

Memorandum

TO: M. R. Greenberg
FROM: C. R. Schader
CC: E. G. Greenberg, K. P. Moor, S. M. Rivera, H. I. Smith,
K. L. Duckett
DATE: July 28, 2000
RE: Auto Warranty – Update

Universal Warranty Corporation: As planned, we will begin receiving and adjudicating all auto warranty claims previously handled by Universal in our Maitland FL office, beginning this coming Monday, July 31. There are approximately 191,000 contracts still in force under the Universal programs, representing 23% of our runoff book.

MBA: We are currently planning the transfer of claims handling responsibility from MBA to our Maitland office, with a target effective date of August 31. There are approximately 55,000 contracts still in force under the MBA programs, representing 7% of our runoff book. With this transfer completed, we will have virtually all the U. S. auto warranty claims runoff handled in our own facility in Maitland.

Lionsgate (Vancouver): We are in the process of divesting ourselves of our interest in Lionsgate. Rather than permit existing Lionsgate management to continue handling claims, we are preparing to assume that responsibility ourselves. There are only 9,200 contracts still in force under the Lionsgate program. Rather than handling this modest runoff book in Maitland, I believe it can be handled in Canada more efficiently and with less confusion regarding different regulatory requirements, measurement systems, and currency valuations. I'm in discussions with Cunningham-Lindsay to set up a small office in Toronto which will handle these auto warranty claims according to our standards and specifications --- and under our supervision. (It would be very similar to the arrangement we have with Cunningham-Lindsey in Sacramento to adjudicate construction defect claims under the now defunct EVE program. That office has functioned very well for us.)

Inspections: I finalized an exclusive inspection contract with Larry Centro and Mike Golding, effective July 24. All inspections assigned through the Maitland office are now provided by Centro Inspection Agency (CIA) at a cost of \$75 per inspection. The agreement defines specific performance standards in terms of both quality and timeliness. It can be terminated by either party on 30 days' notice.

AIU Auto Warranty Systems (Aegle): User Acceptance Testing (UAT) is nearly complete and parallel testing will begin on August 7. Barring unforeseen complications, we are on target for the modified system to be in production on September 15.

