Auto Physical Damage **Edition**

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Industry Trends Report

FEATURED IN THIS ISSUE:

Parts Use and Seasonality

By Greg Horn
Vice President of Industry Relations, Mitchell

mitchell

Industry Trends Report

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Volume Fifteen Number Four

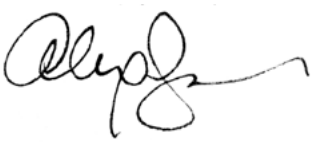
A Message from the CEO

Alex Sun
President and CEO, Mitchell

Winter Strikes, Parts Spike

Welcome to the Q4 Edition of the 2015 *Mitchell Auto Physical Damage Industry Trends Report.* Recently, I had the opportunity to speak with many of you at SEMA regarding the evolving state of the industry and the future implications for your business. With winter approaching, our team has been looking into the effects that severe winter weather has on parts usage and what that means for insurers as the holidays approach. In our feature article on page 4, *Parts Use and Seasonality*, author Greg Horn analyzes the number of parts used in the average repair estimate during the summer and winter months. Drawing on multiple years of data, Greg provides a detailed breakdown of total loss values versus total loss percentages, offering insights that are helpful when you consider the impact this may have on your business. From staffing considerations to other important factors, Greg shares the key areas to focus on as you prepare to wrap up the year.

As always, thank you for your continued readership of the *Industry Trends Report*. As we continually work on solutions to meet tomorrow's challenges, I'm excited by the opportunities ahead for bringing you additional value and insights and partnering with you to achieve better business outcomes.



Alex Sun
President and CEO
Mitchell

Industry Trends Live

Sign up to hear a live presentation of the trends presented in this report from Editor-in-Chief, Greg Horn.

Don't miss the chance to get the inside scoop!

Parts Use and Seasonality

By Greg Horn
Vice President, Industry Relations, Mitchell

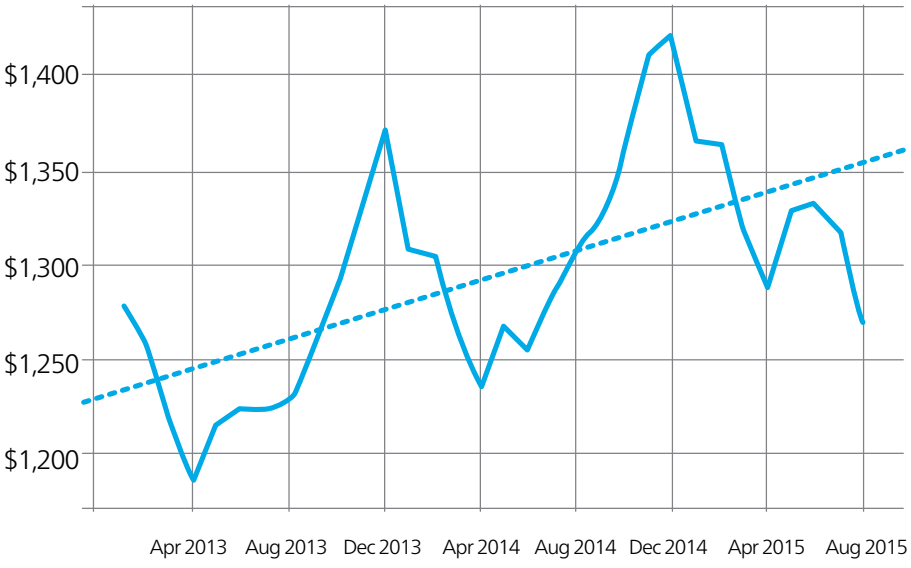
Few East Coast residents will forget this past winter. Between January and March of 2015, the region experienced a record snowfall.

Each year as winter approaches I start to monitor the number of parts used in the average repair estimate. Historically we see several factors materialize at the beginning of winter. Notably, the number of parts on the average estimate increases, usually by over 1.5 parts per estimate, and total parts spend typically increases by more than $100. (See Figure 1) Readers may recall a Mitchell webinar in Q4/14 that showed an association between the spike in average severity and the number of parts being replaced. It associated the increase in parts as a proxy for the increase in accident speed, requiring more parts and slightly more labor and paint on the average estimate. If we look back at several years of industry data, we can see two distinct trends on parts use emerge:

- If we include comprehensive claims, the summer months bring hail and, in most years, a decrease in overall parts because of the use of paintless dent repair.
- However, if we only include collision claims (both first- and third-party) we still see a decrease in parts use in the summer and an increase in the parts use in winter.

Few East Coast residents will forget this past winter. Between January and March of 2015, the region experienced a record snowfall. From our perspective, the interesting thing is that this heavy snow halted the spike in the number of parts per estimates in its tracks. Why? How does that jibe with what I've just said about winter bringing an increase in parts use? In early winter, during November and December when

Figure 1–Average Cost per Estimate when Parts are Present



About the author…

Greg Horn
Vice President, Industry Relations, Mitchell

Greg Horn joined Mitchell in September of 2006 as Vice President of Industry Relations.

In this role, Greg assists the Mitchell sales force in providing custom tailored business solutions to the Property and Casualty Claims and Automotive Collision Repair industries.

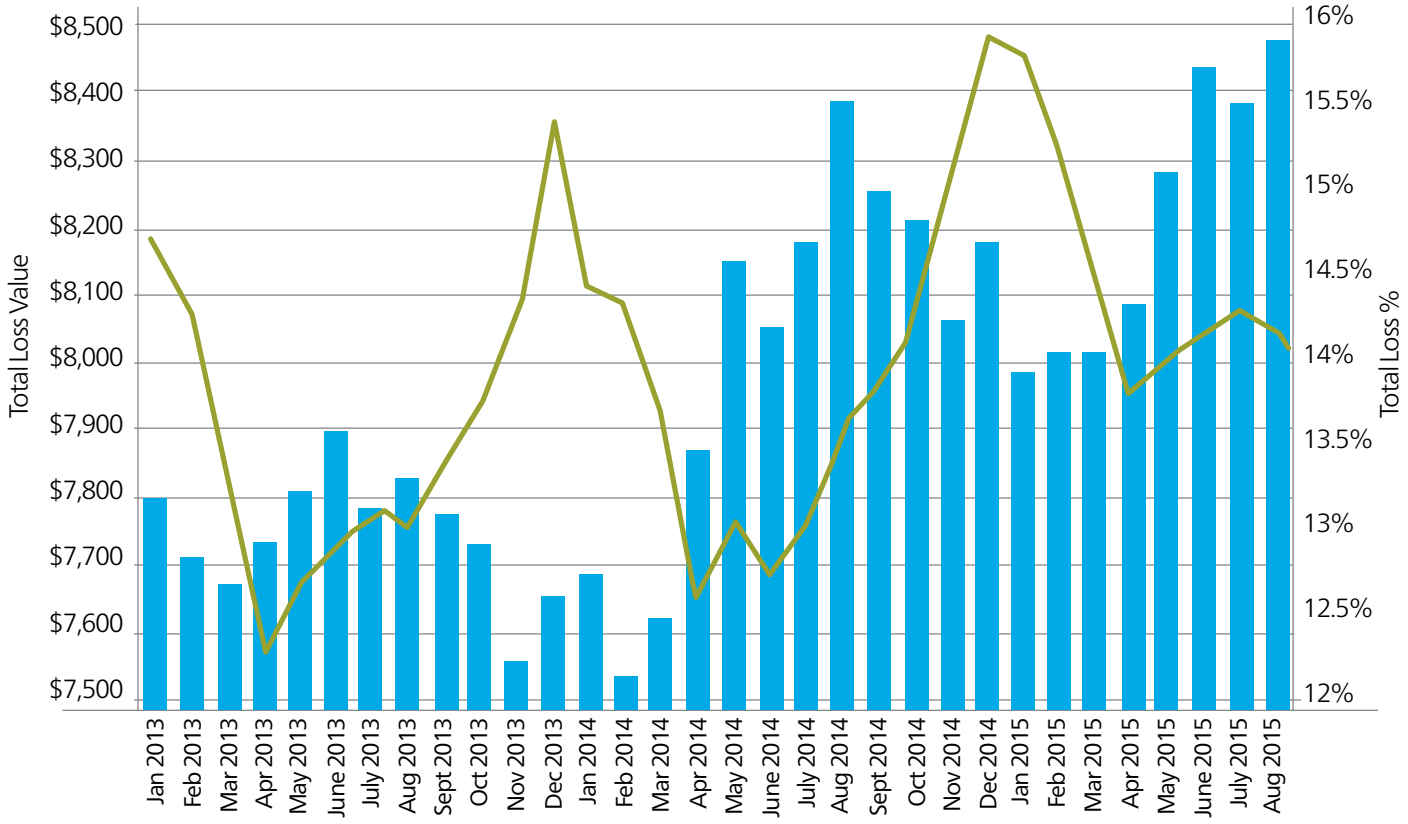
Prior to joining Mitchell, Greg served as Vice President of Material Damage Claims at GMAC Insurance, where he was responsible for all aspects of the physical damage claims process and the implementation of a unique vehicle replacement program along with serving on the General Motors Safety Committee. Prior to GMAC, Greg served as Director of Material Damage Processes for National Grange Mutual in Keene, NH.

snowfall isn't at its peak, the number of parts per collision estimate rises. But when winter hits in earnest, between January and March, the average number of parts per collision estimate falls. It seems counterintuitive that bad weather would actually reduce accident severity, but I'm inclined to conclude that there's a simple explanation for this apparent anomaly. During the first, early snowfalls, people continue to drive as they normally would and the velocity of crashes is greater. When snow is heavy and weather is severe, people tend to exercise more caution and drive slower so that the velocity of any crash is less.

Total loss percentages also spike in the early winter timeframe and then fall off when more severe weather strikes. The interesting thing here is that the value of the total loss is lower when the percentage spikes. (See Figure 2)

What conclusions can we draw from these trends? For an insurer, proper staffing during the December frequency spike are key to prompt inspection, controlling rental length and settling total losses quickly. With the number of work days curtailed because of holidays, this can be a challenge. But after seeing multiple years of these early winter trends, you have time to prepare.

