

# Industry Trends Report

## FEATURED IN THIS ISSUE:

### The Impact of Rising Mid-Size Sedan Sales on Alternate Parts Availability and Pricing

By **Greg Horn**

Vice President of Industry Relations, Mitchell





mitchell

# Industry Trends Report

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### The Internet of 'Everything.'

Welcome to the Q3 Edition of the 2014 Auto Physical Damage *Mitchell Industry Trends Report*. An intriguing trend is happening all around us, where everyday objects are being embedded with technology, providing network connectivity and the ability to send and receive data. This trend, referred to as the **Internet of Things**, is quite profound when you think about it.

According to [Gartner](#), there will be nearly 26 billion devices on the Internet of Things by 2020. From wearables, such as the Fitbit, to heart monitoring implants, biochip transponders on farm animals, or cars with built-in-sensors, all of these "things" have the ability to send and receive information without human intervention. So what does this mean for you? In this issue, our bonus article looks at *The Connected Car* (appearing on page 8) and the affect this trend is having on the automotive and insurance markets.

The article's author, Mitchell's Sunil Nayak, shows how this emerging trend is becoming increasingly common in the auto physical damage sector and beyond. As this technology becomes more prevalent in cars on the road, we look at how this will impact everyone in the cycle, from repair shops to insurance companies and adjusters. While automakers are currently leading the way, I think you'll agree that embracing the connected car and the Internet of Things can create business efficiencies and improve our ability to better serve consumers.

It won't be long before the Internet of Things becomes the Internet of Everything. Enjoy reading about the future in this issue of the *Industry Trends Report*.



Alex Sun  
President and CEO  
Mitchell



**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!

# The Impact of Rising Mid-Size Sedan Sales on Alternate Parts Availability and Pricing

By Greg Horn

Vice President, Industry Relations, Mitchell



*The love affair with body-on-frame SUVs lasted quite a while until high fuel prices changed buyers' taste.*

Mid-size sedans were the backbone of US auto sales for decades until American motorists fell in love with SUVs. The love affair with body-on-frame SUVs lasted quite a while until high fuel prices changed buyers' taste and re-ignited mid-size sedan sales. New and world-class design and execution have improved the offerings by Ford, Chevrolet, Honda

and Toyota, and we are seeing shorter time spans between styling changes. The increased sales along with quicker styling changes will influence alternate parts availability and pricing.

The data sample we chose to focus on is the current style of the four top-selling mid-size sedans—the Accord, Camry, Fusion and Malibu,

which accounted for 1,271,036 vehicle sales in 2013 alone. Using the current body style for each of these models, we can project the potential future use trends for alternate parts by part type and category. The main area of non-OEM part usage when a vehicle style is new is aftermarket. Remanufactured parts rely on a pool of “cores” that won't

be in the system yet; the population of total loss vehicles with harvestable parts will be low as most collisions will be repairable due to the high value of a new vehicle. This is further complicated by the fact that those vehicles that are total losses are heavily damaged vehicles with fewer harvestable parts. The first chart for repairable parts use by type and vehicle bears this out. Aftermarket parts represent the highest percentage of parts used when measured as the average number of parts per repairable estimate. Not surprisingly, the Fusion, being an all new body style in 2013, has the highest use of new OEM parts per repairable estimate and a corresponding higher average repair cost. What is of interest is that the Accord (which was subject to a very quick styling refresh that introduced a new

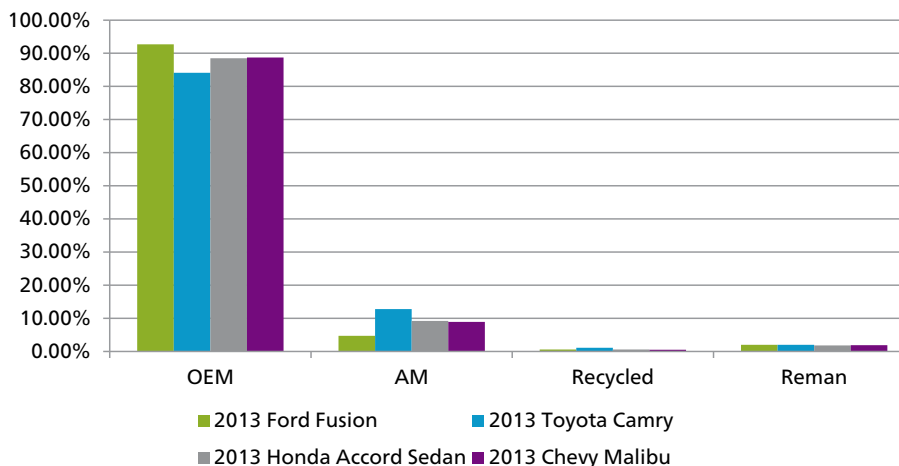
Total 2013 Sales		
Camry	Toyota	408,484
Accord	Honda	366,678
Fusion	Ford	295,280
Malibu	Chevrolet	200,594

Sales data courtesy Wards Autoinfo

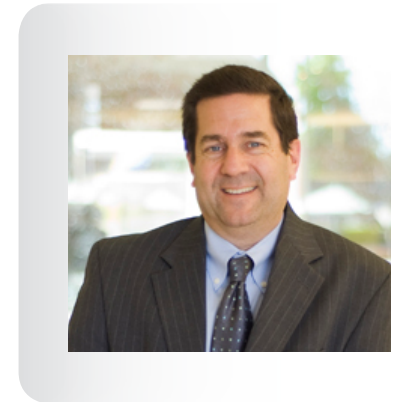
hood, headlamp units with Xenon daytime running lights and revised grille treatment) has the second highest repair severity of the vehicles in the study, despite slightly lower OEM use when compared to the Malibu, which saw no styling revisions for this current body style.

The overall parts by type tells an interesting story, too. But when looking at high volume parts, in particular parts that can be found in all parts types (meaning they can be remanufactured as well as found aftermarket or recycled ), a different story can emerge.

### Parts by Part Type



### 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 GM Safety Committee. Prior to GMAC, Greg served as Director of Material Damage Processes for National Grange Mutual in Keene, NH.

All of the bumper covers for these vehicles are smooth-texture and are more easily remanufactured to original appearance. This makes the fact that the frequency of Honda Accord bumpers being remanufactured at a rate of 17.6% volume surprising. In such cases, I usually look at the high price of the OEM part as a potential reason for a high remanufacture rate, but the average OEM price of the Honda cover is \$311.42, with the Fusion cover coming in at \$619.21, a significantly higher price,

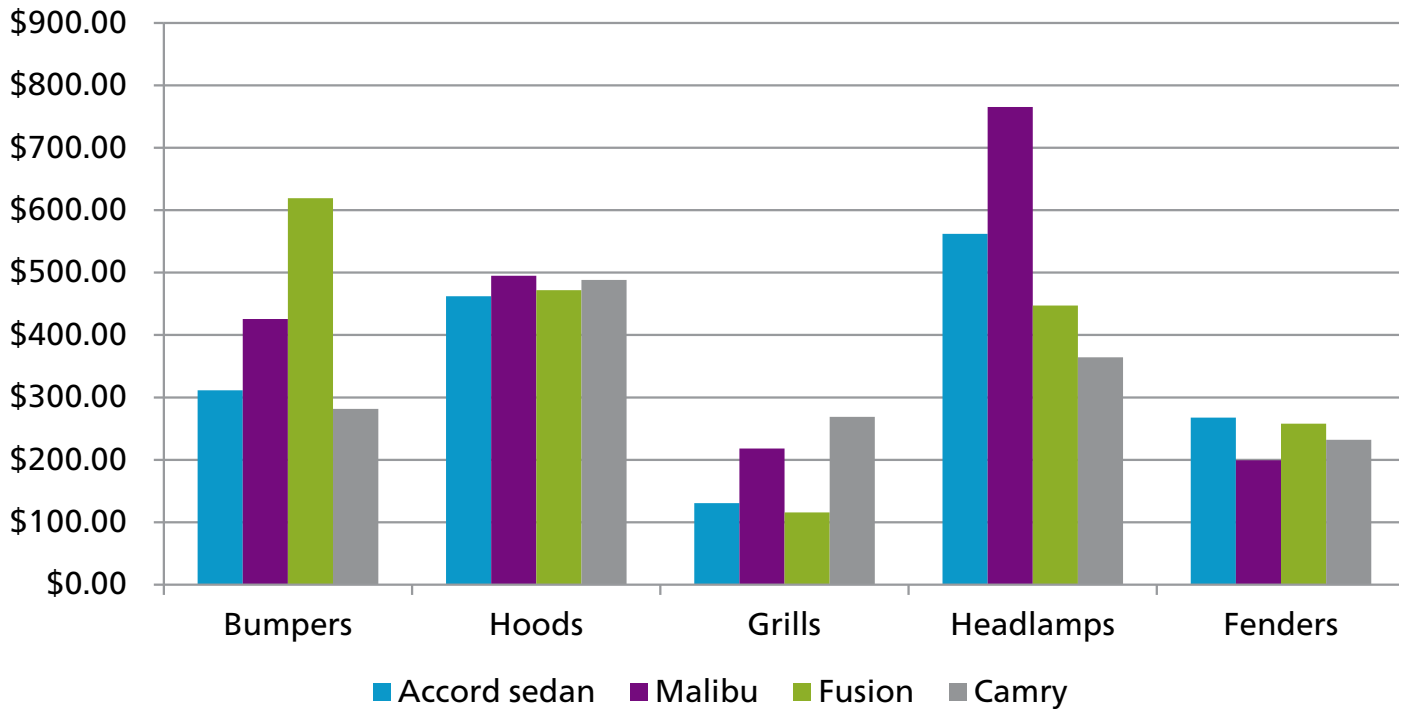
but a very low remanufactured and aftermarket part use rate.

Headlamps also tell an interesting story. The Malibu has the highest average OEM headlamp part price, yet the Camry, with the lowest price, has lower new OEM use.

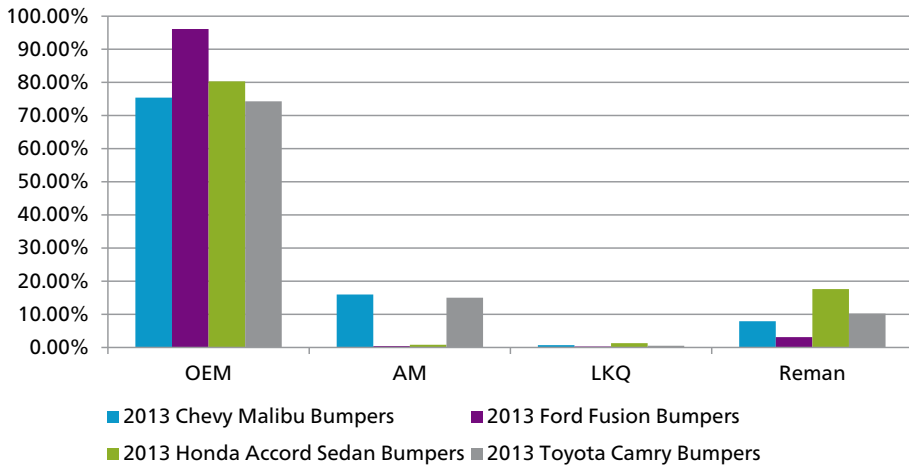
When looking at sheet metal, we see again that the newest model, the Fusion, has the lowest alternate parts use, with the Accord following closely behind, as the hood styling changed for 2013.

Based on this study, I find that the newest body style vehicles with the lowest alternate parts cost do result in a higher average severity. But the high price of an individual part does not necessarily mean that alternate part use will be higher. So, as car makers increase the pace of revision, alternate parts use will likely be lower, but the price point of an individual OEM part will not necessarily drive increased alternate part use.

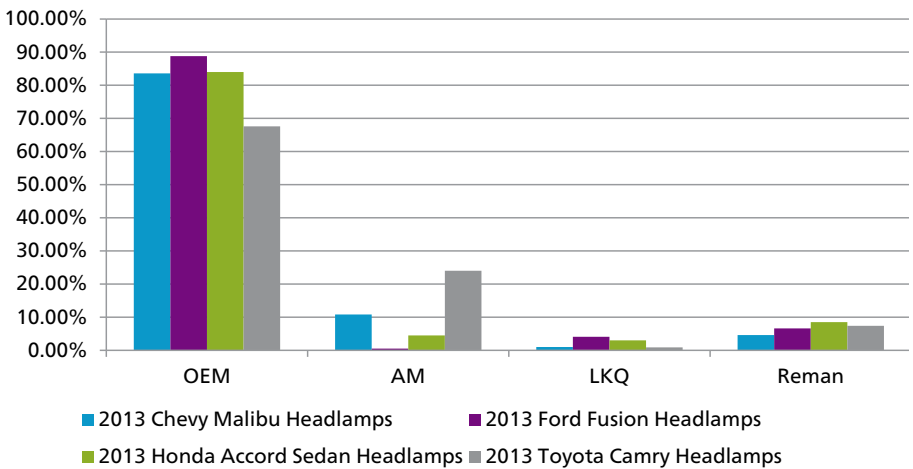
Models



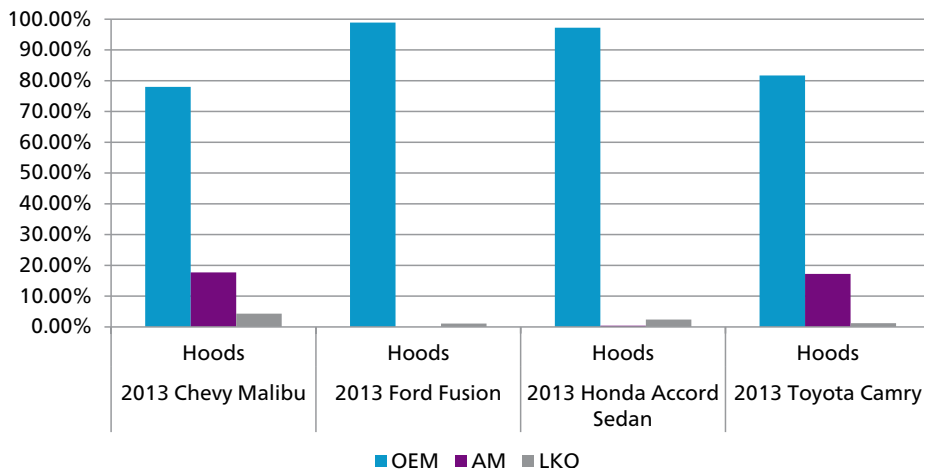
### Bumpers



### Headlamps



### Hoods



[Click here to view the Casualty Edition](#)

