

Research on Village Collective Economic Income Insurance —Based on a Survey of Huai'an

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Abstract. Village collective economic income insurance takes “administrative village” as applicant and insured and “collective economic income of village” as insured object. When village collective economic income is lower than the target income due to natural disasters, accidents, liability for breach of contract, market conditions and economic environment, the insurance company will be liable for the compensation according to the contract. A survey of Huai'an, the first pilot city of this insurance, shows that the village collective economic income insurance has played a certain role in promoting the village collective economic development, but still has some problems need to be overcome, such as limited insured, imperfect design, inadequate publicity, backward technology and means, and chaotic management. In the future, more attentions should be paid to differentiated design, precise publicity, digital application, standardized operation and scientific management, in order to improve the effect of guarantee of the village collective economic income insurance.

1. Introduction

Income insurance is one of the main product types in insurance market. From the first time “explore income insurance” be proposed in the No.1 Document in 2016, to corn income insurance began to be piloted in 2018, to “promote income insurance in a steady and orderly way, ensure the stability of rural household income” be proposed in Guidelines on Accelerating the High-quality Development of Agricultural Insurance, income insurance has developed rapidly in China and accumulated rich practical experience [1-6]. But most income insurances in China's rural financial market mainly take “rural household” or “rural economic organization” as applicant and insured, and take “agricultural income” as insured object, and mainly compensate for the reduction of agricultural income caused by the change of output, price or output price at the same time [7-10]. Village collective economic income insurance (VCEII for short) was born in line with China's Rural Revitalization Strategy, aiming at providing risk protection for the development of village collective economy. Its original intention is to consolidate and expand the achievements of poverty alleviation and “prevent the return of poverty”, and the ultimate goal is to establish a village collective risk evaluation system which is benefit for village to financing from banks and non-bank financial institutions in the future [3]. Through the special investigation of the implementation of VCEII in Huai'an, the paper summarizes the characteristics of VCEII, analyzes the existing problems and puts forward to the future development strategies, hoping to contribute to the healthy development of VCEII.

2. Basic Situation

The embryonic form of VCEII appeared in the Innovative Service Agreement of Village Collective Economic Income Insurance signed by Hongze Branch of China Pacific Property Insurance Co., Ltd. and Hongze District Rural Revitalization Bureau in March 2021, and officially put into practice in June 2021. By September 2022, 802 administrative villages had offered this insurance. Now VCEII of Huai'an mainly presents the following characteristics:

First, the target villages had all been covered. The original target of VCEII in Huai'an is 756 villages designated as rural revitalization assisted villages. In 2021, 428 villages of them participated in the insurance. In 2022, all of them had been insured.

Table 1. Main Contents of VCEII

Element	Content
applicant (insured)	administrative village, represented by the village committee.
insured object	village collective economic income, including operating income, revenue from contracting and profits handed over by village-run enterprises, investment income, etc.
insurance coverage	village collective economic income losses due to natural disasters, accidents, liability for breach of contract, and market fluctuations.
claim conditions	natural disasters, accidents, liability for breach of contract or market fluctuations occur during the insurance period; village collective economic income less than the

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compensation standard	target income (insurance amount). the amount of damage caused by the above reasons (shall not exceed the insured amount).
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Note: The information comes from insurance companies.

Table 2. VCEII Statistical data of Huai'an (2022)

County name	Insured village (units)	Premium income (yuan)	Insurance amount (yuan)
Huai'an	202	1,470,000	48,300,000
Huaiyin	174	2,174,300	56,760,000
Lianshui	265	2,124,600	70,820,000
Xuyi	68	646,000	13,600,000
Qingjiangpu	15	84,300	2,860,000
Hongze	33	412,500	9,900,000
Jinhu	45	157,500	9,800,000
Total	802	7,069,200	212,040,000

Note: Data is from Huai'an Agriculture and Rural Affairs Bureau.

