



2002

Faaliyet Raporu
Annual Report

Türkiye Sigorta ve Reasürans Şirketleri Birliği
Association of the Insurance and Reinsurance Companies of Turkey





1881 -

Dear Colleagues,

The year 2002 was marked by three pivotal events for Turkey: full membership attempts for the European Union (EU), the early general election and the emerging conflict between the USA and Iraq.

In the Laeken Summit, the changes in the Constitution made in October 2001, aiming to ameliorate legal regulations which were regarded as barriers to Turkey's full membership to the EU, were appraised by EU as an important step for initiating negotiations with Turkey, and the need for continuing reforms in Turkey to harmonize Turkey's political and economic institutions with the EU was emphasized.

At the June 2002 Seville Summit, it was stated that the efforts concerning the completion of the priorities in the Accession Partnership document were supported, and that Turkey could be accepted to the EU provided that political and economic institutions in Turkey were reformed. It was also stated that the next step of Turkey's membership would be decided in the Copenhagen Summit.

At the Copenhagen Summit (12-13 December 2002), Turkey's efforts to meet the Copenhagen criteria in 2001 were appraised however, the importance of application was also emphasized. At the summit, it was also stated that the negotiations would start without delay if the European Council decided that Turkey satisfied the Copenhagen political criteria in the light of the comments and advices of the Commission in December 2004.

In the end, in 2002, while the full memberships of ten other countries were approved, Turkey - first applied in 1959 for Partnership and signed the partnership treaty in 1963 - once again failed to become a full member of the EU.

In the First quarter of the year 2002, as a result of the implementation of the Economic Stability program of 2001, Turkey started to recover from the economic crisis of 2001. The fluctuation in the foreign exchange rates were stabilized, the inflation and interest rates started to decline. Consequently, March onwards, the manufacturing production and the rate of capacity utilization have rapidly increased. While the economy had a positive outlook, the coalition government started early election discussions leading the country to political uncertainty. The November 03 general elections marked the beginning of a one party government that holds the majority of the Turkish National Assembly.

As the uncertainty of the elections began to disappear, the possibility of a USA-Iraq war emerged, and the discussions concerning Turkey's participation in the war caused new economic uncertainty.

Despite the negative conditions at home and abroad, the manufacturing industry production, which dropped at the rate of 9.5% in 2001, increased by 10.2% September 2002 onwards. This economic recovery was also felt in the insurance industry and led to an overall successful fiscal year for the industry. However, a number of companies in the industry which had insufficient equity or followed wrong administrative strategies, could not recover after the crisis and went bankrupt or were impounded by the Undersecretariat of the Treasury. Currently, process is still going on.

Provided that there will not be deviations from the program goals and Turkey will not be pulled into an artificial political agenda, 2003 is expected to be a successful year in terms of economic recovery and fighting inflation both nationwide and also for our industry.

Best regards,

Cahit NOMER
Başkan
President of the Association

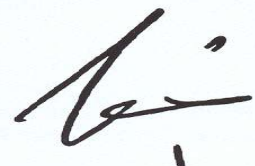


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Socio-Economic Developments

According to the 2000 General Census of Population, Turkey's population is 67.803.927. Between 1990 and 2000, the rate of population growth was 1.83% - a record low in the Republic's history, with the exception of the WWII years. 45.6 million of the population live in 309 cities with populations more than twenty thousand, and the urban population is 65.5% of the total population. The estimated rate of urbanization is 4.7%.

The general structure of the population of the country which is 69.749.000 in the mids of 2002 is as follows:

a) *Distribution of population by age groups:*

0-14 age group	29.41 %
15-64 age group	65.09 %
65+age group	5.50 %

b) *The rate of schooling in the academic year 2002-2003:*

In primary education	100 %
In secondary education	70.9 %
In higher education	28.7 %

c) *Health:*

Nnumber of hospitals	1.270
Number of doctors	86 880
Number of individuals per hospital bed	390
Number of individuals per doctor	825

d) *Employment:*

Workforce:	22.8 million
Employment:	20.4 million
In total employment	
-the share of services	47.2%
-the share of agriculture	33.9%
- the share of manufacturing	18.9%

e) *Social Insurance Systems:*

The imbalance between active insureds and passive insureds continues to grow in our country. The 2000 average of active insureds of 1.98 fell to 1.83 in 2001.

The gross national product (GNP) fell by 9.5 % in 2001, due to the economic crises, and increased by 7.8% in 2002 as a result of the implementation of the economic stability program. However, there was no reduction in the poverty rate that increased as a result of the economic crises of the last two years.

The value added in the manufacturing industry, which decreased by 7.5% in the previous year, increased by 9.4% in 2002.

The October 2001 agreement with the IMF for additional financing relieved the market, and in the following two months, the Turkish Lira (TL) appreciated against the dollar, the interest rates on Government Debt Securities and the rate of inflation started to declined. The rate of inflation continued to decline during the year 2002. However, the rate of inflation did not fall to the desired level, and consequently, there were no improvements in the economy or in the income distribution in real terms.

The Turkish Lira depreciated rapidly as a result of the the adoption of floating exchange regime in 22 February 2001, and significant fluctuations were observed in the exchange rates. The stand-by agreement with IMF, involving the period of 2002-2004, had a positive impact on economic expectations, and the TL began to appreciate November 2001 onwards. This process continued until May, but then onwards, the exchange rate started to increase, thus the official exchange rate which was at 1.439.567 TL by the end of December 2001 increased by 13.9% to 1.639.745 by the end of December 2002.

In 2002, total exports increased by 12% and reached to \$35.1 billion.

Total imports which fell by 24% in 2001, increased by 22.8% and reached to to \$49.5 billion.

The number of the tourists visiting Turkey was 11.6 million in 2001, and 13.2 million in 2002. In 2002, the tourism income which was \$8.1 billion in the previous year, increased to \$8.5 billion.

Main Socio-Economic Indicators for 2002

<i>Population (Mid-year 2002)</i>	69.749.000
<i>Population Growth Rate (%)</i>	1.48
<i>Urban Population (%)</i>	65.5
<i>Urbanization Rate (%)</i>	4.7
<i>Civil Employment (15+ Age)</i>	20.402.000
<i>Unemployment Rate (%)</i>	10.6
<i>Disguised Unemployment Rate (%)</i>	5.4
<i>Number of Doctors</i>	86.880
<i>Number of Hospital Beds</i>	180.040
<i>Primary Education Schooling Rate-2001-2002 (%)</i>	100.0
<i>Secondary Education Schooling Rate-2001/2002(%)</i>	70.9
<i>Higher Education Schooling Rate-2001/2002 (%)</i>	28.7
<i>Number of Active Insureds-2002</i>	11.590.000
<i>Bağ-Kur</i>	3.336.000
<i>Emekli Sandığı</i>	2.236.000
<i>SSK</i>	5.945.000
<i>Others</i>	73.000
<i>Gross National Product-Current Prices (Billion TL)</i>	271.406.000
<i>GNP per Capita-Current Prices (TL)</i>	3.891.780.000
<i>GNP per Capita-Current Prices (\$)</i>	2.586
<i>Imports CIF (Million \$)</i>	49.501
<i>Exports FOB (Million \$)</i>	35.081
<i>Revenues From Tourism (Million \$)</i>	8.575
<i>Consolidated Budget Revenue (Billion TL)</i>	27.800.000
<i>Consolidated Budget Outgo (Billion TL)</i>	42.600.000
<i>Currency Issued-September 2002 (Billion TL)</i>	6.933.000
<i>M1 Indicator-September 2002 (Billion TL)</i>	13.707.000
<i>M2 Indicator-September 2002 (Billion TL)</i>	55.882.000
<i>Net Credit Capacity-September 2002 (Billion TL)</i>	33.364.000
<i>Wholesale Price Index as per State Statistical Ins. (%)</i>	30.8
<i>Consumer Price Index as per State Statistical Ins. (%)</i>	29.7
<i>Insurance Premium Income (Billion TL)</i>	3.718.520
<i>Insurance Premium Income to GNP (%)</i>	1.4

Source: State Planning Organization 2003 Annual Program

The Turkish Insurance Industry

The number of the insurance companies operating in the industry declined from sixty three to fifty eight, the number of reinsurance companies from four to three. These declines were due to bankruptcies and liquidation as a result of nationwide economic crisis the effects of which were felt in the industry. The authorisation of issuing new policy in all branches of the company Emek Hayat Sigorta, EGS Sigorta, Merkez Sigorta and in the Motor Vehicles Third Party Liability Insurance branch of Kapital Sigorta have been dismissed by the Undersecretariat of Treasury. GIC Dunya Sigorta's license has been cancelled by the same state authority. Emek Sigorta, Universal Sigorta and Akdeniz Sigorta went bankrupt.

FİBA Sigorta A.Ş., which started operating in 2002 and became a member of the Association in 2.5.2002, changed its corporate name to Finans Sigorta A.Ş. in 4.6.2002.

Genarali Kent Sigorta A.Ş. changed its corporate name to Genarali Sigorta A.Ş. with the official registration in 2.5.2002.

Meanwhile, some insurance companies changed their status to pension companies, and in accordance with the Individual Pension Savings and Investment System Act no.4632, their corporate names were changed. The companies declaring new corporate names to the Association are as follows:

- Yapı Kredi Yaşam Sigorta A.Ş. to Yapı Kredi Emeklilik A.Ş.;
- Ankara Hayat Sigorta A.Ş. to Ankara Emeklilik A.Ş.;
- Koç Allianz Hayat Sigorta A.Ş. to Koç Allianz Hayat ve Emeklilik A.Ş.;
- Akhayat Sigorta A.Ş. to Ak Emeklilik A.Ş.;
- Güneş Hayat Sigorta A.Ş. to Vakıf Emeklilik A.Ş.;
- Anadolu Hayat Sigorta A.Ş. to Anadolu Hayat Emeklilik A.Ş.;
- Doğan Hayat Sigorta A.Ş. to Doğan Emeklilik A.Ş.;
- Commercial Union Hayat Sigorta A.Ş. to Commercial Union Hayat ve Emeklilik A.Ş.;
- Başak Hayat Sigorta A.Ş. to Başak Emeklilik A.Ş.

In 2002, The total employment in the insurance industry increased by 3.9% to 10 614. Of the 403 new employees, 300 of them are females and 103 are males.

Between 2001 and 2002, the number of authorized agencies active in the industry fell by 4.8% to 11.248. This was partly due to companies whose operations were cancelled, and went through liquidation or bankruptcy.

Number of Insurance and Reinsurance Companies

Faaliyet Alanı Fields of Operation	1998	1999	2000	2001	2002
Sigorta Şirketleri Insurance Companies	65	63	63	63	58
Hayat Life	23	22	22	22	21
Hayat Dışı Non-Life	42	41	41	41	37
Reasürans Şirketleri Reinsurance Companies	4	4	4	4	3
Toplam Total	69	67	67	67	61

Breakdown of Insurance Companies According to the Branches

Branşlar Branches	1998	1999	2000	2001	2002
Yangın Fire	41	40	40	40	38
Nakliyat Marine	41	40	40	40	38
Kaza Accident	41	40	40	40	38
Makina-Montaj Engineering	41	40	40	40	38
Tarım Agriculture	16	15	15	15	14
Hukuksal Koruma Legal Protection	2	3	4	6	7
Sağlık Health	41	40	40	40	39
Ferdi Kaza Personal Accident	59	58	58	58	56
Kredi Credit	0	1	1	1	1
Hayat Life	38	35	35	33	28

Premium Income

The total premium generated by the 58 insurance companies which were active in the industry in 2002 was 3.718.520 billion Turkish Liras, 48.45% above the 2001 figure in current prices. In terms of the US Dollar, the premium income risen to \$2.268 million indicating an increase of 30.33% compared to the 2001 figure of \$1.740 million.

In 2002, premium generation increased in all branches. The highest increase was observed in the Agriculture branch by 78.20%, which was followed by 59.83% in Engineering, 51.79% in Health, 50.66% in Fire, 49.06% in Marine, 48.77% in Life and 45.08% in Accident.

Premium Income, Annual Changes, Percentage Breakdown According to the Branches(Billion TL.)

