REPORT

Q2 Insurance Personal Lines Trends and Perspectives

TransUnion

Customers face higher prices as insurers continue holding the line on profitability

Many of the challenges that bedeviled personal lines insurers in 2022 continued in the first quarter of 2023. In particular, rising costs due to losses and inflation challenged insurers who faced a difficult market in which acquiring new customers was secondary to fixing their profitability woes. In fact, personal lines acquisition mail volume declined 34% year-over-year, reaching its lowest point in the last eight quarters, according to *Q4 2022 P&C Insurance Cross-Channel Marketing Review* from Mintel and Comperemedia.

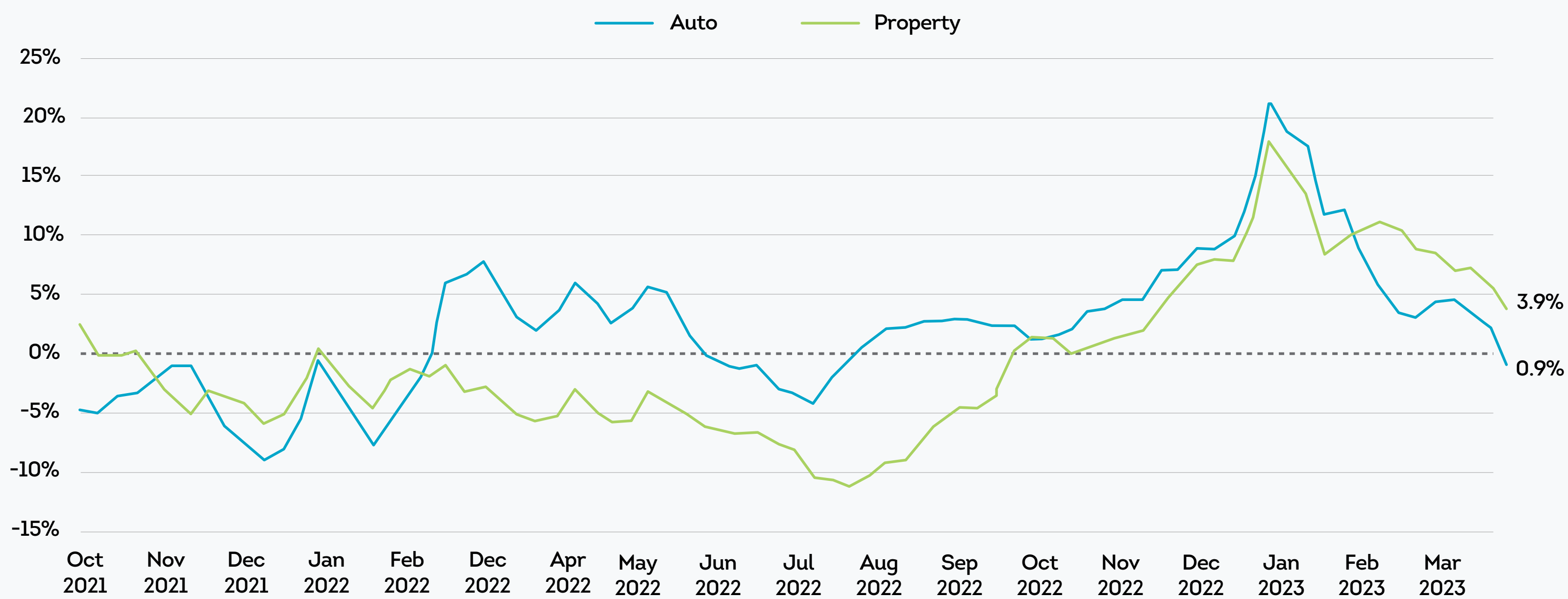
All this has led to industry retrenchment as carriers try to find a way forward. Meanwhile, consumers, facing rising insurance rates and household budget pressures, are hunting for lower premiums but are running into difficulties — even as they have more channels than ever before with which to comparison shop. Let's dive into the numbers for the quarter, drawing from exclusive TransUnion data and responses to our Q1-2023 Insurance Consumer Survey.

Looking ahead
See below for forecasts and analysis on trends affecting the industry.

