

Asking the Right Questions



For each question, think about what the business response might be. How might you change the way you would have originally gone about a project to reduce lapse?

- Why do you want to reduce the lapse rate? Is this to recoup more of the required initial policy acquisition expenses, increase the level of profits, or maybe you just need to ensure your assumptions are more accurately set?
- Which customers do you care about?
- What is the time frame? Do you need to reduce the lapse rate in your current written business, or over time as you write new business?
- Why are the early duration lapse rates particularly high? It might suggest something is wrong with the sales process.
- Does lapse rate vary by sales channel? What is the market context?
- What would you consider to be an acceptable lapse rate/profit margin?
- Is there a preference for reducing likelihood of lapse once written (intervention), versus reducing likelihood of lapse by changing underwriting rules (prevention)?
- Do you know what the major causes of lapse are at the moment?
- What are the previous attempts to improve lapse experience and what were the outcomes?
- What information is available about the reasons behind policyholder lapse?
- Do we have a preference for treating lapse rate for certain products? How much does lapse rate vary by product?