



ASSOCIATION OF THE  
INSURANCE AND REINSURANCE  
COMPANIES OF TURKEY



**ENHANCING RISK AWARENESS AND RISK REDUCTION  
EDUCATION ON NATURAL CATASTROPHES:  
TURKISH EXPERIENCES**

**OECD-Bank Indonesia International Conference on Financial Education**

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**Association of the Insurance and Reinsurance Companies of Turkey**



# **ESTABLISHMENT OF THE TURKISH CATASTROPHE INSURANCE POOL (TCIP)**

## **WHY**

- **Reactive solutions versus proactive solutions**
- **Shortage of funds in immediate need**
- **Allowance of funds to those in need is problematic**
- **Political and bureaucratic considerations may prevail**
- **Government priorities is on getting back to economic and social life**

## **LEGAL AND FINANCIAL BASE OF TCIP**

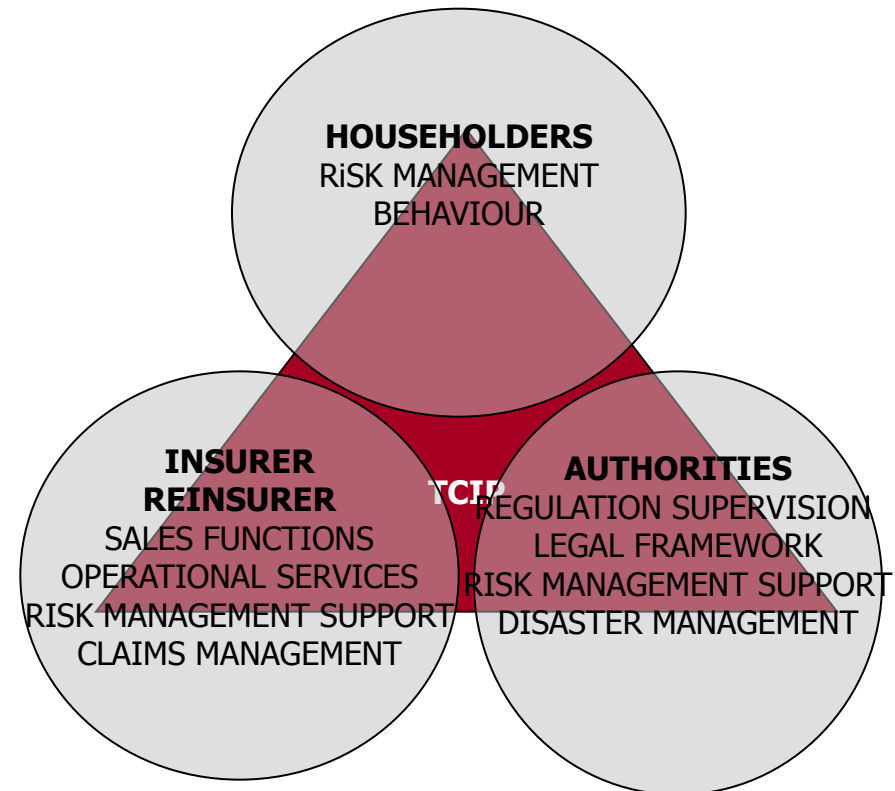
- **Financed by Marmara Earthquake Emergency Reconstruction Project co-financed by**
  - **World Bank**
  - **Turkish Government**
  - **European Bank for Reconstruction and Development**
- **Decree law no 587 – compulsory earthquake insurance as of 27th September 2000**
  - **Managed by Milli Re for first 5 years**
  - **Eureko Sigorta is tendered for the following 5 years till 2010**

