

DATE: March 13, 1997  
TO: Tom L'Hote, State Farm Insurance Co.  
FROM: Jack Gillis  
RE: Membership Credit for Seal Usage

MAR 17 1997

FRI... ..

As we know how important it is to meet claims budgets, this memo is to remind you of a way to reduce the amount of your assessment for CAPA membership, while still supporting the goals of CAPA.

Beginning in 1994, CAPA has allowed a credit against a company's assessment, equal to the total value of CAPA seals which were used on your company's policy holders' collision repairs during the preceding twelve months. Those companies who choose to document the actual use of CAPA certified parts on their policy holders' vehicles, will receive a credit from CAPA of \$0.75 (the cost of the CAPA seal) for each part towards their company's assessment next year. This method minimizes the risk that companies electing to strongly support the program pay twice - once in the form of an assessment based on earned premiums and again as a component of the price of the CAPA part used on the insured's vehicle, which may be higher than non-certified aftermarket parts. This credit for usage approach also encourages the actual use of CAPA parts.

We realize that developing a method to account for the actual use of CAPA parts will require some time and expense. We are prepared to work with you to help develop a suitable method. One method already exists. Each CAPA seal has a removable tab with a unique number which can be used to document the use of that part. This could be done by affixing the tab to the proof of repair invoice submitted by the body shop. While this particular method may not work for your company, developing a procedure to validate use could have additional benefits in helping your company ensure that those body shops seeking reimbursement for a CAPA part actually used one.

Please keep in mind that if a CAPA part appears on an estimate, it does not necessarily mean that a CAPA part was actually used. Because of that, simply illustrating how many CAPA part "hits" were on your estimates does not prove actual usage.

Please let us know if you have any questions about this program.