

IMIA  
NATIONAL  
REPORT  
2019



**Turkey**

## TURKISH INSURANCE MARKET IN 2019

### 1. NATIONAL REPORT FOR 2019

#### A. Premium Development

Total premium production in the Turkish non-life insurance industry has reached to TRY 57,88 billion in 2019 with an increase of 21,26% in comparison to the previous years' total premium production of TRY 47,73 billion.

**Table 1: Premium Production in Non-Life Branches in TRY Terms, 2018-2019**

	2019-12		2018-12		Change
	Written Premiums	Market Share	Written Premiums	Market Share	
<b>Fire</b>	8.447.104.594,73	14,59%	6.972.578.654,85	14,61%	21,15%
<b>Marine</b>	950.787.871,57	1,64%	829.833.717,64	1,74%	14,58%
<b>Auto</b>	27.415.395.911,74	47,36%	23.139.016.886,28	48,47%	18,48%
<b>Misc. Accident</b>	4.084.969.499,84	7,06%	3.204.237.095,35	6,71%	27,49%
<b>Engineering</b>	2.302.543.793,02	3,98%	2.211.327.121,41	4,63%	4,12%
<b>Agriculture</b>	3.024.236.521,38	5,22%	2.530.206.884,62	5,30%	19,53%
<b>Health</b>	8.358.100.508,16	14,44%	6.244.295.476,61	13,08%	33,85%
<b>TCIP</b>	1.322.662.000,00	2,29%	1.176.967.000,00	2,47%	12,38%
<b>Other</b>	1.976.652.760,66	3,41%	1.426.794.562,31	2,99%	38,54%
	<b>57.882.453.461,09</b>	<b>100,00%</b>	<b>47.735.257.399,07</b>	<b>100,00%</b>	<b>21,26%</b>

In terms of market concentration; which is similar to previous years' results, 66,3% of total non-life premiums are produced by the top ten non-life companies, however the total market share of the top 10 companies have decreased by %0,2.

**Table 2: Premium Production Rankings in Non-Life Branches in TRY Terms, 2018-2019**

Mio TL	2019-12			2018-12			Premium Change%
	Written Premiums	Rank	Market Share %	Written Premiums	Rank	Market Share %	
<b>Allianz</b>	6,922	1	11,96	5,809	1	12,17	19,16
<b>Anadolu</b>	6,606	2	11,41	5,701	2	11,94	15,88
<b>Ak</b>	4,473	3	7,73	3,417	3	7,16	30,91
<b>Axa</b>	4,104	4	7,09	3,375	4	7,07	21,61
<b>Sompo Japan</b>	3,363	5	5,81	2,508	6	5,26	34,03
<b>HDI</b>	2,935	6	5,07	2,431	7	5,09	20,72
<b>Mapfre</b>	2,797	7	4,83	2,645	5	5,54	5,75
<b>Ziraat</b>	2,781	8	4,81	2,197	8	4,60	26,63
<b>Gunes</b>	2,265	9	3,91	1,907	9	4,00	18,78
<b>Halk</b>	2,117	10	3,66	1,756	10	3,68	20,56
<b>Top 10 Companies</b>	<b>38,368</b>		<b>66.3</b>	<b>31,746</b>		<b>66.5</b>	<b>20,86</b>
<b>MARKET</b>	<b>57,882</b>			<b>47,735</b>			<b>21,26</b>

Contrary to total non-life market premium growth Engineering line of business stayed in a more moderate growth. This is mainly because of the economic developments as well as depreciation of the TL against USD. Many of the ongoing projects had been stopped or frozen. The Turkish Contractors had to find opportunities outside the country.

For **Engineering Insurance lines**, total premium production has increased by 4,12% to 2.302 M TL. 71,05% of the market has been dominated by the top 10 companies.

