

Innovations coming to insurance payments

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Policyholders want fast and easy payments from their insurers when a claim is settled. (Photo: iStock)

It's time to replace the tradition of issuing paper checks to settle insurance claims because it's inefficient, costly and can lead to dissatisfied policyholders.

Checks are slow and each settlement check can cost the insurance carrier anywhere from \$5 up to \$12 or more.

Consider that a claim might necessitate the issuance of multiple checks and it's easy to see how the fees and processing costs can add up in no time.

Treating all claims equally in terms of payments also makes very little sense. An auto claim with a third-party repair facility presents different payment problems and requirements from a homeowner theft claim. If it takes a long time for policyholders to get their funds, as it often does with a check, then there will be a negative **impact on customer satisfaction**.

The problem with checks

There are lots of common situations where a check proves to be an inefficient payment solution for both carriers and customers. Not only does it cost the carrier more, but it's actually less convenient for the policyholder, too.

Imagine a burglary claim where joint homeowners are involved. Both claimants have to authorize the check before the funds can be released, but what if one of them is out of town? A claim for structural damage from a property owner might require lien-holder approval, significantly slowing the process down. Any delay on an auto-repair, while

the **body shop** waits for the check to arrive, could result in additional storage fees and rental car charges.

All of these scenarios can be avoided with a different approach to payments. Why not offer the customer a choice of direct deposit, virtual payment, a debit card, or some combination of these?

See the solutions...



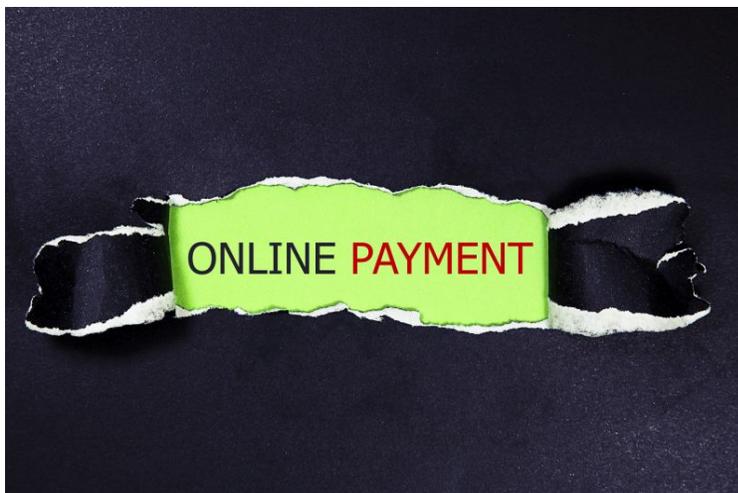
Prepaid debit cards provide flexibility and immediate access to funds. (Photo: iStock)

Prepaid debit cards

For low severity claims, issuing payments in the field for auto and property claims, drive-in facilities, third-party payments, wage

replacements, and many other situations, prepaid debit cards can be a sensible option. They can be used to settle claims quickly and it's easy to issue dual-card packages for claims with multiple claimants, such as a husband and wife.

Prepaid debit cards offer immediate access to funds and are easy to top off, making them perfect for claims that may require multiple disbursements. They often offer exclusive discounts, warranties and cashback to policyholders, which can help carriers boost their policyholder retention levels and provide them with useful data on the spending behaviour of the insured. Cards also benefit from the built-in fraud protection and security systems already incorporated into the credit payment system.

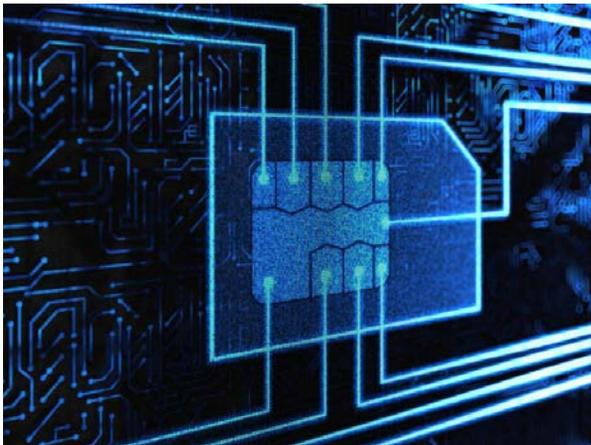


Funds can be issued electronically across the ACH network and approved via a web portal. (Photo: iStock)

ACH direct deposits

For high severity claims, total loss auto claims, and medium and large loss structural claims, direct deposit payments work well. Payment information for something like the structural damage scenario can be cleared electronically by the lien-holder, and the policyholders can approve the payment via a web portal.

Automated Clearing House (ACH) payments are quicker than checks and cost less than checks or credit cards. To streamline settlement, you can provide your policyholder with a list of approved suppliers and tradespeople, and issue funds electronically to the third party across the ACH network. Carriers can reduce their costs by entering into arrangements with third parties and ensuring that repairs and replacements are of a quality that meets their expectations.



Virtual payments can minimize fraud opportunities and speed up the release of funds. (Photo: iStock)

Virtual cards

For B2B payments, medical payments, body shops, and worker's compensation payments, virtual payments may work best.

In the case of a car repair, policyholders can approve a payment directly to the body shop, which can be processed via their point of sale system, making the funds available immediately. No need for reissues, there's less chance of any fraud, and the whole process is simplified. It also reduces costs, speeds up the release of funds and addresses the problem of issuing settlements to those without access to banking services.

In every scenario, the right payment can improve the customer experience and reduce costs for the carrier. Switching from checks and optimizing those payments boosts overall R.O.I. and customer satisfaction, which in turn boosts policyholder retention.

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