2009-2023 Term Conversion Study

May 2026

Experience Studies PRO

SOA Research Institute + LIMRA Navigate With Confidence

Study Highlights

SCOPE

The Society of Actuaries (SOA) Research Institute and LIMRA have jointly conducted a study of 2009-2023 Term Conversion Incidence, Mortality, and Lapse and Post-Conversion Mortality and Lapse Experience. It is an update to the Report on the Conversion Experience Study for the Level Premium Term Plans previously completed in 2016 and covering experience for calendar years 2000-2014. The primary purposes of this update are to:

- compare more recent term conversion incidence, mortality, and lapse and post-conversion mortality and lapse experience with the experience from the 2000-2014 study;
- provide an update to the study of term conversion incidence, mortality, and lapse and post-conversion mortality and lapse experience to assist companies in setting assumptions, designing, pricing, valuing, and managing the risk of individual life insurance products; and
- analyze term conversion incidence experience relative to different conversion privileges and permanent product features.

Seventeen companies contributed data to the current study, encompassing approximately 38% of term market share[1] during the period of the study. The current study of 2009-2023 calendar years contains 63.6 million policies exposed, $31.4 trillion in face amount exposed, and over 600,000 conversions of term policies and 6.2 million policies exposed and $955.8 billion in face amount exposed of converted permanent policies. The experience data analyzed for this study includes only single-life level term and ART (annually renewable term) policies eligible for conversion, sold inside the U.S. and its territories, and converted policies derived from term. The experience data excludes riders, joint policies, and non-forfeiture benefit policies.

[1] Company participation in the term conversion market varies by the promotion of term conversions, eligibility limits, costs for the option, and product availability which combine to make estimates of the term conversion market difficult to attain.

The following are some of the more notable observations from the analyses detailed in this report.

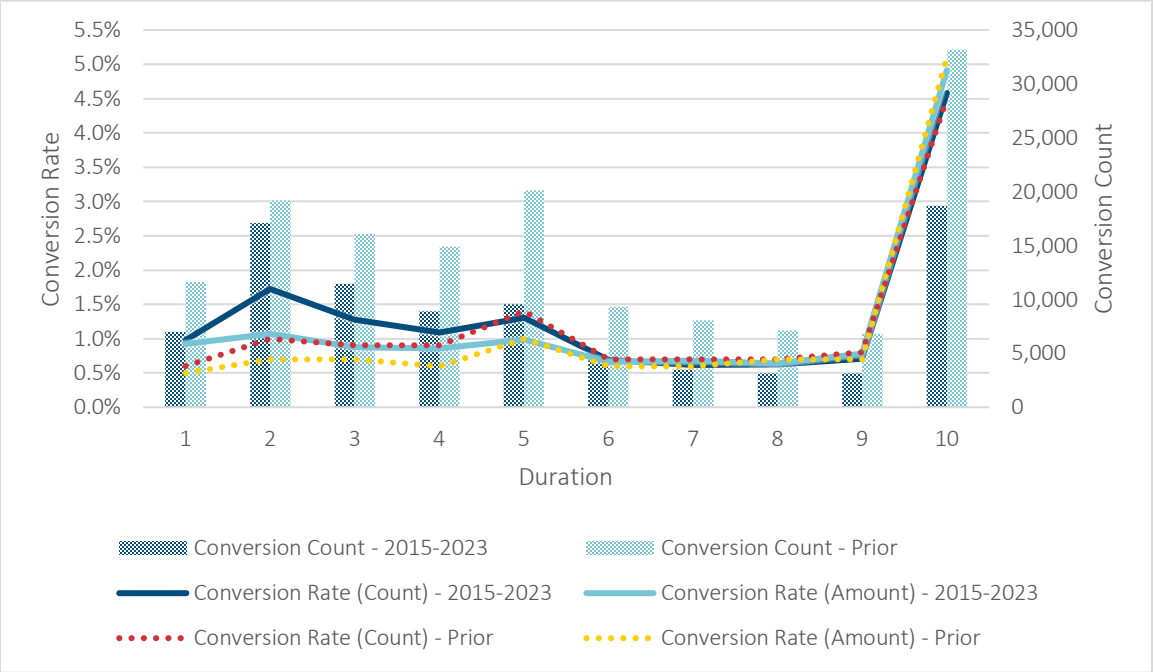
COMPARISON TO PRIOR STUDY

The comparison evaluates how recent experience (2015–2023) aligns with or differs from the prior 2000–2014 study, focusing on conversion rates, term lapse rates, and post-conversion mortality and lapse rates. The comparison uses the 2015-2023 subset of the 2009-2023 study experience to avoid overlapping with the prior 2000-2014 study. Despite changes in participating company mixes and limited ability to harmonize historical datasets, broad directional patterns remain comparable, though notable distinctions do appear.

