

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 3.0  
LITER RESOLUTION AGREEMENTS ENTERED MAY 17, 2017:**

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

SEPTEMBER 13, 2018

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Consistent with the requirements of the 3.0 Liter Resolution Agreements,<sup>1</sup> the independent Claims Supervisor respectfully submits this quarterly report, which, unless otherwise specified, addresses progress in the 3.0 Liter Claims Program for the period from June 8, 2018 to September 9, 2018.

**I. Executive Summary**

During this quarterly reporting period, Volkswagen continued to timely review claims, issue offer letters, schedule closing appointments, complete Buybacks and Trade-Ins, perform Emissions Compliant Repairs (“ECRs”) and Reduced Emissions Modifications (“REMs”), and provide payments for the overwhelming majority of eligible consumers. Consumers generally proceeded through the Claims Program without issue, and the company received relatively few complaints and maintained an adequate level of customer support.

Notably, the company secured approval for a REM for Generation 1.2 vehicles on July 13, 2018, in advance of the August 1, 2018 deadline imposed by the 3.0 Liter Resolution Agreements.<sup>2</sup> The company thereafter notified potentially impacted consumers by email and regular mail of the approval and began performing REMs on Generation 1.2 vehicles on July 26, 2018. With the approval of the Generation 1.2 REM, all 3.0 Liter Subject Vehicles now have an Approved Emissions Modification available.

In addition, Volkswagen continued to effectively process and complete non-standard claims. As discussed in prior reports, certain branded title claims had been placed on hold while the Parties and the Claims Review Committee (“CRC”) worked on developing a general framework for processing these types of claims. Since agreement was reached on that

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<sup>1</sup> Capitalized and/or abbreviated terms in this report take on the definition in the 3.0 Liter Resolution Agreements or the initial report submitted by the Claims Supervisor in June 2017.

<sup>2</sup> Generation 1.2 vehicles are defined as model year 2011-2012 Volkswagen Touaregs and Audi Q7s.

framework in February 2018, Volkswagen has processed 265 claims that were previously placed on hold, including 95 claims over the course of this quarterly reporting period. The twelve claims that remained on hold, including those involving unique factual circumstances that required additional analysis by Volkswagen. Over the course of the quarterly reporting period, the company also completed sixty-two additional claims submitted by consumers who purchased vehicles in the United States but registered them in Canada. Volkswagen also completed a pilot program in Germany to perform AEMs for military members deployed overseas with their vehicles and has since begun to schedule appointments for other consumers stationed in Germany.

The statistics below cumulatively present key 3.0 Liter Claims Program metrics as of September 9, 2018:

- 80,132 registrations had been created in Volkswagen's Claims Portal;
- 67,458 consumers had submitted claims for Volkswagen to review;
- 63,633 consumers had been issued offer letters, the aggregate value of which totaled \$1,000,317,713.13;
- 60,516 consumers had accepted offer letters from Volkswagen, the aggregate value of which totaled \$966,890,902.22;
- 14,980 consumers with Generation One vehicles had closed on their Buyback or Trade-In, and Volkswagen had paid out \$603,199,531.42 in connection with these claims;

- 685 consumers had completed the REM for Generation One vehicles and Volkswagen had paid out \$5,901,541.52 to consumers in connection with completed REM claims;<sup>3</sup>
- 41,357 consumers with Generation Two vehicles had completed an ECR, including 37,285 consumers who also had completed the claims process;
- \$300,266,461.23 had been paid to consumers with Generation Two vehicles who had completed an appointment for a Repair Participation Payment and/or ECR;
- For Generation One vehicles, 645 Former Owners, 51 consumers with totaled vehicles, and 9 Former Lessees had received Restitution Payments, and the aggregate values of these payments totaled \$3,326,916.78, \$508,034.57, and \$49,846.33, respectively;
- For Generation Two vehicles, 2,150 Former Lessees, 1,098 Former Owners, and 136 consumers with totaled vehicles had received Repair Payments, and the aggregate values of these payments totaled \$4,298,000.00, \$4,666,157.88, and \$1,094,156.24, respectively;<sup>4</sup> and
- Volkswagen had paid a total of \$59,716.71 in connection with 450 extended warranty or service contract refund claims.

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

This section discusses the status of Volkswagen's 3.0 Liter Claims Program and the company's compliance with certain requirements mandated in the 3.0 Liter Resolution Agreements. All data is as of September 9, 2018, unless otherwise specified. Information

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<sup>3</sup> Data related to AEMs are as of September 7, 2018.

<sup>4</sup> Volkswagen also had issued an additional payment of \$4,202.12 related to a claim that in the claims processing system does not appear to be associated with an active offer, but on closer examination appears to be an issued Repair Participation Payment with the underlying offer letter reflected as cancelled after the payment issued.

relating to Generation One and Generation Two vehicles generally is reported separately because the 3.0 Liter Resolution Agreements afford different remedies to consumers depending on the generation of the vehicle. References to Volkswagen’s performance during “this quarter” refer to the period from June 8, 2018 through September 9, 2018.

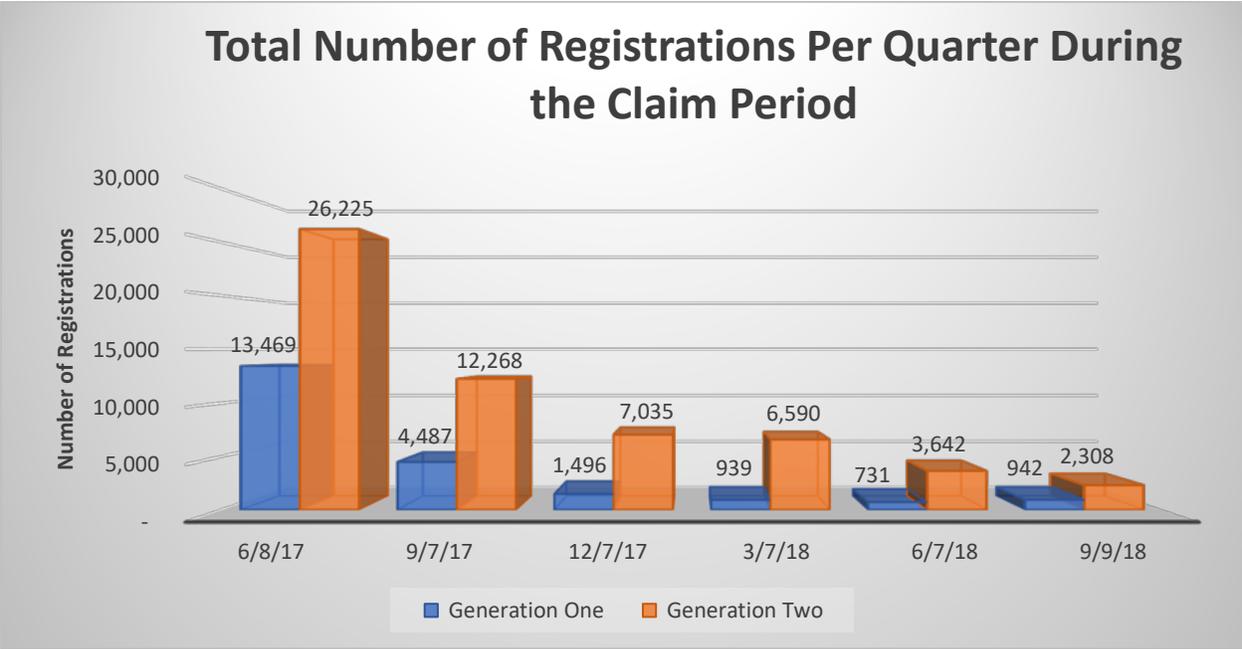
A. Consumer Registrations

As of September 9, 2018, there had been a total of 80,132 registrations in Volkswagen’s system, including 3,250 registrations created during this quarter.<sup>5</sup> 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, there were 22,064 associated with Generation One vehicles (19,863 individuals and 2,201 businesses), and 58,068 associated with Generation Two vehicles (51,858 individuals and 6,210 businesses). Chart 2-1 shows the total number of registrations created by consumers during each quarter of the Claim Period.

**Chart 2-1**

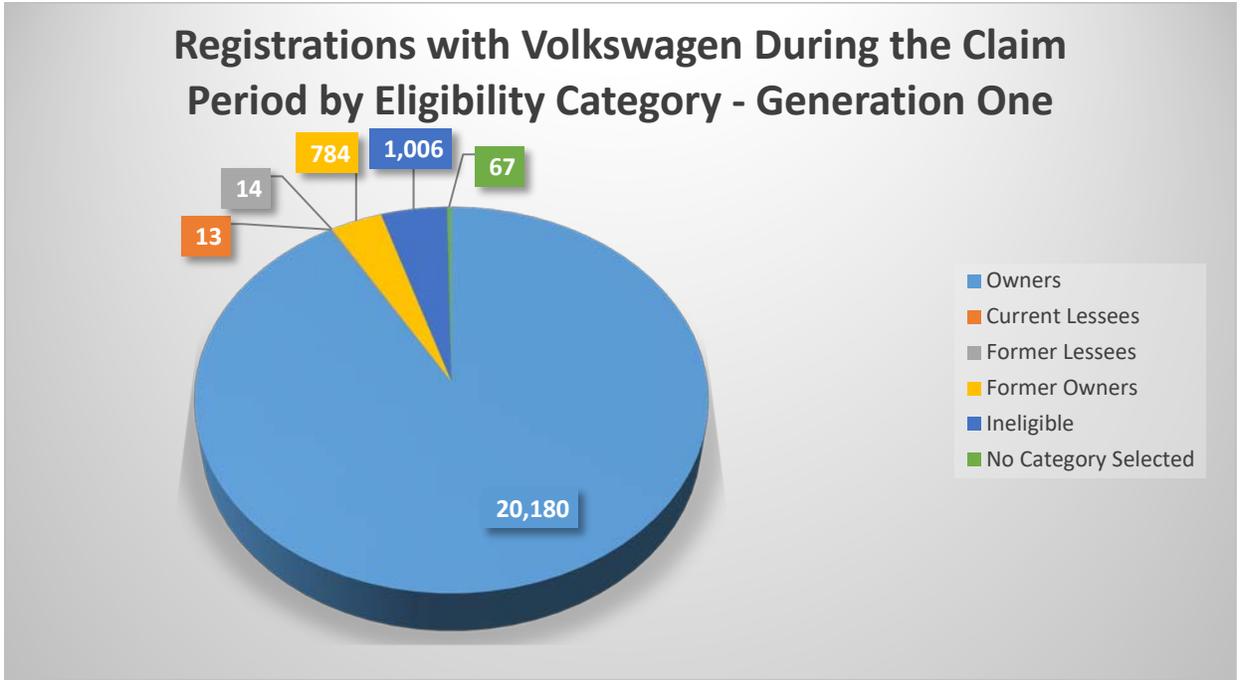
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<sup>5</sup> These figures include a significant number of duplicate entries. Duplicate entries are not identified until the requisite supporting claims information and documentation are submitted and the review periods begin. Thus, the figure overstates the number of unique claims that have been registered.



Charts 2-2 and 2-3 reflect all registrations created by consumers according to eligibility category across Generation One and Generation Two vehicles through September 9, 2018. The “No Category Selected” population consists of consumers who had created a registration as of September 9, 2018, but had not yet provided details identifying their eligibility category.

**Chart 2-2**



**Chart 2-3**

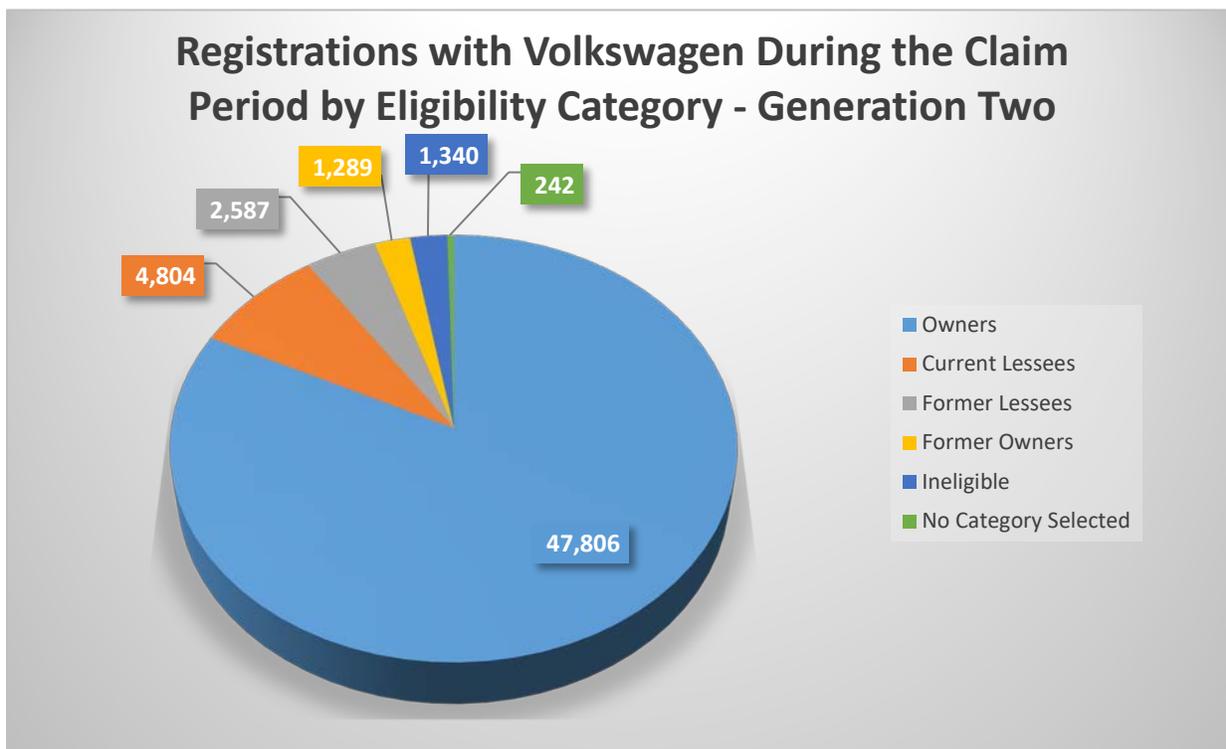
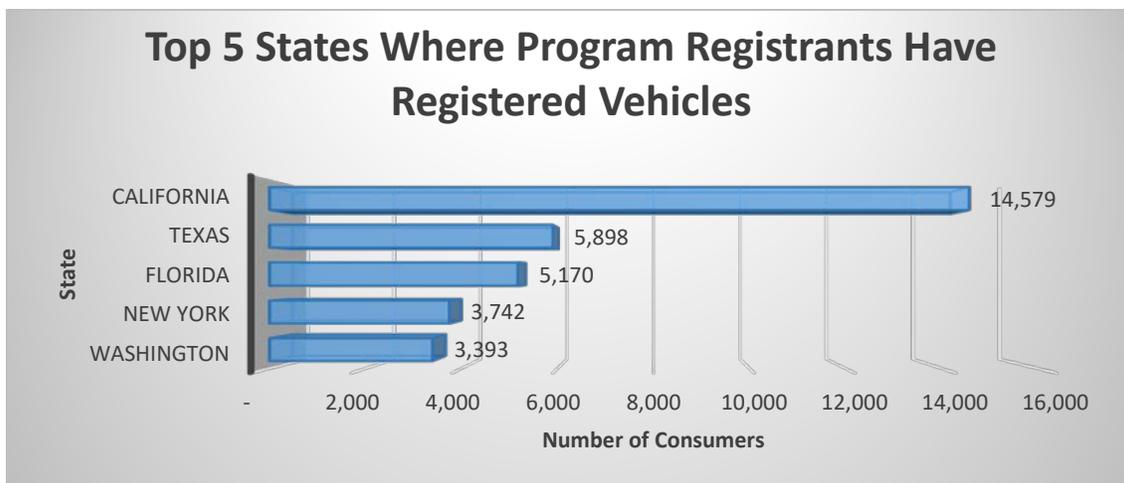


Chart 2-4 shows, among the population of vehicles associated with registered claims, the most common states where the vehicles are registered.

**Chart 2-4**

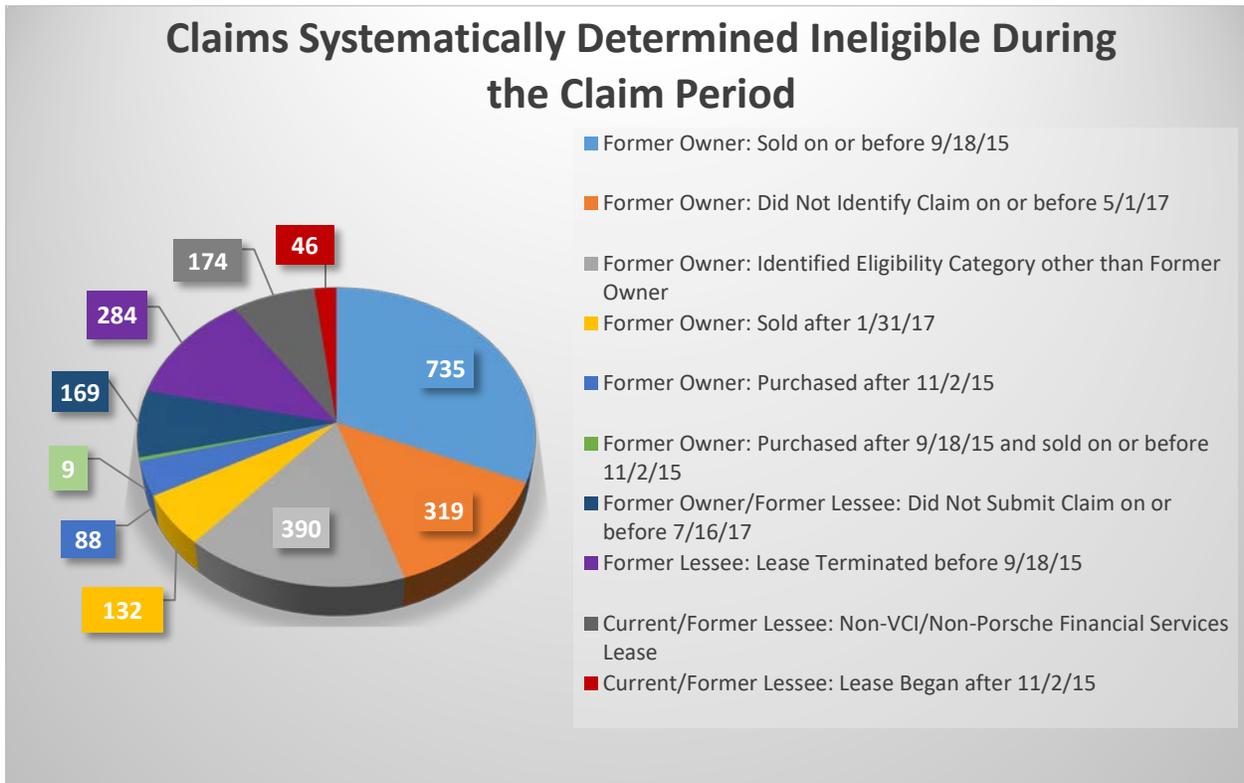


With respect to the population of 2,346 claims identified as ineligible in Charts 2-2 and 2-3, Volkswagen's system is configured to automatically determine certain ineligible claims

where information entered by the consumer into the Claims Portal indicates the consumer is not eligible under the requirements of the 3.0 Liter Resolution Agreements. For example, a consumer who attempts to submit a Former Owner claim indicating the vehicle was sold on or before September 18, 2015, is ineligible under the “Eligible Former Owner” definition. In these instances, Volkswagen sends the consumer a letter explaining the basis for the ineligibility determination.

