

The Insurance Industry Promotes High-quality Development

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Abstract: With the rapid development of China's insurance market, the high-quality development of the insurance market is faced with many different challenges and various problems. This paper aims to deeply analyze the actual problems in China's insurance market and put forward supporting countermeasures. First, by understanding the background of high-quality insurance development, we can explain the research significance of this paper in combination with the existing national policies. Secondly, by summarizing the current situation of high-quality insurance development, the paper puts forward the shortage of insurance talents in the expansion of insurance scale, the continuous improvement of insurance density and depth, and the growth of insurance compensation in the development of high-quality insurance. Finally, from the perspective of differentiated customized insurance products, training professionals, and providing financial subsidies, we will put forward the corresponding suggestions for the problem and look forward to the future development prospects.

Keywords: Insurance; High-quality development; Insurance technology; Risk management

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1. Introduction

1.1. Research background and significance

1.1.1. Research background

In the great rejuvenation of the Chinese nation, insurance plays a vital role. However, as the economy transitions from high-speed growth to high-quality development, the imbalance and mismatch between insurance supply and demand have become increasingly prominent. Promoting the transformation and upgrading of the insurance industry to achieve high-quality development has become an inevitable solution. The growing needs of the people for a better life are placing new demands on the quality of the insurance supply system, and the high-quality economic development is also setting new requirements for the quality development of the insurance industry ^[1].

From the current development status of the insurance industry, people's demand for insurance has gradually increased with the growth of economic income. The premium scale of China's insurance industry has maintained a steady rise, and both property insurance and life insurance entities have been growing, leading to

a gradual shift in market size. However, at the same time, contradictions between insurance supply and demand, as well as between scale expansion and efficiency improvement, are constraining the high-quality development of the insurance industry. From the perspective of the goals for the development of China's insurance industry, it aims to preliminarily form a framework for high-quality development by 2029, characterized by steadily expanding coverage, increasingly comprehensive protection, continuously improving services, stable and balanced asset allocation, sufficient solvency, and sound governance and internal controls. By 2035, it aims to establish a new pattern of the insurance industry with a complete market system, diverse products and services, scientifically effective regulation, and strong international competitiveness. The insurance industry must provide high-quality services for people's livelihoods and the real economy, which cannot be achieved without its high-quality development ^[2].

1.1.2. Research significance

High-quality development of insurance refers to guiding the insurance industry to establish a correct business philosophy based on strong regulation and risk prevention. It involves shifting from a rapid growth model driven by premium income, which focuses on external expansion, to an internal development model that links assets and liabilities. This shift centers on value and efficiency, truly meeting the diverse and multi-level needs of the general public for the insurance industry. The significance of studying high-quality development in insurance can be seen in four aspects.

- (1) Risk management and social stability: The essence of insurance is risk trading, with the fundamental attribute of serving the real economy ^[3]. The core function of the insurance industry is risk management, which reduces economic losses for individuals and businesses due to unexpected events by dispersing and transferring risks, thereby enhancing society's overall resilience. A high-quality insurance sector can provide more comprehensive and precise risk assessments and protection plans, thus playing a stabilizing role in natural disasters, health crises, and other events, maintaining social order and economic stability. Fully leveraging the insurance industry's functions as an economic shock absorber and a social stabilizer, it can contribute to China's modernization efforts through its high-quality development ^[4].
- (2) Economic development and capital formation: Insurance funds are an important part of the capital market. By investing in areas such as infrastructure and technological innovation, they can promote capital formation and economic growth. A high-quality insurance industry can allocate funds more effectively, support the real economy, and drive the optimization and upgrading of the economic structure.
- (3) Consumer protection and welfare enhancement: With the innovation of insurance products and services, consumers can enjoy more diverse and personalized insurance solutions. A high-quality insurance industry can better meet consumer needs, providing health, pension, and other protections, improving people's quality of life, and maximizing social welfare. Adhering to the inclusive and equitable development philosophy, implementing the principle of inclusive finance, and upholding the unity of economic and social benefits, we will draw on international experience to vigorously develop more protective businesses such as pensions, health, agriculture, and catastrophe insurance ^[5].
- (4) Industry innovation and international competitiveness: The high-quality development of the insurance industry continuously drives technological innovation, such as the application of big data and artificial intelligence, which enhances service efficiency and risk management capabilities. This not only boosts the competitiveness of China's domestic insurance sector but also showcases the strength of Chinese insurers in international markets, attracting foreign investment and advancing the internationalization of China's insurance industry.

