



TURKISH TAKAFUL (Participation Insurance) SECTOR

The logo for NEOVA SİGORTA consists of the word 'NEOVA' in a bold, sans-serif font. The 'NEO' part is green, and the 'OVA' part is purple. Below 'NEOVA', the word 'SİGORTA' is written in a smaller, purple, sans-serif font.

**DR. YUNUS EMRE GÜRBÜZ &
SERDAR SEVİNDİK**

17.10.2019, Ankara

TAKAFUL (Participation Insurance)



Takaful means mutual trust and solidarity. In our language, this word (takaful) takes place in the form of undertaking responsibility.



'Islamic Insurance is a process of agreement among a group of persons to handle the injuries resulting from specific risks to which all of them are vulnerable.' AAOIFI Standard 26



In addition to conventional insurance companies and cooperative companies, takaful is a third type of insurance.



It is not an alternative but an integral part of the Turkish insurance system.



It is functionally similar to conventional insurance companies but is different in terms of assessing collected premiums and surplus rebate.

Basic Principles



Interest Prohibition



Gharar (uncertainty)
Prohibition



Other Prohibitions
(liquor, gambling,
games of chance,
tobacco etc.)

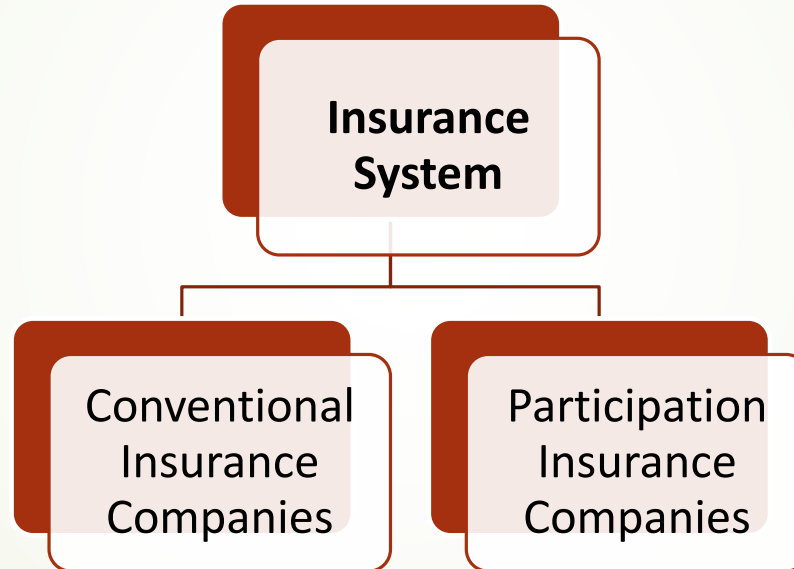


The essence of risk
sharing

Participation Insurance Working Models



The Insurance System in Turkey



Turkish Insurance Market Overview (2019-8)

Insurance Companies	Number of Organizations	Premium Production	
		mn TRY	share (%)
Conventional Insurance Companies	48	40.783.871	94,75%
Participation Insurance Companies	12 (4 Pure Participation)	2.262.003	5,25%
Total	60	43.045.874	100,0 %

*The number of companies working with the conventional insurance and window model participation insurance has not been rewritten.

Development of Participation Insurance in Turkey

- In 2009, Neova Sigorta, which operates in non-life branches according to the principles of takaful, was established.
- In 2013, Katılım Emeklilik ve Hayat was established in the life branch (family takaful) with the partnership of Kuveyt Türk and AlBaraka Türk participation banks.
- KATSİDER (Participation Insurance Association) was established In 2014.
- The Regulation on Operating Principles and Procedures of the Participation Insurance ("Participation Insurance Regulation") has been published in 20.09.2017.