TERM CONVERSION RATES COMPARISON (10 YEAR LEVEL TERM)

Conversion rates in early durations are slightly higher in the current study, but the prior study shows slightly higher conversion activity at duration ten. The duration ten conversion rate by amount is about 0.2% higher in the prior study (5.1%) than in the current one (4.9%).

Figure 1
COMPARISON OF CONVERSION RATES BY DURATION TO PRIOR STUDY

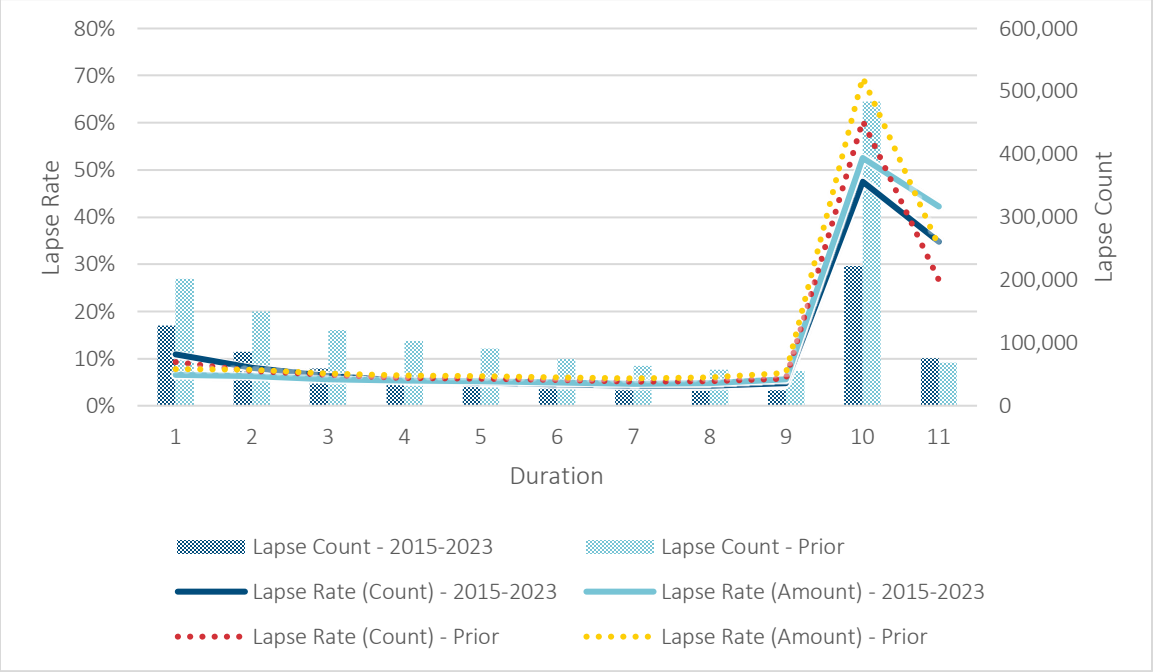


TERM LAPSE RATES COMPARISON (10-YEAR LEVEL TERM)

Lapse rates track closely between studies through duration nine, with the current study showing slightly lower lapses in most durations. Shock lapse rates in duration ten are notably lower in the current study, 12.9% lower by count (47.5% and 60.4%) and 17.0% lower by amount (52.6% versus 69.6%), though adjustments in the current study to treat lapses within 60 days of a conversion as conversions may influence comparability.

