

In re: Volkswagen “Clean Diesel” Marketing, Sales Practices and Products Liability Litigation  
Case No. 3:15-md-02672-CRB

**REPORT OF INDEPENDENT CLAIMS SUPERVISOR ON  
VOLKSWAGEN’S PROGRESS AND COMPLIANCE RELATED TO  
RESOLUTION AGREEMENTS ENTERED OCTOBER 25, 2016:**

- Amended Consumer Class Action Settlement Agreement and Release
- Federal Trade Commission Consent Order
- Department of Justice, Environmental Protection Agency,  
California Attorney General’s Office, and California Air Resources Board  
Partial Consent Decree

NOVEMBER 27, 2017

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Consistent with the requirements of the Resolution Agreements,<sup>1</sup> the independent Claims Supervisor respectfully submits this quarterly report, which, unless otherwise specified, addresses progress in Volkswagen's 2.0 Liter Claims Program for the period from August 18, 2017 through November 18, 2017.

**I. Executive Summary**

During this quarterly reporting period, Volkswagen continued to effectively administer the Claims Program by timely reviewing claims, issuing offer letters, conducting closing appointments, processing AEMs, and providing payments to eligible consumers. Most consumers navigated the various phases of the Claims Program without significant issue, and the company received relatively limited consumer complaints. For those consumers who faced issues or otherwise required assistance, the company generally delivered responsive customer support.

The company also made substantial progress processing claims submitted by military personnel serving overseas with their vehicle. Volkswagen reported completing 587 Buybacks involving deployed military personnel, constituting 77.1% of the overall population of these claimants. And just over one year into the two-year Claims Program, Volkswagen has either removed from commerce or performed a complete emissions modification on approximately 77.6% of all 487,532 Eligible Vehicles. This marks an increase of approximately 10.0% over the previous three-month reporting period, and brings Volkswagen within 7.4% of satisfying its obligation under the DOJ Consent Decree to buy back or modify at least 85% of all Eligible Vehicles.

The statistics below provide a cumulative presentation of key Claims Program metrics as of November 18, 2017:

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<sup>1</sup> Capitalized and/or abbreviated terms in this report take on the definition in the Resolution Agreements or the initial report submitted by the Claims Supervisor in November 2016.

- 529,293 registrations had been created in Volkswagen’s Claims Portal;
- 442,261 consumers had submitted claims for Volkswagen to review;
- 426,456 consumers had been issued offer letters, the aggregate value of which was \$7,761,056,102.11;
- 334,906 Owners and Current Lessees had scheduled Buyback or Early Lease Termination closing appointments;
- 328,618 Owners and Current Lessees had proceeded through closing, and the aggregate value of these claims totaled \$6,846,973,557.45;
- 23,837 consumers with Generation 1 Vehicles had completed the AEM process;<sup>2</sup>
- 8,332 consumers with Generation 2 Vehicles had completed the AEM process;
- 10,680 consumers with Generation 3 Vehicles had completed the first phase of the AEM process, which involves removal of the defeat device software; and
- 11,401 Sellers and 3,928 Former Lessees had been paid on claims, the aggregate values of which were \$36,878,324.25 and \$13,200,170.20, respectively.

## **II. Volkswagen’s Performance Metrics**

This section discusses the status of the claims processing and closing phases of Volkswagen’s Claims Program and the company’s compliance with certain requirements mandated in the Resolution Agreements. All data is as of November 18, 2017, unless otherwise

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<sup>2</sup> Data related to Generation 1, 2, and 3 AEMs are as of November 10, 2017.

specified. References to Volkswagen’s performance this “quarter” refers to the three-month period from August 18, 2017 through November 18, 2017.

A. Consumer Registrations

As of November 18, 2017, there were 529,293 consumer registrations in Volkswagen’s system, including 10,940 registrations created by consumers during this quarter. A registration occurs when a consumer provides Volkswagen with basic information including name, contact information, vehicle identification number (“VIN”), and preferred dealership. Of these registrations, 497,763 related to individuals and 31,530 related to businesses.<sup>3</sup> Chart 2-1 shows the total number of registrations created by consumers across approximately three-month periods.

**Chart 2-1**

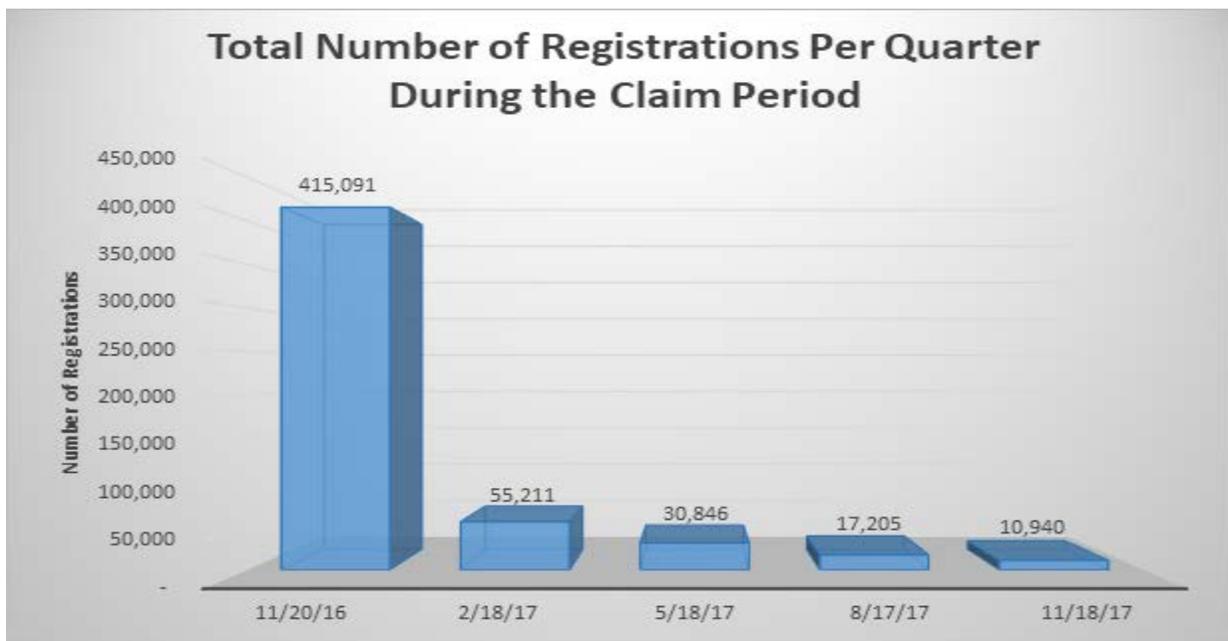
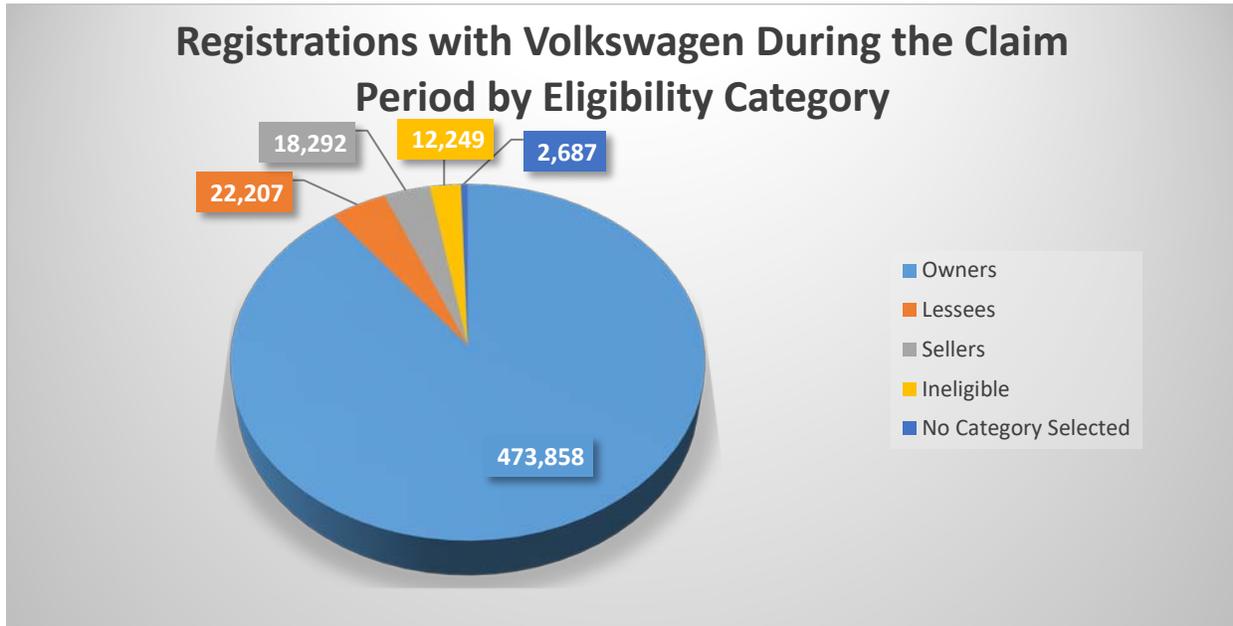


Chart 2-2 shows all registrations created by consumers during the Claim Period by eligibility category, and Chart 2-3 shows the states with the highest number of Eligible Vehicles

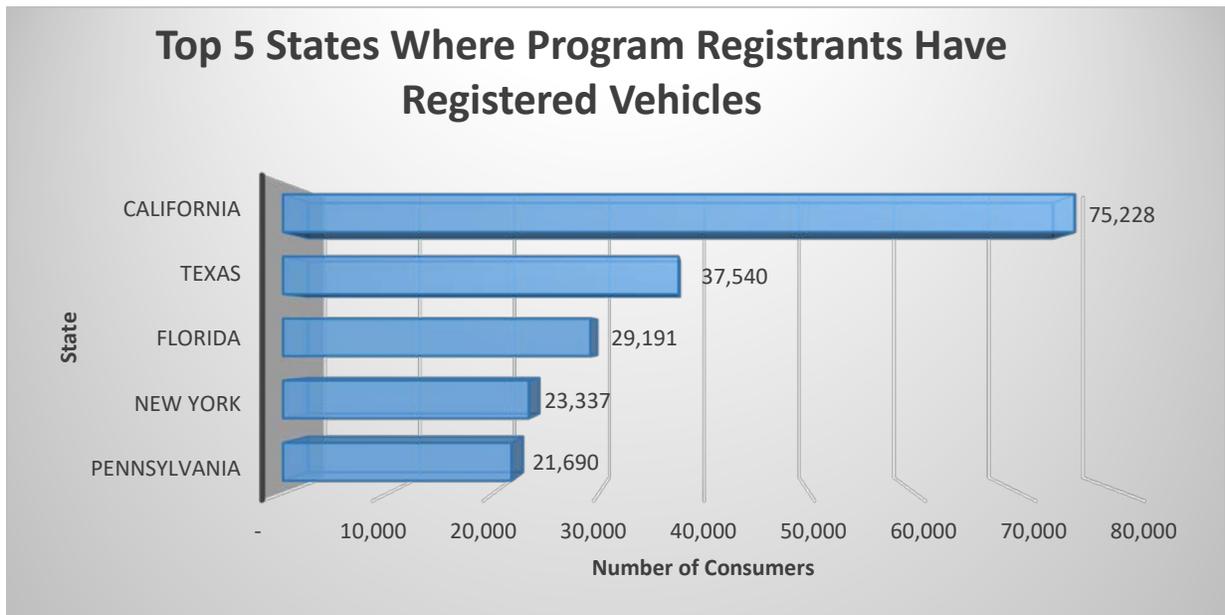
<sup>3</sup> These figures include a significant number of duplicate entries by the same consumer. Duplicate entries, however, are not identified until the requisite supporting claims information and documentation are submitted and the review periods begin. Thus, the figure overstates the number of unique claims that have been registered.

that have been registered in Volkswagen’s Claims Portal. The “No Category Selected” population in Chart 2-2 relates to consumers who had created a registration but had not yet provided details identifying their eligibility category.

**Chart 2-2**



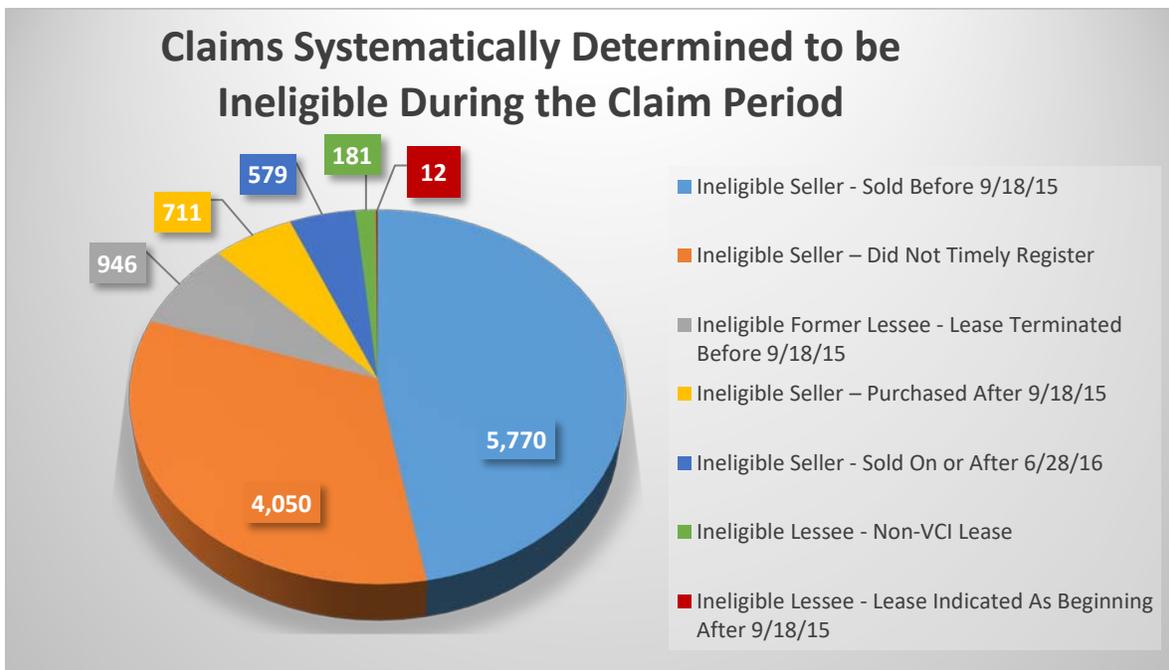
**Chart 2-3**



With respect to the population of 12,249 claims identified as ineligible in Chart 2-2, Volkswagen’s system is configured to automatically identify certain ineligible claims where

information entered by the consumer into the Claims Portal indicates the consumer is not an eligible claimant under the Resolution Agreements. For example, a consumer who attempts to submit a Seller claim and indicates the vehicle was sold before September 18, 2015 is ineligible under the “Eligible Seller” definition. In these instances, Volkswagen sends the consumer a letter explaining the basis for the ineligibility determination. Chart 2-4 reflects the total population of systematically ineligible claims by the reason the claim was determined to be ineligible.

**Chart 2-4**



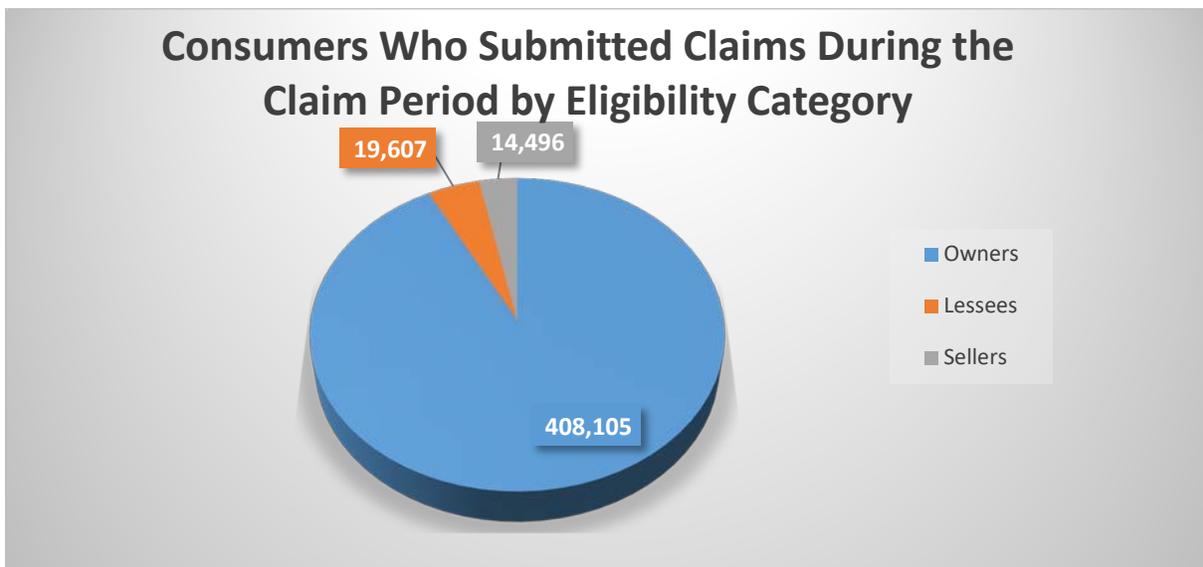
During this quarter, there were only 167 new systematic ineligibility determinations. The most common reasons for these systematic ineligibility determinations related to Seller claimants who: (i) indicated that they sold the Eligible Vehicle on or before September 18, 2015 (60 claims); (ii) did not timely identify their claim by September 16, 2016 (49 claims); and (iii) reported that they sold the Eligible Vehicle between June 28, 2016 and September 16, 2016 (31 claims). The Claims Supervisor reviewed all 167 new systematic ineligibility determinations

this quarter, and verified that Volkswagen’s systematic ineligibility logic was operating appropriately.

