

# BRIDGE

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**DENGE**  
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## Will House Prices Rise?

When we analyze the annual housing sales figures, it is seen that the annual housing need of our country that cannot be delayed is 1.350.000 (±10%). Approx. 1.500.000 houses were sold in 2020.

The increase in housing prices last year led to confusion among our people. Why prices increased so much in the pandemic, when we implemented lockdown measures even on our religious and national holidays, the question of whether housing prices will again increase began to occupy an important place in the minds of home buyers.

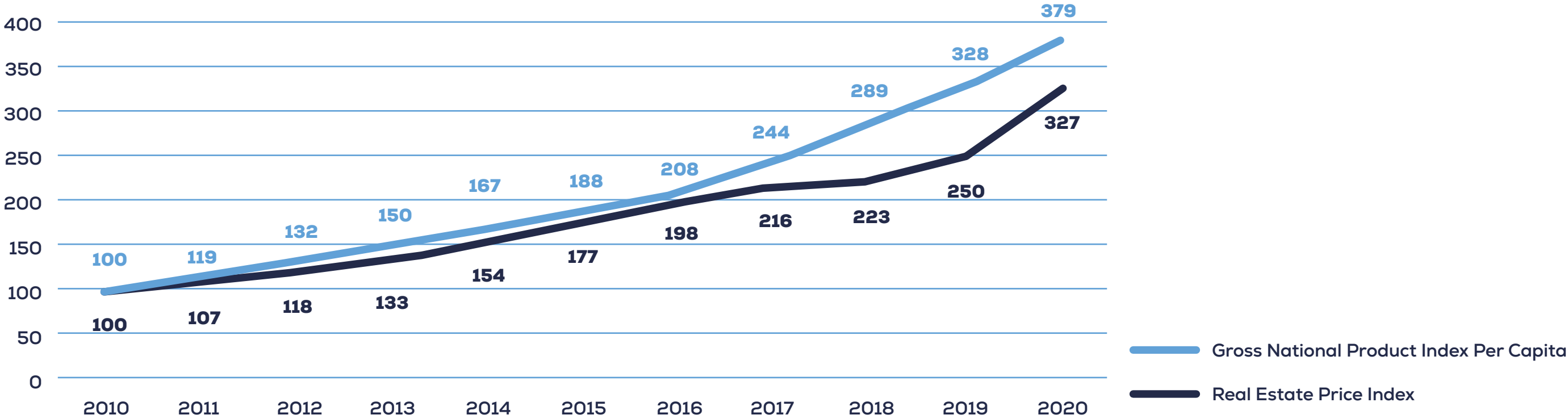
While the 2020 inflation within the scope of the pandemic was 14.60%, there was an increase of 30.44% in housing prices according to the housing price index.

It is observed that two main reasons were effective in the increase: the first one is the realization of the surplus housing production in the past years, change in the supply-demand balance in favor of demand due to the meltdown in the excess supply, the effect of which we felt after 2016, while the second reason is that the increase in the construction materials and labor cost above inflation began to be reflected in the prices.

When we compare the GDP per capita and the Housing Price Index (HPI) data for the last 10 years, by taking the 2010 data as 100 basis points;

It is observed that both indices followed a parallel course until 2016, the increase in GDP per capita increased after 2016, the KPI values between 2016 and 2018 followed a more horizontal course compared to previous years, and there has been a rapid increase since 2019.

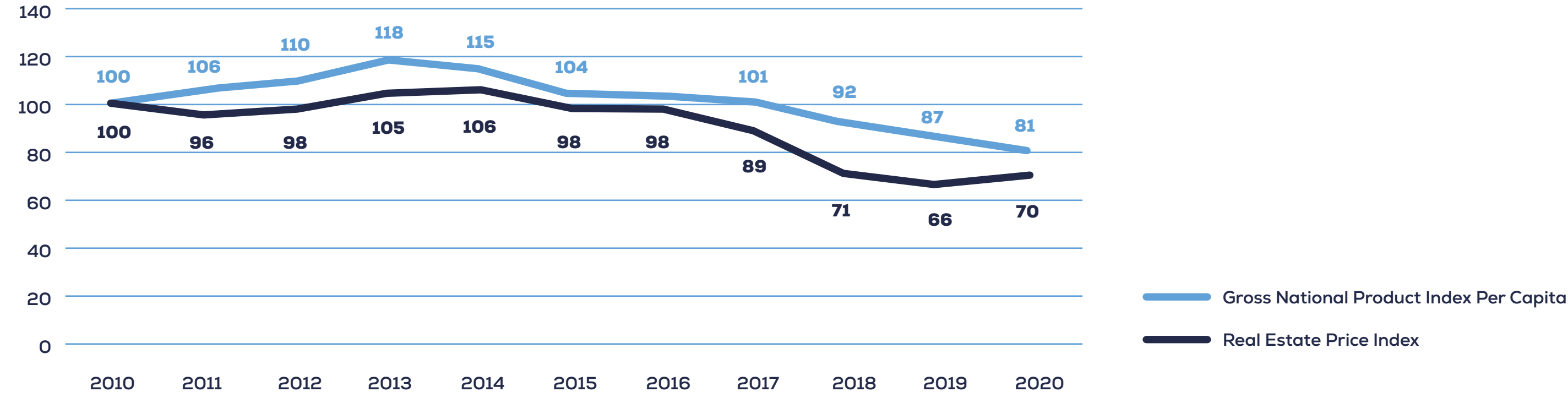
**Gross National Product Index Per Capita - Real Estate Price Index**



