

PANORAMIC

INSURANCE LITIGATION

Türkiye

 LEXOLOGY

Insurance Litigation

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PRELIMINARY AND JURISDICTIONAL CONSIDERATIONS IN INSURANCE LITIGATION

Fora

In what fora are insurance disputes litigated?

In the Turkish judicial system, in principle, insurance disputes are resolved by the commercial courts, irrespective of the amount or value of the dispute. On the other hand, insurance disputes arising out of maritime law are heard by a specialised commercial court. Insurance disputes to which a consumer is a party are heard by consumer courts. If a province has no specialised or regular commercial court, disputes are heard by the general competent court, namely a civil court of first instance.

[The Code of Civil Procedure](#) No. 6100 provides the claimant with several alternative courts with jurisdiction for insurance disputes, including the commercial courts at the defendant's domicile and the place of immovable property or risk that is claimed to have triggered the insurance coverage. [The Code on Private International Law and International Civil Procedure](#) No. 5718 designates specific jurisdictions for the cases arising from insurance contract disputes, including foreign elements, and clearly states that these specific jurisdictions cannot be contracted otherwise by the parties. Article 46 of the Code on Private International Law and International Civil Procedure No. 5718 provides that the relevant jurisdictional rules shall prevail:

The court where the insurer's headquarters, or its branch office or the agent who concluded the contract are located in Türkiye, has jurisdiction in the disputes arising from insurance contracts. In the cases to be filed against the policyholder insured or the beneficiary, the court of the Turkish domicile or habitual residence of these persons has the jurisdiction.

As an alternative, the Insurance Arbitration Commission (Commission), incorporated under the Insurance Union of Türkiye, is a feasible dispute-solving mechanism alternative to court proceedings. No arbitration clause is needed to apply to the tribunal, provided that the insurer is a member of the Commission. The total number of disputes settled by the Commission reached 1,155,117 as of 30 June 2023. The number of applications made to the Commission between January-June 2023 is 273,563. The proceedings conducted before the Commission is a unique mechanism of dispute resolution since it lacks some of the essential aspects of arbitration, as no arbitration agreement is concluded between the parties and the arbitrators are appointed by the Commission, instead of the parties, from the arbitrators registered in the Commission's list.

It is also possible to initiate international or domestic arbitration proceedings pertaining to insurance disputes.

Law stated - 10 Ocak 2024

Causes of action

When do insurance-related causes of action accrue?

As per the general insurance rules stipulated in [the Turkish Commercial Code](#) (TCC) No. 6102 and dated 14 February 2011, the insured's cause of action against the insurer accrues when the insurer's obligation to indemnify the insured commences; in any event, this is within 45 days of the date of notification of the policyholder following the occurrence (in life insurance, this period is 15 days) provided that the insurer's right to examine the risk in question is not prejudiced by the insured or any external hindrance. After this 45-day period (15 days in life insurance), the insurer falls into default without further notice and is also responsible for the interest arising from the delay (article 1427/2, TCC).

There is a prescription period that should always be kept in mind. As per the general insurance rules under the TCC, all claims arising from insurance contracts shall be prescribed after a period of two years as of the date when payment falls due. In any event, all claims relating to an insurance indemnity or insurance sum shall be prescribed after a period of six years from the date of materialisation of the risk (article 1420, TCC). This maximum prescription period is 10 years in liability insurance from the date of the event constituting the subject of the insurance: for example, negligence of the insured (article 1482, TCC).

Law stated - 10 Ocak 2024

Preliminary considerations

What preliminary procedural and strategic considerations should be evaluated in insurance litigation?

Mediation has become a mandatory course to be exhausted before filing a lawsuit on commercial disputes, as per article 5/A of [the Turkish Commercial Code](#) (TCC) No. 6102 and dated 14 February 2011 .

In general, the following must be taken into account before initiating insurance litigation:

- the scope of the law governing the insurance contract and duties imposed on the insured or policyholder by the governing law and policy conditions;
- the competency of the courts or arbitral tribunal;
- costs that will arise from litigation (in the Turkish litigation system, although the costs are not sky-high, the claimant should bear the costs during the litigation and the losing party should bear the costs after the litigation period is completed, together with the attorney fee up to the amount prescribed by the tariff of the Turkish Bar Association); and
- the prescription period of the claim.

