ARTICLE 41 – GROUP INSURANCE CONTRIBUTIONS

(a) The TWU recognizes that controlling the spiraling costs of health care has become a national priority and a critical mutual objective for both the Company and TWU represented employees. In order to provide maximum flexibility and choice for individual employees, while helping to assure the Company's continued financial strength, effective January 1, 1990, the Company implemented a flexible benefits program which limits the impact of future health cost increases for both the Company and TWU represented employees as follows:

(1) The Company will provide "benefit dollars" which will allow each employee in 1990, to "purchase," at no cost beyond those "benefit dollars," the basic Group Life and Health Benefits Plan. The employee may also contribute a portion for other plans at his option.

(2) An employee may spend his "benefit dollars" to buy that combination of benefits that best meets his individual needs, for example, more life insurance, but less health coverage.

(3) An employee may select a more limited benefit plan, such as a plan with a higher deductible, and receive cash in exchange for unused "benefit dollars." This cash payment will not increase other benefits, e.g., pension accruals or life insurance, and is subject to income and Social Security taxes.

(4) The number of "benefit dollars" provided by the Company to each employee will increase by the percentage increase in the Company's average annual cost per covered employee, for the period July 1 through June 30 immediately preceding the enrollment year over the previous period July 1 through June 30 up to a maximum of 5%. In this way, the Company pays for the first 5% of cost increases.

(5) If American's average annual cost per covered employee for providing the benefit package rises by more than 5% during the measurement period, an employee who desires to maintain an identical level of coverage will share the additional costs by making monthly contributions to cover the increase in cost over the first 5% paid by the Company, up to an additional 5% increase in costs year over year.

(6) An employee who does not choose to contribute will be able to elect a less costly alternative package of benefits, such as a plan with a higher deductible.

(7) **The Company agrees, if necessary, to reduce the option price of any Medical or Dental plan currently offered in the Flexible Benefits Enrollment to the same contribution level set by the Cafeteria Plan for Pilots and Flight Attendants for equivalent plans.**

(8) The TWU and the Company have agreed that a review committee will be established to review planned administrative changes to the negotiated Medical Plan, and for planned changes in the Point of Service Plan contribution rates, so long as Point of Service Plan continues to be offered. This committee will have the right of appeal to the Sr. Vice President – Human Resources in the event of a dispute.

(9) The TWU and the Company will participate on a joint committee to develop programs and procedures which will reduce the rate of increase in costs in order to minimize the impact on employees.

(b) The annual deductible under the Major Medical Plan will be $150 per individual per calendar year. The family deductible will be satisfied in any calendar year after a total of $400 in deductible charges have been paid for any three (3) or more family members. No one family member may contribute more than $150 toward the satisfaction of this family deductible.

(c) The Major Medical Expense Benefits lifetime maximum for each active employee and eligible dependent(s) will be ~~$5,000,000~~ **unlimited**. An employee and his eligible dependents, who retires early under Article 41(l) will remain under the $300,000 lifetime maximum until the retired employee reaches the earlier of age 65 or Medicare eligibility.

(1) Inpatient hospitalization charges will be reimbursed at 80% of the first $5,000 in covered expenses and 100% of the remaining covered expenses. The out of pocket maximum is $1,000 per person.

(2) The Group Life and Health Benefits Plan for retirees provides that 100% of the first $5,000 in covered inpatient hospitalization charges, 80% of the second $5,000 in covered inpatient charges and charges for other medical service combined, and 100% of the remaining combined charges in a calendar year will be reimbursed.

(3) When the Company's Group Life and Health Benefits Plan is providing secondary coverage for dependents, the total combined benefits paid by the primary plan and the Company will not exceed what the Company's Group Life and Health Benefits Plan would have paid had it been the primary plan.

(d) Effective March 3 2001, a newly hired employee will be subject to a one (1) calendar month service waiting period before the employee may be covered under the American Airlines Group Life and Health Benefits Plan as described in Article 41. The employee may not purchase coverage under the Group Life and Health Benefits Plan for the first month of employment with American Airlines, Inc. After one (1) month of service, the employee will automatically be placed in the American Airlines Group Life and Health Benefits Plan with contributions in accordance with Article 41. Coverage will begin on the day that the employee has completed one (1) month of service with the

Company, provided he is actively at work on that day, or on vacation, or on a scheduled day off. Otherwise, the employee will be covered on the date he returns to work.

