

NOTEBOOK

Türkiye's new (re)insurance future



3rd International Insurance Summit & Türkiye Rendezvous and XVI International Istanbul Insurance Conference

The third International Insurance Summit & Türkiye Rendezvous and XVI International Istanbul Insurance Conference discussed emerging risks such as the protection gap, climate risks and demographic changes. Middle East Insurance Review was there to provide a first-hand report.

By Osama Noor

Insurance industry leaders gathered in Istanbul last month for the third International Insurance Summit & Türkiye Rendezvous and XVI International Istanbul Insurance Conference. The agenda was weighty and the conclusions were insightful.

The Kahramanmaraş earthquake which hit the southern parts of Türkiye last year has shown a huge gap which needs to be addressed, said Association of Insurance, Reinsurance and Pension Companies of Türkiye chairman Uğur Gülen. Total losses caused by the earthquake reached \$106bn with insured losses of \$6bn.



Mr Uğur Gülen

Mega trends

Mr Gülen also identified the mega trends affecting the insurance sector, including geopolitical risks and political conflicts, which have

led to notable shifts and changes in the macroeconomic environment. Technological changes are also among the main trends as they contribute to transforming human lives. Adding to the list is Nat CAT risks which will continue to affect the insurance industry in the coming decades.

Financial resilience is a top priority for the insurance authorities in Türkiye and there are great efforts being made to further strengthen the insurance sector, said Insurance and Private Pension Regulation and Supervision Agency (SEDDK) chair Davut Menteş. He said that to ensure financial resilience, the government acted in November 2023 by increasing the capital requirements for players in the market. “We have made certain arrangements, in coordination with the sector, to tighten regulations,” said Mr Menteş.



Mr Davut Menteş

He said that the regulator is

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ramping up efforts to curb unhealthy managerial practices and improve levels of corporate governance in the sector. “We are studying to introduce amendments in the law to address these issues. For corporate governance, the draft law is to be enacted (soon).”

The vision is for the participation insurance market share to reach 15% in three years, up from the current 5%, said Mr Menteş.

Ministry of Treasury and Finance

deputy minister Osman Çelik said that there are measures being taken to ensure that participation insurance would play a stronger role in the market as part of the efforts to provide coverage to larger social segments. He added that participation insurance would entice new investors, especially with the support of the Istanbul



Mr Osman Çelik



Ministerial Address by Mr Osman Çelik

Financial Centre.

Reinsurance capacity in abundance

Reinsurance capital is at its peak now with sufficient capital to cover 2025 and beyond; addressing the protection gap could be done via the use of nontraditional reinsurance tools, said Guy Carpenter president global accounts Charles Whitmore.

Profitability is vital to restore confidence in the (re)insurance sector, said Mr Whitmore.

Between 2017 and 2022, reinsurers only exceeded their cost of equity twice, “Which for investors is not a healthy return,” he said.



Mr Charles Whitmore

In contrast, 2023 produced a very significant rate of return, nearly 22%, and estimated to be nearly 18% in 2014 and to remain above the cost of equity in 2025 and 2026. “These very positive levels of returns by reinsurers have helped to restore investments’ confidence and generate a strong desire to write more business.”

Dealing with the protection gap through PPP

Globally, in 2023, total economic losses reached \$291bn of which \$280bn were caused by natural perils, with insured loss standing at \$117bn, representing 40%. In Türkiye, despite the earthquake that hit the country last year, the number dropped to 6.3%.

“This represents a stark and urgent reminder that while great progress has been made (...), much work must be done to increase the resilience of the Turkish economy,” said Mr Whitmore.

The Turkish Catastrophe Insurance Pool has been successful since its establishment in 2000, he said. “Its true value was witnessed in the aftermath of the earthquake when it succeeded in paying 95% of damages within two months of loss occurring.”

Alternative capital

Nearly 20% of current global reinsurance capital is made of alternative capacity. However, the use of alternative capacity in Türkiye is

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much lower, said Mr Whitmore.

