THE FUTURE OF THE PAST

Anadolu Sigorta

Turkey’s Insurance

Prof. Zafer Toprak
The Future Of The Past

Anadolu Sigorta

Turkey's Insurance

Prof. Zafer Toprak
Following the founding of the Republic of Turkey, a new financial framework became necessary in order to set the economy on solid ground. Banking and insurance were the most important industries for this financial structure. Türkiye İş Bankası (Isbank) was established in 1924 by Celâl Bayar on Atatürk’s instructions. Isbank then founded Anadolu Sigorta the next year. Anadolu Sigorta was the first national company established in line with the Republic’s aims for the insurance sector. Anadolu Sigorta, a pioneer at every milestone of the industry, has maintained this pre-eminence since 1925.

Tracing the progression from the past to today, our book “The Future of The Past” carves this history in stone with comprehensive details while offering insight into the development of Turkey’s insurance sector and the evolution of the country’s financial structure. Numerous works about insurance techniques and the legal structure of insurance have been published in Turkey to date. These works, however, are studies aimed at the present and the future. Unfortunately, historical studies of insurance are almost non-existent. Nonetheless, the identities of institutions are formed by their past. In this context, Anadolu Sigorta has undertaken a comprehensive project and filled this gap by preparing a book compiled from the primary sources available in the company’s archives. This project chronicling Anadolu Sigorta’s historical development, excluding the field of reinsurance, is the first history of insurance written in Turkey.

Anadolu Sigorta, playing a key role yesterday and today in developing the insurance industry and seeking to parallel the changing social environment, is determined to constantly advance its pursuit of providing a wider range of higher quality service to the insured, backed by its innovative and state of the art products and services.

Prepared with the meticulous, dedicated efforts of Prof. Zafer Toprak, “The Future of The Past – Anadolu Sigorta”, chronicles both the history of the Turkish insurance industry and the processes of economic, social and political changes in a country.

Anadolu Sigorta
CHAPTER I ................................................................. 17

INSURANCE FROM THE TANZIMAT ERA TO THE
REPUBLIC

First Steps in Insurance ................................................. 18
Insurance in the 2nd Constitutional Period ..................... 20
Abolition of the Capitulations and Status of Insurance
Companies ............................................................... 20
Treaty of Lausanne and Nationalisation of Insurance ...... 22
First Steps in National Insurance Business ....................... 23
  Insurance Policies Related to Garages

CHAPTER II ..................................................................... 27

THE REPUBLIC OF TURKEY AND NATIONAL
INSURANCE 1925-1935

National Interests and Insurance ................................. 28
  “Maritime Insurance Is a Weapon for National Commerce”
Legislative Developments in the First Period of the
Republic ........................................................................ 31
  Constitution of the Central Office of Turkish Insurers
The Founding of Anadolu Sigorta ................................. 32
Anadolu Sigorta Board of Directors in 1936 ...................... 37
  Ziraat Bank Branches as Agencies
Right of Priority and the Other Companies .................... 37
  Monsieur Piyos and “Reserved Right”
Anadolu Sigorta in the Memoirs of Osman Fikret Arkun
The French Model Proposed to Isbank ........................... 40
  The First Shareholders of Anadolu Sigorta
Annulment of the Right of Priority ................................. 41
  Abolition of the Right of Priority
The Ministry of the Economy’s New Tariff Rates .......... 43
Accretion of the Capital and the Legal Reserve Fund ...... 47
Celâl Bayar’s Appointment as Minister of the Economy and
a Change of Management ............................................ 48
  On Celâl Bayar’s Letter of Resignation
The Great Depression of 1929 and Insurance ............... 48

CHAPTER III ................................................................... 51

FULLY INDEPENDENT NATIONAL INSURANCE
1936-1946 .................................................................

Sümerbank and Güven Insurance ................................. 52
  Güven Insurance Joint Stock Company
Feniks and Türkiye Milli Insurance Companies ............. 56
  Muammer Eriş and British Companies
Relations with Güven Insurance ................................. 57
Radical Transformations in the Insurance Industry .......... 59
  Distribution of Shares as of 14 March 1936
  Minutes of the Extraordinary Meeting of 12 May 1935
Anadolu Sigorta and İtimad-ı Milli Company
The Memorandum of Refi Celâl Bayar ......................... 61
A New Insurance Company: Ankara Insurance .......... 63
Developments in the Insurance Industry ...................... 67
  Celâl Bayar and the 1936 Insurance Industry Crisis
  Celâl Bayar and Measures for National Insurance Business
The Public Official’s Salaries Scale Law and Wages at
Anadolu Sigorta .......................................................... 67
Anadolu Sigorta in a War Environment ......................... 72
New Taxes in Emergency Times ................................. 74
The Reinsurance Problem in a War Environment .......... 75
Consortium of National Companies ............................. 77
  Kâzım Taşkent’s Letter of Congratulations
Tariff Rates Reductions and the Ministry of Commerce ... 78
  Maximum Commission Rates
Suphi Tanel’s Appointment as General Manager
Donation to Şişli Mosque
Coming Through and New Opportunities .................... 82
  Labour Legislation and Lunch for Employees
New Reinsurance Contracts ......................................... 84

The Future Of The Past Anadolu Sigorta Turkey’s Insurance 6
CHAPTER IV ................................................................. 87
RECONSTRUCTION PERIOD 1947-1960

New Headquarters: Anadolu Sigorta Building ............... 88
  The Purchase of the Hüdavendigar Building I
  The Purchase of the Hüdavendigar Building II
  The Hüdavendigar Building and the Directorate of
    Foundations’ Share
  Undergarments Allowance for Employees
The Course of Emptying the Building ............................ 90
  The Renovation of the Anadolu Sigorta Building
  The Billboards of the Anadolu Sigorta Building
  Keeping an Office in the Kınacıyan Building
The Opening of the Company’s Ankara Branch ............... 94
  Agency Appointment of Hasan Polatkan
Anadolu Sigorta İzmir Office ........................................... 96
The Ankara Insurance Problem ....................................... 97
  Permission for Harvesting Leave for Zeki Kadirbeyoğlu
Anadolu Sigorta’s First Capital Increases ......................... 102
  Minutes of the Extraordinary General Meeting of
    31 March 1949
  Minutes of the Extraordinary General Meeting of 8
    February 1950
  Shareholders of Anadolu Sigorta According the Minutes
    of the General Assembly dated March 31st, 1950
Developments in Insurance Sector Post-1950 ..................... 104
  Gratuities for Raşid Rıza and Behzat Budak
Personnel Regulation of 1957 ....................................... 105
Politics and Anadolu Sigorta ......................................... 107
  Donations to Democratic Party I
The Problem of Supervising Insurance Companies .......... 107
Investment Problems in the ‘50’s .................................. 110
  The Decision to Purchase Real Estate
  The Search for a New Service Building
The Problem of Opening an Agency in Cyprus ............... 111
  The Agency in Cyprus Decision
  Ziraat Bank and Başak Insurance
27 May Military Coup and Anadolu Sigorta .................... 113
  Donations to Democratic Party II
  27 May and the New Board of Directors
  7% Interest Hürriyet Bonds
The First Six Months of 1960: Troubled Days .................. 115
Anadolu Sigorta’s Legal Advisory Department ............... 116
New Regulation for Mortgage Interest Rates .................... 116
  A Search for a New Strategy ...................................... 119
  Social Security and the Pension Fund .......................... 119

CHAPTER V .................................................................... 123
STABLE GROWTH PHASE 1961-1980

Passing Beyond the Critical Period ............................... 124
  The Departure of Ziraat Bankası
Anadolu Sigorta Getting Computerised ............................ 125
  Contract with IBM
End of the Extraordinary Phase ................................... 127
  The Resignation of Hulki Dönmezer
The New Mortgage Regulation .................................... 127
The Supervision of Insurance Companies ....................... 131
The Association of Insurance and Reinsurance
  Companies .................................................................... 132
Competition and Cooperation among Insurance
  Companies .................................................................... 133
The Private Sector and Insurance Companies
  in the 1960s .................................................................. 135
Synopsis of Fifty Years of the Republic ......................... 136
  Celâleddin Aksoy’s Message
  Ali Sait Gönenç’s Message
The Monopoly Problem in Reinsurance ......................... 140
Türkiye Reinsurance Company ...................................... 143
Lawsuit at the Council of State .................................... 145
Milli Re and the Council of State Decision ..................... 146
The Insurance Industry During the 1970s ....................... 148
CHAPTER VI

FROM NATIONAL TO GLOBAL 1981-2008

Insurance after the Decrees of 24 January
Anadolu Sigorta’s New Products
Anadolu Sigorta’s Membership in BASISEN
New Techniques in Insurance
The Wax Museum Project
Establishment and Working Principles Regulation
Regulation for Intermediaries
Developments between 1989 and 1993
Amendments to the Company’s Constitution
Developments in 1994 and After
Legal Protection Insurance
Reconstruction – On Line Real Time
Günay Anadolu Sigorta – Azerbaijan
Anadolu Assistance
Moving to the New Head Office
Insurance Portfolio Evaluation Strategy
Overall Balance toward the 21st Century
Anadolu Sigorta in the 21st Century
DASK (TCIP) and Residential Insurance
Four Regulations
Raising of the Registered Capital Ceiling
Upgrading the Data Processing System
Developments in Internal Regulation
Evaluation Report for 2005
The Turkish Insurance Industry in the 21st Century
A New Understanding at Anadolu Sigorta
Developments in Branches: Motor
The Technical Profit/Loss Problem in the Automotive Insurance
Developments in Branches: Fire
Risk in Fire Insurance
Developments in Branches: Machine Installation
Developments in Branches: Transportation
Developments in Branches: Health
The Distribution Channels
Electronic-Service Provision
Analysis of Work Processes and Process Management Studies
Anadolu Sigorta and Penetration
Technical Provisions and Investment Assets

