

# Study on the Agricultural Insurance Mode with Chinese Characteristics



**Dr. Long-Wenjun, Professor**  
**Research Center for Rural Economy(RCRE)**  
**in Ministry of Agriculture**  
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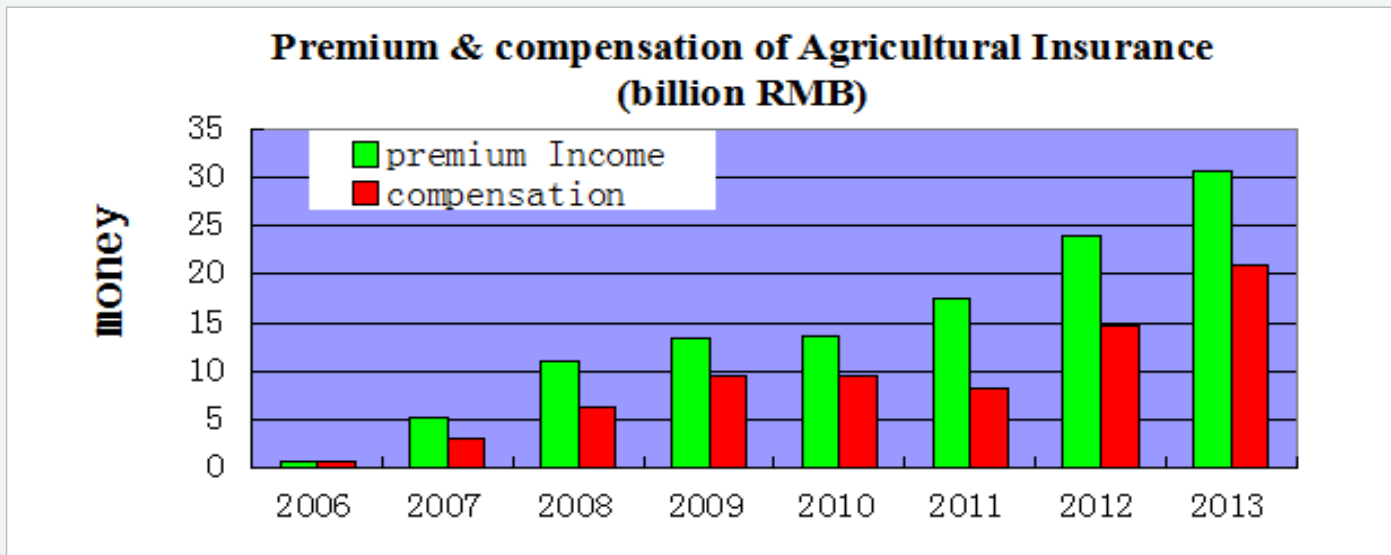


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# Introduction: Facts & Figures

- Since 2008, China's agricultural insurance premium income has leaped to the first place in Asia, second in the world, just behind the U.S.
- By the end of 2013, China's agricultural insurance premium income has reached RMB¥30.67 billion. the number of agricultural insurance institutions has exceeded 20 throughout the country, and the amount of agricultural insurance compensation has run up to RMB¥20.86 billion, which provides an important safeguard for agriculture and rural development. So China's agricultural insurance plays an unprecedented role.



# Introduction: Facts & Figures

the "2 +4 +1 +1" operation pattern has been constituted



two  
comprehensive  
companies

+



four specialized  
agricultural  
insurance companies

+



one Sino-French Joint  
Venture insurance  
company

+



one  
association

## Introduction: purpose

- Nowadays, the agricultural insurance mode with insurance institutions operating agricultural insurance business under the government support has been formed in China. This study analyzes the evolution and features of agricultural insurance mode with Chinese characteristics, summarizes the specific forms of agricultural insurance mode that have been explored all over the country, and puts forward some views.

# 1. Exploring process of China's agricultural insurance mode

- **1982-1992:** China had followed the planned economic system and had adopted a mode with state-owned insurance companies operating agricultural insurance independently.
- **1992-1998:** How to make agricultural insurance mode changes can get accustomed to the requirements of the socialist market economy and meet the requirements of WTO rules better?