The parties should also keep in mind that insurance contracts must be concluded in Turkish and must not contain words in foreign languages, pursuant to the [Insurance Act](#) No. 5684 (Insurance Act) (article 11/5). Similarly, all private law contracts must be concluded in Turkish as per Law No. 805 [on Compulsory Use of Turkish Language among Commercial Entities](#). This is an outdated law falling short of satisfying the commercial needs of today. Scholars suggest that the applicable law on the form of insurance policies is either *lex causae* or *locus regit actum* (ie, the law of the place where the contract is executed) and consider that the provision in the Insurance Act stipulating the form of the policies should not apply to policies concluded abroad. However, scholars are concerned that Law No. 805 is a piece of

mandatory Turkish law that, by reason of its particular purpose, is applicable regardless of the designated law. In line with this, the Court of Cassation still takes into account whether the parties complied with the requirements of Law No. 805.

The consequence of the breach of the formalistic requirements laid down by Law No. 805 has not been determined. Based on court practice, however, the use of foreign languages may cause, depending on the circumstances, the exclusions in the contract and insurance policy to be deemed invalid or the contract to be interpreted to the insurer's detriment.

Regarding insurance disputes, identifying the damage, determination of the material facts in relation to loss and whether the insured has increased the risk of occurrence is particularly important. Similarly, these also have an immense effect on the recourse action between jointly liable parties.

To identify and determine the damage or loss accrued and the material facts as of the date of the loss, it is advisable to take immediate action to record the evidence. In practice, this action is preferably taken right after the occurrence of the risk. Obtaining an adjuster's report or filing a determination action before the court is also advisable to secure the required evidence and fulfil the burden of proof. It is also important for the insurer to detect whether there is another insurance covering the risk.

Last but not least, the conditions to initiate a recourse action must be considered carefully. The following should be noted: (1) to be entitled to the right of subrogation, first, the insurer must pay the indemnity to its insured or, depending on the circumstances, the beneficiary; (2) the right of subrogation only covers the amount that the insurer pays and the insured or beneficiary remains the rightful owner of the amount that is not covered by the insurer; (3) the interest applied to this amount starts from the payment date; (4) principally, the prescription period set forth for the successor is the same as that stipulated for the original insured; and (5) during and before the recourse action, the insured is obliged to take the necessary precautions to protect the insurer's rights of recourse and to collaborate.

Law stated - 10 Ocak 2024

Damages

What remedies or damages may apply?

Monetary damages are claimed in a typical litigation case.

Monetary damages in insurance disputes would cover the indemnity foreseen under the policy and the default interest, provided that the claim for the interest is stated within the initial claim. As of 23 December 2023, the advance interest rate is 44.25 per cent and the discount rate is 43.25 per cent. Concerning foreign currency, the commercial interest rate will be the highest interest rate applied to deposit accounts with a one-year maturity unless a higher rate is stipulated in the contract.

Regarding non-life insurance, the main principle is the prohibition of enrichment. Therefore, in non-life insurance such as property and liability insurance, it is not possible to claim for a higher amount than the incurred damages. The ultimate purpose of the damages awarded by the court would be to reinstate the insured or policyholder to the position it would have been in had the risk covered under the policy not occurred.

If the policy stipulates a fixed sum for all damages, it may not be possible for the insured to be in the position it would have been in before it suffered damage. However, if the policy covers the total property valued under the contract, provided that all duties of the insured are satisfied, it may be possible for the insured to claim and obtain the sum of all its damages.

It is also possible to include a revaluation clause in the insurance contract and pay the current value of the property. This is usually preferred in motor vehicle insurance, where the value of the motor vehicle is revalued at the time of the occurrence.

Last but not least, the TCC establishes that no insurance can be made covering a loss that may arise from acts of the insured or the policyholder that violate the mandatory provisions of the law, morality, public order and personal rights (article 1404, TCC).

Law stated - 10 Ocak 2024

Damages

Under what circumstances can extracontractual or punitive damages be awarded?

Under Turkish law, it is not possible to award punitive damages because of the principle of prohibition of enrichment. It is, however, possible to insert penalty clauses in agreements where one or more of the parties agree to pay a certain sum of money or perform an action if they fail to fulfil their obligations under a contract (article 179, Turkish Code of Obligations). Under penalty clauses, loss does not need to be proved. However, it is not common to insert penalty provisions in insurance policies in Türkiye.

In reinsurance, extracontractual obligations refer to damages awarded by a court against an insurer that are outside the provisions of the insurance policy, owing to fraud, bad faith or negligence of the insurer in handling a claim. Turkish law precedents and practice are scarce in this respect; however, courts are inclined to deal with this issue from the point of the insurer's burdens of proving the scope of the insurance coverage and enlightening the insurer regarding fundamental aspects of the policy. If the insurer fails to fulfil these burdens, the court may either conclude that the disputed matter is within the scope of the insurance policy regardless of the written agreement or may order the insurer to compensate the insured for any loss caused as a result of the insurer's failure. The reinsurer, on the other hand, would be responsible only to the extent of the reinsurance agreement with the insurer and may avoid any compensation for these court judgments unless a particular clause, such as Follow the Fortunes, holds the reinsurer responsible.

