



Study on the Accident Insurance for Old People

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Abstract

With the advent of the era of aging, old age security has become a hot social concern. The old accident insurance can offer guarantees for the treatment and recovery charges of old people in accidents, and it has many advantages such as cheap premium, simple buying procedure, and strong pertinence, so it is fit to be gradually developed in cities and countries. In the article, the actuality and advantages of old accident insurance in Chinese insurance market are analyzed, and advices are proposed from three aspects such as tax preference, extension mode and endowment service.

Keywords: Aging, Commercial insurance, Accident insurance, Social security, Medical insurance

China is a "not getting rich before getting old" country, and the arrival of China's population aging without well developed productivity. At the end of 2008, China's population aged 60 and above is 159.89 million, accounting for 12% of the total. Social pension and social security problem is very prominent, so it is very significant for commercial insurance companies to explore "silver market", and actively develop the elderly-related insurance products.

Because of continual enhancement of living level and medical level, both the health status and the anticipated life of modern old people are enhanced than the past. The major risks faced by older persons include financial risks and medical care costs risk, which can be guaranteed by the social medical insurance, the commercial important disease insurance, and long-term nursing insurance. But because the covering face of the social medical insurance is limited, the medical charge induced by usual accidents out of the social medical insurance could produce larger burden for old people, and the old accident insurance can better fulfill this requirement.

1. Analysis of advantages of old accident insurance

The insurance period of accident insurance generally is short, and except for the necessary fees and profit of the insurance company, all premium income is used to pay the insurance money as the risk premium, which embodies the mutually dispersion and basic guarantee function of the insurance, and the concrete advantages are embodied in following three aspects.

1.1 Cheap premium and sufficient guarantee

As the pure consumption insurance kind, the premium of the accident insurance is used for guarantee, so the premium is cheap. The premium of the group lift accident harm insurance pushed by British Prudential plc is only 2.5 dollars in one season. In China, taking the personal accident risk of "Le Wu You" of Generali China Life Insurance as the example, the premium of the first-class occupation client is only 1.5 Yuan per the sum insured of 1000 Yuan in one year, and the insurance range includes the dieing, deformity, burn induced by accidents, and the pension payment and the sum insured would increase per year by 6%. However, the premium of the endowment insurances with same sum insured generally is hundred times than it in the market. Except for settling claims for dieing and deformity induced by accidents for insurants, the accident insurance with the additional medical accident insurance can settle claims for the medial charge induced by accidents. For example, the insurance responsibility of the "You Ran Ren Sheng" accident insurance of China Pacific Insurance includes dieing, deformity, burn compensation, hospital income compensation, and out patient service compensation. The periodic or all-life life insurance doesn't contain the medical guarantee, and it needs adding two additional insurances at least to achieve thus guarantee effect.

According to the character of accident insurance, the insurance applicant can pay fewer premiums to obtain sufficient guarantee in certain term, which is very fit for the old people with less incomes and high insurance requirements. In old people above 60 years old, quiet more old people (especially in big and middle-sized cities) have strong insurance consciousness, and they actively want to participate in the insurance. Except for that, because of the respect to old people in Chinese traditional culture, many children want to pay insurances for their old parents. But because of the control risk, many insurance companies limit the age of buying life insurance in 65 years old. The insurance age of big disease is limited in 60 years old. Because of the regression of body enginery, various accidents will easily happen in old people. With the old accident insurance, old people settle claims when the dieing, deformity, and burning happen because of accidents, and they can also obtain relative medical charges.

1.2 Convenient buying and strong insurance renewal

The accident insurance has simple articles and specific guarantees, and not only it can be bought by traditional channel such as the agent, but also more and more measures of information technology can be utilized, for example, the phone message, telemarketing, and network platform all can be selected by the insurance companies. AIV Insurance adopts the new mode of TV marketing, which could offer more relax and convenient insurance environment for consumers, especially for old people.

The article of the renewal of insurance is a right that the accident insurance contract gives to the owner of insurance policy, i.e. the owner of insurance policy can renew the insurance policy before the insurance policy fall in to make it effective. This article of the accident insurance is a kind of good protection to the insurability of the owner of insurance policy before certain age (AIA insurance regulates the renewal of insurance can continue to 80 years old).

