

The China Agriculture Policy Insurance Pilot Program: the gap between design and implementation

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The China Agriculture Policy Insurance Pilot Program is initiated by Chinese Central Government as an important component of the countryside-agriculture-farmer supporting system. The program is highlighted for its heavy premium subsidy directly paid for farmers from government budget at four levels (Central, Provincial, Municipal and County levels). It is expected to create stronger incentives for farmers at all income levels to purchase crop insurance against natural perils.

This study presents the result of the field survey carried out in 2008. The operational details of the program at the local level in Hunan province, China were investigated and analyzed. The survey, however, implies that the implementation of the program at the local level is far from it has been expected. 1) The Mandatory power is so strong that the program does not follow market-oriented approach. 2) The program is run as a group based and compulsory insurance, which is an inefficient equilibrium, is reached from the game of local governments and local branches of insurance companies. 3) Farmers actually obtain little information of this program and knowledge on multi-peril crop insurance and the desirable goal of the government investment is not reached.

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