Participation Insurance Association



- ▶ 'Participation Insurance Association' (KATSİDER), was established with the partnership of Neova and Katılım Emeklilik ve Hayat companies in 2014 to promote and expand the interest-free insurance according to international standards.
- ▶ The association consists of 2 institutional and approximately 50 individual members.
- ▶ The association was a member of the Interest-Free Finance Coordination Board (**Faizsiz Finans Koordinasyon Kurulu**) and contributed to the preparation of regulations on participation insurance.
- ▶ The Association has participated in several symposiums and panels at various universities and NGOs in order to raise awareness of participation insurance and to promote takaful.
- ▶ Turkish naming of takaful as participation insurance, surplus rebate as bakiye iadesi and penalty pool were invented and brought into the Turkish insurance literature.

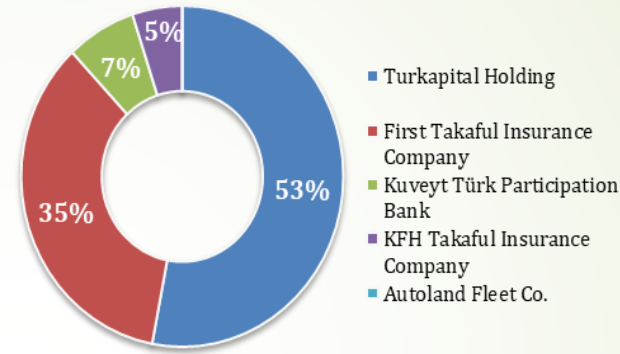
Turkish Participation Insurance Market Share Overview

Participation Insurance Companies				2019-8	
Ranking	Company Name	Takaful Model	Starting Date of Participation Insurance	Total Production (TL)	Share %
1	Neova Sigorta AŞ	Pure	2010	1.075.151.901	47,53%
2	Bereket Sigorta AŞ	Pure	2018	777.231.361	34,36%
3	Doga Sigorta AŞ	Window	2014	246.730.458	10,91%
4	Bereket Emeklilik ve Hayat AŞ	Pure	2011	80.846.086	3,57%
5	Katılım Emeklilik ve Hayat AŞ	Pure	2014	43.107.440	1,91%
6	HDI Sigorta AŞ	Window	2019	15.085.019	0,67%
7	Ziraat Sigorta AŞ	Window	2015	14.972.440	0,66%
8	Unico Sigorta A.Ş.	Window	2019	3.159.505	0,14%
9	Vakıf Emeklilik ve Hayat AŞ	Window	2015	3.120.932	0,14%
10	Ziraat Hayat ve Emeklilik AŞ	Window	2015	2.384.923	0,11%
11	Groupama Emeklilik AŞ	Window	2019	213.813	0,01%
12	Güneş Sigorta AŞ	Window	2019	0	0,00%
Premium Production of Participation Insurance				2.262.003.878	5,25% Participation Insurance
Premium Production of Insurance Sector				43.045.874.156	

Source: TSB, (çevrimiçi) <https://www.tsb.org.tr/resmi-istatistikler.aspx?pageID=909>

Neova Insurance Co.

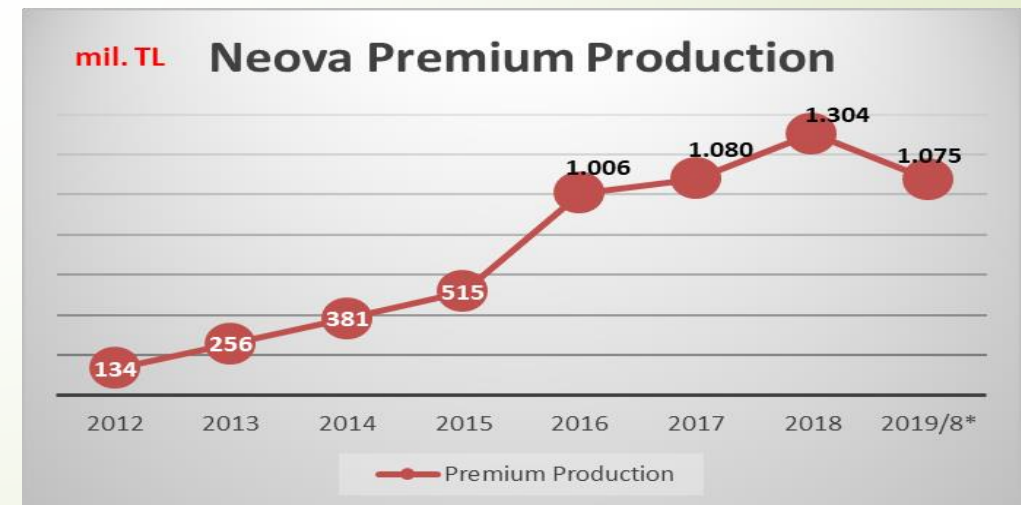
Established as the Turkey's first non-life takaful insurance company in 2009, Neova and its shareholders belong to Kuwait Finance House, one of the largest participation banking groups.