**Table 3: Premium Production Rankings in Engineering Insurances in TRY Terms, 2018-2019**

Mio TL	2019-12			2018-12			Premium Change%
	Written Premiums	Rank	Market Share %	Written Premiums	Rank	Market Share %	
Mapfre	229,06	1	9,95	244,41	2	11,05	-6,28
Anadolu	222,21	2	9,65	259,55	1	11,74	-14,38
Allianz	201,65	3	8,76	224,96	3	10,17	-10,36
Ak	173,31	4	7,53	148,84	4	6,73	16,44
Chubb	160,25	5	6,96	44,82	15	2,03	257,49
Gunes	149,41	6	6,49	143,85	5	6,51	3,87
BNP Paribas	144,03	7	6,26	58,47	14	2,64	146,32
Axa	124,34	8	5,40	121,75	9	5,51	2,13
HDI	121,25	9	5,27	99,74	11	4,51	21,56
Gulf	110,44	10	4,8	127,51	6	5,77	-13,38
<b>Top 10 Companies</b>	<b>1.635,99</b>		<b>71,05</b>	<b>1.473,92</b>		<b>66,65</b>	<b>11,00</b>
<b>MARKET</b>	<b>2.302,54</b>			<b>2.211,32</b>			<b>4,12</b>

Similarly to last years, Machinery Breakdown Insurance had the first rank with 50,48% share of total premium production of engineering insurance lines in 2019. The share of CAR premium was 16,88% of the total Engineering lines with TL 388.59 Million and with a decrease of 23,68% compared to 2018. This decrease for CAR is largely bonded to the shrink of the construction market in Turkey at 2019.

Additionally MB and EEI lines were also affected due to shrinkage in the economy. Investors and manufacturers preferred not to grow their machinery lists, but stay with the existing ones. Therefore Leasing Business was also adversely affected.

**Table 4: Engineering Insurance Lines, 2018-2019**

Line of Business	2018		2019		(Compared to 2018)
	Amount 2018	Share (%)	Amount 2019	Share (%)	Change
MB	1.065,35	48,18%	1.162,35	50,48%	9,11%
EAR	87,04	3,94%	125,88	5,47%	44,60%
CAR	509,12	23,03%	388,59	16,88%	-23,68%
EEI	549,52	24,85%	625,72	27,18%	13,87%
<b>TOTAL</b>	<b>2.211,00</b>	<b>100%</b>	<b>2.302,54</b>	<b>100%</b>	<b>4,12%</b>

## 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 2019 with the amount of TL 1.456 M TL which is 39,90% of the total engineering insurance lines. The Contractors All Risks Insurance's loss figures show an highly increase amount as 1.276 M TL with 34,98% share which was 31% back in 2017.

**Table 5 : The Breakdown of Total Losses by Engineering Insurance Lines, 2017-2018-2019**

Type of Insurance	Gross Premium written (booked)**)			Claims (paid&reserved)		
	2017	2018	2019	2017	2018	2019
MB/BE+LOP*)	870.763.858	1.065.349.708	1.162.712.877	859.981.953	1.163.053.139	1.456.284.288
EAR + ALOP*)	90.223.097	87.035.643	125.876.873	290.908.573	352.608.845	418.661.222
CAR + ALOP*)	497.897.821	509.124.318	388.593.072	678.113.018	1.054.984.557	1.276.747.640
EEI*)	459.656.811	549.519.457	625.720.205	339.446.360	438.244.093	497.439.081
<b>TOTAL</b>	<b>1.918.541.587</b>	<b>2.211.029.126</b>	<b>2.302.903.027</b>	<b>2.168.449.904</b>	<b>3.008.890.634</b>	<b>3.649.132.231</b>

