

Future-proofing payments in the insurance sector

People focused payments
Making life easier for you and
your customers





Introduction

Customer attraction and retention is crucial for revenue and long-term profitability in the insurance business – but everyone knows that the cost-per-acquisition is high and loyalty is often elusive.

While marketing, sales and customer service teams play a big part in winning and retaining customers, there is another often-overlooked piece in the jigsaw - payments.

Not only can modern payment methods reduce churn costs and ensure positive and predictable cash flow, they also open up new opportunities to up-sell and cross-sell products throughout a customer's lifetime.

Good payment processes are fast, frictionless, and people-focused. Some customers want to complete transactions in seconds and continue with their day, while others prefer to take their time and speak to an agent to check that their details are correct.

Poor payment processes can undo all of this. Sometimes this happens when users are redirected to a third-party payment site with unfamiliar branding, disarming them at a critical moment. Any delays in the payment process will only cause frustration, drop-offs and potentially missed payments.

None of this is new, of course. But changes in consumer behaviour and expectations, new regulations and the uncertain economic climate are all prompting insurers to rethink how they manage payments – turning on its head the notion that insurers are digital laggards.

Aimed at insurance companies and brokers of all sizes, this guide will look at some of the biggest risks facing insurers today, and explain how you can leverage your payment processes to improve customer experience, compliance, and efficiency.

At a time when repair and staff costs are rising, and ongoing inflation is heaping pressure on households, we'll demonstrate the impact that integrated and automated payment processes can have to protect and future-proof your firm.



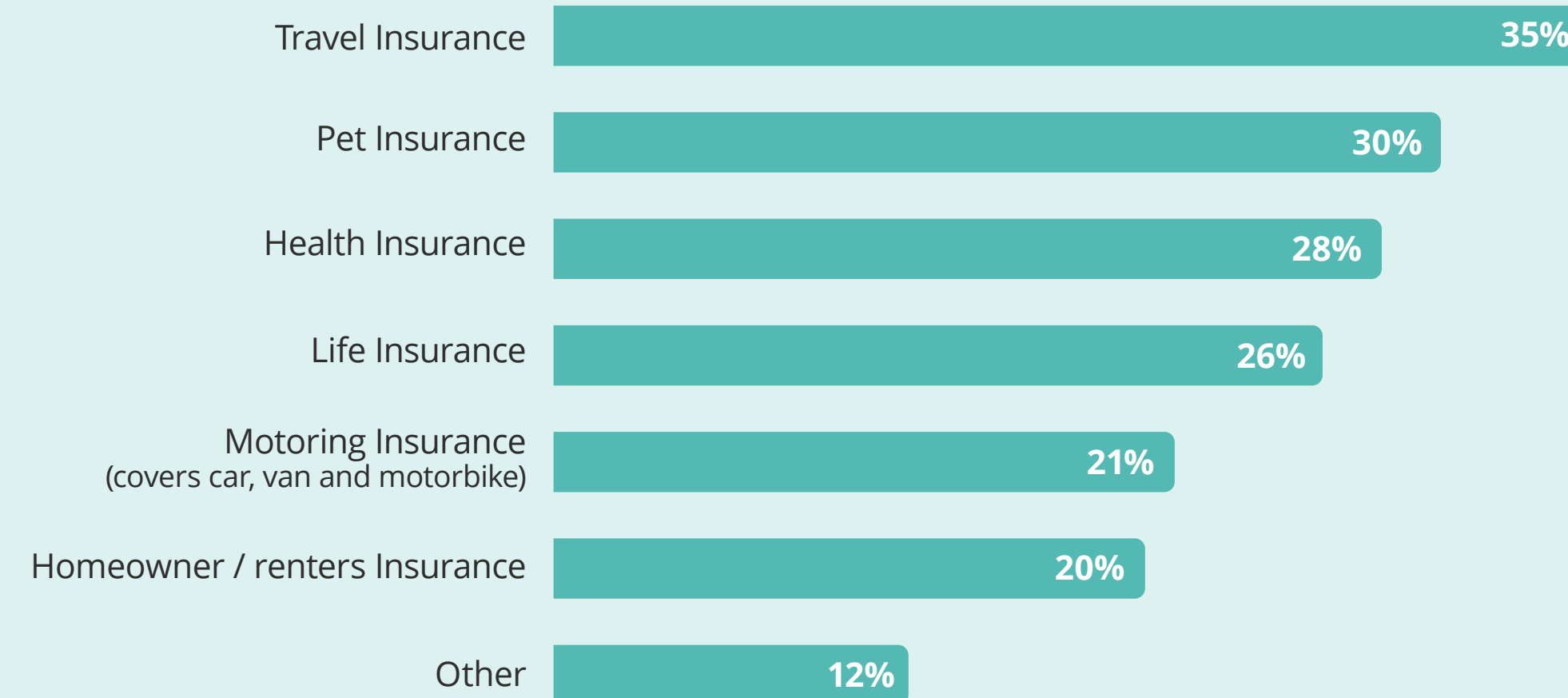
What do customers want?

