

Protecting the future, today

Insurers modernising cash management processes to bring better, more transparent services to consumers



Insurance industry today, and what's in store for tomorrow.

As the technologies improve and patients discover the importance of preventative health, consumers are looking for convenient, transparent, and more personalised services. Consumers are taking more ownership over self-care and are more engaged in their own health-related decisions. Regulators and policy makers are advocating for the development of open data and technology standards¹, further driving the push for more consumer awareness.

With the already emerging trend of patient-centric health systems and digital alternatives that focus on the consumer experience, it was no surprise this witnessed a surge when the COVID-19 pandemic first hit. The benefits of a new digital reality became overwhelmingly evident, and will change the way patients interact with insurers and doctors in the long run. Banks will play a role in this shift as more insurers look to digitising payment and collections processes to streamline operations.

External factors have thrust the insurance industry into a time of change. The ability to adapt to these new operating environments will solidify market competitiveness and ensure continued relevance.



¹ Mckinsey, <https://www.mckinsey.com/business-functions/mckinsey-digital/our-insights/four-keys-to-successful-digital-transformations-in-healthcare#>

Consumer's digital literacy and adoption of technology is driving the push to customer-centricity, with banks well positioned to support this journey

Leveraging available health information and new technologies, the empowered consumer is more comfortable with digital interaction and is able to do more for themselves². Patients are taking a greater interest in their care and are more willing to self-manage. Sparked by rising health care costs, governments, and health care providers are recognising the benefits of keeping the population healthy.

COVID-19 has accelerated the adoption of digital technology and the way healthcare providers, including insurers, interact with consumers. Sparked by the safety of patients and healthcare workers, contactless options became more important than ever. It was found that 74% of healthcare companies had sped up their digital transformation as a result of the COVID-19 crisis³. With customer-centricity in mind, insurers are increasing engagement opportunities delivered by a digital platform such as using instant messengers to communicate with consumers. Claims can now be submitted digitally through the mobile application, irrespective of claim size for some insurers.

There is a gradual trend towards simplifying internal operations and placing less reliance on paper-based processes and moving to electronic straight-through processing. Banks are well positioned to support such a transformation journey by offering digital solutions to fit treasury needs. For instance, AIA in Hong Kong SAR successfully modernised its premium collections process by introducing a **dynamic QR code pre-printed on renewal notices to policyholders**. The technology interfaced with its interactive Point of Sales (iPoS) riding on

the instant payment platform, Faster Payment System (FPS). Transaction confirmation with payment details were instantly sent to the insurer through the **API connectivity**, which forms part of the FPS bill payment proposition of **HSBC's Business Collect**, a one-stop solution. This helped to streamline reconciliation and enhance the customer experience. HSBC's Business Collect, allows insurers to receive payment from customers and hospitals through multiple options (e.g. FPS, credit cards and e-wallets) made online or in-person.

