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Abstract: The issue of insurance policy lapsation (non-payment of renewal premium resulting in discontinuance) has been a continuing operational and consumer-welfare issue in life insurance as it dilutes risk protection by the household and undermines the stability of the renewal income of insurers. The authors also examine the insurance policy lapsations major determinants in the Machilipatnam Division of Andhra Pradesh; that is, the increase in insurance policy lapsation is driven by the account of policyholder (income volatility, financial literacy, perceived value/need, and trust), product-condition (premium affordability, policy complexity, surrender charges, and term), and services/distribution condition (agent servicing, renewal reminders, and claims experience/servicing, and easier digital payments) of the insurance policy. The proposed research design is based on the case-study design and is suggested to be followed by a questionnaire survey of policyholders (lapsed and in-force) in a structured manner, with the addition of interviews with agents/branch officials and secondary data on persistency/renewal patterns. The model of the study is rooted in explanations of behavioral lapses (forgetfulness and underestimation of liquidity), explanations that are based on belief and trust, as well as sensitivity of lapsation by the macro-cycle. Results will be anticipated to reveal an interactive route in which (i) liquidity stress and alternative financial priorities, (ii) low product knowledge and poor perceived need, and (iii) lapsation risk in renewal servicing/communication will be combined. The research closes by providing practical retention measures to be adopted by insurers operating in semi-urban markets-enhanced renewal management, customized notifications, easy policy explanation and product and premium offerings that are sensitively priced.

Keywords: Policy lapsation; life insurance; renewal premium; persistency; affordability; financial literacy; trust; agent servicing; behavioral insurance

Theoretical Background: The theoretical framework of the study bases on behavior insurance with the consumer belief/trust frameworks explaining why policyholders have stopped paying renewal premiums, yet have long-term benefits of protection. According to behavioral theory, lapsation could be caused by limited rationality policyholders may forget to pay or underestimate the liquidity in future, and these systematic patterns of lapses are not explainable by purely rational models alone (Gottlieb and Smetters, 2021). At attitudes level, the belief-based elaborations reveal that the attitudinal components include belief in need of life insurance, trust in the insurers/advisors and friction in the process/servicing which suggests that the economic variables may be less significant than the perceptions and experience (Bhatia et al., 2025). Moreover, the lapsation literature is synthesizing with respect to determinants that cut across policyholder demographics/financial stress, products, and institutional/service factors, and how policyholder behaviour is presently a key research theme of recent years (Shamsuddin et al., 2022). Lastly, under the industry-risk lens, the supervisors note that the liquidity risk in life insurers may increase unexpectedly in times of economic stress due to unforeseen rise in the lapses/surrenders, which underlines why persistency is one of the primary stability metrics (IAIS, 2025).

Problem Statement: Even though there has been a rise in the life insurance cover in India, insurers are still struggling to hold renewal premium and long-term policy holdings, particularly in the semi-urban and tier-2 markets where the cash flow in households is less stable and uneven product awareness. Lapsation diminishes the financial protection of policyholders and the persistence and renewal earnings to insurers in Machilipatnam Division, but local, context-specific forces (affordability pressures, belief and trust issues, service/agent follow-up gaps and process frictions) cannot be adequately supported by micro-level research. Thus, the main issue is the absence of empirically-based knowledge of what factors best forecast policy lapsation in Machilipatnam Division and how they can be incorporated with each other to increase the efficiency of specific retention strategies and interventions targeted to protect policyholders.

Background and Motivation: The life insurance market in India has grown vigorously in the past 20 years, but it is still underpenetrated, and the industry reports indicate that the market must focus more on renewals/persistency as the only way to maintain its customer value in the long term instead of just increasing the first-time coverage (CareEdge Ratings, 2025). Meanwhile, global supervisory work emphasizes that failures and bail-outs may be material in case of stress on the economy and generate a consumer protection gap in addition to insurer liquidity/earnings stresses (IAIS, 2025). This inspires a targeted case study in Machilipatnam Division to determine locally-specific lapsation drivers and convert them into viable renewal-enhancement measures to be applied by the insurers and intermediaries.

Introduction: Life insurance lapsation has been widely known as an issue that has kept reappearing since it interrupts household risk protection and destabilizes long-term renewal cash flows among the insurers. Large actuarial datasets reveal that the behavior of lapse is not by chance, changing over policy years, and product type, but instead needs to be proactively addressed using pricing, servicing, and retention interventions (Qian et al., 2020). In recent years, policyholder behaviour and lapse risk have become a more actively researched area of research, which concentrates existing knowledge in this area and identifies new directions (Shamsuddin et al., 2022).

