NOTEBOOK

Türkiye: Insurance industry focuses on Nat CAT and growth

Insurers in Türkiye have been challenged by Nat CAT and economic. However, some remain undeterred in developing solutions to help the country recover from catastrophic events and prepare for future ones.

By Nadhir Mokhtar

Recent events such as the February 2023 earthquake and supply-chain disruptions have highlighted the importance of insurance in Türkiye. The industry plays a vital role in mitigating economic issues faced by the country. Speakers at the 2nd Türkiye Rendezvous 2023 shared their insights on the market.

"Within the region, insurance ecosystems will provide pressing solutions to the challenging issues of the day from tackling health, pensions to climate change, the delivery of grain in times of significant global upheaval, energy security and even donor initiatives to help reduce the economic burden of host countries to the plight of refugees. Istanbul will emerge as the hub for these initiatives for the region," said Huntington Partners partner Anthony Egerton during a welcome address for the event.

Mr Anthony Egerton

Türkiye has a young demographic which can be appealing to the insurance sector. The country has a population of 85m and the median age is 33.

"I believe it is favourable for the insurance sector. Technology penetration rates in Türkiye are very high. Out of 85m people, there are 70m active social media users in Türkiye. This corresponds to 81% of the population and they spend three hours a day using social media. If they spend a lot of time on social media, they would probably be open for new applications in InsurTech and may prefer to renew insurance policies on the internet, which is good for the sector," said Invest in Türkiye financial investments unit head Ahmet Cüneyt Selçuk speaking at the event.

Mr Ahmet Cüneyt Selçuk

While the insurance market in Türkiye has recorded an increase in premiums this year, it needs more reinsurance support to sustain growth.

"Türkiye is a relatively small market in global terms. It is critical that Turkish market is always going to need external reinsurance for the foreseeable future. If you grow the property market from 2% to 7% and international reinsurance markets are not coming with you, there's going to be a major problem. It is vital that the leading players get together and make sure Türkiye is perceived as a as a great place to do business," said Lloyd's Middle East and Turkey regional manager Andrew Woodward speaking at a panel discussion on the sustainability of the Türkiye market in the next five years.

Mr Andrew Woodward

Regulatory developments

As Türkiye's insurance market experienced significant growth in premiums in 2Q2023, the Insurance and Private Pension Regulation and Supervision Authority (SEDDK) continues to focus on making these results sustainable and ensuring

Photo of 2nd Türkiye Rendezvous 2023 together with the XV. International Istanbul Insurance Conference

market discipline. SEDDK president Mehmet Akif Eroğlu delivered a keynote address at the conference.


Mr Mehmet Akif Eroğlu

“As a regulatory body, we are focused on making profitability and growth sustainable. We are focusing on compliance with international norms and transparent, predictable and comparable balance sheets. We want to practice more effective supervision. At the end of the day, we want to provide market discipline because if you don’t provide, it will lead to unfair competition,” he said.

He said insurance laws need to be changed to strengthen the country’s regulations and infrastructure.

“We want to redesign insurance and make some reforms. we are observing that our markets focus on the price and cost of the policies. But I think we must make some transformation. We must divert them from focusing not just on price but also on the quality of service and coverage … Don’t just elevate the price.”

Preparing for another earthquake

He also spoke about the Nat CAT risks faced by the country. After the massive earthquake which hit Türkiye and Syria in February, the regulator estimates that a possible Marmara earthquake with a magnitude of seven or more, which has a 50% risk of occurring by 2050, will cause an economic loss of approximately \$90bn to \$120bn. The February earthquake recorded around TRY33bn (\$1.19bn) in paid claims, expected ultimate claims amount to TRY76.5bn and ultimate claims on retention are expected to be TRY3bn according to SEDDK.

Mr Eroğlu also shared the following findings from the earthquake:

- Communication problems
- Incomplete insurance/need for reconciliation
- Problems encountered in distribution channels
- Low penetration
- Lack of insurance awareness in the real sector
- Lack of information in policies

The regulator aims to make reforms in earthquake coverage and revisions to the Turkish Catastrophe Insurance Pool (TCIP) and voluntary insurance. More efforts will also be made to increase building inspections and professional liability insurance. Other measures that are expected to be taken to prepare for a possible Marmara earthquake include:

- Fire regulation tariff measures
- Stress tests for financial soundness
- A redesign of TCIP and switching to compulsory disaster insurance
- Ensuring catastrophic risk models are updated and reflect the current situation

Targeting younger customers

He also shared other efforts in the SEDDK’s agenda including supporting digitalisation in line with the country’s young population. The rate of households with internet access is 94.1%, the rate of individuals using the internet is 85.0% and 97.72% of youths are ‘phone owners.

“We can’t get the young generation with traditional business models. We have to change our business models. We have to understand how they think and work.

“We should support digitalisation and we need to improve education and literacy,” said Mr Eroğlu.

The 2nd Türkiye Rendezvous was held from 10 to 11 October, hosted by Middle East Insurance Review in partnership with XV International Istanbul Insurance Conference.