It is seen that income increases didn't reflect in the real properties in the last 10 years. Under normal conditions, KPI is expected to follow a parallel course with national income. As it can be understood from the chart, considering the national income data, it is seen that it will only reach its normal course if there is a 16% real increase in housing prices. This assessment will be valid for those who perform their local and economic transactions in TRY.

What is the situation in housing prices from the perspective of foreigners?

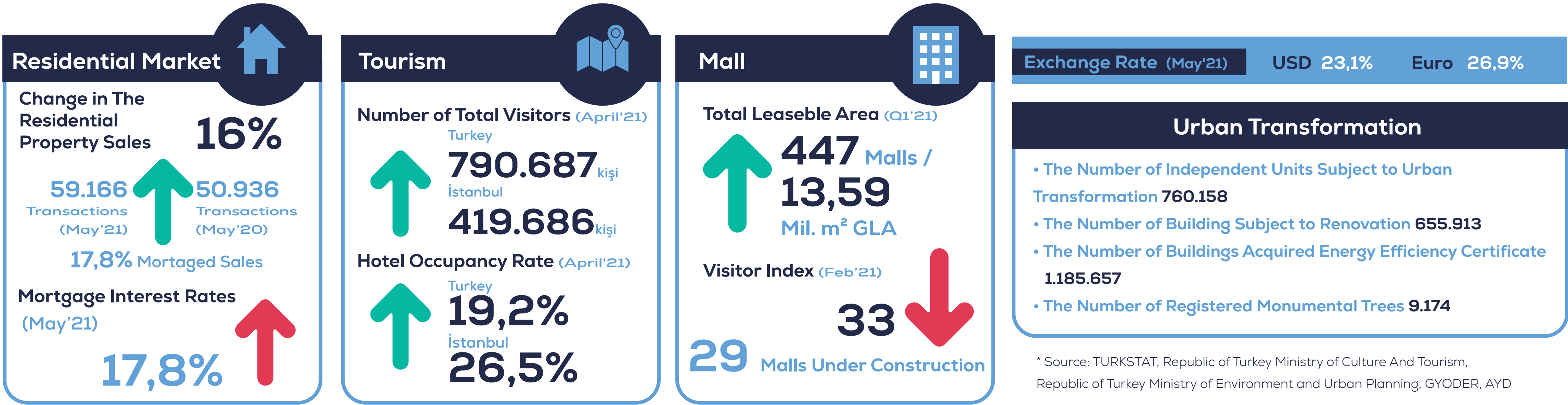
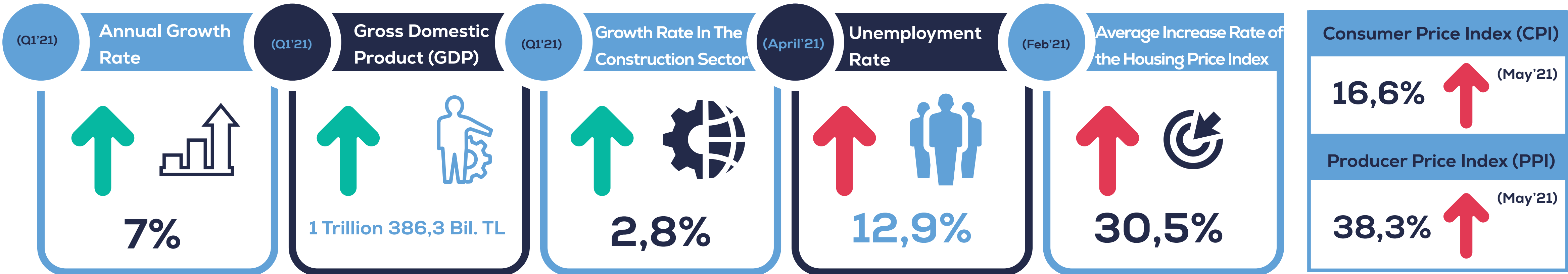
## Gross National Product Index Per Capita - Real Estate Price Index



Since the national income is calculated with the exchange rate of the dollar, when we align the Housing Price Index data with the exchange rate of the dollar, it is seen that both indices were parallel until 2016, and then the decrease in GDP per Capita (National Income) was less than the KPI values.

Although the real property prices moved upwards in 2020 when the loss in value continues since 2014, it is seen that there were 30% losses in value at the end of 10 years. It is observed that the decline in the housing prices felt much stronger compared to the dollar-based decline in the national income. It is expected that there will be an increase of 16% in housing prices similar to the analysis made according to the data of Turkish Lira.

