

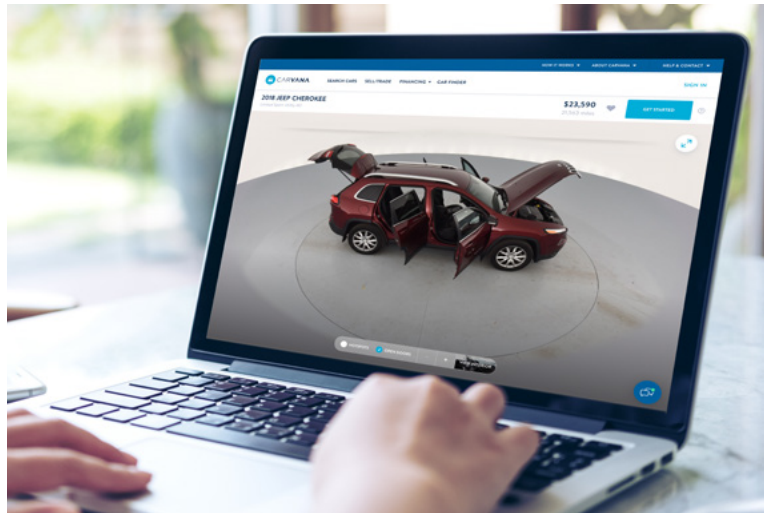


COVID-19 SPEEDS UP INSURANCE INDUSTRY'S DIGITAL TRANSFORMATION

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Consumer behavior has undergone a dramatic transformation over the last twenty years. At one time, it would have been inconceivable that someone would purchase a car without taking a test drive or even sitting in the driver's seat. Today, however, a growing number of consumers have no qualms about buying a vehicle without ever experiencing it in person. In Q3 of this year, Carvana reported online car sales growing 39% year-over-year as the consumer appetite for online car buying continues to grow. Additionally, Google's 2020 "Global Auto Pulse" survey found that "18% of auto shoppers would buy a vehicle sooner if there was an online purchase option."

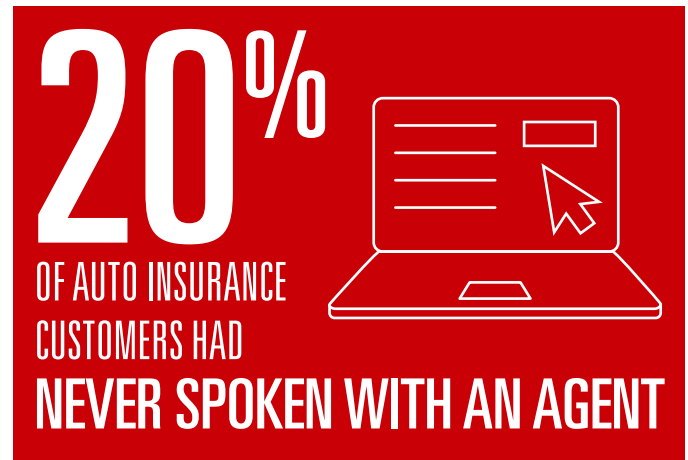
The shift to online car buying was likely bolstered by several states, including the automotive hub of Michigan, determining car dealerships to be non-essential in the opening weeks of the pandemic. It should therefore be no surprise then that as COVID-19 has forced people to do nearly all their shopping in the digital marketplace, consumers would also turn to digital insurance solutions.



