Research on the Present Situation and Problems of Agricultural Insurance Development in Guangdong Province

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Abstract
In January 2021, the Chinese Government promulgated on promoting rural revitalization of the modernization of rural areas to speed up agricultural opinions, points out that the construction of modern socialist country, the most difficult and onerous tasks is still in the countryside, the basis of the most extensive and profound is still in the countryside. So how to promote the development of agricultural economy and promote the improvement of living standards of farmers, is an urgent problem to be solved at this stage. Agricultural insurance plays an extremely important role in the risk management of the whole agricultural production. Exploring the development of agricultural insurance and agricultural economy can help to better alleviate the weak problem of agriculture itself, improve farmers' personal income, and better build a new socialist modernization countryside with Chinese characteristics. Taking Guangdong Province as an example, we analyze the current situation of regional agricultural insurance development, put forward problems and corresponding solutions from the perspectives of insurance enterprises, farmers and the government, aiming to provide theoretical help for the agricultural development of Guangdong Province and promote social development.

Keywords
Agriculture; Agricultural Insurance; Guangdong Province; The Development Measures.

1. Introduction
Since the birth of human beings, natural disasters have been accompanied by human beings, which have a significant impact on social and economic development and even life safety. China has suffered the most types of natural disasters and the heaviest economic losses in the world. During 1959-1962, severe natural disasters, drought and flood caused famine to spread across the mainland of China, and the death toll directly caused by the flood alone exceeded 2 million. In 1987, the Great Khingan Mountains fire destroyed 3.25 million kilogram of grain and caused incalculable losses to houses, stockpiles, railways, bridges and power transmission lines, with a direct economic loss of about 500 million yuan. In 1998, during the flood season, the water level of hydro-meteorological stations in various river basins repeatedly exceeded the historical highest level. Prolong floods affected 29 provinces, autonomous regions and municipalities directly under the Central Government. The affected area of farmland reached 22.29 million hectares and direct economic losses reached 255.1 billion yuan[1]. With the improvement of economy and people's disaster relief capacity, their resilience against natural disaster risks has been somewhat improved, and people can protect their personal and property safety by all kinds of insurance. However, China's agricultural insurance started late, unbalanced development between regions, lag behind economic development and insurance development, in addition to providing food security, agriculture has an important strategic role in other national economic departments such as food processing and textile industry, so China continues to promote the development of agriculture through various measures, including the institutional improvement of agricultural insurance and financial subsidies.
2. Agricultural insurance

2.1. The definition of agricultural insurance
Agricultural insurance is a kind of insurance designed for agricultural producers to guarantee the economic losses caused by natural disasters, accidents and diseases in the process of planting, forestry, animal husbandry and fishery production[2].

2.2. Classification of agricultural insurance
There are a variety of classification of agricultural insurance, according to the type is divided into planting insurance, breeding insurance; according to the nature of danger, it can be divided into natural disaster loss insurance, disease and insect pest loss insurance, disease and death insurance, and accident loss insurance. It can also be divided into basic liability insurance, comprehensive liability insurance and all risks according to different insurance liabilities.

At present, the main types of China’s agricultural insurance include: agricultural products insurance, pig insurance, livestock insurance, poultry comprehensive insurance, rice insurance, forest fire insurance, hail disaster, wheat freezing damage, cotton planting insurance and all kinds of cash crops insurance.

2.3. The characteristics of agricultural insurance
Compared with the general property insurance, agricultural insurance has the following characteristics:

The first is regional. Due to the different natural environment in different region, the types of disasters and the degree of disasters faced are also different, and the degree of economic development is also different. There are wide regional variations in premium settings and specific types of insurance;

The second is seasonality. Since most agriculture and forestry follow its seasonal characteristics, natural disasters also follow its seasonal characteristics, showing a certain rate and income concentration period, so agricultural insurance has seasonal characteristics.