# Economical Data



# Value Change Rate

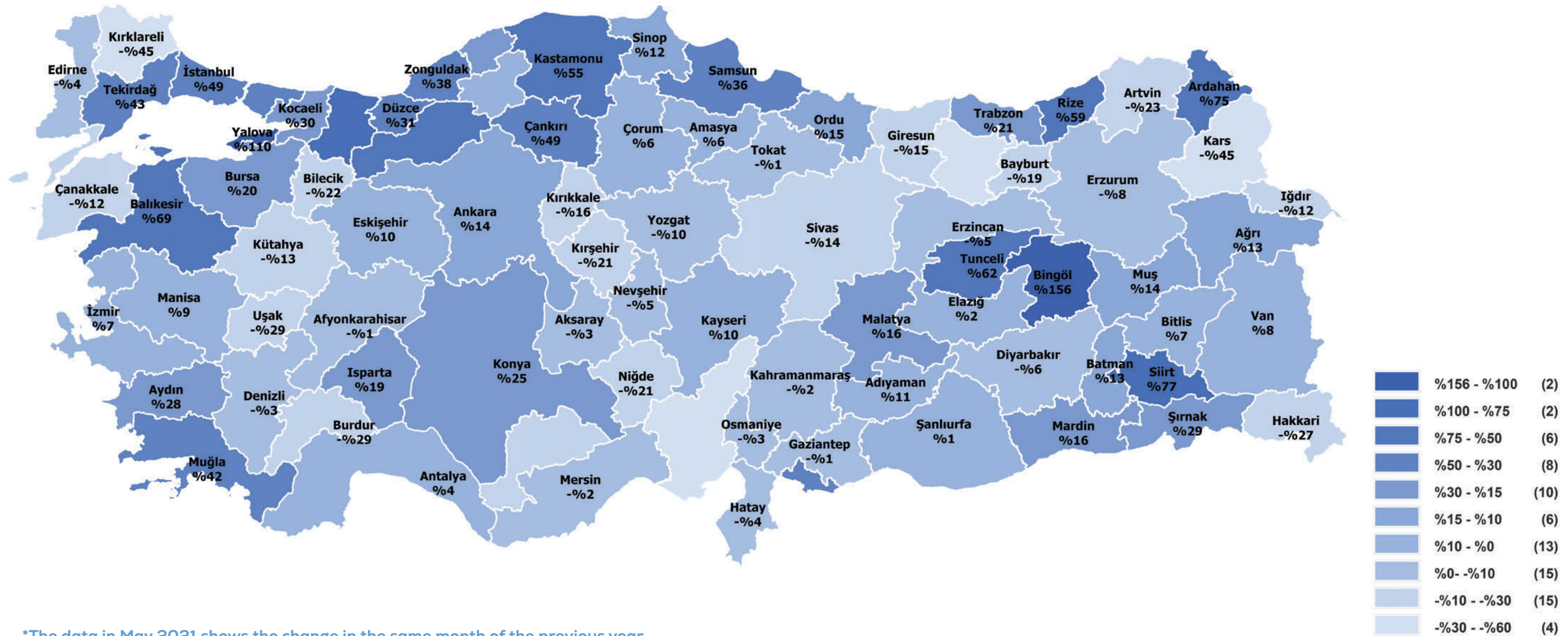
Considering the April data that was updated with the year 2020, it is seen that there was an increase of **32%** in Turkey's average as it was in the previous month. The fact that real property sales rate and values are increasing by gaining acceleration indicates that the stocks have returned to the market normal and deferred construction costs are reflected in the values.



\*The data in 2021 shows the change in the same month of the previous year.

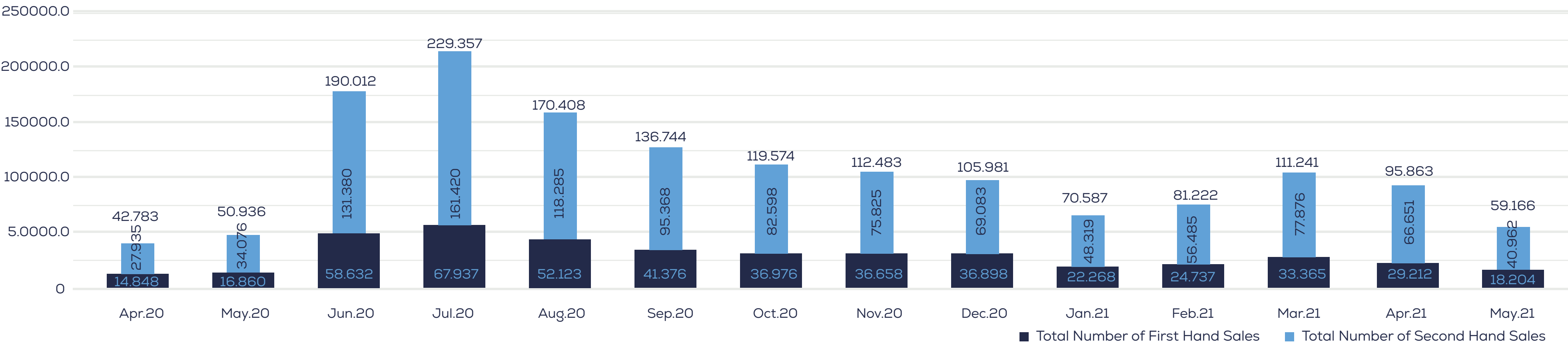
# Rate of Change in Housing Sales

Considering the May data that was updated with May 2020, it is observed that there was a **16%** increase in Turkey's average despite the lockdown and restrictions. It is seen that the increase in vaccination rates and the arrival of summer will bring an increase in housing sales.



