

TCIP

TURKISH CATASTROPHY

INSURANCE POOL



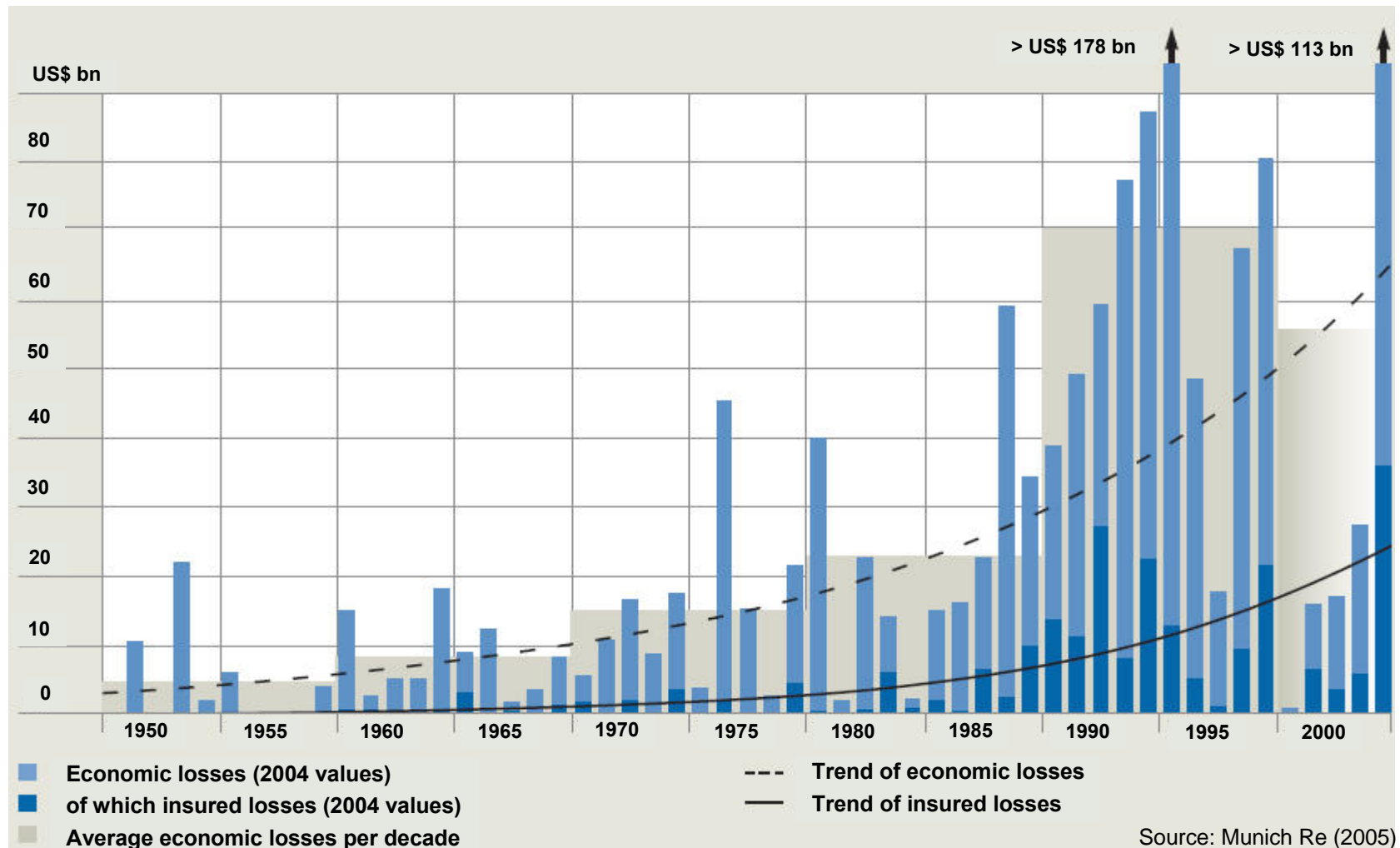
Mr. Okan UTKUERİ
Coordinator

okanu@garantisigorta.com.tr

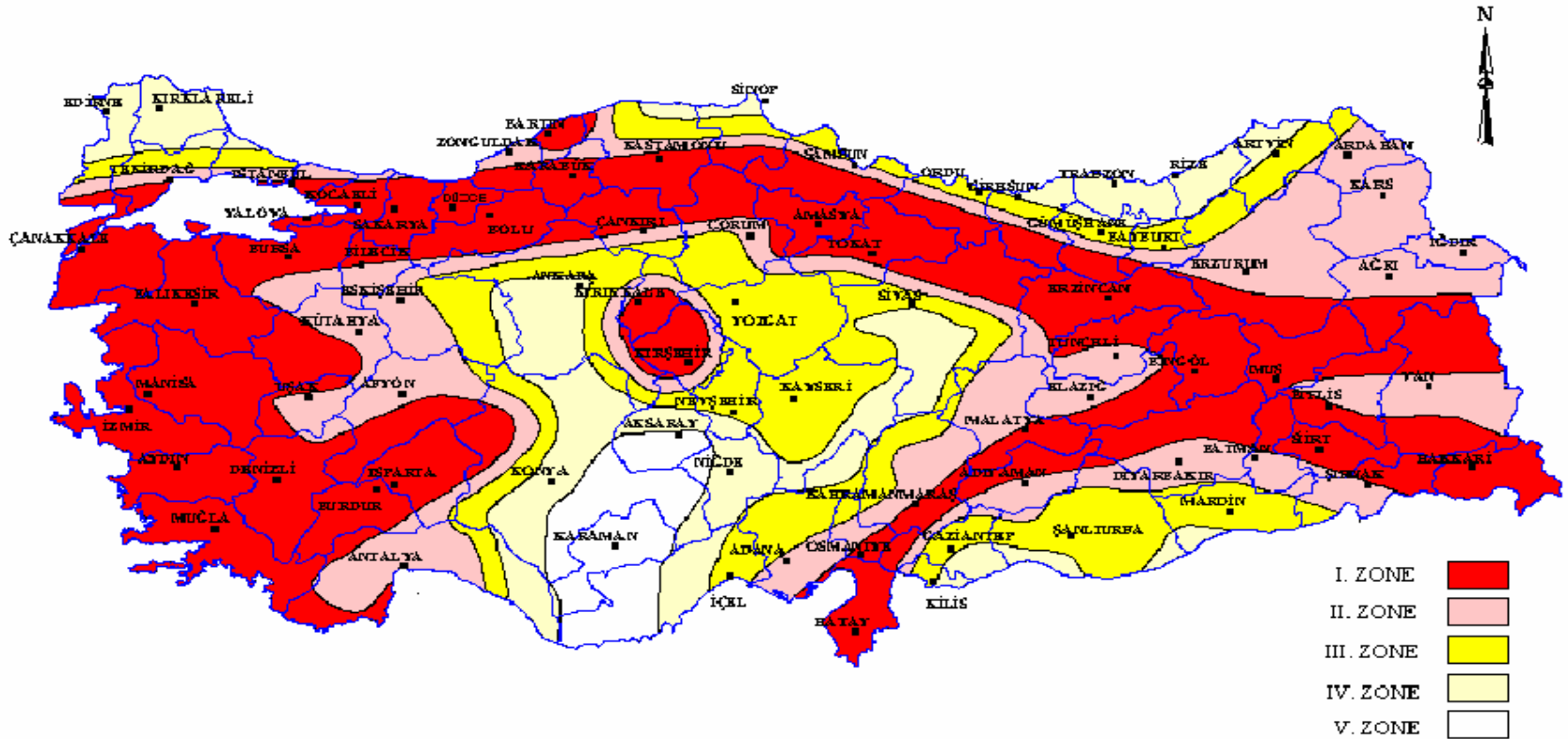
AGENDA

- History
- Objectives
- Structure of TCIP model
- Manager's role
- Policy coverage
- Tariff system
- Figures & statistics
- Key challenges

Natural hazard risk world-wide



SEISMIC HAZARD ZONES



HISTORY

- The devastating earthquake in Marmara on 17th August and 12th November 1999
- An insured loss of around USD 800.000.000
- An economic loss of around 6 billions of USD
- In 20th century 111 earthquakes above 5.0 richter scale

GOVERNMENT'S PRIORITIES

- A compulsory earthquake insurance system for homeowners
