

AIDA WORLD CONGRESS

PARIS 2010

CLIMATE CHANGE

QUESTIONNAIRE

Foreword

1. Climate change has been chosen as one of the topics for the AIDA World Congress to be held in Paris in 2010. Thank you for accepting to prepare a national report.

2. This subject is obviously one of great importance, and very much has already been written on it. For an AIDA World Congress, the focus should naturally be on the impact on the insurance sector, and more precisely on the impact on insurance law – a domain in which AIDA can make a significant contribution. When preparing your report, please stress the legal aspects (legislation, regulation, policies, clauses, legal nature of new products, etc...) – even though describing the context will always be necessary.

3. National reports will be particularly useful for such a subject where perceptions of the phenomenon may vary, and mainly, where the feared consequences of climate change can be widely different in the different regions of the world. Please see that your report gives the necessary information about the local context in which it is written (see part A of the questionnaire below).

4. The questionnaire is indicative. Try to cover all points you find relevant for your country, but do not hesitate to include additional information and comments in part C below.

TURKEY

A. Your local context

In your country :

1. What is the degree of awareness of climate change and its consequences :

- in the general public

NGOs and certain public bodies are carrying out studies for raising awareness on climate change. As a result of these studies, a certain progress has been gained

- in the business sector

Concerning the needs of a developing economy, climate change is still seen as a factor diminishing the economic growth. However, TUSIAD (Turkish Industrialists' and Businessmen's Association) which is one of the most powerful NGOs in Turkey, has established Turkish Regional Environment Center (see:

<http://www.rec.org.tr/index.php>) to raise awareness in the sector and public.

- in the insurance industry

As one of the most global sectors in Turkish economy, Turkish insurers cautiously follow the developments in the world and try to take necessary steps. TSRSB (Association of Insurance and Reinsurance Companies in Turkey) attends international and national conferences and publishes reports (such as CEA documents) concerning the issue.

- in public authorities ?

The main public authority in charge is the Ministry of Environment and Forestry. The Ministry regularly publishes reports and carries out activities in order to raise awareness. Climate Change Coordination Board has been established with the participation of Ministry of Foreign Affairs, Ministry of public works and settlement, Ministry of Transportation, Ministry of Agriculture and Rural Affairs, Ministry of Industry and Trade, Ministry of Energy and Natural Resources, State Planning Organization, Turkish Union of Chambers and Commodity Exchanges.

2. Which are locally the main expected consequences of climate change (please specify : “not applicable”/”medium risk”/”high risk”) :

- floods (including flash floods) “*high risk*”

- rise of sea level “*high risk*”

- melting of ice, of snow, avalanches “*high risk*”

- earthquakes “*not applicable*” (it is necessary to express that Turkey’s readiness for a major earthquake is weak, thus aftermath of such quake carries “*high risk*”)

- storms, tornadoes “*high risk*”

- heat waves, draught, fires “*high risk*”

- spread of diseases “*high risk*”

- other adverse effects “*change in the agricultural production rate and diversity*”

- any favourable consequences ? “*none*”

3. Which economic sectors, critical for your country, could be particularly affected :

- agriculture

This sector is crucial for Turkish economy and climate change is expected to affect the agricultural production regarding the diversity of products and amount.

- fisheries
- forestry
- energy

This sector will be seriously affected as the energy production methods shall be affected.

- industry (which ?)

Transportation, waste management

- tourism

This sector will be affected as the coastal cities shall be affected because of the rise of sea level

- others ?

4. Have some concrete measures already been taken or envisaged (other than in insurance sector – see B below) :

- legislation, regulation

Environment Act of 1983 has been amended in 2006 (Law No. 5497) in order to provide measures to prevent climate change within the EU harmonisation process.

Energy Efficiency Act (Law No. 5267) has been promulgated

Act on Use Renewable Energy Sources in order to Produce Electrical Energy (Law No. 5346) has been promulgated in 2005 and related secondary legislation has been published for effective application thereof.

The Regulation on Protection of Air Quality (1983) has been amended and four new Regulations have been promulgated regarding the air pollution and greenhouse gas oscillation.

Solid Waste Management Action Plan has been published in order to control methane gas oscillation.

- initiatives of economic agents

TUSIAD (Turkish Industrialists' and Businessmen's Association) has established Turkish Regional Environment Center (see: <http://www.rec.org.tr/index.php>) to raise awareness in the sector and public.

- others?

5. How much is your country involved in international efforts and initiatives related to climate change :

Turkey is the signatory state of United Nations Framework Convention on Climate Change in 2003 (moving from addendum 2 to addendum 1), following the COP7 (in Marrakech) under specific conditions.

- Kyoto Protocol: Turkey has signed the protocol in 2009; it is necessary to express that Turkey has not been subject to liabilities of this Protocol until 2012 but studies on the measures to be taken in following years have commenced.