Theoretically, there is some modern evidence on the behavioral mechanisms of lapsation. Specifically, consumers can lapse not only due to the insurance being too expensive, but also due to overestimating liquidity requirements in the future or plainly failing to pay the premiums-behaviors that are modeled using behavioral models of lapse-based insurance (Gottlieb & Smetters, 2021). This is essential to semi-urban situations in which irregular income, emergency spending and low financial buffers can be subject to interacting with reminders and convenience to pay to lead to renewal default.

Belief systems and institutional experience are also empirically determined lapsation. More recent research suggests that beliefs in the usefulness of life insurance, trust in insurers/advisors, and friction of procedures or technical operations can affect the lapse decision, suggesting that the quality of communication, including the quality of processes, is the focal point of the persistency outcomes (Bhatia et al., 2025). Similar facts in India indicate that multi-factor explanations, including economic constraints, product characteristics and service/distribution concerns, contribute to the necessity of testing a combined framework instead of individual predictors only (Kayarthakdka et al., 2023). In India, the existing development cycle, the refinement of renewals is a strategic issue. Sector analysis observes that although the lives covered have grown significantly, long-term benefits are reliant on maintaining sufficient protection and secure retirement income which is undermined when the policies are cancelled before they reach maturity (CareEdge Ratings, 2025). In addition, foreign executives warn that sudden surges in lapses/surrenders can pose a big challenge during stressful times, which supports the rationale of persistency as a consumer protection and financial stability concern (IAIS, 2025). It is within this context that the current case study in Machilipatnam Division is placed to determine local lapsation drivers in addition to offering actionable retention levers, including affordability, building of trust and renewal services improvement.

Literature Review

Premium affordability: Recent publications repeatedly place premium affordability as a fundamental economic stimulus of lapsation, particularly the household cashflows are shaky and rival demands increase. Indian Empirical evidence demonstrates that financing of policy holders (financial proxy: Income/Occupation) and policy type aspects combining to define the possibility of renewal drive policy by lapsation classification, which shows that affordability pressure is not in isolation but rather rooted within a socioeconomic context (Grover et al., 2021). In India, persistency studies also underscore the fact that policyholder and contract attributes are systematically associated with policy survival/persistency, and that renewal continuation is an outcome that is sensitive to economic limitations (Ravi et al., 2021). Industry actuary data also indicates that lapse rates may increase during periods of stress and change depending on the product and policy year indicating that affordability shocks and macro conditions can be converted to discontinuance risk (SOA Research Institute & LIMRA, 2023). Overall, affordability acts as a “first-order limitation- when premiums become taxing or unaffordable as compared to income stability, there is a higher likelihood of policyholders not paying their renewal premiums and going out of business.

Financial literacy: Between 2020- 2025, there is a robust evidence stream that connects financial literacy and insurance outcomes through decreasing the information asymmetry, enhancing product knowledge and reinforcing long-term financial planning behavior. At the household level, it was found that increased financial literacy has a positive relationship with life insurance participation and premiums paid, which indicates financially literate customers would tend to appreciate and maintain protection decisions (Wang et al., 2021). Recent empirical evidence, on the Indian setting, with the help of micro/secondary data, indicates that financial literacy has a significant effect on improving life insurance uptake, and thus, the finding suggests that discontinuance behaviors might be also minimized by an enhanced understanding and planning (Hossain et al., 2024). In addition to this, domain-specific literacy studies have shown that literacy enhances the quality of insurance decisions and decreases welfare-reducing insurance decisions, which also facilitates the mechanism that low literacy may cause bad persistence decisions (Harrison et al., 2021). All in all, the literature suggests that insufficient financial/insurance literacy may lead to lapsation through the misinterpretation of benefits, underestimation of long-term coverage, and poor budgeting of renewal payments.