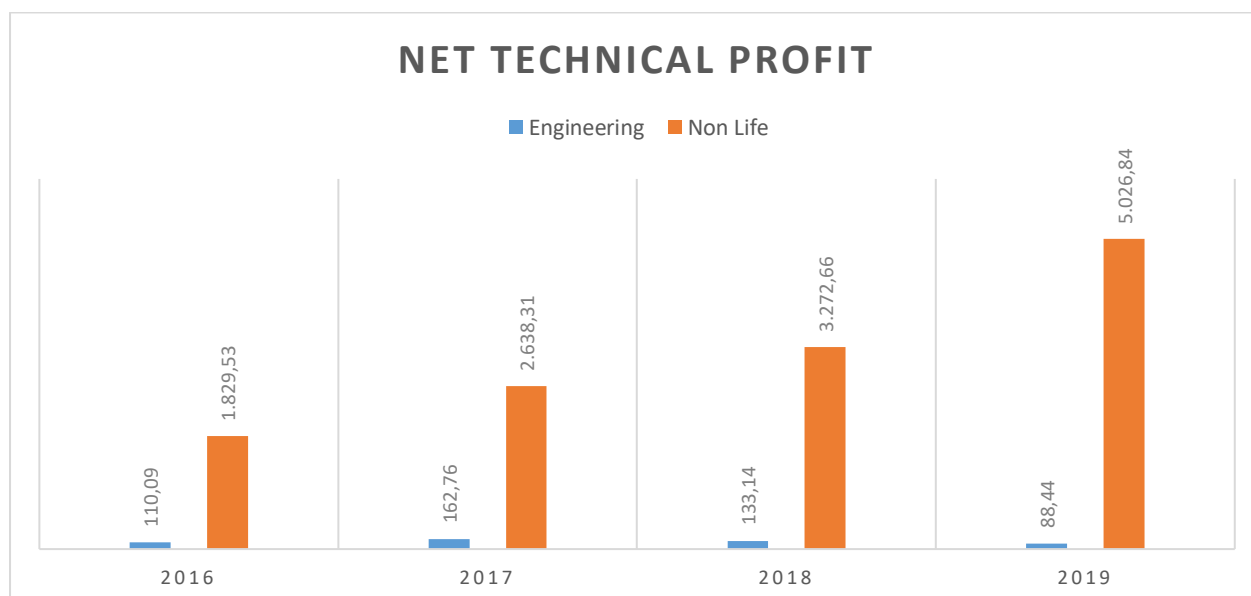
\*\*The above figures show the claims falling within 2019.

## C. Underwriting Profitability

Technical Profit generated by the whole non-life insurance market has continued its trend of increase with 5.026,84 M TL in 2019. However for the engineering lines; technical profit has experienced a decrease as similar as the last year by 33,57% to a total of 88,44 M TL. This is due to underwriting errors and insufficient pricing.

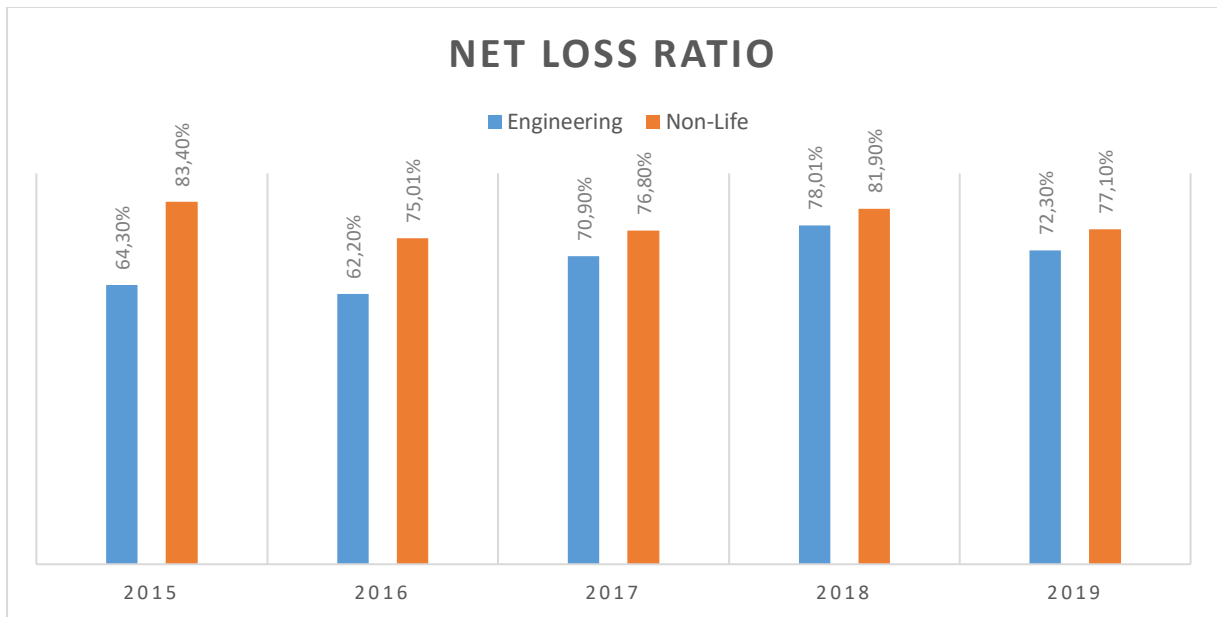
Net Loss Ratio for engineering lines at 2019 has decreased to 72,30%

