

**TURKISH CATASTROPHE
INSURANCE POOL (TCIP)**

2015
ACTIVITY REPORT

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MESSAGE FROM THE BOARD OF DIRECTORS



Dear Stakeholders,

Established following the 1999 Marmara Earthquake, which caused serious loss of life and property as well as serves a milestone with regards to the perception of earthquake in our country, TCIP has come a long way in the past 15 years. TCIP, which initiates major projects with the aim of exceeding the targets it has set for each year, continued its works in 2015 both for the development of infrastructure projects invested in as well as disseminating the Compulsory Earthquake Insurance awareness.

The number of dwellings, which had earthquake coverage for 500,000 in 1999, exceeded 7 million as of the end of 2015. Although it demonstrates differences by provinces and regions, we have been able to penetrate 4 in 10 houses on average. Coverage rate throughout Turkey rose to 41%. All these figures are the most important evidences that awareness in the subject of earthquake continues to rise. However these figures are not sufficient for us, our target is to improve this rate to higher levels.

On the subject of increasing the claim payment capacity of TCIP in parallel with the needs, priority was given to works directed at ensuring coverage diversity and cost advantages on the risk transfer side of TCIP in 2015. Within this framework, our capacity limit in structured capital markets was increased, and new catastrophe bond works under the name of Bosphorus Ltd. were completed. The continuation of Catastrophe Bond, which issued in

2013 for the first time under the name of Bosphorus 1 with a 3-year term and that contains the Istanbul earthquake risk, as well as the state reinsurance support was ensured. The reinsurance protection of TCIP has been renewed in accordance with the specifications of the existing portfolio as of November 1, 2015, and excess of loss for reinsurance protection has been ensured that provides coverage for 2.8 billion Euros. Cat Bond transactions have been completed that provides additional capacity of USD 100 million for Istanbul in conclusion to works performed in alternative risk transfer market in 2015. The TCIP & TARSIM reinsurance cooperation, which we think will continue by increasing progressively in the coming years, has commenced with the reinsurance capacity provided by TCIP.

In 2015 that was calm with respect to loss operation, we focused on the development of infrastructure projects that will constitute a milestone in our field. 2015 turned out to be the year of projects in the field of IT for TCIP. Many projects initiated to enhance business productivity and service quality as well as aiming to prepare for a probable major earthquake was commissioned within 2015.

Development works continued throughout 2015 on Policy Production System, which is one of the two fundamental processes of TCIP. Disaster Management System (AYS) has been put into operation in the Damage Management and Disaster Management field. With this new system, TCIP attained an IT system

that can meet the operational burden of a possible major disaster. Besides these two basic processes, developments also continued on geographical information / decision support system Disaster Risk Management System (ARYS) that will especially support the damage management side. We also target to fully commission the ARYS system by the end of 2016.

Our another important project, Real Orthophoto Project, which initiated in July 2014, continued without any pause. The project, which includes the preparation of a map by taking aerial photos on a province, district, township, village level throughout Turkey of settlement areas, besides being a first in Turkey with respect to coverage, cost, time and technology used, also stands out as one of the outstanding projects in the world. Approximately 85% of aerial photo shoots were realized within the framework of the project as of the end of 2015, and we target its completion by the end of 2016.

We have continued our awareness raising activities also in 2015 knowing that there are many homeowners in our country we have to reach out to and include in the Compulsory Earthquake Insurance system.

Our primary target as TCIP is to secure all the dwellings, which fall within the scope in our country, with Compulsory Earthquake Insurance. One of our major responsibilities is to share the experience we have had while working to achieve this

goal with the world. I would like to highlight a very important matter that we take pride in: TCIP has reached a distinguished place among the natural catastrophe pools in the world with its number of policies, size of the reinsurance program, insurance penetration, fund size, and its technologic infrastructure, and has had the success of also becoming a model for other countries. Information requests that came in subjects like institutional structure of TCIP, and specifications of the program from countries such as Pakistan, Iran, South Korea, and Kazakhstan in the last few years were met. Nowadays our institution is invited to the meetings such as international seminars and conferences with the purpose of sharing the technical competency and successes it has achieved.

I take this opportunity to thank our employees, who have added value at all times with their labor to works realized up to now and have set an example to the world and will continue to do so to achieve our targets moving forward, our stakeholders, who have placed their trust in us, and our valued homeowners, who better understand the importance of Compulsory Earthquake Insurance with each passing day and have joined the system.

Yours respectfully,

Murat Kayaci

Chairman of the Board of Directors

MESSAGE FROM TECHNICAL OPERATOR/EUREKO SIGORTA GENERAL MANAGER



Dear stakeholders,

We are extremely glad to put a year behind us without experiencing any unfortunate fatalities due to earthquakes in our country. TCIP; starting out from the “earthquakes will be over, life goes on” approach with the aim of ensuring that our citizens continue their lives safely from where they left in the aftermath of an earthquake, continued its work in order to increase and popularize Compulsory Earthquake Insurance awareness in all segments of society in 2015. On the other hand, we went through an intensive work period in order to complete the projects we initiated to enhance Compulsory Earthquake Insurance as well as to realize new projects thereof.

The year of 2015 had yet another importance for us. As is known, performance of technical and operational works of TCIP is outsourced. A service contract with a maximum term of five years is executed with the company selected together with the Undersecretariat of Treasury pursuant to article 6 of Disaster Insurance Law number 6305 and is renewed in the same manner. Within this scope, Eureka Sigorta A.S. was determined as the “Technical Operator” for the third time for a period of five years from August 8 of 2015 until the same date of 2020.

While we are proud to be granted this duty for the third time, we are also aware that we are taking on a major responsibility to surpass our past actions up to now. The number of dwellings with earthquake coverage exceeded 7 million as of the end of 2015. Coverage rate across Turkey rose

to 41%. Our biggest motivation was the effort and the successful results that we have reached as Technical Operator.

When considered from the aspect of developing the system, the project that stood out in 2015 was the Disaster Management System (AYS). AYS, modeled with the accumulation of 15 years of experience, went live. With this new system, TCIP attained an information infrastructure that will be able to satisfy the operational workload in case of a probable major earthquake. Our works are ongoing for the development of this system and roll-out of its application throughout the country. We are targeting for the effort of Continuous Improvement (Kaizen) throughout the lifecycle of AYS.

We realized a first with which we again will set an example to the world with AYS process. A mobile application has been assembled, which allows expert investigation process to be performed online through tablets by TCIP for the first time in the world. Thanks to this development, fast data flow can be achieved from the field to the center.

With the decision and guidance of the Undersecretariat of Treasury, entire IT infrastructure of TCIP was relocated to the data center of Insurance Information and Monitoring Center (SBM) in 2015 and TCIP commenced to obtain all its IT services through SBM.

On the other hand Disaster Risk Management System (ARYS), which is a multifunction decision support system, was developed with the purpose of facilitating operation management and planning works. This infrastructure, which is a map-

based geographical information system, is targeted to work in integration with the Disaster Management System, and integration works have been accelerated for this purpose. Once ARYS-AYS integrations and second phase developments will be finished as well as ARYS system will become fully operational, this system is also targeted to be used actively in subjects such as map-based damage operation management, and loss adjuster field planning and management.

System developments of TCIP are not limited with these. Many projects, which started in previous years continued to advance and develop in 2015, for example Orthophoto Project, and National Address Database. Another important system, TCIP Demand Management System (DTYS), which targets to increase in-house scalability and traceability, also became operational in 2015.

As can be understood from the projects indicated above, 2015 was the year of obtaining the very first results of the focus on more efficient methods to conduct the activities of the Institution as the Technical Operator by heading toward the information based applications.

We continued to work in 2015 for financial resources that will increase our ability to pay as TCIP. The works for new disaster bond in the amount of 100 million USD under the name of Bosphorus Ltd. were completed. Continuation of Bosphorus 1 Disaster was ensured. Reinsurance protection of TCIP was renewed in accordance with the specifications of the existing portfolio as of November 1, 2015,

and excess of loss reinsurance that provides 2.8 billion Euros of coverage as well as reinsurance support from the Treasury department were obtained. Concurrently necessary works were completed to provide TARSIM reinsurance support within TCIP and the foundation of cooperation between the two institutions was established.

We also continued our works oriented at developing earthquake awareness, which is our most important mission. The fifth “Cities Compete, Insured Win Contest”, which arouses even more interest from year to year, was organized in 2015. As TCIP we attach great importance to include local administrations in the awareness activities regarding earthquake and compulsory earthquake insurance. It gives us great pleasure to see that our competition, which has become traditional, is becoming rather popular among the cities.

We also continued in 2015 with the “Earthquake Resistant Building Design Competition”, the first of which was held in 2014 targeting to disseminate the earthquake resistant building culture in Turkey. A total of 66 teams from 26 different cities and 29 universities applied to this competition that is open to university students. I congratulate all our universities and teams that participated in this competition and those that won awards.

We also continued in 2015 with the project partnership that commenced between Red Crescent and TCIP in 2013, with the purpose of communicating TCIP and CEI to community leaders, who participate

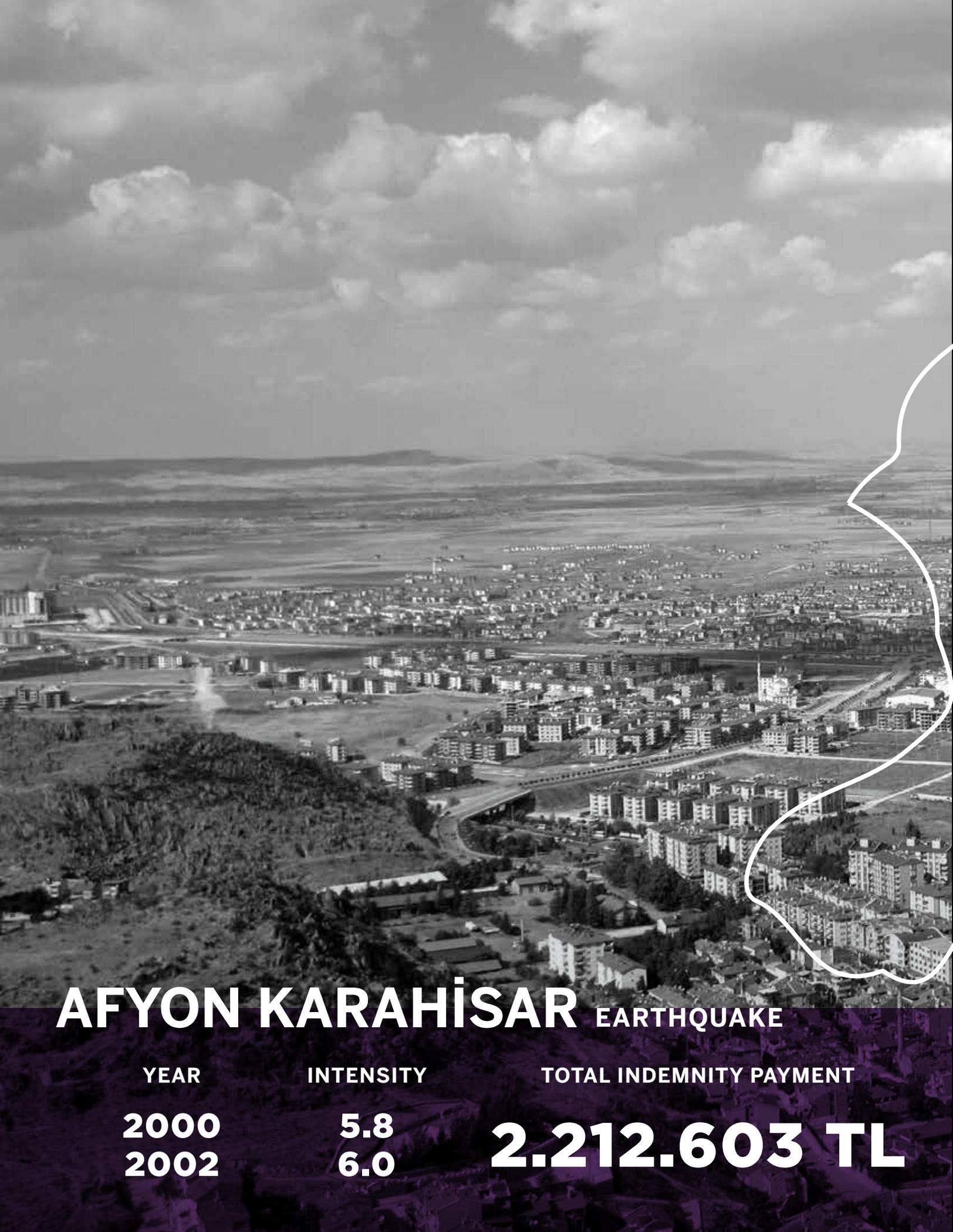
in TLT (Organizing Opinion Leaders) training of the Red Crescent and their target audience. A total of 220,000 “I Learn Safe Living with Red Crescent” class calendars were printed in 2015. These calendars were distributed to the 1st, 2nd, 3rd, and 4th grades of all primary schools throughout Turkey by Turkish Red Crescent branches and Provincial/District Directorates of National Education.

We, as Eureka Insurance, are proud to be contributing to the successful works of TCIP as the Technical Operator for the 3rd time in 15 years. We sincerely extend our thanks to insurance companies, insurance brokers, and loss adjusters for their cooperation, to the Undersecretariat of Treasury for their unreserved support, and to the Chairman and members of the Board of Directors of TCIP for their devoted efforts, who have a major share in this success.

Yours respectfully,

Can Akın Çağlar

Member, Board of Directors, and General Manager of Eureka Insurance, the Technical Operator



AFYON KARAHİSAR EARTHQUAKE

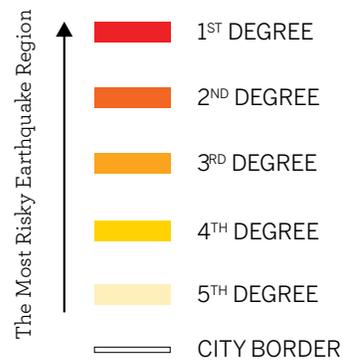
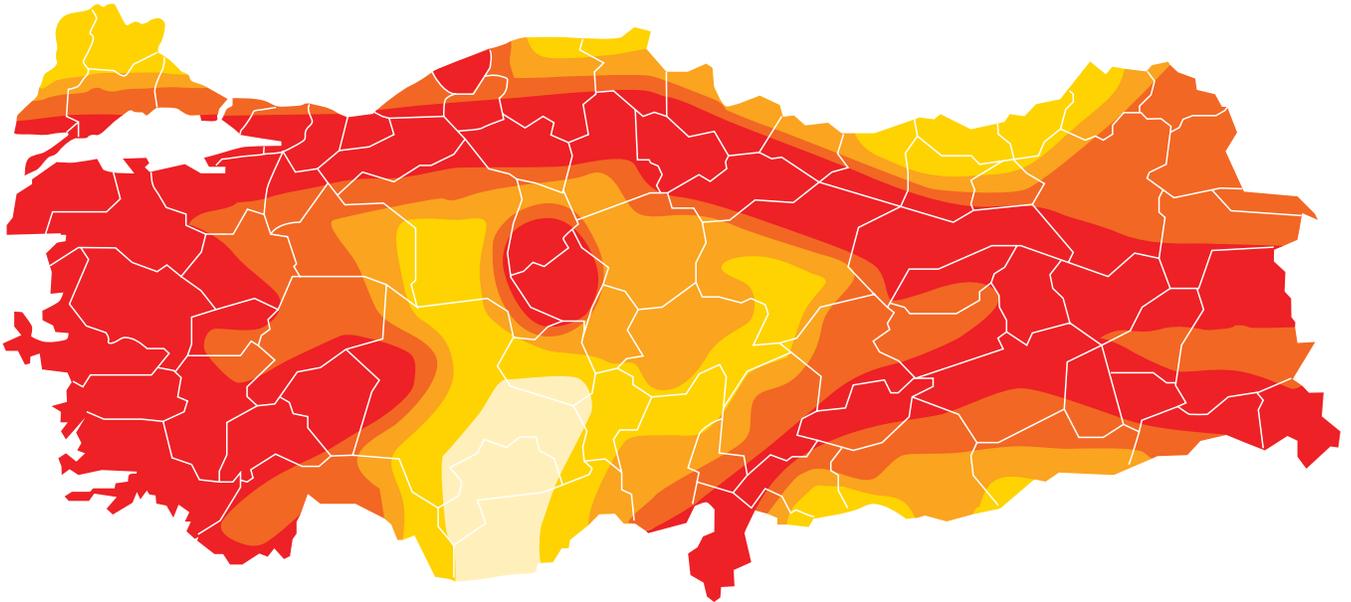
YEAR	INTENSITY	TOTAL INDEMNITY PAYMENT
2000	5.8	2.212.603 TL
2002	6.0	



ABOUT TCIP

⇒ TCIP is a non-profit insurance pool.

⇒ EARTHQUAKE ZONING MAP OF TURKEY



1.1. Foundation and Purpose of TCIP

In after math of Marmara Earthquake that took place on August 17, 1999 and caused great losses in terms of both human life and property, the public authority has taken many precautions for purposes of minimizing the damages that could be experienced in any earthquake. One of the most important of these measures was the arrangement made regarding the Compulsory Earthquake Insurance (CEI). Having been established under the Legislative Decree No.587, and initiated the offering Compulsory Earthquake Insurance coverage for dwellings beginning from the 27th of September 2000, TCIP eventually embraced a much stronger legal framework with the Catastrophe Insurance Law No. 6305 on 18th August 2012.

TCIP is an “insurance” pool having a capacity of a public legal entity, and established in order to provide coverage for Compulsory Earthquake Insurance. Founded in a collaborative effort between public and private sector, TCIP is a non-profit organization, which possesses a unique structure.

TCIP aims to ensure that the lives of citizens safely continue from where they have left off prior to the earthquake as the organization adopts the approach fostering the idea of “Earthquake will be over, life goes on”. By means of CEI, financial assurance is provided to the insured property owners against earthquakes as well as fires, explosions, landslides and tsunami risk that could arise from earthquakes. Under the subject matter insurance scheme, regardless of whether the property is partially or entirely damaged, the damages suffered by the buildings are indemnified as fast as possible and

every effort is shown to ensure normal lifestyles are resumed.

While TCIP promotes the widespread use of CEI across the country via the distribution network consisting of insurance companies it works with, agencies reporting to these and branches of banks, it also aims to facilitate for the people to acquire this assurance by implementing a low premium policy.

Compulsory Earthquake Insurance is a Social Responsibility of Ours!

TCIP that supports its activities oriented to insurance with events aiming to increase the awareness of the public, emphasizes that CEI, before all else, is a social responsibility of each and all of us.

In consideration of the fact that almost the entire country could be classified as a seismic zone, it is not very surprising that earthquakes have been the most frequently experienced types of catastrophes in our country in the last 60 years. Moreover earthquakes, due to their nature, are the type of catastrophe affecting not only the area they hit but also the entire country in terms of its economy.

While CEI offers assurance in terms of a person’s residence, it also attempts to establish a pool of collateral for the country. This pool of financial resources that especially gains importance in the aftermath of an earthquake, essentially becomes a guarantee, on which people in need depend on after being exposed to the devastation that an earthquake may cause anywhere in the country.

TCIP, which provides the opportunity to help the regions affected from earthquakes while giving us the much needed assurance, views the task

of instilling the awareness of social solidarity as its main responsibility.

The established system has performed successfully and has become a showcase for many countries as pointed out by international institutions.

The purposes behind the establishment of this system that has been developed as a collaborative effort of the state and insurance sector in order to meet the requirements in the fastest and most effective manner can be listed as follows:

- ➔ To provide assurance against earthquakes for all the dwellings within the scope of the scheme at affordable premiums,
- ➔ Ensuring that the risk is shared in the country,
- ➔ Distribution of the financial liability that earthquake damages could create through international reinsurance and capital markets via insurance schemes,
- ➔ Reducing the financial burden on the government budget and preventing additional taxes that could be reflected to citizens to cover such financial burden,
- ➔ Use of the insurance system as an encouraging tool in the creation of sturdy buildings,
- ➔ Providing the means for the accumulation of long-term resources to meet earthquake damages, and
- ➔ To contribute to the development of insurance and social solidarity awareness in the community.

1.2 Organizational Structure of TCIP

TCIP, founded in a collaborative effort between the public and private sector, has shown a very successful performance and has since then become a showcase scheme for many countries as pointed out by international institutions.

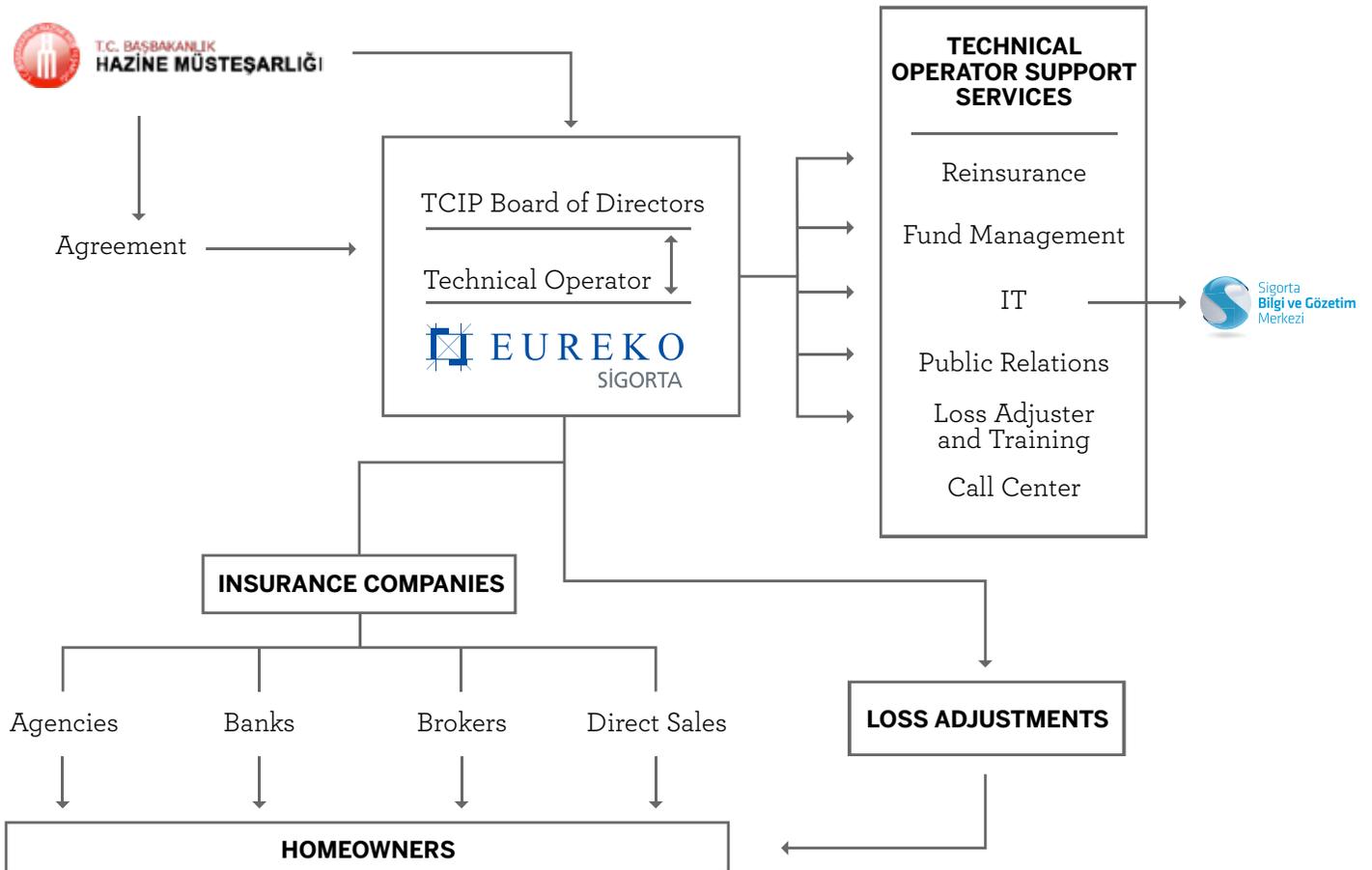
With its structure and operation, TCIP constitutes one of the best examples of public-private sector collaboration. Technical and operational works of the institution are conducted by an

insurance and reinsurance corporation designated by the Undersecretariat of Treasury for periods of five years each. Insurance coverage is provided by the Institution, on the other hand Compulsory Earthquake Insurance is offered to the dwelling owners by insurance companies. In its present state, TCIP has established an efficient operational structure by gathering the benefits of public and private sector in a single body.

