

# HOW ARE 90% OF INSURERS MODERNIZING PAYMENTS?

Insurers rush to enroll and retain consumers with easier payment experiences



## EXECUTIVE SUMMARY

VPs of personal lines of business are changing out their payment experiences with a focus on raising consumer satisfaction, savings and security.

Modernization is helping insurers boost:

- Satisfaction – Net Promoter Scores are rising 25% versus peers<sup>1</sup>, enabling them to sign up and retain more consumers
- Savings – Reducing payment-related calls by 50%<sup>2</sup>
- Security – Keeping their names out of the headlines, while 17% of insurers had payments data stolen in the past 12 months<sup>3</sup>

### INSURER BENEFITS

**25%** 

**NET PROMOTER  
SCORE IMPROVEMENT**

**50%** 

**REDUCTION IN PAYMENT-  
RELATED CALLS**

**18%** 

**SAVINGS ON SECURITY  
AND COMPLIANCE**

Don't be left behind. 90% of insurance executives are currently developing new payment systems to attract and retain the very same consumers you are chasing. See how you can beat them at their own game.

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# 1

## FOCUS ON ROI OF ENHANCING THE INSURANCE PAYMENTS EXPERIENCE

Insurance companies redesigning their consumer payments experience have experienced these benefits:

- Increased retention 30% for consumers using recurring payments versus one-time payments
- 400% growth in consumer enrollment
- Positive ROI in 10 months<sup>4</sup>

Consumer demographics are shifting, requiring insurers to redesign their billing and payment experiences. Generation Z, born after 1994, is now the largest generation.<sup>5</sup> Unfortunately this generation is more likely to forget to pay their bills and to contact you with billing questions.

In response, insurers are changing how they bill, notify and accept payments to raise the profitability of serving younger consumers. Industry standards are changing and fast movers will have a large opportunity to improve their return on investment (ROI).

# 2

## RAISING INSURANCE BILLING AND PAYMENT EXPERIENCES UP TO INDUSTRY STANDARDS

Forrester Research says that [modern electronic bill presentation and payment systems](#):

- Offer flexible delivery of digital bills and billing data
- Facilitate digital bill payment and disbursements
- Enhance consumer communications and marketing around billing<sup>6</sup>

Yet many insurers do not use:

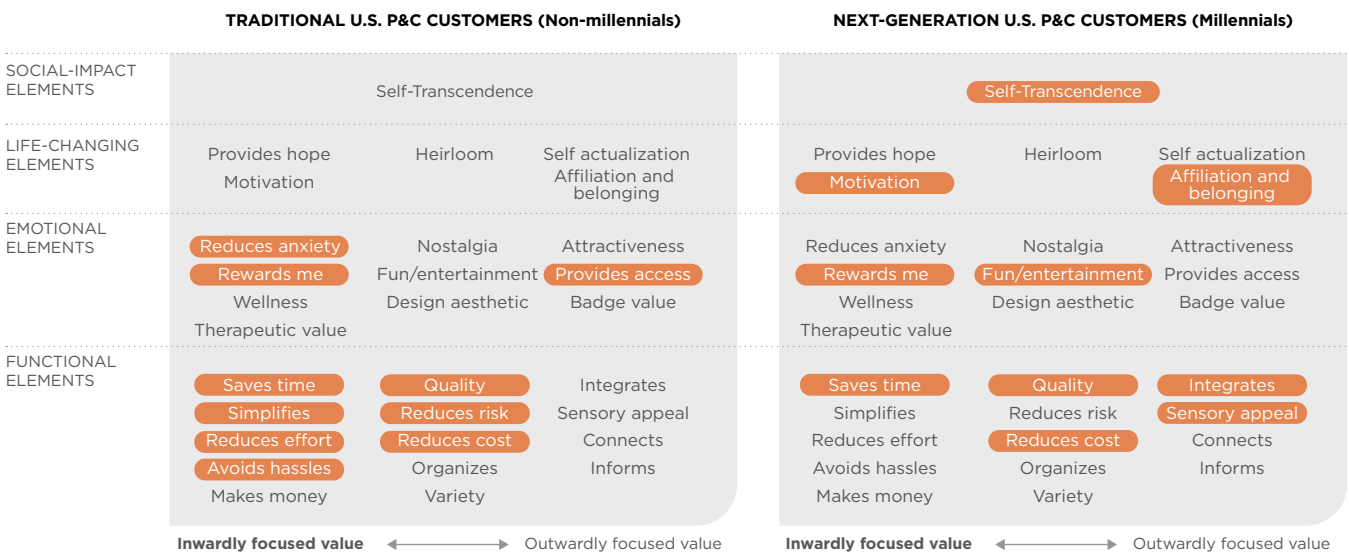
- A single partner for bill payment and claims payment
- Their digital bills to grow their business with targeted ads

Consulting firm Bain also points out that younger consumers have different loyalty drivers, requiring insurers to adapt to keep up.

