The Premium Credit Insurance Index

May 2024

The growing role of credit in helping to make insurance affordable
for personal, SME and corporate customers

Introduction

We have been monitoring the views and experiences of consumers and businesses on buying insurance and the use of credit to do this since October 2020 as part of our Premium Credit Insurance Index.

It's been a turbulent period ranging from the impact of Brexit on businesses and consumers followed by the COVID-19 pandemic and then shortly after by the cost of living crisis. The combination of high inflation and rising interest rates plus steep increases in utility bills may be easing but household and business finances remain under pressure.

On the domestic regulatory front, the insurance industry has gone through the introduction of new rules from the Financial Conduct Authority (FCA) banning the practice of offering lower rates to new customers ahead of loyal customers and the implementation of the FCA's Consumer Duty rules in July 2023 which set higher standards of care for consumers.

Our latest research conducted in March this year looks at consumer and SME views and experiences around buying insurance as economic turbulence starts to subside, with inflation dropping and energy bills being reduced while the Bank of England signals base rate cuts could be on the way.

This is our fifth report building on previous editions in October 2020, May 2021, May 2022 and May 2023 and is based on exclusive national research among 1,122 adults[1] aged 18-plus and 1,332 SMEs[2] conducted in March this year.

It remains focused on how credit is being used to pay for insurance and the pressures personal, SME and corporate customers are under and also includes analysis of our own lending data showing continuing strong growth.

The study underlines the growing and widespread use of credit by both consumers and SMEs to pay for insurance and shows 71% of adults and 55% of SMEs use some form of credit to pay for their cover.

The tables below show the importance of credit in funding a wide range of policies for consumers and SMEs. Substantial numbers of consumers are using credit to pay for all the types of policies monitored by the index with notable rises in the past year in the use of credit to pay for travel and car insurance.

Type Of Insurance	Percentage Of Adults Using Credit To Pay Insurance Monthly 2023 Index	Percentage Of Adults Using Credit To Pay Insurance Monthly 2024 Index	Change Between March 2023 and March 2024
Car insurance	46%	48%	+2%
Home insurance	48%	48%	-
Life insurance	31%	29%	-2%
Pet insurance	26%	27%	+1%
Travel insurance	19%	22%	+3%
Health insurance	18%	17%	-1%
Critical illness cover	13%	12%	-1%
Specialist insurance (boat, horse etc)	6%	8%	+2%

It is a similar story among SMEs with credit playing an important role. The past year has seen more firms using it to fund vehicle, property and cyber insurance.

Type Of Insurance	Overall Percentage Of SMEs By Insurance Using Credit To Pay For Their Cover – March 2023	Overall Percentage Of SMEs By Insurance Using Credit To Pay For Their Cover – March 2024	Change Between March 2023 and March 2024
Vehicle insurance	38%	39%	+1%
Property insurance	32%	33%	+1%
Public and product liability	24%	24%	No change
Employer liability insurance	21%	21%	No change
Business interruption insurance	13%	13%	No change
Cyber insurance	13%	14%	+1%
Other financial lines	13%	13%	No change
Key man insurance	11%	10%	-1%
D&O cover	12%	11%	-1%

The concern remains that some individuals, SMEs, and corporates are relying on general and potentially very expensive forms of credit. Unlike other forms of generic credit, such as credit cards, premium finance is specifically designed for consumers buying insurance. Demand for premium finance continues to grow and the market has to do a better job explaining how it helps support personal and business customers.

Some of the key findings are:

- 71% of personal insurance customers use some form of credit to pay for one or more policies compared with 70% last year and 66%[5] in March 2022
- More than half (55%) of SMEs use some form of credit to pay for insurance compared with 51% last year
- More than one in seven (15%) motorists have switched to monthly payments for insurance from previously paying in a lump sum since the cost of living crisis started. That is nearly double the 8% who have switched from monthly payments to one-off lump sums over the same period
- More than a third (35%) of customers who use some form of credit to pay for one or more insurance policies borrowed more than they had in the previous 12 months for this purpose
- Around half (48%) say they have not borrowed more while 3% say they have borrowed less and 14% didn't know or preferred not to say
- Among companies using credit to pay for their insurance 18% said they had taken on more credit in the past year while 25% had borrowed less and 37% had borrowed the same
- SMEs borrow an average £1,080. Around 15% of them say they have borrowed more than £3,000
- The main reason for consumers increasing their use of credit to buy insurance is the ongoing cost of living squeeze. Around 32% said they borrowed more to ease financial pressures while 24% said their premiums had increased and 20% pointed to rising energy bills as a cause
- Many SMEs are increasingly reducing the level of cover they have across a range of policies – the index found 27% of firms had reduced their level of cover in the past year, slightly up on the 25% cutting cover as reported by last year's index
- Around 25% of SMEs which reduced the level of cover cancelled at least one policy which is lower than last year's 32% who did this. Up to 11% said they plan to increase the level of cover in the year ahead slightly up on the 10% recorded last year
- Around 50% of SMEs say the cost of their business insurance has increased in the past 12 months with 12% reporting dramatic increases. Last year's index found 45% saying the cost of their insurance has increased with 9% saying it had increased dramatically
- Around one in eight (12%) consumers say they have cancelled one or more policies in the past 12 months which they needed but could no longer afford and the trend is set to continue over the next two years with 13% saying they expect to cancel policies because they are unaffordable
- Willingness to use credit to fund insurance among consumers continues to increase with 22% this year saying they were now happier using credit for insurance. Last year's index showed 24% were now happier using credit and 23% said so in 2022
- Nearly half (47%) of consumers questioned this year say they are more willing to use credit as it helps them with managing their money while 42% say the rising cost of living makes paying in full more challenging.