In order to ensure the sustainability of the policies, and to include the uninsured dwelling owners into the system, TCIP continues its operations without any room for interruptions. To ensure a sustainable growth in

Compulsory Earthquake Insurance, TCIP not only conducts supervision over policy creation, but also undersigns significant promotion and social responsibility projects, which improve the awareness of earthquake and insurance as well.

Technically, TCIP is an insurance pool, and as such it does not require any physical structuring in order to conduct the businesses belonging to the institution. Instead of such a structure, TCIP outsources services for any and all the tasks for purposes of increasing the efficiency and minimizing the costs. Overall organization structure of the institution is as follows.



1.3 The Board of Directors

TCIP is managed by a Board of Directors consisting in total of seven members one being the Chairman of the Board. The members of the Board of Directors consist of high-ranking bureaucrats (5), private sector official (1) and university representative (1). The formation of the TCIP Board of Directors is based on the representation of the relevant parties as well as to execute the Compulsory Earthquake Insurance program successfully.

Accordingly, the Board of Directors, including the representatives of various institutions and entities, consists of the persons specified in the table on the right side.

1.4 Technical Operator

The running of technical and operational businesses of TCIP is handled by Eureko Sigorta within the scope of Outsourced Services Contract.

The running of the technical and operational businesses of TCIP is ensured by way of outsourcing services. Based on the 6th article of the Catastrophe Insurance Law No. 6305, a service contract for a period of maximum 5-years is executed between the Undersecretariat of Treasury and the company selected for this purpose and the said contract is renewed in the same manner. Within this scope, for the 5-year term between Saturday, August 8, 2015-2020, Eureko Sigorta A.Ş. has been designated as the technical operator for the third time.

Efficient Technical and Operational Business Processes

The technical operator is responsible for conducting TCIP's technical and operational businesses within the

Chairman and Members of the Board of Directors

Name	Title	Institution and Title
Murat KAYACI	Chairman	Insurance General Directorate, Undersecretariat of Treasury, Deputy General Manager
Prof. Dr. Mustafa ÖZTÜRK	Member	Republic of Turkey Ministry of Environment and Urban Planning, Undersecretary
Prof. Dr. Mustafa ERDİK	Member	Boğaziçi University
Esra Ada VURAL	Member	Capital Markets Board, Head of Department
Mehmet Akif EROĞLU	Member	Association of Insurance, Reinsurance and Pension Companies of Turkey, Secretary General
Can Akın ÇAĞLAR	Member	Technical Operator Eureko Sigorta A.Ş., General Manager
-	Member	Disaster and Emergency Management Presidency

framework of the decisions taken by the TCIP's Board of Directors and the principles specified in the service agreement. Within this framework, the basic duties of the Technical operator are:

- ➔ Printing and distribution of the policies, collection of the premiums, and performing all managerial and operational works necessary for loss assessment and indemnity payments together with all related stakeholders,
- ➔ Implementation of risk transfers and reinsurance plans,
- ➔ Steering the institution's resources to investment within the framework of the specified principles and restrictions, conducting the relationships with the portfolio management companies working with TCIP, informing the Board of Directors concerning the works of the portfolio management companies,
- ➔ Tracking all accounts and operations as well as the incomes and expenses pertaining to the institution in special and separate accounts and keeping accounting records of the same,

➔ Conducting public relations, promotion and training campaigns,

➔ Carrying out the necessary correspondences with other persons, institutions and establishments on behalf of the company, preserving the information/documents appropriately and realizing the procurement of the goods and services that are required to be obtained externally as necessitated by the businesses of the Institution.

➔ Preparing the studies, information and reports required by the Undersecretariat of the Treasury.

➔ Conducting secretarial works of the Board of Directors

The main objective of Eureko Sigorta's responsibilities pertaining to the Technical Operations of TCIP is to increase the penetration rate as well as perfecting the loss operations. With this objective in mind, Eureko performs its responsibilities by way of utilizing the best technologies to create the necessary operating order and creating the infrastructure that would allow the institution to provide sufficient loss services and allocate the necessary reinsurance programs to ensure that sufficient financial resources are readily available for the Institution.

1.5 Compulsory Earthquake Insurance

32 Authorized Insurance Companies and 16,000 Agencies. As of end of 2015, all elementary insurance companies operational in Turkey as well as 16,000 agencies of these companies all across Turkey render TCIP easily accessible throughout the country.

1.5.1 Scope

The Compulsory Earthquake Insurance is, in general, an insurance system developed for the dwellings remaining within the borders of the municipality.

The Catastrophe Insurance Law no. 6305 and the relating secondary regulations clearly defined the buildings covered by this insurance.

Covered buildings:

- ➔ The buildings constructed as dwellings on immovable properties which are subject to private ownership and have registered title deeds,
- ➔ The independent sections within the scope of Condominium Law no. 634
- ➔ The independent sections in these buildings that are intended to be used as place of business, offices and for similar purposes,
- ➔ Dwellings constructed by the State or through the loans borrowed due to natural disasters

The buildings satisfying the above conditions and having an established construction servitude, the buildings having no type classification yet and the attribute of which are still shown as “land etc.” at the land register as well as the cooperative houses shall be subject to Compulsory Earthquake Insurance.

The dwellings with no separate title yet may be insured based upon the statement of the insured by using the land title information.

The following buildings are excluded from the scope of the insurance:

- ➔ Buildings registered to the village population and constructed in village settlement areas and also in the surrounding and adjacent areas by permanent residents of the village,
- ➔ Buildings that are utilized fully for commercial or industrial purposes,
- ➔ Buildings and independent sections that are subject to the Public Residences Law No. 2946 dated 9/11/1983 and are utilized as public service buildings,
- ➔ Buildings that do not have a project and have not yet received engineering services,
- ➔ Buildings that are determined to have been restored in a way that may negatively affect the load bearing system and have been thus weakened,
- ➔ Buildings that have been constructed in a way that is contrary to the concerning legislations and the projects that may negatively affect the load bearing system,

- ➔ Buildings that have been resolved to be demolished by the authorized public institutions and buildings that are neglected, damaged or deserted, and are not fit to be used as dwellings.

Compulsory Earthquake Insurance policies can be issued by the authorized insurance companies and their agencies on behalf of TCIP. At present, 32 authorized insurance companies and their agencies are providing Compulsory Earthquake Insurance coverage on behalf of TCIP. In addition to this, the Institution’s direct sales continue for purposes of mitigating any losses on renewals.

1.5.2 Check Points

The prevalence of Compulsory Earthquake Insurance has been expanded by means of the effective control mechanisms established.

Electricity and Water Subscriptions

The following is stipulated in the 11th article of the Catastrophe Insurance Law No. 6305, “The existence of the Compulsory Earthquake Insurance is checked by the related institutions in the electricity and water subscriptions established in relation to the buildings and individual sections of buildings that are within the scope of the Compulsory Earthquake Insurance”; and within this scope Compulsory Earthquake Insurance checks have been started to be made during the registry of electricity and water subscriptions since 18th of August 2012.

Title Deed Processing

Since 2000, the residential unit subject to processing is required to be insured

while official transactions such as purchase-sales and mortgages are performed at title deed offices. This matter has been rearranged under the 11th article of the Law No. 6305.

In order to provide convenience to the citizens in title deed transactions and to decrease the operational workload of the offices, an integrated system has been established to ensure electronic information flow among the Institutions.

Housing Loans

According to the 13th article of the Insurance Law No. 5684, 24th article of the Regulation on the Operating Procedures of the Turkish Catastrophes Insurance Pool, 5th article of the Regulation on the Insurance Implementation Principles linked to Personal Loans and the 7th article of the Compulsory Earthquake Insurance Tariff and Instructions, if the Compulsory Earthquake Insurance in connection to the housing loan extended by banks has not been provided by the person using the housing loan, then the Bank must have the subject matter insurance coverage established by notifying the insured. If the insured fails to renew the insurance coverage during the term of the loan, the insured must be notified by the bank to have the relevant policy renewed.

1.5.3 Authorized Insurance Companies

The following 32 authorized insurance companies and their agencies prepare compulsory Earthquake Insurance policies on behalf of TCIP.

1. Aig Sigorta A.Ş.
2. Ak Sigorta A.Ş.
3. Allianz Sigorta A.Ş.

4. Anadolu Anonim Türk Sigorta Şti.
5. Ankara Anonim Türk Sigorta Şti.
6. Aviva (Unico) Sigorta A.Ş.
7. Axa Sigorta A.Ş.
8. Demir Sigorta A.Ş.
9. Dubai Starr Sigorta A.Ş.
10. Ergo Sigorta A.Ş.
11. Eureka Sigorta A.Ş.
12. Groupama Sigorta A.Ş.
13. Generali Sigorta A.Ş.
14. Güneş Sigorta A.Ş.
15. Halk Sigorta A.Ş.
16. HDI Sigorta A.Ş.
17. Hür Sigorta A.Ş.
18. Işık Sigorta A.Ş.
19. Koru Mutuel Sigorta
20. Liberty Sigorta A.Ş.

21. Mapfre Genel Sigorta A.Ş.
22. Neova Sigorta A.Ş.
23. Ray Sigorta A.Ş.
24. SBN Sigorta A.Ş.
25. Sompo Japan Sigorta A.Ş.
26. Türk Nippon Sigorta A.Ş.
27. Yapi Kredi Sigorta A.Ş.
28. Zurich Sigorta A.Ş.
29. Ziraat Sigorta A.Ş.
30. Turins Sigorta A.Ş.
31. S.S. Doğa Sigorta Kooperatifi
32. Orient Sigorta A.Ş.

*The licenses of all branches of Ege Sigorta A.S. have been cancelled on 07.08.2015 in line with the letter of the Undersecretariat of Treasury of the Prime Ministry of T.R. dated 12.08.2015 No. 38681552-306.99/24870.

32 AUTHORIZED INSURANCE
COMPANIES

16,000 AGENCIES

**RENDER TCIP
EASILY
ACCESSIBLE**



TCIP WAS ESTABLISHED

2000

2010

REINSURANCE PROTECTION

We are growing steadily

- ⇒ The payment ability of TCIP in a single damage has reached TL 5 billion as a combination of its own resources and reinsurance protection.
- ⇒ TCIP has accomplished intense PR work in conjunction with advertising campaigns to increase awareness.

VAN EARTHQUAKE

What we learn from earthquakes...

- ⇒ A total of 31 earthquakes were experienced as Kutahya earthquake of 5,9 intensity on 19 May 2011 was followed by Van earthquakes of 7,2 and 5,6 intensity on 23 October and 09 November 2011 respectively.
- ⇒ In the year 2011 an increase of 12,5% was realized in the rate of the insured in general in Turkey.
- ⇒ The calls to remind policy renewals were initiated.

2011

2012

NEW LAW

TCIP was provided a solid legal framework

- ⇒ TCIP was provided a more solid legal framework when the Catastrophe Insurance Law No. 6305 took effect on 18 August 2012.
- ⇒ The availability of CEI started to be checked during subscriber operations at electricity and water administrations.
- ⇒ The discount applicable to apartment buildings was removed and tiered renewal discount and construction year discount have been put into effect by means of the new tariff.
- ⇒ "Hello TCIP 125", Call Center of TCIP became operational to ensure service in daily operations and to provide fast and easy access during a large-scale catastrophe.
- ⇒ TCIP's website was renewed.
- ⇒ SMS messages started to be sent to the insured during policy issuance and cancellations.
- ⇒ Participation in 'Global Earthquake Modeling' project was ensured.



NATIONAL ADDRESS DATABASE (NAD) PROJECT

We spearheaded the move to instill "Address Code" perception

- ⇒ TCIP started Address Code application in full compliance with NAD in all CEI policies that are issued starting from 1 March 2013.
- ⇒ CONTROL POINTS- To ensure effective control of title deeds, system integration with General Directorate of Land Registry and Cadastre was realized. In the same manner, integration with electricity and water administrations was also established.
- ⇒ CATASTROPHE BOND (CAT-BOND) - In addition to reinsurance facilities, TCIP also started to use cost effective alternative risk transfer instruments.



2013

2014

NATURAL DISASTER MANAGEMENT PROJECT

We are ready for a possible large scale earthquake in Istanbul.

- ⇒ Natural Disaster Management Project
- ⇒ SBM assignment- Insurance Information and Monitoring Center started to handle the management of the entire information processing infrastructure of TCIP.
- ⇒ ARYS Map based natural disaster support structure was established.
- ⇒ For the first time in the world, TCIP developed a mobile application whereby the expertise process could be run online on a tablet PC.



2015



TRUE ORTHOPHOTO PROJECT

- ⇒ Significant support was provided to the Orthophoto creation project that was being conducted by the Ministry of Environment and Urbanization across the country.
- ⇒ TCIP established a centralized Reporting Infrastructure.
- ⇒ The awareness was increased by sending TCIP signboards to agencies.
- ⇒ It is targeted to protect the CEI portfolio by means of renewals in a scheme of renewal campaigns oriented to agencies.



İZMİR EARTHQUAKE

YEAR	INTENSITY	TOTAL INDEMNITY PAYMENT
2001	4.2	6.706.082 TL
2005	5.9	



TCIP IN FIGURES

2

TCIP IN FIGURES

⇒ 2.1 PENETRATION RATE ON THE BASIS OF REGIONS

Marmara

51%



Aegean

38%



Mediterranean

37%



Southeastern Anatolia

27%



Central Anatolia

40%



Eastern Anatolia

30%



Black Sea

32%

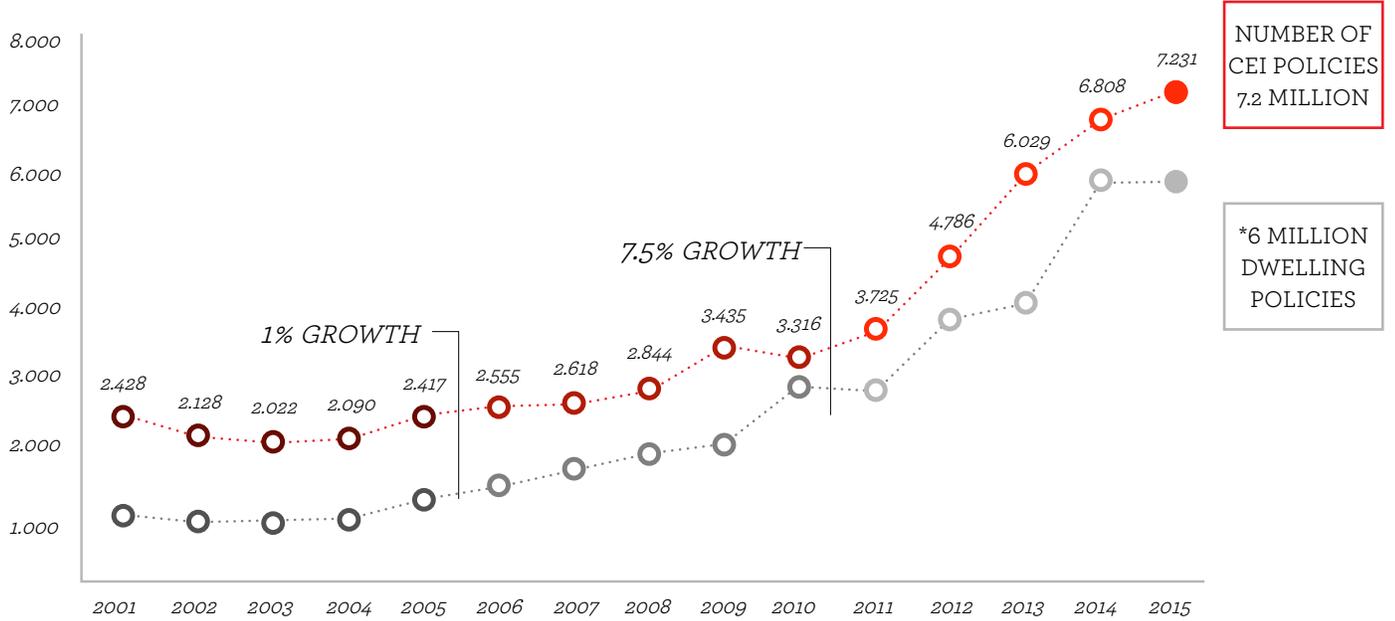


Overall Turkey

41%



⇒ 2.2 COMPULSORY EARTHQUAKE INSURANCE GROWTH GRAPHIC



○ Number Of Dwelling Policies ○ Number of CEI Policies

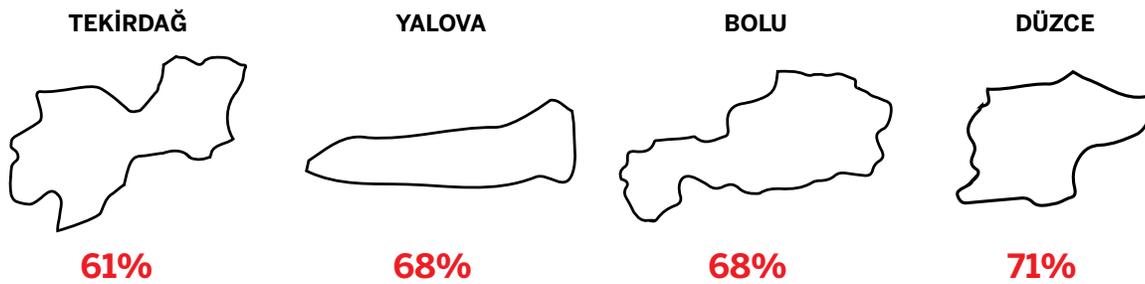
Yearly Average Premium: 109 TL

Number of Policies: 7.2 milyon

Average Collateral: 70.000 TL

Total Dwellings: 17 milyon 660 bin

⇒ 2.3 CITIES IN WHICH THE PENETRATION RATE IS IN EXCESS OF 50%



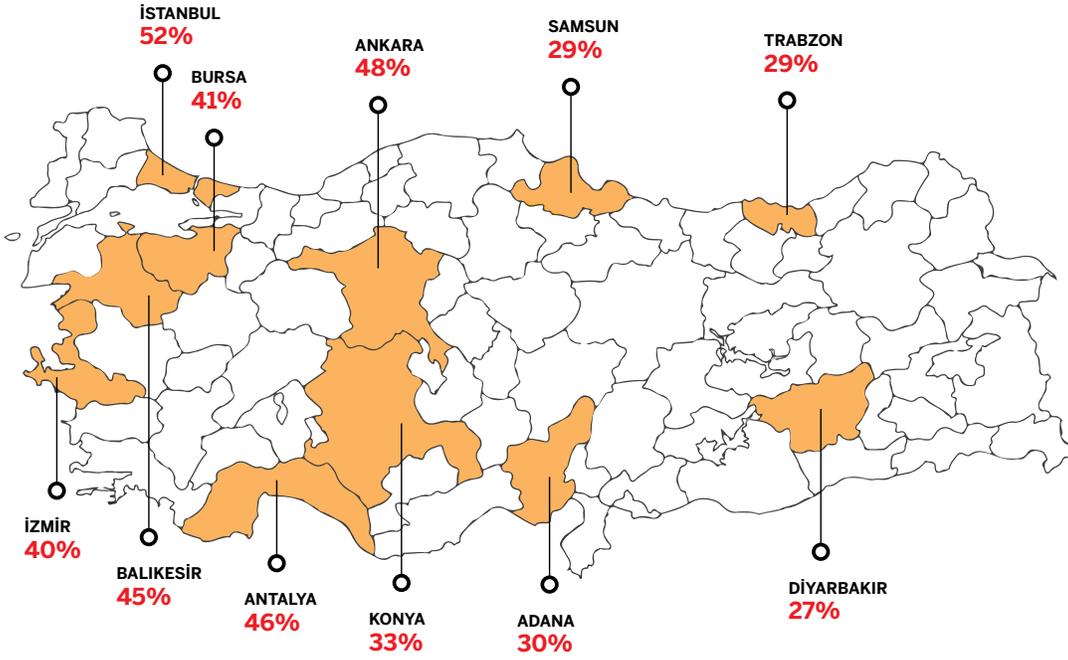
Yearly Average Premium: 109 TL

Number of Policies: 7.2 milyon

Average Collateral: 70.000 TL

Total Dwellings: 17 milyon 660 bin

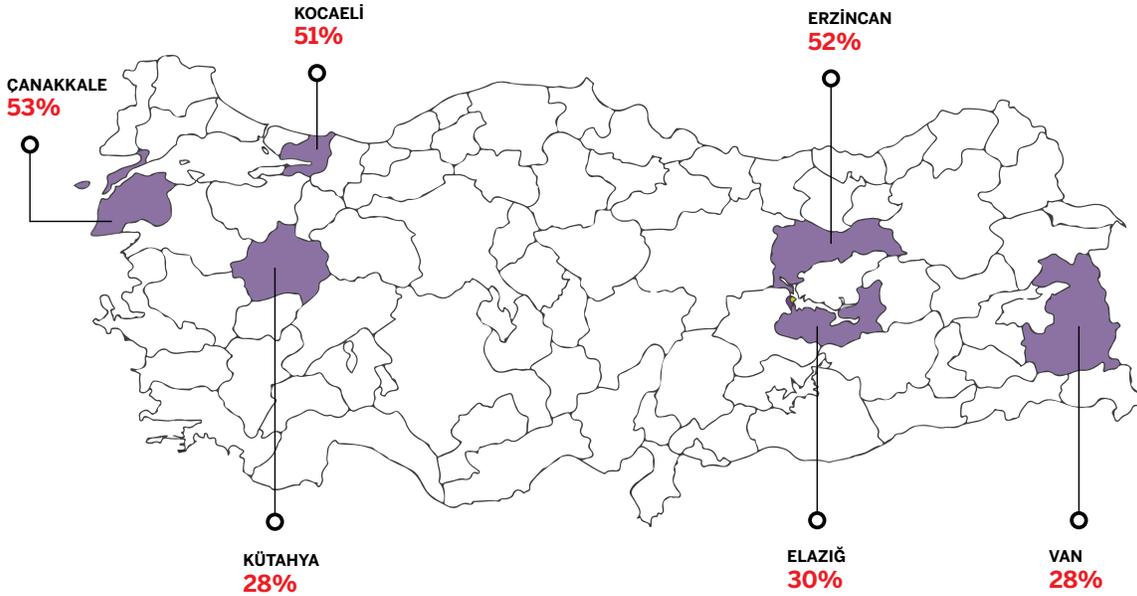
⇒ 2.4 PENETRATION RATE IN LARGE CITIES



Yearly Average Premium: 109 TL
Average Collateral: 70.000 TL

Number of Policies: 7,2 milyon
Total Dwellings: 17 milyon 660 bin

⇒ 2.5 RATE OF INSURED IN CITIES THAT EXPERIENCED EARTHQUAKES



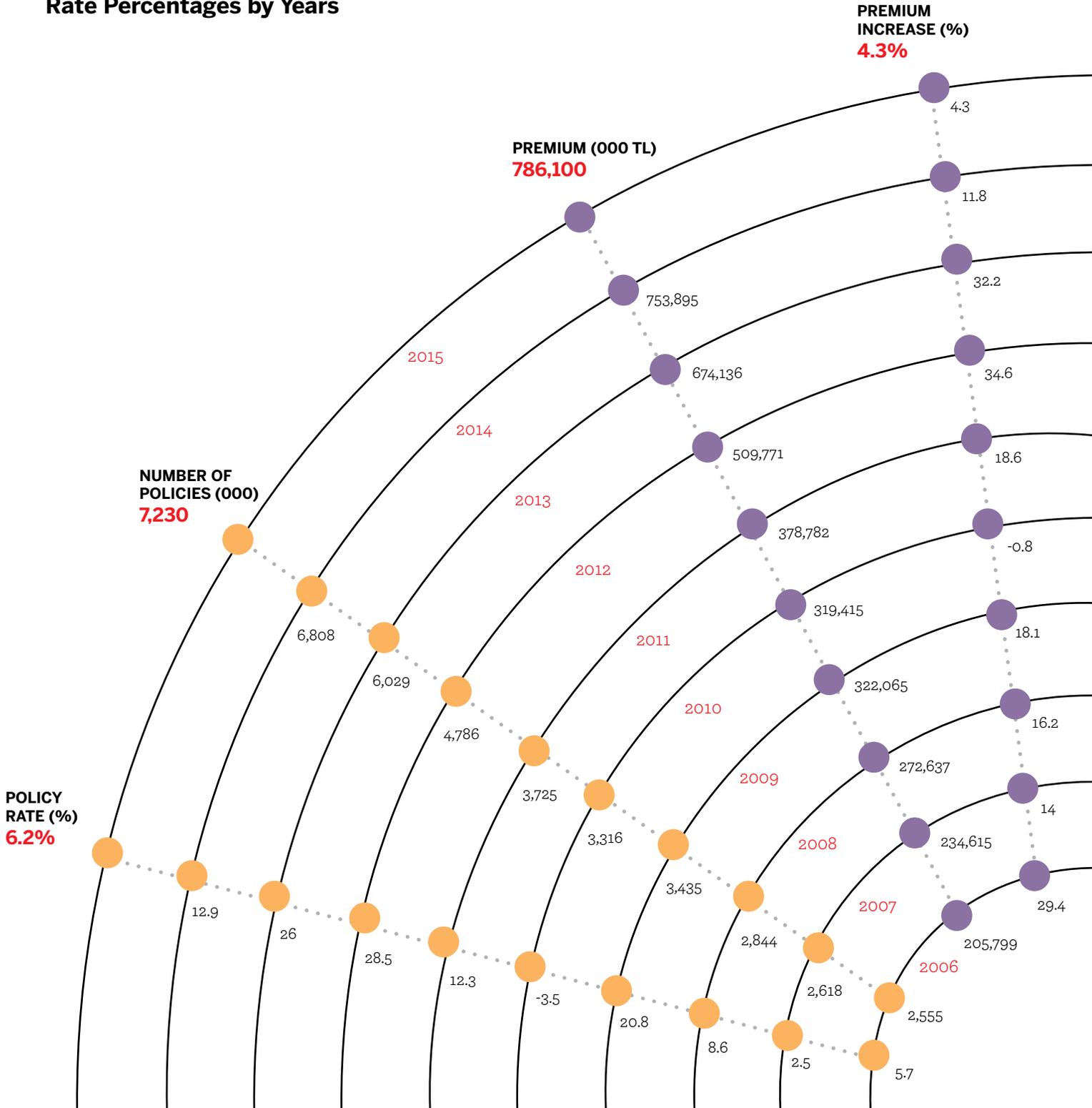
Yearly Average Premium: 109 TL
Average Collateral: 70.000 TL

Number of Policies: 7,2 milyon
Total Dwellings: 17 milyon 660 bin

2.6 POLICIES ISSUED ON THE BASIS OF YEARS

➔ In the year 2015 the number of policies reached 7.2 million and the rate of the dwellings covered under Compulsory Earthquake Insurance reached 41%.

