

An Introduction to PICC's Microinsurance Products

I. Agricultural microinsurance products

In recent years, governments attach great importance to agricultural insurance which could defuse the risk of agricultural production and enhance agricultural and rural economic development. Governments have continued to increase support for agricultural insurance, and receive the rapid development of agricultural insurance. PICC fulfill social responsibilities actively, to develop agricultural insurance business. In 2008, agricultural insurance coverage offered by PICC which was offered premium subsidies from governments reached a total sum of 125.828 billion Yuan, with premium income of 5.748 billion Yuan. PICC has made outstanding contributions to rural economic development in our country.

The agricultural insurance of PICC is mainly reflected next several characteristics: **First, strong support at all levels of governments.** In 2009, the central government support premiums subsidies for 7 kinds of cultivation insurance such as rice, wheat, corn, soybean, cotton, peanuts and rapeseed insurance, and 2 kinds of breeding insurance for breeding sows and diary farming. The rage of subsidies covers more than 20 provinces. The ratio of subsidies has increased from 30%-80% range. In addition, the degree of subsidies from local governments is different at all levels . Farmers could only pay a small portion of the premium, then can obtain comprehensive insurance cover. This apporoch can effectively reduce the burden on farmers.

Second, a wide range of coverage. Through the scientific and rational determination of the premiums, agricultural insurance provided majority of farmers with farming, aquaculture, forestry and other comprehensive insurance coverage and assume natural disasters, accidents, disease, the government killed insurance, etc., to help farmers to enhance production capacity, spread and transfer the production risk ,and increace the income of farmers.

Third, user-friendly products. Taking into account of the characteristics of the broad masses of peasants, PICC designed products easy to understand for farmers,underwriting and claims process simple and quick,to compensate for the loss of farmers rapid and timely to help farmers resume production. So,the

agricultural insurance products of PICC are welcomed by the majority of farmers.

The following will be briefed on several typical products as follows:

1. Sow Insurance

Pig production is an important part of agricultural production. In recent years, pork prices have continued to fluctuate. To protect the interests of pig farmers, the central government issued a series of policies, and performance of breeding sows insurance is one of the key measures. Combination of long-term practical experience, PICC has developed Breeding Sows Farming Insurance. Since the insurance has been started in August 2007, the coverage contains natural disasters, such as lightning, rainstorm, flood, storm, hail, earthquake, freeze disaster; geological disasters, such as landslide, mud-rock flows; accidents, such as fire, explosion, building collapse, falling objects, and 19 kinds of disease. 8-9 months in 2008, in "The third of China's insurance innovation activities", which was made by the "Insurance Culture" magazine, the product was awarded "the most influential of insurance products market integrated Award" and "the best insurance products in rural areas Award" two awards. It will have great significance to strengthen the brand and product awareness and further improve the market position.

2. Dairy Farming Insurance

In order to regulate the dairy farming and protect the interests of dairy farmers, PICC has developed the unified dairy farming insurance products for the branch to use in the terms and rates allowed. Its insurance coverage, including fire, explosion, rainstorm, flood, storm, lightning, hail, freeze disaster, mud-rock flow, landslide, earthquake, building collapse, falling objects, and 10 kinds of disease, is comprehensive, reasonable and norms.

3. Forest Insurance

The reform of national collective forest rights established the dominant position of the farmers. For the needs of reform, PICC has developed Forest Insurance products. Its coverage including fire, rainstorm, storm, flood, mud-rock flow, hail, frost, typhoons, snow, rain song, can help farmers resist forest disasters, provide post-production funds protection, and effectively mobilize enthusiasm and initiative of farmers for reforestation.

4. Crop Insurance

Farming, especially grain production, is foundation of national economy. Through years of practice, PICC has established a relatively perfect system of crop insurance products. At present, crop insurance products supported subsidies by central government include soybean, peanut, cotton, rice, wheat, rape, corn insurance , which cover rainstorm, flood, waterlogging, hurricane, hail, freeze disaster. Based on actual need and local conditions, branch can select the additional drought or pest disasters for coverage as additional insurance. They can also develop other crop insurance products supported subsidies by local governments at various levels.

II. Government-driven Rural Property Insurance

In 2008, PICC Policy-Related Insurance for Rural Houses was selected as the most market potential award of insurance products by the Organizing Committee of 3rd China Insurance Innovation Awards. In recent years, PICC attaches great attention to the rural market, plays an active role in the establishment of new socialist countryside by providing insurance coverage. Nationwide there are Fujian, Zhejiang and other branches in varying degrees to carry out Policy-Related Insurance for Rural Houses.

