

# Comparison of Earthquake Insurance and Public Support during Disasters in Turkey and Japan

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## Abstract

This report compares and discusses earthquake insurance and public support in the event of a disaster in Turkey and Japan. In Turkey, the government has traditionally provided generous compensation for damage caused by earthquakes (housing-related). After the 1999 Izmit earthquake, the Turkish government, in collaboration with the World Bank, launched the TCIP, recognizing the need for an alternative to continuing to solely shoulder the risks arising from earthquake damage. On the other hand in Japan, in 1966, the Earthquake Insurance Law was enacted, and an earthquake insurance system was established based on this law. In 1998, the “Disaster Victims Livelihood Reconstruction Support Act” was enacted by a lawmaker, and later, it was expanded. As a result, it was found that there is something to be learned from each other, as the two systems have different structures and each has its own advantages and disadvantages.

**Key words:** Earthquake Insurance, Public Support, Comparison, Turkey, Japan

## 1. Earthquake insurance and public support during disasters in Turkey<sup>1)</sup>

### 1.1 Earthquake insurance in Turkey

There are two types of earthquake insurance in Turkey:

First is compulsory earthquake insurance. It is provided by TCIP, sold by private insurance companies (the Turkish Catastrophe Insurance Pool, DASK in Turkish). Contract is compulsory for all residential buildings (Residential buildings in villages are optional), except for buildings belonging to public projects and rural buildings.

Second is non-compulsory earthquake insurance. Like other real estate insurance types, this insurance can be freely purchased from the market and is sold by private insurance companies.

### 1.2 Relationship between compulsory earthquake insurance and non-compulsory earthquake insurance

It is possible to take out the insurance coverage for buildings covered by non-compulsory earthquake insurance that exceeds the coverage provided by compulsory earthquake insurance.

The premium rates for both compulsory earthquake insurance and non-compulsory earthquake insurance are determined by the Ministry of Finance and are the same for all insurance companies.

## 1.3 Background of the establishment of TCIP

In Turkey, the government has traditionally provided compensation for damage caused by earthquakes (housing-related), so homeowners have not taken out earthquake insurance.

However, after the 1999 Izmit earthquake, the Turkish government recognized the need for an alternative system to the continued responsibility of the government alone bearing the risks arising from earthquake damage, and the Turkish government launched the TCIP in cooperation with the World Bank.

TCIP is a non-profit organization with the status of a public corporation established to provide compulsory earthquake insurance.

## 2. Earthquake insurance and public support during disasters in Japan

### 2.1 Earthquake insurance in Japan<sup>2)</sup>

Background of establishment of earthquake insurance in Japan is as below.

The Niigata earthquake that occurred in June 1964 was a direct trigger for calls for the establishment of an earthquake insurance system. In response to this, the government and the non-life insurance industry examined the law, and in 1966 the

“Earthquake Insurance Law” was enacted, and an earthquake insurance system was established based on this law.

In establishing earthquake insurance in Japan, in order to avoid the specificity of earthquake risk,

- (1) A method in which reinsurance is introduced by the government and operated in cooperation between the government and non-life insurance companies was introduced.
- (2) In view of the balance between the guaranteed power of the government and the non-life insurance industry, certain restrictions have been placed on the purpose of insurance contracts and the amount of insurance that can be contracted.

Furthermore, since earthquake insurance is an insurance with a highly social and public nature that was established based on the law, insurance companies do not expect to make a profit. (No loss, no profit)

## **2.2 About earthquake insurance for businesses**

Earthquake insurance for companies started in 1956.

Unlike residential earthquake insurance, commercial earthquake insurance does not have government backup (reinsurance). This is because if the government were to take care of corporate properties, the national finances would go bankrupt.

Therefore, companies must take measures to financially compensate themselves for earthquakes. Earthquake insurance for businesses has very high premium rates because it is not reinsurance by the government but reinsurance into overseas insurance markets. For this reason, some companies are using other methods to financially compensate for earthquakes, such as CAT bonds.

## **2.3 Coverage details of residential earthquake insurance in Japan <sup>2)</sup>**

Target properties of residential earthquake insurance are residential buildings (including combined housing) and household goods.

Damage is compensated when the insured object (a residential building or household goods covered by the insurance) suffers more than a partial loss due to fire, damage, burial, or washout directly or indirectly caused by an earthquake, eruption, or a tsunami resulting from these events.

For earthquake insurance contracts attached to fire insurance for a home, the insured amount is set in the range of 30%-50% of the insured amount of fire insurance (limited to 30% at the time of establishment). However, the maximum coverage is 50 million yen for buildings (900,000 yen at the time of establishment) and 10 million yen for household goods (600,000 yen at the time of establishment).

## **2.4 About the Disaster Victims Livelihood Reconstruction Support Act <sup>3)</sup>**

Based on the lessons of the Great Hanshin-Awaji Earthquake in 1995, the form of support for disaster victims became a hot topic of discussion, and in 1998, the “Disaster Victims’ Livelihood Reconstruction Support Act” was enacted by legislation. For households that are unable to rebuild their lives independently due to financial reasons, up to 1 million yen in support for rebuilding the lives of disaster victims will be provided.

Due to a review in 2004, the cost of purchasing household goods, etc. the maximum amount of support funds that could be provided was increased from 1 million yen to 3 million yen.

## **3. Conclusion**

In Turkey, the government has traditionally provided generous compensation for damage caused by earthquakes (housing-related). After the 1999 Izmit earthquake, the Turkish government, in collaboration with the World Bank, launched the TCIP, recognizing the need for an alternative to continuing to solely shoulder the risks arising from earthquake damage. On the other hand in Japan, in 1966, the Earthquake Insurance Law was enacted, and an earthquake insurance system was established based on this law. In 1998, the “Disaster Victims Livelihood Reconstruction Support Act” was enacted by a lawmaker, and later, it was expanded. As a result, it was found that there is something to be learned from each other, as the two systems have different structures and each has its own advantages and disadvantages. In other words, Turkey has the advantage of substantial public support and the disadvantage of not being able to sign up for earthquake insurance as a result, and although Japan had an advanced earthquake insurance system, it has a history of trying to save residents who could not be saved by earthquake insurance with public assistance later. When considering each other’s deficiencies, we should refer to the experience of the other.

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## トルコと日本における地震保険と災害時の公的支援の比較

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### 要 旨

本稿では、トルコと日本における地震保険と災害時の公的支援について比較・検討した。トルコでは伝統的に、地震による住宅関連の損害に対して、政府が手厚い補償を行ってきた。1999年のイズミット地震の後、トルコ政府は世界銀行と協力して、地震被害から生じるリスクを単独で負担し続けるのではなく、代替案の必要性を認識して TCIP (the Turkish Catastrophe Insurance Pool) を立ち上げた。一方、日本では1966年に地震保険法が制定され、この法律に基づく地震保険制度が創設された。1995年の阪神・淡路大震災の教訓から、1998年に議員立法によって「被災者生活再建支援法」が成立し、その後、拡大された。結論として、トルコと日本の2つのシステムには、それぞれに長所と短所があり、お互いに学ぶべきことがあることが明らかになった。

**キーワード：**地震保険，公的支援，比較，トルコ，日本