2c) = \$1,180 x (\$422 / \$500) x .949. See narrative for discussion
 (2d), (3d) = $[\.80 \times ((2c) + (3c)) + .20 \times \$1,688] / [(2c) + (3c)]$. See narrative for discussion.
 (2e) = (2b) x (2c) x (2d)
 (3b) = (1) x (3a), rounded
 (3c) = \$160 x (\$422 / \$500) x .949. See narrative for discussion
 (3e) = (3b) x (3c) x (3d)
 (4a) Based on 2006 Javelin Identity Theft Report update. See narrative for discussion.
 (4b) Bureau of Labor Statistics (http://www.bls.gov/oes/current/oes_nat.htm#b00-0000)
 (4c) = (4a) x (4b)
 (4d) = $[\.80 \times (4c) + .20 \times \$5,402] / (4c)$. See narrative for discussion.
 (4e) = $[(2b) + (3b)] \times (4c) \times (4d)$



March 25, 2008

Arkansas Department of Insurance
Via SERFF
Attn: Becky Harrington

AMEX Assurance Company
480 Pilgrim Way, Suite 1400
Green Bay, WI 54304

RE: FILING SUBMITTED FOR APPROVAL
AMEX Assurance Company
Group Inland Marine Filing – “Identity Protection” and “Business Identity Protection”
Company FEIN: 36-2760101
NAIC #: 27928
Company File Number: AX825-AR-0001

Actuarial Memorandums
Rate/Rule Manual Page

Dear Ms. Harrington,

We are in receipt of your objection letter dated March 17, 2008 and wish to respond at this time.

1. Please provide the rate/rule manual pages.

Upon review, we have included our Rate/Rule Manual Page.

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 should have any questions, please contact me by phone at 1-888-618-8441, Ext. 4065, by fax at 1-920-431-4040 or by email at Kiley.M.Rickert@aexp.com.

Sincerely,

Kiley Rickert

Kiley Rickert
Senior Compliance Analyst
AMEX Assurance Company