

# Insurance Premium Finance Quarterly Update: 2024 Fourth Quarter



Mergers & Acquisitions  
Capital Raising  
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Welcome to the quarterly update for the Insurance Premium Finance industry. Insurance Premium Finance is a lucrative \$50+ billion industry, in which Colonnade is the leading financial advisor to both buy-side and sell-side clients.

Colonnade has successfully advised on and executed over two dozen transactions within the insurance premium finance space throughout a wide range of macroeconomic environments. Colonnade's wealth of industry expertise enables our team to navigate transactional nuance and maximize value, delivering optimal outcomes for our clients. This report analyzes data from the fourth quarter of 2024.

The insurance premium finance industry is broadly composed of commercial lines property & casualty, personal lines property & casualty, and life insurance premium finance. Our quarterly updates focus on the commercial lines segment, with occasional coverage of adjacent sectors. We report on developments across both U.S. and Canadian markets.

The Colonnade team maintains close relationships with a vast network of industry operators and provides this report to our readers to keep them up to date on relevant industry news, sourced primarily from those banks that report segment results for their insurance premium finance verticals.

## OUR QUARTERLY UPDATE COVERS:




1 Financial Results For Select Industry Players

2 Recent M&A Transactions

3 Industry Outlook and Other News

# 1 FINANCIAL RESULTS FOR SELECT INDUSTRY PLAYERS

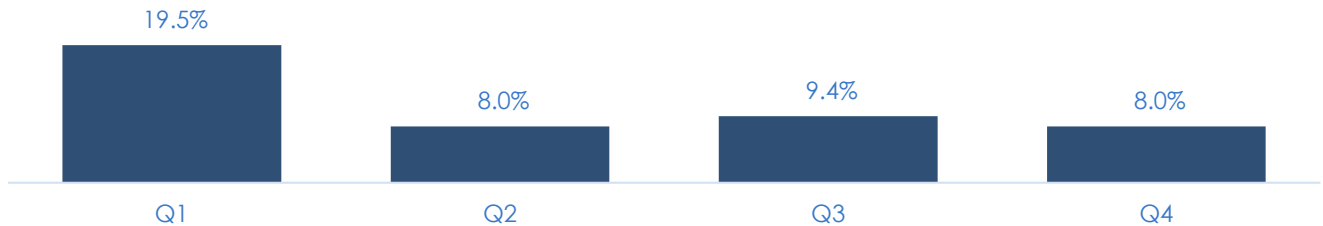
Of the top 10 largest firms, only three are owned by public banks that report segment data for their premium finance groups. On an aggregate basis, these companies reported modest growth in outstandings quarter-over-quarter and a more substantial increase year-over-year. Colonnade no longer includes Pathward's premium finance data in our report, as it is not part of a publicly reporting entity after the acquisition by Honor Capital.

	P&C OUTSTANDINGS <sup>1</sup>	Q/Q CHANGE	Y/Y CHANGE
	\$7,272	2.0%	5.3%
	\$1,156	(7.3%)	22.1%
	\$269	(6.1%)	32.6%
<b>AGGREGATE REPORTED</b>	<b>\$8,697</b>	<b>0.4%</b>	<b>8.0%</b>

<sup>1</sup>\$ in millions

## ANNUAL GROWTH RATE OF COMPOSITE INDEX (Y/Y change)

### Aggregate YoY Outstandings Growth in 2024



### COMMENTARY

The 8.0% year-over-year growth in the tracked premium finance portfolios in Q4 2024 reflects continued, although slowing, growth in the sector.

The performance of the premium finance sector is closely tied to the underlying commercial property and casualty (P&C) insurance market, which grew 5.4%<sup>2</sup> in Q4—below the 2020-2023 average of 8.8%. Slower growth in the P&C market, driven in part by increased underwriting performance, more competition among carriers, and softening in select lines exerted downward pressure on premium increases and, by extension, premium finance activity.