- Affordable price for every homeowner
- True risk transfer mechanism
- Claims-paying capacity to limit government's exposure
- Build national catastrophes reserves by time
- Rely on distribution channels of Turkish insurance industry

- Decree Law No 587 – Compulsory Earthquake Insurance as of 27th September 2000
- Foundation of TCIP effective from 08.08.2000
- Managed by Milli Re for first 5 years

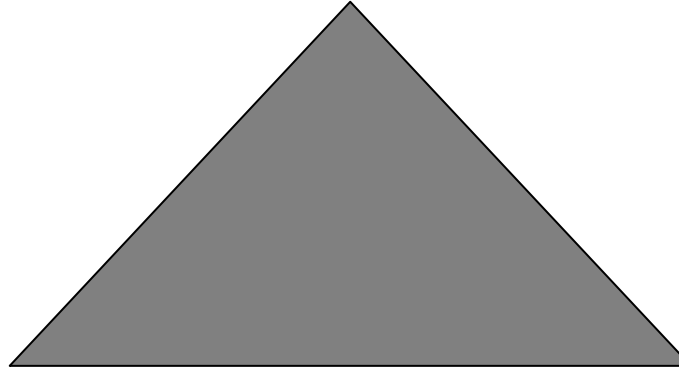
OBJECTIVES

- Cover at reasonable prices for people with average income
- Less government expenditure for catastrophies
- Ground for long term fund accumulation
- Sharing the financial burden of earthquake with reinsurance markets
- Improvement of risk culture and insurance consciousness in public

