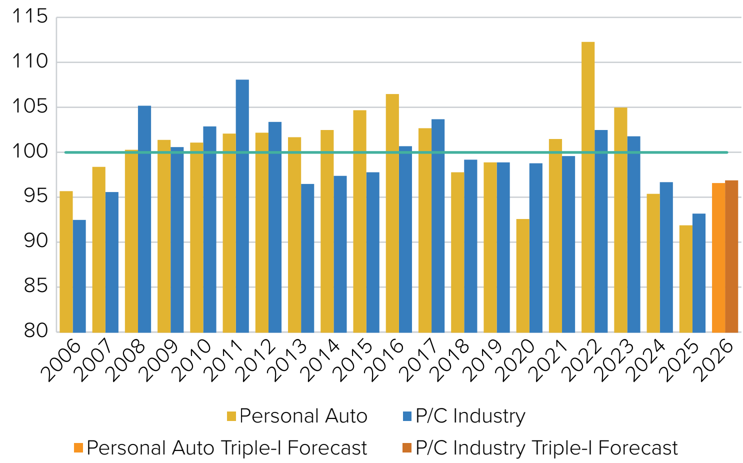
State of the Line:
Personal Auto

The U.S. personal auto insurance industry experienced its best underwriting result in the post-pandemic era with a net combined ratio (NCR) of 91.8 in 2025, improving from the previous NCR of 95.3 in 2024. The private passenger auto line, which represents more than a third of the total U.S. property/casualty (P/C) industry on a premium basis and twice as much as the next largest line of P/C insurance, has outperformed the NCR of the industry during nine of the 20 years since 2006.

Insurers' underwriting profitability is measured by a combined ratio, which is calculated by dividing the sum of claim-related losses and expenses by premium. A combined ratio under 100 indicates a profit. A ratio above 100 indicates a loss. NCR and net premiums written (NPW) growth rates for personal auto insurance are analyzed, forecasted, and reported at Triple-I's quarterly members-only webinars. Figure 1 includes the Triple-I 2026 NCR forecast as of May 2026 for the personal auto line and the P/C industry.

Figure 1: Net Combined Ratio, 2006 - 2026

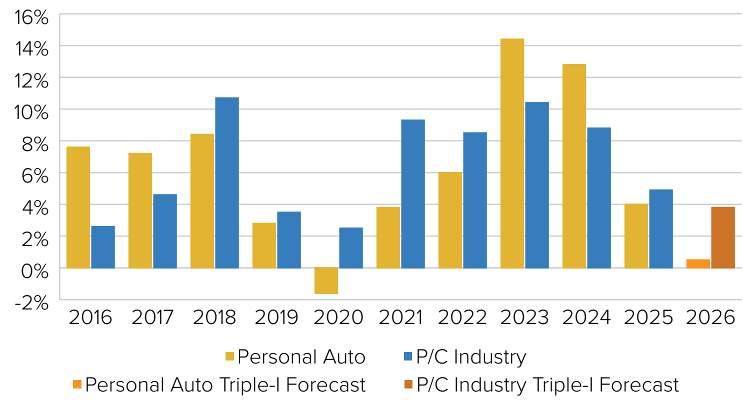


Source: S&P Global Market Intelligence, as of May 2026

Premium

NPW for personal auto surpassed that of the P/C industry with two consecutive years of double-digit NPW growth rates in 2023 and 2024, at 14.4% and 12.8%, respectively. In 2025, NPW growth for personal auto fell to 4.0%, one point below the overall P/C industry average. The surge in personal auto premiums after the COVID-19 pandemic indicated a significant recalibration of rates, which steadied in 2025. Figure 2 shows the Triple-I 2025 NPW growth rate forecast as of May 2026 for the personal auto line and the P/C industry.

Figure 2: Net Written Premium Growth Rate, 2016 - 2026



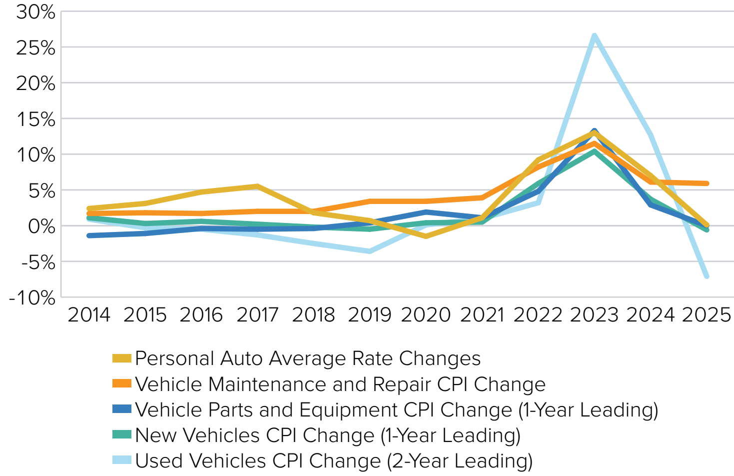
Source: S&P Global Market Intelligence, as of May 2026

Replacement costs for personal auto insurance, as measured by new vehicles, used vehicles, motor vehicle parts and equipment, and motor vehicle maintenance and repair, rose significantly after the onset of the COVID-19 pandemic. Insurers increased rates accordingly. However, in 2023, prices for used vehicles as reported in the Consumer Price Index (CPI) decreased, with those reported for new vehicles and vehicle parts and equipment later decreasing in 2024, all for the first time since 2019.

