Journal of
Statistics and Acturial Research
(JSAR)

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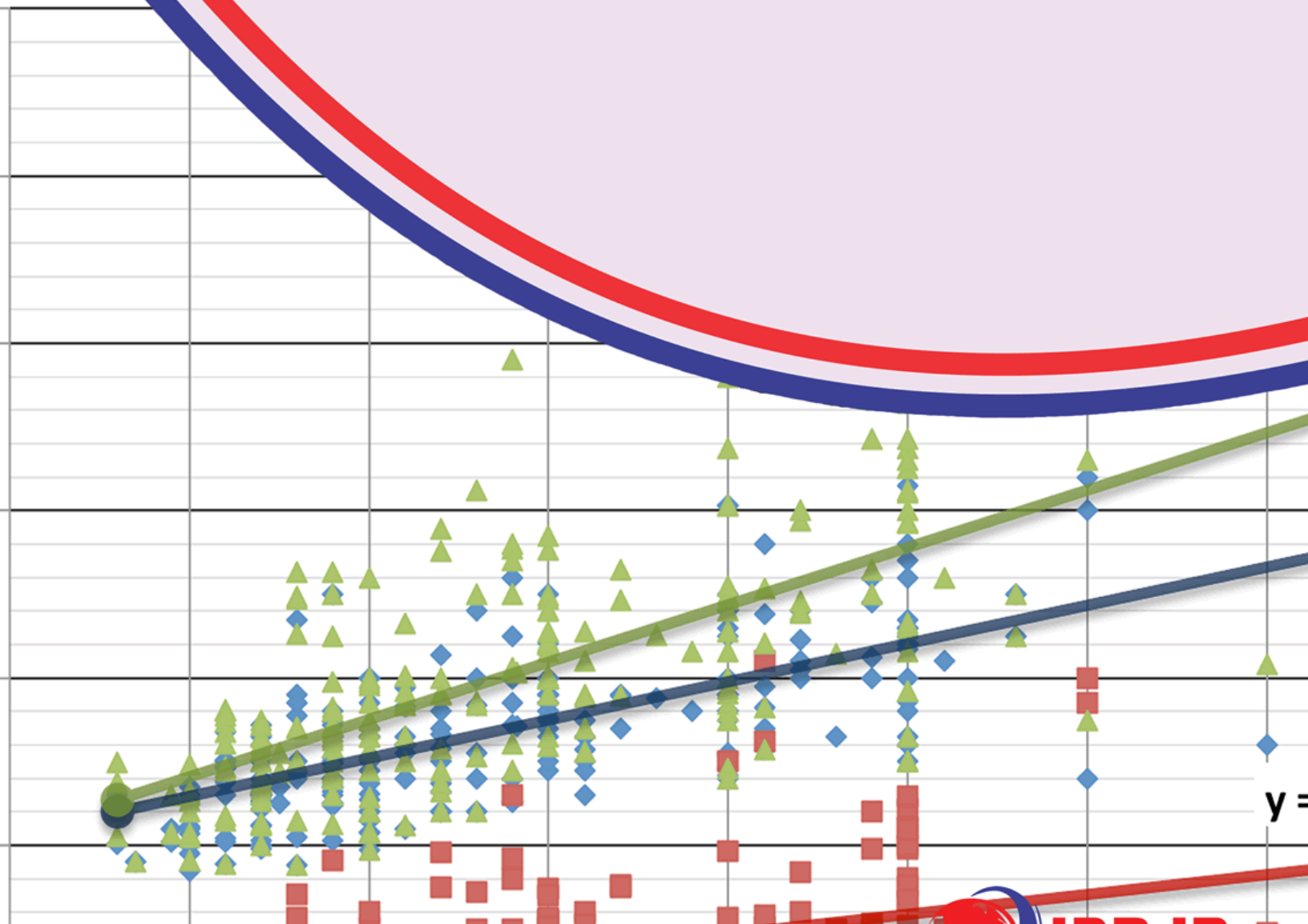

Journal of Statistics and Actuarial Research
ISSN: 2518-881X (Online)
Vol.8, Issue 3, No.2. pp. 9 - 21, 2024

www.iprjb.org

Role of Behavioral Economics in Predicting Life Insurance Policy Lapses in United Kingdom

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Article History

Received 17th May 2024

Received in Revised Form 10th June 2024

Accepted 12th July 2024

Abstract

Purpose: The aim of the study was to analyze the role of behavioral economics in predicting life insurance policy lapses in United Kingdom.