# THE TURKISH CATASTROPHE INSURANCE POOL (TCIP)

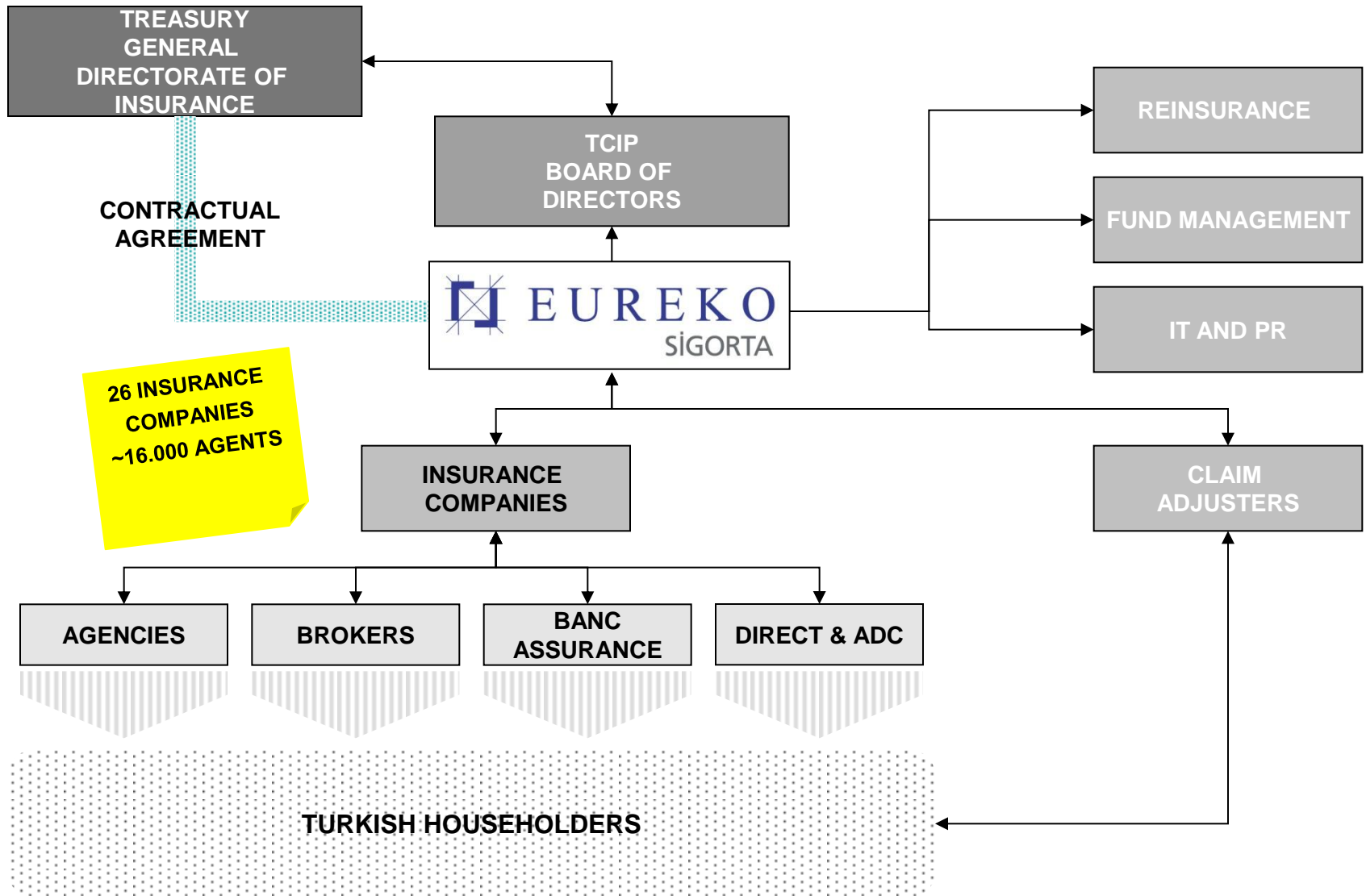
## TCIP OBJECTIVES

- **all registered residential dwellings located within municipality boundaries to be in the compulsory earthquake insurance coverage system**
- **coverage at reasonable prices for people with average income**
- **less government expenditure for catastrophes**
- **accumulation of necessary long-term resources for the compensation of earthquake damages**
- **sharing the financial burden of earthquakes with reinsurance markets**
- **improvement of risk culture and insurance awareness among the public**

