



# IGP Country Profile 2021

## Turkey

Prepared by:  
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Allianz Yaşam ve Emeklilik





## Preface

This Country Profile has been prepared by **Allianz Sigorta A.Ş. & Allianz Yaşam ve Emeklilik** for the International Group Program (IGP).

The International Group Program (IGP) is a network of major life insurance companies (Network Partners) operating throughout the world, who work together to meet the group insurance and pension needs of international corporations and their affiliates, branches, and subsidiaries.

Since 1967, the International Group Program has been an industry leader in the field of international benefits management, serving more multinational companies than any other network. IGP is represented in around 70 countries throughout the world and is known for the flexibility and quality of service we provide to our clients.

Working closely with our headquarters' staff in Boston, our regional offices in Brussels and Singapore, IGP Network Partners offer corporate clients the advantages of experienced local insurance management coupled with the resources of a professionally trained staff that specializes in international employee benefits.

IGP is managed by John Hancock Life Insurance Company (U.S.A.), the U.S. operation of Manulife Financial Corporation, a leading financial services group based in Toronto, Canada. Manulife offers its clients a diverse range of financial protection products and wealth management services. Both Manulife Financial and John Hancock are internationally recognized brands that have stood for financial strength and integrity for more than a century.

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## Your Local Link to IGP in Turkey: Allianz Sigorta A.Ş. & Allianz Yaşam ve Emeklilik

### Allianz Sigorta A.Ş. & Allianz Yaşam ve Emeklilik The IGP Network Partner in Turkey

#### Allianz Yaşam ve Emeklilik

Allianz Yaşam ve Emeklilik, which operates in the private pension, life insurance and personal accident lines, offers a diversified range of products to address individual and corporate needs. These products are offered through the life insurance market channel as well as through the Smart Step Private Pension Plans.

As in Turkey, life insurance started to get momentum during the second half of the 1980s, the life insurance department within Halk Sigorta was enlarged and incorporated within the group. Upon this decision, a new company was founded on January 21, 1991 under the name of Halk Yaşam Sigorta. Established to operate in health, life and personal accident markets, the company was renamed as Halk Yaşam in 1994. On October 1, 2000, its trade name was subsequently changed to Yapı Kredi Yaşam with the objective to enhance the synergy with the other subsidiaries from the group

As in 2000, the company started to operate on the Private Pension System market, it was required by law to transfer the renewal transactions of its health insurance portfolio to Yapı Kredi Sigorta. Yapı Kredi Yaşam was acknowledged to be one of the first companies to satisfy the legal requirements throughout all phases of the transformation into a pension provider. Upon the final authorization received from the Undersecretary of Treasury (December 3, 2002), the company name was changed to Yapı Kredi Emeklilik. It was then incorporated into Koç Finansal Hizmetler, a joint venture of Koç Group and the Italian international banking group UniCredit in 2005.

Allianz, one of the largest insurance and financial companies in the world, became the main partner of the company as of July 12, 2013, by acquiring 80.07% of Yapı Kredi Emeklilik and the title of the company changed to Allianz Yaşam ve Emeklilik A.Ş. on October 03, 2013.

In 2015, Allianz Turkey brought together all its activities in Allianz Tower which became the symbol of new generation insurance industry in a short time. Allianz Campus, which was decided to be established in İzmir in order to achieve sustainable success within the scope of the growth and development target in the sector, to create a safe work environment for employees and to distribute potential location risks, started its activities in 2018.

Allianz Technical Earthquake and Fire Test and Training Center, which was established within the campus of Turkish-German University in Beykoz, Istanbul was opened in 2019 with the aim of contributing to increasing the awareness of social risks regarding earthquake and fire.

Allianz, which provides banking, insurance and asset management services to more than 100 million customers with more than 147 thousand employees in more than 70 countries, is the main partner of group companies and the world's largest insurance company.

The company's area of activity is now to design pension plans, issue group and individual policies as well as to perform reinsurance activities both in Turkey and abroad.

## Your Local Link to IGP in Turkey: Allianz Sigorta A.Ş. & Allianz Yaşam ve Emeklilik

### Allianz Sigorta

The company taking pride in being as old as Turkish Republic diversified its range of services in parallel with the development of the country's economy, on the road it started with fire and transportation insurance with the title 'Şark Sigorta A.Ş.'.

It started its activities in the compulsory traffic insurance, accident and life branches in the 1950s and in the machinery assembly branch in the 1960s. The company joined the Koç Group on January 22, 1974 and Allianz, the world's largest insurance company, and Tokio Marine, the largest insurance company in Japan, became partners in 1988.

Incorporating the position and knowledge of Allianz in the world market, the company continued to produce suitable solutions and provide insurance services to investors and entrepreneurs.

The company title was changed to Koç Allianz Sigorta A.Ş. in 1988. In 2008, Allianz Group took over the shares of Koç Holding and acquired 84.2 percent of Koç Allianz Sigorta A.Ş. and the company title was changed to Allianz Sigorta A.Ş.

Allianz Sigorta A.Ş. acquired Yapı Kredi Sigorta A.Ş. in 2014 through full merger.

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The network that the company has created with its agencies and corporate customers also includes contracted health facilities, pharmacies and specialist doctors.

In addition to product marketing activities supported by the regional directorates, customer segmentation is carried out and segment-based marketing and communication activities are maintained in order to better recognize and serve customers.

With its 4,000 professional agencies, 1,800 Bank branches, ,Allianz Sigorta is number 1 in the health insurance sector. Allianz Sigorta provides good quality and easy to reach services to its policy holders with 6,700 contracted health corporations and works with the largest and strongest reinsurance companies in the world.

With 36.82 % market share, Allianz Sigorta has been leading the Turkish Non-life Insurance market for years, thanks to its contracted corporation network composed of 1,266 hospitals, 2,538 pharmacies, and 740 doctor offices.

## Your Local Link to IGP in Turkey: Allianz Sigorta A.Ş. & Allianz Yaşam ve Emeklilik

The Dr. Allianz service was developed with the pandemic period and started to provide video call. In this way, better service was provided without leaving home during the pandemic process.

As of September 2020, our “Assistant Service Package” has been added to all group health policies. The content of this service package includes mini check-up, dietitian service, psychological support package (first session is free and the following sessions are discounted for both dietitian and psychological support), dental care package (once a year and free) are available.