Figure 2–Total Loss Value vs Total Loss %



U.S. Length of Rental Continues to Climb in Q3 2015

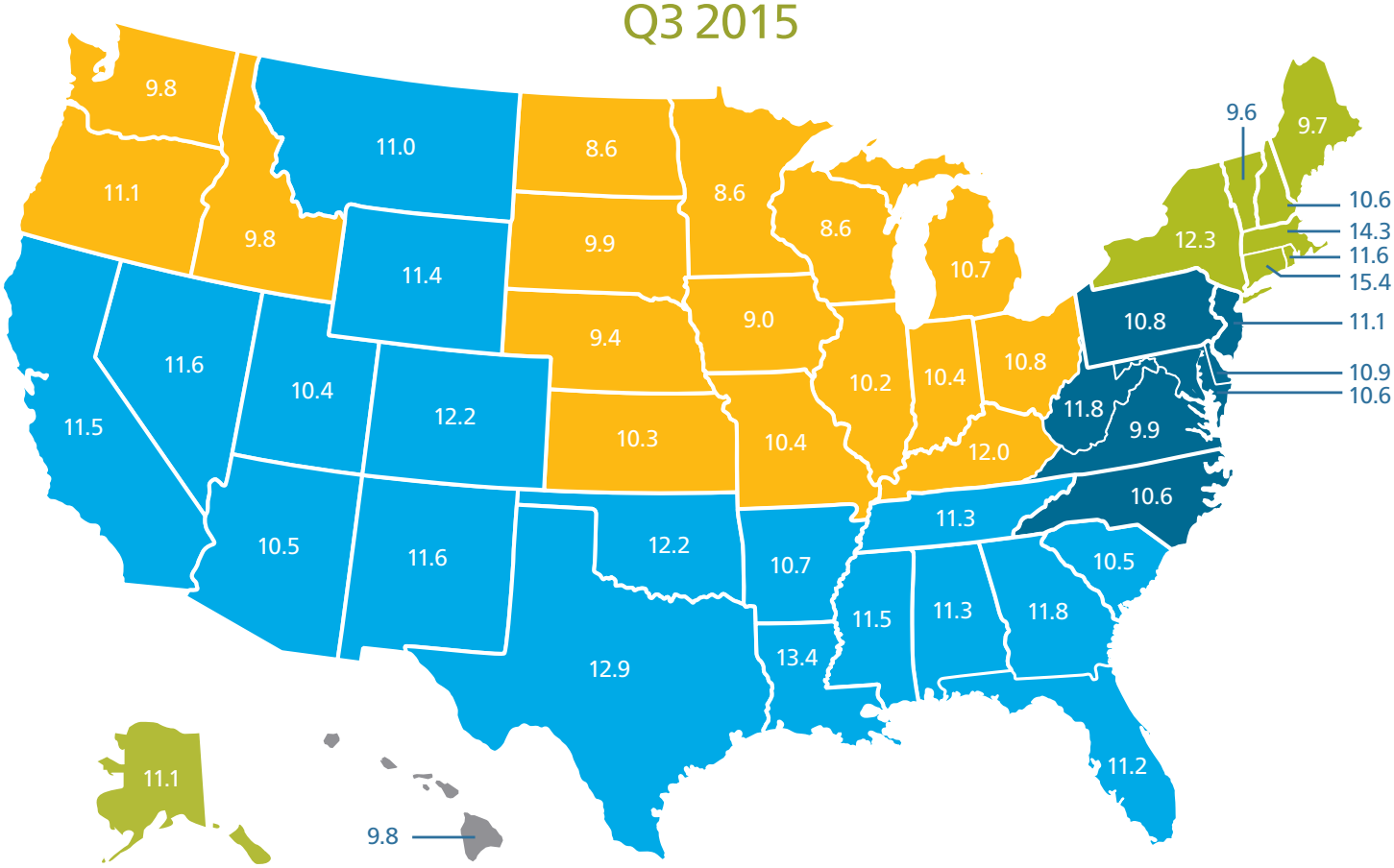
By Frank LaViola
Assistant Vice President, Insurance Replacement, Enterprise Rent-A-Car

One must consider if this is due to changes in processes in the repair cycle.

The U.S. average Length of Rental (LOR) rose in Q3 2015 to 11.4 days overall. This represents an increase of 0.4 days over Q3 2014 and a 0.7 day increase from Q3 2011 and 2012. As cited in previous Collision Week articles, we continue to see a rise in such factors as claims frequency, miles driven, and registered vehicles per licensed drivers. "Overall severity and number of parts per estimate were stable in Q3 compared to the same time period last year, suggesting that the increase in total loss frequency for the quarter is driving length of rental," said Greg Horn, Vice President of Collision Industry Relations at Mitchell International. Vehicles deemed to be drivable increased to 9.3 days up from 8.9 days in Q3 2015, while vehicles deemed to be non-drivable increased 0.7 days to 18.2. One must consider if this is due to changes in processes in the repair cycle. Collision Repair shops can view their drive vs. non drive repairs at www.armsauto.com.

The inset charts show the LOR variances over the past six years in DRP and non-DRP repairs associated with an Enterprise rental. The delta between DRP and non-DRP continues to grow as we see time for DRP repairs drop by 2.65 days. This is due to processes in the DRP model that allow collision repair shops to begin repairs quicker than non-DRP shops. In addition, it may also be a sign of a process that needs attention to address those non-DRP repairs as CSI becomes

U.S. Average Length of Rental by State
Q3 2015

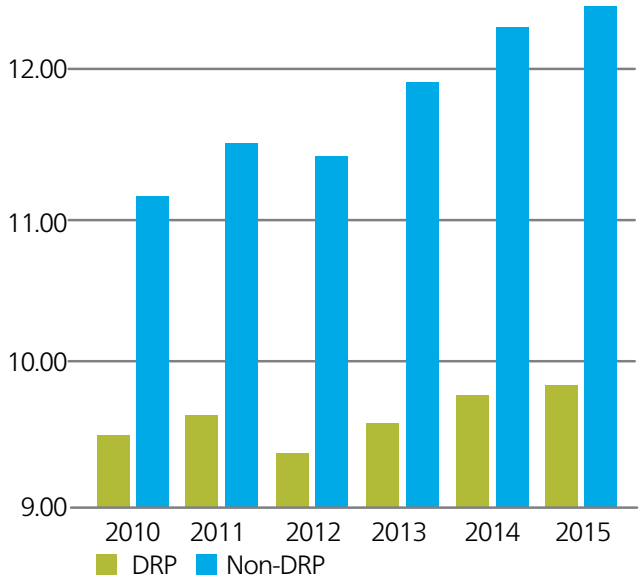


Significant fires in the Northwest may have been a contributing factor in getting vehicles in and out quickly. Oregon led the region up 1 full day from Q3 2014 at 11.1 days.

Overall U.S. LOR
10.93

Region	LOR
California	11.5
Mid-Atlantic	10.8
Midwest	10.3
Mountain	11.6
Northeast	12.5
Northwest	10.2
Pacific	10.1
Southeast	11.5
Southwest	12.5

Average Length of Rental for Repairable Vehicles



Year	Variance
2010	-1.78
2011	-2.05
2012	-2.20
2013	-2.45
2014	-2.63
2015	-2.65

Click here to view the Casualty Edition

a critical component for all members of the repair chain.

Regional Highlights

California, as a region, saw the largest increase in LOR from Q3 2014 coming in at 11.5 days at an increase of 0.7 days. Southern California outpaced the northerners with 11.8 days in LOR compared to Sacramento at 10.5 days and San Francisco at 10.9 days. With the pending El Niño we may see some record high cycle times in Q4 for the state.

Moving onto the Mid-Atlantic Region, Q3 2015 saw a modest increase of 0.1 day rising to 10.8 days in LOR. A couple of notable declining states were Pennsylvania at 10.7 days and Delaware at 11.2 both down 0.9 days. Leading the states with increases was Maryland up 0.6 days to 11.2. Virginia followed with an increase of 0.4 days to 9.9. Over the past five years, Virginia has stayed below the 10 day mark for Q3. The highest LOR in the Mid-Atlantic was the state of West Virginia at 11.8 days.

Declining states outpaced increasing states in the Mid-West as LOR came in flat from 2014 Q3 at 10.3 days. A relatively mild summer for the majority of the states helped keep LOR in check. The largest increase in LOR was achieved in Missouri, 10.4 days, up 0.6 from Q3 2015. Missouri experienced a couple of hail events that increased claims counts. A couple of fairly significant declining states were Nebraska, 9.4 days, and Michigan, 10.7 days. Both states declined by 0.8 days followed by South Dakota down 0.7 days to 9.9 overall. The state with the highest LOR in the region was Kentucky at 12 days, followed by Michigan's 10.7 and Ohio at 10.8. The lowest U.S. and region LOR states were Minnesota and North

Dakota coming in at 8.6 days. Other declining states were Iowa at 9 days, Illinois at 10.2 days, and Indiana at 10.4.

The Mountain Region had a modest 0.2 day increase, rising to 10.2. This marked the highest Q3 for the Mountain Region over the past six years. Utah had the largest increase up 0.7 days to 10.4 overall.

A relatively mild summer for the majority of the states helped keep LOR in check. The largest increase in LOR was achieved in Missouri, 10.4 days, up 0.6 from Q3 2015.

Even with this substantial increase, Utah was still the lowest in the region. The state with the highest LOR in the region was Colorado at 12.2 days, followed by Wyoming at 11.4. Montana reached the 11 day mark for the first time in Q3 over the past five years.

The Northeast tied for the highest LOR in the nation with a 12.5 day LOR, an increase of 0.4 days over the five-year average. Rhode Island holds the distinction of having the longest LOR at 15.5 days, as well as the distinction of the largest Q3 increase with a whopping 1.1 days. Massachusetts followed its neighbor with an LOR of 14.3 days, the second highest in the country up 0.5 days from Q3 2015. Vermont and Maine were the only states in the region to be sub 10 days at 9.6, down 1 full day, and 9.7, down 0.3 days, respectively. New York grew a modest 0.3 days to 12.3 and Connecticut was down 0.4 days to 11.6.

Heading down to the Southeast region we see an increase in LOR of 0.6 days to 11.5. The state with the highest LOR was Louisiana up 0.8 days to 13.4 and Georgia at 11.8, up one full day. Tennessee and Alabama both came in at 11.3 days up 0.8 days and 0.1 days respectively. Of note is South Carolina leading the region with the lowest LOR down 0.5 days to 11.0. The recent flood damage will undoubtedly lead to major increases in the months to follow. One of the challenges of catastrophic events has been the damage suffered by collision repairers. When the repair community also is affected by these events, employees are left without the proper equipment to repair customers' vehicles that have been afflicted. For repairers in need of assistance the Collision Industry Foundation may be able to assist. Repairers and those wishing to donate can visit **http://collisionindustryfoundation**.org/. "In events such as what has taken place in South Carolina the collision industry has an opportunity to support those that are affected through the Collision Industry Foundation (CIF). It is the vision of CIF to provide emergency relief for collision repair professionals for loss of livelihood caused by this type of catastrophic event," said CIF Chairman William Shaw.

Going back up to the Northwest region we saw an increase in LOR of 0.6 days to 10.2. Significant fires in the Northwest may have been a contributing factor in getting vehicles in and out quickly. Oregon led the region up one full day from Q3 2014 at 11.1 days. Idaho and Washington both had LOR's of 9.8 days, up 0.1 and 0.2 days respectively.

