

Study of the Insurance Development in Ethnic Regions of Gansu Province in China

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Abstract

Gansu is an agriculture province with different ethnic minorities. The insurance industry of ethnic minorities region is not only a part of its economy but also an important measures supporting and promoting the economic development in minorities regions. For promoting development of insurance industry in ethnic regions in Gansu, especially for the development in minorities' counties and servicing regional economic and social development, this paper conducts a comprehensive survey of the insurance industry in selected ethnic regions and analyzes the characteristics and the main problems on the basis of micro-environmental and macro-environmental analysis. Finally, the paper proposes some pertinent suggestions in order to promote continued and healthy development of the insurance industry as well as regional economy and better social development in minorities region.

Keywords: Insurance development, Ethnic regions, Gansu

1. Introduction

Since our country has renewed domestic insurance industry in 1979, insurance industry got a rapid development. But imbalance of insurance industry's development is still a major problem we are faced with now. Our country paid more and more attention on insurance industry of ethnic regional development. *Several proposals on the development of the reform of insurance industry from State Department* (promulgated by Year 2006) indicates that for developing our country's insurance, we must plan the development of insurance region as a whole, making great efforts to promote service level of less developed regional insurance, especially service level of minorities regional insurance. Promoting development level of ethnic regional insurance, it has great effects on promoting rapidly developing of local regional economy and the security level of local resident. Recent years, plenty of scholars made a deeply research on factors affecting the development of insurance industry in a region. Firstly, on factors affecting the development of insurance industry in a region, scholars have basically reached a consensus that the main factor affecting insurance is economic development level (Tan 1997 and Xu 2002). Economic factors include income, savings deposit, inflation etc (Xie 2000). In addition, some scholars took social cultural factors into consideration, include: population, education attainment, risk awareness etc (Liu 2004). At the same time, on the condition of policy that many scholars thought the factor which affected insurance is the level of interest rates, social welfare expenditure and the legal environment have effects on the development of insurance (Jiang 2003). Secondly, in the aspect of analysis method, domestic and overseas scholars unanimously adopted the empirical analysis method, most of the scholars adopted to establish the multiple regression model (Zhuo2001), also some scholars used panel data to establish model, few scholars adopted the method of phase lag a few monadic regression model (Lin and Hong 2004, Yang 2005, Wu and Lin 2003). Thirdly, we can find, studying some factors which affect some specific regional insurance development by using demonstration at home or abroad is less. Specially studying for minorities region is less and less, if there are some factors which come down to minorities regional insurance, which will only consider some factors on macro perspective economy and policy and it lacks deep analysis on minorities regional specific culture background and custom tradition. Mi and Xiang (2002) argued that people in minorities region have less awareness on insurance, the development of insurance is in a transitional stage and this stage will maintain about five to ten years. Qian (2003) pointed out that people in minorities region are lack of insurance consciousness and risk prevention, which causes the development of the ethnic regional insurance industry lagging behind. Duan (2007) exposed that the ethnic regional insurance industry does not point the view of minorities and calls on expanding the method of enhancing the minorities region of insurance industry. Chen (2009), from the point of view of ethnic and

religious angle, took econometric model as an analysis tool and took five minorities regions in China as the object of research, analyzing factors that affect the development of minorities regional insurance industry from the analysis of mathematical logic. We found the factors affecting the development of minorities region in China besides per capita GDP, per capita premium savings deposit etc, ethnic factors and religious belief are variables we cannot ignore. This article is based on field investigation of the ethnic regional insurance industry in Gansu, pointing the major problem in ethnic regional insurance industry and coming up with countermeasures to work out this problem. The paper is organized as follows: Section 2 introduces the current situation of economy and the insurance development in the ethnic minority regions. Section 3 analyzes environment analysis for the Insurance business. Section 4 presents the characteristics and problems of the insurance market. Section 5 proposes the countermeasure and suggestions, and the last section will conclude the paper with future working direction.

2. Current situation of economy and the insurance development in the ethnic minority regions

2.1 The status of economic development

There are two ethnic autonomous prefectures of Gansu (Gannan Tibetan Autonomous Prefecture and Linxia Hui Autonomous Prefecture) and five ethnic autonomous county. According to the sixth census data, Gansu minority population is 2.4 million, accounting for 9.4% of the total population in Gansu. The minority land area is 180000 square kilometers, accounting for 38.7% of the total. In addition to the Han nationality, there are 40 ethnic groups in Gansu, in which a large number of regions inhabited by Tibetan, Mongolian, Kazak, Sarah, Dongxiang etc, ten nationalities.

