

IMIA
NATIONAL
REPORT
2020



Turkey

TURKISH INSURANCE MARKET IN 2020

1. NATIONAL REPORT FOR 2020

A. Premium Development

Total premium production in the Turkish non-life insurance industry has reached to TRY 68,15 billion in 2020 with an increase of 17,74% in comparison to the previous years' total premium production of TRY 57,88 billion.

Table 1: Premium Production in Non-Life Branches in TRY Terms, 2020-2021

| | 2020 - 12 | | 2019-12 | | Change |
|----------------|-----------------------|----------------|--------------------------|----------------|---------------|
| | Written Premiums | Market Share | Written Premiums | Market Share | |
| Fire | 10.585.796.058 | 15,53% | 8.447.104.595 | 14,59% | 25,32% |
| Marine | 1.204.301.235 | 1,77% | 950.787.872 | 1,64% | 26,66% |
| Auto | 30.309.480.357 | 44,47% | 27.415.395.912 | 47,36% | 10,56% |
| Misc. Accident | 4.427.486.377 | 6,50% | 4.084.969.500 | 7,06% | 8,38% |
| Engineering | 3.507.016.672 | 5,15% | 2.302.543.793 | 3,98% | 52,31% |
| Agriculture | 3.943.065.347 | 5,79% | 3.024.236.521 | 5,22% | 30,38% |
| Health | 10.096.250.48 | 14,81% | 8.358.100.508 | 14,44% | 20,80% |
| TCIP | 1.631.315.560 | 2,39% | 1.322.662.000 | 2,29% | 23,34% |
| Other | 2.447.765.898 | 3,59% | 1.976.652.761 | 3,41% | 23,83% |
| | 68.152.477.992 | 100,00% | 57.882.453.461,09 | 100,00% | 17,74% |

In terms of market concentration; which is closed previous years' results, 70,53% 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 %1,11.

Table 2: Premium Production Rankings in Non-Life Branches in TRY Terms, 2019-2020

| Mio TL | 2020-12 | | | 2019-12 | | | Premium Change% |
|-----------|------------------|------|----------------|------------------|------|----------------|-----------------|
| | Written Premiums | Rank | Market Share % | Written Premiums | Rank | Market Share % | |
| Turkiye | 8.887 | 1 | 13,04% | 7.165 | | 12,38% | 24,04% |
| Allianz | 8.135 | 2 | 11,94% | 6.923 | 1 | 11,96% | 17,51% |
| Anadolu | 8.016 | 3 | 11,76% | 6.607 | 2 | 11,41% | 21,32% |
| Aksigorta | 5.272 | 4 | 7,74% | 4.474 | 3 | 7,73% | 17,85% |
| Axa | 4.657 | 5 | 6,83% | 4.104 | 4 | 7,09% | 13,48% |
| HDI | 3.476 | 6 | 5,10% | 2.936 | 6 | 5,07% | 18,40% |
| Sompo | 3.333 | 7 | 4,89% | 3.363 | 5 | 5,81% | -0,90% |
| Mapfre | 2.558 | 8 | 3,75% | 2.797 | 7 | 4,83% | -8,54% |
| Neova | 1.899 | 9 | 2,79% | 1.638 | 11 | 2,83% | 15,92% |
| Eureko | 1.836 | 10 | 2,69% | 1.467 | 14 | 2,53% | 25,17% |

| | | | | | | | |
|-------------------------|---------------|--|---------------|---------------|--|---------------|--|
| Top 10 Companies | 48.070 | | 70,53% | 41.473 | | 71,64% | |
| MARKET | 68.152 | | | 57.882 | | | |

At the end of 2020, the insurance industry grew by 17.7% in non-life branches, while Engineering Insurance grew by 52.31% compared to the previous year. The reason for this significant growth stemmed from the Construction Insurance sub-branch. When the course of premium production in the last 5 years is examined, it is seen that there has been a remarkable increase in 2020 due to the insurance of the construction of a Nuclear Power plant.

78% of the market has been dominated by the top 10 companies.

