

The Influence of Insurance is Open to The Public on the Efficiency of Chinese Insurance Companies

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Abstract: This paper will analyze China's open policy of insurance. Then through the statistical data from the premium income, asset strength, personnel, operating characteristics and bottlenecks of development of both foreign and Chinese insurance companies, this paper superficially analyzes the effect of the open policy to Chinese insurance companies. Then this paper use actual degree of openness to calculate China's insurance openness. And use DEA to calculate Chinese insurance companies' efficiency. Finally through the empirical analysis, we get following conclusions: (1) By analyzes the data of the past 15 years, the improvement of insurance openness has a significant negative correlation with Chinese property insurance companies. It shows that under the open policy of insurance, the operation of Chinese property companies is threatened, and they have not found a good way to improve their operating efficiency. (2) Under the open policy of insurance, the impact brought by the policy content change of opening the Compulsory vehicle liability insurance market to foreign investors has obvious negative effect on the operating efficiency of Chinese property insurance companies, which indicates that the operating efficiency of Chinese property insurance companies, which mainly bring income from Vehicle insurance, has obviously decreased after the policy change. The impact brought by the change of shareholding ratio policy of foreign life insurance companies in the open policy of insurance has positive effect on the operating efficiency of Chinese life insurance companies, which indicates that the operating efficiency of Chinese life insurance companies has increased after the promulgation of the policy.

Keywords: Insurance is open to the public, The DEA method, Efficiency.

1. Introduction

1.1. Research background

Since the recovery of China's insurance industry after the reform and opening up, China's insurance industry has developed by leaps and bounds. The total assets of the insurance industry reached 359.4 billion yuan in 2019, and the number of insurance companies exceeded 200. The data proves that the scale of the insurance industry is expanding rapidly. However, at the same time, the insurance industry's problems of "more emphasis on scale than quality" and "more emphasis on speed than quality" have become increasingly apparent(Zhu,2020). Continuously deepening the reform and continuously optimizing the allocation of factors are the clear instructions of the 13th Five-Year Plan for Insurance Development. Only in this way can the improvement of efficiency and the expansion of effective supply be achieved, which is the endogenous driving force for the sustainable and healthy development of the insurance industry. Improving efficiency is considered to be an important fulcrum of supply-side reform in the insurance industry. Financial regulatory authorities have also actively responded to General Secretary Xi's call to form a new pattern of comprehensive opening up. The revision of my country's foreign-funded insurance supervision regulations has promoted the opening of China's insurance market to the outside world, and also marked that the opening of my country's insurance market has entered a comprehensive and in-depth stage(Xiao,2000).

My country's insurance opening to the outside world adopts the method of gradually opening to the outside world and opening to the outside world in stages, and has gradually introduced many foreign insurance companies with a long history of development and mature development stages. The

upper limit of the shareholding ratio of foreign life insurance companies has been gradually relaxed from 50% to 100%, and the 30-year operating experience requirement has also been relaxed, and the insurance market will become increasingly decentralized(Li,2018). In this context, it has to be considered that, on the one hand, many high-quality foreign insurance companies have been developing for hundreds of years, so whether they are more advanced and excellent in terms of business philosophy, underwriting experience and claims settlement technology, their entry will be very important. The rapid development of my country's insurance industry can have a positive impact. However, with the opening up of the insurance industry, my country's Chinese insurance companies are also facing severe impacts in the use of funds, business operations, insurance supervision, and market behavior. Based on such a background of insurance opening to the outside world, how will the efficiency of Chinese-funded insurance companies be affected under such a background? Faced with such an impact, how should Chinese-funded insurance companies respond? It has become a question that has to be considered , this paper divides the insurance opening to the outside world into the opening policy and the opening result, takes the insurance opening to the outside world and the efficiency of Chinese insurance companies as the research object, and studies the impact of insurance opening to the outside world on the efficiency of Chinese insurance companies.

1.2. Research problems

According to the theoretical basis of this paper, property rights structure theory, market structure theory and technology spillover effects, it can be considered that the impact of insurance opening up on the efficiency of Chinese-funded insurance companies can be divided into two aspects.

First, insurance opening up will bring insurance companies property rights. Due to the diversification of the structure, foreign insurance companies are generally joint ventures in China, which will bring advanced management technology to foreign insurance companies, allowing foreign insurance companies to occupy market shares in China's insurance market and reducing the operating efficiency of Chinese insurance companies. Secondly, the optimization of the market structure will bring about more intense market competition, prompting Chinese-funded insurance companies to find ways to improve their own operating technology, thereby improving the operating efficiency of Chinese-funded insurance companies. But at the same time, the opening of insurance to the outside world is accompanied by a competitive effect. Finally, the technology spillover effect allows the opening of insurance to bring new operating technologies and product technologies to Chinese insurance companies. Therefore, this paper speculates that the opening of insurance to the outside world will have a positive impact on the efficiency of Chinese insurance companies in the long run.