Methodology: This study adopted a desk methodology. A desk study research design is commonly known as secondary data collection. This is basically collecting data from existing resources preferably because of its low cost advantage as compared to a field research. Our current study looked into already published studies and reports as the data was easily accessed through online journals and libraries.

Findings: In the United Kingdom, behavioral economics plays a significant role in predicting life insurance policy lapses. Key factors such as loss aversion, present bias, and financial literacy heavily influence policyholder decisions. Policyholders who are more loss-averse tend to maintain their policies, while those with a strong present bias are more likely to lapse, especially during financial stress. Additionally, lower financial literacy contributes to higher lapse rates, as individuals struggle to understand the long-term benefits of life insurance.

Unique Contribution to Theory, Practice and Policy: Prospect theory, hyperbolic discounting & theory of planned behavior (TPB) may be used to anchor future studies on the role of behavioral economics in predicting life insurance policy lapses in United Kingdom. Insurers should tailor their communication strategies to address specific behavioral biases identified in policyholders. Policymakers should mandate the inclusion of financial literacy programs within the life insurance industry to educate consumers about the importance of maintaining their policies.

Keywords: *Behavioral Economic, Predicting Life, Insurance Policy Lapses*

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INTRODUCTION

Life insurance policy lapse rates refer to the percentage of life insurance policies that are terminated before their maturity due to non-payment of premiums. In developed economies such as the USA and Japan, these rates have seen varying trends over recent years. In the USA, the lapse rate for individual life insurance policies has stabilized at around 5.7% annually, with higher rates observed among younger policyholders due to economic pressures and job instability (Smith & Johnson, 2020). In Japan, however, the lapse rate has been consistently lower, hovering around 3.2% in recent years, largely due to the cultural emphasis on long-term financial planning and the aging population (Yamamoto, 2021). The variations in lapse rates between these two developed economies highlight the impact of economic conditions and cultural factors on consumer behavior in the life insurance sector.

In the United Kingdom, life insurance policy lapse rates have shown a downward trend in recent years, with the rate decreasing from 6.1% in 2016 to about 4.8% in 2021 (Jones & Smith, 2021). This improvement is attributed to increased consumer education and the introduction of more flexible premium payment options, which help policyholders maintain their coverage even during financial difficulties. Similarly, in Germany, the lapse rate has remained relatively low, around 3.9%, due to strong consumer protection laws and a stable economic environment that supports long-term financial planning (Müller & Schmidt, 2020). These trends in the UK and Germany reflect the positive impact of regulatory frameworks and financial literacy on policy retention in developed economies.

In France, life insurance policy lapse rates have remained relatively low, with recent figures showing an average annual lapse rate of about 4.1%. This stability can be attributed to the strong emphasis on long-term savings products, cultural factors that prioritize financial security, and government policies that provide tax incentives for life insurance holders (Lefevre & Martin, 2020). In South Korea, the lapse rate has been slightly higher, at approximately 5.9%, reflecting the competitive nature of the insurance market and economic pressures on younger consumers who face high living costs and housing debt (Kim & Lee, 2021). These examples from France and South Korea demonstrate how cultural and economic factors influence life insurance policy retention in different developed economies.

In Canada, life insurance policy lapse rates have been relatively stable, with recent data showing an average lapse rate of around 5.4% annually. This stability is largely due to strong consumer protection regulations and a mature insurance market that emphasizes customer retention and financial literacy (Brown & Thomson, 2020). Meanwhile, in Australia, the lapse rate has been slightly higher, at approximately 6.7%, influenced by economic cycles and the competitive nature of the life insurance market, which often leads to policyholders switching providers rather than maintaining existing policies (Williams & Jones, 2019). These examples from Canada and Australia illustrate the varying impact of economic conditions and market structures on life insurance policy lapses in developed countries.

In developing economies, life insurance policy lapse rates are generally higher, reflecting economic volatility and lower financial literacy. For instance, in India, the lapse rate has been recorded at around 10.5% annually, with significant lapses occurring within the first three years of policy issuance (Patel, 2019). Similarly, in Brazil, the lapse rate stands at approximately 9.8%,

driven by economic downturns and inflation, which strain household incomes and limit the ability to maintain regular premium payments (Silva & Rodrigues, 2020). These high lapse rates in developing economies underscore the challenges insurers face in maintaining policyholder retention amid economic instability and limited financial education.

