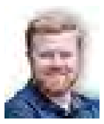
VIEWPOINT

Speeding up claims payments is core to the market's modernisation

Digitalising the payments process is a strategic imperative in a post-pandemic market environment



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The past year has had a dramatic effect on how the insurance industry operates. This change was not unwelcome, however. Change was necessary to allow growth and innovation and ensure the future relevance of the insurance sector.

We see first-hand how insurers want to evolve, to innovate, to transform and grow their businesses. We especially see this in the areas related to payments. You see, payments are a moment of truth for customers and deliver on the most fundamental promise of an insurer's product. Will I get my money when I need it the most?

While a simple enough question, the answer may be more complex. Insurers, like most companies, have enough research suggesting what consumers want and how they want it. They know who to use, where to use them and what will make the difference. But knowing what to do and being able to do it are two very different things.

Payments are a complex business and integrating into payment providers and technologies is both expensive and time-consuming. It is these integrations that become the problem. These integrations touch core IT systems and take away valuable resources for business-critical projects.

These integrations are complex and are often not well understood. Add to that the fact it is not a core operational capability for insurers and you can see why many insurers still have the most rudimentary of payment options.

Yet insurers, like all companies, need to solve this. They simply have to be able to modernise their payment journeys to ensure consumers can transact with them in the way they want.

Not a mainstream concern

Digitalisation of payments is high on many companies' agendas, but only in a limited fashion. Digital payments, such as most of the alternative payment methods like Paypal, Ideal and Venmo, to name just a few, are great, but not really part of the mainstream concerns for insurers.

What we see as more important is the digital transformation of payments as a whole. This includes the processes around payments, the providers, solutions and reporting mechanisms. Digitalising the entire payment workflow is what will move the needle: get rid of manual processes, increase data insights, execute transactions faster and reduce systems and process impact. This will allow insurers to deploy resources more effectively, make better decisions, exceed customer and vendor expectations and run a more sustainable and agile company. Digital payment transformation is a must for any insurer that wants to stay relevant, compete and be profitable.

Not only have we seen the effect of Wirecard on the insurance industry but the aftermath of Covid-19 has also been significant, particularly in the way companies engage employees and customers, customer expectations, and claims processing.

The component that affects all these areas is payments, be they collecting premiums, renewing policies, paying out claims, paying out refunds and paying employees, as well as risk management and regulatory compliance.

Customers suddenly need to pay online, customers want claims paid in real-time, the regulator demands insurers meet their obligations to customers and risk management has to react to the changing risk landscape. Insurers that are well set up for payments get better real-time reporting to make better decisions. They can better meet regulatory requirements and exceed customer expectations.

There are risks for an insurer that relies on only one, or even two, payment solution providers in such a critical part of their business. We have recently seen how devastating it can be when your only payment vendor stops operating and the impact it has on customers, partners and vendors.

Transforming the digital payment process is a must for any insurer that wants to stay relevant and profitable
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Of course, we fully appreciate one of the reasons for single-party use is the complexity and cost of integrating with providers. It is very hard to sell to spend hundreds of thousands of dollars on integration you may never use. However, a solution must be found, not only because the regulator will demand it, but also because it makes business sense.

Having the right mindset and approach means the organisation can then look to fundamentally review its general architecture. Here I refer to IT (product as well as process) architecture. Before an insurer wants to dream about any meaningful simplification, automation or digitalisation, it needs to put itself in a position to deliver this in an ongoing and consistent manner.

Our experience from working with some of the largest insurers in Europe shows us the best place to start is to identify which services are core and which ones are just strategic. The case with payments is clear in that it is strategically important for insurers, but not a core competency. No insurer wants to build big payment teams or expertise, keep track of the most recent developments and deploy these only for a single client – itself.

Build versus buy

What we come across very often with insurers is an initial "build versus buy" discussion about technologies they think they need for their business. Often teams overestimate their ability to build a solution for something they have no domain knowledge of, experience in or access to key skills.

This also results in increased technical debt and more headaches for the company. The recent Gartner global IT spending report shows companies spend around $600bn a year on system modernisation, system integration, digitalisation and move to the cloud. A lot of this spend goes straight into a proverbial black hole of temporary solutions, patches and ghost systems. In our experience, insurers should only consider building or buying technologies that are part of their core. Anything not core should be connected to, used when needed and changed as required. Technology needs to be an enabler for delivery, not what needs to be delivered.

Countless companies are unfortunately being held hostage by the age or state of their IT systems and finance processes; "hostage" meaning the sense just daring to say the words "integration" or "work on the core system" is met with disdain, apprehension and anxiety within the companies.

The way forward for insurers in terms of addressing the issue is through simple integration solutions with which they can explore opportunities for value creation, and address the inherent business risks of a topic such as payments and get access to solutions that solve the integration problem to the payments world.

Such solutions can completely simplify the path to the payments world, providing insurers with integration-free access to any payments provider, payments technology, any market, for any amount, for both collections and payouts. This is instead of insurers having to do the integration themselves and spend large sums of money, time and resources.

An integration solution can connect insurers to the providers they wish to use. Indeed, they can choose as many providers and technologies, in multiple markets, for different lines of business, as they want. The technology to harness the power of payments is there. It is up to insurers to use it. ■

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