Table 3: Premium Production Rankings in Engineering Insurances in TRY Terms, 2019-2020

| Mio TL | 2020-12 | | | 2019-12 | | | Premium Change% |
|-------------------------|------------------|------|----------------|------------------|------|----------------|-----------------|
| | Written Premiums | Rank | Market Share % | Written Premiums | Rank | Market Share % | |
| Turkiye | 898,93 | 1 | 25,63% | 254,07 | - | 11,03% | 254% |
| Mapfre | 273,10 | 2 | 7,79% | 229,06 | 1 | 9,95% | 19% |
| Anadolu | 256,21 | 3 | 7,31% | 222,22 | 2 | 9,65% | 15% |
| Chubb | 225,96 | 4 | 6,44% | 160,25 | 5 | 6,96% | 41% |
| Allianz | 219,43 | 5 | 6,26% | 201,66 | 3 | 8,76% | 9% |
| Ray | 191,97 | 6 | 5,47% | 82,57 | 13 | 3,59% | 132% |
| Aksigorta | 185,26 | 7 | 5,28% | 173,32 | 4 | 7,53% | 7% |
| Axa | 161,24 | 8 | 4,60% | 124,34 | 8 | 5,40% | 30% |
| BNP Paribas Cardif | 157,89 | 9 | 4,50% | 144,03 | 7 | 6,26% | 10% |
| HDI | 149,77 | 10 | 4,27% | 121,25 | 9 | 5,27% | 24% |
| Top 10 Companies | 2.719,78 | | 78% | 1712,78 | | 74% | 59% |
| MARKET | 3.507,02 | | | 2.302,54 | | | |

The premium production share of the branch in non-life insurance also increased from 4% to 5.2%. While the rate of increase in premium production for Engineering Insurance sub-branches compared to last year was in CAR policies (201.9%), electronic device (25.7%) and machinery breakage (22.6%) insurances, EAR (-3%) insurance is in the form of a decrease. It is seen that the reason for the increase in premiums in machine breakage and electronic device insurances is the increase in the number of policies, as well as the increase in the exchange rate in policies issued in foreign currencies.

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, 2019-2020

| Line of Business | 2019 | 2020 | (Compared to 2019) |
|------------------|------|------|--------------------|
| | | | |

| | Amount 2019 | Share (%) | Amount 2020 | Share (%) | Change |
|--------------|--------------------|------------------|--------------------|------------------|---------------|
| MB | 1.162,35 | 50,48% | 1.425,28 | 40,64% | 22,62% |
| EAR | 125,88 | 5,47% | 122,10 | 3,48% | -3,00% |
| CAR | 388,59 | 16,88% | 1.173,33 | 33,46% | 201,94% |
| EEI | 625,72 | 27,18% | 786,33 | 22,42% | 25,67% |
| TOTAL | 2.302,54 | 100% | 3.507,04 | 100,00% | 4,12% |

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 2020 with the amount of TL 2.015 M TL which is 45,28% of the total engineering insurance lines. The Contractors All Risks Insurance's loss figures show a low increase amount as 1.413 M TL with 10,68% share which was 34,98% back in 2018.

Table 5 : The Breakdown of Total Losses by Engineering Insurance Lines, 2018-2019-2020

| Type of Insurance | Gross Premium written (booked)**) | | | Claims (paid&reserved) | | |
|---------------------|-----------------------------------|---------------|---------------|------------------------|---------------|---------------|
| | 2018 | 2019 | 2020 | 2018 | 2019 | 2020 |
| MB/BE+LOP*) | 1.065.349.708 | 1.162.712.877 | 1.425.280.606 | 1.163.053.139 | 1.456.284.288 | 2.015.191.980 |
| EAR + ALOP*) | 87.035.643 | 125.876.873 | 122.102.809 | 352.608.845 | 418.661.222 | 466.489.855 |
| CAR + ALOP*) | 509.124.318 | 388.593.072 | 1.173.325.146 | 1.054.984.557 | 1.276.747.640 | 1.413.104.001 |
| EEI*) | 549.519.457 | 625.720.205 | 786.329.303 | 438.244.093 | 497.439.081 | 555.644.182 |
| TOTAL | 2.211.029.126 | 2.302.903.027 | 3.507.037.864 | 3.008.890.634 | 3.649.132.231 | 4.450.430.018 |