For the life insurance and medical insurance, with the increase of age, the risk increases quickly, and the insurance companies need to recheck insurants' bodies and perform strict underwriting procedure, and they will always enhance the premium standard largely, even refuse the insurance. The old accident insurance needs not psychological checking, and the renewal of insurance is convenient. With the increase of age, the body enginery will drop, and old people more want to renew the insurance and continue their guarantees. Only to need one call and post the premium to the insurance company, the insurance policy will become effective continually, which can not only offer conveniences for old people, but for reduce the drumbeating charge of the insurance company and maintain stable customer group. At present, almost all old accident insurance in China can be renewed.

Many sons and daughters think that with the increase of parents' age and the dropping of health status year by year, and they want to buy insurances for parents to avoid their future life risks, but many insurance companies limit the insurance age in 65 years old, and the big disease insurance even limits the insurance age below 60 years old. The old accident insurance doesn't connect with the age and health status, and it only pays attention to the healthy working and normal life of old people.

1.3 Brilliant characters aiming at old people

The insurance people of the old accident insurance are the old people who can work or live normally, and the pricing of perineum includes many factors such as descending body enginery and ascending death rate, and the proposal form also fully embodies the character of the accident insurance, which could more accord with the life rule of old people. This insurance kind more accords with clients' demands in the guarantee contents, and ensure the justice of premium for the insurance companies.

The main contents of the old accident insurance are the charges induced by various accident harms such as fracture and burning in old people. Comparing with the comprehensive insurance kinds including multiple insurance benefits aiming at young people, the old accident insurance is simple and specific, and it is easy to control the risks and reduce the premium rate. In the days that the aging problem is serious increasingly, old people more needs thus "customized" insurance, so its spread will certainly be welcomed by old people.

2. Development of Chinese old accident insurance product market

2.1 Supplies

2.1.1 The start time of old accident insurance is late, and the premium income is lower

At present, in the incomes of Chinese personal insurances, the premium of life insurance and health insurance occupies large proportion, and the income of accident insurance is lower.

From the incomes of Chinese personal insurance premium in recent five years, the life insurance is the insurance kind occupying the dominant status, and its income always occupies above 87% of the total income of personal insurance. And the proportion of the health insurance was about 8%, and it descended obviously than the last year, and it ascended a little in 2008. The proportion of the accident insurance was about 3%, and both of above two insurance kinds was about 10%. But in 2007, the premium incomes of the accident insurance and the health insurance in US had achieved to 23% (seen in Figure 1), it was obviously seen that the development space of Chinese accident insurance and health insurance was still large. Up to 2002, the first accident insurance which was specially designed for old people, "Yongan Insurance", was pushed by Shanghai AIA. The character of this insurance kind is that it aims at the accident fracture payment and the telephone insurance mode according to the characters of old people. In recent years, the life insurance with characters such as saving and melon-cutting occupies the dominant status of the personal insurance, and though the accident insurance develops quickly but its proportion is still too small, which is obviously different with the flourish old insurance industry in US and Britain.

2.1.2 The development of product is deficient, and the variety is single

(1) The development of the old accident insurance product is not sufficient.

At the end of 2007, China had 120 insurance institutions, and 22 companies doing business with the elderly accident

insurance. By the end of 2007, the number of older accident insurance is 62, old age & accident insurance accounted for 11.1% of personal insurance. (See Table 2)

With the development of the aging course in China, and up to the late of 2007, the aging population in Shanghai which has the most aging population in China achieved 2.8683 millions, 20.8% of the total population of the city (SRCA, 2008). The aging population has large demands for the old accident insurance, but the actuality is that the amount of the company which manages the old accident insurance business in Chinese insurance market is relatively less, and the insurance companies develop insufficiently for the old accident insurance, and the share of the old accident insurance product is still low.

(2) The existing product kind is designed singly.

The Chinese old accident insurance product includes the main insurance and rider insurance, and the design of the insurance policy is simple, and the age limitation, insurance term, and guarantee content of insurants are almost same, lacking in characters and market competitive force. Table 3 is the introduction of Chinese old accident insurance products.

