Commercial Lines Insurance Premium Finance

FALL 2025

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INTRODUCTION

Insurance premium finance is a well-established, high-margin, high-growth commercial lending activity with low credit quality costs. Finance companies extend credit to a range of commercial enterprises at relatively high yields. Loans are collateralized by the unearned premium of commercial insurance policies held by highly-rated insurance carriers. We estimate the commercial insurance premium finance segment has grown to $60 billion of annual originations, up 10% CAGR from our last report, owing primarily to significant growth in the underlying E&S market.

Insurance premium finance is a pillar of commercial lending, financing mission-critical insurance products for small and medium-sized businesses. As a collateralized, short duration (9-10 months average maturity), fixed rate loan, generally priced at a spread over Prime, insurance premium finance represents a safe avenue for lenders to deploy capital at attractive risk-adjusted returns.

Over the past two decades, industry consolidation has bifurcated the competitive landscape: a limited group of large players has amassed significant market share compared to the fragmented universe of smaller firms.

The top three players command an estimated 70% market share. Privately-held Imperial PFS (IPFS) secured its leadership position with the recent acquisition of Stonemark and continued growth in the U.S. and Canada. FIRST Insurance Funding, with a leading position in Canada, is a close second to IPFS in the U.S.

$60 Billion Annual Loan Volume

More than 2 Million Loans Originated

Over $500 Million of Pretax Income Generated

While M&A activity was robust in 2024, with four significant transactions, activity in 2025 has abated. Acquisition appetite for premium finance companies of scale remains broad. Deposit-rich banks seeking an avenue for the safe deployment of capital are drawn to premium finance due to the conservative nature of the underlying asset and the success of bank-owned lenders. Consolidators continually look to add scale. Meanwhile, financial sponsors and private credit firms are showing interest in the asset class, in many cases aiming to control the asset origination platform to deploy significant capital. Industry consolidation has left few platforms or large acquisition targets available for sale, however. Nonetheless, there are several emerging opportunities for new entrants and consolidators alike.

Technology is an increasingly important differentiator, and tech-enabled and tech-forward-thinking players are attracting interest from a broader set of new investors.

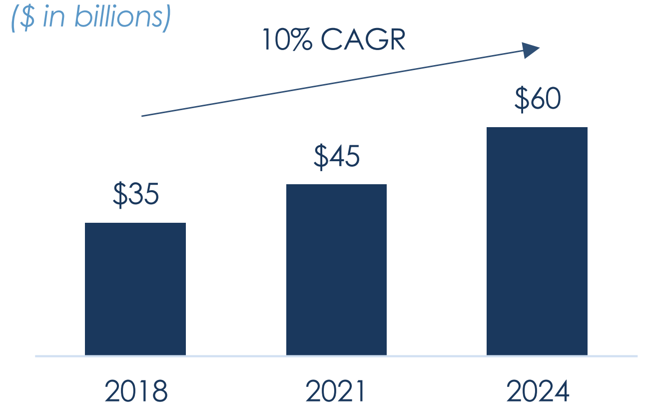
This report examines key dimensions of the insurance premium finance sector, including:

1. Industry Overview
2. Market Growth
3. Competitive Landscape
4. M&A Dynamics

1 INDUSTRY OVERVIEW

The commercial lines insurance premium finance market has expanded to $60 billion in annual originations, up approximately 10% CAGR since our 2022 report. Growth is driven primarily by expansion in the underlying E&S market, higher premium rates across commercial lines, and greater adoption of financing among insureds. Interest rates have stabilized but remain elevated, and economic pressures continue to affect small and medium-sized businesses.