**B. Claim Submission and the First Ten-Business-Day Review Period**

After a consumer registers, the next step in the process is to select a preliminary remedy, provide prescribed documents needed to substantiate the claim, and submit the claim to Volkswagen for review.<sup>4</sup> As of November 18, 2017, consumers had submitted 442,261 unique claims for Volkswagen to review, including 19,342 unique claim submissions during this quarter.<sup>5</sup> Of these, 424,384 claims related to individuals and 17,877 claims related to businesses. Chart 2-5 shows by eligibility category the total population of consumers who had submitted claims. Chart 2-6 shows the total number of claims submitted by consumers across approximately three-month periods.<sup>6</sup>

**Chart 2-5**



<sup>4</sup> Former Lessees and Sellers do not select a preliminary remedy as the only remedy available to those consumers is Restitution.

<sup>5</sup> “Unique claims” means unique VINs within unique eligibility categories. A claim by an Owner and a Seller regarding the same VIN is counted as two unique claims. Likewise, claims by one Owner who owns five separate vehicles are counted as five unique claims.

<sup>6</sup> The fifty-three claims not captured in Charts 2-5 relate to claims that ultimately were deemed not eligible. Notably, consumers have the right to appeal final eligibility and award determinations to the CRC, consistent with the terms of the Resolution Agreements.

Chart 2-6

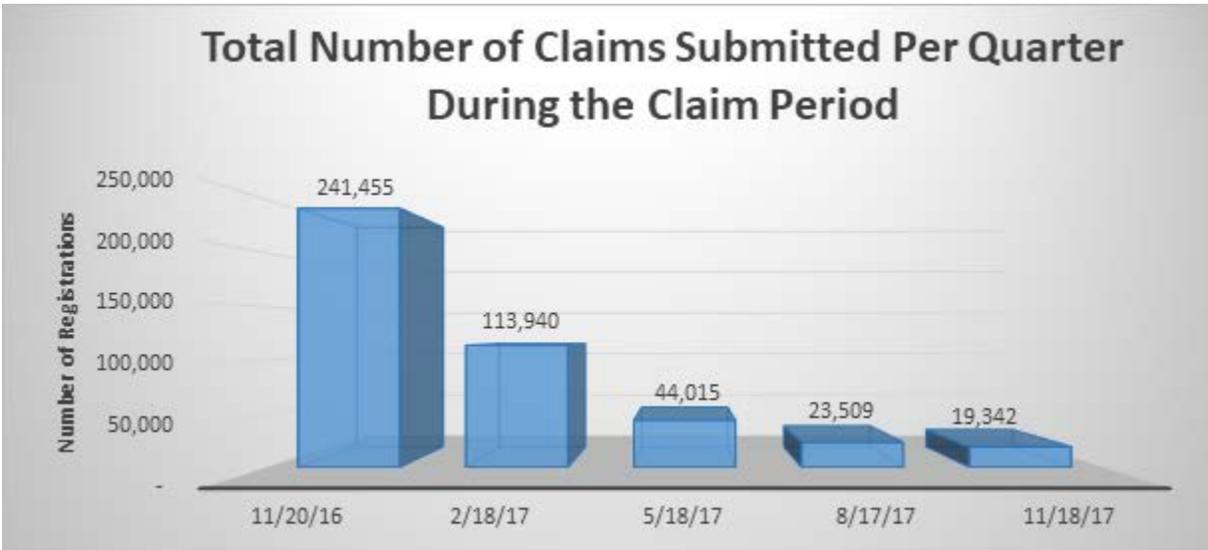


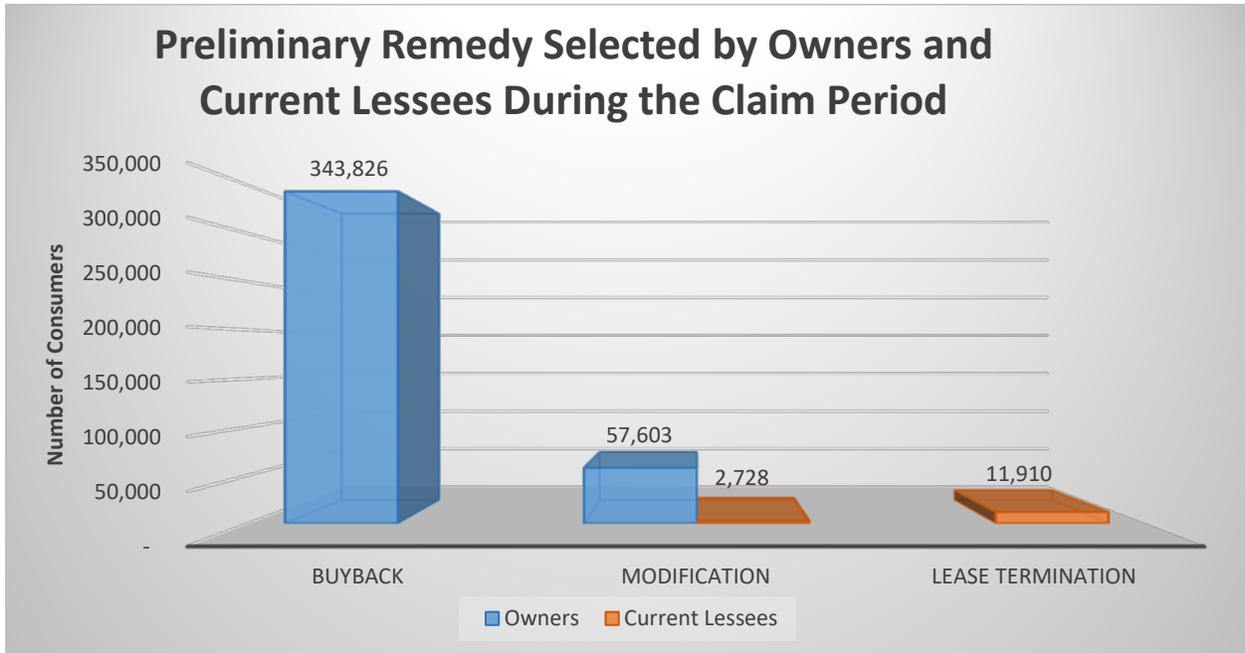
Chart 2-7 shows the preliminary remedy selections for Owners and Current Lessees who had submitted claims through November 18, 2017. The chart does not include the remedy selections for 14,378 Sellers or 4,446 Former Lessees because the only remedy available to these consumers is Restitution.<sup>7</sup> The chart also omits sixty-two claims where the Eligibility Category is currently inconsistent with the award type (e.g., Lessee claim with a Buyback remedy). Issues like these are addressed during the ordinary course of claims processing.<sup>8</sup> Chart 2-7 likewise excludes 7,308 cancelled claims, with most cancellations being associated with duplicate claims.

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<sup>7</sup> The figure for Restitution awards associated with Eligible Sellers includes certain Owner claims associated with totaled vehicles. As these types of claims are processed, claims from consumers determined to be eligible are recategorized by Volkswagen as “Seller” claims so that the eligibility category corresponds with the Restitution-only award type. In terms of eligibility, for totaled vehicles where title was transferred to an insurance company between September 18, 2015 and June 27, 2016, the consumer is entitled to Seller Restitution. Consumers who totaled a vehicle and transferred title to an insurance company between June 28, 2016 and September 16, 2016 are not eligible for Restitution. Finally, consumers who transferred or transfer title to a totaled vehicle after September 16, 2016 are entitled to receive Owner Restitution.

<sup>8</sup> By November 20, 2017, the number of claims where the eligibility category was inconsistent with the award type had been reduced from sixty-two claims to four claims.

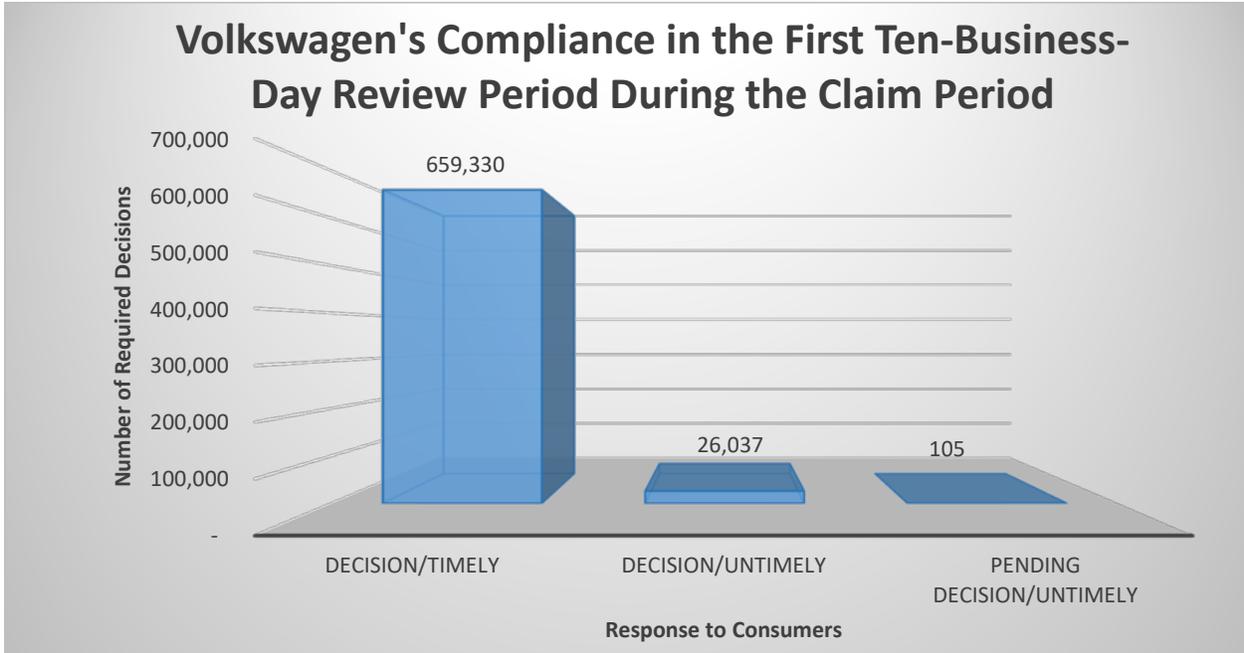
Chart 2-7



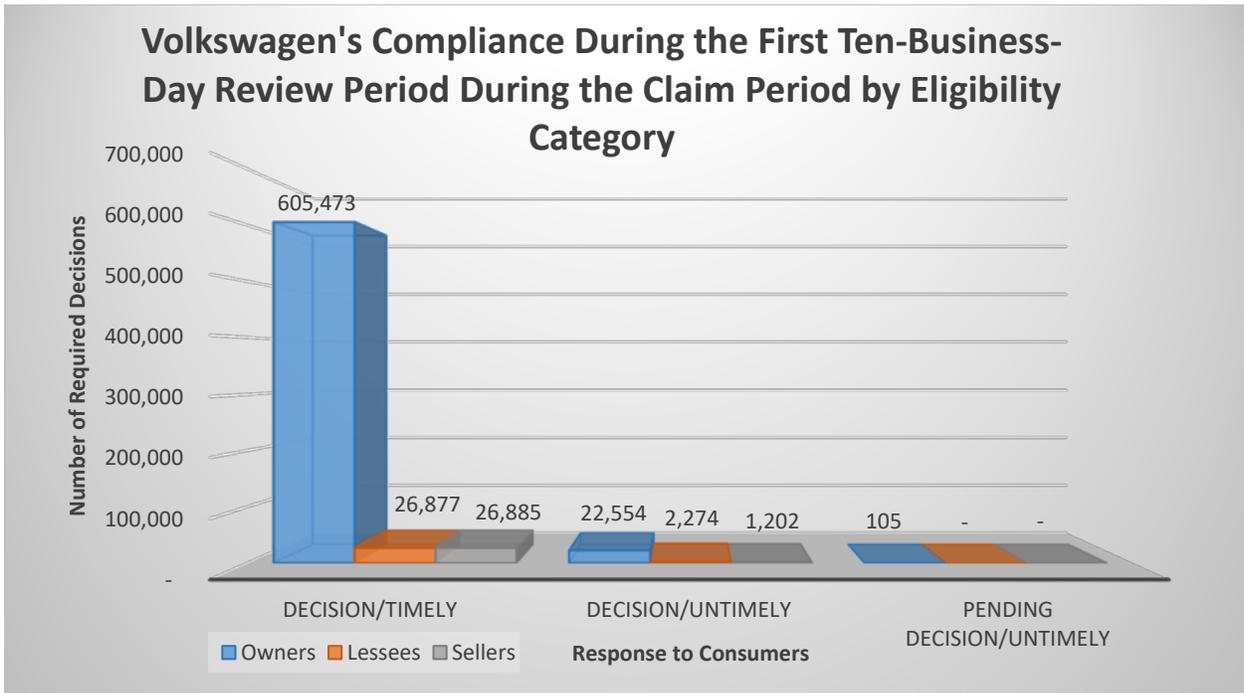
Throughout the Claim Period, Volkswagen has continued to substantially satisfy the requirement that it render a completeness determination within ten business days following a consumer’s submission of a claim. Through November 18, 2017, excluding the population of 746 claims for which a decision by Volkswagen was pending but the ten-business-day review period had not elapsed, Volkswagen had been required to make 685,472 first ten-business-day review period determinations. The company issued timely decisions in 659,330 instances, amounting to an overall first ten-business-day review period compliance rate of 96.2%. During this quarter, Volkswagen was required to make 38,606 first ten-business-day review period decisions and timely did so in 38,234 instances, for a quarterly compliance rate of 99.0%.

Chart 2-8 reflects Volkswagen’s performance during the Claim Period in timely issuing first ten-business-day review period decisions. Chart 2-9 shows Volkswagen’s overall first ten-business-day review period performance by eligibility categories.