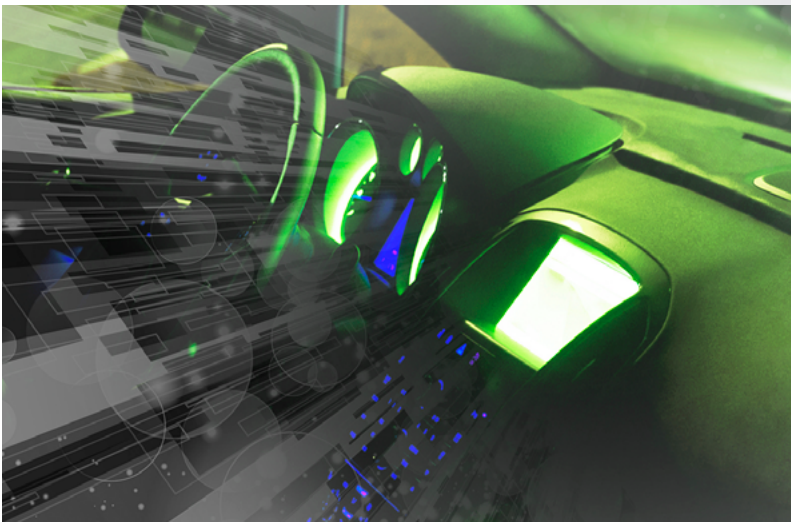


# The Connected Car

*What It Means to the Auto Insurance and Collision Repair Industries*

**By Sunil Nayak**

Senior Director, Product Management, Mitchell



***Connected car technology will revolutionize the way our industries handle accidents when they occur.***

Our world and everything in it is increasingly interconnected by what is being called [The Internet of Things \(IoT\)](#). The connections move beyond our laptops, tablets and smartphones and turn everyday objects such as parking meters, toasters and vehicles into intelligent devices capable of communicating with us, each other, manufacturers,

marketers and government agencies. The IoT is big and getting bigger. A BusinessInsider.com article reported that, "The IoT will account for an increasingly huge number of connections: 1.9 billion devices today, and 9 billion by 2018...roughly equal to the number of smartphones, smart TVs, tablets, wearable computers, and PCs combined."<sup>1</sup>

We are already seeing the impact of the IoT on automobiles. Many private and commercial vehicles now offer connectivity via systems such as OnStar and Fleetmatics. Someday, in the very near future, most vehicles will be connected, and the effect on the automobile insurance and collision repair industries, as well as consumers, will be profound. Certainly, connected car technology may mean fewer or less severe accidents, but it will also revolutionize the way our industries handle accidents when they do occur.



## How Connected Car Technology Will Change Our Processes

If a driver can share his vehicle data directly with his insurance company, the claims process is no longer a linear set of serial activities. It becomes a seamless, completely parallel event<sup>2</sup>, one that saves time, money and can only result in significant improvements in customer satisfaction scores.

### For example:

- Instead of going through an adjuster who delegates various claim activities, the claim is dispersed automatically and simultaneously to all parties—the consumer's preferred repair shop, the rental company, tow company, auto parts supplier, salvage yard, etc.
- The shop is notified of the accident via the vehicle's connection to the shop's

management system, alerting it to a possible assignment and allowing the shop to allocate resources more efficiently.

In addition to the benefit of a potential assignment, the shop could use the connection to send digital marketing messages to the vehicle owner immediately following the accident and in the future to promote shop services.

- The vehicle communicates directly with the insurer, detailing what happened and the severity of damage. The insurer uses the diagnostic to generate a preliminary estimate that includes the repair lines as well as the auto manufacturer's recommended repair procedures. If the car is repairable, a set of preliminary parts are specified and selected based on the insurer's guidelines.

- At the same time, the rental agency receives notification about the impending need for a rental and has it ready for the customer.
- The police are notified automatically, eliminating the need for the driver to make the call.
- If anyone is injured, an ambulance is sent to the accident scene, potentially saving lives.
- If the car is deemed a total loss, an assignment is issued to a salvage yard to tow the vehicle.

Ultimately, as the technology evolves, we can reach a utopian situation where the driver initiates the claims process using a cellular/internet-connected vehicle console to interact via voice, video and web browser.

## Where We Are Today

### The Revolution has Begun:

- [GM's OnStar™](#), the industry's first embedded telematics system when it was introduced in 1996, has evolved to include smartphone apps and SOS Auto Crash Response, wherein high-tech sensors alert OnStar that a vehicle has been hit. This automatically opens a direct connection between the vehicle and the OnStar Emergency Advisors who send help to the precise location.<sup>3</sup>
- In the event of an airbag deployment or severe rear-end collision, [Toyota's Safety Connect®](#) automatically notifies a 24/7 response center that will advise local emergency services of the vehicle's location.<sup>4</sup>
- Fleet management providers are using telematics to track vehicle location, monitor driving behavior and conduct diagnostics. [Fleetmatics GPS fleet tracking](#), currently in use by over 22,000 customers, includes full-function native applications and REVEAL Mobile, with access dashboard and the ability to generate alerts.<sup>5</sup>

Telogis, a cloud-based location intelligence platform that provides fleet management functions, [recently partnered with GM's OnStar](#) to offer commercial fleets a telematics solution with actionable intelligence.<sup>6</sup>

- At the 2013 World Wide Developers Conference, Apple hinted at iOS for car dashboards, what CNET writer Eric Mack calls "a holy grail of sorts for carmakers" that is reported to support multiple resolutions, touchscreens, hardware buttons, wheels and touch pads.<sup>7</sup>
- At the Las Vegas Consumer Electronics Show this past January, [AT&T unveiled a platform](#) that will turn cars into smartphones on wheels. CNET.com reported that AT&T Drive will let automakers, "add connected services such as in-car entertainment systems, over-the-air diagnostic systems and other cellular-enabled features."<sup>8</sup>
- Online databases of repair procedures, such as Mitchell's [TechAdvisor](#) solution, are available today to provide

*At the Las Vegas Consumer Electronics Show this past January, AT&T unveiled a platform that will turn cars into smartphones on wheels.*

critical vehicle information to technicians following a collision. [Working in partnership with Toyota](#), Mitchell is developing the next generation of this technology, which will automatically generate repair lines for specific types of damage and add OEM repair procedures within the repair lines of the estimate.

### Meeting the Promise of the Future

As consumers experience the convenience and top-of-line service provided by these technological advances in connectivity, their expectations will rise. The more they are given, the more they will want. To remain competitive,

it is imperative to stay ahead of the curve and exceed customer demands.

Due to anticipated pricing pressure from the lack of organic growth in Net Premiums Written (NPW), insurers have to be smarter about how they serve their customers in order to increase market share and maintain profitability.<sup>9</sup> That means employing better tools that handle claims more efficiently and cost-effectively. The fully evolved connected car is the key. By reducing cycle time and minimizing the number of claims staff who

touch a claim, a car that can communicate with the insurer will lead to reduced Loss Adjustment Expense. For their part, the collision repair industry can invest in systems that enhance communications with insurers, consumers and vehicles, and by training technicians to service advanced embedded systems.

By enthusiastically embracing and supporting the connected car, our industries can stay on the leading edge of both technology and user experience. The consumer will expect it and we must deliver.

*Insurers have to be smarter about how they serve their customers in order to increase market share and maintain profitability.*

<sup>1</sup>Emily Adler, "Here's Why 'The Internet of Things' Will Be Huge, And Drive Tremendous Value for People and Businesses," <http://www.businessinsider.com/growth-in-the-internet-of-things-2013-10>

<sup>2</sup>Sourced from Sean Carey, President, SCG Management Consultants LLC

<sup>3</sup>"Automatic Crash Response," <https://www.onstar.com/web/portal/emergencyexplore?tab=1&g=1>

<sup>4</sup>"Toyota Safety Connect," <http://www.toyota.com/safety-connect/#Automatic>

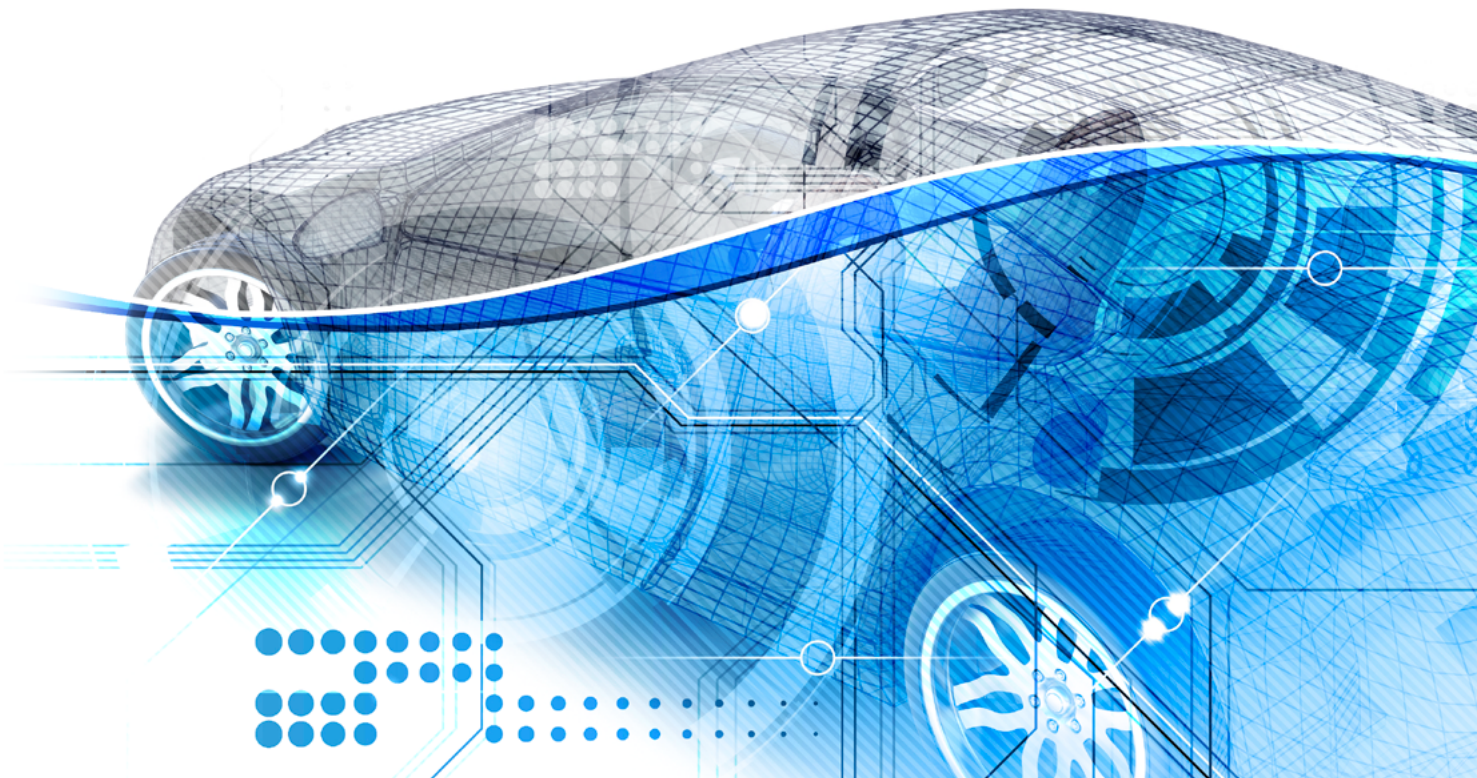
<sup>5</sup>"Fleematics Company Profile," <http://www.fleematics.com/company-profile>

<sup>6</sup>"Telogis and GM Offer Fleets Insights on the Road," <http://www.telogis.com/press-releases/telogis-and-gm-offer-fleets-insights-on-the-road>

<sup>7</sup>Eric Mack, "iOS in the car could look like this," [http://news.cnet.com/8301-17938\\_105-57617929-1/ios-in-the-car-could-look-like-this](http://news.cnet.com/8301-17938_105-57617929-1/ios-in-the-car-could-look-like-this)

<sup>8</sup>Roger Cheng, "AT&T's connected car push shifts into high gear with Drive," [http://ces.cnet.com/8301-35299\\_1-57616641/at-ts-connected-car-push-shifts-into-high-gear-with-drive](http://ces.cnet.com/8301-35299_1-57616641/at-ts-connected-car-push-shifts-into-high-gear-with-drive)

