LexisNexis® Insurance Demand Meter

A quick look at auto insurance shopping trends

ISSUE #21

LexisNexis® RISK SOLUTIONS

Working Together *for a* Safer, Smarter Tomorrow™

LexisNexis Insurance Demand Meter – Trends from Q4 2024

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Overview

The final quarter of 2024 saw red-hot readings for U.S. auto insurance policy shopping and new policy growth on the LexisNexis® Insurance Demand Meter.

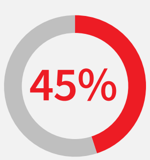
In Q4, the quarterly year-over-year growth rate for auto policy shopping registered 'Nuclear' at 26%, down from 31.2% last quarter. Quarterly year-over-year new policy growth rang in at 17.7%, falling from Q3's 25.9% reading and moving activity from 'Nuclear' into 'Sizzling' territory.

In the three previous quarters of 2024, the combination of consumers whose rates have gone up and marketing campaigns promoting lower premiums helped entice policyholders into the market. That dynamic continued to unfold in Q4 with shopping volumes continuing their momentum; however, the year-over-year growth rate slowed slightly as the industry hurdled Q4 2023's record-breaking activity, and new rate increases slowed significantly in the second half of 2024.

The Year in Review

Throughout 2024, the U.S. auto insurance market observed record volumes of consumers shopping and purchasing auto insurance. Specifically, insurers saw over 18% more consumers shopping in 2024 compared to 2023, the previous record high.

As of December 31, more than 45% of policies-in-force were shopped at least once in the last 12 months. This was driven largely by consumers seeking to avoid premium increases when their policies renewed.



KEY TAKEAWAY

As of December 31, more than 45% of policies-in-force were shopped at least once in the last 12 months.

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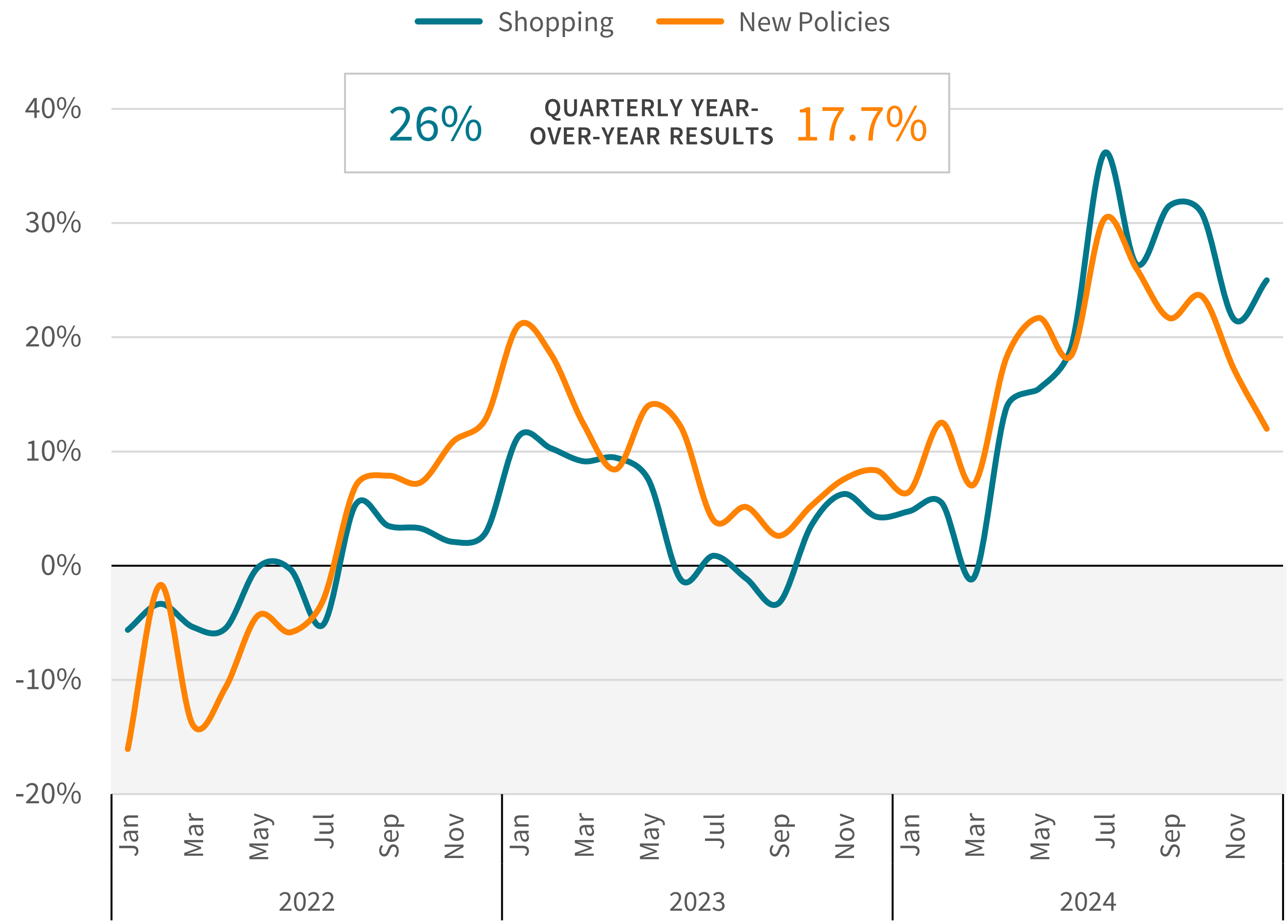
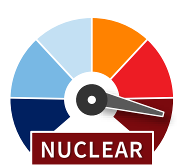
MONTHLY YEAR-OVER-YEAR CHANGE IN SHOPPING AND NEW POLICIES



