

**TURKISH CATASTROPHE INSURANCE POOL - TCIP  
COMPULSORY EARTHQUAKE INSURANCE (CEI)  
ANNUAL REPORT 2008**

**Call Center: 0212 368 0 800 / Fax: 0212 219 71 88**

**Address: Nişantaşı Rumeli Caddesi No. 48 Kat 7 Şişli 34365 İstanbul**

**[www.dask.gov.tr](http://www.dask.gov.tr)**



### **MESSAGE FROM THE CHAIRMAN**

Earthquake is one of the most frequently occurring catastrophic risks in Turkey. The Turkish Catastrophe Insurance Pool (TCIP) has been established in the aftermath of the great earthquake catastrophe occurred in 1999. The mission of the TCIP is to work to raise the awareness of the public about the earthquake and the damage it will cause to the buildings on the one hand and, as its primary function, is to provide earthquake insurance for the residences meeting the requirements for the TCIP insurance with ever widening customer base on the other. In 2008, the TCIP successfully fulfilled its mission.

Since its establishment, the TCIP has promptly and fully indemnified the insured for their losses caused by 226 earthquakes occurred since then on the one hand and worked to raise the awareness of the public about the insurance in the country and expand the base of the Compulsory Earthquake Insurance (CEI) on the other.

The TCIP is viewed as an exemplary institution in terms of its organization and operation and closely monitored with appreciation by the governments of other countries which are exposed to similar catastrophic risks.

The advertisement, promotion and information campaigns started in 2007 were continued and the activities in this area accelerated in 2008.

Meanwhile, the successful and harmonious cooperation between EUREKO Sigorta A.Ş., the Manager of the TCIP since 08.08.2005, and the public and private entities in the insurance sector has been maintained with an outstanding performance and quality.

Most of the events and activities planned for the promotion of the Compulsory Earthquake Insurance and the TCIP were successfully completed in 2008. With the TV and radio commercials, the newspaper and billboard ads and the promotional visits to the regions across the country, we have advanced in our target to reach wider communities.

Now the TCIP closed the account year 2008 successfully.

I thank the executives and employees of the Undersecretariat of Treasury, the members of the Board of Directors of the TCIP, and the executives and employees of Eureka Sigorta A.Ş. for their invaluable contribution and support in the success of the TCIP.

İdris SERDAR

The Turkish Catastrophe Insurance Pool  
Chairman of the Board of Directors



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

The devastation caused by great catastrophes leads to losses which are difficult to redeem for all countries in the world. Even the countries having the strongest economy can be incapacitated in the catastrophe management and the repair of the ruins.

It cannot be denied that the climatic changes in recent years, the environmental pollution, the irresponsible interference of the man in the equilibrium of the nature and the ever increasing population have both reached the potentiality of a sweeping catastrophe and played a triggering function in the occurrence of other natural catastrophes.

Being a beautiful example of a successful and harmonious cooperation between the private sector and the state, the TCIP has been underscoring the fact that the country is on a first degree earthquake fault zone and that a devastating earthquake will adversely affect

every individual living in the country, and has been working toward raising the awareness of the public about the risk we are facing through advertisement and promotional campaigns since the very day of its establishment in 2000.

The aim of the catastrophe insurance pool is to raise the level of insurance and the number of insured against the catastrophic risks. As TCIP, our most important responsibility is to insure all residences against earthquake and to help the people return to normal living conditions after the earthquake. The TCIP closed the year 2008 with 2 million 85 thousand insured residences.

Besides rendering the insured services after the earthquakes, the TCIP is working toward raising the awareness of the public about the compulsory earthquake insurance. We are also developing scenarios about the situations that we can face in the aftermath of a devastating earthquake in order to determine what actions are to be taken to overcome the consequences of the earthquake.

In addition, in 2007 the TCIP decided to improve its data processing system in order to allow faster access to the earthquake insurance and installed the system in 27 insurance companies and their 16.000 bank branch office and exclusive agents as of June 2008. The new system allows easier policy cancellations and renewals.

As the representative of the manager of the TCIP, I would like to express my gratitude to the insurance companies, the insurance intermediaries and the loss surveyors with which and whom we worked together in the issue of the policies and rendering of the services to the insured on the one hand and to the Undersecretariat of Treasury for their support to the raising of the service level of the TCIP, the chairman and members of the board of directors of the TCIP, and all the people who worked for us on the other in 2008.

**CHAIRMAN AND MEMBERS OF THE BOARD OF DIRECTORS OF THE TURKISH  
CATASTROPHE INSURANCE POOL**

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

## **CONTENTS**

### **1. INTRODUCTION AND GENERAL INFORMATION**

- 1.1 Works Carried Out by the Board of Directors
- 1.2 Issues Relevant With the Legislation and the Practices
- 1.3 Activities of Eureka Sigorta, the Manager of TCIP, in 2008
  - 1.3.1 Fund Management
  - 1.3.2 Reinsurance Protection
  - 1.3.3 New Software of TCIP Data Processing System
  - 1.3.4 Advertisement and Promotion
  - 1.3.5 Projects Aimed at Accelerating the Operations of the TCIP and Ensuring the Functioning of a Sound Structure
  - 1.3.6 Works of the Commission for Purchase of Goods and Services and Operational Quantities
  - 1.3.7 Ascertainment of Loss and Indemnity Payments
  - 1.3.8 Incentive Campaign Targeting the Insurance Companies

### **2. STATISTICS**

- 2.1 Policy Productions by Years
- 2.2 Policy Productions of Insurance Companies
- 2.3 Policy Productions by Months
- 2.4 Penetration Rates by Regions
- 2.5 Penetration Rates by Provinces
- 2.6 Policy Distribution by Regions
- 2.7 Policy Distribution by Risk Regions
- 2.8 Policy Distribution by Building Year
- 2.9 Policy Distribution by Building Surface Area

### **3. AUDIT REPORT**



## 1. INTRODUCTION AND GENERAL INFORMATION

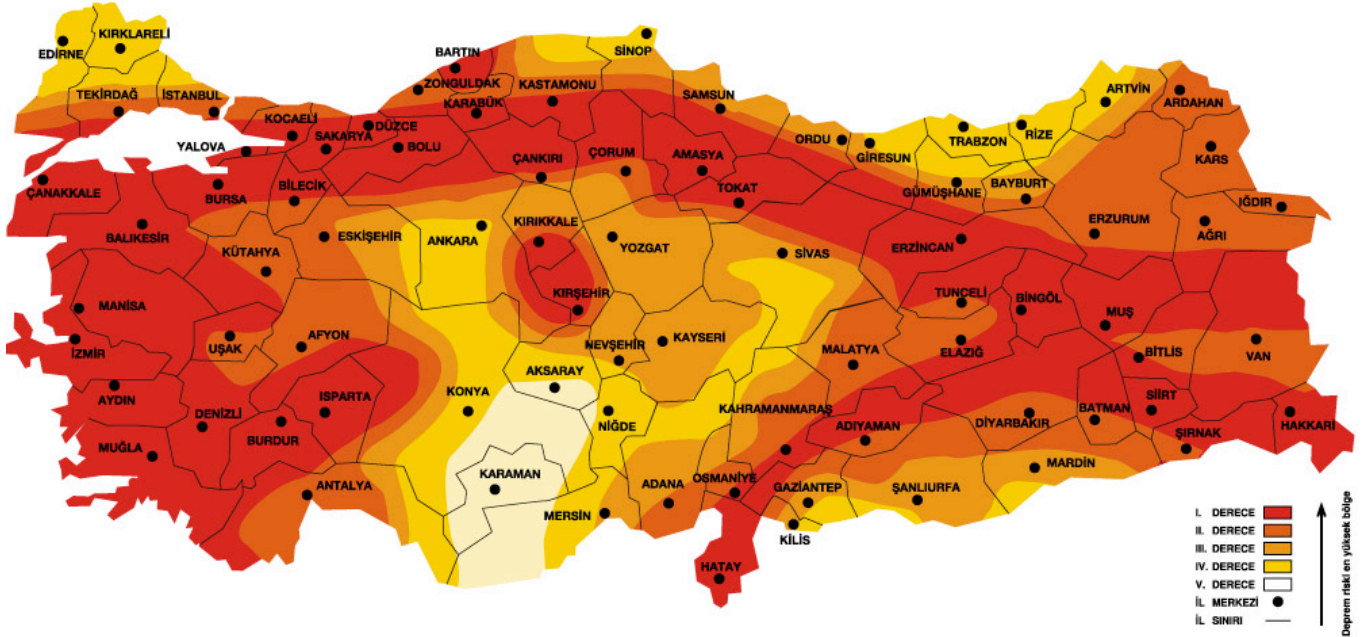
That the number of large scale disasters has been increasing in recent years is an important fact faced by the world today. Besides the climatic changes and ensuing disasters caused by the global warming, man's ignorantly destructive use of the nature is creating new risks every day so as to trigger the already existing catastrophic risks. For example, due to improvident use of the underground waters, the water tables are depleted, leading to large scale land collapse at certain locations, and the water sources are dried up. We are now frequently witnessing disasters caused by wind storm, hurricane, tropic storm, typhoon, tornado or flood occurring in places where such perils have not naturally occurred in the past. Besides causing substantial property damage, such events claim lives.

Apart from such natural events occurring with ever increasing frequency due to the destruction caused by the human beings, earthquake is the most known, but the most fearsome catastrophic risk occurring at certain frequencies and periods depending on the particular earthquake risk region. Earthquake occurs naturally due to the movement of the earth as our planet cools down in movement. Due to fractures in the earth's crust, quakes occur and move in waves throughout the earth's surface, shuttering the structures along the way. Despite man's assumption that the land is still-standing safe footing place, the earth moves naturally, causing property damage and claiming lives of creatures.

<b>Earthquakes occurred in the country causing substantial loss of life and property since 1990</b>						
<b>Earthquake</b>	<b>Date</b>	<b>Loss of Life</b>	<b>Injured</b>	<b>Homeless</b>	<b>Affected Population</b>	<b>Financial Loss (US\$ one million)</b>
Erzincan	13.03.1992	653	3.850	95.000	250.000	750
Dinar	01.10.1995	94	240	40.000	120.000	100
Çorum-Amasya	14.08.1996	0	6	9.000	17.000	30
Ceyhan-Adana	27.06.1998	145	1.600	88.000	1.500.000	500
İzmit Körfezi	17.08.1999	17.480	43.953	675.000	15.000.000	13.000
Düzce	12.11.1999	763	4.948	35.000	600.000	750
Afyon-Sultandağı	03.02.2002	42	327	30.000	222.000	96
Bingöl	01.05.2003	177	520	520	245.000	135
<b>TOTAL</b>		<b>19.354</b>	<b>55.444</b>	<b>972.520</b>	<b>17.954.000</b>	<b>15.361</b>

Source:

## TURKEY EARTHQUAKE ZONES MAP

**Türkiye Deprem Bölgeleri Haritası**

The earthquake zone passing through the territories of the country are extremely active and greater part of the country is exposed to earthquake risk. The land we are on reminds us this fact at certain periods. During the last 58 years, 58.202 people lost life, 122.096 people got injured, 411.465 buildings collapsed or were heavily damaged due to earthquake. The concluding fact is that 1.003 people die and 7.094 buildings collapse in average per year due to earthquakes in our country.

Even the strongest economies inevitably suffer from the financial constraints to overcome the consequences of catastrophes. Because of this, many countries running high risk of earthquake have developed pre- and post-earthquake Disaster Management Systems. The development of the emergency plans, the creation of the financial resources, and the actions aimed at mitigation of the impact of the disaster are the most important issues within the scope of the natural disaster management systems.

In order to prevent or alleviate the difficulties and handicaps that may occur in the aftermath of a catastrophe, the actions to be taken after the catastrophe must be planned carefully and diligently depending on the characteristics of the disaster zone. Established in the aftermath of the recent Marmara Earthquake occurred on August 17, 1999, the Turkish Catastrophe Insurance Pool has

extensively used the experience of other countries which are exposed to the similar earthquake risk.

The Turkish Catastrophe Insurance Pool has been established within the organization of the Ministry to which the Undersecretariat of Treasury is tied, pursuant to the Law No. 4452 on the Measures to be Taken Against Catastrophes and the Regulatory Actions to be taken for Recovery of Losses Caused by Catastrophes, dated 27 August 1999, and the Government Decree Enforceable As Law on the Compulsory Earthquake Insurance, No. 587, which has come in effect upon its publication in the Official Gazette dated 27 December 1999, no. 23919. The purpose of the Compulsory Earthquake Insurance provided by the Turkish Catastrophe Insurance Pool is to reinstate the insured property to the condition before the disaster.

The Compulsory Earthquake Insurance indemnifies the insured promptly for the damage caused by earthquake to their dwelling by using the funds in the Pool without resorting to the public funds. The objective of the Compulsory Earthquake Insurance is to insure all insurable dwellings against earthquake. In order to attain this objective, there is a need for various control and support mechanisms due to the fact that the awareness of the public about the benefits of the insurance is not as high as desired. Because of this, the Compulsory Earthquake Insurance is required for carrying out of certain transactions such as subscription to public utilities, sale and purchase of dwellings, etc. Besides such compulsions, the Pool is working toward raising the awareness of the public about the need for the earthquake insurance through advertisements and promotional activities, Provincial Briefings, and pre- and post-earthquake interactions with the social counterparts.

The Turkish Catastrophe Insurance Pool has been insuring the dwellings within the municipal boundaries against earthquake. Since 27 September 2000, the date when the compulsory earthquake insurance has been introduced, the TCIP paid total TL 19,585,754 as indemnity under 10.345 claim files opened for 226 earthquakes occurred at a scale from 3.6 to 6.5 since then.

The TCIP has attained to its current power owing to the great efforts of its participants without using the public funds. We expect acceptance and support from all segments of the society for the Compulsory Earthquake Insurance. The TCIP is now one of the largest insurance pools of the world.

The insurance sector plays an important role in the operations of the TCIP and the CEI, which are regarded by the other countries as an exemplary project. Currently 27 licensed insurance companies and their agents issue the Compulsory Earthquake Insurance policies on the name and account of the TCIP.