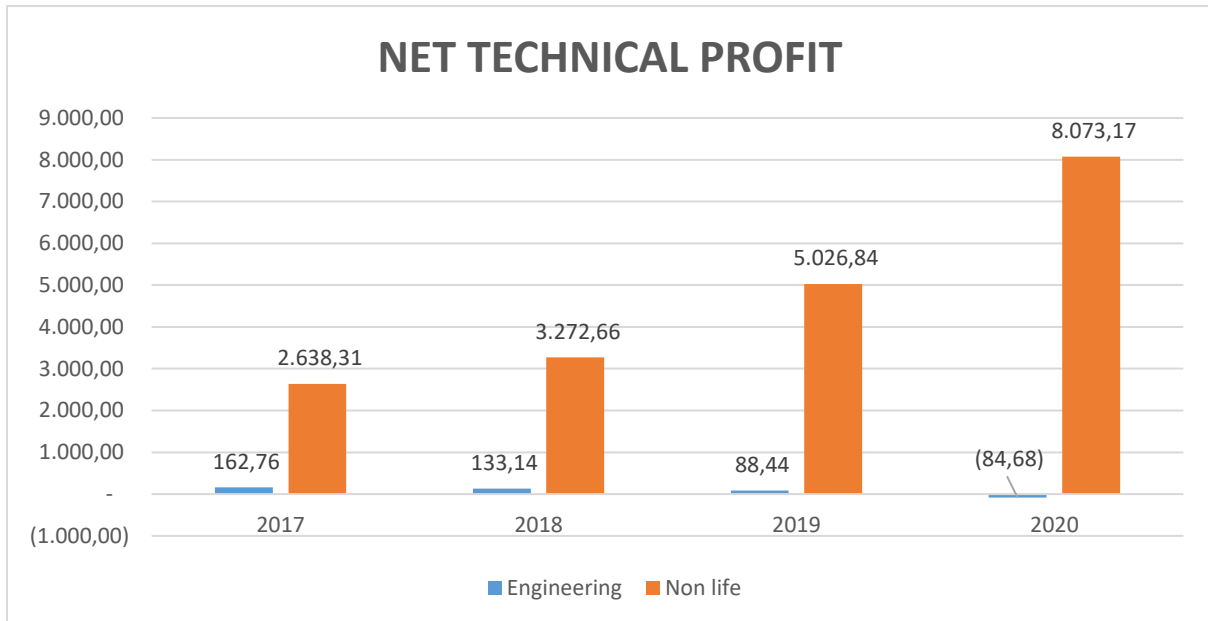
**The above figures show the claims falling within 2020.

C. Underwriting Profitability

Technical Profit generated by the whole non-life insurance market has continued its trend of increase with 8.073,17 M TL in 2020. However for the engineering lines; technical profit has experienced a decrease by 4,3% to a total of 84,68 M TL.

