

**TRANSACTIONS OF SOCIETY OF ACTUARIES
1995-96 REPORTS**

**II. 1993-94 CANADIAN LAPSES BY DURATION AND
PRODUCT LINE: LONG-TERM ORDINARY LAPSE SURVEY***

INTRODUCTION

This report examines the lapsation of ordinary insurance in Canada between 1993 and 1994 policy anniversaries. It is designed to help companies develop new products and monitor marketing and product performance.† A separate report is available for U.S. experience.

Lapse rates in this report are percentages of face amounts, policies, and annualized premiums in force on 1993 policy anniversaries that lapse on or before 1994 policy anniversaries. For new issues in 1993, amounts in force on 1993 anniversaries correspond to amounts sold during 1993.

Lapse rates are measured for policy years 1, 2, 3 to 5, 6 to 10, and 11 and over. These policy years correspond to issue years 1993, 1992, 1991 to 1989, 1988 to 1984, and 1983 and earlier. Lapse rates by face amount, number of policies, and annualized premium are measured for six types of ordinary insurance plans (see Appendix B for product definitions):

- Traditional whole life (WL)
- Interest-sensitive whole life (ISWL)
- Permanent term
- Five-year renewable term (5-YRT)
- Ten-year renewable term (10-YRT)
- Other level face amount term (OLT).

Face amount lapse rates are also supplied for issue ages 20 to 29, 30 to 39, 40 to 49, 50 to 59, and all issue ages combined (including issue ages below 20 and over 59) for all six types of plans.

Appendix C lists other LIMRA lapse and persistency research studies.

DEFINITIONS

Example of a First-Year Lapse

A new policy is issued and the first 12 months of premium are subsequently paid. The premium due in policy month 13 is not paid by the end of the grace period (this is a first-year lapse, not a second-year lapse).

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†Participating companies may receive comparisons of their lapse experience with the combined lapse experience of a group of peer companies. Data for each peer company remain confidential and are not shown separately. For further information about receiving a peer analysis, contact project director Eric Sondergeld at (860) 285-7754.

Unweighted Average Lapse Rate

This rate equals the mean of individual company lapse rates; therefore, company size does not affect the results.

Weighted Average Lapse Rate

This rate equals the mean of individual company lapse rates weighted by the amount of in-force business; therefore, company size does affect the results.

Additional definitions appear in Appendix A.

ABOUT THE SAMPLE

Sixteen companies participated in the study. Fourteen of these companies provided lapse data for all three measures; two companies provided only face amount and policy count data. Table 1 shows the total reported face amount in force at the beginning of the 1993-94 policy year. Tables 2 and 3 show the total number of policies and total annualized premium in force, respectively.

TABLE 1
FACE AMOUNT IN FORCE (BILLIONS) ON 1993 ANNIVERSARIES (16 COMPANIES)

Issue Year	Traditional Whole Life	Interest-Sensitive Whole Life	Permanent Term	Level Term Products		
				5-YRT	10-YRT	OLT
1993	\$ 11.7	\$ 2.0	\$ 3.3	\$ 7.3	\$ 8.8	\$1.1
1992	10.3	2.2	3.4	5.7	8.4	1.2
1989 to 1991	25.5	5.1	4.9	11.2	15.7	2.0
1984 to 1988	32.3	12.0	2.7	10.5	5.9	1.7
Before 1984	25.4	1.0	0.1	4.8	6.6	0.8
Total in force	\$105.2	\$22.3	\$14.4	\$39.5	\$39.4	\$6.8

TABLE 2
NUMBER OF POLICIES IN FORCE (THOUSANDS) ON 1993 ANNIVERSARIES (16 COMPANIES)

Issue Year	Traditional Whole Life	Interest-Sensitive Whole Life	Permanent Term	Level Term Products		
				5-YRT	10-YRT	OLT
1993	216.2	27.0	42.1	49.6	50.1	8.9
1992	197.4	33.0	37.9	37.3	46.0	8.3
1989 to 1991	521.8	81.3	59.3	73.0	86.7	19.0
1984 to 1988	904.1	208.1	41.5	79.9	33.0	23.7
Before 1984	2,252.7	47.7	7.3	61.7	9.9	38.3
Total in force	4,092.2	397.1	188.1	301.5	225.7	98.2

TABLE 3

ANNUALIZED PREMIUM IN FORCE (MILLIONS) ON 1993 ANNIVERSARIES (14 COMPANIES)

Issue Year	Traditional Whole Life	Interest-Sensitive Whole Life	Permanent Term	Level Term Products		
				5-YRT	10-YRT	OLT
1993	\$ 135.3	\$ 15.8	\$ 29.7	\$ 22.0	\$ 22.6	\$ 4.2
1992	128.0	15.5	30.5	17.4	21.5	4.7
1989 to 1991	305.1	37.0	41.8	37.7	39.5	7.9
1984 to 1988	416.9	65.3	18.0	45.2	16.5	7.9
Before 1984	363.8	11.4	1.1	31.1	5.0	5.0
Total in force	\$1,349.1	\$145.0	\$121.1	\$153.4	\$105.1	\$29.7

LAPSE RATES BY PRODUCT TYPE

Table 4 summarizes median face amount lapse rates by product for 14 companies that provided data for all three measures. Table 5 and Table 6 show similar results for median policy count and median annualized premium lapse rates, respectively.