The third is policy. At present, most countries provide more or less policy support for agricultural insurance, and even some insurance enterprises are directly owned by the State, which shows its strategic role in maintaining people’s livelihood.

3. The current situation and characteristics of agricultural insurance in Guangdong Province

3.1. Lower than the overall development level of the State agricultural insurance

Table 1. Total Insurance Income and Agricultural Insurance Income in 2019: 100 million Yuan

<table>
<thead>
<tr>
<th>region</th>
<th>Total premium income</th>
<th>Agricultural insurance: Premium income</th>
<th>region</th>
<th>Total premium income</th>
<th>Agricultural insurance: Premium income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tianjin</td>
<td>291,846.60</td>
<td>3074.58</td>
<td>Hebei</td>
<td>721,944.28</td>
<td>1932.45</td>
</tr>
<tr>
<td>Shanxi</td>
<td>226,034.37</td>
<td>941.86</td>
<td>Hubei</td>
<td>1,207,373.42</td>
<td>1188.64</td>
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<tr>
<td>Inner Mongolia</td>
<td>228,208.45</td>
<td>3546.11</td>
<td>Hunan</td>
<td>5,990,268.11</td>
<td>3465.00</td>
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<tr>
<td>Liaoning</td>
<td>239,651.91</td>
<td>2045.46</td>
<td>Guangxi</td>
<td>4,835,761.14</td>
<td>1688.45</td>
</tr>
<tr>
<td>Jilin</td>
<td>242,217.03</td>
<td>2024.22</td>
<td>Hainan</td>
<td>8,954,341.4</td>
<td>840.36</td>
</tr>
<tr>
<td>Heilongjiang</td>
<td>187,415.08</td>
<td>3968.71</td>
<td>Sichuan</td>
<td>9,266,843.83</td>
<td>3770.32</td>
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<tr>
<td>Jiajiang</td>
<td>168,469.06</td>
<td>1898.84</td>
<td>Guizhou</td>
<td>3,072,185.1</td>
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<tr>
<td>Zhejiang</td>
<td>646,563.95</td>
<td>881.95</td>
<td>Yunnan</td>
<td>4,571,314.2</td>
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<td>Anhui</td>
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<td>2632.95</td>
<td>Tibet</td>
<td>3,235,658.08</td>
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<tr>
<td>Fujian</td>
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<td>560.20</td>
<td>Shaanxi</td>
<td>2,359,295.1</td>
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<tr>
<td>Jiangxi</td>
<td>379,998.36</td>
<td>1427.87</td>
<td>Gansu</td>
<td>2,445,748.48</td>
<td>1152.97</td>
</tr>
<tr>
<td>Shandong</td>
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<td>2641.05</td>
<td>Qinghai</td>
<td>3,989,398.99</td>
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<tr>
<td>Hubei</td>
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<td>4567.25</td>
<td>Ningxia</td>
<td>1,191,623.5</td>
<td>698.09</td>
</tr>
</tbody>
</table>

Data Source: China Insurance Yearbook, 2020
Table 1 shows that the total premium income of Guangdong Province reached 75,107,71,712 million yuan, ranking the first among all provinces and cities. However, in the agricultural insurance premium income, it was only 154,948 million yuan, ranking the 15th, lower than the average of 199,204 million yuan.

3.2. Insurance enterprises and farmers have low willingness to participate in insurance

It is common that the development of agricultural insurance lags behind the overall development of the insurance industry in China, especially in Guangdong Province, which is highlighted by the low enthusiasm of all parties involved in agricultural insurance. Due to the weak nature of agriculture, great losses will be caused when confronted with natural disasters. Due to its geographical factors, most of Guangdong Province is located in subtropical monsoon climate. In addition, the terrain is mainly hilly and plain, and rainstorms, landslides and typhoons are common in most areas in summer. In autumn, the subtropical high-pressure belt and high-temperature weather will cause drought, and in winter, the mountainous areas in northern Guangdong are prone to frost.