Second, the premium comes from various sources and is used for fixed purposes. In 2022, the premium was 7.069 million yuan, mainly came from the municipal finance (accounting for 39.71%). Some premiums of individual counties and districts came from the county and township finance (accounting for 26.79%) and the income from poverty alleviation assets (accounting for 33.5%). Municipal and above financial funds are for accumulating, can't be used to offset the premium share the county and district should bear. During the insurance period, the county, town and street funds are used first, and the municipal and above financial funds are used at last; overclaim part the insurance company pays advance, and then the county and district finance make up; the balance of the funds will be carried forward to the next year.

Third, insurance amounts and premiums are classified and can be chose freely. Counties and districts determine the classification standards through consultation with insurance companies according to their own conditions. In 2022, the minimum and the maximum insurance amount is 180,000 yuan and 500,000 yuan respectively, correspondingly the lowest and the highest premium is 5,400 yuan and 15,000 yuan.

Table 3. VCEII Underwriting conditions of Huai'an (2022)

Insurance company name	Premium standard (yuan per village)	Insurance amount (yuan)
Hongze Branch of China Pacific Property Insurance Co., LTD	9,000	300,000
Huaiyin Branch of China Pacific Property Insurance Co., LTD	9,000 9,600 10,200 10,800 11,400 12,000	300,000 320,000 340,000 360,000 380,000 400,000
Jinhu Branch of China Pacific Property Insurance Co., LTD	6,000 12,000	200,000 400,000
Lianshui Branch of China Pacific Property Insurance Co., LTD	5,400 6,000 7,500 9,000 15,000	180,000 200,000 250,000 300,000 500,000

Qingjiangpu Branch of China Pacific Property Insurance Co., LTD	5,400 6,000	180,000 200,000
Xuyi Branch of China Pacific Property Insurance Co., LTD	6,000	200,000
Huai'an Branch of People's Property Insurance Company of China Limited	10,000 13,500	200,000 300,000

Note: Data comes from various insurance companies.

Fourth, the management of funds is standard and specialized. Insurance funds of VCEII are under "managing unified, accounting independent, operating closed, and using specialized", and are operated in accordance with the mode of "insurance unified by county and district, compensation directly to the village". The undertaking insurance company carries out daily management and operation, regularly reports the use condition to the county and district competent departments, and provides third-party audit reports per annual. It is strictly prohibited to withdraw or falsely claim funds in any form. The operating expenses are about 8%-10% of the claim amount (excluding the excess claim). Counties and districts set the upper and lower limits of operating expenses according to the situation, and the excess will be borne by the insurance company itself.

3. Achievements and Problems

After more than a year of practice, VCEII in Huai'an had achieved some results. In 2021, it provided 83.76 million yuan of risk guarantee for promoting the village collective economic development, and paid 892,800 yuan of compensation for the economic losses caused by default and natural disasters of 27 villages, effectively reducing the economic burden of those villages. Meanwhile, the annual collective economic income of the designated provincial and municipal key rural revitalization villages reached 427,300 yuan and 323,800 yuan respectively, with a year-on-year growth of 30.79% and 35.97% respectively.

Table 4. Compensation situation of VCEII in Huai'an (2021)

Premium standard (yuan per village)	Insurance amount (yuan)	Compensation village (units)	Compensation amount (yuan)
5400	180,000	7	290,500
6000	200,000	6	261,000
6600	220,000	5	84,200
7200	240,000	3	61,300
7800	260,000	4	142,100
8400	280,000	1	35,800
9000	300,000	1	17,900
Total		27	892,800

Note: Calculated according to the data of various insurance companies.

Now the main problems of VCEII are as follows:

First, the restrictions on applicant are too strictly. At present, VCEII is mainly for the economically weak villages and key villages designated by provinces, cities and counties. Even if the other villages have a strong demand for insurance and insurance intention, they are not able to

participate in the insurance because they are not within the scope of identification.

Second, the design of insurance is imperfect. There are some unreasonable points in premium standard, insurance amount and other indicators of the insurance. In 2021, the insurance covered 428 villages and compensated 27 villages, the actual utilization rate of premium was 20.68%. Among the 27 villages, 25 were from Huaiyin District and 2 were from Hongze District. The other 5 counties had no compensation, one of the main reasons was that the insurance amount was not classified or the classification standard didn't conform to the village collective economic reality.

