MS24/2.2 The UK Market for Premium Finance

July 2025

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Introduction

This paper provides an overview of the UK premium finance market in relation to motor and home retail insurance policies. We describe firms active in the market, distribution channels and availability to different consumers. It also includes an overview of the differences in Annual Percentage Rate, or APR, charged on outstanding premium finance debt. The analysis in this paper relies on several data sources which we describe in detail in the Technical Annex.

This analysis helps build a clear understanding of the key features of the market and how they may relate to customer outcomes. This will support our analysis on the extent to which the premium finance market may be leading to poor customer outcomes, and what factors could be driving this.

In our publications, it is often appropriate to use alternative ways of illustrating the cost of credit depending on the context. This includes showing costs as APR, total interest paid, and total interest as a proportion of loan. For a full description of the data used, as well as an explanation of the relationship between interest rates and APR, please see our Technical Annex. Each of our papers indicates which cost of credit metric(s) are being used.

The UK market for home and motor insurance

In 2023, there were approximately 35 million active retail motor insurance policies in the UK, with gross written premiums of £19 billion. Motor insurance is a legal requirement in the UK, making it one of the most widely used financial products with a significant impact on a large portion of the population. The median retail motor insurance premium, excluding Insurance Premium Tax (IPT), was £410 in 2023.

In 2023, there were approximately 21 million active home insurance policies in the UK (15 million buildings and contents combined, 4 million contents only and 2 million buildings only) with total gross written premiums of around £5 billion. The median home insurance premium, across buildings only, contents only and combined buildings and contents insurance, and excluding IPT, was £220 in 2023. Whilst not necessarily a legal requirement, buildings insurance is typically a contractual requirement for mortgage customers. As a result, the majority of UK homes – especially those with outstanding mortgages – are covered by active home insurance policies.

The annual structure of insurance

Retail insurance policies are typically structured on an annual basis, where the whole premium is paid to the insurer up-front. Whilst other coverage durations exist, most retail motor and home insurance policies are for coverage for a year or more.

Annual policies are a reflection of historical practices. For insurers, it allows them to analyse and forecast claims behaviours, helps them maintain a stable cash flow, and gives them scope to earn returns on invested premiums straight away.

Whilst there are shorter-term alternatives for motor insurance, these options are typically targeted at those who require coverage for a few weeks or months or drive infrequently. These alternatives work out significantly more expensive compared to annual policies for regular drivers.

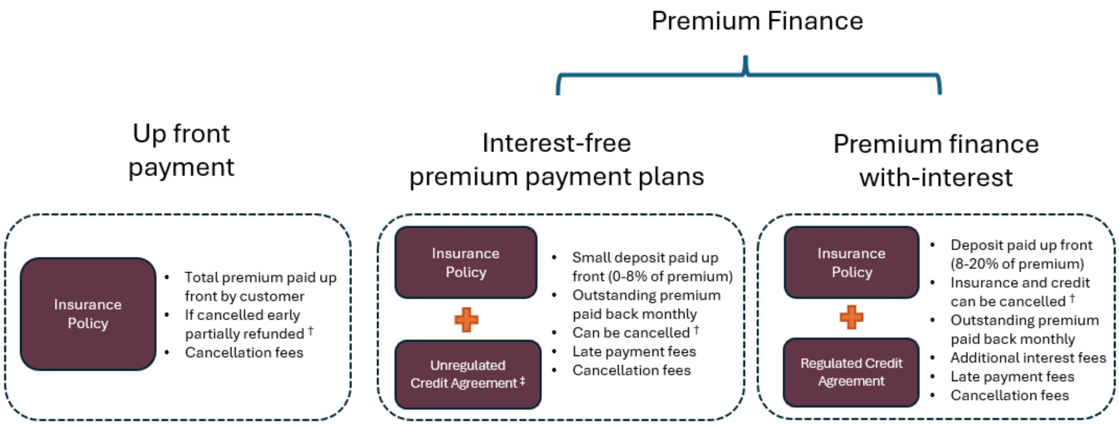
Premium finance

Premium finance enables insurance customers to pay premiums in instalments, typically monthly. For firms that offer a premium finance option, approximately 47% of retail motor and 52% of home insurance policies were sold with premium finance in 2023, accounting for 15 million and 8 million policies for motor and home respectively.

Premium finance can be beneficial for retail customers, and for some can be essential for affordability. In 2024, 60% of motor and 41% of home buildings and contents insurance customers who paid monthly did so as they could not afford a single upfront payment.

Premium finance is typically structured as a credit agreement or specialised loan, with two possible types. The first is premium finance with interest, where the customer pays interest and sometimes fees as part of the credit agreement, the second being interest-free premium payment plans, where there is no interest charged.