The Insurance Companies Licensed to Issue CEI Policy:

1. AIG SİGORTA A.Ş.
2. AK SİGORTA A.Ş.
3. ALLIANZ SİGORTA A.Ş.
4. ANADOLU ANONİM TÜRK SİGORTA A.Ş.
5. ANKARA ANONİM TÜRK SİGORTA A.Ş.
6. AVIVA SİGORTA A.Ş.
7. AXA SİGORTA A.Ş.
8. BAŞAK GROUPAMA SİGORTA A.Ş.
9. BİRLİK SİGORTA A.Ş.
10. DEMİR SİGORTA A.Ş.
11. DUBAİ GROUP SİGORTA A.Ş.
12. ERGO İSVİÇRE SİGORTA A.Ş.
13. EUREKO SİGORTA A.Ş.
14. EURO SİGORTA A.Ş.
15. FİBA SİGORTA A.Ş.
16. GENERALİ SİGORTA A.Ş.
17. GÜNEŞ SİGORTA A.Ş.
18. GÜVEN SİGORTA A.Ş.
19. HDI SİGORTA A.Ş.
20. HÜR SİGORTA A.Ş.
21. IŞIK SİGORTA A.Ş.
22. LIBERTY SİGORTA A.Ş.
23. RAY SİGORTA A.Ş.
24. SBN SİGORTA A.Ş.
25. T. GENEL SİGORTA A.Ş.
26. YAPI KREDİ SİGORTA A.Ş.
27. ZURICH SİGORTA A.Ş.

Some indicators of the CIE as at 31 December 2008:

Number of policies in effect	: 2.853.840
Total sum insured currently	: TL 148 billion
Premium production in 2007	: TL 273 million
Sum insured per dwelling	: TL 52,07 thousand
Average premium per dwelling	: TL 95,84

**1.1 Works Carried Out by the Board of Directors**

**Some findings, evaluations and developments concerning the period of 1 January 2008-31 December 2008 being the subject of the Annual Report are as follows:**

The article 6 of the Government Decree Enforceable as Law on the Compulsory Earthquake Insurance, No. 587 (GDEL), provides that the TCIP shall be managed by a Board of Directors formed by seven members, one being the chairman. The article 7 of the GDEL provides that the Board of Directors shall be formed by

- a representative of the Prime Ministry,
- a representative of the Undersecretariat of Treasury,
- a representative of the Ministry of Public Works and Settlement,
- a representative of the Capital Market Board,
- a representative of the Turkish Association of Insurance and Reinsurance Companies,
- a representative of the Manager of the TCIP, and
- a member nominated by the Undersecretariat of Treasury, who has a degree in civil engineering, geophysics, geology engineering or an equivalent branch and experience of minimum seven years in the field of earthquake.

Formation of the Board of Directors in this manner is very important in terms of representation of all concerned parties and successful management of the Compulsory Earthquake Insurance program.

**The Board of Directors of the TCIP met 7 times and took 13 resolutions during 2008. Some of the resolutions taken by the Board of Directors are as follows:**

- By the resolution dated 22 January 2008, based on the expectations in the US Dollar exchange rate and on the studies done by the Manager and the portfolio management firms of the TCIP, it was decided that, since there was no definite agreement among the Board members that early repayment of the loan would be more advantageous under the conditions prevailing in the TL interest market, it would be more convenient to continue to repay the loans in arrears instead of repayment at once in view of the fact that the TL interest market is currently yielding a good income, that the funds kept at hand would be used as a support for placement of reinsurance and that the total funds at hand would not be enough to pay the losses in a large scale earthquake and that it would be difficult to secure the needed funds, and that this resolution be notified to the Undersecretariat of Treasury.
- By the resolution dated 1 February 2008, Grey Worldwide has been commissioned as the advertisement agency to conduct the advertisement and promotion activities of the TCIP.
- In the Board meeting dated 12 March 2008, the Board was informed about the public opinion research conducted by Akademetre and the policies proposed in line with the

---

"Communication Action Plan" developed by the communication firm Bersay according to the results of the public opinion research have been approved by the Board in principle.

- By the resolution dated 10 June 2008, Zenith Optimedia Yayıncılık Hizmetleri A.Ş. has been commissioned as the Media Purchasing Company in connection with the advertisement and promotion services.
- Pursuant to the article 7 of the Government Decree No. 587 concerning the Compulsory Earthquake Insurance,
  - Prof. Dr. Mustafa Erdik has been appointed as the Board member in the place of Prof. Dr. M. Semih Yüccemen with the letter of approval of the State Ministry dated 28.05.2008, no. 24156-533;
  - Mr. Bekir Sıktı Şafak has been appointed as the Board member in the place of Mr. Ali Ender Çolak with the letter of approval of the State Ministry dated 28.05.2008, no. 24156-533;
  - Mr. Erhan Tunçay has been re-elected as the Board member with the letter of approval of the State Ministry dated 28.05.2008, no. 24156-533.

The Board has decided to grant signing powers to the above named Board members. Mr. Erhan Tunçay has been elected as the Vice Chairman of the Board.

- By the resolution of the Board dated 5 August 2008, it was agreed in principle that the idea of continuing the TV coverage titled "DASK ZORUNLU DEPREM SİGORTASI" [TCIP-COMPULSORY EARTHQUAKE INSURANCE], which is produced and announced by Mr. Noyan DOĞAN, or a similar coverage would be beneficial.
- By the resolution of the Board dated 2 September 2008,
  - it was decided in view of the information given by the Manager of the TCIP about the works conducted with the General Directorate of Land Registry and Cadastre of the Ministry of Public Works and Settlement that the need of the TCIP regarding the buildings within the scope of the Compulsory Earthquake Insurance be notified in detail to and information asked from the General Directorate of Land Registry and Cadastre and that a working team chaired by Mr. Metin Serin, a member of the Board, be formed with one representative from the Undersecretariat of Treasury and the Manager of the TCIP;
  - the advertisement works developed by the advertisement agency Grey and the media purchasing project developed by Zenith Optimedia were accepted.
- By the resolution of the Board dated 7 October 2008,

- 
- it was decided that the contracts with the portfolio management firms be not renewed upon the expiry of the contracts in view of the performance of these firms;
  - it was decided that among the 3 options proposed in the commission report on the placement of reinsurance 2008-2009, the option involving the catastrophe bond be chosen on condition that its cost can be brought to the same level with the conventional method, otherwise the reinsurance placement be made by the conventional method, and in any case its cost be kept below EUR 43,5 million, which is the total cost of the conventional placement, and, on condition that the the cost of placement can be kept below this level, the Manager of the TCIP be authorized to pay the success bonus amounting to EUR 450,000 as proposed in the commission report dated 02.09.2008 to the brokers following the placement.

Furthermore, by the resolution of the Board dated 02.09.2008, it was deemed convenient that in addition to the retention amounting to EUR 150 million, if a need arises, the total retention be raised to EUR 200 million for the purpose of reducing the amount of the conventional placement by EUR 50 million, on condition that the amount of premium to be accrued for this capacity be invested independently of the above account.

- By the resolution of the Board dated 30 December 2008, it was decided in line with the conclusion of the commission research done about the TV coverage titled "TCIP - Compulsory Earthquake Insurance" produced and announced by Mr. Noyan DOĞAN that the coverage be broadcast on the channel CNN Turk as a serial consisting of 40 chapters.

## 1.2 Legislative Issues

### Change of Tariff

Changes were made to the tariff of the Compulsory Earthquake Insurance by the "Tariff and Instruction on Changing the Tariff and Instruction of the Compulsory Earthquake Insurance," which was published in the Official Gazette dated 05.03.2008, no. 26807.

The maximum sum insured and the prices per square meter have been re-established to be effective from 05.03.2008 as follows:

- Maximum sum insured: TL 120,000
- Prices per square meter:
  - A. Steel, reinforced concrete carcass buildings: TL 490
  - B. Brick buildings: TL 350
  - C. Other buildings: TL 185



---

## **Changes to the General Conditions of Compulsory Earthquake Insurance**

The coverage of the Compulsory Earthquake Insurance was expanded and the General Conditions improved in favor of the insured on 23.02.2008.

### **1.3 2008 Activities of Eureka Sigorta, the Manager of the TCIP**

Pursuant to the article 6 of the Government Decree No. 587, the management of the TCIP has been contracted by the Undersecretariat of Treasury to Garanti Sigorta A.Ş. on 8 August 2005 for a term of 5 years. Garanti Sigorta has changed its name to Eureka Sigorta A.Ş. in October 2007.

#### **As the Manager of the TCIP:**

##### **1.3.1 Fund Management**

The funds of the TCIP have been so invested that the liquidity of the funds is maintained and the safety of the principal preserved on the one hand and that the yield from the investment is satisfactory in line with the principles set out in the "Regulation on the Working Principles and Procedures of the Board of Directors of the TCIP" related with the investment of the funds of the TCIP. A portion of the fund is managed by the portfolio management firms in accordance with the same principles.

##### **1.3.2 Reinsurance Protection**

The liabilities of the TCIP arising from the policies are regularly monitored and the limits for reinsurance protection are established by taking into account the earthquake loss modeling of the international institutions. In this regard, the reinsurance protection of the TCIP has been renewed on 1 November 2008 in line with the characteristics of the existing portfolio and the risks have been placed to various reinsurers under the leadership of reinsurers such as Swiss Re (Switzerland), Munich Re (Germany), Amlin (the UK), etc. for the period of 1.11.2008 - 31.10.2009, so that an excess of loss reinsurance protection amounting to EUR 1,250 million consisting of eight (8) layers has been secured.

##### **1.3.3 New Software in the Data Processing System of the TCIP**

It was decided in 2007 to develop a new software program so as to ensure faster access to the system and to improve the overall software architecture of the system. In June 2008, the software development works and tests were completed and the software has now been put into operation in the system of 27 insurance companies and their 16.000 bank and exclusive agents.

The new software facilitates the cancellation and renewal transactions. Apart from these facilities, the software allows

- 
- renewal of the policy by a different insurance company or agent without changing the policy number;
  - online cancellation of the policies by the insurance companies up to the limit of cancellation assigned to them and, for the sums exceeding the limit, online submission of the policies to be cancelled to the authorized representative of the TCIP via the "TCIP Approval Pool" in order to get approval for the cancellation;
  - automatic renewal of the policies with Loss Payee clause for the dwellings mortgaged as security of the loan for the duration of the loan when the "Automatic Renewal" option is selected.

The new software has many features that facilitate the policy generation for the users. Such facilities, in turn, are for the benefit of the insured.

### **Ankara Disaster Recovery Test**

The initial testing of the emergency servers of the TCIP in Ankara was done on Monday, 16 December 2007 in order to ensure that the servers run properly in an emergency. The second testing was carried out with the user companies on 14 September 2008. The emergency servers in Ankara are running properly at present.

### **Sending of policy renewal notice to the insured by SMS message**

Policy renewal notice is sent to the insured whose mobile phone number is given on the policy about 1 month before the expiry date of the policy. Notices are sent monthly on the 10th day of each month for the renewal within the next month. At the end of the renewal month, the number of renewed policies is checked and reported.

### **1.3.4 Advertisement and Promotion**

In order to implement a professional communication strategy, the TCIP has established an Advertisement and Promotion strategy and contracted the Advertisement and Promotion tasks to a communication firm.

Again for the same purpose and with a view to increasing the number of policies and insured across the country, the TCIP has commissioned an advertisement agency and a media purchasing firm. Agreement was reached with Bersay İletişim Ajansı and Zenith Medya Satın Alım and their advertisement and promotion related services were used. Selection of the advertisement agency which will work on the communication strategy and campaigns in the content and design that will reinforce the corporate reputation of the TCIP and raise the awareness of its social counterparts

and target mass for the "Compulsory Earthquake Insurance" so as to trigger the purchasing of the insurance was done and Grey Advertisement agency has been selected in this respect. For the same reasons, it was decided that a research be made to measure the perception about the TCIP and the task was commissioned to Akademetre Research & Strategic Planning. In February 2008, the results of the public opinion research were shared with the TCIP.

On 16 October 2008, the 1st Advertisement Campaign was started and our commercials designed in 3 concepts were broadcasted.

The TCIP gave great importance to the provincial information meetings held across Turkey with a view to underlining the necessity for managing the risks faced by the community with rational methods and for acting with the notion of social responsibility in order to raise the wealth of the community. To this end, we held meetings in the following provinces, respectively. The provinces where the meetings are held are chosen according to the earthquake risk zone and the rate of insured population of the provinces.

**We made visits to 4 provinces to hold the "Regional Information Meetings" in 2008**

- 20.02.2008 - Bursa
- 26.03.2008 - Antakya
- 16.04.2008 - İzmir
- 26.06.2008 - Elazığ

**Public opinion research**

The perception research done by the public opinion research firm by which the corporate image and ideas of the TCIP in the mind of the social counterparts of the TCIP (existing insured and potential insured, agents, media professionals and academicians) as well as the awareness about the Compulsory Earthquake Insurance were measured was shared with the TCIP in February 2008 and the communication strategy has been advanced by the communication firm and the advertisement agency according to the results of the research. In a public opinion poll conducted with 2268 respondents in 18 provinces, the respondents were asked questions about what they know and think, what they believe and not believe about the Compulsory Earthquake Zone and the TCIP, and the answers given to such questions were used as the basis of the "Strategic Communication Plan" and as the guidance in the check phase after the advertisement campaigns. Respondents were chosen among media professionals, potential insured, existing insured and agents and the questions were asked and answers received face to face with the respondents.

**In the phase of the 1st advertisement campaign**

- Our ads were published in the daily newspapers with highest circulation between 17.10.2008 and 16.11.2008.