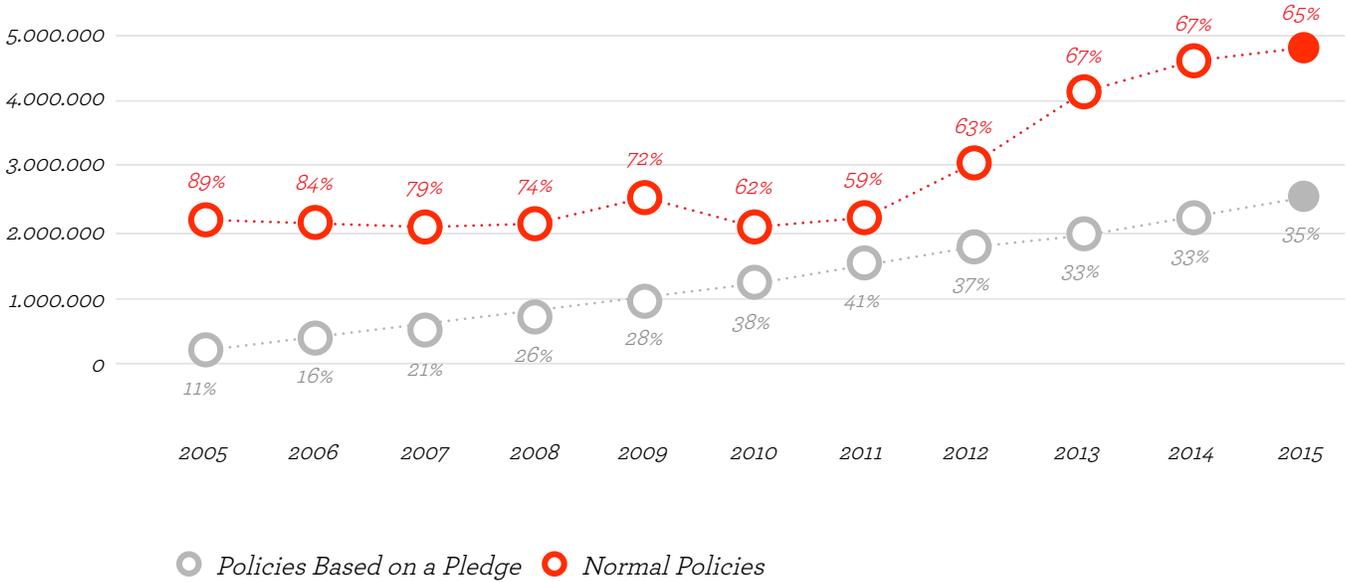
Number of Policies and Penetration Rate Percentages by Years



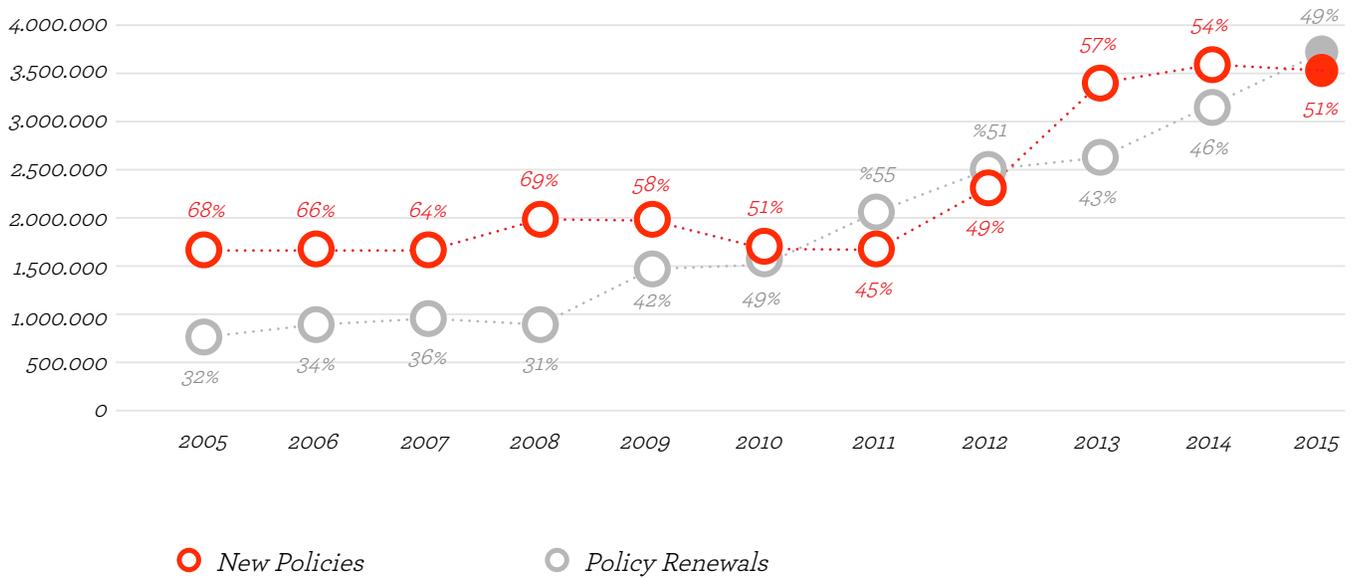
2.7 POLICY GENERATIONS OF THE COMPANIES

GENERATION BY COMPANIES	CEI POLICY GENERATION REPORT				
	2014		2015		
	Number of Policies	Policy Rate %	Number of Policies	Policy Rate %	Policy Increase %
AIG SİGORTA A.Ş.	49,101	0.7	54,986	0.8	12.0
AKSİGORTA A.Ş.	801,598	11.8	895,807	12.4	11.8
ALLIANZ SİGORTA A.Ş.	308,513	4.5	555,246	7.7	80.0
ANADOLU SİGORTA	813,573	11.9	825,789	11.4	1.5
ANKARA SİGORTA A.Ş.	101,255	1.5	53,275	0.7	-47.4
UNICO (AVIVA) SİGORTA A.Ş.	105,268	1.5	131,078	1.8	24.5
AXA SİGORTA A.Ş.	714,033	10.5	717,499	9.9	0.5
DASK	34,529	0.5	32,256	0.4	-6.6
DEMİR SİGORTA A.Ş.	16,445	0.2	13,354	0.2	-18.8
DOĞA SİGORTA KOOPERATİFİ	372	0.0	31,731	0.4	8429.8
DUBAI STARR SIGORTA A.Ş.	26,657	0.4	18,474	0.3	-30.7
EGE SİGORTA A.Ş.	150,593	2.2	82,291	1.1	-45.4
ERGO SİGORTA A.Ş.	267,887	3.9	290,096	4.0	8.3
EUREKO SİGORTA A.Ş.	254,412	3.7	311,927	4.3	22.6
GENERALİ SİGORTA A.Ş.	52,651	0.8	78,553	1.1	49.2
GROUPAMA SİGORTA A.Ş.	262,109	3.8	253,847	3.5	-3.2
GÜNEŞ SİGORTA A.Ş.	463,556	6.8	475,395	6.6	2.6
HALK SİGORTA A.Ş.	307,710	4.5	336,596	4.7	9.4
HDI SİGORTA A.Ş.	250,207	3.7	306,513	4.2	22.5
HÜR SİGORTA A.Ş.	43,256	0.6	539	0.0	-98.8
IŞIK SİGORTA A.Ş.	172,761	2.5	154,626	2.1	-10.5
KORU MUTUEL SİGORTA	19,401	0.3	23,874	0.3	23.1
LIBERTY SİGORTA A.Ş.	84,478	1.2	79,055	1.1	-6.4
MAPFRE GENEL SİGORTA A.Ş.	181,111	2.7	184,066	2.5	1.6
NEOVA SİGORTA A.Ş.	113,866	1.7	176,897	2.4	55.4
ORİENT SİGORTA A.Ş.	501	0.0	8,448	0.1	1586.2
RAY SİGORTA A.Ş.	95,489	1.4	111,188	1.5	16.4
SBN SİGORTA A.Ş.	49,685	0.7	46,532	0.6	-6.3
SOMPO JAPAN SİGORTA A.Ş.	197,692	2.9	194,145	2.7	-1.8
TURİNS SİGORTA A.Ş.	57	0.0	44	0.0	-22.8
TÜRK NİPPON SİGORTA A.Ş.	36,467	0.5	36,711	0.5	0.7
YAPI KREDİ SİGORTA A.Ş.	199,814	2.9	-33	0.0	-100.0
ZURICH SİGORTA A.Ş.	150,606	2.2	192,888	2.7	28.1
ZİRAAT SİGORTA A.Ş.	482,753	7.1	556,863	7.7	15.4
TOTAL	6,808,406	100.0	7,230,556	100.0	12.9

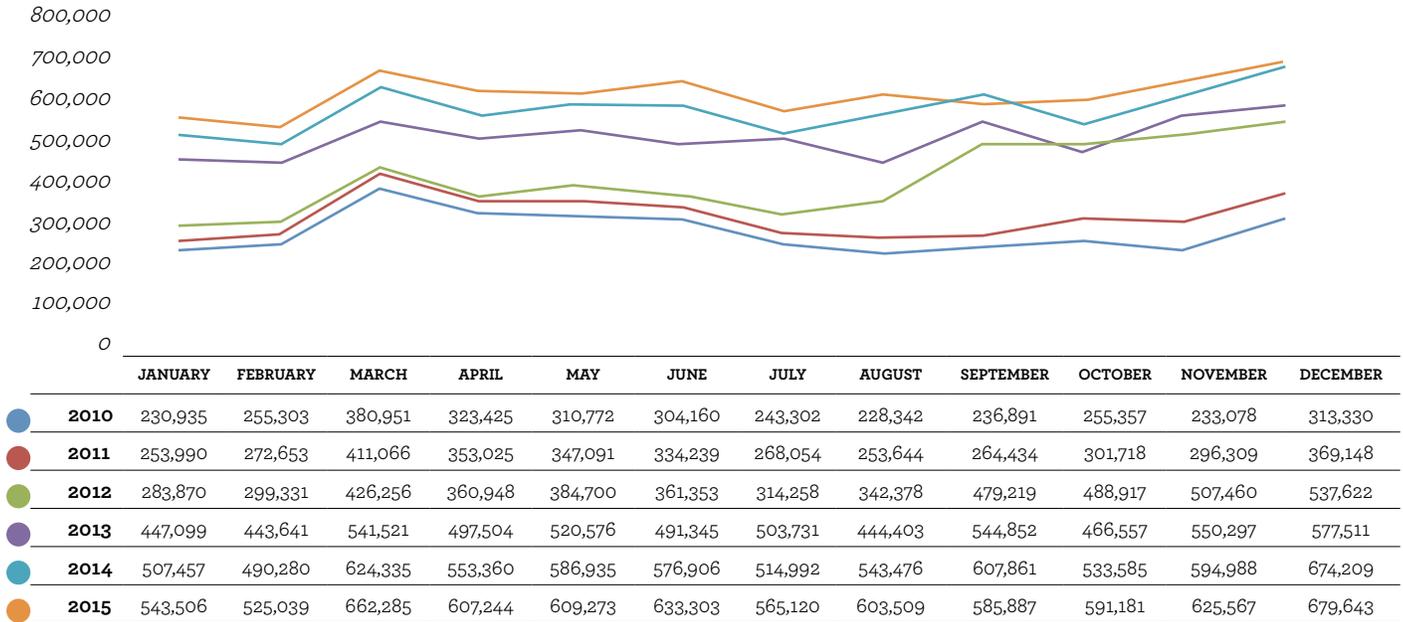
2.8 NUMBER OF POLICIES BASED ON A PLEDGE



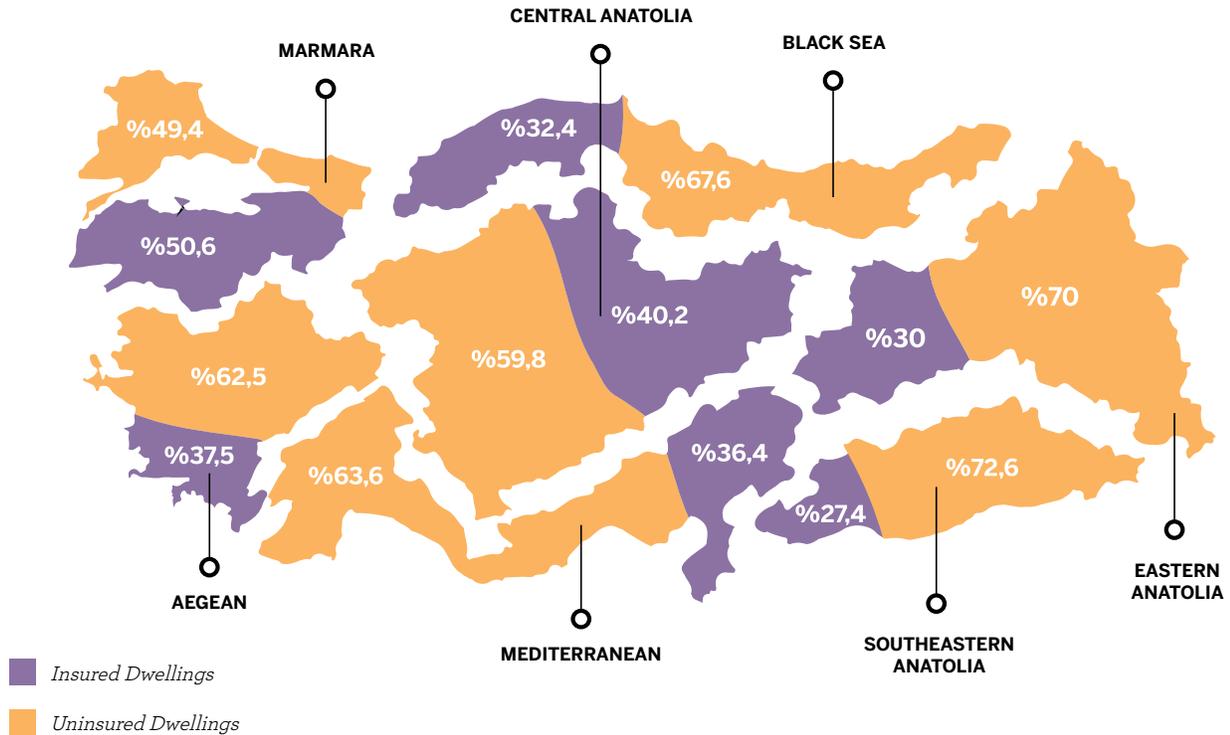
2.9 NUMBER OF NEW POLICIES AND POLICY RENEWALS



2.10 POLICY PRODUCTION ON MONTHLY BASIS



2.11 RATE OF PENETRATION ON A REGIONAL BASIS



2.12 PENETRATION RATE ON A PROVINCIAL BASIS

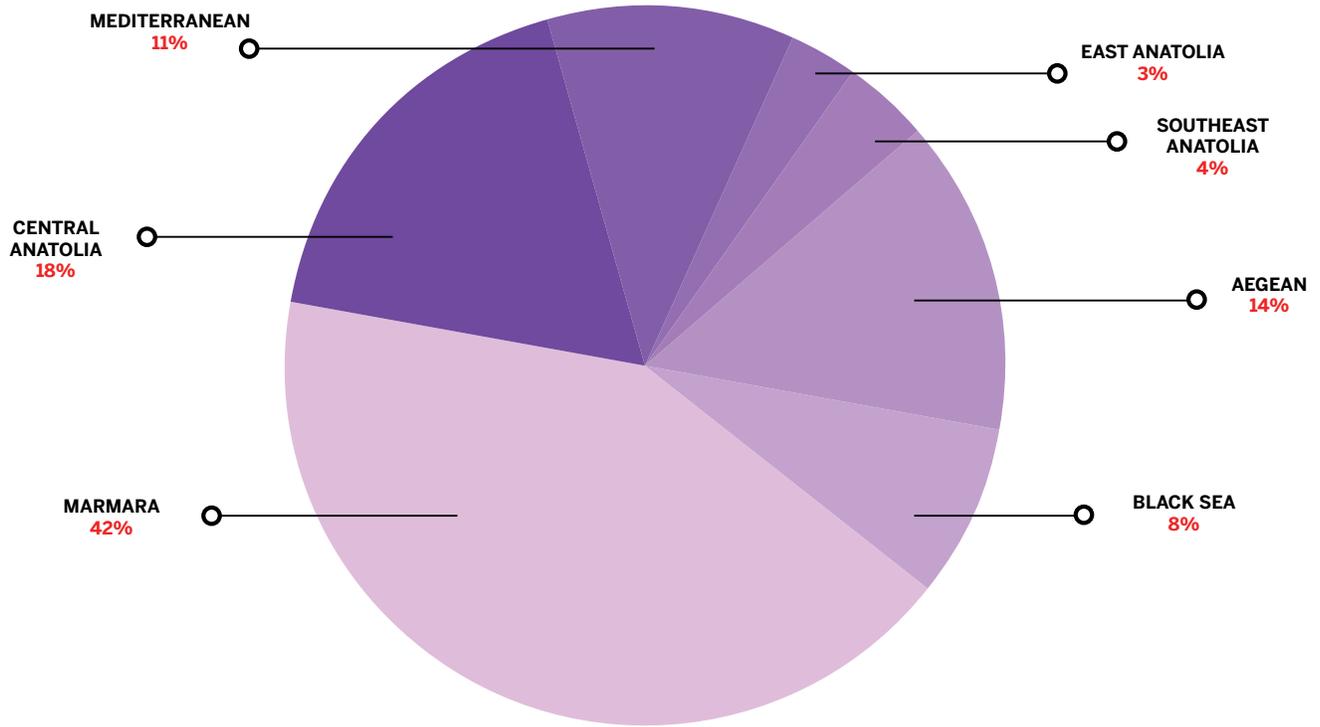
There are 17.6 million dwellings that fall within the scope of Compulsory Earthquake Insurance.

Regions and Provinces	Total Dwellings	Insured Dwellings	Penetration Rate %	Collateral	Premium	Risk Degree	Premium for 100 m ²
Aegean Region	2,616,350	979,859	37.5	67,513,694,200	137,848,220		
Muğla	241,650	120,079	49.7	7,808,673,340	16,387,676	1	164
İzmir	1,120,220	448,194	40.0	31,673,780,140	65,343,877	1	164
Denizli	251,500	81,301	32.3	6,225,592,500	12,783,122	1	164
Aydın	284,970	121,221	42.5	8,056,699,820	17,073,888	1	164
Uşak	82,710	24,191	29.2	1,756,589,420	2,740,494	2	118,5
Manisa	309,460	101,259	32.7	6,468,691,840	13,896,689	1	164
Afyonkarahisar	170,720	39,741	23.3	2,620,183,040	4,644,379	2	118,5
Kütahya	155,120	43,873	28.3	2,903,484,100	4,978,095	2	118,5
Mediterranean Region	2,236,030	814,497	36.4	56,746,026,020	80,306,974		
Antalya	610,140	281,093	46.1	19,166,187,980	26,568,116	2	118,5
Mersin	440,730	195,971	44.5	13,905,049,140	11,559,498	3	68,1
Adana	448,380	132,603	29.6	10,542,695,760	15,403,588	2	118,5
Burdur	63,030	15,289	24.3	1,036,850,500	2,246,476	1	164
Isparta	121,580	28,688	23.6	1,824,296,540	3,972,427	1	164
Hatay	274,450	80,230	29.2	5,385,514,820	11,174,436	1	164
Osmaniye	89,670	25,148	28.0	1,866,149,320	3,634,491	1	164
Kahramanmaraş	188,050	55,475	29.5	3,019,281,960	5,747,942	1	164
East Anatolia Region	777,020	232,856	30.0	18,172,641,020	30,813,493		
Erzincan	45,870	23,581	51.4	1,680,786,620	3,564,718	1	164
Tunceli	16,220	5,256	32.4	390,667,400	595,873	2	118,5
Erzurum	118,900	31,742	26.7	2,575,773,940	3,839,137	2	118,5
Kars	33,050	10,991	33.3	720,301,300	1,113,797	2	118,5
Elazığ	123,310	36,486	29.6	3,162,099,580	4,749,979	2	118,5
Ardahan	7,610	4,062	53.4	278,516,500	424,806	2	118,5
Malatya	165,690	50,646	30.6	3,864,579,340	7,144,855	1	164
Van	80,720	22,356	27.7	2,076,050,080	3,065,924	2	118,5
Ağrı	41,660	9,931	23.8	683,071,920	1,078,605	2	118,5
Iğdır	20,850	6,280	30.1	400,737,800	617,966	2	118,5
Bitlis	38,150	9,375	24.6	711,677,120	1,266,346	1	164
Muş	31,410	5,448	17.3	347,800,940	734,781	1	164
Hakkari	22,800	1,999	8.8	149,111,720	321,695	1	164
Bingöl	30,780	14,703	47.8	1,131,466,760	2,295,009	1	164

South East Anatolia Region	991,460	271,705	27.4	19,573,880,640	22,772,653		
Gaziantep	290,980	99,024	34.0	7,092,749,820	6,362,190	3	68,1
Diyarbakır	211,240	56,023	26.5	4,582,114,820	6,960,466	2	118,5
Şanlıurfa	171,420	52,747	30.8	3,269,716,960	3,104,686	3	68,1
Adıyaman	78,760	22,183	28.2	1,703,422,900	2,686,142	2	118,5
Kilis	21,340	6,966	32.6	386,678,440	357,934	3	68,1
Mardin	91,660	17,708	19.3	1,260,575,940	1,139,631	3	68,1
Siirt	33,410	5,681	17.0	377,784,200	804,356	1	164
Batman	59,430	8,793	14.8	740,571,500	1,102,316	2	118,5
Şırnak	33,220	2,580	7.8	160,266,060	254,933	2	118,5
Marmara Region	6,014,550	3,044,952	50.6	211,981,390,980	381,833,961		
Yalova	79,590	54,156	68.0	3,688,790,720	7,629,679	1	164
İstanbul	3,682,450	1,901,199	51.6	132,092,958,640	235,924,955	1	169
Tekirdağ	264,840	161,249	60.9	11,566,699,420	12,954,810	2	118,5
Kırklareli	87,430	38,739	44.3	2,873,956,560	1,771,058	4	48,5
Edirne	100,430	47,373	47.2	3,331,597,900	2,981,135	4	48,5
Kocaeli	421,370	216,190	51.3	15,573,210,220	31,635,789	1	164
Sakarya	194,190	115,901	59.7	7,910,988,220	16,441,252	1	164
Çanakkale	126,590	66,268	52.3	4,186,609,180	8,823,192	1	164
Balıkesir	335,710	151,768	45.2	9,533,182,640	20,359,376	1	164
Bursa	670,750	272,681	40.7	19,909,876,800	40,838,630	1	164
Bilecik	51,200	19,428	37.9	1,313,520,680	2,474,084	1	164
Central Anatolia	3,332,500	1,338,495	40.2	97,067,357,180	77,688,408		
Ankara	1,525,130	736,530	48.3	55,812,136,940	35,616,601	4	48,5
Eskişehir	233,240	117,479	50.4	7,280,678,500	11,115,789	2	118,5
Çankırı	45,760	12,853	28.1	774,845,540	1,584,928	1	164
Kayseri	335,870	112,847	33.6	8,602,124,120	7,504,498	3	68,1
Kırşehir	60,690	19,423	32.0	1,220,473,300	2,519,289	1	164
Sivas	130,140	39,967	30.7	2,612,886,360	2,601,882	3	68,1
Nevşehir	74,640	21,697	29.1	1,425,800,420	1,330,881	3	68,1
Karaman	56,810	19,639	34.6	1,461,777,760	787,944	5	40,8
Konya	512,870	169,127	33.0	12,078,945,280	9,039,600	4	48,5
Aksaray	90,530	25,018	27.6	1,777,133,840	1,010,900	5	40,8
Niğde	89,250	21,671	24.3	1,416,804,780	925,061	4	48,5
Yozgat	99,860	24,515	24.5	1,534,075,400	1,526,593	3	68,1
Kırıkkale	77,710	17,729	22.8	1,069,674,940	2,124,441	1	164