<sup>9</sup>Auto Insurance Report, Vol. 21#27/987, April 7, 2014



# Length of Rental Continues Upward Trend in Q2 2014

By Frank LaViola

Assistant Vice President, Insurance Replacement, Enterprise Rent-A-Car



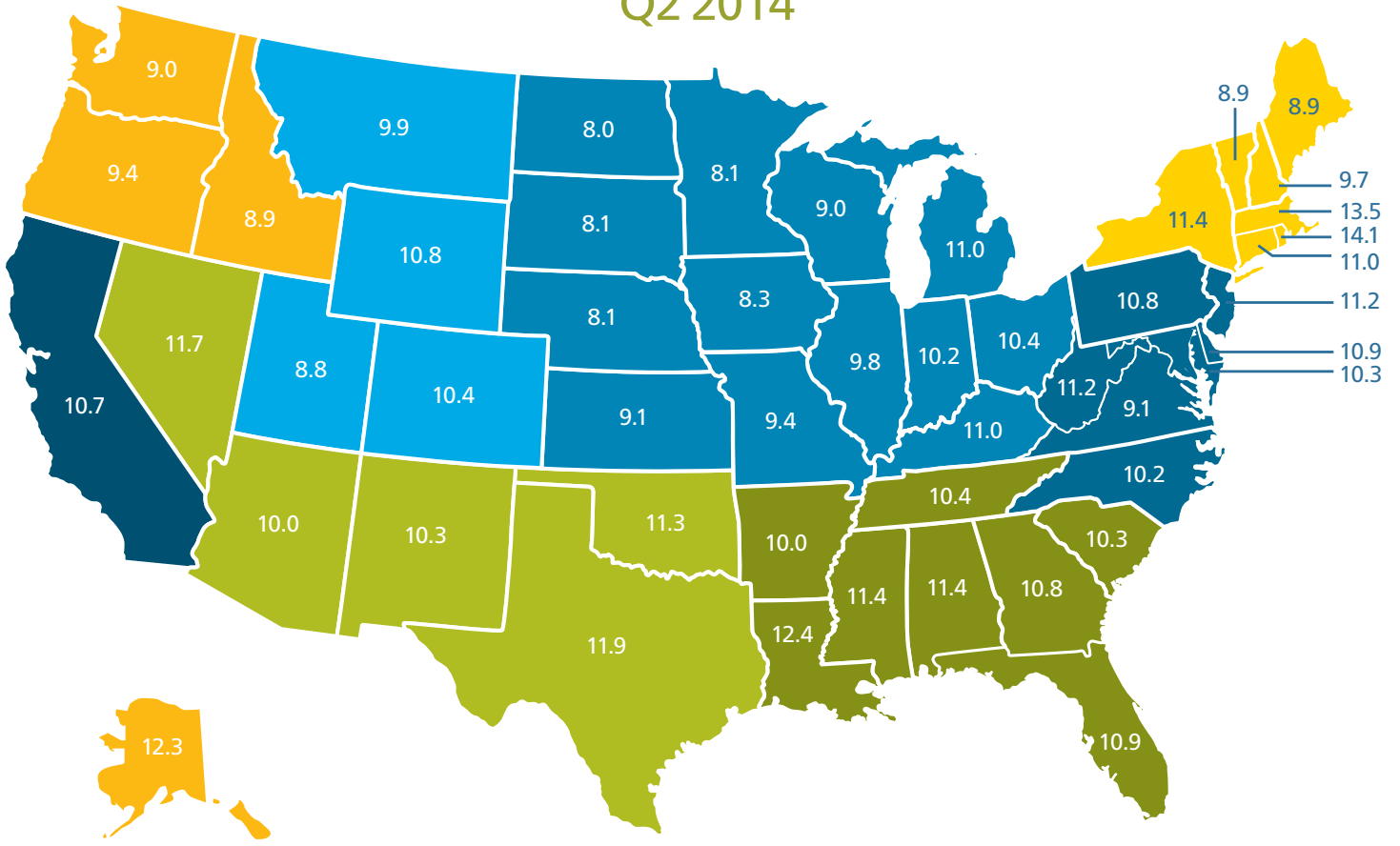
*Hailstorms were the most prevalent weather factor to affect Q2.*

The industry average length of rental (LOR), used as a proxy for cycle time, was 10.7 days for the United States in the second quarter of 2014. This represents an increase of 0.3 days over last year's second quarter and an increase of 0.2 days over the average second-quarter LOR for the five years beginning in 2010. The second quarter historically has had the lowest length of rental of all quarters, but as the graph on page 14 illustrates the upward swing in LOR continues.

Hailstorms were the most prevalent weather factor to affect Q2, but other factors can also be leading to the trend of increases. Since 2010 there has been a decline of approximately 3000 collision repair centers. Thus, although the number of accidents has declined, the average repair center revenue has increased. Today we are seeing more and more vehicles requiring special equipment to repair as well as the specialization of collision repair facilities with OEM certifications. Combine this and other factors, such as the cost cutting measures shops have implemented, and we should see this upward trend continue.

At 10.7 days, the California region had the only decrease in LOR, down 0.2 days from both the five-year average and the past two years' Q2. That figure also was down one full day from the high in 2010 of 11.7, the largest decline for Q2 of any region. Northern California at 9.8 days once again had a significantly lower LOR compared to Southern California at 11.2.

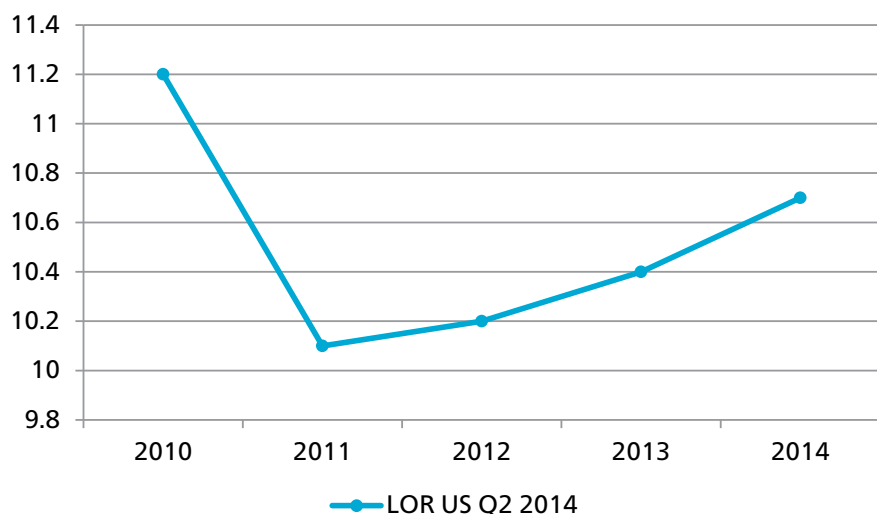
## U.S. Average Length of Rental by State Q2 2014



*Today we are seeing more and more vehicles requiring special equipment to repair.*

Overall U.S. LOR	
10.7	
Region	LOR
California	10.7
Mid-Atlantic	10.3
Midwest	9.9
Mountain	10.0
Northeast	11.6
Northwest	9.1
Pacific	10.5
Southeast	10.9
Southwest	11.6

## Average Length of Rental for Repairable Vehicles



The Mid-Atlantic LOR was 10.3 days in the quarter, up 0.6 days over Q2 of 2013 but down 0.9 days from 11.2 in Q2 2012. No state in the region decreased in LOR from Q2 2013. Conversely, the most significant decrease from 2010 was in Virginia, down a whopping 2.7 days at 9.1. Comparing state by state from 2010 to 2014, only West Virginia showed an increase, up 0.2 days at 11.2 overall. Other states of note compared to 2013 are Maryland and North Carolina, each up 0.8 days to 10.3 and 10.2 respectively. New Jersey and Virginia increased the least, up 0.3 days to 11.2 and 9.1 respectively.

The Midwest region thawed out in the 2nd quarter after being battered this past winter. LOR increased 0.3 days from Q2 2013 to 10.7 days and was up 0.5 from 2010. Kentucky saw the largest increase over 2013, up 1.6 days to 11.0. Nebraska led

the declining states, dropping one full day to 8.1. Only North Dakota had a lower LOR than Nebraska in this region with 8.0, still up 0.1 from 2013. North Dakota also held the distinction of having the lowest LOR in the U.S. Nine states in the Midwest were under double digits in LOR for the quarter. The double-digit LOR states were Michigan 11.0, Indiana 10.2, Kentucky 11.0 and Ohio 10.4. Ohio also had the largest decline from Q2 2010's whopping 11.9 days.

The Mountain Region hit the double-digit mark in the 2nd quarter for the first time since 2010, coming in at 10.0 days. Utah had the lowest LOR of the 4 states at 8.8 days, up 0.4 days from Q2 2013. Montana at 9.9 days had the largest increase, up from 1.2 days. The highest LOR for the region is held by Wyoming at 10.8 days, equal to Q2 2013 but higher than the 9.1-day LOR of 2012. Colorado saw a 0.3-day increase from Q2 2013 to 10.4 days.

[Click here to view the Casualty Edition](#)



# Average Length of Rental for Repairable Vehicles

The highest Length of Rental spot is a tie between the Northeast and Southwest at 11.6 days. Rhode Island once again held the spot for highest LOR in the United States at 14.1 days, up one full day from Q2 2013. New Hampshire is the only state to show a decrease from Q2 2013, down 0.1 day to 9.7. Maine and Vermont tied with the lowest LOR in the region at 8.9 days. When comparing Q2 2014 to 2010 Q2, it is noteworthy that no state declined in LOR. Maine, Massachusetts and Connecticut all remained stable in LOR from Q2 2013, coming in at 8.9, 13.5, and 11.0 days respectively.

The Southeast settled back into its typical middle-of-the-road LOR in Q2 2014 at 10.9 days, down 0.6 days from Q2 2010 and 0.2 days from Q2 2014. Comparing Q2 2014 to Q2

2013, we see Louisiana dropping 0.9 days to 12.4 but still having the highest LOR in the region. Georgia thawed out from the ice storms and hit an LOR of 10.8, 0.5 days less than the 11.3 Q2 2013 LOR. The other six states in the region increased in LOR, with Mississippi climbing 0.7 days to 11.4 days. Arkansas held the distinction of having the lowest LOR in the region at 10 days, still up from the 9.7 LOR in Q2 2013.

The Northwest Region claimed the lowest LOR at 9.1 days, up 0.2

from Q2 2013 and down 0.1 day from 2010. The Lowest LOR in the region belongs to Idaho at 8.9 days, with Washington next at 9.0 and then Oregon at 9.4.

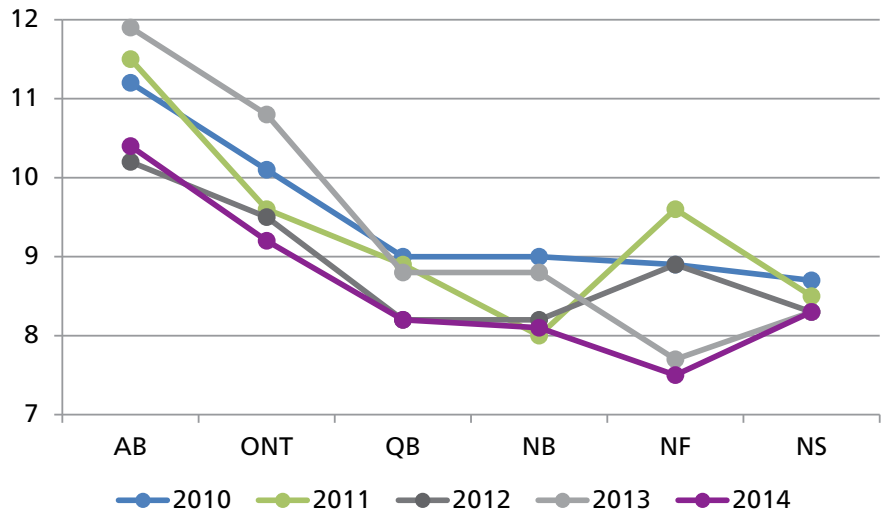
As mentioned earlier, the Southwest tied the Northeast with the highest LOR in the country at 11.6 days, up 0.5 days from last year. Texas led the region with the highest LOR at 11.9 days. Comparing a few of the biggest cities, we see Houston at 12.5 days, Dallas at 8.2 days and Austin at 11.2 days. Arizona stayed steady at 10.0 days, followed by New Mexico at 10.3 days. Both states' figures were the same as in 2013 Q2.

Not to forget our friends in Alaska, we see LOR at 12.3 days, up from 11.2 in Q2 2013 and 8.6 in 2010. The Hawaiian Islands' LOR was 9.9 days compared to 9.8 days in Q2 2013.

*The Southwest tied the Northeast with the highest LOR in the country.*



## Average Length of Rental for Repairable Vehicles

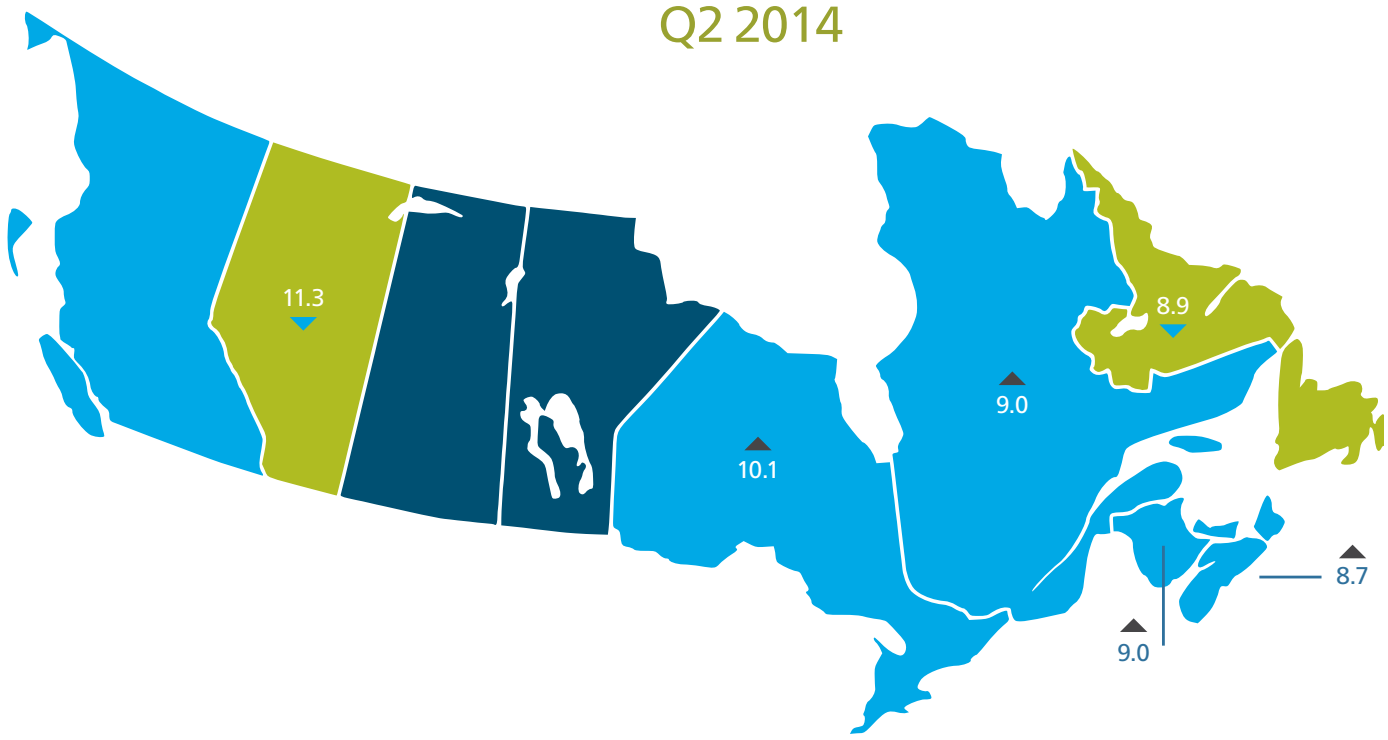


Due to the feedback last month on Canadian LOR, we have included a five-year trend graph. British Columbia, Saskatchewan and Manitoba are excluded due to the presence of government insurers ICBC, MPI and SGI. Every province in Canada has seen a decline since to 2010, with Newfoundland having the largest decline of 1.5 days and Nova Scotia with the lowest LOR among the provinces at 8.7 days.