There are 4 different packages that include these services:

Package Name	Service Details
<b>Prestige</b>	Psychological Support, Dental Care Package, Dietitian Package, Mini Check Up
<b>Comprehensive</b>	Psychological Support On The Phone And Dental Care Package
<b>Support</b>	Psychological Support On The Phone
<b>Care</b>	Dental Care Package

Allianz Turkey has 2.500 employees all over Turkey (Allianz Sigorta, Allianz Yaşam ve Emeklilik , Allianz Hayat ve Emeklilik)

### Employee Benefits

#### Life and Personal Accident

- Group Term Life Policies (Death, Disability, Dread Disease)
- Group Personal Accident Policies

#### Medical

- Group Health Policies (Hospital and Surgical, Dental, Major Medical, Medical Coverage Abroad)

#### Pensions

- Defined Contribution Group Pension Plans
- Income Drawdown Plans

## Reform of the Social Security System

The current structure of the social security system in Turkey and its problems has been extensively discussed in public since the beginning of 1990s. One of these problems, the ever increasing deficits of social security institutions, has come forth especially since 1994.

These deficits that are financed by the state, created significant pressure on budget balances within the following few years. With the social security reform realized in 1999, this financing problem that could cause even bigger problems in the short and long run unless urgent measures are taken, has tried to be solved by making new regulations especially on retirement parameters.

Nevertheless, the rate of increase in the deficits of the SSK and Bag-Kur, has again accelerated in recent years, except for the temporary decrease in 2000. Deficits of the Emekli Sandığı, on the other hand, have rapidly increased since 1994.

Upon this determination, all the public institutions and organizations related to social security have accelerated their preparations and efforts with this regard. The results of the studies show that ensuring the financial sustainability of the system in the long run will not be the only and most important benefit to be achieved by a reform.

What is more important is that such a reform will increase institutional efficiency and create the opportunity to provide social protection to all citizens without any discrimination, under equal conditions, at the scope and quality they deserve.

Social security reform consists of four main components that complement each other:

- The creation of a General Health Insurance towards financing the provision of a high quality health service for all population, which is equitable, equal, protective and curative. 5510 Social Insurance and Universal Health Insurance Law acted in 2006.
- The gathering of social benefits and services that were being carried out in a scattered manner and the establishment of a system which is based on objective benefit criteria and can be reached by all groups who are in need.
- The setting up of a single retirement insurance regime that includes short and long term insurance branches other than health.
- Social Security Institution was established by the Social Security Institution Law No. 5502 which was published in the Official Gazette No. 26173 dated June 20, 2006 and brings the Social Insurance Institution, General Directorate of Bag-kur and General Directorate of Emekli Sandığı whose historical development are summarized above under a single roof in order to transfer five different retirement regimes which are civil servants, contractual paid workers, agricultural paid workers, self-employers and agricultural self-employers into a single retirement regime that will offer equal actuarial rights and obligations.

The creation of a new institutional structure, which provides the opportunity to present services regarding the three essential functions mentioned above in a modern and efficient manner, that is, to facilitate the lives of Turkish citizens.

### Comparison of the Old and New Systems in Terms of Rights:

Types of Insurance	SSK*	Bag-Kur**	Emekli Sandigi***	New System
Old Age Pension	Women's age: 58 Men's age: 60 and 7,000 days of premium	Women's age: 58 Men's age: 60 and 9,000 days of premium	Women's age: 58 Men's age: 60 and 9,000 days of premium	Women's age: 58 Men's age: 60 and 9,000 days of premium. Gradual increase of age after 2035
Partial Retirement	Women's age: 58 Men's age: 60 25 years of insurance and 4,500 days of premium	Women's age: 60 Men's age: 62 and 5,000 days of premium	Women – Men: 15 years of service and having completed 61 years of age	Women's age: 60 Men's age: 62 (gradually) and 5,000 days of premium period for those currently insured Women – Men: 65 years of age and 18 years of premium payment period for new starters
Disability	1,800 days of premium or being insured for 5 years and 180 days of premium payment for each year (900 days)	1,800 days of premium	3,600 days of service	Having paid premiums for 3,600 days
Survivor	1,800 days of premium or being insured for 5 years and 180 days of premium payment for each year (900 days)	1,800 days of premium should have been paid	3,600 days of service	Having paid premiums for 1,800 days

\*SSK: Set up for workers and laborers in the private sector

\*\*Bag-Kur: For the self-employed

\*\*\*Emekli Sandigi: The State Pension Fund



## Social Security Benefits and Customary Private Employee Benefits

### Introduction:

The social security system in Turkey went through a major transformation in 2007, resulting in a more efficient and fast functioning system, based on centralizing the control of different social security funds in a single institution.

Within the scope of the program are:

The three insurance funds, namely SSK, Emekli Sandigi and Bag-Kur, were merged under a sole body called the Social Security Institution (SSI) in 2007.

The three insurance funds together cover around 81% of the population as of 2008. The system started to be fully operational at the beginning of 2008.

Employee benefits in Turkey date back as far as the 1930s. However, considerable developments have taken place in the last ten years. This is due to the fact that managers have become more conscious of the growing need for such coverage.

The employer normally contributes 100% of the premium. Group life business is renewed annually, but it can be adjusted during the year in accordance with the inflation rate. All employees between the ages of 18 to 65 are eligible for cover. All calculations will be based on individual age instead of a group's average.

### Social Security Contributions:

Social security premiums (as a percentage of employee's gross earnings) are payable by both employers and employees. The below table shows the rates that apply in the case of office employees in the private sector. Rates for employees working in specific sectors (such as mining, oil/gas exploration) may vary depending on the risk category of the work performed.

Social Security Premiums (office employees)			
Type of risk	Employer's share (%)	Employee's share (%)	Total (%)
Short - term risks (workmen's compensation)	1-6.5*	-	1-6.5*
Long - term risks (Disability/Old Age Pension/Death)	11	9	20
Medical (General Health Insurance)	7.5	5	12.5
Contribution to unemployment insurance	2	1	3
<b>Total</b>	<b>21.5*</b>	<b>15</b>	<b>36.5*</b>

\*The rates change according to the risk categories of jobs. Depending on the risk category, the employer's share varies between 1% and 6.5%.

The social security contribution base (gross earnings) is capped with a ceiling. The salary ceiling is adjusted twice a year.

There are reciprocal agreements with United Kingdom, Germany, Netherlands, Belgium, Austria Switzerland, France, Denmark, Sweden, Norway and several other countries protecting the earned pension benefits of participants in case of relocating to these countries. Foreigners contributing to the social security in their home countries do not have to pay the Turkish social security premiums if there is a reciprocal agreement between the home country and Turkey.