For anyone working in the insurance sector, it's no secret that payment expectations have undergone a major shift in recent years.

In order to deliver an outstanding customer experience, it's vital to get a solid understanding of those expectations, so Access PaySuite carried out research to gather consumer insights on payments in the insurance sector.

It's clear that affordability concerns are a prominent consideration for consumers. This is more likely to impact some insurance products more immediately than others. Our research also shows that over a third (35%) of consumers are most likely to cancel their travel insurance policies as a result of affordability concerns. This is followed by pet insurance (30%), health insurance (28%) and life insurance (26%)

Which insurance policy(s) are you/would you be most likely to cancel due to premium affordability concerns, if any?

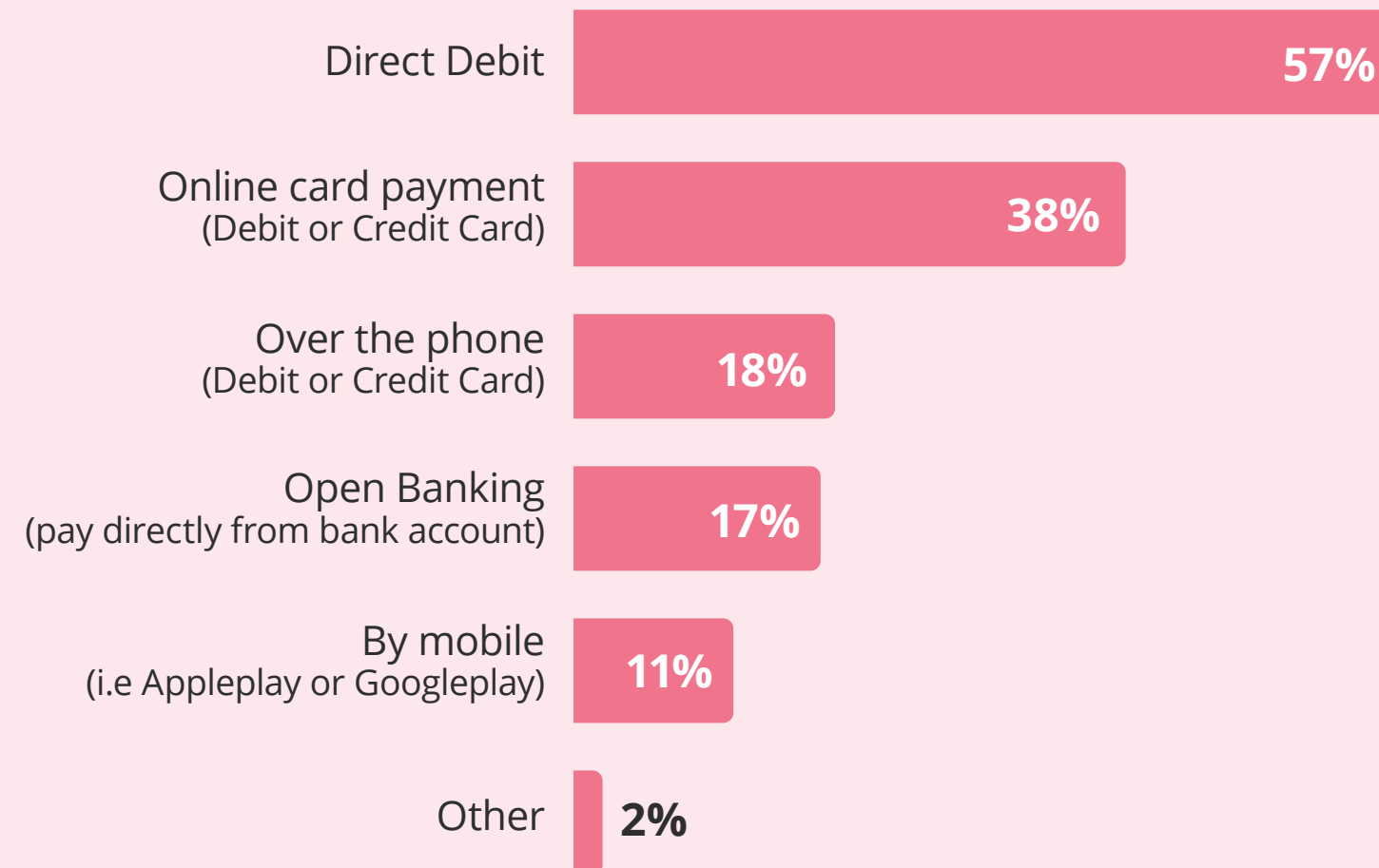




The ability to spread payments over the course of a year through Direct Debits remains the most popular payment method for paying premiums for more than half (57%) of consumers, closely followed by