

# Why we need nonlife insurance more than ever

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**M**alayan Insurance Co. Inc. is the leading nonlife insurer in the Philippines. To adapt to changing times, the firm recently launched innovative products such as cyberinsurance and fine arts insurance.

Company president Yvonne Yuchengco shares her insights about the growth of nonlife insurance.

**Q1:** The market penetration of nonlife insurance in the Philippines is less than 20 percent. Why do you think Filipinos are still not investing in nonlife insurance and what can trigger demand?

**A:** Philippine nonlife insurance industry net premiums grew 16.24 percent in 2016 compared to the previous year. The industry is poised to grow even further as the economy continues to improve [and as] more and more Filipinos will gain the capacity to buy hard-earned assets. They will look for ways to protect these from factors they cannot control.

There is also a growing appreciation of the important role that insurance plays in big catastrophic events like Tropical Storm Ondoy and Super typhoon Yolanda.

All in all, the quality of financial education and risk management is improving through shared experiences that can be found online.

**Q2:** Is there a difference in the purchasing behavior of younger buyers versus older buyers?

**A:** Based on our experience, product queries and comments come from younger buyers who research online and conduct benchmarking prior to purchase. Older buyers are usually relationship-driven. They approach agents they already know or referred by family friends and rely on their recommendations when buying insurance.

**Q3:** Why should people real-

ize that nonlife insurance is not an expense but is actually a good investment?

**A:** Nonlife insurance empowers private individuals to rebuild assets that are destroyed accidentally or by natural disasters. Instead of relying on government support, proceeds from claim payments can be used to replace damaged properties.

In 2015, the nonlife insurance industry paid a total of P33.2 billion in claims. Nonlife insurance helps families get back on their feet after an accident or disaster and it's a way for insurance companies to contribute to nation-building.

**Q4:** How do you balance risk management and client acquisition?

**A:** Proper risk management assists in client acquisition and the industry constantly endeavors to be fair to both the insured and the insurance companies. This involves accepting clients who have done their part in reducing chances of or avoiding unpleasant events from happening.

With this, certain areas or types of businesses may not be accepted, like plastic factories because these involve highly flammable materials. In the same way, houses constructed with wood cannot be accepted because the property is prone to fire.

**Q5:** How do you see insurance technology and artificial intelligence affecting the business model of the insurance industry?

**A:** There is potential for disruption especially in how insurance is distributed and in automating underwriting. InsureTech and Artificial Intelligence that have sprouted from the Silicon Valley are inspiring this. However, it will take some time before a complete industry change will occur because clients still prefer to go offline at any point in their purchase journey.

The Consumer Barometer Survey (2014/2015), a project of Google and TNS Infratest, showed that only a 10th of the respondents conducted their

purchases purely online—that's from research to actual purchase. About half would research online but still make their purchase offline.

**Q6:** Do you see a time when underwriting and claims will be done via social media?

**A:** Yes, but it will be a while before this happens. Tech and retail companies have started with chatbots to address customer concerns through social media or messaging app. But even then, customers have the option to chat with a human representative because people still prefer face-to-face interaction, or a semblance of it, especially when it comes to insurance and finance.

**Q7:** How will internet of things, telematics, drones, self-driving cars and climate change affect demand for insurance?

**A:** These will affect risk management and how cybersecurity is applied. [Still] the basics of insurance will remain. For example, acts of God as well as theft will still form part of motorcar insurance for driverless vehicles, but risk management will also have to take into consideration satellite failure, navigation system, reliability of motorcar operating systems, etc.

**Q8:** Do you see more companies managing their own risks and insurance companies shifting more and more to a service provider model?

**A:** Converging insurance risk management and being a service provider, or partnering with a service provider, is already happening in the industry. It evolved into this naturally because we want to give clients peace of mind relevant to the items or events they insured. We provide road side assistance to our motorcar insurance policy holders, so we do not just insure the vehicle, we make sure that the driver and the vehicle's passengers are safe and taken cared of especially when medical attention is needed.



Yvonne Yuchengco

We are partners with Assist America (global firm providing emergency services to travelers) for our travel insurance to ensure our clients get whatever information and help they need wherever they travel.

**Q9:** The Asean Free Trade Agreement (AFTA) has opened the Philippine insurance industry in 2015. What has been the impact to the industry so far and how have local players responded?

**A:** AFTA paved the way for new entrants in the industry like FWD and TROO for life insurance, Allianz, PNB and AXA-NL for nonlife insurance. They bring with them global expertise in terms of sales and operations.

Local players are starting to realize this by engaging clients digitally and improving operating processes to reduce costs through automation and innovations. On top of this, local players still maintain a welcoming physical presence in key channels because personal and professional relationship with clients and distribution

partners is still the biggest factor in generating sales.

The Insurance Commission has also increased capitalization requirements [to help] industry players compete confidently in a more open market.

**Q10:** What insurance regulation would you like to see changed and how would it help improve demand for insurance?

**A:** Top of mind is less taxes. Increase in required protection would also be helpful, such as personal accident insurance for passengers of public utility vehicles and transport network vehicle services (TNVS) such as Uber and Grab, personal accident insurance for Marina passengers and comprehensive general liability insurance for business establishments. —CON-

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