

Fikret Utku Ozdemir (Director & General Manager – Milli Re)



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Fikret Utku Ozdemir, Director & General Manager at Milli Re, holds an Associate Degree in Nuclear Engineering from Hacettepe University and graduated with a Bachelor's Degree in Management from the Faculty of Economics and Administrative Sciences at Middle East Technical University. He holds a Master's Degree from EDHEC Business School (France). He joined Isbank as a member of the Board of Inspectors in 1996 and served in a number of the Bank's departments and positions. Served as Assistant General Manager at Milli Re since 2017, Ozdemir has been appointed as a member of the Board of Directors and General Manager on 27 August 2019. In a Q & A with Al Bayan Magazine on the occasion of its annual publication, Ozdemir evaluated the effect of covid-19 pandemic on the industry and talked about the challenges they are facing. He gave us an idea about their latest developments and achievements. Below is an account of the interview.

*** How the industry is mitigating the effects of the covid-19 pandemic?**

- The COVID-19 pandemic has severely impacted many industries such as travel & transportation, energy, hospitality and manufacturing. As far as the insurance industry is concerned, according to various sources COVID-19 underwriting losses for the global industry could reach \$130 billion and take a couple of years to finalize. However, the impact of the pandemic has been limited in the MENA Region since business interruption cover is not provided unless it is caused by a physical damage except in some cases where it is either silent or do not explicitly exclude epidemic/pandemic diseases as well as the lines of business affected by the pandemic in the West are less developed in the emerging markets including MENA Region.

The insurance industry was pro-active to respond the challenges ranging from employment and business continuity issues, client service considerations to operating profit. The immediate concern for insurers was the protection of their employees safety along with business continuity. It seems that most of insurance companies already had the business continuity plans but still they struggled as the scale of the challenge was unprecedented.

The companies had to convert their traditional processing of operations to remote and digital platforms in order to mitigate the effects of the COVID-19 pandemic. Additionally, Insurance supervisors and insurance companies have also responded to the COVID-19 crisis by providing (or facilitating) various types of support to policyholders affected by the crisis, including premium payment grace periods, renewal extensions, extending policyholders loans and premium refunds or discounts in some lines of business. On the other hand, due to the pandemic the pricing environment particularly in developed markets has changed with more disciplined underwriting and strict exclusionary language.

*** What are the other challenges that insurance is facing?**

- The pressure on financial markets as a result of the distressed global economy will continue to linger and fuel volatility in terms of investment income and due to the sharp slowdown in economic activity the volume of insurable assets and activities will reduce, which will have a negative impact on the insurance sector. In addition to the economic issues, political issues in different parts of the world as well as increased level of cat loss activity coupled with more noticeable secondary peril driven catastrophes, inadequate pricing and excess capacity rank at the top of the challenges the industry is facing.

*** What are the obstacles that prevent you from progressing in the Mena Markets?**

- Milli Re has started to take an active part in international reinsurance markets since 2006 in order to have a profit oriented and diversified portfolio for its sustainable growth strategy. MENA Region has always been an important part of our portfolio thanks to the respect and trust gained as well as the synergy created, and long-standing relationship established with our valuable business partners in the Region. We believe we have demonstrated our loyalty to the Region throughout the years by rendering a first class service and giving our utmost support to the players in the Region.

Similar to other emerging markets, we believe abundance of reinsurance capacity, increasing competition, low margins are the major obstacles we encounter in MENA markets. MENA markets continue to mature with new regulatory requirements and mandatory lines of business. However, profitability remains to be the key concern for insurers of the Region due to not only modest levels of underwriting results, but also subdued investment income owing to low interest rates, weak equity performance and a stagnant real-estate market.

*** Lloyds CEO stated that the growth in premiums will exceed 13 percent. Do you think that this will increase conditions and rates during the renewals, especially after the losses incurred by global and regional reinsurance companies, or will it be softer in some branches after promoting the Covid-19 vaccine?**

- The fact that the effect of the pandemic has not been fully reflected on the economy of the Region strongly points to a highly volatile and challenging marketplace for January renewals. The wide range of projected COVID-19 losses, combined with underlying issues of prevailing competitive rating environment, as well as loss creep which resulted in an increased focus on underwriting profitability are the other key drivers of market hardening. Nevertheless, we expect reinsurers to maintain a similar approach at the last couple of renewals, whereby they varied the terms and conditions in view of factors such as territory, lines of business and historical performance. In terms of re-evaluating pricing adequacy and risk exposures, reinsurers will focus on a clearer scope of cover, especially in terms of communicable diseases and other emerging perils. We also anticipate catastrophe programmes that cover 'all perils' to go back to named perils basis.

MENA Region is of high importance to our International portfolio

*** Will you have a new strategy in the coming year in the Arab markets?**

- Needless to say that MENA Region is of high importance to our International portfolio. Although the Region has been facing various challenges, we believe that it has an untapped potential. We define ourselves as a longtime partner in every market we are present and thus our aim is to support the Region through our existing client network and further develop our presence by going after opportunities that are aligned with our risk appetite.

Milli Re continues to take necessary steps to improve efficiency of business processes and optimize resources

*** What are the latest achievements and developments of your company?**

- In line with its sustainable growth strategy backed by profit-oriented risk management, Milli Re continues to take necessary steps to improve efficiency of business processes and optimize resources. Beginning of this year, we finalised the implementation of the underwriting platform, that is used for all underwriting activities conducted at the Head Office and Singapore Office and is one of the major data provider systems in respect of the Company's MIS and big data analytics tools.

The digitalization project was already initiated in 2019, with the aim of having a more agile structure as well as increasing integrity and transparency of workflow for all operations. At the year end, the transfer to the digital platform of operational processes will be completed as planned and the second phase, which includes the digitalization of core reinsurance processes, will commence beginning of 2021.

Milli Re, since its establishment in 1929, has been playing a unique role in the development of the Turkish Market and as of today maintains its well-deserved lead position in the local market. Ranking among the oldest active reinsurance companies in Europe, our Company provides reinsurance capacity to clients in more than 50 countries. Looking ahead, thanks to our resilient business model backed by solid financial structure, expertise and long-standing relationships cultivated, we are well prepared to navigate our way through the reshaped market conditions while we focus on the needs of existing clients and explore opportunities to support new ones.