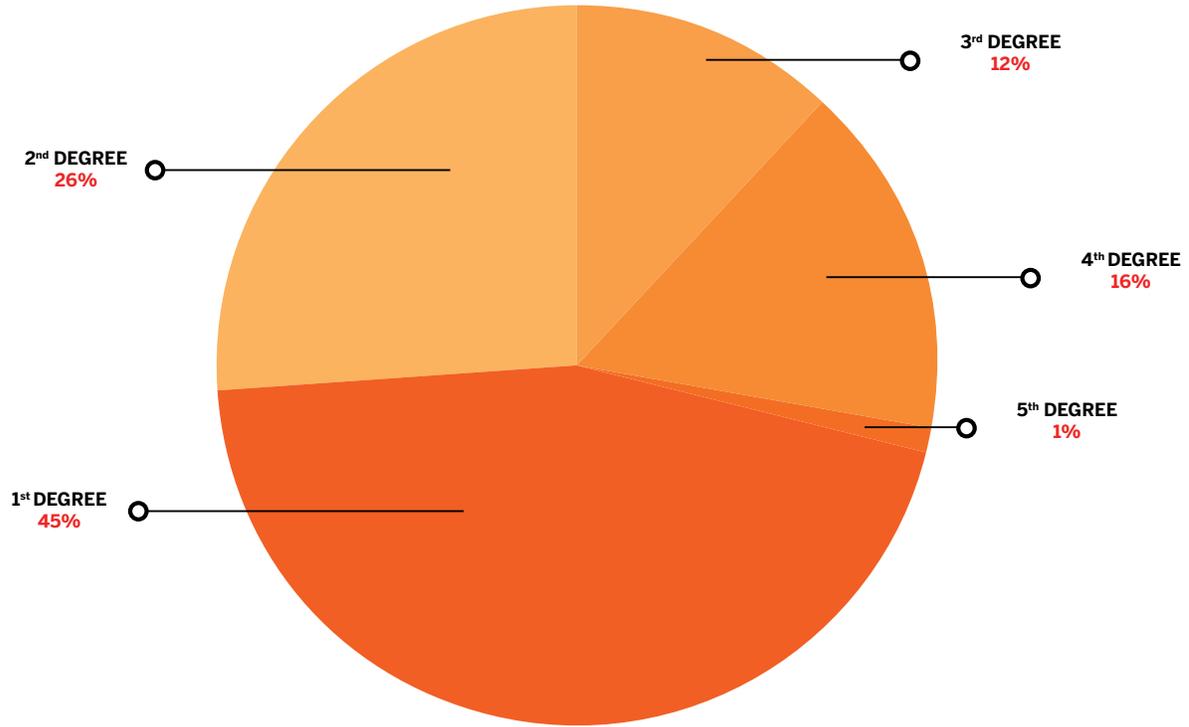
Black Sea Region	1,693,780	548,192	32.4	38,495,692,480	54,836,291		
Bolu	58,660	39,656	67.6	2,841,963,380	5,667,027	1	164
Düzce	48,080	33,826	70.4	2,399,229,580	4,901,639	1	164
Amasya	73,980	24,578	33.2	1,649,297,040	3,465,204	1	164
Sinop	44,090	15,453	35.0	1,008,568,400	952,519	4	48,5
Kastamonu	73,710	24,456	33.2	1,640,888,420	2,952,346	1	164
Çorum	128,460	41,237	32.1	2,852,439,360	4,405,621	2	118,5
Zonguldak	137,510	38,091	27.7	2,586,237,780	4,293,480	2	118,5
Samsun	287,770	81,823	28.4	5,986,142,160	8,674,232	2	118,5
Bartın	30,620	12,989	42.4	806,598,360	1,698,791	1	164
Karabük	56,630	21,621	38.2	1,341,563,500	2,857,828	1	164
Trabzon	208,190	60,712	29.2	4,663,823,680	2,942,590	4	48,5
Ordu	170,280	54,998	32.3	3,826,494,860	3,934,439	3	68,1
Artvin	32,060	12,273	38.3	863,801,020	661,805	3	68,1
Giresun	101,750	26,635	26.2	1,952,318,600	1,385,056	4	48,5
Tokat	127,320	33,105	26.0	2,130,225,460	4,509,535	1	164
Rize	74,910	18,179	24.3	1,348,075,960	861,042	4	48,5
Gümüşhane	27,140	6,157	22.7	407,812,980	500,914	3	68,1
Bayburt	12,620	2,403	19.0	190,211,940	172,224	3	68,1
Overall Turkey	17,661,690	7,230,556	40.9	509,550,682,520	786,100,000		

2.13 POLICY BREAKDOWN ON REGIONAL BASIS



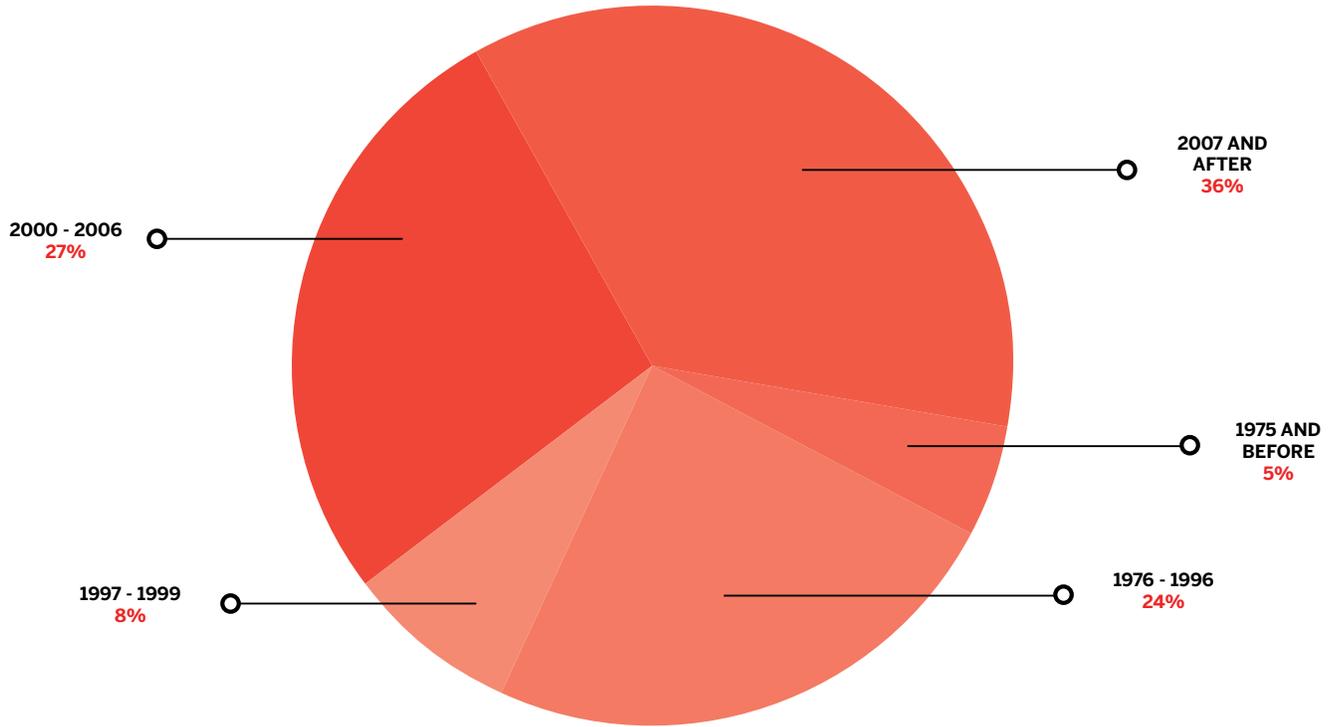
Regions	Total Dwellings	Insured Dwellings	Penetration Rate (%)	Collateral (TL)	Premium (TL)
Mediterranean	2,236,030	814,497	36.4	56,746,026,020	80,306,974
East Anatolia	777,020	232,856	30.0	18,172,641,020	30,813,493
Aegean	2,616,350	979,859	37.5	67,513,694,200	137,848,220
Southeast Anatolia	991,460	271,705	27.4	19,573,880,640	22,772,653
Black Sea	1,693,780	548,192	32.4	38,495,692,480	54,836,291
Marmara	6,014,550	3,044,952	50.6	211,981,390,980	381,833,961
Central Anatolia	3,332,500	1,338,495	40.2	97,067,357,180	77,688,408
Overall Turkey	17,661,690	7,230,556	40.9	509,550,682,520	786,100,000

2.14 POLICY BREAKDOWN ON DANGER ZONE BASIS



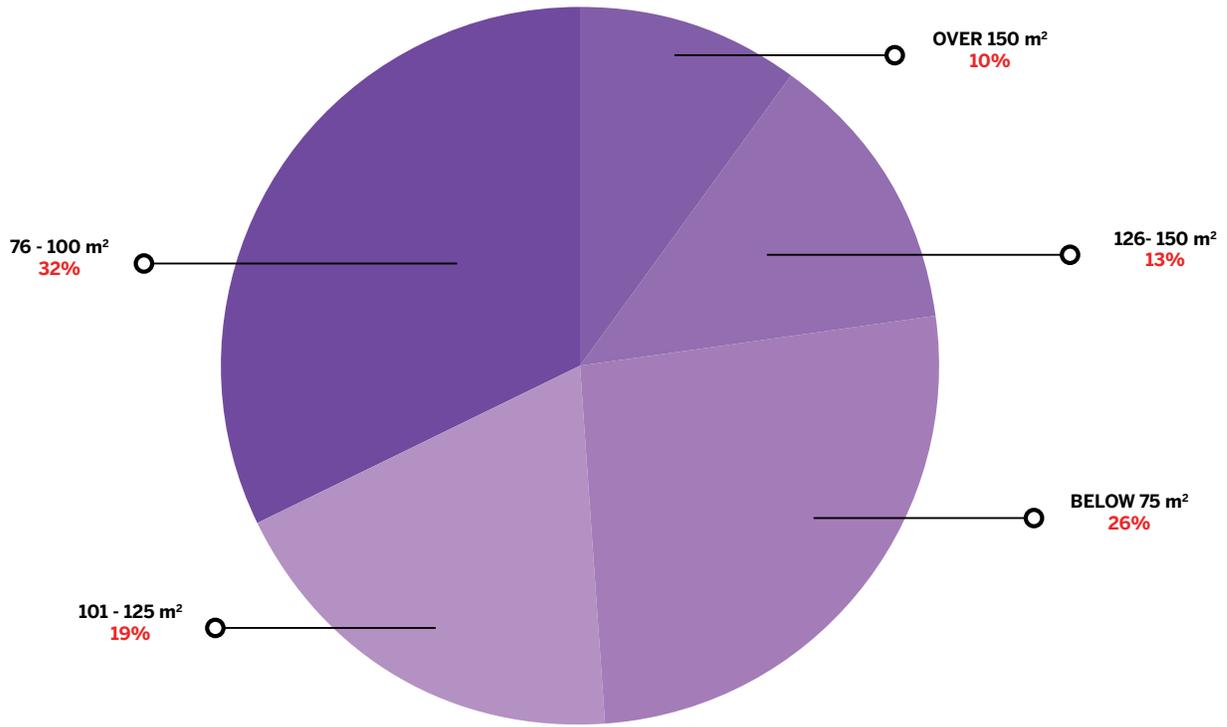
Risk Degrees	Number Of Policies	Policy Breakdown (%)	Premium (TL)	Premium Breakdown (%)
1st Degree	3,275,154	45.3	472,416,627	60.1
2nd Degree	1,894,891	26.2	203,412,881	25.9
3rd Degree	847,545	11.7	54,658,037	7.0
4th Degree	1,137,687	15.7	52,764,805	6.7
5th Degree	75,279	1.0	2,847,651	0.4
Total	7,230,556	100.0	786,100,000	100.0

2.15 POLICY BREAKDOWN ON BUILDING CONSTRUCTION YEAR BASIS



Building Construction Years	Number Of Policies	Policy Breakdown (%)	Premium (TL)	Premium Breakdown (%)
1975 and Prior	398,608	5.5	38,664,397	4.9
1976 - 1996	1,712,546	23.7	191,639,727	24.4
1997 - 1999	572,495	7.9	65,266,936	8.3
2000 - 2006	1,928,979	26.7	215,065,934	27.4
2007 and After	2,617,928	36.2	275,463,006	35.0
Total	7,230,556	100.0	786,100,000	100.0

2.16 POLICY BREAKDOWN ON BUILDING FLOOR SPACE BASIS



Building Floor Spaces	Number Of Policies	Policy Breakdown (%)	Premium (TL)	Premium Distribution (%)
Below 75 m ²	1,885,164	26.1	127,464,787	16.2
76-100 m ²	2,253,164	31.2	227,574,210	28.9
101-125 m ²	1,381,683	19.1	164,704,910	21.0
126-150 m ²	955,392	13.2	131,809,537	16.8
Over 150 m ²	755,153	10.4	134,546,556	17.1
Total	7,230,556	100.0	786,100,000	100.0



BİNGÖL EARTHQUAKE

YEAR	INTENSITY	TOTAL INDEMNITY PAYMENT
2003	6.4	2.859.176 TL
2006	4.9	



3



**TARIFF AND INSURANCE
APPLICATIONS**

⇒ The coverage provided up to an amount of TL 150,000 under the Compulsory Earthquake Insurance Scheme ensures that all your work and accumulations do not turn into dust.*

* This amount is determined by calculating the cost to rebuild the dwelling.

Insurance Tariff and Premium Calculations

The premium to be paid is calculated by means of adding 10 TL to the amount calculated as a result of applying the relevant tariff based on the earthquake zone and the construction type. For the risk coverage within the province of Istanbul, this amount is applied as 15 TL. However, the minimum amount of the premium to be paid is 25 TL regardless of the earthquake zone and the construction type.

In the Compulsory Earthquake Insurance Tariff, the unit square-meter costs have been arranged as follows to be applicable as of 1.1.2013, and to be considered as the basis for the year 2015 as well. These amounts represent the average square-meter costs that have been taken as the basis in determining the insurance cost.

Structure Style	1 st Region %	2 nd Region %	3 rd Region %	4 th Region %	5 th Region %
A- Steel, Ferro Concrete Carcass Structures	2.20	1.55	0.83	0.55	0.44
B- Stone Masonry Structures	3.85	2.75	1.43	0.60	0.50
C- Other Structures	5.50	3.53	1.76	0.78	0.58

Unit square-meter Costs According to Construction Styles

	2015
A- Steel, Ferro Concrete Carcass Structures:	700
B- Stone Masonry Structures:	500
C- Other Structures:	260

The insurance cost and premium are calculated as follows:

Sum insured = the gross area of the dwelling (m²) x unit square-meter cost according to construction type (TL)
The insurance coverage of a residence, to which Compulsory Earthquake Insurance has been applied, cannot exceed 150,000 TL regardless of the earthquake zone and the construction type.

Premium = (Insurance Cost TL x Tariff cost (%)) + Fixed cost (10 TL or 15 TL)

The discounts are applied before the fixed cost is added.

Renewal and Construction Year Discount

- ➔ In case the policy is renewed within 30 days at the end of its term, a renewal discount of 10% in the first renewal and 20% in the following renewals is applied over the tariff prices for the renewed policy. The discount rate of 20% is maintained in the renewals after the second one.
- ➔ For the buildings that have a building license dated 2007 or later, a construction year discount of 10% over the tariff price will be applied.

Deductibility and Insurance Term

For each loss, a deduction corresponding to 2% of the insurance cost is applied. The institution is responsible for the part that exceeds the deductible amount calculated in this manner. In terms of deduction application, each 72 hour period is deemed to be a loss. The term of the insurance is 1 year. The insurance needs to be renewed at the end of this term.

Commission Rates

A commission corresponding to 12.5% for the risks within the borders of the Istanbul Province and a commission corresponding to 17.5% for the risks in other Provinces are paid over the Compulsory Earthquake Insurance premium on the policies drawn up by insurance companies and their agencies authorized to contract Compulsory Earthquake Insurance on behalf of the Institution.

However, for each insurance agreement, the minimum commission to be paid to the insurance company is 10 TL. 3 TL of the paid minimum

commission belongs to the insurance company while 7 TL belongs to the agency. Within the scope of the rates mentioned above, in case the commission to be paid to the insurance company exceeds 10 TL, the commission to be provided to the agency, providing that it is not below the minimum amount is defined freely among the insurance company and the agency.

Voluntary Insurance

For voluntary housing insurance policy inclusive of earthquake coverage to be issued for independent sections and buildings within the scope of Compulsory Earthquake Insurance, it would be necessary for compulsory earthquake insurance policies to have already been issued for these buildings and sections.

However in case the value of the independent sections and buildings, for which Compulsory Earthquake Insurances have been done, exceeds the insurance amount calculated based on the principles specified in the tariff, on the amount exceeding the concerned sum insured, provided that the Compulsory Earthquake Insurance has been done, a voluntary earthquake insurance may be set up.

INSURED, WHO RENEW THEIR POLICIES REGULARLY AND ON TIME BY PROVIDING ACCURATE INFORMATION CAN BENEFIT FROM REDUCTIONS

REACHING 30%

20% DISCOUNT FOR RENEWALS,

%10 FOR CONSTRUCTION YEAR

MALATYA EARTHQUAKE

YEAR
2004
2012
2015

INTENSITY
4.8
4.7
5.0

TOTAL INDEMNITY PAYMENT
114.973 TL



**REINSURANCE PROTECTION
AND CAT-BOND**

→ *The total loss payment power of the TCIP consists of the funds of the institution and reinsurance capacity, and it is approximately at the level of 12.5 billion TL.*

2.8 billion Euro

TCIP's Reinsurance protection is renewed on the basis of the characteristics of the current portfolio as of 1 November 2015 and a reinsurance protection which provides Euro 2.8 billion coverage for excess of loss.

From its inception the development of ability to pay and reinsurance TCIP damage when the program has been taken into account the following matters for:

- Providing opportunities for the development of the institution's resources,
- Creating a high quality and dependable reinsurer panel,
- Ensuring coverage diversity,
- Taking the necessary protections by accurately determining the loss load that the portfolio will create

Institutions provide the guarantee diversity in 2015 and given priority to efforts to provide a cost advantage and the intensity shown below:

→ Reinsurance capacity limit has been increased by using structured reinsurance and capital markets instruments,

→ The work for the new catastrophe bond under Bosphorus Ltd. name has been completed,

→ The process regarding Bosphorus 1 named Catastrophe Bond that was first issued in the year 2013 for a term of 3 years based on Istanbul's Earthquake Risk was carried out, and

→ Reinsurance support has been provided by the State.

The reinsurance protection of the Institution has been renewed by taking the cost increases (PLA) that would occur following an earthquake as of 1 November 2015 into consideration and a reinsurance protection that consists of six tiers and provides a coverage of 2.8 billion Euro and an excess of loss reinsurance protection that includes reinsurance solutions that have been constructed together with capital markets has been ensured.

Cabinet of Ministers decided for an additional government support of 238 million Euros within the scope of 2015-2016 period traditional reinsurance protection to be provided for excess damages.

CAT-BOND

Kurum'un afet bonusu dThe purpose behind the issuance of catastrophe bonds by the institution is manifold as follows; to reduce the dependency on conventional risk transfer markets in meeting the increasing damage protection capacity requirement based on the fast growing portfolio, to diversify the damage payment capacity on the basis of the market, product, rate and region to be able to meet the alternative protection requirement, to provide support to the insurance sector as the capacity allocated for the seismic risk of Turkey in the conventional reinsurance market is used less by TCIP. USD 400 million Bosphorus 1 catastrophe bond with a maturity of April 2016, which has been pointed out to be exemplary in terms of its success in the ILS (Insurance Linked Securities) market, was issued as the lowest costing bond until then in terms of its cost.

The entry of the Turkish earthquake risk, one among the few, in the Cat Bond market that is normally dominated by USA's storm/seismic risks, Europe's flood/storm risks and Japan's seismic risk was received with satisfaction by the investors and in spite of the fact that it was the first parametric catastrophe bond issued by our country it has been one of the most recommended bonds of the year and the one that received the best reinsurance agreement awards.

You can have access to the details of the awards and the international news regarding Bosphorus 1 Re Cat Bond through the below listed web sites.

- ➔ Bosphorus catastrophe bond a real success story, by Artemis on May 1, 2013

<http://www.artemis.bm/blog/2013/05/01/bosphorus-catastrophe-bond-a-real-success-story-says-turkish-cat-pool/>

- ➔ Bosphorus Re cat bond upsized to \$400m 30 April 2013 |By Newsdesk

<http://www.globalreinsurance.com/story.aspx?source=grbreaking-news&storycode=1402277/>

- ➔ Turkish catastrophe pool benefits from completion of Bosphorus 1 Re cat bond 30 April 2013 |By BusinessInsurance

<http://www.businessinsurance.com/article/20130430/NEWS09/130439992#>

- ➔ Bosphorus 1 Re may prove game-changer for ILS 25-04-2013 By Bermuda Re

<http://www.bermudareinsurance-magazine.com/news/bosphorus-1-re-may-prove-game-changer-for-ils>

- ➔ Turkish cat pool's Bosphorus 1 Re completes 01-05-2013 By BusinessInsurance

<http://www.intelligentinsurer.com/news/turkish-cat-pool-s-bosphorus-1-re-completes>

- ➔ Bosphorus 1 Re unveils Turkish quake cat bond 02 April 2013 By Intelligent Insurer

<http://www.businessinsurance.com/article/20130402/NEWS09/130409976>

Strong press coverage of the TCIP CAT bond study

The Worldwide Reinsurance Awards
Category: ILS Transaction of the Year
Award: Highly Commended

<http://reinsuranceawards.com/>



The Insurance Insider Awards 2013
Category: Reinsurance Transaction of the Year
Award: Winner

<http://www.insuranceinsiderhonours.com/pages/SHORTLISTEDENTRIES>

EUREKO
SIGORTA



**USD 400 MILLION
BOSPHORUS 1 CAT
BOND WAS ISSUED,
AS THE LOWEST COSTING BOND
UNTIL THEN IN TERMS OF ITS COST.**

Istanbul has been completed. By means of this agreement that shall be in effect for a period of 3 years additional capacity has been provided for the items of protection discussed above.

The total loss payment power of the institution consists of the institution funds, reinsurance and CAT bond capacity and is approximately at the level of 12.5 billion TL. The institution's obligations resulting from policies are monitored regularly and the required reinsurance protection limits are established by taking the results obtained from reliable earthquake loss models into consideration.

Reinsurance application strategy

The premiums paid for reinsurance protection are the most important cash outflow item of TCIP. In order to reach the targeted cost and placement structures, the following studies are conducted each year and based on the results obtained from these studies optimum placements have been realized on year-to-year basis.

- ➔ DFA Analysis
- ➔ Scenario-Based Analysis
- ➔ Risk Modeling
- ➔ Service Level Agreements
- ➔ Alternative Risk Transfer Applications (ART)
- ➔ Establishing the Broker Panel
- ➔ Placement Strategies
- ➔ Involvement of the Treasury
- ➔ Road show

With the increasing number of policies the Institution's need for loss

payment capacity increases as well. It is anticipated that this growth trend will continue. It is planned for a part of the increasing capacity requirement of the institution to be met from the traditional risk transfer markets. In addition to the reinsurance programs that have been designed for future term requirements, works continue to be performed by TCIP in order to utilize the other products in the capital markets, primarily Catastrophe bonds. The Institution pays particular attention for the products and instruments constituting the loss payment capacity to show variety in terms of region, rate and product.

