

IMIA
NATIONAL
REPORT
TURKEY
2018

TURKISH INSURANCE MARKET IN 2018

1. NATIONAL REPORT FOR 2018

A. Premium Development

Total premium production in the Turkish non-life insurance industry has reached to TRY 47,73 billion in 2018 with an increase of 20,4% in comparison to the previous years' total premium production of TRY 39,66 billion.

Table 1: Premium Production in Non-Life Branches in TRY Terms, 2017-2018

Mio TL	12.2018		12.2017		Change%
	Written Premiums	Market Share %	Written Premiums	Market Share %	
Fire	6,037	12.7	4,936	12.5	22.3
Marine	1,161	2.4	897	2.3	29.6
Auto	23,865	50.0	20,135	50.8	18.5
Misc. Accident	3,843	8.1	3,186	8.0	20.6
Engineering	2,211	4.6	1,919	4.8	15.3
Agriculture	2,648	5.6	2,083	5.3	27.1
Health	6,244	13.1	5,028	12.7	24.2
TCIP	1,172	2.5	1,02	2.6	14.9
Other	552	1.2	456	1.2	21.1
TOTAL	47,733	100.0	39,66	100.0	20.4

In terms of market concentration; which is similar to previous years' results, 64,9% of total non-life premiums are produced by the top ten non-life companies, however the total market share of the non top 10 companies have decreased by %3.

Table 2: Premium Production Rankings in Non-Life Branches in TRY Terms, 2017-2018

Mio TL	12.2018			12.2017			Premium Change%
	Written Premiums	Rank	Market Share %	Written Premiums	Rank	Market Share %	
Allianz	5,81	1	12.2	5,134	1	12.9	13.2
Anadolu	5,701	2	11.9	4,671	2	11.8	22.1
Ak	3,417	3	7.2	2,636	5	6.7	29.7
Axa	3,375	4	7.1	2,908	3	7.3	16.0
Mapfre	2,645	5	5.5	2,680	4	6.8	-1.3
Sompo Japan	2,508	6	5.3	2,263	6	5.7	10.8
Ziraat	2,197	7	4.6	1,732	7	4.4	26.8
Gunes	1,907	8	4.0	1,655	8	4.2	15.3
Halk	1,756	9	3.7	1,48	10	3.7	18.6

Doğa	1,669	10	3.5	1,492	9	3.8	11.9
Top 10 Companies	30,985		64.9	26,652		67.2	16.3
MARKET	47,733			39,66			20.4

For **Engineering Insurance lines**, total premium production has increased by 15,26% to 2.211 M TL. 73,5% of the market has been dominated by the top 10 companies.

Table 3: Premium Production Rankings in Engineering Insurances in TRY Terms, 2017-2018

Mio TL	12.2018			12.2017			Premium Change%
	Written Premiums	Rank	Market Share %	Written Premiums	Rank	Market Share %	
Anadolu	259,55	1	11,74	216,30	1	11,27	20,00
Mapfre	244,41	2	11,05	211,97	2	11,05	15,30
Allianz	224,96	3	10,17	186,64	3	9,73	20,53
Ak	148,84	4	6,73	135,21	4	7,05	10,08
Gunes	143,85	5	6,51	123,57	6	6,44	16,41
Gulf	127,51	6	5,77	75,81	10	3,95	68,20
Sompo Japan	126,92	7	5,74	119,11	7	6,21	6,56
Eureko	122,98	8	5,56	125,68	5	6,55	-2,15
Axa	121,75	9	5,51	98,90	9	5,16	23,10
Ray	104,50	10	4,73	99,52	8	5,19	5,00
Top 10 Companies	1.625,28		73,5	1.392,71		72,59	16,70
MARKET	2.211,33			1.918,52			15,26

Similarly to last years, Machinery Breakdown Insurance had the first rank with 48,18% share of total premium production of engineering insurance lines in 2018. The share of CAR premium was 23,03% of the total Engineering lines with TL 509.12 Million and with a slight increase of 2,25% compared to 2017. This low increase is largely bonded to the shrink of the construction market in Turkey at 2018.