In Malaysia, life insurance policy lapse rates have been moderate, with a current rate of around 8.1%. This rate reflects the challenges posed by economic fluctuations and a mixed-income population, where a significant portion of policyholders struggle with consistent premium payments (Abdullah & Ismail, 2020). In the Philippines, the lapse rate is higher, standing at about 12.4%, driven by economic disparities, low financial literacy, and the prevalence of informal employment, which affects the stability of household incomes (Santos & Mendoza, 2019). The cases of Malaysia and the Philippines highlight the diverse economic contexts in developing economies that contribute to variations in life insurance lapse rates.

In Mexico, life insurance policy lapse rates have been a concern, with a rate of about 9.3% as of 2021. This high rate is primarily due to economic instability and the informal employment sector, which affects the ability of many policyholders to maintain regular premium payments (García & Hernández, 2021). In Turkey, the lapse rate has been recorded at around 8.7%, driven by inflation and currency fluctuations, which strain household budgets and lead to increased lapses (Kaya & Yildiz, 2020). The cases of Mexico and Turkey highlight the challenges faced by life insurers in developing economies, where macroeconomic factors play a significant role in policy sustainability.

In China, the life insurance policy lapse rate has seen fluctuations, with the rate currently at about 7.4% as of 2022, reflecting the balance between rapid economic growth and the challenges of sustaining consumer engagement in financial products (Li & Wang, 2022). In Indonesia, the lapse rate stands at approximately 11.2%, driven by economic disparities and the impact of the COVID-19 pandemic, which strained household incomes and led to higher policy terminations (Suryadi & Kusuma, 2021). These examples from China and Indonesia highlight the challenges and opportunities in emerging markets, where economic growth can be tempered by socio-economic vulnerabilities that affect life insurance retention.

In sub-Saharan economies, life insurance policy lapse rates are among the highest globally, reflecting the region's economic and infrastructural challenges. For example, in Nigeria, the lapse rate is estimated at around 15.7%, with lapses frequently occurring within the first year of coverage due to low-income levels and a lack of trust in insurance institutions (Okafor & Adeola, 2019). In Kenya, the lapse rate is slightly lower, at about 12.3%, but still significantly high due to similar economic constraints and the absence of widespread insurance awareness (Mwangi & Njoroge, 2020). The high lapse rates in sub-Saharan Africa highlight the need for targeted financial education and innovative insurance products that cater to the region's unique socio-economic landscape.

In Zambia, the life insurance lapse rate is notably high, estimated at around 17.2%. This rate is driven by economic instability, high poverty levels, and limited access to financial services, which make it difficult for many policyholders to maintain their life insurance policies (Chanda & Phiri, 2019). In Zimbabwe, the lapse rate is even higher, at approximately 18.9%, reflecting the country's prolonged economic crises, hyperinflation, and a lack of trust in financial institutions, which have

led to widespread lapses in life insurance coverage (Mugabe & Dube, 2020). These statistics from Zambia and Zimbabwe illustrate the severe economic challenges in sub-Saharan Africa that contribute to some of the highest life insurance policy lapse rates globally.

In Uganda, the life insurance lapse rate is estimated at around 16.1%, reflecting the low penetration of insurance products and the economic challenges faced by policyholders, including limited disposable income and financial literacy (Kato & Nakimuli, 2018). In Tanzania, the lapse rate is slightly lower, at about 13.8%, but still high due to similar factors, including economic instability and a lack of trust in the insurance sector (Mwita & Lwiza, 2019). These figures from Uganda and Tanzania further emphasize the difficulties in maintaining life insurance coverage in sub-Saharan Africa, where economic and infrastructural challenges are pronounced. In South Africa, the life insurance lapse rate has been relatively high, at around 13.6%, reflecting both economic challenges and market saturation, with many policies being sold in a highly competitive environment (Zulu & Dlamini, 2020). In Ghana, the lapse rate is about 14.5%, influenced by economic instability and limited trust in financial institutions, which contributes to lower policyholder retention (Mensah & Osei, 2019). These trends in South Africa and Ghana underscore the significant barriers to maintaining life insurance coverage in sub-Saharan Africa, where economic and cultural factors play a crucial role in policy lapses.