**Chart 2-8**



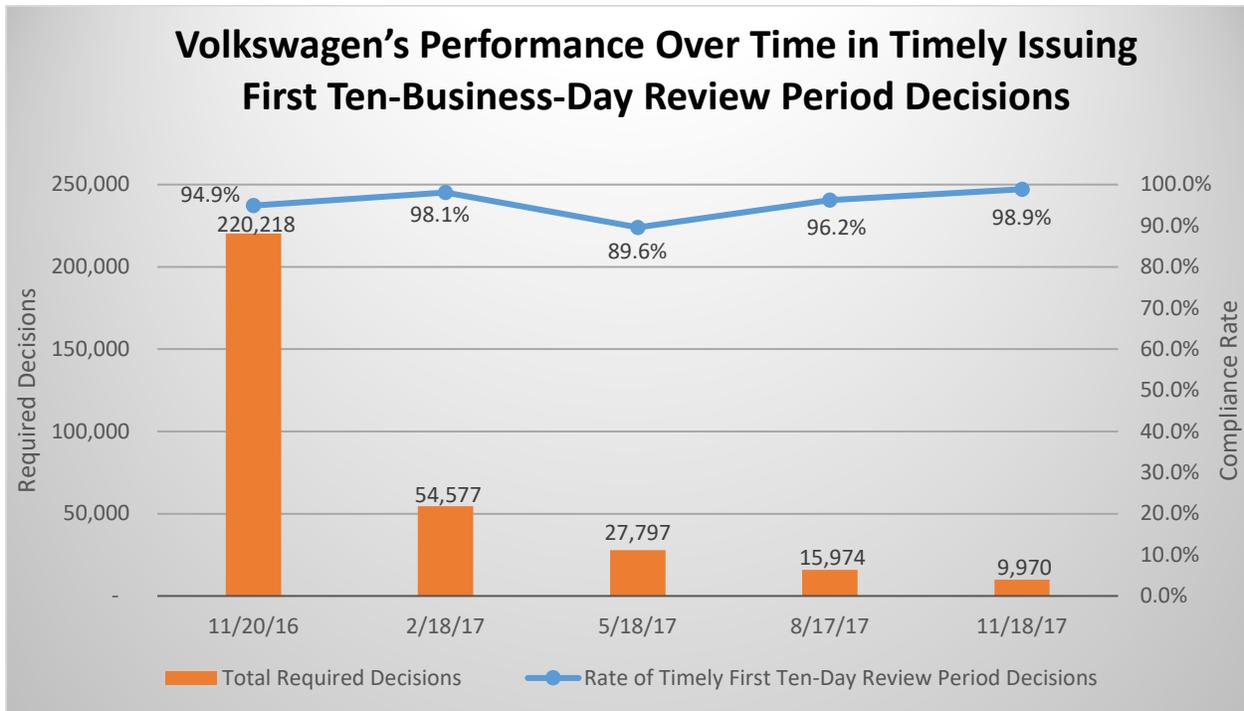
**Chart 2-9<sup>9</sup>**



<sup>9</sup> The 102 claims not accounted for in Chart 2-9 were ultimately deemed not eligible by Volkswagen during the first ten-business-day review period. Ninety-five of these determinations were timely first ten-business-day review period decisions, and seven were untimely.

Chart 2-10 shows Volkswagen’s first ten-business-day review period compliance rate at different points during the Claim Period.

**Chart 2-10**



Volkswagen and the Plaintiffs’ Steering Committee have been working with other stakeholders over the past several months to address how the eligibility requirements apply to certain consumers who purchased a vehicle that had both been branded with a salvage title and transferred to an insurance company after September 18, 2015. A vehicle is designated as salvage when it has been damaged or deemed a total loss by an insurance company that paid a claim on the vehicle. As of November 18, 2017, there were thirty such claims pending in the first ten-business-day review period, and 302 such claims pending in the second ten-business-day review period, discussed below. The Claims Supervisor has not factored these claims in the first and second-ten-business-day review period timeliness analyses while the parties determine how the eligibility requirements should be applied.

Finally, the first ten-business-day review period figures -- and the second ten-business-day review period figures below -- exclude two groups of consumers who have submitted claims

for Volkswagen to process and who are not eligible Class Members pursuant to the Resolution Agreements. First, as of November 18, 2017, there were 1,010 active claims from consumers who initially purchased Eligible Vehicles in the United States but registered them in Canada.<sup>10</sup> Volkswagen has agreed to provide these consumers with compensation if they otherwise meet the eligibility requirements. Second, as of November 18, 2017, there were twelve active claims from consumers who indicated in their claim submissions that they were employees of Volkswagen or the Court. Volkswagen elected to use the claims process to identify and engage with these two groups of consumers, though these consumers will not receive funds out of the Funding Pool.

C. Preliminary Eligibility Determinations and Deficiencies

Through November 18, 2017, of the 442,261 unique claims that had been submitted by consumers for Volkswagen to review, a total of 429,486 claims had been determined by Volkswagen to be complete and preliminarily eligible. Of these, 415,180 claims were related to individuals and 14,306 claims were related to businesses. During this quarter, the number of claims determined by Volkswagen to be complete and preliminarily eligible increased by 19,527.

Chart 2-11 reflects the cumulative number of claims determined by Volkswagen to be complete and preliminarily eligible by eligibility category, and Chart 2-12 shows the most common states in which Eligible Vehicles associated with preliminarily eligible claims were registered as of November 18, 2017.

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<sup>10</sup> For these purposes, a claim is considered “active” once a consumer submits it, but before a final determination on eligibility and award (or ineligibility) has been rendered.

Chart 2-11<sup>11</sup>

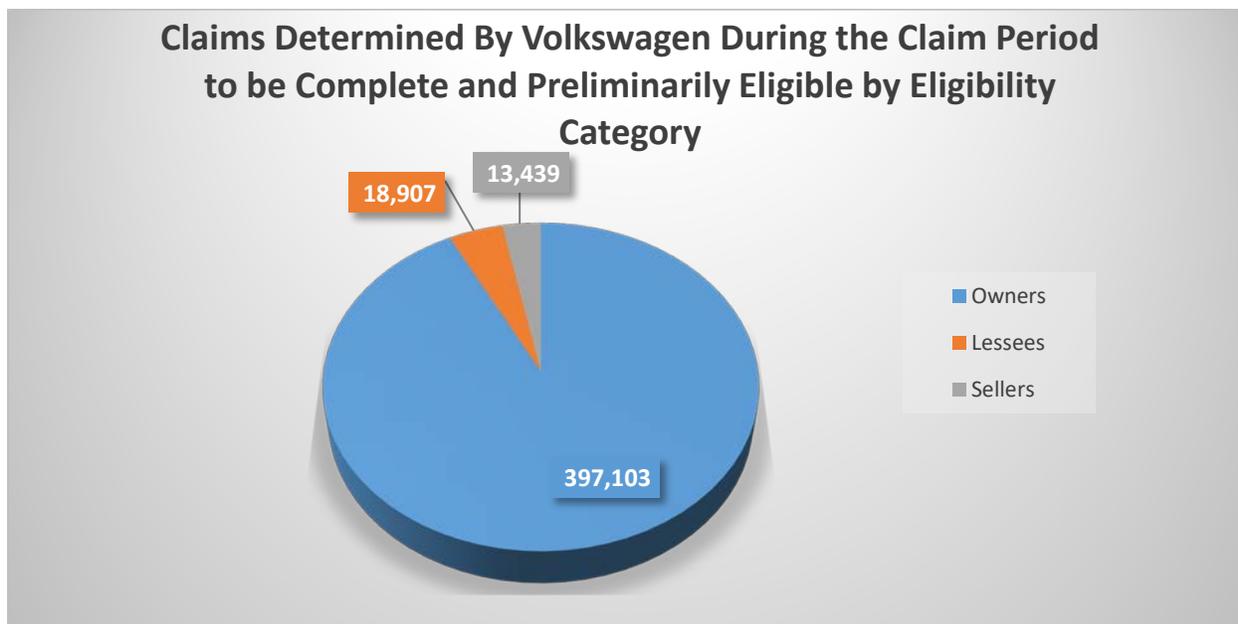
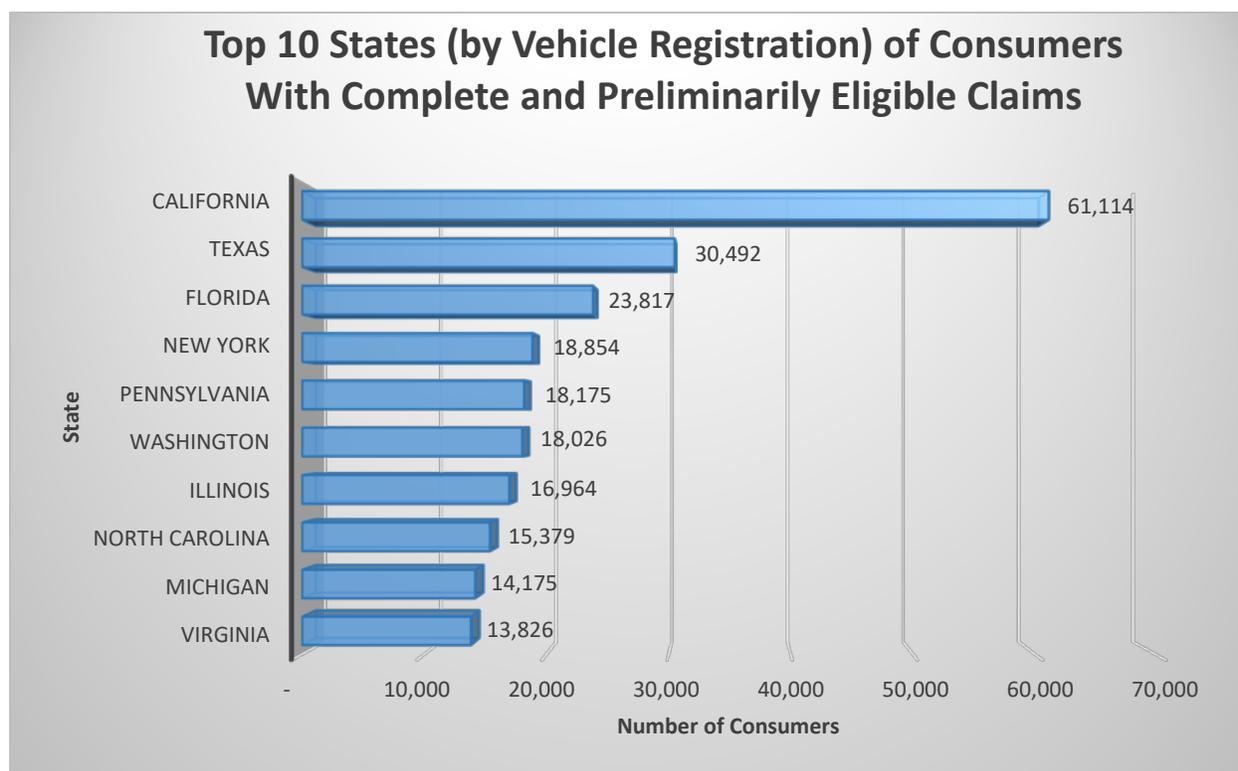


Chart 2-12



<sup>11</sup> The thirty-seven claims not accounted for in Chart 2-11 were claims that ultimately were deemed not eligible.

Chart 2-13 reflects the remedy selected by Owners and Current Lessees whose claims Volkswagen had deemed complete and preliminarily eligible as of November 18, 2017. The chart does not include 13,385 Sellers or 4,256 Former Lessees because the only remedy available to those claimants is Restitution.<sup>12</sup> Chart 2-13 also excludes 4,625 cancelled claims that generally were associated with duplicate claim submissions, and 62 claims where the eligibility category was inconsistent with the award type, which issue is addressed as part of claims processing.<sup>13</sup>

**Chart 2-13**

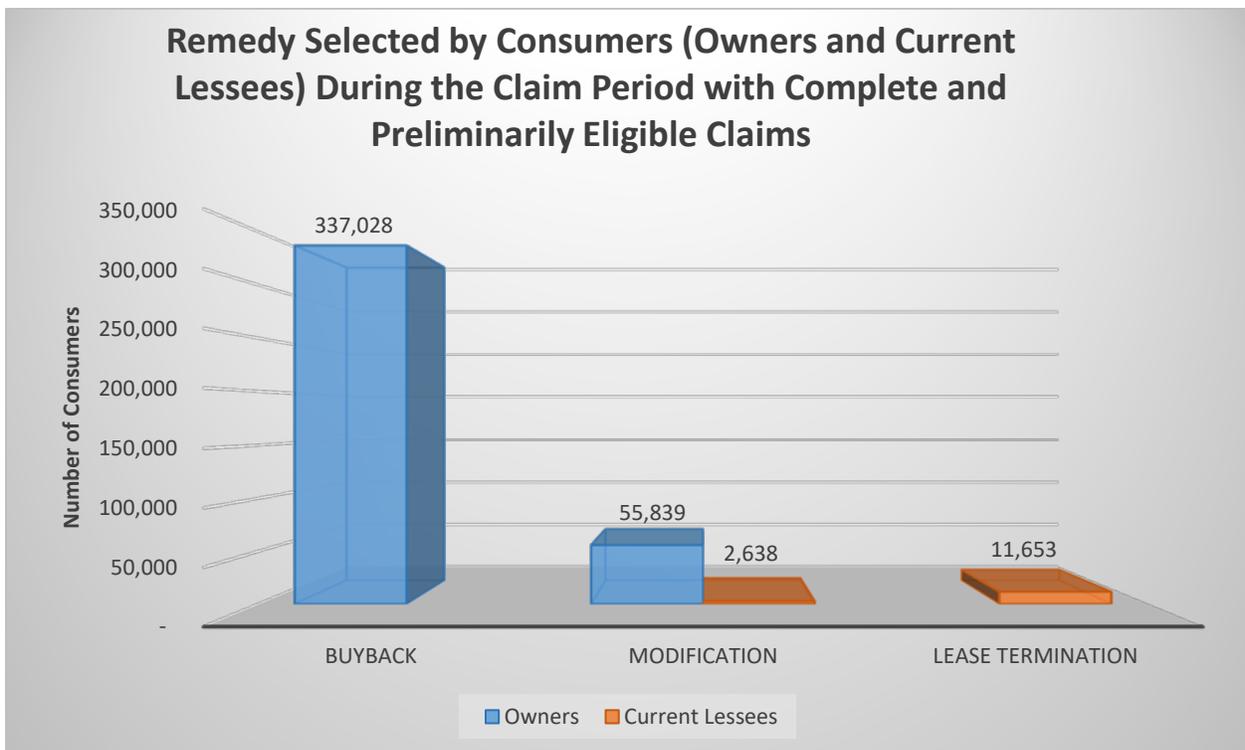
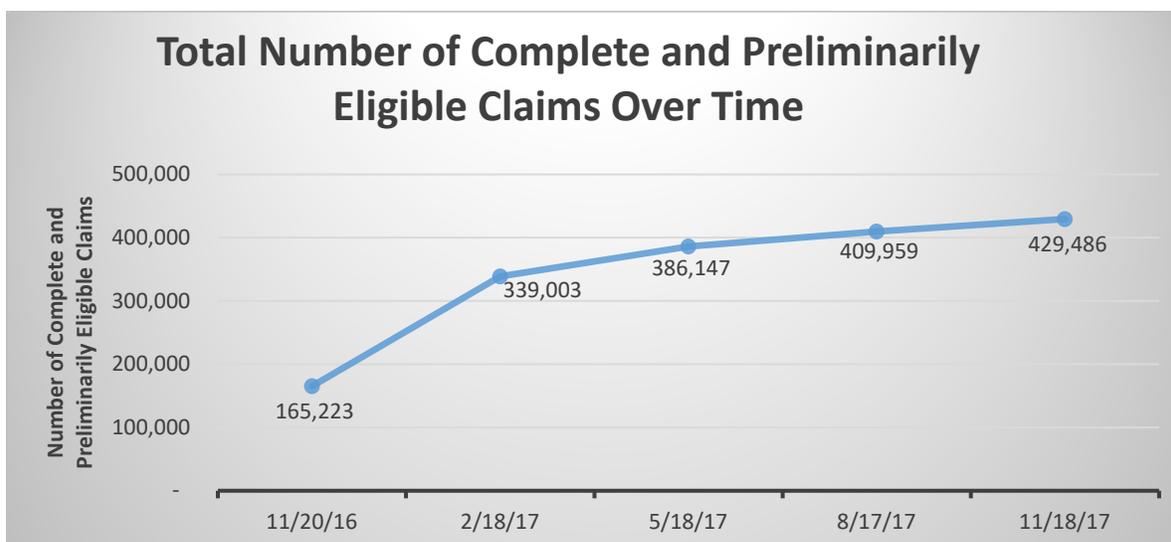


Chart 2-14 shows how the total number of claims deemed complete and preliminarily eligible has changed over approximately three-month periods during the Claim Period.

<sup>12</sup> As described in footnote 7, Volkswagen has generally classified Owner claims associated with totaled vehicles as Seller claims because the consumer does not possess the Eligible Vehicle and, if eligible, is solely entitled to Restitution. The universe of 13,385 Eligible Seller claims therefore includes certain Owner claims associated with totaled vehicles.

<sup>13</sup> As stated above, by November 20, 2017, the number of claims where the eligibility category was inconsistent with the remedy type had been reduced from sixty-two claims to four claims.

Chart 2-14



Additionally, through November 18, 2017, there were 183,963 instances where Volkswagen had deemed a claim deficient during the first ten-business-day review period, spread across 128,052 unique claims. More than 366,000 deficiency codes had been applied by Volkswagen as of that date, as multiple deficiencies may be associated with a given claim submission. The most common deficiency codes have been: (i) an incorrect document was uploaded (97,849 claims); (ii) a document was missing pages (69,176 claims); (iii) a document was illegible (58,796 claims); (iv) a document was incomplete or the document image was cut off (26,849 claims); and (v) a name on the document did not match the name in the Claims Portal (19,463 claims).

