

A New Horizon for the NSA Insurance Market



A New Horizon for the NSA Insurance Market

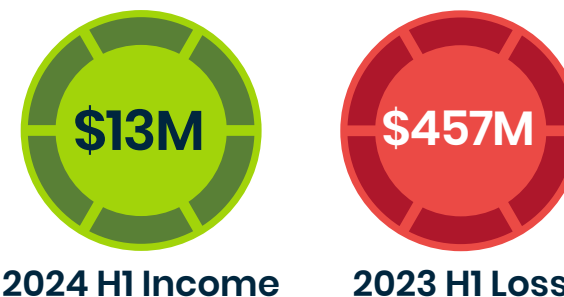
By One Inc

This report examines the resurgence of the non-standard auto (NSA) insurance market and explores how NSA insurers can build upon their forward momentum with innovative strategies and next-gen technologies.

● Introduction

The NSA insurance sector began a promising new course in 2024. Recent improvements in underwriting have helped this market turn a corner after years of profitability challenges. AM Best's private passenger nonstandard auto (PPNSA) composite reported an underwriting income of \$13M in the first half of 2024, a sharp change in direction from the \$457M loss during the same period the previous year.¹

AM Best's PPNSA Composite Net Underwriting Results



However, the NSA insurance market's recovery is not without hurdles. Economic and social inflation continue to exert pressure on claims costs, forcing insurers to rethink their strategies. Simultaneously, advanced analytics are becoming even more pivotal for continuing success.

With evolving opportunities in the industry, NSA insurers are well positioned to leverage new tools and data-driven approaches to solidify their footing and compete effectively. One such area of opportunity is the implementation of advanced payment solutions that provide NSA insurers with a unique competitive edge. These solutions not only enhance operational efficiency but also support sustainable growth and improve customer retention — all critical factors in the NSA insurance segment.

1 Overview of the Current NSA Insurance Market

NSA insurance has always been distinct from mainstream personal auto coverage, catering to higher-risk drivers who typically face barriers to obtaining policies in the standard market. This uniqueness, however, brings complexities that distinguish it from its counterpart. Several trends present both opportunities and challenges for the NSA market.

Improved Underwriting Practices

Refined underwriting strategies and subsequent rate adjustments have made rapid, positive impacts for the NSA sector.

The combined ratio for 2024 improved to 98.8 from 107.8 in 2023, a strong signal of better underwriting performance.²

Insurers have been able to edge into profitability by leveraging enhanced pricing models, data-driven insights, and more disciplined claim-handling practices.

Rising Inflation on Two Fronts

Despite their progress, NSA insurers continue to grapple with rising costs for vehicle repairs and labor shortages driven by macroeconomic inflation. Motor vehicle maintenance and repair costs rose 6.5% between December 2023 and 2024, according to the Bureau of Labor Statistics' Consumer Price Index. By comparison, the "all items index" increased less than half that amount, 2.9%, during the same period.³

While economic inflation inevitably drives up the cost of physical damage claims, social inflation — stemming from higher legal expenses and larger jury awards — adds complexity to liability claims.

The median nuclear verdict jumped to \$44 million in 2023, up from a low of \$21 million in 2020.⁴

Insurers have successfully utilized precise mitigation strategies to help throttle these combined inflationary factors.

The Increasing Importance of Data

Actuarial precision is more critical than ever. Research from data and analytics company Verisk shows a 70% increase in liability frequency, translating to 20% higher premiums in the

non-standard auto segment.⁵ The NSA sector is increasingly reliant on specialized data to refine underwriting and pricing strategies. Advanced analytics and enhanced data utilization are helping NSA insurers better understand policyholder behavior, enabling informed decisions to mitigate risks and optimize operations.

2 Emerging Technology and New Relationships

Technological agility has become a defining factor for NSA insurers seeking to differentiate themselves in a competitive market. Today's technology is shaping multiple aspects of the sector.

Extending Legacy Systems

In an industry that continues to derive value from legacy systems, NSA insurers also are reaping the rewards of insurtechs and purpose-built integrations to facilitate faster transformations than ever before, using fewer internal resources and accelerating speed-to-value.

Seizing Market Opportunities

Integrating advanced tools like AI and machine learning into claims, customer service, and underwriting processes is helping insurers improve customer engagement and ease of doing business. These tools provide reminders and automated pulls from accounts, implement dynamic retry logic on payments to ensure funds are readily available, execute outbound campaigns, and capitalize on emerging opportunities while addressing market challenges.

