

2020

# Annual Report



**Natural Catastrophe  
Insurance Pool**

Mandatory Earthquake Insurance

**2020**

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Insurance Pool**

Mandatory Earthquake Insurance

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## MESSAGE FROM THE CHAIRMAN

Dear Stakeholders,

2020 was a year marked by two major earthquakes, reminding us once again of the reality of earthquakes in our country. Throughout this process, the Turkish Natural Catastrophe Insurance Pool (TCIP) has stood by its policyholders by fulfilling its responsibilities as swiftly as possible. We continued to work for an earthquake-proof Turkey with the steps taken to enhance our operational processes and financial capacity.

At TCIP, one of our most important priorities is to insure all housing which is within the scope of the Mandatory Earthquake Insurance scheme. The number of policyholder dwellings throughout Turkey approached 10

million in 2020 as we continued to work seamlessly within this scope, with 56% of the dwellings being insured. Although we are delighted to reach insurance rates far in excess of the levels achieved in similar models round the world over the course of 21 years, we maintain our activities with the target of 100% insurance.

At the beginning of this year, we experienced an earthquake with its epicenter being in Sivrice, Elazığ, on 24 January. Even while we were recovering from the devastation caused by this earthquake, another earthquake struck, this time in Seferihisar, İzmir, on 30 October. TCIP took rapid action in response to these earthquakes, sending our specialists to the regions while contributing to efforts to bring

life back to normal by compensating our policyholder's losses as soon as possible after the earthquake. By the end of the year, we had completed 98% of the over 32,000 notifications we received after the Elazığ earthquake and 91% of the over 24,000 damage reports we received after the İzmir earthquake. We completed total claim payments of TL 442 million in 2020, taking the total amount of payments carried out since the establishment of TCIP to approximately TL 670 million.

The establishment of an "Integrated Disaster Management" infrastructure which includes a strong IT, disaster finance, operation and coordination infrastructure is one of the most important goals for TCIP. In this context, we are developing damage assessment methodologies and models which more accurately analyze the risk and building stock of our country. As a result of this work, we started to carry out premium calculations with the updated Turkey Seismic Hazard Map, which entered effect at the beginning of the year. TCIP is delighted to be further improving the standards of its services by improving its infrastructure every year.

Another step we took during this period to improve our services was the addition of a new damage reporting channel. Our policyholders can now also perform their claims management processes via the e-government portal.

One of the important items on the agenda in 2020 was the transfer of the technical operatorship of our institution to Türk Reasürans, which was established by the Ministry of Treasury and Finance. Taking over the Technical Operatorship of TCIP with great enthusiasm, the management of Türk Reasürans set out with ambitious goals from the first day it was founded and went from strength to our strength. As a result of the work done with our new management, our total

solvency had increased to TL 40 billion as of November.

In order to increase the insured rates in 2021, we also completed the planning for the new period this year. In the New Year, we will determine our tariff in a manner which will support our citizens during the pandemic period, and also organize an incentive campaign for our agencies to join forces with them.

During the year, we maintained our efforts to raise insurance awareness and Mandatory Earthquake Insurance coverage. Even though we had to postpone the work on the new period of our "Cities Compete, Policyholders Win", and "Earthquake-Resistant Building Design Competition" projects due to the coronavirus pandemic, which has affected our country just as it has affected the whole world, we continued to call out to our policyholders through our communication efforts. In the first months of the year, we completed the first term training of the "Our Priority is Safety, Our Responsibility is Assurance" project, which we carry out together with the Ministry of National Education under the banner of "Our Lesson is about Earthquakes, Long Live Prevention". We will continue our work on all three of our projects in the coming years and will work to improve the Mandatory Earthquake Insurance and earthquake awareness by reaching out to everyone of all ages.

TCIP is delighted to have been an exemplary model for the whole world for the last 21 years, sharing the burden of our state and continuing to stand by our citizens in 2020, when we worked to heal the wounds inflicted by earthquakes. We will continue to work with the same enthusiasm until there are no homes without Mandatory Earthquake Insurance in Turkey.

I would like to thank all of our team, who walk with us on this path and who have worked with such devotion also under the pandemic conditions, and who have been our partners in our goal of taking TCIP further towards an earthquake-proof Turkey, as well as our stakeholders and citizens who have put their trust in us.

Respectfully,

**METE GÜLER**  
Chairman of TCIP



## MESSAGE FROM THE GENERAL MANAGER OF TÜRK REASÜRANS A.Ş., A TECHNICAL OPERATOR

Dear Stakeholders,

First of all, I would like to state that Türk Reasürans is delighted to be the Technical Operator of the Natural Catastrophe Insurance Pool (TCIP) with effect from 8 August 2020. We have been continuing our work from the very beginning with a strong organization by transferring the entire team of TCIP, which has achieved great success since its establishment and is one of our country's exemplary institutions, during the takeover process. I sincerely believe that together we will carry TCIP forward.

TCIP is one of our country's the most reliable institutions. When we took on this task, we aimed to implement new projects which would further increase this trust in TCIP and carry our country to an earthquake-proof future. While we

were planning to increase awareness of earthquakes and to strengthen TCIP's infrastructure, we were struck by the İzmir Seferihisar earthquake on 30 October.

We went to the field shortly after the earthquake. By establishing the TCIP Communication Center after an earthquake for the first time, we aimed to answer the questions and meet demands of our policyholders as rapidly as possible. We quickly deployed our specialists and undertook the first claim payments within 72 hours of the earthquake. We finalized more than 90% of the files within 2 months of the earthquake and had paid approximately TL 221 million in claims as of the end of the year.

The response to the İzmir earthquake was managed in coordination and cooperation with all public institutions, in particular the

Ministry of Environment and Urbanization and AFAD. We have started our work to ensure that the process management is sustainable in the coming periods.

As a result of the experience which we gained after the earthquakes, we realized the Updated Earthquake Damage Rating Method Project with important contributions from the Ministry of the Environment and Urbanization and the General Directorate of Construction, with the aim of examining earthquake damage under a single method on a national basis and making the results available to all stakeholder institutions. With the National Earthquake Damage Assessment Method, which has been proven to be fast and scientifically reliable after an earthquake, we started to work on mobile software developments which will enable the communication of the findings to all teams working in the field, as well as work to integrate institutions.

Our institution, which has been issuing its policies with the National Address Database (UAVT) numbers provided by the General Directorate of Population Registry and Citizenship Affairs since 2013, continued to support the work to complete the National Building Inventory throughout the country, and open it for use. We will be one of the first institutions to use the National Building Inventory upon its completion.

We are developing our Catastrophic Earthquake Modelling Platform by taking the most up-to-date information architecture principles as a basis in order to contribute to the comprehensive management of earthquake risk, which is our country's primary catastrophic risk, in the insurance sector. Leading academics from our country are directly contributing to our project. We believe that together with our platform, which is developed in accordance with the conditions of our country, and our strong team, we will create value for our sector as a competence center for

earthquake modelling in the coming period.

At TCIP, we draw up all our plans and preparations by considering a possible major earthquake. In this respect, we had increased TCIP's reinsurance protection by TL 14 billion to TL 40 billion as of November. We are delighted to have achieved such an important result for the institution in such a short space of time of having taken office.

The year 2020 was a time in which we had to rearrange our working conditions, as well as the working conditions of our distribution and production channels, in response to the pandemic conditions. We therefore postponed the "Cities Compete, Policyholders Win" and the "Earthquake-Resistant Building Design" competitions, and the "Our Priority is Safety, Our Responsibility is Assurance" projects, which TCIP has carried out with tremendous success so far. In the coming period, however, we will press forward with these projects which have become a regular fixture, while also reaching more people with new projects.

Our target at TCIP is 100% insurance coverage, and in this context, we continue to work and plan to initiate a process of mobilization with the activities which we will organize for both policyholders and the agencies in the coming period. We will increase the proportion of insured from the 56% which TCIP has reached today, to 100% in a very short space of time. To this end, we will work hand in hand with all of our stakeholders through interactive and participatory methods.

In this context, we will have a lot of work to do for both our citizens and agencies in 2021 as well. While providing the convenience to help our policyholders gain Mandatory Earthquake Insurance and renew their policies under the pandemic conditions, we will also launch a campaign to encourage our agents to increase their production. We are continuing our preparations for both projects.

I would like to thank our team, our stakeholders and our citizens, who believe in our goals wholeheartedly and walk with us, sharing our excitement.

Respectfully,

**SELVA EREN**  
TÜRK REASÜRANS GENERAL MANAGER

# About TCIP

## ABOUT TCIP

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56%



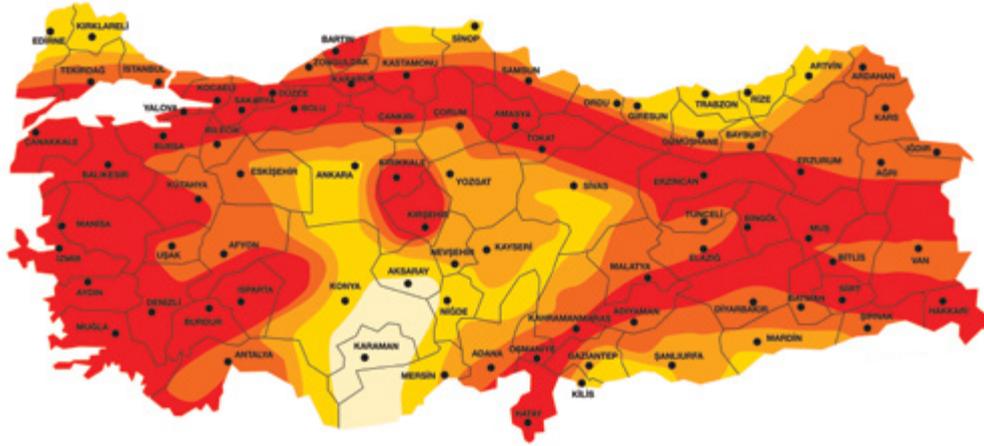
The insurance  
coverage rate  
all around  
Turkey in 2020

“TCIP, which has a unique organizational structure created with the cooperation of the public and private sectors, is a non-profit institution, established in 2000.”

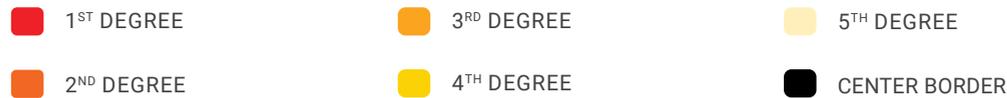


# About TCIP

Turkey Earthquake Zones Map



The Region with the Highest Earthquake Risk



## 1.1 FOUNDATION AND PURPOSE OF TCIP

After the Marmara Earthquake, which struck on 17 August 1999 and caused great loss of life and property, many measures were taken by the public authorities to minimize earthquake damage. One of the most important of these measures was the regulation on Mandatory Earthquake Insurance (ZDS).

TCIP, which was established under the Decree Law No. 587 and has offered a ZDS guarantee for housing since 27 September 2000, gained a more robust legal framework with the Disaster Insurance Law No. 6305, which entered force on 18 August 2012.

TCIP is an “insurance pool” with a public legal entity and was established to provide the ZDS guarantee. TCIP, which has a unique organizational structure created with the cooperation of the public and private sectors, is a non-profit institution.

TCIP aims to ensure that citizens can safely resume their lives after the earthquake by setting out on the approach of “Earthquake will pass, life will continue”. With the ZDS, it provides financial assurance to policyholder homeowners against the earthquake and earthquake-induced fire, explosion, landslide and tsunami risks. Whether their homes become uninhabitable or are partially damaged, it compensates for the damage of the building as quickly as possible and mediates in the efforts to bring life back to normal.

While TCIP increases the prevalence of the ZDS with its distribution network consisting of insurance companies, affiliated agencies and bank branches, which it works with throughout the country, it aims to ensure assurance is available to all with its low premium costs.

ZDS is our social responsibility!

Supporting insurance activities with public awareness activities, TCIP underlines that the ZDS is the social responsibility for all of us.

Earthquake has been the most common type of disaster in our country in the last 60 years and is not an unexpected situation for our country, which is almost entirely in the earthquake zone. Moreover, due to their nature, earthquakes are a type of disaster that can shake not only the region where they are centered, but also the entire country economically.

While the ZDS provides housing security on an individual basis, it also creates a guarantee pool for our country. This financial pool, which has gained importance especially after earthquakes, is also a guarantee for those in need, who hold a ZDS policy in case of earthquakes that occur elsewhere, even if they are not in their home area.

The system created has performed successfully and is held up as an exemplary practice for many countries by international organizations.

It is possible to list the establishment purpose of this system, which was created with the cooperation of the state and the insurance industry, in order to meet requirements rapidly and effectively:

- Assuring all housing which is within the scope of the program against earthquakes with payable premiums,
- Ensuring the sharing of risk within the country,
- Distributing the financial liability facing our country as a result of earthquake damage to international reinsurance and capital markets through insurance,
- Reducing the state’s financial burden arising from earthquakes, especially the construction of housing following earthquakes,
- Prevention of possible additional taxation that would be reflected on citizens arising from the financial burden of the state,
- Using the insurance system as an incentive tool in the construction of sound buildings,
- Ensuring long-term resource accumulation in covering earthquake damages and
- Contributing to the development of insurance and social solidarity awareness in society.



TCIP, which represents one of the best examples of cooperation between the public and private sectors with its organization and functioning, is also closely followed by international organizations.

## 1.2 TCIP'S ORGANIZATION

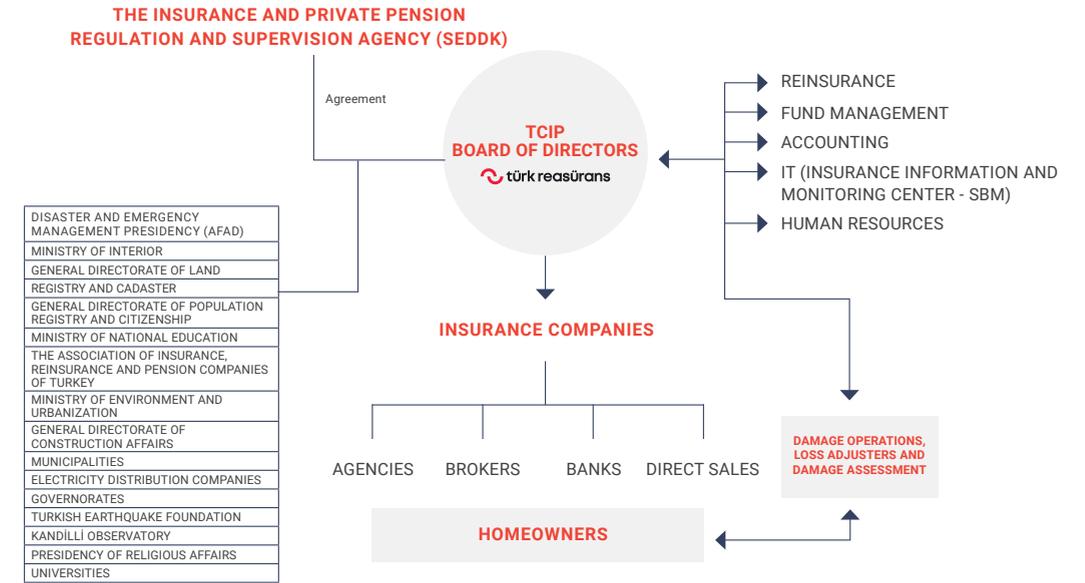
With its organization and functioning, TCIP represents one of the best examples of cooperation between the public and private sectors. The technical and operational work of the institution is carried out by an insurance or reinsurance company designated by the Ministry of Treasury and Finance for 5-year periods. While the institution provides an insurance guarantee, the ZDS is offered to homeowners by insurance companies. With this current state, TCIP has created an effective working order by bringing together the advantages of the public and private sectors.

Today, TCIP continues to work seamlessly to ensure the continuity of the policies

and to include those homeowners, who have not yet insured their homes, into the system. TCIP not only manages the policy production in order to ensure a sustainable growth of the ZDS, but also continues to undertake important promotional and social responsibility projects which will raise earthquake and insurance awareness.

TCIP is technically an insurance pool and thus does not require a physical structure to carry out the work of the Institution. Instead, services are outsourced for all work in order to increase effectiveness and keep costs to a minimum. The overall organizational structure of the Institution is as follows

### TCIP Organization Chart



## 1.3 BOARD OF DIRECTORS

TCIP is managed by the Board of Directors, which consists of a total of seven members, one of whom is the chairman. The Board of Directors consists of five senior public officials, one private sector official and one university representative who should be specialized in different subjects.

The formation of the TCIP Board of Directors is based on the representation of the relevant parties and the successful execution of the ZDS program.

Accordingly, the Board of Directors, which includes representatives of various institutions and organizations, consists of the individuals set out in the table below.

### Chairman and Members of the Board of Directors

NAME	POSITION	INSTITUTION AND TITLE
Mete Güler	Chairman	Republic of Turkey Insurance and Private Pension Regulation and Supervision Agency / Vice President
Mehmet Güllüoğlu	Member	Ministry of Interior, Disaster and Emergency Management Presidency/President
Mehmet Emin Akyüz	Member	Capital Markets Board / Vice President
Vedad Gürgen	Member	Ministry of the Environment and Urbanization, General Directorate of Infrastructure and Urban Transformation Services / General Manager
Özgür Obalı	Member	General Secretary of the Association of Insurance, Reinsurance and Pension Companies of Turkey
Erdal Turgut	Member	Deputy General Manager of Türk Reasürans A.Ş.
Prof. Dr. Alper İlki	Member	Istanbul Technical University, Faculty of Civil Engineering



**Türk Reasürans A.Ş. was appointed as the technical operator responsible for the execution of TCIP's technical and operational work with effect from 8 August 2020.**

## 1.4 TECHNICAL OPERATOR

The execution of TCIP's technical and operational work is conducted by outsourced providers. In accordance with Article 6 of the Disaster Insurance Law No. 6305, a maximum five-year service contract is entered into between the Ministry of Treasury and Finance and the company selected for this task. The service contract is renewed under the same procedure. In this context, the duty of Technical Operator was assigned to Türk Reasürans A.Ş. for a period of five years with effect from 8 August 2020, up until 2025.

The Technical Operator is responsible for the execution of TCIP's technical and operational work within the framework of the principles stipulated in the legislation and the service contract and decisions taken by the Board of Directors of TCIP.

### Primary Duties of the Technical Operator

- To carry out the necessary administrative and operational work with all relevant stakeholders for the printing and distribution of policies, collection of premiums, determination of damages and payment of claims.
- To implement risk transfer and reinsurance plans,
- To direct the institution's resources to investments within the framework of the determined principles and constraints, to manage relations with portfolio management companies working with TCIP, to inform the Board of Directors of the activities of the portfolio management companies,
- To follow up and account for the income and expenses of the Institution and all accounts and transactions in special and separate records,
- To carry out the public relations, promotion and education campaigns,
- To undertake necessary correspondence with other persons, institutions and organizations on behalf of the institution, to keep the information/ documents appropriately and to purchase goods and services which must be outsourced in relation to the affairs of the institution,
- To prepare the study, information and reports requested by the Ministry of Treasury and Finance.

The main objective of the work carried out by Türk Reasürans A.Ş. with regard to TCIP Technical Operatorship is to increase the proportion of those insured on one hand, and to excel in its damage operations

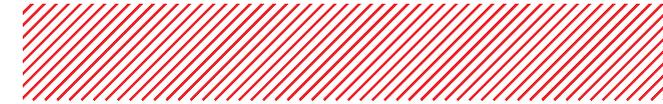
on the other. In line with this goal, Türk Reasürans strives to establish the necessary working order by using the most advanced technologies in all of TCIP's activities, to create the infrastructure through which TCIP can provide effective damage service in case of a possible major earthquake and to carry out its work in order to establish reinsurance programs which will ensure that sufficient financial resources are at TCIP's disposal in such a case. All of this work is carried out with the awareness that TCIP is an institution which carries out its activities in line with the principles of social responsibility.

Türk Reasürans aims to further raise the bar on service, where it has taken on the TCIP model, a very successful example when compared to world examples. The company has determined its priorities in this regard as increasing the claim payment capacity of the pool and, most importantly, increasing the proportion of the insured from the current level of 56% to 100%, so there are no households without coverage.

The first phase of the action plan developed by Türk Reasürans within the scope of the TCIP assignment was to increase the claim payment capacity. Türk Reasürans undertook its calculations based on the probability of an earthquake occurring in the region in order to be prepared for the worst-case scenario. It has shaped its agreements in line with the effort to find an optimum solution with the combination of both TCIP's existing resources and the reinsurance protection to be provided. As a result of the work carried out, TCIP's total solvency was increased from TL 25 billion to around TL 40 billion with the excess of loss reinsurance agreement and funds, which also includes structured reinsurance solutions.

Another key target for the development of TCIP would be a 100% coverage rate. Achieving this is possible with the joint efforts and cooperation of brokers working together with TCIP, the Technical Operator, the regulatory authority - SEDDK (Insurance and Private Pension Regulation and Supervision Agency) and other insurance companies, and most importantly, by raising awareness of citizens about insurance.

In this regard, the first convenience extended to policyholders was to not increase the policy premiums to be implemented in 2021. Backed by views of the Ministry of Treasury and Finance, Türk Reasürans left the premiums to be paid by policyholders unchanged, even though the guarantees increased at the rate of inflation. In addition, incentive campaigns for companies and insurance brokers - which account for a significant proportion of TCIP's production - as well as a series of advertising and promotional activities to raise awareness among citizens, were planned and will be implemented in the first half of 2021.





At the end of 2020, all elementary insurance companies operating in Turkey and the 17,000 agencies of these companies throughout Turkey were involved in ensuring that TCIP was easily accessible nationwide. ”

## 1.5 MANDATORY EARTHQUAKE INSURANCE (ZDS)

### 1.5.1 SCOPE

In general terms, the ZDS is an insurance system developed for dwellings within the boundaries of the municipality.

With the Disaster Insurance Law No. 6305 and the secondary legislation arrangements drawn up in line with this law, the buildings covered by this insurance were comprehensively determined.