**Table 7: Comparison of the Net Technical Profit for Non-Life & Engineering Insurance, 2016-2019**



Technical Profit: Earned premium after all losses have been paid and administrative expenses have been deducted.

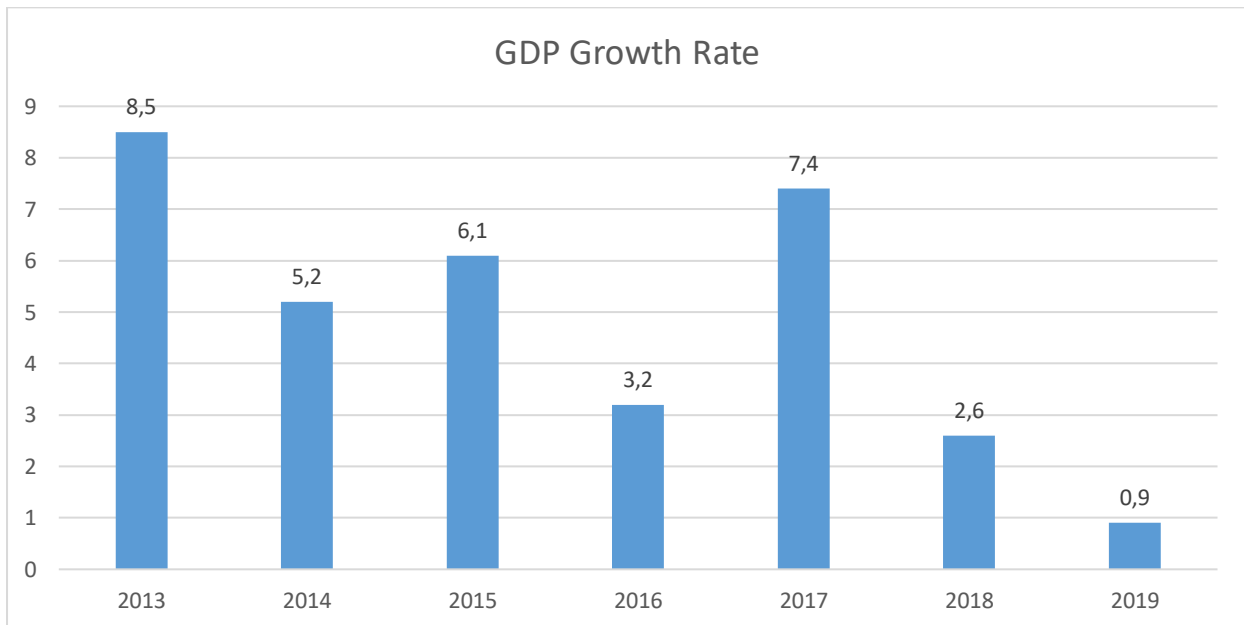
**Table 8: Development of the Net Loss Ratios for Non-Life & Engineering Insurance, 2015-2019**