CHAPTER VII

THE CRISIS OF 2008 AND THE AFTERMATH

Anadolu Sigorta and the Crisis of 2008
The Strategy of Anadolu Sigorta
System Web Integration Project
C2C (Closer to Customer) Project
Anadolu Sigorta and Awards
The Account of 85 Years: Pioneering in Publicity
The ‘One Master - A Thousand Masters’ Project
An Anadolu Sigorta Policy in Every Household
The 85th-Year Film and Atatürk
New Headquarters at Kavacık

CONCLUSION: TOWARD THE FUTURE

Chairmen of the Board of Anadolu Sigorta
“Foul-Weather Friend” with Ramiz’s Illustrations........ 240
The Board Members, Auditors and Management Teams for the First 15 Years................................................................. 248
Management Staff for the First 40 Years......................... 249
Preamble to the Inspection and Supervision of Insurance Companies Law.......................................................... 250
The Preamble of 23 May 23 1926 to the Reinsurance Monopoly Law No. 1160 ................................................. 251
The Minutes of Anadolu Sigorta’s First Shareholders Assembly ........................................................................ 251
The Minutes of the Board of Directors’ First Meeting, Held in Ankara on 16 March 1925 ............................................. 252
Anadolu Sigorta’s Registration Proclamation............... 252
Constitution of the Anadolu Sigorta Turkish Joint Stock Company .......................................................... 253
Anadolu Sigorta’s First Agencies Contact with Ziraat Bank............................................................. 260
The Board of Directors’ Operations Report for the Anadolu Sigorta Turkish Joint Stock Company General Shareholders Assembly of 27 March 1927 ........................................ 260
Report of Auditors and Accounting Inspectors .......... 261
Decisions of the General Shareholders Assembly .......... 261
Anadolu Sigorta Life Insurance Agency Assignment .... 262
Annulment of Anadolu Sigorta’s Right of Priority .... 264
Renewal of the Trustee Contract .................................. 264
The Memorandum of Refi Celâl Bayar: 55th Assembly .. 265
Announcements of Chairman Fuat Bulca:
56th Assembly................................................................. 266
Management Contract Signed By Ankara Insurance Company and Anadolu Sigorta Company..................... 266
The Ministry Commerce’s Letter “About Tariff Rate Reductions and Commission Refunds” .................. 267
The New Personnel Regulation Prepared in 1957 ......... 269
Ziraat Bank’s Letter Regarding Secession from Anadolu Sigorta.......................................................... 270
ANADOLU
AVUKATLIK TÜRK SİGORTA ŞİRKETİ
MERKEZİ,

TOPLU SUNU DERS
INTRODUCTION

In present day Turkey, the understanding of risk and the pursuit of assurance is being transformed in accordance with the development of the country. One of the main areas of foreign capital investment in Turkey since the year 2000 has been the finance sector’s insurance business. Numerous works about insurance techniques and the legal structure of insurance have been published in Turkey. These works, however, are studies aimed at only the present and the future. In truth, the identities of corporations are formed by their past. Historical studies of insurance are unfortunately almost non-existent. The preponderantly visual works prepared by insurance companies on their anniversaries are woefully short on substance.

Anadolu Sigorta, too, published similar volumes on its 5th and 10th anniversaries. This time, Anadolu Sigorta undertook a comprehensive project to commemorate its 85th Anniversary by preparing a book compiled from primary sources in the company’s archives. This project tracing Anadolu Sigorta’s historical development (except for the reinsurance area) is the first history of insurance written in Turkey.

Following Turkey’s War of Independence, Gazi Mustafa Kemal (Atatürk) directed Isbank, founded in 1924, to set Turkey’s financial structure on a nationalist foundation. It was quickly realised that insurance was as important as banking, and Anadolu Sigorta was established the following year under the supervision of Isbank. This was followed by the establishment of Milli Re in 1929, another venture of Isbank.

Prepared within the scope of the activities commemorating the 85th anniversary of Anadolu Sigorta, our book “Anadolu Sigorta the Future of the Past: Turkey’s Insurance”, starts with our formation under the leadership of Celâl Bayar, sets in stone the details of our sweeping history, and presents insights into the development of Turkey’s insurance sector and the evolution of the country’s financial structure.

The book is a study of identity, directed at essence rather than visuals. Since the start of the project, thousands of documents in Anadolu Sigorta’s archive have been combed and secondary sources, including insurance trade magazines, have been thoroughly examined. Because this original study could have been accomplished only with the minutes from the meetings of Anadolu Sigorta Board of Directors, the minutes of all sessions, stretching back 85 years to 20 February 1929 and including ones written in Ottoman Turkish, were evaluated for this book. Remarks and decisions that we consider important as representing the early periods are included in the book’s text or in the Documents Appendix, in the original and unedited language of the time. Idiomatic terms such as ‘vekil-i umur’ [trustee of management], ‘jerans forfeter’ [inclusive management], ‘jerans’ [management] and ‘plen’ [line] have been preserved in the text to demonstrate the evolution of insurance terminology.

The Anadolu Sigorta Board of Directors’ Minutes Books, used as our primary source, also reflect in detail developments in the Turkish insurance industry. A range of industry-specific information is available in both these books and the company’s internal correspondence. Incidentally, the Anadolu Sigorta Company Board of Directors’ Principal Decisions, published as separate volume
since 1947, demonstrates how well-organised the company’s archive is. Our third source was the Minutes of the Anadolu Sigorta Company’s Shareholders General Meeting. All Annual Activity Reports from these minutes were examined one by one. The final source was the Minutes Book of the National Insurance Companies Federation.

The year 1925, widely recognised as a milestone in the history of Turkey’s insurance business, saw the start of a new era with the establishment of Anadolu Sigorta Company under the leadership of Isbank. Anadolu Sigorta was granted right of priority for insuring central or regional corporations in the public and public-affiliated sectors in exchange for a portion of the profits, and this led to rapid growth during Anadolu Sigorta’s early years. Meanwhile, the broad networks of branches of first Ziraat Bank and then Isbank provided Anadolu Sigorta with facilities for its agents.

This book has seven main chapters. The first chapter covers the birth of insurance in Turkey, spanning from the mid-19th century Tanzimat Reform years to the establishment of Anadolu Sigorta: a time when foreign capital’s activities in the country’s insurance sector were unfettered and not subject to any public supervision. To end this sort of insurance business concept, the administration of the Republic took the initiative of establishing Anadolu Sigorta under the guidance of Isbank. The foundation of a national insurance industry was thus laid, with the services of ‘vekil-iumur’ or ‘jerans forfeter’ [inclusive management] obtained from foreign companies, by 1936. In this context, the period 1925 - 1935 may be considered the nascence phase of the national insurance industry. Of course, hard times were experienced during this phase because of the Great Depression, but the Turkish insurance industry pulled through this crisis. The minutes from meetings during these first 10 years, while the Turkish Republic was being founded, make it abundantly clear that the insurance business was the least sophisticated area of the nation’s financial industry.

The third chapter covers 1936-1946, the period when national insurance companies came to dominate the industry. Many insurance companies were founded in this phase. Anadolu Sigorta, with two banks as shareholders, was active in Ankara, and its portfolio grew mostly by insuring public corporations. Active supervision of the industry, however, was yet to emerge. This is easily observed in the internal management of Anadolu Sigorta and in its relations with independent agents. The company’s dealings with these agents were extremely problematic, and the issue was reviewed in 1947.
The fourth chapter, up to 1960, covers Turkey’s passage to a multi-party political system and the reign of the Democratic Party. Celâl Bayar, founder of Anadolu Sigorta, was President of the Republic from 1950 to 1960. Hasan Polatkan, former Ankara agent of Anadolu Sigorta, was the Minister of Finance. The lending and remittance policies pursued by Anadolu Sigorta during these years was criticised after the military coup of 27 May 1960.

The fifth chapter covers the planned economy phase. Turkey’s economic progress from 1961 to 1980 helped strengthen the insurance industry, and the ‘import substitution’ policy of the period resulted in an industry largely dominated by domestic companies. Insurance awareness, however, had not yet reached the populace. Turkey was just becoming urbanised, and without the evolution of an urban culture, people usually lack awareness of the future. They ignore risk factors. For the insurance industry to reach the level of those in western countries, Turkish society had to achieve a higher level of prosperity. It appeared, moreover, that instilling the idea of insurance in the populace was a social problem. Despite both the insurance industry’s progress in the 60s and the 70s, and the intermediacy of pools, Turkey was still far below the global average. Whereas premiums revenue per capita in Germany in 1968 was $97.80, in Turkey it was only $1.70. Premiums were 5.3% of the gross national product in Germany in 1968, but only 0.5% in Turkey. Most insurance companies during these years were struggling against Milli Re instead of striving to expand their portfolios. The insurance industry’s fundamental problem during the 70s was the monopoly of Milli Reasürans in the reinsurance business. The government in Ankara, heeding the bitter experience of the past, persisted in supporting Milli Reasürans.

With the judgements of 24 January 1980, Turkey abandoned the ‘import substitution’ policies and followed the neo-liberal approach of shifting toward foreign countries. The new ‘pro-export’ restructuring subsequently affected the finance industry as well. During this phase, covered in the sixth chapter, Anadolu Sigorta introduced new products to the market and increased its technical profits by upgrading its computer equipment. Furthermore, especially starting in the second half of the 90s, the company initiated radical structural transformations. Anadolu Sigorta, from 1980, never compromised its strong standing and reached the year 2000 holding the biggest market share. As an effect of the global excess liquidity in the first years of the 21st century, foreign capital focused on the insurance industry and obtained an important share through acquisitions or consortia. In this rapidly growing – at least until the 2008 crisis – industry, Anadolu Sigorta steadily increased its competitive power, focused on technical profits, and maintained its leadership.