<b>DEATH BENEFITS</b>	
<b>Social Security Benefits</b>	<b>Customary Private Employee Benefits</b>
<p><b>Survivors' Pension</b>  <b>Conditions</b>            Five insurance years with an annual average contribution period of 180 days or a total contribution period of 1,800 days.</p> <p><b>Widow's Pension</b>            The widow's pension is equal to 50% of the OAP or 75% if there are no dependent children, plus any applicable social allowances. The widow's pension ceases in the case of remarriage.</p> <p><b>Orphan's Pension</b>            The orphan's pension is equal to 25% of the OAP (50% if full orphan — both parents deceased) plus any applicable social allowance. It is provided for male children under age 18 (or up to the age of 25 if a student, age 20 if in secondary education) and without an age limit for unmarried daughters or if handicapped.</p> <p>The maximum total survivors' pension is 100% of the deceased employee's pension.</p> <p>The survivors' benefits can be payable to a rather extensive circle of dependents. The parents of the insured and widowers may, under certain conditions such as disability, receive benefits.</p> <p><b>Funeral Expenses</b>            Funeral expenses are paid according to a governmental tariff.</p>	<p>Group life insurance plans cover death by natural causes, accidental death, disability by illness or accident, and dread disease.</p> <p>Accidental death and disability cover is usually equal to twice the amount of the benefit for normal death or disability by illness.</p> <p>Dread disease benefit is equal to half of the death benefit.</p> <p>The group life benefit is typically a multiple of either one or two times annual salary or based on certain amounts specified by the employer.</p> <ul style="list-style-type: none"> <li>• Death by illness</li> <li>• Death by accident</li> <li>• Disability by illness</li> <li>• Disability by accident</li> <li>• Dread disease</li> <li>• Death on a public vehicle</li> </ul> <p>The employer normally pays 100% of the premium. Group life business is renewed annually, but it can be adjusted during the year in accordance with the inflation rate. All employees between the ages of 18 to 65 are eligible for cover. All calculations will be based on individual age instead of a group's average.</p>

<b>DISABILITY BENEFITS</b>	
<b>Social Security Benefits</b>	<b>Customary Private Employee Benefits</b>
<p>Cash benefits are payable for short-term illnesses and maternity.</p> <p><b>Sickness Benefits</b> To receive cash benefits, a contribution of 120 days during the previous 12 months is required. If the insured is hospitalized, the benefit is equal to 50% of earnings. If the insured is undergoing outpatient treatment, the benefit is equal to 66.6% of earnings. The percentages do not change if the insured has dependents. The maximum duration of payments is 18 months.</p> <p><b>Maternity Benefits</b> Provided the insured has contributed for at least 120 days (husband) or 90 days (wife) during the last 12 months, a benefit of 66.6% of earnings is payable up to eight weeks before and eight weeks after delivery.</p> <p><b>Disability Pension</b> <b>Conditions</b></p> <ul style="list-style-type: none"> <li>• At least permanent loss of 66.6% of the earning capacity (at least 60% loss of earning capacity if disability is due to occupational injury or disease) and</li> <li>• Five insurance years or an annual average contribution period of 180 days or a total contribution period of 1,800 days.</li> </ul> <p><b>Calculation</b> The disability pension is equal to 70% of salary plus a 10% supplement in cases requiring a constant attendant. The payment period is unlimited; however, the insured must remain under the supervision of a doctor.</p>	<p><b>Total and Permanent Disability</b> In the event of sickness and/or accident, indemnities are paid up to 100% of the benefit limits specified by the policy.</p> <p><b>Partial Permanent Disability Coverage</b> In the event that an insured's partial permanent disability is incurred by accident and/or by sickness, payment is made in accordance with the percentage list of disability indemnities stated in the Individual Accident Insurance General Provisions Scale up to the limits specified in the policy; for example:</p> <p>Loss of one leg: 40% of total benefit Loss of right thumb: 20% of total benefit</p> <p><b>Dread Disease</b> Dread Disease coverage which is equal to half of the death benefit is available in Allianz Yaşam ve Emeklilik group life insurance plans. The coverage includes the following 20 illnesses: Cancer, Stroke, Heart Attack, Coronary Artery By-pass Surgery, Kidney Failure, Major Organ Transplant, Multiple Sclerosis, Paralysis, Loss of Limbs, Blindness, Loss of Hearing, Heart Valve Surgery, Aorta Graft Surgery, Balloon – Angioplasty, Severe Burns, Coma, Benign Brain Tumour, Total and permanent disability, determined by Functional Assessment Tests (FATs), HIV from Blood Transfusion, Occupationally Acquired HIV.</p>

<b>MEDICAL BENEFITS</b>	
<b>Social Security Benefits</b>	<b>Customary Private Employee Benefits</b>
<p>All employees and usually their dependents are covered through the Social Security Health Care Centers for general and specialist care, hospitalization and laboratory services in Social Security facilities. 80% of the cost of drugs prescribed on an outpatient basis is also covered.</p>	<p><b>Group Medical Benefits</b></p> <p>At present, the government provides basic Health Insurance service via the Social Security System. However, this is not as effective as a private health insurance system, as first-class treatment may not be provided immediately due to the shortage of hospitals, health personnel, etc. Thus, private health insurance is preferred to bridge the gap in the insurance sector.</p> <p>As health insurance continues to become a major issue in Turkey, people are becoming more conscious of the convenience provided by health insurance, and the number of plans is growing rapidly. It is now recognized that it is very important and vital that the employees, who contribute to the success of any organization, are provided with adequate health insurance benefits.</p> <p><b>Health Insurance Coverage</b></p> <p>According to the list of employees supplied by the employer and health declaration forms that the former have filled out, all employees that are between the ages of 18 and 65 will be accepted in the insurance plan on the beginning day of the insurance without having a medical examination.</p> <p>In the event of an accident or sickness suffered by the insured, the insurance company will pay the expenses for medical examinations, diagnosis, and treatment. Allianz Sigorta's health insurance plan will be equal to the coverage of the policy. The bills will be reimbursed in Turkish currency up to the limits of health coverage according to the exchange rate set by the Central Bank of Turkey.</p> <p>Allianz Sigorta's offers its customers a variety of plans to meet their specific requirements.</p> <p>These benefit options are; in-patient treatment, outpatient treatment covering medical examinations, prescription drugs, diagnostic procedures and minor treatment, (unlimited or within a total annual limit options for all). Different deductibles can be applied either annually or on a prescription, per invoice, or per case basis.</p> <p><b>Optional Benefits</b></p> <ul style="list-style-type: none"> <li>• Dental treatment</li> <li>• Additional medical coverages</li> <li>• Ambulance without network (This benefit covers all ambulance transport expenditures outside Allianz Sigorta's Emergency Services coverage with general exception of air ambulance)</li> <li>• Eyeglasses and lenses</li> </ul>