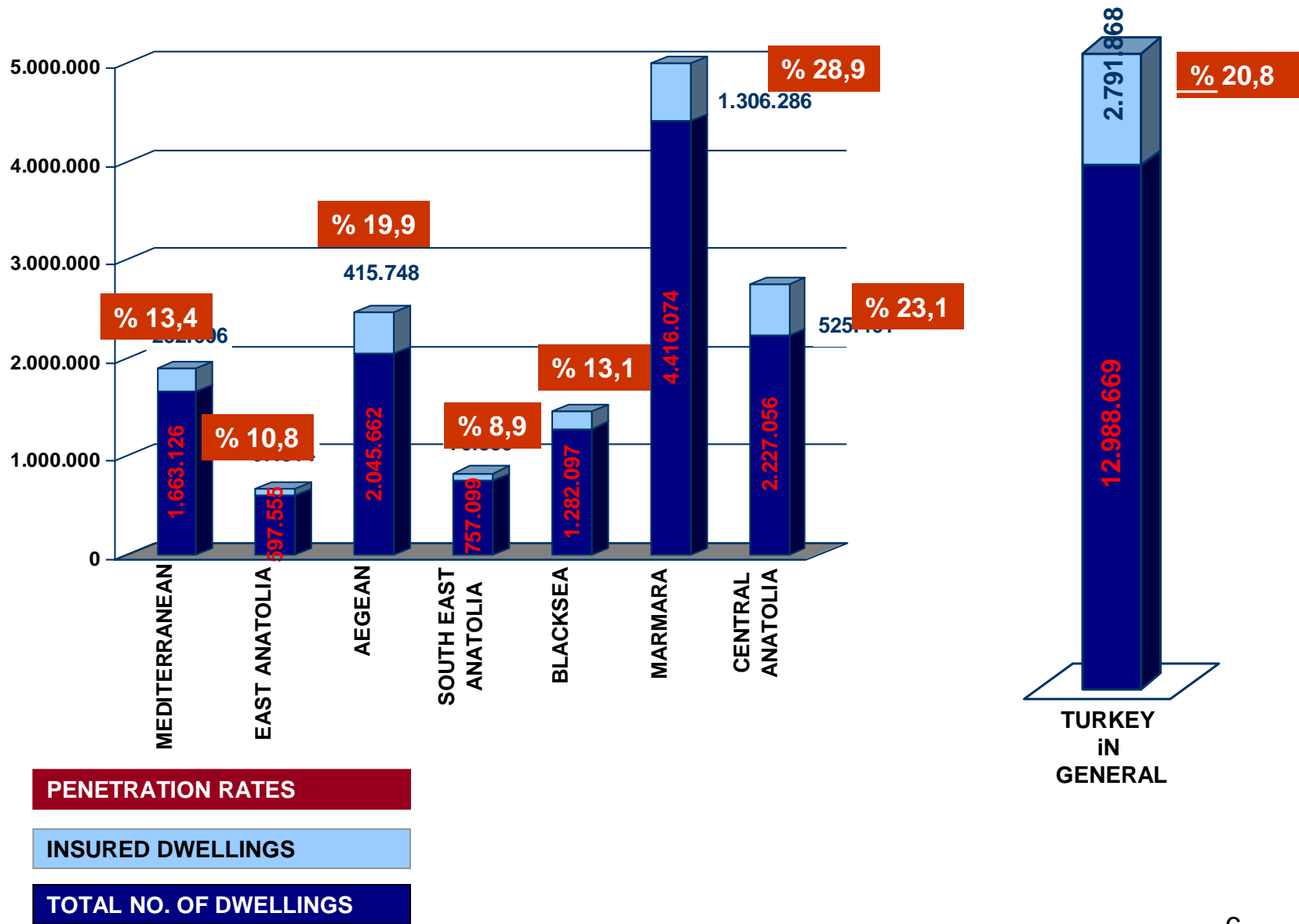
## PUBLIC-PRIVATE PARTNERSHIP



# TCIP STRUCTURE



# PORTFOLIO-PENETRATION



# TCIP'S ROLE IN ENHANCING RISK AWARENESS (I)

## Intensive advertisement and PR campaign conducted by the Pool Manager (private):

- Regular television program broadcasted on a national TV channel every week (providing information on the compulsory earthquake insurance and TCIP & answering questions of the audience)
- Commercials displayed on various national and local TV channels, radios and newspapers
- Information on insurance and real time information on earthquakes occurring within Turkey's boundaries on the TCIP website ([www.dask.gov.tr](http://www.dask.gov.tr))



## TCIP'S ROLE IN ENHANCING RISK AWARENESS (II)

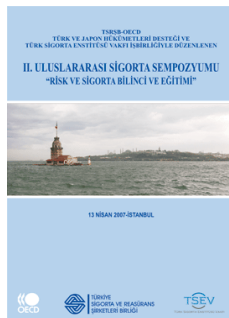
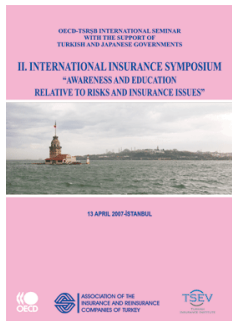
- **Periodic trips organized to different cities across the country (especially risk prone cities)**
  - **meetings with local authorities, municipalities, NGOs, professional institutions, civil defense organizations, etc.**
  - **visits to elementary and high schools**
  - **seminars on the general aspects of earthquakes, distribution of brochures, CDs and seismic zoning maps**
  - **live programs on local TV's and radio channels**
  - **children have expressed great interest in such activities**



