



Duck Creek
Technologies

Silent Policy Churn

Is Payment Friction Damaging Your Bottom Line?

How Modern Insurers Protect Revenue and Boost Retention



Contents

Executive Summary	<u>1</u>
The Invisible Power of Payment Friction	<u>2</u>
The Path To Revenue Recovery	<u>4</u>
Reclaiming Lost Revenue	<u>5</u>
A Blueprint for Frictionless Payments	<u>7</u>
Case Study: Seamless Payments, Significant Gains	<u>9</u>
Key Takeaways	<u>10</u>

Executive Summary

Payment friction—any obstacle that slows or complicates the payment process—is a major, yet under appreciated driver of P&C policyholder loss through declined, missed, or delayed premiums. Unlike customers who actively choose to cancel, these policyholders lapse unintentionally, contributing to “silent churn.”

This paper explores how insurers can retain more customers by deploying proactive retry logic, pre-dunning alerts, and intelligent payment orchestration. These solutions not only recover lost revenue but also preserve the long-term value of policies and relationships.

It is estimated that
20% - 40%
of all churn in recurring-revenue
businesses is involuntary



The Invisible Power of Payment Friction

Insurers often attribute policy lapses to customer decisions, price sensitivity, or agent actions, but a portion of these lapses may not be deliberate, meaning that many carriers wrongly ignore this revenue loss. Payment friction, especially in recurring billing models, remains an underdiagnosed cause of churn in the industry.

In the context of subscription-like insurance products, such as life, health, auto, or home policies with recurring premium collection, involuntary churn represents a silent drain on revenue and customer lifetime value.

Involuntary Churn

Involuntary churn is the loss of a customer caused by a failed payment, rather than an intentional choice to cancel a service.

Payment failure can occur for several reasons, including:

- ▶ Card expiration or reissue
- ▶ Insufficient funds during an automatic debit
- ▶ Errors within the payment gateway
- ▶ Incorrect billing information
- ▶ Transactions mistakenly blocked by the issuer as suspicious, also known as false declines

In these situations, customers aren't actively trying to leave; instead, their subscriptions are unintentionally disrupted by backend payment system issues.

20 - 40% of all churn in recurring-revenue businesses is involuntary, according to industry data from GoCardless and Paddle. [\[1, 2, 3\]](#)

Rigid Payment Windows

For P&C insurers, this type of churn is even more problematic due to the rigid nature of payment windows, which leaves little flexibility for recovery after a failed transaction. Customers are often unaware that their policy has lapsed until it's too late to take corrective action. In many cases, reactivating a lapsed policy isn't simple, it can require manual underwriting, the issuance of new quotes, or even medical requalification, all of which add cost, complexity, and friction to the customer journey.

These hurdles lead to lost premiums, administrative overhead, and reputational risk if coverage fails when it's needed most.

Standard Retry Systems Fall Short

Many insurers rely on rudimentary retry mechanisms, one or two fixed attempts, spaced a day apart, with no intelligence or variation. This "set-and-forget" logic ignores behavioral, financial, and technical nuances of modern payments.

On average, basic retry systems recover only **15%** of failed payments.^{[\[4, 5\]](#)} That means **85%** of potential recoverable revenue is left on the table.



In contrast, modern payment platforms use smart retry orchestration, leveraging a range of data inputs to significantly improve payment recovery. These systems analyze the customer's past payment timing patterns, track payment processor uptime, consider known issuer retry windows, and apply machine learning algorithms to predict the optimal times to retry a failed payment. This dynamic, intelligent approach allows for more strategic, data-driven retries that greatly increase the likelihood of success compared to traditional, fixed retry methods.

Modern payment orchestration systems recover

45% - 76%

of failed payments, up to 5X improvement in recovery rates

The Cost of Payment Friction

Because payment declines often go unnoticed by the customer, silent churn is easy for leadership to overlook. There's no cancellation request, no complaint, no reason code in a CRM. It's simply a lapsed policy and lost income.

This risk is especially pronounced in low-touch insurance products, like term life or long-term health, and among under-served demographics such as under-banked or international customers.

Furthermore, it's exacerbated in organizations where siloed billing and customer service functions hinder the timely detection and resolution of payment issues, leading directly to policy lapses.