**D. Business Outlook**

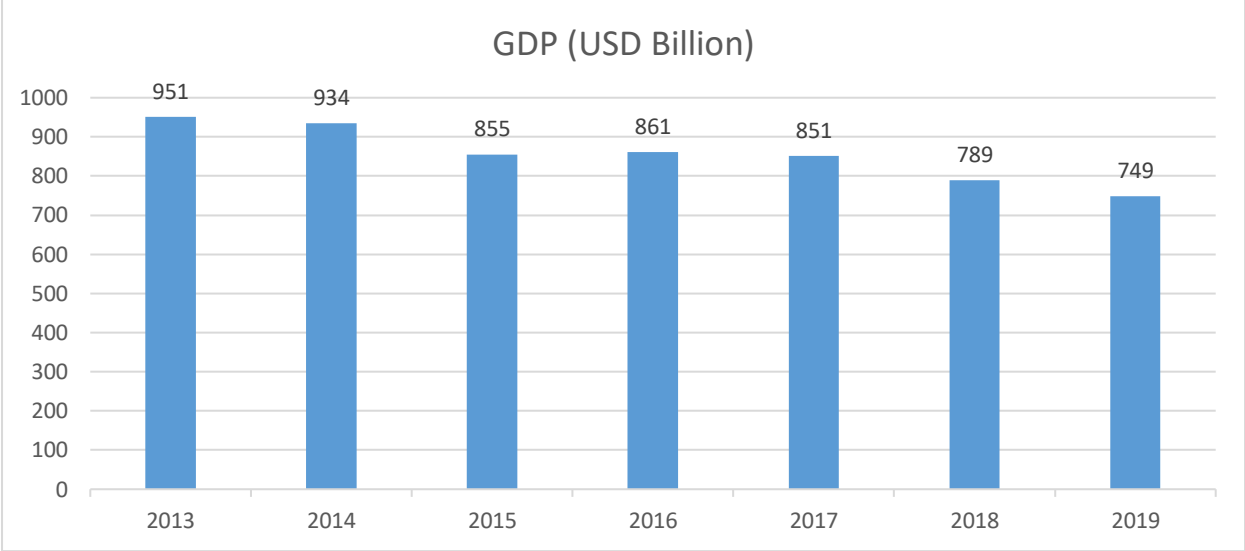
In 2019, Turkish economy has faced crisis and grew only by 0,9%. Although a leap was being expected in 2020, Covid-19 had another strike on new projects and machinery sales.

**Table 9: Annual Economic Growth Rates, 2013 - 2019**



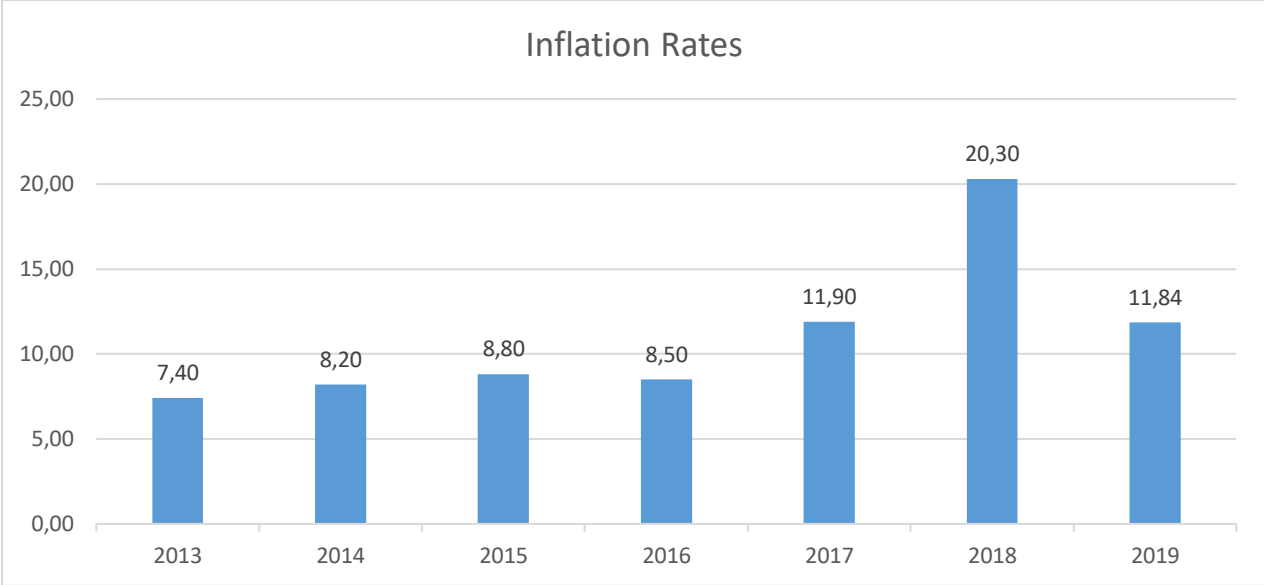
Since 2013 even though the official numbers are indicating an increase on TL basis due to the fluctuation at the exchange rates, GDP has decreased from 950 B USD to 749 B USD in 2019.

