

Industry Trends Report

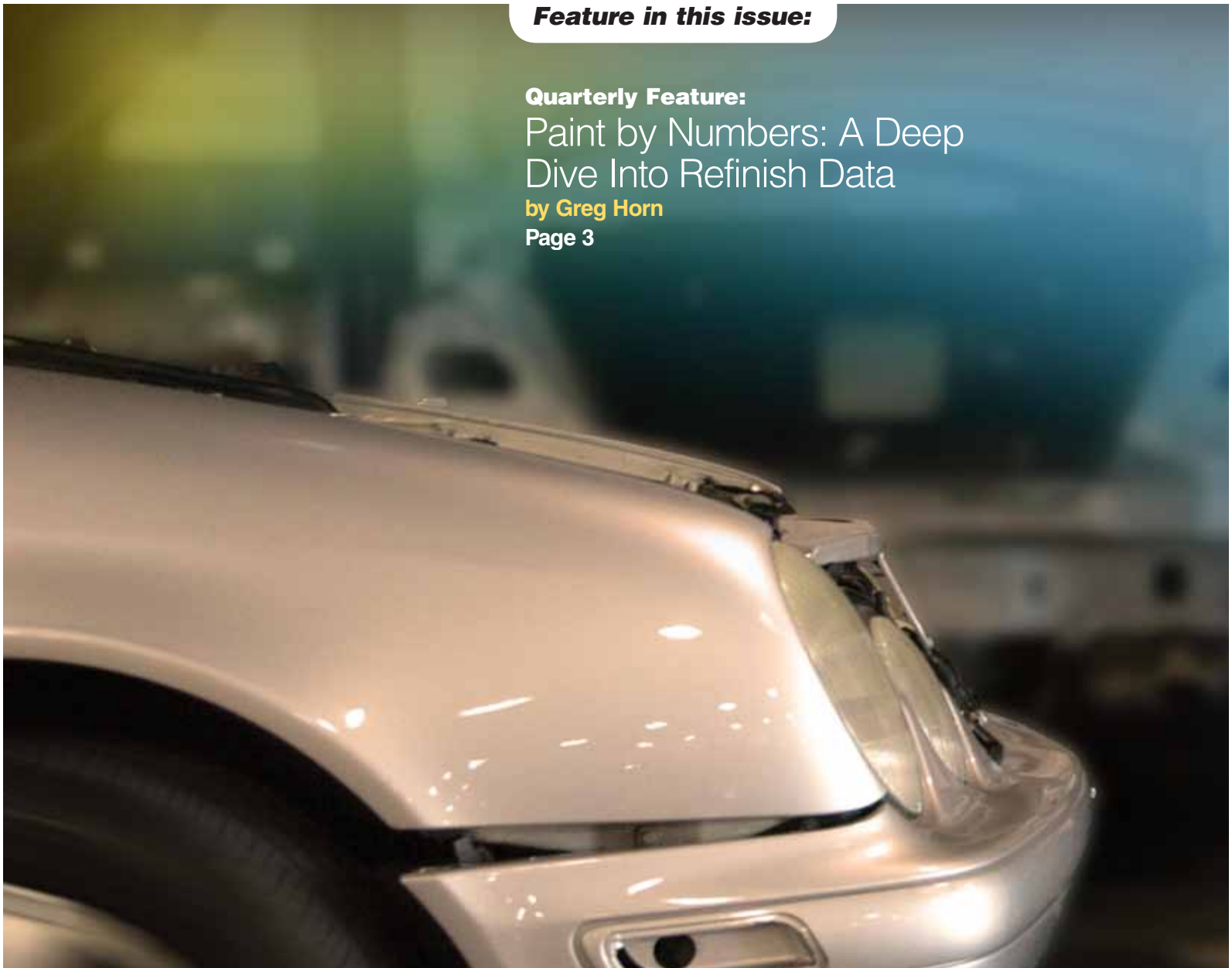
Feature in this issue:

Quarterly Feature:

Paint by Numbers: A Deep
Dive Into Refinish Data

by **Greg Horn**

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Industry Trends Report

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Mitchell International, Inc., founded in 1946 and headquartered in San Diego, California, is a leading provider of information and workflow solutions to the Property & Casualty Claims and Automotive Collision Repair industries. The company's comprehensive solution portfolio streamlines the entire auto physical damage, bodily injury and workers' compensation claims processes. Mitchell enables millions of electronic transactions between more than 30,000 business partners each month to enhance partner productivity, profitability, and customer satisfaction. For more information on Mitchell International, please visit our website at www.mitchell.com.



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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Paint by Numbers: A Deep Dive Into Refinish Data

BY GREG HORN

Vice President of Industry Relations, Mitchell International

It occurred to me as I was prepping my 1978 Triumph Spitfire for refinishing that I have spoken about many aspects of the collision repair process—except for the refinish process. One specific area I was curious about was whether all vehicles are treated equally in this process (i.e., do all vehicles receive the same treatment regardless of age, type or origin).

To find out, we took a very comprehensive and detailed look at refinish data for one year of appraisals and compared vehicle age, type and origin to see if there were significant differences. Before we really get started, I want to make it clear that this article examines the data only and is not intended to be construed as advocating or refuting any OEM refinish procedure or recommendation. I firmly believe that every damaged vehicle is unique, and the proper repair procedure must be done on an individual basis.

This determination should include:

- vehicle age, condition, design, and finish;
- location and extent of damage;
- automaker and paint company's recommended procedures; and
- customer expectations.

Passenger Cars vs. Trucks

Looking at passenger cars vs. trucks/SUVs, many have long been believed that these particular vehicles require more paint than the average passenger car. While this holds true overall, the point of impact makes a significant difference. Remember that passenger cars have large painted bumper covers, both in the front and rear, compared to many trucks and SUVs that still sport chrome bumpers. Contrary to what you might think—for front area impacts—passenger cars require more paint than the typically larger trucks and SUVs.

On estimates with a blend specified, trucks and SUVs do have slightly fewer hours added for blending into adjacent panels, averaging 1.35 hours of blend versus 1.4 average hours for passenger cars. This is presumably because the panels are large enough to effectively blend the base color within the damaged panel.

What About Vehicle Origin?

Does country of origin play a role in blend time or clear coat times? It's safe to say that it used to in some cases. If you've been in the business long enough, you might remember when some popular Asian-built coupes did not have a roof trim rail and there was no clean panel break between the roof and quarters. What about European vehicles...do they receive more blend time than domestic brand vehicles? Take a look at Chart 1.



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 Property and Casualty Claims and Automotive Collision Repair industries.

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.

I firmly believe that every damaged vehicle is unique, and the proper repair procedure must be done on an individual basis.

Chart 1

Average Blend Hours on Estimates with Blend Specified

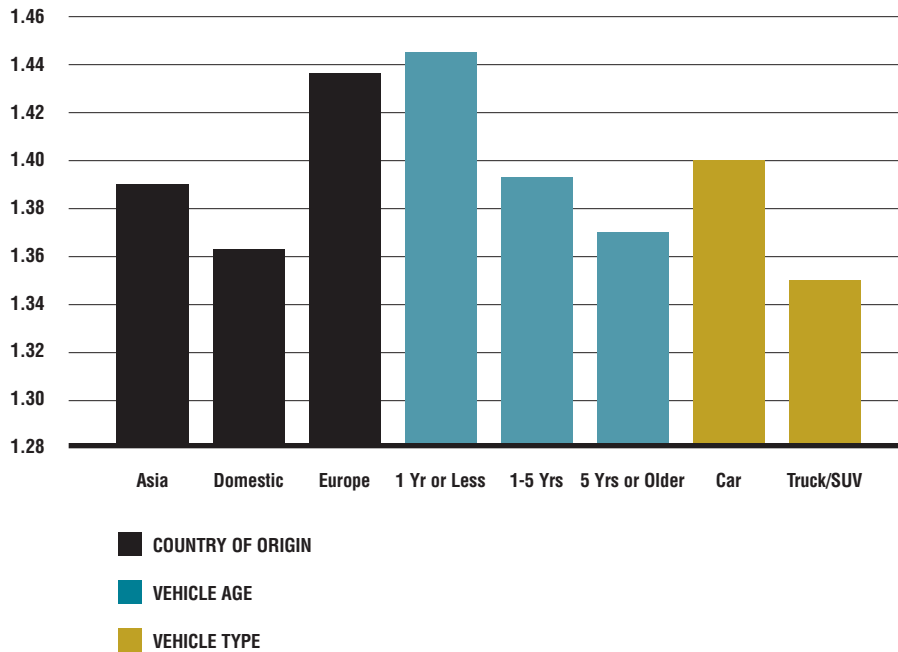


Chart 1 breaks down estimates where blending was specified and compares blend times by vehicle country of origin, age and type—showing higher blend hours for European vehicles and those that are one-year-old or less. Even without looking at the chart, it is easy to conclude that if you own a 2005 or older domestic truck or SUV, chances are there will be fewer blending hours on the appraisal than if you have a new Mercedes Benz.

I have some theories on why European vehicles have higher blend hours on average in cases where blending is specified on the estimate, but what I find more interesting and want to focus on is that new vehicles (one-year-old and less) also receive more blend time than a two-year-old vehicle.

Do these differences illustrate the fact that certain newer vehicles have specific paint systems and therefore require additional paint work, or does it reflect the type of repair shop (and its demands) owners of newer and perhaps higher end vehicles are choosing?

The task of masking for overspray is one area that can shed some light on this question. To answer it, we looked at two measures (including only data for estimates where masking was specified):

- 1) How many masking hours were specified for vehicles by country of origin, spread among all estimates?
- 2) Did any group of vehicles receive fewer masking hours?

Contrary to what you might think—for front area impacts—passenger cars require more paint than the typically larger trucks and SUVs.

New vehicles (one-year-old and less) also receive more blend time than a two-year-old vehicle.

Chart 2

Mask for Overspray by Vehicle Origin

Origin	Mask Overspray Hours per Estimate	Average Mask Only Estimate with Mask
Asia	0.03	0.41
Domestic	0.02	0.35
Europe	0.03	0.41

The data in Chart 2 shows that domestic brand vehicles had a very slightly lower instance of masking specified, and on those estimates where it was specified, there was a lower average time specified.

What Conclusions Can We Draw?

While the data seems to show that older vehicles (including trucks/SUVs) receive lower hourly additional paint operations, it is logical to assume that the country of origin vehicle mix is an important factor as well. If we look at the geographic areas where both the amount of older and domestic vehicles (and for that matter more trucks) make up more of the vehicle population, the Midwest and the South are areas where you find more trucks than passenger cars and more domestic than foreign vehicles. We can't conclude whether or not these shops are simply accustomed to blending within the panel or whether they are charging lower blend times. That can only be answered on a case by case basis.

YOUR KEY TAKEAWAY: While the data seems to show that older vehicles (including trucks/SUVs) receive lower hourly additional paint operations, it is logical to assume that the country of origin vehicle mix is an important factor as well.

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The Economy & Short-Term Energy Outlook

The Economy

ACCORDING TO A STATEMENT RELEASED ON JANUARY 4, 2011, THE FEDERAL OPEN MARKET COMMITTEE decided to maintain the target range for the federal funds rate at 0 to 1/4 percent and continues to anticipate that economic conditions, including low rates of resource utilization, subdued inflation trends, and stable inflation expectations, are likely to warrant exceptionally low levels for the federal funds rate for an extended period.

House prices and housing activity are likely to be lower, while interest rates, oil prices, and the foreign exchange value of the dollar are projected to be higher, on average, than previously assumed. Relatively rapid increases in energy prices are expected to raise total consumer price inflation above the core rate in the near term, but this upward pressure should dissipate by 2012.

Economic growth, which had been moderate, is expected to pick up somewhat going forward. Indicators of production and household spending have strengthened, and the tone of the labor market is a little better on balance. However, a number of factors will likely to continue restraining growth, including the depressed housing market, employers' continued reluctance to add to payrolls, and ongoing efforts by some households and businesses to delever. Moreover, the recovery remains subject to some downside risks, such as the possibility of a more extended period of weak activity and lower prices in the housing sector and potential financial and economic spillovers if the banking and sovereign debt problems in Europe worsen. In light of recent readings on consumer inflation, underlying inflation has continued trending downward.

In the household sector, retail sales were somewhat stronger than expected, particularly holiday spending. Consumer confidence appears to be improving. Financial obligations and debt service costs have been declining as a share of household income, and that process is providing greater latitude for a pickup in discretionary purchases. Nonetheless, there are indications that retail spending by middle- and lower-income households has risen less than spending by high-income households—suggestive of ongoing financial pressures on those of more modest means. Furthermore, the housing sector, including residential construction and home sales, continues to be depressed. The elevated supply of available homes and the overhang of foreclosed homes are factors contributing to further declines in house prices. The lower house prices, in turn, reduce household wealth and thus restrain growth in consumer spending.

Some businesses are said to be more optimistic about the outlook for sales and production. Nonetheless, many still remain cautious about hiring and investment, with some reportedly concerned about the potential effects of government policies. The manufacturing, agriculture, and energy sectors showed particular signs of strength, and the high-tech sector appears to be improving. However, nonresidential construction remains very weak, apart from drilling and mining.

Conditions in the labor market appear to be improving on balance, reflected in a range of recent indicators including a declining number of new jobless claims, an increase in job openings, and an uptick in the average workweek. Nonetheless, the pace of hiring is still sluggish. The unemployment rate edged higher in November, and the employment-population ratio remained very low.

Measures of underlying inflation continue to trend downward, with the slowdown in price increases evident across categories of goods and services and across different inflation measures. Although the prices of some commodities and imported goods have risen appreciably, businesses seem to have little ability to pass these increases on to their customers, given the significant slack in the economy. Also, the high level of unemployment limited gains in wages and thereby contributed to the low level of inflation.



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

A gradual pickup in growth with slow progress toward maximum employment is expected. However, it is possible that growth could pick up more rapidly than expected, particularly in light of the very accommodative stance of monetary policy currently in place. This acceleration would likely be accompanied by significantly more rapid growth in bank lending and in the monetary aggregates. On the other hand, there are concerns that the housing sector could weaken further in light of the considerable supply of houses either on the market or likely to come to market. The ongoing deterioration in the fiscal position of U.S. states and localities could lead to sharp cuts in spending and increases in taxes, which is also a concern. A possible worsening of the banking and financial strains in Europe could spill over to U.S. financial markets and institutions, and so to the broader U.S. economy. Market stresses in Europe have intensified, requiring an assistance package for Ireland from the EU and the IMF. After that package was announced, market attention appeared to shift to other European countries. European authorities are taking steps to stabilize conditions in the euro area.

Inflation may remain for some time below levels judged to be most consistent, over the longer run, with maximum employment and price stability. It is expected that underlying measures of inflation will bottom out around current levels and then move gradually higher as the recovery progresses. There is, however, a risk that the ongoing expansion of the Federal Reserve's balance sheet and the sustained low level of short-term interest rates could trigger undesirable increases in inflation expectations and so in actual inflation.

Short-Term Energy Outlook

EIA expects the price of West Texas Intermediate (WTI) crude oil to average about \$93 per barrel in 2011, \$14 higher than the average price last year. For 2012, EIA expects WTI prices to continue to rise, with a forecast average price of \$99 per barrel in the fourth quarter 2012. EIA's forecast assumes U.S. real gross domestic product (GDP) grows 2.2 percent in 2011 and 2.9 percent in 2012, while world real GDP (weighted by oil consumption) grows by 3.3 percent and 3.7 percent in 2011 and 2012, respectively.

EIA expects regular-grade motor gasoline retail prices to average \$3.17 per gallon this year, 39 cents per gallon higher than last year and \$3.29 per gallon in 2012, with prices forecast to average about 5 cents per gallon higher in each year during the April through September peak driving season. There is regional variation in the forecast, with average expected prices on the West Coast about 25 cents per gallon above the national average during the April through September period. There is also significant uncertainty surrounding the forecast, with the current market prices of futures and options contracts for gasoline suggesting more than a 25 percent probability that the national average retail price for regular gasoline could exceed \$3.50 per gallon in the June through September period in 2011 and an 8 to 10 percent probability that it could exceed \$4.00 per gallon in August and September 2011.

Natural gas working inventories ended 2010 at 3.1 trillion cubic feet (Tcf), about 1 percent below the 2009 record-setting end-of-December level. Inventories are expected to remain at or near record-high levels through most of 2011. The projected Henry Hub natural gas spot price averages \$4.02 per million Btu (MMBtu) for 2011, \$0.37 per MMBtu lower than the 2010 average. EIA expects the natural gas market to begin to tighten in 2012, with the Henry Hub spot price increasing to an average \$4.50 per MMBtu.

EIA expects average household expenditures for space-heating fuels to total \$990 this winter, about \$22 higher than last year. EIA projects higher expenditures for heating oil and propane, flat expenditures for natural gas, but lower expenditures for electricity. A forecast of milder weather than last winter in the South and the West leads to lower fuel consumption in those areas.

EIA projects that U.S. carbon dioxide (CO₂) emissions from fossil fuels, which increased by 3.8 percent in 2010, will decline by 0.6 percent in 2011. EIA expects that CO₂ emissions will increase by 2.4 percent in 2012 as consumption grows for all the fossil fuels. Projected fossil-fuel CO₂ emissions in 2012 remain below the levels seen in any year from 2000 through 2008.



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 or www.eia.doe.gov

Current Events in the Collision Industry

Ford Questions Safety, Repair Costs of Aftermarket Copy Parts

Excerpted From: Media.Ford.com—November 2010

In the Q4-2010 Industry Trends Report we published an article, “Defining Like Kind and Quality,” which discussed the results of a series of tests on OEM parts conducted by Aftermarket parts manufacturer Diamond Standard that sought to measure OEM parts characteristics, including dimensions and material strength, to illustrate what the company feels are the variances that exist on OEM factory parts. In this edition, we are publishing an OEM point of view via “Ford Questions Safety, Repair Costs of Aftermarket Copy Parts.”