(e) Dental Plan

Expenses under the Dental Plan 1, excluding Orthodontic and Preventive Expenses will be covered at 80% of reasonable and customary charges, after the deductible is met. Preventive Dental Care will be covered at 100% with no deductible for a maximum of two (2) annual visits per calendar year, subject to reasonable and customary charges. The annual individual plan maximum will be $1,500. In addition, adult orthodontia will be added with a lifetime maximum of $1,500.

(f) Life Insurance

The Company will provide several options regarding life insurance.

(1) For an employee whose base monthly salary is $1,500 or over, his basic life insurance coverage will be two times his base annual salary taken to the next higher multiple of $100, but not more than $70,000.

(2) Coverage for an employee under Contributory Plan I will be 50% of his Basic Coverage.

(3) Coverage for an employee under Contributory Plan II will be an amount equal to his Basic Coverage, plus one times his base annual salary taken to the next higher multiple of $100.

(4) In addition to the above Company provided plans, the TWU will offer an optional Whole Life Insurance Plan for its members. The Company will provide payroll deduction of premiums for employees electing this coverage.

(g) Optional Short Term Disability

The Company provides an Optional Short Term Disability Plan (OSTD). The OSTD plan provides salary replacement of 50%, except where a statutory plan meets or exceeds 50% of salary replacement. The OSTD plan is 100% employee paid. If the employee does not elect to participate when first solicited during open enrollment, evidence of insurability may be required by the carrier providing the coverage.

(h) Hearing Aid Coverage

Expenses incurred at the direction of a physician for hearing aids and examinations in connection therewith are covered under the Major Medical Expense Benefits portion of the Plan.

(i) Vision Plan

The Company is reviewing a proposal submitted by the TWU for a vision insurance plan. The Company agrees that the TWU will make the selection upon review of their proposed vendor (Spectera) and one other competitor vendor with a comparable proposal. The Company will contribute the current vision discount card program cost per employee per year towards the new program.

(j) Donor Expenses

Expenses incurred for a donor and/or recipient in a transplant operation are covered under the Major Medical Expense Benefits portion of the Plan.

(k) Dependent Coverage

Dependent coverage is subject to the rules established by the Insurance Carrier and published in Company Regulations.

(l) An employee who retires from the Company at Early Retirement Date or on the basis of disability, will receive the same medical expense coverage as active employees, except as noted in Article 41(c), for themselves and eligible dependents until the retired employee reaches the earlier of age 65 or Medicare eligibility.

> (1) Thereafter the retired employee and spouse only are each covered for $50,000 under the Retired Employee Major Medical Expenses Benefits Plan. This post 65 benefit ($50,000 lifetime maximum, $150 deductible) for the retiree and spouse will also apply to employees who retire from the Company at their Normal or Late Retirement Date.
>
> (2) Upon the death of the retired employee, coverage for the surviving spouse only is continued for six months or until the spouse is eligible for Medicare, whichever is later. Coverage for dependent children, if any, ceases upon the retiree's death, and the spouse's lifetime maximum is reduced to the lesser of $50,000 or the unused balance of the spouse's coverage at the time of retiree's death. Employees must meet the requirement of Article 41(m) regarding prefunding as well as plan eligibility requirements.

(m) Prefunding Retiree Health Care

All employees, who are on the Company's active payroll, on a union leave of absence, on a family leave of absence, or on a military leave of absence and who are at least age 30 ~~with a minimum of one year of service~~ with the Company **on DOS**, will be offered the opportunity to begin prefunding his retiree health care plan at the contribution amount for the age at which he begins participation in accordance with the Age Based Rates Table in Article 41(m)(5). Additionally, that amount is subject to the escalator described in Article 41(m)(5). Incumbent employees on active payroll on 12/31/89, who enrolled when first eligible, will pay the incumbent rates in accordance with the Table in Article

41(m)(5). No entry fee will be assessed to the employee, if he chooses to participate when first eligible. An eligible employee will be automatically enrolled in the Plan and payroll deductions will commence as of the first pay period following his date of eligibility, unless the employee completes and returns a form, prescribed by the Company and countersigned by his supervisor, to waive participation. Married employees must obtain spousal consent to waive participation.

(1) Should the Company's cost per covered retiree during the immediately preceding period July 01, through June 30, increase above the Company's cost per covered retiree during the previous period July 01, through June 30, then, effective January 1, of the following year, the monthly contribution rate for employees described in Article 41(m) will increase in accordance with the formula specified in the April 02, 1992 Trust Agreement incorporated below in this Article.

