

TURKISH CATASTROPHE
INSURANCE POOL
COMPULSORY
EARTHQUAKE
INSURANCE
ANNUAL REPORT

2009



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MESSAGE FROM THE CHAIRMAN

In our country, where 98% of the territory lies on active earthquake zones, the earthquake maintains its position as the unchangeable fact of our lives and as one of the most frequently occurring natural disasters. Although not all of the earthquakes result in loss of life and property, they can cause damage to our homes.

Turkish Catastrophe Insurance Pool (TCIP) intensively continued its works to spread the use of the compulsory earthquake insurance during 2009. The number of homes insured by the compulsory earthquake insurance reached 3.5 millions as of the end of 2009. Meanwhile, the rate of properties insured by the compulsory earthquake insurance across the country rose to 27 percent.

TCIP covered a significant distance on the path toward raising the awareness of the public about the earthquake in general and the compulsory earthquake insurance in particular in 2009. During a tour by the Hürriyet Train across the country that lasted 50 days, TCIP told the necessity of the compulsory earthquake insurance to the citizens in 45

cities it visited. Prof. Dr. Ahmet Mete Işıkara, a noted volunteer of TCIP, delivered public seminars about the earthquake reality of Turkey and the importance of the compulsory earthquake insurance in the cities Adana, Samsun, İzmit, Sakarya and Edirne.

As TCIP, we intensified our preparations and realized the exercise of the Disaster Emergency Action Plan in 2009 in order to deliver the fastest service in an earthquake. We have tested the continuity of our work flow, the organization and coordination of our employees and resources, as well as the business plans to be developed according to the extent of damage, according to the yellow scenario developed against a possible earthquake resulting in 5.000 to 10.000 claims.

Being one of the best examples of the public-private sector collaboration in the world, TCIP continued to be an example to the world in 2009. A delegate of four persons from the Center for Development Researches subordinated to the State Council of the People's Republic of China visited us and gathered information about the establishment, structure and operation of TCIP, the compulsory earthquake insurance, the post-earthquake action plans implemented and indemnity payments made by TCIP, and the reinsurance practices of TCIP.

I wish to extend my sincere thanks the executives and employees of the Undersecretariat of Treasury for valuable supports they provided to TCIP in its efforts to realize the projects at hand successfully and the members of the Board of Directors of TCIP and the executives and employees of Eureka Sigorta A.Ş., the Manager of TCIP, for their outstanding efforts.

Yours sincerely,

İdris SERDAR
Turkish Catastrophe Insurance Pool
Chairman of the Board of Directors

MESSAGE FROM THE GENERAL MANAGER OF EUREKO SİGORTA, THE MANAGER OF TCIP

One of the unchanging issues in the agenda of the country was earthquake again in 2009. Small and large shakes occurred in a number of cities kept reminding us the reality that Turkey lies on an earthquake zone. Shocks of 4 and higher magnitudes on Richter scale that occurred in Konya, which is designated as the lowest earthquake risk zone, have made us aware once again that nowhere is safe and there is no exception for earthquake risk.

As TCIP, we focused on expanding the use of the compulsory earthquake insurance in 2009. Our efforts yielded fruit, so that our compulsory earthquake insurance became one of the fastest growing insurance lines in 2009, though it was a difficult year for the insurance sector in general.

The premiums written for the compulsory earthquake insurance grew by 18.25 percent and the number of policies by 20.8 percent in 2009. The number of homes insured by the compulsory earthquake insurance reached 3.5 millions and the rate of insured homes 27 percent across the country. We owe this success to our close ties with the local administrators, our agents and the people of the country as well as to reaching all parts of Turkey with our informative seminars and materials.

In 2009, total 33 earthquakes that resulted in physical damage occurred and 237 insured homes sustained damage across the country. TCIP paid indemnities amounting to TL 440,795 in total to the owners of homes affected from the earthquake in 2009.

As TCIP, we took very important steps in 2009 toward raising the awareness of the public about the compulsory earthquake insurance and the number of safe homes. We plan to continue these activities, conducted with the principle of "Earthquake will pass, life will go on," with the same dedication and intensity throughout 2010.

I would like to extend my heartfelt thanks to the insurance companies, the insurance intermediaries and the surveyors for their collaboration, to the Undersecretariat of Treasury for their support, and to the Chairman and members of the Board of Directors of TCIP for their dedicated efforts, who all contributed to our achievements as the Manager of TCIP in 2009.

Yours sincerely,

H. Okan UTKUERİ
General Manager
Eureka Sigorta A.Ş.
Manager of TCIP



INTRODUCTION AND GENERAL INFORMATION

CHAIRMAN AND MEMBERS OF THE BOARD OF DIRECTORS OF TURKISH CATASTROPHE INSURANCE POOL (TCIP)

NAME	POSITION	EMPLOYER AND TITLE
İdris SERDAR	Chairman	Directorate-General of Insurance of the Undersecretariat of Treasury, Assistant General Manager
Metin SERİN	Member	Ministry of Public Works and Settlement, Member of Supreme Technical Board
Faruk ÖZÇELİK	Member	Directorate-General of Personnel and Principles of the Prime Ministry, General Manager
Erhan TUNCAY	Member	Turkish Association of Insurance and Reinsurance Companies, Secretary-General
Bekir Sıtkı ŞAFAK	Member	Capital Market Board, Vice President
Prof. Dr. Mustafa ERDİK	Member	Director of the Kandilli Observatory and Earthquake Research Institution and President of the Earthquake Engineering Department of Bosphorus University
H. Okan UTKUERİ	Member	General Manager of Eureka Sigorta A.Ş., The Manager of TCIP

In our country, where 98 percent of its territories lie on the earthquake zones, the earthquake remains as unchangeable reality of life and as one of the most frequently occurring natural disasters. The residents of Turkey, as in every country facing the earthquake risk, must know how to behave correctly before, during and after an earthquake to minimize all risks that may increase the vulnerability. The Compulsory Earthquake Insurance is one of the top measures required to be taken before an earthquake during the last 10 years.

The Turkish Catastrophe Insurance Pool, briefly TCIP, was founded in 2000 in the wake of the Marmara Earthquake of August 17, 1999, as the executive company of the Compulsory Earthquake Insurance as subordinated to the Undersecretariat of Treasury. As a non-profit public entity, TCIP has the duty of insuring the homes against earthquake in consideration of an affordable premium.

The homes are protected by TCIP against earthquake and other perils such as fire, explosion, landslide, etc. directly resulting from earthquake under the Compulsory Earthquake Insurance. The premium of the Compulsory Earthquake Insurance covering all homes within the municipal and surrounding areas is calculated according to the construction type and gross surface area of the

home and the earthquake risk rating of the region where the home is situated. By paying the amount of loss in full and promptly to the owners of homes insured by the Compulsory Earthquake Insurance in the aftermath of an earthquake, TCIP targets that the physical damage caused by the earthquake does not become a financial burden on both the government and the home owner.

The fund built by TCIP, one of the largest insurance pools of the world today, with the premiums collected from the policy holders, is invested so as to yield the highest income, while the principal is protected as the first priority. The fund built with the insurance premiums and the incomes from the investment of premiums is used to pay the claims resulting from the earthquake only.

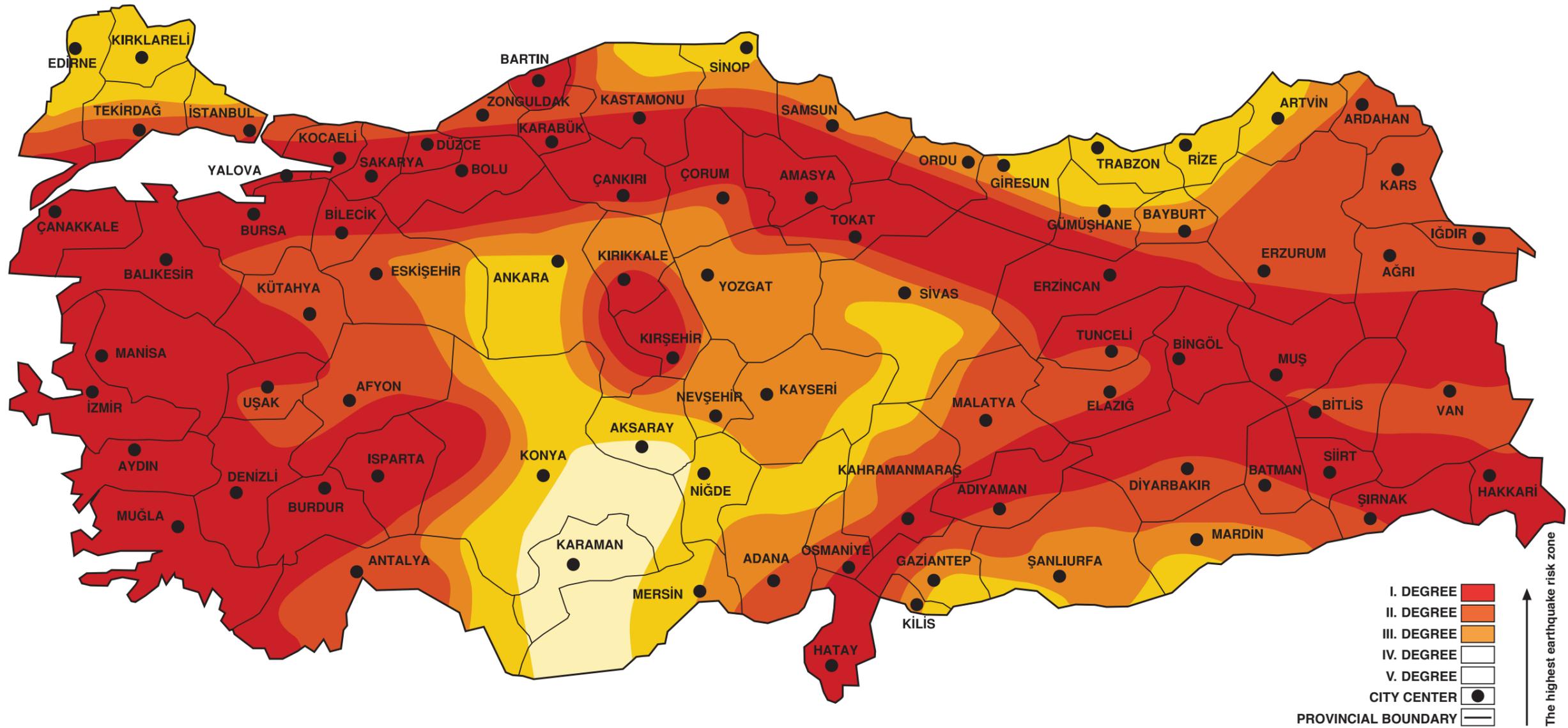
When homes insured by the Compulsory Earthquake Insurance have sustained damage or become unusable due to earthquake, the funds necessary for the repair or re-building of the home are paid by TCIP to the insured. With the Compulsory Earthquake Insurance system, it is targeted that the home owners would be able to repair any damage sustained by their homes due to an earthquake and to return to normal life quicker in the aftermath of the earthquake.

EARTHQUAKES OCCURRED IN THE COUNTRY SINCE 1990, WHICH CAUSED SIGNIFICANT LOSS OF LIFE AND PROPERTY

Earthquake	Date	Death Toll	Injured	Homeless	Affected Population	Financial Loss in million \$
Erzincan	13.03.1992	653	3.850	95.000	250.000	750
Dinar	01.10.1995	94	240	40.000	120.000	100
Çorum-Amasya	14.08.1996	0	6	9.000	17.000	30
Ceyhan-Adana	27.06.1998	145	1.600	88.000	1.500.000	500
İzmit Körfezi	17.08.1999	17.480	43.953	675.000	15.000.000	13.000
Düzce	12.11.1999	763	4.948	35.000	600.000	750
Afyon-Sultandağı	03.02.2002	42	327	30.000	222.000	96
Bingöl	01.05.2003	177	520	520	245.000	135
TOTAL		19.354	55.444	972.520	17,954,000	15,361

Source: Directorate-General of Disaster Affairs

TURKEY EARTHQUAKE ZONES MAP



The Turkish Catastrophe Insurance Pool has been insuring the residential dwellings within the municipal boundaries against earthquake risk since the very day of its establishment. The total amount of indemnities paid by TCIP under 10.668 claim files in respect of 271 earthquakes with magnitudes varying between 3.6 and 6.5 that occurred since September 27, 2000, the date when the Compulsory Earthquake Insurance was introduced.

In the implementation of TCIP and the Compulsory Earthquake Insurance, which are considered as an exemplary project by the world countries, the insurance sector plays an important role. Presently, 28 authorized insurance companies and their agents issue Compulsory Earthquake Insurance on the name and account of TCIP.

The Insurance Companies Licensed to Issue Compulsory Earthquake Insurance are as follows:

- 1) AK SİGORTA A.Ş.
- 2) ALLIANZ SİGORTA A.Ş.
- 3) ANADOLU ANONİM TÜRK SİGORTA ŞTİ.
- 4) ANKARA ANONİM TÜRK SİGORTA ŞTİ.
- 5) AVIVA SİGORTA A.Ş.
- 6) AXA SİGORTA A.Ş.
- 7) BİRLİK SİGORTA A.Ş.
- 8) CHARTIS SİGORTA A.Ş.
- 9) DEMİR SİGORTA A.Ş.
- 10) DUBAİ GROUP SİGORTA A.Ş.
- 11) ERGOİSVİÇRE SİGORTA A.Ş.
- 12) EUREKO SİGORTA A.Ş.
- 13) EURO SİGORTA A.Ş.
- 14) FİBA SİGORTA A.Ş.
- 15) GENERALİ SİGORTA A.Ş.
- 16) GROUPAMA SİGORTA A.Ş.
- 17) GÜNEŞ SİGORTA A.Ş.
- 18) HDI SİGORTA A.Ş.
- 19) HÜR SİGORTA A.Ş.
- 20) IŞIK SİGORTA A.Ş.
- 21) LIBERTY SİGORTA A.Ş.
- 22) MAPFRE GENEL SİGORTA A.Ş.
- 23) NEOVA SİGORTA A.Ş.
- 24) RAY SİGORTA A.Ş.
- 25) SBN SİGORTA A.Ş.
- 26) TÜRK NİPPON SİGORTA A.Ş.
- 27) YAPI KREDİ SİGORTA A.Ş.
- 28) ZURICH SİGORTA A.Ş.