Public / private partnership

Insurer / Reinsurer

Risk transfer
Risk assessment
Risk management support
Claims management



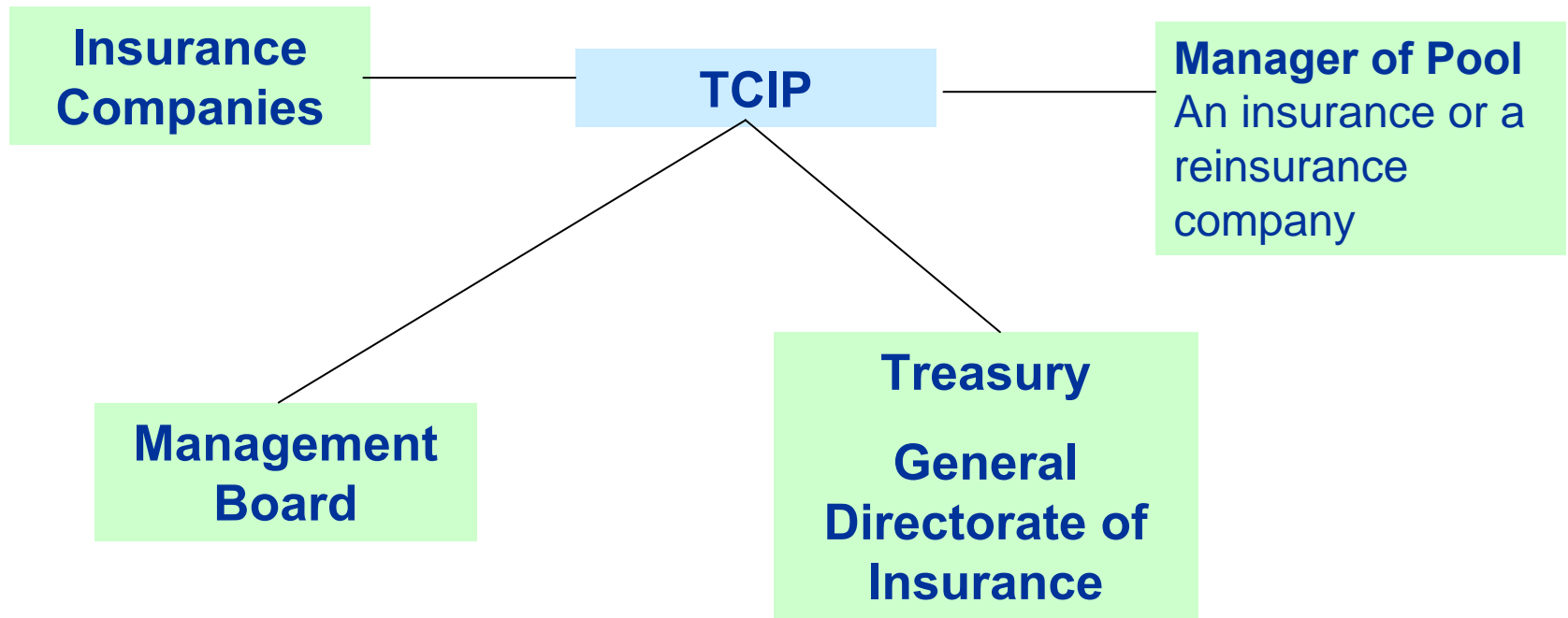
Individual

Risk Management
Behaviour

Authorities

Regulation and Supervision
Legal framework
Risk management support
Disaster management

STRUCTURE



NEW MANAGER

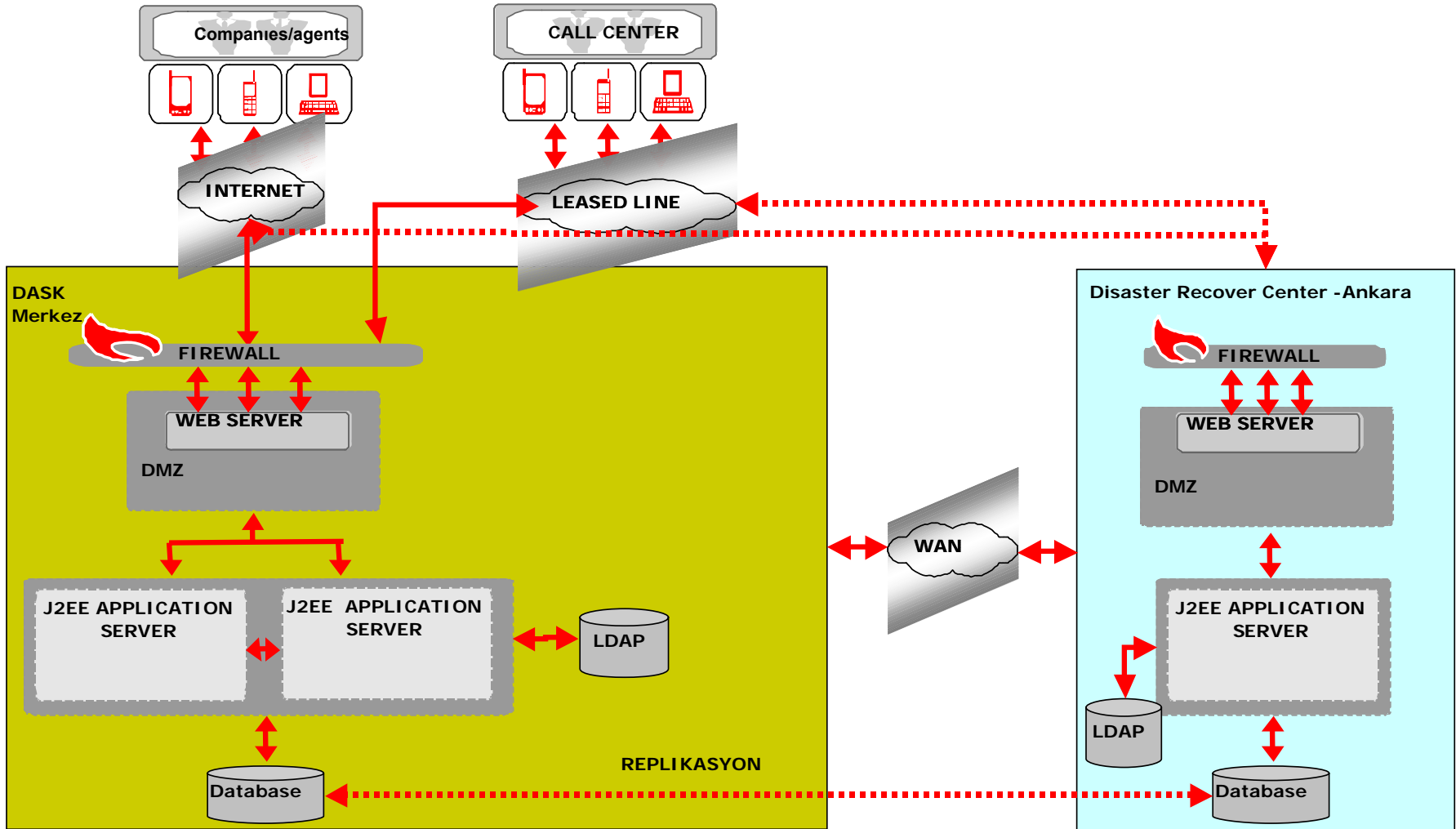
Garanti Sigorta was awarded as a new manager following tender in August 2005 for the next 5 years