#### Buildings which are within the scope of the law:

- Buildings constructed as dwellings on immovables registered in the title deeds and subject to private ownership,
- Independent sections within the scope of the Law of Property Ownership No. 634,
- Independent sections in these buildings used for commercial premises, offices or similar purposes,
- Houses built by the government or with the loans extended due to natural disasters.

The ZDS is mandatory for those buildings which meet the conditions stipulated above and have a construction servitude, buildings for which a type has not yet been assigned in the title deeds and are classified as "land etc." in the title deeds registry, and cooperative buildings for which the title deed allocation has not yet been made.

The insurance of the homes which lack an independent title deed may be undertaken based on the declaration of the policyholder and with the information pertaining to the land title deed.

#### Buildings outside the scope:

- Buildings constructed in and around village settlements and in hamlets by those who are registered to the village population registration and who are permanent residents of the village,
- Buildings used for commercial or industrial purposes,
- Buildings and independent sections subject to the Public Housing Law number 2946 dated 9 November 1983, or buildings used as public service buildings,
- Buildings which do not have architectural, structural, mechanical or electrical designs and have not received engineering services,
- Buildings constructed in violation of the relevant legislation and the approved designs in a manner that adversely affects the structural system,
- Buildings which are designated for demolition by authorized public institutions and buildings which are unsuitable for residential use, neglected, run down or derelict.

The ZDS policies are issued by authorized insurance companies and agencies of these companies in the name and the account of TCIP. Currently, 31 authorized insurance companies and their agencies perform the ZDS on behalf of TCIP. In addition, TCIP continues its renewal notifications and

direct sales activities for renewal policies in order to compensate for the losses in renewals due to non-follow-up.

### 1.5.2 CONTROL POINTS

#### Electricity and Water Subscriptions

Under the 11<sup>th</sup> article of the Disaster Insurance Law No. 6305, "The presence of Mandatory Earthquake Insurance is checked by the relevant institutions in water and electricity subscription transactions carried out for the buildings and independent sections within the scope of the Mandatory Earthquake Insurance scheme." As of 18 August 2012, ZDS controls had been initiated during subscription transactions at all electricity and water administrations.



In order to increase the prevalence of Mandatory Earthquake Insurance, effective control mechanisms are established in order to perform insurance during the electricity and water subscription transactions, title deed transactions and housing loan requests. ”



In order to provide operational convenience to institutions during the controls carried out during electricity and water transactions, services which can be provided through electronic information flow between the institutions were prepared and made available to the institutions requesting them.

#### Title Deed Transactions

Since 2000, it has been a requirement that a dwelling is insured during official transactions at title deed registry offices, such as purchase and sale and mortgages. This issue is regulated again in Article 11 of Law No. 6305.

In order to offer convenience to citizens during title deed registry transactions and to reduce the operational workload in title deed registry offices, the integration providing electronic information flow between the institutions was achieved.

#### Housing Loans

According to the Article 13 of Insurance Law No. 5684, Article 24 of the Regulation on Disaster Insurance Institution Working Principles, Article 5 of the Regulation on Personal Loans Related Insurance Practice Principles and Article 7 of the Mandatory Earthquake Insurance Tariff and Instruction, Mandatory Earthquake

Insurance is required for Banks to disburse housing loans. In the event that the recipient of the housing loan has not purchased Mandatory Earthquake Insurance, the bank which issued the loan should do so, informing the policyholder. In the event that the policyholder does not renew the insurance policy during the loan period, the bank must inform the policyholder and ensure the renewal of the relevant policy.

#### 1.5.3 AUTHORIZED INSURANCE COMPANIES

The ZDS policies are issued in the name of and on behalf of TCIP through the 31 authorized insurance companies and the agencies of these companies.

31   
Authorized  
Insurance  
Companies

17,000   
Agencies

#### Authorized Insurance Companies

Aksigorta A.Ş.	HDI Sigorta A.Ş.
Allianz Sigorta A.Ş.	Koru Sigorta A.Ş.
Anadolu Anonim Türk Sigorta ŞTİ.	Magdeburger Sigorta A.Ş.
Ankara Anonim Türk Sigorta ŞTİ.	Mapfre Sigorta A.Ş.
Atlas Sigorta A.Ş.	Neova Sigorta A.Ş.
Axa Sigorta A.Ş.	Orient Sigorta A.Ş.
Bereket Sigorta A.Ş.	Ray Sigorta A.Ş.
Corpus Sigorta A.Ş.	Sompo Japan Sigorta A.Ş.
Doğa Sigorta A.Ş.	S.S. Atlas Sigorta Kooperatifi
Dubai Starr Sigorta A.Ş.	Şeker Sigorta A.Ş.
Ethica Sigorta A.Ş.	Türk Nippon Sigorta A.Ş.
Eureko Sigorta A.Ş.	Türkiye Sigorta A.Ş.
Generali Sigorta A.Ş.	Unico Sigorta A.Ş.
Gri Sigorta A.Ş.	Quick Sigorta A.Ş.
Groupama Sigorta A.Ş.	Zurich Sigorta A.Ş.
Gulf Sigorta A.Ş.	

# TCIP Milestones

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**10  
million**



The number  
of houses  
provided with  
earthquake  
coverage in  
2020

“TCIP, which has taken important steps **since its establishment, continues its activities with the target of 100% insurance coverage rate.**”



# TCIP

## Milestones

### 2000 | TCIP WAS FOUNDED.

- TCIP was established with the Decree-Law No. 587 dated 27 September 2000.
- The first Mandatory Earthquake Insurance policy was issued on 27 September 2000.

### 2010 | REINSURANCE PROTECTION

- TCIP's ability to pay for a single claim of damage, together with its own resources and reinsurance protection, amounted to TL 5 billion.
- Intensive PR work was carried out to increase recognition with the TCIP Advertising Campaigns.

### 2011 | VAN EARTHQUAKE

- After the 5.9 magnitude Kütahya earthquake on 19 May 2011, 31 earthquakes were recorded, including the 7.2 and 5.6 magnitude Van earthquakes on 23 October and 9 November 2011.
- There was a 12.5% increase in the coverage rate throughout Turkey in 2011.
- Renewal reminder calls started to be carried out.

### 2012 | NEW LAW

- TCIP gained a stronger legal framework with the Disaster Insurance Law No. 6305, which entered force on 18 August 2012.
- Mandatory Earthquake Insurance (ZDS) started to be checked during the subscription processes at the Electricity and Water Administrations.
- With the new tariff, the apartment block discount was abolished, with a renewal discount and construction year discount gradually starting to be applied.

- The TCIP call center, Alo TCIP 125, became operational both in daily operations and in case of a major disaster.
- TCIP's website was renewed.
- SMS messages started to be sent to policyholders during the policy generation and cancellation processes.
- TCIP participated in the 'Global Earthquake Modelling' project.

### 2013 | UAVT PROJECT

- TCIP started to offer the Address Code application in full compliance with the National Address Database (UAVT) in all ZDS policies issued as of 1 March 2013. It thus became a pioneer in establishing the "Address Code" concept throughout the country.
- CONTROL POINTS - System integration was achieved with title deeds in order to ensure effectiveness in title deed checks. Likewise, integration was carried out with the electricity and water administrations.
- In addition to CAT-BOND Reinsurance opportunities, TCIP started to employ cost-effective alternative risk transfer tools.

### 2014 | REAL ORTHOPHOTO PROJECT

- TCIP provided extensive support to the orthophoto production project, which is carried out by the Ministry of Environment and Urbanization, on a nationwide basis.
- The TCIP central reporting infrastructure was established.
- Awareness was raised by sending TCIP signboards to the agencies.
- The Renewal Campaign for Agencies was carried out with the aim of protecting the ZDS portfolio with renewals.

### 2015 | DISASTER MANAGEMENT PROJECT

- Disaster Management Project
- SBM transfer
- An ARYS Map-based disaster support structure was created.
- TCIP created a mobile application able to perform the appraisal process over an iPad / tablet computer online in the first example of its kind in the world.

### 2016 | TCIP MOBILE PROJECT

- With the TCIP Web Portal, instant damage files could be opened on the website and a transparent structure was created where damage files could be followed up.
- The first damage file was opened through our new Damage application, providing instant information flow over mobile devices.
- TCIP's new advertising and PR agencies were determined.

### 2017 | WE INCREASED OUR SOLVENCY

- TCIP's ability to pay in a single claim, together with its own resources and reinsurance protection, amounted to TL 17 billion.
- In addition to the gradual renewal discount and the construction year discount, a 20% Building discount started to be offered where dwellings in the building/housing complex were insured by the building/ housing complex administration.
- Renewal reminder calls started with Interactive Voice Message (IVR-IVN).
- Electronic Archive Project work got underway.

### 2018 | THE IVR PROJECT

- The Disaster Call Center was commissioned.
- The Policy inquiry and damage file inquiry service started to be offered via IVR (interactive voice response) through the Alo TCIP 125 Call Center.

- Renewal work on the ZDS Tariff started to be carried out according to the changing Turkey Earthquake Hazard Map.
- Collaboration with the Ministry of National Education started within the scope of the "Our Priority is Safety, Our Responsibility is Assurance" Project.
- Collaboration with the Ministry of Environment and Urbanization and post-earthquake Damage Assessment cooperation integration studies were initiated.
- It will now be possible to view the damage file and report damage through the E-Government Gateway.
- A Public Opinion survey was conducted with the aim of conducting the TCIP Social Stakeholder Analysis and subsequently expanding the communication targets.

### 2019 | NEW TARIFF

- TCIP's ability to pay for a single claim, together with its own resources and reinsurance protection, reached TL 22 billion.
- Renewal work of the ZDS Tariff was completed in accordance with changes in the Turkey Earthquake Hazard Map.

### 2020 | CHANGE OF TECHNICAL OPERATOR

- With the end of Eureko Sigorta A.Ş.'s contract as Technical Operator, the role of Technical Operator was transferred to Türk Reasürans A.Ş. with effect from 8 August 2020 by the Ministry of Treasury and Finance of the Republic of Turkey, which is responsible for the supervision and audit of TCIP.
- A new risk-based pricing methodology was adopted based on the New Turkey Seismic Hazard Map data, together with the Mandatory Earthquake Insurance Tariffs and Instructions published in the Official Gazette on 1 January 2020. With this information, the parameters of the number of floors, construction year and building style of dwellings were updated.
- TCIP's ability to pay in a single claim, together with its own resources and reinsurance protection, reached TL 40 billion.
- The number of policies exceeded 10 million.

# TCIP in Numbers

## 2.1 Coverage by Geographical Region

48%

### Mediterranean

Average Premium: 110 TL  
Number of Dwellings: 2,236,030

44%

### Black Sea

Average Premium: 146 TL  
Number of Dwellings: 1,714,170

68%

### Marmara

Average Premium: 201 TL  
Number of Dwellings: 6,014,550

56%

### Aegean

Average Premium: 210 TL  
Number of Dwellings: 2,616,350

50%

### Eastern Anatolia

Average Premium: 213 TL  
Number of Dwellings: 777,020

52%

### Central Anatolia

Average Premium: 85 TL  
Number of Dwellings: 3,332,500

46%

### Southeastern Anatolia

Average Premium: 86 TL  
Number of Dwellings: 991,460

## 2.3 Coverage in Major Provinces

Yalova  
90%

İstanbul  
68%

Erzincan  
68%

Ankara  
61%

Balıkesir  
62%

Bursa  
59%

İzmir  
62%

Antalya  
57%

Gaziantep  
55%

Denizli  
50%

K.Maraş  
46%

Van  
61%

Konya  
44%

Adana  
45%

Kayseri  
44%

Trabzon  
39%

Sivas  
41%

Samsun  
40%

Diyarbakır  
36%

Tokat  
35%

## 2.2 Mandatory Earthquake Insurance Growth Graph

NUMBER OF MANDATORY EARTHQUAKE INSURANCE POLICIES BY YEAR



**TL 163**

Average Annual Premiums

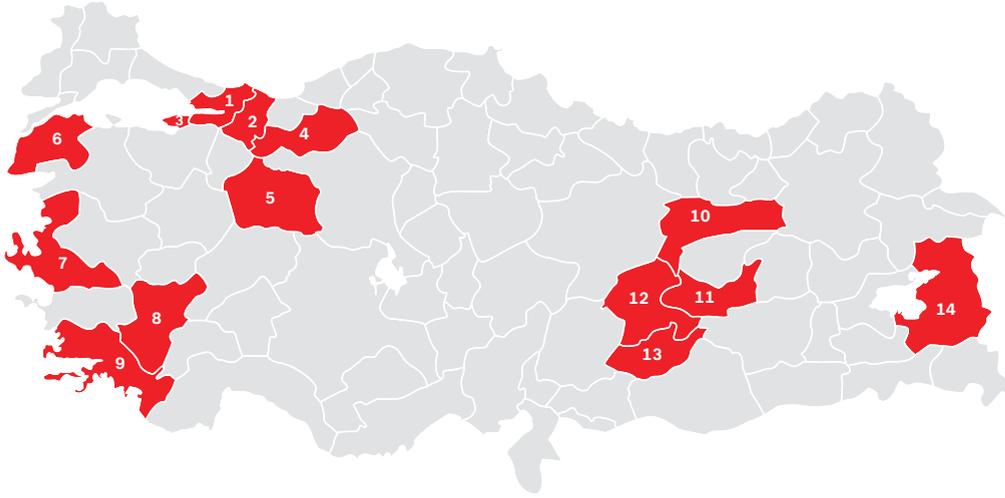
**9.9 Million**

Number of Policies

**TL 115,000**

Average Guarantees

## 2.4 Policyholdership in the Provinces Experienced Earthquake

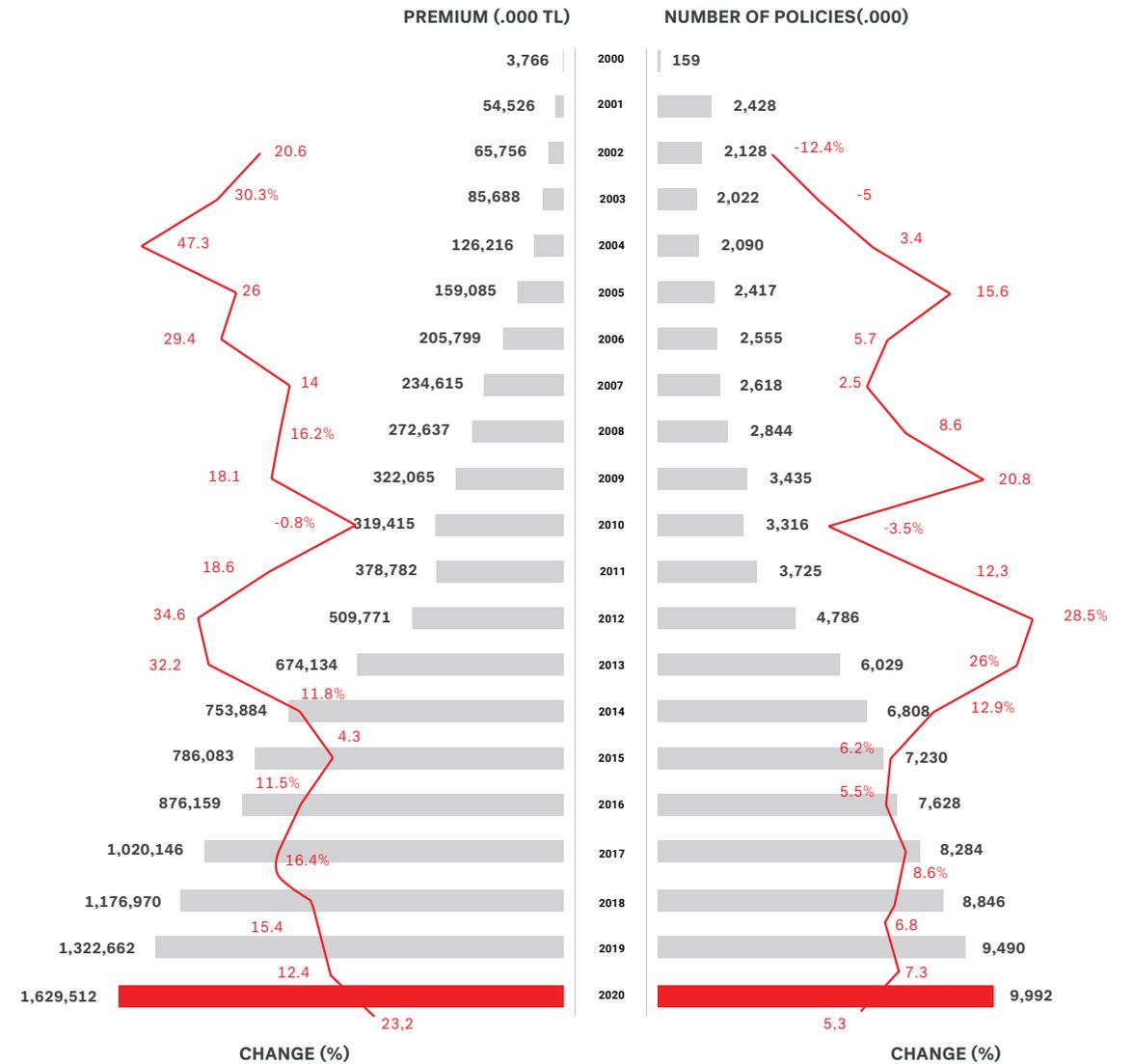


1 KOCAELİ	2 SAKARYA	3 YALOVA	4 BOLU	5 KÜTAHYA
70%	87%	90%	94%	39%
6 ÇANAKKALE	7 İZMİR	8 DENİZLİ	9 MUĞLA	10 ERZİNCAN
71%	62%	50%	75%	68%
11 ELAZIĞ	12 MALATYA	13 ADİYAMAN	14 VAN	
53%	52%	48%	61%	

## 2.5 Policy Productions by Years



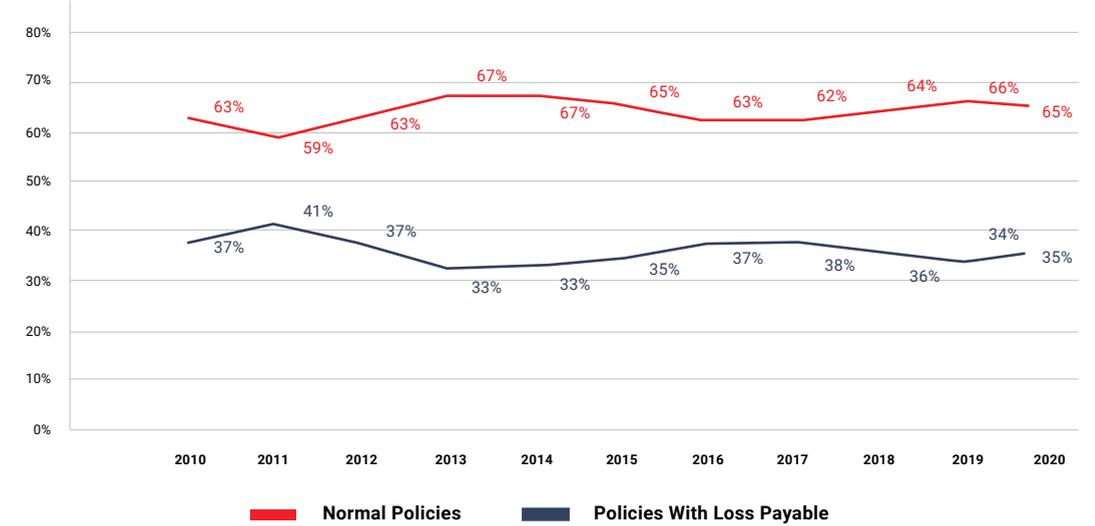
In 2020, the number of policies increased to 9.9 million and the ratio of housings with Mandatory Earthquake Insurance increased to 56%.



