

Insurance Sector in Progress

Insurance sector, with its non-penetrated potential, has long been considered as one of the prospective vanguards of the economy. The latest developments signify these high hopes held for the insurance market and its contributions.

Turkish government has an objective to be the 10th biggest economy in the world by 2023, aiming to generate US\$2 trillion worth of gross national product.¹ In line with this objective, the government has the insurance sector, among others, in its sights. Newly emerging risks, disasters that have been experienced and the economic climate stand as important motives when shaping the underlying legislation and insurance tools.

While the New Economic Program² strives for “*economic balancing*” and “*healthy and sustainable growth*”, Türk Reasürans Anonim Şirketi (“**Türk Re**”) has been founded by the Ministry of Treasury and Finance on 6 September 2019 as a life line support for Turkish reinsurance market. Turk Re, with its capital of 600 million liras and the sole shareholder Ministry of Treasury and Finance, aims to contribute to the New Economic Program, increase the domestic reinsurance capacity in Turkey and ensure resource efficiency.³ Ms. Selva Eren, general manager of Turk Re, stated that they plan to keep 1.2 billion liras domestically out of 8 billion liras transferred abroad through reinsurance.⁴

In this direction, the government also seeks structural reforms to ensure more convenient transition and adaptation to European Union (EU) standards by taking into account the demands of the private sector. In this regard, Insurance and Private Pension Regulation and Supervision Agency (“**IRSA**”) has been founded on 18 October 2019 as an autonomous authority to act as the new insurance regulatory agency. From this point on all references previously made to the Ministry of Treasury and Finance and the Undersecretariat of Treasury by the legislation in the field of insurance shall be made to IRSA according to the founding Presidential Decree No. 47.⁵

IRSA is designated to prepare and implement legislation for insurance and private pension, and monitor and guide its implementation by those concerned and be able to take and execute measures to protect the insured and the market participants. Furthermore, IRSA shall be able to carry out inspection, audit and investigation activities of insurance and private pension companies.

¹ 10th Development Plan, 2013; Available at <http://www.sbb.gov.tr/wp-content/uploads/2018/11/Onuncu-Kalk%C4%B1nma-Plan%C4%B1-2014-2018.pdf>

² Insurance and Individual Pension Activity Report, 2018; Available at: <https://ms.hmb.gov.tr/uploads/2019/07/Sigortac%C4%B1l%C4%B1k-ve-BES-Faaliyet-Raporu-B%C3%B6l%C3%BCm-I.docx>

³ Interview with Selva Eren dated 30 October 2019, available at: <https://www.aa.com.tr/tr/ekonomi/turk-reasurans-as-kuruldu/1595522>

⁴ Interview with Selva Eren dated 30 October 2019, available at: <http://www.hurriyet.com.tr/yazarlar/noyan-dogan/doviz-cikisini-engelleyecegiz-41340329>

⁵ Article 19 of the Presidential Decree No:47, available at: <https://www.resmigazete.gov.tr/eskiler/2019/10/20191018-6.pdf>

The establishment of IRSA has been welcomed very positively in the insurance sector. Mr. Atilla Benli, chairman of the Insurance Association of Turkey, has stated “...the expansion of the non-bank financial system has been a priority of the Ministry of Treasury and Finance as well for the purposes of ensuring a balanced and deep financial market. The establishment of IRSA is an important step towards this goal and a long-awaited positive development.” He also stated “...We think IRSA will make quick decisions, especially in secondary regulations.”⁶

Against this background, the insurance sector seems to have gained momentum over the years. Indeed there have been noteworthy developments carried out by means of legislative and administrative activities in the recent years. One of these said developments, pertaining to For Small And Medium Sized Enterprises, is Trade Credit Insurance. It provides coverage for the risk of non-payment of the debts regarding the sales on accounts that are not subject to any security instruments. Currently, pursuant to the regulations in force, the small and medium sized enterprises whose net sales are below TRY 25 million can benefit from this insurance. Building completion insurance policies, credit insurance policies and short-term trade credit for small and medium enterprises have recently been introduced as products, serving the purpose of limiting the effects of economic slowdown and currency volatility.⁷ Other regulations on the issue include the governmental decision stipulating the system on the basis of governmental incentive, which provides insurance for small and medium sized enterprises regarding their trade credits, and the communiqué issued by the Ministry of Treasury and Finance in 2018, which sets the guidelines and tariffs to be adopted by the insurance companies for the credit insurance foreseen for small and medium size enterprises.⁸

Legal protection, surety, and cyber security insurances are some of other noteworthy topics on the insurance sector’s agenda. Legal protection insurances, providing coverage for any expenses and other deeds that need to be incurred in the context of legal disputes or settlements that fall under the coverage of the policy, have been included in Judicial Reform Strategy Document,⁹ announced by the Presidency, and await to be objectified with further regulations. Surety insurances, on the other side, providing the debtors with coverage against any failure in fulfilling their obligations specified under the policy, have been included in the program of the Ministry of Treasury and Finance, as mentioned at the Export Master Plan.¹⁰

Distinctly, cyber security insurances are nurtured particularly by the contribution of the private sector, which became more aware and on alert of the market’s needs especially upon the cyber-attacks which Turkey has encountered not long ago. The legislative regulations, covering the

⁶ Press Release dated 18 October 2019 regarding the establishment of IRSA, available at: <https://www.tsb.org.tr/tsb-baskani-atilla-benli-nin-sddk-kurulusuna-iliskin-basin-aciklamasi.aspx?pageID=409&nID=15222&NewsCatID=331>

⁷ Turkish Insurance Market Outlook 2016–17, p.33, http://www.jlt.com.tr/upload/files/Turkish_Insurance_Market_Outlook_2016-17.pdf

⁸ Official Gazette no. 30635 dated 24 December 2018, <https://www.resmigazete.gov.tr/eskiler/2018/12/20181224-9.htm>

⁹ Turkey’s Judicial Reform Strategy Document, <https://researchcentre.trtworld.com/images/files/info-packs/Judicial-Reform.pdf>

¹⁰ Turk Eximbank’s Role in 11th Development Plan and Export Master Plan, <https://www.eximbank.gov.tr/content/files/3b3a03cc-8819-464c-baaf-1198853cc7d2/turk-eximbank-s-role-in-11th-development-plan-and-export-master-plan-20-09-2019>

needs stemming from the rapidly developing market are yet to come; however, the private sector has already started to issue particular insurance types regarding the cyber-attacks, in order to secure digital platforms.

Special thanks to Kardelen Özden and Mehmet Berk Demir for their contributions.