At the time of the 2008 economic crisis, Anadolu Sigorta was a company with solid assets. The period from 2008 on, covered in the seventh chapter, is the narrative of a contemporary insurance corporation that has reached global standards and is undergoing continuous transformation and moving toward the future.

The Anadolu Sigorta Company’s corporate history, while setting our 85th anniversary in stone, has become one of the basic reference books of Turkish financial history.
The Future Of The Past Anadolu Sigorta Turkey's Insurance
Some fictitious companies, established or allegedly based in Europe, were able to operate freely in Ottoman territory and to establish branches and agencies. It was frequently observed that they suddenly vanished, walking away from their liabilities and thus doing great harm to Ottoman subjects. Especially insurance companies, when in a dispute with the insured, took advantage of the then-current judicial capitulations by holding that Ottoman courts lacked jurisdiction and by claiming that any arguments had to be heard in courts of the countries where the companies had been established. This left Ottoman subjects weakened against insurance companies, and many Ottomans without the means to pursue a lawsuit in a foreign country had to relinquish their insurance indemnities. Furthermore, as some of these companies had not been legitimately founded, opening a lawsuit often yielded no results.

FIRST STEPS IN INSURANCE

In the Ottoman State before the Tanzimat Era, 1839 to 1876, legislation or rulings about insurance were non-existent. Until that time, there is no record of developments concerning insurance and Islamic Law or concerning the canonical status of insurance. During the Tanzimat Era, with the Ottomans turning westward, insurance was defined by religious scholars as a special covenant separate from ‘ukud-ışer’iyye’ [canonically legal contracts]. With the adoption of western laws in the public realm, however, provisions about insurance started to appear in Ottoman legislation. The first legislation to include the subject of insurance was an amendment to article 29 of the law passed as an addendum to the Statute of Commerce. This clause stated that problems of maritime insurance would be handled by the Naval Boards of the Tribunals of Commerce. This clause stated that problems of maritime insurance would be handled by the Naval Boards of the Tribunals of Commerce.

Subsequently, the 11th section of the Maritime Commerce Statute - passed and promulgated in 1864, it was an almost exact translation of the French Commercial Code of 1808 - contained provisions related to insurance. After the passage of this statute, the same maritime insurance rules were long applied to land insurance. With the passage in 1889 of the Regulation of Agents of Foreign Companies in Ottoman Territories, foreign joint stock companies, and by extension insurance companies, wishing to operate in Ottoman dominions were subject to registration and licensing. Although the application of this regulation would later pose problems, the existence of such a registration clause in the legislation was at least an important step for the Ottoman insurance business: before this regulation, anybody could start an insurance company in Ottoman territory without assuming any responsibilities.

Ultimately, in 1906, just before the Second Constitutional Period, an addendum to the Land Commerce Code contained provisions about land insurance in 25 articles. The first article of this law said “an insurance transaction secures a fixed indemnity against the damage and loss of movable and immovable assets arising from all types of dangers and risks, in return for a prescribed fee”. The law covered provisions for the forms, conditions and types of insurance contracts. A supplementary clause noted that maritime insurance transactions remained within the scope of Maritime Commerce Law.

Following this law, the Regulation of Foreign Joint Stock Insurance Companies was decreed in 1908. In addition to meeting registration and licensing requirements, foreign insurance companies now had to maintain security and reserve funds. The status of foreign companies was particularly important because even during the Second Constitutional Period, a relatively enlightened time, a fatwa declared that the engagement of Muslims in insurance was not permissible, and that it was a business to be conducted only by foreigners.

Even when the Ottomans passed regulatory legislation concerning foreigners and foreign companies, however, the capitulations were a constant hindrance and such regulations could never be enacted. When the Ottoman state entered World War I in 1914, it first nullified the capitulations ex parte, and then on 30 November 1914 put into force the Temporary Law of Foreign Joint Stock, Divided Share and Insurance Companies in order to have foreign insurance
companies operate under rules and conditions similar to those in foreign countries. Although the history of insurance in Turkey extends back to the Tanzimat Reform years, the de facto need for insurance was first felt during the great fire in Beyoğlu District in 1870. Northern and North British, two companies from the United Kingdom, began operations in Istanbul in 1872. France’s La Foncière followed in 1878, and 15 foreign insurance companies had representatives in Istanbul by 1900. This was a footloose, unchecked period in the insurance field, during which the emergent concept of insurance was blackened by occasional incidents of arson and unfair competition. The idea of insurance was further tarnished because, as a result of the capitulations, foreign insurance companies’ agents operated under instructions from the foreign companies’ headquarters, because insurance policies were written in only English or French, and because the jurisdiction to resolve disputes lay only in foreign countries.

The Ottoman Bank, a key player in the state’s economy and deeply involved in insurance, established the Osmanlı Umum Sigorta (Ottoman General Insurance) company in 1893, with capital of 220,000 gold liras, in collaboration with a group of shareholders from the Tobacco Monopoly and the Public Debt Administrations. In 1896, insurance companies organised to reform the industry. Forty-four companies adopted a proposal to apply a uniform fire tariff rate across the Ottoman state, and then on 12 July 1900 they assembled to establish a union of insurance companies. The companies agreed to apply the uniform tariff fire rate and to set up a permanent audit or supervisory body. Thus was created the Syndicat des Compagnies d’Assurances contre l’Incendie Opérant à Constantinople (Syndicate of Fire Insurance Companies Operating in Constantinople).

The Syndicate would operate under the direction of the Fire Offices Committee based in London, and the statutory regulations of the London committee were adopted. Decisions taken by the Syndicate, some of them important, were submitted for approval to the committee in London and to the Syndicat Ottoman de Paris (Ottoman Syndicate of Paris) in Paris.
INSURANCE IN THE 2ND CONSTITUTIONAL PERIOD

The Syndicate, an assembly of all insurance companies in Ottoman territories, generated some favourable results in its first phase. Although membership in the Syndicate had reached 54 by 1912, non-member companies were applying a tariff rate lower than the Syndicate’s and offering discounts to the insured. This gradually weakened the professional reforms that the Syndicate strove to implement, and the ratio of premium revenues to paid indemnities began to decline. In 1911, for example, premium revenues were 120,000 gold liras and indemnities paid were 450,000 golden liras. The fire tariff rate was consequently reformulated.

The insurance business, dominated by foreign capital since its beginnings, was still functioning only by virtue of the companies’ own efforts, and a series of measures were taken to overcome the difficulties. Because of the capitulations in effect in the Ottoman state for hundreds of years, insurance, like most financial activities, remained beyond governmental supervision. The Ottoman insurance business was conducted almost completely according to the directives of the London Fire Offices Committee. The government was aware that more radical transformations were needed to be able to supervise foreign companies. It was evident that as long as the capitulations remained in effect, it would be impossible to intervene in the activities of foreign companies and to bring them under Ottoman jurisdiction. The abolition of the capitulations, however, was only a partial solution; the item of supervision, long unfinished business on the agenda, was tackled immediately after the abolition.

ABOLITION OF THE CAPITULATIONS AND STATUS OF INSURANCE COMPANIES

The Temporary Law of Foreign Joint Stock, Divided Share and Insurance Companies was passed 13 December 1914, during the first months of World War I. It brought both natural persons and commercial legal entities under Ottoman jurisdiction, and it brought an end to the privileges foreign companies had enjoyed. With this statutory decree, all foreign insurance
companies operating in Ottoman territories had to be registered and had to hold security funds. The temporary law consisted of two parts: the first contained provisions about joint stock and divided stock companies, and the second was dedicated to foreign insurance companies. This law ordered all foreign-based joint stock or divided stock companies with branches or agents in Ottoman territory to report to the Ministry of Commerce and Agriculture the company’s name, the place where the company was founded, and the amount of the company’s capital. In addition, these companies had to sign a formal declaration acknowledging that they would act in accordance with Ottoman legislation.

Furthermore, they had to submit to the Ministry their certificate of incorporation approved by the Ottoman embassy and the commercial attaché of their country of incorporation, a copy of their bylaws, and a ‘testimonial’ from their country documenting that their incorporation was legal and that they were still in operation. Lastly, they had to appoint an attorney authorised to implement operations of their bylaw and to represent the company in all lawsuits resulting from these operations, as litigant, as defendant, or in any other capacity.

The attorneys of the companies had to publish, in the Official Gazette and in one of the principal newspapers of the country, a summary of the company’s bylaws and their own proxies validated by the Ministry. The address of the branch or the agent was considered the legal residence of the company, and courts with jurisdiction covering that address would be authorised to hear cases arising from any disputes. The branch offices and agencies were considered to be the same nationality as the company’s, and the personal nationalities of the company’s attorneys or branch managers were disregarded in courts. Further, those companies whose main operations were in Ottoman territory had to be transformed, within three months following passage of the law, into an Ottoman joint stock company and become Ottoman legal entities; failure to do so resulted in closure of the executive offices.

The second part of the temporary law, containing provisions about insurance companies, was prepared in light of experience. Foremost, an Insurance Directorate was set up within the structure of the General Directorate of Commerce, which was affiliated with the Ministry of Commerce and Agriculture, to monitor and supervise the insurance companies’ transactions. Insurance companies had to pay the Ministry an annual duty of 50 gold liras for the service. Companies had to submit documents depicting their financial status and balance sheets approved at their general stockholders meetings. The Ministry was also authorised to request oral or written information regarding the companies’ operations.

