Give us some credit

Transport, professional and scientific, and retail and wholesale sectors are also among top users of credit for insurance. One in four SMEs across the UK who use credit to pay for their insurance are borrowing more to pay for their premiums with many relying on credit cards. Premium Credit Insurance Index is monitoring insurance buying and how it is financed

The construction and manufacturing sectors are the most likely to rely on credit to help pay for insurance, new analysis[1] from the premium finance company, Premium Credit, shows.

Premium finance allows you to pay for your insurance in monthly instalments but unlike taking out a credit card or bank loan, taking out a premium finance loan does not affect credit ratings on application.

Construction firms accounted for more than 8% of all net advances from Premium Credit last year ahead of the manufacturing sector which made up 7% of advances. This was followed by transport, professional and scientific, and retail and wholesale. The five sectors together accounted for nearly a third (31%) of all net advances from Premium Credit.

Premium Credit's data shows SMEs are increasingly borrowing to pay for insurance – total net advances of premium finance for commercial insurance increased by over 11% in 2020 compared with the previous year even though the number of policies rose only marginally.

That is supported by research[2] among SMEs and corporates showing they are borrowing more to fund business insurance with owners most likely to rely on credit cards. Nearly one in four SME owners and managers who use credit increased the amount they borrowed in the past year, with average additional credit coming to nearly £1,300.

Around three out of four (73%) SME bosses interviewed who use credit to pay for insurance say the impact of COVID-19 is the main reason for increased borrowing but premium rises from insurers were also blamed by 36% of firms.

Premium Credit is advising companies to consider premium finance which is specifically designed for insurance buyers to pay monthly for cover instead of in a lump sum, ahead of less appropriate and more expensive borrowing vehicles like credit cards and personal loans.

Owen Thomas, chief sales and marketing officer at Premium Credit says: "The cost of commercial insurance has been rising dramatically, and this coupled with the fact that many businesses have seen their cash flow deteriorate during the coronavirus crisis means more are using credit to pay for their cover.

"This is reflected in the fact that the amount of premium finance we provided to businesses last year was over 11% higher than in 2019."

The table below shows what percentage of SMEs who rely on credit to buy insurance, used it to buy these types of policies.

Percentage of SMES who use credit to buy insurance used it to purchase this type of cover

Owen Thomas

- Vehicle insurance 75%
- Property insurance 52%
- Employer liability insurance 30%
- Business interruption insurance 26%
- Cyber insurance 22%
- Key man insurance 17%
- Directors and officers insurance 10%

Premium Credit's Insurance Index research last October[3] found 51% of small and medium-sized firms had stopped paying for a range of business insurance policies with employers' liability insurance the most cut from a list including business property cover, professional indemnity and cyber.

Its most recent research shows the impact of not having insurance or being underinsured – nearly one in ten (9%) firms have suffered damage to property or belongings they were unable to claim for because of not having insurance or being underinsured. Average losses as a result were around £2,000 per company. ❐

[1] *Analysis of Premium Credit's own data for 2019 and 2020*

[2] *Independent research conducted by Consumer Intelligence online among 291 SME owners and managers between April 1st and 3rd 2021*

[3] *Independent research conducted by Consumer Intelligence online among 156 SME owners and managers between August 20th and September 3rd, 2020*