Branşlar Branches	1998			1999			2000			2001			2002		
	Prim Premium	Bir Önceki Yıla Göre Değişim Annual Changes	Toplam İçindeki Payı Percentage Breakdown	Prim Premium	Bir Önceki Yıla Göre Değişim Annual Changes	Toplam İçindeki Payı Percentage Breakdown	Prim Premium	Bir Önceki Yıla Göre Değişim Annual Changes	Toplam İçindeki Payı Percentage Breakdown	Prim Premium	Bir Önceki Yıla Göre Değişim Annual Changes	Toplam İçindeki Payı Percentage Breakdown	Prim Premium	Bir Önceki Yıla Göre Değişim Annual Changes	Toplam İçindeki Payı Percentage Breakdown
Yangın Fire	77.727	78,89	13,93	159.594	105,33	16,19	261.949	64,13	14,63	449.050	71,43	17,93	676.549	50,66	18,19
Nakliyat Marine	33.150	46,38	5,94	44.457	34,11	4,51	71.480	60,78	3,99	109.530	53,23	4,37	163.267	49,06	4,39
Kaza Accident	257.480	91,05	46,15	436.429	69,50	44,26	828.092	89,74	46,24	1.026.479	23,96	40,98	1.489.223	45,08	40,05
Makina-Montaj Engineering	25.785	81,83	4,62	39.074	51,53	3,96	68.562	75,47	3,83	122.548	78,74	4,89	195.868	59,83	5,27
Tarım Agriculture	3.000	37,00	0,54	3.937	31,21	0,40	6.566	66,79	0,37	8.655	31,82	0,35	15.424	78,20	0,41
Hukuksal Koruma Legal Protection	313	105,12	0,06	515	64,17	0,05	1.533	197,90	0,09	2.254	47,03	0,09	2.878	27,70	0,08
Sağlık Health	56.227	132,10	10,08	107.470	91,14	10,90	188.855	75,73	10,55	270.383	43,17	10,79	410.422	51,79	11,04
Ferdi Kaza Personal Accident	10.023	-	1,80	17.203	71,64	1,74	37.414	117,48	2,09	54.259	45,02	2,17	78.097	43,93	2,10
Kredi Credit	-	-	-	72	-	0,01	83	16,02	-	354	326,51	0,01	444	25,41	0,01
Hayat Dışı Toplam Non-Life Total	463.705	91,92	83,12	808.751	74,41	82,03	1.464.534	81,09	81,78	2.043.512	39,53	81,58	3.032.171	48,38	81,54
Hayat Life	94.199	109,32	16,88	177.221	88,13	17,97	326.205	84,07	18,22	461.350	41,43	18,42	686.350	48,77	18,46
Toplam Total	557.904	94,65	100,00	985.972	76,73	100,00	1.790.739	81,62	100,00	2.504.862	39,88	100,00	3.718.520	48,45	100,00

Premium Income and Annual Changes in U.S. Dollars

Branşlar Branches	1998		1999		2000		2001		2002	
	Prim Premium	Bir Önceki Yıla Göre Değişim Annual Changes	Prim Premium	Bir Önceki Yıla Göre Değişim Annual Changes	Prim Premium	Bir Önceki Yıla Göre Değişim Annual Changes	Prim Premium	Bir Önceki Yıla Göre Değişim Annual Changes	Prim Premium	Bir Önceki Yıla Göre Değişim Annual Changes
Yangın Fire	248.551.966	17,13	296.535.592	19,31	389.941.459	31,50	311.934.375	-20,00	412.593.778	32,27
Nakliyat Marine	106.004.122	-4,16	82.603.604	-22,08	106.405.527	28,81	76.085.163	-28,50	99.568.264	30,86
Kaza Accident	823.354.874	25,09	810.910.484	-1,51	1.232.711.387	52,02	713.046.727	-42,16	908.203.733	27,37
Makina Montaj Engineering	82.455.356	19,05	72.601.736	-11,95	102.061.909	40,58	85.128.605	-16,59	119.450.377	40,32
Tarım Agriculture	9.594.733	-10,30	7.314.917	-23,76	9.774.838	33,63	6.012.146	-38,49	9.406.062	56,45
Hukuksal Koruma Legal Protection	1.002.462	34,30	956.258	-4,61	2.282.306	138,67	1.565.491	-31,41	1.755.379	12,13
Sağlık Health	179.800.413	51,96	199.686.335	11,06	281.132.658	40,79	187.822.544	-33,19	250.296.321	33,26
Ferdi Kaza Personal Accident	32.051.527	-	31.964.714	-0,27	55.694.648	74,24	37.690.896	-32,33	47.627.357	26,36
Kredi Credit	-	-	133.246	-	123.853	-7,05	245.872	98,52	270.748	10,12
Hayat Dışı Toplam Non-Life Total	1.482.815.453	25,66	1.502.706.887	1,34	2.180.128.583	45,08	1.419.531.819	-34,89	1.849.172.018	30,27
Hayat Life	301.225.262	37,05	329.286.423	9,32	485.594.392	47,47	320.478.583	-34,00	418.571.073	30,61
Toplam Total	1.784.040.715	27,45	1.831.993.310	2,69	2.665.722.975	45,51	1.740.010.402	-34,73	2.267.743.090	30,33

Fire Insurance

The rate of premium increase in fire insurance has been around the industry average. 2002 has been a good year for the industry as there were not many sizeable fire losses.

The difficulties faced in obtaining coverage in reinsurance markets continued in the year 2002, however, the reinsurance needs of the companies were met by additional capacities provided in local markets. The hard reinsurance conditions caused an increase in the coinsurance policies in the market.

“Fire Prevention of Buildings Regulation”, mutually prepared by the Ministry of Internal Affairs and the Ministry of Public Works and Settlement, and governed the precautions regarding the prevention and extinguishing of fires in buildings, facilities, open and closed areas overall Turkey, and the standards of designing, construction, usage, maintenance and management to minimize danger to life, came into force with the no. 2002/4390 Decision of the Council of Ministers on dated 12.6.2002.

The total number of policies in the fire branch which was 1.331.524 in the year 2001 decreased by 0.52% to 1.324.618 in 2002.

Despite the decline in the number of policies, the premium income of the thirty eight companies in the fire branch increased by 50.66% to 676.549 billion TL in current prices and by 32.27% in dollar terms, compared to the previous year.

The share of the premium income of the fire branch within the total increased from 17.89% in 2001 to 18.15% in 2002.

The rate of total losses in the fire branch decreased to 41.90% indicating a decline compared to the rate of losses in 2001. The share of this branch in the total technical profit increased from 10.21% in 2001 to 19.63% in 2002.

Marine Insurance

The increase in the volume of foreign trade in 2002 led to a revival in Marine Cargo insurances.

The price competition in cargo insurances continued in the year 2002 at its full speed. In the hull insurances, the decrease in the value of hulls caused by the decline in the freight markets was offset by the increase in prices. On the other hand, the owners tendency to prefer foreign insurance companies continued in 2002.

The renewal of the Cargo Insurance’s General Conditions, although that has been in effect since 1953 but has been unable to meet market demand could not have been realized in the year 2002 as well.

In the field of hull insurances, International Hull Clauses was out into use by London market as of 1.11.2002.

The shrinkage in the world reinsurance markets created by the 9/11 terrorist attacks and the floods in Europe and America had an adverse impact on the Marine insurance industry in Turkey.

The total number of policies number in the marine branch increased by 7.18 % from 852.093 in 2001 to 913.258 by the end of 2002.

The 2002 premium income of the Marine branch where 38 companies were active, reached a level of 163.267 billion TL, showing a 49.06 % increase in current prices and a 30.86 % increase in terms of the US Dollar over the previous year.

Consequently, the share of this branch’s premium income within the total increased from 4.37 % in 2001 to 4.39 % in 2002.

In 2002, the loss ratio in this branch was 50.24 % showing a decrease compared to previous year. This branch’s share within the total technical profit increased from 14.63 % to 15.61 % in 2002.

Accident Insurance

The effects of the 2001 economic crisis were also felt in 2002. In 2002, auto sales – which complement accident insurances – were lowest in recent years. Consequently, the share of this branch's premium decreased within the total, as it did in 2001.

Despite the decline in auto sales, the increase in the cost of spare parts in foreign currency items raised the cost of claims and hence the loss/premium ratio of this branch. The effect of these developments on the technical profit of the accident insurance had a more negative outlook compared to the previous year.

Due to the changes made by the Undersecretariat for the Treasury in the Tariff and Instructions of Motor Vehicles Compulsory TPL Insurance, the material cover limits of this insurance increased by 67%, health treatment expense and other physical loss limits increased by 64%; and the insurance premium in the auto type vehicles increased by 63%.

The cover limits for Death and Permanent Disability and Health Treatment were increased by 67% to 25 billion TL by the Undersecretariat for the Treasury in another obligatory insurance, Personal Accident Insurance of Bus Seat, in which the insurance premium determined by the insurance companies freely.

The total number of policies in this branch decreased by 2.26 % from 10.122.656 in 2001 to 9.923.198 in 2002.

Despite the decline in the number of policies, the 2002 premium income of the Accident branch where 38 companies were active reached 1.489.223 billion TL, showing a 45.08 % increase in current prices and a 27.37 % increase in terms of the US Dollar, compared to the previous year.

Consequently, the share of the Accident Branch's premium income within the total, decreased from 40.98 % in 2001 to 40.05 % in 2002.

The loss ratio in this branch was of 70.74 % showing a decrease compared to the previous year. The branch's share within the total technical profit decreased from 40.93 % in 2001 to 29.89 % in 2002.

Engineering Insurance

The early general elections in 2002 conveyed the negative impact of economic crisis that hit the country in the previous year on the C.A.R and E.A.R insurances by causing the reduction in the allowances of investments and the cancellation of some tenders.

The companies in the construction industry survived by completing their current contracts in this crisis period, however some of these companies remained in economic distress. Some of the contractors managed to survive by diverting their activities to the countries out of Turkey. Consequently, the problem of collection has also increased.

A similar stagnation was faced by the energy industry. The remarkable projects in the year 2002 were mobile diesel energy plants. These plants founded in areas in urgent need of energy were preferred due to the shortness of the assembly and operating processes. These plants were covered with the construction and engineering insurance policies of the engineering branch.

Despite the reduction in the number of policies, a growing potential in the branch was provided by the projects having high insurance prices.

The cancellation of the maintenance agreements by many companies due to the economic crisis caused an increase in the number of losses in the Machinery Breakdown and Electronic Equipment insurances.

The total policy number in this branch increased by 11.93 % from 79.049 in 2001 to 85.124 in 2002.

The 2002 premium income of the Engineering branch where 38 companies were active, reached a level of 195.868 billion TL, showing a 59.83 % increase in current prices and 40.32 % in terms of US Dollar, compared to the previous year.

Consequently, the share of this branch's premium income within the total increased from 4.89 % to 5.27 % in 2002, compared to the previous year.

The loss ratio in this branch was of 65.94 % in 2002 showing a decrease compared to the previous year. The branch's share within the total technical profit decreased from 8.80 % in 2001 to 5.95 % in 2002.

Agricultural Insurance

In respect of the other branches the loss rate remained less and there has been a considerable increase in the 2002 premium income of the Hail branch of Agricultural insurance. Despite these positive improvements, the share of the premium income in both agricultural production and industry data is still lower than 1%, which indicate that there has not been a remarkable progress.

The increase rate in the premium income of the Livestock Insurances branch was lower than the other branches. However when the paid losses taken into consideration the results seemed positive.

As the actuary is not fully applied in the pricing of the insurances, the increasing competition among the companies will affect the technical results negatively in the future. Pricing according to the technical principles is only possible in the case of the collection of sound statistical data. In this context, a databank of village and product based hail insurance has been formed in the Association with the datum, having been collected regularly from the insurance companies in the last eight years. The necessary correction and analysis concerning the years 1995-1999 of this datum was completed and the summary of the five years data based on the provinces, administrative districts within a city, vegetal products and hazardous areas were presented to the insurance industry's knowledge.

It has to be obligatory to form permanent and sound information systems for the sustainable agricultural insurance. As a preparation to this, in order to provide standardization in data, the encoded lists of administrative districts and villages of State Institute of Statistics in 81 cities were updated and presented to the service of the insurance industry. Also taking into consideration fire, frost and quality covers in addition to hail risk and other covers such as drought and flood which are aimed to be given incoming years, the new data collection documents were prepared and sent to companies.