Younger consumers, like Gen Y, give their loyalty to insurers who not only deliver the functional and

### TOP DRIVERS OF CONSUMER LOYALTY

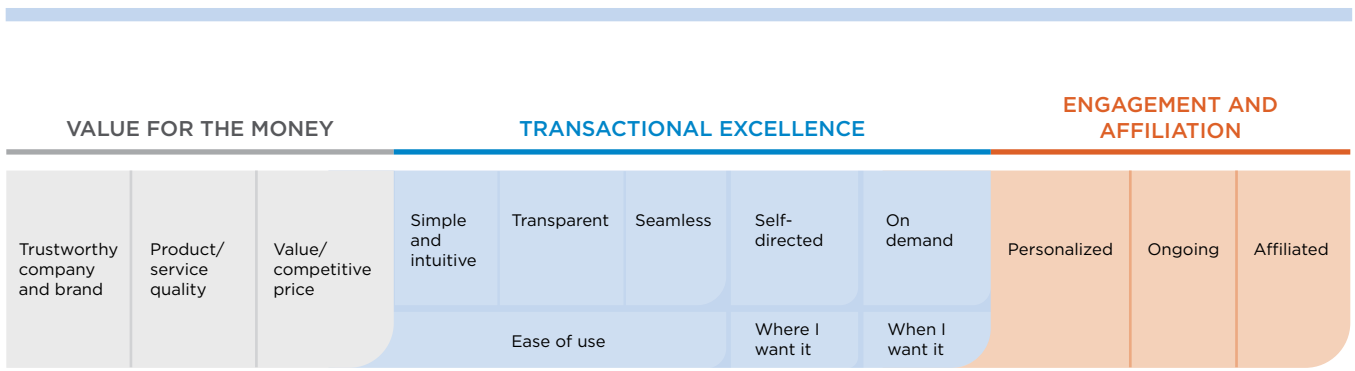
#### Top 10 Drivers of NPS<sup>®</sup>



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Note: Millennials are customers 18 to 34 years old; top 10 drivers of NPS were derived from a statistical regression analysis between Net Promoter Score<sup>®</sup> and Elements of Value<sup>®</sup> ratings

Source: Bain/Research Now Insurance NPS Survey, 2018



TODAY'S EXPECTATIONS

TODAY'S DIFFERENTIATORS

TOMORROW'S DIFFERENTIATORS

Source: Bain & Company

emotional elements they expect, but also social-impact elements. How might insurers [use their billing communications to create a positive social impact?](#) A few examples include:

- Bill insert to rally children in the community to draw a picture for another child who just lost their art projects in a fire
- Text message link promoting 5k race to fight breast cancer

For traditional insurance consumers, reducing their anxiety is a top driver of loyalty. The trouble is, 6 in 10 Americans are anxious about their bills.<sup>7</sup> Ironically, your most frequent point of engagement, that which may make consumers more loyal, also makes most of them anxious.

How could you make the payments experience more calm and peaceful for your consumers? Try the following:

- Allow them to pay without a password — remembering usernames and passwords is a top frustration for consumers
- Make your bill super easy to understand and read from a mobile phone

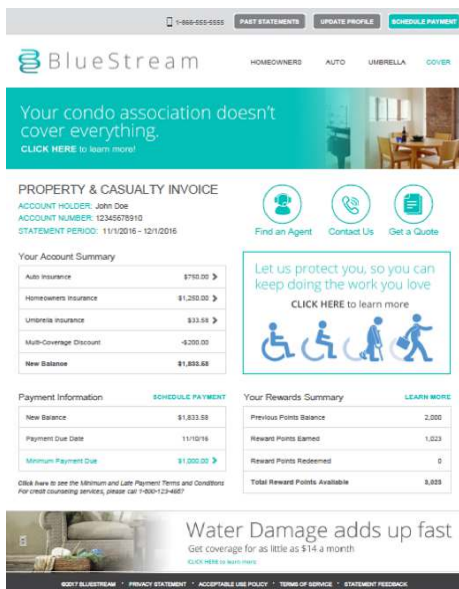
- Send text message reminders to those consumers who haven't made a payment three days before the due date

How insurers differentiate themselves will change from transactional excellence to engagement and affiliation.