Some indications related to Compulsory Earthquake Insurance as of 31st December 2009 are as follows:

Total number of policies in effect	: 3.435.861 pieces
Total amount of coverage	: TL 201 billion
Premium production in 2009	: TL 322 million
Average cover per dwelling	: TL 59 thousand
Average premium per dwelling	: TL 94

1.1 Activities of the Board of Directors

Some findings, evaluations and developments concerning the period of January 1, 2009-December 31, 2009 which is the subject of the Annual Report are as follows:

Article 6 of the Government Decree Enforceable as Law, No. 587, concerning the Compulsory Earthquake Insurance provides that TCIP shall be managed by a Board of Directors formed by seven members, one of whom being the chairman. Article 7 of the said Decree provides that the Board of Directors shall be formed by 7 members, including the Chairman, representing

- The Prime Ministry,
- The Undersecretariat of Treasury,
- The Ministry of Public Works and Settlement,
- The Capital Market Board,
- The Turkish Association of Insurance and Reinsurance Companies,
- Manager Company of TCIP, and

● a person having the title of civil engineer, geophysics engineer, geology engineer or an equivalent title and experience of minimum seven years in earthquake, appointed by the Undersecretariat of Treasury. Formation of the Board of Directors as such bears great importance as regards to representation of all concerned parties and successful implementation of the Compulsory Earthquake Insurance program.

The Board of Directors of TCIP met 6 times and passed 23 resolutions during 2009. Some of the important issues decided are as follows:

● In the meeting of the Board of Directors dated February 17, 2009, it was decided that TL 400 million of the funds of TCIP be distributed among four portfolio management companies, namely İş Portföy Yönetimi A.Ş., Garanti Portföy Yönetimi A.Ş., Ak Portföy Yönetimi A.Ş. and Yapı Kredi Portföy Yönetimi A.Ş.

● In the meeting of the Board of Directors dated February 17, 2009, it was decided that the audit services for 2009, including full scope independent audit of the financial statements of TCIP, which are to be issued in accordance with the International Financial Reporting Standards (IFRS), in accordance with the International Audit Standards and issuing of an audit report, containing the opinion of the independent auditor as well, in Turkish and English, be purchased from PriceWaterhouseCoopers Başaran Nas.

- In the meeting of the Board of Directors dated March 31, 2009, considering that the discounts introduced for policy renewals and for issuing of collective policies to apartments and housing estates would increase the number of new and renewed policies, it was decided that the agent incentive campaign be ended as from the second campaign period of 2009.

- In the meeting of the Board of Directors dated June 23, 2009, it was decided that the public opinion poll which was conducted in 2008 in order to see the effect of the advertisement campaign that was continuing, be conducted again.

- In the meeting of the Board of Directors dated June 23, 2009, it was decided that the company named Grup 7 be hired as the communication firm and Markom Leo Burnett as the advertisement agency.

- In the meeting of the Board of Directors dated September 30, 2009, the budget set aside for carrying out of the e-learning project concerning the training of surveyors in conjunction with Turkish Insurance Institute was approved.

- In the meeting of the Board of Directors dated October 8, 2009, decision was taken concerning the reinsurance placement for 2009-2010.

1.2 Issues Related to Legislation and Implementations

Amendment to Tariff

The tariff of the Compulsory Earthquake Insurance was amended by the "Tariff and Instruction Amending the Tariff and Instruction for the Compulsory Earthquake Insurance" which was published in the Official Journal dated 14.11.2008, no. 27054.

The maximum sum insured and the price per square meter have been revised effective from 01.01.2009 as follows:

- Maximum sum insured : TL 140.000

- Minimum premium : TL 25,00

- Prices per square meter prices :

A- Steel, Reinforced Concrete Carcass Buildings : TL 550

B- Brick Masonry Buildings : TL 395

C- Other Buildings : TL 205

Discounts Offered for Collective Policies and Renewals

With the introduction of the Tariff and Instructions for the Compulsory Earthquake Insurance, effective 01.01.2009, the rate of discount offered for collective policy issuing for apartment houses has been raised from 10% to 20% and a further discount at the rate of 20% has been introduced for renewal of the policy within 30 days after the expiry of the policy. It is expected that these incentives introduced with the aim of encouraging the people to renew their policies and to purchase collective policies for apartment houses and housing estates would increase the number of both new policies and renewed policies. Besides the said discounts, informative meetings are held with the public employees, the intermediaries and the people in various provinces and advertisement and promotion campaigns are conducted. Such activities have contributed to the increase of the number of policies.

1.3 Activities of Eureko Sigorta, the Managing Company of TCIP, in 2009

Pursuant to Article 6 of the Government Decree Enforceable as Law, No. 587, the management of TCIP was assigned to Garanti Sigorta A.Ş. under an agreement executed with the the Undersecretariat of Treasury on August 8, 2005 for a term of 5 years. Garanti Sigorta has been continuing its operations under the name of Eureko Sigorta A.Ş. since October 2007.

In 2009, as the Manager of TCIP;

1.3.1 Fund Management

The funds of TCIP have been invested in accordance with the principles applicable to the investment of the funds of TCIP as set out in the "Regulation Concerning the Rules and Procedures of Working of the Board of Directors of TCIP" by taking into account the liquidity and the protection of the principal of the funds as the first priority as well as the yield rates of the investments. A portion of the Fund is managed by the portfolio management companies in accordance with the same principles.

1.3.2 Reinsurance Protection

Liabilities of TCIP arising from the policies are monitored regularly and reinsurance protection limits are established by taking into account the earthquake damage modeling of the international institutions. In this regard, the reinsurance protection of TCIP has been renewed in accordance with the characteristics of the portfolio existing as of November 1, 2009 and placements have been made to various reinsurers under the leadership of Munich Re of Germany, Swiss Re of Switzerland, Amlin of the UK, etc. for the period of 01.11.2009-31.10.2010, so that an excess of loss reinsurance protection consisting of ten (10) layers, providing reinsurance up to EURO 1,500 million, which also include reinsurance solutions structured with the capital markets, has been obtained.

1.3.3 TCIP Data Processing System - Software

The new software construction of TCIP;

- The structural differences between the Internet application and the Real Team Application Unit (RTAU) production in the existing construction have been eliminated to unite them under a single infrastructure.

- A more parametrical structure has been built to ensure easier use of the parameters by the authorized users. For example, production of policy by the Province/Sub-province/District from the tariff parametrically for risk acceptance can be prevented.

- The logic of group policy has been changed. Now first the groups are formed and then the policies attached.

- While only one insured could be entered in the old version of the software, now the data of “n” number of insured can be entered.

- The endorsements created by the extra premium, free of premium and change of benefit endorsement steps in the old version are now created as specific to the change. The types of endorsements in the new version of the software are as follows:

- Change of Building Construction Type
- Change of Square Meter
- Change of Insured & Policy Holder
- Change of Mortgagee Creditor
- Change of Risk
- Change of Tariff
- Transfer of Policy

- The policy inquiry logics have been changed, so that inquiry can now be made by various search criteria.

- In the new version of the software, the data of the policy holder include the following data besides the type and nationality of the customer:

- Real Person/Legal Entity
- National of Turkey/foreigner
- TR Identity Number
- Name
- Last Name
- Title
- Tax Registration Number
- Tax Office
- Passport No.
- Mobile Phone Number
- Home/Office Phone Number
- E-mail Address
- Capacity

- The data of the Mortgagee Creditor, as follows, can now be stored in separate fields apart from the data of the policy holder:

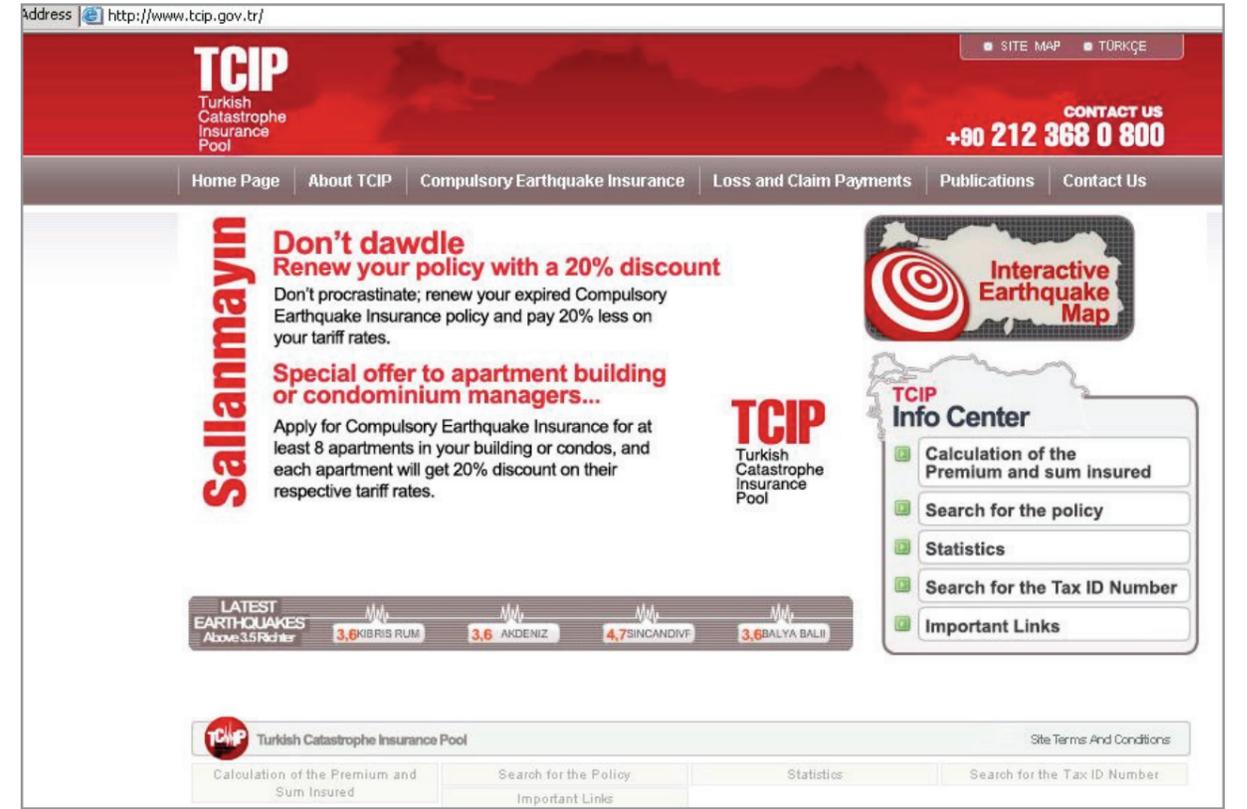
- Mortgagee Creditor entity - Bank, Financial Institution
- Mortgagee Creditor Bank
- Mortgagee Creditor Branch Office
- Mortgagee Creditor Financial Institution
- Mortgagee Creditor Account/Contract No.
- Loan Expiry Date
- Amount of Loan
- FX Code of the Loan

- The communication data are now kept separately.

- The logic of retrospective policy transfer has been changed. Instead of Sdf file, xml printout is received.

1.3.4 Web Site in English

In order to enable the foreign national citizens residing in our country to obtain information about TCIP on the web, the web site of TCIP in English was launched on July 31, 2009.



The screenshot shows the TCIP website interface. The header includes the TCIP logo, a navigation menu with links like 'Home Page', 'About TCIP', 'Compulsory Earthquake Insurance', 'Loss and Claim Payments', 'Publications', and 'Contact Us', and a contact number '+90 212 368 0 800'. The main content area features a large banner with the text 'Sallanmayın Don't dawdle Renew your policy with a 20% discount' and 'Special offer to apartment building or condominium managers...'. Below this is a section for 'LATEST EARTHQUAKES' with a table of recent events. To the right, there is an 'Interactive Earthquake Map' and a 'TCIP Info Center' with links to 'Calculation of the Premium and sum insured', 'Search for the policy', 'Statistics', 'Search for the Tax ID Number', and 'Important Links'. The footer contains the TCIP logo and a 'Site Terms And Conditions' link.

LATEST EARTHQUAKES	Above 3.5 Richter
3,6	KIBRIS RUM
3,6	AKDENIZ
4,7	SINCANDIV
3,6	BALYA BALI

Ankara Disaster Recovery Test

In order to determine that the emergency servers of TCIP located in Ankara are operating properly in an emergency, the initial test operations were conducted on Sunday, November 15, 2009. In the test run, all applications running on the servers located in Istanbul were shut down and the emergency servers in Ankara connected. Meanwhile, “Web application” and “RTAU web services” were tested by the users separately and all transactions done in the normal course of business were performed. It was determined that the emergency servers were operating in full at the current format.

Sending of information by SMS for renewals

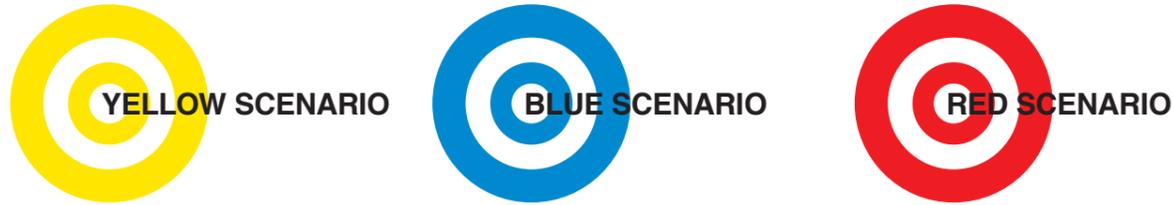
Reminder messages are sent by SMS to the policy holders whose mobile phone numbers are stated on the policy about 1 month before the expiry date of the policy. Messages are sent monthly on the 10th day of each month for the renewals in the next month. At the end of the relevant month, the number of renewed policies is checked and reported.

1.3.5 Disaster Emergency Action Plan

It is targeted that the operations of TCIP in the aftermath of an earthquake can be carried out systematically at the expected speed without any panic and chaos.

