Insurance billing and payment transformation – Why now?
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Introduction
Customer requirements are driving many important strategic corporate decisions, particularly in the insurance industry. Customer expectations are evolving in step with—and in some cases at a faster pace—than technology; in fact, they have become major drivers of business transformation for insurers. Today, more than ever before, insurers are facing a daunting challenge: How to enhance billing and payment operations to meet their customers' changing needs.

In order to keep up with changing trends, insurers must make hard choices related to their current processes and technology. For example, after determining that existing processes are inefficient and have many limitations, the decision becomes either to modernize systems through in-house custom development upgrades or replace with a commercially available package. Identifying and implementing remedial actions for internal and external pain points can be challenging and difficult to face, yet is vital to maintaining a strong and growing customer base. Our observations indicate that insurers are often so internally focused on addressing existing business and systems challenges that they lose sight of where the industry is moving. When that situation arises, they must seek external assistance to root out internal shortcomings and develop a roadmap towards meeting customer demands, both current and future.

This whitepaper focuses on billing in the insurance industry, which our experience shows is a high-volume and valuable touch point with customers. Insurers interact with their customers millions of times each day through billing. Therefore, insurers are offered a tremendous number of opportunities daily to improve customer relations and build loyalty. Clearly, there is significant upside for insurers to invest in improving their billing processes and systems if they are not satisfying customers through their billing experience. Insurers have come to realize that those who get billing right will reap the rewards of improved customer retention, easier regulatory compliance, and lower operating and maintenance costs.

The following sections highlight challenges and trends that the insurance industry is facing in the billing and payments domain. It includes a case study of a leading multi-line insurer's recent journey through its billing and payments transformation decision process. It provides a real-world example of how the insurer came to the realization that it needed to radically improve its billing capabilities and systems or face losing customer market share. The aim of this document is to offer proof that the time is now to engage and invest in a billing and payment transformation effort. We hope you use this document as a guide to help you answer the key questions that you likely will face as a part of your own billing and payment transformation effort.

Key challenges
To stand out from the competition in the billing and payment space, insurers must meet and exceed the demands of today's challenging marketplace, and must focus on:

- Customer satisfaction
- Agency support
- Protection against billing leakage
- Technological innovation

"It's time for billing transformation to be recognized for it's impact on agents and insureds and it's role in promoting additional customer loyalty. In an increasingly competitive and consumer-driven marketplace, every customer touch point has potential value, and the opportunity is ripe to capture more value from billing interactions."
Customer satisfaction
As indicated previously, improved billing processes represent a real opportunity for insurers to strengthen their customer relationships. Customers want flexibility in billing and payment options, such as allowing them to consolidate all their policies into one easily understandable bill, providing the ability to manage their account online, and choosing payment schedules that best meet their needs. Additionally, customers’ preference for bill payment has evolved, with electronic payments taking precedence over traditional methods. If this flexibility is not made available by their current insurer, dissatisfaction grows and customers take their business elsewhere. Insurers must understand that satisfaction is directly related to customer retention.

Agency support
In addition to customer satisfaction, the agent experience must be considered as part of any discussion of what makes an insurer successful today. Failing to deliver on agent expectations can negatively affect the customer experience and erode retention. Traditional billing systems typically offer limited integration capabilities with agent portals, preventing agents from servicing customers effectively. In many cases, agents must contact internal service areas and request support to resolve customer billing and payment discrepancies or to access information.

Billing leakage
When insurers commonly think of leakage, they often think in terms of claims leakage. Leakage occurs in billing when profit is lost as a result of billing errors, for example, not collecting appropriate premium payments. Billing error leakage has a direct impact on an insurer’s financial performance by causing higher call volume, such as through mistaken cancellations.

Technological innovation
Many insurers continue to rely on aging custom or package-based traditional billing and payment systems. Commercially available billing and payments application packages can offer greater flexibility in deployed functionality and can be modified to meet unique insurer requirements, but implementation costs can be prohibitive and upgrades are periodically required. Many also require third-party analytics and reporting tools or applications. Older billing and payment systems developed in-house are expensive to maintain and often cannot be enhanced to add new functionality or meet evolving regulatory or statutory requirements. Traditional platforms typically have several shortcomings:

- They rely on older technology and contain hard coding, often in programming languages that are increasingly difficult and expensive to support.
- They remain inflexible and incapable of meeting new customer demands, such as supporting new electronic billing and payment methods, and still leave insurers with difficulty administering new billing plans.
- They don’t support end-to-end integration because they are comprised of a collection of different applications purchased or built internally over time to perform different billing sub-processes.
- They require manual workarounds to overcome system limitations.
Industry trends
Historically, billing has been considered a non-core function despite the fact that it is a high frequency touch point with customers and agents. In the past, the focus has been on the delivery of accurate and timely bills. Today, insurers’ corporate strategies are being influenced and shaped by the customer experience. Insurers strive to improve their billing and payment processes to achieve market differentiation and a competitive advantage. Improving the customer experience not only improves customer retention, but opens up opportunities for agents to sell them additional products and services.