On the other hand, it was aimed to help in determining the prices and the most suitable cover conditions of insurance companies by preparing digital risk based on the city, village, vegetal product and livestock project of Geographical Information System (GIS) started in Association as a result of meteorological, topographic and agricultural parameters concerning directly agricultural insurance as the insurance values show great differences in the basis of villages.

The total policy number in this branch increased by 32.23 % from 71.613 in 2001 to 94.691 at the end of the year 2002.

The premium income in the Agricultural insurance where 14 companies were active, reached a level of 15.424 billion TL showing a 78.20 % increase in current prices and 56.45 % increase in terms of US Dollar over the previous year.

Consequently, the share of this branch's premium income within the total, increased from 0.35 % in 2001 to 0.41 % in 2002.

The loss ratio in this branch was of 60.10 % showing an increase compared to the previous year. The branch's share within the total technical profit increased from 0.42 % in 2001 to 0.61 % in 2002.

Legal Protection Insurance

In 2002 the developments in this branch are stated below:

Four regulations concerning The Establishment and Operating Principles of Pension Companies; Individual Pension System; Individual Pension Intermediaries; Establishment and Operations of Pension Investment Funds were accepted.

Changes are made in the Regulation of Insurance Experts and the Regulation of Insurance and Reinsurance Brokers.

The minimum capital requirement in the Turkish Commercial Code is raised to 50 billion TL for joint stock companies and 5 billion TL for limited companies.

A change is made in the Regulation about the Auditing of Insurance and Reinsurance Companies by Independent Auditing Institution.

The name of the Traffic Guarantee Fund is amended to Traffic Guarantee Insurance Account.

The Regulation of Buildings Fire Protection is put in force.

During the termination of the operations of insurance companies and carrying out the operations of liquidation, a Ministry decree regarding the allocation of insurance technical funds to the receivables of the insured before all else was published in Official Gazette.

The Motor Vehicle TPL Insurance was established as a separate branch.

Changes are made in the General Conditions and in the Tariff and Instructions of Obligatory Earthquake Insurance. The maximum cover for dwellings was determined as 40 billion TL for all the building types.

Ministry of Internal Affairs announced that the fire insurance tax in the articles 40-44 of Act of Municipality Income should be paid to the Metropole Municipality where the Metropole Municipality, Act No. 3030 is implemented.

The total policy number in this branch increased by 17.93 % from 155.685 in 2001 to 183.607 at the end of the year 2002.

The premium income of the Legal Protection branch where 7 companies were active, increased to 2.878 billion TL indicating a 27.70 % increase in current prices and 12.13 % increase in terms of US Dollar over the previous year..

Consequently, the share of this branch's premium income within the total, decreased from 0.09 % in 2001 to 0.08 % in 2002.

The loss ratio in this branch was of 0.27 % showing an increase compared to the previous year. The branch's share within the total technical profit decreased from 0.76 % in 2001 to 0.65 % in 2002.

Credit Insurance

There was no sufficient demand for credit insurance, which was established as an independent branch in 1998. Only one company was active in this branch in 2002 as it was in 2001.

The number of the policies which were 13 at the end of the 2001 has not changed. However the premium income rose to 444 billion TL showing a 25.41 % increase in current prices and 10.12 % in terms of US Dollar over the previous year.

Consequently, the share of this branch's premium income within the total was of 0.01 % in 2002 as it was in 2001.

The loss ratio in this branch was of 117.39 % showing a decrease compared to the previous year. The branch's 0.01 % share in the previous year within the total technical profit did not change in 2002.

Health Insurance

The cooperation between the insurance companies and the private hospitals created new products. Meanwhile, it is observed that insureds substituted hospital treatment plans for out patient treatment during the economic crises.

Some companies started providing treatment services at home.

Providing services by the personnel of insurance companies in the hospital offices is becoming prevalent.

The health insurance portfolio of some life assurance companies were transferred to companies operating in the non-life branches.

The Turkish Physicians Association's coefficient percentage rose to 32% in medical care services, 44% in diagnosis, and in the same period, inflation rate was 30.8%.

The number of total health insureds increased by 6.38 % from 655.703 in 2001 to 697.505 at the end of the year 2002.

The premium income in this branch where 39 companies were active, reached 410.422 billion TL, showing a 51.79 % increase in current prices and 33.26% increase in terms of US Dollar over the previous year.

Consequently, the share of the Health branch's premium within the total, increased from 10.79% in 2001 to 11.04 % in 2002.

The loss ratio in this branch was of 74.82 % showing a decrease compared to the previous year. This branch's share within the total technical profit increased from 12.95 % in 2001 to 17.05 % in 2002.

Life Insurance

By the publication of the regulations stated in the Act of Individual Pension System No.4632, which came into force as of 7.10.2001, the life insurance companies had to choose between preserving the current status to conduct life and health insurance operations, and changing their status in order to make life and personal accident insurances as well as pension transactions by transforming the company to a Pension Company. In this context, 12 life insurance companies which were active in life branch, applied to the Undersecretariat for the Treasury in order to be transformed to pension company. Six of these companies were given pre-authorization as of the end of 2002 and these companies started the transforming process.

As the Individual Pension System entered to the agenda of the public as a new matter, restructuring of the life insurance companies and efforts to improve the service quality gained importance and a 47 % increase in the premium production was realized compared to the previous year. Taking into consideration the rate of inflation in 2002, which was 30. 8, a growth of 16 % in real terms is obtained.

Except a life insurance company whose operations were stopped, almost all the companies closed the year 2002 at the level they did in the previous year. These results indicate that in case of the positive atmosphere in the economy, life insurance industry with some incentives and increasing service quality would show an improvement and contribute to the national economy.

The number of total life assureds decreased by 10.97 % from 3.612.937 in 2001 to 3.216.653 in 2002.

Despite the decline in the number of policies, the 2002 premium income in this branch where 28 companies were active, reached a level of 686.350 billion TL, showing a 48.77 % increase in current prices and a 30.61 % increase in terms of US Dollar over the previous year.

The share of life branch's premium income within the total, increased from 18.42 % in 2001 to 18.46 % in 2002.

Evaluation of the Losses in the Sector

The negative effects of the economic crisis our country was going through, caused a decline in insurance demand which has never taken the priority in the list of requirements. In addition to the ongoing crisis, many companies suffered financial difficulties due to management errors. As a results some insureds endured losses, many of those who had compulsory traffic insurances even faced prosecutions. These treatments not only affected the insureds but also had negative impact on the third persons who had contacts with these insurance companies.

Insufficient increase in premium production and a sizeable increase in the costs of the losses caused an imbalance between premiums and losses. As a remedy, companies tried to increase their market shares by reducing prices.

On the other hand, the communication and the cooperation among the loss departments of the companies increased in order to better cope with the fraudulent losses which raise the cost of losses and show an increase during economic crises. However, this communication will remain ineffective, unless there is an on-line connection between companies.

Natural catastrophes increased remarkably as a result of the violation of the ecological balance of our world. The addition, insufficient infrastructure in big cities increased the effects of the catastrophes which caused sizeable losses. The amount of indemnities paid in case of flood, storm, thunder and avalanche increased greatly and difficulties emerged in the reinsurance agreements.

Aiming at excellent customer service, insurance companies began to give precedence to the information processing technology. Various customer assistance services were offered, utilizing innovations such as mobile phones, call centers, on-line connections with experts, agencies and services and assistance applications concerning dwellings and work places were started in addition to towing, rescuing, hire car, emergency services by automotive branch. Service implementation as same in auto branch, started for the damages of the dwellings.

The inadequacy in expertise in some branches continues to be a problem. In this regard, the expert certificate programs organized with the cooperation of the Istanbul University are initiated. . There is an increasing need for special courts regarding the loss settlement in general. Despite the importance of the recourse income for the industry, the collection of the recourses is not at the desired level. Consequently, the need for liability policies increases.

The increasing cancellation of life insurance policies in 2001 due to the economic crisis, continued in the year 2002, at a decreasing rate of 10-15 %. Important changes have not been observed in the losses of the other life branches.

The rate of inflation in medical care which could not be reflected to the prices by the private health institutions due to the economic crisis in 2001, started to be implemented at a reasonable rate in the year 2002 and, the cost of losses in health insurances increased.

There has not been an improvement in the chronic problems of the health branch in 2002:

- Lack of the standard illness coding system caused problems due to the insufficient information in the policy production levels.*
- Problems emerged during the claim determination as the services given by the health institutions were not coded with a standard coding system acceptable by everyone.*
- No procedures are set for the information flow between insurance companies and the health institutions working under an agreement.*

- *The arbitrary pricing was not prevented and a standard concerning the service quality and the pricing policy of the private health institutions was not agreed on.*

There had been an increase in demand to become a contracted service provider from the private health institutions, doctors and drugstores to those insurance companies making payments in time and, this spread of health service provision caused difficulties in quality control.

The stagnation in the number of the insureds caused an increase in the renewed policies with the conditions "Renewal Guarantee for Lifetime" which emerged the possibility of new risks concerning the claim control.

The Turkish Reinsurance Market

The companies operating within the Turkish insurance industry will continue to offer 20% of all kinds of their reinsurance treaties to the Milli Reasürans T.A.Ş. for a period of five years as per the “Decision Taken With Regard To The Local Reinsurance Pool System In Insurance” published in the Official Gazette No.24626 dated 30th December, 2001. The business covered under this system which is already called the “Decree Pool”, has been managed by the Milli Re since 1970 in order to ensure the maximum utilisation of local reinsurance capacity before approaching international markets, and is retroceded back to the local insurance and reinsurance companies which are willing to accept any share to be kept under their retentions.

The difficulty in the placement of reinsurance covers experienced in 2002 especially in terms of proportional treaties following the abolition of compulsory cessions which lasted from 1929 up to the end of 2001, continued also in 2003. In order to compensate this difficulty, the Milli Reasürans T.A.Ş. has offered a new capacity under the name of “Pari-Passu” for the use of the sector. The creation of extra capacity in facultative reinsurance was also carried out in 2003.

The international reinsurance market experienced the largest loss in its history with the September 11 terrorist attacks in the U.S.A. Combined with the storm and flood losses in Europe, this caused a shrinkage in reinsurance capacity all over the world, and also affected the Turkish insurance industry. Thus in 2002, retentions increased, and capacities were reduced by decreasing the number of lines in respect of proportional treaties and the terror coverage which was given unlimitedly was offered within certain limits. The trend of reducing commissions and waiving reserve deposits continued, and the earthquake commission was set at a fixed 20%. Regarding fire treaties a minimum fire rate (of 0.25‰) application was introduced and limitations and pricing conditions were inserted in respect of cessions of loss of profit/business interruption risks into these treaties.

During the 2003 renewals, in addition to the above, minimum rate applications were added into engineering treaties both for engineering risks (0.35‰) and earthquake and terror risks. Earthquake and terror rates were determined at half fire tariff rates for machinery breakdown and electronic equipment. The limitations in ceding earthquake and terror risks to the fire and engineering treaties continued, and a limit on a per event basis was inserted for earthquake risks to be ceded to fire treaties. Also, deductions for flood risks started to be applied with a standard percentage in fire treaties. The “coinsurance clause” in order to limit the inter company coinsurances was inserted in fire and engineering treaties, whereas, in general but specifically within marine treaties, automatic treaty capacities were decreased and “claims cooperation clauses” inserted.

With respect to the non-proportional treaties, rates were increased by 50% and the terrorism risk was excluded from the top layers. As a result of these implementations, there was no difficulty in placing these treaties during 2003 renewals, and the amounts of net retentions of the insurance companies were brought up to reasonable levels compared to retentions in proportional treaties.

There were four reinsurance companies in the Turkish market – The Milli Re established in 1929, the Destek Re established in 1945, the Istanbul Re which started its activities in 1979 but took the decision to consolidate as of the second half of 2001 and the Halk Re established in 1980 but which stopped writing new business in 2000. In the year 2002, out of these four companies only Milli Reasürans T.A.Ş. and Destek Reasürans T.A.Ş were active, and they produced a reinsurance premium of 385.953 billion TL which increased by 25.85% compared to the previous year. 82.27% of this premium was written by the Milli Re and 17.72% by the Destek Re and they together had approximately 34% of the market reinsurance premium and retained 84% of the same.

