

WE WANT TO HAVE A PLACE IN TOP TEN INSURANCE COMPANIES IN TURKISH

Yayın Adı : Turkininsurance

MARKET

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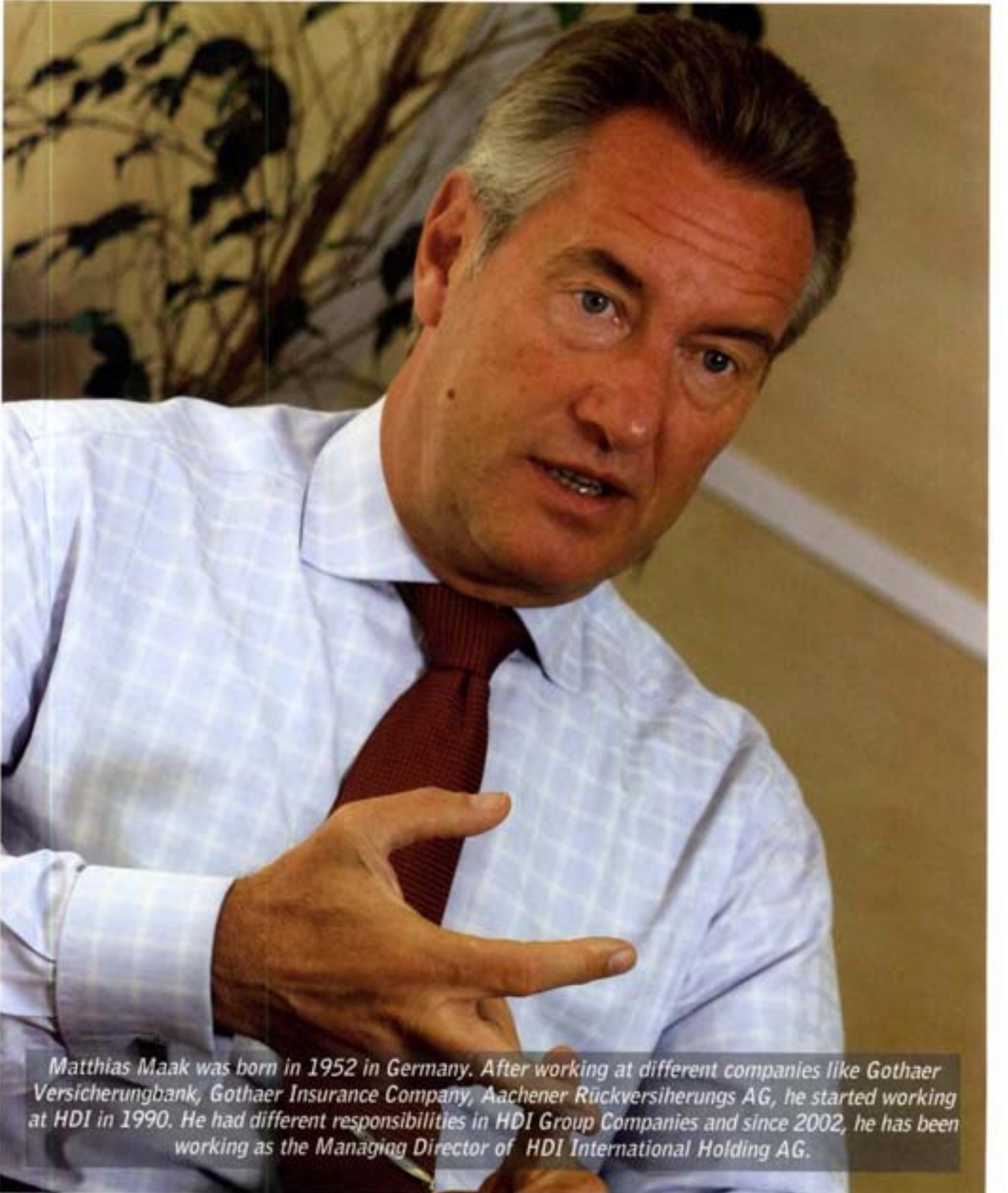
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Matthias Maak was born in 1952 in Germany. After working at different companies like Gothaer Versicherungsbank, Gothaer Insurance Company, Aachener Rückversicherungs AG, he started working at HDI in 1990. He had different responsibilities in HDI Group Companies and since 2002, he has been working as the Managing Director of HDI International Holding AG.