(2) Retiree health care coverage under Article 41 will commence after the employee retires from the Company after having met all the eligibility and prefunding requirements. Coverage will be the same level of coverage provided to active employees except that retiree health care coverage will reimburse 100% of the first $5,000 in covered inpatient hospitalization charges, 80% of the second $5,000 in covered inpatient charges and charges for other medical service combined and 100% of the remaining combined charges in a calendar year and will be subject to a $300,000 (remainder of active coverage maximum if less) major medical maximum if retirement is at or after age 55 and before the earlier of age 65 or Medicare eligibility.

(3) Employees who were on the Company's active payroll, on a union leave of absence, or on an approved leave of absence for other reasons on May 5, 1989, but who were ineligible to participate on January 1, 1990, because they did not meet the minimum age and/or years of service requirement specified in Article 41(m), will be offered the opportunity to elect retiree medical coverage under the same terms and conditions applicable to employees described in Article 41(m) (no $250.00 late enrollment fee and a monthly contribution rate equal to the rate then being paid by employees who opted for coverage before January 1, 1990). Payroll deductions will commence as of the first pay period following their date of eligibility unless the employee completes and returns a form prescribed by the Company to waive participation. A married employee must obtain his spousal consent to waive participation.

(4) An employee, who elected not to participate when first eligible will be offered, during an annual enrollment period, the opportunity to begin prefunding his retiree health coverage. The employee will pay the applicable age based contributory rates set forth in Article 41(m)(5) and will be required to pay the $250 late enrollment fee.

(5) Age Based Rates Table

Monthly plan contribution rates for employees referred to in Article 41(m) will be in the table below. Also refer to the annual escalator formula in Article 41(n)(3). The contributions below were effective as of January 01, 2001, based on the Escalator formula in the April 02, 1992, Trust Agreement.

Age Employee Begins Prefunding	Monthly Employee/Employer Contribution
Incumbent employees on active payroll as of 12/31/89, who enrolled when first eligible	$ 12.96
30	$ 15.54
31	$ 16.97
32	$ 18.66
33	$ 20.41
34	$ 22.13
35	$ 24.60
36	$ 27.06
37	$ 29.78
38	$ 32.90
39	$ 36.20
40	$ 40.40
41	$ 44.81
42	$ 49.59
43	$ 54.57
44	$ 60.17
45	$ 66.33
46	$ 77.81
47	$ 86.59
48	$ 96.84
49 & older	$ 110.56

(6) Employees must continuously participate in this prefunded retiree health plan for at least the ten (10) years immediately preceding retirement to receive retiree medical coverage on date of retirement.

(7) Employee contributions made to prefund retiree health care coverage will be held in trust exclusively for the purpose of providing retiree health care. If an employee dies or is terminated prior to retirement, the employee or his beneficiary will receive the value of his contributions plus a pro rata share of trust fund net earnings.

(8) An employee making his contributions so as to prefund his retiree medical coverage will cease making such contributions upon retirement from the Company.

(9) Employees making contributions so as to prefund their retiree medical coverage must continue such contributions during all leaves of absence except unpaid sick and unpaid IOD. Any employee who commences prefunding of his retiree health coverage, subsequently discontinues such prefunding, and later decides to again prefund his retiree health coverage, will be required to pay the rates in the Age Based Rate Table set forth in Article 41(m)(5), based on the age prefunding is restarted. Additionally, he must prefund continuously for at least ten (10) years immediately preceding retirement and pay the $250 late enrollment fee.

(n) Prefunding Trust (Memorandum of Understanding Between American Airlines, Inc. and Transport Workers Union of America AFL-CIO, April 02, 1992)

Article 41(n) expresses the understanding of the parties regarding the amendments to the Trust Agreement and Plan effective January 01, 1993, governing the health benefits provided to active TWU represented employees of American Airlines, Inc. at retirement and the health and other welfare benefits provided to retired employees of American Airlines, Inc. who were represented by the TWU at the time of retirement. Article 41(n) will not be construed to modify or alter an employee’s eligibility for retiree welfare benefits under the collective bargaining agreement or the Plan.

(1) The Trust Agreement and the Trust which holds Plan assets is established for the exclusive benefit of TWU represented active employees and retired employees who were represented by the TWU at the time of retirement.

(2) The Trust will maintain a separate account to hold reserves equal to the Participants' prefunding contributions, Employer prefunding contributions, and investment earnings attributable thereto reserved for retiree welfare benefits due to Participants under the terms of the Plan and to pay administrative expenses associated with such Program. In the event of termination of the Plan and/or Trust, the balance of the reserves will be distributed as provided in Article 41(n)(8). In no event will these reserves be used for payment of any expenses associated with the active employees medical benefits program or for any other purpose except those identified with respect to retiree welfare benefits in Article 41(n), the Trust Agreement, and the Plan.

