

# Industry Trends Report

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# Industry Trends Report

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**Mitchell International** is a leading provider of information, workflow, and performance management solutions to the automotive insurance and collision repair industries—serving carriers, collision shops, and other commercial participants in the physical damage and auto-related medical claims markets. Mitchell facilitates millions of electronic transactions between more than 25,000 business partners each month to enhance their productivity, profitability, and customer satisfaction levels. For more information on Mitchell International, please visit our website at [www.mitchell.com](http://www.mitchell.com).

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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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# A personal message from Alex Sun...

## ***Dear Valued Industry Trends Report Reader,***

At Mitchell we have always prided ourselves on adding value to our customers, not only through the products and services we offer, but also through reports such as our industry-leading *Industry Trends Report* and *KnowledgePoint* publications. The goal of these publications is to provide a comprehensive resource that brings together newsworthy items of our industry as well as insights into claims trends and other more pointed analyses as we study the volumes of claims transactions processed by our systems. We are grateful that many of you as subscribers have regularly commended us for our efforts.

By now, many of you may have learned of a number of significant strategic achievements announced by Mitchell International in recent weeks. On April 11, 2008, we announced our intention to merge with CCC Information Services, Inc. to create a combined entity with enhanced capabilities to serve the auto physical damage and collision repair needs of our customers. As we have preached for quite some time now, the ability to better understand performance through the use of data is a powerful tool in the quest to continually improve one's business operations—be it insurance claims organizations, collision repair facilities or any other provider of service that assists in the resolution of a claim. On April 3, 2008, we announced our intention to acquire the casualty cost containment division of Fair Isaac Corporation. This opportunity gives Mitchell a stronger position as a leading provider of auto casualty cost containment solutions but also greatly expands our capability in Workers Compensation cost containment. Both these transactions further Mitchell's capability in this regard (among a host of other benefits). As such, we envision that if you are satisfied with this publication now, you will absolutely love it in the future!

The customer letters issued at the time of our transaction announcements are included on the following pages.

These are exciting opportunities for us that will translate to better solutions for our customers. Please look for more great accomplishments to come from our organization as we stay focused on delivering solutions that will enable you to be even more successful.

Thank you for being a valued reader,



**Alex Sun**  
President and CEO  
Mitchell International



## ***About Alex Sun...***

### **Alex Sun**

President & Chief Executive Officer,  
Mitchell International

Alex Sun joined Mitchell International, Inc. in 2001 and currently serves as the Company's President and Chief Executive Officer, guiding the Company's strategy and day-to-day operations. Alex was promoted to President in 2005 and moved into the position of CEO in January of 2008. Prior to this appointment, Alex served as Executive Vice President and Chief Financial Officer.

Prior to joining Mitchell, Alex served as the Chief Financial Officer and Vice President of Finance and Administration for an enterprise software company (now part of The SAS Institute), with oversight of worldwide finance, legal, human resources, information systems and facilities. Prior to that, Alex spent approximately ten years with Merrill Lynch & Co., finally serving as Vice President in the Investment Banking Division, where he was responsible for providing corporate finance and strategic advisory services to financial services companies.

Alex currently serves on the Board of Directors of Mitchell International. He also serves on the Board of Community Connect, Inc., a leading on-line media company. Alex is a graduate of The University of Chicago.



April 11, 2008

## **CCC INFORMATION SERVICES AND MITCHELL INTERNATIONAL TO MERGE** **CCC-Mitchell Inc. to focus on enhancing value for customers through increased innovation and network connectivity**

Dear Customers and Friends of Mitchell International:

Over the past several years, Mitchell International has established itself as a premier provider of technology and information solutions to the insurance claims and collision repair industries through a combination of organic growth and acquisition – and a relentless focus on serving our customers. Indeed, just last week, we announced that we had signed a definitive agreement to acquire the bill review division of Fair Isaac Corporation as we execute our strategy to solidify our leadership by creating expanded capabilities. And today, I'm pleased to announce that we've signed another definitive agreement for an even more important transaction: the merger of Mitchell and CCC Information Services Inc.

As you may know, CCC, which is based in Chicago, also serves this industry by providing automotive claims and repair solutions to hundreds of insurance carriers and thousands of repair facilities throughout the United States. The combined enterprise will be known as CCC-Mitchell Inc. and, at inception, will have annual sales of about \$460 million and approximately 2,000 employees.

This transaction will enable the combined company to better serve the needs of the industries we serve that are under increasing pressure to achieve new levels of efficiency, and will benefit from new and enhanced products, services and solutions. CCC-Mitchell will be positioned to meet those needs better and faster as a single company, as we bring together our two talented teams and capabilities.

Among the customer benefits of the transaction, CCC-Mitchell will have:

- An expanded communication network to deliver greater connectivity between insurers, repair facilities, and other industry service providers and suppliers;
- Expanded Research & Development resources and a greater ability to enhance current products and services, deliver new technology-based claims solutions, and provide faster time-to-market product delivery;
- An expanded sales and service organization, providing broader and better customer service across North America;
- A larger, more comprehensive data warehouse that will improve the company's ability to deliver industry insights through benchmarking, data analytics and predictive modeling; and
- A broad and widely used portfolio of claims and collision repair solutions from one provider.

In summary, this combination brings together a great set of products and skills and an increased resource capability that will accelerate innovation, enhance our service levels and, over time, simplify the lives of our respective customers through greater connectivity and more seamless workflow between the broader portfolio of solutions offered.

Like all such transactions, completion of our merger is subject to Hart-Scott-Rodino antitrust review and customary closing conditions. When the transaction is completed, Githesh Ramamurthy, Chairman and CEO of CCC, will become CEO of the combined company and I will serve as President. In addition, Jim Lindner, our Executive Chairman, will serve the combined company as a Vice Chairman and member of our Board of Directors. This is a merger of equals, and you should know that Githesh and I, and our respective teams, intend to work very closely to ensure that as we bring our businesses together, the quality of the products and services delivered to you will continue to exceed your expectations. Simply put, delivering on commitments made to you is of paramount importance to us. You can rest assured that this new partnership between our storied businesses will only improve the value that we can bring to you.

[Click here](#) to view a copy of the press release (on [www.mitchell.com](http://www.mitchell.com)) we issued today, for your further information. We'll provide updates on our progress toward completing the transaction as events warrant.

Meanwhile, on behalf of the entire Mitchell organization, I want to thank you for your partnership and friendship over these many years and I look forward to demonstrating to you what the combined company can do to drive better results for your business.

**Alex Sun**  
President & Chief Executive Officer  
Mitchell International



April 3, 2008

**Mitchell International Acquires Fair Isaac Medical Bill Review Business Unit**  
**Workers compensation medical cost containment business unit significantly expands company's portfolio.**

Dear Customers and Friends of Mitchell International:

I am very pleased to announce that Mitchell International has signed a definitive agreement to purchase a business unit of Fair Isaac Corporation as part of our strategy to extend further into the casualty cost containment industry and provide comprehensive solutions for both automobile medical and workers compensation claims.

Fair Isaac's bill review division, well known for its SmartAdvisor™ solution and professional medical review services, has proven itself as a leader in the workers compensation medical cost containment industry for many years and is an excellent extension of Mitchell's existing medical bill review business. With nearly 200 employees and its principal office in Irvine, California, as well as second facility in Coppell, Texas, the Fair Isaac bill review business will take Mitchell to the next level in continuing its overall leadership position in the casualty cost containment industry.

We believe that the combination of our current Medical division's years of experience coupled with the similarly impressive and demonstrable experience of the Fair Isaac team will accelerate our ability to bring greater levels of innovation and even higher levels of service quality to all customers. Moreover, we see value in a 'one stop shop' for those insurance companies that write both lines of coverage.

Respected for its exceptional track record of innovation in claims workflow and automation, Mitchell has built leading casualty solutions like its flagship Decision Point® application and the recent expansion of products such as ClaimIQ™ for auto insurers. We have been aggressively extending the value we can bring to the broader claims continuum with solutions such as AutoPay™, the Claimant Treatment Guide and early work on data analytics. We see enhanced capabilities in all these areas with this combination.

We expect to close this purchase in the next 30-45 days. Thereafter, the new business will operate as a separate unit within the Mitchell Medical division of Mitchell International.

In summary, we are excited to have this opportunity to bring a new level of capability to our many customers, and we look forward to sharing more information about our vision for success and appreciate your continued partnership.

Best Regards,

A handwritten signature in blue ink, appearing to read "Alex Sun", with a stylized flourish at the end.

**Alex Sun**  
President & Chief Executive Officer  
Mitchell International

## 5 Trends That Will Change Our Industry

BY GREG HORN

Vice President of Industry Relations—Mitchell International

John F. Kennedy's words, "*Change is the law of life. And those who look only to the past or present are certain to miss the future,*" can also provide some insight into the state of our quickly changing industry. While some of these transformations that are occurring will have only a minor influence, others will dramatically change the status quo. Either way, aspects at both ends of this spectrum are important to discuss, so we have taken this opportunity to explore five that will impact the way we do business in the future.

### 1. 'The Waterborne Ultimatum'

California has been at the forefront of many trends in our industry and has historically been a first adopter of stringent environmental and health legislation—like mandating waterborne paints. Recent rules passed in The South Coast Air Quality Management and San Joaquin Valley Air Pollution Control Districts are the forerunners of a national trend to convert the collision repair industry to waterborne paints. This particular regulation limits the Volatile Organic Compound (VOC) levels in base and clear coats to 3.5 lbs. per gallon and 2.1 lbs. per gallon respectively. The possible adoption of similar national regulations is also highly likely. ***What would be the impact of such a sweeping change?***

Waterborne paints have many advantages over solvent-based materials. The major benefit with the application process is the fact that waterborne paints do not require thinners, hardeners or other additives. Because of the opaque qualities of waterborne paints, less material should be required to achieve the same coverage as solvent-based materials. Clean-up efforts are also reduced because paint guns can be cleaned with water or water-based cleaners rather than expensive solvents.

Based on these facts, you might think the cost of materials charges would decrease, but there are disadvantages to waterborne paints that could increase costs—at least during the transition from solvent-based materials, including potential issues that will affect production times and future equipment purchases.

The disadvantages can be quantified as the three T's: *time, training* and *tools*. The main downfall with waterborne paints is the increased drying time required. This will affect every shop's production schedule and exacerbate the common bottleneck of refinishing. Significant investments of heated downdraft booths, or at a minimum, purchasing several infrared or ultraviolet drying lamps would be necessary to decrease drying times. These lamps can cost from \$250-\$400, and bulbs can last as little as 800 hours. Additionally, equipment that is resistant to corrosion from water should be considered, adding yet another cost for repair shops.

The disadvantages can be quantified as the three T's: time, training and tools.



### About the author...

#### Greg Horn

Vice President of Industry Relations, Mitchell International

Greg Horn joined Mitchell International 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 auto collision industry.

He provides guidance to Mitchell's Product Management and Business Analytics teams, playing an important role in shaping Mitchell's solution portfolio to ensure that it meets the evolving needs of current and future clients. Greg also presents Mitchell's Industry Trends Updates at conferences across the country.

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.

Each technician involved in the refinish process will also need to attend paint manufacturer training because the viscosity of the materials will differ, therefore yielding new application techniques. Once the training is completed, painters and assistants will likely need ample practice time to fully acclimate to the new techniques.

Waterborne paints, if required nationally, will be one of the biggest changes to our industry since unibody vehicle construction. Like unibody construction, this transition will require technician and appraiser training, equipment investments for collision repair shops, and a thorough understanding of how it will impact the collision repair process by all industry partners.

## 2. Increased Use of Lightweight Special Materials in Vehicle Construction

More manufacturers are producing full aluminum vehicles, and each automaker has restricted who is authorized to repair these vehicles. Aluminum is now the second most common material used in vehicle construction today, and currently in the North American auto market, average content reached 319 lbs.—an increase of almost 24 percent over the past five years. The manufacturers' motives are understandable—they want to ensure that the vehicle is repaired properly and that the quality and the customer repair experience are appropriately managed. But, full aluminum constructed vehicles are just one of the products entering the market that will affect the collision industry. Weight-saving alloys, such as boron infused steel, are also adding complications to repair methods. The new Volkswagen Passat, whose B-pillar is boron steel, is a perfect example. At the factory, the two halves of the B-pillar are laser welded together. But because Volkswagen believes this process cannot be properly replicated in the collision repair environment, the factory-approved collision repair method is to use adhesive bonding to attach the inner and outer pillar halves.

**Gone are the days when a collision technician could look at the original vehicle construction and replicate that process in the repair.**

***So what does this mean for the collision repairer?*** Gone are the days when a collision technician could look at the original vehicle construction and replicate that process in the repair. In the case of aluminum collision repairs, the manufacturer will require a shop to apply to become a certified repairer of its vehicles and will then require a hefty investment in the manufacturer's training and equipment. Shop owners will then need to decide if they will have enough potential volume of these vehicles to justify this investment.

The same type of situation also applies to alloy and other component materials. Shops can no longer rely on observing a manufacturer's assembly technique and

replicating the procedure. More shops, in turn, will increasingly begin to rely on specific manufacturer collision repair information to properly complete their repairs.

For the insurance companies, the migration towards full aluminum constructed vehicles entails several adjustments to their regimens. They'll need to train their staff appraisers and management on the appropriate repair procedures, educate them on which aluminum vehicles have authorized repair centers, and make sure that the vehicle owner receives a top quality repair at a fair price.

### THE COST OF ADDING A HEATED DOWNDRAFT BOOTH AT A GLANCE:

Down draft booth:  
\$20,000- \$40,000

Installation:  
\$10-\$12,000

### OPERATION COSTS:

Floor filters:  
\$60 (replaced every 3 weeks)

Bag filters:  
\$350 (replaced every 6 months)

Ceiling filters:  
\$900 (replaced annually)

### 3. Parts Procurement Programs

State Farm's recent announcement that it would be piloting an electronic parts ordering and procurement program in select states with its Select Service® repair partners formalizes the ideal that several insurers have long wanted to achieve. Shops have been opposed to previous parts procurement attempts either because the insurers required them to use unfamiliar vendors, or the carrier asked shops to sacrifice profits. Shops also shied away from previous programs, indicating that they were not consulted before the programs were launched. The State Farm program is different according to State Farm Claim Consultant, George Avery. "As this process developed, we asked for and considered input from members of the collision repair industry," said Avery. "We believe Select Service repairers will have an enhanced ability to obtain quality parts that allows them to provide customers with the best combination of quality, efficiency and competitive price. And as always, our customers are free to choose which repairer will fix their vehicle."