- 
- Our commercials were run in 16 national and 77 local radio stations between 20.10.2008 and 16.11.2008.
  - Our 3 TV commercials built on the slogan of "You are causing damage to your property every moment if you don't have compulsory earthquake insurance" were run on TV channels.
  - A story underscoring the necessity of the compulsory earthquake insurance was integrated into the script of a TV serial, Yaprak Dökümü, which was shown on 05.11.2008.
  - A column titled "Do You Know This?" in which information about the compulsory earthquake insurance was given was published in the dailies Hürriyet, Zaman and Posta for 6 months between 15.12.2008 and 23.01.2009.
  - Our ads were posted on open-air billboards in 6 provinces between 18.10.2008 and 28.10.2008.
  - A link was incorporated into the home for sale pages of the internet web site, [www.sahibinden.com](http://www.sahibinden.com), by which the premium of the Compulsory Earthquake Insurance can be calculated and where detailed information was given about the insurance between 20.10.2008 and 20.11.2008.
  - Our banners were published on 17 news web sites and search engines between 17.10.2008 and 16.11.2008.
  - Promotional items such as mug coasters, magnets, brochures bearing the logo of "Sallanmayın" [in Turkish meaning "don't rock" and "don't loiter" at the same time] were delivered to 26 insurance companies for distribution to their agents.

#### Attended TV programs

- On 22.10.2008, Mr. İdris Serdar attended as speaker to the coverage produced by Mr. Can Kantar on the channel TRT1.
- On 05.11.2008, the representatives of the TCIP attended the coverage titled "Sigortalı Hayat" [Insured Life] broadcast on the channel TRT1, in which interviews were made with the insured to whom indemnities were paid under the Compulsory Earthquake Insurance.
- On 30.11.2008, Mr. İdris Serdar attended as speaker to a program broadcast on a local TV channel, TV41.
- On 17.12.2008, Mr. İdris Serdar and Ms. Serpil Yakut attended as speaker to a program broadcast on Yeni Asır TV in Izmir.
- On 24.12.2008, Mr. İdris Serdar attended as speaker to a program announced by Mr. Can Kantar on TRT1.
- On 24.10.2008, Mr. Okan Utkueri, the General Manager of Eureka Sigorta, the Manager of the TCIP, attended as guest to a coverage titled "Nasıl Yani?" [How So?] on earthquake broadcast on CNN Turk.
- On 19.10.2008, Mr. İdris Serdar and Mr. Okan Utkueri attended as speakers to a coverage, titled "Sigortacı" [Insurer], broadcast on ATV.

### **Coverage titled "Bakış" [Outlook] broadcast on CNN Turk**

During the period of 2007-2008, information was given to the public about the TCIP in a coverage titled "Bakış" [Outlook] announced by Mr. Noyan Doğan, broadcast on CNN Turk between 11:00 and 12:00 hours am on each Saturday in 40 chapters.

### **Meetings Held**

- On 26.02.2008, the Press Conference of the TCIP was delivered in Ankara with the attendance of Mr. İbrahim ÇANATÇI, the Undersecretary of Treasury.
- On 03.04.2008, an Information Meeting on the Results of Perception Research was held for the general managers of the insurance companies in Hyatt Regency Hotel in Istanbul.
- On 18.06.2008, a Press Conference was held by the TCIP with the attendance of the representatives of the press and the news agencies.
- On 17.08.2008, the representatives of the TCIP attended a panel titled "Before the Earthquake & After the Earthquake" and a "Memorial to the Victims of Earthquake" held in Kocaeli.
- On 16.10.2008, a Press Conference was held in Mövenpick Hotel in Istanbul to present the Advertisement Campaign and the Commercials to the representatives of the press and the media.
- In November 2008, a Press Information Kit about the TCIP was sent to all national and local newspapers and magazines in Turkey.
- On 26.11.2008, a Press Conference was held by the TCIP with the attendance of the representatives of the press and the news agencies.

### **Information Letters Sent to the Authorities and Institutions to Promote the Social Sensibility**

In view of the benefits of the Compulsory Earthquake Insurance for the country, all segments of the society, including the individuals, the State, the communities, the private sector, and the media have the duty and responsibility for spreading the Compulsory Earthquake Insurance to the wider public. With this notion in mind, in December 2008, information letters about the CEI and the TCIP were sent to 478 public authorities, federations, associations and chambers, asking from them their support to make the necessary announcements and give the necessary information to their employees.

### **The Periodicals**

- Interviews made with and articles written by the representatives of the TCIP have being published in Deprem Dergisi (the *Earthquake Magazine*), which is published by the Turkish Earthquake Foundation quarterly.
- Articles written by the representatives of the TCIP are regularly published in Birlik'ten Dergisi, a sector periodical published by the Turkish Association of Insurance and

---

Reinsurance Companies. In 2008, the articles written by our representatives were published in 4 issues of the periodical.

- Our news and articles are published in Sigorta Postası, a quarterly periodical circulated by the Manager of the TCIP within its organization to give information about the sector and the corporate affairs to the employees.

### **Cooperation with the Department of Religious Affairs**

We have planned visits to the managers of public institutions from which we can get support for raising the awareness about the Compulsory Earthquake Insurance. In this respect, works have been conducted to establish co-operations thought to be realized between the Department of Religious Affairs and the TCIP with a view to spreading the Compulsory Earthquake Insurance as a public service to a wider public.

To this end, it was decided to conduct a pilot work in 7 provinces selected from 7 regions to distribute brochures to the people at the mosques through the Offices of Mufti in towns and provinces in 2009.

### **Cooperation with Milli Piyango [the National Lottery]**

As a support for the development of the earthquake insurance system by promoting the insurance solutions to wider communities and as a method of promotion to be successfully used for other projects being beneficial for the public so as to encourage the public and private sectors, the non-governmental organizations, the educational institutions and the other related organizations in the realization of such projects, we have asked the National Lottery to promote the TCIP as a composition or a slogan on the lottery tickets of any drawing.

## **1.3.5 Projects Accelerating the Operations of the TCIP and Ensuring a Soundly Operating Structure**

### **Training of Surveyors**

Training courses have begun to be given to surveyors since 2008 as an important constituent for the development of the Disaster Emergency Action Plan. The TCIP considered that there was a need to increase the number of surveyors and to reconstruct the training offered to them within the scope of the Disaster Emergency Action Plan.

In order to expand the surveyor base, we are currently working on a process by which not only the insurance surveyors but also the civil engineers and architects can carry out loss surveys under the Compulsory Earthquake Insurance. To this end, a curriculum covering both the knowledge on construction and the insurance and loss practices is being developed. The training courses are conducted jointly with the Turkish Insurance Institute.

Target mass of the training:

1. Existing surveyors having the TCIP Surveyor License;
2. Surveyors having the fire surveyor license who wish to obtain the TCIP Surveyor License;
3. Civil engineers and architects.

### **TAKBİS**

We held discussions with the General Directorate of Land Registry and Cadastre with a view to taking part in their TAKBİS project, expressing our intent to be incorporated into the TAKBİS project. Our objective in taking part in the TAKBİS project is to allow

- making of an online inquiry of the existence of a valid CEI issued for a property via the data processing system of the TCIP during carrying out of the formalities at the Land Registry with respect to that property;
- accessing to the registration data of a property via the TAKBİS application by entering the identity number of the owner during the generation of the CEI policy.

In the TAKBİS application, each property has a unique number across the country, assigned by the system to that property automatically. We seek to use an online service to make the necessary inquiries via the TAKBİS application by entering the relevant data during the generation of the CEI policy. When a transaction is executed for a property via the TAKBİS application, the number of the CEI policy will be entered to view on the system of the TCIP if the policy is in effect or not. In order to prevent cancellation of the CEI policy after completion of a transaction at the Land Registry for which a valid CEI policy is compulsory, the system will display a flag, indicating that a transaction has been executed at the Land Registry for a property having a valid CEI policy recorded in the system of the TCIP.

We are currently working mutually with the Land Registry on the development of the system.

### **1.3.6 Works of the Commission Concerning Purchase of Goods and Services and the Operational Quantities**

The goods and services needed by the TCIP must be purchased in accordance with the provisions of the Government Decree and the relevant Regulation. As at 31.12.2008, 19 Purchasing Commissions were formed for purchasing of the goods and services needed by the TCIP.

In 2008, the operational units of the TCIP sent 6.820 answers via electronic mail to the inquiries of the insured and the citizens. Apart from these, the number of letters received from the insured, the citizens and various institutions and organizations has reached 1.404 and the number of answers given by the TCIP 2.000.

### **1.3.7 Ascertainment of Loss and Payment of Indemnity**

Ascertainment of losses is done by independent loss adjusters appointed by the TCIP. The indemnity for the ascertained losses is paid directly by the TCIP to the insured.

**Payment of Indemnities by the Earthquakes:**

- Since the establishment of the TCIP, TL 19,585,754 has been paid by the TCIP as indemnity under 10.345 claim files opened on account of 226 earthquakes occurred since then in aggregate.
- In 2008, TL 416,785 was paid under 397 claim files for 31 earthquakes.

**97% of the Indemnities Paid are for Partial Damage:**

Under total 10,345 claim files opened so far, only 3% of the indemnities paid so far was total loss. 97% of the indemnities were paid as the cost of repair resulting from partial damage caused by small and medium scale earthquakes which were not destructive.

**Indemnities Paid by Years:**

<b>INDEMNITIES PAID BY YEARS (31.12.2008)</b>			
<b>YEAR</b>	<b>NUMBER OF EARTHQUAKES</b>	<b>NUMBER OF CLAIM FILES</b>	<b>PAID (TRY)</b>
2000	1	6	23.022
2001	17	338	127.497
2002	21	1.558	2.284.835
2003	20	2.504	5.203.990
2004	31	587	768.927
2005	41	3.488	8.107.968
2006	22	498	1.296.133
2007	42	969	1.356.598
2008	31	397	416.785
<b>TOTAL</b>	<b>226</b>	<b>10.345</b>	<b>19.585.754</b>

**1.3.8 Incentive Campaign Offered to the Insurance Companies**

The campaign decided to be launched by the resolution of the Board dated 23.02.2006 with the aim of offering incentive for the premium product of the insurance companies and their agents was implemented in 4 quarters during the period of 01.01.2008 - 31.12.2008. Implemented in quarterly periods during 2008, the campaign offered an incentive bonus to the insurance companies

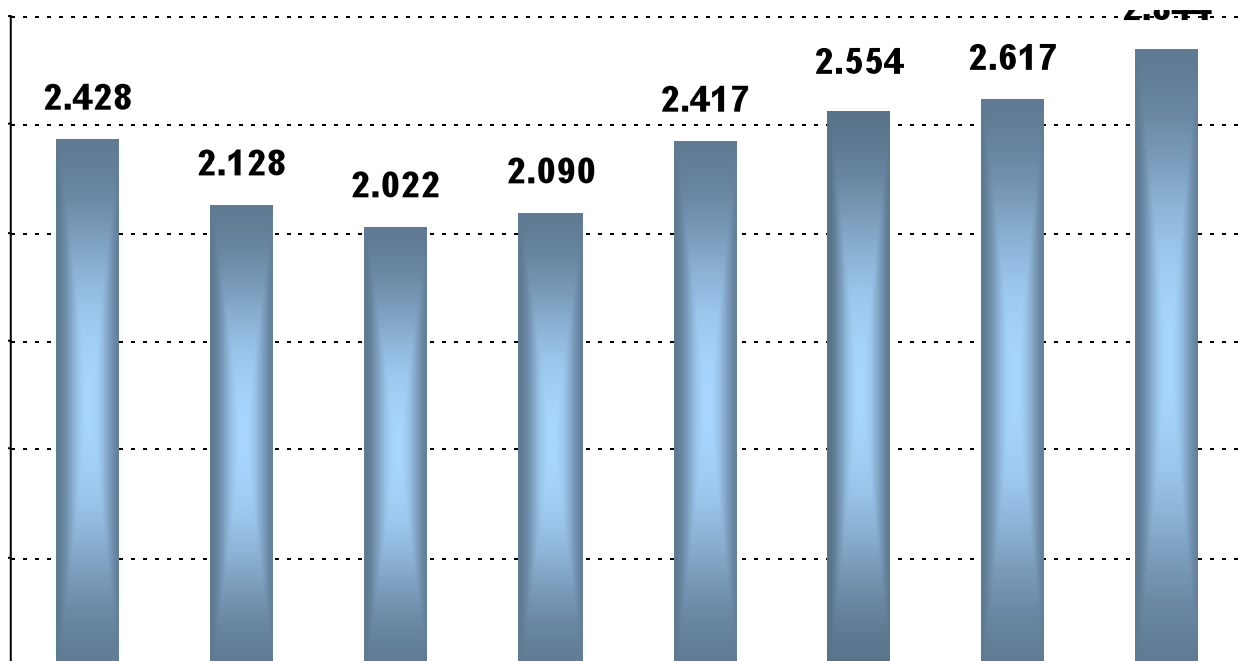


according to the increase in the amount of the written premiums and number of policies during the respective quarter over the previous quarter, on condition that the minimum increase was 5%. The criteria of the campaign were met in all of the 4 quarters and the insurance companies which attained the required increase were paid additional commissions.