The most important matter was the ‘security funds’. Each company was obligated to have between 5,000 and 15,000 gold liras on deposit for every kind of insurance transaction such as fire, life and maritime. This fund safeguarded the rights and interests of Ottoman subjects by covering costs in any disputes where the ruling went against the company. The fund could be held, either as cash or as government bonds with a 10% surcharge on their market price, in a bank approved by the Ministry of Commerce and Agriculture. In return, the company received a letter of guarantee. If the security fund was in government bonds, they had to be blue chip bonds - either an Ottoman government bond or one of the Great Powers’ (the major Western countries) bonds, and had to be listed on a stock exchange in Istanbul or a European capital. The company had to pay the
indemnities against damages at the Ottoman location of their branch or agency. Additionally, a ‘safe’ paper was requested from insurers. Before assuming their duties, representatives of insurance companies had to prove that they were not bankrupt, had not abused trust, and did not have a criminal record. The terms of an insurance contract would be valid only if they did not include conditions that were illegal or conflicted with public decency or public order. Lastly, in the case of fire losses, the companies would have to pay the sum insured on a building that local administrators had to demolish in order to prevent a fire from spreading.

A law passed after this temporary law decreed that insurance companies had to pay a ‘temettü’ [dividend]: an income tax of 3% on fire and cargo insurance premiums and 2% on life insurance premiums. Until this law was passed, foreign insurance companies paid no taxes under the terms of the capitulations.

In 1916, when insurance companies were formally registering, syndicates were illegal and the Syndicate’s name was changed to Association of Insurance Companies Operating in Turkey. In those days, the word ‘syndicate’ was objectionable as it was usually understood to mean ‘labour union’. Following the 1908 strikes that shook the country, syndication was forbidden by the Law of Corporations. The Association had 81 members on the day its name changed, all of them foreign insurance companies. This Association phase lasted until 1925, when Isbank tackled the insurance issue two years after the proclamation of the Republic.

**TREATY OF LAUSANNE AND NATIONALISATION OF INSURANCE**

The most complicated problem of the Treaty of Lausanne, which finally granted international recognition of Turkey’s independence, was the capitulations. Unilaterally abolished by the Ottomans in World War I, the capitulations were reinstated following the Ottomans’ defeat. The Ottomans in the 19th century had fallen into fiscal dependence on foreign-controlled financial institutions like the Ottoman Bank and the Public Debts Administration. During the Second Constitutional years, nonetheless, the Union and Progress Party established domestic financial institutions; yet because of recurring wars, the goal of a ‘national economy’ could not be reached. As was made clear at the 1923 İzmir Economic Congress, however, the economic independence of the new state and the creation of its own financial institutions had been on the agenda at Lausanne as prerequisites of the state’s sovereignty. These were two of the major concerns of the governments’ in the days following the abolition of the capitulations at Lausanne. The founders of the Republic, believing financial structure to be critical for financial independence, gave priority to ‘nationalisation’. Atatürk, the İzmir Economic Congress, and government officials all emphasised that the fact that all banking and insurance institutions, with the exception of Ziraat Bank, were owned by foreigners was incompatible with the concept of independence, and that it was vital to have these institutions placed on a national base. The Republic’s founders had fully experienced the inseparability of politics and economy during the last century of the Ottoman state, and knew that a solution was a priority.
In the same context, and in spite of protests from all Western countries, the establishment of three national financial institutions was the priority of the cadres who founded the new nation state. These three financial institutions, Isbank, Anadolu Sigorta and Milli Reasürans, were formed over five years and helped prevent a crisis in Turkey during the Great Depression of the 1930s. Isbank was established in 1924, Anadolu Sigorta in 1925, and Milli Reasürans in 1929, after the regulations necessary for reinsurance were implemented. Celâl Bayar, with his experience in banking during the Union and Progress Party era, was instrumental in establishing all three companies.

These three companies, however, had to operate for years against the protests of Western financial institutions, who considered them to be part of a highly ‘political’ mission. The long and winding road toward Turkey’s economic independence is mapped in the history of these companies. Without the political will, then embodied by Atatürk, it would have been impossible to establish these types of financial institutions in an extremely impoverished country in the 1920s.

Isbank was the key player during this phase. Both insurance companies emerged as subsidiaries of Isbank. As in many countries, banking and insurance in Turkey were interconnected for years. Almost all of the insurance companies of the early period were founded by banks, and insurance companies long used bank branches as agents. The concept of a national financial structure was part of the founding philosophy of the Republic, and Anadolu Sigorta was a reflection of this philosophy. A glance at the boards of directors of Isbank, Anadolu Sigorta and Milli Reasürans is sufficient to sense this mission. A substantial part of the directorial staff had no experience in banking or insurance. In fact, in those years it was impossible to find personnel with such backgrounds. The boards of directors consisted mostly of Atatürk’s comrades in arms. There were, however, a few people within these cadres with experience in banking - or more precisely, in economics or commerce. Yet none of them, including Celâl Bayar, had any idea about insurance. For this reason, national insurance had to be managed with the brokerage of foreign companies, through ‘vekil-i umurs’ or ‘ajan forfeters’ [inclusive managers], for almost 10 years.

FIRST STEPS IN NATIONAL INSURANCE

The War of Independence radically transformed the geography and population profile of the Ottoman state. Insurance was dormant during the war years, and the only developments worth mentioning were the appearances of Vatan, an insurance company with limited capital, and of Şark Insurance, founded in 1922 with help from the Riunione Adritica Company. Following the Treaty of Lausanne, there was some activity in the insurance field. The Milli Insurance Company was established in 1924 with the participation of the French company Urbaine. Milli was purchased by Sümerbank in 1935.

The abolition of the capitulations in the Treaty of Lausanne and the end of privileged status for foreign companies forced companies with limited foreign capital to restrict their activities. Moreover, the difficulty of Europe’s financial recovery after World War I left many insurance companies embattled. In fact, Vatan and Milli Insurance companies, founded in the first half of the 1920s, soon had to close down their operations.
Istbank, founded in 1924 as the Republic’s first national bank, started in insurance with İttihad-ı Milli Insurance Company under an agent contract with the Ünyon Group. This resulted in Istbank and İttihad-ı Milli jointly establishing the Anadolu Sigorta Company in 1925. Anadolu Sigorta, however, was not the first insurance company founded by both domestic and foreign capital. In the Second Constitutional Period, especially during World War I, many domestic or ‘national’ (in the jargon of the time) joint stock companies were established in Ottoman territory. Meanwhile, local entrepreneurs had started, to a certain extent, to enter the insurance business. The idea of a ‘national economy’ encouraged domestic banking, and this encouragement extended to domestic insurance. In 1916, when Mustafa Şerif Bey was the Minister of Commerce and Agriculture, Türkiye Milli Sigorta Şirketi [Turkey National Insurance Company] was established with the Vienna-based Feniks Company as a shareholder. One of the company’s tasks was to train Ottoman citizens as personnel for the insurance industry. However, the Union and Progress Party’s dream of a ‘national economy’ could not be realised during the war years, and with the Ottoman state’s defeat in World War I, the company was dissolved. With the founding of the Republic, it was necessary to restructure the financial industry, and hence the insurance business, from scratch.

**INSURANCE POLICIES RELATED TO GARAGES**

Fire insurance was the chief area of the insurance industry during the early years of the Republic. Detailed conditions, especially about inflammable materials, were included in contracts. An example of this is insurance contracts for garages:

This document is the Istanbul Fire Insurance Tariff Rates and Guidelines, published on December 21, 1926, by the Central Office of Turkish Insurers of the Esteemed Ministry of Commerce; general number 8955, special number 812, and certified by Official Memorandum number 19006/810. Istanbul; Zeliç Brothers, 1926, page 58.

Public Garages:

For contracts related to sub-clauses A and B, paragraph 1:

The insured accepts and undertakes that a repair shop does not exist in the garage and there is no fuel (except the gasoline in the fuel tanks of the automobiles) or similar oils in the garage; if not, he accepts that he will not be entitled to seek any indemnity after a fire. In addition, the insured undertakes that, henceforth, he will not use any lighting other than sunlight or vacuum electric light bulbs, no fire will be lighted and no smoking will be allowed; if not, he accepts that he will not be entitled to seek any indemnity after a fire.

For contracts related to sub-clauses A and B, paragraphs 2 and 3:

The insured declares that the volume of gasoline and similar oils in the garage shall not exceed (specified in sub-clause B) litres; if not, he accepts that he will not be entitled to seek any indemnity after a fire. In addition, the aforesaid insured undertakes henceforth that firstly, he shall comply with the regulations issued by the related authorities concerning the method of storage and sales of the aforesaid gasoline and similar oils; secondly, regardless of the variety or grade, the oils in question will never undergo decanting from one vessel to another or any other procedure under any lighting other than sunlight or vacuum electric light bulbs, and principally no lighting except the aforesaid will be used, no fire will be lighted and no smoking will be allowed in the garage; if not, he accepts that he will not be entitled to seek any indemnity after a fire.
One manifestation of the state’s effort to oversee and audit insurance companies was putting Türkiye Sigortacılar Daire-i Merkeziyyesi [The Central Office of Turkish Insurers], founded by insurance companies operating in the country, under the supervision of the Ministry of Commerce. The Central Office had published a price list, “İstanbul Harîk Sigortaları Tarife ve Talimatıdır” [Istanbul Fire Insurance Tariff Rates and Guidelines], documenting in detail the tariff rates of all the real estate in Istanbul insured against fire. This list of tariff rates list was approved by the Directorate of Commerce of the Istanbul Region of the Ministry of Commerce. The document clearly specified that fire insurance companies registered with the Central Office of Turkish Insurers should not quote prices higher or lower for their insurance policies in Istanbul than those on the list. Companies headquartered outside Turkey had to pay a duty 10% more than the tariff rate applied by The Central Office of Turkish Insurers to be able to insure a ‘risk’ in Istanbul.
The Republic of Turkey and National Insurance

For a country to fully benefit from insurance companies, it is necessary that national insurance companies exist and that essential commerce flows through this national channel. Otherwise, the commercial benefits gained from foreign insurance companies, who forcibly and continuously extort us at every step of our import, export and indeed all our commercial activities, can never compensate for the damage they cause. On the contrary, they make us forget the country’s most important need by lulling us into a sweet and seductive sleep of false security.