- Ford low-speed crash tests show that aftermarket copy structural parts absorb less crash energy than genuine Ford structural parts and can result in unintended airbag deployments
- Repair estimates show the use of one common aftermarket bumper beam can more than double the repair costs after even a low-speed accident compared to a genuine Ford replacement bumper beam
- Ford tests show that aftermarket copy structural parts are not “like kind and quality” to genuine Ford replacement parts and are not crash tested as part of the entire vehicle safety system

DEARBORN, Nov. 29, 2010—New Ford Motor Company crash tests show that not all replacement vehicle parts are created equal when it comes to safety and the cost of repair when an accident occurs.

The low-speed crash tests conducted by Ford showed that a commonly used copy bumper beam absorbs less crash energy than the vehicle’s original bumper beam or a genuine Ford replacement bumper beam. The tests also showed that vehicles with the copy part were more likely to experience unintended airbag deployments during low-speed collisions.

All of this can lead to higher repair costs when accidents occur. Repair estimates show aftermarket copy bumper beams can more than double the repair costs after even a low-speed accident compared to a genuine Ford replacement bumper beam. “This should be an eye-opener for all consumers. These tests raise more questions about unintended airbag deployments in the event of a future crash,” said Paul Massie, Ford powertrain and collision product marketing manager. “They also highlight the dangers of being penny-wise and pound-foolish, as less-expensive copy parts could lead to much higher repair costs down the road. All drivers should be aware that copy parts can compromise both the safety performance and the long-term repair costs of your vehicle.”

Aftermarket copy parts are parts unauthorized by the vehicle manufacturer, often constructed with substandard materials in order to be marketed as a cheaper alternative to authorized replacement parts. Ford replacement crash parts, including all structural parts, are identical to those used in new vehicle production and operate seamlessly with the vehicle’s safety system.

The crash tests underscore the results of Ford’s previously released Computer Aided Engineering testing, definitively showing that the copy parts are not “like kind and quality” to the original equipment manufacturer parts—as is required by many states—and will not return a vehicle to pre-accident condition.

Ford’s efforts, spurred by concerns voiced about copy parts throughout the collision repair industry, examined OEM and aftermarket copy bumper beams for the Ford Mustang from the 2005 through 2009 model years. The parts were first put through a 6-mph frontal impact sled test, then corresponding bumper absorbers and bumper isolators were added for 5-mph and 8-mph full-vehicle flat barrier crash tests.



AN EDITOR’S NOTE...

Because these reinforcements are a vital part of proper airbag deployment, using the term ‘like kind and quality’ needs to address safety testing.

More airbag deployments

Data from the 8-mph crash barrier test demonstrated that the amount of crash energy absorbed by the aftermarket copy bumper beam is less than that of the OEM beam. The data also showed that the frequency of airbag deployments at low speeds will increase with the use of the copy bumper beam, absorber and isolator because the copy parts do not transmit the crash pulse as effectively to the crash sensors to indicate when an airbag should be deployed.

“Genuine Ford parts are designed to work properly with the entire vehicle structure, just like a brand-new car,” said David Bauch, Ford sensor technical specialist. “The pulse to the airbag sensors will change with the aftermarket bumper, affecting the sensor’s decision to deploy or not to deploy an airbag.”

Side-by-side visual comparisons following each test also offered striking differences, with the aftermarket beam failing to perform in a manner consistent with that of the genuine Ford part.

“The copy bumper beam had an aftermarket absorber made of polystyrene and an aftermarket isolator. The stacking up of these parts changed the crash characteristics of the entire bumper assembly, which is why Ford conducts both component-level crash testing and system-level testing on all of its vehicles,” said Roger Chen, Ford crash development engineer.

The sled test, a component-level test used to determine how a single part will react under dynamic crash conditions, showed the aftermarket copy bumper beam failed to absorb energy like that of the genuine Ford beam, with deceleration and velocity measurements inconsistent with those of the OEM part. The copy part crushed nearly flat on each end and displayed little energy absorption, while the Ford part suffered only slight intrusion on the sides and absorbed more crash energy before rebounding close to its original form.

Double trouble with higher repair costs

In each test, the genuine Ford parts performed as designed and resulted in a substantially lower estimated repair bill, while the copy parts led to significantly higher repair costs.

Damage estimates following the 5-mph crash test put the repair cost for the vehicle fitted with aftermarket copy parts at \$2,982 (using aftermarket prices for the bumper beam, absorber and isolator, and OEM parts for the remainder), nearly two-and-a-half times the \$1,224 (using all OEM parts) estimate for the vehicle with genuine Ford parts.

Estimates after the 8-mph crash came in at \$3,816 for the aftermarket vehicle and \$3,441 for the Mustang with genuine Ford parts. However, in cases where the crash resulted in unwarranted deployment for both front airbags, the repair cost for the vehicle with copy parts would jump to at least \$5,394.

Copy bumpers compromise safety systems

Statistics show the vast majority of injury accidents occur at speeds below 35 mph. In low-speed accidents, the bumper beam plays a significant role in absorbing crash energy and ensuring the proper operation of the safety system of the vehicle as a whole.

“A vehicle is required to pass a multitude of crash tests before the vehicle is sold to consumers,” said Massie. “In sharp contrast, aftermarket copy parts face no crash test requirements prior to distribution, and have not been proven to work effectively with the rest of the vehicle’s components. Copy parts should be subjected to the same government safety tests as the original parts so consumers can see the true costs that come with using many copy parts.”

Ford is working with the National Highway Traffic Safety Administration, collision industry trade associations, state governmental and regulatory agencies, elected officials, the Alliance of Automobile Manufacturers and others, to help improve the oversight of aftermarket copy structural parts and monitor their impact on the safety of the driving public.

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

Q. What is at issue?

A. Collision repairs are being made with aftermarket structural parts that are not “like-kind-and-quality” to vehicle manufacturer (OEM) replacement parts. These parts can affect the deployment of the airbags in future collisions and lead to high repair costs. Aftermarket companies have long copied cosmetic parts but aggressively started copying key structural safety components the past few years.

Q. How big an issue is this?

A. More than 12 million vehicles undergo collision repairs each year. Non-OEM replacement parts are specified by auto insurers in the vast majority of these repairs.

Q. What type parts are in question?

A. Ford has tested bumper reinforcements, bumper bars, bumper isolators, bumper absorbers, bumper brackets and radiator supports. There is no oversight or independent testing of aftermarket parts in stark contrast to the numerous requirements for new vehicles.

Q. What problems have been found with non-OEM structural replacement parts?

A. The sample of non-OEM structural replacement parts are made from different materials, vary in weight and differ in dimensions. Computer simulations and crash tests of these parts also have shown marked differences in crash characteristics that can cause an increase in airbag deployments. The low-speed crash tests also showed the aftermarket parts could lead to more than double the repair costs.

Q. What are the consequences of using non-OEM structural replacement parts?

A. The differences in non-OEM structural parts may result in increased damage to the vehicle in a subsequent accident. More importantly, the differences in non-OEM structural parts may jeopardize the deployment of a vehicle's airbags in a subsequent accident.

Q. What is driving the use of non-OEM structural replacement parts?

A. In most cases, auto insurers pay for collision repairs on behalf of their policyholders and are demanding that collision repairers use non-OEM structural replacement parts to reduce costs. Many consumers are unaware they have the right to demand original OEM parts.

Q. Aftermarket manufacturers, distributors, trade groups and others say they are developing strict testing requirements to assure non-OEM structural replacement parts perform equivalently to OEM parts. Will this resolve the issue?

A. Replacement OEM structural parts perform the same as those used in new-vehicle production. OEM structural parts undergo rigorous design, engineering, material selection, manufacturing method, and testing processes. Validation of an OEM part's performance—as part of the entire vehicle system—occurs through the high- and low-speed crash tests mandated by the Federal government.

In the absence of similar testing of non-OEM structural replacement parts, their performance cannot be validated.

Q. Is the issue limited to non-OEM structural replacement parts?

A. No. Vehicle owners need to be aware of replacement parts options and agree to what parts are used to repair collision damage to their vehicles. Choices include:

- OEM replacement parts, which are made by the vehicle manufacturer or an authorized supplier for the vehicle manufacturer.
- New aftermarket replacement parts, which are unauthorized copies of questionable quality made by a manufacturer other than the OEM or the OEM's authorized supplier.

- Reconditioned replacement parts, which can be used OEM or aftermarket replacement parts that are refurbished and returned to the market.
- Salvage replacement parts, which are most frequently removed from “totaled” vehicles and returned to the market.
- In addition, vehicle owners need to be made aware of a growing movement to allow use of salvage airbags. The Rhode Island legislature recently enacted a law allowing salvage airbag use. Ford strongly recommends against the use of salvage airbags, or other salvaged passive restraint system components.

Q. Will you tell us what specific copy parts you used in your testing, so consumers know to avoid those?

A. We tested popular aftermarket Mustang bumper components. Consumers can avoid questionable parts and repairs by demanding original OEM parts. We performed crash tests with aftermarket and OEM 2005-09 Mustang front and rear bumper beams, which confirmed our findings from computer-aided engineering crash tests. We also performed computer crash tests of 2008-09 Focus front and rear bumper beams, 2005-09 Mustang bumper isolators, 2006-08 F-150 bumper brackets and 2004-07 F-150 radiator core supports.

Q. Will these types of aftermarket parts void Ford's warranties?

A. Aftermarket copy collision parts are not covered by Ford's new-vehicle service part or corrosion warranty, or any variety of the Ford Extended Service Plan. In addition, any damage to or failure of a Ford part caused by the installation or improper performance of an aftermarket copy part is not covered by Ford's new-vehicle service part or corrosion warranty, or any variety of the Ford Extended Service Plan.

Five trends to watch to help you manage your business

By Greg Horn

Excerpted From: ABRN—October 2010

There are many exercises—from team building to tactical—that companies use to help keep management teams on their toes...and sometimes on the spot. One of the more spontaneous exercises I've participated in is answering this question, “Tell me five trends you watch in your business to help you manage for the future.” No matter what role you play in the collision repair industry, you should have the answer to this question in your back pocket.

The answer will help business managers and owners prepare for the future and focus beyond the day-to-day and quarter-to-quarter way of managing. These five trends also can help shop owners, insurers and, frankly, anyone involved with this industry plan for the future.

To prepare shops requires investing in more powerful welders and budgeting for an additional stock of hardened drill bits and cutting tools, and investing in education, particularly vehicle manufacturer specific repair reference tools. Insurers also have a responsibility to understand the required repairs to write a fair and accurate damage assessment.

1. INCREASING USE OF EXOTIC ALLOYS. European car makers seem to be at the forefront of introducing exotic alloys and construction methods, but the new 35 mpg corporate average fuel economy (CAFE) standards hitting in 2016 will cause U.S. and Asian auto makers to expand use of new lightweight alloys.

2. INCREASED OEM CERTIFICATION. This subject is closely related to the exotic alloy increase and is dictated by auto manufacturers concerned about the inability of most technicians to properly repair advanced construction methods.

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

This measure will play out like the exotic alloy scenario; domestic and Asian car makers will follow the European manufacturers' lead—unless an independent industrywide shop certification program that addresses these concerns with proper education and method verification is implemented. Our industry must do this before each manufacturer or, worse still, the federal government steps up first.

3. THE NEW SMALL CARS...THE B-SEGMENT. Have you noticed the flood of small cars in the United States known worldwide as the B-segment? Maybe you have seen some in your shop like the Ford Fiesta, but get ready to see even more of these small, moderately priced vehicles with up-and-comers like the Chrysler/Fiat 500 and Chevrolet Spark. With impressive (and expensive) parts like xenon headlamps and a minimum of four airbags, moderate accidents will bump these cars into borderline totals quickly.

One way to address this is developing a teardown system to fully assess front-end damage for these tightly packed cars. I challenge respective auto makers to imitate American Honda's "collision kit" that discounts hoods, bumper systems, fenders, and SRS parts when purchased as a virtual kit. These kits can help keep more cars in the repairable column.

4. PLASTICS. To borrow from the 1960s movie *The Graduate*, "The future is plastics." Again we look to Europe for a first in this category. BMW's plastic engine cradle in its 5 Series and Mercedes E-Class' fiberglass reinforced plastic inner panel extension from strut tower to core support are impressive and hint at the future. While a cracked plastic engine cradle may not be repairable, repairing a plastic inner panel and other plastic components may be. Staying current on the state of plastics in vehicles and plastic repair could lead to more cost effective and profitable repairs.

5. INCREASED NEED FOR BODY SHOP MANAGEMENT SYSTEMS. It's no secret that this recession has caused many collision repairers to close. More efficient operators had it rough too, but better management of expenses and margins have been key to staying afloat.

As we emerge from the longest recession since the Great Depression, shops must become more efficient because competition is tougher than ever, with those who were strong enough to survive left. A complete body shop management system once thought of as future luxury may become as necessary as a paint booth.

You have my top five trends. What are yours?

Lean Concepts Applied to Today's Shop and Today's Technology

*By Jason Bertellotti, Vice President of Repair Solutions, Mitchell International, Inc.
and Ron Kuehn, President, Collision Business Solutions, Inc.*

Excerpted From: Fixed Ops Magazine—November/December 2010

As the U.S. auto collision industry continues facing challenges from many directions, the word "Lean" is gaining a lot of attention. It seems to be the solution to all shop needs, and around every corner is a product, blog post, or workshop promising to help transform your shop into a Lean operation.

While there are many excellent resources available to help shops implement Lean processes on the back end, in this article we'll focus on taking advantage of sometimes overlooked opportunities within the front office.

But what exactly is Lean, and how do you get started? Let's look at the definition of Lean and consider some practical steps that leverage today's technology to help you "go Lean."

"Lean" is a concept that refers to the process of continuous improvement by removing waste and adding customer value. By definition, Lean is ongoing—meaning you can never fully become Lean; rather you are always working to be Lean.

The concept of waste identification and elimination offers shops immediate opportunities to put Lean processes into place. The key here is twofold: 1) waste adds no value to



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

customers and 2) waste will always exist, meaning every shop has immediate opportunities for improvement.

To help us define, organize and track down waste, we'll break down the topic of waste into eight separate sections that create the acronym DOWNTIME.

- D**efects
- O**ver Processing
- W**aiting
- N**on-utilization of Talent
- T**ransportation
- I**nventory
- M**otion
- E**xcess Production

Defects

A defect is anything that creates a “Re”—re-write, revise, re-entry, re-key, re-order. If you have to do it again, it's a defect.

If your process required each vehicle to be sprayed more than once you would have the defect identified and resolved immediately—the waste is obvious! But how often do you re-key, re-organize, and re-print a file? While administrative defects are more easily overlooked, the amount of extra work quickly adds up.

How can technology put processes into place that help stamp out defects? Systems that are integrated into the shop's workflow reduce defects by ensuring accurate data transfers that eliminate the need to re-key data. Modern shop workspace functionality takes into account other frequently used applications within the shop, so data is entered once and transferred to other appropriate systems, allowing repair order information to flow seamlessly.

Over Processing

Over processing creates waste when an individual task goes excessively beyond what is necessary to satisfy the customer. It is typically the result of ensuring that a past mistake never happens again by mandating excessive checks and rechecks. It can also be caused by using outdated tools and procedures like the pre-close checklist. Managers often take paper checklists through each stage of the repair process and require signatures to verify the task was finished. A Leaner alternative? The pre-close process can be easily and accurately accomplished electronically with modern shop technology that provides a simple pre-close checklist indicating status and notifications for each department.

Other ways to avoid over processing include processing parts purchase orders and invoices electronically and proactively notifying customers of repair status with automated online updates.

Waiting

The biggest waste in virtually every process is waiting. You wait for items to dry, for equipment availability, parts to be delivered, payments to be authorized, customers to arrive, and for files to download. Shop workspace solutions provide the downstream visibility required to reduce waiting. Tracking parts lead time by vehicle saves time and opportunity cost, because by the time the vehicle is ready for repair, all necessary parts have arrived. Automated repair scheduling can suggest optimal time slots for vehicles based on your shop's capacity, touch time, and comfortable margin of error.

Non-utilization of Talent

Individuals directly involved in doing the work are your most valuable resource. You could have the best-in-class technicians, estimators, and painters, but if you're not equipping them with the proper tools or listening to their expert opinion, you are wasting your most valuable assets.

Ensuring technicians have access to the latest repair procedures for today's modern vehicles and eliminating their need to search multiple sources represents an immediate

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

opportunity to reduce waste and boost customer satisfaction. Newer solutions offer comprehensive online collision repair procedures that are constantly updated with the latest vehicle models—creating a more efficient workflow for technicians.

Transportation

Transportation is the movement of “stuff”—parts, vehicles, materials, tools, files, etc. While transportation waste is more prevalent in some shops than others, most have an opportunity to improve.

The key to reducing transportation waste lies in providing items at their point of use—something as simple as keeping the dry-erase marker next to the whiteboard. Shop workspace solutions provide access to documents right at the user's station, greatly reducing transportation waste and increasing customer satisfaction. Modern shop technology offers paperless capabilities that allow all documents to be attached to the repair order; the most sophisticated ensures that no extra steps are needed to send repair photos directly to the digital RO folder, so that every aspect of the repair is electronically documented and available.

Inventory

Inventory is necessary, and maintaining a safe buffer of supplies is a good thing. Inventory is meant to flow, and when inventory starts piling up—materials, vehicles, parts, equipment—it quickly becomes waste.

Reducing inventory waste is all about production flow. Each job should move from one step of the process to the next with minimal wait time. The optimal inventory amount is having available only what you need and replacing only what you've used.

Technology is often a solution to inventory challenges. With solid parts management functionality, you order only needed parts and track credits for returned parts as they arise and automated scheduling can maintain a healthy pipeline without overbooking.

Motion

Motion is the movement of people. Ever think about how often your employees are moving around? The amount of “motion waste” is typically a significant opportunity for improvement.

Eliminating motion waste can often be accomplished using technology. A digital log-in system helps technicians view assigned jobs and next steps without leaving the shop floor. Remote user innovations allow shop managers and estimators to view and update RO files even when they are not at the shop. Employees who can view the stage of repair for any given vehicle prevent the need to physically track down vehicles.