MANAGER'S ROLES

- **IT**
 - Software development
 - Hardware, network and system management
- Claim Operations
- Reinsurance
- Marketing & PR Activities
- Fund Management & accounting
- All daily operations

IT STRUCTURE



IT STRUCTURE

- Real time online connection
- Policy sales throughout Turkey by 24 companies and their appx. 13.000 agents
- System enables
 - Accounting
 - Claims handling
 - Reporting
- Provides Statistical data

POLICY COVER

- Compulsory for household owner's
- Only residential buildings
- Only earthquake risk, no flood, windstorm etc
- Only building coverage, no contents, BI, etc

TARIFF STRUCTURE

- Three parameters
 - Earthquake risk zone
 - Construction type
 - m2 of household
- Deductible of % 2 of SI
- Maximum policy limit is 100.000 YTL

	m2 S.I.		1.Zone	2.Zone	3.Zone	4.Zone	5.Zone
Steel, reinforced concrete	410,00 YTL	%0	2,20	1,55	0,83	0,55	0,44
Amassed stone and brick	290,00 YTL	%0	3,85	2,75	1,43	0,60	0,50
Others	155,00 YTL	%0	5,50	3,53	1,76	0,78	0,58

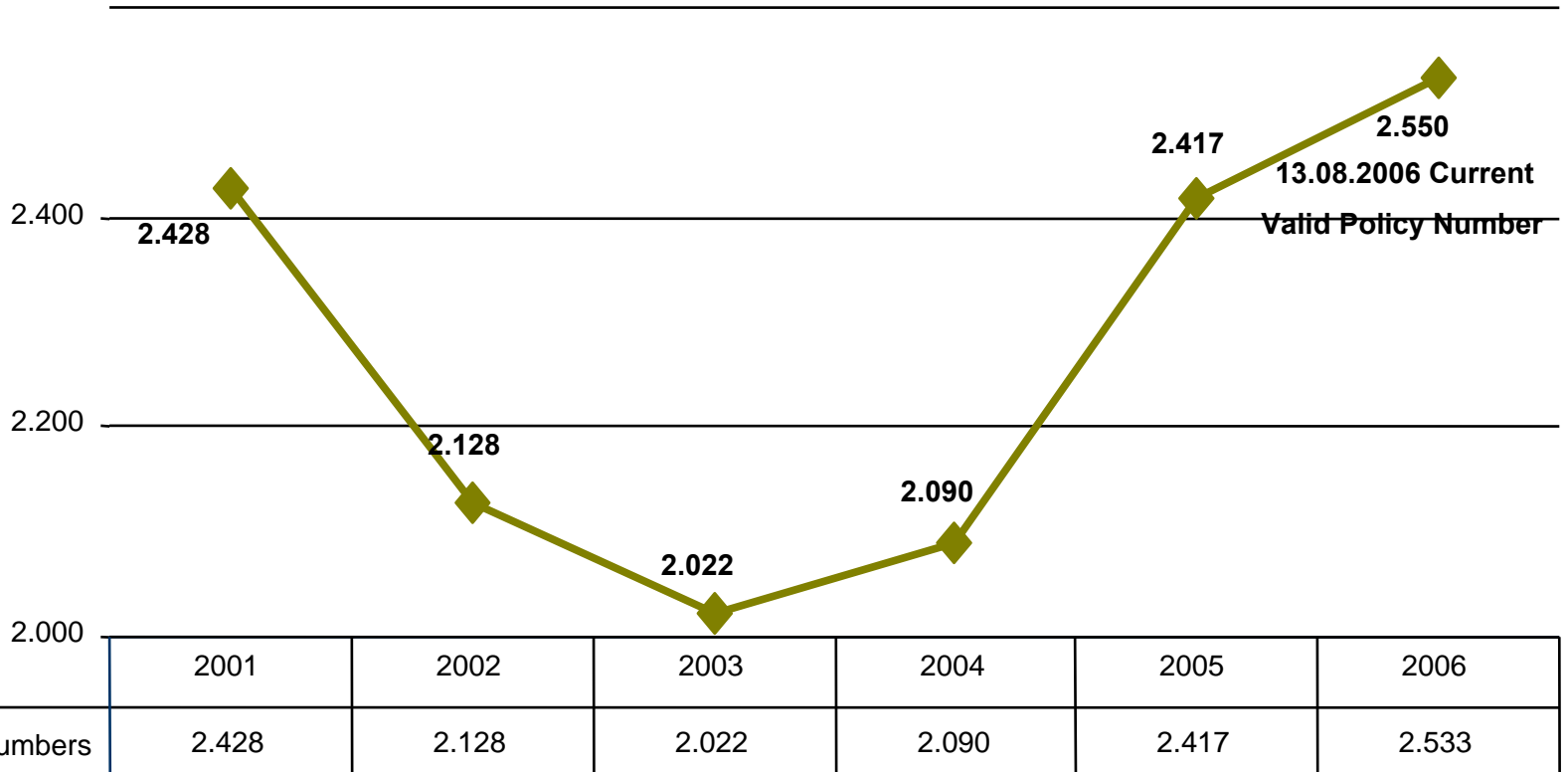
BASIC FIGURES

● Total No. of Policies	2,550,425
● Total Coverage (YTL)	105,631,584,700
● Total Annual Premium (YTL)	190,774,951
● Avg. Coverage (YTL)	41,417
● Avg. Premium (YTL)	74
● Growth by number of policies (%)	15.5
● Renewal Rate (%)	31
● Total number of Claim Files	8,708
● Total Claims Paid (from 2000)(YTL)	17,261,416