1.2. Literature review

Dai emphasized in the Financial Times that the State Council's release of the 2024 version of the "Ten Measures" marks a new phase of high-quality development for China's insurance industry ^[6]. Compared to the previous two versions from 2006 and 2014, this policy document places greater emphasis on the importance of high-quality development, echoing the requirement at the Central Financial Work Conference that finance should provide high-quality services for economic and social development. Yang explored specific strategies for high-quality development in the insurance market ^[7], emphasizing that under internal and external pressures, the insurance industry must take the lead in advancing high-quality development to serve and protect economic growth. The article aims to help the insurance industry achieve stable and efficient improvements from a theoretical perspective. Zhao studied the issue of high-quality development in long-term care insurance using Hohhot as a case study ^[8]. The article analyzed the effectiveness and problems of the pilot system and discussed the intrinsic mechanisms of mutual support and coordinated development between the silver economy and long-term care insurance. Wang discussed the importance of establishing a dual prevention and control policy system for agricultural insurance subsidies under the background of promoting high-quality development ^[9]. The article highlighted the significant role of agricultural insurance in advancing the structural reform of agricultural supply and proposed a dual guarantee of subsidy losses and risk dispersion. Zhang and Geng analyzed the current status and issues of the talent training system in the insurance industry and offered suggestions for promoting future high-quality development in the insurance sector ^[10]. The article emphasized the importance of talent cultivation in the high-quality development of the insurance industry and proposed specific measures to strengthen talent development. Gao discussed the path to achieving high-quality development of insurance services in "China Insurance," emphasizing the significant role of the insurance industry in serving national strategies ^[11]. Zeng explored how "insurance, exchange, and chain" can empower high-quality development in the insurance sector in "Financial Digitization," highlighting the potential of blockchain technology in the insurance industry ^[12]. Zheng and Wang constructed an evaluation index system for high-quality development in the insurance industry in "Selected Research Achievements of Zhejiang Insurance," providing a theoretical foundation for objectively assessing the high-quality development of the insurance industry ^[13].

2. Analysis of the current situation of high-quality development of China's insurance industry

2.1. The scale of insurance continues to expand

The premium income of China's insurance industry has experienced significant growth since the reform and opening up. In the early 1980s, with the gradual opening of the economy, the insurance industry began to recover and develop rapidly. Entering the 21st century, especially after joining the WTO, the insurance market further opened up, accelerating the growth rate of premium income. In 2013, premium income exceeded 1.7 trillion yuan, and by 2023, this figure surpassed 5 trillion yuan for the first time, growing by 9.14%, far exceeding the GDP growth rate. Premium income growth will face pressure in 2019 ^[14]. This growth not only reflects the strong development momentum of the insurance industry but also highlights its important role in the economic system. The growth in premium income is closely related to the rapid development of China's economy and the improvement of people's living standards, as well as innovations in insurance products and services, and increased awareness of insurance.

2.2. Insurance density and premium depth are constantly improving

Insurance density and depth are important indicators of the development level of an insurance industry in

a country. Since the reform and opening up, with economic growth and improved living standards, China's insurance density and depth have seen significant increases. Starting from a low base in the 1980s, both insurance density and depth have grown year by year. Especially after entering the 21st century, with further market liberalization and diversification of insurance products, the growth rate of insurance density and depth has accelerated, and by 2023, this figure had increased to 3,635 yuan per person, representing an increase of 187%. Although it has not yet fully met the expected target, it shows improvement compared to previous years. These changes indicate that as the economy develops and residents' incomes rise, public demand for and awareness of insurance products are gradually increasing.