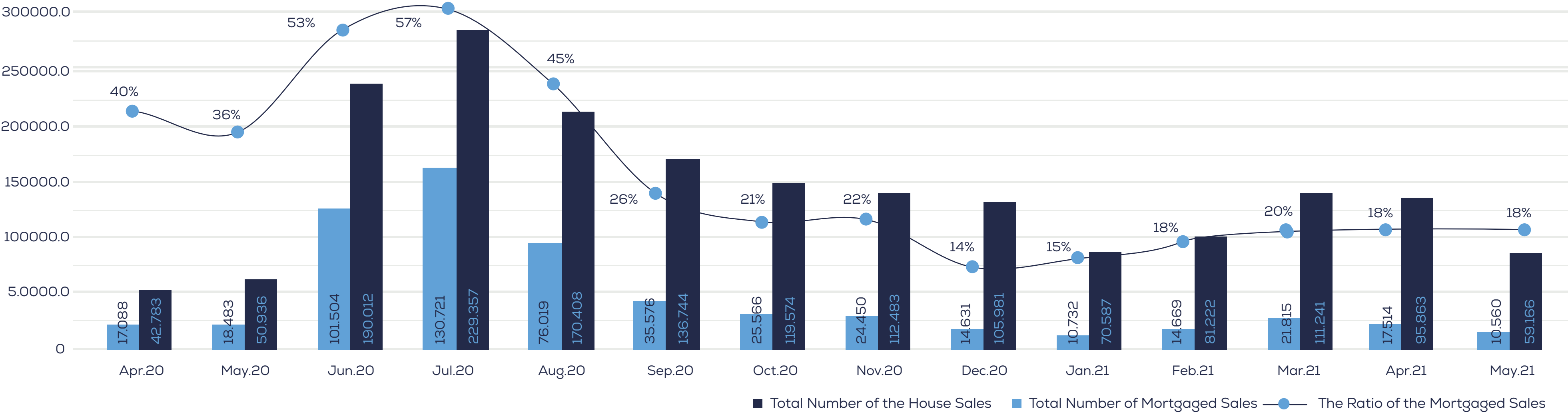
\*The data in May 2021 shows the change in the same month of the previous year.

# Residential Property Sale Figures



Compared to the same month last year, the number of first hand house sales increased by **8%** in May 2021 in Turkey.

Compared to the same month last year, the number of second hand house sales increased by **20%** the same in May 2021.

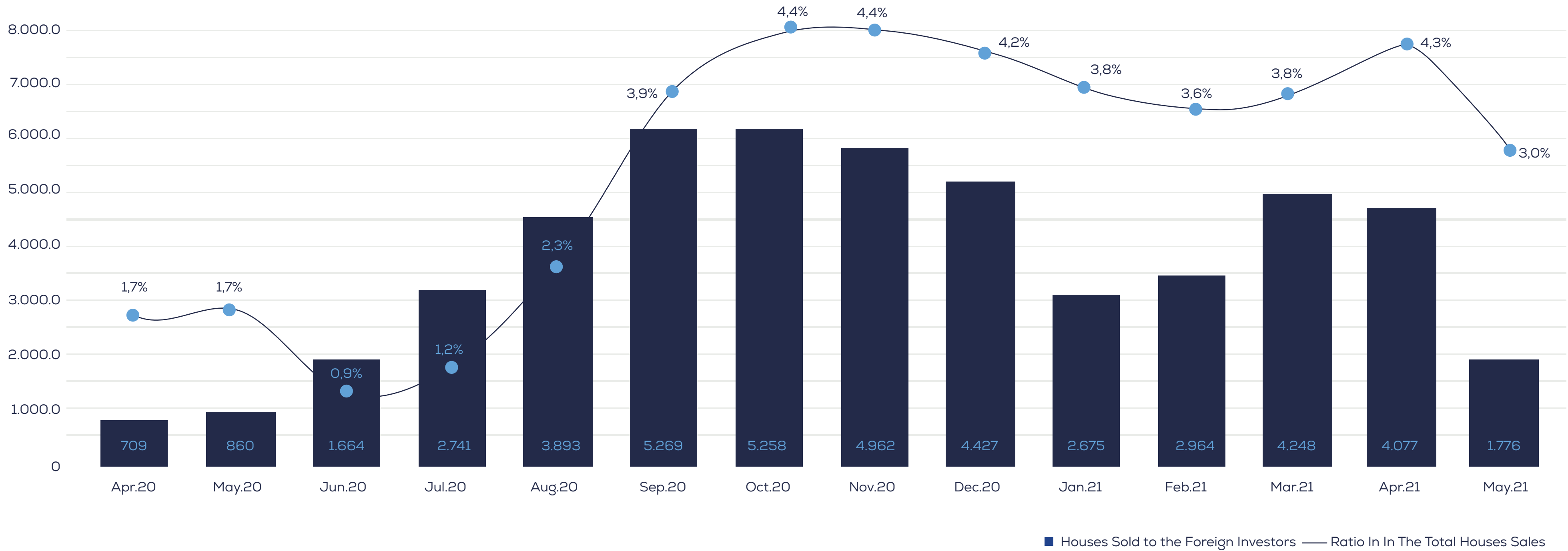


Compared to the same month last year, the number of the mortgaged house sales decreased **43%** in May 2021 in Turkey.