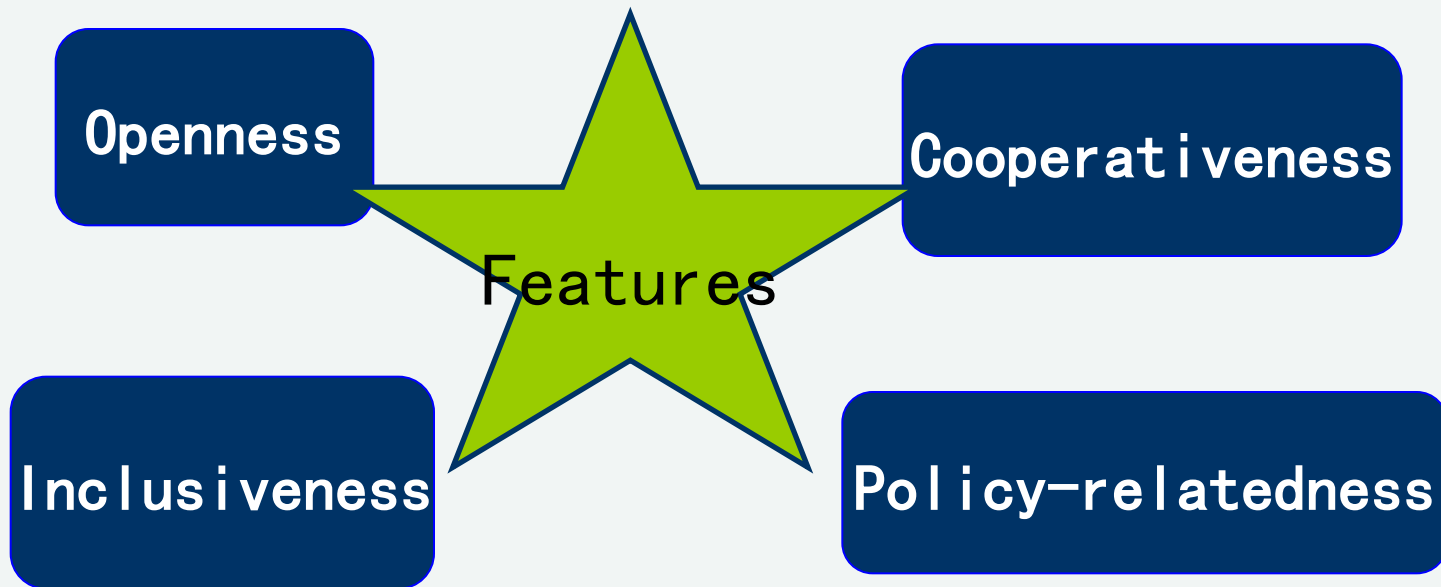
Many people have organized delegations to visit the United States, Canada, Spain, France, Japan, Korea and other countries devoted to examining the issues of agricultural insurance and of agricultural insurance legislation, business mode, government subsidies and reinsurance in these countries.

- **1998-2002 :** Affected by the Asian financial crisis, domestic scholars and government departments were rarely concerned about the development issues of agricultural insurance .

# 1. Exploring process of China's agricultural insurance mode

- **After 2002:** The 16th National Congress of the CPC put forward the overall strategy of industry nurturing agriculture, and cities support rural areas, taking issues of Agriculture, rural development and farmers as a top- priority work for the CPC . and then, agriculture insurance which is one of the WTO green box policies, was put forward again. The developing mode of China's agricultural insurance is keeping exploring.
- **Since 2004,**the Central Committee of the Communist Party of China has issued the No. 1 Document , among which promoting the development of agricultural insurance is mentioned.
- **In 2006,** the State Council issued the policy document of Some suggestions on the reform and development of agricultural insurance industry ( "National Ten" for short), one of which was particularly putting forward to promote the development of agricultural insurance.
- **Nowadays,** after nearly a decade of development, the mode with insurance institutions operating agricultural insurance business under the government support is gradually formed.