Support is provided to the insurance sector by taking care to create competition before the reinsurers, including alternative risk transfer instruments in the program, and taking care not to deplete the capacity allocated to Turkey's earthquake risk in the conventional reinsurance market during the placements (as TCIP uses less capacity).

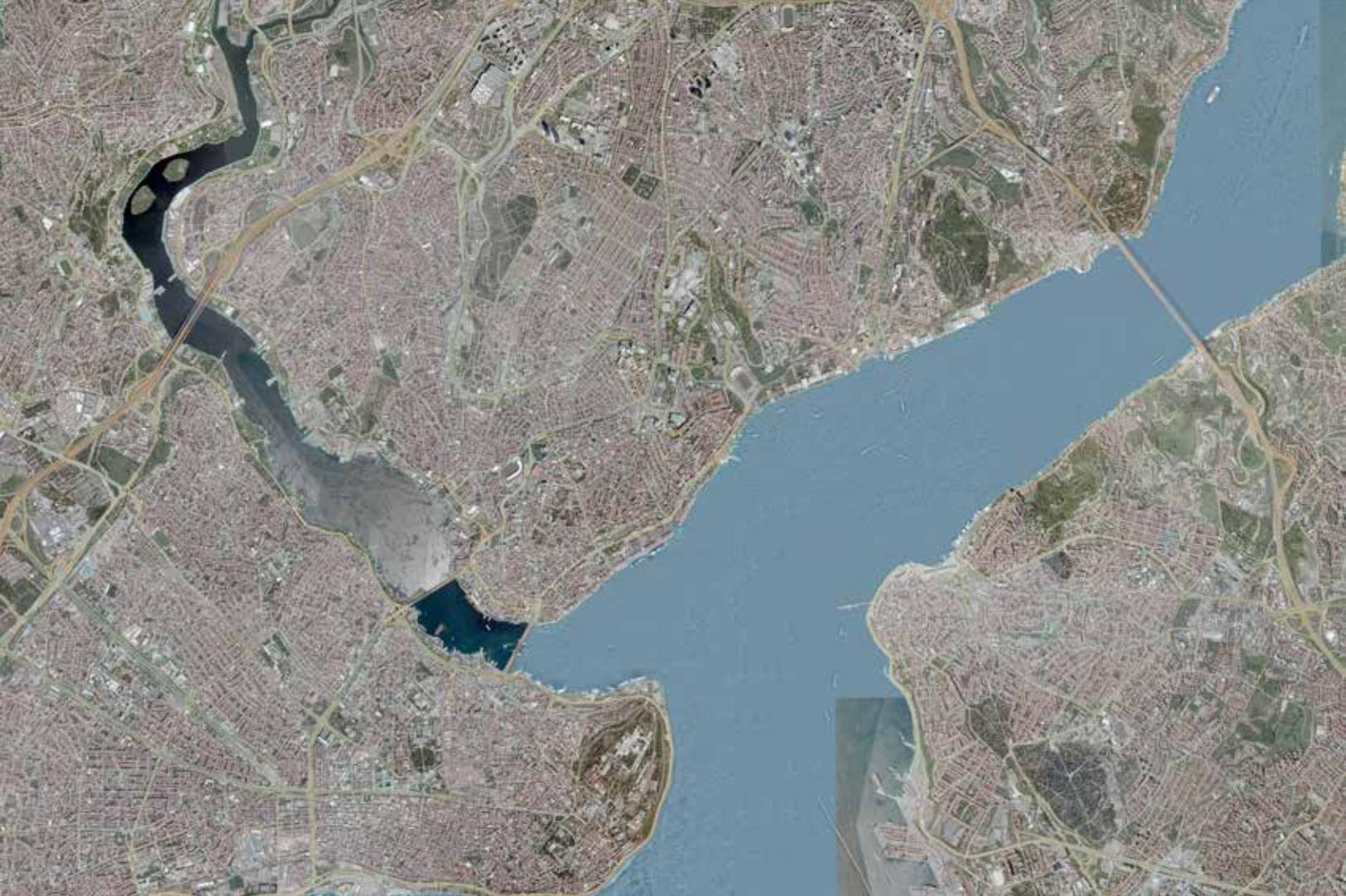
The work being conducted in alternative reinsurance markets have been in progress for purposes of developing protection instruments similar to Catastrophe Bond. Structured Reinsurance, "Spread Loss", "Top & Drop", "Rate Protection and Spread Loss compound Structuring", "Annual Aggregate XL", "Sidecar" and similar solutions are analyzed all through the period and included in the placement for purposes of improving the negotiation power and meet the capacity requirement of the institution when they are considered suitable.

Tarsim

As per Cabinet Decree dated September 09, 2015, the "Decision to Provide Reinsurance Support to the Risks Undertaken by Agricultural Insurance Institution by the Turkish Catastrophe Insurance Pool" has been put into effect.

"In case sufficient protection could not be procured from national and international markets for the risks that are undertaken within the scope of the Agricultural Insurance Law dated June 14, 2005 No: 5363, Reinsurance support may be provided to the Agricultural Insurance Pool by the Turkish Catastrophe Insurance Pool (Institution) in return for a price in conformity with the Agricultural Insurance Pool, up to maximum 10% of the retention margin according to the risk and reinsurance plan of the institution, under the approval of the Minister to whom the Undersecretariat of Treasury reports, and subject to the condition that it is limited to the risk listed in paragraph 2 article 7 of Catastrophe Insurance Law dated May 9, 2012 No: 6305. The Minister is authorized to increase the subject matter amount up to 50%. The type, conditions and limits of the assistance to be provided by the Institution are determined by the Undersecretariat of Treasury in consideration of the principles of insurance. The Institution and the Agricultural Insurance Pool could act in collaboration within the framework of the principles to be determined by the Undersecretariat of Treasury for purposes of meeting the reinsurance requirements."

Within this context, after various meetings and discussions with the executives of the "Agricultural Insurance Pool", the foundation for the inter-institutional reinsurance cooperation for the provision of TL 147,790,000 reinsurance support to the "Agricultural Insurance Pool" by Turkish Catastrophe Insurance Pool has been laid down. The respective coverage will be limited to the natural disaster risks within the scope of herbal product and greenhouse insurance and shall be activated upon an increase in the damage premium rate in excess of a specific percentage.





ERZURUM EARTHQUAKE

YEAR

2004

INTENSITY

5.3

TOTAL INDEMNITY PAYMENT

768.927 TL



5

FUND MANAGEMENT

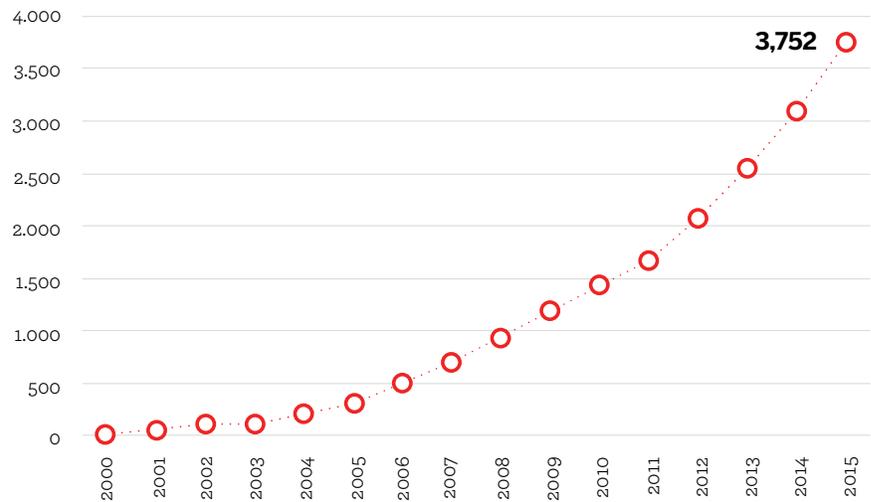
⇒ *Steady and permanent growth in fund sizes*

The Total Value of the TCIP Financial Portfolio has reached to TL 3.75 billion as of 31.12.2015 with an increase of TL 659.0 million (21% growth) from TL 3.09 billion compared to the beginning of the year

The Institution funds, in 2015, continued to be managed in compliance with the investment principles and strategies Guide determined by the Board of Directors as well as the 25th article of the Regulation on the Operating Principles of Turkish Catastrophe Insurance Pool. In all the fund management transactions realized, action was taken in compliance with the Public Treasury General Communiqué. The fund size increased by 21% compared to the previous year and reached the level of 3,751,625,078 TL as of 31.12.2015.

Regarding the growth of the return on investment (revenue), the contribution in the general portfolio value compared to the beginning of the year has displayed a net increase of TL +269 million (excluding the policy collections). This indicates a net return of 8.31% since the beginning of the year, while the benchmark return is 7.65%.

⇒ **ANNUAL GROWTH OF THE FUND AMOUNT, MILLION TL**



⇒ **PRINCIPAL INSTRUMENTS USED IN THE FUND MANAGEMENT AND THEIR GROWTH OVER THE YEARS, M.**

Year	Portfolio - TL	Deposits	Breakdown	Bill / Bond	Breakdown	Other	Breakdown
2000	5.215.999	1.633.640	31	3.569.688	68	12.671	0
2001	38.222.985	32.080.730	84	6.030.809	16	111.446	0
2002	97.331.470	70.079.665	72	26.252.898	27	998.907	1
2003	116.025.753	63.373.633	55	51.084.849	44	1.567.271	1
2004	202.232.650	80.940.497	40	115.483.686	57	5.808.467	3
2005	311.559.315	206.235.410	66	104.244.548	33	1.079.358	0
2006	499.463.532	409.962.055	82	89.500.583	18	893	0
2007	681.508.659	579.947.288	85	98.265.366	14	3.296.005	0
2008	931.934.659	842.084.206	90	84.764.350	9	5.086.103	1
2009	1.186.378.964	944.737.214	80	237.600.393	20	4.041.356	0
2010	1.433.659.436	1.179.029.211	82	250.382.589	17	4.247.262	0
2011	1.660.681.919	1.552.648.290	93	96.291.663	6	11.741.967	1
2012	2.044.378.962	1.893.441.852	93	81.516.910	4	69.420.198	3
2013	2.548.632.255	2.322.418.804	91	183.633.422	7	42.580.029	2
2014	3.092.692.979	2.031.866.840	66	633.645.708	20	427.180.431	14
2015	3.751.625.078	3.077.840.374	82	668.974.812	18	4.809.892	0

The General Fund Management philosophy of the Institution is based on the following principles;

- ➔ As in the previous years, the fundamental elements are primarily the capital safety, and ensuring liquidity and income,
- ➔ To achieve steady and permanent growth in fund sizes by staying loyal to the risk levels determined by accurate information interpretation, correct timing and efficient decision making processes,
- ➔ Developing income increasing new products that are appropriate for the Institution's culture and structure as well as the economical conjuncture by adopting an innovative and pioneering approach.

Fund Management Committees

In order to manage the growing fund more efficiently and actively, the Institution continued its operations also in 2015 with "Investment Committee" established in 2011 and the "Investment Steering Committee" as a higher echelon body.

The primary responsibility of the Investment Committee is preparing the "Annual Investment Plan", purchasing and selling investment instruments in accordance with the investment plan approved by the Board of Directors and Investment Steering Committee, trading currencies, Participation in the tenders of government debt securities, monitoring the markets pertaining to reverse repos and all similar transactions, holding meetings with other financial Institutions and performing of all operational procedures. The Committee also evaluates the performances of the Technical Operator and portfolio

management companies according to the comparative criteria specified in the annual investment plan. Data of the portfolio management companies, comparison criteria amendment requests and strategy changes are evaluated by this committee.

The task of the Investment Steering Committee on the other hand is to take the executive decisions necessary for the implementation of the investment plan based on the developments that took place during the year and advise the Investment Committee that observes and evaluates the investment process and operations weekly.

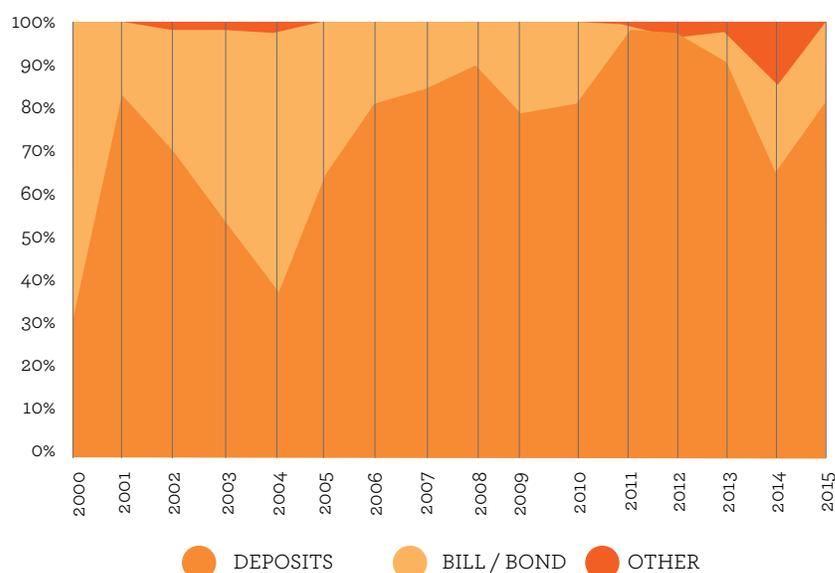
Investment Strategies Oriented to Protect the High Portfolio Value

The monetary markets are closely monitored by the Investment Committee, which meets weekly, and the Committee endeavors to earn high returns on investments by creating investment type and term varieties to deploy institution's funds within the acceptable risk limits.

Within the scope of the Investment Strategy determined at the beginning of 2015, led by the time deposits as the most liquid instruments according market conditions, the Fund have included government bonds, reverse repos as well as foreign currency time deposits that are proportionate to the liabilities as financial instruments in its portfolio.

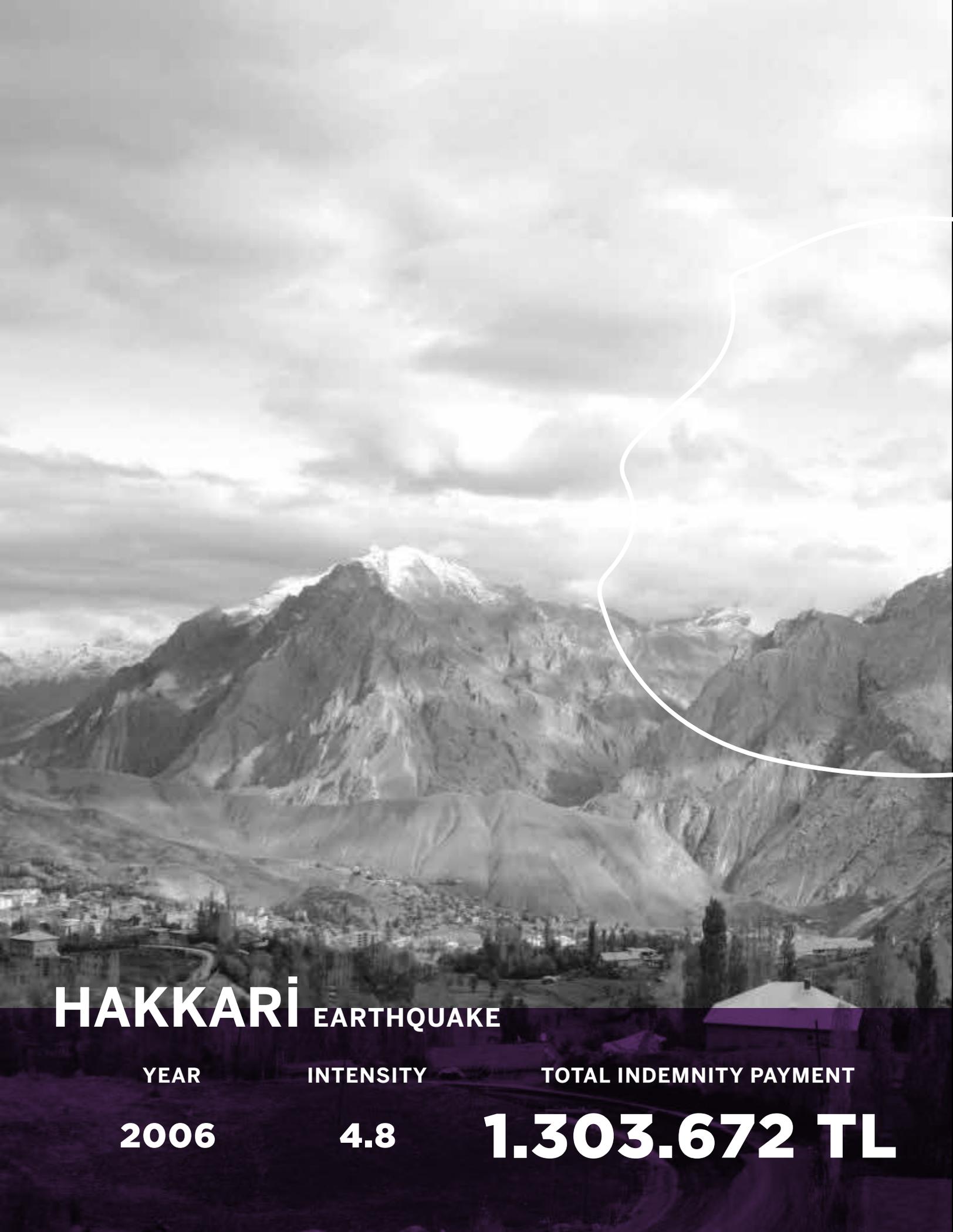
SAP Treasury Risk Management (TRM) module integration in fund management

As a switch has been made to SAP system in the accounting processes of TCIP in the year 2015, the integration of SAP-TRM module to the business processes in a harmonious move has also been ensured. This has provided significant savings on time and detailed and fast means of analysis as well where financial reporting is concerned.



DEPOSITS 82%

BONDS 18%



HAKKARİ EARTHQUAKE

YEAR

2006

INTENSITY

4.8

TOTAL INDEMNITY PAYMENT

1.303.672 TL



LOSS MANAGEMENT

⇒ 494 Earthquakes & 162 Million TL Claim Payments

Since its establishment TCIP has realized in total TL 162,389,690 of loss claim payments regarding 494 earthquakes that took place since then. 2015 was a calmer year in terms of loss operations and during this period focus was directed to the Natural Disaster Management Project of TCIP.

TOTAL INDEMNITY PAYMENT PER YEAR (as of 31.12.2015)

Year	Number of Earthquakes	Number of Claims	Payment (TL)
2000	1	6	23,022
2001	17	336	126,052
2002	21	1,558	2,284,835
2003	20	2,504	5,203,990
2004	31	587	768,927
2005	41	3,488	8,119,871
2006	23	500	1,303,673
2007	42	995	1,381,599
2008	45	481	558,849
2009	37	268	525,174
2010	36	455	718,347
2011	42	7,770	133,186,833
2012	56	1,666	5,414,847
2013	23	173	551,764
2014	27	821	2,004,076
2015	22	111	217,771
TOTAL	494	21,719	162,389,690

In the year 2015 earthquakes resulting in human casualties or causing damage have not been experienced. A total of TL 217,771 has been paid for 111 claim files pertaining to 22 earthquakes that caused damages in the country in general.

The number of loss adjusters available in the pool of TCIP with earthquake experience has increased to 280.

LOSS ADJUSTER EXPERIENCE TABLE

Number of loss adjusters with earthquake experience	280
Number of loss adjusters trained	245
Number of Civil Engineers trained (Chamber of Civil Engineers- IMO)	354

Regarding the Period
01.01.2015–31.12.2015

22
Earthquakes



632
Total number of
claim notifications



626
Number of
finalized files



111
Number of files
settled



217.771
Amount of claims paid



ELAZIĞ EARTHQUAKE

YEAR	INTENSITY	TOTAL INDEMNITY PAYMENT
2007	5.9	998.671 TL
2010	6.0	



**TCIP INFORMATION TECHNOLOGIES
AND DATA MANAGEMENT STRATEGY**

→ *In Damage Management and Catastrophe Management the year 2015 turned out to be a milestone as the Natural Disaster Management System (AYS) was made operational.*

7.1 TCIP Information Technologies

TCIP's Information technologies management approach is based on four fundamental principles:

- **Expertise:** Use of up-to-date and advanced technologies along with the suppliers that are experts in their fields,
- **Security:** Implementation of high level security policies,
- **Continuity:** Ensuring the business continuity by means of both technologies and processes,
- **Traceability:** Ensuring the traceability of IT infrastructure and processes.

The development was ongoing all through 2015 on Policy Production System that is one of the two main processes of TCIP. On the other hand in Damage and Catastrophe management field, the year 2015 turned out to be a milestone as the Natural Disaster Management System (AYS) was made operational. AYS, which has been commissioned, was formulated on the basis of 15 years of accumulated experience. By means of this system TCIP is now in possession of the IT capability to be able to respond to operational requirements in case of a large-scale catastrophe. Further detailed information could

be obtained from Natural Disaster Management System section.

In addition to these two main processes, work was also being conducted on the development of the Natural Disaster Risk Management System (ARYS) which is a geographic information /decision support system. Full activation of ARYS system is targeted to take place by the end of year 2016. Another important system is the TCIP Request Management System (DTYS) that was put into operation in 2015 and aims to improve intra-institutional scalability and traceability. The entire request/complaint management has been switched over to this system.

Moreover, the entire IT infrastructure of TCIP has been moved to the data center belonging to the Insurance Information and Monitoring Center (SBM) in the year 2015 and TCIP has started to provide all IT services over SBM. The infrastructure move was completed in two stages realized in May and September 2015.

The year 2015 has proved to be a period of projects in the field of IT for TCIP. Many projects that have been initiated and worked on for purposes of improving the business efficiency and service quality as well as getting ready for a possible earthquake has been engaged in 2015.

7.1.1 Policy Production System

During the policy production process two methods are utilized, namely real time data transfer and internet application, and the produced policy information being registered in the TCIP database simultaneously. A backup system is used to prevent any service interruptions while the system performance and accessibility are monitored on 24/7 basis. It has been observed that the system provides a service rate above 99% before encountering any important interruptions.

7.1.2 Natural Disaster Management System Project (AYS)

A new system has been put into use in place of the Loss Management System, which was used until the end of 2015. The purpose behind this venture is to be able to process large amount of loss claim files effectively and to have the indemnities paid to the insured parties in the most accurate and expedited manner.

SAP software, which is being used in many institutions in large scale operations, has been selected to constitute the basis in the system. In realizing the design of the system that is developed over SAP, information exchange has been made with specialized institutions and establishments that are active in

the field of earthquakes in Turkey. In the creation of the new system, the experiences gained from the recent Japan and New Zealand earthquakes were also put to use. By this means, it is targeted to prepare the software to respond to the biggest most probable earthquake scenarios in Turkey.

AYS has been commissioned successfully by the end of 2015.

After the commissioning of the software, all the loss process has been transferred to this new system. Parallel to this, further studies are being conducted for purposes of further improving the system, and it is intended to keep up the work to achieve continuous improvement during the life cycle of AYS.

The basic properties of the new system to be established are as follows:

- ➔ All business flows from the notification process to the payment of the claims as well as legal proceedings can be managed and tracked over this software.
- ➔ Mobile devices can be used in loss adjustment and appraisal process. Thus, fast data flow can be achieved from the field to the HQ.
- ➔ A costing model specific to TCIP has been developed to be used in the calculation of pending loss and claims to ensure fast and equitable results. Data will be transferred to this system with the loss adjustment to be made via mobile devices.
- ➔ It is intended to achieve efficient communication with large number of insured parties over multiple channels (Call Center, Voice Response System, Web Site, Cell Phone, and SMS). Call Center and mobile phone SMS channels have been put into operation by

the end of 2015. Interactive voice response system and web site are targeted to be completed in 2016.

- ➔ Online system integration with VakıfBank is provided to ensure that the insured parties can receive their payments quickly and efficiently. Thanks to this system, it is aimed to realize the payment directly over Turkish ID Number and carry out collection of claim payment Turkey from any VakıfBank branch throughout Turkey.

- ➔ Full integration has been established with the accounting and financial portfolio management modules available on the SAP system. By this means, it is intended to increase operational efficiency.

In Chapter 8, further information is shared with respect to Natural Disaster Management System Project.

7.1.3 Central Reporting (Data Warehouse Project)

In the field of reporting TCIP targets coordinated use of classic data reporting systems and location (map) based reporting techniques will be resorted to in order to achieve operational excellence.

An Oracle based reporting system has been developed and put into use by the end of the year 2014 to ensure data analysis and monitoring of “Production” and “Loss” capabilities; in other words the two main processes of TCIP. Three phases have been planned for this reporting system.

Within the scope of the first phase that has put into practice, the reporting of the Production System and existing loss structure have been completed in 2014.