3.2.1. The insurance enterprises

Generally, when setting up insurance products, insurance enterprises will consider the estimated value of insurance compensation expenditure, compensation frequency and publicity cost. For agricultural insurance products, there are:
A. The weak quality of agriculture is manifested in the extremely low ability to resist natural disasters. The area of flood and drought disasters is often lost in large areas, and the compensation value is high.
B. The natural disasters in Guangdong are not only great, but also numerous. Frequent natural disasters increase the probability of compensation;
C. Guangdong region has two characteristics, the first is a high population density, the terrain is given priority to with hills, alluvial plain, delta, not suitable for large-scale mechanization of farming. Farmers insurance propaganda pattern normally only door to door “is to point to point, the product form is not unified, increase the cost of marketing.

3.2.2. Farmers

A. Traditional insurance concept makes most farmers disdained small disaster losses and take chances with large disasters;
B. The amount of agricultural insurance is relatively high. Due to various risks and higher costs in the implementation of agricultural insurance by insurance enterprises, the insurance price of agricultural insurance is usually relatively high. Although local governments may implement policy-based agricultural insurance subsidies, and even the subsidy ratio of some products is as high as 90%, but there is still a not small expenditure for farmers.

3.2.3. Imbalanced development among regions

Figure 1 shows that there are regions in the development of agricultural insurance in each city of Guangdong Province, among which the total income of agricultural insurance in East Guangdong and Pearl River Delta is low, while the premium income of agricultural insurance in West Guangdong is the highest.

Due to the high level of urbanization in the Pearl River Delta, the less demand for agricultural insurance is relatively reasonable. However, the urbanization and economic development level of the eastern region of Guangdong is similar to that of the western region, but the premium data results are different. In addition, the premium income of agricultural insurance in the northern region is generally higher than that in the central region of Guangdong.
4. Problems existing in agricultural insurance in Guangdong Province

4.1. Low willingness of farmers to participate in insurance

A. Ideological factors

Agricultural practitioners' knowledge level is low. They have weak insurance awareness and financial avoidance mean, and have difficult in understanding of insurance related knowledge, even have bias on insurance. Some farmers also lack of understanding of claims integrity, that "even if disasters, insurance enterprises will also refuse to settle claims for various reasons", farmers' insurance consciousness directly affect agricultural insurance.

B. Economic factors

Economic factors are often the primary factor in determining insurance behavior, as is the case with agricultural insurance. In 2019, the per capita disposable income of rural residents in Guangdong was 18,818 yuan, and the family Engel coefficient was 36.6%, all at the middle level, but there is still a large gap between urban residents and non-agricultural and rural residents. With the continuous improvement of policy insurance subsidies and farmers' income in recent years, the restriction of economic factors will be greatly reduced.

4.2. The number of agricultural insurance institutions is small and lack of competition

The institutional proportion of the agricultural insurance premium income of PICC reached 1069.37 million yuan, accounting for 69%; The premium income of China Insurance, Sunshine Rural Insurance and China Life Property Insurance was 102.21 million yuan, 193.57 million yuan and 44.72 million yuan respectively, accounting for 13%, 12% and 3% respectively. Since the early pilot policy agricultural insurance was operated exclusively by PICC, it accounted for 100% of the provincial total agricultural insurance premium before 2009, while at the present stage, most of the provincial PICC insurance premium income accounted for 50%.
The long-term single underwriting subject has a certain adverse impact on the overall development and innovation of agricultural insurance, and the lack of competition also restrains the progress of agricultural insurance, which is not conducive to the steady development of agricultural insurance.

4.3. The procedures for handling and settling claims of agricultural insurance are more complex

Insurance requires more materials, such as the general insurance period is one year, and after one year one needs to submit the insurance approval process, which greatly hinder the effectiveness of the insurance operation. In addition, farmers also need to submit various certificates during claims procedures, such as when applying for dead pig claims, claim repeatedly to the agricultural and rural bureau, the insurance company, and also need to issue the death certificate of pigs[3].