Regulatory scrutiny is also increasing. In jurisdictions like the UK, Australia, and Canada, insurers are being asked to prove they've taken "reasonable steps" to prevent unintentional lapses, especially in vulnerable populations.

Beyond missed revenue, silent churn from failed payments can also lead to:

- ▶ Higher re-acquisition costs, as insurers must replace lapsed policies with new sales
- ▶ Increased call center volume, with confused customers reaching out after an unexpected lapse
- ▶ Inaccurate actuarial projections due to unexpected changes in customer retention
- ▶ Negative customer experiences, particularly when lapses coincide with critical moments like claims or renewals
- ▶ Damage to long-term policyholder trust
- ▶ Significant increase in operational overhead

The Path to Revenue Recovery

To address the rising impact of involuntary churn, insurers must go beyond traditional billing systems and adopt smarter, more responsive payment infrastructure. While missed or failed payments may seem like isolated incidents, they often follow predictable patterns and can be proactively managed with the right digital tools and modern strategies.

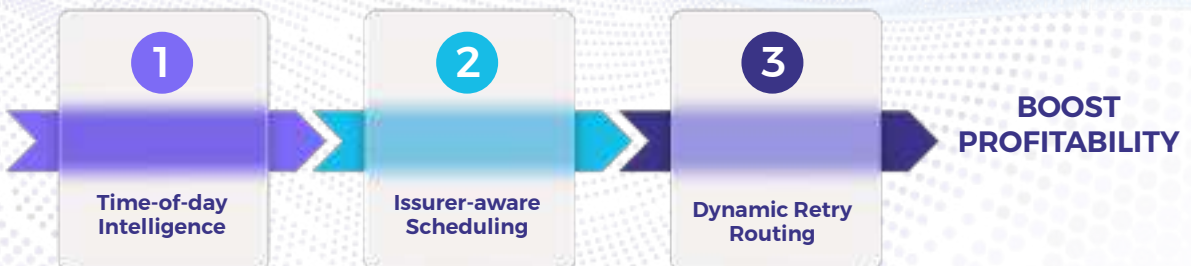
Proactive Retry Logic

Traditional payment retry systems are typically built on rigid, rule-based logic, for example retrying a failed transaction every 24 hours for three consecutive days. While this traditional approach may catch some recoverable payments, it falls far short in today's dynamic and complex payment environment. Customers have varying income cycles, card issuers maintain unique retry protocols, and payment processors can experience fluctuations in availability or success rates. These static retry strategies ignore these nuances, resulting in low recovery rates and unnecessary policy lapses.

In contrast, modern retry systems employ intelligent, data-driven approaches to optimize timing and routing. This includes time-of-day intelligence, such as scheduling retries shortly after salary deposits or known periods of account liquidity; issuer-aware scheduling, which aligns retry attempts with the operational patterns of specific banks or card networks; and dynamic retry routing, which redirects failed transactions through alternative payment gateways with higher historical success rates.

These advanced payment systems can significantly improve outcomes. According to Stripe, intelligent retry tools like their Smart Retries platform can help recover between **45% and 76%** of previously failed payments, compared to as little as **15%** with traditional retry logic.^[4, 5] The result is not only a higher recovery of revenue but also a seamless customer experience, fewer unintended lapses, and stronger long-term retention.

The Modern Retry Systems



Reclaiming Lost Revenue

Unified Coordination Layer

Payment orchestration platforms act as a control layer above all payment methods and processors. They dynamically route, retry, tokenize, and analyze every transaction in real-time.

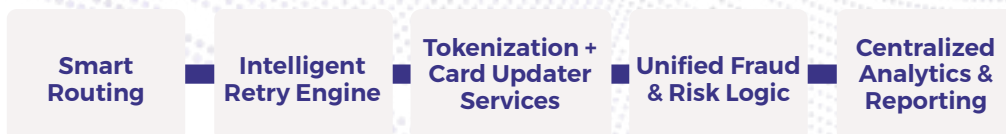
A robust payment orchestration platform brings together multiple capabilities that optimize the entire payment lifecycle, from the first attempt to final resolution, reducing failure points and improving recovery rates. At the core of orchestration is smart routing, which dynamically directs transactions based on variables like geography, currency, payment service provider (PSP) health, and historical approval rates. This ensures each transaction takes the most efficient and successful path. An intelligent retry engine further enhances recovery by adapting the timing, method, and processor used for subsequent attempts, based on the reason for the initial failure.