Excess Production

The last type of waste, excess production, creates bottlenecks that starve and then overload downstream processes. The production practice of “batch processing” is frequently used in the collision repair process. Although the idea of batch processing isn't bad, it is too often evaluated in isolation. For example, batch importing estimates may be a great timesaver for estimators, but since technicians cannot batch repair all the vehicles, you've just created a downstream bottle neck.

By batch processing in one stage of production, you assume that subsequent stages will be able to handle the batch process as well—hardly ever the case. To reduce excess production waste, your production process must flow from one stage to the next. As soon as (and only when) a task is completed, the next task should begin. Here's where automated systems can once again help your shop go Lean. Automatically bringing estimates from multiple estimating systems into a single view as soon as they are completed eliminates excess production, and using a production module allows the shop to see how many vehicles are in a department at any given time.

Beginning your shop's Lean journey by focusing on eliminating waste using the DOWNTIME acronym is a practical way to get started with Lean processes in your front office. Take a

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

close look at existing technology within your shop and at today's modern shop workspace solutions to ensure you are leveraging the power of technology on your quest to become Lean.

Total Production on the Rise for Auto Body Industry

Excerpted From: CollisionWeek—December 2010

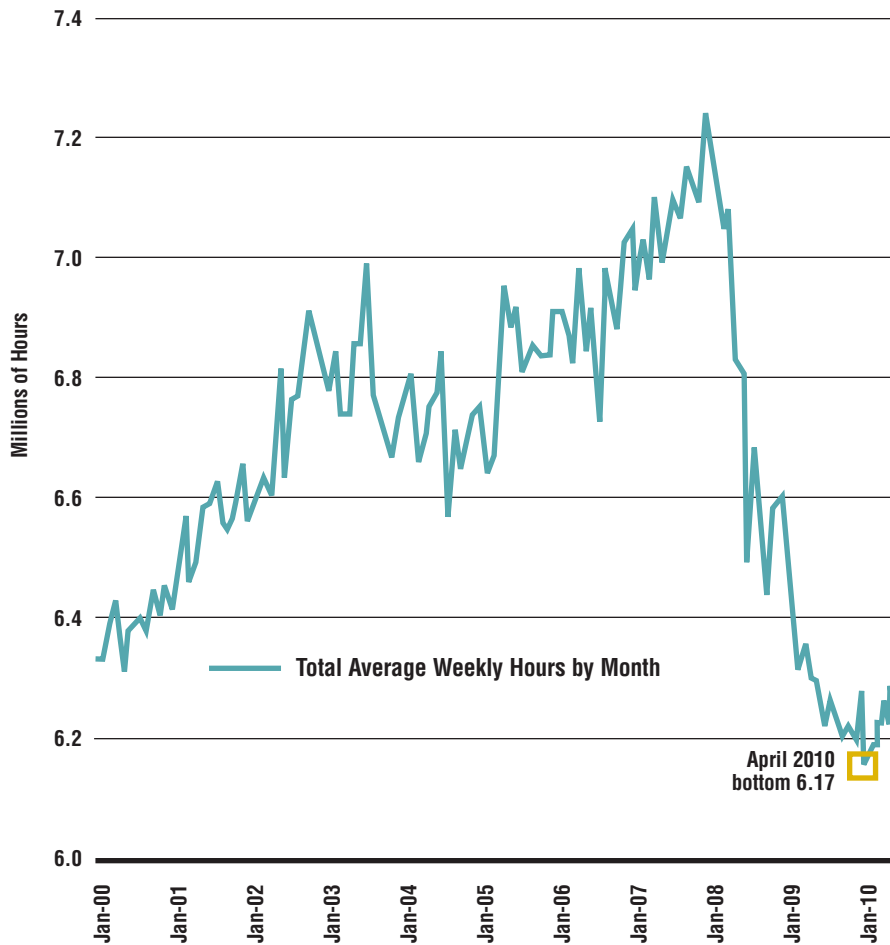
Total industry production is showing a promising increase through the second and third quarters.

The latest firm data available from the U.S. Department of Labor Bureau of Labor Statistics (BLS) shows what could be a turnaround in the total production picture for the auto body repair industry.

The BLS estimate of production employees at independent auto body repair facilities at the end of the third quarter was 162,500, a nationwide increase of 1,700 jobs (1.06%) in the industry since the low hit in July 2010. Production employment peaked in February 2007 at 183,000, and the September 2010 total would still represent a loss of 20,500 total jobs since the peak.



Collision Repair Industry Production



AN EDITOR'S NOTE...

While this is encouraging news, I can't help but wonder about the hiring coinciding with the hail storms in the Midwest.

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

The BLS estimates that total employment, including management and supervisory positions, rose just 500 since July to 202,700. If you account for the 1,700 jobs gained in the production end of the business, it would appear that some management jobs are still being lost while production positions are being added to increase capacity.

Total employment peaked at 228,900 in June of 2007. That figure reached a low in April of this year at 201,600, down 27,300 total jobs.

However, the real turnaround in total industry production can be seen in the total number of production employees multiplied by their average weekly hours as estimated by the BLS.

The chart above details the total number of production employees multiplied by their average weekly hours worked. This combination of hours and employees creates a view into the total number of production hours amassed by the collision repair population as a whole.

That figure reached a low in April 2010 when total production reached 6.17 million hours of average total weekly production. In September, after adding 1,500 employees nationwide since April, combined with a .5 hour increase in average number of hours worked per week, total average production has increased 2.25 percent to 6.31 million hours per week since April.

As the Collision Repair Industry Production chart shows, the trend in overall production hours ran upward from January 2000 through February 2008 when it peaked at 7.241 million production hours per week. Total production hours then began a steep descent until reaching 6.17 million hours per week in April 2010, a decline of 1.075 million hours, or 14.8 percent, from the peak in February 2008.

If the BLS numbers behind this chart paint an accurate picture of industry production, it does appear that repair facilities have been adding production in recent months, presumably to increase capacity for the additional work coming through the door.

Average weekly wages of production & non-supervisory employees are also improved in September 2010. Average wages rose to \$709.26 per week at the end of the third quarter, an increase of 1.9 percent, or \$13.36, compared to a year ago.

The average weekly wage across all employees was \$771.64 in September 2010, a 3.4 percent increase over the average 746.49 in September 2009.

October Driving Adds to Strengthening Recovery

Though not a record month, as in September, second best is pretty good too.

Excerpted From: CollisionWeek—December 2010

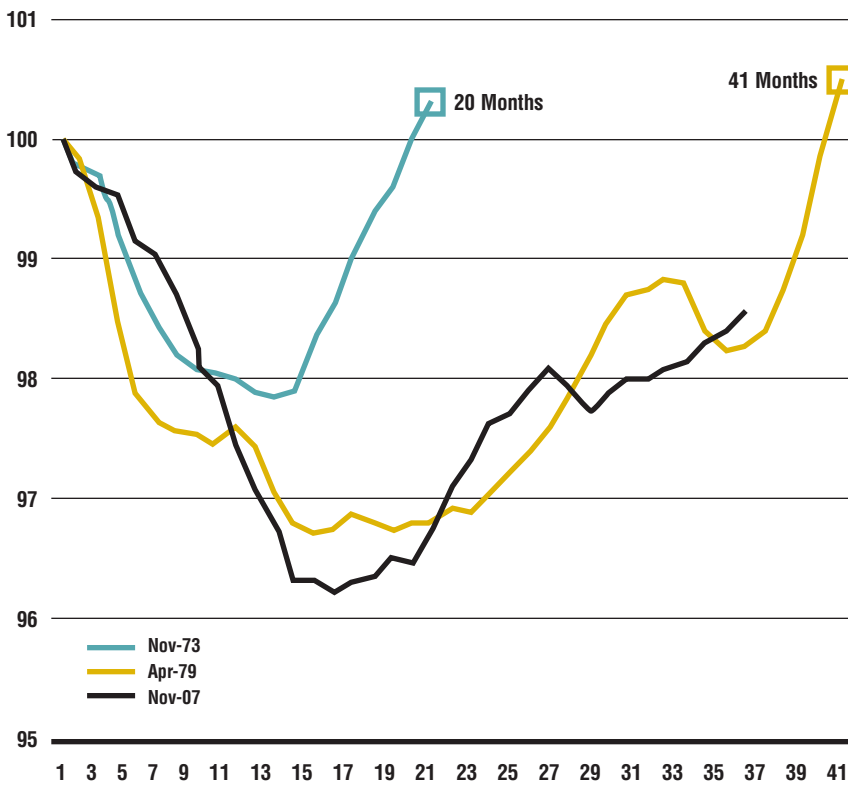
Based on preliminary reports from the State Highway Agencies, automobile travel during September 2010 on all roads and streets in the nation rose by a 1.9 percent, an increase of 4.9 billion vehicle miles versus October 2009 and the second biggest year over year jump in 2010.

Total vehicle miles traveled (VMT) for the month of October is estimated to be 259.5 billion vehicle-miles. The month total is just below the October record high set in 2007 when the Federal Highway Administration reported 261.6 billion vehicle-miles travelled in October.

Looking at the Administration's 12 month moving total, U.S. drivers have logged 2,995 billion vehicle miles over the past year, leaving our driving recession just 1.40 percent below the record high 3,037 billion vehicle miles reached prior to the start of the decline in November 2007.



Comparison of percentage change moving 12 mo totals



The chart above compares the current driving recession to two previous recessions on a percentage decline basis. The two prior periods used for comparison include the 1973 event lasting 20 months and losing 2.13 percent from the peak, and the 1979 event which eventually took 41 months to recover from a 3.24 percent decline.

Looking at our comparison of previous driving recessions, the November 1973 and April 1979 declines, we noted two months ago that once those events reached the point of recovery we reached in October (approx -1.7%), the rate of recovery began to increase. And now, with the second highest year over year gains recorded in October (1.9%), year to date driving levels have now surpassed the levels set in every prior year except 2007, and the first two months of 2010 were still in decline.

On a regional basis, driving again increased across all regions. The largest growth was recorded in the South Gulf and North Central regions, both recording very large 2.9 percent gains. The West was the only region to post less than a 1.0 percent gain.

The disappointment in the West can be attributed to Arizona and California, the only two states in the union to record negative year over year driving growth in October. California fell 0.2 percent and Arizona posted a 0.4 percent loss. Every other state in the country recorded driving gains.

Florida posted a 0.2 gain while New York grew at 1.5 percent, Pennsylvania 1.7 percent and Illinois drivers logged 2.1 percent more miles in October than last year. Texas drivers logged a stunning 3.8 percent more miles than October 2009.

According to the Energy Information Administration (EIA), the average retail price of regular unleaded gasoline in October rose 3.7 percent to \$2.80 per gallon after holding steady in a three cent range for four months.

[Read the prior month report.](#)

AN EDITOR'S NOTE...

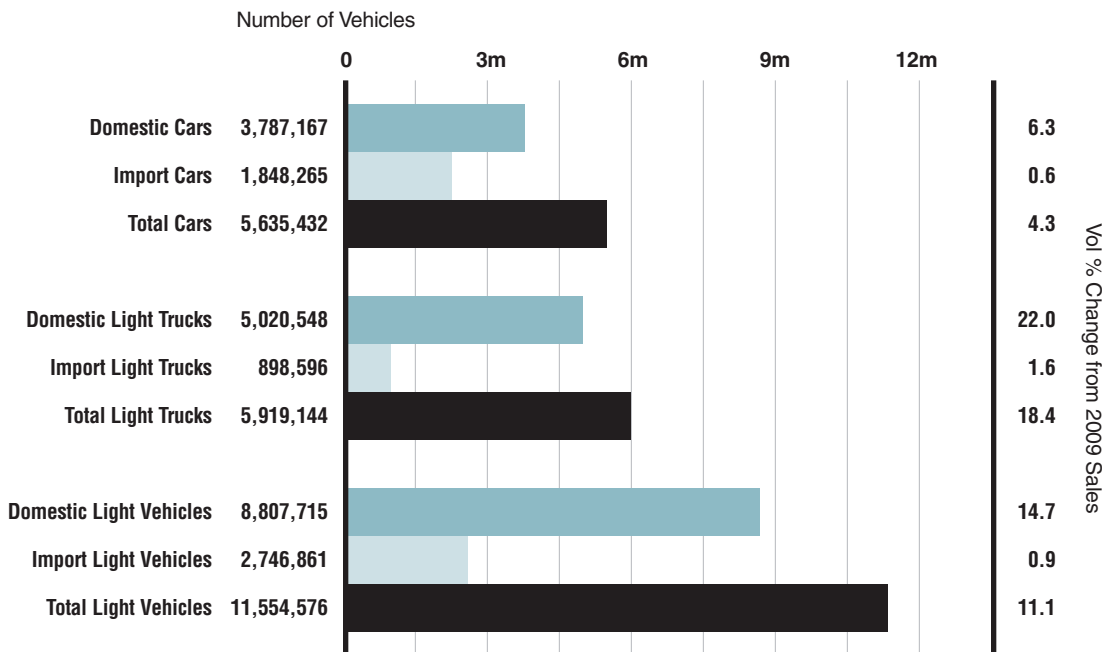
With projected continuing increases in fuel prices, the job of selling Americans on smaller cars will be easier.

Motor Vehicle Markets

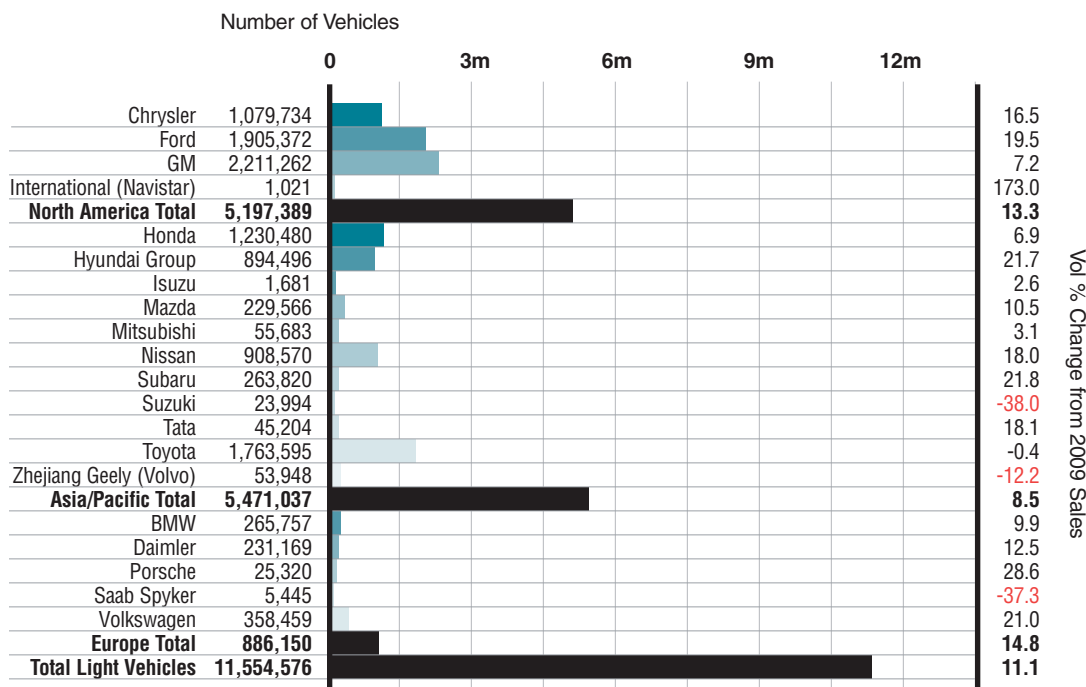
New Vehicle Sales

According to Ward's Auto, total new light-vehicle sales showed a strong Q4-2010 increase, allowing the industry to finish the year in the forecasted range of 11.5 million vehicles. It makes 2010 the second worst sales year since several in the 1980s but was an 11.1% increase over 2009's Cash for Clunkers infused sales total.

Ward's U.S. Light Vehicle Sales Summary January-December 2010



Ward's U.S. Light Vehicle Sales by Company January-December 2010



Source is country of manufacture. Domestic are from U.S., Canada, Mexico. Imports are from overseas. Light vehicles are cars and light trucks (GVW Classes 1-3, under 14,001 lbs.). DSR is daily sales rate.

Source: Ward's AutoInfoBank © Copyright 2010, Ward's Automotive Group, a division of Penton Media Inc. Redistribution prohibited.

Ward's 10 Best Selling Cars and Trucks January-December 2010

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

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Cars

1. Toyota Camry	327,804
2. Honda Accord	282,530
3. Toyota Corolla/Matrix	266,082
4. Honda Civic	260,218
5. Nissan Altima	229,263
6. Ford Fusion	219,219
7. Chevrolet Malibu	198,770
8. Hyundai Sonata	196,623
9. Ford Focus	172,421
10. Chevrolet Impala	172,078

Trucks/Vans/SUVs

1. Ford F Series	528,349
2. Chevrolet Silverado	370,135
3. Honda CR-V	203,714
4. Dodge Ram Pickup	199,652
5. Ford Escape	191,026
6. Toyota RAV4	170,877
7. Chevrolet Equinox	149,979
8. GMC Sierra	129,794
9. Ford Edge	118,637
10. Chrysler Town & Country	112,275

Used Vehicle Sales – Current Monthly Index

BY TOM WEBB

Chief Economist – Manheim

Higher new vehicle inventories, incentives, and sales fail to stop the rise in used vehicle prices.

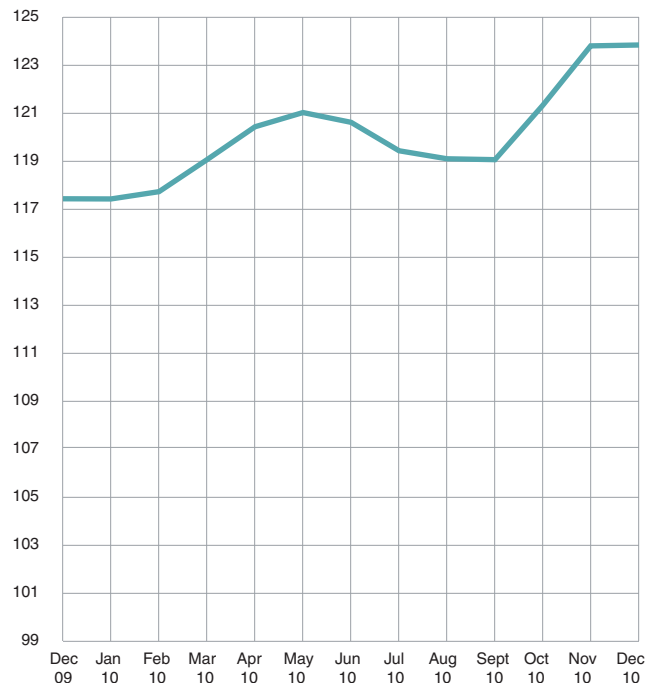
Dealers started December with a 67-day supply of new inventory, the highest count since March, but not an alarming level. The unit count was 2.4 million, the highest since May 2009, but, again, within reason, given the sales rebound which has already occurred (and that which is expected to occur).