The comparative development of premium as per the branches is shown in the following table in the billions of TL.:

The Comparative Premium Production of the Reinsurance Companies
(Billion TL)

Branşlar <i>Branches</i>	2000		2001		2002	
	Toplam Prim <i>Total Premium</i>	Artış Oranı <i>Growth Rate</i>	Toplam Prim <i>Total Premium</i>	Artış Oranı <i>Growth Rate</i>	Toplam Prim <i>Total Premium</i>	Artış Oranı <i>Growth Rate</i>
Yangın <i>Fire</i>	49.800	56.56	101.948	104.71	147.953	45.13
Nakliyat <i>Marine</i>	10.740	52.94	18.139	68.89	23.771	31.05
Kaza <i>Accident</i>	111.641	76.42	134.229	20.23	131.505	-2.03
Makina-Montaj <i>Engineering</i>	13.709	58.61	23.722	72.02	30.753	29.64
Tarım <i>Agriculture</i>	1.008	59.93	1.185	17.56	1.023	-13.67
Hukuksal Koruma <i>Legal Protection</i>	52	572.97	124	138.46	68	-45.16
Sağlık <i>Health</i>	16.849	58.66	22.678	34.60	44.385	95.72
Ferdi Kaza <i>Personal Accident</i>	1.863	57.24	2.559	37.36	3.664	43.18
Kredi <i>Credit</i>	4	0.84	20	400.00	2	-90.00
Hayat <i>Life</i>	2.023	66.46	2.067	2.17	2.829	36.87
Toplam <i>Total</i>	207.770	66.93	306.671	47.60	385.953	25.85

No reinsurance cover was available again in the year 2002 for the legal liability branch which came into practise in 1996 due to the wide scope of the original cover.

The Investments of the Insurance and Reinsurance Companies

The investments of the insurance and reinsurance companies, whose one of the most important functions are to create funds and to provide the economy with these funds through the channel of various investment tools, reached 4.209 trillion Turkish Liras in 2002 with an increase of 35.64 % over the previous year.

The highest proportion within the investment portfolios of the companies was of Treasury Bonds and Government Bills with 64.81%, followed by Deposit Accounts with 12.09%, Real Estate with 9.08% and Participations with 8.15%.

The 53.17% of the investment portfolios of the insurance and reinsurance companies consisted of the active values blocked in the name of the Undersecretariat for the Treasury.

	1998	1999	2000	2001	2002
A. Menkul Değerler <i>Shares and Bonds</i>	415.725	733.653	1.360.704	2.151.689	2.949.470
Hazine Bonosu <i>Treasury Bonds</i>	266.626	249.221	194.361	618.119	1.239.978
Devlet Tahvili <i>Government Bills</i>	108.988	417.871	898.698	1.103.157	1.488.393
Yatırım Fonu <i>Investment Funds</i>	9.696	20.350	76.276	131.528	56.453
Hisse Senetleri <i>Shares</i>	26.106	24.689	144.187	187.352	16.524
Diğer <i>Others</i>	4.309	21.523	47.181	111.532	148.122
B. Gayrimenkuller <i>Real Estate</i>	51.784	78.723	141.173	250.067	381.791
C. Vadeli Banka Mevduatı <i>Deposit Accounts</i>	71.444	414.324	334.504	473.291	508.745
D. İştirakler <i>Participations</i>	23.907	62.953	130.517	208.241	342.931
E. İkrarlar <i>Loans</i>	988	2.022	5.297	19.618	26.048
Genel Toplam <i>General Total</i>	563.848	1.291.676	1.972.195	3.102.907	4.208.985

The Problems of the Sector and Proposals

A significant portion of the problems of the previous year lingered onto 2002. The problems of the industry have remained without solution for years, and this created unfair competition and prevented the desired productivity. The addition of new problems to the existing ones and the uncertainty of the economic and the political situation reduces the possibilities for solutions.

The principal problems of the sector are outlined below:

Insurance Regulation and Supervision Law

The Decree Law No.539, which has been in effect since 1994 has become baseless as a result of the cancellation of the Law No.3991 by the Constitutional Court. The Constitutional Court have cancelled in various dates the important provisions of the Law and Insurance Agents' Regulation as well. As a result, a great legal vacuum emerged in the regulation and the supervision of insurance industry.

The Association for this reason prepared the "Insurance Regulation and Supervision Draft-Law" taking into consideration the directives of E.U relating to insurance as well as the legislations of countries within this Union, and presented it to the State Minister and the Undersecretariat for the Treasury, after consulting with member insurance companies regarding their needs and making the necessary corrections thereto. Within this Draft-Law, it is specifically emphasized that having an independent Insurance Regulation and Supervision Office is of vital importance and its main goals should be that this Office and its supervision organ works in an atmosphere shielded from all influences, aiming at financial supervision. The most important and urgent problem of the sector is therefore the preparation and enactment of this law as soon as possible.

Supervision

One of the other important problems concerning the insurance industry is the ineffective and out of date supervision methods in addition to the legal holes in the industry.

The operations are not carried out in a standard manner when the authorities of regulation and supervision try to fulfill their functions. To cooperate with the Association and to determine new supervision principles will prevent supervision delays and different supervising techniques among the companies.

The supervision of the insurance initiatives concentrates on the financial supervision in the European Union and consists of supervision of the appropriateness of the technical reserves, sufficiency to cover obligations, guarantee funds of the insurance companies within the rules and the regulations of the European Union.

On the other hand the high turnover of the personnel in the supervision and regulation authorities prevent the continuity of the tasks and the functions, and hinder the development of the industry.

Insurance Contract Law

The legal basis of the insurance contracts is the out of date provisions of the Turkish Commercial Code which came in force in 1956. Also, the general provisions of the Civil Code and the Law of Obligations are not sufficient to regulate functioning and terminating of special insurance contracts.

It is obligatory to regulate the insurance sector on the basis of Contract Law, governing the basic and actual rules and conditions of insurance contracts as it is in European Union. Turkish Association started the preparation of draft law in parallel to the laws of member countries of European Union. It is necessary to bring the Contract Law into effect simultaneously with the Insurance Regulation and Supervision Law.

The Establishment and the Takeover of Insurance Company

The regulation and supervision authorities and Banking Regulation and Supervision Commission (BRSC) do not show sufficient attention to the evaluation of new investors of capital or founders, while exercising their permission power during the establishment and the takeover of a company. The opinion of the Association who follows the industry and is very informed, is not asked before these processes. The same mistakes are repeated by BRSC in the transfer of the insurance companies to new shareholder's and many insurance companies who should be operating on the basis of trust are captured by the unreliable shareholders.

On the other hand; the identities and the partnership shares of the real persons or corporate bodies who took part in insurance initiatives in the establishment or takeover steps directly or indirectly are investigated by the authorities carefully in EU, and the candidates proved to be insufficient to run an insurance company with care and insight are not permitted.

Turkish Commercial Code Articles No. 1295 and 1297

The holes in the law due to the cancellation of second paragraphs of articles 1295 and 1297 of the Turkish Commercial Code by the Constitutional Court on 11th March 1996 remain. Therefore, with the aim of filling this vacuum, an article is inserted to the Insurance Regulation and Supervision Draft-Law as prepared by the Association.

Taking into consideration the inadequacies in the articles regarding insurance in the Turkish Commercial Code, it is deemed necessary to prepare the Insurance Contract Law which will constitute the basis of the General Conditions and it is expected that the amendment studies on the Turkish Commercial Code carried out by the Ministry of Justice will soon be finalized.

Regulation of Insurance Agents

The legal void emanating from the abolishment of the Insurance Agents' Regulation which became baseless due to the cancellation of the last paragraph of 9th Article of Law No.7397 by the decision of Constitutional Court dated 24th October 1995, still continues.

The Decree Law No.595 on the Construction Controlling

Implementation of the articles of Decree No.595 relating to the Third Party Liability Insurances of the Construction Controlling Institutions which were published in the Official Gazette dated 10th April 2000 was later extended to the 16th February 2001, as a result of the difficulty in reinsuring the covers planned to be given by this insurance and the reluctant attitude shown by the reinsurers against the earthquake risk. However, the constitutional Court, concluding the application made claiming that this decree was contradictory to the constitution, cancelled Decree No.595 on 24th May 2001.

In order to fill the failure of law on controlling the constructions, Law No. 4708 was accepted on the 29th June 2001. This Law holds the construction controlling institutions, auditing architects, engineers and project writers, building contractors, laboratory officials responsible for the related periods in the cases where the buildings are constructed defectively. However, contrary to the cancelled Decree No.595, no compulsory insurance system was imposed and no reference was made to meet the liabilities through insurance in this new law. In a country like Turkey that is exposed to earthquake hazard, it is an important shortcoming not to take insurance into account in the process of controlling constructions.

Traffic (Motor Vehicles TPL Insurance) Guarantee Insurance Account

The name of the Traffic Guarantee Fund has been amended to Traffic Guarantee Insurance Account as of the year 2002, and which was formed under the control of the Association as per Article 108 of the Road Traffic Act No.2918. All transactions and implementations, relating to this account are carried out by the Association since 1998. However, there are various problems, which can put the Association into difficult positions and create responsibility. The legislation in this respect is not clear enough regarding whether the Traffic Guarantee Insurance Account has a status of a legal entity and/or by whom the prosecution is

carried out as per the Law regarding Collecting Procedures of Public Credits and/or how the payments should be made in the cases where there occurs inadequacy in the financial resources of the Account. It seems that responsibilities of the Traffic Guarantee Insurance Account which covers also liquidation of the insurance companies and therefore is obliged to pay an indemnity arising therefrom, will bring more financial burden on this Account accruing from the insurance companies, whose financial status were ruined and which were put through the process of liquidation. This situation necessitates solution of the above problems in a manner not to create any financial burden on the Association and in order to provide this it is of vital importance to make the needed arrangements within the legislation. This matter has many times been transmitted to the Undersecretariat for the Treasury in consequence of its importance. It is not appropriate for the insureds who buy insurance covers in utmost good faith to pay the losses caused by the badly managed companies whose executives were far from working in harmony with legislation. Therefore, it will be more correct to amend the legislation at the soonest and exclude at least the financial indemnities in respect of such companies from the scope of this Account.

Allocation of Technical Funds of the Insolvent Insurance Company to the Receivables of Insured

The decree no. 7 of the Undersecretariat for the Treasury which regulates the procedures and the principles relating to the allocation of the technical funds of insurance companies who went into bankruptcy or were put through the process of liquidation or whose operations terminated according to the Law of Insurance Supervision, to the receivables of insured except the life insurances was published in the Official Gazette dated 16.10.2002.

The insured creditors will apply to the address, determined by the Undersecretariat for the Treasury concerning the indemnities except the Motor Vehicles TPL Insurance Guarantee Account, of the insolvent insurance company and the payments will be made according to the decree.

The responsibility is given to the Association in 2003. The Association reinforced the Motor Vehicles TPL Insurance Guarantee Account with some of the employees of insolvent Emek, Akdeniz and Universal Sigorta A.Ş. for the realization of the payments to the insured creditors of the insolvent companies.

The top level management and all the employees of the Association is under a great burden in consequence of all these additional assignments.

Courses For Insurance Experts

In order to solve the chronic problem of the need for experts in the sector and in consequence of the negotiations with the Undersecretariat for the Treasury; it is decided to open Insurance Experts Courses with the cooperation of Istanbul University.

3100 individuals applied to the course which started with the participation of 125 persons who passed the pre-elimination examination under the supervision and evaluation of Anadolu University in consequence of the cooperation.

At the end of the course, the participants who achieve the final exams will be written to Internship Registration of Experts by the Undersecretariat of the Treasury and after completing their internship with success they will be given Certificates of Insurance Expert by working under an expert for nine months.

Educating experts in this way, makes it difficult for many experienced insurance counselors to become experts and the courses are regarded as employment agency for the newly graduates with no experience.