SHOPPING CHANGE — Q4 2024



The quarterly year-over-year shopping growth rate was +26% for Q4 2024 (down from +31.2% last quarter).

NEW POLICY CHANGE — Q4 2024

The quarterly year-over-year growth for new policies was +17.7% for Q4 2024 (down from +25.9% last quarter).

The Year in Review (continued)

In the first half of 2024, when consumers shopped their policies, they meant it. Insurers saw the growth of carrier switching outpacing the growth in shoppers, as the favorable premiums consumers sought out were often found. In many cases, this was due to carriers implementing rate increases at different times, making it easier for shoppers to find deals.

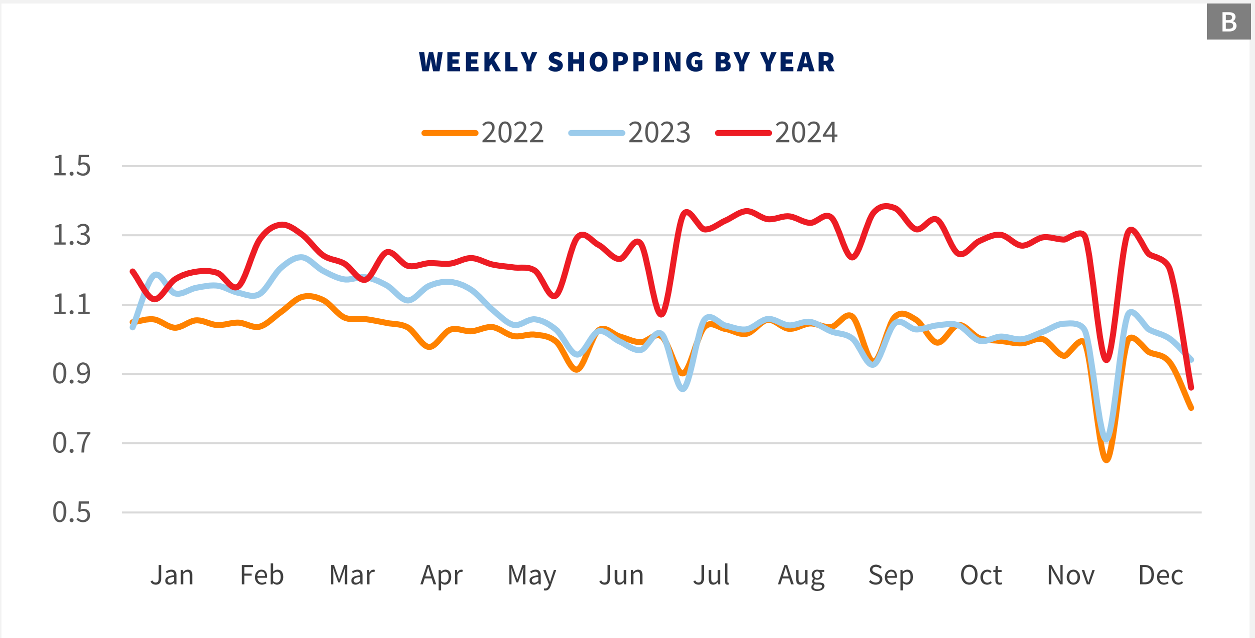
That trend reversed in the latter half of the year, with shopping growth outpacing new business. By Q3, most carriers had implemented rate increases, which made it harder for consumers to find savings that were enticing enough to switch.

