THE TURKISH CATASTROPHE INSURANCE POOL

COMPULSORY EARTHQUAKE INSURANCE ANNUAL REPORT

2013

This annual report has been printed on 100% recycled paper.
RAISING INSURANCE AWARENESS

Disaster damage resulting from natural events has increased significantly across the world in recent years. During this time, the Turkish Catastrophe Insurance Pool (TCIP) has become a best practice globally with its role in covering losses due to disasters.
2013 was a year in which the Pool undersigned important projects and initiatives. While earthquake-related losses were at one of the lowest levels in recent years, we had a very active and productive period preparing for disasters, increasing the insurance penetration rate, and raising awareness about earthquakes as well as Compulsory Earthquake Insurance.

In one outstanding achievement, we reached our year-end target of 5 million insurance policies much earlier than expected, by March 2013. For the year as a whole, we increased the number of policies by 26% over 2012 with total insured dwellings climbing to over 6 million. The advent of the Disaster Insurance Law on August 18, 2012, and the establishment of new insurance check points were key factors underlying this great achievement. The fact that over 2 million additional dwellings were insured in the 16-month period after the law went into effect underscores the critical importance of legal regulation in this field.

In order for insurance to function in a meaningful way, the rapid growth of recent years needs to continue and the insurance penetration rate must rise from its current level of 35% to above 60%. While pursuing these targets, we must also narrow the insurance penetration gap between different regions of the country. While the penetration rate is about 45% in the Marmara Region, it unfortunately hovers at only 24% in Southeastern Anatolia.

The prompt renewal of new insurance policies in subsequent years is very important to maintain the sustainability of the system. In addition to our promotional and advertising related activities, we increased our budget this year and made significantly more calls from the call center, in order to raise awareness among policyholders and remind them to renew their policies on time. As we know all too well, an earthquake can hit Turkey at any time.

In recent years, unfortunately, there has been a huge rise across the globe in the material damages incurred by natural disasters. In 2013, the total loss caused by such natural events including earthquakes worldwide amounted to some USD 140 billion. The average annual loss occurred in the last 10 years is about USD 190 billion, of which only 32% was under insurance protection. Although the percentage covered by insurance in Turkey is relatively lower, this figure will naturally increase as the penetration rate rises.

Following its formation, the Turkish Catastrophe Insurance Pool (TCIP; DASK in Turkish) has established a significant institutional and financial capacity, to become one of the best practices globally in this field. Many countries that suffer from the destructive effects of disasters closely monitor our operation, drawing inspiration from our successful experience in order to develop their own systems. Given that disaster damage caused by natural events has risen dramatically in recent years across the world, it is logical for such an effective practice to attract widespread interest. TCIP is a global standout thanks to a successful business model which blends the organization's pioneering role in covering disaster-related losses, a high penetration rate in a relatively underdeveloped insurance market, the ability to provide insurance at low prices, a high indemnity payment capacity which includes reinsurance and catastrophe bonds, as well as public-private partnership. The positive attention that TCIP garners is a source of pride for both our country and the Pool.

In parallel with the growing number of dwellings under insurance coverage, the risk categories covered by the Pool have also risen significantly. In addition to its own funds and reinsurance capabilities, TCIP has started to make use of alternative risk transfer instruments at an attractive cost. As a first for Turkey, the Pool issued 3-year catastrophe bonds totaling USD 400 million in April. Additionally, the Pool has also increased its reinsurance protection by 32% over the previous year, thus bringing TCIP's indemnity payment capacity in case of an earthquake event to above the 11 billion TL.

In 2013, we also made a significant capital investment to enhance our disaster management system. Our new disaster management platform will launch in the coming period. Work to improve our loss assessment and appraisal processes and further develop our human capital has reached the final stages. By making use of cutting edge technology, we have started setting up loss estimation systems based on our geographical information systems infrastructure and change detection through satellite imaging. In order to carry out the most efficient and prompt loss assessment in case of a major earthquake, we conducted training programs for our loss adjusters. In cooperation with AFAD (Disaster and Emergency Management Presidency), we provided support to the project launched in 2013 to update Turkey's earthquake map. We are also providing support to the Ministry of Environment and Urbanization's orthophotography initiative that covers the entire country, and which will commence in 2014.

Meanwhile, we geared up our promotional campaigns and educational activities to strengthen public awareness of earthquakes and insurance. By using mainstream media, social media, special initiatives and other mass communication tools, TCIP has reached out to a huge audience. The Pool makes use of a wide array of media and methods to carry out a diverse and intensive communications campaign. Examples include various TV commercials, the Fault Line Truck, television programming, the “Cities Compete, Policyholders Win” contest, a short film competition which is set to go international next year, educational activities in schools, cooperation with local government, as well as social media campaigns. The Earthquake Resistant Building Design Competition planned for next year is another event expected to draw public attention. Furthermore, our call center ALO DASK 125, the capacity of which we expanded recently, makes calls to policyholders whose insurance policies have expired and need to be renewed. In this way, we place telephone calls to hundreds of thousands of policyholders every year. All these various activities will be expanded and extended further in the coming years with the contribution and support of our invaluable stakeholders.

This year once again, I would like to wholeheartedly extend my gratitude to all our employees for adding so much value to the Pool with their hard work and dedication, to our stakeholders for their unfaltering support and to our esteemed policyholders for their trust in us.

Best regards,
Message from the General Manager of Pool Management Company Eureko Sigorta

**FIRM STEPS TOWARDS A SECURE FUTURE**

A shining example of public-private partnership, TCIP has shown that it is positioned to become the strongest supporter of the Turkish people during times of natural disaster.
**Dear Stakeholders,**

**The Disaster Insurance Law has boosted TCIP’s operations.**

TCIP has once again left behind a year filled with productive activity. By capitalizing on the fact that 2013 saw minimal disaster losses, we further reinforced our infrastructure against a major earthquake and focused on enhancing our indemnity payment capacity. In addition, we continued our efforts to increase the number of policyholders who participate in our system.

This was a successful year for the Pool in terms of improving our penetration rate. The favorable effects of the Disaster Insurance Law enacted in 2012 spilled over into 2013. Since the law introduces checks for Compulsory Earthquake Insurance prior to electricity and water subscriptions, we experienced a significant rise in the number of our policyholders.

**Integration with the National Address Database (UAVT) is complete and the Disaster Management Project was launched.**

To meet our responsibilities, which have grown in tandem with the rising penetration rate, we carried out a range of activities in 2013 to facilitate disaster management, boost our indemnity payment capacity and enhance operational efficiency.

Our first initiative under the Disaster Management Project was to integrate the addresses of the dwellings in our system with the National Address Database (UAVT) in order to greatly improve the efficiency of post-earthquake operations. This data integration will avoid possible address errors while policies are being written, and ensure that the most up-to-date addresses are entered into the system. As a result, we will facilitate and accelerate access to our policyholders as well as the loss assessment process in case of an earthquake. To ensure prompt and efficient loss assessment at these addresses, we have planned training programs for loss adjusters. Thus, we will have well-trained human resources ready to intervene in the aftermath of an earthquake in large cities. Thanks to geographical information and change detection systems, we will be able to estimate possible damages related to earthquakes and take appropriate preparatory measures by making use of different scenarios.

In addition to such efforts to offer better services to our policyholders, we also carried out a wide range of activities to reach out to potential policyholders and raise awareness on earthquakes and insurance protection.

**Public campaigns strengthen disaster insurance awareness.**

In our new commercials around the concept “guest by necessity,” we pose the question, “Who would accept you as a guest in case your home was damaged in an earthquake?” The video urged homeowners to plan for the aftermath of a quake, and the campaign yielded positive results. As a result, we have decided to extend the awareness campaign into 2014 around the same concept.

Meanwhile, we continued with other initiatives that have almost become annual traditions at TCIP. On tour since 2010, TCIP’s Fault Line Truck visited 11 locations and reached out to some 30 thousand people this year. Designed to increase awareness of insurance and expand coverage, our contest “Cities Compete, Policyholders Win,” under the patronage of Deputy Prime Minister Ali Babacan, continued in 2013. Participation in the contest continues to rise year after year, prompting Provincial Directorates of Disaster and Emergency to implement a number of creative initiatives to promote Compulsory Earthquake Insurance.

**TCIP is powered by a public-private partnership.**

Another project we initiated in 2013 was the TCIP Earthquake Resistant Building Design Competition, the first of its kind in Turkey. This competitive event, which has already generated buzz among civil engineering students, is designed to raise awareness on the importance of safe structures. In another key development during the year, our Short Film Competition went international. Held annually among university students, the competition will accept participants from 21 countries including Turkey in its 2014 edition.

As an exemplary public-private partnership initiative, TCIP demonstrated a remarkable performance in 2013 and laid the groundwork for 2014. As the Pool Management Company Eureko Sigorta, we are proud to play a role in TCIP’s successful operations and to contribute to the Pool’s progress. At this time we would like to extend our gratitude to our partners in making this tremendous achievement possible; to insurance companies, insurance brokers and loss adjuster for their cooperation; to the Undersecretariat of Treasury for its full support; and to TCIP’s Chairman and Board Members for their diligent efforts.

Best regards,
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COMPULSORY EARTHQUAKE INSURANCE IS OUR SOCIAL RESPONSIBILITY

Established in 2000, the Turkish Catastrophe Insurance Pool (TCIP; DASK in Turkish) is a public institution and a legal entity, which is charged with providing, implementing and managing Compulsory Earthquake Insurance services across Turkey.

Operating with the slogan, “The earthquake will pass, and life will go on,” TCIP aims to ensure that citizens continue their daily lives in safety in the aftermath of an earthquake. Compulsory Earthquake Insurance provides material assurance to insured homeowners against risks of earthquake and related fire, explosion, landslide and tsunami losses. The Pool promptly compensates policyholders for damages incurred to buildings, whether heavily or partially damaged, and assists in the return to daily life.

TCIP facilitates access to Compulsory Earthquake Insurance via a wide distribution network that includes partner insurance companies, their agencies and bank branches, and ensures that everyone regardless of means can enjoy such assurance, by keeping premiums low.

TCIP supports its insurance operations with public campaigns to raise public awareness on the issue and underscores the fact that Compulsory Earthquake Insurance is, above all, a social responsibility for everyone.

Since earthquakes have been the most common natural catastrophe to hit Turkey over the last 60 years and as nearly the entire country is considered earthquake-prone, these are events to be expected. Furthermore, earthquakes can also inflict severe economic losses not only in a single geographic area but also across the entire nation.

