REPORT

# Q2 2025 Insurance Personal Lines Trends and Perspectives

TransUnion

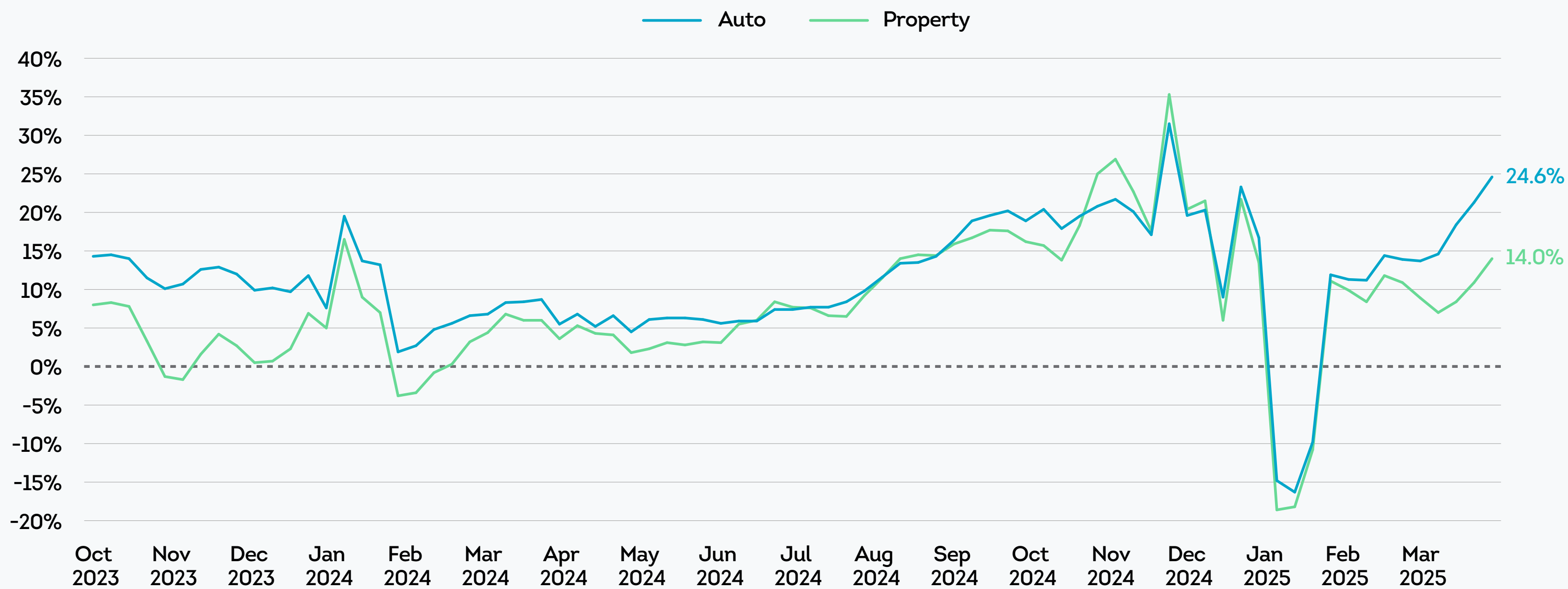
# The auto market softens as property grapples with natural disasters

Personal insurance lines continue to tell two different stories: Auto insurance has returned to profitability, and with premium increases winding down, insurers are increasingly turning to growth and refocusing on customer acquisition. By contrast, homeowner insurers will continue to seek premium increases that will unevenly affect catastrophe-prone areas.[1]

Economic uncertainty, rising costs of living and shifting consumer behaviors are reshaping the landscape. Consumers, in response to premium hikes, financial strain or evolving household dynamics, are increasingly shopping for better insurance deals.

Let's look closer at these trends in the second quarter of 2025: Auto and property shopping continue to increase, up 10% and 5% above the prior year, respectively, as seen in Figure 1.

