



The Realities and Expectations of Obligatory Earthquake Insurance in the Urban Planning Context in Turkey

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This paper presents the expectations to integrate TCIP with urban risk management considering the realities and opportunities of the obligatory earthquake insurance mechanism and the legal and organizational context in disaster management and urban planning systems in Turkey.

The obligatory earthquake insurance system began after 1999 earthquakes in Turkey and intends to provide affordable earthquake insurance for homeowners. It has changed the organizational structure of the disaster management system. While a public-private institution established to finance the earthquake losses through Turkish Catastrophe Insurance Pool (TCIP), State has pledged not to compensate after earthquakes any more. However, since the earthquake insurance is not actually obligatory due to its uncompleted legal process, insurance demand by homeowners is estimated lower (16 %) than the aimed ratio (80 %). The low demand may cause the insolvency of TCIP after a great disaster and in the case of lack of available reinsurance. To increase the amount of policies depends on the integration of TCIP with urban risk management, which has the most suitable context to manage earthquake risks in urban areas, and has legitimized legal source and technical abilities in shaping the physical environment of cities. On the other hand, insurance system has the risk assessment technique, methods for deductibles encouraging risk mitigation, and a pool that may contribute to a fund related to risk reduction in both public and private sector.

Therefore, TCIP will insure properties with lower risk and evaluate risks more detailed so that it can overcome the adverse selection and moral hazard problems better.