



International Association for the
Study of Insurance Economics

Geneva Association Information Newsletter

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Press Release

Information on Geneva Association activities and publications

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The Geneva Association informs about key insights from the “Istanbul International Insurance Conference”

From 6-7 October 2008, The Geneva Association, leading think tank of the world's largest insurers and reinsurers, and AKSigorta, a leading Turkish insurance company, co-hosted an unprecedented high-profile gathering of more than 140 Turkish and international insurance executives and regulators.

Facilitating a two-way transfer of knowledge

In his welcome address *Akın Kozanoğlu*, President of Financial Services at Sabanci Holding and Chairman of AKSigorta, stressed the importance of exchanging views and experiences between the Turkish and the international insurance sector. He also expressed confidence that the strong growth of the domestic insurance market will continue into the future.

Patrick M. Liedtke, Secretary General and Managing Director, The Geneva Association, elaborated on key global trends reshaping the insurance world such as globalisation, the internationalisation of regulation (e.g. IFRS and Solvency II) and the emergence of public-private partnerships, for example in terrorism and climate change risk management. Referring to the current global financial crisis Patrick Liedtke remarked: “*Even though the crisis originated in banking and has so far affected the insurance industry only to a limited degree as it is not subject to the same liquidity constraints as banks, insurers as major institutional investors cannot avoid the pain of a general downturn.*”

Güler Sabancı, Chairman and Managing Director, Sabanci Holding, pointed to the significant economic, legal and regulatory progress Turkey has made as the country builds the foundation for EU membership. Addressing the financial crisis she stressed that risk has to be redefined and re-priced on a global basis.

In his special honorary address, *Mehmet Şimşek*, Turkey's Minister of State for Economic Affairs, highlighted the key macro-economic role of the insurance sector in Turkey. The government of Turkey actively promotes the sector's growth as it is expected to boost the private savings rate and, as such, address the country's biggest economic challenge. The Minister also

reaffirmed Turkey's unwavering commitment to continue on the path of EU harmonisation and convergence.

Meeting the challenge of responsible growth

The first panel discussion on key issues in international insurance and reinsurance was chaired by *Tidjane Thiam*, Chief Financial Officer, Prudential plc. and benefited from contributions from *Antti Calonius*, Executive Board Member, Tapiola, *Enrico Cucciani*, Executive Board Member, Allianz Group, *Jean-Francois Lemoux*, Group Executive Committee Member, Groupama and *Victor Peignet*, Executive Board Member of SCOR Group.

The panel discussed the importance of and empirical evidence for revenue growth as a key driver of Total Shareholder Returns. Experience shows that the "growth champions" in the insurance industry are able to leverage all major drivers of growth: portfolio momentum, M&A and organic share gain. At the same time, companies need to carefully manage the volume versus profitability trade-off and keep in mind the huge cost of "buying market share". In light of the current financial crisis Jean-Francois Lemoux said: *"Let's never forget the basics and our common sense. (...) Underwriting and pricing discipline is necessary for the industry's survival. (...) Ultimately, we sell security."*

The panel also addressed the crucial role of reinsurance in providing cost of capital-efficient support of primary insurance companies' growth strategies. This role is set to expand as the risk landscape grows ever more complex.

Balancing the opportunities and challenges of a fast-paced market environment

During the "National Panel", key representatives of the Turkish insurance industry shared their perspectives on the current state and future challenges of the Turkish market. The panel, chaired by *Ragıp Yergin*, General Manager, AKSigorta A.Ş., consisted of *Meral Egemen*, General Manager, AvivaSA, *Ahmet Genç*, General Manager, Undersecretariat of Treasury – Insurance General Manager, *Mustafa Su*, General Manager, Anadolu Sigorta and *Hulusi Taşkıran*, President, Turkey Insurance Companies Association.

The panel addressed the key drivers of the Turkish insurance market's dynamic growth: first, a highly favourable demographic profile, with a large, young and growing population. Second, the remarkable macro-economic stabilisation as evidenced by reducing inflation, interest rates and current account deficits. Third, the structural insurance market developments such as improvements in (solvency) regulation, legal frameworks, the introduction of compulsory insurance lines as well as strong growth in "non-traditional" areas such as pension and health business. And fourth, the market's huge future growth potential as suggested by very low penetration levels.

The panel also discussed current market challenges such as detariffication and the resulting competitive pressures, the management of the crucial relationship between insurance companies and agencies – the main distribution channel in Turkey - and the increasing presence of foreign providers whose market share already exceeds 60%.

The panel agreed on the decisive role of the new legislative frame work for the insurance industry which *"is set to promote competition and stability"*, as Ahmet Genç said.

Long-term prospects of the Turkish insurance market

The final session, an international roundtable discussion moderated by *Kai-Uwe Schanz*, Advisor to The Geneva Association, was devoted to the future of insurance in Turkey. *Klaus Allerdissen*, Member of the Board, Ergo International, *Akın Kozanoğlu*, Chairman of AKSigorta, *Phil Schwarz*, Country Manager, AIG Turkey and *Paul Whittaker*, CEO Emerging Markets and Executive Board Member of RSA, contributed their expert views.

The Roundtable examined the potential of hitherto underdeveloped lines of business in Turkey such as product liability and D&O – areas which are expected to record significant growth as Turkey's integration into the global economy deepens and broadens. In addition, powerful domestic drivers of growth were analysed: "*Pension business and additional compulsory lines will help sustain strong market growth in Turkey*", said Akın Kozanoğlu.

The experts also discussed future scenarios in distribution and the challenges new technologies and increasing customer sophistication could pose to the traditionally dominant agency channel.

Summarising the conference, *Patrick M. Liedtke*, Secretary General and Managing Director, The Geneva Association, commented: "*The Geneva Association is proud to facilitate an open and constructive dialogue between Turkish and foreign insurance and reinsurance executives. We believe that this conference initiative is well-timed as Turkey adopts global best practice in insurance management and regulation and foreign insurers continue to show keen interest in one of the world's fastest growing insurance markets - at the doorsteps of the European Union.*"

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About The Geneva Association

The International Association for the Study of Insurance Economics ("The Geneva Association") is a unique global organisation formed by a maximum of 80 chief executive officers (CEOs) from the world's most important insurance companies. The Geneva Association's main goal is to research the growing importance of worldwide insurance activities for economic growth and societal progress.

The Geneva Association also acts as a forum for its members, providing a worldwide unique platform for the top insurance CEOs to exchange ideas and discuss key strategic issues. It also organises platforms for member companies' chief financial officers, chief risk officers, chief economists and chief communication officers. It is a non-profit organisation based in Geneva, Switzerland.