While providing insurance to individual dwellings, Compulsory Earthquake Insurance also constitutes a claims pool for the whole country. The size of this financial pool becomes extremely important in the aftermath of an earthquake, as it provides a guarantee to all those in need across the country, and not just those in a single province.

TCIP provides insurance for individuals as well as efficient assistance to impacted regions, thereby effectively extending social solidarity awareness.
“I fully grasped the importance of TCIP after the earthquake. If not for TCIP, I wouldn’t have quickly and safely returned to my normal daily life following the earthquake that hit Van in 2011.”
Mehmet Zülfü KAYA
1. Overview

CATASTROPHE AWARENESS MUST BE RAISED FURTHER

Earthquakes can cause great number of deaths and property in the areas affected.

1.1. EARTHQUAKES AND TURKEY’S SEISMICITY

A natural catastrophe that leads to multiple damages...

Throughout history, earthquakes have been the natural disasters that have exacted the heaviest toll on human life. Earthquakes are a result of seismic waves triggered by unexpected explosions of energy across the Earth’s crust, which lead to tremors on the surface of the planet. Despite advances in building technology, earthquakes can result in great number of deaths and property even in the most developed nations.

A global analysis reveals a significant rise in the material losses triggered by natural catastrophes over the last decade. Natural disasters including earthquakes that took place across the world in 2013 resulted in USD 140 billion in material losses. Over the last 10 years, this figure hovered around an annual average of USD 190 billion, only 32% of which was under insurance protection.

Natural disasters including earthquakes that took place across the world in 2013 resulted in USD 140 billion in material losses. Over the last 10 years, this figure has averaged USD 190 billion annually, only 32% of which was under insurance protection.
General observations on earthquakes globally
- In recent years, there has been a sharp increase in natural disasters across the globe.
- As living standards improve, people’s awareness of disaster risk and insurance rises considerably.
- In more developed nations, in parallel with the evolving social structure, individuals tend to rely on institutions rather than other family members when catastrophe strikes.
- Since at-risk regions tend to undergo urban development, earthquakes result in even heavier economic losses.
- Disaster management efforts tend to emphasize awareness prior to the catastrophe, as much as measures to be taken during and after the event.

Historically an earthquake-prone country...
Turkey is a high earthquake-prone country due to its location on the Alpine-Himalayan belt, one of the world’s main earthquake zones, which starts in Indonesia (Java-Sumatra) and passes through the Himalayas and the Mediterranean to end in the Atlantic Ocean. Worldwide, some 17% of all earthquakes take place in the Alpine-Himalayan belt, which includes Turkey.

According to the latest Turkey’s Earthquake Zones Map, 66% of the country is located in first and second degree earthquake zones, home to 71% of the total population. An analysis by province reveals that 57 out of 81 provincial centers are located in first and second degree earthquake zones.
In Turkey, earthquakes are responsible for 81% of all dwellings destroyed by catastrophe, which results in an urgent need to renew the housing stock, especially in large cities, and to raise awareness of disaster management and insurance.

Decisive steps in disaster management
Due to its geographical conditions and climate, Turkey is vulnerable to not only earthquakes, but also other natural catastrophes such as flooding, landslides and avalanches. In recent years, the Turkish state has led efforts to establish a more institutional-based disaster management policy. In Turkey, earthquakes are responsible for 81% of all dwellings destroyed by catastrophe, which results in an urgent need to renew the housing stock, especially in large cities, and to raise awareness of disaster management and insurance.

1.2. TCIP’s Formation and Purpose
Established by Executive Decree No. 587, TCIP has offered Compulsory Earthquake Insurance coverage for dwellings since September 27, 2000. The legal basis of TCIP’s operations was strengthened further upon the enactment of the Disaster Insurance Law No. 6305 on August 18, 2012.

TCIP is an insurance pool that is a public legal entity, and has been set up to provide Compulsory Earthquake Insurance. Established through a public-private partnership, TCIP is a non-profit institution with a unique organizational structure. Its indemnity payment capacity is independent of the government budget. Currently, 31 authorized insurance companies and their agencies offer Compulsory Earthquake Insurance on behalf of TCIP.
The system put in place has already demonstrated a successful performance and has been designated by multilateral institutions as a best practice for other countries.

**TCIP’s primary objectives include:**
- Bringing all eligible dwellings under earthquake insurance coverage in return for an attractive premium,
- Establishing a payment capacity independent of the government budget,
- Ensuring the distribution of risk domestically, and distributing the financial risk associated with earthquake events across international reinsurance and capital markets via insurance policies,
- Creating the necessary long term resource accumulation to compensate for earthquake damages, and
- Raising insurance awareness among the general public.

Established through a public-private partnership, TCIP is a non-profit institution with a unique organizational structure.
In terms of its structure and operation, TCIP constitutes one of the best examples of public-private partnerships. The Pool's technical and operational transactions are provided by an insurance or reinsurance company, which is designated by the Undersecretariat of Treasury for five-year periods. Although the Pool provides insurance coverage, the insurance companies offer the Compulsory Earthquake Insurance to homeowners. As a result, TCIP has created an efficient mechanism that blends the strengths of public and private sector enterprises.

Technically, TCIP is an insurance pool. As such, it does not need a physical organization to manage its operations. Instead, and in order to improve efficiency and minimize cost, the Pool outsources its operations. The Pool's general organizational structure is as follows:

TCIP operates to ensure the continuity of existing insurance policies and to attract those homeowners who have yet insured their dwellings. In order to ensure sustainable growth of Compulsory Earthquake Insurance, the Pool both manages policy production and undersigns high-profile promotional and social campaigns that raise earthquake and insurance awareness.
1.1. BOARD OF DIRECTORS

TCIP is managed by a seven member Board of Directors, including a chairman. The Board of Directors, which also includes representatives from various institutions and organizations, consists of the members listed below. The current structure of the Board of Directors ensures sufficient representation of relevant parties as well as efficient governance of TCIP.

Chairman and Members

<table>
<thead>
<tr>
<th>NAME</th>
<th>ROLE</th>
<th>TITLE &amp; ORGANIZATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selamet YAZICI</td>
<td>Chairman</td>
<td>Deputy Director at the General Directorate of Insurance, Undersecretariat of Treasury</td>
</tr>
<tr>
<td>Ercan TIRAS</td>
<td>Member</td>
<td>Undersecretary at the Ministry of Environment and Urbanization</td>
</tr>
<tr>
<td>Prof. Dr. Mustafa ERDIK</td>
<td>Member</td>
<td>Director at Kandilli Observatory and Earthquake Research Institute</td>
</tr>
<tr>
<td>Bekir Sıtkı ŞAFAK</td>
<td>Member</td>
<td>Deputy Director at Capital Markets Board</td>
</tr>
<tr>
<td>Mehmet KALKAVAN</td>
<td>Member</td>
<td>Assistant General Secretary at the Association of the Insurance and Reinsurance Companies of Turkey</td>
</tr>
<tr>
<td>H. Okan UTKUERİ</td>
<td>Member</td>
<td>General Director at Pool Management Company Eureko Sigorta A.Ş.</td>
</tr>
<tr>
<td></td>
<td>Member</td>
<td>AFAD (Disaster and Emergency Management Presidency)</td>
</tr>
</tbody>
</table>

1.5. POOL MANAGEMENT COMPANY

Pursuant to an agreement signed with the Undersecretariat of the Treasury in accordance with Article 6 of Disaster Insurance Law No. 6305, the maximum service period of any selected company is five years, following which the agreement has to be renewed. For the five-year period from August 8, 2010 to August 8, 2015, TCIP's technical operations are being carried out, for the second time, by Eureko Sigorta A.Ş.

Efficient technical and operational processes

The Pool Management Company is responsible for managing TCIP's technical and operational processes in line with the principles outlined in the relevant legislation and the service agreement as well as the resolutions of TCIP's Board of Directors. The main responsibilities of the Pool Management Company include:

- Printing and distributing policies, collecting premiums, carrying out the necessary managerial and operational related activities in cooperation with all the stakeholders for loss assessment and indemnity payment purposes,
- Implementing risk transfer and reinsurance plans,
- Channeling the institution's resources to prudent investments pursuant to the stipulated guidelines and limits, managing relationships with the portfolio management companies that cooperate with the Pool, informing the Board of Directors about the activities of said portfolio management companies,
- Keeping special and separate accounting records for the Pool's revenues and expenses, as well as other accounts and transactions,
- Conducting public relations, promotional and training campaigns,
- Carrying out the necessary correspondence on behalf of the Pool with relevant individuals, institutions and organizations, storing relevant data, information and documentation as required, and procuring the goods and services outsourced by the Pool,
- Preparing the analytical studies, information and reports demanded by the Undersecretariat of Treasury.

The dual objective of Eureko Sigorta's provision of pool management services to TCIP is to increase the insurance penetration rate and to carry out problem-free claims operations.
1.6.1. Scope
Compulsory Earthquake Insurance is an insurance system largely designed for dwellings located within municipal areas.

Disaster Insurance Law No. 6305 and related rules and regulations clearly identify the structures eligible for this insurance.

The buildings under the scope of the Disaster insurance Law include:
• Residential structures built on land that is privately owned and registered in the land registry,
• Separate sections defined in Property Ownership Law No. 634,
• All separate sections, within these buildings, used for commercial purposes, office space or for similar purposes,
• Dwellings built by the state for natural disaster relief or those built using dedicated loans by the state.

All buildings consisting of shared apartments that satisfy the above conditions, as well as all those not yet classified in the land registry and listed as “plot” or the like, and all co-op housing not yet registered in the land registry also require Compulsory Earthquake Insurance.

Dwellings with no separate title deed as of yet can be insured upon the insurers’ declaration and according to the information provided in the title deed for the plot.

Structures outside the scope:
• Buildings registered to village residents and constructed on residential village and hamlet lands and environs,
• Buildings that are used entirely for commercial or industrial purposes,
• Buildings and their independent sections subject to Public Residences Law No. 2946 dated November 9, 1983 or used as public service buildings,
• Buildings not associated with a development project and that have not been constructed using engineering services,
• Buildings with a load bearing system that is detected to have been incorrectly renovated or otherwise weakened,
• Buildings with a load bearing system that has been constructed incorrectly, in breach of the applicable legal framework and the development project,
• Buildings that have been set aside for demolition by public authorities as well as neglected, damaged or deserted structures not fit for residential use.