COMMERCIAL LOAN VOLUME

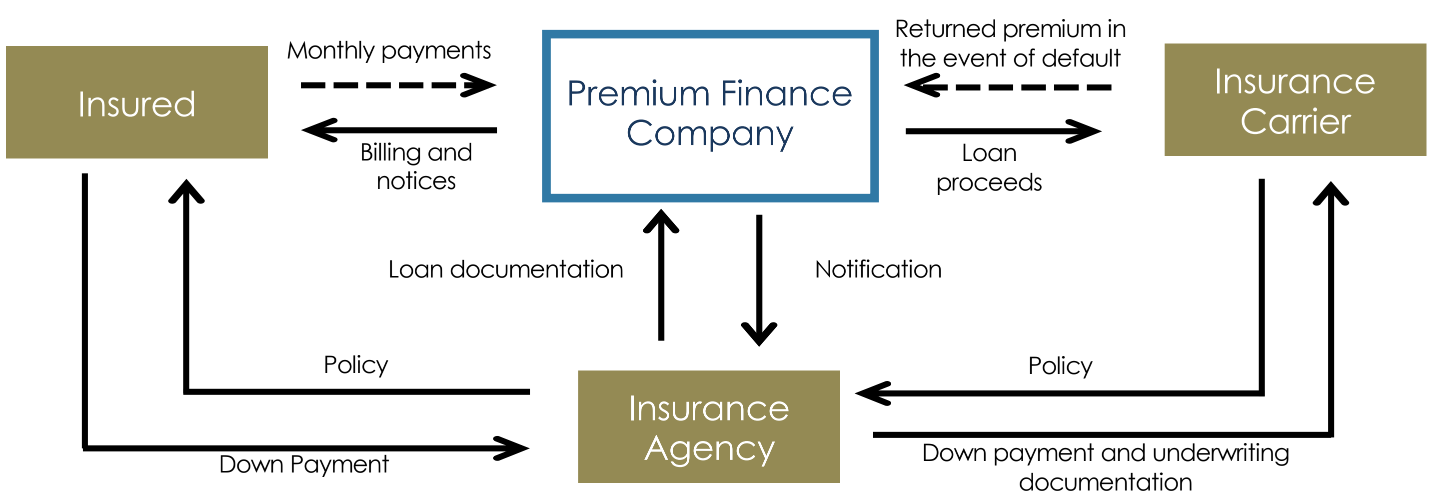


From an asset class perspective, premium finance exhibits exceptional credit performance and profitability. Loans are collateralized by unearned premiums held by A-rated or better carriers, producing loss rates typically below 25 basis points per year.

Among the top lenders, pretax returns on average assets (ROAA) stand at roughly 2.5%, exceeding many other commercial and specialty finance products. The top 10 players generated more than half a billion dollars of pretax profit on roughly $20 billion of average assets in 2024.

The asset's short duration, strong collateral, and relatively high yields make premium finance an attractive sector for bank-owned platforms, strategic consolidators, and private capital providers seeking safe deployment of capital.

TYPICAL PREMIUM FINANCE TRANSACTION



2 MARKET GROWTH

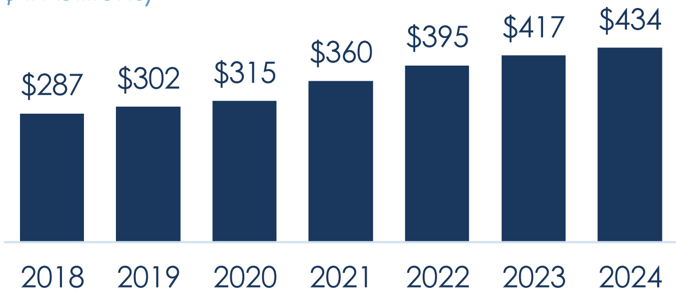
Significant Correlation with E&S and Broader P&C Markets

The premium finance market's trajectory closely mirrors broader property & casualty (P&C) premium trends. However, the relationship is strongest with the E&S market, which has grown at roughly three times the rate of the broader market. In 2024, E&S premiums (including Lloyds) reached an estimated $135 billion, representing an annual growth rate of approximately 20%.

Nearly half of the total E&S market is financed, reflecting both the higher cost of coverage and the increasing normalization of financing within the commercial insurance ecosystem.

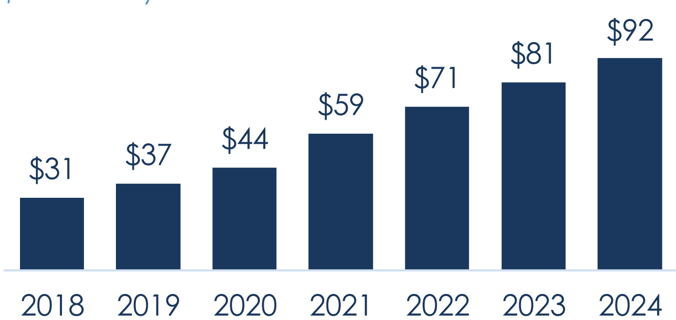
P&C PREMIUMS[1]

($ in billions)



E&S PREMIUMS (Domestic, ex-Lloyds)[2]

($ in billions)



