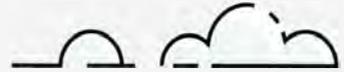


2021<sup>+</sup>

# Annual Report

Natural Catastrophe  
Insurance Pool  
Compulsory Earthquake Insurance



THE TARGET IN COMPULSORY EARTHQUAKE INSURANCE IS  
**TO REACH A 100% INSURANCE RATE**

**1999-2021**

Number of houses with  
**Compulsory Earthquake Insurance (CEI)**  
in Turkey

**10,5 mil  
lion**

The TCIP's ability to  
pay in a single  
earthquake now  
**stands at TL**

**46 bill  
ion**

Average per day  
**45 kuruş**  
CEI



**1 out of  
every 2  
houses has a CEI**



Total payment made  
by TCIP in claims to date

**TL1.1 billion**

**İzmir  
Earthquake**  
compensation payment

**TL435 mil  
lion**

**Elazığ  
Earthquake**  
compensation payment

**TL392 mil  
lion**



THE MARMARA REGION RANKS FIRST IN POLICYHOLDERSHIP RATE

**MARMARA**

**%71**

**KARADENİZ**

**%48**

**EGE**  
**%59**

**İÇ  
ANADOLU**  
**%55**

**DOĞU  
ANADOLU**  
**%52**

**AKDENİZ**  
**%51**

**GÜNEYDOĞU  
ANADOLU**  
**%52**

THE TOP 10 CITIES BY POLICYHOLDERSHIP RATE

01 **BOLU** **%98**

**%82** **DÜZCE** 06

02 **YALOVA** **%94**

**%80** **MUĞLA** 07

03 **SAKARYA** **%92**

**%73** **ÇANAKKALE** 08

04 **TEKİRDAĞ** **%91**

**%73** **KOCAELİ** 09

05 **BİNGÖL** **%84**

**%70** **İSTANBUL** 10



# Contents

MESSAGE FROM THE CHAIRMAN ——— 7-8

MESSAGE FROM THE GENERAL MANAGER — 9-10  
OF TECHNICAL OPERATOR TÜRK REASÜRANS A.Ş.

1 ABOUT TCIP ——— 11-22

- 1.1 ESTABLISHMENT AND PURPOSE OF TCIP
- 1.2 TCIP ORGANIZATIONAL STRUCTURE
- 1.3 BOARD OF DIRECTORS
- 1.4 TECHNICAL OPERATOR
- 1.5 COMPULSORY EARTHQUAKE INSURANCE
  - 1.5.1 SCOPE
  - 1.5.2 CONTROL POINTS
  - 1.5.3 AUTHORIZED INSURANCE COMPANIES

2 TCIP IN FIGURES ——— 23-38

- 2.1 PENETRATION RATE BY GEOGRAPHICAL REGIONS
- 2.2 COMPULSORY EARTHQUAKE INSURANCE GROWTH GRAPHIC
- 2.3 PENETRATION RATE IN SOME LARGE PROVINCES
- 2.4 PENETRATION RATE IN PROVINCES THAT EXPERIENCED EARTHQUAKE
- 2.5 POLICY PRODUCTION BY YEAR
- 2.6 POLICY PRODUCTION BY COMPANY
- 2.7 NUMBER OF LOSS PAYEE POLICIES
- 2.8 NEW POLICY & RENEWED POLICY
- 2.9 POLICY PRODUCTION BY MONTH
- 2.10 PENETRATION RATES BY REGION
- 2.11 PENETRATION RATES BY PROVINCE
- 2.12 POLICY DISTRIBUTION BY REGION
- 2.13 POLICY DISTRIBUTION BY RISK GRUPS
- 2.14 DISTRIBUTION OF POLICIES BY CONSTRUCTION YEAR
- 2.15 DISTRIBUTION OF POLICIES BY BUILDING AREA

3 TARIFF ——— 39-42

- 3.1 TARIFF AND INSURANCE APPLICATIONS

4 PARTICIPATION INSURANCE ——— 43-48

- 4.1 ISSUES RELATED TO PARTICIPATION COMPLIANCE OFFICER
- 4.2 ISSUES RELATED TO THE ADVISORY COMMITTEE AND COMMITTEE MEETINGS
- 4.3 CERTIFICATIONS, TRAINING PROGRAMS, AND INTERNAL AWARENESS OF PARTICIPATION PRINCIPLES
- 4.4 ISSUES RELATED TO INTERNAL AUDIT AND REPORTING ON PARTICIPATION
- 4.5 ISSUES RELATED TO PRODUCT AND INFORMATION FORMS
- 4.6 POLICY GENERATION AND PREMIUM COLLECTION
- 4.7 ISSUES RELATED TO THE MANAGEMENT OF FUND AND POOL ACCOUNTS
- 4.8 CLAIMS IMPLEMENTATION PROCESS
- 4.9 ISSUES RELATED TO REINSURANCE ACTIVITIES

5 REINSURANCE PROTECTION ——— 49-52

- 5.1 REINSURANCE IMPLEMENTATION STRATEGY

6 FUND MANAGEMENT ——— 53-58

- 6.1 GENERAL
- 6.2 GENERAL FUND MANAGEMENT PHILOSOPHY OF THE ORGANIZATION
  - 6.2.1 COMMITTEES ON FUND MANAGEMENT
  - 6.2.2 INVESTMENT STRATEGIES TO MAINTAIN HIGH PORTFOLIO VALUE

7 CLAIMS MANAGEMENT ——— 59-66

- 7.1 LOSS ADJUSTER RESOURCE
- 7.2 DISASTER RISK MANAGEMENT SYSTEM
- 7.3 INTRODUCTION OF COMPULSORY DISASTER INSURANCE
- 7.4 DISASTER CALL CENTER
- 7.5 ALO TCIP 125 CALL CENTER

8 TCIP INFORMATION TECHNOLOGIES AND INFRASTRUCTURE MANAGEMENT - 67-76

- 8.1 TCIP STRUCTURING AT IIC
- 8.2 PROJECTS
  - 8.2.1 DEFINITION OF SPECIAL DISCOUNT FOR TCIP COMPULSORY EARTHQUAKE INSURANCE
  - 8.2.2 INTEGRATION OF PARTICIPATION INSURANCE
  - 8.2.3 INTEGRATION OF TCIP CLAIMS NOTICE RENEWAL
  - 8.2.4 LOSS PAYEE BANKS INTEGRATION PROJECT
  - 8.2.5 TCIP NEW WEBSITE PROJECT
  - 8.2.6 MOVING TCIP MAIN DATA CENTER TO ANKARA
- 8.3 IT INFRASTRUCTURE IMPROVEMENTS
  - 8.3.1 ANKARA SOFTWARE DEFINED DATA CENTER TRANSFORMATION PROJECT
  - 8.3.2 VMWARE CLOUD FOUNDATION 4.0 TRANSITION PROJECT
  - 8.3.3 SYSTEM CAPACITY INCREASE PROJECTS
  - 8.3.4 SECURITY INFRASTRUCTURE PROJECTS
  - 8.3.5 MICROSOFT SYSTEMS TRANSFORMATION PROJECTS
  - 8.3.6 LINUX SYSTEMS AND VIRTUALIZATION PROJECTS
  - 8.3.7 MSSQL SERVER DATABASES UPDATE PROJECT
  - 8.3.8 ORACLE DATABASES AND MANAGEMENT CONSOLE UPDATE WORKS
  - 8.3.9 GOLDEN GATE ARCHITECTURAL TRANSFORMATION WORKS
  - 8.3.10 PHYSICAL ARCHIVE DIGITALIZATION AND TCIP EDMS PROJECT

8.4 INFORMATION SECURITY PROJECTS AND ACTIVITIES

- 8.4.1 ISO 22301 BUSINESS CONTINUITY MANAGEMENT SYSTEM CERTIFICATION
- 8.4.2 TCIP CLAIMS MODULE LOAD TEST
- 8.4.3 CYBERSECURITY OPERATION CENTER
- 8.5 OTHER ACTIVITIES
  - 8.5.1 BUSINESS INTELLIGENCE REPORTING
  - 8.5.2 PROJECT MANAGEMENT
  - 8.5.3 PURCHASING AND CONTRACT MANAGEMENT

9 ADVERTISING AND PUBLIC RELATIONS ACTIVITIES ——— 77-84

- 9.1 DETERMINATION OF THE ORGANIZATION'S GENERAL PUBLIC RELATIONS AND ADVERTISING STRATEGIES
- 9.2 WORKS AND PROJECTS
  - 9.2.1 PROJECTS FOR DEVELOPING RISK PERCEPTION
    - 9.2.1.1 CITIES COMPETE - "TRUST IN OUR HOME, TRUST IN OUR CITY"
    - 9.2.1.2 MINISTRY OF NATIONAL EDUCATION "TRUST IS OUR PRIORITY, ASSURANCE IS OUR RESPONSIBILITY" PROJECT
    - 9.2.1.3 TCIP EARTHQUAKE RESISTANT BUILDING DESIGN COMPETITION
  - 9.2.2 SPONSORSHIPS AND OTHER WORKS
    - 9.2.2.1 "GET YOUR TCIP TO WIN" CAMPAIGN
    - 9.2.2.2 "ISSUE TCIP FOR YOUR HOUSE, MULTIPLY YOUR EARNINGS" ENCOURAGEMENT CAMPAIGN
    - 9.2.2.3 BILLBOARD USAGE FOR EARTHQUAKE ANNIVERSARY COMMEMORATIONS

10 AUDITOR'S REPORT ——— 85-124





**METE GÜLER**  
Chairman of TCIP  
Board of Directors

## MESSAGE FROM THE CHAIRMAN

Dear Stakeholders,

As TCIP (Turkish Natural Catastrophe Insurance Pool), we started mobilizing towards our 100% coverage goal in 2021 and, from the beginning of the year, conducted numerous activities to achieve this goal. The year 2021 proved to be a period of economic and social challenges for our country, as well as the wider world, due to the Covid-19 pandemic and natural disasters. In this context, we launched a campaign for our policyholders at the beginning of the year and increased their coverage in proportion to the inflation rate without charging a premium difference.

In addition, we conducted a campaign for our agencies on the production side in order to encourage the monitoring of policy renewals and support new production. With this campaign, we aimed to both increase our overall penetration rate, and to share this success by awarding incentive premiums to the insurance companies and agencies that contributed to this growth. In 2022, we will continue our efforts and campaigns to expand insurance awareness.

We work with commitment and with all our strength to remind our citizens of the reality of earthquake in our country.

Accordingly, we strive to explain the necessity for financial security and the importance of Compulsory Earthquake Insurance via the communication, consciousness and awareness campaigns we conduct as TCIP.

Our primary goal is to financially secure all housing, and to support our policyholders in the recovery process that follows an earthquake with the funds generated. We know that our speed in claims management and compensation for our policyholders are among the key elements underpinning their trust in TCIP and, as TCIP, our plans are determined in consideration of a possible major Istanbul earthquake. Consequently, we increased our claims payment capacity to TRY 46 billion, to be used to compensate earthquake-related damages to the homes of Compulsory Earthquake Insurance policyholders.

Another significant step we took in 2021 was to bring forward the issue of expanding the scope of Compulsory Earthquake Insurance and transforming it into holistic "Catastrophe Insurance." We endeavor to contribute our fair share of the work in these difficult times, particularly in view of the pandemic conditions and the increase of natural disasters in the world. In this regard, we launched an intensive work process to include other types of disasters, especially floods, within the scope of Compulsory Earthquake Insurance; we aim to have Compulsory Catastrophe Insurance in our lives in 2023.

Our social responsibility projects, suspended due to pandemic conditions but ongoing in the background, were also back on TCIP's agenda at the end of 2021 and started to be realized in 2022.

We began the preparation of training content for the "Earthquake is Our Course, Let's Take Measures" program, which we carry out in cooperation with the Ministry of National Education to raise earthquake and Compulsory Earthquake Insurance awareness among fourth-grade students in primary schools. We plan to continue our training sessions as part of the curriculum in 2022.

Organized since 2011, our "Cities Compete, Policyholders Win" competitions encourage local governments in Turkey's eighty-one provinces to organize local awareness-raising campaigns to promote Compulsory Earthquake Insurance. We completed the preparatory works for the "Cities Compete, Policyholders Win" competition by the end of 2021, to ensure that projects are on the field in 2022.

Preparatory works were also completed for the TCIP Earthquake-Resistant Building Design Competition 2022, which aims to raise earthquake awareness among civil engineering students and develop their earthquake-resistant building design skills. Twenty-one universities were selected as finalists in the competition; the award ceremony will be held on 31 May 2022.

Consistently reminding our citizens that the large majority of our country is under earthquake risk and stating at every opportunity that we must consider this risk before an earthquake occurs, TCIP continues its committed efforts to prevent similar sufferings in the future. I would like to thank our entire team, who have worked with all their strength to realize our goals and mission, as well as our stakeholders and the citizens who have been our companions in this journey.

Kind regards,





**SELVA EREN**  
General Manager of  
Türk Reasürans

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

Dear Stakeholders,

As the technical operator of TCIP, our principal goal is 100% coverage. In 2021, we are proud to have increased the number of insured houses in our country and realized successful projects by taking strong steps in line with our goals. Since our first day in the technical operator role for TCIP, we have worked diligently to increase our operational and financial strength.

After two major earthquakes in Izmir and Elazığ in 2020, the year 2021 was a period in which we managed the largest operational and financial processes in

TCIP history. After the Elazığ earthquake, we made claims payments of TRY 392 million to 40,000 claims files. Following the Izmir earthquake, we made the largest single claim payment in TCIP history, with TRY 435 million in loss payments to 30,000 claims files. These two earthquakes accounted for more than half of the files opened since the establishment of TCIP, and 75% of all claims payments made to date.

During the period we undertook the technical operator role for TCIP, we acted in awareness that the sector is waiting for an opening regarding the management quality of catastrophe

risks; there is a significant need for planning and related undertakings, and we launched a new project to respond to these needs: Catastrophic Earthquake Modeling – CatMod. We also established a team that is on par with its peers around the world. The goal of this project is to bring an important competence center to the sector as Türk Reasürans, with one of our key issues being the elimination of foreign dependency in modeling in the near future.

As of today, we completed the verification of our earthquake hazard calculations, and we have seen significant progress in our earthquake risk calculations. In the 2023 renewals, we plan to actively utilize the platform and realize our goals immediately.

In our plans considering an Istanbul earthquake, we initiated our efforts to relocate TCIP's main data center from Istanbul to Ankara, with a backup in Istanbul. We also aim for the TCIP Extraordinary Management Center to start its activities in Ankara in the near future. In addition, we increased our reinsurance protection to TRY 46 billion for the expected major Marmara earthquake.

Finally, the issue of natural disasters and climate change became an important agenda item in our country, as well as worldwide, with the pandemic in 2021. In this respect, work towards including other disasters, such as flood, into the scope of Compulsory Earthquake Insurance as holistic "Catastrophe Insurance" was among the most significant projects initiated by TCIP at the end of 2021. Within the scope of this project, we formed a highly experienced team that brings together esteemed academics; this team is working at full speed to create a product that meets the demands of both insurance companies and citizens. We hope to complete these activities in 2023 and further expand the scope and meaning of financial security for our citizens.

As TCIP, our goal is 100% coverage. In this context, we will continue to develop and offer projects and awareness activities for both policyholders and agencies in 2022. I would like to thank our team and our stakeholders, who believe in our goals wholeheartedly, stand by us and share our excitement. And I thank our citizens for their trust in our institution.

Kind regards,



# About TCIP

## ABOUT TCIP

- Establishment and Purpose of TCIP 14
- TCIP Organizational Structure 15
- Board of Directors 15
- Technical Operator 17
- Compulsory Earthquake Insurance 19

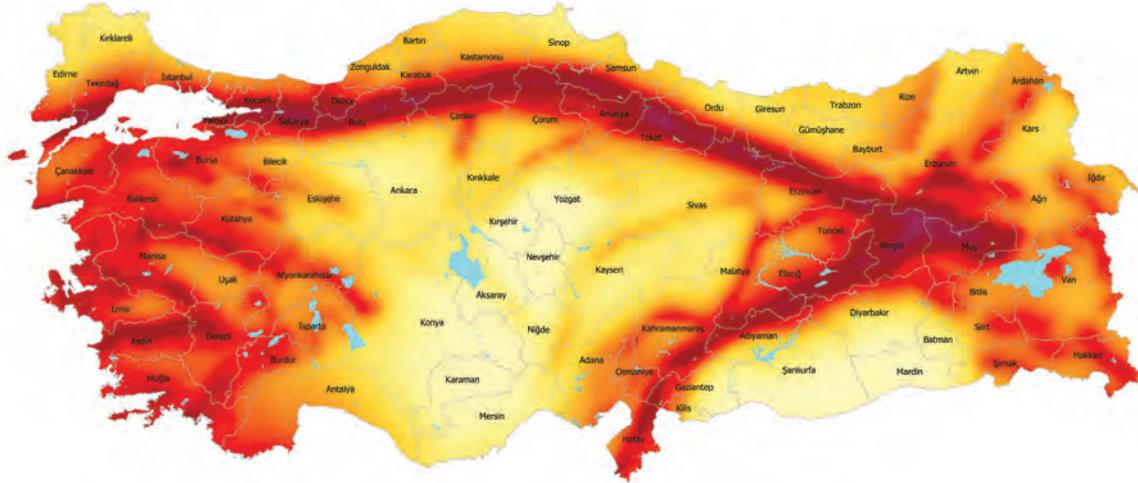
**TCIP is a non-profit institution, which has a unique organizational structure created with the cooperation of the public and private sectors.**



# About TCIP



Turkey Earthquake Zones Map



## 1.1 ESTABLISHMENT AND PURPOSE OF TCIP

After the Marmara Earthquake, which occurred on 17 August 1999 and caused great loss of life and property, several measures were taken by the public authority in order to minimize earthquake damage. One of the most important measures is the regulation regarding the

Compulsory Earthquake Insurance (CEI). Established with the Decree Law no. 587 and offering CEI coverage for residences as of 27 September 2000, TCIP gained a more legal framework with the Disaster Insurance Law no. 6305, which entered into force on 18 August 2012.

TCIP is an “insurance pool” with a public legal entity, and was established to offer CEI coverage. TCIP is a non-profit organization with a unique organizational structure formed through public-private cooperation.

Based on the approach “The earthquake will pass, life will continue,” TCIP aims to enable citizens to safely resume their lives after a possible earthquake disaster. With CEI, material losses directly caused by earthquakes and damages caused by fire, explosions, tsunami or landslides caused by an earthquake in insured buildings are guaranteed. It pays compensation for buildings, whether uninhabitable or partially damaged, and meditates normalization of life in the fastest way.

While increasing the prevalence of CEI across the country with the distribution network consisting of the insurance companies it works with, their affiliated agencies and bank branches, TCIP aims to make it easier for everyone to have this security with the low premium costs it applies.

### CEI is a social responsibility for all of us!

Supporting the insurance activities with public awareness events, TCIP emphasizes that CEI is a social responsibility for all of us, before anything else.

The fact that earthquake is the most common type of disaster in our country for the last 60 years is not unexpected for our country, almost all of which is located in the earthquake zone. In addition, earthquake is a type of disaster that not only unsettles the region it occurs, but also the whole country economically.

CEI provides residential assurance on an individual basis while creating a coverage pool for our country. This financial pool, the size of which has gained importance especially after the earthquake, is also a guarantee for those in need with a CEI policy in case of earthquakes that occur elsewhere than the place we live.

The system showed a great performance, and it is held up by international organizations as an exemplary practice for many countries.

The establishment purposes of this system, created with the cooperation of the government and the insurance industry to meet the needs in the most effective and fastest way, can be listed as follows:

- To secure all residences within the scope against earthquake with affordable premiums,
- To ensure risk sharing within the country,
- To distribute the financial burden of earthquake damages on our country to international reinsurance and capital markets,
- To decrease the financial burden of earthquakes on the government, especially arising from the construction of disaster residences after the earthquake,
- To prevent the possible additional tax to be collected from citizens as a result of the financial burden,
- To use the insurance system as an encouraging tool for the construction of healthy buildings,
- To provide long-term accumulation of resources for covering earthquake damages, and
- To contribute to raising awareness on insurance and social solidarity among the society.



