

On the Strategy of Guangzhou Rural Commercial Insurance Boosting Rural Revitalization

Xuelin Dong^{1,*}, Guishan Chen¹, Daixin Feng²

¹*Institute of Guangzhou College of Commerce, Jiulong Street, Number 206, MyTown, Guangzhou Town, Guangdong province, China.*

²*Department of Economics, Shenyang Institute of Science and Technology, Shenyang Town, Heilongjiang Province.*

**Corresponding author*

Keywords: Commercial insurance, Rural vitalization, Risk, Urban, Market

Abstract: The implementation of the rural revitalization strategy is an important basis for building a modern economic system. As a traditional agricultural country, our country attaches great importance to the practice of rural revitalization in many aspects, such as rural civilization and rural governance. However, there are certain weaknesses in rural development in China. Although all rural people have been lifted out of poverty, the risk of returning to poverty is still latent, and the popularization of basic risk protection is urgent. Even the development of rural commercial insurance market in developed areas is very slow, far behind the urban insurance market. The author uses the interview survey method to explore the implementation of rural revitalization, Therefore, the research on the rural commercial insurance market in Guangzhou will, to a certain extent, have a certain enlightenment on the local socio-economic development and stability, and help the rural revitalization.

1. Introduction of Rural Revitalization and Rural Commercial Insurance Market

China's rural commercial insurance market is relatively backward. On the one hand, farmers' insurance needs cannot be met due to their weak insurance awareness, low income and high premium. Rural insurance is an important part of the rural financial system. Due to the weak ability of farmers to resist risks, the rural insurance market has a wide space. Efforts to develop the rural insurance market can promote the promotion of insurance business in rural areas and help improve the rural social security system. In rural areas, the proportion of the elderly population is large, and the problem of providing for the elderly has been a major problem that has plagued the national economy and the people's livelihood[1]. During the 13th Five Year Plan period, China's economic system reform has undergone earth shaking changes. With the new urbanization and rural revitalization plan, the way of life and production in rural areas in China has undergone major changes. Therefore, these changes have put forward higher requirements for the rural insurance business model, premium, rate, etc. With the new development concept, green development is also facing more complex tasks, therefore, it is of great significance for the development of Guangdong rural commercial insurance market in this complex period to analyze the difficulties faced by

Guangdong rural commercial insurance market under the background of rural revitalization and find out a model suitable for its development[2].

With the impact of the COVID-19, the insurance awareness of farmers in Guangzhou has gradually increased, and their insurance demand is also gradually increasing. However, at present, the traditional insurance business of insurance companies in rural areas can no longer fully meet the needs of rural areas in China, and the uncertainty of risk changes after the epidemic is still increasing[3]. Therefore, new commercial insurance projects that meet the requirements of rural development need to be developed and expanded urgently. In addition, under the background of rural revitalization, the development prospect of rural commercial insurance is worthy of affirmation.

2. Overview of Rural Commercial Insurance Market in Conghua District

Conghua District is a representative district of Guangzhou City, which has the largest area in the jurisdiction of Guangzhou City. However, its total resident population and GDP are the least[4]. This district has no advantages in resources and population in economic development. From the perspective of its contribution to GDP, the utility and utilization rate of its agricultural production are low, and its risk tolerance is weak. In addition, the participation rate of rural commercial insurance in Conghua District is also relatively low. There is a lack of large insurance companies around Conghua District. Among the only few insurance companies, there are fewer companies specialized in rural commercial insurance. Influenced by history and reality, they cannot meet the needs of rural development in China. In addition, the coexistence of high loss rate and high risk in rural insurance has become a resistance to the current rural revitalization strategy[5].

In recent years, with the development of social economy, the rural commercial insurance market has been expanding and covering more and more areas[6]. It has improved the risk protection system in rural areas, promoted the stable development of rural society, and played a positive role in building a new socialist countryside. However, as a developing country, China has its own special national conditions. The rural population is huge, and the insurance demand is diversified. Under the existing conditions, expanding the new model of commercial insurance in rural development and making rural commercial insurance better serve the rural revitalization has become a new topic of rural commercial insurance research.