During the first years of the Republic, the area of the insurance industry requiring the most urgent attention was maritime insurance. Foreign trade was predominantly conducted through marine transportation. The biggest problem for the Republic’s ship-owners was that this area of insurance was dominated by foreign insurance companies. Exporters constantly complained about these companies, and were thus the loudest voice demanding nationalisation of the insurance business. This sector had adopted the slogan “Maritime insurance is a weapon of national trade”. For a country to fully benefit from insurance companies, the companies should be national and trade should flow through this national channel. If not, the country is required to pay ‘tribute’ at every step of importation and exportation, and even in every area of domestic trade. The damage caused by these foreign insurance companies could never be compensated for. They were lulling the citizens to sleep and making the country forget its most vital need.

Foreign trade, as we know, was an important element of international competition. Establishing national maritime insurance was a prerequisite to defending independence and national interests. Banking, maritime transportation and maritime insurance were essential for stable foreign trade. National interests called for unity, a robust structure, and a collective in the fields of banking, maritime transportation, and fire and maritime insurance. Collective measures, taken as early as possible, to attain this aim would deliver national economic independence.

At the same time, maritime insurance had a strategic importance. National insurance also meant that national secrets were safeguarded. The insurance industry, with its reserve of records, could, to a certain extent, ascertain the general shape of a country’s economy. Sometimes this information was of a confidential nature. National insurance companies were essential to prevent the leaking of commercial information related to the country’s economy. The importance of this issue
6 – Maritime insurance is a weapon of national commerce.

... as is well known, foreign trade is a fierce and fundamental ground for competition among countries. Therefore, to protect our national interests, to be financially independent, and to acquire and manage important foreign trade channels, we have to wield a forceful national maritime insurance foundation as a potent weapon.

Banking, maritime transportation, and maritime insurance are indispensable to import and export merchants, and maritime insurance companies in particular also perform the vital task of protecting and strengthening the commercial transactions of banks, maritime transporters and other commercial actors. To achieve full and comprehensively beneficial results, the banking, maritime transportation, and fire and maritime insurance sectors must unite as one body to organize a joint effort and set a common objective. The failure, through division or estrangement, of these three operatives to do so will result in discord and loss of national strength and dignity. Immediately and efficiently organizing a joint effort and setting a common objective, however, will present unified action against competition, provide national economic independence, and earn the respect of other countries.

7 – A National Maritime Insurance Company is the safeguard of national trade secrets.

A national insurance structure is vital for the protection of commercial information. The first to realize the importance of this were the British, followed by the Americans. The following statement by Professor Solomon Hivenir, a professor of insurance and commerce at Pennsylvania University, an expert from the U.S.A.’s Maritime Trade Council, and a member of the U.S. Congress’ Committee on Maritime Trade and Fishing Territories is noteworthy.

“Our experience with German insurance and reinsurance companies has proved beyond a doubt that maritime insurance companies have access to their country’s most useful trade secrets. Maritime insurers receive all information about the cargoes, consigners, consignees, trade routes and important conditions of the contracts.”

Reinsurance companies obtain all the commercial and transactional secrets entrusted to the first insurance company, and this can be of great consequence in countries where a lack of competent reinsurance companies necessitates working with foreign reinsurance companies. The British and Germans clearly gave this full consideration while striving to achieve complete independence in their insurance industries. When both nations established systems for insuring large risks, they consciously and determinedly followed strategies of extension and reinforcement, and freed themselves from having to rely on foreign reinsurance companies.
was clearly demonstrated in the insurance practices of developed countries. Information held by local insurance companies leaked out through reinsurance companies because of the reinsurance process. The information collected by reinsurance companies thus compromised the commercial and transactional secrets of many countries. The significance of this leak was first realised by the British, and they took the necessary measures to stop the leak. The U.S.A. followed by taking steps in the same direction. German insurance and reinsurance companies, through maritime insurance contracts, had easy access to all information regarding ships’ cargoes, consigners and consignees, trade routes and conditions of contracts, and this information influenced Germany’s strategic decisions. On the eve of World War I, the British and Germans handled all their reinsurance domestically. In short, the insurance industry was transformed into a sphere of strategy. It was inevitable that this became a sensitive issue for the cadres of the War of Independence. Embarking on the nationalisation of insurance and reinsurance would guarantee Turkey’s national independence. Immediately setting this industry on a national base was considered imperative.
LEGISLATIVE DEVELOPMENTS IN THE FIRST PERIOD OF THE REPUBLIC

Following the War of Independence and the proclamation of the Republic, a series of laws encompassing the regulation of the establishment and activities of insurance companies, the creation of state supervision, and the organisation of relations between insurers and the insured was prepared and promulgated. The first law, Commerce Law No. 865 of 29 May 1926, contained articles prepared according to the scientific principles of the time that regulated relations between insurers and the insured, and included articles containing general conditions and binding provisions of insurance contracts. The entire 13th section of this law was devoted to insurance. Then a law about auditing, a near-duplicate of European legislation, was prepared on 30 July 1927: The Inspection and Supervision of Insurance Companies Law No. 1149. This law included the types of companies allowed to practice insurance, the principles and conditions domestic and foreign companies had to agree to in order to obtain a license, the requirement of submitting and receiving approval of general insurance conditions and tariff rates to the Ministry of Commerce, the prohibition of applying tariff rates higher than the approved rates, and, to protect the insured’s rights, regulations for supervising insurance companies’ activities and liquidation cases. In addition, the law described in detail the state of the insurance industry at the time and the principles that made the insurance supervision law necessary. (See Documents)

TÜRKİYE SİGORTACILAR DAİRE-İ MERKEZİYYESİ NİZAMNAMESİ [CONSTITUTION OF THE CENTRAL OFFICE OF TURKISH INSURERS]

Article 1 – Turkish and foreign insurance companies, in accordance with the Inspection and Auditing of Insurance Companies Law No. 1149, dated 25 June 1927, have amended the constitution, dated 15 September 1925, of the society formed with title The Central Office of Turkish Insurers, and have enacted the new constitution herein.

Article 2 – The objectives of the association are:
   a) To endeavour to develop and advance the insurance profession in Turkey,
   b) To negotiate and resolve problems related to insurance in accordance with the conditions of laws and bylaws in effect,
   c) To regulate and amend all insurance tariff rates and general contract conditions, and submit them to the Ministry of the Economy,
   d) To determine and establish regulations and bylaws in accordance with valid legal provisions, and subsequent to having them approved by the general assembly, conclude agreements, binding all members, on commissions and fees,
   e) To solve all disputes among companies, agencies and insurance providers, initially through reconciliation or, if that is not possible, by examining the dispute in light of the provisions of this constitution and reaching a decision,
   f) To examine and comment on problems that might be presented by public offices and public authorities,
   g) To establish contact with insurance associations and chambers in both Turkey and foreign countries to ensure the application of general measures in Turkey,
   h) To collect and prepare all information and statistics pertaining to insurance and thus attend to all matters of expertise regarding insurance, in accordance with the country’s interests.

Article 3 – All Turkish and foreign insurance companies authorised and registered to operate in Turkey are obligated to be a member of this Association.
In the same year, Regulation No. 5789, related to the implementation of the insurance supervision law, was issued, and the Monopoly of Reinsurance Law No. 1160, allowing a monopoly in reinsurance, was enacted. Effective on 1 August, this law had a preamble dated 23 May 1925 stating the reasons necessitating the formation of such a monopoly. (See Documents) This law clearly gave priority to paving the way for the ‘nationalisation’ of the insurance industry. Keeping some of the reinsurance premiums in the country would increase foreign exchange reserves and generate revenue for the Treasury. The preamble also listed the following as aims for a Reinsurance Supervision Regulation and any subsequent regulatory amendments: supervision of rates and losses in the contracts of the monopoly reinsurance, training staff for the insurance industry, and structuring an insurance statistics system. In fact, the Reinsurance Supervision Regulation, issued on 13 July 1929, was based on this law. On 11 July 1927, soon after the Monopoly of Reinsurance Law was enacted, Law No. 1173 was issued. It outlined how to specify insurance contract values for which reinsurance was deemed obligatory.

These pieces of principal legislation laid the foundation for two important insurance corporations: Milli Re and Anadolu Sigorta, which led the process of setting the insurance industry on national grounds. About 10 years after the basic legislation, two new insurance laws were issued. The first, Law No. 3392 of 28 May 1938, ensured that the mathematical reserves of foreign insurance companies would remain within the country and be used to develop the national economy, that both fixed and variable coverage would be increased, and that the supervision of insurance transactions would be strengthened. The second, Organisation Law No. 3614 of 31 May 1939, enabled the Ministry of Commerce to refine the insurance business and made insurance companies responsible for taking and applying measures to reform themselves.

THE FOUNDING OF ANADOLU SİGORTA

As mentioned earlier, the pursuit of a national identity in banking and insurance came to the fore a year after the Republic was proclaimed. One year after it was established, Isbank founded Anadolu Sigorta Company, the first insurance company with a national identity.