## Canada Average Length of Rental by Province Q2 2014



The quarterly LOR summary is produced by Frank LaViola, Assistant Vice President Collision Industry Relations, at Enterprise Rent-A-Car. Frank has 21 years of experience with Enterprise and has worked in the collision industry segment for the past 7 years. 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](http://armsautosuite.com) or by contacting Frank LaViola at [frank.r.laviola@ehi.com](mailto:frank.r.laviola@ehi.com).

Overall Canada LOR Days	
10.1	
Region	LOR Days
Alberta	11.3
Ontario	10.1
Quebec	9.0
Newfoundland	8.9
New Brunswick	9.0
Nova Scotia	8.7

**Year over year change**

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

# Car Insurance History 101

The Insurance Information Institute estimates that personal auto insurance in the U.S. is a \$163.3 billion industry sector—and one that is near and dear to our hearts. But how did it start? Let’s take a quick look at the industry’s history.



"Uninsured Motorist Statistics," <http://www.statisticbrain.com/uninsured-motorist-statistics>  
 "Auto Insurance Costs and Expenditures," <http://www.iii.org/fact-statistic/auto-insurance>  
 "A History of Automobile Insurance," <http://www.randomhistory.com/1-50/022insurance.html>  
 "Who Invented Car Insurance?," <http://www.allstate.com/tools-and-resources/car-insurance/who-invented-car-insurance.aspx>

# I-CAR Launches Photography Course to Assist in Collision Documentation

*From Body Shop Business*

*Publish Date: June 13, 2014*



I-CAR will launch an all-new instructor-led course for estimators and appraisers on July 7.

Documentation and Digital Photography (DOC01) will train industry professionals in an interactive shop setting where they will use their own cameras to simulate documentation and digital photography best practices.

“Documentation has become increasingly important in collision repair,” said Josh McFarlin, I-CAR

director of curriculum and product development. “Repairers rely on documentation to record damage, insurers to assess damage and customers to understand the status of their vehicles’ repair. Understanding exactly what needs to be documented—and how and when—can make or break quality documentation records.”

During the course, students will learn about important considerations for taking quality photos, including elements such as

proper lighting, angle, flash usage and how to capture damage. Students will gain information on working with an array of different camera types available to them, from the smartphone in their pocket to the camera they use for work every day. Photo requirements, creation of shot lists and supplement photos are other topics covered in the course.

“This course takes place in-shop and provides the student with the unique opportunity to practice and apply knowledge while using their own camera during a variety of classroom exercises. This is a major benefit to the student,” said McFarlin.

This instructor-led, live, three-credit hour course meets training requirements for estimators and auto physical damage appraisers in I-CAR’s Professional Development Program (PDP).

# U.S. House Hearing Examines Intelligent Transportation Systems Impact on Crash Reduction

*From Collision Week*

*Publish Date: June 19, 2014*



*The future of America's transportation systems is rooted in the effective development and use of new technologies.*

**U.S. House Committee examines research needed to develop technologies that could prevent thousands of automobile crashes annually. DOT plans additional pilot programs in 2016.**

The U.S. House Committee on Science, Space and Technology, Subcommittee on Research and Technology, yesterday held a hearing to review research, development and technology

(RD&T) activities conducted through the U.S. Department of Transportation (DOT) that support the safety and efficiency of America's roadways and other transportation systems.

Vehicle-to-vehicle (V2V) and vehicle-to-infrastructure (V2I) communication research designed to reduce automobile crashes and improve efficiency was a focus of the meeting.

Subcommittee Chairman Lamar Smith said, "The future of America's transportation systems is rooted in the effective development and use of new technologies. Technology allows us to enhance both the capacity and safety of our roadways, to better control traffic congestion and to extend the life of our transportation infrastructure. The investments we make today will transform the future of transportation."

The DOT annually supports more than \$1 billion in RD&T activities focused on surface modes of transportation, including rail, transit, motor carrier and highway.

*The goals of connected vehicle research are to make surface transportation safer, smarter and greener.*

Subcommittee Chairman Larry Bucshon (R-Ind.): "Advancements in materials and technology, such as connected vehicles, autonomous cars, and positive train control can help achieve

long-term cost savings by reducing congestion, increasing economic output, reducing environmental effects and improving the durability and lifespan of our transportation projects. It is therefore critical that we find a way to maintain a healthy, substantive research base behind our state and local transportation initiatives."

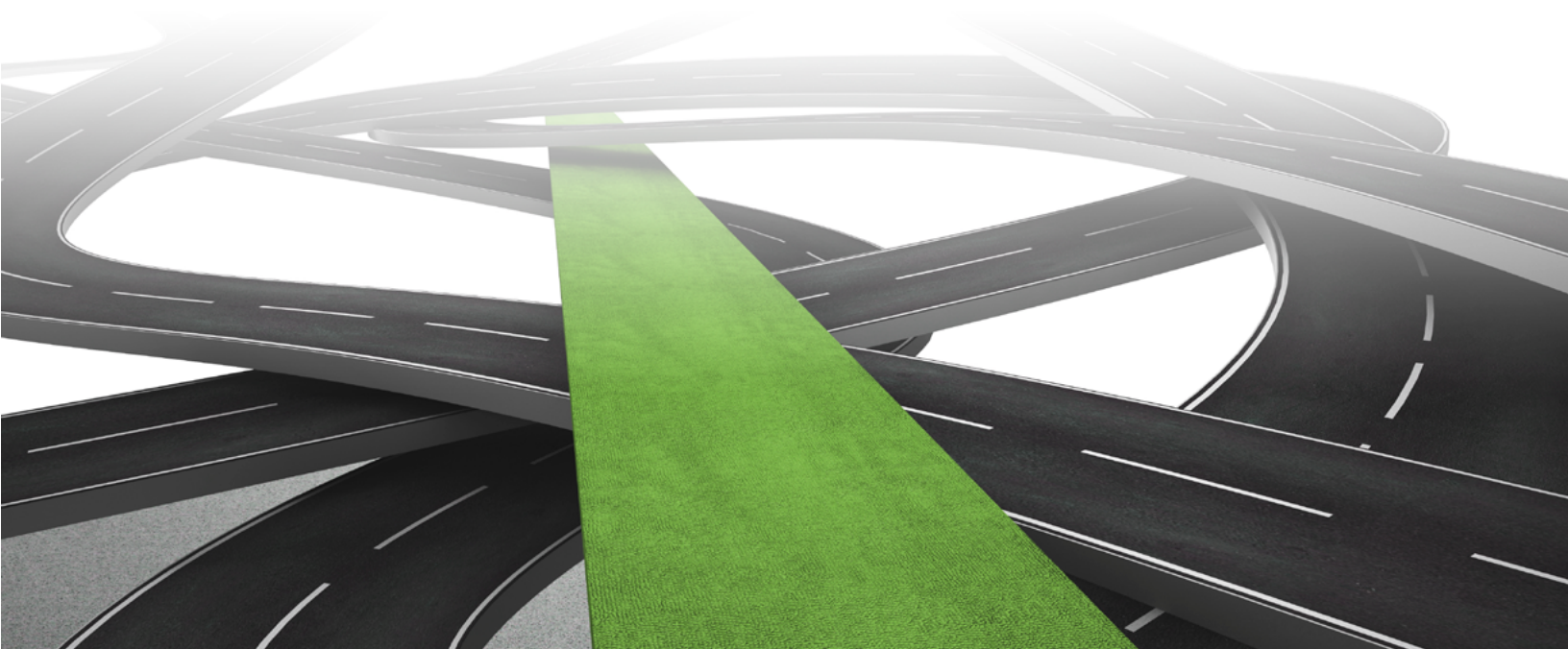
Witnesses highlighted connected vehicle safety technology, which is currently a major focus of surface transportation R&D. The goals of connected vehicle research are to make surface transportation safer, smarter and greener by leveraging the potentially transformative capabilities of wireless technology. Applications are being developed and designed to increase situational awareness and reduce traffic accidents. These applications

aid in driver advisories, driver warnings, as well as vehicle and infrastructure controls. Witnesses said that these technologies could prevent tens of thousands of automobile crashes per year.

The hearing was held in advance of potential legislation to reauthorize RD&T activities at the Department of Transportation.

**Those testifying included:**

- Gregory D. Winfree, Assistant Secretary for Research and Technology, United States Department of Transportation
- Scott Belcher, President and CEO, Intelligent Transportation Society of America
- John Maddox, Research Scientist, Texas A&M Transportation Institute



- Kristen Tabar, Vice President, Technical Administration Planning Office, Toyota Technical Center
- Christopher Barkan, Professor and George Krambles Faculty Fellow, Executive Director, Rail Transportation and Engineering Center, University of Illinois at Urbana-Champaign
- Troy Woodruff, Chief of Staff, Indiana Department of Transportation

Winfree provided detail on the Intelligent Transportation Systems (ITS) Research Program, that is managed directly by his office, explaining that the

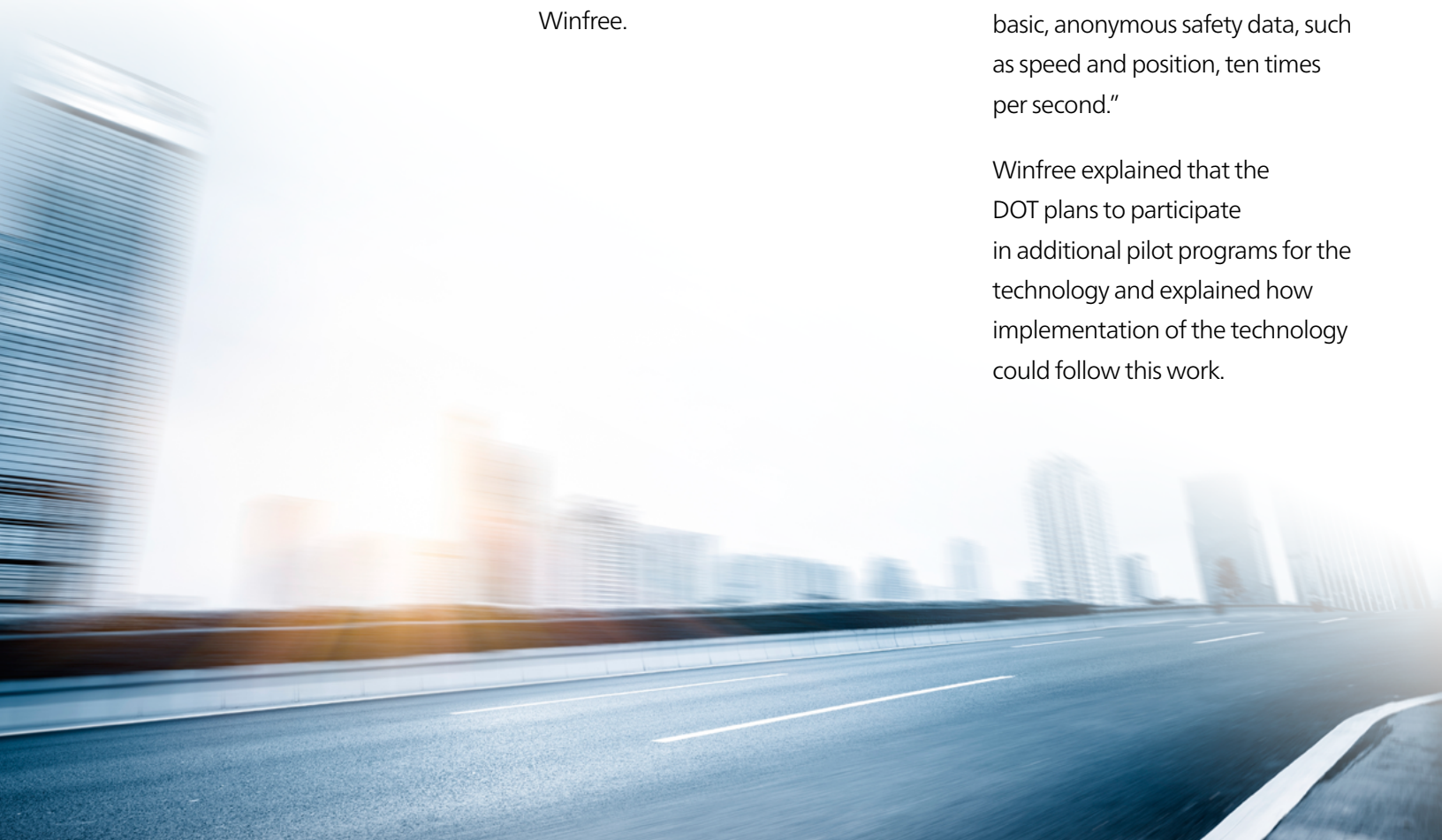
technology has the potential to dramatically reduce crashes. The DOT is conducting an ITS-funded Connected Vehicle Safety Pilot in conjunction with the University of Michigan Transportation Research Institute (UMTRI) in Ann Arbor, Michigan.