<b>MEDICAL BENEFITS</b>	
<b>Social Security Benefits</b>	<b>Customary Private Employee Benefits</b>
	<p><b>Complementary Health Insurance Coverage</b>            Given current regulatory framework, and emerging survey results, individual complementary market could reach 1.8 million customers in 2023. About 70% of this market will come from top 20 cities covering 80% of Turkey's population. About 80% of the expected 2 million corporate customers will come from 20-100 million TL (large SME/commercial) companies segment and from manufacturing, construction, textile, transportation and retail industries.</p> <p><b>Conditions</b></p> <ul style="list-style-type: none"> <li>• Min. 10 insured employees are required</li> <li>• The only difference is that outpatient treatment is limited 5 times or 8 times annually</li> <li>• Doctor examination (and the other treatments related with it like drugs, laboratory, advanced diagnosis etc.) is assessed per visit and any visit is decreased from the outpatient treatment limits above.</li> <li>• Coverages are valid only in contracted institutions with Social Security System.</li> </ul> <p><b>Sample plan</b></p> <ul style="list-style-type: none"> <li>• In-Patient (No limit) + Out-Patient (max. 8 times) Artificial Limb</li> <li>• Insured Number : 250</li> <li>• Individual premium: TRY 485</li> </ul> <p><b>Karma(Hybrid) Health Insurance Coverage</b></p> <p>This is our product using the Comprehensive Health Insurance and the Complementary Health Insurance together. (Karma) Product allowing utilization of both comprehensive and complementary insurance without any change in plan limits or co-payment overages are valid in Hybrid Network Hospitals (Network includes contracted institutions with Social Security System (SSS) as well as Allianz Sigorta contracted hospital). No co-payment and no exclusion in Hybrid Network Hospitals.</p> <p>In the event of an accident or illness, the insurance company covers the expenses for medical examinations, diagnosis and treatment.</p> <p>Apart from this, there are additional covers (such as dental cover and eyeglasses cover)</p> <p>In case the Insured's Social Security is not available or is not active, the treatments applied at the GHI contracted institutions will be paid according to the Private Health Insurance ratio within the coverage of the 'a posteriori payment'.</p> <p>Our Insured can perform 100% these procedures for the Outpatient Treatments at 520 Comp. institutions and will have to pay only 15 TL as obligatory contribution for these procedures.</p>

<b>RETIREMENT BENEFITS</b>	
<b>Social Security Benefits</b>	<b>Customary Private Employee Benefits</b>
<p><b>Old-Age Pension or OAP</b> The normal retirement age is 58 (women) and 60 (men) with a minimum of 9,000 days of contributions (or 25 years). However, the Ministry of Labor decided to grant a transition period, allowing individuals, who were entitled to retire in less than 10 years, to retire before 58 and 60.</p> <p><b>The monthly pension is calculated as follows:</b></p> <ul style="list-style-type: none"> <li>• The current value of the prior years' earnings of an employee is found by multiplying each year's earnings with the respective CPI and compounding it for the years of contribution. And, the total earnings are found by adding forwarded values of earnings for each contribution year.</li> <li>• Average earnings are determined by dividing total earnings by number of contribution years.</li> <li>• The monthly pension amount is found by taking one-twelfth of the annual pension that is calculated by multiplying average earnings by the pension ratio.</li> </ul> <p>Pension ratio is determined according to years of contributions.</p>	<p>Group pension plans can be designed as defined contribution based.</p> <p>Contributions are normally made by the employer and employees at certain percentages. Group pension plans are most often written as defined contribution plans allowing certain inflationary adjustments each year, and vesting rules are determined by the employer.</p> <p><b>Eligibility</b> All employees older than age 18 are eligible for a defined contribution based group pension plan.</p> <p><b>Benefits</b> At retirement, total bid value (cash value) of the units allocated to the employee's account is used to provide benefits in accordance with the scheme rules. Employees can choose from among a lump sum (Accumulated Capital), income withdrawal and annuity (single life, joined life, etc.). Annuities can be purchased at the retirement date of the employee only from the company that has an operating license in life insurance.</p> <p>Employees should contribute to the scheme for at least ten years to obtain the pension option, although 15 - 25 years of premium contribution are suggested. Retirement age in a corporate pension plan is minimum 56, as it is legally required in the new Pension Law.</p> <p>In the defined contribution based group pension plans, only the accumulated capital would be paid to beneficiaries since there will be no risk constituent.</p>

### Customary Private Employee Benefits – Additional Information

#### Scheme Design:

Group pension plans are preferred to be offered to the clients, since the main purpose of the regulation of the private pension system is to regulate and govern the principles and procedures related to the pension contract to be made by and between the pension companies established in Turkey, and the participants joining the private pension system based on the voluntary participation scheme and according to a defined contribution scheme. However, upon request, schemes functioning similar to defined benefit plans may be prepared (target values and contributions can be calculated every year).

The employees and the employer make premium contributions to the plan, each contributing a certain percentage. The contributions are deducted from the payroll account on a monthly basis and accumulated in pension funds, whereby the value of the funds increases by the investment performance of the portfolio management company. Contributions are normally defined in one of two ways:

- **Earnings-Related Contributions**  
A percentage of earnings during the period to which the contributions relate. Therefore, contributions will vary if earnings vary. On giving notice to the members affected, the employer can change the percentage at any time. The employer will determine at the onset what earnings are “Pensionable Earnings” (i.e. earnings on which contributions are based).
- **Level Contributions**  
A fixed amount payable for each member, as determined by the employer at the annual renewable date.

The employer should decide whether contributions will be on a voluntary or compulsory basis.

Contributions for retirement benefits are used to purchase units in the unit-fund. In other words, policyholders’ contributions to the fund (office premiums minus charges) are divided into units, and the value of each unit reflects the performance of the shares, stocks or properties in which the fund has been invested. The contributions can be indexed to local currency (TRY) or to foreign currency however due to Private Pension Savings and Investment Law, units in the unit-fund can only be purchased in TRY. Therefore, the contribution payments that are made in foreign currency are converted into TRY first and then units are purchased at the bid price of the fund on the next working day after contributions are received by the pension company.