Underinsurance Is Costing Businesses And Consumers

Premium Credit's Insurance Index asks consumers and SMEs to say whether in the past five years they have been unable to claim for damage to property or buildings because they were underinsured or not insured at all.

Around one in eight (12%) SMEs questioned said they had been unable to claim for damage to property or belongings in the past five years because they had no insurance or were underinsured.

Average losses on claims reported by this year's index are nearly £2,500 and 19% of those SMEs said they were unable to claim for £5,000 or more.

Around one in five (18%) SMEs say their firm's level of underinsurance has increased in the past year with 18% expecting it to rise in the next 12 months.

Around one in 10 (9%) of those consumers who use credit to pay for insurance have not been able to make claims in the past five years either because they had no cover or had inadequate cover. Around 61% were unable to claim for damage of £1,000 or more.

Owen Thomas

Chief Sales Officer at Premium Credit commented:

"Credit plays a major role in ensuring that SMEs and consumers have the correct types and level of insurance they need. That is important for business operations and for business and personal finances. The losses from not having the right insurance or no insurance can be substantial, and it is worrying to see so many SMEs cutting back on cover."

Premium finance helps SMEs and corporates to improve cash flows leaving more money available to reinvest in the business. Payments can be tailored to cash flow and weighted to client payments.

They can also potentially save on corporation tax as the interest rate is reduced. Loans are potentially off balance sheet so existing borrowing arrangements are not affected.

The payment process is easier than corporate loans. The credit agreement is signed online, and renewals do not require signatures.

Personal customers benefit from market-leading acceptance rates enabling access to often mandatory or essential products. Premium finance companies can provide proof that customers are eligible to pay monthly without putting a hard footprint on their credit record.

Personal Customers And SMEs Are Making More Use Of Credit

More than a third (35%) of consumers who use some form of credit to pay for one or more insurance policies borrowed more than they had in the previous 12 months for this purpose. Around half (48%) say they have not borrowed more while 3% say they have borrowed less and 14% didn't know or preferred not to say.

That is slightly down on the 38% who said they borrowed more in last year's index but similar to the 34% borrowing more as reported by the index in March 2022. This year's index shows customers estimate they borrow an average of £302 to pay for insurance.

More than half (55%) of SMEs use some form of credit to pay for insurance, borrowing an average of £1,080. Around 15% of them say they have borrowed more than £3,000. That compares to 51% of SMEs using credit to pay for their insurance borrowing on average £1,130 in last year's Premium Credit Insurance Index which found 13% of SMEs using credit had borrowed more than £3,000.

This year's Index found that of those companies using credit to pay for their insurance, 18% said they had taken on more credit in the past year while 25% had borrowed less and 37% had borrowed the same. Last year's index found 25% had taken on more credit while 22% had borrowed less and 35% were borrowing the same amount.

Maintaining repayments on credit is not always plain sailing, however. Around one in eight (12%) of SMEs using credit have defaulted on repayments in the past year and 13% expect to default in the next 12 months. Last year 16% said they had defaulted on repayments in the previous 12 months.

Among consumers who use credit to pay for insurance around 6% said they had defaulted on repayments during the past year which is unchanged from last year and slightly up on the 5% who said they had defaulted in 2022.

What Is Driving Borrowing?

The main reason for increasing borrowing identified by the research among consumers who use credit to buy insurance was the ongoing cost of living squeeze.

Around 32% said they borrowed more to ease financial pressures while 24% said their premiums had increased and 20% pointed to rising energy bills as a cause. Last year 44% said the cost of living squeeze had driven them to increase borrowing.

For SMEs, rising energy bills were the main reason for increasing borrowing with nearly half (47%) citing that as a reason. That is slightly down on last year which saw 53% say they were borrowing more because of rising energy bills while 45% blamed rising premiums and 41% pointed to a rise in the cost of materials.

