

# Industry Trends Report

FEATURED IN THIS ISSUE:

## Bumper Repair vs. Replace

By **Greg Horn**

Vice President of Industry Relations, Mitchell





mitchell

# Industry Trends Report

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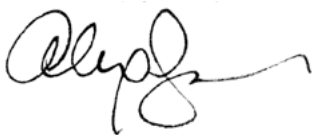
### Quality Time for Quality Repairs

Welcome to the Q4 Edition of the 2014 Auto Physical Damage Mitchell Industry Trends Report. This quarter we look at some of the most commonly damaged parts in collision repair and the factors affecting returning vehicles to pre-accident condition.

In our feature article on page 4—*Bumper Repair vs. Replace*—author Greg Horn examines the relationship between a quality outcome and the labor hours devoted to bumper cover repairs by make and price of cover. Shawn Collins from 3M shares his expertise in—*Perfecting Plastics*—and reinforces the importance of staying current with the latest techniques and materials to ensure a quality outcome.

Enjoy these articles along with the rest of this issue's latest insights and thank you for your continued readership 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!

# Bumper Repair vs. Replace

*Does the cost of the cover influence repair hours allocated?*

**By Greg Horn**

Vice President, Industry Relations, Mitchell



*We do see a slight increase in hours devoted to repair when the cover price goes up.*

Bumper covers are the most commonly damaged part in collision repair, and the first part where an appraiser exercises the judgment to repair or replace. In this article, I examine the average labor hours devoted to repair of the cover to see if that varies by popular make or if the price of the cover influences the hours devoted to the repair.

## Repairing Bumper Covers Is a Win-Win-Win

Repair of bumper covers can be beneficial to all parties involved. It's a profitable venture for the collision repair shop and one that helps with cycle time. For the vehicle owner it means a quality repair done quickly. With the cost of body labor running being \$48 in the US and \$60 in Canada, there

can be several hours invested in repair before the economical threshold is hit. Some repairers I have spoken with said that they could fix more covers, but the insurance companies rarely allow for more than two to three hours for the repair. This is validated by the data on Sheet 1, which shows the average labor hours on our surveyed vehicles topping out at 2.6 hours.

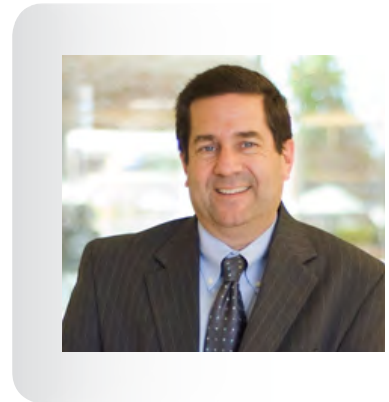
### Labor Costs vs. Cover Price

A look at repair vs. replace shows that tears to the cover will require overhauling the bumper in the same manner as replacing it; so, for the sake of simplicity, I used the same refinish hours for a replacement as for a repair. What we're left with is a strict equation of labor hours vs. price of the cover, and our average aftermarket price on our Toyota vehicles surveyed (Camry and Corolla models only) is \$212. Given the average US body labor rate, that means the breakeven is 4.4 hours (\$212/\$48), or literally double the average hours we currently devote to repair. If an OEM cover is used as the measure, it comes out to 5.46 hours. At the top end, our Mercedes average aftermarket price is \$613 for a front bumper cover, and the breakeven jumps

to a whopping 12.8 hours. Obviously, I'm not suggesting that 12 plus hours should be devoted to repairing a bumper cover that is readily available as a replacement part. But it does illustrate an important point: there are more hours left on the table to do a quality repair than are currently being estimated across the country.

What about the correlation between cost of replacement and higher labor hours for higher-cost covers? We do see a slight increase in hours devoted to repair when the cover price goes up. But, the Mercedes front cover that is virtually three times the cost of the Toyota average cover gets on average only 0.3 hours or \$19.20 in additional repair labor spent to repair.

### About the author...



#### Greg Horn

Vice President, Industry Relations, Mitchell

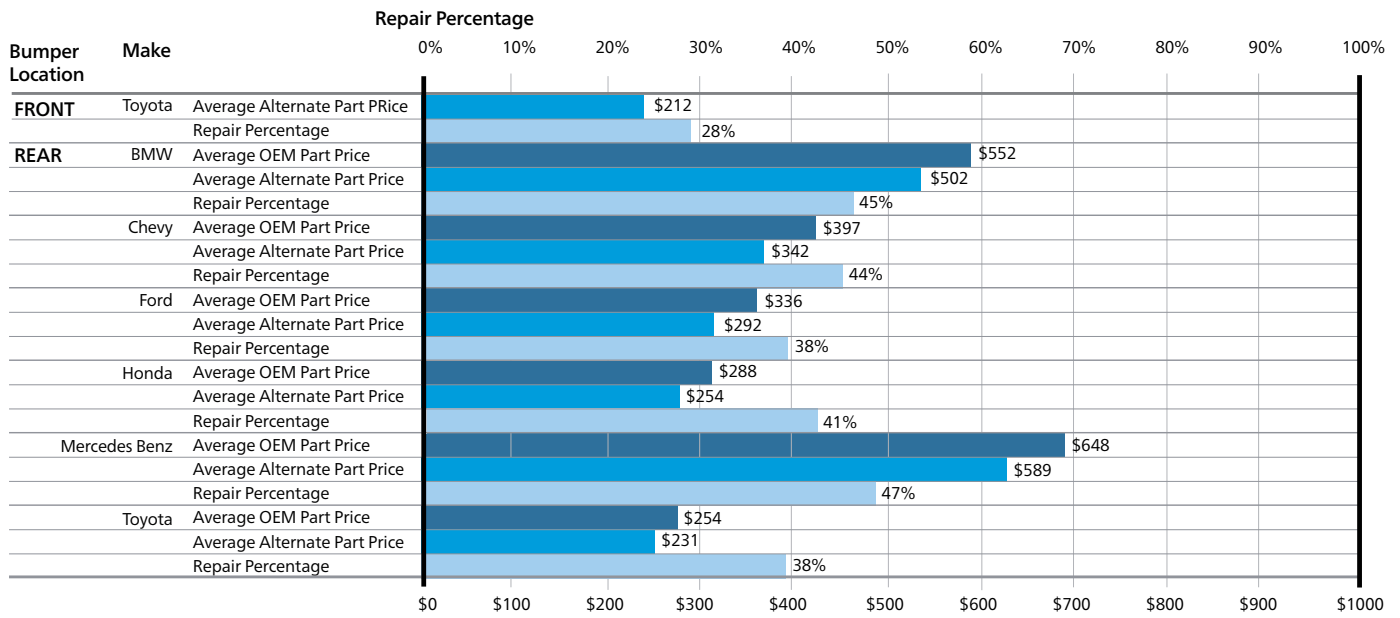
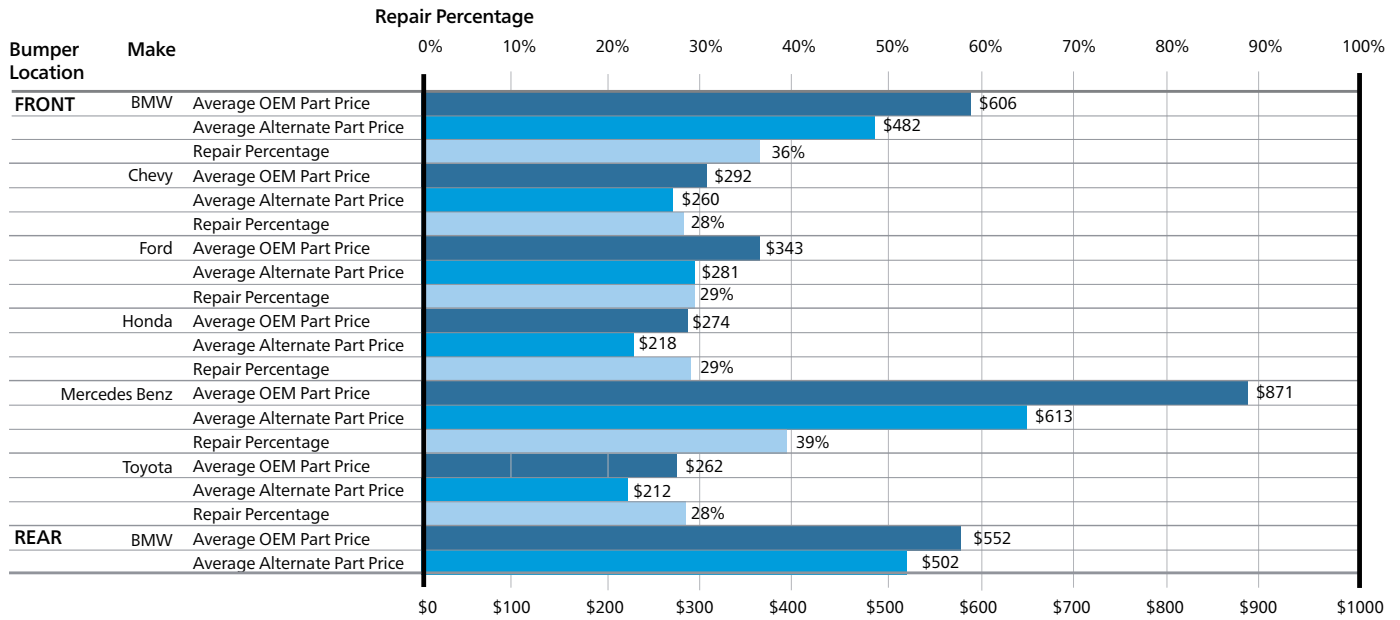
Greg Horn joined Mitchell in September of 2006 as Vice President of Industry Relations.

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.

Bumper Location	Make	Average OEM Part Price	Average After Part Price	Average LKQ Part Price	Average Reman Part Price	Average Alternate Part Price	Repair Percentage
FRONT	BMW	\$606	\$369	\$528	\$474	\$462	35.7%
	Chevy	\$292	\$219	\$274	\$312	\$260	27.7%
	Ford	\$343	\$262	\$282	\$300	\$281	28.9%
	Honda	\$274	\$187	\$280	\$244	\$218	28.6%
	Mercedes Benz	\$871	\$491	\$665	\$616	\$613	38.8%
	Toyota	\$262	\$180	\$304	\$228	\$212	27.7%
REAR	BMW	\$552	\$450	\$473	\$523	\$502	45.3%
	Chevy	\$397	\$334	\$315	\$362	\$342	44.2%
	Ford	\$335	\$274	\$298	\$300	\$292	38.2%
	Honda	\$288	\$226	\$294	\$268	\$254	41.0%
	Mercedes Benz	\$648	\$442	\$603	\$601	\$589	47.3%
	Toyota	\$254	\$195	\$306	\$235	\$231	37.9%

Average OEM Part Price, Average Aftermarket Part Price, Average LKQ Part Price, Average Reman Part Price, Average Alternate Part Price, Average Repair Labor Hours, Average Repair Labor Rate, Average Repair Labor Cost and Repair Percentage broken down by Bumper Location and Make.



### Front cover vs. rear cover and frequency of repair

The second point I researched was the correlation between bumper cost and frequency of repair. While front covers that cost more had a higher frequency of repair than lower-cost covers, rear covers performed differently. This confirms my long-held belief that rear bumper covers are repaired more often than front covers. Based on the angle of impact to the covers and the fact that fewer contours and openings in rear covers lead to fewer catastrophic tears in a collision, it does make sense.

My research shows that rear cover repair percentages were much tighter in grouping. And, while the highest-priced covers (the Mercedes and the BMW) did have the highest

repair percentages, the Chevrolet passenger car rear bumper cover repair was only one percentage point less than the BMW's.

### The Conclusion

What's the take away from this? First and foremost, we should be devoting more hours to bumper cover repair because it is a demonstrable win-win-win for the shop, the insurer and the vehicle owner. But the repair must be a quality, durable repair. It also suggests that whether you are an appraiser or collision technician, you need to keep up with the latest repair products and materials. When was the last time you looked?

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# Perfecting Plastics

*Avoid common plastic repair mistakes*

By Shawn Collins

*From 3M Corporation publications*

*Publish Date: September 30, 2014*



Throughout more than 20 years of teaching plastic repair I have witnessed the evolution of repair methods and products. The adhesive products used for plastic repair have never been more user-friendly and have made repairs very simple and reliable. Over time, the repair methods have been tweaked and adjusted to the point where they are extremely reliable, but the key to successful plastic repair is using those adhesives in the exact manner for which they were designed.

This is one segment of the repair where following the product maker's instructions to the letter is directly linked to success. This is no place for freelancing or bench-top chemistry. One of the main reasons technicians are reluctant to repair plastics is that they have had a bad experience or failure in the past, oftentimes because they strayed from the instructions. The drawback to instructions is that they only instruct technicians what to do, but it may be just as important to tell technicians

what not to do. Below is a list of the most common plastic repair errors that technicians make, and avoiding these errors will vastly improve their chances for success. Due to the variations in products, this information may be somewhat general but will apply to most products. If you follow the instructions and are still having problems, these suggestions may help.

## Cleaning Mistakes

It's difficult enough to get adhesives to bond to some plastics, but it's nearly impossible if the plastic is not squeaky clean. The first step in a plastic repair is to clean the entire part (front and back sides) with soap and warm water. Cleaning the entire part will allow you to thoroughly inspect it for hidden damage such as spider cracking, peeling paint and broken tabs. It is especially important to clean the back side of the bumper because it may be coated with a mold release agent that was used to prevent the plastic part from sticking to the injection mold at the factory.



Next, the part should be cleaned with a plastic cleaner. This is where things can get tricky. If the adhesive maker recommends a specific cleaner, use it according to instructions; if not, an isopropyl alcohol cleaner will clean without leaving a residue. Solvents such as lacquer thinner or reducer are never recommended.

