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Takaful on a growth trajectory in Turkiye

Participation insurance (takaful) in Turkiye has maintained strong steady growth in recent years, driven by increasing customer demand and regulatory developments that have strengthened its institutional foundation, says Neova Sigorta's Mrs Neslihan Neciboglu.

By Osama Noor

Takaful (participation insurance) arrived in Turkiye relatively late, with Neova Sigorta launched in 2009 as the country's first takaful provider. The sector gained a much stronger foundation following the introduction of a comprehensive regulatory framework in 2017, said Neova Sigorta CEO Neslihan Neciboglu.

That framework has underpinned sustained market expansion. Participation insurance has grown to account for about 6% of Turkiye's insurance market. It registered real growth of 26.7% in 2025 and maintained momentum with real growth of 13.6% in the first half of 2026, according to data from the Insurance Association of Turkiye (TSB).

"A key driver of growth has been the increasing awareness of participation finance. Customers today are looking not only for products that meet their financial needs, but also for solutions that align with their values," Mrs Neciboglu said.

Non-life dominates, while life offers the next growth frontier

Non-life business controls approximately 96% of total participation insurance contributions, while the life insurance and pension segment accounts for the remaining 4%. Motor third-party liability (MTPL) and motor own damage covers have been among the strongest contributors to takaful growth, alongside health, fire, engineering, liability and surety takaful lines. MTPL and health lines together account for approximately half of total takaful contributions.

Currently, seven participation insurance companies operate in Turkiye, comprising four non-life and three specialised life and pension providers.

Developing life participation insurance

Despite the current dominance of non-life business, life and pension participation insurance has significant potential in Turkiye, said Mrs Neciboglu. "Life insurance is an area where sensitivities around the insurance model can become more pronounced, even among customers who may be open to conventional insurance products in other lines. Therefore, participation-based life insurance products have the potential to address a genuine market need by offering protection solutions aligned with participation finance principles."

"Government contributions, tax incentives and the growing need for long-term savings are making life insurance and pension solutions increasingly attractive to customers," she added.

Credit-linked life insurance, savings-related products and participation pension solutions can further expand this segment, she said. "The key will be to design products that are both commercially viable and clearly aligned with the principles of participation finance.

Islamic banking supports growth

Participation banks and savings finance companies also have an important role to play in supporting the development of takaful. Their customers generally prefer interest-free financial solutions while also requiring protection products linked to housing finance, vehicle finance, consumer finance and long-term savings."

Pointing to the importance of participation banks to the growth of family takaful, Mrs Neciboglu said, "They already serve a customer base that is highly aligned with the principles of participation finance. Through products such as housing finance, vehicle finance, consumer finance and SME financing, they also create a natural demand for participation-based life insurance. Similarly, savings finance companies generate demand in this arena."

Participation banks are trusted financial touchpoints that bring together financing, advisory and protection needs within the same ecosystem, she said. "Therefore, participation-based life insurance should not be developed as a standalone product line, but as an integral part of the broader participation finance ecosystem alongside participation banking, participation pension products and other interest-free financial solutions."

There are 13 participation banks operating in Turkiye, three of which are digital banks. As a whole, participation banks control about 9.5% of total banking assets, serving a customer base of 20m. "Their digital banking, remote customer onboarding and branch network capabilities demonstrate that participation banks offer significant growth potential for participation insurance through their strong distribution infrastructure and multi-channel service capabilities."

Pension funds

Pension funds in Turkiye have already achieved significant growth and can provide strong support for the development of life insurance business, Mrs Neciboglu said.

Data from Turkiye's private pension system further supports this outlook, she said. "Participation-based pension funds are now preferred by 35% of private pension participants, while this ratio reaches 60% under the Automatic Enrolment System (AES). They indicate that customers show strong demand for participation-based solutions in products designed for long-term financial planning. The same trend creates significant opportunities for long-term protection products, particularly participation-based life insurance."