TCIP, which is one of the best role models of public-private cooperation with its structure and functioning, is also closely followed by international organizations.

of homeowners who have not insured their residences in the system. To ensure sustainable growth in CEI, TCIP not only manages policy production, but also continues to put its signature under significant promotion and social responsibility projects that raise awareness on earthquake and insurance.

Technically, TCIP is an insurance pool, does not need a physical structuring to conduct organization-related works. Instead, all works are outsourced in order to increase efficiency and keep costs at minimum level. The general organizational structure is as follows.

## 1.2 TCIP ORGANIZATIONAL STRUCTURE

TCIP is one of the best role models of public-private cooperation with its structure and functioning. Technical and operational works of the pool are carried out by an insurance or reinsurance company determined by the Ministry of Treasury and Finance for 5-year periods. Insurance coverage is provided by the organization, and CEI is offered to homeowners by insurance companies. As such, TCIP has created an effective work ordering by gathering the advantages of public and private sectors.

Today, TCIP continues to work uninterruptedly in order to ensure the continuity of policies and inclusion

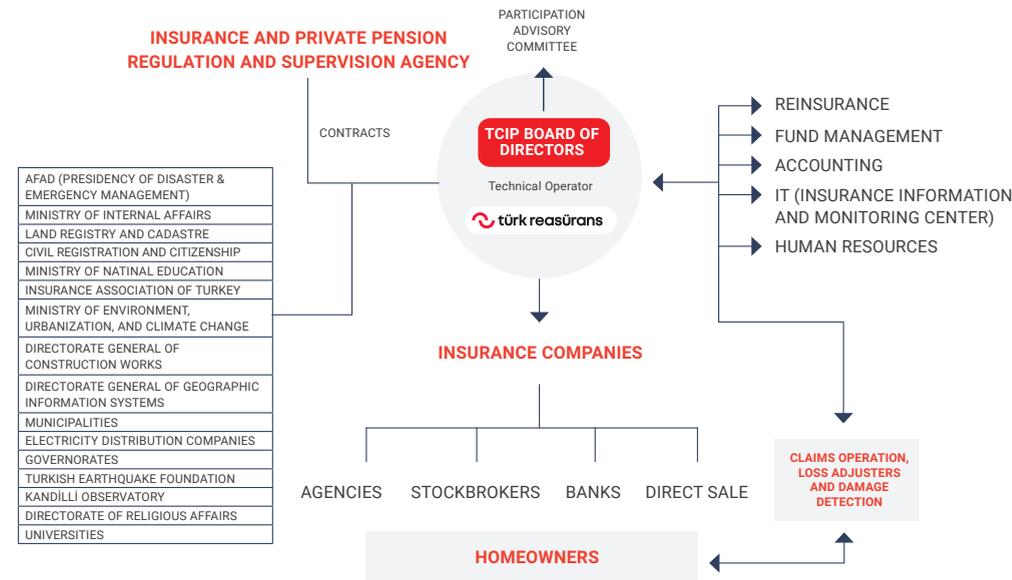
## 1.3 BOARD OF DIRECTORS

TCIP is managed by a Board of Directors consisting of 7 members in total, one being the chairman. The Board members are senior public officials specialized on different subjects (5), private sector representative (1) and university representative (1).

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

Accordingly, the Board of Directors, formed by the representatives of various institutions and organizations, consists of the persons specified in the table below.

## TCIP Organizational Chart



## Board Chairman and Members

NAME	ROLE	ORGANIZATION AND TITLE
Mete Güler	Chairman	Republic of Turkey Insurance and Private Pension Regulation and Supervision Agency/Vice President
Yunus Sezer	Member	Republic of Turkey Ministry of Interior Disaster and Emergency Management Authority/Presidency
İbrahim Ömer Gönül	Member	Capital Markets Board/Vice President
Vedad Gürgen	Member	Republic of Turkey Ministry of Environment and Urbanization Directorate General for Infrastructure and Urban Transformation Services/General Manager
Özgür Obalı	Member	Insurance Association of Türkiye/ Secretary General
Erdal Turgut	Member	Türk Reasürans A.Ş./Deputy General Manager
Prof. Dr. Alper İlki	Member	ITU Faculty of Civil Engineering

As of 08.08.2020, Türk Reasürans A.Ş. is responsible for the execution of technical and operational works of TCIP as the technical operator.

## 1.4 TECHNICAL OPERATOR

Technical and operational works of TCIP are carried out by outsourcing. Pursuant to Article 6 of Disaster Insurance Law no: 6305, a service contract is made between the Ministry of Treasury and Finance and a selected company for maximum five years, and renewed with the same procedure. Within this scope, the Technical Operator role was given to Türk Reasürans A.Ş. for 5 years between August 8, 2020 and 2025.

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

### Primary Duties of the Technical Operator

- To conduct necessary administrative and operational works with all relevant stakeholders for the purposes of printing and distributing the policies, collecting premiums, detecting claims and making compensation payments,
- To implement risk transfer and reinsurance plans,
- To direct the organization's resources to investments within the framework of relevant principles and restrictions, to maintain relations with portfolio management companies working with TCIP, and to inform the Board of Directors about the works of portfolio management companies,
- To follow up the organization's incomes and expenses as well as all accounts and transactions in special and separate records,
- To conduct public relations, promotional and training campaigns,
- To exchange correspondences with other persons, institutions and organizations on behalf of the organization, to keep information/documents properly, and to procure products and services that should be outsourced for organization-related works,
- To prepare works, information and reports requested by the Ministry of Treasury and Finance.

The main purposes of Türk Reasürans A.Ş.'s works as the Technical Operator of TCIP are to increase the insurance penetration rates on the one hand, and to maintain perfect claims operations on the other hand. In line with this goal, it works to establish the necessary

working order for all activities of the organization by using the most advanced technologies, and to establish reinsurance programs to ensure that sufficient financial resources are at the disposal of the organization in such cases, by creating the infrastructure that TCIP can provide effective claims service in case of a possible major earthquake. All these works are carried out considering that the organization conducts its activities in line with social responsibility principles.

Regarding the TCIP model, which is an extremely successful example compared to international examples, Türk Reasürans has taken over the service flag and aims to carry it forward. Within this scope, the Company has determined its priorities as increasing the claims payment capacity of the pool and, most importantly, ensuring that there are no uninsured households by increasing the insurance penetration rate from its current level of 57% to 100%.

The first phase of the action plan developed by Türk Reasürans as part of its assignment for TCIP was to increase the claims payment capacity. Türk Reasürans made its calculations based on an earthquake that will occur in the region in order to be prepared for the worst-case scenario, and shaped its agreements in line with the effort to find the most optimum solution with the combination of both the TCIP's existing resources and the reinsurance protection to be provided. In consequence of works conducted, TCIP's total ability to pay was increased from TRY 25 billion to approximately TRY 40 billion, including excess of claims reinsurance (with structured reinsurance solutions) and corporate funds.

Another main goal for the development of TCIP is 100% insurance penetration rate. This rate can be reached with the joint effort and cooperation of the TCIP, Technical Operator, regulatory authority SEDDK, other insurance companies and

intermediaries, and most importantly, by raising the citizens' awareness on insurance.

Within this scope, policy premiums were not increased in 2021 as the first convenience offered to policyholders. With the consent of the Ministry of Treasury and Finance, the premiums that the policyholders will pay were kept at the same level by Türk Reasürans, even though the coverages increased at inflation rate. In addition, encouragement campaigns for companies and insurance brokers that constitute the majority of TCIP production, as well as a range of advertising and promotional activities to raise awareness among citizens were planned, and will be implemented in the first half of 2021.



As of the end of 2021, all elemental insurance companies operating in Turkey and 17 thousand agencies of these companies ensure that TCIP - CEI is easily accessible throughout the country.

## 1.5 COMPULSORY EARTHQUAKE INSURANCE

### 1.5.1 SCOPE

In a broad sense, CEI is an insurance system developed for residences within municipal boundaries.

With the Disaster Insurance Law No. 6305 and secondary legislative arrangements made according to this law, buildings in the scope of the insurance were determined concretely.

#### Buildings within the scope:

- Buildings built as dwellings on immovable property which are registered in the title deeds and subject to private ownership,
- Independent areas within the scope of Property Ownership Law No. 634,
- Independent areas within these buildings used for commercial, offices or similar purposes,
- Dwellings built by the state or with loans disbursed as a result of natural disasters.

CEI should also be issued for the buildings which comply with the abovementioned conditions, having construction servitude; have not received type classification in the title deed yet and are qualified as 'land etc.' in the land register; and for the cooperative housing of which the title deed allocation has not been done yet.

Insurance of dwellings that currently do not have an independent title deed can be insured based on the policyholder's statement and with the information on the land title.

### Buildings excluded from the insurance coverage:

- Buildings built in and around village settlement areas and in hamlets by those who are registered to the village population and who are permanent residents of the village,
- Buildings which are used in their entirety for commercial or industrial purposes,
- Buildings and independent sections subject to Public Housing Law no. 2946 dated November 9, 1983, or used as public service buildings,
- Buildings without designed project and engineering service,
- Buildings which are found to have been modified or weakened in a manner which would adversely affect the structural integrity of the building,
- Buildings which have been condemned for demolition by authorized public institutions and buildings which are not suitable for residential use, are neglected, worn out or abandoned.

CEI policies are organized on behalf and account of TCIP through authorized insurance companies and their agencies. 33 authorized insurance companies and their agencies still issue CEI on behalf and account of TCIP. The organization also continues its renewal notices and direct sales activities for renewal policies in order to eliminate the losses in renewals as they are not followed.

### 1.5.2 CONTROL POINTS

#### Electricity and Water Subscriptions

As of August 18, 2012, CEI controls started during subscription processes in all electricity and water administrations within the framework of Article 11 of Disaster Insurance Law No. 6305, "The existence of Compulsory Earthquake Insurance is controlled by the relevant institution in water and electricity subscription transactions made regarding the buildings and independent parts within scope of the Compulsory Earthquake Insurance."

To provide operational convenience to administrations for controls during electricity and water subscription procedures, services for electronic information flow between institutions were prepared and made available to relevant organizations.

For the purpose of increasing the prevalence of Compulsory Earthquake Insurance, effective control mechanisms are created to take out insurances at the time of electricity and water subscriptions, title deeds transactions and housing loan requests.

**Title Deed Procedures**

Since 2000, the existence of CEI has been sought during official procedures such as purchases, sales and mortgages in land registry offices. This issue was regulated again in Article 11 of Law No. 6305.

Integration was ensured for electronic information flow between institutions in order to provide convenience to citizens during title deed procedures and to reduce the operational burden in land registry offices.

**Housing Loans**

Compulsory Earthquake Insurance is required in connection with housing loans given by banks according to Article 13 of Insurance Law No. 5684, Article 24 of Regulation on Operating Principles of Turkish Catastrophe Insurance Pool, Article 5 of Regulation on Implementation Principles of Insurance Related to Personal Loans, and Article 7 of the Compulsory Earthquake Insurance Tariff and Instructions. If Compulsory Earthquake Insurance has not been taken out by the housing loan user, it should be done by the bank that issues the loan by informing the policyholder. If the policyholder does not renew the loan during the loan period, the bank should inform the policyholder and ensure the renewal of the relevant policy.

**1.5.3 AUTHORIZED INSURANCE COMPANIES**

CEI policies are organized on behalf and account of TCIP through the 33 authorized insurance companies below and their agencies.

**33**

**Authorized  
Insurance  
Companies**

**17**

**Thousand  
Agencies**

**Authorized Insurance Companies**

Ak Sigorta A.Ş.	Koru Sigorta A.Ş.
Allianz Sigorta A.Ş.	Magdeburger Sigorta A.Ş.
Anadolu Anonim Türk Sigorta ŞTİ.	Mapfre Sigorta A.Ş.
Ankara Anonim Türk Sigorta ŞTİ.	Neova Sigorta A.Ş.
Atlas Sigorta A.Ş.	Orient Sigorta A.Ş.
Axa Sigorta A.Ş.	Quick Sigorta A.Ş.
Bereket Sigorta A.Ş.	Ray Sigorta A.Ş.
Corpus Sigorta A.Ş.	S.S. Atlas Sigorta Kooperatifi
Doğa Sigorta A.Ş.	Şeker Sigorta A.Ş.
Dubai Starr Sigorta A.Ş.	Sompo Japan 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.	Zurich Sigorta A.Ş.
Groupama Sigorta A.Ş.	Ana Sigorta A.Ş.
Gulf Sigorta A.Ş.	Arex Sigorta A.Ş.
HDI Sigorta A.Ş.	

# Milestones of TCIP

## TCIP IN FIGURES

– Penetration Rate By Geographical Regions	27
– Compulsory Earthquake Insurance Growth Graphic	27
– Penetration Rate In Some Large Provinces	28
– Penetration Rate In Provinces That Experienced Earthquake	29
– Policy Production by Year	30
– Policy Production by Company	31
– Number of Loss Payee Policies	32
– New Policy & Renewed Policy	32
– Policy Production by Month	33
– Penetration Rates by Region	33
– Penetration Rates by Province	34
– Policy Distribution by Region	37
– Policy Distribution by Risk Grups	37
– Distribution of Policies by Construction Year	38
– Distribution of Policies by Building Area	38



**Today, TCIP continues to work uninterrupted in order to ensure the continuity of policies and inclusion of homeowners who have not insured their residences in the system.**

# Milestones of TCIP



## 2000 TCIP WAS ESTABLISHED

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

## 2010 REINSURANCE PROTECTION

- TCIP's ability to pay in single damage reached TRY 5 billion with its own resources and reinsurance protection.
- TCIP carried out PR works to increase its recognition with Advertising Campaigns.

## 2011 VAN EARTHQUAKE

- 31 earthquakes occurred including the Van earthquakes with magnitudes of 7.2 and 5.6 on October 23 and November 09, 2011, following the Kütahya earthquake with a magnitude of 5.9 on May 19, 2011.
- Insurance penetration rate was increased by 12.5% across Turkey in 2011.
- Renewal reminder calls started.

## 2012 NEW LAW

- TCIP gained a more legal framework with the Disaster Insurance Law no. 6305 that entered into force on 18 August 2012.
- Compulsory Earthquake Insurance (CEI) controls started during subscription processes at Electricity and Water Administrations.

- The apartment discount was removed with the new tariff, and gradual renewal discount and construction year discount started to be implemented.
- TCIP call center Alo TCIP 125 entered into service for both daily operations and great disasters.
- TCIP's website was renewed.
- TCIP started to send SMS to the policyholders during policy production and cancellation transactions.
- TCIP participated in the Global Earthquake Modelling project.

## 2013 UAVT PROJECT

- TCIP started the Address Code application in full compliance with National Address Database (UAVT) in all CEI policies issued from March 1, 2013. Thus, it became the pioneer for the "Address Code" perception throughout the country.
- CONTROL POINTS - System integration with the land registry offices was ensured for efficiency in title deed controls. Integrations were also made with electricity and water administrations.
- TCIP also started to use cost-effective alternative risk transfer tools in addition to CAT-BOND Reinsurance opportunities.

## 2014 REAL ORTOPHOTO PROJECT

- TCIP gave significant support to the orthophoto project for the entire country, carried out by the Ministry of Environment and Urbanization.
- TCIP central reporting infrastructure was created.
- TCIP signboards were sent to agencies to increase awareness.
- The Renewal Campaign for Agencies aimed to maintain the CEI portfolio with renewals.

## 2015 DISASTER MANAGEMENT PROJECT

- Disaster Management Project
- IIC transfer
- ARYS Map-based disaster support structure was created.
- TCIP created a mobile application to carry out the expertise process online on iPad/tablet computer for the first time in the world.

## 2016 TCIP MOBILE PROJECT

- With the TCIP Web Portal, a transparent structure was created to monitor claims files by opening an instant claims file on the website.
- The first claims file was opened through our new claims application, and information flow with mobile was ensured instantly.
- New advertising and PR agencies of TCIP were determined.

## 2017 WE INCREASED OUR ABILITY TO PAY

- TCIP's ability to pay in a single damage reached TRY 17 billion with its own resources and reinsurance protection.
- In addition to the gradual renewal discount and the construction year discount, 20% Building Discount started to be implemented in case all the residences in the building/building complex are insured by the building/building complex management.
- Renewal reminder calls started with interactive voice response (IVR-IVN).
- Works for the Electronic Archive Project started.

## 2018 IVR PROJECT

- The Disaster Call Center was activated.
- Policy inquiry and claims file inquiry started through IVR (interactive voice response) on TCIP Call Center Alo TCIP 125.
- CEI Tariff Renewal Project started due to the changed Turkey Earthquake Hazard Map.
- Cooperation with the Ministry of National Education started within the scope of the "Trust is Our Priority, Assurance is Our Responsibility" Project.
- Integration works for Post-Earthquake Damage Detection cooperation started with the Ministry of Environment and Urbanization.

- From now on, it will be possible to monitor claims files and make claims notices through the E-Government Gateway.
- TCIP Social Stakeholder Analysis and s-consequently Public opinion research were carried out in order to expand the communication targets.

## 2019 NEW TARIFF

- TCIP's ability to pay in a single damage reached TRY 22 billion with its own resources and reinsurance protection.
- CEI Tariff Renewal Project was completed according to the changed Turkey Earthquake Hazard Map.

## 2020 CHANGE OF TECHNICAL OPERATOR

- With the expiry of Eureko Sigorta A.Ş.'s Technical Operator agreement, this role was transferred to Türk Reasürans A.Ş. as of 08.08. 2020 by the Ministry of Treasury and Finance of the Republic of Turkey, which is responsible for the supervision and control of TCIP.
- With the Compulsory Earthquake Insurance Tariff and Instructions published on the Official Gazette on 01.01.2020, a new risk-based pricing methodology was introduced according to the New Turkey Seismic Hazard Map data. Number of floors, year of construction and building style parameters were updated with this information.
- TCIP's ability to pay in a single damage reached TRY 46 billion with its own resources and reinsurance protection.
- The number of policies exceeded 10 million.

## 2021 COMPULSORY EARTHQUAKE INSURANCE MOBILIZATION YEAR

- Agency Incentive Campaign was held.
- Tariff works were carried out for 2021. Due to the pandemic and its negative effects, 10% discount was implemented on all policies in order not to reflect the premium difference to policyholders.
- TCIP's ability to pay in a single damage reached TRY 46 billion with its own resources and reinsurance protection.
- The number of policies exceeded 10.5 million.
- Works started for the establishment of the Ankara Emergency Management Center.