This program is also different than some of its predecessors because it does address one of the key objections of collision repairers—keeping the profit margin in place. If the repair shop orders parts while enrolled in the program, they will not be required to sacrifice profits and will potentially see a parts buying process that will build efficiencies and cut cycle time. However, if the shop chooses to obtain parts outside of the program, it will be required to match the pricing of the retail parts cost to State Farm.

OEM part makers, on the other hand, favor the program because the electronic ordering process is more efficient and reduces misordered parts, benefiting them by easing the parts ordering process and potentially increasing OE part utilization. The industry has long needed a wide adoption of an accurate, electronic ordering mechanism that will reduce the hours spent ordering and returning parts.

If the program is successful in the test areas, two things are certain. First, State Farm will expand the program to other states through its Select Service Program, and second, other carriers will use State Farm program as a model to craft their own similar programs.

### 4. The Next 'Wave' of Safety Equipment

The next wave of safety equipment is defined as Electronic Stability Control (ESC), Blind Spot Warning Systems, Intelligent Cruise Control, and rearview cameras. While some of these products are optional on 'high end' cars, the U.S. Government has mandated ESC as standard equipment in every light passenger vehicle by the 2012 model year. Why is ESC so vital? Although rollovers are the least common type of accident (accounting for only 4 percent of accidents), these crashes are the deadliest, with the government estimating that rollover accidents account for 10,000 of the roughly 43,000 annual auto fatalities.

Auto manufacturers are also testing several more significant products that will give new meaning to vehicle safety when introduced. Blind Spot warning systems may reduce accidents significantly if widely adopted in the industry, especially considering accident statistics published by the U.S. Dept. of Transportation indicating that blind spot related problems cause more than 413,000 accidents annually. These accidents damage over 826,000 vehicles and injure or kill more than 160,000 people every year. Prototypes of 'SUV side impact air bags' are also currently being tested and could be installed on passenger cars as early as 2011. These side external air bags deploy on the outside of a passenger car when 'T-boned' by a higher stance SUV. The goal is to reduce side intrusion of the SUV—a leading cause of SUV/passenger car collision fatalities. All of these new devices are meant to help drivers avoid accidents and keep vehicle occupants safe, but, believe it or not, these products could be detrimental—at least in the eyes of collision repair shops.



While these advancements in vehicle safety should definitely reduce the 16 million plus collision claims and approximately 43,000 fatalities that occur in the United States each year, benefiting drivers and passengers alike, they may not seem as advantageous to some in the industry. For collision repair shops, the downside is twofold. First, fewer accidents means fewer opportunities for shops to repair vehicles, and second, the cost of replacing this state-of-the-art equipment can be astounding and could result in increasing total losses rather than repairs. For insurers, the situation is also twofold, but it's one that they have the opportunity to take advantage of if they play their cards right. The reduced frequency of claims will certainly be an advantage for insurers, but on the other hand, they will be faced with the challenge of properly assessing the reduction in risk that these advancements will provide. The insurer that balances these factors accurately will be able to provide a lower insurance rate and profitably grow business.

### 5. Asking the 'Ultimate Question'

Most consumers think of auto insurance coverage as a legal requirement and a commodity, oftentimes doing little to differentiate one carrier from another—at least until they are dissatisfied for one of two reasons. Statistics published by J.D. Power and Associates are speaking volumes about consumers' auto insurance shopping habits though. These statistics indicate that 33 percent of auto insurance consumers who shop based on **price** ultimately switch carriers, while nearly an astounding 75 percent of those who shop due to a **poor customer service** experience switch carriers. The J.D. Power and Associates *2007 National Auto Insurance Study* goes a step further in reinforcing the importance of customer service, revealing that the overall service experience matters most to policyholders above all other elements within the model. Jeremy Bowler, senior director of the insurance practice at J.D. Power and Associates, reaffirms this by saying that, "Maximizing renewal rates is key to the success of every carrier, as just a mere 1 percent shift in market share can represent an astounding \$1.6 billion in annual premiums."

Collision repairers, on the other hand, know that their service is not a typical customer transaction because a collision is a relatively rare, unfamiliar experience for many drivers. The collision repair business is therefore driven in large part by word of mouth advertising rather than by price or customer experience as it is in the insurance realm. Since many shops will likely interact infrequently with a customer, they don't have the same opportunity as insurers to capitalize on the results of a positive customer experience.

***How can these two different sides of the industry find a central focus point to improve their joint customers' service experience?*** Understanding the difference between satisfied and loyal customers offers both sides

a critical path to improving their customers' satisfaction, resulting in increased profitability. Collision repair shops and insurers alike need to understand that it is a common mistake to believe that customer

Understanding the difference between satisfied and loyal customers offers both sides a critical path to improving their customers' satisfaction, resulting in increased profitability.

satisfaction—measured through survey questions relating to details about the experience within a specific transaction process—and customer loyalty are synonymous. Customer loyalty is more complex because it is based on an entire relationship with a business, not a mere specific transaction. It's almost impossible to have loyal customers without delivering satisfaction, but satisfied customers are not necessarily loyal customers. In fact, Fred Reichheld of Bain and Company, a leading management consulting firm, indicates that 60-80 percent of customers indicated that they were satisfied or even very satisfied prior to defecting to another company's offering.

Using Reichheld's **Net Promoter® Score** metric, which is based on the response to his 'Ultimate Question'—"How likely is it that you will refer this company to a friend or family member?"—provides a very effective means for businesses to measure where they rank in overall customer loyalty. When customers respond positively to this question, it indicates that they are willing to put their personal reputations on the line when recommending the company to others. These customers are the keys to obtaining positive word of mouth advertising—a fundamental driver of profitable growth.

***Can asking the 'Ultimate Question' in CSI surveys change our industry? Yes!*** Because measuring your Net Promoter score is not 'just another customer satisfaction question.' It is an indispensable tool that not only gauges current customers' perceptions of your company, it also provides insight into areas where you and your employees can improve customer interactions that will increase loyalty, driving profitable growth—especially in the increasingly competitive business environment.

# The Economy & Short-Term Energy Outlook

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According to a statement released on April 8, 2008, the Federal Open Market Committee decided to approve a 75 basis point reduction to the target for the federal funds rate, bringing the rate to 2¼ percent (2.25%). The reduction was due to several factors that have contributed to the further weakened outlook for economic activity. Growth in consumer spending has slowed and labor markets have softened. Financial markets remain under considerable stress, and the tightening of credit conditions and the weakening and the deepening of the housing contraction are likely to continue to weigh on economic growth over the next few quarters.



The contraction in the housing sector has deepened, and considerable uncertainty surrounds the outlook for housing. Single-family housing starts fell in both January and February. After having dropped especially sharply in December, multifamily housing starts rebounded somewhat in the first two months of the year. New home sales declined again in January, thereby pushing inventories of unsold homes to even higher levels relative to sales. Sales of existing homes held roughly steady in January, and the index of pending sales agreements in that month was consistent with flat sales in February and March. Overall, demand for housing continued to be restrained by tight financing conditions for jumbo and nonprime mortgages. The continued fall in home prices and declines in equity prices are weighing on household wealth, with a depressing effect on spending.

Although some stabilization in housing markets is likely needed to help underpin an economic recovery in coming quarters, there is little indication that the process has yet begun. Elevated rates of foreclosures and large inventories of unsold property are likely to depress home prices for some time. Lower home prices may eventually buoy home buying, but in the meantime the prospect of continued price declines could lead potential homebuyers to defer purchases for a time, further damping housing activity and adding to downward pressure on home values.

Prospects for both economic activity and near-term inflation have deteriorated in view of increasingly fragile financial markets and tighter credit conditions, rising prices for oil and other commodities, and the deepening contraction in the housing sector. Home prices have declined more steeply than anticipated, and the weakening housing market, combined with a softening in labor markets, appears to be weighing on consumer sentiment.

Real consumer spending appears to have stalled in recent months. Real outlays for nondurable and durable consumer goods, including automobiles, experienced an estimated decline, on average, in January and February. Real disposable personal income was unchanged in the fourth quarter, held down by higher food and energy prices, and moved up only slightly in January. Further declines in house prices led to a noticeable decrease in the ratio of household wealth to disposable income in the fourth quarter. The downturn in equity prices since December further reduced household wealth in the first quarter.

Businesses have also become more pessimistic and cautious, despite a strong foreign demand for U.S. goods. The outlook for business spending has also dimmed. Many regions of the country are pointing to a retrenchment in capital spending in response to increased pessimism about economic prospects and heightened caution on the part of business managers.

Labor demand softened markedly in recent months. The decline in private payroll employment that began last December steepened through February. Although employment by firms in the nonbusiness services sector and in state and local governments continued to rise, declines elsewhere were widespread. Losses were greatest in the manufacturing, construction, and retail trade sectors. The unemployment rate edged down to 4.8 percent in February, but was still up from the 4.5 percent rate of a year earlier.

Industrial production declined in February after edging up slightly in the previous two months. The output of utilities dropped back after a weather-related surge in January, while mining output fell somewhat in the first two months of the year on average. Manufacturing production edged down after having flattened out in January. The motor vehicle and construction-related industries continued to hold down overall manufacturing output even as high-tech production posted moderate increases.

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Information on the economy and short-term energy outlook was obtained from the *US Federal Reserve Board, Federal Open Market Committee (FOMC)* and the *US Department of Energy, Energy Information Administration (EIA)*. For more information, or to view original source materials, visit: [www.federalreserve.gov/FOMC](http://www.federalreserve.gov/FOMC) or [www.eia.doe.gov](http://www.eia.doe.gov)

## The Economy & Short-Term Energy Outlook (con't.)

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Real spending on equipment and software rose at a sluggish rate in the fourth quarter. In January, orders and shipments of nondefense capital goods, excluding aircraft, were above their fourth-quarter levels. However, the overall outlook for capital spending in the first quarter was weak in light of the deterioration in surveys of business conditions and attitudes and the worsening situation in markets for business finance.

Real investment in nonfarm inventories, excluding motor vehicles, remained at a steady pace in the fourth quarter of 2007, but motor vehicle inventories fell sharply. After declining in November, the ratio of manufacturing and trade book-value inventories (excluding motor vehicles) to sales ticked up in December and held steady in January, but this ratio remained well below its average value in 2007.

A contraction of real GDP in the first half of 2008 followed by a slow rise in the second half of this year is projected. The recently enacted fiscal stimulus package is expected to boost real GDP in the second half of 2008, but this effect is projected to unwind in 2009. Real GDP is also projected to rise at a rate somewhat above the growth rate of its potential in 2009 in response to the impetus from cumulative monetary policy easing, continued strength in net exports, a lessening drag from high oil prices, and a relaxation of financial market strains. Even with this pickup in growth in 2009, resource utilization is anticipated to follow a lower trajectory than in the previous forecast.

Readings on inflation have generally been elevated. Agricultural prices are rising at a substantial clip, partly in response to strong global demand, lean supplies, and a lower foreign exchange value of the dollar. Other commodity prices are also climbing rapidly, and crude oil prices are near record levels.

Unit labor costs are rising only modestly and thus are seen as unlikely to exert significant upward pressure on prices. Weaker growth, both in the United States and abroad, should also contribute to a flattening of oil and other commodity prices over time, which would also reduce price pressures and the threat of rising inflation expectations. Inflation is expected to moderate later this year and in 2009. However, the recent depreciation of the dollar could boost import prices and thus contribute to higher inflation.

West Texas Intermediate (WTI) crude oil prices, which averaged \$72.32 per barrel in 2007, are projected to average \$101 per barrel in 2008 and \$92.50 per barrel in 2009. The projected higher costs for crude oil will contribute to higher petroleum product prices. Motor gasoline prices are projected to average \$3.36 per gallon in 2008, up 55 cents from last year. Diesel prices are projected to show even larger increases in 2008, averaging \$3.62 per gallon, or 74 cents above the 2007 average price. The monthly average gasoline price is projected to peak at about \$3.60 per gallon this spring, while monthly diesel prices are expected to average about \$3.90 per gallon in March and April. Weekly diesel prices have already crossed the \$4.00-per-gallon threshold in many regions of the country. U.S. consumption of liquid fuels and other petroleum is expected to decline in 2008 by about 85,000 barrels per day (bbl/d) as a result of the economic slowdown and high petroleum prices. After accounting for increased ethanol use, U.S. petroleum consumption is projected to fall by 210,000 bbl/d in 2008.

A prolonged and severe economic downturn cannot be ruled out at this time given the further restriction of credit availability and ongoing weakness in the housing market. Lower short-term real interest rates should help buoy economic activity and ameliorate strains in housing and financial markets.



# Current Events in the Collision Industry

## Insurance Claims Officers Say Competitive Pressure Top 2008 Challenge

*Excerpted from: CollisionWeek—March 2008*

Nine out of 10 property casualty claim officers said increased competition, consolidation and convergence are among the leading challenges facing their industry in 2008, according to a recent Towers Perrin survey conducted by the firm's claim management practice.

The claim officer survey also reported on key trends that are reshaping the industry, citing the rapidly growing importance of data analysis and technology, along with recruitment and retention of top talent, as key determinants of meeting business goals. In fact, attracting and retaining top talent is cited as the top priority for 82 percent of companies surveyed.

"Claim officers are all too familiar with the challenges of competitive pressures," said Kathleen Cullen, Towers Perrin's claim management practice leader. "The way the industry traditionally looked at itself has shifted from budgets and operational controls to a need for more sophisticated approaches regarding managing claim performance and results."

Expense and cost management remains a top concern for all carriers, although better technology solutions and sophisticated analytics are getting more emphasis as competition tightens.

Secondary challenges vary—with larger carriers citing distribution and product management while smaller carriers and carriers that write smaller accounts cited regulatory issues.

Regarding priorities, 52 percent of claim officers pointed to the effective use of data and analytics as a main driver to meeting business objectives, ranking it second to attracting talent. This was closely followed by an interest in better ways to use technology in general (50 percent).

Focusing on the emerging trends and issues bringing change to the claims industry, nearly two-thirds (65 percent) of respondents chose sophisticated analytics, trumping the more traditional issue of escalating claim severity, which was identified by 50 percent of respondents. Increasing technology needs and reliance on software ranked as the number three emerging issue.