The ratio of the mortgaged house sales is **17,8%** in May 2021.

Source: TÜİK

# Houses Sold to the Foreign Investors



Compared to the same month last year, the number of total foreign sales increased by **107%** in May 2021.

The ratio of the foreign sales in total sales was calculated as **3,0%** in May 2021.

## Top 5 Cities in Terms of Foreign Investor Transactions

İstanbul

Antalya

Ankara

Mersin

Sakarya

## The Top 5 Countries in Residential Property Transactions

Iran

Iraq

Russian Federation

Afghanistan

Germany

\*Kaynak: TÜİK



**Yavuz ÖLKEN**  
CEO



## After the Storm: Insurance Business and Digitalization

*The pandemic, which has ravaged the whole world for about 1.5 years, started to gradually slow down with the discovery of vaccines. Although the pandemic slows down, it seems that the intense digitalization that it brings about will be with us for a while. Yavuz Ölken, CEO of AXA Insurance, explains digitalization through the lens of the insurance industry during the pandemic.*

The pandemic had an effect of a storm around the world. The insurance sector in the world couldn't maintain its profitability and growth rates in previous years due to COVID-19 this year. The compensation demands of the insured who suffered losses during the pandemic period created a burden in the sector. In particular, areas such as event cancellations or some comprehensive insurance have been affected by the pandemic. In the background of events such as concerts, biennials, fairs, and panels that were not held, a great deal of work fell on the insurers. Tradesman also suffered critical losses due to the pandemic. It is argued that it may take approximately 150 years for property accident insurers around the world to fully pay for business interruption losses arising from COVID-19. A single virus has led to 150 years of damage in just one branch.

However, when we talk about the impact of the pandemic on the world, we should look at it from a wider perspective, because the shape of the economy has also changed in this period. We saw that the digital economy started to rise. Many companies have moved their offices to their homes, adapted their corporate culture and business processes to a digital world. Birthdays were moved to Zoom, friend conversations were made with video. It's almost as if the whole world has moved from outer spaces to interior spaces and we have tried to live our old life through screens.

Technology and digitalization stand out as the trends that define the pandemic period, but in fact, they have always affected us in one way or another, especially for the last 20 years. We can see the traces of digitalization in everything you can think of, from sports to health, from painting a house to learning a language. In fact, digitalization has reached such a point that even money, one of the core units of the economy, has become digital. Digital assets such as blockchain-based cryptocurrencies and crypto investment tools have been upsetting the whole world.

We, as insurers, are not a stranger to this technological transformation. On the contrary, at AXA Sigorta, as Turkey's long-established insurance company, catching the spirit of the time and building the future are important parts of our DNA. We have been working not only to be followers but architects of the technology and digital transformation in the world. Accordingly, our technological investments extend to every field of our work, to the benefit of each of our stakeholders whose life we touch in. Not only do we make technologies such as artificial intelligence, machine learning, and the internet of things a part of our business processes; with our approach called Insurance 4.0, we focus on developments that will create solutions for the needs in the agency, employee, customer and process areas by making technology a "tool" rather than a "purpose". Thanks to this approach, we were able to create uninterrupted benefits for our customers during the pandemic.

For example, before the pandemic, through our "Remote Damage Detection" service, which provided a significant advantage in terms of rapid approval processes, especially in distant towns and cities in Anatolia, our customers from across Turkey were able to receive service for damage assessment on their vehicles without leaving their homes during this period. With the "Remote Damage Detection", which we support with free towing service during the pandemic, we enable our customers to make live calls with the repair shop over the application for damage assessment and to quickly conclude the damage approval process.

After the COVID-19 pandemic, we aimed to make our customers' lives easier as a solution partner in this period, by offering them privileged digital services on different subjects they need. Thanks to our strong technological infrastructure, we have implemented innovative products and services. For example, we realized that people were afraid of going to the hospital during this period and we developed the AXA Doctor Hotline; thus, our customers were able to continue to meet with doctors in writing, verbally and visually. In addition, we have implemented the AXA Independent Lifeline for our customers who cannot go out comfortably due to their age or health during the pandemic. Thanks to this digital hotline, we provided support to two different groups including our customers aged 65 and over and who had undergone surgery, such as daily market shopping support, in-home care, and renovation services to prevent the course of their daily lives from being interrupted.

