

# Promote Common Prosperity with Insurance Allocation: "Help in Time" Or "Icing on the Cake"?

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## Abstract

The establishment and improvement of a sound financial service system is a powerful engine for high-quality China's economic development and common prosperity. As an important part of the financial service system, the effective allocation of insurance will play a role in maintaining stability, increasing income and getting rich for residents with different income levels in rural and urban areas, thus promoting common prosperity. At present, some literature only examines the influence mechanism of financial development on common prosperity from the macro level, but none involves the relevant research on promoting the process of common prosperity through the economic effect of insurance allocation. This project proposes to take 34 provinces (autonomous regions and municipalities directly under the Central Government) in China as the research object, build a common prosperity index evaluation system and calculate the development index from the two dimensions of prosperity degree and sharing degree, and take the micro perspective of insurance allocation as the entry point to study the impact of insurance allocation on common prosperity. Based on 2006 to 2020 China insurance statistical yearbook and silver circ database, empirical analysis of insurance configuration is beneficial to promote the process of common prosperity, for rural residents have income rich "timely" role and for urban residents have stability income "the icing on the cake" effect, and explore its mechanism and specific implementation path, provide new ideas for steadily promoting common prosperity.

## Keywords

Social Security Type Insurance; Commercial Development Type Insurance; Common Prosperity.

## 1. Research Background

On March 13, 2021, the 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and the 2035 Vision Outline were released, which stated to "optimize the income distribution structure and promote common prosperity more actively"; Xi Jinping stressed at the 10th meeting of the Financial and Economic Commission of the CPC Central Committee that "common prosperity is the essential requirement of socialism and an important feature of Chinese modernization"; the 2022 Government Work Report also stated that common prosperity should be promoted. Through hard work, the country and the people have achieved the two key victories of lifting rid of absolute poverty and completing the building of a moderately prosperous society in all respects, laying a solid foundation for achieving common prosperity in the future. It can be said that common prosperity is an extension of poverty alleviation, but the connotation and extension of common prosperity have a higher degree of development. Under the premise of material security, people's well-being and social equity should be steadily improved, and the stable development of residents at all

levels of society, culture and environment should be emphasized. At present, China's economy is shifting from high-speed growth to high-quality development.

At the stage of the exhibition, the problem of unbalanced and inadequate development is still prominent. Zhou Yanli, a member of the Committee of Economy of the CPPCC National Committee and former deputy secretary of the Party Committee and vice chairman of the China Insurance Regulatory Commission, pointed out that "Insurance has the functions of economic compensation, fund use, risk management and social management, and should assume the role of balancing and maintaining stability in the country's economic and social development, so as to promote common prosperity". Therefore, in the face of the current complex situation and severe challenges, how to tap and stimulate the potential of the insurance industry and promote the process of common prosperity in a solid and stable way is an important issue full of theoretical value and strategic significance.

## 2. Research Significance

### (1) Research on insurance allocation and insurance allocation

As an effective risk management tool, insurance has the function of risk sharing and capital agglomeration, and naturally has the attribute of smooth fluctuation and maintaining stability. It includes social security insurance to avoid themselves or suffer less external harm and commercial development insurance to consolidate and increase their own assets. They have different purposes, different benefits for insurance buyers, and different effects on common prosperity at the macro level. To study the problem of insurance allocation can provide a new idea for promoting common prosperity to some extent. Related literature on insurance configuration temporarily no unified standard, this project combined with the relevant research literature, from the function of insurance, insurance properties, insurance coverage, insurance is divided into make themselves from or less by external damage of social security insurance and in order to consolidate and increase their assets of business development insurance. In addition, there are few studies on the evaluation index of common prosperity at the micro level, and the construction of the index of common prosperity is not conclusive.

### (2) Research on the index system of common prosperity

On the premise of in-depth understanding of the connotation of common prosperity, this paper constructs the index system to measure the development level of common prosperity from the micro perspective. According to the two core concepts of "common" and "prosperity", the degree of prosperity and sharing are taken as the first-level indicators. On this basis, 8 second-level indicators and 13 three-level indicators in two aspects are selected to build a comprehensive evaluation index system for the development of common prosperity, and the comprehensive score is finally calculated.