# TCIP in Figures

## 2.1 Penetration Rate by Geographical Regions

51%

### Mediterranean

Average Premium: TRY 108  
Number of Residences: 2,236,030

71%

### Marmara

Average Premium: TRY 199  
Number of Residences: 6,014,550

48%

### Black Sea

Average Premium: TRY 143  
Number of Residences: 1,714,870

59%

### Aegean

Average Premium: TRY 208  
Number of Residences: 2,616,350

52%

### Eastern Anatolia

Average Premium: TRY 211  
Number of Residences: 777,020

55%

### Central Anatolia

Average Premium: TRY 84  
Number of Residences: 3,332,500

52%

### Southeastern Anatolia

Average Premium: TRY 81  
Number of Residences: 991,460

## 2.3 Penetration Rate in Some Large Provinces

94%  
Yalova

70%  
İstanbul

70%  
Erzincan

66%  
Balıkesir

65%  
Van

64%  
İzmir

63%  
Ankara

62%  
Bursa

62%  
Gaziantep

59%  
Antalya

54%  
Denizli

48%  
Konya

48%  
Kayseri

48%  
K.Maraş

47%  
Adana

43%  
Samsun

43%  
Trabzon

42%  
Sivas

38%  
Diyarbakır

37%  
Tokat

## 2.2 Compulsory Earthquake Insurance Growth Graphic

NUMBER OF COMPULSORY EARTHQUAKE INSURANCE POLICIES BY YEARS



TRY 162

Average Annual Premium

10.5 million

Number of Policies

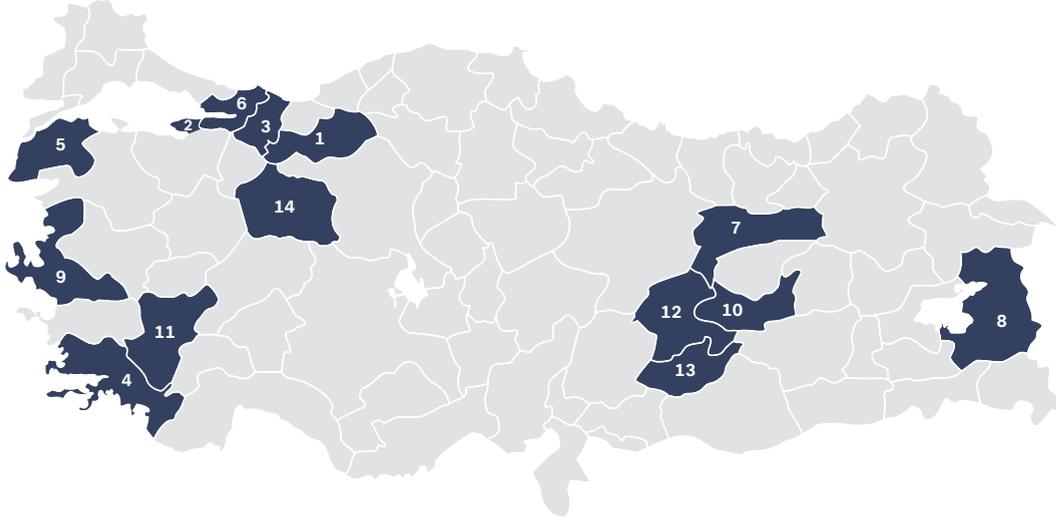
TRY 128  
thousand

Average Coverage

18 million

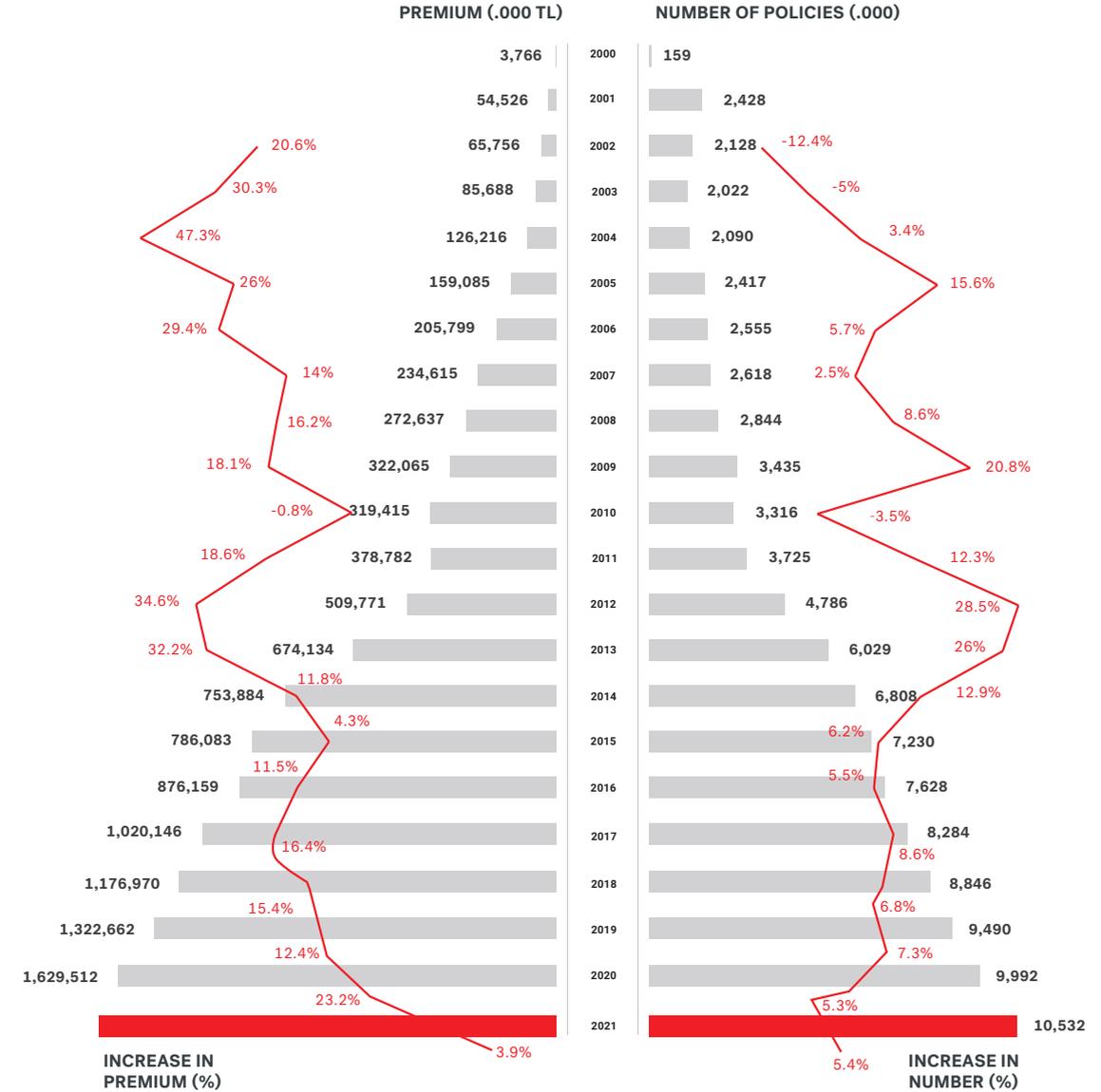
Total Residences

## 2.4 Penetration Rate in Provinces that Experienced Earthquake



## 2.5 Policy Production by Year

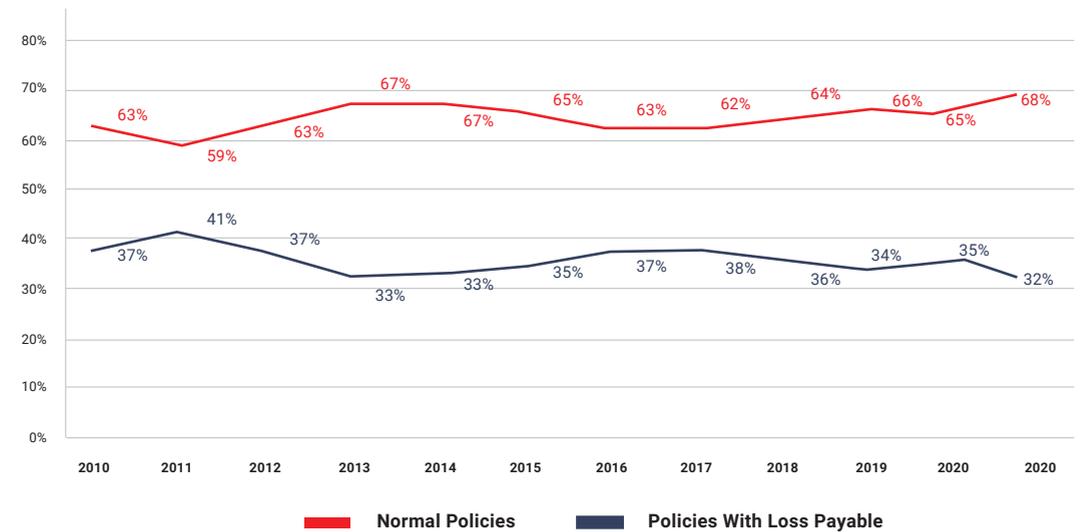
In 2021, the number of policies increased to 10.5 million, and rate of residences with Compulsory Earthquake Insurance increased to 60%.



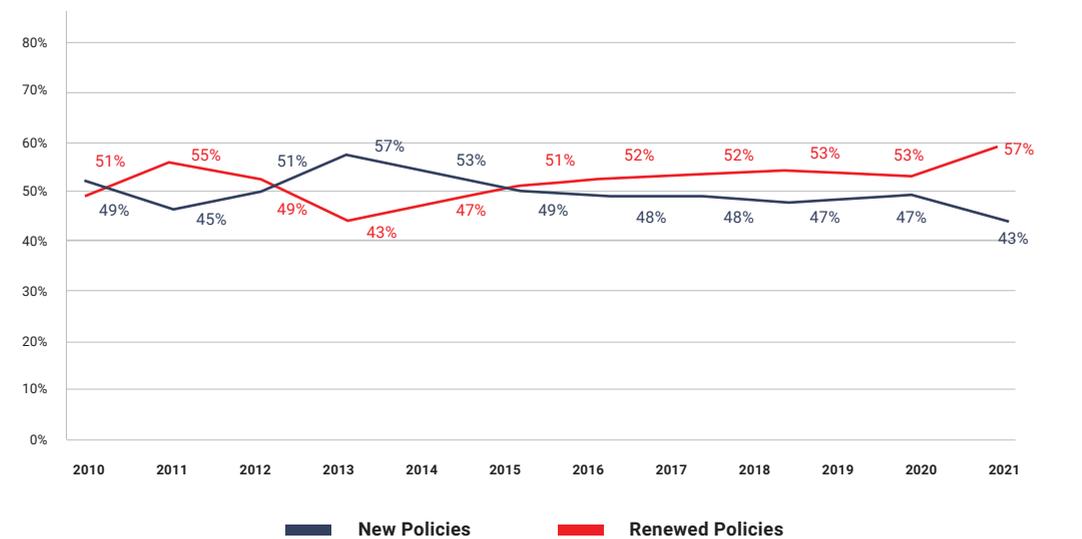
## 2.6 Policy Production by Company

PRODUCTION BY COMPANIES	2020		2021		Policy Increase %
	Number of Policies	Policy Rate	Number of Policies	Policy Rate	
AKSİGORTA A.Ş.	1,082,752	10.8	1,209,514	11.5	11.7
ALLIANZ SİGORTA A.Ş.	798,723	8.0	837,034	7.9	4.8
ANA SİGORTA A.Ş.			44,344	0.4	0.0
ANADOLU SİGORTA	944,947	9.5	1,003,272	9.5	6.2
ANKARA SİGORTA A.Ş.	113,241	1.1	191,999	1.8	69.5
AREX SİGORTA A.Ş.			942	0.0	0.0
AXA SİGORTA A.Ş.	605,517	6.1	586,425	5.6	-3.2
BEREKET SİGORTA A.Ş.	195,099	2.0	202,898	1.9	4.0
CORPUS SİGORTA A.Ş.	17,978	0.2	11,956	0.1	-33.5
DOĞA SİGORTA A.Ş.	378,534	3.8	409,778	3.9	8.3
DUBAI SİGORTA A.Ş.	10	0.0	10	0.0	0.0
ETHİCA SİGORTA A.Ş.	184,122	1.8	225,440	2.1	22.4
EUREKO SİGORTA A.Ş.	392,418	3.9	410,500	3.9	4.6
GENERALİ SİGORTA A.Ş.	74,472	0.7	72,814	0.7	-2.2
GRI SİGORTA A.Ş.	350		35,115	0.3	0.0
GROUPAMA SİGORTA A.Ş.	199,240	2.0	231,509	2.2	16.2
GULF SİGORTA A.Ş.	52,255	0.5	46,059	0.4	-11.9
HALK SİGORTA A.Ş.	438,601	4.4	-11	0.0	-100.0
HDI SİGORTA A.Ş.	744,287	7.4	677,040	6.4	-9.0
KORU SİGORTA A.Ş.	92,963	0.9	116,392	1.1	25.2
MAGDEBURGER SİGORTA A.Ş.	10,168	0.1	18,403	0.2	81.0
MAPFRE SİGORTA A.Ş.	173,824	1.7	156,767	1.5	-9.8
NEOVA KATILIM SİGORTA A.Ş.	360,301	3.6	353,641	3.4	-1.8
ORIENT SİGORTA A.Ş.	20,196	0.2	20,236	0.2	0.2
QUICK SİGORTA A.Ş.	92,123	0.9	110,149	1.0	19.6
RAY SİGORTA A.Ş.	233,061	2.3	305,781	2.9	31.2
S.S. ATLAS SİGORTA KOOPERATİFİ	6,262	0.1	6,592	0.1	5.3
SOMPO SİGORTA A.Ş.	291,574	2.9	287,947	2.7	-1.2
TÜRK NİPPON SİGORTA A.Ş.	94,904	0.9	89,699	0.9	-5.5
TÜRKİYE SİGORTA A.Ş.	1,179,290	11.8	2,586,044	24.6	119.3
UNICO SİGORTA A.Ş.	139,669	1.4	120,403	1.1	-13.8
ZURICH SİGORTA A.Ş.	121,858	1.2	110,689	1.1	-9.2
ZİRAAT SİGORTA A.Ş.	896,761	9.0	-117	0.0	-100.0
ŞEKER SİGORTA A.Ş.	55,612	0.6	52,556	0.5	-5.5
<b>TOTAL</b>	<b>9,992,109</b>	<b>100.0</b>	<b>10,531,820</b>	<b>100.0</b>	<b>5.4</b>

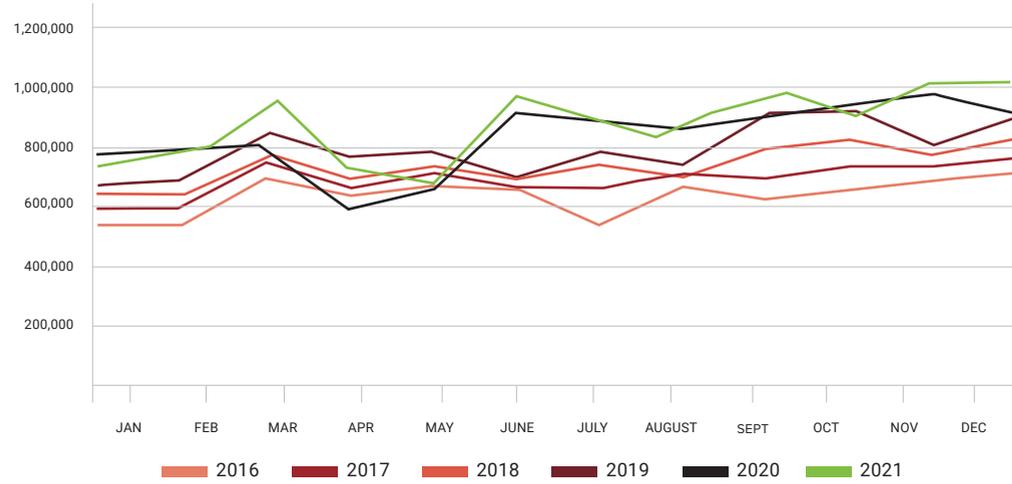
## 2.7 Number of Loss Payee Policies



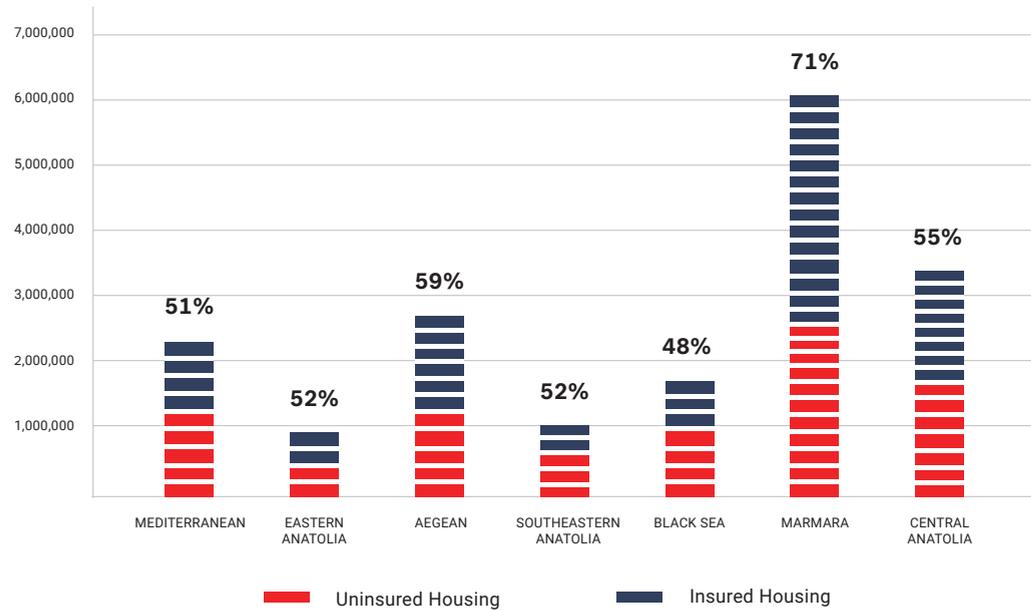
## 2.8 New Policy & Renewed Policy



## 2.9 Policy Production by Month



## 2.10 Penetration Rates by Region



## 2.11 Penetration Rates by Province

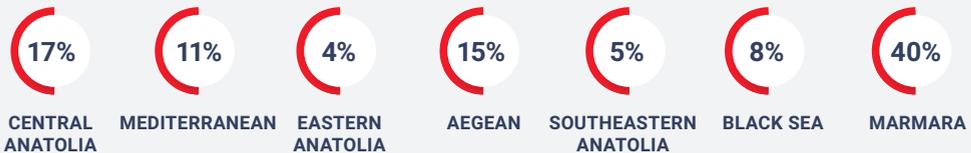
PROVINCE	TOTAL RESIDENCES	INSURED RESIDENCES	TOTAL PREMIUM (TRY)	PENETRATION RATE %
ADANA	448,380	211,726	20,672,268	47.2
ADIYAMAN	78,760	38,578	6,560,096	49.0
AFYONKARAHİSAR	170,720	69,695	9,805,448	40.8
AKSARAY	90,530	43,899	1,893,082	48.5
AMASYA	73,980	35,487	7,856,824	48.0
ANKARA	1,525,130	962,952	87,540,718	63.1
ANTALYA	610,140	361,516	39,070,158	59.3
ARDAHAN	7,610	5,113	608,781	67.2
ARTVİN	32,060	16,993	909715,09	53.0
AYDIN	284,970	188,945	37,837,970	66.3
AĞRI	41,660	16,842	2,105,627	40.4
BALIKESİR	335,710	220,799	37,014,689	65.8
BARTIN	30,620	20,635	1,637,168	67.4
BATMAN	59,430	25,768	1,881,386	43.4
BAYBURT	12,620	4,518	644,488	35.8
BOLU	59,360	58,060	14,469,984	97.8
BURDUR	63,030	25,925	3,709,020	41.1
BURSA	670,750	415,821	86,607,697	62.0
BİLECİK	51,200	26,417	3,286,128	51.6
BİNGÖL	30,780	25,151	7,179,328	81.7
BİTLİS	38,150	13,475	2,482,564	35.3
DENİZLİ	251,500	136,654	32,601,975	54.3
DÜZCE	68,470	57,615	12,835,598	84.1
DİYARBAKIR	211,240	79,337	7,295,472	37.6
EDİRNE	100,430	63,830	7,663,763	63.6
ELAZIĞ	123,310	68,065	19,409,375	55.2
ERZURUM	118,900	49,994	11,993,117	42.0