Today’s consumers demand multiple billing and payment options across fully-integrated delivery channels. For example, 76 percent of consumers use more than one method to pay monthly bills and online payments have risen 50 percent over the last decade. Insurers are quickly rolling out mobile billing and payment solutions to meet consumer demand. Many are struggling to keep up with the rapidly changing mobile landscape as new mobile devices are released each year.

Insurers understand that even if their existing billing systems are adequate to support current practices in core bill issuance and collections, they likely will not meet the challenge of future customer demand. Insurers are looking to migrate to billing platforms providing greater flexibility and automation than older technologies. The new generation of billing systems provides capabilities for electronic presentment, mobile device support, flexibility in payment and billing options, automation of key internal processes, and improvement of operating cash flow.

Many insurers have their billing applications embedded within their policy administration systems. Insurers are faced with modernizing their existing billing applications or centralizing the billing application to eliminate duplication across the information technology landscape and inconsistent billing and payment practices across products.

The market for vendor billing package solutions continues to evolve. Insurers continue investing in package billing applications because their out-of-the-box features are robust and mature. Package solutions can be relatively easily and cheaply modified using configuration tools, which allow detailed business involvement and faster-to-market implementations.

Most insurers do not engage in a large and complex billing and payment transformation on their own. Insurers often form partnerships with outside consulting firms or software vendors who provide expertise in project management, business case development, business process modeling, application configuration, custom development, testing, training, change management, implementation strategies, and deployment management. Many leading billing package vendors offer their own implementation methodology based on prior customer experiences, which can reduce risk and time to delivery.

Insurers are focusing on regulatory requirements in their billing operations to avoid non-compliance penalties. Analytics and big data enable organizational agility as part of billing and payment transformations. Being able to extract valuable insights from billing and payment data, along with other enterprise data, can afford insurers the ability to make better decisions and stand out in today’s competitive environment.

Many large insurers are investing now in billing and payment transformations in order to keep up with customer demand. This spending has been justified by significant operational improvements, increased customer retention rates, automation of internal processes and superior multi-channel service.
IBM's point of view

Today's customers demand flexibility while still expecting simple, streamlined billing and payment interactions. Insurers must be capable of meeting current and future customer needs to maintain customer satisfaction and loyalty. They also must be able to meet the needs of its agents and back-office support staff. To do this, they must eliminate inefficiency and pain points. Billing and payment systems must support end-to-end processes, provide functionality based on leading practices, support regulatory and statutory requirements, fully integrate with other internal or external systems and entities (for example, policy administration, financials, and banks) be adaptable to changing technological platforms, and be inexpensive to implement and maintain. They must also be easy to use and provide accurate and timely access to billing and payment information.

Insurers must take advantage of billing and payment analytics in order to better capture opportunities to existing customers, such as selling additional offerings, and to new customers. As billing interactions represent the primary interaction point for many customers, careful analysis of the customer experience can yield powerful results for future business. In addition, analytics can deliver rapid feedback during a transformation by providing data around each billing and payment interaction. When done correctly, a cohesive and focused analytics approach can yield tremendous insights into common customer practices and preferences.

Billing transformations can yield significant benefits, but insurers must carefully analyze change impacts in order to achieve adoption of new billing capabilities among customers. As an example, paperless billing can provide substantial cost savings for insurers. To achieve widespread adoption of this offering, a clear explanation of value must be provided. The benefits, which might include faster access to bills, reduced waste, and access to a greater range of historical bill history, should be explicitly defined for customers. Another common example of value-add can be found in the automated payments capability. This option can provide insurers with more consistent cash flows, but the value proposition for customers (reduced effort and greater peace-of-mind) must be clear in order to drive adoption even in uncertain economic times. In addition, key components such as enrollment and un-enrollment should be clearly defined so as to alleviate customer concerns around being locked into this option.

A large percentage of insurers are at risk of losing customers, which are expensive to regain, because they have become dependent on aging and expensive-to-maintain package or home-grown billing and payment systems offering limited flexibility and employ less than efficient and effective billing practices. Dissatisfaction grows each time a request for billing or payment flexibility is requested and denied or a new technology or mobile device cannot be used in the billing and payment process. It is now time for insurers to stem the losses and increase customer satisfaction. New solutions, such as integrated, enterprise-wide package billing and payment systems, exist that can be quickly and inexpensively implemented. So how does an insurer begin this journey?
An insurer contemplating a large-scale billing and payment transformation effort should start by conducting a self-assessment. The following considerations must be evaluated:

- Where is the organization starting from? What processes and systems are in place today and what are the internal and external pain points? Are current processes and requirements documented?