### (3) Research on insurance allocation affecting the development of common prosperity

To explore the relationship between insurance allocation and the development of common prosperity, and to study the promotion of common prosperity, the current academic discussion on the connotation of common prosperity basically revolves around the two core concepts of "common" and "prosperity". On the one hand is "common", namely the main body of common prosperity is all the people, not a few people, nor a few "common" focus on gap and inequality, but does not mean to eliminate the gap, common prosperity is not synchronous, equal rich, gap will exist, but polarization is not allowed, "common" embodies the fundamental purpose of the development of socialist social production. On the other hand, it is "rich", which scholars Xie An and Hou Qiyuan think can be understood from three aspects: the people realize a better life; on the middle level, with the reasonable growth of the national economy, the income level of the residents in the national wealth; on the micro level, the residents get the double abundance of material wealth and spiritual development. On the premise of clarifying the connotation of

common prosperity, there are rules to construct the evaluation index of common prosperity. First, in terms of the content of common prosperity, material is the most important problem to be solved in the development of human society. Material scarcity is not common prosperity. A certain level of development of social productive forces and the accumulation of social wealth are the primary guarantee of common prosperity. At the same time, common prosperity in the new era is the unity of "head" and "pocket". Second, in terms of distribution mode, while making the "cake" bigger, we should divide the "cake" with high quality. Whether all the people truly share the fruits of development, whether the process of sharing is fair and just, and whether the polarization is alleviated are also an important factor in measuring the level of common prosperity. Common prosperity index system construction is the focus of the current academic eagerly discussion, macro, liu from the overall prosperity and development achievement sharing degree two levels to build common prosperity index system, the residents, per capita income, per capita wealth and labor productivity into overall prosperity index system, development achievement sharing degree by the crowd, regional and urban and rural areas, it is obviously more focused on the material level.

Many scholars have proposed that "wealth" should not only refer to material things, but that spirit is just as important as human development. Scholars Xie An and Hou Qiyuan emphasized income, residents' health status and spiritual life; Fu Caiwu and Gao Wei pointed out that common prosperity should also include the relatively fair pursuit of cultural life, aesthetic taste, self-worth, scientific knowledge and group identity. At the micro level, scholars Shen Yun and Li Jingrong measure the family wealth of farmers from both material and spiritual aspects. At the micro level, there are few studies on the evaluation index of farmers' common prosperity as the "short board" of common prosperity, and the index construction of common prosperity is not determined. According to the two core concepts of "common" and "prosperity", the degree of affluence and sharing are taken as first-level indicators. According to the World Bank's 2017 standards, Liu Wei et al. set the critical value of the three sub-indicators of per capita disposable income, total household assets and per capita expenditure according to 40% of the median of each index. The limit of the proportion of household annual subsistence consumption expenditure was determined by 65% of the per capita data of the National Bureau of Statistics in 2017. In order to reflect the spiritual and cultural prosperity of the people, scholar Liu Chang set three two-level indicators, including health includes family member health level and family medical condition; under education, a three-level index of education level of family members; entertainment includes two three-level indexes of entertainment expenditure and subjective happiness. At the same time, in order to reflect "sharing", scholars Chen Lijun and others include the population gap and regional gap into the index system: the population gap focuses on the gap between the interviewed farmers and the local urban residents, measured by two three-level indicators: income difference and consumption difference; the regional gap focuses on the local development, including the local poverty level and the geographical location of the surveyed farmers.

#### (4) Research on social security insurance and common prosperity

As the dominant function of personal health insurance, it is natural to solve diseases and health problems. Bao Zhenyu and Zhao Yuanfeng (2018) found that the basic medical insurance has the effect of reducing the treatment burden of policyholders. When the family expenditure decreases due to illness, and the motivation of preventive savings will be correspondingly weakened, and the household consumption level will be improved. Personal health insurance will produce positive benefits to the health of the policyholder and prevent him from enjoying basic medical services due to the "difficulty" or "high cost of seeing a doctor". When the health level of the applicant is good, the labor supply level of the family will not lack naturally, at this time, the income level of the family will rise or remain stable, and the subjective happiness of the family members will not be reduced because of the sharp decrease of income. In addition,

the difference between social security insurance and commercial development insurance lies in that, compared with commercial development insurance, its policy insurance is more favored by residents because of its low price and relatively high-quality service. Residents' purchase of policy-based insurance has the effect of promoting economic development, smoothing residents' income and promoting residents' stable income increase. Meanwhile, it also has the effect of weakening residents' preventive savings motivation and reducing the possible probability of possible welfare decline. If the risk damage to residents is reduced, their expectations of their own production and operation will continue to improve, which will eventually encourage residents to continue their operation and production activities, which will have a long-term positive effect on alleviating poverty and achieving common prosperity. Both personal health insurance and policy insurance, can directly or indirectly smooth insurance family income, so that residents' income level on the premise of maintaining stable improved, and both kinds of insurance by reducing the insured family preventive savings motive and positive effect on the family consumption level, which on the material level of common prosperity has a positive effect. The natural effect of personal health insurance on improving the health level of the insured and the incidental effect on improving the happiness of the elderly population in the family also fit the connotation of common prosperity.