Table 4: Engineering Insurance Lines, 2017-2018

Line of Business	2017		2018		(Compared to 2017)
	Amount 2017	Share (%)	Amount 2018	Share (%)	Change
MB	870,76	45,39%	1.065,35	48,18%	22,35%
EAR	90,22	4,70%	87,04	3,94%	-3,52%
CAR	497,90	25,96%	509,12	23,03%	2,25%
EEI	459,66	23,96%	549,52	24,85%	19,55%
TOTAL	1.918,54	100,00%	2.211,003	100%	15,26%

B. CLAIMS DEVELOPMENT

Claim amounts of each Engineering line is given below. As can be seen MB still has the highest loss amount in the total.

Total paid and reserved losses in Machinery Breakdown line took the first place in 2018 with the amount of TL 1.163 M TL which is 38,65% of the total engineering insurance lines. The Contractors All Risks Insurance's loss figures show an highly increase amount as 1.054 M TL with 35,06% share

Table 5 : The Breakdown of Total Losses by Engineering Insurance Lines, 2017-2018

Type of Insurance	Gross Premium written (booked) **)			Claims (paid & reserved)		
	2016	2017	2018	2016	2017	2018
MB / BE + LoP *)	730.467.200	870.763.858	1.065.349.708	710.822.993	859.981.953	1.163.053.139
EAR + ALoP *)	64.022.777	90.223.097	87.035.643	99.968.241	290.908.573	352.608.845
CAR + ALoP *)	363.634.070	497.897.821	509.124.318	596.237.371	678.113.018	1.054.984.557
EEI *)	354.131.468	459.656.811	549.519.457	242.803.240	339.446.360	438.244.093
IDI *)	-	-	-	-	-	-
TOTAL	1.512.255.516	1.918.541.586	2.211.029.125	1.649.831.844	2.168.449.905	3.008.890.634

**The above figures show the claims falling within 2018.

C. Underwriting Profitability

Technical Profit generated by the whole non-life insurance market has continued its trend of increase with 3.272,67 M TL in 2018. However for the engineering lines; technical profit has experienced a decrease for the first time in 5 years by 18,20% to a total of 133.15 M TL

Net Loss Ratio for engineering lines at 2018 has increased to 78,10%

Table 7: Comparison of the Technical Profit for Non-Life & Engineering Insurance, 2015-2018