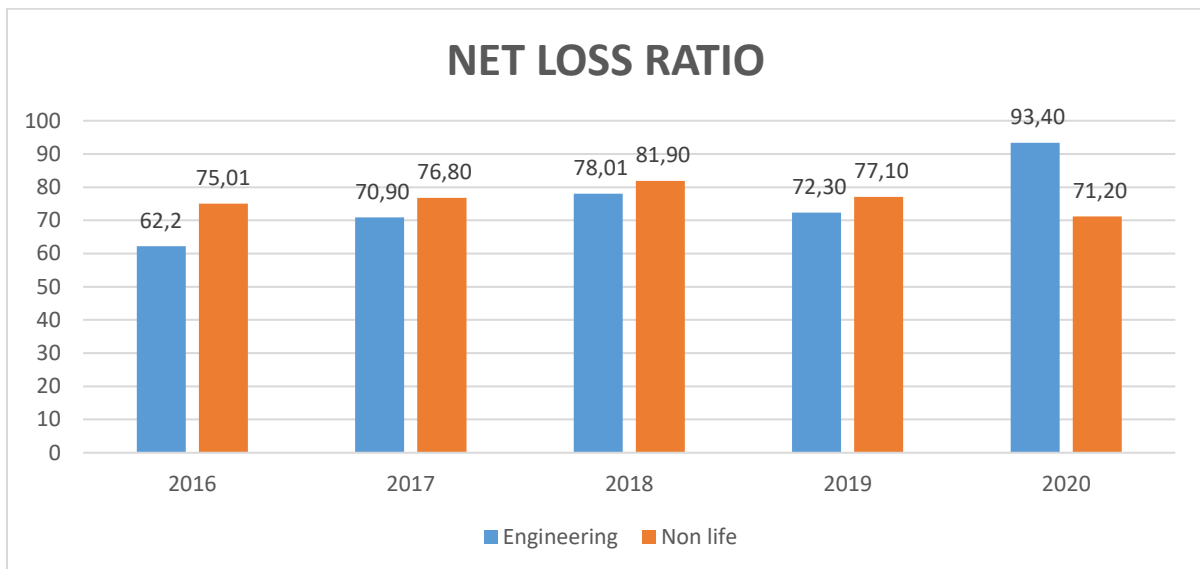
Net Loss Ratio for engineering lines at 2019 has increased to 93,40%

Table 7: Comparison of the Net Technical Profit for Non-Life & Engineering Insurance, 2017-2020



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

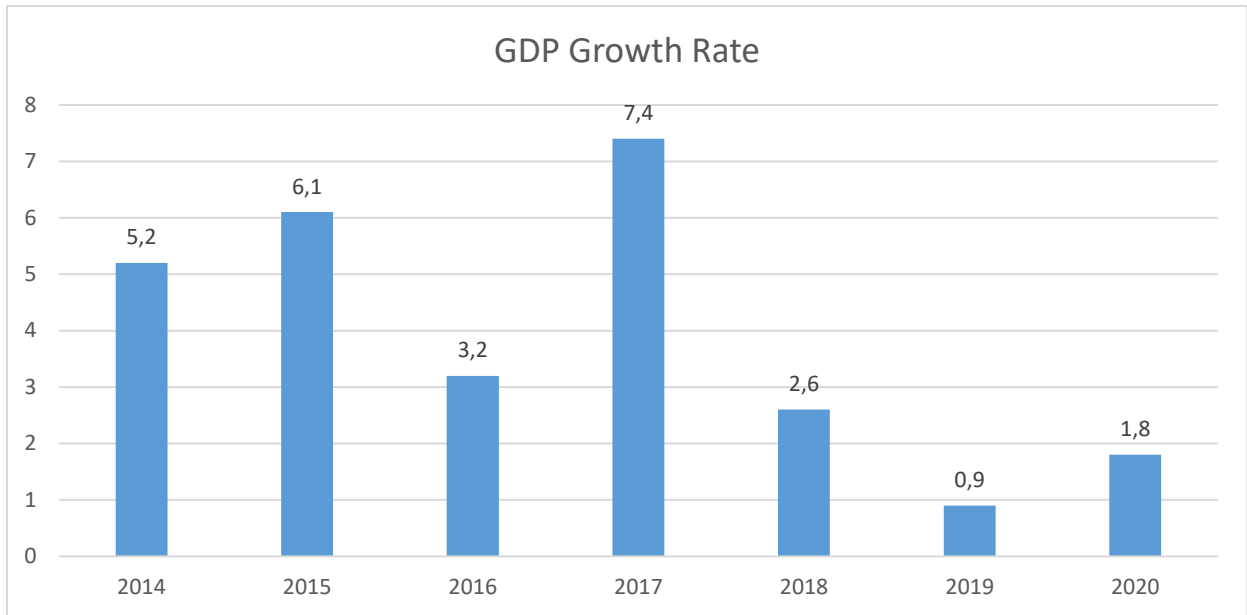
Table 8: Development of the Net Loss Ratios for Non-Life & Engineering Insurance, 2016-2020