Figure 2

COMPARISON OF TERM LAPSE RATES BY DURATION TO PRIOR STUDY

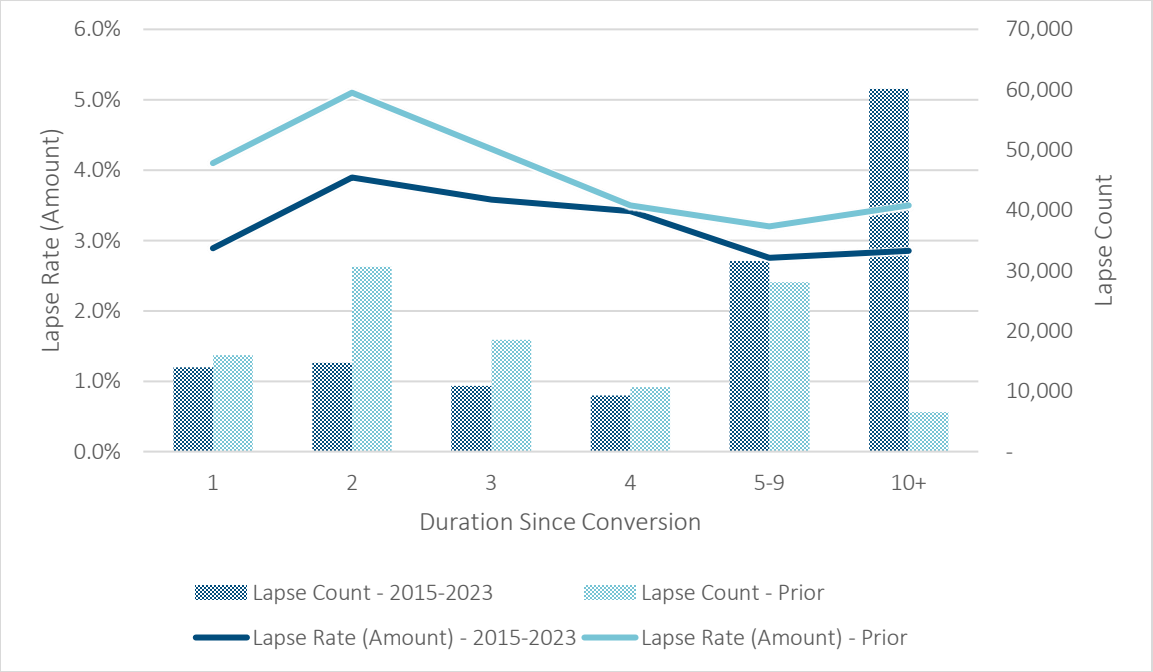


POST-CONVERSION LAPSE RATES COMPARISON

Post-conversion lapse rates are modestly lower in the current study across most durations. Early lapse rates start near 3% compared with 5.1% in the prior study, and later-duration lapses trend slightly below the prior study's 3.2%–3.5% range.

Figure 3

COMPARISON OF POST-CONVERSION LAPSE RATES BETWEEN CURRENT AND PRIOR STUDIES

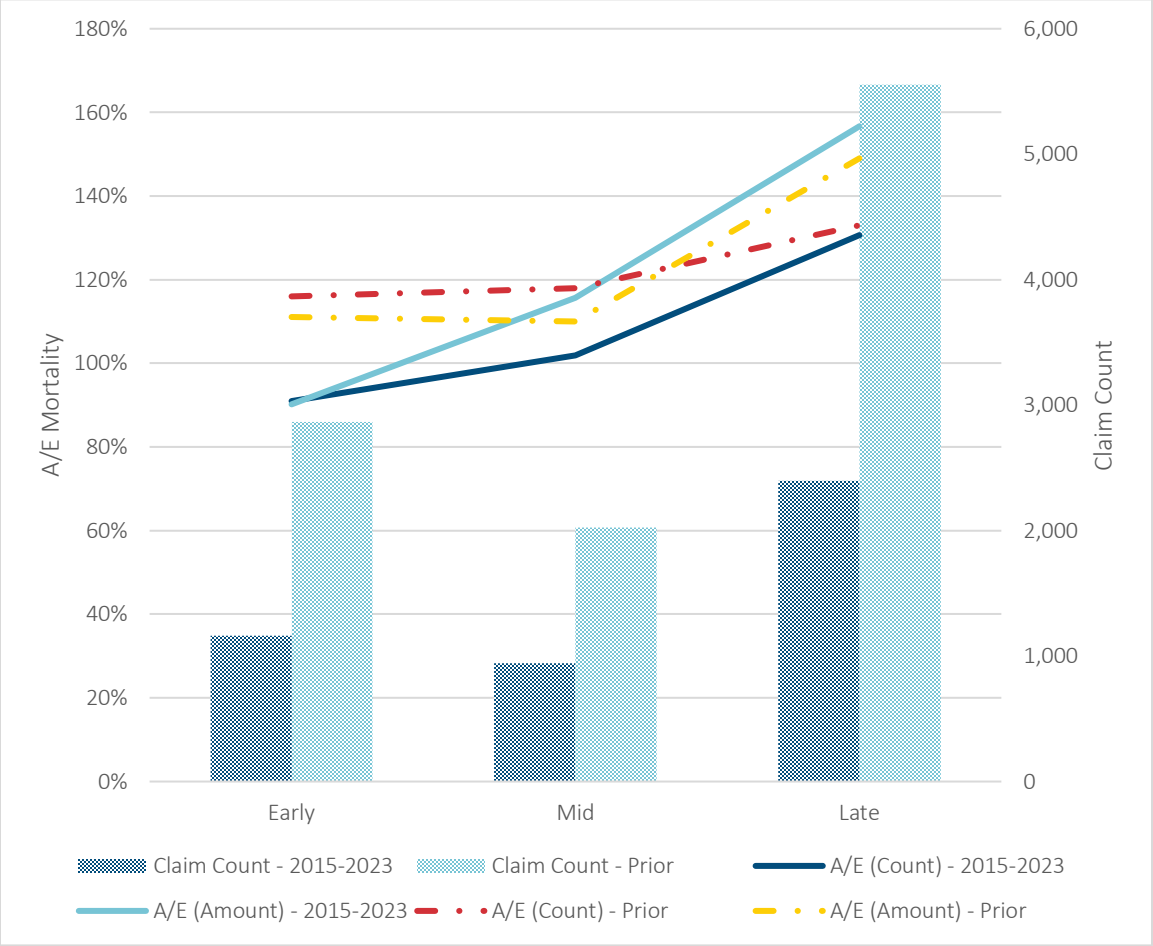


POST-CONVERSION MORTALITY COMPARISON

The current study uses a different mortality basis (2015 VBT) than the prior study (2008 VBT), which precludes direct comparisons between them. However, relative to the prior results, which only showed mortality by duration-at-conversion group, it appears the mortality margin between early and late converters has widened. By amount, early converters now show lower actual-to-expected mortality than before by 21%, while late converters show higher actual-to-expected mortality by 8% than before, indicating a greater differential in mortality between these groups in the current study.