“In ITS research, some of our team’s progress has been attracting public attention—most notably through the ITS-funded Connected Vehicle Safety Pilot, the largest such test program in the world, conducted through the University of Michigan Transportation Research Institute (UMTRI) in Ann Arbor, Michigan. The Department tested safety applications with everyday drivers under both real-world and controlled test conditions,” said Winfree.

*This technology will improve safety and has the potential to reduce non-impaired crashes by 80%.*

“These test results led to the National Highway Traffic Safety Administration’s (NHTSA) February decision to move forward with vehicle-to-vehicle (V2V) communication technology for light duty vehicles. This technology will improve safety and has the potential to reduce non-impaired crashes by 80%. It would do so by allowing vehicles to ‘talk’ to each other and ultimately avoid many crashes altogether by exchanging basic, anonymous safety data, such as speed and position, ten times per second.”

Winfree explained that the DOT plans to participate in additional pilot programs for the technology and explained how implementation of the technology could follow this work.



Winfree continued, "With regard to full implementation of this technology in the U.S., the success of the Ann Arbor Safety Pilot has provided clear momentum toward Connected Vehicle deployment. The Department is planning to participate in additional Connected Vehicle pilot deployments in 2016. USDOT expects that state DOTs and local governments will have multiple operational pilot deployments of Connected Vehicle infrastructure operating in local environments by the end of this decade. A significant implementation of Connected Vehicle technology in vehicles, fleets, infrastructure, and aftermarket devices would follow soon thereafter."

Belcher, from ITS America, said, "Connected vehicle technology truly represents the next giant leap for vehicle and highway safety. Historically, the auto industry has focused its safety efforts on mitigating the impacts of a crash after it happens. V2V technologies will sharply reduce the number of fatalities and injuries on our nation's roads by preventing crashes before they happen."

"The automobile is currently undergoing a technological transformation that is reducing crashes, improving fuel efficiency, and bringing greater convenience and improved quality of life to drivers and passengers," said Toyota's Tabar, from the Toyota Technical Center. She noted that much of the transformation to come will be based on increasing the level of connectivity in vehicles.

"We have no doubt that the technology will save lives, improve the environment, create jobs and help the U.S. maintain technical leadership in a field that will be an important contributor to economic growth in the future," Tabar said.

However, she outlined several technical and policy challenges that Congress and the Federal government needed to address, including most notably, dedicated short-range communication.

Tabar said lawmakers should preserve and protect the short to medium-range wireless spectrum necessary for V2V and V2I to function properly, which is being threatened by interference from unlicensed devices.

"For the auto industry and those who have been involved in the development of this technology, the use of the spectrum allocated for V2V and V2I communication by unlicensed devices raises significant, and possibly insurmountable, concerns about the potential for harmful interference" Tabar said.

***Connected vehicle technology truly represents the next giant leap for vehicle and highway safety.***

Tabar also advised the subcommittee to devote more research and development into autonomous driving technologies, including how V2V and V2I communication technology can be leveraged effectively to support automated driving.

# I-CAR Celebrates 35 Years of Serving Auto Collision Repair Industry

*From Body Shop Business*

*Publish Date: June 30, 2014*



*I-CAR is celebrating its 35th anniversary of improving the quality and safety of collision repair to benefit the industry and consumers.*

I-CAR, the Inter-Industry Conference on Auto Collision Repair, has announced that it is celebrating its 35th anniversary of improving the quality and safety of collision repair to benefit the industry and consumers. The organization was formed in 1979 when leaders convened to create a technical focus on collision repair education in order to address a significant shift in vehicle technology—the advent of the unibody.

I-CAR says that today it is more relevant than ever to the collision repair inter-industry due to ongoing changes in OEM technology, materials, manufacturing capabilities and standards. As a result of the 2025 CAFE (Corporate Average Fuel Economy) legislation requirements, driver safety and industry-wide customer satisfaction initiatives, vehicle technology changes are accelerating unabated. I-CAR says it has not only greatly expanded

and enhanced the training it provides, but expanded beyond a training-focused business model to a platform of education, knowledge and solutions, all designed to provide complete, safe and quality repairs for the ultimate benefit of the consumer.

“I-CAR has worked hard over the years to expand our relevance to the collision repair industry with a focus on building the knowledge and skills necessary to support



complete, safe and quality repairs,” said John Van Alstyne, I-CAR president and CEO. “We believe in excellence, and we are committed to the ongoing success of our industry. Thus, we are helping prepare the industry for the accelerating period of vehicle technology change we are just entering, we are encouraging industry-wide commitment to the learning culture this technology shift requires, and we are focused on better educating the consumer. On this important anniversary, I want to extend my gratitude to all those who embrace the I-CAR vision and mission, especially all our volunteers and instructors, which without their support our work would be impossible.”

Since I-CAR’s humble beginnings in 1979, the organization has grown immensely.

### **Today, I-CAR:**

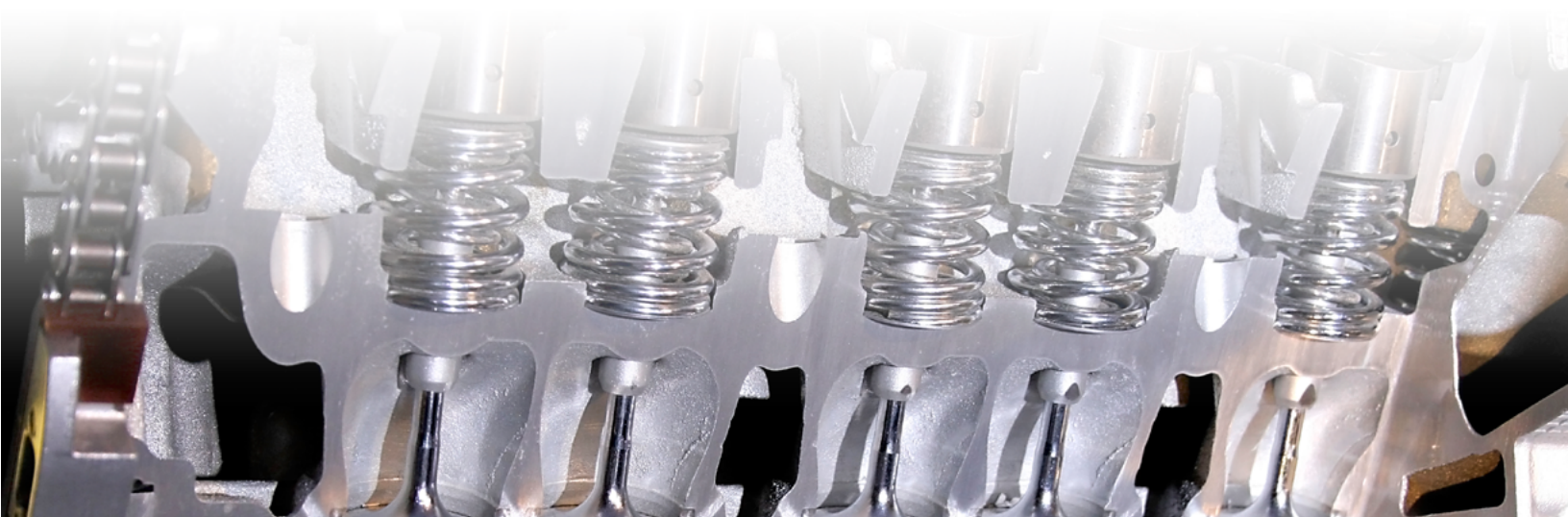
- Trains nearly 9,000 individual businesses and over 56,000 students
- Serves the industry with over 2,600 volunteers, instructors and staff, with 315 local committees across the U.S.
- Offers 178 courses delivered through various live, online and virtual formats
- Delivers training through international partners in Canada, New Zealand and Australia
- Provides the industry with a growing suite of services and solutions

“Without I-CAR, the industry would not be in a position to repair today’s vehicles, and those of tomorrow,” said Tim O’Day, president of Gerber Collision & Glass, one of the largest

auto collision and glass repair companies in North America. Gerber is among the 10 percent of collision repair facilities in the U.S. that currently have achieved I-CAR’s Gold Class designation.

“The Gold Class designation is critical to us,” O’Day said. “In fact, we’ve committed to Gold Class for our entire organization—all Gerber locations have achieved this level of distinction. This achievement gives us comfort that we have the necessary skills to properly repair vehicles.”

In addition to developing and delivering technical training programs to professionals in all areas of the collision industry, I-CAR provides extensive repairability technical knowledge resources and related support services to advance the technical aspects of the repair process through its Repairability Technical Support Initiative.



# New Jersey Latest State to Introduce Legislation to Ban Fake Airbags

*From Collision Week*

*Publish Date: June 19, 2014*



*Assembly Bill 3364 seeks to prohibit the manufacture, sale, or installation of counterfeit or nonoperational air bags in a motor vehicle.*

State Assembly and Senate bills introduced last week seek to prohibit the manufacture, sale, or installation of counterfeit or nonoperational air bags in a motor vehicle.

New Jersey Assemblywoman Annette Quijano on June 9 introduced Assembly Bill 3364 that seeks to prohibit the manufacture, sale, or installation of counterfeit

or nonoperational air bags in a motor vehicle. The measure contains language similar to that found in legislation and laws introduced in several other states over the last year. An identical bill was also introduced in the New Jersey Senate on June 12 by Senator Peter J. Barnes III.

Under the provisions of this bill, as introduced, a person who

“manufactures, imports, installs, reinstalls, sells or offers for sale any device with the intent that the device replace an air bag in any motor vehicle and knows or reasonably should know that the device is a counterfeit air bag, a nonfunctional air bag or does not meet certain federal safety requirements is guilty of a fourth degree crime.”

A fourth degree crime is punishable by up to 18 months imprisonment, a fine of up to \$10,000 or both.

The bill also includes language that seeks to make it illegal to disable or cause the vehicle's diagnostic system to make it seem like a functioning airbag is installed. The bill would also make it a fourth degree crime for anyone "...who sells, installs, or reinstalls in any

motor vehicle a device that causes the motor vehicle's diagnostic system to inaccurately indicate that the vehicle is equipped with a functional air bag when a counterfeit air bag, a nonfunctional airbag, or no air bag has been installed..."

The bill would also make each instance where a counterfeit or nonfunctioning airbag was installed count as a separate violation.

Violations under the bill would also be treated as an unlawful practice under the consumer fraud act in the state and would be punishable by a penalty of not more than \$10,000 for the first offense or \$20,000 for further offenses. Also, an injured party could be awarded triple damages and costs under the bill language.



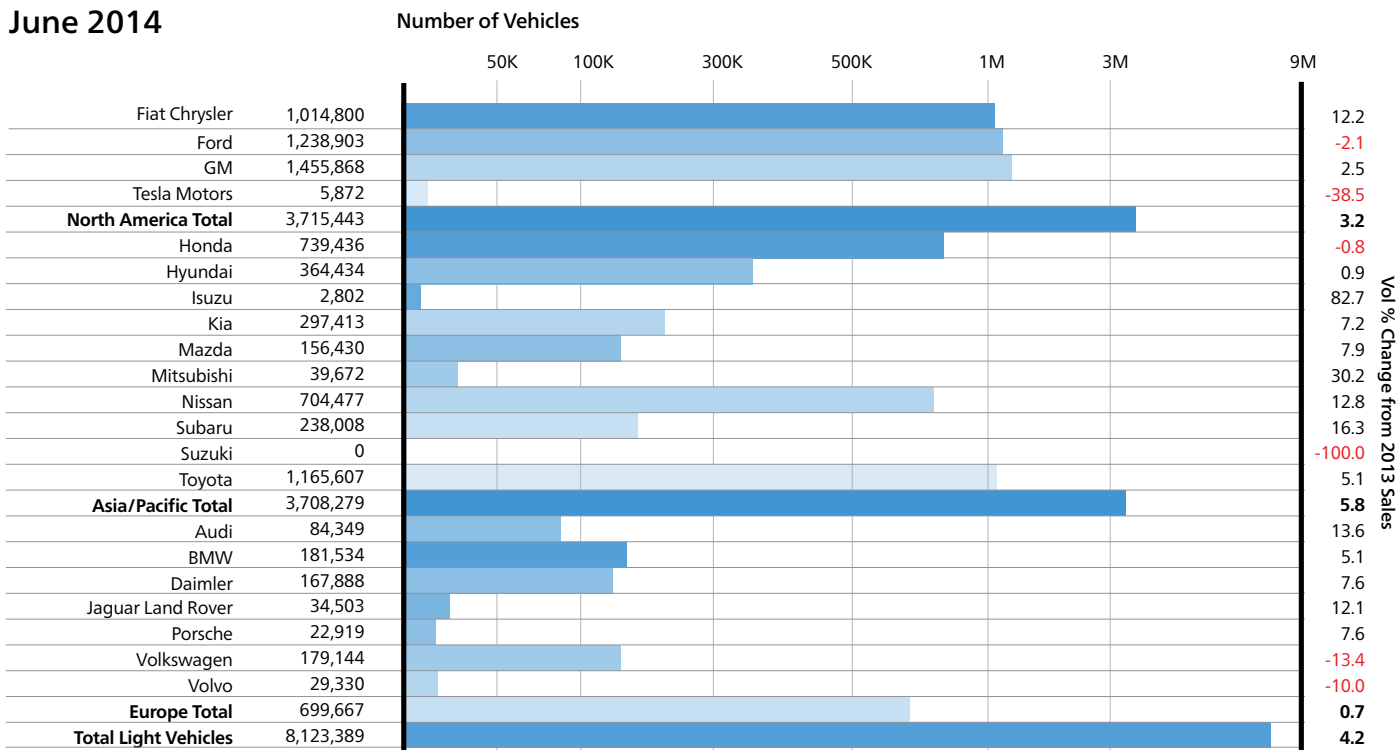
# New Vehicle Sales

## WardsAuto 10 Best Selling U.S. Cars and Trucks June 2014 (YTD)

Cars		Trucks/Vans/SUVs	
Camry	222,540	F-Series	339,371
Accord	185,278	Silverado	240,679
Altima	176,453	Ram Pickup	198,537
Corolla	174,354	CR-V	154,692
Civic	167,097	Escape	152,890
Fusion	165,498	Equinox	120,831
Cruze	145,338	RAV4	116,952
Focus	120,956	Explorer	104,460
Elantra	112,497	Rogue	99,302
Sonata	106,347	Sierra	93,191