*One of the main reasons technicians are reluctant to repair plastics is that they have had a bad experience or failure in the past, oftentimes because they strayed from the instructions.*

Once the initial cleaning is done, it is very important to avoid using liquid cleaners of any kind on the raw, exposed plastic in the repair area where adhesive will be applied. Because you have already cleaned the part before you sanded it down to bare plastic, there is no need to clean it again with anything other than compressed air. Some cleaners may take hours to completely “off-gas” out of the

bare plastic, so failure will occur when a technician wipes the bare plastic with a liquid cleaner then minutes later applies the adhesive—trapping the solvents underneath. The trapped solvents eventually escape, usually when the part is baked, causing the adhesive to come off in one big sheet. This is similar to applying wax over a fresh paint job which also traps solvents. This is very common but also very simple to correct. Several adhesive makers have recently modified their directions to emphasize “no liquid cleaners on bare plastic.”

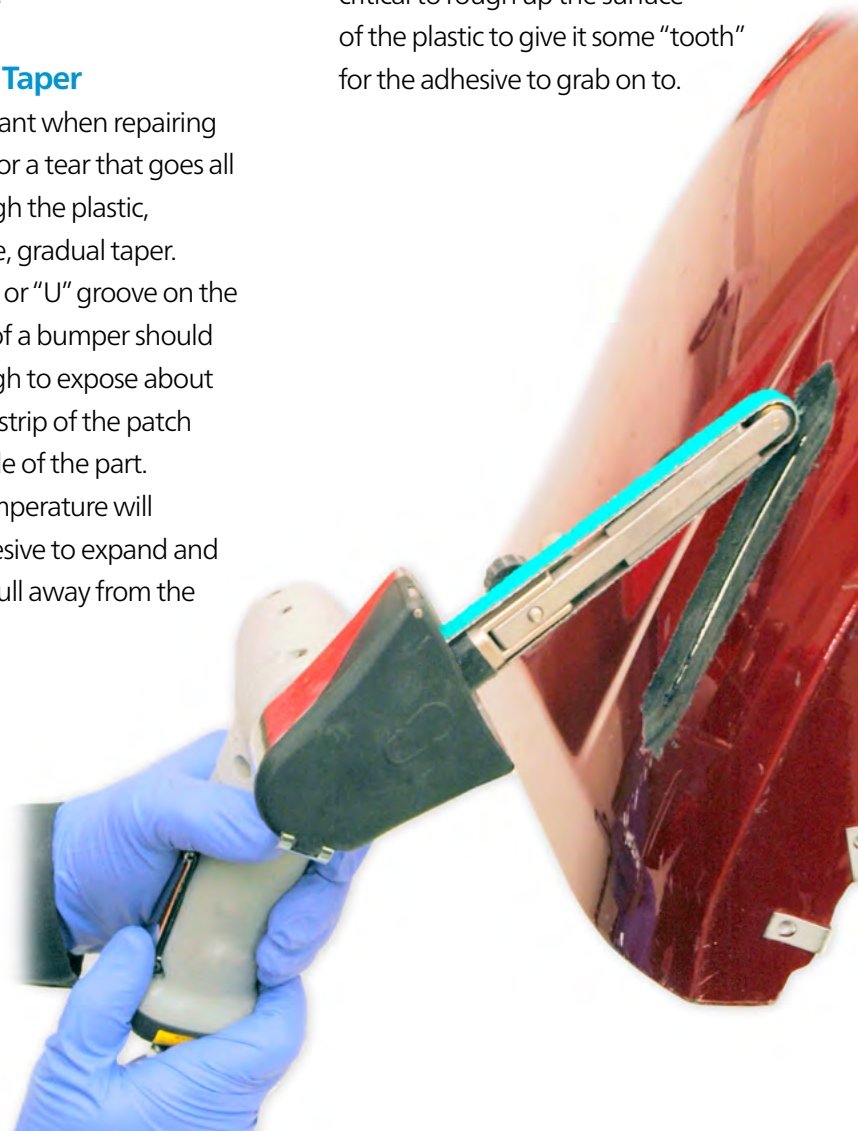
#### Poor Repair Taper

It's very important when repairing a deep gouge or a tear that goes all the way through the plastic, to make a wide, gradual taper. A proper taper or “U” groove on the cosmetic side of a bumper should be deep enough to expose about a ¼-inch wide strip of the patch on the back side of the part. Changes in temperature will cause the adhesive to expand and contract and pull away from the

sharp edge of a “V” groove causing a ghosting line to appear. With a gradual taper there is no sharp edge where the plastic will separate from the adhesive. Also a “V” groove is too narrow to hold enough adhesive for a strong repair. The gradual taper allows more surface area for the adhesive to bond to.

#### Poor Sanding or Surface Prep

Because most technicians use a die grinder with a carbide bit or a grinding disc to cut a repair taper into the plastic, it is then critical to rough up the surface of the plastic to give it some “tooth” for the adhesive to grab on to.



Die grinders and discs will remove plastic material aggressively, which creates smooth plastic within the scratches. For best adhesion to plastic, the surface should be “fuzzy,” not smooth. To create this fuzzy surface you must always sand the taper at a slow speed with a dual action sander removing all shiny areas. Remember, adhesives will not adhere to smooth or melted plastic, no matter how small that area is. Follow the product maker’s recommendations for which grade abrasive to use, but most adhesive makers require sanding plastic with P80 grit on a D.A. before applying an adhesive. The P80 grit will give you that rough or fuzzy surface for the adhesive to bond to. To avoid

deep scratches showing through the repair at the feather edge, you can sand around the outer ring of the repair area with a finer grit such as P180 to refine the P80 grit scratches. It’s also important when sanding the finishing filler products to use light pressure on the sander and keep moving to avoid heat build-up which can cause the edge of the filler to roll back instead of feathering.

### Adhesion Promoter Mistakes

If the adhesive maker requires an adhesion promoter, use it correctly and read the instructions. It’s critical to follow coat thickness and flash time guidelines to avoid failures. One adhesive maker uses an adhesion promoter that contains a chemical molecule that etches or bites into the plastic.

This creates a chemical bond to the plastic. Attached to that molecule are varying-length strands of plastic that create a “fuzzy” layer. If you looked at that layer under a microscope it would look something like a scuff pad. When adhesive is applied, it will bond onto this fuzzy surface for a strong mechanical bond. With both a chemical and mechanical bond, the chances for good adhesion vastly increase. Spraying too much adhesion promoter on the repair area is a common mistake. If it is sprayed on too thick the promoter will pool up and flow out smooth instead of fuzzy. If you are having problems getting a fine featheredge you may have applied the adhesion promoter too heavily or may not have allowed enough time for it to flash off. Only use the adhesion promoter specifically recommended for that adhesive. You can also greatly enhance adhesion by firmly scraping the



adhesive onto the repair area before continuing to add more adhesive into the taper; this is called a “tight coat.”

### Incomplete Mixing

Most adhesives are packaged in dual cartridges that use a static mixing tip to mix the two components of the adhesive together. The tip contains an internal auger that mixes part A and part B together as they pass through it. One common mistake is to attach the mixing tip to the cartridge before checking to see if part A and part B are coming out of the ports unobstructed. Whether the cartridge is new or partially used, it is common to have some hardened adhesive stuck in the opening which blocks one of the components from entering the tip. First, check the cartridge to make sure adhesive is being freely dispensed from both ports, and then always dispense some adhesive out of the cartridge to ensure that the ports are clear prior to attaching the tip. If the adhesive doesn't cure properly, there's a good chance the tip was clogged and the chemicals did not mix at the correct ratio.

The ability to perform plastic repairs is becoming more important as the insurance companies continue to emphasize cycle time, severity and repair versus part replacement. Many shops are embracing this trend as they see the opportunities for repairing most other parts on the modern vehicle dwindling. Most accidents involve bumper damage, so if you aren't repairing plastic you are throwing away a lot of repairable parts. In many cases the bumper you scrap will be picked up by a bumper company to be repaired by a much lower skilled worker than your technicians. Keeping that repair in-house has many advantages including: avoiding blending adjacent panels, repairing at a better gross margin than replacing, faster cycle time and having more control over the quality of the repair. The key to successful plastic repairs is to strictly adhere to the instructions from the product makers and be thorough in completing the steps they outline. Technicians are conditioned to complete repairs as quickly as possible, but because plastic repairs are extremely process-

dependent, they need to slow down and be methodical. Attempting to reduce repair time by rushing the repair will be disastrous. The repair time savings will be realized by making the repair correctly the first time.

***Most adhesives are packaged in dual cartridges that use a static mixing tip to mix the two components of the adhesive together.***

*Shawn Collins is a Senior Technical Service Engineer for 3M. He was an ASE Certified Master Collision technician for 26 years and has been an I-CAR Instructor for 19 years. He teaches more than 50 different training programs and is both a Steel and Aluminum Welding Qualification Test Administrator. He was named the 2009 I-CAR instructor of the year and received the I-CAR Tech Center Award in 2011.*

# Reinventing the Claims Process Through the Connected Car

By Sean Carey

President, SCG Management Consultants



## Introduction

*The impact of telematics on the claims process cannot be underestimated and I reached out to Sean Carey for a follow up on our bonus feature in our last edition on the connected car. Sean is President at SCG Management Consultants, a leading claims and collision consultant whose practice is helping organizations better understand the dynamics in play and how they need to position themselves for a new claims flow.*

—Greg Horn

The connected car is with us for good. When I present to organizations or groups such as at this year's IBIS symposium in Barcelona or the ICAR Conference in Detroit, I always clarify that up front. For me that is an important component when looking at the strategic landscape. The second point of clarity I like to make is that technology is compressing time in the auto space. At telematics conferences I attend in different markets, the most recent being in Munich and

Chicago, the predicted timelines continue to decline. When experts discuss driverless vehicles, autonomous driving and especially vehicle to vehicle (V2V) and vehicle to Infrastructure (V2I), what was once seen as 2025 is now 2020, and what was once 2020 is now 2017. So if we take as fact that the connected car is here and the changes it will bring are ever closer that sharpens the focus for organizations in terms of how they position themselves for this new future.

You only need to log onto automotive web pages or USA Today or the New York Times to see the almost everyday announcements by one auto manufacturer or another regarding ever-changing vehicle technology. What you don't see very much of is "what does that mean" for the claims and collision repair segments, however it is for sure that opportunities exist to streamline the process and make it a better experience for all. If we look at this in more detail then

I can see a future claims and repair workflow very different from today; I can also see new entrants into the market that will have a different perspective on how to “manage” claims and a radically different business model.

For instance, with all of these sensors in vehicles these days and the vehicles ever-increasing ability to communicate with external parties, how would a future look where the car made the claim?

Think about it. On impact the data received from the vehicle in real time could begin the claims and repair process instantly.

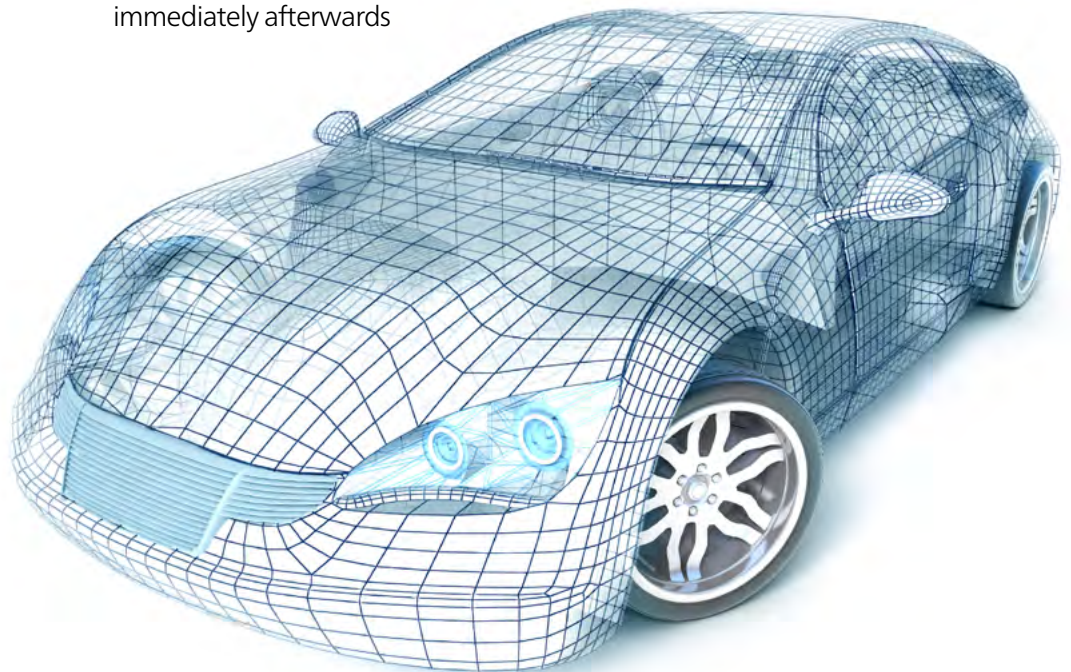
The emergency authorities could be notified in real time, with detailed information about the vehicle(s), the location of the incident and the well-being of the occupants (care givers will tell you all the time the more details they

have on the number of occupants and their relative well-being while on route to the scene helps to save lives).

Based on the VIN number a perfect set of demographic, geographic, impact genesis and vehicle condition data can be immediately uploaded to a trusted data source who can then simultaneously start the claim:

- Arrange for immediate roadside assistance
- Arrange for a replacement vehicle or rental
- Assess the data and create an impact cinema graphic that shows what happened five seconds prior to the incident and immediately afterwards

*With all of these sensors in vehicles these days and the vehicles ever increasing ability to communicate with external parties how would a future look where the car made the claim?*



- Provide a data rich FNOL to insurance companies
- Assess the vehicle damage uploaded by the telemetry and by using historical relevant data and predictive analytics to determine with a high degree of accuracy the repair costs or if the vehicle will be totaled
- Create predictive estimates and parts requirements lists, and send that to dealers or parts procurement companies
- Identify which shop is best positioned to repair the vehicle based on shop scorecards and scheduled availability (be it in network or not) and send them the assignment and predictive estimate
- And of course keep the consumer informed of what is happening at all times via mobile communications.