Shoppers seek lower premiums

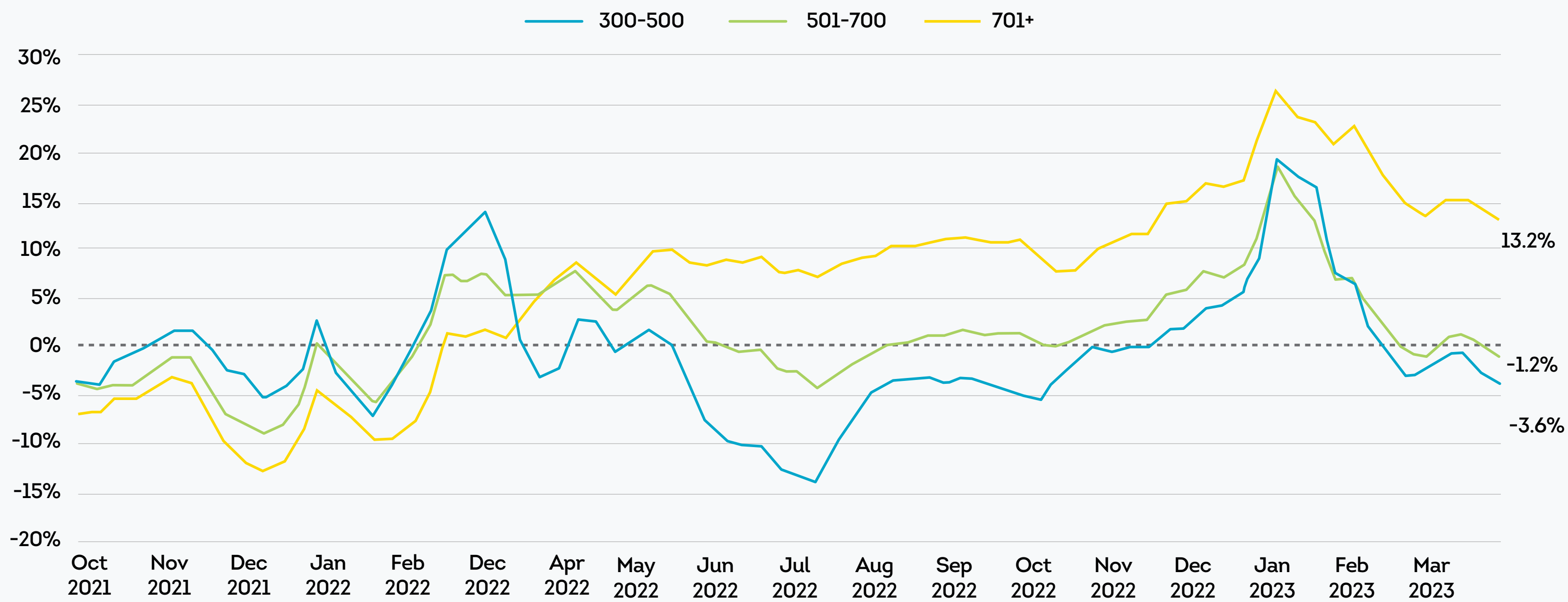
We begin by examining how the number of insurance shoppers has changed over the equivalent time period in 2022.

Figure 1. YoY percent change in number of insurance shoppers by line of business



The year-over-year percentage change for auto and property shoppers was positive over the course of the first quarter of 2023. That said, a dive into the underlying numbers revealed a somewhat more nuanced picture. Figure 2 focuses in particular on auto insurance shopping, broken down by risk scores, with higher scores denoting lower-risk customers.

Figure 2. YoY percent change in number of auto insurance shoppers by credit-based insurance scores



While the year-over-year percentage of shoppers overall remained positive over the first quarter of the year, customers with lower scores dropped into negative territory. This can largely be attributed to a traditional Q1 spike that accompanies tax refund season, but which was muted in 2023.

The Q1-2023 Insurance Consumer Survey offered additional insight into the drop in shopping in this market segment: Nearly 15% of respondents said they owned or used a car without valid insurance or allowed their coverage to lapse at some point in the previous six months, with nearly 30% having cited inability to pay as the primary reason.

