

POLICY LAPSE RISK DETECTOR: CogniZen Innovations

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Objective

The tool predicts the likelihood of a policyholder letting their policy lapse based on key behavioral and financial indicators. It calculates a risk score for each individual and categorizes them into High, Medium, or Low risk.

PURPOSE:

1. Early Risk Detection

The tool flags clients who are at high risk of lapsing their policy before it actually happens. This enables proactive intervention like personalized calls, payment reminders, or policy restructuring.

2. Customer Retention

Retaining a customer is cheaper than acquiring a new one. By identifying disengaged or dissatisfied clients, the firm can implement retention strategies like feedback calls, offers, or benefit re-packaging.

3. Prioritized Servicing

Not all customers need the same level of attention. This tool helps advisors focus efforts on those who are most likely to lapse, improving time and resource efficiency.

4. Data-Driven Decisions

Removes guesswork. Advisors and managers can track risk patterns (e.g., high complaints, low affordability) to improve communication and product fit.

5. Customer Segmentation

Clients are grouped into Low, Medium, and High Risk, allowing the firm to tailor follow-up strategies and marketing messages accordingly

6. Supports Business KPIs

Helps maintain persistency ratios, one of the key metrics insurance firms track for business stability and regulatory reporting.

BENEFITS OF THE TOOL

BENEFIT	EXPLANATION
Predictive Accuracy	Uses multiple variables to create a reliable risk score
Time-Saving	Automates risk categorization; no manual screening needed
Personalized Outreach	Advisors can approach each client with a context-specific script.
Cost Efficiency	Prevents policy cancellations, saving on re-acquisition costs
Scalability	Can be scaled to thousands of clients with little extra effort
Integration Friendly	Can be connected to CRM tools, dashboards, or mobile apps
Visual Clarity	Charts make it easy for managers to present risk data in meetings

SAMPLE DATA:

Name	Missed Payments	Engaged Recently	Policy Age (Years)	Annual Income (₹)	Annual Premium (₹)	Has Complaint	Responds to Calls
Rahul	2	No	8	8,00,000	2,00,000	No	No
Priya	0	Yes	2	6,00,000	40,000	Yes	Yes
Kanika	4	Yes	5	6,00,000	40,000	Yes	Yes
Neha	3	Yes	8	7,00,000	70,000	Yes	Yes
Rohan	1	No	5	7,00,000	50,000	Yes	Yes

Factors Considered & Why

1. Missed Payments

Weight: +10 if ≥ 2 payments missed

This is a strong indicator of financial inconsistency or declining interest.

2. Engagement (Recent Interactions)

Weight: +7 if not engaged recently

A drop in interaction (emails, visits, replies) often precedes disinterest or lapse.

3. Policy Age

Weight: +5 if < 0.5 years or > 7 years

Very new policies may not be a priority yet; older ones may be under review or due for cancellation.

4. Income vs. Premium Affordability

Weight: +8 if premium $> 20\%$ of monthly income

Unaffordable premiums are a significant lapse risk, especially in the long term.

5. Complaints

Weight: +5 if complaints exist

Complaints often result in dissatisfaction, which can trigger lapses.

6. Contactability

Weight: +7 if not responding to calls

If they ignore communications, it might indicate disengagement or frustration.

Risk Levels

- **High Risk (Score ≥ 30):** Immediate attention required. Likely to lapse.
- **Medium Risk (15–29):** Moderate warning. Consider engagement or benefit review.
- **Low Risk (< 15):** Safe segment. Maintain the current service level.