Across these 128,052 deficient claims, 121,866 consumers (95.2%) had made at least one attempt to cure the deficiency, while 6,186 (4.8%) had not yet attempted to cure. Among the consumers who had attempted to cure: (i) 117,500 consumers (96.4%) successfully cured the deficiency; (ii) 497 consumers (0.4%) resubmitted claims that were pending a completeness determination by Volkswagen as of November 18, 2017; and (iii) 3,869 consumers (3.2%) had not resubmitted claims after their initial attempt to cure the deficiency was unsuccessful.

As of November 18, 2017, there were 7,454 consumer claims with active deficiencies. Across claims with active deficiencies, the most common deficiencies were: (i) an incorrect document was uploaded (4,003 claims); (ii) a name on the documents did not match the name in the Claims Portal (2,239 claims); (iii) a document was illegible (1,057 claims); (iv) the VIN of the Eligible Vehicle did not match the VIN in the consumer's submission (606 claims); and (v) a document was incomplete or the document image was cut off (549 claims).

Finally, the Claims Supervisor reviewed a sample of 1,200 claims deemed deficient during this quarter by Volkswagen reviewers to assess whether they were properly applying deficiency codes. The Claims Supervisor substantiated Volkswagen's deficiency code determinations in 1,148 instances (95.7%). This concurrence rate is slightly higher than the rates from previous quarters. Relatedly, the Claims Supervisor audit revealed only positive trends. Disagreements related to "complex documents" determinations continued to decrease during the quarter.<sup>14</sup> And discrepancies in determinations involving consumer identification documents, vehicle titles, and vehicle registrations likewise decreased as compared to the audit results from the previous quarter.<sup>15</sup> Overall instances of deficiency code disagreements remained relatively limited.

#### D. The Second Ten-Business-Day Review Period

Volkswagen has ten business days from the date it concludes that a consumer's claim is complete and preliminarily eligible to issue an offer letter. Within this same review period, the

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<sup>14</sup> "Complex documents" include: power of attorney; death certificate; proof of VW Credit, Inc. account; corporate document; previous registration; proof of acquisition; proof of name change; proof of vehicle transfer to insurance; proof of lease conversion; paper claim forms; and proof of sale documents.

<sup>15</sup> Notably, where a disagreement in the application of a deficiency code is the sole reason a claim had been deemed deficient, the claim is raised by the Claims Supervisor to Volkswagen for re-evaluation of the company's deficiency determination.

Claims Supervisor must independently verify Volkswagen's completeness and eligibility determinations as well as its offer calculation before an offer letter can issue.<sup>16</sup>

As of November 18, 2017, a total of 435,101 consumers had reached the second ten-business-day review period having been deemed preliminarily eligible by Volkswagen, including 24,249 consumers who reached the second ten-business-day review period during this quarter.<sup>17</sup> Of these, 416,182 claims related to individuals and 18,919 claims related to businesses. Across this population, 426,456 consumers (98.0%) had been issued offer letters, inclusive of 24,131 offer letters issued during this quarter.

Through November 18, 2017, excluding the 1,114 claims that were still pending a determination by Volkswagen but for which the second ten-business-day review period had not yet elapsed, Volkswagen had been required to make 501,155 second ten-business-day review period decisions. The company had timely made the required determinations in 354,742 instances, for an overall compliance rate of 70.8%. During this quarter, Volkswagen was required to make 31,308 second ten-business-day review period decisions and timely did so in 29,599 instances, yielding a 94.5% quarterly compliance rate.

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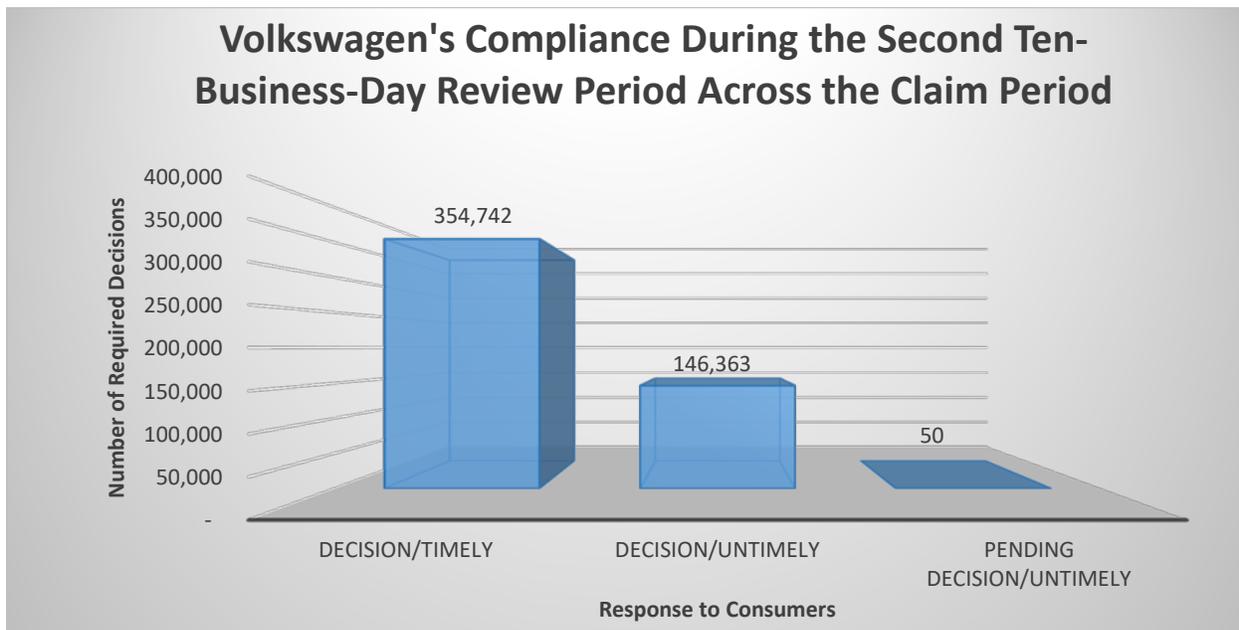
<sup>16</sup> In certain instances, Volkswagen can determine during the first ten-business-day review period that a claim is ineligible in which case that ineligibility determination must be verified by the Claims Supervisor during the second ten-business-day review period. These ineligibility determinations are separate from claims automatically deemed ineligible by Volkswagen's system based on information input by the consumer (captured in Chart 2-4). Through November 18, 2017, there had been 3,763 instances where a claim had been deemed ineligible upon review by Volkswagen. In 1,730 of those instances, the ineligibility determinations were verified by the Claims Supervisor and communicated by Volkswagen to the consumer. The remaining claims predominantly included instances where the Claims Supervisor determined, and Volkswagen agreed, that the claim should have been deemed deficient -- such that the consumer would have an opportunity to cure and resubmit a claim -- as opposed to ineligible.

<sup>17</sup> As described above, there were 429,486 consumers whose claims were deemed complete and preliminarily eligible by Volkswagen, but 435,101 preliminarily eligible claims reached the second ten-business-day review period. While these figures theoretically should be identical, historically there had been a divergence of slightly less than one thousand claims that was primarily due to instances where claims had reached the second ten-business-day review period without having triggered the status in Volkswagen's system that indicates the start or conclusion of the first ten-business-day review period. During this quarter, however, the divergence increased significantly, totaling 5,615 claims as of November 18, 2017. The increase in the variance is a result of claims specially created in Volkswagen's system to represent Seller claims submitted by fleet vehicle owners that were reviewed, verified, and paid through an offline process. These claims appear to have skipped the status that triggers the conclusion of the first ten-business-day review period. The divergence of 5,615 claims would not substantively affect the claims processing. It is only reflected when data is queried to generate aggregated figures for reporting purposes.

Despite Volkswagen's substantially improved performance in timely rendering second ten-business-day decisions over the last three quarters, the company's cumulative compliance rate has improved by only 9.3% since the February 2017 reporting period because of the comparatively smaller volume of claims that have required processing. The 31,308 instances of required second ten-business-day review period determinations over the last three months is only 12.3% of the 253,613 instances of second ten-business-day review period decisions that were required during the first six weeks of the Claim Period when Volkswagen's compliance rate for timely issuing second ten-business-day review period determinations was lower.

Chart 2-15 reflects Volkswagen's compliance in timely issuing second ten-business-day review period decisions during the Claim Period, and Chart 2-16 shows compliance by eligibility category.

**Chart 2-15**



**Chart 2-16<sup>18</sup>**

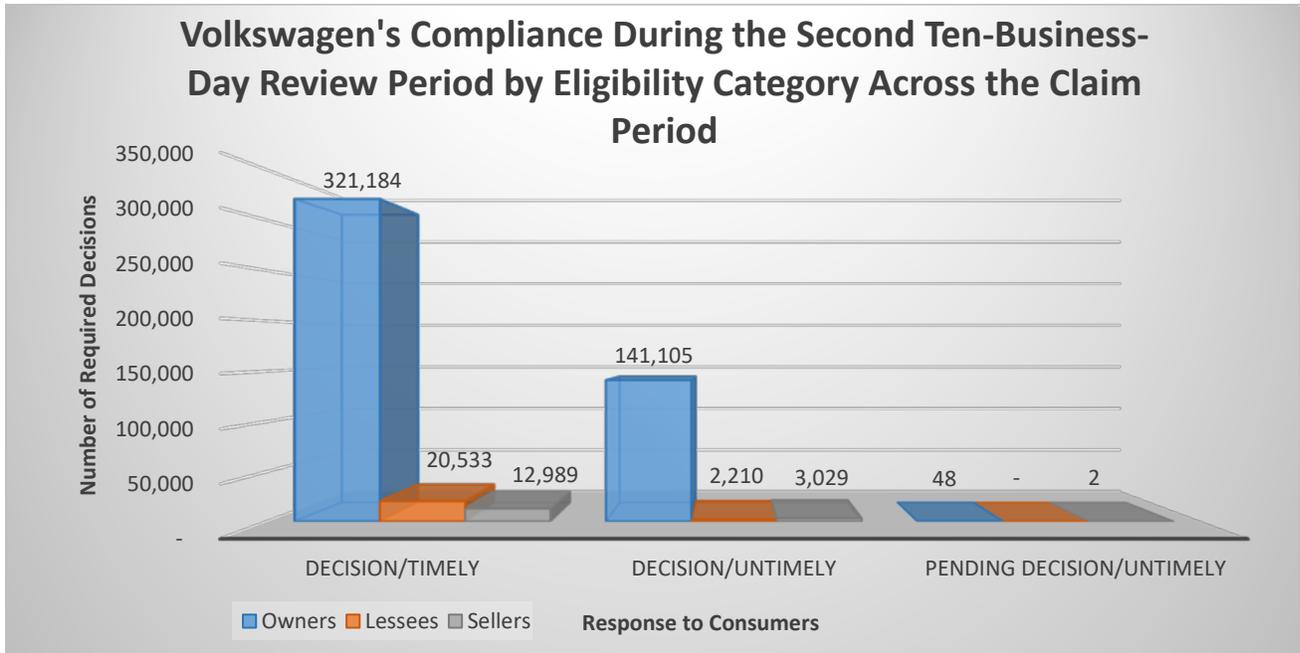
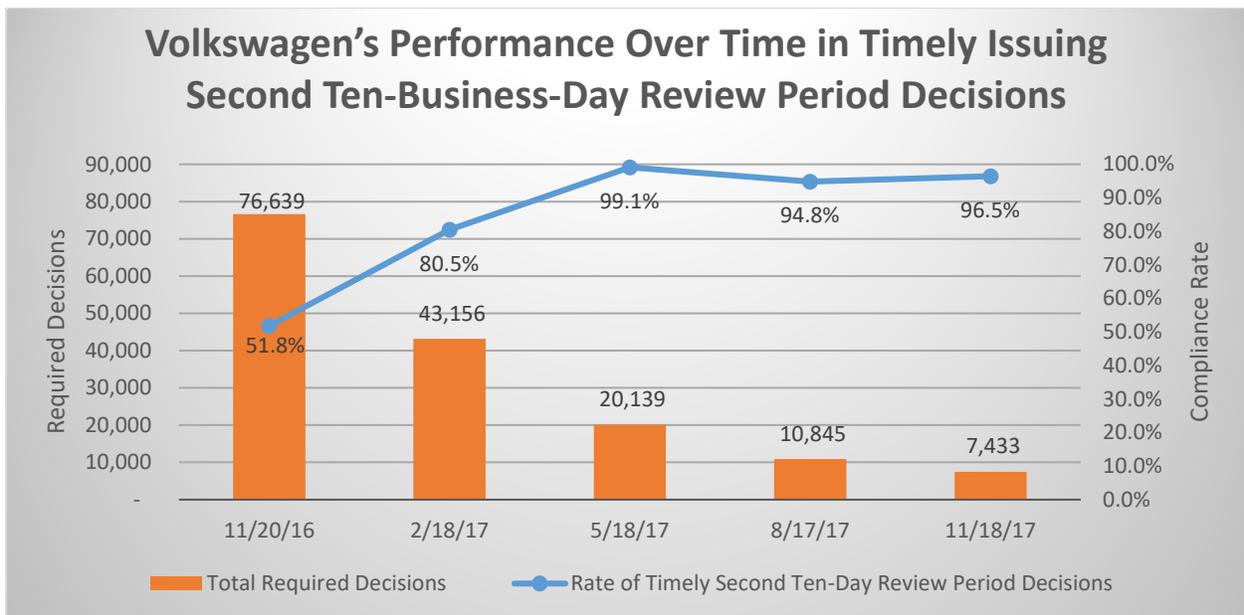


Chart 2-17 reflects Volkswagen’s compliance rate in timely issuing second ten-business-day review period decisions at different points during the Claim Period.

**Chart 2-17**



<sup>18</sup> Of the fifty-five claims not accounted for in Chart 2-16, fifty-four involved claims that were deemed not eligible. Thirty-six of these claims were timely second ten-business-day review period decisions, and eighteen were untimely. The remaining claim relates to an untimely determination where the eligibility category changed after the claim was deemed deficient during the second ten-business-day review period.

Chart 2-18 shows the change over time in Volkswagen’s backlog of overdue and pending claims in the second ten-business-day review period at different times during the Claim Period.

**Chart 2-18**

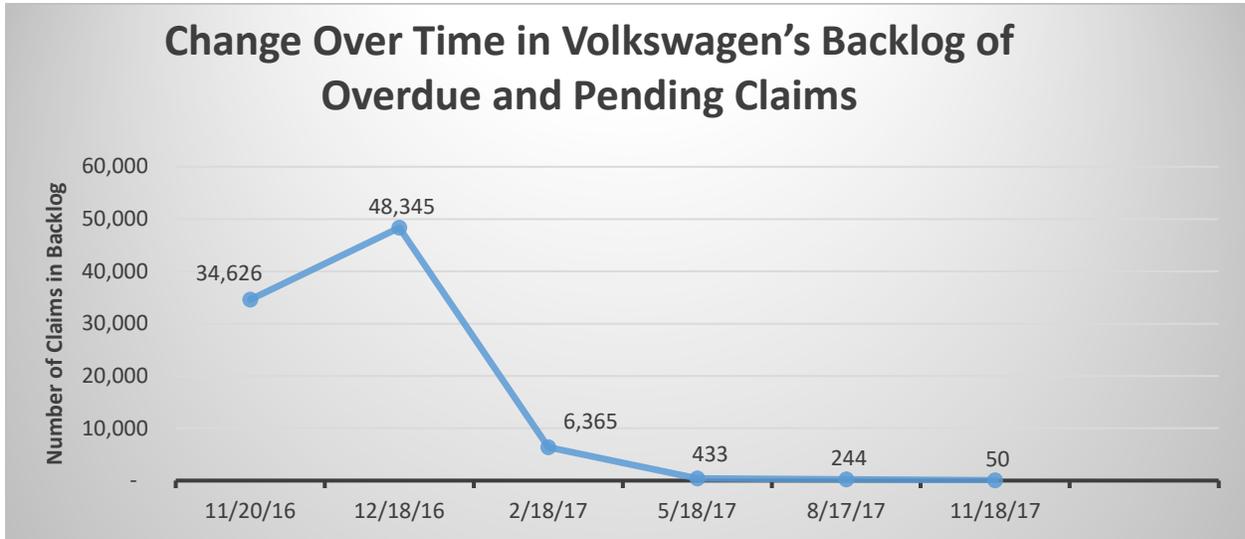
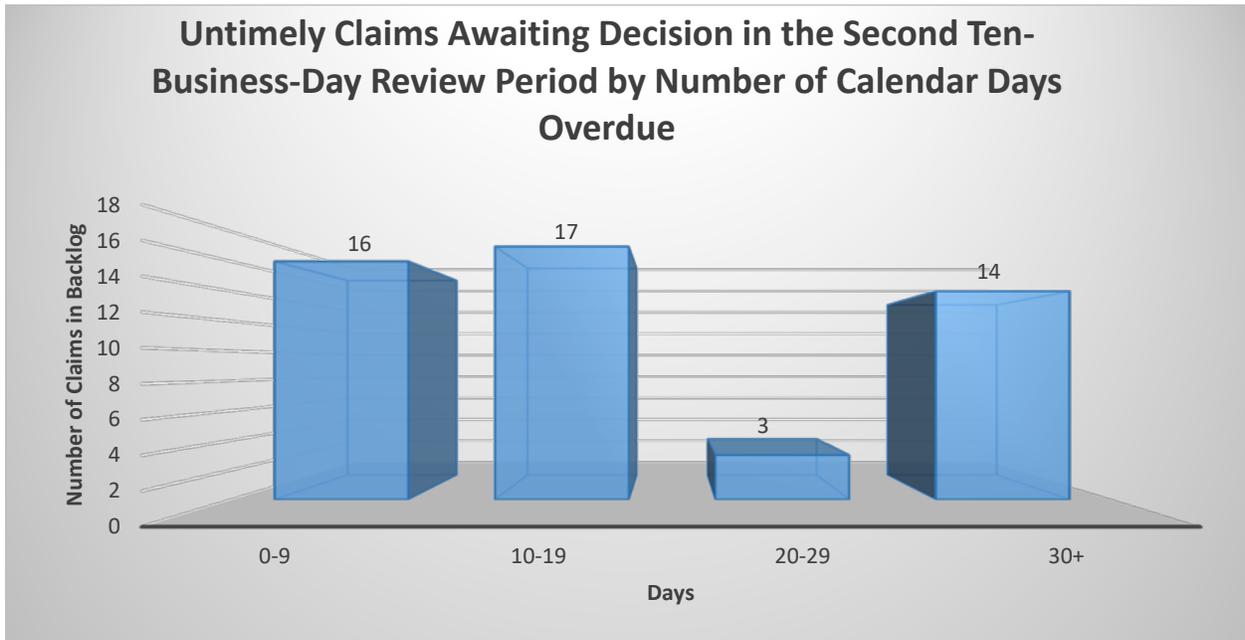


Chart 2-19 shows the fifty claims in Volkswagen’s backlog as of November 18, 2017, by the number of calendar days that the claims are overdue.