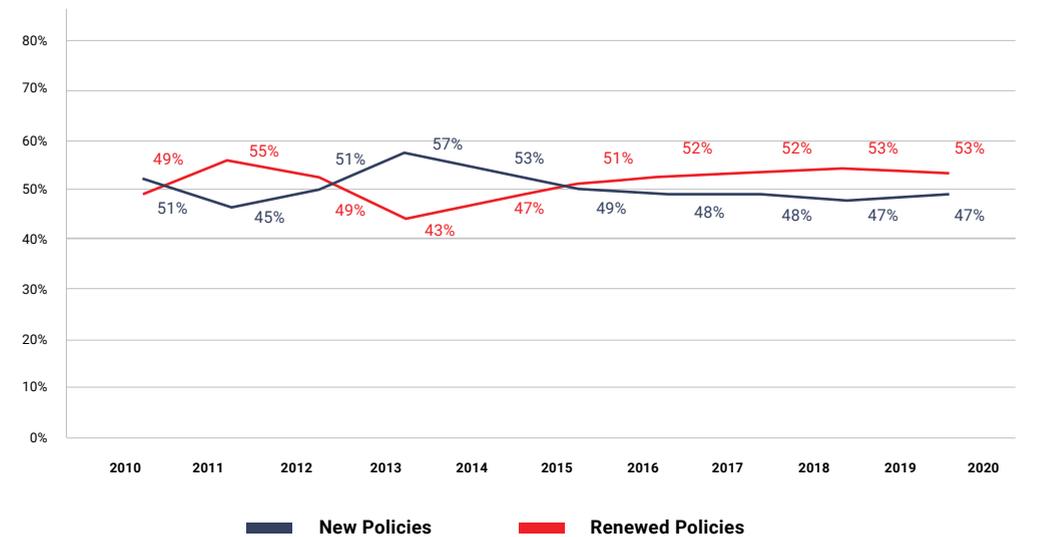
## 2.6 Company Policy Production

Company	2019		2020		Change %
	Number of Policies	Share	Number of Policies	Share	
AKSİGORTA A.Ş.	1,019,867	10.7	1,082,753	10.8	6.2
ALLIANZ SİGORTA A.Ş.	826,970	8.7	798,723	8.0	-3.4
ANADOLU SİGORTA	880,581	9.3	944,945	9.5	7.3
ANKARA SİGORTA A.Ş.	80,026	0.8	113,241	1.1	41.5
AXA SİGORTA A.Ş.	636,699	6.7	605,517	6.1	-4.9
BEREKET SİGORTA A.Ş.	178,953	1.9	195,099	2.0	9.0
CORPUS SİGORTA A.Ş.	23,549	0.2	17,978	0.2	-23.7
DASK	1,706	0.0	1,009	0.0	-40.9
DOĞA SİGORTA A.Ş.	322,607	3.4	378,534	3.8	17.3
DUBAI SİGORTA A.Ş.	1,486	0.0	10	0.0	-99.3
ETHİCA SİGORTA A.Ş.	161,628	1.7	184,122	1.8	13.9
EUREKO SİGORTA A.Ş.	387,516	4.1	392,413	3.9	1.3
GENERALİ SİGORTA A.Ş.	76,565	0.8	74,472	0.7	-2.7
GRİ SİGORTA A.Ş.	-	-	350	0.0	0.0
GROUPAMA SİGORTA A.Ş.	192,172	2.0	199,240	2.0	3.7
GULF SİGORTA A.Ş.	46,436	0.5	52,255	0.5	12.5
HALK SİGORTA A.Ş.	603,259	6.4	438,601	4.4	-27.3
HDI SİGORTA A.Ş.	646,782	6.8	744,286	7.4	15.1
KORU SİGORTA A.Ş.	66,460	0.7	92,963	0.9	39.9
LIBERTY SİGORTA A.Ş.	-1	0.0	10,168	0.1	-100.0
MAGDEBURGER SİGORTA A.Ş.	5,576	0.1	173,824	1.7	3017.4
MAPFRE SİGORTA A.Ş.	204,148	2.2	360,301	3.6	76.5
NEOVA SİGORTA A.Ş.	312,714	3.3	20,196	0.2	-93.5
ORİENT SİGORTA A.Ş.	20,275	0.2	92,123	0.9	354.4
QUICK SİGORTA A.Ş.	51,417	0.5	233,061	2.3	353.3
RAY SİGORTA A.Ş.	186,413	2.0	6,262	0.1	-96.6
S.S. ATLAS SİGORTA KOOPERATİFİ	4,063	0.0	291,574	2.9	7076.3
SOMPO SİGORTA A.Ş.	267,262	2.8	94,904	0.9	-64.5
TÜRK NİPPON SİGORTA A.Ş.	99,238	1.0	577,299	5.8	481.7
TÜRKİYE SİGORTA A.Ş.	500,861	5.3	601,991	6.0	20.2
UNICO SİGORTA A.Ş.	217,609	2.3	139,669	1.4	-35.8
ZURICH SİGORTA A.Ş.	139,682	1.5	121,858	1.2	-12.8
ZİRAAT SİGORTA A.Ş.	1,096,062	11.5	896,760	9.0	-18.2
ŞEKER SİGORTA A.Ş.	53,053	0.6	55,612	0.6	4.8
<b>TOTAL</b>	<b>9,490,250</b>	<b>100.0</b>	<b>9,992,101</b>	<b>100.0</b>	<b>5.3</b>

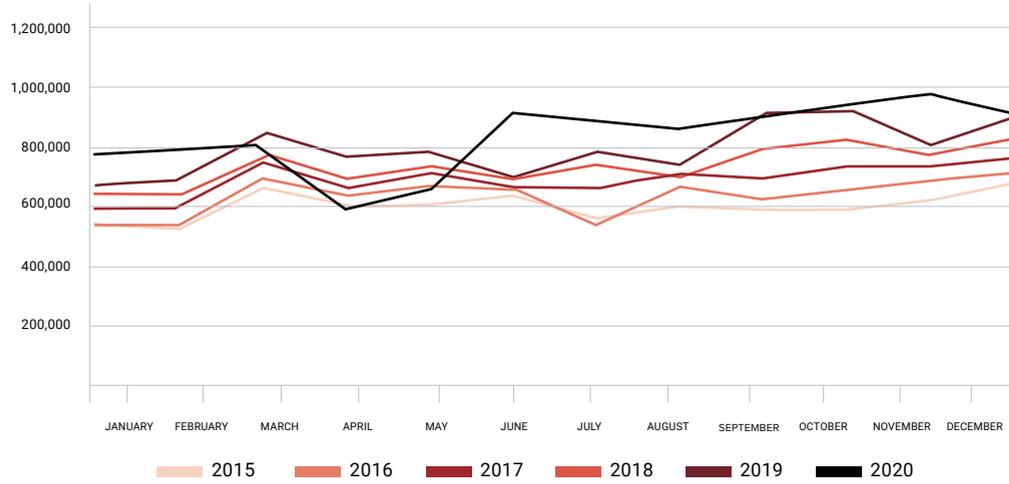
## 2.7 Number of Policies With Loss Payable



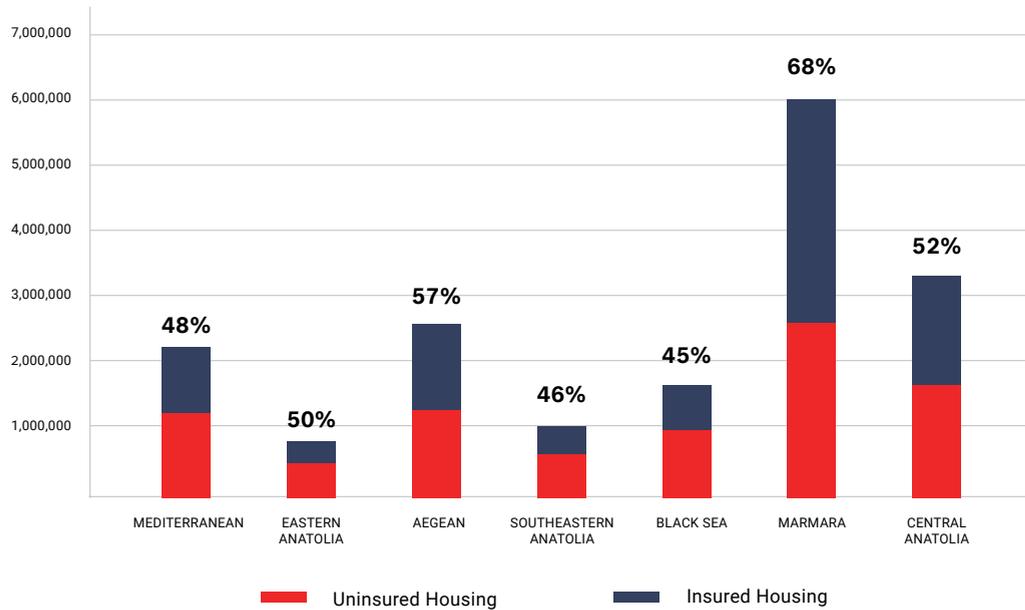
## 2.8 New Policies and Renewed Policies



## 2.9 Policy Productions by Month



## 2.10 Coverage Ratios By Geographical Region



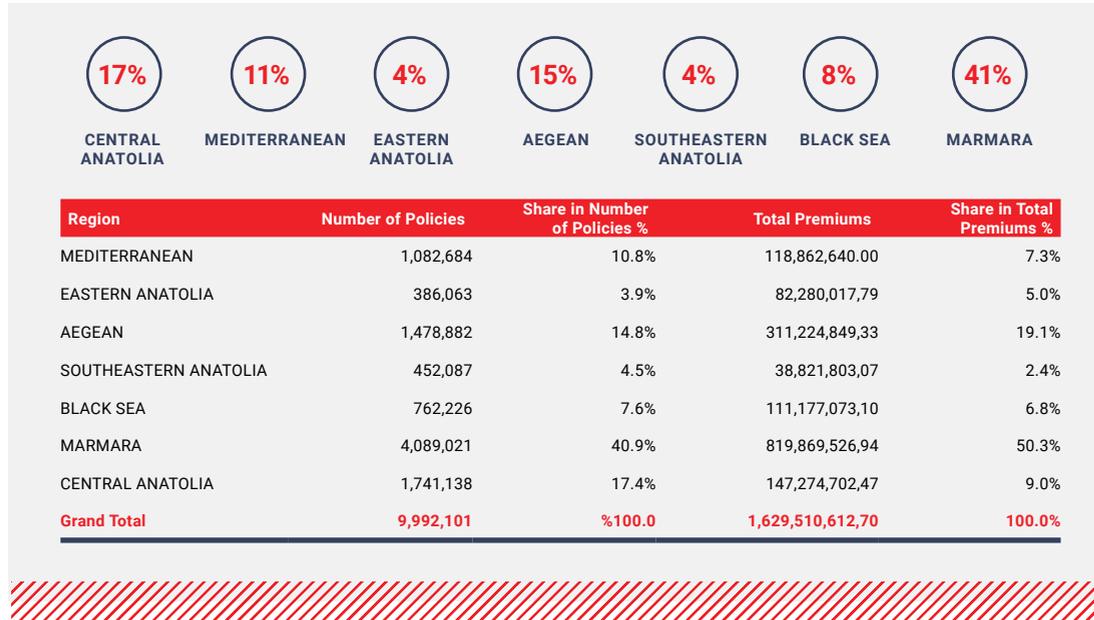
## 2.11 Coverage Ratio by Province

CITY	TOTAL DWELLINGS	INSURED HOUSING	TOTAL PREMIUMS (TL)	COVERAGE RATIO %
ADANA	448,380	200,248	19,784,931	44.7
ADIYAMAN	78,760	38,179	6,589,032	48.5
AFYONKARAHİSAR	170,720	61,825	8,905,762	36.2
AKSARAY	90,530	40,369	1,744,052	44.6
AMASYA	73,980	33,575	7,503,086	45.4
ANKARA	1,525,130	932,233	84,987,306	61.1
ANTALYA	610,140	346,210	37,491,633	56.7
ARDAHAN	7,610	5,233	626,338	68.8
ARTVİN	32,060	15,196	813,879,14	47.4
AYDIN	284,970	178,673	36,652,473	62.7
AĞRI	41,660	16,117	2,053,290	38.7
BALIKESİR	335,710	207,621	35,102,769	61.8
BARTIN	30,620	18,741	1,491,570	61.2
BATMAN	59,430	14,241	1,209,218	24.0
BAYBURT	12,620	4,335	617,646	34.4
BOLU	58,660	55,422	13,922,576	94.5
BURDUR	63,030	23,899	3,504,814	37.9
BURSA	670,750	397,121	83,963,380	59.2
BİLECİK	51,200	25,003	3,158,161	48.8
BİNGÖL	30,780	24,827	7,087,195	80.7
BİTLİS	38,150	13,186	2,446,595	34.6
DENİZLİ	251,500	125,182	30,440,365	49.8
DÜZCE	68,470	53,034	11,920,170	77.5
DİYARBAKIR	211,240	76,231	7,213,664	36.1
EDİRNE	100,430	60,602	7,386,535	60.3
ELAZIĞ	123,310	64,852	18,765,128	52.6
ERZURUM	118,900	47,897	11,630,974	40.3

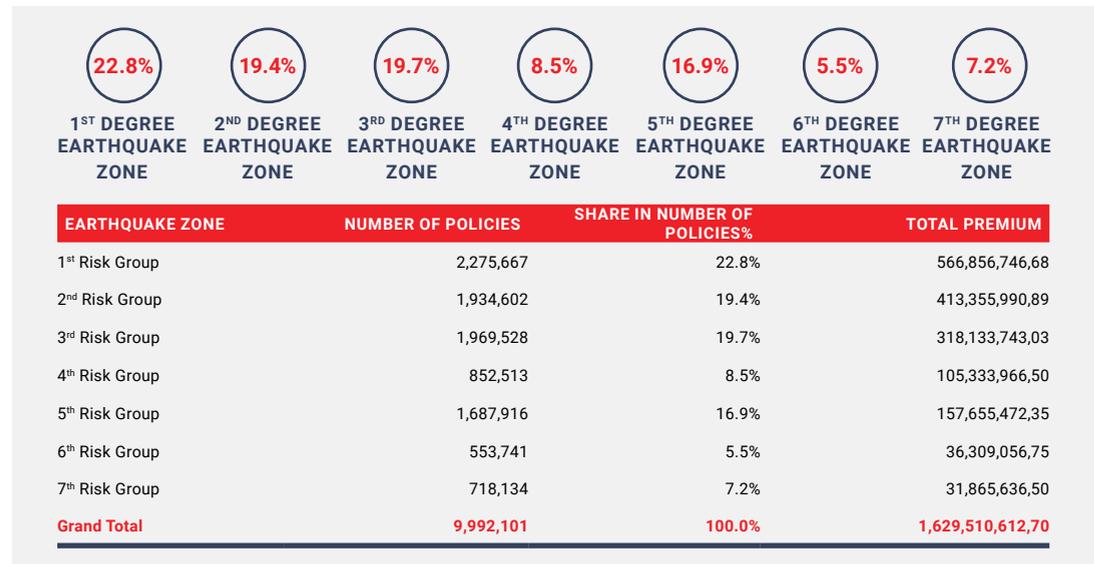
CITY	TOTAL DWELLINGS	INSURED HOUSING	TOTAL PREMIUMS (TL)	COVERAGE RATIO %
ERZİNCAN	45,870	31,252	7,828,455	68.1
ESKİŞEHİR	233,240	144,698	20,016,176	62.0
GAZİANTEP	290,980	159,743	14,037,237	54.9
GÜMÜŞHANE	27,140	8,513	734,288	31.4
GİRESUN	101,750	40,508	3,590,554	39.8
HAKKARİ	22,800	3,562	441,412	15.6
HATAY	274,450	117,096	21,469,151	42.7
ISPARTA	121,580	41,197	5,827,987	33.9
İĞDIR	20,850	10,522	1,174,557	50.5
KAHRAMANMARAŞ	188,050	87,149	12,689,849	46.3
KARABÜK	56,630	28,640	3,909,542	50.6
KARAMAN	56,810	27,292	1,143,703	48.0
KARS	33,050	16,782	1,340,585	50.8
KASTAMONU	73,710	35,723	5,135,597	48.5
KAYSERİ	335,870	146,734	9,839,686	43.7
KIRIKKALE	77,710	25,970	1,825,076	33.4
KIRKLARELİ	87,430	53,313	5,637,693	61.0
KİRŞEHİR	60,690	26,582	1,153,170	43.8
KOCAELİ	421,370	295,943	72,310,025	70.2
KONYA	512,870	227,838	11,874,379	44.4
KÜTAHYA	155,120	60,331	9,743,931	38.9
KİLİS	21,340	10,224	794,246	47.9
MALATYA	165,690	86,106	17,234,251	52.0
MANİSA	309,460	151,883	31,935,718	49.1
MARDİN	91,660	37,510	1,774,516	40.9
MERSİN	440,730	230,616	12,510,923	52.3
MUĞLA	241,650	180,236	28,788,568	74.6
MUŞ	31,410	8,922	2,001,600	28.4
NEVŞEHİR	74,640	27,472	1,180,173	36.8
NİĞDE	89,250	36,022	1,623,877	40.4
ORDU	170,280	76,681	7,845,673	45.0

CITY	TOTAL DWELLINGS	INSURED HOUSING	TOTAL PREMIUMS (TL)	COVERAGE RATIO %
OSMANIYE	89,670	36,251	5,581,833	40.4
RİZE	74,910	25,362	2,277,402	33.9
SAKARYA	194,190	168,424	37,375,648	86.7
SAMSUN	287,770	116,032	19,903,006	40.3
SİNOP	44,090	20,420	1,905,420	46.3
SİVAS	130,140	52,911	6,474,956	40.7
SİİRT	33,410	9,126	809,790	27.3
TEKİRDAĞ	264,840	231,319	33,729,563	87.3
TOKAT	127,320	44,429	9,221,786	34.9
TRABZON	208,190	81,022	5,967,731	38.9
TUNCELİ	16,220	7,237	1,509,972	44.6
UŞAK	82,710	35,619	5,910,705	43.1
VAN	80,720	49,568	8,139,665	61.4
YALOVA	79,590	71,856	17,271,315	90.3
YOZGAT	99,860	33,152	1,957,731	33.2
ZONGULDAK	137,510	52,170	5,450,418	37.9
ÇANAKKALE	126,590	89,867	16,683,627	71.0
ÇANKIRI	45,760	19,865	3,454,417	43.4
ÇORUM	128,460	52,423	8,966,729	40.8
İSTANBUL	3,682,450	2,487,951	507,250,655	67.6
İZMİR	1,120,220	685,133	158,847,327	61.2
ŞANLIURFA	171,420	100,734	5,864,498	58.8
ŞIRNAK	33,220	6,118	531,278	18.4
<b>TOTAL</b>	<b>17,682,080</b>	<b>9,992,101</b>	<b>1,629,510,613</b>	<b>56.51</b>

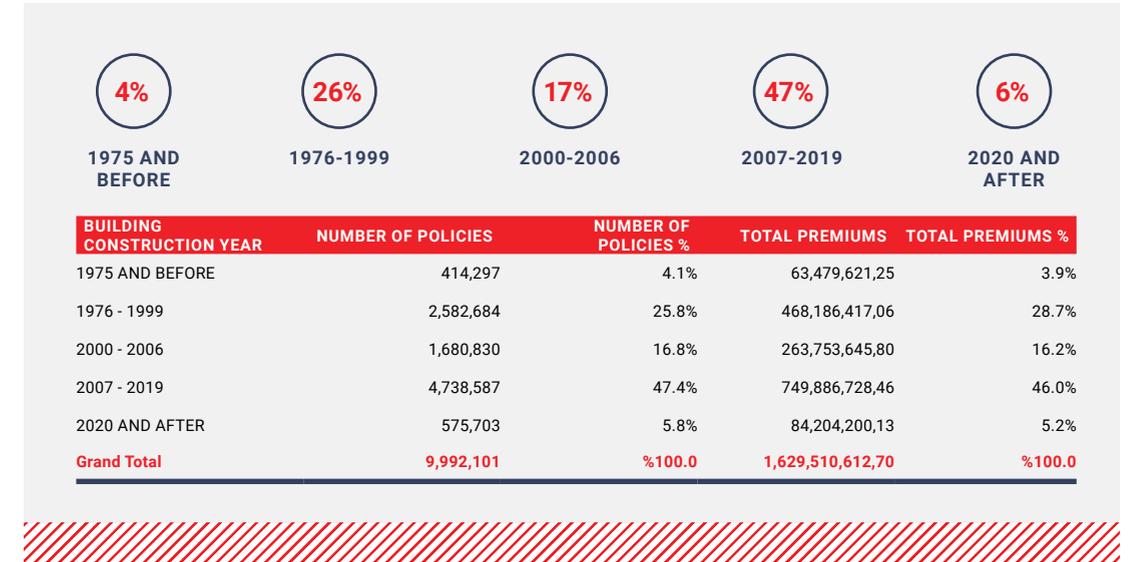
## 2.12 Policy Distribution by Geographical Region



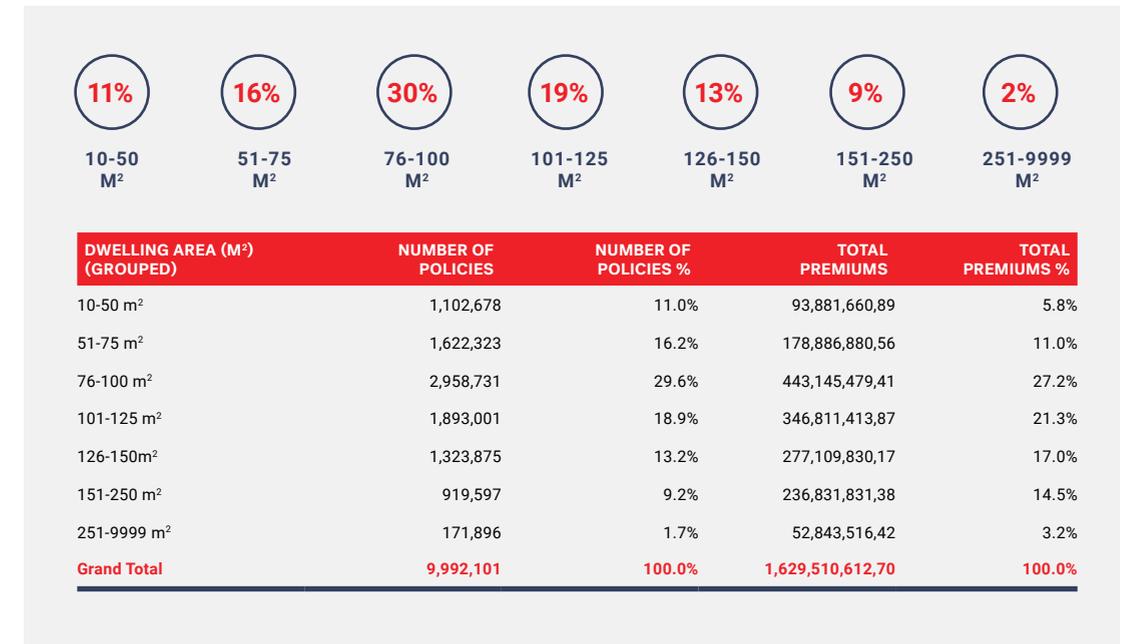
## 2.13 Policy Distribution by Hazard Zone



## 2.14 Policy Distribution by Building Construction Year



## 2.15 Policy Distribution by Building Area



# Tariff

TARIFF

–Tariff and Insurance Practices

38

10  
million



The number of houses provided with earthquake coverage in 2020

“Mandatory Earthquake Insurance (ZDS) prevents efforts and savings from blowing up **with the assurance it provides up to TL 240,000 for housing.**”



# Tariff



Mandatory Earthquake Insurance (ZDS) prevents efforts and savings from blowing up with the assurance it provides up to TL 240,000 for housing. \*



## 3.1 TARIFF AND INSURANCE PRACTICES

### INSURANCE TARIFF AND PREMIUM ACCOUNT

The premium to be paid is calculated by applying the following tariff based on the determined insurance fee, the risk group and building type. In any case, the minimum premium amount is TL 120 in the 1<sup>st</sup> group, TL 100 in the 2<sup>nd</sup>, TL 75 in the 3<sup>rd</sup>, TL 60 in the 4<sup>th</sup>, TL 50 in the 5<sup>th</sup>, TL 40 in the 6<sup>th</sup> and TL 35 in the 7<sup>th</sup> group according to the earthquake risk zone.