## 2. Features of agricultural insurance mode with Chinese characteristics



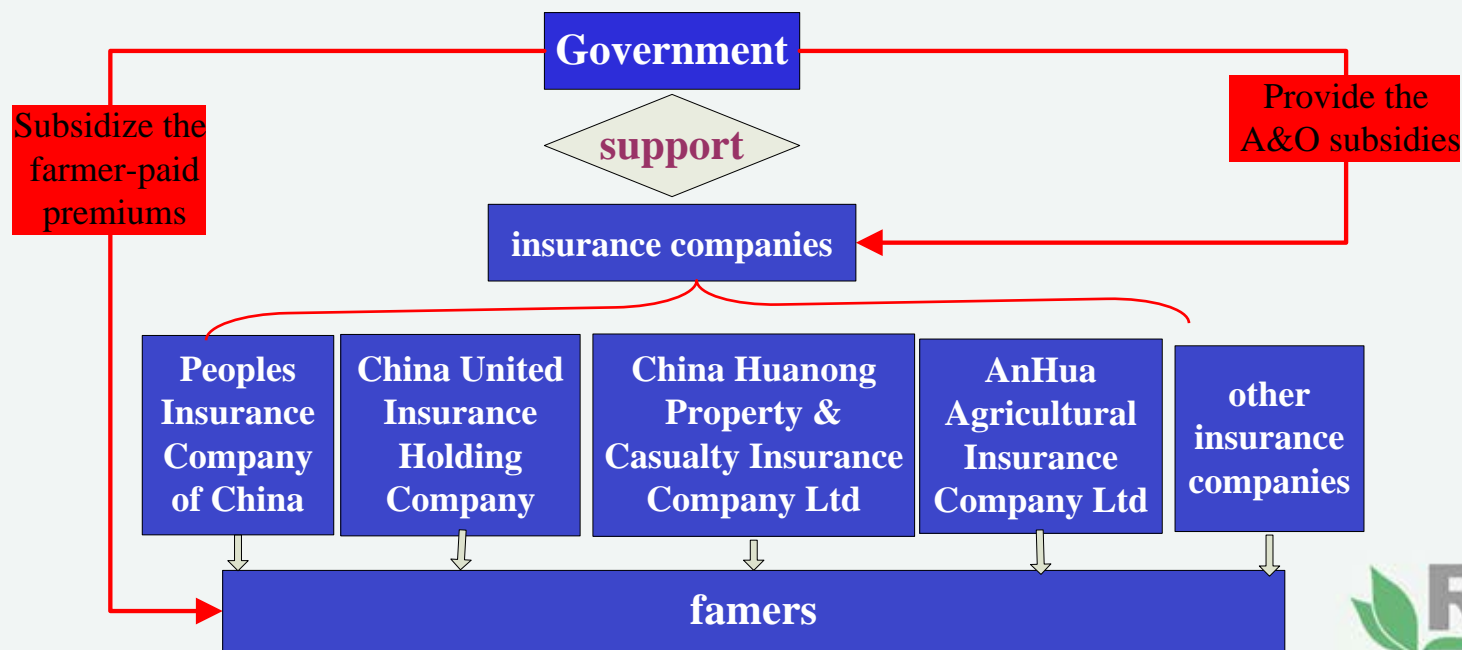


### 3. The main specific forms of agricultural insurance mode with Chinese characteristics

<b>specific forms of China's agricultural insurance mode</b>	<b>Representative Provinces(Cities)</b>	<b>Representative companies</b>
<b>policy supporting several companies' involvement</b>	<b>Beijing</b>	<b>PICC,CUIHC,AAIC,CHPCIC ect.</b>
<b>co-insurance by multiple insurance companies</b>	<b>Zhejiang</b>	<b>Zhejiang Agricultural Insurance Co-insurance Body, PICC Zhejiang branchect.</b>
<b>co-insurance by local government and insurance companies</b>	<b>Jiangsu</b>	<b>PICC Jiangsu Branch</b>
<b>insurance company doing business relying on the agricultural departments' participation</b>	<b>Heilongjiang, Jilin, Liaoning</b>	<b>AnHua Agricultural Insurance, Groupama Avic Insurance Company ect.</b>
<b>exclusive specialized agricultural insurance company's operation</b>	<b>Shanghai</b>	<b>AnXin Agricultural Insurance Co., Ltd</b>
<b>venture insurance Corporations 'operation</b>	<b>Sichuan, Jili</b>	<b>Groupama Avic Insurance company</b>
<b>Co-operative Insurance institutions' operation</b>	<b>in nearly 20 provinces around the country.</b>	<b>China Fishery Mutual Insurance Association</b>

# 3.1 The mode with policy supporting several companies' involvement

- This mode is typical in Beijing.
- **Principles:** Government guidance, policy support, market operation, farmers voluntary.