online card payments (38%) The importance of flexibility is key here, with a significant proportion of consumers choosing to pay over the phone (18%), via Open Banking (17%) and via a mobile wallet (11%).

Perhaps unsurprisingly, generational differences play an important role in the choice of payment methods. 23% and 25% of 16-24 and 25-34 year olds respectively would choose to pay via Open Banking, compared to 13% of 55+ year olds.

Which payment method(s) are you/would you be most likely to use to pay for insurance premiums, if any?



62%

of consumers report that being offered a wider choice of payment methods would positively impact their choice of insurance provider.



69%

of consumers reported that a choice of flexible payment methods would be important when choosing an insurance premium.



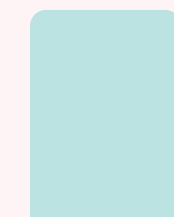
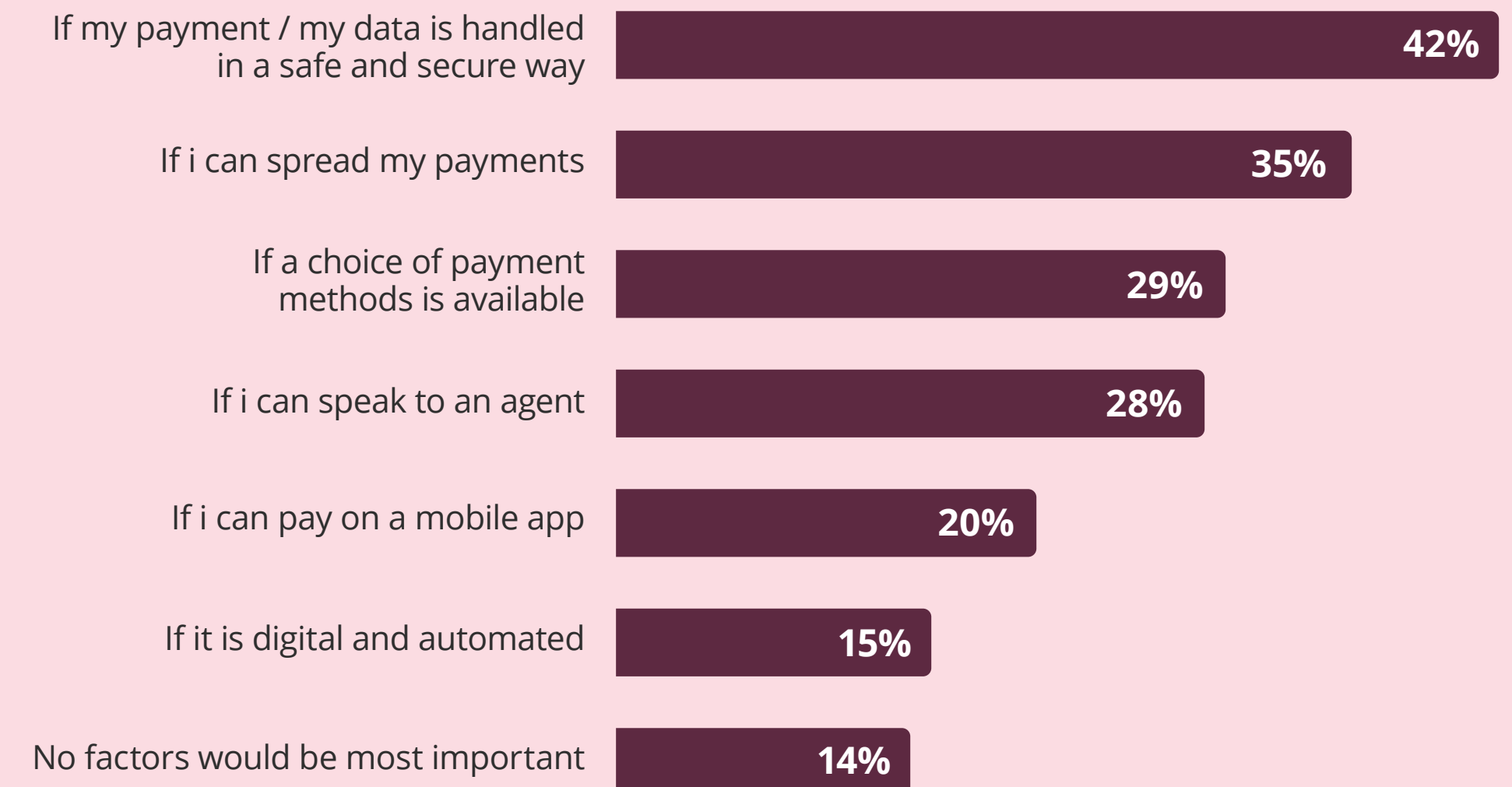
When it comes to bad experiences related to paying for insurance premiums, our survey revealed a worrying spread of challenges. Of those who said they had a bad experience related to paying insurance premiums with the last two years:



- > **39%** said that payments continued to be made without them being aware.
- > **35%** reported they had trouble cancelling payments.
- > **33%** were overcharged.
- > **33%** reported that their payments failed to go through.

Consumers' priorities are clearly about security and flexibility. 42% of respondents said their payment being handled in a safe and secure way was most important when paying for an insurance policy, and around one in three said that the ability to spread payments (35%) and having a choice of payment methods (29%) were key considerations.

When it comes to / if paying for your insurance policy(s), what factors would be most important to you, if any?





Rising risks

By their nature, insurers hold sensitive personal information about customers - such as addresses, dates of birth, health history, financial status, and sometimes even signatures. You are also custodians of their payment data.

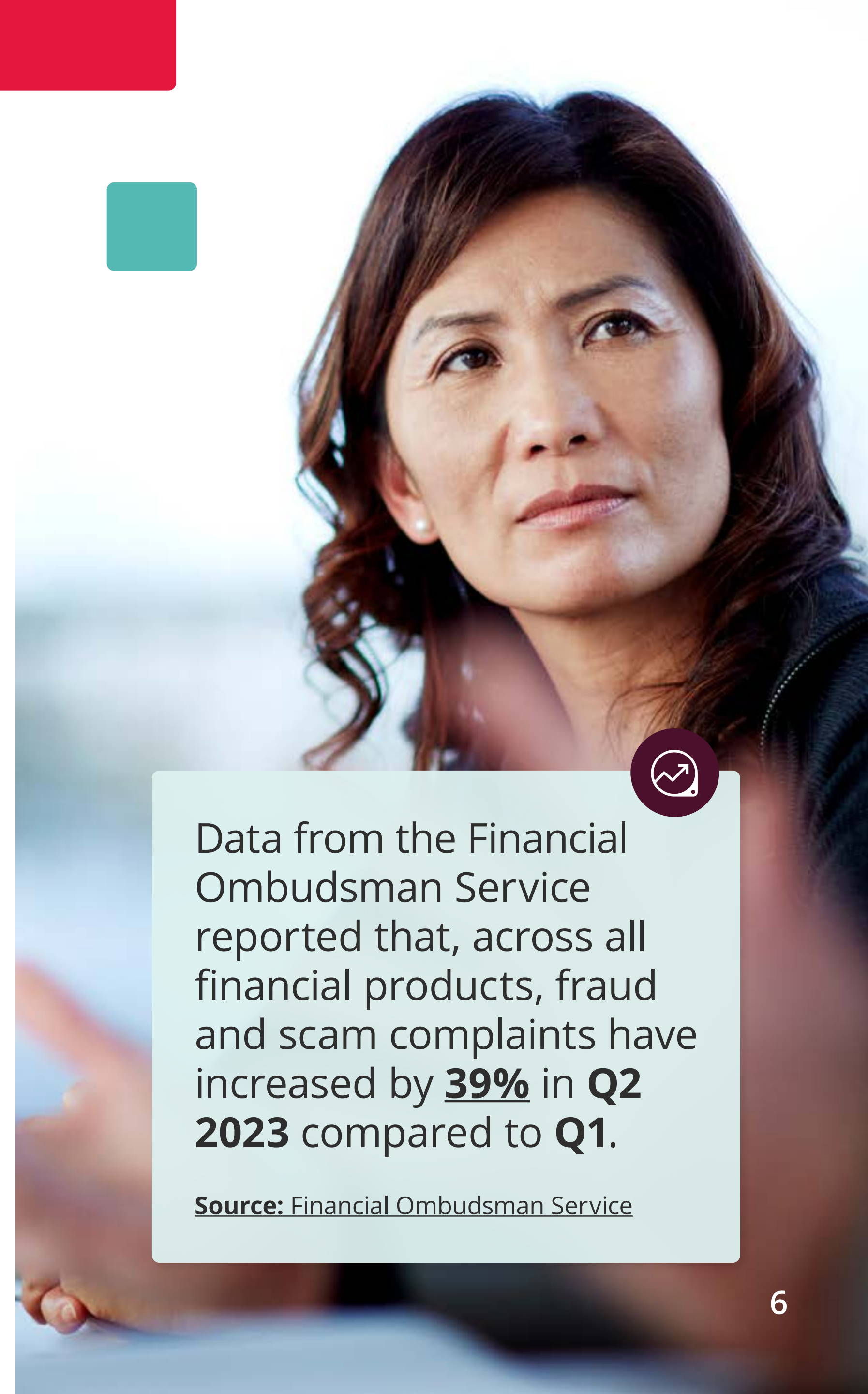
Insurance is regulated by the FCA and PRA and, as such, must adhere to stringent and ever-changing regulations and best practices. Payment processes must be considered as part of this, from protecting vulnerable customers, managing risks, and completing due diligence checks.

Historically, regulations and legacy systems have played a part in the insurance sector being slow to introduce digital changes and automation. As the industry has adapted to digital transformation, there have been a number of rising challenges, with frequent headlines around data breaches negatively impacting the industry's reputation.

Insurers are facing wider challenges, including rising inflation, which is putting a strain on many households. It stands to reason, the increasing financial burden has led to a surge in 'opportunistic fraud' as consumers struggle with payments.