**Chart 2-19**



Of the fifty claims in Volkswagen’s backlog, twenty-three claims required action by Volkswagen to resolve a document deficiency, non-document deficiency, or eligibility concern

associated with the claim. Only four of these claims were more than thirty calendar days overdue. Another fifteen overdue claims related to totaled vehicles, only three of which were more than thirty calendar days overdue. The remaining twelve claims either were awaiting Volkswagen's generation of an offer letter or Volkswagen's resolution of a deficiency associated with a generated offer letter, seven of which were more than thirty calendar days overdue.<sup>19</sup>

E. Offer Letters

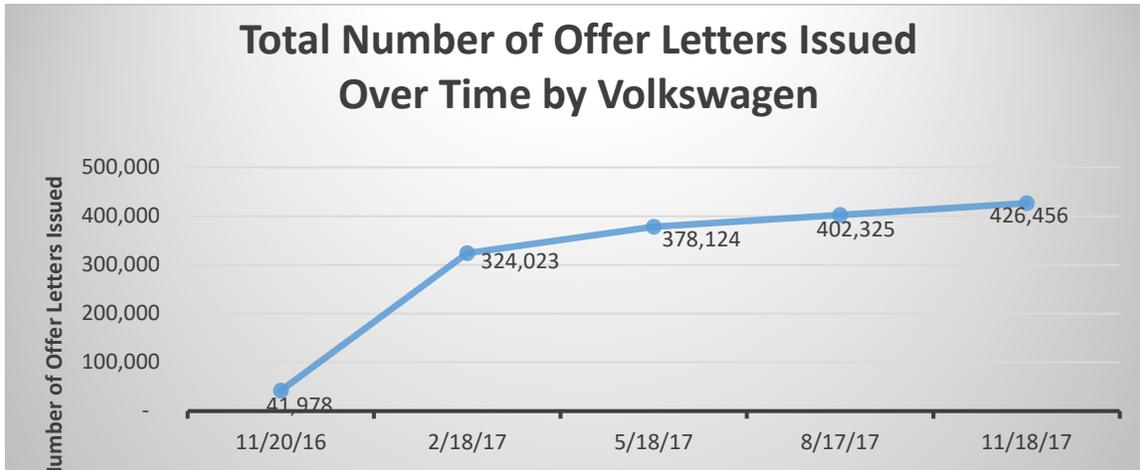
Through November 18, 2017, Volkswagen had issued 426,456 offer letters, the aggregate value of which totaled \$7,761,056,102.11. Of these, 408,973 offer letters with an aggregate value of \$7,417,778,425.42 were issued to individuals. The remaining 17,483 offer letters were issued to businesses and were aggregately valued at \$343,277,676.69. During this quarter, Volkswagen issued 24,131 offer letters aggregately valued at \$422,132,011.99.

Chart 2-20 shows how the number of offer letters issued by Volkswagen has changed over approximately three-month periods during the Claim Period. Chart 2-21 reflects how the number of offer letters issued by Volkswagen has changed over time by eligibility categories across the last four months of the Claim Period.

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<sup>19</sup> As discussed earlier in this section, Volkswagen and the Plaintiffs' Steering Committee have been working together to address how the eligibility requirements apply to certain claims associated with consumers who had purchased a vehicle that had both been branded with a salvage title and transferred to an insurance company after September 18, 2015. As of November 18, 2017, there were 302 such claims in the second ten-business-day review period. The Claims Supervisor will continue to exclude these non-standard claim types from the first and second ten-business-day review period timeliness analysis until the parties determine how the eligibility requirements should be applied to them.

**Chart 2-20**



**Chart 2-21<sup>20</sup>**

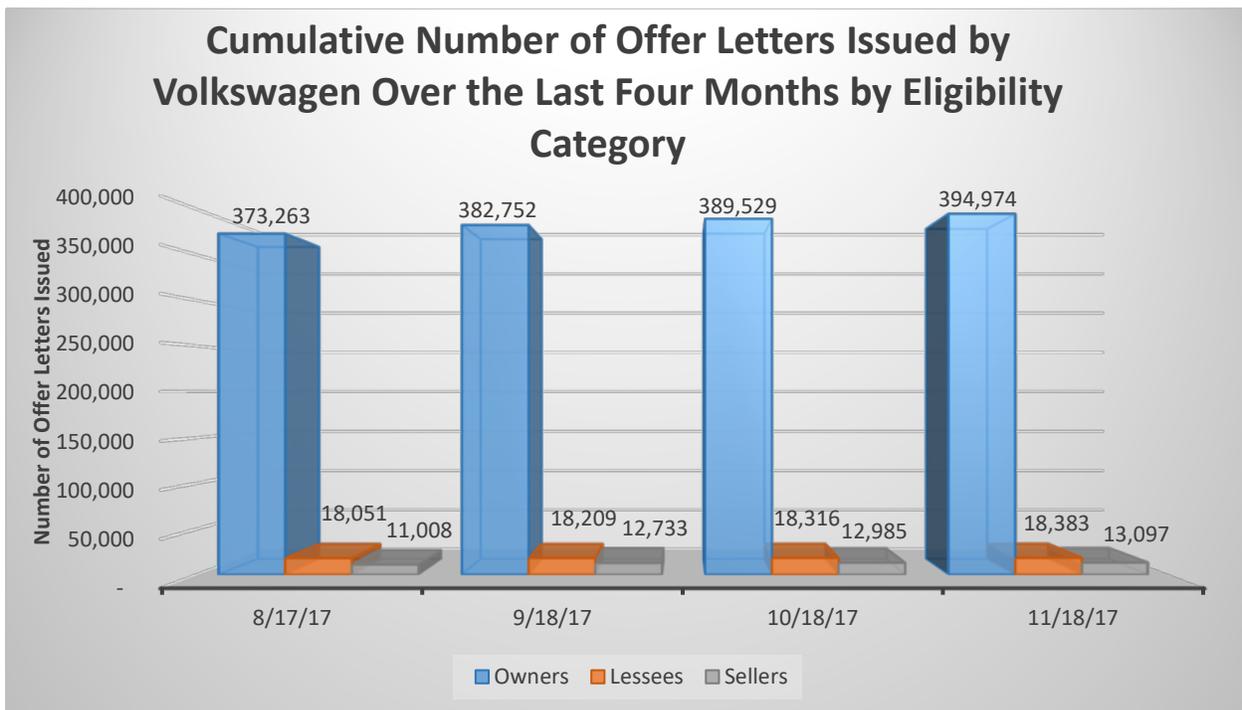


Chart 2-22 reflects offer letters issued to Owners and Current Lessees by remedy selections. The chart excludes 13,097 Sellers and 4,168 Former Lessees who have received offer

<sup>20</sup> The two claims not captured in Chart 2-21 were ultimately deemed not eligible. Some instances have been identified where claims entered second ten-business-day review period processing before the first ten-business-day review was complete, as well as instances where offer letters were generated before deficiencies discovered by the Claims Supervisor during the second ten-business-day review period were resolved. As a result, a few claims for which offer letters had been generated ultimately were deemed ineligible.

letters because the only remedy available to those consumers is Restitution.<sup>21</sup> Another two offers were associated with claims subsequently deemed not eligible. An additional sixty-two offers reflected an inconsistency between the consumer’s eligibility category and the remedy selection.<sup>22</sup>

**Chart 2-22**

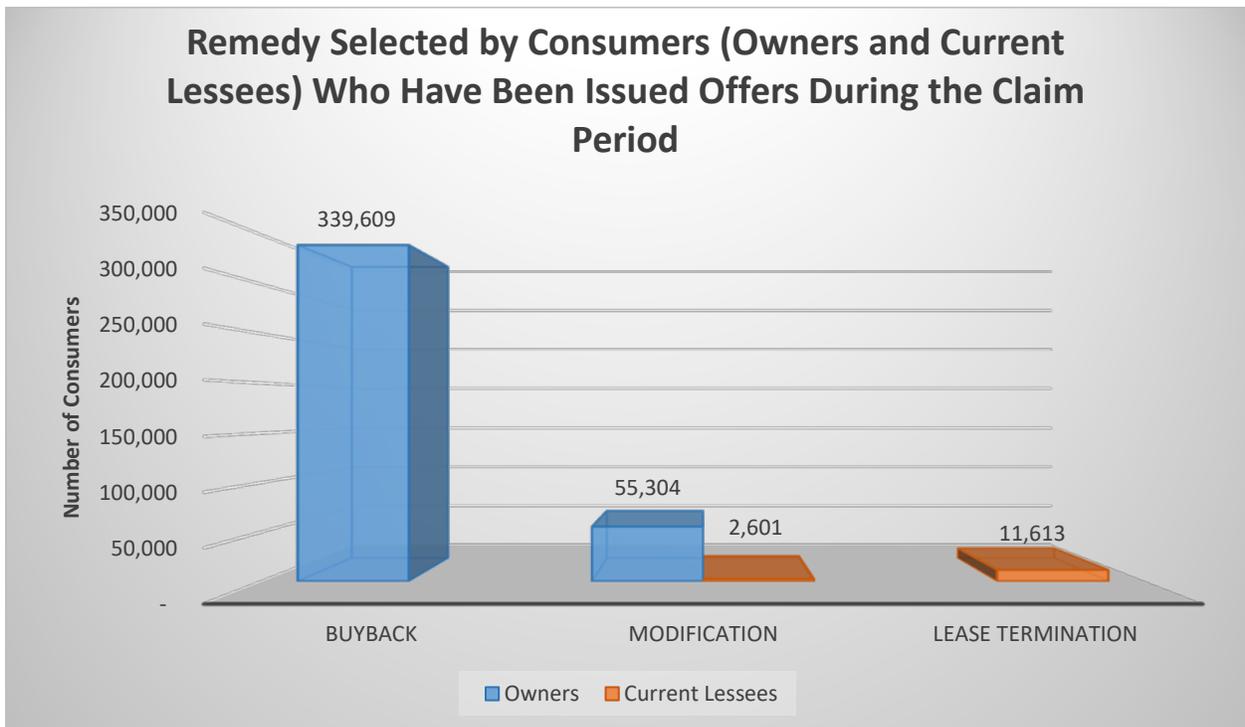


Chart 2-23 reflects, through November 18, 2017, the top ten states by vehicle registration of consumers who had received offer letters.

<sup>21</sup> As described above in footnote 7, Volkswagen has generally classified eligible claims associated with totaled vehicles as Seller claims because the consumer does not possess the Eligible Vehicle and is solely entitled to Restitution. The Seller categorization is applied irrespective of whether the Restitution award is calculated based on the Owner Restitution formula or Seller Restitution formula, which depends on the date title to the vehicle was transferred to the insurance company. Therefore, the universe of 11,007 Seller Restitution remedies also includes these types of eligible claims associated with totaled vehicles.

<sup>22</sup> As stated above, by November 20, 2017, in the ordinary course of the claims process, the number of claims with an eligibility category inconsistent with the remedy type had been reduced from sixty-two claims to four claims.

Chart 2-23



Through November 18, 2017, of the \$7.761 billion associated with the offer letters extended by Volkswagen, Owners account for about \$7.654 billion. Of these, about \$4.020 billion related to Owners with loans, about \$3.632 billion related to Owners without loans, and about \$2.0 million related to Owners who purchased the vehicle after September 18, 2015, but before June 28, 2016.<sup>23</sup> The remainder was split among Current Lessees (14,215 offer letters valued in aggregate at about \$50.6 million);<sup>24</sup> Sellers (13,097 offer letters valued in the aggregate at about \$42.5 million); and Former Lessees (4,168 offer letters valued in the aggregate at about \$14.0 million).

Chart 2-24 shows the average, minimum, and maximum awards issued to consumers based on eligibility category and offer selection through November 18, 2017.

<sup>23</sup> As of November 18, 2017, there were 164 instances where the loan amount exceeded 130% of the offer amount, such that the final amount provided to the consumer -- absent potential adjustments at closing -- would not satisfy the entire loan amount and the consumer would have to provide funds to Volkswagen to complete the Buyback. Across these claims, the average remainder on the loan balance was approximately \$2,600. However, there were outliers that skewed the average, including seven claims with loan balances in excess of \$10,000. One hundred and twenty-seven of the 164 claims had loan balances of less than \$3,000. Thus, the median value of the loan balance across these 164 claims, approximately \$1,290, is perhaps a better representation of the composition of these claims.

<sup>24</sup> The 14,215 offer letters to Current Lessees is one greater than the Current Lessee remedy selection reflected in Chart 2-22 because the larger figure includes one claim that ultimately was deemed not eligible.

**Chart 2-24**

<b>Eligibility Category and Offer Selection</b>	<b>Average Value</b>	<b>Minimum Value</b>	<b>Maximum Value</b>
Owner - Buyback	\$21,535.33	\$5,100.00	\$45,407.93
Owner – AEM	\$6,036.17	\$2,274.00	\$9,991.13
Current Lessee - AEM	\$3,548.84	\$2,506.50	\$4,899.30
Current Lessee - Early Lease Termination	\$3,563.53	\$2,609.00	\$4,954.80
Former Lessee Restitution	\$3,364.03	\$2,504.00	\$4,885.30
Seller Restitution	\$3,242.88	\$2,550.00	\$8,445.53 <sup>25</sup>

Finally, through November 18, 2017, a total of 2,740 consumers who identified themselves as military and other eligible civilian personnel serving overseas and 1,066 decedent estates had registered with Volkswagen, and 2,611 and 908, respectively, had submitted claims for Volkswagen to review. Notably, the military overseas claim data included all consumers who self-identified as military overseas in their registrations. Through outbound communications to these individuals, Volkswagen has identified 761 claims where both the consumer and vehicle are located overseas. The status of these claims and information regarding completed closings is discussed in greater detail in Section III below. The remaining consumers who identified as military personnel serving overseas either have returned to the United States or currently keep their vehicle in the United States. For either category, closing can proceed in the United States in the normal course.