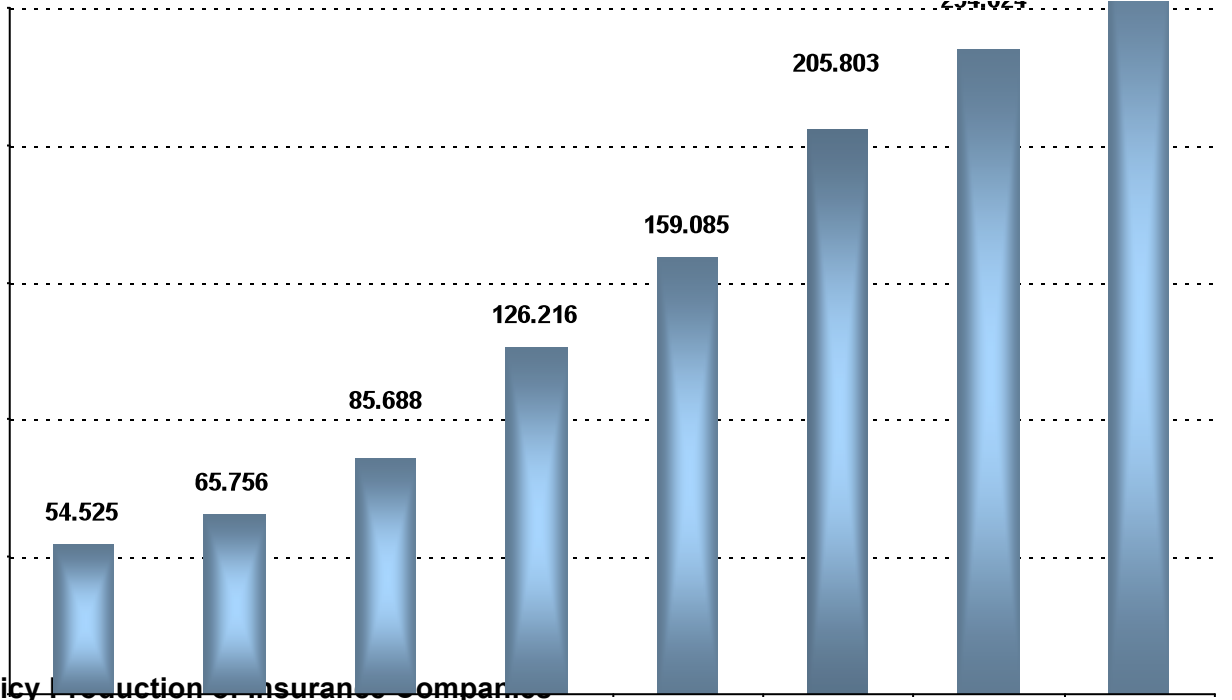
**2. STATISTICS**

**2.1 Policy Production by Years**

**NUMBER OF COMPULSORY EARTHQUAKE INSURANCE POLICIES BY YEARS (1.000)**



**POLICY PREMIUMS BY YEARS (TRY 1,000)**



**2.2 Policy Production of Insurance Companies**

CEI POLICY PRODUCTION REPORT (AS AT 31.12.2008)					
PRODUCTION BY COMPANIES	2007		2008		Increase %)
	Number of Policies	Rate %	Number of Policies	Rate %	
AXA SİGORTA A.Ş.	333.347	12,7	367.763	12,9	10,3
ANADOLU ANONİM TÜRK SİGORTA A.Ş.	361.936	13,8	356.585	12,5	-1,5
BAŞAK SİGORTA A.Ş.	258.647	9,9	311.532	11,0	20,4
GÜNEŞ SİGORTA A.Ş.	239.985	9,2	264.819	9,3	10,3
AKSİGORTA A.Ş.	196.338	7,5	216.134	7,6	10,1
ALLIANZ SİGORTA A.Ş.	157.551	6,0	159.840	5,6	1,5
ERGOİSVİÇRE SİGORTA A.Ş.	153.439	5,9	154.081	5,4	0,4
YAPI KREDİ SİGORTA A.Ş.	132.247	5,1	140.763	5,0	6,4
FİBA SİGORTA A.Ş.	98.172	3,7	113.965	4,0	16,1
EUREKO SİGORTA A.Ş.	86.430	3,3	109.987	3,9	27,3
BİRLİK SİGORTA A.Ş.	78.117	3,0	98.672	3,5	26,3
RAY SİGORTA A.Ş.	100.032	3,8	91.495	3,2	-8,5
AVIVA SİGORTA A.Ş.	63.228	2,4	75.345	2,6	19,2
TÜRKİYE GENEL SİGORTA A.Ş.	57.239	2,2	67.834	2,4	18,5
GÜVEN SİGORTA T.A.Ş.	64.085	2,4	62.762	2,2	-2,1
HDI SİGORTA A.Ş.	51.618	2,0	57.635	2,0	11,7
IŞIK SİGORTA A.Ş.	47.451	1,8	48.047	1,7	1,3
ANKARA SİGORTA A.Ş.	42.598	1,6	36.318	1,3	-14,7
ZURICH SİGORTA A.Ş.	23.247	0,9	30.556	1,1	31,4
GENERALİ SİGORTA A.Ş.	24.957	1,0	29.020	1,0	16,3
HÜR SİGORTA A.Ş.	19.424	0,7	18.314	0,6	-5,7

**Turkish Catastrophe Insurance Pool**

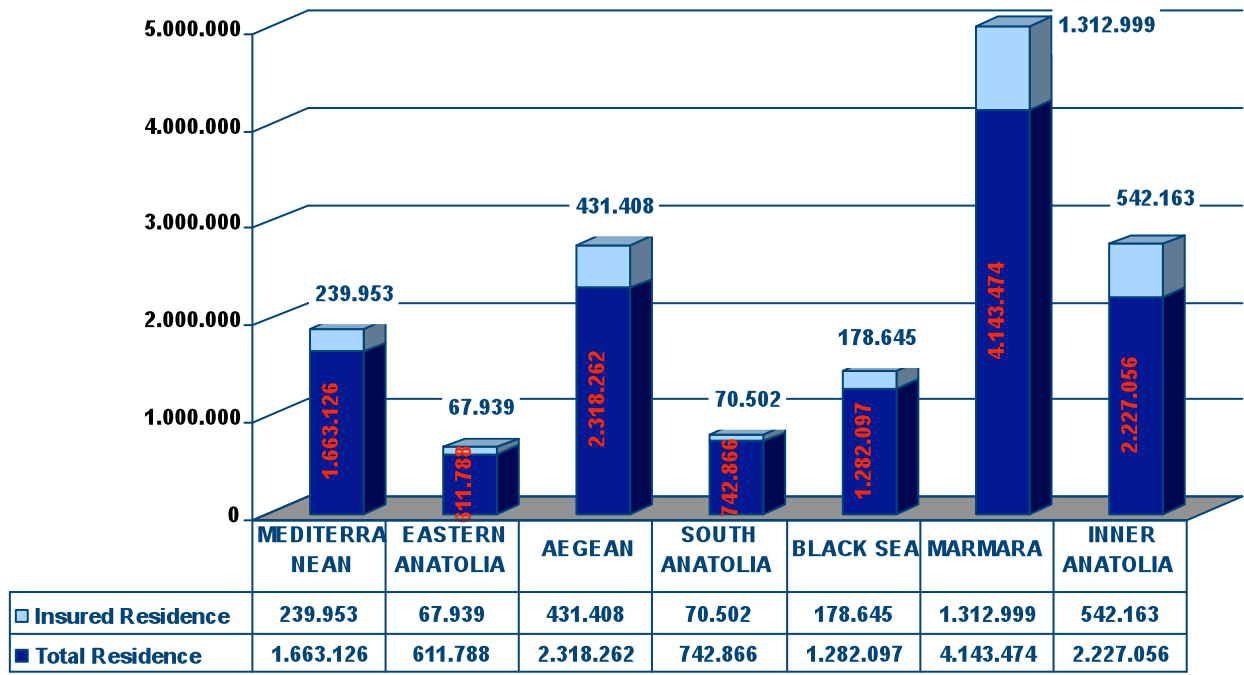
LIBERTY SİGORTA A.Ş.	22.088	0,8	15.853	0,6	-28,2
SBN SİGORTA A.Ş.	855	0,0	12.589	0,4	1372,4
AIG SİGORTA A.Ş.	2.870	0,1	2.210	0,1	-23,0
EURO SİGORTA A.Ş.	2.043	0,1	1.450	0,1	-29,0
DEMİR SİGORTA A.Ş.	0	0,0	27	0,0	0,0
DUBAİ SİGORTA A.Ş.	0	0,0	13	0,0	0,0
	<b>2.617.944</b>	<b>100,0</b>	<b>2.843.609</b>	<b>100,0</b>	<b>8,6</b>

**2.3 Policy Production by Months**

MONTHS	2006 PCS.	2007 PCS.	2008 PCS.	2006 PREMIUM TL	2007 PREMIUM TL	2008 PREMIUM TL	2008 INCREASE IN PCS (%)	2008 INCREASE IN PREMIUM (%)
JANUARY	149.754	172.124	218.694	10.235.568	14.562.216	20.004.371	27,1	37,4
FEBRUARY	198.316	200.741	223.428	15.359.995	17.002.935	20.241.431	11,3	19,0
MARCH	364.880	333.851	338.672	29.712.519	30.252.408	32.328.137	1,4	6,9
APRIL	278.979	270.447	277.787	22.607.761	24.416.261	27.086.010	2,7	10,9
MAY	244.520	246.191	258.430	19.593.672	22.134.175	24.974.567	5,0	12,8
JUNE	198.006	200.011	225.056	15.887.672	17.891.360	21.856.253	12,5	22,2
JULY	168.570	181.875	209.214	13.467.270	16.280.216	20.072.426	15,0	23,3
AUGUST	173.494	190.209	201.973	14.140.632	17.183.065	19.623.518	6,2	14,2
SEPTEMBER	180.973	185.194	207.181	14.831.011	16.737.238	20.236.951	11,9	20,9
OCTOBER	173.904	185.165	203.879	14.780.734	17.051.295	19.914.406	10,1	16,8
NOVEMBER	199.458	216.428	228.829	16.591.631	19.821.530	22.098.052	5,7	11,5
DECEMBER	223.855	235.745	250.466	18.592.392	21.291.225	24.186.846	6,2	13,6
<b>TOTAL</b>	<b>2.554.709</b>	<b>2.617.981</b>	<b>2.843.609</b>	<b>205.800.858</b>	<b>234.623.923</b>	<b>272.622.968</b>	<b>8,6</b>	<b>16,2</b>

**2.4 Penetration Rates by Regions**

## Turkish Catastrophe Insurance Pool



### 2.5 Penetration Rates by Provinces

REGIONS AND PROVINCES	TOTAL RESIDENCE	INSURED RESIDENCE	PENETRATION RATE (%)	SUM INSURED	PREMIUM
<b>AEGEAN</b>	<b>2.045.662</b>	<b>431.408</b>	<b>21,09</b>	<b>21.544.444.360</b>	<b>51.492.868</b>
MUĞLA	155.696	64.545	41,46	2.937.602.050	7.210.590
İZMİR	912.585	200.550	21,98	10.290.960.630	24.852.401
DENİZLİ	187.334	41.919	22,38	2.426.041.400	5.780.053
AYDIN	219.408	52.260	23,82	2.424.416.840	5.929.536
UŞAK	66.125	8.278	12,52	432.457.420	788.156
MANİSA	243.854	30.699	12,59	1.487.926.215	3.687.768
AFYON KARAHİSAR	137.210	19.324	14,08	867.905.715	1.885.075
KÜTAHYA	123.450	13.833	11,21	677.134.090	1.359.288
<b>MEDITERRANEAN</b>	<b>1.663.126</b>	<b>239.953</b>	<b>14,43</b>	<b>13.077.441.620</b>	<b>21.314.808</b>
ANTALYA	365.097	87.034	23,84	4.551.501.760	7.122.785
MERSİN	352.147	50.936	14,46	2.970.494.645	2.778.735
ADANA	375.351	43.880	11,69	2.770.950.860	4.641.138
BURDUR	52.018	6.979	13,42	323.525.420	834.175
ISPARTA	97.938	13.344	13,63	609.137.695	1.561.265
HATAY	218.635	22.419	10,25	1.068.521.335	2.605.806
OSMANİYE	68.586	6.311	9,20	320.802.415	744.339
K.MARAŞ	133.354	9.050	6,79	462.507.490	1.026.565
<b>EASTERN ANATOLIA</b>	<b>597.554</b>	<b>67.939</b>	<b>11,37</b>	<b>3.669.746.120</b>	<b>7.648.275</b>
ERZİNCAN	41.437	9.322	22,50	445.298.070	1.188.377
TUNCELİ	10.344	1.496	14,46	77.025.385	144.766
ERZURUM	94.248	11.453	12,15	658.851.480	1.152.142
KARS	23.646	2.788	11,79	143.114.710	257.873

