PYMNTS | IN GO

January 2023

Money Mobility Comes to the Insurance Industry

Money Mobility Tracker® Series

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- Fraud and Modernization Delays Cause Concern **P. 10**
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Read the previous edition

DECEMBER 2022

Money Mobility Tracker® Series

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Acknowledgment

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Need to Know

Economic Problems Put Pressure on Insurance Industry

The insurance industry is under pressure from a turbulent economy. From companies offering automobile insurance to those providing coverage for homes, the insurance industry is expected to have low premium income growth in 2023 and potentially beyond, according to a report from EY.

EY forecasts that premiums for non-life insurance will experience growth of only 1.5% in 2023, a decrease from the 4.1% growth rates predicted in 2022. The situation is even worse for life insurance premiums, as growth is expected to contract from 5% in 2022 to 1% in 2023.

Economic pressures are straining the insurance industry's premium profits.

1.5%
Expected growth of non-life insurance premiums in 2023

4.1%
Expected growth of non-life insurance premiums in 2022

1%
Expected growth of life insurance premiums in 2023

5%
Expected growth of life insurance premiums in 2022

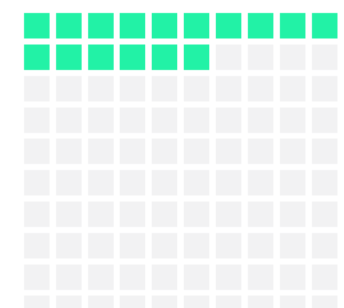
Need to Know

Economic issues are compounded by consumers' growing dissatisfaction.

The EY report concluded that shrinkage in projected premium growth primarily stems from a decrease in household income, the rising cost of living and an unpredictable housing market. Prices in October, for example, were 7.7% higher than the year before. Moreover, the National Association of Realtors predicts a reduced demand for house sales in 2023.

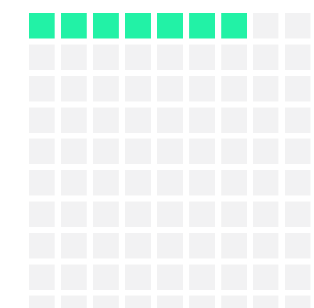
This comes at a bad time for the insurance industry because consumer satisfaction with insurance providers is dropping. According to a report from J.D. Power, customers' satisfaction with their property and casualty insurers' digital offerings declined in 2022, despite the industry's heavy investments in websites and mobile apps. Another report found similar declines in customer satisfaction in the auto insurance industry.

Customers are growing dissatisfied with the online insurance experience.



16 points

Drop **in overall customer satisfaction with the property and casualty insurance digital shopping experience in 2022**



7 points

Drop **in overall satisfaction with the auto insurance claims process in 2022**

Need to Know

Money mobility can give insurance companies an edge.

With consumers feeling economic strain and a growing dissatisfaction with their insurance providers, many are simply switching. In fact, a survey of policyholders in Canada and the United States found that nearly 27% of respondents had switched insurance providers in the last year, with more than 70% of those who switched citing price as a reason for the change.

Given these dynamics, it is important that insurance companies focus on improving their services, with the disbursements and inbound payment processes being prime areas of focus. Having a quick, nimble payment process can give insurance companies an edge.

Dissatisfied with their insurance providers, many consumers are switching companies.

27%
Share of survey respondents who switched insurance providers in the past year

70%
Share of those who switched citing price as a reason

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News and Trends

Insurance Fraud Costs Are Staggering

Fraud is a major — and expensive — problem in the insurance industry. According to the Coalition Against Insurance Fraud, fraud in the industry cost the U.S. a striking $308.6 billion in 2022. This is a considerable increase since 1995, when the coalition estimated that insurance fraud cost just $80 billion, though only property and casualty insurance was counted at that time. The most recent report includes all lines of insurance and adjusts for inflation.

The new report also covers cyberinsurance fraud, a costly type that was not prevalent in the 1990s, when the internet was in its infancy. The coalition noted that the Colorado State University Global White Collar Crime Task Force provided all the data and analysis for the report, ensuring unbiased and thorough findings.