Volkswagen had deemed 2,549 military overseas claims and 815 decedent estate claims complete and preliminarily eligible. Of these, Volkswagen had issued 2,515 offer letters to military overseas consumers (98.7% of the population deemed preliminarily eligible) and 770

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<sup>25</sup> As described in footnote 7, Volkswagen has classified claims associated with totaled vehicles that were transferred to an insurance company subsequent to September 16, 2016 as Eligible Seller claims despite the fact these consumers are eligible for, and have been paid, consistent with the Owner Restitution formula. As a result, the maximum value for Seller Restitution depicted in Chart 2-24 reflects an offer amount for a claim associated with a totaled vehicle transferred to an insurance company subsequent to September 16, 2016 properly calculated using the Owner Restitution formula. The inclusion of Restitution offers associated with vehicles transferred to an insurance company subsequent to September 16, 2016, properly calculated using the Owner Restitution formula, within the universe of Seller claims slightly skews upward the average for Restitution awards associated with Seller claims.

offers letters to decedent estates (94.5% of the population deemed preliminarily eligible). The aggregate values of the offer letters to military overseas consumers and decedent estates were \$49,013,686.54 and \$15,024,243.76, respectively.

F. Appointments and Closings

As of November 18, 2017, a total of 409,053 consumers had accepted offer letters from Volkswagen, the aggregate value of which totaled \$7,518,210,812.45.<sup>26</sup> Of these, 392,079 offer letters were issued to individuals with an aggregate value of \$7,183,699,041.84, and the remaining 16,974 offer letters were issued to businesses with an aggregate value of \$334,511,770.61. During this quarter, 30,743 consumers accepted offer letters, the aggregate value of which totaled \$503,588,034.48. Chart 2-25 shows the number of accepted offer letters at different points during the Claim Period.

**Chart 2-25**



<sup>26</sup> In addition to Owners and Current Lessees, this figure includes Former Lessees and Eligible Sellers who were not required to proceed through the closing phase because they did not have possession of an Eligible Vehicle. Information on payments made to Former Lessees and Sellers is set forth below.

As of November 18, 2017, a total of 334,906 consumers had scheduled closing appointments.<sup>27</sup> Within this group: 328,618 consumers (98.1%) had appointments that resulted in the completion of a closing; 3,877 consumers (1.2%) had open, scheduled appointments that had yet to occur; and 2,411 consumers (0.7%) had an appointment that was cancelled and that they had yet to reschedule.

Chart 2-26 shows at different times during the Claim Period the change in the number of open and closed appointments for Owners and Current Lessees who elected a Buyback or Early Lease Termination remedy, respectively.

**Chart 2-26**

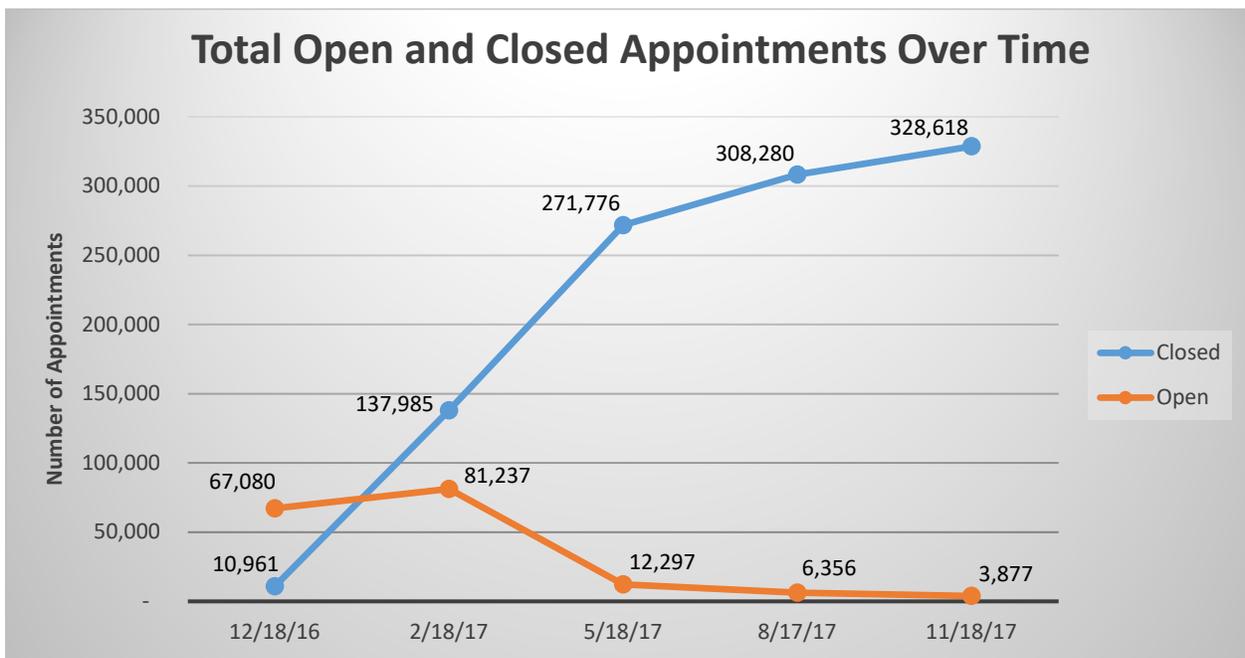
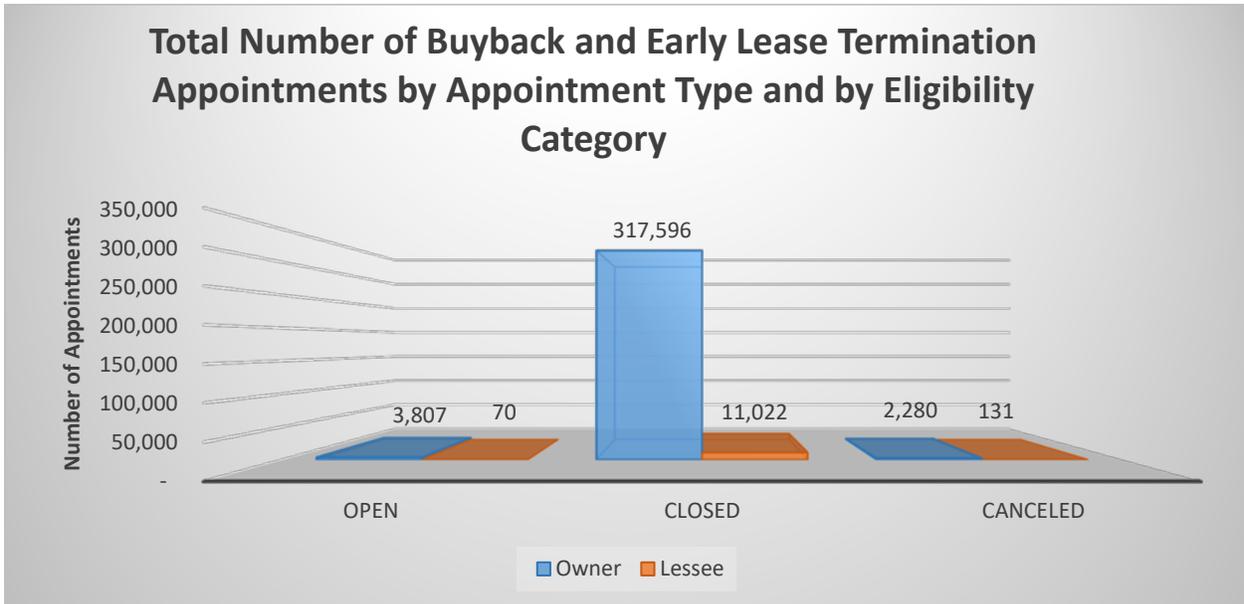


Chart 2-27 shows, for consumers who had scheduled appointments as of November 18, 2017, the total number of appointments by appointment type across the Owner and Current Lessee eligibility categories.

<sup>27</sup> In addition to Former Lessees and Sellers who do not need to proceed through the closing process, appointment figures associated with accepted offers likewise exclude Owners and Current Lessees who have scheduled AEMs. AEM appointments are coordinated directly with dealerships. Information through November 10, 2017, on completed AEMs, is set forth below.

**Chart 2-27**



Through November 18, 2017, the most common locations where appointments were scheduled (states and cities) are set forth in Charts 2-28 and 2-29, respectively.

**Chart 2-28**

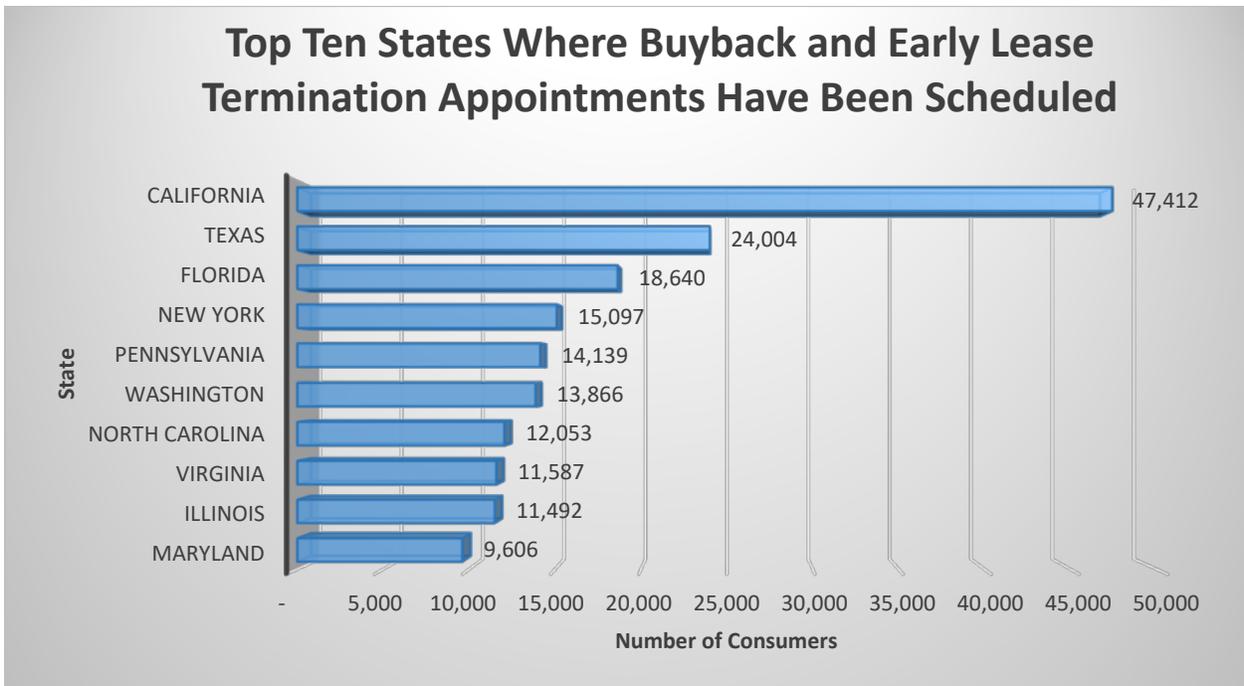
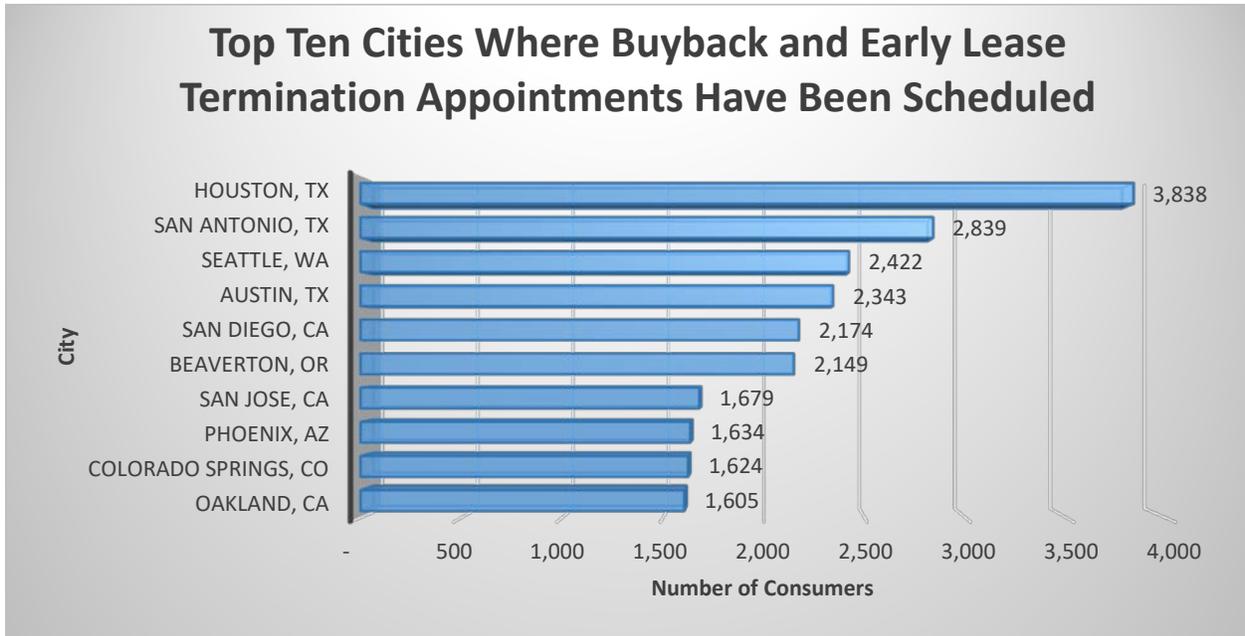


Chart 2-29



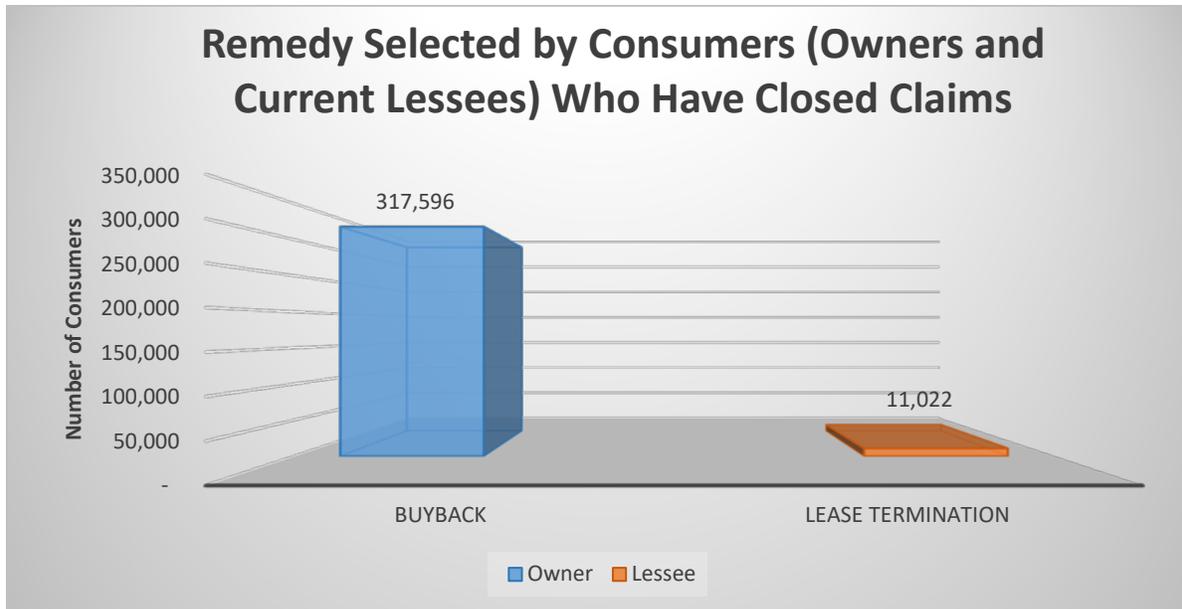
As of November 18, 2017, there had been a total of 72,586 instances where scheduled appointments had resulted in cancellation. Of these, 65,423 (90.1%) were cancelled at the consumer's request. Other reasons for cancellations included: (i) the consumer did not show up to the closing appointment (2,754 instances); (ii) the vehicle's mileage at turn-in required Volkswagen to reduce the amount owed to a consumer who elected to be paid by check, necessitating that Volkswagen issue a new check for the correct amount (1,384 claims);<sup>28</sup> (iii) the title was not brought to the closing (523 instances); (iv) the individual with power of attorney was not present at the closing (320 instances); and (v) the title holder was not present at the closing (297 instances).

