

Strategies to enhance the ability of rural households to resist economic risks under agricultural insurance system management

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Abstract: This article explores the impact of agricultural insurance system management on rural households' ability to withstand economic risks. It analyzes the fundamental functions of agricultural insurance and its role in mitigating economic risks for rural families. The article highlights the current shortcomings in agricultural insurance, particularly in product design, coverage, and claims mechanisms, which hinder its effectiveness. To address these issues, the article proposes strategies such as optimizing the insurance product system, enhancing policy support, strengthening farmers' risk awareness education, and promoting the integration of agricultural insurance with rural finance. By drawing on advanced international practices, the article also discusses the direction for reforming China's agricultural insurance system. Research indicates that a robust agricultural insurance system can significantly enhance the economic resilience of rural households, providing strong support for the stable development of agriculture and rural revitalization.

Keyword: Agricultural insurance; rural households; economic risk resistance

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Introduction

As China's agricultural modernization accelerates, rural households face increasingly diverse economic risks. Natural disasters, market fluctuations, and the spread of diseases have a significant impact on agricultural production, threatening farmers' income stability and living security. In this context, agricultural insurance, as a crucial institutional arrangement to support agricultural development and mitigate agricultural risks, is vital for enhancing the economic risk resistance of rural households. However, the current agricultural insurance system in China still has many shortcomings in terms of coverage, protection levels, claims efficiency, and farmers' awareness of participation, which hinders its practical effectiveness. Therefore, conducting in-depth research on how the management of the agricultural insurance system affects the economic risk resistance of rural households and exploring effective optimization strategies can not only enhance the effectiveness of agricultural insurance but also provide important support for achieving sustainable agricultural development and the rural revitalization strategy.

1 Analysis of the relationship between agricultural insurance system and rural family economic risk

1.1 Basic functions and roles of agricultural insurance

Agricultural insurance is a system that provides economic compensation for risks such as natural disasters, pests and diseases, and accidents that may occur during agricultural production through an insurance mechanism. Its primary functions include risk transfer, loss compensation, and stabilizing agricultural production. Firstly, by pooling premiums and dispersing risks, agricultural insurance shifts the uncertain risks faced by individual farmers to insurance companies, thereby reducing the economic burden on farmers when disasters strike. Secondly, when agricultural disasters occur, insurance companies compensate according to the terms of the contract, helping farmers resume production and minimize economic losses caused by disasters. Thirdly, agricultural insurance stabilizes farmers' income expectations, enhances their ability to

withstand risks, and promotes the sustainable development of agriculture. Additionally, agricultural insurance guides farmers to adopt scientific planting methods and manage their farms more effectively, thereby improving the resilience of agricultural production. Agricultural insurance is not only a crucial component of national agricultural policies but also an important tool for ensuring rural social stability and promoting rural economic development. In the current context of increasingly complex agricultural risks and frequent natural disasters, the role of agricultural insurance has become more prominent, and its institutional design and operational efficiency directly impact the ability of rural households to withstand economic risks.

1.2 Types and influences of economic risks in rural families

The primary economic risks for rural households stem from the uncertainties in agricultural production and changes in the external environment. Firstly, natural disasters such as droughts, floods, hailstorms, and typhoons are major risks for rural households. These disasters often result in reduced crop yields or total crop failure, directly impacting household income. Secondly, market risks are another significant source of economic risk for rural households. Fluctuations in agricultural product prices and changes in market demand can lead to unstable farmers' incomes. Thirdly, personal risks such as illness and accidents can also severely impact the family's economy, especially when the main labor force is incapacitated due to illness or accident, leading to financial difficulties for the family. Additionally, macroeconomic factors like policy adjustments, land transfers, and changes in agricultural subsidies can also affect the economic well-being of rural households. These risks not only affect the short-term economic conditions of families but can also hinder long-term development and even lead to poverty. Therefore, effectively identifying and addressing the economic risks faced by rural households is crucial for enhancing their resilience.