DRIVERS OF LOAN GROWTH

PREMIUM GROWTH	• Hard market pricing dynamics elevate per-policy financing amounts
RATE ENVIRONMENT	• Recent underlying interest rate reductions and current stability are boosting adoption
E&S EXPANSION	• Continued non-admitted carrier growth drives incremental loan demand
CREDIT CONDITIONS	• Economic uncertainty encourages the use of off-balance sheet financing
ADOPTION TRENDS	• SMEs increasingly use premium finance to manage liquidity and cash flows amid rising costs

[1]Insurance Information Institute
[2]S&P Capital IQ, Insurance Insider US

3 COMPETITIVE LANDSCAPE

The premium finance industry has evolved into a highly concentrated yet fiercely competitive landscape. The top three players—Imperial PFS (IPFS), FIRST Insurance Funding, and AFCO Direct—collectively control more than 70% of the total market volume. The fourth largest participant is roughly one-tenth the size of the market leader.

CONCENTRATION

The top five participants command roughly 75% of originations; the top 10 around 80%; and the top 20 about 85%. Approximately 55% of total loan volume is originated by bank-owned platforms, consistent with our last report. Two of the top three platforms are bank-owned. Large balance sheets and low cost of funds generally enable banks to originate more aggressively than independents. Nonetheless, the capital markets provide an excellent source of low-cost debt financing for those players that can access it.

We estimate 2.2 million commercial lines premium finance loans were originated in 2024, with the top five lenders accounting for two-thirds of total unit volume.

The largest lenders generally cater to larger insurance agencies, which in turn support larger insured clients with larger loans. The most successful lenders provide a one-stop-shop solution to larger agencies to service their big, medium, and small-ticket clients. Middle-market loans are generally the most profitable on a risk-adjusted basis.

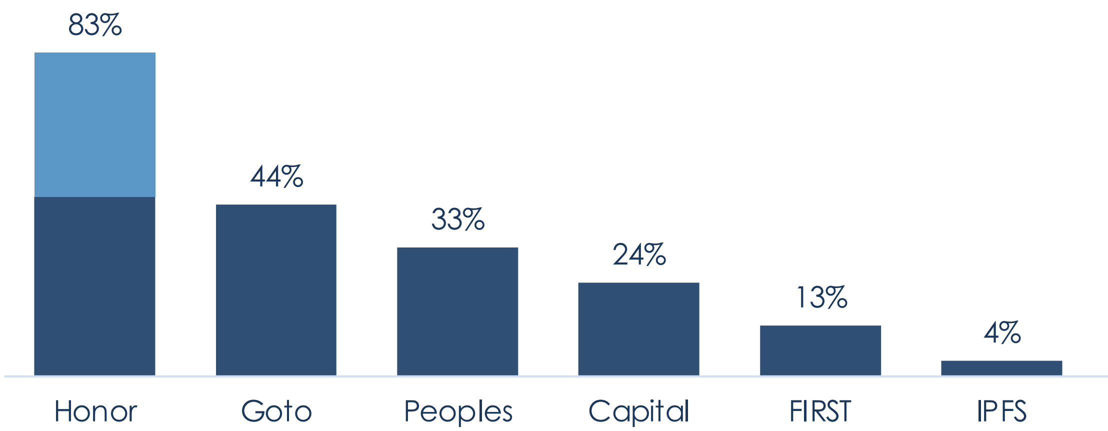
GROWTH AMONG THE TOP 10

In recent reports, we predicted that the late 2022 combination of AFCO and BankDirect would create opportunities for competing firms to wrestle share away from the combined entity, as larger agencies in particular would distribute their business across multiple providers. It appears FIRST (which increased volume by 13%) and Pathward (subsequently acquired by Honor Capital in 2024) were the largest beneficiaries of any such fallout.

Middle market and smaller players posted the highest volume growth rates, as usual. Honor's impressive annual growth rate stems in part from its late 2024 acquisition of Pathward; nonetheless, we estimate Honor grew 46% organically. Goto, Peoples, and Capital each posted strong double-digit growth in loan volume, as well.

2024 LOAN VOLUME GROWTH

(% change in dollar loan volume)



4 M&A DYNAMICS

M&A activity in the premium finance industry was strong in 2024, featuring four notable transactions, including IPFS's acquisition of Stonemark and Honor Capital's acquisition of Pathward. However, 2025 has seen fewer deals, largely due to limited availability of scaled, independent platforms.