Combining the analysis of the calculation results of the efficiency value of the insurance companies with the theoretical analysis of the impact of the opening of insurance on the efficiency of Chinese insurance companies, this paper speculates that the increasing openness of insurance to the outside world will lead to more intense market competition, reduced market concentration, and reduced corporate ownership structure is more reasonable, so that the operating efficiency of Chinese-funded insurance companies can be improved. However, since the measurement of the efficiency value shows that after the promulgation of the specific opening-up policy, the efficiency value of most Chinese-funded insurance companies shows a significant decline.

1.3. Objective of the study

First, this paper does not study the results of insurance opening to the outside world or the policy content of insurance opening to the outside world alone, but defines insurance opening to the outside world as a combination of insurance opening policy and insurance opening to the outside world.

Second, the empirical analysis of this paper not only studies the degree of insurance openness to the outside world as an explanatory variable, but also defines dummy variables as explanatory variables according to the specific insurance opening-up policy for group research.

1.4. Scope of the study

At first, this paper sums up and analyzes all the policies of opening to the outside world since China's entry into WTO. Then, based on the statistical chart and text analysis, the paper qualitatively analyzes the impact of the insurance opening policy on Chinese funded insurance companies. It measures the opening degree of the insurance industry as a quantitative indicator of the opening policy of the insurance industry. It also defines the input indicators and output indicators to measure the operating efficiency of insurance companies, and uses the super efficiency model and SBM model to analyze and calculate the operating efficiency of Chinese insurance companies.

Finally, the calculated results are combined with explanatory variable 1, explanatory variable 2 and other set control variables for multiple regression and grouping

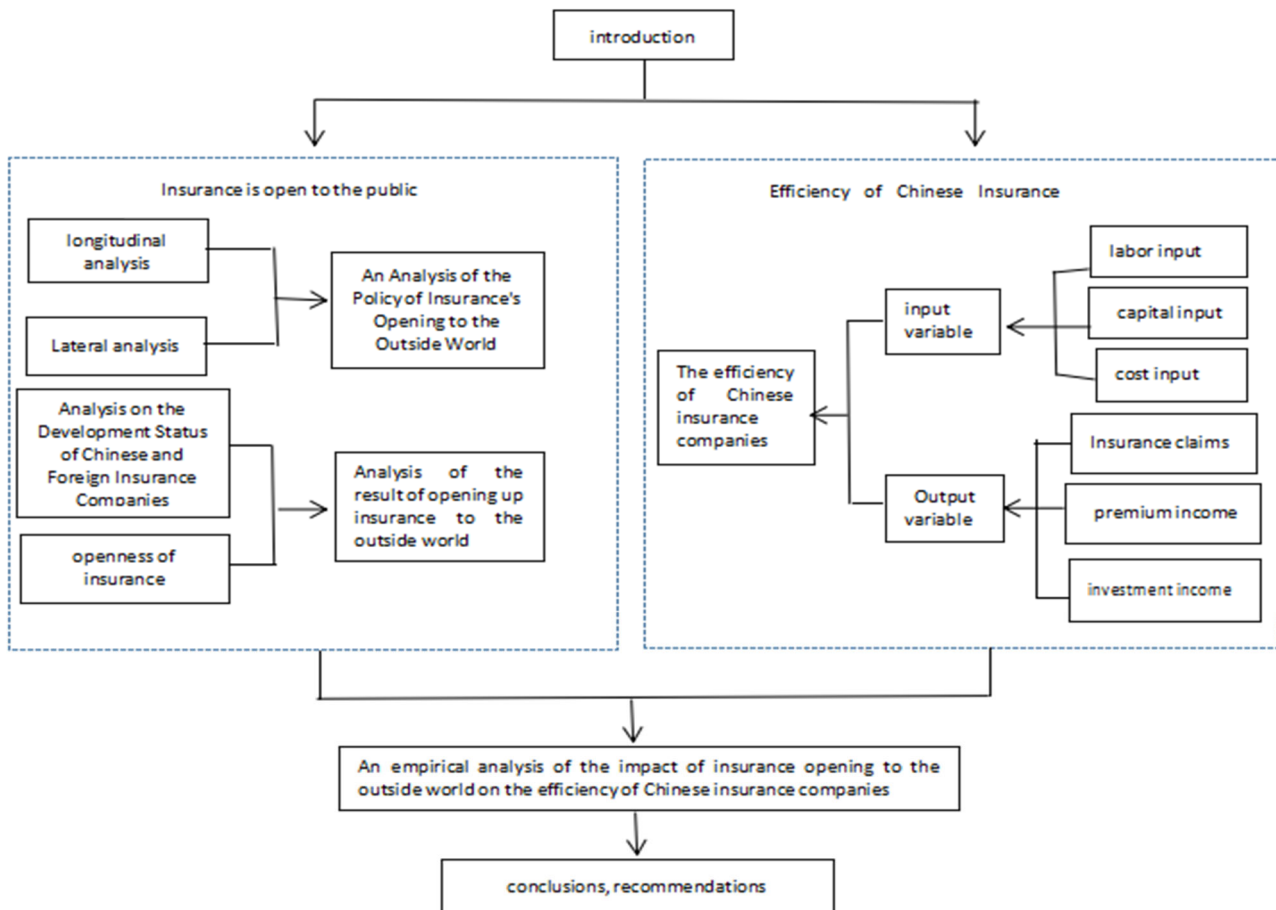
research. After the regression results are output, the relationship between the insurance opening policy and the efficiency of Chinese insurance companies is obtained.

