The Premium Credit Insurance Index

May 2025

Understanding the role of credit in making insurance affordable
for personal and SME 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 challenging period spanning the impact of Brexit on businesses and consumers followed by the COVID-19 pandemic and ongoing cost of living challenges. The Bank of England base rate has started to drop but the global economy is once again facing more uncertainty due to policy changes in the US.

Against this backdrop, our latest research looks at consumer and SME views and experiences around buying insurance and how this is evolving.

This is our sixth report building on previous reports since October 2020 and based on exclusive national research among 827 adults[1] aged 18-plus and 988 SMEs[2] conducted in March this year.

The focus is 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 key finding is the widespread use of credit by both consumers and SMEs to pay for insurance with research showing 76% of adults and 54% of SMEs use credit to pay for some of their cover.

The tables below underline 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 car, home and life insurance.

Type of insurance	Adults using credit to pay insurance monthly 2025 Index	Adults using credit to pay insurance monthly 2024 Index[3]	Percentage point change
Car insurance	56%	48%	+8
Home insurance	56%	48%	+8
Life insurance	34%	29%	+5
Pet insurance	30%	27%	+3
Travel insurance	23%	22%	+1
Health insurance	20%	17%	+3
Critical illness cover	14%	12%	+2
Specialist insurance (boat, horse etc)	8%	8%	No change

It is a similar story among SMEs with credit playing a significant role in helping SMEs fund cover. The main increases in the past year have been for vehicle, employer liability and cyber insurance.

Type of insurance	SMEs using credit to pay for their cover March 2025	SMEs using credit to pay for their cover March 2024[3]	Percentage point change
Vehicle insurance	43%	39%	+4
Property insurance	31%	33%	-2
Public and product liability	23%	24%	-1
Employer liability insurance	24%	21%	+3
Business interruption insurance	15%	13%	+2
Cyber insurance	17%	14%	+3
Other financial lines	11%	13%	-2
Key man insurance	10%	10%	No change
D&O cover	12%	11%	+1

However individuals, SMEs, and corporates are still relying on 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 and offers a cost-effective alternative to paying a large lump sum premium in one go.

Key Findings:

Consumer

- 76% of consumers use some form of credit to pay for insurance. That compares to 71% last year.
- Consumers borrow an average £400 to pay for insurance. That's up 32% from last year's £302.
- 56% use credit to pay for car insurance and 56% for home insurance. That's up from 48% for both car and home insurance last year.
- 41% borrow on credit cards and 29% use finance from insurance or premium finance companies. Last year 35% used credit cards and 25% used finance from insurance or premium finance companies.
- 43% say they borrowed more because of the cost of living squeeze while 24% say they borrowed more because insurance premiums have increased.

SME

- 54% of SMEs use some form of credit to pay for insurance, compared to 55% last year.
- SMEs borrow an average £1,180 to pay for insurance, almost 10% higher than the average £1,080 borrowed last year.
- 43% use credit to pay for vehicle insurance and 31% for property insurance. That's up from 39% for vehicle insurance but down from 33% for property insurance last year.
- 51% of SMEs say the cost of their business insurance has increased in the past 12 months with 10% saying it has increased dramatically. Last year's index found 50% said the cost of their insurance had increased with 12% saying it had increased dramatically.
- 38% of SMEs using credit use finance from insurance and premium finance companies while 45% use credit cards. Last year 34% used finance from insurance and premium finance companies while 45% used credit cards.

Underinsurance has a cost for consumers and businesses

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

Around 8% of 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 inadequate cover. Around 62% of them were unable to claim for damage of £1,000 or more.

That rises to one in eight (12%) for SMEs who have not been able to make claims in the past five years because either they had no cover or inadequate cover. Around 73% were unable to claim for damage of £1,000 or more.

The research shows around one in eight (13%) insurance customers expect to cancel policies which they still need over the next two years as they cannot afford the cover. Motor, buildings and home contents are the most likely to be cancelled.

Nearly one in five (18%) SMEs say their level of underinsurance has increased in the past 12 months. The same number (18%) expect underinsurance to increase in the year ahead.

There are bright spots - one in 10 SMEs plan to increase the level of insurance cover in the year ahead. SMEs are most likely to increase property cover – 40% of those planning to spend more - while 35% say they will increase public and product liability and a third (33%) plan to increase vehicle cover. Around 6% of consumers plan to increase their level of insurance cover in the next 12 months.

Owen Thomas
Premium Credit's Chief Sales Officer said:

"It is encouraging to see that SMEs and consumers are thinking about their insurance needs with substantial numbers planning to increase cover in the year ahead."

"However underinsurance is a major issue for consumers and SMEs, with many acknowledging that they do not have enough insurance and are not able to claim when they need to do so."

Premium finance helps SMEs and corporate businesses in safeguarding cash reserves, optimising working capital and enabling re-investment into their business.