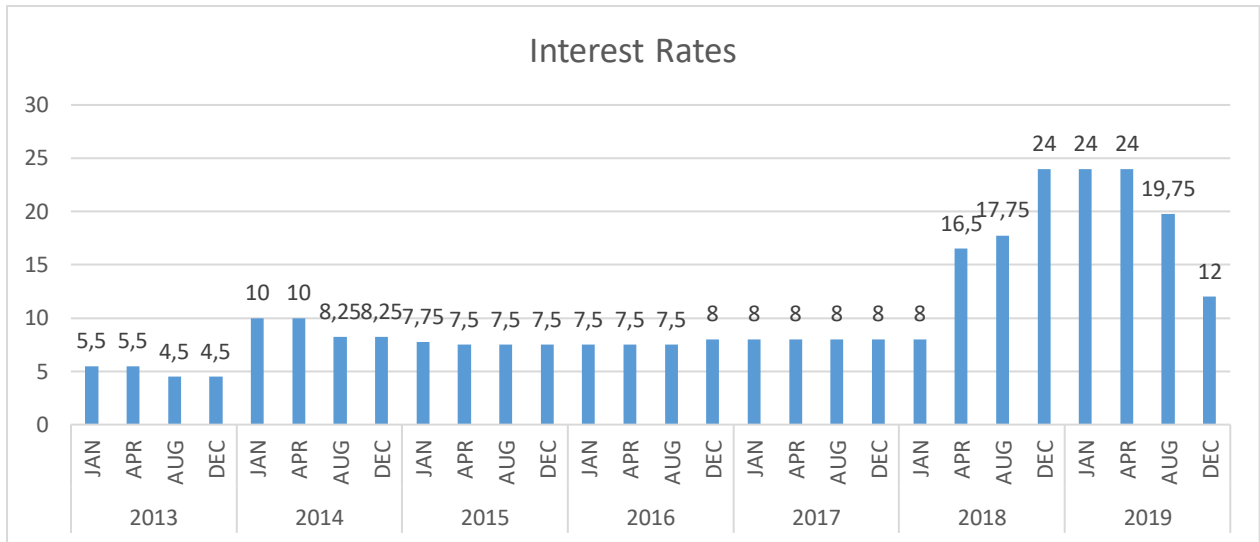
**Table 10: GDP, 2013-2019**



Turkish Central Bank has decreased interest rate for 2nd half of 2019. Annual inflation in 2019 was realized as 11.84%. In 2019, official unemployment rate was 13.7% with a 2% increase.

**Table 11: Major Indicators for Turkish Economy, 2019**





For **Insurance Business** in 2019 total premiums in the Turkish non life insurance market grew by 21,26% year-on year. For 2019 Turkey's non-life insurance sector's technical profit was 5,02 M TL. Total premium income of the sector was 57,88 M TL in 2019. Companies sold 69.2 million units of insurance policies last year, a nearly 5.5% increase compared to 2018 results. Similar to previous years, insurance companies saw losses mostly in best-producing fields such as automobile, traffic and health insurance last year.

#### **E. Major Indicators for 2019 and 2020 for Engineering Insurances Lines:**

- Economic Recession:

Turkey has experienced an unofficial economic crises in 2018 resulting in a very high inflation, an extremely flowing exchange currency rates and a lack of investment in every industry. Many construction companies has faced bankruptcy or debt reconstruction process.

- Decrease of construction projects in Turkey:

Due to economic conditions there was a decreased in residential sales in 2019. There was a shrinkage in the construction market with this decrease.

