

# Digital Transformation of Outbound Payments

*Advancing With Digital Payment Platforms*

deluxe<sup>®</sup> PAYMENT EXCHANGE

***"We have reached a true tipping point in the payment capabilities available to insurers today. The rise of digital payment platforms and the ecosystem that supports them have combined to meet insurers' needs to improve the customer experience and reduce the cost of providing these services. Delivering payments immediately – to claimants and third-party providers – is an area that offers great opportunity for insurers ready to move forward on their digital roadmaps."***

Karen Furtado, SMA Partner

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*This Use Case Study is based on SMA's ongoing research on new payment methods in insurance. Deluxe Corporation has purchased distribution rights.*



## Executive Summary

Insurance claims is a critical area in need of digital transformation. As insurers focus on improving the customer experience with an emphasis on digitally selling insurance and servicing policyholders, claims is now a major target for improvements.

Desires to reduce claims payment delivery timeframes, manage the costs, and meet the evolving expectations of claimants have made flexibility in outbound payment options an increasing priority.

That said, the claims departments of many insurers are still mired in the labor-intensive world of paper checks. Paper checks are the most expensive method of payment and – from a claimant’s perspective – the slowest. According to PYMNTS.com’s Disbursement Satisfaction Index™, 52% of respondents received insurance payments in 2019 by paper check.<sup>1</sup>

In insurance, outbound payment methods have been disbursed from a banking-influenced paradigm heavily reliant on paper checks. As banking experiences shift to digital channels, it has changed the paradigm for customer expectations. Banking customers can now manage all of their transactions in real-time, and they have brought the same expectations of real-time (or near real-time) payment to insurance claims. Customers have become accustomed to the speed, simplicity, and funds availability afforded by the digital experience. Existing claims payment methods used by many insurers now fail to match the digital ease that customers have come to expect. Fortunately, new digital payment platforms deliver both the speed and flexibility that everyone in the ecosystem requires.

As payment methods change, expand, and advance, insurers can no longer adopt a “wait and see” attitude toward digital payments if they want to meet their customers’ expectations. Digital payments represent the way to move forward for insurers looking to transform their claims experience – one that insurers’ digital customers are already coming to expect. Digital payments make the entire payment process more efficient by increasing transparency into the status of funds, delivering required documents at the same time as payment, reducing paper, and minimizing risks of mail delivery delays.



## New Solutions Needed Today

The ability to meet customers’ needs in the digital world for funds transfers and payment options is a key element of insurers’ evolution toward a more customer-centric service model. Some may ask: Is this the direction consumers want insurers to head in? The answer is a resounding “Yes!”

In the 2019 PYMNTS.com Disbursement Satisfaction Index™, 72% of consumers stated that payment speed was important to them, as well as 73% stating that they would prefer options of payments being made available.<sup>2</sup> This push for faster payments is not simply one of convenience on the consumer side. How quickly a policyholder receives a payment in the immediate aftermath of a catastrophic event, for example, can make an enormous difference in their general wellbeing, which goes a long way toward establishing satisfaction with the overall experience.

<sup>1</sup>PYMNTS.com. (October 2019). PYMNTS.com Disbursement Satisfaction Report.

[https://www.pymnts.com/wp-content/uploads/2019/10/Disbursement-Satisfaction-Report\\_10\\_2019.pdf](https://www.pymnts.com/wp-content/uploads/2019/10/Disbursement-Satisfaction-Report_10_2019.pdf)

<sup>2</sup>PYMNTS.com. (March 2019). PYMNTS.com Disbursement Satisfaction Report.

<https://www.pymnts.com/wp-content/uploads/2019/03/Disbursement-Satisfaction-March-2019.pdf>



## Enhancing the Claimant Experience Through Digital Payments

**A major P&C insurance carrier was burdened by an expensive, heavily paper-based check payment process. They wanted to explore digital payment options but were wary of the impact it might have on their current payment processes. At the same time, their claims department was very mindful of the fact that customer satisfaction and loyalty rates are tied directly to the company's ability to establish and maintain an excellent customer experience throughout the claim experience. The insurer adopted Deluxe Payment Exchange (DPX) in 2018 to offer additional payment choices to their customers.**

**For this insurer, the implementation of DPX enabled faster delivery and a better customer experience while satisfying their customers' desires for a digital payment option. Claimants receive payment and remittance documents by email at the same time, which provides a clear explanation of the payment details. Adjusters report claimants being impressed that settlement can happen "on the spot" by agents in the field without having to provide sensitive banking information to receive their funds. The fully digital experience made available via DPX simultaneously increased customer satisfaction without requiring significant changes or disruptions to the company's accounting or settlement processes.**

Businesses of all types have begun to offer fully digital experiences, which has expanded the variety of outbound payment methods available to insurers. Digital payment innovation has established the best practices and helped to highlight solutions with the most immediate impact and most familiarity to consumers:

- ✓ **Deposit to credit or debit cards.** Credit cards have the advantage of bypassing the banking system, making them attractive to unbanked or underbanked populations. Pushing to debit cards is a very convenient method of payment because the funds can be made available in the account immediately. The push to debit does require the exchange of banking information to facilitate the transaction.
- ✓ **Virtual payments.** Virtual payments are represented by virtual credit cards or other third-party deposit accounts such as PayPal, where payments are deposited in a non-bank type of account for payments to a claimant or third party.
- ✓ **Direct deposits (EFT/ACH).** Direct deposit is another familiar method of payment in which the claimant or third party provides the bank routing and account numbers to receive the funds.
- ✓ **Electronic checks.** Electronic checks were developed to eliminate some of the clear pain points that have plagued paper checks. Issuance happens immediately upon payment authorization, and notifications delivered via email eliminate address quality challenges and make mail service delays irrelevant.
- ✓ **Security and compliance.** PCI compliance is required for any new payment option. For insurers sourcing from vendors, SOC I and II audits are typically required.



