An Analysis of Socioeconomic Factors Affecting Life Insurance Policy Lapses and Surrenders in Nepal

NEPAL INSURANCE AUTHORITY

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ACKNOWLEDGEMENT

Nepal Insurance Authority is pleased to acknowledge the receipt of the research report entitled **"An Analysis of Socioeconomic Factors Affecting Life Insurance Policy Lapses and Surrenders in Nepal"** This study investigated the multi-dimensional socio-economic and institutional factors driving life insurance policy lapses and surrenders among Nepalese policyholders.

The study offers valuable empirical insights into the socio-economic, insurer-related, agent-related, and macroeconomic factors influencing policy lapsation and surrender. In particular, it highlights the significance of financial hardship and premium affordability, policyholder awareness and understanding, product suitability, agent conduct and post-sale support, customer service, and the effectiveness of policy renewal and revival mechanisms. The findings and recommendations of the study are particularly relevant from the perspectives of policyholder protection, responsible insurance distribution, market conduct, product suitability, and sustainable policy retention.

The Authority sincerely appreciates the academic effort, professional contribution, and commitment of the School of Mathematical Sciences, Tribhuvan University, Kirtipur, in undertaking and completing this study. The Authority also extends its appreciation to the Research Department of the Nepal Insurance Authority for its role in facilitating and supporting the research process.

I believe that the findings of the study are expected to will serve as a valuable reference for further policy deliberations, supervisory initiatives, and evidence-based interventions aimed at mitigating avoidable lapses and surrenders and enhancing long-term policyholder engagement.

Susil Dev Subedi

Executive Director

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EXECUTIVE SUMMARY

CHAPTER I: INTRODUCTION

The Problem & Context: While life insurance has expanded rapidly under the Nepal Insurance Authority (NIA) to cultivate a savings culture, premature contract termination heavily threatens the sector's financial stability.

The Scale of Crisis: In fiscal year 2080/81, unrenewed policies accumulated a massive Rs 36.51 billion in inactive value, affecting 1,158,299 policies. Simultaneously, voluntary surrenders spiked by 17.58%, draining Rs 14.50 billion out of the insurance system in a single year.

Core Objectives: This study investigates how multi-dimensional pillars—specifically socio-economic variables, macroeconomic indicators (inflation/interest rates), and insurer/agent-related practices—interact to cause lapsation and surrenders among Nepalese policyholders.

CHAPTER II: REVIEW OF LITERATURE

Economic vs. Social Dynamics: Prior global and regional literature (e.g., Eling & Kochanski, 2013; Cole & Fier, 2020) highlights that financial crises often force policyholders to treat insurance cash values as emergency liquidity. Additionally, subjective peer norms heavily dictate saving behaviors.

The Trust Gap: Service marketing frameworks prove that corporate reputation and service quality heavily influence policyholder loyalty. Conversely, inadequate customer engagement and agent churn significantly accelerate contract cancellations.

Structural Mismatches: Local literature isolates a distinct information deficit regarding product rules, demonstrating that early-stage product mismatches and mis-selling lay the foundation for future contract dropouts.

CHAPTER III: RESEARCH METHODOLOGY

Research Design: This study utilizes a mixed-methods, exploratory survey design to capture both empirical data metrics and stakeholder narratives. Sampling Frame: Using non-probability sampling methods (convenience, judgmental, and snowball sampling), data was gathered from 160 respondents across Kathmandu, Lalitpur, and Bhaktapur, consisting of 147 policyholders, 29 employees, and 25 agents.

Data Reliability: Statistical validity was confirmed using Cronbach's Alpha tests. The data collection instruments scored high internal consistency metrics across the board: 0.809 for the policyholders' survey, 0.754 for employees, and 0.793 for agents.

CHAPTER IV: DATA PRESENTATION & RESULT DISCUSSION

The Dominant Catalyst: Across all descriptive and multiple-response analyses, financial hardship driven by economic slowdown, irregular income streams, and inflation emerged as the absolute

primary cause of lapsation (ranked first by policyholders with a Mean Rank of 2.16 and agents at 1.88).

Affordability & Knowledge Overlap: High premium costs relative to personal earnings capability ranked as the second critical element. Furthermore, 61.2% of policyholders surrendered their policies for immediate, emergency cash needs (medical bills, schooling) due to a complete lack of awareness regarding alternative options like policy loans.

The Social Trap & Agent Failure: A staggering 76% of agents confirmed that their highest-risk client segment consists of individuals who purchased a policy solely out of "social relationships" rather than actual financial planning. Agent mis-selling, overpromising returns, and vanishing post-sale support were heavily correlated with early-year drops. Company Mismatches: Delays in claims processing (65.2% agreement) and disappointing bonus rates compared to standard banking returns heavily eroded institutional trust.

CHAPTER V: CONCLUSIONS & RECOMMENDATIONS

Mandatory Suitability Screening: The industry must adopt stringent financial evaluation mechanisms before contract sign-off (supported by 68.0% of agents) to prevent selling premium tiers that outpace a client's long-term budget.

Product-Level Flexibility: Life insurers should integrate dynamic contractual structures, including variable payment models, premium holidays, or seamless transitions to reduced paid-up statuses to insulate vulnerable policyholders from temporary income drops.

Structural Customer Retention Units: Companies must deploy dedicated retention or revival departments at the branch level to proactively manage "orphaned" policies left behind by high agent turnover.

Simplification of Renewal Pathways: Streamline the policy revival systems by drastically reducing financial penalties and extending digital payment facilities to encourage rehabilitation over cancellation.

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CHAPTER I: INTRODUCTION

1.1 Introduction

Life insurance is a cornerstone of financial planning, providing a unique blend of risk protection and long-term capital mobilization. In the context of an emerging economy such as Nepal, the life insurance sector has experienced significant expansion over the past decade. With oversight by the Nepal Insurance Authority (NIA) and an increasing number of players in the market, insurance has become a primary tool for fostering a culture of saving among Nepalese citizens.

However, the primary objective of life insurance, providing long-term financial security, is often undermined by the premature termination of policies. This termination typically occurs in two forms: lapses (unintentional termination due to non-payment of premiums) and surrenders (voluntary cancellation of the policy for its cash value). Over 98,000 life insurance policies were surrendered in Nepal as of mid-June, with Rs 36.51 billion in premium value becoming inactive due to rising lapses, according to Nepal Insurance Authority (NIA) reports. Economic slowdowns and high inflation are driving this surge in policy cancellations, marking a 10.54% increase in lapsed value, with Nepal Life Insurance Company facing the highest surrenders.

Figure 1.1 Policy Surrendered

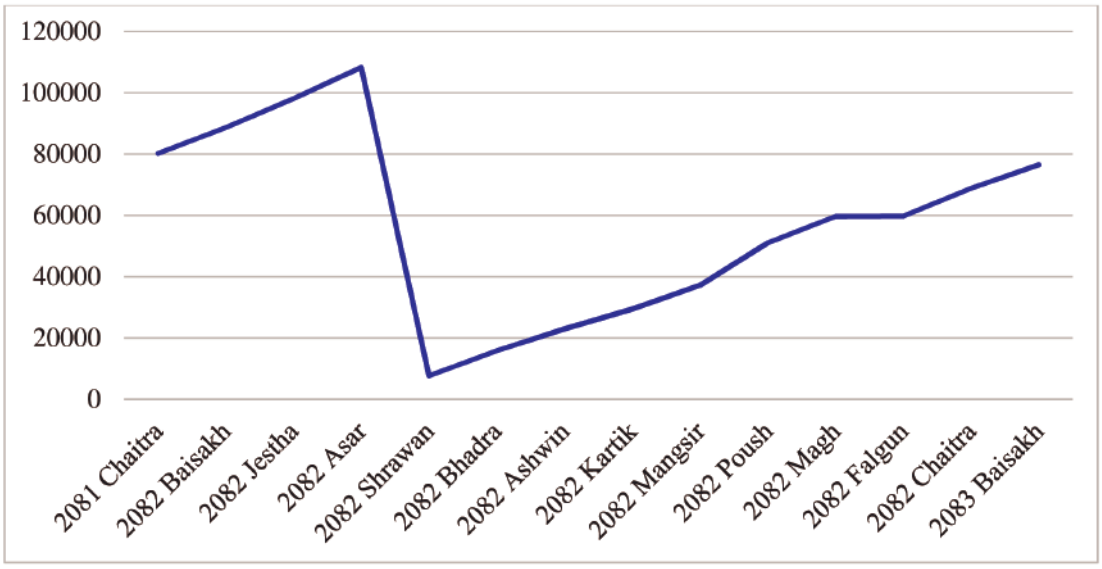
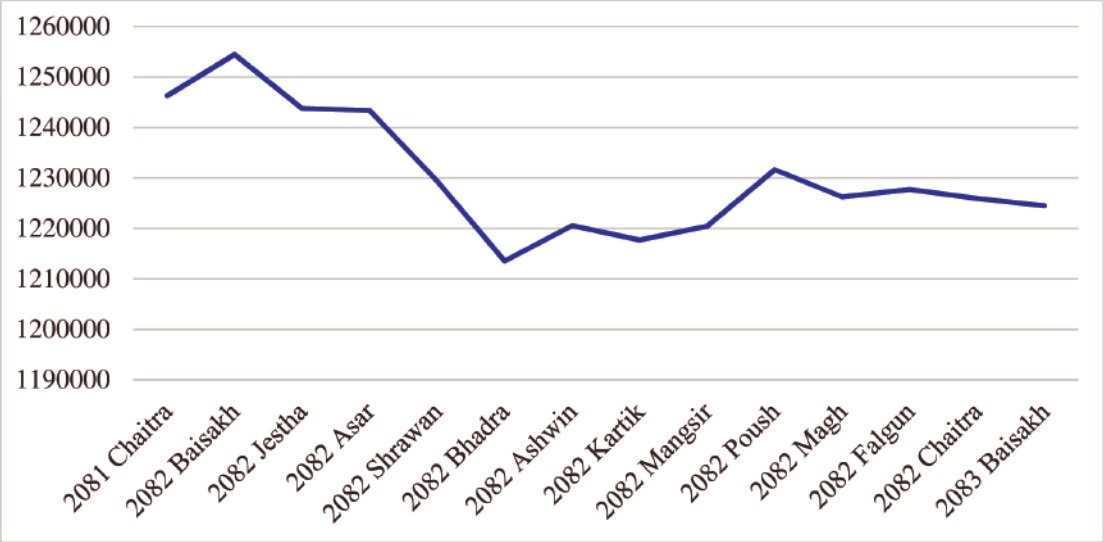


Figure 1.1 presents the policy surrendered, which tracks the monthly number of insurance policies surrendered over 14 months using the Bikram Sambat. Policy surrenders steadily rise from around 80,000 in 2081 Chaitra and reach their highest point at nearly 110,000 in 2082 Asar of the Nepali fiscal year. Immediately after the fiscal year ends, surrenders crash drastically to their lowest point, well under 10,000 in 2082 Shrawan (the start of the new fiscal year).

From 2082 Bhadra through 2082 Mangsir, the chart shows a consistent, linear increase in surrenders, climbing from roughly 15,000 back up to nearly 40,000. Acceleration: The upward trend sharpens between 2082 Mangsir and 2082 Poush, crossing the 50,000 mark. The surrender rate flattens out completely between 2082 Magh and 2082 Falgun, holding steady at exactly 60,000 policies. Surrenders begin climbing again through 2082 Chaitra, finishing the recorded period at approximately 76,000 in 2083 Baisakh.

Figure 1. 2 Presented the Policy Lapsed, which tracks the total number of lapsed insurance policies over the same 14-month period in Bikram Sambat. The overall volume here is much larger, fluctuating between 1.21 million and 1.25 million, and displays a very different trend:

Figure 1.2 Policy Lapsed



Peak and Initial Drop (Early 2082) lapsed policies start high in 2081 Chaitra, 1,246,000, and reach their absolute peak in 2082 Baisakh at roughly 1,254,000. After a brief plateau between Jestha and Asar, the number of lapsed policies drops sharply through Shrawan, hitting its lowest point in 2082 Bhadra at approximately 1,214,000. Lapsed policies bounce back slightly in 2082 Ashwin, to 1,220,000 before dipping marginally in 2082 Kartik. From Kartik onwards, lapses climb steadily for two months, creating a secondary peak in 2082 Poush at around 1,232,000. After Poush, the numbers drop slightly and stabilize. From 2082 Magh through 2083 Baisakh, the count remains highly stable, hovering tightly between 1,224,000 and 1,228,000.

1.2. Statement of the Problem

Life insurance policies worth over Rs 34.37 billion remain lapsed in Nepal's insurance sector, according to the 62nd annual report of the Office of the Auditor General. Despite a slight decline in the number of lapsed policies, the total value has continued to rise, highlighting ongoing challenges in policy renewal (Auditor General Report, 2025).

As of Ashad 2081 (mid-June, 2024), a total of 1,158,299 life insurance policies were not renewed. While this figure marks a 3.88 percent decrease from the previous fiscal year, the monetary value has increased by 0.26 percent from Rs 33.95 billion in 2079/80 to Rs 34.37 billion in 2080/81 (Auditor General Report, 2025).

Life insurance policies are typically structured over fixed periods such as five, ten, or fifteen years. Annual premium payments are required to maintain coverage. If policyholders fail to pay, the policy lapses, meaning the insured is no longer covered, though previously paid amounts remain with the insurer.

The report also noted a growing trend in policy surrenders. A total of 113,976 policies were surrendered in 2080/81, a 17.58 percent increase from 96,938 in the previous year. The surrender value rose from Rs 13.34 billion to Rs 14.50 billion, reflecting an 8.68 percent increase (Auditor General Report, 2025).

The Auditor General has recommended that the Nepal Insurance Authority take a closer look at the reasons behind the rising rate of policy surrenders and work towards addressing them.

According to the Insurance Reflection report published by the Nepal Insurance Authority (NIA), policy renewals have dropped significantly, leaving Rs 36.51 billion worth of life insurance policies inactive as of mid-June. This marks a 10.54 percent increase in lapsed policy value compared to the same period last fiscal year.

Life insurance companies in Nepal are seeing a rising number of lapsed policies, with over 98,000 policyholders surrendering their policies mid-term in the past 11 months alone. According to the Insurance Reflection report published by the Nepal Insurance Authority (NIA), policy renewals have dropped significantly, leaving Rs 36.51 billion worth of life insurance policies inactive as of mid-June. This marks a 10.54 percent increase in lapsed policy value compared to the same period last fiscal year (Auditor General Report, 2025).

Despite the expansion of life insurance companies in Nepal, the retention of policyholders remains low. High lapse rates not only deprive families of essential financial protection but also destabilize the cash flow and profitability of insurance firms. Existing literature suggests a gap in understanding how specific local factors, such as agent miss-selling and rural economic shifts, contribute to this trend in the Nepalese context. Thus, the research questions will be as follows:

a). How do the primary socio-economic factors (income level, education, family size) influence policy termination?

b). Why do insurer-related factors (bonus rates, agent behavior, service quality) affect surrender decisions?

c). What is the relationship between macroeconomic indicators (inflation, interest rates) and the frequency of policy lapses in Nepal?