Higher inventories, and the desire for a strong finish to 2010 sales, led to higher incentives. That led to increased sales (December had the strongest sales pace of the year), but it did not weaken used vehicle values or sales. In fact, record CPO sales and strong profits from the used vehicle operations of franchised dealerships, are continuing to help the new vehicle market via stronger trade-in values and greater owner equity in their vehicles (or less negative equity). This has been especially helpful at a time when most lenders are requiring more upfront money in the deal.

From a high base, used vehicle pricing should stabilize in 2011.

The fundamentals (restricted wholesale supplies, strengthening demand, and higher new vehicle transaction prices) will continue to support used vehicle values throughout 2011. Those forces have, however been in play for more than a year, so the year-over-year comps are becoming increasingly difficult. As such, we look for greater stability in used vehicle pricing in 2011, a trend that most industry participants would appreciate.

Manheim Used Vehicle Value Index December 2009 – December 2010



Source: Manheim Consulting

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 **repairable 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

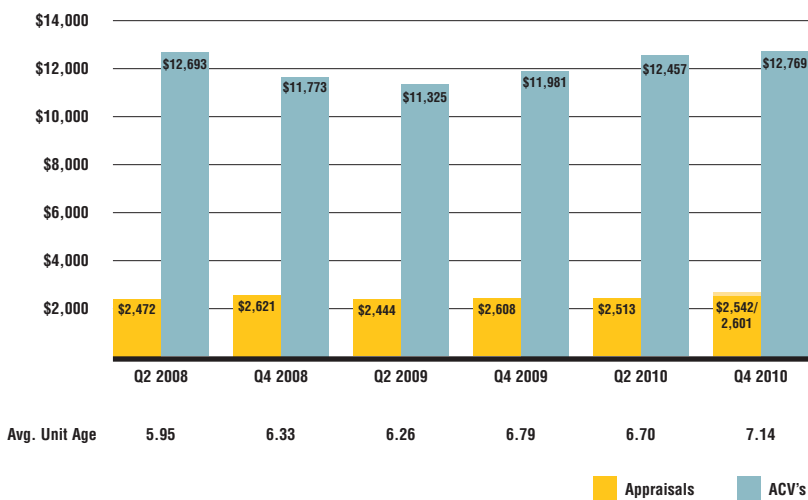
The following data points are dynamic and subject to change from on-going supplement and total loss designation activities amending original appraisal values. Average appraisal values submitted in June, for example, will likely increase by several dollars over the next few months, then stabilize as all 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 initial appraisal value, calculated by combining data from all first- and third-party repairable vehicle appraisals uploaded through Mitchell systems in Q4-2010 was \$2,542—\$66 less than the previous year's Q4-2009 appraisal average of \$2,608.

Applying the prescribed development factor of -0.2% to these data produces an anticipated average appraisal value of \$2,601.*

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.



Mitchell Product Solution: **UltraMate**

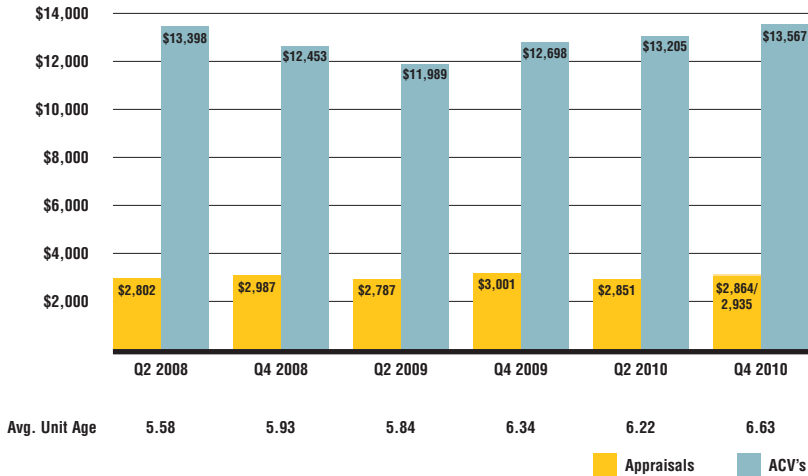
UltraMate® is Mitchell's advanced estimating system, combining database accuracy, automated calculations, and repair procedure pages to produce estimates that are comprehensive, verifiable, and accepted throughout the collision industry. UltraMate is a central component of Mitchell's all-in-one estimating, 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.

Collision Losses

Mitchell's Q4-2010 data reflect an average gross initial Collision appraisal value of \$2,864—\$137 less than this same period last year. Applying the indicated development factor suggests a final Q4-2010 average gross Collision appraisal value of \$2,935—a value \$66 less than the same quarter in 2009.

At \$13,567, the average Actual Cash Value (ACV) of vehicles appraised for Collision losses during Q4-2010 reflects strong recovery in used car values.*

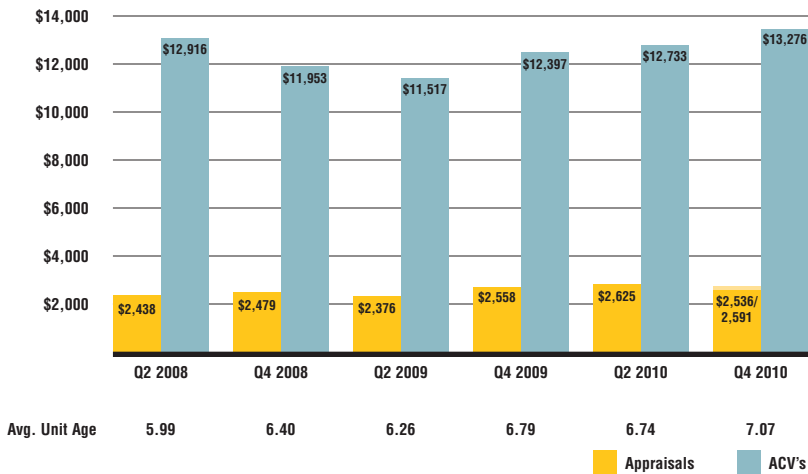
Average Appraisal Values, ACVs and Age Collision Coverage*



Comprehensive Losses

In Q4-2010, the initial Comprehensive average severity was \$2,536—\$22 less than the same quarter in the previous year. Applying the prescribed development factor for this data sets an anticipated final value of \$2,591—\$33 higher than the Q4-2009 performance.*

Average Appraisal Values, ACVs and Age Comprehensive Losses



Safety Technology: Facts At-A-Glance...

- Rudimentary **airbag patents** go back to the early 1950s. German inventor Walter Linderer and American innovator John Hedrik submitted patent applications as early as 1951.
- The 1973 Oldsmobile Toronado was the first car with a **passenger airbag intended for sale to the public**. General Motors later offered a driver's side airbag option in full-sized Oldsmobile and Buick vehicles in 1975 and 1976. Cadillac vehicles, however, were available with both driver and passenger airbag options during those same years.
- Volvo engineer Nils Bohlin developed the **three point seat belt**, and the first car to feature this safety innovation was the 1959 Volvo 122S, the sedan's U.S. name.
- Brit Jean Ames invented **the first rear-facing child safety seat** in 1962. This seat not only secured children into their own harnessed chair, but also used a new physics-based concept known as "ride down." Ride down dictates that it is safer for a passenger to decelerate in the same direction as the vehicle, rather than the opposite.
- The **high beam/low beam headlights** the 1917 Cadillac were the first to allow the light to be "dipped" with a lever inside the car rather than requiring the driver to stop and get out to adjust the headlight aim.

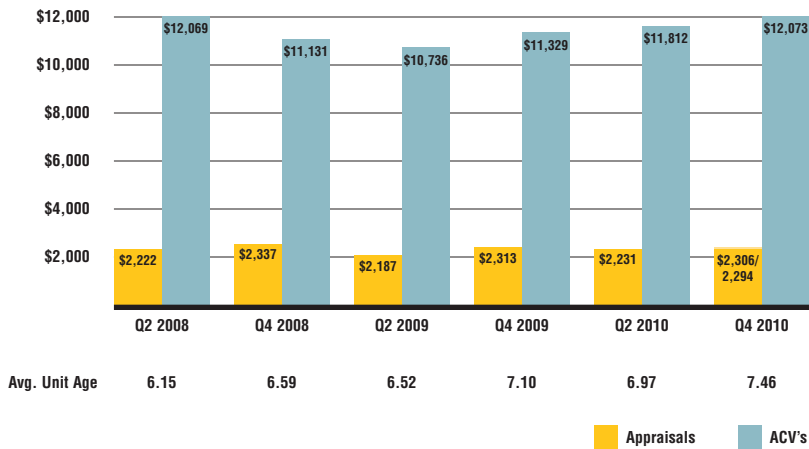
*NOTE: Values provided from Guidebook benchmark averages, furnished through Mitchell UltraMate®.

Third-Party Property Damage

In Q4-2010, our initial industry average gross Third-party Property Damage appraisal was \$2,306—compared to \$2,313 in Q4-2009—reflecting a \$7 decrease between these respective periods. However, adding the prescribed development factor for this coverage type yields a final anticipated Q4-2010 adjusted appraisal value of \$2,294—an overall \$19 decrease from the same period in 2009.

In Q4-2010, the average PD appraised vehicle ACV rebounded slightly to \$12,073 and was, like the ACV of the other coverages, higher than the five preceding shown quarters.*

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 Q4-2010, 26.28% of all original estimates prepared by Mitchell-equipped estimators during that period were supplemented one or more times. In this same period, the pure supplement frequency (supplements to estimates) was 48.62%—reflecting a 3.96 point or a 9% relative increase from that same period in 2009. The average combined supplement variance for this quarter was \$575.07—\$103.33 lower than in Q4-2009.

Average Supplement Frequency and Severity

Date	Q2/08	Q4/08	Q2/09	Q4/09	Q2/10	Q4/10	Pt/\$ Change	% Change
% Est. Supplement	31.98	33.91	31.8	34.41	32.58	26.28	-8.13	-24%
% Supplement	45.71	46.5	44.94	44.66	46.19	48.62	3.96	9%
Avg. Combined Supp. Variance	635.63	653.27	623.66	678.4	662.4	575.07	-103.33	-15%
% Supplement \$	25.71	24.92	25.52	26.01	26.36	22.62	-3.39	-13%

*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 4% decrease in the use of parts, while labor has increased by the same amount with a corresponding 4% jump in paint and materials.

% Average Appraisal Dollars by Type

Date	Q2/08	Q4/08	Q2/09	Q4/09	Q2/10	Q4/10	Pt/\$ Change	% Change
% Average Part \$	41.02	44.76	41.6	44.67	41.8	42.96	-1.71	-4%
% Average Labor \$	48.08	43.99	47.09	43.86	46.77	45.59	1.73	4%
% Paint Material \$	10.19	9.97	10.54	10.29	10.73	10.66	0.37	4%

Parts Analysis

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 are directionally accurate for both the insurance and auto body repair industries. This segment illuminates the percentage of dollars allocated to each unique part-type.

As a general observation, recent data show that parts make up 40.97% of the average value per repairable vehicle appraisal—6.43 points less than the average allocation of labor dollars. In addition, the overall trend continues to reflect an ongoing decrease in the use of OEM parts—due in part to several vehicle manufacturers increasing collision part prices. However, it appears that OEM parts use seems to be seasonally affected in the second quarter of each year, which can likely be attributed to hail storms impacting overall OEM use.

Parts Type Definitions

- **Original Equipment Manufacturer (OEM):** Parts produced directly by the vehicle manufacturer or its authorized supplier, and delivered through the manufacturer's designated and approved supply channels. This category covers all automotive parts, including sheet metal and mechanical parts.
- **Aftermarket:** Parts produced and/or supplied by firms other than the 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 2,000 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)

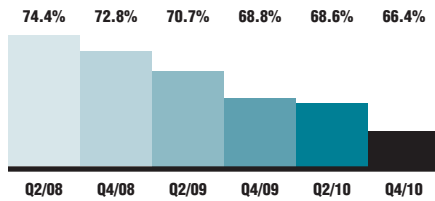
Mitchell Quality Recycled Parts (QRP™) is the most comprehensive source for finding recycled parts. It gives online access to a parts database compiled from a growing network of more than 3,300 of the highest quality recyclers in the U.S. and Canada, covering more than 400 part categories representing 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 Q4-2010, OEM parts represented a mere 66.4% of all parts dollars specified by Mitchell-equipped estimators. This is a continuing downward trend but at some point must begin to level out.

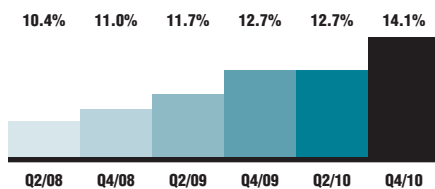
OEM Parts, as a % of Total Parts Dollars per Appraisal



Aftermarket Parts Use in Dollars

In Q4-2010, 14.1% of all parts dollars recorded on Mitchell appraisals were attributed to Aftermarket sources—up significantly from Q4-2009. Aftermarket part use continues to increase but at some point will reach a maximum point of market saturation.

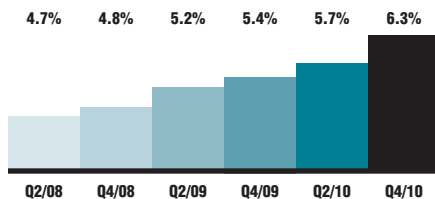
Aftermarket Parts, as a % of Total Parts Dollars per Appraisal



Remanufactured Parts Use in Dollars

Listed as “Non-New” parts in our estimating platform and reporting products, Remanufactured parts currently represent 6.3% of the average gross parts dollars used in Mitchell appraisals during Q4-2010. This represents the first time remanufactured dollars have exceeded 6% of parts dollars, and because it is based a smaller range of potential parts, is an impressive increase.

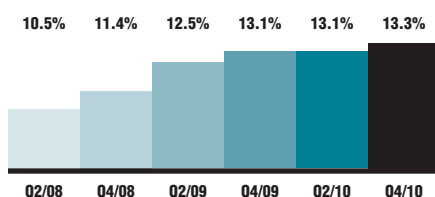
Non-New/Remanufactured Parts, as a % of Total Parts Dollars per Appraisal



Like Kind and Quality Parts Use in Dollars

LKQ parts constituted 13.3% of the average parts dollars used per appraisal during Q4-2010, reflecting a very small .2 point relative increase from this same period last year.

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



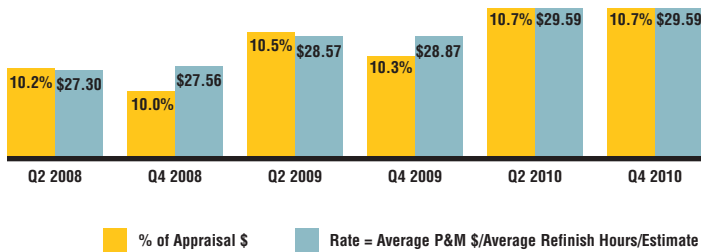
Mitchell Collision Repair Industry Data (con't.)

Paint and Materials

During Q4-2010, Paint and Materials made up nearly 10.7% of our average appraisal value—representing a .34-point relative increase from Q4-2009. Represented differently, the average paint and materials rate—achieved by dividing the average paint and materials allowance per estimate by the average estimate refinish hours—yielded a rate of \$29.59 per refinish hour in this period—compared to \$28.87 in Q4-2009.

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:

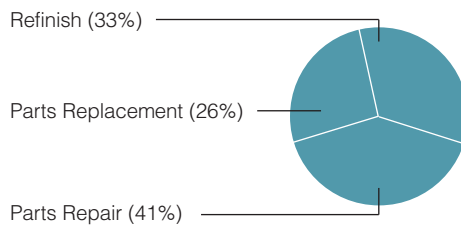
Refinishing Materials Calculator (RMC)

Mitchell's **Refinishing Materials Calculator™ (RMC)** provides accurate calculations for refinishing materials costs by incorporating a database of over 10,000 paint codes from eight paint manufacturers. It provides job-specific materials costing according to color and type of paint, plus access to the only automated, accurate, field-tested, and industry-accepted breakdown of actual costs of primers, colors, clear coats, additives, and other materials needed to restore vehicles to preaccident condition. RMC is now also fully integrated with UltraMate and UltraMate Premier Suite for total ease of use. For more information on RMC, visit Mitchell's website at www.mitchell.com.

Labor Analysis

Average body labor rates have risen in many of our sample states year over year, with slight decreases in New Jersey and Rhode Island.

% Average Labor Dollars by Type



Average Body Labor Rates and Change by State

	2009	2010	\$ Change	% Change
Arizona	\$47.20	\$48.52	\$1.32	3%
California	\$49.52	\$50.12	\$0.60	1%
Florida	\$41.68	\$41.92	\$0.24	1%
Hawaii	\$43.48	\$43.79	\$0.31	1%
Illinois	\$46.86	\$47.61	\$0.75	2%
Michigan	\$41.75	\$42.57	\$0.82	2%
New Jersey	\$44.72	\$44.37	-\$0.35	-1%
New York	\$45.93	\$46.25	\$0.32	1%
Ohio	\$42.66	\$42.94	\$0.28	1%
Rhode Island	\$44.90	\$44.79	-\$0.11	0%
Texas	\$42.34	\$42.45	\$0.11	0%

Adjustments

In Q4-2010, the percentage of all adjustments made decreased by 6%. The dollar amount of betterment taken increased compared to Q4-2009 levels by \$1.57. Average appearance allowances in Q4-2010 increased by \$0.71.