Works were commenced for development of TCIP Disaster Emergency Action Plan in accordance with international standards under the leadership of Prof. Dr. Mikdat KADIOĞLU, Asst. Prof. Alper İLKI and Associate Asst. Prof. Dr. Turan SÖYLEMEZ, the lecturers of Istanbul Technical University, under a protocol executed on 05.09.2006. As a result of the works carried out within this scope, the Disaster Emergency Action Plan has been developed within the authority given by the resolution of the Board of Directors of TCIP, dated March 6, 2007, no. 66, to the Managing Company of TCIP.

TCIP Disaster Emergency Action Plan (DEAP) will be implemented in an earthquake occurred in Istanbul or outside Istanbul at magnitudes specified in the scenarios contained in the plan. DEAP has been so designed to handle 5.000 claim files. As a result of the studies, 3 scenarios, colored as Yellow, Blue and Red according to the number of claim files, have been developed.



The Yellow Scenario was tested through the exercises of various applications contained in the scenario at 2 dates, namely 02.10.2009 and 12.12.2009. The exercises tested the processes targeted in the plan, any points needing revision were identified, and the DEAP document was revised as of 31.12.2009.

1.3.6 Advertisement and Promotion

The advertisement and promotion strategy has been established and the communication firm to be in charge of the advertisement and promotion has been chosen. Under the contract executed with the chosen communication firm, TCIP has begun to follow a professional communication strategy.

Within this scope, again in pursuit of the same objective, the advertisement agency and the media purchasing firm have been chosen for the walk towards attaining the goal of increasing the number of policies and insured homes across the country.

Agreements were reached with Group 7 Communication Agency and Zenith Media Purchasing Firm and services of these firms were used in areas related with advertisement and promotion. The selection of the advertisement agency who will work on the communication strategy and campaigns in such content and design that will contribute to the corporate reputation of TCIP and trigger the purchasing behavior by raising the awareness of the target mass and the social stakeholders about the "Compulsory Earthquake Insurance" has been made and Markom Leo Burnett Advertisement Agency has been chosen in this regard.

2. Advertisement Campaign Period

By the resolution of the Board of Directors dated 31.03.2009, no. 105, the 2nd advertisement campaign of TCIP was carried out between 21.05.2009 and 14.06.2009.

In the advertisement campaign, television channels, billboards, newspapers, the Internet, all local and national radio channels, exclusive projects (TV serial integration and competition) were used as media.

August 17 Advertisement and Promotion Activities

On the occasion of 10th anniversary of the Marmara Earthquake occurred on August 17, 1999, great importance was given to the promotion and reminding activities in 2009. The August 17 promotion campaign of TCIP planned by the resolution of the Board of Directors dated 12.08.2009, no. 116, was conducted between 14.08.2009 and 30.08.2009.

As the media of the advertisement campaign, newspapers, magazines, open-air visuals, the Internet, national radio channels, and crossover banners, in Istanbul only, were used.

Press Conference on 12.08.2009

A press conference was held at Provincial Disaster and Emergency Directorate of the Office of Governor of Istanbul on 12.08.2009. Our proprietary movie underlining the fact that the only unchanging reality of Turkey besides the events and the changes of conditions that took place during 10 years since the earthquake of August 17, 1999 is the earthquake was shared during the press conference.

Between August 12, the date of the press conference, and August 17, the 10th anniversary of the earthquake, the programs, mainly in the TV channels, covering the earthquake issue, were participated intensively.

Collaboration of the National Lottery Agency

Works were carried out to take part in the drawing day of 09.08.2009 of the National Lottery. Our slogan "Don't forget to take out your Compulsory Earthquake Insurance" was placed on the lottery tickets.

With this work done at the 10th anniversary, it was targeted to remind the public of this issue with the aim of delivering the message that the issue of insurance cannot be left to chance.



Regional Promotional Meetings

TCIP has given great importance to the provincial information meetings across Turkey which were organized to emphasize that there is a need for acting with the consciousness of social responsibility by managing the risks faced by the society by rational methods. The provinces where these meetings were held were chosen according to the earthquake risk zone where the province is located and to the rate of insurance in the provinces.

Advertisements in the Local Newspapers

Compulsory Earthquake Insurance ads were placed in local newspapers in Edirne, Balıkesir, Çanakkale, Bursa, Tekirdağ, Kırklareli and İzmir between 30.04.2009 and 04.05.2009.

The Project Volunteers

With the purpose of raising the awareness about the availability and importance of the Compulsory Earthquake Insurance, spreading the use of the insurance, reinforcing the reputation and reliability of TCIP in the eye of the public and delivering the messages about the Compulsory Earthquake Insurance and TCIP to the public from the mouth of trustful people, a group of "TCIP Volunteers" has been established with the participation of noted and influential figures in the position of opinion leader in the community.

Within the scope of the project,

- Invitations were sent to 69 people in the world of business, art, media, academy, sports and NGOs and 26 people have been gained as TCIP Volunteers.
- Within the scope of the "Hürriyet Train" activities, Prof. Dr. Ahmet Mete Işıkara, a TCIP Volunteer, delivered seminars to the public in 5 provinces. In addition, advertisements depicting the pictures of Prof. Dr. Ahmet Mete Işıkara and Mr. Nasuh Mahruki, TCIP Volunteers, published in the newspapers at the anniversary of the August 17 Marmara Earthquake.
- Outdoor ads depicting the picture of Prof. Dr. Ahmet Mete Işıkara, TCIP Volunteer, were used at the anniversary of November 12 Düzce Earthquake.

The Program "Bakış" Broadcast on CNN Turk

Agreement was remade with Mr. Noyan Doğan, a producer at CNN Turk, for broadcasting of a TV program aimed at giving information about the Compulsory Earthquake Insurance and TCIP on Saturdays for 40 weeks (40 programs) from 23.05.2009.

The content of the program has been changed and street interviews and regional information have been added to the coverage. The program broadcast between 11.00 and 12.00 hours am on every Saturday.

News in the Press in 2009

493 news appeared in the national press and 354 news in the local press on TCIP and the Compulsory Earthquake Insurance during 2009.

Symposiums, Conferences and Training Activities

- 11th Round Table Meeting at the Middle East University on January 16, 2009
- 16th Annual ITU-TIEMS Conference on June 11, 2009
- UNESCO IPRED WORKSHOP at the Istanbul Technical University on July 6-7, 2009
- Safe Life Volunteers Symposium on August 14, 2009
- International Earthquake Symposium at Kocaeli University on August 17-19, 2009
- 1509 Marmara Earthquake Symposium on September 10-12, 2009
- International Conference on Seismic Risk Mitigation on December 8-10, 2009

Information Letters Sent to Institutions and Organizations Regarding Social Sensitivity

In June 2009, letters giving information about the CEI and TCIP were sent to 512 public institutions, federations, associations, banks and chambers and their supports asked with the aim of spreading of the Compulsory Earthquake Insurance.

Periodicals

Our articles are published regularly every month in the periodical "Birlik'ten" [From the Association] issued by the Turkish Association of Insurance and Reinsurance Companies. News about and articles written by us are published in the periodical "Sigorta Postası" [Insurance Mail] issued by the Manager of TCIP to share the sector and company news.

Collaboration with the Presidency of Religious Affairs

As a result of the talks between the Presidency of the Religious Affairs and the Turkish Catastrophe Insurance Pool, 2.000.000 brochures and 5.000 posters were delivered in December 2009 to offices of muftis in 7 provinces and 16 sub-provinces for distribution to the public.

The Project "Hürriyet Train"

● In the project titled "Liberty is Our Right, Train is Freedom," conducted through a collaboration between the Daily Hürriyet and the Turkish State Railways with a view to raising the awareness of the public in collaboration with the local administrations in the visited provisions, TCIP took part with the theme of "Right for a Sustainable Life: Earthquake Will Pass, Life Will Go On".

● One of the cars of the Hürriyet Train was clad with the logo of TCIP and the motto of "Earthquake Will Pass, Life Will Go On". Throughout the tour across Turkey covering 45 cities for a period of 50 days, TCIP held seminars and meetings. Meetings with local administrators, primarily governors and mayors, were held in the train.

The objective of participating in the "Hürriyet Train" project was set as follows:

- To raise the awareness about TCIP and Compulsory Earthquake Insurance in Anatolia
- To build awareness on the Compulsory Earthquake Insurance
- To establish relationships with and ask support from the local administrators
- To establish direct contact with the people through the station events
- To take part in the news appeared in the Daily Hürriyet bearing the logo of "Hürriyet Train"
- To be reflected in the other newspapers, TV channels and web sites of the group.



DASK Gönüllüleri, iş, sanat, medya, akademi ve spor dünyasından sevilen ve güvenilir isimlerin katılımıyla genişlemeye devam ediyor.

Short Movie Competition

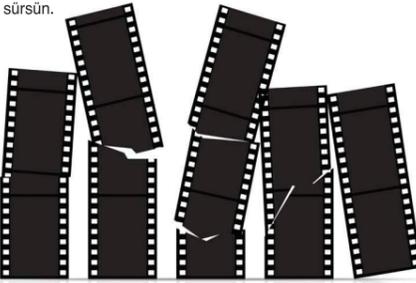
Within the scope of communication and promotion activities conducted with the purpose of building awareness in the public and raising awareness about us in the public within the framework of our communication plan, an "Inter-university Short Movie Competition" was organized among the university students who are the future of Turkey, at the 10th anniversary of the Grand Marmara Earthquake. The objective was to add the academicians and the students to our campaign through the movie competition and to raise the awareness about the subject matter. The campaign was supported with posters in metros, radio ads and the Internet ads. The short movie titled "Önlem" [The Measure] shot by a student at the Ankara University won the first prize of the competition. The award ceremony was held at Provincial Disaster and Emergency Center of the Office of Governor of Istanbul on August 12, 2009.

www.dask.gov.tr

Depremden sonra, yarından önce...

Üniversiteler arası Kısa Film Yarışması
5 MAYIS - 25 HAZİRAN 2009

10 yıl önceydi...
Çok kısaydı, etkisi çok uzun sürdü.
Bu 10 yılı anlatın, kısa olsun,
etkisi çok uzun sürsün.



ÖDÜLLER

1. Apple Macbook Pro 2,5 Ghz / 4 GB
SONY HVR-HD1000E

2. Apple Macbook Pro 2,4 Ghz / 2 GB

3. Apple Mac 20" 2,66 Ghz / 2 GB

1. Mansiyon Ödülü
SONY DCR Dijital Kamera

2. Mansiyon Ödülü iPod touch 16 GB

İlk üçe giren öğrencilerin
fakültelerine: SONY HVR-HD1000E

MARMARA DEPREMİNİN 10. yılı

dask
DOĞAL
AFET
SİGORTALARI
KURUMU

1.3.7 Projects Accelerating the Activities of TCIP and Ensuring the Operation of a Sound Structure

Surveyor Training Activity

Activities of training of surveyors, which form a significant part in the development of the Disaster Emergency Action Plan, were commenced in 2008. Within the scope of the Disaster Emergency Action Plan activities carried out by TCIP, a need for increasing the surveyor resource and restructuring of surveyor training has emerged.

Works toward making the civil engineers and architects capable of making surveys of Compulsory Earthquake Insurance besides the insurance surveyors are in progress with a view to enlarging the surveyor resource. To this end, a study is being conducted to include both the construction knowledge and the insurance and claim practices into the scope of the surveyor training. The training work is carried out in conjunction with the Turkish Insurance Institute.

The target mass of the training;

1. Surveyors having TCIP surveyor certificate,
2. Surveyors having the fire insurance surveyor certificate who want to have TCIP surveyor certificate,
3. Civil engineers and architects.

1.3.8 Works of the Commission Concerned with the Purchases of Goods and Services, and the Operational Quantities

In the supply of the needs of TCIP, purchase of goods and services is essential pursuant to the provisions of the Government Decree Enforceable as Law, No. 587, and the Regulations Concerning the Rules and Procedures of Working of the Board of Directors of the Turkish Catastrophe Insurance Pool. 10 commissions were formed for purchase of goods and services to supply the needs in this regard as of 31.12.2009.

The number of answers sent to the insured and the people concerning the operational affairs of TCIP via e-mail is 8.808 as of 2009. Besides, the number of letters received from the insured, the people, various institutions and organizations is 4.248 and the number of answers given to this letters, 5.610.

1.3.9 Ascertainment of Loss and Payment of Indemnity

Loss ascertainment procedures are carried out by the independent loss adjusters commissioned on behalf of TCIP. The indemnities allowed as a result of the adjustments are paid directly by TCIP.

Indemnity Payments by Earthquakes:

● TL 20,184,542 has been paid under 10.668 claim files opened as a result of 271 earthquakes occurred since September 27, 2000, the date when the Compulsory Earthquake Insurance has been introduced.

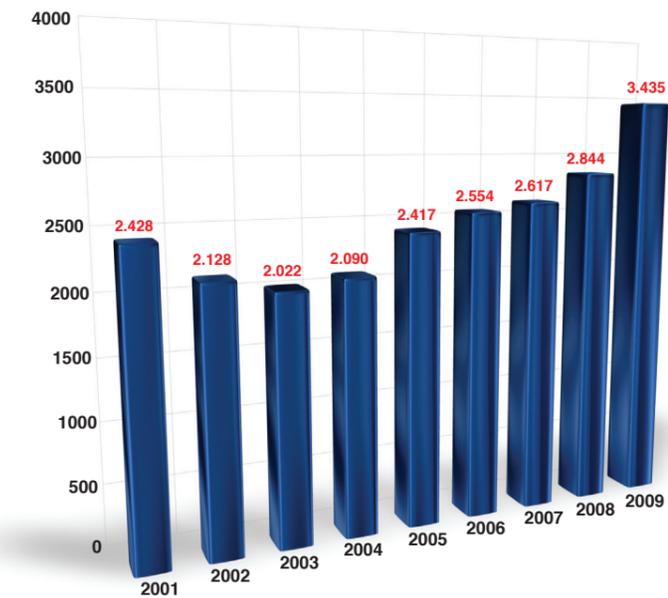
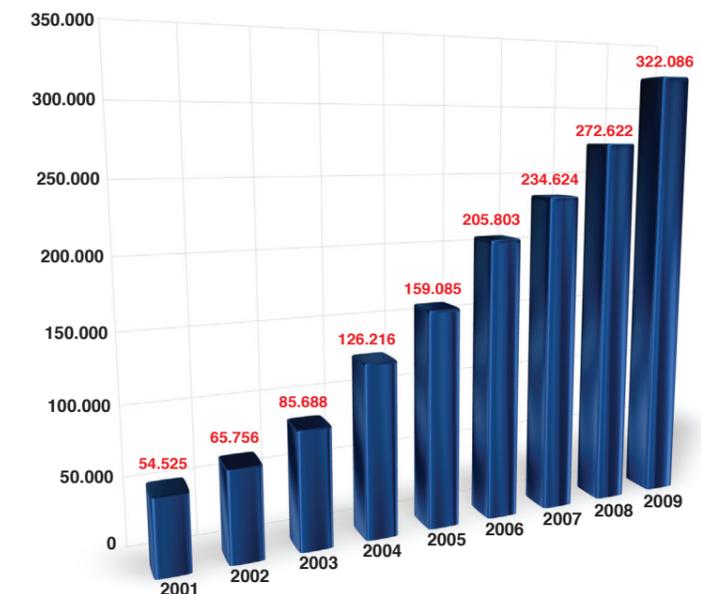
● TL 440,795 was paid under 237 claim files opened as a result of 33 earthquakes occurred in 2009.