The first insurance company in modern China was established in Guangzhou under the invasion of foreign capital, while the first national insurance company was established in Shanghai [4]. Before the founding of our country, the insurance market in China was almost foreign-oriented, and national insurance companies could only survive in a difficult environment. Until the founding of New China, the Chinese government encouraged insurance companies to resume operations, strengthened management, supported the national insurance industry, and established the Chinese insurance company. After the reform and opening up, China's insurance industry has entered a period of rapid development. After China's accession to the WTO in 2001, the insurance industry has gradually been in line with the international market. As a leading demonstration area of reform and opening up, the coastal areas have a strong momentum of development of the insurance industry, and Guangzhou is showing a trend of rural popularization.

In the early stage of rural insurance development, the type of rural commercial insurance was highly unitary, and farmers' awareness and professional level of insurance were limited. Therefore, few farmers bought rural commercial insurance, and the rural commercial insurance industry in Guangzhou was hit hard. After 2004, the CIRC formulated a series of preferential policies for rural commercial insurance, actively explored effective ways for insurance institutions to participate in

the management of new rural commercial insurance, and promoted the healthy development of commercial insurance in rural areas.

As an important supplement to social insurance, rural commercial insurance can effectively help rural revitalization. The insurance companies in Conghua District, Guangzhou, combined with the development characteristics and prospects of the industry, launched a series of rural insurance projects and implemented outlets in Xiaxian and Xiazhen. The life insurance for farmers has a large market share in Guangzhou, which has accounted for more than 30% of Guangzhou.

3. Current Situation and Reasons of Guangzhou Rural Commercial Insurance Market

Most of the problems of commercial insurance in rural areas are related to agricultural insurance. With regard to the development of rural commercial insurance in Guangdong Province, some scholars have proposed that the development of the rural market of commercial insurance is of great significance to the economic development of Guangzhou and even Guangdong Province and the improvement of the living standards of people in rural areas. However, the rural commercial insurance market in Guangzhou is not yet mature.

Table 1: Social Insurance in Guangzhou in 2021

project	Item	Unit: Person	
		Number of insured persons at the end of the year	Number of annual users
		In 2020	
Basic endowment insurance	Basic Pension Insurance	9614011	1789536
Basic old-age insurance for urban workers	Basic Pension Insurance for Employed Persons in Urban Units	8204077	1208148
Old-age insurance for urban and rural residents	Pension Insurance for Urban and Rural Resident	1409934	581388
Old-age insurance for rural residents	Pension Insurance for Resident transferred from Farmers	\	\
Social medical insurance	Social Medical Care Insurance	13481361	5983567
Social medical insurance for employees	Employee Social Medical Care Insurance	8441958	4075253
Social medical insurance for urban and rural residents	Social Medical Care Insurance for Urban and Rural Residents	5039403	1908314
Unemployment insurance	Unemployment Insurance	6918212	154571
Work-related injury insurance	Work Injury Insurance	6829268	15179
Maternity insurance	Maternity Insurance	6335769	293249

Table 1 shows that by the end of 2020, 9613700 people in Guangzhou participated in basic endowment insurance, an increase of 3.5% over the end of 2018. Among them, 8.204 million people participated in the basic endowment insurance for urban employees, an increase of 1.2% year on year in 2020; Groups such as urban and rural residents' pension insurance and rural residents' pension insurance have increased in different proportions. In a word, the participation rate of social insurance has shown a significant upward trend.