A new era in Turkey’s insurance industry was thus commencing. Discussions between the bank’s management and İttihad-ı Milli Insurance Company, part of the Ünyon Grup [Union Group], led to the decision to found Anadolu Sigorta, and so the internal bylaws of the partnership were prepared and a petition was submitted to the Ministry of Commerce on 27 February 1925. The constitution of the company was approved at a cabinet meeting on 8 March 1925. Following approval by the President of the Republic, the company was registered by the First Notary Public of Ankara, then known as ‘Ankara Kâtib-i Adliliği’, on 18 March 1925. A memorandum dated 19 March 1925 and sent from the Ministry of Commerce to Anadolu Sigorta stated that, with reference to Article 40 of the company’s constitution, the government would appropriate 25% of the company’s net revenues in return for giving the company the right of priority to insure, subject to equal conditions, public (governmental) corporations.

In fact, for the first 10 years, Anadolu Sigorta was to conduct its insurance activities through Union Insurance Company. In other words, Anadolu Sigorta would transfer its operations for 10 years to Union Insurance and İttihad-ı Milli Company, its representative in Turkey as an ‘agence forfaitaire’, in return for a fixed commission. Monsieur Piyon of the Union Insurance Company was then appointed...
technical adviser, the most important job in insurance companies. Anadolu Sigorta was to pay 27.5% commission to İttihad-ı Milli Insurance Company, its “agence forfaitaire”, according to a contract dated 21 February 1925. İttihad-ı Milli was to pay 8,000 liras for the salaries of the limited number of Anadolu Sigorta employees, and to contribute half of the insurance commissions paid to the managers.

Upon receipt of its notarised constitution, the company registered (No. 4593) with the Istanbul Chamber of Commerce and started operations in the Ünyon Building in the Galata district on 1 April 1925. This location was short-term, however, and two months later, on 1 June 1925, the company moved to the Bahçekapı district, into offices (rooms, in fact) 21-25 on the second floor of the 4th Vakıf Building. The company was in Vakıf Building for over ten years and then in 1936 moved to the Grand Kinacıyan Building in the Sirkeci district, across from the Main Post Office in an area called Meydancık, where Isbank had opened its first Istanbul branch. The company operated from here for over 10 years. The intention at first was to have the administrative centre in Ankara and the business centre in Istanbul, but it was later decided to combine both centres in Istanbul. The company restricted its work to
Chairman of the Board: Fuat Bulca
Board Member: Salih Bozok
Board Member: Mahmut Soydan
Board Member: Hamdi Aksoy
Board Member: Muammer Eriş
Board Member: Ali Kılıç
Board Member: Sabit Sağroğlu

Board Member: Kemal Zaim

Board Member: Dr. Cevdet Nasuhi

Board Member: Nedim Servet Tür
The Future Of The Past

Anadolu Sigorta Turkey's Insurance

Anadolu Sigorta Director:
H. Mirat Yenel

Counsellor:
Attorney Şükrüye Ekitler,
Lawyer

Counsellor:
A. Büker, Lawyer

Ankara Insurance Director:
Kemal Ayral

Counsellor:
Dr. Refik Tamberk

Counsellor:
Atif Ödül, Lawyer
fire, transportation and motor insurance during its first two years, and then added life insurance in 1927. The company later expanded operations to include earthquake, lightning, town gas explosion, airplane, and airplane pilot and passenger insurance, along with machinery erection insurance, automobile and financial liability insurance (under its motor insurance), and group life insurance. Meanwhile, it also insured workers’ severance payments. Since the 10th year of the Republic, Anadolu Sigorta has covered almost every field of modern life—the economy, industry, commerce, art and society—and has extended its services nationwide thanks to its extensive organisation.

During its expansion, Anadolu Sigorta utilised the branches of both Ziraat Bank and Isbank. In the 1920s, Isbank’s branch network was in a start-up phase, whereas Ziraat Bank had more than 300 branches and loan offices nation-wide. When assigning agencies to the Ziraat Bank network, however, Anadolu Sigorta never lost sight of Isbank’s special status. Because Isbank’s branches were viewed as Anadolu Sigorta’s ‘natural’ agencies, the company initially excluded Ziraat Bank from cities where Isbank had branches: Ankara, Istanbul, İzmir, Bursa, Adana, Mersin, Aydın, Denizli, Saruhan, and Menteşe. The agreement with Ziraat Bank covered 92 branches, according to the October 1925 Minutes of the Boards of Directors, thus increasing the company’s total agencies to 99.

RIGHT OF PRIORITY AND OTHER COMPANIES

With its right of priority used like a concession, Anadolu Sigorta was being reinforced by the government. Initially, this strength did not substantially alter the equilibrium because power partly rested with the foreign Union Group, which was in effect managing Anadolu Sigorta. The Union Group, on the basis of the right of priority secured by Anadolu Sigorta, could operate more freely and with less competition. Insurance contracts for governmental bodies like municipalities, local authorities, Emniyet Sandığı [Public Savings
Bank) and the General Directorate of Foundations and Monopolies, all previously insured by a variety of companies, were now collectively transferred to Union and Anadolu Sigorta. As the Union Group had expanded its involvement with Anadolu and İttihad-ı Milli Insurance, it could easily compete in the commercial, industrial and private insurance fields, while the other companies had come to an operational halt during the War of Independence and had no chance to reorganise.

It could thus be said that the Union Group had achieved primacy. The repercussions of the resulting unbalance were seen before long, and the Assicurazioni Group, the company that had first contacted Isbank about insurance but then lost out to Union, complained about the status quo. Assicurazioni and Umum Insurance led the creation of a strong front of competition against Union. Despite the decrees of the Association of Insurance Companies Operating in Turkey, and regulations and fixed insurance tariff rates that restrained competition, there were repeated attempts to undermine Anadolu Sigorta’s right of priority. In order to placate its competitors, Anadolu Sigorta paid them compensation and “kickback” from its major contracts. The situation, however, was not to be so easily calmed.

A foreign company was handling the insurance contracts for the state sugar monopoly. Because of strong competition, substantial discounts were given in the insurance contracts for Emniyet Sandığı. The insurance contracts for the state tobacco monopoly were secured only after fierce competition. In short, the weak foundations of Anadolu Sigorta’s real right of priority, included in its constitution to enable the company to compete, were gradually being shaken. More effective measures were needed to save the day: measures based on the right to supervise all companies - a right that would constrain the companies’ competitiveness.
Anadolu Sigorta, meanwhile, shot into the market, and in two years it raised its ‘reserved rights’ and thus its revenues. A decision by the Board of Directors, effective 1 January 1928, increased the level of ‘reserved rights’ to the level of Union Insurance Company, which had been operating in Turkey for the previous 30 years.

THE FRENCH MODEL PROPOSED TO ISBANK

A series of developments in insurance occurred in France at this time. Joseph Caillon proposed, in order to balance the national budget, that the targeted premiums of insurance companies be combined in a reinsurance fund and that this fund be taxed at a high rate. The proposal was unpopular in France, where unfettered insurance activities were deemed more favourable.

Caillon’s proposal made an impression in Turkey, however, where the idea of establishing a reinsurance company with a nationalist tone gained currency. The advocate of this idea was Antoine Piyos, the Technical Adviser of Anadolu Sigorta. A proposal was put to the government, which found the idea appealing. The reinsurance monopoly to be formed would be a mainstay of the Turkish insurance industry. Insurance transactions and the reinsurance process resulted in money flowing out of the country. Foreign exchange reserves could be increased by keeping all insurance within the country. Taking advantage of the rules of reciprocity, the inflow of foreign exchange would be greater than the outflow. Under the proposed reinsurance monopoly, all companies would be controlled through the application of obligatory tariff rates.

Having entered the insurance business by establishing Anadolu Sigorta Company, Isbank would now have a reinsurance monopoly.

---

**THE FIRST SHAREHOLDERS OF ANADOLU SİGORTA**

The shareholders of the company, as recorded by Anadolu Sigorta Company’s General Assembly of Shareholders on 9 April 1929:

<table>
<thead>
<tr>
<th>Names</th>
<th>Number of Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mahmud Celâl (Bayar) Bey</td>
<td>300</td>
</tr>
<tr>
<td>Mahmut (Soydan) Bey</td>
<td>300</td>
</tr>
<tr>
<td>Hasan (Saka) Bey</td>
<td>500</td>
</tr>
<tr>
<td>İttihad-i Milli Insurance Company</td>
<td>2,355</td>
</tr>
<tr>
<td>Fuat (Bulca) Bey</td>
<td>300</td>
</tr>
<tr>
<td>Union Life Insurance Co.</td>
<td>2,355</td>
</tr>
<tr>
<td>Isbank</td>
<td>11,000</td>
</tr>
<tr>
<td>Kâzım Refik (Anabolu) Bey</td>
<td>200</td>
</tr>
<tr>
<td>Salih (Bozok) Bey</td>
<td>300</td>
</tr>
<tr>
<td>Union Fire Insurance Co.</td>
<td>2,355</td>
</tr>
<tr>
<td>Union Motor Insurance Co.</td>
<td>1,185</td>
</tr>
<tr>
<td>Vefik (Sertel) Bey</td>
<td>200</td>
</tr>
<tr>
<td></td>
<td>21,350</td>
</tr>
</tbody>
</table>

Note: In 1929, the Surname Law had not yet been enacted.
And so, in November 1926, the bank acted as an insurance regulator and guided preparation of the design of the proposed Reinsurance Monopoly legislation that would stem, as much as possible, the outflow of reinsurance premiums and retains them in the country. This legislative undertaking, aimed at securing supervision of domestic and foreign insurance companies - which were growing in both number and scope of activities, was realised on 25 June 1927 with the promulgation of Law No. 1149, which also contained clauses protecting the rights and interests of the public. This was followed, on the same date, by Amendment No. 1173 and Reinsurance Monopoly Law No. 1160. This was the first detailed insurance legislation in Turkey, regulating the legal status and the operational and supervisory frameworks of the insurance industry.