## 3.1 The mode with policy supporting several companies' involvement

- **What is the role of the government?**

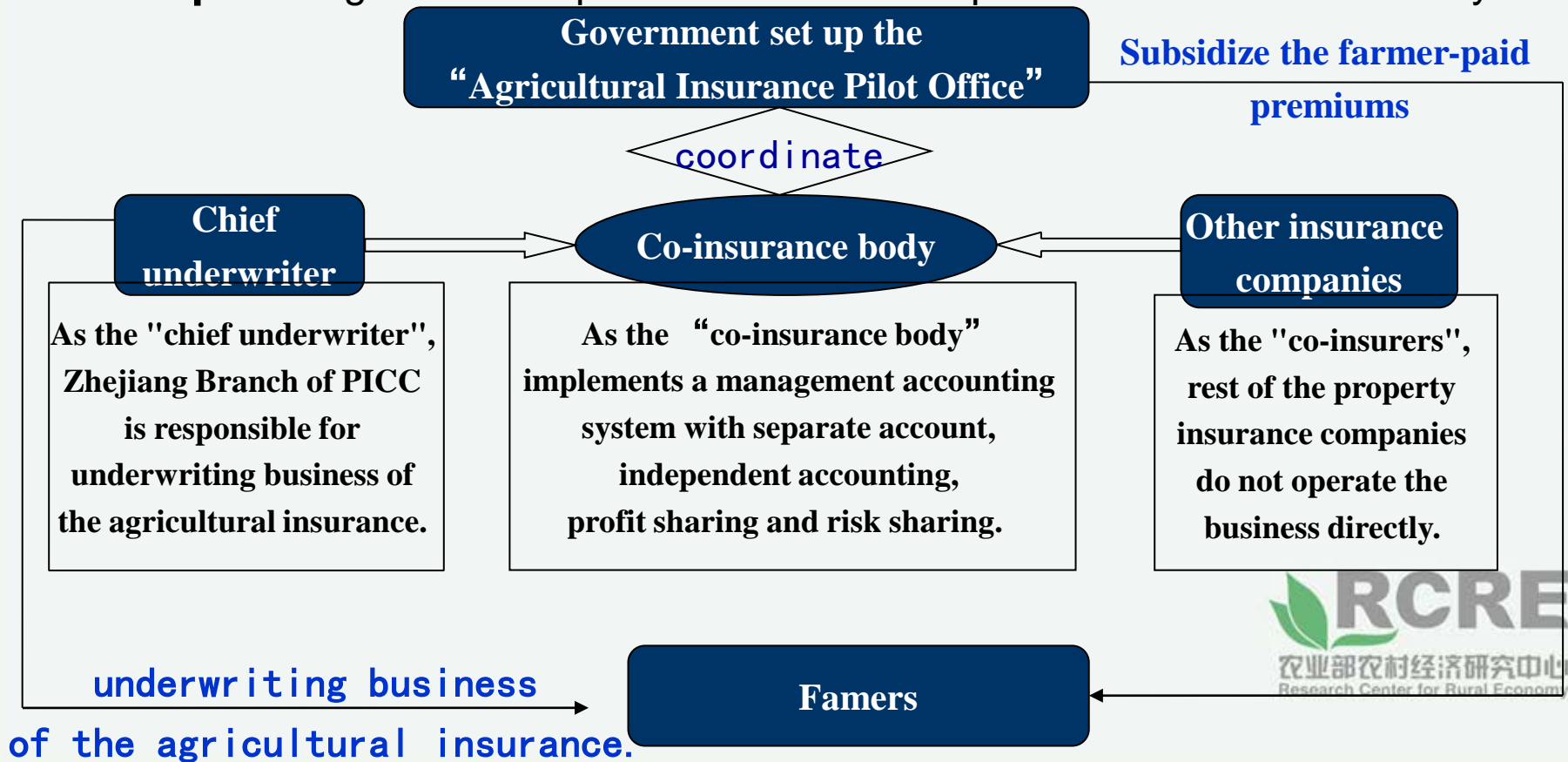
- (1) Determine the types of policy-related insurance
- (2) Set up the coordination organization
- (3) Introduce some support policies
- (4) Subsidize the farmer-paid premiums
- (5) Set up a mechanism to transfer catastrophic risk in agriculture
- (6) Select the companies to operate the policy-related agricultural insurance business in a market way.
- (7) Provide the A&O subsidies according to the results of the assessment.

- **What is the role of the insurance companies?**

- (1) Sell policies to farmers
- (2) determine the extent of losses,
- (3) collect premiums,
- (4) pay claims and bear underwriting risk.

## 3.2 The mode with co-insurance by multiple insurance companies

- This mode is unique in Zhejiang province.
- **Principle** : " government promotion + market operation + farmers voluntary"

