onTRACK

A *Newsletter* FOR THE *Auto Auction Industry*

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Disrupters in the Auto Landscape

The automotive industry moves so quickly that we always seem to have changing paradigms and new ideas to discuss. In this issue of OnTrack, we'll be taking a close look at a few companies that are pursuing major shifts in the field of mobility services, and some partnerships between the new and traditional that may surprise you.

Continuing to push for efficiency and improvement in all aspects of our business is something I'm quite proud of, and it's important to remember that we must remain agile and dynamic to continue being successful. In the case of KAR Auction Services, Inc., TradeRev is an affiliate of the company, and has been a disruptor in the auto remarketing industry by providing an online dealer-to-dealer vehicle auction solution further upstream in the process, compared to traditional methods. It's certainly an exciting time for all of us, and I'm looking forward to what future technology will bring.

Regards,

GREETINGS

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COVER

Covering All Bases

There's no question that technology like self-driving vehicles and ride-sharing apps are changing the way we think about transportation. Going hand-in-hand with these innovations is, of course, the question of whether or not the insurance industry can – or even should – transform to more accurately meet modern needs.

We can't speak about new innovations in the transportation sector without mentioning the rise of "InsurTech" companies. These companies – often startups – have the goal of utilizing technology to streamline and improve the insurance sector. San Francisco-based Metromile is one such company gaining buzz, most recently through a high-profile partnership with ride-sharing tech giant Uber and a $191.5 million funding round in late 2016. Metromile allows drivers to pay per miles driven for insurance. Essentially, the appeal is that premium payments are tied much closer to actual usage. If you don't drive much, you won't need to pay much.

However, the pay-per-mile insurance model isn't new. In fact, while "traditional" insurance providers typically don't offer purely usage-based insurance plans, they do incorporate some similar variables into their pricing structure. What is shifting is the plethora of data now available that lets companies more accurately price premiums, and whether providers will expand their plan offerings to account for modern driving trends.

Rapid Rise

Let's take a step back and look at traditional auto insurance. Traditional auto insurance typically takes aggregated historical data that produces a price dependent on factors like credit score, personal characteristics (age, gender), vehicle type and previous claims. It is thought of as a generally fixed price depending on what rating you fall under. However, there is a strong correlation between miles driven and claim costs – in that the more miles that an individual drives, the higher their probability of getting into an accident. With usage-based pricing, this theoretically prevents a low-risk driver from having to pay high-risk premiums.

It's easy to see why people like this idea, since it's regarded as being fairer for individualized driving behaviors. Usage-based insurance is expected to increase globally, from 12 million to 142 million customers by 2024.

Not So Fast

There are a few challenges to overcome before pay-per-mile insurance becomes ubiquitous. Mileage and driving behavior data is usually tracked with a device installed in a vehicle, and a top concern for policyholders is the privacy of this information.

On the provider end, a significant hurdle in implementing the usage-based insurance model is the costly technology that's necessary to capture driving data. Considering that pay-per-mile insurance is typically targeted toward low-risk, low-premium-paying customers, there is a question about how profitable this system would be.

All else considered, the shifting insurance industry is certainly one to watch. Insurance providers of all types of pricing models are stepping up their technology offerings, and we're seeing some truly innovative products that streamline processes and improve customer service. As with other sectors in the automotive industry – like autonomous vehicles – the introduction of technology and competition is pushing the field to new paradigms of success.

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FEATURE

The Future of Mobility Management

Perhaps the most talked about disrupter in the transportation industry is the concept of ride-sharing apps like Uber and Lyft, and car-sharing services like ZipCar and car2go. Ultimately, the prevalence of sharing models stem from the belief that there is a way to streamline transportation with the convenience of owning a car that also limits the costs of actual usage.

Like we discussed in the previous article about usage-based insurance – for one, Uber partners with Metromile to cover drivers on their personal time – these innovations are casting a wide net of impact to other aspects of the transportation industry. Because of these ride- and car-sharing apps, it is much more plausible, under the right circumstances, for consumers to forgo owning a car. This trend however, appears to be shifting the source of investment in car ownership from consumers to commercial fleet companies.

A Natural Evolution

With the rise of these services, one must consider the trajectory of more traditional rental car companies. Corporate, government and university fleet customers are increasingly turning toward car-sharing programs like ZipCar to increase efficiency and save costs, allowing them to sell existing fleet at auction. As these new solutions are being explored, many companies are expanding their business model to fit with new mobility services.