1.3. Research Objectives

The general objective of the study is to study the socio-economic factors driving life insurance lapses and surrenders among Nepalese policyholders. The specific objectives of the study are as follows:

a) To examine the primary socio-economic factors (income level, education, and family size) that influence policy termination.

b) To analyze insurer-related factors (bonus rates, agent behavior, service quality) that affect surrender decisions.

c) To examine the relationship between macroeconomic indicators (inflation, interest rates) and the frequency of policy lapses in Nepal.

1.4. Significance of the Study

The significance of this study lies in its ability to provide critical insights into the socio-economic and institutional factors driving the rising trend of life insurance lapses and surrenders in Nepal. By systematically analyzing the interplay between income levels, education, family size, agent behavior, and macroeconomic indicators, the research highlights the vulnerabilities of policyholders in an emerging economy where financial literacy and stability remain uneven. The findings are particularly valuable for regulators and insurers, as they underscore the urgent need for policy reforms, product flexibility, and stronger customer retention mechanisms to safeguard both households and the financial

health of the insurance sector. Moreover, the study contributes to academic literature by contextualizing global theories of insurance behavior within Nepal's unique socio-economic environment, offering a foundation for future research and practical interventions aimed at improving policyholder trust and long-term engagement.

The study's findings directly inform several important policy recommendations that address the limitations and challenges identified. For instance, the report emphasizes the need for mandatory suitability screening, ensuring that agents and insurers assess a client's financial capacity before selling policies, thereby reducing mismatches that lead to lapses. It also calls for product-level flexibility, such as premium holidays or reduced paid-up options, to help policyholders manage temporary income shocks without losing coverage. Another key recommendation is the establishment of customer retention units at the branch level to proactively revive orphaned policies abandoned due to agent turnover. Finally, the study suggests simplifying renewal pathways by lowering penalties and expanding digital payment options, making it easier for policyholders to continue coverage rather than surrendering.

Equally important is the role of agents, which the study identifies as both a risk and an opportunity. Mis-selling, overpromising returns, and disappearing after the sale were strongly correlated with early policy dropouts. However, agents who maintain trust, provide transparent information, and offer consistent post-sale support can significantly reduce surrender rates. This highlights the need for stricter agent training, monitoring, and accountability frameworks to ensure that agents act as long-term financial advisors rather than short-term salespeople.

1.5. Limitations of the Study

The study acknowledges several limitations that may affect the generalizability and depth of its findings. Since the research relied on non-probability sampling methods such as convenience, judgmental, and snowball sampling, the sample may not fully represent the diverse population of Nepalese policyholders. The survey was concentrated in selected provinces and urban centers, which could underrepresent rural households where insurance literacy and income dynamics differ significantly. Additionally, the study's reliance on self-reported data introduces the possibility of response bias, as participants may have misrepresented or misunderstood certain aspects of their insurance experiences. The research also focused primarily on socio-economic and institutional factors, leaving out broader cultural and psychological dimensions that might influence policy lapses and surrenders. Finally, the cross-sectional nature of the data limits the ability to capture long-term behavioral changes among policyholders over time.

CHAPTER II: REVIEW OF LITERATURE

2.1. Review of Previous Studies

The decision to surrender a life insurance policy is influenced by several factors that vary across different policyholders. This study explores the key reasons behind life insurance policy surrenders, with a focus on factors such as economic constraints, knowledge gaps, social influences, company-related factors, the role of agents, and demographic characteristics. A study by Eling and Kochanski (2013) shows that the reasons behind the life insurance surrender and lapse may be more than one.

A significant factor driving policyholders to surrender their life insurance policies is the economic need to address short-term financial crises. Research by Gemmo et al. (2016), and Cole and Fier (2020) suggests that people often surrender their policies to manage immediate financial needs. The proceeds from the policy surrender are frequently used for crucial expenses such as education or purchasing a home. Several studies (Aris et al., 2009) have highlighted that economic reasons, particularly a lack of savings or alternative investment opportunities, are primary determinants of policy surrender. Social pressures also impact a person's saving intentions, as Ningsih et al. (2018) and Widyastuti et al. (2016) found that social norms and attitudes toward saving significantly influence individuals' financial decisions, including the decision to surrender insurance policies.

Another factor affecting policy surrender is the lack of knowledge about the life insurance product itself (Capraro et al., 2003). Policyholders often make decisions based on incomplete or misunderstood information, leading them to abandon policies prematurely. Subashini (2017) identifies product mismatches, misspellings, and inadequate understanding of policy terms as major reasons for surrender. Policyholders may not fully grasp the long-term benefits of their policies, contributing to decisions that may not align with their financial interests. Policyholders' satisfaction can be contingent upon the level of brand awareness (Du et al. 2020).

Social factors, including pressure from family, peers, and societal norms, can strongly influence the decision to surrender a life insurance policy. Ningsih and Sudarma (2018) point out that social pressure can significantly affect an individual's saving intentions, which in turn impacts their willingness to maintain life insurance policies. Similarly, Widyastuti et al. (2016) emphasize that attitudes towards saving and subjective norms positively influence saving behaviors, suggesting that external social factors may drive policyholders to surrender their life insurance policies in favor of other financial priorities.

The image of the insurance company plays an important role in a policyholder's decision to continue or surrender their policy. Research in service marketing suggests that a strong corporate image fosters customer loyalty, while a negative image can lead to dissatisfaction and surrender (Gronoroos, 1984; Gummesson & Gronoroos, 1988; Bitner, 1991). Corporate image influences customer loyalty by shaping their overall perception of the company's reliability and the quality of its services (Kelley & Davis, 1994; Nguyen & LeBlanc, 1998; Andreassen & Lindestad, 1998; Yu, Cheng & Lin, 2010). A poor company image or inadequate customer service can thus contribute to higher surrender rates. Insurers with lower lapse rates can provide cash-value products with superior performance (Carson & Dumm, 1999).

The role of agents in life insurance decisions is also critical in influencing surrender behavior. Studies (Chakrabarty & Bass, 2014; Garegnani et al., 2015; Downe et al., 2016; Popoola et al., 2017) have shown that agents who engage in mis-selling, forced selling, or fail to build strong relationships with customers can increase the likelihood of policy surrenders. Tseng (2020) emphasizes the importance

of agents in fostering trust and a positive relationship between customers and the company, suggesting that poor agent performance or lack of loyalty can lead to customers deciding to surrender their policies.

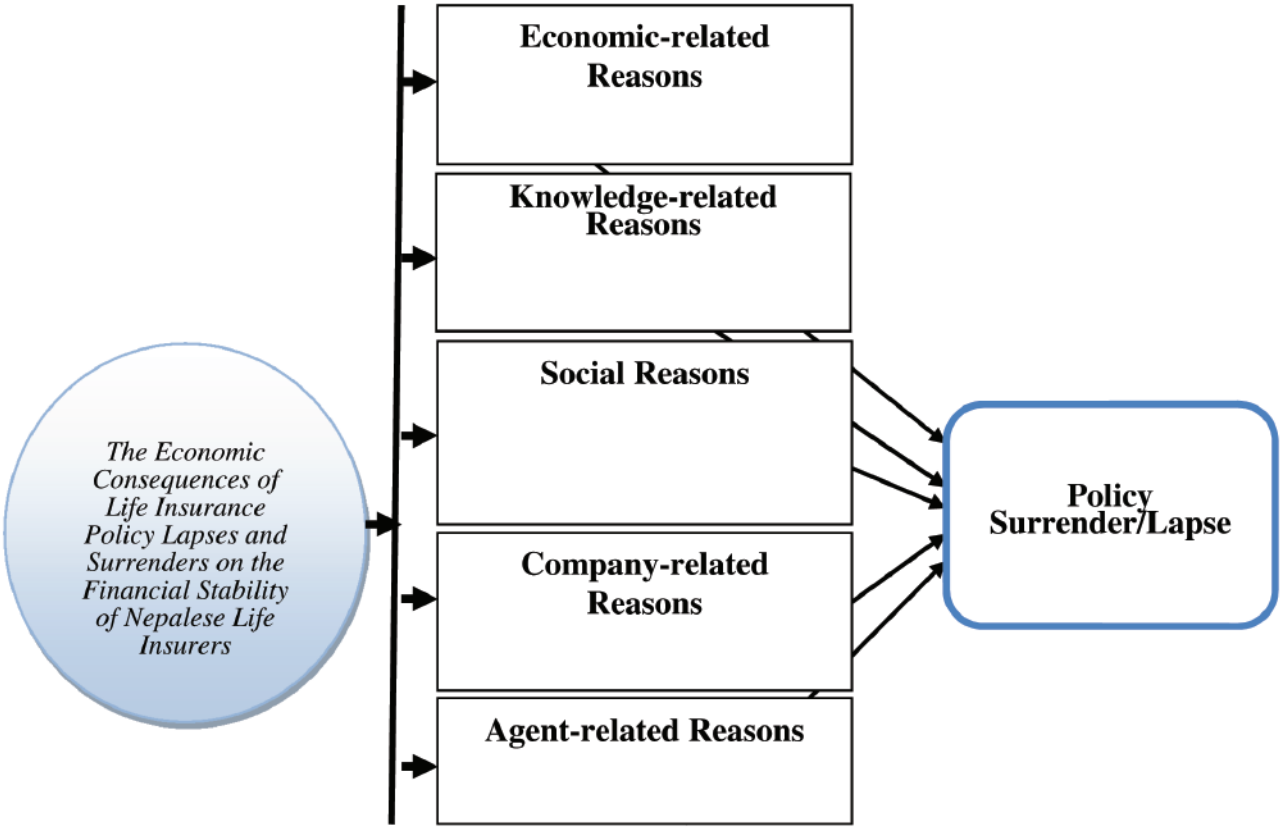
Demographic factors such as age, marital status, occupation, and income level also play a significant role in the decision to surrender life insurance policies. According to the Canadian Institute of Actuaries (2014), characteristics like age and gender (Eling & Kochanski, 2013), sum insured, and policy duration influence surrender rates. Vidyavathi et al. (2022) found that younger individuals, in particular, may be more likely to surrender their policies due to immediate financial pressures or changing life priorities. Similarly, low income levels, childcare expenditures, and the absence of public health insurance increase the likelihood of policy surrenders (Shima et al., 2012; Fier & Liebenberg, 2013; Shim, Min & Choi, 2021). The financial stability is reflected in marital status, and occupation can also affect a policyholder's decision to continue or surrender their life insurance policy.

CHAPTER III: RESEARCH METHODOLOGY

3.1 Conceptual Framework

This framework categorizes the multi-dimensional factors that influence policyholders to discontinue or lapse their insurance contracts. The determinants are divided into five distinct behavioral and structural pillars: Macro & Micro-Economic Determinants (Inputs), Income Loss: Depletes disposable income needed for premium payments., Inflation erodes purchasing power, forcing customers to prioritize immediate necessities over long-term savings. Financial Hardship: Creates liquidity crunches that make insurance premiums unsustainable is outlined in Figure 3.1.

Figure 3.1 Conceptual Framework of the Study



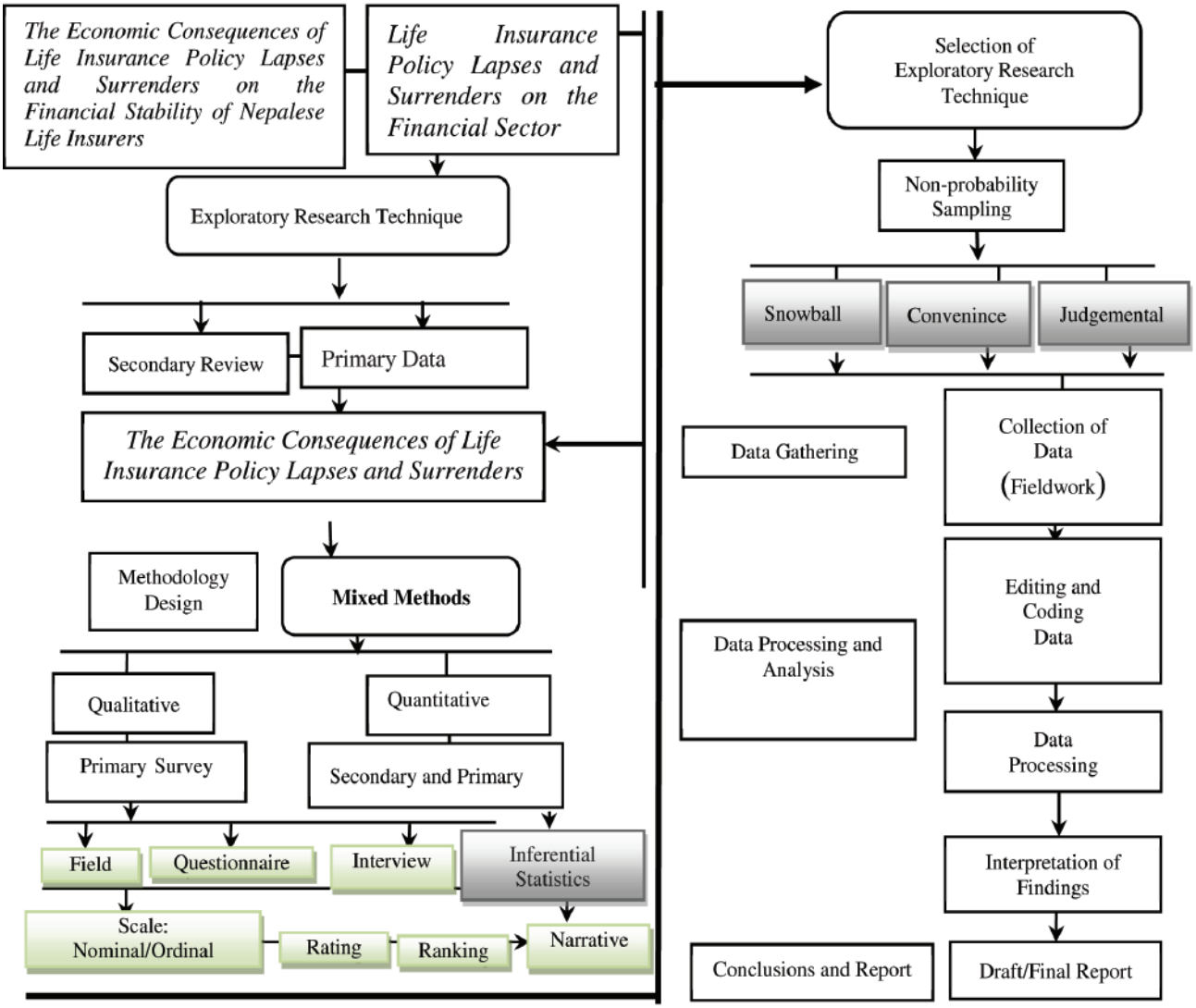
Cognitive & Information Barriers (Knowledge-Related). Poor Understanding: Leads to unrealistic expectations about maturity terms or payout clauses. Information Asymmetry: Causes frustration when policyholders discover hidden terms or exclusions later on.3. Socio-Environmental Influences (Social Reasons). Social Networks: Family advice and peer disapproval can trigger panic-driven policy cancellations.

Migration, also relocation out of the service region, breaks geographic continuity and prompts policy termination. Institutional & Operational Failures (Company-Related). Low Performance: Sub-par bonuses reduce the perceived financial value or ROI of the policy. Service Friction: Sluggish claim processing and poor customer service destroy institutional trust. Interpersonal & Intermediary Factors (Agent-Related) Mis-selling: Deceptive sales tactics lead to buyers realizing the product does not fit their needs. Agent Turnover: High attrition leaves clients "orphaned," eliminating personalized follow-ups and reminders.

