

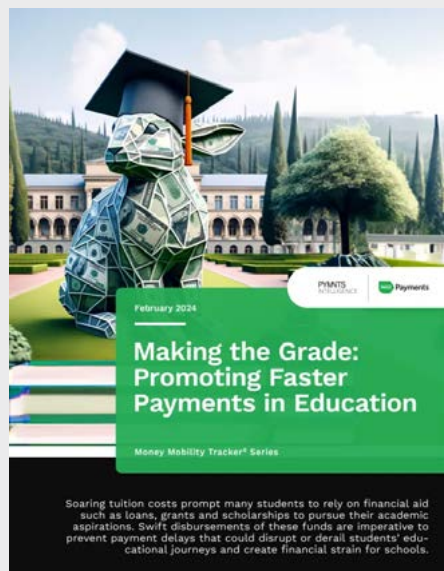


February/March 2024

Real Time Matters: The Imperative for Instant Disbursements for Insurance

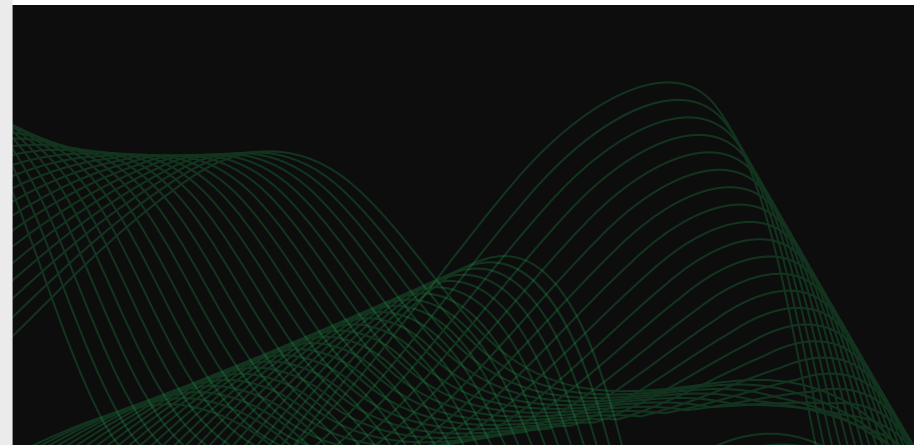
Money Mobility Tracker® Series

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FEBRUARY 2024
**Money Mobility Tracker®
Series**

Insurance companies' most vital role is to provide payouts to customers in need. All too often, however, carriers force claimants to wait days, weeks or even months for funds they need immediately. Accelerating these disbursements is crucial to delivering timely assistance precisely when it is needed.



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Acknowledgment

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Introduction

Insurance companies play a crucial role in assisting consumers with essential needs by providing funds to cover significant emergencies such as a major medical procedure, home repairs following a disaster, or replacing a car totaled in a collision. However, the slow payment practices within the insurance industry hinder timely access to these funds, forcing customers to pay out of pocket or incur major debt while they await compensation.

Leveraging real-time rails for these disbursements may seem like a straightforward solution, but deployment can be daunting due to high implementation costs, transparency issues and a host of other factors. Despite these challenges, insurance companies are forging partnerships with FinTechs to accelerate these payouts.



Real-Time Payment Friction

Cost and Transparency Hinder Implementation of Real-Time Insurance Payouts

Real-time payouts could be a significant boon for both insurers and their customers. However, obstacles such as implementation costs and unclear processes are impeding their adoption, especially for smaller insurers.

82%

of small insurers yet to adopt real-time payments point to the expense of implementation as a key barrier.