PROVINCE	TOTAL RESIDENCES	INSURED RESIDENCES	TOTAL PREMIUM (TRY)	PENETRATION RATE %
ERZİNCAN	45,870	32,134	8,037,080	70.1
ESKİŞEHİR	233,240	154,135	21,050,217	66.1
GAZİANTEP	290,980	180,574	15,174,432	62.1
GÜMÜŞHANE	27,140	8,891	775,312	32.8
GİRESUN	101,750	45,369	3,958,714	44.6
HAKKARİ	22,800	3,317	428,014	14.5
HATAY	274,450	121,461	21,721,554	44.3
ISPARTA	121,580	43,624	6,092,865	35.9
İĞDIR	20,850	10,677	1,192,922	51.2
KAHRAMANMARAŞ	188,050	90,381	12,752,752	48.1
KARABÜK	56,630	32,227	4,342,920	56.9
KARAMAN	56,810	29,721	1,243,651	52.3
KARS	33,050	16,152	1,342,539	48.9
KASTAMONU	73,710	40,201	5,743,737	54.5
KAYSERİ	335,870	161,621	10,738,792	48.1
KIRIKKALE	77,710	28,132	1,920,420	36.2
KIRKLARELİ	87,430	56,462	5,809,813	64.6
KIRŞEHİR	60,690	29,769	1,287,533	49.1
KOCAELİ	421,370	306,817	74,570,281	72.8
KONYA	512,870	247,260	12,802,569	48.2
KÜTAHYA	155,120	61,378	9,864,767	39.6
KİLİS	21,340	11,739	890,246	55.0
MALATYA	165,690	88,940	17,207,014	53.7
MANİSA	309,460	154,395	31,669,889	49.9
MARDİN	91,660	43,695	1,965,590	47.7
MERSİN	440,730	246,556	13,198,396	55.9
MUĞLA	241,650	192,900	30,792,511	79.8
MUŞ	31,410	10,810	2,241,485	34.4
NEVŞEHİR	74,640	30,159	1,271,338	40.4
NİĞDE	89,250	38,801	1,721,568	43.5
ORDU	170,280	82,899	8,374,195	48.7

PROVINCE	TOTAL RESIDENCES	INSURED RESIDENCES	TOTAL PREMIUM (TRY)	PENETRATION RATE %
OSMANIYE	89,670	38,874	5,860,072	43.4
RİZE	74,910	27,002	2,414,749	36.0
SAKARYA	194,190	178,609	39,279,389	92.0
SAMSUN	287,770	123,927	20,884,355	43.1
SİNOP	44,090	21,810	2,021,771	49.5
SİVAS	130,140	54,502	6,642,128	41.9
SİİRT	33,410	12,643	1,039,742	37.8
TEKİRDAĞ	264,840	242,170	34,918,795	91.4
TOKAT	127,320	46,687	9,523,649	36.7
TRABZON	208,190	90,167	6,452,481	43.3
TUNCELİ	16,220	7,994	1,629,163	49.3
UŞAK	82,710	38,109	6,293,700	46.1
VAN	80,720	52,310	8,620,519	64.8
YALOVA	79,590	74,514	17,905,090	93.6
YOZGAT	99,860	35,674	2,103,657	35.7
ZONGULDAK	137,510	57,619	5,941,130	41.9
ÇANAKKALE	126,590	92,894	17,147,498	73.4
ÇANKIRI	45,760	19,951	3,447,464	43.6
ÇORUM	128,460	54,706	9,341,714	42.6
İSTANBUL	3,682,450	2,581,120	524,755,525	70.1
İZMİR	1,120,220	712,258	164,095,258	63.6
ŞANLIURFA	171,420	104,318	5,911,644	60.9
ŞIRNAK	33,220	18,955	1,219,879	57.1
<b>TOTAL</b>	<b>17,682,780</b>	<b>10,531,820</b>	<b>1,693,204,927</b>	<b>59.56</b>



## 2.12 Policy Distribution by Region



GEOGRAPHICAL REGION	NUMBER OF POLICIES	NUMBER OF POLICIES %	TOTAL PREMIUMS	TOTAL PREMIUMS %
MEDITERRANEAN	1,140,063	10.8%	123,077,085,17	7.3%
EASTERN ANATOLIA	400,974	3.8%	84,477,526,34	5.0%
AEGEAN	1,554,334	14.8%	322,961,518,93	19.1%
SOUTHEASTERN ANATOLIA	515,607	4.9%	41,938,487,40	2.5%
BLACK SEA	824,813	7.8%	118,128,504,51	7.0%
MARMARA	4,259,453	40.4%	848,958,667,92	50.1%
CENTRAL ANATOLIA	1,836,576	17.4%	153,663,136,29	9.1%
<b>Grand total</b>	<b>10,531,820</b>	<b>100.0%</b>	<b>1,693,204,926,56</b>	<b>100.0%</b>

## 2.13 Policy Distribution by Risk Groups



NAME OF EARTHQUAKE ZONE	NUMBER OF POLICIES	NUMBER OF POLICIES %	TOTAL PREMIUMS
1 <sup>st</sup> Risk Group	2,359,113	22.4%	584,176,866,69
2 <sup>nd</sup> Risk Group	2,020,464	19.2%	428,438,198,47
3 <sup>rd</sup> Risk Group	2,073,474	19.7%	331,469,489,17
4 <sup>th</sup> Risk Group	891,354	8.5%	109,752,599,27
5 <sup>th</sup> Risk Group	1,798,833	17.1%	166,014,482,25
6 <sup>th</sup> Risk Group	600,863	5.7%	38,731,435,58
7 <sup>th</sup> Risk Group	787,719	7.5%	34,621,855,13
<b>Grand total</b>	<b>10,531,820</b>	<b>100.0%</b>	<b>1,693,204,926,56</b>

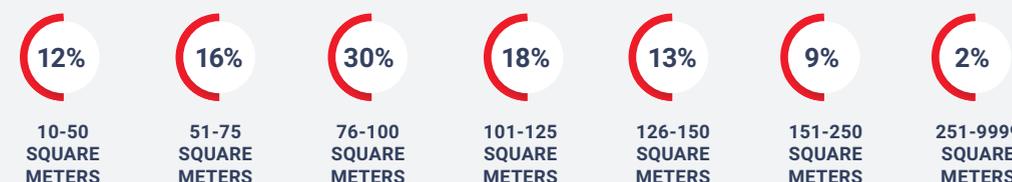


## 2.14 Distribution of Policies by Construction Year



CONSTRUCTION YEAR	NUMBER OF POLICIES	NUMBER OF POLICIES %	TOTAL PREMIUMS	TOTAL PREMIUMS %
ON AND BEFORE 1975	445,466	4.2%	67,440,128,41	4.0%
1976-1999	2,709,807	25.7%	486,424,669,42	28.7%
2000-2006	1,737,675	16.5%	264,854,675,10	15.6%
2007-2019	4,697,709	44.6%	736,415,750,60	43.5%
ON AND AFTER 2020	941,163	8.9%	138,069,703,03	8.2%
<b>Grand total</b>	<b>10,531,820</b>	<b>100.0%</b>	<b>1,693,204,926,56</b>	<b>100.0%</b>

## 2.15 Distribution of Policies by Building Area



APARTMENT AREA (GROUPED)	NUMBER OF POLICIES	NUMBER OF POLICIES %	TOTAL PREMIUMS	TOTAL PREMIUMS %
10-50 square meters	1,247,996	11.8%	104,967,350,34	6.2%
51-75 square meters	1,951,222	18.5%	354,830,030,89	21.0%
76-100 square meters	1,380,083	13.1%	285,569,859,75	16.9%
101-125 square meters	962,678	9.1%	246,323,789,98	14.5%
126-150 square meters	189,916	1.8%	57,593,588,82	3.4%
151-250 square meters	1,685,893	16.0%	185,780,304,27	11.0%
251-9999 square meters	3,114,032	29.6%	458,140,002,51	27.1%
<b>Grand total</b>	<b>10,531,820</b>	<b>100.0%</b>	<b>1,693,204,926,56</b>	<b>100.0%</b>

# Tariff

## TARIFF

– Tariff and Insurance Applications

41



**Compulsory Earthquake Insurance (ZDS) prevents efforts and savings from blowing up with the assurance it provides up to TL 268,000 for housing.**



# Tariff

Compulsory Earthquake Insurance prevents the hard work and savings to turn to dust with the coverage up to TRY 268 thousand it provides for residences. \*

## 3.1 TARIFF AND INSURANCE APPLICATIONS

### INSURANCE TARIFF AND PREMIUM CALCULATION

The premium to be paid is calculated according to the detected insurance cost, risk group and construction style by applying the following tariff. The minimum premium amounts are TRY 120, TRY 100, TRY 75, TRY 60, TRY 50, TRY 40 and TRY 35 respectively from the first group to seventh group, according to the earthquake risk zone in any case.

EARTHQUAKE TARIFF PRICES BY REGION ACCORDING TO CONSTRUCTION STYLE (%)

Construction Style	Group I	Group II	Group III	Group IV	Group V	Group VI	Group VII
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 According to Construction Style (2021)							
A- Reinforced Concrete	1,268 TL						
B- Other	874 TL						

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

Policyholders who renew their insurance regularly and on time pay less premium by benefiting from special discounts.

### INSURANCE COST AND PREMIUM ARE CALCULATED AS FOLLOWS:

Insurance value = Gross area of residence (m2) x Unit square meter cost (TRY) according to construction style (TRY)

Insurance value of a residence for CEI cannot exceed 268,000 TRY, regardless of risk group and construction style. Premium = (Insurance Value TRY x Tariff rate (%))

### DISCOUNTS AND SURPREMIUMS

- If the insurance is renewed within 30 days at the end of the policy period, 10% discount is applied for the renewed policy on the tariff prices above.
- For buildings with a construction license date of 2000 or earlier, 10% increase is applied over the above tariff rate.
- For buildings with 8 or more floors above ground, the tariff rate above is applied with an increase of 10%.
- For buildings with 3 or less total floors above ground, 10% discount is applied on the tariff rate above.
- No discounts or surpremiums are applied to the other structure group, except for the renewal discount.
- 10% discount is applied to all policies on tariff rates.

### DEDUCTIBLE AND INSURANCE PERIOD

Deductibles of 2% of insurance cost are applied in every claim. The company is responsible for the part where the claim exceeds the deductible in this way. In terms of deductible application, each 72-hour period counts as one claim. The period of the insurance is determined as one year. At the end of the period, the insurance must be renewed.

### COMMISSION RATES

Insurance companies authorized to make CEI contracts on behalf and account of the institution are paid a commission of 12.5% on

the CEI premium amount made by them or their agencies for risks in Istanbul, and a commission of 17.5% is paid for risks in other provinces. These rates are applied as 15% and 20% respectively, and limited to renewal policies.

However, minimum commission to be paid to the authorized insurance company is TRY 10 for each insurance contract, and TRY 15 for renewal policies. Of the minimum commission paid, TRY 3 belongs to the insurance company and TRY 7 belongs to agency. In renewal policies, TRY 3 belongs to the insurance company and TRY 12 belongs to the agency. Within the scope of the rates specified in the first paragraph, if the commission to be paid to the insurance company exceeds TRY 10 and TRY 15 in renewal policies, the commission to be given to the agency is determined between the insurance company and the agency freely on condition that it is not reduced below minimum wage.

### VOLUNTARY INSURANCE

In order to issue optional housing insurance policy for the independent parts and buildings within CEI in a way that includes the earthquake coverage, CEI should have been issued for such structures. However, if the value of the independent departments or buildings, for which CEI is issued, is higher than the calculated insurance cost according to the principles specified in the tariff, voluntary earthquake insurance can be taken out by insurance companies for the part exceeding such insurance amount, provided that the CEI has already been taken out.

# Participation Insurance

## PARTICIPATION INSURANCE

– Issues Related to Participation Compliance Officer	45
– Issues Related to the Advisory Committee and Committee Meetings	45
– Certifications, Training Programs, and Internal Awareness of Participation Principles	45
– Issues Related to Internal Audit and Reporting on Participation	46
– Issues Related to Product and Information Forms	46
– Policy Generation and Premium Collection	46
– Issues Related to the Management of Fund and Pool Accounts	47
– Claims Implementation Process	48
– Issues Related to Reinsurance Activities	48

TCIP started its participation activities in June 2021. As its Participation Insurance Model, TCIP has adopted the “Türkiye Model in Participation Insurance” based on the relevant legislation, where the issues and risks that are legitimate in Islamic law are covered by insurance under the supervision of the Advisory Committee and financial assets are managed as per participation principles.

# Participation Insurance

Our organization started its participation activities in June 2021 according to the principles set out in "Regulation on Insurance and Private Pension Activities within the Framework of Participation Principles" published in the Official Gazette no. 31339 on 19 December 2020, and in the Communiqué no. 2021/3 on Participation-Based Insurance and Private Pension Activities published on 01 April 2021.

As its Participation Insurance Model, our organization has adopted the "Türkiye Model in Participation Insurance" based on the relevant legislation, where the issues and risks that are legitimate in Islamic law are covered by insurance under the supervision of the Advisory Committee and financial assets are managed as per participation principles.

Accordingly; Opinion of Appropriateness for Participation Principles, Consent for Participation Insurance, and Consent for Reinsurance have been obtained and shared on our website.

## 4.1 ISSUES RELATED TO PARTICIPATION COMPLIANCE OFFICER

Our organization appointed a compliance officer to fulfill the roles and responsibilities of the participation compliance unit.

## 4.2 ISSUES RELATED TO THE ADVISORY COMMITTEE AND COMMITTEE MEETINGS

A contract was signed between our organization and the Islamic Economics Research Foundation (IKTISAT Foundation), which is on the list of organizations that the Insurance and Private Pension Regulatory and Supervisory Authority deems appropriate to provide external advisory committee services. The structure of the Advisory Committee was specified in our organizational chart in connection with the Board of Directors and without any hierarchical relations.

Advisory Committee meetings are held every month, with all the members present. Apart from these meetings, the Advisory Committee can be contacted at all times and for all issues requiring an opinion of appropriateness.

## 4.3 CERTIFICATIONS, TRAINING PROGRAMS, AND INTERNAL AWARENESS OF PARTICIPATION PRINCIPLES

Relevant personnel at our organization participated in the "Compulsory Training

Program on Participation-Based Insurance and BES" provided by TSEV and received their certificates.

As specified in the relevant legislation, training to be provided by the Advisory Committee was also completed. The personnel will also attend the refresher training to be provided every year by the relevant organization for the continued validity of the certificates.

## 4.4 ISSUES RELATED TO INTERNAL AUDIT AND REPORTING ON PARTICIPATION

The consent of the TCIP Board of Directors was obtained to procure services from Yeditepe Bağımsız Denetim ve YMMM A.Ş., which employs personnel that have the qualities required for the participation compliance officer to issue the Internal Audit Report on Participation, and the relevant service procurement contract was signed. The 2021 Internal Audit Report on Participation covers findings and evaluations on the issues specified in the participation audit guidelines, as well as on the compliance of processes with the Advisory Committee decisions and whether the processes are carried out in accordance with the participation principles.

## 4.5 ISSUES RELATED TO PRODUCT AND INFORMATION FORMS

The participation-based pool was started to be formed with policies generated on and after 01 June 2021.

Only premiums received through companies operating based on full participation principles

(Neova Katılım Sigorta A.Ş and Bereket Sigorta A.Ş) are taken into account as participation-based premiums.

Our organization added the expression "Participation" in all participation-based policy names and information on the policies issued through the system, stating that the products and services comply with the participation principles. It also referred to the information and notification form on the policy to ensure that the policyholders can access all information on participation insurance through the [www.dask.gov.tr](http://www.dask.gov.tr) website.

Information about the members of the Advisory Committee, the Participation Insurance legislation, and the Advisory Committee's opinion of appropriateness on whether the products, services, and financial activities comply with the participation principles can be found on our website. Our organization also reports to the Insurance Association of Turkey every month.

## 4.6 POLICY GENERATION AND PREMIUM COLLECTION

Premiums from policies issued by insurance companies and brokers that produce policies within the scope of Participation Insurance are reported through the system every month, after the period closure. Insurance companies engaged in Participation Insurance activities are notified about the premiums for relevant policies together with a cover letter and an account abstract, and are asked to transfer the final amount to the Participation Pool accounts opened earlier. These amounts are followed up through the current accounts opened for companies engaged in Participation Insurance activities.

Policy and premium production of Participation Insurance Companies as of 31.12.2021;

NUMBER OF POLICIES	BEREKET SİGORTA	NEOVA KATILIM SİGORTA	TOTAL
June.21	18,432	33,233	51,665
Jul.21	16,767	26,747	43,514
Aug.21	19,280	31,063	50,343
Sep.21	19,772	32,141	51,913
Oct.21	15,710	29,135	44,845
Nov.21	18,682	36,186	54,868
Dec.21	19,932	37,757	57,689
<b>Total 2021</b>	<b>128,575</b>	<b>226,262</b>	<b>354,837</b>

POLICY PREMIUM (TRY)	BEREKET SİGORTA (TL)	NEOVA KATILIM SİGORTA (TL)	TOTAL (TL)
June.21	2,768,750	4,903,559	7,672,309
Jul.21	2,566,851	3,893,251	6,460,102
Aug.21	2,935,125	4,427,083	7,362,208
Sep.21	2,853,152	4,492,829	7,345,981
Oct.21	2,395,712	4,133,357	6,529,069
Nov.21	2,975,010	5,403,075	8,378,085
Dec.21	3,082,433	5,618,664	8,701,097
<b>Total 2021</b>	<b>19,577,033</b>	<b>32,871,818</b>	<b>52,448,851</b>

## 4.7 ISSUES RELATED TO THE MANAGEMENT OF FUND AND POOL ACCOUNTS

Policy premium amounts received from the companies operating based on participation principles are managed within the framework of participation principles through separate funds, pools, or accounts by the organization. Monthly accounts of statement of companies engaged in Participation Insurance activities were separated.

Action is taken within the framework of participation principles regarding the

management of the fees of products and services sold through companies operating based on participation principles; selecting the assets to be invested in and investing thereof, and cash management. The financial assets from companies operating based on participation principles were invested in different maturities in participation accounts during the relevant period.

The necessary measures were taken to distinguish between inflows or outflows for funds, pools, or accounts regarding the participation insurance and the funds, pools, and accounts of activities other than the participation insurance. Accounting books on the participation insurance side were separated.

## 4.8 CLAIMS IMPLEMENTATION PROCESS

Policies are separated not only at the time of production within the scope of Participation Insurance, but also at claims system reporting steps and general control steps.

The systematic process for claims files arising from relevant policies is the same as the conventional claims files in the current situation (creation of the claims file, expert assignment and expertise process, claims review process, missing document submission, file closing/ payment process, etc.).

Compensation payments for claims are made from a separate pool where the premium amounts of insurance companies that produce policies within the scope of Participation Insurance are collected and as a transfer from the bank to IBAN/name.

Account reconciliation is made by controlling each account based on its own transactions at month-end and year-end.

## 4.9 ISSUES RELATED TO REINSURANCE ACTIVITIES

In its Islamic legal opinion on reinsurance practices within the scope of Participation Insurance, the Advisory Committee states that "According to the Participation Insurance principles; it is appropriate to work with Participation Reinsurance companies as long as the Turkish Catastrophe Insurance Pool exists and responds to relevant needs, with national and domestic insurance and reinsurance companies preferably if Participation Reinsurance companies remain incapable in terms of capacity and pricing and fail to cover possible risks in favor of the Participation Pool, and with other Reinsurance companies that comply with compulsory terms and conditions if the previous option is not possible".

REINSURANCE SHARES	CONVENTIONAL	PARTICIPATION
REINSURANCE EXPENSES	95.5%	4.5%
BROKER EXPENSES	95.5%	4.5%

No additional participation reinsurance coverage could be established for the TCIP Participation portfolio to provide the optimum benefit in responding to relevant needs because TCIP participation funds collected in 2021-2022 were low, the number and capacity of participation reinsurance companies were insufficient, and there was no similar structure in the geographical region. However, reinsurance costs were separated as conventional (95.5%) and participation (4.5%) as stated in the table above.

To manage the risks of the TCIP participation pool, TCIP reinsurance placement was completed with national and domestic insurance and reinsurance companies as well as foreign reinsurance companies with the Advisory Committee's approval.