Perhaps some rivalry in the Southwest led by Texas, 12.9 days and Oklahoma 12.2 days to both show increases in LOR of 0.7 days from Q3 2014. The Houston market had the highest LOR in the state at 13.7 days and El Paso was the lowest at 11.9 days. The region as a whole increased 0.6

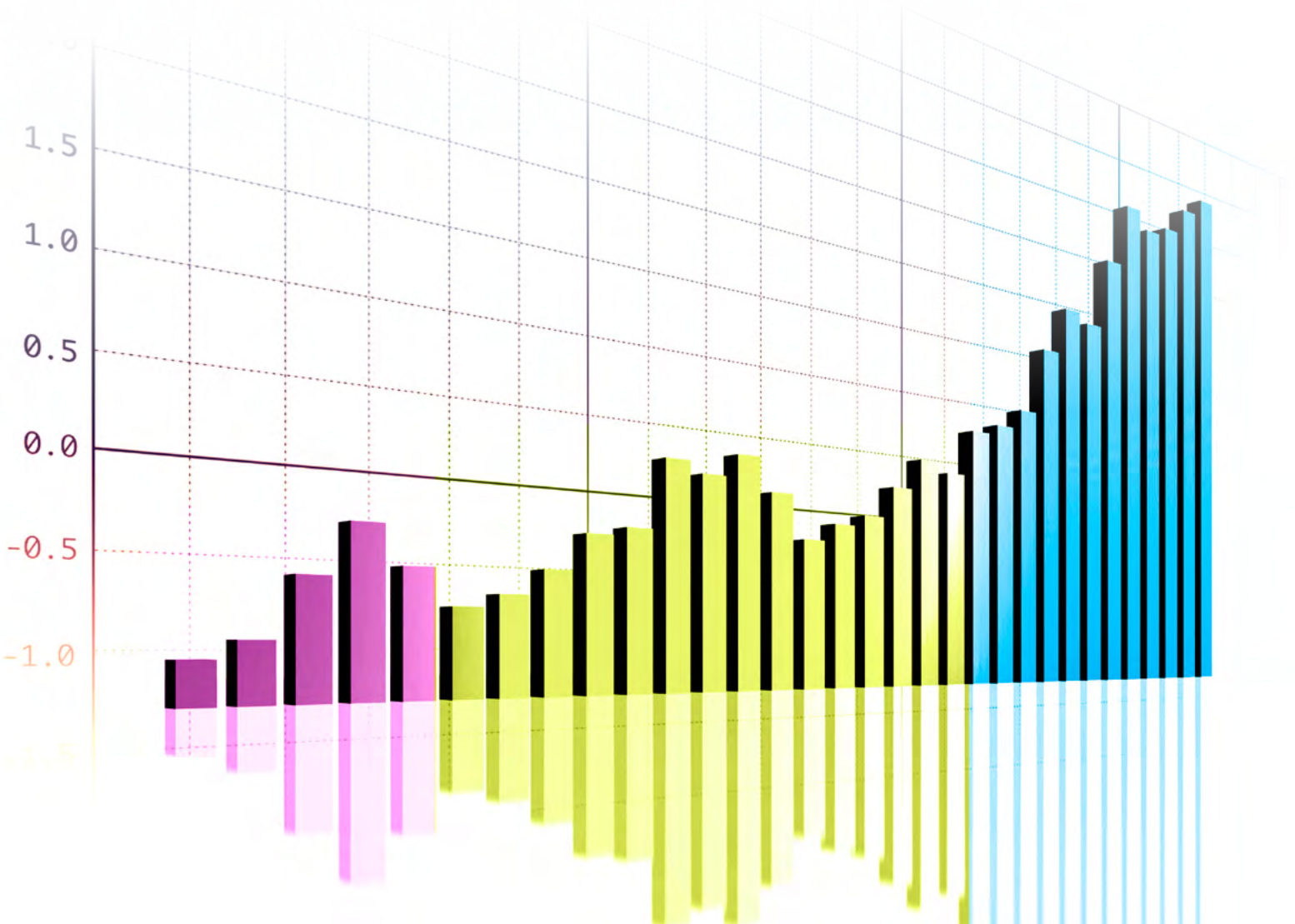
Average Length of Rental for Repairable Vehicles

days to 12.5 overall. The only state to not show an increase in LOR was Nevada, staying even at 11.6 days and matching New Mexico's 11.6. The state with the lowest LOR was Arizona at 10.5 days, but still up 0.4 for the quarter.

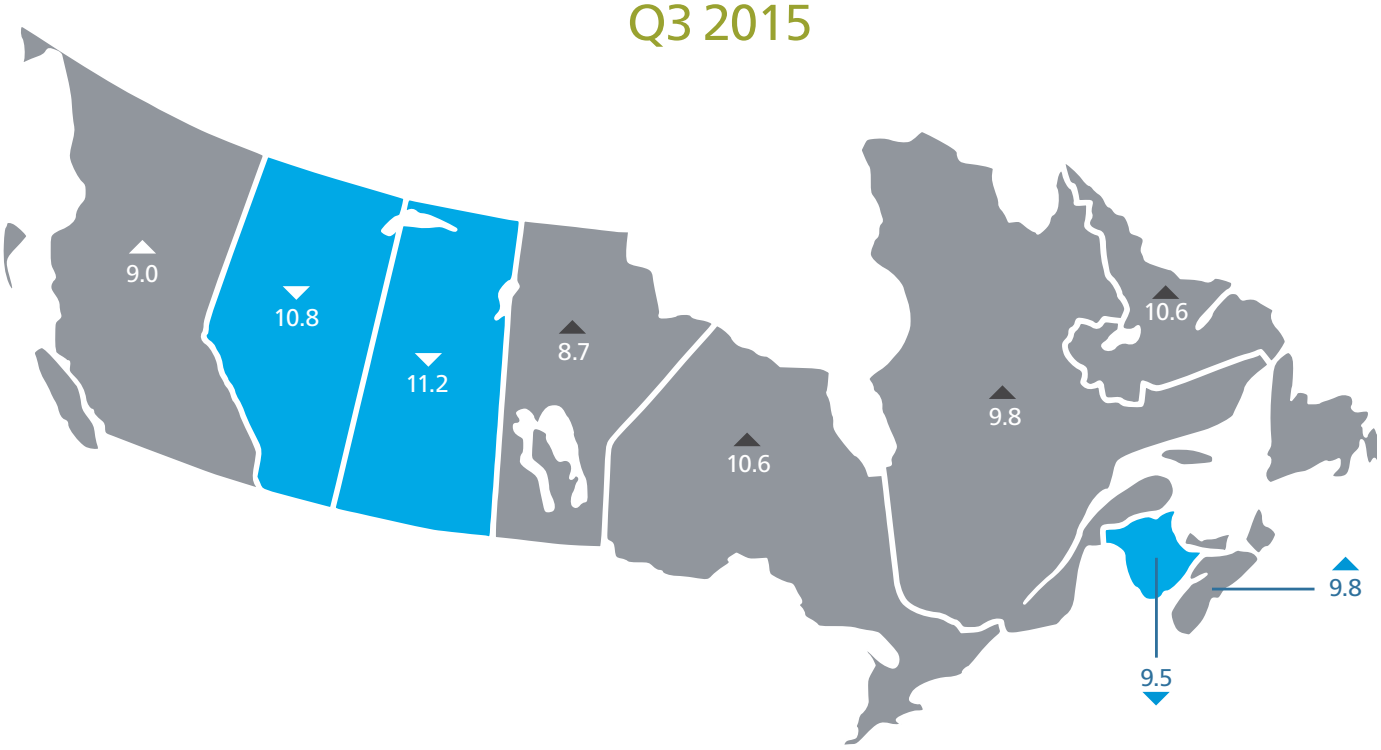
Hawaii and Alaska both experienced declines of 0.3 days. Alaska's LOR was 11.1 days and Hawaii came in at 9.8. Alaska had a very mild winter last year which repairers are hoping is not repeated and insurers would be happy to see again.

Canada LOR

The Canadian collision repair market followed the path of the U.S. by showing an increase of 0.3 days from Q3 2014 at 10.5 days. Each Province showed an increase in LOR with Alberta leading the path up 0.5 days to 11.6., followed by Newfoundland at 10.5 days, up 0.2. The lowest LOR in the country was Prince Edward Island coming in at 8.5 days, up a mere 0.1 from last Q3. New Brunswick, Quebec, and Nova Scotia all came in sub 10 days at 9.8, 9.6, and 9.9 respectively. British Columbia, Saskatchewan and Manitoba are excluded due to the presence of government insurers ICBC, MPI and SGI.



Canadian Average Length of Rental by Province
Q3 2015



Year over year change

Source: Enterprise Rent-A-Car. Includes ARMS® Insurance Company Direct Billed Rentals; Excludes Total Loss Vehicles.

The quarterly LOR summary is produced by Frank LaViola, Assistant Vice President Collision Industry Relations and Sales at Enterprise Rent-A-Car. Frank has 22 years of experience with Enterprise. Through its ARMS® Automotive Suite of Products, Enterprise provides collision repair facilities with free cycle time reporting with market comparisons, free text/email capability to update their customers on vehicle repair status, and online reservations. More information is available at armsautosuite.com or by contacting Frank LaViola at frank.r.laviola@ehi.com.

Overall Canada LOR Days
10.4

Region	LOR Days
British Columbia	9.0
Alberta	10.8
Saskatchewan	11.2
Manitoba	8.7
Ontario	10.6
Quebec	9.8
Newfoundland and Labrador	10.6
New Brunswick	9.5
Nova Scotia	9.8

NHTSA Reports Increase in Drivers Text-Messaging in 2014

The National Highway Traffic Safety Administration saw an increase of nearly 30 percent in drivers that were observed text messaging or visibly manipulating a handheld device in 2014 versus the previous year.

By Russell Thrall III
From CollisionWeek

Drivers aged 16–24 were more than twice as likely to be observed manipulating a handheld device in 2014 at 4.8 percent, compared to 2.0 percent for drivers from 25–69 years old.

According to research by the U.S. Department of Transportation National Highway Traffic Safety Administration (NHTSA) the percentage of drivers observed text-messaging or visibly manipulating handheld devices increased from 1.7 percent in 2013 to 2.2 percent in 2014, an increase of 29.4 percent.

The increase, one of the findings on electronic device use contained in a NHTSA Traffic Safety Fact Research Note released in September, is considered statistically significant by the government agency.

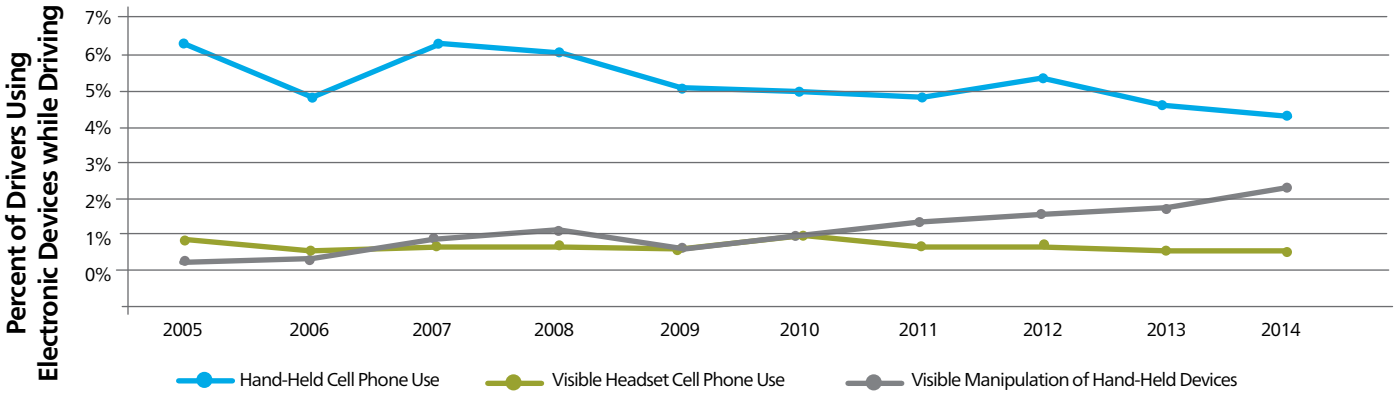
Drivers aged 16–24 were more than twice as likely to be observed manipulating a handheld device in 2014 at 4.8 percent, compared to 2.0 percent for drivers from 25–69 years old.