All of the above is done in parallel and instantly. No phone calls, no manual form filling, no frustrating repetition of the same information to different agencies. And remember at this point, the vehicle has not even been moved from the scene yet. I think that creates huge efficiency and economic benefits.

## *Google has recently announced Android Auto, and has plans to connect to 28 different vehicle manufacturers providing a direct extension of the phone right onto the head unit in the car.*

At this point I'm often asked who, how and when this will all happen.

My answer is simple. Right now no one company has all of the component parts to do this but the component parts all exist and so it will take partnerships and alliances across segments. We are beginning to see some of these form between OEMs and insurers, for example. One such example is the partnership between State Farm, the largest insurance company in the market, and General Motors, the largest OEM. They have entered into an agreement that sends certain driving data straight from the

vehicle via OnStar to State Farm, with consumer permission of course, to help State Farm assess the "User Based Insurance (UBI)" premium for that driver. GM/ OnStar has a similar relationship with Liberty Mutual, 21st Century and National General. In Europe, BMW and Allianz have a similar partnership and the new electric vehicles from BMW come with BMW-branded UBI.

These partnerships and alliances are important and something of a sea change. In the past OEMs and insurers were often at loggerheads with each other in the segment over parts usage and prices. That fades into insignificance when the economics of brand loyalty and customer retention for both organizations are taken into consideration.

### **New Entrants**

To pull all of this together is an enormous task that may be beyond the current core competencies of those currently serving the segment, however I believe we'll see new entrants into the market. The connected car space is awash with "telematics service providers" (TSPs) that have a head start in this specialized area of connectivity and data management.

And when you look at companies such as Microsoft, Apple and Google you will find they already play a significant role in the connected car space. Microsoft Sync and Apple CarPlay are examples of infotainment and consumer services, and, of course, then there's Google.

*I see this as the "beginning of the end of the old process" and "end of the beginning of a new one."*

Google has recently announced Android Auto, and has plans to connect to 28 different vehicle manufacturers providing a direct extension of the phone right onto the head unit in the car. Google, of course, has the autonomous and driverless car programs, and recently acquired 22 licenses for autonomous vehicles from the state of California. Google owns an online insurance aggregator in the UK and has recently added Alan Mulally, the former President and

CEO of Ford Motor Company, to their board of Directors. Do you see a trend here? Should any of these technical and data giants decide to get deeper into the auto business, they will quickly define the landscape. That landscape is likely to be data-driven: we think workflow, they think data flow; we think you can't do that, they ask why not?

Whoever wins out and whatever the eventual outcome, one thing I am certain of is that the future will be data-driven. As one senior insurance executive said to me recently, "We sure make it complex for our customers to file a claim and have their vehicles repaired.

Given all the data out there, we have to find a better way." I agree. Although the technology and the data exist to streamline the auto claims and repair process, we have followed the same process for over 20 years. It's time to move on and reinvent. I think we are getting there. I see this as the "beginning of the end of the old process" and "end of the beginning of a new one," where technology, data and customer convenience converge.

*Sean is President of SCG Management Consultants, an automotive, claims and collision repair consulting firm based in Chicago IL. SCG provides strategic and tactical advice to vehicle manufacturers, insurers, IT companies, private equity firms and supply chain organizations in the automotive ecosystem in the USA and Europe. He can be contacted by email at sean@careyscg.com or at 847-387-3104.*



# Length of Rental Climbs Modestly in Q3 2014

By Frank LaViola

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



U.S. results above last year and average for the last five years. Canada continues stable trend. The industry average length of rental (LOR), used as a proxy for cycle time, was 11 days for the United States in the third quarter of 2014. This represents an increase of 0.2 days over last year and an increase of 0.3 days from the past five year average. The Southeast and California Regions were the only

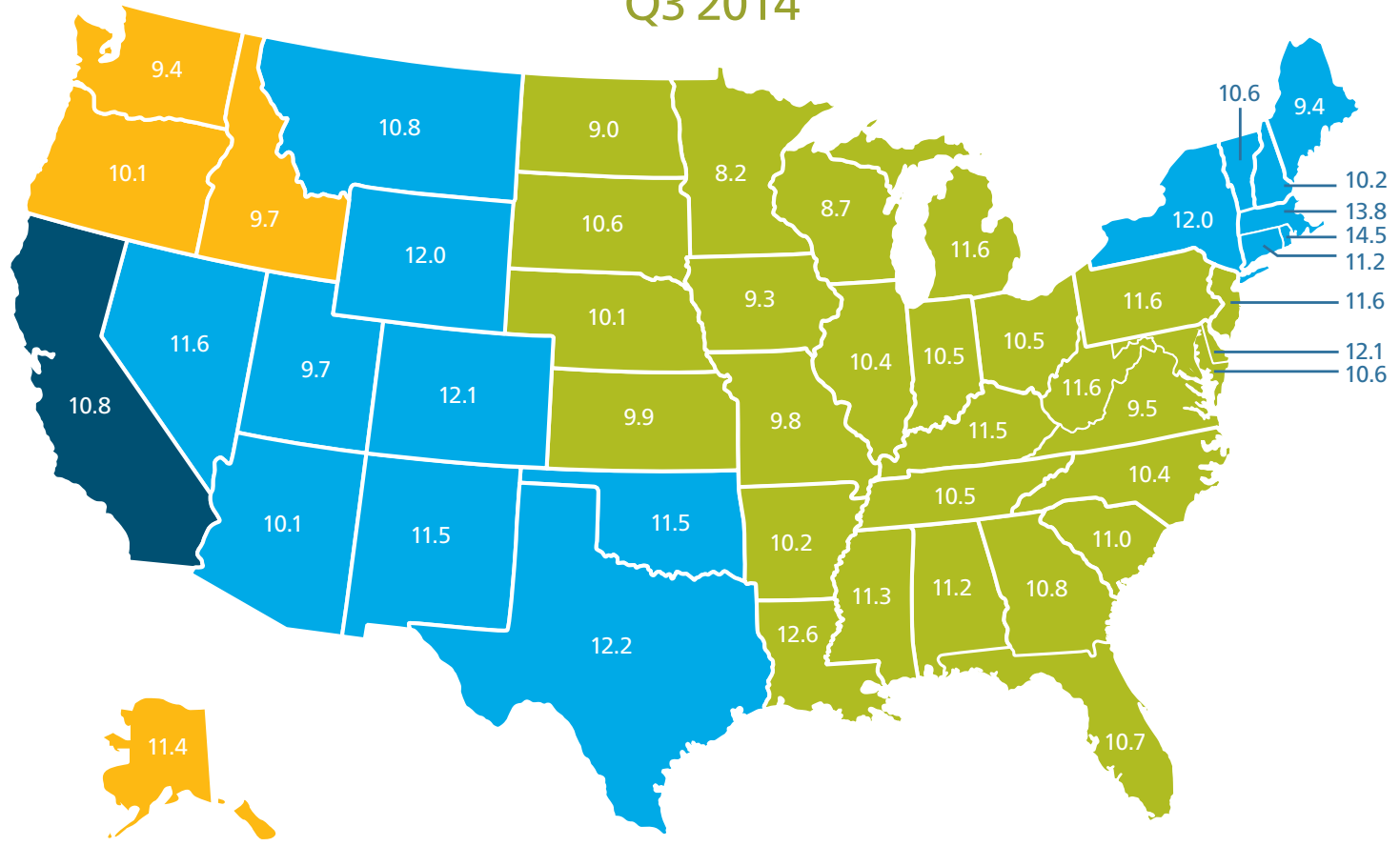
markets to drop in LOR compared to Q3 2013 as the trend of higher cycle times continues. Drivable vehicles had a LOR of 8.9 days compared to non-drivable at 17.5 days. Compared to 2010, data non-drivable repairs increased 1 day and drivable increased 0.7 days. It does not appear any one factor is contributing to this trend except we do see spikes when severe weather impacts a particular area.

California was slightly higher this quarter at 10.8 days overall. Southern California led the state with the highest LOR at 11.2 days with the Northern part of the state at a low of 10.0 days. California as a region is the only region to decline in drivable repairs LOR, down to 9.4 days compared to 9.6 in Q3 2013. This region also had the lowest non-drive LOR of all of the regions at 16.4 days.

The Mid-Atlantic States rose to an LOR of 10.7 days compared to 10.3 days in Q3 2013 and 10.2 days in Q3 2010. The 10.7 days was the longest LOR over the past 5 years. Delaware had the longest LOR at 12.1 days up 1.2 days from Q3 2013 and Virginia had the lowest LOR in the region at 9.5 days. Pennsylvania, New Jersey and West Virginia all had an LOR of 11.6 days and New Jersey was the only state to not increase LOR as it stayed flat compared to last Q3.



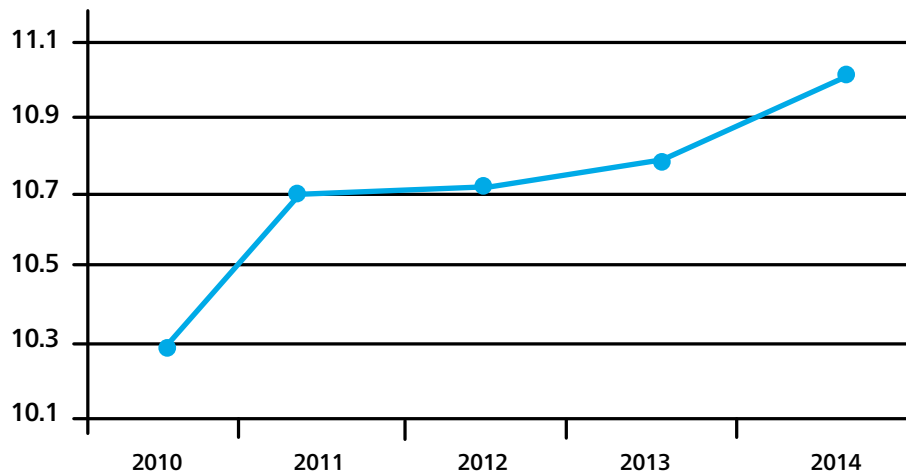
### U.S. Average Length of Rental by State Q3 2014



*California was slightly higher this quarter at 10.9 days overall. Southern California led the state with the highest LOR at 11.2 days with the Northern part of the state at a low of 10.0 days.*

Overall U.S. LOR	
11.0	
Region	LOR
California	10.8
Mid-Atlantic	10.7
Midwest	10.3
Mountain	11.4
Northeast	12.1
Northwest	9.6
Pacific	10.4
Southeast	10.9
Southwest	11.9

## LOR U.S. Q3



The Mid-West LOR rose to 10.3 days, up 0.4 from Q3 2013 and 0.9 compared to Q3 2010. Drivable LOR increased 0.5 days to 8.3 days while non-drive increased to 17.2 days, up 0.2. The states with the highest length of rental in the region at 11.6 days were Michigan and Kentucky at 11.5. South Dakota was third longest at 10.6 days, up a whopping 1.6 days from Q3 2013 and 2.5 days from Q3 2010. There were four states that had a lower LOR, with Minnesota being the best in the nation, at 8.2 days, down 0.2 from last year. Minnesota has the proclivity to have the lowest LOR in the nation more months than any other state. It also holds the distinction of having the lowest drivable LOR, along with Maine at 7.1 days, and the shortest non-drive LOR at 14.5 days. The other decliners were Kansas with 9.9 days,

Iowa with 9.3 days, and Wisconsin with 8.7 days.

The Mountain Region experienced the largest Q3 increase to 11.4 days, up 0.9 days from Q3 2013 and almost 2 days from Q3 2010. The LOR for drivable vehicles was 9.8 days, up 1.2 days from 2013 and 1.9 days from 2010. Wyoming's LOR equaled 2013 at 12 days and Utah was up slightly to 9.7 days. Colorado had the largest increase for the region possibly triggered by rain and flooding. The state was up 1.4 days from Q3 at 12.1.

The Northeast region recaptured the crown with the highest LOR in the U.S. at 12.1 days and matched Q3 2013's LOR. Rhode Island claimed the top spot in the nation at 14.5 days and holds the distinction of having the longest drivable LOR at 11.6

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## Average Length of Rental for Repairable Vehicles

days. Massachusetts took the second spot at 13.8 days and had a non-drive LOR of 20 days, only to be outdone by Alaska. It should be noted that Massachusetts did decline over Q3 2013 by 0.1 days only to be outdone by the decline of Connecticut of 0.4 days. Connecticut ended the quarter at 11.2 days. Maine was the only state in the region to be below 10 days coming in at 9.4 days and, as mentioned earlier, tied Minnesota for the lowest drivable LOR at 7.1 days.

The Southeast region's LOR dropped by 0.1 days landing at 10.9 days. Both drivable and non-drivable vehicle LOR remained the same at 8.8 and 17.1, respectively. Even though Arkansas increased 0.5 days from Q3 2013 they still managed to have the lowest LOR in

the region at 10.2 days. Louisiana, Mississippi and Georgia saw declines from 2013. Louisiana had the longest LOR at 12.6 days for the region but declined by 0.4 days. The other states with LOR at or above the national average were South Carolina with 11 days, Mississippi with 11.3 days and Alabama with 11.2 days.

The three states composing the Northwest Region had the lowest drivable vehicle LOR of 7.9 days but the overall LOR rose to 9.6 days, up 0.3 from Q3 2013 and 0.9 days from Q3 2010. Washington and Idaho were sub 10 days at 9.4 and 9.7 overall; Oregon was 10.1 days up 0.4 days from Q3 2013.