3.2. Research Design

The research design of **"The Economic Consequences of Life Insurance Policy Lapses and Surrenders on the Financial Sector"** is the plan and arrangement of the examination to find answers to research questions. The plan comprises writing hypotheses and their operational implications for the final analysis of data. A structure is the framework and organization of the relations among variables of a study. The research design directs both the structure of the research problem and the plan of study used to formulate an exploratory research technique on the relations of the problem.

Figure 3.2 Research Design on The Economic Consequences of Life Insurance Policy Lapses and Surrenders on the Financial Sector



3.3. Types of Research and Sources of Information

The study will apply both qualitative and quantitative approaches for information gathering and analysis. The research will be a survey-type and exploratory study; the exploratory method will be used primarily for description and exploration, and to gain an understanding of how **The Economic Consequences of Life Insurance Policy Lapses and Surrenders impact on the Financial Sector.** Factor analysis, inferential statistics analysis, and a narrative report will be prepared with generalizations focusing on the objectives. This study will primarily be based on primary data collected from the selected institutions. Available secondary data was utilized.

3.4. Survey Design: Size of Sample and Sampling Method

The fieldwork will help to test early hypotheses about the negative and positive impacts of **The Economic Consequences of Life Insurance Policy Lapses and Surrenders on the Financial Sector.** The survey will design the sites for the study based on the major industrial zones of Nepal. A non-probability sampling technique was used for qualitative survey. The sampling techniques were used as Judgmental Sampling, Snowball Sampling, and Convenience Sampling. Thus, there were different non-probability sample methods as required, and about 201 samples were collected.

Table 3.1 Sampling Frame of the Intended Study

Sampling	Judgemental Sampling	Snowball Sampling	Convenience Sampling	Total
Policyholder	114	13	20	147
Employee	15	9	5	29
Agent	10	5	10	25
Total	**139**	**27**	**35**	**201**

3.5. Survey of Location/Research Area

The study was conducted in Koshi, Madhesh, Bagmati, Gandaki, Lumbini and Sudurpaschim provinces through structured questionnaire. Face-to-face interview, telephone survey and online survey were used for data collection.

3.6. Analysis Plan and Specification of Model

This study employed descriptive, statistical, and inferential statistics for the analysis. The descriptive research design is adopted for fact-finding and searching for adequate information on the issues of the research. Factor analysis will also be made for the collected information. Excel/SPSS software was used to analyze data.

3.7. Test of Sample: Reliability

After the collection of data through a questionnaire, the reliability of the study was measured and confirmed by testing both the consistency and truthfulness of the respondents' responses in primary data. Cronbach's Alpha, based on Standardized Items and split-half statistical analysis, was used.

3.8. Reliability Analysis

Cronbach's Alpha based on standardized item is presented in Table 3.3.b, including policyholder, employee and agent questionnaires.

Table 3.2 Reliability Analysis

Questionnaire	Cronbach's Alpha	No. of Items
Policyholder	.809	45
Employee	.754	24
Agent	.793	19

A reliability analysis was conducted to assess the internal consistency of the questionnaire administered to the policyholders. The analysis produced a Cronbach's Alpha based on standardized item is 0.809

for 45 items. A Cronbach's Alpha value between 0.80 and 0.89 indicates very good level of reliability. This suggests that the questionnaire items are considered to be very good level of reliability because only 19% data considered to be error.

Likewise, for employees, a Cronbach's Alpha based on standardized items is 0.754 for 24 items. A Cronbach's Alpha value between 0.70 and 0.79 indicates good level of reliability. This suggests that the questionnaire items are considered to be good level of reliability because about 25% data considered to be error.

Furthermore, for agents, a Cronbach's Alpha based on standardized items is 0.793 for 19 items. This suggests that the questionnaire items are considered to be good level of reliability because about 21% data considered to be error.

CHAPTER IV: DATA PRESENTATION AND RESULT DISCUSSION

4.1 Introduction

In this chapter, the collected data is presented along with the interpretation of different statistical tools applied for the analysis of the data, followed by the discussion of the findings of the research report.

4.2 Demographic Profile of Respondents

In this section, the demographic information of the respondents – policyholders, employees, and agents- is analyzed using descriptive statistics, and the results are presented in Table 4.1, Table 4.2, and Table 4.3, respectively.

Table 4.1 Demographic Information of Policyholders

Demographics	Value	Percentage
Gender	Male Female	59.2% 40.8%
Age	Under 25 25-34 35-44 45-54 55 and above	6.8% 27.9% 44.9% 18.4% 2.0%
Marital Status	Unmarried Married Widowed/Separated	12.9% 82.3% 4.8%
Education Level	Up to Secondary Intermediate Bachelors and Above	20.4% 39.5% 40.1%
Occupation	Government Salaried Private Salaried Self Employed and Business Agriculture/Rural Income Foreign Employment/Remittance Household Others	10.9% 34.0% 23.1% 15.0% 4.8% 12.2%
Monthly Income	Below 15000 15001-30000 30001-50000 50001-800000 Above 80000	5.4% 22.4% 42.9% 23.1% 6.1%
Dependent	None 1-2 3-4 5 or more	11.6% 27.2% 55.1% 6.1%

Location	Urban Semi-Urban Rural	53.1% 34.7% 12.2%
Province	Koshi Madhesh Bagmati Gandaki Lumbini Sudurpaschim	10.2% 6.8% 49.7% 23.1% 8.2% 2.0%
Policy Types	Endowment Whole Life Term Money Back Child Others	76.2% 0.7% 4.8% 2.0% 3.4% 12.9%
Policy Status	Lapsed Surrendered	66.0% 34.0%
Payment Mode	Monthly Quarterly Half Yearly Yearly	6.1% 2.0% 6.1% 85.7%

Table 4.2 Demographic Information of the Employee

Demographics	Value	Percentage
Department	Branch Management Policy Servicing Customer Service Agency Department Underwriting Claim Finance Others	3.4% 17.2% 6.9% 3.4% 20.7% 13.8% 6.9% 27.6%
Position Level	Assistance Senior Officer Branch Manager Department Head Senior Management Other	51.7% 10.3% 3.4% 17.2% 3.4% 13.8%
Experience	<1 Year 1-3 Years 4-7 Years 8-10 Years >10 Years	10.3% 20.7% 37.9% 20.7% 10.3%

Province	Bagmati	100%
Involved with Surrender or Lapse	No Yes Sometimes	48.3% 20.7% 31.0%

Table 4.3 Demographic Information of Agents

Demographics	Value	Percentage
Gender	Male	80.00%
	Female	20.00%
Age	25–34	16.00%
	35–44	36.00%
	45–54	48.00%
Education Level	Intermediate/+2	24.00%
	Bachelor	56.00%
	Master and above	20.00%
Experience	Less than 1 year	4.00%
	1–3 years	4.00%
	4–7 years	24.00%
	8–10 years	32.00%
	More than 10 years	36.00%
Employment Type	Full Time	52.00%
	Part Time	44.00%
	Occasional	4.00%
Training Received	None	12.00%
	1 Training	60.00%
	2–3 Trainings	28.00%
Policies Sold (monthly)	Below 25	8.00%
	25–50	20.00%
	51–100	20.00%
	101–200	16.00%
	Above 200	36.00%
Clients per Month	0–10	24.00%
	11–25	32.00%
	26–50	32.00%
	51–100	8.00%
	Above 100	4.00%

Follow-up Frequency	Rarely	24.00%
	Sometimes	64.00%
	Often	12.00%
Renewal Pattern	1–2 years	8.00%
	3–5 years	52.00%
	After 5 years	28.00%
	No clear pattern	12.00%
Surrendered/Lapsed Policy Type	Endowment	88.00%
	Foreign Employment	4.00%
	No clear pattern	8.00%
Communication Channel	Phone	56.00%
	Messenger/Viber/WhatsApp	44.00%

4.3 Reasons for Surrender/Lapses

In this section, statistical analysis of responses to questions asked in a ranking scale is presented in tables as follows.

Table 4.4 Test Statistics of the Ranking of Reasons as per the Policyholder

N	147
Chi_Square	234.307
Df	7
Asymp.Sig.	<.001

According to the test statistic in Table 4.4, we observe that the significance level of the above ranking is less than 0.001. Thus, we reject the null hypothesis and conclude that the distribution of the variables is not equal. This means that our ranking test of reasons why people lapse or surrender a life insurance policy is significant at a confidence level of 99%.

Table 4.5 Test Statistics of the Ranking of Reasons as per the Employee

N	29
Chi_Square	84.348
Df	9
Asymp.Sig.	<.001

According to the test statistic in Table 4.5, we observe that the significance level of the above ranking is less than 0.001. Thus, we reject the null hypothesis and conclude that the distribution of the variables is not equal. This means that our ranking test of employees' views on key lapse/surrender drivers is significant at a confidence level of 99%.

Table 4.6 Test Statistics of the Ranking of Reasons as per Agents

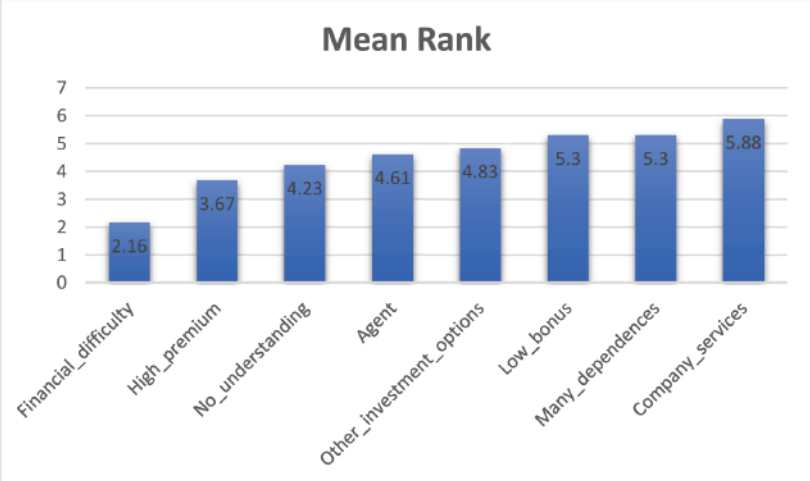
N	25
Chi-Square	38.874
Df	5
Asymp. Sig.	<.001

According to the test statistic, we observe that the significance level of the above ranking is less than 0.01. Thus, we reject the null hypothesis and conclude that the distribution of the variables is not equal. This means that our ranking test of reasons why people lapse or surrender a life insurance policy is significant at a confidence level of 99%.

Table 4.7 Statistical Value of the Ranking of Reasons of Lapsed/Surrendered as per Policyholders

Reasons of Lapsed/Surrendered	Mean Rank
Financial_difficulty	2.16
High_premium	3.67
No_understanding	4.23
Agent	4.61
Other_investment_options	4.83
Low_bonus	5.30
Many_dependences	5.30
Company_services	5.88

Figure 4.1 Statistical Value of the Ranking of Reasons of Lapsed/Surrendered as per Policyholders



The Table 4.7 and Figure 4.1 present the statistical value of the ranking of reasons of Lapsed/ Surrendered as per Policyholders. According to the respondents, the most important reason that led to the lapsing or surrendering of their life insurance policy is "I could not afford the premium because of financial difficulty (job loss, inflation, reduced income.)" **(Financial_difficulty)**, as its mean rank is the lowest (2.16) among all the reasons considered, indicating that inability to afford premiums due

to financial hardships such as job loss, inflation, or reduced income was the foremost and most critical reason behind their decision.

Similarly, the second most important reason is "The premium amount was too high compared to what I earn." **(High_premium)**, with a mean rank of 3.67. Although its mean rank is comparatively higher than that of Financial Difficulty, it remains lower than that of all the remaining reasons, suggesting that the premium amount being too high relative to their earnings was the second most influential factor in their decision to lapse or surrender their policy.

Moreover, the third most important reason is "I did not understand the policy well, or do not know much about insurance in general." **(No_understanding)**, with a mean rank of 4.23. Its mean rank is comparatively higher than that of Financial Difficulty and High Premium but lower than that of the remaining reasons, indicating that poor understanding of the policy or a general lack of knowledge about insurance was the third most significant factor driving policy lapsation or surrender.

Likewise, the fourth most important reason is "My agent did not treat me well, did not explain things clearly, or stopped helping me after I bought the policy." **(Agent)**, with a mean rank of 4.61. Its mean rank is comparatively higher than that of the preceding reasons yet lower than that of the remaining reasons, suggesting that dissatisfaction with agent behavior including poor explanation of policy terms, lack of post-sale support, or unprofessional conduct was the fourth most critical reason for policy lapsation or surrender.

Furthermore, the fifth most important reason is "I found other ways to save or invest my money that gave better returns (banks, cooperatives, shares, etc.)" **(Other_investment_options)**, with a mean rank of 4.83. Its mean rank is comparatively higher than that of the preceding reasons but lower than that of the remaining reasons, indicating that the availability of alternative and seemingly more rewarding investment avenues such as banks, cooperatives, or shares was the fifth most influential factor in the decision to lapse or surrender their policy.

Additionally, the sixth most important reasons are jointly "The bonus or returns I received were lower than I expected." **(Low_bonus)** and "I have many family members depending on me, so there was little money left for premiums." **(Many_dependences)**, both sharing an equal mean rank of 5.30. Their mean ranks are comparatively higher than those of the preceding reasons but lower than that of the remaining reason, implying that disappointment with lower-than-expected bonuses or returns, as well as financial strain from having many family members to support, were equally ranked as the sixth most influential reasons for policy lapsation or surrender.

Finally, the least important reason is "The company's services (renewals, claims, customer support) were difficult or unsatisfactory." **(Company_services)**, with the highest mean rank of 5.88. Since its mean rank is comparatively higher than that of all other reasons, it is ranked last, suggesting that while dissatisfaction with the company's services, such as difficulties in renewals, claims processing, or customer support, did contribute to lapsation or surrender, it was considered the least decisive factor among all those examined.

Table 4.8 Statistical Value of the Ranking of Reasons of Lapsed/Surrendered as per Employees

Reasons of Lapsed/Surrendered	Mean Rank
Policyholder_financial_hardship	2.79
Low_bonus	3.55
High_premium	4.17

Agent_Misselling	4.62
Better_investment_opportunity	5.38
Low_policyholder_awareness	5.48
Social_influence	6.69
Complicated_renewal	7.07
Weak_Company_reminder	7.35
Negative_news	7.86

According to the employees, the most important key driver of life insurance policy lapsation or surrender is "Policyholders' financial hardship, job/business slowdown and inflation" **(Policyholder_financial_hardship)**, as its mean rank is the lowest (2.79) among all the drivers considered. This shows that employees believe financial difficulties faced by policyholders, such as losing their job, business slowdowns, or rising prices, are the biggest reasons why policyholders end up lapsing or surrendering their policies.

Similarly, the second most important key driver is "Low bonus/return or unrealistic expectations about insurance returns" **(Low_bonus)**, with a mean rank of 3.55. Although its mean rank is comparatively higher than that of Policyholder Financial Hardship, it remains lower than that of all the remaining drivers. This suggests that employees feel policyholders tend to give up their policies when the bonuses or returns they receive are not as high as they expected.

Moreover, the third most important key driver is "Premium size not suitable for policyholder income capacity" **(High_premium)**, with a mean rank of 4.17. Its mean rank is comparatively higher than that of Policyholder Financial Hardship and Low Bonus but lower than that of the remaining drivers. This indicates that employees see high premium amounts that do not match what policyholders can actually afford as the third most common reason for lapsation or surrender.