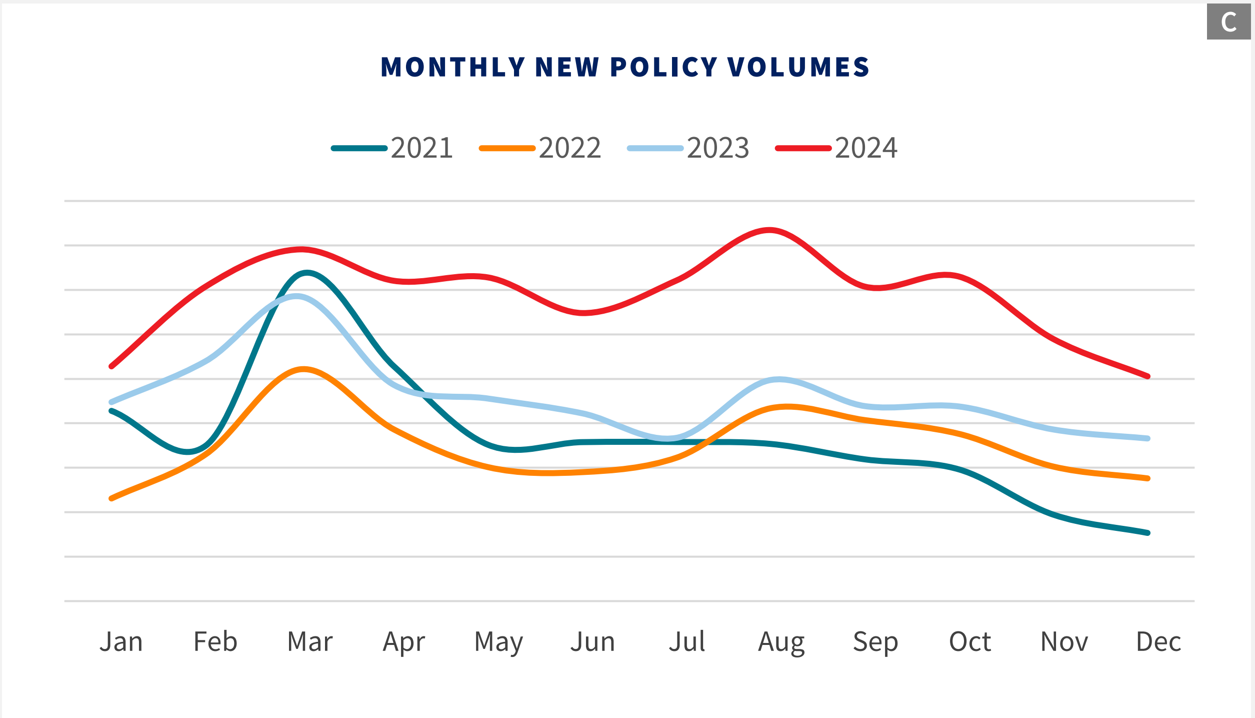
Although the switch rate of shoppers, like shopping events themselves, began to taper in Q4, the market still saw record volumes of consumers switching carriers every month. If shopping – and more importantly switching – loses steam in 2025, it may signal an opportunity to create targeted marketing messaging for consumers confronted with the limited availability of attractive deals.

