

# GEDİK & ERAKSOY

## *Amendment to the Regulation on the Technical Provisions set aside by Insurance, Pension and Reinsurance Companies*

On 23 August 2015, the Treasury issued a regulation amending the Regulation on the Technical Provisions set aside by Insurance, Pension and Reinsurance Companies, and Assets in which those Provisions are to be Invested (the **Amendment**). The Amendment became effective on 23 August 2015.

Companies are now required to set aside provision for outstanding compensation claims which have accrued and been calculated but are unpaid (in cases where the compensation amount cannot be calculated as per their estimated amounts) or accrued, but not reported. Under the Amendment, the Treasury is now authorised to determine the minimum fixed amount of the provisions to be set aside for the outstanding claims for certain sectors and the securities in which those provisions are to be invested.

Furthermore, bonuses and discounts which include all paid or unpaid sums owing to the insured or to the beneficiary during the current accounting period can now also be paid in cash, as well as by way of a discount from future premium amounts or increases in the mathematical provisions.

The Amendment also includes lease certificates and debt instruments issued by development banks as a new category of assets determined by the Treasury and satisfying the technical provisions criteria. However, while credit card blocked accounts (except for those blocked for pension contribution sums) will no longer qualify as part of the technical provision, current accounts and participation accounts held with participation banks will be accepted as part of the mathematical provision.

Finally, in terms of the restrictions on assets satisfying the technical provisions criteria, the Amendment provides that amounts relating to bank letters of guarantee and surety insurance policies will also be deducted when calculating the receivables due from banks and financial institutions and in respect of other operational receivables. The Treasury is authorised to increase or decrease the ratios and amounts referred to in the said Regulation by up to 50%.

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