The Southwest had the longest drivable LOR at 9.9 days and an overall LOR of 11.9 days, up 0.2 days from Q3 2013. Texas had the highest LOR in the region at 12.2 days with the city of Houston coming in at 12.8 days. Texas increased 0.3 days from the 11.9 in Q3 2013. The state of Oklahoma decreased the most over Q3 2013, down 1.9 days to 11.5. New Mexico matched the 11.5 day LOR and Arizona was the lowest in the region at 10.1 days overall.

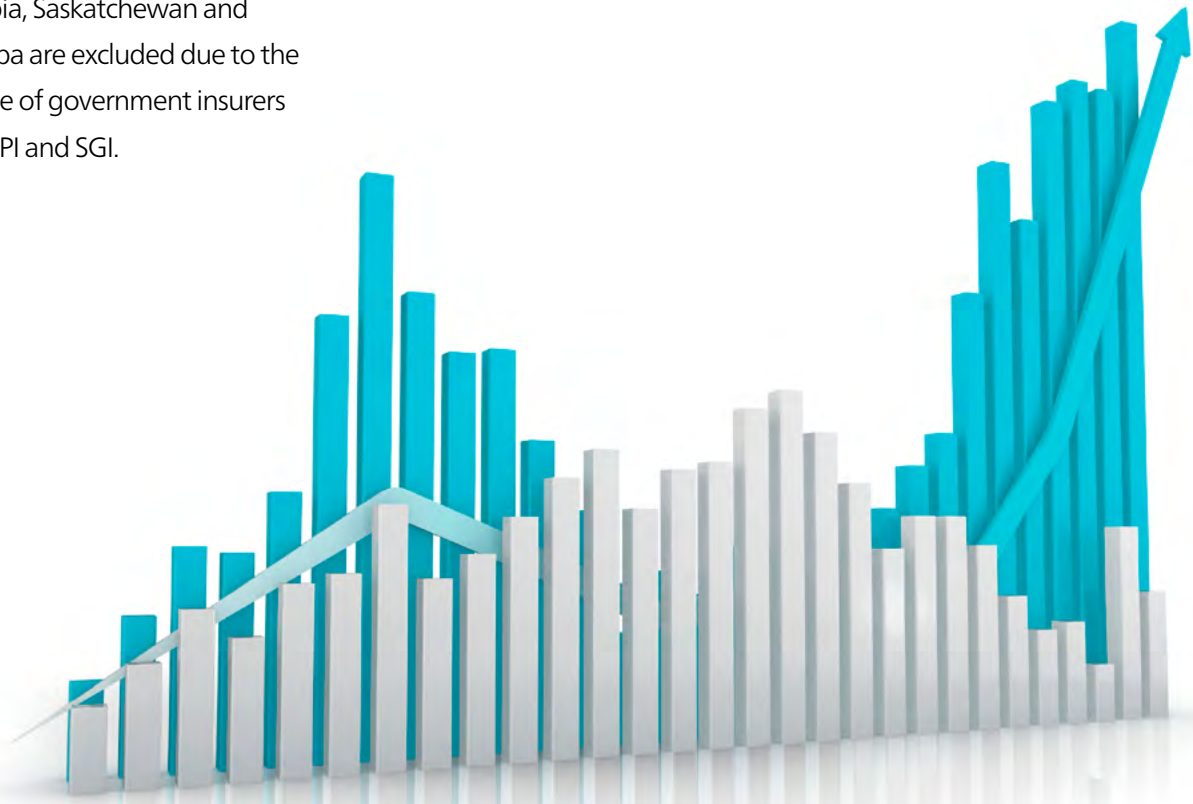
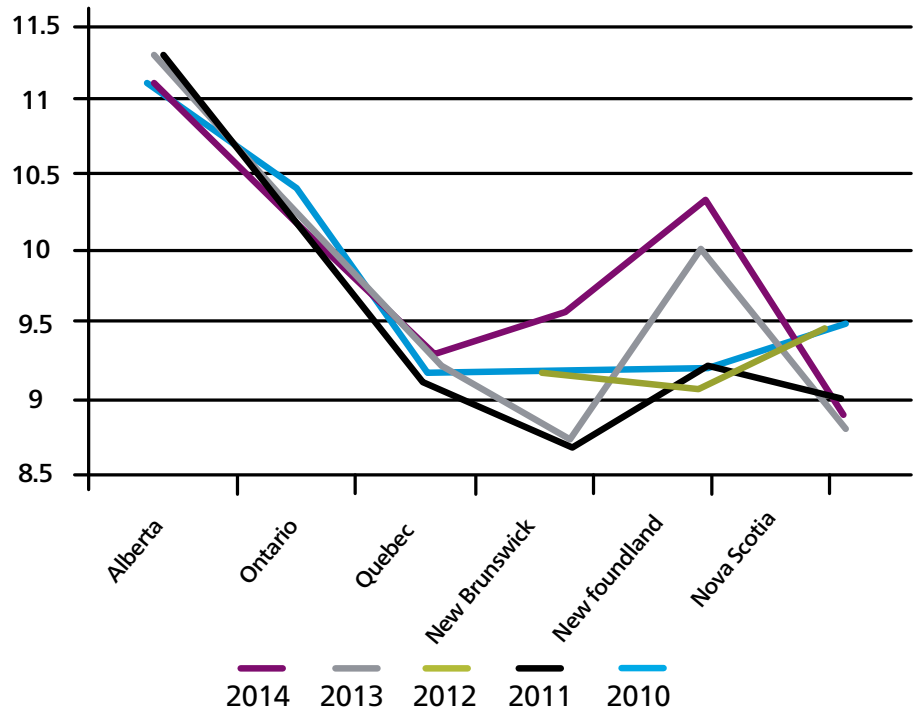
As mentioned earlier, Alaska had the distinction of having the highest non-drivable LOR at 20.1



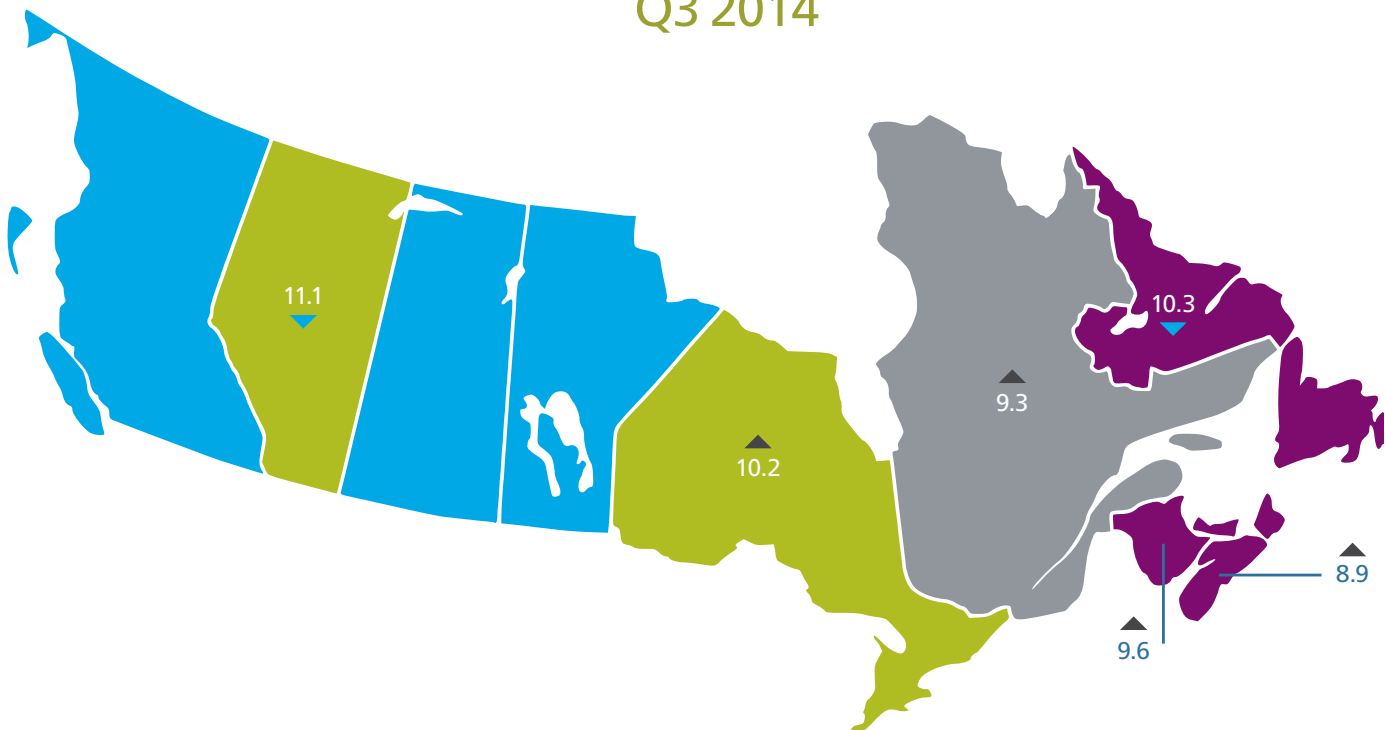
# Average Length of Rental for Repairable Vehicles

days. The state finished up 1.1 days over Q3 2014 at 11.4 overall. The Hawaiian Islands were also on the rise in LOR at 10.2 days, an increase of 0.6 days from Q3 2013.

Canada continued on a very stable trend in LOR coming in at 10.2 days. Alberta had the highest LOR among the provinces at 11.1 days but dropped 0.2 days from Q3 2013. The lowest LOR was Nova Scotia at 8.9 days overall, an increase of 0.1 days from 2013 Q3. Quebec's LOR was 9.3, matching Q3 2013 and New Brunswick was up 0.9 days to 9.6. Both Ontario and Newfoundland hashed out an LOR of 10.2 days and 10.3 days 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 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. 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 collision repair shop online reservations for their customers. 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	
10.2	
Region	LOR Days
Alberta	11.1
Ontario	10.2
Quebec	9.3
Newfoundland	10.3
New Brunswick	9.6
Nova Scotia	8.9



### Year over year change

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

# The Google Driverless Car

A car that steers and stops itself, comes when you call it and reminds you to take your stuff with you when you get where you're going? It isn't science fiction, it's the Google driverless car, a project inspired by a DARPA prize competition, and launched in 2008. In case you're not up to speed on this autonomous auto, here are some fast facts.



Zachary Shahan, "10 fun facts about Google's self-driving car," <http://www.treehugger.com/cars/10-interesting-facts-about-googles-self-driving-car.html>  
 "For Google's Self-Driving Cars, It's a Bumpy Ride," <http://www.online.wsj.com/articles/for-googles-self-driving-cars-its-a-bumpy-trip-1408921031>  
 "Google's self-driving car: How does it work and when can we drive one?" <http://www.theguardian.com/technology/2014/may/28/google-self-driving-car-how-does-it-work>

# Intellectual Property Rights Center Warns of Counterfeit Auto Parts

*From Collision Week*

*Publish Date: October 8, 2014*

The use of illegal counterfeit automotive parts is increasing in the United States, creating public safety concerns, according to experts at the National Intellectual Property Rights Coordination Center (NIPRCC), which is led by U.S. Immigration and Customs Enforcement's (ICE) Homeland Security Investigations (HSI).

Last week, CollisionWeek reported on a British Columbia man who sold counterfeit airbags sourced from China on eBay who was sentenced to six months in federal prison, three years' supervised release and was ordered to pay \$33,000 in restitution, following an investigation by ICE and HSI.

These counterfeit parts usually bear the trademark of a legitimate and trusted brand, but they were produced by another party and are not made to the specifications of the original equipment manufacturer. They're often produced illegally and sold at a profit to fund other criminal activities.

"Law enforcement has identified a trend of counterfeited parts that is growing at an alarming rate," said Bruce Foucart, acting director of the NIPRCC. "At best these parts will not perform as well as authentic parts. At worst, they can fail catastrophically with potentially fatal consequences."

Some of the most dangerous counterfeit products involve the explosive elements of air bags that can literally explode in the victim's face during an accident.

Some other counterfeit parts seized by law enforcement include: seat belts, oil and air filters, brake pads, brake rotors, control arms, windshields, bearings, steering linkages, ignition coils, microchips, spark plugs, wheels, solenoids, clutch housing, crankshafts, diagnostic equipment, suspension parts and oil pumps. If you suspect you have inadvertently purchased counterfeit parts, report it online to ICE via the HSI Tip Line, or call the Tip Line toll-free at (866) 347-2423. You can also submit an online complaint to the IPR center.



# Report Sees Short Term Gain for Aluminum, Long Term Gains for AHSS

From Collision Week

Publish Date: October 7, 2014



*We are enthusiastic about the findings, which confirm our extensive research showing automakers can meet their weight reduction goals with advanced high-strength steels.*

World Steel Dynamics' (WSD) report *AutoBody Warfare: Aluminum Attack*, based on its independent consultation with steel, aluminum and automotive experts, concludes that steel can deliver the weight savings required to meet federally mandated fuel economy targets for most vehicles. The report was formally presented to steel executives on Monday at the World Steel Dynamics' Annual Conference in Moscow.

"This timely analysis demonstrates the value of advanced high-strength steel designs in meeting the needs of automakers while exposing the cost penalties of switching to aluminum," said Lawrence W. Kavanagh, president of the Steel Market Development Institute (SMDI), a business unit of the American Iron and Steel Institute (AISI). "We are enthusiastic about the findings, which confirm our

extensive research showing automakers can meet their weight reduction goals with advanced high-strength steels. The report's conclusions, and forecast for steel, are good news for customers and consumers as they demonstrate that automakers can and will continue to depend on the performance of steel and the safety, fuel efficiency and sustainability it provides.