### 3 BUILDING CONSUMER ENGAGEMENT WITH PAYMENTS

100% of insurance executives surveyed say [selling value-add services during the payments experience will be important for their future.](#)<sup>8</sup> As the most frequent interaction that insurers have with their consumers, the bill provides an excellent opportunity to sell new products.

As insurers add personalized ads to their bills, they are simultaneously consolidating bills to give consumers a single bill for all policies and family members. Smart insurers can change their bills and targeted advertisements with systems that don't require IT involvement.



Consumers give you their email address and mobile phone numbers to receive bill due reminders, and this contact information provides a starting point for deeper consumer engagement. Insurers can use this contact info to also provide risk mitigation messages. Imagine texting consumers about how to prepare for an impending hurricane coming to their region.

## 4 PRIORITIZING PAYMENTS IN RETENTION STRATEGIES

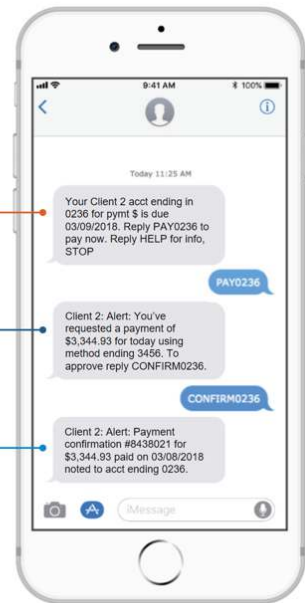
PHIL'S POLICY EXPIRED AND HE DROVE WITHOUT AUTO INSURANCE. GEICO SENT HIM LETTERS AND EMAILS REMINDING HIM TO PAY, BUT HE NEVER SAW THOSE COMMUNICATIONS. LIKE MOST, PHIL OPENS TEXT MESSAGES IMMEDIATELY, BUT RARELY GETS TO THE MAILBOX OR READS HIS EMAIL.

38% of consumers paid an insurance bill late in the past 12 months. Text messaging, card and recurring payments can help you retain consumers and prevent them from missing a payment.

Among consumers who pay their insurance late, 71% would be "very" to "extremely likely" to pay on time if they could pay with a card. 74% of late consumers say they would be "very" to "extremely likely" to pay their insurance bill on time if they could pay by text message.<sup>9</sup>

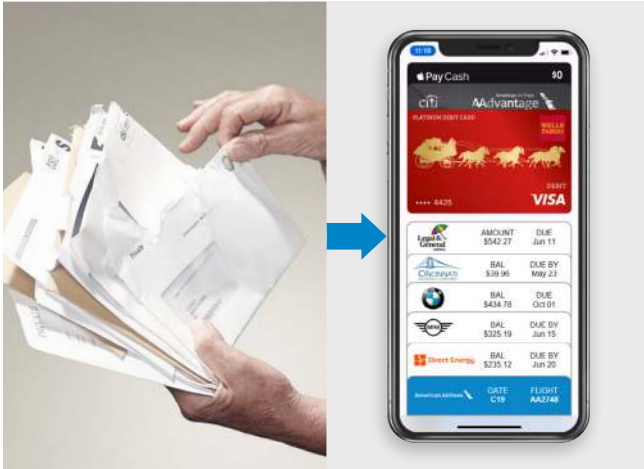
### COLLECT PAYMENTS EASIER WITH TEXT MESSAGES

-  Alert
-  Payment offer
-  Confirmation



In fact, text messaging is now Americans' preferred consumer service channel. Americans spend four times more time texting than talking on the phone these days. Insurers are following suit, embracing text messaging to alert consumers their bill is due and allowing them to reply to pay. Additionally, text messages have a 98% open rate within three minutes.<sup>10</sup> Plus, text messaging allows you to provide links to bills and policy documents.