Law stated - 10 Ocak 2024

INTERPRETATION OF INSURANCE CONTRACTS

Rules

What rules govern interpretation of insurance policies?

Although the general approach of Turkish legislation is towards protecting the relatively weak party in a legal transaction, there are no explicit rules regarding the interpretation of insurance policies. However, under the reasoning of the Turkish Commercial Code (TCC),

it is highlighted that the founding principle of insurance contracts is the protection of the insured. [It is possible to see the examples of this principle under the TCC, such as article 1409 stipulating that the burden of proof in proving exclusion of any or some of the risks from the insurance coverage is on the insurer.](#)

As a general principle of Turkish law, any ambiguity of contractual terms is construed to the detriment of the author of the term namely, insurers in insurance disputes.

Law stated - 10 Ocak 2024

Ambiguities

When is an insurance policy provision ambiguous and how are such ambiguities resolved?

Article 1425 of the TCC states that insurance policies must be drafted in a simple and easily readable manner. The duty of providing proper wording is primarily on the insurer.

In this respect, article 11 of [the Insurance Act](#) states that no foreign words shall be included in insurance agreements. Otherwise, Turkish words that correspond to the foreign word shall be used, as determined by the Turkish Language Association. The same article also provides that 'special conditions' can be established in the insurance contract, yet they must be titled as so clearly without leading to any misinterpretation.

Other than this, the basic principle of the contract remaining in force and the consensus of the parties are also dominant in the interpretation of insurance policies. In this respect, the TCC upholds the terms and conditions negotiated between the parties or contained in the proposal form communicated by and between the parties over the policy or endorsement thereof that contradicts the earlier negotiation.

As per article 1423 of the TCC, the insurer, before the conclusion of the insurance contract, is obliged to inform the insured in writing of all information related to the contract, the rights of the insured, the provisions that the insured should pay special attention to and the notification obligations. Article 11 of the Insurance Act also requires the insurers to enlighten the insured on the scope of coverage and further stipulates that the risks that are not expressly excluded from the coverage shall be deemed to be insured. The burden of proof of whether the pre-contractual information duty has been duly fulfilled is on the insurer. On these grounds, the Court of Cassation, in some instances, rules that the admissibility of the insured's indemnification claim may depend on whether the insurer can prove the fulfilment of the information duty.

Law stated - 10 Ocak 2024

NOTICE TO INSURANCE COMPANIES

Provision of notice

What are the mechanics of providing notice?

[The Turkish Commercial Code](#) (TCC) imposes a positive duty for notification on the insured. Notice should also be made by a third party as far as it is aware of the insurance coverage

and is entitled to the right to obtain compensation. As a general rule, the notification should be made as soon as the incident giving rise to the insurance claim has occurred (article 1446, TCC).

The procedure for this notification is not clearly defined in the TCC. In principle, however, the notices and communications between the merchants, pertaining to default, termination or cancellation are required to be served via notary public, by registered mail return receipt requested, by telegram or via an electronic mail system with an e-signature.

In some policies, usually in property insurance, notification to the insurer may be duly made by electronic means, whereas in other policies, notification may be sent through a notary public. However, for the sake of proof, it is advisable for the insured to send a written notification, preferably via registered post or notary public, to avoid any uncertainty regarding when the indemnification duty of the insured becomes payable.

Law stated - 10 Ocak 2024

Obligations

What are a policyholder's notice obligations for a claims-made policy?

The TCC does not explicitly regulate notice obligation in claims-made policies but provides general rules for the notification duty of the policyholder. Accordingly, the policyholder shall notify the insurer without delay when it becomes aware of the occurrence of the risk (article 1446, TCC).

In liability insurance, the insured shall notify the insurer within 10 days of those events that may give rise to its liability. Moreover, the insured shall notify the insurer of any claim made against it immediately unless otherwise agreed (article 1475, TCC). This provision cannot be altered to the detriment of the insured in an insurance contract. When there is such an alteration, the rules provided in the TCC will directly apply.

The scope of this notification is not clearly set in the TCC. However, under the contract or at the insurer's request, the insured shall provide all information and documents necessary for determining the extent of the risk and indemnity and that might be expected from the policyholder to the insurer within a reasonable period of time (article 1447, TCC).

Law stated - 10 Ocak 2024

Timeliness

When is notice untimely?

The TCC does not provide any strict time limit but leaves it to the discretion of the judge to determine whether the notice is timely in consideration of the particularities of the case. The only period stipulated by the law is for the liability insurance, which is 10 days starting from the events that may give rise to insurer's liability. If the notice is not provided within this period without a valid excuse, notice is considered to be untimely (article 1475, TCC).