### Other key findings of the WSD study include:

- Advanced high-strength steels (AHSS) will offer more than sufficient lightweighting opportunities to automotive companies in the next decade, and from 2021–2025, automotive designers will

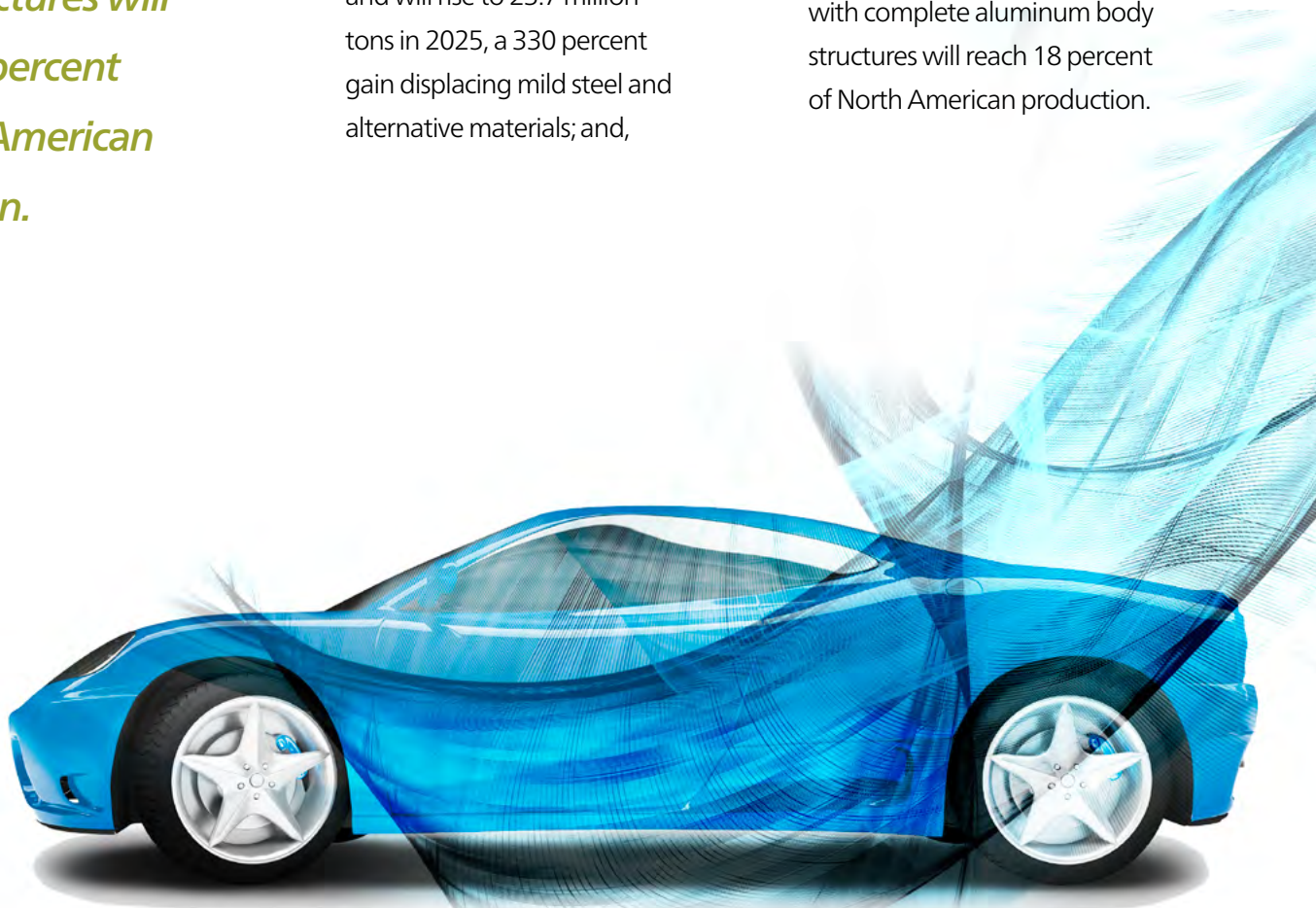
*It also forecast that the number of vehicles with complete aluminum body structures will reach 18 percent of North American production.*

be implementing an array of higher-strength steels;

- Once engineers decide to redesign steel-intensive vehicles from the ground up, they will implement sizable and relatively low-cost weight savings with advanced high-strength steels, enabling continued supply of steel closures;
- Advanced high-strength steels, even if priced substantially higher than other auto sheet are quite attractive given their weight savings relative to aluminum, and will rise to 23.7 million tons in 2025, a 330 percent gain displacing mild steel and alternative materials; and,

- Automakers will not widely adopt aluminum or other alternative materials during their next round of design, and the growth in aluminum sheet in cars, SUVs and light trucks will peak about 2018.

In June, a study conducted by Ducker Worldwide for the Aluminum Association's Aluminum Transportation Group (ATG), surveyed all major automakers and reports Ford, General Motors and Fiat Chrysler will become the biggest users of aluminum sheet in the next decade. It also forecast that the number of vehicles with complete aluminum body structures will reach 18 percent of North American production.



# Women's Industry Network Kicks Off Membership Drive

*From: Autobody Repair News*

*Publish Date: October 7, 2014*



*WIN membership is open to all women (and men) in every segment of the collision repair industry.*

The Women's Industry Network (WIN) is excited to announce the kick-off of their 2015 #ALLIN4WIN Membership Drive. Everyone who joins WIN before December 31st will be entered into our Grand Prize drawing for a Free 2015 WIN Education Conference Registration Fee (a \$450 value). In addition we are offering three separate mini-drawings for new members, renewing members, and referring members. Everyone who joins or renews their membership before December 31st will be eligible

to win a \$100 VISA gift card in at least one of the above categories.

WIN membership is open to all women (and men) in every segment of the collision repair industry. Membership is \$75 per calendar year and students are \$25 per calendar year. Anyone who joins during the membership drive will receive membership for the remainder of 2014 included with their 2015 membership. That's 15 months of membership for the price of 12.

"The WIN mission is to engage women in the collision repair industry through education, networking and sharing of resources. In order to fulfill our mission, we are committed to growing our network throughout the industry. Our 2015 #ALLIN4WIN Membership Drive is designed to spread the word to the thousands of women in our industry, and we hope each one will consider joining the WIN network and adding their perspective and talents to our

group,” stated Mary Kunz, chair of WIN’s membership committee.

**To Join Go To**

[www.regonline.com/WINmembership](http://www.regonline.com/WINmembership)

Random Drawing Parameters  
(One winner in each category):

- New Members—One entry for each New Member who joins before December 31st
- Renewing Members—One entry for each Current & Past Member who renews before December 31st
- Referrals—For all new, current and past members who refer a new member that joins before December 31st (One entry for each referral. The more you refer, the more chances to WIN!)
- Grand Prize Random Drawing—all entries from above categories will be combined into single drawing where one winner will receive a Free 2015 WIN Education Conference Registration Fee.\* (registration fee only, hotel and travel expenses are not included.)
- All details may be found on [www.womensindustrynetwork.com](http://www.womensindustrynetwork.com)

WIN is a not-for-profit organization dedicated to encouraging, developing and cultivating opportunities to attract women to collision repair while recognizing excellence, promoting leadership, and fostering a network among the women who are shaping the industry. For more information go to [www.womensindustrynetwork.com](http://www.womensindustrynetwork.com)



# PPG Waterborne Shop Conversions Exceed 10,000

*From ABRN Wire Reports*

*Publish Date: October 10, 2014*



*According to Jones, more than 10,000 collision centers in North America are now using PPG waterborne products, with more than 50 percent of these shops in National Rule markets.*

PPG has now converted more than 10,000 collision centers in the United States and Canada to its waterborne systems, with the majority of these conversions taking place in National Rule areas rather than in low-VOC compliant regions. The announcement was made by PPG waterborne segment manager Tim Jones.

According to Jones, more than 10,000 collision centers in North America are now using PPG waterborne products, with more than 50 percent of these shops in National Rule markets. This means most PPG customers choose to use waterborne products and systems even though they are not required to do so to meet low-VOC

regulations. They do so voluntarily because they want to improve their productivity.

“Waterborne is not just a compliance solution anymore,” said Jones. “More than 10,000 PPG customers in the U.S. and Canada see the value in superior color matching, excellent throughput and performance,

consistent color mixes and other key qualities that our waterborne products provide. PPG has a long-standing commitment to the collision repair industry to deliver high-quality and time-saving products. ENVIROBASE® High Performance and AQUABASE® Plus products are easier to blend and apply; our customers appreciate this and see a real difference in their shops' productivity."

Jones attributes the success of PPG's waterborne products to several factors including a highly effective and easy CONVERT WITH CONFIDENCE® transition process and the service and support customers receive from PPG and its best-in-class distributor partners. "Collision centers are converting to PPG's waterborne with great results," he said. "Shops are finding the actual conversion to waterborne is simple. They're also finding that we support them and view their productivity as a measure of our mutual success."

Envirobase High Performance and Aquabase Plus products are now in their third generation. PPG introduced its waterborne technology to the international OEM market in 1986 and brought the world's first commercialized refinish waterborne basecoat to market in 1992. Since then PPG has added new primers and clearcoats to the two brands and will, according to Jones, continue to expand the product lines' offerings.

For more information about PPG and Envirobase High Performance and Aquabase Plus waterborne products call (800) 647-6050 or visit [www.ppgrefinish.com](http://www.ppgrefinish.com).



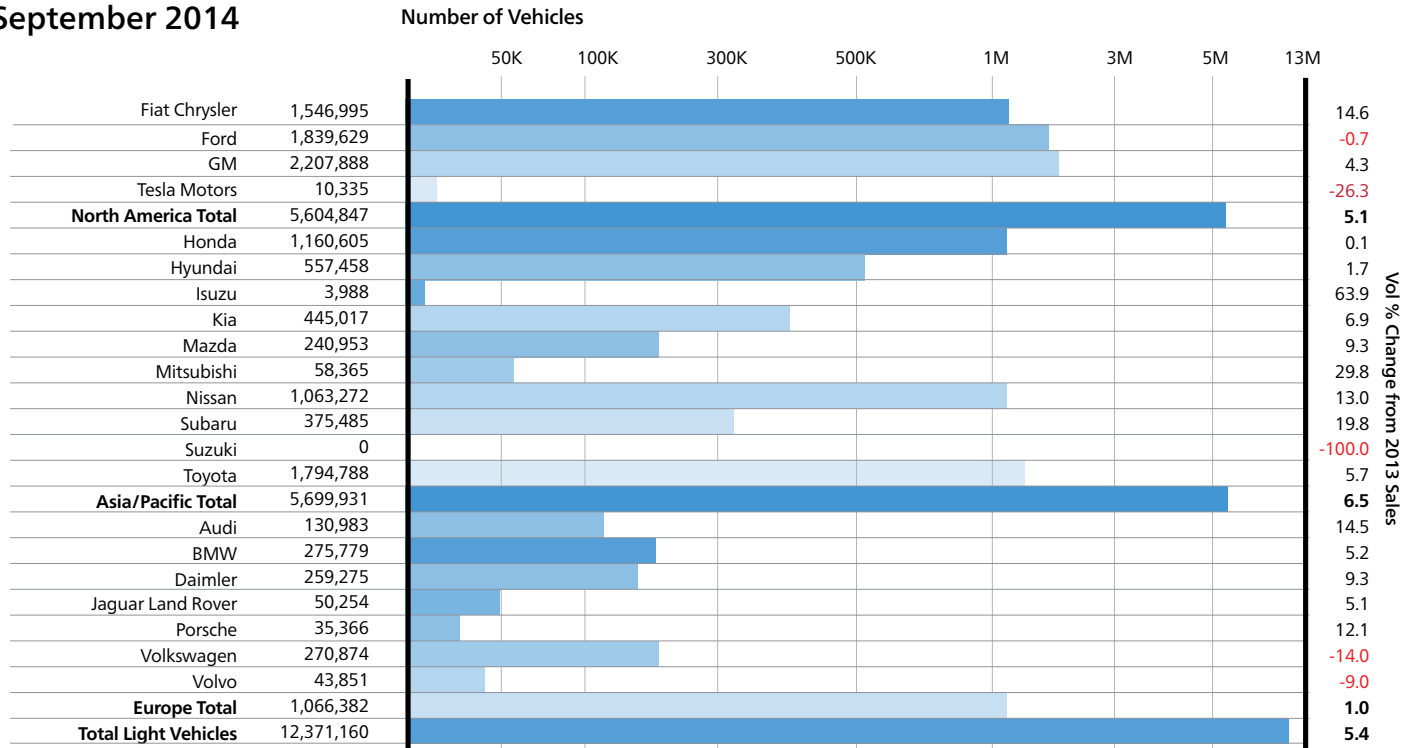
# New Vehicle Sales

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

Cars		Trucks/Vans/SUVs	
Camry	334,978	F-Series	518,951
Accord	304,382	Silverado	382,153
Corolla	258,805	Ram Pickup	310,804
Altima	256,935	CR-V	241,015
Civic	253,430	Escape	230,162
Fusion	240,585	RAV4	202,069
Cruze	208,114	Equinox	184,805
Elantra	176,403	Explorer	158,652
Focus	176,156	Rogue	154,568
Sonata	164,934	Sierra	147,289

Source: WardsAuto InfoBank

## WardsAuto U.S. Light Vehicle Sales by Company September 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

September 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.

The softening trend in wholesale prices continued in August, and for the first time since January, prices were down on a year-over-year basis, according to ADESA’s recent Kontos Commentary.

“This should come as no surprise, as this has been an outcome we have anticipated for quite some time based primarily on our predicted growth in off-lease volume,” according to Tom Kontos, executive vice president at ADESA Analytical Services.