Source: WardsAuto InfoBank

## WardsAuto U.S. Light Vehicle Sales by Company June 2014



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

June 2014 Kontos Commentary

## 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	
	Jun-14	May-14	Jun-13	Prior Month	Prior Year
<b>Total All Vehicles</b>	<b>\$10,004</b>	<b>\$10,328</b>	<b>\$9,554</b>	<b>-3.1%</b>	<b>4.7%</b>
<b>Total Cars</b>	<b>\$8,932</b>	<b>\$9,226</b>	<b>\$8,642</b>	<b>-3.2%</b>	<b>3.3%</b>
Compact Car	\$6,890	\$7,267	\$6,799	-5.2%	1.3%
Midsize Car	\$8,128	\$8,504	\$7,946	-4.4%	2.3%
Fullsize Car	\$7,154	\$7,200	\$7,120	-0.7%	0.5%
Luxury Car	\$12,443	\$12,668	\$11,769	-1.8%	5.7%
Sporty Car	\$12,981	\$13,140	\$12,551	-1.2%	3.4%
<b>Total Trucks</b>	<b>\$10,565</b>	<b>\$10,914</b>	<b>\$9,612</b>	<b>-3.2%</b>	<b>9.9%</b>
Mini Van	\$6,834	\$7,311	\$6,401	-6.5%	6.8%
Fullsize Van	\$11,307	\$11,237	\$9,853	0.6%	14.8%
Mini SUV	\$12,701	\$13,020	\$11,563	-2.5%	9.8%
Midsize SUV	\$7,497	\$8,387	\$6,602	-10.6%	13.6%
Fullsize SUV	\$10,646	\$10,901	\$10,886	-2.3%	-2.2%
Luxury SUV	\$19,798	\$19,765	\$18,322	0.2%	8.1%
Compact Pickup	\$7,576	\$7,723	\$7,283	-1.9%	4.0%
Fullsize Pickup	\$13,128	\$13,343	\$11,857	-1.6%	10.7%
<b>Total Crossovers</b>	<b>\$12,392</b>	<b>\$12,817</b>	<b>\$12,627</b>	<b>-3.3%</b>	<b>-1.9%</b>
Compact CUV	\$11,343	\$11,575	\$11,338	-2.0%	0.0%
Mid-/Fullsize CUV	\$13,495	\$14,095	\$13,995	-4.3%	-3.6%

Source: ADESA Analytical Services. May data revised

## Summary

Wholesale prices in June softened more than their usual seasonal tendency, although they remain significantly above year-ago levels. There was a bit of a respite in year-over-year retail used vehicle sales growth after strong months in March, April and May. June was a great month for new vehicle sales, however, and the associated trade-in activity should result in some attractive retail units along with additional wholesale supply.

## Details

According to ADESA Analytical Services' monthly analysis of Wholesale Used Vehicle Prices by Vehicle Model Class<sup>1</sup>, wholesale used vehicle prices in June averaged \$10,004—down 3.1% compared to May, and up 4.7% relative to June 2013. Prices softened on a month-over-month basis across virtually all model classes, with midsize SUVs being the hardest hit.

Prices for used vehicles remarketed by manufacturers were actually up 0.6% month-over-month (for those units that were not no-saled), though down 0.1% year-over-year,

reflecting volume pressure. Prices for fleet/lease consignors were down 3.9% sequentially and up 2.5% annually. Dealer consignors saw a 2.3% average price decrease versus May, and a 3.4% uptick versus June 2013.

Based on data from CNW Marketing/Research, retail used vehicle sales in June were up 2.0% month-over-month but down 5.6% year-over-year. Sales of certified pre-owned (CPO) vehicles were down 7.4% versus May and down 2.4% from the prior year, based on figures from Autodata.

<sup>1</sup>The analysis is based on over six 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.

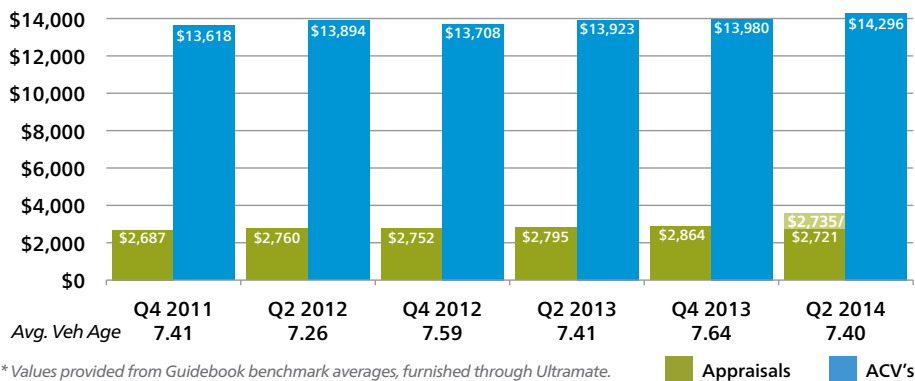
The views and analysis provided herein relate to the vehicle remarketing industry as a whole and may not relate directly to KAR Auction Services, Inc. The views and analysis are not the views of KAR Auction Services, its management or its subsidiaries; and their accuracy is not warranted. The statements contained in this report and statements that the company may make orally in connection with this report that are not historical facts are forward-looking statements. Words such as "should," "may," "will," "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," "bode," "promises," "likely to" and similar expressions identify forward-looking statements. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from the results projected, expressed or implied by the forward-looking statements. Factors that could cause or contribute to such differences include those matters disclosed in the company's Securities and Exchange Commission filings. The company does not undertake any obligation to update any forward-looking statements.

## Appraisal Values

The average initial appraisal value, calculated by combining data from all first- and third-party repairable vehicle appraisals uploaded through Mitchell systems in Q2 2014, was \$2,721, \$74 lower than the previous year's Q2 2013 appraisal average of \$2,795. However, much of the difference in value is likely due to lower collision average severities.

Applying the prescribed development factor of .50% to these data produces an anticipated average appraisal value of \$2,735.

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

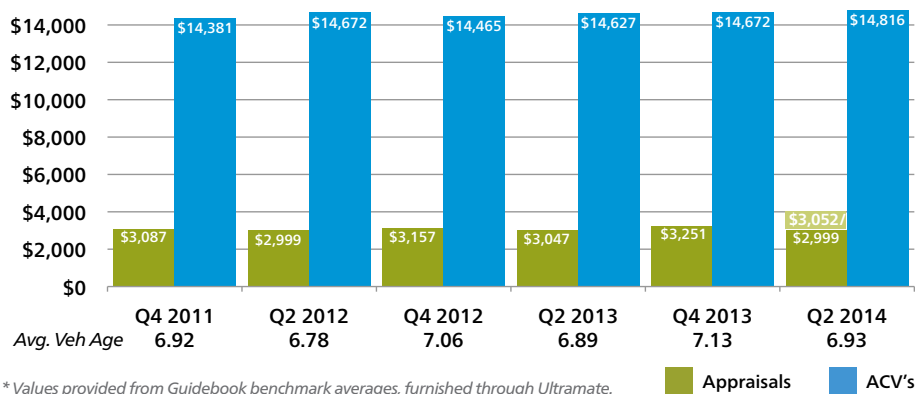


## Collision Losses

Mitchell's Q2 2014 data reflect an average gross initial Collision appraisal value of \$2,999, \$48 less than this same period last year. Applying the indicated development factor suggests a final Q2 2014 average gross collision appraisal value of \$3,052, a value \$5 higher than the same quarter in 2013.

At \$14,816, the average Actual Cash Value (ACV) of vehicles appraised for Collision losses during Q2 2014 reflects a surprising strengthening of ACVs despite healthy new car sales volume.

### Average Appraisal Values, ACVs and Age | Collision Coverage\*



MITCHELL SOLUTION:

## Mitchell Estimating™

Mitchell **Estimating** is an advanced estimating system, combining database accuracy, automated calculations, and repair procedure pages to produce estimates that are comprehensive, verifiable, and accepted throughout the collision industry. Mitchell Estimating is an integral part of Mitchell's appraisal workflow solutions:

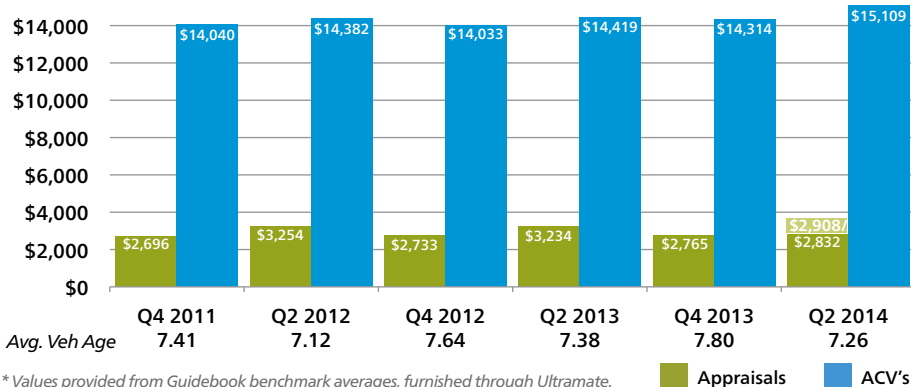
- [RepairCenter Estimating](#) for repair shops and
- [WorkCenter Appraisal](#) for staff appraisers.

Visit Mitchell's website at [www.mitchell.com](http://www.mitchell.com)

## Comprehensive Losses

In Q2 2014, the initial comprehensive average severity was \$2,832, \$402 lower than the same quarter in the previous year, which had much more severe and somewhat more frequent hail events. Applying the prescribed modest supplement development factor for this data set an anticipated final value of \$2,908.

### Average Appraisal Values, ACVs and Age | Comprehensive Losses\*



\* Values provided from Guidebook benchmark averages, furnished through Ultramate.

## Third-Party Property Damage

In Q2 2014, our initial industry average gross third-party Property Damage appraisal was \$2,476 compared to \$2,460 in Q2 2013, reflecting a \$16 increase between these respective periods. However, adding the prescribed development factor for this coverage type yields a final anticipated Q2 2014 adjusted appraisal value of \$2,516, an overall \$56 increase from the same period in 2013. In Q2 2014, the average PD appraised vehicle ACV was up again over previous quarters at \$13,583, and was the highest of all the charted quarters.

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



\* Values provided from Guidebook benchmark averages, furnished through Ultramate.

[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 Q2 2014, 27.67% 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 48.84%, reflecting a 4.72 point or a 11% relative increase from that same period in 2013. The average combined supplement variance for this quarter was \$649.91, \$99 lower than in Q2 2013.

#### Average Supplement Frequency and Severity

Date	Q4/11	Q2/12	Q4/12	Q2/13	Q4/13	Q2/14	Pt. Change	% Change
<b>% Est. Supplement</b>	34.07	30.74	33.21	30.86	35.15	27.67	-3.19	-10%
<b>% Supplement</b>	47.69	42.36	47.1	44.12	47.69	48.84	4.72	11%
<b>Avg. Combined Supp. Variance</b>	723.59	732.46	726.52	748.91	761.12	649.91	-99	-13%
<b>% Supplement \$</b>	26.93	26.54	26.4	26.79	26.57	23.89	-2.9	-11%

## 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 a 1% increase in the use of paint and materials, while labor decreased by 2%, with a corresponding 2% jump in parts dollars.

#### % Average Appraisal Dollars by Type

Date	Q4/11	Q2/12	Q4/12	Q2/13	Q4/13	Q2/14	Pt. Change	% Change
<b>% Average Part \$</b>	44.49	39.48	44.65	40.58	45.45	41.37	0.79	2%
<b>% Average Labor \$</b>	43.98	49.65	43.95	48.49	43.14	47.47	-1.02	-2%
<b>% Paint Material \$</b>	10.43	10.59	10.39	10.68	10.44	10.84	0.16	1%



## Parts Analysis

### Parts Type Definitions

#### Original Equipment Manufacturer (OEM)

Parts produced directly by the vehicle manufacturer or its 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's 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

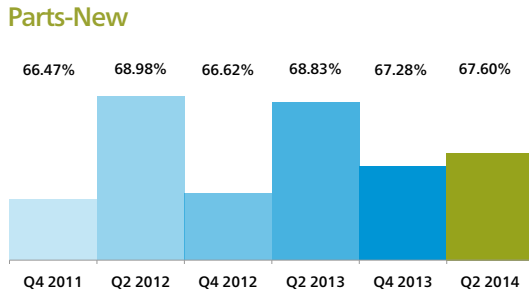
While there isn't a perfect correlation between the types of parts specified by estimators and those actually used during the course of repairs, we feel the following observations to be directionally accurate for both the insurance and auto body repair industries. This segment illuminates the percentage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



# Mitchell Collision Repair Industry Data

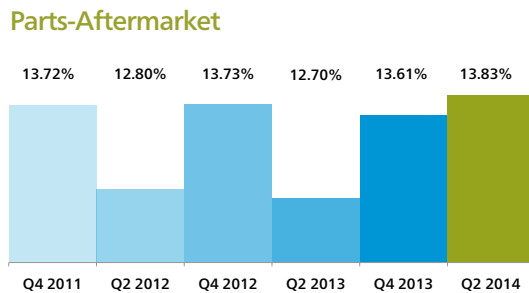
## Original Equipment Manufacturer (OEM) Parts Use in Dollars

In Q2 2014, OEM parts represented 67.6% of all parts dollars specified by Mitchell-equipped estimators. This is a slight decrease over Q2 2013, but roughly in line with the four other quarters surveyed.



