Individual pension system

Such mistakes at above that can occur in life tables will cause inaccuracies in people's insurance premiums and offers. It is very unlikely that life tables are wrong. The life table is checked in certain tests Any mistake is found by backtesting. To do backtesting takes long time because life tables are mentioned for a long time.

Individual pension system

The individual pension plan is a plan established to complement your existing social security schemes and to provide a secondary pension income in addition to your pension from social security institutions. Its able to provide you to invest and save when you get regular income.

Advantages in Turkey

- Your savings are supported by a 25% government contribution.The stage contribution limit is 25% of the monthly gross minimum wage.
- You have the right to change your prviate pension system fund and your company. You can switch to another company without paying any fee. You can also check your funds and control your fund management at any time.
- You can reduce your IPS(Individual Pension System) payment according to your budget and also you can freeze your budget if you can't afford it.
- The individual pension system funds are exempt from tax.

Disadvantages in Turkey

- If you leave without completing 10 years from the private pension system, the state will severely cut off.
- If the funds are not well managed, you may not be able to earn the income you want.
- IPS companies deduct management expense. The rate of these deductions are usually in the range of 8-10%.

The economic effect of the individual pension system

The individual pension system in Turkey is a new. If it were more widespread, people would be more rational and conscious and so government would not be able to beat the rights. They woul have to look at their own retiremnet plans and plan their future. Likewise, a radical pension system will increase the flow of capital in the economy of Turkey. In such cases, private pension funds would have more funds to direct the companies that need capital and so it can revitalize the stagnent Turkish Puclic Offering. Compulsory IPS in developed countries, attract capital from individual investors. Such funds are offered to the capital markets through the soughted funds. For this reason, the higher volume of pension funds, the greater volume of stock and bond markets. In addition, the increasing in the fund supply on the financial markets increases the liquidity of the securityies on the market. Individual pension fund is a key of big and complex institutional investors" and companies" equity financing activities. For this reason, individual pension funds help companies fund their investment opportunities and raise funds to generate

more growth by increasing their assets.

Model risk and its effect on life insurances

Model risk is the risk of harm to the industry where it is applied due to the misuse of models or mistakes in the evaluation of complexed financial products and positions and in the measurement of various risks. Practically, datas in the historical risk event are analyzed and expert opininons are assessed to ensure that the risk scenarios that may arise from the preparation of future risk event models and the results of these events are quantified. In this way, there is an opinion as to whether or not there is the necessary capital against this bad scenario. More informed decisions can be made about remedial actions such as insurance. Working-style of insurance companies is based on pricing and risk taking and in this aspect using models. These models are often important in terms of decision making tools. Since the insurance industry is based on decision-making and managing risk, the modeling system is crucial and has a long tradion in order to overcome all the complexities.Insurance companies and risk managers rely experts who well-trained in quality in order to be able to recognize, understand, become prepared and risk domesticated. These experts manage the risks associated with model use. However, insurers have formalized and matured their institutional risks. In this management process, the model is accepted as a enterprise risk and Model Risk Management is developed in this aspect. And so, with the modeling of the Model Risk Management application, changes in regulatory and data analysis, model complexity and density have been reduced thanks to this MRM.From a financial point of view, models help the companies with the right pricing, market entry and exit, capital amount decision, asset / liability management and planning. Inconsistent models harm finance and strategty(roadmap) and casues many opportunities to be missed.

Controlling model risk and reinsurance

Insurance companies can calculate the risk that they have taken by examining the deviations,prices and difficulties. An appropriate price must be set to cover the premiums, the operating costs and the compensation paid to the grandchildren of the deceased. Therefore, any errors in the models that predict the death probabilities of insured persons will result in loss of error. Therefore, the necessary way to look at the model to check is risk reinsurance. The insured risky part or whole is the reinsurer. Reinsurance can also be defined as part of the liability or by the transfer of another insurer to the entire insurer. Insurance companies can apply this method when they can not control the model risk. Reinsurance allows for risk distribution and sharing. Thus, insurance companies can take more risk and can do more business. Reinsurance companies are the companies that do not have a limited or special audit obligation. We can not control the model risk a hundred percent accurately.

In summary, Through this course, I learned the importance of the life tables for insurance companies and how the consequenses may happen in any mistake, utility effects and financial effects of the applications of the individual pension system in Turkey, and the impact of the model risk and the fact that the insurance companies will be damaged in terms of financial and strategic in any mistake by searching. But most importantly, I learned how to do the right and organized research step by step.