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Don’t lapse into temptation: A behavioral explanation for policy surrender

Sven Nolte, Judith C. Schneider

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- Life Insurance surrender decisions are investigated using German Panel Data
- First to simultaneously investigate rational and behavioral explanations for surrender
- Focus on interplay between Financial Literacy, Financial Advice, and Heuristics
- Trigger event like an micro-economic shock determines factors that influence surrender
- Financial Literacy and Financial Advice reduce surrender probability