Interestingly, less than a third of respondents cited increased business acumen needs as an emerging issue—a notable finding given that 68 percent identified technical skills and training as an approach to meet industry challenges.

In all, 62 claim officers from property/casualty insurance companies of various sizes were surveyed in late 2007: 37 percent from companies with less than \$200 million in written premiums, 31 percent from companies with written premiums of between \$200 million and \$750 million, and 32 percent from firms with more than \$750 million in written premiums. Within personal lines, about half of those participants write predominantly auto coverage.

## American Honda Issues Position Statement on Non-OEM Parts

*Excerpted from: CollisionWeek—March 2008*

American Honda Motor Co., Inc. has issued two new position statements on the repair of Honda and Acura vehicles. These new statements cover the use of aftermarket/alternative parts for the repair of Honda and Acura vehicles. The car maker is recommending that only factory parts be used to avoid compromises to the structural integrity and safety of the vehicle. The statement further warns that Honda will not be responsible for any subsequent repair costs associated with failures caused by the use of non-OEM parts.



### AN EDITOR'S NOTE...

*The claims officers in this article note something we've frequently reported—insightful data analysis and technology are key tools used to achieve business goals.*



## Current Events in the Collision Industry (con't.)

In 2007, Honda issued several position statements. A statement on the use of salvage air bags warned that their use may compromise the intended performance of a vehicle's air bag system as there is no certainty of the history of a salvaged or used component.

Also last year, Honda issued collision repair procedure statements on sectioning frame components, adhesives and welding, door and bumper reinforcements, and wheel repair.

These latest statements on aftermarket parts say, in part, that American Honda "... recommends that any repairs be performed by an experienced professional using an [American Honda] body repair manual and [genuine parts], including all mechanical and electrical parts, body panels, and structural components."

The company states that the use of OEM parts will "...ensure that the parts and components were designed and built to provide the same fit, function, safety, and structural integrity as when the vehicle was initially made.

### Tata Motors to Buy Jaguar, Land Rover from Ford

*Excerpted from: CollisionWeek—March 2008*

India-based Tata Motors has entered into a definitive agreement with Ford to purchase its Jaguar and Land Rover units for \$2.3 billion in cash.

Tata said the transfer of ownership is expected to take place by the end of next quarter, subject to regulatory approvals.

Tata is the car company that made headlines earlier this year when it announced the launch of the world's cheapest car, the Tata Nano. (see related story below)

As part of the transaction, Ford will continue to supply Jaguar Land Rover for differing periods with powertrains, stampings and other vehicle components, in addition to a variety of technologies, such as environmental and platform technologies. Ford also has committed to provide engineering support, including research and development, plus information technology, accounting and other services.

In addition, Ford Motor Credit Company will provide financing for Jaguar and Land Rover dealers and customers during a transitional period, which can vary by market, of up to 12 months.

Jaguar Land Rover's employees, trades unions and the UK Government have been kept informed of developments as the sale process progressed and have indicated their support for the agreement.

Tata Motors is India's largest automobile company, with over 4 million vehicles on the road in India.

*In a related story..*

### Don't Look for One of These Cars in Your Shop

*Excerpted from: CollisionWeek—January 2008*

India-based Tata Motors, Thursday unveiled the world's cheapest car at the 9th Auto Expo in New Delhi. The Tata 'NANO,' or the People's Car, is scheduled to be launched in India later this year with a price tag of around \$2500, little more than the average collision repair bill in the U.S.

### AN EDITOR'S NOTE...

*This statement, which is similar to those issued by other OEM's, may be misconstrued by vehicle owners who may interpret it as saying that the use aftermarket parts will 'void the vehicle warranty.' What it truly states is that Honda won't warranty the aftermarket part or any failure that is caused by the part that it didn't manufacture.*



### AN EDITOR'S NOTE...

*I have mixed feelings about this sale because Ford ended up selling these two companies for about half what it paid for them, and I think that because Land Rover has some hot products and Jaguar is poised to really improve its product offerings as well, Ford could have benefited from retaining both companies.*



## Current Events in the Collision Industry (con't.)

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The car is designed only to meet the relatively non-existent safety emissions requirements in India, and in its present state could not be imported to the U.S. The required safety and emissions equipment alone in the U.S. would likely double the price of the car.

The carmaker says that the TATA can comfortably seat four within the confines of its 10 foot overall length. The rear wheel drive People's Car has an aluminium, 38 cubic inch, two-cylinder engine. Safety features listed by the company include crumple zones, intrusion-resistant doors, seat belts, strong seats and tubeless tires. Fancy this car is not.

Company Chairman Ratan N. Tata said, "I observed families riding on two-wheelers—the father driving the scooter, his young kid standing in front of him, his wife seated behind him holding a little baby. It led me to wonder whether one could conceive of a safe, affordable, all-weather form of transport for such a family."

### PPG Canada and Mitchell International Announce New Partnership

*Excerpted from: CollisionWeek—April 2008*

PPG Canada Inc. and Mitchell International Inc. announced their new preferred vendor partnership. The partnership gives the PPG CertifiedFirst network of collision repair centers access to the line of Mitchell management systems.

The preferred vendor partnership will be in effect from March 14, 2008, until further notice.

"PPG is pleased to be able to offer CertifiedFirst Members a great choice in management systems," says Jeffery Murphy, Marketing Programs Manager. "Mitchell's ABS™ and ABS™ Enterprise Collision Shop Management Software provides profit enhancing functions that can turn any shop into a more productive enterprise, something that the CertifiedFirst collision repair centers are looking to do."

### Ford Gives Technical Approval to Sherwin-Williams AWX Waterborne

*Excerpted from: CollisionWeek—April 2008*

Ford Motor Company recently approved the AWX waterborne refinish system from Sherwin-Williams Automotive Finishes Corp. for collision repair centers on a global basis. The AWX system has undergone the technical certification process to meet the Ford WSS-M2P100-D standard. The Ford Group sets this technical standard to assure that its vehicles are repaired using automotive refinish products of the highest quality.

"Sherwin Williams has continually demonstrated excellent performance in testing to our rigid paint specifications," said Gerry Bonanni, Ford Motor Company. "The new AWX system offers our Ford, Lincoln and Mercury dealerships an excellent option for this dynamic refinish solution."

Sherwin-Williams only recently introduced the AWX waterborne basecoat/clearcoat system that utilizes a proprietary resin system designed to behave like solvent borne systems.

"We're delighted that the Ford Motor Company has recognized AWX as a premium waterborne solution," said Jason Crager, OEM Account Executive, Sherwin-Williams Automotive Finishes Corp. "Our goal in launching this product was to ease the fears and concerns body shop owners have in changing from a solvent to a waterborne system. Because AWX has solvent borne-like application properties, it ensures a seamless transition and conversion. Technicians will be familiar and comfortable with the process already, requiring minimal training and start-up costs."

### AN EDITOR'S NOTE...

*Tata Motors is positioned to become a major player in auto manufacturing; they will produce high-end cars with Land Rover and Jaguar and the most basic entry level with their own Tata Nano, which will bring car ownership to millions of Indians—impacting the worldwide demand for gasoline.*



**SHERWIN-WILLIAMS.**

## Current Events in the Collision Industry (con't.)

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Unlike solvent borne basecoats, AWX ensures up to a 50 percent reduction in VOC emissions and also reduces hazardous waste generation.

The system has also received manufacturer approvals from General Motors and DaimlerChrysler.

### **Down-and-out cars get new lives overseas Weak dollar lets exporters make tidy profit on recovered autos, junkers**

*By Frank Norton*

*Excerpted from: The News & Observer—Raleigh, North Carolina*

Victor Montes de Oca scanned several damaged vehicles as they rolled past an auction stage. "Everybody wants a Ford truck in Mexico—Central America, too," said Montes de Oca, a buyer for Honduran importer Travecor Peres. He comes every Wednesday morning to Insurance Auto Auctions off U.S. 70, where he may buy as many as 10 vehicles to ship to Latin countries.

"People there can't afford a new car, but these they can," he said.

As the dollar sags against foreign currencies, exporters are finding an increasing market overseas for vehicles that can be fixed and resold at a profit.

In Poland, people chase after Subarus, Nissans and Toyotas. In Lithuania, Lexus is in demand. Many Russians and Mexicans like four-wheel drive.

Most of these vehicles are damaged to the point of being declared losses by insurance companies. That generally happens when the repair would cost more than 80 percent of a vehicle's retail value. A few being auctioned are intact stolen vehicles recovered after 30 days, after insurers have written them off. In both cases, increasing global demand has led to more than 20 percent getting shipped overseas, said Dan Oscarson, vice president of marketing for Insurance Auto Auctions.

The Chicago company sells more than 1 million salvaged cars a year through 136 auctions, including six in North Carolina. At the Clayton auction, local mechanics, merchants and consumers compete increasingly with buyers on the Internet, who now generate 44 percent of sales. Durham, Wilmington and Panama were just a few of the bidder locations flashing on a small computer screen behind the auction line Wednesday morning. Auctioneers say they regularly hear from buyers in Guatemala, Honduras, El Salvador, Mexico, Bolivia and Eastern European countries.

Shannon Park, a third-generation auctioneer, sat at the front of the Clayton auction, trying to bring up the price of a black Dodge Ram.

"Internet get back in there," he shouted over the microphone. He has learned to aim his rapid-fire auctioneer chant at online bidders as well as the people standing before him.

"They can hear me, everything I say, as if they're right here," Park said after the auction. "Heck, if I recognize a bid number, I can call the guy behind his desk in Wilmington or Panama."

Insurance Auto Auctions makes money from bidders who pay to enter auctions and from insurers and rental companies that pay to have damaged cars taken off their hands. The company remits all sales proceeds back to insurers.

Gary Prestopino, who tracks the auto-salvage industry for Barrington Research in Chicago, says salvageable U.S. cars will sell anywhere in the world there is burgeoning capitalism.

"People in these markets still covet U.S.-made cars," Prestopino said. "Because of the currency effect, they can get them at relatively cheap prices."

### **AN EDITOR'S NOTE...**

*This article illustrates the fascinating impact that Internet auctions combined with the weak dollar have on the global salvage industry.*



## Current Events in the Collision Industry (con't.)

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He said parts of Africa are also getting into the trade.

Roma Saricevs, 24, of Klaipeda, Lithuania, is a purchaser for UAB Eurovestika, which buys 200 to 300 cars a month, all from Web-equipped U.S. auctions.

"Demand is higher for these vehicles every year," Saricevs said. "We used to buy most of them in Germany, but now it's cheaper to buy them in the United States."

It costs about \$1,000 to ship a damaged car overseas, but the economics work because of the weaker dollar and lower repair costs abroad.

The dollar has lost 22 percent of its value against the euro in the past two years and has fallen against most other currencies. Overall, that slide has helped make U.S.-driven cars about 30 percent cheaper in Eastern Europe than comparable European-driven cars.

As for labor, the cost is as little as \$8 an hour in many countries, compared with an average of about \$50 an hour in the U.S. When repairs are included, importers such as UAB can make the equivalent of several thousand dollars on a vehicle, or \$400 to \$500 to simply buy, transport and sell it.

Saricevs' company does both, selling to merchants and consumers in Russia, Belarus, Lithuania and other Eastern European countries. The cars are considered desirable because they offer power steering, automatic windows and other niceties that cars in Eastern Europe don't typically have. Some vehicles are rebuilt for their next owners, while others are harvested for parts to supply auto-service industries in those countries.

Dave Taylor, Southeastern regional manager for Insurance Auto Auctions, said Canadians are also getting into the game.

"They've been coming further south to buy cars as the dollar dropped," Taylor said. "The South Americans have been coming further north."

He said the overseas market has not only boosted prices but kept volumes stable.

"With respect to wrecked vehicles, the U.S. is much more competitive now on global markets," said Jason Blair, who tracks the industry for Rochdale Securities in New York. "For companies with an extensive Web-based market, it's a great opportunity."

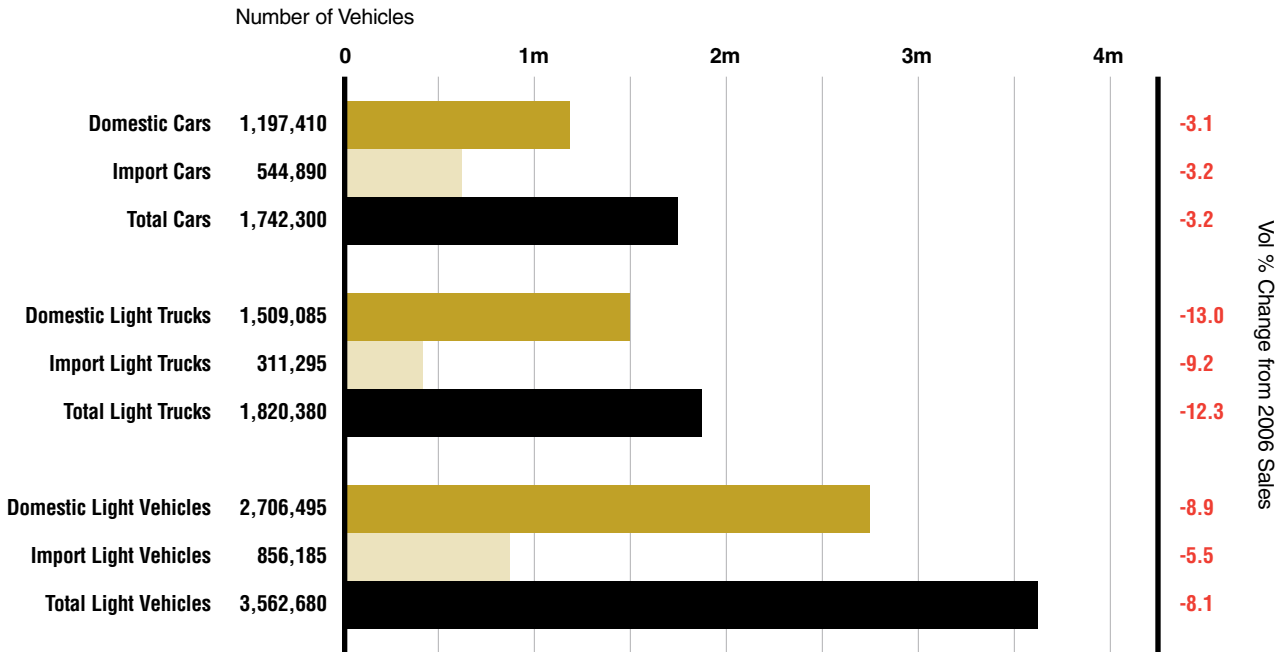
*Reprinted by permission of The News & Observer of Raleigh, North Carolina.*