### EARTHQUAKE TARIFF PRICES BY ZONE BASED ON BUILDING TYPES (%)

Building Type	Group 1	Group 2	Group 3	Group 4	Group 5	Group 6	Group 7
Reinforced Concrete	2.35	1.97	1.51	1.13	0.79	0.52	0.33
Other	4.14	3.35	2.64	1.98	1.47	0.91	0.5

### Unit Square Meter Costs by Building Types (2020)

A- Reinforced Concrete	TL 1,134
B- Other	TL 782

\*This amount is determined by calculating the reconstruction cost of the dwelling.

Holders who renew their policy regularly and on time benefit from lower premiums, taking advantage of special discounts.

### THE INSURANCE FEE AND PREMIUM ARE CALCULATED AS FOLLOWS:

Insurance Fee = Gross surface area of the dwelling (m<sup>2</sup>) x Unit square meter cost based on building type (TL)

The insurance fee for a dwelling covered under the ZDS cannot exceed TL 240,000 without any discrimination based on the risk group or building type.

Premium = Insurance Fee in TL x Tariff price (%)

### DISCOUNT AND SURCHARGES

- If the insurance is renewed within 30 days of the end of the policy period, a 10% discount is provided over the tariff rates set out above for the renewed policy.
- The rate is increased by 10% over the above tariff price for buildings with a construction license date of 2000 or before.
- For buildings with 8 or more floors above ground, an increase of 10% in the tariff price is applied.
- A 10% discount is applied to the above tariff price for buildings with a total of three or fewer floors above ground level.
- No discount or surcharge is applied to the other building group, except for the renewal discount.

### EXEMPTION AND INSURANCE PERIOD

A deduction at a rate of 2% of the insurance value is applied for each unit of damage. The institution is responsible for the portion of the damage exceeding the exemption amount found accordingly. In terms of exemption application, each 72-hour period is considered as one unit of damage. The term of the insurance is determined as one year. At the end of the period, the insurance policy must be renewed.

### COMMISSION RATES

Insurance companies authorized to draft ZDS contracts in the name and account of the Institution are paid a commission of 12.5% for risks located in Istanbul and 17.5% for risks located in other provinces over the amount of the ZDS premium made by them or their agencies.

Limited to renewal policies, these rates are applied as 15% and 20%, respectively.

However, the minimum commission to be paid to the authorized insurance company for each insurance contract is TL 10, with a payment of TL 15 for renewal policies. TL 3 of the minimum commission paid belongs to the insurance company and TL 7 belongs to the agency for insurance contracts. For renewal policies, TL 3 is held by the insurance company and TL 12 by the agency.

In case the commission to be paid to the insurance company within the scope of the rates specified in the first paragraph exceeds TL 10 for insurance contracts, or TL 15 for renewal policies, the commission to be paid to the agency is determined freely between the insurance company and the agency, provided that the commission is not less than the minimum amount.

### OPTIONAL INSURANCE

In order to issue an optional housing insurance policy which includes the earthquake guarantee for independent sections and buildings within the scope of the ZDS, the ZDS must have been issued for these buildings. However, if the value of the independent sections or buildings for which ZDS has been applied, is higher than the insurance value calculated according to the principles specified in the tariff, optional earthquake insurance can be provided by insurance companies for the part exceeding the specified insurance amount, provided that the ZDS has been applied.

# Reinsurance Protection

REINSURANCE PROTECTION

– Reinsurance Implementation Strategy

42

**TL 40  
billion**



2020 total  
claim payment  
capacity

“TCIP’S total claim payment capacity consists of the institution’s funds and reinsurance capacity, and is **approximately TL 40 billion.**”



“

TCIP'S total claim payment capacity consists of the institution's funds and reinsurance capacity, and is approximately TL 40 billion.”

The important issues which TCIP has taken into account in establishing the claim payment capability and reinsurance program since its establishment are as follows:

- To allow the development of institution resources,
- To create a high quality and reliable reinsurer panel,
- To provide guarantee diversity, and
- To determine the damage load which the portfolio will bring about in a sound manner and to implement the necessary protections.

In 2020, priority was placed on efforts to promote TCIP's guarantee diversity and cost advantage.

#### REINSURANCE PROTECTION RENEWED

TCIP's reinsurance protection was renewed with effect from 1 November 2020 by taking into account the cost increases which will occur after the earthquake and in accordance with the characteristics of the current portfolio. The total solvency of the Institution is around TL 40 billion, including the excess of loss reinsurance agreement, which includes structured reinsurance solutions, and the institution funds. The liabilities of the Institution arising from the policies are monitored regularly and the required reinsurance protection is established by taking into account the reliable earthquake damage modelling results.

The program has been converted to TL for the first time, since all insurance fees, premiums and claim payments in the policies issued by the Institution are denominated in TL.

### 4.1 REINSURANCE IMPLEMENTATION STRATEGY

The following work is carried out every year in order to reach the targeted cost and placement structures for reinsurance protection, which is one of TCIP's key cash expense items, and as a result, the institution aims to achieve optimal results.

- Confirmatory factor analysis
- Scenario Based Analysis
- Risk Modelling
- SLA-Service Level Agreement
- Alternative Reinsurance Practices (ART-Alternative Risk Transfer)
- Placement Strategies

In line with the increase in the Institution's number of policies, the need for reinsurance capacity is increasing. It is anticipated that this growth trend will continue going forward. While the Institution's increasing capacity needs are met mainly by traditional reinsurance markets, TCIP's research studies continue in order to benefit from other products in the capital markets, especially catastrophe bonds, for future needs. The Institution pays attention to the diversity and differentiation of products and instruments which increase its ability to pay damages based on the region, market and product.

To prevent any negative impact on the traditional reinsurance capacities allocated for earthquake risk in Turkey, work on alternative risk transfer instruments is also carried out and included in the program with a competitive approach.

#### Continued Work on Alternative Reinsurance Markets

Work in alternative reinsurance markets continues in order to provide protections similar to Catastrophe Bonds. Structured reinsurance, "Spread Loss", "Top & Drop", "Currency Exchange Protection and Spread Loss compound configuration", "Annual Aggregate Protection (Annual Aggregate XL)", "Sidecar" and similar solutions are examined. If appropriate, evaluations are made in order to increase the market supply and meet the capacity needs of the institution in order to optimize costs.

“

The reinsurance program was converted to TL for the first time, since the insurance fees, premiums and claim payments in TCIP policies are denominated in TL.”

# Fund Management

## FUND MANAGEMENT

- General
- The General Fund Management Philosophy of the Institution
- Committees on Fund Management
- Investment Strategies to Protect High Portfolio Value

46  
48  
48  
49

**TL 11,8 billion**



2020  
Financial  
portfolio  
size

“The fund management approach is **focused on long-term steady growth of the TCIP financial portfolio.**”





The total value of the TCIP Financial portfolio reached a size of TL 11,809 billion by 31 December 2020, compared to TL 10,051 billion at the beginning of the year (after policy collections and expenses) with an increase of TL 1,758 million.

## 5.1 GENERAL

In 2020, as in previous periods, the funds held by TCIP were managed in accordance with the following laws and regulations.

1. LAW ON THE REGULATION OF PUBLIC FINANCE AND DEBT MANAGEMENT [Number: 28622, 18 April 2013, Thursday]

2. The GENERAL COMMUNIQUE ON PUBLIC TREASURY of the Prime Ministry Undersecretariat of Treasury and the Ministry

of Finance (Official Gazette Date: 08/12/2016 Thursday, No: 29912] and (Official Gazette Date: 28/02/2018 Wednesday, No: 30346)

3. Appendix-1<sup>st</sup> Article of the REGULATION ON WORKING PROCEDURES AND PRINCIPLES OF THE BOARD OF DIRECTORS OF THE NATURAL CATASTROPHE INSURANCE POOL (TCIP) (Official Gazette Date: 15/08/2012 Wednesday, No: 28385)

The TCIP Financial portfolio has been directly managed by the TCIP Technical Operator in line with the following principles, based on the relevant articles of the legislation mentioned above.

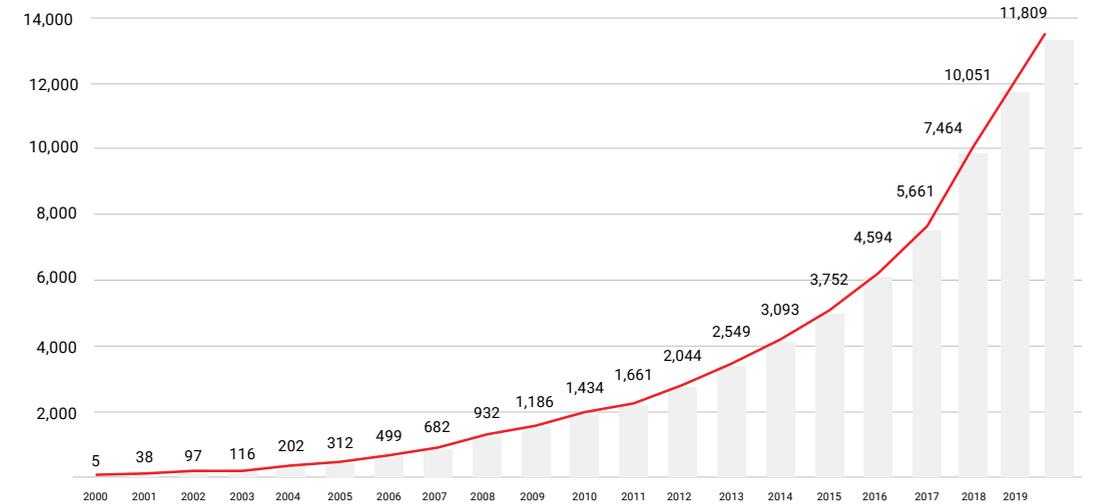
1. "Distribution of risk"
2. "Protection of property"

The fund size increased by 17% compared to the previous year to reach TL 11,808,563,159 as of 31.12.2020.

### DEVELOPMENT OF INVESTMENT INCOME:

When compared to the beginning of the year, financial income increased by TL 1,250,7 million in private sector bonds + government bonds, and by TL 89.4 million in the deposits and stock exchange money market. After the deduction of TL 124 million in withholding tax from the general financial income and the addition of foreign exchange gains of TL 154 million, a total of TL 1,370.3 million in net financial investment income was recorded.

### Portfolio Value (TL Million)



YEAR	PORTFOLIO VALUE (TL)	DEPOSITS AND MONEY MARKET	%	FIXED INCOME SECURITIES	%	OTHER	%
2000	5,215,999	1,633,640	31%	3,569,688	68%	12,671	0%
2001	38,222,985	32,080,730	84%	6,030,809	16%	111,446	0%
2002	97,331,470	70,079,665	72%	26,252,898	27%	998,907	1%
2003	116,025,753	63,373,633	55%	51,084,849	44%	1,567,271	1%
2004	202,232,650	80,940,497	40%	115,483,686	57%	5,808,467	3%
2005	311,559,315	206,235,410	66%	104,244,548	33%	1,079,358	0%
2006	499,463,532	409,962,055	82%	89,500,583	18%	893	0%
2007	681,508,659	579,947,288	85%	98,265,366	14%	3,296,005	0%
2008	931,934,659	842,084,206	90%	84,764,350	9%	5,086,103	1%
2009	1,186,378,964	944,737,214	80%	237,600,393	20%	4,041,356	0%
2010	1,433,659,436	1,179,029,221	82%	250,382,589	17%	4,247,626	0%
2011	1,660,681,919	1,552,648,290	93%	96,291,663	6%	11,741,967	1%
2012	2,044,378,962	1,893,441,852	93%	81,516,910	4%	69,420,198	3%
2013	2,548,632,255	2,322,418,804	91%	183,633,422	7%	42,580,029	2%
2014	3,092,692,979	2,031,866,840	66%	633,645,708	20%	427,180,431	14%
2015	3,751,625,078	3,077,840,374	82%	668,974,812	18%	4,809,892	0%
2016	4,593,502,668	2,025,336,271	44%	1,360,355,203	30%	1,207,811,194	26%
2017	5,661,382,923	1,039,402,024	18%	4,599,576,786	81%	22,404,113	0%
2018	7,463,751,074	2,146,588,505	29%	5,079,590,224	68%	237,572,345	3%
2019	10,050,691,831	981,608,086	10%	8,787,108,185	87%	281,975,561	3%
2020	11,808,563,159	1,018,987,231	9%	10,110,425,561	85%	679,150,367	6%

“ The main duties of the Investment Steering Committee include taking the necessary managerial decisions based on developments occurring during the year, and to direct the Investment Committee, which monitors and evaluates the investment process and operation on a weekly basis. ”

## 5.2 THE GENERAL FUND MANAGEMENT PHILOSOPHY OF THE INSTITUTION

- As in previous years, the main elements are primarily to ensure capital security, liquidity and a high rate of return,
- Achieving stable and permanent growth in the size of the fund by adhering to the risk levels determined through the correct interpretation of information, correct timing and effective decision-making processes,
- Developing new income-enhancing products in line with the economic conjuncture, the institution’s culture and the organization with an innovative and pioneering approach.

### 5.2.1 COMMITTEES ON FUND MANAGEMENT

The “Investment Committee”, which was established in 2011 to bring about a more effective and active management of the growing fund, and the “Investment Steering Committee” as a superstructure continued their work in 2020.

The duties of the Investment Committee are as follows: preparation of the annual “Investment Plan”, trading of investment instruments in accordance with the investment plan approved by the Investment Steering Committee and the Board of Directors, foreign exchange trading, participation in the tenders of Government Domestic Debt Securities and monitoring the markets for all similar transactions and negotiations with other financial institutions

and the realization of all operational transactions. In addition, the Committee is also responsible for evaluating the performance of the Technical Operator and portfolio management companies according to the benchmark specified in the annual investment plan. The data of portfolio management companies, benchmark change requests and strategy changes are evaluated by this committee.

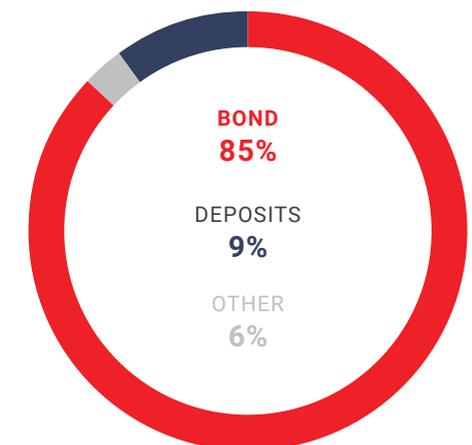
The task of the Investment Steering Committee is to take the managerial decisions needed in the implementation of the annual Investment Plan, depending on the developments occurring during the year, and to direct the Investment Committee, which monitors and evaluates the investment process and operation on a weekly basis.

### 5.2.2 INVESTMENT STRATEGIES TO PROTECT HIGH PORTFOLIO VALUE

Money markets are closely monitored by the Investment Committee, which convenes weekly, and efforts are taken to obtain high returns by utilizing the institution’s funds by creating diversity in terms of investment type and maturity within acceptable risk limits.

Within the scope of the Investment Strategy determined at the beginning of 2020, in terms of the distribution of funds by type of investment instruments, government bonds, reverse repo, money market and foreign currency fixed deposits (FCFD) to match the liabilities, particularly by focusing on the term deposits, which are the most liquid in the market conditions, were included in the portfolio in 2020.

“ In 2020, in terms of the distribution of funds by type of investment instrument, government bonds, reverse repo, money market and foreign currency fixed deposits (FCFD) to match the liabilities, particularly fixed term deposits, were included in the portfolio. ”



# Claims Management

## CLAIMS MANAGEMENT

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TL  
**442,137,884**



Claim  
Payments  
for 2020

“TCIP paid a total of  
TL 669,799,893 for a total  
of 73,258 files related to  
839 damaging earthquakes  
which have occurred since  
its establishment.”



# Claims Management

## Claim Payments for 2020

TCIP paid a total of TL 669,799,893 for a total of 73,258 files related to 839 damaging earthquakes which have occurred since its establishment.

## 1 January 2020 - 31 December 2020

- Total number of damage claim notifications: 66,685
- Number of completed files: 58,255
- Number of paid files: 40,690
- Amount of claims paid: TL 442,137,884

AMOUNT OF CLAIMS PAID			
YEAR	NUMBER OF DAMAGING EARTHQUAKES	NUMBER OF FILES	PAYMENT (TL)
2000	1	6	23,022
2001	17	336	126,052
2002	21	1,558	2,292,146
2003	20	2,504	5,203,990
2004	31	587	768,927
2005	41	3,489	8,134,352
2006	23	500	1,303,673
2007	42	997	1,492,767
2008	45	489	1,433,828
2009	37	268	525,174
2010	37	461	936,100
2011	42	7,924	145,307,812
2012	56	1,665	5,694,656
2013	23	174	813,995
2014	37	828	4,363,766
2015	33	299	991,201
2016	27	204	893,911
2017	43	2,022	8,488,961
2018	54	239	851,566
2019	88	8,018	38,016,110
2020	121	40,690	442,137,884
<b>TOTAL</b>	<b>839</b>	<b>73,258</b>	<b>669,799,893</b>

## Earthquakes in 2020

In 2020, a total of TL 442,137,884 in claim payments was made to 40,690 damage claim files following 121 earthquakes which caused damage throughout the country.

The Elazığ/Sivrice earthquake, which struck on 24 January 2020 with a magnitude of 6.8 and the İzmir / Seferihisar earthquake which struck on 30 October 2020 with a magnitude of 6.6, sadly caused the loss of life.

## The Sivrice / Elazığ earthquake with a magnitude of 6.8 on 24 January 2020

During the year, 32,098 damage claim files were opened following the Elazığ and Malatya earthquakes which occurred in 2020. A total of 31,696 of these files were finalized and closed in the same year.

The information of the Elazığ earthquake, which took place on 24 January, was as follows as of 31 December 2020:

- Total number of damage claim notifications: 32,098
- Total number of provinces from which notifications were received: 33
- Elazığ: 18,682 (58%)
- Malatya: 10,342 (32%)
- Other provinces: 3,074 (10%)
- Paid amount for claims: TL 244,084,345
- The TCIP 125 Call Center receives notifications through the IVR voice response system, SMS and internet portal. In the Elazığ earthquake, 59% of the notifications were received via the IVR.

## The İzmir/Seferihisar earthquake with a magnitude of 6.6 on 30 October 2020

A total of 24,245 damage claim files were opened following the İzmir/Seferihisar earthquake which struck on 30 October with a magnitude of 6.6 and the earthquakes to strike the Aegean during the year. A total of 22,254 of

the files were finalized and closed in the same year.

Information of the İzmir/Seferihisar earthquake, which took place on 30 October, was as follows as of 31 December 2020:

- Total number of notifications: 24,245
- Total number of provinces from which notifications were received: 16
- İzmir: 21,661 (%89)
- Other provinces: 2,582 (%11)
- Paid amount for claims: TL 220,538,284

TCIP was in communication with AFAD, the Ministry of Environment and Urbanization, Geographical Information Systems, the General Directorate of Construction Works and other stakeholders in the field after the 6.6 magnitude İzmir/Seferihisar earthquake struck on 30 October 2020. At the same time, the SEDDK, the Insurance Companies Association, the Insurance Companies, Insurance Information and Monitoring Center and all of our infrastructure providers contacted TCIP and provided assistance and support.

- The Disaster Call Center was commissioned and the trained teams were on standby in the provinces of Ankara and Giresun, where they responded to calls.
- In the process of assigning insurance adjusters, TCIP worked together with the Insurance Loss Adjusters Executive Committee, as in previous earthquakes.
- In order to carry out damage assessment in the field with a common methodology, Prof. Alper İlki provided training on common methodology principles to both of our insurance adjusters and the damage assessment teams working for the General Directorate of Construction Affairs under the Ministry of Environment and Urbanization.
- After the negotiations held with the Ministry of Environment and Urbanization, steps were taken to ensure that damage assessment was carried out by TCIP before demolition of the buildings heavily damaged or where a decision was taken to demolish them.



As of 31 December, 2020, a total of 350 loss adjusters had been assigned to conduct earthquake damage assessment and assess the post-earthquake environment.



- The TCIP 125 Call Center received notifications through the IVR voice response system, SMS and internet portal. In the Izmir earthquake, 40% of the notifications were received over the IVR.

## 6.1 RESOURCE OF LOSS ADJUSTERS

Damage assessments are still carried out by loss adjusters operating in the insurance sector and holding licenses in the fields of "Fire, Natural Disaster, Accident and Theft" and "Engineering" upon assignment by TCIP.

In the aftermath of the İzmir /Seferihisar and Elazığ/ Sivrice earthquakes which took place in 2020, TCIP met loss adjusters for the TCIP Mobile Loss Adjustment Training and Earthquake Damage Assessment Training programs before the assignment

of duty in order to carry out damage assessment with a common methodology. As many insurance adjusters as possible were assigned to work in the field and receive on-the-job training.

As of 31 December 2020, a total of 350 loss adjusters had received Mobile Damage Assessment Application training. Loss adjuster training programs will continue to be provided within the scope of the 2021 business plan with the aim of spreading our Mobile Damage Assessment Application and expanding its use. However, within the scope of the Disaster Management Project, studies have been carried out to increase the damage assessment resource (loss adjusters) based on the premise that existing damage loss adjusters may not be able to fully meet all requirements in the event of a major earthquake. In this context, plans have been drawn up regarding both the number and level of knowledge of the loss adjusters who will meet the damage assessment requirements in line with the size of the damage according to possible earthquake scenarios.

Considering that the high number of damage assessment procedures which may arise in such an extraordinary situation can only be managed through joint projects that will be developed with other institutions, TCIP has determined that civil engineers and architects in local administrations, as well as existing loss adjusters, can be considered as resources for damage assessment.