#### Regulation:

All life insurance companies operating in Turkey have a legal obligation to obtain an approval from the Insurance Supervisory Authority in order to solicit group schemes. Meanwhile, pension companies will be working under the control of the Treasury and the Board of Capital Markets of Turkey.

#### Insurance Law:

The new Insurance Law was implemented on June 14, 2007 and aims to restructure the regulatory environment for insurance in line with EU standards and protect the rights of policyholders. The major changes introduced by the new law about life insurance are:

- Foundation, supervision and termination of life insurance companies, brokers, insurance appraisers and agents are regulated.
- Members of the board, general managers and assistant general managers should have the features and backgrounds stated by the new law.
- Tight financial control should be supervised by the regulatory bodies.
- Illegal Acts will be punished by massive administrative fines and prison terms.
- The Capital of an Insurance Company should be at least TRY 5 million.
- Arbitration system adapted with the new law to solve the disagreements up to TRY 40,000 in four months.

## Social Security Benefits and Customary Private Employee Benefits

- The margins for the general expenses and agency commissions that are imposed for life insurance policies have been reduced.
- Insurance branches have been regulated in line with EU standards.
- Insurance companies obliged to disclosure information.

### Individual Pension Law:

As part of the Social Security reform, and as a step towards stabilization, the Private Pension Savings and Investment System Bill, was approved in Parliament on April 9th, 2001, and the complementing regulations and amendments have been published in the Official Gazette on February 28, 2002 and in May 2003, respectively. The system began on October 27, 2003.

### Summary of the Private Pension Savings and Investment System Act of Parliament:

The purpose of this Act is the regulation and supervision of the individual pension system which is complementary to the State Social Security system and is based on voluntary participation and the defined contribution principle. It aims to direct the retirement savings of individuals towards investment, thereby raising welfare levels by providing a supplementary income during retirement, in order to increase employment and contribute to economic development by creating long-term resources for the economy.

### How the System works:

The Private Pension Advisory Committee is established to determine appropriate policies for individual pensions and to make recommendations regarding the measures required to be adopted in order to realize these. The Private Pension Advisory Committee consists of representatives at least at the general manager level one from each of the Ministry of Finance, the Ministry of Employment and Social Security, the Under secretariat for the Treasury (hereinafter referred to as UT) and the Stock Exchange Commission. The Private Pension Advisory Committee convenes at least quarterly on the date and agenda recommended by the UT.

#### a) Pension Funds

Pension funds are defined by the Private Pension Savings and Investment System Act as an asset constituted for the purposes of management of the fund by means of diversification of the risk and fiduciary ownership by the contributions received within the framework of the pension fund contract and monitored in the private pension accounts on behalf of the participants.

In accordance with the Capital Market Legislation the establishment, rules and principles of operation of investment funds and public offering of their participation certificates and related public disclosure is regulated by the Capital Markets Board (hereinafter referred to as CMB). Consequently, CMB is the regulatory body for the pension funds together with the Under secretariat of the Treasury.

All of the terms and procedures are laid down by the CMB with the consent of the UT.

#### b) Principles Relating to the Fund Assets

Assets of the pension fund may not be used for any purpose other than the activities related with individual pension operations, realization of the obligations and undertaking of responsibilities by the founder stemming from Private Pension Savings and Investment System Act and Capital Markets legislation. In accordance with the Capital Markets Legislation the assets of investment funds may not be pledged or provided as a guarantee and seized by third parties.

#### c) Provisions Related to Fund Portfolio

The pension company is required to establish at least three pension funds with different portfolio compositions consisting of money and capital market instruments the type of which is specified by the CMB, provided that these types of funds are stipulated in the pension contract.



## Social Security Benefits and Customary Private Employee Benefits

Cash, time deposits, shares, bills and bonds, repo and reverse repo, futures and options, and other instruments approved by the CMB, inter alia, are qualified as eligible in the draft regulation of the CMB. The value of investments and any income derived from them can fall as well as rise and is not guaranteed.

d) **Internal Statute of the Pension Fund**

The internal statute is a participatory agreement consisting of general operation principles regarding safekeeping and management of the fund portfolio in accordance with the principles of fiduciary ownership and proxy agreement among the participant, the pension company, the custodian, and the portfolio manager.

e) **Management of the Fund**

The fund portfolio is managed by portfolio managers designated in accordance with capital market regulations and appointed by the pension company in respect of a portfolio management agreement. The portfolio managers are responsible for managing the portfolio in accordance with the provisions of the Private Pension Savings and Investment System Act, the Capital Markets Law, the pension agreement, the internal statute, and relevant regulations.

f) **Custodian**

The assets within the fund portfolio are kept in custody by a custodian (Takasbank). The participation shares representing the savings owned by the participants are followed up by the custodian on a participant basis and in a manner accessible to the participants.

g) **Audit**

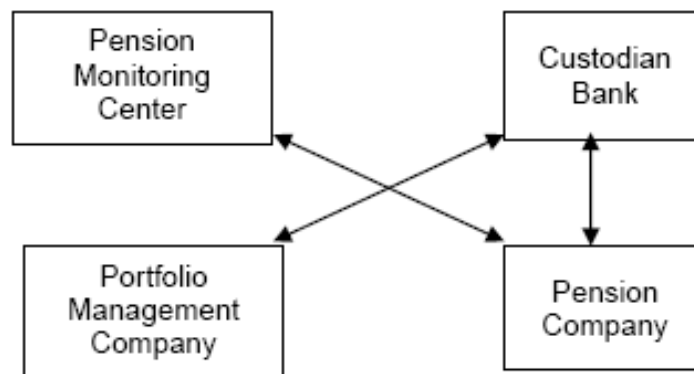
Basically 4 bodies are specified in the Private Pension Law for the audit function:

- Under Secretariat of Treasury
- CMB
- Internal Audit
- Independent Audit

h) **Pension Monitoring Center**

Pension Monitoring Center is privately owned by pension companies and legislated by the Treasury to monitor the system on a participant basis, to provide daily reports to the Under Secretariat of Treasury and to track the collection and allocation of contribution payments to units. In addition to its supervisory role, the Pension Monitoring Center is also responsible for the licensing of the sales agents.