With inflation also pushing the cost of repairs up, insurers have also been forced to hike car insurance premiums. And, as households struggle with their own rising costs, there is an increased risk that they won't be able to afford paying these inflated premiums. All of this has put greater pressure on consumers at a time when people expect payment processes to be fast and secure.

Between April and June 2023, complaints about buildings, car and motorcycle insurance reached a five-year high according to the [Financial Ombudsman](#). The same data revealed a significant 39% increase in fraud and scam complaints across financial services products. This is particularly concerning for insurers, given the risk of 'crash for cash' scams, as well as the volume of customer data they hold.



Data from the Financial Ombudsman Service reported that, across all financial products, fraud and scam complaints have increased by **39%** in **Q2 2023** compared to **Q1**.

Source: [Financial Ombudsman Service](#)



As an insurer, the sensitive nature of the data you collect makes you a prime target for cybercrime. Cyber criminals are getting more advanced and creative with scams, and can use the stolen data to commit identity theft, phishing or ransomware attacks.

A data breach can have long-lasting impacts on your business, causing significant business interruption and operational issues. Companies may be liable to pay hefty fines if it's found that the systems in place, designed to prevent data breaches, are insufficient. Not only can this lead to irreversible damage to your company's reputation, but it can also result in a loss of trust from existing and potential customers leading to fines from the FCA, lost business and reputational harm.

Another risk factor to consider in today's world is changing working habits. Some insurance businesses and brokers have adopted hybrid or remote working models since the Covid-19 pandemic. While this can bring numerous benefits, it can also result in new risks.



According to The London Insurance Market, in 2022 only **5%** of insurance employees attended the office **5 days a week** and **86%** attended **three days a week or less**.

