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

“We have reached a true tipping point in the payment capabilities available to insurers today. The rise of eChecks as a digital payment method 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 payment immediately in the field is an area of great opportunity for insurers.”

Karen Furtado, SMA Partner
Executive Summary

In the digital world of insurance, claims is a critical area of 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 the claims delivery timeframes, manage the cost of claims payments, 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. According to the PYMNTS.com Disbursement Satisfaction Index™, more than 65% of respondents received insurance payments in 2018 by paper check.¹ eChecks represent a way to move forward in the world of digital payments – one that insurers’ digital customers are already coming to expect.

In insurance, outbound payment methods have been centered in a banking-influenced paradigm heavily reliant on paper checks. As the banking paradigm has shifted to a digital experience, it has raised the bar for customers’ expectations in other industries. Banking customers can manage all of their banking 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 digital benefits, especially 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, digital payments such as eChecks 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 in order to meet their customer’s expectations. In addition, there is more benefit to be gained from eChecks than just an improved customer experience. Paper checks are the most expensive method of payment and – from a claimant’s perspective – the slowest. eChecks make the check issuing process more efficient by increasing transparency into the status of funds, delivering remittance documents at the same time as payment, reducing paper, and minimizing risks from third parties such as the USPS. The internal advantages for the adoption of eChecks, such as avoiding the collection and storage of personally identifiable information (PII) and the fact that they can be implemented without changes to current accounting practice, give insurers good reason to migrate their claims payment process – increasing efficiency and decreasing costs while improving the customer experience, a winning strategy on both sides of the equation.

¹ PYMNTS.com Disbursement Satisfaction Index™, published June 2018 (accessed 5/22/19).
New Solutions Needed Today

Carriers continue to face an expensive, heavily paper-based check payment process. Today’s claimants expect choices in the way they get paid, including digital options. Simply put, the digital world demands new payment technologies. Only by expanding their payment capabilities can insurers offer the options that match their customers’ payment preferences. 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. 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 CAT, for example, can make an enormous difference in their general wellbeing, which goes a very long way toward establishing satisfaction with the overall experience.

Enhancing the Digital Claimant Experience Through eChecks

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. The insurer adopted Deluxe eChecks® in 2018 to offer additional payment choices to their customers.

For this insurer, the implementation of Deluxe eChecks 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 and improves overall customer satisfaction. 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 Deluxe eChecks simultaneously increased customer satisfaction without requiring significant changes or disruptions to the company’s accounting or settlement processes.
The cross-industry focus on the fully digital customer experience has expanded the variety of outbound payment methods that insurers have available to them. The development of digital payment innovations in other industries has established best practices and helped to highlight solutions with the most immediate impact and most familiarity to consumers:

- **eChecks.** eChecks were developed to ameliorate 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. No sensitive information is required or exchanged, and funds are received more quickly by eliminating postal delivery timeframes. eChecks immediately deliver a payment that the claimant already knows and understands: a check. In addition, electronic delivery notifications allow unlimited file attachments, such as claims settlement statements, and are delivered simultaneously with the email communication containing the link to an eCheck.

- **Credit/debit cards.** Cards have the advantage of bypassing the banking system, making them attractive to unbanked or underbanked populations. Many insurers are set up to accept inbound card payments, but find it more difficult to make outbound payments via cards, whether that be via delivery of a prepaid debit card after a CAT or the method of pushing funds to a claimant’s credit/debit card, which requires more extensive user interactions and the collection/verification of account numbers.

- **Virtual payments (EFT/ACH).** Virtual payments have similar advantages of eChecks, such as the familiarity factor for most consumers, but the claimant is required to provide the insurer with an existing bank account number and other sensitive account information. This requires more interaction. Funds availability is nearly instant, but EFT/ACH transfers do not include the ability to include files with information regarding the payment. Communication with the claimant is therefore not an integrated experience.

- **Security and compliance.** PCI compliance is required for any new payment option. For insurers sourcing from vendors, SOC I and II audits will be necessary.

### Critical eCheck 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 limited speed 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 possible with eChecks and their intrinsic cost savings assist insurers in meeting operational goals that continue to morph.

