



# INSURANCE SECTOR IN TURKEY AND THE POOL ESTABLISHED LASTLY

**Arif Hikmet CESUR**  
**Chairman, Insurance Supervision Board**

**November 9, 2017, İstanbul**

# INDUSTRY STRUCTURE AND RECENT TRENDS

- There are 63 authorized insurers operating in Turkey
  - 39 non-life insurers
  - 18 pension companies (having also life license)
  - 4 pure life insurers
  - 2 reinsurers (Milli Re and VHV Re)
  - Most of insurers are joint stock companies, there are two mutual insurers (SS Koru and SS Atlas Mutual).

# INDUSTRY STRUCTURE AND RECENT TRENDS

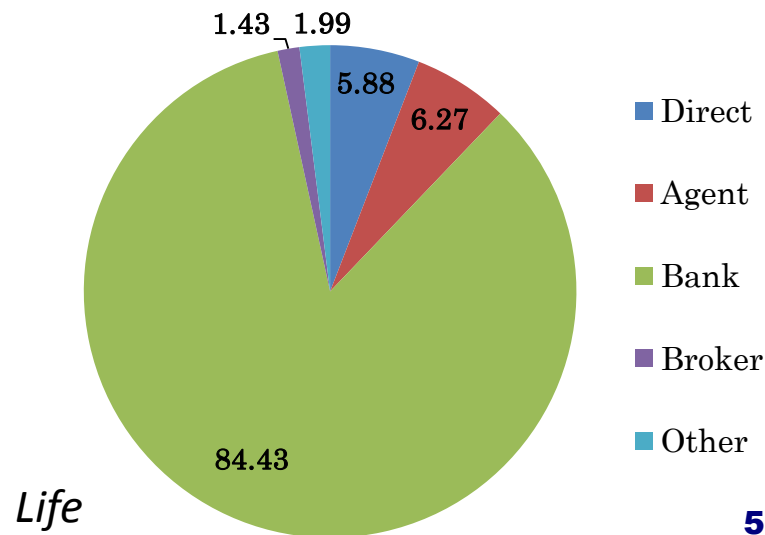
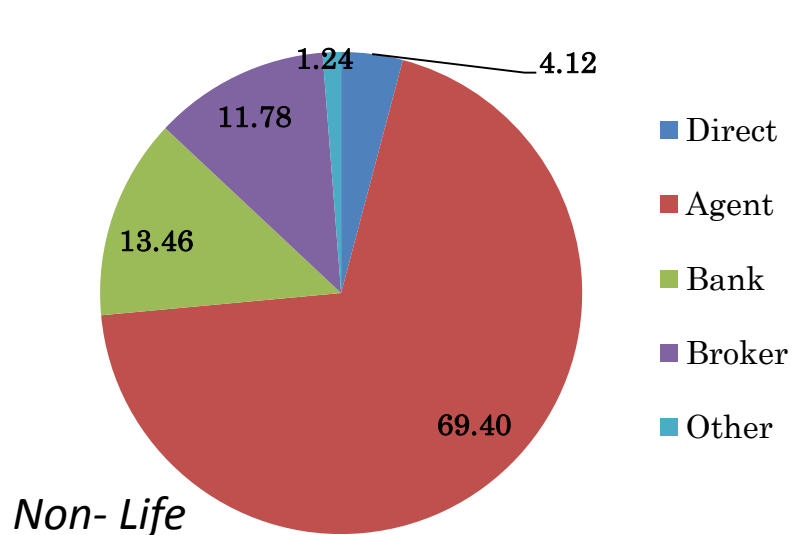
- International participation is very strong in the industry
  - 27 non-life insurers and 16 life insurers have foreign capital participation
  - Share of foreign capital is equal to 50% or above in 39 of companies
  - 72% of total shareholders' equities belong to foreign investors as of 2017/Q2
  - Foreign groups' market share is 61% as of 2017/Q2 (EU origin groups has a 45%)
  - Four Islamic banks have ownership linkages with insurers and interest in the market for Takaful products

