



The Situation and Analysis of the Insurance for Old People in China

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Abstract

With the advent of the aging time, how to ensure old people to spend remaining years in comfort becomes the hot spot concerned by the society. Old-age insurance for the elderly living, medical expenses and accidental damage protection, with a vast market, the advantages of targeted. And it can make up for lack of social security. Analysis of China's insurance market status and disadvantage, and advices are proposed from three aspects such as tax preference, designing a comprehensive insurance and endowment service.

Keywords: Aging, Insurance for old people, Social security, Pension Service

The problem of aging in China becomes more and more seriously, and the "Statistical Communique of the People's Republic of China on the 2000 National Economic and Social Development" showed that up to the late of 2008, the population equal to and above 60 years old was 159.89 million, which occupied 12% of the total population, and the population equal to and above 65 years old occupied 8.3 of the total population. China belongs to the country "getting old before it gets rich", and the social endowment and social security are more obvious, so the commercial insurance companies are more necessary to dig the "silvery-hair market", and actively develop the insurance products relative to old people. Products of insurance for old people launched in the word, and the income rose sharply. According to statistics, Germany has 1.3 million elderly people insured, and occupied of the total number of 2/3. U.S. long-term care insurance with changeable premiums, flexible design, and welcomed by older Americans, which occupied 25% of the U.S. life insurance market share.

The main risk faced by old people is the financial risk induced by the delayed survival time and the medical and nursing charge induced by the diseases, The old insurance aims at the old group above 50 years old, and when the appointed accidents appear in the appointed term for the insurant, the insurer pays the premium to beneficiary according to the contract. It has many characters such as broad market and sufficient guarantee. The good development and utilization of old accident insurance can promote the stability and harmony of the society.

1. The Situation of Old Insurance in China

Chinese old insurance started late, and its premium is short. As the world's most populous country, but also aging populous country, until 2002, Shanghai, the country witnessed the emergence of the first old-age insurance - "Yong An-guarantee" accident insurance. "Yong An-guarantee" provisions of the insured at the age of 50 years to 75 years old; this is the first insurance product for senior citizens, mainly to protect the elderly due to accident injuries and medical expenses. In the same year in October, Xinhua Life Insurance Company launched the "wonderful life" insurance, the first time the insured person's age limit relaxed to 80 years old, breaking the old-age insurance of the "forbidden zone." In May 2003, AIG Insurance Company has launched the "peace of mind guarantee" whole life insurance, relaxed the age to 80 years old.

Up to the late of 2007, there were 120 insurance institutions including 59 Chinese-funded companies and 43 Sino-foreign firms, and there were 22 insurance companies which managed the old insurance. Up to the late of 2007, the amount of the old insurance product had achieved 62 in China, and the total proportion of the old insurance in the personal insurance is 11.1% (seen in Table 1).

With the acceleration of the aging process in China, the aging population increases quickly, as at the end of 2007, the aging population in Shanghai which have the most aging population had reached 2.8683 million, accounting for 20.8% of the city's total population(SRCA,2008). The demand for old insurance is huge, but the status quo of China's insurance market, the number of companies operate old insurance is relatively small, the share is still low.

The old insurance products in China have simple structure and construct. Chinese old insurance appear as accident insurance products, mainly in the form of products and by-laws are the main risk insurance, policy design is simple, the insured person age limit, the insurance limit to protect the content in much the same, without their own characteristics, and lack of market competitiveness. The most common old accident insurance only face to fractures, burns, hospitalization subsidies to subsidies.

Faced with enormous potential in the old insurance market, the insurance company why progress so slowly? The following analysis of the national old-age insurance impedes the reason.

2. Causes Analysis of Obstacles to the Development of Chinese Old Insurance

2.1 Psychological factor

Since China entered the aging very fast, and showing a trend of speed-oriented, the feminization and aging. The people generally haven't understanding of aging very clear, aging would bring what and how to understand, how to resolve, we have not prepared, nor don't have enough experience. This is reflected in many aspects, such as the elderly in their remaining years of life care matters, the community care of the elderly population matters, nuclear families of the contradiction with the traditional old-age pension, as well as follow-up services after the death of old problems, old-age insurance also didn't received enough attention.