(3) An employee participating in the Retiree Prefunded Benefits Program will make ~~a~~ monthly contributions to the Trust Fund. If an employee was an active employee of American Airlines on December 31, 1989, and elected to prefund when first eligible, his contribution was $10.00 per month in 1992, and such contribution amount is subject to the Escalator, described in Article 41(n)(5), in all future years. If an employee was not an active employee of American Airlines on

December 31, 1989, or was an active employee of American Airlines on December 31, 1989, and declined participation when first eligible, his contribution amount is determined based on the age at which he begins participation in accordance with the Age Based Rates Table in Article 41(m)(5), and that amount is subject to the annual Escalator formula described in Article 41(n)(5).

(4) American Airlines will make a monthly matching contribution on behalf of each employee contributing under the Retiree Prefunded Benefits Program. That contribution amount is identical to the amount required to be contributed by each participating employee in accordance with Article 41(n)(3).

(5) Contributions made by participating employees and by American Airlines are subject to an annual Escalator formula. American Airlines will calculate the impact of the annual Escalator on contributions, subject to review by the TWU in accordance with the provisions of Article 41(n)(6) below, by comparing the percentage increase in the cost of medical benefits for covered retirees during the year ending June 30 immediately preceding the effective date of the Escalator to the cost of medical benefits for covered retirees in the year ending the previous June 30. Such percentage increase is divided equally between the participating employee and American Airlines in order that each pays 50%. The resulting percentage increase will be applied to the amount of the then current Employee and Employer monthly contribution. However, in no event will the participating employee's or American Airlines' contributions increase from one year to the next by more than the amounts stipulated in the Escalator Cap Table below.

Employees affected.	Maximum Monthly Increase over Prior Year
Incumbent employees on active payroll 12/31/89 who enrolled when first eligible	$1.00
Others – based on age when prefunding begins	
30-34	$1.50
35-39	$2.50
40-45	$3.50
46-48	$5.00
49 or older	$5.50

(6) The increase in contributions as calculated by American Airlines is subject to review by the TWU, provided the TWU's request for review is received within thirty (30) calendar days of notification. While no individual's claims history will be available for review, data in the aggregate, upon which the Escalator calculation was based, will be made available by American Airlines to the TWU

on request. The TWU may contest the Escalator calculation within sixty (60) calendar days of receipt of the data. If the TWU contests this calculation, an independent accounting firm, as agreed to by both parties, will be retained to verify the amount. In the event that the independent accounting firm determines that contributions should change by a different amount, any increase or decrease will be retroactive to the first of the year to which the new Escalator calculation applies. Any decrease in the contribution will be credited to the Employees' future monthly contributions within sixty (60) calendar days, barring unforeseen circumstances. Any increase or decrease will be applied to the Participants' contributions and Employer's contributions in accordance with Article 41(n)(5).

(7) At retirement, an eligible participating retiree's own contributions, the matching Employer contributions made on his behalf to the Retiree Prefunded Benefits Program, and investment earnings attributable thereto are drawn down in ten equal annual installments for the purpose of providing retiree medical coverage. However, exhaustion of the funds in a retiree's account under this provision does not waive or modify the retiree's entitlement to continued medical coverage under the Agreement or the terms and limitations of the Plan. Should an eligible retiree die during the ten year draw down period, any remaining contributions continue to draw down for the period of the surviving spouse's medical coverage, if any. After the surviving spouse's coverage terminates, or if the spouse dies before the balance of the Account is drawn down, the balance of the employee's contribution is paid to the spouse's estate. If there is no surviving spouse, the balance of the employee's contribution is paid to the designated beneficiary.

(8) In case of death or termination of employment by a participating active employee, employee contributions to the Retiree Prefunded Benefits Program plus investment earnings attributable thereto will be distributed as a severance or death benefit, as applicable, to the employee or the employee's designated beneficiary(ies).

(9) In the event of Trust termination, retirees participating in the Retiree Prefunded Benefits Program will receive any balance of their own contributions to the Program and investment earnings attributable thereto which have not been drawn down during the ten year draw down period described in Article 41(n)(7). Conditioned on Internal Revenue Service approval, active employees' contributions to the Prefunded Retiree Benefits Program and investment earnings attributable thereto will be distributed to active employees. Should the Internal Revenue Service disallow the distribution of active employees' contributions, the parties agree to establish a mutually satisfactory alternative regarding the disposition of active employees' contributions in the event of Trust termination. Employer contributions and investment earnings attributable thereto in the Retiree Prefunded Benefits Program Account will be used for the exclusive benefit of participating employees and retirees in the event of Trust termination.