### 01.06.2021 – 31.12.2021 INFORMATION ON PARTICIPATION INSURANCE

Number of Participation-Based Companies	2
Participation-Based Companies	Neova Katılım Sigorta, Bereket Sigorta
TCIP Fund Size	14.3 billion TRY
Participation Fund Size	42,991,831 TRY
Share of Participation Fund Size	0.30%
Total Number of Policies in the Relevant Period	6,653,004
Number of Participation Policies in the Relevant Period	354,836
Share of Participation Policies	5.3%
Total Policy Premium in the Relevant Period	1,059,342,330 TRY
Participation Policy Premium in the Relevant Period	52,448,474 TRY
Share of Participation Policy Premiums	5.0%
Number of P. Compliance Unit Personnel	1
Number of Advisory Committee Members	4
Files Opened	27
Files Paid	8
Amount of Compensation Payment	29,608 TRY

# Reinsurance Protection

## REINSURANCE PROTECTION

– Reinsurance Implementation Strategy

51

**TCIP'S total claim payment capacity consists of the institution's funds and reinsurance capacity, and is approximately TL 46 billion.**



# Reinsurance Protection

TCIP's total ability to pay consists of corporate funds and reinsurance capacity, and amounts to approximately 46 billion TRY.

TCIP's ability to pay claims since its establishment, and the important issues it takes into account in the foundation of the reinsurance program are as follows;

- To allow the development of institution resources,
- To create a high-quality and reliable reinsurer panel,
- To ensure coverage diversity, and
- To take the necessary protections by determining the claim load of the portfolio in a healthy way.

In 2021, priority and intensity were given to the works to ensure the organization's coverage diversity and cost advantages.

## REINSURANCE PROTECTION RENEWED

The organization's reinsurance protection was renewed on 1 November 2021, by considering the increases in costs in post-earthquake (PLA) and complying with the characteristics of the current portfolio. The organization's total ability to pay amounts to approximately 46 billion TRY, including excess of claims reinsurance (with structured reinsurance solutions) and corporate funds. The organization's liabilities arising from policies are followed regularly, and the reinsurance protection needed is established considering the reliable earthquake damage modeling results.

## 5.1 REINSURANCE IMPLEMENTATION STRATEGY

The following works are carried out each year to reach the targeted cost and placement structures for reinsurance protection, one of the important cash out items of TCIP. It is aimed to gain optimum results as a result of these works.

- DFA Analyses
- Scenario-Based Analyses
- Risk Modeling
- Service Level Agreements (SLA)
- Alternative Reinsurance Practices (ARP)
- Placement Strategies

The need for reinsurance capacity has been increasing depending on the increase in the number of the organization's policies. It is foreseen that this growth trend

will continue in the future. While the organization's increasing capacity needs are predominantly met from conventional reinsurance markets, TCIP's research has been continuing for benefitting from other products in the capital markets (especially disaster bonds) for future needs. The organization cares for the diversification and differentiation of products and instruments that increases the ability to pay claims on the basis of region, market and product.

Studies on alternative risk transfer tools are carried out and included in the relevant program with a competitive approach in order not to create a negative impact on the traditional reinsurance capacities assigned/allocated for earthquake risk in Turkey.

### Additional Studies on Alternative Reinsurance Markets Continue

Studies have been continuing on alternative reinsurance markets to provide protection similar to disaster bond. Structured Reinsurance, "Spread Loss," "Top & Drop," "Currency Protection" and "Spread Loss composite configuration," "Annual Aggregate XL," "Sidecar" and similar solutions are examined, and evaluations are made to increase the market supply if appropriate, and to meet the organization's capacity needs for the purpose of gaining the optimum cost.

The works are carried out each year to reach the targeted cost and placement structures for reinsurance protection, one of the important cash out items of TCIP.

# Fund Management

## FUND MANAGEMENT

- General 55
- General Fund Management Philosophy of the Organization 57
- Committees on Fund Management 57
- Investment Strategies to Maintain High Portfolio Value 58

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



# Fund Management

Stable growth-oriented fund management in the long term:

The total value of TCIP Financial portfolio (after policy collections and expenses) increased from TRY 10,051 billion at the beginning of the year to TRY 14,314 billion on 31.12.2021 by achieving a growth of TRY 2,505 million in total.

TCIP Participation Insurance started within the TCIP portfolio on 01.09.2021. It constitutes 0.2% of the total TCIP portfolio value with 29,444 million TRY on 31.12.2021.

## 6.1 GENERAL

As in the previous periods, with the TCIP Board decision on the organization's funds for 2021;

1. LAW ON PUBLIC FINANCING AND DEBT MANAGEMENT [No.: 28622 18 April 2013 Thursday]

2. GENERAL COMMUNIQUE ON PUBLIC TREASURERSHIP by Prime Ministry Undersecretariat of Treasury and the Ministry of Finance [O.G. Date: 08/12/2016 Thursday, No.: 29912] and (O.G. Date: 28/02/2018 Wednesday, No: 30346)

3. Additional Article 1 of REGULATION ON THE WORKING RULES AND PRINCIPLES OF TURKISH CATASTROPHE INSURANCE POOL (TCIP) BOARD OF DIRECTORS [O.G. Date: 15/08/2012 Wednesday, No: 28385]

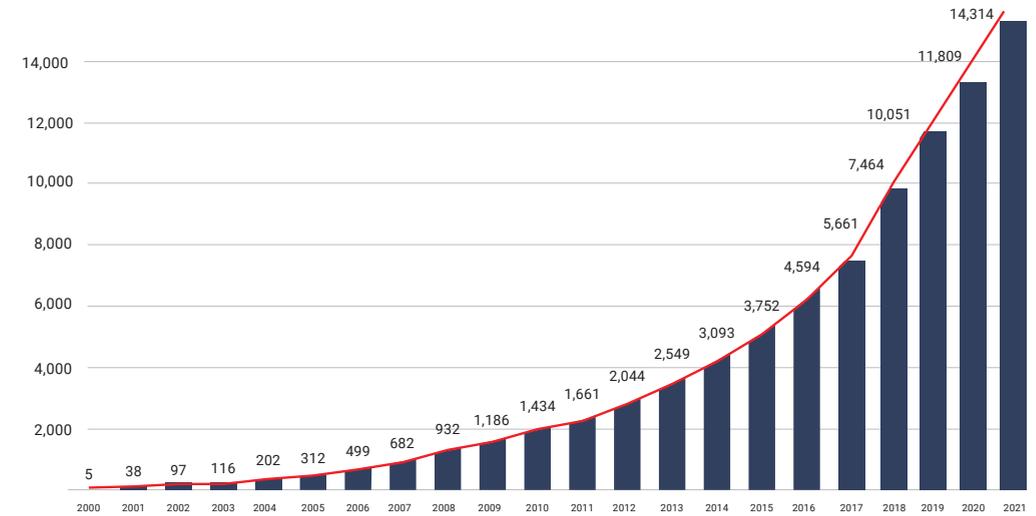
TCIP Financial portfolio is directly managed by the TCIP Technical Operator in line with the principles of

1. "Distribution of risk"
  2. "Protection of assets"
- pursuant to the relevant articles of the abovementioned legislation.

Fund size reached the level of **TRY 14,313,604,636** as of **31.12.2021**, with an increase of **17%** compared to the previous year.

INVESTMENT YIELD IMPROVEMENT: The financial income increased by **TRY 1,908.3 million** in private sector and government bonds, and by **TRY 216.7 million** in deposits and exchange market. After deducting withholding of - **TRY 154 million** from general financial income and adding the exchange difference of **TRY +436 million**, a net financial investment yield of **TRY 2,407 million** was achieved.

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%
2021	14,313,604,636	1,787,646,076	12%	11,581,476,363	81%	944,482,198	7%

The main duties of the Investment Committee are to take the necessary managerial decisions depending on the developments within the year, and to direct the Investment Committee, which observes and evaluates the investment process and operation on a weekly basis.

corporate culture and structure with an innovative and leading approach.

- They are invested in investment instruments approved by the Advisory Committee on the condition that the Insurance and Private Pension Regulation and Supervision Agency (IPPRS) regulations and the Public Treasurership Regulation are taken into account.
- Financial assets received from the companies operating based on participation principles are managed within the framework of participation principles through separate funds, pools, or accounts by the organization. Monthly accounts of statement of companies engaged in Participation Insurance activities are separated.
- Action is taken within the framework of participation principles regarding the management of the fees of products and services sold through companies operating based on participation principles; selecting the assets to be invested in and investing thereof, and cash management. The financial assets from companies operating based on participation principles are evaluated in different maturities in participation accounts during the relevant period.

- Action is taken within the framework of participation principles in payments made regarding the products and services sold through companies operating based on participation principles and in other financial activities hereto. The necessary measures were taken to distinguish between inflows or outflows for funds, pools, or accounts regarding the participation insurance and the funds, pools, and accounts of activities other than the participation insurance.

**6.2.1 COMMITTEES ON FUND MANAGEMENT**

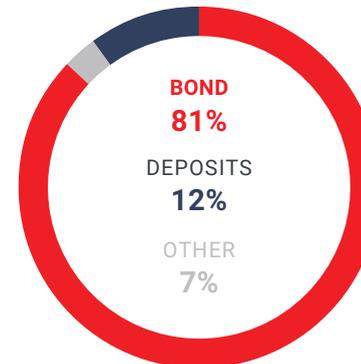
Established in 2011 for more effective and active management of the growing fund, the "Investment Committee" continued its works in 2021.

The duties of the Investment Committee are to prepare the annual "Investment Plan," to follow the markets regarding the purchase and sale of investment instruments and foreign currency in compliance with the investment plan approved by the Board of Directors, to participate in DİBS tenders and follow up the markets for all similar procedures, to negotiate with other financial institutions, to carry out all operational procedures, and to evaluate the performance of the Technical Operator and portfolio management companies according to the benchmarking criteria specified in the annual investment plan. Data of portfolio management companies, requests for changing the benchmarking criteria, and any strategy changes are evaluated by this committee.

In the application of the annual Investment Plan, the Investment Committee takes necessary managerial decisions depending on the developments during the year, and observes the investment process and the operation.

**6.2.2 INVESTMENT STRATEGIES TO MAINTAIN HIGH PORTFOLIO VALUE**

The Investment Committee convenes on a monthly basis, closely follows the money markets, and tries to achieve high income through valuation of the organization's funds by diversifying investment types and maturities within acceptable risk limits.



The leading portfolios were the public securities, reverse repo, the foreign exchange time deposit-within the money market and to the extent of liabilities-, and particularly the time deposit as the most liquid one in the distribution of the fund by the types of investment tools in 2021.

The leading portfolios were the public securities, reverse repo, the foreign exchange time deposit -within the money market and to the extent of liabilities-, and particularly the time deposit as the most liquid one in the distribution of the fund by the types of investment tools according to the market conditions within the scope of Investment Strategy determined at the beginning of 2021.

**TCIP PARTICIPATION**



TCIP PARTICIPATION	PARTICIPATION ACCOUNTS	%	CURRENT ACCOUNT	%
01.09.2021	6,280,855	100.0%	0	0.0%
31.12.2021	29,377,725	99.8%	65,880	0.2%

# Claims Management

## CLAIMS MANAGEMENT

- Loss Adjuster Resource 62
- Disaster Risk Management System 64
- Introduction of Compulsory Disaster Insurance 64
- Disaster Call Center 65
- Alo TCIP 125 Call Center 66

**TCIP paid a total of TL 1,122,700,922 for a total of 983 damaging earthquakes which have occurred since its establishment.**



# Claims Management

## Claims Payments in 2021

Since its establishment, TCIP has made claims payments of TRY 1,122,700,922 for 93,140 files in total regarding 983 destructive earthquakes.

## 01.01.2021-31.12.2021

- Total number of claims notices: **16,282**
- Number of finalized files: **14,326**
- Number of compensated files: **21,354**
- Amount of compensation paid: **455,776,954 TRY**

CLAIMS PAYMENTS BY YEAR 31.12.2021			
YEAR	NUMBER OF EARTHQUAKES	NUMBER OF FILES	PAYMENT (TRY)
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	496	2,060,526
2009	37	268	525,174
2010	37	461	936,100
2011	42	7,931	145,773,883
2012	56	1,666	5,786,582
2013	23	174	964,858
2014	37	828	4,363,766
2015	33	299	991,201
2016	27	204	893,911
2017	45	2,051	8,932,645
2018	54	244	860,856
2019	93	9,104	72,801,310
2020	163	57,536	834,518,113
2021	95	1,901	23,947,068
<b>TOTAL</b>	<b>983</b>	<b>93,140</b>	<b>1,122,700,922</b>

## Earthquakes in 2021

In 2021, TCIP made claims payments of TRY 23,947,068 in total for 1,901 claim files regarding 95 destructive earthquakes across the country.

## Destructive Earthquakes in Recent Period

Unfortunately, Elazığ/Sivrice earthquake with a magnitude of 6.8 on 24 January 2020 and İzmir/Seferihisar earthquake with a magnitude of 6.6 on 30 October 2020 caused loss of lives.

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

Of 39,849 claim files opened for Elazığ and Malatya earthquakes that occurred in 2020, 31,696 files were finalized and closed within the same year, and 39,807 files were finalized and closed by the end of 2021.

As of 31 December 2021, information related to Elazığ earthquake that occurred on 24 January 2020 is as follows:

- Total number of notices: **39,849**
- Total number of provinces that notices are received: **33**
- Elazığ: **25,368 (64%)**
- Malatya: **10,614 (27%)**
- Other provinces: **3,867 (10%)**
- Claims paid: **TRY 392,481,521**
- Notices are received through TCIP call center Alo TCIP 125, IVR (interactive voice response), SMS, Webportal and e-Government. In Elazığ earthquake, 48% of notices were received through IVR.

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

Of 30,811 claims files opened for 6.6 İzmir/Seferihisar earthquake on 30 October and the Aegean earthquake that occurred within the year, 22,254 files were finalized and closed within the same year, and 30,697 files were finalized and closed by the end of 2021.

As of 31 December 2021, information related to İzmir/Seferihisar earthquake that occurred on 30 October 2020 is as follows:

- Total number of notices: **30,811**
- Total number of provinces that notices are received: **17**
- İzmir: **25,704 (83%)**
- Other provinces: **5,107 (17%)**
- Claims paid: **435,403,733 TRY**

After İzmir/Seferihisar earthquake with a magnitude of 6.6 that occurred on 30 October 2020, TCIP worked in communication with AFAD, Ministry of Environment and Urbanization Directorate General of Geographic Information Systems, Directorate General of Construction Works and other stakeholders. SEDDK, Insurance Companies Association, Insurance Companies, Insurance Information Center and all infrastructure providers also contacted with TCIP and provided assistance and support.

- The Disaster Call Center was activated, and trained stand-by teams started to receive calls in "Ankara+Giresun" provinces.
- As in previous earthquakes, the organization worked together with the Insurance Loss adjusters Executive Committee in the loss adjuster assignment process.
- Prof. Alper İlki from ITU Faculty of Civil Engineering provided training on common methodology principles to both our loss adjusters and damage detection teams of Ministry of Environment and Urbanization Directorate General of Construction Works to ensure damage detection with common methodology.
- After negotiations with the Ministry of Environment and Urbanization, TCIP made damage detection before demolition in buildings that are heavily damaged or decided to be demolished.
- Notices are received through TCIP call center Alo TCIP 125, IVR (interactive voice response), SMS, Webportal and e-Government. In İzmir earthquake, 43% of notices were received through IVR.

From the beginning until 31.12.2021, we ensured that 373 loss adjusters in total take office in earthquake damage detection and experience post-earthquake environment.

## 7.1 LOSS ADJUSTER RESOURCE

Damage detection is still being carried out by insurance loss adjusters assigned by the TCIP, who operate in insurance industry and have licenses in "Fire, Natural Disaster, Accident and Theft" and "Engineering" branches.

In Izmir/Seferihisar and Elazığ/Sivrice earthquakes that occurred in 2020, we came together with loss adjusters for damage detection with common methodology and for TCIP Mobile Expertise Trainings and Earthquake Damage Detection Trainings before assignment. We ensured that the highest possible number of insurance loss adjusters are assigned and provided on-the-job training.

As of 31.12.2021, Mobile Damage Detection Application training was provided to 300 loss adjusters in total, and 200 loss adjusters used the Mobile Damage Detection application in the field. As part of the 2022 business plan, loss adjuster training meetings will continue to spread and increase the use of our Mobile Damage Detection Application.

However, within the scope of Disaster Management Project, works are carried out to increase the damage detection resource based on the idea that the current claims loss adjusters may not be able to meet the need in a possible big earthquake. In this context, plans regarding both the number and level of knowledge of damage detection officers, who will cover the size of damage, are made according to possible earthquake scenarios.

The organization concluded that civil engineers and architects who take place in local administrations can be regarded as sources for damage detection, in addition to current insurance loss adjusters, by considering that the high number of damage detection activities

can only be managed with common projects to be developed together with other institutions.

Studies on training programs have been continuing with various public institutions and universities in order to create backup resources due to the emergence of an increasing need for experienced civil engineers as the extent of the damage and the probability of structural damage increases.

## 7.2 DISASTER RISK MANAGEMENT SYSTEM

With Disaster Risk Management System (ARYS), a decision support system developed on the infrastructure of Geographic Information System (GIS), decision-making processes are facilitated thanks to these features and the visual infrastructure that different information and details can be accessed together. ARYS Claims software has made it possible to transfer policy and claims file data synchronously between two systems, and accordingly, to make and finalize the controls by interpreting the claims file effectively and easily. The positive contribution of ARYS to claims processes increasingly continued in the processes of finalizing the files of Elazığ Sivrice earthquake on 26 January 2020 and related earthquakes, and of İzmir Seferihisar earthquake on 30 October 2020 and subsequent aftershocks.

The result obtained and contribution gained with ARYS studies after these earthquakes show the need for sharing the information collected in the field more effectively with stakeholders that we work together in disasters. In this way, the fact that shareholder organizations working on the same subject conduct business with the similar databases

and through the systems which can directly share data with each other make contribution to the performance of operations more effectively and finalization of the studies/files. Additionally, after expertise works are completed and relevant reports are systematically submitted to the organization, the reviewability of all data provided a serious benefit in the claims file examination.

## 7.3 INTRODUCTION OF COMPULSORY DISASTER INSURANCE

2021, when the Covid-19 pandemic continues with all its negative effects, became a year that natural disasters were experienced intensely in the world and in our country due to climate change and global warming. Floods and forest fires that occurred in our country in summer brought forward the topic of introducing the Compulsory Earthquake Insurance, which TCIP offers as financial assurance against earthquake, by extending its scope to "Disaster Insurance." As the Insurance and Private Pension Regulation and Supervision Agency (SEDDK) shared with the public with its information letter dated 23 August 2021, our works started to integrate other natural disasters, especially flood, into the compulsory earthquake insurance as additional coverage.

Following the flood damage in the Black Sea region, works for Flood Tariff started with a project team of academics, actuaries, professional insurers working on the subject, loss adjusters, professionals and specialists.

The first step of our work regarding flood coverage aimed to see the causes, outcomes, impacts and size of damages after the floods that occurred in the West and East Black Sea Regions. It is considered that the experiences gained from field visits will be directive and highly beneficial for TCIP's works on the subject.

To see the damage in the field, we went to Kastamonu-Bozkurt district and then to Rize where the flood was the most effective. After the technical visits in the affected areas, we strengthened our opinion to include flood coverage into TCIP scope for the public weal.

Within the scope of the Flood Tariff Work Project, works for a landslide tariff have also been continuing in addition to the flood tariff. Prof. Dr. Cevza Melek KAZEZYILMAZ ALHAN from Istanbul University -Cerrahpaşa, Prof. Dr. Himmet KARAMAN from Istanbul Technical University, Assoc. Prof. Dr. Nejan HUVAJ SARIHAN from Middle East Technical University and Assoc. Prof. Dr. Hakan NEFESLİOĞLU from Hacettepe/Eskişehir Technical University take part in the project under the coordination of Dr.-Academician Derya DENİZ from Özyeğin University.