2.2 Social and cultural factor

Chinese traditional ideas to make raising children for old age, the old people get care and support for granted from the family and the next generation, and people are not accustomed to using insurance to protect the lives of old (Hualing, Wei., Baoqing Lin,1999). Therefore, the old insurance will be a large extent subject to the promotion of the social customs and cultural resistance to the purchase of old insurance for the old people; others may consider that young people's filial piety is not enough, aiming to shirk responsibility. Moreover, from the subject of impact of Chinese traditional culture for several thousand years, people are often reluctant to face up to death, illness, disability and other insurance accident, have resistance to these. Therefore, they are more willing to buy pension annuity which guarantee a happy life, rather than buy accident insurance, such as the old insurance which was pure protection product.

In addition, due to the rapid development of China's insurance industry in the process, some agents have deceived their clients there is the case, individual insurance companies set up there are unfair terms in contracts, resulting in payment difficult situation, which also led to some people in conflict with the insurance.

2.3 Risk control factor

The old people have poor physical condition, and their body functions of each part have begun a gradual decline. They are the disease, death and other risk-prone group; the general accident may cause more serious harm to them. Therefore, there is a huge risk for old insurance. Many insurance companies were established not long ago, their actuarial techniques and the accumulation of empirical data are insufficient, so, they not dare to carry out old insurance. Even if carried out, considering their own benefits and risks, insurance companies must improve risk premium rates to prevent a loss; if insurance costs are not high, it must have strict insured conditions and insurance coverage; the other hand, a relatively high premium rates, the majority of the old people is difficult to accept, which will result in the shrinking market demand for old insurance, leading the struggling to the old insurance development.

In addition, Chinese insurance industry has limited investment channels. In 2005, the insurance funds were allowed to invest in the stock market. In 2006, the insurance funds in bonds and stock investments in the proportion of 53.14%and5.22%. and the capital of the investment income is still limited, and without the reinsurance, insurance companies unwilling to take the risk. Figure 2 is the U.S. life insurance companies 1975-2007 the asset holdings of stocks and bonds in the proportion of trend charts. In a word, whether for controlling risks or obtaining a steady growth in investment income, China has a large gap with foreign countries.

3. Advices to Develop Chinese Old Insurance

3.1 Setting up tax preference, extending investment channels of insurance companies, and increasing the competitiveness of insurance companies

The foreign old insurances are mostly developed relying on policies and tax incentives. Chinese old insurance for the people over the age of 50 also faces high risk of payment problems. In addition to insurance companies to enhance their own experience and technology, the government needs to set the tax preferential policies to encourage and guide insurance companies to actively explore the market. In this way, it can add new impetus to Chinese insurance industry to develop, but also we can ease the pressure on old aging in order to facilitate multi-level old pension system.

In the United States and the United Kingdom, in a number of years, the individual insurance payment rate of home and other property-casualty and W. P. A. is relatively high, up to 120% or more, but the insurance companies do not resolved by raising the premiums, but by a higher return on investment of insurance to make up for operating losses. in our country there are still irrational structure, low efficiency and poor efficiency of the problem in using of funds, we can

refer to the American experience to set the traditional life insurance and investment insurance different accounts, different styles of investment. And we can expand investment channels for insurance funds. We can increase the rate of return with the framework of control, thereby increasing the profit margins of insurance companies and improve the competitiveness of insurance companies.

3.2 Combining the specialized insurance and comprehensive insurance

In modern society, population moving and migration has accelerated and job changing frequently changes the family structure for small-scale model. Improving material standard of living, people pursue to spiritual life, young and old generations are required to have a separate space and more and more freedoms, the traditional extended family to live no longer meet the needs of people, small families have been generally accepted. Adult children, the old people tend to live alone (Deming, Li, Tianyong Chen., & Zhenyun Wu, 2006, Hanshi, Xiao, 1995). This phenomenon is especially common in cities. Empty-nest families have mortality and accident risk significantly higher than the old people and children living together. When the old people subjected to a number of small, accidental injuries, they often need others to care for some time. Children specialized care for them is unrealistic; employ professionals care is a good choice, but care costs are not a small number. Therefore, we can address this need, to develop of empty-nesters insurance to protect the cost of short-term care. With this insurance, children can significantly reduce the worries about the old people, and the product can promote the development of Chinese aged care industry, expand the aging industries.