# Motor Vehicle Markets

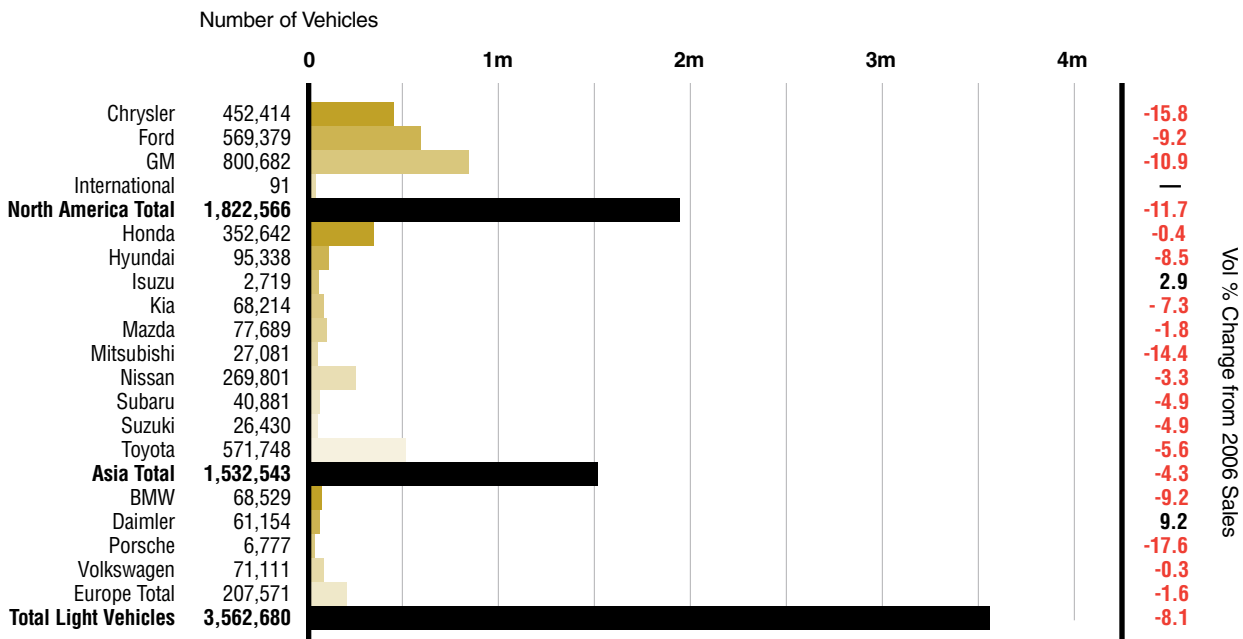
## New Vehicle Sales

According to Ward's Auto, total new light-vehicle sales through March, 2008 declined a worrisome -8.1% compared to the same period last year, likely because of slowing economy, with a total of 3,875,400 vehicles sold. Domestic sales slowed at virtually the same rate as did imports year to date, but the most surprising news is the rise in light truck sales despite high gas prices.

### Ward's U.S. Light Vehicle Sales Summary January-March 2008



### Ward's U.S. Light Vehicle Sales by Company January-March 2008



Light vehicles are cars and light trucks (GVW Classes 1-3, under 14,001 lbs.). DSR is daily sales rate.  
Source: Ward's AutoInfoBank  
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## Ward's 10 Best Selling Cars and Trucks January-March 2008

Note: Table combines imports and domestics.  
Source: **Ward's AutoInfoBank**.

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a division of Prism Business Media Inc.  
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### Cars

1. Toyota Camry	107,002
2. Honda Accord	87,802
3. Honda Civic	77,532
4. Nissan Altima	76,407
5. Chevrolet Impala	71,750
6. Toyota Corolla/Matrix	67,047
7. Ford Focus	49,070
8. Chevrolet Cobalt	48,024
9. Pontiac G6	45,951
10. Toyota Prius	42,907

### Trucks/Vans/SUVs

1. Ford F-Series	148,138
2. Chevrolet Silverado	122,779
3. Dodge Ram Pickup	68,862
4. Honda CR-V	50,684
5. GMC Sierra	44,207
6. Ford Escape	43,900
7. Toyota Tundra	40,784
8. Toyota Tacoma	39,776
9. Ford Econoline	36,412
10. Ford Edge	36,034

## Used Vehicle Sales

BY TOM WEBB

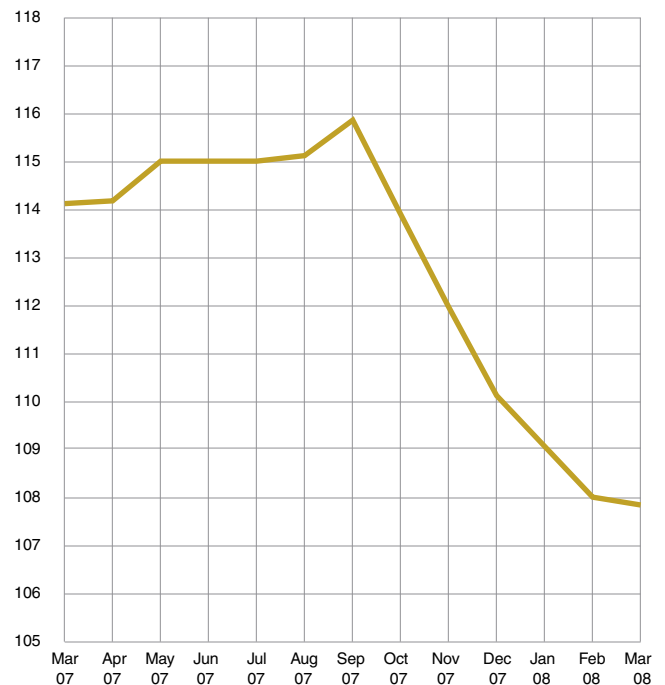
Chief Economist – Manheim

### Wholesale Prices Ease in March

Wholesale used vehicle prices (on a mix, mileage and seasonally adjusted basis) slipped for the sixth consecutive month in March. Over the past year, the Manheim Used Vehicle Value Index has declined 5.6%, and over the last six months, prices have fallen by an even larger 7.0%

The overall pace of the decline in vehicle prices did slow considerably in March as demand for older, lower priced, units benefited from what will be another record tax refund season. Additionally, in March (as in January and February) wholesale prices rose before the seasonal adjustment, but at a pace less than historical seasonal factors would predict.

**Manheim Used Vehicle Value Index**  
March 2007 – March 2008



Manheim Used Vehicle Value Index categories based on 2001 J.D. Power and Associates Vehicle Segmentation. Source: Manheim Used Vehicle Value Index

# Mitchell Collision Repair Industry Data

The following information was assembled from industry-wide appraisal data uploaded from participating insurance carriers, body shops, and independent appraisers, processed by Mitchell International and compiled through Mitchell's **AIM™ (Advanced Information Management)** system.

With the obvious exception of the Total Loss section, all data in this section, including ACV benchmarks, relate to **reparable vehicle appraisals only**.

## Sections included in the Mitchell Collision Repair Industry Data:

- Average Appraisal Values
- Comprehensive Losses
- Supplements
- Paint & Materials
- Adjustments
- Collision Losses
- Third-Party Auto Property Damage
- Parts Analysis
- Labor Analysis
- Total Losses

## Development Explained

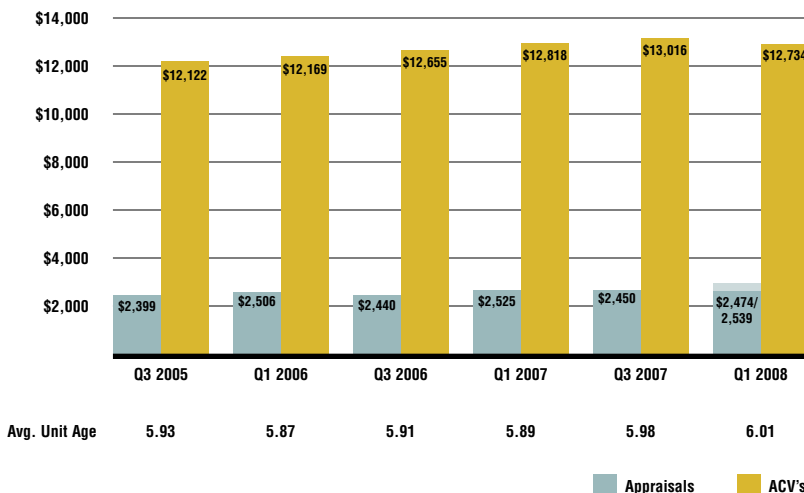
The following data points are dynamic and subject to change from on-going supplement and total loss designation activities amending original appraisal values. Average appraisal values submitted in June, for example, will likely increase by several dollars over the next few months, then stabilize as all supplements are factored into the final value for the period. Raw values are provided, and then adjusted based on the observed six-month change behavior from prior data to produce a projected final or “developed” value. Adjusted values may therefore be considered reliable approximations of the eventual, industry value for any given datum. As supplement frequency and severity, as well as total loss designation activities vary by carrier, we suggest that each company isolate their own development factors to apply to their own unique data sets.

## Average Appraisal Values

The average appraisal value, as calculated by combining data from all first and third party reparable vehicle appraisals uploaded through Mitchell systems in Q1-2008, was \$2,474, \$51 less than the previous year's Q1-2007 appraisal average of \$2,525.

Applying the prescribed development factor of 3%, it produces an anticipated average appraisal value of \$2,539.\*

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



\*NOTE: Values provided from Guidebook benchmark averages, furnished through Mitchell UltraMate®.



## Mitchell Product Solution: **AIM**

**AIM™** features immediate online data access, custom report construction, ad-hoc query capabilities, weekly updates, and the ability to accept and consolidate detailed appraisal data from all major estimating platforms. For more information on AIM, visit Mitchell's website at [www.mitchell.com](http://www.mitchell.com).



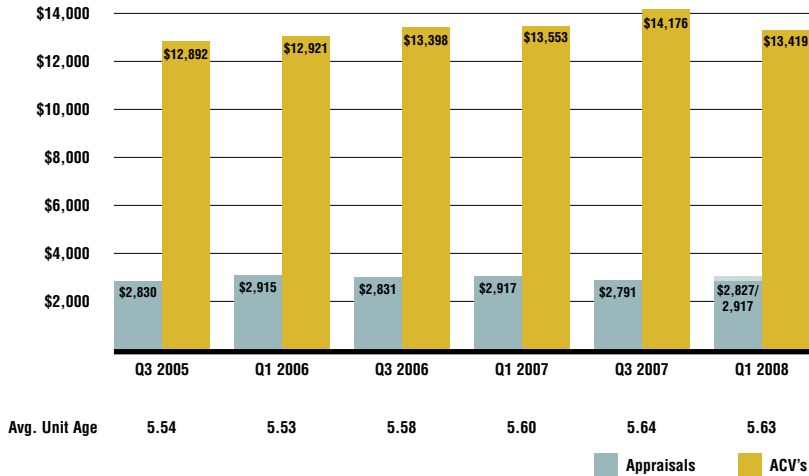
## Mitchell Product Solution: **UltraMate**

**UltraMate®** is Mitchell's 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. UltraMate is a central component of Mitchell's all-in-one estimating, imaging, and claims workflow management solution, UltraMate Premier Suite. For more information on UltraMate and UltraMate Premier Suite, visit Mitchell's website at [www.mitchell.com](http://www.mitchell.com).

## Collision Losses

Mitchell's Q1-2008 data reflect an average gross collision appraisal value of \$2,827, \$90 less than the same period last year. However, if we apply the prescribed development factor, we find the anticipated average gross collision appraisal value is the same as it was a year ago at \$2,917, on a vehicle with a slightly lower ACV.\*

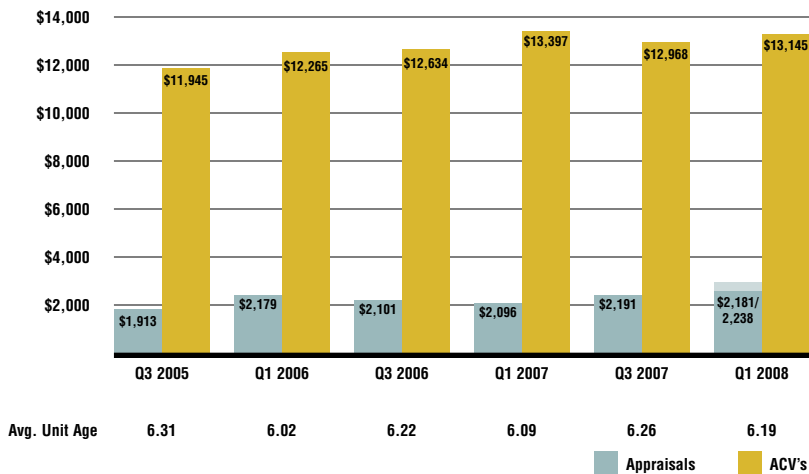
**Average Appraisal Values, ACVs and Age Collision Coverage\***



## Comprehensive Losses

In Q1-2008, the average gross appraisal value for Comprehensive losses processed through our servers was \$2,181, an increase of \$85. When we apply the prescribed 3% development factor, we anticipate the final comprehensive severity figure will be \$2,238.\*

**Average Appraisal Values, ACVs and Age Comprehensive Losses**

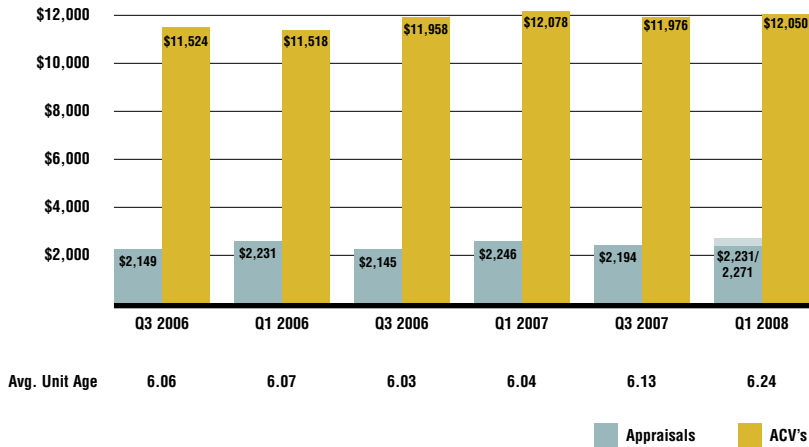


\*NOTE: Values provided from Guidebook benchmark averages, furnished through Mitchell UltraMate®.