As the extent of the damage and the probability of structural damage increases, and therefore the need for an increasing number of experienced civil engineers arises, work on training programs with various public institutions and universities continues in order to create backup resources.

## 6.2 DISASTER MANAGEMENT SYSTEM

The Disaster Management System (DMS) was designed to manage both current damages and a catastrophic damage operation, in line with the experience gained in the earthquakes that followed one another in the province of Van in 2011 and the lessons learned from the practices in the aftermath of earthquakes experienced in the same timeframe elsewhere in the world. Damage assessment is carried out with mobile devices in the Disaster Management System (DMS). Software work, in which the structural damage of the building is determined first, with the repair cost of the damage in the insured independent sections then calculated, started in 2014 and was put into practice in 2016.

The damage management software, which is one of the main components of the DMS, ensures that the damage processes are systematically managed on an end-to-end basis. Right from the damage claim notification and file opening processes up to the appointment of a loss adjuster, the damage assessment is carried out systematically and quickly in the field with mobile devices in the field and a damage report is generated. It is subsequently possible to conclude the file reviews in a short space of time.

The Building Structural Damage Assessment methodology, which is integrated into the damage software, was created by university faculty members in order to determine the structural damage caused by the earthquake in the building structural system via mobile devices. Under this methodology, it is possible to accurately determine the extent to which the structural integrity of the building is affected by the earthquake.

In addition to the experience gained in the field in recent years, the conclusion was reached with stakeholder institutions which carry out earthquake damage assessment in the same circumstances that it would be beneficial for all parties to use a common method. In order to develop the methodology used for this purpose in a manner which will allow more rapid assessment in the field, the project studies have reached the final stages again under the supervision and control of university faculty members.

After the assessment of the structural damage in the building, the calculation of the amount of damage in the common areas of the insured building is provided in a transparent, standardized and understandable manner through the Standard Costing module which is integrated into the damage software. Accordingly, it is possible to calculate similar damages to insured buildings in a standard manner. With this software, damage unit costs can also be determined and controlled on an incident basis.

Both the Building Structural Damage Assessment methodology and the Standard Costing module were created in order to enable those who do not have an insurance background or a civil engineering education to perform damage assessment in the common areas of the insured housing and building after a short training period.

Performing damage assessment through the software installed on mobile devices also allows the collected information to be directly transferred to the system in suitable environments where connections can be carried out, along with the generation of a damage report.

## 6.3 DISASTER RISK MANAGEMENT SYSTEM (DRMS)

The Disaster Risk Management System (DRMS) is a decision support system developed on the Geographical Information Systems (GIS) infrastructure. The TCIP policy and damage data are combined on the map bases compiled from different sources and transformed into information by associating them with detailed data obtained from different sources. The visual infrastructure facilitates decision-making processes where different information and details can be accessed together.

With the integration of the DRMS with Damage software, it has become possible to transmit policy and damage file data simultaneously between the two systems and, therefore, possible to interpret the damage file effectively and easily, carry out controls and finalize the damage file. The positive contribution of the DRMS in the processes of finalizing the files of the Silivri earthquake dated 24 September 2019 has gained momentum in the processes of finalizing the files pertaining to the Elazığ, Sivrice earthquake which struck on 26 January 2020, as well as related earthquakes and the İzmir, Seferihisar earthquake, which took place on 30 October 2020.

The result and contribution obtained through the studies on the DRMS on these earthquakes revealed the need for more effective sharing of the data collected in the field with the stakeholder institutions working together on the disaster issue. In this manner, it is clear that the stakeholder institutions working on the same subject work with similar databases

and the systems which can directly share data with each other will contribute to the more effective execution of field operations and the finalization of the work/files.

It is vital that the DRMS is integrated into the Spatial Address Database project undertaken by the General Directorate of Population Registry and Citizenship Affairs for it to be used with all of its features on a nationwide basis. While the completed segments of the Spatial Address Database can already be accessed through the KamuNet portal via the Ministry of Environment and Urbanization, work on the General Directorate of Geographical Information Systems, negotiations and studies is continuing to ensure full integration.

## 6.4 DISASTER CALL CENTER

One of the important examples of TCIP's ability to create alternative resources for the disaster period is the Disaster Call Center project. With this project, the call center service, which is carried out with a small team in daily life, is provided with an innovative model, in which the size of the team can be expanded to 450 people in the space of a few weeks if required in the event of an earthquake - the time, location and size of which cannot be known.

In order to keep the Disaster Call Center ready to be put into service when needed, training programs continued to be given to the customer representatives. Work continues on models and methods to increase the effectiveness and benefit of the training provided throughout the year.

Support systems such as the interactive voice response (IVR) system, which is within the

scope of the Disaster Call Center service, have shouldered the burden of damage claim notification in the aftermath of recent earthquakes, easing the burden on customer representatives who provide live service. Considering that the number of customer representatives to be needed will vary greatly depending on uncontrollable factors such as the location and size of the earthquake and its area of impact, this situation demonstrates that it will be beneficial to create solutions through different channels for the calls outside the damage claim notification for the stable continuity of the service.

## 6.5 MINISTRY OF ENVIRONMENT AND URBANIZATION DAMAGE ASSESSMENT PROTOCOL AND NATIONAL STRUCTURAL DAMAGE ASSESSMENT METHOD

The earthquake which struck Elazığ with its epicenter near Sivrice, dated 26 January 2020, followed by the earthquake which struck Seferihisar, İzmir on 30 October 2020 reinforced the communication with the institutions under the Ministry of Environment and Urbanization, allowing the benefits of the structural damage assessment method to be seen, where the institutions found agreement. Reinforcement training programs on the method under development were provided, especially to the loss adjusters who conducted assessments on behalf of TCIP during both earthquake assessments. In addition, training was repeated for the teams of the Ministry of the Environment and Urbanization in the aftermath of the İzmir earthquake.



The call center service, which is operated with a small team in daily life, is provided with an innovative model in which the size of the team can reach 450 within a few weeks if required in the event of an earthquake - the time, location and size of which cannot be known.

Due to the fact that the buildings are not covered by insurance due to reasons such as wear, corrosion and faulty workmanship without the effect of earthquakes, the state institutions reveal different results which can cause reputation damage as well as increasing the workload of all stakeholder Institutions.

The Updated Earthquake Damage Rating Method Project was carried out with the significant contributions of the General Directorate of Construction under the Ministry of Environment and Urbanization with the aim and objective of preventing such situations and analyzing the Earthquake Damages with a single method on a national basis, and making the results available to all stakeholder institutions. With the completion of this project, the rapid and scientifically proven National Earthquake Damage Assessment Method, which is required by all teams that will work in the field after an earthquake, will be introduced. Mobile software developments will be initiated to ensure that the assessments carried out are communicated to the relevant parties, and the work on integration of the Institutions will get underway. In addition to this work, the project also aims to ensure that the training provided to the teams, and their content, is harmonized. Moreover, work on the development of the new method continued in parallel with the intense earthquake operations.

# INFORMATION TECHNOLOGIES AND INFRASTRUCTURE MANAGEMENT AT TCIP

## INFORMATION TECHNOLOGIES AND INFRASTRUCTURE MANAGEMENT AT TCIP

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“Placing technology at the heart of its work, **TCIP** carries out a wide array of projects as part of the digital transformation.”



## 7.1 TCIP ORGANIZATION IN THE INSURANCE INFORMATION AND MONITORING CENTER

As of 2015, the Management of Information Technologies Asset and Processes of the Turkish Natural Catastrophe Insurance Pool (TCIP) is carried out by the Insurance Information and Monitoring Center.

The Insurance Information and Monitoring Center provides support for the development of software related to TCIP's information system, purchase/management of third party service application licenses, follow-up of contract management, supplier management, hardware, hosting services, management of information technology operations such as maintenance, repair, backup and updates, IT security infrastructure, network and system management, development and maintenance of websites, responding to requests from insurance companies and resolving problems, emergency center management and other information processing activities.

## 7.2 PROJECTS

The projects and developments realized in 2020 are detailed below.

### 7.2.1 DEFINITION OF TCIP MANDATORY EARTHQUAKE INSURANCE SPECIAL DISCOUNT

Within the scope of the Mandatory Earthquake Insurance Tariff and Instruction Communiqué published in the Official Gazette dated 19 January 2021 and numbered 31369, the following amounts have been defined in the Square Meter Fees for Calculating the Insurance Fee and have been put into effect.

Reinforced concrete:	TL 1,268
Other:	TL 874
<b>Maximum guarantee amount:</b>	<b>TL 268,000</b>

Infrastructural changes which will apply a 10% discount to the tariffs applied on all TCIP policies with a policy start date of 01/01/2021 and beyond were completed and brought into service with their publication in the Official Gazette. In this context, the guarantee increase appendix (Tariff amendment appendix) was closed for use for 2021.

### 7.2.2 ENSURING NEW WEB SERVICE TECHNOLOGY INTEGRATION FOR ALL INSTITUTIONS

The work to modernize the existing library, which is used in the web service architecture which hosts all of TCIP's policy generation and inquiry functions, was completed with the updated software architecture in accordance with current standards. Subsequently, the TCIP services which had operated over the old web service infrastructure without any service interruptions were closed in the third quarter of 2020, after the integration work that was carried out mutually with the public institutions and insurance companies which provided Web Service integration with TCIP. All stakeholders have transitioned to the new and up-to-date web service technology.

### 7.2.3 TCIP DAMAGE CLAIM NOTICE PROCESS E-GOVERNMENT INTEGRATION

E-government integration work for the TCIP damage process was initiated with the cooperation of the Presidency's Digital Transformation Office, TCIP, Türksat and the Insurance Information and Monitoring Center. Under the project, a structure was designed and put into service in the third quarter of 2020 where citizens could create damage claim notification records for TCIP policies after a possible earthquake and follow up the entire process in regard to the damage files on the e-Government damage inquiry screens after damage claim notification.

### 7.2.4 THE PROJECT OF INTEGRATING THE BANKS WITH LOSS PAYABLE

With the project initiated by the Insurance Information and Supervision Center in the last quarter of 2020, work got underway on the establishment of an IT-based system in order to ensure that the monitoring of insurance policies registered with the Loss Payable clause, which have been terminated for any reason, cancelled, whose guaranteed content has been changed, purchased or expired could be carried out correctly by the credit agency bank.

In order to conduct an enquiry into Mandatory Earthquake Insurance policy information, which is valid in the TCIP system, by the credit agency banks in cases specified in the scope, work was carried out to develop web services in accordance with the common architecture.

Banks which are members of the Banks Association of Turkey and whose protocol process was completed with our Center will be provided with policy information regarding TCIP, Comprehensive (Automobile) Insurance, Fire, Life and Personal Accident Insurance, of which they are a loss payee, through the web

services which will be created within the scope of the project. The project involved the creation of a common data pattern and common services for all products. Changes in the status of policies which the banks are party to can be listed collectively by conducting inquiries by the banks, and the policy details can be accessed.

Integration will be provided to the banks wishing to use the web services created within the scope of the project. The project is planned to be completed and brought into service in the second quarter of 2021.

### 7.2.5 NVI MAKS (SPATIAL ADDRESS DATABASE) PROJECT TCIP POLICY INQUIRY INTEGRATION

Use of NVI UAVT address code information will be mandatory in TCIP Mandatory Earthquake Insurance policy (ZDS) transactions.

The NVI (the General Directorate of Population and Citizenship Affairs) provides services to municipalities and other institutions with the Spatial Address Registration System project. Web service developments regarding the project started in the first quarter of 2020 with the aim of ensuring the presence-absence control of the TCIP policy of independent sections. With the project, a structure suitable for conducting a multiple address code inquiry was created and the prepared web service was brought into service. The MAKS project thus allowed the control and monitoring of structural changes in independent sections with the TCIP policy.

Under the Project, the NVI MAKS integration was completed, and was put into service in the third quarter of 2020.

### 7.2.6 PHYSICAL ARCHIVE DIGITALIZATION AND TCIP EDMS PROJECT

The first phase work, including the completion of the digitalization of physically archived TCIP damage files, was tested on sample digital copies and completed.

Work was carried out within the Insurance Information and Monitoring Center for the integration of the EDMS (Electronic Document Management System) Application, which is the second phase of the project. The physical and digital archiving work was integrated with the EDMS system by reporting information such as the preparation of document indices, the types of documents for each document group and the criteria for indexing these documents to TCIP.

#### 7.2.7 TCIP NEW WEB SITE PROJECT

The developmental work of the project, which started with the aim of renewing the existing TCIP website and offering a more user-friendly, interactive website and establishing a management panel structure, where website content could be updated according to the authorities determined by TCIP, was completed in the last quarter of 2020. Once the content entries have been completed, the revamped website is set to be brought online in the first quarter of 2021.

#### 7.2.8 SAP- SINGLE SIGN-ON (SSO) INTEGRATION AND AUTOMATIC USER IDENTIFICATION PROJECT

A large number of applications / services can be accessed by signing in with a user ID through Single Sign-On (SSO). This allows many applications and services to be accessed securely with the same user-name and password.

SSO work was initiated in order to prevent TCIP Institution users from having to go through different login processes when connecting to the systems, with the aim of minimizing efforts among users in the operational processes. The SSO work, which represents the first phase of the project, was completed and brought into service in the last quarter of 2020.

In the second phase of the project, the operational load to be experienced after an earthquake will be reduced, and TCIP call center users will be automatically defined, necessary roles will be assigned in the damage application and in the TCIP-AD (Active Director), which will allow the actions that will be taken after the earthquake to be put into use as rapidly as possible. The second phase of the project is planned to enter service in 2021.

## 7.3 IT INFRASTRUCTURE IMPROVEMENTS

#### 7.3.1 SYSTEM CAPACITY ENHANCING PROJECTS

General health screening was carried out in the main data center systems and architectural adjustments were carried out based on the results. As a result of the feasibility studies carried out in our system infrastructure, capacity increases were achieved in all critical systems where deemed necessary. Broad accessibility and high performance were achieved in the services provided by TCIP, and information security and ease of management were maximized with new generation devices and software. The optimization of the network infrastructure architecture in our main data center prevented any delays in packet transmission at the network layer level. All systems were upgraded to the most up-to-date versions on both large- and small- scale. Capacity increases were carried out in the central main infrastructure systems, resulting in a more efficient operation of outsourced services. Redundancy in central infrastructure systems was maximized while continuity in outsourced services was increased to a high level.

#### 7.3.2 SERVER INFRASTRUCTURE TRANSFORMATION PROJECTS

Our projects, which started with data center health scans and improvements to data center infrastructure, continued with virtualization environments and server infrastructures before the Insurance Information and Monitoring Center digital transformation work. With the Composable Cloud project, which is a first in our country, all of our server, virtualization and security infrastructures were streamlined into a structure which is managed on a software-defined basis. With this transformation, the TCIP systems started to be managed primarily through new generation environments. All of our systems can now be managed centrally from a single screen, and full automation was also achieved in our technology operations. With this transformation, the virtualization rate was increased to 99% by enabling the transition of portable servers from physical environments to a virtual environment.

#### 7.3.3 EMERGENCY CENTER PROJECT

Backup systems in extraordinary situations arising from fire, flood, acts of sabotage, earthquakes and unexpected systemic disruptions in the TCIP systems were installed in Ankara and the testing procedures were carried out successfully. In the first stage of the test, systems and environments were kept simplified with the aim of performing production and damage operations. The process of ensuring continuity of the service for users and claimants is ensured by rapidly activating the emergency center systems which are kept in contingency, thus ensuring the continuation of service with a minimum of system interruption, and with the system reboot in the event of a failure of the TCIP main system, for example in the event of disaster or malfunction, by reducing downtime that may occur in the services provided to insurance companies and institutions /

organizations to a matter of seconds. We guarantee our service continuity with redundancy in network equipment and services.

#### 7.3.4. SECURITY INFRASTRUCTURE PROJECTS

With the transformation projects carried out in the TCIP systems over the last two years, our security infrastructures have advanced to a new generation level. Together with the network security transformation projects, all TCIP systems were moved to central IP management. As such, all environments with TCIP systems gained an advanced security infrastructure. Server and user networks belonging to TCIP began to be managed centrally. The MPLS VPN infrastructure of the main data center and emergency center was re-designed to provide redundancy for the Data Center. By performing segmentation at the network layer, the transition between environments was brought under control.

#### 7.3.5 MICROSOFT SYSTEMS TRANSFORMATION PROJECTS

With our digital transformation projects, all environments in the Microsoft product family were upgraded to the latest versions, and security configurations were completed with new generation solutions at the most advanced level (Red Forest architecture). [dask.gov.tr](http://dask.gov.tr) users were switched to the Windows 10 operating system, thus carrying out the transition to the most up-to-date operating system with increased security. The [dask.gov.tr](http://dask.gov.tr) e-mail system was transferred from Eureka Sigorta to the Türk-Re systems. As a result, the e-mail system of the DAG (Database Availability Groups) structure with Exchange 2019 and the Disaster Recovery structure installed in Ankara, accessibility was increased with the highest levels of security achieved. Disaster Recovery tests were performed on the [dask.gov.tr](http://dask.gov.tr) e-mail system. The tests were subsequently carried out, with successful results, demonstrating that if the e-mail system was interrupted in Istanbul, it would continue from Ankara.



The virtualization rate in the TCIP systems, which started to be managed through new generation environments, was increased to 99% by transferring portable servers in physical environments to a virtual environment.



### 7.3.6 LINUX SYSTEMS AND VIRTUALIZATION PROJECTS

All environments at TCIP were moved from classical architecture to formable integrated systems, thereby increasing server performance. All of TCIP's physical servers are virtualized. The virtualization environment has brought about the ability to run on multiple nodes. It has gained features such as the ability to use server capacity with a high level of efficiency, and the ability to quickly move to new servers between the Istanbul and Ankara data centers if required. With VMware SRM, the TCIP critical servers were replicated instantaneously in Istanbul and Ankara.

### 7.3.7 MSSQL SERVER DATABASES UPDATING PROJECT

Necessary test cluster setups were carried out to switch the TCIP SQL Server databases, which are operated within the Insurance Information and Monitoring Center, from failover cluster architecture to always on architecture. All test databases were moved to their new servers. For the main systems, the always-on architecture was set up to include the Ankara emergency center. Migration transactions of the TCIP MSSQL Server production databases were completed in the first quarter of 2021 as planned.

### 7.3.8 ORACLE DATABASES AND MANAGEMENT CONSOLE UPDATING WORK

The server operating systems of all TCIP Oracle databases, which are operated within the Insurance Information and Monitoring Center, were upgraded to the current Red Hat Linux and Oracle Linux versions. Transactions to upgrade all Oracle databases to version 19c got underway. Along with the database versions, the Oracle Enterprise Manager Central Management Console will be updated and will continue its monitoring and management activities from a single point. Work is still ongoing and all transition transactions are planned to be completed in the first half of 2021.

### 7.3.9 DATABASE SECURITY TIGHTENING WORK

Work was carried out to increase security and upgrade the capacity and version of the product used in all TCIP Oracle databases operated within the Insurance Information and Monitoring Center. Audit Vault Agents in all Oracle databases were updated of the progress. In the area of Information Security, the Audit Vault Server component was re-installed by increasing its capacity and

version. The Insurance Information and Monitoring Center TCIP Oracle databases benefited from the optimal use of the capacity by working on adding the missing audits and removing the excessive audits.

### 7.3.10 DIGITALIZATION OF ARCHIVE PROJECT

Due to the changing needs and priorities, the project was divided into 2 phases with the process then being initiated. In the digitalization work of existing damage files, which formed the first phase of the process, sample digital copies were approved and the first phase was concluded. For the integration of the EDMS Application, which formed the second phase, the application selection process was completed within the Insurance Information and Monitoring Center, and the transfer of all scanned documents to the system was completed.

## 7.4 INFORMATION SECURITY AND CORPORATE GOVERNANCE PROJECTS AND ACTIVITIES

### 7.4.1 BUSINESS CONTINUITY MANAGEMENT SYSTEM PROJECT (ISO 22301)

The Insurance Information and Monitoring Center Business Continuity Management System was established in order to ensure the continuity of the critical products and services provided by the Insurance Information and Monitoring Center and to create the necessary response capacity of the Insurance Information and Monitoring

Center in the event of an emergency. As part of the Insurance Information and Monitoring Center Business Continuity Management System, a business continuity drill was successfully carried out in January 2020 on backup systems at the Insurance Information and Monitoring Center Emergency Center in order to run the TCIP policy generation/inquiry and damage modules. In order to certify the Insurance Information and Monitoring Center Business Continuity Management System, an audit will be carried out by an independent accredited organization in 2021, with the aim of obtaining the ISO 22301:2019 Business Continuity Management System certificate.



In 2020, a business continuity drill was successfully carried out in the Insurance Information and Monitoring Center Emergency Center for the operation of the TCIP policy generation / inquiry and damage modules on backup systems.





Within the scope of the Personal Data Protection Law Compliance Project, personal data inventory, data flows, cookie texts, declaration texts, open consent texts, and Personal Data Protection commitment texts were prepared.



#### **7.4.2 PROJECT OF COMPLIANCE WITH THE LAW ON THE PROTECTION OF PERSONAL DATA**

Within the scope of the Project of Compliance with the Personal Data Protection Law (KVKK) No. 6698, the main activities carried out were examined in order to ensure compliance of the Insurance Information and Monitoring Center with the requirements of the legislation. Personal data inventory, data flows, cookie texts, declaration texts, open consent texts, and Personal Data Protection commitment texts were prepared. Risk reporting was carried out with the current situation assessment.

#### **7.4.3 ISO 20000 SERVICE MANAGEMENT PROJECT**

The ISO 20000 Service Management System project is a compliance project which meets international ISO standards, enabling the Insurance Information and Monitoring Center to implement the best practices in IT service management. With the project, the Service Catalogue Management, Incident Management, Request Management, Problem Management, Configuration Management, Change Management, Service Level Management, Information Article Management, Supplier Management, Release and Version Management, Service Portfolio Management, Capacity Management and Event Management processes were created and brought into use by considering the ITIL and COBIT requirements.

ISO certification services will be completed in the first quarter of 2021.