D. Business Outlook

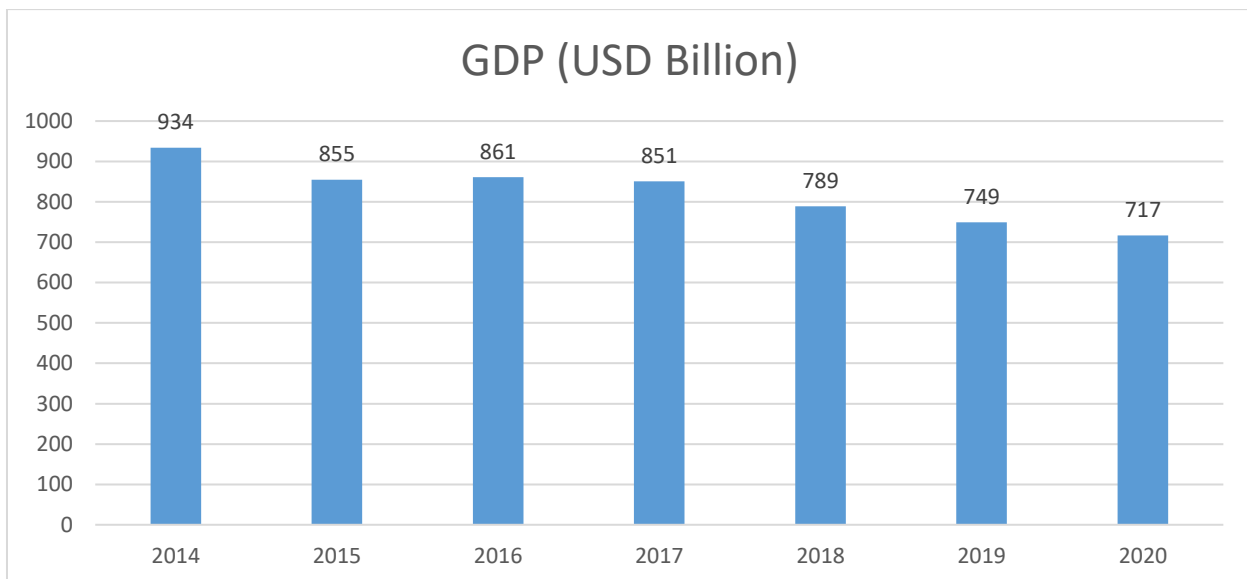
In 2020, Turkish economy has faced crisis and grew only by 0,9%. Although a leap was being expected in 2020, Covid-19 had another strike on new projects and machinery sales.