Likewise, the fourth most important key driver is "Agent mis-selling, pressure selling, churning or weak post-sale follow-up" **(Agent_Misseling)**, with a mean rank of 4.62. Its mean rank is comparatively higher than that of the preceding drivers yet lower than that of the remaining drivers. This suggests that employees recognize that poor agent practices, such as pushing people to buy policies they do not fully understand or failing to follow up after the sale, play a notable role in policyholders eventually lapsing or surrendering.

Furthermore, the fifth most important key driver is "Better investment alternatives outside life insurance" **(Better_investment_opportunity)**, with a mean rank of 5.38. Its mean rank is comparatively higher than that of the preceding drivers but lower than that of the remaining drivers. This indicates that employees acknowledge that when policyholders find other places to put their money, such as banks, cooperatives, or shares, that seem to offer better returns, they are likely to give up their insurance policies.

Additionally, the sixth most important key driver is "Low policyholder awareness about lapse, surrender, revival and policy loan" **(Low_policyholder_awareness)**, with a mean rank of 5.48. Its mean rank is comparatively higher than that of the preceding drivers but lower than that of the remaining drivers. This suggests that employees believe many policyholders lapse or surrender simply because they are not aware of their options, such as reviving a lapsed policy or taking a policy loan instead of surrendering.

Moreover, the seventh most important key driver is "Social/family influence, migration or changing family needs" **(Social_influence)**, with a mean rank of 6.69. Its mean rank is comparatively higher

than that of the preceding drivers yet lower than that of the remaining drivers. This indicates that employees feel that pressure or advice from family and friends, moving to a new place, or changes in family responsibilities can also push policyholders toward lapsing or surrendering their policies.

Likewise, the eighth most important key driver is "Complicated renewal, surrender, revival or digital payment process" **(Complicated_renewal)**, with a mean rank of 7.07. Its mean rank is comparatively higher than that of the preceding drivers but lower than that of the remaining drivers. This suggests that employees see overly complicated processes for renewing, reviving, or making payments as a factor that discourages policyholders from keeping their policies active.

Furthermore, the ninth most important key driver is "Weak company reminders, CRM, customer service or grievance handling" **(Weak_Company_reminder)**, with a mean rank of 7.35. Its mean rank is comparatively higher than that of the preceding drivers but lower than that of the remaining driver. This indicates that employees feel that when the company does not send timely reminders or handle customer concerns well, policyholders are more likely to let their policies lapse or surrender them.

Finally, the least important key driver, according to the employees, is "Negative news, claim delays or trust concerns" **(Negative_news)**, with the highest mean rank of 7.86. Since its mean rank is comparatively higher than that of all other drivers, it is ranked last. This suggests that while bad news about the company, delays in claim payments, or trust issues do have some effect, employees consider them the least significant reason for policyholders lapsing or surrendering their policies.

Table 4.9 Statistical Value of the Ranking of Reasons of Lapsed/Surrendered as per Agents

Reason of lapsing policy	Mean rank
Financial hardship	1.88
Premium exceeds expectation	2.96
Lack of understanding of terms	3.12
Better investment option	4.00
Influenced by friends and family	4.36
Lost trust or confidence	4.68

According to the respondents, the most important reason for lapsing an insurance policy is “Genuine financial hardship — client's income was insufficient to sustain premiums” **(Financial hardship)** as its mean rank is the lowest at 1.88 and thus, it is considered the most significant reason among all.

Similarly, according to the respondents, the second most important reason for lapsing an insurance policy is “The policy premium exceeded what the client could realistically afford long-term” **(Premium exceeds expectation)**, since its mean rank is comparatively higher than that of Financial hardship but lower than that of the remaining reasons, which is 2.96.

Moreover, according to the respondents, the third most important reason for lapsing an insurance policy is “The client did not fully understand the policy's terms and long-term commitments at purchase” **(Lack of understanding of terms)**, since its mean rank is comparatively higher than that of Financial hardship and Premium exceeds expectation, but lower than that of the remaining reasons, which is 3.12.

Likewise, according to the respondents, the fourth most important reason for lapsing an insurance policy is “The client found what they believed to be a better financial product elsewhere” **(Better**

investment options), since its mean rank is comparatively higher than that of Financial hardship, Premium exceeds expectation, and Lack of understanding of terms but lower than that of the remaining reasons, which is 4.00.

Furthermore, according to the respondents, the fifth most important reason for lapsing an insurance policy is "The client was influenced by family, friends, or social media to stop the policy" **(Influenced by friends and family)** since its mean rank is comparatively higher than that of Financial hardship, Premium exceeds expectation, Lack of understanding of terms, and Better investment option but lower than that of the remaining reason which is 4.36.

Finally, the least important reason for lapsing an insurance policy according to the respondents is "The client lost trust or confidence in the insurance company or product" **(Lost trust or confidence)**, since its mean rank is the highest among all the reasons considered, which is 4.68.

4.4 Drivers of Lapsed/Surrendered of Life Insurance

In this section, statistical analysis of responses to questions asked in a five-point Likert Scale, which represents factors that impact the surrender and lapses of life insurance, is presented as follows:

Table 4.10 Statistical Value of Likert Scale Measurement as Per Policyholders

Statement	Mean	Percentage of Mean	Mode	Std. Deviation
FS1	3.84	76.80%	5	1.307
FS2	3.89	77.80%	5	1.159
FS3	3.44	68.80%	4	1.171
FS4	2.83	56.60%	3	1.147
FS5	3.82	76.40%	5	1.163
FS6	3.86	77.20%	4	1.102
FS7	3.44	68.80%	5	1.283
FS8	3.47	69.40%	5	1.396
FS9	2.39	47.80%	1	1.332
FS10	3.76	75.20%	4	1.161
PI1	3.5	70.00%	4	1.03
PI2	3.8	76.00%	4	0.984
PI3	3.35	67.00%	4	1.078
PI4	3.44	68.80%	4	1.098
PI5	2.7	54.00%	3	1.05
PI6	2.67	53.40%	3	1.106
UI1	3.14	62.80%	4	1.35
UI2	3.37	67.40%	4	1.111
UI3	3.21	64.20%	3	1.166
UI4	3.1	62.00%	4	1.119

UI5	3.67	73.40%	4	1.124
UI6	3.43	68.60%	4	1.034
UI7	3.15	63.00%	3	1.069
UI8	3.17	63.40%	3	1.081
FFLC1	3.1	62.00%	3	1.19
FFLC2	2.97	59.40%	3	1.161
FFLC3	3.46	69.20%	3	1.256
FFLC4	2.29	45.80%	1	1.148
Agent1	3.48	69.60%	4	1.284
Agent2	3.59	71.80%	4	1.263
Agent3	3.02	60.40%	4	1.295
Agent4	2.59	51.80%	2	1.158
Agent5	3.07	61.40%	4	1.261
Agent6	3.07	61.40%	2	1.22
Agent7	3.12	62.40%	3	1.026
Agent8	3.26	65.20%	4	1.057
Agent9	2.85	57.00%	3	1.106
Agent10	2.68	53.60%	3	1.007
HYMD1	3.3	66.00%	4	1.179
HYMD2	2.95	59.00%	4	1.178
HYMD3	3.12	62.40%	4	1.173
HYMD4	3.16	63.20%	4	1.129
HYMD5	2.97	59.40%	3	1.033
HYMD6	3.02	60.40%	3	1.107
HYMD7	2.99	59.80%	3	1.159

The first statement is "The slow economy has made it harder for me to pay my premiums.". The mean value for this statement is 3.84 which means that 76.80% of the respondents agree with this statement and 23.20% is assumed to be error. The mode value is 5 which indicates that the respondents strongly agree with this statement.

The second statement is "Rising prices (inflation) have reduced how much money I have left for premiums.". The mean value for this statement is 3.89 which means that 77.80% of the respondents agree with this statement and 22.20% is assumed to be error. The mode value is 5 which indicates that the respondents strongly agree with this statement.

The third statement is "High interest rates on loans have added to my family's financial burden.". The mean value for this statement is 3.44 which means that 68.80% of the respondents agree with this statement and 31.20% is assumed to be error. The mode value is 4 which indicates that the respondents agree with this statement.

The fourth statement is "Problems with cooperatives affected money I used to rely on for paying premiums.". The mean value for this statement is 2.83 which means that 56.60% of the respondents agree with this statement and 43.40% is assumed to be error. The mode value is 3 which indicates that the respondents are neutral with this statement.

The fifth statement is "My income is irregular, which makes it hard to pay premiums on time.". The mean value for this statement is 3.82 which means that 76.40% of the respondents agree with this statement and 23.60% is assumed to be error. The mode value is 5 which indicates that the respondents strongly agree with this statement.

The sixth statement is "I have skipped premium payments because my income was low or unstable.". The mean value for this statement is 3.86 which means that 77.20% of the respondents agree with this statement and 22.80% is assumed to be error. The mode value is 4 which indicates that the respondents agree with this statement.

The seventh statement is "I lost my job, or my income dropped a lot, and this affected my premium payments.". The mean value for this statement is 3.44 which means that 68.80% of the respondents agree with this statement and 31.20% is assumed to be error. The mode value is 5 which indicates that the respondents strongly agree with this statement.

The eighth statement is "An unexpected expense (such as medical bills or school fees) forced me to stop paying premiums.". The mean value for this statement is 3.47 which means that 69.40% of the respondents agree with this statement and 30.60% is assumed to be error. The mode value is 5 which indicates that the respondents strongly agree with this statement.

The ninth statement is "My family depends on money sent home by a relative working abroad, which makes premium payments uncertain.". The mean value for this statement is 2.39 which means that 47.80% of the respondents agree with this statement and 52.20% is assumed to be error. The mode value is 1 which indicates that the respondents strongly disagree with this statement.

The tenth statement is "When I face money problems, I think about stopping this policy.". The mean value for this statement is 3.76 which means that 75.20% of the respondents agree with this statement and 24.80% is assumed to be error. The mode value is 4 which indicates that the respondents agree with this statement.

The eleventh statement is "The bonus my policy earned was lower than I expected.". The mean value for this statement is 3.50 which means that 70.00% of the respondents agree with this statement and 30.00% is assumed to be error. The mode value is 4 which indicates that the respondents agree with this statement.

The twelfth statement is "The premium amount felt too expensive for my income.". The mean value for this statement is 3.80 which means that 76.00% of the respondents agree with this statement and 24.00% is assumed to be error. The mode value is 4 which indicates that the respondents agree with this statement.

The thirteenth statement is "My policy did not offer flexible ways to pay (for example, pausing or reducing payments) when I needed it.". The mean value for this statement is 3.35 which means that 67.00% of the respondents agree with this statement and 33.00% is assumed to be error. The mode value is 4 which indicates that the respondents agree with this statement.

The fourteenth statement is "I found that other options (bank deposits, cooperatives, shares) gave better returns than this policy.". The mean value for this statement is 3.44 which means that 68.80%

of the respondents agree with this statement and 31.20% is assumed to be error. The mode value is 4 which indicates that the respondents agree with this statement.

The fifteenth statement is "Overall, I felt this policy was good value for the money I paid.". The mean value for this statement is 2.70 which means that 54.00% of the respondents agree with this statement and 46.00% is assumed to be error. The mode value is 3 which indicates that the respondents are neutral with this statement.

The sixteenth statement is "I found this policy useful and worth continuing.". The mean value for this statement is 2.67 which means that 53.40% of the respondents agree with this statement and 46.60% is assumed to be error. The mode value is 3 which indicates that the respondents are neutral with this statement.

The seventeenth statement is "Before buying, I did not fully understand the terms and conditions of this policy.". The mean value for this statement is 3.14 which means that 62.80% of the respondents agree with this statement and 37.20% is assumed to be error. The mode value is 4 which indicates that the respondents agree with this statement.

The eighteenth statement is "I was not aware that stopping a policy early could lead to financial loss.". The mean value for this statement is 3.37 which means that 67.40% of the respondents agree with this statement and 32.60% is assumed to be error. The mode value is 4 which indicates that the respondents agree with this statement.

The nineteenth statement is "I did not know I could take a loan against my policy instead of cancelling it.". The mean value for this statement is 3.21 which means that 64.20% of the respondents agree with this statement and 35.80% is assumed to be error. The mode value is 3 which indicates that the respondents are neutral with this statement.

The twentieth statement is "I expected this policy to give returns like the stock market, and felt disappointed when it did not.". The mean value for this statement is 3.10 which means that 62.00% of the respondents agree with this statement and 38.00% is assumed to be error. The mode value is 4 which indicates that the respondents agree with this statement.

The twenty-first statement is "I generally understand how my insurance policy works, including its terms and benefits.". The mean value for this statement is 3.67 which means that 73.40% of the respondents agree with this statement and 26.60% is assumed to be error. The mode value is 4 which indicates that the respondents agree with this statement.

The twenty-second statement is "I am aware of the long-term benefits of continuing this policy.". The mean value for this statement is 3.43 which means that 68.60% of the respondents agree with this statement and 31.40% is assumed to be error. The mode value is 4 which indicates that the respondents agree with this statement.

The twenty-third statement is "Before deciding, I compare and think about different insurance options.". The mean value for this statement is 3.15 which means that 63.00% of the respondents agree with this statement and 37.00% is assumed to be error. The mode value is 3 which indicates that the respondents are neutral with this statement.

The twenty-fourth statement is "I understand what happens if a policy is lapsed or surrendered.". The mean value for this statement is 3.17 which means that 63.40% of the respondents agree with this statement and 36.60% is assumed to be error. The mode value is 3 which indicates that the respondents are neutral with this statement.

The twenty-fifth statement is "I cancelled, or thought about cancelling, this policy because my family advised me to.". The mean value for this statement is 3.10 which means that 62.00% of the respondents agree with this statement and 38.00% is assumed to be error. The mode value is 3 which indicates that the respondents are neutral with this statement.

The twenty-sixth statement is "When people I know lost trust in the company or cancelled their policy, I felt the same way.". The mean value for this statement is 2.97 which means that 59.40% of the respondents agree with this statement and 40.60% is assumed to be error. The mode value is 3 which indicates that the respondents are neutral with this statement.

The twenty-seventh statement is "Life changes (such as marriage, a growing family, or children's education) meant I needed this money for other things.". The mean value for this statement is 3.46 which means that 69.20% of the respondents agree with this statement and 30.80% is assumed to be error. The mode value is 3 which indicates that the respondents are neutral with this statement.

The twenty-eighth statement is "The main earner in my family moved abroad, which made it difficult to keep paying for this policy.". The mean value for this statement is 2.29 which means that 45.80% of the respondents agree with this statement and 54.20% is assumed to be error. The mode value is 1 which indicates that the respondents strongly disagree with this statement.

The twenty-ninth statement is "My agent promised high returns, or did not mention important conditions, when selling me this policy.". The mean value for this statement is 3.48 which means that 69.60% of the respondents agree with this statement and 30.40% is assumed to be error. The mode value is 4 which indicates that the respondents agree with this statement.

The thirtieth statement is "I bought this policy mainly because a friend or relative who is an agent asked me to, not because I needed it.". The mean value for this statement is 3.59 which means that 71.80% of the respondents agree with this statement and 28.20% is assumed to be error. The mode value is 4 which indicates that the respondents agree with this statement.

