

MEMO

INTERNAL AUDIT DIVISION
Keith L. Duckett, Director



175 Water Street - 14th Floor
New York, N.Y. 10038
Tel: (212) 458-3300
Fax: (212) 227-0127

CONFIDENTIAL

TO: M.R. Greenberg

Date: November 19, 1999

RE: *Warranty Review Status*

- 1) Mike Golding has a person on standby to begin reviewing files as we get them from TPAs. He will provide additional resources as needed. Based on recent discussions with Chuck, we should start to get files in house in a couple of weeks. In the interim, my actuary is reviewing the data and constructing statistical samples that we will use to select specific files for review and extrapolate error rates across the respective populations. We are currently determining the best way to stratify the population to get the most leverage from the review. Our goal is to stratify the population in buckets which represent those transactions most likely to reflect claims mishandling. The stat sampling approach will make the review more manageable. A well devised stat sample will also withstand scrutiny, should we end up in court.
- 2) We are in the process of compiling the data necessary to estimate the savings associated with inspections. We are using files referred to Home Office for pre-approval for this purpose, as they are the only files we have in house currently. At this point, we don't have enough files in house to constitute a sufficient sample. We will have to wait for files to come in house to complete this part of the review. As mentioned previously, our methodology will be to compare the cost of repairs requested by the dealer to the cost of those recommended by inspectors, with consideration to claims that are fully or partially denied based on the inspection report. We will need experts to assist in this effort.

I've given you a memo on Domestic Product Warranty under separate cover. I've attached a report on International Warranty to this note. I will provide a bi-weekly update on the status of the investigation.

Regards,

cc: C. Schader

EXHIBIT

Greenberg 33
7-12-08 MS