Law stated - 10 Ocak 2024

Timeliness

What are the consequences of late notice?

The TCC gives utmost importance to the causal link between the negligence of the policyholder in its notification duties and the magnitude of the insurer's indemnity obligation.

If the insurance indemnity or the fixed sum to be paid is increased as a result of the failure or delay in giving notice of the occurrence of the risk, the indemnity or the fixed sum shall be reduced by taking into consideration the degree of the policyholder's negligence. This provision cannot be altered to the detriment of the insured in an insurance contract (article 1446/2, TCC).

Law stated - 10 Ocak 2024

INSURER'S DUTY TO DEFEND

Scope

What is the scope of an insurer's duty to defend?

The insurer's duty to defend is only possible in liability insurance. It is not a duty but more of a right granted by [the Turkish Commercial Code](#) (TCC) to insurers. In other words, insurers are not obliged to defend the insured in a possible litigation. Apart from this, the insurer, as per article 1474 of the TCC, shall cover reasonable judicial costs in connection with the claims asserted by a third party. If requested by the insured, the insurer shall also grant an advance on costs.

Article 1476/1 of the TCC requires the insurer to declare its decision on the insured's request for assistance within five days of the date of notification of those events that may give rise to its liability.

When the insurer defends, it acts on behalf of the insured but for its own account and under its own responsibility and assists in the defence of the insured with regard to the claims of the third persons. If the insurer considers its right to defend, it should also give due consideration to the rights and interests of the insured (article 1476/1, TCC).

This provision cannot be altered to the detriment of the insured in the insurance contract. In the case of detrimental alteration, the provisions of the TCC shall apply.

It is common for an insurer to choose to take over defence for its own account, as it is to the benefit of the insurer regarding coverage matters.

Law stated - 10 Ocak 2024

Failure to defend

What are the consequences of an insurer's failure to defend?

If the insurer remains silent and does not choose to defend the insured, it shall pay the indemnity that would become final and binding on the insured. Any settlement agreed by the insured without the consent of the insurer is not binding on the insurer if it did not approve

this settlement within 15 days of notification. It should be noted that the insurer shall not refrain from approving the settlement for unjust causes (article 1474/4, TCC).

Law stated - 10 Ocak 2024

STANDARD COMMERCIAL GENERAL LIABILITY POLICIES

Bodily injury

What constitutes bodily injury under a standard CGL policy?

In the Turkish insurance framework, such a standard CGL insurance does not exist. Instead, the Insurance and Private Pension Regulation and Supervision Agency provides alternative general conditions for the different needs of business organisations.

As per the General Conditions of Professional Liability Insurance, for example, third-party liability insurance covers both bodily injury and property damage claims of third parties. According to the general rules of the law of obligations, bodily injury covers death, loss of limb and other harm to the human body, including sickness or disease as well as associated damage and costs such as deprivation of income. According to the General Conditions, however, non-pecuniary damages are excluded unless the parties expressly agreed to the contrary.

Apart from the above, there are different kinds of financial liability policies, including professional liability insurance, independent auditors' professional liability insurance, motor vehicles liability insurance, financial liability insurance, employers' liability insurance and medical injury liability insurance.

Law stated - 10 Ocak 2024

Property damage

What constitutes property damage under a standard CGL policy?

Property damage covers all kinds of physical and visible injury to the tangible property, such as total or partial loss of the property, including all injury resulting in the loss of use of that property. As widely accepted by practice, consequential damage is not covered by the CGL policy.

Law stated - 10 Ocak 2024

Occurrences

What constitutes an occurrence under a standard CGL policy?

Scholars, in principle, describe an occurrence as the triggering factor of insurance coverage. For general liability insurance, the law adopts the 'event occurrence' principle, which means, with reference to the insured event, the negligent act that forms the reason for the damage requiring the insured's liability.

If the policy is for the liability of a commercial enterprise, the policy is understood also to cover the third parties' loss caused by the insured's employees and representatives or executives who are in charge of the management and supervision of the enterprise.

Insurance coverage, principally, becomes payable if the event occurs within the term of the insurance (or between the accepted retroactive date and the signing date of the insurance contract, if agreed so, provided that the insured was not aware the event had already occurred).

Law stated - 10 Ocak 2024

Occurrences

How is the number of covered occurrences determined?

The number of covered occurrences is not explicitly determined in Turkish legislation.

Likewise, neither [the Turkish Commercial Code](#) (TCC) nor the General Conditions of Liability Insurance specifically stipulate how serial damages must be evaluated.