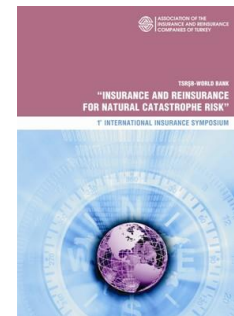
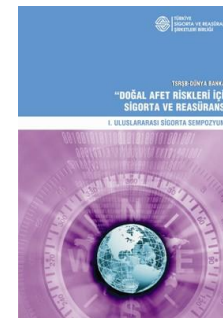


# PRIVATE SECTOR INITIATIVES ON RISK AWARENESS AND RISK REDUCTION EDUCATION (I)

- **TSRSB allocates sessions to catastrophe risk in its annual national and international conferences**
  - intl. conferences in cooperation with OECD and World Bank solely on catastrophe risk and financial education with the support of the Turkish government
- **Presentations made in these national and international conferences are compiled, published as books (both in TR+EN) and distributed to:**
  - insurance companies, public authorities, academicians, university libraries across Turkey
  - presentations are also available through the Association's website ([www.tsrbsb.org.tr](http://www.tsrbsb.org.tr))



- **Seminars held at universities across the country (especially in risk prone and less developed regions) to create awareness among students**



# PRIVATE SECTOR INITIATIVES ON RISK AWARENESS AND RISK REDUCTION EDUCATION (II)

- **Turkish Insurance Institute opens courses for young insurers on TCIP and compulsory earthquake insurance ([www.tsev.org.tr](http://www.tsev.org.tr))**
- **Targeted programmes for children:**
  - **Aksigorta (in cooperation with Şişli Municipality) operates an educational fire and earthquake simulation center in Istanbul since 1996 (educated ~ 41000 children) ([www.aksigorta.com.tr/yadem.shtml](http://www.aksigorta.com.tr/yadem.shtml))**
    - “Investing in the Future” (7-14 age groups) teaches disaster risk reduction and creates insurance awareness**
  - **Painting contests on fire, earthquake and insurance for elementary school children**



## MAIN CHALLENGES (I)

- **Lack of State interest, support and long-term strategy transcending governments**
  - **populist approach of governments: declaring all citizens (whether insured or not) eligible for government support after earthquakes (negatively effects penetration rate)**
  - **inadequate legal framework: TCIP is regulated by Decree, Earthquake Insurance Law has not yet been approved and put into force**
  - **TCIP subjected to Turkish Public Procurement Law in 2004 (restrictions on the expenditures of the Pool, barriers for advertisements and campaigns)**

## **MAIN CHALLENGES (II)**

- **Inadequate insurance awareness**

- **fatalistic mentality in society**
- **expecting everything from the State**

- **Low income level**

- **Low penetration rate**

- **House owners not adequately encouraged to buy insurance; no penalties or fines imposed**
- **To improve the penetration rate and current enforcement level, the new Law (when enforced) will oblige homeowners to present their insurance policy when opening an account for services like gas, water, electricity, telecommunications, etc.**

## **RECOMMENDATIONS FOR POLICY MAKERS & INSURANCE INDUSTRY (I)**

- **Strong legal basis, binding rules, adequate enforcement and disciplined control mechanism**
- **public-private partnership is *sine qua non***
  - **private sector involvement in the administration decreases bureaucratic burdens**
- **private sector should be encouraged for CSR projects for children, vulnerable groups, people living in risk prone regions (establishment of simulation centers, organization of seminars, contests, etc.)**
- **Pool to be independent of State budget, no possibility of use for other purposes**

## **RECOMMENDATIONS FOR POLICY MAKERS & INSURANCE INDUSTRY (II)**

- **Targeted, well-designed public awareness activities at local and national level with clear messages and non-technical language**
  - **publicity campaigns**
  - **advertisements on newspapers and magazines**
  - **commercials on both local and national TV and radio channels**
  - **seminars and conferences targeting different groups (children, vulnerable groups, citizens living in risk prone regions)**
  - **cooperation with local authorities, NGOs, professional organizations, etc.**
  - **dissemination of public education material**



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**THANK YOU FOR YOUR ATTENTION...**

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