2.3. Insurance claims growth

The increase in insurance claims reflects the enhanced capabilities of the insurance industry in risk management and economic protection. From the low claim levels at the beginning of the insurance industry's recovery in the 1980s, to the rapid growth at the turn of the century, and then to a threefold increase between 2013 and 2023, this change not only demonstrates the rapid development of the insurance industry but also highlights its significant contribution to socioeconomic development. Especially in the face of natural disasters and accidents, the insurance industry has played a crucial role in providing economic compensation, alleviating the financial burden on individuals and businesses.

2.4. The scale of insurance assets increased

The total insurance assets in China have grown significantly over the past few decades. From the initial stage in the 1980s, through steady growth in the 1990s, to rapid expansion in the 21st century, the increase in insurance asset size not only reflects the rapid development of the insurance industry but also demonstrates its influence and investment capabilities in the capital market. In 2014, the total insurance assets exceeded 10 trillion yuan for the first time, and by 2023, this figure had grown to nearly 30 trillion yuan. This growth not only highlights the financial strength of the insurance industry but also reflects its influence and investment capabilities in the capital market. As the scale of insurance assets has expanded, the service capabilities and risk management levels of the insurance industry have significantly improved.

2.5. New insurance products are constantly explored

Currently, the development of science and technology is advancing at an unprecedented pace. Technologies such as the Internet, block-chain, big data, cloud computing, artificial intelligence, the Internet of Things, connected vehicles, and machine learning have emerged and are gradually being applied to industries like finance, with insurance also developing step by step ^[15]. On one hand, insurance continuously enhances the technological attributes of insurance products, promoting high-quality development in the insurance industry. Big data provides a vast amount of sample data for insurance, while connected vehicles facilitate UBI entering the insurance sector, among other applications. UBI can accurately identify risks in new energy vehicle insurance, which helps in setting more precise rates and significantly aids in reasonable pricing. Currently, UBI has seen further application in China's insurance market, and its integration with auto insurance is also strengthening. On the other hand, as the frequency of catastrophic events increases, it is essential to establish efficient and reasonable mechanisms for handling catastrophes and to introduce insurance policies that are compatible with these events, while appropriately considering regional differences and the feasibility of pilots. Strengthening the application of next-generation technologies and accelerating the development of next-generation artificial intelligence have become crucial strategic choices for driving the leapfrog development of the insurance industry, optimizing industrial upgrades, and enhancing overall productivity ^[16].

3. Existing problems of high-quality development of China's insurance industry

3.1. Supply and demand mismatch

From the perspective of demand, on one hand, as living standards and incomes rise, people place greater emphasis on spiritual needs. Therefore, their demand for insurance is also changing, favoring personalized and customized insurance products, as well as reasonable premiums tailored to their economic status, risk level, gender, and occupation. On the other hand, people's needs are not only becoming more personalized and customized but also increasingly diverse. For example, pet lovers may need pet insurance, and fans of celebrities might require home collapse insurance. From the supply side, on one hand, the amount of capital in the capital market objectively constrains the amount of insurance capital, further limiting insurance investment. On the other hand, for insurance companies, with the advancement of science and technology and the diversification and customization of consumer demands, as profit-oriented enterprises, they focus more on whether the application of these technologies can generate profits. The process of applying technology inevitably brings losses, and insurance companies are constrained by limited capital while also bearing the risk of potential losses. Therefore, to some extent, the supply from insurance companies lags behind market demand.

3.2. Lack of insurance professionals

High-quality development in insurance requires insurers to have multifaceted and multidisciplinary talent to address challenges under the market economy. To adapt to social competition and meet consumers' multi-level and diverse needs, it is necessary to develop more new insurance products. Only by providing superior services can one succeed. However, improving insurance quality necessitates talents from different industries. For instance, insurers need not only knowledge of insurance but also medical expertise in long-term care insurance. Such versatile talents are often scarce and require substantial time and resources for cultivation.