#### **7.4.4. COBIT GOVERNANCE AND AUDIT PROJECT**

COBIT is a standard that provides a governance framework which includes all IT

functions and sets out the objectives to be achieved in IT management. In order to implement a single integrated framework in the IT governance of the Insurance Information and Monitoring Center and to manage the Insurance Information and Monitoring Center IT services completely and to the highest quality, a project was started in 2020 within the scope of improving the COBIT-focused Insurance Information and Monitoring Center IT processes. The improvement work in the project, which started after analyzing the current state of the processes, will be completed in February 2021. The project will be completed with a follow-up audit in April 2021, during which the progress in the improved processes will be reviewed.

## **7.5 OTHER ACTIVITIES**

### **7.5.1 BUSINESS INTELLIGENCE REPORTING**

The reporting is aimed to serve on the TCIP Business Intelligence platform, meet report requests and to serve in the data warehouse operation.

### **7.5.2 PROJECT MANAGEMENT**

The Project Management Office supports the follow-up of the work items in the life cycle of the projects, the go-live processes of the projects and the subsequent coordination processes.

### **7.5.3 PURCHASING AND CONTRACT MANAGEMENT**

Purchasing and contract management activities regarding the IT Services are carried out by the Insurance Information and Monitoring Center within the scope of the protocol signed between the Insurance Information and Monitoring Center and TCIP.



Purchasing and contract management activities regarding IT Services are carried out by the Insurance Information and Monitoring Center within the scope of the protocol signed between the Insurance Information and Monitoring Center and TCIP.



In 2020, a total of 23 purchasing activities were carried out by the Insurance Information and Monitoring Center on behalf of TCIP. Within the scope of the services executed, 10 Main Contracts and 7 Supplementary Contracts were signed, and 4 separate license maintenance services were purchased.

# Advertising and Public Relations Activities

## ADVERTISING AND PUBLIC RELATIONS ACTIVITIES

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- Work and Projects 71

“TCIP develops projects  
to raise awareness  
of earthquakes and  
earthquake preparedness  
in Turkey.”



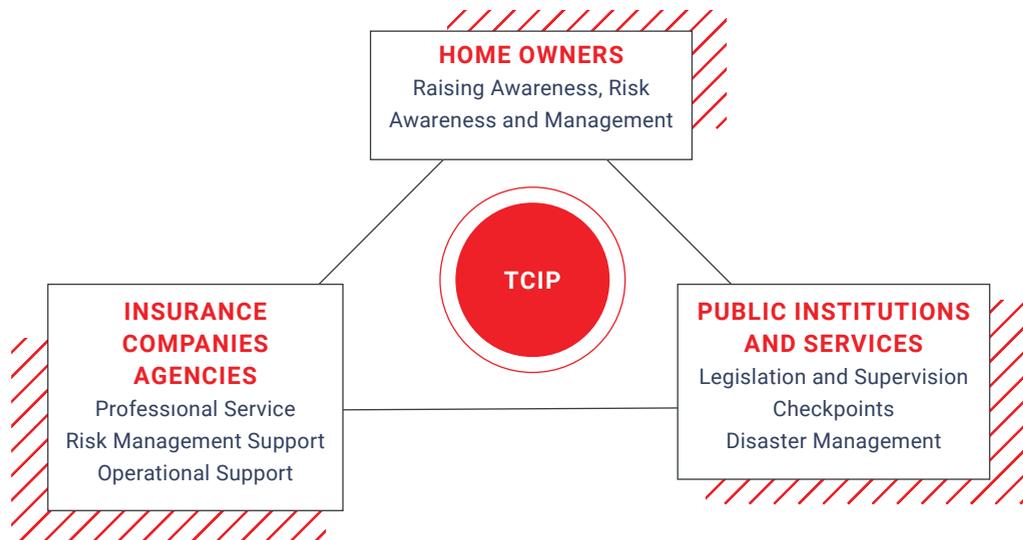
## 8.1 CREATING PUBLIC RELATIONS AND ADVERTISING STRATEGIES FOR INSTITUTIONS

Our institution organizes public relations, social responsibility and promotion projects which support the development of Mandatory Earthquake Insurance (the ZDS) and, more generally, the awareness of being insured throughout Turkey, as well as the adoption of concepts such as earthquake preparedness, safe living and earthquake resistant buildings.

### Inclusive Communication Work Involving All Stakeholders

While determining its communication activities, TCIP focuses on developing projects to increase the awareness of earthquakes and earthquake preparedness throughout the country. With its projects, TCIP appeals to many different target audiences, primarily home owners, insurance companies and agencies, primary school and high school pupils, university students, public institutions and local administrations.

In order to ensure the rollout of Mandatory Earthquake Insurance throughout the country, insurance companies and agencies - which TCIP deems one of its most important business partners - play an important role in the development of pre-disaster and post-disaster service processes. Also working closely also with public institutions, TCIP is able to reach all parts of the country.



### Social Media in Corporate Communication

Appealing to a very wide target audience from different parts of Turkey, TCIP is actively involved in social media as well as other media such as television channels and newspapers in its communication activities. The Institution, which closely follows developments and trends in social media, is able to adapt its communication activities to the requirements of the time. Informative messages regarding Mandatory Earthquake Insurance, which is a financial measure, and up-to-date information about current projects, are shared with mass audiences through social media with the aim of ensuring the integrity of the concept on which the Institution works on a comprehensive basis in terms of communication, advertising, social media and media purchasing.

With regard to Communication, TCIP aims for the following,

- Investing in trust and reputation as an institution,
- Strengthening the risk perception in connection with TCIP
- Ensuring continuity and developing new gains in policy holding.

## 8.2 WORK AND PROJECTS

The work and projects carried out can be grouped as follows:

### 1. Projects to Improve Risk Perception

- The “Trust in Our Home, Trust in Our City” Project - The “Cities Compete, Policyholder Win” Contest

- The Ministry of National Education “Our Priority is Safety, Our Responsibility is Assurance” Project
- The TCIP Earthquake Resistant Building Design Competition
- Distribution of calendars to all primary schools with the Turkish Red Crescent Community Leaders Organization (TLT) Project.

### 2. Sponsorships and Other Projects

- BU usage of Billboards



The winners of the sixth “Cities Compete, Policyholders Win” contest, the first of which was held in 2011 with the concept of “Trust at Our Home, Trust Our City”, were announced in 2020.



### 8.2.1 PROJECTS TO IMPROVE RISK PERCEPTION

#### 8.2.1.1 CITIES COMPETE - "TRUST AT OUR HOME, TRUST IN OUR CITY"

In order to raise public awareness concerning the TCIP Mandatory Earthquake Insurance, the following conclusions were reached as a result of the experience of the Cities Compete, Policyholder Win project carried out under the management of Governorships and in coordination of Provincial Disaster and Emergency Directorates throughout Turkey.

- Awareness activities to be carried out locally regarding TCIP and the ZDS are important needs,
- The activities carried out by the Provincial Disaster Directorates are of critical importance in ensuring the participation of the public, reaching out to different segments of society and creating an impact.

The work and the project carried out under the coordination of Provincial Disaster Directorates were redesigned for the purposes stated below.

- To roll out with a sustainable model throughout Turkey,
- To provide a high level of awareness regarding TCIP and the ZDS among those reached, especially in promoting the perception of ZDS as an individual responsibility which goes beyond being an obligation,
- To raise awareness of the use of ZDS, and
- To contribute to the achievement of TCIP's strategic priorities and goals.

As a result of the work initiated in this direction,

- The "Earthquake preparedness with TCIP" model was developed and the scope of the project was expanded to initiate an earthquake preparedness mobilization as a national effort.
- In line with TCIP's target audience and field of activity, a comprehensive training and information project was prepared in order to execute earthquake preparedness with a holistic approach and to position TCIP correctly within the principles of earthquake preparedness by being based primarily on ensuring our safety in our homes against earthquakes.

The "Trust at Our Home, Trust in Our City" project, which is planned to be realized with the cooperation and support of AFAD throughout Turkey, includes various educational practices, innovative learning tools and methods, indoor and outdoor activities in channels which will reach all segments of society, especially women and children.

The implementation of the project, in which 24 provinces competed, was completed and reports were received from the provinces regarding their work. The evaluation process of the projects was completed and the results were announced in 2020. Sivas won first place in the contest, followed by Konya in second place and Samsun and Tekirdağ sharing third place.

**8.2.1.2 THE MINISTRY OF NATIONAL EDUCATION "OUR PRIORITY IS SAFETY, OUR RESPONSIBILITY IS ASSURANCE" PROJECT**  
Our institution, which has a mission to

strengthen earthquake awareness throughout society as a whole, launched the "Our Priority is Safety, our Responsibility is Assurance" project under the banner of "Our lesson is about earthquakes, long live precaution", under the consultancy of specialist instructors with the aim of ensuring that earthquake-related training can provide effective results.

Within the scope of the project, three main objectives were determined

1. To provide school pupils knowledge of earthquakes and awareness at an early age.
2. To teach the pupils and their families the correct behavior before, during and after earthquakes. To raise awareness of having Mandatory Earthquake Insurance as a precaution and as a financial precaution.
3. To help school pupils understand the importance of having Mandatory Earthquake insurance, of having a policy and renewing it every year, and to pass this understanding on to their families.

The content and messages of the awareness training on earthquakes, the measures to protect against the effects of earthquakes and the TCIP Mandatory Earthquake Insurance were prepared on the basis of "nature". Based on the fact that earthquake awareness should be acquired at a young age, the education model prepared for primary school 4th grade school pupils includes six main headings:

- I. Nature is moving. What is a natural phenomenon? Is every natural event a disaster?
- II. Nature is moving. What is an earthquake? Why are there so many earthquakes in our country?

- III. We should be prepared for an earthquake. We should draw up a disaster preparedness plan with our families.
- IV. We can reduce the damage caused by an earthquake..
- V. Let's follow the rules. Let's keep our homes and our families safe.
- VI. What is insurance? Let's learn about mandatory earthquake insurance.

In the first year of the project, ten schools each from Bursa, Denizli, Erzincan, Istanbul, Kahramanmaraş, Konya, Sivas, Trabzon, Tokat and Van were included in the project, where three-day training programs for the instructors were planned for teachers from different cities and schools in Istanbul.

After the completion of the training programs, the materials were sent to the schools involved in the project in all provinces. Teachers who participated

“

The "Our Priority is Safety, our Responsibility is Assurance" project, carried out in cooperation with the Ministry of National Education, reached nearly 60,000 school pupils and their families in the 2019-2020 academic year.

”



The fifth Earthquake Resistant Building Design Competition was held in 2019, with 75 teams from 47 universities competing.



in the collective education offered this training to their colleagues in their own schools and all teachers implemented this program for the 4<sup>th</sup> grade primary school pupils in their classrooms. Impact analysis tests were conducted before the implementation and after the completion of the training programs, with the contribution of the training measured. With the participation of the teachers in the project, the program reached approximately 60,000 school pupils and their families in 350 schools throughout 10 provinces in 2019-2020.

In order to measure the impact of the project, the project outcomes were evaluated with impact analysis. In this context, 20 schools which have the same criteria as the 20 schools included in the project in Istanbul and which had not been included in the project were identified. The Pre-Test application was conducted in these schools at the beginning of the first semester of the 2019-2020 academic year and the End-Test application was conducted at the end of the semester. Within the scope of the impact analysis, a total of approximately 8,000 school pupils were reached, ensuring that the number of pupils in the experimental group and the control group schools were similar. The impact assessment survey found that the program provided pupils with positive gains in the targeted outcome variables.

The training programs which were designed within the scope of the project are planned to be incorporated into the Ministry of National Education's curriculum.

### 8.2.1.3 TCIP EARTHQUAKE RESISTANT BUILDING DESIGN COMPETITION

The 5th Earthquake Resistant Building Design Competition, the first of which was held in 2014 with the aim of spreading the earthquake resistant building culture in Turkey, was held in 2019. The finals of the competition took place over three days, on 7-8-9 April.

A total of 75 teams from 47 universities took part in the TCIP Earthquake Resistant Building Design Competition. The 24 teams which passed the pre-selection process competed in the finals with their design models for a hotel to be built in the Nilüfer district of Bursa. The final of the competition, which lasted for 3 days, started with the technical evaluation of the building models and the project presentations carried out by the teams. On the second day of the finals, the earthquake resistance performance of the building models was measured on a shaking table to simulate earthquake conditions.

The building models which best withstood the conditions of the shaking table simulating an earthquake and which sustained the least damage from three earthquakes of different magnitudes received awards for their teams. The team from Erzurum Technical University, which came first in the competition, received its award from Prof. Mustafa Erdik of Boğaziçi University. In addition, the first team won a cash prize of TL 15,000. Karadeniz Technical University, which came second in the competition, won a cash prize of TL 10,000, while the team from Bülent Ecevit University, which came in third, was handed a cash prize of TL 5,000.

In addition, four special awards were handed out in the competition. Other award-winning teams included:

- The Best Architecture Special Award: Istanbul Technical University
- The Best Communication Skills and Presentation Award: Erzurum Technical University
- The Best Earthquake Performance Special Award: Bülent Ecevit University
- The Competition Spirit Award, determined by the votes of the participants of the competition: Bingöl University

The preparatory work for the sixth competition to be held in 2020 got underway in October 2019 and the application process was completed. However, due to the Covid-19 pandemic, the decision was taken to cancel the competition.

## Tables Abbreviations

<b>TCIP</b>	Turkish Catastrophe Insurance Pool
<b>CEI</b>	Compulsory Earthquake Insurance
<b>SBM</b>	Insurance Information and Monitoring Center
<b>AFAD</b>	Disaster and Emergency Management Authority
<b>CBS</b>	Ministry of Environment and Urbanization Directorate General Geography Information Systems
<b>AYS</b>	Natural Disaster Management System (the application where TCIP handles the loss management and payments)
<b>ARYS</b>	Natural Disaster Risk Management System (TCIP's map based application where loss estimation and management is carried out)
<b>NVI</b>	General Directorate of Population and Citizenship Affairs
<b>UAVT</b>	National Address Database
<b>MAKS</b>	Location-Based Address Database
<b>AYDES</b>	Natural Disaster Management and Decision Support System
<b>ODM</b>	Emergency Center
<b>TLT</b>	Community Leaders Organization



# Auditor's Report

**CONVENIENCE  
TRANSLATION OF  
FINANCIAL STATEMENTS  
FOR THE PERIOD 1 JANUARY  
- 31 DECEMBER 2020 AND  
THE INDEPENDENT  
AUDITOR'S REPORT**

(ORIGINALLY ISSUED IN TURKISH)



## To the Board of Directors of Doğal Afet Sigortaları Kurumu

### Our Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Doğal Afet Sigortaları Kurumu ("Turkish Natural Catastrophe Insurance Pool: TCIP" or the "Institution") as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### What we have audited

The Institution's financial statements comprise:

- the statement of financial position as at 31 December 2020,
- the statement of comprehensive income for the year then ended,
- the statement of changes in equity for the year then ended,
- the statement of cash flows for the year then ended and
- the notes to the financial statements, which include a summary of significant accounting policies.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

### Independence

We are independent of the Institution in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.



## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Institution management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Institution's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Institution or to operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Institution's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Institution's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institution's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Institution to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**PwC Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.**

ORIGINALLY ISSUED IN TURKISH

**Adnan Akan, SMMM  
Partner**

Istanbul, 30 April 2021



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## DOĞAL AFET SİGORTALARI KURUMU STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2020 AND 2019

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

	Note	2020	2019
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4 and 5	1,207,752,334	1,002,703,237
Available-for-sale financial assets	4 and 6	10,600,810,825	9,047,988,592
Premium receivables	4 and 7	190,365,952	170,580,086
Deferred commission expense	16	151,230,040	125,657,380
Other current assets	8	274,396,391	123,212,278
<b>Total current assets</b>		<b>12,424,555,542</b>	<b>10,470,141,573</b>
<b>Non-current assets</b>			
Tangible assets, net	9	529,326	255,028
Intangible assets, net	10	1,734,754	10,228,605
<b>Total non-current assets</b>		<b>2,264,080</b>	<b>10,483,633</b>
<b>Total assets</b>		<b>12,426,819,622</b>	<b>10,480,625,206</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Short-term trade payables	4 and 11	330,576,939	150,681,015
Unearned premium reserve	12	855,268,863	711,328,189
Outstanding claims provision	4 and 12	304,410,821	90,451,256
Other liabilities		1,038,251	869,930
<b>Total current liabilities</b>		<b>1,491,294,874</b>	<b>953,330,390</b>
Accumulated earthquake reserve	13	10,975,613,594	9,393,430,683
Other comprehensive income and expense that will be reclassified to profit or loss			
- Available-for-sale financial assets valuation decrease (-)	13	(40,088,846)	133,864,133
<b>Total equity</b>		<b>10,935,524,748</b>	<b>9,527,294,816</b>
<b>Total equity and liabilities</b>		<b>12,426,819,622</b>	<b>10,480,625,206</b>

The accompanying notes form an integral part of these financial statements.

## DOĞAL AFET SİGORTALARI KURUMU STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

	Note	2020	2019
<b>Revenues</b>			
Earned premiums	14	1,492,109,641	1,223,000,536
<b>Total insurance revenue</b>		<b>1,492,109,641</b>	<b>1,223,000,536</b>
<b>Expenses</b>			
Cost of reinsurance coverage	15	(270,503,022)	(109,460,926)
Commission expenses	16	(262,363,652)	(218,676,788)
Incurred claims	17	(703,066,108)	(97,466,532)
<b>Total insurance expenses</b>		<b>(1,235,932,782)</b>	<b>(425,604,246)</b>
<b>Insurance revenue, net</b>		<b>256,176,859</b>	<b>797,396,290</b>
General administrative expenses	18	(44,279,919)	(41,263,919)
<b>Operating income</b>		<b>211,896,940</b>	<b>756,132,371</b>
Financial income, net	19	1,370,285,971	1,415,406,248
<b>Profit for the year (Increase in earthquake reserve, net)</b>		<b>1,582,182,911</b>	<b>2,171,538,619</b>
<b>Other comprehensive income:</b>			
Items to be classified profit or loss			
Available-for-sale financial assets valuation decreases (-)	13	(173,952,979)	258,777,249
<b>Total comprehensive income (Increase in comprehensive earthquake reserve)</b>		<b>1,408,229,932</b>	<b>2,430,315,868</b>

The accompanying notes form an integral part of these financial statements.

## DOĞAL AFET SİGORTALARI KURUMU STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

	Revaluation fund increase/(decrease) of available - for - sale financial assets	Accumulated earthquake reserve (Retained earnings)	Total
<b>1 January 2019</b>	<b>(124,913,116)</b>	<b>7,221,892,064</b>	<b>7,096,978,948</b>
Available-for-sale financial assets valuation decrease (-) (Note 13)	258,777,249	-	258,777,249
Profit for the year (Earthquake reserve increase, net)	-	2,171,538,619	2,171,538,619
<b>31 December 2019</b>	<b>133,864,133</b>	<b>9,393,430,683</b>	<b>9,527,294,816</b>
<b>1 January 2020</b>	<b>133,864,133</b>	<b>9,393,430,683</b>	<b>9,527,294,816</b>
Available-for-sale financial asset valuation decrease (-) (Note 13)	(173,952,979)	-	(173,952,979)
Profit for the year (Earthquake reserve increase, net)	-	1,582,182,911	1,582,182,911
<b>31 December 2020</b>	<b>(40,088,846)</b>	<b>10,975,613,594</b>	<b>10,935,524,748</b>

The accompanying notes form an integral part of these financial statements.

Revaluation fund  
increase/(decrease) of earthquake reserves  
available - for - sale (Retained  
financial assets earnings) Total

## DOĞAL AFET SİGORTALARI KURUMU STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

	Note	2020	2019
<b>Cash flows from Institution's activities</b>			
Profit for the year (Earthquake reserve increase, net)		1,582,182,911	2,171,538,619
<b>Adjustments for</b>			
Depreciation and amortisation charges	18	8,917,532	9,760,734
Financial income		(1,215,811,847)	(1,391,350,521)
Foreign exchange profits associated with cash and cash equivalents		(40,622,146)	(27,773,840)
<b>Changes in operating assets/liabilities</b>			
Change in receivables		(19,785,866)	(30,513,131)
Change in insurance reserves and deferred commission expense		332,327,579	164,612,684
Change in other current and non-current assets		(151,184,113)	(28,377,972)
Change in trade payables and other liabilities		180,064,244	42,034,235
<b>Net cash inflow/(outflow) related to investment activities</b>		<b>676,088,294</b>	<b>909,930,808</b>
<b>Cash flows from investing activities</b>			
Interest income		71,876,851	370,270,223
Change in available - for - sale financial assets		(592,239,191)	(2,445,986,381)
Purchases of tangible assets	9	(448,999)	(269,309)
Purchases of intangible assets	10	(248,980)	(622,358)
<b>Net cash inflow related to investing activities (-)</b>		<b>(521,060,319)</b>	<b>(2,076,607,825)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>155,027,975</b>	<b>(1,166,677,017)</b>
Foreign exchange profits associated with cash and cash equivalents		40,622,146	27,773,840
Cash and cash equivalents at the beginning of the year		996,623,756	2,135,526,933
<b>Cash and cash equivalents at the end of the year</b>	<b>5</b>	<b>1,192,273,877</b>	<b>996,623,756</b>

The accompanying notes form an integral part of these financial statements.

# DOĞAL AFET SİGORTALARI KURUMU

## NOTES TO THE FINANCIAL STATEMENTS

### AT 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

#### NOTE 1 - NATURE OF OPERATIONS AND ADMINISTRATION

Doğal Afet Sigortalari Kurumu ("Turkish Natural Catastrophe Insurance Pool: TCIP" or the "Institution"), was established as a public legal entity in order to provide insurance and to fulfil the other tasks assigned to it under Decree Law No. 587 ("Decree Law") issued by the Council of Ministers and published in the Official Gazette on 27 December 1999. As it is published and became valid in Official Gazette under Law No. 6305 "Afet Sigortalari Kanunu" ("Law") on 18 May 2012, Decree Law was abolished and all the actives and passives and all rights and liabilities of the Institution which was founded with decree law is transferred to found the Institution without any transaction on 18 May 2012. The main operation of the Institution is to provide Compulsory Earthquake Insurance to ensure that owners of the buildings are compensated for their losses that occur as a result of an earthquake. The Board of Directors of the Institution, consist of a total seven people appointed by Insurance and Private Pension Regulation and Supervision Agency ("IPPRSA"), T.C. Environment and Urban Planning Ministry, Capital Markets Board of Turkey, Türkiye Sigorta, Reinsurance and Pension Companies Association, Disaster and Emergency Management Presidency and Council of Higher Education.