Compulsory Earthquake Insurance policies are offered by authorized insurance providers and agencies on behalf of TCIP. Currently, 31 authorized insurance providers and agencies across Turkey offer TCIP’s Compulsory Earthquake Insurance to homeowners.
1.6.2. Check Points
Electricity and Water Subscriptions
Article 11 of Disaster Insurance Law No. 6305 stipulates that “the existence of Compulsory Earthquake Insurance must be checked by relevant institutions prior to electricity and water subscription sign-ups for buildings and individual sections that fall within the scope of the Compulsory Earthquake Insurance.” As a result, Compulsory Earthquake Insurance checks have been initiated by all electricity and water service providers as of August 18, 2012.

Title Deed Transactions
Since 2000, title deed offices have regularly checked dwellings for insurance coverage prior to formal transactions taking place, such as purchase, sales and mortgage. The legislation on this issue was amended by Article 11 of Law No. 6305.

In order to facilitate title deed related transactions and to lighten the operational burden of title deed offices, the electronic information systems of various relevant institutions has been integrated.

Housing Loans
According to Article 13 of Insurance Law No. 5684, Article 24 of the TCIP Operating Principles, Article 5 of the Regulation on Insurance Practices Re: Private Loans as well as Article 7 of the Compulsory Earthquake Insurance Tariff and Instructions, housing loans extended by banks also require that homeowners purchase Compulsory Earthquake Insurance and renew this coverage for the duration of the loan.

1.6.3. Authorized Insurance Companies
Compulsory Earthquake Insurance policies are provided by the 31 authorized insurance companies and agencies on behalf of TCIP.
“We endured a lot of hardship during the 2011 Van earthquake. TCİP helped us tremendously. They arrived promptly and resolved all our problems in about a month.”

Salih CEBE
On January 1, 2013, Compulsory Earthquake Insurance rates per square meter were revised by the Undersecretariat of Treasury.

The monthly premium to be paid is arrived at by adding the fixed amount of 10 TL to the amount calculated by applying the tariffs for the earthquake zone and construction type given below. The fixed amount for risk within the province of Istanbul is 15 TL. However, the monthly premium cannot be less than 25 TL, regardless of earthquake zone and construction type.

The Compulsory Earthquake Insurance tariff per square meter was amended as of January 1, 2013. The following per square meter costs are valid as of January 1, 2012. These figures represent the average cost per square meter used to calculate the insurance premium.

<table>
<thead>
<tr>
<th>Construction Type</th>
<th>I. Region</th>
<th>II. Region</th>
<th>III. Region</th>
<th>IV. Region</th>
<th>V. Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>A- Steel, Reinforced Concrete Frame Structures</td>
<td>2.20</td>
<td>1.55</td>
<td>0.83</td>
<td>0.55</td>
<td>0.44</td>
</tr>
<tr>
<td>B- Masonry Stone Structures</td>
<td>3.85</td>
<td>2.75</td>
<td>1.43</td>
<td>0.60</td>
<td>0.50</td>
</tr>
<tr>
<td>C- Other Structures</td>
<td>5.50</td>
<td>3.53</td>
<td>1.76</td>
<td>0.78</td>
<td>0.58</td>
</tr>
</tbody>
</table>
According to the new tariff which came into effect in 2013, policyholders who renew their Compulsory Earthquake Insurance in the 30 day period following its expiry date will receive a 20% renewal discount, as well as a 10% construction year discount if their dwelling was built after 2007.

The sum insured and premium are calculated as follows:
Sum insured = Gross area of the dwelling (m²) x Cost per square meter by construction type (TL)

Regardless of earthquake zone or construction type, the Compulsory Earthquake Insurance cost of a dwelling cannot exceed TL 150 thousand.

Premium = (Sum insured TL x Tariff rate (%))

Discounts are applied before the fixed cost is added.

Renewal and Construction Year Discount
- In the event the insurance policy is renewed within 30 days following the end of the policy term, a renewal discount of 20% is applied to the tariff rate for the renewed policy.
- In policies written after March 1, 2013, for structures that have a building permit dated 2007 and later, a construction year discount of 10% will be applied to the tariff rate.

Deductibility and Insurance Term
For each claim of loss, a 2% deduction of the insurance cost is applied. The institution is responsible for the portion that exceeds the deductible amount calculated in this manner. In the application of the deduction, each 72-hour period is deemed a loss. The term of the insurance policy coverage is one year. The insurance needs to be renewed at the end of this term.

Commission Percentages
For policies within the borders of Istanbul province, a 12.5% commission of the Compulsory Earthquake Insurance premium is paid to insurance companies authorized to provide Compulsory Earthquake Insurance on behalf of the Pool or themselves. This commission is 17.5% for policies in other provinces.

However, for each insurance policy, the minimum commission to be paid to the insurance company is 10 TL. An amount of 3 TL of the paid minimum commission goes to the insurance company while the remaining 7 TL goes to the agency. In the event the commission to be paid to the insurance company exceeds 10 TL as calculated as prescribed above, the agency commission can be set freely by the insurance company and the agency, providing that it is not below the minimum amount.

Voluntary Insurance
Persons and institutions other than TCIP cannot provide Compulsory Earthquake Insurance. However, in case the cost for the reconstruction of the independent sections and structures covered by Compulsory Earthquake Insurance exceeds the sum insured, voluntary earthquake insurance can be provided by insurance companies for the amount exceeding said sum, as long as the dwelling is covered by Compulsory Earthquake Insurance.
DIVERSIFIED RISK TRANSFER PRACTICES

TCIP’s reinsurance coverage was renewed on November 1, 2013 in line with the characteristics of the current portfolio; as a result, reinsurance protection amounting to EUR 2,348 million has been secured for excess loss.

Since its establishment, TCIP has considered the following factors while determining the Pool’s indemnity payment capability and drawing up its reinsurance program:

- Providing opportunities to develop the institution’s resources,
- Creating a high quality and dependable panel of reinsurers,
- Ensuring reinsurance diversification,
- Taking necessary measures by accurately calculating the total claims amount that the portfolio can bear.

In order to meet the total loss that could be incurred by the TCIP portfolio, which has expanded rapidly since the enactment of Law No. 6305, coverage protection limits have been raised. In parallel with these higher protection limits, the Pool has prioritized efforts to ensure reinsurance diversification in 2013:

- The Pool’s reinsurance capacity was restructured via capital market instruments and has also increased,
- The first ever Turkish Cat Bond, Bosphorus 1, which covers earthquake risk, has been issued,
- Reinsurance support has been secured from the Turkish state.

The pages that follow provide detailed information about the Cat Bond and the state’s reinsurance support.

The Pool’s reinsurance protection scheme was renewed as of November 1, 2013, with due consideration of a possible rise in claims following an earthquake (PLA), as well as the characteristics of the current portfolio. An excess of loss reinsurance protection amounting to EUR 2,348 million has been secured and consists of nine tranches, and includes reinsurance solutions restructured via capital market instruments.

With regard to conventional reinsurance protection for the period 2013-2014, the Council of Ministers resolved to provide reinsurance support amounting to EUR 2.35 billion.

USD 400 million in additional capacity
As a result of efforts related to alternative reinsurance markets, a three-year Cat Bond was issued in April 2013, generating an additional capacity of USD 400 million.
The Pool's total indemnity payment capacity, which consists of its institutional funding and reinsurance capacity, stands at about TL 11 billion. The Pool's liabilities arising from its insurance policies are monitored on a regular basis and the required reinsurance protection limits are set according to the results of reliable earthquake loss models.

**Reinsurance application strategy**

Premiums paid for reinsurance protection make up the Pool's largest cash outflow. We expend great effort each year to achieve the cost and placement structures described above; as a result, we have managed to achieve optimal placements each year.

- Roadshow
- DFA Analysis
- Risk Modeling
- Service Level Agreements
- Alternative Risk Transfer
- Formation of a Brokers Panel
- Placement Strategies

Due to the new controls imposed by the new legal and regulatory framework, the number of insurance policies is rising rapidly, requiring an increase in TCIP's indemnity payment capacity. This upward trend is expected to continue in the foreseeable future. The Pool's rising capacity requirements will be met in part via traditional reinsurance markets. In addition to restructured insurance programs, TCIP also continues to work on methods to tap other capital markets instruments such as cat bonds in the coming period. The Pool strives to diversify and differentiate its indemnity payment products and instruments on the basis of region, market, exchange rate and product.

Research on alternative reinsurance markets is ongoing in hopes of creating additional protections similar to the cat bond issued in April 2013. Work on ex-ante/ex-post indemnity payment instruments has continued throughout the year.

In addition to the reinsurance protection secured annually from the international reinsurance market, the Pool issued a cat bond in 2013. With this transaction, TCIP secured reinsurance coverage with a financial instrument, a first in Turkey, and enhanced its indemnity payment capacity in the event of a possible earthquake. As a result, the Pool introduced an innovative capital market risk transfer instrument to Turkey and the country's insurance sector.

The Pool demonstrated interest in the cat bond markets with the IANUS Cat Bond issued in 2009 in which Munich Re assumed the role of reinsurance leader. Investors showed ample interest in the Bosphorus 1 Cat Bond issued in 2013. The US typhoon and earthquake risk and European flood and typhoon risk account for the largest share of the global cat bond market. Investors seem to have appreciated that a Turkish earthquake bond has been placed on the market following the issuance of a number of Japanese bonds related to earthquake risk.

**Investors to monitor Istanbul's earthquake risk in real time**

A seismographic connection has been made under the supervision of the Kandilli Observatory and in cooperation with the company Sentez Ltd. Şti. This link allows investors to monitor earthquake data on a real time basis, access historical and specific data, and complete transactions. The integration of the engineering and scientific infrastructure with the cat bond was much appreciated by investors. The cat bond attracted ample demand and its interest rate hit historic lows, clear indicators of the widespread trust in the Turkish economy.