TABLE 4

PERCENTAGE OF FACE AMOUNT LAPSING BY PRODUCT TYPE

Policy Year	All Products (14)	Traditional Whole Life (14)	Interest-Sensitive Whole Life (7)	Permanent Term (13)	Level Term Products		
					5-YRT (14)	10-YRT (14)	Other (12)
1	10.7%	10.3%	—	7.2%	11.8%	7.4%	9.0%
2	8.8	9.0	—	6.8	9.3	9.0	10.5
3-5	7.2	6.1	6.9%	5.8	11.5	7.0	9.0
6-10	6.4	5.1	4.3	3.7	9.6	6.4	6.8
11 and over	5.5	4.5	—	—	7.1	—	6.4

() Indicates number of companies providing lapse data.

—Insufficient data.

TABLE 5

PERCENTAGE OF POLICIES LAPSING BY PRODUCT TYPE

Policy Year	All Products (14)	Traditional Whole Life (14)	Interest-Sensitive Whole Life (7)	Permanent Term (13)	Level Term Products		
					5-YRT (14)	10-YRT (14)	Other (12)
1	9.5%	11.5%	—	8.6%	14.7%	9.0%	11.4%
2	7.4	9.1	—	6.5	10.3	9.5	11.7
3-5	6.3	6.3	5.7%	4.6	12.2	7.8	8.8
6-10	6.0	4.5	4.9	3.8	9.8	6.4	6.6
11 and over	5.8	4.1	—	—	7.3	—	6.3

() Indicates number of companies providing lapse data.

—Insufficient data.

TABLE 6
PERCENTAGE OF ANNUALIZED PREMIUM LAPSING BY PRODUCT TYPE

Policy Year	All Products (14)	Traditional Whole Life (13)	Interest-Sensitive Whole Life (7)	Permanent Term (12)	Level Term Products		
					5-YRT (12)	10-YRT (12)	Other (11)
1	11.9%	9.2%	—	6.3%	13.5%	8.2%	9.9%
2	8.8	7.3	—	6.5	9.3	9.6	10.3
3-5	7.1	5.7	6.0%	3.4	11.7	6.9	8.7
6-10	5.4	4.8	3.9	2.6	11.0	7.4	5.6
11 and over	4.4	4.1	—	—	9.6	—	7.8

() Indicates number of companies providing lapse data.
— Insufficient data.

FACE AMOUNT LAPSE RATES BY ISSUE AGE

Tables 7 through 10 summarize median face amount lapse rates by issue age for individual products. In general, older issue ages exhibit lower lapse rates.

TABLE 7
MEDIAN FACE AMOUNT LAPSE RATES FOR TRADITIONAL WHOLE LIFE

Policy Year	20-29	30-39	40-49	50-59
1	16.6%	10.3%	8.2%	4.4%
2	10.8	7.5	6.2	3.9
3-5	7.3	6.4	4.9	3.8
6-10	5.0	4.2	3.6	3.4
11 and over	5.0	4.0	3.8	2.7

TABLE 8
MEDIAN FACE AMOUNT LAPSE RATES FOR PERMANENT TERM

Policy Year	20-29	30-39	40-49	50-59
1	13.3%	8.7%	5.8%	5.0%
2	11.8	8.7	5.4	3.2
3-5	8.6	5.7	5.0	3.0
6-10	3.8	4.0	5.4	1.6

TABLE 9
MEDIAN FACE AMOUNT LAPSE RATES FOR 5-YRT

Policy Year	20-29	30-39	40-49	50-59
1	16.5%	11.8%	9.6%	7.3%
2	13.9	9.6	9.5	7.3
3-5	12.5	9.8	9.9	11.8
6-10	8.1	9.4	9.8	7.9
11 and over	5.8	6.2	9.2	11.7

TABLE 10
 MEDIAN FACE AMOUNT LAPSE RATES FOR 10-YRT

Policy Year	20-29	30-39	40-49	50-59
1	13.4%	8.5%	8.9%	6.9%
2	12.6	9.4	8.9	8.1
3-5	9.4	6.8	7.2	7.9
6-10	7.0	5.5	6.0	5.6

Tables 11 and 12 summarize median face amount lapse rates by issue age for combined permanent insurance products and combined term insurance products, respectively. Except for the under-50 age group in the first policy year and the 30-39 age group in the second policy year, term lapse rates are higher than permanent lapse rates. Results for permanent insurance are more heavily weighted toward whole life because more companies supplied whole life lapse data than interest-sensitive whole life data.