To minimize friction for the customer, orchestration also includes tokenization and card updater services that securely store card data and automatically update expired credentials, eliminating the need for manual input, which can reduce drop-off. A unified fraud and risk logic layer analyzes transaction behavior in real-time, helping prevent false positives that might otherwise flag valid payments as fraudulent. Finally, centralized analytics and reporting provide actionable insights into failure patterns, recovery performance, and optimization opportunities across segments and channels.

Platforms like the cloud-native, API-first Duck Creek Technologies solution exemplify this modern approach by embedding these capabilities into a configurable, insurer-specific architecture. By centralizing and automating critical payment functions, Duck Creek empowers carriers to reduce involuntary churn, streamline reconciliation, and ensure compliance, all while delivering a better customer experience.

Key Components of Payment Orchestration

Building on these capabilities, payment orchestration takes retry logic to the next level by making it truly adaptive and intelligent. Through the use of AI and machine learning, orchestration platforms can predict the optimal retry windows, such as timing attempts around customer paydays or issuer processing cycles to maximize the chances of success.





Additionally, orchestration continuously evaluates processor performance and can switch routes dynamically, reattempting failed payments through alternative gateways with higher approval rates. Importantly, it also factors in fraud risk, carefully managing retry frequency and patterns to avoid triggering issuer fraud detection systems that could lead to unnecessary declines. Together, these innovative enhancements ensure retries are not only more effective but also more secure and customer friendly.

Pre-Dunning Alerts and Communication: Proactively Engage Policyholders

Pre-dunning alerts represent a proactive approach to preventing payment failures by notifying customers before an actual decline occurs. Leveraging payment orchestration, insurers can send timely and targeted alerts based on a variety of risk indicators, such as the risk score of an upcoming transaction, the expiration status of a customer's card, or predictive models that assess the likelihood of a payment being declined.

This early communication allows customers to update their payment information or ensure sufficient funds are available, significantly reducing the chance of involuntary churn.

These smart alerts can be delivered through multiple channels, including in-app notifications, email, or SMS, and are often personalized to enhance engagement. For example, a message might read, "We noticed your card may expire before your next payment," prompting the customer to take immediate action. By tying alerts to real-time payment intelligence, insurers can ensure that communications are both relevant and timely, improving recovery rates and strengthening customer relationships through transparency and responsiveness.

A Blueprint for Frictionless Payments

To fully realize the benefits of proactive retry logic, pre-dunning alerts, and intelligent payment orchestration, insurers must adopt a strategic and digital operational framework that tightly integrates payments technology with core business processes. Below are key guidelines insurers should follow to implement an effective, data-driven payment recovery program:

- 1 Integrate Payment Orchestration with Core Systems**

Begin by integrating an orchestration platform, such as Duck Creek Payment Orchestrator, directly with your core billing and policy administration systems. This integration ensures a seamless data flow between payment attempts, customer records, and policy status updates. Real-time integration allows for faster detection of payment failures and immediate triggering of retry or alert workflows, minimizing delay in addressing potential lapses.
- 2 Define Retry Rules by Policy Type and Geography**

Not all policies or customer segments behave the same way. Establish retry rules tailored to specific policy types such as life or auto, and ensure regional considerations, including local banking holidays, currency differences, and payment processor availability. This granularity increases the efficiency of retries and reduces unnecessary attempts that may frustrate customers or trigger fraud flags.
- 3 Securely Tokenize and Vault Payment Credentials**

Security and compliance are paramount when handling sensitive payment information. Employ tokenization to replace raw card or bank data with secure tokens that can be safely stored and reused across multiple payment gateways. This reduces customer friction by avoiding repeated payment information requests and lowering compliance risk under regulations like PCI-DSS.
- 4 Configure Real-Time Webhooks for Alerts and Recovery Actions**

Leverage real-time webhooks and event-driven architecture to trigger timely pre-dunning alerts, retry attempts, or alternate payment methods immediately upon detecting a risk event. For example, if a payment is declined due to an expired card, a webhook can instantly prompt a personalized alert or initiate an alternative recovery route, increasing the chance of successful payment before lapse.