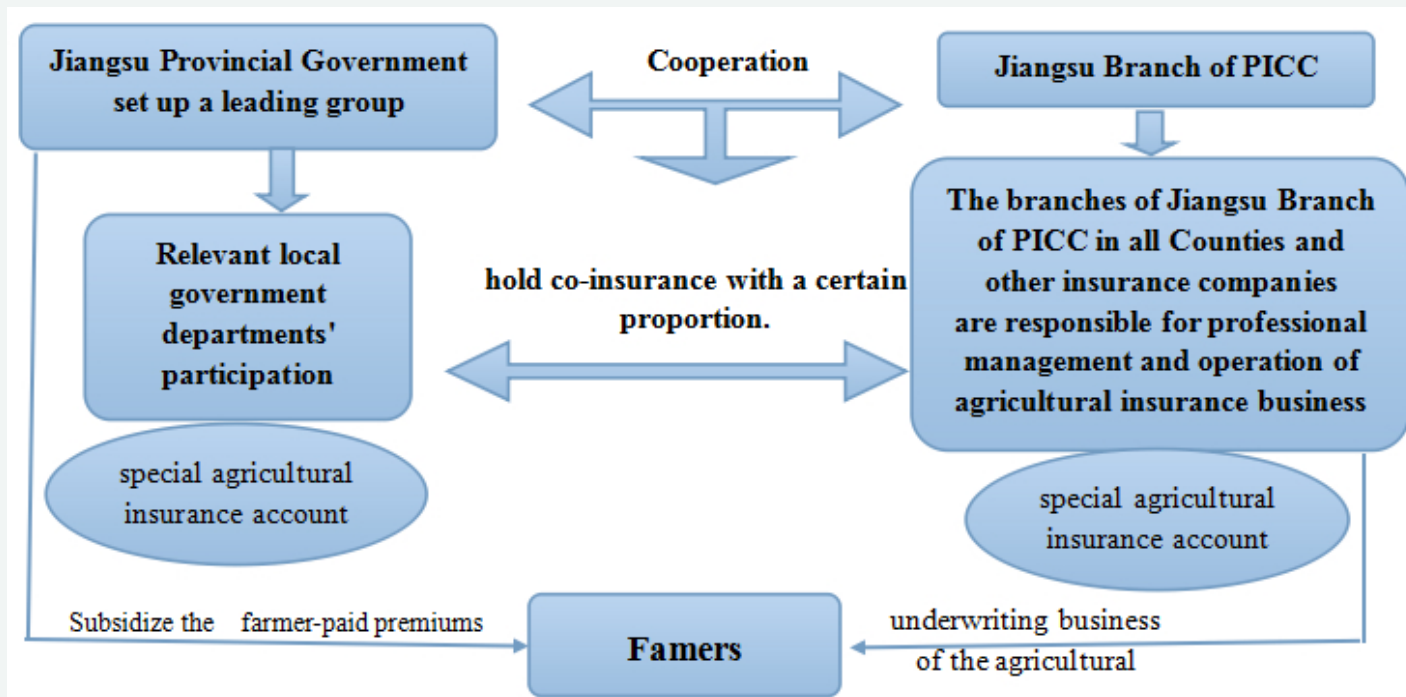


## 3.2 The mode with co-insurance by multiple insurance companies

- **What is the role of the government?**
- the government set up the “Agricultural Insurance Pilot Office” located in Zhejiang Development and Reform Commission to **coordinate** the work of agricultural insurance.
- **How does it works?**
- As the "chief underwriter", Zhejiang Branch of PICC is responsible for underwriting business of the agricultural insurance.
- As the "co-insurers", rest of the property insurance companies do not operate the business directly.
- The "chief underwriter" and the "co-insurers" constitute a “co-insurance body”
- Under authority of the Agricultural Insurance Pilot Office, the “co-insurance body” implements a management accounting system with separate account, independent accounting, profit sharing and risk sharing.

# 3.3 The mode with co-insurance by local government and insurance companies

- This mode is the most typical one in Jiangsu province.
- Principle : "government promotion, business operation, surplus accumulation, risk sharing"

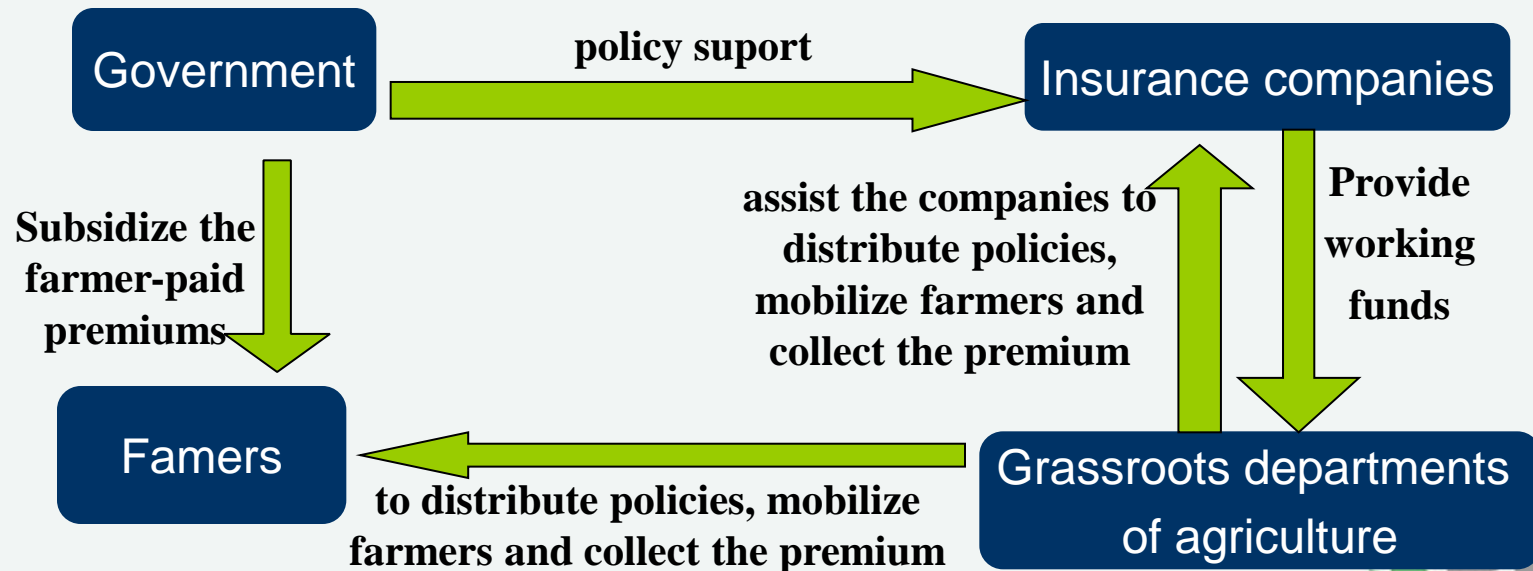


## 3.3 The mode with co-insurance by local government and insurance companies

- **How does it works?**
- In accordance with the principle of "government promotion, business operation, surplus accumulation, risk sharing", the government and insurance companies hold co-insurance with a certain proportion.
- Insurance companies are responsible for agricultural insurance business, with relevant government departments' participation.
- Each insurance company establishes a special agricultural insurance account that accepts the inspection and supervision of government department .
- the local government also sets up a special account of agricultural insurance. When the insurance liability occurs, the loss is shared pro rata.