Source: London Insurance Market



One risk comes from brokers who use physical terminals to take payments without adequate safeguards to prevent details being overheard or inputted incorrectly. The ability to pay by phone is critical for many customers, including those who are vulnerable and/or digitally excluded. But rather than doing this manually, technology assisted phone payment solutions allow you to secure payment processes to PCI DSS standard.

Choosing trusted payment software is the first step in securing customers' payment details. Access Paysuite is authorised and regulated by the FCA as a payment institution and also has a ISO 27001 accreditation meaning your customer data is treated with high security and integrity.

The reputational risk of losing customers data is huge and can have significant repercussions for the insurer. It's vital that we build inclusion, trust and credibility through a secure payment process.



Four in 10 consumers prioritised their payment being handled in a safe and secure way when paying for insurance premiums. Security and trust proved more important than the ability to spread payments (**35%**), a choice of payment methods (**29%**) and the ability to speak to an agent (**28%**).

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You'd think that taking payments for insurance premiums would be relatively straightforward. A customer receives their quote and makes a payment in one seamless move, whether online, via mobile wallets, Direct Debits, or over the phone.

Of course, in reality, the payments landscape has become more complex, especially for insurers and brokers who need to offer the full suite of one-off, recurring and Direct Debit payment options.

One third of respondents that had experienced a bad insurance-related payments experience in the last two years said a payment had failed to go through and the same proportion of consumers said they had been overcharged.

Any hold-ups or errors when completing a transaction is likely to annoy consumers, and could even leave them without adequate cover. They might also question whether they have chosen the right provider, or even whether they need insurance at all.

Customer demands are evolving all the time too. Consciously or not, our expectations have been shaped by businesses in sectors like retail, which are continually raising the bar on payment experiences to drive sales.

For insurance businesses, whose policies may offer peace-of-mind but are rarely something consumers really want to buy, it is even more important that barriers to sale are removed. This is why automating what you can is so important, since it reduces the impact on staff and internal operations, and can support a smoother customer journey.



Modernising payments: what to consider

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Mobile matters



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18%
of consumers still prefer to pay over the phone



28%
of consumers say that the ability to speak to an agent is important to them

Safeguarding brand identity with frictionless secure payments



Trust is critical to consumers choosing an insurance company. They want to know that the most important things in their lives – including their home, family, health, and pets – will be protected when it matters. Insurers invest a lot of resources in developing a brand identity that reflects this, using clear and consistent messaging across all their communication channels and products. Without a strong brand, standing out on comparison and review sites is a lot harder.

Payments are a powerful marketing tool, even if a consumer's experience of them is fleeting. While large insurers typically build their own branded payment pages, mid-sized firms can use payment software to achieve the same impact with customisable payment pages. This ensures your brand remains front and centre throughout the transaction, avoiding any disconnect that could undermine trust.



The economic climate

Like every sector, insurance is impacted by the ebb and flow of an ever-changing economic environment. Whereas soft insurance markets are characterised by flat or decreasing rates with readily available coverage, hard market conditions see consistently rising rates and coverage is more difficult to find.

Over the past year, rising inflation has not only pushed up repair costs and staff wages but the squeeze on household budgets has prompted some consumers to question whether they are getting value for money from their current provider, or whether they could get by with a cheaper but perhaps less comprehensive policy. In some cases, they may be questioning whether they need a policy beyond compulsory vehicle insurance.

Of those who want to reduce their insurance costs, as many as 43% have opted to cancel their policies completely, putting them at risk of incurring hefty bills because they are not protected.

Our survey showed that travel and pet insurance were the policies that were most likely to be cancelled due to affordability concerns.

Customers who had previously had no trouble paying for a policy in full may now choose to pay in instalments.



35% of respondents said the ability to spread payments was the most important consideration when paying for insurance policies.

This can bring a higher risk of late or non-payment if their financial situation is precarious. Insurers are well-aware of the risk, and earlier this year, reports emerged of some companies requiring risky customers to make an upfront payment instead of setting up a Direct Debit.

Because the world is changing quickly, insurers need systems in place to support multiple payment options. They include integrated online payments to drive seamless transactions; Open Banking to speed up payments and identify credit risk; and phone payments for customers who need additional support.