**Figure 1. Year-over-year percent change in number of insurance shoppers by line of business.**




*Source: TransUnion Internal Data*
***Note**: YoY Percent change is calculated on a weekly basis using 3-week moving average over 18-month rolling period*

***Note:** Thanksgiving week in 2024 fell a week later than in 2023, resulting in timing related gaps in the comparison for the final two weeks of November and last week of December.*

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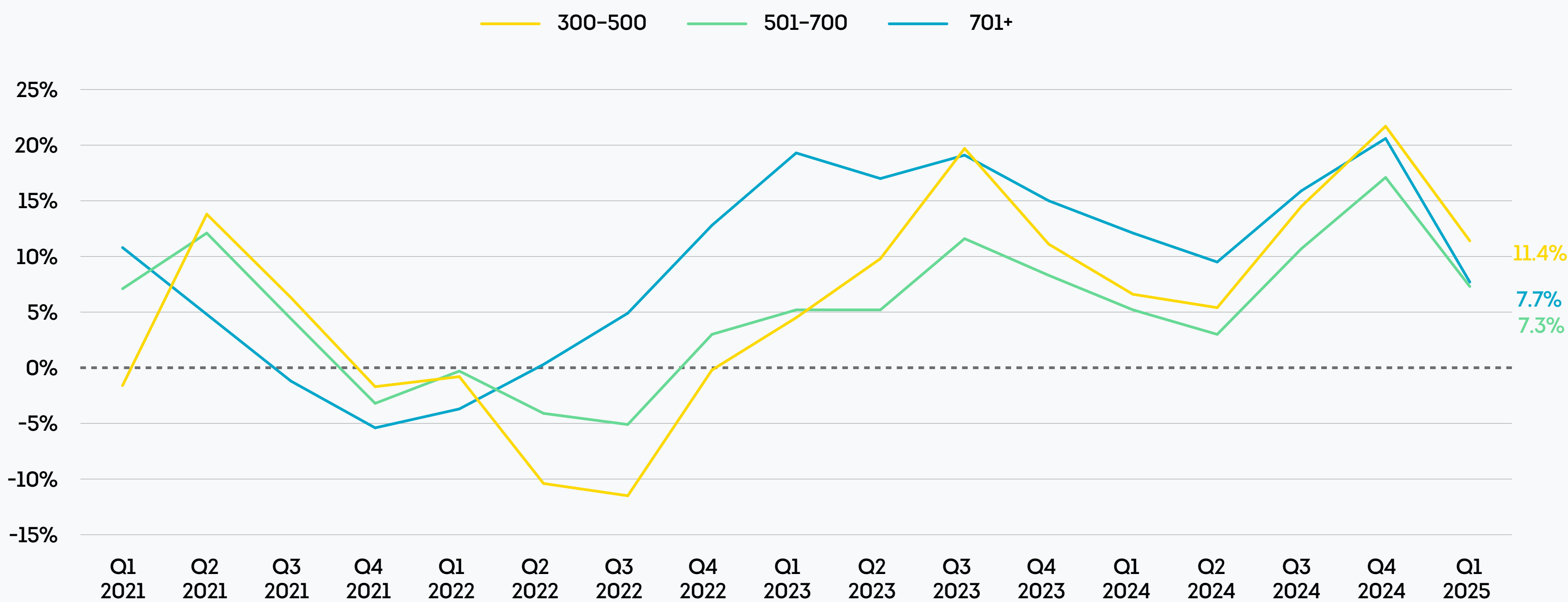
# Auto insurance returns to profitability – but a softening market awaits

Elevated shopping activity is becoming the new normal following periods of economic uncertainty and ongoing consumer financial strain post-COVID-19. Shopping in the personal auto market has risen partly due to increased rates — which successfully brought auto insurance premiums back in line with loss costs.

Unlike the relatively broad-brushed base rate increases of 2022–2024, auto insurers may also be returning to traditional rate approaches where the greatest premium increases skew to riskier policies that historically have disproportionately contributed to losses. This hypothesis is supported by the shift in consumer shopping to a more traditional pattern where the lowest insurance score segments lead in shopping, a pattern not observed since 2021, as seen in Figure 2.

**Figure 2. Year-over-year average percent change of auto shoppers by credit-based insurance scores.**




*Source: TransUnion Internal Data*

> Auto insurance is showing signs of cyclical softening, but carriers should watch for potential impacts to loss costs due to rising costs on imports. While premium increases have likely peaked, costs for new and used vehicles and replacement parts could still rise unexpectedly. Strategically allocating marketing spend while remaining vigilant with increasing claim costs will be key.

**Patrick Foy, Sr. Director, P&C Market Strategy at TransUnion**

However, the auto insurance market is known to be cyclical, and with the rate of premium increase having peaked in 2023,[2] the industry may well be heading toward softening market conditions.