## Third Party Property Damage

The Q1-2008 Third Party Property Damage average appraisal value was \$2,231, a decrease of only -\$15 over the same period last year. If we apply the appropriate development factor, we anticipate the final value will be \$2,271 on a vehicle with a slightly lower ACV.\*

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



## Supplements

*Editors 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 Q1-2008, 29.66% of original estimates prepared by Mitchell-equipped estimators during that period were supplemented one or more times. In the same period, the pure supplement frequency (supplements to estimates) was 51.87%, reflecting a 2% increase over the same period last year. At \$566.48, the average supplement variance was \$75.44 (12%) lower than the same period in 2007.

### Average Supplement Frequency and Severity

Date	Q3/05	Q1/06	Q3/06	Q1/07	Q3/07	Q1/08	Pt/\$ Change	% Change
% Est. Supplement	33.01	34.95	34.39	35.31	33.41	29.66	-5.65	-16%
% Supplement	42.95	49.16	47.66	50.77	46.46	51.87	1.1	2%
Avg. Combined Supp. Variance	623.05	637.47	633.27	641.92	626.59	566.48	-75.44	-12%
% Supplement \$	25.97	25.44	25.96	25.43	25.57	22.9	-2.53	-10%

\*NOTE: Values provided from Guidebook benchmark averages, furnished through Mitchell UltraMate®.

## 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 decrease of 2% in the use of parts, while the percentage of paint material and labor dollars used in the average appraisal have increased 5% and 2% respectively compared to Q1-2007.

### % Average Appraisal Dollars by Type

Date	Q3/05	Q1/06	Q3/06	Q1/07	Q3/07	Q1/08	Pt/\$ Change	% Change
% Average Part \$	44.38	44.77	44.38	45.87	44.32	44.79	-1.08	-2%
% Average Labor \$	44.67	44.63	44.68	43.39	44.75	44.26	0.87	2%
% Paint Material \$	9.48	9.21	9.48	9.32	9.65	9.78	0.46	5%

## Parts Analysis

As a general observation, recent data show that parts make up 44.9% of the average value per repairable vehicle appraisal, about 0.63 points more than the average allocation of labor dollars. In addition, the overall trend now reflects a stabilized level of OEM parts use, an increasing volume of Aftermarket and Remanufactured parts dollars used by Mitchell-equipped estimators, and declining LKQ (recycled) parts use.

*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.*

### 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.
- **Like Kind and Quality (LKQ):** 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: It is commonly understood within the collision repair and insurance industries that a very large number of LKQ "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 LKQ and any other parts types used per estimate may be difficult and inaccurate.*



### Mitchell Product Solution: **Mitchell Alternate Parts Program**

**Mitchell Alternate Parts Program (MAPP™)** offers automated access to nearly 30,000,000 Remanufactured, Aftermarket, and OEM Discount parts from over 1,500 suppliers, ensuring shops get the parts they need from their preferred vendors. MAPP is fully integrated with UltraMate for total ease-of-use. Designated company administrators are also provided the MAPP Matrix Manager application free of charge—allowing clients the ability to manage their MAPP matrices, run four different matrix reports, add new suppliers/parts, all from their local platform without the need for Mitchell support/intervention.



### Mitchell Product Solution: **Quality Recycled Parts (QRP)**

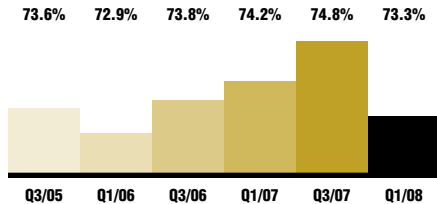
**Mitchell Quality Recycled Parts (QRP™)** is the most comprehensive source for finding recycled parts. It gives online access to a parts database compiled from a growing network of more than 2,500 of the highest quality recyclers in North America and Canada, covering more than 400 part categories representing access to nearly 44,000,000 parts from recyclers' parts inventories—updated daily. QRP is fully integrated with UltraMate for total ease-of-use. In addition, for selected QRP parts, UltraMate automatically applies Mitchell's Assembly Time Guide labor allowances and P-pages specific to LK parts replacement.

# Mitchell Collision Repair Industry Data (con't.)

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

In Q1-2008, OEM parts represented 73.3% of all parts used on repairable estimates written by Mitchell equipped estimators. That is a -0.9 decrease from the same period last year.

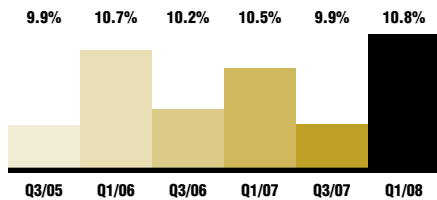
### OEM Parts, as a % of Total Parts Dollars per Appraisal



## Aftermarket Parts Use in Dollars

In Q1-2008, aftermarket parts increased by a mere 0.3 points over the Q1-2007 results. With results being as flat as they have been in recent periods, it points to the fact that the Aftermarket parts supply market may have reached maximum capacity under the existing infrastructure.

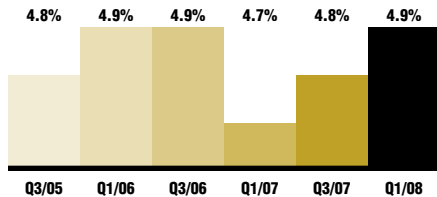
### Aftermarket Parts, as a % of Total Parts Dollars per Appraisal



## Remanufactured Parts Use in Dollars

Non-new or remanufactured parts use increased a mere 0.2 points over the same period in 2007, again showing remarkable consistency in utilization.

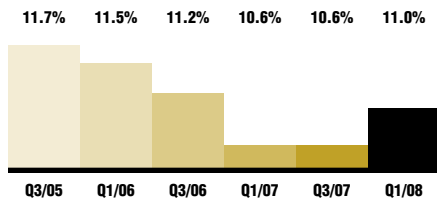
### Non-New/Remanufactured Parts, as a % of Total Parts Dollars per Appraisal



## Like Kind and Quality Parts Use in Dollars

LKQ parts use increased by only 0.4 points from Q1-2007. The combined modest increases in all categories of Alternate parts have contributed to the -0.9 point decrease in OEM parts use.

### LKQ Parts, as a % of Total Parts Dollars per Appraisal



## U.S. Auto Facts At-A-Glance...

### According to the U.S. Department of Transportation:\*

- Estimated annual highway fatalities: **43,400**
- Estimated annual number of highway fatalities caused by under inflated tires: **660\***
- Average hours spent by drivers crawling through traffic on their way to work: **38**
- Amount of money spent annually due to congestion, including 4.2 billion lost hours and 2.9 billion gallons of wasted fuel: **\$78 billion**
- Number of hours frustrated Los Angeles drivers spent behind the wheel wading through the most congested traffic: **72.**

*Next in line are Atlanta, San Francisco, Washington D.C., and Dallas.*

\*NOTE: All of these 'U.S. Auto Facts At-A-Glance' statistics except one are courtesy of the U.S. Department of Transportation. The statistic regarding under inflated tires is courtesy of the U.S. Rubber Manufacturers Association.



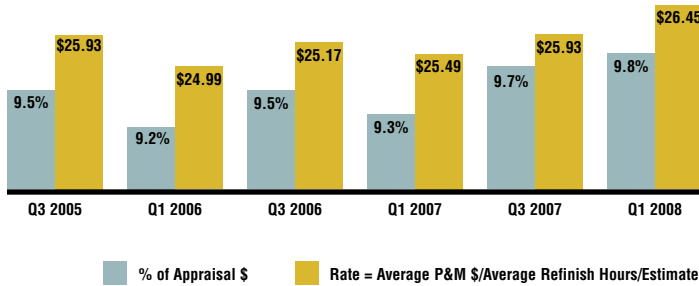
# Mitchell Collision Repair Industry Data (con't.)

## Paint and Materials

During Q1-2008, Paint and Materials made up nearly 9.78% of our average appraisal value, representing a 0.46 point increase over Q1-2007. The average hourly rate was \$26.45, a 0.96 cent increase over the first quarter 2007.

*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



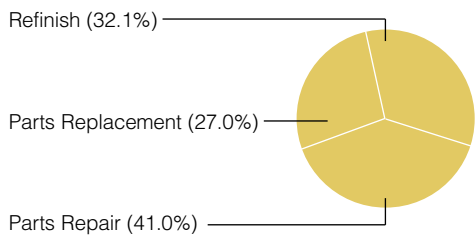
### Mitchell Product Solution: Refinishing Materials Calculator (RMC)

Mitchell's Refinishing Materials Calculator™ (RMC) provides accurate calculations for refinishing materials costs by incorporating a database of over 7000 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 preaccident condition. RMC is now also fully integrated with UltraMate v6.0 and UltraMate v6.0 Premier Suite for total ease of use. For more information on RMC, visit Mitchell's website at [www.mitchell.com](http://www.mitchell.com).

## Labor Analysis

Average body labor rates have risen compared to the same time period in 2007. All of our sample markets, with the exception of Hawaii, decreased by -0.8%

### % Average Labor Dollars by Type



### Average Body Labor Rates and Change by State

	Q1 2007	Q1 2008	Pt Change	% Change
Arizona	\$44.76	\$45.10	0.34	0.8%
California	\$46.64	\$47.37	0.73	1.6%
Florida	\$39.84	\$40.78	0.94	2.4%
Hawaii	\$42.77	\$42.44	-0.33	-0.8%
Illinois	\$45.55	\$45.90	0.35	0.8%
Michigan	\$40.15	\$40.54	0.39	1.0%
New Jersey	\$43.25	\$44.49	1.24	2.9%
New York	\$43.18	\$44.87	1.69	3.9%
Ohio	\$40.69	\$40.87	0.18	0.4%
Texas	\$39.72	\$40.73	1.01	2.5%

## Adjustments

In Q1-2008, the frequency of betterment taken decreased sharply compared to the same time period for the previous year, but there was a slight up tick in the dollar amount taken. Appearance allowances decreased slightly in frequency as well with a slight increase in the dollar average.

### Adjustment \$ and %'s

Date	Q3/05	Q1/06	Q3/06	Q1/07	Q3/07	Q1/08	Pt/\$ Change	% Change
% Adjustments Est	4.12	4.26	4.62	4.29	4.03	3.7	-0.59	-13.8%
% Betterment Est	3.28	3.25	3.55	3.36	3.19	2.94	-0.42	-12.5%
% Appear Allow Est	0.58	0.58	0.6	0.55	0.58	0.53	-0.02	-3.6%
% Prior Damage Est	5.31	5.24	4.81	4.57	4.67	4.42	-0.15	-3.3%
Avg. Betterment \$	127.18	110.4	111.81	104.28	117.89	107.15	2.87	2.8%
Avg. Appear Allow \$	160.95	156.16	181	164.28	170.61	167.02	2.74	1.7%

# J.D. Power and Associates: Facts, Figures, Trends

**Editor's Note:** The following information is reprinted from *PIN INSIGHTS* published by Power Information Network®, a division of J.D. Power and Associates. © 2008 by J.D. Power and Associates®, The McGraw-Hill Companies, Inc. All Rights Reserved.



## Growth of the Midsize Car Segment

The Midsize Conventional Car segment is thriving. Its share in the first quarter of 2008 climbed more than 2 points from last year to 16.05%, its highest level since 2003. This was the largest segment in the industry in the first quarter, and the gap in market share between it and the runner-up segment (Compact Conventional Car) is growing. One driver of the midsize car segment's growth is the recent introduction of several all-new models or major redesigns, including the Accord, Malibu, Sebring, Avenger and Aura, as well as the recent launch of three hybrid derivatives for the Camry, Altima and Malibu. With this new product activity, loyalty in the segment reached a 6-year high of 35.9% during the first quarter.

### Trended Metrics for Midsize Conventional Car Segment

Quarter	1Q 2003	1Q 2004	1Q 2005	1Q 2006	1Q 2007	1Q 2008*
Midsize Conventional Sales	656,058	604,183	581,317	569,444	543,009	573,259
Midsize Conventional % Total Industry	17.43%	15.48%	14.96%	14.51%	14.00%	16.05%
Midsize Conventional Loyalty**	35.10%	31.60%	30.40%	30.80%	32.70%	35.90%

**Source:** Power Information Network (PIN)

Note: Sales and share data include both retail and fleet

\*January 1–March 30, 2008 for loyalty data

\*\*Loyalty is defined as the percent of all owners of midsize conventional cars who traded for another new midsize conventional car in the designated time period

### Sales and Trading Data for Compact Crossover and Compact Utility Segments

Quarter		1Q 2007	1Q 2008*
Segment Loyalty**	Compact Crossover (CUV)	35.10%	36.50%
	Compact Utility (CU)	23.10%	17.70%
% CU trade to CUV		12.10%	14.10%
% CUV trade to CU		4.90%	3.20%
Sales % Change***	Compact Crossover (CUV)		7.20%
	Compact Utility (CU)		-24.20%
Share of Industry	Compact Crossover (CUV)	8.48%	9.74%
	Compact Utility (CU)	2.77%	2.25%

**Source:** J.D. Power and Associates

\*January 1–March 30 for loyalty and trading data

\*\*Segment loyalty is defined as the percent of all owners of vehicles in that segment who traded for another vehicle in the same segment

\*\*\*Percent sales change vs. same period a year ago, based on daily sales rate (DSR)

Notes: Compact Crossover and Compact Utility segments are non-lux only; sales and share data include both retail and fleet

## Financial/Economic Case for Hybrids Is Not There Yet

Among 10 of the most popular hybrids on the market today, the amount of time required to accumulate savings in fuel expenses that offset the price premium is far longer than one would ordinarily keep their vehicle. Using the national average price for regular unleaded gas of \$3.23 per gallon (as of March 10, 2008 as reported on [www.fueleconomy.gov](http://www.fueleconomy.gov)), Lexus GS 450h buyers would have to keep their vehicles for less time than buyers of any other hybrid models, but would still have to hold on to their vehicles for 10 years to earn back the premium. Owners of the Prius, by far the most popular hybrid, would have to hold on to their vehicles for 20 years to earn back the premium. If gas prices were to reach \$4 per gallon, Prius owners would still have to keep their vehicles for an unrealistic 16 years. While it is clear that hybrid sales are being driven by non-economic factors, it is also clear that if hybrids are to become mainstream products, price premiums will have to decline substantially or gas prices will have to rise above \$4 a gallon, or both.

