

SEP 12 1997

FRH/TCL/KSW

DATE: September 9, 1997

TO: BOARD OF DIRECTORS:

Tim Clark, Safeco Insurance Co.
Clarence Ditlow, Center for Auto Safety
Tom L'Hote, State Farm Insurance Co.
Gary Mellini, Allstate Insurance Co.
Clark Plucinski, True2Form Collision Repair Center
Tom Willson, Liberty Mutual Insurance Co.
Kim Wood, North Star/NECO
Israel Yzaguirre, USAA
Eldon Ziegler, Nationwide Insurance Co.

ADVISORS:

William R. Schroeder, Alliance of American Insurers
Robert Zeman, NAI

FROM: Karen Fierst

RE: Minutes from CAPA's June 4 Board Meeting

Attached for your review and comment are the minutes of CAPA's June 4, 1997 Board meeting. Please submit comments by September 30th. If we do not hear from you, we will assume that you have no changes. Thanks.

Board of Directors Meeting
Wednesday, June 4, 1997
Marriott Hotel
Washington, D.C.
Minutes

Attendees: Attendees: Board Members: Tim Clark, Safeco; Clarence Ditlow, Center for Auto Safety; Tom L'Hote, State Farm; Gary Mellini, Allstate; Tom Willson, Liberty Mutual; Israel Yzaguirre, USAA; Clark Plucinski, True2Form Collision Repair Centers; Kim Wood. NECO\Northstar. Eldon Ziegler, Nationwide and Advisors: Bob Hurns (for Bob Zeman), N.A.I. Bill Schroeder, AAI. CAPA Staff: Jack Gillis, Karen Fierst, Amy Shock, Scott Davidson. CAPA Counsel: Maureen Ward, Steptoe & Johnson

Introductions: Gillis introduced staff members Amy Shock and Scott Davidson, and CAPA's legal counsel, Maureen Ward.

1. Antitrust Statement

The antitrust statement was read.

2. Accept Minutes of October 25 Board and December 17, 1996 Annual Meetings

Clark motioned that both sets of minutes be accepted. Yzaguirre seconded. The motion was unanimously approved.

3. President's Comments

Mellini indicated that he would comment throughout the meeting.

4. Executive Director's Report

a. Financial Report

- i. 1997 Budget: CAPA will significantly exceed its legal budget in 1997 because of unprojected involvement in class action suits.
- ii. 1997 5 Year Plan: Gillis explained that the 5 year plan would be affected by the decertification of an estimated 300 parts in 1997 (due to final phase in of 1996 standards), as there will be fewer seal sales. Also, insurance company membership is down and, as previously noted, legal fees are higher than anticipated.

b. Membership Update

- i. Insurance companies: 2 companies (1 member and 1 contributor) have formally withdrawn from CAPA this year. 3 contributors have not yet contributed and 2 member companies have not yet paid their 1997 assessment. YTD members: 16 vs 19 year end 1996.
- ii. Distributors: All 76 of the 1996 members were solicited. They have until June 15 to respond. YTD members: 13
- iii. Collision Repairers: 97 were solicited, which included all 1996 members, supporters and recent video recipients. They have until June 15 to respond. YTD members: 7.
- iii. Consumer Groups: Center for Auto Safety (CAS) remains the only consumer group member. Gillis explained the significant contribution of time and expertise provided to CAPA by CAS and its staff. Not only do they provide legal and practical support, but their reputation is primarily responsible for CAPA's credibility as a truly independent organization. CAS Executive Director, Clarence Ditlow, has on numerous occasions publicly justified the existence of CAPA and explained its benefits to a variety of constituencies.
- v. Insurance Industry Summit (October 23, 1997): After a lengthy discussion, it was decided to conduct the summit with the purpose of: broadening support for CAPA among insurance companies; Providing market trend and legislative data justifying continued support. It was suggested that a representative of each Board member industry sector make a CAPA oriented presentation regarding the impact of CAPA on its industry sector at the summit.

c. Program Status

- i. Participants: As of May 31, 1997: 26 Full; 8 Limited; 5 Potential. It was unanimously decided that Gordon should be publicly recognized by CAPA for its continued commitment to CAPA quality and the example it has set for other manufacturers.
- ii. Parts: Year end 96 - 1754, YTD 97 as of May 31- 1832
Because of the final phase in of the 1996 standards. CAPA expects to decertify about 150 applications by the end of August and another 100 to 150 the rest of the year. Manufacturers have indicated that it is not cost effective to keep these parts certified under the new standards.
- iii. Seal Sales: Year end 96 - 3,075,000--2,670,000 released. vouchers for 405,000 distributed and YTD 97 as of May 31- 600,000. In order to reach the 1.7 million seal sale projection for 1997, manufacturers will have to buy a monthly average of 157,150. Last year's monthly average was 222,000.