## Critical Digital Payment Capabilities



The digital world enables flexibility and speed; the digital customer demands them. This is why paper checks are such a mismatch for today's digitally-minded consumer: their slowness in delivery and the inherent rigidity of the processes that produce paper checks prevent them from satisfying customer expectations in the digital world. At the same time, the increased efficiencies made possible by the wide variety of digital payments and their intrinsic cost savings assist insurers in meeting operational goals as well as claimant and third-party needs.

Critical capabilities that insurers need when transforming their payment methods include:

**Payment anytime, anywhere.** The old paradigm of "the check is in the mail" is insufficient for today's needs. The speed of the claims lifecycle (and how easy a claimant perceives it to be) is a key differentiator for consumers. Being able to issue payment anytime, anywhere, and through digital channels is critical to meeting customer expectations.

**Payment notifications for claimants and third parties.** Payment recipients want to know when they will be paid. Part of the frustration of filing a claim is the time spent waiting for a payment to be issued, arrive, and become available after deposit. With customizable notifications, insurers alleviate this pain point for both claimants and any third parties involved.

**Documentation and compliance.** Both claimants and insurers benefit when detailed documentation and explanations accompany a payment. This ensures that the proper documentation has been exchanged and is easily accessible if the claimant or issuer needs to refer to it.

**Multiple payment methodologies.** No single payment methodology is going to be perfect for every claimant, third party, or circumstance. Insurers need to respond to changes in customer preferences based on a given claim situation without going through process re-engineering. The flexibility offered through a payment exchange provides insurers with an ever-expanding set of payment methods without having to change internal systems.

**Prebuilt integrations with modern claims systems.** Having a prebuilt integration with a modern claims system expedites the implementation process as it shortens the development timelines. Overall, this provides a win/win scenario for the carrier as the risk and the timeline of the project are reduced.

**Payment hub experience.** Rather than orchestrating one integration at a time to provide new payment methodologies, it is advantageous to utilize a payment hub experience. New payment experiences can then be a plug and play situation that provides for the quick implementation of the new capability. Having a payment hub also provides for the flexibility of adding new payment options without impact on the mission-critical modern core system.

**Preparing for new payment innovations.** The technologies underpinning payments in the digital world are changing rapidly. New digital payment methods are being provided every year. Ideally, a payments provider will support the payment options that insurers need today as well as prepare them to embrace the new possibilities still to come.



## SMA Summary



***"Digital payments are table stakes in the twenty-first century. For insurers ready to move out of the old paradigm of outbound payments, Deluxe DPX is well positioned to enhance insurers' customer service and operational efficiency."***

Karen Furtado, SMA Partner

As insurers advance in their digital transformation journey, many see digital payments as a way of meeting their policyholders where they interact on a daily basis. The abundance and continuing advancement of new payment capabilities have created a real tipping point in the market. There is an opportunity here to meet or surpass customer expectations and, at the same time, lower costs by providing digital payments and automating processes.

For insurers developing future-focused payment strategies, SMA recommends incorporating expanded payment capabilities in your customer experience and digital initiatives. Many insurers already have customer-focused initiatives underway. The modernization of outbound payments can be a means to connect with policyholders and claimants in a different way that provides additional possibilities for branding and more responsive customer service. As insurers are undertaking new technical initiatives, such as implementing new claims systems, they should consider how to incorporate newer payment capabilities.

The expensive, solely check-based processes for outbound payments do not meet the needs of today's customers. Adopting newer payment options requires the evaluation of risks such as collecting and storing PII and finding providers with the necessary security and compliance credentials. For insurers looking to enhance customer service, increase efficiency, and reduce costs, digital payment platforms are critical in providing the payment flexibility needed.

Insurers who want to migrate their payment capabilities into the digital world with minimal change to their current processes and workflows should explore the benefits of digital payment platforms such as DPX for faster payments, simultaneous delivery of the payment with attached remittance documentation, brand reinforcement opportunities, and the ability to provide claimant-driven digital customer experiences.

As insurers focus on customer journeys and seamless digital experiences, meeting the expectations that customers bring from other industries is critical. Exploring new payment methods is not merely a matter of differentiation for insurers – it is vital to insurers as they transform into digital businesses.

Any insurer seeking to expand their payment capabilities to meet the expectations of today's digital customer should put Deluxe and their DPX offering on their short list.



# deluxe<sup>®</sup> PAYMENT EXCHANGE

## About Deluxe Corporation

Deluxe is a Trusted Business Technology™ company that champions business so communities thrive. Our solutions help businesses pay and get paid, accelerate growth and operate more efficiently. For more than 100 years, we've been helping businesses succeed at all stages of their lifecycle, from start-up to maturity. Our unparalleled global scale supporting approximately 4.5 million small businesses, over 4,000 financial institutions and hundreds of the world's largest consumer brands uniquely positions Deluxe to be our customers' most trusted business partner. To learn how we can help your business, visit us at [www.deluxe.com](http://www.deluxe.com), [www.facebook.com/deluxecorp](https://www.facebook.com/deluxecorp), [www.linkedin.com/company/deluxe](https://www.linkedin.com/company/deluxe), or [www.twitter.com/deluxecorp](https://www.twitter.com/deluxecorp).



## About Strategy Meets Action

At Strategy Meets Action, our clients advance their strategic initiatives and accelerate their transformational journeys by leveraging our forward-thinking insights, deep vendor knowledge, and vast industry expertise.

Strategy Meets Action is an advisory firm that works exclusively with insurers and vendors in the P&C market, offering advisory retainers and project-based consulting services.

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