1.5. Research Significance

This paper takes insurance opening to the outside world and the efficiency of Chinese-funded insurance companies as the research objects. Based on the current development status of Chinese and foreign insurance companies in my country, this paper explores the impact of insurance opening-up on the development of operating efficiency of Chinese-funded insurance companies. Provide a basis for the actual impact of Chinese insurance companies. Recommendations are made based on the above qualitative and quantitative analysis. For a long time, most of the research on the impact of insurance opening up on Chinese-funded insurance companies has remained at the theoretical level. This article will study the most concerned issue for Chinese-funded insurance companies, that is, the impact of operating efficiency, and continue to enrich the impact of insurance opening on Chinese-funded insurance companies. In addition to qualitative research on the impact of a company, the quantitative research in this field will be expanded.

In terms of the impact of the opening of insurance on the efficiency of insurance companies, only the impact of the opening of the insurance industry on the efficiency of insurance companies and the impact of foreign insurance companies on the efficiency of Chinese-funded insurance companies are analyzed. Research on the impact of specific policies on the efficiency of Chinese insurance companies is hard to find. Among the many policies and regulations, the content that has the most direct impact on the degree of opening up of China's insurance industry is the regulations on the shareholding ratio of foreign life insurance companies and the regulations on the business scope of foreign insurance companies. Therefore, in addition to studying the impact of insurance openness on the efficiency of Chinese-funded insurance companies, this paper will also focus on the impact of the changes in the two important policy content, the regulations on the shareholding ratio of foreign insurance companies and the changes in the business scope of foreign insurance companies. Do a correlation study on the impact of the efficiency of Chinese-funded insurance companies. And taking into account the different opening-up process of non-life insurance and life insurance companies and reinsurance companies, this paper will conduct qualitative research in groups. Taking into account the adequacy and representativeness of the sample, this paper uses the packet theory analysis method to calculate the efficiency value of Chinese-funded insurance companies, and uses the fixed-effect model to analyze the impact of insurance opening up on the efficiency of Chinese-funded property insurance companies and life insurance companies. This paper will help to fully grasp the impact of insurance opening up on Chinese insurance companies, provide a scientific basis for Chinese insurance companies to improve their competitiveness in an increasingly complex market competition environment, and help scientifically promote the sustainable and healthy development of the insurance industry.

1.6. Theoretical framework



1.7. Hypotheses

Research hypothesis 1: The openness of insurance is positively correlated with the efficiency of Chinese insurance companies.

Research hypothesis 2: The impact of insurance opening policy is negatively correlated with the efficiency of Chinese insurance companies.

2. Literatures Review

At present, the research on the opening-up policy of insurance mainly focuses on the staged research on the opening-up of insurance to the outside world. It mainly discusses the market characteristics and the existing problems of the insurance policy under different stages of the opening-up policy from a macro perspective. There are few specific policy documents and contents. A summary and analysis of research.

In terms of research on the efficiency of insurance companies, it is mainly divided into two methods, namely stochastic frontier method (SFA) and data envelopment analysis (DEA). The DEA method is increasingly chosen when studying the efficiency of insurance companies (Han & Chen, 2014). Therefore, this paper believes that the DEA method is a reliable method to measure the efficiency value of the insurance company concerned in this paper.