These results are from the National Occupant Protection Use Survey (NOPUS), which provides the only nationwide probability-based observed data on driver electronic device use in the United States.

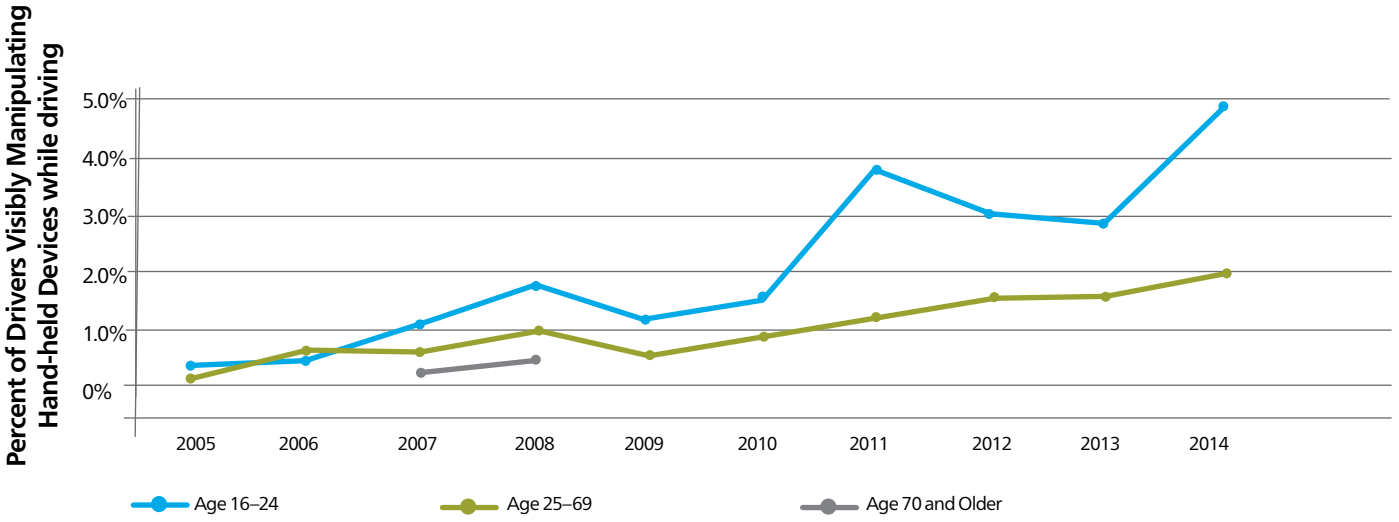
The survey is conducted annually by the National Center for Statistics and Analysis of NHTSA.

According to the report, driver handheld cell phone use decreased from 4.6 percent in 2013 to 4.3 percent in 2014, a decrease of 6.5 percent that the agency does not consider a statistically significant decrease.

Driver Use of Electronic Devices, 2005–2014



Drivers Visibly Manipulating Hand-Held Devices by Age, 2005–2014



U.S. Registered Vehicles, Licensed Drivers and Population 1994–2013

While the economic downturn had an impact on driving habits in the U.S., the long term trends in registered vehicles, drivers and population are up. The declines during the recession have reversed.

By Russell Thrall III

From CollisionWeek

The impact of both rising gas prices in the mid-2000s, and the economic recession, on the habits of drivers in the U.S. and the total vehicle miles traveled (VMT) across the country has been thoroughly chronicled in CollisionWeek. As our most recent monthly report on VMT shows, the declines in driving that began in 2007 have been erased, and drivers are setting new records each month for traffic volume.

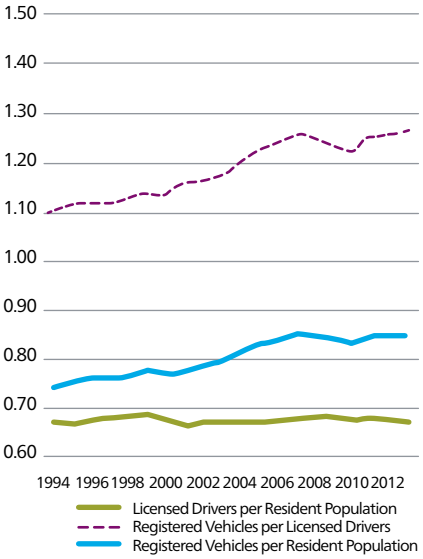
As this analysis shows, the recession's impact on the overall number of registered vehicles in the U.S. as well as licensed drivers was not as severe as it was upon traffic volume. Also, comparing the registered vehicle population and the number of licensed drivers to the overall population and traffic volume show that while the economic downturn had an impact, some comparisons had returned to pre-recession highs by 2013, before traffic volume improvements really took off in the last year.

The table to the right shows the resident population of the U.S., the total number of registered vehicles, licensed drivers and vehicle miles traveled from 1994 through 2013. As the chart clearly shows, the overall resident population, registered vehicles, licensed drivers and vehicle miles traveled have grown substantially in the twenty years from 1994 through 2013.

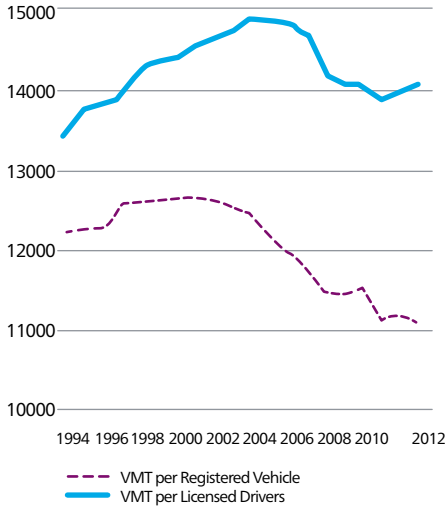
Both the resident population in the U.S. and the number of licensed drivers grew consistently throughout the period. While population recorded an increase every year, the number of licensed drivers had just one year, 2012, that was flat. Even during the recession, no decreases were reported for licensed drivers.

Average annual growth in the number of licensed drivers was 1.01 percent per year, just short of

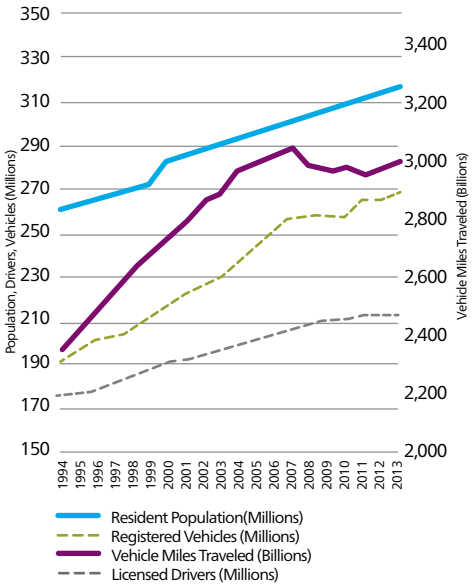
Drivers, Vehicles and Population



Vehicle Miles Traveled per Driver and Vehicle



Population, Vehicles, Drivers and Travel 1994–2013



the 1.03 percent annual growth in the resident population during the 1994–2013 time frame.

Registered vehicle growth was higher during the period. Average annual growth in the number of registered vehicles in the U.S. was 1.79 percent per year from 1994–2013. During the period, there were just two years with a decline in the number of registered vehicles: 2009 and 2010.

Next we examined the amount of driving by both the number of licensed drivers as well as by the total registered vehicle population. Looking at the Vehicle Miles per Driver and Vehicle Chart above, you will see that both have declined in recent years. The VMT per licensed driver declined starting in 2006, two years before VMT started to decline overall. VMT per licensed driver decreased in five of the six years that followed through 2011. VMT per licensed driver increased in both 2012 and 2013 and undoubtedly will show an increase in 2014 once final licensed driver statistics are available given the growth in VMT last year.

VMT per registered vehicle started to decline a few years earlier in 2003 as compared to VMT per licensed driver. This corresponds to a period of growth in the registered vehicle population. In 2002 there were 1.16 registered vehicles per licensed driver compared to 1.27 vehicles per licensed driver in 2013 an increase of 9.4 percent.

Our final chart compared the ratios of licensed drivers to the resident population of the U.S., registered vehicles per licensed driver and registered vehicles per resident population. As the chart above shows, the percentage of licensed drivers compared to the overall resident population in the U.S. has been very consistent over the twenty year period from 1994 through 2013 staying in a range of 67–69 percent. The peak years were 1999 at 69 percent and again in 2008. In 2013, the percentage of licensed drivers to the overall population is 67 percent, equal to the 1994 result.

The number of registered vehicles per licensed vehicle has grown from 1.1 vehicles per licensed driver in 1994, to a high of 1.27 per licensed driver in 2014. The average growth rate from 1994 to 2013 was 0.77 percent per year. The number of registered vehicles per resident population grew at a similar rate during the period. Both experienced a decline during the recession, but have returned to growth as the economy improved.

Most Americans Opposed to Self-Parking Technology

By Kristen Felder
From FenderBender

While the vast majority of Americans say they would not trust self-parking technology, AAA found these features performed well in tests and warrants consideration of new car buyers.

Sept. 23, 2015—According to a new survey from AAA, nearly 80 percent of American drivers are confident in their parallel parking abilities and only one-in-four would trust self-parking technologies to park their vehicles. However, AAA testing found that self-parking technology outperformed assisted drivers in four key areas.

"Autonomous features, such as active park assist, are rapidly being introduced into new vehicles, yet American drivers are hesitant to let go of the wheel," said John Nielsen, AAA's managing director of Automotive Engineering and Repair. "While the vast majority of Americans say they would not trust self-parking technology, AAA found these features performed well in tests and warrants consideration of new car buyers."

AAA partnered with the Automobile Club of Southern California's Automotive Research Center and tested self-parking features on five vehicles: a 2015 Lincoln MKC, a 2015 Mercedes-Benz ML400 4Matic, a 2015 Cadillac CTS-V Sport, a 2015 BMW i3 and a 2015 Jeep Cherokee Limited.

Compared to drivers that manually parallel parked with the aid of a standard back-up camera, AAA found:

- Drivers using self-parking systems experienced 81 percent fewer curb strikes.
- Self-parking systems parallel parked the vehicle using 47 percent fewer maneuvers, with some systems completing the task in as little as one maneuver.
- Self-parking systems were able to park a vehicle 10 percent faster.
- Self-parking systems were able to park 37 percent closer to the curb.

"AAA's testing found that self-parking technology outperformed manual parking in number of curb strikes, number of maneuvers, speed and accuracy," said Megan McKernan, manager of the Automobile Club of Southern California's Automotive Research Center. "While Americans report feeling confident in their parallel parking abilities, this technology proves there is room for improvement."