Soft markets are also marked by a focus on new business growth and the need to compete for customers. Auto inquiries per shopper per month peaked at two during the summer of 2023 but declined to 1.7 by the end of 2024,[3] which has prompted increased investment in customer acquisition. Year-over-year marketing spend with auto as the leading product went up by 35.2% in the fourth quarter of 2024, with double-digit growth for all non-TV marketing channels.[4]

Delving further into auto insurance shopping by region reveals an important detail: Consumers in the Northeast shopped more than all other regions in the first quarter of 2025.

This movement was likely driven by recent rate increases in the region: Connecticut, New Jersey and New York all saw double-digit jumps.[5] The Northeast states lagged the rest of the country, so in some ways, consumers there are only now experiencing what others did over the previous years.

These states also rank high for cost of living[6] and personal auto insurance expenditures as a percentage of average household income,[7] further driving elevated shopping as consumers aim to tighten their budgets.

## Beyond the bundle

TransUnion's own quarterly insurance surveys[8] have noted another auto insurance trend: Only 10% of respondents switched insurers to bundle their auto insurance with a single provider — in comparison to 15% of those shopping for home insurance. This has important implications for the insurance industry which has historically promoted bundling to gain loyalty and tenured customers.

The surveys reveal that lower premiums, better coverage, and better customer service dominate switching motivations. Some customers may strive to attain those goals through means other than bundling. Over the past six months, for instance, more than half of consumers who were presented a policy option with telematics indicated they opted into the program. Their decisions appear to be driven by the potential for user-based insurance to outweigh similar or higher discounts realized through bundling their policies.

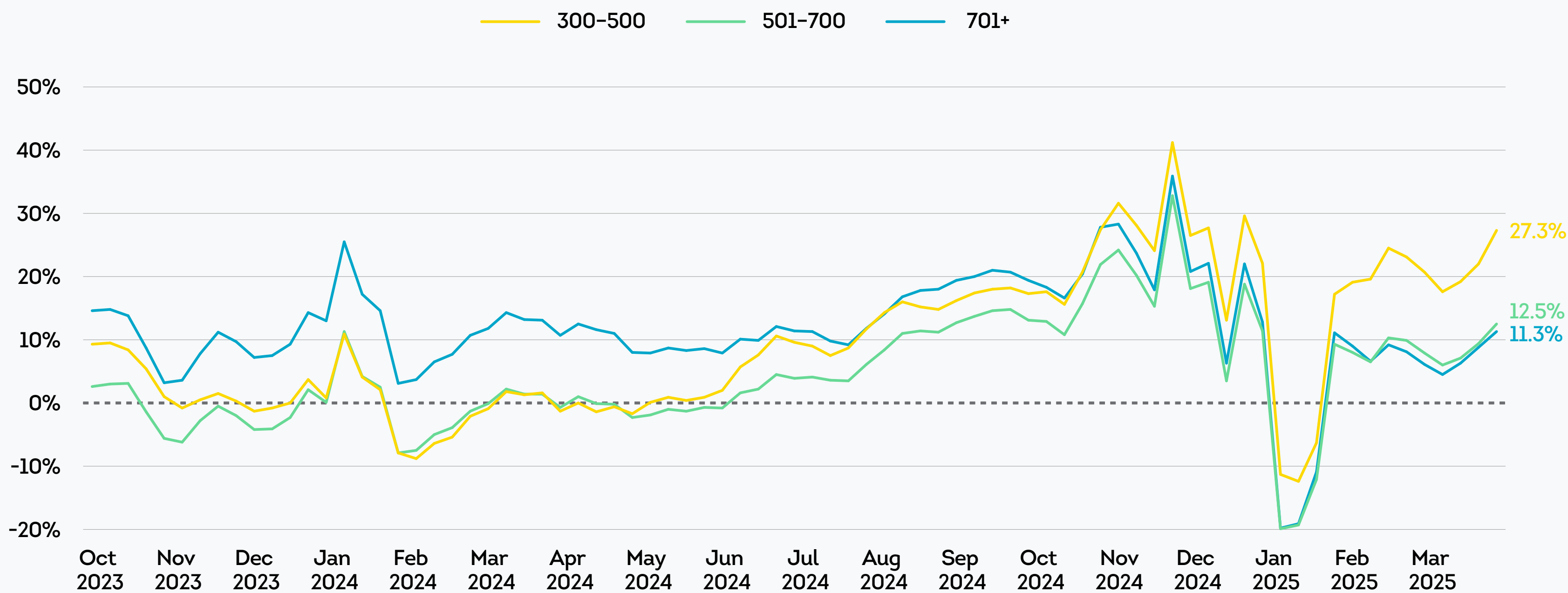
Gen Z and Millennials, in particular, are turning to such measures at higher-than-average rates.