**Bosphorus 1 in brief:**
- SPV: Bosphorus 1 Re Ltd.
- Issuer: TCIP
- Placement and structuring: Munich Re as leader, GC Securities as co-structurer and book runner
- Risk modeling/calculation: RMS
- Reporting: Boğaziçi University’s Kandilli Observatory
- Amount: USD 400 million
- Duration: 3 years
- Trigger type: Parametric
- Rating: S&P: BB+sf
- Coupon payment spread Class A: 2.50%
- Expected loss ratio: 1.01%
3. Reinsurance Protection and Catastrophe Bonds

A 3-year USD 400 million bond

The three-year cat bond Bosphorus 1 has a value of USD 400 million. This amount will be kept in an independent bank account and invested in short-term US Treasury bonds. In addition to the return on these bonds, investors will receive income equivalent to the insurance premium to be paid by TCIP in three years. During this period, in the event an earthquake hits Istanbul and “triggers” the cat bond, and if the set parameter is exceeded, TCIP will be free to use the USD 400 million in this account for indemnity payment and will not be obligated to repay the amount. The cat bond will be triggered by an index calculated on the basis of the data provided by seismographic devices. If no earthquake occurs, the funds will be returned to the investors.

Six-fold demand from international investors

In the bidding period for the cat bond, total demand reached six times the initial prediction of USD 100 million. As a result, the total volume of bonds issued rose to USD 400 million, with an annual premium of 250 bps. The bonds generated brisk demand due to the investment diversification opportunity that it provides.

The Pool collaborated with Boğaziçi University’s Kandilli Observatory and the Earthquake Research Institute (BÜ-KRDAE) to establish the trigger mechanism. Thirty-five new stations were added to the severe tremor registry stations at the Istanbul Earthquake Emergency System in order to strengthen the monitoring infrastructure. In addition, data from 70 of 130 total stations started to be fed into the earthquake index that would trigger the cat bond. In order to facilitate investor access to data about a possible earthquake, a new and transparent Internet infrastructure was set up. (Visit http://www.ew-istanbul.com for details.) Investors can access real time data flow and earthquake data, and analyze the severity of tremors. A trigger index has also been created by BÜ-KRDAE in relation to the cat bond.

The successful launch of the cat bond has allowed TCIP to reinforce the Pool’s funding sources significantly.

Bosphorus 1 Cat Bond Scheme

The successful launch of the cat bond has allowed TCIP to reinforce the Pool's funding sources significantly.
Bosphorus 1 has also introduced to the global cat bond market risks associated and has led the Turkish insurance sector in the use of alternative markets and products in catastrophe financing.

Reinsurance support from the state
As of January 1, 2014, the Pool has increased its reinsurance protection by securing government support in the event of a major earthquake. A total of EUR 235 million of the Pool’s reinsurance coverage for the year has been provided by the state. In parallel with the expanding Compulsory Earthquake Insurance customer portfolio and the Pool’s increasing penetration rate, TCIP requires more reinsurance from the markets to meet its rising liabilities in 2014. Although the Pool has expanded the reinsurance coverage secured from international markets by 32% over the previous year, TCIP requested a limited amount of support from the state in order to ensure maximum protection for policyholders. As a result, resource diversification in the risk transfer and coverage scheme was the Pool’s top priority in 2013. In this very significant development, pursuant to Article 8 of the Disaster Insurance Law, the state has provided excess of loss reinsurance support to TCIP.

The EUR 235 million in reinsurance support provided by the Turkish Treasury does not include cash transfers under normal circumstances. This support will be activated only if TCIP’s indemnity payment exceeds EUR 800 million in the event a severe earthquake strikes Turkey. At that time, the state and reinsurance providers will cover 10% of indemnity payments in excess of this amount. Under no circumstances will the state’s total contribution exceed EUR 235 million. In return for this support, TCIP will pay the Treasury at the same rate that it pays reinsurance companies.

The Pool does its utmost to meet its funding needs via alternative resources. The additional capacity made possible by the state support along with the cat bond has been crucial in expanding the reinsurance capacity required by the Turkish insurance sector.

Bosphorus 1 has also introduced to the global cat bond market risks associated with the Turkish geography, and has led the Turkish insurance sector in the use of alternative markets and products in post-catastrophe financing.
“I am very glad that this system exists. You can get insured for a small amount, and then they pay for your home in case of a disaster. It is great all around. I am very happy to have learned about TCIP.”
Yunus CAMUSCU
4. Fund Management

CONSISTENT RISE IN FUND VOLUME

TCIP’s fund grew 22.05% over the prior year to total more than TL 2.5 billion.

As in previous years, the Pool’s funds were managed in compliance with Article 25 of TCIP’s Working Principles Regulation and the “The Investment Principles and Strategies” guidelines provided by the Board of Directors during 2013. TCIP’s total fund expanded 22.05% over the previous year to TL 2,548,632,255.34 as of December 31, 2013.

Set up in 2011 to ensure more effective and active management of the fund, the Investment Committee and the Investment Steering Committee continued their respective activities in 2013.
The primary responsibilities of the Investment Steering Committee include making all executive decisions in relation to the implementation of the Annual Investment Plan that may be required during the course of the year in light of emerging developments, and guiding the Investment Committee which monitors and assesses the investment process and related operations.

<table>
<thead>
<tr>
<th>YEAR</th>
<th>TOTAL PORTFOLIO - TL</th>
<th>DEPOSITS</th>
<th>BILL/BOND</th>
<th>OTHER</th>
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<tr>
<td></td>
<td>5,215,999.07</td>
<td>1,633,640.00</td>
<td>3,569,688.42</td>
<td>12,670.65</td>
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<td>December 00</td>
<td>38,222,985.00</td>
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<td>26,252,897.78</td>
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<td>December 03</td>
<td>116,025,753.04</td>
<td>63,733,633.25</td>
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<td>December 04</td>
<td>202,232,650.24</td>
<td>80,940,496.99</td>
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<td>December 05</td>
<td>311,559,315.11</td>
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<td>1,079,357.94</td>
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<td>December 06</td>
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<td>409,962,055.36</td>
<td>89,500,583.45</td>
<td>893.22</td>
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<td>December 07</td>
<td>681,508,658.89</td>
<td>579,947,288.19</td>
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<td>3,296,004.69</td>
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<td>December 08</td>
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<td>December 09</td>
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<td>944,737,214.36</td>
<td>237,600,393.34</td>
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<td>December 10</td>
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<td>1,179,029,220.67</td>
<td>250,382,588.78</td>
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<td>December 11</td>
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<td>1,552,648,289.51</td>
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<td>2,322,418,804.42</td>
<td>183,633,422.31</td>
<td>42,580,028.60</td>
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</table>

The Pool's General Fund Management approach is outlined below:

- As in previous years, the key objectives are to protect the principal, preserve liquidity, and generate a high return,
- Maintaining stable and consistent fund growth through accurate data interpretation, exact timing and efficient decision-making,
- Developing innovative, pioneering products in response to the economic environment and in line with the corporate culture and organizational structure, in order to generate higher returns.

Committees in charge of fund management

Set up in 2011 to ensure more effective and active fund management, the Investment Committee and the Investment Steering Committee continued their respective activities in 2013.

The Investment Committee's responsibilities include developing the Annual Investment Plan; trading in investment instruments in line with the investment plan approved by the Investment Steering Committee and the Board of Directors; participating in issues for treasury bills and government bonds; monitoring markets for reverse repo and similar transactions; communicating with other financial institutions; and performing all related operational procedures. Additionally, the Investment Committee evaluates the performance of the Pool Management Company and the portfolio management companies according to the criteria specified in the Annual Investment Plan. The Committee also evaluates the portfolio management company's data, its requests for revisions to the criteria, and strategy modifications.

Meanwhile, the responsibilities of the Investment Steering Committee include making all executive decisions in relation to the implementation of the Annual Investment Plan that may be required during the course of the year in light of emerging developments, and guiding the Investment Committee which monitors and assesses the investment process and related operations.
5. Claims Management and the Disaster Management Project

INFRASTRUCTURE UPGRADED FOR IMPECCABLE SERVICE

TCIP closely monitors earthquakes and post-earthquake developments in Turkey and across the world in order to carry out improvements in its service infrastructure as deemed necessary.

5.1. INDEMNITY PAYMENTS

Indemnity Payments of TL 156,153,498 for 425 earthquakes

From the time of its establishment until year-end 2013, TCIP has made Indemnity Payments totaling TL 156,153,498 in response to 425 major earthquakes that have struck Turkey. As 2013 was a relatively calm year for claims operations, TCIP focused more on its Disaster Management Project.

From 01.01.2013 until 31.12.2013:
- Number of total claim notifications: 581
- Number of claim files closed: 498
- Number of claim files with Indemnity Payment: 223
- Total claims paid: TL 463,996

<table>
<thead>
<tr>
<th>YEAR</th>
<th>NUMBER OF EARTHQUAKES</th>
<th>NUMBER OF CLAIMS</th>
<th>PAYMENT (TL)</th>
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<tbody>
<tr>
<td>2000</td>
<td>1</td>
<td>6</td>
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<td>2001</td>
<td>17</td>
<td>336</td>
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<tr>
<td>2002</td>
<td>21</td>
<td>1,558</td>
<td>2,284,835</td>
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<tr>
<td>2003</td>
<td>20</td>
<td>2,504</td>
<td>5,203,990</td>
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<td>2004</td>
<td>31</td>
<td>587</td>
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<td>2005</td>
<td>41</td>
<td>3,488</td>
<td>8,119,871</td>
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<td>2006</td>
<td>23</td>
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<tr>
<td>2008</td>
<td>45</td>
<td>481</td>
<td>558,849</td>
</tr>
<tr>
<td>2009</td>
<td>37</td>
<td>267</td>
<td>498,852</td>
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<tr>
<td>2010</td>
<td>36</td>
<td>455</td>
<td>718,347</td>
</tr>
<tr>
<td>2011</td>
<td>42</td>
<td>7,736</td>
<td>129,878,904</td>
</tr>
<tr>
<td>2012</td>
<td>56</td>
<td>1,646</td>
<td>5,028,959</td>
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<tr>
<td>2013</td>
<td>13</td>
<td>133</td>
<td>231,296</td>
</tr>
<tr>
<td>TOTAL</td>
<td>425</td>
<td>20,693</td>
<td>156,153,498</td>
</tr>
</tbody>
</table>
In 2013, there were no major or deadly earthquakes in Turkey. However, 13 earthquakes occurred which resulted in material damage, and a total of TL 231,296 was paid in claims for 133 loss claims.

5.2. DISASTER MANAGEMENT PROJECT

TCIP has reevaluated the platform and resources of its disaster/loss management process in the aftermath of New Zealand, Japan and Van earthquakes.