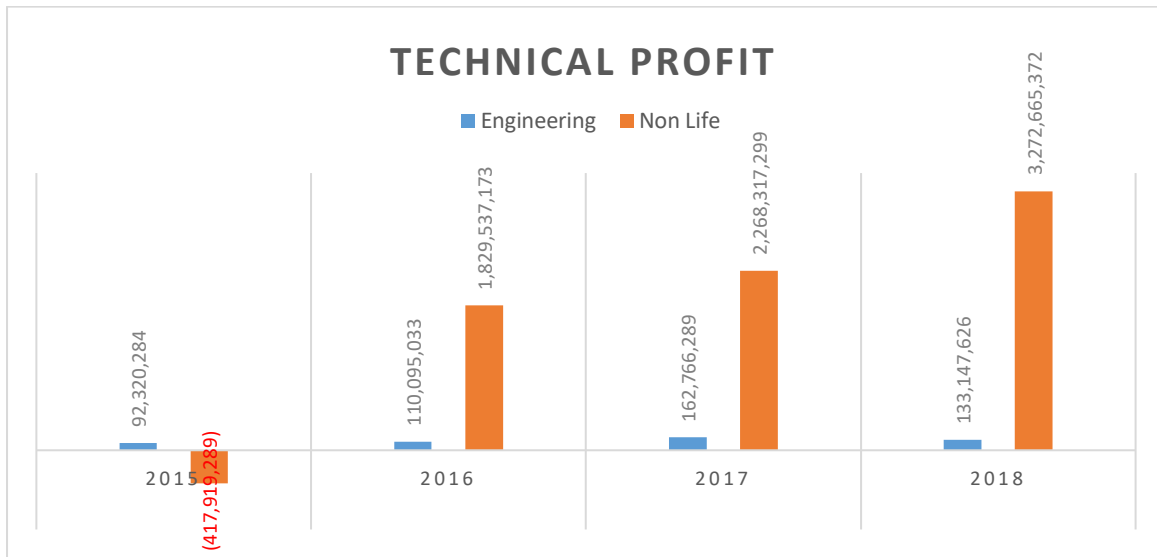
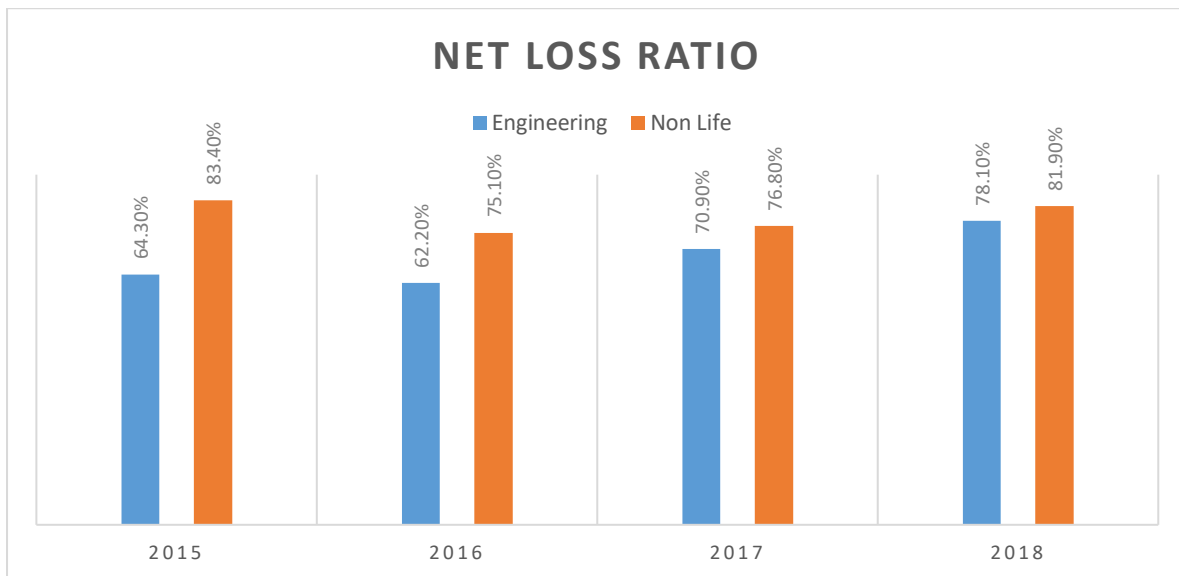


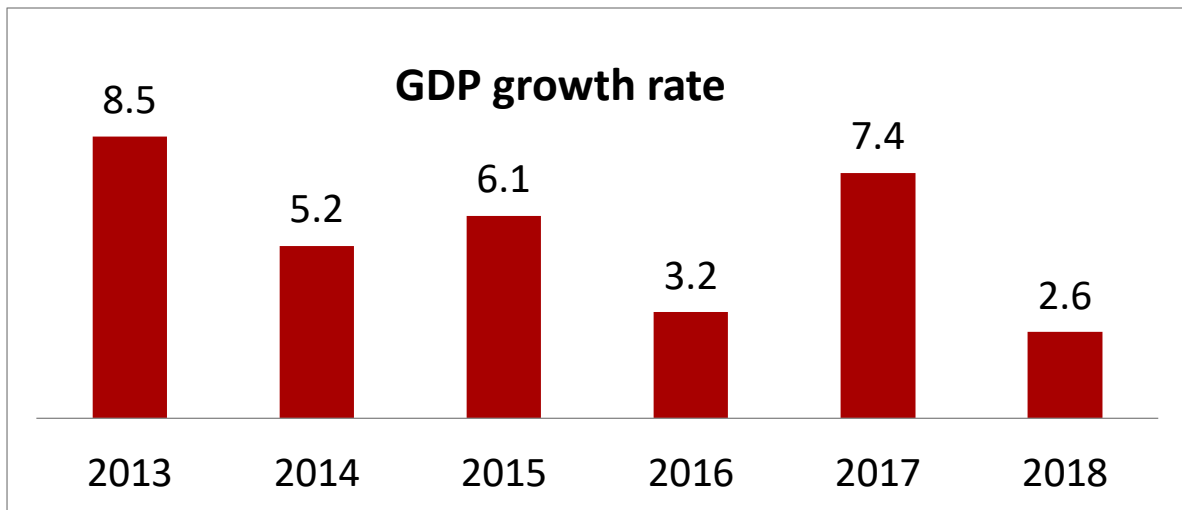
Table 8: Development of the Net Loss Ratios for Non Life & Engineering Insurance, 2015-2018