It's not always easy for a company to diversify, and it takes an agile one to seize an opportunity in a dynamic and competitive environment. In the case of Enterprise Holdings and Hertz, the major car rental companies established partnerships with Uber to rent out vehicles at a discounted price to drivers who may not have a car available or suitable to be put into service.

More of these partnerships are sure to be made, with many automakers joining the fray to provide vehicles directly to these companies that need fleet vehicles. As this happens, there are changing and expanding ideas about fleet management. There very well could be an increased need for tools to manage fleet inventory, especially as those vehicles reach the end of their lifecycle.

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What's New at IAA

UPDATES

Send comments about
ONTRACK to: OnTrack@iaai.com

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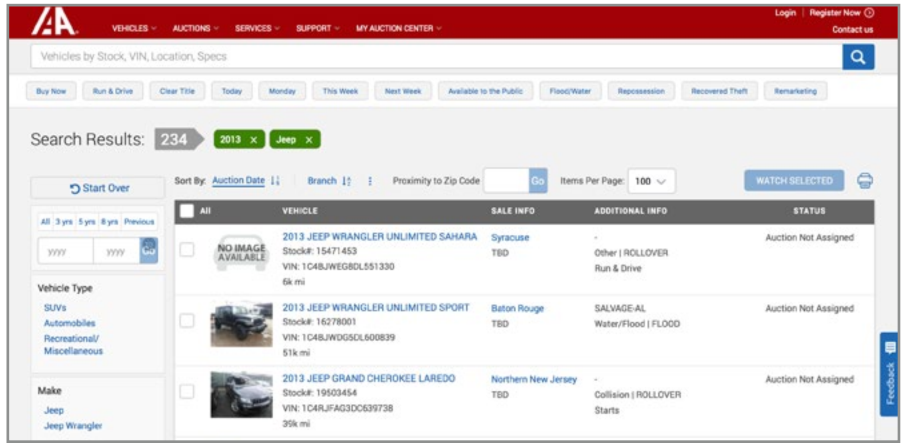
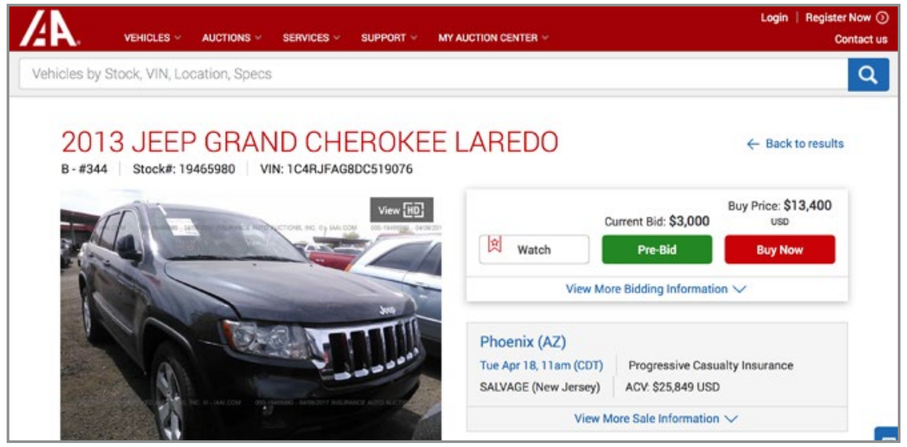
From expanding our services to networking with peers in the industry to responding in times of weather-related crises, everyone at IAA stays busy. Here's what we've been up to.



Find and Seek

We continue to streamline customer access, and recently launched a more comprehensive search tool with IAA Fast Search™. IAA Fast Search is a smart, mobile-friendly tool that delivers more efficient and accurate search results, and is just the latest product that advances IAA's goal of delivering value to customers through technology and innovation.



The Full Picture

The Vehicle Details page on IAAI.com has been redesigned to present the most relevant and important vehicle information. Including 320 additional VIN details and comprehensive Hollander Interchange™ parts data, the new layout enables customers to make better buying and bidding decisions.

DRIVIN

Onward and Upward

Recently, KAR Auction Services, Inc. – parent company to IAA – acquired DRIVIN, a technology innovator in the inventory sourcing space for used car dealers. The acquisition will serve to bolster the analytic and data science capabilities of our organization.