#### (5) Research on commercial development insurance and common prosperity

From the definition of insurance, commercial development insurance also has the ability to share risks and smooth the income of the insured and consumption fluctuations, but compared with social insurance, the premium price of commercial insurance is high, and most of them have no government subsidies, and almost all of them need to be borne by the insured themselves. Under this premise, as a group with relatively low income level, farmers' demand for commercial development insurance will be reduced. According to Maslow's demand hierarchy theory, people only in low level demand met will produce high-level demand, investment and finance and the pursuit of their own value compared with basic survival demand is high level demand, therefore, compared to the social security insurance, business development insurance investment financial insurance products variety is various, different insurance combination and configuration of the results is very different, for no system to learn financial knowledge of most residents, to get a better result is bound to pay more money to obtain more professional services. For those residents who have little savings and are "less than below", they have reached the threshold of buying commercial development insurance but are unable to obtain a higher level of services. Therefore, the income they can get from it is limited, not to mention the residents who are unable to buy commercial development insurance. The end result is that a small number of people who have accumulated more wealth rely on better financial services to get higher returns and accumulate more wealth, while ordinary residents may even lower their original living standards due to high insurance premiums. At this point, commercial development insurance will promote social differentiation and is not conducive to common prosperity.

### **3. The Necessity of the Impact of Insurance Allocation on Common Prosperity**

Based on this, this project will focus on the impact of insurance allocation on common prosperity on the basis of constructing the evaluation index system for common prosperity. The main necessity is as follows: (1) based on the perspective of insurance allocation and on the basis of constructing the index system of common prosperity, the influence of insurance allocation on common prosperity is investigated, which not only enriches the relevant research on the relationship between insurance allocation and common prosperity, but also provides the possibility for extending the economic effect of insurance allocation and improving the

insurance system.(2) Building an evaluation system for common prosperity and calculating the development index of common prosperity have certain theoretical and practical significance for strengthening the weak links and promoting common prosperity for all the people.(3) Through the empirical study of the impact of insurance allocation on common prosperity, it is found that social security insurance can promote the development of common prosperity, while commercial development insurance is not conducive to the promotion of common prosperity, which provides a new perspective for promoting common prosperity.(4) By exploring the differentiated impact of social security insurance on the two dimensions of common prosperity, we can clarify the mechanism of social security insurance on common prosperity, so as to improve the function of such insurance in a targeted way.(5) Based on exploring the specific effect of commercial development insurance on different dimensions of common prosperity, it has certain reference value for how to share "development" through the increase or decrease of commercial development insurance types and the rise and fall of the entry threshold.

#### **4. Study the Significance of the Impact of Insurance Allocation on Common Prosperity**

Common prosperity is a long-cherished dream of the Chinese people. It is the essential requirement of socialism and Chinese modernity Important features of the chemistry. To carry out the relevant research around the common prosperity, we must solve the measure of the development level of the common prosperity.

The problem is limited to the development of common prosperity involves many dimensions, and the construction of index evaluation system needs to be solved in this field technical problems. To this end, this project takes the insurance configuration as the entry point, combined with the essential attributes of common prosperity, empirical evidence to test the impact of two types of insurance allocation on common prosperity and their action mechanism is China's steady progress in common prosperity the urgent need of abundant development is also an effective way to accelerate the modernization of socialism with Chinese characteristics. At the same time,The construction of the wealth index evaluation system is also helpful to explore the weight difference of each index, and to help the development of common prosperity provide policy reference and advice.

#### **5. Epilogue**

The financial service system is a powerful engine for promoting high-quality China's economic development and common prosperity. Insurance for as an important part of the financial service system, its effective allocation will play a balanced and stable role in economic development, and then to promote common prosperity. This project will be based on the theoretical mechanism analysis of China's 34 provinces (autonomy district, municipality directly under the Central Government) in the past 15 years of insurance allocation and common prosperity data to discuss the insurance allocation to promote common prosperity effect of development; discuss how China plays in the process of building a modern socialist power with Chinese characteristics degree advantage, optimize the design of the insurance industry environment construction path selection, and put forward differentiated coping strategies, so we will steadily promote the realization of the development goal of common prosperity.

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