PREMIUM PRODUCTION

	POLICY NUMBERS (000 No.)	TOTAL PREMIUM (YTL)	% RATE OF POLICY NUMBER INCREASE
27.09 -31.12.2000	159	3.765	-
2001	2.428	54.525	-
2002	2.128	65.756	-12 %
2003	2.022	85.688	-5 %
2004	2.090	126.216	3 %
2005	2.417	159.085	16 %
01.01 -13.08.2006	1.669	132.255	

POLICY NUMBERS



◆ Policy Numbers

2001

2002

2003

2004

2005

2006

2.428

2.128

2.022

2.090

2.417

2.533

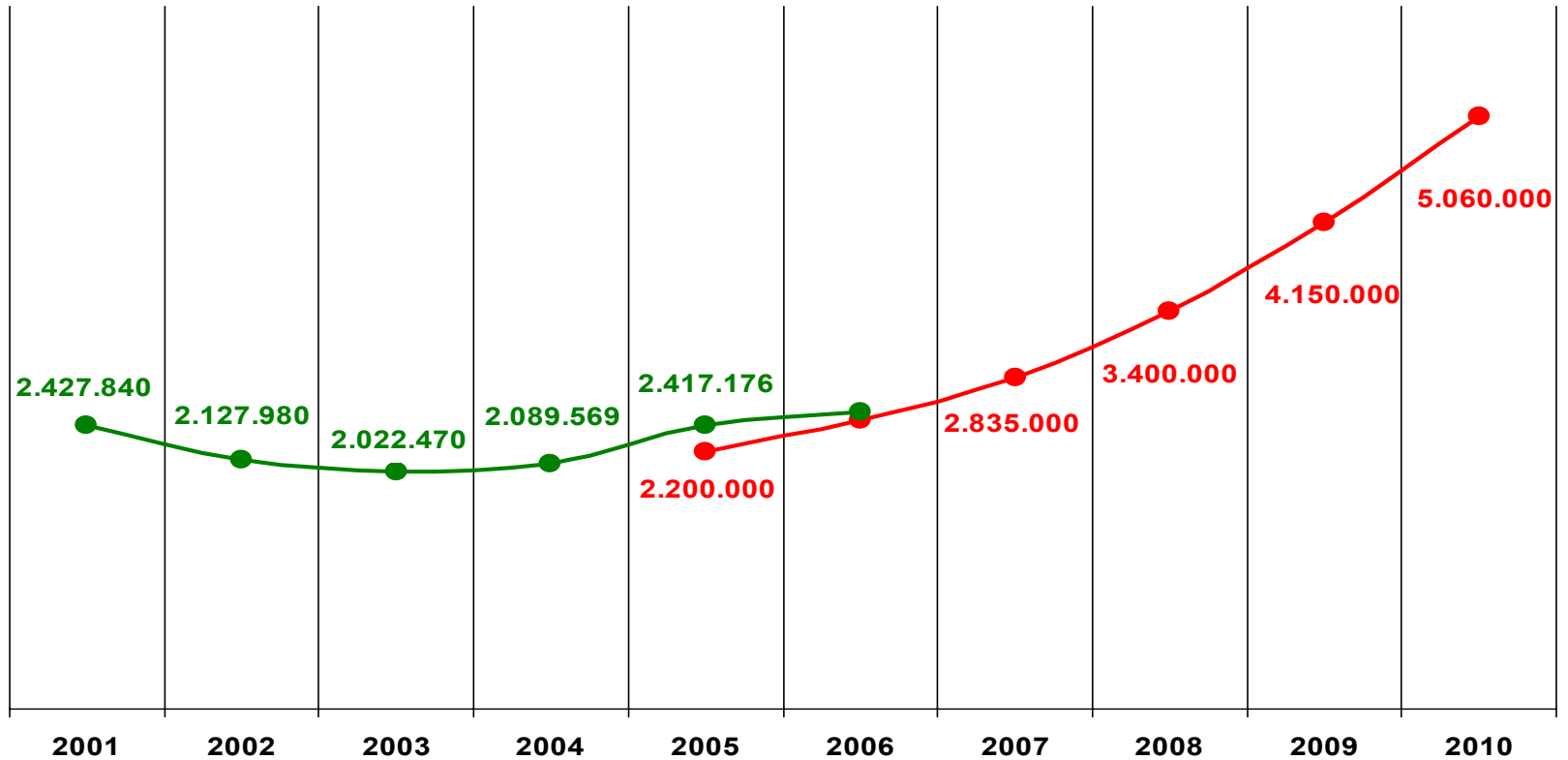