News and Trends

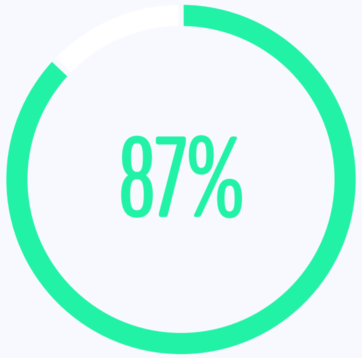
A disturbing number of consumers think insurance fraud is permissible

Part of the reason insurance fraud is costing so much might be because consumers are surprisingly open to committing it. At least this is suggested by a recent FICO survey, which found that as many as 42% of consumers in South Africa believe it is acceptable to commit insurance fraud — by exaggerating claims — in at least some circumstances.

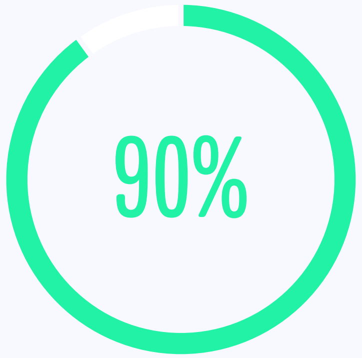
Not all the survey's findings were alarming, as the majority of respondents did not believe exaggerating claims was permissible. The survey also found that 36% of consumers ranked good fraud prevention as their number one concern when selecting a financial account provider, with an additional 43% ranking it as their secondary concern.

Insurance industry seeks modernization but struggles to get there

As consumers' expectations and preferences change, the insurance industry's need to modernize is growing, but a new report reveals that insurers are struggling to do so despite prioritizing it. The report found that 87% of insurance carriers had modernization in their top five priorities, yet almost 90% of insurers had not fully developed or implemented their modernization strategies. Moreover, no respondents had completed modernization, despite ranking this priority's importance at 7.6 on a 10-point scale.



Share of insurers that ranked modernization in their top five priorities



Share of insurers that had not yet fully modernized

PYMNTS Intelligence

Why Money Mobility in the Insurance Industry Is More Important Than Ever

In a climate of economic uncertainty and consumer dissatisfaction, it is crucial that insurance companies understand what customers are looking for from their insurance providers. Companies that fail to meet consumers' needs risk losing out to those that do — and competition is increasingly fierce.

The funding of InsurTechs — upstart companies taking a technology-first approach to insurance — is growing, for example. According to one report, InsurTech investment more than doubled between 2019 and 2021, up from $7.2 billion to $14.6 billion worldwide. The same report noted that InsurTechs are committed to improving consumer satisfaction by leveraging a digitally enhanced customer experience. It appears these efforts are working, moreover, with a survey finding that InsurTechs outperformed traditional insurance companies when it came to speed and visual appeal to consumers.

PYMNTS Intelligence

Consumers want faster payments and an easier claims process

Heavy competition makes it more important for insurance companies to gauge their customers' preferences. Near the top of these preferences is speed. A survey of U.S. and Canadian policyholders found that more than half of respondents who had switched insurance providers in the last year indicated they did so for faster claims processing. The survey found that in the auto insurance space, the biggest frustration when filing claims was a delay in payouts.

The same survey found that other top reasons for switching included an interest in better digital experiences. As another report noted, consumers have come to expect insurance companies to offer the same digital-first experiences they are accustomed to enjoying with tech companies. In fact, the use of digital shopping tools to help users find discounts, policy details and unique coverage options leads to better customer satisfaction results.