- What are the objectives for the transformation? Where does the organization want to end up at the end of this journey? Is the goal to just resolve pain points and overcome existing shortcomings or to make the organization best-in-class? Are future state business and systems requirements defined and do they align with the end-state strategic objectives? Are new systems required or can current systems be enhanced?

- Does the organization have the capabilities to perform this assessment and, ultimately, the billing and payments transformation alone or is external assistance required? Are current resources up-to-date on leading industry practices and technology trends or are they solely focused on internal current business processes and systems?

- If external assistance is required, what type of support is needed and where can it be found? Is the requirement for a software vendor to lead the configuration and testing of its latest version of a package solution or for a true system integrator who can direct and manage the implementation of a new package and end-to-end business process design, package application configuration, integration development, and change management?

The assessment will lead to a defined course of action and, often, a requirement to develop a business case. It is recommended, based on recent observations and experience, that insurers engage an outside party to assist them through this process. Deep insurance industry expertise and knowledge of how new technologies are being employed to create differentiation and competitive advantage are critical to the success of billing and payment transformation projects.

Partners with strong expertise in the billing and payment space should be engaged early in the process to help prepare the business case. They have keen awareness of what typical benefits and costs are expected based on the solution direction chosen. Insurers should leverage these resources to carefully plan out technical integration and functional business process requirements in alignment with leading practices. Partners are also aware of the strengths and weaknesses of leading billing and payment packages and can quickly determine optimal fit among vendor offerings. Additionally, a full understanding of the future state business and technical architectures during the decision making period is critical, as this information feeds directly into the selection and execution of a given solution.
Case study: A large multi-line insurer undergoes a billing and payments transformation

In order to maintain its industry leadership position, this large multi-line insurer determined that it needed to improve its customer offerings and responsiveness, while maintaining attractive pricing. To do this, it looked for inefficiencies and identified internal and external pain points. As part of this analysis, senior leadership recognized that billing related transactions were its most frequent customer touch points—statements, inquiries, and so on. In fact, internal research indicated that roughly a quarter of all customer calls received by agents in the field and by headquarters support representatives were related to billing and payment issues. Billing and payment related complaints were among the insurer’s most predominantly appearing items in internal and customer feedback reports. Changes in the billing and payment areas were sorely needed.

Specific problems surfaced that needed immediate attention. These included:

- Inconsistent billing and payment processes and customer experience
- Lack of flexibility in customer billing and payment options
- Limited access by customers to their billing and payments information
- Aging and disconnected billing systems
- Inability to quickly adapt technologies to meet customer needs

In order to sustain and grow its customer base, the insurer endeavored to address specific customer pain points and desires:

- **Flexible billing**: consolidated or individual bills, choose my due date, paper and paperless billing options, no fees for any chosen payment plan, billing alerts
- **How I pay**: in an agent’s office, online, by mail, mobile, pay by text, voice response unit, customer support center
- **How much I pay**: minimum amount due, balance, other
- **When I pay**: automatic (monthly, balance, other), flexible schedule of future payments
- **Payment methods**: cash, check, debit/credit card, PayPal, eWallet
- **Access to billing and payment information**:
  - Bills, payments and disbursements online and through a mobile device
  - Real-time information (balance and amount due)
  - What-if analysis (net effect of changes)

The insurer committed to a multi-phased billing and payments transformation effort by partnering with a leading global consulting firm with deep insurance, business transformation and systems implementation experience to serve as the system integrator. In addition, the insurer purchased and will implement an enterprise-wide billing application package that will serve as the backbone of its transformation effort.
Conclusion
Once viewed as a primarily back-office function, billing and payment functions have emerged as critical customer touch points that integrate with a range of other business areas. Billing and payment capabilities greatly influence customer satisfaction levels, which translate directly to retention. The change in customer demands occurring within recent years is profound and must not be overlooked. Increased technological sophistication, self-sufficiency in billing and payment management, and multi-channel adoption are all driving rapid change.

Recent billing and payment related demands have advanced far beyond the capabilities of many insurers’ existing business processes and systems. Their systems are antiquated and expensive to maintain, offer limited functionality, are hard to modernize, and don’t integrate fully with other key systems. Their limitations often drive inefficient business processes full of manual and expensive workarounds.

To address these issues, many insurers are attempting to transform their billing and payments processes and take advantage of recent advances and the proliferation of diverse package solutions to meet business needs. These solutions can offer a range of advantages including simplified upgradability, streamlined integration processes, workflow management and automation, increased flexibility across payment channels, and reduced system maintenance costs.

It is recommended that any billing and payment transformation be assessed and prioritized with the longer-term business perspective in mind. To enhance the probability of success, the insurer must engage an experienced partner with deep insurance industry, business transformation, and systems integration expertise to guide them through this journey. The time is now. Positive and forward-looking change in the billing and payment space will help drive overall business success in the decades to come.

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