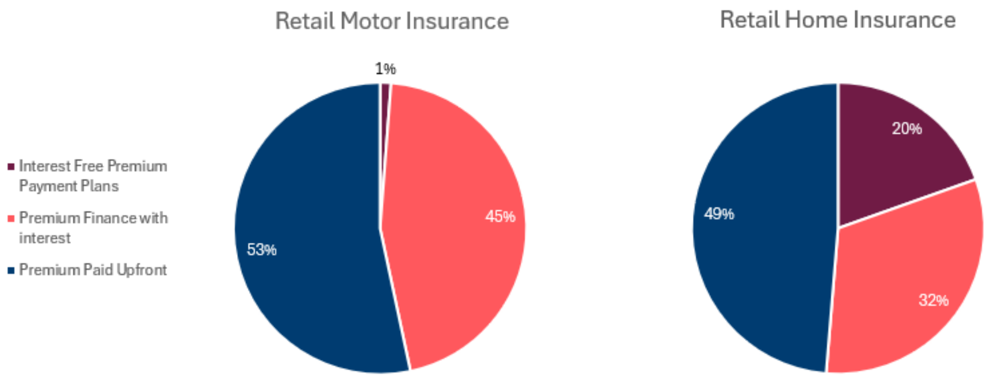
Figure 1: The three options to pay for annual home and motor policies



† Refunded premium is dependant on the remaining policy term. Policies cancelled after a claim typically result in no refund of premium.
‡ If interest-free to customer because interest payments are subsidised, there may be a regulated credit agreement.

In 2023, approximately 85% of retail premium finance sold with motor and home policies was premium finance with interest, with the remainder being interest-free premium payment plans. There was a significant difference in the type of premium finance used dependent on the underlying insurance product. 38% of home insurance policies paid using premium finance were interest-free, while for motor less than 3% were interest-free. This is discussed in more detail later in the paper.

Figure 2: UK Retail policy sales by payment method in 2023



Source: FCA analysis using financial data collected from firms

Nearly all insurance providers who offered premium finance for retail products offered similar plans on commercial insurance. Including both personal and commercial lines, total premium finance revenues across all cohorts in 2023 were around £1.24 billion.

Of this, premium finance income from retail motor insurance was £872 million, significantly larger than the £195 million from retail home insurance. This is due to greater average cost for motor compared to home insurance and a higher proportion of interest-free premium payment plans available for home insurance.

Features of interest-free premium payment plans

For interest-free premium payment plans, the standard total cost to customers for paying in instalments is the same as paying the premium up front. There are no additional interest charges, set-up costs or administration fees. Late or missed payment fees can still be charged, as can early cancellation fees relating to the underlying policy.

There are two types of interest-free premium payment plans:

- **Subsidised:** This is where the lender does charge interest, but this is paid on behalf of the customer by another firm in the supply chain. This type of plan is classified as a regulated credit agreement. All interest-free plans arranged with a specialist premium finance provider (SPFP) are subsidised plans, and these types of plans are relatively rare.
- **Non-subsidised:** There is no underlying interest framework. Instead, the lender absorbs the costs associated with funding, the costs are accounted for within the premium pricing itself. Non-subsidised plans of less than a year are not classed as regulated credit agreements and do not require providers to be authorised for credit activities or undertake affordability assessments. All non-subsidised plans were in-house, offered either by insurers or large insurance intermediaries. Non-subsidised plans accounted for the vast majority of interest-free payment plans.

In practice, the total cost of purchasing insurance with an interest-free premium payment plan may or may not be cheaper than purchasing insurance using premium finance with interest. This is because the cost of interest free plans might instead be partially or fully priced into the insurance product, meaning customers pay a higher premium.

Interest-free premium payment plans in motor insurance are quite uncommon. However, interest-free plans are much more common for home insurance, with an increasing proportion being interest-free in the past five years. In 2023, approximately 38% of home policies bought with premium finance were interest-free.

There are three main reasons for the difference in availability of interest-free plans for retail home insurance versus motor insurance.

- First is the influence of partnerships with mortgage lenders. Mortgage lenders often include buildings insurance as a contractual requirement for mortgage customers. These lenders frequently partner with insurers to create tailored home insurance policies for these customers and present them as a preferred insurer. Whilst mortgage customers can still shop around for home insurance, customers may choose the recommended provider due to the convenience of being offered it alongside the mortgage sale, and the assurance that the mortgage provider knows the product has the correct coverage.

  Mortgage lenders can generate a significant volume of potential new customers and typically stipulate that the insurer offers the option of an interest-free premium payment plan to ensure insurance costs are straightforward and financially manageable.

- Secondly, there is greater prevalence of buying direct from the insurer rather than through a price comparison website (PCW). Direct sales enable firms to more easily offset the funding and operational cost of offering monthly payment within the overall premium of the insurance product itself. Where price competition is very high, such as in the PCW channel in motor insurance, it may be more difficult to recover the costs of monthly payment through the headline annual premium because that would mean the headline price does not appear as competitive in PCW rankings.

- Thirdly, home insurance premiums are on average smaller, with less frequent claims and mid-term adjustments, and higher levels of customer retention. Therefore, home insurance carries lower operational costs as well as lower costs of credit risk.

Features of premium finance with interest

Premium finance with interest is structured as a regulated credit agreement which is contractually separate from the underlying insurance policy.

New premium finance with interest customers typically make a deposit of between 8-20% of the total value of the premium, with the outstanding value borrowed as a specialised loan and forming the premium finance credit agreement. These two amounts are combined into a single payment to the insurer for the annual premium. The loan is paid back with interest over 9 to 11 monthly instalments. For renewing customers, there is typically a smaller deposit or no deposit at all, with the loan repaid with interest over 11 to 12 instalments.

Premium finance with interest has a straightforward charging structure, typically with two components:

- **Interest:** The total interest paid ranged between 8-15% of the loan value. Interest is set at a fixed rate set at the start of the policy and does not vary.
- **Missed payment fees:** Charges for missing a scheduled repayment. These ranged between £12 and £25 per missed payment, with the ability to be waived at the discretion of the provider.