The development work on the second phase that is the AYS damage

reporting has been ongoing. By means of the work conducted in the year 2015, it was ensured that the current reports are fed through the new system. The work regarding new reports and a more detailed AYS integration shall continue in the year 2016.

In the third phase, which will be started after AYS integration, “business intelligence” layer will be handled and the analysis of the data in hand will be conducted by means of data mining.

TCIP Central Reporting System, which is a classic reporting function and a product of business intelligence, shall operate in parallel with ARYS, map based decision support and reporting system for which the details are provided below and all business intelligence requirements of TCIP shall be met by these two systems.

7.1.4 Natural Disaster Risk Management System (ARYS)

For purposes of facilitating the operations management and planning efforts, a multi functional decision support system has been developed. The related system is a map based geographic information system. The first phase development work on the system has been completed, and the system has been commissioned for in-house use. In the first phase solutions oriented to some processes such as the detection of differences to identify regional damage from satellite pictures, calculation of pending effects of possible earthquake scenarios, have been developed and these solutions were made available for pilot utilization.

As can also be realized from the similarity of the names, ARYS system is intended to work closely with SAP based Damage Management System AYS. Following the activation of AYS system, ARYS-AYS integration

work will pick up pace in the year 2016. When AEYS system becomes fully operational after ARYS-AYS integration and second phase developments are completed, it is intended to be used actively in fields such as map based damage operations management, and expert field planning and management. Although the actual function of ARYS is operation management, it can also provide support as a map based reporting and support system.

7.1.5 TCIP Claim Management System (DTYS)

A new system that would render it possible to follow up any and all the requests and complaints received by TCIP at the level of services has been developed and commissioned in the year 2015. Thanks to this system, which is named as DTYS, the systematic management of feedbacks, questions and complaints received from the insured parties, establishment of the scalability on the operations side

and monitoring of the service levels through a quality focused perspective are targeted. Ready-made software was adapted to the needs of TCIP regarding the system and a fast solution has been brought forth.

7.2 Infrastructure Management

Hardware belonging to TCIP are maintained and managed at Insurance Information and Monitoring Center.

7.2.1 Transfer of Information Technologies Services to Insurance Information and Monitoring Center

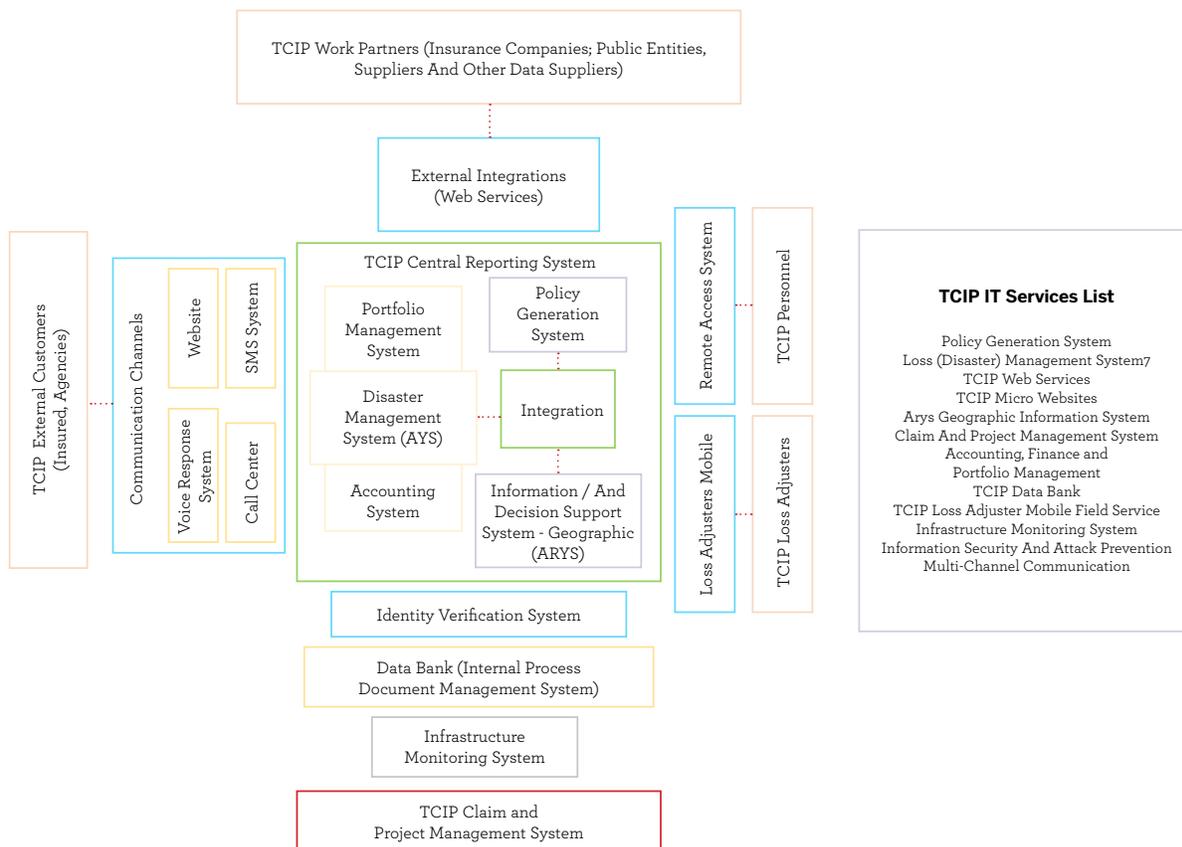
On the basis of the assignment made by the Undersecretariat of Treasury in its correspondence titled; "Information Technologies Services" dated March 10, 2015 No: 71065509-310.02.04/8108, the following services are being conducted by Insurance Information and Monitoring Center (SBM); development of software, purchasing/

management of third party applications and licenses, hardware, hosting services, management of information technology operations (maintenance, repair, back-up and updating), information security infrastructure, network and system management, web site maintenance, emergency center management and other information processing operations.

SBM, operating as the sector's data and supervision center since the year 2003, serves the entire sector including 15 public institutions, 115 Actuaries, 1800 Surveyors, 63 Insurance Companies, 31,000 Agencies and Bank branches and 85,000 registered users thanks to the IT infrastructure investments made in recent years, innovative solutions developed and applications that perform supervision and reporting functions.

SBM, which serves the sector with powerful IT infrastructure and experienced team of specialists;

➔ In 18 branches led by traffic, car insurance, fire, health care and life



→ Including 30 million insured

→ By means of a total of 320 million policies with 60 million in effect, ensures that all IT service requirements of TCIP are gathered under one roof as it provides cost advantage without any compromises from quality.

The targeted IT architecture of TCIP together with the existing structure is as follows;

7.2.2 Hosting Services and Infrastructure Management

The experience of SBM on the subjects of infrastructure and operating activities has been made available to TCIP to benefit. High quality database and network management services are being provided in the institution as the systems are monitored on 7/24 basis and the necessary support is provided by means of software that has received worldwide acceptance. SBM provides services across the entire sector based on 100% infrastructure continuity.

7.2.3 Data Center

All operational systems belonging to TCIP have been moved to the data center of SBM located at Dudullu. There is a MPLS line between Dudullu data center and Altunizade Office of TCIP. By means of this line the access to the data center of TCIP offices is sustained safely and without any interruptions.

7.2.4 Emergency Center Management

TCIP has an Emergency Center in Ankara and by means of the infrastructure components available at this center redundancy services can be provided to the main data center in Istanbul. Tests in relation to the operability of emergency

infrastructure under urgent conditions are conducted at specific intervals. In the studies conducted, all the applications enabled on the servers in Istanbul were closed down as the emergency servers in Ankara were enabled. The tests, which are conducted, are used to test all procedures and functions. As a result of these tests, it is determined that the emergency servers are continued to be operational precisely and up-to-date.

As a natural extension of the transfer of TCIP infrastructure to SBM, the operating of TCIP Business Continuity Center has also been transferred to SBM.

7.2.5 Data Security and Back-up

In accordance with the existing back-up procedure, back-up is provided by means of state of the art technology without any requirement for manual intervention. The back-up operations regarding TCIP database is handled on daily basis as full back-ups are obtained every day and maintained in multiple copies. Infrastructure redundancy against scenarios of emergency has been provided thanks to replication technologies

Information Security and Business Continuity

The information security for TCIP is provided at the highest level possible thanks to COBIT compliance processes, information security policies and applications that are certified by means of internationally recognized ISO 27001 Information Security Certificate. Products compliant with international standards are used in providing information security services.

The main headings that SBM concentrates in the fields of Information Security and Business

Continuity are as follows:

- Human Resources Security
- Asset Management
- Access Control
- Encryption
- Physical and Environmental Safety
- Operation Management (Identity Management/Change Management)
- System Planning and System Acceptance
- Communication Security
- Backup and Recovery
- Supplier Management
- Procurement, Improvement and Maintenance of IT Systems
- Incident Management
- Business Continuity Management
- Compliance

TCIP Applications

Besides production software belonging to TCIP, other activities are being continued such as SAP Disaster Management System damage application, web pages of TCIP, decision support system applications as well as various company and institution integration software. Software development services are provided in-house by SBM in part by taking into consideration compatibility with SDLC processes. Advanced technological products and applications are being conducted with continuous audit of conformance to processes and in compliance with all the steps associated with software processes and generally accepted SDLC processes.



VAN EARTHQUAKE

YEAR

2011

INTENSITY

6.2

TOTAL INDEMNITY PAYMENT

12.658.296 TL



**NATURAL DISASTER MANAGEMENT
PROJECT AND PROJECTS**

→ Year 2015 turned out to be a milestone, during which Disaster Management System development – the top priority project in the field of Disaster Management and Damage Management of TCIP – was completed and go live.

8.1 Natural Disaster Management System

Automation processes oriented to loss management

TCIP has put the Disaster Management System into operation at the end of 2015, which was initiated with the project works in 2014 that TCIP had positioned in place of the damage system in use and led the way in the world as an institution constituting a reference in disaster management. As such the most important phase of damage management software that served in an effective manner in all post-earthquakes – from minor to major – compatible with future needs besides its policy generating service that simultaneously operates in integration with various public institutions and is used by 33 insurance companies and 16,000 agencies and serves over 7 million insured. Collective damage file can be opened through the system with AYS damage software designed end to end in order to manage the entire damage lifecycle through the system. It also allows notification retrieval through different channels and is a system that facilitates appointment of an expert collectively to damage files and their execution processes by automation, large size damage files processed in an effective manner and enabling transfer to insured of indemnities in the fastest and in the most correct manner.

With AYS:

- Development of new methods and models
- Operational management of a high number of damages that will arise in post-catastrophic earthquakes
- Management of aftershocks
- Standardization in damage assessment
- Cost management
- Mobile payment infrastructure
- Mobile field and damage management

Functions as well as developments have been targeted for disasters to be manageable.

Main developments made with AYS within this scope have been explained in the below articles.

Receiving of Claim Notifications

Receiving of claim notification according to the scale of the earthquake experienced and spread of its sphere of influence is foreseen as one of the bottlenecks especially in large scale damages. Retrieval of notifications being made only by telephone through customer services

especially in metropolitans, where coverage rate and/or number of insured is high, will cause extensions in the survey process and thus lead to productivity loss and challenges in the management of the operation besides extending the period of going out to the field.

With this proposed action, it is targeted to open collective damage files without waiting for a notification to be served within the domain of the damage software that is engaged and send experts on this basis. In addition infrastructure of systems have been prepared that will enable insured to open damage files and allow them to notify by only sending an SMS, through TCIP web site (web portal) or the audio response system of customer service center without the need to talk to an operator. Moreover, it will also be possible for the insured to obtain information about files opened through TCIP Internet site and audio response system.

Assigning of Loss Adjuster

As explained above, assigning of an loss adjuster to notifications received from different channels such as TCIP web site, audio response system and SMS, or to collective claim files opened systemically is foreseen as another bottleneck.

In this sense, a system has been designed and put into practice with

the new system, with which loss adjusters to be assigned will be easily determined, their availability will be obtained with SMS and their appointments will be made collectively. This is not only an important step for the assignment of loss adjusters, but also for realizing management and tracking processes through automation, inspection and conclusion of claim files in an effective and fast manner, and the payment of indemnities in a correct manner.

8.2 Mobile Loss Adjustment Application

Another important development of AYS is the Mobile Loss Adjustment Application that works in direct connection to Loss Software. Loss adjustment can be made in a fast manner with this application and assessment data can be directly transferred to the loss software. Assessments to be made by Mobile loss adjuster application consist of two basic stages:

8.2.1 Building Damage Assessment (Categorization)

The methodology used to determine the structural damage that occurs in the load-bearing system due to earthquake has been created by university faculty members. The damage categorization methodology that has been developed is scientifically proven, calibrated, and controlled against similar methods. With this methodology it is possible to determine in a fast and correct manner up to what extent the building load-bearing system is affected from earthquake. If the damage is below a certain level, then the determination of decorative damage the earthquake has caused can be continued in both common areas as well as detached sections.

8.2.2 Standard Costing

Works oriented to the standardization of loss assessment process has been undertaken for the below purposes;

- ➔ Making the loss adjustment process more transparent, standard and easily understandable before the insured,
- ➔ Possibility of using people without any insurance background or training as a source in loss adjustment after a short training period,
- ➔ Ability to realize loss adjustment independent from personal assessment differences in an equitable and standard manner,
- ➔ Determination and control of loss unit costs on incident basis,
- ➔ Direct input to mobile software of assessments made, without being dependant on paper trail, and as such generation of data directly and instantly in damage application by data transfer in appropriate environment,

and performing these functions in the Mobile Loss Adjustment Application was made possible with the Standard Costing software. Unit costs can be adjusted centrally by taking as reference information such as the region in which the damage was experienced, building structural specifications, etc. and amount to be paid can be calculated and appraisal report generated as a standard with the Standard Costing application.

8.3 True Orthophoto Project

True Orthophoto Project contract, conducted under the Technical Coordination of Geographical Information System of the Ministry of Environment and Urban Planning, was signed in June of 2014 and works were initiated in July of 2014. While production of True Orthophotos are being realized at a scale of 1/1,000 in settlement areas (province/district/township) throughout Turkey, current building inventory will also be determined in urban areas.

Orthophotos to be produced will also provide one of the base maps that will have an important place within the damage support system of TCIP besides forming the basic image base of all units, whose geographical data generation are being realized. Forecasting will be possible for various needs such as damage potential of the portfolio and future expert numbers in conclusion to works to be performed with the ground, building inventory information layers of TCIP policy data to be combined in Orthophoto infrastructure, and likely earthquake scenarios. Besides forecasts, in case of any earthquake, it will be possible to calculate the approximate damage state of the portfolio in a short time according to the location and size of the earthquake.

Besides being a first in Turkey with regards to scope, cost, time, and technology used, True Orthophoto Project is also one of the outstanding projects in the world. The project, whose nearly 85% photo shoots were completed as of the end of 2015, will be completed within 2016.

8.4 Natural Disaster Risk Management System (ARYS)

ARYS is a structure where maps, images, and data obtained from different sources are combined and correlated and converted into information by using Geographical Information Systems technology.

The first phase of ARYS has been developed in Istanbul, where data pertaining to the purpose of the project is easily obtainable and the number of CEI policies are the most, and furthermore where a destructive earthquake is expected. The system shall be developed in a manner to cover Turkey in general by benefiting from the True Orthophoto Project outputs in the forthcoming process.

One of the most important work steps that is planned to be undertaken in 2016 as the second phase of the software is the integration of Damage Module application and ARYS system. This will ensure simultaneous transfer of data between the two systems.

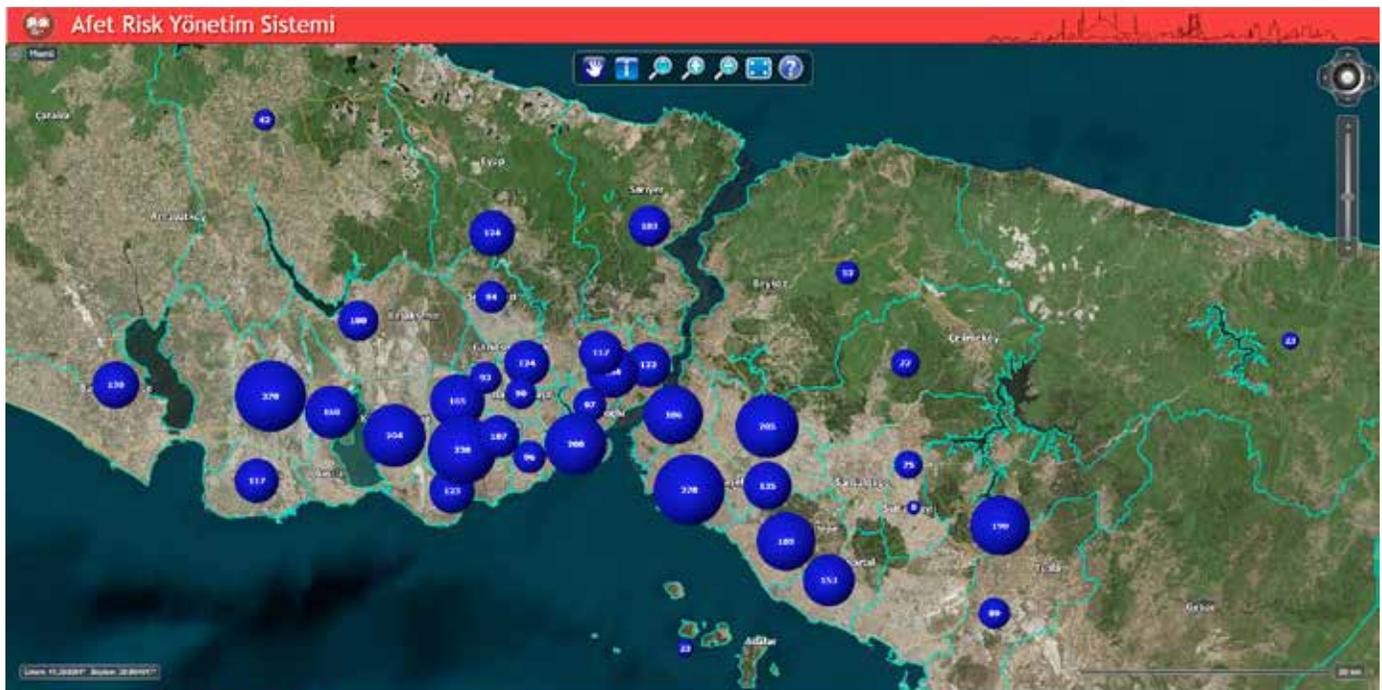
In this manner the affect of the earthquake on the portfolio can be calculated in a very short period and moreover besides being able to direct processes such as comparison of pre- and post-earthquake aerial photos or satellite images and opening of collective files, etc. from this system, determination of operational priorities and organizing of expert assignment will also be supported through this system.

8.4.1 Difference Perception and Loss Adjustment

Another module, whose design and integration on ARYS system has been completed, is the Variation Detection module. With this model it is possible to determine buildings that have suffered disaster damage by comparing aerial and satellite photos, to be obtained immediately after a probable earthquake that has a destructive effect, with those obtained previously. Thanks to the integration of analysis outputs obtained from Variation Detection module with coordinated UAVT

(National Address Database), damage distribution and especially damaged buildings observed from satellite and aerial photos will be automatically associated with the TCIP portfolio, and it has become possible to determine from among these; those that have extensive damages such as collapse, demolished, tumbled, and slanted buildings with policies and housing residents, and to use the findings obtained in the operations of "Loss Adjustment" process.

In conclusion it has become possible to design a work flow automation that will increase the efficiency of post-earthquake TCIP damage management operations within the scope of the project by establishing which addresses the determined damages correspond to and regions the real damage intensity has affected can be effectively established. Moreover it will be possible for the system to also provide data and support in many processes such as calculating the outstanding effects of probable earthquake scenarios.



It will be possible to enable effective use of expert workforce in the aftermath of a probable major earthquake with area detection application, which is another module developed separately on ARYS system, by using the damage distribution information oriented at an earthquake that occurs and obtained in conclusion to the calculation and image analysis, and neighborhoods that are most affected by the earthquake and may be assessed as top priority by TCIP will be established as a decision support factor.

8.4.2 Estimation of the Financial Losses and Operational Decision Mechanism

By using earthquake earth movement parameters, building loss distribution and the policy inventory with appointed geographic coordinates belonging to earthquake scenarios or real time earthquakes it is intended to estimate the financial losses that could be incurred in case of an earthquake, which carries great importance in terms of identifying the financial dimensions of an earthquake.

By means of the Loss Adjustment Software, the estimation of the financial losses, the examination of the dimensions of the financial obligations and development of the operational strategies within the scope of insurance industry will be possible. By using the earthquake earth movement parameters, building loss distribution and the policy inventory integrated with the geographical information systems coordinates within the scope of the operational strategies indicated, information that is defined and needed within the scope of capacity optimization on the number of loss adjusters required to be assigned to each region for "Loss Assessment" before and after an earthquake, and the follow up and management of this team at the field can be obtained.

All these processes were made possible thanks to ARYS software developed on the base of Geography Information Systems. The systems are targeted to operate in parallel upon the integration of ARYS software being completed with the ARYS Damage Software, which has gone live.

8.5 Title Deed Damage Integration

In the first phase, while Compulsory Earthquake Insurance controls are being performed in a more systematic manner during title deed processes in coordination we established between our Institution and the General Directorate of Land Registry and Cadastre we initiated in 2013, certain works have also been conducted with the purpose of preventing cancellation of policies that are in violation of the legislation. Thus, in transactions that are performed regarding the immovable at the title deed offices, it has been ensured that the existence/non-existence information for the Compulsory Earthquake Insurance can be displayed and that the control mechanism can operate in a better manner while the operation work load is reduced at the title deed offices.

Following this, this cooperation is being extended and currently a special structure is being set up where damages concerning the title deed information of the insured will be directly and simultaneously displayed by our unit with the purpose of accessing in the fastest manner to correct information in order to reduce the procurement of documents from the insured during the damage processes in case of a major disaster.

8.6 Urban Transformation

A new infrastructure is being set up where risky dwellings, assessed within the scope of urban transformation to be demolished, shall also be followed-

up by TCIP and that will avert new policy production and renewal processes for such dwellings.

In order to also ensure the use of this data in the damage stage, it will be possible to download it to the new damage application within the Disaster Management Project, and developments are ongoing for a separate infrastructure, where necessary warnings will be obtained in the damage inspection stage concerning such dwellings.

8.7 Checking of Telephone Numbers

TCIP has initiated the sending of SMS messaging informing the insured at certain stages such as issue, cancel of policy, warning, missing documents, and payment information through both the issue as well as damage infrastructure. As it is of great importance for these SMS to reach the right people in a timely manner together with additional services, CEI had checks inserted to telephone number fields with the purpose of ensuring that telephone numbers of the insured/insurer are correctly input by all authorized agencies during the issue of policies.

KÜTAHYA EARTHQUAKE

YEAR	INTENSITY	TOTAL INDEMNITY PAYMENT
2011	5.9	11.225.069 TL
2012	5.1	



**ADVERTISING AND PUBLIC
RELATIONS ACTIVITIES**

⇒ TCIP continued the communications activities that would support the development of coverage awareness and earthquake resistant buildings concept in 2015.

9.1 Developing General Public Relations and Advertising Strategies

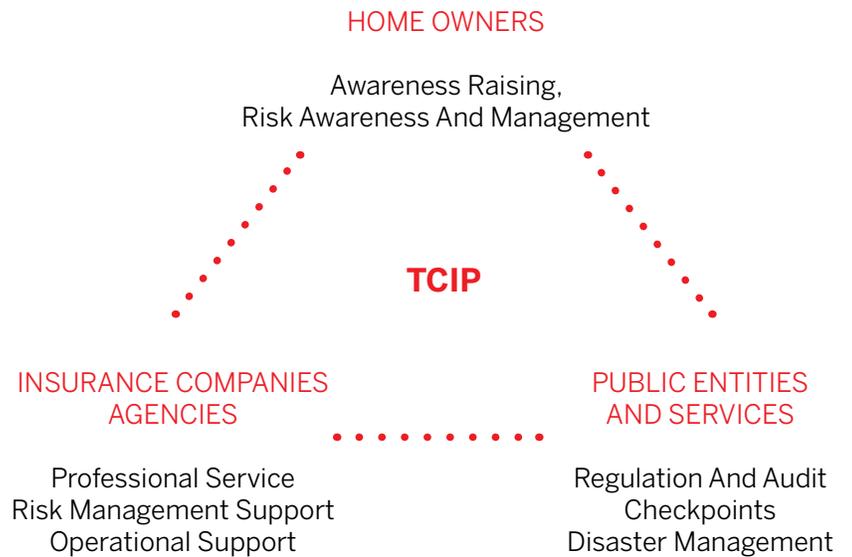
The strategies of advertising and public relations works of the Institution are being formed with the results of public opinion researches conducted, assessment of these results by specialist agency partnered with in the subject of advertising and public relations, feedbacks received from all stakeholders partnered with, Technical Operator opinion, and lastly with the guidance of the Board of Directors.

