

client alert

INSURANCE | TURKEY |

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INSURANCE AGENCIES: THE FINAL MOVE OF THE TREASURY IN 2014

A few months after the adoption of the much debated Regulation on the Insurance Agencies published on 22 April 2014, the Undersecretariat of Treasury (the "**Treasury**") has issued three sector announcements and two circulars to clarify the situation of insurance agencies under the newly applicable framework. The last move of this regulatory restructuring is the recent amendment to the Regulation on the Insurance Agencies (the "**Amendment**") published in the Official Gazette numbered 29221 bis and dated 30 December 2014.

The Amendment principally sets out new and more detailed provisions applicable to insurance agencies incorporated in the form of a joint stock or limited company, and more specifically regulates (i) the branch office structuring of insurance agencies, (ii) specificities on their incorporation share capitals and (iii) the ratio of their equity capital,

The Amendment provides for distinct dates of entry into force for each specific provision, as set out below.

BRANCH OFFICES OF INSURANCE AGENCIES

The Amendment provides new rules on the branch structuring of insurance agencies, which are effective from 30 December and can be summarized as follows:

- Obtaining the Treasury's prior approval for any branch opening (the Treasury being also entitled to monitor creations of branches end to decide on operations shut down);
- Increase in educational and professional experience requirements for top managers, similar to what is applicable to top managers in insurance companies (i.e. 5 to 7 years' professional experience and 4 years' higher education), as well as increase in the required minimum number of such top managers;
- The branch offices shall employ at least one manager and one *technical personnel*;
- For agencies operating through branches and agencies performing distant sales, financial statements shall be provided quarterly to the competent authority to be further identified by the Treasury.

In addition to the above provisions, the Treasury emphasizes that any structure similar to a branch shall be qualified as a branch regardless of its name and shall ensure compliance with the above provisions until 1 May 2015.

INCORPORATION CAPITAL REQUIREMENTS

Two different limits on capital requirements have been set out and will be applicable to insurance agencies incorporated after the adoption of the Amendment:

- Insurance agencies performing standard activities shall have a minimum share capital amounting to TRY 50,000. Such provision shall not apply to existing insurance agencies; and
- Insurance agencies having a branch office structure or performing distant sales shall have a minimum share capital amounting to TRY 300,000 (and an additional TRY 25,000 for each branch).

At least 50% of the paid-up incorporation share capital of these companies shall consist of easily cash convertible investment instruments.

EQUITY CAPITAL

Insurance agencies having a branch office structure or performing distant sales shall hold a minimum equity capital amounting to 4% of the yearly premiums that were generated through their intermediation, which, in any event, shall not be less than TRY 300,000. In order to ensure a smooth transition, 2% percentage shall be applied for 2014 and a 3% for 2015.

Finally, although neither the Amendment nor the Regulation contain additional provisions that specifically regulate matters such as the minimum content of the insurance agency contracts or the portfolio indemnity payable to agencies, there seem to be high market expectations in this regard that could trigger further amendments to the Regulation in the coming months.

In compliance with Turkish bar regulations, opinions relating to Turkish law matters which are included in this client alert have been issued by Özdirekcan Dündar Şenocak Avukatlık Ortaklığı, a Turkish law firm acting as correspondent firm of Gide Loyrette Nouel in Turkey.

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