**ANNULMENT OF THE RIGHT OF PRIORITY**

When establishing Anadolu Sigorta, Isbank and the government made an agreement, appearing as Article 40 of the main contract, that Anadolu Sigorta would transfer 25% of its net revenues to the government in return for a right of priority to insure public corporations. Anadolu Sigorta in its early years was profitable only because of this right. Even so, Anadolu Sigorta’s competitiveness at that time was rather limited compared that of the foreign companies that dominated the insurance market.

Certainly, this right of priority elicited a reaction from the insurance companies which had been insuring state corporations until then. These companies, in order to hamper the application of the right, reduced their tariff rates as much as possible. A report submitted to the Board of Directors of Anadolu Sigorta noted that Türkiye Milli Sigorta Company “executed major and extreme discounts on insurance rates in order to have the right of priority fail”. To mollify these companies, Anadolu Sigorta transferred shares from some of its insurance contracts by having them reinsured by these companies. Although initially limited, this distribution of revenues soon expanded, and every new insurance company competed fiercely with Anadolu Sigorta on the assumption that Anadolu Sigorta would obtain all government insurance contracts. This competition took the form of increasing the commission rates for such contracts, and insurance companies had to sacrifice 40% or, in some extreme cases, 50% of the contract. The Law of Commerce, published during this period, allowed the discounting insurance tariff rates. The minimum tariff rate restrictions published by The Central Office of Turkish Insurers, which had been applied to an extent, were thus automatically bypassed, and companies habitually and arbitrarily discounted their tariff rates. Some companies circumvented the rate restrictions by withdrawing their membership from the Office; other companies, in order

**ABOLITION OF THE RIGHT OF PRIORITY**

3 – It has been unanimously accepted that Article 40 of the company’s constitution, which bestowed on Anadolu Sigorta, under equal conditions, the right of priority for insurance contracts of government offices and corporations, would be cancelled and annulled.

5 – Regarding Article 42 of the company’s constitution concerning the allocation of profits, the following amendments have been unanimously accepted: cancellation of Paragraph 3 of the said article, concerning the profits reserved for the government; cancellation of the ‘15% of shares to founder’ clause and replacement of the ‘60% to shareholders as dividends’ clause with ‘75% to shareholders as dividends’ in Paragraph 3 of the said article.

*Minutes of Extraordinary Meeting – 9 April 1929*
to take these contracts away from Anadolu Sigorta, dramatically increased their discounts. By 1929, these companies had knocked down their prices for tobacco monopoly contracts by 60%, for sugar and petroleum monopoly contracts by 70%, and for the Ministry of Finance’s stationary contracts by 58%. The justification for this cut-throat competition was Anadolu Sigorta’s right of priority. Such a deterioration, of course, dead-locked the insurance industry; moreover, it started to deprive Anadolu Sigorta of the right of priority’s benefits.

This fierce competition, coupled with Isbank’s obtaining the Turkish reinsurance monopoly, caused the government to hesitate. When Isbank, the major shareholder of Anadolu Sigorta secured the reinsurance monopoly, adverse reactions followed in some circles. In these circumstances, the government informed Isbank that it would receive the reinsurance monopoly only on the condition that Anadolu Sigorta accept annulment of its right of priority.

By approving the annulment of its right of priority, Anadolu Sigorta would of course be released from its obligation to transfer 25% of its net revenues to the government, as per Article 40 of its constitution. With the promulgation of the Reinsurance law, the minimum tariff rates restrictions would become mandatory for insurance companies, and insurance transactions would be regulated. Competing by making 60% or 70% discounts would not be allowed, and
Anadolu Sigorta, in spite of losses incurred by the annulment of its right of priority, would be compensated by retaining contracts acquired with minimum tariff rates and by the potential of new contracts. Furthermore, Anadolu Sigorta’s relations with the other insurance companies would be mended.

This issue was submitted to the Board of Directors Meeting of 20 February 1929. The Directorship was tasked with handling the procedure of approving the deletion of Article 40 from Anadolu Sigorta’s constitution, thus annulling the right of priority and releasing the company from its obligation to pay 25% of its net revenues to the Treasury, as a condition of Isbank receiving the reinsurance monopoly. The necessary amendments were made during the General Meeting of Shareholders on 9 April, and Article 40 of the company’s constitution was ‘cancelled and annulled’.

During these years, the scope of Anadolu Sigorta’s activities was proportional to the breadth of Isbank’s network of branches. The 10 new branches opened by Isbank before the Great Depression of 1929 thus added momentum to the company’s operations. At this time, Anadolu Sigorta also contributed 100,000 liras to Milli Re’s founding capital by buying 5,970 Isbank shares for 75,484 liras and 1,000 Milli Re shares for 24,516 liras.

THE MINISTRY OF THE ECONOMY’S NEW TARIFF RATES

In order to straighten out the insurance industry, the government felt the insurance issue needed further attention. This interest of the state’s upper echelons, and the effort to establish a national insurance industry, was reflected in insurance tariff rates. The Ministry of the Economy reduced insurance tariff rates by 20% and published the new mandatory tariff rates, retroactively effective to 19 July 1929.
Anadolu Sigorta’s lobby (top)

Anadolu Sigorta’s laboratory and medical examination room (bottom)
at the end of 1929. The registration and contract fees, amounting to 20% of premiums, were annulled; instead, companies were allowed to charge customers a 7.5% ‘administrative expense’.

At the same time, maximum commissions the companies would pay agents were fixed. In Istanbul, Ankara and İzmir, the maximum was 25%; 20% commission and 5% costs. In other cities, the maximum was 20%; 15% commission and 5% costs. Paying commissions to customers was forbidden, and a 15% discount would be applied to governmental insurance contracts.

Milli Re’s reinsurance legislation came into effect at this time, obligating companies to transfer half of their insurance revenues to Milli Re as reinsurance. Milli Re gave the companies 20% commission on fire insurance contracts, 60% on life and 17.5% on transportation and motor.

With the agents’ commissions that were dictated by the new tariff rates regulation and the companies’ commissions that Milli Re was paying, all agency contracts, excluding those with Isbank branches, were restructured and the commissions were reduced somewhat. At the same time, negotiations were underway with public corporations and new contracts with the new tariff rates were drawn up - excluding contracts with the Tobacco and Alcoholic Beverages Monopoly administrations, which would remain valid until their termination dates. Further, negotiations about the commissions for Isbank agent had started.

According to the contract between Milli Re and Anadolu Sigorta, the former, in return for the work transferred to it, would pay to the latter, as retrocession and on a quota share basis, 3% of the total work it had received, and a 3% share of the surplus. Anadolu Sigorta decided to retain 60,000 liras of the quota share and reinsure the surplus quota share. In fact, it transferred the surplus to Şark Insurance Company in return for a 35% commission from Şark. Furthermore, a retrocession contract between Milli Re and Anadolu Sigorta had 4% of the former’s transportation policies transferred to the latter.

Although the Ministry of the Economy and the Central Office of Turkish Insurers (The Office) continuously warned companies about application of the tariff rates, some companies ignored these rates and practiced ‘unlawful’ competition. This problem appeared frequently on the Boards of Directors’ agenda, and it had become unbearable by 1932. Hence, Monsieur Piyos, Anadolu Sigorta’s Technical Adviser, proposed that the company temporarily withdraw from the Central Office of Turkish Insurers and apply its own rates. Mahmud Celâl Bey, the Chairman, went even further by proposing that withdrawal from the Office be permanent instead of temporary. This way, Anadolu Sigorta would be freed from unfair competition, and able to follow its own strategies and to re-join the Office later if the Technical Advisory deemed it suitable.
ACCRETION OF CAPITAL AND THE LEGAL RESERVE FUND

Meanwhile, in order to utilise its capital and legal reserve fund, Anadolu Sigorta entered the real estate business. The company bought 25% of a piece of land 5,852 square (Turkish) ells – equivalent to 4,436 square metres, which were not in use then – at 13.53 liras per square ell. The Umum Insurance and the İttihadı Milli Insurance companies bought the remaining 75% of the land, which was on the slope descending from the Şişhane Police Station in the Beyoğlu district. Anadolu Sigorta soon sold 567 square ells of its share at 22.05 liras per square ell, and thus enjoyed its first real estate profit.

To further utilise its capital and reserve fund, Anadolu Sigorta bought stocks of the company that had founded Isbank. Despite the deteriorating economy of the Great Depression years, Anadolu Sigorta continued operations. In July 1931, the company paid 100,000 liras for 500 shares of İpekış Company, known as Bursa Dokumacılık ve Trikotaj Company [Bursa Weaving and Knitting Company] before Isbank increased its capital. In 1933, Anadolu Sigorta paid 100 liras each for 25 shares of Gazetecilik ve Matbaacılık Türk Anonim Şirketi [Journalism and Printing Turkish Joint Stock Company], also founded by Isbank. At a meeting on the same date, the company bought 154 more Isbank shares, raising Isbank shares in Anadolu Sigorta’s portfolio to 7,000.

