PLAINTIFF'S EXHIBIT 784

From:	Rivera, Susan
Sent:	Monday, February 07, 2000 11:04 PM
To:	Greenberg, Evan; Moor, Kris; Tizzio, Thomas R. Sr.
Cc:	Schader, Charles; Douglas, Frank; Morrow, Jay; Milton, Chris; Vallebuona, Jane
Subject:	Reinsurance Proposal on Auto Warranty Book - Universal and ISI
Attachments:	WarrantyReinsLyndonMotors.doc

PLAINTIFF'S EXHIBIT
Schader 14
2/23/09 KS

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MEMO

TO:	**Evan Greenberg, Kris Moor, Tom Tizzio**
FROM:	**Susan Rivera**
DATE:	**February 7, 2000**
RE:	**Reinsurance of ISI and Universal Auto Warranty UEPR**
CC:	**Chuck Schader, Frank Douglas, Jay Morrow, Chris Milton**

We have received initial indications from Lyndon Insurance Group and Motors Insurance Corporation to reinsure the UEPR @12/99 for the ISI and Universal programs respectively.

Based upon discussions with Chuck Schader, we are currently realizing approximately a 30% savings in claims that we are directly administering. However, once you net out the cost of administering these claims (10%), the net savings is 20%. In order to realize the full magnitude of savings, we must be in full control of the claims.

From an actuarial perspective, in order to achieve a 30% improvement in the M&R expected results, a flat trend has to be achieved.

Outlined below is a chart summarizing the indications from Lyndon and Motors as well as M&R's ultimates and Chuck's best estimate of the ultimates based on M&R tempered by 20% (30% improvement, 10% cost, 20% net):

Program	UEPR @12/99	M&R Ultimate	M&R Tempered	NPV of M&R Tempered	Initial Reinsurance Indication
ISI (Lyndon)	$50.5 mil	$148.6 mil	$116.2 mil	$104.6 mil	$97 mil
Universal (Motors)	$53.3 mil	$131.0 mil	$102.9 mil	$87.5 mil	$144.1 mil

(Note: Universal UEPR is as of 11/30/99. The tempered M&R numbers take into consideration a deferred administration fee of approximately $2.7 million for ISI and $1.9 million for Universal.)

The above Lyndon proposal looks favorable but the initial indication from Motors are not as aggressive as we would have hoped for. However, if we could get the Motors indication to our breakeven point of 20% (obviously, we would try for better), we believe it would be in our best interest to pursue the Motors and the Lyndon alternatives based on the following:

1. The transactions bring certainty and lock in the net 20% savings.

2. The future trend in auto repair costs, part, labor costs and expense costs cannot be predicted for the next five years. Hence, the 20% net savings may or may not be able to be sustained for the next five years.

3. To realize savings in excess of 30%, we would need to achieve a negative loss cost trend. Although this is not impossible, we question whether it is attainable and sustainable.

4. A significant amount of litigation will accompany our taking over of the claims.

5. From a public relations standpoint, the ultimate consumer is suffering from our disputes/disagreements with the dealers. The vehicle owners are not happy and this could damage our reputation on our other consumer insurance programs.

6. It would take Chuck approximately 3 months to be able to assume control of the ISI portfolio and 6 months for Universal. This delay results in a loss of total savings of approximately $3 million. If we can backdate these reinsurance contracts to 12/99, we would be able to capture this savings.

We would like to immediately begin negotiating with Lyndon and Motors if you are in agreement to proceed. If you would like to proceed under different targeted premium figures, please let us know under what targets you would like to proceed.