However, contracts tend to include a serial damages clause that considers continuous or continual occurrences and stipulates that the insurer shall indemnify the insured once, up to the value of the insurance coverage. In the absence of this agreement, the court may evaluate whether there is unity in cause or unity in time to consider the occurrences as a single insured event.

Law stated - 10 Ocak 2024

Coverage

What event or events trigger insurance coverage?

In Turkish insurance practice, a CGL policy is generally based on the occurrence of the covered risk, third-party claims or suffered loss. In principle, the CGL policy is occurrence-based as per article 1473 of the TCC. That means, provided that the harming event occurs in the policy period, the materialisation of the loss and the timing of the third party's claim is not relevant for the assessment of the coverage (except for statute of limitation considerations).

The parties may agree otherwise and make the CGL policy claim-based or loss-based. In the claim-based CGL policy, the third party's claim must be in the policy terms and the occurrence of the harming event and the materialisation of the loss are not relevant. Likewise, in the loss-based CGL policy, the materialisation of the loss should be in the policy term and the occurrence of the harming event and the timing of the claim are not relevant.

On the other hand, a CGL policy may be on more than one basis. For instance, if a CGL policy is based on both occurrence and claims, the harming event and the third party's claim must be in the policy term to trigger the insurer's compensation obligation.

In Türkiye, obligatory insurances are generally occurrence-based.

Law stated - 10 Ocak 2024

Coverage

How is insurance coverage allocated across multiple insurance policies?

In principle, if the same interest is insured against the same risk for the same term by more than one insurer at the same date or at different dates, the policyholder shall not be paid in excess of the insurance value (article 1465, TCC). There are three different kinds of multiple insurance policies stipulated under the TCC.

(i) Double insurance

In respect of an interest covered for its full value, Article 1467 states that the same person or other persons can only subsequently take out insurance against the same risks for the same periods, provided that:

- the double insurance is approved by the subsequent and previous insurers;
- the policyholder transferred its rights arising out of the previous insurance contract to the subsequent insurer or waived its rights under the previous insurance contract. In this case, the transfer or the waiver must be written on the insurance policy, failing which the subsequent insurance will be deemed to be invalid; and
- the liability of the subsequent insurer is restricted to the part of the loss that is not paid by the previous insurer. In this case, the previous insurance must be annotated on the subsequent insurance policy, failing which the subsequent insurance will be deemed invalid (article 1467, TCC).

(ii) Joint insurance

Article 1466 says that if the same interest is insured with more than one insurer at the same date, against the same risk and for the same period, all of the co-insurance contracts will be deemed valid only up to the value of the insured interest. In other words, in joint insurance, there are different insurance policies for a part of the value of the property.

In such a case, each insurer shall be liable for the proportion that its insured sum bears to the total of the insurance sums. If the insurers are jointly liable according to their contracts, the insured will not have the right to claim more than its loss. Moreover, each of the insurers shall be liable up to the sum it must pay according to its contract. In that case, the insurer who has made the payment will have recourse to the remaining insurers for the proportion of the insurance sums that the insurers must pay to the insured under their contracts (article 1466, TCC).

(iii) Partial insurance

Article 1468 states that if the insured interest is not covered entirely by the previous insurance contract, then this interest may be insured under one or several insurance contracts up to the remaining uninsured part. In this case, insurers that insured the remaining uninsured part of the interest shall be responsible according to the date of their insurance contract.

The insurance contracts concluded on the same day shall be regarded as concluded at the same time (article 1468, TCC).

Law stated - 10 Ocak 2024

FIRST-PARTY PROPERTY INSURANCE

Scope

What is the general scope of first-party property coverage?

Under Turkish law, first-party property coverage includes all kinds of risks that would create physical damage to the property of the insured (eg, fires and floods). Some typical examples of first-party property insurance would be motor vehicle insurance, construction insurance and theft insurance.

Unless otherwise agreed in the insurance policy, property insurance does not cover the loss of earnings and the damages caused by the defects in the insured (article 1453/2, TCC).

Law stated - 10 Ocak 2024

Valuation

How is property valued under first-party insurance policies?

As per [the Turkish Commercial Code](#) (TCC), depending on the nature of the property, the procedure for valuation of the property subject to the policy may vary. For example, in fire policies, it is usually the case that, after obtaining the information from the policyholder, the insurer appoints a private expert to value the asset. In case of a disagreement, the parties may appoint a referee expert as well. When determining the value of the commercial assets, the expert should take into account the assets' current value or purchase price of the day before the occurrence. The value of the machines and equipment, on the other hand, should be calculated taking into account the price of a new asset of the same quality. The value of the negotiable instruments should be determined according to their market value in the stock exchange.