Matthias Maak

"We want to have a place in top ten insurance companies in Turkish market"

When HDI International A.G. decided to invest in a Turkish insurance company and bought Ihlas Sigorta in 2006, no one in Turkish insurance market expected this amount of change in one year. With the devoted efforts of Matthias Maak, the Managing Director of HDI, and his colleagues in HDI Turkey, the company made a quantum leap.

Mr. Maak, first, could you please tell us about why HDI invests in a Turkish insurance company? What has attracted you?

The reason why we are interested in Turkey is our strategy requires us to invest in markets which have a good growth potential as well as a profit potential. Before Turkey, we have been actively carrying out our business in seven countries including Germany. We are involved in fire/engineering and accident insurance branches in these countries. We have also other departments which are involved in bank insurance and life insurance. So why we are interested in Turkey due to these reasons what we aim to do in these countries, which are still in a developing process, is to be involved in motor insurance business. As it is known, we have over 2 billion motor insurance policies in this area in Germany where we are operating and we have also about 3.8 million motors insured apart from Turkey.

So we are heavily stressing on auto-motor business. One can make money in this sector but it is a small amount of profit for each lot; so you must operate a mass business and you have to apply very good information technology there. And only in this way success will be brought about. Indeed this

issue brings us to the point why we bought Ihlas Sigorta. I will not say that it is only a coincidence but while we were investigating the ways how we could initiate entrepreneur in Turkey and how could we have ideas about Turkey, we tried to see the difference between mentalities so we had some travels here in this context. We were offered to look at Ihlas Sigorta and thus we came here. We were shown very close acknowledgement and we were delivered a briefing on operation by the administrative personnel of Ihlas Sigorta such as Mr. Ayhan Apak and his colleagues. I and my colleagues were very impressed by this presentation. We encountered with a perfect team before us. It is a small company, yes maybe, but who cares? It was an excellent team with limited financial facilities. One must be blind not to see this fact. The company came out of the crises with a little bit damaged. It is really a perfect success. As you know these kinds of businesses are dependent to each other because the same strategy is also valid in our country. So we thought that this company would be the core upon which we would build our future. This was our strategy. That's why we bought it. The others also wanted to buy this company but we made our best offer in the price. We bought it and we are very happy that we are at this point now.



The people here are working with a brilliant glance in their eyes and it is very nice. They are not only giving their best but also they are doing excellent jobs.

What kind of future do you think the Turkish insurance market will have in the world insurance market?

It has a good future in the world because Turkey has a growing population of 70 million and a big economy. Of course, if you look at GNP, it is very low. But one can observe an increasing course of history. The more money the country has, the more insurance it has. Insurance is developed in richness. If you have an expensive car, expensive house and if they are burnt down, your loss would be higher than what you think. This case happens more often than you think. It can be considered as payment with sharing. So it has a big potential in the market. And you have a market with a significant size in terms of motor insurance. Yet, motor insurance business in Turkey is still very small. If we consider Brazil, for example, they have higher population than Turkey but this population in general live in rural areas and it likely that they don't need insurance for a period of 15 years. But you have a middle class which is gradually growing. And I wouldn't be surprised if Turkey would show a development trend which is different from that of any other country.

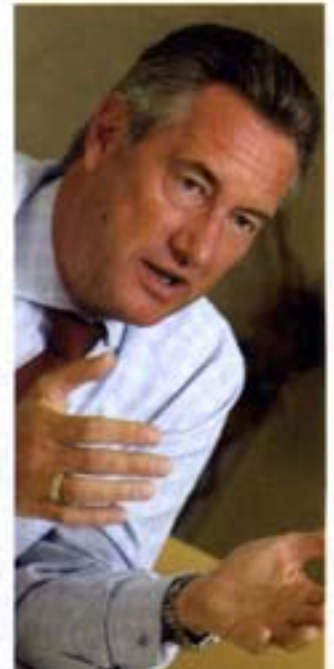
How would you evaluate Turkey's economic situation nowadays, when you think about the elections and the tension?

