

**THE COMPARATIVE STUDY OF IDENTIFYING THE
MAIN DETERMINANTS OF LAPSATION IN SRI
LANKAN LIFE INSURANCE INDUSTRY**

*This dissertation is submitted as a partial fulfillment of the degree of Bachelor of
Business Management in Entrepreneurship and Management*

Faculty of Management

Uva Wellassa University

Registration number: UWU/ENM/09/0023

Year 2013



**UWU
LIBRARY**

ABSTRACT

Objective of this study was to identifying the main determinants for lapsation in the Sri Lankan life insurance industry. Life insurance is a key product which offers to the community. At present, lapsation has become a problem of life insurance companies in Sri Lanka.

The research was conducted based on analysis of the product and policyholder characteristics on lapses. Total of 60 in forced life insurance policies and 60 lapsed policies was taken as the sample for the comparative study. This study used the simple random sampling technique to select the lapsed life insurance policies and in forced policies as a sample. Descriptive statistic and inferential were utilized as data analyzing techniques. Policy holder age, income level found as significant factors in policy holder characteristics and contract age, insurance size, insurance value, type of underwriting, frequency of payment, distribution channels and method of payment found to be significant factors in contract characteristics which drivers for lapse rates in life insurance. The results revealed that forced selling of policies without caring for matching of life insurance products with requirements of the policy holders plays a vital role in lapsation which happens due to the fact that insurance agents doing the target oriented selling without caring for matching of insurance products to requirements of policy holders. Accordingly the absence of the agents was a critical factor towards lapsation. Further It reveals the training is needed for the agent to overcome this situation at certain extend.

Key Words - Lapsation, Lapsed policies, Product Mismatch, Absence of the agent