



MENEKŞE UÇAROĞLU

IUC GROUP

**IMPACT OF INFLATION IN TURKISH MOTOR
INSURANCE MARKET**

**APRIL 2023
VIENNA**



IMPACT OF INFLATION IN TURKISH MOTOR INSURANCE MARKET

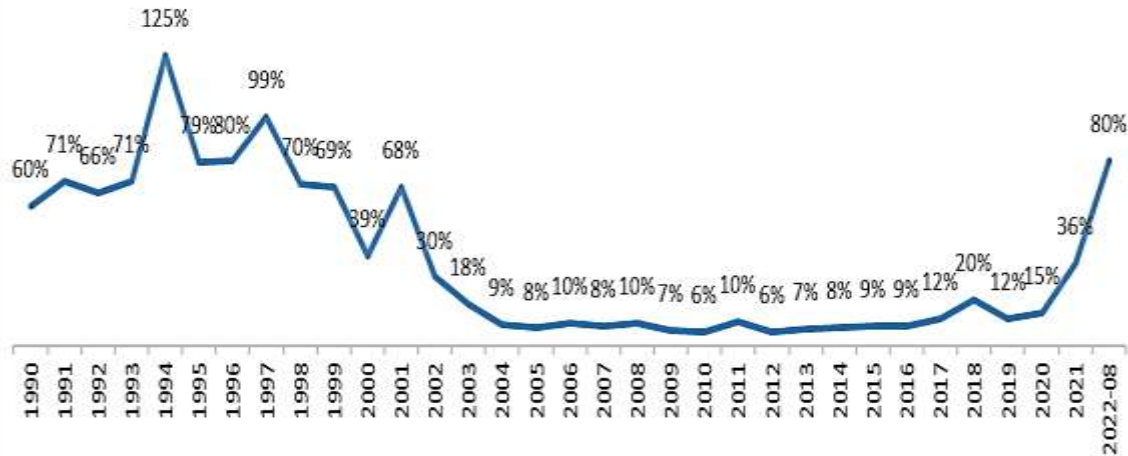
- INFLATION IN TURKEY
- IMPACT OF INFLATION ON MOTOR PRICING & TECHNICAL RESULTS
- HOW DOES THE INSURANCE MARKET HANDLE INFLATION FROM A TECHNICAL ASPECT?
- HOW DOES THE INSURANCE MARKET HANDLE INFLATION FROM MARKETING ASPECT?



- **INFLATION IN TURKEY**

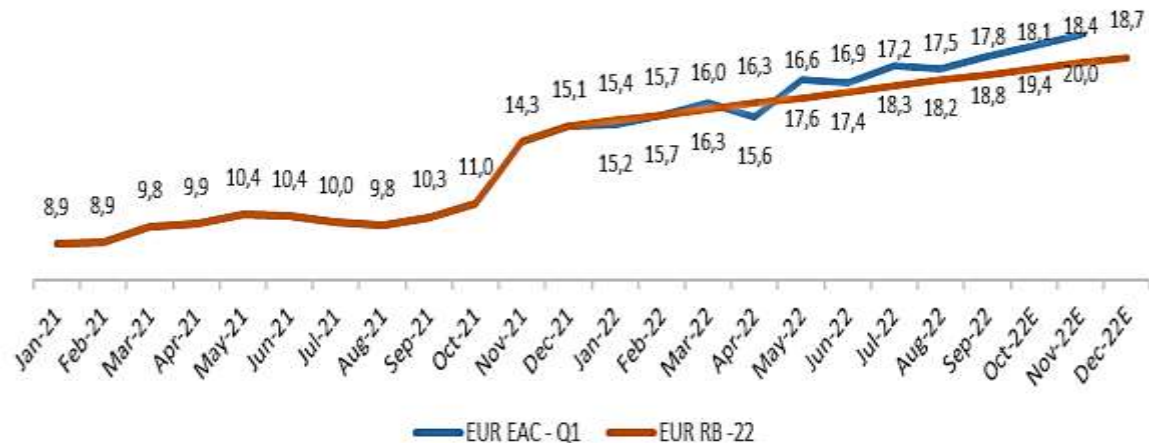
- After 2001 crises there were lots of major structural reforms, and from 2004 until 2017 inflation was under control at 8-9%.
- Between 2018 – 2020, it was at a range of 15%-20%
- By the year end 2021, inflation increased up to 36% and
- Policies to boost economic activity during Covid-19 crisis, fueled by devaluation of TL and increase in oil/gas prices, finally increased the inflation to **83,5%** in 2022 September
- Budgeted inflation estimation was appr. 21% and this increase of inflation with appr. 60 pts gap vs current situation **was not at all expected !**

