

Awareness of Cooperative Insurance in Turkey

Haşim Özüdoğru, Ankara Hacı Bayram Veli University, Turkey
Abdurrahman Okur, Ankara Hacı Bayram Veli University, Turkey
Said Sami Sönmez, KTO Karatay University, Turkey

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Abstract

Cooperative insurance is a model in which partners come together to form a company. Aiming to help each other, this model is funded by stakeholder contributions and managed by the company. The individual who wants to insure his/her commodity becomes the policy customer as well as the partner of the cooperative. Unlike conventional insurance companies, cooperative insurance companies adopt an approach that prioritizes the interests of the insured. The awareness of cooperative insurance is lower compared to private insurance companies. It is also evident that scientific studies on the subject are rare. However, in recent years, seeing cooperative insurance as an option, especially in small groups and communities, is an important step. This type of insurance not only improves the bond, solidarity and sense of belonging among its members, but also prioritizes the sharing of risks. It reduces the financial risks of the members. In this context, cooperative insurance is a sustainable insurance option. The aim of our study is to raise awareness about cooperative insurance in the society and to measure social awareness. The research will be applied online and face-to-face survey and snowball sampling method throughout Turkey. After the survey, it is expected that important findings will be given on which branches and sales channels of cooperative insurance are the most prioritized and which marketing activities will be more effective in Turkey. The results of the research will not only give an idea to the market regulators in the sector, but also contribute to the academic literature.

Keywords: Insurance, Cooperative Insurance, Mutual System Insurance

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Introduction

Cooperatives, which ensure that the needs that cannot be met by life alone are met in mutual relations and emerge as a result of living together, have become the basis of cooperation, solidarity activities and some organizations (Tasdelen & Ozudogru, 2017).

The cooperatives that started to be established after the Industrial Revolution, by preserving the local elements, providing integration with agriculture, industry and development, moving from small scales to the growth trend, taking the voluntary basis rather than obligation, and opening up new windows for itself rather than being a commercial establishment (İNGEV, 2021).

Considering the distribution of existing cooperatives in Turkey in the tenth World Cooperative Monitoring Report (2021), prepared by the International Cooperatives Union (ICA) and the European Cooperative and Social Enterprises Research Institute (EURICSE); housing structure, agricultural development and motor carriers cooperatives, and the types of cooperatives according to their fields of activity; production, consumption, credit, structure and other private, legal and international organizations (World Cooperative Monitoring Report, 2022).

When we evaluate these cooperatives in different structures from a holistic perspective, it is seen that there is a common and autonomous union or a human-centered joint structure. It is noteworthy that some cooperatives approach conventional insurance with suspicion due to their internal values, autonomous structure and high religious sensitivities and that they fulfill their insurance needs by observing religious principles. Takaful, which is expressed as insurance that does not contain elements that are contrary to the principles of Islamic commercial law such as interest, excessive uncertainty and gambling, is a system established based on establishing a fund and meeting their losses from this fund, in case of possible damage or loss (Aslan & Durmus, 2015).

Many cooperatives in Turkey work with insurance/finance companies under the name of participation or with alternative interest-free insurance practices. These financial companies offer three different services: intermediary service, social assistance and narrow-scope insurance activity. Thus, their savings turn into finance. In fact, there are insurance cooperatives established to meet the insurance needs of cooperatives in this field (Ülev & Caliskan, 2022).

In the report "Strong Cooperatives for the Social Solidarity Economy" prepared by the Human Development Foundation (İNGEV), it is stated that according to the statistics of 2020, there are 60 thousand cooperatives of nearly 40 types in Turkey, and that these cooperatives have a total of 6.6 million members. INGEV, Sabancı University Istanbul Policy Center (IPC), the 3rd Study of the ActHuman Social Policy Initiative, "Strong Cooperatives for the Social Solidarity Economy" report, provides the opportunity to compare the current situation and examples of cooperatives across the world and Europe and their comparison with Turkey. Insurance cooperatives, which are a type of cooperatives, are seen to be a method that has become widespread in the USA and then in Europe since the 1800s (İNGEV, 2021).

It is noteworthy that there is not enough empirical study on the awareness of cooperative insurance in our country. It was concluded that a survey and field research should be done to measure this issue quantitatively. Awareness on the subject should be measured due to the fact

that the subject is up-to-date with this aspect and its increasing importance as a type preferred by those who have religious sensitivities about insurance in Turkey. Thus, in line with the findings and results obtained, it will be possible to make suggestions for relevant institutions and increase awareness.