- iv. **Manufacturer Participation:** CAPA expects Highway (4 parts) and Legion (1 part) to drop out of the program as a result of mandated annual fee payments. These parts have been included in the estimated reduction in parts mentioned earlier.
 - d. **Quality Standards Implementation Status**
 - i. **March Taiwan Trip:** Purpose of Gillis' March Taiwan trip was to reiterate the April 1 deadline for the final phase in of the 1996 standards. He met with the CTQM manufacturers. It was an intense meeting. Gillis left with the feeling that some manufacturers would withdraw from the program or attempt to maintain some involvement, without a full commitment to CAPA quality.
 - ii. **Decertification Report:** Manufacturers are making decisions regarding which parts are cost effective to fix. They have been doing reworks. They will delete parts which are not cost effective to fix, but will likely continue to sell them as uncertified parts. Distributor purchases of these formerly certified parts will have a serious impact on Manufacturers' perception of the future market demand for CAPA certified parts.
 - iv. **Galvanization:** After five years of encouraging manufacturers to match galvanized parts, CAPA has notified them that as of January 1, 1999 galvanization will be required.
 - vi. **April Quality Seminar:** The April Quality Seminar in L.A. for Manufacturers was canceled. If there is adequate interest, CAPA will conduct a seminar in September, prior to ABPA's annual meeting. Notices will go out to manufacturers shortly to ascertain interest.
 - e. **Complaint Handling:** CAPA is receiving approximately the number of complaints per month it expected to. Many of the complaints are on parts which have not yet complied with all 1996 standards and/or have a problem with consistency. These are the parts that will be decertified within the next few months, as problems are verified.
5. **Legislative Update**
- a. **State Initiatives:** Hurns and Schroeder gave a brief report. A summary of YTD 1997 anti aftermarket part legislative initiatives, prepared by CAPA, was circulated.
 - b. **June 17 ASA Crash Parts Meeting:** After a lengthy discussion it was decided that Gillis would write a letter, on behalf of the Board, applauding ASA's efforts to advance a compromise consensus solution regarding aftermarket part usage and

asking them to reschedule the meeting, as many of those invited had scheduling conflicts and the purpose and importance of the meeting was not clear in the original invitation; provide an agenda and draft legislative language in advance of the meeting.

6. Marketplace Issues

- a. April ABPA Mid Winter Conference: Gillis attended, with the purpose of reporting on his March meeting with manufacturers, to send strong messages to distributors about the critical stage CAPA was in and to manufacturers about the market potential for CAPA quality parts and to reiterate CAPA's insistence on consistent quality. In response to Gillis' remarks, distributors told Manufacturers that they wanted more consistent quality and more CAPA part availability. Time will tell if these messages had any effect on the behavior of manufacturers or their commitment to make more CAPA quality parts and maintain consistency.
- b. June Fact Finding Mission to Taiwan: Gillis, Mellini, Plucinski and Clark will travel to Taiwan on June 16 to meet one-on-one with five manufacturers. A draft set of goals was distributed and discussed.
- c. July Inter-industry Communication Forum: CAPA will conduct its next IICF on July 10, 8:30 am to 11:30 am Pittsburgh, prior to ICAR. The purpose of the meeting is for each company to identify and communicate steps it has taken to facilitate a strong market message for CAPA parts, as the Manufacturers are still waiting for a marketplace signal.

7. New Business

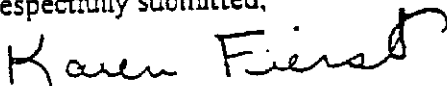
- a. Distributor Certification Program: It was unanimously decided that CAPA should not administer a distributor certification program.
- b. Strategy Session: It was unanimously decided that, at present, the Board need not conduct more strategy sessions.
- c. ASA/Wreck Check Crash Test Results: There was a discussion about Wreck Check's recent crash test, in which they wanted to discredit CAPA parts. Much to their chagrin, all witnesses agreed that the CAPA parts performed as car company parts would have.
- d. Establish Nominating Committee: A list of current Board members was distributed. Tim Clark, Eldon Ziegler and Clark Plucinski's terms expire at the end of 1997. Additionally, according to the By Laws, the President should serve a 2

year term, or until a successor is elected and qualified. Mellini was elected by the Board as President on October 24, 1995. It was unanimously decided that Tom L'Hote, Tom Willson and Kim Wood would serve as the nominating committee. It was also suggested that at the next Board meeting there should be a discussion about revising the By Laws to allow for expanding the Board within the next few years, with the purpose of adding more consumer, distributor and collision repair representatives.

8. Next Meeting

It was unanimously decided that there would be a Board Dinner October 22 and a brief meeting in the morning of October 23, 1997, immediately preceding the Insurance Company Summit.

Respectfully submitted,



Karen Fierst
Secretary of the Meeting