Insurance Education

All the proposals made by the Association and presented to those concerned regarding the inclusion of "insurance" into the general education program in order to spread insurance awareness and to do away with the insufficiency of insurance education was not resulted in a successful achievement

Obligatory Earthquake Insurance

The Obligatory Earthquake Insurance System concerning the dwellings is a very positive approach when the geological structure of Turkey and the insufficient attitude of the public to the insurance are taken into consideration. However, the Decree Law, dated 27.12.1999, which regulates the system and a product of the cooperation between World Bank and the Undersecretariat for the Treasury, has not passed into law although it has been more than two and a half year.

The Draft Law has been approved by the commission in August 2000 just after the Afyon earthquake and presented to the Assembly Presidency. In consequence of the elections the Draft Law became null and void. Nullification of the bill was positive in some respects. In the Draft Law the name TCIP (Turkish Catastrophe Insurance Pool) has been changed without any reason, although it has been introduced to the public for two and a half years

The procedures of forming the Board of Directors of TCIP have been changed in the Commission and the political choices have gained precedence. An institution, which should be managed entirely with the insurance and reinsurance techniques and methods should not be left to the political choices. The draft Law approved by the Commission abolishes the existing rights of representation of the managing insurance company and the Association, representative of the industry. This issue is regarded as to confirm the rejections and the criticisms concerning TCIP is becoming a new State Economic Enterprise.

Tax Issues

Earthquake Loss Reserves

The Decree Law, No.539 foresees that the earthquake insurance premiums taken for the earthquake covers from the fire and engineering insurance branches should be kept in books as reserves for 15 years.

However it has not been provided with any tax exemption, although the allocated reserves are legal provisions. This implementation, which is not appropriate to the tax procedures and tax justice, and does not fit to the earthquake geography of Turkey should be amended by Law.

The Charging of Income Tax on monthly or Lump Sum Payments of Life Insurances

The pension, annuity and similar payments of life assurance companies to the insureds or beneficiaries should not be seen as a tax base, as they are made up by the premiums paid by insureds.

The Taxation of the Sales Person

It is essential the clarification of the taxation status of life insurance's policy sellers and introducing a solution in parallel with the National Lottery sellers, which should encourage the marketing of these insurances and increase the revenue of the State.

Reserves

One of the important conditions to maintain sound financial structures of the insurance companies is to allocate reserves appropriate to the norms of EU. In order to achieve this, these reserves should be approved as expense in the determination of the Corporate of Tax Law.

Enlarging the Scope of Fire Insurance Tax

Fire Insurance premium is regarded as the base of Fire Insurance Tax and the tax is collected from the policy holders to be paid to municipalities. This tax, which is taken from the insureds who have fire insurance policies, must be changed with a tax under the name of "Fire Department Service Tax" and should be taken at a certain ratio from the real value of the property. In this respect, all the property owners will contribute to the service expenses of fire department and the fire insurance policy holders will not be punished.

Crucial Development Between 1st January 2003 and 30th April 2003

Companies Closed Down and Companies Whose Contracting Authorities Cancelled

- a)** *Akdeniz Sigorta A.Ş. went into bankruptcy with the decision No.2002-396 dated 07.02.2003 of the Kadıköy 3rd Court of Trade First Instance.*
- b)** *Universal Sigorta A.Ş. went into bankruptcy with the decision, dated 04.03.2003 of the Kadıköy 3rd Court of Trade First Instance.*
- c)** *The authority of Merkez Sigorta to make new insurance or reinsurance contracts in the non-life insurance branches was cancelled with the decision of the Undersecretariat of the Treasury.*
- d)** *The authority of Kapital Sigorta to make new insurance or reinsurance contracts in the accident and Motor Vehicles TPL Insurance Branches was cancelled for a temporary period with the decision of the Undersecretariat of Treasury.*
- e)** *The authority of EGS Sigorta to make new insurance or reinsurance contracts was cancelled with the decision of the Undersecretariat of the Treasury.*
- f)** *The license in the health branch of Birlik Sigorta was declared with a written announcement dated 27.03.2003 by the Undersecretariat of Treasury.*

2. Number of TCIP Policies

The position of the TCIP policies as at 30th April, 2002 is as follows:

<i>Number of Policies Sold</i>	<i>:</i>	<i>1.847.184</i>
<i>Cover Provided</i>	<i>:</i>	<i>42.520.291.807.612.800 TL</i>
<i>Cover Provided</i>	<i>:</i>	<i>\$ 26.741.615.509</i>
<i>Average Cover</i>	<i>:</i>	<i>23.018.980.138 TL</i>
<i>Gross Premium</i>	<i>:</i>	<i>161.733.410.155.756 TL</i>
<i>Commissions</i>	<i>:</i>	<i>23.418.819.326.979 TL</i>
<i>Net Premium</i>	<i>:</i>	<i>138.314.590.828.777 TL</i>

Consolidated Balance Sheet of Insurance Companies (31.12.2002)

Assets (Billion TL)	Hayat Dalı <i>Life</i>	Hayat Dışı Dallar <i>Non-Life</i>	Genel Toplam <i>Total</i>
I. Nakit ve Nakit Benzeri Değerler <i>Cash and Similar Liquidities</i>	2.367.191	1.064.900	3.432.092
A. Nakit Değerler <i>Cash Values</i>	9.536	16.677	26.213
B. Bankalar <i>Bank Accounts</i>	252.132	338.810	590.942
C. Menkul Değerler Cüzdanı <i>Securities and Shares</i>	2.109.289	712.550	2.821.839
D. Menkul Değerler Değer Azalış Karşılığı (-) <i>Provision for Depreciation of Securities and Shares (-)</i>	-3.765	-3.137	-6.902
II. Alacaklar <i>Receivables</i>	108.788	1.000.135	1.108.921
A. Sigortalılar <i>Insureds</i>	66.141	262.047	328.188
B. Prim Alacakları Karşılığı (-) <i>Reserves for Debts of Insureds (-)</i>	-340	-7.079	-7.420
C. Acenteler <i>Agencies</i>	1.817	644.848	646.665
D. Prim Alacakları Karşılığı (-) <i>Reserves for Debts of Agencies (-)</i>	-78	-38.666	-38.744
E. Zorunlu Deprem Sig.Prim.Borç.Acenteler <i>Premium Debts for Compulsory Earthquake Insurance of the Agencies</i>	0	6.249	6.249
F. Sedanlar ve Retrosedanlar <i>Ceding and Retroceding Companies</i>	5.009	50.290	55.299
G. Sedan ve Retrosedanlar Nezdinde Depolar <i>Deposits with Ceding and Retroceding Companies</i>	33	2.499	2.532
H. İkrarlar <i>Loans</i>	26.047	1	26.048
I. DASK C/H <i>Current Accounts of DASK</i>	0	-2.426	-2.426
J. Diğer Alacaklar <i>Other Receivables</i>	10.201	67.696	77.896
K. İdari ve Kanuni Takipteki Alacaklar <i>Receivables Under Administrative and Legal Pursuit</i>	236	45.491	45.727
L. Ayrılan Diğer Karşılıklar (-) <i>Other Reserves (-)</i>	-277	-30.815	-31.093
III. Sabit Değerler ve Diğer Aktifler <i>Fixed and Other Assets</i>	208.956	684.397	893.353
A. İştirakler <i>Participations</i>	15.753	307.146	322.899
B. İştirakler Değer Azalış Karşılığı (-) <i>Reserves for Depreciation of Participations (-)</i>	-543	-4.753	-5.296
C. İştirak Taahhüdünden Borçlar (-) <i>Obligation for Participation Commitments (-)</i>	-148	-10.022	-10.170
D. Menkuller <i>Movables</i>	38.388	99.075	137.463
E. Gayrimenkuller <i>Real Estate</i>	57.065	278.583	335.648
F. Özel Maliyet Bedelleri <i>Special Cost Account</i>	10.405	11.575	21.980
G. İlk Tesis ve Taazzuv Giderleri <i>First Establishment Expenditures</i>	356	2.875	3.231
H. Birikmiş Amortismanlar (-) <i>Accumulated Depreciations (-)</i>	-33.912	-87.522	-121.434
I. Ayniyat Mevcudu ve Stoklar <i>Stock and Properties</i>	259	1.303	1.562
J. Devam Eden Yatırımlar <i>Continuing Investments</i>	465	2.050	2.515
K. Borçlu Geçici Hesaplar <i>Transitory Accounts</i>	118.011	82.828	200.839
L. Diğer <i>Others</i>	2.856	1.258	4.114
Aktif Toplamı <i>Total Assets</i>	2.684.934	2.749.432	5.434.366

Consolidated Balance Sheet of Insurance Companies(31.12.2002)

Liabilities (Billion TL.)	Hayat Dalı <i>Life</i>	Hayat Dışı Dallar <i>Non-Life</i>	Genel Toplam <i>Total</i>
I. Borçlar <i>Liabilities</i>	60.221	424.400	484.621
A. Reasürörler Cari Hesabı <i>Current Accounts of Reinsurer</i>	10.143	234.568	244.711
B. Milli Reasürans – Zorunlu İşler <i>Milli Re Compulsory Cessions</i>	112	-3.753	-3.641
C. Reasürörlerin Depoları <i>Reinsurers Deposits</i>	1.586	66.303	67.889
D. Ödenecek Vergi, Resim, Harç ve Diğer Yükümlülükler <i>Taxes, Duties and Other Legal Obligations</i>	9.438	34.833	44.270
E. Zorunlu Deprem Sig.Kom.Al. Acenteler <i>Commision of the Agencies for Compulsory Earthquake Insurance</i>	0	1.142	1.142
F. Diğer Borçlar <i>Other Liabilities</i>	38.942	91.307	130.250
II. Teknik Karşılıklar <i>Technical Reserves</i>	2.200.616	986.601	3.187.217
A. Cari Riskler Karşılığı (Net) <i>Reserves for Unexpired Risks (Net)</i>	25.091	553.790	578.881
B. Muallak Hasarlar Karşılığı (Net) <i>Reserves for O/S Losses (Net)</i>	2.399	285.346	287.745
C. Uzun Süreli İşler Karşılığı (Net) <i>Reserves for Long-Term Business (Net)</i>	0	405	405
D. Hayat Matematik Karşılıkları (Net) <i>Mathematical Reserves (Net)</i>	1.160.734	0	1.160.734
E. Hayat Muallak Tazminat Karşılığı (Net) <i>Reserves for O/S Indemnities (Net)</i>	15.134	0	15.134
F. Hayat Kar Payı Karşılıkları (Net) <i>Reserves for Profit Participation (Net)</i>	997.258	0	997.258
G. Deprem Hasar Karşılığı <i>Earthquake Loss Reserve</i>	0	147.060	147.060
III. Serbest Karşılıklar <i>Free Reserves</i>	65.279	179.389	244.669
A. Kıdem Tazminatı Karşılığı <i>Reserve for End of Service Remuneration</i>	12.241	37.606	49.847
B. Vergi Karşılığı <i>Tax Reserves</i>	49.969	114.213	164.181
C. Diğer Karşılıklar <i>Other Reserves</i>	3.069	27.571	30.641
IV. Diğer Pasifler <i>Other Liabilities</i>	24.779	39.652	64.432
V. Özkaynaklar <i>Adj. Shareholders' Fund</i>	258.226	908.671	1.166.897
A. Ödenmiş Sermaye <i>Paid up Capital</i>	228.996	596.991	825.987
a. Nominal Sermaye <i>Nominal Capital</i>	275.668	616.713	892.381
b. Ödenmemiş Sermaye (-) <i>Unpaid Capital (-)</i>	-46.672	-19.722	-66.394
B. Kanuni Yedek Akçeler <i>Legal Reserves</i>	15.649	47.860	63.509
C. İhtiyari Yedek Akçeler <i>Optional Reserves</i>	10.210	4.435	14.645
D. Fevkalade Yedek Akçeler <i>Extraordinary Reserves</i>	10.934	103.274	114.208
E. Yeniden Değerleme Fonu <i>Revaluation Fund</i>	28.790	172.550	201.340
F. Geçmiş Yıllar Kar / Zararı <i>Profit / Loss from Previous Years</i>	-36.352	-16.439	-52.791
G. Olağanüstü Hasar Karşılığı <i>Extraordinary Reserves for O/S Claims</i>	0	0	0
VI. Dönem Karı / Zararı <i>Profit / Loss for the Year</i>	81.941	204.590	286.531
A. Dönem Karı <i>Profit for the Year</i>	96.914	220.618	317.531
B. Dönem Zararı <i>Loss for the Year</i>	-14.973	-16.027	-31.000
Pasif Toplamı <i>Total Liabilities</i>	2.691.063	2.743.303	5.434.366