“Retail used-vehicle sales, especially for certified pre-owned units, have actually been providing a demand-side extension to the strong sellers market that consignors have generally enjoyed since late 2009. But, with the focus on new vehicle sales in the current retail

## Wholesale Used Vehicle Price Trends

	Average Prices (\$/Unit)			Latest Month Versus	
	Aug-14	Jul-14	Aug-13	Prior Month	Prior Year
<b>Total All Vehicles</b>	<b>\$9,592</b>	<b>\$9,743</b>	<b>\$9,635</b>	<b>-1.6%</b>	<b>-0.4%</b>
<b>Total Cars</b>	<b>\$8,442</b>	<b>\$8,642</b>	<b>\$8,720</b>	<b>-2.3%</b>	<b>-3.2%</b>
Compact Car	\$6,749	\$6,708	\$6,922	0.6%	-2.5%
Midsized Car	\$7,833	\$7,864	\$7,976	-0.4%	-1.8%
Fullsize Car	\$5,784	\$6,854	\$6,879	-15.6%	-15.9%
Luxury Car	\$11,805	\$12,117	\$11,960	-2.6%	-1.3%
Sporty Car	\$12,312	\$12,578	\$12,758	-2.1%	-3.5%
<b>Total Trucks</b>	<b>\$10,272</b>	<b>\$10,318</b>	<b>\$9,624</b>	<b>-0.4%</b>	<b>6.7%</b>
Mini Van	\$6,128	\$6,375	\$6,127	-3.9%	0.0%
Fullsize Van	\$11,544	\$10,967	\$9,959	5.3%	15.9%
Mini SUV	\$12,422	\$12,143	\$11,323	2.3%	9.7%
Midsized SUV	\$7,415	\$7,376	\$7,024	0.5%	5.6%
Fullsize SUV	\$10,387	\$10,221	\$10,095	1.6%	2.9%
Luxury SUV	\$18,528	\$19,295	\$18,705	-4.0%	-0.9%
Compact Pickup	\$7,330	\$7,445	\$7,053	-1.5%	3.9%
Fullsize Pickup	\$12,874	\$12,966	\$11,992	-0.7%	7.4%
<b>Total Crossovers</b>	<b>\$11,954</b>	<b>\$12,154</b>	<b>\$12,752</b>	<b>-1.6%</b>	<b>-6.3%</b>
Compact CUV	\$10,671	\$10,924	\$11,486	-2.3%	-7.1%
Mid/Fullsize CUV	\$13,202	\$13,409	\$14,063	-1.5%	-6.1%

Source: ADESA Analytical Services. May data revised

automotive market, those used vehicle sales have had a temporary lull (although not for CPO units).”

Given an improving economy and employment growth, retail used-vehicle sales should resume full bore in coming months, especially considering the high trade-in volume the strong new-vehicle sales are generating, Kontos noted. Nevertheless, used-vehicle prices should continue to trend down as supply outpaces demand.

According to ADESA Analytical Services’ monthly analysis of “Wholesale Used Vehicle Prices by Vehicle Model Class 1,” wholesale used-vehicle prices in August averaged \$9,592 -- down 1.6 percent compared to July, and down 0.4 percent relative

to August 2013. Prices for compact cars; full-size vans; and mini, mid-size, and large SUVs were up on a month-over-month basis, while all other segments were down.

Prices for used vehicles remarketed by manufacturers were down 1 percent month-over-month and down 4.3 percent year-over-year, indicating weaker demand for high off-rental program vehicle inventories. Prices for fleet/lease consignors were down 2.4 percent sequentially and down 1.5 percent annually. Prices for off-rental “risk” units within this segment were again down significantly. Dealer consignors saw a 2.2 percent average price decrease versus July, and were also down 2.2 percent relative to August 2013.

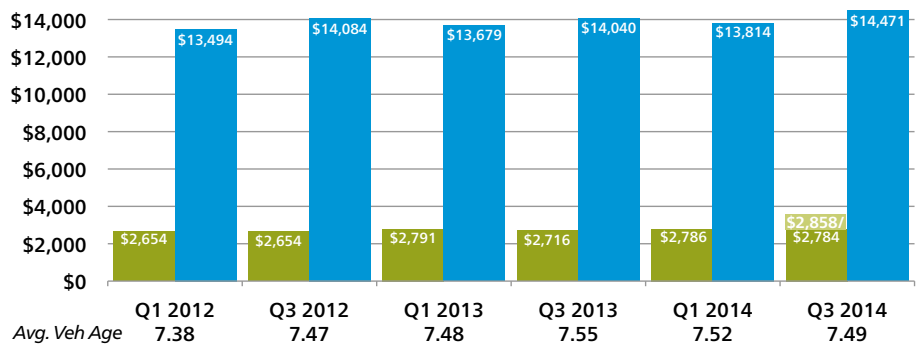
<sup>1</sup>The analysis is based on over six million annual sales transactions from over 150 of the largest U.S. wholesale auto auctions, including those of ADESA as well as other auction companies. ADESA Analytical Services segregated these transactions to study trends by vehicle model class. The views 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 initial average appraisal value, calculated by combining data from all first- and third-party repairable vehicle appraisals uploaded through Mitchell systems in Q3 2014 was 2,784, \$68 higher than the previous year's Q3 2013 appraisal average of \$2,716.

Applying the prescribed development factor of 2.17% to these data produces an anticipated average appraisal value of \$2,858. 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 Ultramate.

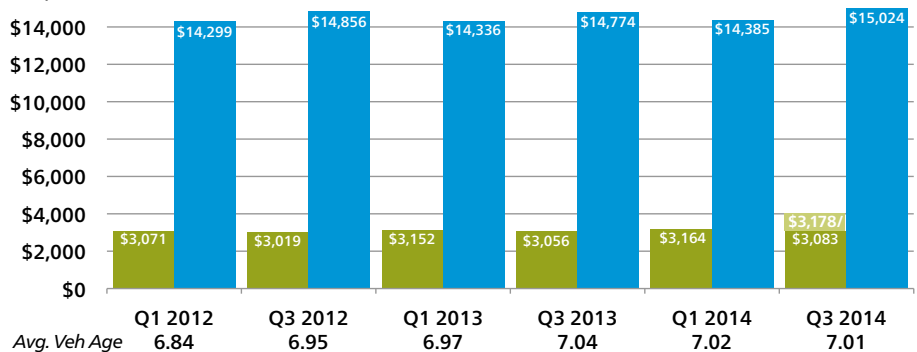
■ Appraisals ■ ACV's

## Collision Losses

Mitchell's Q3 2014 data reflect an initial average gross Collision appraisal value of \$3,083, \$27 more 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 \$3,178, 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 2014 was \$15,024, significantly higher than Q3 2013, and higher than any other quarter surveyed.

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



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

■ Appraisals ■ ACV's



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

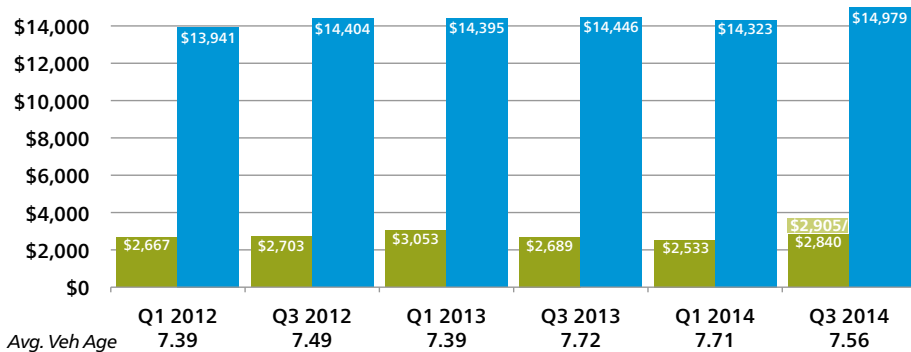
[www.mitchell.com](http://www.mitchell.com)



## Comprehensive Losses

In Q3 2014, the average initial gross appraisal value for comprehensive coverage estimates processed through our servers was \$2,840 compared to \$2,689 in Q3 2013. Applying the prescribed development factor of 2.6% for this data set produces only an increase in the adjusted value to \$2,905.

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



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

## Third-Party Property Damage

In Q3 2014, our initial average gross Third-party Property Damage appraisal was \$2,527 compared to \$2,445 in Q3 2013, reflecting an \$82 initial increase between these respective periods. Adding the prescribed development factor of .48% for this coverage type yields a Q3 2014 adjusted appraisal value of \$2,539, a \$94 increase in average severity over Q3 2013.

### 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 Q3 2014, 30.84% 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 49.22%, reflecting a 2.29 pt. increase from that same period in 2013. The average combined supplement variance for this quarter was \$729.09, \$4.06 higher than in Q3 2013.

#### Average Supplement Frequency and Severity

Date	Q1/12	Q3/12	Q1/13	Q3/13	Q1/14	Q3/14	Pt. Change	% Change
<b>% Est. Supplement</b>	34.04	31.72	33.75	33.03	36.12	30.84	-2.19	-7%
<b>% Supplement</b>	51.43	45.51	49.34	46.93	52.03	49.22	2.29	5%
<b>Avg. Combined Supp. Variance</b>	695.7	712.8	731.93	725.03	731.01	729.09	4.06	1%
<b>% Supplement \$</b>	26.21	26.86	26.22	26.7	26.23	26.19	-0.51	-2%

## 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 percentage that is double the increase in labor.

#### % Average Appraisal Dollars by Type

Date	Q1/12	Q3/12	Q1/13	Q3/13	Q1/14	Q3/14	Pt. Change	% Change
<b>% Average Part \$</b>	43.43	41.53	43.82	42.53	45.31	42.39	-0.14	0%
<b>% Average Labor \$</b>	45.13	47.1	44.94	46.04	43.15	46.28	0.24	1%
<b>% Paint Material \$</b>	10.53	10.68	10.4	10.72	10.49	10.73	0.01	0%

## 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 Original Equipment Manufacturer'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 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.

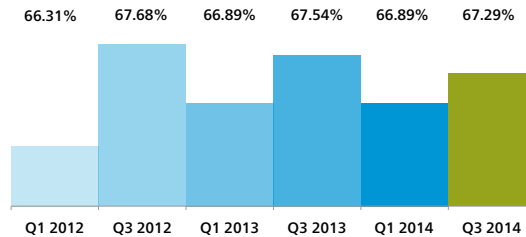
As a general observation, recent data show that parts make up 45% of the average value per repairable vehicle appraisal, about .6 more than the average allocation of labor dollars. In addition, the current trend reflects a continued decrease in the use of new OEM parts, likely as a result of the increases in collision parts taken by the manufacturers to offset increased delivery and storage expenses by part-type.



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

In Q3 2014, OEM parts represented 67.29% of all parts dollars specified by Mitchell-equipped estimators. These data reflect a .25 relative decrease from Q3 2014.

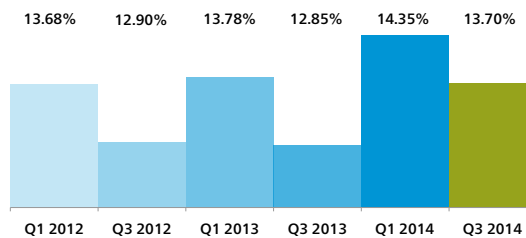
Parts-New



### Aftermarket Parts Use in Dollars

In Q3 2014, 13.7% of all parts dollars recorded on Mitchell appraisals were attributed to Aftermarket sources, up .85 from Q3 2013.

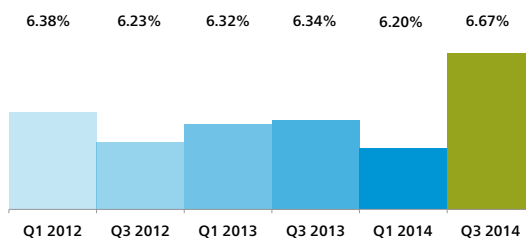
Parts-Aftermarket



### Remanufactured Parts Use in Dollars

Currently listed as "Non-New" parts in our estimating platform and reporting products, Remanufactured parts currently represent 6.67% of the average gross parts dollars used in Mitchell appraisals during Q3 2014. This reflects a .33 increase over this same period in 2013.

Parts-Remanufactured



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:

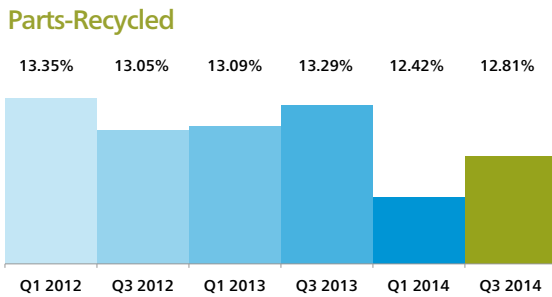
Mitchell MAPP™

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).

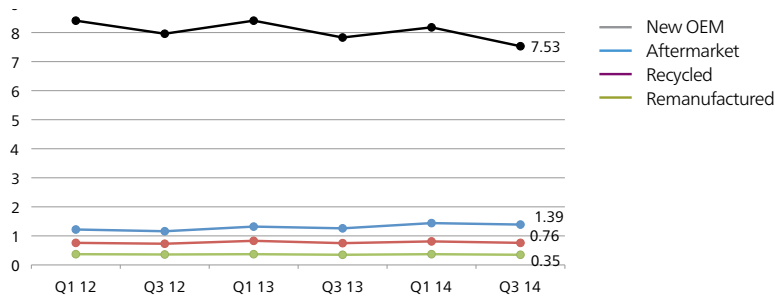
### Recycled Parts Use in Dollars

Recycled parts constituted 12.81% of the average parts dollars used per appraisal during Q3 2014, reflecting a decrease of .48 from Q3 2013.



### The Number of Parts by Part Type

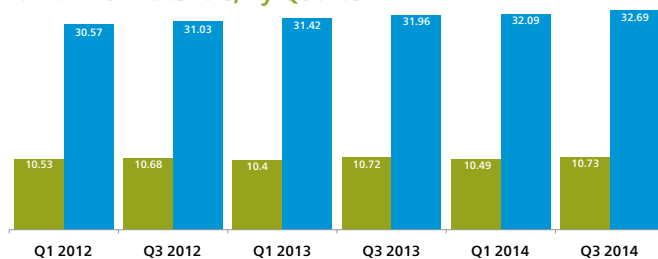
In order to capture another aspect of parts use, we calculate the number of parts used by part type on a repairable estimate. New for this issue is a revision of the calculation that will exclude use estimates where no parts were replaced. For Q3 2014, new OEM shows a decrease of .30 from the same quarter in 2013.



