

September 9, 1996

Memorandum to: Bill Hardt

From: John Werner

Re: CAPA Contribution

Per the attached note from Dale Nelson, he confirms that the earned premium used by CAPA in their calculation is correctly quoted from AM Best.

The CAPA assessment calculation is correct.

Assuming the same number of seal sales (\$1.3 million/\$.50 per seal or 2.6 million seals), the CAPA seal revenue would increase from \$1.3 million to \$1.95 million during 1997. This is in addition to the \$2.7 million requested from the insurance industry.

Jack continues to use the direct savings figure of \$400 million, that misrepresents the overall OEM pricing activity. This figure may approach to the insurance industry savings in terms of direct OEM to aftermarket part price comparisons; however, we have known for some time (as does Jack), that these savings have been moderated by part price increases to OEM parts not under competition.

It would be more prudent to say that competition has moderated the overall OEM part price increases to match the rate of inflation, as reflected by the consumer price index.

CC: Ben Parr

* Printed For: John.WERNER *

Date: Monday, 9 September 1996 8:50am CT
To: John.WERNER
From: Dale.NELSON
Subject: Verification

Yes, this is State Farm's Total Direct Earned Premium for 1995 on Private Passenger Auto Physical Damage coverage written in the United States. It excludes premiums from our Canadian operations and premiums on "Commercial Auto" business (which includes motorcycles, snowmobiles, etc., as well as trucks and school buses).

------(Forwarded letter 1 follows)-----

Date: Monday, 9 September 1996 8:16am CT
To: Dale.NELSON
Cc: Steve.TOELLE
From: John.WERNER
Subject: Verification

One other restriction: Auto Physical Damages only.

------(Forwarded letter 2 follows)-----

Date: Monday, 9 September 1996 8:11am CT
To: Dale.NELSON
Cc: Steve.TOELLE
From: John.WERNER
Subject: Verification

Dale, I am reviewing a bill to State Farm that is based on AM Best's figure of our 1995 total earned premium. Can you verify that the figure is \$8,479,000,359? (State Farm group) Thank you. This is relative to a bill from the Certified Automotive Parts Association-CAPA. Thanks.