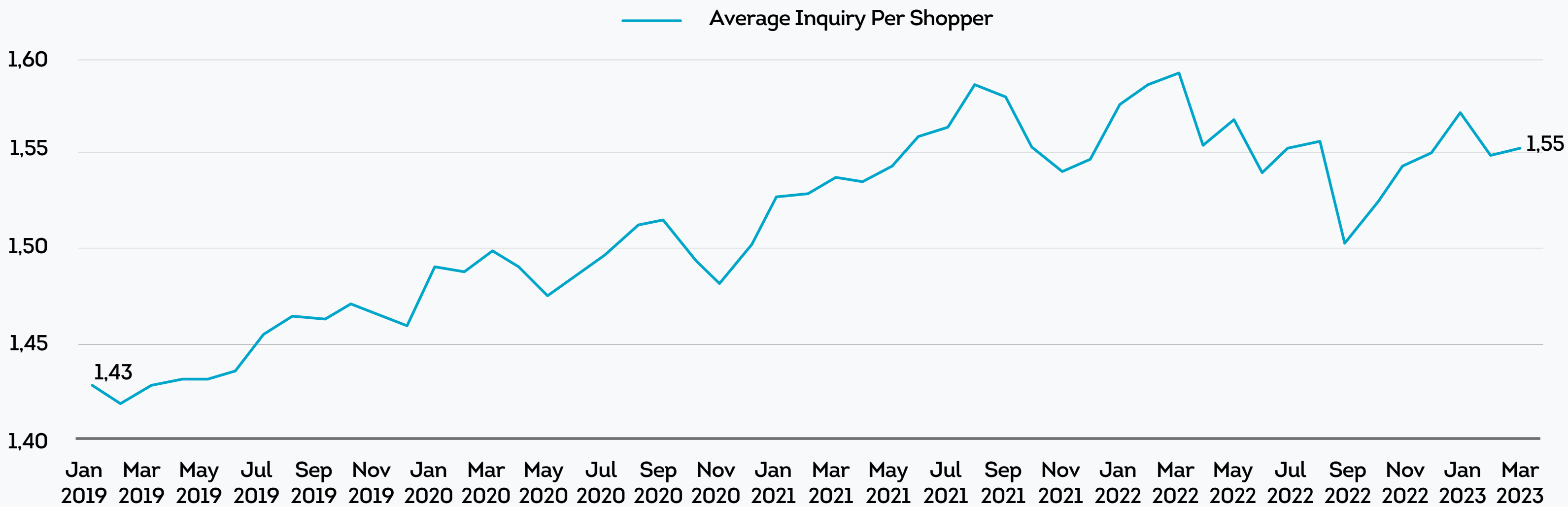
Overall, we believe price was far and away the major driver for shopping thus far in 2023; customers simply were seeking lower premiums. While this may not come as a complete surprise, it isn't always the case: In 2021, for instance, TransUnion surveys revealed many shoppers had other goals in mind, such as better coverage or a better buying or claims experience.

But as inflation eats into consumers' budgets and carriers continue to raise rates, the story of 2023 so far is mostly a search for cost savings. In response, some brands highlighted specific cash amounts in their advertisements to grab the attention of consumers looking to save, according to *Q4 2022 P&C Insurance Cross-Channel Marketing Review.*

Individual auto shoppers look intensely for lower rates

Figure 1 and 2 above show the change in the number of individuals shopping for insurance, while Figure 3 takes a different analytical approach, examining the average number of auto insurance shopping inquiries per individual shopper.

Figure 3. Average auto insurance inquiries per shopper by month



The number of inquiries per customer has been on the rise since the beginning of 2019, and there are several drivers behind this. On one hand, it's simply easier to get an insurance quote today as insurers make obtaining quotes online fast and friction-right. On the other hand, consumers looking for lower premiums are simply not finding them, or at least not finding them as easily because insurers are focused on profit instead of growth.

Our Q1-2023 Insurance Consumer Survey again illuminates factors at play: There was a big jump over the past year in consumers who said they got quotes from agents, up nearly 25% over prior surveys. This may dovetail with an inability to find lower premiums by checking websites or with call centers. Consumers trust agents to help them navigate the insurance landscape and identify ways to save like bundling policies or at least explaining the reality of current premium levels.

Homeowners insurance shopping increases even as property sales stagnate

The personal property insurance market remained relatively stable for the quarter, as you can see in Figures 4 and 5 which show year-over-year shopping rates for homeowners and renters, respectively.