### Paint and Materials

During Q3 2014, Paint and Materials made up 10.73% of our average appraisal value, representing .01 relative increase from Q3 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 \$32.69 per refinish hour in this period, compared to \$31.96 in Q3 2013.

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 Q3 2014 the percentage of adjustments made to estimates decreased by 9%. The frequency of betterment taken decreased by 11%, while the average dollar amount of the betterment taken increased by 4% to \$130.49. Appearance allowance frequency decreased by 2% but the dollar amount of that appearance allowance decreased to \$207.88.

### Adjustment \$ and %s

Date	Q1/12	Q3/12	Q1/13	Q3/13	Q1/14	Q3/14	Pt/\$ Change	% Change
% Adjustments Est	3.47	3.24	3.19	3.14	2.88	2.86	-0.28	-9%
% Betterment Est	2.77	2.59	2.58	2.55	2.36	2.27	-0.28	-11%
% Appear Allow Est	0.54	0.49	0.47	0.44	0.42	0.43	-0.01	-2%
% Prior Damage Est	2.88	2.77	2.82	2.89	2.83	2.97	0.08	3%
Avg. Betterment \$	124.12	133.38	118.78	125.69	113.8	130.49	4.8	4%
Avg. Appear Allow \$	184.14	210.58	201.39	214.65	209.24	207.88	-6.77	-3%

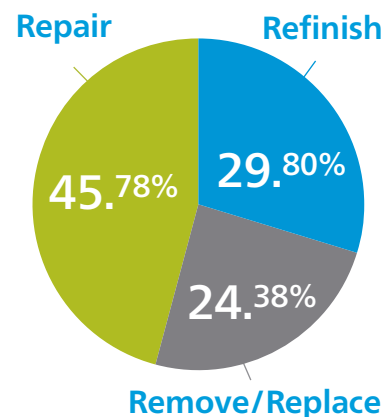
## Labor Analysis

For 2014 year-to-date, average body labor rates have risen in all surveyed states compared to 2013, except for New Jersey.

### Average Body Labor Rates and Change by State

	2013	2014 YTD	\$ Change	% Change
Arizona	48.95	49.91	\$0.96	2%
California	52.81	54.61	\$1.80	3%
Florida	41.64	42.75	\$1.11	3%
Hawaii	47.03	48.64	\$1.61	3%
Illinois	50.18	50.88	\$0.70	1%
Michigan	43.61	44.59	\$0.98	2%
New Jersey	46.48	46.48	-	0%
New York	47.13	48.39	\$1.26	3%
Ohio	44.61	45.49	\$0.88	2%
Rhode Island	44.98	45.67	\$0.69	2%
Texas	44.01	44.94	\$0.93	2%

### Percent of average labor hours by type



# Total Loss

The charts below illustrate 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	Q1/12	Q3/12	Q1/13	Q3/13	Q1/14	Q3/14
	Average Vehicle Age					
Convertible	11.48	11.81	11.87	12.1	11.98	12.47
Coupe	11.48	11.77	11.69	11.97	11.9	11.98
Hatchback	9.38	9.39	9.1	8.94	8.68	8.52
Sedan	10.29	10.48	10.38	10.5	10.43	10.38
Wagon	9.08	9.36	9.22	9.56	9.62	9.75
Other Passenger	11.18	12.44	11.84	12.16	12.18	13
Pickup	11.35	11.76	11.67	12.08	12.03	12.33
Van	10.84	11.02	10.92	11.23	11.16	11.15
SUV	9.86	9.93	10.08	10.14	10.28	10.18

## Average Vehicle Total Loss Actual Cash Value

Vehicles	Q1/12	Q3/12	Q1/13	Q3/13	Q1/14	Q3/14
	Average Actual Cash Value					
Convertible	9,898.16	10,556.86	9,964.32	10,344.04	9,629.85	10,314.98
Coupe	6,864.95	7,487.63	7,166.23	7,464.44	7,146.85	7,469.53
Hatchback	7,702.08	8,164.15	7,896.14	8,245.58	7,963.22	8,504.33
Sedan	7,011.66	7,420.40	7,196.75	7,458.62	7,209.75	7,696.57
Wagon	7,706.66	7,939.34	7,501.33	7,398.32	6,957.75	7,020.41
Other Passenger	16,404.14	12,727.33	15,129.36	13,865.46	16,668.16	13,337.36
Pickup	9,700.06	9,737.34	9,689.49	9,845.34	10,100.91	10,398.79
Van	5,749.80	5,966.13	5,784.92	5,871.66	5,676.58	6,125.24
SUV	9,196.07	9,646.47	9,049.87	9,404.28	8,843.63	9,477.28



### MITCHELL SOLUTION:

## Mitchell WorkCenter™ Total Loss

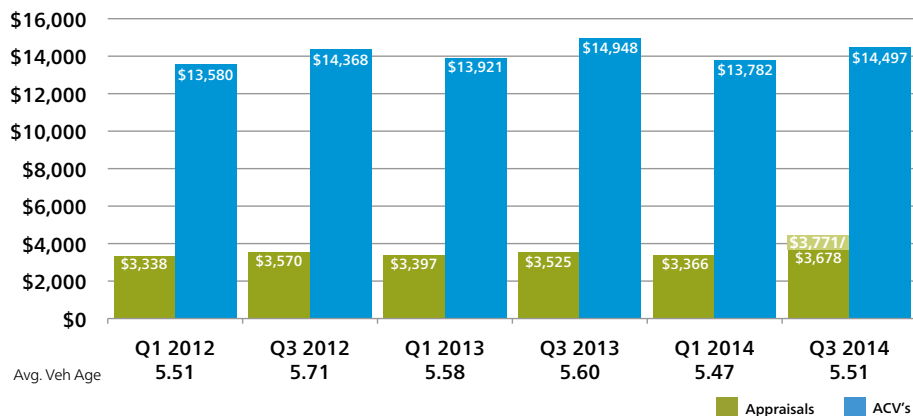
Mitchell WorkCenter™ Total Loss gives your claims organization a statistically driven, fully automated, web-based total loss valuation system that generates fair, market-driven values for loss vehicles. It combines J.D. Power and Associates' data analysis and pricing techniques with Mitchell's recognized 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).

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

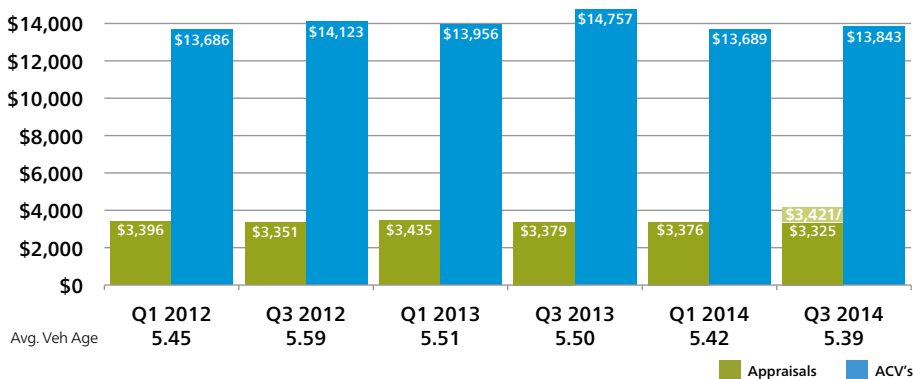
### Average Appraisal Values Severity Overall

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 2014 was \$3,678, a \$153 increase from Q3 2013. Applying the prescribed development factor yields an increase to \$3,771, an increase of \$246 over Q3 2013.



### Collision Losses

The average initial gross collision appraisal value uploaded through Mitchell Canadian systems in Q3 2014 was \$3,325, a \$54 decrease from Q3 2013. However, applying the prescribed development factor yields an anticipated final average appraisal value of \$3,421, a \$42 increase from Q3 2013.



## Canadian Average Appraisal Make-Up

This chart compares the average appraisal make up as a percentage of dollars. These data points reflect an increase in the percentage of labour dollars and a decrease in parts and paint dollars.

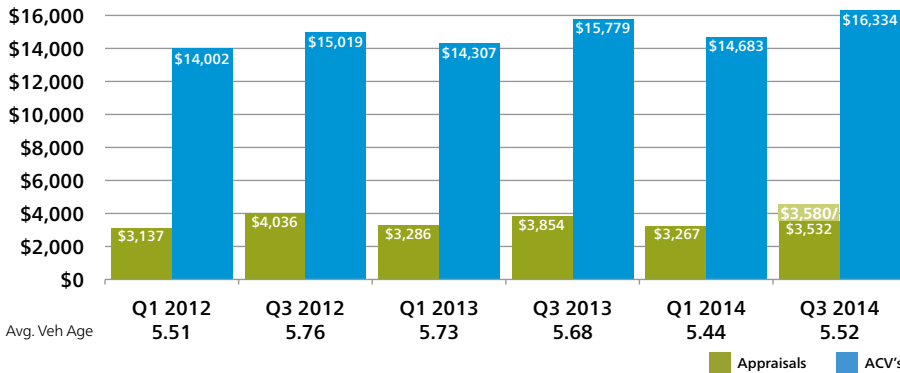
Date	Q1/12	Q3/12	Q1/13	Q3/13	Q1/14	Q3/14	Pt/\$ Change	% Change
% Average Part \$	43.46	34.64	43.91	38.27	44.76	37.63	-0.64	-2%
% Average Labour \$	44.93	54.57	44.71	50.82	43.55	51.24	0.42	1%
% Paint Material \$	8.64	8.33	8.55	8.44	8.62	8.36	-0.08	-1%





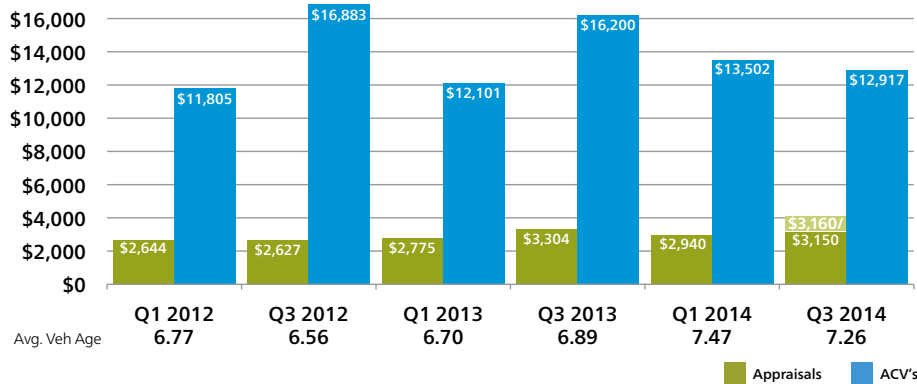
## Comprehensive Losses

In Q3 2014 the average initial gross Canadian appraisal value for comprehensive coverage estimates processed through our servers was \$3,532, or \$322 lower than in Q3 2013. Applying the prescribed development factor, the anticipated final average appraisal value will be \$3,580.



## Third-Party Property Damage

In Q3 2014, our Canadian industry initial average gross third party property damage appraisal was \$3,150, a decrease of \$154 from Q3 2013 on vehicles that were older. Applying the prescribed development factor, we end up with a final value of \$3,160.



## Canadian Supplements

In Q3 2014, 38.41% 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 62.9%, reflecting an increase from the third quarter 2013. The average combined supplement variance for this quarter was \$824.60, a whopping \$270.01 higher than in Q3 2013.

Date	Q1/12	Q3/12	Q1/13	Q3/13	Q1/14	Q3/14	Pt/\$ Change	% Change
% Est Supplements	51.26	43.32	50.17	45.05	52.02	38.41	-6.64	-15%
% Supplements	83.62	54.64	77.92	63.26	75.35	62.9	-0.36	-1%
Avg Combined Supp Variance	551.84	569.74	593.99	554.59	600.17	824.6	270.01	49%
% Supplement \$	16.53	15.96	17.48	15.73	17.83	22.42	6.69	43%

## 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 Adjustments

In Q3 2014, the average frequency betterment was taken on estimates decreased by 9%, and the dollar amount of that betterment increased by 16%. Appearance allowances decreased significantly by 10%, and the dollar amount of those allowances decreased by \$12.44.