Table 2: Guangzhou's Commercial Insurance in 2020

Refers to the standard	Insurance Amount (100 million Yuan)	Original insurance premium income (ten thousand Yuan)	Indemnity and Payment disbursement (Ten thousand Yuan)
The total meter	6612702	11628614	3219983
Property insurance company	6431689	3177356	1732398
Life insurance company	181013	8451258	1487585

Here, Table 2 briefly describes the commercial insurance coverage in Guangzhou in 2020. In comparison with Table 1, the social insurance coverage rate in Guangzhou is high and rising, while the commercial insurance coverage rate is significantly low. According to statistics, the commercial insurance coverage rate of households is 26.2%, of which the life insurance and health insurance coverage rates of households are 15.0% and 11.2% respectively. At the same time, less than 15% of family members have commercial insurance, and most of them neglect the protection of family pillars[7]. At the same time, their enthusiasm for agricultural insurance is low. The participation rate of agricultural insurance in Guangzhou accounts for less than one third of property insurance. In summary, the reasons are as follows:

3.1. Farmers' Awareness of Insurance is Relatively Weak

Traditional culture determines that farmers are weak in risk awareness. The concept of "raising children to guard against old age" and "relying on the weather" is thick, and the awareness of venture capital is not strong. Since the reform and opening up, with the development of China's social economy, farmers' awareness of risk aversion has begun to improve, and insurance has gradually taken shape. However, most of the insurance products are low premium products, and the compensation for losses is limited[8]. On the other hand, the publicity of insurance products in rural areas is not strong, while the cultural level of farmers is relatively low, and they do not know about insurance products, which makes the willingness to buy insurance not high.

3.2 Insurance Products are Disconnected from Farmers' Needs

Traditional rural commercial insurance is mainly agricultural insurance. Insurance products for rural residents are lack of innovation, and most of them do not meet the actual demands of rural areas and farmers. However, most of the insurance products sold by insurance companies to the rural markets of counties and towns cannot meet the actual needs of people in rural areas for disaster prevention, medical care, old-age care and other aspects. Moreover, the homogeneity of insurance products in urban and rural areas is serious. The insurance industry started in urban development and was initially developed and designed for the economic capacity and living needs of urban people. Now it is used in rural areas, which is obviously divorced from reality and cannot meet the urgent needs of farmers.

3.3. Limited Service in Rural Insurance Market

Objectively, China's rural areas are vast, the population is relatively dispersed, the cultural level of farmers is relatively low, the insurance publicity is difficult, and customers do not understand the insurance terms, resulting in many misunderstandings. In addition, the insurance payout rate in rural areas is relatively high compared with that in cities, which makes insurance companies unwilling to promote insurance in rural areas. In addition, the threshold of rural insurance salesmen is low, their sales skills and quality are uneven, their business methods are rigid, and they often neglect their professional integrity for the sake of performance, which is easy to induce farmers to participate in insurance. When risk accidents occur, moral hazard factors will occur, which will lose the trust of the public and dampen the enthusiasm of farmers to participate in insurance.

4. The Optimization Path of Rural Commercial Insurance Market in Guangzhou

The implementation of the strategy of rural revitalization is a key step in the new journey of building a socialist modern power in an all-round way in the new era. Affected by the COVID-19, farmers in Guangzhou are more aware of the importance of good health management in the context of infectious diseases. Their awareness of risk management is rising, and the demand for insurance is increasing. People began to attach importance to health issues in rural areas as a policy tool and financial tool to serve "agriculture, rural areas and farmers", which is closely related to the implementation of the rural revitalization strategy. The sustainable development of rural commercial insurance will help to better play its role in the implementation of the rural revitalization strategy[9].

In the context of the development of the national rural commercial insurance, Guangzhou rural commercial insurance has ushered in a greater development opportunity to solve the existing problems in the rural commercial insurance market in Guangzhou. The author will also put forward higher optimization requirements from insurance companies to improve the design of insurance products, optimize insurance business processes and other aspects, and further elaborate the use of commercial insurance to make up for the lack of social insurance, to transfer the risks around farmers. The specific performance is as follows.

4.1 Optimize Insurance Design

Insurance companies can calculate the optimal pricing based on big data pricing model when conducting business in rural areas, which can reduce the risk of insurance companies and benefit rural residents at the same time. The development of rural insurance products should conform to the regional characteristics of Guangdong in the context of rural revitalization. In addition to designing new insurance products, previous products can also be rectified and reorganized. At present, Guangzhou's commercial insurance is developing rapidly with a wide range of products. Insurance companies can improve the coverage and coverage of insurance in rural areas in combination with the actual situation in rural areas.