### Years to Offset Hybrid Price Premium

Vehicles	Vehicle Price**	Hybrid Price Premium	Annual Fuel Cost (1)	# Years to Offset Price Premium	Annual Fuel Cost (2)	# Years to Offset Price Premium
Lexus LS 600H L	\$115,051	\$37,030	\$1,855	301	\$2,297	243
Toyota Highlander Hybrid	\$42,322	\$10,194	\$1,485	21	\$1,839	17
Toyota Prius***	\$24,904	\$9,285	\$830	20	\$1,028	16
Nissan Altima Hybrid	\$29,222	\$6,000	\$1,137	19	\$1,408	15
Lexus RX 400H	\$47,421	\$7,205	\$1,508	18	\$1,868	15
Toyota Camry Hybrid	\$27,754	\$5,958	\$1,159	17	\$1,435	13
Ford Escape Hybrid	\$29,238	\$7,028	\$1,204	14	\$1,491	11
Mercury Mariner Hybrid	\$30,783	\$6,831	\$1,204	14	\$1,491	11
Honda Civic Hybrid	\$22,897	\$4,295	\$917	12	\$1,136	9
Lexus GS 450h*	\$58,489	\$2,532	\$1,660	10	\$2,056	8

**Sources:** Power Information Network (PIN), October 1, 2007 – March 2, 2008; [www.fueleconomy.org](http://www.fueleconomy.org)  
 Note: Insufficient data for Saturn Aura hybrid, Saturn Vue hybrid, Tahoe hybrid and Yukon hybrid  
 \*Caution: small sample; \*\*Less customer cash rebate; \*\*\*Prius is compared with Corolla  
 Note: All data filtered for 2008 MY only  
 Assumptions: 12,000 miles per year; 55% city driving, 45% hwy driving;  
 Annual fuel cost (1) based on \$3.23 per gallon; annual fuel cost (2) based on \$4 per gallon

J.D. Power & Associates: Facts, Figures, Trends continues on next page...

## Longer Loans Continue to Gain Share

The retail finance business continues to embrace longer loans. Six-year loans (taken out at the dealership) now account for 4 of every 10 new-vehicle loans, almost double the mix 5 years ago. The mix of 7-year loans has more than doubled since 2005, and they now account for more than 1 of every 25 new-vehicle loans. The non-captives are leading the movement toward longer loans, and the captives are moving in the same direction but lagging by 2 to 3 years. Among the non-captives in 2008 to date, the total of 5-, 6- and 7-year loans has accounted for 87% of all new-vehicle loans.

### Trended Percent of Loans With 72- and 84-Month Terms

	Total	Captive	Non-Captive	Total	Captive	Non-Captive
	72 to 77.9 Months			84 to 89.9 Months		
2003	21.5%	14.9%	29.0%	0.8%	0.0%	1.6%
2004	31.0%	20.3%	40.8%	1.7%	0.0%	3.0%
2005	31.5%	21.1%	47.4%	2.0%	0.1%	4.5%
2006	38.8%	31.2%	49.4%	2.9%	0.2%	6.1%
2007	39.1%	30.0%	51.3%	3.8%	0.4%	7.6%
2008*	39.8%	31.7%	49.0%	4.1%	1.5%	6.8%

**Source:** Power Information Network (PIN)  
 \*January 1–March 16, 2008 only  
 Note: All data filtered for finance transactions only

# 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.

## Average Vehicle Age in Years

Vehicles	Q3 2005	Q1 2006	Q3 2006	Q1 2007	Q3 2007	Q1 2008
Convertible	9.31	9.52	9.76	9.48	9.94	9.69
Coupe	9.73	9.82	10	9.92	10.24	10.11
Hatchback	10.89	10.94	10.7	10.74	10.56	10.17
Sedan	9	9.11	9.18	9.22	9.34	9.33
Wagon	9.87	9.81	9.44	9.3	9	8.65
Other Passenger	9.37	10.01	10.55	10.54	10.84	10.39
Pickup	9.62	9.58	9.83	9.67	9.83	9.78
Van	9.47	9.48	9.58	9.53	9.69	9.61
SUV	7.78	7.83	8.02	8.07	8.26	8.32
Other Pickup/ Van/SUV	8.44	14.33	14.42	16.96	9.77	11.57

## Average Vehicle Actual Cash Value

Vehicles	Q3 2005	Q1 2006	Q3 2006	Q1 2007	Q3 2007	Q1 2008
Convertible	\$9,976.89	\$9,339.21	\$10,101.14	\$9,850.28	\$10,076.15	\$10,205.24
Coupe	\$5,519.82	\$5,457.90	\$5,833.18	\$5,970.69	\$6,091.30	\$6,193.99
Hatchback	\$3,744.64	\$3,960.68	\$4,631.78	\$4,795.36	\$5,437.27	\$5,602.49
Sedan	\$5,626.38	\$5,559.18	\$5,951.45	\$5,916.96	\$6,116.83	\$6,163.84
Wagon	\$5,913.95	\$6,253.02	\$6,759.21	\$6,868.27	\$7,367.90	\$7,455.62
Other Passenger	\$6,875.14	\$11,738.07	\$12,754.02	\$15,650.49	\$13,431.56	\$14,289.84
Pickup	\$8,503.66	\$8,813.94	\$8,897.34	\$8,951.20	\$9,055.35	\$9,292.12
Van	\$5,524.46	\$5,403.22	\$5,866.42	\$5,632.00	\$5,679.35	\$5,784.89
SUV	\$10,022.42	\$9,650.19	\$9,806.50	\$9,239.94	\$9,337.48	\$9,327.84
Other Pickup/ Van/SUV	\$9,626.44	\$9,190.95	\$16,071.25	\$8,385.63	\$15,989.69	\$14,145.38



Mitchell Product Solution:

## WorkCenter™ Total Loss

**WorkCenter™ Total Loss** is a state-of-the-art, loss vehicle valuation system designed to: 1) Improve policyholder satisfaction with the settlement process, 2) Automate Department of Insurance regulation compliance, and 3) Improve efficiency, reduce settlement time, and manage settlement costs. WorkCenter Total Loss's valuations are reliable and easy-to-understand. They're reliable because they're based on vehicles recently sold or advertised in the same area as the vehicle owner. Valuations are easy-to-understand because they are intuitive, and reports include details on comparable vehicles used in a valuation. WorkCenter Total Loss incorporates a leading-edge analytic model developed through a partnership with **J.D. Power and Associates®**—widely recognized and respected for their expertise and impartiality. You and your policyholders can be confident that valuations are fair and accurate.

# Canadian Collision Summary



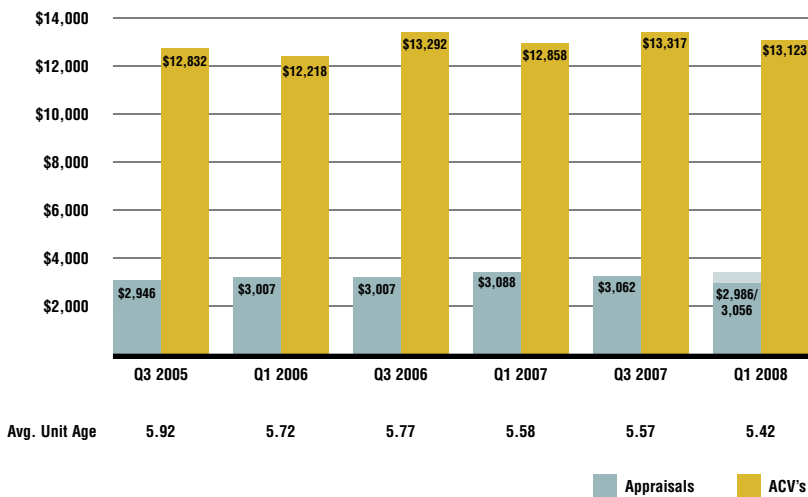
At the request of our customers and friends in Canada, we are pleased to provide the following Canada-specific statistics, observations, and trends. **All dollar-figures appearing in this section are in CDN\$.** As a point of clarification, these data are the product of upload activities from Body Shop,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

**Editors Note:** 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.

## Average Appraisal Values

The average gross appraisal value, calculated by combining data from all first and third party repairable vehicle appraisals uploaded through Mitchell Canadian systems in Q1-2008 was CDN \$2,986 a decrease of CDN \$102. However, when we apply the prescribed development factor, we believe the final gross appraisal value will be \$3,056.\*

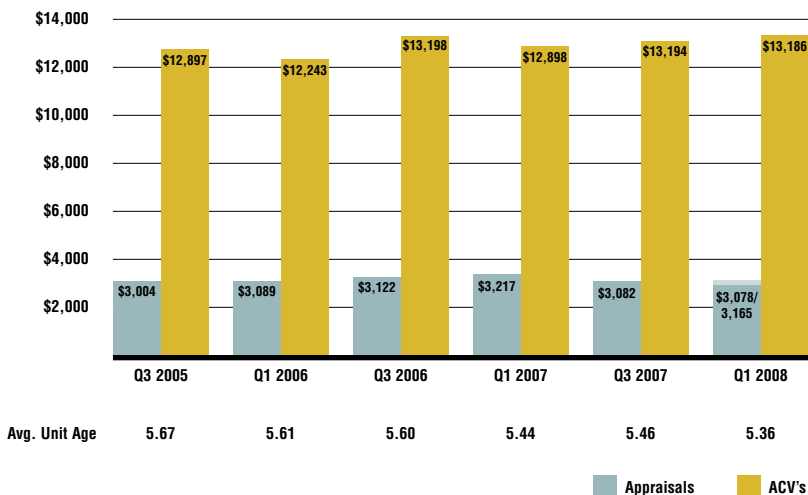
**Canada—Severity Overall**



## Collision Losses

Mitchell's Canadian average collision gross appraisal for Q1-2008 was \$3,078, a decrease of CDN \$139 over Q1-2007. When the development factor is applied, we believe the average appraisal value will be \$3,165 for the first quarter of 2008.\*

**Canada—Severity Collision**



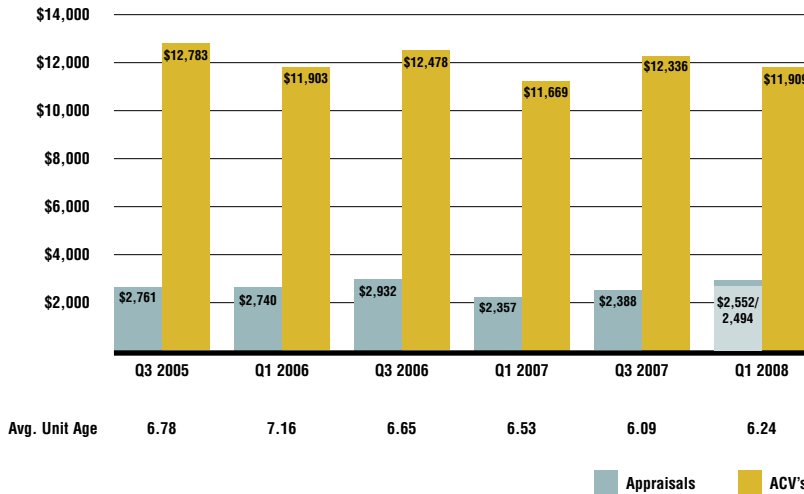
\*NOTE: Values provided from Guidebook benchmark averages, furnished through Mitchell UltraMate®.



## Comprehensive Losses

For Comprehensive losses in Q1-2008, the gross appraisal value was CDN \$2,742 which was a CDN \$179 increase over the same period in 2007. The developed value is anticipated to be CDN\$ 2,753.\*

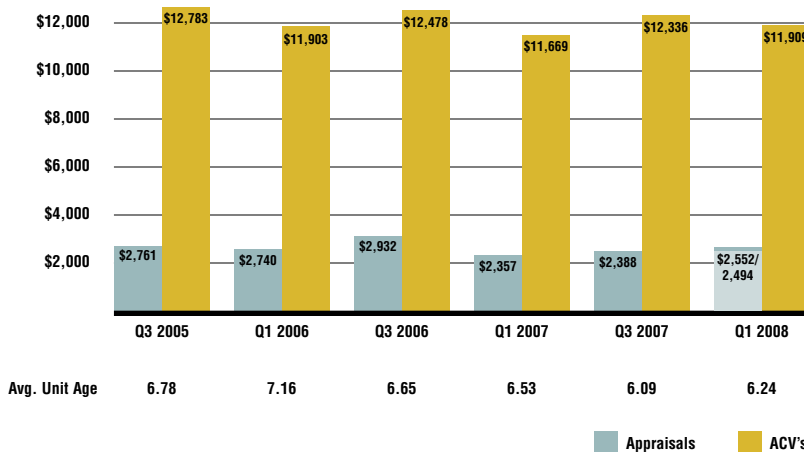
**Canada—Severity Comprehensive**



## Third Party Property Damage

The Third Party Property Damage gross written average appraisal value for Q1-2008 was CDN\$ 2,552 compared to CDN \$2,357 in the same period of 2007. With the appropriate development factor applied the anticipated final value is estimated to be CDN \$2,494.\*

**Canada—Severity APD**



### About Mitchell in Canada...

For more than 17 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 no one' 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.

To learn more about Mitchell Canada and its solutions and services, contact:

#### Mike Jerry

Vice President and General Manager—  
Mitchell Canada  
t: 888.209.4338  
f: 416.733.1633



\*NOTE: Values provided from Guidebook benchmark averages, furnished through Mitchell UltraMate®.



## Supplements

In Q1-2008, 34.31% of original estimates prepared by Canadian Mitchell equipped estimators during that period were supplemented one or more times. In the same period, the pure supplement frequency (supplements to estimates) was 62.61%, reflecting a 17% increase over the same period last year. At CDN \$225.86, the average supplement variance was CDN \$158.29, 41% lower than the same period in 2007.