TABLE 11
 MEDIAN FACE AMOUNT LAPSE RATES FOR PERMANENT INSURANCE (WL, ISWL)

Policy Year	20-29	30-39	40-49	50-59
1	18.2%	12.7%	9.1%	4.6%
2	11.1	9.4	6.4	3.9
3-5	7.6	6.6	4.9	3.8
6-10	4.6	3.9	3.5	3.5
11 and over	5.0	4.0	3.8	2.6

TABLE 12
 MEDIAN FACE AMOUNT LAPSE RATES FOR TERM (5-YRT, 10-YRT, OLT)

Policy Year	20-29	30-39	40-49	50-59
1	14.7%	9.1%	8.4%	7.5%
2	13.4	8.4	9.6	8.1
3-5	10.4	8.1	8.2	9.5
6-10	7.8	7.1	8.6	7.3
11 and over	6.0	6.8	8.7	13.2

COMPARATIVE FACE AMOUNT LAPSE RATE TABLES

Table 13 compares face amount lapse rates of traditional whole life and 5-YRT products for 15 companies that sell both. Older whole life policies have better persistency, while 5-YRT products exhibit high lapse rates in all policy durations.

TABLE 13
TRADITIONAL WHOLE LIFE VS. FIVE-YEAR RENEWABLE TERM LAPSE RATES

Policy Year	Median		Unweighted Average	
	Whole Life	5-YRT	Whole Life	5-YRT
1	10.5%	11.8%	15.7%	11.6%
2	9.2	9.3	11.9	10.4
3-5	6.2	11.5	7.2	11.7
6-10	5.6	10.3	6.1	12.8
11 and over	4.7	7.5	4.7	7.9

Table 14 compares 5-YRT lapse rates and 10-YRT lapse rates for 15 companies that sell both products. Ten-year level term exhibits a lower lapse rate than 5-YRT in all durations except the second. The largest difference occurs in policy years 6 to 10—a difference of 4.3 percentage points for median lapse rates and 6.6 percentage points for unweighted average lapse rates.

TABLE 14
FIVE-YEAR RENEWABLE TERM VS. 10-YEAR RENEWABLE TERM LAPSE RATES

Policy Year	Median		Unweighted Average	
	5-YRT	10-YRT	5-YRT	10-YRT
1	11.8%	7.9%	11.8%	8.8%
2	9.3	9.8	10.4	9.1
3-5	10.5	7.1	11.2	7.9
6-10	10.3	6.0	13.0	6.4

Table 15 compares median and unweighted average face amount lapse rates of permanent insurance (traditional whole life and interest-sensitive whole life combined) for large and small companies. The large company group consists of companies reporting more than \$9 billion of total face amount in force. Lapse rates in all but the first year are better for large companies than for small companies.

TABLE 15
PERMANENT INSURANCE LAPSE RATES BY COMPANY SIZE

Policy Year	Median		Unweighted Average	
	Large Companies	Small Companies	Large Companies	Small Companies
1	14.0%	10.6%	14.0%	20.9%
2	8.5	9.8	8.7	14.0
3-5	6.7	6.9	6.9	8.1
6-10	3.7	4.9	4.7	5.4
11 and over	3.8	4.9	4.3	4.9

TRENDS IN LAPSE RATES

Traditional Whole Life

Figure 1 shows a two-year trend in unweighted average face amount lapse rates for a constant group of companies; Table 16 details companies' increases and decreases in unweighted average face amount lapse rates. Lapse rates increased in 1994, especially in earlier policy years.

FIGURE 1
WHOLE LIFE FACE AMOUNT LAPSE RATES FOR A CONSTANT GROUP OF COMPANIES

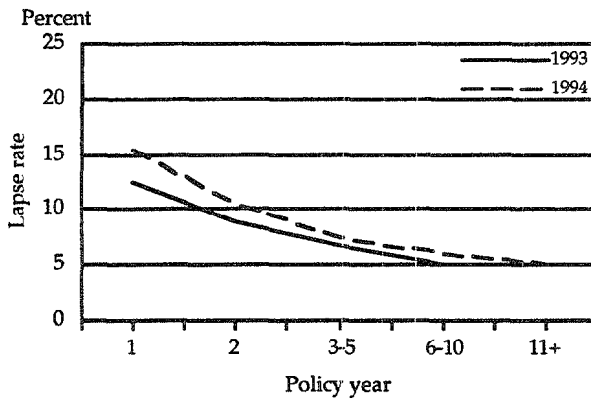


TABLE 16
INCREASES AND DECREASES IN WHOLE LIFE
FACE AMOUNT LAPSE RATES

	Number of Companies	Unweighted Average Lapse Rate	
		1993	1994
Policy year 1			
Increase	7	13.1%	19.3%
Decrease	5	11.5	9.7
All	12	12.4	15.3
Policy year 2			
Increase	5	8.0%	15.0%
Decrease	7	9.3	7.4
All	12	8.8	10.6
Policy years 3-5			
Increase	8	6.5%	8.1%
Decrease	4	7.0	6.3
All	12	6.6	7.5
Policy years 6-10			
Increase	7	4.2%	6.5%
Decrease	6	6.1	5.6
All	13	5.1	6.1
Policy years 11 and over			
Increase	2	3.6%	5.3%
Decrease	9	5.2	4.8
All	11	4.9	4.9

Permanent Term

Figure 2 shows a two-year trend in unweighted average face amount lapse rates for a constant group of companies; Table 17 details companies' increases and decreases in unweighted average face amount lapse rates. Lapse rates decreased from 1993 to 1994 in all policy years except years 6-10.