97% of the Indemnities Paid are for Partial Damage:

3% of 10.668 claims paid so far was total loss payment up to the sum insured of the respective policies. 97% of the indemnities paid were for repair of minor damage to the homes caused by small and medium scale earthquakes which didn't result in collapse.

Indemnity Payments by Years:

INDEMNITIES PAID BY YEARS (31.12.2009)			
YEAR	NUMBER OF EARTHQUAKES	NUMBER OF CLAIM FILES	AMOUNT PAID (TL)
2000	1	6	23.022
2001	17	338	127.497
2002	21	1.558	2.284.835
2003	20	2.504	5.203.990
2004	31	587	768.927
2005	41	3.488	8.107.968
2006	22	499	1.296.871
2007	42	980	1.372.381
2008	43	471	558.256
2009	33	237	440.795
TOTAL	271	10.668	20.184.542

2.1 Policy Production by Years**NUMBER OF COMBULSORY EARTHQUAKE INSURANCE POLICIES BY YEARS (000 ADET)****PREMIUMS OF COMBULSORY EARTHQUAKE INSURANCE POLICIES BY YEARS (000 TL)**

2.2 Policy Production by Insurance Companies

CEI POLICY PRODUCTION REPORT (AS OF 31.12.2009)					
PRODUCTION BY COMPANIES	2008		2009		Increase %
	Number of Policies	Rate %	Number of Policies	Rate %	
AXA SİGORTA A.Ş.	367.757	12,9	462.282	13,5	25,7
ANADOLU SİGORTA A.Ş.	356.581	12,5	405.417	11,8	13,7
GROUPAMA SİGORTA A.Ş.	311.523	11,0	391.421	11,4	25,7
GÜNEŞ SİGORTA A.Ş.	264.815	9,3	292.205	8,5	10,3
AKSİGORTA A.Ş.	216.132	7,6	282.747	8,2	30,8
ALLIANZ SİGORTA A.Ş.	159.837	5,6	180.732	5,3	13,1
ERGO SİVİÇRE SİGORTA A.Ş.	154.077	5,4	180.182	5,2	16,9
YAPI KREDİ SİGORTA A.Ş.	140.758	5,0	161.564	4,7	14,8
FİBA SİGORTA A.Ş.	113.963	4,0	137.312	4,0	20,5
EUREKO SİGORTA A.Ş.	109.983	3,9	131.585	3,8	19,6
BİRLİK SİGORTA A.Ş.	98.665	3,5	124.953	3,6	26,6
RAY SİGORTA A.Ş.	91.494	3,2	97.449	2,8	6,5
MAPFRE GENEL SİGORTA A.Ş.	67.833	2,4	86.111	2,5	27,0
AVIVA SİGORTA A.Ş.	75.345	2,6	84.311	2,5	11,9
HDI SİGORTA A.Ş.	57.635	2,0	82.336	2,4	42,9
IŞIK SİGORTA A.Ş.	48.047	1,7	64.365	1,9	34,0
GÜVEN SİGORTA T.A.Ş.	62.762	2,2	59.427	1,7	-5,3
ZURICH SİGORTA A.Ş.	30.551	1,1	40.262	1,2	31,8
HÜR SİGORTA A.Ş.	18.314	0,6	38.510	1,1	110,3
ANKARA SİGORTA A.Ş.	36.318	1,3	37.667	1,1	3,7
GENERALİ SİGORTA A.Ş.	29.020	1,0	28.387	0,8	-2,2
SBN SİGORTA A.Ş.	12.589	0,4	21.282	0,6	69,1
DUBAI GROUP SİGORTA A.Ş.	13	0,0	20.847	0,6	0,0
LIBERTY SİGORTA A.Ş.	15.853	0,6	13.421	0,4	-15,3
EURO SİGORTA A.Ş.	1.450	0,1	6.348	0,2	337,8
CHARTIS SİGORTA A.Ş.	2.210	0,1	3.168	0,1	43,4
DEMİR SİGORTA A.Ş.	27	0,0	823	0,0	0,0
TÜRK NİPPON SİGORTA A.Ş.	-	0,0	477	0,0	0,0
TOTAL	2.843.552	100,0	3.435.591	100,0	20,8

2.3 Policy Production by Months

MONTHS	2007 PCS.	2008 PCS.	2009 PCS.	2007 PREMIUM TL	2008 PREMIUM TL	2009 PREMIUM TL	2009 INCREASE RATE IN PCS. %	2009 INCREASE RATE IN PREMIUM %
JANUARY	172.124	218.694	226.242	14.562.216	20.004.371	22.328.687	3,5	11,6
FEBRUARY	200.741	223.428	247.505	17.002.935	20.241.431	23.938.480	10,8	18,3
MARCH	333.851	338.672	378.733	30.252.408	32.328.137	35.999.970	11,8	11,4
APRIL	270.447	277.787	342.736	24.416.261	27.086.010	32.294.872	23,4	19,2
MAY	246.191	258.430	442.599	22.134.175	24.974.567	38.383.242	71,3	53,7
JUNE	200.011	225.056	374.740	17.891.360	21.856.253	33.540.139	66,5	53,5
JULY	181.875	209.214	256.397	16.280.216	20.072.426	23.618.401	22,6	17,7
AUGUST	190.209	201.973	222.279	17.183.065	19.623.518	21.003.604	10,1	7,0
SEPTEMBER	185.194	207.181	222.145	16.737.238	20.236.951	21.403.268	7,2	5,8
OCTOBER	185.165	203.879	231.418	17.051.295	19.914.406	22.326.881	13,5	12,1
NOVEMBER	216.428	228.829	224.262	19.821.530	22.098.052	21.541.000	-2,0	-2,5
DECEMBER	235.745	250.466	266.535	21.291.225	24.186.846	25.707.625	6,4	6,4
TOTAL	2.617.981	2.843.609	3.435.591	234.623.923	272.622.968	322.086.169	20,8	18,1

2.4 Penetration Rates by Regions



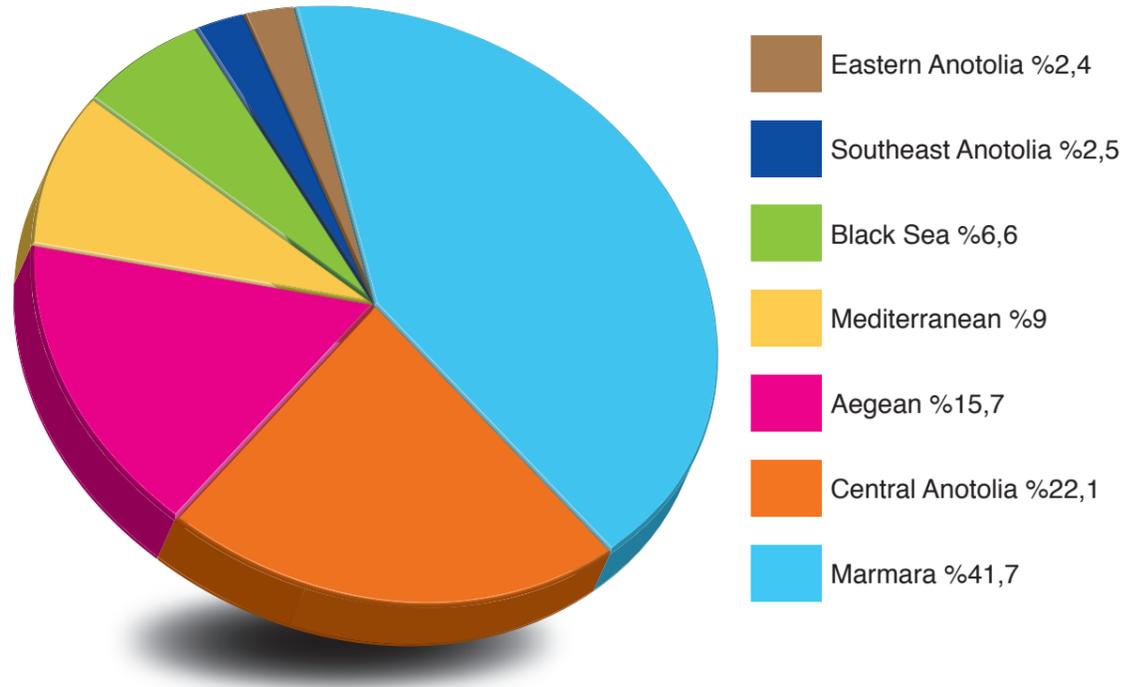
2.5 Penetration Rates by Provinces

REGIONS AND PROVINCES	TOTAL RESIDENCE	INSURED RESIDENCE	PENETRATION RATES %	SUM INSURED	PREMIUM
AEGEAN REGION	2.045.662	540.124	26,40	30.532.322.595	65.434.137
MUĞLA	155.696	68.761	44,16	3.536.988.670	7.813.344
İZMİR	912.585	270.050	29,59	15.620.412.925	33.653.378
DENİZLİ	187.334	49.678	26,52	3.230.785.995	6.929.144
AYDIN	219.408	62.185	28,34	3.235.111.715	7.218.347
UŞAK	66.125	9.912	14,99	600.398.615	992.781
MANİSA	243.854	37.558	15,40	2.086.932.450	4.656.415
AFYONKARAHİSAR	137.210	24.757	18,04	1.287.208.615	2.472.310
KÜTAHYA	123.450	17.223	13,95	934.483.610	1.698.417
MEDITERRANEAN REGION	1.663.126	307.607	18,50	18.753.710.490	27.630.193
ANTALYA	365.097	112.739	30,88	6.622.452.360	9.368.675
MERSİN	352.147	64.867	18,42	4.241.460.565	3.583.746
ADANA	375.351	57.899	15,43	4.079.707.770	6.274.240
BURDUR	52.018	8.166	15,70	431.253.370	991.860
ISPARTA	97.938	14.991	15,31	777.594.260	1.818.242
HATAY	218.635	29.111	13,31	1.467.156.710	3.301.921
OSMANİYE	68.586	7.988	11,65	462.832.035	964.447
K.MARAŞ	133.354	11.846	8,88	671.253.420	1.327.062
EASTERN ANATOLIA REGION	597.554	82.064	13,73	4.939.105.410	9.249.586
ERZİNCAN	41.437	10.709	25,84	587.295.765	1.353.693
TUNCELİ	10.344	1.792	17,32	101.737.675	179.827
ERZURUM	94.248	15.973	16,95	1.000.502.560	1.580.736
KARS	23.646	3.344	14,14	191.044.810	311.207
ELAZIĞ	87.783	15.235	17,36	1.012.879.795	1.660.827
ARDAHAN	6.463	906	14,02	49.244.715	74.218
MALATYA	123.573	16.138	13,06	1.047.732.240	2.267.183
VAN	64.081	5.205	8,12	313.759.265	531.478
AĞRI	32.921	2.691	8,17	109.019.150	206.181
İĞDIR	16.553	1.187	7,17	70.924.625	117.952
BİTLİS	28.919	3.267	11,30	159.848.025	310.806
MUŞ	28.815	1.455	5,05	63.902.160	145.726
HAKKARİ	16.314	941	5,77	45.208.525	112.564
BİNGÖL	22.458	3.221	14,34	186.006.100	397.186
SOUTHEAST ANATOLIA REGION	757.098	84.462	11,16	5.273.943.700	6.496.899
GAZİANTEP	223.694	29.818	13,33	2.047.506.510	1.883.870
DİYARBAKIR	160.281	18.763	11,71	1.220.629.425	1.992.287
ŞANLIURFA	126.916	14.823	11,68	818.673.865	801.632
ADİYAMAN	60.552	7.393	12,21	438.278.175	753.150
KİLİS	16.318	1.459	8,94	73.975.215	81.841
MARDİN	70.134	5.679	8,10	316.237.710	318.200
SİİRT	24.195	1.962	8,11	91.376.525	220.545
BATMAN	44.462	3.753	8,44	226.537.935	370.449
ŞIRNAK	30.547	812	2,66	40.728.340	74.926