## BILLING AND PAYMENTS EVOLUTION



Delivering bills to Apple and Google mobile wallets also proves to reduce consumers paying late. Just as the majority of train and transit tickets are now on mobile wallets, up to 20% of consumers are enrolling to receive their bills in their mobile wallets.<sup>11</sup>

## 5 NEW SECURITY FRAMEWORKS AND EXPERTISE

Payments data was stolen from 17% of insurers in the past 12 months. To combat this:

- 78% of insurance executives have introduced a new security framework
- 78% engaged security experts
- 50% reduced places they transmit payments data
- 50% increased outsourcing of core processes

In fact, 61% of insurance executives plan to move more payments to the cloud in the coming 18 months.<sup>12</sup> Moving to an experienced cloud provider can not only enhance security, but can also make it easier to launch new products and save money, according to a survey of insurance executives.<sup>13</sup>

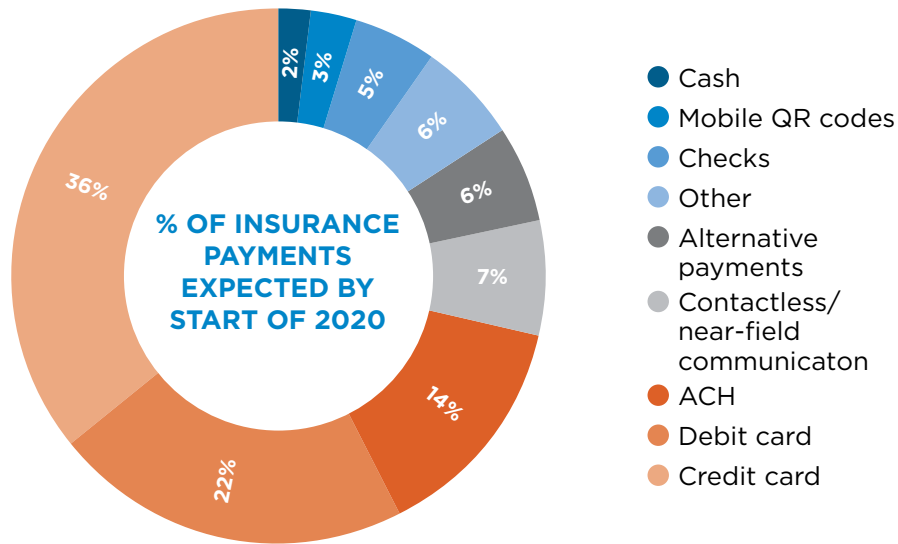
For insurance companies looking to offer new products and new lines of business, the cloud allows insurers to get up and running quickly at a lower cost. The cloud will grow in importance as electronic payment volumes soar.

## 6

## INCREASING ELECTRONIC INSURANCE PAYMENT VOLUMES

Insurance executives expect more than 90% of premium payments to come electronically for their personal lines of business by 2020. That's right, they expect less than 10% of payments to come in through cash and check. As a result, insurers will focus on saving time spent reconciling electronic payments. Successful insurance companies deploying advanced solutions can expect to save 19% of staff time spent on payments.<sup>14</sup>





The growth in electronic payment volumes sends ripples throughout insurance technology roadmaps. 83% of insurance executives plan to improve the integration between payments and their policy administration system (think Guidewire or TriZetto) in the next 12 months.<sup>15</sup>

your payment partner's application programming interface with your live chat partner

Surprisingly, payments through social media and chat-apps surpassed the other top drivers of insurance companies modernizing their payments infrastructure:

- Compliance
- Technology integration
- Analytics
- Payments acceptance<sup>16</sup>

## 7 SOCIAL MEDIA AND CHAT-APP PAYMENTS

The number one driver of insurance companies investing in new payment infrastructures is to meet consumers where they are — social media and chatting.

Imagine...