Participants:



The participants make contributions to the individual pension account opened with

Retirement and Pension Options:

the company in line with the terms of the pension contract.

a) **Allocation of Contributions between Different Funds**

Participants may decide to diversify their contributions among more than one fund offered by the pension company. Moreover, they have the right to change their allocated contributions six times a year.

b) **Transfer of the Savings to another Pension Company**

Participants may also request the transfer of the amounts accumulated in their private pension accounts to a different pension company providing that one year (two years after the inception) has elapsed in the current company.

Progress of the Pension System:

a) **Eligibility for Retirement**

The participants are entitled to retirement if the following two conditions are met at the same time:

- Reaching age 56 and
- Having been in the pension system for at least 10 years starting from the entrance date to the system (e. g., a participant who entered the system at age 50 will be entitled to retirement at age 60).

b) **Leaving the System Prior to Being Eligible for Retirement**

The participant may leave the system before becoming eligible for retirement either voluntarily or for mandatory reasons (i.e. due to death or permanent disability). If the participant leaves the system before becoming eligible for retirement he/she is obliged to pay higher rates of withholding tax. These withholding tax rates vary based on the contribution period. In case the participant leaves the system before ten years of contribution withholding tax is 15% of the net return, in case the participant leaves after ten years of contribution, withholding tax is 10% of the net return, and if the participant is eligible for retirement (at least 10 years of contribution and older age 56) the net return is subject to 5% of the net return.

In the case where the participant dies within the contract period, his/her beneficiaries have the right to demand the payment of accumulated savings in the private pension account. In the case of permanent inability to work, the participant will have the right to demand that the accumulated savings in the private pension account are paid to him/her. In the case where the participant requests to withdraw from the system, prior to obtaining the right to retire, the accumulated savings in the private pension account shall be paid to him in accordance with the provisions of the pension contract.

c) **Retirement Options**

The participants, who are entitled to retire, have the right either to receive a certain part or all of the accumulated savings as a lump sum payment, or to receive a salary under the terms of an annuity contract or an income drawdown plan.

In the case where the participant requests that his/her accumulated savings be paid under the terms of the related Article, or he/she enters into an annuity insurance contract with a life insurance company, the savings in his/her account shall be paid to him/her or be transferred to the relevant company.

Sales of pension plans started on October 27, 2003. Allianz Yaşam ve Emeklilik is one of 6 companies that started sales on that date. The intensive advertising and marketing activities of the 11 pension companies increased awareness about the system in 2004. During 2007 a merger between 2 pension companies took place and 2 new pension companies launched during 2008 and a new pension company joined the market in 2009.

We can list the important developments after 2009 as follows:

- Direct state contribution of 25% was realized in 2013

BES State Contribution / State Support is 25% of the contribution paid by the participant.

To calculate;

Paid Monthly Contribution x 0.25 formula is used.

For example, you are a Private Pension participant and your monthly contribution is 200 TL.

You will receive 200 TL x 0.25 = 50 TL state contribution. (\*)

(\*) BES State Contribution can be received as maximum 25% of the annual gross minimum wage for that year within 1 year. The state contribution received cannot exceed this upper limit. If this limit is reached, state contribution cannot be received from the payments to be made.

The cancellation of the Private Pension contract, that is, the state contribution amounts to be received in case of exit from the system are calculated as follows.

First of all, if you leave BES without completing 3 years, you will not receive any payment from the state contribution. On the condition of staying in the system for more than 3 years, the state contribution is paid in varying rates when exiting private pensions. These rates are 15% of the state contribution accumulated for 3-6 years, 30% of the state contribution accumulated in case of exiting the system in 6-10 years, 60% of the state contribution for exiting the BES after 10 years (without qualifying for retirement), In case of retirement, death or disability, the entire state contribution is paid to the participant.

- The way for pension companies to offer complementary health insurance was opened in **2016**. (Page 12)

- Automatic enrolment was launched in **2017**.

When we evaluate the situation in automatic enrolment as of the end of 2017, more than 3.4 million employees were included in the system after the regulation was implemented. The amount of the fund has reached 1,793.1 million TL. The fact that the rate of exit from automatic participation is as high as 60% as of the end of 2017 indicates that there is a need for new regulation in order to ensure development in this area. (For detailed information see page 22)

- In **2019**, Insurance Holding Company was established under TURKEY Wealth Fund.

The Holding will set up two companies, one for insurance and one for life and retirement.

The insurance company to be established will acquire Güneş Sigorta, Halk Sigorta and Ziraat Sigorta. The life and pension company will also acquire Vakıf Emeklilik, Ziraat Emeklilik, Halk Emeklilik.

The merger and acquisition process will end at the end of the first quarter of 2020.

After the merger, an exclusivity agreement will be signed between the insurance companies and Ziraat Bank, Halk Bank and Vakıf Bank for the sale of insurance products. 3,700 branches of the banks will sell the products of the new company.

Since then many players have joined the market and the total number of pension companies is 24 in 2020.

### Vesting:

In a group pension plan, unless there is a condition in the contract, the employee is entitled to the cash value in the plan. Employers can introduce vesting schedules according to the legislation. The table below depicts the minimum standards regarding the vesting rights.

## Social Security Benefits and Customary Private Employee Benefits

		Minimum Vesting Rate (%) By Year						
		1.	2.	3.	4.	5.	6.	7.
Vesting Period (Year)	1	100						
	2	0	100					
	3	0	0	100				
	4	0	0	75	100			
	5	0	0	60	80	100		
	6	0	0	60	70	80	100	
	7	0	0	50	60	70	80	100

### Allianz Yaşam ve Emeklilik Group Pension Plans

Allianz Yaşam ve Emeklilik started its preparations for the system prior to the approval of the legislation in order to develop the most efficient infrastructure and organization to provide the best services both to individuals and to companies.

The main competitive advantages of the company are its advanced information technology, well-planned CRM practices, as well as high caliber employees which all together enabled the company to act as a market maker besides being the market leader. Allianz Yaşam ve Emeklilik, as the proof of its belief to the system, provided its first group pension contract to its own employees and is the first pension company to offer a group pension plan to its employees with company contribution.

Allianz Yaşam ve Emeklilik (AZYE) offers 28 pension funds (managed, cash, international, T-bills, FX, Eurobond, Equity funds) of which 5 of them are exclusive for one specific employer and managed by AZYE.

In addition, the company may even ask for a special fund and portfolio management company, depending on the size of the group.

In AZYE group pension plans, neither the participants nor the companies are subject to entrance fees. Management fees (charge on contributions) are flexible and are defined by the company according to the size of the group.