4.2. Increase Government Support

In recent years, the government has attached great importance to the development of rural areas, and targeted poverty alleviation has benefited many farmers. However, the support for insurance is relatively small, and there is a lack of risk guarantee arrangements for farmers. Therefore, the government should increase the investment in rural insurance, give financial policy support to insurance companies that serve farmers in depth, and guide insurance companies to target rural

development. At the same time, relevant laws and regulations have been issued to rectify the chaos of rural insurance, so that farmers can be assured to purchase insurance and protect their rights.

4.3. Improve the Service Quality of the Grassroots Market and the Access Threshold for Insurance Dealers

In the early insurance industry, the quality of the salesmen was low, and consumers could not get claims when buying insurance because of the moral hazard factors of some salesmen, which made people have low confidence in insurance. This requires a new generation of high-quality salesmen to try to change this situation. Although the process is difficult, we should be more patient and sincere in the promotion process. Let farmers' insurance rights and interests be defended, actively guide farmers' concept of insurance purchase, and change the status quo of rural insurance market.

4.4. Establish and Improve the Security Mechanism of the Rural Insurance Market

Compared with cities, the supervision mechanism of insurance market in rural areas is not strict, because it deviates from developed cities and is in a state of neglect, resulting in a mixed industry. First, it is suggested that more insurance enterprises should be developed in rural areas so that they can compete with each other and supervise each other, which is conducive to the sustainable development of rural insurance. Second, it is an urgent need for the sound development of the insurance industry to establish a regulatory department and improve the legal protection system. The third is to establish a mechanism for joint management of rural commercial insurance, with the government taking the lead to form a multi sector joint management, formulate the work objectives of rural commercial insurance, and jointly promote the development of commercial insurance in rural areas.

4.5. With the Help of Information Technology

In this era of rapid development of information technology, the existing big data information and various scientific and technological means are applied to various business fields of rural commercial insurance, so that the real-time interaction of data can be revealed, so that insurance companies can more clearly analyze the insurance needs of people in rural areas, use big data analysis to achieve information sharing, and also create more opportunities for rural revitalization.

4.6. Improve Insurance Service Capacity

While developing their own business, commercial insurance companies can cooperate with the government to promote the construction of service networks in rural areas, optimize the structure and improve the service hardware capabilities. Cultivate high-quality insurance staff with good service attitude, standardize the procedures for insurance claims settlement, be fast and accurate, be fair and open, and improve the satisfaction of people in rural areas. While doing a good job in policy oriented rural commercial insurance, we should actively expand property insurance, personal accident insurance, poverty alleviation insurance and other agricultural related insurance, actively participate in poverty alleviation projects, and play a positive role in rural revitalization.

The rural revitalization strategy can promote the development of agricultural insurance. In recent years, national policy documents have mentioned the important role of agricultural insurance in serving the "three rural" issues [6]. Driven by the policy, agricultural insurance has achieved rapid development. It has promoted the development and innovation of agricultural insurance products.

Promote the adjustment of agricultural insurance product structure while revitalizing and developing the countryside.

5. Summary

The implementation of the strategy of rural revitalization is one of the major historical tasks of building a moderately prosperous society in an all-round way. As a policy tool and financial tool to serve "agriculture, rural areas and farmers", insurance in rural areas has a very close relationship with the implementation of the rural revitalization strategy. The effective and sustainable development of rural commercial insurance can help give better play to the strategy of rural commercial insurance to help rural revitalization. Moreover, the COVID-19 has brought us many "black swan" effects, which has promoted people to use insurance to protect their daily life. It can be said that in the context of rural revitalization, the impact of the COVID-19 on the insurance industry is a combination of "advantages" and "disadvantages". To some extent, the prevention and control of the epidemic has restricted people's social activities, thus adversely affecting the development of offline business of insurance marketing in the short term, and the profits of insurance companies have declined accordingly. In addition, the insurance business in some fields will be affected by mainstream factors, which will easily lead to the problem of refusal of insurance or difficult claims settlement. Its advantage lies in that people begin to understand the importance of insurance allocation, develop people's habits of risk management planning and asset allocation, improve people's risk management awareness, and at the same time, it will promote insurance companies to design more relevant practical insurance types, and promote the restructuring and updating of the insurance industry business[10].