**Turkish Catastrophe Insurance Pool**

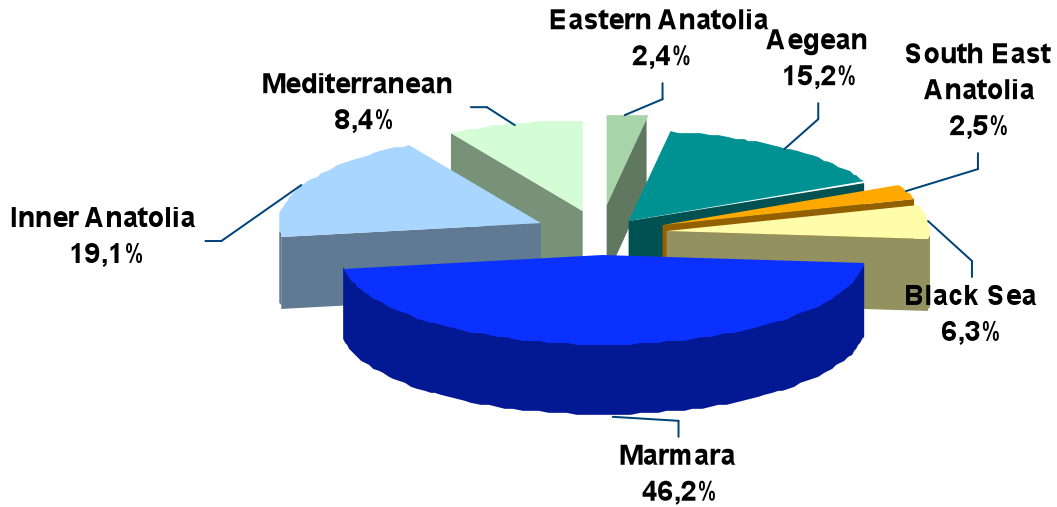
ELAZIĞ	87.783	14.289	16,28	854.572.695	1.541.323
ARDAHAN	6.463	844	13,06	41.263.015	71.304
MALATYA	123.573	12.432	10,06	716.731.345	1.726.627
VAN	64.081	4.539	7,08	240.713.020	438.413
AĞRI	32.921	2.232	6,78	85.168.285	172.890
İĞDIR	16.553	957	5,78	47.569.685	85.211
BİTLİS	28.919	2.237	7,74	101.959.420	219.998
MUŞ	28.815	1.081	3,75	50.514.140	123.564
HAKKARİ	16.314	962	5,90	39.409.130	116.612
BİNGÖL	22.458	3.307	14,73	167.555.740	409.173
<b>SOUTH EAST ANATOLIA</b>	<b>757.098</b>	<b>70.502</b>	<b>9,31</b>	<b>3.967.822.240</b>	<b>5.321.710</b>
GAZİANTEP	223.694	25.877	11,57	1.604.803.520	1.620.451
DİYARBAKIR	160.281	14.111	8,80	843.366.340	1.508.826
ŞANLIURFA	126.916	12.826	10,11	645.368.330	696.895
ADİYAMAN	60.552	6.077	10,04	310.842.660	581.237
KİLİS	16.318	923	5,66	36.410.820	48.189
MARDİN	70.134	4.000	5,70	198.842.205	231.232
SİİRT	24.195	1.631	6,74	77.115.440	189.685
BATMAN	44.462	4.321	9,72	214.781.815	377.280
ŞIRNAK	30.547	736	2,41	36.291.110	67.916
<b>MARMARA</b>	<b>4.416.073</b>	<b>1.312.999</b>	<b>29,73</b>	<b>68.347.015.415</b>	<b>145.035.645</b>
YALOVA	64.227	26.819	41,76	1.247.011.095	3.013.381
İSTANBUL	2.714.462	867.942	31,97	45.895.023.820	97.161.261
TEKİRDAĞ	178.113	62.735	35,22	3.322.036.640	4.511.889
KIRKLARELİ	66.520	15.358	23,09	807.087.850	610.884
EDİRNE	75.983	19.666	25,88	982.315.100	1.041.965
KOCAELİ	281.663	80.243	28,49	4.217.582.970	9.981.476
SAKARYA	125.109	42.018	33,59	2.157.540.695	5.265.705
ÇANAKKALE	90.302	23.285	25,79	1.092.674.785	2.717.828
BALIKESİR	272.600	62.159	22,80	2.765.449.690	6.835.924
BURSA	512.158	105.967	20,69	5.520.828.490	13.168.678
BİLECİK	34.937	6.807	19,48	339.464.280	726.656
<b>INNER ANATOLIA</b>	<b>2.227.055</b>	<b>542.163</b>	<b>24,34</b>	<b>28.387.241.115</b>	<b>26.094.379</b>
ANKARA	902.900	351.867	38,97	18.790.564.780	14.208.274
ESKİŞEHİR	166.174	44.084	26,53	2.052.584.015	3.712.429
ÇANKIRI	34.893	4.383	12,56	194.369.255	469.095
KAYSERİ	218.896	36.941	16,88	2.028.408.650	2.021.978
KIRŞEHİR	44.458	6.875	15,46	283.967.780	711.403
SİVAS	93.719	10.972	11,71	541.289.035	637.449
NEVŞEHİR	60.670	7.290	12,02	315.026.790	364.820
KARAMAN	44.706	6.079	13,60	345.092.255	217.721
KONYA	375.915	47.274	12,58	2.492.532.345	2.288.455
AKSARAY	65.232	8.509	13,04	462.738.605	305.592
NİĞDE	63.806	6.819	10,69	359.182.405	272.636
YOZGAT	89.145	6.303	7,07	278.518.065	345.955
KIRIKKALE	66.542	4.767	7,16	242.967.135	538.572
<b>BLACK SEA</b>	<b>1.282.096</b>	<b>178.645</b>	<b>13,93</b>	<b>9.117.466.335</b>	<b>15.715.283</b>

**Turkish Catastrophe Insurance Pool**

BOLU	38.918	17.299	44,45	913.845.305	2.195.891
DÜZCE	29.758	11.168	37,53	561.400.885	1.354.700
AMASYA	60.760	9.160	15,08	427.799.060	1.062.183
SİNOP	32.290	4.966	15,38	234.496.150	241.718
KASTAMONU	55.919	9.652	17,26	488.338.330	1.023.166
ÇORUM	91.638	14.266	15,57	741.786.450	1.344.732
ZONGULDAK	114.260	14.162	12,39	733.541.960	1.375.643
SAMSUN	204.034	26.139	12,81	1.306.105.540	2.169.074
BARTIN	23.942	3.705	15,48	173.804.415	429.513
KARABÜK	45.380	5.788	12,75	284.702.585	685.357
TRABZON	156.089	18.984	12,16	1.050.413.450	783.452
ORDU	130.823	13.130	10,04	715.832.300	800.721
ARTVİN	24.152	3.081	12,76	153.804.180	144.375
GİRESUN	76.527	7.610	9,94	383.646.820	345.948
TOKAT	106.952	12.409	11,60	572.882.440	1.403.306
RİZE	60.778	4.638	7,63	253.082.930	189.325
GÜMÜŞHANE	20.782	1.475	7,10	68.759.570	107.227
BAYBURT	9.095	1.013	11,14	53.223.965	58.953
<b>TOTAL TURKEY</b>	<b>12.988.664</b>	<b>2.843.609</b>	<b>21,89</b>	<b>148.111.177.205</b>	<b>272.622.968</b>

Source: State Statistics Organization, Residence Census 2000

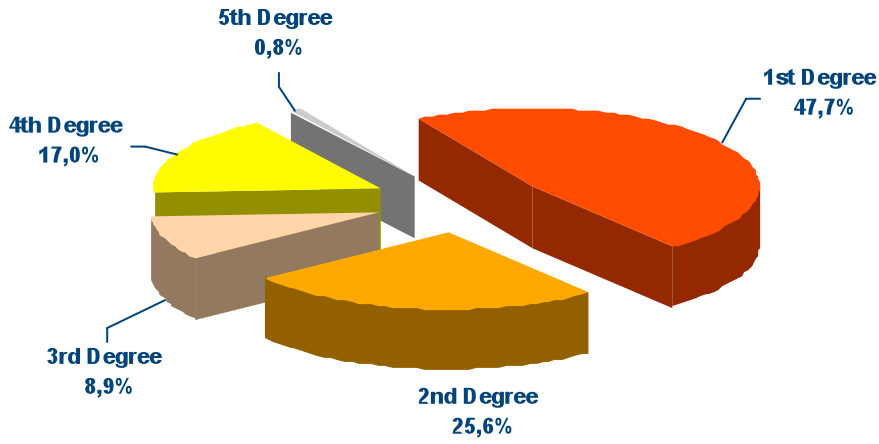
**2.6 Policy Distribution by Regions**



<b>PRODUCTION BY REGIONS</b>	<b>Number of Policies</b>	<b>Rate (%)</b>	<b>Premium (TRY)</b>	<b>Rate (%)</b>
Mediterranean	239.953	8,4	21.314.808	7,8
Eastern Anatolia	67.939	2,4	7.648.275	2,8
Aegean	431.408	15,2	51.492.868	18,9
South East Anatolia	70.502	2,5	5.321.710	2,0
Black Sea	178.645	6,3	15.715.283	5,8
Marmara	1.312.999	46,2	145.035.645	53,2

Inner Anatolia	542.163	19,1	26.094.379	9,6
<b>TOTAL</b>	<b>2.843.609</b>	<b>100</b>	<b>272.622.968</b>	<b>100</b>

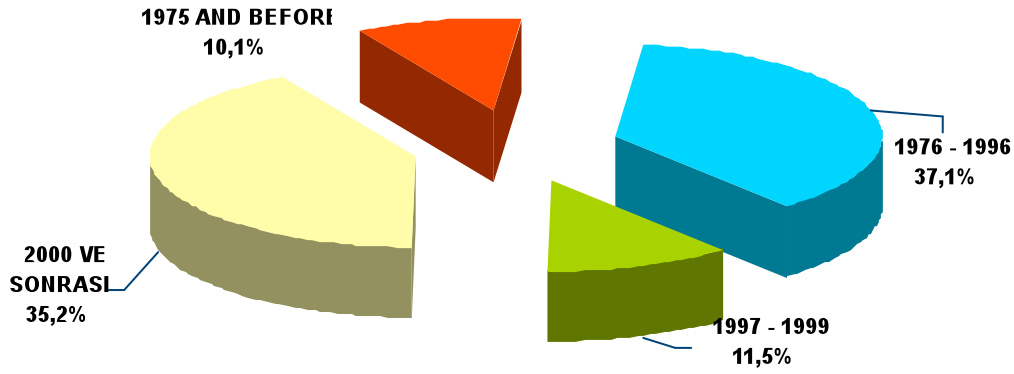
## 2.7 Distribution of Policies by Risk Regions



PRODUCTION BY RISK REGIONS	Number of Policies	Rate (%)	Premium (TR)	Rate (%)
1st Degree	1.355.453	47,7	168.533.214	61,8
2nd Degree	728.664	25,6	69.369.708	25,4
3rd Degree	254.009	8,9	14.826.760	5,4
4th Degree	482.124	17,0	19.091.485	7,0
5th Degree	23.359	0,8	801.800	0,3

<b>TOTAL</b>	<b>2.843.609</b>	<b>100</b>	<b>272.622.968</b>	<b>100</b>
--------------	------------------	------------	--------------------	------------

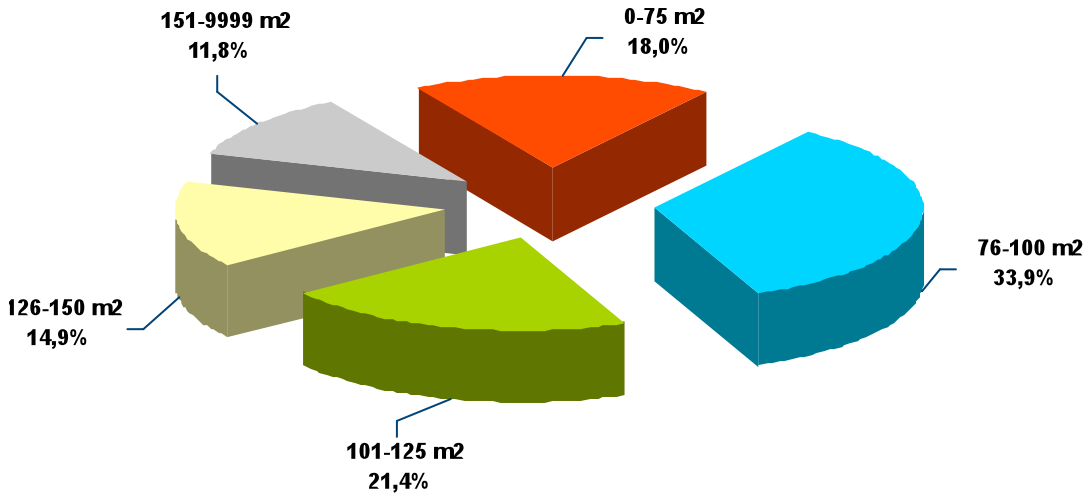
## 2.8 Distribution of Policies by Building Construction Year



PRODUCTION BY CONSTRUCTION YEAR	Number of Policies	Rate (%)	Premium (TRY)	Rate (%)
1975 and Before	287.429	10,1	25.224.634	9,3
Between 1976 and 1996	1.053.841	37,1	103.889.271	38,1
Between 1997 and 1999	328.102	11,5	33.371.362	12,2
2000 and After	1.174.237	41,3	110.137.701	40,4
<b>TOTAL</b>	<b>2.843.609</b>	<b>100</b>	<b>272.622.968</b>	<b>100</b>



## 2.9 Distribution of Policies by Building Surface Area



PRODUCTION BY BUILDING SURFACE AREA	Number of Policies	Rate (%)	Premium	Rate (%)
Below 75 m²	510.913	18,0	29.316.145	10,8
76-100 m²	965.403	33,9	79.306.048	29,1
101-125 m²	609.661	21,4	61.434.911	22,5
126-150 m²	423.080	14,9	49.604.733	18,2
Above 150 m²	334.552	11,8	52.961.131	19,4
<b>TOTAL</b>	<b>2.843.609</b>	<b>100</b>	<b>272.622.968</b>	<b>100</b>

**3. AUDIT REPORT**

**DRAFT**

**TURKISH CATASTROPHE INSURANCE POOL**

**FINANCIAL STATEMENTS AS AT 31 DECEMBER 2008**

**COMMENTS AND FOOTNOTES TO FINANCIAL STATEMENTS**

**INDEPENDENT AUDITOR'S REPORT**

### 3.1.2 INDEPENDENT AUDITOR'S REPORT

#### **The Turkish Catastrophe Insurance Pool**

##### **To the Board of Directors**

1. We have audited the attached balance sheet as at 31 December 2008, the income statement, the net asset change statement and the cash flow statement covering the period ending at the same date, as well as the summary of the important accounting policies and the other footnotes, of the Turkish Catastrophe Insurance Pool (the "TCIP").

##### *Responsibility of the Board of Directors Regarding the Financial Statements*

2. The Board of Directors is responsible for preparation and proper presentation of the financial statements in accordance with the International Financial Reporting Standards. This responsibility includes preparation of the financial statements without containing any mistake or false data amounting to fraud; designing, implementation and maintenance of an internal control system so as to ensure accurate presentation of the financial statements; making of reasonable accounting estimates under the prevailing conditions; and selection and implementation of appropriate accounting policies.

##### *Responsibility of the Independent Audit Firm*

3. Our responsibility is to give an opinion about the financial statements based on the outcomes of the independent audit we have done. We have done the independent audit in accordance with the International Audit Standards. These standards require that the ethical principals are observed and the independent audit is planned and done so as to provide a reasonable assurance that the financial statements do not contain any mistake or false data.

Our audit includes the use of the audit techniques aimed at gathering of the supporting evidence regarding the amounts and explanations given in the financial statements. The audit techniques are selected by the auditor so as to include a risk assessment as to whether the financial

statements contain a significant mistake, including false statements amounting to a fraud. While the risk assessment takes into account the internal control system concerning the preparation and accurate presentation of the financial statements, the purpose is not to give an opinion about the efficiency of the internal control system, but to enhance the audit techniques required by the prevailing conditions. Besides the assessment of the appropriateness of the accounting policies implemented and the reasonableness of the accounting estimates done by the enterprise, the audit also includes an assessment of the overall presentation of the financial statements.

