



Payment Transformation: How Digital Are You?

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By One Inc

In this report, we discuss the digital payment continuum and how insurers can develop digital payment experiences that not only meet customer expectations but enable innovation and growth.

● Introduction

As insurers accelerate their transformation efforts to meet ever evolving customer expectations, digital payments have moved to the forefront. Recent studies have shown that customers are increasingly willing to switch insurance providers based solely on digital offerings and payment methods. Having such a significant impact on customer retention, payments hold considerable importance. Today's policyholders want more than just digital payment offerings. They want and expect a truly seamless and personalized digital payment experience.

● Insurer Challenges and the Need to Deliver More

P&C insurers have been dealing with innumerable hurdles that include supply chain issues, increased repair costs, challenging loss ratios and economic uncertainty – all contributing to longer claim cycles that understandably cause claimants concern. So, it shouldn't come as a surprise that insurers haven't been able to keep up with policyholder expectations.

The 2022 U.S. Claims Digital Experience Study from J.D. Power reported that overall satisfaction with the digital claims process declined for a second consecutive year.¹

Carriers are under extreme pressure to effectively manage expenses while still aggressively pursuing digital transformation and improving the customer experience.

● The State of Insurer Digital Transformation

Although insurers have been talking about digital transformation for over a decade, **a recent ACORD survey of the 200 largest insurers worldwide found that “fewer than 25% have truly digitized the value chain while more than 10% are not significantly leveraging digital technologies within their current business processes.” Per Bill Pieroni, President and CEO of ACORD, “The gap between those who have been prioritizing digitization and those who systematically underinvested is now impossible to ignore.”**²

A recent Strategy Meets Action (SMA) survey regarding P & C insurers' 2023 strategic initiatives shows that 97% of commercial lines insurers and 91% of personal lines insurers are in some stage of transformational implementations. Their research also showed that:

37% of commercial lines carriers and 32% of personal lines carriers have incorporated payments into their digital transformation roadmaps.³

Why should insurers prioritize payment transformation? Payments are the most frequent touchpoint an insurer has with an insured. When one considers a customer enrolled in monthly billing, that alone equates to 12 opportunities to positively impact the customer experience. And although claim disbursements are less frequent, they are the most critical to the customer experience – the ‘moment of truth’ in the insurance process when an insurer must keep their brand promise to quickly make their insured whole again. And with today’s insurance customer expecting and demanding convenience, choice and speed when it comes to making their premium payments and receiving claim payments, it becomes clear that a robust digital payment solution is necessary, one that can drive payment process transformation and operational efficiency.

● The Value of Digital Engagement for Customer Retention

During times of inflation, insurers need to work even harder to retain their policyholders. When consumers have less money to spend, they are much more likely to shop around for their insurance, reduce insurance coverage, or let coverage lapse altogether. And if their payment status is not clear, it can set off a chain reaction of unintended consequences that can result in higher call center volume, policyholder dissatisfaction and eventually customer attrition. Digital engagement tools, however, now allow insurers to instantly connect with existing insureds to improve policyholder retention and strengthen relationships.

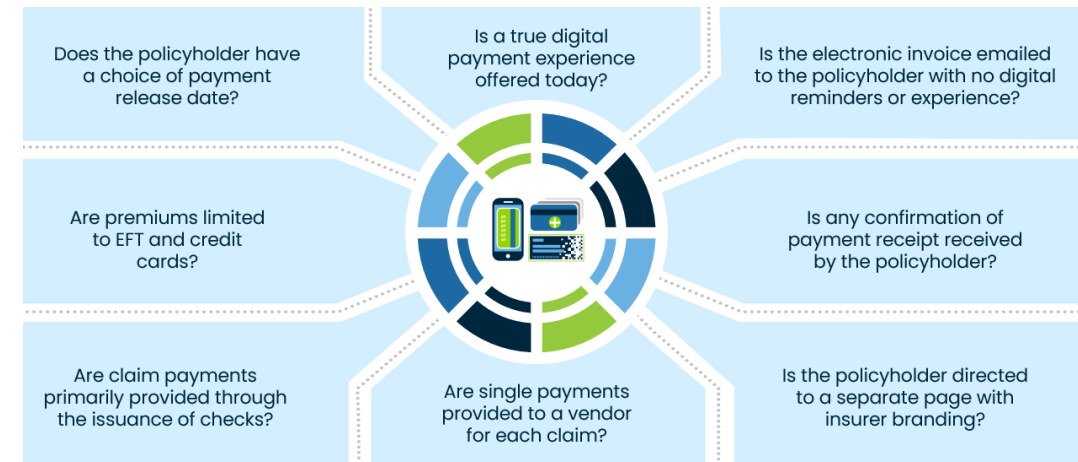
An extremely valuable communication tool, digital engagement enables transparency and trust, and can lead to an increase in customer retention by 10% or more.

