

## Q&A: Insurance Great Interests



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General Manager & Board Member, Ray Sigorta



**GÖKHAN GÜRÇAN**

CEO, Acıbadem Sigorta

### Both life and non-life products are gaining popularity in Turkey, and the sector is expanding to meet demand.

*TBY talks to two industry executives on the development of the insurance industry.*

**How has your company sought to position itself in Turkey's insurance market?**

**LEVENT ŞİŞMANOĞLU** In the past eight months, the non-life insurance industry has grown by about 21%, nominally. I say nominally because there was a huge depreciation of the Turkish lira against the euro and the US dollar in 2011, and we saw huge growth in non-life premiums, while life insurance has always grown at a greater rate than the non-life industry. This non-life growth has mainly come from agricultural businesses that have shown great interest in insurance in 2011. Other main growing sectors include the auto and engineering lines of business, followed by cargo lines.

**GÖKHAN GÜRÇAN** Acıbadem Sigorta is a unique company due to its organizational and shareholder structure. It is an insurance company operating only in the health, life, and personal accident seg-

ments. It is also unique as it is part of the strong Acıbadem Healthcare Group. Despite these positive factors, we have also faced challenges. Over the last few years, we have operated at a loss due to severe price competition. Premium levels were one of the most important indicators of a company's value. However, a company's value is measured by its profitability. In the last half of 2010 and over 2011, the rules of the game have started to change. We have reshaped our pricing, governance, and sales methodology.

**What is behind growth in the sector?**

**LŞ** Increasing awareness in the agricultural sector has been important. We expect the Turkish economy to grow around 4.5% or 5% in 2012, in real terms. The non-life segment grew at a rate higher than GDP, which made a huge difference. This was due to the low penetration of insurance premiums and insurance policies. Turkey has a big population, but per capita income is only around \$10,000. The distribution of income is the main indicator of insurance volume. Any growth in the real economy should not go mainly toward the high-income groups. It should be distributed over the lower and medium classes as well, so that we can achieve a substantial growth level in the insurance business. If we achieve better distribution of our service to the lower-income groups, then we can expect huge growth in both non-life and life insurance premiums.

**What portion of your portfolio is comprised of large companies?**

**GG** Around 75% of our portfolio is represented by large companies, including banks and other large institutions. In fact, most banks that do not have their own insurance companies use our services. We have a unique company, and we have implemented a corporate efficiency program for our corporate customers. I have made it clear that I do not wish to increase the volume of premiums as it doesn't affect profitability levels. The only thing to do is increase efficiency on our side and on the client's side. Our strategy with large clients is to keep the level of claims under control. If coverage is enlarged, then the client will start to pay more in the future due to the higher levels of claims.

**The Van earthquake highlighted a lack of home insurance. How can this challenge be tackled?**

**LŞ** First of all, there is a 30% penetration rate for compulsory earthquake policies for houses, out of the insurable total. Of course, the rate reflects more financed housing, because banks and financial institutions request this insurance. In eastern parts of Turkey, penetration is low, at around 9%, which is far below the average in Turkey. Making insurance obligatory is not the way to increase penetration. It is instead a matter of income distribution. Only when people in that region have a TL25,000 yearly income can we expect them to pay a TL500 annual premium. This is the major issue.

**What are your expectations for the future?**

**GG** Our target is to be number one in the health branch of the insurance sector. In 2010 the number of provisions totaled 1 million, and so we are quick, thanks to the concentrated nature of our organization. This will allow us to be number one in the upcoming five years. In 2012 we will increase our premium level by 30%, and on the individual policy side we want to take a step forward and double premium levels. We hope to close with TL45 million on that side in 2010, with our target for 2012 set at over TL90 million. In order to create a sustainable company, we need, according to my belief, even more individual policy holders on the books. ●