- ⇒ The public relations company is responsible for developing public relations projects, sharing with media and press, and activities,
- ⇒ The advertising company is responsible for the preparation of creative works of the campaign, and the shooting of the advertising film, if any,
- ⇒ The media purchasing company is responsible for the selection of medium and purchases,
- ⇒ The social media agency is responsible for sharing and applications on the Facebook page, and
- ⇒ The research companies are responsible for the research and concept tests.

The advertising and public relations works of the Institution is based on triple communication strategy with these works that have been conducted since 2008. These strategies enhance:

- ⇒ Insurance awareness and recognition in the public,
- ⇒ Recognition and participation in the public, and
- ⇒ Ownership in the distribution channels.

Besides developing the insurance awareness, our Institution arranges public relations and publicity projects that support the development in our country of earthquake awareness, safe life, and earthquake resistant buildings concept.



Communication study that are based on transparency and mutual trust

When determining the communication works, TCIP focuses on developing projects to enhance the awareness of earthquake and being prepared for earthquake throughout the country. The Institution reaches out to many different target audiences and primarily to dwelling owners, insurance companies and brokers, primary, secondary and university students, public institutes and local administrations.

Insurance companies and their agencies, which TCIP sees as one of its most important business partners for expanding Compulsory Earthquake Insurance throughout the country, play an important role in the development of service processes prior to and following a disaster. TCIP, which also works very closely with public institutions, is able to reach every part of the country thanks to this.

Social Media in Corporate Communication

TCIP, addressing a very wide target audience from different segments of Turkey, also takes care to be present in the social media besides television, newspaper and similar media in its communication efforts. The Institution, which follows very closely the developments and trends in the social media, is thus able to adapt its communication works to the necessities of the time. It is aimed to achieve for the concept worked on to have 360-degree integrity with respect to communication, advertising, social media, and media purchase.

With regard to communication; it is targeted to

- ➔ Invest in trust and reputation as an Institution,

- ➔ Develop the risk perception about the earthquake, and

- ➔ Enhance the continuity and to gain new insurance holders.

9.2 The Study and Projects

The studies and projects are listed under the following topics:

Projects Aimed to Develop the Risk Perception

- ➔ Cities Compete, Insured Win Contest
- ➔ Earthquake Resistant Building Design Competition
- ➔ Red Crescent Organizing of Opinion Leaders (TLT) Project

Project Directed at Trust and Reputation

- ➔ Sponsorships
- ➔ Insured Life Program

Projects Developed for Sustaining Existing and Subscribing Prospect Insurance Holders

- ➔ Agency Gift Cheque Campaign

Projects Aimed to Develop the Risk Perception

9.2.1 Cities Compete, the Insured Win

A secured life after an earthquake is aimed to be encouraged with the awareness of insurance coverage throughout the country with “Cities Compete, Insured Win” Contest.

The fifth of the Cities Compete, Insured Win Contest, which attracts

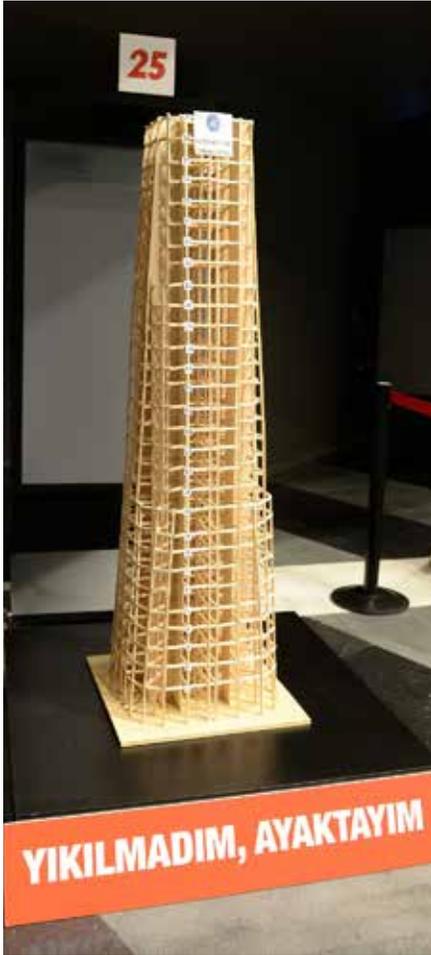
more attention with each passing year, was organized in 2015.

The announcement of the contest during the contest process is performed with the letters, posters, and project promotion film that is sent to all governor's offices and Provincial Directorates of Disaster and Emergency. TCIP and Compulsory Earthquake Insurance promotional materials are provided to AFAD (Disaster and Emergency Management Presidency) personnel in line with their demands, who wish to undertake informative and encouraging works in order to mainstream Compulsory Earthquake Insurance in their own province throughout the entire year. The project application files to the contest, whose deadline is end of December, will be delivered in February 2016. Provinces, which are within the scope of the contest, are assessed according to their Compulsory Earthquake Insurance performances between the dates of 1 January – 31 December 2015.

The performances of the provinces are determined according to the following three criteria:

- 1. Criterion:** Insurance penetration rate the province has attained at the end of the contest period,
- 2. Criterion:** Policy increase rate the province achieves within one year, and
- 3. Criterion:** Compulsory Earthquake Insurance promotion works undertaken in the province throughout the entire year.

The performance of the provinces is assessed based on these three criteria and ranking of provinces is determined as such. Donations with the below mentioned amounts will be provided to the provinces, which will be ranked as top 3 at the end of the evaluations to be made within the scope of the specification in February.



9.2.2 Earthquake Resistant Building Design Competition



The starting point of the fight against earthquake: Earthquake Resistant Building

TCIP targeted to promote earthquake resistant building culture in Turkey with the; “Earthquake Resistant Building Design Contest” it organized with the participation of students from faculties of civil engineering and architecture in 2014. The final event of the contest, which lasted for 3 days, was held between the dates of 28 - 30 June.

A total of 66 teams from 29 universities located in 26 different cities had applied to TCIP Earthquake Resistant Building Design Contest. 25 teams, which passed the pre-qualification round, competed with their building models that were designed as a multi-storey hotel building in Ataşehir. The final of the contest, which lasted for 3 days, commenced with the technical assessment of building models and

project presentations of the teams. On the second day of the event final, endurance performance of building models to earthquake was measured on the shake table. Building model mock-ups that came out with the least damage from 3 earthquakes at different magnitudes by showing the best performance in the simulation at the shaking table brought awards to teams.

The Kolezyum team from Balıkesir University, who received the first prize, was awarded with a shake table that simulates earthquake to be given to the civil engineering department of the university for educational purposes. Moreover, the first team was also the winner of TL 10,000 prize money. The second team won TL 5,000, while the third team won TL 3,000 money awards. Whereas gift cheques were given to the members of the teams that won the Best Architecture, Best Resistance to Earthquake, Best Communication Skills, and Best Competitive Spirit prizes.

- ➔ Grand prize: Material donation in the amount of TL 100,000 to the Provincial Disaster and Emergency Directorate
- ➔ Second prize: Material donation in the amount of TL 60,000 to the Provincial Disaster and Emergency Directorate
- ➔ Third prize: Material donation in the amount of TL 30,000 to the Provincial Disaster and Emergency Directorate

Each year provinces participate in the contest with authentic works. At the end of 2015, Batman, Burdur, Afyon, Ordu, Muğla, Sakarya and Ankara provinces completed their studies and made their applications by preparing their files.

While Aderans team from Erciyes University won the second prize, the third prize went to Atazade team from Harran University. While Akdamar project from Yüzüncü Yıl University received the Best Earthquake Performance Special Prize, Avengers team from Istanbul University received the Best Architectural Special Prize. Whereas Heaven-İst project from Cumhuriyet University won the Best Communications Skill Prize. During the event the participants according to the vote made by the best competition is awarded the spirit award at Sakarya University.



9.2.3 Red Crescent Organizing of Opinion Leaders (TLT) Project

TCIP joined as a project partner to the Community Leaders Organizing Project that Turkish Red Crescent has been carrying out throughout Turkey since 2007.

Collaboration of TCIP and Turkish Red Crescent

The project partnership, which started in 2013 with the purpose of explaining TCIP and the Compulsory Earthquake Insurance to the opinion leaders and their target audience, who participate in the TLT training of the Turkish Red Crescent, also continued in 2015. Within the scope of Community Leaders Organizing Project -Mitigation of Natural Disasters Program that is realized under the cooperation of TCIP and Turkish Red Crescent, 220,000 "I Learn Safe Life with the Red Crescent" class calendars were printed with the TCIP project partnership in 2015, and were distributed to all 1st, 2nd, 3rd, and 4th grades of elementary schools throughout Turkey through the branches of the Turkish Red Crescent and Provincial/District Directorates of National Education.



Projects Directed at Trust and Reputation

9.2.4 Sponsorships

Sponsored Symposiums and Conferences

The following conferences and seminars were sponsored and participation was ensured within 2015.

→ **3. Earthquake Engineering and Seismology Congress (14-16 October 2015- Izmir)**
The 3rd Earthquake Engineering and Seismology Congress, organized by Turkish Earthquake Engineering Association and aims at revealing issues regarding earthquake specific to Izmir besides assessing the studies in the fields of earthquake engineering and seismology in Turkey, was realized in Izmir September Ninth University between the dates of 14-16 October 2015.

→ **Third Conference on Smart Monitoring, Assessment and Rehabilitation of Civil Structures-SMAR 2015 (7-9 September 2015- Antalya)**
SMAR 2015 International Conference has provided and international platform to scientists, engineers, and self-employed where they can present and discuss practical applications and latest developments in testing and monitoring technologies, building modeling, building evaluation/improvement/reinforcement methods, and advanced technology materials.

SMAR 2015 International Conference, to which world renowned researchers and engineers attended, has also

been supported by “International Society for Structural Health Monitoring of Intelligent Infrastructure (ISHMII)”, “International Institute of FRP in Construction (IIFC)”, “RILEM”, and “IMO Antalya Branch”.

→ **International Burdur Earthquake and Environment Symposium (7-9 May 2015-Burdur)**

International Burdur Earthquake and Environment Symposium was held on the dates of 7-8-9 May 2015 with the cooperation of the Faculty of Engineering-Architecture of Mehmet Akif Ersoy University and Burdur Provincial Directorate of Disaster and Emergency Management of Disaster and Emergency Management General Directorate with the purpose of enabling information exchange by bringing together all scientists related to earthquake and environment (geophysics, geology, geodesy, construction, earthquake, industry, electronic, environmental engineering, architecture, landscaping architecture, medicine, psychology, law, economy, communications, philosophy, sociology, and other social sciences).

→ **Earthquake Symposium Kocaeli 2015 (10-12 June 2015-Kocaeli)**

Sponsorship was extended by TCIP in 2015 to the symposium organized bi-annually by Kocaeli University to ensure information exchange by bringing together scientists, who work in the subject of earthquake and also local authorities, government officials, civil defense, fire department, rescue teams, media and non-governmental organizations.

9.2.5 Insured Life Program

TCIP met with the insured through TV Broadcast

The “View” program prepared by Noyan Dogan in Haberturk channel in 2015 was broadcast under the sponsorship of TCIP. The program was broadcasted on Wednesdays at 9.30 a.m. on a biweekly basis.

Projects Developed for Sustaining Existing and Subscribing Prospect Insurance Holders

9.2.6 Agency Gift Cheque Campaign

Agency renewal campaign was continued in 2015, and our Institution has put agency incentive campaign into life with the purpose of increasing policy renewals in CEI system and coverage rates. With this campaign it is targeted to ensure renewal of new policies that enter into the pool with the electricity and water subscription procedures, increase the penetration awareness at the agency level and increase motivation regarding Compulsory Earthquake Insurance among agency employees. The campaign covered insurance agencies only, and was realized in quarterly periods. Agencies, which satisfied the campaign conditions, were supported with gift cheques according to their renewal performances.

Poliçelerinizi daha da çoğaltın daha çok

KAZANIN!



“Yenilediğiniz her 50 poliçeye **200 TL’lik hediye çeki**” kampanyası **31 Ekim 2015** tarihine kadar devam edecek.

KAMPANYA KOŞULLARI

- Kampanya 1 Ağustos 2015 - 31 Ekim 2015 arasında uygulanacaktır.
- Acentenin her bir ay için tanzim edeceği 50 adet yenileme poliçe için 200 TL Hediye Çeki verilecektir.
- İptal edilen poliçeler toplam adetlerden düşülecektir.
- Kampanyaya sadece **Sigorta Acenteleri** dahil olup Banka/Finansal Kuruluş Acenteleri, Brokerler, Sigorta Şirketleri... vb. kampanya haricindedir.
- Acentelerin üretim hesaplamalarında, DASK uygulamasında kayıtlı olan Levha Kayıt numarası esas alınacaktır.
- Levha Kayıt numarası DASK uygulamasında kayıtlı olmayan acenteler kampanyaya **dahil edilmeyecektir.**
- Kampanya bitiş tarihinden sonra kayıt düzeltmesi yapılmaması mümkün olmayacaktır.
- Kampanya sonuçları acentelerin TOBB sisteminde kayıtlı iletişim ve e-posta adresleri üzerinden ulaştırılacaktır. Hatalı girilen veya olmayan iletişim ve e-posta adresleri nedeni ile DASK'ın herhangi bir sorumluluğu bulunmayacaktır.
- 31 Aralık 2015 tarihine kadar kampanya@acente.dask.gov.tr mail adresine talep edilmeyen hediyeler için DASK'ın sorumluluğu sona erecektir.
- Sigortalı telefon numarası olmayan veya doğru bilgiler ile düzenlenmemiş poliçelerin tespit edilmesi halinde söz konusu poliçeler hesaplamalara dahil edilmeyecektir.

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AFET
SİGORTALARI
KURUMU
www.dask.gov.tr



AEGEAN SEA EARTHQUAKE

YEAR	INTENSITY	TOTAL INDEMNITY PAYMENT
2013	6.2	1.872.802 TL
2014	6.5	



10

FINANCIAL STATEMENTS

**31 December 2015
Financial Statements
together with
Independent Auditors'
Report Thereon**

**(Convenience Translation of Financial Statements
and Related Disclosures and Footnotes Originally
Issued in Turkish)**

27 May 2016

**This report includes 2 pages of Independent
Auditors' Report and 27 pages of financial information
together with their explanatory notes.**



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INDEPENDENT AUDITORS' REPORT

Convenience Translation of the Independent
Auditors' Report Originally Prepared
and Issued in Turkish (See Note 2)

To the Board of Directors of Doğal Afet Sigortaları Kurumu

We have audited the accompanying balance sheet of Doğal Afet Sigortaları Kurumu ("Turkish Catastrophe Insurance Pool: TCIP or "Institution") as at 31 December 2015 the statements of profit or loss and other comprehensive income, change's in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Director's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with audit standards in force as per the insurance legislation. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Doğal Afet Sigortaları Kurumu as at 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member of KPMG International Cooperative

Alper Güvenç, SMMM
Partner

Istanbul, Turkey
27 May 2016

Additional Paragraph for Convenience Translation to English

As explained in Note 2, the accompanying financial statements are not intended to present the financial position and results of its operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

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DOĞAL AFET SİĞORTALARI KURUMU
BALANCE SHEET AT 31 DECEMBER 2015

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

	<i>Note</i>	31 December 2015	31 December 2014
ASSETS			
Current assets			
Cash and cash equivalents	<i>4 and 5</i>	3,082,650,068	2,459,067,700
Available-for-sale financial assets	<i>4 and 6</i>	668,974,812	633,608,516
Premium receivables	<i>4 and 7</i>	97,442,128	96,613,963
Deferred commission expense	16	66,719,849	64,498,095
Other current assets	8	155,295,197	161,510,626
Total current assets		4,071,082,054	3,415,298,900
Non-current assets			
Tangible assets, net	9	2,704	11,888
Intangible assets, net	10	31,251,088	13,890,098
Other non-current assets	8	16,195,736	9,075,458
Total non-current assets		47,449,528	22,977,444
Total assets		4,118,531,582	3,438,276,344
LIABILITIES			
Current liabilities			
Short-term trade payables	<i>4 and 11</i>	175,199,366	212,459,928
Unearned premium reserve	12	400,547,045	389,216,872
Outstanding claims provision	<i>4 and 12</i>	12,933,621	12,597,136
Total current liabilities		588,680,032	614,273,936
Non-current liabilities			
Long-term borrowings	11	16,195,736	9,017,943
Total non-current liabilities		16,195,736	9,017,943
Accumulated earthquake reserve	13	3,527,914,697	2,812,602,516
Available – for sale financial assets – reclassified to profit or loss	13	(14,258,883)	2,381,949
Equity		3,513,655,814	2,814,984,465
Total liabilities		4,118,531,582	3,438,276,344

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

DOĞAL AFET SİĞORTALARI KURUMU
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

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

	<i>Note</i>	2015	2014
Revenues:			
Earned premiums	<i>14</i>	775,819,591	711,646,520
Total insurance revenue		775,819,591	711,646,520
Expenses:			
Cost of reinsurance coverage	<i>15</i>	(216,000,626)	(206,338,874)
Commission expenses	<i>16</i>	(127,835,375)	(116,732,572)
Incurred claims	<i>17</i>	(3,365,525)	(3,686,726)
Total insurance expenses		(347,201,526)	(326,758,172)
Insurance revenue, net		428,618,065	384,888,348
General administrative expenses	<i>18</i>	(17,007,001)	(35,769,443)
Operating income		411,611,064	349,118,905
Financial income, net	<i>19</i>	303,701,117	222,282,914
Profit for the year (Increase in earthquake reserve, net)		715,312,181	571,401,819
Other comprehensive income:			
Items to be classified profit or loss			
Revaluation surplus of available – for – sale financial assets		(16,640,832)	4,120,504
Total comprehensive income (Increase in comprehensive earthquake reserve)		698,671,349	575,522,323

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

DOĞAL AFET SİĞORTALARI KURUMU STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 DECEMBER 2015

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

	Available – for sale financial assets – reclassified to profit or loss	Accumulated earthquake reserve	Total
1 January 2014	(1,738,555)	2,241,200,697	2,239,462,142
Available – for sale financial assets – reclassified to profit or loss (Note 13.b)	4,120,504	-	4,120,504
Profit for the year	-	571,401,819	571,401,819
31 December 2014	2,381,949	2,812,602,516	2,814,984,465
Available – for sale financial assets – reclassified to profit or loss (Note 13.b)	(16,640,832)	-	(16,640,832)
Profit for the year	-	715,312,181	715,312,181
31 December 2015	(14,258,883)	3,527,914,697	3,513,655,814

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

DOĞAL AFET SİĞORTALARI KURUMU
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

	<i>Note</i>	2015	2014
Cash flows from institution's activities:			
Profit for the year		715,312,181	571,401,819
Adjustments for:			
Depreciation and amortisation charges	<i>18</i>	2,462,314	1,637,243
Net income from investments	<i>19</i>	(303,701,117)	(222,282,914)
Foreign exchange losses/(profits) associated with borrowings		-	1,239,601
Decrease/(increase) in receivables		(828,165)	(10,300,426)
Decrease/(increase) in other current assets		(904,849)	3,325,172
Decrease/(increase) in insurance reserves and deferred commission expense		9,444,904	33,990,502
Decrease/(increase) in short-term trade payables		(30,082,769)	(34,254,013)
Net cash provided by institution's activities		391,702,499	344,756,984
Cash flows from investing activities:			
Interest received from banks		257,407,168	217,848,155
Decrease/(increase) in available-for-sale financial assets		(16,310,145)	(418,832,265)
Purchases of tangible assets	<i>9</i>	-	(45,913)
Purchases of intangible assets	<i>10</i>	(19,814,120)	(12,931,538)
Net cash inflow related to investing activities		221,282,903	(213,961,561)
Cash flows from financing activities:			
Reimbursements of borrowings and interests		-	(13,439,421)
Net cash outflows from financing activities		-	(13,439,421)
Net increase in cash and cash equivalents		612,985,402	117,356,002
Foreign exchange profits associated with cash and cash equivalents		10,014,124	(519,541)
Cash and cash equivalents at the beginning of the year		2,448,021,535	2,331,185,074
Cash and cash equivalents at the end of the year	5	3,071,021,061	2,448,021,535

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

DOĞAL AFET SİĞORTALARI KURUMU

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

1 NATURE OF OPERATIONS AND ADMINISTRATION

Doğal Afet Sigortaları Kurumu (“Turkish Catastrophe Insurance Pool: TCIP” or “Institution”), was established as a public legal entity in order to provide insurance and to fulfil the other tasks assigned to it under Decree Law No. 587 (“Decree Law”) issued by the Council of Ministers and published in the Official Gazette on 27 December 1999. As it is published and became valid in Official Gazette under Law No. 6305 “Afet Sigortaları Kanunu” (“Law”) on 18 May 2012, Decree Law was abolished and all the actives and passives and all rights and liabilities of the Institution which was founded with decree law is transferred to found the Institution without any transaction on 18 May 2012. The main operation of the Institution is to provide Compulsory Earthquake Insurance to ensure that owners of the buildings are compensated for their losses that occur as a result of an earthquake. The organization is ruled by six member of the board of directors of Doğal Afet Sigortalar Kurumu who has been working in T.C. Prime Ministry of Turkish Treasury (“Treasury”), Eureka Sigorta, Insurance Association of Turkey, academic member appointed by Higher Education Board, Security Exchange Commission and Ministry of Environment and Urban Planning.

The Institution started policy sales on 27 September 2000.

The execution of technical and operational activities of the Institution is outsourced. Under the provisions of Law No. 6305, administration of the operations of the Institution has been assigned to Eureka Sigorta A.Ş., as the “Institution Administrator”, by Treasury through a contract signed on 8 August 2005 for a period of 5 years. After the renewal of tender in July 2010 then August 2015, Eureka Sigorta A.Ş. has been re-assigned as the Institution Administrator for the period between 2015 and 2020 and the related contract was signed on 7 August 2015. The Institution Administrator, based on the principles set out by Treasury and decisions of Board of Directors of the Institution; and on behalf of the Institution, provides day-to-day administrative services with respect to executing technical and operational aspects of all insurance activities of the Institution regarding compulsory earthquake insurance, applying plans for risk transfer and reinsurance, management of resources of the Institution, carrying out the campaigns related to public relations, marketing and education, purchasing of goods and services related to operations of the Institution and bookkeeping services.

Institution and funds generated by the Institution are exempt from any kind of taxation.

The organization is not subject to the law numbered 3346 Community Economical Attempts with the law about the auditing of of the funds by Türkiye Büyük Millet Meclisi, Court of Accounts Law numbered 6085, Travel Expense Law numbered 6245, Public Financial Management and Control law numbered 5018 and Public Bid Law numbered 4734.

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

Annual financial statements, transactions and expenses of the Institution are audited by Treasury.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The financial statements of the Institution at 31 December 2015 have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

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

The financial statements of the Institution were authorised for issue by Institution Board of Directors on 27 May 2016.

DOĞAL AFET SİĞORTALARI KURUMU
NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Amendments and interpretations, published as of 31 December 2015, but valid after 1 January 2016:

IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

Additional paragraph for convenience translation to English

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying financial statements are to be distributed, and International Financial Reporting Standards ("IFRS"), may have significant influence on the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

3 SUMMARY OF SIGNIFICANT RELEVANT ACCOUNTING POLICIES

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

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

Premium revenue / Commission expense

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

Cost of reinsurance coverage

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

The excess of loss reinsurance agreements are renewed annually and cover twelve-months-period from November of prior year up to the end of October of the current year. Accordingly, the cost of reinsurance accounted for under the current year include 10-month-portion of the excess of loss premium related to the reinsurance agreement ending October 2015 and 2-month-portion of the excess of loss premium related to the reinsurance agreement ending October 2016. The cost of reinsurance accounted in the current year also includes excess of loss premium adjustment accrued with respect to related reinsurance agreements as well as brokerage fees paid to and incurred for related intermediaries.

DOĞAL AFET SİĞORTALARI KURUMU
NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

3 SUMMARY OF SIGNIFICANT RELEVANT ACCOUNTING POLICIES (Continued)

Claims

The organization books outstanding claim provision for the compensation cost which was accrued and located however not actually paid by the end of the period or if the cost is not calculated they book for estimated and incurred but not reported cost. The organization considered the average 31 December 2015 and 2014 paid claims for calculating incurred but not reported claims and compensation cost and the found amount by multiplying this amount and estimated incurred but not reported claim file unit was reflected as incurred but not reported claim provision in its records.