Holidays See Slightly Greater Shopping Decline

In Q4, shopping volumes remained elevated yet followed traditional seasonal patterns (Chart B). As in prior years, new business fell off in November and December, and 2024 was no different (Chart C); however, the drop in Q4 was greater than in years past. This taper was likely a result of increased rate parity across carriers in the market, as a number of insurers had implemented rate increases.

Additionally, Christmas and New Year's Day fell on Wednesdays, which helped contribute to December's lower shopping and switching numbers. Shopping and new business activity dropped off the week of Christmas through the first full week in January.





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The State of New York

While the industry continues to soften, insurers observed pre-hard market volumes in Q4 for shopping and new business in every state except New York and Hawaii, which were still trying to catch up to Q1 2021 volumes (Chart D). While overall, new policy growth started to stabilize industry-wide in 2023, New York saw the opposite occur. It dipped even further into negative territory as other states experienced positive numbers.

In terms of cumulative rate increases implemented since 2022, New York falls into the middle of the pack at +33%, versus the countrywide average of +35% (Chart E). Despite having taken rate increases in line with the industry average, New York's new policy growth volumes have lagged the rest of the industry over the past two years and only began rebounding at the end of 2024. By year's end, New York was still below Q4 2020 levels, a likely result of many insurers still employing underwriting restrictions and/or limiting marketing efforts in the state.

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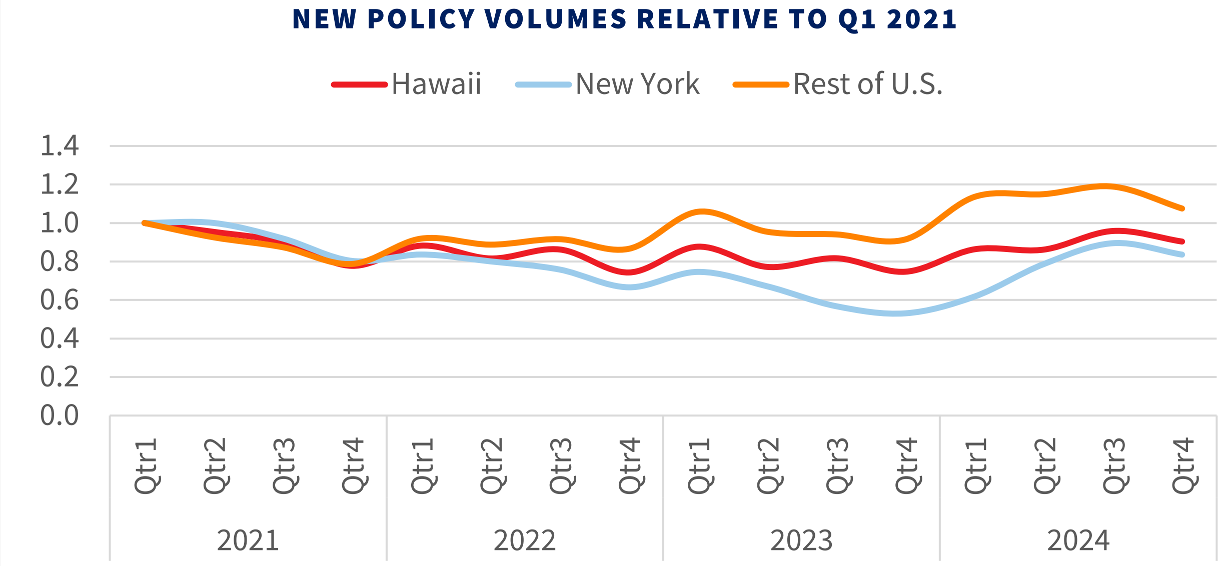