In Fujian, PICC adopts the business model that Government offer subsidies for insurance premiums in full and the insurance cover the whole area. The provincial government authorizes the PICC Fujian branch and Civil Affairs Bureau sign an insurance agreement; and counties (cities, districts)level branch sign an insurance contract with counties (cities, districts) level Civil Affairs Bureau. In August 18, 2006, Fujian Provincial Government issued "Notice on the pilot work of agricultural insurance." In August 2006, PICC Fujian Branch and Fujian Province Civil Affairs Bureau signed a "Policy-Related Insurance for Rural Houses agreement," which realized the government-funded Policy-Related Insurance for Rural Houses. 50% of the total Insurance premium of 35 million yuan was borne by the provincial government and the other 50% by the municipal and local governments (counties, etc.). Each farmer's household receives an insurance cover of 5,000 yuan. In 2007, Province government began to pay the total Insurance premium. In 2009, the insurance coverage for each farmer's house increased to

10,000 yuan, offered insurance services for more than 6.6 million rural families, financial subsidies for insurance premiums amount to 50 million yuan.

PICC Zhejiang Branch adopts a "government promotion + farmers voluntary insurance + business companies operation" model for Policy-Related Insurance for Rural Houses, and has received strong support from the Government of Zhejiang Province. After 80th provincial executive meeting held On October 20, 2006 and the Provincial Standing Committee discussed on October 31, Zhejiang province decided the full implementation of Policy-Related Insurance for Rural Houses within Zhejiang province in December 2006. Government of Zhejiang Province issued a "policy on Policy-Related Insurance for Rural Houses" in November 2006, and held a mobilize video and telephone conference. Premium payments are taken by the provincial Government, city governments and farmers co-financing. That is, for the first risk class region, the premium is 15 yuan per farmer's household, in which farmers pay 5 yuan, counties (cities, districts) offer 6 yuan financial assistance, and the provincial government offer 4 yuan subsidy; for the second risk class region, the premium is 10 yuan per farmer's household, in which farmers pay 3 yuan, counties (cities, districts) offer 4 yuan financial assistance, and the provincial government offer 3 yuan subsidy. Each farmer received the amount of insurance coverage for 18,000 yuan.

In 2008, PICC provided insurance coverage for 8.6million rural families in Zhejiang, which takes up 98.54% of all the rural families in Zhejiang, and the total written premium was 103million. PICC's Rural Property Insurance has been selected as "one of 20 policies which most satisfied by people "in Zhejiang Province since 2003.

III. PICC Rural Health Insurance

At present, PICC has mainly carried out New-type rural cooperative supplementary medical and New-type rural cooperative basic medical commissioned jointly managed services business in rural health insurance.

Since the gradual establishment of the national rural population covered by the national new-type rural cooperative medical system from 2003, PICC as a large state-owned insurance companies, follows the spirit of "people's insurance to serve the people," , and carefully study relevant policy of the national new-type rural cooperative medical system and the promotion situation throughout the country. As a result, PICC issued " guidance on developing the social security medical insurance and the new rural cooperative medical business " and "actively explore and participate on the new rural cooperative medical scheme" , which require PICC as a whole make "long-term, and actively explore ; lay a solid foundation for advancing norms; strict control, to achieve win-win "as the guiding ideology, and according to local conditions steadily involved in the promotion of new agricultural work together. through Issued the "Notice on the establishment of leadership group of supplementary medical insurance and the new rural cooperative medical care business " and "notice on related matters of new-type rural cooperative medical care information system on business model " , PICC increased the level of management of new-type rural cooperative medical care relative business. through Issued the regular editorial " new-type rural cooperative medical care dynamic" and timely reporting the progress of the work on cooperation on new-type rural cooperative medical care system both inside and outside the company, PICC strengthen the exchange of information to enhance business skills. After several years of efforts, PICC has been successfully adopted in various forms of cooperation with the relevant government departments, and picc local branches have carried out a number of new-type rural cooperative medical care co-related business:

By the end of June 2009, PICC has launch 23 projects of new-type rural cooperative medical care co-related business, mainly in two ways first co-ordinate the management of the jointly commissioned Fund of new-type rural cooperative medical care and second Large amounts of supplementary medical insurance. These projects locate in Fujian, Chongqing, and other eight provinces, 13 cities, and service more than 7 million rural residents. total Insurance premiums comes up to 49 million yuan; indemnity has paid to more than 4,000 people. Total Fund Managed by picc is nearly 100million. In the service for Rural residents, PICC actively play their own advantages of network, personnel and service, through the

establishment of professional services team, in order to provide farmers with insurance and medical advice service; security claims done in the more proactive, more timely, efficient, more humane way. These Measures of convenience make PICC recognized by the local government and the residence taken part in. on the "Selected reference" 28,2007 Issued by Xinhua News Agency, in July 18, 2007, the publication article entitled "Chongqing introduce commercial insurance to raise the level of new-type rural cooperative medical care ", fully endorsed PICC actively exploration on new-type rural cooperative medical care supplementary medical insurance to improve the Banan District insurance rates, health care management and service level as well as the capacity of farmers against the risk of serious illness . At the same time, this work has been recognized by the China Insurance Regulatory Commission, in November 2007,on the " the forum on health insurance business development and supervision " organized by the China Insurance Regulatory Commission, PICC was selected as the theme speaker and introduced business experience.

In 2009, PICC health insurance department will continue to expand health care services for rural residents, and further expand in two pilot areas of new-type rural cooperative medical care:

First, the adoption of incentive measures to encourage system-wide use the geographic advantage of the company, coupled with every levels of government together to launch new-type rural cooperative medical care supplement business, and make efforts to reduce the burden of rural residents on medical cost exceeding the maximum limits of new-type rural cooperative medical care, and reduce resolve the phenomenon that the rural residents return to poverty because of illness.

Second is to further improve PICC health insurance business management level. through providing high-quality government co-ordinate the management of the jointly commissioned Fund of new-type rural cooperative medical care services, PICC will effectively reduce the management costs of government in new-type rural cooperative medical care, further improve the basic level of medical services of new-type rural cooperative medical care.

IV. “Huinong Bao” Microfinance Insurance Product

PICC P&C and Agricultural Bank of China together launched a bankasurance product targeted for rural market – “Huinong Bao”Package Insurance Product. This product is exclusively designed for farmers who use "Huinong card" to apply "farmers small loans", and it provides home owners as well as personal accidental injury insurance benefits.

Compared to similar small loaners insurance products, this product innovated in its coverage of liabilities. Except for personal accidental injury benefit, it also covers home owners insurance benefits, which show special care for both the health and the properties of small loaners. In addition to protection for the farmers, “Huinong Bao”Package Insurance Product also adds to the loan security of the financial institutions and effectively shifts loan risks. It lends reassurance to the banks and ease to the loaners.

Our company cooperated with Agricultural Bank of China at headquarters level and selected 14 pilot provinces and organized a project kickoff conference. Relevant documents were releases to the branches of both companies, and offices at provincial, prefecture, and county levels of two companies will soon contact each other and start selling “Huinong Bao”Package Insurance Product.

V. “Happy Village” Third-party Liability Insurance for Farming Vehicles

In order to exercise the importance of insurance as economic driver and social stabilizer, seize the opportunity of developing commercial auto insurance with the implementation of compulsory insurance for traffic accident of motor-drivenvehicle, increasing premium of tractor insurance and exploring new channels for commercial insurance especially in rural area, our company designed “Happy Village” Safety Insurance for Tractor Crew at the end of 2006 to distinguish more insurance resources in countryside and establish sales network of rural auto insurance. In 2007 , the premium of Hunan Branch from “Happy Village” Safety Insurance for Tractor Crew was 1.015million, insured 8545

vehicle; In 2008 , the premium of Hunan Branch from “Happy Village” Safety Insurance for Tractor Crew came up to 1.663million, insured 13997 vehicle; and in the first half of 2009, the premium of Hunan Branch from “Happy Village” Safety Insurance for Tractor Crew was 0.905million, insured 7958 vehicle. In February 2007, after a year of successful experiment, “Happy Village” expanded its market to 25 provinces upon the approval of China Insurance Regulatory Commission.

This insurance enhances better solutions in auto accidents in rural area to secure people’s personal and property safety by marketized compensation mechanism. It has positive impact on strengthening social security system in rural area and people’s ability confronting risks. This insurance promotes harmonious development in rural area, and set a good example for practicing the spirit of No.1 Document, supporting “agriculture – rural area - farmer” and serving the development in countryside. On August 23 2007, Financial Times reported this insurance under the title of “PICC obtained good results in tractor safety insurance.