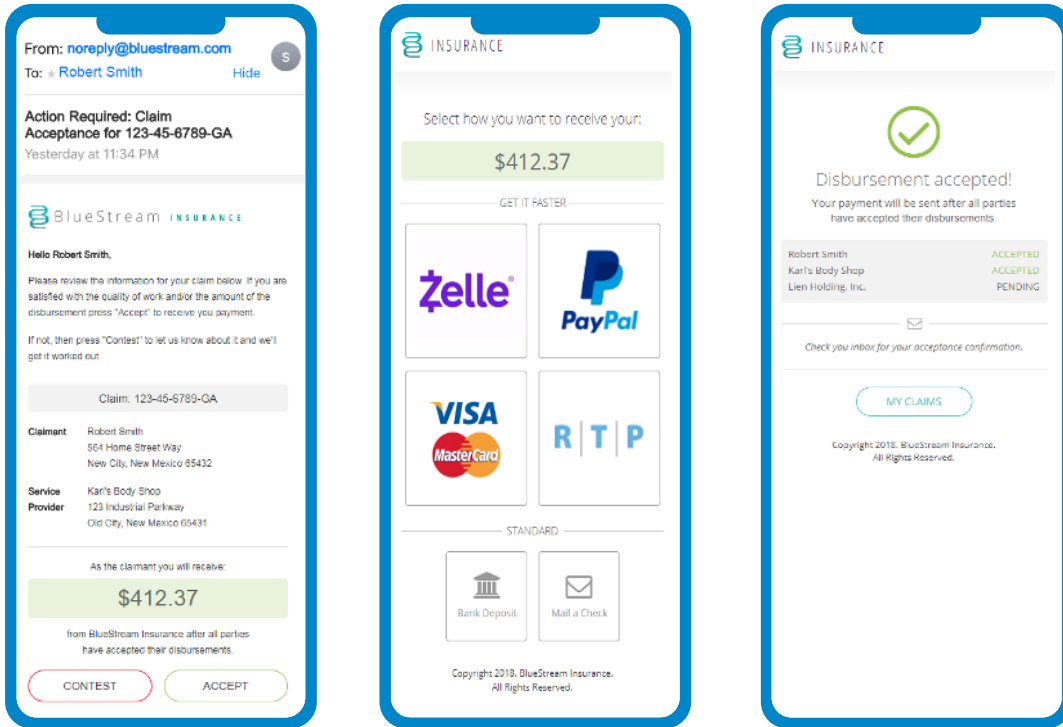
- Posting Facebook updates on New Year's Day encouraging consumers to make New Year's resolutions to organize their finances and set up recurring payments
- Allowing consumers to pay their premiums while they use your live chat application by integrating

## 8 MULTI-PARTY CLAIM PAYMENTS

The all-in cost of a multi-party claim check for you could exceed \$15. This breeds tremendous excitement for electronic multi-party claim payments that significantly shrink your costs. The claims and treasury teams at insurers are joining forces to allow consumers, repair shops, lien holders and other constituents to agree to the amount they will receive and receive the funds electronically.



## MULTI-PARTY CLAIM PAYMENTS EXPERIENCE



# 9

## REAL-TIME CLAIM PAYMENTS

STEVE'S ROOF GOT DAMAGED IN THE STORM. ALLSTATE CAME TO ASSESS THE DAMAGES. THE AGENT ASKED STEVE TO SWIPE HIS DEBIT CARD AND STEVE GOT HIS MONEY IN JUST A FEW MINUTES.

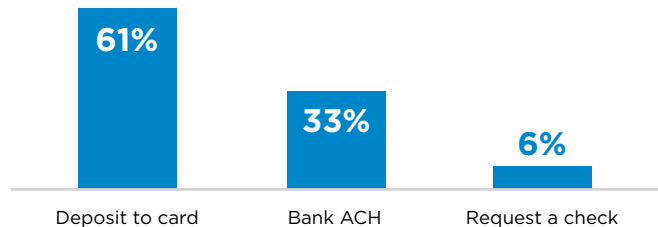
More than 60% of consumers want real-time claim payments.<sup>17</sup> In fact, 58% of insurance consumers felt claim payments took longer than expected.<sup>18</sup>

### Why do consumers want real-time claim payments?

Nearly two thirds of people at all income levels report living paycheck to paycheck — including 38% of those earning north of \$130,000 a year.<sup>19</sup>

## CONSUMER DISBURSEMENT PREFERENCES

PUSH TO CARD VS. ACH VS. CHECK

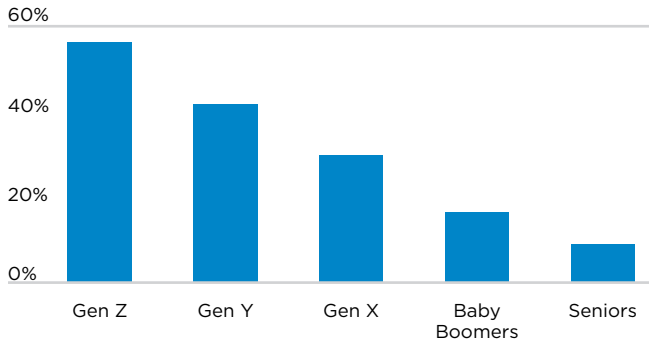


Insurance executives have caught up with consumer demand, as 67% think real-time payments will improve their consumer service and 72% expect real-time payments to save them money.<sup>20</sup>

As you dial into your weekly update calls, can you hear the frustration from your consumer service team? "Consumers keep calling and asking where their claim payment is!" The fact is, younger consumers expect real-time payments and they will bug you about where their money is.