For the 328,618 appointments that had resulted in closing as of November 18, 2017, the aggregate value of those claims was \$6,846,973,557.45. Chart 2-30 reflects the remedies that

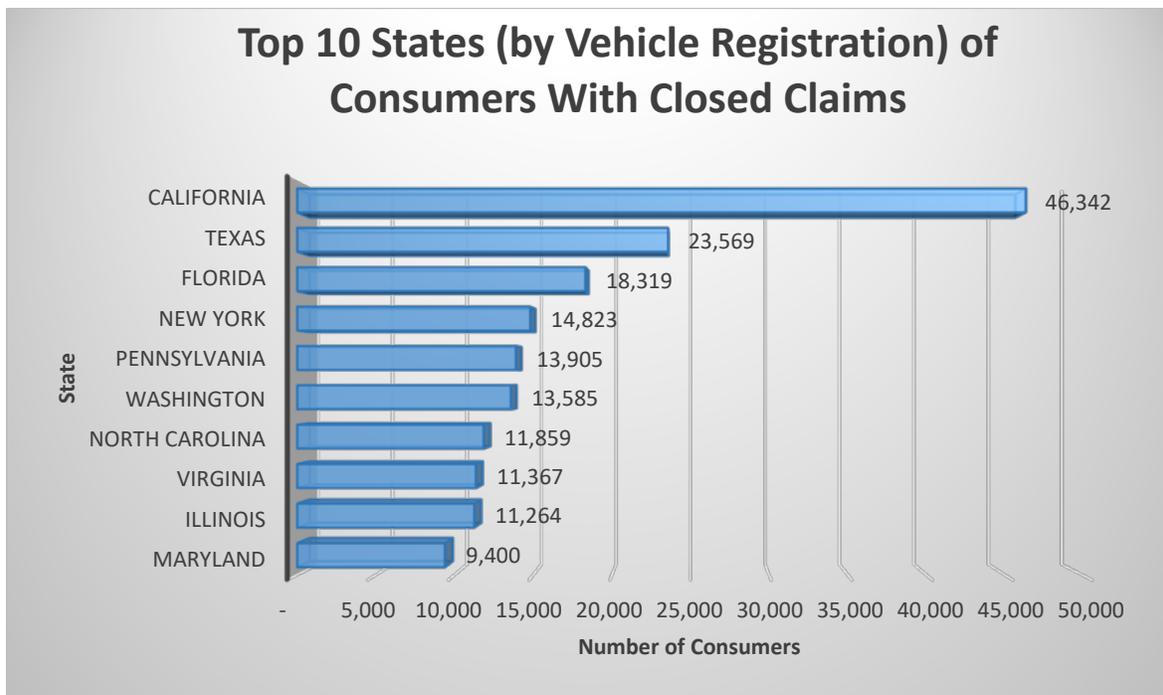
<sup>28</sup> These were all cancellations from much earlier in the Claim Period, as cancellations for over-mileage should no longer occur based on previous process improvements implemented by Volkswagen.

this population had selected.<sup>29</sup> Chart 2-31 shows the top ten states for consumers who proceeded through closing, based on the state in which their vehicle was registered.

**Chart 2-30**



**Chart 2-31**



<sup>29</sup> Consumers proceeding through the closing process have the choice to receive funds from Volkswagen by electronic funds transfer (“EFT”) or by check. The data show that, as of November 18, 2017, across closed appointments, approximately 76.6% of consumers have elected to be paid by EFT.

With respect to AEM remedy selections, according to data maintained by Volkswagen as of November 10, 2017, a total of 10,251 consumers with Generation 3 Vehicles who elected an AEM remedy had both submitted claims and completed the first phase of the AEM process -- removal of the defeat device software. Completion of the first phase triggers a payment under the terms of the Resolution Agreements to the consumer of two-thirds of the AEM Restitution amount. Volkswagen had issued payments totaling approximately \$45.8 million on these claims, representing two-thirds of the \$68.8 million aggregate value of offer letters associated with these claims

Additionally, as of November 10, 2017, 7,891 consumers with Generation 2 automatic transmission Passats and 22,281 consumers with Generation 1 Vehicles who elected an AEM remedy had the AEM performed on their vehicle and completed the claims process. These consumers are entitled to full payment of the offer amount once the AEM is completed. Volkswagen had issued payment in the amount of approximately \$50.5 million and \$132.5 million, respectively, on these claims.

Moreover, according to Volkswagen's data through November 10, 2017, there were 268 AEMs performed on Eligible Vehicles for which the consumer did not yet register a claim. These consumers remain eligible for funding through the Claims Program provided that they register and substantiate their eligibility for the funds to which they are entitled by submitting all required documentation including a "repair order" evidencing proof of repair. For an additional 2,158 vehicles, an AEM had been completed at a dealership while a consumer's claim was pending in the claims process. Essentially, these are instances where the consumer elected to have the AEM completed on the vehicle while a claim was registered or submitted and pending review. Most of the claims were related to Generation 1 Vehicles.

The closing figures above do not include the 11,401 Sellers and 3,928 Former Lessees who had been paid on claims as of November 18, 2017, because these consumers were not

required to go through the closing process. The aggregate values of these Seller and Former Lessee claims paid by Volkswagen through November 18, 2017, were \$36,878,324.25 and \$13,200,170.20, respectively.

Finally, the Claims Supervisor audited all 67,883 final award calculations made for consumers between May 2017 and mid-November 2017 to determine whether consumers were receiving payments to which they were entitled based on the requirements in the Resolution Agreements.<sup>30</sup> The audit showed that the overwhelming majority of consumers received correctly calculated final payments, but it also revealed sixty-nine instances (0.01%) where underpayments occurred in amounts ranging between \$30 and \$270. The variance was caused by a technical issue with Volkswagen's system that affected mileage calculation and valuation in limited circumstances where: (i) a consumer who selected an AEM remedy completed the AEM before completing the claims process, *and* (ii) the difference in mileage used for the award calculation and the correct mileage was large enough to affect the mileage valuation component of the Vehicle Value formula that drives the Restitution award.<sup>31</sup> A previous Volkswagen system patch had corrected the technical issue, and Volkswagen reported that it has issued top-off payments to these sixty-nine consumers.

#### G. Progress Toward the 85% Target

The Resolution Agreements set a target that Volkswagen should buy back or modify 85% of the Eligible Vehicles captured within the settlement. The Resolution Agreements also provide

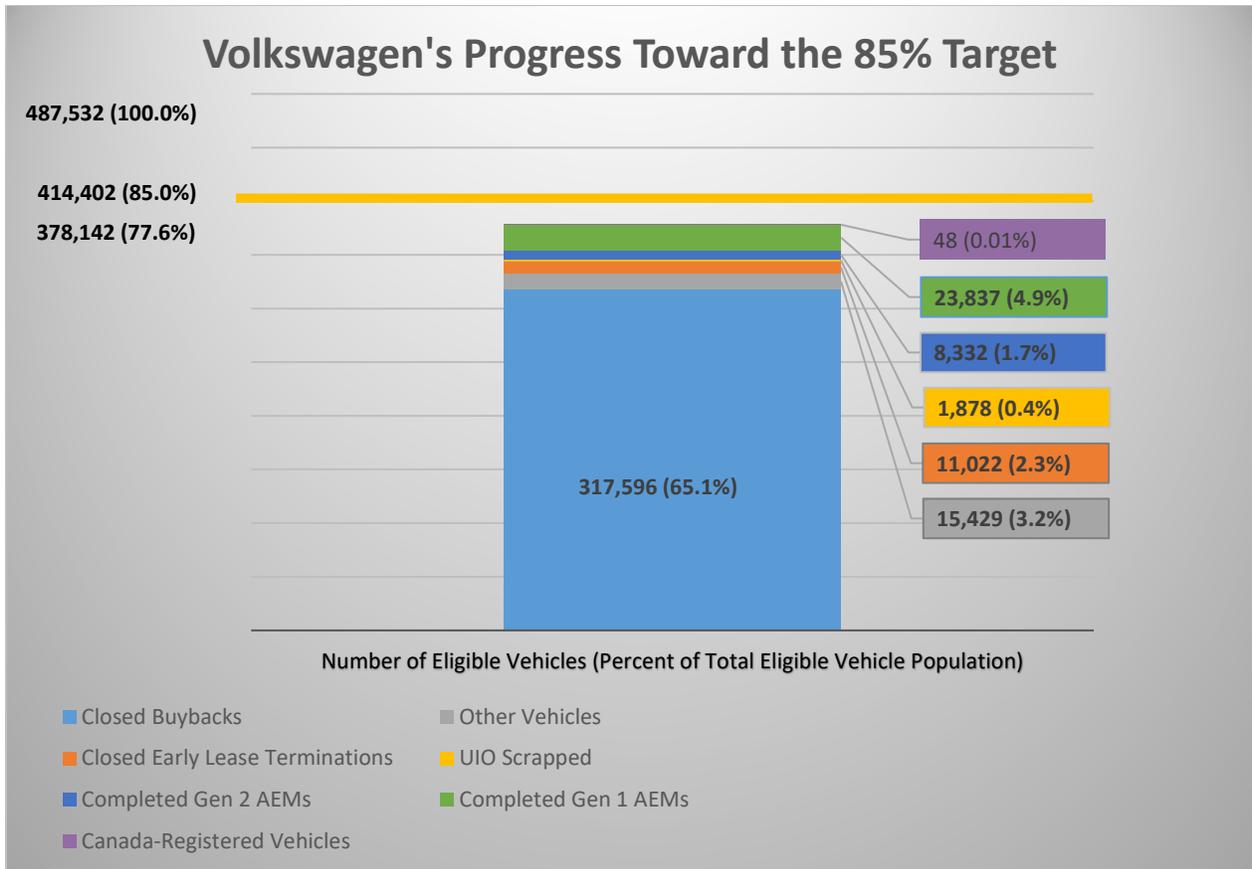
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<sup>30</sup> The Claims Supervisor had previously audited all final payments issued from the start of the Claim Period through early May 2017. The audit of more than 276,000 payments verified Volkswagen's payment calculations.

<sup>31</sup> The mileage valuation component of the Vehicle Value formula depends on the range within which the mileage falls on mileage tables published by the National Automobile Dealers Association (NADA) at the time the final payment is calculated. The mileage valuation component for a vehicle with "0-5,000 miles" generally will be higher than the mileage valuation component for the same vehicle if it had "5,001-10,000 miles," because a vehicle with fewer miles is more valuable. Thus, the technical issue that had affected mileage calculations for consumers who selected an AEM remedy and completed the AEM remedy before completing the claims process only resulted in underpayments where the divergence between the correct mileage calculation and the incorrect mileage calculation was large enough to push the consumer into a higher NADA mileage range associated with a lower dollar value.

that “the total number of 2.0 Liter Subject Vehicles is 487,532 (499,406 vehicles less scrapped vehicles as of October 1, 2015).” Through November 18, 2017, Volkswagen had removed approximately 77.6% of Eligible Vehicles from commerce. Chart 2-32 shows Volkswagen’s progress toward the 85% target.

**Chart 2-32<sup>32</sup>**



The “Other Vehicles” category depicted in Charts 2-32 and 2-33 represents vehicles Volkswagen has removed from commerce outside of the Claims Program. This includes, among other things, leased vehicles that were returned by a consumer to VW Credit, Inc. or Audi

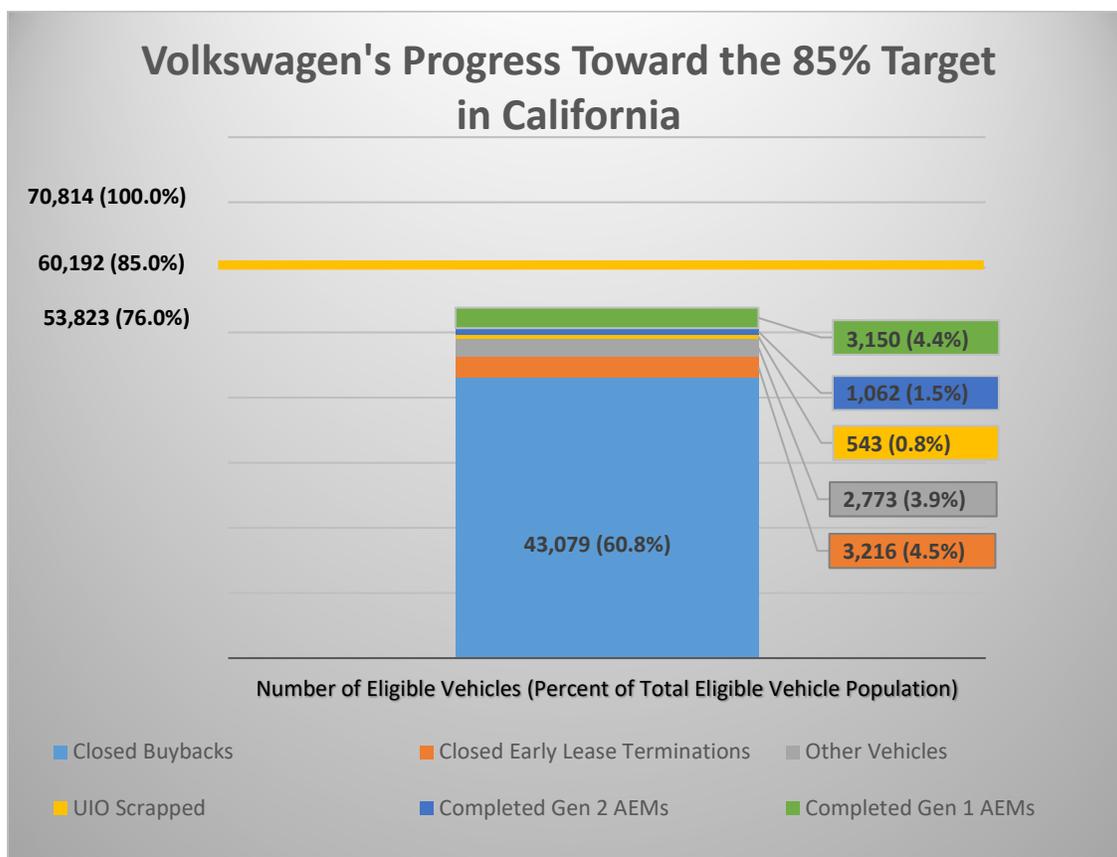
<sup>32</sup> Figures in Chart 2-32 relating to UIO Scrapped and Other Vehicles were based on Volkswagen data as of September 30, 2017. Vehicles purchased in the United States but registered in Canada are also included in measuring Volkswagen’s progress toward the 85% target because these VINs are within the “total number of 2.0 Liter Subject Vehicles” set forth in the Resolution Agreements.

Financial Services, used vehicles that Volkswagen acquired from dealerships, and company cars previously utilized by Volkswagen employees that have since been retired.

Chart 2-32 does not include 10,680 consumers with Generation 3 Eligible Vehicles (2.2% of the “total number of 2.0 Liter Subject Vehicles”) who had completed the first phase of the AEM process. Nor does it include 11,682 Eligible Vehicles (2.4% of the “total number of 2.0 Liter Subject Vehicles”) that were part of dealers’ stock at the time Volkswagen issued the stop-sale order in response to the notices of violation and, according to Volkswagen, subsequently received the first phase of the AEM process. These Generation 3 Vehicles will be included in the 85% analysis once the final phase of the AEM process is completed.

Finally, the Resolution Agreements also specifically require that Volkswagen buy back or modify 85% of the Eligible Vehicles registered in California and captured in the settlement. The Resolution Agreements further state that “the total number of all 2.0 Liter Subject Vehicles registered in California is 70,814.” Through November 18, 2017, Volkswagen had removed approximately 76.0% of Eligible Vehicles registered in California from commerce. Chart 2-33 shows Volkswagen’s progress toward the California-specific 85% target.

Chart 2-33<sup>33</sup>



Additionally, as of November 10, 2017, 2,096 consumers with Generation 3 Vehicles from California (4.4% of “total number of all 2.0 Liter Subject Vehicles registered in California”) had completed the first phase of the AEM process. These vehicles will be included in the California-specific 85% analysis once the second and final phase of the AEM process is completed.

### III. Consumer Experience

As would be expected given the overall effectiveness of Volkswagen’s administration of the Claims Program during this quarter, complaint volume remained low relative to the total number of claims being processed, and the company generally provided responsive and effective customer support to those consumers who needed assistance. This section provides updates

<sup>33</sup> Figures in Chart 2-33 relating to California UIO Scrapped and Other Vehicles were based on Volkswagen data as of September 30, 2017.

pertaining to certain key components of the Claims Program and an analysis of the company’s performance in delivering customer support.