The thirty-first statement is "After the first year, my agent stopped helping me with renewals or questions.". The mean value for this statement is 3.02 which means that 60.40% of the respondents agree with this statement and 39.60% is assumed to be error. The mode value is 4 which indicates that the respondents agree with this statement.

The thirty-second statement is "When my agent left the company or the profession, I lost my main point of contact.". The mean value for this statement is 2.59 which means that 51.80% of the respondents agree with this statement and 48.20% is assumed to be error. The mode value is 2 which indicates that the respondents disagree with this statement.

The thirty-third statement is "My agent contacts me regularly and keeps me informed.". The mean value for this statement is 3.07 which means that 61.40% of the respondents agree with this statement and 38.60% is assumed to be error. The mode value is 4 which indicates that the respondents agree with this statement.

The thirty-fourth statement is "My agent explains things clearly and reminds me about premium due dates.". The mean value for this statement is 3.07 which means that 61.40% of the respondents agree with this statement and 38.60% is assumed to be error. The mode value is 2 which indicates that the respondents disagree with this statement.

The thirty-fifth statement is "The bonus declared by the company made me lose confidence in it.". The mean value for this statement is 3.12 which means that 62.40% of the respondents agree with

this statement and 37.60% is assumed to be error. The mode value is 3 which indicates that the respondents are neutral with this statement.

The thirty-sixth statement is "Delays or problems with claim payments reduced my trust in the company.". The mean value for this statement is 3.26 which means that 65.20% of the respondents agree with this statement and 34.80% is assumed to be error. The mode value is 4 which indicates that the respondents agree with this statement.

The thirty-seventh statement is "Paying premiums or renewing the policy was a complicated process.". The mean value for this statement is 2.85 which means that 57.00% of the respondents agree with this statement and 43.00% is assumed to be error. The mode value is 3 which indicates that the respondents are neutral with this statement.

The thirty-eighth statement is "The company gave me little support or follow-up after I bought the policy.". The mean value for this statement is 2.68 which means that 53.60% of the respondents agree with this statement and 46.40% is assumed to be error. The mode value is 3 which indicates that the respondents are neutral with this statement.

The thirty-ninth statement is "My decision to continue or stop a policy is affected by what people around me do.". The mean value for this statement is 3.30 which means that 66.00% of the respondents agree with this statement and 34.00% is assumed to be error. The mode value is 4 which indicates that the respondents agree with this statement.

The fortieth statement is "If most people I know stop paying their premiums, I feel like doing the same.". The mean value for this statement is 2.95 which means that 59.00% of the respondents agree with this statement and 41.00% is assumed to be error. The mode value is 4 which indicates that the respondents agree with this statement.

The forty-first statement is "It is hard for me to keep paying premiums when I do not see an immediate benefit.". The mean value for this statement is 3.12 which means that 62.40% of the respondents agree with this statement and 37.60% is assumed to be error. The mode value is 4 which indicates that the respondents agree with this statement.

The forty-second statement is "I would rather use my money for today's needs than save it for future insurance benefits.". The mean value for this statement is 3.16 which means that 63.20% of the respondents agree with this statement and 36.80% is assumed to be error. The mode value is 3 which indicates that the respondents are neutral with this statement.

The forty-third statement is "I feel confident I can manage financial risks on my own, without relying much on insurance.". The mean value for this statement is 2.97 which means that 59.40% of the respondents agree with this statement and 40.60% is assumed to be error. The mode value is 3 which indicates that the respondents are neutral with this statement.

The forty-fourth statement is "The thought of losing the premiums I have paid (without ever making a claim) makes it hard to continue.". The mean value for this statement is 3.02 which means that 60.40% of the respondents agree with this statement and 39.60% is assumed to be error. The mode value is 3 which indicates that the respondents are neutral with this statement.

The forty-fifth statement is "I avoid paying premiums when I think I am unlikely to need the policy.". The mean value for this statement is 2.99 which means that 59.80% of the respondents agree with this statement and 40.20% is assumed to be error. The mode value is 3 which indicates that the respondents are neutral with this statement.

The minimum and maximum values of the standard deviations of the statements are: 0.984 and 1.396 respectively. Moreover, the difference in the deviation of one statement from all other statements is all under 1, which indicates that all responses have a good degree of precision and less deviation in the measured variables.

Table 4.11 Statistical Value of Likert Scale Measurement as Per Employee

Statement	Mean	Percentage of Mean	Mode	Std. Deviation
IS1	4.1	82.00%	4	0.724
IS2	4.31	86.20%	5	0.712
EDU1	3.59	71.80%	4	1.053
EDU2	3.59	71.80%	4	0.946
FD	3.24	64.80%	4	0.988
PD	3.69	73.80%	4	1.105
P_Aff	3.76	75.20%	5	1.185
Bonus	3.52	70.40%	4	0.949
PF	2.59	51.80%	2	1.119
AB1	3.76	75.20%	5	1.272
AB2	3.52	70.40%	3	1.153
AB3	3.45	69.00%	4	1.121
AB4	3.17	63.40%	3	1.284
Ser_Q1	3.03	60.60%	1	1.451
Ser_Q2	3.48	69.60%	3	1.214
DS	3.76	75.20%	4	1.057
CE	4.07	81.40%	4	0.753
Inflation	3.34	66.80%	3	1.111
IR	3.34	66.80%	4	1.078
Eco_Slow	4	80.00%	4	1.035
Alt_R	3.83	76.60%	4	1.071
Reg_Pol1	2.48	49.60%	2	1.184
Reg_Pol2	3.62	72.40%	4	0.942
PA	3.69	73.80%	5	1.198

The first statement is "Low or unstable income is a major reason for policy lapse in our company.". The mean value for this statement is 4.10 which means that 82.00% of the respondents agree with this statement and 18.00% is assumed to be error. The mode value is 4 which indicates that the respondents agree with this statement.

The second statement is "Policyholders with irregular income are more likely to stop paying premiums.". The mean value for this statement is 4.31 which means that 86.20% of the respondents

agree with this statement and 13.80% is assumed to be error. The mode value is 5 which indicates that the respondents strongly agree with this statement.

The third statement is "Policyholders with lower insurance awareness are more likely to lapse or surrender policies.". The mean value for this statement is 3.59 which means that 71.80% of the respondents agree with this statement and 28.20% is assumed to be error. The mode value is 4 which indicates that the respondents agree with this statement.

The fourth statement is "Many policyholders do not clearly understand policy terms, premium obligations and consequences of discontinuation.". The mean value for this statement is 3.59 which means that 71.80% of the respondents agree with this statement and 28.20% is assumed to be error. The mode value is 4 which indicates that the respondents agree with this statement.

The fifth statement is "Large family size and high dependency burden affect policyholders' ability to continue premium payments.". The mean value for this statement is 3.24 which means that 64.80% of the respondents agree with this statement and 35.20% is assumed to be error. The mode value is 4 which indicates that the respondents agree with this statement.

The sixth statement is "Policies are more likely to lapse or surrender during the early years of the policy term.". The mean value for this statement is 3.69 which means that 73.80% of the respondents agree with this statement and 26.20% is assumed to be error. The mode value is 4 which indicates that the respondents agree with this statement.

The seventh statement is "High premium amount compared to income is a major reason for lapse or surrender.". The mean value for this statement is 3.76 which means that 75.20% of the respondents agree with this statement and 24.80% is assumed to be error. The mode value is 5 which indicates that the respondents strongly agree with this statement.

The eighth statement is "Low bonus rate or lower-than-expected return encourages policyholders to surrender policies.". The mean value for this statement is 3.52 which means that 70.40% of the respondents agree with this statement and 29.60% is assumed to be error. The mode value is 4 which indicates that the respondents agree with this statement.

The ninth statement is "Lack of flexible premium payment options contributes to policy lapse.". The mean value for this statement is 2.59 which means that 51.80% of the respondents agree with this statement and 48.20% is assumed to be error. The mode value is 2 which indicates that the respondents disagree with this statement.

The tenth statement is "Agent mis-selling or overpromising benefits is one reason behind policy surrender.". The mean value for this statement is 3.76 which means that 75.20% of the respondents agree with this statement and 24.80% is assumed to be error. The mode value is 5 which indicates that the respondents strongly agree with this statement.

The eleventh statement is "Poor explanation by agents about lapse, revival and surrender value contributes to discontinuation.". The mean value for this statement is 3.52 which means that 70.40% of the respondents agree with this statement and 29.60% is assumed to be error. The mode value is 3 which indicates that the respondents are neutral with this statement.

The twelfth statement is "Poor follow-up by agents after policy sale increases the possibility of lapse.". The mean value for this statement is 3.45 which means that 69.00% of the respondents agree with this statement and 31.00% is assumed to be error. The mode value is 4 which indicates that the respondents agree with this statement.

The thirteenth statement is "Agent turnover or inactive agents create renewal and customer support problems.". The mean value for this statement is 3.17 which means that 63.40% of the respondents agree with this statement and 36.60% is assumed to be error. The mode value is 3 which indicates that the respondents are neutral with this statement.

The fourteenth statement is "Delay or weakness in renewal reminders contributes to policy lapses.". The mean value for this statement is 3.03 which means that 60.60% of the respondents agree with this statement and 39.40% is assumed to be error. The mode value is 1 which indicates that the respondents strongly disagree with this statement.

The fifteenth statement is "Weak customer service or poor grievance handling increases policyholder dissatisfaction.". The mean value for this statement is 3.48 which means that 69.60% of the respondents agree with this statement and 30.40% is assumed to be error. The mode value is 3 which indicates that the respondents are neutral with this statement.

The sixteenth statement is "Digital payment and renewal facilities help reduce policy lapse.". The mean value for this statement is 3.76 which means that 75.20% of the respondents agree with this statement and 24.80% is assumed to be error. The mode value is 4 which indicates that the respondents agree with this statement.

The seventeenth statement is "Regular customer education and awareness programs help reduce lapse and surrender.". The mean value for this statement is 4.07 which means that 81.40% of the respondents agree with this statement and 18.60% is assumed to be error. The mode value is 4 which indicates that the respondents agree with this statement.

The eighteenth statement is "Inflation and rising cost of living have increased policy lapses and surrenders.". The mean value for this statement is 3.34 which means that 66.80% of the respondents agree with this statement and 33.20% is assumed to be error. The mode value is 3 which indicates that the respondents are neutral with this statement.

The nineteenth statement is "High bank interest rates and borrowing costs affect policyholders' ability to pay premiums.". The mean value for this statement is 3.34 which means that 66.80% of the respondents agree with this statement and 33.20% is assumed to be error. The mode value is 4 which indicates that the respondents agree with this statement.

The twentieth statement is "Job loss, business slowdown or migration has contributed to policy discontinuation.". The mean value for this statement is 4.00 which means that 80.00% of the respondents agree with this statement and 20.00% is assumed to be error. The mode value is 4 which indicates that the respondents agree with this statement.

The twenty-first statement is "Better returns from bank deposits, shares, land, business or cooperatives encourage some policyholders to surrender policies.". The mean value for this statement is 3.83 which means that 76.60% of the respondents agree with this statement and 23.40% is assumed to be error. The mode value is 4 which indicates that the respondents agree with this statement.

The twenty-second statement is "Current NIA rules and guidelines are sufficient to control unnecessary policy lapse and surrender.". The mean value for this statement is 2.48 which means that 49.60% of the respondents agree with this statement and 50.40% is assumed to be error. The mode value is 2 which indicates that the respondents disagree with this statement.

The twenty-third statement is "Stronger regulation of agent training, sales practices and disclosure would reduce lapse and surrender.". The mean value for this statement is 3.62 which means that

72.40% of the respondents agree with this statement and 27.60% is assumed to be error. The mode value is 4 which indicates that the respondents agree with this statement.

The twenty-fourth statement is "More public awareness programs from NIA and insurance companies are needed to reduce policy discontinuation.". The mean value for this statement is 3.69 which means that 73.80% of the respondents agree with this statement and 26.20% is assumed to be error. The mode value is 5 which indicates that the respondents strongly agree with this statement.

The minimum and maximum values of the standard deviations of the statements are 0.712 and 1.451, respectively. Moreover, the difference in the deviation of one statement from all other statements is all under 1, which indicates that all responses have a good degree of precision and less deviation in the measured variables.

Table 4.12 Statistical Value of Likert Scale Measurement as Per Agents

Statement	Mean	Percentage of Mean	Mode	Std. Deviation
EC1	3.76	75.20%	4	1.0520
EC2	4.12	82.40%	4	0.7810
EC3	3.4	68.00%	4	1.0801
EC4	3.6	72.00%	4	1.3229
PS1	4.08	81.60%	5	0.9539
PS2	3.56	71.20%	4	1.2610
PS3	4.16	83.20%	5	1.0677
PS4	3.92	78.40%	5	0.9967
ACR1	3.36	67.20%	3	1.0755
ACR2	3.2	64.00%	2	1.4142
ACR3	3.32	66.40%	3	1.1804
ACR4	3.36	67.20%	4	1.2543
CK1	3.44	68.80%	4	1.0440
CK2	3.28	65.60%	4	1.1733
CK3	3.8	76.00%	4	1.2247
CK4	3.24	64.80%	2	1.4514
CR1	3.64	72.80%	4	1.2207
CR2	3.2	64.00%	4	1.1547
CR3	3.56	71.20%	5	1.4457

The first statement is "The current economic climate has made it noticeably harder for clients to maintain their policies.". The mean value for this statement is 3.76 which means that 75.20% of the respondents agree with this statement and 24.80% is assumed to be error. The mode value is 4 which indicates that the respondents agree with this statement.

The second statement is "Inflation and rising household expenses are among the top reasons clients discontinue their premiums.". The mean value for this statement is 4.12 which means that 82.40%

of the respondents agree with this statement and 17.60% is assumed to be error. The mode value is 4 which indicates that the respondents agree with this statement.

The third statement is "Clients who purchased policies during better economic conditions are now struggling to continue.". The mean value for this statement is 3.40 which means that 68.00% of the respondents agree with this statement and 32.00% is assumed to be error. The mode value is 4 which indicates that the respondents agree with this statement.

The fourth statement is "More clients are prioritising immediate financial obligations over long-term insurance protection.". The mean value for this statement is 3.60 which means that 72.00% of the respondents agree with this statement and 28.00% is assumed to be error. The mode value is 4 which indicates that the respondents agree with this statement.

The fifth statement is "I ensure I conduct a thorough needs assessment before recommending a policy to a client.". The mean value for this statement is 4.08 which means that 81.60% of the respondents agree with this statement and 18.40% is assumed to be error. The mode value is 5 which indicates that the respondents strongly agree with this statement.

The sixth statement is "I believe policies are sometimes sold at premium levels that are difficult for clients to sustain.". The mean value for this statement is 3.56 which means that 71.20% of the respondents agree with this statement and 28.80% is assumed to be error. The mode value is 4 which indicates that the respondents agree with this statement.

The seventh statement is "I am confident that the policies I recommend are genuinely suitable for my clients' long-term financial situations.". The mean value for this statement is 4.16 which means that 83.20% of the respondents agree with this statement and 16.80% is assumed to be error. The mode value is 5 which indicates that the respondents strongly agree with this statement.

The eighth statement is "Clients who purchase policies that match their actual financial capacity are more likely to maintain them.". The mean value for this statement is 3.92 which means that 78.40% of the respondents agree with this statement and 21.60% is assumed to be error. The mode value is 5 which indicates that the respondents strongly agree with this statement.