Agent service quality: An increasing stream of research on relationship-marketing and service research demonstrates that agent service quality (follow-up, clarity, responsiveness, and facilitating renewal) influences customer satisfaction and continuity results. Evidence of service quality in life insurance refers to the fact that the perceptions of the customers on service dimensions have significant correlations to the satisfaction, which is a crucial antecedent of the continuation and loyalty behavior (Josiah and Prem, 2023). In addition to generic service quality, recent SEM-based support shows that relationship-building practices (primarily communication and common grounding) of agents improve trust and satisfaction, which, in turn, reinforce renewal intention, which is of direct interest in renewal persistence and lapsation prevention (Moon et al., 2025). This means that lapsation can take place not only due to impossibility of customers to pay, but also due to their ineffective guidance, reminders, and support through the process of renewal. Therefore, agent servicing quality is another behavioral "friction reducer" that may reduce non-payment lapses that are caused by forgetfulness, confusion, or unresolved service problems.

Confidence of policyholder in insurer. Trust has consistently been emphasized as a crucial psychological factor in insurance decisions and intentions to continue in a product that is difficult to understand, with long-term outcomes, between 2020 and 2025. Recent findings using the Theory of Planned Behavior indicate that trust has a considerable impact on policyholder intention and insurance decision behavior, and this supports the idea that perceptions of credibility are important to maintain the engagement (Muresan et al., 2025). Simultaneously, research into the relationship in life-insurance shows that trust is reinforced by uniting with the agent and taking part in relationship actions, and that the trust in turn spur satisfaction and renewal intention - a journey ego relationship trust stature renewal abridged lowered lapsation (Moon et al., 2025). Furthermore, insurance literacy-trust study shows that perceived trust has a significant impact on inclusion/participation decisions, meaning that perceived trust could be a decisive factor to engage in contract and/or exit in low-trust environments (Kiwanuka & Sibindi, 2023). All these studies collectively aid in the modelling of trust as a major predictor of lapsation: less trust in the transparency of the insurer/agent or the reliability of the claims can make willingness to make the premium payments less.

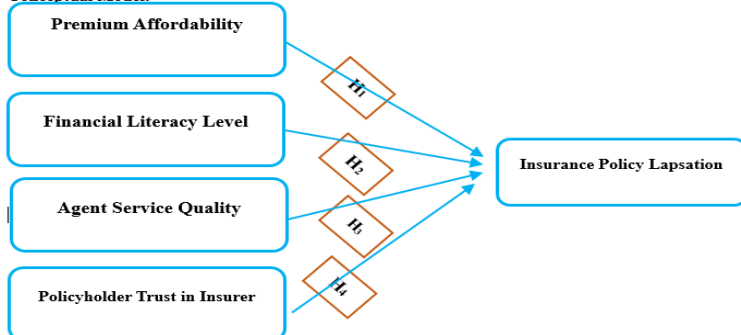
Insurance policy lapsation: In the 2020-2025 policy lapse research, lapse behavior is multi-causal and growing to be examined through behavioral theory as well as predictive analytics. Literature review of lapse research articles shows that increased attention to lapse behavior, policyholder behavior, and more recent methods of analysis is gaining growing interest in scholarly literature, demonstrating expanded evidence base and the need to refine determinants and models (Shamsuddin et al., 2022). The behavioral economic theory also describes that lapsation may happen due to the underestimation of liquidity requirements or default on payment by consumers (bounded rationality) and lapsation may not be only an income problem (Gottlieb and Smetters, 2021). Recently, in insurance, machine-learning research has shown that it is possible to predict and decompose the lapse risk, confirming that the lapse is quantifiable and can be targeted by the retention strategy (Manteigas and Antonio, 2024). Therefore, lapsation should be regarded as a phenomenon influenced by economic factors, cognitive/behavioral contradictions, and relational/service factors.

Research Gap: Even though the 2020-2025 literature characterizes lapsation in terms of economic stress, behavioral tensions, literacy/understanding, and trust/service relationships, three gaps are applicable to your study: (i) most of the evidence is either global/aggregate or not context-specific to the semi-urban Indian context, leaving little division-level evidence on lapsation in that context; (ii) a number of studies characterize the purchase/demand and not renewal continuity/lapsation, so determinants of continuing premiums (persistence)

Objectives:

1. To examine the effect of premium affordability on insurance policy lapsation among policyholders in Machilipatnam Division.
2. To assess the influence of financial literacy on insurance policy lapsation.
3. To analyze how agent service quality impacts insurance policy lapsation.
4. To evaluate the role of policyholder trust in insurer in predicting insurance policy lapsation.