Alongside this, an AUDDIS (Automated Direct Debit Instruction Service) allows you to send new Direct Debit instructions electronically (paperless Direct Debit) and give customers more choice about how they want to pay, via online payments, by phone or tablet. A good Direct Debit provider will retry failed payments so there's no unnecessary loss or interruption to your income.



Open Banking and digital inclusion

While digital payments have soared in popularity, it's important to remember that well over a quarter of the UK population are classed as digitally excluded, meaning they struggle to complete online tasks. This could be because they lack the skills, inclination or tools (including internet connectivity).

The good thing about a multi-channel payment system is that it makes online payment tools and open banking available to those who are comfortable using the technology, while enabling contact centre staff to be deployed strategically to support customers who'd rather pay by phone.

Open Banking, or pay by bank, is an increasingly popular payment method which is widening access to digital payments by offering an alternative to customers who don't have, or struggle to use, a bank card or who would prefer to pay securely straight from their bank.

27% or 14 million people
are classed as digitally-excluded



Flexibility is key

Multi-channel payments are an effective way to engage customers – but they may swap out their preferred channel depending on the type of insurance policy they need. A straightforward and/or low-cost policy can be bought online with no human interaction. However, cover for something more complex or unusual – a prized musical instrument, or a challenging health condition – might require a detailed discussion with a member of the contact centre team.

Contact centres, though valuable to some customers, are costly to run, and have traditionally been out of the reach of mid-sized insurers. However, your payment software can bring the costs down significantly with semi-automated or fully automated IVR (interactive voice response) to manage high call volumes and deploy staff to handle the most complex cases.

You can further enhance customer satisfaction with intuitive payment options that don't require people to read out their card details where they could be overheard. They receive a secure payment link, SMS, live chat, or email, while continuing to speak to an agent over the phone. This can help to reassure those who may be nervous to take their first steps towards online payments.

What's important is that your systems can flex to meet all of your customers' needs, offering a positive experience whether they choose to pay online or over the phone, by Direct Debit, mobile wallet, card or Open Banking. This gives customers the choice and convenience they crave, while also keeping costs down for insurers.



Staying compliant

Operating across multiple channels can bring numerous benefits to insurers and customers alike, but it can also increase the risk of data breaches and scams.

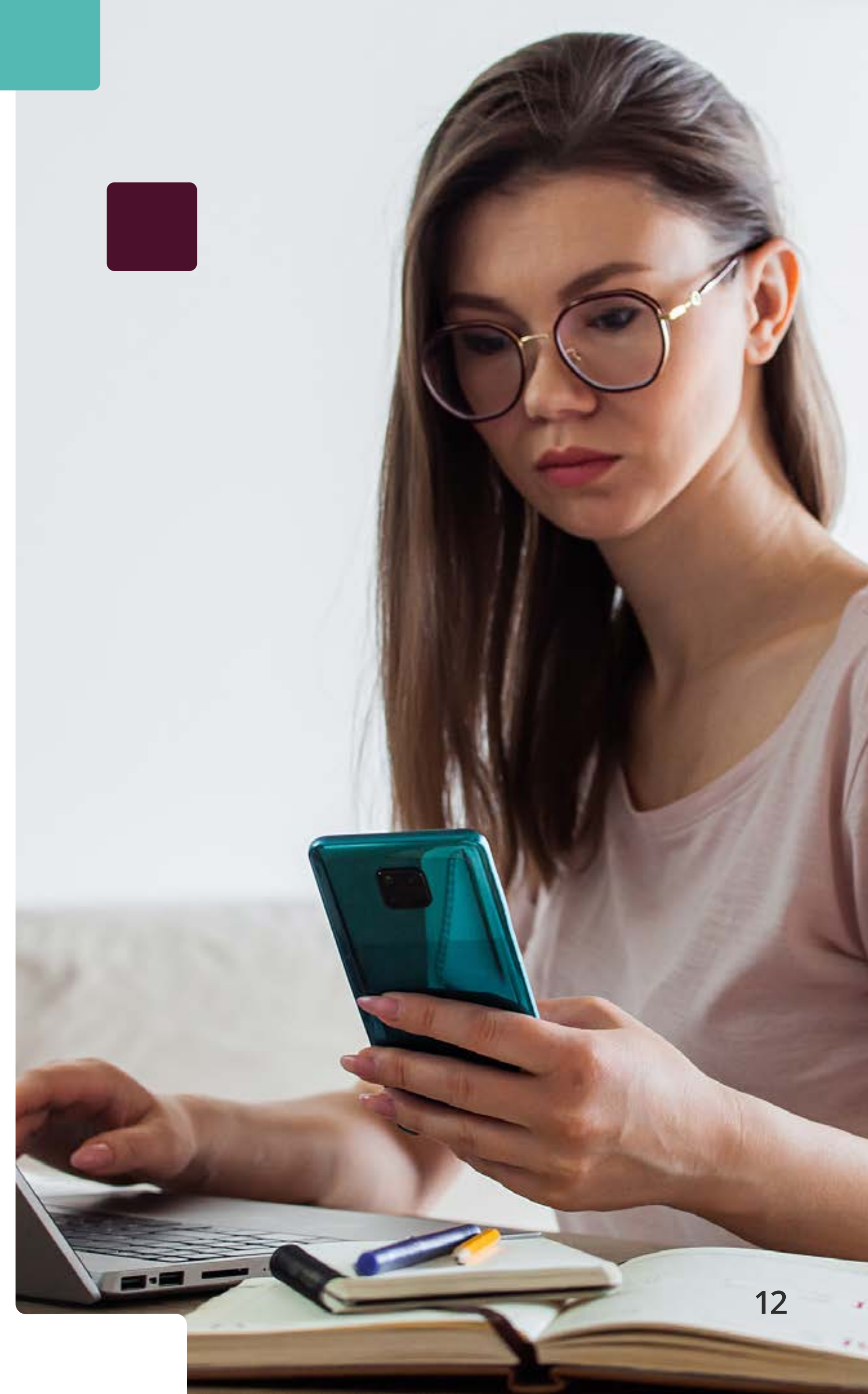
Outdated payment software and a reliance on manual processes can create opportunities for hackers to target vulnerabilities and lead to people's banking details and other personal information being compromised.