Chart 2-5 shows the reasons for ineligibility determinations across the 2,346 claims that have been deemed systematically ineligible.

**Chart 2-5**



During this quarter, there were eighty-eight new systematic ineligibility determinations. The Claims Supervisor reviewed all of these determinations and confirmed that Volkswagen’s systematic ineligibility logic continues to operate appropriately.

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

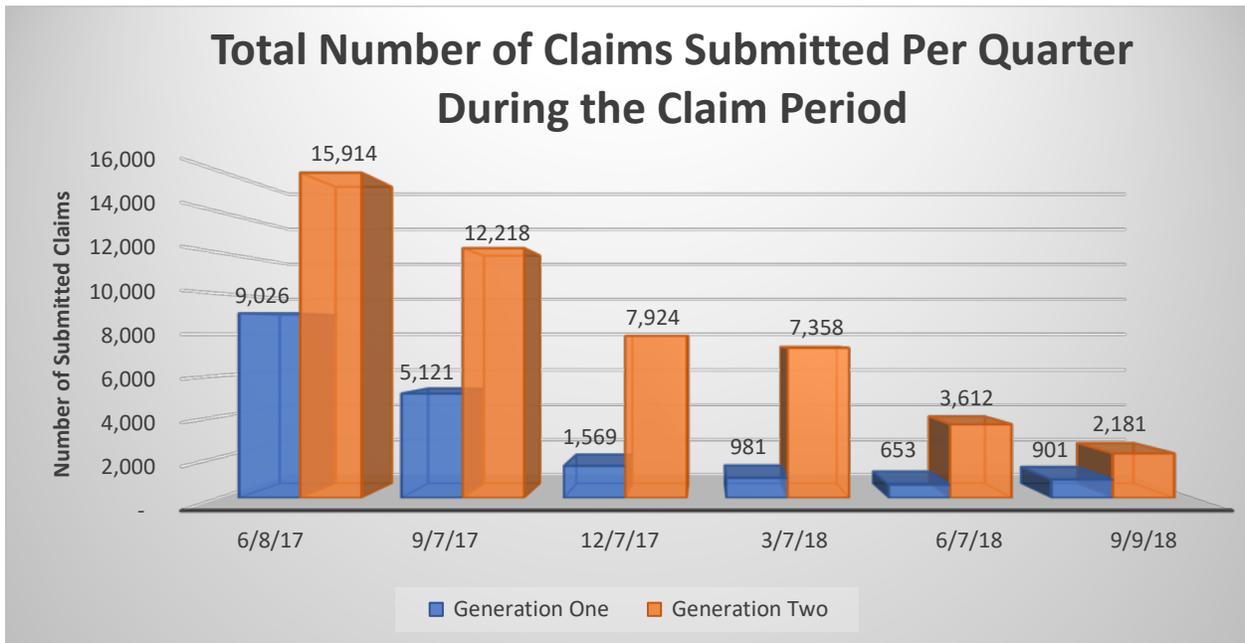
Following registration and preliminary remedy selection, a consumer's next steps in the process are to provide prescribed documents needed to substantiate the claim, and submit the claim to Volkswagen for review. As of September 9, 2018, a total of 67,458 consumers had submitted unique claims for Volkswagen to review, including 3,082 claims submitted by consumers during this quarter.<sup>6</sup> Of these, 18,251 related to Generation One vehicles (16,744 individuals and 1,507 businesses), and 49,207 related to Generation Two vehicles (44,691 individuals and 4,516 businesses).

Chart 2-6 shows, across Generation One and Generation Two vehicles, the total number of unique claims submitted by consumers during each quarter of the Claim Period.

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<sup>6</sup> "Unique claims" means unique VINs within unique eligibility categories. A claim by an Owner and a Former Owner regarding the same VIN is counted as two unique claims. Likewise, a claim by one Owner who owns five separate vehicles is counted as five unique claims.

**Chart 2-6**



Charts 2-7 and 2-8 show, across Generation One and Generation Two vehicles, respectively, the total population of consumers who had submitted claims by eligibility category.<sup>7</sup>

<sup>7</sup> The four claims not reflected in Chart 2-7 and sixteen claims not reflected in Chart 2-8 were associated with claims ultimately deemed not eligible.

Chart 2-7

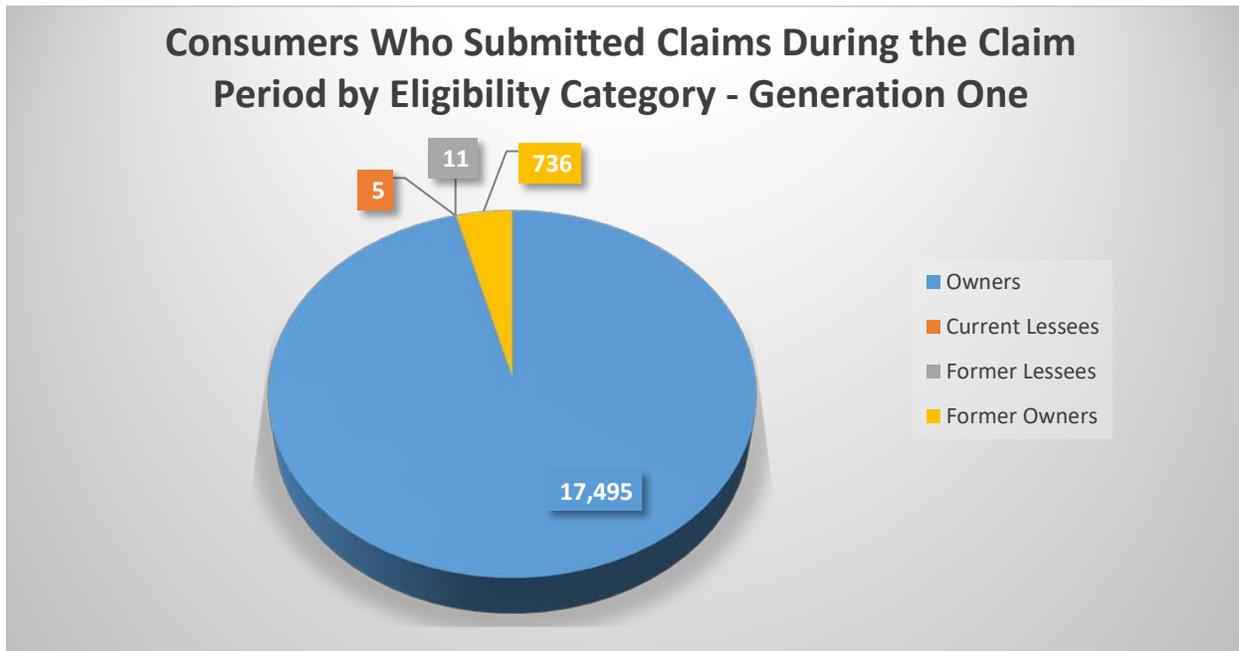


Chart 2-8

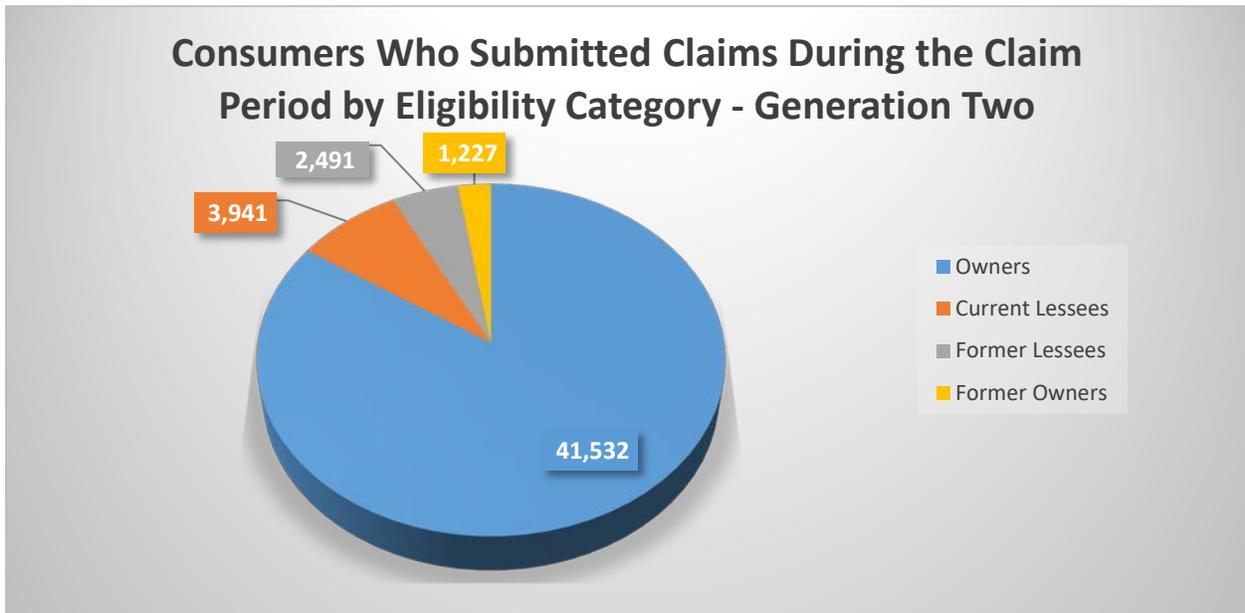
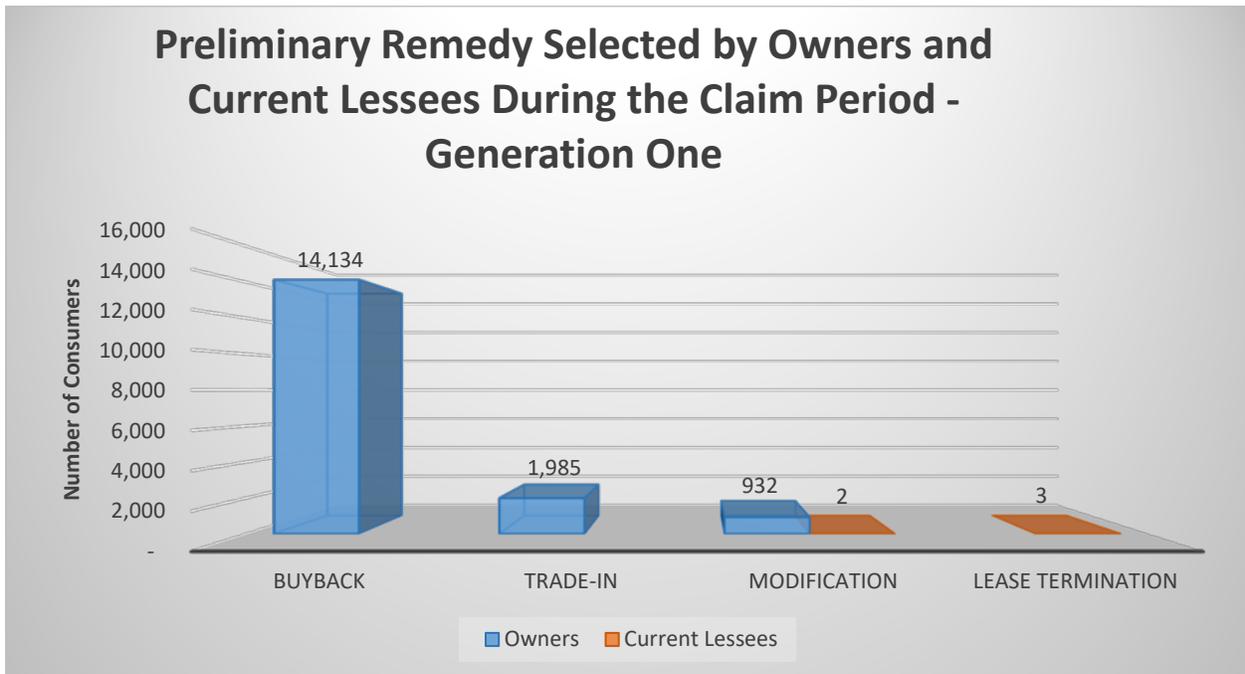


Chart 2-9 shows the preliminary remedy selections for Owners and Current Lessees of Generation One vehicles who had submitted claims through September 9, 2018.

Chart 2-9<sup>8</sup>



As consumers with Generation Two vehicles only have one remedy available, all 40,450 Owners and 3,768 Current Lessees of Generation Two vehicles who had submitted claims through September 9, 2018 sought an ECR.<sup>9</sup> A Repair Payment is the only remedy available for the 2,459 Former Lessees, as well as 1,219 Former Owners, and 163 consumers with totaled vehicles who had submitted claims associated with Generation Two vehicles. Additionally, there were 1,132 claims that were cancelled, usually as a result of the submission of duplicate claims or at the consumer's request, and 16 claims that ultimately were deemed not eligible.

<sup>8</sup> Chart 2-9 does not include remedy selections for 725 Former Owners, 59 Owners with totaled vehicles, or 11 Former Lessees who had submitted claims associated with Generation One vehicles because the only remedy available to these consumers is Restitution. The chart also excludes 396 claims that were cancelled, usually due to the submission of duplicate claims or at the consumer's request, as well as 4 claims that were deemed not eligible.

<sup>9</sup> Claim submissions, eligibility determinations, offer letters, and payments issued to Current Lessees with Generation Two vehicles are less than was reported last quarter -- and these figures for Former Lessees with Generation Two vehicles are greater -- as a result of claims associated with vehicles acquired by Volkswagen off lease that previously had been categorized in Volkswagen's system as Current Lessee claims, but during this quarter were appropriately recategorized as Former Lessee claims.

Throughout the Claim Period, Volkswagen has continued to substantially satisfy the requirement that it timely issue a determination of whether a claim was complete and preliminarily eligible (or ineligible) within ten business days of the claim submission by a consumer. As of September 9, 2018, excluding the 161 claims that were pending a determination but for which the first ten-business-day review period had not yet elapsed, Volkswagen had been required to make 102,098 first ten-business-day review period determinations. The company timely rendered 101,529 decisions for an overall first ten-business-day review period compliance rate of 99.4%. During this quarter, Volkswagen was required to make 5,275 first ten-business-day review period decisions and timely did so in 5,174 instances for a reporting period-specific first ten-business-day review period compliance rate of 98.1%.

Chart 2-10 shows Volkswagen's performance during the Claim Period in timely issuing first ten-business-day review period decisions, and Chart 2-11 shows Volkswagen's overall first ten-business-day review period performance by eligibility category.