All the processes, as well as the matrix of Major/Minor Earthquakes and Heavy/Light Damage to Buildings were revised. Parameters such as notification, loss adjuster appointment, loss adjuster mobilization, loss assessment, loss appraisal, aftershock operations, payments and claims processes were analyzed and a new Target Model was set up. The new Target Model features innovations such as creating a claims file and claims adjuster appointment without claim notification, loss categorization, integrated loss assessment for buildings and independent sections, as well as standard costing. The Pool cooperated with the consulting firm Accenture to evaluate the appropriateness and integrity of the Target Model and to formulate a road map for its application. After a preparatory stage of close to three months, Accenture provided an analysis of the current situation, created maps for business processes and system application components, completed the Target Model analysis, and laid out a road map for the Target Model’s application.

Projects related to disaster claims management...

In order to set up the infrastructure that will help TCIP manage claims from disasters of any scale including major earthquakes, this initiative will be carried out in cooperation with well-experienced business partners and at the most attractive cost structure.
“At first, I did not believe that I would receive so much assistance, but I saw it with my very own eyes. They visited me in person without putting me through any trouble, made a phone call, and deposited the money in my bank account immediately. They gave me a hand during a very rough time, and thank God for that.”

Yıldız ALACAN
6. Information Technology and Data Management

The Emergency Center infrastructure established in Ankara is tested periodically. During these testing periods, all applications running on systems located in Istanbul are shut down, and the emergency system in Ankara is activated.

TCIP’s IT management approach is based on three key principles:

- Using up-to-date and advanced technology,
- Applying state-of-the-art security protocols,
- Ensuring business continuity.

Real time data transfer and online are the two methods used to write insurance policies. The policy related data thus generated is simultaneously recorded in the TCIP database.

According to internal measurements, the system has performed at an average of 99% uptime without a significant breakdown.

The Emergency Center infrastructure established in Ankara is tested periodically. In these testing periods, all applications running on systems located in Istanbul are shut down, and the emergency system in Ankara is activated. The system tests have revealed that TCIP is capable of becoming completely functional in only two hours.

6.1. Hosting Services

- All TCIP hardware is maintained and managed on site at Garanti Teknoloji, in accordance with our Service Level Agreements.
- There is a leased 20 Mbps data transfer link between TCIP systems in Istanbul and the Emergency Center in Ankara.
- The link is monitored and operated round-the-clock.
- TCIP has a 2x34Mbps backed-up, leased link between the Pool’s systems in Güneşli, Istanbul and TCIP’s employees in Altunizade, Istanbul.
- The link is owned by Eureko Sigorta. The required telecommunication infrastructure service (router, TDM, PCM infrastructure) has been provided for this link and is monitored and operated round-the-clock.
6.2. NETWORK MANAGEMENT AND SERVICE LEVELS

As part of the service offering from Garanti Teknoloji, TCIP provides services over Garanti’s nationwide connection network. Garanti Teknoloji owns and operates service centers at key hubs across Turkey. From these centers, services are provided to distribution channels all over the country.

As a result, TCIP is part of an extensive network, and is capable of providing the same level of service from all the centers in Turkey if the need arises.

The services provided by Garanti Teknoloji are monitored round-the-clock at specified service levels (SLA); interventions are performed in cases of malfunction and are reported regularly.

The system's capacity utilization is constantly monitored and improvement efforts are carried out in order to protect this key asset. Furthermore, analytical studies are performed in accordance with growth requirements; technologies and solutions most appropriate for the needs requirements are recommended.

Well-skilled, specialized IT personnel

Database management is carried out by a team of well-experienced and certified systems experts, around-the-clock.

The system is protected by firewalls designed specifically for TCIP. All attempts to attack the systems infrastructure are monitored by Garanti Teknoloji personnel as well as by contracted overseas companies; in addition, alarms are in place. To ensure the full security of the systems, patches are evaluated and applied monthly at the system level.

At TCIP, database management is performed by a team of well-experienced and certified systems experts.
6. Information Technology and Data Management

6.3. TCIP Monitoring Services

IT Security Architecture in line with Control Targets
The following processes are monitored and maintained on a 24/7 basis as part of TCIP’s services supplied by Garanti Teknoloji.

- System accessibility
- Mail operations
- Server
- Network services
- Internet accessibility services
- Internet page accessibility
- Application accessibility
- Performance management

6.4. Security Architecture and Policies

Garanti Teknoloji provides the security architecture and policy related services detailed below. These services comply with Banking Regulation and Supervision Agency provisions and COBIT standards, which are legally required for the companies that Garanti Teknoloji serves.

6.5. Emergency Center Management

Service infrastructure supported with state-of-the-art technology
The functionality of TCIP’s back-up servers for cases of emergency is tested periodically. In these testing periods, all applications running on systems located in Istanbul are shut down, and the emergency system in Ankara is activated.

At the same time, all operations and functionality of the Internet and the GZUB web services were tested by TCIP users. It was observed that emergency servers continued to function without any problems and in an updated manner.
6.6. DATA SAFETY AND BACK-UP

Capital investment in data security
The current back-up procedure functions automatically with cutting edge technology, without any manual operation. The daily backup of the TCIP Prod database is performed every day and the five latest copies are stored.

The complete backup process formerly took around six hours with the Oracle database present on the legacy hardware. This duration has been shortened to just one hour with the new database, a six-fold improvement.

6.7. APPLICATION SOFTWARE

Rapid and efficient business flows
The current software runs on Java and the TCIP system stores its data on the Oracle database. All entries made into the database are also saved offline at the Emergency Center in Ankara. TCIP’s system functions with two application servers that perform regular backups. A separate application runs frequently requested reports.

TCIP’s IT process flow between insurance providers, agencies and policyholders are as follows:

The TCIP insurance policy application includes web, software application and database layers. The hardware requirements of these layers can vary based on their use. In order to respond to this variability and growth, as well as to ensure optimal resource use, analytical studies have been performed for hardware and infrastructure renewal at Istanbul Güneşli and Ankara Emergency Center.

The hardware purchased is use for the purpose of production, development and emergency event services.
7. Key Projects and Operations

7.1. ADDRESS CODE IN COMPULSORY EARTHQUAKE INSURANCE POLICIES

Thanks to a state system that standardizes all the addresses within the borders of Turkey, institutions which deal in transactions related to dwellings are expected to be better coordinated and integrated. The increased use of the address code in such transactions will lead to higher quality services for all citizens and more efficient operations.

TCIP’s new scheme will prevent the signing of erroneous or duplicate policies due to insufficient or incorrect address data. The upgrade will also ensure that relevant dwellings are better monitored and that renewal discounts are automatically applied. In addition, the erroneous signing of policies for buildings ineligible for Compulsory Earthquake Insurance will be eliminated. Most importantly, when a dwelling with Compulsory Earthquake Insurance is damaged in an earthquake, the standardized Address Code system will make it much easier to find its exact location and deliver service. It will also be more practical to identify and notify those homeowners who have yet to purchase an insurance policy.

Expanding the use of the Address Code scheme

The Address Code scheme will ensure that portfolio risk follow-up and post-catastrophe operations are carried out more efficiently by the insurance sector. In policies covering civilian and commercial risk, especially those related to fire and engineering insurance, the expansion of the use of address code will lead to more efficient business processes.

All Compulsory Earthquake Insurance policies written by TCIP since March 1, 2013 feature the policyholder’s address code in full compliance with the National Address Database (UAVT).
7.2. PHONE CALL REMINDERS FOR POLICY RENEWAL

High success rate in renewal efforts...
The Pool has been reminding policyholders to renew their policies since May 2011. Nearly 50% of the policyholders contacted have expressed their wish to renew their policy and accordingly their respective agencies were notified. At the same time, it was observed that some policyholders have unfortunately suffered severe losses due to lack of renewal monitoring.

In order to increase Turkey’s insurance penetration rate, ensure that policyholders benefit from renewal discounts and avoid severe losses in case of a major earthquake, policyholders whose policies expired two weeks earlier are called by TCIP. During the call, a TCIP representative provides the customer with relevant information, directs the lapsed policyholder to their respective agency, and complete the renewal transaction instantly if the policyholder chooses to do so.

7.3. SMS NOTIFICATIONS

SMS communication with policyholders
SMS messages have started being sent to policyholders whose policies cover dwellings of less than 50 square meters, to ensure that the area insured is not smaller than its actual size. Otherwise, in the event of a major earthquake, these policyholders can suffer severe losses.
7. Key Projects and Operations

To facilitate insurance companies’ provision of voluntary earthquake insurance, TCIP has offered new application functionality such as matching company policy number and Compulsory Earthquake Insurance policy number, accessing policy details with the Compulsory Earthquake Insurance policy number and making policy queries with the address code.

7.4. TITLE DEED INTEGRATION

Collaboration with Title Deed Directorates...
During the year, the Pool carried out efforts to ensure that Compulsory Earthquake Insurance checks are performed more efficiently during title deed transactions and that irregular policy cancellations are prevented. Now, during real estate transactions at Title Deed Directorates, civil servants can immediately check for Compulsory Earthquake Insurance coverage. As a result, the operational workload of directorates has decreased significantly while the control mechanisms functions much more effectively.

7.5. MATCHING WITH COMPANY POLICY NUMBERS

Policy transactions made easier...
In order to render policy transactions easier for insurance providers, the Pool has set up a system in which insurance companies can enter the policy numbers of voluntary insurance policyholders and match these with the TCIP policy number, renewal records and supplementary insurance data.

Additionally, TCIP has launched an online service that allows insurance providers to make queries with the company policy number and renewal number.

7.6. POLICY DETAIL SERVICE WITH POLICY NUMBER

Policyholders receive detailed information...
The Pool provides a service to insurance providers to ensure that these companies run the TCIP check in a more comprehensive manner and offer voluntary earthquake insurance under tighter controls, while writing insurance policies for dwellings. This service allows insurance providers to access details such as the policy number, Turkish Republic Identification Number/Tax ID Number, and the latest version of the Compulsory Earthquake Insurance policy.

7.7. POLICY QUERIES VIA THE E-GOVERNMENT

For policyholders to list and access the Compulsory Earthquake Insurance policies in the Pool via the e-Government application, TCIP has completed the required systems integration. Now, policyholders with an e-Government password can access their TCIP policy information by visiting https://www.turkiye.gov.tr/.

7.8. POLICY QUERIES VIA THE ADDRESS CODE

Innovative solutions in policy queries...
The Pool provides a service to insurance providers to ensure that these companies run the TCIP check in a more comprehensive manner and offer voluntary earthquake insurance under tighter controls, while writing insurance policies for dwellings. This service allows insurance providers to access details such as the policy number, Turkish Republic Identification Number/Tax ID Number, and the latest version of the Compulsory Earthquake Insurance policy.
All policyholders can now access their Compulsory Earthquake Insurance via the e-Government application.