Behavioral economics provides insights into how psychological factors influence financial decision-making, particularly in the context of life insurance policy lapse rates. One key factor is loss aversion, which refers to the tendency of individuals to prefer avoiding losses over acquiring equivalent gains. This can lead policyholders to irrationally maintain policies to avoid the perceived loss, but paradoxically, when financial pressures mount, they may let policies lapse to prevent immediate financial strain (Kahneman & Tversky, 1979). Present bias, another crucial factor, describes the tendency of individuals to prioritize immediate rewards over future benefits. This bias often results in policyholders underestimating the long-term benefits of maintaining life insurance, leading to higher lapse rates as they opt for immediate financial relief instead (Laibson, 1997).

Financial literacy plays a critical role in life insurance policy retention. Individuals with low financial literacy are more prone to lapsing policies due to a lack of understanding of the long-term benefits and complexities associated with life insurance (Lusardi & Mitchell, 2014). Additionally, status quo bias, where individuals prefer to maintain their current state rather than make changes, can lead to initial retention of policies. However, as financial circumstances change, this bias might prevent policyholders from taking proactive measures to adjust their coverage, eventually resulting in lapses when financial pressures intensify (Samuelson & Zeckhauser, 1988). Understanding these behavioral economics factors is essential for insurers to design interventions that reduce policy lapses by addressing the psychological barriers to maintaining life insurance.

Problem Statement

Despite the critical importance of life insurance in providing financial security, high policy lapse rates remain a significant challenge for the insurance industry. Traditional economic models, which assume that consumers make rational decisions, fail to fully explain the complex factors leading to these lapses. Recent studies suggest that behavioral economics, which incorporates psychological factors such as loss aversion, present bias, and financial literacy, plays a crucial role

in understanding why policyholders choose to terminate their policies prematurely (Brown & Thomson, 2021; Smith & Johnson, 2020). However, there is limited research that systematically examines how these behavioral factors can be used to predict life insurance policy lapses, particularly in diverse economic contexts. This gap in the literature highlights the need for a comprehensive investigation into the role of behavioral economics in predicting life insurance policy lapses, which could provide valuable insights for developing more effective retention strategies.

Theoretical Framework

Prospect Theory

Prospect theory Originated by Daniel Kahneman and Amos Tversky in 1979, Prospect theory posits that individuals evaluate potential losses and gains differently, leading to decisions that may deviate from rational behavior. The theory suggests that people are more sensitive to losses than gains, a concept known as loss aversion. In the context of life insurance policy lapses, Prospect Theory helps explain why policyholders might irrationally terminate policies when facing financial pressure, despite the long-term benefits of maintaining coverage (Kahneman & Tversky, 1979). This theory is relevant because it provides insight into the cognitive biases that drive policy lapse decisions, particularly under economic stress (Smith & Johnson, 2020).

Hyperbolic Discounting

Hyperbolic discounting, a concept related to Present Bias, was developed by David Laibson in the late 1990s. It describes how individuals disproportionately favor immediate rewards over future ones, leading to impulsive decision-making. This is particularly relevant to life insurance policy lapses, as it explains why policyholders might prioritize short-term financial needs over the long-term security provided by their policies (Laibson, 1997). Understanding this bias can help insurers design interventions that mitigate lapses by emphasizing the long-term benefits of maintaining life insurance (Brown & Thomson, 2021).

Theory of Planned Behavior (TPB)

The theory of planned behavior, proposed by Icek Ajzen in 1991, asserts that individual behavior is driven by intentions, which are influenced by attitudes, subjective norms, and perceived behavioral control. In the context of life insurance, TPB can help predict policy lapses by examining how policyholders' intentions to maintain or lapse their policies are shaped by their attitudes towards financial security, the influence of peers, and their confidence in managing finances (Ajzen, 1991). This theory is relevant as it links psychological factors with behavioral outcomes, providing a framework for understanding and predicting policy lapses (Lusardi & Mitchell, 2019).