Additionally, and perhaps of greater concern, is some consumers may be choosing to temporarily forgo maintaining or purchasing insurance to reduce living expenses. Approximately 13% of consumers[9] indicated they've gone without auto insurance in the past six months, citing an inability to pay as the primary reason — a figure that has remained consistent for over a year and half.

# Higher-risk customers are more actively shopping

Homeowners insurance shopping increased an estimated 5% year-over-year during the first quarter of 2025. Figure 3 provides shopping by credit-based insurance scores, with lower scores representing higher risks.

**Figure 3. Year-over-year percent change in homeowners insurance shoppers by credit-based insurance scores.**




*Source: TransUnion Internal Data*
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Higher-risk customers became the most active shopping segment late in 2024 for the first time since the end of 2021[10] when the 30-year mortgage interest rates started to rise sharply.[11] The trend became even more marked in the first quarter of 2025. What's driving this shift? Providers have returned to traditional practices of taking rate increases and enforcing underwriting criteria that target higher risks first, leading those customers to scramble for lower rates.

Insurers have seen increased homeowners premiums as a necessity to combat triple-digit combined ratios[12] driven by industry-wide headwinds over the past five years:

→ Premium trends remain insufficient to fully offset the increase in homeowners' replacement costs from the early 2020s bout of inflation.[13] Moreover, with potential for costs on lumber, petroleum and other imported components to rise, the need for additional cost hikes may be further exacerbated.

→ Weather-related catastrophe events and loss costs have increased substantially. There were 27 observed $1 billion-dollar-plus disasters in 2024, compared to an average of 13 disasters a year from 2010 to 2019. The overall 2024 total cost was around $182.7 billion, more than double the average annual cost in the 2010s.[14]

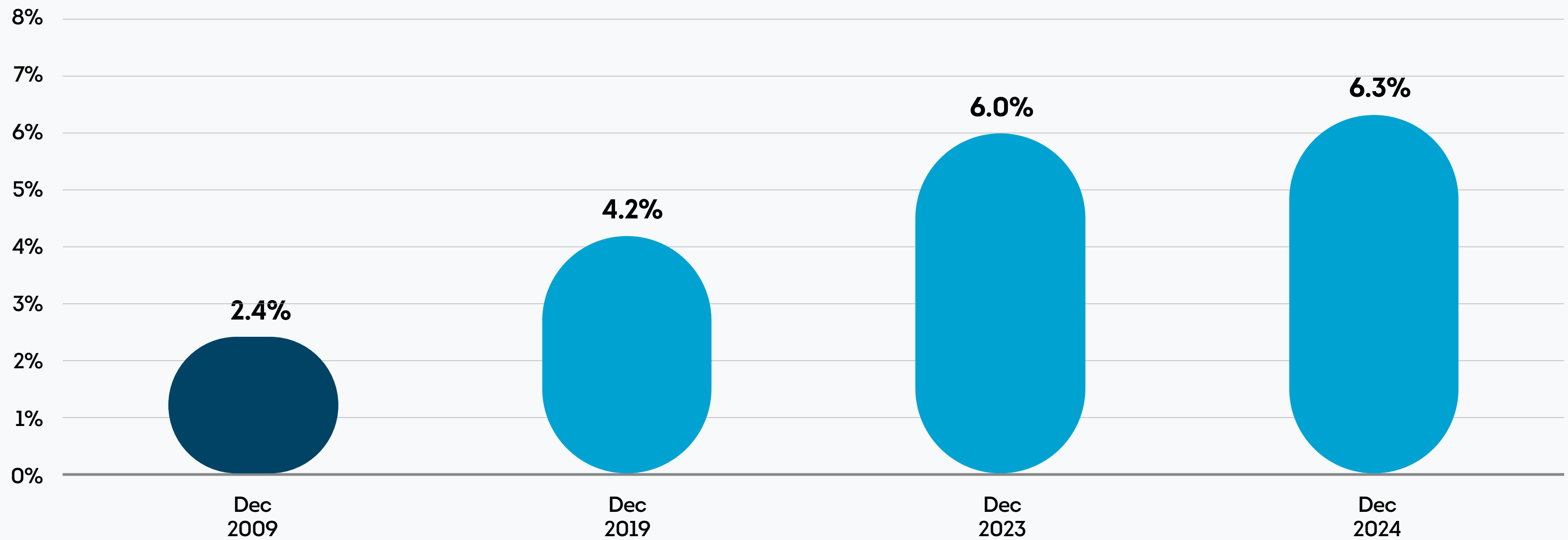
# A fundamental shift into multigenerational housing