2.2 Demands

At present, the social security system of China is not healthy, and the covering of urban employee work-injury and medical insurance is very limited. For the old people with basic endowment and medical securities, the old accident insurance is a powerful compensation. The fracture and disjoint happen frequently in old people, but the medical charge is often out of the compensation of medical insurance, which induces large inconvenience for old people. Their endowment incomes can pay for cheap premium, and only buying proper old accident insurance can solve this problem.

In addition, in recent ten years, the amount of empty-nest family increases quickly. In 1993, the proportion of the empty-nest family occupied 16.7% in the families with elders, and this number ascended to 25.8% in 2003. In recent three years, the amount of empty-nest family in Shanghai is seen in Figure 2, and the amount of the empty-nest family with the elders above 80 years old in 2008 was 24260 thousands. Though the empty-nest elders can be supported by children in economy, but they can not be helped by children's spirit consolation and care and physical helps, so the probability that the accident injury occurs is high, so they more need the guarantee of the old accident insurance.

At the same time, there are many elders out of the social security in China, and they more urgently need the commercial insurance. But most elders without endowment guarantee live in country, and they have not incomes, and only depend on children's supports. Therefore, they essentially can not pay the expensive long-term life insurance, but the old accident insurance with cheap premium and sufficient guarantee could accord with their status. The accident guarantee can not only enhance the elders' life quality in their late years, but can really reduce the endowment burden of modern families. The old guarantee product aiming at the practical demand of elders will certainly be welcomed, but the insurance product in the present market is still difficult to fulfill the demands.

3. Causes analysis of slow development of old accident insurance

3.1 Psychological factor

Because the accident insurance is the pure consumption insurance, it is often regarded as the luxury product by Chinese people who are used to depend on their own savings and family endowment. Because of long-term economical habits, many elders often don't want to buy the insurance, and repent when the accident happens. The young people's pressure to support their parents increases continually, and the insurance is the best choice to apportion the risk, which is the practical cause that more and more young people buy the insurance for their parents.

In recent years, with the sufficient development of the capital market, people universally hope their assets could be maintained and increased, so they would buy the life insurance product which can cut a melon and obtain investment profit, and it is natural that the consumption insurance such as the old accident insurance is not welcomed.

3.2 Social and cultural factor

Because of the influence of thousands of traditional culture of China, people always would not envisage many accidents such as dieing, deformity, and injury, so they would more buy the endowments which can guarantee their old life, not the pure-guarantee product such as the old accident insurance.

In addition, in the quick development of Chinese insurance industry, part agents cheat clients, and individual insurance companies have unfair articles, which make the compensation to be difficult, and many people clash with the insurance.

3.3 Risk factor

Because elders' resistance descends seriously, general accidents will induce more serious harm to them. Therefore, the old insurance has large risk, and the insurance companies can not but being cautious. The founded time of many insurance companies is not long, and their accumulation of the calculation technology and experience data is not sufficient, so they can not develop the old insurance easily. In addition, Chinese insurance industry has been limited by

the investment channel for a long term, and in 2005, the insurance capitals begun to be allowed in the stock market, and in 2006, the insurance companies had capitals in bond and stock with 53.14% and 5.22% respectively. Figure 2 shows the proportion of US life companies from 1975 to 2007.

4. Advices to develop Chinese old accident insurance

4.1 Setting up tax preference, extending investment channels of insurance companies

Many foreign old-insurances develop depending on the policy and taxation preference. Aiming at the elders above 50 years old, Chinese old accident insurance has high compensation risk. Except for the accumulation of experience and technology from the insurance company, the government can set up the policy of taxation preference to encourage and introduce the insurance company to actively develop the market, which can not only add new drive for the development of Chinese insurance industry, but also revive the endowment pressure because of aging, and realize the multi-layer social endowment system.

According to the experience in US, the occurrence of invested life insurance must increase the investment income of the insurance capitals. China can invest the traditional life insurance and the invested insurance according to different accounts and styles to expend the investment channels of the insurance capitals, which can increase the yield in the range of controlling risk, and increase the profit space of the insurance company, and reduce the compensation pressure.