Other fees relating to the underlying insurance premiums, such as policy cancellation and mid-term adjustments were charged by the insurance provider on policies both paid up-front and with premium finance. Early cancellation fees range between £20 and £50 for both policies paid for upfront and with premium finance. No providers charged additional fees for early repayment of premium finance specifically.

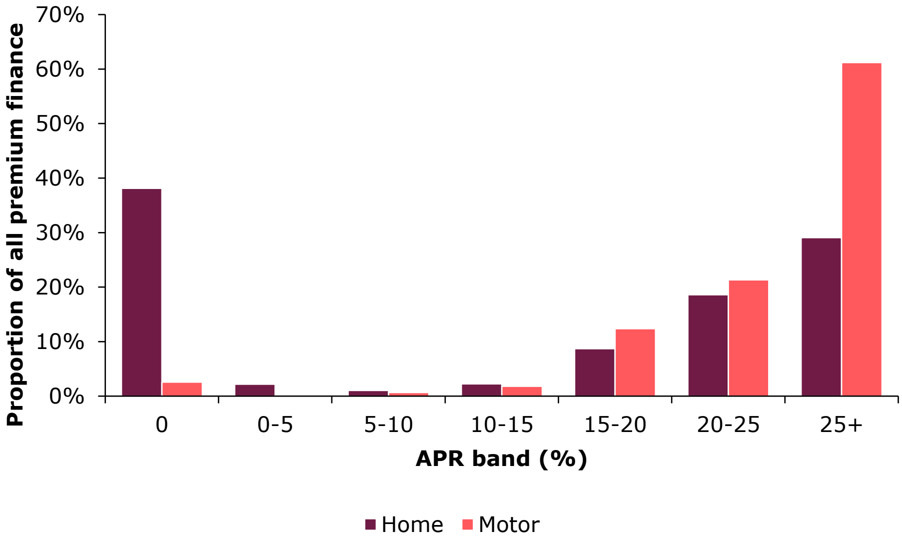
Prices in the premium finance market

Price distribution

This section sets out findings on the distribution of prices in the premium finance market. To assess price, we use several data sets in combination to provide as detailed an overview of the market as possible. This approach can lead to some differences in our summary statistics. We have included all our results in the interests of transparency and to demonstrate how we have used different data sources to scrutinise our results. For a full description of the data sources used, please see our Technical Annex.

Figure 3 below shows the distribution of APRs in 2023 based on financial data we collected from firms. The median premium finance APR is between 15% and 20% for home and over 25% for motor. This includes interest-free premium payment plans, which are 38% and 3% of the premium finance market for home and motor respectively. If we exclude interest-free premium payment plans, the median APRs for premium finance are between 20% and 25% for home, and over 25% for motor. Higher APRs of over 25% are significantly more common in motor.

Figure 3: APR distribution for premium finance in 2023

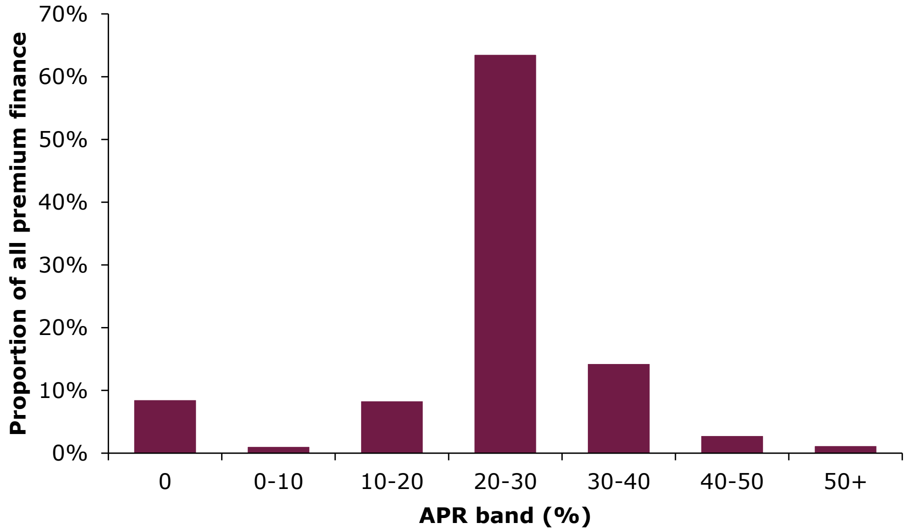


Source: FCA analysis using financial data collected from firms

Analysis using data collected as part of the General Insurance Pricing Practices (GIPP) Evaluation, similarly confirms the prevalence of interest-free premium payment plans predominantly in home, although the proportions are much higher. In home, nearly 60% of premium finance was interest-free plans as compared to just 6% in motor. This reinforces our view that interest-free payment plans are common in home insurance. We believe this figure may overstate the proportion of interest-free payment plans as our GIPP data does not fully cover the SPFP part of the market. When interest-free premium payment plans are included, the median APR in home is 0% and the median in motor is 23%. If excluding interest free premium finance, the median APR in home rises to 22%, while the median in motor remains unchanged. The prevalence of interest-free premium payment plans in home insurance and the median APRs of premium finance with interest in both sectors have been consistent between 2018 and 2023.