**41%** of Millennials owned homes in 2024, versus 52% of Gen X in 2009.

While new inflation spikes may ultimately prove transitory, increasing housing costs have already driven fundamental changes to household formation and composition over the 21st century.

Gen Z and Millennial consumers, for example, are less likely than their Boomer and Gen X predecessors to own homes at younger ages. That's leading to two- and even three-generation households becoming more common, as seen in Figure 4. Furthermore, only 38% of credit-active occupants were living alone as of 2024 compared to 45% in 2009.[15]

**Figure 4. Peak earners living with older and younger relatives (aka, the sandwich generation).**




***Generation Definitions:***
*Silent: <=1945*
*Boomer: 1946-1964*
*Gen X: 1965-1980*
*Millennial: 1981-1997*
*Gen Z: 1998-2012*

Source: TransUnion internal data.
For the purpose of this analysis, "Peak earnings years" defined as Gen X and Millennial generations in 2024 and Boomer and Gen X generations in 2009. TransUnion internal data

"Multi-generational households represent a fundamental shift in risk profiles. With Millennials increasingly living with both older and younger relatives, insurance products designed for traditional households are too rigid. Carriers that develop flexible coverage for multiple generations will gain significant advantage."

**Kimberly Miller, Sr. Manager, Product Management**

**There are several causes driving this phenomenon:**

- **Homebuilding significantly dipped** during the Great Recession (2007–2009), and the industry's inability to keep pace with the growth in US households contributed to structural shortages in the availability of housing nationwide. Home prices began to rapidly outpace income starting in 2020, partially due to increased worker mobility, as well as the aforementioned deficit in available housing.[16]

- **The non-mortgage expenses of owning a home**, including repairs, insurance and taxes, have increased 70% since 2020, significantly outpacing incomes.[17] Homeowners insurance premiums across the country increased an average of $648 since 2021.[18]

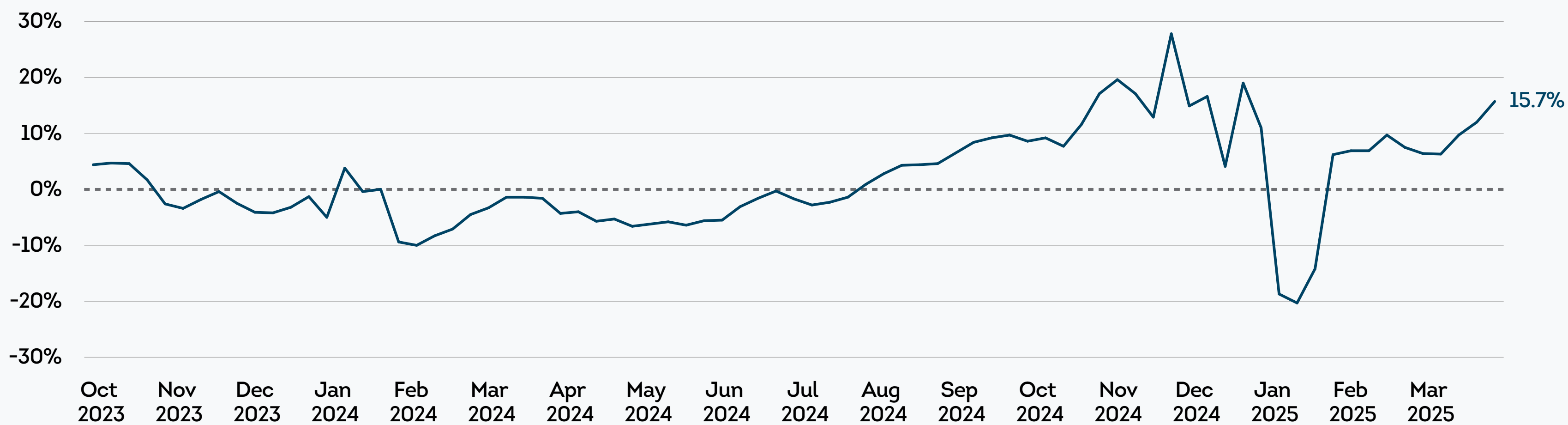
- **The average home size of completed single-family homes has increased** greatly over the past 50 years. In the 1970s, the average new home was 1,660 square feet; in 2023, it was 2,485 square feet.[19] This leaves a dearth of small "starter homes" on the market and increases non-mortgage expenses. Conversely, it also makes it more tolerable for multiple generations to live together in one household.