High-risk and high rates make insurers operate old-age insurance reluctantly, and the old people are unwilling to insure. Putting old insurance as part of a comprehensive insurance liability can be a good solution to these problems. Communiting the old people as part of accident and health insurance liabilities with other young family members of the insurance liability insurance or a combination of old insurance with the responsibility of the family property, which may has good effect on reducing the risk of rate policy and increasing the attractiveness. In 2002, the Xinhua Life Insurance, introduced a combination of structural features for the modern family, "portrait Family Protection Program" .which designed for the three generations to solve a family facing health, education, pension and other issues of the insurance portfolio "increase the amount of Gateway," "sunshine", "Jiqing surplus" and the insured ages extended to 80-year-old "happy life" together. This "three-wide has its" new service concept, alleviate the pressure of high-risk of the responsibility of a single old insurance in some extent. The product put service for Chinese families of "family, the whole process, all-round", which is a breakthrough development in Chinese insurance industry.

3.3 Using reinsurance to reduce the risk of old insurance

Insurance companies also need to spread and transfer risk, and reinsurance can spread the risk of primary insurers effectively. Catastrophe insurance was used most widely in the international community. the insurance companies can shift more than the amount paid or a standard retention payment rate portion of the risk of old insurance to re-insurance companies, so as to control risk, make the sound operation and expand the market. General Cologne re-insurance in 2003 started the Chinese version of e-life underwriting manual in Beijing , aimed at the Chinese old-age insurance market which was still a blank. Chinese insurance companies need to cooperate to the foreign re-insurance companies which has extensive experience, for the prosperity of Chinese old insurance.

3.4 Using a variety of form, and combining the old insurance and pension services,

In rural areas, the old accident insurance can be the powerful compensation of the medial plan of big diseases, and fully guarantee elders' nursing and medical charges because of usual accidents (Shuping, Huang, 2005). Countries can use old insurance to reform the full-scope safeguards. Countries pay for their premiums for those living alone, insurance companies paid when an accident happened. In this way, we can not only reduce the state's financial burden, but also promote Chinese development of the insurance industry. In the city, the old insurance can be combined with community-based services, which can fully exert the charge guarantee function of the insurance and the endowment service function of the community. From this year, Shanghai begins to let all endowment institutions to buy the old accident insurance in the whole city, which not only disperse the risk of endowment institutions, but promote the communication and cooperation of data between insurance companies with endowment service intuitions. Additionally, increasing advocacy have significant effects on the expansion of old insurance awareness and improving old insurance coverage.

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Table1. Companies and product amount of accident insurance in China (Unit: %)

The amount of insurance company	The amount of the company managing old insurance	Ratio
120	22	18.33
Product of personal insurance	Product of old insurance	Ratio
559	62	11.11

Data from: China Insurance Regulatory Commission, Homeway web, and various insurance companies

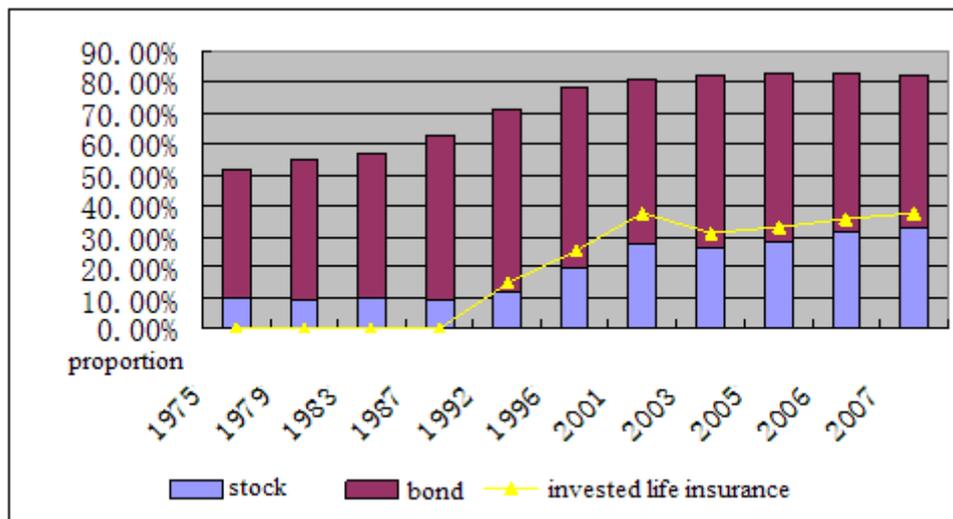


Figure1. Proportional Tendency of Stock and Bond and Invested Life Insurance Proportion in the Assets of US Life Insurance Company from 1975 to 2007 (Data from: ACLI Life Insurers Fact Book 1976- 2008 (US))