Sample Client Interpretation

Policy Lapse Risk Prediction

Name: Rahul

Risk Score: 37 / 42

Risk Level: High

Name: Priya

Risk Score: 5 / 42

Risk Level: Low

Name: Kanika

Risk Score: 15 / 42

Risk Level: Medium

Name: Neha

Risk Score: 20 / 42

Risk Level: Medium

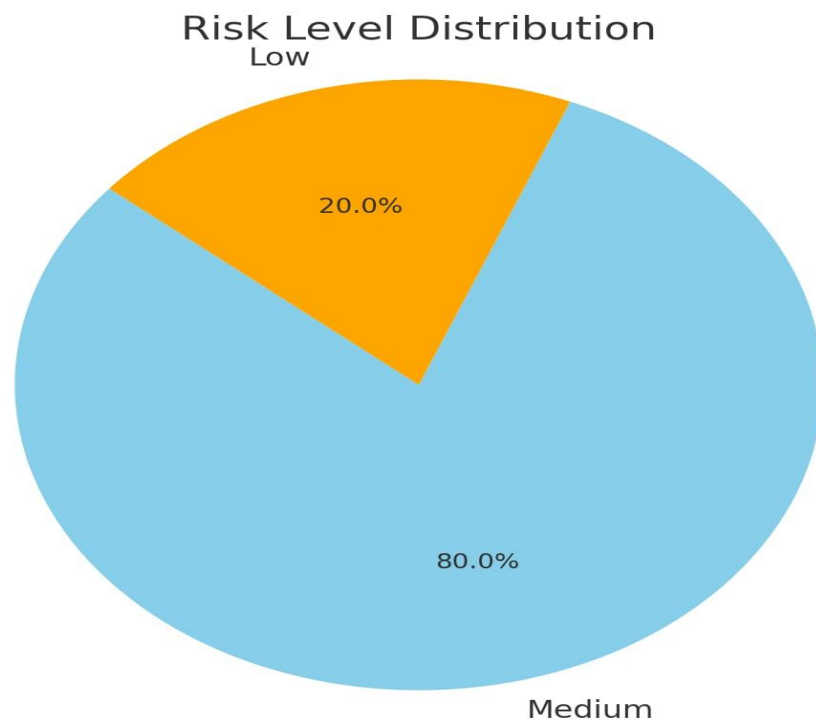
Name: Rohan

Risk Score: 12 / 42

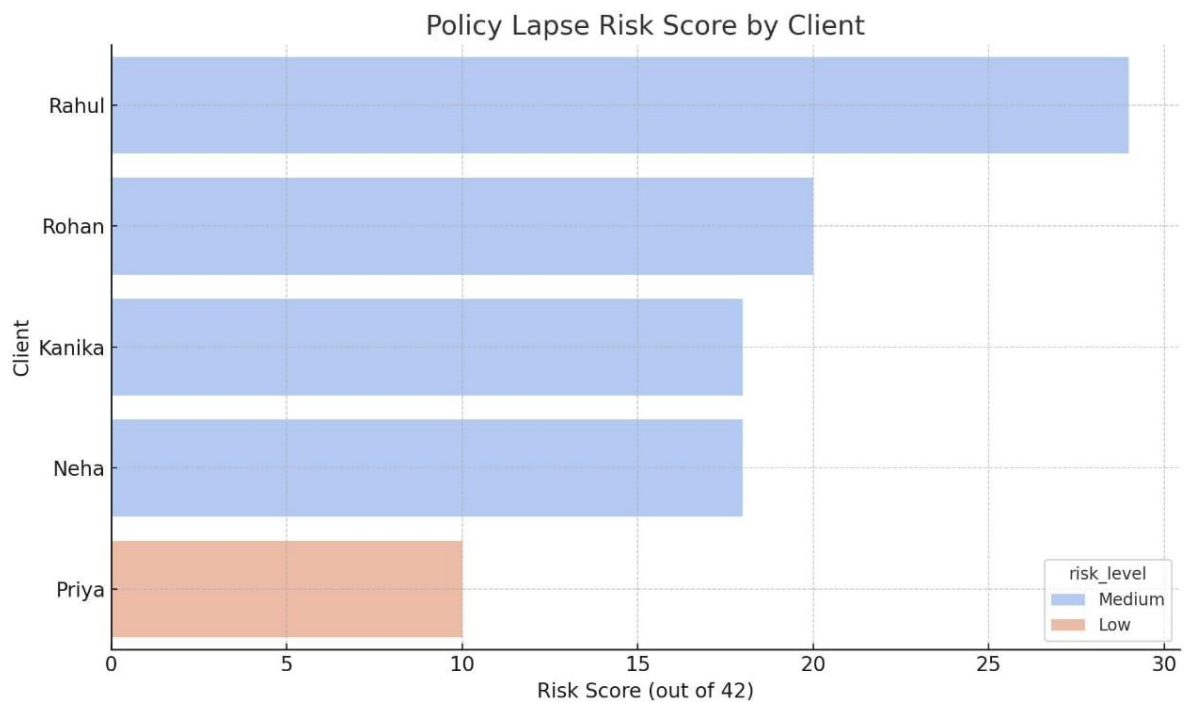
Risk Level: Low

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NAME	RISK SCORE	RISK LEVEL	KEY TRIGGERS
Rahul	29	Medium	Missed payments, not engaged, long policy, no calls
Priya	10	Low	Engaged, no complaints, responds to calls
Kanika	18	Medium	Missed payments, complaints, affordability issue
Neha	18	Medium	Missed payments, complaint, affordability
Rohan	20	Medium	No engagement, complaints



Visualizes the proportion of clients in Low, Medium, High risk categories



Shows individual risk scores and levels for each client

Actionable Insights

- Rahul is nearing high risk — initiate call engagement and understand his reasons for disconnect.
- Kanika & Neha have repeated issues; address their complaints and possibly re-structure their premium.
- Priya is an ideal customer with high retention potential — consider upselling.
- Rohan is disengaged and has complaints — schedule a follow-up session to rebuild trust.