Adjustment \$ and %'s

Date	Q2/08	Q4/08	Q2/09	Q4/09	Q2/10	Q4/10	Pt\$/Change	% Change
% Adjustments Est	3.42	2.84	3.52	3.71	3.52	3.47	-0.24	-6%
% Betterment Est	2.59	2.02	2.67	2.87	2.67	2.71	-0.16	-6%
% Appear Allow Est	0.57	0.58	0.6	0.62	0.59	0.56	-0.06	-10%
% Prior Damage Est	4.55	4.74	5.2	5.13	5.36	3.12	-2.01	-39%
Avg. Betterment \$	\$116.66	\$123.06	\$121.1	\$117.42	\$127.24	\$118.99	\$1.57	1%
Avg. Appear Allow \$	\$177.87	\$185.35	\$184.68	\$183.9	\$188.5	\$184.61	\$0.71	0%

Powered by:



Debunking “Jump-On” Parts

In this issue of the Industry Trends Report, we’ll attempt to eliminate, once and for all, the premise of “jump-on” parts. Recent updates to the Procedure Pages have sought to clarify the phenomenon where a component that does not have a labor time somehow finds itself installed on a vehicle or included as part of another operation. While it is true that there will be instances where a component is included, the latest verbiage should help to alleviate this pressure point. Current updates to the Labor General Information section of the Mitchell Procedure Pages read as follows:

Comprehensive Labor Time

While completeness is strived for in each service, there will be instances, however, in which a labor time has not been established for an operation at the time of publication. If an item requires replacement and can be replaced as an individual item but shows no time, a time should be agreed upon among all parties and recorded on the damage report. It also should not be inferred that a component with no established Mitchell labor time has been included in another component’s replacement allowance.

It is ultimately the responsibility of both parties negotiating the repair to agree on whether a component is included in the replacement of another and if a stand-alone labor time needs to be entered. The user should always consult the Procedure Pages for a list of those “Included” and “Not-Included” labor operations as well as any labor notes pertinent to the component being replaced within the service.

The **Procedure Explanations** outline the operations that are or are not included in the component replacement times listed in each vehicle “service.” You are encouraged to become familiar with these Procedure Pages to be sure you have a thorough understanding of the Mitchell approach to collision estimating.

WHY THE NEED FOR A PROCEDURE PAGE UPDATE SECTION:

*The **PROCEDURE PAGE (P-PAGE) UPDATE** section is a feature we’ve added to the **Industry Trends Report** as a way to bring important changes to your attention. In order to achieve our goal of always providing best-in-class solutions—and equally as important—responding to the voice of our customers—our Content Management Group is dedicated to addressing top-of-mind issues for the collision repair industry. In doing so, the Group conducts extensive research and rigorous time studies that often lead to changes in the P-Pages. In upcoming additions, we’ll be highlighting these changes as well.*

Total Loss

The chart below continues to illustrate that pickup and passenger car values have rallied in value in part due to new vehicle sales still not reaching pre-recession levels.

Average Vehicle Age in Years

Vehicles	Q2 2008	Q4 2008	Q2 2009	Q4 2009	Q2 2010	Q4 2010
Convertible	9.95	10.32	10.01	10.97	10.60	11.28
Coupe	10.17	10.52	10.27	10.81	10.70	11.35
Hatchback	10.08	10.05	9.64	9.81	9.60	9.69
Sedan	9.25	9.67	9.40	9.90	9.75	10.28
Wagon	8.38	8.78	8.34	8.68	8.51	8.94
Other Passenger	10.95	11.01	11.09	11.53	11.14	12.01
Pickup	9.94	10.03	10.05	10.82	10.84	11.52
Van	9.51	9.88	9.59	10.29	10.15	10.82
SUV	8.27	8.56	8.44	9.18	9.01	9.73

Average Vehicle Actual Cash Value

Vehicles	Q2 2008	Q4 2008	Q2 2009	Q4 2009	Q2 2010	Q4 2010
Convertible	\$9,631.70	\$9,424.83	\$9,216.57	\$9,101.75	\$9,221.48	\$9,584.71
Coupe	\$6,009.25	\$6,037.39	\$5,859.95	\$6,118.41	\$6,293.55	\$6,327.01
Hatchback	\$5,523.09	\$5,784.14	\$5,916.53	\$6,214.92	\$6,415.42	\$6,792.87
Sedan	\$6,008.92	\$6,117.93	\$5,888.32	\$6,231.96	\$6,309.45	\$6,460.03
Wagon	\$7,388.57	\$7,253.19	\$6,912.37	\$7,249.66	\$7,397.46	\$7,441.50
Other Passenger	\$13,308.28	\$16,275.56	\$13,793.99	\$16,370.09	\$15,656.70	\$16,017.60
Pickup	\$8,925.66	\$8,496.76	\$8,092.18	\$8,927.98	\$8,965.92	\$9,032.59
Van	\$5,670.79	\$5,353.26	\$4,922.91	\$5,420.61	\$5,518.73	\$5,539.32
SUV	\$9,148.70	\$8,371.42	\$7,826.75	\$8,739.39	\$9,019.71	\$8,985.66



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.



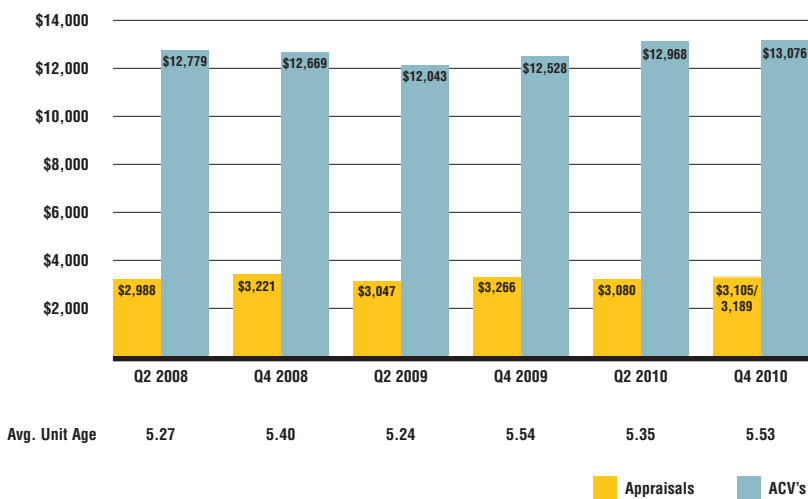
At the request of our customers and friends in Canada, we are pleased to provide the following Canada-specific statistics, observations, and trends. **All dollar-figures appearing in this section are in CDN\$.** As a point of clarification, these data are the product of upload activities from Body Shop,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

Editor's 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

Severity Overall: The average initial gross appraisal value, calculated by combining data from all first- and third-party repairable vehicle appraisals uploaded through Mitchell Canadian systems in Q4-2010, was \$3,105—a \$161 decrease from Q4-2009. However, when applying the prescribed development factor, we find an anticipated average appraisal value of \$3,189—a \$77 decrease from Q4-2009.*

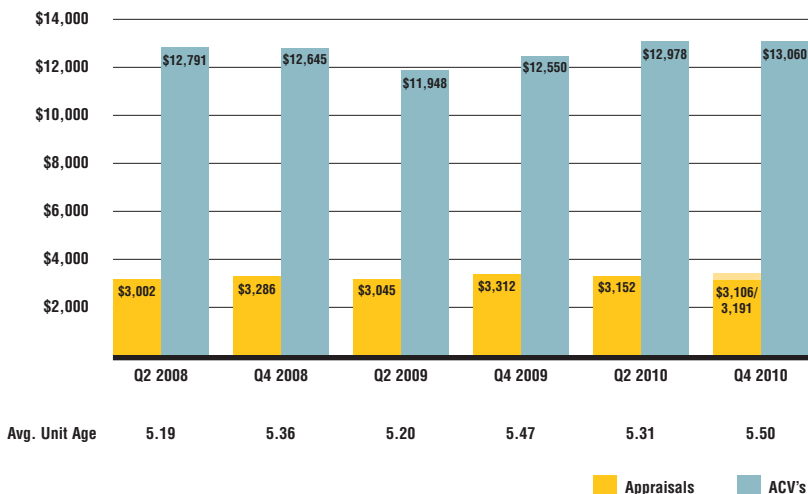
Canada—Severity Overall



Collision Losses

Mitchell's Q4-2010 data reflect an initial Canadian average gross Collision severity of \$3,106—a \$206 decrease compared to Q4-2009. However, when we apply the prescribed development factor, we obtain an estimated final value of \$3,191—reflecting a decrease of \$121.*

Canada—Severity Collision



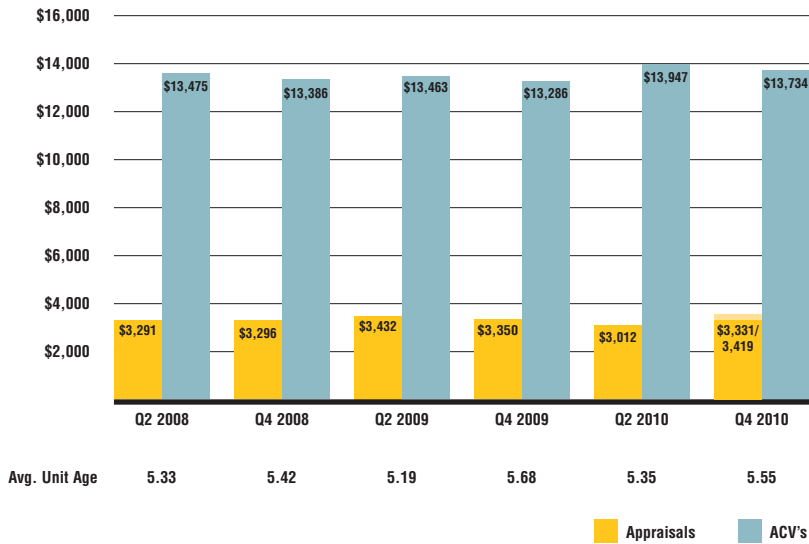
*NOTE: Values provided from Guidebook benchmark averages, furnished through Mitchell UltraMate®.



Comprehensive Losses

In Q4-2010, the average initial gross Canadian appraisal value for Comprehensive coverage estimates processed through our servers was \$3,331—or \$19 lower than in Q4-2009. However, by applying the prescribed development factor, the anticipated average appraisal value will increase to \$3,419.*

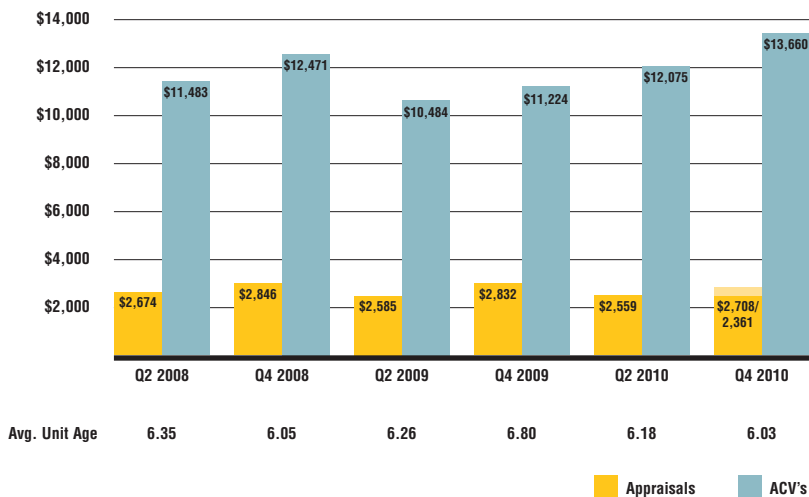
Canada—Severity Comprehensive



Third-Party Property Damage

In Q4-2010, our Canadian industry initial average gross Third-Party Property Damage appraisal was \$2,708—a decrease of \$124 from Q4-2009 on a slightly newer vehicle age estimated. Applying the prescribed development factor, the anticipated appraisal value will increase to \$2,361.*

Canada—Severity Third Party



About Mitchell in Canada...

For more than 20 years, Mitchell's dedicated Canadian operations have focused specifically and entirely on the unique needs of collision repairers and insurers operating in the Canadian marketplace. Our Canadian team is known for making itself readily available, for being flexible in its approach to improving claims and repair processes, and for its 'second to 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

The percentage of estimates supplemented one or more times decreased by 18% compared to Q4-2009. The average dollar amount of those supplements decreased by 30%—or \$139.34.

Supplement %'s

Date	Q2/08	Q4/08	Q2/09	Q4/09	Q2/10	Q4/10	Pt/Change	% Change
% Est Supplements	40.91	42.87	39.32	43.06	43.6	35.3	-7.76	-18%
% Supplements	61.29	61.21	55.92	20.66	60.44	72.3	51.64	250%
Avg Combined Supp Variance	337.00	395.89	376.95	461.59	472.24	322.25	-139.34	-30%
% Supplement \$	11.28	12.29	12.37	14.13	15.33	10.38	-3.75	-27%

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 in parts dollars and an increase in labor and paint and materials dollars.

% Average Appraisal Dollars by Type

Date	Q2/08	Q4/08	Q2/09	Q4/09	Q2/10	Q4/10	Pt/\$ Change	% Change
% Average Part \$	40.53	42.88	39.52	43.79	42.34	41.76	-2.03	-5%
% Average Labor \$	47.48	45.37	48.06	44.33	45.63	46.57	2.24	5%
% Paint Material \$	9.03	8.68	8.86	8.70	9.09	9.07	0.37	4%

Adjustments

In Q4-2010, the average times betterment was taken on estimates decreased by 18%, yet the dollar amount increased by 4%. The number of times appearance allowances were given was down considerably, with the average amount given increasing by 7 %.

Adjustment \$ and %'s

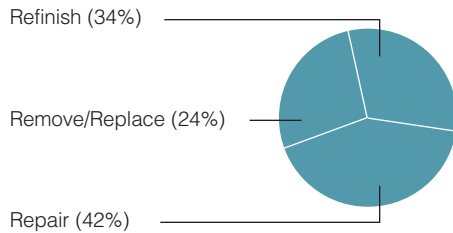
Date	Q2/08	Q4/08	Q2/09	Q4/09	Q2/10	Q4/10	Pt/\$Change	% Change
% Adjustments Est	3.29	3.03	3.15	3.2	3.06	2.6	-0.6	-19%
% Betterment Est	2.76	2.59	2.53	2.71	2.53	2.22	-0.49	-18%
% Appear Allow Est	0.52	0.45	0.58	0.45	0.5	0.35	-0.1	-22%
% Prior Damage Est	0.12	0.04	0.14	0.17	0.15	0.14	-0.03	-18%
Avg. Betterment \$	\$174.89	\$160.08	\$181.71	\$192.03	\$198.61	\$200.32	8.29	4%
Avg. Appear Allow \$	\$203.32	\$222.03	\$159.33	\$180.81	\$183.35	\$192.96	12.15	7%



Labor Analysis

All data reflect the percentage of labor-type dollars utilized in the construction of Mitchell appraisals by Canadian estimators. Labor rates rose or remained flat in all Provinces and Territories except Alberta and British Columbia, the latter decreasing by 6%.

% Average Labor Dollars by Type



Average Body Labor Rates and Changes by Province

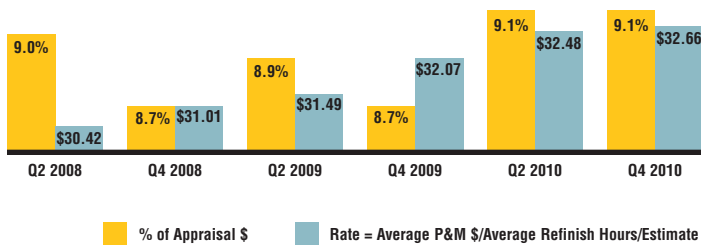
	2009	2010	\$ Change	% Change
ALBERTA	68.01	\$67.64	-\$0.37	-1%
BRITISH COLUMBIA	63.15	\$59.50	-\$3.65	-6%
NEWFOUNDLAND & LABRADOR	56.62	\$57.78	\$1.16	2%
NOVA SCOTIA	54.34	\$55.28	\$0.94	2%
NORTHWEST TERRITORIES	77.73	\$77.69	-\$0.04	0%
ONTARIO	52.25	\$53.25	\$1.00	2%
QUEBEC	44.71	\$45.76	\$1.05	2%
YUKON TERRITORY	80.33	\$80.82	\$0.49	1%

Paint and Materials

Canadian Paint and Materials accounts for just over 9% of the average repairable estimate costs. The average hourly reimbursement rate now is \$32.66—the highest average rate recorded.

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



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 slight decrease in OEM parts use, an increasing volume of Aftermarket parts dollars used by Mitchell-equipped estimators, relatively constant Remanufactured parts use, and decreasing 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.

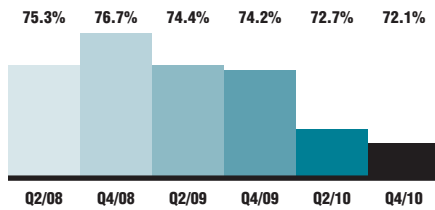
For Parts Types Definitions, see page 23.



Original Equipment Manufacturer (OEM) Parts Use in Dollars

In Q4-2010, Canadian OEM parts use decreased compared to Q4-2009 and has fallen to one of the lowest rates in recent history.

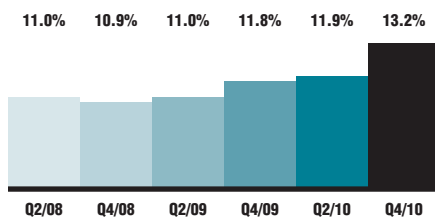
Canada—OEM



Aftermarket Parts Use in Dollars

Canadian aftermarket parts use has exceeded 13% of the parts dollars used on an average estimate for the first time.