Insurers are able to reach their policyholders in less time by messaging them through digital channels, which is especially helpful during policy lifecycle events, such as pending cancellation notices, digital claim payment notifications, and reminders of upcoming renewals. Insurers can send a message to a policyholder of an impending lapse in coverage and provide a convenient option for the policyholder to pay and renew via that same text exchange.

● The Digital Payment Transformation Spectrum

An evolution has been occurring in the payment arena over the past five years, greatly accelerated by the pandemic. Having witnessed what is possible with online and mobile interactions, consumers expect more. They expect ease, convenience, greater speed and more control. They will no longer accept anything less than a seamless payment experience, and that leaves insurers wondering exactly what that looks like. Insurers trying to figure out if they offer truly digital payment experiences should consider the following questions:

Are Your Payments Truly Digital?



From laggard to leader status, insurance carriers are stepping their way through digital maturity, determining what it will take for them to reimagine the payment experience. They have begun the journey down the digital payment spectrum, transitioning from manual payment processes and paper checks to offering online payment via ACH and credit cards.

Those who are further along the path drive digital notifications, encourage recurring digital payments via digital wallets like Apple Pay and Pay Pal, and are finding their way through to emerging payment methods like Venmo.

Leader Status

Inbound Payments Maturity

- ✓ Completely tailored digital experience – customer choice and management
- ✓ Digital invoice experience
Management of notification due date, payment reminder, payment confirmation, payment preference
- ✓ Payment via check, echeck, ACH, credit card
- ✓ Multi-policy management direct payment for a range of policies
- ✓ Recurring payments with payment method preference stored, ability to easily store and select payment method for each payment
- ✓ Utilize lockbox processing
- ✓ Submission of payment via mail, website, portal, app, text, eWallet (Apple Pay, Google Pay, PayPal), virtual payments (Zelle, Venmo)

Outbound Payments Maturity

- ✓ Fully tailored digital payment hub experience
- ✓ Various payment options presented that are custom based on the line of business and type of claim / payment being made
- ✓ Payment methods: check, ACH, preloaded / reloadable credit card, debit card, virtual payments (Venmo, Zelle, PayPal)
- ✓ Expanded payment methods (check, ACH, credit card) offered to third party vendors
- ✓ Digital recurring payments offered with payment method choice that can be claimant directed

Source: Strategy Meets Action 2020



● The Movement to Digital Wallets and Virtual Payments

Digital wallets have steadily been increasing in consumer popularity. Juniper Research reports that the number of digital wallet users globally in 2022 was already at 3.4 billion and predicts that 60% of the global population – more than 5.2 billion people – will be using digital wallets by 2026.⁴ **Apple Pay has now surpassed Mastercard, with over \$6 trillion worth of transactions.**⁵ And digital wallets aren't just being used for retail shopping. It makes sense when you consider the convenience of having a digital wallet on your mobile device that can facilitate fast and easy contactless payment.

A survey by PYMTS found that 21% of consumers surveyed used digital wallets to pay their insurance premiums.⁶ A recent study by SMA, however, found that only 8% of personal lines insurers report having virtual payment in production.⁷ When considering the transition to digital wallets, insurers need to consider not only the improvement to customer experience, but the possibility of cost savings. When using Apple Pay, for instance, insurers can benefit from decreased credit card processing rates, as well as the reduction in chargebacks due to its biometric nature.