ONLINE CAR SALES

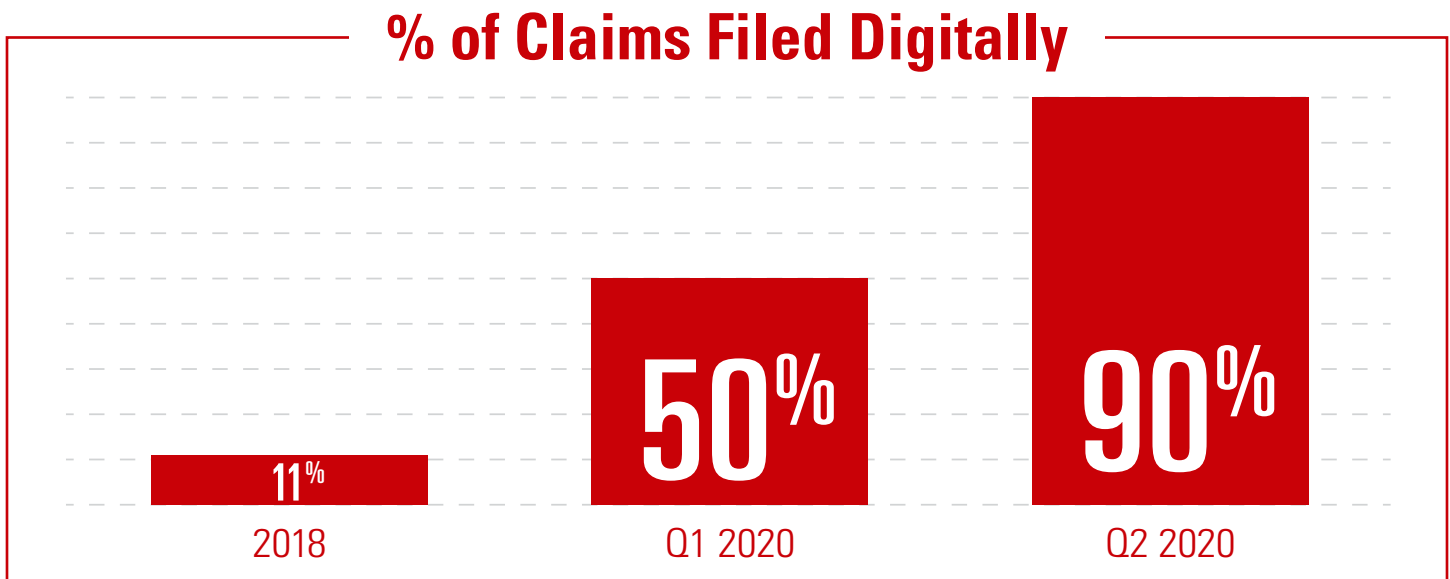


The pandemic has not given rise to the virtual auto-insurance claim, it has merely hastened a shift in consumer behavior that was already happening. The J.D. Power 2019 U.S. Auto Insurance Study provides evidence of this rapid change in auto insurance customer behavior. The study found that roughly one fifth of auto insurance customers had never spoken with an agent over the phone or in person. In a similar 2020 study, J.D. Power found that for the first time an auto insurer's digital presence fueled customer satisfaction more than interactions with agents. IAA has seen a marked increase in the use of our Inspection Services® offering during COVID-19, undoubtedly because it is a digital, touchless claims solution.



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Leading insurance providers began rolling out virtual claim processes in 2013. As smartphone camera technology has improved, the process has become more user-friendly. By 2017, one of the country's largest providers began shuttering its drive-in inspection stations in favor of virtual claim processing for vehicles that are damaged but still drivable. GEICO introduced a new virtual assistant in its mobile app the same year to stay competitive as the industry began its digital transformation. Since then, digital claims processing has benefited insurers and their customers. Large insurers save the expense of operating brick and mortar locations. Consumers get more convenient and immediate access to their insurers. In 2018, J.D. Power found that only 11% of claims were filed digitally. Fast forward to just before the COVID-19 crisis, and roughly 50% of one top insurance provider's auto claims were filed digitally. Just over two weeks later, the same provider projected 90% of its auto claims were submitted through digital channels.



When surveying auto insurance customers, J.D. Power has found that a person's trust in their insurer correlates closely with the customer's overall satisfaction. Digital claims create transparency that a human agent just cannot. With up-to-the-minute information about their claim status, the claimant can see exactly how the process is unfolding. This unprecedented transparency helps build trust, which is part of the reason J.D. Power found record-high customer satisfaction with auto insurers in their 2020 study. Satisfied customers will help guarantee returning business for insurers. If technology continues to improve customer satisfaction, insurers will continue to invest in it, and customers will continue to be conditioned to prefer less human interaction when making transactions. The cycle is self-perpetuating.

Lenders financing automotive purchases will also benefit as digital claims processing continues to grow in popularity. On average, it takes over two months for lenders and insurers to process total loss claims. With digital claims, lenders can be notified of a total loss and settle the loan much more quickly. This has the dual benefit of improving the customer's experience with the lender while also allowing the lender to pursue new business opportunities instead of resolving months-old claims. IAA Loan Payoff™ is a great example of expediting the process via digital methods. Because the lien payoff process is done via a secure electronic portal, there is no human-to-human interaction needed. The shift towards digitization provides significant benefits for lenders, carriers, and customers alike.