4.2 Developing the insurance containing nursing charge and aiming at empty-nest families in cities

In modern society, the work changes frequently, and the quick transfer of population flow makes the structure of big family to convert to small family. With the quick transformation of the society, the generation gap becomes more and more obviously. When the level of material life is enhanced, people begin to pursue the spirit life, and both two generations require independent life space and more and more freedom, and traditional big family resident mode has not adapted people's demands, and the small family is generally accepted. After children grow up, elders always select to live singly, and this phenomenon is more universal in cities. The elders' death rate of the empty-nest family is obviously higher than the death rate that elders live with children (Huang, Suping, 2005; Li, Deming, Chen, Tianyong & Wu, Zhenyun, 2006). And the probability that the accident happens in the elders in the empty-nest families is bigger, and when they suffer some small accident harms, they always need the nursing of a period of time. But because of large completion pressure, it is not practical to make children to nurse elders specially, and the professional nursing will need more capitals. Therefore, aiming at this demand, the insurance kind which can guarantee the short-term nursing charge induced by the accident harm in empty-nest families can be developed. This kind of insurance can obviously reduce the troubles back home for elders and children, and promote the development of Chinese old nursing industry, and strengthen the old insurance industry in China. The risk of the elders in empty-nest family is higher, and this kind of insurance can be combined with other insurance kinds to reduce the total risk.

4.3 Extending mode: from city to country, encouraging children to buy the insurance for parents

There are many elders with basic endowment guarantee in cities, and elders' insurance consciousness and economic independence are stronger, so the old insurance is more easily extended in cities. More flexible mode can be adopted for elders, such as cooperating with the community. On the other hand, because of the increase of modern social work pressure, children may not often company with their parents, so they can be encouraged to buy the insurance for their parents. The extension in cities can accumulate the experience data, and avoid the risk of premium.

With the opening of urban market, the market can be gradually extended to towns, and the market of the country is wider. With the change of people's endowment concept, the old accident insurance must be developed much more largely. Because the rural elders' economic independence is bad, so the accident insurance can only be bought by their children or relatives, and the marketing objects mainly are the children with labor ability, which can be developed form Chinese tradition, practical guarantee, and endowment pressure.

4.4 Combining the old accident insurance with the endowment service by multiple forms

In China, there are many elders without basic social security, and most of them live in the country. At present, China has developed the medical plan of big disease, and implemented the part expenses reimbursement system for the medical and hospital charges of big diseases. 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. For many elderly persons of no family and children, China can introduce the old accident insurance based on the comprehensive guarantee, and the premium is paid by the country, and when the accidents happen, the insurance companies can compensate the loss, which can not only reduce the financial burden of the country, but promote the development of Chinese insurance industry. However, the insurance risk needs to be further studied, and it can be balanced between the premium income and the compensation risk of the insurance company.

In the city, accident insurance for old can be combined with community services, which can give full play to the cost of insurance protection functions and community service functions. Shanghai begins to buy accident insurance for the old

for old age agency this year; it may be a good choice.

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Table 1. Premium income distribution of personal insurance (including life insurance, accident insurance and health insurance, and the data of accident insurance and health insurance are collected from P & C insurance companies) in China (Unit: a hundred million Yuan & %)

	Old and other accident insurances	Proportion	Life insurance	proportion	Health insurance	Proportion
2004	86	2.69	2851	89.26	257	8.05
2005	141	3.81	3247	87.76	312	8.43
2006	162	3.61	3953	88.00	377	8.39
2007	190	3.77	4463	88.60	384	7.62
2008	204	2.74	6658	89.41	585	7.86

Data from: China Insurance Regulatory Commission and China Statistical Yearbook (2004-2008)

Table 2. Companies and product amount of accident insurance in China (Unit: %)