FIGURE 2
PERMANENT TERM FACE AMOUNT LAPSE RATES FOR A CONSTANT GROUP OF COMPANIES

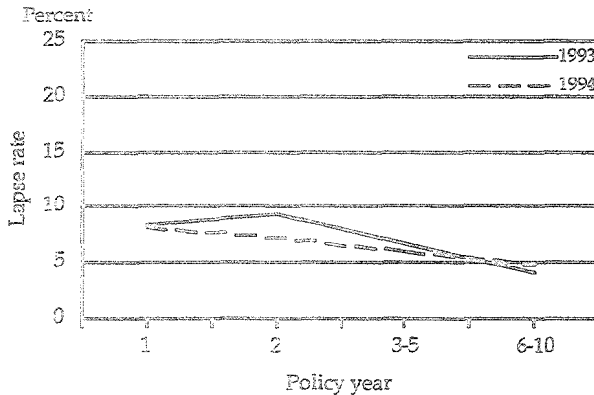


TABLE 17
INCREASES AND DECREASES IN PERMANENT TERM
FACE AMOUNT LAPSE RATES

	Number of Companies	Unweighted Average Lapse Rate	
		1993	1994
Policy year 1			
Increase	5	7.9%	10.0%
Decrease	4	8.8	5.7
All	9	8.3	8.1
Policy year 2			
Increase	2	6.1%	7.9%
Decrease	8	10.2	6.9
All	10	9.4	7.1
Policy years 3-5			
Increase	3	3.6%	5.3%
Decrease	7	8.1	6.4
All	10	6.7	6.1
Policy years 6-10			
Increase	4	3.0%	5.8%
Decrease	4	5.0	3.6
All	8	4.0	4.7

Five-Year Renewable Term

Figure 3 shows a two-year trend in 5-YRT unweighted average face amount lapse rates for a constant group of companies; Table 18 details companies' increases and decreases in unweighted average face amount lapse rates.

FIGURE 3
5-YRT FACE AMOUNT LAPSE RATES FOR A CONSTANT GROUP OF COMPANIES

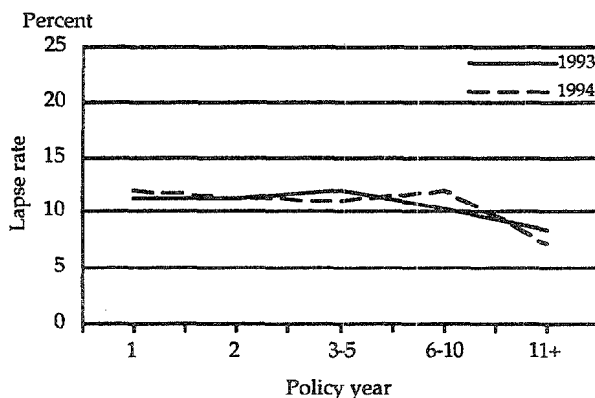


TABLE 18
INCREASES AND DECREASES IN 5-YRT FACE AMOUNT LAPSE RATES

	Number of Companies	Unweighted Average Lapse Rate	
		1993	1994
Policy year 1			
Increase	4	12.6%	14.1%
Decrease	3	9.8	9.1
All	7	11.4	12.0
Policy year 2			
Increase	4	11.1%	12.2%
Decrease	3	11.3	9.9
All	7	11.2	11.2
Policy years 3-5			
Increase	3	11.1%	11.9%
Decrease	4	12.6	10.4
All	7	11.9	11.0
Policy years 6-10			
Increase	6	9.6%	15.3%
Decrease	6	11.1	8.7
All	12	10.3	12.0
Policy years 11 and over			
Increase	4	5.9%	6.9%
Decrease	8	9.7	7.6
All	12	8.5	7.3

Ten-Year Renewable Term

Figure 4 shows a two-year trend in unweighted average face amount lapse rates for a constant group of companies; Table 19 details companies' increases and decreases in unweighted average face amount lapse rates. Average lapse rates decreased slightly in all but the first duration from 1993 to 1994.