Figure 4

COMPARISON OF POST-CONVERSION A/E MORTALITY RATIOS BETWEEN CURRENT AND PRIOR STUDIES



KEY STUDY HIGHLIGHTS

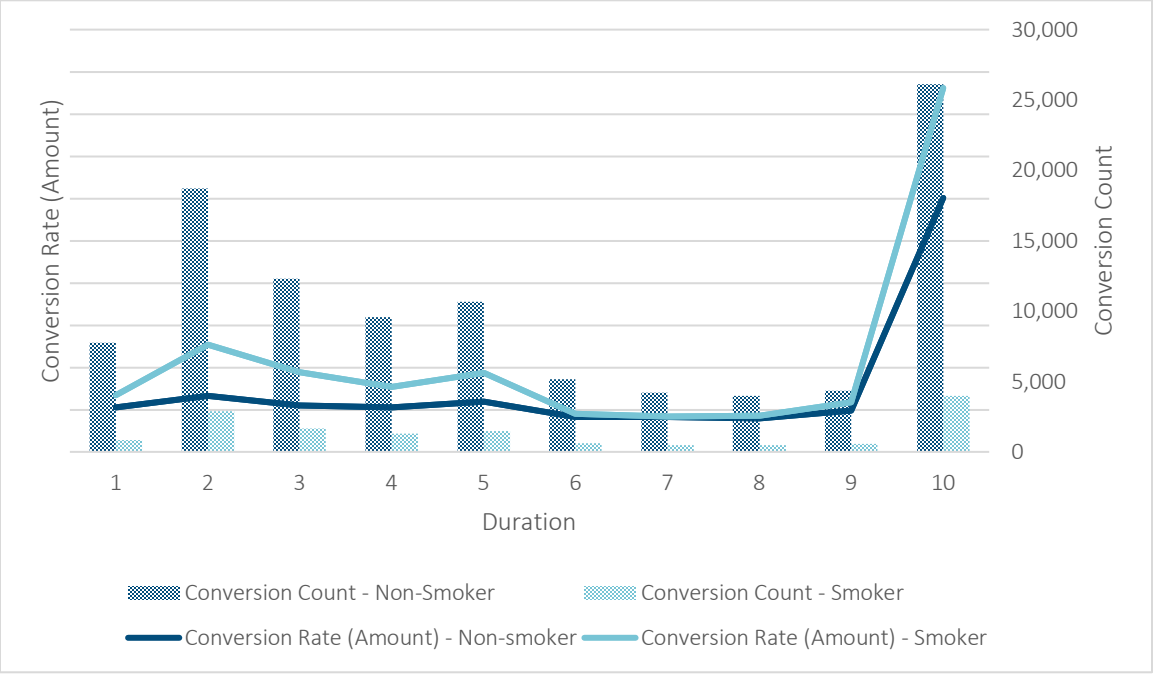
The study isolates policyholder and product characteristics to evaluate their effect on conversion and mortality and lapse outcomes before and after conversion. Results demonstrate meaningful differences of experience by smoking status, sex, face amount, risk class, and premium mode.

TERM CONVERSION RATES BY SMOKING STATUS

Smokers exhibit higher or equal conversion rates at all durations, with a clear divergence at duration 10 where smoker rates reach about 2.0% higher than the rate for non-smokers. Early-duration differences are more modest but have consistently higher smoker conversion rates.