MARMARA REGION	4.416.073	1.433.919	32,47	85.172.054.410	157.770.755
YALOVA	64.227	28.384	44,19	1.510.823.455	3.146.496
İSTANBUL	2.714.462	932.408	34,35	56.363.412.520	103.751.732
TEKİRDAĞ	178.113	65.792	36,94	3.979.967.540	4.731.776
KIRKLARELİ	66.520	17.889	26,89	1.069.143.070	724.464
EDİRNE	75.983	24.972	32,87	1.401.817.855	1.313.740
KOCAELİ	281.663	90.190	32,02	5.431.905.760	11.224.748
SAKARYA	125.109	46.409	37,09	2.725.625.405	5.826.115
ÇANAKKALE	90.302	27.165	30,08	1.444.547.995	3.200.151
BALIKESİR	272.600	74.130	27,19	3.733.907.665	8.198.950
BURSA	512.158	119.078	23,25	7.085.203.825	14.831.658
BİLECİK	34.937	7.502	21,47	425.699.320	820.925
CENTRAL ANATOLIA REGION	2.227.055	760.514	34,15	43.697.618.670	35.938.643
ANKARA	902.900	509.708	56,45	29.680.079.085	20.484.510
ESKİŞEHİR	166.174	55.049	33,13	2.729.532.530	4.402.526
ÇANKIRI	34.893	6.516	18,67	290.159.790	646.054
KAYSERİ	218.896	54.004	24,67	3.282.059.920	2.964.894
KIRŞEHİR	44.458	8.538	19,20	362.290.280	856.051
SİVAS	93.719	17.760	18,95	969.526.230	1.037.228
NEVŞEHİR	60.670	8.713	14,36	409.323.855	449.352
KARAMAN	44.706	6.444	14,41	405.308.645	237.172
KONYA	375.915	59.826	15,91	3.658.352.320	2.972.900
AKSARAY	65.232	11.118	17,04	665.787.555	403.503
NİĞDE	63.806	8.665	13,58	491.908.115	346.704
YOZGAT	89.145	8.435	9,46	431.520.225	492.313
KIRIKKALE	66.542	5.738	8,62	321.770.120	645.437
BLACK SEA REGION	1.282.096	227.171	17,72	12.833.351.540	19.595.166
BOLU	38.918	20.528	52,75	1.213.269.280	2.513.201
DÜZCE	29.758	12.386	41,62	701.851.265	1.483.013
AMASYA	60.760	10.094	16,61	516.575.685	1.176.162
SİNOP	32.290	6.005	18,60	313.961.445	309.866
KASTAMONU	55.919	12.052	21,55	683.169.330	1.298.963
ÇORUM	91.638	21.346	23,29	1.245.477.800	2.043.794
ZONGULDAK	114.260	16.855	14,75	980.368.550	1.690.762
SAMSUN	204.034	30.663	15,03	1.674.042.720	2.561.462
BARTIN	23.942	4.569	19,08	236.468.175	529.559
KARABÜK	45.380	6.831	15,05	375.026.860	798.438
TRABZON	156.089	28.018	17,95	1.650.979.770	1.141.787
ORDU	130.823	18.105	13,84	1.057.423.280	1.168.201
ARTVİN	24.152	3.748	15,52	206.515.305	180.754
GİRESUN	76.527	11.436	14,94	617.328.210	517.621
TOKAT	106.952	14.514	13,57	753.456.590	1.658.708
RİZE	60.778	5.737	9,44	357.285.170	243.111
GÜMÜŞHANE	20.782	2.192	10,55	117.423.585	155.408
BAYBURT	9.095	2.092	23,00	132.728.520	124.356
TURKEY TOTAL	12.988.664	3.435.861	26,45	201.202.106.815	322.115.380

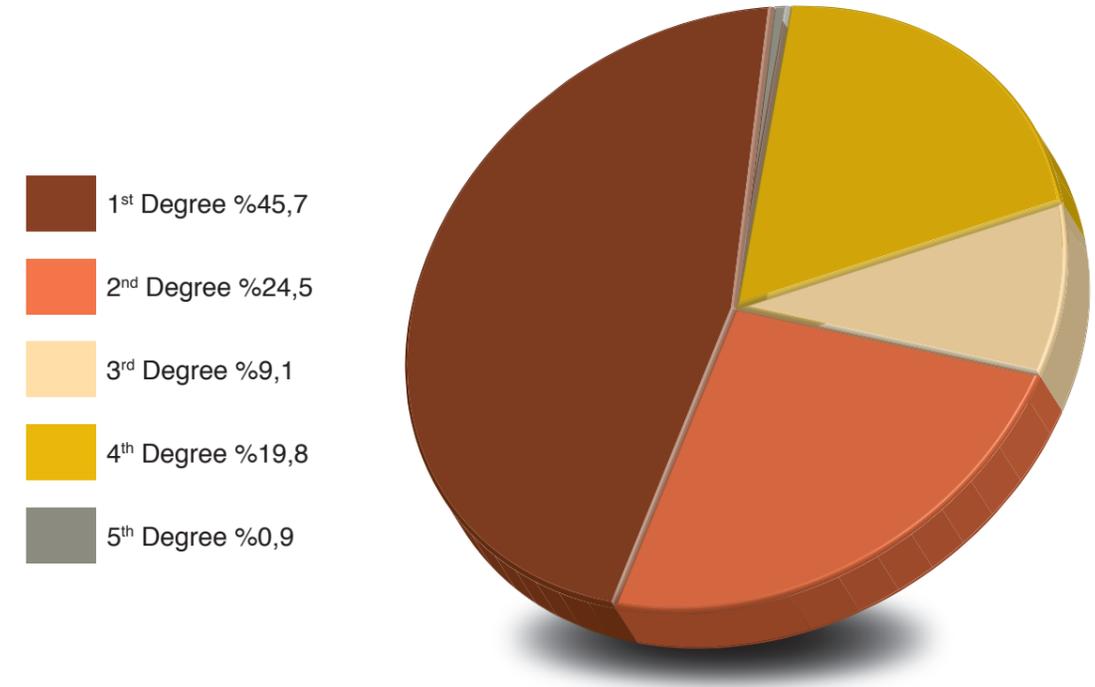
Based on: Turkish Statistical Institute, Residence Census 2000

2.6 Policy Distribution by Regions



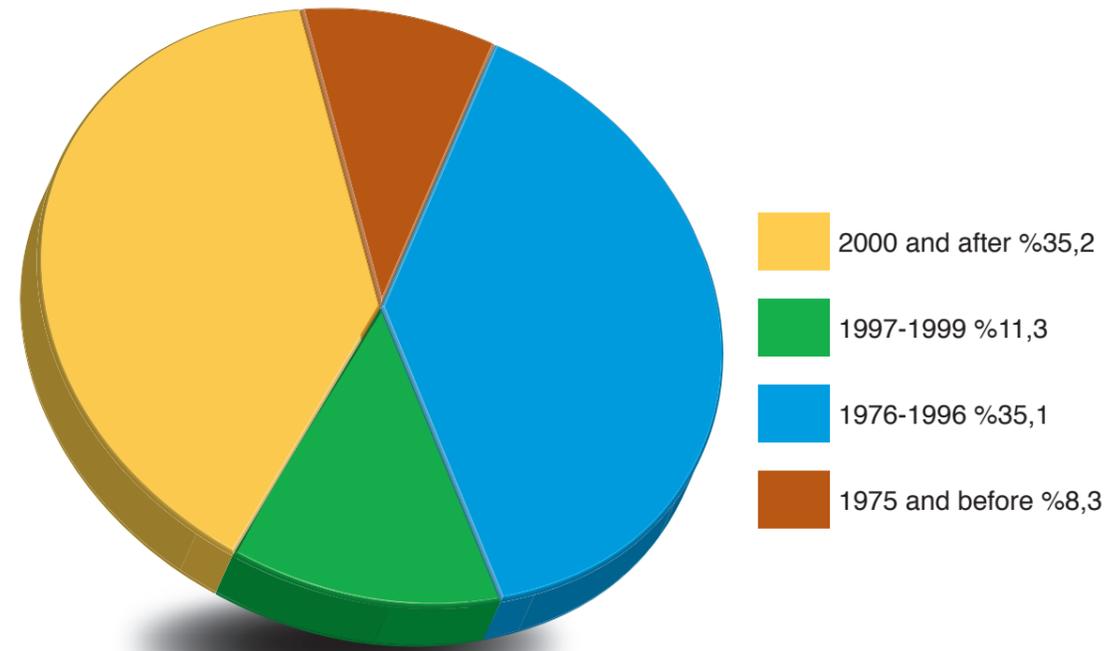
PRODUCTION BY REGIONS	Number of Policies	Rate (%)	Premium (TL)	Rate (%)
Mediterranean	307.607	9,0	27.630.193	8,6
Eastern Anatolia	82.064	2,4	9.249.586	2,9
Aegean	540.111	15,7	65.433.144	20,3
Southeast Anatolia	84.462	2,5	6.496.899	2,0
Central Anotolia	760.514	22,1	35.938.643	11,2
Black Sea	227.154	6,6	19.593.165	6,0
Marmara	1.433.679	41,7	157.744.539	49,0
TOTAL	3.435.591	100,0	322.086.169	100,0

2.7 Policy Distribution by Risk Regions



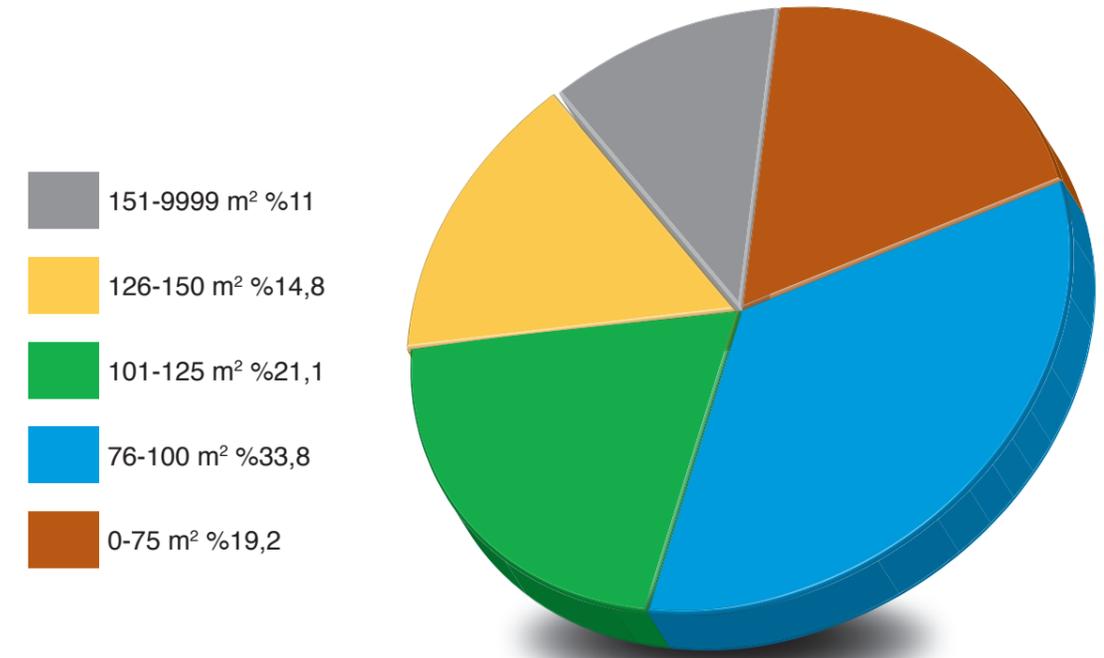
PRODUCTION BY RISK REGIONS	Number of Policies	Rate (%)	Premium (TL)	Rate (%)
1 st Degree	1.568.429	45,7	194.884.051	60,5
2 nd Degree	842.946	24,5	80.651.399	25,0
3 rd Degree	313.128	9,1	18.454.902	5,7
4 th Degree	681.662	19,8	27.089.840	8,4
1 th Degree	29.426	0,9	1.005.975	0,3
TOTAL	3.435.591	100,0	322.086.169	100,0

2.8 Policy Distribution by Construction Date of Buildings



PRODUCTION BY CONSTRUCTION DATE OF BUILDINGS	Number of Policies	Rate (%)	Premium (TL)	Rate (%)
1975 and before	284.500	8,3	24.420.171	7,6
Between 1976 and 1996	1.206.321	35,1	113.877.173	35,4
Between 1997 and 1999	386.943	11,3	38.029.684	11,8
2000 and after	1.557.827	45,3	145.759.141	45,3
TOTAL	3.435.591	100,0	322.086.169	100,0

2.9 Policy Distribution by Surface Area of Buildings



PRODUCTION BY SURFACE AREA OF BUILDINGS	Number of Policies	Rate (%)	Premium (TL)	Rate (%)
Below 75 m²	659.172	19,2	36.454.756	11,3
76-100 m²	1.162.403	33,8	93.286.548	29,0
101-125 m²	725.348	21,1	72.794.833	22,6
126-150 m²	509.315	14,8	59.132.831	18,4
Above 150 m²	379.353	11,0	60.417.199	18,8
TOTAL	3.435.591	100,0	322.086.169	100,0

3 INDEPENDENT AUDITOR'S REPORT

TURKISH CATASTROPHE INSURANCE POOL BALANCE SHEET AS OF 31ST DECEMBER 2009

(The amounts are expressed in Turkish Lira (TL) unless otherwise stated)

PRICEWATERHOUSECOOPERS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Doğal Afet Sigortaları Kurumu

1. We have audited the accompanying financial statements of Doğal Afet Sigortaları Kurumu ("Turkish Catastrophe Insurance Pool; T.C.I.P.") which comprise the balance sheet as of 31 December 2009 and the statement of comprehensive income, statement of changes in net assets and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Board of Directors' Responsibility for the Financial Statements

2. The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PRICEWATERHOUSECOOPERS

Opinion

4. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Doğal Afet Sigortaları Kurumu as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Beşaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers



Talar Gül, SMMM
Partner

İstanbul, 8 June 2010

TURKISH CATASTROPHE INSURANCE POOL BALANCE SHEET AS OF 31ST DECEMBER 2009

(The amounts are expressed in Turkish Lira (TL) unless otherwise stated)

3.1 Balance Sheets

	Note	2009	2008
ASSETS			
Cash and cash-like assets	5	944,571,860	841,843,397
Financial assets	4 ve 6	241,806,754	89,956,621
Premium receivables	7	21,369,404	19,378,297
Commission expenses deferred	15	26,053,643	22,335,589
Other assets	8	70,619,066	64,893,742
Tangible fixed assets, net	9	712,047	1,105,927
Total assets		1,305,132,774	1,039,513,573
LIABILITIES AND NET ASSETS			
Short term parts of the long term loans	10	21,899,761	15,667,449
Other short term liabilities	11	66,904,574	72,855,141
Reserves for unearned premiums	12	153,503,546	133,734,228
Reserves for outstanding claims and indemnities	12	597,489	937,366
Long term loans	10	44,789,499	64,251,060
Total liabilities		287,694,869	287,445,244
Reasonable value fund		859,826	705,688
Accumulated Fund Reserve		1,016,578,079	751,362,641
Total net assets		1,017,437,905	752,068,329
Total liabilities and net assets		1,305,132,774	1,039,513,573

The notes that follow are an integral part of the financial statements.