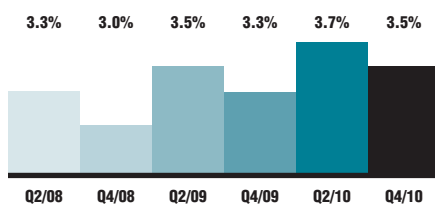
Canada—Aftermarket



Remanufactured Parts Use in Dollars

Remanufactured parts use is relatively constant.

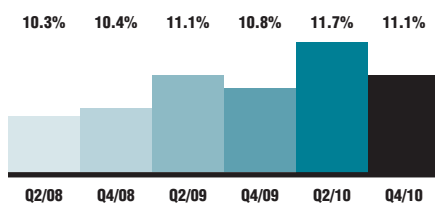
Canada—Non-New/Remanufactured



Like Kind and Quality Parts Use in Dollars

Canadian LKQ parts use also remains relatively flat over the recent quarters.

Canada—LKQ

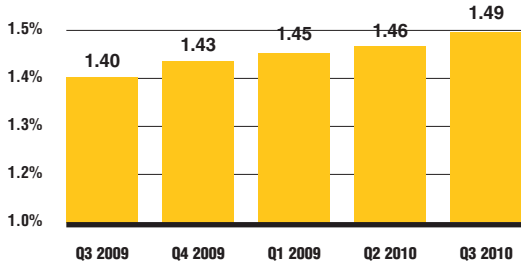


Casualty Statistics

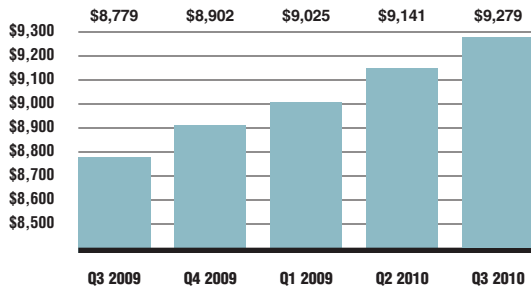
Personal Injury Protection (PIP)

During Q3-2010, the 12-month rolling average for countrywide Personal Injury Protection claims has increased to a historical high (as calculated from the percentage of such claims reported per 100 insured exposures) at 1.49, with the average claim severity at \$9,279.

Countrywide PIP Frequency



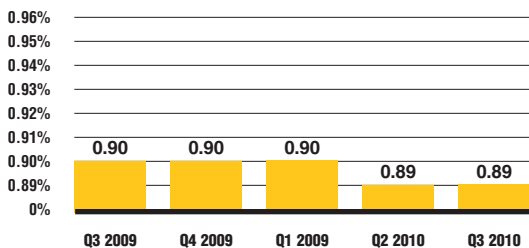
Countrywide PIP Severity



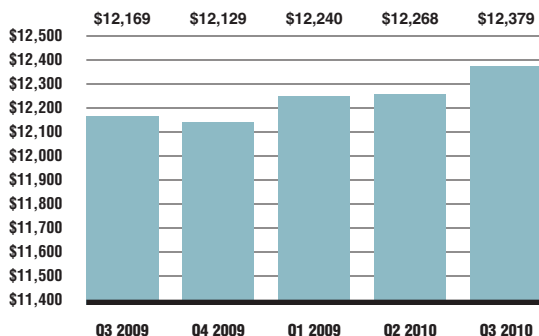
Bodily Injury

As of Q3-2010, the 12-month rolling average for countrywide bodily injury paid claim frequency was 0.89—down from the previous 12-month rolling total of 0.90 but the same as Q2 2010. Average paid claim cost, however, rose slightly to a record high level.

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 Auto Casualty Solutions...

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

Mitchell **Decision Point**[®] facilitates 1st and 3rd party claim-handling by automating vital tasks—thus streamlining a carrier's claims 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 Auto Casualty Solution'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 Auto Casualty Solutions and its casualty solutions, visit www.mitchell.com, or contact:

Jeff Pirino
 Vice President of Casualty Sales
 Mitchell Auto Casualty Solutions
Jeff.Pirino@mitchell.com
 t: 858-368-8381



About Mitchell

Mitchell International, Inc.

6220 Greenwich Dr., San Diego, CA 92122 Tel: 858.368.7000

Mitchell International, Inc., founded in 1946 and headquartered in San Diego, California, is a leading provider of information and workflow solutions to the Property & Casualty Claims and Automotive Collision Repair industries. The company's comprehensive solution portfolio streamlines the entire auto physical damage, bodily injury and workers' compensation claims processes. Mitchell enables millions of electronic transactions between more than 30,000 business partners each month to enhance partner productivity, profitability, and customer satisfaction.

From the moment policyholders notify their insurance companies of a vehicle claim, Mitchell's robust solutions take action, transforming the entire claims and repair cycle into a streamlined, end-to-end process using intuitive tools, decision-driven software and shared workspaces that deliver a much improved and efficient experience. From initial damage appraisal to helping collision repairers safely and efficiently return vehicles to pre-accident condition, insurers and collision repair businesses depend on Mitchell to deliver cost savings to their organizations and pleasant and timely claims settlement to their customers.

Mitchell also has a 20-year track record of delivering solutions to help Auto Insurance Carriers and Workers' Compensation Claims Payers evaluate and settle their medical claims faster and more accurately. With an unmatched breadth of medical data and decision support experience, Mitchell offers a variety of technology, database, and service solutions that enable its clients to control costs and improve consistency throughout the claims process.

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.

For more information on Aurora Capital, please visit its website: www.auroracap.com.



We've moved...

...our corporate headquarters to a new location in San Diego. You can find us at:

**6220 Greenwich Drive
San Diego, CA 92122**

The entire Mitchell team is excited and energized about our new workspace and is looking forward to continuing to bring you engaging information within the pages of the Industry Trends Report.

Mitchell News Releases Q4-2010

Mitchell International and Coventry Workers' Comp Services Announce Expanded Partnership

Leading medical bill review software & services provider and best-in-class provider network extend relationship to enable more efficient, timely, cost effective and service sensitive claims handling

San Diego, CA—December 20, 2010—Mitchell International, Inc., a leading provider of information, workflow and performance management solutions to the Property & Casualty claims and Collision Repair industries, and Coventry Workers' Comp Services, Inc., a division of Coventry Health Care, Inc., today announced the execution of a multi-year contract extension. This contract extension enables Mitchell to offer its customers access to Coventry's robust, national provider network via its flagship medical bill review solutions: DecisionPoint® for 1st and 3rd party liability claims handlers and SmartAdvisor™ for workers' compensation claims payors.

"Coventry's national coverage is a great benefit to our customers," states Alex Sun, President and Chief Executive Officer, Mitchell International. "Our strategic relationship with them reinforces Mitchell's commitment to working with industry leading providers of cost and care management solutions for property and casualty insurance carriers. This strategic relationship gives insurance carriers an enhanced ability to provide their insureds access to high quality, reasonably priced medical care."

Use of the Coventry Integrated NetworkSM of more than 600,000 providers, coupled with the operational efficiencies gained from the DecisionPoint® and SmartAdvisor™ medical bill review platforms, will ensure that policyholders obtain care from quality, outcomes oriented providers and medical benefits are preserved in the process.

"Coventry is pleased to expand our relationship with Mitchell both in terms of workers' comp and auto medical care," commented Bruce Singleton, Coventry's Vice President, Provider Network Product Management. "We have joined forces at a time when controlling medical costs and delivering quality care to injured patients could not be more significant."

Additional value for Mitchell customers includes an enhanced ability for insurers while simultaneously accessing a fully integrated and modern medical bill review technology solution that is compliant with standard HIPAA and ANSI X12 data transmission requirements.

About Coventry Workers' Comp Services

Coventry Workers' Comp Services, a division of Coventry Health Care, Inc., is the leading provider of cost and care management solutions for property and casualty insurance carriers, (workers' compensation and auto insurers), third-party administrators and self-insured employers. We design best-in-class products and services to help our partners restore the health and productivity of injured workers and insureds as quickly and as cost effectively as possible. We accomplish this by developing and maintaining consultative, trusting partnerships with our clients and stakeholders, built on a foundation of innovative and customized solutions that support the claims management process. Go to www.coventryautosolutions.com for more information.

Mitchell International Closes Purchase of Ingenix Property & Casualty Medical Bill Review Business

Smooth leadership and technology transition ensures successful integration of customer medical bill review operations into SmartAdvisor™ medical bill review platform

San Diego, CA—December 7, 2010—Mitchell International, Inc., a leading provider of information, workflow and performance management solutions to the Property & Casualty (P&C) claims and Collision Repair industries, today announced the successful close of its purchase of Ingenix's P&C medical bill review (MBR) business. The purchase places Mitchell Workers' Compensation Solutions (WCS) business and its SmartAdvisor™ medical bill review platform in a market leadership position, enabling the company to deliver to the



Mitchell **SmartAdvisor™**

INGENIX.
P&C Medical Bill Review

insurance and managed care related industries advanced technology solutions with a proven track record of streamlining medical claims operations and improving cost containment.

“Since the intent to purchase the Ingenix MBR business was announced this October 20, Mitchell has experienced broad market acceptance and customer buy-in, the result of a carefully planned business and technology transition strategy that is being deployed within the context of Mitchell’s stable position and long-term experience in the P&C marketplace,” said Nina Smith-Garmon, senior vice president and general manager of the Mitchell Workers’ Compensation Solutions Division.

Smith-Garmon added, “The positive feedback we have received at the recent National Workers’ Compensation and Disability Conference® & Expo indicates that Ingenix P&C MBR customers anticipate a smooth, successful transition to Mitchell and the SmartAdvisor medical bill review technology platform. We will continue to enhance our solution for all our customers by adding to our already-extensive Preferred Provider Organization (PPO) networks and compliance expertise via strategic partnerships and acquisitions.”

Mitchell SmartAdvisor is a comprehensive bill review solution for workers’ compensation that leads the industry in its unique combination of performance software, client services, and best-in-class partnerships. Available through licensed or software-as-a-service model, SmartAdvisor’s unique capabilities include customizable workflow modeling, Capstone® business decision rules engine, data analytics and reporting tools, Claims Examiner Portal for fast, secured, real-time access to bill data, and a proven technology platform that delivers on average 50-70% straight-through processing for improved efficiencies and lower costs. Visit www.mitchell.com/smartadvisor for more information or contact Mitchell Workers’ Compensation Solutions directly at 1-800-421-6705 to schedule a demo of the SmartAdvisor bill review system.

About Mitchell Workers Compensation Solutions Division

Mitchell Workers’ Compensation Solutions (WCS), a division of Mitchell International, is a leading provider of workers’ compensation cost containment technologies and services. Insurance payers and other clients rely on Mitchell WCS’s best-of-breed medical bill review platform, the SmartAdvisor Software Suite, to improve their medical cost savings results. For more information, please visit www.mitchell.com/smartadvisor.

Mitchell International and CoreChoice Execute Comprehensive Services Agreement

Leading medical bill review software & services provider joins with the nation’s fastest growing “super specialty” network to provide comprehensive radiological services to 1st and 3rd party claims payors

San Diego, CA and New York, NY—December 6, 2010—Mitchell International, Inc., a leading provider of information, workflow and performance management solutions to the Property & Casualty claims and Collision Repair industries, and CoreChoice, the nation’s fastest growing specialty network devoted entirely to radiological services, today announced the execution of a multi-year contract. Claims professionals, via Mitchell DecisionPoint®, the leading medical bill management solution for 1st and 3rd party liability claims handlers, can now access the depth and breadth of the CoreChoice radiology network, which includes highly specialized services such as MRI (Open and Closed), Mammography, Sonogram, X-Ray, Nuclear Medicine services and CT, PET and Bone Scan services. This provides for an enhanced ability for insurers to ensure maximum value delivered to policyholders within their coverage limits via the benefits of pre-negotiated contract rates with CoreChoice facilities.

“CoreChoice is an established leader in the provision of a broad set of high quality radiological services,” said Dave Torrence, Senior Vice President and General Manager, Mitchell International. “Our relationship with CoreChoice is a natural and synergistic extension of the capabilities of both of our organizations to the benefit of our customers, who



elect to implement CoreChoice, and—most importantly—to injured parties. We know and understand that specialized procedures, including radiological services are driving costs up nationally and we're excited about extending our capabilities in offering CoreChoice."

Mitchell is pleased to provide additional benefits for its customers through this new agreement with CoreChoice, including:

- The service and quality of care results they demand in their claims handling organizations via the ability to provide injured parties—including those who might not otherwise have convenient access to such an extensive range of top quality radiological services—the benefit of more than 6,000 CoreChoice imaging centers throughout the nation, including Washington D.C. and Puerto Rico;
- Maximum efficiency and productivity of claim handlers. DecisonPoint provides a "single source solution" enabling claims professionals to save time by reducing the use of a variety of disparate claims handling solutions as well as the high amounts of manual processing often required to access the benefits of specialty medical networks;
- Elimination of billing negotiations as medical billings from CoreChoice facilities are quickly paid via pre-established contractual rates; and
- A fully integrated and modern medical bill review technology solution that is compliant with standard HIPAA and ANSI X12 data transmission requirements.

Accessibility to CoreChoice networks via Mitchell's state-of-the-art bill review offerings provides CoreChoice network members significant expansion opportunities. "There is exponential growth in the use of radiological procedures in healthcare," said Steven F. Gass, Chief Executive Officer, CoreChoice. "CoreChoice is dedicated to providing injured parties the highest quality radiological services available and our Mitchell relationship offers us significant opportunities to expand our reach to assist injured parties to receive prompt, effective, proper and reasonably priced

About CoreChoice.

CoreChoice combines the talents and expertise of medical, technology, and insurance industry professionals to provide a new level of radiology network service. Our philosophy is to provide the largest radiology specialty network in the United States with fair and equitable pricing as well as a prompt pay mechanism for our participating network facilities. For more information please visit www.corechoice.net.

Mitchell International to Race "Lemon" in Lapping for Leukemia Fundraiser

Money raised by Mitchell racing team in the 24 Hours of LeMons endurance race to be donated to Leukemia and Lymphoma Society

San Diego, CA—December 1, 2010—Mitchell International, Inc., a leading provider of information, workflow and performance management solutions to the Property & Casualty claims and Collision Repair industries, today announced that the company will raise funds in support of its Lapping for Leukemia project by competing in the 24 Hours of LeMons, a 24 hour endurance race for cars valued at \$500 or less. The Mitchell LeMons Team will race its 1979 BMW 528i at the Buttonwillow Raceway Park, outside of Bakersfield, CA, December 4-5, and is currently accepting donations at www.lappingforleukemia.com. All pledge monies collected will be donated to the Leukemia and Lymphoma Society.

"Mitchell is committed to our community, and this community is not only made up of our co-workers, our business partners and customers and their friends and families, but also organizations like the Leukemia and Lymphoma Society that do great and noble work for all of us," said Alex Sun, Mitchell's President and CEO. "We're very proud of the Mitchell LeMons Team for helping to raise money to fund research for this terrible disease. We encourage you to show your support as well. If you are in Southern California, join Mitchell's race team at the Buttonwillow Raceway, and if you can, please donate to the Lapping for Leukemia Project."

The Mitchell LeMons Team is raising money for the Leukemia and Lymphoma Society via a “donation per lap pledge” model, typical of walk-a-thons, and is also accepting lump sum pledges at www.lappingforleukemia.com. The team hopes to both raise funds for leukemia research as well as increase public awareness of the need to support efforts to eradicate this disease.

Mitchell AutocheX Celebrates Top-Performing Shops at 9th Annual Premier Achiever Awards Ceremony

Leaders in collision repair customer service and satisfaction honored during NACE—New ‘Star Award’ recognizes consistent excellence in customer satisfaction

San Diego, CA—November 18, 2010—AutocheX™, Mitchell International’s customer experience management service, honored collision repair facilities from throughout the U.S. and Canada at the ninth annual Premier Achiever Awards ceremony held at the Mandalay Bay Convention Center in Las Vegas in conjunction with NACE. The Premier Achiever Award recognizes top-performing shops that use the AutocheX service to measure customer satisfaction. A new “Star Award” introduced this year honors shops that have demonstrated consistent excellence in customer satisfaction over a six-year period.

“We are extremely proud of the 2010 Premier Achiever Award winners. It’s a privilege to sponsor this program for the ninth year to recognize the hard work and dedication of the top-performing collision repair facilities in North America for customer service and satisfaction,” said Jason Bertellotti, Vice President of Mitchell Repair Solutions. “These shops are clearly committed to providing the best possible vehicle repair experience for their customers. Their efforts have resulted in truly impressive levels of customer satisfaction and loyalty—deserving of special recognition.”



On hand to congratulate winners at the Ninth Annual AutocheX Premier Achiever Award Ceremony were, from left to right: Rochelle Thielen, Director of AutocheX Sales, Mitchell International; Bob Benjamin, Vice President of Operations, Sterling Autobody Centers; Tracy Tramm, Claim Service Manager, Good Hands Repair Network, Allstate Insurance; Yolanda Banda, Vendor Management Supervisor, California State Automobile Association; Clifton Meaders, Vendor Management Supervisor, California State Automobile Association; Odom Wu, Director, Strategic Initiatives PMO & VMO, Farmers Insurance; Peter Raubenheimer, Executive Director, Auto Claims, USAA; Rick Lewis, Unit Manager, Immediate Repair Program, Automobile Club Enterprises; Robert Knott, Blue Ribbon Direct Repair Director, Material Damage, Nationwide Insurance; Chris Fairbridge, Manager, Material Damage Services, Business Support, Insurance Corporation of British Columbia; Bob McMahon, Assistant Vice President, Auto Physical Damage Claims, The Auto Club Group; Jason Bertellotti, Vice President of Repair Solutions, Mitchell International.



Celebrating the presentation of the AutocheX Star Award to Kniesel's Collision Center of Citrus Heights at the AutocheX Premier Achiever Award ceremony were: Rochelle Thielen, Director of AutocheX Sales, left; Dave Browne, Kniesel's General Manager; Dan Fischer, Kniesel's Operations Manager, Tom Kniesel, owner of Kniesel's; and Jason Bertellotti, Vice President of Repair Solutions, Mitchell International.