The value of the insurance is set in the contract and constitutes a binding value for the property at the time of the occurrence. The insurer, however, is entitled to request a reduction of the value of the property, provided that the set value is excessive in relation to the real property value.

It is also possible to include a revaluation clause, which is widely seen in motor vehicle property insurance, in which the property is revalued at the time of the occurrence.

As a side note, the insurer is entitled to examine the value of the property during the term of the contract.

Law stated - 10 Ocak 2024

Natural disasters

Is insurance available in your jurisdiction for natural disasters and, if so, how does it generally apply?

Insurance for earthquakes is compulsory in Turkish jurisdiction for those who own real estate that is used for anything other than commercial and industrial purposes. According to the General Conditions of Compulsory Earthquake Insurance, this insurance also covers losses arising out of fire, explosions, tsunamis and landslides triggered by earthquakes.

Other than the above, any policyholder can extend its facultative fire insurance wide enough to cover:

- its commercial and industrial buildings against earthquakes;
- other natural disasters such as volcanic eruptions, floods and fires;
- environment pollution that is directly or indirectly caused by one of the natural disasters within the scope of the insurance; and
- terrorism, strikes and civil commotion.

Climate insurance is also available in Türkiye since 2019.

Also, Turk Re, a reinsurance company established on 6 September 2019, with the Ministry of Treasury and Finance as its sole shareholder, has undertaken the task of managing the pool of natural disaster risks. Turk Re has also undertaken technical management of Turkish Natural Catastrophe Insurance from Eureko as of 8 August 2020.

Law stated - 10 Ocak 2024

Pandemic

Is insurance available in your jurisdiction for pandemic-related losses and, if so, how does it generally apply?

Before the coronavirus pandemic, there was no disease insurance covering an epidemic or a pandemic. However, as a result of the coronavirus risk, insurance companies began to ensure coronavirus coverage by providing an additional premium to cover the resulting demands.

In terms of health insurance, it is discussed in the doctrine that if there is a special provision in the insurance policy specifying that the treatment costs of pandemic-related diseases will be excluded from coverage at the time of the conclusion of the insurance policy, the insurer may avoid paying the insurance amount, but in the absence of such a special provision, the insured's treatment costs should be covered to the extent of the policy limits.

Regarding personal accident insurance, since 'all forms of diseases and their consequences and a morbid state' are not deemed to be accidents, according to article 4 of the General Terms and Conditions of Personal Accident Insurance, pandemic-related damages are excluded from personal accident insurance.

When it comes to the package policies provided to businesses (such as property insurance and employers' liability insurance), it may be argued that the general conditions often cover risks that could result in physical harm and, therefore, a pandemic-related risk will not be covered.

Law stated - 10 Ocak 2024

DIRECTORS' AND OFFICERS' INSURANCE

Scope

What is the scope of D&O coverage?

There is no standard D&O insurance coverage, as this type of insurance is not specifically regulated under Turkish law and the General Conditions of Professional Liability Insurance do not shed adequate light on the matter. [The Turkish Commercial Code \(TCC\)](#), however, does stipulate under article 361 that D&O liability insurance for an insurable interest exceeding 25 per cent of the capital shall be taken into account when assessing the joint-stock company's compliance with the corporate governance requirements.

In practice, the scope of the D&O insurance policy, as delineated in article 553 of the TCC, covers third-party claims against the insured that are caused by faults or improper performance of his or her professional services. Third parties would typically mean the shareholders of the company, regulatory authorities, creditors, competitors and employees.

Insurance companies in Türkiye tend to provide D&O insurance coverage that includes cover for administrative monetary fines issued by the regulatory authorities and litigation costs, provided that there is a deductible stipulated in the contract and excluding any wilful misconduct and misrepresentation of the D&O.

Law stated - 10 Ocak 2024

Litigation

What issues are commonly litigated in the context of D&O policies?

Claims under D&O policies are mostly based on the directors' breach of the general duty of care and other duties provided under the TCC and their work and service contracts. In these instances, the policyholder, after compensating the third party who suffered damage because of the policyholder's directors or officers, brings a claim against the insurer for reimbursement under the policy. The policyholder may also prefer to initiate a declaratory action before the first instance courts, requesting the court to set forth the liability of its directors, to ensure that the insured has solid grounds for requesting an insurance payment from the insurer.

While not frequent, D&O liability in antitrust infringements can also have severe consequences.

A considerable portion of the claims arise from administrative proceedings for non-compliance with the regulations such as capital markets, tax and customs-related legislation.

Law stated - 10 Ocak 2024

CYBER INSURANCE

Coverage

What type of risks may be covered in cyber insurance policies?

Cyber insurance is still a new concept in Türkiye, which has been reported as one of the countries where cyberattacks show the most growth. Cover is mainly offered for the risks related to threats to companies' networks and IT infrastructure.