AAA did find some flaws in the self-parking systems. Some systems parked the vehicles exceedingly close to the curb, leaving wheels and tires vulnerable to scratches and costly repairs.

"AAA recommends that drivers leave six-to-eight inches between the vehicle and the curb when parallel parking," warned Nielsen. "With some systems leaving as little as a half-inch buffer, AAA urges automakers to increase this distance to prevent vehicle damage.

New Vehicle Sales

WardsAuto 10 Best Selling U.S. Cars and Trucks

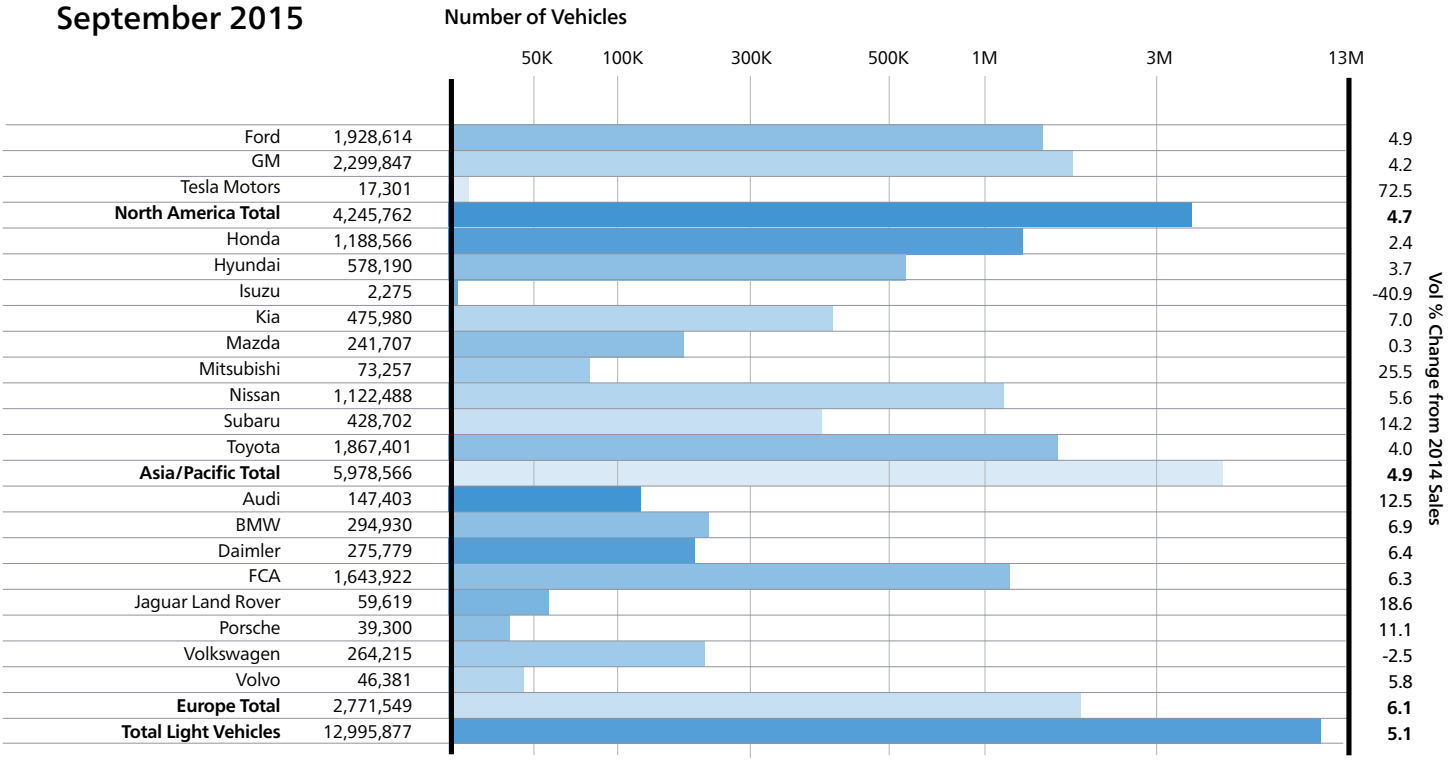
September 2015 (YTD)

Cars		Trucks/Vans/SUVs	
Camry	326,330	F-Series	527,583
Corolla	278,742	Silverado	440,904
Accord	264,814	Ram Pickup	319,704
Altima	262,424	CR-V	259,499
Civic	249,749	Escape	233,012
Fusion	231,475	RAV4	227,922
Elantra	193,962	Equinox	214,042
Cruze	177,970	Rogue	213,207
Focus	163,864	Explorer	190,171
Sonata	157,680	Sierra	161,653

Source: WardsAuto InfoBank

WardsAuto U.S. Light Vehicle Sales by Company

September 2015



Light vehicles are cars and light trucks (GVW Classes 1-3, under 14,001 lbs.). DSR is daily sales rate. Tesla Motors monthly sales estimated.
Source: WardsAuto InfoBank

Current Used Vehicle Market Conditions

September 2015 Kontos Kommentary

By Tom Kontos

Executive Vice President,
ADESA Analytical Services

The following commentary is produced monthly by Tom Kontos, Executive Vice-President, ADESA Analytical Services. ADESA is a leading provider of wholesale used vehicle auctions and ancillary remarketing services.

As part of the KAR Auction Services family, ADESA works in collaboration with its sister company, Insurance Auto Auctions, a leading salvage auto auction company, to provide insights, trends and highlights of the entire automotive auction industry.

Wholesale Used Vehicle Price Trends

	Average Prices ($/Unit)			Latest Month Versus	
	Sep-15	Aug-15	Sep-14	Prior Month	Prior Year
Total All Vehicles	**$9,619**	**$9,575**	**$9,554**	**0.5%**	**0.7%**
Total Cars	**$7,992**	**$8,010**	**$8,322**	**-0.2%**	**-4.0%**
Compact Car	$6,421	$6,514	$6,681	-1.4%	-3.9%
Midsize Car	$7,263	$7,272	$7,634	-0.1%	-4.9%
Fullsize Car	$6,302	$6,238	$6,514	1.0%	-3.3%
Luxury Car	$11,673	$11,425	$11,648	2.2%	0.2%
Sporty Car	$11,583	$11,750	$11,990	-1.4%	-3.4%
Total Trucks	**$11,361**	**$11,276**	**$10,403**	**0.8%**	**9.2%**
Mini Van	$6,860	$6,624	$7,079	3.6%	-3.1%
Fullsize Van	$12,844	$12,813	$11,477	0.2%	11.9%
Mini SUV	$13,588	$13,642	$12,265	-0.4%	10.8%
Midsize SUV	$8,138	$7,826	$7,427	4.0%	9.6%
Fullsize SUV	$11,400	$11,161	$10,506	2.1%	8.5%
Luxury SUV	$18,188	$18,136	$18,485	0.3%	-1.6%
Compact Pickup	$7,764	$7,686	$7,255	1.0%	7.0%
Fullsize Pickup	$14,468	$14,593	$12,916	-0.9%	12.0%
Total Crossovers	**$11,441**	**$11,339**	**$11,936**	**0.9%**	**-4.2%**
Compact CUV	$10,177	$10,106	$10,499	0.7%	-3.1%
Mid/Fullsize CUV	$12,399	$12,278	$13,284	1.0%	-6.7%

Source: ADESA Analytical Services.

Summary

Average wholesale used vehicle prices were relatively flat in September, as car prices fell while truck prices rose in light of low fuel prices. Drilling down by seller type reveals continued softness in prices on both a sequential and year-on-year basis, especially for institutional sellers. Still, healthy retail demand continues to minimize the negative impact to price of growing volume.

Details

According to ADESA Analytical Services' monthly analysis of Wholesale Used Vehicle Prices by Vehicle Model Class[1], wholesale used vehicle prices in September averaged $9,619—relatively flat at 0.5% compared to August and 0.7% relative to September 2014. Prices for trucks were up sequentially and annually, while the opposite was true for cars.

Average wholesale prices for used vehicles remarketed by manufacturers were down 1.2% month-over-month and down 6.2% year-over-year. Prices for fleet/lease consignors were down 0.4% sequentially and down 0.3% annually. Off-rental program and risk units both showed year-over-year declines in average prices despite manageable volumes and reasonable mileages. Dealer consignors saw a 0.9% price decrease versus August, but a 3.2% increase relative to September 2014.

Data from NADA showed a 4.8% year-over-year increase in used vehicle sales by franchised dealers and a 5.4% increase for independent dealers in September. CPO sales were down 4.2% month-over-month but up 12.1% year-over-year, according to figures from Autodata.

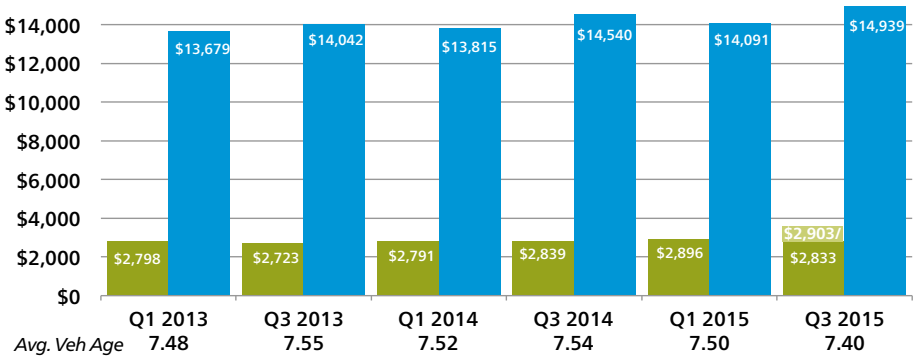
[1]*The analysis is based on over seven million annual sales transactions from over 150 of the largest U.S. wholesale auto auctions, including those of ADESA as well as other auction companies. ADESA Analytical Services segregates these transactions to study trends by vehicle model class, sale type, model year, etc.*

Appraisal Values

The initial average appraisal value, calculated by combining data from all first- and third-party repairable vehicle appraisals uploaded through Mitchell systems in Q3 2015 was $2,833, $6 lower than the previous year's Q3 2014 appraisal average of $2,839.

Applying the prescribed development factor of 2.50% to these data produces an anticipated average appraisal value of $2,903. Also of note is the average actual cash value (ACV) of the vehicles rose again from the highest level of all quarters surveyed.

Average Appraisal Values, ACVs and Age | All APD Line Coverages*



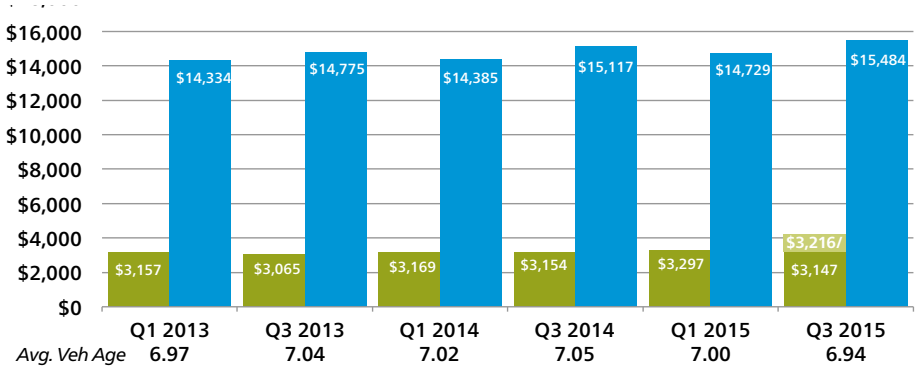
** Values provided from Guidebook benchmark averages, furnished through Mitchell Estimating.* Appraisals ACV's

Collision Losses

Mitchell's Q3 2015 data reflect an initial average gross collision appraisal value of $3,147, $7 less than this same period last year. However, by applying the indicated development factor, suggests a final Q3 2014 average gross collision appraisal value will be $3,216, once again breaking the $3,000 mark in each of the quarters surveyed.