Due to the differences of historical reasons and regional economic development, minority nationality regions of Guizhou Province, especially the weak link in minority county economic development is still in the national economy and social development, in the development stage of lower level. Mainly displays in: the overall development lag, weak economic foundation, mostly agricultural county, industry weak small county, finance poor county, the lack of the supporting pillar industry of the county economic development, self accumulation and self development ability, a serious shortage, low level of urbanization, the “three rural” problems etc. GDP in 2011 reached 44.04 billion Yuan with per capita GDP more than 3000 US dollars.

2.2 The present situation of insurance business development in the minority area of Gansu Province

By the end of 2011, there are eleven insurance institutes with one thousand two hundred and seventy-sixth in branches in insurance market in Gansu Province, and the ethnic regions especially in which there was only two in the main minority autonomous county, that was China life, Chinese insurance. In 2011, the province's premium income of about 14.1 billion Yuan, premium income in minority regions in the province was about 0.99 billion Yuan, accounted for the province's total premium income of 22%, in which the premium minority county revenue was about 0.52 billion Yuan, accounted for 42% and 11% with that in provincial premium income and ethnic minority regions. The insurance depth in minority regions was about 1.73%, which the minority county insurance density was 30.28 Yuan, the insurance depth only 1.68%, in ethnic minority regions the provincial insurance depth was about 63%, 48%.

From the personnel and insurance structure of insurance institutions, ethnic minority regions, by the end of 2011, the province's minority regions set up central insurance company branch with branch 89, sales and marketing service department 102. Employees of insurance institutions in ethnic minority area were about 930 people. Each minority county (city) has insurance institutions to an average of 6, with the average number of insurance employees 29 people. In addition, in the minority regions, insurance premium income of personal insurance company was about 0.97 billion Yuan, property insurance premium income about 4.7 billion Yuan, life insurance, property insurance companies premium in minority county the scale of accounted for 59%, 41%.

From the insurance development in ethnic minority regions, since 2011, more than half of the insurance premium income in minority regions to come from the minority county, the average premium income of 10.6 million Yuan, is the province's county average premium of 64%. There are twenty-one ethnic counties in which the average premium scale was more than the average level in ethnic regions in Gansu.

Table 1. General status of ethnic minority regions of Gansu in 2011

	GDP (billion)	population	premium income	Insurance density	insurance depth	insurance institutions
Gansu	502	25641900	14092700500	549.6	2.81%	1276
Gannan	8.13	688500	170780000	248.05	2.10%	23
Linxia	12.88	2133500	261155700	122.41	2.03%	39
Zhangjiachua	1.76	332500				7
Tianzhu county	2.9	175600	64450000	367.03	2.22%	12
Sunan Yugu	1.94	37300	10812600	289.88	0.56%	4
Subei Mongol	2.518	11600	6820000	587.93	0.27%	2
Aksai Kazakh	0.88	8800	6630000	753.41	0.76%	2
ethnic minority total	30.99	3387800	520648300	153.68	1.68%	89

Source: calculated from the year reports of China insurance Regulatory Commission, Gansu Bureau in 2012.

3. Environment analysis of the Insurance business in Ethnic minority regions in Gansu

3.1 Macro-environmental analysis

3.1.1 Political & legal environment

Since when reform and opening-up, the government of Gansu carries out assiduously *Law on Regional Ethnic Autonomy*, makes all kinds of preferential policies, gives more support to ethnic minority regions. At the same time, with the intensified progress of west china development strategy, the infrastructure construction and the management of ecological environment in minority regions have been made further development. Provincial government also produces *The promoting the province's Tibetan leapfrog development and lasting stability of the implementation opinions* and *The leapfrog economic and social support in Linxia Hui autonomous prefecture discovered several opinions*. These policies further defined the supporting policies for the ethnic minority regions of the province.