Because of the economic recession, there is a stagnation in large infrastructure and housing projects in Turkey and it effects engineering insurance results negatively.

- 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 Fluctuating Exchange Rates:



250% increase between 01.2014-05.2020

13% increase in the last year.



163% increase between 01.2014-05.2020

10% 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. Claim costs were negatively affected by foreign exchange and inflation. However, on a positive note the loss ratios still shows decrease despite of this currency exchange in 2019.



- 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.

Especially there are a lot of Solar Power Plant investments throughout of the Turkey. The total installed capacity of PV in Turkey has reached 5.995 MW and an app. Total of 7.000 new plants has been founded in Turkey for the last 5 to 7 years. This also created a new market for engineering insurance with many companies creating products with the help of abroad reinsurance capacity.

Turkish Solar Power Plants Installed Capacity (TEIAS)	
Years	Installed Capacity (MW)
2014	40
2015	249
2016	832
2017	3.420
2018	5.003
2019	5.995

- Repetitive Elections

Turkey has experience 2 different election processes for metropolitan municipality of Istanbul within 2019. The political environment is leading to economical stoppage and creating uncertainty for capital both local and abroad.

- Increase of competition:

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

Average Tunneling Project Rates 2012: ‰4,80

Average Tunneling Project Rates 2019: ‰2,50

Average Superstructure Rates 2012: ‰1,20

Average Superstructure Rates 2019: ‰0,40

Average CMI (Hepp) Rates 2012: ‰4,00

Average CMI (Hepp) Rates 2019: ‰1,80

- EQ Tariff application for Small and Medium Risks

New EQ Tariff had been published at the end of the 2019 and this revised EQ tariff is valid from 01.01.2020. There are 7 earthquake zones instead of 5 zones of the previous tariff and the rates for each zones are increased comparing to the ex-tariff.

Compulsory Earthquake Tariff creates an industry driven by the tariff especially in small and medium scope businesses. However, Turkish EQ tariff is still 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. These limits for freedom of tariff is not changed on new tariff therefore 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 2019 30 M TL= App. 4,4 M EUR

- Türk Reasürans was established to contribute to the New Economy Program's objectives of "Economic Balancing" and "Healthy & Sustainable Growth" with a focus on the insurance industry to increase local reinsurance capacity and ensure resource efficiency.

Türk Reasürans has been established at 06.09.2019 by the amendment to the Turkish Insurance Law, undertaking its operations with regards to the needs in the reinsurance market. 600 mio TRY capital is provided by The Ministry of Treasury and Finance of the Turkish Republic.

- Insuring Regulation and Supervision Agency (SDDK)  
The industry is expecting for the new agency to be directed within a scope of a strategy that favors insurance companies operating in Turkey.

#### F. Insurance Business in Turkey as of 30.04.2020

As of 30.04.2020, total premium production of non-life branches increased by 15.82% compared to same period of 2019 and reached to TRY 21,483,228,397. For engineering lines, total premium production in the same period of 2020 has increased to TRY 1.525.239.406 and that shows 110,52% increase comparing the last year's same period. In the April of 2019, this figure was TRY 724.483.984.

The increase of Engineering premium production in the first four months of 2020 can be explained with the single Construction All Risk Policy of "Akkuyu Nuclear Power Plant". The premium of the policy is around 660 m TL and the policy is issued with 100% fronting basis.

**Table 12: The Development of Engineering Insurance Lines, 2020/4-2019/4**

Line of Business	2019 / 4		2020 / 4		Change
	Amount	Share in Non-Life (%)	Amount	Share in Non-Life (%)	
<b>MB</b>	378.707.197	2,04%	403.756.528	1,88%	6,61%
<b>EAR</b>	39.427.191	0,21%	29.742.310	0,14%	-24,56%
<b>CAR</b>	88.289.549	0,48%	841.489.233	3,92%	853,10%
<b>EEI</b>	218.060.047	1,18%	250.251.335	1,16%	14,76%
<b>TOTAL</b>	<b>724.483.984</b>	<b>3,91%</b>	<b>1.525.239.406</b>	<b>7,10%</b>	<b>110,52%</b>