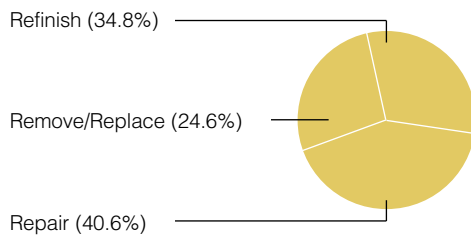
### Supplement %'s

Date	Q3/05	Q1/06	Q3/06	Q1/07	Q3/07	Q1/08	Pt Change	% Change
% Est Supplements	26.09	27.93	25.79	31.86	37.15	34.31	2.45	8%
% Supplements	30.41	31.86	17.33	53.56	47.81	62.61	9.05	17%
Avg Combined Supp Variance	364.53	355.8	458.83	384.15	350.96	225.86	-158.29	-41%
% Supplement \$	12.37	11.83	15.26	12.44	11.46	7.56	-4.88	-39%

## Labor Analysis

Canadian labor analysis copy: All data reflects the percentage of labor dollars utilized in estimates written by Canadian Mitchell equipped estimators. Average body labor rates in Canada have risen an average of 4.82 points (8.3%) over the same period last year.

### % Average Labor Dollars by Type



### Average Body Labor Rates and Changes by Province

	Q1 2007	Q1 2008	Pt Change	% Change
<b>CANADA</b>	\$50.08	\$53.59	3.51	7.0%
<b>ALBERTA, CAN</b>	\$55.06	\$63.25	8.19	14.9%
<b>BRITISH COLUMBIA, CAN</b>	\$56.72	\$64.14	7.42	13.1%
<b>NEWFOUNDLAND &amp; LABRADOR, CAN</b>	\$53.25	\$54.06	0.81	1.5%
<b>NOVA SCOTIA, CAN</b>	\$51.4	\$52.69	1.29	2.5%
<b>NORTHWEST TERRITORIES, CAN</b>	\$63.54	\$72.54	9.00	14.2%
<b>ONTARIO, CAN</b>	\$49.65	\$50.94	1.29	2.6%
<b>QUEBEC, CAN</b>	\$41.18	\$43.45	2.27	5.5%
<b>SASKATCHEWAN, CAN</b>	\$55.00	\$57.70	2.70	4.9%
<b>YUKON TERRITORY, CAN</b>	\$69.00	\$80.75	11.75	17.0%

## Average Appraisal Make-up

This chart compares the average appraisal make up as a percentage of dollars for estimates written by Canadian Mitchell equipped estimators. These data points reflect an increase in both labor and paint and materials for the first quarter of 2008.

### % Average Appraisal Dollars by Type

Date	Q3/05	Q1/06	Q3/06	Q1/07	Q3/07	Q1/08	Pt/\$ Change	% Change
% Average Part \$	42.13	46.08	43.19	45.8	42.16	43.76	-2.04	-4%
% Average Labor \$	46.63	43.2	44.33	43.22	46.58	44.77	1.55	4%
% Paint Material \$	8.03	7.71	8.44	8.14	8.57	8.79	0.65	8%





## Parts Analysis

As a general observation, recent data show that parts make up 44.9% of the average value per repairable vehicle appraisal, about 0.63 points more than the average allocation of labor dollars. In addition, the overall trend now reflects a stabilized level of OEM parts use, an increasing volume of Aftermarket and Remanufactured parts dollars used by Mitchell-equipped estimators, and declining LKQ (recycled) parts use.

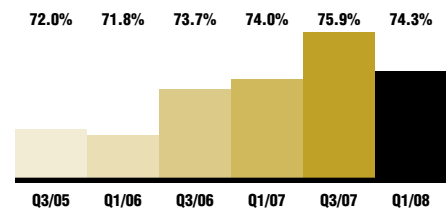
*Editor's Note: While there isn't a perfect correlation between the types of parts specified by estimators and those actually used during the course of repairs, we feel the following observations to be directionally accurate for both the insurance and auto body repair industries. This segment illuminates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

For Parts Types Definitions, see page 18.

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

In Q1-2008, the Canadian OEM parts use rose very slightly compared to the same period last year.

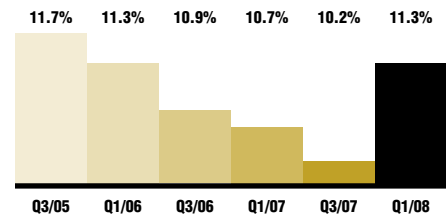
#### Canada—OEM



### Aftermarket Parts Use in Dollars

In Q1-2008, Aftermarket parts use rose slightly compared to Q1-2007, but have consistently remained between 10-11.8% of Canadian parts dollar use.

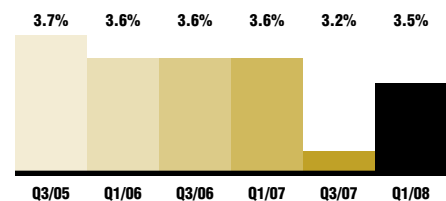
#### Canada—Aftermarket



### Remanufactured Parts Use in Dollars

Remanufactured use in Canada has been remarkably stable when comparing Q1-2008 to the same time period in 2007. There is no evidence in the Canadian industry that the use will increase in the near future.

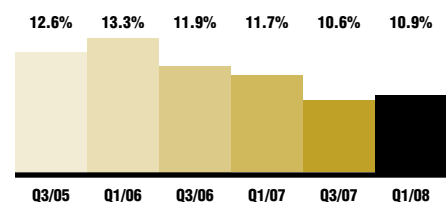
#### Canada—Non-New/Remanufactured



### Like Kind and Quality Parts Use in Dollars

For Used parts, Q1-2008 showed a slight decrease in utilization for Canada at 10.89% of parts dollars.

#### Canada—LKQ

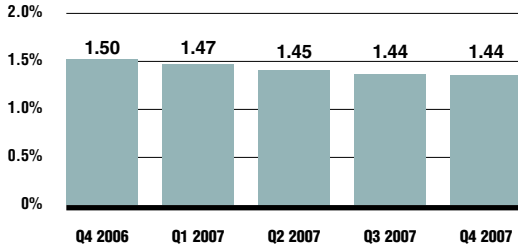


# Casualty Statistics

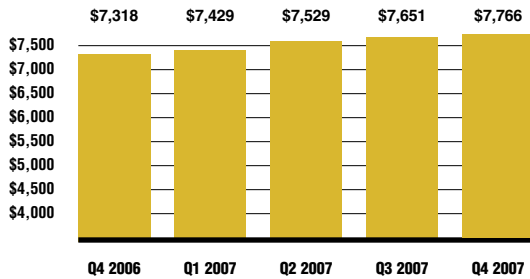
## Personal Injury Protection (PIP)

During the 4th quarter of 2007, the 12-month rolling average for countrywide Personal Injury Protection claims (as calculated From the percentage of such claims reported per 100 insured exposures) was 1.44 for the second quarter in a row, with an average severity of \$7,766.

**Countrywide PIP Frequency**



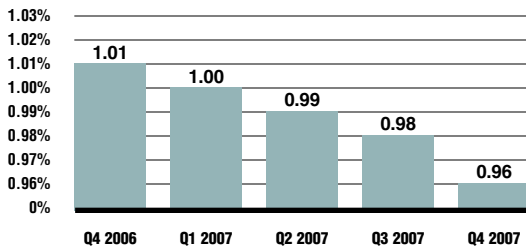
**Countrywide PIP Severity**



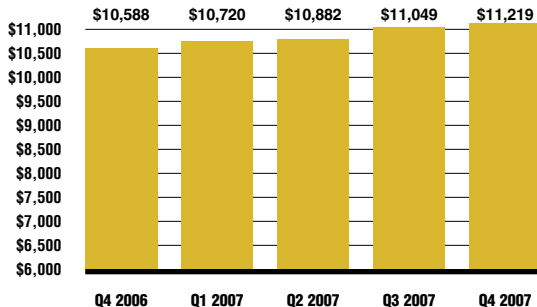
## Bodily Injury

As of the 4th quarter of 2007, the 12-month rolling average for countrywide bodily injury paid claims frequency was .96, down slightly from the previous totals. The average paid severity for bodily injury was again above \$11,000 at \$11,219.

**Countrywide BI Frequency**



**Countrywide BI Severity**



*Editors Note: All information depicted here is based on the most recent and available ISS (formerly PCIAA) Fast Track data, reported one quarter in arrears.*

### About Mitchell Medical...

Mitchell's Medical division has 20+ years experience delivering successful technology, database, and service solutions for collision-injury claim handling that are accurate and efficient. Mitchell Medical is proud to serve many of the top P&C Insurers using both enterprise-wide and standalone implementations.

Mitchell Medical **Decision Point**<sup>®</sup> facilitates 1st and 3rd party claim-handling by automating vital tasks, thus streamlining claim processing. Applying carrier-specific business procedures, claimant-specific treatment protocols, and Mitchell's industry acumen, the majority of claims are handled without human intervention from first notice of loss through payment. Exceptions are handled via automated assignment to the appropriate subject matter expert (nurse reviewer, special investigator, experienced adjuster). Decision Point monitors compliance with federal and state regulations, and includes powerful analytic capabilities for predictive modeling and performance management.

Mitchell Medical's extensive customer service infrastructure provides clients with training, plus systems, content, regulatory, and litigation support, process consulting, and outsource service options.

To learn more about Mitchell Medical and its casualty solutions, visit [www.mitchell.com](http://www.mitchell.com), or contact:

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## **Mitchell International, Inc.**

9889 Willow Creek Rd. – San Diego, CA 92131 – 858.578.6550

Mitchell International, Inc., founded in 1946 and headquartered in San Diego, California, is a leading provider of information and workflow solutions to the automotive insurance and collision repair industries, serving carriers, shops, and other commercial participants in the physical damage and auto-related medical claims processes. Mitchell facilitates millions of electronic transactions between more than 16,000 business partners each month to enhance their productivity, profitability, and customer satisfaction.

From the moment policyholders notify their insurance companies of a vehicle claim, Mitchell's state-of-the-art solutions go into action throughout the entire claims and repair cycle. Mitchell provides the information and workflow management expertise insurers and collision repair shops rely upon to serve their customers. From initial damage appraisal to helping collision repairers return vehicles to pre-accident condition, from shop management to salvage, claims review to subrogation, Mitchell is there to ensure every aspect of the industry has the tools it needs to get the job done.

All Mitchell collision solutions are backed by Mitchell's industry-leading Parts & Labor Database—the most accurate and comprehensive source for vehicle information available anywhere—and which recently expanded its coverage to include specialty lines such as motorcycles, recreational vehicles, and watercraft. The Mitchell Database stands as a critical point of connectivity between shops and insurers, an unbiased resource referenced by all industry participants as a basis for resolving collision claims consistently and accurately.

Mitchell International is a privately-held company, owned primarily by the Aurora Capital Group. Aurora Capital is a Los Angeles-based investment firm formed in 1991 that acquires and builds companies in partnership with operating management. The firm currently manages approximately \$2 billion in capital and is committed to investing in companies with unique, defensible market positions. Aurora is dedicated to generating long-term value principally through investing the time and resources necessary to enhance the fundamentals of each of its businesses.

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

For more information on Aurora Capital, please visit its website: [www.auroracap.com](http://www.auroracap.com).



## **Mitchell Medical and Jopari Solutions Team Up to Offer E-Billing Compliance Services to Automobile Property & Casualty Insurance Carriers to Meet New Minnesota Requirements**

*Mitchell Medical Extends Service Offering to Include Electronic Billing, Remittance and Payment Processing to Ensure Compliance with Emerging Ebill Mandates*

SAN DIEGO, CA and CONCORD, CA—February 04, 2008—The Mitchell Medical division of Mitchell International, Inc., which provides medical bill review, provider networks, workflow solutions, and decision support tools to over 60% of U.S. automotive insurance payers, and Jopari Solutions, Inc., the property and casualty industry's leading bill cycle automation technology provider, today announced Mitchell Medical will now include provider eBilling services as part of its suite of bill review and processing solutions. The Mitchell-Jopari solution will increase an insurers' ability to improve claims performance with compliant electronic transaction formats for eligibility requests, medical bill submissions, remittance advice and associated EFT payments.



Standardized ebill transactions are being increasingly mandated by state regulatory authorities. For example, the State of Minnesota Department of Health, as part of its recent Omnibus Health and Human Services funding bill, now requires that all providers and group purchasers exchange healthcare administrative transactions with insurance payers in standard electronic formats starting January 2009.

Mitchell Medical's medical ebill processing capabilities will allow auto insurers in states such as Minnesota to fully comply with the new rules. Minnesota's mandate is all inclusive, affecting anyone who bills for, or purchases health care services, and includes the medical component of automobile insurance. In a continuous effort to serve the evolving needs of insurers, Mitchell partnered with Jopari Solutions, an established leader in the eBilling space with a proven technology platform and significant clients from both the payer and provider communities.

Mitchell and Jopari are experienced partners able to combine claims process expertise to address the challenge of medical billing in the automotive claims process. Jopari already supplies the cutting edge technology behind Mitchell's AutoPay™ payment and remittance automation service. Customers of Mitchell's DecisionPoint® automated medical bill review processing will also benefit from the Jopari partnership as the companies have worked to ensure fast implementation and a smooth transition to the eBill solution.

According to Tom McCarthy, Executive Vice President of Mitchell International, "Mitchell's customers can depend on us to help them overcome the challenge of meeting ever-changing regulatory compliance dictates. We have committed substantial resources to ensure our eBilling offering addresses all the technology and business needs of automobile insurers. Partnering with Jopari to provide seamless technology integration gives Mitchell customers a complete, comprehensive electronic medical billing solution that painlessly integrates with their current medical billing systems."

To assure Mitchell provides "day one" compliance capabilities, Mitchell Medical and Jopari are participating with the Technical Advisory Group (TAG) of the Minnesota Administrative Uniformity Committee (AUC), which is charged with developing the state's new health care transaction data sets and specific rules.

Jim Grim, Senior Vice President of Jopari Solutions commented, "We are very pleased to partner with Mitchell in this effort and to add to the depth and breadth of our already successful partnership. There is not a lot of time at this point - Minnesota's eBilling rules go into effect in January 2009, and we urge insurance carriers to make compliance decisions early in 2008. Together, Mitchell and Jopari can help carriers comply in a tight timeline with the best eBilling solution available in the medical claims processing marketplace today."