3.1.2 Economic environment

In 2001, Ethnic minority regions in Gansu province achieved GDP of 30.8 billion Yuan, with the fixed assets investment of 38.88 billion Yuan. In addition, the total fiscal revenue was 3.77 billion Yuan while the local financial revenue was 1.96 billion Yuan. It is observed that the level of economic growth and social development in ethnic minority regions of Gansu are still low at present, there exists some gap with the average level of the province. Low level of education, low developments of Cultural, educational and health, economic structure is not so reasonable, the living conditions of general public are poor. In recent years, although the third industry has been got some degree development, which centre on tourism and financial and trade, determinants of market development level is not high, the degree of opening to the outside world is not big and lack of spending power, leading to overall economic level is still low.

3.1.3 Social and cultural environment

Different from the level of policies and economic development, ethnic minority regions' customs and culture-specific are uncertain factors. Different culture customs tend to produce different effect on the development of insurance industry. Different ethnic and religion attains different consciousness.

3.2 Micro-environmental analysis

3.2.1 Insurance business itself

After the preliminary statistics, the ethnic minority regions in Gansu province with a total of nine insurance subjects, among them, there are six property insurances, three life insurances and eighty-nine insurance institutions. The number of Insurance practitioners has been more than 2000. In full-year 2001, the ethnic minority regions' premium income reached 520 million Yuan and insurance spending 140 million Yuan. The development presents a fast growth.

Nevertheless, there is a certain gap between total premium and the province's.

3.2.2 Insurance consumers

The ethnic minority regions are affected by history, geography and so on, economic development level is not high, the living standard of people is poor, level of education is generally not high, consciousness of risk is relatively weak, having a limited comprehend to insurance. That brings about negative factors to the development of insurance industry largely. One side, in the area weak insurance awareness, lacking of insurance knowledge, influenced by living customs, these cause insurance willing is not high. On the other hand, in the ethnic minority regions insurance companies because of lacking high quality professionals, regulate acquisition and the phenomenon of misleading marketing, for various reasons, people are misunderstanding and mistrust about the insurance aggravate.

4. Characteristics and Problems of the Insurance Market in Ethnic Minority regions in Gansu

4.1 Obvious Regional Characters of Business development

According to the characteristics of regional differences in ethnic minority regions in Gansu province can be divided into "Tibetan-inhabited regions", "Hui ethnic community", "Hexi three counties" three regions. Three regions of different characteristics of economy, population, environment, the development of the insurance business development also presents different trends and characteristics.

4.1.1 Comprehensive promotion of the Tibetan-inhabited region,

Tibetan-inhabited regions include the Gannan Tibetan autonomous prefectures and Tianshu Tibetan autonomous county. The region property business was healthy and rapid growth. In 2011, Gannan property business original insurance premium income of 137.5636 million Yuan, in all business accounted for 77.88%. Among them, the agricultural insurance premium income was 72.88 million Yuan, in the property business accounted for 52.98%. Compared with the previous year increased by 49.43%. That is to say, the agricultural insurance business has become the main force of pulling the Tibetan insurance business growth. High insurance depth, Gannan with the depth of 2.10%, Tianshu county insurance depth 2.22%, for all insurance depth of the highest in ethnic minority regions. In 2011, Gannan Tibetan autonomous prefecture of the premium income growth in Gansu province is located in the first bit of the 14 cities and states with growth rate of 107.36%.

4.1.2 Steady rising of Hui ethnic region

It includes the Hui ethnic community of Linxia Hui autonomous prefecture and Zhang Guchuan Hui autonomous county. Under the "strong foundation, education, commerce, education industry and ensuring people's well-being, promote harmonious" development ideas, the region's economic development in ethnic minority regions is more prominent, the steady development of the insurance market is also present. Insurance market stable healthy development, the region is planted structure more reasonable, car insurance, insurance enterprises accounted for is higher, has been a steady rise in life insurance, accident insurance and health insurance, but affected by population and rapid population growth, insurance density is significantly lower than other ethnic minority regions in the region, Linxia insurance density is only 122.41 Yuan per person.

4.1.3 Weak foundation of the Hexi three counties

Across the south, Subei Mongolian autonomous county of Yugu autonomous county, a thoroughly Kazak autonomous county are mainly composed of modern agriculture, mineral development and national tourism as the economic development characteristic, the low level of the overall economy, high operating costs, some companies think the region business development is difficult, so the insurance agencies to enter this market enthusiasm is not high. Hexi three counties combined only eight insurance agencies. In 2011 total premium income was 24.2626 million Yuan, both in number of insurance institutions and the size of the premium income belongs to the province low, inadequate competition in the market, insurance practitioners quantity is less, the popularity is low, speed up the development of underpowered, bigger and stronger, the insurance industry.