They can benefit from the offset of Corporation Tax (up to 25%) to reduce the cost of finance in real terms. Our credit facility can be classed as OBS 'Off balance sheet' lending. If using existing credit facilities premium finance not only keeps headroom intact, but it also keeps debt-to-equity and leverage ratios from increasing.

With no application form, an e-sign facility, and the ability to auto renew without further signatures, doing business is straightforward.

Personal customers benefit from our high acceptance rates enabling them to access mandatory or essential products such as motor and home insurance.

Personal customers and SMEs are turning to monthly payments

One in five (19%) motorists say they have switched to monthly payments for insurance since the cost of living crisis started in 2021 compared with just 9% who have swapped to paying annually. Last year's index found 15% of motorists had switched to monthly payments and 8% had switched to one-off lump sums.

Around 15% of home insurance customers switched to monthly payments over the same period, while 9% moved to annual payments. Figures from last year showed 11% switching to monthly payments and 7% ditching monthly payments.

Around 15% of SMEs questioned this year have switched to monthly payments for insurance continuing the trend from last year's index which saw 15% move away from lump sums.

More than three out of four (76%) personal customers use some form of credit to pay for one or more policies compared with 71% in March[3] last year and 70% in March 2023[3].

Two out of five (43%) 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. This year's index shows an increase of 33% in the amount customers estimate they borrow to pay for insurance - now at £400 compared with £302 last year. Around 42% say they have not borrowed more while 4% say they have borrowed less and 11% didn't know or preferred not to say.

More than half (54%) of SMEs (55% in 2024) use some form of credit to pay for insurance, borrowing an average £1,180. Around 15% of them say they have borrowed more than £3,000. The average amount borrowed (£1,180) is almost 10% higher than the £1,080 recorded last year. Two years ago the index[3] found 51% of SMEs were using credit to pay for insurance and borrowing an average £1,130.

How are consumers and SMEs borrowing to pay for their insurance?

Credit cards are the most popular form of borrowing for consumers and SMEs to pay for their cover despite the potentially high cost.

Around 41% of consumers rely on credit cards while 29% use the finance offered by their insurer and/or premium finance provider. Last year's index found 35% relied on credit cards and 25% the finance offered by their insurer and/or premium finance provider.

Among SMEs credit cards are used by 45% - the same level as last year. Nearly two out of five (38%) use finance from insurance and premium finance companies which is higher than the 34% last year. The numbers using personal or business loans dropped slightly this year to 21% from 22%.

Accessing credit – and particularly credit cards – is an issue for borrowers. Around one in five consumers (19%) say they have found it harder to secure credit since the beginning of the cost of living crisis while one in seven (15%) have been turned down for a credit card over that period. The research found 15% of SMEs have found it harder to secure credit since the beginning of the cost of living crisis.

The table across shows how personal customers and SMEs are borrowing currently to help purchase their insurance.

Jon Howells
Premium Credit's Chief Commercial Officer said:

"Credit is an important financial tool to help consumers manage insurance payments and our research underlines that customers increasingly are more willing to use credit to manage their insurance payments."

"Premium finance can help consumers avoid the financial pain of paying an annual lump sum. It can also be a good alternative to other forms of credit like credit cards or bank overdrafts."

What is driving borrowing?

The main reason for increasing borrowing among consumers is the ongoing cost of living squeeze. Around 43% said they borrowed more to ease financial pressures while 24% said it was because their premiums had increased.

For SMEs the main reason for increasing borrowing is rising premiums, with 40% citing rising insurance costs as their main reason compared with 34% who pointed to recent tax rises for businesses.

More than half (51%) of SMEs report that the cost of their business insurance has increased in the past 12 months with 10% saying it has increased dramatically. Last year's index found 50% saying the cost of their insurance has increased with 12% saying it had increased dramatically.

Type of borrowing	Personal customers	SMEs
Credit cards	41%	45%
Finance offered by the insurer	24%	25%
Personal loan	9%	21%
Premium finance	5%	13%
Borrowing from friends and family	4%	8%
High interest loan	3%	6%
Pawnbroker	1%	2%

Consumers increasingly accept the use of credit and want to pay monthly

Insurance customers increasingly are accepting the use of credit to pay for cover as they look for ways to improve budgeting and make their money work harder, the research found.

Nearly a third (30%) of customers say they have become more willing to use credit for insurance payments in the past year confirming a growing trend. Last year 22% of customers were more willing to use credit for insurance while in 2023[5] it was 24%.

The move towards using credit to pay for insurance is being driven by more credit being available and customers becoming more financially confident. Around 35% say availability of credit is making it easier while 33% say they are more financially savvy. Around 26% say they have become more accepting of using credit as it means they are financially better off while 26% expect interest rates to be cut further.

Being able to pay monthly for insurance is important - more than one in four (27%) insurance customers would cut cover or switch to cheaper policies if they were not able to make monthly premium payments, the research found.