### YOUNGER POLICYHOLDERS WILL CALL IF CLAIMS TAKE TOO LONG

% CALLING ABOUT DISBURSEMENT STATUS



Real-time claim payments can shrink the number of calls you get.

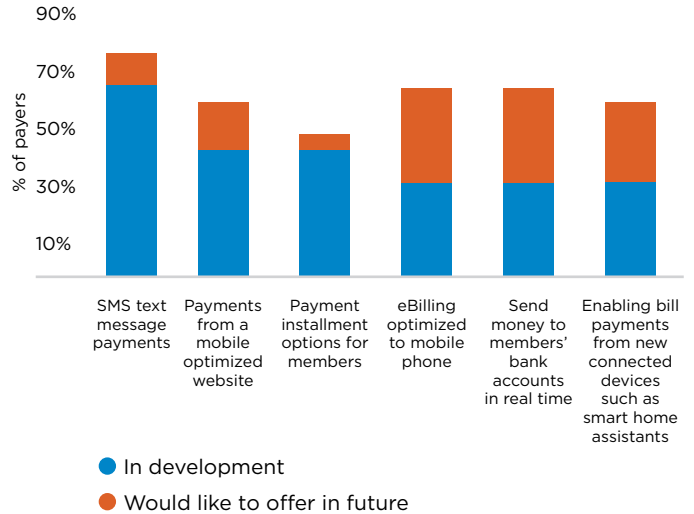
You can also reduce billing and account related calls. 69% of consumers say consumer communication management aided them to avoid unnecessary calls by answering common questions like how to understand their bill.<sup>21</sup> Reducing calls is a top priority of insurance executives, as 100% of executives responding to our survey say automated consumer service answers to consumer questions will be important for their future.<sup>22</sup>

## 10 MOBILE PAYMENTS

AS CFO, BOB HAD THE PRESSURE OF HITTING THE NUMBERS EACH QUARTER. HE WANTS TO KEEP UP WITH THE JONESES, BUT HIS DAYS ARE SO CRAZY HE RARELY GOT THE CHANCE TO LOOK AROUND AT THE CHANGES HIS COMPETITORS WERE MAKING.

It's not easy to keep up with the Joneses. Insurance companies have many different new payment options in development, with mobile and real-time payment experiences being the most popular.