Conceptual Model:



Justification: The developed model combines financial, behavioral and service related determinants in explaining the lapsation in insurance policy within Machilipatnam Division. The premium affordability is provided as economic constraints and income volatility are major causes of renewal default especially in semi-urban markets. Financial literacy will be included because policyholders who have little knowledge of the long-term benefits of protection will underestimate their continuity of renewals and terminate policies early. The quality of agent services is justified since follow-ups, reminders, and being advised have great impact on renewal behaviour. Lastly, it is important to trust the insurer because the perceived transparency and reliability have a direct influence on the readiness of customers to enter into a long-term contract. The four determinants acting in combination help the model to embrace both rational financial constraints and behavioral-perceptual effects, hence offering a very inclusive model to understand the lapse in policy and design retention strategies with a focus.

Methodology: The research design that is to be used in the study will be a quantitative, cross-sectional, explanatory (causal) research design that seeks to test the proposed policy lapsation model in Machilipatnam Division, Andhra Pradesh. The study group will include the total of life time policy holders in Machilipatnam Division, both lapsed and in-force, and the sampling frame will be identified on divisional/branch records and agent service lists of policyholders who can renew their policies within the study period. A stratified multi-stage sample will be used to select respondents using a sample of 222, which will stratify according to branch/urban-semi-urban pockets and then sample the policyholders systematically within strata, in order to get a good representation of both lapsed and continuing customers. The primary data will be obtained through structured questionnaire on the premises of premium affordability, financial literacy, quality of agent services, trust, and lapsation status/propensity on Likert scales. The analysis of data will involve reliability and validity tests and then Confirmatory Factor Analysis (CFA) to confirm measurement model (factor loadings, CR, AVE, model fit), Structural Equation Modelling (SEM) to test proposed hypotheses (H1-H4) with standard fit indices and significant test of standardized effects.

Hypotheses

- H1: Premium affordability has a significant negative effect on insurance policy lapsation (higher affordability → lower lapsation).
H2: Financial literacy has a significant negative effect on insurance policy lapsation (higher literacy → lower lapsation).
H3: Agent service quality has a significant negative effect on insurance policy lapsation (better service → lower lapsation).
H4: Policyholder trust in insurer has a significant negative effect on insurance policy lapsation (higher trust → lower lapsation).

Data Analysis:

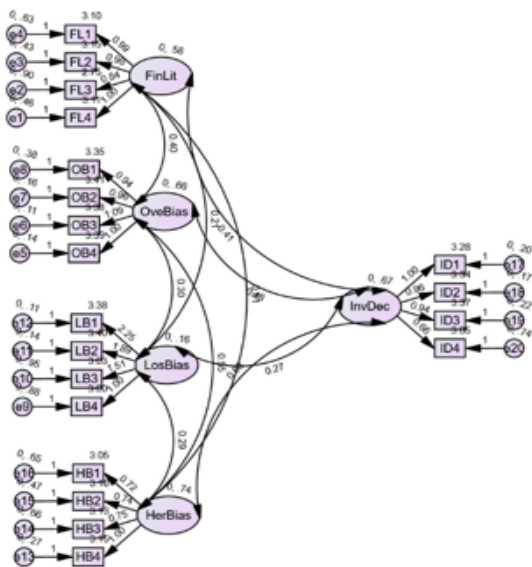
Reliability Analysis:

Variable Number	Variable	Cronback Alpha	Result
V ₁	Premium Affordability	0.755	Acceptable
V ₂	Financial Literacy Level	0.811	Good
V ₃	Agent Service Quality	0.721	Acceptable
V ₄	Policyholder Trust in Insurer	0.724	Acceptable
V ₅	Insurance Policy Lapsation	0.751	Acceptable
V ₆	Overall	0.911	Excellent

The reliability test shows that all the constructs applied in the research have good internal consistency. The coefficients are acceptable to good, which proves that items of measurement are always able to perform their respective underlying constructs. The consistency coefficient of total reliability is very high, which indicates that the instrument has good consistency. This indicates that questionnaire is reliable and can be further used in multivariate analysis. Thus, the measurement scales in the study are valid and suitable to model structural.

