



CATASTROPHE EVENT

SANDY | 29 OCTOBER 2012

The impact of a catastrophe has as much to do with where it hits as the nature of the event itself. So while it's important for a response plan to have certain characteristics everyone expects—speed, proper staffing and equipment, frequent and reliable communication—it's also crucial the process be rigorous enough to stand up to anything that gets thrown at it.

With a catastrophe action plan that has evolved and improved with every unfortunate event it has responded to, Insurance Auto Auctions Inc. (IAA) was prepared when Sandy hit the Northeast in late October 2012. In bringing its battle-tested methods to the area, IAA showed how unique circumstances could not stop the company from doing what was necessary to turn vehicles from symbols of catastrophe to products set for the auction block.

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OPERATIONAL STRATEGY

In Sandy's case, those unique circumstances included regionally specific issues such as population density that resulted in a series of unprecedented hurdles affecting the salvage effort. But the precautionary measures that grew out of IAA's strategic approach—in place well before the threatening weather bore down on the East Coast—allowed the company to navigate the obstacles that lay between it and the successful recovery, processing and sale of flood-damaged vehicles.

The foundation of IAA's catastrophe strategy is regularly occurring preparation meetings independent of any specific situation in which a response might be needed. These monthly gatherings of Catastrophe Action Teams (CAT) include:

- A review of weather events and patterns.
- An assessment of surplus land available at IAA facilities, which allows for a buffer if the organization needs to acquire land in the affected area.
- The identification of tow providers in the respective regions.
- A review of scenario checklists.
- An outline of the team, leaders, role and responsibilities.
- A review of operation models based on all other elements.

Another important operational facet is the fact that IAA and its team members foster positive relationships with local governments and others in the community. These professional connections become very important to the execution of IAA's response efforts, whether that means securing land for vehicle storage, contracting with additional tow providers, securing other equipment necessary for vehicle transport and processing, or calling in workers needed to staff the effort.

In each of those areas, IAA's preparation allows it to react quickly, regardless of the nature of the catastrophe. For example, the company has taken the preemptive measure of securing already-approved temporary space at auction sites in regions prone to catastrophic weather events. In addition, IAA can access resources from corporate partner ADESA to serve as a buffer in the event it needs to procure more inventory space. For large-scale catastrophes, that gives IAA between one and two weeks to follow up on pre-identified locations outside of its own facilities that could serve as ideal storage sites.



BUILDING RELATIONSHIPS

On the towing front, fostering a national network of more than 900 companies makes it possible to call in a cadre of additional operators when it's time to move damaged vehicles. These experienced providers have a built-in familiarity with the IAA recovery process, allowing them to contribute quickly instead of spending significant time learning IAA's logistical and operation model. The same relationship extends to the cleaning and detailing companies providing the crews that step in after a vehicle arrives at an IAA location and quickly prep it for sale.

Rapid response is also evident when it comes to mission-critical equipment. For example, IAA permanently stations mobile generators at its large coastal facilities to power recovery efforts. These facilities are hardwired with bypass electrical receptacles, allowing them to plug in and power up each branch in the event of regional power loss. For other locations in need of additional units, a national leasing agreement ensures nobody's left in the dark at an inopportune moment.

If there is a situation in which an extreme level of damage or unique landfall location happens during an event, IAA has a mobile unit that operates with all of the functionality of a branch location. This unit includes generators and satellite communication capacity in the event cellular towers are inoperable.

Of course, all of these measures don't matter without experienced people who put in the long hours required to get the work done during difficult times. And thanks to its experience with various levels of catastrophe, IAA can reallocate its staff without performance suffering at other sites.

In extreme circumstances with increased call volume, it can supplement its primary call center with additional call-center capacity at other locations that know how to handle the incoming inquiries. This rerouting is part of a predetermined action plan implemented by the IAA CAT team. And when extra manpower is needed in other roles, a national network of temporary employment staffers can supplement the effort.

Tow drivers were regularly challenged by closed roads, roadway axle load limits and tight corridors. To overcome the issue, single-car haulers were relied on for onsite vehicle extraction, later transferring them to larger haulers waiting at temporary staging areas.