YE CPI Over years



**THE OUTCOME OF
THIS INFLATION
WAS DEVASTATING !!!**

2021- 2022 EUR Development

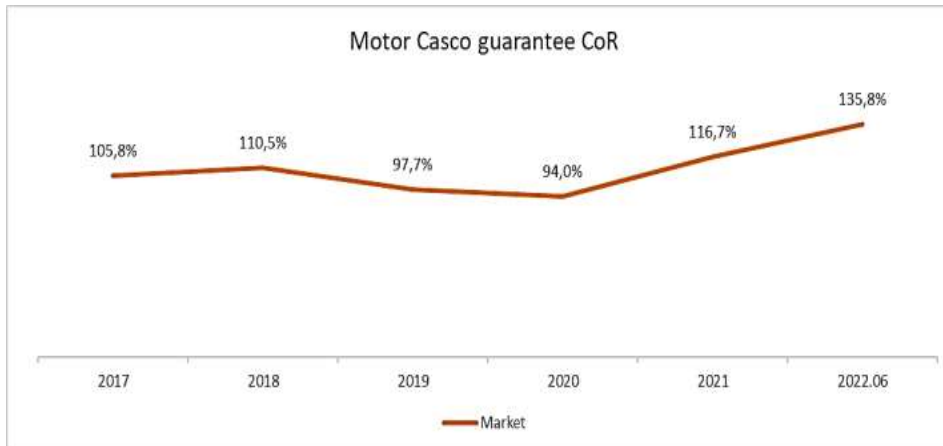


• IMPACT OF INFLATION ON MOTOR PRICING & TECNICAL RESULTS

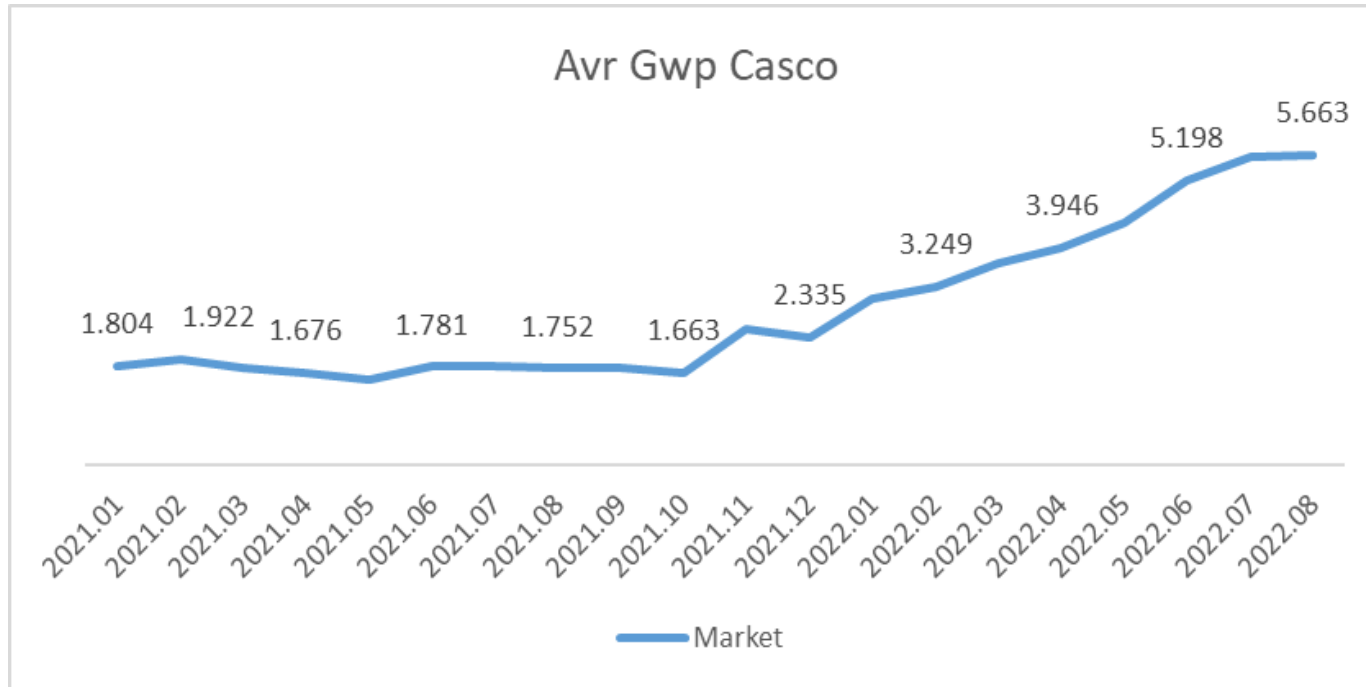


(*) The expenses an insurer incurs to adjust and pay claims expressed as a percentage of premiums earned.

Market Combined Operating Ratio for Motor Casco increased by 19.2pts in Q2 2022 vs FY 2021 to 135.8%



(**) The COR compares claims, costs and expenses to premiums. If the costs are higher than the premiums (i.e. the ratio is more than 100%) then the underwriting is unprofitable.



Average Casco Premium of the market has increased significantly due to the effects of FX and inflation.

- **HOW DOES THE INSURANCE MARKET HANDLE INFLATION FROM A TECHNICAL ASPECT?**

- At that stage It was very important, for the Turkish Insurance Market, to have fundamental strengths for early detection of deterioration in cost drivers.
- Determination of loss cost , the amount of money an insurer must pay to cover claims, including the costs to administer and investigate such claims, was a major target in this ever-changing and increasing cost atmosphere
- Market needed to rely on the information coming from «Insurance Information & Monitoring Center» for their instant monitoring capabilities on cost drivers to make data driven decisions.
- Companies applied Instant and segmented tariff management and dynamique execution
- Continuous improvement in claims initiatives to create competitive advantage, i.e. increased focus on mobile repair



- **Companies with large motor portfolio have special teams**
- **Closing of the month, all actuarial data is prepared underwriting, claims and technical teams are coming together to analyse the results.**