# INDUSTRY STRUCTURE AND RECENT TRENDS

- In 2016, there were 15,600 licensed insurance agents and 144 insurance brokers
- Total 4,200 loss adjusters
  - Loss adjusters (1,850)
  - Agricultural loss adjuster (2,350)
- The # of licensed actuaries (273, just 50 actively work)
  - Authorized and listed by the Treasury
  - Exams (3 levels) to be an actuary
  - Regulation on Actuaries
  - Actuarial Unit of companies
  - Department of Universities (Undergrad and Graduate Studies)

# INDUSTRY STRUCTURE AND RECENT TRENDS

- Insurance policies are distributed mainly through licensed agents and brokers, banks, and direct sales. In 2016;
  - 69% of non-life premium was written by agents, 84% of life premium by bank agents
  - 14% of total premium was written by insurance brokers
  - Bankassurance accounts for 12% of premium written
  - Direct sales accounts for 5% of premium written



# INDUSTRY STRUCTURE AND RECENT TRENDS

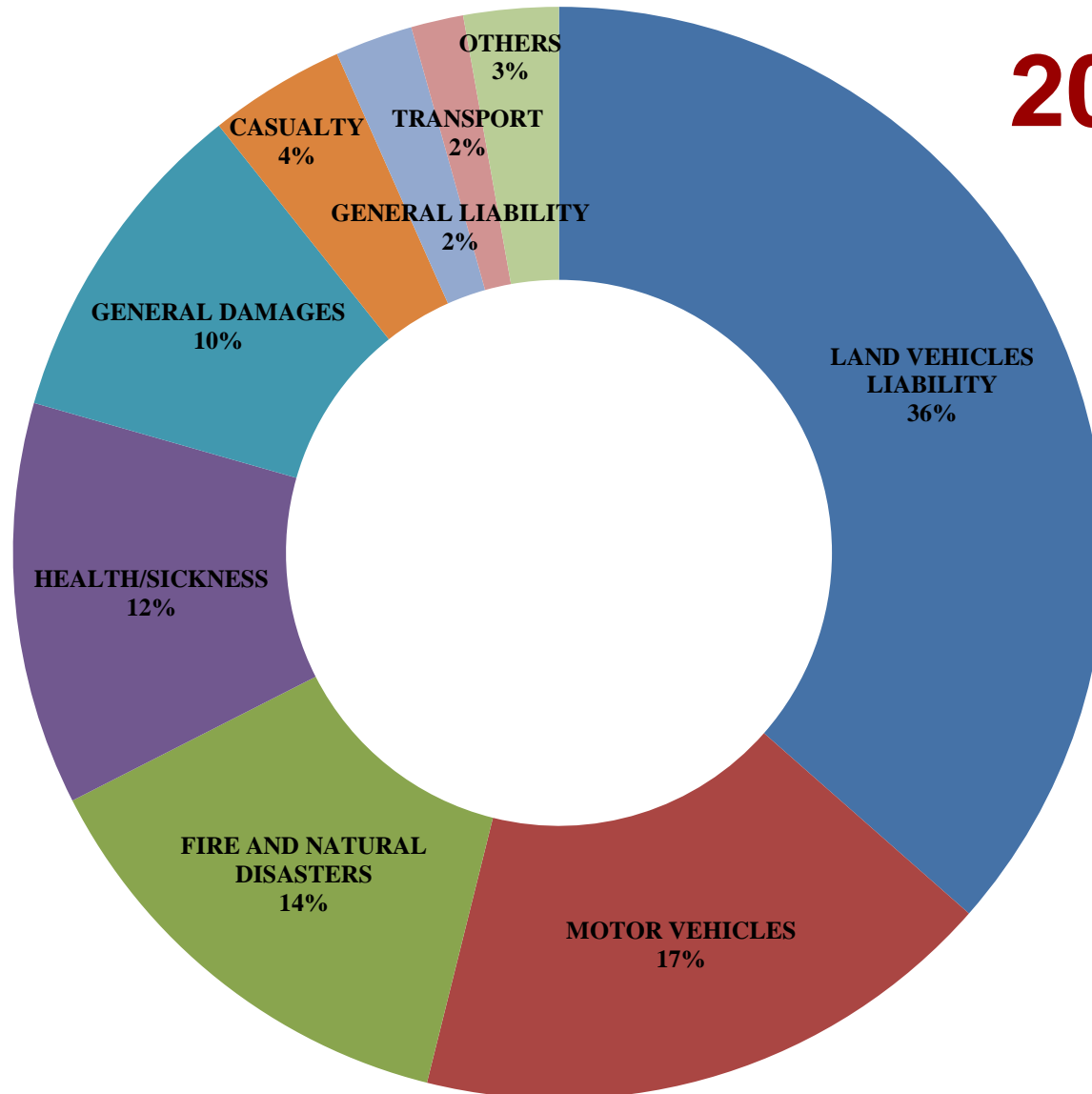
- The Turkish insurance sector is a growing part of the country's financial services industry. In 2016, the insurance sector comprised about 4,15% of all financial services sector assets.
- In 2017/Q2, the share has increased slightly and occurred as 4,2%.
- In 2016, Insurance sector achieved 40.5 billion TL gross premium (35 billion TL in non-life) by a 30% increase in nominal term and 24% in real terms.