### WHAT INSURANCE COMPANIES ARE CURRENTLY DOING

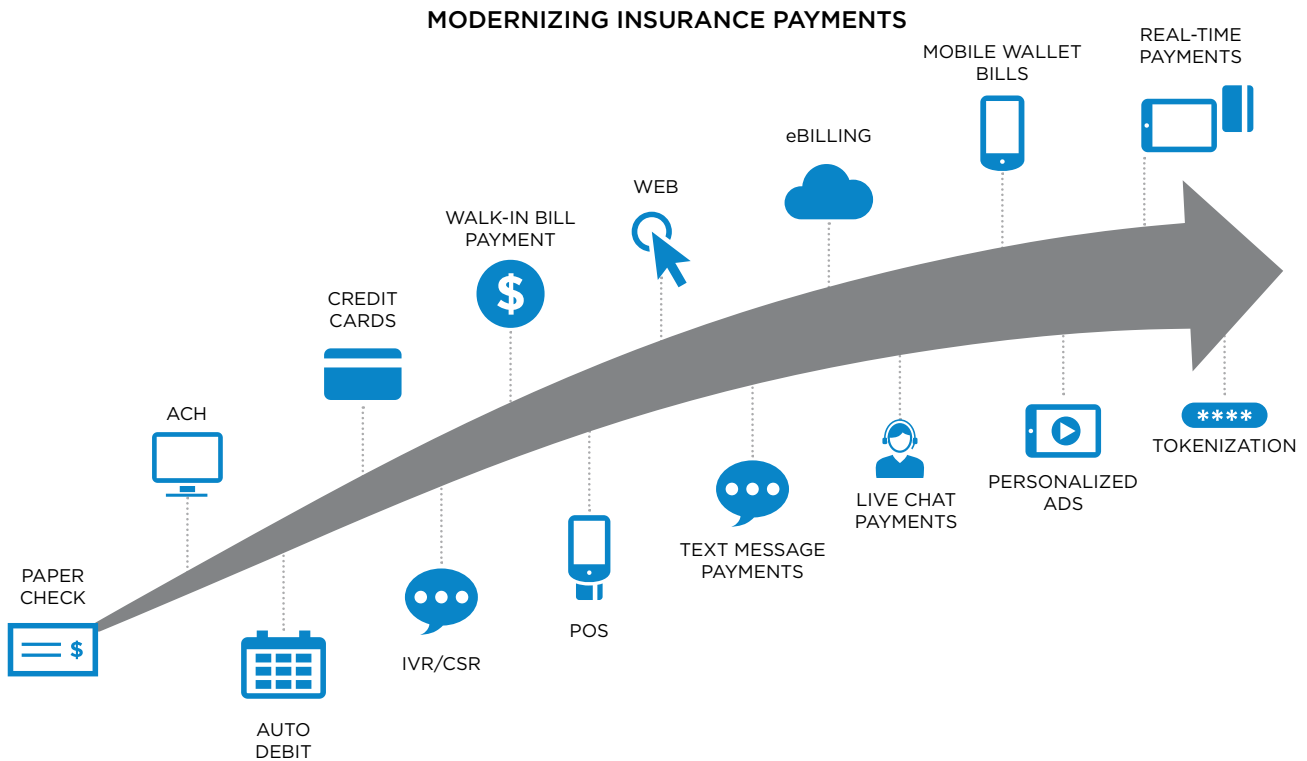


But it's not just today's competitors to track. "With new attackers on the hunt for consumers, incumbents must move quickly to integrate digital technologies into their operations. Claims should be a top priority. To capture the value of digital, claim functions must embark on a transformation to become consumer-centric, digitally-enabled organizations," writes McKinsey.

# CONCLUSION

We're certain you have some questions, but the easiest to answer at this point is what you should do next. May we suggest:

1. Calling a meeting with individual lines of business, finance, consumer service and technology department leaders
2. Use the research findings in this paper to inform your payments improvement plan
3. Identify quick wins like text message payments and real-time claim payments



The only question that remains is, will you make changes one day or is today day one of starting progress?

<sup>1</sup> Treasury Today  
<sup>2</sup> Treasury Today  
<sup>3</sup> Insurance executives responding to Ovum and ACI Worldwide survey  
<sup>4</sup> Treasury Today, third-party survey of ACI Worldwide clients, ACI Worldwide case studies and blogs  
<sup>5</sup> Inc.com  
<sup>6</sup> Forrester Research, Inc., "Now Tech: B2C Electronic Bill Presentment And Payment (EBPP), Q1 2019", March 1, 2019  
<sup>7</sup> Insurance consumers responding to Aite Group survey sponsored by Visa and ACI Worldwide  
<sup>8</sup> Insurance executives responding to Ovum and ACI Worldwide survey  
<sup>9</sup> Insurance consumers responding to Aite Group survey sponsored by Visa and ACI Worldwide  
<sup>10</sup> Informate, Columbus CEO, Forbes  
<sup>11</sup> Walletron  
<sup>12</sup> Insurance executives responding to Ovum and ACI Worldwide survey  
<sup>13</sup> Insurance executives responding to Ovum and ACI Worldwide survey  
<sup>14</sup> Third-party survey of ACI Worldwide clients  
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<sup>18</sup> J.D. Power & Associates  
<sup>19</sup> PYMNTS.com Disbursements Satisfaction Index  
<sup>20</sup> Insurance executives responding to Ovum and ACI Worldwide survey  
<sup>21</sup> Aite Group survey sponsored by Visa and ACI Worldwide  
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 [CONTACT@ACIWORLDWIDE.COM](mailto:CONTACT@ACIWORLDWIDE.COM)

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Americas +1 402 390 7600  
Asia Pacific +65 6334 4843  
Europe, Middle East, Africa +44 (0) 1923 816393

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