Property and equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over their estimated useful life based on the restated cost of such assets. The estimated useful lives of property and equipment are as follows:

The useful life of furniture and fixtures is 5 years.

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

Maintenance and reparation expenses are accounted under the current income statement. But the investment expenses for extending the capacity of the tangible assets' future benefits are included in the cost of the tangible assets.

Intangible assets

Intangible assets consist of the acquired information systems, franchise rights and software. Intangible assets are carried at acquisition cost and amortised by the straight-line method over their estimated useful lives after their acquisition date. If impairment exists, carrying amount of the intangible assets is written down immediately to its recoverable amount. The useful life of intangible assets is 4 years.

Financial assets

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

a) Available-for-sale financial assets

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

b) Financial assets at fair value through profit or loss

The financial assets measured at fair value through profit or loss by the Institution are classified as "Financial assets at fair value through profit or loss" in the financial statements. Financial assets at fair value through profit or loss consist of financial instruments that are acquired principally for the purpose of generating a profit from short-term fluctuations

DOĞAL AFET SİĞORTALARI KURUMU
NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

3 SUMMARY OF SIGNIFICANT RELEVANT ACCOUNTING POLICIES (Continued)

b) Financial assets at fair value through profit or loss (continued)

in price or dealer's margin, formed as a part of a portfolio of financial assets that are managed together for which there is evidence of short-term profit taking, and classified as financial assets designated at fair value through profit or loss at inception since they are managed and their performance is evaluated on fair value basis.

c) Loans and receivables

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

Financial assets are initially recognised at fair value. Available-for-sale financial assets are subsequently carried at fair value based on quoted bid prices. Loans and receivables are carried at cost less any provision for impairment.

Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are accounted in the fair value reserve as a part of net assets. When such financial assets are disposed or impaired, the accumulated fair value differences under net assets are transferred to the income statement. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in profit or loss.

Financial assets at fair value through profit or loss are accounted for at their fair values at the inception date and measured at their fair values at subsequent periods. It is concluded that the fair value can not be reliably measured if the price that provides a basis for fair value is not set in active market conditions and "amortised cost value" that is calculated using the effective interest method is used as fair value. Valuation gains or losses are recognised in profit or loss. The interest income and dividend income on financial assets at fair value through profit or loss are classified in interest income and the dividend income, respectively.

Foreign currency translation

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

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs. Borrowings are subsequently stated at amortised cost and any difference between the borrowing amount, net of transaction costs, and the balance sheet amount calculated using the effective yield method is recognised in profit or loss.

DOĞAL AFET SİĞORTALARI KURUMU
NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

3 SUMMARY OF SIGNIFICANT RELEVANT ACCOUNTING POLICIES (Continued)

Fair value of financial instruments

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

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

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

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

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

Financial assets

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

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

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

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

Financial liabilities

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

DOĞAL AFET SİGORTALARI KURUMU
NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK

Insurance risk

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

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

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

The Institution is granting earthquake coverage to residential buildings. The payment ability of the Institution is limited to its accumulated funds and reinsurance protection that is purchased from the reinsurance market. The catastrophe model outputs are taken into consideration while setting the top limit and the priorities for the reinsurance protection. The limits are monitored in line with the aggregate developments as per the key zones. Premium amounts are based on pre-determined tariffs that vary according to the earthquake zones and types of buildings. The maximum guarantee provided for a residence via Compulsory Earthquake Insurance is TL 150,000 (31 December 2014: TL 150,000). Minimum policy premium is TL 25 (31 December 2014: TL 25) regardless of the type of building and earthquake zone.

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

DOĞAL AFET SİĞORTALARI KURUMU
NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

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

	31 December 2015	31 December 2014
Istanbul region	132,092,495,040	127,355,130,540
Other regions	377,457,466,280	354,098,197,540
Total	509,549,961,320	481,453,328,080

The concentration of insurance risk in terms of geographical risk zones in Turkey, Zone 1 having the highest earthquake risk, is summarized below:

	31 December 2015	31 December 2014
Zone 1	226,192,066,060	212,902,119,520
Zone 2	132,034,127,760	127,846,121,160
Zone 3	61,209,682,080	55,583,345,360
Zone 4	84,996,332,540	80,300,370,840
Zone 5	5,117,752,880	4,821,371,200
Total	509,549,961,320	481,453,328,080

Financial risk factors

The Institution is exposed to financial risk through its financial assets, financial liabilities (borrowings) and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts and not covered by the reinsurance agreement. The most important components of the financial risk are market risk (includes interest rate risk and currency risk), credit risk and liquidity risk. The Institution's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise its potential adverse effects on the Institution's financial performance. Risk management is carried out by the Institution Administrator under policies regulated by certain legal arrangements and approved by the Board of Directors. Board of Directors considers the liquidity and credibility of the investments in the first place and seeks the maximisation of profitability on investments. The Institution does not use derivative financial instruments to hedge risk exposures.

a) Market risk

i. Interest rate risk

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

Available-for-sale financial assets with variable interest rates expose the Institution to interest rate risk. As of 31 December 2015, if market interest rates on financial assets with variable interest rates were higher/lower by 1%, with all other variables held constant, as a result of higher/lower interest income on financial assets with variable rates, increase in earthquake reserve would be higher/lower by TL 2,737,092 (31 December 2014: TL 1,034,941).

DOĞAL AFET SİĞORTALARI KURUMU
NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

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

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

31 December 2015	Up to 3 months	3 months-1 year	1 - 5 year	Over 5 years	Not subject to repricing	Total
Available for sale financial assets	88,255,647	195,201,289	215,701,425	169,816,451	-	668,974,812
Total	88,255,647	195,201,289	215,701,425	169,816,451	-	668,974,812

31 December 2014	Up to 3 months	3 months-1 year	1 - 5 year	Over 5 years	Not subject to repricing	Total
Available for sale financial assets	56,367,770	219,096,679	212,143,754	146,000,313	-	633,608,516
Total	56,367,770	219,096,679	212,143,754	146,000,313	-	633,608,516

ii. Foreign currency risk

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

The Institution is exposed to foreign exchange risk primarily with respect to Euro and USD. The foreign currency risk analysis associated with these foreign currencies is as follows:

At 31 December 2015, if TL appreciated/depreciated by 10% against Euro, with all other variables held constant, as a result of foreign exchange gains/losses on the translation of Euro denominated assets and liabilities, net assets would be higher/lower by TL 2,687,313 (31 December 2014: TL 2,247,887).

At 31 December 2015, if TL appreciated/depreciated by 10% against USD with all other variables held constant, as a result of foreign exchange losses/gains on the translation of USD denominated assets and liabilities, net assets would be lower/higher by TL 1,306,113 (31 December 2014: TL 24,903).

DOĞAL AFET SİĞORTALARI KURUMU NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

iii. Price risk

The financial assets of the Institution expose the Institution to price risk.

The Institution's available-for-sale financial assets with fixed interest rate are measured at market value as of 31 December 2015. If market prices increased/decreased by 5%, with all other variables held constant, net assets would be higher/lower by TL 33,448,741 (31 December 2014: TL 31,680,426).

b) Credit risk

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

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

i. Bank deposits

S&P	31 December 2015			31 December 2014		
	TL	FC	Total	TL	FC	Total
B	623,396,354	-	623,396,354	789,409,245	-	789,409,245
BB	-	-	-	-	-	-
Not rated	2,454,471,488	4,782,226	2,459,253,714	1,171,848,870	70,612,127	1,242,460,997
Total	3,077,867,842	4,782,226	3,082,650,068	1,961,258,115	70,612,127	2,031,870,242

Moody's	31 December 2015			31 December 2014		
	TL	FC	Total	TL	FC	Total
P2	-	-	-	-	-	-
P3	1,165,416,863	4,782,226	1,170,199,089	1,961,258,115	70,612,127	2,031,870,242
NP	-	-	-	-	-	-
Not rated	1,912,450,979	-	1,912,450,979	-	-	-
Total	3,077,867,842	4,782,226	3,082,650,068	1,961,258,115	70,612,127	2,031,870,242

Fitch	31 December 2015			31 December 2014		
	TL	FC	Total	TL	FC	Total
F3	3,066,234,811	4,782,226	3,071,017,037	1,961,258,115	70,612,127	2,031,870,242
B	-	-	-	-	-	-
Not rated	11,633,031	-	11,633,031	-	-	-
Total	3,077,867,842	4,782,226	3,082,650,068	1,961,258,115	70,612,127	2,031,870,242

DOĞAL AFET SİĞORTALARI KURUMU
NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

ii. Available-for-sale financial assets

31 December 2015	Amount	S&P	Moody's	Fitch
Short term - TL	283,456,936	BBB-	-	-
Long term - TL	385,517,876	BB+	Baa3	BBB-
Total	668,974,812			

31 December 2014	Amount	S&P	Moody's	Fitch
Short term - TL	275,464,449	B+	-	-
Long term - TL	358,144,067	BB+	Baa3	BB
Total	633,608,516			

iii. Premium receivables

	31 December 2015	31 December 2014
Premium receivables from insurance companies	97,442,128	96,613,963
Toplam	97,442,128	96,613,963

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

As of 31 December 2015 and 2014, the entity does not have impaired or overdue financial assets.

iv. Reinsurers' share of insurance liabilities

The institution has an excess of loss reinsurance agreement in force via Aon for the 2014-2015 period (first 10 months) and brokers panel led by Türker Sigorta for the period 2015-2016 (last 2 months of 2015) to reinsure insurance risk arising on its earthquake insurance portfolio.

The above-mentioned reinsurance agreement consists of different layers shared by various reinsurance companies and the reinsurance coverage amounts provided by these reinsurance companies in accordance with terms of the excess of loss reinsurance agreements as of 31 December 2015 and 2014 are as follows:

Limits to reinsurance coverage	EUR Foreign currency amount		TL equivalent	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Lower limit	450,000,000	450,000,000	1,429,920,000	1,269,315,000
Upper limit	3,250,000,000	3,250,000,000	10,327,200,000	9,167,275,000

In addition to the reinsurance coverages above, catastrophic bond coverage obtained during year 2015 amounts to USD 500,000,000.

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4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

The analysis of the credibility of the reinsurance companies with the highest risk shares with respect to the above-mentioned excess of loss reinsurance agreement using the ratings of rating institutions, as of 31 December 2015 and 2014 is as follows:

31 December 2015	S&P	Moody's	Fitch
Munich RE	AA-	Aa3	AA
Swiss RE	AA-	Aa3	-
Scor RE	AA-	A1	AA-
Hannover RE	AA-	-	-

31 December 2014	S&P	Moody's	Fitch
Munich RE	AA-	Aa3	AA-
Swiss RE	AA-	Aa3	-
Scor RE	A+	A1	A+
Hannover RE	AA-	-	-

The Institution, aims to provide protection against the financial risk which can be caused by a potential earthquake in İstanbul, by exporting USD 400,000,000 catastrophe bond with three-year maturity via Bosphorus 1 RE which was established in 2013, Bermuda. Bosphorus 1 RE get BB+ degree from Standard & Poor's. Bosphorus 1 Re was not evaluated as a special purpose vehicle according to IFRS 10 and has not been consolidated in the accompanying financial statements.

The Institution, aims to provide protection against the financial risk which can be caused by a potential earthquake in İstanbul, by exporting USD 100,000,000 catastrophe bond with three-year maturity via Bosphorus Ltd which was established in 2015, Bermuda. Bosphorus Ltd was not evaluated as a special purpose vehicle according to IFRS 10 and has not been consolidated in the accompanying financial statements.

c) Liquidity risk

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

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

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4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

31 December 2015	Contractual or expected cash flows					Total
	Up to 3 months	3 months-1 year	1-5 year	Over 5 years	No maturity	
Liabilities						
Trade payables	30,586,318	144,613,048	16,195,736	-	-	191,395,102
Outstanding claims provision ⁽¹⁾	-	-	12,933,621	-	-	12,933,621
Total	30,586,318	144,613,048	29,129,357	-	-	204,328,723

31 December 2014	Contractual or expected cash flows					Total
	Up to 3 months	3 months-1 year	1-5 year	Over 5 years	No maturity	
Liabilities						
Trade payables	133,343,051	79,116,877	9,017,943	-	-	221,477,871
Outstanding claims provision ⁽¹⁾	204,731	-	12,392,405	-	-	12,597,136
Total	133,547,782	79,116,877	21,410,348	-	-	234,075,007

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

Earthquake reserve risk management

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

DOĞAL AFET SİĞORTALARI KURUMU NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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5 CASH AND CASH EQUIVALENTS

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

	31 December 2015	31 December 2014
Bank deposits	3,082,650,068	2,031,870,242
Receivables from repurchase agreements	-	427,176,708
Other liquid assets	-	20,750
Total	3,082,650,068	2,459,067,700

Bank deposits are further analysed as follows:

	31 December 2015	31 December 2014
Bank deposits in TL		
- time deposits	3,077,843,309	1,961,254,584
- demand deposits	24,533	3,531
Foreign currency denominated bank deposits		
- time deposits	4,782,226	70,612,127
Total	3,082,650,068	2,031,870,242

Foreign currencies denominated time deposits are as follows:

	Amount in foreign currency		TL equivalent	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
EUR	-	25,016,804	-	70,612,127
USD	1,644,733	-	4,782,226	-
Total	1,644,733	25,016,804	4,782,226	70,612,127

Maturities of time deposits are 1.5 months and weighted average annual interest rates are as follows:

	31 December 2015	31 December 2014
Interest rate per annum (%)		
TL	10.93	8.98
USD	1.40	-
EUR	-	1.45

There is no foreign currency denominated demand deposits.

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5 CASH AND CASH EQUIVALENTS (Continued)

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

	31 December 2015	31 December 2014
Cash and cash equivalents	3,082,650,068	2,459,067,700
Less: Interest accrued	(11,629,007)	(11,046,165)
Total cash and cash equivalents	3,071,021,061	2,448,021,535

6 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 December 2015	31 December 2014
Available-for-sale financial assets		
Government bonds and treasury bills	668,974,812	633,608,516
Total	668,974,812	633,608,516

As of 31 December 2015, the interest rate range of the available-for-sale financial assets is 7.58% -10.95% (31 December 2014: 5.10% - 10.53%).

A portion of marketable securities amounting to TL 273,709,220 (31 December 2014: TL 103,530,960) have variable interest rates.

The analysis of the financial assets by maturity is as follows:

31 December 2015	1-3 months	3-6 months	6-12 months	1-5 year	Over 5 years	No maturity	Total
Government bonds and treasury bills	88,255,647	73,524,402	121,676,887	215,701,425	169,816,451	-	668,974,812
Total	88,255,647	73,524,402	121,676,887	215,701,425	169,816,451	-	668,974,812

31 December 2014	1-3 months	3-6 months	6-12 months	1-5 year	Over 5 years	No maturity	Total
Government bonds and treasury bills	56,367,770	147,853,768	71,242,911	212,143,754	146,000,313	-	633,608,516
Total	56,367,770	147,853,768	71,242,911	212,143,754	146,000,313	-	633,608,516

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7 PREMIUM RECEIVABLES

	31 December 2015	31 December 2014
Premium receivables from insurance companies	97,442,128	96,613,963
Total	97,442,128	96,613,963

The average turnover of the Institution's premium receivables is 1.5 months (31 December 2014: 1.5 months). The Institution does not have any impaired or overdue receivables as of 31 December 2015 and 2014.

As of 31 December 2015 and 2014, there are no guarantees received for the receivables.

8 OTHER CURRENT/NON CURRENT ASSETS

	31 December 2015	31 December 2014
Excess of loss premiums related to the following months	170,681,533	167,274,318
Brokerage fees related to the following months	794,400	3,296,766
Other prepaid expenses	15,000	15,000
Total	171,490,933	170,586,084

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

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9 PROPERTY AND EQUIPMENT

For the years ended 31 December 2015 and 31 December 2014, movement of the tangible assets are as follows:

	Furniture and fixtures
Cost	
Opening balance, 1 January 2014	7,697,123
Additions	45,913
Disposals	-
Ending balance, 31 December 2014	7,743,036
Opening balance, 1 January 2015	7,743,036
Additions	-
Disposals	-
Ending balance, 31 December 2015	7,743,036
Accumulated depreciation	
Opening balance, 1 January 2014	7,683,535
Current year charge	47,613
Disposals	-
Ending balance, 31 December 2014	7,731,148
Opening balance, 1 January 2015	7,731,148
Current year charge	9,184
Disposals	-
Ending balance, 31 December 2015	7,740,332
Net book value	
1 January 2014	13,588
31 December 2014	11,888
31 December 2015	2,704

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10 INTANGIBLE ASSETS

31 Aralık 2015 ve 31 Aralık 2014 tarihlerinde sona eren yıllarda, maddi olmayan duran varlıkların hareketi aşağıdaki gibidir:

	Rights	Investment in progress ⁽¹⁾	Total
Cost			
Opening balance, 1 January 2014	3,717,469	-	3,717,469
Additions	4,318,150	8,613,388	12,931,538
Ending balance, 31 December 2014	8,035,619	8,613,388	16,649,007
Opening balance, 1 January 2015	8,035,619	8,613,388	16,649,007
Additions	3,609,770	16,204,350	19,814,120
Ending balance, 31 December 2015	11,645,389	24,817,738	36,463,127
Accumulated amortisation			
Opening balance, 1 January 2014	1,169,279	-	1,169,279
Current year charge	1,589,630	-	1,589,630
Ending balance, 31 December 2014	2,758,909	-	2,758,909
Opening balance, 1 January 2015	2,758,909	-	2,758,909
Current year charge	2,453,130	-	2,453,130
Ending balance, 31 December 2015	5,212,039	-	5,212,039
Net book value			
1 January 2014			2,548,190
31 December 2014			13,890,098
31 December 2015			31,251,088

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

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11 SHORT-TERM TRADE PAYABLES

	31 December 2015	31 December 2014
Reinsurance payables ⁽¹⁾	161,238,802	185,868,776
Catasrophic bond payables ⁽²⁾	28,831,362	32,586,528
Other	1,324,938	3,022,567
Total	191,395,102	221,477,871

(1) Reinsurance payables consist of the costs of reinsurance coverage to be paid in the subsequent period according to the reinsurance agreement in force.

(2) Catasrophic bond payables consist of the costs of cat bond premium coverage to be paid in the subsequent period according to the Bosphorus 1 Re and Bosphorus Ltd reinsurance agreement in force.

12 INSURANCE PROVISIONS

12.1 Insurance provisions

	31 December 2015	31 December 2014
Unearned premium reserve	400,547,045	389,216,872
Reported claims provision	12,539,514	12,143,784
Outstanding claims provision (IBNR)	394,107	453,352
Total	413,480,666	401,814,008

12.2 Movements in insurance provisions

a) Unearned premium reserve

	2015	2014
Opening balance - 1 January	389,216,872	346,877,328
Premiums written during the year (Note 14)	787,149,764	753,986,064
Earned premiums during the year	(775,819,591)	(711,646,520)
Closing balance - 31 December	400,547,045	389,216,872

b) Outstanding claims provision

	2015	2014
Opening balance - 1 January	12,597,136	13,493,400
Outstanding claim files notified during the year	3,365,525	3,671,470
Changes in paid claims and provisions ⁽¹⁾	(2,969,795)	(4,387,113)
Incurred but not reported claims	(59,245)	(180,621)
Closing balance - 31 December	12,933,621	12,597,136

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

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13 ACCUMULATED EARNINGS AND AVAILABLE FOR SALE FINANCIAL ASSETS

a) Accumulated earthquake reserve

The movements of accumulated earthquake reserve in the period are as follows:

	2015	2014
Opening balance - 1 January	2,812,602,516	2,241,200,697
Increase in net earthquake reserve	715,312,181	571,401,819
Closing balance - 31 December	3,527,914,697	2,812,602,516

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

Accumulated earthquake reserve can not be used except for the abovementioned payments and can not be transferred to any other institution.

b) Available – for sale financial assets – reclassified to profit or loss

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

	2015	2014
Opening balance - 1 January	2,381,949	(1,738,555)
Disposals arising from sales in the period, net	1,737,307	594,442
Additions arising from financial asset purchases in the period, net	(18,378,139)	3,526,062
Closing balance - 31 December	(14,258,883)	2,381,949

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14 EARNED PREMIUMS

	2015	2014
Premiums written	787,149,764	753,986,064
Unearned premium reserve	(400,547,045)	(389,216,872)
Prior year unearned premium reserve	389,216,872	346,877,328
Total	775,819,591	711,646,520

15 COST OF REINSURANCE COVERAGE

	2015	2014
Excess of loss reinsurance agreement premiums	143,777,504	134,534,189
Cat-bond premium	41,830,731	22,561,147
Excess of loss reinsurance agreement adjustment premiums	26,714,254	44,297,955
Brokerage fees related to excess of loss reinsurance agreements	3,678,137	4,945,583
Total	216,000,626	206,338,874

16 COMMISSION EXPENSES

	2015	2014
Commissions paid to insurance companies	130,057,129	124,185,956
Deferred commission expense	(66,719,849)	(64,498,095)
Prior year deferred commission expense	64,498,095	57,044,711
Total	127,835,375	116,732,572

17 INCURRED CLAIMS

	2015	2014
Claims paid in the period	3,029,040	4,582,990
Outstanding claims provision at the period-end	12,933,621	12,597,136
Prior year outstanding claims provision	(12,597,136)	(13,493,400)
Total	3,365,525	3,686,726

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18 GENERAL AND ADMINISTRATIVE EXPENSES

	2015	2014
Expenses paid to the Institution Administrator	2,959,850	18,066,926
Information technology expenses	4,445,532	5,277,202
Advertisement expenses	3,002,222	2,707,039
Depreciation and amortisation expenses (Notes 9 and 10)	2,462,314	1,637,243
Call center services	1,187,467	2,085,066
Office expenses	756,992	691,423
Personnel expenses	297,065	321,484
Emergency disaster action expenses ⁽¹⁾	-	2,785,822
Other	1,895,559	2,197,238
Total	17,007,001	35,769,443

(1) Emergency disaster action advisory expenses related to the project of claim Management softwares.

19 FINANCIAL INCOME, NET

	2015	2014
Interest income, net	191,450,985	148,184,018
Sales income from marketable securities	73,631,677	60,406,627
Net foreign exchange gains	25,534,763	-
Reverse repurchase transaction	13,083,692	14,577,771
Total financial income	303,701,117	223,168,416
Interest expenses	-	(404,371)
Net foreign exchange loss	-	(481,131)
Total financial expenses	-	(885,502)
Financial income, net	303,701,117	222,282,914

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20 FOREIGN CURRENCY POSITION

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

	31 December 2015	31 December 2014
Assets	176,258,159	241,183,211
Liabilities	(190,070,164)	(218,455,304)
Net foreign currency (liabilities)/assets position	(13,812,005)	22,727,907

31 December 2015			
	Amount in foreign currency	Foreign exchange rate	Amount TL
Cash and cash equivalents			
USD	1,644,733	2.9076	4,782,226
Total	1,644,733		4,782,226
Other current assets			
EUR	42,285,268	3.1776	134,365,669
USD	12,763,194	2.9076	37,110,264
Total	55,048,463		171,475,933
Trade payables			
EUR	50,742,322	3.1776	161,238,802
USD	9,915,863	2.9076	28,831,362
Total	60,658,185		190,070,164

31 December 2014			
	Amount in foreign currency	Foreign exchange rate	Amount TL
Cash and cash equivalents			
EUR	25,016,696	2.8226	70,612,127
Total	25,016,696		70,612,127
Other current assets			
EUR	48,830,263	2.8207	137,735,522
USD	14,159,973	2.3189	32,835,562
Total	62,990,236		170,571,084
Trade payables			
EUR	65,775,630	2.8258	185,868,776
USD	14,028,381	2.3229	32,586,528
Total	79,804,011		218,455,304

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21 PROVISIONS AND CONTINGENT LIABILITIES

As of 31 December 2015, the total risk of litigation claims pending against the Institution amount to TL 12,442,889 (31 December 2014: TL 12,283,521). The total estimated ultimate cost of settling such litigation claims are provided for under claims provision in the balance sheet.

22 SUBSEQUENT EVENTS

"The decision concerning the state support of excess of loss reinsurance for the risk of compulsory earthquake insurance is bared by Turkish Catastrophe Insurance Pool". This decision went in effect as of 1 January 2014, and issued on 10 January 2014. In regarding to the decision and the judgment of the Catastrophe Insurance Boards 8. Article 2012/6305 based on reinsurance agreement and protection programme between 1 November 2015-31 October 2016 by the board of management, The State provides totally Euro 238,000,000 excess of loss reinsurance protection for the institution. (10% share on each layer which is valued more than Euro 870,000,000 is given to the State). Euro 4,937,400, calculated with respect of the market price of reinsurance layer, paid due on 28 February 2016 to the Secretariat of Treasury.

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