Figure 5

TERM-10YT CONVERSION RATES BY DURATION AND SMOKING STATUS

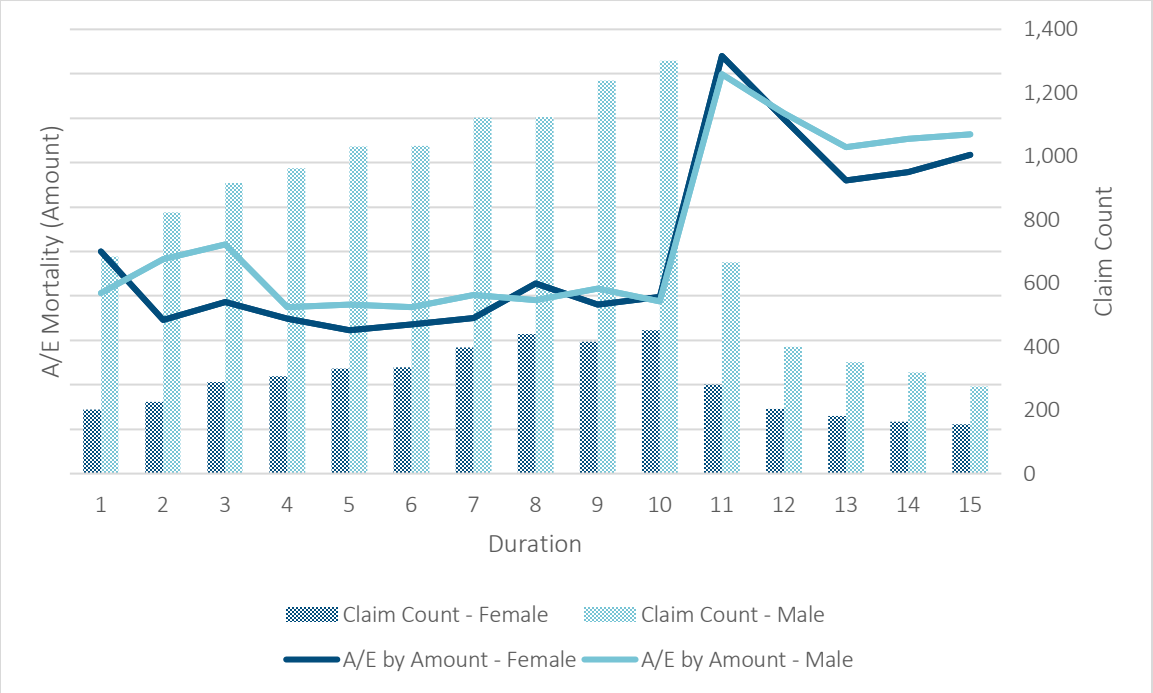


TERM A/E MORTALITY BY SEX

Male A/E mortality ratios are generally higher than female ratios in earlier durations, indicating stronger sex-based mortality distinctions than those in 2015 VBT tables. The gap narrows in durations eight through ten, more closely reflecting VBT differentials by sex.

Figure 6

TERM-10YT A/E MORTALITY BY DURATION AND SEX

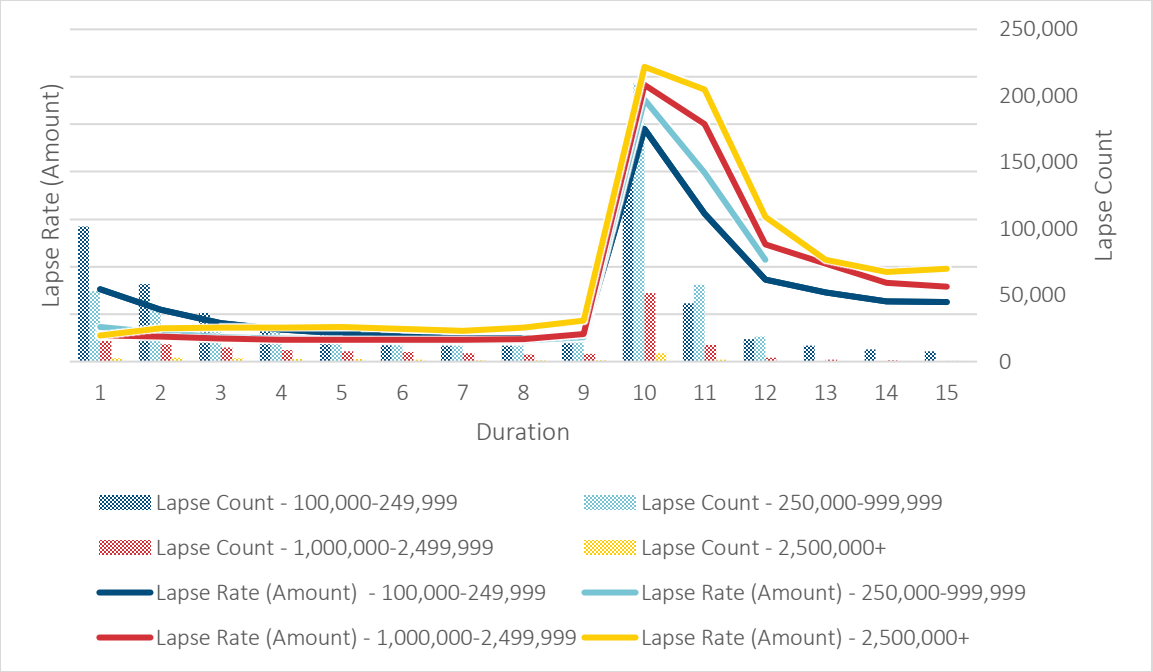


TERM LAPSE RATES BY FACE AMOUNT

Lower face-amount bands show the highest lapse rates in early durations, converging with higher bands by duration four. Lapse rates peak at duration 10 and are the highest for face amounts of $2.5M+ at that point. Later durations show consistent descending lapse rates for all face amounts.