The Institution started policy sales on 27 September 2000.

The execution of technical and operational activities of the Institution is outsourced. Under the provisions of Law No. 6305, administration of the operations of the Institution has been assigned to Eureka Sigorta A.Ş., as the "Institution Administrator", of by Ministry Treasury through a contract signed on 8 August 2005 for a period of 5 years. After the renewal of tender in July 2010 then August 2015, Eureka Sigorta A.Ş. has been re-assigned as the Institution Administrator for the period between 2015 and 2020 and the related contract was signed on 7 August 2015.

With the approval letter of the Ministry of Treasury and Finance dated 31 October 2019 and numbered 454523, Türk Reasürans A.Ş. was appointed as the technical operator for a period of 5 years, instead of Eureka Sigorta A.Ş. The parties changed their duties on the aforementioned date. The Institution Administrator, based on the principles set out by Ministry of Treasury and decisions of Board of Directors of the Institution; and on behalf of the Institution, provides day-to-day administrative services with respect to executing technical and operational aspects of all insurance activities of the Institution regarding compulsory earthquake insurance, applying plans for risk transfer and reinsurance, management of resources of the Institution, carrying out the campaigns related to public relations, marketing and education, purchasing of goods and services related to operations of the Institution and bookkeeping services. Institution and funds generated by the Institution are exempt from any kind of taxation.

# DOĞAL AFET SİGORTALARI KURUMU

## NOTES TO THE FINANCIAL STATEMENTS

### AT 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

The Institution, Tarım Sigortalari Havuz İşletmesi A.Ş. ("TARSİM") has provided reinsurance guaranty for possible claim to the full package and frost risks and premiums written on serum insurance cover.

The Institution and its revenues are exempt from all kinds of taxes, duties and fees.

The Institution is not subject to the law numbered 3346 Community Economical Attempts with the law about the auditing of the funds by The Grand National Assembly of Turkey, Court of Accounts Law numbered 6085, Travel Expense Law numbered 6245, Public Financial Management and Control law numbered 5018 and Public Bid Law numbered 4734.

Insurance premium receivables of the Institution are collected in accordance with Law related to the Procedures for the Collection of Public Receivables numbered 6183.

Annual financial statements, transactions and expenses of the institution are audited by IPPRSA.

#### NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The financial statements of the Institution at 31 December 2020 have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Institution maintains its books of account and prepares its statutory financial statements in Turkish Lira ("TL") in accordance with the Law numbered 6305. These financial statements are based on the statutory records, with adjustments and reclassifications, for the purpose of fair presentation in accordance with IFRS.

The financial statements of the Institution were approved by Türk Reasürans A.Ş. which is the technical operator of the Authority on 30 April 2021. Financial statements will be finalized after the approval from the Board of Directors.

#### Changes in International Financial Reporting Standards

##### a) Standards, amendments and interpretations applicable as at 31 December 2020:

- Amendments to TAS 1 and TAS 8 on the definition of material; effective from Annual periods beginning on or after 1 January 2020. These amendments to TAS 1, 'Presentation of financial statements' and TAS 8, 'Accounting policies, changes in accounting estimates and errors' and consequential amendments to other TFRSs;

# DOĞAL AFET SİGORTALARI KURUMU

## NOTES TO THE FINANCIAL STATEMENTS

### AT 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

# DOĞAL AFET SİGORTALARI KURUMU

## NOTES TO THE FINANCIAL STATEMENTS

### AT 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

#### NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

##### Changes in International Financial Reporting Standards (Continued)

- i) Use a consistent definition of materiality throughout TFRSs and the Conceptual Framework for Financial Reporting,
- ii) Clarify the explanation of the definition of material and
- iii) Incorporate some of the guidance in TAS 1 about immaterial information.

- Amendments to IFRS 3 - definition of a business; effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.
- Amendments to TFRS 9, TAS 39 and TFRS 7 - Interest rate benchmark reform; effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.
- Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions; effective from Annual periods beginning on or after 1 June 2020. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

These amendments did not have a significant impact on the financial position or performance of the Authority.

#### NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

##### Changes in International Financial Reporting Standards (Continued)

##### b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2020:

- TFRS 17, 'Insurance contracts'; effective from annual periods beginning on or after 1 January 2022. This standard replaces TFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. TFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.
- Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities; effective from 1 January 2022. These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.
- A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16; effective from Annual periods beginning on or after 1 January 2022.
  - Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
  - Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
  - Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.

# DOĞAL AFET SİGORTALARI KURUMU

## NOTES TO THE FINANCIAL STATEMENTS

### AT 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

# DOĞAL AFET SİGORTALARI KURUMU

## NOTES TO THE FINANCIAL STATEMENTS

### AT 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

#### NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

##### Changes in International Financial Reporting Standards (Continued)

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2; effective from annual periods beginning on or after 1 January 2021. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.
- Amendments to IFRS 17 and IFRS 4, 'Insurance contracts', deferral of IFRS 9; effective from annual periods beginning on or after 1 January 2021. These amendments defer the date of application of IFRS 17 by two years to 1 January 2023 and change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial Instrument until 1 January 2023.

#### NOTE 3 - SUMMARY OF SIGNIFICANT RELEVANT ACCOUNTING POLICIES

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Institution's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the respective accounting policy disclosures.

The principle accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied to all the years presented, unless otherwise stated.

##### Premium revenue/Commission expense

Premiums are recognized as income proportionally over the period of coverage of earthquake policies issued on a daily pro-rata basis. The portion of premium revenues that relates to the following period is accounted as the unearned premium reserve for each policy and on a daily basis. The commission expenses incurred in acquiring the unearned portion of premiums are deferred on the same basis as the premiums to which they relate

##### Cost of reinsurance coverage

The reinsurance agreements entered into by the Institution with reinsurers under which institution is compensated for losses on one or more policies and that meet the classification requirements for insurance contracts are classified as reinsurance contracts. The cost of reinsurance, mainly consisting of excess of loss premiums, is incurred on an accrual basis.

#### NOTE 3 - SUMMARY OF SIGNIFICANT RELEVANT ACCOUNTING POLICIES (Continued)

The excess of loss reinsurance agreements renewed annually and cover twelve-months-period from November of prior year up to the end of October of the current year. Accordingly, the cost of reinsurance accounted for under the current year include 10-month-portion of the excess of loss premium related to the reinsurance agreement ending October 2020 and 2-month-portion of the excess of loss premium related to the reinsurance agreement ending October 2021. The cost of reinsurance accounted in the current year also includes excess of loss premium adjustment accrued with respect to related reinsurance agreements as well as brokerage fees paid to and incurred for related intermediaries.

##### Claims

The Institution make provision for outstanding claim due to the compensation cost which was accrued and located however not actually paid by the end of the period or if the cost is not calculated the Institution make provision for estimated and incurred but not reported cost. In addition, by examining the closing trend of the previous claim files, the final outstanding amounts of the files that were open on 28 February 2021 were evaluated. As of 31 December 2021, the institution calculated TL 10,282,142 negative realized provision for unreported claims. (31 December 2019: TL 17,548,987 negative).

##### Property and equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over their estimated useful life based on the restated cost of such assets. The useful life of furniture and fixtures is 4-5 years.

If book value of an asset is more than its estimated recoverable value, book value of that asset is discounted to its recoverable amount. Profit or loss occurred due to disposal of tangible assets are determined by comparing the book value and collected amount and included to the calculation of increase in fund reserve.

Maintenance and reparation expenses are accounted under the current income statement.

But the investment expenses for extending the capacity of the tangible assets' future benefits are included in the cost of the tangible assets.

##### Intangible assets

Intangible assets consist of the acquired information systems, franchise rights and software. Intangible assets are carried at acquisition cost and amortised by the straight-line method over their estimated useful lives after their acquisition date. If impairment exists, carrying amount of the intangible assets is written down immediately to its recoverable amount. The useful life of intangible assets is 3-5 years.

# DOĞAL AFET SİGORTALARI KURUMU

## NOTES TO THE FINANCIAL STATEMENTS

### AT 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

# DOĞAL AFET SİGORTALARI KURUMU

## NOTES TO THE FINANCIAL STATEMENTS

### AT 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

#### NOTE 3 - SUMMARY OF SIGNIFICANT RELEVANT ACCOUNTING POLICIES (Continued)

##### Financial assets

The Institution classifies its financial assets as "Available-for-sale financial assets", "Financial assets at fair value through profit or loss" and "Loans and receivables". The classification of the financial assets is decided by the Institution management at initial recognition based on the purpose for which such assets were acquired and reviewed at reporting periods.

##### a) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either held as available for sale or not classified in any other categories. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, are classified as available-for-sale financial assets.

Available-for-sale financial assets accounted with their fair value at first and for the following periods valued by their fair value based upon their market prices. If the underlying fair value of the fair value is not realized within the active market conditions, it is accepted that the fair value is not determined reliably and the "discounted value" calculated in accordance with the effective interest method is considered as fair value. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are accounted in the fair value reserve as a part of equity. When such financial assets are disposed or impaired, the accumulated fair value differences under equity are transferred to the income statement. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in income statement.

##### b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Institution intends to sell in the short term or that it has designated as at fair value through profit or loss or available-for-sale. Receivables arising from insurance contracts are classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables. Loans and receivables transferred through their provision for impairment deducted from cost value.

#### NOTE 3 - SUMMARY OF SIGNIFICANT RELEVANT ACCOUNTING POLICIES (Continued)

##### Foreign currency translation

Transactions in foreign currencies during the period are translated into Turkish Lira at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the Central Bank of Republic of Turkey exchange rates prevailing at the period end. Exchange gains and losses arising from translation of monetary assets and liabilities denominated in foreign currencies are included in the income statement.

##### Related parties

For the purpose of these financial statements, the members of the Board of Directors are considered as related parties. Board fees are explained in note 18.

##### Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation and is best evidenced by a quoted market price, if one exists.

The classifications used by the Institution with respect to fair values of its financial assets and liabilities are disclosed below:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1),
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2),
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Available-for-sale financial assets and financial assets at fair value through profit or loss included in the balance sheet are the items that are recognised at fair value. Classification requires the utilisation of observable market data, if available.

# DOĞAL AFET SİGORTALARI KURUMU

## NOTES TO THE FINANCIAL STATEMENTS

### AT 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

# DOĞAL AFET SİGORTALARI KURUMU

## NOTES TO THE FINANCIAL STATEMENTS

### AT 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

#### NOTE 3 - SUMMARY OF SIGNIFICANT RELEVANT ACCOUNTING POLICIES (Continued)

##### Fair value of financial instruments (Continued)

The fair value classification of financial assets and liabilities measured at fair value in this framework is as follows:

31 December 2020	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	7,501,118,035	3,099,692,790	-	10,600,810,825
<b>Total financial asset</b>	<b>7,501,118,035</b>	<b>3,099,692,790</b>	<b>-</b>	<b>10,600,810,825</b>

31 December 2019	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	6,164,699,937	2,883,288,655	-	9,047,988,592
<b>Total financial asset</b>	<b>6,164,699,937</b>	<b>2,883,288,655</b>	<b>-</b>	<b>9,047,988,592</b>

The following methods and assumptions were used to estimate the fair value of the financial assets and liabilities for which it is practicable to estimate fair value:

##### Financial assets

The fair values of balances denominated in foreign currencies, which are translated at period end exchange rates, are considered to approximate their carrying values.

The carrying values of certain financial assets, including cash and cash equivalents along with the respective accrued interest are considered to approximate their fair values.

The fair values of available-for-sale financial assets and financial assets at fair value through profit or loss are determined by reference to the market values.

The carrying values of premiums receivable are considered to approximate their fair values due to their short-term nature.

#### NOTE 4 - MANAGEMENT OF INSURANCE AND FINANCIAL RISK

##### Financial liabilities

The fair value of bank borrowings for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rates that are available to the Institution for similar borrowings.

##### Insurance risk

The Institution issues contracts (insurance policy) that carry insurance risk. This section summarises the risks associated with these contracts and how the Institution manages them.

The risk under insurance contracts is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of the insurance contracts, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Institution faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. The Institution management believes that the liability for claims carried at year-end is adequate.

The Institution is granting earthquake coverage to residential buildings. The payment ability of the Institution is limited to its accumulated funds and reinsurance protection that is purchased from the reinsurance market. The catastrophe model outputs are taken into consideration while setting the top limit and the priorities for the reinsurance protection. The limits are monitored in line with the aggregate developments as per the key zones. Premium amounts are based on pre-determined tariffs that vary according to the earthquake zones and types of buildings. The maximum guarantee provided for a residence via Compulsory Earthquake Insurance is TL 240,000 (31 December 2019: TL 215,000). In addition, The amount to be paid can not be lower than TL 120, TL 100, TL 75, TL 60, TL 50, TL 40 and TL 35 according to the earthquake risk zone according to the fifth zone from the first zone (31 December 2019: TL 110, TL 80, TL 60, TL 50 and TL 40).

The Institution manages such risks through its underwriting strategy and reinsurance protection purchased via excess of loss reinsurance agreement.

# DOĞAL AFET SİGORTALARI KURUMU

## NOTES TO THE FINANCIAL STATEMENTS

### AT 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

# DOĞAL AFET SİGORTALARI KURUMU

## NOTES TO THE FINANCIAL STATEMENTS

### AT 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

#### NOTE 4 - MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

##### Insurance risk (Continued)

The concentration of insurance risk (maximum insured loss) is summarised below:

	31 December 2020	31 December 2019
Istanbul Region	275,145,691,015	223,995,219,030
Other Regions	875,833,781,612	650,035,579,715
<b>Total</b>	<b>1,150,979,472,627</b>	<b>874,030,798,745</b>

As of 31 December 2020, the distribution of insurance risk according to geographical risk regions in Turkey, with risk group 1 having the highest earthquake risk, is summarized below:

	31 December 2020
Group of risks 1	253,600,275,097
Group of risks 2	216,415,346,941
Group of risks 3	220,091,224,856
Group of risks 4	96,808,217,634
Group of risks 5	203,745,492,287
Group of risks 6	68,730,545,168
Group of risks 7	91,588,370,644
<b>Total</b>	<b>1,150,979,472,627</b>

The Institution manages such risks through its underwriting strategy and reinsurance protection purchased via excess of loss reinsurance agreement.

	31 December 2019
Zone 1	394,611,380,510
Zone 2	220,959,142,225
Zone 3	107,166,031,055
Zone 4	142,210,338,980
Zone 5	9,083,905,975
<b>Total</b>	<b>874,030,798,745</b>

##### Financial risk factors

The Institution is exposed to financial risk through its financial assets, financial liabilities (borrowings) and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts and not covered by the reinsurance agreement. The most important components of the financial risk are market risk (includes interest rate risk and currency risk), credit risk and liquidity risk. The Institution's overall risk

#### NOTE 4 - MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

##### Financial risk factors (Continued)

management programme focuses on the unpredictability of financial markets and seeks to minimise its potential adverse effects on the Institution's financial performance. Risk management is carried out by the Institution Administrator under policies regulated by certain legal arrangements and approved by the Board of Directors. Board of Directors considers the liquidity and credibility of the investments in the first place and seeks the maximisation of profitability on investments. The Institution does not use derivative financial instruments to hedge risk exposures.

##### a) Market risk

###### i. Interest rate risk

The Institution is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. This risk is managed by using natural hedges that arise from balancing interest rate sensitive assets and liabilities.

Available-for-sale financial assets with variable interest rates expose the Institution to interest rate risk. As of 31 December 2020, TL 5,682,829,609 of available-for-sale financial assets (31 December 2019: TL 3,177,420,198) are floating rated assets. As of 31 December 2020, if market interest rates on financial assets with variable interest rates were higher/lower by 1%, with all other variables held constant, as a result of higher/lower interest income on financial assets with variable rates, increase in fund reserve would be higher/lower by TL 17,315,206 (31 December 2019: TL 8,722,410).

The Institution does not have any other financial assets or liabilities with variable interest rates.

The analysis of contractual repricing dates of financial assets at the balance sheet dates are as follows:

31 December 2020	Up to 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Not subject to repricing	Total
Available - for sale financial assets	1,519,306,946	3,253,128,392	4,175,335,200	1,653,040,287	-	10,600,810,825
<b>Total</b>	<b>1,519,306,946</b>	<b>3,253,128,392</b>	<b>4,175,335,200</b>	<b>1,653,040,287</b>	<b>-</b>	<b>10,600,810,825</b>

31 December 2019	Up to 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Not subject to repricing	Total
Available - for sale financial assets	2,545,125,446	3,544,681,043	2,287,228,522	670,953,581	-	9,047,988,592
<b>Total</b>	<b>2,545,125,446</b>	<b>3,544,681,043</b>	<b>2,287,228,522</b>	<b>670,953,581</b>	<b>-</b>	<b>9,047,988,592</b>

# DOĞAL AFET SİGORTALARI KURUMU

## NOTES TO THE FINANCIAL STATEMENTS

### AT 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

# DOĞAL AFET SİGORTALARI KURUMU

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(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

#### NOTE 4 - MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

##### Financial risk factors (Continued)

##### ii. Foreign currency risk

The Institution is exposed to foreign exchange rate risk through the impact of rate changes at the translation of Turkish Lira pertaining to foreign currency denominated assets and liabilities. These risks are monitored and limited by the analysis of the foreign currency position (Note 20).

The Institution is exposed to foreign exchange risk primarily with respect to Euro and USD.

The foreign currency risk analysis associated with these foreign currencies is as follows:

At 31 December 2020, if TL appreciated/depreciated by 20% against Euro, with all other variables held constant, as a result of foreign exchange gains/losses on the translation of Euro denominated assets and liabilities, equity would be higher/lower by TL 60,147,068 (31 December 2019: TL 5,433,944).

At 31 December 2020, if TL appreciated/depreciated by 20% against USD with all other variables held constant, as a result of foreign exchange losses/gains on the translation of USD denominated assets and liabilities, equity would be lower/higher by TL 75,222,091 (31 December 2019: TL 22,482,883).

##### iii. Price Risk

The Institution's available-for-sale financial assets with fixed interest rate are measured at market value as of 31 December 2020. If market prices increased/decreased by 5%, with all other variables held constant, equity would be higher/lower by TL 530,040,541 (31 December 2019: TL 452,399,430).

##### b) Credit Risk

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of the agreements or will be unable to pay amounts in full when due. The Institution's exposure to credit risk arises mainly from bank deposits, financial assets, premium receivables from insurance companies and reinsurers' share of insurance liabilities.

The assets bearing credit risk are analysed in the tables below using the ratings of rating institutions, namely Standard & Poor's ("S&P"), Moody's and Fitch:

#### NOTE 4 - MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

##### Financial risk factors (Continued)

##### i. Bank Deposits

S&P	31 December 2020			31 December 2019		
	TL	FC	Total	TL	FC	Total
Note rated	1,019,468,733	187,957,045	1,207,425,778	860,241,937	22,104,780	882,346,717
B	326,556	-	326,556	115,851,273	4,505,247	120,356,520
<b>Total</b>	<b>1,019,795,289</b>	<b>187,957,045</b>	<b>1,207,752,334</b>	<b>976,093,210</b>	<b>26,610,027</b>	<b>1,002,703,237</b>

Moody's	31 December 2020			31 December 2019		
	TL	FC	Total	TL	FC	Total
Note rated	837,326,344	-	837,326,344	634,057,833	6,079,521	640,137,354
NP	182,468,945	187,957,045	370,425,990	342,035,377	20,530,506	362,565,883
<b>Total</b>	<b>1,019,795,289</b>	<b>187,957,045</b>	<b>1,207,752,334</b>	<b>976,093,210</b>	<b>26,610,027</b>	<b>1,002,703,237</b>

Fitch	31 December 2020			31 December 2019		
	TL	FC	Total	TL	FC	Total
B	1,019,795,289	187,957,045	1,207,752,334	976,088,210	26,610,027	1,002,698,237
Note rated	-	-	-	5,000	-	5,000
<b>Total</b>	<b>1,019,795,289</b>	<b>187,957,045</b>	<b>1,207,752,334</b>	<b>976,093,210</b>	<b>26,610,027</b>	<b>1,002,703,237</b>

##### ii. Available-for-sale financial assets

31 December 2020	Amount	S&P	Moody's	Fitch
Short term - TL	4,679,341,909	BB-	wBB-	BB-
Short term - FC	93,093,429	BB-	BB-	BB-
Long term - TL	5,431,083,652	BB-	BB-	BB-
Long term - FC	397,291,835	BB-	BB-	BB-
<b>Total</b>	<b>10,600,810,825</b>			

31 December 2019	Amount	S&P	Moody's	Fitch
Short term - TL	6,060,880,086	B+	BB-	BB-
Short term - FC	28,926,403	B+	BB-	BB-
Long term - TL	2,726,228,098	B+	BB-	BB-
Long term - FC	231,954,005	B+	BB-	BB-
<b>Total</b>	<b>9,047,988,592</b>			

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#### NOTE 4 - MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

##### Financial risk factors (Continued)

##### iii. Premium receivables

	31 December 2020	31 December 2019
Premium receivables from insurance companies	192,360,735	172,574,869
Provision for doubtful premium receivables	(1,994,783)	(1,994,783)
<b>Total</b>	<b>190,365,952</b>	<b>170,580,086</b>

The Institution has premium receivables from the insurance companies operating in Turkey which are subject to capital adequacy requirements of IPPRSA, main regulatory body regarding operational and financial activities of insurance companies in Turkey. Insurance premium receivables of the Institution are collected in accordance with Law related to the Procedures for the Collection of Public Receivables numbered 6183.