We believe that the audit evidence we have obtained provide a satisfactory and appropriate base for arriving at the opinion we have given herein.

*Our Opinion*

4. In our opinion, the financial statements of the Turkish Catastrophe Insurance Pool as at 31 December 2008 attached hereto reflect the financial standing as well as the financial performance and cash flows of the Turkish Catastrophe Insurance Pool in the year ending at the same date accurately in all material respects in accordance with the International Financial Reporting Standards.

Başaran Nas Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.  
[Independent Auditors and Chartered Public Accountants]  
a member of PricewaterhouseCoopers

DRAFT

Talar Gül, Chartered Public Accountant  
Responsible Partner, Chief of Auditors

Istanbul, 5 May 2009

FINANCIAL STATEMENTS AS AT 31 DECEMBER 2008

PAGE

**BALANCE SHEETS**

**INCOME STATEMENTS**

**NET ASSET CHANGE STATEMENTS**

**CASH FLOW STATEMENTS**

**FOOTNOTES TO THE FINANCIAL STATEMENTS**

NOTE 1	ORGANIZATION AND BUSINESS OF THE TCIP
NOTE 2	ESSENTIALS APPLICABLE TO PRESENTATION OF THE FINANCIAL STATEMENTS
NOTE 3	SUMMARY OF IMPORTANT ACCOUNTING POLICIES
NOTE 4	INSURANCE AND FINANCIAL RISK MANAGEMENT
NOTE 5	CASH AND CASH-LIKE ASSETS
NOTE 6	FINANCIAL ASSETS
NOTE 7	PREMIUM RECEIVABLES
NOTE 8	OTHER ASSETS
NOTE 9	TANGIBLE FIXED ASSETS
NOTE 10	LOANS
NOTE 11	OTHER SHORT TERM LIABILITIES
NOTE 12	INSURANCE RESERVES
NOTE 13	EARNED PREMIUM INCOMES
NOTE 14	LOSSES
NOTE 15	COMMISSION EXPENDITURE
NOTE 16	OVERHEADS
NOTE 17	FINANCIAL INCOMES, NET
NOTE 18	FOREIGN EXCHANGE POSITION
NOTE 19	EVENTS AFTER THE DATE OF BALANCE SHEET
NOTE 20	RESERVES AND CONTINGENT LIABILITIES

**DETAILED BALANCE SHEETS AS AT 31 DECEMBER 2008 AND 2007**

(Unless otherwise stated, the amounts are in Turkish lira ("TL"))

	Note	2008	2007
<b>ASSETS</b>			
Cash and cash-like assets	5	841,843,397	579,313,795
Financial assets	6	89,956,621	101,958,000
Premium receivables	7	19,378,297	18,593,469
Deferred commission expenditures	15	22,335,589	19,507,181
Other assets	8	64,893,742	51,060,658
Tangible fixed assets, net	9	1,105,927	1,098,565
<b>Total assets</b>		<b>1,039,513,573</b>	<b>771,531,668</b>
<b>LIABILITIES AND NET ASSETS</b>			
Short term parts of the long term loans	10	15,667,449	10,813,115
Other short term liabilities	11	72,855,141	61,952,112
Reserve for unearned premiums	12	133,734,228	115,830,090
Reserve for outstanding losses and indemnities	12	937,366	529,724
Long term loans	10	64,251,060	59,232,153
<b>Total liabilities</b>		<b>287,445,244</b>	<b>248,357,194</b>
Current market value fund		705,688	(1,396)
Accumulated fund reserve		751,362,641	523,175,870
<b>Total net assets</b>		<b>752,068,329</b>	<b>523,174,474</b>
<b>Total liabilities and net assets</b>		<b>1,039,513,573</b>	<b>771,531,668</b>

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

**INCOME STATEMENTS FOR THE YEARS ENDING AT 31 DECEMBER 2008 AND 2007**

(Unless otherwise stated, the amounts are in Turkish lira ("TL"))

	Not	2008	2007
<b>Incomes</b>			
Earned premium incomes	13	254,687,912	219,355,704
<b>Total insurance incomes</b>		<b>254,687,912</b>	<b>219,355,704</b>
<b>Expenditures</b>			
Reinsurance expenditures		(79,887,634)	(78,083,774)
Commission expenditures	15	(48,431,803)	(40,208,268)
Losses	14	(1,531,633)	(1,591,351)
<b>Total insurance expenditures</b>		<b>(129,851,070)</b>	<b>(119,883,393)</b>
<b>Insurance incomes, net</b>		<b>124,836,842</b>	<b>99,472,311</b>
Financial incomes, net	17	108,302,713	91,920,919
Overheads	16	(4,952,784)	(2,417,712)
<b>Increase in fund reserve</b>		<b>228,186,771</b>	<b>188,975,518</b>

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

**NET ASSET CHANGE STATEMENTS AS AT 31 DECEMBER 2008 AND 2007**

(Unless otherwise stated, the amounts are in Turkish lira ("TL"))

	Reasonable value fund	Accumulated fund reserve	Total
<b>1 January 2007</b>	<b>(614,550)</b>	<b>334,200,352</b>	<b>333,585,802</b>
Reasonable value fund	613,154		-613,154
Increase in fund reserve	-	188,975,518	188,975,518
<b>31 December 2007</b>	<b>(1,396)</b>	<b>523,175,870</b>	<b>523,174,474</b>
Reasonable value fund	707,084		-707,084
Increase in fund reserve	-	228,186,771	228,186,771
<b>31 December 2008</b>	<b>705,688</b>	<b>751,362,641</b>	<b>752,068,329</b>

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

**CASH FLOW STATEMENTS AS AT 31 DECEMBER 2008 AND 2007**

(Unless otherwise stated, the amounts are in Turkish lira ("TL"))



	Note	2008	2007
<b>Cash flow related with business operations</b>			
<b>Increase in the fund reserve</b>		<b>228,186,771</b>	<b>188,975,518</b>
<b>Corrections made:</b>			
Depreciation and depletion allowance	9	189,071	735,220
Net incomes from investments		(123,606,776)	(88,843,839)
Interest income	17	3,526,077	5,978,059
Exchange loss/(profit) associated with loans		18,974,619	(14,715,180)
Increase in receivables		(784,828)	(3,070,620)
(Increase)/decrease in other current assets		(13,833,084)	2,146,438
Decrease in other long term liabilities		-	(70,280)
Change in technical reserves and deferred commission expenditures		15,483,372	12,517,279
Increase in other short term liabilities		10,722,323	1,249,685
<b>Net cash inflow from business operations</b>		<b>138,857,545</b>	<b>104,902,280</b>
<b>Cash flow associated with investments</b>			
Interest received		110,024,392	92,399,528
Decrease/(increase) in financial assets ready for sale		15,674,967	(13,981,585)
Purchased tangible fixed assets		(15,726)	-
<b>Net cash inflow from investments</b>		<b>125,683,633</b>	<b>78,417,943</b>
<b>Net cash flow associated with financial operations</b>			
Principal and interest repayments		(12,627,455)	(12,396,347)

**CASH FLOW STATEMENTS AS AT 31 DECEMBER 2008 AND 2007**

(Unless otherwise stated, the amounts are in Turkish lira ("TL"))

**Net cash outflows related with**

Turkish Catastrophe Insurance Pool

<b>financial operations (-)</b>		<b>(12,627,455)</b>	<b>(12,396,347)</b>
<b>Net increase in cash and cash-like assets</b>		<b>251,913,723</b>	<b>170,923,876</b>
<b>Cash and cash-like assets at the beginning of the period</b>	<b>5</b>	<b>571,811,902</b>	<b>400,888,026</b>
<b>Cash and cash-like assets at the end of the period</b>	<b>5</b>	<b>823,725,625</b>	<b>571,811,902</b>

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

**FOOTNOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2008**

(Unless otherwise stated, the amounts are in New Turkish Lira ("TRY"))

**NOTE 1 - ORGANIZATION AND BUSINESS OF THE TCIP**

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

The TCIP started the policy sales on 27 September 2000.

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

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

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

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

The annual accounts, transactions and expenditures of the TCIP are audited by the Undersecretariat of Treasury.

The financial statements of the TCIP were approved by the Board of Directors on 5 May 2009.

## **NOTE 2 - ESSENTIALS APPLICABLE TO THE PRESENTATION OF THE FINANCIAL STATEMENTS**

Financial statements of the TCIP as at 31 December 2008 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") covering the standards and comments issued by the International Accounting Standards Board ("IASB"), which are in effect at that date.

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

Pursuant to the article 1 of the Law No. 5083 on the Currency of the State of the Republic of Turkey and the Decree of the Council of Ministers dated 4 April 2007, no. 2007/11963, the word "New" before the Turkish lira and kuruş has been abolished to be effective from 1 January 2009 on. Accordingly, in the conversion of a value in New Turkish lira into Turkish lira and kuruş, TRY 1.00 is taken as TL 1.00 and TRYk 1.00 as Tkr 1.00.

Any amount in New Turkish lira (TRY) stated in any law, regulation, administrative and legal transaction, court judgment, commercial paper and other documents as well as any payment and exchange instruments which lead to a legal consequence is deemed converted and denominated in TL at the conversion rate given above. Consequently, TL has replaced the New Turkish lira in terms of keeping and presentation of the financial statements and records from 1 January 2009 on.

#### ***Accounting of the impact of hyperinflation***

Adjustments due to the change in the measuring unit of TL were made in accordance with the IAS 29 "Financial Reporting in Hyperinflationary Economies" before 1 January 2006. The IAS 29 provides that the financial statements of an entity that reports in the currency of a hyperinflationary economy should be stated in terms of the measuring unit current at the balance sheet date and comparative figures for prior period(s) should be restated into the same current measuring unit. Since the changes in the Turkish economy signal the end of hyperinflationary economy, the TCIP has not been applying the IAS 29 since 1 January 2006. Accordingly, the figures as at 31 December 2005 stated in the measuring unit being current at the same date are the basis of the figures carried forward to the financial statements attached hereto.

#### ***Amendments and interpretations introduced in 2008, which do not have an impact on the financial statements of the TCIP:***

IFRIC 11, "IFRS 2 - Group and Treasury Share Transactions" (It is applicable to the annual reporting periods beginning on or after 1 March 2007).

IFRIC 12, "Service Concession Agreements" (It is applicable to the annual reporting periods beginning on or after 1 January 2008).

---

IFRIC 13, "Customer Loyalty Programmes" (It is applicable to the annual reporting periods beginning on or after 1 July 2008).

IFRIC 14, "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (It is applicable to the annual reporting periods beginning on or after 1 January 2008).

IFRIC 16, "Hedges of a Net Investment in a Foreign Operation" (It is applicable to the annual reporting periods beginning on or after 1 October 2008).

***Standards not yet effective and not adopted for early implementation by the TCIP, and amendments and interpretations to the previous standards in effect:***

IFRS 8, "Operating Segments" (It is applicable to the annual reporting periods beginning on or after 1 January 2009).

IAS 1 (Amended), "Presentation of Financial Statements" (It is applicable to the annual reporting periods beginning on or after 1 January 2009).

IAS 19 (Amended), "Employee Benefits" (It is applicable to the annual reporting periods beginning on or after 1 January 2009).

IAS 20 (Amended), "Government Grants" (It is applicable to the reporting years beginning on or after 1 January 2009. It is not expected that this interpretation will be adopted by the TCIP).

IAS 23 (Amended), "Borrowing Costs" (It is applicable to the annual reporting periods beginning on or after 1 January 2009).

IAS 27 (Amended), "Consolidated and Separate Financial Statements" (It is applicable to the annual reporting periods beginning on or after 1 January 2009).

IAS 28 (Amended), "Investments in Associates" (It is applicable to the annual reporting periods beginning on or after 1 January 2009).

IAS 29 (Amended), "Financial Reporting in Hyperinflationary Economies" (It is applicable to the annual reporting periods beginning on or after 1 January 2009).

IAS 31 (Amended), "Accounting for Interests in Jointly Controlled Entities" and ensuing amendments to the IAS 32 and IFRS 7 (It is applicable to the annual reporting periods beginning on or after 1 January 2009).

---

IAS 32 (Amended), "Financial Instruments: Presentation" (It is applicable to the annual reporting periods beginning on or after 1 January 2009).

IAS 36 (Amended), "Impairment of Assets" (It is applicable to the annual reporting periods beginning on or after 1 January 2009).

IAS 38 (Amended), "Intangible Assets" (It is applicable to the annual reporting periods beginning on or after 1 January 2009).

IAS 39 (Amended), "Financial Instruments: Recognition and Measurement" (It is applicable to the annual reporting periods beginning on or after 1 January 2009).

IAS 40 (Amended), "Investment Property" (It is applicable to the annual reporting periods beginning on or after 1 January 2009).

IAS 41 (Amended), "Agriculture". It will become effective in reporting periods beginning on or after 1 January 2009. It is not expected that this interpretation will be adopted by the TCIP.

IFRS 1 (Amended), "First-time Adoption of IFRS" (It is applicable to the annual reporting periods beginning on or after 1 January 2009).

IFRS 2 (Amended), "Share-based Payment" (It is applicable to the annual reporting periods beginning on or after 1 January 2009).

IFRS 3 (Amended), "Business Combinations" (It is applicable to the annual reporting periods beginning on or after 1 July 2009).

IFRS 5 (Amended), "Non-current Assets Held for Sale and Discontinued Operations" (It is applicable to the annual reporting periods beginning on or after 1 July 2009).

IFRIC 15, "Agreements for the Construction of Real Estate" (It is applicable to the annual reporting periods beginning on or after 1 January 2009).