- International Strategy for Disaster reduction, Hyogo Framework: Turkey did not report a national platform for Hyogo. Turkey has prepared “Turkey: Country report on disaster management (2008)” and “Turkey: National progress report on the implementation of the Hyogo Framework for Action (2007-2009)” (by the Ministry of Public Works and Settlement)

- National Platforms: Climate Change Coordination Board has been established with the participation of several public authorities (see above)

At the instigation of REC Turkey a Climate Platform (İklim Platformu) is projected to effectively work on the issue.

- Emission trading systems: Turkey does not apply emission trading systems yet.
- others ?

6. Please provide references to literature on climate change concerning your country.

Web sites:

- REC Turkey: www.rec.org.tr (limited English pages)
- Climate Change (Ministry of Environment and Forestry): www.iklim.cevreorman.gov.tr (limited English pages)

Reports (available on www.iklim.cevreorman.gov.tr):

- National Statement on Climate Change No.1 (2007) (in Turkish)
- Climate Change and Conducted Studies (2008) (in Turkish)
- Turkish Greenhouse Gas Inventory (in Turkish)
- Anti-Drought in Agriculture Strategy and Action Plan (2008-2012) (in Turkish)
- Climate Change Strategy Paper (drafted but not published) (in Turkish)
- Turkey: Country report on disaster management (2008)
- Turkey: National progress report on the implementation of the Hyogo Framework for Action (2007-2009)

B. Climate change and insurance *(please stress legal aspects)*

1. Which are the lines of insurance that could be affected ?

- *Property*
 - Agriculture (crops, forestry, livestock)*
 - Buildings*
 - Business interruption*
- *Liability*
- *Transport, marine*
- *Life, health*

2. How are the risks linked to climate change to be defined ?

- Problems of interference of human and natural causes
 - *building in an area prone to being flooded*
 - *poor management of natural sources*
 - *economic activities creating air and water pollutions and risks involving such activities*
 - *inefficient use of energy*
- Problems of causal links
 - *buildings and infrastructure disregarding earthquake factor*

3. Insurers' measures of protection against excessive exposures

- Improvement of statistics

Cartography of risks

- Raising risk awareness (*The Association and other vocational organisations of the sector excessively publishes reports and articles regarding the issue*)

- Prevention
- Limits of indemnity
- Deductibles
- Exclusions
- Premium increases
- Cancellations

3. Insurers' initiatives to develop « new products »

- New policies to cover the consequences of climate change

Coverage for producers of new energies (e.g. wind-mills)

Liability of architects

D & O environmental liability

Micro-insurance products for developing countries

- Climate risk management services, expertise
- New policies as incentives to reduce greenhouse gas emissions
 - “Pay as you drive” motor insurance
 - “Energy saving”, “Green-building” insurance
- Initiatives in the carbon market
 - Carbon credit insurance (covering failure to deliver emission rights)
 - Options to buy carbon credits to offset emissions (vehicles)

The given examples, except professional liability insurance for architects, are not provided insurance products by Turkish insurers.

4. Reinsurance

In your country, what is the role of reinsurance companies with respect to the above problems?

Turkish reinsurance market has a limited volume and reinsurance companies basically conduct studies on raising awareness.

5. ART (Alternative Risk Transfer)

Have any of the following techniques developed in your country in connection with climate change :

- Derivatives
- Swaps
- Cat bonds

Even though these techniques are known to be used in Turkish Insurance Sector, they are not developed in connection with climate change.

What is the legal nature of these different products? Can they qualify as “insurance”?

Turkish legislation does not define these techniques. Turkish Commercial Code, which covers the provisions of insurance contract law, states that only a licensed insurer can conclude an insurance contract. Otherwise, the provisions of Code of Obligations shall apply for contracts which foresee payment in case of risk. Additionally, Turkish legislation does not include a specific definition of reinsurance contracts, and general provisions shall apply for reinsurance contracts as well. Therefore, alternative risk transfer could not be classified as insurance. They should be regarded as financial instruments.

6. Cooperation or competition with public sector

What is the state of cooperation (or competition) between public authorities and the insurance sector in your country in issues related to climate change?

Are there specific public schemes concerning some of the risks involved?

In order to provide the coverage the risks threatening the agricultural industry TARSIM (Agricultural Insurance Pool) has been establish. In this system, insurance companies issue insurance contracts with their own name and all risks together with the premiums on 100% thereof must be transferred to TARSIM and through retrocession, the individual insurance companies can take share optionally from the Pool.

Additionally, new general conditions have been published by the Undersecretariat of Treasury (Supervision Authority of Insurance) regarding the compulsory insurance for coastal facilities' liabilities

Thank you!

Prof. Marcel FONTAINE
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