1.3 The mechanism of agricultural insurance to alleviate family economic risks

Agricultural insurance effectively mitigates the economic risks faced by rural households through various mechanisms, thereby enhancing their resilience to risks. Firstly, it provides risk protection, ensuring that farmers receive economic compensation from insurance companies according to the terms of the contract when disasters occur, helping them resume production and daily life and prevent economic collapse due to disasters. Secondly, agricultural insurance stabilizes farmers' income expectations, reducing income uncertainty caused by natural disasters or market fluctuations, thus enhancing their economic security. Thirdly, promoting agricultural insurance helps farmers develop a stronger risk awareness and management skills, encouraging them to plan their agricultural activities more scientifically and reduce the likelihood of risks. Additionally, agricultural insurance can be integrated with the rural financial system to provide loan guarantees for farmers, making financing easier and further strengthening the stability of household economies. These mitigation mechanisms of agricultural insurance not only directly alleviate the economic burden on farmers but also indirectly promote the stable development of the rural economy, serving as an important tool for improving the economic risk resistance of rural households.

2 the existing problems and deficiencies of the current agricultural insurance system

2.1 The design of insurance products is unreasonable

Currently, the design of agricultural insurance products in our country is somewhat unreasonable, failing to meet the diverse risk protection needs of rural households. Firstly, the range of insurance products is limited, primarily focusing on major crops and livestock, while undercoverage of specialized agriculture, efficient agriculture, and forestry and fruit industries leaves some farmers without adequate protection. Secondly, the scope of insurance coverage is narrow, with most products only covering basic risks such as natural disasters and pests, lacking effective protection against market price fluctuations and disease spread, making it difficult to fully address the uncertainties in agricultural production. Additionally, the insurance terms are complex and the compensation standards are unclear, leading to high information asymmetry and operational difficulties for farmers during the application and claims processes. Moreover, the premium pricing mechanism for insurance products is not scientifically sound, lacking a reasonable match between the level of agricultural risks and the economic capacity of farmers, which leads some farmers to opt out due to excessively high premiums. These issues not only

limit the coverage and practicality of agricultural insurance but also affect its effectiveness in enhancing the economic risk resistance of rural households.

2.2 Low insurance coverage and participation rate

Currently, the coverage and participation rates of agricultural insurance in our country remain low, making it difficult to provide comprehensive protection for rural households. On one hand, due to the dispersed nature of agricultural production and the economic constraints in rural areas, many farmers lack awareness of agricultural insurance and are not motivated to participate voluntarily. On the other hand, the implementation of agricultural insurance policies in some regions is inadequate, with insufficient promotion efforts, leading to a lack of deep understanding of insurance products among farmers, and even misunderstandings, which further reduce their willingness to participate. Additionally, in economically underdeveloped areas, farmers have lower incomes and find it hard to afford insurance premiums, resulting in much lower participation rates compared to developed regions. Moreover, some agricultural insurance products are designed in a 'one-size-fits-all' manner, failing to adequately consider the specific conditions of different regions, crops, and farmers, leading to some farmers feeling that the insurance products do not meet their needs, thus choosing not to participate. These factors collectively contribute to the low coverage and participation rates of agricultural insurance, leaving many rural households without effective economic protection when facing agricultural risks, thereby affecting their ability to withstand risks.

2.3 The insurance claim mechanism is not perfect

The current agricultural insurance claims process still faces numerous issues, which affect the effectiveness of the insurance system and farmers' confidence in participating. Firstly, the claims process is complex and lengthy, requiring farmers to go through multiple procedures to receive compensation after a disaster, leading to low efficiency and delaying their ability to resume production. Secondly, the claims standards are not scientifically sound; some insurance companies lack professional personnel and technical support during the loss assessment, resulting in inaccurate assessments and making it difficult for farmers to receive fair compensation. Moreover, information asymmetry is a significant issue in the claims process, placing farmers at a disadvantage and making them vulnerable to unreasonable denials or price suppression by insurance companies. Additionally, the lack of effective supervision in some regions' agricultural insurance claims leads to non-standard practices, infringing on farmers' legitimate rights and interests.