Around 50% of SMEs say the cost of their business insurance has increased in the past 12 months with 12% reporting dramatic increases. Last year's index found 45% saying the cost of their insurance had increased with 9% saying it had increased dramatically. Around 17% of firms questioned say they have cut costs in their business as a result of insurance premium increases in the past two years.

How Are They Borrowing?

Credit cards are the most popular form of borrowing used by 35% of consumers, while 25% rely on finance offered by their insurer and/or premium finance provider.

Use of personal loans and borrowing from family and friends continued to decline to 6% and 5% respectively. That compares to 8% and 6% last year and 9% and 7% in the 2022 index. Around 3% relied on high interest loans compared with 4% last year.

Around 45% of SMEs who are using credit borrowed on cards while 34% used finance from insurance and premium finance companies. Around 22% took out personal or business loans to pay for insurance.

Accessing credit – and particularly credit cards – is however an ongoing issue for borrowers. Around one in seven (14%) adults questioned have found it more difficult to secure credit such as mortgages, credit cards or loans since the cost of living crisis started which is consistent with last year's index which showed 14% being rejected.

This year's index found around one in five (20%) say they have been turned down for forms of credit during the past year with 12% saying a credit card application has been rejected.

Similar numbers of SMEs report issues in accessing credit – 16% said it has become harder since the cost of living crisis started, according to this year's index. Last year 17% said it had become harder to access credit

The table below shows how personal customers and SMEs are borrowing currently.

Type Of Borrowing	Personal Customers	SMEs
Credit cards	35%	45%
Finance offered by the insurer	20%	22%
Personal loan	6%	22%
Premium finance	5%	12%
Borrowing from friends and family	5%	8%
High interest loan	3%	7%
Pawnbroker	1%	4%

Jon Howells
Premium Credit's Chief Commercial Officer said:

"Premium finance is specifically designed for insurance buyers to help make important insurance policies affordable and improve cashflow. Looking to spread the cost of an annual policy into more manageable monthly payments works for many millions of UK consumers and businesses."

"Premium finance has become a very cost-competitive means for consumers to buy insurance and better manage their finances through spreading payments. At a time when household and business finances are under pressure it can be a good alternative to other forms of credit."

Views Are Changing On Credit And Shopping Around For Insurance

The research shows 62% of customers say they are now working harder to find the best price and quality of cover compared with 53% in last year's Premium Credit Insurance Index and 43% when the index reported in 2022.

The rapid rise in the numbers spending more time on shopping around is mainly driven by the ongoing cost of living crisis. Around 66% who are spending more time on comparing prices and quality of cover say they are motivated by rising prices across the economy.

However nearly a quarter (24%) say increased innovation in the insurance industry has made it worthwhile spending more time on shopping around and 20% say they have become more confident using digital technology so finding it easier to shop around.

More than one in five (22%) say they have become more willing to use credit to pay for insurance in the past 12 months. Nearly half (47%) say they are more willing to use credit as it helps them with managing their money while 42% say the rising cost of living makes paying in full more challenging.

That continues a trend identified by the index. Around 24% questioned last year said they had become happier about using credit for insurance and the 2022 index found 23% had become more accepting about using different forms of credit.

Adam Morghem
Premium Credit's Strategy, Marketing & Communications Director said:

"Consumers have been focused on saving money and minimising price rises as a result of the cost of living crisis and that is reflected in the growing numbers of people spending more time assessing the most competitive prices and the best quality of cover. That is likely to continue to be the case and the use of credit is a growing part of that."

"The insurance industry has made it easier for people to shop around and innovation across the sector makes comparing prices and levels of cover worthwhile. Premium Finance plays a key role in supporting that by helping customers to better manage their finances by spreading payments."

Premium Credit – Strong Lending Growth Across The UK

Analysis of our own insurance premium finance lending[6] data shows strong growth in 2023 compared with the previous year with commercial net advances and net policy count expanding.

This highlights the growing interest from firms and consumers in using premium finance as an alternative to other forms of credit in the past year. However, we are confident that more growth is possible as the penetration of all lending to SMEs and corporates, as well as individuals, is comparatively small.

Too many people and businesses are relying on credit cards and other potentially expensive and inefficient ways of funding insurance premiums.

The Construction sector borrows the most to fund insurance but the Wholesale and Retail Trade sector is the fastest-growing.

Construction firms accounted for 14.3% of all net advances from Premium Credit last year. That was 1.5% higher than in 2022 and 1.9% higher than 2021.

The Professional and Scientific sector accounted for the second highest share of net advances at 12.5% last year followed by Manufacturing on 10.4%, Wholesale and Retail Trade on 8.8% and Land Transport on 8.1%.

However it’s the Wholesale and Retail Trade sector which is recording the most growth – its share of net advances at 8.8% is 1.7% higher than in 2022 and 3.4% up on 2021.

The table opposite shows the top five sectors by share of total lending and how that has changed.