Of course, in combination with some weaknesses in the development of rural commercial insurance in Guangzhou, as people's awareness of risk management continues to rise, the demand for insurance will increase, and the supply vitality of the insurance industry will also increase. Under the rapid reform and development of the industry, insurance companies need to deepen reform, improve product design, innovate insurance operation mechanism, and optimize the insurance claims process. We will strengthen field visits and develop a scientific rural risk protection mechanism guided by helping farmers.

At the micro level, the rural revitalization strategy can naturally promote the development of agricultural insurance. In recent years, national policy documents have repeatedly referred to the issue of agricultural insurance serving "agriculture, rural areas and farmers". Driven by the policy, agricultural insurance has made rapid development. It has promoted the innovation of the structure of agricultural insurance products and the operation mode of rural insurance. While revitalizing and developing the countryside, the demand for agricultural logistics and agricultural products has gradually increased, thus promoting the adjustment of the structure of agricultural insurance products and the operation mode. At the same time, the development of agricultural insurance has also greatly guaranteed the implementation of the rural revitalization strategy. The development of agricultural insurance has enabled farmers to more consciously guard against risks. When agricultural insurance is used to protect agriculture, it has increased the application of science and technology to promote the improvement of farmers' level of technology application; Agricultural insurance guarantees the stability of income in rural areas. Even if agriculture suffers from force majeure natural disasters, farmers' losses will be greatly reduced with agricultural insurance compensation and government subsidies.

Acknowledgments

This work was supported by the Fund project, Guangzhou University of Business 2020 school level project: the current situation and reform and innovation of student party building in the new era, (2019XJYBZX002).

References

- [1] Lee, Daeyong. (2021) *Impact of employer-sponsored health insurance on firm capital structure: evidence from the Affordable Care Act*, 28(3):241-245.
- [2] Chen Tao. (2013) *Current Situation of Rural Commercial Insurance Development in China*. *SME Management and Science and Technology (First Decade)*, (09): 174.
- [3] Zhang Linjiang. (2012) *China must have "new thinking" to meet the new challenges of urbanization* *Journal of Beijing University of Science and Technology (Social Sciences)*, (10): 23-25.
- [4] Chen L. (2009) *Midnight red some problems and suggestions on the promotion of China's new rural social endowment insurance system*, *Journal of Zhejiang Provincial Party School*, 25 (05): 5-11.
- [5] Su Yan, (2017) *Research on the Development Strategy of Conghua District Characteristic Town in Guangzhou*. *South China University of Technology*, (02) 74-76.
- [6] Wang L , Liu C , Wang S , et al. (2019) *2018 Guangzhou National Economic and Social Development Statistics Bulletin*. *Guangzhou Bureau of Statistics March 25*, 20(06): 15-22.
- [7] Qu Tongyu, Ji Caihong. (2020) *Research on China's Agricultural Insurance Development under the Rural Revitalization Strategy*. *Hainan Finance*, (06): 55-61+68
- [8] Xu Rongtang. (2019) *Thoughts and Countermeasures of Agricultural Insurance Helping Rural Revitalization*. *Modern Finance*, (03): 49-50.
- [9] Jin Xiaoyang, Liu Weizhong. (2020) *Research on Problems and Countermeasures of China's New Rural Endowment Insurance System*. *Southern Agricultural Machinery*, 51 (04): 219.
- [10] Sun Bincheng, (2014) *Research on Problems and Countermeasures in the Handling and Management of China's New Rural Social Endowment Insurance*. *Xiangtan University*, (01)24-33.