December 1, 2025

Market Segment Outlook: US Personal Lines

While tariffs have led to uncertainty, carriers have not yet reported large disruptions in claim costs

AM Best's outlook for the US personal lines segment remains at Stable. In March 2025, the personal auto segment's outlook remained at Stable while the homeowners line was revised to Stable from Negative in November 2025. Personal auto reflects over half the premium within the segment and materially influences aggregate results. The outlook reflects the following factors:

- Aggressive rate increases and portfolio optimization have led to meaningful improvement in underwriting performance.
- Carriers remain focused on protecting solid risk-adjusted capitalization, working toward consistently profitable results.
- Sufficient liquidity.
- Higher net investment income generated from the rise in interest rates.
- Moderating trends in reinsurance pricing and availability.
- Improving catastrophe risk management practices.

Factors counterbalancing these positives include the following;

- Loss cost severity remains high, owing to inflation and rising medical costs.
- Continuation of frequent severe weather events.
- Uncertainty surrounding overall economic conditions, including the potential impact of tariffs.
- Increasing levels of competition with more active consumer shopping behavior.

Economic Conditions

Economic inflation and interest rates materially influenced US personal lines carriers in recent years. In the recent past, rates were slow to catch up to claims inflation, and the escalating loss severity unfavorably impacted performance. Furthermore, economic inflation, coupled with other factors such as social inflation and rising medical/casualty costs, meaningfully impacted balance sheets. Carriers recorded varying levels of loss reserve development to true-up outstanding claims for changing dynamics. While in the aggregate one-year loss reserve development for the personal lines segment was modestly favorable in 2023 and 2024, the segment reported unfavorable development in 2022 as inflation pressures mounted. Importantly, carriers have had mixed experiences on an individual basis, with several recording larger amounts of adverse development in recent periods, necessitated by macro trends and the need to refresh stale reserving practices. Development relates to both property and liability losses, with more recent pressure attributed to liability coverages. While tariffs have led to uncertainty as they could drive up the cost of goods, carriers have not yet reported large disruptions in claim costs but they remain diligent in monitoring the dynamic environment.

Conversely, the rise in interest rates gave a boost to the investment portfolios of many carriers. A large number of US personal lines carriers rely on fixed income securities for their investment

Analytical Contact:
Christopher Draghi, Oldwick
+1 (908) 882-1749
Chris.Draghi@ambest.com

2025-167

activities as it provides stable returns and comparatively less risk than equity investments. With higher interest rates, investment managers took advantage of improved bond returns and materially increased investment income. Higher interest rates also created some challenges for carriers as the cost of capital increased via higher expected returns from investors to be competitive with prevailing interest rates. Additionally, the elevation in interest rates on current securities lowered the market value of older bonds carrying a lower coupon rate; however, in large part, carriers have effectively managed cash flows and have not had to sell at a loss. Recent actions by the Federal Reserve to cut rates will influence these impacts, both by lowering prevailing rates on bonds (thus enticing insurers to lock in higher rates for longer terms) and by potentially easing capital costs.

Regulatory Environment

From a regulatory perspective, most governing bodies recognized the need for large rate increases given the macro-economic trends and approved many requests for additional rate. While regulatory bodies were more accommodative than in the past, it took time for rate requests to be implemented as jurisdictions were faced with a large volume, creating a backlog. Decisions on rate filings have been received more quickly as jurisdictions catch up and the bulk of rate actions have been taken. Given that rate increases can take time to earn in, the benefit has not yet been fully realized for those with more recent filings.

Additionally, state legislatures have been actively addressing concerns. Florida is a key example, enacting tort reform to address a rampant legal environment fueled by one-way attorney fees. Legislation helped lower lawsuits, prompt new interest in the market and stabilized primary rates. Other states such as Georgia, Connecticut, Iowa, and Louisiana have either enacted or considered bills that would limit potential damages and attorneys' fees. Furthermore, Montana and West Virginia introduced bills that provide regulations around litigation financing.

Competitive Landscape

Pricing has been at the forefront of many carriers' strategic initiatives as the operating environment changed considerably post-pandemic, necessitating a price reset for many. Diverging from previous tendencies of taking a gradual approach to rates in favor of protecting retention, insurers became more aggressive, leading to the largest annual increases of direct premiums written (on a percent basis) in 2023 and 2024 over the last 10-year period. Premiums began to increase meaningfully in 2022 and have continued to climb since. The pace appears to have slowed in 2025, particularly on the personal auto side, with negative rate filings surfacing, primarily in the Midwest and Southeast. While in the aggregate personal auto rate filings in the US remain close to zero, it is important for those filing decreases to monitor frequency and severity trends to ensure appropriateness. Conversely, though the size of increases proportionately appears to be declining for homeowners, rates continue to climb, particularly for those in more weather-exposed areas. However, small rate reductions have been filed in Florida while many others are also approaching adequacy. Aside from base rate actions, carriers also increased inflation guard factors and refreshed insurance-to-value for current conditions. Notably, with the level of inflation easing, carriers are starting to decrease inflation guard factors to align accordingly.