FIGURE 4
10-YRT FACE AMOUNT LAPSE RATES FOR A CONSTANT GROUP OF COMPANIES

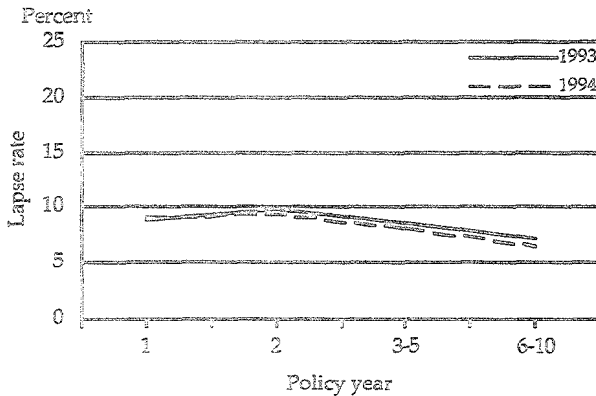


TABLE 19
INCREASES AND DECREASES IN 10-YRT FACE AMOUNT LAPSE RATES

	Number of Companies	Unweighted Average Lapse Rate	
		1993	1994
Policy year 1			
Increase	5	8.1%	9.9%
Decrease	6	9.9	8.4
All	11	9.0	9.1
Policy year 2			
Increase	3	8.4%	9.2%
Decrease	8	10.5	9.3
All	11	9.9	9.3
Policy years 3-5			
Increase	6	6.9%	8.7%
Decrease	5	10.6	7.6
All	11	8.6	8.2
Policy years 6-10			
Increase	3	4.2%	7.3%
Decrease	6	8.6	6.1
All	9	7.1	6.5

Other Level Face Amount Term (Excluding 5-YRT and 10-YRT)

Figure 5 shows a two-year trend in unweighted average face amount lapse rates for a constant group of companies for other level term products. Table 20 details companies' increases and decreases in unweighted average face amount lapse rates. Average lapse rates decreased in policy years 1, 3 to 5, and 6 to 10.

FIGURE 5
OTHER LEVEL TERM LAPSE RATES FOR A CONSTANT GROUP OF COMPANIES

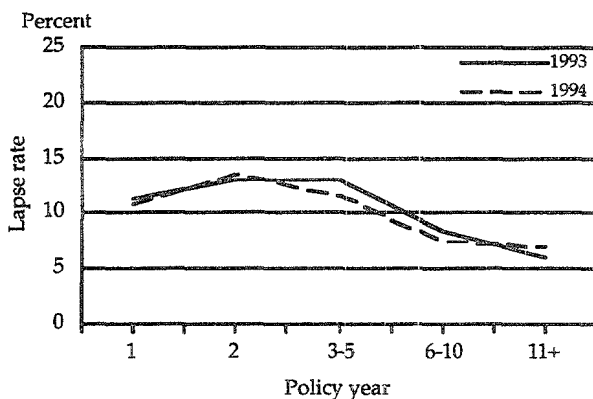


TABLE 20

INCREASES AND DECREASES IN OTHER LEVEL TERM LAPSE RATES

	Number of Companies	Unweighted Average Lapse Rate	
		1993	1994
Policy year 1			
Increase	4	11.4%	13.8%
Decrease	5	11.3	8.6
All	9	11.4	10.9
Policy year 2			
Increase	4	13.0%	17.0%
Decrease	5	13.1	10.5
All	9	13.1	13.4
Policy years 3-5			
Increase	4	7.8%	11.2%
Decrease	7	16.1	11.8
All	11	13.1	11.5
Policy years 6-10			
Increase	4	5.5%	9.6%
Decrease	7	9.5	6.1
All	11	8.4	7.4
Policy years 11 and over			
Increase	9	4.7%	7.4%
Decrease	3	9.5	5.5
All	12	5.9	6.9

DETAILED LAPSE RATE TABLES

Traditional Whole Life

TABLE 21
FACE AMOUNT LAPSING
(15 COMPANIES)

Policy Year	In Force (Billions)	Low	Median	High	Unweighted Average	Weighted Average
1	\$11.7	5.1%	10.5%	56.8%	15.7%	12.5%
2	10.3	4.5	9.2	28.8	11.9	8.1
3-5	25.5	2.7	6.2	16.5	7.2	7.2
6-10	32.3	2.4	5.6	11.4	6.1	5.4
11 and over	25.4	0.9	4.7	7.5	4.7	3.9

TABLE 22
NUMBER OF POLICIES LAPSING
(15 COMPANIES)

Policy Year	In Force (Thousands)	Low	Median	High	Unweighted Average	Weighted Average
1	216.2	5.3%	12.2%	38.5%	14.6%	13.8%
2	197.4	4.6	9.2	20.9	10.8	8.3
3-5	521.8	3.2	6.7	13.1	6.7	7.3
6-10	904.1	2.3	5.0	10.5	5.5	5.0
11 and over	2,252.7	0.7	4.3	5.3	4.1	4.1

TABLE 23
ANNUALIZED PREMIUM LAPSING
(14 COMPANIES)

Policy Year	In Force (Millions)	Low	Median	High	Unweighted Average	Weighted Average
1	\$135.3	2.3%	9.2%	61.9%	16.1%	10.7%
2	128.0	3.3	7.3	29.4	10.7	6.6
3-5	305.1	1.4	5.7	18.5	6.5	6.6
6-10	416.9	2.3	4.8	9.0	5.2	4.3
11 and over	363.8	0.7	4.1	6.2	4.3	3.8

TABLE 24
MEDIAN FACE AMOUNT AND ANNUALIZED PREMIUM LAPSING AND NOT LAPSING

Policy Year	Face Amount*		Premium*	
	Lapsing	Not Lapsing	Lapsing	Not Lapsing
1	\$44,000	\$50,000	\$600	\$620
2	46,000	43,000	580	660
3-5	36,000	40,000	660	600
6-10	38,000	31,000	450	500
11 and over	12,000	11,000	190	200

*Rounded to the nearest \$1,000.