Figure 7

TERM-10YT LAPSE RATES BY DURATION AND FACE AMOUNT



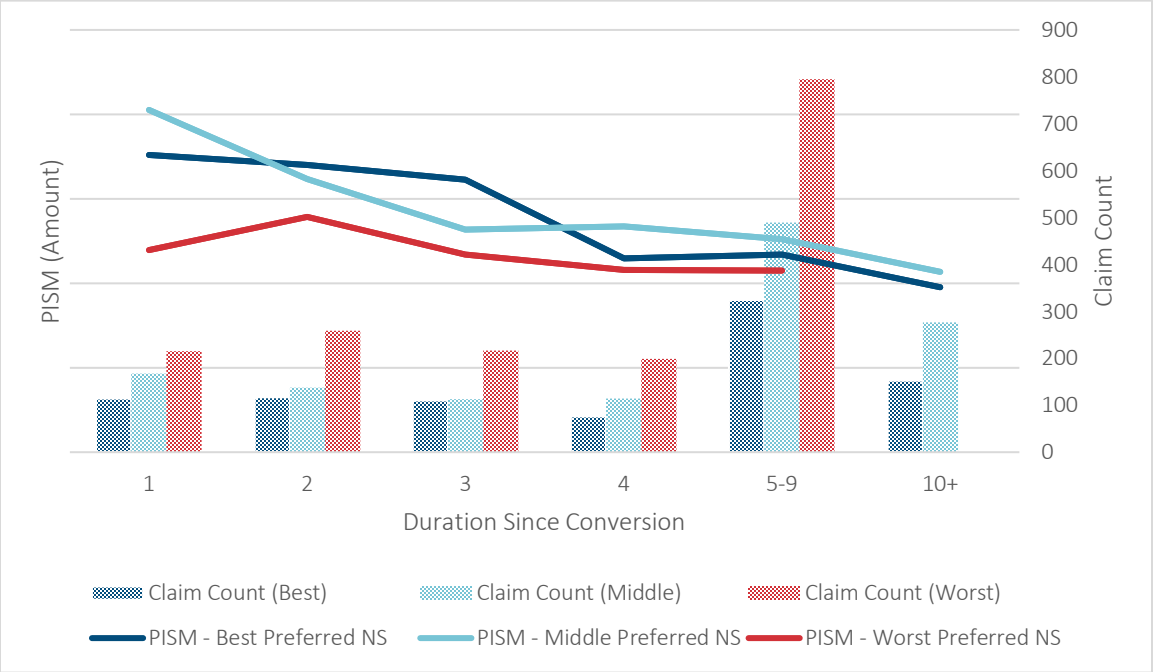
POINT IN SCALE MORTALITY (PISM) BY PREFERRED RISK CLASS

PISM is a relative comparison of the mortality experience between policies that have converted and those that have not. PISM details are described in the section Methodology – PISM Calculation.

PISM ratios for Best Preferred and Middle Preferred nonsmokers are generally higher than for Worst Preferred, indicating stronger anti-selection among better preferred classes. Differences diminish over time as mortality experience converges across risk classes.