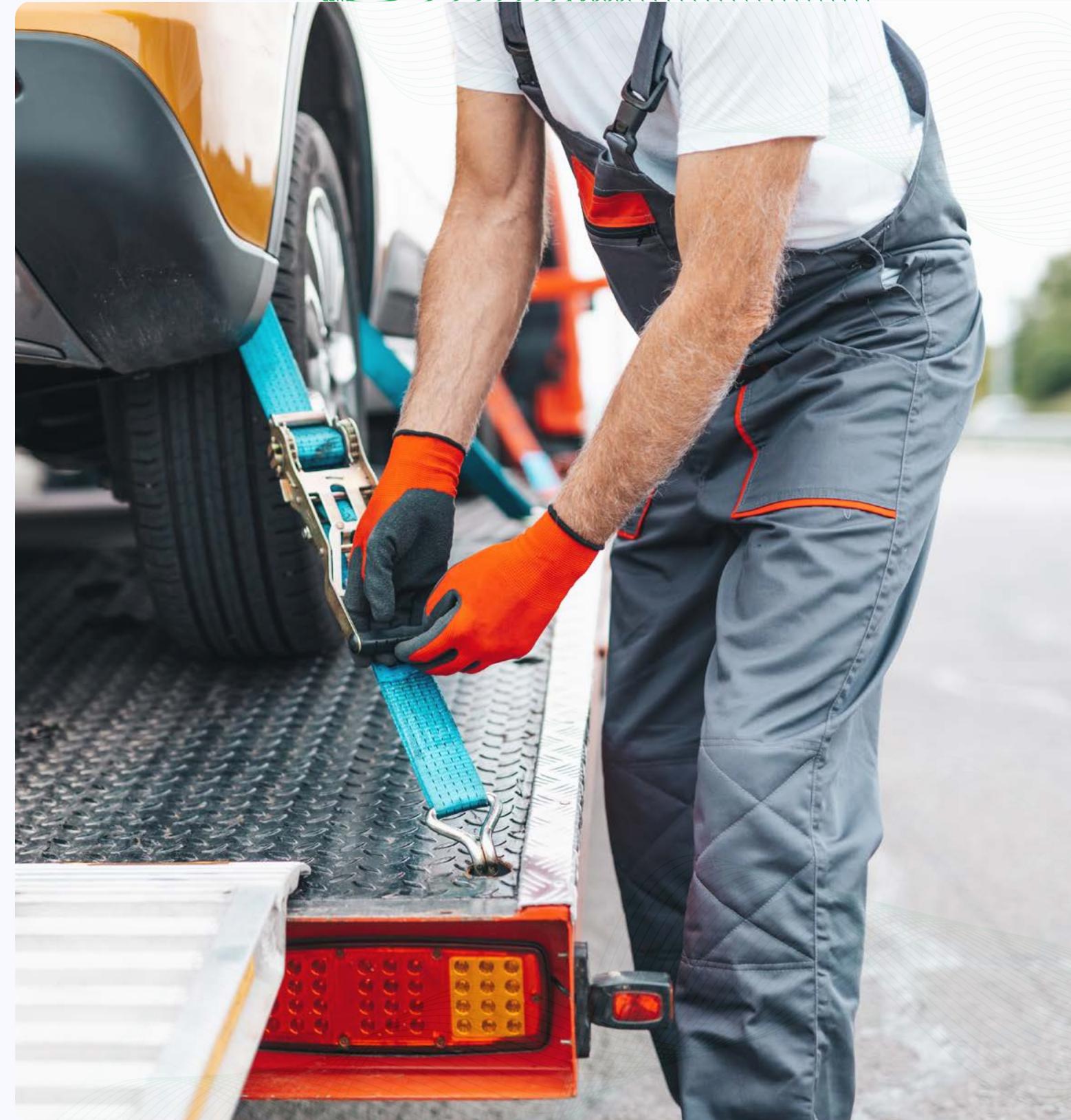
More than eight in 10 small insurers forgoing instant payments cite implementation costs as a barrier.

A recent PYMNTS Intelligence study found that a variety of factors led to insurance firms' reluctance to adopt [real-time payments](#). Six in 10 of these companies cite the high cost of implementation, with 82% of small insurance providers sharing this concern. Roughly half of small firms expressed worries around the increased risk of fraud or data theft, while 32% raised concerns about the lack of transparency in payment processes. Despite these reservations, 87% of small insurers lagging in the adoption of instant payments plan to incorporate more real-time payment features in the year ahead.

Real-Time Payment Friction

Insurers are struggling to provide a seamless digital experience for customers.

A new study from J.D. Power revealed that a mere 41% of insurance customers completely agreed that insurers' [digital tools](#) were meeting their expectations for streamlining processes. The majority encountered snags across various aspects of the digital experience, such as making claims, submitting photos and communicating with claims staff. Just 35% said the estimation process was "very easy," while one-third of claimants said they were forced to call the insurer even when digital tools were available. This dissatisfaction with the digital experience is hurting insurers' overall customer experience: The study found that customer satisfaction dropped three points since 2022, falling to 854 on a 1,000-point scale.



Instant Payments for Insurance

Insurance Providers Make Real-Time Payment Plays

Despite the challenges inherent in instant payment systems, many insurers are making moves in the real-time payments arena. Large firms have found more success in this space than their smaller counterparts.

69%

of large insurance firms said the ability to make real-time payments was very or extremely important for their business.

While 80% of insurers currently use real-time payments, the majority are large firms.