Third, the publicity of insurance is inadequate. There are three problems in the publicity of the insurance: one is that the publicity only reaches to the county level and most of the insurance related matters are handled by the county and the district, so that many towns and villages are unaware of the insurance; another is that the propaganda is limited to the interpretation of documents, and for many people it is boring and difficult to understand; the other is that the insurance company is lack of the professional proficient at this insurance.

Fourth, the technical means are backwards. The "Village Collective Economic Income Insurance Early Warning and Monitoring Platform" designed by Pacific Property Insurance mainly plays the role of "collective economic projects and income data" recording platform, and fails to track the whole process and provide risk early warning. Mature technologies of "Internet + modern technology" such as intelligent identification, big data, GIS and RS have not been used on a large scale.

Fifth, the relationship between management is chaotic. Some government staff in counties, towns and villages have a negative attitude towards this insurance. The Municipal Bureau of Agriculture and Rural Affairs only has the right to guide their business but no other right. The serious segmentation and lack of cooperation between departments not only increases the cost of information seeking, but also sets up obstacles for the full play of the early warning platform.

4. Next Development Strategies

Focus on differentiated design to improve the use value of products. First, restrictions on applicant should be no longer one-size-fits-all, the insurance amount should be refined according to the actual situation of each village, and the underwriting should be divided. Second, the design of claim standard and claim process should be flexible, diverse and optional. Two sets of claim procedures, simple procedure and complex procedure, should be provided. Third, formulate different plans for different industrial projects in the village collective economy, and explore "VCEII + credit + loan" and other new models.

Carry out precise propaganda to improve social cognition. First, insurance companies must conduct in-depth research to understand and master the real situation of each village, and the target group must extend to the level of towns and villages, preferably including large households and new business entities. Second, prepare public-

ity materials according to the case, and typical cases must come from the villages where claims had been settled, so that can be understood easily. Third, strengthen the training of practitioners and improve the level of publicity.

Strengthen digital application and improve risk prevention and control capacity. First, speed up the research and development of the functions of the early warning platform and enhance the ability to monitor and early warning risks. Second, increase the application of digital technology in all aspects, build technical networks such as "artificial intelligence + agriculture" and "internet + agriculture". Third, break information barriers to realize resource sharing and efficient collaboration, and improve the level of data management.

Explore standardized operations to improve service capabilities. Build several VCEII model towns (villages), tracking continuously. Focus on the development of the insurance in demonstration towns (villages), the use of claim funds after the compensation, the management of premiums carried forward, the changes in collective economic income before and after the implementation of the insurance, and so on. For the places pre-selected as demonstration sites, the duration of VCEII shall not be less than three years, and the observation period of its impact on the village collective economic income shall be at least five years (including each one year before and after the insurance implementation).

Implement scientific management and improve flexibility. First, clearly define the nature of VCEII, whether it is a policy insurance, a commercial insurance or other insurance. Second, establish performance evaluation index system to regularly evaluate the implementation effect of VCEII. Third, clarify the responsibilities of relevant parties in different development stages of VCEII, especially straighten out the work content and responsibilities of government departments at different levels, meanwhile establish access and exit mechanisms as well as incentive and constraint mechanisms.

5. Conclusions and Prospects

VCEII is a new attempt of income insurance in China's rural financial market. The survey of Huai'an shows that VCEII can guarantee the minimum economic income of the insured village, and provide the basis for the village stable development at some extent. But this insurance is still in the process of exploration and has many shortcomings, includes limited insured objects, imperfect design, inadequate publicity, backward technology and means, and chaotic management. Furthermore, the direction and strength of its effect on village collective economy still needs more practical cases and empirical data to test, and whether it is fit for promoting to a larger scope is also unknown. Therefore, more efforts should be put into the theoretical and empirical research of VCEII in the future.

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