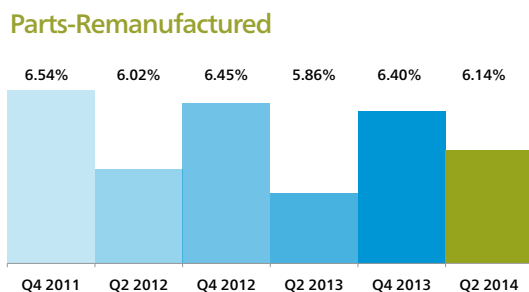
## Aftermarket Parts Use in Dollars

In Q2 2014, 13.83% of all parts dollars recorded on Mitchell appraisals were attributed to Aftermarket sources, up from all the previous quarters charted.



## Remanufactured Parts Use in Dollars

Listed as "Non-New" parts in our estimating platform and reporting products, Remanufactured parts currently represent 6.14% of the average gross parts dollars used in Mitchell appraisals during Q2 2014.



### MITCHELL SOLUTION: Mitchell 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. QRP is fully integrated with UltraMate / UltraMate Premier Suite for total ease-of-use.

For more information on QRP, visit Mitchell's website at [www.mitchell.com](http://www.mitchell.com).



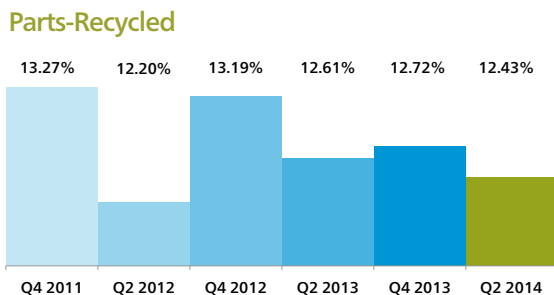
### MITCHELL SOLUTION: Mitchell MAPP™

**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. MAPP is fully integrated with UltraMate / UltraMate Premier Suite for total ease-of-use.

For more information on MAPP, visit Mitchell's website at [www.mitchell.com](http://www.mitchell.com).

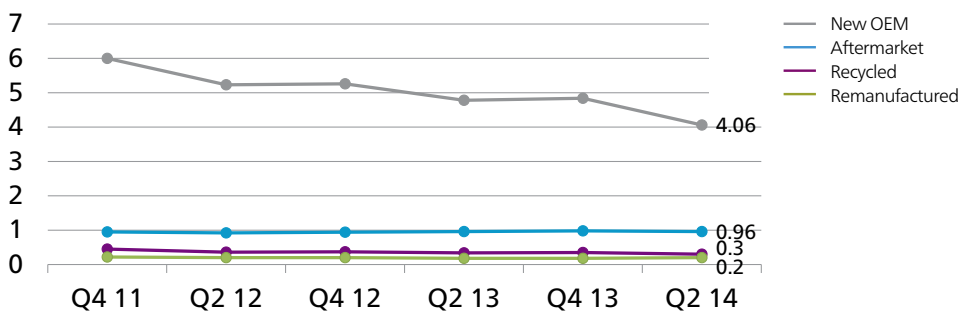
## Recycled Parts Use in Dollars

Recycled parts constituted 12.43% of the average parts dollars used per appraisal during Q2 2014, reflecting a slight decrease over Q2 2013.



## The Number of Parts by Part Type

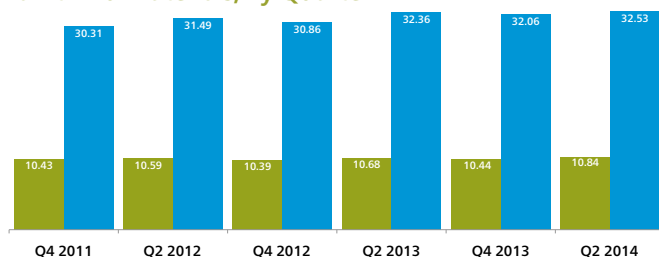
The number of new OEM parts per repairable estimate decreased for Q2 2014, but the number of alternate parts did not increase, suggesting the impact of paintless dent repair and conventional bodywork increased.



## Paint and Materials

During Q2 2013, Paint and Materials made up nearly 10.84% of our average appraisal value, representing a .16% relative increase from Q2 2013. 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 \$32.53 per refinish hour in this period, compared to \$32.36 in Q2 2013. *Editor's note: The chart shown now excludes comprehensive estimates in the calculations to avoid seasonal hail related swings in the data reported.*

Paint And Materials, By Quarter



## 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.



### MITCHELL SOLUTION: Mitchell RMC™

Mitchell's **Refinishing Materials Calculator (RMC)** provides accurate calculations for refinishing materials costs by incorporating a database of over 7,000 paint codes from eight paint manufacturers. It provides job-specific materials costing according to color and type of paint, plus access to the only automated, accurate, field-tested, and industry-accepted breakdown of actual costs of primers, colors, clear coats, additives and other materials needed to restore vehicles to pre-accident condition.

For more information on RMC, visit Mitchell's website at [www.mitchell.com](http://www.mitchell.com).

## Adjustments

In Q2 2014, the percentage of all adjustments made decreased by 8%. The dollar amount of betterment taken also decreased compared to Q2 2013 levels by \$2.73. Average appearance allowances in the second quarter of 2014 decreased by \$.59.

### Adjustment \$ and %s

Date	Q4/11	Q2/12	Q4/12	Q2/13	Q4/13	Q2/14	Pt/\$ Change	% Change
% Adjustments Est	3.44	3.08	3.27	2.93	3.04	2.7	-0.23	-8%
% Betterment Est	2.76	2.4	2.66	2.33	2.5	2.13	-0.2	-9%
% Appear Allow Est	0.52	0.47	0.48	0.42	0.44	0.42	0	0%
% Prior Damage Est	2.85	2.84	2.76	2.86	2.72	3	0.14	5%
Avg. Betterment \$	121.85	126.77	118.41	121.11	115.99	118.38	-2.73	-2%
Avg. Appear Allow \$	191.55	196.08	204.43	203.1	199.29	202.51	-0.59	0%

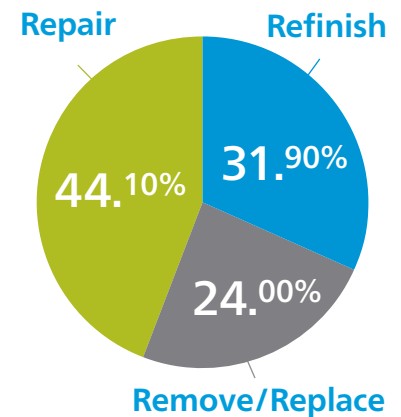
## Labor Analysis

Average body labor rates show increases (though modest) in all states surveyed.

### Average Body Labor Rates and Change by State

	2013	2014 YTD	\$ Change	% Change
Arizona	48.95	49.71	\$0.76	2%
California	52.81	54.31	\$1.50	3%
Florida	41.64	42.54	\$0.90	2%
Hawaii	47.03	47.68	\$0.65	1%
Illinois	49.76	50.27	\$0.51	1%
Michigan	43.61	43.94	\$0.33	1%
New Jersey	46.48	46.3	\$(0.18)	0%
New York	47.13	47.77	\$0.64	1%
Ohio	44.61	45.15	\$0.54	1%
Rhode Island	44.98	45.25	\$0.27	1%
Texas	44.01	44.03	\$0.02	0%

Percent of average labor hours by type



# Total Loss

The charts below show that some vehicle segments are softening in all segments, with traditional gas guzzlers taking the biggest hits.

### Average Vehicle Age in Years

Vehicles	Q4/11	Q2/12	Q4/12	Q2/13	Q4/13	Q2/14
	Average Vehicle Age					
Convertible	11.54	11.34	11.66	11.66	12.03	12.17
Coupe	11.63	11.51	11.9	11.61	12.08	11.84
Hatchback	9.63	9.36	9.07	8.76	8.88	8.58
Sedan	10.46	10.26	10.45	10.3	10.56	10.32
Wagon	9.25	9.02	9.32	9.19	9.83	9.72
Other Passenger	11.98	11.67	12.15	12.14	12.73	12.21
Pickup	11.56	11.54	11.95	11.81	12.23	12.21
Van	10.96	10.76	10.95	10.88	11.29	11.09
SUV	9.88	9.75	9.9	9.97	10.39	10.12
Other Pickup/ Van/SUV	14.13	12.66	11.95	17.18	19.49	21.02

### Average Vehicle Total Loss Actual Cash Value

Vehicles	Q4/11	Q2/12	Q4/12	Q2/13	Q4/13	Q2/14
	Average Actual Cash Value					
Convertible	10,216.25	10,190.21	11,214.21	10,198.35	10,115.08	10,002.52
Coupe	6,900.82	6,971.45	7,381.80	7,323.28	7,247.04	7,508.64
Hatchback	7,423.59	7,705.59	8,148.28	8,216.04	8,060.24	8,441.98
Sedan	6,993.76	7,097.15	7,464.12	7,372.76	7,359.40	7,539.89
Wagon	7,718.63	7,638.03	7,739.22	7,449.72	7,117.19	7,089.54
Other Passenger	16,355.88	18,314.45	17,524.44	13,082.40	15,188.08	14,471.14
Pickup	9,505	9,321.43	9,656.16	9,584.94	10,061.21	10,323.80
Van	5,802.26	5,758.77	6,097.50	5,821.03	5,840.88	5,984.05
SUV	9,283.81	9,194.69	9,879.79	9,166.54	8,999.21	9,239.96
Other Pickup/ Van/SUV	24,369.20	28,247.15	37,475.08	23,037.37	16,849.42	29,275.30



**MITCHELL SOLUTION:**

## Mitchell WorkCenter™ Total Loss

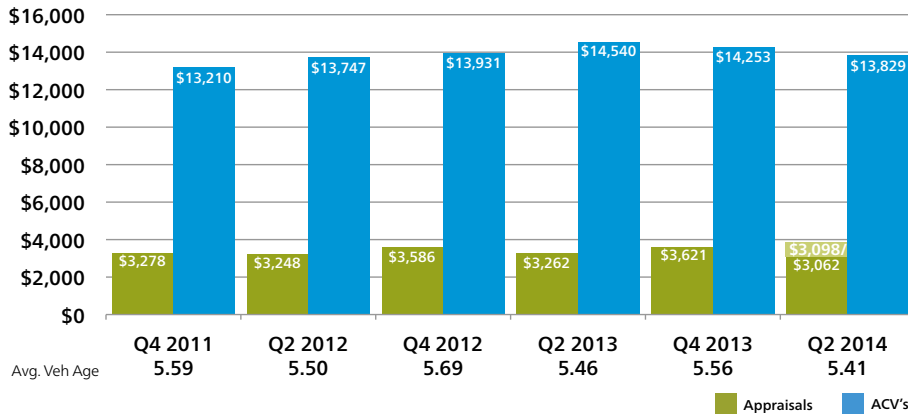
Mitchell WorkCenter™ Total Loss gives your claims organization a statistically driven, fully automated, web-based total loss valuation system that generates fair, market-driven values for loss vehicles. It combines J.D. Power and Associates’ data analysis and pricing techniques with Mitchell’s recognized leadership in physical damage claims processing solutions. Mitchell WorkCenter™ Total Loss helps you reduce settlement time and improve customer satisfaction. [www.mitchell.com/workcenter/totalloss](http://www.mitchell.com/workcenter/totalloss).



## Canadian Appraisal Severity

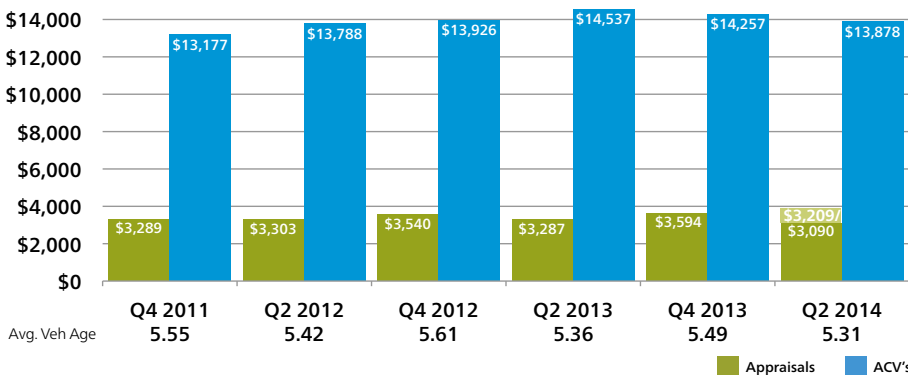
### Average Appraisal Values Severity Overall

The average initial gross appraisal value, calculated by combining data from all first- and third-party repairable vehicle appraisals uploaded through Mitchell Canadian systems in Q2 2014 was \$3,062, a \$200 decrease from Q2 2013. However, when applying the prescribed development factor, we find an anticipated average appraisal value of \$3,098.



### Collision Losses

Mitchell's Q2 2014 data reflect an initial Canadian average gross collision severity of \$3,090, a \$197 decrease over Q2 2013. But when we apply the prescribed development factor, we obtain an estimated final value of \$3,209.



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 Average Appraisal Make-Up

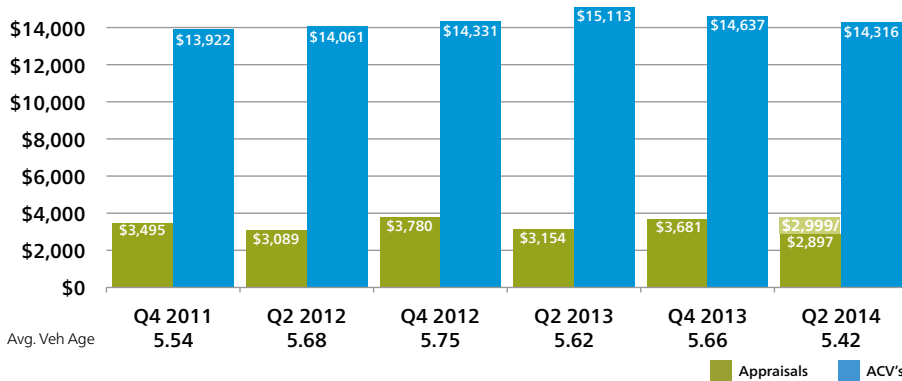
This chart compares the average appraisal make-up as a percentage of dollars, constructed by Mitchell-equipped estimators. These data points reflect an increase in parts dollars and an decrease in labour.