**Chart 2-10**

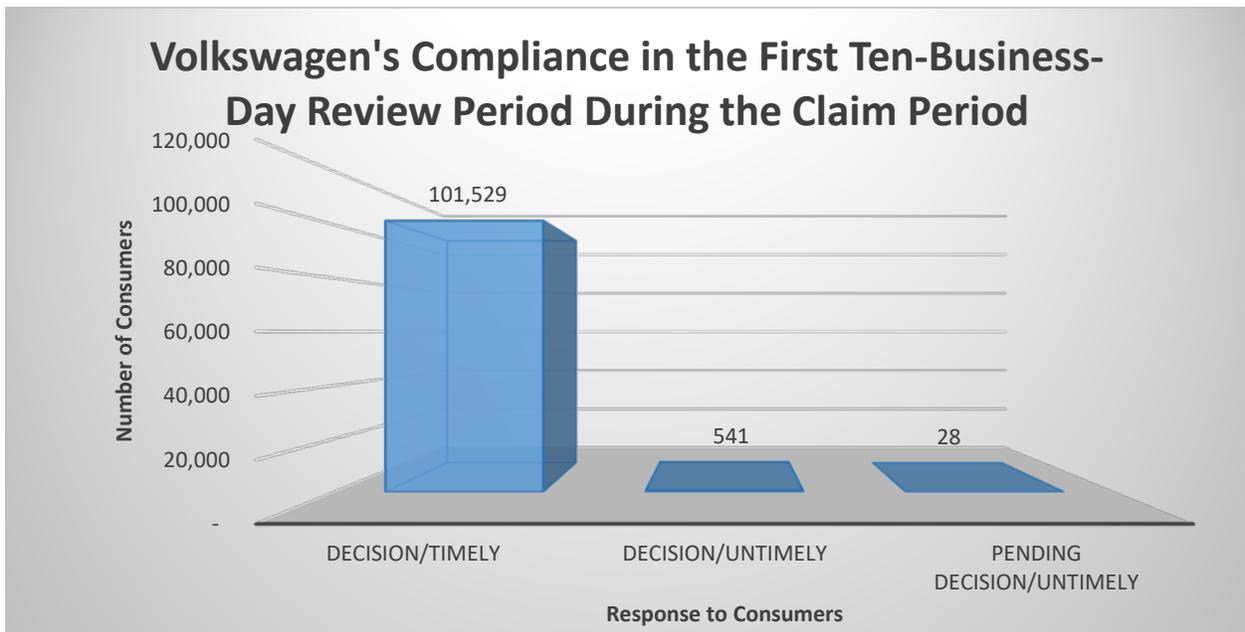


Chart 2-11<sup>10</sup>

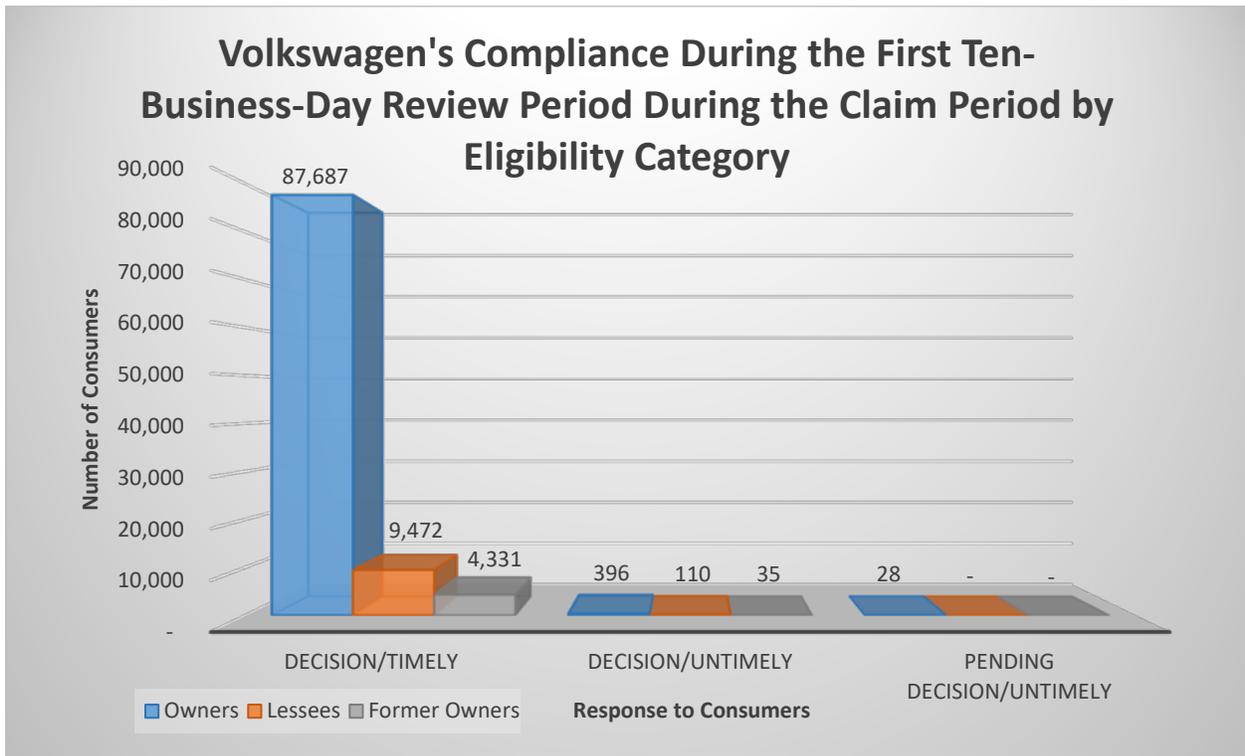
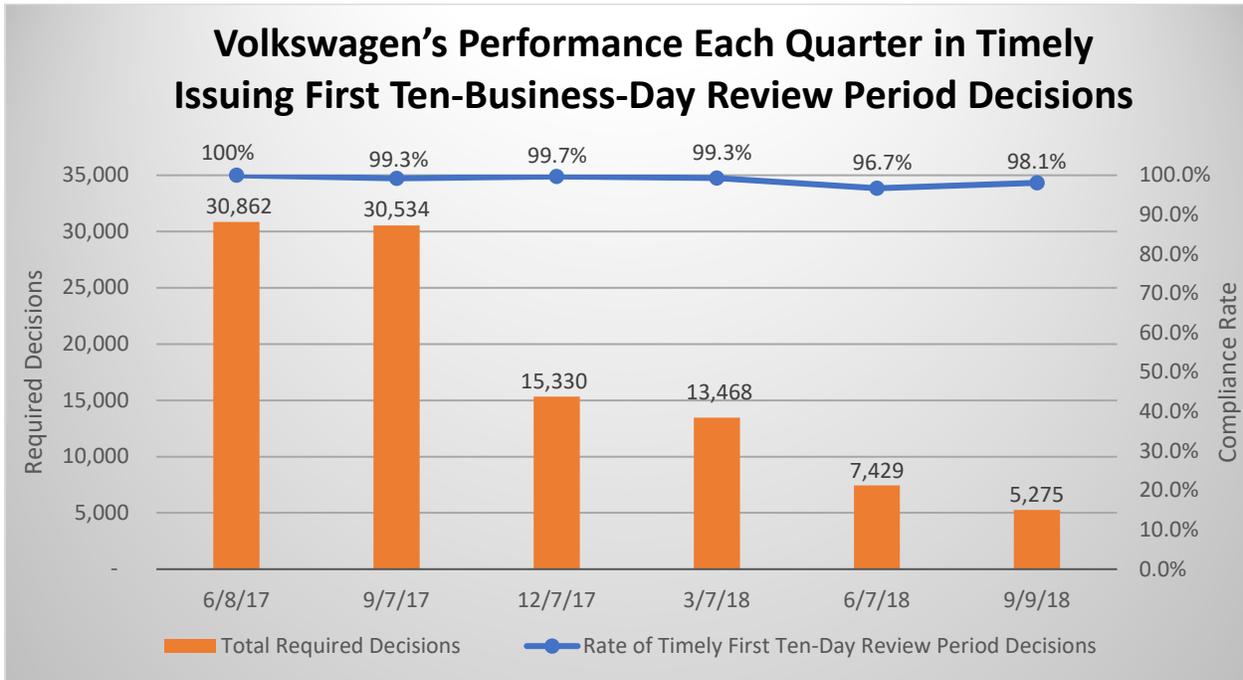


Chart 2-12 shows Volkswagen's performance in timely issuing first ten-business-day review period decisions across all quarters of the Claim Period, including during this quarter.

<sup>10</sup> The thirty-nine claims not reflected in Chart 2-11 were all claims that were timely deemed not eligible.

Chart 2-12<sup>11</sup>



The first ten-business-day review period figures (and the second ten-business-day review period figures below) exclude three groups of consumers who had submitted claims for Volkswagen to process. First, as of September 9, 2018, there were 126 active claims from consumers who initially purchased vehicles in the United States but registered them in Canada.<sup>12</sup> Second, as of September 9, 2018, there were three active claims from consumers who indicated in their claim submissions that they were employees of Volkswagen. Volkswagen has used the claims process to verify the information in these claims submissions and, where verified, engage

<sup>11</sup> The aggregated total of all claims in Chart 2-12 is 800 decisions (0.8%) greater than the aggregated total of 102,098 required decisions through September 9, 2018. The divergence is the result of changes over time in the definitions of excluded claims from the timeliness analysis, including claims associated with branded titles as described below. Chart 2-12 reflects the required number of decisions by quarter based on the exclusionary rules that were applied at the time of each quarter, while the aggregated total of required decisions and timely decisions set forth above yields Volkswagen's overall compliance rate based on applying the current exclusionary rules across the entire Claim Period.

<sup>12</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.

with these consumers. However, these consumers will not receive funds out of the Funding Pool because they are not eligible Class Members.

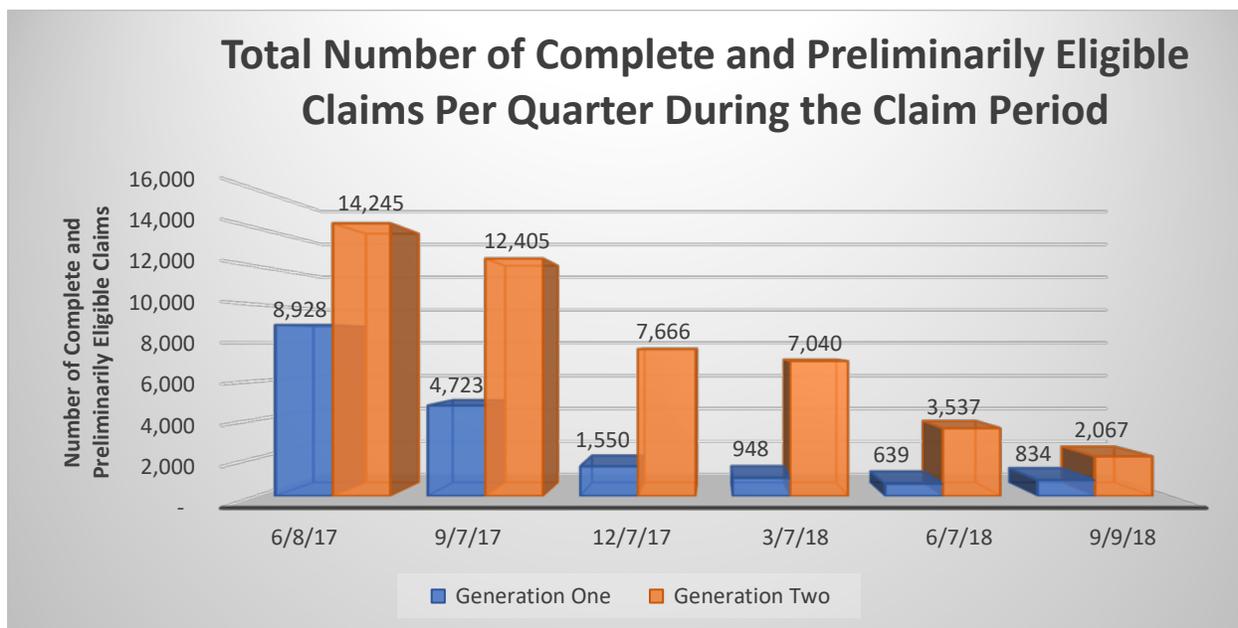
Finally, the timeliness analysis continues to exclude certain claims associated with vehicles with a branded title. From the February 26, 2018 implementation of agreed-upon protocols for processing branded title claims through September 9, 2018, Volkswagen processed 265 branded title claims while 12 claims remained to be processed. Further discussion of branded title claims is set forth in Section III below.

C. Preliminary Eligibility Determinations and Deficiencies

Through September 9, 2018, of the 67,458 unique claims that had been submitted by consumers for Volkswagen to review, a total of 64,582 claims (95.7%) had been determined by Volkswagen to be complete and preliminarily eligible. This includes 2,901 unique claims submitted during this quarter that Volkswagen deemed complete and preliminarily eligible. Across all 64,582 claims, 17,622 claims related to Generation One vehicles (16,287 individuals and 1,335 businesses) and 46,960 claims related to Generation Two vehicles (43,035 individuals and 3,925 businesses).

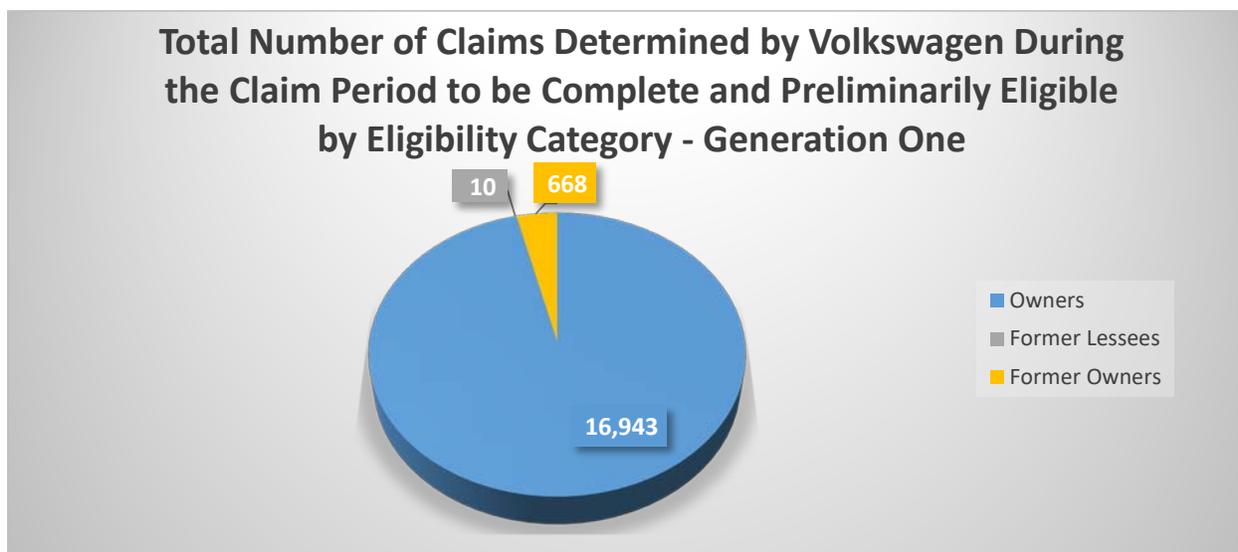
Chart 2-13 shows, for Generation One and Generation Two vehicles, the total number of claims deemed complete and preliminarily eligible by Volkswagen during each quarter of the Claim Period.

**Chart 2-13**



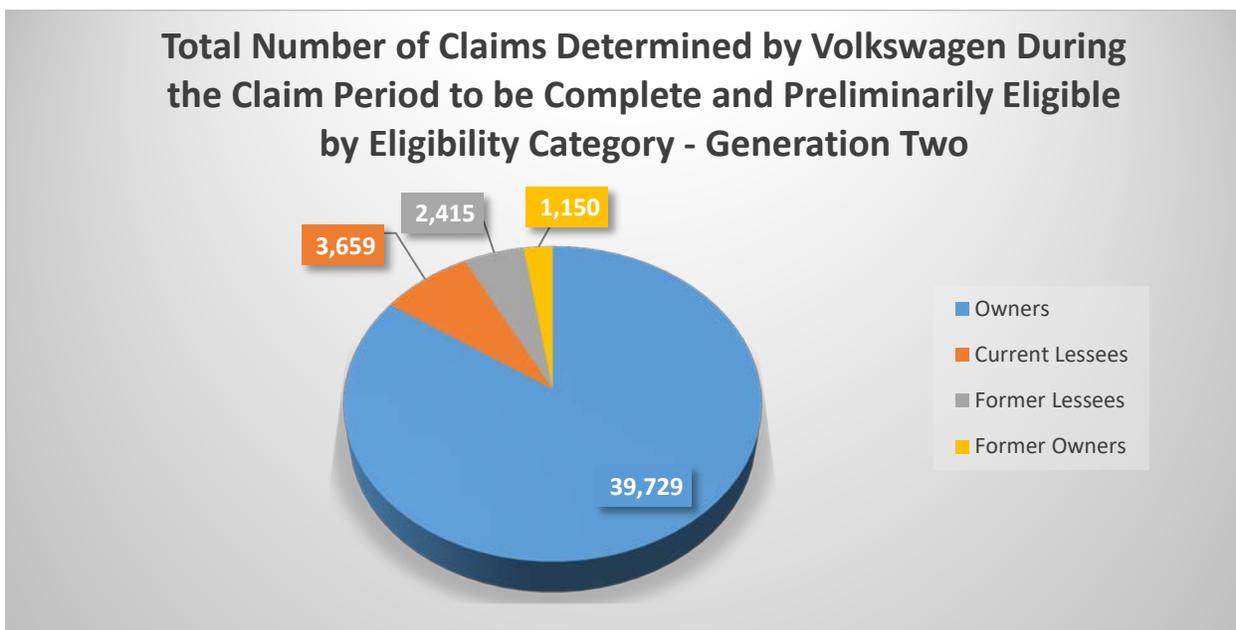
Charts 2-14 and 2-15 reflect the number of claims Volkswagen determined to be complete and preliminarily eligible by eligibility category across Generation One and Generation Two vehicles as of September 9, 2018.<sup>13</sup>

**Chart 2-14**



<sup>13</sup> The one claim not accounted for in Chart 2-14 and seven claims not accounted for in Chart 2-15 were ultimately deemed not eligible.

**Chart 2-15**



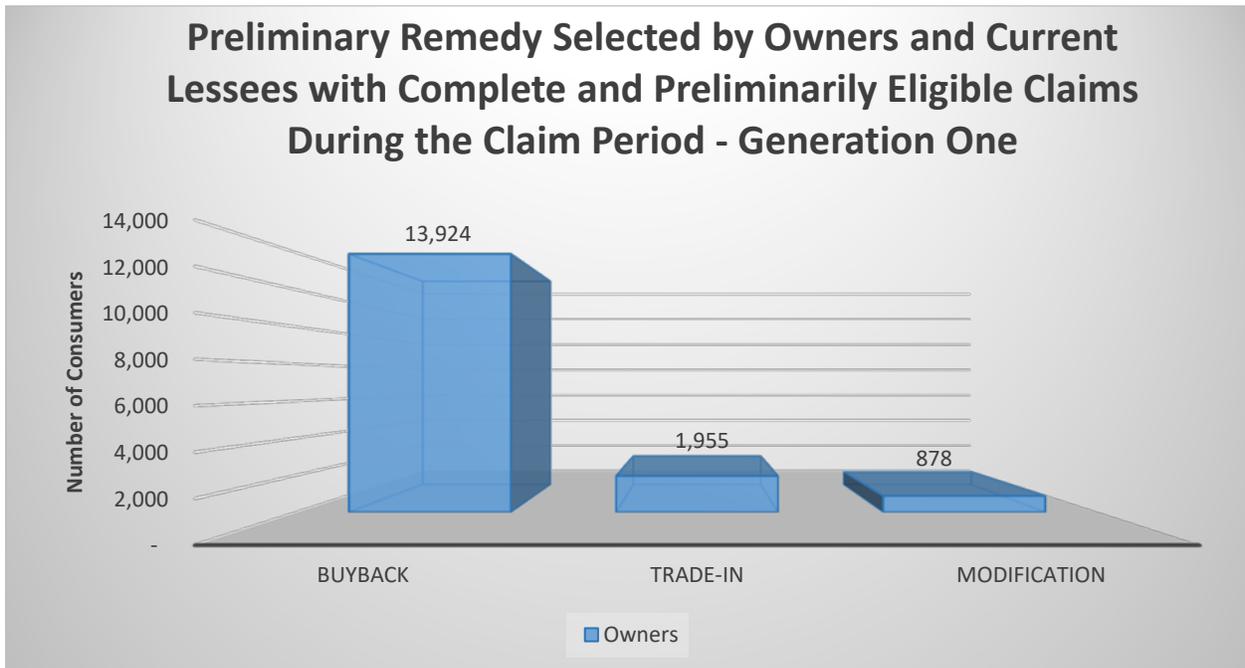
Charts 2-16 shows the most common states in which Eligible Vehicles associated with preliminarily eligible claims have been registered.

**Chart 2-16**



Chart 2-17 shows, as of September 9, 2018, the remedy selected by Owners and Current Lessees of Generation One vehicles whose claims Volkswagen had deemed complete and preliminarily eligible.

**Chart 2-17<sup>14</sup>**



For Generation Two vehicles, there is only one remedy option available to consumers. As a result, all claims of the 39,273 Owners and 3,576 Current Lessees of Generation Two vehicles that had been deemed complete and preliminarily eligible by Volkswagen through September 9, 2018, were for the ECR remedy. A Repair Payment is the only remedy available for 2,401 Former Lessees, as well as for 1,147 Former Owners, and 155 consumers with totaled vehicles who had submitted claims associated with Generation Two vehicles that, through September 9, 2018, had been deemed complete and preliminarily eligible by Volkswagen. There

<sup>14</sup> Chart 2-17 excludes 664 Former Owners, 57 Owners with totaled vehicles, and 10 Former Lessees because Restitution is the only remedy available to those consumers. It also excludes 133 cancelled claims and 1 claim that ultimately was determined to be ineligible.

were an additional 401 cancelled claims and 7 additional claims that ultimately had been deemed not eligible.