Consolidated Balance Sheet of Reinsurance Companies (31.12.2002)

Assets (Billion TL.)	Hayat Dalı <i>Life</i>	Hayat Dışı Dallar <i>Non-Life</i>	Genel Toplam <i>Total</i>
I. Nakit ve Nakit Benzeri Değerler <i>Cash and Similar Liquidities</i>	2.128	221.122	223.250
A. Nakit Değerler <i>Cash Values</i>	0	482	482
B. Bankalar <i>Bank Accounts</i>	0	61.363	61.363
C. Menkul Değerler Cüzdanı <i>Securities and Shares</i>	2.128	159.973	162.101
D. Menkul Değerler Değer Azalış Karşılığı (-) <i>Provision for Depreciation of Securities and Shares (-)</i>	0	-695	-695
II. Alacaklar <i>Receivables</i>	776	99.776	100.552
A. Sigortalılar <i>Insureds</i>	0	0	0
B. Prim Alacakları Karşılığı (-) <i>Reserves for Debts of Insureds (-)</i>	0	0	0
C. Acenteler <i>Agencies</i>	0	0	0
D. Prim Alacakları Karşılığı (-) <i>Reserves for Debts of Agencies (-)</i>	0	0	0
E. Zorunlu Deprem Sig.Prim.Borç.Acenteler <i>Premium Debts for Compulsory Earthquake Insurance of the Agencies</i>	0	0	0
F. Sedanlar ve Retrosedanlar <i>Ceding and Retroceding Companies</i>	760	80.490	81.250
G. Sedan ve Retrosedanlar Nezdinde Depolar <i>Deposits with Ceding and Retroceding Companies</i>	16	19.221	19.237
H. İkrarlar <i>Loans</i>	0	0	0
I. DASK C/H <i>Current Accounts of DASK</i>	0	0	0
J. Diğer Alacaklar <i>Other Receivables</i>	0	65	65
K. İdari ve Kanuni Takipteki Alacaklar <i>Receivables Under Administrative and Legal Pursuit</i>	0	1.310	1.310
L. Ayrılan Diğer Karşılıklar (-) <i>Other Reserves (-)</i>	0	-1.310	-1.310
III. Sabit Değerler ve Diğer Aktifler <i>Fixed and Other Assets</i>	0	86.670	86.670
A. İştirakler <i>Participations</i>	0	20.032	20.032
B. İştirakler Değer Azalış Karşılığı (-) <i>Reserves for Depreciation of Participations (-)</i>	0	0	0
C. İştirak Taahhüdünden Borçlar (-) <i>Obligation for Participation Commitments (-)</i>	0	-44	-44
D. Menkuller <i>Movables</i>	0	1.717	1.717
E. Gayrimenkuller <i>Real Estate</i>	0	46.143	46.143
F. Özel Maliyet Bedelleri <i>Special Cost Account</i>	0	0	0
G. İlk Tesis ve Taazzuv Giderleri <i>First Establishment Expenditures</i>	0	0	0
H. Birikmiş Amortismanlar (-) <i>Accumulated Depreciations (-)</i>	0	-3.247	-3.247
I. Ayniyat Mevcudu ve Stoklar <i>Stock and Properties</i>	0	13	13
J. Devam Eden Yatırımlar <i>Continuing Investments</i>	0	5.797	5.797
K. Borçlu Geçici Hesaplar <i>Transitory Accounts</i>	0	16.257	16.257
L. Diğer <i>Others</i>	0	2	2

Liabilities (Billion TL.)	Hayat Dalı Life	Hayat Dışı Dallar Non-Life	Genel Toplam Total
I. Borçlar <i>Liabilities</i>	222	11.594	11.816
A. Reasürörler Cari Hesabı <i>Current Accounts of Reinsurers</i>	222	9224	9.446
B. Milli Reasürans – Zorunlu İşler <i>Milli Re Compulsory Cession</i>	0	0	0
C. Reasürörlerin Depoları <i>Reinsurers Deposits</i>	0	1.540	1.540
D. Ödenecek Vergi, Resim, Harç ve Diğer Yükümlülükler <i>Taxes, Duties and Other Legal Obligations</i>	0	523	523
E. Zorunlu Deprem Sig.Kom.Al. Acenteler <i>Commission of the Agencies for Compulsory Earthquake Insurance</i>	0	0	0
F. Diğer Borçlar <i>Other Liabilities</i>	0	306	306
II. Teknik Karşılıklar <i>Technical Reserves</i>	1.380	251.915	253.295
A. Cari Riskler Karşılığı (Net) <i>Reserves for Unexpired Risks (Net)</i>	0	88.250	88.250
B. Muallak Hasarlar Karşılığı (Net) <i>Reserves for O/S Losses (Net)</i>	0	96.203	96.203
C. Uzun Süreli İşler Karşılığı (Net) <i>Reserves for Long-Term Business (Net)</i>	0	0	0
D. Hayat Matematik Karşılıkları (Net) <i>Mathematical Reserves (Net)</i>	1.263	0	1.263
E. Hayat Muallak Tazminat Karşılığı (Net) <i>Reserves for O/S Indemnities (Net)</i>	117	0	117
F. Hayat Kar Payı Karşılıkları (Net) <i>Reserves for Profit Participation (Net)</i>	0	0	0
G. Deprem Hasar Karşılığı <i>Earthquake Loss Reserve</i>	0	67.402	67.402
III. Serbest Karşılıklar <i>Free Reserves</i>	408	30.678	31.086
A. Kıdem Tazminatı Karşılığı <i>Reserve for End of Service Remuneration</i>	66	3.254	3.320
B. Vergi Karşılığı <i>Tax Reserves</i>	342	27.424	27.766
C. Diğer Karşılıklar <i>Other Reserves</i>	0	0	0
IV. Diğer Pasifler <i>Other Liabilities</i>	217	0	217
V. Özkaynaklar <i>Adj. Shareholders' Fund</i>	13	92.550	92.563
A. Ödenmiş Sermaye <i>Paid up Capital</i>	0	33.475	33.475
a. Nominal Sermaye <i>Nominal Capital</i>	0	33.475	33.475
b. Ödenmemiş Sermaye (-) <i>Unpaid Capital (-)</i>	0	0	0
B. Kanuni Yedek Akçeler <i>Legal Reserves</i>	7	4.726	4.733
C. İhtiyari Yedek Akçeler <i>Optional Reserves</i>	6	28.840	28.846
D. Fevkalade Yedek Akçeler <i>Extraordinary Reserves</i>	0	710	710
E. Yeniden Değerleme Fonu <i>Revaluation Fund</i>	0	24.799	24.799
F. Geçmiş Yıllar Kar / Zararı <i>Profit / Loss from Previous Years</i>	0	0	0
G. Olağanüstü Hasar Karşılığı <i>Extraordinary Reserves for O/S Claims</i>	0	0	0
VI. Dönem Karı / Zararı <i>Profit / Loss for the Year</i>	672	20.824	21.496
A. Dönem Karı <i>Profit for the Year</i>	672	20.824	21.496
B. Dönem Zararı <i>Loss for the Year</i>	0	0	0
Pasif Toplamı <i>Total Liabilities</i>	2.912	407.561	410.473

**Consolidated Profit/Loss Accounts of Insurance Companies Operating in Non-Life Branches
(31.12.2002) (Billion TL.)**

Teknik Gelirler <i>Technical Incomes</i>	Yangın <i>Fire</i>	Nakliyat <i>Marine</i>	Kaza <i>Accident</i>	Makina Montaj <i>Engineering</i>	Tarım <i>Agriculture</i>	Sağlık <i>Health</i>	Hukuksal Koruma <i>Legal Protection</i>	Ferdi Kaza <i>Personal Accident</i>	Kredi <i>Credit</i>	Hayat-Dışı Toplam <i>Non-Life Total</i>
A. Devreden Teknik Karşılıklar (1+2+3) <i>Technical Reserves Brought Forward</i>	310.759	68.775	590.463	235.200	2.813	104.399	759	21.699	350	1.335.216
1. Devreden Cari Riskler Karşılığı <i>Reserves For Unexpired Risks Brought Forward from Previous Year</i>	88.608	19.199	355.975	37.673	1.934	88.217	759	18.412	119	610.896
2. Devreden Muallak Hasarlar Karşılığı <i>Reserves for O/S Losses Brought Forward from Previous Year</i>	222.151	49.576	234.488	197.527	879	16.182	0	3.287	231	724.320
3. Devreden Uzun Süreli İşler Karşılığı <i>Reserves for Long Term Business Brought Forward from Previous Year</i>	0	0	0	0	0	0	0	0	0	0
B. Alınan Primler <i>Premiums Received</i>	676.549	163.267	1.489.223	195.868	15.424	410.422	2.878	78.097	444	3.032.171
C. Alınan Komisyonlar <i>Commissions Received</i>	108.900	21.001	87.041	42.098	2.884	25.965	144	7.761	22	295.815
D. Ödenen Tasminatta Reasürörler Payı <i>Reinsurers Share in Losses Paid</i>	174.815	39.976	226.769	202.224	4.590	86.276	0	4.555	394	739.599
E. Teknik Karşılıklarda Reasürörler Payı (1+2+3) <i>Reinsurers Share in Technical Reserves</i>	280.095	68.729	232.791	127.274	4.934	50.066	125	9.059	461	773.534
1. Cari Riskler Karşılığı <i>Reserves for Unexpired Risks</i>	77.924	14.583	145.041	47.605	2.134	42.021	125	6.174	146	335.753
2. Muallak Hasarlar Karşılığı <i>Reserves for O/S Losses</i>	202.171	54.146	87.750	79.669	2.800	8.045	0	2.885	315	437.781
3. Uzun Süreli İşler Karşılığı <i>Reserves for Long Term Business</i>	0	0	0	0	0	0	0	0	0	0
F. Diğer Gelirler <i>Other Incomes</i>	3.522	2.569	30.167	701	269	4.329	7	851	0	42.415
I. Teknik Gelirler Toplamı <i>Total Technical Incomes</i>	1.554.640	364.318	2.656.454	803.364	30.914	681.456	3.913	122.022	1.670	6.218.750
Teknik Giderler <i>Technical Expenditures</i>										
A. Devreden Teknik Karşılıklarda Reasürörler Payı (1+2+3) <i>Reinsurers Share in Technical Reserves Brought Forward</i>	243.838	49.949	186.679	223.360	2.126	31.186	112	6.006	345	743.601
1. Cari Riskler Karşılığı <i>Reserves for Unexpired Risks</i>	55.303	9.935	100.455	30.414	1.462	26.257	112	4.384	117	228.438
2. Muallak Hasarlar Karşılığı <i>Reserves for O/S Losses</i>	188.535	40.014	86.224	192.946	664	4.929	0	1.623	228	515.163
3. Uzun Süreli İşler Karşılığı <i>Reserves for Long Term Business</i>	0	0	0	0	0	0	0	0	0	0
B. Reasürörlere Devredilen Primler <i>Premium Ceded to Reinsurers</i>	509.387	83.521	468.908	167.098	11.748	123.326	376	20.835	436	1.385.636
C. Ödenen Komisyonlar <i>Commissions Paid</i>	88.862	27.625	200.495	21.305	2.336	42.470	384	19.959	7	403.441
D. Ödenen Tasminatlar <i>Losses Paid</i>	257.903	59.108	869.043	224.933	6.474	259.152	6	9.890	397	1.686.907
E. Teknik Karşılıklar (1+2+3+4) <i>Technical Reserves</i>	388.024	95.897	823.124	147.452	5.935	165.183	1.065	32.555	469	1.659.703
1. Cari Riskler Karşılığı <i>Reserves for Unexpired Risks</i>	123.771	27.651	520.777	58.506	2.753	139.350	1.064	27.399	149	901.420
2. Muallak Hasarlar Karşılığı <i>Reserves for O/S Losses</i>	233.008	68.246	302.347	88.018	3.182	25.833	1	5.156	320	726.110
3. Uzun Süreli İşler Karşılığı <i>Reserves for Long Term Business</i>	0	0	0	0	0	0	0	0	0	0
4. Deprem Hasar Karşılığı <i>Earthquake Loss Reserve</i>	31.245	0	0	928	0	0	0	0	0	32.173
F. Diğer Giderler <i>Other Expenditures</i>	7.372	1.119	17.999	1.258	455	8.682	9	785	1	37.679
II. Teknik Giderler Toplamı <i>Total Technical Expenditures</i>	1.495.387	317.219	2.566.248	785.406	29.074	629.999	1.952	90.030	1.654	5.916.967
III. Elementer Dallar Teknik Kar/Zararı <i>Technical Profit / Loss for Non-Life Branches</i>	59.253	47.099	90.206	17.958	1.839	51.457	1.962	31.992	16	301.783

Technical Profit According to Branches and Percentage Breakdown (Billion TL.)