†Rounded to the nearest \$10.

Interest-Sensitive Whole Life

TABLE 25
FACE AMOUNT LAPSING
(7 COMPANIES)

Policy Year	In Force (Billions)	Low	Median	High	Unweighted Average	Weighted Average
1	\$ 2.0	—	—	—	—	—
2	2.2	—	—	—	—	—
3-5	5.1	4.6%	6.9%	10.8%	7.0%	7.0%
6-10	12.0	2.0	4.3	5.6	4.2	3.9

— Insufficient data.

TABLE 26
NUMBER OF POLICIES LAPSING
(7 COMPANIES)

Policy Year	In Force (Thousands)	Low	Median	High	Unweighted Average	Weighted Average
1	27.0	—	—	—	—	—
2	33.0	—	—	—	—	—
3-5	81.3	4.7%	5.7%	9.4%	6.7%	5.0%
6-10	208.1	2.2	4.9	6.7	4.8	4.3

— Insufficient data.

TABLE 27
MEDIAN FACE AMOUNT LAPSING
AND NOT LAPSING

Policy Year	Face Amount*	
	Lapsing	Not Lapsing
1	—	—
2	—	—
3-5	\$87,000	\$80,000
6-10	76,000	92,000

*Rounded to the nearest \$1,000.

— Insufficient data.

Permanent Term

TABLE 28
FACE AMOUNT LAPSING
(13 COMPANIES)

Policy Year	In Force (Billions)	Low	Median	High	Unweighted Average	Weighted Average
1	\$3.3	0.7%	7.8%	15.3%	7.9%	9.0%
2	3.4	1.5	7.0	17.3	7.3	6.9
3-5	4.9	1.1	6.0	15.9	6.0	7.3
6-10	2.7	2.2	4.0	8.3	4.6	4.2

TABLE 29
NUMBER OF POLICIES LAPSING
(13 COMPANIES)

Policy Year	In Force (Thousands)	Low	Median	High	Unweighted Average	Weighted Average
1	42.1	1.6%	9.5%	15.7%	9.0%	10.0%
2	37.9	2.2	7.0	17.2	7.0	6.9
3-5	59.3	2.2	4.8	14.0	5.6	6.5
6-10	41.5	1.8	4.3	8.3	4.5	5.3

TABLE 30
ANNUALIZED PREMIUM LAPSING
(12 COMPANIES)

Policy Year	In Force (Millions)	Low	Median	High	Unweighted Average	Weighted Average
1	\$29.7	0.6%	6.3%	13.4%	6.8%	7.5%
2	30.5	1.2	6.5	16.2	6.1	5.4
3-5	41.8	1.0	3.4	11.4	4.5	5.4
6-10	18.0	1.8	2.6	7.1	3.4	3.5

TABLE 31
MEDIAN FACE AMOUNT AND ANNUALIZED PREMIUM LAPSING AND NOT LAPSING

Policy Year	Face Amount*		Premium†	
	Lapsing	Not Lapsing	Lapsing	Not Lapsing
1	\$ 88,000	\$118,000	\$730	\$ 980
2	105,000	105,000	750	1,100
3-5	107,000	119,000	630	1,100
6-10	93,000	85,000	570	540

*Rounded to the nearest \$1,000.

†Rounded to the nearest \$10.

Five-Year Renewable Term

TABLE 32
FACE AMOUNT LAPSING
(15 COMPANIES)

Policy Year	In Force (Billions)	Low	Median	High	Unweighted Average	Weighted Average
1	\$ 7.3	3.3%	12.0%	19.0%	12.3%	11.6%
2	5.7	6.3	10.1	17.0	10.8	9.1
3-5	11.2	6.6	10.6	16.7	11.5	8.3
6-10	10.5	6.2	10.0	26.4	12.6	8.0
11 and over	4.8	3.7	7.5	14.0	7.9	6.7

TABLE 33
NUMBER OF POLICIES LAPSING
(15 COMPANIES)

Policy Year	In Force (Thousands)	Low	Median	High	Unweighted Average	Weighted Average
1	49.6	4.6%	14.7%	20.4%	14.1%	14.7%
2	37.3	5.8	11.3	15.7	11.3	10.8
3-5	73.0	7.1	11.1	16.0	11.9	8.9
6-10	79.9	6.3	10.8	19.5	11.2	8.0
11 and over	61.7	5.2	7.5	13.8	8.0	6.7

TABLE 34
ANNUALIZED PREMIUM LAPSING
(13 COMPANIES)

Policy Year	In Force (Millions)	Low	Median	High	Unweighted Average	Weighted Average
1	\$22.0	3.1%	13.5%	16.6%	12.4%	11.2%
2	17.4	6.9	9.3	28.4	12.0	9.0
3-5	37.7	6.4	11.7	17.8	12.3	8.0
6-10	45.2	6.6	11.0	33.3	13.8	8.6
11 and over	31.1	5.7	9.6	18.0	9.9	7.9

TABLE 35
MEDIAN FACE AMOUNT AND ANNUALIZED PREMIUM LAPSING AND NOT LAPSING

Policy Year	Face Amount*		Premium ¹	
	Lapsing	Not Lapsing	Lapsing	Not Lapsing
1	\$128,000	\$156,000	\$430	\$550
2	155,000	158,000	470	500
3-5	139,000	151,000	570	530
6-10	124,000	124,000	710	520
11 and over	82,000	85,000	680	490

*Rounded to the nearest \$1,000.