### ***Comparative Information***

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

### **NOTE 3 - SUMMARY OF IMPORTANT ACCOUNTING POLICIES**

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

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

### ***Premium incomes / Commission expenditures***

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

### ***Reinsurance expenditures***

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

The excess of loss reinsurance treaties are renewed on annual basis and cover a period of twelve months from November of the previous year till the end of October of the current year. Therefore, the reinsurance expenditures accrued during the current year cover 10 months of the term of a reinsurance treaty ending in October 2008 and 2 months of the term of a reinsurance treaty ending in October 2009. The reinsurance expenditures accounted for in the current year also include the adjustment premiums accrued under the respective reinsurance treaties as well as the brokerage fees accrued and paid to the brokers.

### ***Losses***

Losses have been accounted for in the sums reported at the period when they have occurred. The reserve for outstanding losses has been set aside as the total cost of all unpaid liabilities pertaining to the losses occurred as at the end of the period.

### ***Tangible fixed assets***

The tangible fixed assets are recognized as the difference between the cost of acquisition stated in the measuring unit of Turkish lira as at 31 December 2005 and the accumulated depreciation. Depreciation is calculated by linear depreciation method in reference to the useful life of the tangible fixed assets estimated based on their adjusted value. The approximate useful lives of the tangible fixed assets are as follows:

Fixtures	5 years
----------	---------

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

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

### ***Financial assets***

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

#### ***a) Financial assets ready for sale***

Financial assets ready for sale are the non-derivative assets which are held at hand for sale or which are not classified in the other categories. Assets that can be sold according to the liquidity requirement or due to changes in the interest rates, the exchange rates and the stock prices and



that are held at hand without being subject to a certain period of time have been classified as the financial assets ready for sale.

b) *Financial assets whose reasonable value difference is reflected in the income statement*

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

c) *Loans and receivables*

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

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

Profits or losses from changes in the reasonable value of the financial assets ready for sale are traced in the account of current value fund under the account of net assets. When the financial assets are disposed or devalued, the accumulated reasonable value differences recognized in the account of net assets are carried forward to the income statement. The interest calculated by the active interest rate method on the financial assets ready for sale is stated in the income statement.

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

### ***Conversion of foreign currencies***

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

### ***Loans***

The loans are first recognized by their reasonable value from which the transaction costs were deducted. They are valued in the following periods by their discounted sums, and the difference between the sum of the utilized loans net of the transaction costs and their value calculated by the active interest rate method at the date of the balance sheet is reflected in the income statement.

### **Reasonable value of the financial instruments**

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

The TCIP has ascertained the estimated reasonable value of the financial instruments by using the available market data and the appropriate valuation methods to the extent that proper and reliable information can be obtained from the financial markets in Turkey. However, the estimation of the reasonable value requires the use of discretion in the interpretation of the market data. Consequently, the estimations presented here may not be the indication of the values that the TCIP can get in a current market transaction.

---

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

*Financial assets*

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

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

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

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

*Financial liabilities*

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

**NOTE 4 - INSURANCE AND FINANCIAL RISK MANAGEMENT**

***Insurance risk***

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

The risk associated with the insurance contracts is the inability to know the possibility of occurrence of the insured peril and the amount of loss that may result from the occurrence of the insured peril. By the very nature of the insurance contracts, the insured risk is purely coincidental, and therefore cannot be estimated realistically.

In a policy portfolio under which the theory of possibility is applied to the pricing and reserve setting methodology, the basic risk to which the TCIP is exposed in connection with the insurance

contracts is the possibility that the amount of losses and indemnities paid exceeds the book value of the reserves set aside for them. The management of the TCIP believes that the loss reserves set aside as at the end of the year are adequate.

The TCIP has been providing earthquake insurance to buildings used as residence. The payment power of the TCIP is limited with the accumulated funds it has and the protection it has obtained from the reinsurance markets. In determination of the upper limit and priorities of the reinsurance protection, the catastrophic risk models are used. The respective limits are monitored according to the cumulative developments on the regional basis. The premiums are calculated by the tariffs established according to the earthquake risk zones and the type of the construction. The maximum sum insured given to a residence is TL 120,000. And the minimum premium is TL 30 regardless of the earthquake risk zone and the type of construction.

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

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

	<b>2008</b>	<b>2007</b>
İstanbul region	45,895,023,820	39,656,312,240
Diğer regions	102,216,153,385	85,213,273,415
<b>Total</b>	<b>148,111,177,205</b>	<b>124,869,585,655</b>

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

	<b>2008</b>	<b>2007</b>
Zone 1	68,761,222,650	58,616,543,750
Zone 2	38,180,700,075	32,749,263,110
Zone 3	14,271,197,755	12,026,434,870
Zone 4	25,695,798,255	20,565,907,250
Zone 5	1,202,258,470	911,436,675
<b>Total</b>	<b>148,111,177,205</b>	<b>124,869,585,655</b>

## ***Financial risk factors***

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

### ***(a) Market risk***

#### ***i. Interest rate risk***

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

The financial assets ready for sale with variable interest rate expose the TCIP to the interest rate risk. Assuming that the market interest rate applied to the financial assets with variable interest rate as at 31 December 2008 were %1 higher or lower with all other variables unchanged, the net assets would be TL 355 (31 December 2007: TL 3,698) higher or lower due to higher or lower interest income from the financial assets with variable interest rates.

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

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

Turkish Catastrophe Insurance Pool

31 December 2008	Shorter than 3 months	3 months- 1 year	1-5 years	Longer than 5 years	Not sensitive to interest rate	Total
Financial assets ready for sale	109,745	-	-	-	84,760,773	<b>84,870,518</b>
Financial assets of which reasonable value difference is reflected in the income statement	-	-	-	-	5,086,103	<b>5,086,103</b>
<b>Total</b>	<b>109,745</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>89,846,876</b>	<b>89,956,621</b>

31 December 2007	Shorter than 3 months	3 months- 1 year	1-5 years	Longer than 5 years	Not sensitive to interest rate	Total
Financial assets ready for sale	944,904	-	-	-	101,013,096	101,958,000
Financial assets of which reasonable value difference is reflected in the income statement	-	-	-	-	-	-
<b>Total</b>	<b>944,904</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>101,013,096</b>	<b>101,958,000</b>

*ii. Exchange rate risk*

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

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

Assuming that Euro gained/lost value by 10% over TL as at 31 December 2008, with all other variables unchanged, the value of the net assets would be TL 850,223 (31 December 2007: TL 2,915,001) higher/lower due to profit/loss from exchange rate difference as a result of conversion of receivables and liabilities in Euro into TL.

Assuming that USD gained/lost value by 10% over TL as at 31 December 2008, with all other variables unchanged, the value of the net assets would be TL 6,454,335 (31 December 2007: TL 5,873,934) lower/higher due to loss/profit from exchange rate difference as a result of conversion of receivables and liabilities in USD.

**iii. Price risk**

Financial assets of the TCIP expose it to the price risk.

As at 31 December 2008, the financial assets ready for sale with fixed interest rate are recognized by their market value. Assuming that the market interest rates increased/decreased by 1%, with all other variables unchanged, the value of the net assets would be TL 260,710 (31 December 2007: TL 576,562) lower/higher in the respective period.

As at 31 December 2008, the financial assets of the TCIP classified as ready for sale are recognized by their market value. Assuming that the market prices increased/decreased by 5%, with all other variables unchanged, the value of the net assets would be TL 4,243,526 (31 December 2007: TL 4,931,211) higher/lower.

As at 31 December 2008, the financial assets of the TCIP of which the reasonable value difference is reflected in the income statement are

recognized by their market value. Assuming that the market price of the financial assets of which the reasonable value difference is reflected in the income statement increased/decreased by 5%, with all other variables unchanged, the value of the net assets would be TL 254,305 (31 December 2008: None) higher/lower.

**(b) Credit risk**

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

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

**i. Bank deposits**

S&P	2008			2007		
	TL	Foreign currency	Total	TL	Foreign currency	Total
B	299,414,065	-	299,414,065	326,464,846	5,658,032	<b>332,122,878</b>
Not rated	514,495,421	27,933,911	542,429,332	203,719,625	43,471,292	<b>247,190,917</b>
<b>Total</b>	<b>813,909,486</b>	<b>27,933,911</b>	<b>841,843,397</b>	<b>530,184,471</b>	<b>49,129,324</b>	<b>579,313,795</b>

Moody's	2008			2007		
	TL	Foreign currency	Total	TL	Foreign currency	Total
P2	629,005,580	-	629,005,580	500,846,103	-	500,846,103
NP	-	12,571,727	12,571,727	-	13,009,735	13,009,735
Not rated	184,903,906	15,362,184	200,266,090	29,338,368	36,119,589	65,457,957
<b>Total</b>	<b>813,909,486</b>	<b>27,933,911</b>	<b>841,843,397</b>	<b>530,184,471</b>	<b>49,129,324</b>	<b>579,313,795</b>

Fitch	2008			2007		
	TL	Foreign currency	Total	TL	Foreign currency	Total
F3	621,783,340	-	621,783,340	398,610,499	-	398,610,499
B	192,126,146	27,933,911	220,060,057	131,573,972	49,129,324	180,703,296



Turkish Catastrophe Insurance Pool

<b>Total</b>	<b>813,909,486</b>	<b>27,933,911</b>	<b>841,843,397</b>	<b>530,184,471</b>	<b>49,129,324</b>	<b>579,313,795</b>
--------------	--------------------	-------------------	--------------------	--------------------	-------------------	--------------------

**ii. Financial assets ready for sale**

2008	S&P	Moody's	Fitch
Short term - TL	84,194,470	B	-
Long term - TL	676,048	BB	Ba3
<b>Total</b>	<b>84,870,518</b>		

2007	S&P	Moody's	Fitch
Short term - TL	91,277,845	B	-
Long term - TL	10,678,970	BB	Ba3
Short term - Foreign currency	1,185	B	-
<b>Total</b>	<b>101,958,000</b>		

**iii. Premium receivables**

	2008	2007
Premium receivables from insurance companies	19,378,297	18,593,469

Premium receivables of the TCIP are from the insurance companies operating in Turkey, whose operations and financial activities are subject to special regulations of the Undersecretariat of Treasury, which is the most important regulatory body, concerning the capital solvency.

The TCIP has no overdue receivables as at 31 December 2008. All receivables have been collected at due dates throughout the reporting period, and the management of the TCIP does not expect a loss from non-payment of its receivables from the insurance companies.

**iv. Reinsurance shares in the insurance liabilities**

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

Limited to the TCIP under the excess of loss reinsurance contracts in effect as at 31 December 2008 and 2007 are as follows:

Limits of reinsurance protection	EUR		TL	
	<u>Amount in foreign currency</u>		<u>equivalent</u>	
	2008	2007	2008	2007
Lower limit	150,000,000	100,000,000	321,120,000	171,020,000
Upper limit	1,400,000,000	1,250,000,000	2,997,120,000	2,137,750,000
<b>Maximum protection purchased</b>	<b>1,250,000,000</b>	<b>1,150,000,000</b>	<b>2,676,000,000</b>	<b>1,966,730,000</b>

What follows is an analysis of the credibility of Willis Limited based on the ratings given to it by the independent rating firms as at 31 December 2008 and 2007:

2008	S&P	Moody's	Fitch
Willis Limited	-BBB	-	-BBB
2007	S&P	Moody's	Fitch
Willis Limited	BBB	Baa2	BBB

### (c) Liquidity risk

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

What follows is the distribution of the undiscounted amounts of the financial assets and liabilities of the TCIP by their due dates arising from the contracts or expected as at the balance sheet dates:

<b>Cash flows arising from contracts or expected</b>						
<b>31 December 2008</b>	<b>Shorter than 3 months</b>	<b>3 months - 1 year</b>	<b>1 year - 5 years</b>	<b>Longer than 5 y</b>	<b>At call</b>	<b>Total</b>
<b>Assets</b>						
Cash and cash-like						
assets	841,830,392	-	-	-	13,005	841,843,397
Financial assets	33,020,549	56,260,024	676,048	-	-	89,956,621
Premium receivables	19,378,297	-	-	-	-	19,378,297
Other assets	25,600,697	39,293,045	-	-	-	<b>64,893,742</b>
<b>Total</b>	<b>919,829,935</b>	<b>95,553,069</b>	<b>676,048</b>	<b>-</b>	<b>13,005</b>	<b>1,016,072,057</b>
<b>Liabilities</b>						
Loans	-	15,916,764	63,870,275	9,783,590	-	89,570,629
Other short term						
liabilities	34,828,734	38,026,407	-	-	-	72,855,141
Reserve for						
unearned premiums	10,303,350	123,430,878	-	-	-	133,734,228
Reserve for outstanding						
claims	797,617	-	139,749	-	-	937,366
<b>Total</b>	<b>45,929,701</b>	<b>177,374,049</b>	<b>64,010,024</b>	<b>9,783,590</b>	<b>-</b>	<b>297,097,364</b>

<b>Cash flows arising from contract or expected</b>						
<b>31 December 2007</b>	<b>Shorter than 3 months</b>	<b>3 months - 1 year</b>	<b>1 year - 5 years</b>	<b>Longer than 5 y</b>	<b>At call</b>	<b>Total</b>
<b>Assets</b>						
Cash and cash-lire						
assets	567,552,049	11,741,185	-	-	20,561	<b>579,313,795</b>
Financial assets	3,692,600	87,586,430	10,678,970	-	-	101,958,000
Premium receivables	18,593,469	-	-	-	-	18,593,469
Other assets	20,139,230	30,921,428	-	-	-	<b>51,060,658</b>
<b>Total</b>	<b>609,977,348</b>	<b>130,249,043</b>	<b>10,678,970</b>	-	<b>20,561</b>	<b>750,925,922</b>
<b>Liabilities</b>						
Loans	-	10,943,063	53,463,463	15,519,484	-	79,926,010
Other short term						
liabilities	33,025,917	28,926,195	-	-	-	61,952,112
Reserve for unearned						
premiums	9,145,117	106,684,973	-	-	-	115,830,090
Reserve for outstanding						
claims	203,616	-	326,108	-	-	529,724
<b>Total</b>	<b>42,374,650</b>	<b>146,554,231</b>	<b>53,789,571</b>	<b>15,519,484</b>	-	<b>258,237,936</b>