Our composite dataset combines non-SPFPs REP021e data and SPFPs RFI data (see Technical Annex). This dataset shows that just 18% of home and motor premium finance policies were below 20% APR, 63% were between 20-30% APR, and 18% were above 30% APR. This data also suggests that the majority of premium finance plans above 30% APR are with an SPFP, and the vast majority of premium finance plans above 40% APR are with an SPFP. Figure 4 below plots the resulting distribution of APRs from our composite dataset.

Figure 4: APR distribution for premium finance in 2023



Source: REP021e composite dataset. This combines home and motor.

Most insurance providers applied the same interest rate uniformly across customer groups for the same underlying product, rather than adjusting interest rates depending on an individual customer's credit risk.

Through our econometric analysis (where we control for observables such as market, distribution channel, firm and year effects), we do not find a statistically significant link between policy renewal status (new vs renewing customers or policy tenure) and corresponding APRs in this market, though we note that this analysis does not capture SPFPs.

APRs on other credit products

Typically, consumers pay headline APRs between 20 and 30% for premium finance, as shown in Figure 4. Alternative credit may not be accessible to all customers who use premium finance. However, for customers who are able to use alternative credit, such as a credit card or personal loan, we considered whether these methods have lower APRs.

Rates on consumer credit vary across products and between consumers. The rate a consumer is subject to often reflects their individual risk profile or credit score.

Data from the Bank of England on monthly advertised interest rates suggests that for 2023, average APRs were 35% for an overdraft, 11% on a £5,000 personal loan and 23% for credit cards issued by financial institutions. Our own data, which captures a larger proportion of the market including cards marketed as "credit builders", shows average APRs on new credit card agreements were between 26-32% at the end of 2023. These comparisons are provided for simple context and we will explore differences in rates and how they relate to different risks and lending models in more detail in the next phase of this study.

Market participants

Benefits to firms of offering premium finance

There are many incentives for insurance providers to offer premium finance, either in-house or via partnerships with SPFPs:

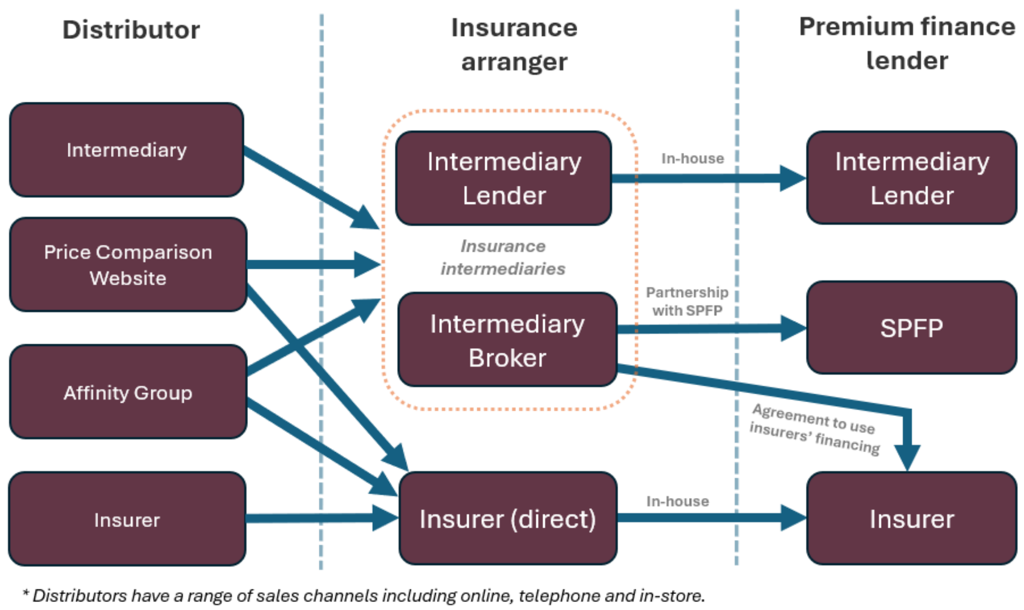
- Increased policy sales: Policies that are payable monthly may be more accessible to customers with cash flow constraints, and more attractive to those who simply prefer spreading out payments.
- Additional revenue streams: Premium finance lenders earn interest and fees, and intermediary brokers earn commissions from revenue sharing arrangements with SPFPs
- Competitive advantage: Offering premium finance can differentiate insurance providers from competitors who only offer up-front payments
- Bad debt ratios (discussed in more detail in our paper MS24/2.2 Profitability of Premium Finance) are relatively low for lenders, ranging from 0.6% for insurers to 1% for intermediary lenders in 2023. For brokers, they were around 3%.

Where premium finance is not offered by insurance providers, it is typically viewed as unnecessary for their strategy, with target customers able to afford to pay for premiums upfront. Where firms provided reasons for not offering premium finance, they cited credit risk, additional regulatory complexity, and the costs of implementing and maintaining a credit facility.

Interactions between players in the market

Consumers can access insurance policies, and by extension premium finance via four main distribution channels.

Figure 5: Interactions between players in the premium finance market



For the purposes of this study, the firms involved in this distribution can be grouped into the following categories:

- **Direct Insurers**: Insurers who primarily lend to premium finance customers using in-house funds.
- **Intermediary Brokers**: Insurance intermediaries who primarily introduce premium finance customers to an SPFP who lends to the customer.
- **Intermediary Lenders**: Insurance intermediaries who primarily lend to premium finance customers using in-house funds.
- **Specialist Premium Finance Providers** (SPFPs): Third parties who lend to insurance policy holders via commercial arrangements with insurance providers and intermediary brokers.
- **Price Comparison Websites** (PCWs): A key distribution channel for motor and home insurance policies.
- **Affinity Partners**: Predominantly financial institutions such as retail banks and mortgage lenders, who form commercial relationships with insurance providers to sell their policies.