At the average Actual Cash Value (ACV) of vehicles appraised for collision losses during Q3 2015 was $15,484, significantly higher than Q3 2014, and higher than any other quarter surveyed.

Average Appraisal Values, ACVs and Age | Collision Coverage*

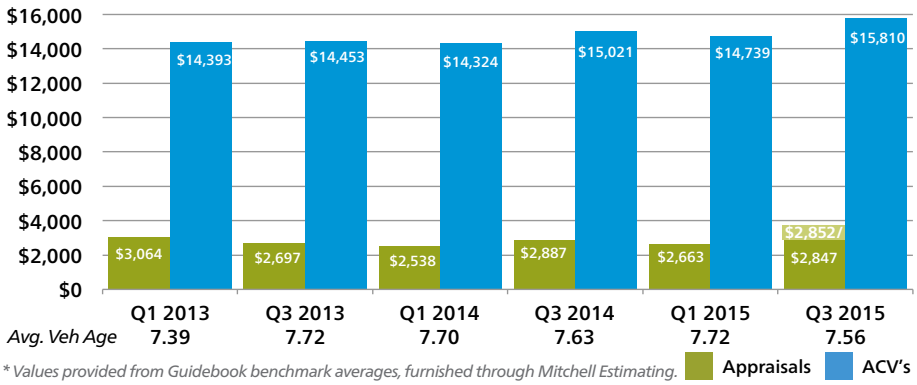


** Values provided from Guidebook benchmark averages, furnished through Mitchell Estimating.* Appraisals ACV's

Comprehensive Losses

In Q3 2015, the average initial gross appraisal value for comprehensive coverage estimates processed through our servers was $2,847, compared to $2,887 in Q3 2014. Applying the prescribed development factor of 0.17% for this data set produces only an increase in the adjusted value to $2,852.

Average Appraisal Values, ACVs and Age | Comprehensive Losses*

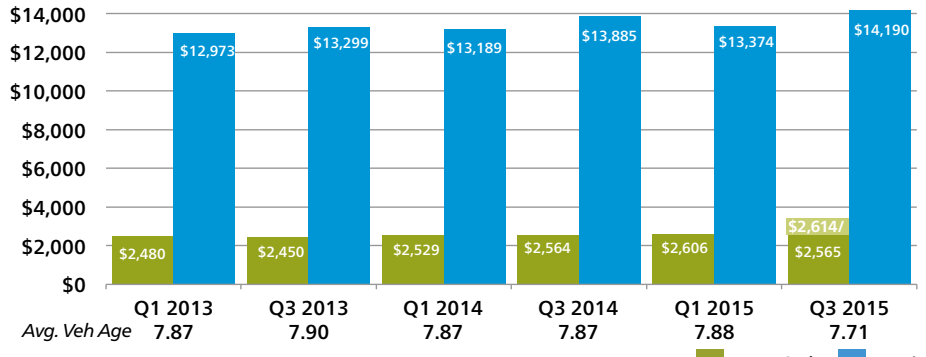


** Values provided from Guidebook benchmark averages, furnished through Mitchell Estimating.*

Third-Party Property Damage

In Q3 2015, our initial average gross third-party property damage appraisal was $2,565 compared to $2,564 in Q3 2014, reflecting a $1 initial increase between these respective periods. Adding the prescribed development factor of 1.98% for this coverage type yields a Q3 2015 adjusted appraisal value of $2,539, a $50 increase in average severity over Q3 2014.

Average Appraisal Values, ACVs and Age | Auto Physical Damage APD*



** Values provided from Guidebook benchmark averages, furnished through Mitchell Estimating.*

Click here to view the Casualty Edition

Supplements

EDITOR'S NOTE

As it generally takes at least three months following the original date of appraisal to accumulate most supplements against an original estimate of repair, we report (and recommend viewing supplement information) three months after-the-fact, to obtain the most accurate view of these data.

In Q3 2015, 27.24% of all original estimates prepared by Mitchell-equipped estimators during that period were supplemented one or more times. In this same period, the pure supplement frequency (supplements to estimates), was 50.94% reflecting a 2.2 pt. increase from that same period in 2014. The average combined supplement variance for this quarter was $758.22, $34.42 lower than in Q3 2014.

Average Supplement Frequency and Severity

Date	Q1/13	Q3/13	Q1/14	Q3/14	Q1/15	Q3/15	Pt. Change	% Change
% Est. Supplement	34.24	33.46	36.41	34.04	36.78	27.24	-6.8	-20%
% Supplement	49.2	46.66	52.02	48.74	52.93	50.94	2.2	5%
Avg. Combined Supp. Variance	746.17	737.5	737.81	792.64	817.79	758.22	-34.42	-4%
% Supplement $	26.67	27.08	26.44	27.92	28.24	26.77	-1.15	-4%

Average Appraisal Make-Up

This chart compares the average appraisal make-up as a percentage of dollars, constructed by Mitchell-equipped estimators. These data points reflect an increase only in paint and materials with respect to Q3 2014.

% Average Appraisal Dollars by Type

Date	Q1/13	Q3/13	Q1/14	Q3/14	Q1/15	Q3/15	Pt. Change	% Change
% Average Part $	43.83	42.53	45.31	42.93	45.76	43.03	0.1	0%
% Average Labor $	44.89	45.99	43.11	45.69	42.77	45.69	0	0%
% Paint Material $	10.38	10.7	10.47	10.59	10.45	10.76	0.17	2%

Parts Analysis

Parts Type Definitions

Original Equipment Manufacturer (OEM)

Parts produced directly by the vehicle manufacturer or their authorized supplier, and delivered through the manufacturer's designated and approved supply channels. This category covers all automotive parts, including sheet metal and mechanical parts.

Aftermarket

Parts produced and/or supplied by firms other than the OEM designated supply channel. This may also include those parts originally manufactured by endorsed OEM suppliers, which have later followed alternative distribution and sales processes. While this part category is often only associated with crash replacement parts, the automotive aftermarket also includes a large variety of mechanical and custom parts as well.

Non-New/Remanufactured

Parts removed from an existing vehicle that are cleaned, inspected, repaired and/or rebuilt, usually back to the original equipment manufacturer's specifications, and re-marketed through either the OEM or alternative supply chains. While commonly associated with mechanical hard parts such as alternators, starters and engines, remanufactured parts may also include select crash parts such as urethane and TPO bumpers, radiators and wheels as well.

Recycled

Parts removed from a salvaged vehicle and re-marketed through private or consolidated auto parts recyclers. This category commonly includes all types of parts and assemblies, especially body, interior and mechanical parts.

EDITOR'S NOTE

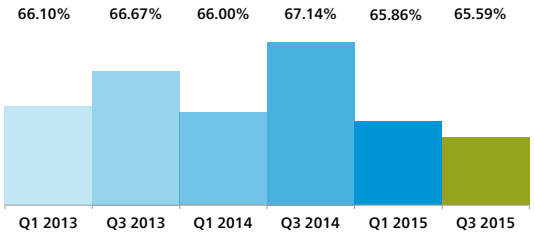
While there isn't a perfect correlation between the types of parts specified by estimators and those actually used during the course of repairs, we feel that the following observations to be directionally accurate for both the insurance and auto body repair industries. This segment illuminates the percentage of dollars allocated to each unique part-type.

As a general observation, recent data show that parts make up 45% of the average value per repairable vehicle appraisal, about (0.6) points more than the average allocation of labor dollars. In addition, the current trend reflects a continued decrease in the use of new OEM parts, likely as a result of the increases in collision parts taken by the manufacturers to offset increased delivery and storage expenses.

Original Equipment Manufacturer (OEM) Parts Use in Dollars

Parts removed from a salvaged vehicle and re-marketed through private or consolidated auto parts recyclers. This category commonly includes all types of parts and assemblies, especially body, interior and mechanical parts.

Parts-New



MITCHELL SOLUTION:

Mitchell **QRP**™

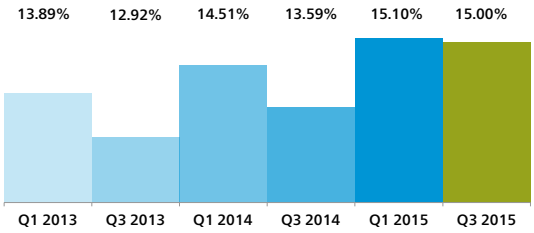
Mitchell's **Quality Recycled Parts (QRP)** Mitchell's Quality Recycled Parts (QRP) program is the most comprehensive source for finding recycled parts, providing online access to a parts database compiled from a growing network of more than 800 of the highest quality recyclers in North America and Canada.

For more information on QRP, visit Mitchell's website at www.mitchell.com.

Aftermarket Parts Use in Dollars

In Q3 2015, 15.0% of all parts dollars recorded on Mitchell appraisals were attributed to aftermarket sources, up 1.41 points from Q3 2014.

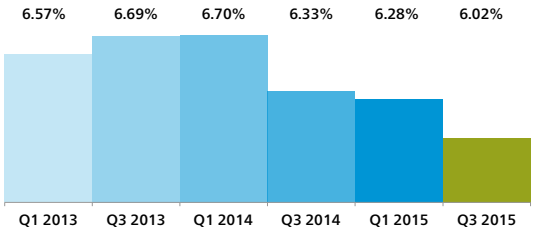
Parts-Aftermarket



Remanufactured Parts Use in Dollars

Currently listed as "non-new" parts in our estimating platform and reporting products, remanufactured parts currently represent 6.02% of the average gross parts dollars used in Mitchell appraisals during Q3 2015. This reflects a 0.31 decrease over this same period in 2014.

Parts-Remanufactured



MITCHELL SOLUTION:

Mitchell **MAPP**™

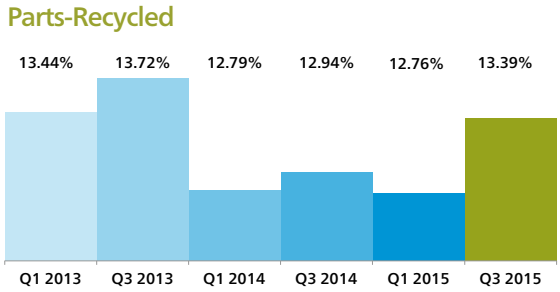
Mitchell Alternate Parts Program (MAPP) offers automated access to nearly 100 Remanufactured and Aftermarket part types from over 700 suppliers ensuring shops get the parts they need from their preferred vendors.

For more information on MAPP, visit Mitchell's website at www.mitchell.com.