## 3.4 The mode with insurance company doing business relying on the agricultural departments' participation

- This mode is typical In Heilongjiang, Jilin, Liaoning provinces
- Principle : "government promotion, business operation, surplus accumulation, risk sharing"





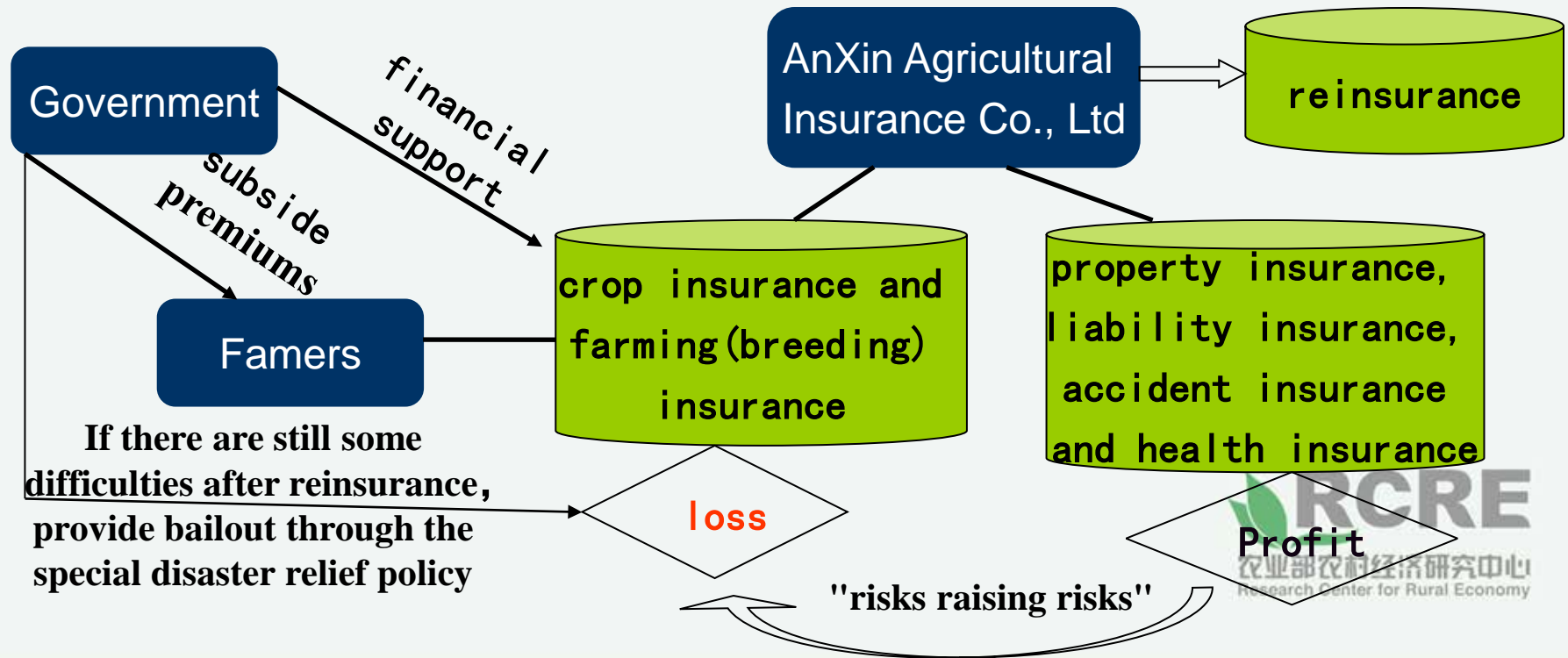
## **3.4 The mode with insurance company doing business relying on the agricultural departments' participation**

### **• How does it works?**

- In the specific pattern of operation, the insurance companies as insurer, agricultural economy stations of each county (city, district) use the advantage of sound organization system, familiarity with farmers, with professional and technical personnel to assist the insurance companies to distribute policies, mobilize farmers and collect the premium.**
- According to the provision of the Agricultural Insurance Regulations(2013), the agricultural insurance companies could extract a certain percentage of funds from insurance premiums as working funds for agricultural economic departments.**
- This mode not only makes use of the organization and professional advantages of local administrations, but also reduces the business costs of insurance companies, which solves the problem of collecting premiums effectively.**