These trends are not likely to change soon now that social distancing practices and CDC guidelines have made human interaction more problematic for consumers. This is especially true if the number of COVID-19 cases continue to rise. All auto insurers will be forced to adapt or lose customers. Shifting customer preferences often force businesses to adopt new strategies and capabilities. The only difference this time has been the steep learning curve. As previously mentioned, in just two weeks' time, one insurer's digital claims nearly doubled. This all happened while nine out of every ten of that insurer's employees relocated to remote worksites. Even after the current crisis is over, consumers may not want to go back to the way things were before. This is true not just for auto-insurance, but for all kinds of transactions. The "new normal" for consumers may have less to do with staying healthy, and more to do with efficient, convenient transactions that minimize human interaction and are entirely digitized.

The infographic is set against a red background. At the top, the text 'TOTAL LOSS CLAIMS' is written in large, bold, white letters. To the right of this text is a white outline of a car. Below this, the text 'TRADITIONALLY TAKE' is in smaller white letters, followed by '2 MONTHS' in very large, bold white letters, and 'TO PROCESS' in smaller white letters. To the right of this text are two white calendar icons, one above the other. At the bottom left of the infographic is a white icon of a computer monitor with a circular arrow around it, and a smartphone next to it. To the right of this icon, the text 'DIGITAL CLAIMS ARE PROCESSED MUCH' is in smaller white letters, followed by 'QUICKER' in very large, bold white letters.

References

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Forward-Looking Statements:

Forward-Looking Statements: Certain statements contained in this release include “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. In particular, statements made that are not historical facts may be forward-looking statements and can be identified by words such as “should,” “may,” “will,” “anticipates,” “expects,” “intends,” “plans,” “believes,” “seeks,” “estimates,” and similar expressions. In this release, such forward-looking statements include statements regarding the impact of COVID-19 on our business and the insurance industry generally, plans regarding our growth strategies, and the associated impact on our customers and company generally. Such statements are based on management’s current expectations, are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results to differ materially from the results projected, expressed or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to: uncertainties regarding the duration and severity of the COVID-19 pandemic and measures intended to reduce its spread; the loss of one or more significant vehicle seller customers or a reduction in significant volume from such sellers; our ability to meet or exceed customers’ demand and expectations; significant current competition and the introduction of new competitors or other disruptive entrants in our industry; the risk that our facilities lack the capacity to accept additional vehicles and our ability to obtain land or renew/enter into new leases at commercially reasonable rates; our ability to effectively maintain or update information and technology systems; our ability to implement and maintain measures to protect against cyber attacks and comply with applicable privacy and data security requirements; our ability to successfully implement our business strategies or realize expected cost savings and revenue enhancements, including from our margin expansion program; business development activities, including acquisitions and integration of acquired businesses; our expansion into markets outside the U.S. and the operational, competitive and regulatory risks facing our non-U.S. based operations; our reliance on subhaulers and trucking fleet operations; changes in used-vehicle prices and the volume of damaged and total loss vehicles we purchase; economic conditions, including fuel prices, commodity prices, foreign exchange rates and interest rate fluctuations; trends in new- and used-vehicle sales and incentives; and other risks and uncertainties identified in our filings with the Securities and Exchange Commission (the “SEC”), including under Item 1A “Risk Factors” in our Annual Report on Form 10-K for the year ended December 29, 2019 filed with the SEC on March 18, 2020 and in our Quarterly Report on Form 10-Q for the quarter ended March 29, 2020 filed with the SEC on May 6, 2020, as such risk factors may be amended, supplemented or superseded from time to time by other reports we file with the SEC, including subsequent Quarterly Reports on Form 10-Q and Annual Reports on Form 10-K. Many of these risk factors are outside of our control, and as such, they involve risks which are not currently known that could cause actual results to differ materially from those discussed or implied herein. The forward-looking statements included in this release are made as of the date hereof, and we undertake no obligation to publicly update or revise any forward-looking statement to reflect new information or events, except as required by law.