Although the legislative regulations are yet to come into effect, the insurance sector issues new products regarding the cyberattacks, under the name of identity protection insurance, digital protection insurance or personal and commercial cybersecurity insurance to cover the damage incurred because of the attacks targeting digital platforms such as computers, electronic devices or automated teller machines.

In 2016, one of the biggest and most serious cyberattacks in Türkiye to date targeted one of the most reputable banks. According to the bank's official statement, the loss incurred by the bank was then remedied as per the lower limit of the banker's blanket bond, without seeking any separate insurance coverage particularly concerning cyber risk.

Coverage generally includes expenses incurred and payments made by a company:

- for the destruction or theft of its assets through any unauthorised access to or use of the company's systems, including its risk management systems;
- in communicating with affected customers about the data breach or loss;
- for the recovery of lost or breached data;
- in identifying how a breach to its systems or how a network failure has occurred; and
- in monitoring complaints raised by data subjects.

It is also possible to include digital media risks, such as:

- defamation of trade reputation, or of the character of any person or organisation;
- unintentional infringement of a copyright, title, slogan, trademark, trade name, trade dress mark, service mark, service name, domain name or licence agreement;
- invasion and infringement of, or interference with, the rights of privacy, publicity, morality and not being presented in a false light;
- theft of ideas or information, plagiarism, piracy or misappropriation;
- public disclosure of private facts;
- personal intrusion and commercial appropriation of a name;
- material interruption to a company's network systems; and
- data restoration.

Law stated - 10 Ocak 2024

Litigation

What cyber insurance issues have been litigated?

Given that the cyberattack is a newly emerging risk in the Turkish insurance market, disputes in this regard are scarce and there is no court precedent directly handling this matter yet.

That said, there are precedents dealing with the grant of an official loss certificate in terms of electronic commercial books and records of companies due to cyberattacks, which could be indicative in the determination of insurance coverage. In these applications, the courts evaluate whether the company, as a prudent merchant, has shown sufficient care and taken adequate precautions in the loss of the documents and evaluate whether the company has any fault in this regard. In two cases brought before the Regional Courts of Appeal in 2020 and 2021, commercial books kept electronically by the victims were subject to cyberattacks and the files of the victims were unusable and could not be restored so it was requested from the court to decide the loss of the documents. The courts highlighted that in order to prevent electronic books and certificates kept in information processing systems from becoming inaccessible due to deletion, damage, virus infection and cyberattack, it is expected from a prudent business that it takes adequate technical and security measures regarding the preservation and presentation of their e-books and certificates, as well as the healthy functioning of the information technology system they use, and in this context, backing up their e-books and certificates in different environments due to the problems that may occur in the information processing systems.

With a fast-growing Turkish e-commerce market, new legislation and administrative measures are expected in the near future.

Law stated - 10 Ocak 2024

TERRORISM INSURANCE

Availability

Is insurance available in your jurisdiction for injury or damage caused by acts of terrorism and, if so, how does it generally apply?

[Anti-Terror Law](#) No. 3713, dated 12 April 1991, defines terror as:

all types of criminal offence committed by means of duress, violence, oppression, threat, menace or intimidation by members of an organisation for the purposes of changing the constitutional qualifications of the Republic, political, judicial, social, secular, economic order of the country, impeding the state's inseparable integrity with her realm and nation, endangering the existence of the state and the republic, debilitating, overthrowing or occupying the state's authority, dissipating fundamental rights and freedom, distorting domestic and international security, public order or public health.

[The Act Concerning Compensation of Terror-Originated Losses](#) No. 5233, dated 17 July 2004, regulates procedures and principles for compensation by means of amicable manners for the losses suffered by real persons and legal entities. Accordingly, the state compensates the losses arising from terror activities that cause:

- damage to livestock, trees, crops, and other movable and immovable assets;

- bodily injuries, disability, casualties, and relevant treatment or funeral expenses; and
- deprivation resulting from being unable to reach the owned assets.

These losses are principally compensated in kind, if possible. For example, the state gives priority to giving a house instead of cash to an aggrieved citizen who lost his or her house as a result of a terror attack.

When evaluating the amount of loss, however, the damage determination commission takes into account collateral benefits that the aggrieved may have enjoyed. Insurance payments are one of these possible benefits. The commission, upon an application for a compensation claim, researches and determines the amount the aggrieved may have received from his or her insurance policy because of the loss. This amount would be deducted from the suffered loss to determine the compensation to be made by the state. Insurance companies cannot have recourse against the state for the insurance payments to indemnify the terror losses.