The ninth statement is "Consistent post-sale follow-up is the most effective way I have to prevent lapses.". The mean value for this statement is 3.36 which means that 67.20% of the respondents agree with this statement and 32.80% is assumed to be error. The mode value is 3 which indicates that the respondents are neutral with this statement.

The tenth statement is "I find it challenging to stay in regular contact with all my clients due to the size of my portfolio.". The mean value for this statement is 3.20 which means that 64.00% of the respondents agree with this statement and 36.00% is assumed to be error. The mode value is 2 which indicates that the respondents disagree with this statement.

The eleventh statement is "Clients who have a strong relationship with their agent are significantly less likely to surrender their policies.". The mean value for this statement is 3.32, which means that 66.40% of the respondents agree with this statement and 33.60% is assumed to be error. The mode value is 3 which indicates that the respondents are neutral with this statement.

The twelfth statement is "When I am aware a client is struggling financially, I proactively discuss alternatives with them.". The mean value for this statement is 3.36, which means that 67.20% of the respondents agree with this statement and 32.80% is assumed to be in error. The mode value is 4 which indicates that the respondents agree with this statement.

The thirteenth statement is "Most clients I encounter do not fully understand the long-term commitment of a life insurance policy.". The mean value for this statement is 3.44 which means that 68.80% of the respondents agree with this statement and 31.20% is assumed to be error. The mode value is 4 which indicates that the respondents agree with this statement.

The fourteenth statement is "Clients who understand the consequences of early surrender are more likely to seek alternatives before discontinuing.". The mean value for this statement is 3.28 which means that 65.60% of the respondents agree with this statement and 34.40% is assumed to be error. The mode value is 4 which indicates that the respondents agree with this statement.

The fifteenth statement is "I believe that better policyholder education at the point of sale would significantly reduce lapse rates.". The mean value for this statement is 3.80 which means that 76.00% of the respondents agree with this statement and 24.00% is assumed to be error. The mode value is 4 which indicates that the respondents agree with this statement.

The sixteenth statement is "Clients are often unaware of options like paid-up policies, policy loans, or premium holidays.". The mean value for this statement is 3.24 which means that 64.80% of the respondents agree with this statement and 35.20% is assumed to be error. The mode value is 2 which indicates that the respondents disagree with this statement.

The seventeenth statement is "The insurance company I represent provides adequate support for agent retention efforts.". The mean value for this statement is 3.64 which means that 72.80% of the respondents agree with this statement and 27.20% is assumed to be error. The mode value is 4 which indicates that the respondents agree with this statement.

The eighteenth statement is "Current policy designs offer sufficient flexibility for clients experiencing temporary financial difficulties.". The mean value for this statement is 3.20 which means that 64.00% of the respondents agree with this statement and 36.00% is assumed to be error. The mode value is 4 which indicates that the respondents agree with this statement.

The nineteenth statement is "I believe the training I received has equipped me well to handle client retention conversations.". The mean value for this statement is 3.56 which means that 71.20% of the respondents agree with this statement and 28.80% is assumed to be error. The mode value is 5 which indicates that the respondents strongly agree with this statement.

The minimum and maximum values of the standard deviations of the statements are: 0.7810 and 1.4514, respectively. Moreover, the difference in the deviation of one statement from all other statements is all under 1, which indicates that all responses have a good degree of precision and less deviation in the measured variables.

4.5 Factors that Impact Lapses/Surrender

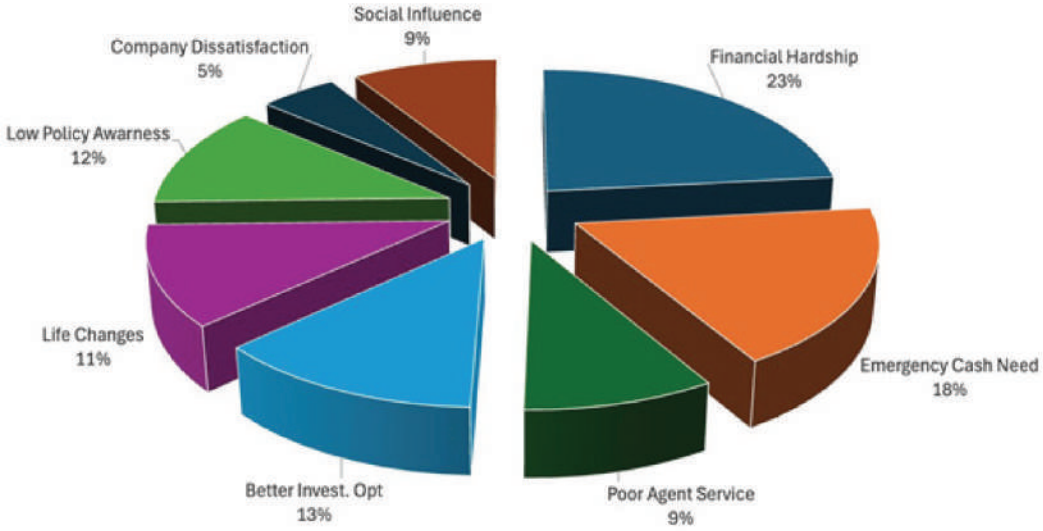
In this section, statistical analysis of responses to questions asked in a multiple responses, which represents factors that impact the surrender and lapses of life insurance, is presented as follows:

Table 4.13 Statistical Value of Multiple Choices as per Policyholders

Question	N	Percent	Percent of Cases
MR1	116	23.3%	78.9%
MR2	90	18.1%	61.2%

MR3	45	9.0%	30.6%
MR4	63	12.7%	42.9%
MR5	57	11.4%	38.8%
MR6	58	11.6%	39.5%
MR7	24	4.8%	16.3%
MR8	45	9.0%	30.6%
Total	498	100%	338.8%

Figure 4.2 Reasons of Policy Surrender/Lapse



The multiple response analysis shows the distribution of how policyholders were allowed to select more that one option or none option simultaneously.

Financial hardship (MR1): 'I could not afford regular premium payments due to job loss, inflation, or reduced income' emerged as the most frequently selected option among policyholders, with 78.9% of cases choosing this response. With a total frequency of 116 and accounting for 23.3% of all responses, MR1 stands out as the dominant factor among the surveyed policyholders. This overwhelmingly high selection rate suggests that MR1 represents a critical concern or priority that resonates with the vast majority of policyholders, making it the single most significant finding in this multiple response analysis.

Emergency cash need (MR2): 'I surrendered the policy to get cash quickly for an urgent need (medical bills, education, etc.)' was the second most chosen option, selected by 61.2% of policyholders, with a total frequency of 90 responses, representing 18.1% of all responses recorded. This notably high selection rate indicates that MR2 is a widely recognized and relevant factor among policyholders. The fact that more than three out of five policyholders selected this option underscores its importance and suggests that it complements MR1 as a primary consideration among the respondents.

Poor agent service (MR3): 'I lost trust because my agent gave misleading information, ignored me, or did not remind me about payments' was selected by 30.6% of policyholders, recording a total frequency of 45 responses and accounting for 9.0% of all responses. While this places MR3 in the lower range of selections, it still represents nearly one in three policyholders acknowledging

its relevance. This moderate level of selection suggests that MR3, while not a dominant concern, remains a meaningful factor for a notable segment of the policyholder population.

Better investment options (MR4): 'I found another financial product that offered higher or faster returns' was chosen by 42.9% of policyholders, with a total frequency of 63 responses, constituting 12.7% of all responses. This places MR4 in the mid-tier range of selections, indicating that it holds moderate significance among policyholders. The selection by nearly half of the respondents suggests that MR4 represents a fairly common concern or consideration, making it an important secondary factor in understanding policyholder behavior and preferences.

Table 4.14 Statistical Value of Multiple Choice Questions as per Employee

Question	N	Percent	Percent of Cases
MRE1	18	8.7%	62.1%
MRE2	20	9.7%	69.0%
MRE3	13	6.3%	44.8%
MRE4	18	8.7%	62.1%
MRE5	16	7.8%	55.2%
MRE6	14	6.8%	48.3%
MRE7	21	10.2%	72.4%
MRE8	17	8.3%	58.6%
MRE9	13	6.3%	44.8%
MRE10	19	9.2%	65.5%
MRE11	19	9.2%	65.5%
MRE12	18	8.7%	62.1%
Total	206	100%	710.3%

Life changes (MR5): 'Events such as marriage, a family member moving abroad, or children growing up made this policy seem unnecessary' recorded a selection rate of 38.8% of policyholders, with a total frequency of 57 responses, representing 11.4% of all responses. Similar to MR4, MR5 falls within the mid-tier range, indicating a moderate level of relevance among policyholders. Approximately two in five policyholders identified with this option, suggesting that while it may not be a primary driver, it nonetheless constitutes a noteworthy factor that influences a substantial portion of the surveyed policyholders.

Low policy awareness (MR6): 'I did not fully understand the terms, the consequences of lapsing, or the value of this policy' was selected by 39.5% of policyholders, recording a total frequency of 58 responses and accounting for 11.6% of all responses. MR6 closely mirrors the selection rate of MR5, and together they form part of a mid-tier cluster of responses. This suggests that MR6 represents a moderately significant concern among policyholders, with nearly four in ten respondents recognizing its relevance. Its presence in this middle cluster highlights it as a secondary but still considerable factor in policyholder decision-making.

Company dissatisfaction (MR7): 'I was unhappy with the company's bonus rates, claim handling, or customer support' recorded the lowest selection rate among all options, chosen by only 16.3% of policyholders, with a total frequency of just 24 responses, representing 4.8% of all responses. This notably low selection rate distinguishes MR7 as the least prioritized factor among policyholders. The limited endorsement of this option suggests that it may represent a concern or characteristic that is either less commonly experienced or of relatively minor importance to the majority of the surveyed policyholders.

Social influence (MR8): 'I cancelled because family members or close friends advised me to, or had done the same' was selected by 30.6% of policyholders, recording a total frequency of 45 responses and accounting for 9.0% of all responses. Sharing the same selection rate as MR3, MR8 also falls in the lower-mid range of the response distribution. This indicates that while MR8 is not among the most frequently chosen options, it still holds relevance for approximately one in three policyholders, suggesting that it represents a factor of modest but measurable significance within the policyholder population.

The multiple response analysis shows the distribution of how employees were allowed to select more that one option or none option simultaneously.

Stronger suitability assessment before policy issuance was selected by 62.1% of employees, recording a total frequency of 18 responses and accounting for 8.7% of all responses. This selection rate indicates that MRE1 is a fairly prominent factor among employees, with nearly two out of three respondents identifying with this option. Its considerable selection rate suggests that MRE1 represents a widely recognized concern or characteristic among the surveyed employee population.

Clear written disclosure of surrender value, lapse consequences and revival rules was chosen by 69.0% of employees, with a total frequency of 20 responses, constituting 9.7% of all responses. This places MRE2 among the higher-ranked options in this analysis, indicating a strong level of relevance among employees. The fact that more than two in three employees selected this option highlights MRE2 as a significant and commonly acknowledged factor within the respondent group.

Flexible premium mode, premium holiday or reduced paid-up options recorded a selection rate of 44.8% of employees, with a total frequency of 13 responses, representing 6.3% of all responses. This places MRE3 in the lower-mid range of the response distribution, suggesting moderate relevance among employees. While not among the most frequently chosen options, MRE3 was still selected by nearly half of the respondents, indicating that it holds a measurable degree of significance for a substantial segment of the employee population.

Early warning system for policies at high risk of lapse was selected by 62.1% of employees, recording a total frequency of 18 responses and accounting for 8.7% of all responses. Sharing the same selection rate as MRE1, MRE4 also stands as a notably prominent factor among the surveyed employees. The high selection rate suggests that MRE4 is a broadly relevant concern, resonating with a strong majority of respondents and positioning it as one of the more significant factors identified in this analysis.

Dedicated retention/revival unit at branch or company level was chosen by 55.2% of employees, with a total frequency of 16 responses, representing 7.8% of all responses. This moderate-to-high selection rate indicates that MRE5 holds considerable relevance among employees, with more than half of the respondents identifying with this option. This suggests that MRE5 represents a commonly experienced or acknowledged factor that influences a majority of the surveyed employee population.

Retention-based agent incentives recorded a selection rate of 48.3% of employees, with a total frequency of 14 responses, accounting for 6.8% of all responses. This places MRE6 in the mid-range of the response distribution, indicating moderate significance among employees. Nearly half of all respondents selected this option, suggesting that while MRE6 may not be a dominant concern, it nonetheless represents a relevant and noteworthy factor for a considerable portion of the employee sample.

Improved agent training and disciplinary action for mis-selling/churning emerged as the most frequently selected option in this analysis, chosen by 72.4% of employees, with a total frequency of 21 responses and accounting for 10.2% of all responses. This highest selection rate distinguishes MRE7 as the most prominent and widely recognized factor among all options presented. The fact that nearly three out of four employees selected this option underscores its critical importance and suggests that MRE7 represents the most dominant concern or characteristic among the surveyed employees.

Automatic multi-channel premium reminders was selected by 58.6% of employees, recording a total frequency of 17 responses and representing 8.3% of all responses. This moderately high selection rate places MRE8 in the upper-mid tier of the response distribution. More than half of the employees identified with this option, indicating that MRE8 represents a fairly common and relevant factor, contributing meaningfully to the overall understanding of employee concerns and preferences.

Easier policy loan and revival process recorded the joint lowest selection rate in this analysis alongside MRE3, chosen by 44.8% of employees, with a total frequency of 13 responses and accounting for 6.3% of all responses. While this places MRE9 among the less frequently chosen options, it is noteworthy that nearly half of the respondents still selected it, indicating a moderate level of relevance. This suggests that MRE9, though not a primary concern for most employees, still holds meaningful significance for a substantial segment of the respondent population.

Improved claim settlement speed and public communication was chosen by 65.5% of employees, with a total frequency of 19 responses, constituting 9.2% of all responses. This high selection rate positions MRE10 among the more prominent factors identified in this analysis. The endorsement by nearly two-thirds of employees suggests that MRE10 represents a widely acknowledged and significant concern, reflecting a broadly shared experience or priority among the surveyed employee population.

Insurance literacy programs in local communities recorded the same selection rate as MRE10, chosen by 65.5% of employees, with a total frequency of 19 responses and accounting for 9.2% of all responses. This equally high selection rate reinforces the significance of MRE11 as a prominent factor among employees. The parallel performance of MRE10 and MRE11 suggests that these two options may represent closely related or complementary concerns that resonate strongly and consistently across the employee sample.

Standardized NIA monitoring and reporting of lapse/surrender rates was selected by 62.1% of employees, recording a total frequency of 18 responses and representing 8.7% of all responses. Sharing the same selection rate as MRE1 and MRE4, MRE12 consistently falls within the higher range of the response distribution. This notable selection rate indicates that MRE12 is a broadly relevant and commonly acknowledged factor among employees, further reinforcing the pattern of widespread engagement with the majority of options presented in this multiple response analysis.

