
Access to Insurance Initiative

**Report on the International Workshop on Microinsurance Diagnostic Study
in the People's Republic of China**

中国小额保险国别研究国际研讨会

Since their launch in 2008, microinsurance products offered through pilot programs in the People's Republic of China (PRC) have reached an impressive 24 million low-income citizens in 28 provinces. These products range from life insurance and health insurance to accident insurance products. With a potential customer base estimated at 574 million, there is still a lot of room for growth in the world's most populous nation.

This was one of a number of important draft findings presented at the International Workshop on Microinsurance as part of the Access to Insurance Initiative microinsurance diagnostic study currently taking place in the People's Republic of China. The workshop was held on 13 September 2012 at the Intercontinental Hotel, Beijing, hosted by the China Insurance Regulatory Commission (CIRC).

The ground-breaking study is being sponsored by Asian Development Bank (ADB), the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and conducted under the umbrella of the Access to Insurance Initiative (A2ii). A2ii, a global partnership between the International Association of Insurance Supervisors (IAIS) and development partners, works with insurance supervisors with the vision of increasing access to insurance markets, particularly for the low-income population.

Participants at the workshop were welcomed by Madam Guo Xueyan, Deputy Director General, International Department of CIRC. Growth and stimulation of the microinsurance market is part of the CIRC strategic plan for the development of the insurance industry. This was a key message from Mr. Gong Yisheng, Deputy Director General, Life Insurance Department of CIRC in his opening speech at the workshop. Microinsurance can assist in poverty reduction by providing rural and migrant workers with a form of risk management to help increase incomes. There is a lot of potential in the Chinese microinsurance market, so let's join hands in research and development of the market, declared Mr. Gong.

The workshop had over 50 participants and was attended by senior representatives from CIRC and the sponsors, as well as from the Chinese insurance industry, including foreign insurers operating in China. Participants included representatives came from China Life, PICC, Allianz,

Insurance Association of China, China Pacific Life, Postal Life, Taikang Life, New China Life and Pingan Pension. The sponsors were represented by Henry Yan from the Access to Insurance Initiative, Thorsten Giehler from GIZ and on behalf of BMU and Arup Chatterjee from ADB.

In China, microinsurance products are targeted at the rural workers and migrant workers, that is, those moving from rural to urban areas for employment reasons. As a young industry, the sector is fairly concentrated, with 7 insurance companies accounting for over 70% of microinsurance policies sold.

Extensive focus group discussions were held to understand the main risks faced by the low income population, methods they use to cope with those risks and their understanding of and attitude to insurance. The focus group discussions were held with 28 small groups in 3 provinces (Shanxi, Sichuan and Fujian) in both urban and rural areas. Not surprisingly, in all cases, saving for a child's education was seen as the important financial risk. In China, the child is seen as the main form of securing financial help in old age, and sacrifices in other areas are made or money borrowed in order to support this expense. Awareness of insurance is very high with life insurance (bought by 58% of participants) and accident insurance (31%) being the most popular products purchased. Experiences with insurance showed the need for improvement in some areas, eg policy terms and documentation. Feedback was also given that the stronger the connection between the salesperson and the company, the higher the level of trust. The focus groups are an integral part of the study and provide valuable information to the supervisor and the industry.

An international team was assembled to undertake this project, as befits such a large and fast evolving market. The team comprised consultants Hennie Bester and Herman Smit from the Centre for Financial Regulation and Inclusion (Cenfri), Lisa Morgan from Milliman, Professor Zheng Wei from Peking University, Professor Hu Qiuming from Southwestern University of Finance and Economics and Professor Luo Qingju from Capital University of Business and Economics. Focus group research was led by Patrick Zhang of CP Research. The team of GIZ China has coordinated their efforts in China in partnership with CIRC, which is also formal partner of an Sino-German project on weather index insurance.

The consultants presented the draft findings of a comprehensive diagnostic study covering market demand, supply, and the regulatory framework that affects microinsurance in China. Rapid growth of insurance in the rural and migrant sectors was observed, as well as the symbiotic relationship between social security and insurance. It was also mentioned that different models of support from the state mean that different opportunities are presented to the insurance industry.

The consultants made draft recommendations in the report, highlighting the need for the industry to:

- offer innovative products targeted to the needs of customers (eg perhaps drawing on the emphasis placed on saving for education),
- focus on strengthening distribution channels to rural and migrant customers,
- emphasise the need for providers to demonstrate client value to customers, and
- offer products tailored to each customer segment such as the migrant work.

The draft report was released for consultation during September 2012. The consultation process has now closed. The final report will be released following consideration of comments made at the workshop and the consultation process. While China is indeed a unique market, there are many fascinating and useful aspects that other countries will be very interested to learn about.

China Insurance Regulatory Commission was established in 1998 and is authorized by the Chinese State Council to conduct administration, supervision and regulation of the Chinese insurance market, and to ensure that the insurance industry operates stably in compliance with law. In 2003, the State Council upgraded the CIRC from a semi-ministerial institution to a ministerial institution directly under the State Council. (www.circ.gov.cn)

Access to Insurance Initiative was established in 2009 as a global partnership between: International Association of Insurance Supervisors (IAIS), German Federal Ministry for Economic Development (BMZ), CGAP, International Labour Office (ILO), FinMark Trust and United Nations Capital Development Fund (UNCDF). Other major partners include The Ministry of Foreign Affairs of The Netherlands (DGIS), Asian Development Bank (ADB), Inter-American Development Bank (IDB) through its Multi-lateral Investment Fund (MIF), GIZ/Making Finance Work for Africa and FIRST Initiative. The Secretariat of the Initiative is hosted by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH in Eschborn, Germany, on behalf of BMZ. The Initiative supports insurance supervisors in implementing regulatory, supervisory and policy reforms that enable low-income clients to access insurance policies and thus contribute to market development and client protection. The Initiative is unique as it is the only global partnership of its kind between a financial standard setting body and organisations with an interest in international development and financial inclusion. (www.a2ii.org)

Asian Development Bank finances development in the Asia and Pacific region with the aim of reducing poverty. ADB in partnership with member governments, independent specialists and other financial institutions focuses on delivering projects that create economic and development impact. ADB helps developing member countries tackle poverty by providing loans, technical assistance and grants for a broad range of development activities. ADB focuses on five core areas of operations: infrastructure; the environment, including climate change; regional cooperation and integration; finance sector development; and education. (www.adb.org)

German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety is a ministry of the Federal Republic of Germany whose primary functions include: fundamental environmental policy issues; international cooperation; informing and educating the public about environmental issues; environmental remediation and development in Eastern Germany; climate protection, environment and energy; air quality control; noise abatement; conservation of groundwater, rivers, lakes and seas; soil conservation and remediation of contaminated



sites; closed substance cycle management and waste policy; chemicals safety, environment and health; precautions against emergencies in industrial plants; protection, maintenance and sustainable utilisation of biodiversity; safety of nuclear facilities; radiological protection; nuclear supply and disposal. (www.bmu.de)

Deutsche Gesellschaft für Internationale Zusammenarbeit is a German federal enterprise that supports the German Government in achieving its objectives in the field of international cooperation for sustainable development. It is also engaged in international education work. GIZ offers demand-driven, tailor-made and effective services for sustainable development. GIZ operates in many fields: economic development and employment promotion; governance and democracy; security, reconstruction, peacebuilding and civil conflict transformation; food security, health and basic education; and environmental protection, resource conservation and climate change mitigation. (www.giz.de)