Figure 8

PISM BY DURATION SINCE CONVERSION AND RISK CLASS – BY AMOUNT

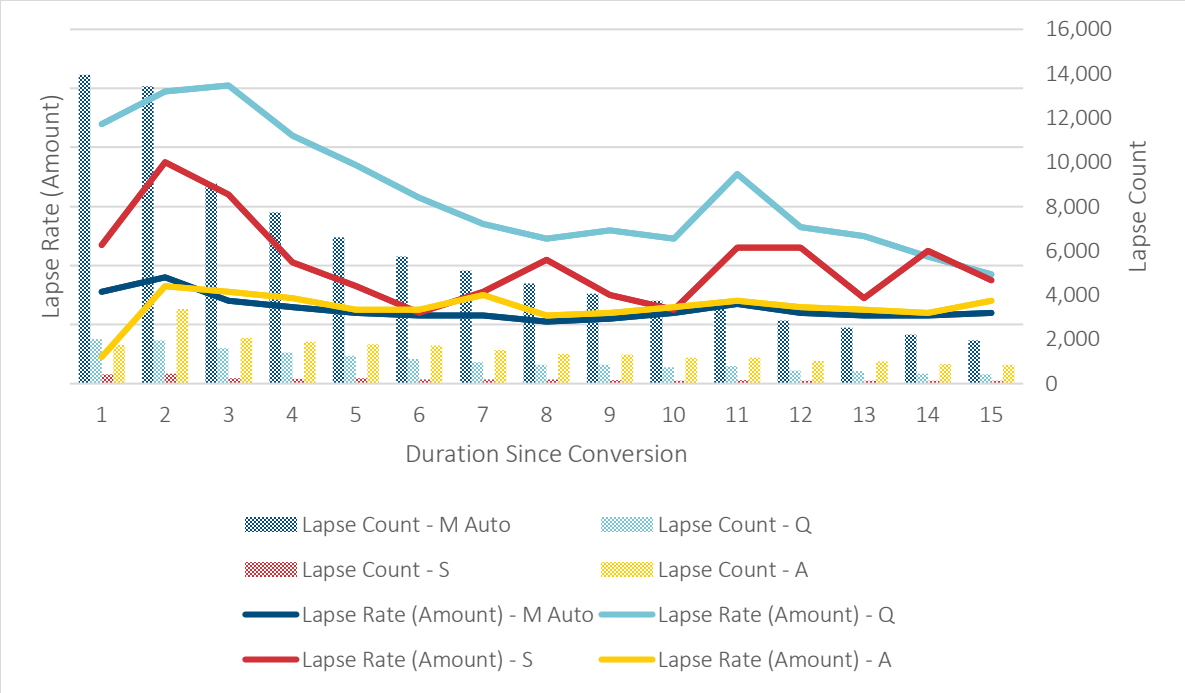


POST-CONVERSION LAPSE RATES BY PREMIUM MODE

Quarterly modes show the highest lapse rates in all but at the latest durations where they converge with semi-annul lapse rates. Monthly auto-draft and annual mode lapse rates track closely to each other and are lower than semi-annual rates in most durations. The difference of lapse rates by mode narrows notably by increasing duration.

Figure 9

LAPSE RATES BY DURATION SINCE CONVERSION AND PREMIUM FREQUENCY—MAJOR MODES



Experience Studies Pro Term Conversion Detailed Study Results

The full report provides extensive graphical and analytical details across conversion incidence, mortality, and lapse patterns, segmented by demographics, product features, and timing variables. Results highlight how each characteristic individually impacts behavior across both term pre-conversion and post-conversion periods. Tableau dashboards supplement the study with complete exposure data, interactive filtering, and confidence-interval views for conversion, mortality and lapse experience. The full Study Report and Tableau dashboard access are included with a 2025 Subscription to Experience Studies Pro. Contact StudyPro@soa.org to learn about how to subscribe to Experience Studies Pro.

2009-2023 TERM CONVERSION EXPERIENCE STUDY GRAPHS

The list below includes all graphs from the full report. The highlighted entries indicate those referenced in this report.

TERM CONVERSION

- Comparison of Conversion Rates by Duration to Prior Study
- Term-10YT Conversion Rates by Duration
- Term-15YT Conversion Rates by Duration
- Term-20YT Conversion Rates by Duration
- Term-30YT Conversion Rates by Duration
- Term-10YT Conversion Rates by Duration and Sex
- Term-10YT Conversion Rates by Duration and Smoking Status
- Term-10YT Conversion Rates by Duration and Premium Frequency
- Term-10YT Conversion Rates by Duration and Face Amount
- Term-10YT Conversion Rates by Duration and Issue Age Group (Durations 1–8)
- Term-10YT Conversion Rates by Duration and Issue Age Group (Durations 8–15)
- Term-10YT Conversion Rates by Duration and Risk Class
- Term-10YT Conversion Rates by Duration (Terminating vs. Partial)
- Term-10YT Conversion Rates by Duration (All vs. No Conversion Credit)

TERM MORTALITY

- Comparison of Mortality Experience to Prior Study
- Term-10YT A/E by Duration
- Term-10YT A/E by Duration and Sex
- Term-10YT A/E by Duration and Smoking Status
- Term-10YT A/E by Duration and Face Amount
- Term-10YT A/E by Duration and Issue Age Group
- Term-10YT A/E in Level Period by Risk Class and Smoker Status

TERM LAPSE

- Comparison of Lapse Rates by Duration to Prior Study
- Term-10YT Lapse Rates by Duration
- Term-10YT Lapse Rates by Duration and Sex
- Term-10YT Lapse Rates by Duration and Smoking Status
- Term-10YT Lapse Rates by Duration and Premium Frequency
- Term-10YT Lapse Rates by Duration and Face Amount
- Term-10YT Lapse Rates by Duration and Issue Age Group (Durations 1–8)
- Term-10YT Lapse Rates by Duration and Issue Age Group (Durations 8–15)
- Term-10YT Lapse Rates by Duration and Risk Class

POST-CONVERSION MORTALITY

- Comparison of Mortality A/E Ratios Between Current and Prior Studies
- A/E by Duration at Conversion
- A/E by Duration at Conversion — Face Amounts $100K–$249K
- A/E by Duration at Conversion — Face Amounts $250K–$999K
- A/E by Duration at Conversion Group and Face Amount Band
- A/E by Duration Since Conversion
- A/E by Duration Since Conversion and Sex — Early & Mid Converters
- A/E by Duration Since Conversion and Sex — Late Converters