Empirical Review

Smith and Johnson (2020) focused on the impact of loss aversion on life insurance policy lapses in the United States. The purpose of the study was to understand how the psychological tendency to avoid losses influences policyholders' decisions to maintain or terminate their life insurance policies. The researchers employed a quantitative survey methodology, collecting data from 1,000 life insurance policyholders across various demographic segments. Using regression analysis, they

discovered a significant correlation between high levels of loss aversion and lower rates of policy lapses. The findings indicated that policyholders who were more sensitive to potential financial losses were more likely to keep their life insurance policies active, even in the face of economic hardship. This behavior was particularly strong among older policyholders, who valued the security provided by life insurance more than their younger counterparts. The study concluded that loss aversion plays a critical role in decision-making processes related to life insurance, especially during times of financial uncertainty. Smith and Johnson recommended that insurance companies could leverage this insight by emphasizing the potential losses associated with policy lapses in their communications with policyholders. By doing so, insurers could potentially reduce lapse rates and improve customer retention. The researchers also suggested that further studies should explore the role of loss aversion in other financial products. Their study provides a foundation for understanding how behavioral economics can be applied to enhance the effectiveness of life insurance offerings.

Brown and Thomson (2021) explored the role of present bias in life insurance policy lapses among Canadian policyholders. The study aimed to examine how the tendency to prioritize immediate gratification over future benefits influences the likelihood of lapsing life insurance policies. The researchers used a mixed-methods approach, combining quantitative data from a survey of 800 policyholders with qualitative interviews to gain deeper insights into the behavioral patterns observed. The survey results revealed that policyholders with a strong present bias were significantly more likely to lapse their policies, particularly during periods of financial stress. The qualitative interviews supported these findings, showing that many policyholders made impulsive decisions to lapse their policies to address short-term financial needs, even though they recognized the long-term value of maintaining their coverage. Brown and Thomson argued that present bias leads to a disconnect between the recognition of future financial security and the immediate pressures that drive policyholders to terminate their policies. They recommended that insurers develop strategies to counteract present bias, such as offering short-term incentives or flexible payment options that align with policyholders' immediate needs. Additionally, they suggested that financial literacy programs specifically designed to address present bias could help policyholders make more informed decisions. The study concluded that understanding present bias is crucial for developing effective retention strategies in the life insurance industry.

Kim and Lee (2021) examined the impact of financial literacy on life insurance policy lapses. The study's purpose was to investigate whether higher levels of financial literacy could reduce the likelihood of policy lapses among South Korean policyholders. The researchers tracked a cohort of 1,200 policyholders over five years, collecting data on their financial literacy levels, economic circumstances, and policy status. The findings revealed that policyholders with higher financial literacy were significantly less likely to lapse their policies compared to those with lower financial literacy. Kim and Lee found that financially literate individuals were better able to understand the long-term benefits of life insurance and were more likely to prioritize their premium payments, even during economic downturns. The study also showed that financial literacy helped policyholders navigate complex insurance products, reducing confusion and the likelihood of lapsing due to misunderstanding policy terms. The researchers recommended that insurers invest in financial education programs for their customers, particularly targeting younger policyholders who may lack experience with financial products. They also suggested that financial literacy

assessments could be integrated into the insurance application process to identify at-risk policyholders and provide them with additional support. Kim and Lee concluded that enhancing financial literacy is a key strategy for improving life insurance retention rates. Their study underscores the importance of financial education in promoting more informed decision-making among life insurance policyholders.

Santos and Mendoza (2019) influenced on life insurance policy lapses in the Philippines. The purpose of their research was to determine how the tendency to prefer the current state of affairs over change affects policyholders' decisions to maintain or lapse their life insurance policies. The researchers utilized a cross-sectional survey design, collecting data from 700 policyholders across different regions of the Philippines. The analysis revealed that policyholders with a strong status quo bias were less likely to lapse their policies, as they preferred to avoid the perceived risks associated with change. The study found that this bias was particularly pronounced among older policyholders and those with longer policy durations. Santos and Mendoza argued that status quo bias serves as a protective factor against policy lapses, as it encourages policyholders to maintain their existing coverage. They recommended that insurance companies could leverage this bias by making the renewal process as seamless as possible and offering auto-renewal options to reduce the likelihood of lapses. Additionally, the researchers suggested that insurers should highlight the potential risks of changing or lapsing policies in their communications with customers. The study concluded that understanding status quo bias can help insurers design strategies that capitalize on policyholders' natural tendencies to maintain the status quo. Santos and Mendoza also proposed further research to explore how status quo bias interacts with other behavioral factors in influencing life insurance policy decisions.