¹Rounded to the nearest \$10.

Ten-Year Renewable Term

TABLE 36
FACE AMOUNT LAPSING
(15 COMPANIES)

Policy Year	In Force (Billions)	Low	Median	High	Unweighted Average	Weighted Average
1	\$ 8.8	2.3%	7.9%	14.4%	8.8%	9.1%
2	8.4	5.4	9.8	12.0	9.1	8.7
3-5	15.7	5.5	7.1	10.6	7.9	7.1
6-10	5.9	3.2	6.0	12.1	6.4	6.3

TABLE 37
NUMBER OF POLICIES LAPSING
(15 COMPANIES)

Policy Year	In Force (Thousands)	Low	Median	High	Unweighted Average	Weighted Average
1	50.1	4.9%	9.4%	16.6%	10.2%	11.0%
2	46.0	6.4	10.0	14.4	10.0	10.0
3-5	86.7	6.2	8.1	11.7	8.3	7.5
6-10	33.0	3.6	5.8	10.6	6.7	6.4

TABLE 38
ANNUALIZED PREMIUM LAPSING
(13 COMPANIES)

Policy Year	In Force (Millions)	Low	Median	High	Unweighted Average	Weighted Average
1	\$22.6	3.0%	8.2%	14.1%	8.1%	8.9%
2	21.5	5.1	9.6	12.0	8.8	8.6
3-5	39.5	4.5	6.9	14.9	8.1	7.6
6-10	16.5	3.0	7.4	15.0	7.2	7.0

TABLE 39
MEDIAN FACE AMOUNT AND ANNUALIZED PREMIUM LAPSING AND NOT LAPSING

Policy Year	Face Amount ^a		Premium ^b	
	Lapsing	Not Lapsing	Lapsing	Not Lapsing
1	\$147,000	\$178,000	\$420	\$460
2	166,000	172,000	440	420
3-5	177,000	175,000	480	410
6-10	156,000	168,000	490	420

^aRounded to the nearest \$1,000.

^bRounded to the nearest \$10.

Other Level Face Amount Term

TABLE 40
FACE AMOUNT LAPSING
(13 COMPANIES)

Policy Year	In Force (Billions)	Low	Median	High	Unweighted Average	Weighted Average
1	\$1.1	3.8%	9.6%	21.6%	10.4%	10.2%
2	1.2	7.4	10.5	23.7	13.0	14.0
3-5	2.0	6.2	9.1	26.5	11.5	13.4
6-10	1.7	1.5	7.2	13.5	7.4	8.3
11 and over	0.8	2.5	6.9	10.7	6.9	6.6

TABLE 41
NUMBER OF POLICIES LAPSING
(13 COMPANIES)

Policy Year	In Force (Thousands)	Low	Median	High	Unweighted Average	Weighted Average
1	8.9	4.2%	11.9%	23.5%	11.6%	14.0%
2	8.3	6.5	11.7	19.9	12.3	12.1
3-5	19.0	6.6	9.1	21.5	11.1	12.1
6-10	23.7	2.4	6.9	12.6	7.1	9.5
11 and over	38.3	2.3	6.4	9.3	5.9	7.0

TABLE 42
ANNUALIZED PREMIUM LAPSING
(12 COMPANIES)

Policy Year	In Force (Millions)	Low	Median	High	Unweighted Average	Weighted Average
1	\$4.2	0.9%	9.9%	21.1%	10.0%	10.1%
2	4.7	5.3	10.3	22.8	11.7	12.4
3-5	7.9	4.5	8.7	22.9	10.1	14.0
6-10	7.9	1.7	5.6	18.6	7.4	9.5
11 and over	5.0	1.8	7.8	15.6	7.9	7.7

TABLE 43
MEDIAN FACE AMOUNT AND ANNUALIZED PREMIUM LAPSING AND NOT LAPSING

Policy Year	Face Amount*		Premium†	
	Lapsing	Not Lapsing	Lapsing	Not Lapsing
1	\$120,000	\$128,000	\$480	\$470
2	115,000	126,000	360	470
3-5	104,000	117,000	500	470
6-10	89,000	110,000	390	440
11 and over	41,000	40,000	270	250

*Rounded to the nearest \$1,000.

†Rounded to the nearest \$10.

APPENDIX A LAPSE DEFINITIONS

In-Force Policies. A policy is considered in force if the first premium for the new policy year starting in 1993 is paid.