Regarding the research methods of the impact of the opening of insurance on the efficiency of Chinese-funded insurance companies, it mainly focuses on qualitative analysis. Most of the scholars who analyzed from the perspective of efficiency did not conduct research on specific policy impacts,

but from the perspective of foreign insurance companies or the perspective of insurance opening to the outside world. Therefore, this paper will conduct an empirical study on the specific policy impact and the impact of the insurance opening policy on the efficiency of Chinese insurance companies.

3. Research Methodology

This chapter describes the research methodology used in this study. There are three kinds of research methods: quantitative method, qualitative method and mixed method. The authors conducted the study using a mixed research method. Mixed research methods are the use of both qualitative and quantitative research methods in one research or survey project.

Quantitative research usually produces statistical results for a given population of study subjects. Qualitative research is exploratory, diagnostic and predictive. It does not seek precise conclusions, but only to understand the problem, to identify the problem, to develop a sense of understanding. Quantitative methods emphasize objective measurement and statistical or mathematical analysis of data collected through opinion polls, questionnaires, and surveys, or through the use of computer technology to process available statistical data. Quantitative research focuses on collecting numerical data and generalizing or explaining specific phenomena in a population. Quantitative studies examine relationships between variables that are measured numerically and analyzed using a range of graphical techniques. This methodology ensures the universality of probability sampling techniques.

Qualitative research Starting from three types of literature,

namely, the opening of insurance, the efficiency of insurance companies, and the impact of the opening of insurance on the efficiency of Chinese-funded insurance companies, the existing research is sorted out, and the characteristics, key points and gaps of the existing research are summarized, can better lay the foundation for theoretical knowledge. Quantitative Study on the basis of summarizing previous experience, the empirical method and indicator variables are selected, and at the same time, different ideas are provided for related research. This paper analyzes the development status of Chinese and foreign insurance companies, and summarizes the influence and penetration of foreign insurance companies in my country's insurance market. The characteristics of the efficiency value of Chinese-funded property insurance companies and Chinese-funded life insurance companies are compared and analyzed. A comparative analysis of the empirical results of the group-based empirical studies was carried out.

4. Finding and Conclusion

In general, for Chinese-funded property insurance companies, the opening of insurance to the outside world will have a negative impact on the operating efficiency of Chinese-funded property and casualty insurance companies. First of all, the continuous improvement of insurance opening to the outside world has made the market share of foreign insurance companies continue to increase, which has indeed caused an impact on Chinese property insurance companies, and foreign property insurance companies can provide higher salaries and a fairer promotion mechanism. Professionals are flowing from Chinese insurance to foreign insurance. The localization trend of foreign insurance companies is becoming more and more obvious, providing insurance practitioners with higher salaries, a transparent management mechanism and fair promotion opportunities. Respond to their own business development strategies. Secondly, due to the relatively simple product structure of Chinese-funded property insurance companies, they have been greatly impacted by the opening of the compulsory insurance market to foreign capital in 2012.

5. Recommendation

According to the analysis of the development characteristics of foreign insurance companies combined with the results of empirical analysis, it can be known that the improvement of insurance opening to the outside world and the impact of the policy of insurance opening to the outside world have caused the operating efficiency of Chinese-funded property insurance companies to decline. The reasons include: foreign insurance companies The company's increasing market share has indeed had an impact on Chinese property insurance companies; and foreign property insurance companies can provide higher salaries and a fairer promotion mechanism, and insurance professionals are flowing from Chinese insurance to foreign insurance; Insurance companies do not have a strong sense of urgency to this phenomenon, and do not respond in a timely manner to adjust their business development strategies.

In response to this conclusion and the analysis of the reasons, this paper believes that, first of all, Chinese-funded property insurance companies should pay attention to the expanding influence of foreign property and casualty insurance companies, actively respond to them, find a way out,

and aim to enhance their own competitiveness and achieve high-quality development as their business goals.

Secondly, in order to regain the market share occupied by foreign property insurance companies. Chinese property and casualty insurance companies should turn their development strategies to product diversification, and should actively seek product innovation in the fields of liability insurance and credit guarantee insurance to tap demand, instead of blindly focusing on the auto insurance market and shifting their strategic focus from the red ocean to the blue ocean . And should continue to optimize and improve their service level.

Third, Chinese-funded property insurance companies should actively optimize the talent structure, absorb more Internet insurance talents, and improve the quality of talents. In addition, China's Internet high-tech companies are currently at the forefront of the world. Chinese insurance companies can seize the opportunity of this era to actively seek cooperation with technology companies, tailor-made enterprise property insurance for technology companies, and can also take advantage of high-tech Seek cooperation.

Finally, the status quo that the source of premium income of the property insurance market depends on the income of auto insurance premiums will not be shaken in the short term. Auto insurance pricing technology to maintain the dominant position of Chinese insurance companies in the field of auto insurance.

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