Through September 9, 2018, there were 31,823 instances where Volkswagen had deemed a claim deficient during its first ten-business-day review period. More than 52,000 individual deficiency codes had been applied by Volkswagen as of that date, as multiple deficiencies may be associated with a single claim submission. The most common deficiency codes have been: (i) an incorrect document was uploaded (14,233 claims); (ii) a document was illegible (9,798 claims); (iii) a document was incomplete or the document image was cut off (7,226 claims); and (iv) a document was missing pages (4,416 claims).

As the same claim may be resubmitted to Volkswagen after initially being deemed deficient, the 31,823 instances of deficiency determinations were associated with 21,298 unique claims. Of those 21,298 unique claims, for 20,160 claims (94.7%) consumers had made at least one attempt to cure, while for 1,138 claims (5.3%) consumers had not yet made any attempts to cure. Across the 20,160 unique claims that consumers had attempted to cure: (i) for 19,029 claims (94.4%) the deficiency was successfully cured; (ii) 61 claims (0.3%) had been resubmitted and were pending a completeness determination by Volkswagen as of September 9, 2018; and (iii) 1,070 claims (5.3%) had not subsequently been resubmitted by consumers after their initial attempt to cure the deficiency was unsuccessful.

Through September 9, 2018, there were 1,121 consumer claims with active deficiencies. The most common deficiency codes among active deficient claims were: (i) an incorrect document was uploaded (496 claims); (ii) a document was illegible (238 claims); (iii) a name on a document did not match the name in the Claims Portal (189 claims); and (iv) a document was incomplete or the document image was cut off (106 claims).

During this quarterly reporting period, the Claims Supervisor reviewed a sample of 600 deficiency codes applied by Volkswagen reviewers during the first ten-business-day review period to assess whether Volkswagen reviewers were properly applying them. The Claims Supervisor substantiated Volkswagen's deficiency determinations in 568 instances (94.7%). This concurrence rate is relatively consistent with that of previous quarters. Trend analyses showed that instances of disagreements involving complex documents decreased slightly as compared to the previous quarter,<sup>15</sup> as did disagreements involving proof of ownership documents. Disagreements regarding identification documents and financial consent forms marginally increased.<sup>16</sup>

D. The "Pause" Period

For Owners of Generation One vehicles who elect a Buyback or Trade-In remedy, whose claims are deemed complete and preliminarily eligible by Volkswagen, and whose vehicles are encumbered by a loan, the second ten-business-day review period does not begin until Volkswagen obtains loan payoff information from the lender. This information is necessary for Volkswagen to generate an offer letter for the consumer.

As of September 9, 2018, there had been 757 instances in which a claim had been "tolled" pending receipt of loan payoff information from a lender. On average, the "tolled" period has lasted less than two business days per claim. As of September 9, 2018, there were

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<sup>15</sup> "Complex documents" include: power of attorney; death certificate; proof of VCI 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>16</sup> Where the Claims Supervisor disagrees with a deficiency code determination and that deficiency determination is the sole reason the claim has been deemed deficient, the Claims Supervisor will raise the claim with Volkswagen for additional review.

four actively tolled claims pending receipt of loan payoff information from a lender, two of which had been pending for four business days, one that had been pending for two business days, and one that had been pending for one business day.

E. The Second Ten-Business-Day Review Period

Volkswagen generally has ten business days from the date it concludes that a consumer's claim is complete and preliminarily eligible to issue an offer letter.<sup>17</sup> Within that time, the Claims Supervisor also must independently verify Volkswagen's completeness, eligibility, and award determinations before an offer letter can issue.<sup>18</sup>

As of September 9, 2018, a total of 64,675 consumers had reached the second ten-business-day review period after having been deemed preliminarily eligible by Volkswagen, including 2,901 such consumers during this quarter.<sup>19</sup> Of these, 17,641 claims related to Generation One vehicles (16,305 individuals and 1,336 businesses) and 47,034 claims related to Generation Two vehicles (43,107 individuals and 3,927 businesses). Across this population, 63,633 consumers (98.4%) had been issued offer letters, including 2,971 offer letters issued during this quarter.

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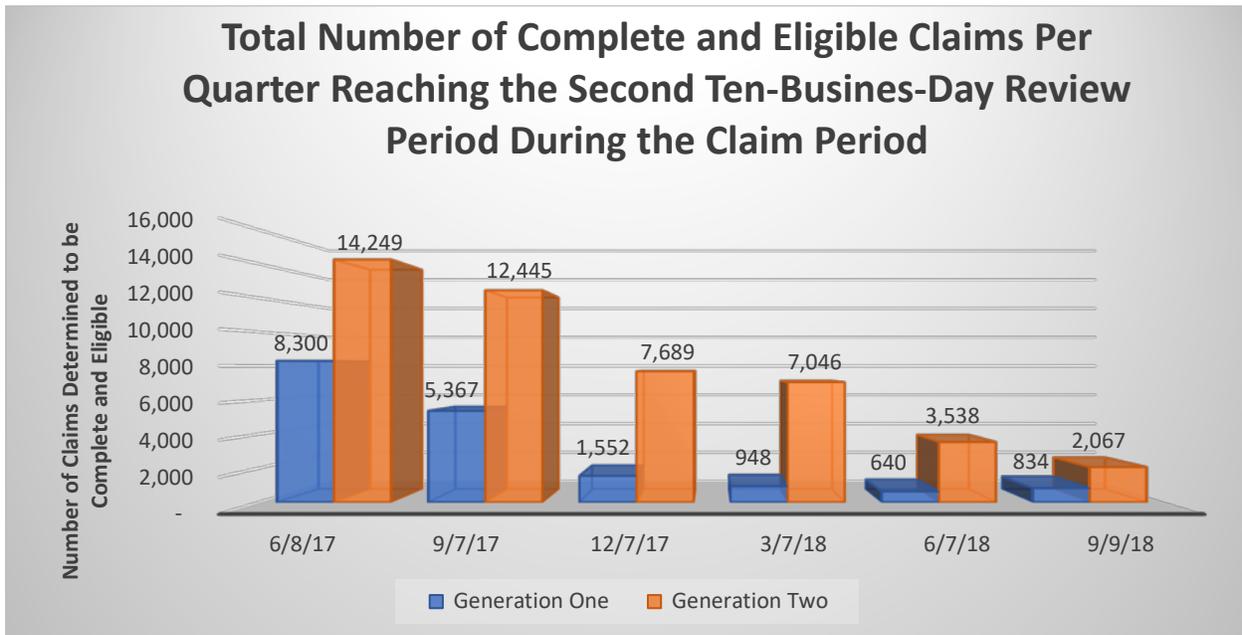
<sup>17</sup> As stated above, for claims by Owners of Generation One vehicles who elect a Buyback or Trade-In and whose vehicles are encumbered by a third-party loan, the second ten-business-day review period does not begin until Volkswagen receives from the lienholder the loan payoff amount information necessary to calculate the award and generate the offer letter.

<sup>18</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 in the Claims Portal. Through September 9, 2018, there had been 817 instances in which claims had been deemed ineligible upon review by Volkswagen. For 578 of these claims, the ineligibility determination had been validated by the Claims Supervisor and communicated by Volkswagen to the consumer. Remaining claims generally either were actively under review or were instances where claims were deemed deficient instead of ineligible, offering the consumer a chance to cure.

<sup>19</sup> As described above, there were 64,582 consumers whose claims were deemed complete and preliminarily eligible by Volkswagen, but 64,675 preliminarily eligible claims reached the second ten-business-day review period. The difference relates to instances where claims reached the second ten-business-day review period having skipped the status that ends the first ten-business-day review period. The distinction does not substantively affect claims processing. It is only reflected when data is queried to generate aggregated figures for reporting.

Chart 2-18 shows, for Generation One and Generation Two vehicles, the total number of claims reaching the second ten-business-day review period during each quarter of the Claim Period, including during this quarter.

**Chart 2-18**



Throughout the Claim Period, Volkswagen has continued to substantially satisfy the requirement to timely issue second ten-business-day review period decisions. As of September 9, 2018, excluding the 120 claims that had reached the second ten-business-day review period but for which the review period had not yet elapsed, the company had been required to make 70,071 second ten-business-day review period decisions. The company timely rendered determinations in 68,472 instances, for a second ten-business-day review period compliance rate of 97.7%. During this quarter, Volkswagen was required to make 3,454 second ten-business-day review period decisions, and timely did so in 3,284 instances for a reporting period-specific compliance rate of 95.1%.

Chart 2-19 shows Volkswagen's performance during the Claim Period in timely issuing second ten-business-day review period decisions, and Chart 2-20 reflects Volkswagen's overall second ten-business-day review period performance by eligibility categories.

**Chart 2-19**

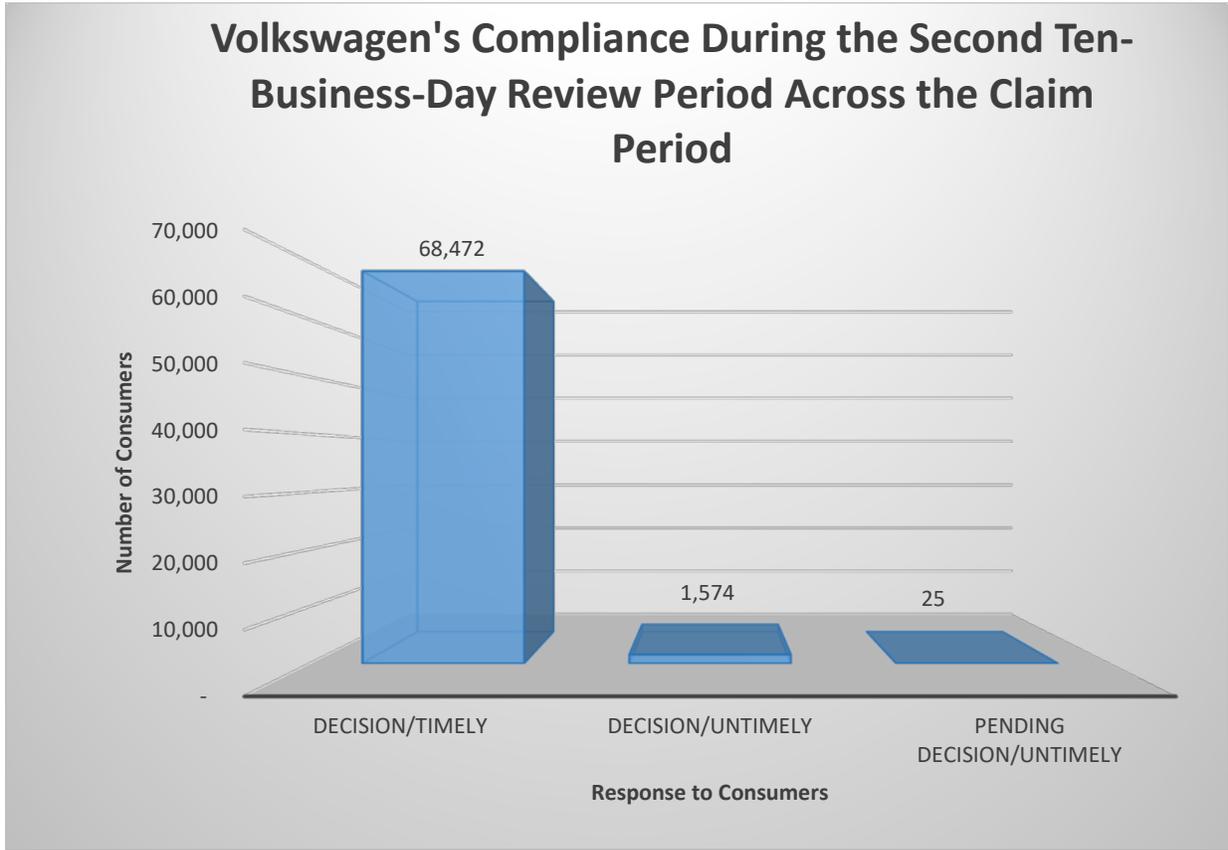


Chart 2-20<sup>20</sup>

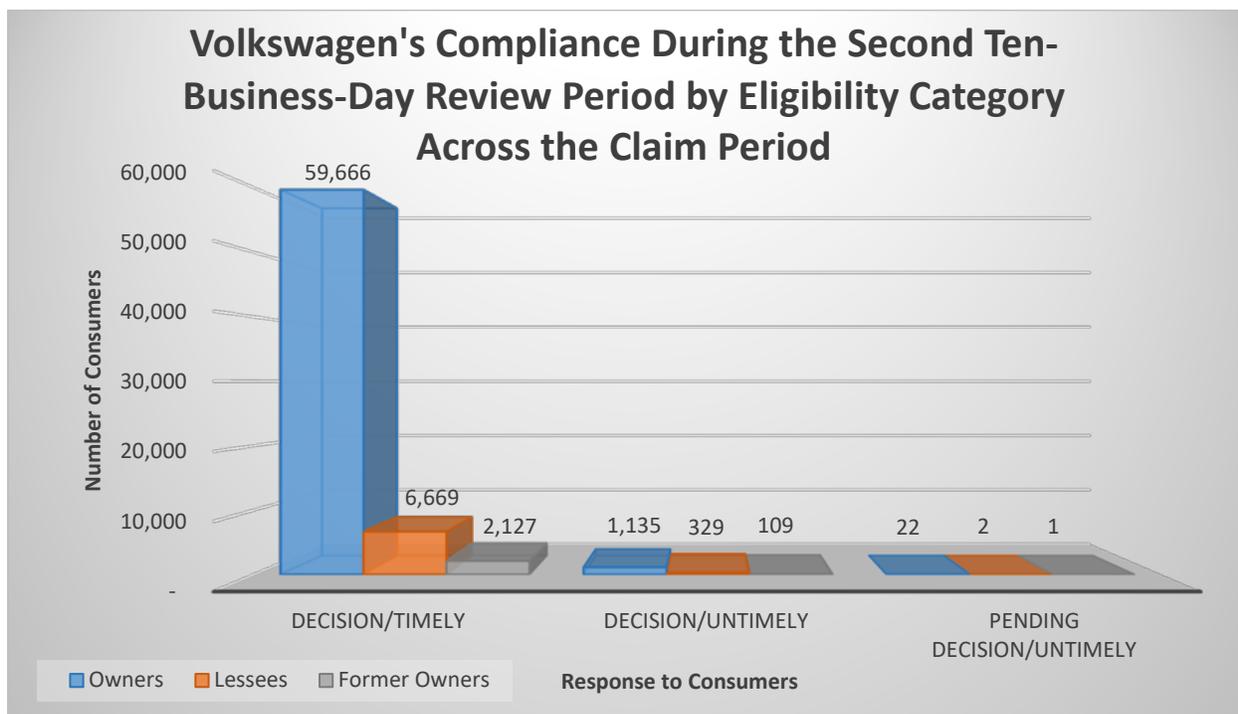


Chart 2-21 reflects Volkswagen's performance in timely issuing second ten-business-day review period decisions across each quarter of the Claim Period.<sup>21</sup>

<sup>20</sup> The eleven claims not accounted for in Chart 2-20 are associated with claims that ultimately were deemed not eligible, ten of which were timely decisions and one of which was untimely.

<sup>21</sup> As discussed above, claims associated with branded titles have continued to be excluded from the timeliness analysis. Volkswagen and the PSC, working with the CRC, in late February adopted protocols for processing branded title claims, but recognized that certain claims may present unique factual circumstances that require further collaboration. From the adoption of the protocols through September 9, 2018, Volkswagen had processed 265 branded title claims, while another 12 claims remain to be processed.

Chart 2-21<sup>22</sup>

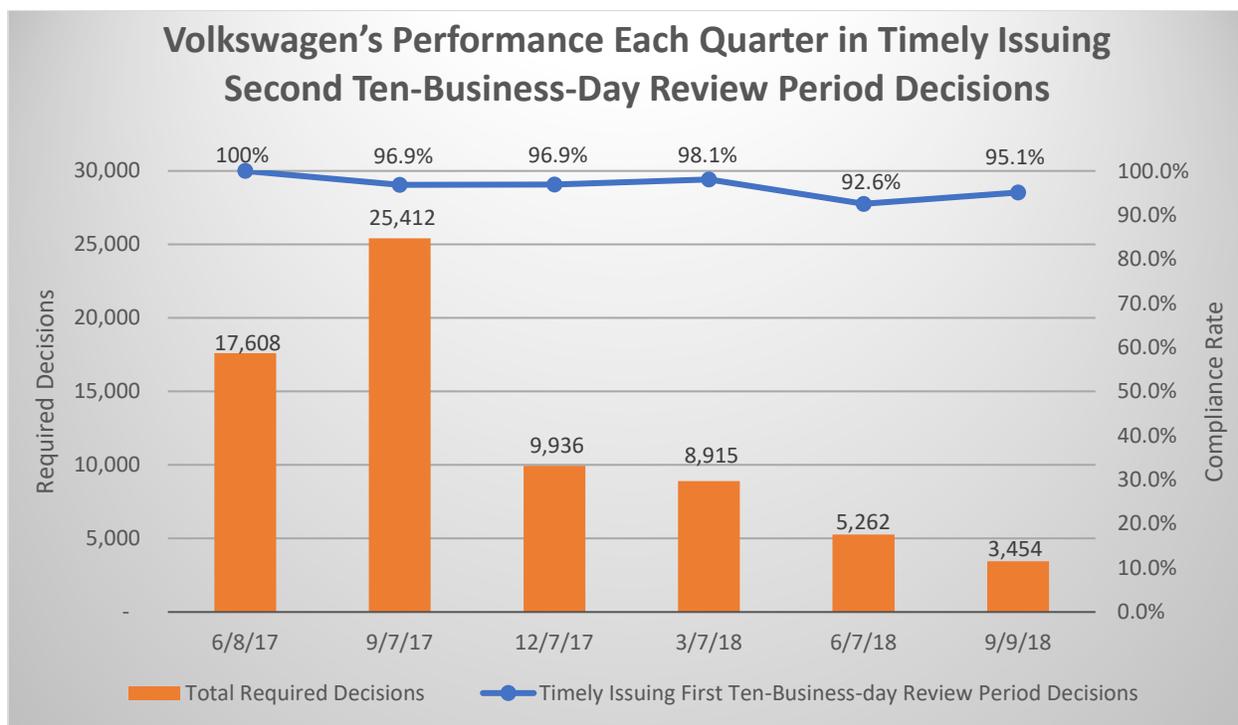
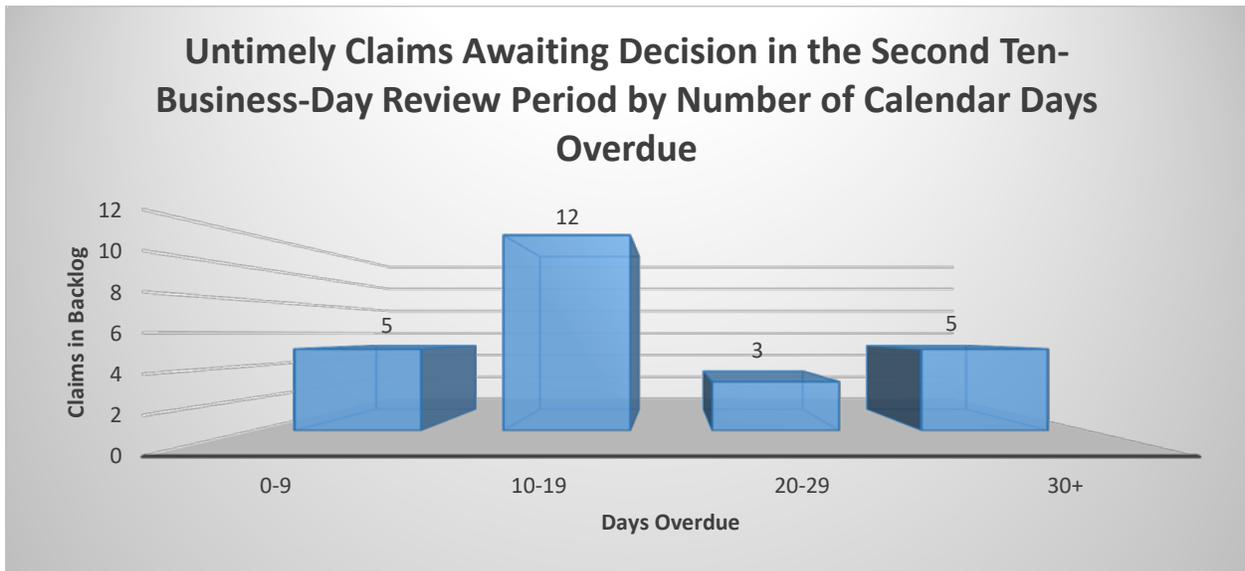


Chart 2-22 shows the twenty-five claims in Volkswagen's backlog by the number of calendar days those claims were overdue.