### Fund reserve risk management

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

### NOTE 5 - CASH AND CASH-LIKE ASSETS

**Turkish Catastrophe Insurance Pool**

	<b>2008</b>	<b>2007</b>
Bank deposits	841,843,397	579,313,795
<b>Total</b>	<b>841,843,397</b>	<b>579,313,795</b>

Details of the bank deposits are as follows:

Bank deposits in foreign currencies

- demand deposits	12,976	19,332
- time deposits	27,920,935	49,109,992

Bank deposits in TL

- demand deposits	29	1,229
- time deposits	813,909,457	530,183,242

<b>Total</b>	<b>841,843,397</b>	<b>579,313,795</b>
--------------	--------------------	--------------------

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

	<b>Amount in FX</b>		<b>TL equivalent</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
USD	10,158,159	9,713,304	15,362,184	11,313,085
EUR	5,866,382	22,100,869	12,558,751	37,796,907
<b>Total</b>			<b>27,920,935</b>	<b>49,109,992</b>

Maturity of time deposits is shorter than 3 months (31 December 2007: shorter than 6 months). The annual weighed mean interest rates are as follows:

	<b>Annual interest rate (%)</b>	
	<b>2008</b>	<b>2007</b>
TL	22.48	18.31
USD	7.08	5.62
EUR	3.00	5.07

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

Turkish Catastrophe Insurance Pool

	Amount in FX		TL equivalent	
	2008	2007	2008	2007
EUR	-	5,175	-	8,850
USD	8,580	9,000	12,976	10,482
<b>Total</b>			<b>12,976</b>	<b>19,332</b>

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

	2008	2007
Cash and cash-like assets	841,843,397	579,313,795
Minus: Accrued interest	(18,117,772)	(7,501,893)
<b>Total cash and cash-like assets</b>	<b>823,725,625</b>	<b>571,811,902</b>

**NOT 6 - FINANCIAL ASSETS**

	2008	2007
<u>Financial assets ready for sale</u>		
Government bonds and treasury bills	84,870,518	98,264,215
Reverse repo transactions	-	3,685,473
Other	-	8,312
<u>Financial assets of which reasonable value difference is reflected in the income statement</u>		
Mutual fund	5,086,103	-
<b>Total</b>	<b>89,956,621</b>	<b>101,958,000</b>

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

	2008 (%)	2007 (%)
Government bonds and treasury bills	19.00	16.66
Reverse repo transactions	-	15.24
Eurobond	-	7.08

TL 109,745 (31 December 2007: TL 944,904) of the securities bear variable interest rate.

Maturity analysis of the financial assets is as follows:

2008	Shorter than				Longer than		Total
	1 month	1-3 mnts	3-6 mnts	6-12 mnts	1-5 yrs	5 yrs	
Government bonds and treasury bills	-	27,934,446	29,622,285	26,637,739	676,048	-	84,870,518
Mutual funds	5,086,103	-	-	-	-	-	5,086,103
<b>Total</b>	<b>5,086,103</b>	<b>27,934,446</b>	<b>29,622,285</b>	<b>26,637,739</b>	<b>676,048</b>	<b>-</b>	<b>89,956,621</b>

2007	Shorter than				Longer than		Total
	1 month	1-3 mnts	3-6 mnts	6-12 mnts	1-5 yrs	5 yrs	
Government bonds and treasury bills	-	-	11,449,636	76,135,609	10,678,970	-	98,264,215
Reverse repo transactions	3,685,473	-	-	-	-	-	3,685,473
Eurobond	-	-	-	1,185	-	-	1,185
Mutual funds	7,127	-	-	-	-	-	7,127
<b>Total</b>	<b>3,692,600</b>	<b>-</b>	<b>11,449,636</b>	<b>76,136,794</b>	<b>10,678,970</b>	<b>-</b>	<b>101,958,000</b>

#### NOTE 7 - PREMIUM RECEIVABLES

	2008	2007
Premium receivables from insurance companies	19,378,297	18,593,469
<b>Total</b>	<b>19,378,297</b>	<b>18,593,469</b>

Average maturity of the Premium receivables of the TCIP is 1 month (31 December 2007: 1 month). The TCIP has no receivables which devaluated or became overdue as at 31 December 2008 and 2007. No security has been received for the receivables as at 31 December 2008 and 2007.

#### NOTE 8 - OTHER ASSETS

	2008	2007
Reinsurance premiums related with the next year (*)	56,424,130	43,389,292
Excess of loss reinsurance premiums and broker fees paid in advance	8,469,612	7,671,366
<b>Total</b>	<b>64,893,742</b>	<b>51,060,658</b>

(\*) The reinsurance premiums related with the next year include the expenditure related with the reinsurance protection purchased for the next period under the reinsurance contract in effect (Note 11).

#### NOT 9 - TANGIBLE FIXED ASSETS

	1 January 2008	Entry	Exit	31 December 2008
<b>Cost</b>				
Fixtures	7,385,450	196,433	-	7,581,883
	<b>7,385,450</b>	<b>196,433</b>	<b>-</b>	<b>7,581,883</b>
<b>Accummulated Depreciation</b>				
Fixtures	(6,286,885)	(189,071)	-	(6,475,956)
	(6,286,885)	(189,071)	-	(6,475,956)
<b>Net book value</b>	<b>1,098,565</b>			<b>1,105,927</b>

	1 January 2007	Entry	Exit	31 December 2007
<b>Cost</b>				
Fixtures	6,874,497	510,953	-	7,385,450



**Turkish Catastrophe Insurance Pool**

	6,874,497	510,953	-	7,385,450
<b>Accummulated Depreciation</b>				
Fixtures	(5,551,665)	(735,220)	-	(6,286,885)
	(5,551,665)	(735,220)	-	(6,286,885)
<b>Net book value</b>	<b>1,322,832</b>			<b>1,098,565</b>

**NOTE 10 - LOANS**

Long term loans amounting to USD 51,203,921 as at 31 December 2008 (31 December 2007: USD 57,690,204), excluding the interest, has been secured from the World Bank through the Undersecretariat of Treasury in order to pay the losses resulting from a potential earthquake in the future.

	<b>2008</b>	<b>2007</b>
Short term amount of long term loans	15,667,449	10,813,115
Long term loans	64,251,060	59,232,153
<b>Total</b>	<b>79,918,509</b>	<b>70,045,268</b>

The interest rate of the loans in USD varies between 4.22% and 6.25% as at 31 December 2008 (31 December 2007: 4.22% to 6.25%). Principal and interest payment of the loans is done twice a year in April and October.

The loans used by the TCIP do not bear variable interest rate.

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

	<b>2008</b>	<b>2007</b>
2009	-	11,756,237
2010	21,249,791	15,814,910
2011	17,686,933	13,140,646
2012	9,818,288	7,195,917
2013	8,177,983	5,977,115
2014	7,318,065	5,347,328
<b>Total</b>	<b>64,251,060</b>	<b>59,232,153</b>

In view of the conditions of the loans secured from the World Bank, it is deemed that the reasonable value of the loans is close to their book value as at 31 December 2008 and 2007.

**NOTE 11 - OTHER SHORT TERM LIABILITIES**

**Turkish Catastrophe Insurance Pool**

	<b>2008</b>	<b>2007</b>
Reinsurance premiums related with the next year (*)	56,424,130	43,389,292
Accrued reinsurance debts	12,470,122	16,302,908
Other	3,960,889	2,259,912
<b>Total</b>	<b>72,855,141</b>	<b>61,952,112</b>

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

## **NOTE 12 - INSURANCE RESERVES**

### **12.1 Insurance reserves**

	<b>2008</b>	<b>2007</b>
Reserve for unearned premiums	133,734,228	115,830,090
Reserve for outstanding claims	937,366	529,724
<b>Total</b>	<b>134,671,594</b>	<b>116,359,814</b>

### **12.2 Movement of insurance reserves**

a) *Reserve for unearned premiums*

	<b>2008</b>	<b>2007</b>
<b>Beginning of period - January 1st</b>	<b>115,830,090</b>	<b>100,585,778</b>
Premiums written during the year	272,592,050	234,600,016
Premiums earned during the year (Note 13)	(254,687,912)	(219,355,704)
<b>End of period - December 31st</b>	<b>133,734,228</b>	<b>115,830,090</b>

b) *Reserve for outstanding claims*

	<b>2008</b>	<b>2007</b>
<b>Beginning of period - January 1st</b>	<b>529,724</b>	<b>291,511</b>

**Turkish Catastrophe Insurance Pool**

---

Outstanding claim files opened during the year (*)	773,416	269,116
Decrease in the reserves (**)	(365,774)	(30,903)

---

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

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

**NOTE 13 - EARNED PREMIUM INCOMES**

	<b>2008</b>	<b>2007</b>
Premiums received	272,592,050	234,600,016
Reserve for unearned premiums	(133,734,228)	(115,830,090)
Reserve for carried forward unearned premiums	115,830,090	100,585,778
<b>Total</b>	<b>254,687,912</b>	<b>219,355,704</b>

---

**NOTE 14 - CLAIMS**

	<b>2008</b>	<b>2007</b>
Claims paid during the period	1,123,991	1,353,138
Reserve for outstanding claims at the end of the period	937,366	529,724
Reserve for carried forward outstanding claims	(529,724)	(291,511)
<b>Total</b>	<b>1,531,633</b>	<b>1,591,351</b>

---

**NOTE 15 - COMMISSION EXPENDITURE**

	<b>2008</b>	<b>2007</b>
Commissions paid to insurance companies	47,532,959	39,962,954
Deferred commission expenditures	(22,335,589)	(19,507,181)

---

**Turkish Catastrophe Insurance Pool**

Carried forward deferred commission expenditures	19,507,181	16,541,935
Working expenditures paid to the Manager	3,727,252	3,210,560
<b>Total</b>	<b>48,431,803</b>	<b>40,208,268</b>

**NOT 16 - OVERHEADS**

	<b>2008</b>	<b>2007</b>
Advertisement expenditure	4,144,974	708,909
Personnel expenditure	198,108	163,748
Depreciation (Note 9)	189,071	735,220
Computer maintenance expenditure	136,795	451,163
Stationary expenditure	123,718	169,573
Other	160,118	189,099
<b>Total</b>	<b>4,952,784</b>	<b>2,417,712</b>

**NOTE 17 - FINANCIAL INCOMES, NET**

	<b>2008</b>	<b>2007</b>
Interest income	128,776,954	93,214,309
Income from securities	15,410,335	11,868,383
Net exchange rate profits	-	9,055,139
<b>Total financial incomes</b>	<b>144,187,289</b>	<b>114,137,831</b>

**Turkish Catastrophe Insurance Pool**

---

Withholding tax paid on financial incomes	(20,580,513)	(16,238,853)
Net exchange rate losses	(11,777,986)	-
Interest expenditure	(3,526,077)	(5,978,059)
<b>Total financial expenditure (-)</b>	<b>(35,884,576)</b>	<b>(22,216,912)</b>
<hr/>		
<b>Financial incomes, net</b>	<b>108,302,713</b>	<b>91,920,919</b>
<hr/>		

**NOTE 18 - FOREIGN EXCHANGE POSITION**

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

	<b>2008</b>	<b>2007</b>
Assets	92,827,653	100,191,168
Liabilities	(148,868,777)	(129,780,500)
<b>Total</b>	<b>(56,041,124)</b>	<b>(29,589,332)</b>

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

<b>Other assets</b>			
EUR	30,312,847	2.1408	64,893,742
<b>Total</b>			<b>64,893,742</b>

---

**Short term portions of the long term loans**

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

---

<b>Total</b>			<b>15,667,449</b>
--------------	--	--	-------------------

---

**Other short term liabilities**

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

---

<b>Total</b>			<b>68,950,268</b>
--------------	--	--	-------------------

---

**Long term loans**

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

---

<b>Total</b>			<b>64,251,060</b>
--------------	--	--	-------------------

---



Turkish Catastrophe Insurance Pool

	<b>2007</b>		
	<b>Amount in FX</b>	<b>Exchange Rate</b>	<b>Amount in TL</b>
<b>Cash and cash-like assets</b>			
USD	9,722,304	1.1647	11,323,567
EUR	22,106,044	1.7102	37,805,757
<b>Total</b>			<b>49,129,324</b>
<b>Financial assets ready for sale</b>			
USD	1,018	1.1647	1,186
<b>Total</b>			<b>1,186</b>
<b>Other assets</b>			
EUR	29,856,542	1.7102	51,060,658
<b>Total</b>			<b>51,060,658</b>
<b>Short term portions of the long term loans</b>			
USD	9,284,035	1.1647	10,813,115
<b>Total</b>			<b>10,813,115</b>
<b>Other short term debts</b>			
EUR	34,917,789	1.7102	59,716,403
USD	16,166	1.1647	18,829
<b>Total</b>			<b>59,735,232</b>

Long term loans

USD	50,856,146	1.1647	59,232,153
<b>Total</b>			<b>59,232,153</b>

**NOTE 19 - EVENTS AFTER THE DATE OF BALANCE SHEET**

By the Tariff and Instruction on Amending the Tariff and Instruction of the Compulsory Earthquake Insurance published in the Official Gazette dated 14 November 2008, no. 27054, which is effective from 1 January 2009 on, the following changes have been made:

- a) The maximum sum insured for a residence under the Compulsory Earthquake Insurance has been raised from TL 120,000 to TL 140,000, regardless of the type of construction of the building.
- b) In the tariff, the price per square meter to be applied for calculation of the sum insured has been raised from TL 490 to TL 550 for steel, reinforced concrete constructions, from TL 350 to TL 395 for brick constructions and from TL 185 to TL 205 for other constructions.
- c) The amount of minimum premium has been reduced from TL 30 to TL 25, regardless of the earthquake zone and the type of construction.

**NOTE 20 - RESERVES AND CONTINGENT LIABILITIES**

The total risk under the lawsuits filed against the TCIP which are still pending amounts to TL 139,749 as at 31 December 2008 (31 December 2007: TL 326,108). The reserve set aside for the potential risk posed by the said lawsuits is shown under the reserve for outstanding claims in the balance sheet.