The Premier Achiever Award honors collision repair facilities that demonstrate their commitment to customer service as reflected by their extremely high customer satisfaction scores. The class of 2010 Premier Achievers includes top-performing collision repair facilities of all sizes, from small, family-run businesses to large consolidators, and represents 37 states across the U.S, as well as British Columbia, Canada. In an industry of nearly 50,000 shops in North America, qualifying as one of the nearly 500 Premier Achiever Award recipients places the collision shop winners in highly exclusive company. Since Mitchell launched the award program in 2002, AutocheX has presented over 2,700 Premier Achiever Awards to industry-leading collision repair facilities.

This year, AutocheX introduced the new Star Award to recognize consistent excellence in customer satisfaction performance. Mitchell presented the Star Award to collision repair facilities that have won the Premier Achiever Award for six consecutive years, 2005 through 2010. Only nine shops—out of nearly 500 Premier Achiever Award winners—qualified to win the award in 2010.

“Satisfying customers consistently is a critical factor in building customer loyalty and driving long-term success. It’s very appropriate to recognize these facilities that have set the bar extremely high for consistent performance over time. We congratulate these Star Award winners on their exceptional accomplishment,” said Bertellotti.

The nine 2010 Star Award winners are:

- Baker Body & Glass (Concord, NC)
- Collex Collision of Flourtown (Flourtown, PA)
- Darrell's Paint & Body, Inc. (Vero Beach, FL)
- Dependable Auto Body (Staton Island, NY)
- Kniesel's Collision Center of Citrus Heights (Citrus Heights, CA)
- Larkfield Body and Paint (Santa Rosa, CA)
- McDermott's Body Shop Ltd. (Vancouver, Canada)
- Phil's Body Works (Hewlett, NY)
- Rockland County Auto Body (Haverstraw, NY)

“We are thrilled to be recognized as one of the first Star Award recipients. Our primary focus is on doing the right thing to please our customers no matter what it takes,” said Dan Fischer, Operations Manager of Kniesel's Collision Center of Citrus Heights. “This award is a testament to our commitment to go the extra mile to consistently exceed our customers' expectations. We take pride in providing superior workmanship and excellent service and we're very proud to receive this prestigious award recognizing our efforts.”

Mitchell's AutocheX team and insurance company representatives honored Premier Achiever Award winners with well-deserved recognition at the ceremony. "It was a real pleasure to participate in the Premier Achiever Award ceremony and to have the opportunity to thank shops that dedicate themselves to providing top-quality service to customers," said Tracy Tramm, Claim Service Manager of the Good Hands® Repair Network for Allstate Insurance. "These winners are the elite when it comes to understanding what it takes to create a positive experience for their customers. We are very proud of the 2010 Premier Achievers and congratulate them on receiving this prestigious award," added Tramm.

For a list of the 2010 Mitchell AutocheX Premier Achiever Award winners, please visit www.AutocheX.com.

Mitchell AutocheX is a leading provider of customer satisfaction measurement and customer experience management solutions to the collision repair industry. The RepairCenter™ Customer Experience Management (CEM) reporting engine used by AutocheX provides dynamic ("real time") reporting, customized favorite reports, combined program results, automated e-mail delivery of reports, and the ability to save reports in popular formats like Excel® or PDF.

Mitchell International and Three Rivers Provider Network Announce Partnership

Leading medical bill review software & services provider joins with fastest growing proprietary PPO network in the United States to enable more efficient, timely, cost effective and service sensitive claims handling for 1st party automobile claims payers

San Diego and Chula Vista, CA—November 16, 2010—Mitchell International, Inc., a leading provider of information, workflow and performance management solutions to the Property & Casualty claims and Collision Repair industries and Three Rivers Provider Network (TRPN), the Nation's largest supplemental PPO Network Foundation, today announced the execution of a multi-year contract.

This contract signing marks a key relationship milestone for both organizations and—more importantly—the continuing value that they bring to their customers. Key advantages to Mitchell DecisonPoint® customers include:

- Enhanced ability for insurers to safeguard and extend their policyholder's medical benefits limits by paying a fair, accurate, and reasonable amount for healthcare related services;
- A fully integrated and modern medical billing review technology solution that is compliant with standard HIPAA and ANSI X12 data transmission requirements; and
- The service, efficiency and quality of care results they demand in their claims handling organizations within a "one-stop" environment; with no need to go outside the structure of their current Mitchell offerings.

For TRPN, the continuing extension of accessibility to their networks via Mitchell's leading 1st party automobile medical bill review offering provides the opportunity for expansion of service to their customer base as well as more satisfied medical service providers for the ongoing growth of their leading national supplemental PPO network foundation.

"Three Rivers Provider Network is dedicated to the provision of very best in high quality services to our customers—at an affordable price," said Todd Breeden Chief Operating Officer, TRPN. "We are very pleased with our relationship with Mitchell, which originated in Mitchell's Workers' Compensation Solutions division; it's a powerful, synergistic combination of the best of both of our organizations to the benefit of both TRPN and Mitchell customers alike."

"TRPN is an acknowledged nationwide leader in managed health care," said Dave Torrence, Senior Vice President and General Manager, Mitchell International. "We are very pleased to



be one of TRPN's highly valued medical claims management partners and we look forward to continuing our work together to deliver even more real and sustainable value to the property casualty claims payer market space."

About Three Rivers Provider Network

Three Rivers Provider Network is the Nation's largest supplemental PPO Network Foundation providing healthcare benefits to more than ten million members at more than one million locations nationwide. For more information please visit www.trpnppo.com.

Mitchell's SmartAdvisor™ Adds Claims Communications and PPO Compliance Capabilities

SmartAdvisor™ Health Ticket and Lookup Directory will improve workers' compensation claims cost containment with better care communications and PPO penetration

San Diego, CA—November 3, 2010—Mitchell International, Inc., a leading provider of information, workflow and performance management solutions to the Property & Casualty claims and Collision Repair industries, today announced the immediate availability of the SmartAdvisor™ Health Ticket and PPO Lookup Directory, powered by VIIAD, to the industry's leading medical bill review platform for workers' compensation claims. Both the SmartAdvisor Health Ticket and Lookup Directory are web-accessible claim communications and PPO compliance solutions designed to yield significant cost containment opportunities by making critical claims information available to all parties to a workers' compensation claim, as well as reduce claims costs by increasing PPO and ancillary network participation.

"Mitchell is pleased to have struck another strategic partnership, this time with claims technology innovator VIIAD, that allows insurance payers to further leverage SmartAdvisor's extended specialty pricing, PPO networks and compliance expertise," said Nina Smith-Garmon, Senior Vice President and General Manager of the Mitchell Workers' Compensation Solutions Division. "The SmartAdvisor medical bill review platform is an industry leader because of the depth and breadth of our medical bill review offerings that deliver more opportunities enabled by innovative technologies to help contain claims costs."

The SmartAdvisor Health Ticket and Lookup Directory are both accessed through an easy to use web-based application by claims examiners and managed care experts, allowing them quickly and easily locate participating PPO providers and other information relevant to a workers' compensation claims transaction. The SmartAdvisor Health Ticket provides real time, specific and printable care instructions to all parties involved in a claim, helping clients increase PPO penetration with resultant savings, avoiding unnecessary care and improving the quality and timeliness of care. The Lookup Directory creates and customizes panel postings, creates customized directories for printing or electronic distribution and provides tools for users to nominate providers for recruitment. It is customizable and accessible at any time by multiple users and touch points, and integrates any PPO networks data and additional cost containment vendors already in use by customers.

April Stiles, Chief Operating Officer for VIIAD, said, "VIIAD looks forward to working with Mitchell in order to offer SmartAdvisor customers a state-of-the-art set of claim communication and PPO compliance technologies that improve workers' compensation claims for everyone involved. Injured workers receive the detailed information that will help them heal and return to work faster, and insurance payers are able to improve their claims processes by accessing the savings available from pre-negotiated networks and providers, enabling a more efficient, cost effective claims process."

Mitchell SmartAdvisor is a comprehensive bill review solution for workers' compensation that leads the industry in its unique combination of performance software, client services, and best-in-class partnerships. Available through licensed or software-as-a-service model, SmartAdvisor's unique capabilities include customizable workflow modeling, Capstone® business decision rules engine, data analytics and reporting tools, Claims Examiner Portal for fast, secured, real-time access to bill data, and a proven technology platform

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that delivers on average 50-70% straight-through processing for improved efficiencies and lower costs. Visit www.mitchell.com/smartadvisor for more information or contact Mitchell Workers' Compensation Solutions directly at 1-800-421-6705 to schedule a demo of the SmartAdvisor bill review system.

About VIIAD Systems

Founded in 2006, VIIAD's objective is to advance our clients competitive position by providing innovative solutions that reduce claim costs and maintain compliance. VIIAD's Health Ticket is a simple, elegant claim communication tool that was awarded "2008 Risk Innovator of the Year" by Risk and Insurance Magazine. For additional information, please visit www.viiad.com.

Mitchell's SmartAdvisor™ Creates Partner Bridge With MedRisk Physical Medicine Management Services

Mitchell Workers' Compensation Solutions adds leading evidence-based medical management program to medical bill review platform to reduce physical medicine costs

San Diego, CA—November 1, 2011—Mitchell International, Inc., a leading provider of information, workflow and performance management solutions to the Property & Casualty (P&C) claims and Collision Repair industries, today announced that the SmartAdvisor™ Partner Bridge is now available throughout MedRisk, Inc.'s network of physical medicine management services. MedRisk is a leading provider of claims and medical management services for the workers' compensation industry. Mitchell Workers' Compensation Solutions' SmartAdvisor Partner Bridge gives medical bill review organizations the power to conduct instant network contract repricing and enhanced savings audits. The creation of the SmartAdvisor-MedRisk Partner Bridge coupled with the operational efficiencies gained from the SmartAdvisor medical bill review platform provides insurance payers with new opportunities for containing costs and improving claims settlement.

"Mitchell Workers' Compensation Solutions is continuously striking strategic partnerships in order to offer our customers the technology innovations that further empower the SmartAdvisor medical bill review platform," said Nina Smith-Garmon, Senior Vice President and General Manager of the Mitchell Workers' Compensation Solutions Division. "MedRisk shares our goal of streamlining medical claims operations and improving cost containment for insurance payers and others in the workers' compensation marketplace."

"We are delighted to be Mitchell's preferred partner for physical medicine services," said Shelley Boyce, Chief Executive Officer of MedRisk, Inc. "More than 20 percent of workers' comp medical payments involve physical medicine, making it a significant driver of rising medical costs. Joining the SmartAdvisor Partner Bridge enables us to bring Mitchell clients the industry's leading evidence-based medical management program that will reduce physical medicine costs, improve outcomes and deliver faster turn-around-time on physical medicine bills." Mitchell SmartAdvisor is a comprehensive bill review solution for workers' compensation that leads the industry in its unique combination of performance software, client services, and best-in-class partnerships. Available through licensed or software-as-a-service model, SmartAdvisor's unique capabilities include customizable workflow modeling, Capstone® business decision rules engine, data analytics and reporting tools, Claims Examiner Portal for fast, secured, real-time access to bill data, and a proven technology platform that delivers on average 50-70% straight-through processing for improved efficiencies and lower costs. Visit www.mitchell.com/smartadvisor for more information or contact Mitchell Workers' Compensation Solutions directly at 1-800-421-6705 to schedule a demo of the SmartAdvisor bill review system.

About MedRisk

Founded in 1994 and based in King of Prussia, Pa., MedRisk, Inc. is a Deloitte "Technology Fast 50" company in the Greater Philadelphia area. The company provides specialty managed care services along with claims workflow management tools to the

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workers' compensation industry. With a demonstrated core competency in physical medicine management, MedRisk has leveraged its technological expertise and evidence-based research to provide a growing list of products and services to its client community including document management, best-practice claim-workflow automation, specialty network services, network integration and data analytics. MedRisk's programs deliver savings and operational efficiencies that are significantly greater than traditional programs. Customers include insurance carriers, self-insured employers, third-party administrators, state funds and general managed care workers' compensation companies. More information is available at www.medrisknet.com or by calling 1-800-225-9675.

Mitchell International Purchases Ingenix Property & Casualty Medical Bill Review Business

Combined businesses make Mitchell the leading provider of medical bill review solutions for workers' compensation, offering insurers unprecedented scope and scale of solutions

San Diego, CA—October 20, 2010—Mitchell International, Inc., a leading provider of information, workflow and performance management solutions to the Property & Casualty (P&C) claims and Collision Repair industries, today announced it has signed a definitive agreement to purchase the P&C medical bill review business segment of Ingenix. Through this purchase, Mitchell's Workers' Compensation Solutions (WCS) business becomes the leading provider of workers' compensation claims solutions with SmartAdvisor™—a powerful medical bill review platform able to give the P&C insurance industry an unprecedented ability to streamline medical claims operations and improve cost containment. Terms of the transaction were not disclosed.

As a result of the agreement, the Ingenix P&C medical bill review business will become part of Mitchell. Ingenix, through its focus on delivering information solutions to the health care industry, will continue to bring other advanced payer solutions to the P&C market including its broad administrative and medical cost containment and analytics capabilities, such as MedPoint, Credit Balance and Medical Analytics Consulting. Ingenix and Mitchell will collaborate in the future through a strategic relationship meant to bring comprehensive solutions to clients, helping them reduce loss costs, lower loss adjustment expenses (LAE) and solve complex medical analytic challenges.

"Today's announcement is good news for Mitchell, Ingenix, and our respective customers," said Alex Sun, president and CEO, Mitchell International. "This purchase further exemplifies our commitment to key, strategic relationships and investments that enable us to develop and deliver the industry's leading technology solutions to the P&C market. We welcome the Ingenix medical bill review team to Mitchell."

Nina Smith-Garmon, senior vice president and general manager of the Mitchell Workers' Compensation Solutions Division, said: "With the addition of the P&C medical bill review business from Ingenix, Mitchell Workers' Compensation Solutions radically changes the P&C medical bill review landscape. As a market leader, we have unprecedented scale in offering advanced technology solutions for workers' compensation in addition to our extensive Preferred Provider Organization (PPO) networks and compliance expertise. These strengths are provided against the stable backdrop of Mitchell's long-standing experience in the P&C marketplace. I look forward to working closely with our new team members from Ingenix to ensure a smooth transition for all clients and employees."

Steve Suter, general manager, property and casualty for Ingenix, said, "We believe that the Mitchell SmartAdvisor medical bill review platform is best positioned to meet the current and future medical bill review needs of our P&C clients. We look forward to collaborating with Mitchell in the future to bring additional solutions to the P&C market, as Ingenix continues its focus on developing intelligence, workflow and connectivity solutions for health care that improve performance, create efficiencies, and contain costs."

Karlyn T. Carnahan, a principal at Novarica, an insurance technology analyst firm, said: "Insurers in the workers' compensation market need to reduce costs, improve workflow

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INGENIX.
P&C Medical Bill Review

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efficiency, decrease productivity losses, and enhance timely recovery and return-to-work programs. I congratulate the team of Mitchell and Ingenix for coming together to provide their customers with a bill review and repricing solution designed to drive improvements in the workers' compensation industry."

Mitchell SmartAdvisor is a comprehensive bill review solution for workers' compensation that leads the industry in its unique combination of performance software, client services, and best-in-class partnerships. Available through licensed or software-as-a-service model, SmartAdvisor's unique capabilities include customizable workflow modeling, Capstone® business decision rules engine, data analytics and reporting tools, Claims Examiner Portal for fast, secured, real-time access to bill data, and a proven technology platform that delivers on average 50-70% straight-through processing for improved efficiencies and lower costs. Visit www.mitchell.com/smartadvisor for more information or contact Mitchell Workers' Compensation Solutions directly at 1-800-421-6705 to schedule a demo of the SmartAdvisor bill review system.

About Ingenix

Ingenix transforms organizations and improves health care through information and technology. Organizations rely on its innovative products, services and consulting to improve the delivery and operations of their business. Through its 12,000 employees around the world, Ingenix serves physicians, hospitals, government agencies, health plans and life sciences companies. For more information about Ingenix, visit www.ingenix.com.

Mitchell Signs Multi-Year Deal With Manitoba Public Insurance

eGlassClaim™ to help reduce LAE, lower processing costs and directly connect business partners for leading Canadian insurer

San Diego, CA—October 13, 2010—Mitchell International, Inc., a leading provider of information, workflow and performance management solutions to the Property & Casualty claims and Collision Repair industries, today announced that Manitoba Public Insurance (MPI)—one of Canada's largest insurers—has signed a new multi-year deal with Mitchell to replace its legacy system with eGlassClaim™, which will manage the company's end-to-end glass claims processing needs. Mitchell's eGlassClaim is an easy-to-learn, easy-to-navigate Web-based glass claims solution that cost-effectively manages glass claims by automating and streamlining the process from first notice of loss (FNOL) to payment.

"Manitoba Public Insurance selected Mitchell's eGlassClaim because we wanted to automate our glass claims operations with a modern, streamlined solution," said Marilyn McLaren, President of Manitoba Public Insurance. "We have gained a glass claims management solution that eliminates manual invoice entry, manual review of invoices, and one that also automates the glass claims creation process and invoice creation and submission—all without a burdensome, costly conversion from our legacy system."

"We are excited about our extended partnership with MPI and are looking forward to helping optimize their glass claims operations," said Mike Jerry, Vice President and General Manager for Mitchell Canada. "Not only does eGlass Claim make the glass repair process more efficient by eliminating any manual steps, it also improves the customer experience. It's a great benefit for MPI's customers because now they can take their vehicles right to the shop and have the repairs completed without reporting the claim through the call centre first. Shops benefit too by automatically being paid for the work they've completed."

eGlassClaim also improves connectivity between auto glass replacement vendors and insurance companies. Insurers are better equipped to leverage shop and distribution channel consolidation through the industry's widespread adoption of electronic transactions.

For more information about eGlassClaim, please go to www.mitchell.com.

About Manitoba Public Insurance

Manitoba Public Insurance is a Crown Corporation that has provided basic, compulsory



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automobile insurance coverage (called Autopac) to Manitoba motorists since 1971. Our services are available through claim centres and service centres in 13 communities across Manitoba.