During the contribution period, the participants of the group can benefit from additional services provided by Allianz Yaşam ve Emeklilik, such as a discount in contracted private health institutions, waiver of premium, road ambulance and medical assistance. All records are accessible anytime by the participants on the website and via the Interactive Voice Response System of Allianz Yaşam ve Emeklilik ([www.allianz.com.tr](http://www.allianz.com.tr)).

### Automatic Enrolment:

- Automatic Enrolment means the automatic participation of the employees into a pension plan.
- Automatic participation is provided for all public and private sector employees under age of 45
- It is based on the principle of automatic contribution over the employer to the retirement company selected by the employer.
- It is operated within the private pension system based on the Private Pension System Principles
- The pension company and the pension plan is chosen by the employer
- Contribution is made only by the workforce, the employer does not contribute.
- Contribution is provided through the employer (Wage deduction method)
- 3% of the premium base earnings is transferred to the system every month. The upper limit is the Social Security Institution limit.

## Social Security Benefits and Customary Private Employee Benefits

- The employee's contribution can be more than 3%, based on the employee's request.
- State contribution is 25%
- No deductions will be made from the paid contribution or additionally, at entry/exit; the only deducted amount will be the funds management fee.
- The Individual Pension System conditions are valid for retirement. (having been for 10 years in the system and having completed the age of 56)
- In case of changing the employment company, if that company is within the scope of the automatic enrolment, then employee's rights acquired at the previous company, such as accumulated savings and retirement period, will be transferred to the pension plan of the new company. In case the new employment company is not within the scope of the automatic enrolment, if the employee desires, he/she may continue to be in the Individual Pension Plan on his/her own account. If the employee does not have such a request the Pension Plan will be closed.

### Pension Reform:

#### Uncertainty continues around CPS (Complimentary Pension System)

April 2019: Pre-Information on Structural Transformation of New Economy Program Agenda

- Severance pay and Private Pension to be integrated
- TL 100 bn AuM per year to be collected in Private Pension System (starting from 2020)
- Targeted AuM: Above 10% of Turkey's GDP in 5 years

July 2019: 11th Presidential Development Plan

- Private Pension System to be restructured to increase engagement
- State contributions in Pension will be age-differentiated targeting young population
- Cash Advance option will be provided for Pension participants in cases of health, marriage, education, house ownership requirements
- Severance pay reform to be launched with broad social consensus
- Auto Enrolment to be restructured and integrated with severance pay

September 2019: Ministry of Treasury and Finance New Economy Program

- Complementary Pension System (TES) to be launched with broad social consensus
- Turkish Reinsurance Company launch: Turkey Reassurance Pool System
- Insurance and Private Pension Regulatory and Supervisory Agency launched
- Pension System based on FX currency to be offered to Turkish Citizens resident abroad
- Private Pension funds to be operated in TEFAS platform

November 2019:

- Presidential Annual Program of 2020: Refers to 11th Development Plan bullets
- Re-enrolment period is rearranged to 4 years for employees that took the right to opt out from Auto Enrolment. Employees lapsed in 2017 are subject to re-enroll in 2021.

### Other Social Security Benefits

<b>Workmen's Compensation:</b>	Employers must provide Workmen's Compensation benefits to all employees.
<b>Temporary Disability:</b>	The temporary disability benefit for work injury amounts to 50% of earnings, or 66.6% if the insured has one or more dependent. The benefit is paid from the first day of injury or incapacity, and there is no limit on the duration of the benefit. If hospitalized, the benefit is decreased to 33.3% of earnings but may be increased to 50% if there are dependents.
<b>Permanent Disability Pension:</b>	<p>The permanent disability pension for work-related injuries is 70% of earnings during the last five years if totally disabled, which is defined as a loss of 60% of the capacity to work.</p> <p>A supplement equal to 10% of the pension may also be payable in cases requiring a constant attendant.</p>
<b>Partial Disability:</b>	The partial disability benefit amounts to a percentage of the full pension proportionate to the degree of disability, if more than 10% disabled. This benefit may be converted to a lump-sum if the degree of disability is less than 25%.
<b>Survivor's Pension:</b>	<p>The benefit is 75% of the insured's pension or 50% if there are orphans. It is payable to the widow or dependent invalid widower.</p> <p>For orphans, the survivors' pension benefit is equal to 25% of the pension, (50% if full orphan) for each orphan under age 18 (25 if a student in higher education, 20 if in secondary education and without any age limit if an unmarried daughter).</p> <p>For parents, the benefit is equal to the remaining portion of the pensions if the pensions listed above are below the maximum.</p> <p>The maximum survivors' pension cannot exceed 100% of the insured's earnings.</p> <p>A funeral grant is also available.</p>
<b>Medical Benefits:</b>	The medical benefits for work injury include: care by a general practitioner or specialist, hospitalization, surgery, laboratory services, medicines, appliances, and transportation.
<b>Termination Indemnity:</b>	<p>The benefit that is not taxed is equal to one average monthly salary per year of service and is subject to an upper limit. Employees are entitled to severance pay in below circumstances:</p> <ul style="list-style-type: none"> <li>• Leaving the workplace due to the compulsory military service (for males).</li> <li>• Retirement (in order to receive old age, retirement pension or disability allowance from the relevant insurance institutions).</li> <li>• Resignation of the employee after completing 3,600 premium days and 15 years of insurance period (in case of fulfillment of retirement conditions except the age limit and resignation with the submission of the document from the Social Security Institution indicating the fulfillment of retirement conditions, excluding the age limit, to the employer).</li> <li>• Voluntary termination by female employees within one year following the date of marriage.</li> <li>• Death of the employee.</li> <li>• Termination of the employment contract not based on a valid reason listed in the Labor Law by the employer and termination of the employment contract by the employer with valid a reason.</li> </ul>

### Benchmarking Information (based on Network Partner's portfolio)

	%
<b>Group Life Coverage</b>	
Death benefit	
AD&D	
Survivor's benefits	
Employer contribution only	
<b>Disability Coverage</b>	
Long term disability	
Short term disability	
Employer contribution only	
<b>Healthcare Coverage</b>	
Hospitalisation	100%
Dental	5%
Vision	5%
Critical Illness	0%
Employee Assistance programme	0%
Employer contribution only	0%
<b>Retirement Plans</b>	
DC	
DC - Employer contribution only	
DB	
DB - Employer contribution only	
<b>Other</b>	
Wellness & Wellbeing Programmes	
Flex benefits	