13.08.2006 Current
Valid Policy Number

POLICY NUMBERS

Current Valid Policy number as 13.08.2006 : 2.550.425

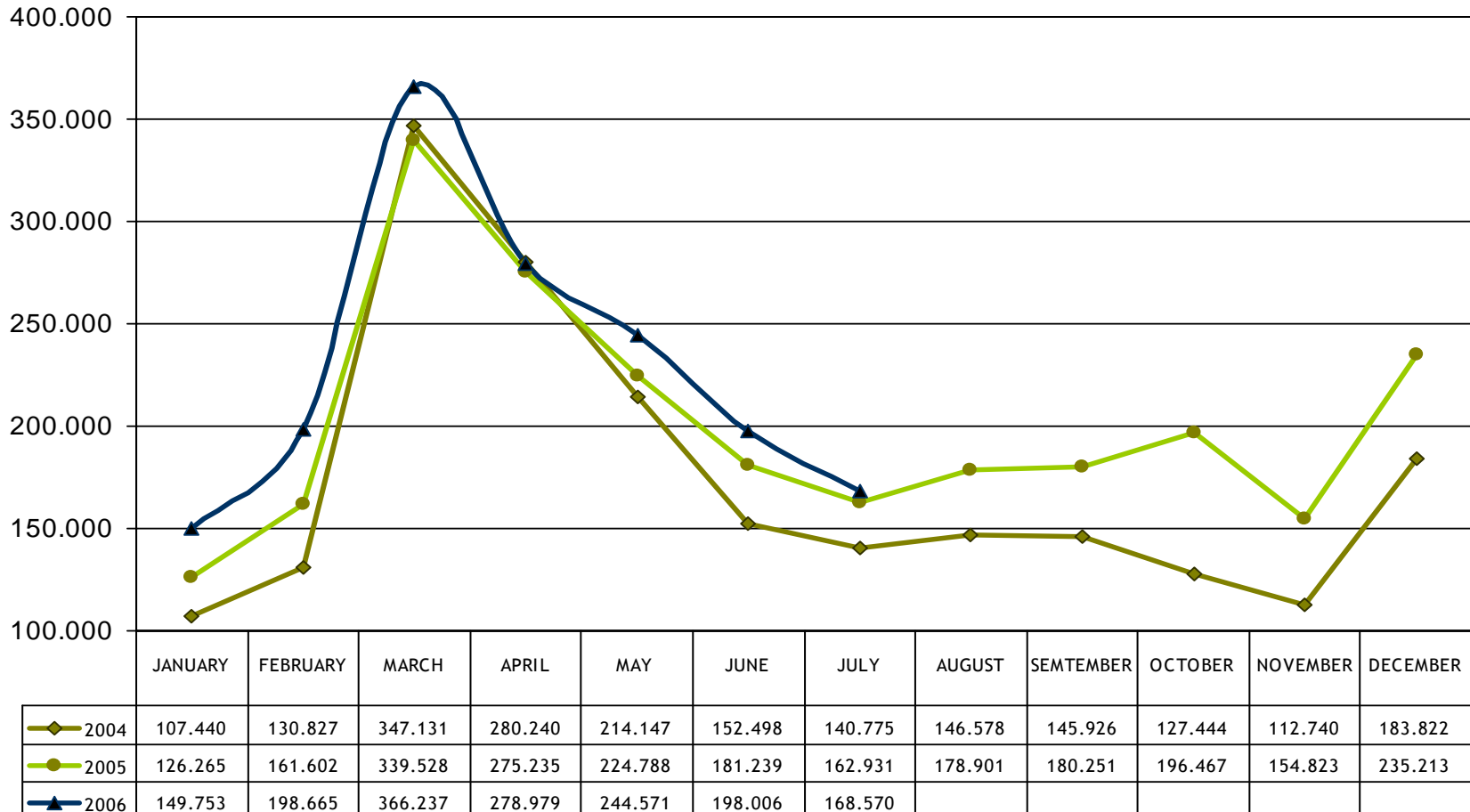
Realized

5 year Business Plan



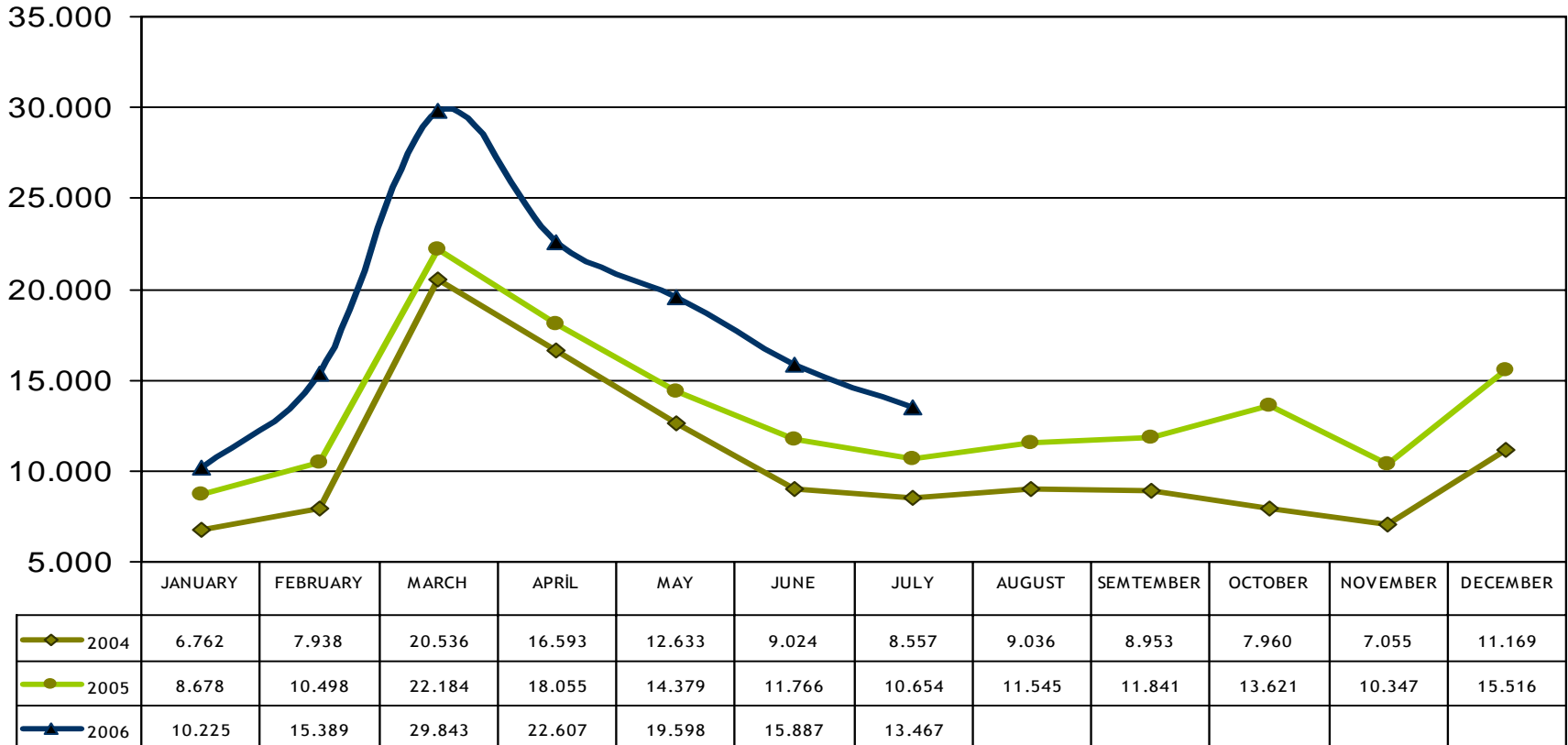
MONTHLY FIGURES

POLICY NUMBERS

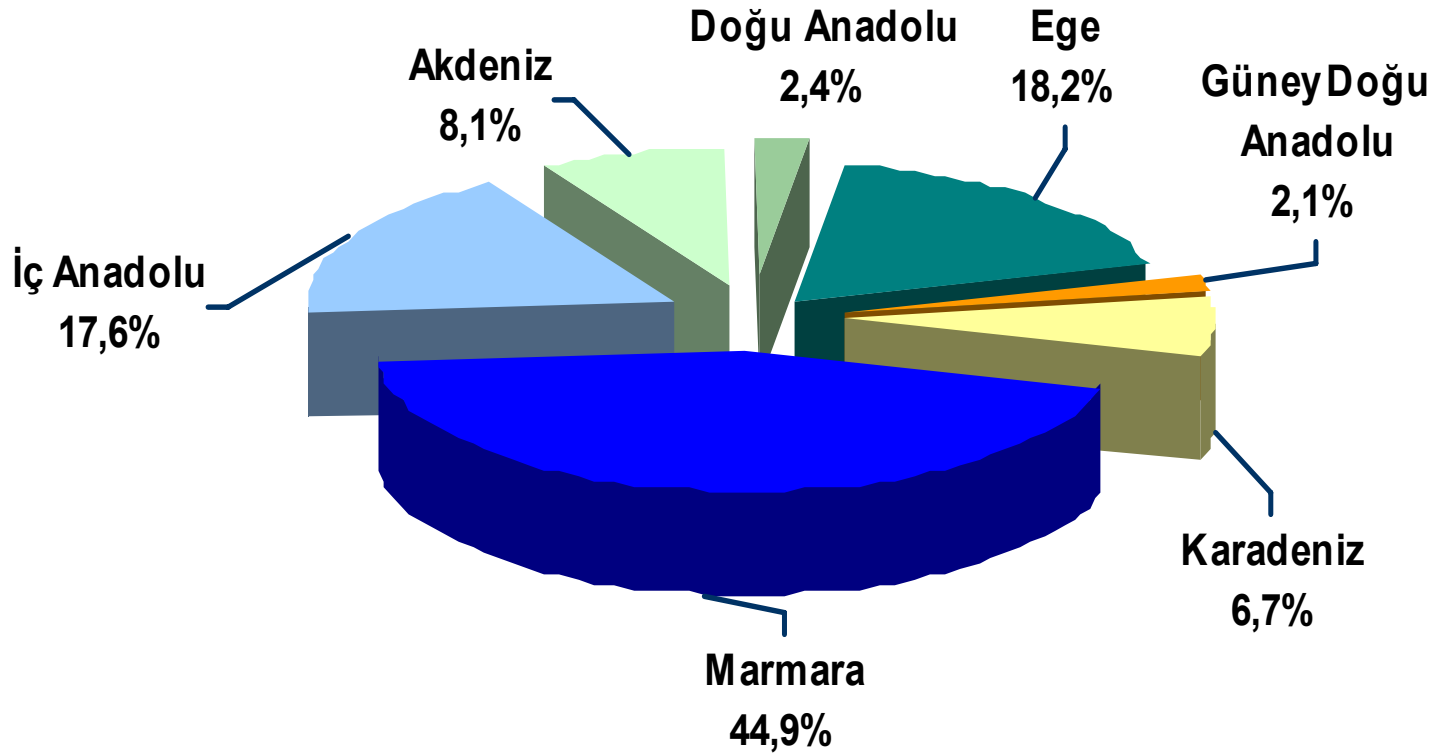


MONTHLY FIGURES

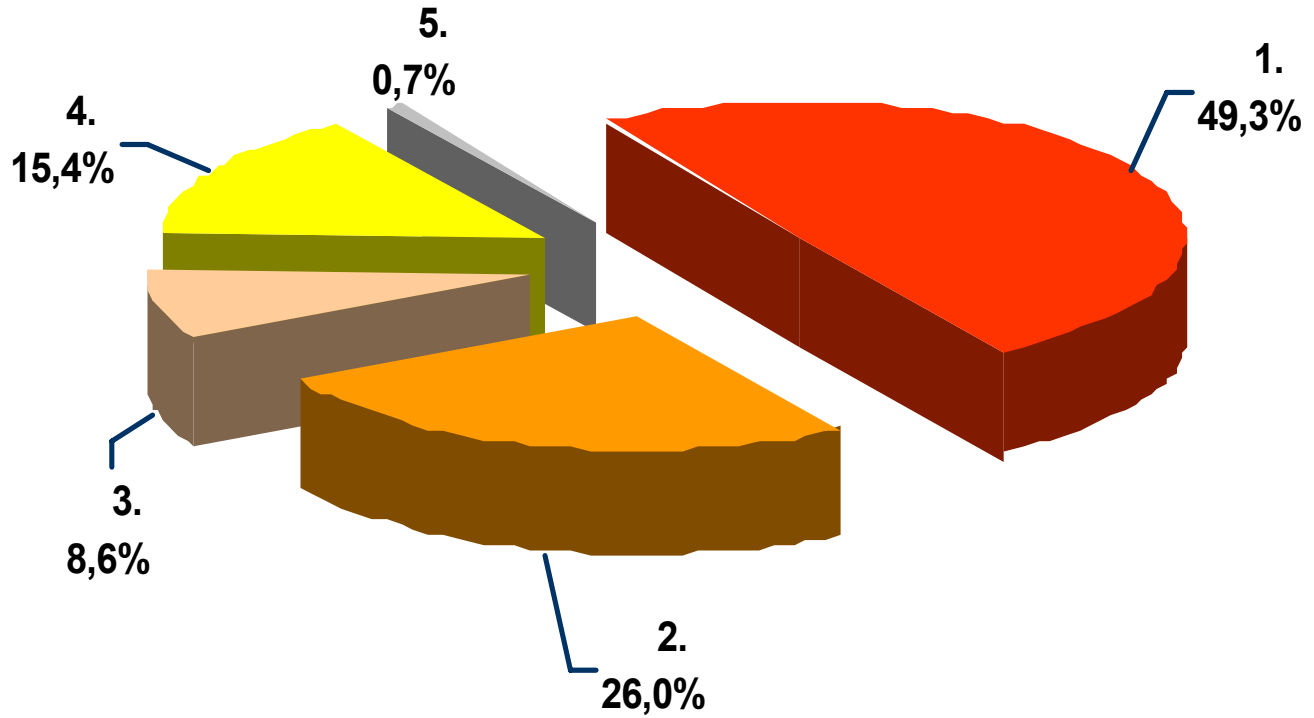
TOTAL POLICY PREMIUMS



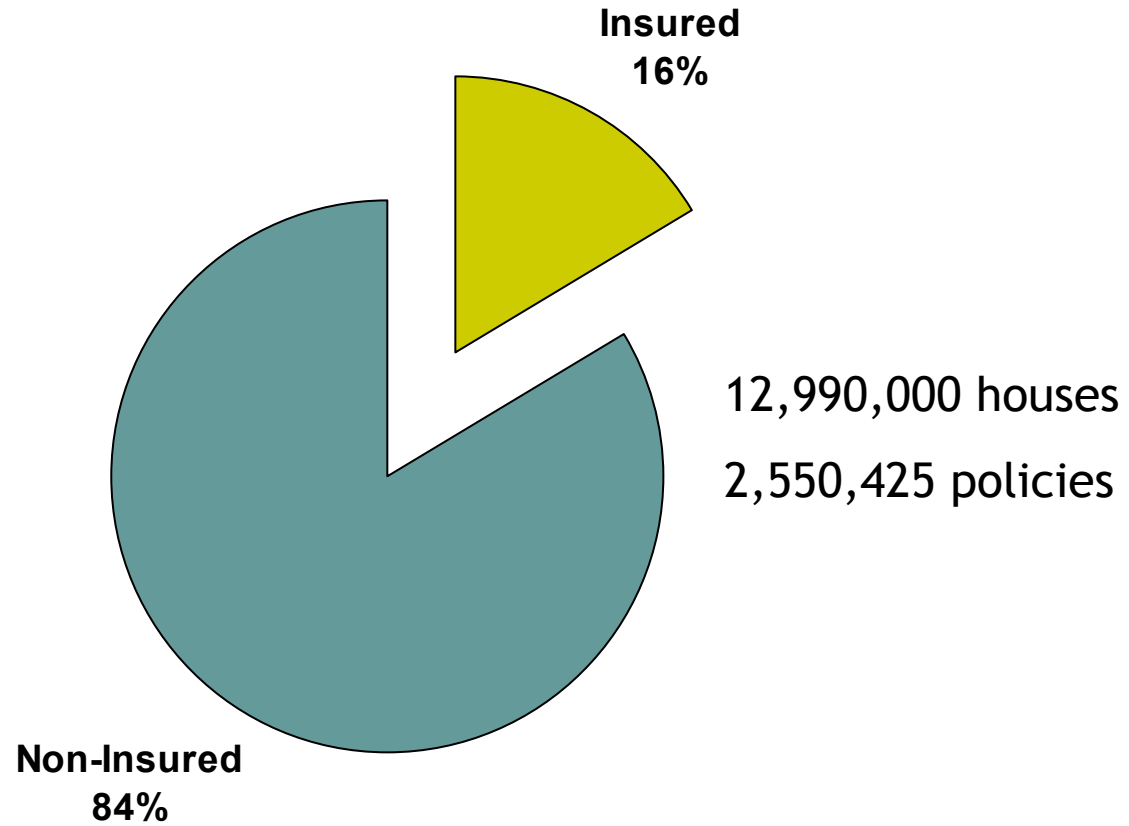
GEOGRAPHICAL SPREAD



RISK ZONES



PENETRATION



CLAIMS HISTORY

Claims			
Year	Number of Earthquakes	Total # of Claim Files	Total Claims Paid (YTL)
2000	1	6	23
2001	17	338	127
2002	21	1.558	2.285
2003	20	2.503	5.182
2004	35	586	769
2005	36	3.242	7.530
2006	10	348	1.025.758
Total	139	8.708	17.262

Key Challenges

- Public awareness
- Penetration rates
- Legal framework
- Insurance industry's cooperation and support
- Political support
- Risk management
- Claims paying capacity and reinsurance placements

The role of authorities

- Legal framework:
 - Laws and regulations
 - Tax-free reserves for natural hazards
 - Building codes, land use planning rules
 - Climate change: mitigation and adaptation
- Risk management support
 - Loss mitigation works
 - Early warning systems
 - Experience sharing on a global level
- Disaster Management