4.2 The common problems of insurance market of ethnic minorities

4.2.1 The special geographical environment relatively increased operational costs of the insurance

Minority regions in Gansu province regional topography is complex, sparsely populated and living scattered, traffic inconvenience, insurance services business is difficult and high cost. In addition, frequent natural disasters, these regions and the nature, climate, environmental conditions related to higher incidence of disease, accident insurance liability, loss ratio is higher, the insurance company operating cost is higher.

4.2.2 The talent team construction

Ethnic minority regions by the education popularity, people's living standard, regional economy factors, such as less trained personnel, main show is: formal worker high degree worker ratio is extremely low, insurance marketing personnel of high school the following staff accounted for the vast proportion of cultural level. Low quality of the talent team directly cause the local insurance agency management concepts backward, low management level, the innovation will is not strong. Marketing skills and comprehensive quality is still poor. The professional moral level is low, direct impact on the minority regions of the steady and healthy development of insurance industry.

4.2.3 Insurance wills and knowledge propaganda

On the one hand, affected by the traditional ethnic culture and customs of life, many ethnic minority people's attitude to risk prevention and resolve relatively passive. For their birth, aging, illness, and death, and evil, is still used to "support" and "resignation", or the hope that the government and social relief, don't know a great deal of insurance knowledge, aware of insurance is a way to spread the risk of and transfer, so in ethnic communities to carry out the insurance business is difficult. On the other hand, the insurance company for the minority regions of publicity is not in place, the lack of effective communication between insurance company and residents. Because the company hasn't reach the designated position, many residents need to purchase insurance products can't find the way.

4.2.4 Danger to plant development and institutional aspects

The products homogeneity phenomenon is serious. The companies product coverage of a single structure, guarantee product function and characteristics are similar, there is no development of insurance products according to customer requirements and the regional difference, especially the lack of development in minority regions is suitable for the human environment, regional characteristics and customers of products, such as in view of the Hui minority is good at doing business, the characteristics of the bear hardships and stand hard work, but for the region to focus on design of small and medium-sized enterprise property guarantee coverage. Secondly, organization layout is unreasonable, most of the insurance institutions will be laid in a good economic foundation cities or counties, and do not take the research insurance demands in the economic level is not high.

5. Countermeasures to promote the insurance business in ethnic minority regions in Gansu

Based on the above analysis, we have come up with the following points and the corresponding recommendations regarding each perspective.

5.1 To foster and develop the minority county insurance market system.

One is the development of minority county mechanism, improve the network layout. To encourage and support the establishment of insurance company branch, marketing services in minority county branch, Insurance supervision department should simplify the procedure and program of the minority county marketing service department for setting up the examination and approval on the base of regulation by law, To solve the national minorities county insurance institutions lack of senior executives ,we should give support on policy, relax qualification and business life of insurance agency executives on the outlying mountain regions appropriately. Encourage and support the professional insurance agents to extend institutions and businesses in the county, Allow station of agricultural machinery, animal husbandry station to complete the enterprise reform of agricultural institutions, To carry out related to the main business of concurrent-business insurance agency business, to promote market competition. The other is the sales model innovation, widen the channels of business. Insurance institutions should on the basis of continue to play to the traditional channels of direct sales, agency, marketing and other advantages, to establish and perfect the system of part-time personal agent and agent actively, Make full use of bank, rural credit cooperatives, Postal Bureau, rural power, schools as well as the farmers association and Cattle Association, play the concurrent business agency network advantages, establish the multi-level marketing model. Encourage and support the production life insurance institutions mutual insurance agent in minority county and expand business and providing services through professional insurance intermediary institutions in ethnic county.