CAT PHASES

Having the pieces in place is one thing. Maneuvering them correctly is another. That's where IAA's phased response comes into play. For every event, a six-step approach ensures the organization's CAT teams are informed, equipped and prepared for every eventuality:



1. INITIAL WATCH



2. PREPARATION



3. THE EVENT



4. RECOVERY



5. STORAGE AND SALE



6. POST-STORM UPDATE

1. INITIAL WATCH



When a potential catastrophic event appears on IAA's radar, the company performs an initial assessment that identifies areas most likely to be affected, allowing IAA to review its land options and make adjustments based on which ones are most likely to be viable after the event.

At that point, the CAT team meets daily so it can provide updates to potentially affected clients and revise preparations for key resources, such as the tow operators needed to assist with recovery. IAA also alerts its facilities in the region that are in the best position to help with vehicle storage, secures extra land if necessary and puts an advance team on the ground nearby the event so it can respond quickly after the event and any associated danger have passed.

2. PREPARATION



At this stage, with the identity of the affected area a near-certainty, IAA ensures all the necessary equipment is in place; determines a location for the CAT office; and locks in and stages detailers, security and towing operators. Its buyer marketing staff also prepares by creating materials that will spur the increased sales needed to match the impending influx in inventory, and sending them to an established database of buyers who have purchased vehicles with similar damage in the past.

CAT PHASES

3. THE EVENT



Immediately after landfall, IAA and its CAT team provide an initial assessment of the storm damage in the region, including any IAA auction facilities. There is hourly communication among the team so IAA can relay information to its clients and assess the volume of vehicles it expects to receive after the danger passes. In the midst of the event, there is also regular communication with affected IAA facilities and clients.

4. RECOVERY



All necessary equipment—such as generators and mobile offices—is put into place, and staff arrives to meet the increased workload. The CAT team notifies tow partners, and the vehicle recovery begins. To further aid the tow companies and other client partners on the scene, IAA issues road closure and traffic impact warnings to help navigate the area. It also determines vehicle staging areas for assessment and routing by insurance carrier or damage. When recovered vehicles start rolling in, the CAT team adds inventory updates to its daily report, IAA determines a sales calendar, and sales and marketing efforts begin in earnest.

5. STORAGE AND SALE



IAA activates its cleaning and detailing partners to supplement onsite staff as it prepares vehicles for sale. At the same time, employees work constantly with insurance providers on the massive task of securing titles in accordance with state titling laws so the vehicles can be sold at auction. As mentioned earlier, the marketing team develops and communicates materials across the globe to inform past and potential buyers of additional sales events. To supplement the onsite and online auctions, IAA sets up mobile screening units at high-volume auction centers to allow for live bidding on the affected vehicles.

6. POST-STORM UPDATE



As the CAT efforts come to a close, IAA assembles each of the affected teams to complete a performance assessment for each phase of the operation. It discusses logistics for each step and calibrates planning for future events based on the improvements made during the current event. In addition, IAA arranges client-specific reports and meetings to review the event in detail.



STRATEGY VS. SANDY

IAA has relied on this scalable approach in a variety of circumstances—from hail storms to hurricanes. And it bases its preparation on a designation assigned to the event's severity (Chart 1).

CHART 1 | CAT LEVEL AND ASSOCIATED EVENT CHARACTERISTICS

	LEVEL ONE	LEVEL TWO	LEVEL THREE
Geographic size	Local to regional	Large region	Regional with vast remote areas affected
Severity	Low to moderate	Moderate to high	High
Warning	Performs mostly as predicted	Doesn't perform as predicted	Doesn't perform as predicted; causes other catastrophic events



Mother Nature administered one of IAA's biggest tests in late October 2012, when Sandy hit the Northeast. In the wake of the event—and in the months that followed—the organization proved its CAT response plan is agile enough to navigate a catastrophe in one of the most densely populated regions in the United States.

With winds covering a diameter of 940 miles, Sandy's reach was wider than Hurricanes Katrina and Irene combined. By the time it reached Manhattan, it packed enough of a punch to top the area's previous record for a storm surge—an offshore rise of water—by 4 feet. In its aftermath, 8.1 million homes in 17 states were without power, business losses topped \$25 billion, and the National Insurance Crime Bureau (NICB) estimated 250,500 vehicles were damaged or totaled.

