



Treasury and Trade Solutions

Insurance: Why Digital Transformation is Critical

Insurers face competitive challenges. In response, they are digitally transforming claim payments, premium collections and customer interaction. Collaborations with banks will be key as insurers seek to accelerate change and underpin future success.

In a world marked by a shifting financial landscape, a dynamic interest rate environment and increasing geopolitical risks, the insurance industry remains robust. With sturdy capital buffers and a solid foundation, insurers are well positioned to weather continued uncertainties. Swiss Re Institute forecasts global real premium growth of 2.2% annually in 2024 and 2025, compared to an average of 1.6% over the past five years.¹

Despite this buoyant outlook, established insurance companies face heightened competition from new entrants, including large tech companies and innovative insurtech startups with digital-first approaches. The influx of disruptors adopting new technology adds complexity to the landscape, compelling traditional insurers to swiftly adapt to evolving dynamics, technological advancements, and changing consumer preferences.

Digital Transformation Spans the Enterprise

Driven by consumer demands for digital solutions and the threat from innovative newcomers, insurers are embracing digital transformation to remain competitive in the marketplace.

This commitment to digitization spans the enterprise. Companies are leveraging digital technologies to innovate products, enhance underwriting processes with advanced analytics, and revolutionize customer interaction and engagement through a more seamless digital experience. There is also a move to embed insurance in various products.

The benefits of digitization can be significant. Research by Swiss Re Institute shows it can enable significant operational efficiencies, reducing loss ratios by 3-8 percentage points.

¹ <https://www.swissre.com/institute/research/sigma-research/sigma-2023-06-global-outlook.html>

Greater transparency and dynamic, real-time pooling technology will drive improved overall returns on cash balances. Looking ahead, advances in digital assets and AI, along with tokenized cash solutions, will help provide additional opportunities for innovation.

The report also notes that digital technology could generate savings of 10%-20% across the value chain. The benefits of digital are such that 31 of the 50 largest re/insurers have invested in insurtech firms to gain a competitive advantage.²

Certainly, digital growth looks set to outpace the broader insurance sector. The global digital insurance platform market is projected to expand at a compound annual growth rate of 8.7%, growing from \$127 billion in 2023 to reach nearly \$250 billion by 2030, according to a report by Research And Markets.³

Evolving Payments Present Opportunities

Changes in the payments landscape and the adoption of new technology by banks provide opportunities for insurers to execute their digital transformation agenda. Instant payment schemes, wallets, and virtual cards, for example, facilitate the digitization of the claims process. This helps improve operational efficiency and helps enhance policyholders' experiences; claims are paid faster, often in real time, and 24/7. Integration can be simplified through the widespread adoption of APIs.

These innovations also help enable the growth of so-called embedded insurance, which seamlessly integrates insurance into other transactions or activities. Embedded insurance is set

to expand rapidly, with gross premiums reaching \$722 billion by 2030, according to Deloitte.⁴ To take just one segment, Deloitte predicts that if up to 20% of the U.S. personal auto market adopts embedded technology by 2030, a minimum of \$50 billion in premiums may shift away from the conventional distribution channels.⁵

In a real-time, 24/7 environment, effective liquidity management becomes crucial. Financial institutions have developed tools, such as virtual accounts, to automate premium reconciliation while artificial intelligence (AI) can help make cash application more efficient. Greater transparency and dynamic, real-time pooling technology will drive improved overall returns on cash balances. Looking ahead, advances in digital assets and AI, along with tokenized cash solutions, will help provide additional opportunities for innovation.

However, these changes come with increased risks, such as payment fraud and cybersecurity, and reinforce the importance of resilience. Banks are mitigating these risks by adding functionality into their platforms that offer robust account validation. They are also employing AI-driven analytics to identify potential fraud, aligning with a regulatory framework focused on data security and resilience.

² <https://www.swissre.com/institute/research/sigma-research/sigma-2023-05-digitalisation.html>

³ <https://www.researchandmarkets.com/reports/4804810/digital-insurance-platform-global-strategic>

⁴ <https://www2.deloitte.com/us/en/insights/industry/financial-services/financial-services-industry-outlooks/insurance-industry-outlook.html>

⁵ <https://www2.deloitte.com/us/en/insights/industry/financial-services/financial-services-industry-predictions/2023/embedded-insurance.html>



How Digitization Differs Around the Globe

While many of the technological innovations impacting the insurance industry are global, there are important regional nuances, including the pace of financial infrastructure development and consumer preferences, that should inform how insurers implement their digitization strategies.

- **Latin America:** Instant payments are rapidly expanding in Latin America. Change is being driven by the increasing adoption of digital payment methods, technologies such as QR Codes, and interoperability between bank accounts and digital wallets. Brazil's PIX system is not just a regional success story but serves as an inspiration globally.