7.9. PHONE NUMBER ALGORITHM

Phone number checks have been added to make sure that the mobile and fixed line phone numbers of policyholders are entered correctly while TCIP insurance policies are written. This prevents the entry of wrong data, and ensures healthy communications with policyholders after disaster strikes.

7.10. URBAN TRANSFORMATION

TCIP's urban transformation scheme is designed to avoid the signing of policies for structures which are set aside for demolition by the Ministry of Environment and Urbanization, and for which the demolition order has been sent to the Title Deed Directorates.

7.11. REPORTING

A new step for data analysis: Reporting initiative

In parallel with the Pool's rapid growth, TCIP has a rising need to perform a number of detailed analyses via its database.

In order to analyze and report these data independently of the IT unit, TCIP plans to develop a number of software modifications. After the modifications go live, employees will be able to access the database via TCIP's web site with username and password, and publish the managerial and statistical reports they need. This reporting initiative is currently underway.
8. Public Campaigns and PR Activities

REACHING OUT TO THE PUBLIC VIA DIFFERENT CHANNELS

TCIP’s various promotional and public relations activities are designed not only to inform stakeholders about the Pool’s operations, but also to raise public awareness about the possible effects of earthquakes.

8.1. COMMUNICATIONS ACTIVITIES

Communications activities based on transparency and mutual trust
While designing its various communications activities, TCIP focuses on projects that will raise awareness about earthquakes and earthquake preparedness. The Pool reaches out to a vast audience that includes homeowners, insurance providers and brokers, primary school, high school and university students, public agencies and local governments.

Insurance providers and agencies, which are TCIP’s key business partners in extending Compulsory Earthquake Insurance across the country, play a crucial role in developing pre- and post-disaster service procedures. TCIP also works in close cooperation with public agencies, which allows the Pool access every corner of Turkey.

A new channel in corporate communications: Social media
As TCIP has a widely diverse audience, the Pool makes use of not only TV and newspaper channels, but also social media in its communications campaigns. Keeping a close watch on new developments in social media, the Pool adapts its messaging to current day trends. The objective is to come up with concepts that offer a 360-degree integrity in communications, promotion, social and traditional media.

The Pool’s objectives in communications activities for 2013 were:
• Investing in the Pool’s reliability and trustworthiness,
• Enhancing the risk perception related to TCIP, and
• Ensuring customer continuity while acquiring new policyholders.
Initiatives focused on trust and reliability:
- 5 Million Policies Press Conference
- Secure Life Parks
- Communication of Special Issues and Projects,
- Meetings and Sponsorships
- Projects to enhance risk perception:
- Fault Line Truck
- TLT Project
- Earthquake Resistant Building Design Competition
- International Short Film Competition
- Advertising (TV, newspaper and other media channels)

Projects to ensure customer continuity and acquire new policyholders:
- Posters and flyers for water and electricity companies
- E-Bulletin

These various projects and media campaigns were supported with social media activities and the “Cities Compete, Policyholders Win” contest.

8.1.1. 5 Million Policies Press Conference
Media-focused communications with stakeholders
After reaching the year-end target of 5 million Compulsory Earthquake Insurance policies in the first months of 2013, TCIP held a press conference in Ankara at the invitation of Deputy Prime Minister Ali Babacan. At the press event, information was provided on the development of Compulsory Earthquake Insurance and the disaster relief efforts following the Van earthquake. In addition, a number of provinces were presented awards under the “Cities Compete, Policyholders Win” initiative.

8.1.2. Special Communications Issues and Projects
Themed corporate communication projects
In 2013, TCIP launched special communication initiatives on special occasions such as the anniversaries of the August 17 Marmara Earthquake and the enactment of the Disaster Law, transition to the UAVT system and the cat bond issue, as well as on such relevant issues as the renewal of insurance policies and the Pool’s Indemnity Payment capacity.
8. Public Campaigns and PR Activities

TCIP strives to raise awareness on disaster management through its own projects and initiatives as well as via collaborations with other institutions.

8.1.3. Opening of TCIP Secure Life Parks
A signature project from TCIP: “Secure Life Parks”
The cities of Bursa, Bolu and Tunceli, which made it to the winners’ podium during the “Cities Compete, Policyholders Win” contest in 2011, were presented with “Secure Life Parks” by TCIP. The parks in Bolu and Tunceli were completed and inaugurated with ceremonies attended by local residents, public officials, and TCIP representatives. The TCIP Secure Life Park in Bursa is currently under construction.

Secure Life Parks are built in city centers to ensure easy access to all citizens. These areas feature green space, playgrounds, sports areas and park benches, as well as open-air movie theaters. The parks also host training seminars on earthquakes and Compulsory Earthquake Insurance.

8.1.4. Turkish Red Crescent’s Organizing Community Leaders Campaign (TLT)
Collaborating with Turkish Red Crescent
An initiative was developed to inform the community leaders who participate in the Red Crescent’s seminars and their followers about TCIP and Compulsory Earthquake Insurance. Implemented as a joint collaboration with Turkish Red Crescent, the TLT Campaign’s Disaster Loss Minimization Program started out with the publication of information materials on TCIP and Compulsory Earthquake Insurance.

Under this joint TCIP-Turkish Red Crescent initiative, the following activities have been carried out to date:
• One of the main documents of the project is the Participant’s Booklet, which was distributed to community leaders (mukhtars, teachers, clergymen and community supported police officers) who participated in local training programs. The booklet was published through a joint collaboration with TCIP. The Pool also supported the publication of other materials such as Community Leader Training Set, Trainer’s Sets, Community Training Booklets, and Reference Book for Teachers and Students.
• TCIP also took part in the publication of 235 copies of the “I Learn about Secure Living from Turkish Red Crescent” classroom calendars in 2013. The calendars were distributed to first, second, third and fourth grade classrooms across Turkey by the local branches of the Red Crescent and Province/District National Education Directorates.

This initiative also rapidly distributed publications featuring information about TCIP and Compulsory Earthquake Insurance to community leaders through Red Crescent’s extensive branch network. As a result, the project’s target audience was reached directly and efficiently through rapid and extensive organization.
TCIP’s “Earthquake Resistant Building Design Competition” planned for 2014 will target students of civil engineering and architecture, and attract attention to the importance of earthquake resistant buildings across Turkey.

“Fault Line Truck” hits the road
In parallel with the collaboration between TCIP and Turkish Red Crescent under the Organizing Community Leaders campaign, Fault Line Trucks started touring in November and December 2013. With this innovative approach, TCIP made contact with teachers and students during the seminars delivered by Boğaziçi University's Kandilli Observatory and Earthquake Research Institute and the earthquake simulation in the Fault Line Truck. Mosque-goers also participated in the seminars following Friday prayers. In 45 days, the trucks visited 11 centers, four provinces and seven districts. In Devrek, Zonguldak, Ereğli, Balikesir, Edremit, Gönen, Bandırma, Türkoğlu, Kahramanmaraş, Elbistan and Osmaniye, a total of 133 training seminars were attended by 30 thousand participants.

8.1.6. International Short Film Competition
In 2013, TCIP completed the preliminary work for a short film competition open to undergraduate and graduate students from 21 countries including Turkey. In its fifth edition, the competition will go international for the first time. The 2013 theme of the film competition was “Where would you go if your home were damaged in an earthquake?”

Student contestants will compete to portray in the best manner the experience of homeowners whose dwellings are heavily damaged after an earthquake. Since the competition has become an international event, the objective has expanded to raising earthquake awareness not only in Turkey but also in all participating countries. With this goal in mind, all of Turkey’s earthquake-prone neighboring countries were included in the event. The deadline for applications via www.daskfilm.com is June 20, 2014.

Participants are asked to shoot films of a maximum of three minutes to depict the problems experienced by homeowners whose residences are severely damaged in an earthquake. Entrants will have the chance to compete in an international arena and receive awards.

In addition to the awards designated by the jury, TCIP’s followers on Facebook (www.facebook.com/dask) will also cast votes to select winners of a Special Audience Award. Two filmmakers will receive the Special Audience Award.

The TCIP International Short Film Competition’s web site offers detailed information about the event:

www.daskfilm.com
The “Cities Compete, Policyholders Win” contest entered its third year in 2013.

The competition is announced extensively through direct mail and promotional posters sent to all Governor’s Offices and Provincial Directorates of Disaster and Emergency, as well as via a promotional video. Those Disaster and Emergency Management Presidency (AFAD) officials who would like to carry out provincial informational campaigns to extend the penetration of Compulsory Earthquake Insurance are provided with promotional materials related to TCIP and Compulsory Earthquake Insurance throughout the year. The application deadline is December and the information packs are sent until the end-January.

During the competition, provinces are evaluated on their Compulsory Earthquake Insurance performance from January 1 until December 31. The Compulsory Earthquake Insurance performance of provinces is assessed according to the following criteria:

1. Penetration rate reached at the end of the period,
2. Percentage increase in the number of policies during the year, and
3. Compulsory Earthquake Insurance public campaigns (publicity) carried out during the year.

Overall performance is assessed along these three criteria and the top performing provinces are designated by the competition jury.

The following provinces completed their efforts and applied to the competition in late 2013: Bolu, Burdur, Bursa, Çanakkale, Sakarya, Tunceli and Yalova.

According to the jury’s assessment, the following provinces made it to the winners’ podium for 2013:

- First prize: Burdur
- Second prize: Sakarya
- Third prize: Çanakkale

Each year, an increasing number of provinces participate in the contest with original promotional campaigns.

8.1.8. Promotional Campaign Efforts

Advertising strategy designed to raise earthquake risk awareness

TCIP’s 2013 promotional campaign concept was based on the results of an opinion survey conducted in 2012. The most striking result from the survey was the very low level of earthquake risk perception among potential policyholders. As a result, TCIP’s advertising campaign highlighted the significant earthquake risk to homeowners, the adverse effects of earthquakes other than loss of human life and the impact on daily lives, and the importance of Compulsory Earthquake Insurance for resuming everyday life after the earthquake.