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

- **Payment anytime, anywhere.** The old paradigm of “the check’s 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 explanation accompanies a payment. eChecks provide the ability to attach files to the email that contain the link to the check. 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 or every circumstance. Insurers need to respond to changes in customer preferences based on a given claim situation without going through process re-engineering. eChecks are a mission-critical payment method to offer payees.

Preparing for new payment innovations. The technologies underpinning payments in the digital world are changing rapidly, and eChecks represent not only an easy first step, but also a foundation for future payments innovation. New digital payment methods will be arriving soon. Ideally, a payments provider will support the payment options that insurers need today as well as preparing them to embrace the new options still to come.

Shipping Insurer Uses eChecks to Lower Costs and Reinforce Branding

Shipsurance Insurance Services, an Assurant Company, is a shipping insurance provider that processes checks for claimants. They are dependent on the USPS for timeliness of check payments and also have a strong desire to distinguish themselves from competitors. Shipsurance wanted to convert as many paper check payments as possible to digital to achieve cost saving, issuance efficiency, and an improved customer experience. Shipsurance considered several e-payment options and found that many required extensive changes to their AP workflow and limited the ability to reinforce their branding and messaging. They chose Deluxe eChecks in 2018 to assist in the removal of the paper check from the claims payment offerings. “Our customers that select the Deluxe eCheck option have been happy with the experience, and the cost savings is noticeable as well, since a paper check can cost us $5-$8 to issue,” stated Ariel Shmorak, Vice President of Product at Shipsurance. “The Deluxe eCheck integration allows claimants to be paid in minutes rather than waiting days for a check to arrive in the mail.”

Today, claimants receive an email with a secure link to access, download, and print their Deluxe eCheck and associated claim payments explanation documents. Claimants deposit printed Deluxe eChecks at their financial institutions, just like paper checks. This digital delivery provides faster payment to a claimant while reducing disbursement costs. Shipsurance has customized their Deluxe eChecks email notification to display the Shipsurance logo and personalized messaging. This gives them a unique brand association opportunity that other forms of electronic payment don’t allow. Shipsurance benefits from the electronification of their check payments and related claim information. Using Deluxe eChecks has reduced their claims time cycle and improved positive customer impressions with minimal change to existing workflows.
SMA Summary

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 opportunity here to meet or surpass customer expectations and, at the same time, lower costs by providing electronic 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. Modernization of outbound payments can be seen as a lever to be used to connect with policyholders and claimants in a different way with 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, eChecks are a critical digital payment option. 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 eChecks: 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 simply a matter of differentiation for insurers – it is critical to insurers’ transformation into digital businesses.

Insurers seeking to expand their payment capabilities to meet the expectations of today’s digital customer should consider Deluxe Corporation as a partner for their Deluxe eChecks offering.

“Digital payments are table stakes in the twenty-first century. For insurers ready to move out of the old paradigm of outbound payments, Deluxe eChecks is well positioned to enhancing insurers’ customer service and operational efficiency.”

Karen Furtado, SMA Partner
About Deluxe Corporation

Founded over 100 years ago in 1915, Deluxe Corporation is a $2 billion company with locations in the United States, Canada, and Europe. Deluxe is a growth engine for small businesses and financial institutions as well as one of the top check producers in North America. They have built a reputation based on innovation and integrity and are committed to payment transformation. At the end of 2018, the new CEO, Barry McCarthy, announced Deluxe's reorganization with a new emphasis on payments, which is now one of the four new pillars of the company. Deluxe, known for setting the standard with paper checks, has reinvented itself as an emerging payments innovator. In May of 2019, Deluxe announced a new Deluxe eChecks relationship with The Hanover Insurance Group.

Deluxe eChecks® offer simultaneous digital delivery of payments and related claims information via email. Claimants receive a secure link to access, download, and print Deluxe eChecks as well as related documentation. The result is faster payment to claimants while reducing insurers’ disbursement costs. Deluxe eChecks is the cornerstone product in Deluxe's ePayments suite, a leading digital payment platform providing cloud-enabled digital checks, real-time payment and disbursement solutions to insurance.

For the latest information on Deluxe eChecks and digital payments offerings, visit: https://www.deluxe.com/echecks/insurance

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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