Use of *'primarily'* in the above definitions is due to insurance providers commonly utilising both in-house financing and SPFPs. For direct insurers and intermediary lenders, the vast majority is in-house, and for intermediary brokers, the vast majority is via SPFPs. Typically, the minority of remaining business using a different financing solution is due to legacy arrangements.

In motor insurance, the limited number of interest-free premium payment plans are mostly purchased directly through insurers' websites. In contrast, interest-free premium payment plans are much more prevalent for home insurance, and are split between direct access via insurers' websites, and via affinity groups. Premium finance in particular is primarily distributed through PCWs for both home and motor insurance.

The impact of these different business models on the interest paid by consumers, and the total cost of insurance, is explored later in this paper.

Figure 6: Components of payments made by customers for different business models

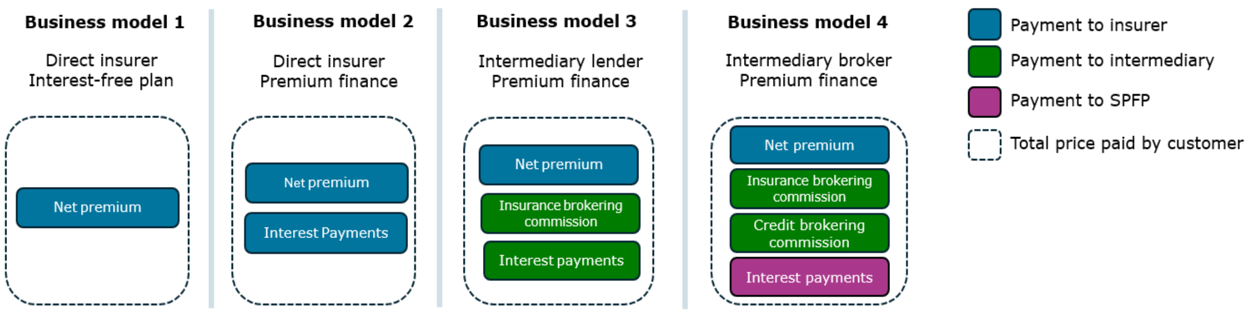


Table 1: Income from retail premium finance by firm type (2023)

Firm type	Retail premium finance income (all firms in category)
Direct insurers	£311m
Intermediaries Lenders	£471m
Intermediary Brokers	£82m
SPFPs	£139m†

† Excludes revenue sharing and commission paid to intermediaries
Source: FCA analysis using financial data collected from firms

Table 1 shows income earned from retail premium finance by different firms in the supply chain. For further detail on this, please refer to our paper MS24/2.2 Profitability of Premium Finance.

Insurer business models

The business model of insurers relies on two principal revenue streams:

- Assessing risk and pricing premiums to cover expected claims and expenses with a profit margin, known as underwriting.
- Investing premiums in the period between payment and expected claims pay outs.

Together, these core activities make up 98% of insurers' revenue.

Whilst a majority offer premium finance, insurers do not generate a significant proportion of their revenue from premium finance. In 2023, income from retail premium finance accounted for approximately 2% of insurers' revenue. This proportion of revenue has been falling over the past five years, due to some insurers reducing the interest rate on premium finance or switching to interest-free payment plans.

Whilst not a major driver of revenue, a significant proportion of insurers' policy sales were sold with premium finance. Approximately 37% of motor insurance policies, and 49% of home insurance policies, bought directly from insurers, were purchased with premium finance.

Insurers' role in the provision of premium finance

Nearly all insurer premium finance is provided as a self-funded, in-house service, as opposed to policy customers being referred to an SPFP. When insurers offer in-house financing, they typically fund this from their own working capital. Insurers typically see the main costs of premium finance as the opportunity cost from lost investment income, as they are unable to invest the full premium straight away.

Compared to insurance intermediaries, there are fewer benefits to direct insurers partnering with an SPFP:

- By receiving most annual premiums as up-front payments, insurers have regular cash flow, which they can use to finance premium finance without external funding.
- Even if external funding is necessary, insurers who have stronger credit ratings can borrow from capital markets at relatively lower interest rates.
- Insurers have existing credit risk teams, with limited additional costs for setting up or using the same teams for premium finance.

Direct insurers manage unearned premium refunds and can promptly cancel policies in default, limiting claims costs and bad debt costs when there is a timing difference between customer default and insurers' cancellation of the underlying policy.

Insurance – intermediary arrangements and premium finance

Many direct insurers offering premium finance also distribute policies via intermediaries. Our analysis of commercial arrangements between insurers and insurance intermediaries found contracts focused on aspects of insurance policy sales.

Where insurers did not offer in-house premium finance and sold insurance policies via intermediaries, our analysis found they had little to no discretion, or commercial interest, in the premium finance solution chosen by intermediaries.

Where insurers did offer their own in-house premium finance, arrangements with insurance intermediaries could include requirements for them to use the in-house premium finance as their preferred service, but intermediaries are typically given the choice of using an alternative.