Figure 3 highlights the year-over-year (YoY) change in these CPI components, which each maintained a correlation of over 70% with the average rate changes taken by insurance carriers from 2016 to 2025:

- New Vehicles: 90% correlation as a one-year leading indicator, when shifting the YoY CPI change forward one year.
- Motor Vehicle Parts and Equipment: 77% correlation as a one-year leading indicator.
- Used Vehicles: 81% correlation as a two-year leading indicator.
- Motor Vehicle Maintenance and Repair: 71% correlation.

Figure 3: Price Changes in Personal Auto Insurance, 2014 - 2025

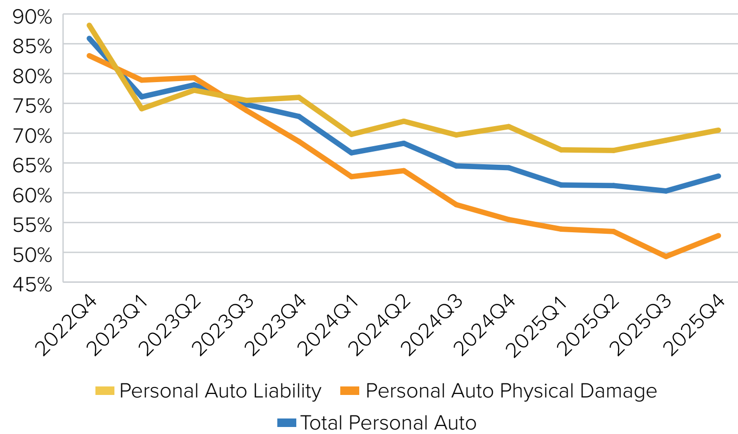


Source: S&P Global Market Intelligence, Federal Reserve Economic Data, as of May 2026

Direct Incurred Loss Ratios

The personal auto direct incurred loss ratio has improved 23.1 points from a peak of 85.9% in the fourth quarter of 2022, falling to 62.8% at the end of 2025. However, improvement has varied between auto physical damage and auto liability, with more improvement in auto physical damage. This disparity reached 17.8 points in the fourth quarter of 2025, the largest difference in over 10 years other than 19.5 in the third quarter of 2025, as shown in Figure 4.

Figure 4: Quarterly Direct Incurred Loss Ratios, 2022Q4 - 2025Q4

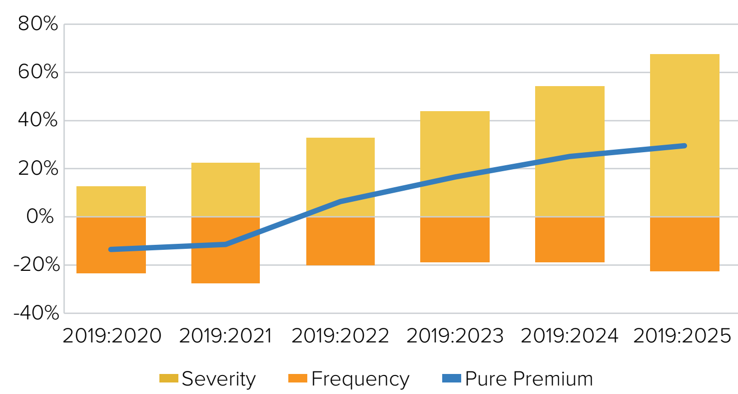


Source: S&P Global Market Intelligence, as of May 2026

Frequency and Severity

Loss trends in personal auto are driven by claim frequency (the number of claims per auto) and claim severity (the average cost per claim). For personal auto liability, frequency dropped in the first year of the pandemic and has remained below pre-pandemic levels, but severity has increased YoY. The pure premium trend (the composite of frequency and severity) increased 29.6 points from 2019 to 2025, at a compound annual growth rate (CAGR) of 4.4 points. The primary driver of this increase was the average cost per claim, which increased 67.5 points during this period, as shown in Figure 5.

Figure 5: Personal Auto Liability - Cumulative Change in Pure Premium, 2019 - 2025



Source: Verisk ISO Fast Track frequency and severity, as of May 2026

For personal auto physical damage, the cumulative increase in severity after the pandemic exceeded personal auto liability through 2023 before being surpassed by auto liability again in 2024 and 2025. Coupled with continued decreases in claim frequency, the cumulative pure premium for physical damage in 2025 dipped below 2022, as shown in Figure 6.