Distribution Channels

- ✎ 13 regional offices
- ✎ 2.104 agencies
- ✎ 1.047 bank branches
- ✎ 4 participation banks
- ✎ 1.575 contracted repair services
- ✎ 225 employees

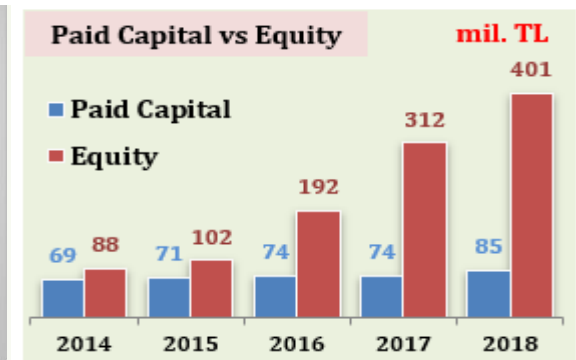
At the end of 2018 Neova ranked 14th with 1.3 bn TRY Premium production in the insurance sector and 2.73% market share.



Neova Insurance Financial Structure

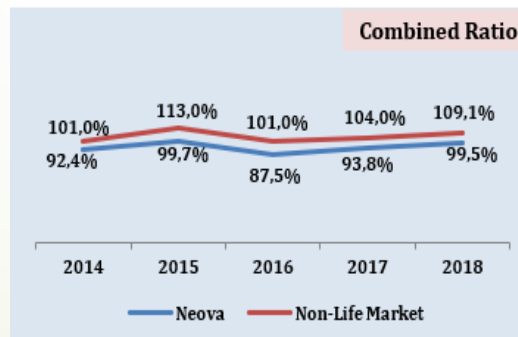
At the end of 2018 Company's paid capital is 84.8 mn TRY.

Financials



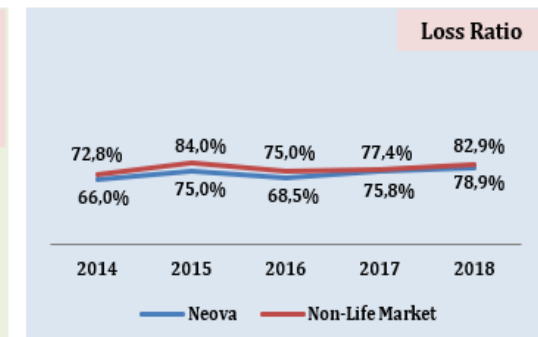
It's the 5th best performing insurance company among 39 non-life companies at the end of 2018

Ratios



Combined Ratio Rank Among 39 Non-life Companies

- @2014 3rd
- @2015 4th
- @2016 6th
- @2017 7th
- @2018 5th



* The most important indicator of insurance company performance is the Combined Ratio.



Neova Insurance Surplus Rebate

Highest amount of surplus rebate in Europe with a well defined, stable operating structure and executive team

	Total Customer Pool Surplus	Surplus Rebate	Status
2014	6.813.998	292.045	Paid
2016	63.727.279	5.000.000	Continuing
2017	22.827.775	5.000.000	Will be paid this year
2018	4.483.751	5.000.000	Will be paid this year

Success and Opportunity Factors

- Government Support
- Increase In The Number Of Participation Banks (Potential Available)
- Not Much Takaful Companies In The Sector
- Existing Successful Takaful Companies
- Conservative Society
- Increased Participation Finance Awareness

THANK YOU

yunusemre.gurbuz@neova.com.tr

serdar.sevindik@neova.com.tr