The promotional films:
- focused on the values of community and hospitality,
- upheld the concept of post-disaster solidarity among people,
- emphasized the importance of long-term rather than ad hoc disaster relief plans,
- mentioned the problems associated with protracted stays in others’ dwellings, and
- underscored the importance of Compulsory Earthquake Insurance for resuming everyday life after the earthquake.
8.2. SOCIAL MEDIA ACTIVITIES

More than 200 thousand followers in social media
As of year-end 2013, TCIP had over 200 thousand followers in the Pool’s various social media channels. Regular daily posts on its Facebook page allow TCIP to access a monthly average of 50 thousand individual followers in an organic fashion (without advertising). With the use of advertising, the monthly average of individual visitors to the Pool’s Facebook page jumps to 5 million. Thanks to regular communications via Facebook over the last three years, TCIP has succeeded in generating significant awareness about Compulsory Earthquake Insurance. Various prize contests and applications launched via the Facebook page have allowed TCIP to gain more than 100 thousand new followers in 2013 and bring the overall figure to 175 thousand by year’s end.

Social media efforts based on integrated communications
In addition to the regular communications via its Facebook page, TCIP also carries out various special campaigns to communicate a new concept to users and to reach the following objectives:

- To use the “guest by necessity” concept in social media and continue integrated communication efforts,
- To deliver the messaging of the general advertising campaign to the target audience in line with the dynamics of social media,
- To make best use of the strengths of social networks and drive home the main concept.

Award-winning social media campaigns
TCIP’s promotional campaign “40 Kuruş a Day to the Penny Bank,” which blends online and offline channels, was deemed worthy of the “Best Event Management” designation at TÜHID’s Golden Compass Awards. The campaign also made it to the short list of the International Digital Communication Awards in the category “Best Social Responsibility Project.” In addition, the “40 Kuruş a Day to the Piggy Bank” app was designated a model application by Facebook Studio.
The number of Compulsory Earthquake Insurance policies, which are a key part of TCIP’s responsibilities, have increased steadily each year since the Pool’s establishment, climbing to more than 6 million. As of end-2013, some 35.5% of all dwellings in Turkey were covered by Compulsory Earthquake Insurance.

9.1. POLICY PRODUCTION BY YEAR

<table>
<thead>
<tr>
<th>YEAR</th>
<th>NUMBER OF POLICIES (000)</th>
<th>INCREASE (%)</th>
<th>PREMIUM (000 TL)</th>
<th>INCREASE IN PREMIUM (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>6,029</td>
<td>26.0</td>
<td>674,181</td>
<td>32.2</td>
</tr>
<tr>
<td>2012</td>
<td>4,786</td>
<td>28.5</td>
<td>509,778</td>
<td>34.6</td>
</tr>
<tr>
<td>2011</td>
<td>3,725</td>
<td>12.3</td>
<td>378,783</td>
<td>18.6</td>
</tr>
<tr>
<td>2010</td>
<td>3,316</td>
<td>-3.5</td>
<td>319,415</td>
<td>-0.8</td>
</tr>
<tr>
<td>2009</td>
<td>3,435</td>
<td>20.8</td>
<td>322,065</td>
<td>18.1</td>
</tr>
<tr>
<td>2008</td>
<td>2,844</td>
<td>8.6</td>
<td>272,637</td>
<td>16.2</td>
</tr>
<tr>
<td>2007</td>
<td>2,618</td>
<td>2.5</td>
<td>234,615</td>
<td>14.0</td>
</tr>
<tr>
<td>2006</td>
<td>2,555</td>
<td>5.7</td>
<td>205,799</td>
<td>29.4</td>
</tr>
<tr>
<td>2005</td>
<td>2,417</td>
<td>15.6</td>
<td>159,085</td>
<td>26.0</td>
</tr>
<tr>
<td>2004</td>
<td>2,090</td>
<td>3.4</td>
<td>126,216</td>
<td>47.3</td>
</tr>
<tr>
<td>2003</td>
<td>2,022</td>
<td>-5.0</td>
<td>85,688</td>
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<tr>
<td>2002</td>
<td>2,128</td>
<td>-12.4</td>
<td>65,756</td>
<td>20.6</td>
</tr>
<tr>
<td>2001</td>
<td>2,428</td>
<td>-</td>
<td>54,526</td>
<td>-</td>
</tr>
</tbody>
</table>
## 9.2. Policy Production by Company


<table>
<thead>
<tr>
<th>Company</th>
<th>2012 Number of Policies</th>
<th>2013 Number of Policies</th>
<th>Policy Rate (%)</th>
<th>Increase (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ANADOLU SIGORTA A.Ş.</td>
<td>601,439</td>
<td>749,159</td>
<td>12.6</td>
<td>24.6</td>
</tr>
<tr>
<td>AXA SIGORTA A.Ş.</td>
<td>617,690</td>
<td>663,107</td>
<td>12.9</td>
<td>7.4</td>
</tr>
<tr>
<td>AKSIGORTA T.A.Ş.</td>
<td>410,127</td>
<td>639,690</td>
<td>8.6</td>
<td>56.0</td>
</tr>
<tr>
<td>GÜNÈŞ SIGORTA A.Ş.</td>
<td>331,204</td>
<td>420,811</td>
<td>6.9</td>
<td>27.1</td>
</tr>
<tr>
<td>ZIRAAT SIGORTA A.Ş.</td>
<td>351,030</td>
<td>376,795</td>
<td>7.3</td>
<td>7.3</td>
</tr>
<tr>
<td>YAPI KREDI SIGORTA A.Ş.</td>
<td>253,774</td>
<td>302,830</td>
<td>5.3</td>
<td>19.3</td>
</tr>
<tr>
<td>HALK SIGORTA A.Ş.</td>
<td>248,375</td>
<td>280,429</td>
<td>5.2</td>
<td>12.9</td>
</tr>
<tr>
<td>GROUPAMA SIGORTA A.Ş.</td>
<td>189,542</td>
<td>250,033</td>
<td>4.0</td>
<td>31.9</td>
</tr>
<tr>
<td>ERGO SIGORTA A.Ş.</td>
<td>198,311</td>
<td>236,863</td>
<td>4.1</td>
<td>19.4</td>
</tr>
<tr>
<td>EUREKO SIGORTA A.Ş.</td>
<td>236,037</td>
<td>235,689</td>
<td>4.9</td>
<td>-0.1</td>
</tr>
<tr>
<td>ALLIANZ SIGORTA A.Ş.</td>
<td>184,769</td>
<td>228,645</td>
<td>3.9</td>
<td>23.7</td>
</tr>
<tr>
<td>HDI SIGORTA A.Ş.</td>
<td>147,481</td>
<td>212,982</td>
<td>3.1</td>
<td>44.4</td>
</tr>
<tr>
<td>SOMPO JAPAN SIGORTA A.Ş.</td>
<td>160,346</td>
<td>187,891</td>
<td>3.4</td>
<td>17.2</td>
</tr>
<tr>
<td>IŞIK SIGORTA A.Ş.</td>
<td>139,856</td>
<td>177,470</td>
<td>2.9</td>
<td>26.9</td>
</tr>
<tr>
<td>MAPFRE GENEL SIGORTA A.Ş.</td>
<td>99,453</td>
<td>142,501</td>
<td>2.1</td>
<td>43.3</td>
</tr>
<tr>
<td>EURO SIGORTA A.Ş.</td>
<td>49,604</td>
<td>117,273</td>
<td>1.0</td>
<td>136.4</td>
</tr>
<tr>
<td>ZURICH SIGORTA A.Ş.</td>
<td>102,697</td>
<td>115,096</td>
<td>2.2</td>
<td>12.1</td>
</tr>
<tr>
<td>LIBERTY SIGORTA A.Ş.</td>
<td>56,995</td>
<td>93,843</td>
<td>1.2</td>
<td>64.7</td>
</tr>
<tr>
<td>AVIVA SIGORTA A.Ş.</td>
<td>53,863</td>
<td>88,187</td>
<td>1.1</td>
<td>63.7</td>
</tr>
<tr>
<td>NEOVA SIGORTA A.Ş.</td>
<td>58,361</td>
<td>81,992</td>
<td>1.2</td>
<td>40.5</td>
</tr>
<tr>
<td>RAY SIGORTA A.Ş.</td>
<td>73,003</td>
<td>79,561</td>
<td>1.5</td>
<td>9.0</td>
</tr>
<tr>
<td>ANKARA ANONIM TÜRK SIGORTA ŞIRKETI</td>
<td>40,314</td>
<td>75,439</td>
<td>0.8</td>
<td>87.1</td>
</tr>
<tr>
<td>HÜR SIGORTA A.Ş.</td>
<td>40,816</td>
<td>58,472</td>
<td>0.9</td>
<td>43.3</td>
</tr>
<tr>
<td>GENERALI SIGORTA A.Ş.</td>
<td>33,584</td>
<td>45,467</td>
<td>0.7</td>
<td>35.4</td>
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<tr>
<td>SBØ SIGORTA A.Ş.</td>
<td>33,948</td>
<td>42,522</td>
<td>0.7</td>
<td>25.3</td>
</tr>
<tr>
<td>DUBAI GROUP SIGORTA A.Ş.</td>
<td>39,941</td>
<td>33,598</td>
<td>0.8</td>
<td>-15.9</td>
</tr>
<tr>
<td>TÜRK NIPPON SIGORTA A.Ş.</td>
<td>11,634</td>
<td>32,760</td>
<td>0.2</td>
<td>181.6</td>
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<tr>
<td>DEMIR SIGORTA A.Ş.</td>
<td>10,734</td>
<td>17,465</td>
<td>0.2</td>
<td>62.7</td>
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<tr>
<td>AIG SIGORTA A.Ş.</td>
<td>5,761</td>
<td>15,723</td>
<td>0.1</td>
<td>172.9</td>
</tr>
<tr>
<td>TCIP</td>
<td>-</td>
<td>13,771</td>
<td>0.2</td>
<td>-</td>
</tr>
<tr>
<td>KORU MUTUEL SIGORTA</td>
<td>6,137</td>
<td>13,005</td>
<td>0.1</td>
<td>111.9</td>
</tr>
<tr>
<td>TURINS SIGORTA A.Ş.</td>
<td>-</td>
<td>22</td>
<td>0.0004</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>4,786,826</strong></td>
<td><strong>6,029,091</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
## 9. Statistics