Table 9: Annual Economic Growth Rates, 2014 - 2020



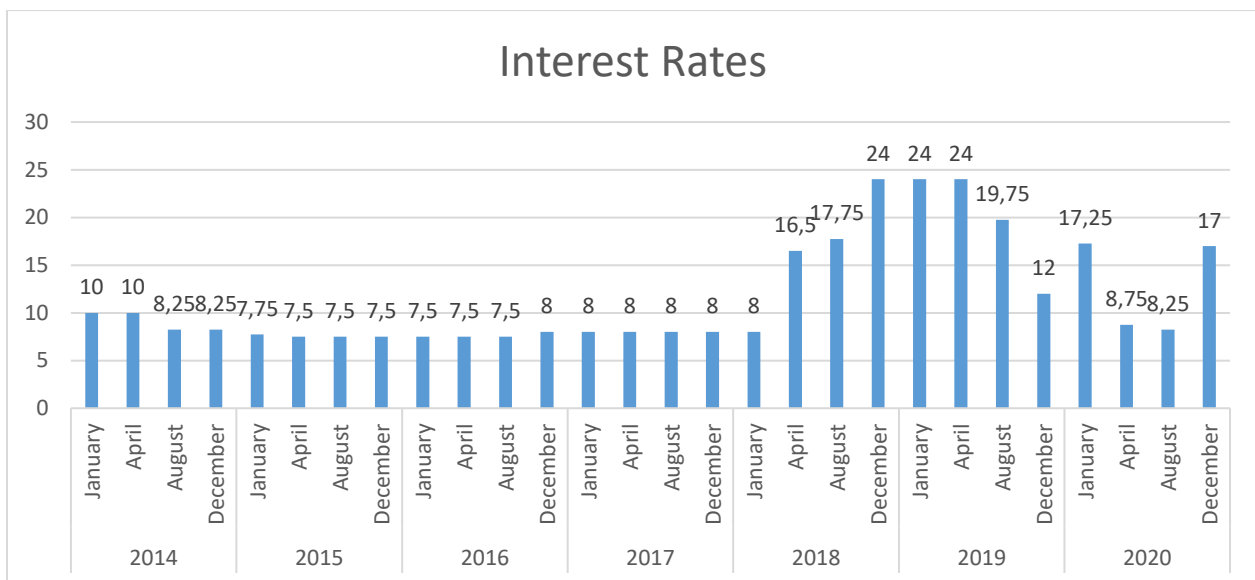
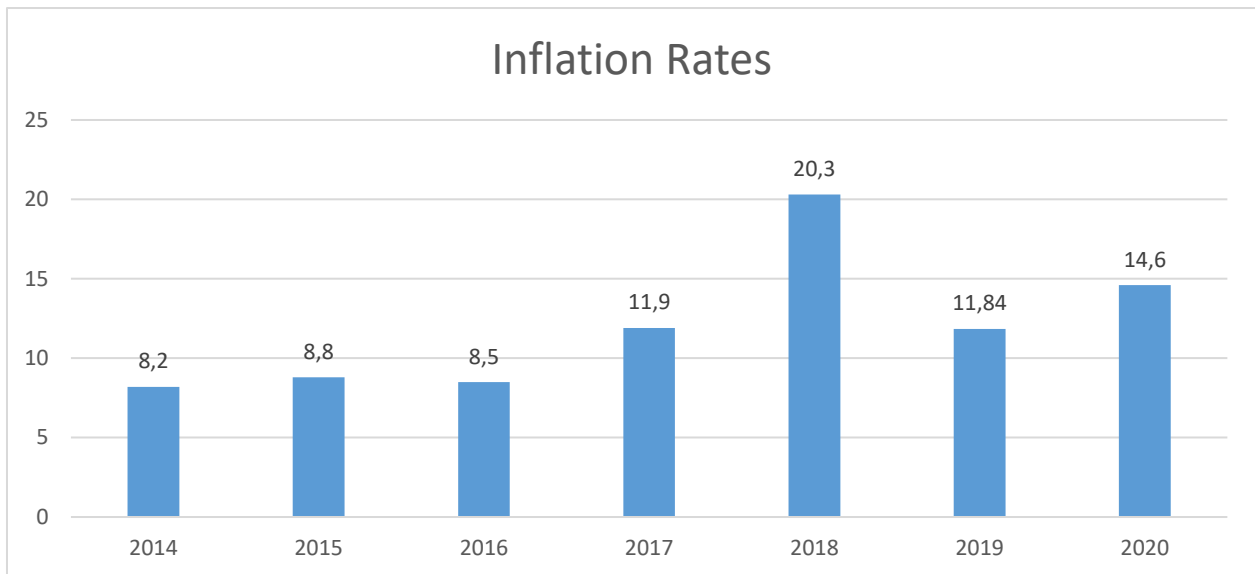
Since 2014 even though the official numbers are indicating an increase on TL basis due to the fluctuation at the exchange rates, GDP has decreased from 934 B USD to 717 B USD in 2020.

Table 10: GDP, 2014-2020



Turkish Central Bank has increased interest rate for 2nd half of 2020. Annual inflation in 2020 was realized as 14.6%. In 2020, official unemployment rate was 13.2% with a 0,5% decrease.

Table 11: Major Indicators for Turkish Economy, 2020



For **Insurance Business** in 2020 total premiums in the Turkish non life insurance market grew by 17,74% year-on year. For 2020 Turkey's non-life insurance sector's technical profit was 8,07 M TL. Total premium income of the sector was 68,15 M TL in 2020.