Confirmatory Factor Analysis

Fit Indices	Observed	Result
CMIN ₁	2.111	Excellent
CFI ₁	0.904	Acceptable
TLI ₁	0.911	Acceptable
PNFI ₁	0.061	Acceptable
RMSEA ₁	0.068	Acceptable

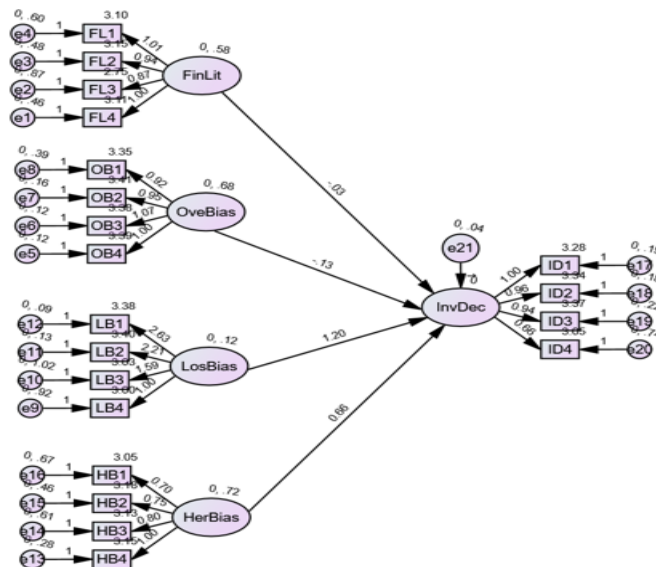


evaluation of the measurement model shows that there is an adequate model fit between the data collected and the factor structure proposed. According to the results, the observed indicators of the latent constructs are a good representation of the construct, which proves the construct validity. There are acceptable convergence and overall structural adequacy levels in the model. All measures of goodness-of-fit indicate that the measuring model is statistically valid and is fit to continue with structure testing. Therefore, the factor structure is proved and justified to the theoretical framework of the study.

Structural Equation Modelling

Fit Indices	Observed	Result
CMIN ₂	2.211	Acceptable
CFI ₂	0.911	Acceptable
TLI ₂	0.921	Acceptable
PNFI ₂	0.074	Acceptable
RMSEA ₂	0.069	Acceptable

The structural model test indicates that the postulated correlations of the constructs have a good overall fit to the data gathered. All the indices point to the fact that the proposed theoretical model can be sufficient to explain the relationship between the independent and dependent constructs. Structural paths are tested in a satisfactory model framework which assists in the strength of the conceptual model. The findings prove that the model is statistically suitable in explaining the causal relationship studied in the research. Consequently, the structural framework offers empirical evidence to the formulation of the determinants of policy lapsation.



Hypothesis Testing

Hypothesis No	Framed Hypothesis	P-Value	Result
H ₁	Premium Affordability-> Insurance Policy Lapsation	0.00	Supported
H ₂	Financial Literacy Level-> Insurance Policy Lapsation	0.00	Supported
H ₃	Agent Service Quality-> Insurance Policy Lapsation	0.00	Supported
H ₄	Policyholder Trust in Insurer-> Insurance Policy Lapsation	0.00	Supported

The results have shown that the affordability factor is a conclusive determinant on the renewal continuity decisions. When the payment of premiums becomes affordable to the policyholders in the structure of their income, the chances of discontinuation reduce greatly. On the other hand, monetary pressures and conflicting domestic demands can predispose chances of non-payment. The findings indicate that economic capacity is one of the focal points of continuation behavior. This is an indication that renewal persistence has been closely associated with income-stability and perceived financial burden. Affordability is even more important in semi-urban markets where the cash flows may not be regular. The statistical result ascertains that affordability is not a peripheral variable but an explanatory variable. The data supports the significance of the flexibility of the premiums and the appropriate payment methods. In general, economic feasibility plays a significant role in determining retention behavior of the policies.

Through the analysis, it was found that financial understanding is a significant factor that determines the renewal intentions. People that have a higher level of knowledge about insurance benefits, value of long-term protection and financial planning principles will not underwrite their policies. A better understanding will increase an appreciation of risk coverage and future security hence the encouragement of continuing premium payments. Conversely, low financial literacy levels might cause underestimation of benefits of the policy and dropout. The result highlights the fact that the understanding of insurance concepts improves the commitment to long-term financial arrangements. This shows how educational interventions can enhance the rate of persistence. The statistical data proves that informed policy-holders are more rational and likely to make quite stable decisions. Therefore, financial ability and awareness are the safeguarding elements against lapsation. An intensification of literacy programs can hence lessen discontinuation behavior.