### 9.3. Policy Production by Month

<table>
<thead>
<tr>
<th>Month</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>218,694</td>
<td>226,242</td>
<td>230,945</td>
<td>254,043</td>
<td>284,008</td>
<td>299,371</td>
</tr>
<tr>
<td>February</td>
<td>223,428</td>
<td>247,505</td>
<td>255,333</td>
<td>272,671</td>
<td>292,276</td>
<td>306,550</td>
</tr>
<tr>
<td>March</td>
<td>338,672</td>
<td>378,733</td>
<td>390,717</td>
<td>441,151</td>
<td>426,278</td>
<td>460,962</td>
</tr>
<tr>
<td>April</td>
<td>277,787</td>
<td>342,736</td>
<td>333,534</td>
<td>353,195</td>
<td>360,962</td>
<td>384,729</td>
</tr>
<tr>
<td>May</td>
<td>258,430</td>
<td>442,599</td>
<td>310,812</td>
<td>347,102</td>
<td>361,370</td>
<td>361,370</td>
</tr>
<tr>
<td>June</td>
<td>225,056</td>
<td>374,740</td>
<td>304,243</td>
<td>334,235</td>
<td>342,398</td>
<td>342,398</td>
</tr>
<tr>
<td>July</td>
<td>209,217</td>
<td>256,397</td>
<td>243,326</td>
<td>268,157</td>
<td>253,661</td>
<td>253,661</td>
</tr>
<tr>
<td>August</td>
<td>201,449</td>
<td>222,279</td>
<td>228,359</td>
<td>264,411</td>
<td>264,411</td>
<td>264,411</td>
</tr>
<tr>
<td>September</td>
<td>207,181</td>
<td>222,145</td>
<td>236,806</td>
<td>301,752</td>
<td>301,752</td>
<td>301,752</td>
</tr>
<tr>
<td>October</td>
<td>203,879</td>
<td>224,262</td>
<td>255,577</td>
<td>296,336</td>
<td>296,336</td>
<td>296,336</td>
</tr>
<tr>
<td>November</td>
<td>228,509</td>
<td>233,085</td>
<td>233,085</td>
<td>369,199</td>
<td>369,199</td>
<td>369,199</td>
</tr>
<tr>
<td>December</td>
<td>246,964</td>
<td>313,345</td>
<td>313,345</td>
<td>361,151</td>
<td>361,151</td>
<td>361,151</td>
</tr>
</tbody>
</table>

### 9.4. Penetration Rate by Region

<table>
<thead>
<tr>
<th>Region</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mediterranean Region</td>
<td>1,526,739</td>
<td>1,706,255</td>
<td>1,706,255</td>
<td>1,706,255</td>
<td>2,277,077</td>
<td>2,277,077</td>
</tr>
<tr>
<td>Eastern Anatolia</td>
<td>627,601</td>
<td>566,326</td>
<td>566,326</td>
<td>566,326</td>
<td>806,225</td>
<td>806,225</td>
</tr>
<tr>
<td>Aegean Region</td>
<td>186,284</td>
<td>248%</td>
<td>248%</td>
<td>248%</td>
<td>277,773</td>
<td>277,773</td>
</tr>
<tr>
<td>Southeastern Anatolia</td>
<td>737,773</td>
<td>23.6%</td>
<td>23.6%</td>
<td>23.6%</td>
<td>1,133,998</td>
<td>1,133,998</td>
</tr>
<tr>
<td>Central Anatolia</td>
<td>1,166,005</td>
<td>28.3%</td>
<td>28.3%</td>
<td>28.3%</td>
<td>1,166,005</td>
<td>1,166,005</td>
</tr>
<tr>
<td>Black Sea Region</td>
<td>460,389</td>
<td>35.6%</td>
<td>35.6%</td>
<td>35.6%</td>
<td>460,389</td>
<td>460,389</td>
</tr>
<tr>
<td>Marmara Region</td>
<td>3,194,319</td>
<td>44.7%</td>
<td>44.7%</td>
<td>44.7%</td>
<td>3,194,319</td>
<td>3,194,319</td>
</tr>
</tbody>
</table>

[Number of Compulsory Earthquake Insurance Policies] [Number of Dwellings Without Insurance]
It is estimated that 16.9 million dwellings in Turkey fall within the scope of the Compulsory Earthquake Insurance in Turkey. This table provides information about the number of dwellings and policies by province.
### 9.5. Penetration Rate by Province

<table>
<thead>
<tr>
<th>Province</th>
<th>Penetration Rate</th>
<th>Claims</th>
<th>Premiums</th>
<th>Total</th>
<th>Unit</th>
<th>%</th>
<th>Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MARMARA REGION</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>İstanbul</td>
<td>253,390</td>
<td>138,421</td>
<td>9,961,877,200</td>
<td>11,268,305</td>
<td>2</td>
<td>118.5</td>
<td></td>
</tr>
<tr>
<td><strong>CENTRAL ANATOLIA</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>BLACK SEA REGION</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TURKEY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Note:** The above table provides a summary of the penetration rate by province for the Turkish Catastrophe Insurance Pool Annual Report 2013.
### 9.6. Policy Distribution by Region

<table>
<thead>
<tr>
<th>REGION</th>
<th>NUMBER OF DWELLINGS</th>
<th>INSURED DWELLINGS</th>
<th>PENETRATION RATE (%)</th>
<th>POLICY DISTRIBUTION RATE (%)</th>
<th>PREMIUM</th>
</tr>
</thead>
<tbody>
<tr>
<td>MEDITERRANEAN REGION</td>
<td>2,154,340</td>
<td>627,601</td>
<td>29.1</td>
<td>10.41</td>
<td>65,995,265</td>
</tr>
<tr>
<td>EASTERN ANATOLIA</td>
<td>752,610</td>
<td>186,284</td>
<td>24.8</td>
<td>3.09</td>
<td>25,925,875</td>
</tr>
<tr>
<td>AEGEAN REGION</td>
<td>2,512,480</td>
<td>806,225</td>
<td>32.1</td>
<td>13.37</td>
<td>117,114,166</td>
</tr>
<tr>
<td>SOUTHEASTERN ANATOLIA</td>
<td>965,480</td>
<td>227,707</td>
<td>23.6</td>
<td>3.78</td>
<td>18,686,490</td>
</tr>
<tr>
<td>BLACK SEA REGION</td>
<td>1,626,590</td>
<td>460,585</td>
<td>28.3</td>
<td>7.64</td>
<td>46,825,889</td>
</tr>
<tr>
<td>MARMARA REGION</td>
<td>5,781,010</td>
<td>2,586,691</td>
<td>44.7</td>
<td>42.90</td>
<td>333,038,091</td>
</tr>
<tr>
<td>CENTRAL ANATOLIA</td>
<td>3,181,590</td>
<td>1,133,998</td>
<td>35.6</td>
<td>18.81</td>
<td>66,595,435</td>
</tr>
<tr>
<td>TURKEY</td>
<td>16,974,100</td>
<td>6,029,091</td>
<td>35.5</td>
<td>100</td>
<td>674,181,211</td>
</tr>
</tbody>
</table>
9. Statistics

9.7. Policy Distribution by Risk Region

<table>
<thead>
<tr>
<th>Policy Production BY Risk Region</th>
<th>Number of Policies</th>
<th>Rate (%)</th>
<th>Premium</th>
<th>Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Level</td>
<td>2,729,801</td>
<td>45.28%</td>
<td>405,738,448</td>
<td>60.2</td>
</tr>
<tr>
<td>2nd Level</td>
<td>1,595,079</td>
<td>26.46%</td>
<td>175,917,122</td>
<td>26.1</td>
</tr>
<tr>
<td>3rd Level</td>
<td>675,451</td>
<td>11.20%</td>
<td>44,682,034</td>
<td>6.6</td>
</tr>
<tr>
<td>4th Level</td>
<td>968,788</td>
<td>16.07%</td>
<td>45,495,727</td>
<td>6.7</td>
</tr>
<tr>
<td>5th Level</td>
<td>59,972</td>
<td>0.99%</td>
<td>2,347,881</td>
<td>0.3</td>
</tr>
<tr>
<td>TOTAL</td>
<td>6,029,091</td>
<td>100.00%</td>
<td>674,181,211</td>
<td>100.0</td>
</tr>
</tbody>
</table>
### 9.8. Policy Distribution by Building Construction Year

**Total Number of Policies:** 6,029,091

<table>
<thead>
<tr>
<th>PRODUCTION PER CONSTRUCTION YEAR</th>
<th>Number of Policies</th>
<th>Rate (%)</th>
<th>Premium</th>
<th>Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before 1975</td>
<td>365,052</td>
<td>6.05</td>
<td>36,253,682</td>
<td>5.4</td>
</tr>
<tr>
<td>1976-1996</td>
<td>1,520,212</td>
<td>25.22</td>
<td>173,033,205</td>
<td>25.7</td>
</tr>
<tr>
<td>1997-1999</td>
<td>522,785</td>
<td>8.67</td>
<td>60,681,716</td>
<td>9.0</td>
</tr>
<tr>
<td>2000-2006</td>
<td>2,383,447</td>
<td>39.53</td>
<td>268,564,733</td>
<td>39.8</td>
</tr>
<tr>
<td>2007 and After</td>
<td>1,273,595</td>
<td>20.53</td>
<td>135,647,875</td>
<td>20.1</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>6,029,091</td>
<td><strong>100.00</strong></td>
<td>674,181,211</td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>
### 9.9. Policy Distribution by Building Surface Area

<table>
<thead>
<tr>
<th>Building Surface Area</th>
<th>Number of Policies</th>
<th>Rate (%)</th>
<th>Premium</th>
<th>Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 75 m²</td>
<td>1,441,798</td>
<td>23.91</td>
<td>98,509,029</td>
<td>14.61</td>
</tr>
<tr>
<td>76-100 m²</td>
<td>1,947,408</td>
<td>32.30</td>
<td>199,417,850</td>
<td>29.58</td>
</tr>
<tr>
<td>101-125 m²</td>
<td>1,193,911</td>
<td>19.80</td>
<td>145,601,170</td>
<td>21.60</td>
</tr>
<tr>
<td>126-150 m²</td>
<td>820,475</td>
<td>13.61</td>
<td>115,638,943</td>
<td>17.15</td>
</tr>
<tr>
<td>150 m² and above</td>
<td>625,499</td>
<td>10.38</td>
<td>115,014,219</td>
<td>17.06</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>6,029,091</strong></td>
<td><strong>100.00</strong></td>
<td><strong>674,181,211</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

- **TOTAL NUMBER OF POLICIES**: 6,029,091
- **LESS THAN 75 M²**: 23.91%
- **76-100 M²**: 32.30%
- **101-125 M²**: 19.80%
- **126-150 M²**: 13.61%
- **150 M² AND ABOVE**: 10.38%