In the creation of Flood Hazard Model; the existing Flood Water Depth Map, Flood Hazard Map, and Flood Risk Map which are prepared within the scope of Flood Management Plans of Turkey by the Directorate General for Water Management (DGWM) of the Ministry of Agriculture and Forestry will be used and the protocol studies for data sharing continue. AFAD's landslide sensitivity maps and landslide inventory will be used in the creation of a Landslide Hazard Model.

Both works aim to develop damage models in compliance with the residence building inventory and building characteristics used in TCIP Earthquake Insurance pricing system.

## 7.4 DISASTER CALL CENTER

The Disaster Call Center project is one of the most important examples of the organization's ability to create alternative resources for a possible disaster with no certain time, location and magnitude. With this project, it is ensured that the call center, which operates with a small team under normal conditions, can serve up to 450 people in a possible disaster.

Because of the fact that the project is kept ready to be put into service when needed, periodic and need-oriented trainings are provided to customer representatives involved in the project, and the levels of preparedness and performance are measured through monthly exams.

IVR (interactive voice response) used as part of the Disaster Call Center's services relieved the claims notice burden of live customer representatives in recent earthquakes. In addition, commission works will be completed during the year for the "AI-supported chatbot" application as a new notification and service channel, which will be available on our website based on the opportunities brought by technology. The application will be offered to our citizens as soon as possible after the contracts are signed.

## 7.5 ALO TCIP 125 CALL CENTER

Throughout the year, policyholders continued to call Alo TCIP 125 Call Center, the organization's permanent call center, to inquire about their policies and claims files and receive information on the compulsory earthquake insurance. Approximately 14 customer representatives provided service during the year. 377,060 of the 381,369 calls to the call center were answered, and our citizens were provided with instant service. In the call center, policyholders and citizens who call for policy information and claims file notices are provided services with interactive voice response system without connecting to a customer representative. Calls with interactive voice response system continued throughout the year to inform our citizens who have not renewed their policy.

Throughout the year, policyholders continued to call Alo TCIP 125 Call Center, the organization's permanent call center, to inquire about their policies and claims files and receive information on the compulsory earthquake insurance.



# TCIP Information Technologies and Infrastructure Management

## INFORMATION TECHNOLOGIES AND INFRASTRUCTURE MANAGEMENT AT TCIP

- TCIP Structuring at IIC 69
- Projects 69
- IT Infrastructure Improvements 71
- Information Security Projects and Activities 74
- Other Projects 75

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





## 8.1 TCIP STRUCTURING AT IIC

The Information Technologies Assets and Processes of Turkish Catastrophe Insurance Pool (TCIP) have been managed by IIC (Insurance Information and Monitoring Center) since 2015.

SBM supports the development of software related to TCIP's information system, acquisition/management of third party service application licenses, follow-up of contract management, supplier management, hardware, hosting services, management of information technology operations (maintenance, repair, backup and update), information security infrastructure, network and system management, development and maintenance of websites, fulfillment of demands from insurance companies and solution of problems, emergency center management and other information processing activities.

## 8.2 PROJECTS

Projects and developments realized in 2021 are detailed below.

### 8.2.1 DEFINITION OF SPECIAL DISCOUNT FOR TCIP COMPULSORY EARTHQUAKE INSURANCE

The following amounts were defined and put into use in the "Square Meter Prices Constituting the Basis of Insurance Amount Calculation" within the scope of the Communiqué on Compulsory Earthquake Insurance Tariff and Instructions, which entered into force upon publication on the Official Gazette no. 31369 on 19 January 2021.

Reinforced Concrete: **1,268 TRY**  
 Other: **874 TRY**  
 Maximum coverage amount: **268,000 TRY**

Infrastructural changes were completed to apply 10% discount on tariff prices for all TCIP policies with a policy start date of 01/01/2021 and later, and put into use upon publication on the Official Gazette. Within this scope, the coverage increase addendum (tariff change addendum) was closed for use for 2021.

### 8.2.2 INTEGRATION OF PARTICIPATION INSURANCE

Participation-based policy production process was started as of 20 June 2021. Following the change in the status of insurance companies, participation information was included over the entire system for the policies produced in accordance with participation insurance and the related claims processes, and accordingly, the phrase 'participation' was added to all existing and retrospective policy records.

This information was provided on web service, reporting and interface applications, and segmentation specific to participation insurance was completed.

### 8.2.3 INTEGRATION OF TCIP CLAIMS NOTICE RENEWAL

Claims file notices are also received online manually via the call center, and through TCIP Web Portal, IVR and e-Government. Regular load tests are performed and the capacity of the structure is determined in order to manage the density and congestion following especially an earthquake.

An infrastructure, alongside the existing systems, to offset the whole load was started to be established on 01.10.2021 in order to ensure that the informatics infrastructure systems operate effectively during this process. By disconnecting the main structure from the external world through the new structure, it is aimed to renew the integration channels we provide to be suitable for working at high capacity and closed circuit transfer to our main systems by meeting the possible intense requests.

The project planned to be carried out at the end of the last quarter of 2022 calendar year will upgrade security of informatics infrastructure systems and ensure that applications from various channels are examined and concluded as soon as possible by the Organization.

### 8.2.4 LOSS PAYEE BANKS INTEGRATION PROJECT

Integration Project in which the informatics infrastructure is provided was initiated in order for the bank as the credit organization to perform a healthy follow-up regarding the cases such as termination, and cancellation of insurances with loss payable record due to whatsoever reason; amendment, purchase and maturity of coverage contents with the project initiated by the Insurance Monitoring and Information Center.

Development works for web services suitable for common architecture were carried out in order that credit institution banks inquire the Compulsory Earthquake Insurance policy information, which is available on the TCIP system, in specified cases.

The service will be available after the member banks of Banks Association of Turkey and Participation Association of Turkey complete the protocol process with the Turkish Catastrophe Insurance Pool.

### 8.2.5 TCIP NEW WEBSITE PROJECT

The development studies of the project, which was started in order to renew and launch the current TCIP website -making it more user-friendly and interactive- and to create an admin panel for updating the website content according to the authorizations set by TCIP, were completed as of the end of 2021 and it is aimed to be deployed in the first quarter of 2022 after the content entries are finalized.

### 8.2.6 MOVING TCIP MAIN DATA CENTER TO ANKARA

It was decided to move the TCIP Main Data Center to Ankara in order to prevent the risk of disasters that can occur in Istanbul. Accordingly, TCIP's system and application inventory in IIC Istanbul Data Center was determined with the participation of all stakeholders (TCIP, IIC, Vizyoneks, GRM Bilişim, Odifin and Assist IT). The capacities required for the new infrastructure to be established in Ankara were determined and purchasing processes started. Specifications required for the tenders to be initiated were prepared and shared with the purchasing team and TCIP management. Purchasing processes of planned products, licenses and services have been continuing.

## 8.3 IT INFRASTRUCTURE IMPROVEMENTS

### 8.3.1 ANKARA SOFTWARE DEFINED DATA CENTER TRANSFORMATION PROJECT

In this project covering the transformation from conventional infrastructure architecture to new generation architecture; customizable integrated systems were procured, software for the Software Defined Data Center were installed, and the transformation of system infrastructure of Ankara Data Center was completed. In addition, new TCIP servers to be installed in Ankara will be included in SDDC-based systems and can be commissioned quickly.

- The entire structure in IIC Ankara data center turned into a software-based infrastructure, and server and virtual environment security started to be managed from one room.
- All IIC and TCIP infrastructures became SDDC-based.
- Our NSX-T infrastructure was upgraded from version 2.x to version 3.x.
- Firmware upgrades of all service and storage systems in Ankara were made.
- All storage LUN volumes were reset and transformed into new VMFS formats.
- Our entire Virtual Infrastructure was upgraded to the latest VMware versions.
- The infrastructure was prepared to integrate the new TCIP systems into a ready-to-use environment rapidly.

### 8.3.2 VMWARE CLOUD FOUNDATION 4.0 TRANSITION PROJECT

- Virtual environments were made safer and more balanced (steady) by upgrading the whole VCF environment -especially Istanbul and Ankara- to VCF version 4.0.
- All virtualization layers were updated and upgraded to ESXi version 7.0.
- Firmware upgrades of all servers were made.
- NFS and IIC sharing was made on VSAN with Vsan File Share.

### 8.3.3 SYSTEM CAPACITY INCREASE PROJECTS

General screening was made in main data center systems, and arrangements in architecture were made according to the results. As a result of the feasibility works, we made in our system infrastructure, capacity was increased in all critical systems deemed necessary, high accessibility and high performance were ensured in the services provided by TCIP, information security and management convenience were maximized with new generation devices and software. Packet transmission lags at the network layer level were prevented by optimizing the network infrastructure in our main data center. Applications were upgraded to the latest versions by updating the major and minor changes of all systems. By increasing the capacity in main center infrastructure systems, it was ensured that outsourced services work with higher performance. Backups in central infrastructure systems were maximized, and continuity in outsourced service was increased to a high level.

### 8.3.4 SECURITY INFRASTRUCTURE PROJECTS

Dark fiber line between Istanbul Data Center and Ankara Data center was backed up with the Dark Fiber Circuit Infrastructure Backup Project. Therefore, our service level was further increased by ensuring that the other fiber line is used automatically in case of a fiber interruption. Our security infrastructures were moved to new-generation technological level with transformations project carried out in TCIP systems in recent years.

All TCIP systems were moved to central IP management with network security transformation projects; therefore, all environments with TCIP systems gained an advanced level of security infrastructure. Server and user networks belong to TCIP started to be managed centrally. MPLS VPN infrastructure for the main data center and emergency center was redesigned to enable backups. Transitions between environments were taken under control through segmentation in network layer.

### 8.3.5 MICROSOFT SYSTEMS TRANSFORMATION PROJECTS

With our digital transformation projects, works for upgrading all environments in the Microsoft product family to the latest versions and their security configurations were completed with high-end new generation solutions.

The accessibility was increased through DAG structure installed in Exchange 2019 and Disaster Recovery structure installed in Ankara, and the e-mail system of which the security is at its highest level was completed with the archive project. Thus, the e-mail system was extended, and slowing down was prevented.

Disaster Recovery tests of the e-mail system of TCIP.gov.tr were made. Successful test results confirmed that the e-mail system would continue to operate in Ankara if it is interrupted in Istanbul.

### 8.3.6 LINUX SYSTEMS AND VIRTUALIZATION PROJECTS

It was ensured that the servers to be placed recently were added to the platform effortlessly with the Ankara Software Defined Data Center Transformation project within the scope of transferring all platforms of TCIP from classic architecture to the integrated systems which can be shaped. The replication of the critical servers of VMware SRM and TCIP is ensured transiently from Istanbul to Ankara in order for the transfer to a new server between Istanbul and Ankara data centers.

The TCIP systems were stopped in Istanbul and opened in Ankara for tests, and it was confirmed that all applications could operate in Ankara without any problems.



Migration processes of TCIP MSSQL Server production databases were completed in 2021 as planned.

**8.3.7 MSSQL SERVER DATABASES UPDATE PROJECT**

Necessary test cluster setups were made for TCIP SQL Server databases operated by IIC for transition from “failover cluster” architecture to “always on” architecture, and all test databases were transferred to their new servers.

Configuration of “always on” architecture was made for main systems to include Ankara Emergency Center. Migration processes of TCIP MSSQL Server production databases were completed in 2021 as planned.

**8.3.8 ORACLE DATABASES AND MANAGEMENT CONSOLE UPDATE WORKS**

Server operating systems of all TCIP Oracle databases operated within IIC were upgraded to current versions of Red Hat Linux and Oracle Linux, and all Oracle databases started to be upgraded to version 19c. It was ensured to update Oracle Enterprise Manager Central Management Console with database versions, and to continue follow-up and management activities from a single point. Updates of TCIP Oracle databases and management consoles were completed in 2021 as planned.

**8.3.9 GOLDEN GATE ARCHITECTURAL TRANSFORMATION WORKS**

The database server dependency was removed through version upgrade and server transfer works for the GG (Golden Gate) replication product which as used for instant feeding in the TCIP Oracle database and TCIP reporting database layers operated within ICC. It was ensured that the security level of the product was increased, errors were minimized as it was up-to-date, and flexibility was gained architecturally. Another advantage of the study is that operating the product in the servers independent from the database service will also gain acceleration and flexibility to the future studies.

**8.3.10 PHYSICAL ARCHIVE DIGITALIZATION AND TCIP EDMS PROJECT**

Digitization works of physically archived TCIP claims files were tested and completed based on sample digital copies. Works were conducted at IIC for EDMS (Electronic Document Management System) integration as the second phase. Information such as the preparation of document indexes, document types for each document group, and indexing criteria for these documents were reported to the organization, and physical/ digital archiving works were integrated with EDMS.

**8.4 INFORMATION SECURITY PROJECTS AND ACTIVITIES**

**8.4.1 ISO 22301 BUSINESS CONTINUITY MANAGEMENT SYSTEM CERTIFICATION**

Within the scope of all technological infrastructures related to policy production/inquiry and claims notice belonging to TCIP, Business Continuity Management System was established in order to ensure continuity of critical products and services and create the necessary response capacity in an emergency. ISO 22301 Business Continuity Management System Certification Audit was successfully completed, and our compliance with the standard was documented with ISO 22301 ISYS.

#### 8.4.2 TCIP CLAIMS MODULE LOAD TEST

According to TCIP business unit scenarios (the number of claims files expected to be opened after a possible Marmara earthquake), module performance was monitored and possible bottlenecks were identified by simulating the load of claims notices through the Call Center, IVR, WEB, SMS and E-Government on TCIP claims module.

#### 8.4.3 CYBERSECURITY OPERATION CENTER

IIC Security Operations Center was established in order to protect and monitor information systems and infrastructures from cybersecurity threats and to take necessary security actions 24/7 organizations, whose IT operations are carried out by IIC. TCIP information processing infrastructure is also a part of this protection and monitoring mechanism.

## 8.5 OTHER ACTIVITIES

#### 8.5.1 BUSINESS INTELLIGENCE REPORTING

Report requests were fulfilled and data warehouse operation services were provided on TCIP Business Intelligence Platform. Moreover, a self-service model that can be used as drag-drop on OBI was put into service and transferred. It is aimed to enrich this model with additional breakdowns as needed.

#### 8.5.2 PROJECT MANAGEMENT

Within the scope of the New Portfolio Management process, the transition of TCIP was ensured. With portfolio management, it was ensured that the organization's strategy, priorities, and capacity are distributed in a balanced way among its finance, personnel and other resources, and thus, the benefit of portfolio to the organization was maximized.

Within the scope of TCIP 2022 Master Plan received from the organization by the Portfolio Manager, resource and time planning was made by the IIC Portfolio Manager and Portfolio Representative, and the organization was informed.

The processes of tracking and aligning the final situation of ongoing and planned works have been continuing by holding regular meetings with the organization during the portfolio management process.

#### 8.5.3 PURCHASING AND CONTRACT MANAGEMENT

Within the scope of Information Processing Services Transfer and Management Protocol signed between Insurance Information and Monitoring Center and Turkish Catastrophe Insurance Pool, the purchasing and contract management activities are carried out by Insurance Information and Monitoring Center. In 2021, 25 purchasing activities in total were carried out by Insurance Information and Monitoring Center on behalf of Turkish Catastrophe Insurance Pool. Moreover, 12 different purchasing processes have been continuing to renew and relocate the Main Data Center of Turkish Catastrophe Insurance Pool in Ankara.

In 2021,  
25 purchasing  
activities in total  
were carried out  
by Insurance  
Information and  
Monitoring Center  
on behalf of Turkish  
Catastrophe  
Insurance Pool.

# Advertising and Public Relations Activities

## ADVERTISING AND PUBLIC RELATIONS ACTIVITIES

- Determination of the Organization's General Public Relations and Advertising Strategies
- Works and Projects

79  
80

TCIP carries out public relations, social responsibility and promotion projects that support prevalence of insurance awareness throughout Turkey as well as the national adoption of earthquake preparedness, safe living and earthquake resistant buildings.



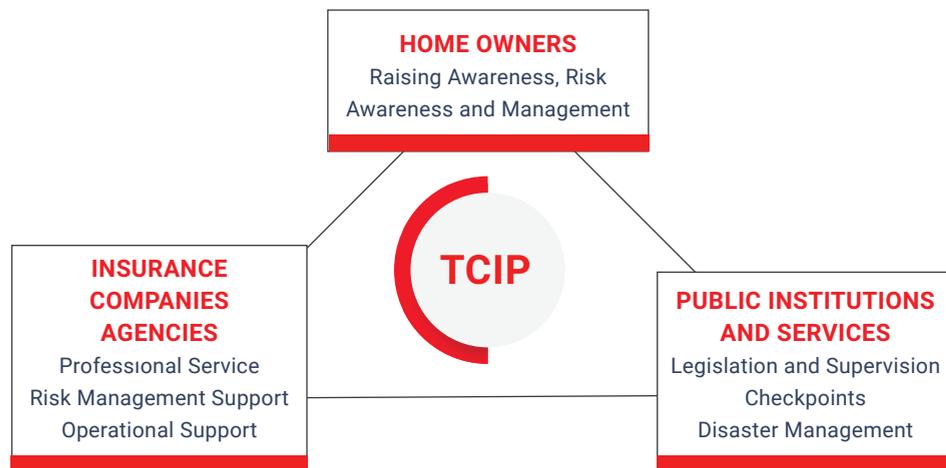
## 9.1 DETERMINATION OF THE ORGANIZATION'S GENERAL PUBLIC RELATIONS AND ADVERTISING STRATEGIES

Our organization carries out public relations, social responsibility and promotion projects that support prevalence of Compulsory Earthquake Insurance and, more generally, insurance awareness throughout Turkey as well as the national adoption of earthquake preparedness, safe living and earthquake resistant buildings.

### Inclusive Communication Studies Involving All Stakeholders

While determining its communication works, TCIP focuses on developing projects to increase the awareness of earthquake and earthquake preparedness across the country. With its projects, the organization addresses a diversified target audience including homeowners, insurance companies and agencies, primary school/high school/university students, public institutions and local governments.

Considered as TCIP's most important business partners to increase the prevalence of Compulsory Earthquake Insurance across the country, insurance companies and agencies play a significant role in the development of pre-disaster and post-disaster service processes. TCIP works very closely with public institutions, and can reach all over the country.



### Social Media in Corporate Communication

Addressing to a very large target audience from different parts of Turkey, TCIP pays attention to taking place on channels such as TV and newspapers as well as social media in communication works. The organization closely follows the developments and trends in social media, and can adapt its communication works to the necessities of the time. Informative messages about Compulsory Earthquake Insurance as a financial measure and up-to-date information on current projects are shared with large masses through social media. It is aimed to ensure the 360-degree integrity of the concept worked in terms of communication, advertisement, social media and media purchasing.

Regarding communication, it is aimed to:

- Invest in trust and reputation as an organization,
- Strengthen the risk perception about TCIP,
- Develop continuity and gain new policyholders.

- Awareness Campaign "Do Not Be Vulnerable Against Earthquake, Get Your TCIP Issued Before It's Too Late" Commercial Film

### 2. Sponsorships and Other Projects

- "Get Your TCIP to Win" Campaign
- "Issue TCIP for Your House, Multiply Your Earnings" Encouragement Campaign
- Billboard Usage for Earthquake Anniversary Commemorations

Cities Compete project which was first held in 2011 will organize under the new concept "Trust in Our Home, Trust in Our City".

## 9.2 WORKS AND PROJECTS

Works and projects can be grouped as follows:

### 1. Projects for Developing Risk Perception

- "Trust in Our Home, Trust in Our City" Project ("Cities Compete, Policyholders Win" Competition)
- Ministry of National Education "Trust is Our Priority, Assurance is Our Responsibility" Project
- TCIP Earthquake Resistant Building Design Competition



### 9.2.1 PROJECTS FOR DEVELOPING RISK PERCEPTION

#### 9.2.1.1 CITIES COMPETE - "TRUST IN OUR HOME, TRUST IN OUR CITY"

"Trust in Our Home, Trust in Our City" project, which is planned to be carried out with AFAD's cooperation and support across Turkey, covers various educational practices, innovative learning tools and methods, indoor and outdoor activities in channels that reach all segments of the society, especially to children and women.