In-force business includes:

- Policies issued in 1993
- Policies issued prior to 1993 whose premiums due on their 1993 policy anniversary dates are paid before the end of the grace period.

In-force business excludes:

- Policies that lapsed prior to their 1993 anniversaries and that are on extended-term or reduced paid-up status
- Limited premium payment policies that are paid up
- Single premium policies.

In-force business examples of in-force policies are:

- A policy issued in 1993 with the first premium paid
- A policy issued in 1992 whose premium due in policy month 13 is paid
- A policy issued in 1991 whose premium due in policy month 25 is paid.

Lapses. A policy is considered a lapse if the first premium for the new policy year starting in 1993 is paid, but not all of the premium that comes due after the 1993 anniversary and before or on the 1994 anniversary date is paid.

Lapsed business includes:

- Policies surrendered after their 1993 anniversaries and before or on their 1994 anniversaries
- Policies whose premiums due after their 1993 anniversaries and before or on their 1994 anniversaries are not paid by the end of the grace period
- Term policies with renewal provisions that do not renew
- Policies that go on reduced paid-up or extended-term status.

Lapsed business excludes:

- Death claims
- Automatic premium loaned policies
- Expiries and maturities
- Conversions
- Policies that lapse during the 1993-94 policy year but are reinstated before or on their 1994 anniversaries
- Policies not taken
- Policies whose waivers of premium provision apply.

Examples of lapsed policies are:

- A policy issued in 1993 with the first premium paid. If any premium for policy months 2 through 13 is not paid by the end of the grace period, the policy is considered a first-year lapse.
- A policy issued in 1992 with the premium for policy month 13 paid. If any premium for months 14 through 25 is not paid by the end of the grace period, the policy is considered a second-year lapse.

An Example of a policy that is not lapsed is:

- A policy issued in 1992 is not considered a lapse if the thirteenth policy month premium and all premiums for policy months 14 through 25 are paid.

Annualized Premium. The amount of premium that would be paid if a policy remained in force for a full policy year, for example, 12 times the monthly premium or four times the quarterly premium.

Example of a First-Year Lapse. A new policy is issued and not all the premium due before or on the thirteenth policy month is paid by the end of the grace period. If the premium for month 13 has been paid but the premium for month 14 has not been paid by the end of the grace period, the policy is considered a second-year lapse.

Example of a Fifth-Year Lapse. An in-force five-year term policy was issued five years ago and not all the premium due before or on the sixty-first policy month is paid by the end of the grace period. If the premium for month 61 has been paid but the premium for month 62 has not been paid by the end of the grace period, the policy is considered a sixth-year lapse.

APPENDIX B PRODUCT DEFINITIONS

Traditional Whole Life

Traditional whole life products include:

- Fixed cash value products including continuous pay and limited pay plans with permanent protection. Premiums may be level or indeterminate.

Traditional whole life products exclude:

- Interest-sensitive whole life
- Universal life
- Endowments
- Graded-premium whole life
- Whole life plans used to fund registered pension plans.

Five-Year Renewable Term

5 YRT products include:

- Level face amount products with premiums that increase every five years. This includes (1) nonparticipating products with indeterminate premiums that have two schedules of premiums—current and guaranteed, (2) nonparticipating products with guaranteed premiums, and (3) participating products paying dividends.

5 YRT products exclude:

- Nonlevel term (for example, decreasing term)
- Term riders
- Permanent term

Ten-Year Renewable Term

10 YRT products include:

- Level face amount products with premiums that increase every 10 years. This includes (1) nonparticipating products with indeterminate premiums that have two schedules of premiums—current and guaranteed, (2) nonparticipating products with guaranteed premiums, and (3) participating products paying dividends.

10 YRT products exclude:

- Nonlevel term (for example, decreasing term)
- Term riders
- Permanent term

Other Level Face Amount Term

Other level face amount term products include:

- Level face amount products. This includes (1) nonparticipating products with indeterminate premiums that have two schedules of premiums—current and guaranteed, (2) nonparticipating products with guaranteed premiums, and (3) participating products paying dividends.

Other level face amount term products exclude:

- 5-YRT
- 10-YRT

Interest-Sensitive Whole Life

Interest-sensitive whole life products include:

- Whole life plans that credit cash values with current interest rates. Premiums may be level, may vanish, or may be adjusted periodically.

Interest-sensitive whole life products exclude:

- Universal life

Permanent Term

Permanent term products include:

- Level face amount term products with level premiums to age 65 or older. Death benefits or premiums for these plans may be adjusted periodically (for example, every five years) to reflect changes in interest rates, mortality, and expenses. Typically the plans build no (or little) cash value and their only nonforfeiture value may be reduced paid-up insurance.

PARTICIPATING COMPANIES

Assurance-Vie Desjardins Inc.
Colonia Life
Commercial Union Life of Canada
Financial Life
Gerling Global Life
Great-West Life
Industrial-Alliance Life
London Life
Manufacturers Life
MetLife
Mutual Life of Canada
North American Life (Canada)
Prudential Assurance
Royal Life of Canada
La Solidarité
Sun Life of Canada