In addition, we share the knowledge that we have created by investing in science and technology with all humanity to make the world a better place. We analyze the risks that the world is facing through publications such as the AXA Future Risks Report, the AXA Foresight Report, and our initiatives such as the AXA Research Fund, and discuss the trends and possible scenarios shaping the future on the way to a better future. Our investment in knowledge production has been invaluable for understanding and analyzing the pandemic period. In the 2021 edition of the Foresight Report, we have shared the long-term predictions of change that can take place until 2040 regarding the subjects extending from climate change to the transformation of health services. The scenarios on how digitalization can improve well-being and human health, especially in healthcare, were discussed in the report. This showed us how necessary our investments in telehealth services are. As highlighted in the report, it is very important to catch the spirit of the time in health, redesign products according to changing customer needs, and ensure continuous innovation. We consider this in our investments in health.

So, how did all these lead to a benefit for AXA Insurance? Thanks to our different and sustainable viewpoint that focuses people by using technology during the pandemic, we closed even a difficult year like 2020 as one of the growing stakeholders of the growing insurance industry in Turkey. As AXA Sigorta, we will continue to work this year by merging the values we have and belief in what our customers can do with the power of technology. We are ready for the future to maintain what is valuable for humanity as well as our customers, to ensure the development of our agencies, and to ensure that our employees are efficient and sustainable!





**Mehmet Akif EROĞLU**  
General Manager &  
Board Member



## Turkish Insurance And Pension Sector And Insurtech

The Turkish insurance sector is among the sectors that contribute to the Turkish economy; it is the second-largest sector with a share of 4.7 percent after banking which ranks first among the financial sectors with the percentage of 89.3% with an asset size of 308 billion TRY. In the Turkish insurance, reinsurance, and pension sector, a total of 63 companies operate actively including 39 in non-life branches, 21 in life and pension branches, and 3 in reinsurance. The number of direct and indirect employment is approximately 200,000 people, and this figure is multiplied by the sub-sectors such as the related health sector and vehicle repair sector it supports.

The Turkish insurance industry is a sector of critical importance for the country's economy in terms of the functions it performs. However, despite its importance, the share of the insurance sector in our country's financial system remains low compared to banking and foreign markets. Insurance penetration is around 2.2 percent, well below the world average of 7.2 percent. In addition, when the ratio of private pension funds to GDP is examined, it is seen that the OECD weighted average is 126 percent, and this ratio is around 2.5 percent in Turkey. While the ratio of sector asset size to GDP is 75.7 percent in the European Union, this ratio is 5.5 percent in Turkey. In summary, our country's insurance and pension sector ranks at a lower level compared to the country's economy among the world economies. As a matter of fact, although our country is the 19th largest economy in the world based on 2019, our insurance sector ranks 39th. The fact that the society has a low level of financial literacy; consumers do not know enough about the risks they may face at the personal and corporate level, and the insurance products and guarantees offered; the lack of awareness of insurance; there is the limited income that can be directed to savings; the capital markets are not deep enough; the society still prefers deposits in terms of savings, and the cultural approaches and tendencies that pose an obstacle for insurance make it difficult for the sector to reach the desired level of development. The dependency on traffic insurance in non-life branches and on credit-life insurance in life branches, and the conventional business models of agencies play a negative role in the development of the sector.

However, the fact that both the sector is small compared to the country's economy and the penetration rate is low also creates an opportunity for the sector to develop and use its potential. The factors such as the increase in the financial literacy of the society, the development of the economic level due to the ease of access to finance, the existence of more insurable assets, and formation of new business models with the process of technical change and digitalization, the increase in coverage in insurance with participating insurance, the need for insurance of financial risks, the increase in the life expectancy of the society, the prominence of health expenditures in human life, the fact that the need for the care insurance will increase create new opportunities for the development of the sector.

Both the effects of these factors and the dynamics of our growing economy have enabled the insurance and pension sector to grow above the Turkish economy. The annual average compound growth was 19 percent between 2011 and 2020. At the end of 2020, a total premium production of 68.2 billion TRY was realized including 68.2 billion TRY in non-life branches and 14.4 billion TRY in life branches. The sector also attracts the attention of international capital. Between 2002 and 2020, 15% of the direct foreign investment of a total of 54.6 billion US dollars that was made in the finance sector came to the insurance sector. 41 of 63 active companies have international capital. According to the Retirement Monitoring Center data, the total number of participants in the Private Pension System is 12.6 million, and the fund size is 168.2 billion TRY. The insurance sector has great importance in terms of society and economy in terms of the functions it performs. First of all, the Turkish Insurance Industry plays a critical role in the sustainability of the Turkish economy with the guarantees it provides. The amount of assurance provided in 2019 was TL 129.3 trillion, reaching 30 times the GDP. While the sector protects individuals and institutions with the compensations it pays, it also reduces the burden of the state. As the sector, it has undertaken a total of 44 billion TRY compensation in 2020, including the life of 4.6 billion TRY and non-life of 39.4 billion TRY. Thus, the continuity of economic life is ensured and investments are protected and supported. With its role in the financial sector, long-term assets and insurance and pension companies provide long-term financing, provide assurance to businesses and individuals with their role in risk management, and reduce the burden of the state.