But the challenge Sandy presented was not the amount of ground it covered as much as the location of that ground. According to the 2011 census, the population density of New Orleans was 1,965 people per square mile,¹ although that number was likely much higher prior to Katrina. Compare that with New York City's tally, which at the time Sandy made landfall was more than 27,000 people per square mile.²

VEHICLE RECOVERY

One of the byproducts of those close quarters is a parking environment with as much of a vertical element as a horizontal one, leading to an obstacle presented by underground garages—a welcome sight when you’re struggling to find a parking space but bad news when floodwaters as high as 17 feet pour into the area.

Because Sandy was a tidal event, waters quickly receded, leaving vehicles in a series of precarious positions, including stacked on top of each other. That variable, coupled with the tight squeeze of underground parking structures, made for a complicated recovery situation and significantly affected the amount of time it took to get to the vehicles.

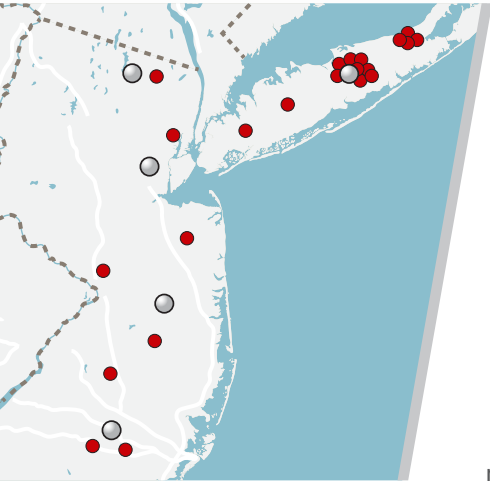
Fortunately, IAA and its tow partners were ready with a plan that started with single-unit haulers removing vehicles one by one because the bigger units simply would not fit in the confined spaces. Many of the parkways in the New York area also forbid heavier truck traffic, which meant the one-car approach became the first stage of a multi-step process to get the vehicles to the auction facility. Each of the recovered vehicles were then moved to a primary staging area, where they were picked up by two- and four-car haulers, and then taken to IAA facilities.

After the larger haulers made it to IAA staging areas, workers triaged and categorized vehicles by insurance provider and damage level. With multiple storage locations, this permitted the exchange of detailed information to insurance providers, simplified the process for providers looking for their customers’ vehicles and ensured physically damaged vehicles were taken to sites approved to hold them. Assisting with that final task was CarsArrive Network, a Carmel, IN-based transportation solutions provider that supplied 10-car haulers to help handle the spike in inbound vehicle volume.

This process proved to be the most efficient amid a series of challenges that complicated the recovery. But the increased number of steps in the process necessitated a fleet of loaders beyond the 12 gathered from nearby IAA facilities. Fortunately, an existing relationship with Volvo brought 33 additional loaders to the scene.



FINDING LAND



The multi-stage vehicle distribution strategy grew out of another challenge presented by the population density of the region: land procurement. For Katrina, IAA needed to secure only two additional sites because of the size of the available lots, and the process took seven days. The task was far more formidable in Sandy's aftermath due to the relative scarcity of land, so IAA relied on a more phased approach.

Sandy came ashore Oct. 29 near Atlantic City, and with surplus land already set aside at its facilities, IAA had the time to procure the additional acreage it identified prior to the event. It secured its first parcel of land—a three-acre patch—three days after Sandy made landfall. In the weeks that followed, the organization reached a total of 18 separate agreements—15 of which involved areas of 15 acres or less—creating a network that allowed IAA to get vehicles out of blighted areas and into storage lots.