**TURKISH CATASTROPHE INSURANCE POOL
COMPREHENSIVE INCOME STATEMENT FOR THE YEAR ENDING AT OF 31ST DECEMBER 2009**

(The amounts are expressed in Turkish Lira (TL) unless otherwise stated)

3.2 Comprehensive Income Statement

	Note	2009	2008
INCOMES			
Earned premium incomes	13	302,321,300	254,687,912
Total Insurance Incomes		302,321,300	254,687,912
EXPENSES			
Reinsurance expenses		(79,625,975)	(79,887,634)
Commission expenses	15	(56,333,876)	(48,431,803)
Losses incurred	14	(248,204)	(1,531,633)
Total Insurance Expenses		(136,208,055)	(129,851,070)
Insurance incomes, net		166,113,245	124,836,842
Overheads	16	(7,136,063)	(4,952,784)
Operational profit		158,977,182	119,884,058
Financial incomes, net	17	106,238,256	108,302,713
Increase in fund reserve		265,215,438	228,186,771
OTHER COMPREHENSIVE INCOMES			
Increase in reasonable value fund		154,138	707,084
Increase in comprehensive fund reserve		265,369,576	228,893,855

The notes that follow are an integral part of the financial statements.

TURKISH CATASTROPHE INSURANCE POOL
NET ASSETS CHANGE STATEMENT AS OF 31ST DECEMBER 2009
(The amounts are expressed in Turkish Lira (TL) unless otherwise stated)

3.3 Net Assets Change Statement

	Reasonable value fund	Accumulated fund reserve	Total
1st January 2008	(1,396)	523,175,870	523,174,474
Increase in reasonable value fund	707,084	-	707,084
Increase in fund reserve	-	228,186,771	228,186,771
31st December 2008	705,688	751,362,641	752,068,329
Increase in reasonable value fund	154,138	-	154,138
Increase in fund reserve	-	265,215,438	265,215,438
31st December 2009	859,826	1,016,578,079	1,017,437,905

The notes that follow are an integral part of the financial statements.

TURKISH CATASTROPHE INSURANCE POOL
CASH FLOW STATEMENT AS OF 31ST DECEMBER 2009
(The amounts are expressed in Turkish Lira (TL) unless otherwise stated)

3.4 Cash Flow Statement

	Note	2009	2008
Cash flow related to business operation			
Increase in the fund reserve		265,215,438	228,186,771
Yapılan düzeltmeler:			
Depreciation and depletion allowance	9	404,436	189,071
Net incomes obtained from investments		(111,321,423)	(123,606,776)
Interest incomes	17	2,954,980	3,526,077
Foreign Exchange losses associated with loans, cash and cash-like assets		792,935	9,542,816
Increase in receivables (-)		(1,991,107)	(784,828)
Increase in other current assets (-)		(5,725,324)	(13,833,084)
Change in technical reserves and deferred commission expenses		15,711,387	15,483,372
(Decrease)/Increase in other short term liabilities		(5,950,567)	10,722,323
Net cash inflow from business operation		160,090,755	129,425,742
Cash flow associated with investments			
Interest received		87,593,113	110,024,392
(Decrease)/increase in financial assets ready for sale		(119,812,674)	15,674,967
Purchase of tangible fixed assets		(10,556)	(15,726)
Net cash (outflow)/inflow related to investments		(32,230,117)	125,683,633
Cash flow related to financial operations			
Principal and interest repayments of loans		(15,812,469)	(12,627,455)
Net cash outflow related to financial operations (-)		(15,812,469)	(12,627,455)
Net increase in cash and cash-like assets		112,048,169	242,481,920
Cash and cash-like assets at the beginning of period		823,725,625	571,811,902
Foreign Exchange (losses)/profits associated with cash and cash-like assets		(1,164,309)	9,431,803
Cash and cash-like assets at the end of period	5	934,609,485	823,725,625

The notes that follow are an integral part of the financial statements.

3.5 Footnotes to the financial statements

3.5.1. Note 1 - Organization and business of TCIP

The Turkish Catastrophe Insurance Pool ("TCIP") has been incorporated as a public legal entity within the organization of the relevant Ministry in order to provide insurance and fulfill other duties assigned to it in accordance with the provisions of the Government Decree Enforceable As Law No. 587 adopted by the Council of Ministers, which was published in the Official Gazette dated 27 December 1999. The basic business of TCIP is to provide insurance to indemnify the insured being the owner or the holder of usufruct of a real property used as a residence for any loss they incurred due to partial physical damage to or total destruction of the insured property caused by an earthquake. TCIP is administered by a Board of Directors formed by representatives of Undersecretariat of Treasury of Prime Ministry ("Undersecretariat of Treasury"), Ministry of Public Works and Settlement, Turkish Association of Insurance and Reinsurance Companies, Middle East Technical University, Capital Market Board, and Manager of TCIP.

TCIP started policy sales on 27 September 2000.

Conduct of the daily operations of TCIP has been delegated by Undersecretariat of Treasury to Eureko Sigorta A.Ş. on 8 August 2005 for a term of 5 years. The delegation contract has been executed for a term of five years and can be renewed at the expiry date in accordance with the same procedures. Manager of TCIP conducts the daily operations of TCIP such as data processing operations, claim procedures, reinsurance, marketing, accounting and fund management.

Incomes of TCIP are exempted from all taxes, duties and charges.

TCIP is not subject to the Public Accounting Law No. 1050, the Law No. 3346 on the Regulation of Audit of the State-owned Economic Enterprises and the Public Funds by the Turkish Grand National Assembly, the Court of Accounts Law No. 832, the State Tender Law No. 2886, and the Allowance Law No. 6245.

The insurance premium receivables of TCIP are collected in accordance with the provisions of the Law No. 6183 on the Procedure of Collection of Public Receivables.

Annual accounts, transactions and expenses of TCIP are audited by the Undersecretariat of Treasury.

The financial statements of TCIP were approved by the Board of Directors on 8th June 2010.

3.5.2. Note 2 - Principles Applicable to Presentation of Financial Statements

Financial statements of TCIP as of 31st December 2009 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") comprising the standards and comments issued by the International Accounting Standards Board ("IASB"), which are in effect at that date.

The accounting books and statutory financial statements of TCIP are denominated in Turkish lira pursuant to the Government Decree No. 587 Enforceable as Law to which TCIP is subject. The financial statements have been issued by reflecting the necessary corrections and classifications to the statutory records with the purpose of making an accurate presentation in accordance with the IFRS.

a) Amendments and interpretations introduced in 2009, which have an impact on the financial statements of TCIP

- IAS 1 (Amended), "Presentation of Financial Statements" (It has become effective as of 1st January 2009). This amendment prevents that the changes in the incomes and expenses arisen from the shares not having a controlling effect in the equity be stated in the statement of changes in the equity, and stipulates that the changes arisen from the shares not having a controlling effect be stated separately from the changes arisen from the main partnership shares. It is also stipulated that all changes arisen from the shares not having a controlling effect be stated in a separate performance statement (comprehensive income statement). However, the companies are free to present either a single statement (comprehensive income statement) or two statements (income statement and comprehensive income statement). In case the data related to the previous period are changed or re-classified, re-issued balance sheet for the previous period should be presented together with comparative balance sheet as of the end of current period. In this respect, TCIP has prepared and presented comprehensive income statements for the years ending at 31st December 2009 and 2008.

- IFRS 7, "Financial Instruments – Disclosures" (Amended) (It has become effective as of 1st January 2009). This amendment has enhanced explanatory notes related to reasonable value measurements and strengthened existing rules about liquidity risk. This amendment only brings additional disclosures.

b) Amendments and interpretations to the existing standards which are in effect at 31st December 2009 and do not have an impact on the operations of TCIP

- IFRS 1 (Amended), "First-time Adoption of IFRS" and IAS 27 "Consolidated and Separate Financial Statements",
- IFRS 2 (Amended), "Share-based Payment"
- IFRS 3 (Amended), "Business Combinations"
- IFRS 5 (Amended), "Non-current Assets Held for Sale and Discontinued Operations",
- IAS 16 (Amended), "Property, Plant and Equipment",
- IAS 19 (Amended), "Employee Benefits",
- IAS 20 (Amended), "Accounting for Government Grants and Disclosure of Government Assistance",

- IAS 23 (Revised), "Borrowing Costs",
- IAS 27 (Amended), "Consolidated and Separate Financial Statements"
- IAS 28 (Amended), "Investments in Associates"
- IAS 29 (Amended), "Financial Reporting in Hyperinflationary Economies"
- IAS 31 (Amended), "Accounting for Interests in Joint Ventures",
- IAS 32 (Amended), "Financial Instruments: Presentation" and IAS 1 (Amended), "Presentation of Financial Statements" - "Financial Instruments with Sale Option at Reasonable Value and Obligations Arising on Liquidation",
- IAS 38 (Amended), "Intangible Assets",
- IAS 39 (Amended), "Financial Instruments: Recognition and Measurement"
- IAS 40 (Amended), "Investment Property",
- IAS 41 (Amended), "Agriculture",
- IFRIC 15, "Agreements for the Construction of Real Estate"
- IFRIC 16, "Hedges of a Net Investment in a Foreign Operation"
- IFRIC 17, "Distributions of Non-cash Assets to Owners",
- IFRIC 18, "Transfers of Assets from Customers".

c) Amendments to the existing standards, new standards and interpretations not yet effective in 2009 and not adopted for early implementation by TCIP:

- IFRS 3 (Revised), "Business Combinations" (It is applicable to the reporting periods beginning on or after 1 July 2009),
- IAS 38 (Amended), "Intangible Assets" (It is applicable to the reporting periods beginning on or after 1 January 2010),

- IAS 36 (Amended), "Impairment of Assets" (It is applicable to the reporting periods beginning on or after 1 January 2010),

- IAS 7 (Revised), "Cash Flow Statements", (It is applicable to the reporting periods beginning on or after 1 January 2010),

- IAS 39 (Amended), "Financial Instruments: Recognition and Measurement" - Hedge Accounting (It is applicable to the reporting periods beginning on or after 1 July 2009 and earlier application is permitted.),

- IAS 32 (Amended), "Financial Instruments: Presentation" (It is applicable to the reporting periods beginning on or after 1 February 2010),

- IAS 24, (Amended), "Related Party Disclosures", (It is applicable to the reporting periods beginning on or after 1 January 2011),

- IFRS 9, "Financial Instruments", (Issued in November 2009 and applicable to the reporting periods beginning on or after 1 January 2013).

Comparative Information

Comparative information has been classified consistent with the current financial statements in line with the changes in the current year.

3.5.3. Note 3 - Summary of Important Accounting Policies

Preparation of financial statements in accordance with IFRS requires the use of certain important accounting estimates. At the same time, when establishing the accounting policies of TCIP, the management should take certain important decisions. Complex issues which require the management to use more discretion and Important assumptions and estimates employed in preparation of financial statements are described in the relevant accounting policies.

The basic accounting policies employed in the preparation of financial statements are given below. Unless otherwise stated, these policies have been implemented consistently for the years of presentation.

Premium incomes / Commission expenses

Premium incomes are entered into the accounts by daily accrual of the premiums of the earthquake policies written during the year. The portion of the premium incomes extending to the next year on policy and prorata basis has been set aside as the reserve for unearned premiums. Unrealized commission expenses corresponding to the unearned portion of the premiums have been deferred in accordance with the same rule.

Reinsurance expenses

The reinsurance contracts which TCIP has executed with the reinsurance companies to obtain protection against risks under one or more policies, which are classifiable as insurance contract, has been classified by TCIP as the reinsurance treaties. TCIP has been recording the reinsurance expenses, which are, in general, consisting of the premiums of the excess of loss reinsurance treaties, into the accounting books on accrual basis.

The excess of loss reinsurance treaties are renewed on annual basis and cover a period of twelve months from November of the previous year till the end of October of the current year. Therefore, the reinsurance expenses accrued during the current year cover 10 months of a reinsurance treaty ending in October 2009 and 2 months of the renewed reinsurance treaty ending in October 2010. The reinsurance expenses entered into the accounts in the current year also include the adjustment premiums accrued under the respective reinsurance treaties as well as the brokerage fees accrued and paid to the brokers.

Claims

Claims have been entered into the accounts in the sums reported at the period when they have occurred. The reserve for outstanding claims has been set aside as the total cost of all unpaid liabilities pertaining to the claims occurred as of the end of the period.

Tangible fixed assets

The tangible fixed assets are stated as the difference between the cost of acquisition and the accumulated depreciation. Depreciation is calculated by linear depreciation method in reference to the useful life of the tangible fixed assets estimated based on their adjusted value. Approximate useful lives of the tangible fixed assets are as follows:

Fixtures 5 years

If the book value of an asset is higher than the estimated recoverable value of that asset, the book value is reduced to the recoverable value. Profit or loss arisen from disposal of a tangible fixed asset is determined by comparing the book value with the sum collected in consideration of sale and included in the calculation of the increase in the fund reserve.

Maintenance and repair expenses are entered into the account of the income statement for the period when the expenses have been incurred. However, investment expenses made to upgrade the capacity of a tangible fixed asset so as to increase the benefit to be obtained from that asset in the future are added to the cost of the asset.

Financial assets

TCIP has classified its financial assets as the "Financial assets ready for sale," "Financial assets the reasonable value difference of which is reflected in the income statement," and "Loans and receivables." The classification of the financial assets is determined at the date when they have been purchased by taking into account the purpose of the management in purchasing such assets and reviewed at the reporting periods.

a) Financial assets ready for sale

Financial assets ready for sale are the non-derivative assets which are held at hand for sale or which are not classified in the other categories. Assets that can be sold according to the liquidity needs or due to changes in the interest rates, exchange rates and sale prices and that are held at hand without being subject to a certain period of time have been classified as the financial assets ready for sale.

b) Financial assets the reasonable value difference of which is reflected in the income statement

Financial assets measured by their reasonable value and associated with the income statement are classified in the financial statements under the item of "Financial assets the reasonable value difference of which is reflected in the financial statement." The financial assets measured by their reasonable value and associated with the income statement are consisted of the financial instruments acquired with the intention of earning profit from fluctuations in the prices and similar elements in the market in the short term or, independently of the intention of acquisition, the financial instruments being a part of a portfolio kept to earn profit in the short term as well as the financial instruments performance of which is assessed by their reasonable value and which are classified as such at the time of acquisition with this purpose.

c) Loans and receivables

Loans and receivables are such financial assets which are not derivative instruments and not listed in an active market, for which fixed or regular payments are scheduled, which TCIP does not intend to sell in the short term, or which TCIP has not classified as "the financial assets the reasonable value difference of which is reflected in the income statement" or as "the financial assets ready for sale." Receivables under the insurance contracts are classified in this category, and any potential loss of value of such receivables is reviewed as part of the review of loss of value of loans and receivables.