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

- Economic Recession:

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.

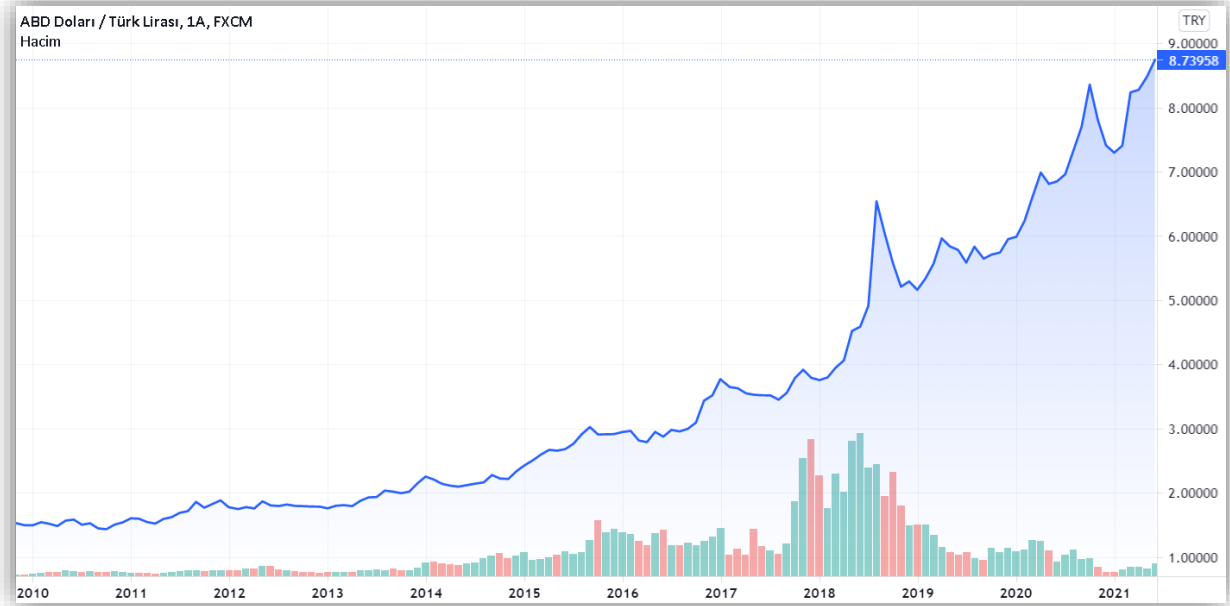
Because of the economic recession, there is a stagnation in large infrastructure and housing projects in Turkey and it effects engineering insurance results negatively.

- 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:

USD/TRY – 10 Years



250% increase between 01.2014-05.2020

13% increase in the last year.

EUR/TRY – 10 Years



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 6.667 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 |
| 2020 | 6.667 |

- 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 30.04.2021

As of 30.04.2021, total premium production of non-life branches increased by 20.15% compared to same period of 2020 and reached to TRY 25.811.474.050. For engineering lines, total premium production in the same period of 2020 has decreased to TRY 1.221.632.537 and that shows -19,91% decrease comparing the last year's same period. In the April of 2020, this figure was TRY 1.525.239.406.

The increase of Engineering premium production in the first four mounths 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 SDDK Lines, 2020/4-2019/4

| Line of Business | 2020/ 4 | | 2021 / 4 | | Change |
|------------------|----------------------|-----------------------|----------------------|-----------------------|----------------|
| | Amount | Share in Non-Life (%) | Amount | Share in Non-Life (%) | |
| MB | 403.756.528 | 1,88% | 580.908.558 | 2,25% | 43,88% |
| EAR | 29.742.310 | 0,14% | 64.493.864 | 0,25% | 116,84% |
| CAR | 841.489.233 | 3,92% | 198.451.520 | 0,77% | -76,42% |
| EEI | 250.251.335 | 1,16% | 377.778.595 | 1,46% | 50,96% |
| TOTAL | 1.525.239.406 | 7,10% | 1.221.632.537 | 4,73% | -19,91% |