3 strategies to enhance the ability of rural families to resist economic risks

3.1 Optimize the agricultural insurance product system

Optimizing the agricultural insurance product system is a key measure to enhance the economic risk resistance of rural households. Currently, agricultural insurance products are limited in variety and coverage, failing to meet the diverse needs of different regions, crops, and farmers. Therefore, it is essential to accelerate innovation in insurance products, diversify the types of insurance, and cover a wide range of agricultural sectors, including specialty agriculture, efficient agriculture, forestry and fruit industry, and aquaculture, to improve the coverage and adaptability of insurance products. Additionally, the scope of insurance liability should be expanded to include not only traditional risks such as natural disasters and pests but also new risks like market price fluctuations and disease spread, thereby enhancing the comprehensive protection provided by insurance. Moreover, the design of insurance clauses should be optimized to increase transparency and operability, making it easier for farmers to purchase and claim insurance. In terms of premium pricing, policies should be formulated based on the level of agricultural risks and the economic capacity of farmers, ensuring that they are differentiated and flexible, which can boost farmers' willingness to participate in insurance. By building a multi-level and multi-dimensional agricultural insurance product system, the ability of rural households to cope with various agricultural risks can be effectively enhanced, thus strengthening their economic stability.

3.2 Improve the agricultural insurance policy support system

Improving the agricultural insurance policy support system is crucial for enhancing rural households' ability to

withstand economic risks. Currently, agricultural insurance faces issues such as insufficient fiscal subsidies and inadequate policy implementation, which hinder its promotion and effectiveness. Therefore, it is necessary to increase government financial support by establishing a special fund to provide stable and continuous fiscal subsidies for agricultural insurance, thereby reducing the cost of insurance for farmers. Additionally, the agricultural insurance subsidy policies should be optimized, with differentiated subsidy standards tailored to regional differences and the economic conditions of farmers, ensuring the fairness and effectiveness of these policies.

3.3 Strengthen farmers' awareness of risks and the popularization of insurance knowledge

Enhancing farmers' risk awareness and insurance knowledge is fundamental to improving the economic resilience of rural households. Currently, many farmers lack understanding of agricultural insurance and risk prevention, which results in a low willingness to participate in insurance programs, hindering the full effectiveness of insurance. Therefore, it is essential to increase the promotion of agricultural insurance through various channels and methods, enhancing farmers' understanding and awareness of agricultural insurance. This can be achieved by leveraging grassroots organizations such as village committees, agricultural technology extension stations, and rural schools to conduct diverse educational activities, including lectures, distributing promotional materials, and conducting insurance knowledge training sessions, to boost farmers' risk and insurance awareness. Additionally, modern information technology should be utilized, such as WeChat official accounts, short video platforms, and rural radio, to disseminate agricultural insurance knowledge and boost farmers' enthusiasm for participating in insurance programs.

3.4 Promote the integration of agricultural insurance and rural financial system

Promoting the integration of agricultural insurance with the rural financial system is a crucial approach to enhancing the economic risk resistance capabilities of rural households. Agricultural insurance, as a risk protection tool, can provide comprehensive financial services to farmers when integrated with the rural financial system. Firstly, it is essential to promote the linkage between agricultural insurance and rural credit, using agricultural insurance as a credit guarantee for farmer loans. This reduces the credit risks for financial institutions and enhances the financing accessibility for farmers. Secondly, financial institutions should be encouraged to develop financial products that complement agricultural insurance, such as 'insurance + credit' and 'insurance + futures' models, to offer diversified financial support to farmers. Additionally, the sharing of agricultural insurance data with rural financial data should be promoted to improve the efficiency of risk assessment and credit approval, thereby enhancing the precision and effectiveness of financial services. At the same time, policy guidance should be strengthened to support the establishment of cooperation mechanisms between agricultural insurance institutions and banks, credit cooperatives, rural cooperatives, and other financial institutions, fostering a collaborative mechanism of shared risks and benefits.