Insurers also face greater competition when it comes to service and the ease of doing business. To this end, companies have been investing in claims handling staff and systems to enable faster claim cycle times. Furthermore, terms and conditions, particularly regarding coverage endorsements and exclusions, have been adjusted and factor into the competitive nature of a company's product.

The key to remaining competitive in the market is the ability to leverage more sophisticated technology, which provides faster data management and interpretation and the ability to increase the granularity of risk-to-rate matching. Carriers have made a push to include more rating criteria, where available, and continue to leverage third-party data in more meaningful ways as they evaluate current and potential insured risks.

Market disruption led to an increase in merger and acquisition activity, particularly regarding those companies that were materially distressed. In some markets, such as Florida, there has been an influx of new carriers. Florida is unique in that tort reform has made the space more attractive to participants and new carriers are looking to take advantage of a more stable legal environment. In other areas, participants have pared down concentrations to keep exposures in line with appetite, especially those prone to climate risk. While lower capacity reduces the number of participants, it provides opportunities for those remaining in the market provided it's for an adequate rate. To this end, there has been a focus on protecting risk portfolios through more comprehensive quoting processes and controls so as to prevent adverse selection and manage the profitability of new business, especially as insureds shop for coverage.

Performance Trends

Factors leading to past volatility have been discussed in the market at length and include economic and social inflation, elevated reinsurance costs, supply chain disruptions, greater frequency of severe weather events, and rising medical costs. While frequency appears to be moderating, the severity of losses continues to be elevated, reflecting the aforementioned factors. Market participants remain diligent in maintaining rates to close the gap in adequacy and implementing refined underwriting guidelines to ensure appropriate risk selection.

The collective combined ratio reaching a 10-year high in 2022, lowering modestly in 2023 and even more significantly to a profitable level in 2024 as considerable rate increases bolstered earned premium. Most significantly, following three consecutive years of material underwriting losses, the personal lines segment returned to an underwriting gain in 2024. Coupled with net investment income that has steadily increased owing to higher interest rates, the segment reported the highest amount of pretax operating income over the last 10 years. Thus far though 2025, the segment is on track to outpace 2024.

The ability for carriers to absorb the financial impact of severe weather events while keeping balance sheets intact remains critical. This has become evident as the frequency of severe weather events increases. Several carriers have de-risked areas of high geographic concentration or those risks that have a disproportionate impact on modeled losses in an effort to curb the potential impact and to manage reinsurance cost and availability.

Key Issues

The cost and available capacity of reinsurance greatly shifted the past few years, with costs increasing precipitously and reinsurers becoming more selective with the capacity they deployed. These factors led to considerable changes to reinsurance programs, either through revised terms and conditions, or greater co-participations and/or higher retentions. Reinsurers made a push to take on losses higher up the probability scale, leaving more retained risk for primary carriers, coupled with higher costs for purchased protections. It appears that these changes have peaked and are beginning to soften, with a general expectation that reinsurance pricing will relax and, in some cases, modestly decline in the next round of renewals, specifically for loss free layers of protection. With more favorable conditions expected, carriers may be able to more effectively insulate balance sheets. The shift not only reflects reinsurers reaching a more appropriate price point, but also the efforts of primary carriers to reduce their own exposure, and therefore that which would be absorbed by reinsurers. Aside from de-risking concentrated portfolios, carriers have also pushed for higher wind and hail deductibles to right-size the risk transfer proposition.

Technology is always advancing, regularly creating new mechanisms and functions that carriers can benefit from. More advanced methods of tracking real-time exposures and improving the ability to quickly implement rate adjustments at a segmented level are being adopted by many participants. Sophisticated advancements and technological capabilities enable insurers to manage portfolios with more insight than ever before. Generative AI offers even more potential to curate insurance solutions for claims processing, dynamic pricing, premium leakage, and fraudulent behavior, to name a few. While the use of Generative AI is still developing, it is an area garnering great attention.

AM Best's market segment outlook takes into account the impact of current trends on companies operating in a particular segment over the next 12 months, and how companies manage these factors and trends. The Stable outlook for the personal lines segment indicates that AM Best expects market trends to have a neutral impact on companies operating in the segment, but it does not mean that all companies operating in the segment also have a Stable outlook. While aggregate conditions and results improve, carriers who have been unable to manage the tumultuous recent past will likely face ratings pressure.