Changing consumer and corporate behaviors, such as the demand for real-time payment, are driving the adoption of new digital business models. "Digital options for sales and receivables are growing in importance," says Pablo Saavedra, Latin America Head of Insurance for Citi Treasury and Trade Solutions (TTS). "Compliance is driving the use of tokenization and 3-D Secure, features such as Pay by link are being adopted to help simplify collections, and direct debit subscriptions are going paperless."

- **Asia Pacific:** Consumers in Asia Pacific prioritize seamless digital interactions, which significantly impacts their expectations of financial service providers. Streamlining onboarding and client retention processes as well as simplified omnichannel payment experiences are crucial. Asia-Pacific can be considered a world leader in integrating digital channels into checkout options, catering to the tech-savvy consumer base.

One property and casualty insurance company that works with Citi utilized QR codes, instant payments, and Citi APIs to achieve immediate credit notifications, enabling it to transition from a two-day premium reconciliation process to just minutes, significantly improving efficiency.

"Asian consumers expect fast and efficient digital engagement," says Avesh Naicker, Asia Pacific Head of Insurance for Citi TTS. "Solutions need to be intuitive, offer payment choice and be seamless to the underlying purchase. The digital initiatives being adopted have the potential to drive value across treasury, operations and sales as well as for agents, brokers, and end clients."

- **EMEA:** Insurers in Europe, the Middle East and Africa (EMEA) are strategically differentiating their value proposition by focusing on APIs and instant payments. Their goal is to provide a real-time beneficiary experience, meeting the expectations of digitally-empowered consumers. Simultaneously, insurers are driving operational efficiencies through virtual accounts and AI-based auto reconciliation.

"This integrated approach not only streamlines workflows but also positions insurers as forward-thinking entities, embracing cutting-edge technologies to enhance both customer experience and operational excellence in EMEA," said Elias Xilas, EMEA Head of Insurance at Citi TTS.



• **North America:** Checks persist as a prevalent payment method in the insurance sector in North America, despite a growing preference for digital options. Citi’s Payment Exchange Platform can accelerate the transition from checks to digital payments for insurers. The platform offers a range of digital payment options, including the Zelle and PayPal networks, as well as payment directly onto debit cards. Beyond digitizing payments, the Citi platform incorporates robust fraud mitigation tools for secure transactions.

“We have seen strong adoption of digital channels across the industry when utilizing Citi Payment Exchange,” says Kamiel Bouw, Global Head of Insurance at Citi TTS. “For example, a U.S. auto and home insurer achieved an adoption rate of above 95%. This success highlights consumers’ readiness to embrace digital options when they are easy to use and adopt.”

Enabling Digital Transformation Globally

The insurance industry is undergoing a transformative shift, with the convergence of digitization, streamlined collections, and optimized liquidity reshaping the way insurers operate and interact with customers. “Changes in the payments landscape globally, and innovation in banking services – with the emergence of instant payments, wallets and virtual accounts – provide a unique opportunity for insurers to enhance client experience while at the same time benefiting from process efficiencies and reduced expenses,” says Citi TTS’s Bouw.

This fast-changing landscape demands that insurers adopt a forward-looking approach that embraces emerging technologies, adapts to changing customer expectations, and optimizes

Empowering Insurers

Citi TTS offers a variety of solutions that provide insurance companies with the payment capabilities they need.

- **Citi Instant Payments** delivers globally-consistent access to 35 instant payment markets across 65 countries.
- **Citi Payment Exchange**, currently offered in the US, provides dynamic options for faster and more efficient payment methods, maximizing electronic adoption by payees and improving payment efficiency.
- **WorldLink Payment Services** streamlines cross-border payments, enhancing transparency and efficiency for global financial transactions.
- **Spring by Citi** and **Citi Virtual Accounts** facilitate digital collections, offering insurers a tailored solution to streamline payments and elevate the customer experience.

operational efficiency. The symbiotic relationship between banks and insurers will be vital in fostering an environment where shared expertise and resources drive collective success.

Citi TTS’s global footprint, robust infrastructure and consistent investment in technology underpin innovative platforms that can help support insurers in digitizing claims management, streamlining premium collections, optimizing liquidity, and providing real-time visibility into cash positions. These platforms empower insurers to make informed decisions, and bolster resilience.

Citi TTS, as a key player in the financial ecosystem, stands as a supporter of the evolving strategic priorities of insurance companies. The bank has a dedicated team supporting relationships with insurance companies globally. Citi TTS collaborates closely with insurers across all segments – such as life and health, broker, property and casualty, as well as reinsurance – integrating innovative solutions, streamlining financial processes, and elevating digital customer interactions. Citi’s engagement extends beyond individual transformations; the bank is committed to the industry’s broader technological integration, greater customer responsiveness and long-term success and growth.



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