He said that the growing trend to purchase large catastrophe programmes is to make use of alternative capital. “(It) allows the buyers of insurance and reinsurance to diversify their capital sources... and they do that to reduce their reliance on what can be a very volatile and unpredictable reinsurance market risk.”

Life insurance

QNB Insurance CEO Pınar Kuriş

said that income per household in Türkiye has decreased. “So, the accumulated amount for the long-term (insurance) has decreased. Life insurance, therefore, has slowed down

... the economic circumstances have an impact on the uptake of life insurance,” she said. Improvements achieved in financial literacy have led to advances in the life market.

BNP Paribas Cardif CEO Cemal Kişmir said that the number of life insurance policies increased notably in the past period and are expected to reach 40m by the end of this year.

He said that purchasing power is a



Ms Pinar Kuriş



Mr Cemal Kişmir



Plenary Session by Mr Charles Whitmore

factor to consider. “For life insurance in general, it is a difficult product to look appealing for low- and middle-income classes (...). For them, there is a product that is called the impeded life insurance product, (this is) especially for Türkiye. GDP per capital is likely to reach \$30,000 by end of year... but the median income is \$4,000, which makes it challenging to sell life insurance products. We would like to see this figure increase to be able to sell.”

AM Best general manager market development - MENA, South and Central Asia Vasilis Katsipis raised the question



Mr Vasilis Katsipis

over the outlook for bridging the gap through expanding life insurance business in Türkiye. Mr Kişmir said that life insurance needs to be encouraged, “The current tax breaks are not enough to support the growth of life insurance,” he said.

Ms Kuriş said that lack of awareness of the life and health segment is more pronounced compared to other lines such as motor insurance. “Therefore, companies must make a direct outreach to the public. Also, in terms of distribution, we need to come up with new channels. The younger generation prefers digital channels. Online banking channels dominate 96% of transactions.”

Innovation for improved results

Swiss Re Europe, Middle East and Africa L&H client manager Yannick Vincent said that it was not just about financial capacity.

“Insurers can innovate using technology and (data) intelligence, which are important features of life insurance marketing,” he said.

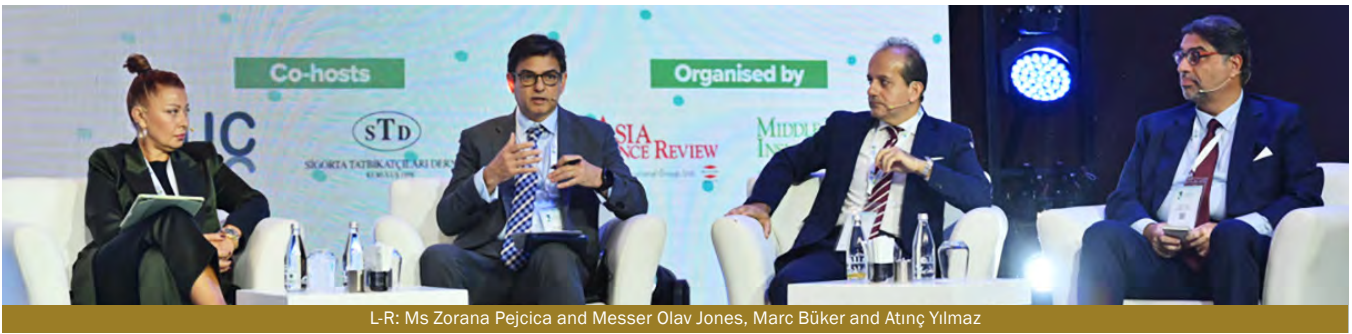
He called for going back to basics by promoting insurance as a financial protection tool for individuals and families against expected events. “I believe in responding to the universality of insurance needs. That’s what we are trying to do at the insurance and reinsurance levels, but



Mr Yannick Vincent



L-R: Mr Vasilis Katsipis, Ms Pinar Kuriş, Mr Cemal Kişmir and Mr Yannick Vincent



L-R: Ms Zorana Pejčica and Messer Olav Jones, Marc Bükler and Atınç Yılmaz

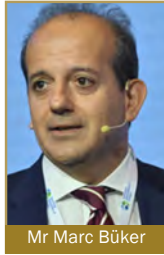
we need the support of the regulatory framework.”