# INDUSTRY STRUCTURE AND RECENT TRENDS

	2016/Q4	2017/Q2
Gross Written Premium	40.5 billion TRY	23.1 billion TRY
Issued Policy		
- Non-life	92,744,800	50,021,968
- Life (# of Contract)	29,408,655	29,130,345
Total Coverage	89,862 billion TRY	52,669 billion TRY
Shareholders' Equities		
Total Assets	122.2 billion TRY	138 billion TRY

# SHARE OF BRANCHES IN NLB

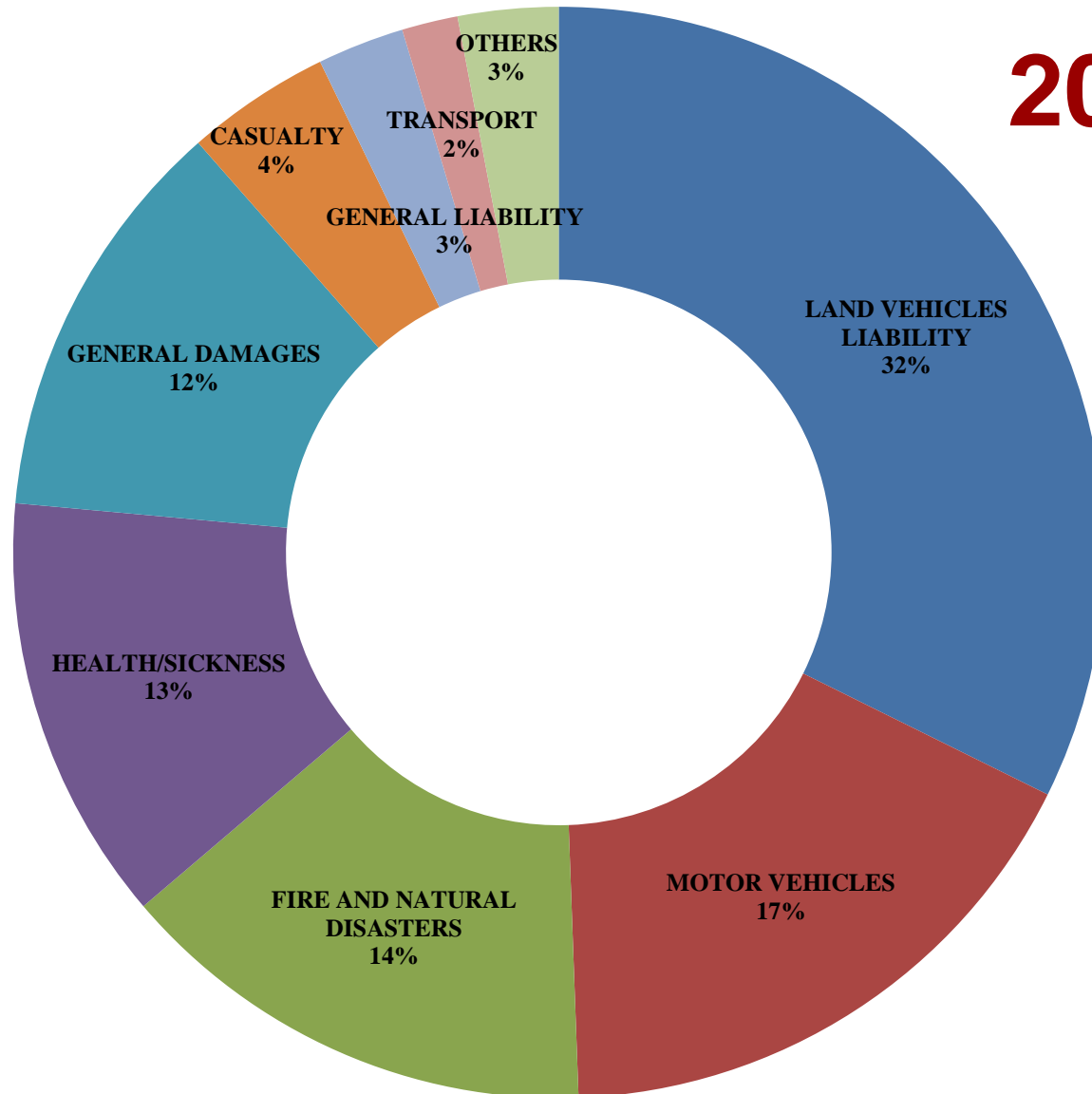
2016/Q4





# SHARE OF BRANCHES IN NLB

2017/Q3



# INDUSTRY STRUCTURE AND RECENT TRENDS

	2016/Q4	2017/Q3
# of participant in vol. pension	6.6 million	6.9 million
Total fund in voluntarily system	60.8 billion TRY	74.0 billion TRY
- Paid by participant	53.4 billion TRY	64.7 billion TRY
- State contribution	7.4 billion TRY	9.3 billion TRY
# of participant in auto enrol.	-	3.4 million
Total fund in auto enrollment	-	1.4 billion TRY
- Paid by participant	-	1.4 billion TRY
- State contribution	-	-
Total fund in pension system	60.8 billion TRY	75.4 billion TRY

# ESTABLISHMENT PROCESS AND PURPOSE of THE POOL

- Tariff limits in MTPL – from April 12, 2017
- Problems in issuing policy faced by agents and difficulties in getting coverage by people seeking insurance
- Complaints reached to the Treasury
- Supervision of insurance companies about issuing policy and obeying to the regulation of tariff limit
- Establishment of the Pool for risky insureds – as of July 11, 2017
- Sharing premium and losses for risky insureds among licensed insurers

# CRITERIA FOR SHARING

- Ceded premium and losses to the Pool;
  - 50% are in equal among the companies licensed for MTPL insurance
  - 50% are in share of portfolio of the companies for the last three years
- Share of portfolio for the last three years;
  - For 2017, the terms of between 1.1.2014 – 04.12.2017
  - From 2018, the terms of last three years at the beginning of each year
  - For example;