<sup>22</sup> For the same reasons set forth in footnote 19, the aggregated total of required decisions reflected in Chart 2-21 is 516 decisions (0.7%) greater than the 70,071 required second ten-business-day review period decisions set forth above.

**Chart 2-22**



Of the twenty-five claims in Volkswagen’s backlog as of September 9, 2018, fifteen claims were pending resolution by Volkswagen of a document deficiency, non-document deficiency, or eligibility concern associated with the claim. Another seven claims required generation of a manual offer letter because they involved consumers who purchased a Generation Two vehicle through a private sale after the previous owner had received a Repair Participation Payment for the vehicle. The remaining three claims were awaiting Volkswagen’s resolution of a deficiency associated with a generated offer letter before the offer letter could be finalized and sent to the consumer.

F. Offer Letters

Through September 9, 2018, Volkswagen had issued 63,633 offer letters, the aggregate value of which totaled \$1,000,317,713.13, including 2,971 offer letters issued during this quarter

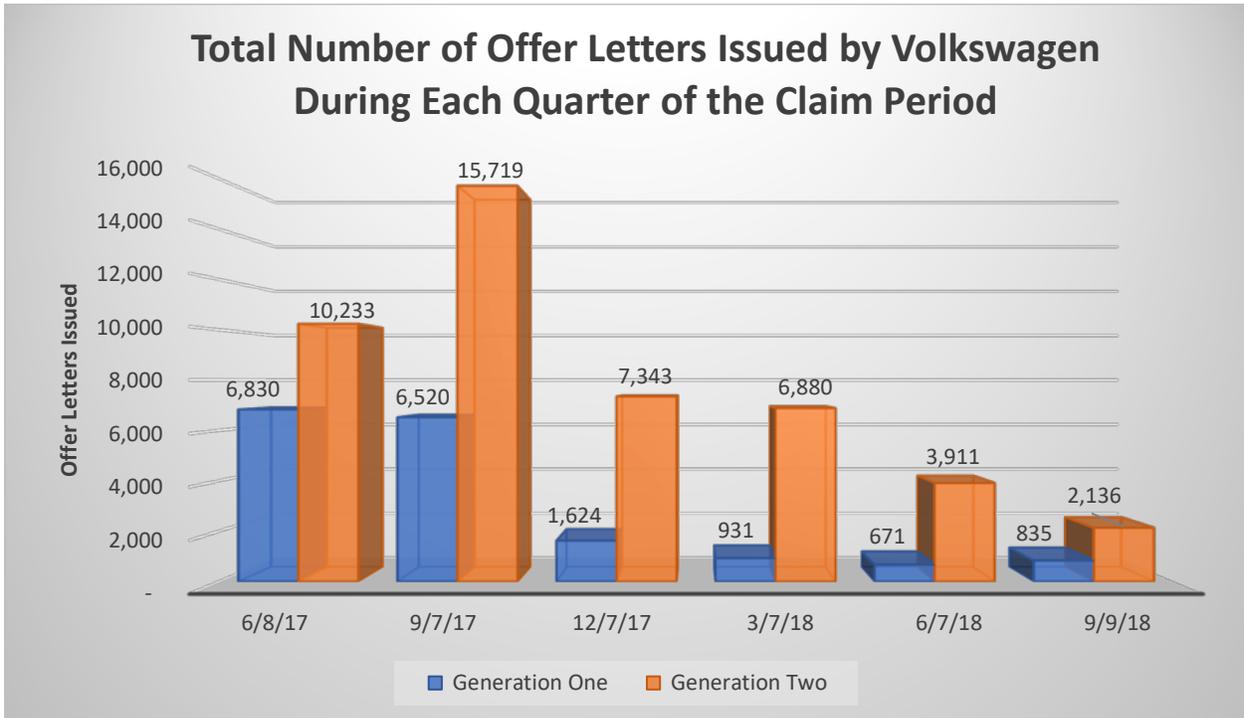
aggregately valued at \$49,173,032.66.<sup>23</sup> Of these, 17,411 offer letters with an aggregate value of \$655,525,277.56 related to Generation One vehicles (16,114 offers to individuals with an aggregate value of \$606,588,733.95, and 1,297 offers to businesses with an aggregate value of \$48,936,543.61). The remaining 46,222 offer letters with an aggregate value of \$344,792,435.57 related to Generation Two vehicles (42,454 offers to individuals with an aggregate value of \$316,945,047.36, and 3,768 offers to businesses with an aggregate value of \$27,847,388.21).

Chart 2-23 shows, for Generation One and Generation Two vehicles, the total number of offer letters issued by Volkswagen during each quarter of the Claim Period, including during this quarter.

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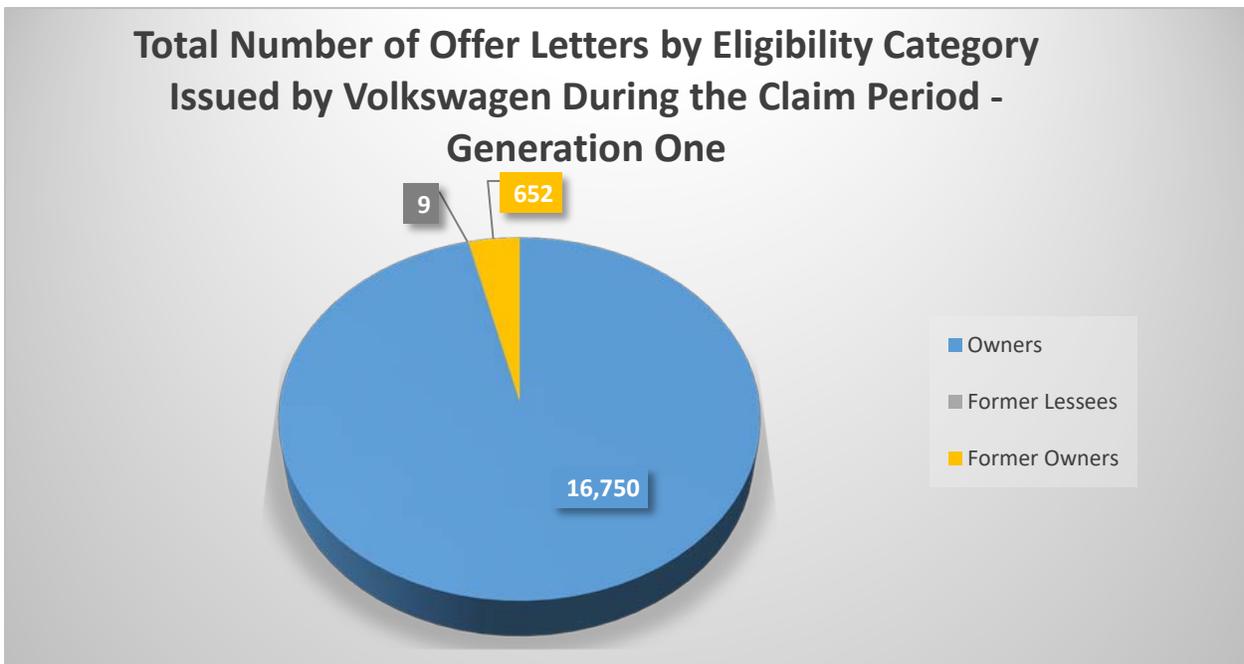
<sup>23</sup> The Claims Supervisor identified 774 claims -- 750 related to Generation Two vehicles and 24 related to Generation One vehicles -- where it appears that consumers who leased Eligible Vehicles and later purchased the vehicles after January 31, 2017, had claims that were categorized as Owner (Lease Conversion) claims when they may be more appropriately categorized as Eligible Lessee claims under Section 2.38 of the 3.0 Liter Class Action Settlement Agreement. A review of the claims showed that when offers were extended, those offers were appropriately being valued using the Lessee valuation formulas for Generation One and Generation Two vehicles. Therefore, this issue is not substantively affecting consumers. It is purely one of data categorization that affects the aggregation of figures for reporting. For purposes of this report, unless otherwise noted, these claims will be captured as Owner claims, as that is how they are currently reflected in Volkswagen's claims system.

**Chart 2-23**



Charts 2-24 and 2-25 show, across Generation One and Generation Two vehicles, the total number of offer letters issued by Volkswagen by eligibility category.

**Chart 2-24**



**Chart 2-25**

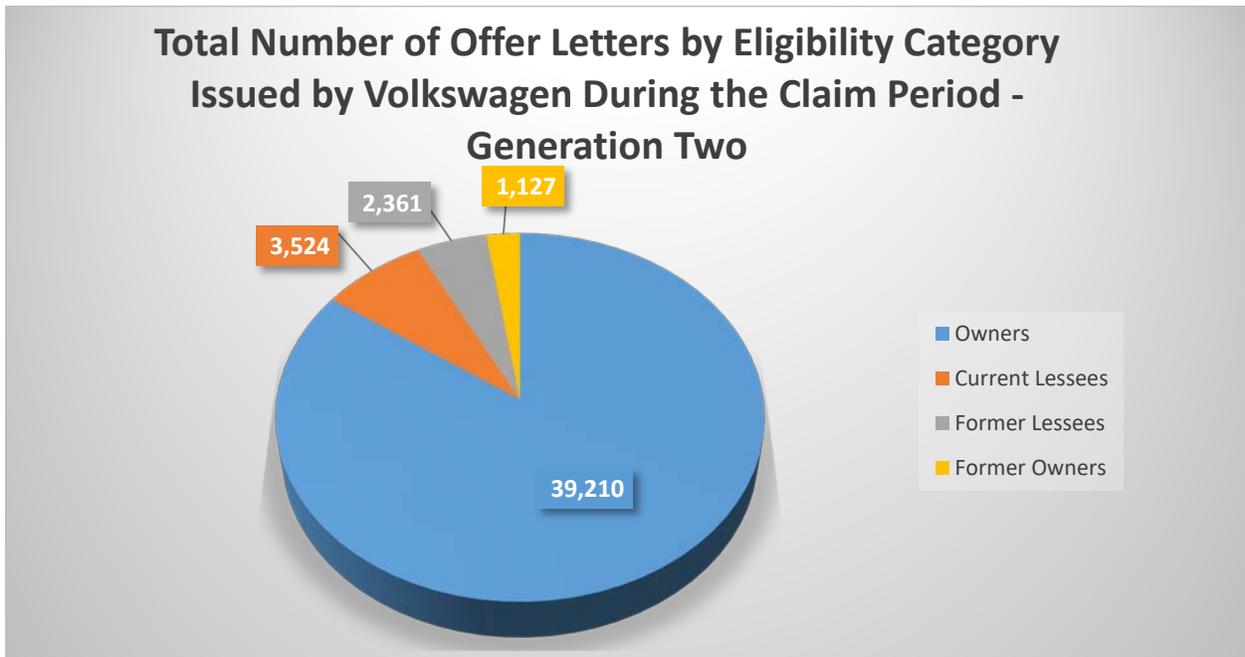
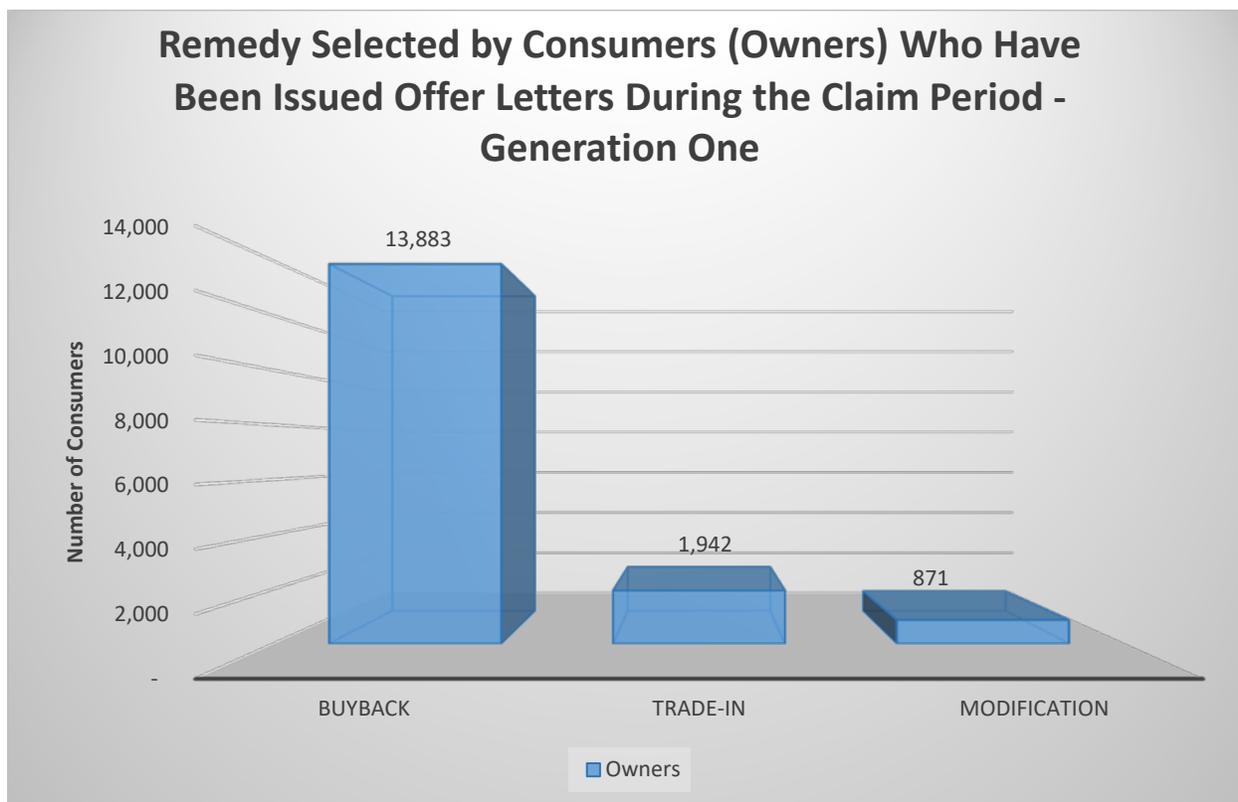


Chart 2-26 shows offer letters related to Generation One vehicles issued to Owners by remedy selections.

Chart 2-26<sup>24</sup>

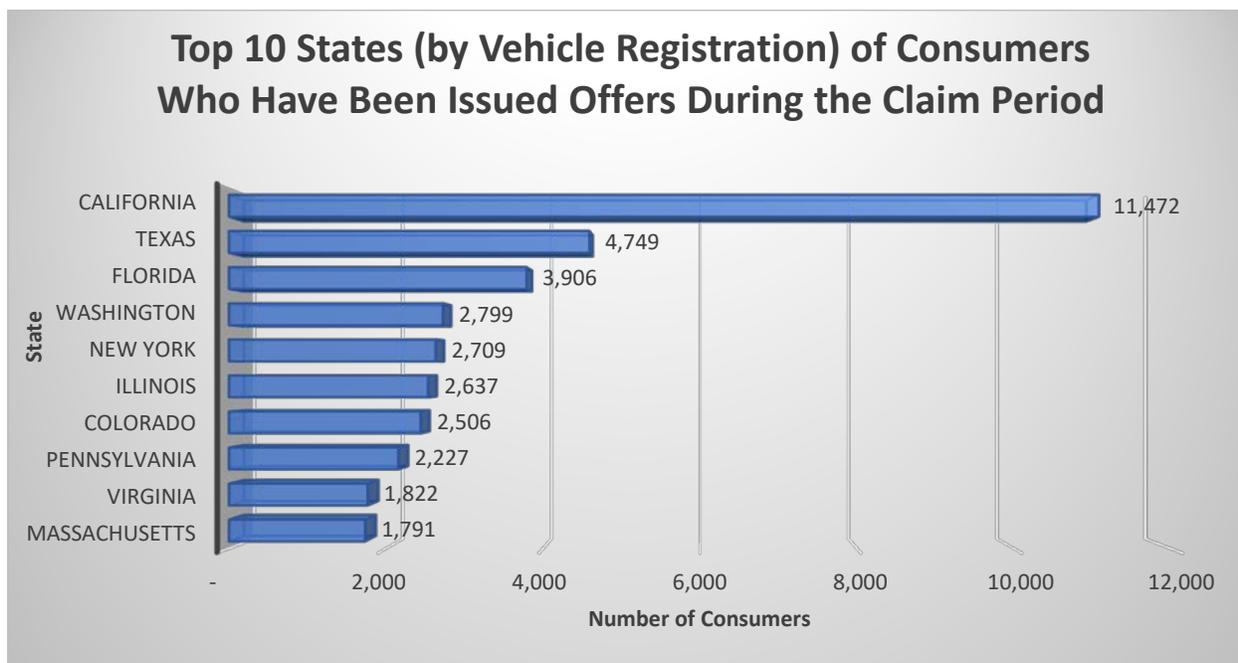


As to Generation Two vehicles, a total of 39,058 Owners and 3,524 Current Lessees had received offer letters for an ECR, while 2,361 Former Lessees, 1,127 Former Owners, and 152 consumers with totaled vehicles had received offer letters associated with Repair Payments.