Provincial Disaster and Emergency Directorates (AFAD) of the provinces participating in the competition, which is held to strengthen earthquake and Compulsory Earthquake Insurance awareness in Turkey, will convey the educational content prepared by loss adjusters to thousands of citizens until 31 December 2022. AFADs will be evaluated by three different criteria; namely, local awareness campaigns, increase in the number of policies, penetration rate achieved. TCIP will provide material assistance to Disaster and Emergency Directorate of provinces that rank among the top three in the "2022 Cities Compete, Policyholders Win" Competition to be used in earthquake-related works.

#### 9.2.1.2 MINISTRY OF NATIONAL EDUCATION "TRUST IS OUR PRIORITY, ASSURANCE IS OUR RESPONSIBILITY" PROJECT

With the aim of raising earthquake awareness in the whole society, our organization started the "Trust is Our Priority, Assurance is Our Responsibility" project with the slogan "Our Lesson is Earthquake, Let's Take Measures" in consultation with expert trainers in order to achieve effective results with earthquake-related trainings.

3 main objectives were determined as part of the project:

1. To ensure that students gain earthquake knowledge and awareness at an early age
2. To teach students and their families the correct behavior before, during and after the earthquake, to raise awareness on taking measures and issuing Compulsory Earthquake Insurance as a financial measure
3. To make them understand the importance of having Compulsory Earthquake Insurance, issuing a policy and renewing it every year, and convey it to their families.

Works for field applications of "Trust is Our Priority, Assurance is Our Responsibility" project carried out in cooperation with the Ministry of National Education started in 2020-2021 academic year.

In the first year of the project, trainer training was provided to 350 teachers from 10 provinces, who directly reached 2 thousand 300 teachers and 60 thousand students in total by extending this training in their own schools. Works started to resume the field applications of project, which was suspended due to the pandemic in the 2020-2021 period. During this period, the number of pilot schools was increased to 500, including 25 provinces and 20 schools. In the 2021-2022 academic year, activities designed to raise earthquake and Compulsory Earthquake Insurance awareness for the 4<sup>th</sup> grades will be implemented in classes, also covering 1-7 March Earthquake Week and 23-28 May Insurance Week.

It is aimed to ensure that trainings designed within the scope of the project are included in the MEB curriculum.

#### 9.2.1.3 TCIP EARTHQUAKE RESISTANT BUILDING DESIGN COMPETITION

Applications were completed for sixth Earthquake Resistant Building Design Competition, held in 2014 for the first time and aiming to increase prevalence of earthquake-resistant building culture in Turkey. The grand finale will be held on 29-30 May, and the award ceremony will be held on 31 May 2022.

Within the scope of competition, it is expected to design the business center building project and prepare the building model to be located in Istanbul Financial Center (Ataşehir).

A cash prize of TRY 50,000 will be granted to the relevant department of the winning university for the procurement of laboratory equipment. The

following monetary award will be given to the students of the university teams that rank among top three:

1<sup>st</sup> team: **TRY 25,000**

2<sup>nd</sup> team: **TRY 20,000**

3<sup>rd</sup> team: **TRY 15,000**

Six special awards will also be granted in the competition:

- Türk Reasürans Special Award
- Best Architecture Special Award
- Best Earthquake Performance Special Award
- Best Communication Skill Award
- Best Presentation Special Award
- Best Competitive Spirit Award

The sixth of the Earthquake Resistant Building Design Competition will be held in 2022.

TCIP started a mobilization campaign in 2021 with the aim of 100% penetration rate.

## 9.2.2 SPONSORSHIPS AND OTHER WORKS

### 9.2.2.1 "GET YOUR TCIP TO WIN" CAMPAIGN

In addition to financial and operational works, TCIP started a mobilization campaign in 2021 with the aim of 100% penetration rate. Within this scope, it initiated the "Get Your TCIP to Win" campaign. According to the Communiqué on Compulsory Earthquake Insurance Tariff for 2021, published on the Official Gazette dated 19 January 2021, the premium difference to be calculated will not be reflected to policyholders. Those who took out Compulsory Earthquake Insurance for the first time and those who renewed their policies could benefit from the campaign.

### 9.2.2.2 "ISSUE TCIP FOR YOUR HOUSE, MULTIPLY YOUR EARNINGS" ENCOURAGEMENT CAMPAIGN

In order to encourage monitoring of policy renewals and support new productions, we continued campaigns and works for agencies on the production side. 10% incentive bonus was given to agencies and 2% incentive bonus to insurance companies for the policies to be produced between the dates determined within the scope of the campaign between 1 April-31 July 2021.

An awareness campaign was started to raise Compulsory Earthquake Insurance awareness, and to ensure that there are no households without Compulsory Earthquake Insurance. With the "Do Not Be Vulnerable, Get Your TCIP Issued" commercial film that draws attention to the reality of earthquake in our country, Turkey is called for issuing TCIP as soon as possible in order to not be vulnerable against earthquake.

Prepared as part of our awareness campaign, our commercial film was aired on digital channels with a targeting strategy from 1 July to 31 July 2021. Thanks to the targeting strategy, the users were contacted regarding the location targeting, user targeting related to our selected keywords, and targeting of audiences among the internet users, who are known to have taken relevant actions which are important in terms of our subject recently. Within the scope of awareness, we also took place in digital media in 17 August Marmara and 30 October Izmir Earthquake commemorations.

### 9.2.2.3 BILLBOARD USAGE FOR EARTHQUAKE ANNIVERSARY COMMEMORATIONS

Our commemoration images for 17 August Marmara Earthquake commemorations took place in 50 billboard areas on 15-21 August and 3 overpass areas on 16-22 August.

The commemoration images for 30 October İzmir Earthquake commemorations took place in 170 billboard areas in İzmir on 24 October-7 November.



# Auditor's Report

## AUDITOR'S REPORT

– Statement of Financial Position	91
– Statement of Comprehensive Income	92
– Statement of Changes In Equity	93
– Statement of Cash Flows	94
– Notes to the Financial Statements	95

**Convenience Translation  
of Financial Statements  
for the Period 1 January  
- 31 December 2021 and  
The Independent Auditor's  
Report (Originally Issued  
in Turkish)**





**CONVENIENCE TRANSLATION OF  
INDEPENDENT AUDITOR'S REPORT  
ORIGINALLY ISSUED IN TURKISH**

To the Board of Directors of Doğal Afet Sigortaları Kurumu

**Our Opinion**

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Doğal Afet Sigortaları Kurumu (the "Institution") as at 31 December 2021, 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 2021,
- 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.

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

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 cease 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.

Adnan Akan, SMMM  
Partner

Istanbul, 15 April 2022

## Contents

91	Statement of Financial Position
92	Statement of Comprehensive Income
93	Statement of Changes in Equity
94	Statement of Cash Flows
95	Notes to the Financial Statements

## STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2021 AND 2020

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

	Note	2021	2020
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4 and 5	2,079,067,073	1,207,752,334
Available-for-sale financial assets	4 and 6	12,260,335,913	10,600,810,825
Premium receivables	4 and 7	201,935,621	190,365,952
Deferred commission expense	16	158,542,802	151,230,040
Other current assets	8	342,753,722	274,396,391
<b>Total current assets</b>		<b>15,042,635,131</b>	<b>12,424,555,54</b>
<b>Non-current assets</b>			
Tangible assets, net	9	2,667,453	529,326
Intangible assets, net	10	256,459	1,734,754
<b>Total non-current assets</b>		<b>2,923,912</b>	<b>2,264,080</b>
<b>Total assets</b>		<b>15,045,559,043</b>	<b>12,426,819,622</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Short-term trade payables	4 and 11	525,676,474	330,576,939
Unearned premium reserve	12	888,862,063	855,268,863
Outstanding claims provision	4 and 12	197,762,917	304,410,821
Other liabilities		808,514	1,038,251
<b>Total current liabilities</b>		<b>1,613,109,968</b>	<b>1,491,294,874</b>
<b>Non-current liabilities</b>			
Accumulated earthquake reserve	13	13,788,097,979	10,975,613,594
Other comprehensive income and expense that will be reclassified to profit or loss			
- Available-for-sale financial assets valuation decrease (-)	13	(355,648,904)	(40,088,846)
<b>Total equity</b>		<b>13,432,449,075</b>	<b>10,935,524,748</b>
<b>Total equity and liabilities</b>		<b>15,045,559,043</b>	<b>12,426,819,622</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 2021 AND 2020

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

	Note	2021	2020
<b>Revenues</b>			
Earned premiums	14	1,667,664,407	1,492,109,641
<b>Total insurance revenue</b>		<b>1,667,664,407</b>	<b>1,492,109,641</b>
<b>Expenses</b>			
Cost of reinsurance coverage	15	(505,108,495)	(270,503,022)
Commission expenses	16	(335,551,174)	(262,363,652)
Incurred claims	17	(355,343,800)	(703,066,108)
<b>Total insurance expenses</b>		<b>(1,196,003,469)</b>	<b>(1,235,932,782)</b>
<b>Insurance revenue, net</b>		<b>471,660,938</b>	<b>256,176,859</b>
General administrative expenses	18	(66,174,931)	(44,279,919)
<b>Operating income</b>		<b>405,486,007</b>	<b>211,896,940</b>
Financial income, net	19	2,406,998,378	1,370,285,971
<b>Profit for the year (Increase in earthquake reserve, net)</b>		<b>2,812,484,385</b>	<b>1,582,182,911</b>
<b>Other comprehensive income</b>			
Items to be classified profit or loss:			
Available-for-sale financial assets valuation decreases (-)	13	(315,560,058)	(173,952,979)
<b>Total comprehensive income (Increase in comprehensive earthquake reserve)</b>		<b>2,496,924,327</b>	<b>1,408,229,932</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 1 JANUARY - 31 DECEMBER 2021

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

	Revaluation fund increase/(decrease) of available - for - sale financial assets	Accumulated earthquake reserve (Retained earnings)	Total
<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 assets 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>
<b>1 January 2021</b>	<b>(40,088,846)</b>	<b>10,975,613,594</b>	<b>10,935,524,748</b>
Available-for-sale financial assets valuation decrease (-) (Note 13)	(315,560,058)	-	(315,560,058)
Profit for the year (Earthquake reserve increase, net)	-	2,812,484,385	2,812,484,385
<b>31 December 2021</b>	<b>(355,648,904)</b>	<b>13,788,097,979</b>	<b>13,432,449,075</b>

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

## DOĞAL AFET SİGORTALARI KURUMU STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

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

	Note	2021	2020
<b>Cash flows from Institution's activities</b>			
Profit for the year (Earthquake reserve increase, net)		2,812,484,385	1,582,182,911
<b>Adjustments for</b>			
Depreciation and amortization charges	18	1,767,413	8,917,532
Financial income		(2,406,998,378)	(1,370,285,971)
<b>Changes in operating assets/liabilities</b>			
Change in receivables		(11,569,669)	(19,785,866)
Change in insurance reserves and deferred commission expense		(80,367,466)	332,327,579
Change in other current assets		(68,357,331)	(151,184,113)
Change in trade payables and other liabilities		194,869,798	180,064,244
<b>Net cash inflow from operations</b>		<b>441,828,752</b>	<b>562,236,316</b>
<b>Cash flows from investing activities</b>			
Interest income		367,415,008	71,876,851
Change in available - for - sale financial assets		(71,130,270)	(478,387,213)
Purchases of tangible assets	9	(2,412,168)	(448,999)
Purchases of intangible assets	10	(15,077)	(248,980)
<b>Net cash inflow/(outflow) related to investing activities (-)</b>		<b>293,857,493</b>	<b>(407,208,341)</b>
<b>Net increase in cash and cash equivalents</b>		<b>735,686,245</b>	<b>155,027,975</b>
Foreign exchange profits associated with cash and cash equivalents		98,203,343	40,622,146
Cash and cash equivalents at the beginning of the year		1,192,273,877	996,623,756
<b>Cash and cash equivalents at the end of the year</b>	<b>5</b>	<b>2,026,163,465</b>	<b>1,192,273,877</b>

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

# DOĞAL AFET SİGORTALARI KURUMU

## NOTES TO THE FINANCIAL STATEMENTS

### AT 31 DECEMBER 2021

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

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

Doğal Afet Sigortaları 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 Sigortaları 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 2021

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

#### NOTE 1 - NATURE OF OPERATIONS AND ADMINISTRATION (Continued)

The Institution, Tarım Sigortaları 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 2021 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 ("TRY") 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.

As of 31 December 2021, the Institution did not make any inflation adjustments in its financial statements, since the conditions stipulated in the IAS 29, "Financial reporting in hyperinflationary economies" standard ("IAS 29") were not met. Since the inflation adjustments required by IAS 29 will be valid for institutions whose functional currency is Turkish Lira for accounting periods ending on or after 30 June 2022; It is foreseen that the Institution will make inflation adjustments in accordance with IAS 29 in the financial statements to be prepared after this date.

The financial statements of the Institution were approved by Türk Reasürans A.Ş. which is the technical operator of the Authority on 15 April 2022 Financial statements will be finalized after the approval from the Board of Directors.

# DOĞAL AFET SİGORTALARI KURUMU

## NOTES TO THE FINANCIAL STATEMENTS

### AT 31 DECEMBER 2021

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

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

##### Changes in International Financial Reporting Standards

a) Standards, amendments and interpretations applicable as at 31 December 2021:

- **Amendments to 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. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.
- **Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9;** effective from annual periods beginning on or after 1 January 2023. 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.

b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2021:

- **Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions;** as of March 2021, this amendment extended till June 2022 and effective from 1 April 2021. 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.
- **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 2024. 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.

# DOĞAL AFET SİGORTALARI KURUMU

## NOTES TO THE FINANCIAL STATEMENTS

### AT 31 DECEMBER 2021

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

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

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

- **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'.

- **Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8,** effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

- **Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction,** from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

# DOĞAL AFET SİGORTALARI KURUMU

## NOTES TO THE FINANCIAL STATEMENTS

### AT 31 DECEMBER 2021

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

#### 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.

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 2021 and 2-month-portion of the excess of loss premium related to the reinsurance agreement ending October 2022. 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.

##### **Outstanding claims provision**

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 order to calculate the provision for incurred but not reported claims, claim development triangles were created on a quarterly basis by taking into account the outstanding claims data for the 2012-2021 period. Participation data was also evaluated both within the total and examined separately. Considering the size of the

# DOĞAL AFET SİGORTALARI KURUMU

## NOTES TO THE FINANCIAL STATEMENTS

### AT 31 DECEMBER 2021

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

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

data, claim developments, data quality and the nature of the branch, the data for the period 2016-2021 were used in the calculations. Calculations were made on the actual claim data. In the claim development triangle, coefficient elimination has been made for the cases considered as anomaly in the development coefficient and in this context, the first quarter of 2020 has been completely excluded from the coefficient calculation. The suitability of the development coefficients obtained with the theoretical distribution was examined and the coefficients from the Weibull distribution were used from the development coefficient to the 20th period, and with these coefficients, the tail was extended until the 32nd period (8 years development). The difference between the final claim incurred and the claim incurred was determined as the provision for incurred but not reported claim. A share was given in proportion to its share in the claim incurred for participation. As of 31 December 2021, the institution calculated TRY 93,303,414 negative realized provision for unreported claims. (31 December 2020: TRY 10,282,142 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.

##### **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.

# DOĞAL AFET SİGORTALARI KURUMU

## NOTES TO THE FINANCIAL STATEMENTS

### AT 31 DECEMBER 2021

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

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

##### 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.

##### 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.

# DOĞAL AFET SİGORTALARI KURUMU

## NOTES TO THE FINANCIAL STATEMENTS

### AT 31 DECEMBER 2021

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

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

##### Related parties

Transactions with related parties explained in Note 22.

##### 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.

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

31 December 2021	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	9,687,998,097	2,572,337,816	-	12,260,335,913
<b>Total financial assets</b>	<b>9,687,998,097</b>	<b>2,572,337,816</b>	<b>-</b>	<b>12,260,335,913</b>
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 assets</b>	<b>7,501,118,035</b>	<b>3,099,692,790</b>	<b>-</b>	<b>10,600,810,825</b>

# DOĞAL AFET SİGORTALARI KURUMU

## NOTES TO THE FINANCIAL STATEMENTS

### AT 31 DECEMBER 2021

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

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

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.

# DOĞAL AFET SİGORTALARI KURUMU

## NOTES TO THE FINANCIAL STATEMENTS

### AT 31 DECEMBER 2021

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

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

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 TRY 320,000 (31 December 2020: TRY 240,000). In addition, The amount to be paid can not be lower than TRY 140, TRY 120, TRY 90 TRY 70, TRY 55, TRY 45 and TRY 40 according to the earthquake risk zone according to the fifth zone from the first zone (31 December 2020: TRY 120, TRY 100, TRY 75, TRY 60, TRY 50, TRY 40 and TRY 35).

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

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

	31 December 2021	31 December 2020
Istanbul Region	316,734,168,072	275,145,691,015
Other Regions	1,028,582,211,812	875,833,781,612
<b>Total</b>	<b>1,345,316,379,884</b>	<b>1,150,979,472,627</b>

As of 31 December 2021, 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 2021
Group of risks 1	292,423,533,256
Group of risks 2	250,395,573,558
Group of risks 3	256,848,994,636
Group of risks 4	112,671,515,776
Group of risks 5	239,660,006,442
Group of risks 6	81,721,242,832
Group of risks 7	111,595,513,384
<b>Total</b>	<b>1,345,316,379,884</b>

As of 31 December 2020, the Institution manages such risks through its underwriting strategy and reinsurance protection purchased via excess of loss reinsurance agreement:

	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>

# DOĞAL AFET SİGORTALARI KURUMU

## NOTES TO THE FINANCIAL STATEMENTS

### AT 31 DECEMBER 2021

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

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

##### 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 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 2021, TRY 6,851,044,482 of available-for-sale financial assets (31 December 2020: TRY 5,682,829,609) are floating rated assets. As of 31 December 2021, 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 TRY 17,493,624 (31 December 2020: TRY 17,315,206).

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

# DOĞAL AFET SİGORTALARI KURUMU

## NOTES TO THE FINANCIAL STATEMENTS

### AT 31 DECEMBER 2021

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

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

##### i. Interest rate risk (Continued)

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

31 December 2021	Up to 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Not subject to repricing	Total
Available - for sale financial assets	2,288,444,337	2,002,397,841	5,506,873,845	2,462,619,890	-	12,260,335,913
<b>Total</b>	<b>2,288,444,337</b>	<b>2,002,397,841</b>	<b>5,506,873,845</b>	<b>2,462,619,890</b>	<b>-</b>	<b>12,260,335,913</b>

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>

##### 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 2021, if TRY 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 TRY 62,402,867 (31 December 2020: TRY 60,147,068).

At 31 December 2021, if TRY 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 TRY 130,947,076 (31 December 2020: TRY 75,222,091).

##### iii. Price Risk

The Institution's available-for-sale financial assets with fixed interest rate are measured at market value as of 31 December 2021. If market prices increased/decreased by 5%, with all other variables held constant, equity would be higher/lower by TRY 613,016,796 (31 December 2020: TRY 530,040,541).

