

Study on the Innovation of Agriculture insurance System in China

Long-Wenjun

Research Center for Rural Economy in Ministry of Agriculture in China

Abstract: In recent years, the central government in China has pushed forward a series of policies on boosting the development of agriculture insurance. Agriculture Insurance has been taken a new look which has been concentrated by the world. The study reviews the changes of Chinese agriculture insurance system, analyzes the achievement of the agriculture insurance policies and the innovation of the system. At the end, it brings forward some suggestions about how to make the agriculture insurance system perfect.¹

Key words: agriculture insurance system; System innovation; Suggestions

The agriculture insurance plays an important role in accelerating the sustainable development of agriculture. Since the 16th National Congress of Communist Party of China, the Chinese central government has pushed forward a series of policies to support the development of agriculture insurance, which comes to pilots of a new round and makes some progress.

1. The System Changes of China Agriculture Insurance

The Chinese government has taken a series of measures to put the

¹ Long-Wenjun(1971-), male, PH.D, professor. He mainly engages in the agricultural insurance, production material of agriculture, agricultural product association.

agriculture insurance into practice since the 16th National Congress of Communist Party of China in 2002.

There are ten No.1 documents issued by the Central Committee of the Communist Party of China (CPC) from 2004 to 2013. The “Ten Suggestions on the Reform and Development of the Insurance Industry of the State Council” in 2006 made the specific deployment on promoting the policy-oriented agriculture insurance. Earlier in 2007, the Ministry of Finance announced “Management Measure about Agriculture insurance Premium Subsidies Pilots of Central Finance”, decided to set up the pilots of agriculture insurance premium subsidies in Jilin Province, Sichuan Province, Inner Mongolia Autonomous Region, Jiangsu Province, Xinjiang Province, Hunan Province. Up to now the range of pilots extended to 30 provinces or autonomous.

The development of agriculture insurance isn't simultaneous in the whole country, but the agriculture insurance made great progress in compensating the loss, resuming the production and keeping the income stable. China Insurance Regulatory Commission (CIRC) proves that during the heavy snow calamity and the Sichuan earthquake in 2008, the sum of sow's insurance reparations closes to 100 million and gives the strong support to the rebuilding. The cover farmers experienced the advantage of insurance for themselves, and the enthusiasm is much increased.

2. Analyses of the innovation of the system

2.1 The innovation on subsidy

The government defined the responsibility of agriculture insurance subsidies. The subsidy insurance objects includes the widely planted

significant crops that are concerned with the national economy and the people's livelihood; the numerously raised livestock and seafood that have great meanings in improving farmers' income. Corn, rice, soy bean, wheat, cotton and sow were confirmed in 2007. The central government classified the oil plants and cows into the subsidy categories in 2008.

2.2 The innovation on management

As years pass by, agriculture insurance policy is being promoted in China. The policy system has already formed, managed by the central government and coordinated by the local governments. The system of agricultural policy supported by central government has already formed. The central government published a series of documents to make sure that each branch of the government regards the agriculture insurance as an importance tool to protect the agricultural development and maintain the peasants' rights. The government assists farmers with subsidies of the agriculture insurance fee.

2.3 The innovation on organizing model

Chinese agriculture insurance operations and the operated organizations expanded quickly under the sustaining policies and the efforts of correlative government. At the very beginning, there was only one operation company established (China People's Property Insurance Company Limited), but now there are more systems being set up. They can be divided into different kinds, some of them being integrated companies such as China People's Property Insurance Company Limited (PICC) and China United Property Insurance Company Limited (CUI); some of them being professional agriculture insurance companies such as Anxin in Shanghai, Anhua in Jilin Province, Sunlight in Heilongjiang

Province and Guoyuan in Anhui Province; Some being associations, for instance, China Fishery Mutual Insurance Association. Some being the overseas investment companies such as Groupama; some being brokerage firms of insurance, Yi'an, Jiangtai, Changcheng for example. Actually there is only one reinsurance company providing a second time agriculture insurance operation in China that is China Reinsurance (Group) Corporation Limited (China Re).

2.4 The innovation on agriculture insurance product

The government fixed the limitation of insurance liability. The central government stated the insurer pays for the loss of crops due to natural diseases, such as rainstorm, flood, waterlog, cyclone, hail, frost, drought, disease or plague of locusts and so on; the insurer pays for the covered individual death of livestock and seafood because of serious plant disease, natural diseases or accidents.

3. Some Suggestions about Strengthening the Agriculture insurance system

Setting up a scientific, effective and consummate system of agriculture insurance is a systematic project in China. To establish the China characteristic agriculture insurance system, which adapts to the national agricultural policy, the characteristics of the agricultural risks and the insurance needs of farmers, needs to explore and summarize in experiences.

3.1 Establish Perfect Agriculture insurance Supervision System

Agriculture insurance policy should be brought into the overall frame of nation system to solve the questions of “agriculture, peasants and rural areas”. We should make competent department clear, and

establish national agricultural risk management system in the unified coordination of the State Council.

3.2 Establish the Agriculture insurance Management System of Participators

Under the support of national policy and local government, the cooperation platform should be established on the industry development, which includes agricultural technology, animal husbandry veterinarian department, agricultural administrative system, and insurance organization, farmers' cooperative, leading agricultural enterprises, farmer households and financial system. In other words, it requires a series of actions under the support of agricultural technology department and the financial department, takes the farmers cooperation and leading agricultural enterprise as carrier, launching the cooperation of participators actively to safeguard the interests of producers and promote the sustainable development of agriculture insurance.

3.3 Establish Agriculture Catastrophe Risk Management System

It is necessary to make the revenue preferential policy of agriculture insurance business clear. When the sales tax has been eliminated, the income tax should be reduced or eliminated. The released tax should be transferred into the reserve fund of agriculture insurance catastrophic risk and used as the compensation accumulation of agricultural catastrophic disaster.