Intermediary lender business models

Intermediary lenders earn most of their revenue from commissions from the sale of insurance policies. Income from retail premium finance account of approximately 17% of their total revenue.

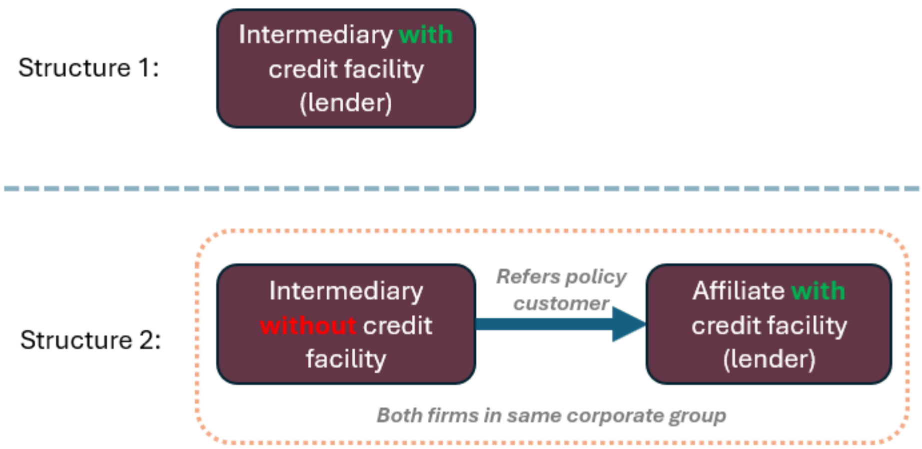
Intermediary lenders are insurance intermediaries who primarily fund premium finance loans using an in-house credit facility. Only a small minority of insurance intermediaries who offer premium finance are classed as intermediary lenders rather than intermediary brokers. There are three main business models of intermediary lenders, which impact how they fund premium finance.

Table 2: Types of firms and their respective funding models

Type	Premium finance funding model
Insurer-affiliated intermediaries: Large intermediaries with an affiliated insurer within their broader corporate group.	No direct funding, typically an intercompany expense to the group insurer to cover the direct costs, and opportunity costs, of receiving premiums monthly rather than as a lump sum.
Large independent intermediaries	No direct funding, typically an agreement with the underlying insurer in exchange for them receiving premiums monthly: • A direct subsidy paid to the insurer • Reduced commission on policy sale Firms may also pool together premium finance debit and sell on investment markets, known as securitisation.
Small intermediaries	• Business loan • Using cash on account

Most intermediary lenders are either insurer-affiliated intermediaries, or large independent intermediaries who have the capital and infrastructure to self-fund. Small intermediaries, which make up a small minority of the market, were not included in our analysis.

Figure 7: The corporate structure of intermediary lenders



Intermediary lenders' role in providing premium finance

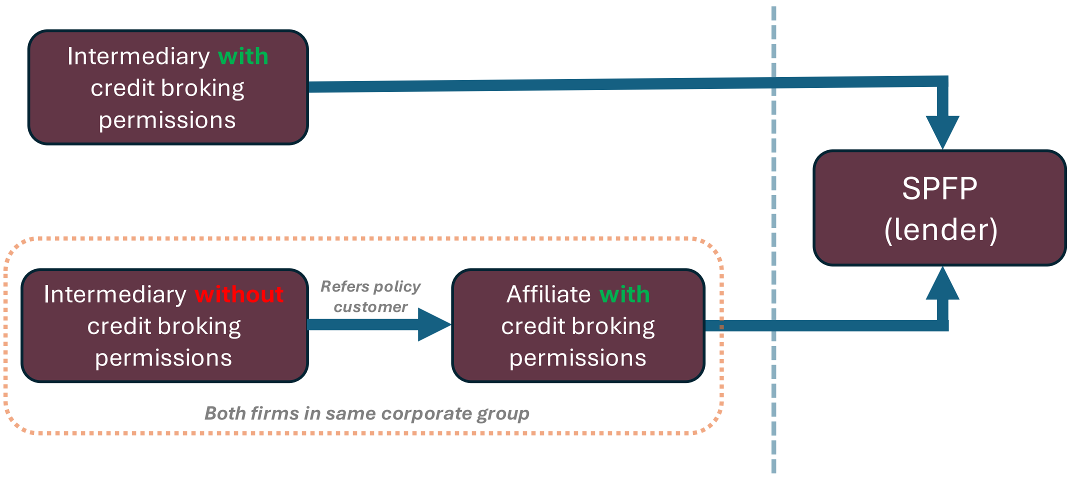
As to why intermediary lenders provide lending in-house, they cited the flexibility, price transparency, and control over the customer journey:

- By leveraging their size and affiliated insurers, intermediary lenders can finance payments without needing to use their own cash, and on better terms than taking out a corporate loan or working with an SPFP.
- They can manage unearned premium refunds and can cancel policies in default faster than if notified by an SPFP, limiting claims costs and bad debt costs arising due to the timing difference between customer default and insurers' cancellation of the underlying policy.
- They can maintain a simpler, direct relationship with insurance policy customers, and more control over the whole customer journey.
- They can retain all interest income, without the revenue sharing agreements that intermediary brokers have with SPFPs.

Intermediary brokers' business models

Intermediary brokers primarily provide premium finance to customers via commercial agreements with SPFPs. Intermediary brokers must be authorised to arrange credit on behalf of an SPFP. This may be the insurance intermediary or an affiliate with credit broking permissions.