D. Business Outlook

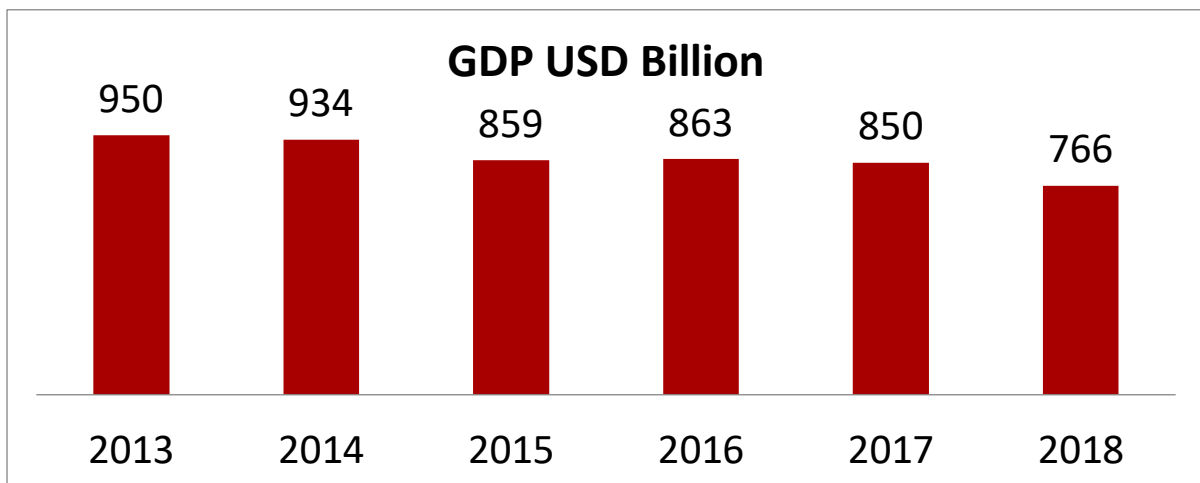
In 2018, Turkish economy has faced crisis and grew only by 2,6%.

Table 9: Annual Economic Growth Rates, 2013 - 2018-1



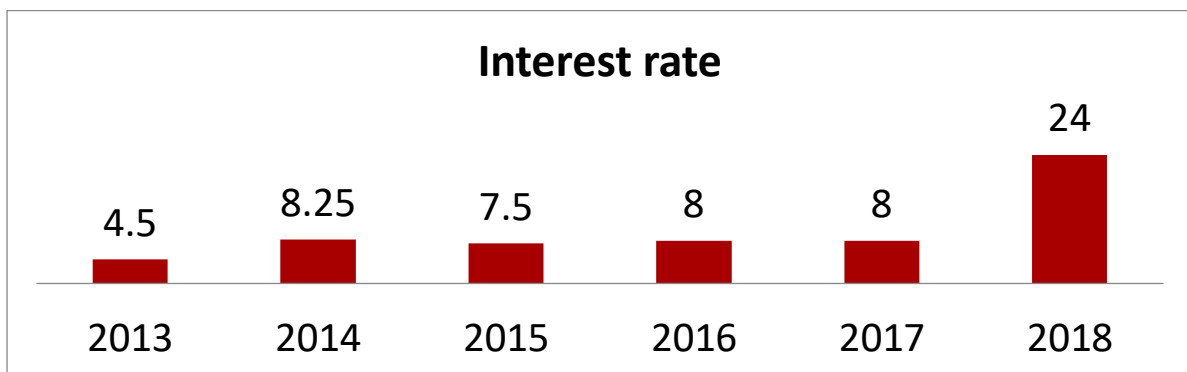
Since 2013 GDP has decreased from 950 B USD to 766 B USD in 2018.