Chart 2-27 shows the top ten states by vehicle registration of consumers who had received offer letters through September 9, 2018.

<sup>24</sup> Chart 2-26 excludes 652 Former Owners, 54 Owners with totaled vehicles, and 9 Former Lessees who had received offer letters because the only remedy available to those consumers is Restitution.

**Chart 2-27**



Through September 9, 2018, of the approximately \$655.53 million corresponding to the offer letters issued by Volkswagen relating to Generation One vehicles, Owners account for about \$652.12 million. Across these consumers: about \$427.54 million related to Owners without loans; about \$224.04 million related to Owners with loans; \$540,531.84 related to fifty-four Owners with totaled vehicles; and \$5,475.00 related to one Owner claim where the consumer purchased the vehicle between September 18, 2015 and January 31, 2017, following the expiration of the lease.<sup>25</sup> The remainder was split among Former Owners (652 offer letters valued in the aggregate at about \$3.36 million) and Former Lessees (9 offer letters valued in the aggregate at \$49,846.33).

<sup>25</sup> Through September 9, 2018, there had been one instance where a loan amount on a Generation One vehicle that was the subject of a Buyback or a Trade-In claim had exceeded 130% of the award amount. The difference between the loan value and 130% of the award value was approximately \$3,300.

Chart 2-28 reflects the minimum, maximum, and average awards issued to consumers with Generation One vehicles based on eligibility category and offer selection through September 9, 2018.

**Chart 2-28<sup>26</sup>**

<b>Eligibility Category and Offer Selection</b>	<b>Average Value</b>	<b>Minimum Value</b>	<b>Maximum Value</b>
Owner – Buyback	\$40,454.57	\$13,575.00 <sup>27</sup>	\$64,846.12
Owner – Trade In	\$41,798.95	\$18,055.75	\$62,984.50
Current Lessee – REM	\$10,072.54	\$3,990.00	\$13,206.76
Owner – Totaled Vehicle Restitution	\$10,009.85	\$4,808.48	\$12,516.20
Former Lessee Restitution	\$5,538.48	\$5,100.00	\$6,344.12
Former Owner Restitution	\$5,148.52	\$2,612.17	\$6,997.50

Through September 9, 2018, of the approximately \$344.79 million associated with offer letters to consumers with Generation Two vehicles, Owners accounted for about \$328.23 million. The remainder was split among: Current Lessees (3,524 offer letters valued in the aggregate at \$7.048 million); Former Lessees (2,361 offer letters valued in the aggregate at \$4.722 million); and Former Owners (1,127 offer letters valued in the aggregate at about \$4.79 million).

<sup>26</sup> Chart 2-28 excludes the twenty-four Generation One claims discussed in footnote 23 above that were categorized as Owner instead of Eligible Lessee claims.

<sup>27</sup> This lower amount was in connection with a vehicle associated with a branded title for which, under the recently adopted branded title eligibility and award protocols, the consumer was entitled only to receive Vehicle Value.

Chart 2-29 shows the minimum, maximum, and average awards issued to consumers with Generation Two vehicles based on eligibility category and offer selection through September 9, 2018.

**Chart 2-29<sup>28</sup>**

<b>Eligibility Category and Offer Selection</b>	<b>Average Value</b>	<b>Minimum Value</b>	<b>Maximum Value</b>
Owner – ECR	\$8,437.63	\$3,519.62	\$16,113.64
Owner/Current Lessee – Totaled Vehicle Restitution	\$7,979.70	\$1,977.94	\$10,466.84
Current Lessee – ECR	\$2,000.00	\$2,000.00	\$2,000.00
Former Lessee – Restitution	\$2,000.00	\$2,000.00	\$2,000.00
Former Owner – Restitution	\$4,253.72	\$1,841.69	\$5,722.12

Finally, Chart 2-30 shows, through September 9, 2018, data related to two categories of non-standard claimants: (i) military personnel deployed overseas with their vehicles; and (ii) decedent estates.

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<sup>28</sup> With respect to the figures for Owner-ECR claims, Chart 2-29 excludes the 650 Generation Two claims discussed in footnote 20 above that were categorized as Owner instead of Eligible Lessee claims.

**Chart 2-30<sup>29</sup>**

	<b>Military Overseas</b>	<b>Decedent Estates</b>
Registrations	89	123
Submitted Claims	89	108
Deemed Complete and Eligible	88	100
Offer Letters Issued	87	98
Total Offer Amounts	\$1,696,209.17	\$2,006,316.83

**G. Appointments, Closings, and Repair Participation Payments**

As of September 9, 2018, a total of 60,516 consumers had accepted offer letters from Volkswagen, the aggregate value of which totaled \$966,890,902.22.<sup>30</sup> This includes 16,977 accepted offer letters associated with Generation One vehicles valued in the aggregate at \$640,430,224.63, and 43,539 accepted offer letters associated with Generation Two vehicles valued in the aggregate at \$326,460,677.59. During this quarter, 3,468 offer letters with an aggregate value of \$51,832,621.05 were accepted by consumers.

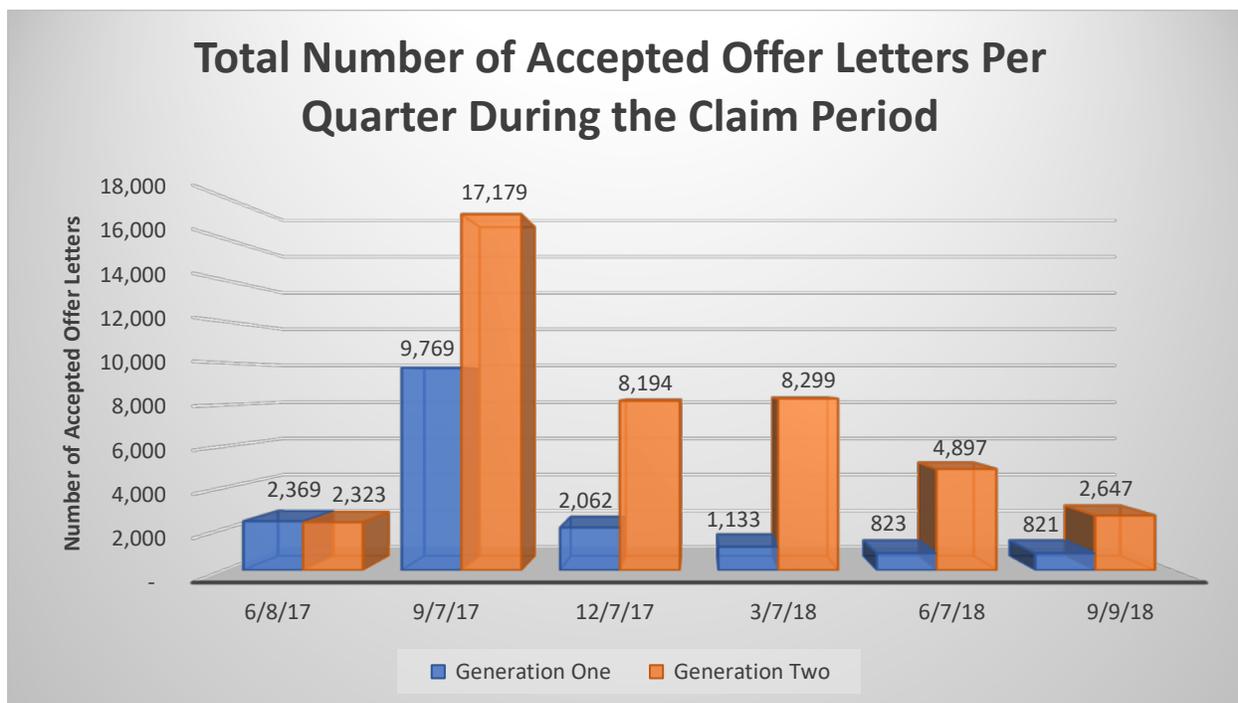
Chart 2-31 shows, for Generation One and Generation Two vehicles, the total number of accepted offer letters for each quarter of the Claim Period, including during this quarter.

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<sup>29</sup> Military overseas claims are categorized as non-standard claims because of the unique issues they present in terms of claims processing and closing logistics. While decedent estate claims present unique claims processing issues, closings generally follow the standard process, so information regarding these claims is included within the closing data in this Section along with other standard claims.

<sup>30</sup> In addition to Owners, this figure includes Former Lessees, Former Owners, and Owners with totaled vehicles who do not need to proceed through the closing phase because they do not have possession of an Eligible Vehicle. Information on payments made to consumers in these eligibility categories is set forth below.

**Chart 2-31**

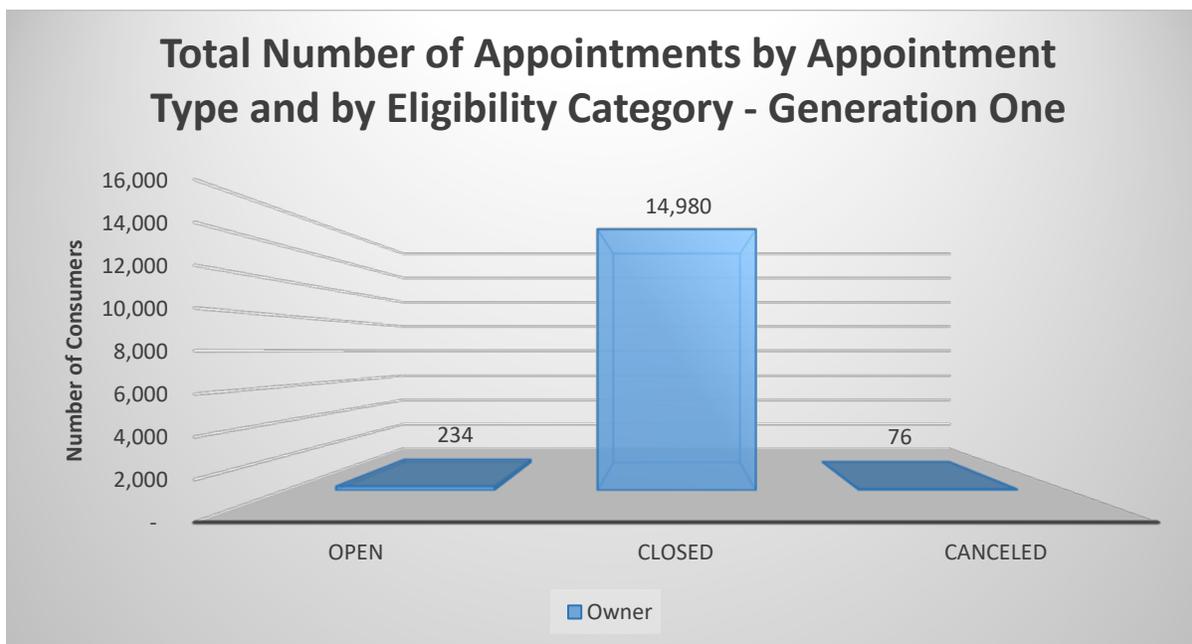


Of the 16,977 consumers with Generation One vehicles who had accepted offer letters as of September 9, 2018, 16,270 were Owners. Within that group of 16,270 consumers, 15,290 consumers (94.0%) had scheduled Buyback or Trade-In closing appointments as of September 9, 2018.<sup>31</sup> Chart 2-32 shows for these consumers the total number of appointments by appointment type across eligibility categories, and Chart 2-33 shows the remedy selection of consumers with closed appointments.<sup>32</sup>

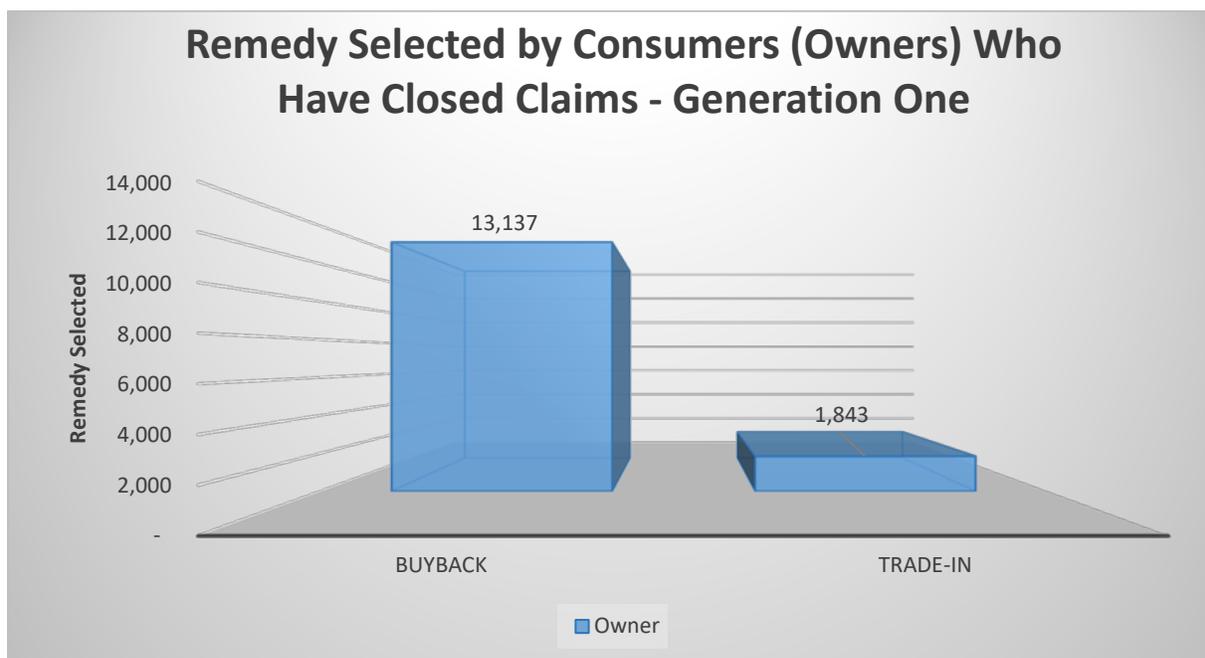
<sup>31</sup> Information regarding completed REMs on Generation One vehicles is set forth below.

<sup>32</sup> As of September 9, 2018, there had been 5,229 instances where a scheduled Buyback or Trade-In appointment for a Generation One vehicle had resulted in cancellation. Of these, 4,951 appointments (94.7%) were cancelled at the consumer's request. Other common reasons for cancellations included: (i) the customer did not show up to the appointment (128 instances); (ii) the title holder was not present at the closing (24 instances); and (iii) the Owner or Current Lessee was not present at the closing and the consumer did not provide a valid power of attorney with his or her claim submission (18 instances).

**Chart 2-32**



**Chart 2-33**



As set forth in Chart 2-32, there had been 14,980 appointments associated with Generation One vehicles that had resulted in closing as of September 9, 2018, the aggregate value of the offer letters for which totaled \$606,990,319.91. This includes 722 closings during

this quarter with offer letters aggregately valued at \$29,264,132.02. Chart 2-34 shows the top ten states for consumers with Generation One vehicles who proceeded through closing based on the state in which the vehicle was registered.

**Chart 2-34**



Through September 9, 2018, Volkswagen had issued payments totaling \$603,199,531.42 to, or on behalf of, Owners with Generation One vehicles who had closed Buyback or Trade-In claims.

On May 23, 2018, the EPA and CARB approved a REM for 3.0 Liter Generation 1.1 Liter vehicles, and, on July 13, 2018, the EPA and CARB approved a REM for 3.0 Liter Generation 1.2 vehicles. A REM therefore has been approved for all Generation One vehicles. As of September 7, 2018, Volkswagen had completed 685 REMs on Generation One vehicles. This includes 565 consumers who also had completed the claims process, 67 consumers who had completed the REM and submitted a claim but had not yet completed the claims process, and 53 consumers who had completed the REM but had not yet submitted a claim. In total, Volkswagen had paid \$5,901,541.52 in connection with REMs on Generation One vehicles.

With ECRs also having been approved for all Generation Two vehicles, 41,357 consumers with Generation Two vehicles had completed an ECR as of September 7, 2018. This includes 37,285 consumers who also had completed the claims process. An additional 2,262 consumers completed the ECR but had not yet completed the claims process. Finally, 1,810 consumers completed the ECR but had not yet registered a claim or had cancelled their claim. In total, Volkswagen had paid \$300,266,461.23 to Owners and Current Lessees with Generation Two vehicles, which amount includes both Repair Participation Payments and ECR payments.