Figure 8: The corporate structure of intermediary brokers



Most insurance intermediaries who offer premium finance are classed as intermediary brokers rather than intermediary lenders. This is the most common set up for small and medium sized intermediaries. Many large intermediaries also use SPFPs, particularly intermediaries who are unaffiliated with an insurer.

The benefits to intermediaries of partnering with SPFPs rather than using an in-house credit facility include:

- They can focus on their core brokerage business and receive commission from SPFPs in a similar structure to commission from insurers.
- They do not need to use their own capital to fund payments or take out a business loan with the associated interest costs, leading to a relatively healthier balance sheet and less constrained cash flow.
- While there are additional regulatory requirements for arranging credit, there are less stringent capital adequacy and reporting requirements compared to directly providing credit.
- Whilst the majority of contractual arrangements with SPFPs make intermediaries ultimately liable for bad debt from defaults and cancellations, SPFPs typically have established processes in place to mitigate risk and pursue overdue payments.

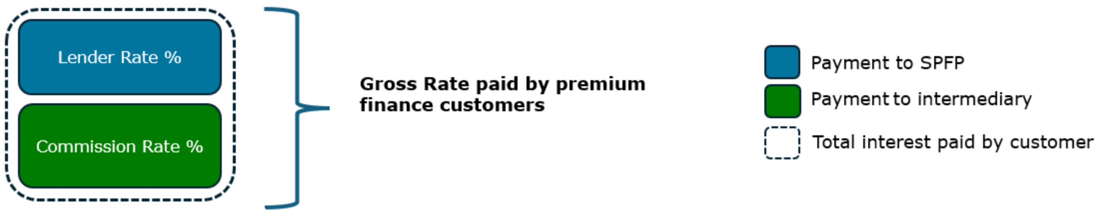
Whilst there can be exclusive arrangements, intermediary lenders often work with multiple SPFPs, depending on whether a policy is home or motor, personal or commercial insurance, or a policy is with specific insurers. This can be due to the relative benefits of different SPFPs' solutions, or historic commercial arrangements following acquisitions.

Intermediary brokers earn income from premium finance through revenue sharing with SPFPs, structured as commission paid per referral. In 2023, commission from retail premium finance accounted for approximately 15% of intermediary broker revenue.

When intermediary brokers sell premium finance funded by SPFPs, the amount paid by customers is split into the "commission rate" (earned by the intermediary broker), and the "lender rate" (earned by the SPFP).

The commission is a proportion of the interest paid by customers. It is calculated based on the total interest expected to be paid over the course of the premium finance loan. Both the commission rate and lender rate are typically calculated as a proportion of the loan amount excluding any deposit, not the total premium. On average, the intermediary commission rate made up around 55% of this charge, with the remaining 45% being the lender rate retained by SPFPs.

Figure 9: Components of premium finance interest rate

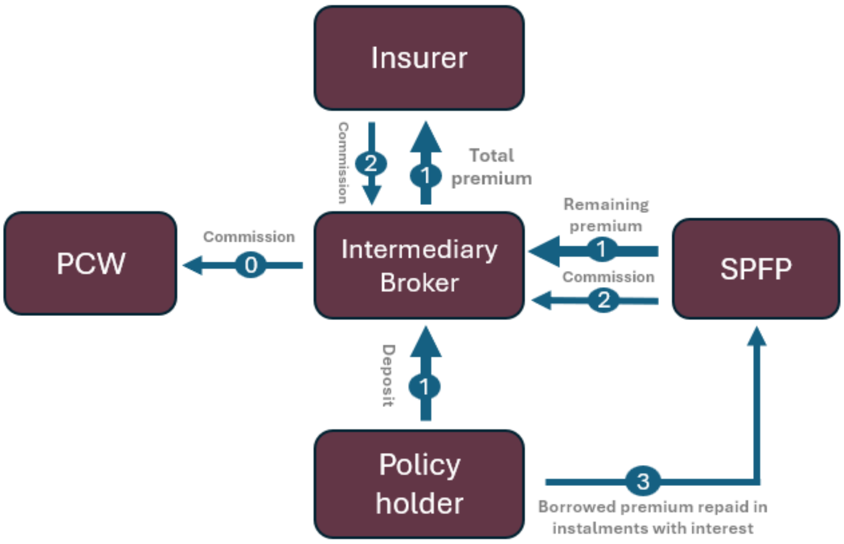


The lender rate can vary based on several factors, including the Bank of England base rate, volume of referrals from an intermediary partner, and charges from insurance software providers. The lender rate is typically higher on non-recourse agreements to account for lenders bearing responsibility for bad debt from customer defaults, though non-recourse agreements are relatively uncommon.

When setting the commission rate, intermediary brokers consider factors such as the general credit risk of their target market, acquisition costs, the insurance premium value and likelihood of any customer cancelling in the first year. Intermediaries' commission rates are typically higher on recourse agreements as the intermediary broker takes on all of the credit risk. Intermediary brokers may have scope to choose their commission rate, but this is often subject to maximum limits set by lenders. Commissions are typically paid up front, and any unearned portions are clawed-back from the intermediary in the event of cancellations.