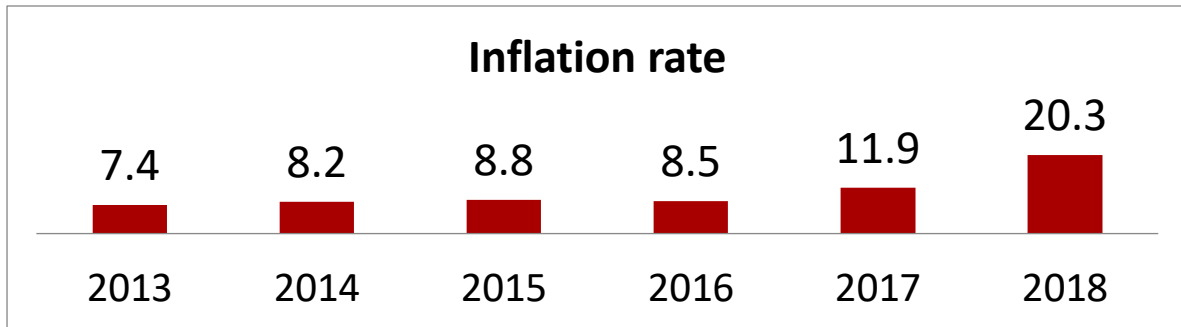
Table 10: GDP, 2013-2018



In order to avoid rapid loss of value of the TL against foreign currencies, Turkish Central Bank has increased interest rate as 200%. However the inflation continued to increase.

Table 11: Major Indicators for Turkish Economy, 2018





For **Insurance Business** in 2018 total premiums in the Turkish non life insurance market grew by 20,40% year-on year. For 2018 Turkey's non-life insurance sector's technical profit was 11,40%. Total premium income of the sector was 47,73 M TL in 2018. The total number of policies issued was 65,7 million. Similar to previous years, losses are occurred especially in best-producing fields such as automobile, motor 3rd party liability and health insurance last year.

E. Major Indicators for 2018 and 2019 for Engineering Insurances Lines:

- Economic Recession:

Turkey is experiencing an unofficial economic crises resulting in a very high inflation, an extremely flowing exchange currency rates and a lack of investment in every industry. Many companies has faced bankruptcy or debt reconstruction process. The interest rates has been increased by the Turkish Central Bank.

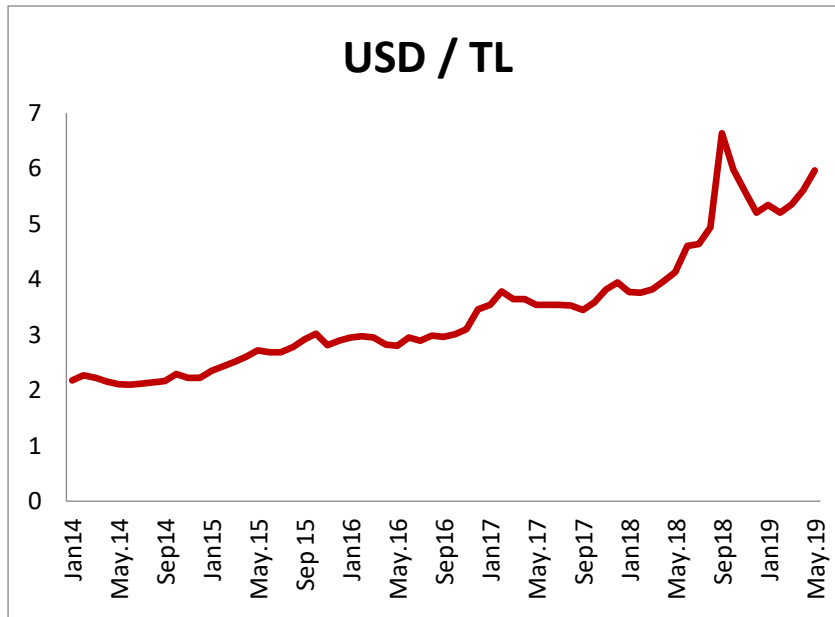
- Decrease of construction projects in Turkey:

Because of the economic recession, there is a stagnation in large infrastructure projects in Turkey. The government organizations had problems paying the progress payments to the contractors which resulted in stand by situations in construction and also collection problems for the insurance companies.