4 Reference and enlightenment of domestic and foreign agricultural insurance systems

4.1 Typical experience of foreign agricultural insurance systems

Over the long term, foreign agricultural insurance systems have developed mature practices that offer valuable lessons for China. For instance, the United States has established an agricultural insurance system led by the government with market participation as a supplement. The Agricultural Insurance Act established a model combining government subsidies, risk diversification, and market operations, significantly expanding the coverage and enhancing the protection level of agricultural insurance. Japan, on the other hand, adopted a model combining government subsidies with commercial insurance, where the government covers most of the premiums, while farmers pay only a small amount, effectively increasing the participation rate. Additionally, the EU provides agricultural insurance support to member states through the Common Agricultural Policy (CAP), emphasizing the combination of risk sharing and financial subsidies, which enhances the stability of agricultural production. These countries share a common feature: they emphasize the integration of policy guidance, financial support, and market mechanisms, forming a multi-level and diversified agricultural insurance system. Moreover, foreign agricultural insurance systems are well-developed in areas such as technical support, data collection, risk assessment, and claims services, providing efficient and convenient services to farmers.

4.2 The reform direction of China's agricultural insurance system

In recent years, the agricultural insurance system in our country has made significant progress, but numerous issues remain that require further reform. First, we should expedite the development of a multi-tiered agricultural insurance system to promote the coordinated development of policy-based and commercial agricultural insurance, meeting the diverse risk protection needs of different farmers and types of agriculture. Second, we should enhance the innovation and optimization of insurance products, expand coverage, and increase the flexibility and adaptability of insurance liabilities, particularly by offering customized insurance products for specialty agriculture and new agricultural business entities. Additionally, we should improve fiscal support policies for agricultural insurance, increasing subsidies from both central and local governments to boost farmers' enthusiasm for participating in insurance. Furthermore, we should strengthen the supervision and informatization of agricultural insurance, improving claims efficiency and service quality, and enhancing farmers' trust and satisfaction.

4.3 Implications for the ability of rural households to resist economic risks in China

The mature experiences of foreign agricultural insurance systems show that a robust agricultural insurance system can significantly enhance the economic risk resistance of rural households. China should learn from these successful practices and further refine its agricultural insurance system to improve its coverage and protection levels. First, policy support should be strengthened by reducing farmers' participation costs through fiscal subsidies and tax incentives, thereby increasing the participation rate. Second, the integration of agricultural insurance with rural finance and agricultural production should be promoted to enhance the comprehensive protection function of insurance. Additionally, risk education and insurance knowledge dissemination should be intensified to raise farmers' awareness of risks and insurance, encouraging them to actively participate in and use insurance tools effectively. Furthermore, the informatization of agricultural insurance should be enhanced to improve claims efficiency and service quality, thereby boosting farmers' trust in agricultural insurance. These measures will effectively enhance the ability of rural households to cope with natural disasters, market fluctuations, and other risks, strengthen their economic stability, and promote the sustainable development of the rural economy.

5 Conclusion

The agricultural insurance system plays a crucial role in enhancing the economic risk resistance of rural households. However, it still faces challenges such as unreasonable product design, low coverage rates, and inadequate claims mechanisms. To effectively enhance the risk resistance of rural households, efforts should be made to optimize the agricultural insurance product system, improve policy support, strengthen farmers' risk awareness education, and promote the integration of agricultural insurance with the rural financial system. Additionally, we should draw on advanced international practices and innovate and reform the system based on China's specific conditions. Only by establishing a scientific, efficient, and sustainable agricultural insurance system can we provide more robust economic protection for rural households, thereby promoting the stable development of agriculture and the harmonious progress of rural society.

Reference

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