Figure 10: The payment flows for a typical intermediary broker

Stage 0: The policy holder uses a PCW to purchase the insurance policy and the PCW will receive a commission from the intermediary for introducing the customer.
Stage 1: The policy holder pays a deposit and borrows the remaining value of the premium from the SPFP. Both are collected by the intermediary and paid to the insurer.
Stage 2: The SPFP pays the intermediary for arranging the financing, and the intermediary receives commission from the insurer for arranging the policy.
Stage 3: The policy holder pays the borrowed premium back to the SPFP in monthly instalments.



Of the 4 million retail motor and home premium finance in our sample using an intermediary broker-SPFP arrangement, less than 1% were interest-free premium payment plans in 2023.

Specialist premium finance providers (SPFPs)

Specialist premium finance providers are independent specialist lenders who, through commercial arrangements with intermediary brokers, lend to premium finance customers. Rather than with end customers, SPFPs relationships are primarily with their commercial partners. End customers cannot independently source finance directly from an SPFP.

In addition to financing for insurance, SPFPs offer other specialised financing, including for consumer electronics, professional membership, and tuition fees. SPFP revenue comes predominantly from interest income on these activities, and interest income from retail premium finance accounts for approximately 11% of SPFP's total revenue.

As of July 2025, there are four SPFPs providing retail premium finance in the UK, working with providers across the supply chain and in particular, intermediary brokers. The leading SPFPs generated over 90% of SPFP premium finance income in 2023, and similarly were partnered with the majority of intermediary brokers.

SPFPs have a diversified approach to funding loans:

- Corporate credit: borrowing from banks and issuing bonds.
- Securitising outstanding premium finance loans into asset-backed securities (ABS) which are bought by investors, with the income funding future loans.

Responsibility for credit risk when partnered with an SPFP is dependent on each commercial arrangement, and whether there is a recourse or non-recourse agreement. This is covered in greater detail in our paper MS24/2.2 Profitability of Premium Finance.

Recent market developments

On 9th July 2025, Close Brothers Premium Finance ("CBPF") announced its intention to withdraw from retail focused broker relationships within the UK premium finance market. The FCA are working closely with their parent organisation Close Brothers Group plc so this decision is implemented in an orderly manner. Retail customers with an existing premium finance loan won't be affected and brokers will have up to a year to make alternative arrangements.

In the next phase of our market study, we will consider further the extent to which CBPF's exit affects the nature of competition in the market. In responses to these papers, we would welcome any views on the immediate effects of this decision on competition in the premium finance market.

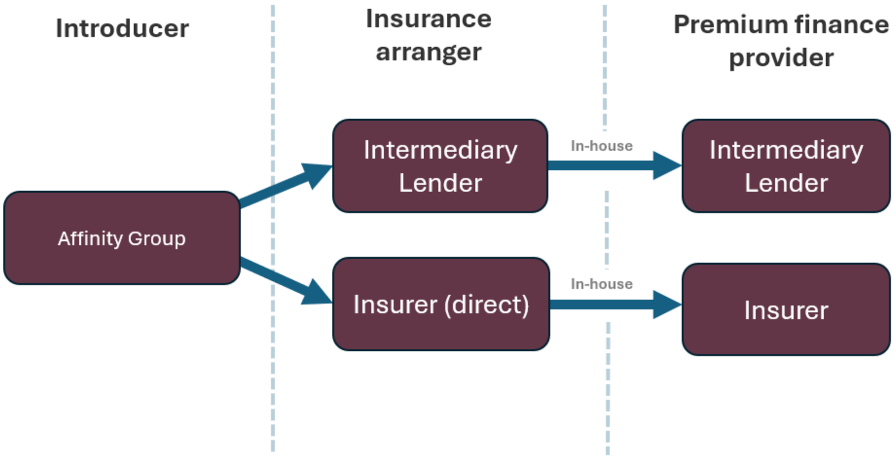
Affinity partners

Affinity partners are financial institutions, predominantly retail banks and mortgage lenders, who form commercial relationships with insurance providers to cross-sell policies to their own customer base. Affinity members can often negotiate cheaper insurance for their existing customers than what is available to the general public from the same insurance provider. The policies may be white-labelled and sold under the branding of the affinity partner. Affinity partners require authorisation to arrange the insurance and depending on the nature of the agreement with insurance providers, potentially deal and assist in the administration of the insurance.

The insurance provider benefits from access to a large pool of existing customers, and lower acquisition costs due to endorsement and marketing largely handled by the affinity partner. Likewise, the affinity partner earns additional income through revenue sharing agreements with the insurance provider, and a better value proposition for its customers.

Mortgage lender affinity partners often require that home insurance policies are offered with an interest-free premium payment plan to ensure the pricing is straightforward. This arrangement does not typically involve the affinity partner explicitly subsidising the interest rate but will factor into the more general policy proposal and revenue sharing agreements. All affinity partners identified in our analysis worked with insurance providers with in-house premium finance.

Figure 11: Provision of premium finance via affinity partners



Price Comparison Websites

Price comparison websites, or PCWs, are a key distribution channel for retail policy sales, especially motor insurance.

PCWs do not receive any separate commission from facilitating premium finance, or have any direct relationship with SPFPs. PCWs receive commission from insurance providers for policies sold via their platform. This is typically in the form of a fixed fee per policy sale, rather than commission being proportionate to the value of the premium.

Policies available with premium finance are ranked on PCWs by the total combined price of premiums and interest payments, with the cheapest option presented first. This is discussed in detail in our paper MS24/2.2 How and Why Customers Use Premium Finance.