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

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

Table 3. Introduction of old accident insurance product in China

Product	Company	Main insurance & Rider	Insurant's age	Premium	Insurance term	Insurance content	Other regulations
Hale and hearty-accident fracture insurance	Sunshine P & C Insurance	Main insurance	50-75	100 Yuan/ piece	One year	Fracture	Renewal of insurance to 85 years old, 10000 Yuan/ piece
Additional accident insurance	Ping An Insurance	Rider	Open	—	One year	Die, deformity, hospital allowance	—
Kang Shou Bao-old accident insurance plan	Taikang Life	Main insurance	50-75	—	One year	High deformity, fracture, burn, surgery	Renewal of insurance to 75
Jin Se Nian Hua Ji Xiang Ka	China Life Insurance	Main insurance	50-75	150, 228, 358	One year	Die, deformity, medical guarantee, hospital allowance	—
Allianz additional accident medical insurance	Allianz China Life	Rider	18-65	—	One year	Medical charge, hospital allowance	Without limitation of exempt compensation
Comprehensive personal accident insurance	American International Assurance	Main insurance	50-75	—	One year	Die, deformity, fracture, burn, hospital compensation because of accident	—
Yi Shun comprehensive insurance plan 1	Taikang Life	Main insurance	18-60	138	One year	Die deformity, hospital allowance	—
Alltrust parent accident insurance A	Alltrust Insurance	Main insurance	45-75	90	One year	Die deformity, hospital allowance	Additional fracture & disjoint
Alltrust parent accident insurance B	Alltrust Insurance	Main insurance	45-75	150	One year	Die deformity, hospital allowance	Additional fracture & disjoint
Word guardianship card A	Bank of China Insurance	Main insurance	18-65	350	One year	Die deformity, hospital allowance	Additional abroad rescue
Additional accident medical insurance	Minsheng Life Insurance	Rider	3-60	—	One year	Medical charge, hospital allowance	Renewal of insurance to 64

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

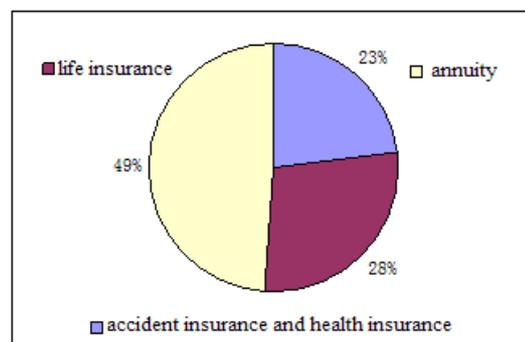


Figure 1. Analysis of Personal Insurance Net Income of 2007 of US (Data from: ACLI Life Insurers Fact Book 2008)

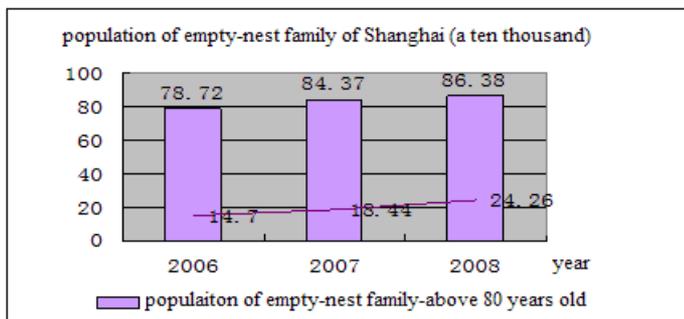


Figure 2. Population of Empty-nest Family in Recent Three Years in Shanghai (Data from: Shanghai Research Center on Aging (SRCA), Shanghai Statistical Information of Old Population and Aging Monitoring of 2008)

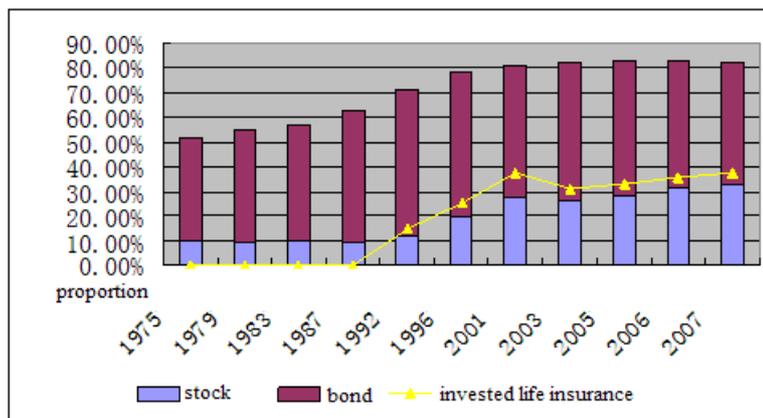


Figure 3. Proportional Tendency of Stock and Bond and Invested Life Insurance Proportion in the Assets of US Life Insurance Company from 1975 to 2007 (Data from: ACLI Life Insurers Fact Book 1976- 2008 (US))