Premium collection

- Premium collection is a key element of the effective insurance process
- Successful process design will balance effectiveness and sensitivity to customer needs
- Any flaws in the process may endanger entire insurer – customer relationship

Premium collection

- Elements of premium collection process
  - Collection modes
  - Collection frequency and timing
  - Client considerations
  - Collection controls

Premium collection
Collection modes

- Piggybacking:
  premium tied to loans or other transactions
  - increased affordability – cost spread over time
  - low transaction cost
  - limited applicability – customer must have loan outstanding or conduct transactions
  - coverage duration often limited to loan or transaction term

- Examples
  - TUW SKOK
  - Pulse
  - CARD MBA / CARD

Premium collection
Collection modes

- Deducting premiums from customer accounts
  - low transaction cost
  - good continuity
  - limited applicability – customer must have account
  - minimum balance required

- Examples
  - TUW SKOK
  - VimoSEWA

Premium collection
Collection modes

- Premiums paid from account interest
  - limited applicability – customer must have account
  - low transaction cost
  - good continuity
  - visible negative impact on other benefits (lower interest)
  - not always suitable

Premium collection
Collection modes

- Physical premium collection
  - no direct cost to policyholder
  - good penetration
  - in fact, very expensive
  - frequent fraud

Premium collection
Collection frequency and timing

- Flexibility is required
- Solutions must be based on client preferences and capabilities
- If possible, research solutions prior to implementation
- Be ready to adjust if initial solutions found ineffective

Premium collection
Collection frequency and timing

- Increased frequency and varied timing means more choice for the insured
- More choice means fewer opportunities to cancel
- More choice means higher direct cost to insurer and / or insured

Premium collection
Client considerations

- Premium financing
  - save for premium
  - loans to finance premium
  - interest – free loans with cost transferred
- Examples
  - MicroCare loans
  - TUW SKOK interest free financing

Premium collection
Client considerations

- Premium can be affordable and collected efficiently at the same time
  - Measure opportunity cost
  - Assess additional expense
  - Reward client for choice of most effective payment method

Premium collection
Client considerations

- Renewal and lapse policies must be more flexible than for commercial clients
  - Client income less dependable
  - Collection mechanisms irregular
  - Grace periods essential

Premium collection
Collection controls

- Fraud is a major threat
- Prevention must begin at product design stage
- Controls must be incorporated into process

Premium collection
Collection controls

- Horizontal controls: responsibility for premium spread across group
- Vertical controls: insurer responsible for supervision and audit

- Examples
  - ServiPeru: documented procedure and audit
  - TUW SKOK: blank promissory notes

Premium collection
Summary

- No single solution for all situations
- Flexible approach required from product design to process implementation
- Long term success of insured – insurer relationship must be the ultimate goal