The financial assets are first entered into the accounts by their reasonable value. The financial assets ready for sale are entered into the accounts by their reasonable value calculated based on their market prices prevailing in the following periods. The loans and receivables are carried by deducting the reserve for loss of value from their cost of acquisition.

Profits or losses arisen from changes in the reasonable value of the financial assets ready for sale are followed in the account of reasonable value fund under the account of net assets. When the said financial assets are disposed or lose value, the accumulated reasonable value differences stated in the account of net assets are carried to the income statement. The interest calculated by the effective interest rate method on the financial assets ready for sale is stated in the income statement.

The financial assets the reasonable value difference of which is reflected in the income statement are first recorded by their reasonable value and then valued by their reasonable value in the following periods. In the event that the prices on which the reasonable value is based do not occur under the active market conditions, it is acknowledged that the reasonable value was not determined reliably, and the "discounted value" calculated by the effective interest method is recorded as the reasonable value. Profits and losses resulting from the valuation are included in the income statement. The Interest earned from the financial assets the reasonable value difference of which is reflected in the income statement is stated under the account of interest incomes and the profit share obtained is recorded under the account of dividend incomes.

Foreign currency translations

Transactions executed in foreign currencies during the period have been translated into Turkish lira based on the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities in foreign currencies have been translated into Turkish lira based on the exchange rates prevailing at the end of the period. Foreign exchange profits or losses resulting from translations of monetary assets and liabilities in foreign currencies have been stated in the income statement.

Loans

The loans are first recorded by their reasonable value occurred after deduction of transaction costs. They are valued in the following periods by their discounted sums, and the difference between the sum of the utilized loans net of the transaction costs and their value calculated by the effective interest rate method at the date of the balance sheet is reflected in the income statement.

Reasonable value of the financial instruments

The reasonable value is the price of a financial instrument by which the financial instrument can be bought and sold by willing parties by a current transaction, except for an involuntary sale or forced liquidation. It is best determined by the price of the financial instrument with which it is traded in an organized market.

TCIP has adopted the amendment in IFRS 7 for the financial instruments measured by their fair value, as of 1 January 2009. This amendment requires the fair value calculations be disclosed on the basis of the following calculation hierarchy.

- The prices quoted in active markets (unadjusted prices) for similar assets and liabilities (Level 1).
- Apart from the quoted prices included in Level 1, directly (as the price) or indirectly (derived from the price) observable market inputs for assets or liabilities (Level 2).
- Inputs (unobservable inputs) for assets and liabilities not based on observable market data (Level 3).

Derivative financial assets included in the balance sheet is the only item valued by their reasonable value. Reasonable value of such financial assets is determined by valuation method which can be taken into consideration as Level 1. TCIP has ascertained the estimated reasonable value of the financial instruments by using the available market data and the appropriate valuation methods to the extent that proper and reliable information can be obtained from the financial markets in Turkey. However, the estimation of the reasonable value requires the use of discretion in the interpretation of the market data. Consequently, the estimations presented here may not be the indication of the values that TCIP can get in a current market transaction.

The following methods and assumptions have been used in the estimation of the reasonable value of the financial assets and liabilities of which the reasonable value can be determined.

Financial assets

It is assumed that the reasonable value of the account balances in foreign currencies translated based on the exchange rates at the end of the period is close to their book values.

It is assumed that the book value of the financial assets, including the cash and cash-like assets, together with the accrued interest, which are recorded by their cost of acquisition, is close to their reasonable value.

The reasonable value of the financial assets ready for sale and of the financial assets reasonable value difference of which is reflected in the income statement has been ascertained based on their respective market values.

It is assumed that the book value of the premium receivables is close to their reasonable value as they will become due in short term.

Financial liabilities

The estimated reasonable value of the loans determined to give a disclosure in the footnotes is the value of the cash flows provided in the contract, with the interest rate applicable to the similar loans in the market has been discounted.

3.5.4. Note 4 - Insurance Risk and Financial Risk Management

Insurance risk

TCIP has been executing contracts (insurance policies) bearing an insurance risk. This section gives a summary of the risks associated with these contracts and how TCIP manages such risks.

The risk associated with the insurance contracts is that it is impossible to know the probability of occurrence of the insured peril and the amount of loss that may result from this event. By the very nature of the insurance contracts, the insured risk is purely incidental, and therefore cannot be estimated realistically.

In a policy portfolio under which the theory of probabilities applied to the pricing and reserve allowing methodology, the basic risk to which TCIP is exposed to in connection with the insurance contracts is the possibility that the amount of losses and indemnities paid exceeds the book value of the reserves set aside for them. The management of TCIP believes that the loss reserves set aside as of the end of the year are adequate.

TCIP has been providing earthquake insurance to buildings used as residence. The payment power of TCIP is limited with the accumulated funds it has and the protection it has obtained from the reinsurance markets. In determination of the highest limit and priorities of the reinsurance protection, the catastrophic risk models are used. The respective limits are monitored according to the cumulative developments on the regional basis. The premiums are calculated by the tariffs established according to the earthquake risk zones and the type of the construction. The maximum sum insured given to a residence is TL 140,000. And the minimum premium is TL 25 regardless of the earthquake risk zone and the type of construction.

TCIP has been managing the risks by its underwriting strategy and the reinsurance protection it has obtained under the excess of loss reinsurance treaties.

Distribution of the insurance risk (the maximum sum insured) is as follows in summary:

	2009	2008
Istanbul region	56,363,412,520	45,895,023,820
Other region	144,838,694,295	102,216,153,385
Total	201,202,106,815	148,111,177,205

Distribution of the insurance risk by the geographic risk zones of Turkey, with the Zone 1 posing the highest earthquake risk, is as follows in summary:

	2009	2008
Zone 1	89,976,327,920	68,761,222,650
Zone 2	49,958,655,165	38,180,700,075
Zone 3	19,723,429,270	14,271,197,755
Zone 4	39,866,551,175	25,695,798,255
Zone 5	1,677,143,285	1,202,258,470
Total	201,202,106,815	148,111,177,205

Financial risk factors

TCIP is exposed to financial risks on account of its financial assets, financial liabilities (loans) and insurance liabilities. The basic financial risk is that the incomes obtained from the financial assets may not be adequate to pay the liabilities arising from the insurance contracts in excess of the reinsurance protection. The most important constituents of the financial risk are the market risk (consisted of interest rate risk and exchange rate risk), the loan risk and the liquidity risk. The overall risk management program of TCIP is focused on the fluctuations in the financial markets and on the minimization of their potential adverse impact on the financial performance of TCIP. The risk management is carried out by the Manager of TCIP in accordance with the procedures established by legal regulations and approved by the Board of Directors. In the analysis of the investments, the Board of Directors first takes into account the liquidity and principal safety and then the profitability ratios. TCIP does not invest in derivative financial instruments in order to avoid risks.

(a) Market risk

i. Interest rate risk

TCIP is exposed to the interest rate risk due to its financial assets with variable interest rates and the changes in the interest rates applicable to its liabilities. This risk is managed by natural measures in the form of balancing of the assets and liabilities being sensitive to the interest rates.

The financial assets ready for sale with variable interest rate expose TCIP to the interest rate risk. Assuming that the market interest rate applied to the financial assets with variable interest rate as at 31 December 2009 were %1 higher or lower with all other variables remaining unchanged, the increase in the funds reserve would be TL 360 (31 December 2008: TL 355) higher or lower due to higher or lower interest income obtained from the financial assets with variable interest rates.

TCIP has no other financial asset or liability with variable interest rate.

As of the date of the balance sheet, the distribution of the financial assets by the time remained till the repricing of them is as follows:

31 December 2009	Shorter than 3 months	3 months- 1 year	1-5 years	Longer than 5 years	Not sensitive to interest rate	Total
Financial assets ready for sale	105,463	-	-	-	237,659,935	237,765,398
Financial assets reasonable value difference of which is reflected in the income statement	-	-	-	-	4,041,356	4,041,356
Total	105,463	-	-	-	241,701,291	241,806,754

31 December 2009	Shorter than 3 months	3 months- 1 year	1-5 years	Longer than 5 years	Not sensitive to interest rate	Total
Financial assets ready for sale	109,745	-	-	-	84,760,773	84,870,518
Financial assets reasonable value difference of which is reflected in the income statement	-	-	-	-	5,086,103	5,086,103
Total	109,745	-	-	-	89,846,876	89,956,621

ii. Exchange rate risk

TCIP is exposed to exchange rate risk due to changes in the exchange rates as its receivables and liabilities in foreign currencies are translated into Turkish lira. This risk is monitored and contained by analyzing the FX position (Note 18).

TCIP is exposed to the exchange rate risk mostly on account of Euro and USD. In this respect, the exchange rate risk analysis associated with these currencies is as follows:

Assuming that Euro gained/lost value by 10% over TL as of 31 December 2009, with all other variables remaining unchanged, the value of the net assets would be TL 3,201,257 (31 December 2008: TL 5,639,152) higher/lower due to profit/loss arisen from exchange rate difference as a result of translation of receivables and liabilities in Euro into TL.

Assuming that USD gained/lost value by 10% over TL as of 31 December 2009, with all other variables remaining unchanged, the value of the net assets would be TL 5,089,505 (31 December 2008: TL 6,454,335) lower/higher due to loss/profit arisen from exchange rate difference as a result of translation of receivables and liabilities in USD.

iii. Price risk

Financial assets of TCIP expose it to the price risk.

As of 31 December 2008, the financial assets ready for sale with fixed interest rate are recorded by their market value. Assuming that the market interest rates increased/decreased by 1%, with all other variables remaining unchanged, the value of the net assets would be TL 2,016,206 (31 December 2008: TL 260,710) lower/higher in the respective period.

As of 31 December 2008, the financial assets of TCIP classified as ready for sale are recorded by their market value. Assuming that the market prices increased/decreased by 5%, with all other variables remaining unchanged, the value of the net assets would be TL 11,888,270 (31 December 2008: TL 4,243,526) higher/lower.

As of 31 December 2008, the financial assets of TCIP the reasonable value difference of which is reflected in the income statement are recorded by their market value. Assuming that the market price of the financial assets the reasonable value difference of which is reflected in the income statement increased/decreased by 5%, with all other variables remaining unchanged, the value of the net assets would be TL 202,068 (31 December 2008: 254,305) higher/lower.

(b) Credit risk

Ownership of financial assets bears the risk that the other party does not fulfill the conditions of the contract or fails to pay its due debts in full. The credit risk of TCIP is composed of the risks posed by the bank deposits, financial assets, premium receivables from insurance companies and reinsurance shares in the insurance liabilities.

An analysis of the assets bearing credit risk done by the ratings given by independent rating firms namely Standard & Poors ("S&P"), Moody's and Fitch is given in the following table:

i. Banka mevduatları

S&P	2009			2008		
	TL	Foreign currency	Total	TL	Foreign currency	Total
B	466,876,609	40,754,690	507,631,299	299,414,065	-	299,414,065
BB	210,714,751	-	210,714,751	-	-	-
Not rated	218,316,161	7,909,649	226,225,810	514,495,421	27,933,911	542,429,332
Total	895,907,521	48,664,339	944,571,860	813,909,486	27,933,911	841,843,397

Moody's	2009			2008		
	TL	Foreign currency	Total	TL	Foreign currency	Total
P2	327,613,755	-	327,613,755	629,005,580	-	629,005,580
P3	376,322,750	-	376,322,750	-	-	-
NP	-	48,664,339	48,664,339	-	12,571,727	12,571,727
Not rated	191,971,016	-	191,971,016	184,903,906	15,362,184	200,266,090
Total	895,907,521	48,664,339	944,571,860	813,909,486	27,933,911	841,843,397

Fitch	2009			2008		
	TL	Foreign currency	Total	TL	Foreign currency	Total
F3	327,613,755	7,909,650	335,523,405	621,783,340	-	621,783,340
B	376,322,750	40,754,689	417,077,439	192,126,146	27,933,911	220,060,057
Not rated	191,971,016	-	191,971,016	-	-	-
Total	895,907,521	48,664,339	944,571,860	813,909,486	27,933,911	841,843,397

ii. Financial assets ready for sale

2009		S&P	Moody's	Fitch
Short Term - TL	120,337,274	B	-	-
Long Term - TL	117,428,124	BB	Ba3	BB
Total	237,765,398			
2008		S&P	Moody's	Fitch
Short Term - TL	84,194,470	B	-	-
Long Term - TL	676,048	BB	Ba3	BB
Total	84,870,518			

iii. Premium receivables

	2009	2008
Premium receivables from insurance companies	21,369,404	19,378,297

Premium receivables of TCIP are from the insurance companies operating in Turkey, being subject to special capital solvency regulations of the Undersecretariat of Treasury, which is the most important regulatory body of the country in terms of both operational and financial aspects.

TCIP has no overdue receivables as of 31 December 2009. All receivables have been collected at due dates throughout the reporting period, and the management of TCIP does not expect a loss from non-payment of its receivables from the insurance companies.

iv. Reinsurance shares in the insurance liabilities

TCIP has an excess of loss reinsurance contract concluded through mediation of the broker, Willis Limited, under which it has ceded the insurance risk posed by its earthquake insurance portfolio. Willis Limited is a Lloyd's broker registered in London, which has been licensed by and is carrying out its business operations under the supervision of the Financial Services Authority, a regulatory body regulating all companies providing financial services in the UK.