Consumers switch insurance providers for many reasons, with the most common being the following:

Faster claims processing

Better digital experiences and personal service

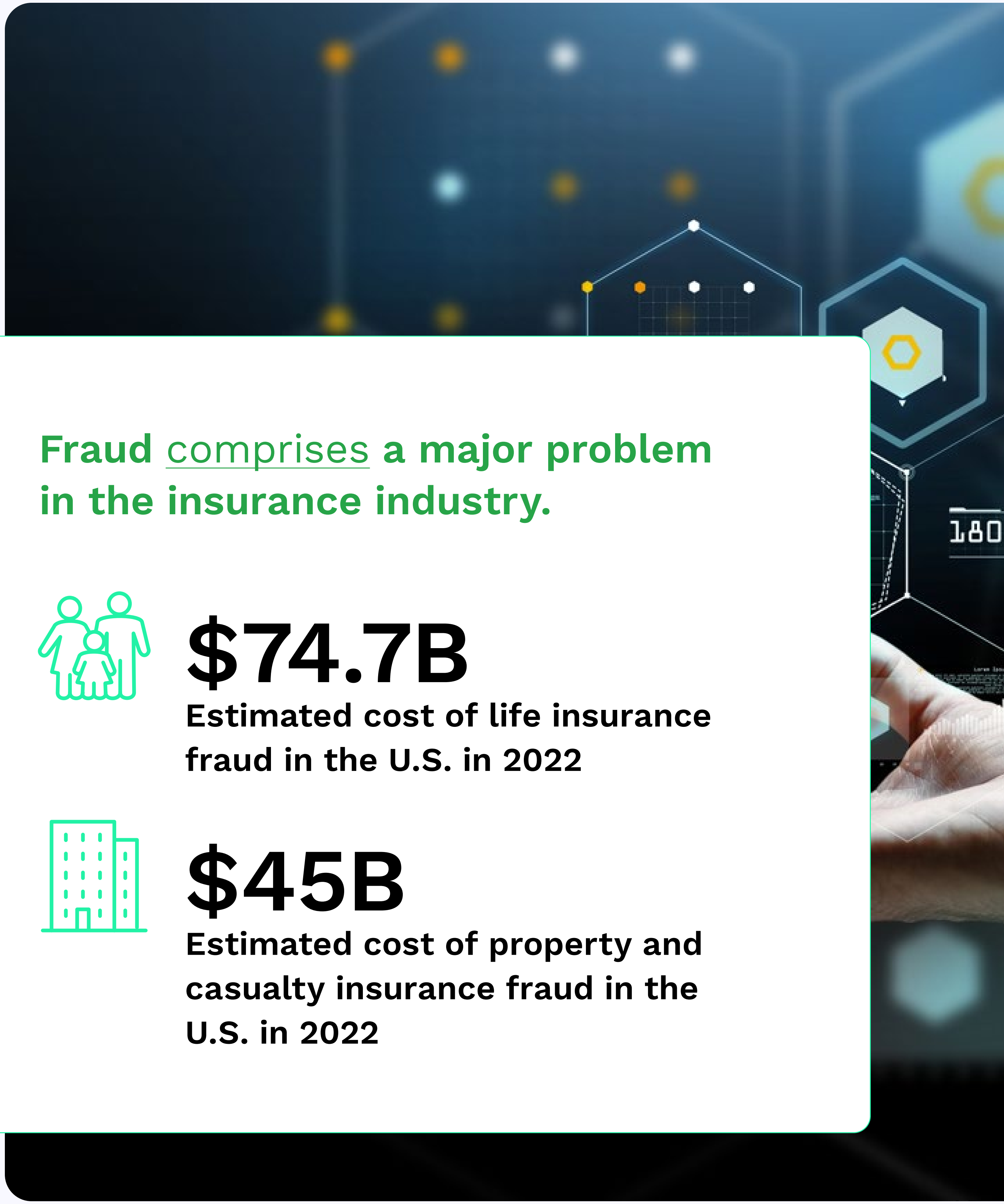
Consumers are also interested in contextual insurance offers. A PYMNTS survey found that 45% of consumers were at least very interested in their FIs using transaction history to present insurance coverage options. Unsurprisingly, consumers who used digital banks were more likely to favor such digital offerings, with 70% of this consumer type at least very interested.