### Medical Inflation Trend Projection

Year	Expected Medical Inflation %
2020	14%
2021	18.5%
2022	20%

### Group Pension Plan

Eligibility:	All permanent full-time staff
Number of Employees/ Participants:	1,281
Employer:	2% - 5% of monthly gross salary depending on the length of service. Employee should match the employer's contribution

Length of Service	Employer Contribution
0 – 36 Months	2% of monthly gross salary
37 – 84 Months	4% of monthly gross salary
Over 84 Months	5% of monthly gross salary

Currency: TRY

Charging Structure: Charge on Contribution: 0%  
Entrance Fee: Nil

Funds	Fund Management Fee (%)
Allianz Yaşam ve Emeklilik Balanced Variable Pension Fund	2.0
Allianz Yaşam ve Emeklilik Balanced Variable Group Pension Fund	1.0
Allianz Yaşam ve Emeklilik Dynamic Variable Pension Fund	2.0
Allianz Yaşam ve Emeklilik Least Risk Variable Pension Fund	2.0
Allianz Yaşam ve Emeklilik Mixed Group Pension Fund	1.0
Allianz Yaşam ve Emeklilik Equity Pension Fund	2.0
Allianz Yaşam ve Emeklilik ISE Dividend Index Pension Fund	1.88
Allianz Yaşam ve Emeklilik Koç Companies Affiliates Index Pension Fund	1.88
Allianz Yaşam ve Emeklilik Second External Debt Securities Pension Fund	1.88
Allianz Yaşam ve Emeklilik Debt Instrument Pension Fund	1.88
Allianz Yaşam ve Emeklilik Debt Instrument Group Pension Fund	1.0
Allianz Yaşam ve Emeklilik Money Market Pension Fund	1.0
Allianz Yaşam ve Emeklilik Gold Pension Fund	1.05
Allianz Yaşam ve Emeklilik Standard Pension Fund	1.88
Allianz Yaşam ve Emeklilik Contribution Pension Fund	0.35
Allianz Yaşam ve Emeklilik Mixed Pension Fund	2.0

**Allianz Yaşam ve Emeklilik offers special funding options for groups according to the fund size of the groups.**

Bonuses: Discount in Contracted Health Institutions  
Medical Assistance  
Road Ambulance  
Waiver of Contribution Benefit



### Group Personal Pension Plan

Eligibility:	Only for managerial staff	
Number of Employees/ Participants:	4,200	
Employer:	Employer: 3% of annual gross salary (only managerial staff). Employee: 2% of annual gross salary.	
Currency:	TRY	
Charging Structure:	Charge on Contribution:	0%
	Entrance Fee:	Nil

### Funds

### Fund Management Fee (%)

Allianz Yaşam ve Emeklilik Balanced Variable Pension Fund	2.0
Allianz Yaşam ve Emeklilik Balanced Variable Group Pension Fund	1.0
Allianz Yaşam ve Emeklilik Dynamic Variable Pension Fund	2.0
Allianz Yaşam ve Emeklilik Least Risk Variable Pension Fund	2.0
Allianz Yaşam ve Emeklilik Mixed Group Pension Fund	1.0
Allianz Yaşam ve Emeklilik Equity Pension Fund	2.0
Allianz Yaşam ve Emeklilik ISE Dividend Index Pension Fund	1.88
Allianz Yaşam ve Emeklilik Koç Companies Affiliates Index Pension Fund	1.88
Allianz Yaşam ve Emeklilik Second External Debt Securities Pension Fund	1.88
Allianz Yaşam ve Emeklilik Debt Instrument Pension Fund	1.88
Allianz Yaşam ve Emeklilik Debt Instrument Group Pension Fund	1.0
Allianz Yaşam ve Emeklilik Money Market Pension Fund	1.0
Allianz Yaşam ve Emeklilik Gold Pension Fund	1.05
Allianz Yaşam ve Emeklilik Standard Pension Fund	1.88
Allianz Yaşam ve Emeklilik Contribution Pension Fund	0.35
Allianz Yaşam ve Emeklilik Mixed Pension Fund	2.0

Bonuses:	Discount in Contracted Health Institutions Medical Assistance Road Ambulance Waiver of Contribution Benefit
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### Group Medical Benefit Plans

#### Sample 1:

Benefit	Type of Limit	Limit (TRY)	Reimbursement (Co-insurance)
In-Patient Treatments (Hospitalization)	annual	unlimited	100%
Hospital Services (Abroad)	annual	USD 15,000	80%
Out-Patient Treatments Doctor's Fee, Prescribed Drugs, Diagnostic Procedures, Therapeutic Services, Minor Treatments	annual	3,000	80%
Physical Treatment	annual	1,000	80%
Family Planning	annual	2,500	100%

#### Sample 2:

Benefit	Type of Limit	Limit (TRY)	Reimbursement (Co-insurance)
In-Patient Treatments (Hospitalization)	annual	unlimited	100%
Hospital Services (Abroad)	annual	USD 15,000	80%
Medical Practitioner & Specialist	per visit	150	80%
Prescribed Drugs	per prescription	150	80%
Laboratory expense	per case	300	80%
X-ray	per case	300	80%
Tomography	per case	600	80%
Angiography	per case	600	80%
MR	per case	900	80%
Scintigraphy	per case	900	80%
Endoscope Treatment	per case	900	80%
Physical Treatment	annual	750	80%
Family Planning	annual	2,500	100%

### Group Life Plans

Sample:

Eligibility:	Full-time staff
Number of Employees/ Insured:	152
Currency:	TRY
Pool:	IGP
Free Cover Limit:	TRY 4,575,000
Local dividend:	At the end of the policy period, if the ratio of total benefit / total premium is under 50%, a local dividend of 20% of the premium will be paid.(The policy must be renewed by Allianz Yaşam ve Emeklilik).

BENEFITS	BENEFIT LIMIT
DEATH BENEFIT	1 Capital*
ACCIDENTAL DEATH BENEFIT	2 Capital
ACCIDENTAL DISABILTY BENEFIT	1 Capital
DISABILITY DUE TO ILLNESS BENEFIT	1 Capital

\*1 capital = 1 X annual gross salary.



## Useful Links

Demographic information:

[CIA World Factbook](#) (please select the country to review)

Macro-Economic indicators:

[CIA World Factbook](#) (please select the country to review)

More information on the IGP Network Partner:

[IGP – Your Local Link in Turkey](#)

Allianz Turkey:

[http://www.allianz.com.tr/tr\\_TR.html](http://www.allianz.com.tr/tr_TR.html)

*(Information available in Turkish and English)*



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