Table 4.15 Client Segments Most Likely to Surrender/Lapse (Multiple Response) as per Agents

Question	N	Percent	Percent of Cases
MRA1	13	15.9%	52.0%
MRA2	11	13.4%	44.0%
MRA3	14	17.1%	56.0%
MRA4	19	23.2%	76.0%
MRA5	16	19.5%	64.0%
MRA6	9	11.0%	36.0%
Total	82	100.0%	328.0%

Young professionals with high aspirations but variable incomes emerged as the Fourth most frequently selected client segment, chosen by 52.0% of cases. With a total frequency of 13 responses and accounting for 15.9% of all responses, MRA1 represents a notably significant segment identified by agents. This selection rate suggests that agents widely recognize young professionals as a vulnerable group whose income instability places them at elevated risk of policy lapse, making this segment a key concern in retention planning.

Self-employed individuals or small business owners was selected by 44.0% of agents, recording a total frequency of 11 responses and representing 13.4% of all responses. This moderate but meaningful selection rate reflects agents' awareness that self-employed clients face irregular income streams that make consistent premium payment challenging. The fact that nearly half of all agents identified MRA2 underscores the need for tailored policy structures that accommodate income variability among entrepreneurial policyholders.

Clients who purchased high-premium products early in their career was chosen by 56.0% of agents, with a total frequency of 14 responses accounting for 17.1% of all responses. This places MRA3 among the more frequently cited segments, reflecting agents' observation that early commitment to high-premium plans often exceeds a client's long-term financial capacity. The relatively high selection rate suggests this is a structurally significant lapse driver, pointing to possible mismatches between product recommendations and policyholder affordability at the point of sale.

Clients who bought the policy primarily due to a social relationship rather than financial planning emerged as the most frequently selected client segment overall, identified by 76.0% of agents, with a total frequency of 19 responses and accounting for 23.2% of all responses. This overwhelmingly high selection rate highlights a fundamental concern: when policy purchase is driven by social obligation rather than genuine financial need or understanding, long-term commitment suffers. MRA4 stands out as the single most significant lapse-risk segment identified in this multiple response analysis.

Clients with multiple insurance or loan commitments was selected by 64.0% of agents, recording a total frequency of 16 responses and representing 19.5% of all responses. This high selection rate indicates that financial overextension is a widely recognized lapse risk among agents. When policyholders are managing competing financial obligations simultaneously, premium payments for life insurance are often the first to be deprioritized, making MRA5 one of the most critical segments for targeted retention interventions.

Clients who have not been in contact with me for an extended period was selected by 36.0% of agents, with a total frequency of 9 responses accounting for 11.0% of all responses. While this places MRA6

as the least frequently cited segment, it still represents more than one in three agents identifying communication breakdown as a lapse risk factor. This moderate selection rate suggests that prolonged disengagement between agents and policyholders, though not the dominant concern, remains a meaningful predictor of policy discontinuation.

Table 4.16 Recommended Policy and Industry Improvements (Multiple Response) as per agent

Question	N	Percent	Percent of Cases
MRA7	17	21.8%	68.0%
MRA8	13	16.7%	52.0%
MRA9	13	16.7%	52.0%
MRA10	14	17.9%	56.0%
MRA11	12	15.4%	48.0%
MRA12	9	11.5%	36.0%
Total	78	100.0%	312.0%

Mandatory suitability assessments for all new policy applications (MRA7) emerged as the most frequently recommended intervention, selected by 68.0% of agents, with a total frequency of 17 responses accounting for 21.8% of all responses. This overwhelmingly high endorsement rate reflects a strong consensus among agents that inadequate initial screening is a root cause of subsequent lapses. By ensuring that policies are matched to clients' genuine financial capacity and needs from the outset, mandatory suitability assessments are seen as the most impactful structural reform available to the industry.

More flexible premium payment designs built into policies (MRA8) was recommended by 52.0% of agents, recording a total frequency of 13 responses and representing 16.7% of all responses. This notably high selection rate indicates that agents widely regard rigid premium structures as a significant barrier to sustained policyholder commitment. The fact that more than half of all agents endorsed this option suggests that product-level flexibility such as variable payment intervals or premium holidays would meaningfully reduce lapse rates among financially vulnerable segments.

Greater investment in post-sale policyholder education and engagement (MRA9) was also selected by 52.0% of agents, with a total frequency of 13 responses and accounting for 16.7% of all responses. This equal endorsement alongside MRA2 highlights that agents view policyholder understanding and ongoing engagement as equally critical to retention as product design. The selection rate underscores a widely held view that many lapses stem not from financial inability alone but from a lack of awareness about policy value, benefits, and revival options.

Simplified policy revival processes with reduced penalties (MRA10) was recommended by 56.0% of agents, recording a total frequency of 14 responses and representing 17.9% of all responses. This places MRA4 as the second most endorsed recommendation, reflecting agents' recognition that complex and punitive revival procedures deter lapsed policyholders from reinstating their coverage. Simplifying these processes would lower the barrier to re-engagement and potentially recover a meaningful portion of lapsed policies.

Dedicated retention support tools and training for agents (MRA11) was selected by 48.0% of agents, with a total frequency of 12 responses accounting for 15.4% of all responses. Nearly half of all agents identifying this as a priority reflects an acknowledgment that agents themselves require better

institutional support to manage at-risk policyholders proactively. This recommendation points to a systemic gap in agent capacity and tooling, suggesting that investment in agent-side resources would yield measurable improvements in retention outcomes.

Industry-wide campaigns to improve public trust in insurance (MRA12) was endorsed by 36.0% of agents, recording a total frequency of 9 responses and representing 11.5% of all responses. While this places MRA6 as the least frequently selected recommendation, more than one in three agents still identified public trust as an area requiring attention. This moderate selection rate suggests that reputational concerns about the insurance industry, though not the primary focus of agents' recommendations, remain a background factor influencing policyholder commitment and willingness to maintain coverage.

CHAPTER V: CONCLUSIONS & RECOMMENDATIONS

5.1 Conclusion

This study investigated the multi-dimensional socio-economic and institutional factors driving life insurance policy lapses and surrenders among Nepalese policyholders (p. 1). The empirical evidence proves that policy discontinuities are primarily structural rather than random, driven heavily by an interaction between macroeconomic stress and systemic industry weaknesses (pp. 1-2).

Economic Necessity Overrides Protection: General financial hardship—compounded by a sluggish economy, high inflation, and irregular income streams—is the absolute primary catalyst for policy lapsation (pp. 1, 14, 19). When faced with liquidity crunches, a majority of policyholders (61.2%) choose to surrender their long-term protection to fulfill immediate emergency cash needs like medical bills or tuition (pp. 14, 19, 32).

The Pitfalls of Social-Selling and Mis-selling: A fundamental vulnerability in the Nepalese insurance market is the heavy reliance on personal networks (pp. 2, 4). A staggering 76.0% of agents confirm that the client segment most likely to lapse consists of individuals who bought a policy purely out of social obligation or peer relationships rather than deliberate financial planning (p. 37). This issue is severely worsened by agent mis-selling, unfulfilled return promises, and high agent turnover that leaves clients completely "orphaned" without post-sale support (pp. 2, 4, 14).

Knowledge Barriers and Trust Erosion: There is a severe information deficit among consumers (pp. 3, 14). Many policyholders surrender their policies prematurely because they are entirely unaware of mitigating alternatives such as policy loans or premium holidays (pp. 16, 21). Furthermore, whenever institutional performance falters—manifested through lower-than-expected bonus rates or sluggish claim settlements—trust is eroded, prompting clients to pull their funds out and shift toward alternative options like commercial bank deposits or cooperatives (pp. 14, 16, 22).

5.2 Recommendations

To mitigate the escalating volume of lapsed premium values and stabilize the cash flows of Nepalese life insurers, the following data-backed recommendations are proposed for regulatory and institutional action.

1. Establish Mandatory Pre-Sale Suitability Assessment: The Nepal Insurance Authority (NIA) should mandate standardized financial underwriting and suitability checklists before any policy is officially issued. Insurers must evaluate a prospect's income stability and existing liabilities. Agents should be barred from selling premium commitments that outpace a client's realistic long-term disposable income, reducing affordability-driven dropouts.

2. Integrate Flexible Product Architectures: companies must redesign traditional endowment products to build in structural contract flexibility. Policies should offer built-in relief triggers for clients experiencing temporary financial shocks. This includes options for flexible premium frequencies, automated transitions to reduced paid-up policies, or temporary premium holidays rather than forcing an absolute lapse.

3. Deploy Dedicated Branch-Level Retention Units: Life insurance firms must establish standalone customer retention and service desks at the branch level, moving away from an agent-dependent customer model. These units should track policyholder drop-offs through an automated early warning system. They must directly manage and service "orphaned" accounts left behind by

inactive or departed agents, ensuring clients receive consistent renewal reminders and customer support.

4. Simplify the Policy Revival Process: Insurers should simplify and digitize the administrative pathway required to reinstate a lapsed contract. Complex paperwork should be eliminated, and punitive interest penalties on overdue premiums should be drastically lowered or waived during economic downturns to remove friction for clients trying to recover their coverage.

5. Launch Grassroots Insurance Literacy Campaigns: The NIA, in close coordination with insurance operators, must design and fund targeted community financial literacy campaigns. Public awareness should focus directly on educating buyers about the severe financial losses incurred via early surrender penalties, while explicitly explaining the utility of structural safety nets like policy loans and digital payment applications.

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ANNEXURIES

Variable Coverage Map

Proposal Variable	Questionnaire Coverage
Policy lapse / surrender behavior	Policy holding period, term, premium amount, sum assured, lapse/surrender status
Macroeconomic factors	Economic downturn, inflation, high bank interest rates, cooperative sector crisis
Personal financial suffering	Income instability, irregular earnings, financial hardship affecting premium payments
Policy-specific disincentives	Low bonus rates, high premium costs, rigid product design
Social reasons	Family advice, false/herd effect, shifting family demographics, foreign employment
Knowledge & trust gaps	Agent mis-selling, financial literacy, misunderstanding policy terms, surrender value awareness
Agent behavior	Misselling, exploiting personal networks, vanishing post-sale service, agent attrition
Company-related drivers	Declining bonus, poor claim settlement, cumbersome renewal, weak customer support
Behavioral biases	Herding bias, present bias, overconfidence bias, loss aversion
Economic environment	Inflation impact, job loss, market instability on insurance decisions
Policy attractiveness	Perceived value, flexibility, benefits worth continuing

Policyholder Survey

Understanding Why Life Insurance Policies Are Lapsed or Surrendered

Dear Participant,

Thank you for taking the time to complete this survey. We are trying to understand why some policyholders stop paying their life insurance premiums ("lapse") or cancel their policy for cash ("surrender"). Your honest answers will help insurance companies and policymakers design better products and services for people like you.

There are no right or wrong answers — we are only interested in your personal experience and opinion. The survey takes about **10–15 minutes** to complete. All your answers will be kept **strictly confidential** and used only for research purposes. Your name will not be recorded anywhere in this form.

Instructions: For most questions, simply tick the box that best matches your answer. For ranking questions, write a number in the space provided.

Section A: About You and Your Policy

Please tick the box that applies to you, or fill in the blank.

A1. Background Information

1. Gender	☐ Male ☐ Female ☐ Other: _____
2. Age group	☐ Under 25 ☐ 25–34 ☐ 35–44 ☐ 45–54 ☐ 55 or above
3. Marital status	☐ Unmarried ☐ Married ☐ Widowed / Separated
4. Highest education completed	☐ Up to Secondary (10) ☐ Intermediate (+2) ☐ Bachelor's degree or higher
5. Occupation	☐ Government job ☐ Private job ☐ Own business / self-employed ☐ Farming / agriculture ☐ Working abroad (remittance) ☐ Other: _____
6. Monthly household income (NRs.)	☐ Below 15,000 ☐ 15,001–30,000 ☐ 30,001–50,000 ☐ 50,001–80,000 ☐ Above 80,000
7. How many family members depend on your income?	☐ None ☐ 1–2 ☐ 3–4 ☐ 5 or more
8. Where do you currently live?	☐ City / urban area ☐ Small town / semi-urban ☐ Village / rural area Province: _____

A2. About the Policy You Lapsed or Surrendered

9. How many years did you hold this policy before it lapsed or was surrendered?	_____ years
10. What is the total term (length) of the policy?	_____ years
11. Yearly premium amount (NRs.)	NRs. _____
12. Sum assured / coverage amount (NRs.)	NRs. _____
13. What is the current status of this policy?	☐ Active (still continuing) ☐ Lapsed (premium stopped, policy still exists) ☐ Surrendered (cancelled and cashed out)

14. How did you pay the premium?	☐ Monthly ☐ Every 3 months ☐ Every 6 months ☐ Yearly ☐ One-time (single premium)
15. What type of policy was it?	☐ Endowment (savings + insurance) ☐ Whole life ☐ Term (protection only) ☐ Money-back ☐ Child / education plan ☐ Not sure / Other: _____

Section B: What Mattered Most to You?

Below are common reasons why people lapse or surrender a life insurance policy. Thinking about your own situation, please rank these reasons from 1 to 8 (1 = the reason that mattered most to you, 8 = the reason that mattered least).

No.	Possible Reason	Your Rank (1–8)
1	I could not afford the premium because of financial difficulty (job loss, inflation, reduced income).	
2	I did not understand the policy well, or do not know much about insurance in general.	
3	I have many family members depending on me, so there was little money left for premiums.	
4	The premium amount was too high compared to what I earn.	
5	The bonus or returns I received were lower than I expected.	
6	My agent did not treat me well, did not explain things clearly, or stopped helping me after I bought the policy.	
7	The company's services (renewals, claims, customer support) were difficult or unsatisfactory.	
8	I found other ways to save or invest my money that gave better returns (banks, cooperatives, shares, etc.).	