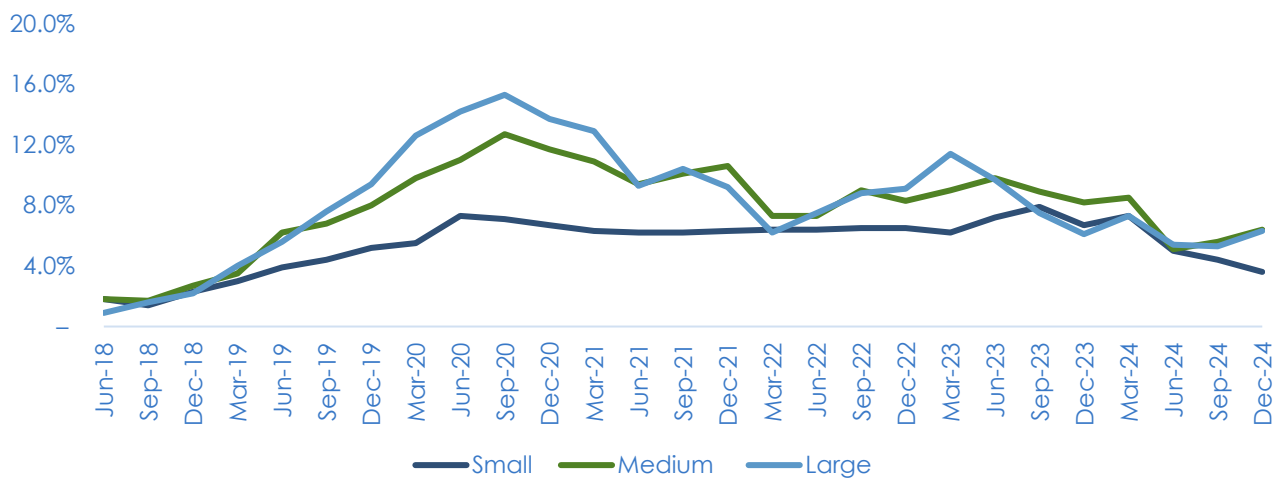
Individual performance among the publicly reported businesses varied. First Insurance Funding, the largest player by volume, showed steady growth with a 5.3% year-over-year increase and a 2.0% gain quarter-over-quarter. The company reported a third consecutive quarter of declining non-performing loans, as tighter loan structures and enhanced underwriting have helped mitigate ongoing stress in the commercial auto segment. US Premium Finance and Peoples Premium Finance both reported quarterly declines of 7.3% and 6.1%, respectively. However, these q-o-q drops follow double-digit growth rates in the first half of the year, which helped drive year-over-year figures to 22.1% for US Premium and 32.6% for Peoples.

<sup>2</sup>CIAB



## INSURANCE PREMIUM PERFORMANCE – PROPERTY & CASUALTY<sup>2</sup>

Commercial P&C insurance premiums rose 5.4% year-over-year on average in Q4 2024, up slightly from 5.1% growth in Q3. The market remains relatively stable, as rising competition among carriers, improved underwriting performance, and expanded capacity have offset broader premium pressures—including notable increases for commercial auto and umbrella lines, which grew 8.9% and 8.7%, respectively, in Q4.



### SMALL ACCOUNTS

Small accounts are defined as insureds that pay less than \$25k in commissions and fees to insurance agents and brokers. Since 2018, this segment has averaged 5.3% annual growth. After falling below 5.0% last quarter for the first time since Q3 2019, growth in this segment continued to slow, with small account premiums rising just 3.6% in Q4.

### MEDIUM ACCOUNTS

Medium accounts are defined as insureds that pay between \$25k and \$100k in commissions and fees to insurance agents and brokers. Historically, these accounts have expanded at an average rate of 7.6% since 2018. After reaching a five-year low of 5.1% earlier in 2024, medium account premium growth saw a slight rebound, increasing 6.4% in Q4.

### LARGE ACCOUNTS

Large accounts are defined as insureds that pay more than \$100k in commissions and fees to insurance brokers and agents. Since Q1 2018, this segment has grown at an average annual rate of 7.9%. After peaking at 15.3% in Q3 2020 and hitting a five-year low last quarter, large account premiums ticked back up slightly to 6.3% growth in Q4.

## COMMENTARY

For the last three years, year-over-year growth rates have averaged 18.4% in Q4. In Q4 2024, outstandings continued to grow, but only by 8.0%, as a confluence of macroeconomic and industry-specific factors has had a mixed yet chilling effect on growth across the industry.