	TARGET	BUYER
Oct-2024	HONOR CAPITAL	SEARCHLIGHT CAPITAL
Oct-2024	**PATHWARD PREMIUM FINANCE**	HONOR CAPITAL
Mar-2024	**STONEMARK HOLDINGS**	IPFS
Feb-2024	**AGILE PREMIUM FINANCE**	FIRST FINANCIAL
Nov-2022	BANKDIRECT	AFCO
Aug-2022	**SECURITY PREMIUM FINANCE**	NATIONAL PARTNERS
Mar-2022	**CAPITAL PREMIUM FINANCE**	COPLEY EQUITY*
Feb-2022	HONOR CAPITAL	HUDSON STRUCTURED
Jun-2020	**TRIUMPH PREMIUM FINANCE**	PEOPLES BANCORP

pathward has sold its premium finance division to HONOR CAPITAL
COLONNADE

STONEMARK was sold to IMPERIAL PFS
COLONNADE

AGILE PREMIUM FINANCE A Division of Valley National Bank was sold to first first financial bank
COLONNADE

Colonnade Clients in **Bold**
*Minority Deal

CONCLUSION

The commercial lines insurance premium finance industry remains one of the most consistent and profitable segments of commercial lending. With its combination of strong collateral, low losses, short duration, and scalable origination opportunities, premium finance continues to attract institutional interest despite heightened consolidation.

Premium finance offers an especially compelling investment opportunity for commercial banks, in particular. The asset class has a track record of delivering strong risk-adjusted returns with low credit losses. In a challenging macroeconomic environment, borrowers are likely to leverage premium financing to better manage cash flow and liquidity, accelerating growth for premium finance lenders. However, two decades of industry consolidation results in a limited inventory of premium finance platforms available for acquisition.

Despite this scarcity, interest from non-traditional capital sources and international players continues to drive M&A demand for lenders of scale. We anticipate considerable M&A and capital-raising activities across the industry in the next 12 to 24 months.

COLONNADE IS THE LEADING ADVISOR TO THE INSURANCE PREMIUM FINANCE INDUSTRY

pathward® has sold its premium finance division to HONOR CAPITAL COLONNADE	STONEMARK was sold to IMPERIAL PFS® COLONNADE	AGILE PREMIUM FINANCE A Division of Valley National Bank® was sold to fiRST first financial bank COLONNADE	SECURITY PREMIUM FINANCE, INC. was sold to NATIONAL PARTNERS COLONNADE	CAPITAL PREMIUM FINANCING™ raised capital from COPLEY | EQUITY | PARTNERS COLONNADE
gotoPremiumFinance Solutions for the Insurance Industry raised capital from BMO Harris Bank COLONNADE	TRIUMPH PREMIUM FINANCE was sold to Peoples BANK COLONNADE	CAPITAL PREMIUM FINANCING™ raised capital from Ameris Bancorp COLONNADE	NATIONAL PARTNERS was sold to WebBank A STEEL PARTNERS COMPANY COLONNADE	STONEMARK Premium Finance Group was sold to Kaufman COLONNADE
PREMIUM ASSIGNMENT CORPORATION was sold to IMPERIAL PFS® COLONNADE	MEPCO was sold to SEABURY CAPITAL GROUP COLONNADE	US PremiumFinance® "Beyond Great Rates & Superb Service" was sold to Ameris Bancorp COLONNADE	AFS IBEX Financial Services, Inc. was sold to MetaBank COLONNADE	CAPITAL PREMIUM FINANCING™ raised capital from Texas Capital Bank COLONNADE
Premium Payment Plan was sold to WELLS FARGO COLONNADE	upac® was sold to IMPERIAL PFS® COLONNADE	CI SINCE 1937 CANANWILL PREMIUM FUNDING was sold to BB&T COLONNADE	CI SINCE 1937 CANANWILL PREMIUM FUNDING was sold to MACQUARIE COLONNADE	CI SINCE 1937 CANANWILL PREMIUM FUNDING was sold to MACQUARIE COLONNADE
CI SINCE 1937 CANANWILL PREMIUM FUNDING was sold to Allianz COLONNADE	FLAT IRON CAPITAL CORP was sold to WELLS FARGO COLONNADE	IMPERIAL PFS® acquired the premium finance assets of MEPCO COLONNADE	CAPITOL PAYMENT PLAN was sold to IMPERIAL PFS® COLONNADE	MEPCO insurance premium financing was sold to INDEPENDENT BANK COLONNADE

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This advertisement was prepared November 2025. It is not investment advice, and Colonnade undertakes no obligation to update the information contained herein.

Sources: Insurance Information Institute, S&P Capital IQ, Insurance Insider US, company presentations, public disclosure, regulatory filings, and Colonnade research and estimates.