The figures above for Generation One and Generation Two vehicles do not account for claims from Former Owners, Former Lessees, and consumers with totaled vehicles because these consumers do not need to go through the closing process. For Generation One vehicles, aggregated payments across these eligibility categories were: \$3,326,916.78 across 645 Former Owners; \$508,034.57 across 51 Owners with totaled vehicles; and \$49,846.33 across 9 Former Lessees. For Generation Two vehicles, these figures were: \$4,298,000.00 across 2,150 Former Lessees; \$4,666,157.88 across 1,098 Former Owners; and \$1,094,156.24 across 136 consumers with totaled vehicles.<sup>33</sup>

#### H. Progress Toward the 85% Targets

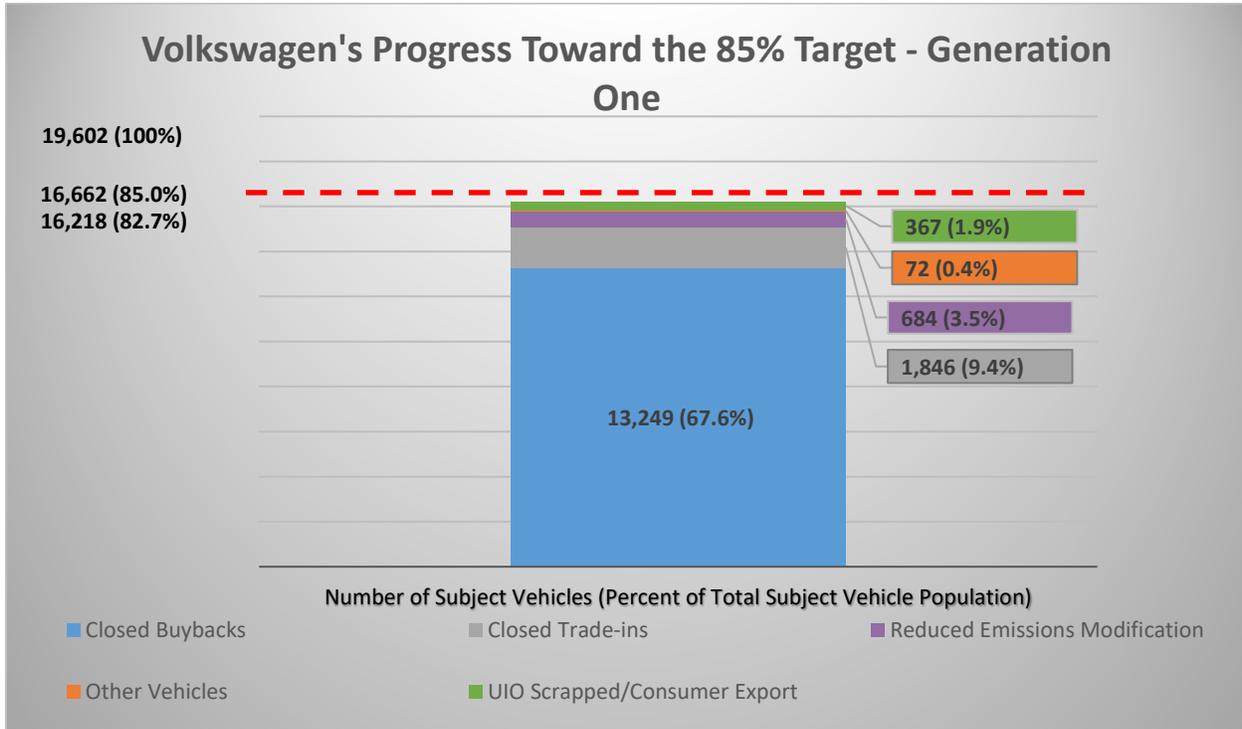
The 3.0 Liter DOJ Consent Decree requires Volkswagen to remove from commerce or perform an AEM on at least 85% of Generation One 3.0 Liter Subject Vehicles by November 30, 2019. The 3.0 Liter DOJ Consent Decree also provides that “the total number of Generation 1.x

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<sup>33</sup> Volkswagen also had issued an additional payment of \$4,202.12 related to a claim that in the claims processing system does not appear to be associated with an active offer, but on closer examination appears to be an issued Repair Participation Payment with the underlying offer letter reflected as cancelled after the payment issued.

3.0 Liter Subject Vehicles is 19,602.” Chart 2-35 shows Volkswagen’s progress toward this 85% target for Generation One Subject Vehicles.

**Chart 2-35<sup>34</sup>**

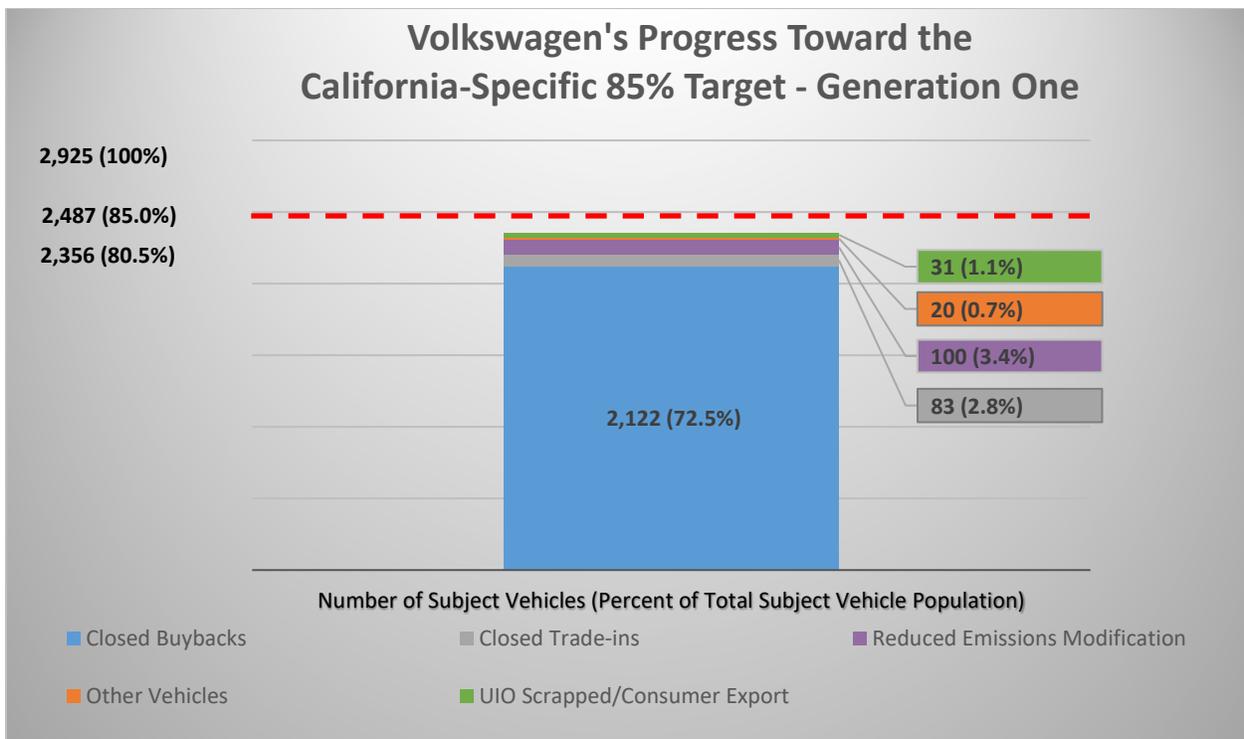


The “Other Vehicles” category depicted in Chart 2-35 (and Charts 2-36, 2-37, and 2-38 below) represents vehicles Volkswagen has removed from commerce outside of the Claims Program. This includes, among others, used vehicles that Volkswagen acquired from dealerships and company cars previously utilized by Volkswagen employees that have since been retired.

<sup>34</sup> Figures in Charts 2-35 through 2-38 relating to Polk Units in Operation (“UIO”) Scrapped and Other Vehicles are based on Volkswagen data as of June 30, 2018. The population of Other Vehicles includes certain vehicles associated with completed Buyback, Trade-In, REM, or ECR appointments. To avoid double-counting, these vehicles are excluded from the Buyback, Trade-In, REM, and ECR figures reflected in Charts 2-35 through 2-38 and are counted only in the Other Vehicles figure. Buyback, Trade-In, REM, and ECR figures also would account for certain vehicles associated with consumers who opted out of the settlement as well as consumers who purchased Subject Vehicles in the United States but registered them in Canada. While these consumers are outside of the Class, their vehicles are within the population of Subject Vehicles and thus are counted toward the 85% target once they are removed from commerce or modified. Finally, the REM and ECR figures in Charts 2-35 through 2-38 are based on data provided by Volkswagen as of September 7, 2018.

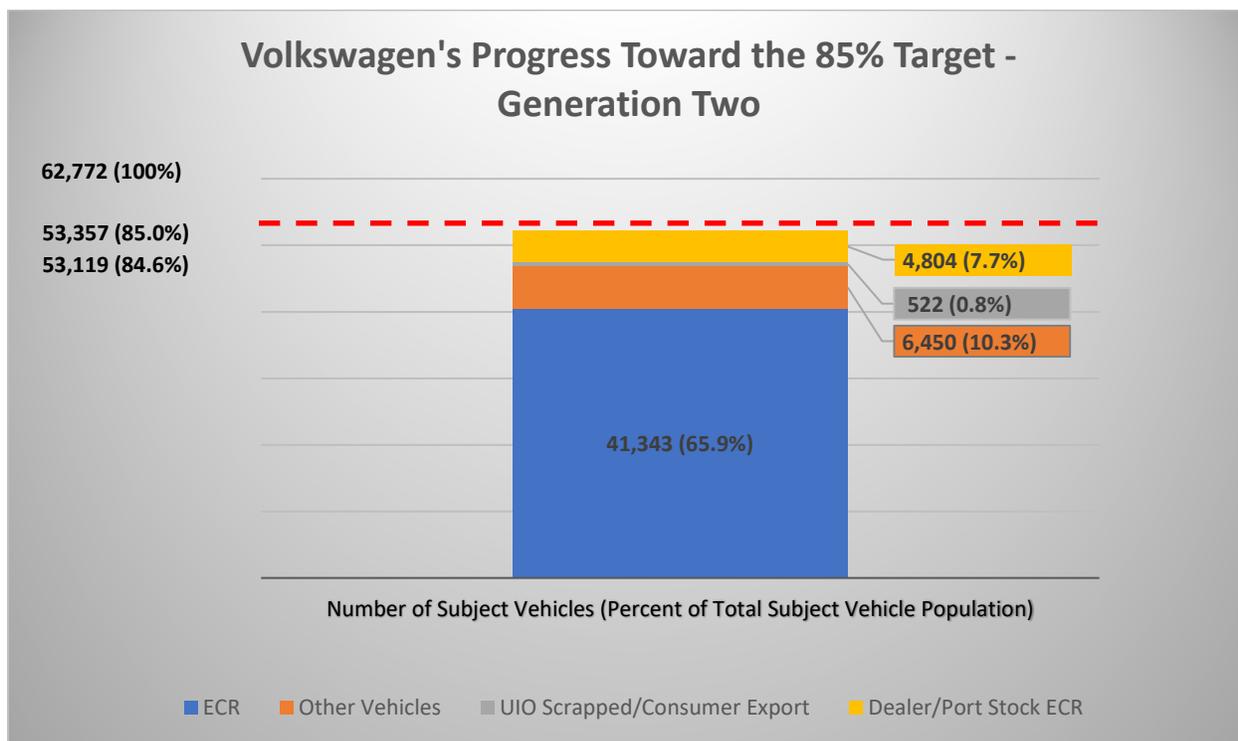
Additionally, the 3.0 Liter DOJ Consent Decree states that by November 30, 2019, Volkswagen must remove from commerce or perform an AEM on at least 85% of Generation One 3.0 Liter Subject Vehicles that were registered in California as of November 2, 2015. The 3.0 Liter DOJ Consent Decree also provides that “the total number of all Generation 1.x 3.0 Liter Subject Vehicles registered in California is 2,925.” Chart 2-36 shows Volkswagen’s progress toward this 85% target for Generation One Subject Vehicles registered in California.

**Chart 2-36**



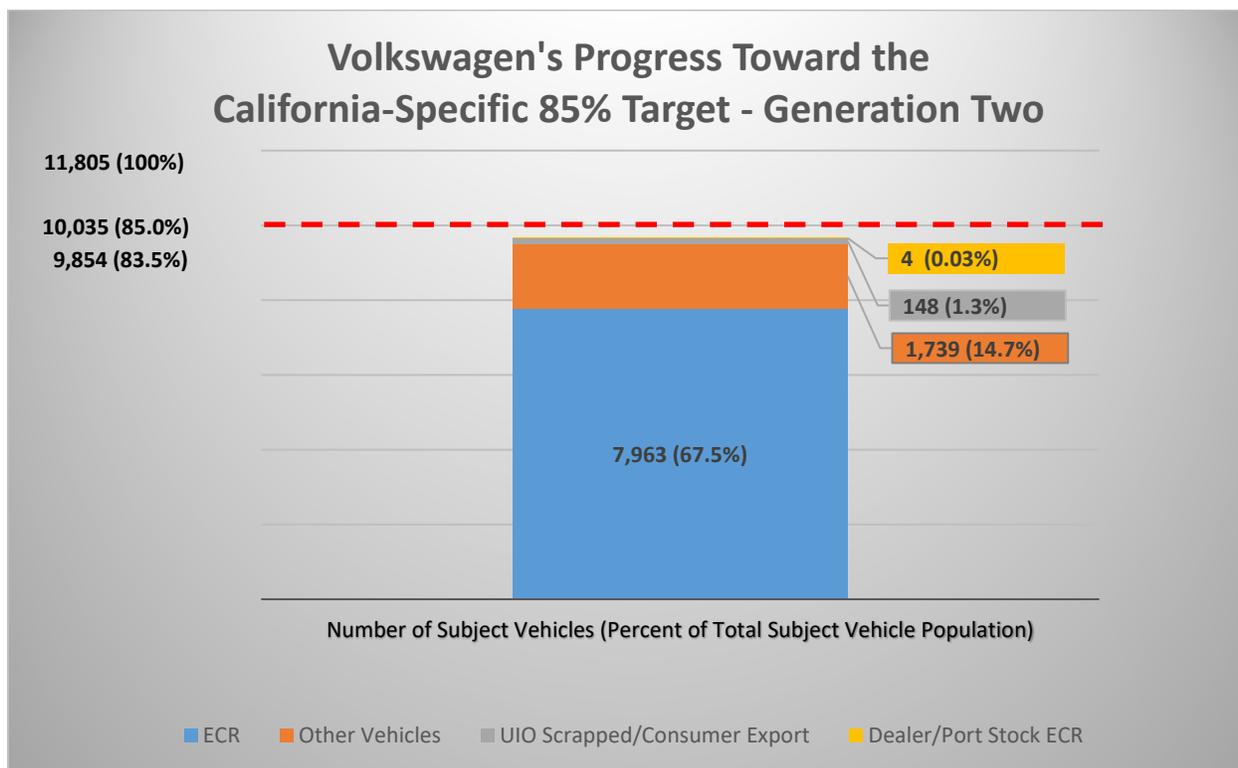
There are similar targets for Generation Two vehicles. The 3.0 Liter DOJ Consent Decree provides that by May 31, 2020, Volkswagen is required to perform an ECR on at least 85% of Generation Two 3.0 Liter Subject Vehicles. The 3.0 Liter DOJ Consent Decree also states that “the total number of Generation 2.x 3.0 Liter Subject Vehicles is 62,772.” Chart 2-37 shows Volkswagen’s progress toward this 85% target for Generation Two Subject Vehicles.

**Chart 2-37**



Likewise, by May 31, 2020, Volkswagen is also required to perform an ECR on at least 85% of Generation Two 3.0 Liter Subject Vehicles that were registered in California as of November 2, 2015. The 3.0 Liter DOJ Consent Decree states that “the total number of all Generation 2.x 3.0 Liter Subject Vehicles registered in California is 11,805.” Chart 2-38 shows Volkswagen’s progress toward this 85% target for Generation Two Subject Vehicles.

Chart 2-38



**III. Consumer Experience**

A. Claims Program Updates

1. Non-Standard Claims

a) Branded Title Claims

As detailed in prior reports, on February 26, 2018, Volkswagen implemented a general framework developed by the Parties and the CRC for the processing of certain non-standard branded title claims that had been on hold, in some cases for many months.<sup>35</sup> The Parties and CRC recognized that while the framework should address most claims associated with vehicles

<sup>35</sup> Title brands include salvage, rebuilt, reconstructed, and prior salvage, and indicate, among other things, whether a vehicle has sustained damage or may be unsafe to drive. A vehicle branded with a salvage title is typically one that was damaged to the point that it was declared a total loss by an insurance company, often because the cost to repair the vehicle was greater than the value of the vehicle in its damaged state. In some states, a vehicle with a salvage title cannot be registered with the applicable department of motor vehicles. However, the nomenclature related to title brands varies from state to state and will be analyzed accordingly, so that the eligibility requirements are consistently applied.

with titles branded after September 18, 2015, there may be certain claims that present unique factual circumstances and require further collaboration.

Following implementation of the agreed upon framework, Volkswagen has processed the vast majority of claims that were previously placed on hold. As of September 9, 2018, the company had processed a total of 265 such claims, including 95 claims over the course of the quarterly reporting period. Chart 3-1 reflects the total number of these claims Volkswagen had processed as of September 9, 2018, as well as those processed during this quarterly reporting period, by the company’s eligibility determination.

**Chart 3-1**

<b>Branded Title Claims Determinations</b>	<b>Total Claims</b>	<b>Claims During the Quarterly Reporting Period</b>
Eligible	133	57
Ineligible	132	38

The majority of eligible claims involved vehicles with rebuilt titles, and the majority of ineligible claims involved vehicles that had salvage titles as of February 26, 2018.

At the conclusion of the reporting period, a total of thirty-one claims required additional information from consumers before the company could render an eligibility and award determination. For those consumers from whom Volkswagen requested additional information, the most common forms of documentation required were: (i) proof of vehicle acquisition (25); (ii) copy of certificate of title (11); (iii) proof of ownership (7); (iv) government issued ID for the registered owner (5); and (v) proof of vehicle operability (3). Additionally, there were twelve claims that remained on hold, including those involving unique factual circumstances requiring

additional analysis by Volkswagen and, potentially, further discussions with the PSC.<sup>36</sup> The Claims Supervisor will continue to closely monitor developments related to the processing of these claims for the duration of the Claims Program, and will provide updates in upcoming reports.

b) Canadian Claims

Following the approval of the Canadian 3.0 Liter settlement in April 2018, Volkswagen decided to extend benefits to certain consumers who had purchased vehicles manufactured for sale in the United States but registered them in Canada. As previously reported, these claims were not expressly covered under either the United States or Canadian settlements. Volkswagen reported that 317 claims of this type had been identified. Chart 3-2 reflects the status of these claims and Chart 3-3 reflects the number of completed claims and claims remaining to be processed by remedy selection.

**Chart 3-2**

<b>Canadian Claims Eligibility Determinations</b>	<b>Total Claims</b>
Eligible/Completed	62
Ineligible	8
Pending	247

**Chart 3-3**

<b>Canadian Claims -- Remedy Selected</b>	<b>Total Eligible/Completed Claims</b>	<b>Claims Remaining to Be Processed</b>
Buyback/Trade-In	48	172
AEMs	14	70
Seller Restitution	0	2
Owner Damages	0	3

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<sup>36</sup> There were also 8 claims for which the first ten-business-day and second ten-business-day review periods had not yet elapsed.

c) Military Overseas Claims

As of September 5, 2018, Volkswagen had identified eighty-six claims submitted by military personnel deployed overseas with their vehicles, of which thirty were for Buybacks and fifty-six were for AEMs (AEMs include both REM and ECRs). Twenty-five Buybacks have been completed and the remaining five are in the process of being completed.

Chart 3-4 lists the fifty-six AEM claims by the country in which the consumer who submitted the claim is currently stationed with his or her vehicle.

**Chart 3-4**

<b>AEM Claims Submitted by Overseas Military Personnel</b>	
<b>Country</b>	<b># of Claims</b>
Germany	43
Italy	3
Belgium	3
South Korea	3
Malaysia	1
Macedonia	1
Turkey	1
United Kingdom	1

As previously reported, completing AEMs overseas poses various legal and logistical challenges, including: consideration of import/export laws; a lack of readily available United States vehicle parts in foreign countries; and the training of personnel at foreign dealerships on the Claims Program and the technical aspects of performing an AEM. Volkswagen developed a process to address those challenges and elected to initially begin offering overseas AEMs in Germany due to the high concentration of AEM claims submitted by military personnel stationed there. The process involves consumers scheduling appointments with, and delivering their vehicles to, agreed-upon dealers in Germany that have been trained by Volkswagen to perform

the AEM.<sup>37</sup> Consumers are provided loaner vehicles, free-of-charge, while the AEMs are completed by the dealership.