Section C: Your Experience and Opinions

For each statement, please tick the box that best shows how much you agree or disagree, based on your own experience. 1 = Strongly Disagree 2 = Disagree 3 = Neutral 4 = Agree 5 = Strongly Agree

C1. Money Matters and Your Financial Situation

Statement	1	2	3	4	5
The slow economy has made it harder for me to pay my premiums.	☐	☐	☐	☐	☐

Rising prices (inflation) have reduced how much money I have left for premiums.	☐	☐	☐	☐	☐
High interest rates on loans have added to my family's financial burden.	☐	☐	☐	☐	☐
Problems with cooperatives affected money I used to rely on for paying premiums.	☐	☐	☐	☐	☐
My income is irregular, which makes it hard to pay premiums on time.	☐	☐	☐	☐	☐
I have skipped premium payments because my income was low or unstable.	☐	☐	☐	☐	☐
I lost my job, or my income dropped a lot, and this affected my premium payments.	☐	☐	☐	☐	☐
An unexpected expense (such as medical bills or school fees) forced me to stop paying premiums.	☐	☐	☐	☐	☐
My family depends on money sent home by a relative working abroad, which makes premium payments uncertain.	☐	☐	☐	☐	☐
When I face money problems, I think about stopping this policy.	☐	☐	☐	☐	☐

C2. The Policy Itself

Statement	1	2	3	4	5
The bonus my policy earned was lower than I expected.	☐	☐	☐	☐	☐
The premium amount felt too expensive for my income.	☐	☐	☐	☐	☐
My policy did not offer flexible ways to pay (for example, pausing or reducing payments) when I needed it.	☐	☐	☐	☐	☐
I found that other options (bank deposits, cooperatives, shares) gave better returns than this policy.	☐	☐	☐	☐	☐
Overall, I felt this policy was good value for the money I paid.	☐	☐	☐	☐	☐
I found this policy useful and worth continuing.	☐	☐	☐	☐	☐

C3. Understanding Insurance and Your Policy

Statement	1	2	3	4	5
Before buying, I did not fully understand the terms and conditions of this policy.	☐	☐	☐	☐	☐
I was not aware that stopping a policy early could lead to financial loss.	☐	☐	☐	☐	☐
I did not know I could take a loan against my policy instead of cancelling it.	☐	☐	☐	☐	☐

I expected this policy to give returns like the stock market, and felt disappointed when it did not.	☐	☐	☐	☐	☐
I generally understand how my insurance policy works, including its terms and benefits.	☐	☐	☐	☐	☐
I am aware of the long-term benefits of continuing this policy.	☐	☐	☐	☐	☐
Before deciding, I compare and think about different insurance options.	☐	☐	☐	☐	☐
I understand what happens if a policy is lapsed or surrendered.	☐	☐	☐	☐	☐

C4. Family, Friends, and Life Changes

Statement	1	2	3	4	5
I cancelled, or thought about cancelling, this policy because my family advised me to.	☐	☐	☐	☐	☐
When people I know lost trust in the company or cancelled their policy, I felt the same way.	☐	☐	☐	☐	☐
Life changes (such as marriage, a growing family, or children's education) meant I needed this money for other things.	☐	☐	☐	☐	☐
The main earner in my family moved abroad, which made it difficult to keep paying for this policy.	☐	☐	☐	☐	☐

C5. Your Agent and the Insurance Company

Statement	1	2	3	4	5
My agent promised high returns, or did not mention important conditions, when selling me this policy.	☐	☐	☐	☐	☐
I bought this policy mainly because a friend or relative who is an agent asked me to, not because I needed it.	☐	☐	☐	☐	☐
After the first year, my agent stopped helping me with renewals or questions.	☐	☐	☐	☐	☐
When my agent left the company or the profession, I lost my main point of contact.	☐	☐	☐	☐	☐
My agent contacts me regularly and keeps me informed.	☐	☐	☐	☐	☐
My agent explains things clearly and reminds me about premium due dates.	☐	☐	☐	☐	☐
The bonus declared by the company made me lose confidence in it.	☐	☐	☐	☐	☐
Delays or problems with claim payments reduced my trust in the company.	☐	☐	☐	☐	☐
Paying premiums or renewing the policy was a complicated process.	☐	☐	☐	☐	☐

The company gave me little support or follow-up after I bought the policy.	☐	☐	☐	☐	☐

C6. How You Make Decisions

Statement	1	2	3	4	5
My decision to continue or stop a policy is affected by what people around me do.	☐	☐	☐	☐	☐
If most people I know stop paying their premiums, I feel like doing the same.	☐	☐	☐	☐	☐
It is hard for me to keep paying premiums when I do not see an immediate benefit.	☐	☐	☐	☐	☐
I would rather use my money for today's needs than save it for future insurance benefits.	☐	☐	☐	☐	☐
I feel confident I can manage financial risks on my own, without relying much on insurance.	☐	☐	☐	☐	☐
The thought of losing the premiums I have paid (without ever making a claim) makes it hard to continue.	☐	☐	☐	☐	☐
I avoid paying premiums when I think I am unlikely to need the policy.	☐	☐	☐	☐	☐

Section D: Main Cause of Your Lapse or Surrender

Please tick ALL the statements below that describe your situation. You may tick more than one.

Tick	Statement
☐	Financial hardship: I could not afford regular premium payments due to job loss, inflation, or reduced income.
☐	Emergency cash need: I surrendered the policy to get cash quickly for an urgent need (medical bills, education, etc.).
☐	Poor agent service: I lost trust because my agent gave misleading information, ignored me, or did not remind me about payments.
☐	Better investment options: I found another financial product that offered higher or faster returns.
☐	Life changes: Events such as marriage, a family member moving abroad, or children growing up made this policy seem unnecessary.
☐	Low policy awareness: I did not fully understand the terms, the consequences of lapsing, or the value of this policy.
☐	Company dissatisfaction: I was unhappy with the company's bonus rates, claim handling, or customer support.
☐	Social influence: I cancelled because family members or close friends advised me to, or had done the same.

Thank you very much for your time and honest answers. Your responses are confidential and will only be used for research purposes.

Questionnaire 3: Employees / Company Officials

For branch staff, customer service, policy servicing, underwriting, claims, agency and management

Likert scale for statements: 1 = Strongly disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly agree.

EM-A. Employee profile

Question	Response options
Company name/code	[ ] Company: _____ [ ] Code: _____
Department/role	[ ] Branch management [ ] Policy servicing [ ] Customer service [ ] Agency department [ ] Underwriting [ ] Claims [ ] Finance [ ] Management [ ] Other
Position level	[ ] Assistant/officer [ ] Senior officer [ ] Branch manager [ ] Department head [ ] Senior management [ ] Other
Years of experience in life insurance	[ ] Less than 1 year [ ] 1-3 years [ ] 4-7 years [ ] 8-10 years [ ] More than 10 years
Province/district/branch	[ ] Province: _____ [ ] District/branch: _____
Directly involved with lapse/ surrender/revival cases?	[ ] Yes [ ] No [ ] Sometimes

EM-C. Ranking: employee view of key lapse/surrender drivers

Rank the top five reasons only. 1 = most important reason, 5 = fifth most important reason. Leave blank if not relevant.

S.N.	Reason category	Rank
1	Policyholders' financial hardship, job/business slowdown and inflation	
2	Premium size not suitable for policyholder income capacity	
3	Low bonus/return or unrealistic expectations about insurance returns	
4	Low policyholder awareness about lapse, surrender, revival and policy loan	
5	Agent mis-selling, pressure selling, churning or weak post-sale follow-up	
6	Weak company reminders, CRM, customer service or grievance handling	
7	Complicated renewal, surrender, revival or digital payment process	
8	Social/family influence, migration or changing family needs	
9	Negative news, claim delays or trust concerns	

10	Better investment alternatives outside life insurance	

EM-D Likert Scale

1 = totally disagree, 2 = slightly disagree, 3 = neutral, 4 = slightly agree, 5 = totally agree

Q.No.	Variable	Statement	1	2	3	4	5
11	Income stability	Low or unstable income is a major reason for policy lapse in our company.					
12	Income stability	Policyholders with irregular income are more likely to stop paying premiums.					
13	Education/ awareness	Policyholders with lower insurance awareness are more likely to lapse or surrender policies.					
14	Education/ awareness	Many policyholders do not clearly understand policy terms, premium obligations and consequences of discontinuation.					
15	Family dependency	Large family size and high dependency burden affect policyholders' ability to continue premium payments.					
16	Policy duration	Policies are more likely to lapse or surrender during the early years of the policy term.					
17	Premium affordability	High premium amount compared to income is a major reason for lapse or surrender.					
18	Bonus/return	Low bonus rate or lower-than-expected return encourages policyholders to surrender policies.					
19	Policy flexibility	Lack of flexible premium payment options contributes to policy lapse.					
20	Agent behavior	Agent mis-selling or overpromising benefits is one reason behind policy surrender.					
21	Agent behavior	Poor explanation by agents about lapse, revival and surrender value contributes to discontinuation.					
22	Agent follow-up	Poor follow-up by agents after policy sale increases the possibility of lapse.					
23	Agent network	Agent turnover or inactive agents create renewal and customer support problems.					
24	Service quality	Delay or weakness in renewal reminders contributes to policy lapses.					
25	Service quality	Weak customer service or poor grievance handling increases policyholder dissatisfaction.					
26	Digital service	Digital payment and renewal facilities help reduce policy lapse.					

27	Customer education	Regular customer education and awareness programs help reduce lapse and surrender.					
28	Inflation	Inflation and rising cost of living have increased policy lapses and surrenders.					
29	Interest rate	High bank interest rates and borrowing costs affect policyholders' ability to pay premiums.					
30	Economic slowdown	Job loss, business slowdown or migration has contributed to policy discontinuation.					
31	Alternative returns	Better returns from bank deposits, shares, land, business or cooperatives encourage some policyholders to surrender policies.					
32	Regulatory policy	Current NIA rules and guidelines are sufficient to control unnecessary policy lapse and surrender.					
33	Regulatory policy	Stronger regulation of agent training, sales practices and disclosure would reduce lapse and surrender.					
34	Public awareness	More public awareness programs from NIA and insurance companies are needed to reduce policy discontinuation.					

EM-E. Measures employees recommend

S.N.	Item (tick all that apply)	Tick
1	Stronger suitability assessment before policy issuance	
2	Clear written disclosure of surrender value, lapse consequences and revival rules	
3	Flexible premium mode, premium holiday or reduced paid-up options	
4	Early warning system for policies at high risk of lapse	
5	Dedicated retention/revival unit at branch or company level	
6	Retention-based agent incentives	
7	Improved agent training and disciplinary action for mis-selling/churning	
8	Automatic multi-channel premium reminders	
9	Easier policy loan and revival process	
10	Improved claim settlement speed and public communication	
11	Insurance literacy programs in local communities	
12	Standardized NIA monitoring and reporting of lapse/surrender rates	

Agent Questionnaire

AG-A. Agent profile

Question	Response options
Company name/code	[ ] Company: _____ [ ] Code: _____
Role	[ ] Individual agent [ ] Agency manager [ ] Unit manager [ ] Other
Gender	[ ] Male [ ] Female [ ] Other/prefer not to say
Age group	[ ] Below 25 [ ] 25-34 [ ] 35-44 [ ] 45-54 [ ] 55 and above
Education level	[ ] Up to secondary [ ] Intermediate/+2 [ ] Bachelor [ ] Master and above
Years working as life insurance agent	[ ] Less than 1 year [ ] 1-3 years [ ] 4-7 years [ ] 8-10 years [ ] More than 10 years
Agent work status	[ ] Full-time [ ] Part-time [ ] Occasional
Province/district mainly served	[ ] Province: _____ [ ] District: _____
Training received in last 12 months	[ ] None [ ] 1 training [ ] 2-3 trainings [ ] More than 3 trainings

AG-B. Business and client experience

Question	Response options
Approximate number of active clients serviced	[ ] Below 25 [ ] 25-50 [ ] 51-100 [ ] 101-200 [ ] Above 200
Policies sold in the last 12 months	[ ] 0-10 [ ] 11-25 [ ] 26-50 [ ] 51-100 [ ] Above 100
How often do your clients miss premium payments?	[ ] Rarely [ ] Sometimes [ ] Often [ ] Very often
Most common timing of lapse/surrender observed	[ ] Within 1 year [ ] 1-2 years [ ] 3-5 years [ ] After 5 years [ ] No clear pattern
Policy types with higher lapse/surrender in your experience	[ ] Endowment [ ] Money-back [ ] Term [ ] Child/education [ ] Foreign employment [ ] Other [ ] No clear pattern
Main contact method with clients	[ ] Phone [ ] SMS [ ] Messenger/Viber/WhatsApp [ ] Branch visit [ ] App/online [ ] No regular contact

Ranking

B1. Rank the following client-side reasons from 1 (most commonly observed) to 6 (least commonly observed) as causes of policy lapse or surrender:

[___] Genuine financial hardship — client's income was insufficient to sustain premiums

[___] The policy premium exceeded what the client could realistically afford long-term

[___] The client did not fully understand the policy's terms and long-term commitments at purchase

[___] The client found what they believed to be a better financial product elsewhere

[___] The client was influenced by family, friends, or social media to stop the policy

[___] The client lost trust or confidence in the insurance company or product

B2. Rank the following agent-support strategies from 1 (most effective) to 5 (least effective) in helping your clients continue their policies:

[___] Regular check-in calls or visits, especially during economically difficult periods

[___] Proactively informing clients about available options (premium holiday, policy loans, paid-up)

[___] Helping clients find a more suitable plan within their budget

[___] Building a strong long-term trust relationship with clients beyond just the sale

[___] Educating clients about the long-term cost of surrendering or lapsing early

EC. Economic Conditions & Client Financial Capacity

Statement	1 Strongly Disagree	2 Disagree	3 Neutral	4 Agree	5 Strongly Agree
1. The current economic climate has made it noticeably harder for clients to maintain their policies.	○	○	○	○	○
2. Inflation and rising household expenses are among the top reasons clients discontinue their premiums.	○	○	○	○	○
3. Clients who purchased policies during better economic conditions are now struggling to continue.	○	○	○	○	○
4. More clients are prioritising immediate financial obligations over long-term insurance protection.	○	○	○	○	○

PS. Policy Suitability & Needs-Based Selling

Statement	1 Strongly Disagree	2 Disagree	3 Neutral	4 Agree	5 Strongly Agree
1. I ensure I conduct a thorough needs assessment before recommending a policy to a client.	○	○	○	○	○
2. I believe policies are sometimes sold at premium levels that are difficult for clients to sustain.	○	○	○	○	○
3. I am confident that the policies I recommend are genuinely suitable for my clients' long-term financial situations.	○	○	○	○	○
4. Clients who purchase policies that match their actual financial capacity are more likely to maintain them.	○	○	○	○	○

ACR. Agent–Client Relationship & Follow-Up

Statement	1 Strongly Disagree	2 Disagree	3 Neutral	4 Agree	5 Strongly Agree
1. Consistent post-sale follow-up is the most effective way I have to prevent lapses.	○	○	○	○	○
2. I find it challenging to stay in regular contact with all my clients due to the size of my portfolio.	○	○	○	○	○
3. Clients who have a strong relationship with their agent are significantly less likely to surrender their policies.	○	○	○	○	○
4. When I am aware a client is struggling financially, I proactively discuss alternatives with them.	○	○	○	○	○

CK. Client Knowledge & Education

Statement	1 Strongly Disagree	2 Disagree	3 Neutral	4 Agree	5 Strongly Agree
1. Most clients I encounter do not fully understand the long-term commitment of a life insurance policy.	○	○	○	○	○
2. Clients who understand the consequences of early surrender are more likely to seek alternatives before discontinuing.	○	○	○	○	○
3. I believe that better policyholder education at the point of sale would significantly reduce lapse rates.	○	○	○	○	○
4. Clients are often unaware of options like paid-up policies, policy loans, or premium holidays.	○	○	○	○	○

CR. Company related issues

Statement	1 Strongly Disagree	2 Disagree	3 Neutral	4 Agree	5 Strongly Agree
1. The insurance company I represent provide adequate support for agent retention efforts.	○	○	○	○	○
2. Current policy designs offer sufficient flexibility for clients experiencing temporary financial difficulties.	○	○	○	○	○
3. I believe the training I received has equipped me well to handle client retention conversations.	○	○	○	○	○

Q1. From your experience, which client profiles are most commonly associated with policy lapses? (Select all that apply)

- ☐ Young professionals with high aspirations but variable incomes
- ☐ Self-employed individuals or small business owners

- ☐ Clients who purchased high-premium products early in their career
- ☐ Clients who bought the policy primarily due to a social relationship rather than financial planning
- ☐ Clients with multiple insurance or loan commitments
- ☐ Clients who have not been in contact with me for an extended period

Q2. What do you believe the insurance industry should prioritise to reduce overall lapse rates? (Select up to 3)

- ☐ Mandatory suitability assessments for all new policy applications
- ☐ More flexible premium payment designs built into policies
- ☐ Greater investment in post-sale policyholder education and engagement
- ☐ Simplified policy revival processes with reduced penalties
- ☐ Dedicated retention support tools and training for agents
- ☐ Industry-wide campaigns to improve public trust in insurance

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