Minnesota rules for Uniform Electronic Transactions and Implementation Guide Standards are due for publication one year prior to their effective dates. Rules for eligibility request and response are due Jan 15, 2008, medical bills will be finalized by July 15, 2008. Rules for payment and remittance are due December 1, 2008.

## **Mitchell to Present to Society of Insurance Research on Leveraging Auto Physical Damage and Bodily Injury Claims Data**

*Insurers can use data as a valuable tool to remain competitive in changing marketplace*

SAN DIEGO, CA – March 3, 2008 – Mitchell International will present to the Society of Insurance Research (SIR) during the SIR's Product/Claim Summit on March 11th in San Antonio, Texas. Senior Director, Information Services, Jamison Day, and Executive Vice President and Founder of Mitchell Medical, Thomas McCarthy, will share insight with insurers on leveraging claims data and turning it into Business Intelligence to gain insight into overcoming current economic and industry-wide trends affecting the Claims organization.



One recent study conducted by Mitchell reinforces that the current trend of a flattening to slightly declining portion of total losses has been occurring in the industry over the last few years. Changes in vehicle mix, moving towards vehicles with lower underlying total loss rates, have driven the drop.

Mr. Day noted: "Business Intelligence is a hot buzzword these days and, at Mitchell, we'd like to think we're playing a part in understanding how we can leverage those new technologies and approaches in our industry. We have been helping executives in the Claims organization make sense of data and trends for years now. At this conference, we're trying to highlight some examples where we can use claims data for generating insights and trends that may also be interesting and helpful for the underwriting side of the house."

The Company has also studied the effects of several other trends that will likely continue into the future, such as the use of aluminum body parts and the dramatic growth of hybrid vehicle sales. In both cases, the Company saw increases in average repair costs.

"If the overarching market trends continue into the future, we expect the underlying trends in claims to continue—something the underwriting organizations may want to weigh as they think about future pricing," said Day.

Mitchell Medical will also present its own set of trend analysis and results at the conference. Tom McCarthy will address how inflation in the cost of medical care is impacting auto bodily injury claim severity. McCarthy will also share information with insurers on how they can combat this phenomenon and effectively control costs using a comprehensive medical management system.

"It is critical for insurers to be aware of the importance of streamlining cost controls and improving performance," said McCarthy. "If insurers understand just how important a total medical management system is to the injury claims process, they will be better able to serve their customers by efficiently handling the review process."

## **Enclarity and Mitchell Medical Partner to Sell ProviderPoint Solution to Property and Casualty Insurance Market**

*Healthcare and property and casualty insurance: Two industries, same problem, one easy solution*

ALISO VIEJO, Calif., March 11, 2008 – Enclarity Inc., a leading healthcare information solutions company, and Mitchell Medical, a leading provider of information, workflow and performance management solutions to the automobile casualty claim industry, are partnering to sell Enclarity's award winning ProviderPoint® solution to the property and casualty insurance market. The healthcare insurance and the property and casualty insurance industries suffer from the same problem of bad provider data. Enclarity ProviderPoint addresses this problem by supplying the most correct, current and comprehensive provider information available. Mitchell Medical will resell ProviderPoint to its customers for use with its Decision Point® suite of products.



"Bad provider data is prevalent in any industry where medical claims are processed, including property and casualty," said Sean Downs, president and chief executive officer, Enclarity. "Payers use provider data every day for claims processing, and without accurate

provider information, our clients suffer millions in lost revenue when claims fall out of the auto-adjudication process. By combining our efforts, Enclarity enters a new market and Mitchell is able to deliver a proven data cleansing and augmentation solution to the automobile casualty insurance market.”

Mitchell Medical will sell Enclarity’s ProviderPoint solution as a companion to its industry-leading Decision Point suite of products to handle claims more accurately for their customers.

The power of ProviderPoint combined with Decision Point will:

- **Reduce loss adjustment expenses** by handling claims more accurately
- **Improve provider relations** by processing claims faster
- **Reduce cycle times** by increasing auto adjudication of electronic claims

“We are very excited to partner with Enclarity to provide this unique solution to our customers,” said Tom McCarthy, Executive Vice President and Founder of Mitchell Medical. “Our customers have the same issues and challenges of dealing with the side effects of bad provider information. Through technology and process, we will be able to access the most up-to-date and accurate provider information in the industry from a proven leader in this market.”

Enclarity will attend the Mitchell Medical Industry Conference in Monterey, Calif., March 17-19, 2008.

### **Mitchell Releases Next Generation Collision Estimating and Reference Guides That Include Quick Reference Paint and Materials and Air Bag Information**

*Mitchell Quick Reference information provides at-a-glance view helping add to shop efficiency and knowledge base*

San Diego, CA — March 31, 2008 — Mitchell International, a leading provider of information, workflow, and performance management solutions to the automotive insurance claims and collision repair industries, today announced the release of its Next Generation Collision Estimating and Reference Guides. The Guides now contain valuable Paint and Materials and Air Bag information for new model vehicles, providing technicians and estimators with a comprehensive supplement or stand-alone reference that gives them the tools and information they need for a more efficient repair process.

One of the valuable new resources included in the Guides is the Air Bag Quick Reference information. This information will help technicians and estimators quickly access critical airbag procedures like disabling, activating, and system operation check instructions, which helps shops work safely on new model vehicles.

Similarly, The Quick Reference Paint and Materials information refines shop repair processes by improving the workflow for new vehicle refinish estimates, even if the shop is not using an electronic estimating system. Along with increased workflow efficiency, access to this information in the Guide will help to minimize costly and time-wasting supplements.

“Our goal at Mitchell is to constantly improve the products and services that we provide to the collision repair industry,” said Peter Lovasz, Product Manager at Mitchell International. “We’re extremely proud of the fact that that Mitchell continues to be the solution provider of choice for print Collision Estimating Guides—both as a primary estimating tool and as a companion to complement our electronic estimating software.”

Mitchell’s Collision Estimating and Reference Guides contain comprehensive, accurate, and up-to-date model coverage and have been trusted for over 60 years as the market-leading print resource for reliable collision estimating information. They are currently available for purchase through [www.mitchell.com](http://www.mitchell.com) or by calling Mitchell at 800-238-911 x 8508.



# The 2008 Mitchell "Road Show"

## A **LIVE EVENT** you don't want to miss...

Mitchell's 2008 **ROAD SHOWS** are happening all across the country, and you are invited to attend one of these entertaining and knowledge-packed events. With the ever-changing collision repair marketplace, our ROAD SHOW will focus on how shops are adapting to stay ahead of the competition. This event is your opportunity to hear from industry experts, to network with fellow pros, share best practices, and—of course—have fun and win prizes too!

What people are saying about their Mitchell ROAD SHOW experience...

*"The knowledge I received from Mitchell's "ROAD SHOW" helps our business every day. Mitchell is a lot more than just an estimating company! They have helped out in all areas of our business!"*

— **Lenny Chamberlain,**  
**Lenny's Auto Body, Middleboro, MA**

### **\$150 FEE TO ATTEND\***

Price includes dinner, drinks, and gaming activities.

*\*The \$150 fee will be automatically waived for the first 50 Mitchell customers to reserve their space per event. Seating is limited, please call or go online for your FREE reservation!*

### **THE 2008 ROAD SHOW AT A GLANCE:**

Expect a fully engaging and informative session when you attend this one-of-a-kind event. Here is a general agenda of topics that will be covered in this informative and fun session:

- AGENDA:
- ▶ Managing for Profit
  - ▶ Your Local 'Industry Trends Report' – Benchmarking your shop
  - ▶ Estimating for Accuracy – an accurate estimate is a business advantage you can't afford to overlook.
  - ▶ What's New at Mitchell – an insider's look at the exciting solutions available today, plus an exclusive preview of our upcoming tools designed to fit the needs of shops of all sizes!

### **TO ATTEND OF FOR MORE INFORMATION:**

There will be a limited number of spaces available for attendees.

It's easy to reserve your spot:

Call: **(800) 238-9111, ext. 8906** or

Visit Online: [www.mitchellroadshow.com](http://www.mitchellroadshow.com)

If you cannot attend, we recommend you try to send a representative in your place who could benefit from this special experience.



## **THE 2008 MITCHELL ROAD SHOWS**

**Putting Our Solutions Muscle on the Road!**

### **SCHEDULE:**

Thursday, May 8<sup>th</sup>

#### **Seattle/Tacoma, Washington Area**

Sykart Tukwila  
6:00 – 10:00 p.m.

\*Co-hosted by Autobody Craftsman Association

Thursday, August 21<sup>st</sup>

#### **Indianapolis, Indiana**

Jillians Billiards,  
Indianapolis  
6:00 – 10:00 p.m.

Thursday, May 15<sup>th</sup>

#### **Hanover, Maryland**

Dave and Busters,  
Arundel Mall  
6:00 – 10:00 p.m.

Wednesday,  
September 10<sup>th</sup>

#### **Dallas, Texas**

Dave and Busters,  
Stemmons Location  
6:00 – 10:00 p.m.

Thursday, May 22<sup>nd</sup>

#### **San Juan, Puerto Rico**

ABC Infotech Inc.  
Headquarters  
6:00 – 10:00 p.m.

Thursday, September 18<sup>th</sup>

#### **Chicago, Illinois**

Dave and Busters,  
Addison Location  
6:00 – 10:00 p.m.

Thursday, May 29<sup>th</sup>

#### **Phoenix, Arizona**

Dave and Busters  
6:00 – 10:00 p.m.

Thursday, September 18<sup>th</sup>

#### **Calgary, Canada**

Schanks, South Calgary  
Location  
6:00 – 10:00 p.m.

Thursday, June 5<sup>th</sup>

#### **Tampa, Florida Area**

Gameworks  
6:00 – 10:00 p.m.

Thursday, September 25<sup>th</sup>

#### **Providence, Rhode Island**

Dave and Busters,  
Providence Place  
6:00 – 10:00 p.m.

Thursday, June 12<sup>th</sup>

#### **Los Angeles/Ontario, California**

K1 Speed Ontario  
6:00 – 10:00 p.m.

Thursday, October 2<sup>nd</sup>

#### **Philadelphia, Pennsylvania**

Dave and Busters,  
Philadelphia  
6:00 – 10:00 p.m.

Thursday, August 14<sup>th</sup>

#### **Northern California/Bay Area**

Go Kart Racer,  
Burlingame  
6:00 – 10:00 p.m.

# Mitchell Brand Advertising at Work

Mitchell continues to draw attention to its new **WorkCenter™** claims processing workspace—where *simplification is the innovation*. With a highly developed mix of modules facilitating efficiency and seamless workflow, insurance companies can realize significant improvements across their claims processing environment—which can have a pronounced effect on your Chief Information Officer, too...

Assignment | Dispatch | Estimating | Total Loss | Parts Management | Salvage | Compliance | Audit | Review | Reinspection | Payment | CSI | Analytics

**MITCHELL**  
**SOLUTIONS**  
**WITH MUSCLE**

WHEN YOU HAVE  
ONE SOLUTION,  
YOU HAVE A VERY  
HAPPY CIO.



The Mitchell **WorkCenter™**  
Claims Performance Solution:





## Mitchell Brand Advertising at Work (con't.)

Mitchell will again be a sponsor in the eleventh annual *2008 Auto Insurance Report National Conference* being held April 27-29, 2008, at the St. Regis Resort Monarch Beach, California. This Mitchell ad—communicating the depth of one company's integrated solutions and the advantage this has for an insurer's total claims performance in both auto physical damage and casualty—will appear in the Conference's Program Guide.

# IT'S ONE CLAIM...



SPECIFIC SOLUTIONS FOR: Damage appraisal systems, total loss valuation, claims workflow automation, CSI, analytics & reporting, medical bill review, payment workflow optimization, mobile workforce management, 3rd party settlement, auto glass solutions, and more.

## IT SHOULD TAKE ONE SOLUTION FROM ONE COMPANY: **MITCHELL.**

Mitchell is a company continually improving the business processes of insurance companies when it comes to the four key drivers of claims performance:

**Controlling APD Severity, Controlling Casualty Severity, Reducing LAE Costs, and Improving Customer Retention.**

With a focus on total claims performance, our solutions combine to form the only single-company source for both *Auto Physical Damage (APD)* and *Casualty* needs. Take the simplification and innovation built into the all-new

Mitchell **WorkCenter**™ APD platform. Its seamless workflow drives efficiencies at every turn.

Then there's the comprehensive suite of casualty claim solutions from Mitchell **Medical**®—uniquely and expertly focused on providing casualty claim professionals with Best-in-Class decision support from liability determinations through medical bill review and bodily injury evaluations—all incorporated into a seamless claims process.

One company focused on one thing—improving your claims processes. That's Mitchell.

### MITCHELL CONTACT INFO:

APD Claims Solutions: 800-835-0219 | Casualty Claims Solutions: 800-424-1132 | Website: [www.mitchell.com](http://www.mitchell.com)



## Mitchell Brand Advertising at Work (con't.)

Connecting body shops to the most complete set of powerful business efficiency tools is what distinguishes Mitchell from the pack. This recent ad that appeared in *Automotive Body Repair News* and *BodyShop Business* magazines is one in a series that focuses on the complete array of Mitchell solutions—from business management systems to estimating and workflow solutions to specialty products and more—all designed for powerful performance.

Business Management Systems | Estimating/Workflow/Communications | Collision Repair Information | CSI | Glass

**MITCHELL  
SOLUTIONS  
WITH MUSCLE**

# BUSINESS TOOLS THAT KICK!

Start with the industry's #1 choice for business management systems: **ABS™**—which comes in two powerful options: **ABS 8** or **ABS Enterprise**. Add the efficiency-generating estimating, workflow, and communications solution—**UltraMate® Premier Suite**—and you're on your way to making your shop a performance standout when it comes to productivity and being business partner-friendly. Mitchell can even help you generate a glass profit center with our point-of-sale software **GlassMate®**. Winning performances get their kick with Mitchell's solutions with muscle.



Get a kick out of performance solutions from Mitchell:

**(866) 655-2544**



# Industry Trends Report

**Volume Eight Number Two  
Q2 2008**

**Published by Mitchell International, Inc.**

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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