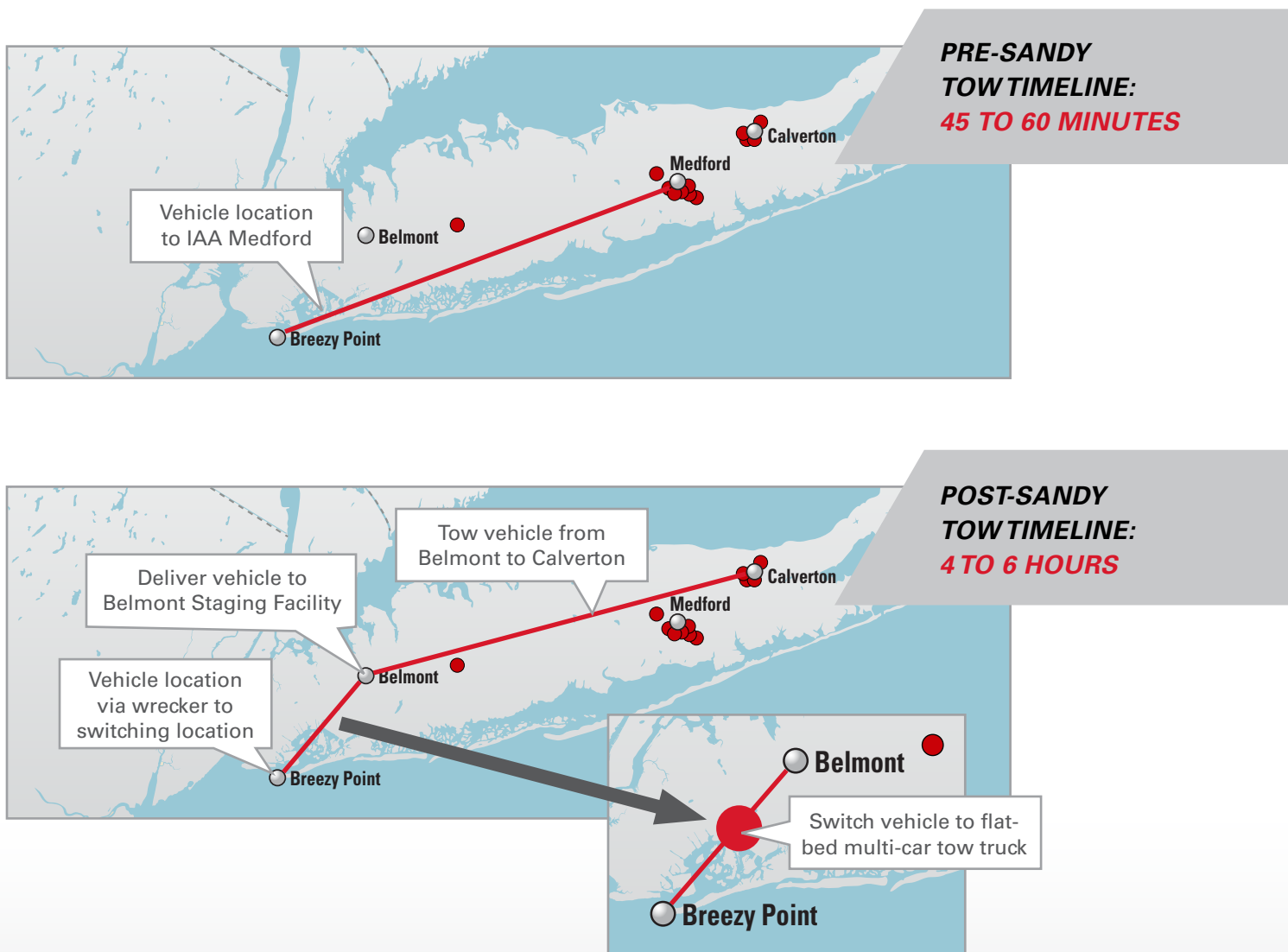


TRANSPORTATION CHALLENGES

Of course, the journey was not as easy as getting vehicles from A to B. Taking another look at Katrina will illustrate why. In that case, the floodwaters receded gradually, which allowed IAA to focus on one area at a time without full-scale commerce going on around the effort. Sandy, as mentioned earlier, was a tidal event in which the water receded almost immediately. That meant all areas needed to be dealt with at once, and everyday business commenced much more quickly.

Working with the NICB and New York Police Department, IAA secured credentials so tow operators could access the necessary areas and provided constant communication to update road closures and other obstacles that could have brought the effort to a screeching halt.