Mitchell Collision Repair Industry Data

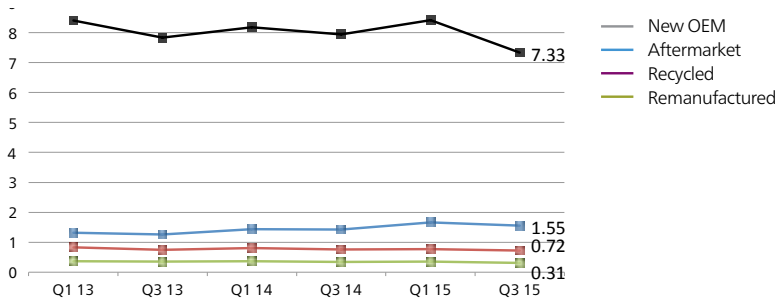
Recycled Parts Use in Dollars

Recycled parts constituted 13.39% of the average parts dollars used per appraisal during Q3 2015, reflecting an increase of 0.45 from Q3 2014.



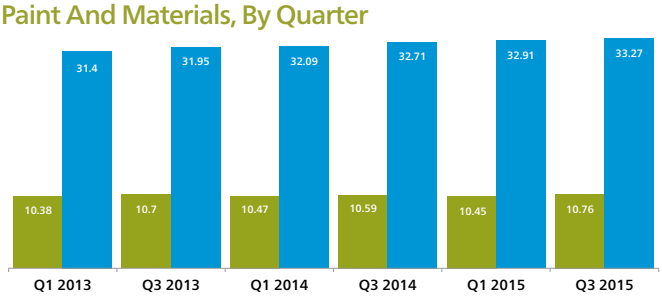
The Number of Parts by Part Type

In order to capture another aspect of parts use, we calculate the number of parts used by part type on a repairable estimate. New for this issue is a revision of the calculation that will exclude use of estimates where no parts were replaced. For Q3 2015, new OEM shows a decrease of 0.61 points from the same quarter in 2014.



Paint and Materials

During Q3 2015, paints and materials made up 10.76% of our average appraisal value, representing a 0.17-point relative increase from Q3 2014. Represented differently, the average paint and materials rate—achieved by dividing the average paint and materials allowance per estimate by the average estimate refinish hours—yielded a rate of $33.27 per refinish hour in this period, compared to $32.17 in Q3 2014.



EDITOR'S NOTE

It is commonly understood within the collision repair and insurance industries that a very large number of RECYCLED "parts" are actually "parts-assemblies" (such as doors, which in fact include numerous attached parts and pieces). Thus, attempting to make discrete comparisons between the average number of RECYCLED and any other parts types used per estimate may be difficult and inaccurate.

Adjustments

In Q3 2015, the percentage of adjustments made to estimates decreased by 3%. The frequency of betterment taken decreased by 3%, while the average dollar amount of the betterment taken decreased by 5% to $125.49. Appearance allowance frequency decreased by 2% and the dollar amount of that appearance allowance decreased to $211.54.

Adjustment $ and %s

Date	Q1/13	Q3/13	Q1/14	Q3/14	Q1/15	Q3/15	Pt/$ Change	% Change
% Adjustments Est	3.21	3.15	2.89	2.93	2.95	2.83	-0.1	-3%
% Betterment Est	2.6	2.56	2.37	2.34	2.4	2.27	-0.07	-3%
% Appear Allow Est	0.47	0.44	0.42	0.44	0.43	0.42	-0.02	-5%
% Prior Damage Est	2.83	2.9	2.84	2.99	2.87	2.83	-0.16	-5%
Avg. Betterment $	119.93	126.15	114.14	131.63	124.21	125.49	-6.14	-5%
Avg. Appear Allow $	202.03	214.67	209.92	215.58	210.71	211.54	-4.04	-2%

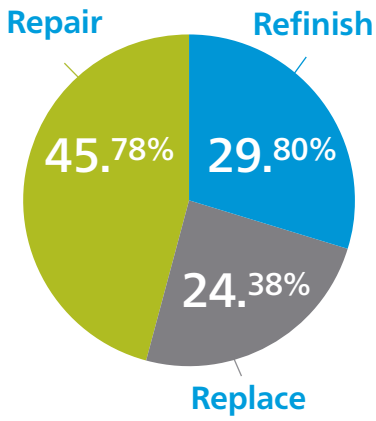
Labor Analysis

For 2015 year-to-date, average body labor rates have risen in all surveyed states compared to 2014.

Average Body Labor Rates and Change by State

	2014	2015 YTD	$ Change	% Change
Arizona	49.82	49.89	$0.07	0%
California	54.59	55.51	$0.92	2%
Florida	42.68	42.84	$0.16	0%
Hawaii	48.09	48.67	$0.58	1%
Illinois	50.63	51.28	$0.65	1%
Michigan	44.44	45.39	$0.95	2%
New Jersey	46.78	48.02	$1.24	3%
New York	48.13	48.54	$0.41	1%
Ohio	45.47	45.74	$0.27	1%
Rhode Island	45.45	45.63	$0.18	0%
Texas	44.6	45.77	$1.17	3%

Percent of average labor hours by type



Total Loss

The chart below illustrates the total loss data for both vehicle age and actual cash value of total loss vehicles processed through Mitchell servers. We are again seeing a softening of values of less fuel-efficient vehicles.

Average Vehicle Age in Years

Vehicles	Q1/13	Q3/13	Q1/14	Q3/14	Q1/15	Q3/15
	Average Vehicle Age					
Convertible	11.87	12.11	11.98	12.62	12.71	12.94
Coupe	11.7	11.98	11.9	12.14	12.02	12.26
Hatchback	9.1	8.94	8.68	8.56	8.26	8.09
Sedan	10.37	10.5	10.43	10.49	10.37	10.33
Wagon	9.22	9.55	9.62	9.98	10.1	10.28
Other Passenger	11.82	12.14	12.2	13.06	12.02	12.86
Pickup	11.67	12.08	12.03	12.46	12.41	12.79
Van	10.92	11.23	11.16	11.31	11.37	11.46
SUV	10.08	10.14	10.28	10.31	10.42	10.31

Average Vehicle Total Loss Actual Cash Value

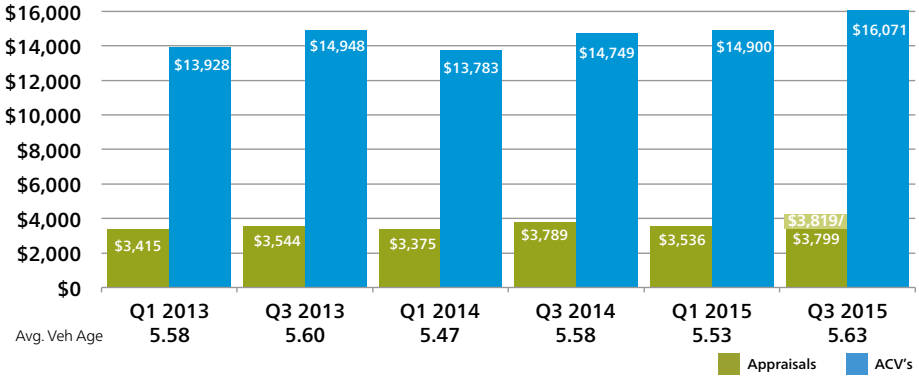
Vehicles	Q1/13	Q3/13	Q1/14	Q3/14	Q1/15	Q3/15
	Average Actual Cash Value					
Convertible	9,965.07	10,350.22	9,629.03	10,146.85	9,507.76	10,130.35
Coupe	7,160.85	7,456.84	7,152.97	7,533.04	7,497.37	7,868.84
Hatchback	7,899.19	8,253.50	7,962.19	8,458.86	8,208.48	8,720.10
Sedan	7,201.49	7,459.44	7,209.71	7,721.12	7,426.76	7,889.38
Wagon	7,507.11	7,401.85	6,961.64	7,046.74	6,623.72	6,740.59
Other Passenger	15,186.71	13,938.03	16,668.16	13,722.77	16,196.74	14,644.66
Pickup	9,691.98	9,850.29	10,105.82	10,428.99	10,868.37	11,049.70
Van	5,784.86	5,873.80	5,676.85	6,123.50	5,994.83	6,377.62
SUV	9,051.49	9,411.71	8,847.89	9,544.26	9,301.24	10,020.46

At the request of our customers and friends in Canada, we are pleased to provide the following Canada-specific statistics, observations, and trends. **All dollar-figures appearing in this section are in CDN$.** As a point of clarification, these data are the product of upload activities from Body Shop, Independent Appraisers and Insurance personnel, more accurately depicting insurance-paid loss activity, rather than consumer direct or retail market pricing.

Canadian Appraisal Severity

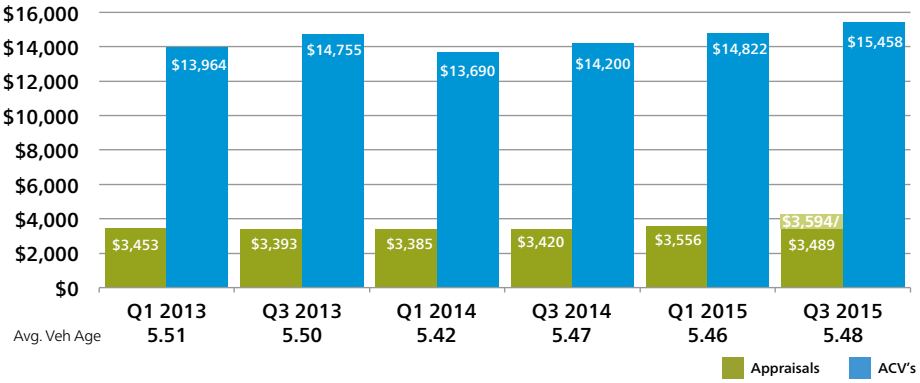
Average Appraisal Values Severity Overall

The average gross initial appraisal value, calculated by combining data from all first- and third-party repairable vehicle appraisals uploaded through Mitchell Canadian systems in Q3 2015 was $3,799—a $10 increase from Q3 2014. Applying the prescribed development factor yields an increase to $3,819, an increase of $30 over Q3 2014.



Collision Losses

The average initial gross collision appraisal value uploaded through Mitchell Canadian systems in Q3 2015 was $3,489—a $69 increase from Q3 2014. However, applying the prescribed development factor yields an anticipated final average appraisal value of $3,594, a $74 increase from Q3 2014.



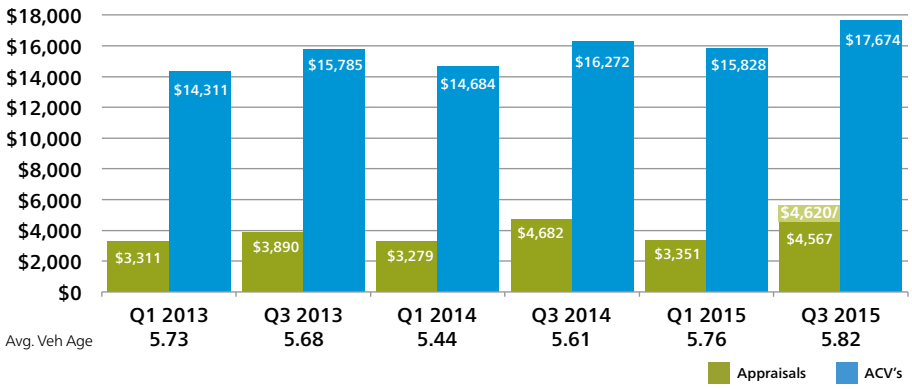
Canadian Average Appraisal Make-Up

This chart compares the average appraisal make-up as a percentage of dollars. These data points reflect no increases in the percentage of labour dollars or parts dollars but an increase in paint dollars .

