

# Turkey Country Report

## Engineering Insurance lines:

### (A) Premium Development

Total premium production has increased by 3,6% to TL 1.512.255..512 Accordingly Engineering Insurance lines' production has resulted as 4,3% of the whole 'non-life' premium production in 2016, whereas this share was 3,9% in 2015.

As may be seen in the table below and similarly to last years, Machinery Breakdown Insurance had the first rank with 48,3% share of total premium production of engineering insurance lines in 2016. The share of CAR premium was 24% of the total Engineering lines with TL 363,6 m. and with 8,5% decrease compared to 2015. This is because of a couple of fronting policies of some special projects with huge premiums in 2015.

### (B) Claims Development

Claims have increased from a high 1,577.18 million TRY to 1,649.83 million TRY resulting in a loss ratio of 109.1%. The main losses were paid for MB / BE + LoP and CAR + ALoP.

### (C) Underwriting Profitability

As seen in the tables In the recent years in accounting year basis the loss ratios are deteriorating. This is due to insufficiency of written premium compared to the losses development. There is huge competition in the country where mainly Machinery Breakdown and Electronic Equipment insurances are being dissolved within the Property Lines. And very negligible premium are being charged for the risks. The competition and challenging terms on the Motor Line of business had lead the companies to seek for profits in other lines where most of the Engineering Lines are deteriorated due to this fact.

There are also large projects with Large losses which mainly depend on Facultative reinsurance. Although Turkish Insurance Companies traditionally have high reinsurance capacities within their treaties, most of the large losses are being absorbed by the Facultative reinsurers. Since XoL treaties are rare in the market, facultative reinurers had also difficult times in the recent years.

Profitability is also effected by high agency / Broker remunerations where underwriters are having difficulties in creating a margin for this.

#### (D) Business Outlook

Large scale infrastructure, energy, and transportation projects throughout Turkey are progressing rapidly. These projects represent the culmination of the giant leap taken in the last decade towards a well-developed and prosperous Turkey that seeks to count itself among the world's top 10 economies.

Exceeding USD 100 billion in total worth, the highways, bridges, airports, power plants and other mega projects remain on schedule. In addition to infrastructure related projects, rapid progress is also being made in the development of domestically designed and produced automobiles and aircraft.

#### **Ilgaz tunnel**

The Ilgaz Mountain project, consisting of two tunnels -- one 5,370 meters long and the other 5,391 meters long -- was constructed to connect Turkey's West Black Sea and Central Anatolia regions.

The tunnel will significantly reduce traveling times on the Ilgaz Mountain motorway from 35 minutes to eight minutes, cutting the existing route by 5.4 kilometers.

A 38.2 million Turkish liras (\$10.9 million) saving is expected to the country's economy annually with 8.3 million liters of fuel saved and over 345,000 hours cut from journey times.

#### **Akkuyu Nuclear Power Plant**

Rising in Mersin on the Mediterranean coast, the construction of the hydraulic facilities of the Akkuyu Nuclear Power Plant began in

April, 2015. Scheduled to go online in 2020, the USD 22 billion project is being built by the Russian state-owned nuclear energy corporation Rosatom utilizing the latest technologies and safety features.

Looking to diversify its sources of energy and reduce dependence on imports, Turkey plans to have three operational nuclear power plants by 2023. A French-Japanese consortium will build the country's second nuclear power plant in Sinop on the country's Black Sea coast, while a third plant is in the planning stage.

### **North Marmara Highway - Yavuz Sultan Selim Bridge**

On schedule to be completed by the end of 2015, the North Marmara Highway Project will boast the world's widest and longest combined road and rail bridge, the Yavuz Sultan Selim Bridge. The Yavuz Sultan Selim Bridge will become the third bridge to span the Bosphorus strait, adding yet another link between Europe and Asia.

The USD 4.5 billion highway will link the Marmara Sea ports of Tekirdag with the major industrial center of Sakarya, considerably shortening the route between the two while allowing the freight transportation to bypass Istanbul's busy city center. The highway lies adjacent to Istanbul's third airport, which is under construction in the northwestern section of Istanbul's European side.

### **Istanbul's Third Airport**

Istanbul's third airport, set to be one of the largest in the world in terms of passenger capacity, is under construction in the Arnavutkoy district of Istanbul. Tendered to a consortium of five Turkish companies, Cengiz-Kolin-Limak-Mapa-Kalyon, for EUR 22 billion in May, 2013, the airport project will be realized through the built-operate-transfer method and is currently expected to cost an additional EUR 10 billion to complete.

Once complete, Istanbul's third airport will relieve the heavily congested Ataturk Airport, becoming both the main hub of Turkish Airlines (THY) and a new layover location for a multitude of airline companies given its prime location between Europe, Asia, Africa and the Middle East.

## **Canal Istanbul**

Canal Istanbul is an artificial sea-level waterway that will be built parallel to the Bosphorus and will connect the Black Sea to the Sea of Marmara. At a planned 47 kilometers in length and 150 meters in width, Canal Istanbul will provide relief to shipping traffic, particularly oil tanker traffic, passing through the Bosphorus. The canal has a designed capacity of 160 vessels a day and is scheduled to be completed by 2023 at a cost of USD 15 billion.

## **Trans-Anatolian Pipeline Project (TANAP) and the Turkish Stream**

Designed to carry natural gas from Azerbaijan's Shah Deniz field to Turkey and beyond, the Trans-Anatolian Gas Pipeline's (TANAP) construction is progressing rapidly. The first flow of gas through the USD 12 billion pipeline project is expected to start by 2018.

TANAP will connect to the Trans-Adriatic Pipeline (TAP) on the Turkish-Greek border and is expected to have an annual throughput of 31 billion cubic meters by 2026.

Apart from TANAP, Turkey and Russia have reached an agreement on a gas pipeline project dubbed 'Turkish Stream', which will carry natural gas from Russia to Turkey and onwards to Europe by crossing under the Black Sea. This pipeline is expected to have an annual throughput of 63 billion cubic meters.

Linking suppliers in the East and customers in the West, both projects will increase Europe's energy security while bolstering Turkey's role as an international energy hub.

## **Eurasia Tunnel and Marmaray**

The Eurasia Tunnel is the key component of a motorway that will allow drivers to cut the travel time from Kazlıcesme on the European side to Goztepe on the Asian side of Istanbul to 15 minutes. This two-deck tunnel passes under the Bosphorus and has a capacity of 120,000 vehicles per day.

The Eurasia Tunnel will complement the Marmaray, another undersea tunnel in operation linking the European and Asian sides of Istanbul via a rail line.

### **Istanbul Finance Center**

Ground has been broken for the project that will turn Turkey's megacity into an international finance center. The city of 15 million inhabitants is already a major center of trade and business and is perfectly suited to assume the role of an international finance hub with its well-regulated markets, a vibrant economy, solid banking system, skilled labor force and advantageous geographical location.

Aiming to provide services in all segments of the finance sector, the integrated complex on the Asian side of Istanbul will span over 2,500,000 square meters of land. It will comprise office space, residences, a conference hall, a shopping mall and a hotel.

On schedule to be completed by 2018, Istanbul Finance Center will also house the head offices of the country's governing bodies of financial markets, state-owned banks, and related businesses.