INSURANCE

TOP TEAM IN LONDON: (From left) new Turk P&I underwriting recruit Halil Solak, chairman Aret Tasciyan and general manager Ufuk Teker.
Photo: JIM MULRENAN

Turk P&I dives into hull

Istanbul insurer aims to be one-stop shop for smaller Turkish owners

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Fledgling protection-and-indemnity (P&I) insurer, Turk Pandi Sigorta, is moving into the hull insurance business, as it completes its second year in operation.

The Istanbul-based insurance company is covering over 1,000 vessels for P&I risks, although most are small, locally trading craft.

Turk P&I general manager Ufuk Teker estimates the company's market share for brownwater vessels is already more than 50%, rising to 90% for passenger vessels, where the insured fleet includes vessels carrying up to 2,000 passengers. The biggest vessels in tonnage terms are a couple of 18,000-gross ton (gt) freight train ferries.

Turk P&I expects to break-even this year and move into profit in 2016, a prospect that has made it sufficiently confident to get a licence to write hull and builders' risk cover.

Up to $1bn of P&I cover is offered, supported by reinsurance deals with the Standard Club and Raets Marine, the Dutch fixed-premium underwriter, owned by the Lloyd's-based Amlin group.

But for the move into hull and builders' risk a new programme, headed by leading Turkish reinsurer Milli Re, has been arranged.

"We will not be very aggressive on the hull and machinery side," said Teker, "We don't want to disturb the local market in Turkey."

Hull cover will be restricted to owners insured for P&I risks, with the line taken limited to EUR 3m ($3.3m).

Turk P&I is still discussing reinsurance terms with Milli Re but it looks as if there will be no tonnage or other restrictions, apart from a bar on ships over 30 years old.

So why is Turk P&I going into the hull market, an area of insurance where it is notoriously hard to make money?

"We want to be a one-stop shop in Turkey for our local market," replied Teker.

He says Turk P&I will not go into cargo insurance but the move into hull enables him to make better use of its experienced team and investment in loss prevention.

On the P&I side, Turk P&I has been able to achieve the amazingly good combined ratio of 30%, although Teker concedes this may well deteriorate over the coming years.

Combined ratios, calculated by dividing claims and expenses by premiums, are a key measure of underwriting profitability, with lower figures better and 100% the breakeven point.

There has been one $1m claim and some relatively costly collisions but the feedback from insureds is that the service is good and there has been a more than 90% renewal rate.

Teker says he has been encouraged that maritime administrations in the Black Sea, Mediterranean and the rest of Europe, are accepting Turk P&I security and blue cards.

But there have been a few recent problems: fruit, vegetable and other food cargos being rejected by Russia, with ships subjected to increased scrutiny, presumably because of political tensions.

Turkey used to have a substantial shipbuilding industry, constructing chemical carriers and offshore vessels, often in collaboration with Norwegian yards.

But the industry has shrunk, so the target on the builders' risk side will be a still large yacht building sector, as well as yards building tugs and other specialist craft.

Turk P&I was set up with government support, notably from former transport minister, Binali Yildirim, a former director-general of fast-ferry operator, Istanbul Deniz Otobusleri (IDO).

Yildirim resigned before Turkey's recent elections but is now back as transport minister.

"It is a big advantage. He's a naval architect by training and knows the marine industry, so it is very positive for us," added Teker.