A. Claims Program Updates

1. Approved Emissions Modifications

As detailed in prior reports, the EPA and CARB approved emissions modifications for all Eligible Vehicles depicted in Chart 3-1.<sup>34</sup>

**Chart 3-1**

<b>Generation 1 Vehicles</b>	
<b>Model</b>	<b>Model Years</b>
VW Jetta	2009-2014
VW Jetta SportWagen	2009-2014
VW Golf 2-Door	2010-2013
VW Golf 4-Door	2010-2014
VW Beetle	2013-2014
VW Beetle Convertible	2013-2014
Audi A3	2010-2013

<b>Generation 3 Vehicles</b>	
<b>Model</b>	<b>Model Years</b>
VW Jetta	2015
VW Golf 4-Door	2015
VW Golf SportWagen	2015
VW Beetle	2015
VW Beetle Convertible	2015
VW Passat	2015
Audi A3	2015

<b>Generation 2 Vehicles</b>	
<b>Model</b>	<b>Model Years</b>
VW Passat (auto)	2012-2014

During this quarterly reporting period, the Claims Supervisor attended a series of AEM appointments involving 2.0 Liter Generation 1 and 3 Vehicles, as well as 3.0 Liter Vehicles to further evaluate the process.<sup>35</sup> Volkswagen coordinates the AEM process for dealerships across the country using a web-based application known as the IN-FORM tool. The IN-FORM tool generates a series of interactive forms that guide dealership personnel to ensure that AEMs are completed in conformity with established protocols and procedures. The forms are sequentially

<sup>34</sup> For Generation 3 Vehicles, only the first phase of the AEM -- removal of the defeat device software -- is available. The second phase of the AEM -- implementing new emissions control mechanisms that will further reduce emissions output and maintain emissions performance for the full useful life of the vehicle -- is anticipated to become available in early 2018.

<sup>35</sup> The service managers the Claims Supervisor met with advised that the consumer experience is generally uniform regardless of the type of AEM being performed, with the only potential exception being the length of the appointment.

unlocked to ensure that all required steps are taken in the appropriate order. The IN-FORM tool also provides videos of how to perform certain technical aspects of the AEMs.

The first step required by the IN-FORM tool is entry of a VIN to validate that the consumer submitted a claim. If the VIN cannot be validated, the consumer is directed to call a dedicated TDI support line to provide authorization.<sup>36</sup> Once the dealership is able to validate a VIN, three interactive forms are generated.

The first form is the Service Initiation Form, which requires a current odometer reading supported by a photograph. Once that is provided by the dealership, the second form is unlocked -- the Service Modification Documentation Form -- which is utilized by the technician to document the specific steps taken to complete the AEM. The Service Modification Documentation Form requires five to eight user inputs depending on the AEM type, including submission of photographs of the VIN, the properly installed “Vehicle Emissions Control Information Label” and “TDI Modification Proof of Completion Label,” as well as confirmation of the installation of the software update and hardware (if applicable). The Service Modification Documentation Form additionally requires a certification that the vehicle has been test-driven following completion of the work. This is required in an effort to ensure that the AEM is correctly performed.

Once the Service Modification Documentation Form has been completed, the technician is prompted to contact a service manager or shop foreman to seek validation of the AEM. A third form is then unlocked -- the Service Modification Manager Validation Form -- which includes a set of checkboxes that appear next to all photographs taken by the technician to allow

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<sup>36</sup> As explained in the May 2017 Report, at times, consumers elect to have an AEM performed at a dealership without first completing the claims process. The TDI support line is required to inform the consumer that once the AEM is performed, he or she will no longer be eligible to receive a Buyback. If the consumer elects to proceed with the AEM, an “unlock code” is provided allowing the AEM to proceed. Once completed, the consumer is given information on how to proceed with filing a claim for Restitution.

the service manager or shop foreman to validate that each step was correctly performed. The service manager or shop foreman is then required to certify that all necessary steps of the AEM have been completed.

The AEM process concludes with the generation of a Service Delivery Confirmation, which provides proof that the AEM was completed and includes the Restitution payment total, if a valid AEM modification offer is reflected in Volkswagen's system. If a valid AEM modification offer is not located, meaning that the consumer has not yet submitted an AEM claim, information sheets are provided to the consumer explaining the steps needed to obtain the restitution payment. In instances where an AEM claim has been submitted by the consumer but it is still being processed at the time the AEM is completed, payment is issued once Volkswagen completes processing the claim and confirms the consumer's eligibility and award amount. Restitution payments are provided for eligible claims by EFT or check from Volkswagen depending on the election made by the consumer during the claims process. No payments are made at the dealership.

The dealership personnel with whom the Claims Supervisor interacted stated that they generally found the IN-FORM tool to be intuitive and helpful in enabling the successful completion of AEMs. They each indicated that the dealerships have encountered relatively few issues during the AEM process. The dealerships' interactions with consumers that were observed by the Claims Supervisor were professional and efficient, typically lasting for only a few minutes. Based on these observations, the performance metrics set forth in Section II, and the relatively limited number of consumer complaints related to the AEM process, it appears that Volkswagen is administering an effective and streamlined AEM process.

## 2. Non-Standard Claims

Since the last quarterly report, Volkswagen has made considerable progress processing some of the few remaining categories of claims that have historically presented unique

challenges, including claims by military personnel serving overseas, claims associated with vehicles purchased in the United States but registered in Canada, and claims made by consumers residing on certain Hawaiian Islands without access to a Volkswagen dealership.

a) Military Claims

With respect to military personnel deployed overseas with their vehicles, Volkswagen has reported completing closings for 587 of the 761 claims (77.1%) it has received as of November 20, 2017 -- an increase of 382 claims since the August 2017 Quarterly Report. The company has shipped vehicles to the United States for military personnel stationed in Germany, Italy, the United Kingdom, Belgium, South Korea, Guam, Spain, the Netherlands, Greece, Russia, Austria, Cuba, Turkey, Aruba, Scotland, and France, among others. In addition, Volkswagen has reimbursed nineteen consumers who shipped their vehicles to the United States from overseas in connection with their Buyback claim. Volkswagen leadership has advised that it will continue processing such Buyback claims while also working towards developing and implementing processes for completing AEMs for military personnel serving overseas in the coming months.

b) Canadian Claims

As explained in the August 2017 Report, Volkswagen had initiated a pilot program to process claims associated with vehicles purchased in the United States but registered in Canada in order to work out challenging logistical, tax, and customs issues.<sup>37</sup> Throughout the course of the pilot program, the company tested and refined its procedures for the processing of such claims. In total, Volkswagen completed two Buybacks and two AEMs under the pilot program.

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<sup>37</sup> These claims were initially deemed ineligible by Volkswagen based on express language in the Class Action Settlement Agreement requiring Eligible Vehicles to have been registered in the United States at some point between September 18, 2015 and June 28, 2016. Upon further analysis, it appeared these claims were not covered by either the United States or Canadian settlements. Consequently, after consultation with the Parties, Volkswagen ultimately determined to provide compensation to consumers who purchased an Eligible Vehicle in the United States but registered it in Canada if they otherwise meet the eligibility requirements.

Following the successful completion of those claims, Volkswagen expanded the program. By e-mail correspondence dated November 13, 2017 and November 16, 2017, Volkswagen notified potentially eligible consumers who registered through the Claims Portal that the company had begun processing Buyback and AEM claims. The correspondence directed recipients to complete the registration of their claims in the Claims Portal, if they had not already done so, and to elect payment by check rather than by EFT because EFTs cannot be completed cross-border. Additionally, the correspondence advised that, if the recipient had previously submitted a claim that was deemed ineligible, he or she would be permitted to submit a new claim.

With respect to AEMs, the correspondence advised that appointments will be scheduled directly with Canadian dealers -- rather than through the Claims Portal -- and that an extended warranty will be provided.<sup>38</sup> With respect to Buybacks, the correspondence advised that appointments will be scheduled through Volkswagen Canada (rather than through the dealerships) and that, prior to completion of a Buyback, any outstanding loan must be satisfied. If an outstanding loan is not satisfied, the consumer's only option will be an AEM. Volkswagen expects to begin issuing offer letters to eligible consumers in the coming weeks with closing appointments being scheduled shortly thereafter.

c) Hawaiian Claims

The company has reported completing closings for all sixty-four claims that it has received to date from consumers residing on Hawaiian Islands that do not have a Volkswagen dealership. Half of the processed claims were completed through on-island Buyback appointments and the other half involved instances where the consumer shipped the vehicle to a designated location, and was reimbursed by Volkswagen for expenses incurred.

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<sup>38</sup> The terms of the extended warranties will be based on the country in which the AEM was performed and, as a result, may vary.

### 3. Claims Review Committee

Over the course of this quarterly reporting period, the CRC made further progress in adjudicating consumer appeals. As of November 24, 2017, a total of 1,300 unique appeals (fewer than 0.3% of all submitted claims) had been filed by consumers, the majority of which challenged Volkswagen's eligibility determinations or award calculations. The CRC had reached determinations and provided consumer notifications with respect to 613 of those appeals (47.2%), including 506 determinations and notifications over the course of this quarterly reporting period. The following is a summary of the CRC's decisions to date:

- The CRC denied 421 appeals;
- For 134 consumers, the CRC advised that the issues that were the subject of the appeal had previously been resolved, thus mooting the appeal;
- In 33 instances, the CRC advised consumers that they may be eligible for benefits, provided that a new claim be submitted for review and consideration;
- The CRC ruled in favor of the consumer in 18 instances;<sup>39</sup> and
- The CRC ruled partially in favor of the consumer in 7 instances.<sup>40</sup>

Currently, all decisions issued by the CRC have involved appeals in which the Volkswagen and Class Counsel representatives have agreed on the outcome. The parties continue to work together to resolve pending appeals with the assistance of the court-appointed neutral where necessary.

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<sup>39</sup> Many of these decisions resulted in the CRC awarding consumers additional compensation for expenses incurred as a result of delays in the receipt of payoff checks by the consumers' lender. In several other instances, consumers provided additional information in support of their appeal that changed Volkswagen's initial eligibility determination.

<sup>40</sup> The CRC either awarded these consumers additional compensation for expenses incurred as a result of delays in the receipt of payoff checks by their respective lenders or changed Volkswagen's initial eligibility determination based on additional information that was provided in support of the consumers' appeals. However, the consumers' requests for compensation for the time they spent in pursuing their appeals or reimbursement for other expenses not provided for in the Resolution Agreement (*e.g.*, maintenance costs and rental vehicle costs) were denied.

#### 4. Post-Closing Processing of Vehicles

As discussed in prior reports, once a Buyback appointment is completed, arrangements are made to transfer the vehicle to one of thirty-seven secure storage facilities throughout the country, at which point each vehicle is inspected to determine if it should be destroyed due to excessive wear and tear or undergo an AEM, if one is available, and be offered for sale in accordance with the approved resale plan. Volkswagen is required to track each vehicle from closing to either destruction, or modification and resale, in order to report these figures to the DOJ, EPA, and CARB on a quarterly basis. The most recent data supplied by Volkswagen to the DOJ reflects that, as of September 30, 2017, Volkswagen has reacquired 319,334 Eligible Vehicles through the Claims Program, resold 10,256 Eligible Vehicles, and destroyed 15,374 Eligible Vehicles. Accordingly, approximately 294,000 Eligible Vehicles reacquired through the Claims Program are in a Volkswagen storage facility or are in transit to a Volkswagen storage facility.

##### B. Analysis of Consumer Outreach & Volkswagen's Response

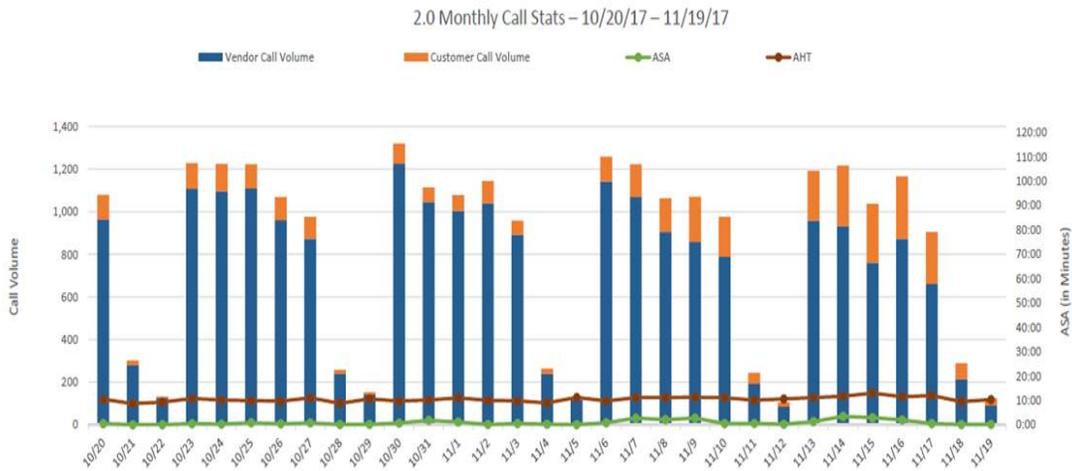
Consumer call and chat volume declined over the course of the reporting period. Between October 20, 2017 and November 19, 2017, call volume averaged 1,298 calls per weekday, as compared to over 1,800 calls per weekday from July 20, 2017 to August 19, 2017 (*i.e.*, the end of the last quarterly reporting period).<sup>41</sup> The average abandonment rate increased slightly over the same periods from less than 1.0% to just over 5.0%, while the average speed to answer remained less than one minute. The following chart depicts the daily Hotline call volume and related data.<sup>42</sup>

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<sup>41</sup> In response to significantly decreased call volume, Volkswagen reduced the number of Claims Hotline and Chat agents by eighty-eight since August 2017.

<sup>42</sup> ASA is the abbreviation for average speed of answer and AHT represents average handle time.

**Chart 3-2**



Between October 20, 2017 and November 19, 2017, chat volume averaged approximately 296 chats per weekday, as compared to 1,400 chats per weekday from July 20, 2017 to August 19, 2017. Similarly, the abandonment rate sharply decreased over the same periods from nearly 30.0% to 7.0%.

The Claims Supervisor’s review of a sample of 582 recorded calls and 1,044 chats that occurred during the reporting period showed that Volkswagen’s customer support agents remained effective in providing assistance to consumers with questions or facing challenges. The overwhelming majority of calls and chats reviewed were deemed successful. The overall success rate for the sample of calls evaluated was 96.9%, a 1.0% decrease from the prior quarter. The overall success rate for the sample of chats evaluated was 99.3%, a 0.3% improvement from the prior quarter. The primary reasons that the limited number of calls and chats were unsuccessful were that agents: (i) provided incorrect information to the consumer regarding the processing of claims; (ii) failed to properly verify the identity of the caller; or (iii) lacked certain information regarding the procedures for the processing of claims.

When consumers had more complicated or persistent issues, Volkswagen’s Resolution Team provided effective assistance. From August 20, 2017 to November 19, 2017, the Resolution Team resolved 2,341 consumer inquiries. Since the inception of the Claims Program,

the Resolution Team has received 10,812 inquiries and resolved 10,086 of them (a 93.2% resolution rate). Consistent with prior reporting periods, the most common consumer inquiries handled by the Resolution Team involved payment and loan payoff issues. Volkswagen increasingly utilized the Resolution Team to address payment issues relating to EFTs not only as they were raised by consumers, but also by proactively reaching out to consumers when it appeared that they did not take the necessary steps to complete an EFT.

As would be expected given the generally effective consumer support Volkswagen provided, complaint volume remained relatively low and, in fact, decreased since the last quarterly reporting period. Of the limited complaints consumers made, the most common related to: (i) documentation requirements, including requests for resubmission of documents without a clear understanding as to the reason why; (ii) payments to consumers (including the failure of consumers to receive the initiating EFT e-mail from J.P. Morgan Chase); (iii) incorrect information being provided; and (iv) the Claims Process in general, including its overall complexity, and perceived delays in the receipt of offer letters and the processing of certain claims, particularly AEMs.

**IV. Conclusion**

Over the course of this quarterly reporting period, Volkswagen continued to effectively administer the Claims Program. Just over one year into this two-year Claims Program, the company has removed from commerce or performed AEMs on more than 76% of all Eligible Vehicles and issued payments in the aggregate amount of \$7,264,052,688.55. The company has also made significant progress processing more challenging claims, including those involving military personnel serving overseas. As contemplated by the Resolution Agreements, the Claims Supervisor will continue to evaluate and report on Volkswagen's progress with, and adherence to, the terms of the Resolution Agreements for the duration of the Settlement Program.

Sincerely,

**Ankura Consulting Group, LLC**



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Marc-Philip Ferzan  
Senior Managing Director



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Edward J. Bell  
Senior Managing Director



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Terrence S. Brody  
Senior Managing Director



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Gary Wingo  
Senior Managing Director

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