VI. “Dual Nets” Construction in Baoding City of Hebei Province

In 2006, Baoding Branch of PICC set up the county strategic development command, in order to accelerate the development of the county insurance, and to support "three rural" services as the breakthrough point to vigorously develop rural insurance market. Based on road safety workstations set up by local traffic police , PICC has constructed the “Dual Nets” which combine road safety related works and insurance services.

First, improve the organizational structure. Baoding Branch of PICC has appointed the community, township cadres as the head of safety workstations, and employed village cadres as traffic Supervisor. By the establishment of the safety team from top to bottom, the “Dual Nets” cover 331 towns and 6209 villages, employ more than 6000 safety members as agents, and appoint 350 head of safety workstations.

Second, strengthen the infrastructure. Through offering agents computers or other equipment, PICC has equipped 350 safety workstations with computers,

launched an internal security network for traffic police, and set up additional stationary 56, 118 wireless underwriting point, and 4 VPN underwriting point. PICC has realized wireless networking on vehicle insurance services. The farmers owning rural vehicle in Baoding can enjoy insurance services at the nearest branch.

Third, open a green channel. In the presence of claims survey staff, if the facts of unilateral accidents are clear and loss is less than 3,000 yuan, indemnity can be paid at the scene while the traffic safety members issue Simple proof of a traffic accident and stamp the seal of safety workstations.

Through the “Dual Nets” construction, insurance and traffic police department both participate in traffic safety management, provide insurance protection for the vast rural areas, effectively achieve management of social insurance functions, as well as to further expand the field of insurance for the foundation. By the end of 2007, Baoding Branch premium income of tractors, motorcycles insurance was 17.728 million yuan, representing a 76.31 percent growth to the end of 2005.

VII. Natural disaster public liability insurance

In order to build a ‘harmonious society’, dozens of branch offices of PICC, such as Fujian, Xiamen, Shanxi, Zhejiang, Hubei, Sichuan, Ningbo Yunnan, launched the natural disaster public liability insurance product. This product is designed according to the special geographical environment and frequent natural disaster in specific areas of China. Among these branches, Fujian, Xiamen, Shanxi and Zhejiang branch have already cooperated with local government, and made substantial progress. As a government-funded insurance, it covers personal injuries caused by natural disaster in given areas, whose benefit is paid in accordance with regulation. This kind of insurance, as a safeguard of people's lives and property safety, can improve the ability of the public to defend natural disaster, and develop the prevention and salvation system. In 2006, the insurance was introduced firstly in Shanghang County, Longyan City, Fujian Province. Then Xiamen, Shanxi, Zhejiang branch and other provinces and cities branch followed. Personal injury benefit per person has a limit of 60,000 to 150,000 RMB (of which

medical costs per person benefit is no more than 10% of personal injury benefit). The insurance was awarded ‘the most influential product of insurance market’ and ‘the best liability insurance product’ in the Product Innovation Awards in 2008, co-sponsored by the China Insurance Association, Insurance Institute of China, China insurance newspaper, China insurance network, insurance culture magazine and several insurance authorities.

As of the end of June 2009, the premium income and compensation of natural disasters public liability insurance have achieved 16.58 million RMB and 1.162 million RMB respectively. The insurance has provided a total of 1.37 trillion RMB for 15 million people. In Fujian, Xiamen, Shanxi, Zhejiang Branch, the insurance has become one of effective measures of multi-channel social security as well as government aid, social assistance.

Natural disaster public liability insurance is directly driven by the local government, which is supported by the Ministry of Agriculture, the China Insurance Regulatory Commission and other sectors. Proved by experiences of many provinces, natural disaster public liability insurance is a market-oriented mechanism of risk transfer and risk response. Besides, it is an effective system for people’s livelihood improvement, and disaster prevention and response, under the market economic system. First, the government can reduce a large number of disaster relief expenditure, and further, achieve the transformation of government functions by paying a small amount of insurance premium. Natural disaster public liability insurance, as one of capital source of government relief funds, can help the civil affairs departments raise relief funds quickly, also it can develop the previous single relief channel by government to multi-channel. Secondly, residents can be prevented from poverty by stable guarantee and benefit of the insurance. Finally, natural disaster public liability insurance is an innovation of disaster relief system and emergency management. PICC, as a participator involved in this system, can greatly enhance the natural disaster resisting ability and solving ability in countryside, which is beneficial to the construction of new socialist countryside. Moreover, in accordance with the large number principle, the risk can be better dispersed. Definitely, the government, residents and the insurance company would all benefit from this project.