Fully realising this potential will require a broader range of products, more effective use of digital distribution channels, stronger product knowledge and advisory capabilities among bank employees, and continued efforts to increase customer awareness, she added.

Embracing balanced regulatory framework

She considers the strategic approach of the Insurance and Private Pension Regulation and Supervision Agency (SEDDK) towards participation finance as key to the sector's development.

"The work carried out by the (SEDDK) to strengthen both the regulatory framework and the market, together with the emphasis placed on participation insurance and participation pension schemes in Türkiye's Medium-Term Programme, has increased confidence in the sector while encouraging companies to invest in this field," said Mrs Neciboglu.

The regulatory initiatives introduced in recent years have provided participation insurance with a clearer legal and operational framework, she added. "They have encouraged companies to establish governance structures such as advisory committees, participation compliance units, reporting mechanisms and internal control systems, while also making a significant contribution to the institutional development of the sector."

Nonetheless, she emphasised, the participation insurance model in Turkiye is not identical to the classical takaful models adopted in other jurisdictions.

She said, "It has evolved in line with Turkiye's own legal system, insurance market, distribution channels and sector dynamics, resulting in a model that reflects the country's specific needs and market realities."

Therefore, future regulation should maintain a practical, sustainable and market-oriented approach that considers the needs of the sector. A balanced regulatory framework that preserves the core principles of participation insurance while supporting the continued development of the market will contribute not only to the growth of the sector but also to strengthening confidence in participation insurance.

Digitisation, innovation, distribution

Participation insurance as a whole, especially given its current low base, has substantial growth potential in Turkiye. "Unlocking this potential will require a strong focus on three key areas: digital transformation, product innovation and the effective use of distribution channels," said Mrs Necibogul.

Today's customers expect

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fast, simple and seamless digital experiences; therefore, the entire customer journey from policy issuance to claims management needs to be supported by technology, she noted. "At Neova Sigorta, we continue to invest significantly in this area. With the cyber insurance products we launched in 2025, we became the market leader in the Turkish insurance sector."

She added that participation insurance must continue expanding beyond traditional product lines while strengthening distribution and market awareness.

Takaful boosts insurance penetration rate

Mrs Neciboglu believes participation insurance also plays an important role in improving insurance penetration in Turkiye.

"With a population of approximately 86m, Turkiye represents a large and dynamic market. Within this market, there is a significant customer segment that places importance on financial products and services being aligned with participation finance principles and their financial and ethical expectations.

"One of the most important outcomes of the rapid growth in the market share of participation insurance has been its ability to reach customer segments that were previously uninsured or underinsured. In doing so, it not only expands insurance protection but also contributes to making the insurance market more inclusive," Mrs Neciboglu said.

Rather than competing directly with conventional insurance, she views participation insurance as a complementary model that broadens market access. Through offering a transparent, trust-based and customer-centric model, takaful can make insurance more accessible and understandable for wider customer segments, including individuals and businesses that may need greater awareness, guidance or confidence when purchasing insurance.

Building international connections

The participation insurance system in Turkiye should establish stronger relationships with other takaful markets around the world, said Mrs Neciboglu.

"These relationships should be strengthened through retakaful capacity exchange, know-how transfer, joint product development, technical cooperation and new strategic partnerships."

International expansion is also central to Neova Sigorta's own strategy. Mrs Neciboglu said, "One of Neova Sigorta's most important short- to medium-term objectives is to become a strong and globally recognised takaful company. Our aim is not only to contribute to the development of participation insurance in Turkiye, but also to support and lead the growth of takaful in different regions of the world."

Beyond its domestic operations, Neova Sigorta provides capital in the Lloyd's market and offers retakaful capacity to participation insurers and retakaful companies internationally through inward reinsurance arrangements.

"We believe these initiatives can support the sustainable growth of participation insurance in Turkiye while also contributing to the stronger global positioning of the takaful industry," she said.