Volkswagen recently completed four pilot AEMs in Germany and has begun scheduling additional AEMs in Germany. Now that AEMs in Germany are underway, Volkswagen is developing a pilot program for military overseas consumers stationed in Italy. The Claims Supervisor will continue to monitor progress related to the scheduling and completion of AEMs overseas and will provide updates in future reports.

## 2. Status of Extended Warranty and Service Contract Refund Program

The vendor Volkswagen engaged to administer the refund program for unused and otherwise nonrefundable portions of qualifying extended warranties and vehicle service contracts continues to process claims in a timely and accurate manner, allowing Volkswagen to, in turn, initiate payments to eligible consumers.

As of September 7, 2018, consumers had submitted claims in connection with 2,054 extended warranties and service contracts, and the vendor had reviewed and communicated 2,051 decisions (99.8%), including decisions for 109 claims during this quarterly reporting period. Across all 2,051 decisions: (i) 1,363 claims (66.5%) had been deemed ineligible; (ii) 686 claims (33.4%) had been deemed eligible; and (iii) 2 claims (0.1%) had active deficiencies and required additional information from the consumer to complete processing. All eligibility determinations and award calculations have been validated by the Claims Supervisor.

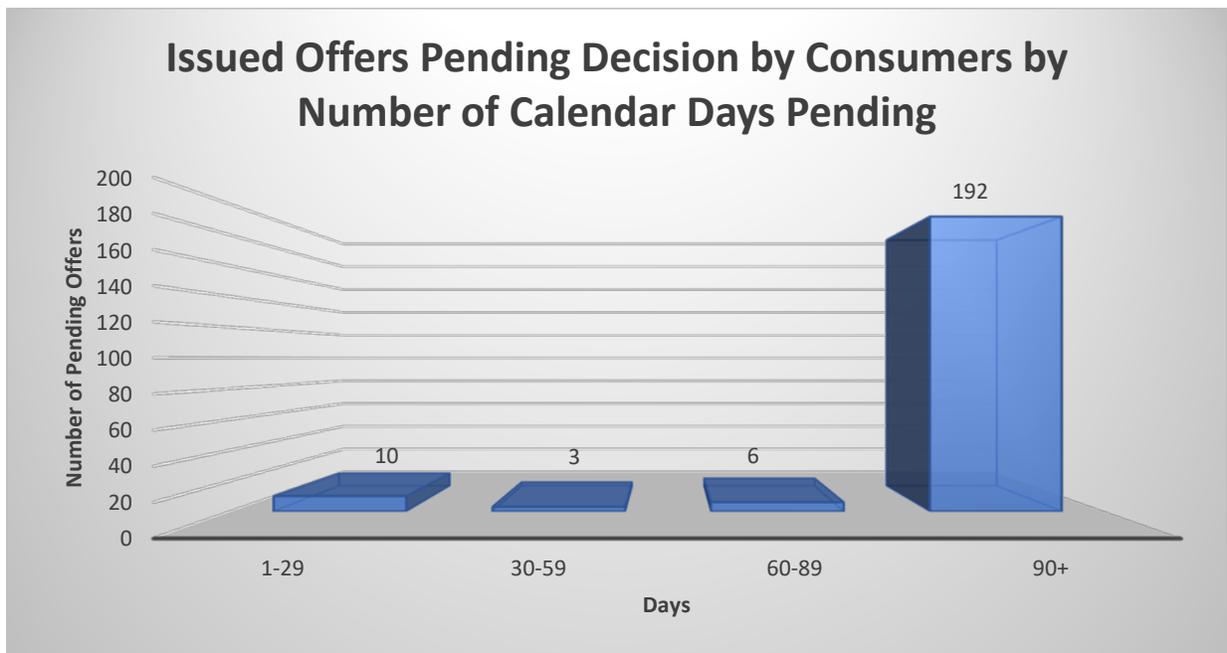
Of the 686 claims that had been deemed eligible, Volkswagen had initiated payment on 450 of them. Thus far, Volkswagen has paid a total of \$59,716.71 across these 450 claims, with payments to consumers averaging \$132.70 per claim. Of the 236 claims for which payment has

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<sup>37</sup> Volkswagen has advised that it is asking military personnel for their preferred dealerships, and is accommodating those selections when possible. The company anticipates that military personnel will have multiple dealerships to choose from throughout Germany to minimize travel time.

not been initiated: (i) 211 claims (89.4%) were pending a decision by the consumer on whether to accept or reject the offer; (ii) 7 claims (3.0%) had resulted in accepted offers for which Volkswagen was in the process of initiating payment; (iii) 14 claims (5.9%) involved eligible contracts for which no payment was due;<sup>38</sup> and (iv) 4 claims (2.0%) had resulted in offers being rejected by the consumer. For the 211 claims where an offer had been extended but had not yet been accepted or rejected by the consumer, Chart 3-5 depicts the number of days the offers have been pending.<sup>39</sup>

**Chart 3-5**



Volkswagen’s vendor also continued to review the vast majority of claims accurately. Of the 109 refund determinations made during the quarterly reporting period, the Claims Supervisor

<sup>38</sup> Consumers with otherwise eligible contracts do not receive any additional payment from Volkswagen when the refund offered by the provider exceeds the amount due to the consumer under the terms of the extended warranty and service contract refund program.

<sup>39</sup> Volkswagen’s vendor sends reminder emails on a monthly basis to consumers who have not responded to the offer. Consumers have until the end of the 3.0 Liter Claims Program to accept offers. Consumers may challenge the refund offer by submitting an appeal to the CRC.

concluded with all but 3 determinations. Upon reconsideration, the vendor agreed that the determinations had been made in error. The Claims Supervisor will continue to monitor refund program progress and provide updates in future reports

### 3. Claims Review Committee

As of September 7, 2018, consumers had filed 838 unique appeals (approximately 1.2% of all submitted claims), including 107 unique appeals filed during this quarterly reporting period. The appeals have challenged, among other issues, Volkswagen's eligibility decisions and award calculations. The CRC had reached determinations with respect to 191 (22.7%) of all appeals, including 21 CRC determinations made since the June 2018 Report, which are summarized as follows:

- The CRC denied twelve appeals;
- For six consumers, the CRC advised that the issues that were the subject of the appeal had previously been resolved, and thus the appeal was moot; and
- In three instances, the CRC advised consumers that they may be eligible for benefits, provided that a new claim be submitted for review and consideration.

Of the appeals that have been adjudicated, no eligibility or award determinations by Volkswagen have been reversed. All decisions issued by the CRC have involved appeals in which the Volkswagen and Class Counsel representatives have agreed on the outcome. The Parties have reported that they are continuing to work together to resolve pending appeals and will seek the assistance of the court-appointed neutral when necessary.

4. REM Approval Issued for Generation 1.2 Vehicles

On July 13, 2018, the EPA and CARB approved Volkswagen's application for a REM for the vehicle models depicted in Chart 3-6 below, which the 3.0 Liter DOJ Consent Decree classifies as Generation 1.2 vehicles.<sup>40</sup>

**Chart 3-6**

<b>Generation 1.2</b>	
<b>Make &amp; Model</b>	<b>Model Years</b>
VW Touareg	2011-2012
Audi Q7	2011-2012

With this approval, Volkswagen has secured an AEM for all Generation One and Generation Two vehicles captured within the Resolution Agreements.

As discussed in prior reports, the 3.0 Liter DOJ Consent Decree requires Volkswagen to provide emissions modification disclosures by mail to all affected Owners and Lessees within fifteen days of approval. The disclosures must be approved by the EPA and CARB and identify, among other things, software changes, hardware changes, and potential impacts to vehicle operation as a result of the REM, as well as any applicable extended emissions warranty for the vehicles. Additionally, the 3.0 Liter DOJ Consent Decree requires Volkswagen to make available, through a website, a database that includes all vehicles for which the REM is available and allows consumers to conduct a free-of-charge search by VIN to determine if a REM is available. The website also is required to display the approved emissions modification disclosure and any approved extended emissions warranty within two business days of the EPA's and CARB's approval of the REM.

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<sup>40</sup> Because approval was received prior to August 1, 2018, the Withdrawal Period provision found in Section 11.3 of the 3.0 Liter Class Action Settlement Agreement was not triggered.

In response to inquiries from the Claims Supervisor regarding compliance with these requirements, Volkswagen confirmed that, on July 23, 2018, it emailed notice of the REM approval to approximately 3,000 consumers who had previously registered a Generation 1.2 vehicle in Volkswagen's Claims Portal but had not completed a claim. Additionally, on July 27, 2018, it provided by regular mail notice of the REM to approximately 4,400 Owners and Lessees of Generation 1.2 vehicles. The notifications included approved emissions modification disclosures and information pertaining to extended emissions warranty coverage. The Claims Supervisor verified that <https://audidiesellookup.com>, <https://content2.us.porsche.com/diesellookup>, and [www.vwdieslelinfo.com](http://www.vwdieslelinfo.com) remain available for consumers to conduct a cost-free search by VIN to determine whether a REM has been completed on a specific vehicle and whether an extended emissions warranty is in effect.

On July 26, 2018, Volkswagen began offering REM appointments to Eligible Owners and Lessees of Generation 1.2 vehicles. The REM involves the modification of the vehicles' emissions control system software and installation of updated emissions control system hardware components. The approved emissions modification disclosures state that, once the REM is performed, the vehicles' emissions control system will function effectively in all normal driving conditions and the vehicles' emissions output will be decreased, though not to the levels at which the vehicles were originally certified. Volkswagen reference materials also state that the REM may have effects that are potentially noticeable to the consumer, including differences in engine sound, slight changes in shift patterns, the potential for an increase or decrease in diesel exhaust fluid consumption depending on the vehicle, an increase in the need to apply the brakes when driving downhill, a potential decrease in fuel economy by up to two miles per gallon, and changes to the onboard diagnostic system. Consumers should not incur any cost to obtain the REM and will be provided a complimentary loaner vehicle for the duration of the appointment,

which is expected to last approximately two hours. After the REM is performed, eligible consumers who timely complete a claim will receive a Repair Payment.

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

As discussed in prior reports, upon conclusion of a Buyback or Trade-In appointment, the program ambassador is required to take possession of the keys and title from the consumer and indicate in Volkswagen's Closing Application that the closing is complete. The dealership is required to note in Volkswagen's "Inform" system that it has custody of the vehicle, at which time Volkswagen coordinates with a shipping vendor for vehicle pick-up.

All operable vehicles are shipped to one of a number of secure storage facilities throughout the country.<sup>41</sup> Volkswagen currently houses close to 14,500 3.0 Liter Eligible Vehicles in these designated storage facilities. At the storage facility, each vehicle is inspected to determine if it should be destroyed due to excessive wear and tear or undergo an AEM and be re-sold in accordance with the approved resale plan.<sup>42</sup> For vehicles selected for destruction, Volkswagen's vendor maintains photographic evidence of the demolition process for the vehicle as well as the engine control unit, which is removed from each vehicle and destroyed separately. For vehicles that can be resold, an AEM must be performed and all required labels affixed before the vehicle is offered for sale. While in storage, a maintenance plan is administered to ensure that these vehicles remain in a saleable condition.

As 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, each vehicle at a storage facility has a barcode that is used to track the location and disposition of the vehicle. Every

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<sup>41</sup> An on-site inspection of one storage facility was performed in order to observe the post-closing processes and procedures.

<sup>42</sup> This inspection process is sometimes conducted at the dealership prior to a vehicle being transported to a storage facility.

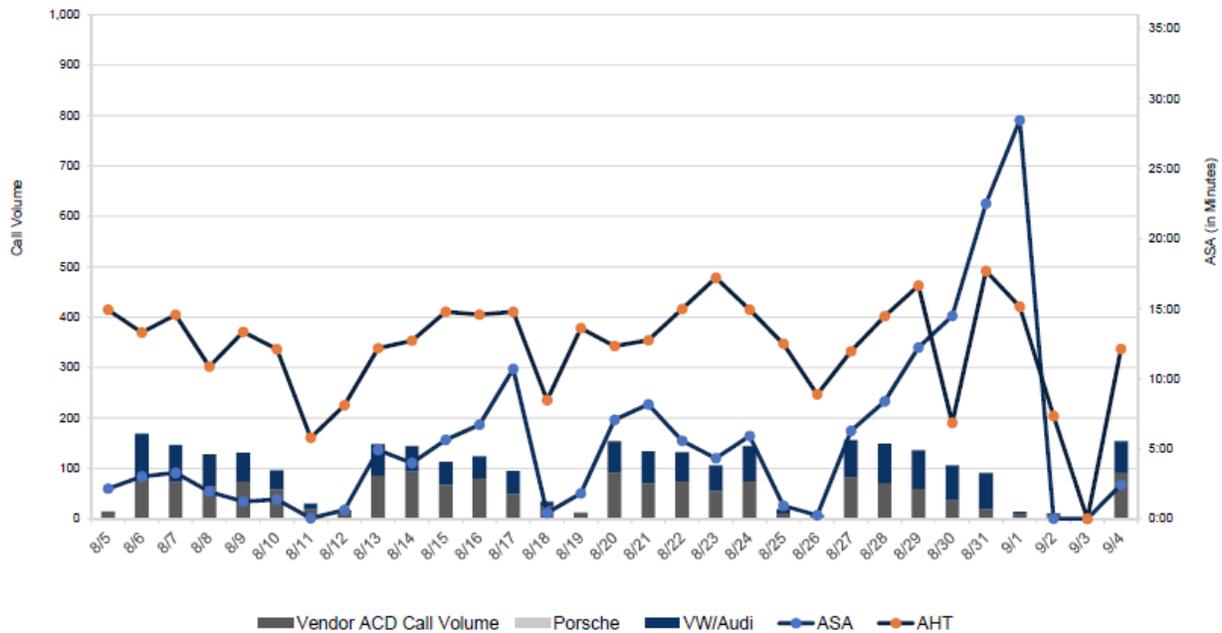
vehicle that is repurchased is titled in Volkswagen’s name. Prior to reselling any of these vehicles, Volkswagen holds back the title until proof of an AEM is provided to ensure that the vehicles do not inadvertently reenter commerce without having the required modifications.

**B. Customer Service**

Consumer call and chat volume decreased from the prior quarterly reporting period. Between June 5, 2018 and September 4, 2018, call volume averaged 184 calls per weekday compared to 236 calls per weekday during the prior quarterly reporting period. The average abandonment rate over the course of the quarter increased from 6.4% to 14.5%, and the average speed to answer increased from slightly under one minute to over three and a half minutes. The following chart depicts the daily Hotline call volume and related data from August 5, 2018 to September 4, 2018.<sup>43</sup>

**Chart 3-7**

**3.0 Call Stats (8/05/18 – 9/04/18)**



<sup>43</sup> ASA is the abbreviation for average speed of answer and AHT represents average handle time.

Chat volume remained relatively steady at 184 chats per day, compared to 200 chats per day the prior quarterly reporting period, while the abandonment rate increased from 16% to 23.3%.

The Claims Supervisor's review of a sample of 582 recorded calls and 1,044 chats that occurred between June 1, 2018 and August 31, 2018 revealed that Volkswagen remained effective in delivering customer service, with the vast majority of calls and chats being deemed successful. The overall success rate for the sample of calls analyzed was 99.7% -- a 2.4% increase from the prior quarterly reporting period. The overall success rate for the sample of chats analyzed was 98.7% -- a 1.8% increase from the prior quarterly reporting period. The primary reason that the limited number of calls and chats were deemed unsuccessful was that agents failed to properly verify the identity of the consumer -- although that issue was less prevalent toward the end of the quarterly reporting period. Volkswagen's improvement in verifying consumers' identities over the course of the quarterly reporting period followed measures it recently undertook to increase compliance with the company's identity verification protocols, including holding training sessions for all of the company's customer support agents in which they reviewed actual, sample calls to assess their ability to properly apply the verification protocols.<sup>44</sup>

Volkswagen's Resolution Team continued to effectively provide assistance to consumers with more complicated issues over the course of the quarterly reporting period. From June 6, 2018 to September 5, 2018, the Resolution Team received 114 inquiries and resolved 115

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<sup>44</sup> These training sessions are in addition to other measures that the company has taken in recent months to address agents failing to properly verify the identity of a consumer. These measures have included: (i) the vendor's agents signing a written agreement indicating a commitment to adhering to the caller verification process; (ii) the vendor's agents being required to log email and other information provided by consumers to verify their identification and better ensure compliance with established verification protocols; (iii) increasing the frequency of audits of the vendor's phone agents; (iv) posting of caller identity verification protocol reminders at each of the agents' work stations; and (v) providing individualized coaching to all agents as necessary.

consumer inquiries. The vast majority of consumer inquiries handled by the Resolution Team continued to involve payment issues. The volume of inquiries can fluctuate as the Resolution Team also performs proactive outreach, including to consumers whose EFTs have not been completed within a thirty-day period.

Consumer complaint volume remained relatively low and decreased steadily throughout the quarterly reporting period. The limited complaints received related to dissatisfaction with vehicle performance following the completion of the ECR,<sup>45</sup> experiences at dealerships, and general complaints related to the claims process, including its length, documentation requirements, and the payment process.

#### **IV. Conclusion**

During this reporting period, Volkswagen continued its efforts to administer the 3.0 Liter Claims Program in conformity with the Resolution Agreements. As of September 9, 2018, the company had paid \$923,314,848.09 in connection with eligible claims to, or on behalf of, eligible consumers, and also had completed 13,147 Buybacks, 1,843 Trade-Ins, and 42,042 AEMs for consumers. Additionally, Volkswagen secured regulatory approval for a REM for Generation 1.2 vehicles that, coupled with prior modification approvals for Generation 1.1 vehicles and Generation Two vehicles, means there is an available AEM remedy for all consumers with eligible 3.0 Liter vehicles. Volkswagen also processed the vast majority of claims for vehicles with branded titles and continued to process claims for consumers whose vehicles were manufactured for sale in the United States but registered in Canada.

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<sup>45</sup> The Claims Supervisor is aware of twenty-four such complaints made during this quarterly reporting period. Volkswagen has advised that specially trained customer care representatives assist consumers in determining whether perceived vehicle changes are attributable to an AEM, including evaluation by a dealership, when necessary.

Consistent with the requirements of the 3.0 Liter Resolution Agreements, the Claims Supervisor will continue to evaluate and report on Volkswagen's progress with and adherence to the terms of the 3.0 Liter Resolution Agreements as the Claims Program progresses.

Sincerely,

**Ankura Consulting Group, LLC**



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