Date	Q1/13	Q3/13	Q1/14	Q3/14	Q1/15	Q3/15	Pt/$ Change	% Change
% Average Part $	43.99	38.33	44.81	38.23	46.18	38.16	-0.07	0%
% Average Labour $	44.64	50.79	43.51	50.63	42.36	50.50	-0.13	0%
% Paint Material $	8.52	8.41	8.60	8.16	8.42	8.25	0.09	1%

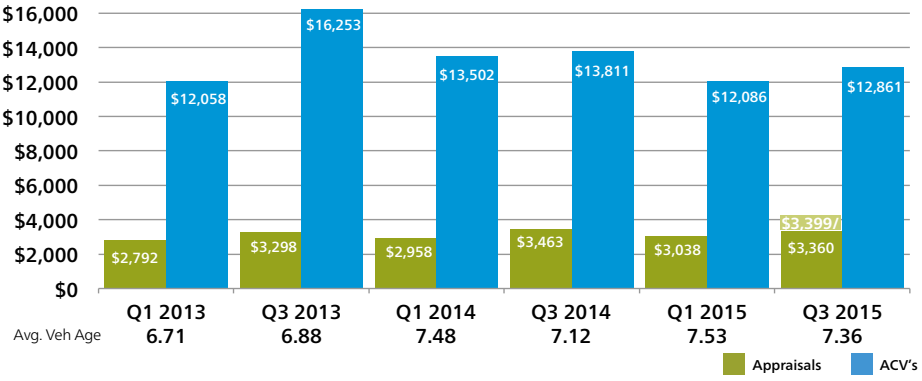
Comprehensive Losses

In Q3 2015 the average initial gross Canadian appraisal value for comprehensive coverage estimates processed through our servers was $4,567, or $115 lower than in Q3 2014. Applying the prescribed development factor, the anticipated final average appraisal value will be $4,620.



Third-Party Property Damage

In Q3 2015, our Canadian industry initial average gross third-party property damage appraisal was $3,360 a decrease of $103 from Q3 2014 on vehicles that were older. Applying the prescribed development factor, we end up with a final value of $3,399.



About Mitchell in Canada…

For more than 20 years, Mitchell's dedicated Canadian operations have focused specifically and entirely on the unique needs of collision repairers and insurers operating in the Canadian marketplace. Our Canadian team is known for making itself readily available, for being flexible in its approach to improving claims and repair processes, and for its 'second to none' commitment to customer support. Headquartered in Toronto, with offices across Canada, Mitchell Canada delivers state-of-the-art, multi-lingual collision estimating and claims workflow solutions (including hardware, networks, training, and more), world-class service, and localized support.

Canadian Supplements

In Q3 2015, 34.26% of all original estimates prepared by Mitchell-equipped Canadian estimators were supplemented one or more times. In this same period, the pure supplement frequency (supplements to estimates) was 68.52%—reflecting an increase from the third quarter 2014. The average combined supplement variance for this quarter was $742.91, $174.30 lower than in Q3 2014 .

Date	Q1/13	Q3/13	Q1/14	Q3/14	Q1/15	Q3/15	Pt/$ Change	% Change
% Est Supplements	51.09	46.27	52.60	46.32	52.17	34.26	-12.06	-26%
% Supplements	77.10	62.54	75.02	61.77	75.51	68.52	6.75	11%
Avg Combined Supp Variance	632.90	586.84	616.04	917.21	777.75	742.91	-174.30	-19%
% Supplement $	18.53	16.56	18.25	24.21	22	19.45	-4.76	-20%

Canadian Adjustments

In Q3 2014, the average frequency betterment was taken on estimates increased by 5% and the dollar amount of that betterment barely decreased. Appearance allowances decreased by 3% and the dollar amount of those allowances increased by $30.88.

Date	Q1/13	Q3/13	Q1/14	Q3/14	Q1/15	Q3/15	Pt/$ Change	% Change
% Adjustments Est	2.26	2.48	1.53	2.38	1.56	2.5	0.12	5%
% Betterment Est	2.05	2.18	1.36	2.06	1.34	2.2	0.14	7%
% Appear Allow Est	0.23	0.31	0.18	0.31	0.21	0.3	-0.01	-3%
% Prior Damage Est	0.02	0.02	0.05	0.09	0.15	0.2	0.11	122%
Avg. Betterment $	229.21	242.69	226.71	270.01	235.15	268.71	-1.3	0%
Avg. Appear Allow $	234.29	239.6	238.35	268.37	231.37	299.25	30.88	12%

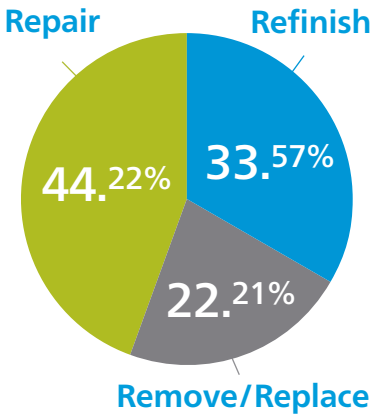
Canadian Labour Analysis

All data reflects the percentage of labour dollars utilized in the creation of Mitchell appraisals by Canadian estimators. labour rates increased in all provinces and territories.

Average Body Labour Rates and Change by Province

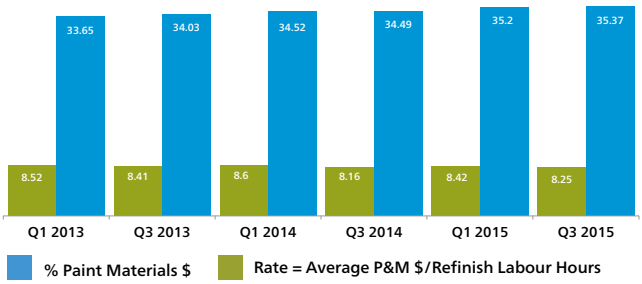
	2014	YTD 2015	$ Change	% Change
Alberta	73.31	74.91	$ 1.60	2%
Newfoundland & Labrador	61.97	62.46	$ 0.49	1%
Nova Scotia	58.8	59.17	$ 0.37	1%
Northwest Territories	93.28	93.3	$ 0.02	0%
Ontario	56.16	56.81	$ 0.65	1%
Quebec	51.14	51.71	$ 0.57	1%
Yukon Territory	94.15	94.49	$ 0.34	0%

Labour Operations



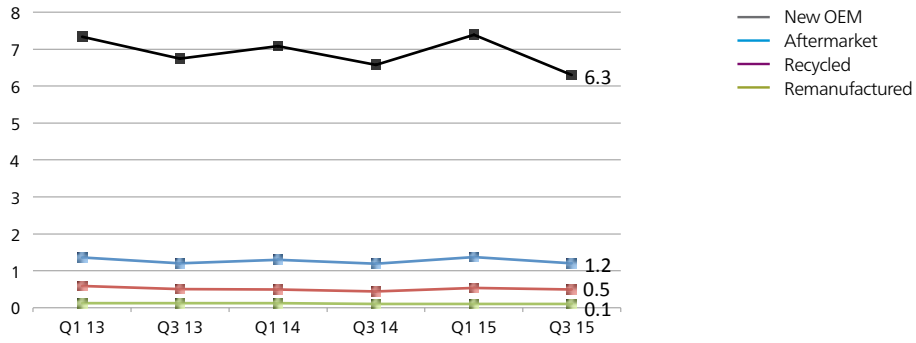
Canadian Paint and Materials

During Q3 2014, paint and materials made up 8.36% of our average appraisal value. Represented differently, the average paint and materials hourly rate rose to just under $35.37 dollars per hour.



Canadian Number of Parts by Part Type

We continue to see a recurring pattern of spikes in OEM parts use in the first quarter of each year and decreases in Q3 volume.



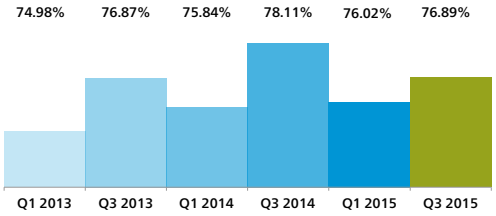
Canadian Parts Utilization

All data reflect the percentage of parts-type dollars utilized in the construction of Mitchell appraisals by Canadian estimators.

Original Equipment Manufacturer (OEM) Parts Use in Dollars

In Q3 2015, Canadian OEM parts use decreased by 1.22 points compared to Q3 2014

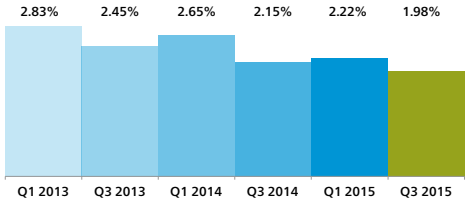
Parts-New



Remanufactured Parts Use in Dollars

Remanufactured parts use in Canada was 1.98% for Q3 2015, compared to 2.15% in Q3 2014, the lowest quarter surveyed.

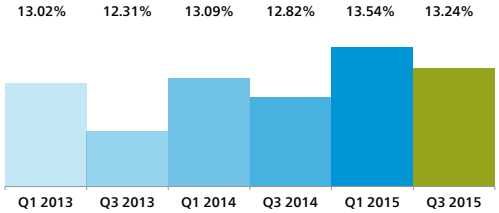
Parts-Non-New



Aftermarket Parts Use in Dollars

Aftermarket parts use in Canada increased slightly in the third quarter of 2014.

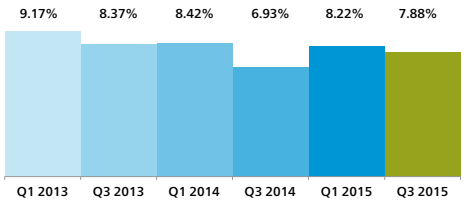
Parts-Aftermarket



Recycled Parts Use in Dollars

Recycled parts use in Canada has increased 0.95 points since the same period last year.

Parts-Recycled



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Industry Trends Report

The ***Industry Trends Report*** is a quarterly snapshot of the auto physical damage collision and casualty industries. Just inside—the economy, industry highlights, plus illuminating statistics and measures, and more. Stay informed on ongoing and emerging trends impacting the industry, and you, with the Industry Trends Report!

Questions or comments about the Industry Trends Report may be directed to:

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Kontos Kommentary is produced monthly by Tom Kontos, Executive Vice-President, ADESA Analytical Services. ADESA is a leading provider of wholesale used vehicle auctions and ancillary remarketing services. As part of the KAR Auction Services family, ADESA works in collaboration with its sister company, Insurance Auto Auctions, a leading salvage auto auction company, to provide insights, trends and highlights of the entire automotive auction industry.

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