4.4. Defects in the setting of agricultural insurance products

A. The relative losses of agricultural insurance are relatively low

Agricultural insurance of insurance claims can't even make up the upfront cost of agricultural inputs, such as forest insurance pay an average of 500 yuan/mu, however, the early stage of the forestry investment is larger, lower cost of planting eucalyptus is 2000 yuan/mu. Part of insurance products is equipped with the franchise, If the loss did not achieve the loss of 20%, insurance company does not grant indemnity to pay commonly.

B. The design of individual kinds of insurance is not perfect enough to meet the needs of farmers

General food crops will have the corresponding insurance risk avoidance, mostly policy demand to ensure the stability of food crops planting, however, in the urban ornamental flowers and higher risk breeding products, the coverage is small, according to Shaoguan yao autonomous county XingLin agriculture co., LTD., the existing insurance can only be for broiler, but higher risk of laying hens cannot be insured at present.

4.5. It is difficult for insurance enterprises to make profits in agricultural insurance

In 2019, the total ratio of agricultural insurance income and compensation expenditure in Guangdong Province was about 1.5: 1, while general insurance enterprises tend to choose to promote premium income close to 3: 1. According to ZhongAn Insurance 2019 annual report, the overall premium income of ZhongAn Insurance was 14.6 billion yuan, compensation expense of 8.62 billion yuan. With management expenses and commissions and costs, ZhongAn Insurance lost 1.699 billion yuan relying on the investment income of ZhongAn Insurance. However, the audience of agricultural insurance is small, the overall premium income is low, and even in the early stage the insurance enterprises have to pay more cost publicity and operation, so it is generally difficult for they to make profits through agricultural insurance.

5. Suggestions on developing agricultural insurance in Guangdong Province

Agricultural insurance of Guangdong Province since 2007 pilot after 13 years of development, the government stimulate demand by providing the farmer's agricultural insurance subsidies, thus the agricultural insurance premium growth at more than 10% growth. In addition, the expansion of the Pearl River Delta urban circle led to many areas mainly engaged in agricultural development to become a new gathering place of secondary industry transfer, the Pearl River Delta area cultivated land area decreased year by year, only northern Guangdong farming area rose slightly, increasing the impact of regional disasters on agriculture, so farmers need more effective risk guarantee mechanism to promote the industrialization and scientific agriculture,
the following put forward several suggestions to promote the development of agricultural insurance.

5.1. Improve the region's ability to resist disaster risks

Insurance enterprises due to their own profit characteristics, more inclined to choose risk damage and low frequency of products, so most enterprises do not put agricultural insurance business on their own business. The government should improve the ability of regional disaster resistance, to reduce the frequency of flood disasters, reduce artificial operation errors to improve insurance ability, reduce the impact of agricultural own weakness by improving the construction of water conservancy facilities by improving the level of agricultural mechanization.

5.2. Launch products according to local conditions with big data and demand-oriented

Due to the differences between natural disasters and agriculture, agricultural insurance enterprises should also set up insurance according to local conditions, such as allowing village unified insurance in Guangdong rural areas, such as tobacco planting insurance in Shaoguan characteristic insurance. They should adhere to demand-oriented, using big data for market research and risk control, launch different regional different products to provide farmers "optimal insurance products".

5.3. Strengthening the leading role of the government

Although insurance enterprises and farmers have a low willingness to agricultural insurance, the government has been paying attention to the topic of agriculture. The "No. 1 Central Document" has focused on "agriculture, rural areas and farmers" for 17 consecutive years, and at the same time, it has continuously achieved the standardization and modernization of agricultural insurance via systems and subsidies. Agriculture and food safety are also the needs of China's strategic development, which can not be simply measured by economic interests, but more need to be supported by the powerful means of national and local governments [4].

References

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