The said reinsurance contract is consisted of different layers subscribed by various reinsurance companies and reinsurance protection provided by those reinsurance companies for TCIP as of 31 December 2009 and 2008 are as follows:

Limits of Reinsurance protection	EUR Amount in foreign currency		TL equivalent	
	2009	2008	2009	2008
Lower limit	175,000,000	150,000,000	378,052,500	321,120,000
Upper limit	1,500,000,000	1,400,000,000	3,240,450,000	2,997,120,000
Maximum protection purchased	1,325,000,000	1,250,000,000	2,862,397,500	2,676,000,000

An analysis of the credibility of the reinsurance companies bearing the highest risks under the said excess of loss reinsurance contract as well as credibility of Willis Limited based on the ratings given by the independent rating firms as of 31 December 2009 and 2008 is as follows:

2009	S&P	Moody's	Fitch
Willis Limited	BBB	-	BBB
Swiss RE	A+	A1	A
Scor RE	BBB+	Baa1	BBB+
Paris RE	AA-	-	-
Milli RE	AA	-	-
Munich RE	AA-	-	-
2008	S&P	Moody's	Fitch
Willis Limited	BBB	Baa2	BBB
Swiss RE	AA-	Aa3	-
Scor RE	A-	Baa1	BBB+
Paris RE	A-	-	-
Milli RE	B++	-	-
Munich RE	AA-	Aa3	AA-

(c) Liquidity risk

TCIP is using its cash funds at hand to fulfill its liabilities arising from the insurance contracts. The liquidity risk is the risk of not having sufficient cash to pay the debts with a reasonable cost. The management sets out the limits for keeping enough liquid funds at hand to pay the debts. Cash outflows for repayment of loans are managed with reference to the cash inflows obtained from operations and funds not set aside for payment of other debts. In this way it is possible to pay the debts by using the cash inflows from the operations when necessary on the one hand and to maintain a high-quality creditability for borrowing in adequate sums on the other.

The following tables show the distribution of the undiscounted amounts of the financial assets and liabilities of TCIP as of the balance sheet dates according to the periods remaining up to their due dates expected or specified by the contracts:

Cash Flows Expected or Specified by Contracts

31 December 2009	Shorter than 3 months	3 months - 1 year	1 year - 5 years	Longer than 5 years	Without any time limit	Total
Assets						
Cash and cash-like assets	944,565,683	-	-	-	6,177	944,571,860
Financial assets	22,540,330	101,838,300	117,428,124	-	-	241,806,754
Premium receivables	21,369,404	-	-	-	-	21,369,404
Other assets	21,185,720	49,433,346	-	-	-	70,619,066
Total	1,009,661,137	151,271,646	117,428,124	-	6,177	1,278,367,084
Liabilities						
Loans	-	22,310,438	51,021,986	-	-	73,332,424
Other short term liabilities	25,825,780	41,078,794	-	-	-	66,904,574
Reserve for unearned premiums	11,651,844	141,851,702	-	-	-	153,503,546
Reserve for outstanding claims	401,051	-	196,438	-	-	597,489
Total	37,878,675	205,240,934	51,218,424	-	-	294,338,033

Cash Flows Expected or Specified by Contracts

31 December 2008	Shorter than 3 months	3 months - 1 year	1 year - 5 years	Longer than 5 years	Without any time limit	Total
Assets						
Cash and cash-like assets	841,830,392	-	-	-	13,005	841,843,397
Financial assets	33,020,549	56,260,024	676,048	-	-	89,956,621
Premium receivables	19,378,297	-	-	-	-	19,378,297
Other assets	25,600,697	39,293,045	-	-	-	64,893,742
Total	919,829,935	95,553,069	676,048	-	13,005	1,016,072,057
Liabilities						
Loans	-	15,916,764	63,870,275	783,590	-	89,570,629
Other short term liabilities	34,828,734	38,026,407	-	-	-	72,855,141
Reserve for unearned premiums	10,303,350	123,430,878	-	-	-	133,734,228
Reserve for outstanding claims	797,617	-	139,749	-	-	937,366
Total	45,929,701	177,374,049	64,010,024	783,590	-	297,097,364

Fund reserve risk management

The objective of TCIP in the management of the fund reserve is to maintain the solvency of TCIP to pay the claims and the loan principals and interests and to increase the fund accumulation in order to ensure continuity of the adequate financial power to fulfill its all liabilities outside the reinsurance protection related with the policies issued by it.

3.5.5. Note 5 - Cash and Cash-like Assets

	2009	2008
Bank deposits	944,571,860	841,843,397
Total	944,571,860	841,843,397

Details of the bank deposits are as follows:

Bank deposits in foreign currencies

- demand deposits	5,892	12,976
- time deposits	48,658,447	27,920,935

Bank deposits in TL

- demand deposits	285	29
- time deposits	895,907,236	813,909,457
Total	944,571,860	841,843,397

Details of the time deposits in foreign currency are as follows:

	Amount in foreign currency		TL equivalent	
	2009	2008	2009	2008
USD	10,500,785	10,158,159	15,811,032	15,362,184
EUR	15,205,025	5,866,382	32,847,415	12,558,751
Total		48,658,447	27,920,935	

Maturity of the time deposits is shorter than 3 months (31 December 2008: shorter than 3 months) and the annual weighed mean interest rates are as follows:

	Annual interest rate (%)	
	2009	2008
TL	9.46	22.48
USD	2.67	7.08
EUR	3.55	3.00

Details of the demand deposits in foreign currency are as follows:

	Amount in foreign currency		TL equivalent	
	2009	2008	2009	2008
EUR	263	-	568	-
USD	3,536	8,580	5,324	12,976
Total		5,892	12,976	

3.5.6. Cash and cash-like assets shown in the cash-flow statements are as follows

	2009	2008
Cash and cash-like assets	944,571,860	841,843,397
Minus: Accrued interest	(9,962,375)	(18,117,772)
Total cash and cash-like assets	934,609,485	823,725,625

3.5.7. Note 6 - Financial Assets

	2009	2008
Financial assets ready for sale Government bonds and treasury bills	237,765,398	84,870,518
Financial assets reasonable value difference of which is reflected in the income statement Mutual Fund	4,041,356	5,086,103
Total	241,806,754	89,956,621

Interest rates related to financial assets ready for sale are as follows:

	2009 (%)	2008 (%)
Government bonds and treasury bills	8.52	19.00

TL 105,463 (31 December 2008: TL 109,745) out of the securities bear variable interest rate.

Maturity analysis of the financial assets is as follows:

2009	Shorter than 1 months	1-3 months	3-6 months	6-12 months	1-5 years	Without any time limit	Total
Government bonds & treasury bills	593,115	17,906,046	86,595,153	15,242,960	117,428,124	-	237,765,398
Mutual funds	-	-	-	-	-	4,041,356	4,041,356
Total	593,115	17,906,046	86,595,153	15,242,960	117,428,124	4,041,356	241,806,754

2008	Shorter than 1 months	1-3 months	3-6 months	6-12 months	1-5 years	Without any time limit	Total
Government bonds & treasury bills	-	27,934,446	29,622,285	26,637,739	676,048	-	84,870,518
Mutual funds	-	-	-	-	-	5,086,103	5,086,103
Total	-	27,934,446	29,622,285	26,637,739	676,048	5,086,103	89,956,621

3.5.8. Note 7 - Premium Receivables

	2009	2008
Premium receivables from insurance companies	21,369,404	19,378,297
Total	21,369,404	19,378,297

Average maturity of the premium receivables of TCIP is 1 month (31 December 2008: 1 month). TCIP has no receivables which lost value or became overdue as of 31 December 2009 and 2008.

No security has been received for the receivables as of 31 December 2009 and 2008.

3.5.9. Note 8 - Other Assets

	2009	2008
Reinsurance premiums related to the next year	66,884,900	56,424,130
Broker fees related to the next year	3,734,166	8,469,612
Total	70,619,066	64,893,742

The reinsurance premiums and broker fees related to the next year include the expenses related to the reinsurance protection purchased for the next period under the reinsurance contract in effect (Note 11).

3.5.10. Note 9 - Tangible Fixed Assets

	1 January 2009	Inclusions	Deletions	31 December 2009
Cost				
Fixtures	7,581,883	10,556	-	7,592,439
	7,581,883	10,556	-	7,592,439
Accumulated Depreciation				
Fixtures	(6,475,956)	(404,436)	-	(6,880,392)
	(6,475,956)	(404,436)	-	(6,880,392)
Net book value	1,105,927			712,047

	1 January 2008	Inclusions	Deletions	31 December 2008
Cost				
Fixtures	7,385,450	196,433	-	7,581,883
	7,385,450	196,433	-	7,581,883
Accumulated Depreciation				
Fixtures	(6,286,885)	(189,071)	-	(6,475,956)
	(6,286,885)	(189,071)	-	(6,475,956)
Net book value	1,098,565			1,105,927

3.5.11. Note 10 - Loans

The loans in the amount of USD 43,275,304 as of 31 December 2009 (31 December 2008: USD 51,203,921), excluding the interest, has been secured from the Undersecretariat of Treasury in order to pay the losses which may result from a potential earthquake in the future.

	2009	2008
Short term portions of long term loans	21,899,761	15,667,449
Long term loans	44,789,499	64,251,060
Total	66,689,260	79,918,509

The interest rate of the loans in USD varies between 4.22% and 6.25% as of 31 December 2009 (31 December 2008: 4.22% to 6.25%). Principal and interest payment of the loans is effected twice a year in April and October.

The loans utilized by TCIP do not bear variable interest rates.

The payment schedule of the long term loans is as follows:

	2009	2008
2010	-	21,249,791
2011	18,259,355	17,686,933
2012	10,272,384	9,818,288
2013	8,579,346	8,177,983
2014	7,678,414	7,318,065
Total	44,789,499	64,251,060

In view of the conditions of the loans secured from the World Bank, it is deemed that the reasonable value of the loans is close to their book value as of 31 December 2009 and 2008.

3.5.12. Note 11 - Other Short Term Liabilities

	2009	2008
Reinsurance premiums related to the next year and reinsurance debts accrued (*)	64,860,549	68,894,252
Other	2,044,025	3,960,889
Total	66,904,574	72,855,141

(*) The reinsurance premiums related to the next year include the expenses related to the reinsurance protection purchased for the next period under the reinsurance contract in effect (Note 8).

3.5.13. Note 12 - Insurance Reserves

• • Insurance Reserves

	2009	2008
Reserve for unearned premiums	153,503,546	133,734,228
Reserve for outstanding claims	597,489	937,366
Total	154,101,035	134,671,594

● **Table of movements in insurance reserves**

a) Reserve for unearned premiums

	2009	2008
Beginning of period - January 1st	133,734,228	115,830,090
Premiums written during the year	322,090,618	272,592,050
Premiums earned during the year (Note 13)	(302,321,300)	(254,687,912)
End of period - December 31st	153,503,546	133,734,228

b) Reserve for outstanding claims

	2009	2008
Beginning of period - January 1st	937,366	529,724
Outstanding claim files opened during the year (*)	389,804	773,416
Decrease in the reserves (**)	(729,681)	(365,774)
End of period - December 31st	597,489	937,366

(*)The amounts represent the portion of the claim files opened during the year which has not been paid as of the end of the year.

(**)The decreases in the reserves consist of the amounts paid during the year for the outstanding claims and the amounts of the claim files closed without any payment.

3.5.14. Note 13 - Earned Premium Incomes

	2009	2008
Premiums received	322,090,618	272,592,050
Reserve for unearned premiums	(153,503,546)	(133,734,228)
Reserve for unearned premiums carried forward	133,734,228	115,830,090
Total	302,321,300	254,687,912

3.5.15. Note 14 - Claims

	2009	2008
Claims paid during the period	588,081	1,123,991
Reserve for outstanding claims at the end of the period	597,489	937,366
Reserve for outstanding claims carried forward	(937,366)	(529,724)
Total	248,204	1,531,633

3.5.16. Note 15 - Commission Expenses

	2009	2008
Commissions paid to insurance companies	55,635,009	47,532,959
Deferred commission expenditures	(26,053,643)	(22,335,589)
Deferred commission expenditures carried forward	22,335,589	19,507,181
Operational expenses paid to the Manager of TCIP	4,416,921	3,727,252
Total	56,333,876	48,431,803

3.5.17. Note 16 - Overheads

	2009	2008
Advertisement expenses	5,327,974	4,144,974
Computer maintenance expenses	732,721	136,795
Personnel expenses	207,146	198,108
Stationery expenses	191,609	123,718
Depreciation (Note 9)	404,436	189,071
Other	272,177	160,118
Total	7,136,063	4,952,784

3.5.18. Note 17 - Financial Incomes, Net

	2009	2008
Interest incomes	93,271,269	128,776,954
Incomes from securities	34,923,539	15,410,335
Total financial incomes	128,194,808	144,187,289
Withholding tax paid on financial incomes	(16,873,384)	(20,580,513)
Interest expenses	(2,954,980)	(3,526,077)
Exchange rate losses, net	(2,128,188)	(11,777,986)
Total financial expenses (-)	(21,956,552)	(35,884,576)
Financial incomes, net	106,238,256	108,302,713

3.5.19. Note 18 - Foreign Currency Position

Details of the assets and liabilities denominated in foreign currencies are as follows:

	2009	2008
Assets	48,664,339	27,933,911
Liabilities	(131,571,953)	(148,868,777)
Total	(82,907,614)	(120,934,866)

	2009		
	Amount in FX	Exchange Rate	Amount in TL
Cash and cash-like assets			
USD	10,504,321	1.5057	15,816,355
EUR	15,205,288	2.1603	32,847,984
Total			48,664,339
Other short term liabilities			
EUR	29,880,015	2.1707	64,860,549
USD	14,707	1.5057	22,144
Total			64,882,693

Short term portions of the long term loans

USD	14,544,571	1.5057	21,899,761
Total			21,899,761

Long term loans

USD	29,746,629	1.5057	44,789,499
Total			44,789,499

	2008		Amount in TL
	Amount in FX	Exchange Rate	
Cash and cash-like assets			
USD	10,166,739	1.5123	15,375,160
EUR	5,866,382	2.1408	12,558,751
Total			27,933,911

Other short term liabilities

EUR	32,207,711	2.1408	68,950,268
Total			68,950,268

Short term portions of the long term loans

USD	10,360,014	1.5123	15,667,449
Total			15,667,449

Long term loans

USD	42,485,658	1.5123	64,251,060
Total			64,251,060

3.5.20. Note 19 - Events After the Date of Balance Sheet

There is no important event occurred after the date of balance sheet and which should be disclosed.

3.5.21. Note 20 - Reserves and Contingent Liabilities

The total risk under the lawsuits filed against TCIP which are still pending amounts to TL 196,438 as of 31 December 2008 (31 December 2007: TL 139,749). The reserve set aside for the potential risk posed by the said lawsuits is shown under the reserve for outstanding claims in the balance sheet.



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