Conceptual Framework

Cooperative Insurance

Currently, 67 companies operate in the Turkish insurance sector, including 42 non-life, 6 life, 15 life pension and 4 reinsurance companies. In the last three years, 8 new companies have joined the sector. While an increase was observed in non-life and reinsurance branches, it is striking that life and pension branches remained stable. 4 of the companies operating in the insurance sector are among the cooperative insurance companies. On the other hand, there were two insurance cooperatives operating in the Turkish insurance sector in 2017. One of them was established in 2013 as a branch of a company headquartered abroad, and the other insurance cooperative started its operations in 2014. These are the S.S. Koru Insurance Cooperative and S.S. Doğa Insurance Cooperative. Both insurance cooperatives operate in the field of non-life insurance by issuing insurance contracts only with their members (Tasdelen & Ozudogru, 2017).

In addition, two more companies were established under the name of TMT Sigorta and Atlas Mutuel Sigorta by merging with All Motor Carriers Cooperatives in 2015, and the number of companies operating in the field of cooperative insurance has reached 4.

Current global research shows that in the 14 years since the onset of the financial crisis (2007 to 2021), premium revenue for the global mutual and cooperative insurance industry has increased by 48% compared to 36% of total global growth. As a result, the global market share of mutual and cooperative insurers increased from 24.5% in 2007 to 26.7% in 2021 (ICMIF, 2023).

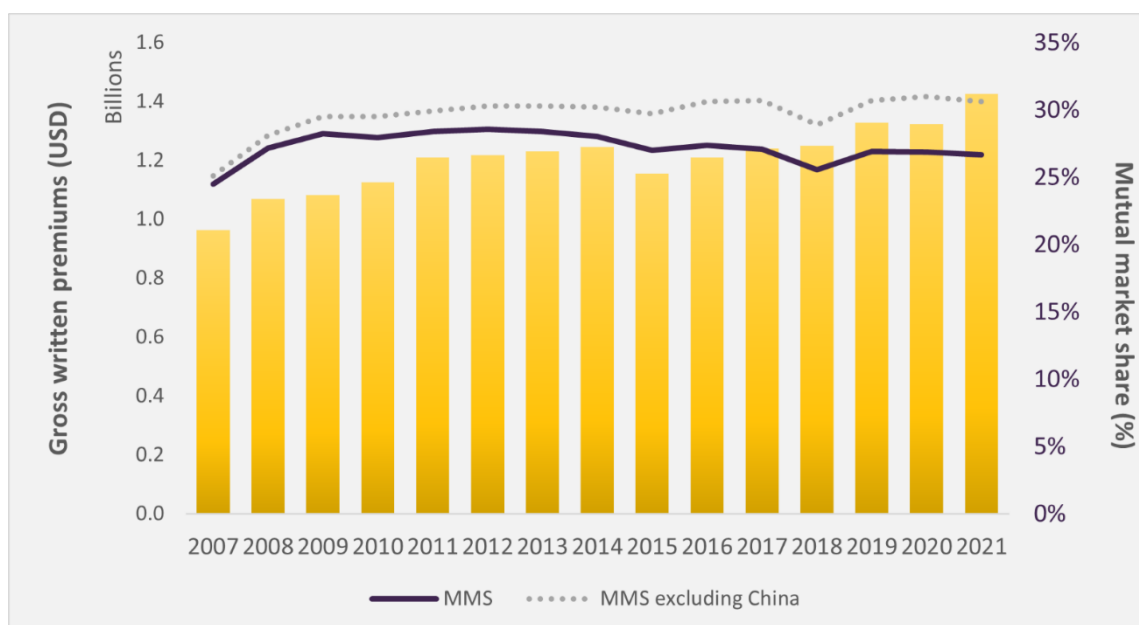


Figure 1: Total Global User Bonuses and Market Share (2007-2021) ICMIF, 2023
Raising Awareness on Cooperative Insurance

After the insurance companies have chosen the target audience, it is seen that they try to raise awareness in order to promote their programs to the cooperatives. However, despite all efforts, it is clear that it is not at the desired level. In this direction, insurance companies hold meetings and print brochures for the promotion of their programs. However, creating awareness through more intense awareness activities will increase participation in cooperative insurance. It is expected that the regulatory authority and practitioners in Turkey will include different models within the scope of cooperative insurance (Aslan & Durmus, 2015).

Again, in connection with the subject, with the regulation in the 3rd article of the Insurance Law No. 5684, which entered into force in 2007, it was possible for the cooperatives to carry out insurance transactions (Official Gazette, 2007). Insurance cooperatives, which have entered our legislation within the framework of the program of harmonization with the European Union, are at the stage of development in our country. It is assumed that with the encouraging support of this regulation and the press and media organizations, cooperative insurance awareness will increase, its advertisement will expand, and thus the system will gain more momentum. Thanks to this awareness, policyholders or stakeholders act with the awareness of unity, and solidarity as a requirement of being a cooperative. The thought is that it will take place in this system more confidently and more economically, and it will increase the trust in the cooperative system. (Taşdelen & Özüdogru, 2017). One of the most important features of cooperative insurance is that it allows members to support each other and share risks, both reducing the financial risks of the members and helping the community to grow in a sustainable way.