Turkish Insurance Law does not provide any restriction with regard to coverage for losses caused by acts of terrorism. Even though general conditions of an insurance type such as fire insurance do not include terror by default, the insured may request to include this risk in return for an additional premium.

Law stated - 10 Ocak 2024

UPDATE AND TRENDS

Key developments of the past year

Are there any emerging trends or hot topics in insurance law in your jurisdiction?

The Constitutional Court, with its decision published on 14 February 2023, ruled on the unconstitutionality of the provision regarding the calculation methods of the damages within the context of compulsory financial liability, which was regulated in article 90 of the Law No. 2918 [on Highway Traffic Law](#). The annulled provisions were related to the calculation of the compensation (1) for loss in value, (2) for loss of support and (3) for permanent disability. Although the calculation is made based on the [Turkish Code of Obligation](#) (Law No. 6098) for the operator, the calculation is made based on the article 90 of the Law No. 2918 [on Highway Traffic Law](#) for the insurance companies. In the reasoned decision of annulment, it was emphasised that the scope of the compensation debts of the operator and the insurance companies differ, and damaged third parties may not be compensated for the damages incurred. With this justification, the relevant provisions were annulled. This will lead the compensation liability for the insurance companies to increase.

On 28 February 2023, the amendments made to the Communiqué on Increasing the Monetary Limits in the Twelfth and Fifteenth Paragraphs of Article 30 of the Insurance Act were published in the Official Gazette numbered 32118. Accordingly, insurance arbitration decisions regarding the disputes with the amount under 15,000 Turkish lira are final. An objection can be raised to the insurance arbitration decisions for the amounts of 15,000 Turkish lira or above. Appeal application can be made for the insurance arbitration decisions made upon objection to the Insurance Arbitration Committee for the disputes over 238,730 Turkish lira.

On 13 May 2023, the amendments made to the Regulation on Financial Reporting for Insurance and Reinsurance Companies and Pension Companies were published in the Official Gazette numbered 32189. With the amendments, the scope of the said Regulation was clarified and it was stipulated that the insurance and reinsurance companies established in Türkiye, the branches of foreign insurance and reinsurance companies in Türkiye and pension companies are within the scope of the said regulation. Along with the further amendments to be effective as of 1 January 2025, it was stipulated that the companies will comply with Turkish Financial Reporting Standards (TFRS) 17 Insurance Agreements, which sets out the principles for recognition, measurement, presentation and disclosure of insurance agreements in the financial statements. These actions indicate that the Insurance and Private Pension Regulation and Supervision Agency attaches importance to the harmonisation with international regulations.

On 7 June 2023, the amendments made to the Regulation on Insurance Arbitration were published in the Official Gazette numbered 32214. With this Regulation, new arrangements regarding the working procedures of reporters and objection authorities, and the insurance arbitrators' experience are introduced. According to the Regulation, electronic applications will be allowed for insurance arbitration system and for the appeal arbitral tribunal. Also, the Regulation extends the preliminary examination procedure to be carried out by the reporters. While the reporters were obliged to consider during the preliminary examination whether there is a dispute referred to a court, or arbitration according to Code of Civil Procedure, or the Consumer Arbitration Committee; with the Regulation, the reporters are now additionally obliged to consider whether there is an enforcement proceeding according to the Enforcement and Bankruptcy Law. Moreover, if a new arbitrator is appointed due to force majeure, unexpected events, or deletion of an arbitrator from the arbitrators list, the Regulation foresees a period of four months for insurance arbitrator and period of two months for appeal arbitrator to render a decision.

On 1 October 2023, the Communique on Financial Reporting for Insurance and Reinsurance Companies and Pension Companies, which has the same scope with the said Regulation, was published in the Official Gazette numbered 32326 and will enter into force on 1 January 2025. This Communique stipulates the procedures and principles regarding the format and content of the consolidated and unconsolidated financial statements to be prepared based on TFRS and their disclosure to the public together with footnotes and explanations, in order to enable comparison of financial statements with previous periods and financial statements of other companies. The said Communique abolished the Communique on Presentation of Financial Statements (Communique No: 2008/1) published on 18 April 2008 in the Official Gazette numbered 26851.

On 1 October 2023, the Communique on Insurance Uniform Accounting Plan and Prospectus was published in the Official Gazette numbered 32326 and the said Communique will enter into force on 1 January 2025. This Communique aims to facilitate the preparation of financial statements in line with TFRS, to guarantee the consistency in accounting records and reporting of businesses so that the companies within the scope, which is the same with the Regulation on Financial Reporting for Insurance and Reinsurance Companies and Pension Companies, to fulfil the responsibilities and monitor their financial strength, to set up an infrastructure that will guarantee the production and flow of sound and comparable data.

Law stated - 10 Ocak 2024