The fact that a sector with such vital functions is not at the desired level is an important deficiency for a sound and healthy economy. In a study conducted by the Association of the Insurance and Reinsurance Companies of Turkey, while the insurance sector in our country should be at a penetration level of 3% according to the median income, it was revealed that the penetration is 2.2% and the penetration ratio could rise to 4.5 percent by taking the initiatives foreseen in a five-year perspective. At this point, one of the important opportunities is the developments in digitalization and Insurtech depending on the developments in technology.

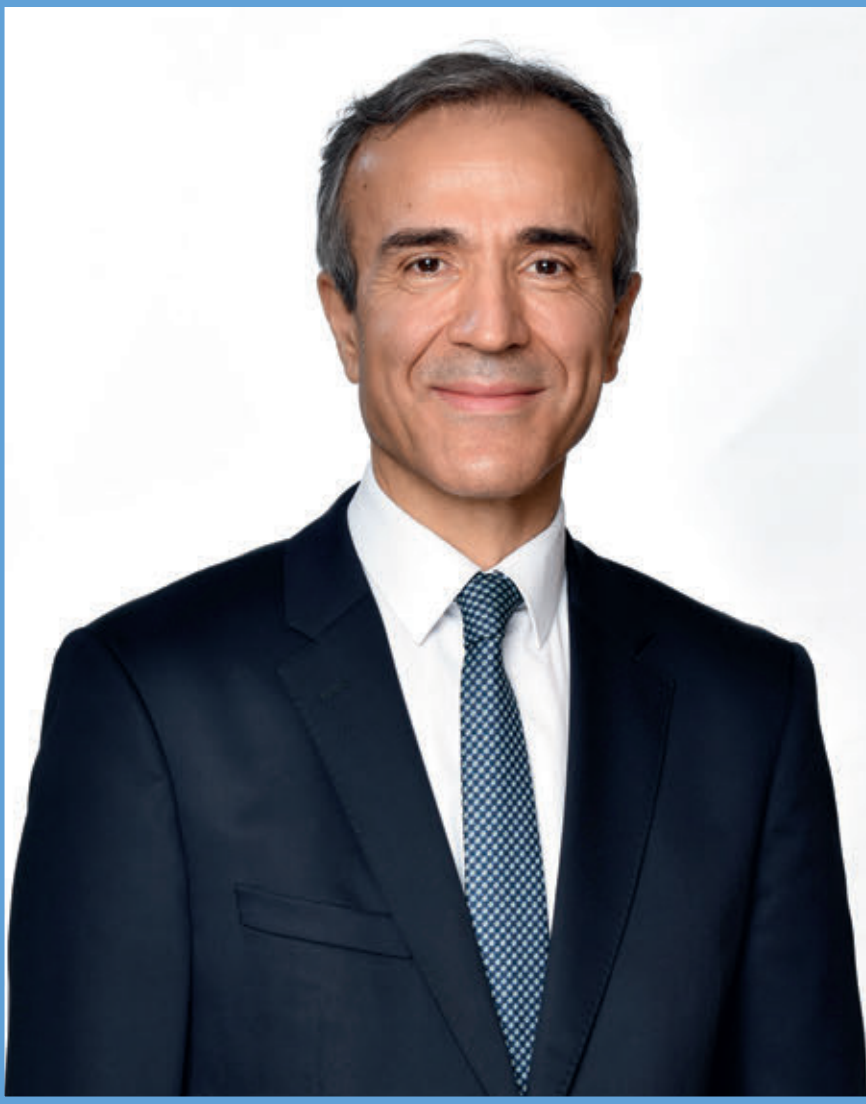
Digitalization affects the business processes and models of every sector, as well as the insurance sector. Insurtech is an area that is much talked about, discussed, and taken action in the insurance and pension sector in recent years. In our country, many insurance companies have started to invest in this field, especially since 2016. In this context, we see that technology is used in all end-to-end processes from sales to damage. In this sense, machine learning and artificial intelligence have started to be used in processes.



Thanks to artificial intelligence, pricing can be made in insurance branches that have standard coverage such as traffic, the insured can be directed to the contracted institution at the time of damage, the documents of the damage can be received, and even the estimated cost of damage can be determined by looking at the photos of the damage. Remote damage inspections can be made via 2D, 3D, and 360-degree video footage and drones, instead of on-site damage inspections. Based on machine learning, processes for analysis are performed by automatically analyzing the body of a vehicle and the extent of damage with algorithms and applying parallel machine learning and analytical pipelines. In traffic accident insurance, technological devices (telematics, automatic emergency call systems) that can help with more accurate pricing and shorten the emergency response time in case of an accident, have started to be used by taking into account the driving style of the drivers. Robo-advisers started to be used in the distribution of funds in private pensions. Big data has become the focus of the entire industry. In the BES legislation, expectations and demands are expressed that the processes related to sending printed documents and obtaining wet signatures should be carried out as much possible as in the digital environment with permanent data storage and secure electronic communication methods, and that the signing mechanisms is to be replaced by electronic approval processes.