In a recent study, 69% of [large insurance firms](#) surveyed emphasized the importance of real-time payments for their business, while just 33% of their smaller counterparts shared the same perspective. Most small insurers currently use real-time payments for conducting business-to-business (B2B) transactions, as opposed to making direct payouts to claimants. Among the insurers that already receive real-time payments from other businesses, 82% highlighted the importance of maintaining strong relationships with partners as a reason for doing so. High reliability and improved cash flow management were also widely cited as benefits of instant payment implementation.

Instant Payments for Insurance



2024 could be a 'tipping point' for real-time payments across the entire economy.

In a December interview with PYMNTS Intelligence, Ingo Payments CEO Drew Edwards said instant payments are becoming a top priority across a range of industries, including insurance. This shift is largely due to the introduction of the FedNow® service last year, marking the entry of the United States government into the real-time payments arena and rapidly onboarding 300 financial institutions. “Now that FedNow’s come on the scene ... the mainstream consumer expects instant payments,” Edwards said. “[Ingo Payments is] already seeing companies that were not all that interested before saying, ‘We need to talk about faster payments for next year.’”

FinTech Partnerships

Improving Insurance Payments Through FinTech Partnerships

Implementing real-time disbursements can be a formidable challenge for insurers' accounting teams. Consequently, many are forging partnerships with FinTechs to tackle this demanding task.

82%

of large insurers are likely to partner with FinTechs to implement real-time payment solutions.

One Inc and JPMorgan are partnering on property and casualty insurance payments.

The partnership will enable insurance carriers to leverage JPMorgan's comprehensive liquidity and payments expertise to facilitate [digital payouts](#) and streamline the claims process. The solution aims to reduce a reliance on paper checks and other legacy payments in the insurance sector, thus improving customer loyalty and the efficiency of back-end operations. One Inc currently covers more than 260 insurance carriers, and JPMorgan processes more than \$10 trillion in payments daily.

FinTech Partnerships

Insurers are looking to partner with FinTechs for real-time payments solutions.

According to a recent study, 82% of large insurance carriers and 77% of small firms will likely enlist the help of FinTechs to fulfill their [real-time payments ambitions](#). The study also shows that while nearly 81% of all carriers favor partnering with FinTechs to integrate instant payment capabilities, roughly six in 10 also show a preference for national brands such as PayPal or Stripe — referred to as “digital giants” — to handle this task.



Taking these partnerships a step further, insurers are teaming up with FinTechs on embedded insurance offerings. This move serves to accommodate growing interest in nontraditional insurance arrangements around digital purchases such as airfare or concert tickets and consumers’ preference for [instant payouts](#) on claims. As these products become more ubiquitous, an increasing number of financial executives recognize their substantial revenue potential and their role in fostering customer trust. According to a recent study, 81% of global financial executives predict [embedded insurance](#) will quickly morph from a “nice-to-have” to a “must-have” in the near future.

Call to Action

Why Insurers Benefit From Real-Time Payments

Real-time payments offer an array of advantages to enhance operational efficiency, customer satisfaction and overall competitiveness. For insurance companies, real-time payments streamline their financial processes, reduce administrative costs and minimize the risks associated with delayed transactions. Traditional payment methods often involve lengthy processing times, leading to increased operational overheads and potential errors. Real-time payments, on the other hand, facilitate instantaneous fund transfers, enabling insurers to improve their liquidity management and optimize their cash flow.

Equally important are the real-time payments benefits for customers. Policyholders demand immediacy and convenience comparable to their other payments experiences. Adopting real-time payment systems allows insurance companies to process



claims and disburse refunds and other payments promptly, fostering trust and satisfaction among their client base. This speed not only enhances customer service but also positions insurance providers as responsive and customer-centric entities.

About

PYMNTS INTELLIGENCE

[PYMNTS Intelligence](#) is a leading global data and analytics platform that uses proprietary data and methods to provide actionable insights on what's now and what's next in payments, commerce and the digital economy. Its team of data scientists include leading economists, econometricians, survey experts, financial analysts and marketing scientists with deep experience in the application of data to the issues that define the future of the digital transformation of the global economy. This multilingual team has conducted original data collection and analysis in more than three dozen global markets for some of the world's leading publicly traded and privately held firms.

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[Ingo Payments](#) is the money mobility company. Our mission is to give people and businesses instant, digital and secure access to their money. We provide embedded API and iframe-supported payment solutions and deliver fully digital, cloud-based platforms that bridge the gap between legacy payments infrastructure and new payments technologies to deliver modern, bespoke payment experiences. Whether it's instant account funding, payments or payouts, businesses can count on Ingo to tailor our platform and services to meet their needs. Headquartered in Alpharetta, Georgia, Ingo employs more than 240 professionals and serves some of the largest brands in North America.

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