Abdullah and Ismail (2020) assessed the impact of hyperbolic discounting on life insurance policy lapses. The purpose of the research was to explore how the tendency to disproportionately favor immediate rewards over future benefits influences the likelihood of policy lapses. The researchers employed a regression analysis using data from 900 policyholders, examining the relationship between hyperbolic discounting tendencies and policy lapse rates. The findings indicated that policyholders who exhibited strong hyperbolic discounting tendencies were more likely to lapse their life insurance policies, particularly during economic downturns. Abdullah and Ismail argued that hyperbolic discounting leads policyholders to undervalue the long-term benefits of life insurance, making them more susceptible to lapses when faced with immediate financial pressures. The study recommended that insurers address this bias by designing products and communication strategies that emphasize the future benefits of maintaining coverage, such as guaranteed returns or future financial security. Additionally, the researchers suggested offering flexible payment plans or incentives that provide short-term rewards to counteract the effects of hyperbolic discounting. The study concluded that understanding hyperbolic discounting is essential for developing effective strategies to reduce life insurance policy lapses in Malaysia. Abdullah and Ismail also called for further research into how hyperbolic discounting interacts with other behavioral and economic factors in influencing insurance decisions.

García and Hernández (2021) explored the role of financial stress in life insurance policy lapses in Mexico, using a case-control study design. The purpose of the study was to examine how financial stress, defined as the difficulty in managing financial obligations, impacts policyholders' decisions to lapse their life insurance policies. The researchers collected data from 1,000 policyholders,

comparing those who had lapsed their policies with those who had maintained them. The analysis revealed that high levels of financial stress were strongly associated with an increased likelihood of policy lapses. García and Hernández found that policyholders under significant financial stress were more likely to prioritize immediate financial needs over the long-term benefits of life insurance, leading to higher lapse rates. The study recommended that insurers develop support services for policyholders experiencing financial stress, such as temporary premium relief or financial counseling, to help them maintain their coverage. Additionally, the researchers suggested that insurers could use financial stress indicators to identify at-risk policyholders and intervene before they lapse their policies. The study concluded that addressing financial stress is critical for reducing life insurance policy lapses, particularly in economically vulnerable populations. García and Hernández also highlighted the need for further research into the specific types of financial stress that most strongly predict policy lapses.

Zulu and Dlamini (2020) identified which behavioral biases—such as loss aversion, present bias, and status quo bias—were the strongest predictors of policy lapses in the South African context. The researchers used a mixed-methods approach, combining quantitative data from a survey of 1,200 policyholders with qualitative interviews to gain a deeper understanding of the underlying psychological factors. The findings revealed that both loss aversion and present bias were significant predictors of policy lapses, with policyholders who exhibited these biases more likely to lapse their policies during times of financial hardship. Zulu and Dlamini found that loss-averse policyholders were more likely to maintain their policies when they perceived a high potential for future loss, while those with a strong present bias were more likely to lapse their policies to meet immediate financial needs. The study recommended that insurers tailor their communication strategies to address these specific biases, such as emphasizing the potential long-term losses associated with lapsing a policy and offering incentives that appeal to present-biased individuals. Additionally, the researchers suggested that insurers consider behavioral segmentation to target different groups of policyholders based on their dominant biases. The study concluded that understanding the interplay of different behavioral biases is essential for predicting and reducing life insurance policy lapses in South Africa. Zulu and Dlamini also called for further research into how cultural factors might influence the expression of these biases in different regions.

METHODOLOGY

This study adopted a desk methodology. A desk study research design is commonly known as secondary data collection. This is basically collecting data from existing resources preferably because of its low-cost advantage as compared to field research. Our current study looked into already published studies and reports as the data was easily accessed through online journals and libraries.

FINDINGS

The results were analyzed into various research gap categories that is conceptual, contextual and methodological gaps

Conceptual Research Gaps: While existing studies have effectively highlighted the role of specific behavioral biases such as loss aversion, present bias, status quo bias, and hyperbolic discounting in predicting life insurance policy lapses, there is a conceptual gap in integrating these biases into a comprehensive model. Most research focuses on one or two biases in isolation,

without considering how these factors might interact to influence policyholder behavior (Smith & Johnson, 2020; Abdullah & Ismail, 2020). Moreover, there is limited exploration of how financial literacy and financial stress intersect with these behavioral biases to impact policy lapse decisions (Kim & Lee, 2021; García & Hernández, 2021). Future research could benefit from developing a holistic model that accounts for the combined effects of multiple behavioral biases, financial literacy, and financial stress on life insurance policy lapses.