5.2 To strengthen product development, enhance the motive force of minority county insurance development

In view of the present single insurance products, differentiation, personalization, adaptability is not strong, all insurance institutions should not only dig the potential of the original product ,do a good job in the old product upgrade, but also to speed up the development of new products, According to the level of consumption and demand characteristics of the ethnic minority counties and capability of the resident actual purchase and payment habits, targeted to develop wide coverage, high degree of security, for easy to understand, simple to insure ,easy to carry, low price of new products. The one is for old-age security requirements, combining with the present situation of rural

population aging, Especially for the larger oriented infirm groups which cannot obtain income in rural regions, develop endowment insurance business, making it a sense of security ; Secondly, in view of the major diseases security requirements, develop insurance of a serious illness to guarantee type of insurance products, exploring varieties forms, Actively participate in the new rural cooperative medical care pilot, to solve one person had a serious illness, the family poverty, poverty-returning issue; Thirdly, it is for accident risk guarantee demand, facing the main labor force in the peasant family most in need of risk guarantee group, actively develop farmers' accident injury and additional medical insurance, health insurance and other insurance. Fourth is targeted at the actual transfer of rural migrant workers labor, and actively develop marketable insurance products, such as design suitable for rural migrant personnel accident harm, liability insurance, Provide "one-stop" work style, the whole process, wide coverage "insurance service for labor service export.

5.3 Combining the insurance development with economic social development in ethnic minority regions, to expand insurance coverage and influence.

The first is to actively around the economy construction in ethnic minority regions and operation of enterprises to expand the business space. Minority area of Guizhou province has a lot of traffic, hydropower, water conservancy, urban construction and other key construction projects. Therefore, we should actively expand to provide all kinds of form a complete set of insurance service for key construction projects. In view of large construction project investment amount is large, long construction period, high technical difficulty, high risk, insurance company can be underwrote by way of coinsurance, in order to improve risk sharing capacity. Secondly, actively and steadily run to adapt to the ethnic minority regions advantage resource development and advantages of leading industry development demand of insurance products, to promote the adjustment and optimization of industrial structure. Third is around the rise of ethnic minority regions characteristic tourism development in recent years, continuously expand accident insurance, liability insurance, etc.

5.4 To strengthen the system construction, improve the quality of service

Guide the insurance company to explore establishing incentive evaluation mechanisms accord with the characteristics of minority county, tilt appropriately on the fee policy, personnel appointment, business assessment and other aspects, protect and encourage grassroots companies developing minority county rural market's enthusiasm; Establish a set of minority county market characteristics, effective customer service system, In guarantee under the premise of risk control, from the perspective of convenience customers, we should establish perfect system of customer pays a return visit, do well in insurance consulting services, simplified underwriting, claim settlement and other procedures, so that make customers feel the insurance can be rooted in the rural regions, can provide long-term service. At the same time, increase education and training efforts of the industry system, become "business backbone" for the "compound talents", improve the overall quality of company personnel at the grass-roots level, building a corresponds to the development of minority county insurance personnel.

5.5 To increase the insurance propaganda, to create a good environment for the development of ethnic minority county insurance.

One is the integration of insurance propaganda resources and form combined force of propaganda to organize insurance awareness month, week, Advisory Services and other activities regularly or irregularly. Further into national minority regions promote basic knowledge of insurance, insurance products and related laws and regulations. Second, fully respect the national religious beliefs, combine christen DE, charitable works of the religious doctrine with insurance principle in plain and popular way to carry on the propaganda to religious believers. Third is combined with the county insurance market, to carry out the insurance propaganda to the countryside village activities, through the held by theatrical performances and presentation, pay the attendant and any other means, the propaganda of insurance knowledge to the masses of farmers and herdsmen, which can strengthen the consciousness of the masses of farmers and herdsmen insurance. In addition, we should be good at holding the typical case, conducting propaganda extensively, enhancing the minority county people's awareness and understanding of the insurance function, improving the image of the insurance industry, to create a good environment for the development of ethnic minority county insurance.

6. Conclusion and Implications

It is clear that the economic gap between ethnic regions in Gansu and the other regions has been widened in the last few years. This is not conducive to the coordinated development of the national economy and the common progress of all ethnic groups, but also can cause some other aspects of the contradictions. The further development of

insurance industry for the local economic development and the social life for the masses of ethnic minorities can provide not only the sustainable development of regional economy, but also promote the progress of minority nationalities, enhance national cohesion and maintain the long-term stability of the society. Therefore, it is necessary to expand the insurance market in the ethnic regions to enhance the self development ability for ethnic minorities and reduce the burden of national poverty alleviation.

Finally, it is noted that due to the data insufficiency, we only take elected ethnic regions in Gansu province only for one year analysis. It is recommended that further studies should be undertaken when the data are available so that the result could be further improved.

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