## 3.5 The mode with exclusive specialized agricultural insurance company's operation

- This mode is typical in Shanghai
- Principle : "specialized agricultural insurance company's operation mode with government promotion and market operation"



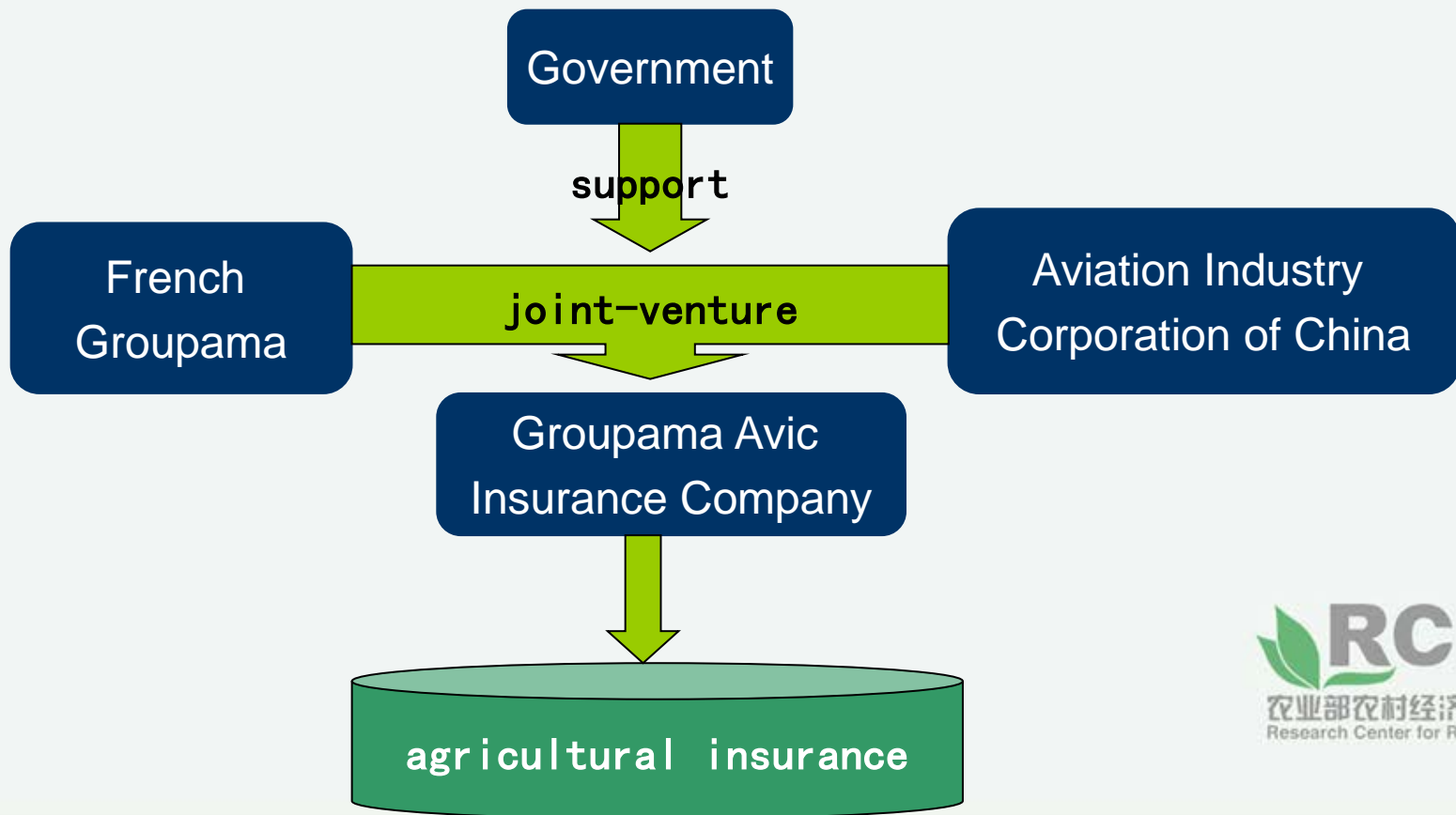
## 3.5 The mode with exclusive specialized agricultural insurance company's operation

### • How does it works?

- AnXin agricultural insurance company adopted the specialized agricultural insurance company's operation mode with government promotion and market operation,
- Crop insurance and farming(breeding) insurance is pointed as the policy-related insurance, which can obtain financial support.
- At the same time, the insurance company also operates the approved property insurance, liability insurance, short-term accident insurance and health insurance, through which to make profits to make up for the possible losses caused by the agricultural insurance, which is the so-called "risks raising risks".
- In the face of catastrophe, the insurers protect themselves against the catastrophe through reinsurance. If there are still some difficulties after reinsurance, the government will provide bailout through the special disaster relief policy.