Look for these generational trends to continue. According to a recent TransUnion consumer survey, in the next five years, 18% of Gen X, 26% of Millennials and 35% of Gen Z plan to provide financial support to parents and grandparents. Furthermore, 17% of Gen X, 21% of Millennials and 24% of Gen Z plan to provide financial support to adult children or grandchildren.[20]

# Renters to seek better deals

Shopping for renters insurance is following a similar trajectory to homeowners: There was increased shopping activity year over year in Q1, as illustrated in Figure 5.

**Figure 5. Year-over-year percent change in number of renter insurance shoppers.**




*Source: TransUnion Internal Data.*
**Note:** *YoY Percent change is calculated on a weekly basis using 3-week moving average over 18-month rolling period*

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**There are several potential reasons for this:**

- Shopping (and switching) renters insurers is much faster and easier than shopping for homeowners insurance. As we've noted, insurers have been increasing marketing spend to drive auto policy growth — which may have the knock-on effect of boosting renters shopping as well.
- Homeowners rates are often filed together with renters insurance, causing a ripple effect and leading renters whose premiums increased to seek lower rates.
- As Boomers move into retirement, many are downsizing from homes they own to rental units; meanwhile, Millennials are renting longer than older generations did, and Gen Z is actively looking to move out of their parents' homes and become more independent.

# A look ahead

As we move into the second half of 2025, personal insurance lines continue to be two different stories — with auto and property in quite different states. While homeowners insurance providers will likely continue their focus on improving profitability, auto insurers will continue to drive up marketing efforts and concentrate on retention.

Meanwhile, marketing remains important for auto insurers, but rising costs on imported goods could raise replacement costs and affect repair times. Insurers must stay vigilant to these shifts and adjust marketing strategies cautiously.

Rising costs will likely hit an auto buying market that's already weak. Vehicle loan originations grew in late 2024 but remain 15% below 2019 levels.[21] New vehicle financing amounts stayed flat, while used vehicle financing declined by 5% over two years.[22] Still, there are bright spots: Despite financial challenges, one in four consumers plan to buy a replacement vehicle within 12 months, with Gen Z and Millennials leading demand.[23]

Additionally, auto sales saw a short-term increases in February and March as consumers rushed to secure new and used vehicle purchases ahead of potential price hikes.[24]

In the housing market, the 30-year mortgage rate climbed back to 7% at the end of 2024, further limiting mortgage originations. Purchase originations have remained steady with high-credit-score borrowers leading the market. Rising home prices, however, have pushed mortgage balances up, driving home equity lending to near-record levels.[25]

Consumers overall continue to face financial strain: Bankcard balances hit record highs in the fourth quarter of 2024, though the rate of growth has been declining.[26] And consumers are pessimistic: A TransUnion survey found 65% of respondents believe the US is already in a recession or will enter one in 2025.[27]

**For deeper data insights that can help you navigate shifts in the insurance industry, as well as inquiries on how we can specifically benefit your business, contact your TransUnion representative or visit transunion.com/property-and-casualty-insurance.**

**CITATIONS**


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[4] Q4-2024 Insurance Omni Channel Marketing Review, Comperemedia, Q4 2024.

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[10] TransUnion internal shopping data.

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[12] "Q1-2025 Triple I/Milliman Insurance Economics & Underwriting Projections: A Forward View," Insurance Information Institute, Triple-I/Milliman Underwriting Projections: A Forward View.

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