

# 2019

## **MODEST GAINS AGAINST ECONOMIC SLOWDOWN, HIGHER TAXES**

The year 2019 was yet again challenging for the local insurance industry, as well as MAPFRE Insurance, as the economy marked a slowdown, forcing many households to tighten their belts and forego certain spending and investments, including insurance.

The Philippines missed its full year growth target in 2019, despite gaining momentum in the last quarter of the year. Strong domestic demand and faster turnaround in government outlays in the last quarter failed to offset challenges in the first half, which included lower agricultural output and budget delays, which in turn impeded the implementation of government programs and projects. As a result, the economy grew by only 5.9 percent, its slowest growth in eight years.

In addition, the auto industry continues to feel the adverse effects of the Tax Reform for Acceleration and Inclusion (TRAIN) Law, which imposed higher excise tax on automobiles and caused a slump in car sales in 2018. While the industry has already recovered from such decline, it posted a modest 3.5 percent growth in 2019, a stark difference from the double-digit growths the industry has been posting in the years before the law was enacted.

According to a joint report by the Chamber of Automotive Manufacturers of the Philippines, Inc. (CAMPI) and the Truck Manufacturers Association (TMA), only 369,941 vehicles were sold in 2019.

Commercial vehicle sales, which account for 69.5 percent of the market, grew five percent to 260,744 vehicles versus 248,390 a year ago, while sales of light commercial vehicles and light trucks increased by 11 percent and 3.9 percent, respectively. Passenger car sales remained flat with only 109,197 units sold compared to the 109,020 units in 2018, while sales of Asian utility vehicles or AUVs, trucks, and buses all went down.

All told, the insurance industry posted a modest growth in the first nine months of 2019. Data from the Insurance Commission (IC) showed premium income rose to P224.97 billion in January to September last year, up by 2.76 percent versus the same period last year. All sectors of the insurance industry grew during the period, with the non-life sector contributing P44.02 billion in net premiums written.

The IC also reported insurance penetration, or the ratio of premium underwritten in a given year to the gross domestic product, stood at 1.69 percent in Q3 2019.

## **CAPITAL INFUSION – A VOTE OF CONFIDENCE**

The year also saw another round of capital hike, as the industry moved towards being at par with global standards. Under Republic Act No. 10607, insurance companies should have a net worth of at least P550 million in 2016, P900 million in 2019, and P1.3 billion in 2022. This guarantees that insurers are well-capitalized and at par with other insurers in the region.

MAPFRE Insurance, as early as June 2019, complied with the P900 million capital requirement set by the IC, making it one of the highest capitalized and solvent insurance firms in the country.

The company was able to get the full support of its Madrid-based parent firm MAPFRE, S.A. and another majority shareholder, Insular Life, through fresh capital infusion. MAPFRE is one of the largest insurers in Europe, not to mention the benchmark insurer in Spain. Insular Life, on the other hand, is the first and largest life insurance company in the country.

This funding (75% MAPFRE,S.A., 25% Insular) reflects the confidence of our majority shareholders in the company and the Philippine economy as well. MAPFRE's capital infusion also signals its commitment to strengthen its presence in the country, ensuring that more Filipinos are protected. This also resulted in the rebranding of MAPFRE Insular to MAPFRE Insurance, a move that aligned the company to the global brand.

Meanwhile, the company is confident that it will be able to meet the next round of capital increase through internally generated funds, which in turn will be driven by projects that will increase the sales and efficiencies in our operations.

## **DIGITAL DISRUPTION WILL DETERMINE WHO STAYS AND WHO GOES**

Digitalization did not only change the way MAPFRE Insurance does business, but also customer expectations. Customers have set a new standard, even when it comes to feedback, given that almost everything is available online. Everything has to be simple, fast, and efficient.

MAPFRE Insurance took on this challenge a few years ago and will continue to embark on a digital journey in order to meet the unique needs of its policyholders and reach more customers.

Apart from making quotes available online, the company has added more digital services on its website, making its CTPL, Travel Assist Insurance, and Personal Accident Insurance available for purchase online. It also made digitally available its Claims Upload Documents Page (UpDocs). These provide customers the ease of getting their CTPL and submitting claims documents anytime, anywhere, even on their mobile phones.

Meanwhile, digital transformation is not just about automation, being online, or having a mobile app, it is also about customer interaction. As such, MAPFRE Insurance set up virtual offices, which allowed its distribution network to independently issue policies, access accounts for renewal, instantly draft quotations, even process payments, and claims with the help of QR codes – another innovation the company recently embarked on.

## **MORE WINS AND OPPORTUNITIES IN 2020**

Going into 2020, MAPFRE Insurance will continue to take advantage of opportunities in the market and emerging technologies.

For instance, the company will improve the online platform of its travel insurance. The opportunity to improve on the accessibility of this product came as Schengen requires those applying for visa to have a travel insurance policy.

The company will also take advantage of the growth of microinsurance in the country. 3Q data from the IC showed 40 million individuals were covered by microinsurance. Of the total, 25 million were covered by mutual benefit associations, eight million by life insurers, while 7 million were covered by the non-life insurance sector. A vast market, however, has yet to be tapped by all sectors of the industry.

In saying this, the local industry continues to tackle the low market penetration rate of insurance in the Philippines. MAPFRE commits to take an active role in promoting the importance of preparedness, protection, and insurance through financial education.

Meanwhile, the company will also continue with efforts to fully digitalize its operations to make access to insurance easier for Filipinos, as well as claims faster for its customers.