Mitchell Announces Launch of RepairCenter on the Apple® iPad™ to Complement RepairCenter™ Mobile

For the First Time, Shops Can Write an Estimate and Run Their Complete Management System on the Apple iPad

San Diego, CA—October 12, 2010—Mitchell International, Inc., a leading provider of information, workflow and performance management solutions to the Property & Casualty claims and Collision Repair industries, today announced the launch of RepairCenter™ for the Apple® iPad™ to enable wireless shop management. The RepairCenter shop Workspace is now fully compatible with both the iPad and iPhone™ and is designed to enhance workflow by allowing collision repairers to stay connected to the shop and keep jobs moving—even when they are not on-site.

The RepairCenter Mobile Application provides access to a variety of RepairCenter applications including customer and job tracking, task management, and vehicle repair status. Mobility gives collision repair owners and managers the ability to access the vital information they need to manage their business on the go and even write estimates quickly and accurately in the field—from either the iPad or the iPhone.

“We are very excited to expand mobile access to the RepairCenter Workspace with the new iPad application. As the demands of the modern shop and the modern shop manager evolve, Mitchell is committed to evolving its technology to ensure those facilities operate as efficiently as possible,” said Jason Bertellotti, Vice President of Repair Solutions for Mitchell. “Providing shops the ability to operate their management system and estimating system from their iPad is a great example of Mitchell’s ongoing commitment to bringing new solutions to the market to fit our customers’ work style and help them take better control of their operations to improve the way they do business.”

From shop owners who travel between locations and want to maintain visibility while offsite to technology-savvy employees with higher expectations for technology, the iPad integration offers RepairCenter users a new level of flexibility in shop workflow and management.

Enabling RepairCenter and RepairCenter Estimating on the iPad builds on the iPhone application introduced last year. Shops can experience the RepairCenter iPad and iPhone solutions this year in the Mitchell booth (N1523) at NACE 2010 in Las Vegas. RepairCenter Estimating will be commercially available in the first quarter of 2011. Mitchell RepairCenter is the industry’s first shop Workspace, building on the strength of Mitchell’s market-leading business management system, repair information content, and customer satisfaction services functionality. Please go to <http://repaircenter.mitchell.com> to learn more about RepairCenter and Mitchell’s other solutions for collision repair facilities.

Mitchell International Moving Headquarters to Accommodate Growth

San Diego, CA—October 11, 2010—Mitchell International, Inc., a leading provider of information, workflow and performance management solutions to the Property & Casualty claims and Collision Repair industries, today announced that it is moving its corporate headquarters this month. The company will remain in San Diego where it has been located since 1946, and is moving to accommodate continuing, robust growth. The new Mitchell headquarters is located at 6220 Greenwich Drive in San Diego’s Golden Triangle area.

“We are excited about the move to our new location, and we are looking forward to the state-of-the-art customer training center, customer experience room, and other cutting-edge features offered in the new Mitchell headquarters that will help us continue to optimize our employee work experience and enhance interaction with our customers,” said Alex Sun, Mitchell’s President and CEO. “The new workspace will be an ideal environment for Mitchell



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employees to continue to deliver innovative solutions to a constantly evolving collision repair and claims management marketplace, and one where our customers can learn how to best leverage our technology for peak performance across all their operations.”

The new headquarters will further facilitate the company’s tradition of cross-team collaboration that has enabled the development of industry-leading solutions for the P&C claims and Collision Repair marketplaces for over 60 years. Mitchell serves over 250 of the country’s largest, most established insurance companies and over 25,000 collision and glass repairers throughout North America by providing the advanced technology solutions that help them run their businesses more efficiently.

Mitchell continues its steady growth throughout North America, operating offices in San Diego, San Francisco and Irvine, CA; Coppell, TX; Evansville, IN; Rochester, NY, and Toronto, ON, Canada. The company is approaching \$300 million in annual sales and 1,500 employee milestones. Mitchell has achieved that growth through a combination of new product and service offerings, as well as business acquisitions in the P&C and Auto Collision Repair lines of business. The company was also recently named by the San Diego Business Journal (SDBJ) as the No. 1 Software Company in San Diego based on the number of local full-time employees as well as being named as one of San Diego’s Fastest Growing Companies by the SDBJ. Mitchell is actively recruiting professionals in the San Diego area. To see a list of current job openings, please visit Mitchell’s Career Center at www.mitchell.com.

Mitchell Adds Interface with Sherwin-Williams® FormulaExpress® to RepairCenter™

Increased efficiency and accuracy when estimating paint costs

Las Vegas—October 11, 2010—Mitchell International, Inc., a leading provider of information, workflow and performance management solutions to the Property & Casualty claims and Collision Repair industries, announced today a seamless bi-directional integration between Mitchell RepairCenter™ and the Sherwin-Williams® FormulaExpress® online color formula retrieval system. The integration helps collision facility customers save time and reduce errors by eliminating the need for shop personnel to rekey vehicle and repair order information within FormulaExpress.

The market-leading FormulaExpress product is part of Sherwin-Williams Automotive Finishes’ complete line of advanced technology paint and coating systems for the automotive and fleet refinishing industries. Mitchell’s RepairCenter is the industry’s first Shop Workspace that enables collision repair facilities of any size to select the tools they want to manage the repair, the customer, and the business the way that best meets their needs, and to add modules as their business grows.

“This agreement with Sherwin-Williams demonstrates our combined commitment to innovation and technology leadership,” said Jason Bertellotti, Vice President of Repair Solutions for Mitchell International. “The partnership is a great example of how RepairCenter’s open platform and flexibility allow Mitchell to collaborate with industry leaders like Sherwin-Williams to deliver enhanced value to our collision repair customers.”

Bertellotti added, “RepairCenter offers shops the best in business management systems, repair information content, and customer satisfaction services functionality. We are delighted to partner with Sherwin-Williams to deliver a valuable new service to Mitchell’s industry-leading solutions for collision repairers.”

The seamless bi-directional integration of Sherwin-Williams® FormulaExpress® within Mitchell’s RepairCenter improves the accuracy of overall job costing. Shops simply enter their information once and the system will automatically transfer accurate paint material costs from FormulaExpress back into RepairCenter. This helps shops manage their materials more efficiently, improves technician efficiency, and ensures that invoices sent to customers and insurance companies reflect the true list price of the paint used. The new application will be showcased in the Mitchell booth (N1523) at the NACE exposition in Las Vegas, NV October 11-13.



Mitchell **RepairCenter**™



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Adam Chafe, Vice President of Marketing for Sherwin-Williams Automotive Finishes, said, "Our partnership with Mitchell represents the first time that shops have access to more accurate overall job costing information. Instead of a 'rule-of-thumb-based' cost estimate, RepairCenter customers now have the ability to create accurate estimates using the true paint costs based on Sherwin-Williams' list price."

For more information, please contact a Mitchell representative at 800-238-9111 or a Sherwin-Williams representative at 800-798-5872 or go to www.mitchell.com for more information.

About The Sherwin-Williams Company

The Sherwin-Williams Company, founded in 1866, is one of the world's leading companies in the manufacture, distribution and sale of coatings and related products to professional, industrial, commercial and retail customers. Sherwin-Williams Automotive Finishes, a division of The Sherwin-Williams Company, manufactures and distributes a complete line of advanced technology paint and coating systems for automotive and fleet refinishing industries.

Mitchell AutoAdvise™ Online Collision Repair Marketplace Significantly Increases its Network of Shops and Insurers

Insurers save time and money, shops build trusting relationships and consumers are empowered

San Diego, CA—October 08, 2010—Mitchell International, Inc., a leading provider of information, workflow and performance management solutions to the Property & Casualty claims and Collision Repair industries, today announced that AutoAdvise™, the online collision repair community recently rebranded from SceneExchange following Mitchell's acquisition of SceneGenesis last year, is gaining momentum with its shop and insurance carrier participation levels. To date, over 2,000 collision repair facilities, including well-known body shop franchises such as MAACO and several major regional and national insurers have joined AutoAdvise.

AutoAdvise is an online community that brings vehicle owners with a need for collision repair together with collision repair shops that have the capacity to perform repairs in an insurer-backed, web-based service solution. It allows insurers to submit claims, body shops to submit proposals for the work based on delivery date, and consumers to make their own selections.

"Being a member of AutoAdvise has increased the amount of appraisal requests coming through our organization by 5%. AutoAdvise's core value of giving shops the opportunity to bid for jobs based on cycle times, perfectly complements our commitment to quickly turn around high quality repairs for our customers," said Ted James at Cook-Whitehead Ford. "And since, potential customers are able to see reviews of the quality work we provide from people who have actually had a personal experience with us, the feedback is that much more powerful."

Successful market adoption of AutoAdvise demonstrates Mitchell's continued commitment to providing technology solutions to all participants in the claims and collision repair marketplaces, including the largely untapped consumer market segment. With AutoAdvise, vehicle owners are able to participate in the collision repair process online by reviewing shop proposals, reading reviews and ratings of the shops and, after selecting a shop, viewing repair estimates and photographs. This increases policy-holder satisfaction with the claims experience and improves insurance carrier customer retention.

"We are excited to re-launch AutoAdvise to the market with its new branding and website. AutoAdvise is gaining traction within the insurance carrier and collision repair shop communities. Because it leverages the power of the Internet to match vehicle owners and shops based on preferences that are important and relevant to the consumer, it makes



Mitchell **AutoAdvise**
CLICK, COMPARE, REPAIR

Mitchell News Releases Q4-2010 (con't.)

the claims experience more satisfying and beneficial to all involved,” said, Jesse Herrera, Senior Vice President of Product Management and Marketing for Mitchell International. “We look forward to continuing to provide value to all our customers, including the capability to promote choice to consumers, as we integrate AutoAdvise into Mitchell RepairCenter™, the industry’s first Shop Workspace that helps shops optimize business performance and streamline their operations.”

Shops and insurers respectively please go to <http://jobs.AutoAdvise.com/> and https://www.mitchell.com/mitch/products/product2.asp?pf_id=499 for more information.

Mitchell International and I-Car Education Foundation Partner in Software Distribution to Schools

Survey participants to receive unlimited RepairCenter™ software

San Diego, CA—October 06, 2010—Mitchell International and The I-CAR Collision Repair Education Foundation today announced a new partnership aimed at helping the next generation of collision repair professionals. Mitchell is making an unlimited donation of its RepairCenter™ Estimating and TechAdvisor OEM repair procedure software in support of the Education Foundation’s new Collision Repair School Solutions survey program. All secondary and post-secondary technical schools and colleges that offer a collision repair program are invited to complete the survey, and in return they will receive Mitchell RepairCenter software for use in their classrooms.

Mitchell is donating its RepairCenter™ Workspace solution with integrated Estimating and TechAdvisor software as an incentive for schools to complete the Collision Repair School Solutions survey. These products will serve as an excellent teaching tool for instructors and give students hands-on experience with the same industry-leading systems that collision repair businesses use today. There is no limit to the donation, but the Collision Repair Education Foundation and Mitchell International estimate the average annual value to be over \$25,000 per school. With hundreds of schools expected to participate in the Education Foundation’s survey program, Mitchell’s overall annual donation promises to be very significant.

The Education Foundation will use the survey results to track key academic performance indicators such as enrollment, placement, personnel, facilities and equipment. The survey will also be used to identify program needs for new training tools and equipment and to create metrics to measure the success of the collision education system going forward. Schools will be required to retake the survey on an annual basis in order to renew their subscription to the Mitchell software and any other software licenses.

“Mitchell’s gift is both extremely generous and the catalyst to creating real change for the better within our collision repair schools,” said Scott Kruger, Executive Director of the Education Foundation. “Both of our organizations are very excited to see how students will benefit from having this information in hand and the creative ways educators will use the systems in the classroom and on the shop floor.”

Marc Brungger, Mitchell’s Executive Vice President for Auto Physical Damage, said, “Mitchell’s fundamental goal is to support the collision repair industry, and this partnership with the Education Foundation is a perfect fit. We are delighted and proud to support the Education Foundation by providing software and materials to enhance the education of the next generation of collision repair professionals.”

In addition to the pledge of its software products for the survey program, Mitchell International has also contributed \$10,000 to the Collision Repair Education Fund and pledged an ongoing donation of reconditioned laptop computers to be distributed to collision repair schools and students. The Education Foundation will distribute the computers to grant recipient schools and will include them as part of their Ultimate Collision Education Makeover program.



Mitchell News Releases Q4-2010 (con't.)

Several of the donated computers were included in the 2010 Makeover program and are already in use at the winning school, Steel Center Area Vocational Technical School in Jefferson Hills, PA. Jim Fichera, a collision repair instructor at the school, said, "The donation of Panasonic® Toughbook computers with Mitchell RepairCenter Estimating installed will make it much easier for our collision repair students to look up parts and times. We would like to thank Mitchell International and everyone involved with the donation of the computers provided through the ICAR Collision Repair Education Foundation."

About I-CAR Education Foundation

The I-CAR Education Foundation, founded in 1991, is a not-for-profit organization dedicated to securing donations that support philanthropic and collision repair education activities that promote and enhance career opportunities in the industry. For information on how to donate to programs supported by the Education Foundation visit us on the Internet at: www.ed-foundation.org.

Mitchell's Compliance Manager Now Available in French

Solution automatically translates repair guidelines into French, increasing Canadian appraiser productivity and reducing cycle time and LAE

San Diego, CA—October 5, 2010—Mitchell International, Inc., a leading provider of information, workflow and performance management solutions to the Property & Casualty claims and Collision Repair industries, today announced a solution to better serve its French-speaking customers—the availability of WorkCenter Review's Compliance Manager in French.

Compliance Manager now allows insurers to create and manage custom estimate requirements in French. These requirements can be distributed to field appraisers and DRP shops—from the national level down to the individual estimator level—producing more accurate estimates.

Compliance Manager provides a front-end audit application for field appraisers and DRP shops that launches automatically before the estimate is committed. Appraisers are able to make corrections to the estimate noted by the compliance review prior to upload. By ensuring estimates are in compliance before the insurer receives them can allow insurers to process estimates faster—reducing cycle time.

The solution provides French part descriptions for part rules, bumper repair vs. replace, aftermarket sheet metal, and partial refinish alerts. It is also now compatible with native French versions of Microsoft® Windows® utilizing French Regional Settings for Anglais (Canada) and Anglais (Etats-Unis). These capabilities help eliminate the time-consuming process of translating repair estimates, resulting in significant productivity gains for Mitchell's French-speaking customers.

"Were pleased to provide French-speaking insurers the ability to better communicate with their direct repair shops and independent appraisers," said Bruce Carrick, Director of Product Management for Mitchell's Canadian Operations. "Receiving alerts in French will simplify the appraiser's job by removing the extra step of having to translate compliance results, which reduces the potential for errors and speeds the claims process."

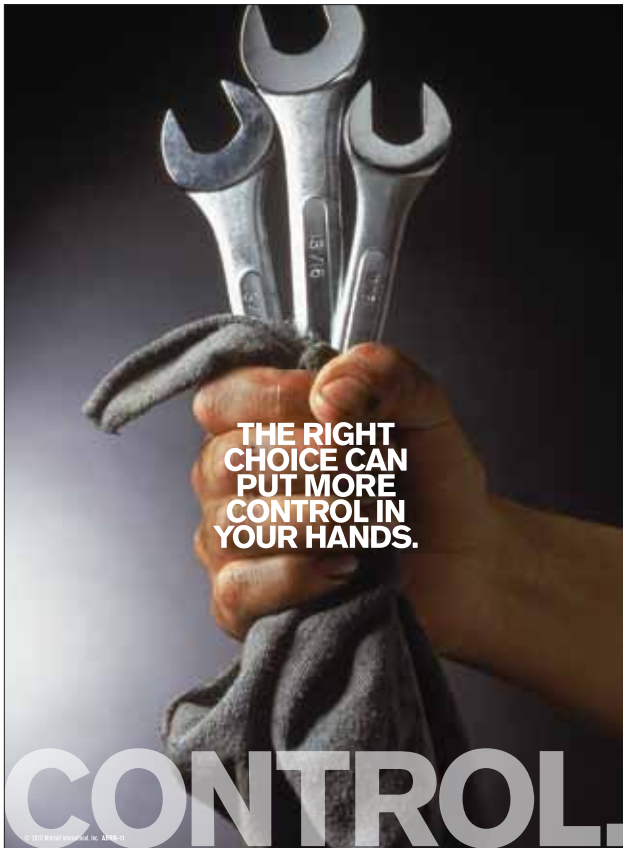
Mitchell WorkCenter™ is an end-to-end claims settlement solution that brings accuracy and efficiency to everyone involved in the claim. Combined in a powerful interconnected workspace are feature-rich modules that create a simplified workflow for claims staff and trading partners.

Mitchell customers may call to discuss opportunities for Compliance Manager in French at 866-990-9279 or visit www.mitchell.com for more information.

WorkCenter Review
Compliance Manager

Mitchell Brand Advertising at Work

Mitchell **RepairCenter**™ is the solution that gives body shops “control” over their repairs, their customer satisfaction, and their business. That is the clear message in this November ad in *ABRN*. Mitchell **RepairCenter**™ is a Workspace built to fulfill the needs of every shop, offering over 30 modules to help shop owners and managers choose the modules that fit their unique business goals—making the RepairCenter Workspace flexible, scalable, and affordable.



WHEN YOU HAVE CHOICES, YOU'RE IN CONTROL.

We understand finding the right fit is critical to your shop's success in more ways than one. Developed by the industry leader in business management systems, Mitchell RepairCenter™ is built to help shops of all sizes grow their business. Take control of **your repairs, your customer satisfaction, and your business** with the RepairCenter modules that fit your shop's unique needs.

CHOOSE FROM OVER 30 MODULES INCLUDING:

RepairCenter Estimating—integrated access to industry-leading estimating data makes the first step of the repair process seamless, accurate, and efficient.

RepairCenter Parts Management—streamline your parts ordering and easily track negotiated discounts to improve efficiency and profit margins.

RepairCenter TechAdvisor—provides easy access to critical OEM repair procedures to aid technicians in the repair of today's complex vehicles.

FREE DOWNLOAD!

Grab your free set of RepairCenter tools here:
www.mitchellrepaircenter.com/ABRN11



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Industry Trends Report

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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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