Figure 4. YoY percent change in number of homeowner insurance shoppers by credit-based insurance scores

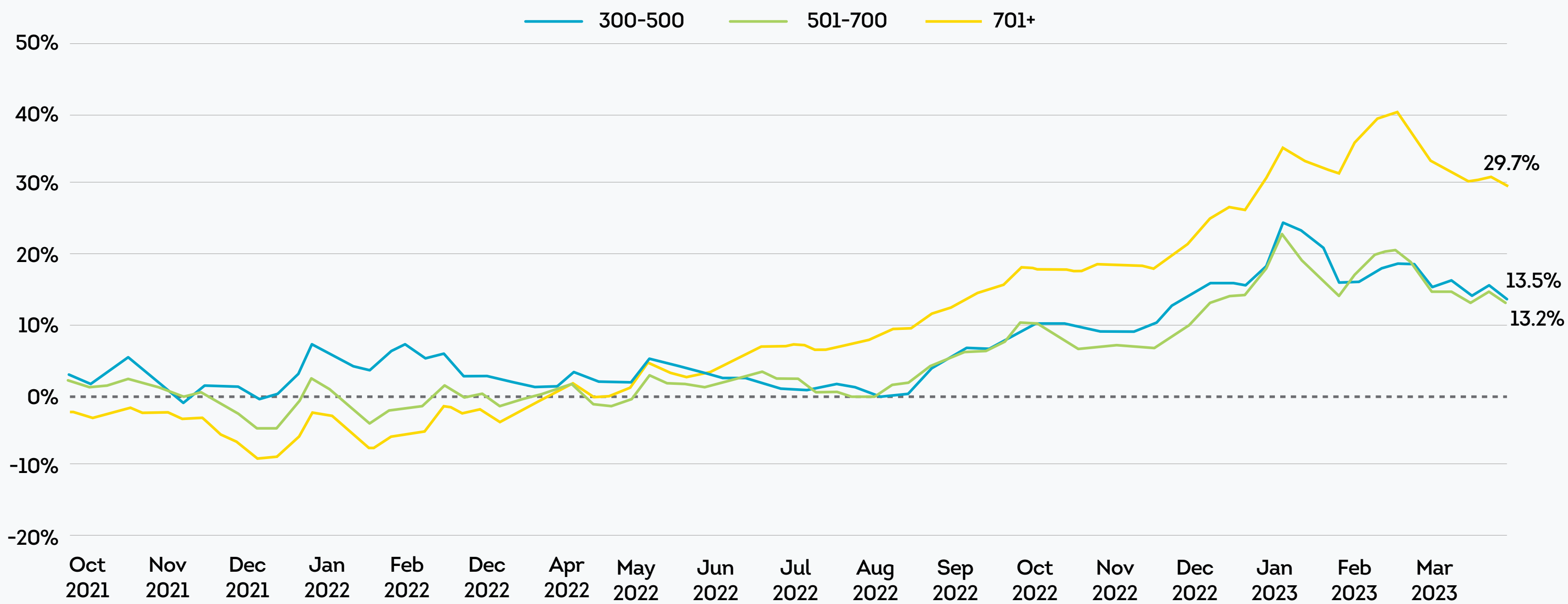
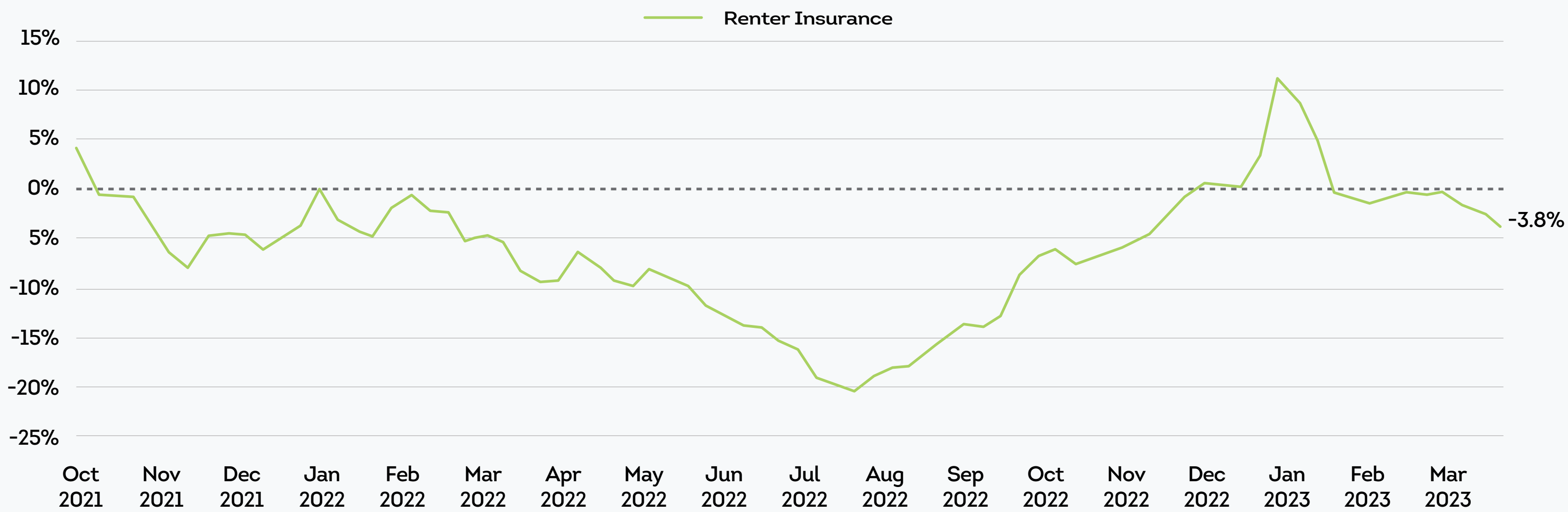