Branşlar Branches	1998		1999		2000		2001		2002	
	TL.	%	TL.	%	TL.	%	TL.	%	TL.	%
Yangın Fire	14.284	44.18	28.853	41.92	44.789	21.26	21.164	10.21	59.253	19.63
Nakliyat Marine	10.232	31.65	11.630	16.90	20.133	9.55	30.311	14.63	47.099	15.61
Kaza Accident	-6.821	-21.10	4.673	6.79	90.920	43.15	84.805	40.93	90.206	29.89
Makina Montaj Engineering	5.772	17.85	8.072	11.73	14.185	6.73	18.243	8.80	17.958	5.95
Tarım Agriculture	-24	-0.07	180	0.26	1.355	0.64	873	0.42	1.839	0.61
Hukuksal Koruma Legal Protection	209	0.65	380	0.55	934	0.44	1.584	0.76	1.962	0.65
Sağlık Health	4.274	13.22	8.301	12.06	23.007	10.92	26.830	12.95	51.457	17.05
Ferdi Kaza Personal Accident	4.408	13.63	6.731	9.78	15.392	7.30	23.367	11.28	31.992	10.60
Kredi Credit	-	-	3	0.01	4	0.00	21	0.01	16	0.01
Toplam Total	32.333	100.00	68.824	100.00	210.718	100.00	207.196	100.00	301.783	100.00

Loss Ratios of Non-Life Branches (%)

Branşlar Branches	1998	1999	2000	2001	2002
Yangın Fire	56.79	230.85	39.60	66.02	41.90
Nakliyat Marine	52.96	67.25	56.59	66.83	50.24
Kaza Accident	91.18	85.69	69.30	73.71	70.74
Makina Montaj Engineering	53.07	121.55	69.37	206.67	65.94
Tarım Agriculture	92.25	87.91	36.02	47.56	60.10
Hukuksal Koruma Legal Protection	0.02	0.05	0.06	0.08	0.27
Sağlık Health	81.26	85.01	76.26	77.15	74.82
Ferdi Kaza Personal Accident	16.10	16.64	14.10	18.46	17.01
Kredi Credit	-	-	-	207.22	117.39
Toplam Total	77.13	114.27	62.22	77.95	61.59

$$\text{Hasar / Prim Oranı} = \frac{(\text{Ödenen Tazminat} + \text{Muallak Hasar Karşılığı}) - \text{Devreden Muallak Hasar Karşılığı}}{(\text{Alınan Prim} + \text{Devreden Cari Riskler Karşılığı}) - \text{Cari Riskler Karşılığı}}$$

$$\text{Loss Ratio} = \frac{\text{Incurred Losses} - (\text{Losses Paid} + \text{Reserve for O/S Losses}) + \text{Reserve for O/S Losses Brought Forward}}{\text{Earned Premium} - (\text{Premiums} + \text{Reserve for Unexpired Risk Brought Forward}) + \text{Reserve for Unexpired Risk}}$$

Consolidated Financial Profit / Loss Accounts of Insurance Companies Operating in Life and Non-Life Branches

Gelir Hesapları <i>Income Accounts</i>	Hayat <i>Life</i>	Hayat-Dışı <i>Non-Life</i>	Toplam <i>Total</i>
I. Ana Faaliyet Dışı Gelirler (A+B+C+D+E+F+G) Total Incomes	192.456	558.101	750.557
A. Faiz Gelirleri (a+b+c+d+e+f+g) <i>Interest Income</i>	130.160	335.734	465.894
a. Banka Faizleri <i>Interest on Bank Accounts</i>	10.674	50.371	61.045
b. Hazine Bonosu Faizleri <i>Interest on Treasury Bonds</i>	73.738	156.925	230.663
c. Devlet Tahvili Faizleri <i>Interest on Government Bonds</i>	41.016	95.232	136.248
d. Diğer Menkul Değer Faizleri <i>Interest on Other Shares and Bonds</i>	4.376	16.381	20.757
e. Gecikme Faizleri <i>Interest on Late Payment Penalties</i>	10	495	505
f. İkras Faizleri <i>Interest on Loans</i>	61	36	97
g. Diğer Faizler <i>Other Interests</i>	286	16.294	16.580
B. Kar Payı Gelirleri <i>Profit Participation</i>	535	39.665	40.200
C. Satış Karları (a+b+c) <i>Sales Profit</i>	16.843	26.186	43.029
a. Sermaye Piyasası İşlemleri Karları <i>Profits on Capital Markets</i>	5.641	21.553	27.194
b. Sabit Değer Satış Karları <i>Profits on Fixed Asset's Sales</i>	473	2.431	2.904
c. Diğer <i>Others</i>	10.729	2.202	12.930
D. Kira Gelirleri <i>Rents</i>	2.011	3.869	5.880
E. Zorunlu Deprem Sigortası Kom. Gelirleri <i>Compulsory Earthquake Insurance Commissions Income</i>	0	9.704	9.704
F. Kambiyo Karları <i>Foreign Exchange Income</i>	40.726	109.126	149.852
G. Diğer Gelirler <i>Others</i>	2.180	33.817	35.997
Gider Hesapları <i>Expenditure Accounts</i>			
II. Genel Giderler (A+B+C+D+E+F+G+H+I+J) <i>General Expenditures</i>	255.583	652.301	907.884
A. Personel Giderleri <i>Personnel Expenditures</i>	68.712	164.329	233.041
B. Genel İdare Giderleri <i>General Administrative Expenditures</i>	72.196	153.026	225.222
C. Faiz Giderleri (a+b) <i>Interest Expenditures</i>	1.712	6.683	8.395
a. Gecikme faizleri <i>Interest on Late Payment Penalties</i>	0	11	11
b. Diğer Faizler <i>Other Interests</i>	1.712	6.672	8.384
D. Satış Zararları (a+b+c) <i>Sales Expenditures</i>	1.398	3.023	4.421
a. Sermaye Piyasası İşlemleri Zararları <i>Loss on Capital Markets</i>	1.353	2.711	4.064
b. Sabit Değer Satış Zararları <i>Loss on Fixed Asset's Sales</i>	19	232	252
c. Diğer <i>Others</i>	26	80	106
E. Vergi ve Diğer Yükümlülükler <i>Taxes and Duties</i>	55.414	119.374	174.788
F. Kambiyo Zararları <i>Foreign Exchange Expenditures</i>	26.402	90.031	116.433
G. Amortisman Giderleri <i>Depreciation Expenditures</i>	9.054	20.917	29.971
H. Karşılık Giderleri <i>Provision Expenditures</i>	19.116	71.019	90.135
I. Zorunlu Deprem Sigortası Kom. Giderleri <i>Compulsory Earthquake Insurance Commission Expenditures</i>	0	5.279	5.279
J. Diğer Giderler <i>Others</i>	1.578	18.619	20.197
Mali Kar / Zarar <i>Financial Loss / Profit</i>	-63.128	-94.200	-157.328

Insurance and Reinsurance Companies' Adjusted Shareholders' Fund (Billion TL)

Özkaynaklar ADJ.Shareholders' Funds	1998		1999		2000		2001		2002	
	TL.	%	TL.	%	TL.	%	TL.	%	TL.	%
Ödenmiş Sermaye Paid Up Capital	112.501	41.99	218.875	45.90	367.579	46.97	561.583	43.07	859.462	46.06
Kanuni Yedek Akçe Legal Reserves	8.715	3.25	14.279	2.99	26.025	3.33	40.291	3.09	68.242	3.66
Çeşitli Yedek Akçeler Miscellaneous Reserves Funds	15.022	5.61	26.488	5.55	44.648	5.71	58.794	4.51	158.409	8.49
Deprem Hasar Karşılığı Earthquake Loss Reserve	17.086	6.38	37.249	7.81	72.809	9.30	134.726	10.33	214.522	11.50
Yeniden Değerleme Fonu Revaluation Fund	37.710	14.97	50.481	10.59	96.220	12.30	146.765	11.26	226.139	12.12
Bilanço Karı Balance Sheet Profit	76.916	28.71	129.490	27.15	175.255	22.40	361.689	27.74	339.027	18.17
Toplam Total	267.950	100.00	476.862	100.00	782.536	100.00	1.303.848	100.00	1.865.801	100.00

Receivables of Insurance Companies (Including Life) (Billion TL.)

Alacaklar Receivables	1998		1999		2000		2001		2002	
	TL.	%	TL.	%	TL.	%	TL.	%	TL.	%
Sigortalılar Insureds	63.430	34.15	108.728	31.22	180.755	32.40	236.821	31.18	328.188	31.17
İstihsal Organları Intermediaries	109.984	59.22	209.484	60.16	341.410	61.19	451.502	59.45	646.665	61.43
Diğer Others	12.321	6.63	30.004	8.62	35.804	6.42	71.124	9.37	77.896	7.40
Toplam Alacaklar Total Receivables	185.736	100.00	348.216	100.00	557.969	100.00	759.448	100.00	1.052.750	100.00
Toplam Prim Total Premium	557.905		985.971		1.790.739		2.504.862		3.718.520	
Toplam Alacaklar/Toplam Prim Total Receivables/Total Premiums	33.29		35.32		31.16		30.32		28.31	

**Relations Between Total Premiums – General Expenditures – Technical Profit – Balance Sheet Profit
(Billion TL)**

	1998	1999	2000	2001	2002
Genel Giderler General Expenditures	78.098	136.873	224.526	327.819	458.263
Toplam Prim Total Premium	557.905	985.971	1.790.739	2.504.862	3.718.520
Teknik Kar Technical Profit	51.036	107.429	280.606	288.225	443.860
Bilanço Karı Balance Sheet Profit	86.597	150.140	192.167	334.866	317.531
Genel Gider / Toplam Prim (%) General Expenditures / Total Premium	14.00	13.88	12.54	13.09	12.32
Teknik Kar / Bilanço Karı (%) Technical Profit / Balance Sheet Profit	58.93	71.55	146.02	86.07	139.78
Teknik Kar / Toplam Prim (%) Technical Profit / Total Premium	9.15	10.90	15.67	11.51	11.94

Premium Income by Company and by Branch (Billion TL.)