Insurers also need to be on their guard against fraud. One frequent tactic used by money launderers is making large payments for expensive insurance policies using illicit funds, before cancelling the policy in exchange for a cash payment, providing them with clean funds.

Data protection and fraud prevention requires a company-wide strategy, which payment processes can play an important role in upholding.

This is where it's helpful to choose a solution that supports compliance with PCI DSS (Payment Card Industry Data Security Standard) and GDPR, which includes fraud and risk management capabilities to run Identity & Verification (ID&V), Know your Customer (KYC) and Anti-Money Laundering (AML) checks, in line with your legal requirements.

This is achieved through automated workflows that mean any suspicious cases are flagged up, via a risk mining tool that uses link analysis technology to uncover trends and outliers. By automating compliance processes, insurers can not only reduce operational risk but their overheads too. Automation also speeds up essential compliance checks, so legitimate customers can complete their transaction quickly.



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Multi-channel payments systems, integrated with wider business software products, enable insurers to compete with more established players, who have the resources to invest in their digital capabilities.

Automating payment processes - from contact centre interactions to fraud detection and compliance – improves internal processes and enhances customer experiences further, reducing the time it takes to complete payments and ensuring due diligence without lengthy checks.

Together, improvements like these can proactively engage new and existing customers, and respond effectively to economic challenges and trends impacting payments.

Payments are a key driver for revenue but they should not be viewed in isolation. By integrating them with the wider business ecosystem, particularly sales and marketing, you have an opportunity to increase customer lifetime value (CLV), and reduce your overall costs. It is also a chance to innovate with new products and payment methods that reflect customers' changing needs.

There will always be factors outside of your control - including rising fraud risks, changing legislation, and increased repair costs. Improving the overall customer experience, while reducing your overheads through strategic automation, insurers can help to offset some of these costs, keep premiums competitive, and support customer retention.

Find out how [Access PaySuite](#) can help you to future-proof your payments processes.



Engaging with us



Find out more about our solutions

 www.accesspaysuite.com

 **01206 675847**

About Access PaySuite

Backed by The Access Group, the leading UK headquartered software company in the UK, Access PaySuite is led by a team of payments experts with over 20 years' of experience in the industry.

Our cloud-based software provide seamless payment solutions, removing the complexities from payments and allow you to spend more time on what you do best.

Sources and methodology:

Access PaySuite surveyed 2,003 consumers in the UK and conducted this survey in October 2023.