The findings reveal that service encounters are important in influencing continuity of renewal. Clients are better placed to retain their policies when they have timely reminders, effective communication and responsive customer support. Proper servicing decreases misunderstanding, lapses of memory and dissatisfaction that would otherwise translate to the failure to make payments. Positive interaction enhances relationship and makes renewal commitments stronger. The results show that quality interactions are behavioral nudges that facilitate continuation. On the other hand, there is a possibility of escalating false termination due to poor follow-up or poor communication. The statistical result proves that customer servicing is a significant predictor of renewal behavior. This highlights the strategic role of relationship management in the operations of insurance. Service improvements can be strengthened to thus benefit directly in terms of better levels of persistency.

The empirical findings indicate that the issue of confidence in the insurer has a major influence on renewal decisions. Upon the satisfaction of the policyholders with the trustworthiness, transparency and credibility of the insurer, chances of the continuity of the payment of the premiums are enhanced. Trust minimises perceived risks and uncertainties of long-term financial returns. In a high sense of fairness in settlement of claims and institutional integrity, there is a long-term engagement. On the other hand, lack of credibility or doubts regarding credibility or reliability of the service might undermine commitment and raise the risk of discontinuation. The results support the fact that psychological assurance is an important factor in continuation behavior. The statistical evidence proves the fact that trust is an important relational determining factor. Policies can be increased through strengthening credibility and transparency hence improving policy persistence. On the whole, trust in the insurer plays a major role in the decreased lapsation tendencies.

Managerial Implications

Positive pricing and premium structuring strategies are required to enhance continuity of renewals. Managerial personnel must come up with flexible payment modes of the premiums like monthly payment or quarterly payment to mitigate the financial Erosion on the policyholders. Grace-period reminders, automatic debit systems, and premium holiday programs can also be introduced to help customers who have short-lived liquidity problems. The latter approach of dividing customers by the stability of their incomes and offering premium plans respectively, can decrease discontinuation rates. The policy issuance should also involve the managers devising affordability screening tools to ensure that products are matched with long term payment capacity of the customers. The customers can be encouraged to think about future obligations through regular renewal counselling. The agent incentive structures can be reworked to incentivize persistency as opposed to incentivizing only the new sales. Early warning signs of payment stress can be detected with the help of data analytics. On the whole, proactive financial congruence between product design and customer capacity could have a great deal to do with retention.

The continuation of long term policies can be strengthened by strengthening customer education policy. The management ought to invest in formal financial awareness in the form of long-term benefit of insurance protection. Insurance concepts can be simplified by the use of simplified brochures, vernacular communication and digital learning modules. This can be enhanced by carrying out regular financial literacy training to local groups to make informed decisions. Short educational nuggets strengthening policy benefits can also be added to renewal reminder messages. Managers can also cooperate with educational institutions and community organizations in order to increase the outreach of awareness. Misconceptions may be mitigated by having transparent communication on the characteristics of policies and charges. Understanding can be developed through training front line personnel on how to articulate the benefits and long-term rewards. Protection continuity would be enjoyed by educated customers. Thus, retention strategy should be followed by continuous awareness building.

Renewal behavior can be considerably improved by improving the quality of standards of the service. The management ought to establish systematic follow-up procedures to help in making sure that they communicate in time before expiry of premiums. To monitor the interactions of the services and personalize the communication, it is possible to use the customer relationship management software to monitor the interactions. Well-established grievance redressal mechanisms ought to be enhanced to limit dissatisfaction. Regular service audit can be used to make sure that the field representatives are up to the standard in engagement. The quality of the services offered by the managers should also be offered to the agents by training them on empathy, clarity and responsiveness. Early detection of gaps in the service can be achieved by introducing customer feedback loops. Incentivizing service quality as opposed to a sales volume alone would help change the emphasis to long-term relationships. The digital servicing platforms must be easy to use and must be in the regional languages. Active and regular service participation may create better renewal commitment.

Customer commitment in the long-term can be strengthened by improving organizational credibility and transparency. Managers must relay clauses of settlement of claims and regulatory compliance levels to reassure the customers. Uncertainty and suspicion can be alleviated by open sharing of terms and benefits of the policies. A healthy ethical culture and equitable treatment in all relationships with customers can reinforce institutional image. Engagement programs in the community can also enhance corporate image locally. Customer engagement programs lead to humanization of the organization by the visibility of the leadership. Regular contact in regular and claim cases develops trust. Strategies of reputation management must be characterised by trust reinforcement, not on promotional message per se. Managers should make sure that there is a match between promises and delivery of services. The long-term credibility eventually reinforces long-term relationship with customers.