# DOĞAL AFET SİGORTALARI KURUMU

## NOTES TO THE FINANCIAL STATEMENTS

### AT 31 DECEMBER 2021

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

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

##### 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::

##### i. Bank Deposits

S&P	31 December 2021			31 December 2020		
	TRY	FC	Total	TRY	FC	Total
Note rated	1,788,154,127	290,912,946	2,079,067,073	1,019,468,733	187,957,045	1,207,425,778
B	-	-	-	326,556	-	326,556
<b>Total</b>	<b>1,788,154,127</b>	<b>290,912,946</b>	<b>2,079,067,073</b>	<b>1,019,795,289</b>	<b>187,957,045</b>	<b>1,207,752,334</b>

Moody's	31 December 2021			31 December 2020		
	TRY	FC	Total	TRY	FC	Total
Note rated	1,216,010,640	-	1,216,010,640	837,326,344	-	837,326,344
NP	572,143,487	290,912,946	863,056,433	182,468,945	187,957,045	370,425,990
<b>Total</b>	<b>1,788,154,127</b>	<b>290,912,946</b>	<b>2,079,067,073</b>	<b>1,019,795,289</b>	<b>187,957,045</b>	<b>1,207,752,334</b>

Fitch	31 December 2021			31 December 2020		
	TRY	FC	Total	TRY	FC	Total
B	1,788,154,127	290,912,946	2,079,067,073	1,019,795,289	187,957,045	1,207,752,334
<b>Total</b>	<b>1,788,154,127</b>	<b>290,912,946</b>	<b>2,079,067,073</b>	<b>1,019,795,289</b>	<b>187,957,045</b>	<b>1,207,752,334</b>

# DOĞAL AFET SİGORTALARI KURUMU

## NOTES TO THE FINANCIAL STATEMENTS

### AT 31 DECEMBER 2021

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

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

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

31 December 2021	Total	S&P	Moody's	Fitch
Short term - TRY	4,195,573,016	BB-	B2	B
Short term - FC	95,269,161	B+	B2	B
Long term - TRY	7,385,903,346	BB-	B2	B+
Long term - FC	583,590,390	B+	B2	B
<b>Total</b>	<b>12,260,335,913</b>			

31 December 2020	Total	S&P	Moody's	Fitch
Short term - TRY	4,679,341,909	BB-	B2	BB-
Short term - FC	93,093,429	BB-	B2	BB-
Long term - TRY	5,431,083,652	BB-	B2	BB-
Long term - FC	397,291,835	BB-	B2	BB-
<b>Total</b>	<b>10,600,810,825</b>			

##### iii. Premium receivables

	31 December 2021	31 December 2020
Premium receivables from insurance companies	203,930,404	192,360,735
Provision for doubtful premium receivables	(1,994,783)	(1,994,783)
<b>Total</b>	<b>201,935,621</b>	<b>190,365,952</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 2020 - October 2021 (included first 10 month of 2021) and in November 2021 - October 2022 (included first 2 month of 2021).

# DOĞAL AFET SİGORTALARI KURUMU

## NOTES TO THE FINANCIAL STATEMENTS

### AT 31 DECEMBER 2021

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

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

##### iv. Reinsurers' share of insurance liabilities (Continued)

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 2021 and 2020 are as follows:

Limits to reinsurance coverage	31 December 2021	31 December 2020
Lower limit	5,000,000,000	5,000,000,000
Upper limit	36,900,000,000	32,150,000,000

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 2021 and 2020 is as follows:

31 December 2021	S&P	Moody's	A.M. Best
Munich RE	AA-	Aa3	A+
Swiss RE	AA-	Aa3	A+

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

#### 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.

# DOĞAL AFET SİGORTALARI KURUMU

## NOTES TO THE FINANCIAL STATEMENTS

### AT 31 DECEMBER 2021

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

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

##### c) Liquidity risk (Continued)

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:

31 December 2021	Contractual or expected cash flows					Total
	Up to 3 months	3months - 1 year	1-5 years	Over 5 years	No maturity	
<b>Liabilities</b>						
Trade payables	102,826,116	422,850,358	-	-	-	525,676,474
Outstanding claims provision (*)	-	47,463,100	150,299,817	-	-	197,762,917
<b>Total</b>	<b>102,826,116</b>	<b>470,313,458</b>	<b>150,299,817</b>	<b>-</b>	<b>-</b>	<b>723,439,391</b>

31 Aralık 2020	Contractual or expected cash flows					Total
	Up to 3 months	3months - 1 year	1-5 years	Over 5 years	No maturity	
<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>

(\*) 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.

# DOĞAL AFET SİGORTALARI KURUMU

## NOTES TO THE FINANCIAL STATEMENTS

### AT 31 DECEMBER 2021

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

#### 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 2021	31 December 2020
Bank deposits	2,079,067,073	1,002,703,237
<b>Total</b>	<b>2,079,067,073</b>	<b>1,207,752,334</b>

Bank deposits are further analysed as follows:

	31 December 2021	31 December 2020
<b>Bank deposits in TRY</b>		
- Time deposits	1,787,733,763	1,018,987,232
- Demand deposits	420,364	808,057
<b>Foreign currency denominated bank deposits</b>		
- Time deposits	290,692,032	187,957,045
- Demand deposits	220,914	-
<b>Total</b>	<b>2,079,067,073</b>	<b>1,207,752,334</b>

Foreign currencies denominated time deposits are as follows:

	Amount in foreign currency		TRY equivalent	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
EUR	8,201,404	12,221,373H	123,732,125	110,088,904
USD	12,526,064	10,608,016	166,959,907	77,868,141
<b>Total</b>			<b>290,692,032</b>	<b>187,957,045</b>

Maturities of time deposits are 1 months (31 December 2020: 1.5 months) months and weighted average annual interest rates are as follows:

Interest rate per annum (%)	31 December 2021	31 December 2020
TL	15.81	15.95
USD	0.1	0.1
EUR	0.05	0.05

# DOĞAL AFET SİGORTALARI KURUMU

## NOTES TO THE FINANCIAL STATEMENTS

### AT 31 DECEMBER 2021

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

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

Bank deposits are further analysed as follows:

	Amount in foreign currency		TRY equivalent	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
USD	16,574	-	220,914	-
<b>Total</b>			<b>220,914</b>	

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

	31 December 2021	31 December 2020
Cash and cash equivalents	2,079,067,073	1,207,752,334
Less: Interest accrued	(52,903,608)	(15,478,457)
<b>Total</b>	<b>2,026,163,465</b>	<b>1,192,273,877</b>

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

	31 December 2021	31 December 2020
<b>Available-for-sale financial assets</b>		
- Government bonds and treasury bills	8,900,553,533	7,751,948,035
- Private sector bonds and treasury bills (*)	3,359,782,380	2,848,862,790
<b>Total</b>	<b>12,260,335,913</b>	<b>10,600,810,825</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 2021, the interest rate range of the available-for-sale financial assets is 7.10% - 20.72% for TRY, 3.25% - 4.63% for EUR, 4.26% - 8.64% for USD (31 December 2020: 7.10% - 20.90% for TRY, 2.37% - 4.63% for EUR, 4.24% - 6.34% for USD).

As of December 2021, TRY 6,851,044,482 (31 December 2020: TRY 5,682,829,609) of available-for-sale financial assets are floating rated assets.

# DOĞAL AFET SİGORTALARI KURUMU

## NOTES TO THE FINANCIAL STATEMENTS

### AT 31 DECEMBER 2021

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

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

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

	2021	2020
<b>Beginning period - 1 January</b>	<b>10,600,810,825</b>	<b>9,047,988,592</b>
Additions during the period	6,020,516,212	7,702,350,705
Disposals (Amortization or sale) (-)	(4,868,904,492)	(6,478,563,527)
Increase/(decrease) of net book value of financial assets	507,913,368	329,035,055
<b>Closing period - 31 December</b>	<b>12,260,335,913</b>	<b>10,600,810,825</b>

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

31 December 2021	0-3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Maturity	Total
Government bonds and treasury bills	732,783,017	708,066,854	199,799,836	4,959,731,889	2,300,171,937	-	8,900,553,533
Private sector bonds and treasury bills	1,555,661,320	638,690,051	455,841,100	547,141,956	162,447,953	-	3,359,782,380
<b>Total</b>	<b>2,288,444,337</b>	<b>1,346,756,905</b>	<b>655,640,936</b>	<b>5,506,873,845</b>	<b>2,462,619,890</b>	<b>-</b>	<b>12,260,335,913</b>

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>

# DOĞAL AFET SİGORTALARI KURUMU

## NOTES TO THE FINANCIAL STATEMENTS

### AT 31 DECEMBER 2021

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

#### NOTE 7 - PREMIUM RECEIVABLES

	31 December 2021	31 December 2020
Premium receivables from insurance companies	203,930,404	190,436,310
Receivables from reinsurance companies	-	1,924,425
Provision for doubtful premium receivable (-)	(1,994,783)	(1,994,783)
<b>Total</b>	<b>201,935,621</b>	<b>190,365,952</b>

The average turnover of the Institution's premium receivables is 45 days (31 December 2020: 45 days).

The Institution does not have any impaired or overdue receivables as of 31 December 2021 and 2020. The provision for premium receivables did not show any movement during the period.

#### NOTE 8 - OTHER CURRENT ASSETS

	31 December 2021	31 December 2020
Deferred reinsurance premiums	340,239,272	273,157,675
Brokerage fees related to the following months	2,514,450	1,238,586
Other prepaid expenses	-	130
<b>Total</b>	<b>342,753,722</b>	<b>274,396,391</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

### AT 31 DECEMBER 2021

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

#### NOTE 9 - PROPERTY AND EQUIPMENT

For the years ended 31 December 2021 and 2020, movement of the tangible assets are as follows:

	1 January 2021	Additions	Disposals	31 December 2021
<b>Cost:</b>				
Fixed Assets	8,543,858	2,412,168	-	10,956,026
	<b>8,543,858</b>	<b>2,412,168</b>	-	<b>10,956,026</b>
<b>Accumulated depreciation (-):</b>				
Fixed Assets	(8,014,532)	(274,041)	-	(8,288,573)
	<b>(8,014,532)</b>	<b>(274,041)</b>	-	<b>(8,288,573)</b>
<b>Net book value</b>	<b>529,326</b>			<b>2,667,453</b>
	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>
<b>Accumulated depreciation (-):</b>				
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>

# DOĞAL AFET SİGORTALARI KURUMU

## NOTES TO THE FINANCIAL STATEMENTS

### AT 31 DECEMBER 2021

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

#### NOTE 10 - INTANGIBLE ASSETS

For the years ended 31 December 2021 and 2020, movement of the intangible assets are as follows:

	1 January 2021	Additions	Disposals	Transfers	31 December 2021
<b>Cost:</b>					
Rights	54,020,068	15,077	-	-	54,035,145
	<b>54,020,068</b>	<b>15,077</b>	-	-	<b>54,035,145</b>
<b>Accumulated depreciation (-):</b>					
Rights	(52,285,314)	(1,493,372)	-	-	(53,778,686)
	<b>(52,285,314)</b>	<b>(1,493,372)</b>	-	-	<b>(53,778,686)</b>
<b>Net book value</b>	<b>1,734,754</b>				<b>256,459</b>
	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>

# DOĞAL AFET SİGORTALARI KURUMU

## NOTES TO THE FINANCIAL STATEMENTS

### AT 31 DECEMBER 2021

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

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

	31 December 2021	31 December 2020
<b>Short term trade payables</b>		
Reinsurance payables	518,031,160	329,275,522
Other	7,645,314	1,301,417
<b>Total</b>	<b>525,676,474</b>	<b>330,576,939</b>

#### NOTE 12 - INSURANCE PROVISIONS

##### 12.1 Insurance provisions

	31 December 2021	31 December 2020
Unearned premium reserve	888,862,063	855,268,863
Reported claims provision	104,459,503	314,692,963
Outstanding claims provision (IBNR)	93,303,414	(10,282,142)
<b>Total</b>	<b>1,086,624,980</b>	<b>1,159,679,684</b>

##### 12.2 Movements in insurance provisions

###### a) Unearned premium reserve

	31 December 2021	31 December 2020
Opening balance - 1 January	855,268,863	711,328,189
Premiums written during the year (Note 14)	1,701,257,607	1,636,050,315
Earned premiums during the year (Note 14)	(1,667,664,407)	(1,492,109,641)
<b>Closing balance - 31 December</b>	<b>888,862,063</b>	<b>855,268,863</b>

# DOĞAL AFET SİGORTALARI KURUMU

## NOTES TO THE FINANCIAL STATEMENTS

### AT 31 DECEMBER 2021

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

#### NOTE 12 - INSURANCE PROVISIONS (Continued)

##### 12.2 Movements in insurance provisions (Continued)

###### b) Outstanding claims provision

	2021	2020
Opening balance - 1 January	304,410,821	90,451,256
Outstanding claim files notified during the year	251,758,244	695,799,263
Changes in paid claims and provisions (*)	(461,991,704)	(489,106,543)
Incurred but not reported claims	103,585,556	7,266,845
<b>Closing balance - 31 December</b>	<b>197,762,917</b>	<b>304,410,821</b>

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

#### 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:

	2021	2020
Opening balance - 1 January	10,975,613,594	9,393,430,683
Profit for the year (Earthquake reserve increase, net)	2,812,484,385	1,582,182,911
<b>Closing balance - 31 December</b>	<b>13,788,097,979</b>	<b>10,975,613,594</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.

# DOĞAL AFET SİGORTALARI KURUMU

## NOTES TO THE FINANCIAL STATEMENTS

### AT 31 DECEMBER 2021

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

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

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

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 represented 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:

	2021	2020
Beginning of period - 1 January	(40,088,846)	133,864,133
Disposals arising from sales in the period, net	(9,555,721)	85,352,988
Additions arising from financial asset purchases in the period, net (-)	(306,004,337)	(259,305,967)
Closing balance - 31 December	(355,648,904)	(40,088,846)

#### NOTE 14 - EARNED PREMIUMS

	2021	2020
Premiums written	1,701,257,607	1,636,050,315
Unearned premium reserve (-) (Note 12)	(888,862,063)	(855,268,863)
Prior year unearned premium reserve (Note 12)	855,268,863	711,328,189
<b>Total earned premiums</b>	<b>1,667,664,407</b>	<b>1,492,109,641</b>

# DOĞAL AFET SİGORTALARI KURUMU

## NOTES TO THE FINANCIAL STATEMENTS

### AT 31 DECEMBER 2021

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

#### NOTE 15 - COST OF REINSURANCE COVERAGE

	2021	2020
Excess of loss reinsurance agreement premiums	503,257,298	268,963,944
Brokerage fees related to excess of loss reinsurance agreements	1,851,197	1,539,078
<b>Total reinsurance expenses</b>	<b>505,108,495</b>	<b>270,503,022</b>

#### NOTE 16 - COMMISSION EXPENSES

	2021	2020
Commissions paid to insurance companies	342,863,936	287,936,312
Prior year deferred commission expense	151,230,040	125,657,380
Deferred commission expense	(158,542,802)	(151,230,040)
<b>Total commission expenses</b>	<b>335,551,174</b>	<b>262,363,65</b>

#### NOTE 17 - INCURRED CLAIMS

	2021	2020
Outstanding claims provision at the period-end	197,762,917	304,410,821
Claims paid in the period	461,991,704	489,106,543
Prior year outstanding claims provision	(304,410,821)	(90,451,256)
<b>Total incurred claims</b>	<b>355,343,800</b>	<b>703,066,108</b>

# DOĞAL AFET SİGORTALARI KURUMU

## NOTES TO THE FINANCIAL STATEMENTS

### AT 31 DECEMBER 2021

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

#### NOTE 18 - GENERAL ADMINISTRATION EXPENSES

	2021	2020
Information technology expenses	23,135,745	16,707,185
Advertisement expenses	17,742,126	1,968,769
Expenses paid to the Institution Administrator	13,024,345	8,074,746
Outsource services	3,298,842	1,497,816
Office expenses	3,198,486	3,081,081
Bank expenses	2,741,531	2,513,655
Depreciation and amortization expenses (Notes 9 and 10)	1,767,413	8,917,532
Board of member fees (Note 22)	707,710	836,201
Dues fees	212,472	31,410
Loss-adjustment expenses	147,897	598,210
Other	198,364	53,31
<b>Total</b>	<b>66,174,931</b>	<b>44,279,919</b>

#### NOTE 19 - FINANCIAL INCOME, NET

	2021	2020
Sales income from marketable securities	1,364,062,232	1,134,536,021
Interest income, net	606,962,850	81,275,826
Net foreign exchange gains	435,973,296	154,474,124
<b>Total financial income</b>	<b>2,406,998,378</b>	<b>1,370,285,971</b>

# DOĞAL AFET SİGORTALARI KURUMU

## NOTES TO THE FINANCIAL STATEMENTS

### AT 31 DECEMBER 2021

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

#### NOTE 20 - FOREIGN CURRENCY POSITION

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

	31 December 2021	31 December 2020
Assets	969,772,497	678,342,309
Liabilities	(3,022,780)	(1,496,514)
<b>Net foreign currency assets/(liabilities) position</b>	<b>966,749,717</b>	<b>676,845,795</b>

31 December 2021	USD	EUR	Other	Total
<b>Total Assets</b>	<b>654,735,381</b>	<b>315,037,116</b>	-	<b>969,772,497</b>
Trade payables	-	(3,022,780)	-	(3,022,780)
<b>Net foreign currency assets/(liabilities) position</b>	<b>654,735,381</b>	<b>312,014,336</b>	-	<b>966,749,717</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>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>(1,496,514)</b>
<b>Net foreign currency assets/(liabilities) position</b>	<b>376,110,456</b>	<b>300,735,339</b>	-	<b>676,845,795</b>

# DOĞAL AFET SİGORTALARI KURUMU

## NOTES TO THE FINANCIAL STATEMENTS

### AT 31 DECEMBER 2021

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

#### NOTE 21 - PROVISIONS AND CONTINGENT LIABILITIES

As of 31 December 2021, the total risk of litigation claims pending against the Institution amount to TRY 67,095,744 (31 December 2020: TRY 28,996,524). The total estimated ultimate cost of settling such litigation claims are provided for under claims provision in the balance sheet.

#### NOTE 22 - TRANSACTIONS WITH RELATED PARTIES

##### a) Payables from reinsurance activities

	31 December 2021	31 December 2020
Türk Reasürans A.Ş.	63,774,000	25,740,000
TR Ministry of Treasury and Finance	45,000,000	44,973,234
<b>Total</b>	<b>108,774,000</b>	<b>70,713,234</b>

##### b) Reinsurance premiums related to future months

Türk Reasürans A.Ş.	53,145,000	21,450,000
TR Ministry of Treasury and Finance	37,500,000	37,477,695
<b>Total</b>	<b>90,645,000</b>	<b>58,927,695</b>

##### c) Other trade payables

Türk Reasürans A.Ş.	1,354,777	1,001,052
<b>Total</b>	<b>1,354,777</b>	<b>1,001,052</b>

##### d) Premium revenues

	2021	2020
Türk Reasürans A.Ş.	4,086,886	3,481,479
<b>Total</b>	<b>4,086,886</b>	<b>3,481,479</b>

# DOĞAL AFET SİGORTALARI KURUMU

## NOTES TO THE FINANCIAL STATEMENTS

### AT 31 DECEMBER 2021

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

#### NOTE 22 - TRANSACTIONS WITH RELATED PARTIES (Continued)

##### e) Reinsurance expenses

	31 December 2021	31 December 2020
TR Ministry of Treasury and Finance	44,977,695	7,495,539
Türk Reasürans A.Ş.	32,079,000	4,290,000
<b>Total</b>	<b>77,056,695</b>	<b>11,785,539</b>

##### f) Operating expenses

Türk Reasürans A.Ş.	13,024,345	4,916,965
<b>Total</b>	<b>13,024,345</b>	<b>4,916,965</b>

##### g) Board of member fees

Board of member fees	707,710	836,201
<b>Total</b>	<b>707,710</b>	<b>836,201</b>

#### NOTE 23 - SUBSEQUENT EVENTS

Since the inflation adjustments required by IAS 29 will be applicable for the accounting periods ending on or after 30 June 2022, for institutions whose functional currency is Turkish Lira; It is foreseen that the Institution will make inflation adjustments in accordance with IAS 29 in the financial statements to be prepared after this date.



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