POINT-IN-SCALE MORTALITY (PISM)

- PISM by Duration Since Conversion
- PISM by Duration Since Conversion and Face Amount
- PISM by Duration Since Conversion — 10-Year Level Term
- PISM by Duration Since Conversion — 15-Year Level Term
- PISM by Duration Since Conversion — 20-Year Level Term
- PISM by Duration Since Conversion and Sex
- PISM by Duration Since Conversion and Risk Class
- PISM by Duration Since Conversion and Issue Age at Conversion Group
- PISM by Duration Since Conversion and Duration at Conversion Groups
- PISM by Duration Since Conversion and Duration at Conversion Group — Face Amount $250K–$999K
- PISM by Duration Since Conversion and Sex — Late Converters
- PISM by Duration Since Conversion and Face Amount Band — Late Converters

POST-CONVERSION LAPSE

- Comparison of Lapse Rates Between Current and Prior Studies
- Lapse Rates by Duration Since Conversion
- Lapse Rates by Duration Since Conversion and Duration at Conversion Group — All
- Lapse Rates by Duration Since Conversion and Duration at Conversion Group — Male
- Lapse Rates by Duration Since Conversion and Duration at Conversion Group — Female
- Lapse Rates by Duration Since Conversion and Duration at Conversion Group — Non-Smoker
- Lapse Rates by Duration Since Conversion by Best-, Mid-, and Worst-Preferred Non-Smokers
- Lapse Rates by Duration Since Conversion by Risk Class — Substandard
- Lapse Rates by Duration Since Conversion by Risk Class — Non-Segmented Standard
- Lapse Rates by Duration at Conversion Group and Face Amount
- Lapse Rates by Duration Since Conversion and Premium Frequency — Major Modes
- Lapse Rates by Duration Since Conversion and Premium Frequency — Minor Modes
- Lapse Rates by Duration Since Conversion and Original Level Term Period (10/15/20/30-Year)
- Percentage of Exposures by Original Level Term Period and Duration at Conversion
- Lapse Rates by Duration Since Conversion and Conversion Type (Terminating vs. Partial)

Methodology – PISM Calculation

Point in Scale Mortality (PISM) compares the mortality of converted policies with that of similar policies that did not convert but were originally underwritten at the same time, capturing the potential anti-selection that arises because conversions are not re-underwritten. It is expressed as the ratio of actual-to-expected mortality for converted policies relative to that of non-converted counterparts. A PISM of 100% indicates no actual to expected mortality difference between the groups, while a PISM of 200% indicates that converted policies exhibit twice the actual to expected relative mortality.

Table 1 presents a hypothetical PISM calculation for converted business, originally underwritten as Best Preferred NS, which is now in its first duration. These policies began as term policies underwritten as Best Preferred NS and currently fall within durations 2–8 since original underwriting. Their actual-to-expected mortality is compared with non-converted term policies, also underwritten as Best Preferred NS, in the same 2–8 duration range. Although non-converted permanent policies are the preferred comparison group, those data are unavailable, so term policies are used as a proxy.

Table 1

PISM CALCULATION DEMONSTRATION BASED ON HYPOTHETICAL DATA

Converted Business				Level Term Business		
Duration Since Conversion =1, Risk Class = Best Preferred NS				Risk Class = Best Preferred NS		
Duration Since Conversion	Duration of Original Term Policy	Actual Deaths	Expected Deaths	Duration	Actual Deaths	Expected Deaths
1	2	90	45	2	3,750	3,990
1	3	60	27	3	3,792	4,000
1	4	45	30	4	3,810	4,018
1	5	36	21	5	3,822	4,030
1	6	39	24	6	3,818	4,044
1	7	45	27	7	3,830	4,058
1	8	48	27	8	3,840	4,076
	TOTALS	363	201	TOTALS	26,662	28,216

In this example, to calculate the PISM mortality ratio, the mortality ratio of the converted experience (180.6% = 363/201) is calculated, then the mortality ratio of the associated level term business (94.5% = 26,662/28,216), and finally the ratio of ratios for PISM (191.1% = 180.6%/94.5%).

Reliance and Limitations

No assessment has been made concerning the applicability of this experience for other purposes. In developing this report, the SOA Research Institute and LIMRA relied upon data and information supplied by the participating company contributors. For each contributor, this information includes, but is not limited to, the data submission for conversion, lapse, and mortality experience and the responses to follow-up questions.

The results in this report are technical in nature and are dependent on certain assumptions and methods. No party should rely upon these results without a thorough understanding of those assumptions and methods. Such an understanding may require consultation with qualified professionals. This report should be distributed and reviewed only in its entirety.

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List of Participating Companies

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- Legal & General America
- Lincoln Financial
- MassMutual Financial Group
- New York Life Insurance Company
- OneAmerica (AUL)
- Principal Financial Group
- Sammons Financial
- Securian Financial
- State Farm Life
- Western & Southern Life

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