### RATE CUTS:

In Q4 2024, the Federal Reserve reduced the Federal Funds Rate to 4.25%-4.50%, a full percentage point down from the 2020 peak. Lower interest rates, along with general economic uncertainty, make premium financing more appealing and contribute to an increase in originations.

### SOFTENING MARKET:

With increased competition between carriers and improvements in underwriting, premium increases have softened from an average of 8.8% between 2020 and 2023 to 5.4% in Q4 2024. Since premiums and loan sizes are directly related, slower premium growth leads to more modest loan increases, limiting revenue gains even as overall demand continues to rise.

### CYCLICALLY STRONG QUARTER:

The tracked premium finance portfolios typically perform strongly in the fourth quarter, averaging 2.2% quarter-over-quarter outstandings growth between 2021 and 2023. However, in Q4 2024 broader market dynamics weighed on loan volumes, moderating that growth to just 0.4%.

In their Q4 2024 earnings call, Wintrust's management highlighted improving credit performance in the premium finance segment. The company tightened loan structure for the transportation segment after charge-offs increased earlier in the year:

# WINTRUST

"It's interesting to note that we have seen three straight quarters of lower NPLs [Non-Performing Loans] in our commercial premium finance portfolio as we continue to manage the stress from the transportation segment of that portfolio. We are pleased to see this trend improve as a result of tighter loan structures and enhanced underwriting."

- Richard Murphy, Vice Chairman and CLO  
Wintrust

## 2 RECENT TRANSACTIONS

### COLONNADE CLOSES ANOTHER INSURANCE PREMIUM FINANCE TRANSACTION IN THE FOURTH QUARTER OF 2024



- In October, Pathward N.A. closed the sale of its premium finance division to Honor Capital
- Pathward Premium Finance will operate as AFS IBEX, a member of the Honor Capital family
- Colonnade represented Pathward N.A. as exclusive financial advisor
- The transaction marks another significant change to the premium finance industry, as consolidation continues. With this acquisition, Honor will become the fourth largest participant behind IPFS, AFCO, and FIRST

### COLONNADE CLOSES THREE PREMIUM FINANCE TRANSACTIONS IN 2024



## 3 OUTLOOK AND CONCLUSION

### OUTLOOK

Insurance premium finance is an attractive asset class for banks and independent operators alike. The asset class has a track record of consistently delivering attractive risk-adjusted returns with low credit losses. The short average term of the underlying asset allows lenders to efficiently reposition and reprice their portfolios. In an uncertain macroeconomic environment with rising commercial lines P&C premiums, borrowers are likely to leverage premium financing to better manage cash flow and liquidity, accelerating growth for premium finance lenders.

### CONCLUSION

Colonnade has been either the sell-side or buy-side M&A advisor for most transactions within the insurance premium finance space over the past 20 years. These complex transactions require an investment banking team with a wealth of industry experience, insider-level mastery, competitive positioning, and a vast network of buyer relationships. If you own a premium finance company or you are contemplating an acquisition in the space, please contact us. The Colonnade team is an expert industry resource for you to leverage as you consider your next steps.



Our podcast and White Paper on the Insurance Premium Finance industry may also be of interest. In these industry overviews, we answer the following questions:

- What is the Insurance Premium Finance Industry?
- How are insurance premium finance companies valued?
- Why are Insurance Premium Finance companies attractive to buyers?
- How has the Insurance Premium Finance industry changed over time?
- What are the key drivers of valuation for Insurance Premium Finance companies?
- How can Insurance Premium Finance companies differentiate themselves in the market?
- Is there a sweet spot in terms of loan size and yields for high-value Insurance Premium Finance businesses?
- What advice would you give to owners of insurance premium finance companies to get them ready to go to market?



# COLONNADE IS THE LEADING ADVISOR TO THE INSURANCE PREMIUM FINANCE INDUSTRY

 has sold its premium finance division to  The undersigned acted as exclusive financial advisor to Pathward COLONNADE	 was sold to  COLONNADE	 was sold to  COLONNADE	 was sold to  COLONNADE	 raised capital from COPLEY   EQUITY   PARTNERS COLONNADE	 was sold to  COLONNADE
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This advertisement was prepared April 2025. It is not investment advice, and Colonnade undertakes no obligation to update the information contained herein.

Sources: SEC filings, CIAB, Company Earnings Calls

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