Market Competition

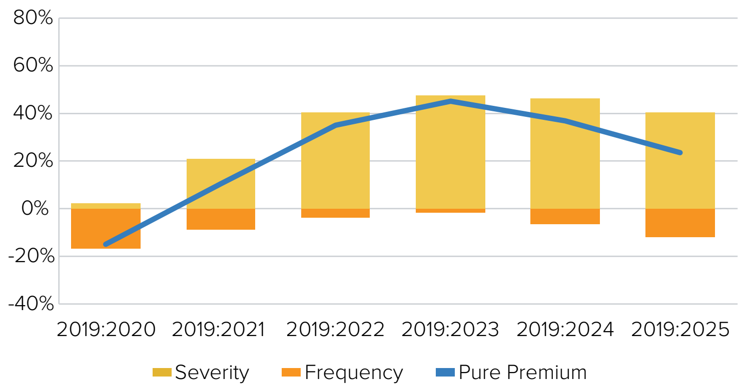
The U.S. Department of Justice considers markets with an Herfindahl-Hirschman Index (HHI) between 1,000 and 1,800 to be moderately concentrated, and those with an HHI above 1,800 to be highly concentrated. The market concentration for personal auto in 2025 countrywide was 1,266, exceeding the threshold for a moderately concentrated market. From 2016 to 2022, the HHI for the line remained relatively flat at a CAGR of 0.5%. Since 2022, however, it has deteriorated rapidly at a CAGR of 3.8%, as shown in Figure 7.

These patterns are similar when isolating for personal auto liability insurance. On a state-by-state basis, there were three states with a personal auto insurance market above the 1,800 threshold in 2025, including Rhode Island, Louisiana, and Arkansas, as well as the District of Columbia. Connecticut, Massachusetts, and California were the least concentrated states and the only states that fell below the 1,000 threshold.

Emerging Risks

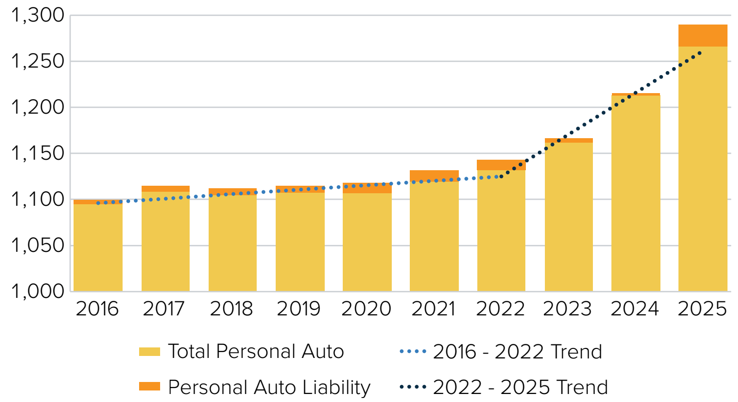
Increasing severity in personal auto liability is largely a symptom of legal system abuse, which includes increased litigation, larger jury awards, and rising attorney involvement in claims. These practices, generated by billboard attorneys and dark money third-party litigation funders, helped drive auto liability losses and defense and cost containment expenses up by a range of $91.6 billion to $102.3 billion from 2015 to 2024, according to the latest Triple-I and Casualty Actuarial Society (CAS) study. The low estimate of this range as a percentage of personal auto net ultimate incurred losses and defense and cost containment (DCC) increased steadily from 2015 to 2021, remained flat in 2022 and 2023, then increased again in 2024 from continued inflationary pressures, as shown in Figure 8. Legal system abuse in the personal auto market has been addressed by legislative reform in Florida, Georgia, and Louisiana, leading to pricing improvements in those states.

Figure 6: Personal Auto Physical Damage - Cumulative Change in Pure Premium, 2019 - 2025



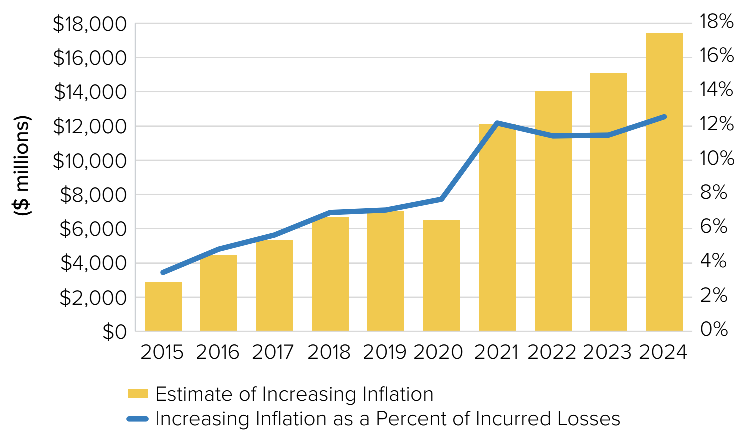
Source: Verisk ISO Fast Track frequency and severity, as of May 2026

Figure 7: Herfindahl-Hirschman Index, 2016 - 2025



Source: S&P Global Market Intelligence, as of May 2026

Figure 8: Personal Auto Increasing Inflation, 2015 - 2024



Source: Triple-I and CAS's Increasing Inflation on Liability Insurance – Impact as of Year-End 2024, S&P Global Market Intelligence, as of May 2026