- **At the end of each month actuarial teams analyse data, have insights from claims teams and underwriting teams to make accurate estimations for the pure premium in all detailed lines**
- **During the month, review meetings are held by reserving, finance and underwriting teams.**
- **Especially during 2021 and 2022, as a result of constantly increasing inflation technical teams worked on tariff update regularly, sometimes Daily.**



INSURANCE INFORMATION & MONITORING CENTER

- The Insurance Information and Monitoring Center was established under the name of “TRAMER” by virtue of the Regulation on Traffic Insurance Information Center @ 16.12.2003
- The name of the Center was changed as the Insurance Information Center @ 09.08.2008
- The name of the Center was changed as the Insurance Information and Monitoring Center @ 03.12.2011
- TODAY
- It is a portal ensuring that all the insurance policy and claims data, as well as data from the other insurance applications such as the reports of accidents resulting in material claims, loss adjuster reports, and MTPL insurance offer information are being analyzed.
- The portal can be used by the insurance companies and the authorized users at public institutions



INSURANCE INFORMATION & MONITORING CENTER

- The Insurance Information and Monitoring Center performs works by accumulating the data of the insurance sector in a single center in order to store these data in a safe manner
- Provide reliable and meaningful data and statistics to ensure that the sector can execute sound pricing
- Increase confidence in the insurance sector by preventing the misconduct
- Assist in the activation of the supervision.