## 3.6 The mode with Sino-Foreign Joint Venture Insurance Corporations 'operation

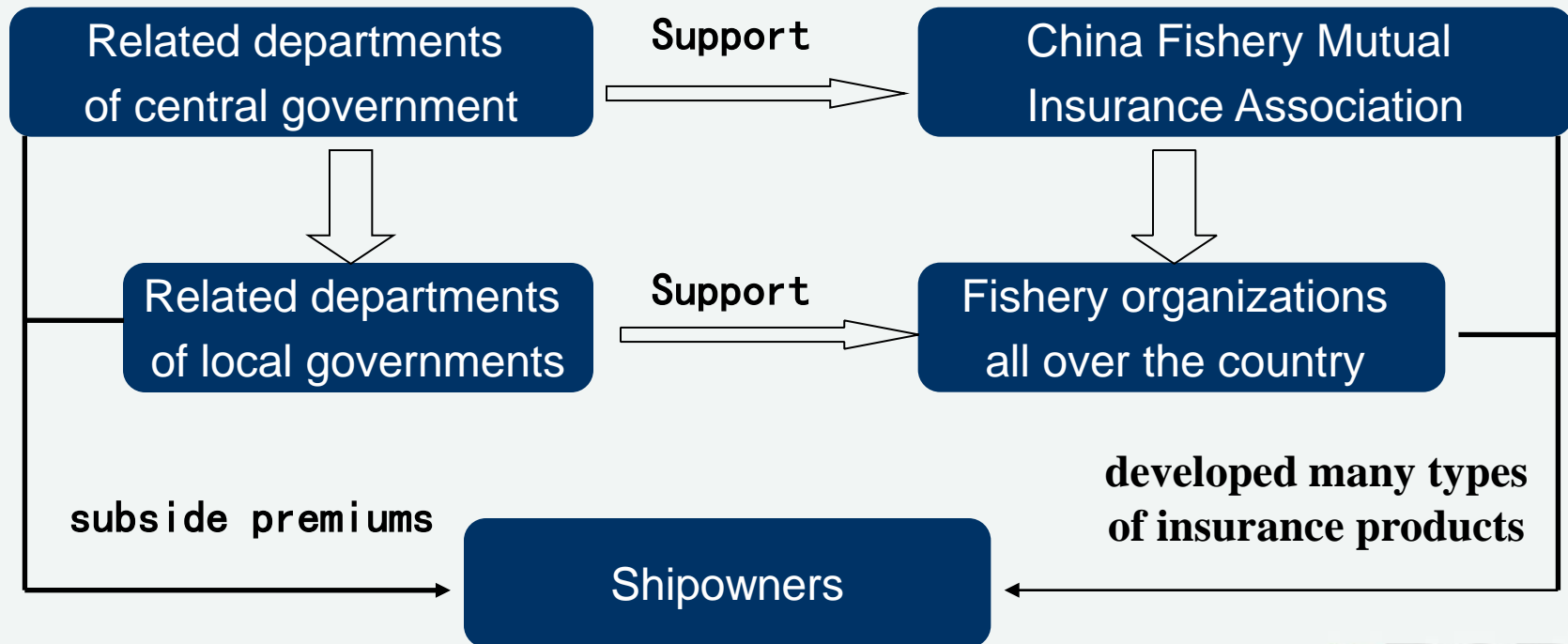
- This mode is typical in Sichuan & Jilin province



## 3.6 The mode with Sino-Foreign Joint Venture Insurance Corporations 'operation

- In 2002, French Groupama was ready to enter the China's agricultural insurance market.
- In 2003, CIRC authorized Groupama to develop agricultural insurance business in China, which is the first foreign-funded agricultural insurance company.
- In 2004, Groupama established Groupama Chengdu Branch, and conducted the agricultural insurance business and other types of insurance business in Sichuan Province.
- In June 2011, Aviation Industry Corporation of China established Groupama Avic Insurance Company as a joint-venture with Groupama, to develop the agriculture insurance business in Sichuan Province.
- In September 2011, the Groupama Avic Insurance Company Jilin Branch was established.

### 3.7 The mode with cooperative insurance institutions' operation



## 3.7 The mode with cooperative insurance institutions' operation

- **How does it works?**
- Relying on the local law enforcement agencies to carry out fishing vessel insurance business, the Association has established a sound service network.
- Under the support of the fishery organizations all over the country and the local governments, the Association organize the majority of fishermen to participate in fishermen personal accident insurance, fishing property insurance and other types of mutual insurance, in nearly 20 provinces (municipalities and autonomous regions) around the country.

# **4 Suggestions about improving the agricultural insurance mode with Chinese characteristics**

- **4.1 Improving the understanding of agricultural insurance as an instrument of supporting the development of the agricultural sector**
- **4.2 Intensifying further theoretical research of the agricultural insurance mode with Chinese characteristics**
- **4.3 Enhancing the social responsibility of agriculture insurance companies**
- **4.4 Existing issues within the development of the agricultural insurance mode should be envisaged**



# thanks