Around one in 12 (8%) drivers say they would sell their cars if they could not pay monthly and 2% would drive without insurance, while 8% of consumers surveyed would cancel home contents insurance.

Owen Thomas
Premium Credit's Chief Sales Officer said:

"The number of people using credit to pay for insurance continues to rise and there is a growing trend towards paying monthly to make cover more affordable."

"Consumers pay monthly for a wide range of products and services to help them manage their budgets. Premium finance is specifically designed to take away the pain of paying out a large lump sum. Spreading the cost of an annual policy into more convenient monthly payments is hugely helpful to many millions of UK consumers."

Premium Credit – strong lending growth across the UK

Analysis of our own insurance premium finance lending[6] data shows continuing strong growth in 2024 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 achievable as the penetration of 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.

Our data shows the Construction sector consistently borrows the most to fund insurance but its share of total lending fell slightly last year while the Professional and Scientific sector has continued to see its share of total lending grow.

Construction firms accounted for 13.8% of all net advances from Premium Credit last year. That compares to 14.3% in 2023 and 12.8% in 2022.

The Professional and Scientific sector accounted for the second highest share of net advances at 13.3% last year followed by Manufacturing on 9.9%, Wholesale and Retail Trade on 8.0% and Land Transport on 7.9%. The Professional and Scientific sector is the only one to have recorded year-on-year growth in the past three years.

The table opposite shows the top five sectors for share of total lending to buy credit and how that has changed.

Top sectors	Share of total lending 2024	Difference to 2023	Difference to 2022
Construction	13.8%	14.3%	12.8%
Professional and scientific	13.3%	12.5%	12.0%
Manufacturing	9.9%	10.4%	9.6%
Wholesale and retail trade	8.0%	8.8%	7.1%
Land transport	7.9%	8.1%	7.7%

London remains the biggest region for share of total lending for commercial and personal lines but its share of total lending is down on previous years while Essex has moved up to be the fourth biggest region

Region	Share of total lending 2024	Difference to 2023	Difference to 2022
London	8.9%	9.4%	10.3%
Lancashire	6.3%	6.8%	6.8%
West Midlands	4.9%	5.0%	4.7%
Essex	4.1%	4.0%	3.8%
West Yorkshire	3.8%	4.6%	4.3%

Jon Howells
Premium Credit's Chief Commercial Officer said:

"Credit plays a vital role in ensuring consumers and SMEs can continue to fund the insurance they need as demonstrated by the growing demand we are seeing."

"The rising cost of insurance premiums is a challenge but being underinsured or not having any cover at all is even more of a concern. The money lost on claims that individuals and SMEs are not able to make shows the risk in being underinsured."

Conclusion – a growing role for premium finance

Premium finance is growing strongly as more SMEs and consumers use it as an efficient way of continuing to be able to fund important insurance cover in the face of growing financial pressures.

It enables customers to pay monthly instead of in a lump sum and is a very cost competitive way for customers to buy insurance and better manage their finances. Spreading payments 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 (54%) of SMEs and 76% of consumers use some form of credit to pay for one or more insurance policies and those figures are growing consistently.

Being able to pay monthly for insurance is important - more than one in four (27%) insurance customers would cut cover or switch to cheaper policies if they were not able to make monthly premium payments, the research found.

Underinsurance is an issue - 8% of 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. That rises to one in eight (12%) for SMEs.

It could get worse - one in eight (13%) insurance customers expect to cancel policies which they still need over the next two years and one in five (18%) SMEs expect underinsurance to increase in the year ahead.

Insurance professionals can help to address the issue and ensure both personal and commercial customers have the right insurance at the most competitive price. Premium finance can play a role in achieving that.

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 lend more than £5 billion and service almost 3 million customers through a network of nearly three thousand partners. 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 of the British Insurance Brokers' Association (BIBA) comments:

"Our members deliver exceptional insurance solutions tailored for both individual and corporate clients. Premium finance is an essential product for insurance customers seeking alternative methods to obtain the coverage they require at competitive rates. While simultaneously it enables brokers to offer this value-added service. As the exclusive accredited premium finance provider for BIBA, we are delighted to support Premium Credit's award-winning payment solutions. This facility has been in place for more than 20 years and is now one of our longest-standing partnerships and popular with BIBA members."

Mr. Trudgill adds, "Premium Credit Limited significantly contributes to the broader support of our industry. Their Insurance Index, now in its sixth year, offers valuable insights into consumer and business purchasing behaviours in insurance. Its independent findings are often referenced in the work we do to support our members."

Sources

(1) Independent consumer research conducted by Viewsbank among a nationally representative sample of 827 aged 18-plus between March 7th and March 10th 2025

(2) Independent research conducted by Viewsbank online among 988 SME owners and managers between March 7th and 11th 2025

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

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

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

(6) Analysis of Premium Credit's own data for 2022, 2023 and 2024

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