



Services



Instant Payments in Insurance: *The Future is Now*



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The adoption of instant payments is growing rapidly in the insurance industry, reshaping how firms process claims, collect premiums, and manage liquidity. Insurers are using instant payments in specific cases to provide policyholders quick access to funds for such things as medical emergencies, property damage, auto accidents, travel insurance reimbursements, or business interruptions.

The insurance industry is transaction-heavy, involving payouts for claims, premium collections, commissions, and vendor payments. Traditional methods such as automated clearing house (ACH) transfers, checks, cards, and wires can be slow, costly, or difficult to reconcile. For instance, credit cards have high fees and chargeback risks, while ACH debits face return risks and the possibility of processing delays.

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Settling a claim in seconds, rather than days, *minimizes frustration and improves trust*, differentiating insurers that offer instant payments.



Instant payments provides a more optimal solution, offering near real-time settlement with rich data integration. This helps to reduce reconciliation costs, mitigate payment failures, streamline operations, and improve financial management. Most importantly, it meets customers' expectations of immediacy.

Insurers are deploying instant payments in targeted use cases. Instant payments provide an almost seamless solution where policyholders need quick access to funds, such as a medical emergency, property damage, travel insurance reimbursement, auto accident, or business interruption.

Consider the case of a policyholder displaced by a natural disaster. After filing a claim, they need immediate funds for lodging, food, and essentials. An ACH transfer may take days and a check longer still. With instant payments, funds can often be disbursed within seconds — 24/7, including weekends and holidays — to a designated bank account. The speed of

disbursement directly impacts customer satisfaction and loyalty. Settling a claim in seconds, rather than days, minimizes frustration and improves trust, differentiating insurers that offer instant payments.

Insurers are also leveraging instant payments for agent commissions, which have traditionally been processed via ACH, resulting in delays. A faster, more reliable income stream should improve agent satisfaction and loyalty.

Another promising use case is premium collection through request for payment (RFP) functionality. Instead of relying on ACH debits, which carry the risk of insufficient funds or returns, insurers can send a payment request directly to a policyholder's bank. The policyholder then authorizes the payment via their bank's mobile app, providing a more frictionless, real-time transaction. This method helps enhance cash flow management and also may reduce administrative overhead associated with failed payments.

Overcoming barriers to adoption

Despite many advantages, the U.S. insurance industry has been slow to embrace instant payments at scale. Key challenges include:

1. **Complex legacy systems:** Many insurers rely on outdated infrastructure designed for batch processing rather than real-time transactions. Upgrading requires significant investment and strategic planning. However, banks and payment providers are increasingly offering API-driven solutions that simplify integration.
2. **Voluntary adoption:** Unlike markets with mandated instant payments, there is no law in the U.S. requiring acceptance of instant payments, making adoption voluntary and uneven, raising concerns about policyholder access. While access is expanding more than 70% of demand deposit accounts in the United States are at financial institutions on The Clearing House's RTP® network, with some corporates reporting that they can access more than 90% of their client base, for instance, insurers must ensure their bank can facilitate instant transactions.

Citi's Instant Payment capabilities access over 35 schemes globally, reaching more than 65 countries; Citi Payments Express now supports Citi's instant payments capabilities in over 20 countries, with access via a single globally-consistent API. By the second quarter of 2025, Citi will be live with both U.S. real-time payment schemes.¹

3. **Cost:** Instant payments are generally cheaper than wire transfers but can be more expensive than ACH. However, long-term savings from eliminating check processing and minimizing reconciliation workload can be substantial, even before considering customer satisfaction benefits.

A transformational shift

As instant payments become routine in other industries, insurance is poised to follow suit. Consumers and businesses increasingly expect real-time transactions for everything from bill payments to salary deposits. Insurers that fail to modernize their payment processes risk falling behind.

Financial institutions are also expanding their instant payment capabilities. The RTP network now processes as many as 1.5 million transactions a day, averaging \$2.5 billion in daily value with a daily value record of \$4 billion,⁴ and FedNow is expected to gain traction in the coming years. With a higher transaction limit — the RTP network recently raised its cap from \$1 million to \$10 million — instant payments are becoming viable for high-value corporate payouts.

¹ Subject to change without prior notice.

² <https://www.aciworldwide.com/blog/real-time-payments-have-gone-mainstream-explore-their-global-impact>

³ https://www.ecb.europa.eu/paym/integration/retail/instant_payments/

⁴ https://www.theclearinghouse.org/payment-systems/Articles/2025/02/RTP_1Billion_TRX_02-03-2025

The ascent of instant payments

Instant payments have reshaped consumer and business expectations. No longer just a convenience, they are now increasingly essential, enabling rapid transactions, improving liquidity management, and reducing settlement risk. In 2023, real-time transactions reached \$266 billion, comprising nearly 20% of global electronic payments, and they are projected to exceed \$575 billion by 2028.²

Asia leads in instant payments, with India's Unified Payments Interface transforming commerce through ubiquitous QR codes, driving financial inclusion. The Middle East and Africa are also expanding rapidly, with Nigeria leading the way. In Europe, regulation has spurred adoption — the UK introduced Faster Payments in 2008, while the European Union's SEPA Instant Credit Transfer reaches 27 member states: almost 18% of SEPA zone credit transfers are now instant.³

In the Americas, the picture is mixed. Brazil's Pix system has become the second largest real-time payments market globally just a few years after launch. However, North America lags behind. Canada's adoption is just 6%. In the U.S., despite the launch of The Clearing House's RTP® network in 2017 and the Federal Reserve's FedNow service in 2023, penetration remains lower than other major economies.

To drive adoption, insurers should collaborate with banking institutions to integrate instant payments, upgrade infrastructure, educate stakeholders, and prioritize key use cases. A phased approach — starting with emergency claims and premium collections — can deliver quick wins. Cash concentration is also crucial, enabling insurers to optimize liquidity by moving funds instantly, especially at month- and quarter-end.

Instant payments are more than a technological upgrade: they have the potential to redefine how insurers interact with their customers and manage financial operations. As the U.S. market moves toward broader adoption, early adopters may be well-positioned to lead in a rapidly evolving landscape.



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