##### iv. Reinsurers' share of insurance liabilities

The Institution has excess of loss reinsurance agreements for the transfer of insurance risk through brokering panel in November 2019 - October 2020 (included first 10 month of 2020) under the leadership of Türker Sigorta and Reasürans Brokerligi A.Ş. and in November 2020 - October 2021 (included first 2 month of 2020) and Guy Carpenter and in November 2020 - October 2021 (included first 2 month of 2020).

The above-mentioned reinsurance agreement consists of different layers shared by various reinsurance companies and the reinsurance coverage amounts provided by these reinsurance companies in accordance with terms of the excess of loss reinsurance agreements as of 31 December 2020 and 2019 are as follows:

Limits to reinsurance coverage	Foreign currency amount		TL Equivalent	
	31 December 2020 (TL)	31 December 2019 (EUR)	31 December 2020	31 December 2019
Lower limit	5,500,000,000	460,000,000	5,500,000,000	3,059,276,000
Upper limit	31,500,000,000	2,250,000,000	31,500,000,000	14,963,850,000

The analysis of the credibility of the reinsurance companies with the highest risk shares with respect to the above-mentioned excess of loss reinsurance agreement using the ratings of rating institutions, as of 31 December 2020 and 2019 is as follows:

#### NOTE 4 - MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

##### Financial risk factors (Continued)

31 December 2020	S&P	Moody's	A.M. Best
Munich RE	AA-	Aa3	A+
Swiss RE	AA-	Aa3	A+
31 December 2019	S&P	Moody's	A.M. Best
Munich RE	AA	Aa	AA
Swiss RE	AA-	Aa3	-
Scor RE	AA-	Aa3	AA-
Hannover RE	AA-	-	-

##### c) Liquidity risk

The Institution uses its available cash resources to pay claims arising from insurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. Management sets the limits of the minimum level of funds available to meet such liabilities. Cash outflows due to the borrowing payments are managed by considering the amounts of unreserved cash flow from its operations. Hence, on one hand it is possible to pay debts with the cash generated from operating activities when necessary and on the other hand, sufficient and reliable sources of high quality borrowings are available.

The tables below present a maturity analysis for the Institution's financial liabilities, on an undiscounted basis, in accordance with relevant maturity groupings based on the remaining period at the balance sheet dates to the expected or contractual maturity date:

##### Contractual or expected cash flows

31 December 2020	Up to 3 months	3 months - 1 year	1-5 years	Over 5 years	Not subject to repricing	Total
<b>Liabilities</b>						
Trade payables	82,318,878	248,258,061	-	-	-	330,576,939
Outstanding claims provision (*)	-	228,308,116	76,102,705	-	-	304,410,821
<b>Total</b>	<b>82,318,878</b>	<b>476,566,177</b>	<b>76,102,705</b>	<b>-</b>	<b>-</b>	<b>634,987,760</b>

# DOĞAL AFET SİGORTALARI KURUMU

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#### NOTE 4 - MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

##### Financial risk factors (Continued)

##### Contractual or expected cash flows

31 December 2019	Up to 3 months	3 months - 1 year	1-5 years	Over 5 years	Not subject to repricing	Total
<b>Liabilities</b>						
Trade payables	97,728,938	52,952,077	-	-	-	150,681,015
Outstanding claims provision (*)	-	68,742,955	21,708,301	-	-	90,451,256
<b>Total</b>	<b>97,728,938</b>	<b>121,695,032</b>	<b>21,708,301</b>	<b>-</b>	<b>-</b>	<b>241,132,271</b>

(\*) Provision for outstanding claims is presented in the short-term liabilities of accompanying financial statements.

##### Fund reserve risk management

The Institution's objectives when managing the fund reserve are to safeguard the Institution's ability to perform claim and borrowing payments including interests and to maximise the accumulation of fund reserve to maintain financial strength of the Institution so that the Institution can meet all commitments under its insurance contracts which are not covered by reinsurance agreements.

#### NOTE 5 - CASH AND CASH EQUIVALENTS

The Institution's time and demand deposits are placed in public banks in accordance with the regulation about the operation principles and procedures for the Turkish Catastrophe Insurance Pool.

	31 December 2020	31 December 2019
Bank deposits	1,207,752,334	1,002,703,237
<b>Total</b>	<b>1,207,752,334</b>	<b>1,002,703,237</b>

Bank deposits are further analysed as follows:

	31 December 2020	31 December 2019
<b>Bank deposits in TL</b>		
- Time deposits	1,018,987,232	975,528,605
- Demand deposits	808,057	564,605
<b>Foreign currency denominated bank deposits</b>		
- Time deposits	187,957,045	13,242,767
- Demand deposits	-	13,367,260
<b>Total</b>	<b>1,207,752,334</b>	<b>1,002,703,237</b>

Foreign currencies denominated time deposits are as follows:

	Amount in foreign currency		TL equivalent	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
EUR	12,221,373	1,591,543	110,088,904	10,584,718
USD	10,608,016	447,468	77,868,141	2,658,049
<b>Total</b>			<b>187,957,045</b>	<b>13,242,767</b>

Maturities of time deposits are 1.5 months (31 December 2019: 2.5 months) months and weighted average annual interest rates are as follows:

Interest rate per annum (%)	31 December 2020	31 December 2019
TL	15.95	9.62
USD	1.00	0.32
EUR	0.05	0.04

# DOĞAL AFET SİGORTALARI KURUMU

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### AT 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

#### NOTE 5 - CASH AND CASH EQUIVALENTS (Continued)

Bank deposits are further analysed as follows:

	Amount in foreign currency		TL equivalent	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
EUR	-	2,009,925	-	13,367,207
USD	-	9	-	53
<b>Total</b>			<b>-</b>	<b>13,367,260</b>

Cash and cash equivalents included in the statements of cash flows are as follows:

	31 December 2020	31 December 2019
Cash and cash equivalents	1,207,752,334	1,002,703,237
Less: Interest accrued	(15,478,457)	(6,079,481)
<b>Total cash and cash equivalents</b>	<b>1,192,273,877</b>	<b>996,623,756</b>

#### NOTE 6 - AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 December 2020	31 December 2019
<b>Available-for-sale financial assets</b>		
Government bonds and treasury bills	7,751,948,035	5,903,819,529
Private sector bonds and treasury bills (*)	2,848,862,790	3,144,169,063
<b>Total</b>	<b>10,600,810,825</b>	<b>9,047,988,592</b>

(\*) The private sector bonds and treasury bills held by the Institution are all composed of borrowing instruments issued by state banks

As of 31 December 2020, the interest rate range of the available-for-sale financial assets is 7.10% - 20.90% for TL, 2.37% - 4.63% for EUR - 4.24% - 6.34% for USD (31 December 2019: 7.10% - 23.92% for TL, 0.74% - 4.26% for EUR, 5.20% - 6.70%).

As of December 2020, TL 5,682,829,609 (31 December 2019: TL 3,177,420,198) of available-for-sale financial assets are floating rated assets.

# DOĞAL AFET SİGORTALARI KURUMU

## NOTES TO THE FINANCIAL STATEMENTS

### AT 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

#### NOTE 6 - AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

Movements of available-for-sale financial assets as follows:

	2020	2019
<b>Beginning period - 1 January</b>	<b>9,047,988,592</b>	<b>5,272,045,761</b>
Additions during the period	7,702,350,705	7,154,214,882
Disposals (Amortisation or sale) (-)	(6,478,563,527)	(3,553,060,989)
Increase/(decrease) of net book value of financial assets	329,035,055	174,788,938
<b>Closing period - 31 December</b>	<b>10,600,810,825</b>	<b>9,047,988,592</b>

The maturity analysis of financial assets is given in the following table:

31 December 2020	0-3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Maturity	Total
Government bonds and treasury bills	46,478,296	1,084,339,657	919,024,515	4,054,099,080	1,648,006,487	-	7,751,948,035
Private sector bonds and treasury bills	1,472,828,650	96,032,000	1,153,732,220	121,236,120	5,033,800	-	2,848,862,790
<b>Total</b>	<b>1,519,306,946</b>	<b>1,180,371,657</b>	<b>2,072,756,735</b>	<b>4,175,335,200</b>	<b>1,653,040,287</b>	<b>-</b>	<b>10,600,810,825</b>

31 December 2019	0-3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Maturity	Total
Government bonds and treasury bills	885,296,070	1,317,563,792	1,278,749,090	1,880,813,568	541,397,009	-	5,903,819,529
Private sector bonds and treasury bills	1,659,829,376	583,769,503	364,598,658	406,414,954	129,556,572	-	3,144,169,063
<b>Total</b>	<b>2,545,125,446</b>	<b>1,901,333,295</b>	<b>1,643,347,748</b>	<b>2,287,228,522</b>	<b>670,953,581</b>	<b>-</b>	<b>9,047,988,592</b>

# DOĞAL AFET SİGORTALARI KURUMU

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### AT 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

#### NOTE 7 - PREMIUM RECEIVABLES

	31 December 2020	31 December 2019
Premium receivables from insurance companies	190,436,310	172,574,869
Receivables from reinsurance companies	1,924,425	-
Provision for doubtful premium receivable (-)	(1,994,783)	(1,994,783)
<b>Total</b>	<b>190,365,952</b>	<b>170,580,086</b>

The average turnover of the Institution's premium receivables is 45 days (31 December 2019: 45 days).

The Institution does not have any impaired or overdue receivables as of 31 December 2020 and 2019.

The provision for premium receivables did not show any movement during the period.

#### NOTE 8 - OTHER CURRENT ASSETS

	31 December 2020	31 December 2019
<b>Other current assets</b>		
Deferred reinsurance and cat-bond premiums	273,157,675	122,114,992
Brokerage fees related to the following months	1,238,586	1,080,724
Other prepaid expenses	130	16,562
	<b>274,396,391</b>	<b>123,212,278</b>

Excess of loss premiums and brokerage fees related to the following months consist of the costs of reinsurance coverage received and brokerage fees for the subsequent period according to the reinsurance agreement in force.

# DOĞAL AFET SİGORTALARI KURUMU

## NOTES TO THE FINANCIAL STATEMENTS

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#### NOTE 9 - PROPERTY AND EQUIPMENT

For the years ended 31 December 2020 and 2019, movement of the tangible assets are as follows:

	1 January 2020	Additions	Disposals	31 December 2020
<b>Cost</b>				
Fixed Assets	8,094,859	448,999	-	8,543,858
	<b>8,094,859</b>	<b>448,999</b>	-	<b>8,543,858</b>

#### Accumulated depreciation (-)

	1 January 2020	Additions	Disposals	31 December 2020
Fixed Assets	(7,839,831)	(174,701)	-	(8,014,532)
	<b>(7,839,831)</b>	<b>(174,701)</b>	-	<b>(8,014,532)</b>
<b>Net book value</b>	<b>255,028</b>			<b>529,326</b>

	1 January 2019	Additions	Disposals	31 December 2019
<b>Cost</b>				
Fixed Assets	7,825,550	269,309	-	8,094,859
	<b>7,825,550</b>	<b>269,309</b>	-	<b>8,094,859</b>

#### Accumulated depreciation (-)

	1 January 2019	Additions	Disposals	31 December 2019
Fixed Assets	(7,801,219)	(38,612)	-	(7,839,831)
	<b>(7,801,219)</b>	<b>(38,612)</b>	-	<b>(7,839,831)</b>
<b>Net book value</b>	<b>24,331</b>			<b>255,028</b>

# DOĞAL AFET SİGORTALARI KURUMU

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#### NOTE 10 - INTANGIBLE ASSETS

For the years ended 31 December 2020 and 2019, movement of the intangible assets are as follows:

	1 January 2020	Additions	Disposals	Transfers	31 December 2020
<b>Cost</b>					
Rights	53,771,088	248,980	-	-	54,020,068
	<b>53,771,088</b>	<b>248,980</b>	-	-	<b>54,020,068</b>
<b>Accumulated depreciation (-)</b>					
Rights	(43,542,483)	(8,742,831)	-	-	(52,285,314)
	<b>(43,542,483)</b>	<b>(8,742,831)</b>	-	-	<b>(52,285,314)</b>
<b>Net book value</b>	<b>10,228,605</b>				<b>1,734,754</b>
	1 January 2019	Additions	Disposals	Transfers	31 December 2019
<b>Cost</b>					
Rights	52,611,643	622,358	-	537,087	53,771,088
<b>Investment in progress (*)</b>	537,087	-	-	537,087	-
	<b>53,148,730</b>	<b>622,358</b>	-	-	<b>53,771,088</b>
<b>Accumulated depreciation (-)</b>					
Rights	(33,820,361)	(9,722,122)	-	-	(43,542,483)
	<b>(33,820,361)</b>	<b>(9,722,122)</b>	-	-	<b>(43,542,483)</b>
<b>Net book value</b>	<b>19,328,369</b>				<b>10,228,605</b>

(\*) Investment in progress comprises of claim management software related to emergency disaster action plan which is not in use as of the reporting date

#### NOTE 11 - SHORT-TERM TRADE PAYABLES

	31 December 2020	31 December 2019
<b>Short term trade payables</b>		
Reinsurance payables	329,275,522	147,820,578
Other	1,301,417	2,860,437
	<b>330,576,939</b>	<b>150,681,015</b>

# DOĞAL AFET SİGORTALARI KURUMU

## NOTES TO THE FINANCIAL STATEMENTS

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#### NOTE 12 - INSURANCE PROVISIONS

##### 12.1 Insurance provisions

	31 December 2020	31 December 2019
Unearned premium reserve	855,268,863	711,328,189
Reported claims provision	314,692,963	108,000,243
Outstanding claims provision (IBNR)	(10,282,142)	(17,548,987)
<b>Total</b>	<b>1,159,679,684</b>	<b>801,779,445</b>

##### 12.2 Movements in insurance provisions

###### a) Unearned premium reserve

	31 December 2020	31 December 2019
Opening balance - 1 January	711,328,189	611,672,235
Premiums written during the year (Note 14)	1,636,050,315	1,322,656,490
Earned premiums during the year (Note 14)	(1,492,109,641)	(1,223,000,536)
<b>Closing balance - 31 December</b>	<b>855,268,863</b>	<b>711,328,189</b>

###### b) Outstanding claims provision

	2020	2019
Opening balance - 1 January	90,451,256	9,615,416
Outstanding claim files notified during the year	695,799,263	66,950,140
Changes in paid claims and provisions (*)	(489,106,543)	(2,192,112)
Incurred but not reported claims	7,266,845	16,077,812
<b>Closing balance - 31 December</b>	<b>304,410,821</b>	<b>90,451,256</b>

(\*) The amounts consist of paid amounts for outstanding claims in the beginning of the period and claim files closed without payment

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#### NOTE 13 - ACCUMULATED EARNINGS AND AVAILABLE - FOR - SALE FINANCIAL ASSETS

##### a) Accumulated fund reserve (Retained earnings)

Movements of accumulated fund reserve in the period are as follows:

	2020	2019
<b>Opening balance - 1 January</b>	<b>9,393,430,683</b>	<b>7,221,892,064</b>
Profit for the year (Earthquake reserve increase, net)	1,582,182,911	2,171,538,619
<b>Closing balance - 31 December</b>	<b>10,975,613,594</b>	<b>9,393,430,683</b>

According to 9th article of the Law numbered 6305 published in the Official Gazette dated 18 May 2012, the resources and accumulated fund reserve of the Institution can only be used in claim payments to policy holders, operational costs for the administration of the Institution, interest and principal payments for the repayment of debts received by the institution and commission payments to the Institution Administrator, reinsurance payments, hedging costs, payments regarding scientific research studies on the subject matters related to the Institution's jurisdiction, consultation payments, payments related to public relations and marketing campaigns, commission payments to authorized insurance companies and payments related to loss adjustment procedures.

Accumulated fund reserve cannot be used except for the abovementioned payments and cannot be transferred to any other institution. Therefore, accumulated fund reserves, which consist of the current and previous profits of the Institution, are represent as "accumulated earthquake reserves" in equity

##### b) Revaluation surplus of available - for sale financial assets

The movements of fair value reserve in the period are as follows:

	2020	2019
<b>Beginning of period - 1 January</b>	<b>133,864,133</b>	<b>(124,913,116)</b>
Disposals arising from sales in the period, net	85,352,988	33,614,681
Additions arising from financial asset purchases in the period, net (-)	(259,305,967)	225,162,568
<b>Closing balance - 31 December</b>	<b>(40,088,846)</b>	<b>133,864,133</b>

#### NOTE 14 - EARNED PREMIUMS

	2020	2019
Premiums written	1,636,050,315	1,322,656,490
Unearned premium reserve (-) (Note 12)	(855,268,863)	(711,328,189)
Prior year unearned premium reserve (Note 12)	711,328,189	611,672,235
<b>Total earned premiums</b>	<b>1,492,109,641</b>	<b>1,223,000,536</b>

#### NOTE 15 - COST OF REINSURANCE COVERAGE

Reinsurance revenues	2020	2019
Coupon revenues for catastrophic bonds	-	10,322,243
<b>Total reinsurance revenues</b>	<b>-</b>	<b>10,322,243</b>

Reinsurance expenses	2020	2019
Excess of loss reinsurance agreement premiums	268,963,944	117,988,092
Brokerage fees related to excess of loss reinsurance agreements	1,539,078	1,795,077
<b>Total reinsurance expenses</b>	<b>270,503,022</b>	<b>119,783,169</b>
<b>Reinsurance revenues/(expenses), net</b>	<b>270,503,022</b>	<b>109,460,926</b>

#### NOTE 16 - COMMISSION EXPENSES

	2020	2019
Commissions paid to insurance companies	287,936,312	234,555,898
Prior year deferred commission expense	125,657,380	109,778,270
Deferred commission expense	(151,230,040)	(125,657,380)
<b>Total reinsurance expenses</b>	<b>262,363,652</b>	<b>218,676,788</b>

# DOĞAL AFET SİGORTALARI KURUMU

## NOTES TO THE FINANCIAL STATEMENTS

### AT 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

#### NOTE 17 - INCURRED CLAIMS

	2020	2019
Outstanding claims provision at the period-end	304,410,821	90,451,256
Claims paid in the period	489,106,543	16,630,692
Prior year outstanding claims provision	(90,451,256)	(9,615,416)
<b>Total</b>	<b>703,066,108</b>	<b>97,466,532</b>

#### NOTE 18 - GENERAL ADMINISTRATION EXPENSES

	2020	2019
Information technology expenses	16,707,185	12,624,677
Depreciation and amortisation expenses (Notes 9 and 10)	8,917,532	9,760,734
Expenses paid to the Institution Administrator	8,074,746	3,361,328
Office expenses	3,081,081	2,507,028
Bank expenses	2,513,655	5,966,656
Advertisement expenses	1,968,769	5,635,259
Outsource services	1,497,816	518,642
Board of member fees	836,201	431,159
Loss-adjustment expenses	598,210	59,305
Other	84,724	399,131
<b>Total</b>	<b>44,279,919</b>	<b>41,263,919</b>

#### NOTE 19 - FINANCIAL INCOME, NET

	2020	2019
Sales income from marketable securities	1,134,536,021	1,071,179,201
Net foreign exchange gains	154,474,124	24,055,727
Interest income, net	81,275,826	269,426,193
Reverse repurchase transaction	-	50,745,127
<b>Total financial income</b>	<b>1,370,285,971</b>	<b>1,415,406,248</b>

# DOĞAL AFET SİGORTALARI KURUMU

## NOTES TO THE FINANCIAL STATEMENTS

### AT 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

#### NOTE 20 - FOREIGN CURRENCY POSITION

The assets and liabilities denominated in foreign currencies are as follows:

	31 December 2020	31 December 2019
Assets	678,342,309	287,490,435
Liabilities	(1,496,514)	(147,906,299)
<b>Net foreign currency assets/(liabilities) position</b>	<b>676,845,795</b>	<b>139,584,136</b>

31 December 2020	USD	EUR	Other	Total
Cash and cash equivalents	77,868,141	110,088,904	-	187,957,045
Available-for-sale financial assets	298,252,516	192,132,748	-	490,385,264
<b>Total Assets</b>	<b>376,120,657</b>	<b>302,221,652</b>	<b>-</b>	<b>678,342,309</b>
Trade payables	(10,201)	(1,486,313)	-	(1,496,514)
<b>Total Liabilities</b>	<b>(10,201)</b>	<b>(1,486,313)</b>	<b>-</b>	<b>(1,496,514)</b>
<b>Net foreign currency assets/ (liabilities) position</b>	<b>376,110,456</b>	<b>300,735,339</b>	<b>-</b>	<b>676,845,795</b>

31 December 2019	USD	EUR	Other	Total
Cash and cash equivalents	2,658,102	23,951,925	-	26,610,027
Available-for-sale financial assets	109,803,171	151,077,237	-	260,880,408
<b>Total Assets</b>	<b>112,461,273</b>	<b>175,029,162</b>	<b>-</b>	<b>287,490,435</b>
Trade payables	(46,859)	(147,859,440)	-	(147,906,299)
<b>Total Liabilities</b>	<b>(46,859)</b>	<b>(147,859,440)</b>	<b>-</b>	<b>(147,906,299)</b>
<b>Net foreign currency assets/ (liabilities) position</b>	<b>112,414,414</b>	<b>27,169,722</b>	<b>-</b>	<b>139,584,136</b>

# DOĞAL AFET SİGORTALARI KURUMU NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

# DOĞAL AFET SİGORTALARI KURUMU NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

## NOTE 21 - PROVISIONS AND CONTINGENT LIABILITIES

As of 31 December 2020, the total risk of litigation claims pending against the Institution amount to TL 28,996,524 (31 December 2019: TL 5,684,800). The total estimated ultimate cost of settling such litigation claims are provided for under claims provision in the balance sheet.

As of 31 December 2020, the Institution has TL 1,994,783 (31 December 2019: TL 1,994,783) litigation from proceeded and pending legal cases for collection of premium receivables and presented below provision for premium receivables in balance sheet.

## NOTE 22 - SUBSEQUENT EVENTS

None.



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