General information about the participants participating in this study is given in Table 1. According to the table, 171 people participated in the study, of which 67.8% were male and 32.2% were female. 37.4% of the participants are 46 years old and over. Looking at their marital status, 77.2% are married and 22.8% are single. 41.5% of the participants were civil servants and 50.3% had undergraduate education. Income levels show a density of 33.3%, between 15,501-20,000 TL and 20,000 TL. In addition to this information, participants were asked whether they had heard of cooperative insurance before. As a result, it was revealed that 86.5% of the participants had never heard of cooperative insurance before. In this context, increasing the awareness of cooperative insurance will raise awareness for the sector.

I obtained it due to its compulsory nature	Frequency	Percent
Yes	113	66,1
No	58	33,9
Total	171	100,0

Table 1: Reason for Insurance Policy Demand

When the participants were asked about the reasons for having a policy, it was revealed in the analysis results that 66.1% of them had a policy because it was compulsory. The results show that individuals who request a policy take out the insurance because it is compulsory rather than necessary. It should not be expected from a segment that has compulsory insurance even with conventional insurance to have sufficient knowledge about cooperative insurance.

I don't have sufficient knowledge about cooperative insurance	Frequency	Percent
I don't entirely agree	34	19.9
I don't agree	16	9.4
I'm undecided	23	13.5
I agree	26	15.2
I entirely agree	72	42.1
Total	171	100,0

Table 2: Participants' Knowledge of Cooperative Insurance

When the knowledge level of the participants about cooperative insurance was measured, it was seen that 42.1% of the participants definitely agreed with the statement that I do not have enough information. 15.2% of the participants stated that they did not agree. As a result, 57.3% thought that their knowledge level was insufficient, while 13.5% abstained. Considering these results, the level of knowledge about cooperative insurance is quite insufficient.

Conducting information campaigns through advertising increases awareness.	Frequency	Percent	
	Yes	99	57.9
	No	72	42.1
	Total	171	100,0

Table 3: Ways to Raise Awareness of Cooperative Insurance

According to the results of the analysis, it is believed that advertisements made through informative campaigns are more effective in raising awareness about cooperative insurance, and 57.9% of the participants indicate this option. This question tested how we can increase awareness of cooperative insurance among survey participants.

Discussions on television programs contribute to increasing awareness.		Frequency	Percent
	Yes	93	54.4
	No	78	45.6
	Total	171	100.0

Table 4: Ways to Raise Awareness of Cooperative Insurance

It has been revealed that discussions on television programs will be effective as another way to increase awareness of cooperative insurance. 54.4% of the participants found that the topic of cooperative insurance in the discussion programs on television was effective in terms of raising awareness.

Conclusion and Recommendations

Based on the analysis of the data we obtained from our survey, it did not yield significant results in terms of the impact of demographic factors on cooperative insurance, but the hypothesis of low awareness of cooperative insurance showed significance. In addition, the analysis revealed that a significant portion of the population in Turkey took insurance primarily because of necessity in some branches that were made compulsory by the government. Society

is not expected to have a high awareness of co-operative insurance because there is a tendency that society generally buys traditional insurance out of necessity. This study showed that the level of awareness about cooperative insurance was significantly low.

Today, cooperative insurance practices are common in the world. In our country, a large number of cooperative insurance can be encouraged for domestic investors. In this context, it is useful to try to raise awareness for the importance and spread of the issue by both investors and cooperative managers.

The roadmap to be created by academic research teams on cooperative insurance is of great importance for the sector, investors and even stakeholders.

Multi-layered, multi-participatory symposiums that will be organized by bringing together people from different sectors and experts from different disciplines will increase the level of awareness. Intertwined issues should be discussed by experts in the field and solutions should be sought for problems. Important steps should be taken by organizing training, seminar, symposium and workshop activities on the subject hosted by institutions such as the Insurance and Reinsurance Association of Turkey (TSB) and the Turkish Insurance Institute Foundation (TSEV).

Raising awareness in the field of cooperative insurance and increasing this awareness will provide meaningful added value for both the stakeholders and the sector. As cooperatives have an important role in the establishment of the insurance system in the world, the cooperative system has also contributed to the insurance sector. It should not be denied that insurance cooperatives are behind some of the strongest insurance companies in the world. Thanks to the awareness to be created based on this fact, the acceptance by the society, its contribution to the social structure, its economic results and the voice of the insurance cooperatives in Turkey in international organizations should not be ignored.

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Contact email: hozudogru@gmail.com