Insurance Europe deputy director general Olav Jones said that the protection gap is a global problem. Given the size of gap, insurance is but a small part of the solution.



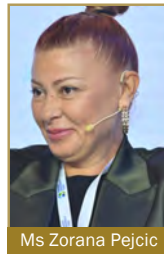
Mr Olav Jones

SCOR board member and market manager for southern Mediterranean, North Africa and Francophone Africa Marc Bükler said that (re)insurers were operating in a more uncertain and volatile world than ever; aiming to achieve profitability targets while reducing the protection gap. As for 2024–2025 trends, he said that global reinsurance capacity, at \$730bn, is at the highest level of the decade and the market needs an additional \$50bn annually.



Mr Marc Bükler

The world has become more dependent on technology in the past two decades, which exposed businesses to larger risks, said Sors Academy Belgrade chairman Zorana Pejčica.



Ms Zorana Pejčica

She said that the global risk of cyber crimes has been valued at \$8.5bn and is expected to reach \$34bn by 2027.

“Insurance companies play a very important role. Demand is growing rapidly,” she said.

Distribution is the core issue, said Howden Türkiye and Central Asia CEO Atınç Yılmaz. He said that the size of the market in Türkiye should



Mr Atınç Yılmaz

be around \$60bn to \$70bn. He said that there remains a lot to be done for the market to reach its potential. He said that more compulsory covers were required and there was a need to enforce the implementation of Nat CAT cover for commercial and industrial entities.

Insurance penetration

Insurance penetration in Türkiye has a long way to go and this was seen by the rate of coverage of the 2023 earthquake, said Orenda Grup Sigorta ve Reasurans Brokerliği chairman Fahri Altıngöz.



Mr Fahri Altıngöz

He said that the business environment had become more complex with technological advancements and changes in customer expectations. AI and other technology tools are helping insurers create and distribute new products and services, said Mr Altıngöz. “Each link in the technology chain must be flexible and adaptable to the needs of the customers.”

The insurance market is very competitive with 72 insurance and private pension companies operating in the field, said Insurance Association of Türkiye secretary general Özgür Obalı. Gross written premiums for the market reached \$20bn in 2023, paid claims of \$8.8bn and total assets of \$59bn.



Mr Özgür Obalı

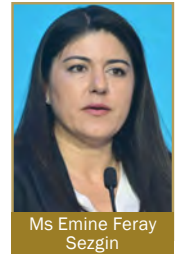
He said that the market has seen newcomers in the pensions segment which was performing better than other spheres of business.

When looking at the protection gap, its necessary to consider that Nat CATs in Türkiye are riskier

compared to the surrounding region. Therefore, it is a top priority to strengthen protection against these risks, said Mr Obalı. “This is followed by needs of an ageing population, then healthcare, largely covered by the government now, but with questions surrounding its sustainability and the fourth priority is cyber, which is not as much acute as other elements.”

Protecting society

Strategies are needed to protect the country against climate risk, said SEDDK vice president Emine Feray Sezgin. She said that the insurance industry needs to leverage the opportunities that digital transformation and new technologies offer.



Ms Emine Feray Sezgin

Ms Sezgin said that demographic change was altering the fabric of societies. “Retirement has become important and timely. It is vital to create a cashflow; if resources are not available, the risk will be higher.”

She said that this gap was also being stress-tested by high inflation. “Therefore, (there is a need) to create additional insurance to help create resilience of the system (...) measures are needed to decrease the risks. As an institution we must address society’s needs.”

Organised by Middle East Insurance Review, co-hosted by the Insurance Association of Türkiye with the support of IUC, STD and Invest in Türkiye. Over 500 delegates from 22 countries attended this year’s gathering. The theme of the summit was ‘Narrowing the Protection Gap: Türkiye’s Resilience and Sustainability’.