Theoretical Implications

The results add to the economic-behavioral theories showing the interaction of the perceived financial strain and the decision to continue with renewal. The article supports the applicability of affordability in protection-related contractual structures. It generalizes existing insurance demand theory to renewal persistence investigation. The findings indicate the inclusion of income stability factors in policy continuation models. In this way, the research enhances the explanations on financial constraints in insurance studies.

The findings contribute the financial literacy theory by connecting the awareness to purchase decision as well as to sustain the contract. This extends the knowledge on the effects of literacy beyond the point of first adoption. The paper brings out the cognitive aspect of the renewal behavior. It builds behavioral finance research by relating the level of knowledge and financial discipline in the long run. Therefore, it increases the theoretical capacity in insurance persistency research.

The findings contribute to the service quality and relationship marketing theories in that service engagement is a determinant of continuity of contracts. The findings prove that service processes have an impact on financial commitment behavior. This helps in relational exchange theory in an insurance environment. It provides the extension and integration of renewal persistence outcomes to earlier models. Therefore, the research fills the gap between service theory and research on insurance retention.

The results reinforce theories of trust based on the finding that institutional confidence plays a role in long term contract maintenance. The research affirms the social exchange and trust theory in the financial services settings. It brings out psychological assurance as a continuity driver. The study adds value to the body of literature on insurance since it provides a correlation between trust and behavioral persistence. Hence, it enhances theoretical knowledge on relational determinants.

Practical Implications

To minimize discontinuation risk, the insurers ought to initiate flexible modes of payments and products that match their income. Timely renewing can also be aided by the automated renewal and computerized payment options. Lapsation can be avoided by early detection of financially stressed customers. Real-life cost-cutting measures may improve retention. Payment convenience is vital and should be operated. Awareness campaigns at the community level will help customers to have a better understanding about insurance value. Understandable communication materials in language are able to facilitate understanding. Real-world financial education programs will minimize discontinuance. Long term benefits should always be strengthened by the agents during interactions. Increased awareness can be converted to greater renewal discipline. Timely follow-ups and open communication should be a priority of the customer servicing systems. Relationship management can be enhanced through real CRM. Constant feedback garnered can ensure that dissatisfaction is noted. It is possible to improve the quality of engagement through training programs of service personnel. Directly better lapsation can be achieved through improved service processes. Customers can be assured by the open reporting of claims and policy benefits. Obvious grievance redressal mechanisms can develop reassurance. Credibility is increased through ethical behavior and agreeable messaging. Institutional image is enhanced by local community participation. The implementation of sustainability mechanisms in trust-building will be effective in retention in the long run.

Conclusion: The research investigated the factors that play a part in insurance policy lapsation in Machilipatnam Division and provided a sound empirical evidence of a multi-dimensional explanation of renewal discontinuation. The results affirm that the choice of policy continuity is not based on a single aspect but is a result of an interplay of economic capacity, financial knowledge, involvement in the service, and institutional confidence. The structural and validated measurement models showed good reliability and model intricacy which attests to the soundness of the proposed framework. The findings underline renewal persistence as being influenced by the rational financial factors and the behavioral-relational factors. The study with its incorporation of financial, cognitive, and service dimensions into the same structural framework helps to gain a better insight into the behavior of policyholders in semi-urban insurance markets. The study provides valuable lessons to those insurers who would want to improve the level of persistency ratios as well as minimizing policy lapsation. All in all, the research article concludes that improving long-term insurance continuity and customer retention can be achieved by improving affordability alignment, financial awareness, service quality, and trust.

Further Research: The predictive model of policy lapsation can be further refined by including more variables in future studies to include income volatility, adoption of digital payments, claim experience, or behavioral biases to make future studies more precise. A sound-wide comparative analysis based on several divisions or districts would give greater generalizability and regional information. Longitudinal research design can also be used where renewal behavior is to be observed through several policy years to gain more understanding of dynamic lapsation patterns. More research can utilize more sophisticated analysis methods like multi-group SEM or machine learning models in order to investigate subgroup differences. To increase the variety of insights into the product-specific discontinuation patterns, it is possible to expand the sample size and incorporate other categories of insurance products, including health or unit-linked policies. These extensions would boost the growth of the theory and improve the practical retention strategies within the life insurance industry.

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