PYMNTS Intelligence

Digitization and payment speed must be balanced with fraud risk

While it is important for insurance companies to pursue innovation related to payment speed and digital offerings, they must be mindful of fraud. Fraud is a considerable — and growing — concern in the insurance industry. In 2020, for example, insurance professionals suspected that 18% of claims were fraudulent, but by 2022, this figure rose to 20%. The problem is that by accelerating the insurance claim and payments process, companies risk increasing the potential for fraud if these innovations are not done correctly.

This is why fraud prevention measures are essential to companies' digital innovations. One PYMNTS study, for example, found that 94% of finance and insurance companies rolled out fraud detection systems when digitizing their payments processes — well above the rate of companies in other industries taking similar measures.



Fraud comprises a major problem in the insurance industry.

$74.7B

Estimated cost of life insurance fraud in the U.S. in 2022

$45B

Estimated cost of property and casualty insurance fraud in the U.S. in 2022

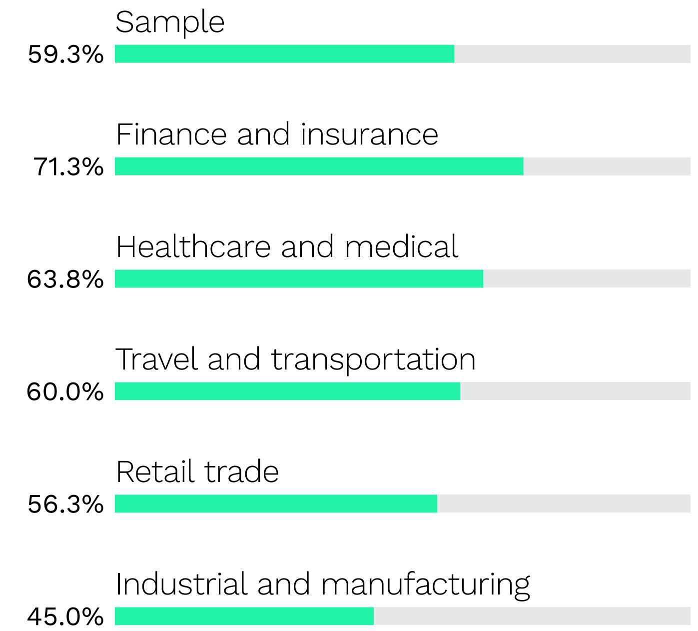
Chart of the Month

Improving Payments Improves the Insurance Business

In a testament to just how important payments digitization is to insurance companies, CFOs in this industry overwhelmingly report that digitization is essential for improving business. A PYMNTS survey found that 71% of finance and insurance CFOs said digitization is at least a very important strategy to improving balance sheets. This is the highest percentage of CFOs reporting such a sentiment in any industry. The average of the sample, which included CFOs from healthcare to retail, stood at only 59%.

Digitization's benefits

Share of CFOs who say digitization is a very or extremely important strategy to improving balance sheets, by industry



Source: PYMNTS
Business Payments Digitization:
How Financial And Healthcare CFOs
Build Healthier Balance Sheets, March 2022
N = 400 CFOs: Complete responses,
fielded Aug. 16, 2021 – Sept. 15, 2021

Insider POV

Industry Insiders Agree: Insurance Is Going Digital

MEERI SAVOLAINEN
Co-founder and CEO

INZMO

> Submitting and handling a claim should be as easy as purchasing a policy, and it should happen in seconds.

From Europe to Africa, insiders in the insurance space speak about how digital solutions are changing the industry worldwide.

Across the world, insurance companies and InsurTechs are exploring how to use digital solutions to improve nearly all aspects of the insurance process. In Europe, for example, close to 90% of insurance firms have embarked on some sort of digitization initiative to improve the customer experience, especially for digital-first customers. The use cases are seemingly endless.

In an interview with PYMNTS, Meeri Savolainen, co-founder and CEO of German InsurTech startup INZMO, explained how her company built an online insurance platform that provides a fully digital user experience. Too often, she said, the process of applying for insurance is not entirely digital, especially during the claims process. Savolainen said this is why INZMO sells only policies that can be fully managed online. The company also has plans to automate the claims process.