There was also the threat of recovery actions rolling to a stop as fuel became scarce. The shortage that came on Sandy's heels was not a problem, however, thanks to a little foresight by IAA, which ensured tankers were in the area to fuel tow operators on the fly. Without that measure, drivers would have been forced to travel up to 100 miles to find fuel, significantly hampering the process of vehicle removal.



THE SALE



Extraction was a herculean effort. But getting vehicles from the tow truck to a buyer required the same high level of coordination. Immediately after Sandy passed through the region, IAA had an average of 100 temporary workers per day logging 40-plus hours per week to help with vehicle check-in. Two hundred handheld devices enabled the workers to perform their tasks more quickly, and IAA rented more than 150 light towers so work could continue past dark. In addition, the company deployed 30 generators throughout the effort to keep the lights—and everything with a plug—up and running.

Arguably the most critical part of the sale process, however, is securing the title, without which IAA cannot put the vehicle on the auction block. The goal is to work seamlessly with state motor vehicle departments, a point of emphasis IAA drives home by offering daily hand delivery and pick-up of titles.

Another example of that cooperative effort was IAA’s partnership with the New Jersey Motor Vehicle Commission and the state’s Division of Consumer Affairs to protect buyers from receiving flood-damaged vehicles that weren’t labeled as such. Through that cooperation, the company ensured all vehicles were titled and registered in accordance with state law. And at the national level, IAA reported all of the flood-damaged cars it sold to the National Motor Vehicle Titling Information Service and to the NICB.

IAA also offers its Title Management service, which assists with out-of-state title procurement during high-volume situations such as Sandy. For that weather event, IAA established temporary processing locations to expedite title work, opening three off-site centers, including a Chicago office that was processing titles within 48 hours after its assistance was requested.

There’s also the matter of cleaning up the vehicle, a process that can be as simple as extracting excess water, installing a mold residue pack and pressure washing the engine. Of course, some vehicles require extra attention, which is why IAA can ramp up its detailing procedures as needed (Chart 2).

CHART 2 VEHICLE PREPARATION: DETAILING			
LEVEL ONE	LEVEL TWO	LEVEL THREE	LEVEL FOUR
<ul style="list-style-type: none">• Extract existing interior water.• Install mold residue pack.• Pressure wash engine.	<p>Everything from level one, plus:</p> <ul style="list-style-type: none">• Pressure wash interior.	<p>Everything from levels one and two, plus:</p> <ul style="list-style-type: none">• Detail interior.• WD-40 or CRC door latches, seat tracks, engine computer module, fuse boxes and spare-tire compartment.	<p>Everything from levels one, two and three, plus:</p> <ul style="list-style-type: none">• Oil change with filter.• Transmission fluid replacement; removal of transmission filter if needed.• Replacement of plugs and engine spin.• Replacement of air filter.

THE SALE

As of the end of January 2013, IAA had received more than 60,000 assignments since Sandy made landfall. Accompanying that influx of inventory was an intensified marketing effort that included pre-promotional materials sent to buyers in the form of emails, direct mail and website campaigns. IAA packaged those materials as a Storm-Damage Auction Series and targeted buyers with a history of purchasing flood-damaged vehicles.

The company also relied on techniques employed in past weather events, including:

- Social media posts highlighting units and auction schedules.
- Posts on the IAA website featuring full inventory listings and all auction schedules.
- Phone on-hold messages, printed auction schedules and branch monitors that feature inventory and auction schedules.
- Screen sales at high-traffic branches throughout the United States.

Thanks to those efforts, about five of every nine cars being auctioned in New York and New Jersey have been purchased outside of those two states, and IAA increased exports to its international buyer base of more than 110 countries by 3%. In addition, the marketing materials drove demand to the point that the rate at which buyers financed vehicles through Automotive Finance Corp. nearly doubled.



In the aftermath of the storm, hundreds of IAA employees worked at its sites in the region, including many who volunteered their time months after Sandy made landfall. Thanks to their dedication and a proven response strategy, that multitude of helping hands knew what they needed to do to take remnants from a catastrophe, and get a quick and efficient resolution for their owners.

More than 1,000 IAA staff members and temporary workers served as the backbone for recovery efforts in the New York and New Jersey area.



REFERENCES

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