● Premium Payment Optimization & Network Tokenization


Insurers can further optimize payments through the use of network tokenization technology. By leveraging network tokens, insurers can qualify for reduced interchange rates, saving 66% or more on credit card expenses. In addition, insurers can also realize

an average increase in card authorization rates of 2.2%.⁸ The positive financial impact from network tokenization is substantial, especially for enterprise organizations with high volumes of transactions. Even a marginal decrease in interchange fees and payment declines can have a huge impact when applied across thousands—or even millions—of monthly transactions. And since network tokens are continually updated, they help to prevent recurring payment transactions from failing due to expired account information.

● Digital Claim Payment Adoption and Vendor Payment Management

Digital claim payments can make it easier for adjusters to close claims and lessen claim severity, ultimately reducing litigation possibilities. Claim payments can be complex, however, with a significant number of claim payments routinely paid to vendors and service providers, such as auto repair shops, contractors and health





care service providers. And for many multi-line carriers, claim payments may be split among single party, multi-party, subrogation, auto lienholder, property mortgagee, and a variety of vendor categories.

But insurers cannot be truly digital if they don't have a business process that can digitize the workflow for each of these many different claim payment types. Especially in the case of auto total loss and property damage mortgagee claims, digital decisioning and digital payments can greatly reduce cycle time by 5-8 weeks, significantly lowering car rental, lodging and other expenses.

The sheer volume of vendor payments alone makes this a great area to drive operational efficiencies and expense reduction through vendor onboarding, virtual cards, bulk payments, and digital adoption best practices.

● How Digital Are You?

In today's digital climate, an insurer's ability to support a variety of different payment methods is just table stakes. To be able to retain customers and actually grow, insurers

really need to focus on reimagining the payment experience by rethinking processes and putting capabilities into the hands of the policyholder, the claimant, and the vendor. Insurers need to move beyond credit cards and ACH to providing not only real-time payments, but a complete digital payment experience that is seamless across payment types and channels. For vendor payment and management, it can be extremely beneficial for insurers to select a payments partner who will perform a vendor analysis to evaluate virtual card adoption potential and actively facilitate a comprehensive onboarding to ensure successful transitions.

● Insurer Considerations:

- **Focus on the policyholder and claimant experience:** Meeting the policyholder or claimant where they operate and how they want to communicate is critical to delivering a differentiated experience. It should not be a one-size-fits-all journey.
- **Digital payment options available at the right time in the right manner will present the best opportunities for a high degree of digital adoption.** Consider that virtual and digital payment options, including Apple Pay, Google Pay, PayPal, Venmo, etc., are becoming more attractive to end consumers.
- **Capitalize on the benefits of digital vendor payment management:** Vendor payment management during the claims process can truly streamline payment transactions, removing the dependency on check issuance while driving down the cost of claims, resulting in a win-win scenario.

About One Inc

Ranked as 'Best-in-Class' by Aite-Novarica for its digital platform capabilities, vendor stability and client service strength, One Inc is modernizing the insurance industry through a unified and frictionless payment experience. We deliver a full-stack inbound-outbound payment solution that includes expansive payment methods, premium reimbursement capabilities, and rapid digital claim payments, even for the most complex insurance use cases. Our reimagined inbound payment platform, PremiumPay® 2.0, features a low-code/no-code user interface that provides insurers unparalleled speed, usability and customization. Our omnichannel digital communication capabilities allow insurers to proactively engage policyholders on the channels they prefer. And our fully hosted, scalable, and PCI compliant platform reduces risk and increases data security and safely stores tokenized data.

Changes in consumer behavior toward digital demand will persist and grow. Future-focused insurers have eliminated paper-based workflows and paper checks, investing in more robust digital payment platforms that drive a superior experience for their customers, vendors and other third parties. At One Inc, we help insurers transform their operations by reducing costs, increasing security, and optimizing customer experience because we focus solely on the insurance industry.

One Inc provides carriers with the ability to give their customers what they want and expect: control, convenience, consistency, and continuity. That's the strength derived from the **Power of One™** – a cohesive and seamless experience for both inbound and outbound digital payments.

To discuss your digital payment needs, please call **(822) 209-1688** or email inquiries@oneinc.com

Endnotes

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CONTACT:

(833) 209-1688

inquiries@OneInc.com