

Prepaid cards

A new era in claim payments

Insurance cards enable customers claiming on an insurance policy to get their payment on a prepaid card support. Most insurance claims can be paid via prepaid cards, from non-life claims to warranties, even life or health. At the intersection of the payments and insurance worlds, they have recently become a hot topic for discussion as a target for prepaid cards. So, why this enthusiasm for insurance cards? And ... why so few in the market at the moment?

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Some of the challenges that insurers and brokers are facing when paying out indemnities can be resolved by using prepaid cards. For instance, it may happen that a claimant gets funds to repair a car, spends the money for some other purpose, and continues to drive a broken car... until the next accident. So, monitoring the use of the card ensures that the item is effectively repaired / replaced, be it at a shop, a service provider or even when "doing-it-yourself". In addition to that, prepaid cards may discourage fraudulent claims. Thanks to a personalized support, the card payout is detectable, reversible, and the card usage



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controllable and traceable. For those reasons, prepaid cards are a solution. Depending on the situation, insurance cards can be divided into categories. Cash equivalent cards are provided by an insurer (or a broker) as an indemnity for a damage affecting one or many items together. These cards can be used anywhere or in a network of affiliated retailers. Emergency & travel assistance cards are given by a provider of insurance products as a value-added service (e.g. tour operator, airline) to its customer or a government to a citizen in case of an emergency. This card can be used everywhere to provide help. They go from airline compensation for lost luggage to "catastrophe claim cards". Replacement/Warranty cards are given by a retailer to a customer in replacement of a physical product in order to replace it by the same or another equivalent one at this same retailer or in a specific

Some examples

	Open loop Anywhere on Visa / MasterCard networks	Tailored filtered loop Selected network	Closed loop Only in the retailer (or its chain)
Replacement / Warranty		<ul style="list-style-type: none"> • Group & Myer Insurance Gift Card (Australia) 	<ul style="list-style-type: none"> • Comet Electrical Replacement Card (UK) • Debenhams Insurance card (UK) • Signet group plc / Ernest Jones Insurance replacement card (UK)
Emergency & travel assistance	<ul style="list-style-type: none"> • British Airways (US) • The Hartford Emergency Claim Card (US) • Assurant Claims debit card (US) 		
Cash equivalent	<ul style="list-style-type: none"> • Hartford Insurance Claim Card (US) • Amica ClaimCard (US) 	<ul style="list-style-type: none"> • Royal Bank of Scotland Insurance Replacement Card (UK) • Loss Management Group – Gemcheck card (UK) • Zurich eZclaim card (South Africa) 	

network. Other; more targeted cards also exist in response to very specific circumstances. At a more technical level, insurance cards, depending on the requirements, can be used in an open, tailored filtered or closed loop.

Special features. Each insurance card program is different with various options to make it attractive to all of the stakeholders. To be made attractive to the claimant, one option is the bundling to a loyalty program. If used in an “affiliated” network of retailers, the card can generate discounts on the purchased good, or cash back against the next premium, or mileage, etc. Another appealing way is to provide an additional extension of warranty, or other insurance type products, on the new purchased good; and that is made possible because the program manager is ... in the insurance sector. In order to speed up the indemnity payment, the card can be provided at the moment the policy is signed. Alternatively the card number only can be sent to the end-user, via a paper letter or e-mail or any other means, dematerialized; that way, the claimant can use it for card-not-present transactions. And finally card technology has the capability to divide the funds into multiple wallets, where the money stored on each wallet can be spent in different subsets of retailers. As a conclusion, prepaid card technology offers capabilities that cannot be matched by other payment methods.

Multiple benefits to the program manager. Besides helping to answer some of the challenges identified above, prepaid insurance cards provide additional benefits to the program manager. First and foremost, financial benefits range from cost reduction from handling paper checks, to new sources of revenues that depend on the model, e.g. float, network fees from affiliated retailers, etc. At the same time, a tailored filtered loop insurance card enables us to offer a solution to claimants without having to create a sprawling web of service providers. New insurers, brokers or retailers are particularly interested. Additionally, the program manager has the possibility to tailor the card program and adapt it to the claim, e.g. by filtering a specific acceptance network (in a pre-determined set of retailers), or by segmenting in multiple wallets. This learning about the customer’s behavior enables better customer relationship management. They also help issuing emergency funds in cases where the customer already has the card in hand at the time the damage occurs; in which case, the card has to be provided at the moment

of sign-up. And finally, they enable international transactions when the card is on an international open loop scheme. This is especially appreciated in small countries where car damage often happens outside of the borders.

Making it a “must have” to the end-user. One of the challenges of insurance cards is to get appeal from the end-user, i.e. the claimant. Access to advantages is key, making the end-user feel they have increased purchasing power. Those advantages range from loyalty programs to additional insurance products associated to the purchased good. And if end-users opt for the “do-it-yourself” method, they can also get discounts. Moreover, the use of funds has become faster (no need to get the check via the post, or to stand in line to cash the check), or even immediate when the card number is already in the hands of the end-user. Finally, it gives access to Internet shopping, more security than checks, and it is particularly appropriate in countries with low rates of banking.

Some tips. Today, there are still few insurance card programs in the market. Here are some tips to make your program a success. The first is operational. Card program management, once fully integrated in the company’s systems is a powerful tool. Payments are facilitated, increasing the speed to indemnify. Usage of the card is monitored, enhancing customer relationship management, and decreasing fraud. Secondly, take the financial model outside the box! Assuming that a car insurance contract leads to a claim in average every 3 years, or a property insurance leads to a claim every 10 years, that leaves an opportunity to issue/load the insurance card every 3 or 10 years. To cope with that, the card could become an electronic wallet, reloadable, or be dematerialized. Also, think beyond traditional car and property insurance contracts. And finally, watch out for the legal framework. Some countries impose the “freedom of use of the indemnity”, meaning that the claimant should be in agreement to get the indemnity on a card, and, when needed, narrow the merchant network or restrict the usage per wallet. All this should be carefully dealt with in the relevant Terms and Conditions.

To conclude, insurance cards open new horizons to insurance indemnity payments, and by that give a practical solution to a whole range of indemnity payouts. ■