Date	Q4/11	Q2/12	Q4/12	Q2/13	Q4/13	Q2/14	Pt/\$ Change	% Change
% Average Part \$	42.93	42.27	41.59	41.74	44.62	42.07	0.33	1%
% Average Labour \$	45.21	45.89	47.41	46.42	43.85	45.87	-0.55	-1%
% Paint Material \$	8.91	8.83	8.32	8.89	8.46	9.33	0.44	5%



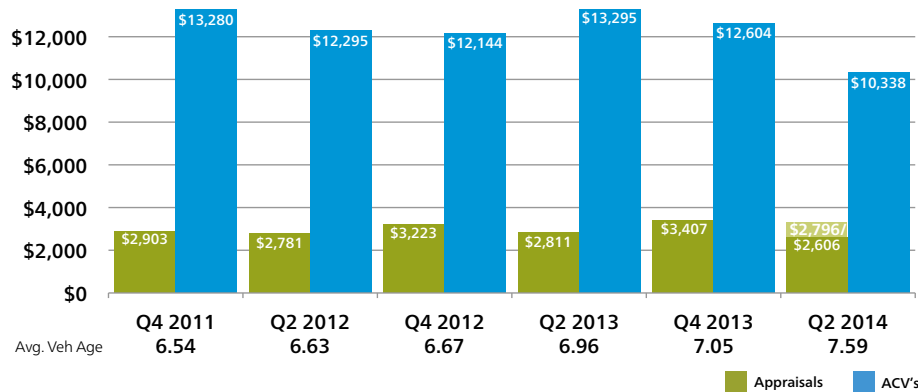
### Comprehensive Losses

In Q2 2014 the average initial gross Canadian appraisal value for comprehensive coverage estimates processed through our servers was \$2,897, or \$170 lower than in Q2 2013. However, by applying the prescribed development factor, the anticipated average appraisal value increases to \$2,999.



### Third-Party Property Damage

In Q2 2014, our Canadian industry initial average gross third-party property damage appraisal was \$2,606, a decrease of \$205 from Q2 2013 on an older vehicle age estimated. Applying the prescribed development factor, the anticipated appraisal value increases to \$2,796.



## 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

The percentage of estimates supplemented one or more times decreased by 21% compared to Q2 2013. The average dollar amount of those supplements increased by 24% or \$125.21.

Date	Q4/11	Q2/12	Q4/12	Q2/13	Q4/13	Q2/14	Pt/\$ Change	% Change
% Est Supplements	43.48	48.37	47.38	47.96	51.08	38.07	-9.89	-21%
% Supplements	55.09	69.87	69.14	77.12	70.35	86.48	9.36	12%
Avg Combined Supp Variance	562.42	555.41	593.68	518.34	595.67	643.55	125.21	24%
% Supplement \$	17.16	17.1	16.56	15.89	16.45	21.02	5.13	32%



## Canadian Adjustments

In Q2 2014, the average times betterment was taken on estimates decreased by 24%, yet the dollar amount decreased by only 1%. The number of times appearance allowances were given decreased by 24% as well, with the average amount given decreasing by 1%.

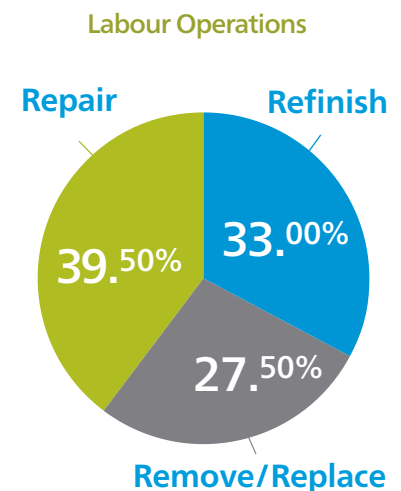
Date	Q4/11	Q2/12	Q4/12	Q2/13	Q4/13	Q2/14	Pt/\$ Change	% Change
% Adjustments Est	2.78	2.83	2.62	2.27	1.88	1.71	-0.56	-25%
% Betterment Est	2.26	2.52	2.33	1.98	1.66	1.5	-0.48	-24%
% Appear Allow Est	0.42	0.32	0.29	0.29	0.22	0.22	-0.07	-24%
% Prior Damage Est	0.19	0.03	0.02	0.05	0.05	0.05	0	0%
Avg. Betterment \$	201.75	201.93	195.04	219.89	243.23	218.77	-1.12	-1%
Avg. Appear Allow \$	195.99	253.68	231.48	223.58	215.17	261.9	38.32	17%

## Canadian Labour Analysis

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

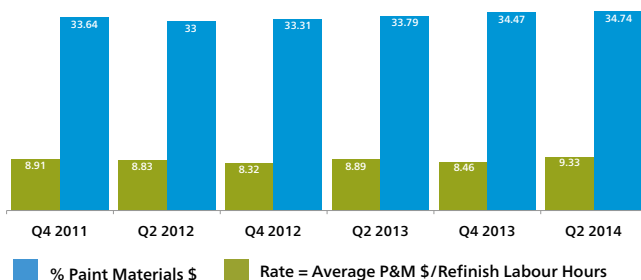
### Average Body Labour Rates and Change By Province

	2012	YTD 2013	\$ Change	% Change
Alberta	72.41	72.48	\$ 0.07	0%
British Columbia	69.45	70.82	\$ 1.37	2%
Newfoundland & Labrador	61.12	62.19	\$ 1.07	2%
Nova Scotia	58.1	58.65	\$ 0.55	1%
Ontario	55.31	55.93	\$ 0.62	1%
Saskatchewan	71.67	81.26	\$ 9.59	13%
Yukon Territory	89.45	94.33	\$ 4.88	5%



## Canadian Paint and Materials

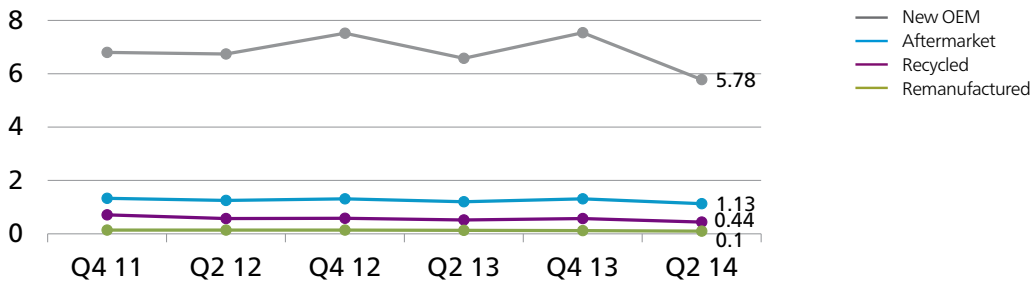
For Canadian appraisals, Paint and Materials make up 5% of the average repairable appraisal. Looking at hourly reimbursements, the average hourly rate is now \$34.74.







### Canadian Number of Parts by Part Type



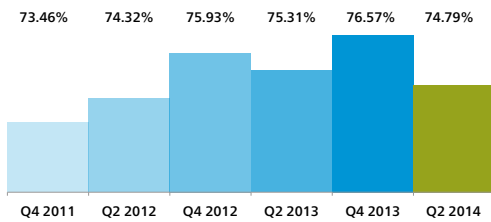
### Canadian Parts Utilization

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 Q2 2014, Canadian OEM parts decreased compared to Q2 2013, to the third lowest percentage of the surveyed quarters.

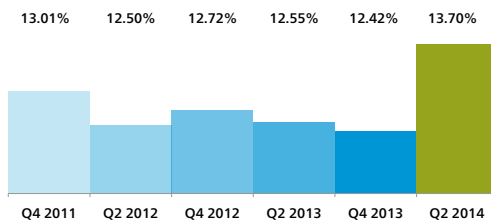
##### Parts-New



#### Aftermarket Parts Use in Dollars

Aftermarket parts use in Canada rose very slightly in the first quarter of 2014, once again topping 13%.

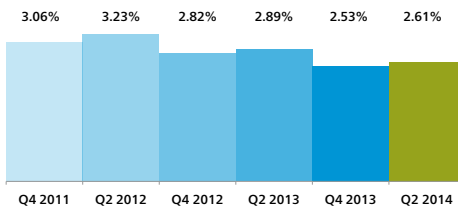
##### Parts-Aftermarket



#### Remanufactured Parts Use in Dollars

Remanufactured parts increased from Q4 2013, but continues to be below the first two quarters surveyed.

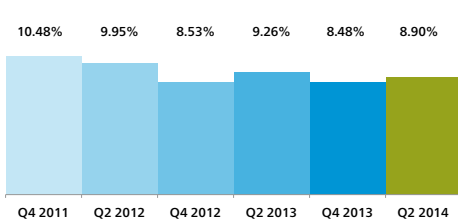
##### Parts-Non-New



#### Recycled Parts Use in Dollars

Canadian recycled parts use was up in comparison with Q4 2013 performance, lower than the other second quarter performance listed.

##### Parts-Recycled



# J.D. Power Canadian Market Analysis

By Justin Ramkishun, Automotive Account Analyst

By Blaine Bogus, Senior Analyst, Insurance Practice MVV

By Chip Lackey, Senior Director, Insurance Practice MVV



*The Canadian light vehicle market is forecast to record heightened sales well into the next decade.*

The Canadian light vehicle market continues to perform at a record pace. As of May 2014, year-over-year growth in monthly sales has been achieved in 14 consecutive months. Canadians are currently on pace to purchase 1.78 million new light vehicles in 2014, breaking last year's record of 1.74 million units. The robust performance in the new vehicle sector is a reflection of the stable economic environment in Canada. GDP and the employment

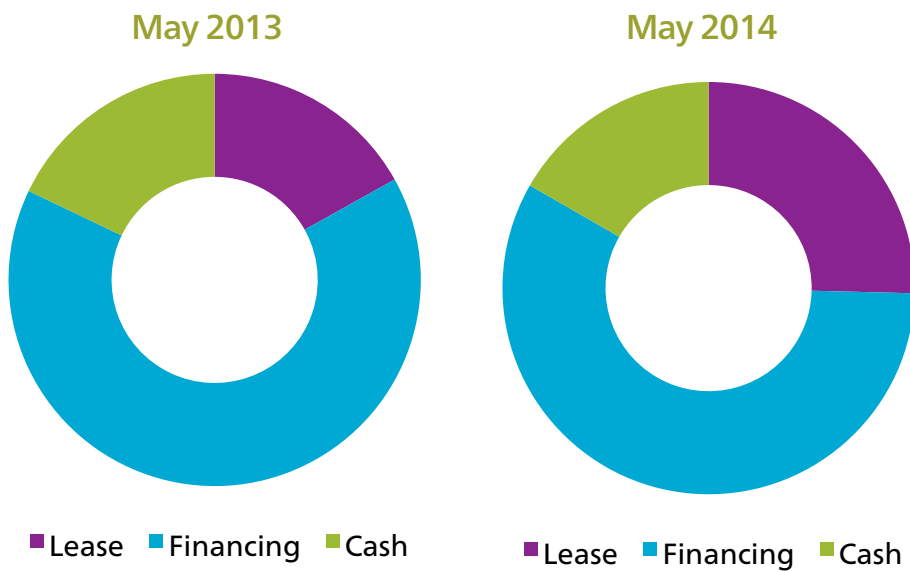
rate have experienced modest growth over the past two years while interest rates have remained low. Moving forward, the Canadian light vehicle market is forecast to record heightened sales well into the next decade.

When analyzing several metrics in J.D. Power's Power Information Network (PIN), we see different factors driving growth in 2014 compared to 2013. Last year, the

growing popularity of long-term financing among consumers was a key factor in the record sales growth. So far in 2014, long-term financing remains popular but lease transactions have increased significantly. In May 2013, leasing accounted for 16.9% of all transactions with financing (65.2%) the most popular method of purchase followed by cash (17.9%). In May 2014, leasing accounted for 25.4% of all

transactions with much of its growth coming at the expense of finance (57.9%) transactions compared to a year ago. Several factors such as a slight reduction in lease APR over the past few months and strong sales in luxury segments have propelled this trend.

The record growth secured in the new vehicle sector and increased leasing activity should be beneficial to the used vehicle sector in the coming years. As these vehicles age, they will enter the used market and replenish inventory that was lost during the economic downturn in 2010-2011. According to PIN, used vehicle pricing and age have risen steadily over the last 12 months. This trend should slow down in the years to come.



## Industry Trends Live

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

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**mitchell**

**Mitchell San Diego  
Headquarters**

6220 Greenwich Dr.  
San Diego, CA 92122



Mitchell empowers clients to achieve measurably better outcomes. Providing unparalleled breadth of technology, connectivity and information solutions to the Property & Casualty claims and Collision Repair industries, Mitchell is uniquely able to simplify and accelerate the claims management and collision repair processes.

As a leading provider of Property & Casualty claims technology

solutions, Mitchell processes over 50 million transactions annually for over 300 insurance companies/claims payers and over 30,000 collision repair facilities throughout North America. Founded in 1946, Mitchell is headquartered in San Diego, California, and has 1,700 employees. The company is privately owned primarily by KKR, a leading global investment firm.

For more information on Mitchell, visit [www.mitchell.com](http://www.mitchell.com).

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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:

**Greg Horn**

Editor in Chief, Vice President of Industry Relations  
[greg.horn@mitchell.com](mailto:greg.horn@mitchell.com)

**Additional Contributors:**

Kontos 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.

For more information about Enterprise Rent-A-Car Average Length of Rental and to access your market and shop numbers please contact [frank.r.laviola@ehi.com](mailto:frank.r.laviola@ehi.com)

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