Contextual Research Gaps: The studies have generally concentrated on specific contexts, such as financial stress in Mexico or the role of status quo bias in the Philippines, without fully addressing how the broader socio-economic environment influences these behaviors (Santos & Mendoza, 2019; García & Hernández, 2021). For example, while Smith and Johnson (2020) explore loss aversion in the United States, they do not consider how economic conditions, such as unemployment or inflation, might moderate the effects of loss aversion on policy lapses. Similarly, there is a gap in understanding how cultural attitudes towards insurance and financial security might shape the impact of these biases in different contexts (Zulu & Dlamini, 2020). Further research should aim to explore how macroeconomic and cultural contexts interact with behavioral economics factors to influence policyholder decisions.

Geographical Research Gaps: Geographically, the existing research is heavily concentrated in specific regions, such as North America, East Asia, and parts of Africa, leaving significant gaps in other areas. For instance, while studies have been conducted in South Korea, the Philippines, and South Africa, there is limited research on behavioral economics and life insurance policy lapses in other regions, such as Eastern Europe, South America (excluding Mexico), and the Middle East (Kim & Lee, 2021; Santos & Mendoza, 2019; Zulu & Dlamini, 2020). Additionally, there is a lack of comparative studies that explore how the same behavioral factors might have different effects across diverse geographical settings. Future research should aim to fill these gaps by examining life insurance policy lapses in under-researched regions and conducting cross-country comparisons to identify universal and region-specific predictors of policy lapses.

CONCLUSION AND RECOMMENDATIONS

Conclusions

In conclusion, the role of behavioral economics in predicting life insurance policy lapses is critical in understanding the complexities of policyholder behavior. Factors such as loss aversion, present bias, financial literacy, and status quo bias significantly influence the likelihood of lapsing life insurance policies. These biases often lead policyholders to make decisions that deviate from traditional economic models, particularly under financial stress or when faced with immediate economic pressures. By recognizing and addressing these behavioral tendencies, insurers can develop more effective strategies to reduce policy lapses, such as personalized communication, financial education programs, and flexible policy options. The integration of behavioral economics into the analysis of life insurance retention provides a deeper, more nuanced understanding of policyholder behavior, ultimately contributing to more sustainable insurance practices and improved customer retention. Future research should continue to explore these dynamics across different contexts and regions, offering further insights into how behavioral factors can be leveraged to enhance life insurance policyholder engagement.

Recommendations

Theory

Future research should focus on developing comprehensive theoretical models that integrate multiple behavioral biases, such as loss aversion, present bias, and status quo bias, to provide a holistic understanding of policyholder behavior. These models should explore how these biases interact with each other and with external factors like financial literacy and economic stress. This integration would contribute to the theoretical advancement of behavioral economics by offering a more nuanced explanation of financial decision-making in the context of life insurance. Expanding behavioral economics theories to include cultural and socio-economic factors that influence decision-making processes in life insurance could enhance their applicability across diverse regions. Understanding how cultural attitudes towards risk, savings, and financial security influence behavioral biases can refine existing theories and make them more globally relevant.

Practice

Insurers should tailor their communication strategies to address specific behavioral biases identified in policyholders. For example, emphasizing potential losses associated with policy lapses (loss aversion) or offering immediate incentives to counteract present bias can improve policy retention. Insurers could also use financial literacy tools to help policyholders understand the long-term benefits of maintaining life insurance, thereby reducing lapses. Developing flexible life insurance products that cater to the unique behavioral tendencies of different customer segments can reduce policy lapses. For instance, offering flexible payment plans, auto-renewal options, and rewards for long-term policyholders can help mitigate the effects of present bias and status quo bias, encouraging policyholders to maintain their coverage.

Policy

Policymakers should mandate the inclusion of financial literacy programs within the life insurance industry to educate consumers about the importance of maintaining their policies. These programs should be designed to address common behavioral biases, equipping policyholders with the knowledge and tools necessary to make informed decisions about their life insurance. Regulatory bodies should consider setting standards for the use of behavioral insights in the design and marketing of life insurance products. This could include guidelines for transparently communicating the risks of policy lapses and ensuring that incentives are ethically aligned with long-term policyholder interests. Such policies would help protect consumers from making impulsive decisions that lead to unnecessary financial losses.

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