Creating Operational Efficiencies

Tech-driven solutions are improving operational workflows, fostering seamless interactions between insurers and policyholders, and reducing costs — all of which are empowering insurers to focus on delivering high-impact results.

Investing in next-gen solutions is not only essential for operational efficiency but also plays a pivotal role in shaping customer experience.

“Companies that use technology to enhance the customer experience can increase customer satisfaction by 15% to 20%,” according to McKinsey.⁶

Yet, one area with significant untapped potential remains — rethinking payment systems to deliver seamless operations and policyholder satisfaction.

3 The Role of Payments in NSA Insurer Success

In addition to tightening underwriting and managing claims costs, effective payment solutions are a critical lever for success within the NSA insurance sector. An insurance-centric payments platform can help non-standard auto insurers gain a competitive advantage and fast track growth.

Offering Flexible Payment Solutions

Flexible payment solutions help NSA insurers to operate efficiently while addressing the diverse needs of policyholders, including those with irregular incomes or financial constraints. Options like Venmo and PayPal make premium payments more accessible for underbanked and un-banked individuals, while automated systems ensure secure, compliant card payment processing via phone, fostering trust and satisfaction.

Improving Payment Success Rates

A robust payment platform enables NSA insurers to protect revenue and maintain predictable cash flow through features like Guaranteed ACH, which minimizes payment returns.

Chargeback protection safeguards against disputed transactions, while automatic card updater technology ensures customer payment details remain current, tackling issues with lost or expired cards.

These innovations not only reduce financial loss but also enhance customer satisfaction.

Enhancing Payments Efficiency

The transaction-heavy nature of the NSA insurance market demands streamlined payment processes.

A digital payments platform can eliminate inefficiencies and redundancies to reduce the huge administrative burden of failed payments and returns.

Standardized insurance-centric workflows, reminder notifications, and wallet capabilities, also create efficient highways for faster and more convenient payments, as well as a smoother overall experience for both insurers and policyholders.

Integrating Advanced Analytics

Digital payment platforms can bring a wealth of data to the table. By leveraging payment analytics, insurers can uncover patterns in customer behavior, predict risks more effectively, and refine their underwriting and pricing strategies. This actionable intelligence not only helps insurers succeed in the present but also positions them to adapt as market conditions evolve.

4 Unified Payments are a New Paradigm for NSA Insurers

Unlike fragmented or standalone systems, a unified payments platform consolidates all aspects of payment management into a seamless solution, offering unparalleled advantages.

According to Datos Insights, unified platforms “transcend the capabilities of stand-alone payment solutions, offering distinctive features that create additional value.”⁷

Frictionless User Experience

A unified platform enables effortless management of preferences across both incoming and outgoing payment processes, ensuring that user profiles and payment settings remain consistent. By offering a cohesive interface for all payment-related tasks, along with intuitive navigation and uniform workflows, these platforms significantly enhance the overall user experience.

Consolidated Operations

Unified payment systems serve as an all-encompassing treasury management solution, streamlining financial monitoring while offering treasury teams a real-time, holistic view of all transactions. With centralized tools for reporting and reconciliation, these platforms enable carriers to uncover vital cash flow insights, enhance working capital efficiency, and refine their liquidity management strategies.

Accelerated Innovation

A unified technology framework and a consolidated product roadmap enable synchronized feature development and the rapid introduction of advanced capabilities throughout the payment ecosystem. Additionally, standardized integrations

with core systems help accelerate implementation timelines while minimizing maintenance expenses and operational complexity.

Enhanced Customer Experiences

Modern payment solutions for both premiums and claims improve the customer experience by streamlining coverage management. Policyholders can also access convenient payment options like PayPal or mobile wallets — whether they’re making payments or receiving payouts.

Comprehensive Support

A unified technical team overseeing both applications and infrastructure streamlines system management and enables quicker issue resolution. Furthermore, comprehensive support for vendors and providers across web platforms, network portals, and phone systems removes the need for carrier intervention.

Simplified Compliance and Security

Adhering to shifting insurance standards and data protection regulations requires strict security compliance. A unified payments platform tailored to insurance can handle state-specific rules while reducing compliance risks through automated updates, reporting, and documentation.

5 NSA Insurer Success Story

One Inc's NSA insurer clients have found great success in implementing modern payment solutions. The insurance-centric platform improves how insurers process premiums and claims by prioritizing speed, simplicity, and convenience.