    - For 2018, the dates between 1.1.2015 – 12.31.2017
    - For 2019, the dates between 1.1.2016 – 12.31.2018

# CRITERIA FOR SHARING

- The share of portfolio is calculated at the beginning of each year and is fixed during the year (if no company exit market)
- If a new company gets licence during a year;
  - Join to the pool according to share of portfolio from next year
  - Join to the pool according to equal sharing from getting licence
- If a company whose license has been revoked or returned during the year, it gets out of the Pool from the date of cancellation or return (both 50% equal and portfolio share)
- If a company get out the Pool during a year, share rates are recalculated for portfolio share and 50% equal share

# SETTLEMENT

- The pool works according to recording system
- Ceding the pool and getting from the pool are calculated on a monthly basis
- A company owing to the Pool has made its payment, while a creditor company gets a receivable from the pool
- Payments are made on a monthly basis


# POOL ACCOUNT (INSURER)

## CREDIT

- Loss payment
  - Financial losses
  - Bodily injury losses
  - Expenditures (Loss adjuster, actuary, case cost, interest, vs.)
- Cancels of ceded premium
- Receives from calculation
- Receives interest from calculation

## DEBT

- Ceded premium
- Owing for calculation
- Owing interest for late payment



# **OUR EXPECTATIONS FROM ACTUARIES**



# THE IMPORTANCE OF ACTUARIAL FUNCTIONS

- The pricing mechanism and the actuarial opinions on it – is it effective?
- The calculation, sufficiency and accuracy of technical reserves – are the actuarial assumptions and selected methods valid?
- Reinsurance arrangements – is it consistent with the underwriting policy and risk profile
- Actuarial Reports – clearly identify deficiencies and recommendations



**THANK YOU  
TEŞEKKÜRLER**