Şirket Adı Name of Company	Yangın Fire	Nakliyat Marine	Kaza Accident	Makina Montaj Engineering	Tarım Agriculture	Sağlık Health	Hulusal Koruma Legal Protection	Ferdi Kaza Personal Accident	Kredi Credit	Hayat Dışı Toplam Non-Life Total	Hayat Life	Genel Toplam G. Total
AIG	6.663	2.970	12.157	4.095	0	0	0	6.248	0	32.133	0	32.133
Akdeniz	0	0	0	0	0	0	0	0	0	0	0	0
Aksigorta	78.751	15.057	148.948	12.526	439	1.386	312	5.141	0	262.560	4.002	266.562
Akhayat	0	0	0	0	0	6.341	0	543	0	6.884	15.325	22.209
American Life	0	0	0	0	0	5.063	0	2.804	0	7.867	28.341	36.208
Anadolu	87.117	27.599	156.093	16.315	70	0	958	8.607	0	296.759	0	296.759
Anadolu Hayat	0	0	0	0	0	62.733	0	438	0	63.171	188.519	251.690
Ankara	3.864	839	28.780	1.594	6	41	0	1.658	0	36.782	0	36.782
Ankara Hayat	0	0	0	0	0	0	0	37	0	37	7.212	7.249
Axa Oyak	57.990	11.991	195.640	11.743	95	253	680	4.854	0	283.246	0	283.246
Axa Oyak Hayat	0	0	0	0	0	23.813	0	4.314	0	28.127	41.994	70.121
Başak	45.811	12.723	81.150	12.499	8.913	376	0	4.808	0	166.280	3.366	169.646
Başak Hayat	0	0	0	0	0	30.522	0	327	0	30.849	21.757	52.606
Batı	6.565	1.143	18.789	1.224	0	1.850	0	626	0	30.197	70	30.267
Bayındır Hayat	0	0	0	0	0	26.170	0	428	0	26.598	10.788	37.386
Birlik	7.106	519	13.002	1.010	0	0	0	533	0	22.170	0	22.170
Birlik Hayat	0	0	0	0	0	0	0	0	0	0	1.454	1.454
Commercial Union	22.932	4.436	41.120	6.289	0	0	0	687	0	75.464	0	75.464
Commercial Union Hayat	0	0	0	0	0	1.687	0	0	0	1.687	102.179	103.866
Demir	2.538	888	10.366	1.114	0	0	0	413	0	15.319	0	15.319
Demir Hayat	0	0	0	0	0	15.244	0	105	0	15.348	5.790	21.138
Doğan Hayat	0	0	0	0	0	6.980	0	32	0	7.012	9.655	16.667
Ege	321	90	3.769	29	0	24	0	55	0	4.288	0	4.288
EGS	1.202	748	9.333	512	0	378	0	239	0	12.412	0	12.412
Emek Hayat	0	0	0	0	0	148	0	-2	0	146	2.087	2.233
Finans	5.033	470	11.203	961	0	0	37	164	0	17.868	0	17.868
Garanti	27.216	7.072	34.011	8.413	0	7.318	0	2.626	444	87.101	0	87.101
Garanti Hayat	0	0	0	0	0	-2	0	0	0	-2	18.790	18.788
Genel Yaşam	0	0	0	0	0	888	0	2	0	890	17.639	18.529
Generali	12.314	1.477	13.678	3.564	0	67	0	438	0	31.538	13	31.551
GIC Dünya	0	0	0	0	0	0	0	0	0	0	0	0
Güneş	63.729	14.856	92.122	25.410	992	2.324	625	4.039	0	204.097	1.502	205.599
Güneş Hayat	0	0	0	0	0	1.146	0	54	0	1.200	28.426	29.626
Güven	8.352	1.752	30.743	1.972	1.494	690	0	829	0	45.832	0	45.832
Güven Hayat	0	0	0	0	0	0	0	32	0	32	1.734	1.766
Hür	965	210	11.317	46	0	0	0	210	0	12.748	0	12.748
Işık	7.062	5.479	19.907	966	0	629	0	473	0	34.517	0	34.517
İhlas	2.578	239	18.040	386	5	363	0	391	0	22.002	0	22.002
İhlas Hayat	0	0	0	0	0	55	0	62	0	117	1.957	2.074
İnter	0	0	0	0	0	0	0	0	0	0	0	0
İsviçre	32.208	12.491	103.457	4.511	1.575	0	213	3.690	0	158.145	0	158.145
İsviçre Hayat	0	0	0	0	0	19.184	0	142	0	19.326	13.353	32.679
Kapital	1.909	74	23.819	1.396	0	1	0	244	0	27.444	0	27.444
Koç Allianz	78.923	16.936	118.784	35.389	1.223	147	53	8.149	0	259.604	0	259.604
Koç Allianz Hayat	0	0	0	0	0	97.852	0	2.679	0	100.531	53.406	153.937
Magdeburger	0	0	0	0	0	0	0	0	0	0	0	0
Merkez	0	0	0	0	0	0	0	0	0	0	0	0
Ray	14.415	6.158	88.282	4.906	0	0	0	1.681	0	115.442	0	115.442
Rumeli	2.957	67	673	991	0	0	0	2	0	4.690	0	4.690
Rumeli Hayat	0	0	0	0	0	104	0	60	0	164	1.219	1.383
Sanko	5.382	1.509	8.448	1.313	0	149	0	305	0	17.106	0	17.106
Şeker	15.671	1.396	28.248	10.926	609	124	0	2.118	0	59.092	563	59.655
TEB	8.927	2.626	13.431	2.135	0	0	0	674	0	27.793	0	27.793
Ticaret	2.064	151	3.908	150	2	26	0	114	0	6.415	0	6.415
Toprak	1.254	228	5.464	497	0	0	0	219	0	7.662	0	7.662
Toprak Hayat	0	0	0	0	0	0	0	5	0	5	1.127	1.132
T.Genel	21.568	4.452	40.696	7.784	0	4.712	0	2.307	0	81.519	0	81.519
T. Nippon	1.269	146	11.319	511	0	339	0	190	0	13.774	0	13.774
Yapı Kredi	41.892	6.474	92.525	14.691	1	91.260	0	3.303	0	250.146	0	250.146
Yapı Kredi Emeklilik	0	0	0	0	0	37	0	0	0	37	104.082	104.119
Toplam / Total	676.549	163.267	1.489.223	195.868	15.424	410.422	2.878	78.097	444	3.032.171	686.350	3.718.520
Destek Reasürans	29.453	5.599	25.417	5.666	118	1.612	0	479	0	68.344	51	68.395
Halk Reasürans	1	0	7	12	0	0	0	0	0	20	0	20
Milli Reasürans	118.499	18.172	106.081	25.075	905	42.773	68	3.185	2	314.760	2.778	317.538
Toplam / Total	147.953	23.771	131.505	30.753	1.023	44.385	68	3.664	2	383.124	2.829	385.953
Genel Toplam / G. Total	824.502	187.038	1.620.728	226.621	16.447	454.807	2.946	81.761	446	3.415.295	689.179	4.104.473

Claims Exceeding 750.000.000.000- TL. For The Year of 2002

Branşlar Branches	Hasar Tarihi Claim Date	Riziko Adı ve Yeri Risk Name and Place	Ödenen + Muallak % 100 Hasar (TL) Paid + O/S Losses 100 % (TL)
Yangın	05.05.2002	Montel Tekstil Deri Turizm Ticaret A.Ş.	1.607.033.635.594
Fire	20.06.2002	Yüzal İnternasyonal Tekstil	4.475.000.000.000
	21.06.2002	SASA – Adana	US \$ 29.414.038,25
	25.06.2002	Viking Kağıt ve Selüloz San.Tic. A.Ş.	6.622.013.061.933
	05.07.2002	Winnlinle Handles Co.	US \$ 1.641.800
	23.07.2002	Çaycılar Gıda ve Çay San.	2.186.840.000.000
	28.07.2002	Akçagaz – İzmit	2.400.000.000.000
	21.08.2002	Nipaş Tekstil / Ziraat Finansal Kiralama	2.135.000.000.000
	25.08.2002	Gateks İplik San. ve Tic. A.Ş.	810.791.685.000
Nakliyat	15.01.2002	Yazıcı Demir Çelik San. ve Tic. A.Ş.	1.835.924.200.000
Marine	12.03.2002	Ahmet Erdoğan (Tekne/Hull)	US \$ 1.100.000
	12.03.2002	M/V Camadan (Tekne/Hull)	US \$ 950.000
	11.05.2002	Rıza Sonay (Tekne/Hull)	US \$ 910.000
	12.05.2002	Velebit Akel Tekstil	US \$ 800.000
	24.06.2002	M/V Dulda – M/V Yeşil Rize (Tekne/Hull)	1.131.277.745.310
	26.11.2002	Vestel Dış Ticaret A.Ş. (Emtea/Cargo)	US \$ 2.000.000
	28.11.2002	Fabex Systematic M.S.B. Nato (Emtea/Cargo)	2.231.193.789.123
	19.12.2002	Sena Deniz (Tekne/Hull)	US \$ 2.017.129

Consolidated Profit / Loss Accounts of Insurance Companies Operating in Life Branch

Teknik Gelirler <i>Technical Incomes</i>	
A. Devreden Teknik Karşılıklar (1+2+3) <i>Technical Reserves Brought Forward</i>	1.512.111
1. Matematik Karşılıklar <i>Mathematical Reserves</i>	758.275
2. Kar Payı Karşılığı <i>Reserves for Profit Share</i>	731.432
3. Hayat Muallak Hasar Karşılığı <i>Reserves for O/S Losses</i>	22.404
B. Alınan Primler <i>Premiums Received</i>	686.350
C. Alınan Komisyonlar <i>Commissions Received</i>	7.301
D. Ödenen Tazminatta Reasürör Payı <i>Reinsurer's Share in Losses Paid</i>	4.153
E. Teknik Karşılıklarda Reasürör Payı (1+2+3) <i>Reinsurer's Share in Technical Reserves</i>	5.921
1. Matematik Karşılıklar <i>Mathematical Reserves</i>	3.479
2. Kar Payı Karşılığı <i>Reserves for Profit Share</i>	646
3. Hayat Muallak Hasar Karşılığı <i>Reserves for O/S Losses</i>	1.796
F. Diğer Gelirler <i>Other Incomes</i>	756.688
I. Teknik Gelirler Toplamı <i>Total Technical Incomes</i>	2.972.525
Teknik Giderler <i>Technical Expenditures</i>	
A. Devreden Teknik Karşılıklarda Reasürör Payı /(1+2+3) <i>Reinsurer's Share in Technical Reserves Brought Forward</i>	3.911
1. Matematik Karşılıklar <i>Mathematical Reserves</i>	2.588
2. Kar Payı Karşılığı <i>Reserves for Profit Share</i>	581
3. Hayat Muallak Hasar Karşılığı <i>Reserves for O/S Losses</i>	742
B. Reasüröre Devredilen Primler <i>Premiums Ceded to Reinsurers</i>	21.244
C. Ödenen Komisyon <i>Commissions Paid</i>	57.832
D. Ödenen Tazminat <i>Losses Paid</i>	532.769
E. Teknik Karşılıklar (1+2+3) <i>Technical Reserves</i>	2.191.581
1. Matematik Karşılıklar <i>Mathematical Reserves</i>	1.176.746
2. Kar Payı Karşılığı <i>Reserves for Profit Share</i>	997.540
3. Hayat Muallak Hasar Karşılığı <i>Reserves for O/S Losses</i>	17.295
F. Diğer Giderler <i>Other Expenditures</i>	23.111
II. Teknik Giderler Toplamı <i>Total Technical Expenditures</i>	2.830.448
III. Hayat Branşı Teknik Kar / Zararı <i>Technical Profit / Loss for Life Branch</i>	142.077

Types of Insurances Applied in Turkey

1. Property Insurances

A. Fire Insurances

A.1. Fire Insurance

A.2. Loss of Profit Insurance Due to Fire

A.3. Compulsory Earthquake Insurance

B. Accident Insurance

B.1. Motor Vehicle Physical Damage Insurance

B.2. Theft Insurance

B.3. Plate Glass Insurance

C. Marine Insurances

C.1. Hull Insurance

C.2. Specie Insurance

C.2. Cargo Insurance

D. Engineering Insurance

D.1. Machinery Breakdown Insurance

D.2. Erection All Risk Insurance

D.3. Construction All Risk Insurance

D.4. Electronic Equipment Insurance

E. Agricultural Insurances

E.1. Crop – Hail Insurance

E.2. Livestock Insurance

E.3. Poultry Insurance

E.4. Greenhouse Insurance

F. Credit Insurances

F.1. Credit Insurance

F.2. Export Credit Insuranc

2. Life Insurances

A. Life Insurances

A.1. Term Insurance

A.2. Saving Life Insurance

B. Personal Accident Insurance

C. Health Insurance

D. Compulsory Passenger Personal Accident Insurance for Busses

E. Personal Accident Insurance for School Busses

3. Liability Insurances

A. Motor Vehicles Compulsory Third Party Liability Insurance

B. Motor Vehicles Facultative Third Party Liability Insurance

C. Elevator Accident Third Part Liability Insurance

D. Employer Third Party Liability Insurance

E. General Third Party Liability Insurance

F. Compulsory Third Party Liability Insurances for LPG and Dangerous Materials

F.1. Compulsory Third Party Liability Insurance for Danderous Materials

F.2. Compulsory Third Party Liability Insurance for LPG

G. Legal Protection Insurance