That includes the use of the assets for the purpose of continuing retiree health coverage under an alternative program as may be agreed to by the parties.

(10) In the event the Internal Revenue Service disapproves a particular provision or benefit expressed in the Trust Agreement, any provisions or benefits which are approved or unaffected by the disapproval will remain in force, and the TWU will not contest the obligation to prefund in court or under the collective bargaining agreement. However, the TWU reserves all legal and contractual rights in the event the Internal Revenue Service rules that the Trust may not hold funds in reserve for retiree welfare benefits, or that the earnings attributable to Participant contributions held in trust for this purpose or the Employer matching contributions (plus earnings) are currently taxable to the Participants.

(11) Counsel for the parties will review the amended Trust Agreement to ensure that it expresses the principles of this Agreement. Neither the Plan nor the Trust Agreement may be amended or modified in a manner inconsistent with the principles set forth in this Agreement, except to conform to the requirements of Federal law and regulations, provided, however, that the TWU waives no rights stipulated in Article 41(n)(10).

(12) American Airlines will revise, in a timely fashion after the date of ratification, the Plan to fully reflect the amendments made to the Trust Agreement and the provisions of this Memorandum. The revised Plan will be subject to review by the person(s) designated by the TWU.

(o) For employees covered under this Agreement who are less than 30 years of age as of DOS, or employees hired under this Agreement after DOS, the terms outlined in provision Article 41(o) relative to Retiree Medical will apply:

Each employee covered by this provision who retires on or after DOS will be eligible to participate in a retiree bridge medical plan which will allow retirees to elect to continue pre-age 65 retiree medical coverage under the following conditions:

1. **Participants must be under thirty (30) years of age or considered a new hire after DOS**.

2. **At time of retirement, the balance in an employee's sick bank will be used as credits toward pre-age 65 retiree medical coverage on a basis of ten (10) hours of sick leave per month.**

3. **The ten (10) hours of sick leave per month will provide pre-age 65 retiree medical coverage for the employee, the employee's spouse and all eligible dependents.**

4. **If a retiree has insufficient sick leave credits to bridge retiree**

medical coverage until age 65, the employee, if he so desires, can continue retiree medical coverage by paying a monthly premium that will be actuarially based on family status and age bands at the retiree's expense.

5. Retiree medical coverage terminates at age 65 for the employee. Medical coverage for spouse and eligible dependents terminates when the spouse and eligible dependents reach age 65.

6. Under 41(o)(5), if the spouse is under age 65 at the time the retiree reaches 65 or the retiree dies, the spouse and eligible dependents may continue medical coverage by utilizing sick leave credits, if available or pay premiums in accordance with 41(o)4.

7. Plan design for the retiree medical coverage will remain as current, however, it will be modified to include a network and preventive care.

8. Medical maximum coverage will be $500,000.

9. At age 65, the company will offer a guaranteed issue, employee paid Medicare Supplement plan to the retiree.

10. Except with respect to paragraphs 41(o)2, 41(o)3, 41(o)6 and 41(o)9, the benefits provided under Article 41(o) during a taxable year of the employee will not affect the amount of benefits for any other year.

11. The right to the retiree medical benefits under this Article 41(o) is not subject to liquidation or exchange for any other benefit.

12. At the time of retirement, the company will look back at the employee's sick leave usage since date of hire (DOH) and will reinstate to the sick bank, those paid sick hours utilized as part of any single illness or injury that used thirty (30) consecutive workdays or more of sick time.

~~(o)~~**(p)** Monitoring Insurance Plan

In connection with the administration and processing of claims under the group insurance plan, the Company will continue to monitor and to urge the insurance company to improve claims processing under the plan.

~~(p)~~**(q)** Notice of Changes

The Company will provide the Director of the Air Transport Division with advance notice of plan changes prior to releasing announcements to plan participants. The Company will not change the limits on employee cost increases described in Article 41(a)(4) and 41(a)(5), nor the prefunding contribution limits of Article 41(m), for the duration of this Agreement.

~~(q)~~**(r)** Company's Right to Modify Plan

Although it is the intention of American Airlines, Inc. to continue to make available to its employees a Group Insurance Plan of the type similar to that which is now available, the Company will reserve the right to modify the Plan consistent with this Article.