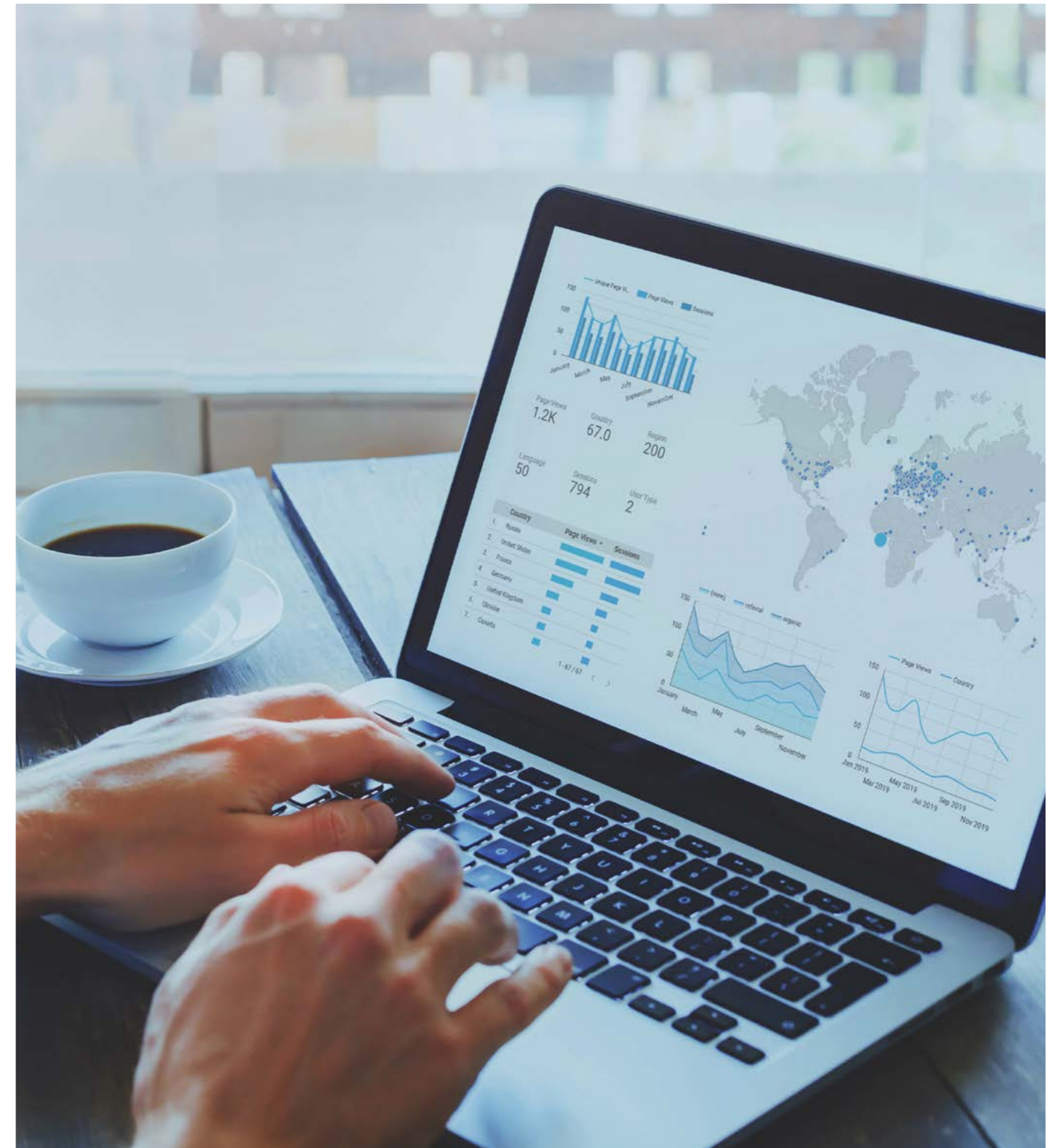
Similarly, a **Virtual Card** or **Corporate Card** programme can help insurers simplify payments to multiple vendors for items such as office supplies or medical instrument, ultimately reducing the effort on administrative tasks while increasing spend visibility and working capital. The added benefit of the Virtual Card being that there is flexibility to customise card numbers for enhanced security for each use.

In parallel to support the payment flows, **Virtual Card** can also be used by insurers to settle payment with hospitals or clinics. After the patient pays for the copayment of medical treatment, the difference is then billed to the insurer as part of the medical insurance coverage. Satisfying all parties, hospitals and clinics receive funds within 1-2 days, and the insurers gain the added benefit of patient data tagged to each virtual card payment to simplify reconciliation.

By leveraging cash management products, insurers can streamline internal processes through automation, enhanced data, increased efficiency, enhanced controls.

² <https://insuranceasianews.com/kpmg-the-changes-required-as-we-enter-a-new-reality/>

³ <https://pharmaphorum.com/news/covid-19-has-been-a-digital-accelarant-for-healthcare-firms-report/>; July 15, 2020





Forging strategic partnerships or growth through M&A as a means to expand

In a research conducted by KPMG, it showed that over 80%⁴ of chief executives are considering inorganic strategies to address the changes in operating models. Acquisitions and partnerships are rapidly accelerating as companies seek new value streams to expand service offering to consumers, drive operational and financial efficiency, and to innovate.

Technology is transforming the insurance market with the entry of new providers, spawning a subsector of insurance technology companies, also known as insurtech. Hong Kong SAR Insurance Authority granted the first authorisation of a non-life virtual insurer in October 2019 and emergence of more insurtech start-ups is expected to follow. Unlike insurers, insurtechs have the benefit of less reliance on legacy systems, often building their own system to directly meet the consumer's demands today.

Evolving customer expectations are driving insurer to invest in new business models. Insurers may look for partnerships and acquisitions of insurtechs as a means of growth by expanding product capabilities and service offerings, reaching new customer base, reducing costs and improving quality of services. Some others are even going back to basics with developing new payment options for premium collections and claims disbursements, creating self-servicing tools, automating processes with digital forms, and going paperless when it comes to internal processes.

Insurers are also forging partnership with banks, which are not atypical to the changing landscape. Such example is the partnership between HSBC and AXA to offer packaged general insurance for HSBC's business customers in Hong Kong SAR. Beyond the expansion of the distribution channel through a traditional bancassurance business model (where insurance companies are able to cross-sell its products to a bank's customer base), both banks and insurers are leveraging digital technology to provide value-add services. Their objective is to drive business, increase customer engagement and focus on customer-centricity. As observed with the launch of HSBC Life mobile app, it was created to digitise the user journey for better interaction among patients, insurers and medical practitioners. New technology and changing consumer behaviour has unleashed opportunities for unique partnership for years to come.

⁴ <https://insuranceasianews.com/kpmg-the-changes-required-as-we-enter-a-new-reality/>

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