INSURANCE INFORMATION & MONITORING CENTER

Number of parts & Costs original or Non-original
Spare parts

	DİĞER		ORJİNAL	
	PARÇA ADET	PARÇA NET MALİYET	PARÇA ADET	PARÇA NET MALİYET
AKSESUAR	5.986	4.642.951,1	78.578	77.764.712,94
AKÜ	35	48.462,04	366	565.245,07
AMBLEM	642	146.740,12	5.484	2.553.740,06
AYDINLATMA SİSTEMİ	112	52.876,79	152	297.961,14
BRAKET	572	184.652,54	11.253	7.383.835,72
CAM	1.695	3.192.910,52	20.326	49.186.458,78
DİĞER	571.055	711.784.916,29	2.060.486	3.201.098.860,27
DİREKSİYON SİSTEMİ	1	123,34	3	53.614,23
DÖŞEME / KİLİT	2.585	2.659.677,81	26.827	62.957.814,23
ELEKTRİK	20.275	21.841.354,71	152.931	393.753.953,26
FREN SİSTEMİ			43	57.457,68
HAVALANDIRMA SİSTEMİ	5	1.674,51	9	15.434
KAPORTA ARKA	19.704	20.237.586,9	143.925	203.651.946,38
KAPORTA ÖN	69.284	56.954.063,03	985.311	2.704.723.656,29
KAPORTA TAVAN	165	349.678,86	9.290	13.688.887,63
KAPORTA YAN	18.145	20.344.186,71	203.734	300.098.420,1
LASTİK	801	1.203.768,42	5.754	11.908.357,8
MEKANİK	14.623	17.539.622,06	142.379	326.962.728,3
SÜSPANSİYON	10	3.265,16	24	77.064,45
TEYP	1	25.000	42	654.842,15
TOPLAM	725.696	861.213.510,91	3.846.917	7.357.454.990,48



Instant Monitoring Capabilities

- In Turkey, there is high quality market data for production in motor lines and it is crucial to get benefit from this data by the required technical capabilities.
- For Casco and TPL, market share is monitored based on No Claims Declaration layer, type of usage and city and the data is updated on a daily basis.
- It is also possible to see the market share of the competitors, which gives important insight on their strategies and any change in their positioning.
- There is also a daily production report, where the GWP, policy counts and the average premium per detailed line of business is monitored.
- Underwriting team monitors average cost and frequency development in monthly basis in all available sub segments. The changes for each brand, city etc is followed in personal lines & commercial lines

Monthly Activities

- Underwriting team works closely with claims team, monthly, half monthly and even daily
- Reserving and risk management teams run several claims analysis and updates the pure premium expectations
- Claims team informs immediately when a manufacturer declares a new increase in spare parts and/or labor prices
- Monthly Inflation Loading is applied in addition to increase of price level
- Standard monthly inflation loading for coming months is 4%-5%
- Additional loading for some brands, cities or any other segments based on estimated loss ratio, average cost increases and manufacturer announcements.
- Benchmarking



Instant and Segmented Tariff Management

- Model the claim types separately because inflation does not affect them all the same:
 - Crash Collusion
 - Glass
 - Total Loss
- Update the models frequently
- Declared inflation and claims inflation are not always parallel. To embed the correct level of inflation, frequent modelling is crucial
- In Casco models we use the most recent car values instead of the one values used to calculate the premium of the policy. (so that we capture the inflation in car price)



Desperate Times Call for Desperate Measures

- **Extraordinary solutions to cope with inflation:**
- **An insurance company bought 4 million dolar worth spare parts as stock and worked with agreed service providers as repair shops and used pre-purchased spare parts for the casco claims !**



HOW DOES THE INSURANCE MARKET HANDLE INFLATION FROM MARKETING ASPECT?

- New products with deductible, valid in agreed partner repair shops
- New additional services bundled to motor casco products such as
 - Free Automobile check-up
 - Free Winter tire storage
 - Oil & Gas discount
 - Free Car wash etc.

THANK YOU

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