Insider POV

African companies are also pursuing digital innovation in the insurance industry. PYMNTS spoke with Kiaan Pillay, co-founder and CEO of Stitch, a South Africa-based FinTech, about how the company is using application programming interfaces (APIs) to improve the payout process in Africa's insurance sector.

He explained that many insurance claims are currently run only in batches on certain days of the week, a process involving manual entry of payouts that may number more than 5,000. It can therefore take days to weeks for policyholders to get their money. To remedy this slow process, Pillay's FinTech launched Stitch Payouts, which allows insurers to automate settlements and make real-time payments through Stitch's APIs.

"It's one API call across any of the banks here in South Africa, and instead of needing either someone to do it manually or a payments operations team to do this on some sort of batch cadence, you can do it on a per-transaction basis," he said.

Companies around the world are leveraging digital solutions to improve various aspects of the insurance process.

INZMO

Germany-based INZMO is making the entire insurance process digital.

stitch

South Africa-based Stitch is using APIs to speed up disbursements.

turaco

Kenya-based Turaco is using digital partnerships to cover the uninsured.

Insider POV

Elsewhere in Africa, Kenya-based InsurTech Turaco is leveraging digital technology to help uninsured individuals get coverage. In an interview with PYMNTS, Ted Pantone, Turaco's CEO and co-founder, explained that the current insurance model is leaving too many Africans uninsured. His company is looking to change that by altering the way insurance is distributed. Instead of using the legacy agent-driven sales model, Turaco is using a digital-first approach centered around partnerships to advertise, sell and ultimately deliver insurance policies. Partners include banks, mobile network operators, gig economy providers and a smattering of other stakeholders.

"It works really well because it's a nice new revenue stream for all the partners that we work with without them having to do a whole lot of work for it. And it's a very effective model for us because it enables us to achieve a lot of scale very quickly," he said.

Pantone added that the company has audacious plans to insure up to 1 billion people as well as radically speed up the payout process.

Companies to Watch

Disruptions Continue in Insurance Space

amazon

Joining the trend of InsurTechs looking to disrupt the insurance industry, the eCommerce giant has entered the fray. In November, Amazon launched an online insurance store in the United Kingdom that allows customers to shop for home property coverage.

INSURITAS

Island Federal Credit Union recently selected Insuritas, a digital insurance agency platform, to offer full-service auto, home and commercial insurance products to its members as a fully embedded platform within the CU's ecosystem.

wejo

Wejo Group Limited has announced it is expanding its insurance offerings with Ford Motor Company. The collaboration will enable insurance providers to gain better insights into driving behaviors by leveraging connected vehicle data.

What's Next

Rough Seas Ahead for the Insurance Industry

Based on the current situation, the future of the insurance industry looks set for some hard going. Both inflation and extreme weather events — already wreaking havoc on the industry — are expected either to rise or to remain high in the near future. Home insurance claims costs rose 7% in 2021, partly due to major storms and other natural disasters. Weather-related insurance claims for flood damage increased 329% year over year, while catastrophic claims went up 222%.

The insurance industry seems in for a stormy future.

9%
Increase in the average home insurance rate in 2021

329%
Increase in claims for water-related damages in 2021

7%
Increase in costs related to home insurance claims in 2021

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About

PYMNTS

PYMNTS is where the best minds and the best content meet on the web to learn about "What's Next" in payments and commerce. Our interactive platform is reinventing the way in which companies in payments share relevant information about the initiatives that shape the future of this dynamic sector and make news. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovation that is at the cutting edge of this new world.

Ingo Money is the money mobility company. Founded in 2001, it provides technology platforms and expert risk management to FinTechs, banks and businesses that enable safe and instant money movement, from any source to any destination. Ingo's solutions power deposits and transfers for inbound and outbound money flows, cross-platform P2P and digital payouts, with network reach to more than 4.5 billion bank accounts, cards, digital wallets and cash-out locations. This transformation of traditional payments helps businesses reduce cost and delays while dramatically improving the consumer experience. Headquartered in Alpharetta, Georgia, Ingo employs more than 200 professionals and serves some of the largest brands in North America.

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