Figure 5. YoY percent change in number of renter insurance shoppers



The renters insurance market in particular was static for the first quarter of the year, hovering right around 0%. Homeowners, by contrast, saw a boost that began in late 2022 and continued into the first quarter of 2023. In particular, those with higher credit-based scores saw the most marked increase. Other TransUnion data demonstrated Millennials and Gen X were shopping more actively than Boomers and Silent Generation consumers.

The persistence of elevated shopping rates is of particular interest because on the surface it seems out of step with the overall housing market: Inflation is high (particularly housing inflation) and mortgage rates are as well, so home sales aren't trending upward and driving insurance shopping. The conclusion to draw is here, too, consumers are facing tightening budgets and searching for lower premiums — but not always with success. This is illustrated using Q1-2023 Insurance Consumer Survey responses where switching rates have decreased from 61.7% in Q1 2022 to 57.9% in Q1 2023.

Looking ahead

What does the rest of 2023 hold for the insurance landscape?

The industry as a whole still faces profitability challenges. Many state regulators have allowed for rate increases over this past year, but many have been capped and are still insufficient to address trends in loss costs.

Analysts expect further rate increases into the summer of 2023, and insurers are facing the delicate balance necessary to retain their best customers while still properly aligning their rates. One bright spot for insurers: Our Q1-2023 Insurance Consumer Survey indicates that switching rates are down from last year, which may provide further evidence consumers have simply run out of lower cost alternatives.

Also note as consumers seek lower premiums, insurers that are advertising are emphasizing value with things like identity theft and cyber protection, bundles and roadside assistance, according to *Q4 2022 P&C Insurance Cross-Channel Marketing Review*.

Consumers are thus faced with insurance affordability issues that will increasingly pinch. One avenue they still have for lowering premiums is to take advantage of telematics programs which remain popular: Over 50% of Q1-2023 Insurance Consumer Survey respondents continued to opt into telematics options available to them, with a nearly 13%-point increase in respondents doing so for a discount.

The auto insurance market overall is still marked by the constrained vehicle supplies and high prices that have persisted through the post-pandemic shutdown era. Toward the end of 2022, there was a temporary reprieve in used vehicle costs, and new vehicle financing saw a material drop in leasing, while used vehicle loan financing ticked up.

One potential danger for the property insurance market: Customers unable to buy new homes due to constrained supply and high interest rates are increasingly likely to renovate or add on to their current homes instead. This carries the danger of an insurance mismatch as policies written pre-renovation don't fully cover the newly increased value of the home if homeowners don't report the renovation to their insurers (see *P&C Carriers Risk Losing Homeowners Premiums as Renovations Go Unreported*.)

In the face of a rapidly shifting market, TransUnion has answers. Contact your TransUnion representative or email us at **inssupt@transunion.com** to learn how we can help you.