- Incline towards abroad in Construction Industry:

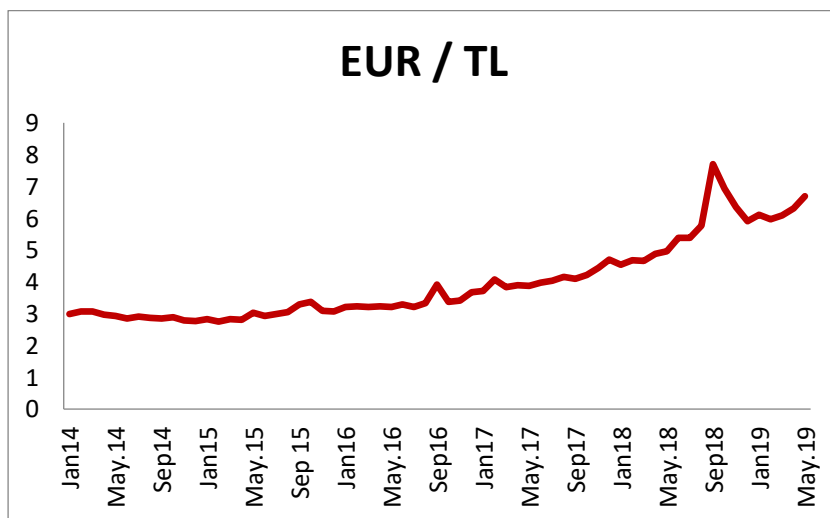
Because of the economic situation in Turkey, Turkish construction companies prefer to take over large scope projects at the surrounding geographical area including but not limited to Middle East, Central Asia, Eastern Europe or Africa.

- Extremely flowing Exchange Rates:



297% increase between 01.2014-05.2019

43% increase in the last year.



238% increase between 01.2014-05.2019

35% increase in the last year.

- Increase at the total loss amounts:

The increase at the currency exchange has a direct effect in claims side, especially at MB and CAR lines. Since most of the machinery and material is imported, the cost of claims have been increased in accords with the exchange rate increase. Therefore we can see an increase at the loss amounts around 40% while the net loss ratios shows more reasonable increase of below 10%.

- Repetitive Elections

Turkey has experience 5 different election processes within the last 5 years. The political environment is leading to economical stoppage creating uncertainty for capital both local and abroad.

- Energy:

Turkey possesses one of the fastest growing energy markets in the world. Privatization of power distribution is leading to a highly competitive structure and new horizons for growth as well as favorable incentives like feed-in-tariffs, purchase guarantees, connection priorities, and license exemptions. The target is to increase the share of renewable sources in the country's total installed power to 30 percent by 2023 which gives abundant opportunities for renewable forms of energy production – hydro, wind, solar, geothermal

- Legal Development at Compulsory Motor 3rd Party Liability:

As of 12.04.2017, the application of maximum cap for the Compulsory Motor 3rd Party Liability line has put insurance companies to a difficult situation in respect of profitability. Therefore, Turkish insurance companies have started to focus on profitable non motor lines such as Fire, Liability and Engineering.

- Increase of competition at medium/large risks:

With the inclusion of the "in house agencies and brokers" the terms and conditions of such CAR policies has been changed against the insurers dramatically.

Average Tunneling Project Rates 2012: 4,80‰

Average Tunneling Project Rates 2018: 2,80‰

Average Superstructure Rates 2012: ‰1,20

Average Superstructure Rates 2018: ‰0,40

- EQ Tariff application for Small and Medium Risks

Compulsory Earthquake Tariff creates an industry driven by the tariff especially in small and medium scope businesses. However, Turkish EQ tariff is limited with a max. cap of 30 M TL in construction and 125 M TL in property and allowing freedom of tariff for upper values. The loss of value of the TL against EUR is effecting this application directly since;

In 2013 30 M TL= App. 10 M EUR

In 2018 30 M TL= App. 4,5 M EUR