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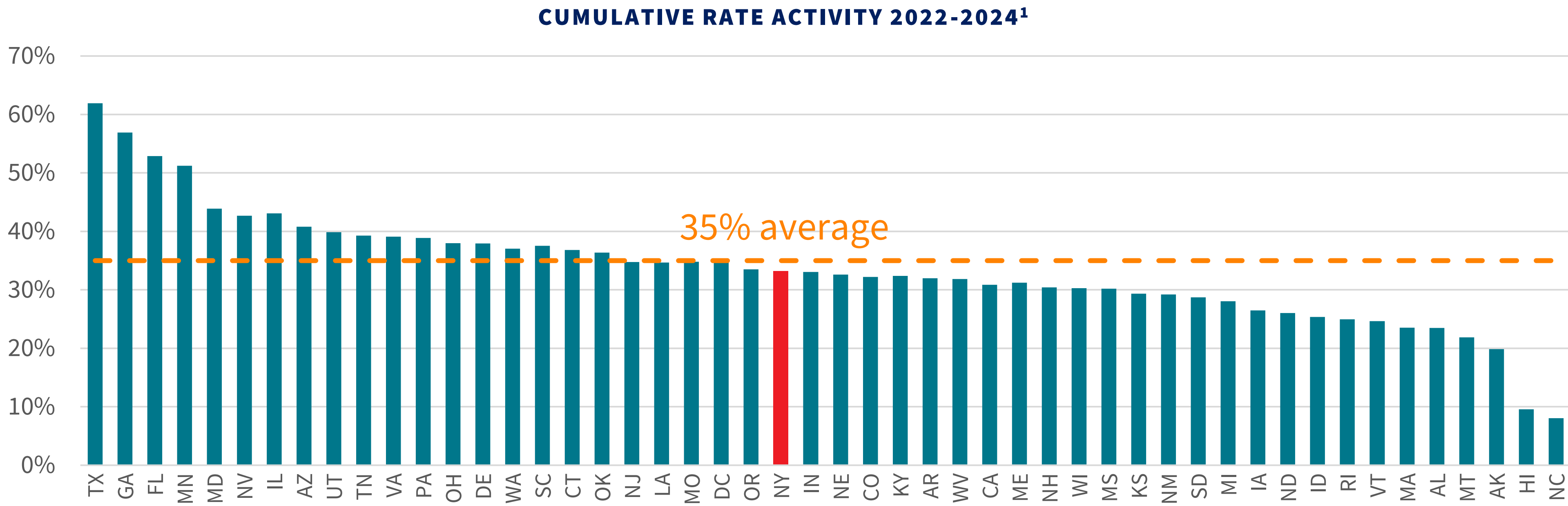

1. Sources: LexisNexis Risk Solutions Internal analysis, S&P Global Market Intelligence (and its affiliates, as applicable)

Looking Ahead

From a rate perspective, the personal lines auto market is stabilizing, and marketing efforts are becoming the main driver of shopping activity. With increased competition for shoppers, carriers may want to target consumers for which they are priced competitively, while simultaneously focusing on retaining current customers to reach desired growth goals. Market conditions, including potential inflationary pressures, could begin to impact the market in early 2025, as well. Closely monitoring and benchmarking shopping, switching and claims activity against the market will be crucial as carriers navigate the evolving landscape.

Jeff Batiste

Senior Vice President and General Manager, U.S. Auto and Home Insurance

"Unfortunately, 2025 started with catastrophic events, including the wildfires that ravaged southern California and winter storms stretching into the South that added to the significant losses from last year's natural disasters. ***While auto rates have generally stabilized for the foreseeable future, the expectation is that insurers will continue to raise homeowner rates in response to the catastrophes.*** *They would do well to keep a close watch on how that rate-taking trend impacts home insurance shopping and, by extension, auto shoppers who own homes."*

The LexisNexis Insurance Demand Meter is a quarterly analysis of shopping volume and frequency, new business volume and related data points. LexisNexis Risk Solutions offers this unique market-wide perspective of consumer shopping and switching behavior based on its analysis of billions of consumer shopping transactions since 2009, representing ~90% of the universe of shopping activity.

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