Top Sectors	Share Of Total Lending	Difference To 2022	Difference To 2021
Construction	14.3%	+1.5%	+1.9%
Professional and Scientific	12.5%	+0.5%	+2.2%
Manwufacturing	10.4%	+0.8%	+0.9%
Wholesale and Retail Trade	8.8%	+1.7%	+3.4%
Land Transport	8.1%	+0.4%	-1%

London remains the biggest region for share of total lending for commercial and personal lines but its share of total lending is slightly down on previous years while West Yorkshire has recorded the most growth.

Region	Share Of Total Lending	Difference To 2022	Difference To 2021
London	9.4%	-0.9%	-0.2%
Lancashire	6.7%	-0.1%	+0.1%
West Midlands	5%	+0.3%	+0.7%
West Yorkshire	4.6%	+0.3%	+1%
Essex	4%	+0.2%	+0.4%

Conclusion – A Growing Role For Premium Finance

Premium finance is growing strongly as more SMEs and consumers use it as a way of continuing to be able to fund important insurance cover in the face of a growing cost of living squeeze.

It enables customers to pay monthly for cover instead of in a lump sum for a small charge and is a very cost competitive means for customers to buy insurance and better manage their finances through spreading payments, which helps with cashflow and preserves working capital for businesses. At a time when insurance is becoming more expensive for many SMEs and corporates, as well as some individuals, it can be a strong alternative to other forms of credit.

Credit plays a vital role in enabling companies and consumers to pay for insurance as the index shows. More than half (55%) of SMEs and 71% of consumers use some form of credit to pay for one or more insurance policies and those figures are growing consistently.

This year's index shows a growing shift to paying monthly for insurance instead of in a lump sum. More than one in seven (15%) motorists have switched to monthly payments for insurance from previously paying in a lump sum since the cost of living crisis started. That is nearly double the 8% who have switched from monthly payments to one-off lump sums over the same period. Around 11% of home insurance customers have switched to monthly payments from lump sums compared with 7% ditching monthly payments for lump sums.

Accessing credit and credit cards in particular is not as easy as it was. Around one in seven (14%) adults questioned have found it more difficult to secure credit such as mortgages, credit cards or loans since the cost of living crisis started which is consistent with last year's index which showed 14% being rejected.

More consumers and SMEs are cancelling insurance - 12% of consumers say they have cancelled one or more policies in the past 12 months which they needed but could no longer afford and the trend is set to continue over the next two years with 13% saying they expect to cancel policies because they are unaffordable.

More than a quarter (27%) of firms had reduced their level of cover in the past year, slightly up on the 25% cutting cover as reported by last year's index. Around one in five (18%) SMEs say their firm's level of underinsurance has increased in the past year with 18% expecting it to rise in the next 12 months.

All insurance professionals can help to address that issue and ensure both personal and commercial customers have the right insurance at the most competitive price.

About Premium Credit Limited

Premium Credit is a leading provider of insurance premium finance and a range of annually charged services, including tax, regulatory and accountancy fees, sports season tickets, memberships and school fees in the UK and Ireland. Each year, we've lent £5 billion to well over two million customers through a network of almost three thousand partners and process almost 24 million direct debits. We are multi award winning and the only premium finance provider accredited by BIBA and Brokers Ireland.

British Insurance Brokers' Association

Graeme Trudgill
Chief Executive Officer, British Insurance Brokers' Association (BIBA) comments:

"Our members provide world-class insurance solutions for both personal and business customers. Premium finance is a vital product to offer insurance customers looking for alternative ways to access the cover they need, at the right price, while also allowing brokers to grow their business. As BIBA's sole, accredited premium finance provider, we endorse Premium Credit's multi award-winning payment solutions."

"Premium Credit Limited also plays an important role in wider support for our industry. Their Insurance Index, now in its fifth year, provides valuable insight into insurance buying habits. Its independent findings are referenced once again in our 2024 Manifesto."

Sources

(1) Independent consumer research conducted by Viewsbank among a nationally representative sample of 1,122 aged 18-plus between March 15th and March 18th 2024

(2) Independent research conducted by Viewsbank online among 1,332 SME owners and managers between March 22nd and 26th 2024

(3) Independent consumer research conducted by Viewsbank among a nationally representative sample of 1,106 aged 18-plus between March 10th and 12th 2023

(4) Independent consumer research conducted by Viewsbank among a nationally representative sample of 1,026 aged 18-plus between March 11th and 13th 2022

(5) Independent research conducted by Viewsbank online among 933 SME owners and managers between March 17th and 20th 2023

(6) Analysis of Premium Credit's own data for 2021, 2022 and 2023

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CIPD People Management Awards 2023
Best organisational development or organisational design initiative.

Insurance Choice Awards 2023
Premium Finance Partner of the Year

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