Lessening Compliance Burdens and Optimizing Payments for Pearl Holding

Pearl Holding Group, representing Ocean Harbor Casualty Insurance Company and Equity Insurance Company, is one of Florida's leading providers of non-standard automobile insurance. Pearl partnered with One Inc after almost two decades of handling premium payments themselves.

The company's high payment volume meant labor intensive quarterly PCI reporting and participation in extensive audits. But with One Inc, that burden has been eliminated. Pearl now easily maintains PCI compliance without the tremendous outlay of effort. Not only that, but by removing sensitive payment information from their networks and safely storing tokenized data on One Inc's fully PCI compliant platform, data security has been strengthened and risk exposure mitigated with PCI DSS Level 1 compliance.

"Having One Inc handle our PCI compliance is a huge burden lifted from our shoulders and protects us from extensive audits."

— Mike Mobley, Vice President of Operations, Pearl Holding Group

One Inc also implemented advanced payment optimization for Pearl, which has helped them drive recurring premium payment volume, a great mechanism to increase customer retention. Pearl has been able to drive recurring premium payment volume and considerably lower operating expenses, saving millions of dollars annually.

6 Building for the Future

A modern payment platform has the potential to transform the way non-standard auto insurers do business. With a robust, insurance-centric solution, NSA insurers can standardize their workflows, reduce costs, streamline claims payments, and close claims faster — all while providing superior customer experiences.

"As insurers navigate the rapidly evolving landscape of payment ecosystems, they must take strategic action to leverage innovative technologies and emerging trends," according to Datos Insights.⁸

The road ahead requires efficiency, adaptability, and a data-driven approach. Partnering with a payment provider with a platform specific to the insurance industry is a strategic step forward.

A small green circle icon.

About One Inc

One Inc is modernizing the insurance industry through a unified digital payment platform that delivers frictionless experiences. Ranked 'Best-in-Class' for non-bank disbursement platforms by Datos Insights for digital platform capabilities, vendor stability, and client service strength, One Inc is committed to carriers' success.

Changes in consumer behavior toward digital demand will persist and grow. Future-focused insurers have eliminated paper-based workflows and paper checks, investing in purpose-built digital payment platforms that drive superior experiences for their customers, vendors, and other third parties.

The One Inc unified inbound-outbound payment solution includes customer engagement functionality, integrated reporting with real-time data, and flexible integration with insurer core systems — be they legacy or modern. Our fully hosted, scalable, and PCI-compliant platform reduces risk and increases data security and safely stores tokenized data. Our comprehensive end-to-end digital payments platform delivers emergent payment methods, multi-channel digital communications, premium reimbursement capabilities, and rapid digital claim payments, even for the most complex insurance use cases.

The One Inc comprehensive solution enables insurers to deliver on their brand promise to provide a secure and superior customer experience in any situation. Focusing only on the insurance industry, we help carriers transform operations by reducing costs, increasing security, and optimizing customer experience. As the leading digital payments network in the insurance industry, One Inc processes billions of dollars per year in premium and claim payments.

One Inc provides carriers with the ability to give customers what they want and expect: control, convenience, consistency, and continuity. That's the strength derived from a unified experience for both inbound and outbound digital payments.

**To discuss your digital payment needs, please call (822) 209-1688
or email inquiries@OneInc.com.**



Endnotes

- 1 AM Best – https://www3.ambest.com/ambv/sales/bwpurchase.aspx?record_code=349572&altsrc=23
- 2 AM Best – https://www3.ambest.com/ambv/sales/bwpurchase.aspx?record_code=349572&altsrc=23
- 3 Bureau of Labor Statistics – <https://www.bls.gov/news.release/pdf/cpi.pdf>
- 4 Marathon Strategies – <https://marathonstrategies.com/corporate-verdicts-go-thermonuclear-2024/>
- 5 Verisk – https://www.verisk.com/blog/do-you-have-the-right-tools-to-assess-the-nonstandard-auto-market/#_edn3
- 6 Insurance Thought Leadership – <https://www.insurancethoughtleadership.com/going-digital/top-5-insurtech-trends-watch-2024>
- 7 Datos Insights – <https://www.oneinc.com/lp/whitepaper/innovation-in-insurance-payment-ecosystem>
- 8 Datos Insights – <https://www.oneinc.com/lp/whitepaper/innovation-in-insurance-payment-ecosystem>

To Find Out More

Visit [OneInc.com](https://www.oneinc.com) for more information and set up a personalized demo on how you can go digital today!

CONTACT:

(833) 209-1688
inquiries@OneInc.com



www.oneinc.com