I'm responsible for countries especially like Brazil. When I joined in HDI in 1990 (before the last monetary refund to the IMF), the inflation rate was 5500% in 1990 June. That was really a problem because you had to protect your investment in some ways. But Turkey managed to solve this

problem and decreased the inflation. It is a good method to follow your Maastricht criteria. But I have another example; I think it was during the World War II that Italy had changed about 55 governments. What did Italian economy do? They chose to separate them. Now, if we look at the case in Italy, politics and economy are considered as two different areas. For example, Italy has the 3rd biggest economy in Europe and it is very strong, and very powerful; Do not ask me anything of politicians; I am lucky that I am not a politician. Turkey as a market and a country is so big. The market is gradually developing. I could not really imagine Turkey would go back to the old times, and destroy its economy. No, never. I don't think so. If we had predicted this possibility, we couldn't have invested here. There will be ups and downs and that depends on which political side you are. But this case will not be true within the context of business.

Have you accomplished your targets since you have entered the Turkish insurance market? HDI has been here in Turkey since June 2006. Since then, what kind of changes or developments have happened in HDI?

Yes I think we moved further even more than what we had planned. Of course the answer to your question depends on what our targets are. I think the biggest change observed outside is the change of name actually. We use the name of HDI in all our companies. But we did a lot of things about our strategy. Motor insurance branch in Turkey is hard and complicated, so we are having works to overcome difficulties connected to this issue. But there are no problems in other areas. Strength of the





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financial structure is also important for us because we are coming from an insurance group. We have probably different views from the insurers who were here before we came here. We took the necessary measures to maintain strength of the structure of our insurance company, which is very important for us. We later reorganized our front and operating services. We have a lot of regulating and controlling programs, reporting dates and framework controls and I must say they are responding very well. And it is very amazing in these economies and I like this lively atmosphere. The people here are working with a brilliant glance in their eyes and it is very nice. They are not only giving their best but also they are doing excellent jobs. And there are plenty of such works here because we have tons of projects about management, enterprise modeling etc. and we have lots of them. We don't have so many people employed at front and operating offices here. And our German- Turkish friendship created a coincidence in this sense. I think we were really welcomed here as German investors. I knew a little information on this issue but I could not say that I was surprised by so much interest. We had almost mass of new agents coming to us. Mr. Apak showed a very positive work in choosing our agents. And I think we increased from 350 to 555 agents now. It will probably be about 650 at the end of the year, which is very significant value. In this sense, we may say that our premium volume is growing.

Are there any specific branches which HDI is specialized in the world insurance market? Are you planning to bring some new products from the world market to Turkey?

I'm not a believer of new products. It is a constant process. Also it is the same for companies. What we are doing is to focus not only on the motor insurance business, but also on fire and other property casualty insurances. And this is also

complicated and difficult work. As home owners, you have to see the certain needs to assure your home. But that's what we want to do. Also, definitely Turkey is a good market for small and medium sized business. I think we have some package policies in Germany and in other countries. Probably we will implement them in Turkey but it may not be true to classify this issue as transfer of information.

So, we see that your sales strategy is based on agencies. Is this strategy going to continue or are you considering working with other channels?

No, we are not planning to change this case. We work with agencies in all the countries we are in. We are working with 5000 agents in Brazil and we work with agencies over 4000 in Poland, and we work with small number of agencies, namely 1300 agencies in Austria. And here, we are building our agency network and we will definitely continue doing it. On top of this agency network, which we definitely continue using; we will also look for other distribution channels such as groups having credit cards. You can serve through banks. Banks are doing mostly life insurances. But we will use insurance selling by means of bank channels.

What are your short and long term plans for HDI Turkey?

We will continue our growth. We will improve agency network. We don't work with every agent. We have strict criteria. That's what we will do and we have some plans for the future period. We want to have a place in the top ten companies within the Turkish market. Maybe it will take 3, 4 or 5 years but we are determined on this issue.

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