The area most affected by Insurtech and digitalization is undoubtedly seen in sales-related business models. Agencies constitute the largest distribution channel in the non-life insurance sector with a rate of approximately 65 percent. Sales that are directly from the digital channel constitute a very low share. In insurance, which is a product that is "sold" rather than "purchased", traditionally active marketing and agency-dependent structure are dominant. However, the issues such as the changes in the expectations of the customer due to technological developments, the expansion of the comfort zone, the questioning of the quality of the service provided as well as the product received, and the speed factor imposed by the modern age have brought radical changes in the demands and expectations in sales and damage services. The customer-oriented approach, which places customer needs and expectations at the center in every sector, is an important threat and also an opportunity area in the insurance industry. Insurance companies that fail to see this expectation or respond adequately and/or in a timely manner will have difficulty in competition with "agile" and fast-moving digital insurance companies and start-ups, which surround the customers, who realize the change in technology and adaptation, at every moment and point of life. The fact that aggregators from different companies have become widespread has made the price-sensitive clients even more price-oriented, technology and digitalization should be used to transfer the insurance clients from the price-oriented structure to a service- and coverage-oriented structure. In this respect, Insurtech's progress is an important turning point in achieving targets and expectations in distribution channels. However, it is seen that agencies have difficulties in meeting the requirements arising from new developments. Considering customer trends, developing technologies, the market structure that is comprised of small-scale agencies, and limited cooperation of agencies with insurance companies in terms of technological investments and human resources, the sustainability of the current business models of agencies is in danger. At the same time, insurance companies find it difficult to deepen their direct relationships with customers, since customer information and relationships are carried out largely through distribution channels. Removing legal barriers to the use of digital products and systems, preparing agencies, one of the important stakeholders of the industry, for the future, supporting their financial sustainability, that the agencies become much competent and effective by supporting their ability to keep up with the digitalizing world in order to respond to changing customer needs, will have a positive effect on the growth and penetration of the industry.

At this point, the fact that Turkey has a young population and the young population's inclination to technology, especially the Z generation's different behavior patterns, presents a unique opportunity that should be evaluated. Again, the main reason for the relatively low insurance penetration in Turkey is the limited insurance rate in the main branches. Three of every four houses do not have housing insurance, four out of every five cars do not have comprehensive coverage, and half of the total houses do not have compulsory earthquake insurance. Considering the evolving expectations and needs of customers, digitalization is an important opportunity for the entire industry, and increasing the role of the digital channel in the industry and/or encouraging agencies in this direction will also be effective in increasing penetration in the main branches. In addition, the risks posed by global climate change, natural disasters, earthquake risk, problems arising from the aging population structure, and the need for care insurance more than ever will make it more perceivable than ever before. When all these factors are taken into consideration, it should be expected that the sector will ensure sustainable growth permanently and make the desired leap by continuing its technological investments.



**Mehmet ŞENCAN**  
General Manager &  
Board Member

**ANADOLU  
SİGORTA**

## Impacts of the Pandemic On Insurance Industry

The battle against the coronavirus pandemic, which has affected the whole world, has reached a point that affected our economy, the way we do business, our daily life, and even our psychology, not only in the field of health but also spreading into all areas of life. While our world has been under the threat of global warming and climate change for a long time, it has also faced the risks of the pandemic. Increasing risks all over the world once again underlined the importance of insurance. In this period when losses have increased, our industry has proved that insurance is not a luxury, but a necessity, while supporting employment and economy on the one hand, and securing the health and wealth of individuals on the other.

We, as the insurance industry, passed a test by taking quick and appropriate measures in the global epidemic. We have shown once again that we always stand by insurance holders, by acting together with insurance companies to get COVID-19 coverage within the scope of private health insurance and subsidiary health insurance policies. The rising growth trend in our industry in the last 10 years continued to increase during the pandemic. With the change of viewpoints of individuals against risks, the importance of insurance, mainly health insurance was understood once again. The increasing interest in health insurance triggered the growth momentum in health products. In 2020, there was an increase of 18.5 percent in health insurance premium production in our sector compared to 2019. The 52 percent increase in the production of subsidiary health insurance, which is a more affordable premium alternative, also has a significant share in this change. As Anadolu Sigorta, we observed a 15% increase in our health branch production and a 65 percent increase in Subsidiary Health Insurance in 2020 compared to the previous year. While our industry continued to grow in line with the developments, it continued to increase its premium productions.

The fact that technology has become indispensable in all areas of life and increasing digitalization has had a positive impact on the insurance industry. With the shift from a product-oriented perspective to a service-oriented perspective in insurance, digitalization has become the point of focus. Accordingly, we, as Anadolu Sigorta, continue our studies in the digital field to offer the best experience in all the processes we come to contact with our customers.

Due to the pandemic, the increase in the time we spend in the digital world has caused the risks in this area to diversify and increase. Our company, which is a pioneer in individual and commercial cyber insurance products in Turkey, continues to proactively stand by its insurance holders also in the cyber world.

The insurance industry will continue its growth in line with its ability to rapidly adapt to the changing risks in all periods. In this context, I think that the individual and social awareness of insurance will also support this growth.



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