5

Monitor and Optimize Through Analytics Dashboards

Implement centralized dashboards that provide visibility into payment success rates, decline reasons, retry performance, and customer engagement with alerts. Use these insights to continuously refine retry timing, routing strategies, and communication tactics. Regular monitoring helps identify emerging trends and operational bottlenecks before they impact revenue or customer satisfaction.

6

Test and Personalize with A/B Experiments and Segment-Based Routing

Intelligent payment orchestration opens opportunities to experiment with retry strategies using A/B testing. Test variations in retry timing, communication channels, or gateway routing on different customer segments to identify what works best. Segment-based routing allows personalization by customer type, such as high-value policyholders, underbanked customers, or international clients, further improving recovery rates and reducing churn.

Case Study: Seamless Payments, Significant Gains

In 2023 a mid-sized personal lines insurer deployed a payment orchestration layer across multiple PSPs and digital wallets. Results after 6 months:



Retry success rate improved by

15%



Cross-border failure rate fell by

12%



False declines due to fraud fell by

3%



Reconciliation time reduced by

50%

Key Takeaways

Silent churn caused by payment friction represents a substantial but often overlooked source of revenue leakage for insurers. Unlike voluntary cancellations, these lapses occur without the customer's intent to leave, making them both recoverable and preventable with the right strategies. As outlined in this paper, insurers who adopt an agile payment orchestration strategy, combining proactive retry logic, intelligent routing, and pre-dunning alert systems, can dramatically reduce involuntary churn and reclaim lost premiums.

Traditional retry methods fall short in today's complex payment ecosystems, where timing, issuer behaviors, and fraud detection patterns vary widely. Modern orchestration platforms offer a centralized and flexible solution that intelligently routes transactions, adapts retry attempts based on real-time data, securely manages payment credentials, and delivers personalized customer communications. This multi-layer approach not only improves payment recovery rates, often by three to five times compared to legacy systems, but also enhances the overall customer experience by reducing frustration and confusion.

Moreover, orchestration enables insurers to implement data-driven operational best practices, such as policy-specific retry rules, regional adaptations, real-time webhook triggers, and advanced analytics dashboards. These innovative capabilities allow continuous optimization through A/B testing and customer segmentation, ensuring that retry strategies remain effective as payment landscapes evolve.

By prioritizing payment orchestration, insurers can transform silent churn from an invisible threat into a manageable challenge, strengthening policyholder trust, improving retention, and securing predictable recurring revenue streams. In an increasingly competitive insurance market, this proactive and intelligent approach to payments is not just an operational upgrade; it is a measurable revenue driver.

**Stop the Churn. Request a Personalized Demo of
Our Payment Orchestration Platform ►**



About the author. Michael Sharp is a product marketing leader with over 20 years of experience spanning the insurance, payments, and financial services sectors. He currently serves as Senior Manager for Payments at Duck Creek Technologies, where he focuses on enabling insurers to modernize their payment capabilities through scalable, embedded solutions.

References

- 1. GoCardless, “The Cost of Involuntary Churn and How to Fix It,” 2022**
- 2. Paddle, “How Payment Failures Cause Subscription Churn,” 2023**
- 3. ProfitWell, “Involuntary Churn and How to Combat It,” 2022**
- 4. Stripe, “Smart Retries and Subscription Recovery,” 2024**
- 5. FasterCapital, “Improving Payment Recovery with Retry Logic,” 2023**
- 6. FlyCode, “Payment Retry Orchestration and Revenue Recovery,” 2023**
- 7. KognitiveWorks, “Payments Processing Transformation for Insurance,” 2023**

About Duck Creek Technologies

Duck Creek Technologies is the intelligent solutions provider defining the future of the property and casualty (P&C) and general insurance industry. We are the platform upon which modern insurance systems are built, enabling the industry to capitalize on the power of the cloud to run agile, intelligent, and evergreen operations. Authenticity, purpose, and transparency are core to Duck Creek, and we believe insurance should be there for individuals and businesses when, where, and how they need it most. Our market-leading solutions are available on a standalone basis or as a [full suite](#), and all are available via [Duck Creek OnDemand](#).