Date	Q1/12	Q3/12	Q1/13	Q3/13	Q1/14	Q3/14	Pt/\$ Change	% Change
% Adjustments Est	2.68	2.88	2.23	2.46	1.52	2.23	-0.23	-9%
% Betterment Est	2.37	2.49	2.02	2.16	1.35	1.95	-0.21	-10%
% Appear Allow Est	0.32	0.41	0.22	0.31	0.18	0.28	-0.03	-10%
% Prior Damage Est	0.05	0.03	0.02	0.02	0.05	0.07	0.05	250%
Avg. Betterment \$	194.25	239.11	227.38	242.35	226.12	279.94	37.59	16%
Avg. Appear Allow \$	213.14	279.29	232.07	248.21	237.88	235.77	-12.44	-5%

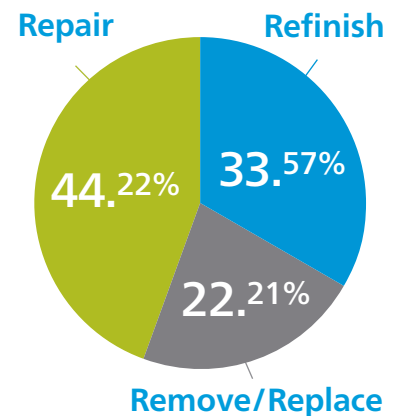
## Canadian Labour Analysis

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

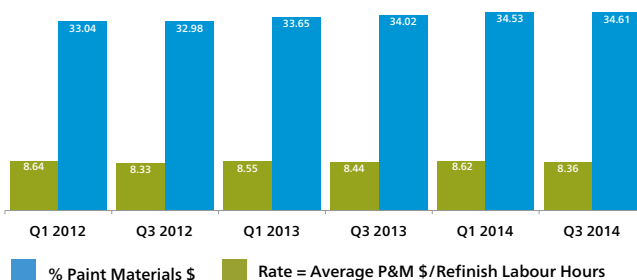
	2013	YTD 2014	\$ Change	% Change
Alberta	72.41	74.17	\$1.76	2%
British Columbia	69.45	71.36	\$1.91	3%
Newfoundland & Labrador	61.12	61.62	\$0.50	1%
Nova Scotia	58.1	58.86	\$0.76	1%
Ontario	55.31	56.38	\$1.07	2%
Saskatchewan	71.67	77.82	\$6.15	9%
Yukon Territory	89.45	93.93	\$4.48	5%

### Labour Operations



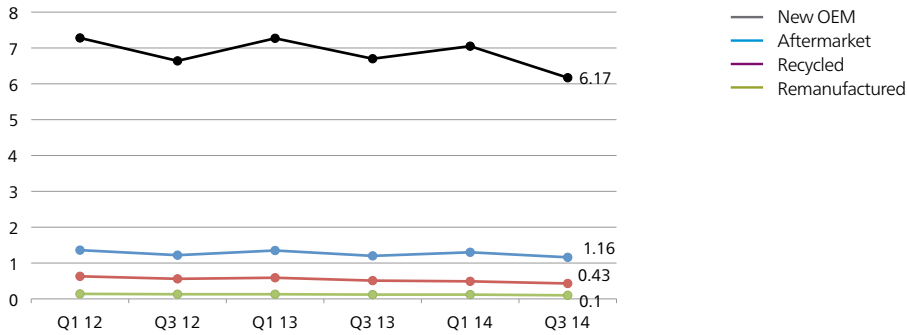
## Canadian Paint and Materials

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 \$34.61 dollars per hour.



## Canadian Number of Parts by Part Type

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



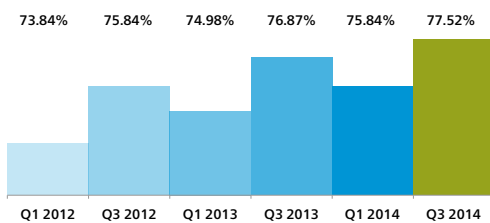
## Canadian Parts Utilization

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 2014; Canadian OEM parts use increased by .65 compared to Q3 2013.

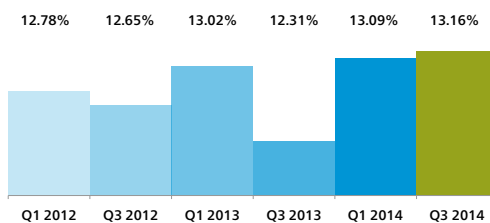
#### Parts-New



### Aftermarket Parts Use in Dollars

Aftermarket parts use in Canada increased slightly in the third quarter of 2013.

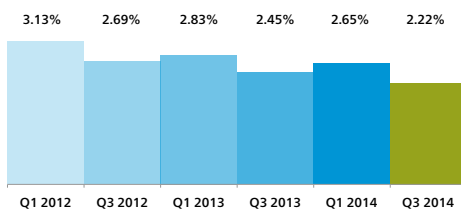
#### Parts-Aftermarket



### Remanufactured Parts Use in Dollars

Remanufactured parts use in Canada was 2.22% for Q3 2014 compared to 2.45% in Q3 2013; the lowest first quarter showing in quite a while.

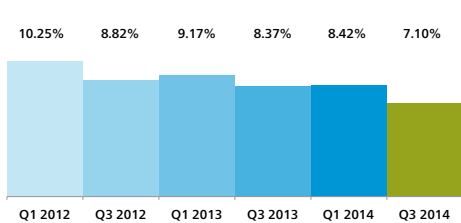
#### Parts-Non-New



### Recycled Parts Use in Dollars

Recycled parts use in Canada has decreased 1.27 points since the same period last year.

#### Parts-Recycled



# Impact of Claim Severity on Claimant Expectations and Claims Handling

By Blaine Bogus, Analyst, Insurance Practice, MVV, J.D. Power

By Valerie Monet, Director, Insurance Practice, J.D. Power



*It is important to note that satisfaction is typically lower among claimants when a claim professional is involved in the process.*

Each year, approximately 17% of Canadian auto physical damage claims result in a vehicle being deemed a total loss. Total loss claims can be far more emotional and disruptive to the lives of claimants, as they are suddenly confronted with having to quickly replace their vehicle, and in some cases the claimant may find their outstanding credit on the wrecked car exceeds the fair market

share value—such “upside-down” customers not only have to go shopping, they also still owe against their old car loan or lease. Insurers are challenged on several fronts as they handle total loss situations: they must provide a satisfactory level of service, maintain proper scrutiny over their business, and manage claimant expectations that often include an inflated perception of the value of their vehicle.

The processes and touch points in handling total loss claims are fundamentally different than those in handling repairable claims. By implementing specific drivers of satisfaction and service practices that take into account a unique set of claimant expectations, insurers can still strive to deliver an exceptional total loss experience.

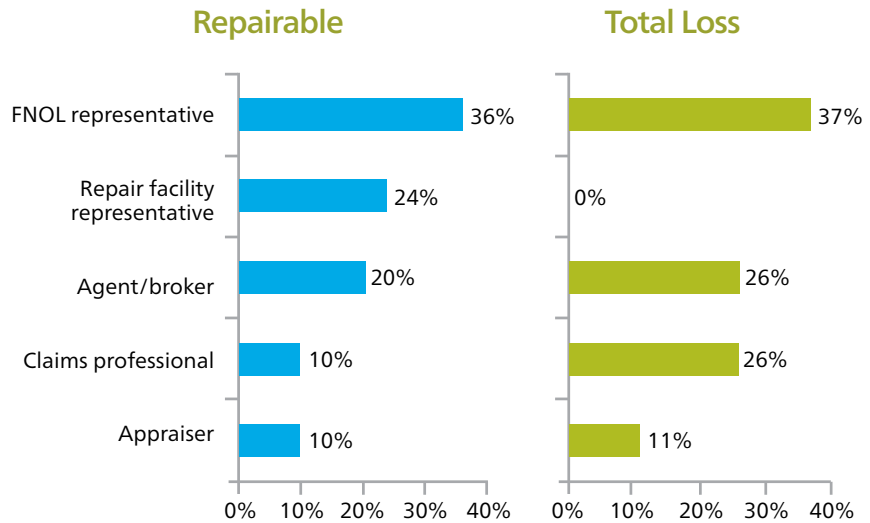
### Insurance Representatives and Pathways to Claims Handling

One of the major differences J.D. Power observes in analyzing customer data regarding the claims process is how different the claimant experience is for total loss claims, compared with repairable claims. Insurers take different approaches in handling total loss claims during the various touch points and hand-offs throughout the entire process.

As expected, the role of a repair facility is greatly reduced in total loss claims, with claim professionals and appraisers assuming the lion's share of interactions with claimants. The number of interactions with both appraisers and claim professionals increases nearly threefold, ranging from 9% for repairable claims to 26% for total loss claims. This claims handling model shifts the focus of claimant interactions onto the insurance company staff.

Irrespective of whether the vehicle is deemed repairable or not, all claims start with the FNOL interaction. Study findings reveal that both repairable and total loss claims have a similar level of appraisers acting as the primary contact point. In a total loss claim, 26% of claimants say their primary point of contact is a claim professional, which is an insurer representative outside of the FNOL,

Figure 1: Primary Interaction by Claim Type



Appraisal, and Repair Process that interacted with the claimant. Claim professionals are commonly referred to as adjusters within many organizations. Because of the higher prevalence of claim professionals acting as the primary handler in total loss claims, these individuals tend to have more direct impact on the customer's overall impression of their insurer.

It is important to note that satisfaction is typically lower among claimants when a claim professional is involved in the process. Evaluating both repairable and total loss claims, claim professionals are involved 26% of the time. Claimant satisfaction when no claim professional is involved is 817, compared with 751 when a claim professional interacts with the customer—a drop of 66 points. When examining only total loss claims, the incidence of involving an additional

claim professional is 44% vs. 25% of repairable claims.

For nearly one-fourth of repairable claims, the repair facility assumes primary responsibility for handling the claim from the claimant's perspective. As a result, many of the updates on repairs are communicated directly by the shop, which reduces the need for periodic communications directly from the insurance company. However, in a total loss claim, this role most frequently shifts to the claim professional, and claimants typically communicate only with their insurer. While this allows much more control over the claims handling and communication with claimants, it may also increase the likelihood that claimants will hold their insurer responsible when their repair needs are not fully addressed.

### Factors Influencing Total Loss Claim Satisfaction

There are six factors that comprise the auto claims experience: FNOL; Service Interaction; Appraisal; Repair Process; Rental Experience; and Settlement. The importance weight of each of these factors is impacted by the severity of the claim.

The more prominent role claim professionals and appraisers play in the total loss process is apparent when examining the drivers of satisfaction that contribute to overall satisfaction. Figure 2 shows the overall satisfaction index model, displaying the relative importance of each factor in driving overall satisfaction for both repairable and total loss claims.

The primary difference between the total loss and repairable models is that the 13% importance weight of the Repair Process is redistributed to Appraisal (+8 points) and Service Interaction (+4). The importance of FNOL remains relatively similar across both types of claims.

Regardless of whether a claim is total loss or repairable, the Settlement factor is vital to overall satisfaction with insurers, driving a majority of overall satisfaction.

The variations in the index model reflect the differences in the way total loss claims are typically handled and the individuals involved in the claims process, compared with repairable claims.

Overall satisfaction tends to be lower among total loss claimants than among repairable claimants (744 vs. 809, respectively). Figure 3 shows the differences in satisfaction between total loss and repairable claims.

The most significant difference is in the Settlement factor, which accounts for the highest percentage in the overall CSI model. Satisfaction is 87 points lower among total loss claimants than among repairable claimants. The gaps in score in the other factors for total loss are also significant, ranging from 46 points to 75 points lower than those for repairable claims. The exception is Rental Experience, in which scores are relatively consistent across both claim types, with a gap of only 3 points.



Figure 2: Overall CSI Index Model: Drivers of Satisfaction for Repairable vs. Total Loss Claims

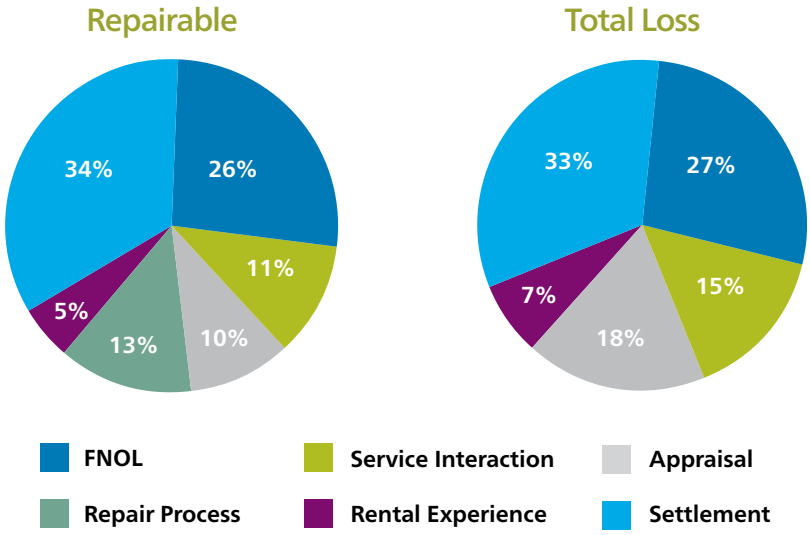
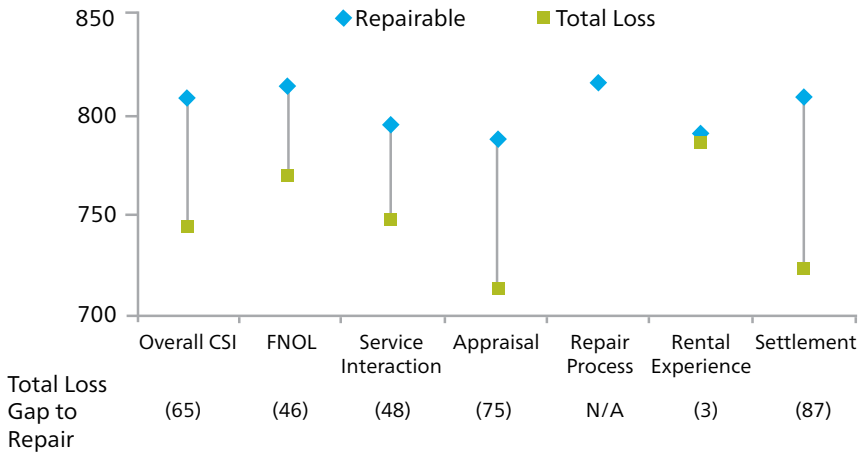


Figure 3: Gaps in Satisfaction for Repairable vs. Total Loss Claims



# Industry Trends Live

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



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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).



# Mitchell in the News

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### Mitchell International Improves Workers' Comp Bill Review with Latest Product

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Mitchell adds Digital Marketing management solution to RepairCenter, enabling shops to target new and current customers through improved social integration and communication. [Read More](#)

## The San Diego Union-Tribune.

### Mitchell teams with EvoNexus to fund startups

Mitchell joins Qualcomm and Cisco to fund local startups through EvoNexus incubator program. [Read More](#)

## SYS-CON MEDIA

### Media Alert: Mitchell International Shares Expertise at Casualty Actuarial Society's Casualty Loss Reserve Seminar

Mitchell's senior vice president of information management and support, Michele Hibbert-Iacobacci, CMCO, CCS-P, shared her expertise about medical cost trends based on medical billing data and state specific issues impacting first party auto claims.

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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!

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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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