GUIDE TO BEST'S MARKET SEGMENT OUTLOOKS

Our market segment outlooks examine the impact of current trends on companies operating in particular segments of the insurance industry over the next 12 months. Typical factors we would consider include current and forecast economic conditions; the regulatory environment and potential changes; emerging product developments; and competitive issues that could impact the success of these companies.

A Best's Market Segment Outlook can be Positive, Negative, or Stable.

Best's Market Segment Outlook	
Positive	A Positive market segment outlook indicates that AM Best expects market trends to have a positive influence on companies operating in the market over the next 12 months. However, a Positive outlook for a particular market segment does not mean that the outlook for all the companies operating in that market segment will be Positive.
Negative	A Negative market segment outlook indicates that AM Best expects market trends to have a negative influence on companies operating in the market over the next 12 months. However, a Negative outlook for a particular market segment does not mean that the outlook for all the companies operating in that market segment will be Negative.
Stable	A Stable market segment outlook indicates that AM Best expects market trends to have a neutral influence on companies operating in that market segment over the next 12 months.

We update our market segment outlooks annually but may revisit them at any time during the year if regulatory, financial, or market conditions warrant.

Published by AM Best

BEST'S MARKET SEGMENT REPORT

A.M. Best Company Inc.
Oldwick, NJ
CHAIRMAN, PRESIDENT & CEO **Arthur Snyder III**
SENIOR VICE PRESIDENT & TREASURER **Cynthia Young**
SENIOR VICE PRESIDENT **Lee McDonald**

A.M. Best Rating Services Inc.
Oldwick, NJ
PRESIDENT **James Gillard**
EXECUTIVE VICE PRESIDENT & COO **Stefan W. Holzberger**
EXECUTIVE VICE PRESIDENT & CSO **Andrea Keenan**
EXECUTIVE VICE PRESIDENT & CIO **James F. Snee**
SENIOR MANAGING DIRECTOR & CRO **Kenneth Johnson**
SENIOR MANAGING DIRECTOR & CCO **Edward H. Easop**

AMERICAS

WORLD HEADQUARTERS
A.M. Best Company, Inc.
A.M. Best Rating Services, Inc.
1 Ambest Road, Oldwick, NJ 08858
Phone: +1 908 439 2200

MEXICO CITY
A.M. Best América Latina, S.A. de C.V.
Av. Paseo de la Reforma 412, Piso 23,
Col. Juárez, Alcadía Cuauhtémoc, C.P. 06600, México, D.F.
Phone: +52 55 1102 2720

EUROPE, MIDDLE EAST & AFRICA (EMEA)

LONDON
A.M. Best Europe - Information Services Ltd.
A.M. Best Europe - Rating Services Ltd.
12 Arthur Street, 8th Floor, London, UK EC4R 9AB
Phone: +44 20 7626 6264

AMSTERDAM
A.M. Best (EU) Rating Services B.V.
NoMA House, Gustav Mahlerlaan 1212, 1081 LA Amsterdam, Netherlands
Phone: +31 20 308 5420

DUBAI*
A.M. Best Europe - Rating Services Ltd. - DIFC Branch*
Office 102, Tower 2, Currency House, DIFC
P.O. Box 506617, Dubai, UAE
Phone: +971 4375 2780
*Regulated by the DFSA as a Credit Rating Agency

ASIA-PACIFIC

HONG KONG
A.M. Best Asia-Pacific Ltd
Unit 4004 Central Plaza, 18 Harbour Road, Wanchai, Hong Kong
Phone: +852 2827 3400

SINGAPORE
A.M. Best Asia-Pacific (Singapore) Pte. Ltd
8 Cross Street, #21-03 Manulife Tower
Singapore 048424
Phone: +65 6303 5000

Best's Financial Strength Rating (FSR): an independent opinion of an insurer's financial strength and ability to meet its ongoing insurance policy and contract obligations. An FSR is not assigned to specific insurance policies or contracts.

Best's Issuer Credit Rating (ICR): an independent opinion of an entity's ability to meet its ongoing financial obligations and can be issued on either a long- or short-term basis.

Best's Issue Credit Rating (IR): an independent opinion of credit quality assigned to issues that gauges the ability to meet the terms of the obligation and can be issued on a long- or short-term basis (obligations with original maturities generally less than one year).

Best's National Scale Rating (NSR): a relative measure of creditworthiness in a specific local jurisdiction that is issued on a long-term basis and derived exclusively by mapping the NSR from a corresponding global ICR using a transition chart.