3.3. Conflict between public welfare and the rule of law of compulsory insurance

On the one hand, there is a conflict between public welfare and profitability. The original intention of establishing compulsory traffic insurance was to protect the basic rights of victims in traffic accidents, which has a mandatory and public welfare nature. However, with the advancement of market-oriented reforms, insurance companies have gradually emphasized profitability in the operation of compulsory traffic insurance. This has led some companies to "selectively underwrite," refusing to insure high-risk vehicles or requiring additional commercial insurance. Such behavior violates the public welfare nature of compulsory traffic insurance, affecting its function of serving society. On the other hand, market-oriented reforms bring pressure. In recent years, the implementation of comprehensive auto insurance reforms has increased market pressure on insurance companies in pricing and underwriting. Regulatory authorities hope to reduce consumer burdens and improve the accessibility of insurance services through reform, but this also puts greater profit pressure on insurance companies in underwriting compulsory traffic insurance. Due to the compressed profit margins in commercial auto insurance, insurers have to manage risks more cautiously, which conflicts with the principle of "break-even" for compulsory traffic insurance.

4. Measuring for the high-quality development of China's insurance industry

4.1. Differentiated customized insurance products

Personalized customization is a new trend in the future development of the insurance industry. Insurance

companies can provide differentiated products to consumers through personalized customization services, allowing consumers to enjoy more personalized and considerate services. Insurance innovation requires innovation in traditional insurance service models, sales methods, and organizational structures, which can be specifically divided into two categories: Underwriting technology innovation and organizational innovation^[17]. Differentiated customization is a manifestation of underwriting technological innovation. For example, when insuring new energy vehicles, different rates can be customized based on various criteria such as vehicle type, emission standards, and manufacturer. Here, we can leverage cloud computing for differentiated customization. In a cloud computing environment, insurance companies can more easily obtain customer information, including customer ID, purchase preferences, purchase history, and contact details; accurately pinpoint customer needs, driving habits, usage environments, fault histories, and repair cases.

4.2. Cultivating professional talents

The internal organization of insurance companies should be scientifically and reasonably planned, establishing a dedicated department for business training to align with the company's strategic needs for talent development^[18]. The insurance industry is a service sector, and the core issue in improving service quality is talent. Modern insurance requires not only professionals who understand insurance but also those skilled in digital technology, forming a composite professional talent pool^[19]. Talent, as an indispensable part of insurance company development, can be cultivated through external cooperation and talent acquisition. In terms of external cooperation, universities, as the main force in talent cultivation, should establish cooperative platforms with schools to apply for high-quality insurance development courses and organize knowledge competitions that attract and nurture more specialized talents. Regarding talent acquisition, experienced professionals should be attracted to form specialized R&D teams responsible for business expansion, management, and innovation, better grasping market dynamics.

4.3. Financial subsidies

Regarding the contradiction between marketization and public welfare of compulsory traffic insurance, we can address it from two aspects: Fiscal subsidies and the establishment of a risk-sharing mechanism. On one hand, increase the intensity of fiscal subsidies. The government can boost fiscal subsidies for compulsory traffic insurance to reduce operating costs for insurance companies, thereby decreasing their tendency to deny coverage for high-risk vehicles. For example, the government could provide additional subsidies for high-risk or special models to encourage insurers to underwrite these vehicles. On the other hand, establish a risk-sharing mechanism. The government can set up a risk-sharing mechanism involving the government, insurance companies, and consumers. By supporting the establishment of catastrophe insurance funds and reinsurance systems through fiscal subsidies, a multi-level risk dispersion mechanism can be formed, alleviating the financial pressure on insurance companies caused by large-scale accidents.

5. Conclusion and prospect

As the economy continues to develop and consumer demands become more diverse, the insurance industry is facing new challenges for high-quality growth. This article analyzes the current state of high-quality development in China's insurance sector and examines the issues that arise during this process, proposing corresponding measures. It emphasizes the role of insurance technology, the customization of differentiated insurance products to meet diverse needs. Additionally, as the main providers of insurance products, insurance companies must continuously learn from best practices, cultivate professional talent, and implement measures

such as customizing differentiated insurance products to address the mismatch between supply and demand in the process of high-quality development. Despite various challenges in the high-quality development of the insurance market, the overall trend remains positive, with unlimited growth potential. China's insurance market is poised for high-quality development.

Disclosure statement

The authors declare no conflict of interest.

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