It seemed appropriate that the investment portfolio should contain, along with Isbank shares, shares of Anadolu Sigorta’s corporate customers. Article 35 of Emlâk ve Eytam Bank’s [Real Estate and Orphanage Fund Bank] constitution stated that the bank was obligated to sign its insurance contracts only with national insurance companies who were also the bank’s shareholders. When Anadolu Sigorta signed an insurance contract with the bank in 1928, the company committed to buying a minimum of 20,000 liras of shares from the bank’s future stock issues. The company thus paid 200,000 liras for 400 Class B shares the bank issued in early 1933.

The Great Depression also saw Milli Re’s first international activity. Isbank had granted Anadolu Sigorta an agency in its Alexandria, Egypt branch. However, in addition to being an ‘agence forfaitaire’ contract, this agency agreement stipulated that Anadolu Sigorta would staff the agency with a salaried insurance employee and would be responsible for profits and losses. The agency would receive 27.5% commission for fire insurance, 80% for life, 20% for goods transportation, 15% for personal accident, 10% for group personal accident, 15% for private vehicle and 12.5% for taxi vehicle. The company considered establishing a similar agency in Isbank’s other foreign branch, in Hamburg, and Manager Rabbani Bey was assigned to study the feasibility.

In 1932, Anadolu Sigorta considered branching into casualty, hail losses and loss of livestock insurance - all fields that were non-existent in the country at the time. Monsieur Piyos was assigned the tasks of inviting a foreign expert to study the subject and pursuing the possibilities for an agreement with Ziraat Bank.

In the meantime, Ünyon Harik Kumpanyası [Union Fire Insurance Company] and Ünyon Kaza Kumpanyası [Union Motor Insurance Company], two of Anadolu Sigorta’s reinsurance companies, merged under the name Ünyon Harik ve Her Nevi Muhataralara Karşı Sigorta Kumpanyası [Union Fire and All Risks Insurance Company]. A new contract was prepared for this re-structured company. This contract, valid from 1 January 1932, obligated Union Company to transfer to Anadolu Sigorta 4% of its insurance transactions in France and all other foreign countries excluding both Italy, for which the rate was 3.75%, and the U.S.A., which was exempt from this condition.
CELÂL BAYAR’S APPOINTMENT AS MINISTER OF THE ECONOMY AND A CHANGE OF MANAGEMENT

The Great Depression of 1929 radically transformed Turkey’s economy. The Cumhuriyet Halk Fırkası [Republican People’s Party], during its 1931 congress, embraced the principle of etatism and gave priority to economic matters in this environment of financial turmoil. Mahmud Celâl Bey, an expert in financial issues who was closely monitoring the economic downswing, was appointed Minister of the Economy. This appointment necessitated resignation from his three posts: General Manager of Isbank, Financial Adviser of Milli Re Company, and Chairman of the Board of Anadolu Sigorta. All three were financial institutions of which he was a pioneering founder.

Mahmud Celâl Bey’s letter of resignation was read at the 13 October Board Meeting. At the 19 January 1933 Board Meeting, Kılıç Ali, Member of Parliament for Gaziantep and board member of Isbank, was appointed as a new board member, subject to approval at the next General Shareholders Meeting. Then, at the 23 February Board Meeting, Fuat [Bülca] was unanimously appointed as Chairman of the Board and Salih [Bozok] was appointed as Vice President.

During the initial years of the Republic, Atatürk’s comrades-in-arms were usually appointed to strategic posts related to the national economy, and the same was true for Isbank, Anadolu Sigorta, and Milli Re. This was because of the problem of trustworthiness in a country where there were no personnel with financial training. On the other hand, this was also used to reward people who had contributed to the National Struggle.

THE GREAT DEPRESSION OF 1929 AND INSURANCE

Certainly, the economic crisis of 1929 had a negative impact on the insurance industry, too. It seemed to be recovering from the crisis, however, toward the middle of the 1930s. In 1932, reductions of up to 22% were applied to fire insurance contracts; in 1933, reductions were applied to fire and cargo insurance contracts; and after 1934, total premium revenues increased substantially despite the decrease in real estate and merchandise values. The main reasons for this were Turkey’s turn to an inward-oriented industrialisation policy, in line with the global isolationist trend; the positive impact on the national economy of the economic and industrial enterprises established under the First Industrial Plan; and the increase in import and export volumes, achieved through ‘clearing’ agreements.

Likewise, national insurance companies were having an increasing effect on the insurance industry. In 1930, the premium revenues of foreign insurance companies were double the revenues of Turkish companies; things were substantially different in 1938, when Turkish companies received 20% more premium revenues than foreign companies. This was because the public and the business world, led by public corporations, now had confidence in Turkish companies – which was the result of efforts by the Turkish insurance industry.

ON CELÂL BAYAR’S LETTER OF RESIGNATION

The memorandum of Celâl Bayar’s resignation from the Board of Directors, due to his appointment as Minister of the Economy, was read and wishes of success were conveyed.

Board of Directors – 13 October 1932

Anadolu Sigorta Provincial Fire Insurance Department (top)
Anadolu Sigorta’s Dining Hall (bottom)
The most important lesson for us was the termination of the Feniks dō Viyen [Phénix de Vienne] and Milli Sigorta [Milli Insurance] companies’ operations. We realised then that some foreign companies established insurance companies in our country, with appealing names and headed by seemingly strong boards of directors, with the purpose of gaining the public’s trust. Reputed to be companies, they were in fact nothing more than agencies of foreign companies. All their reserves and even all their accounts were abroad. If the parent company got into troubles beyond our control - stopping payments or going bankrupt - its branch in our country was consequently doomed to be swept away.

Celâl Bayar, Minister of the Economy, 1936
Mid-1935 saw an important and impressive development in the history of the Turkish insurance industry. Because of its own high, industrial insurance volume, Sümerbank was fully aware of the real requirements of the insurance business in Turkey, and decided to handle this increasing volume of insurance needs through its own insurance company. As well, at a time when etatism was becoming stronger, developing an insurance system free of foreign intervention became one of Sümerbank’s missions.

Sümerbank bought the shares of İtimad-ı Milli Sigorta Şirketi [National Trust Insurance Company], which was in dire straits as it was unable to find suitable fields of operation. This company had been established with Bulgarian and Turkish capital, and then purchased by Adapazarı Türk Ticaret Bankası [Adapazarı Turkish Bank of Commerce]. Sümerbank gladly accepted the offer of Emlak ve Eytam Bank, which shared the goal of being part of a national insurance system, to be a partner in the company. The insurance contracts generated through the Bulgarian contribution were terminated and a new company, wholly national and fully independent financially, technically and managerially, called Güven Türk Sigorta Şirketi [Güven Insurance Company] was founded. The company successfully made reinsurance contracts, through negotiations free of foreign mediation and in line with principles of mutual benefit, with the oldest and most well-known insurance companies in London. The conditions of the insurance contracts made by Güven Insurance, then with a small portfolio, were quantitatively and qualitatively superior to the conditions of the contracts made by Milli Re with its public domestic portfolio. Güven Insurance thus acquired an important place in the history of national insurance.

Anadolu Sigorta, released from the Union Group’s proxy management, acquired similar independence a year later. Union’s shares of Anadolu Sigorta were purchased by Ziraat Bank, and Anadolu Sigorta’s capital thus became wholly national. As a first step, Anadolu Sigorta then signed a reinsurance contract with Union. Ankara Insurance, formed by contributions from Anadolu Sigorta, Türk Ticaret Bankası [Turkish Bank of Commerce] and Eti Bank, was founded under the ‘jerans’ [gérance = trustee] of Anadolu Sigorta. Thus, starting with Güven Insurance and followed by Anadolu Sigorta and Ankara Insurance companies, the Turkish insurance industry came to acquire a national base. However, there was no collective position in the strategy of the Turkish insurance industry. It was
realised that if a liberal insurance strategy were pursued, foreign insurance companies would dominate national companies and development of the Turkish insurance industry would be stunted. This could be prevented only with a policy of protectionism, which could be achieved through Milli Re. Although Milli Re’s status as an official, state-owned corporation would likely prompt objections, its status as a state-authorised monopoly and supervisory representative met the requirements of neutrality and fairness.

During Milli Re’s early years, almost its entire insurance portfolio was handled by foreign companies. This changed, however, with the founding of Güven Insurance in 1935 and the complete separation of Anadolu Sigorta from İttihad-ı Milli in 1936, and its portfolio was divided among national (36%), semi-national (9%) and foreign companies (55%) by 1939.

One of the most important developments in the insurance industry between 1936 and the start of World War II was the founding of Ankara Turkish Insurance Company by Anadolu Sigorta. The bankruptcy of the Phénix Company of Vienna in 1937 led its Turkish subsidiary Türkiye Milli Şirketi [Turkish National Company] to default, and its insured were saved from losses only when Milli Re guaranteed the company’s contracts. This rescue operation necessitated raising the reinsurance rate from 50% to 75%, but it preserved the credibility of the concept of life insurance in Turkey. Law No. 3392, published 20 May 1938, required that life insurance mathematical reserve funds be kept within the country and utilised for national needs. Although World

---

### Güven Insurance Joint Stock Company

İttihad-ı Milli Türk Anonim Sigorta Company [National Trust Turkish Joint Stock Insurance Company], which received its license to conduct fire, life, hail, transportation, personal, livestock, goods and personal possessions insurance transactions on 23 December 1924 and started operations in March 1925, worked from the 4th Vakıf Building in Istanbul’s Bahçekapi district. The company, established with a fully paid capital of 100,000 liras, was a Bulgarian and Turkish joint venture. The company’s founders and their shares were:

1. Sons of General İbrahim of Kavala, tobacco merchants 12,000 liras
2. Kirzade Şevki Bey and Associates, tobacco merchants and ship outfitters 9,000
3. Asımzade Nuri Bey, Board Member of Union of Commerce 6,000
4. Halil Ali Brothers Company, textiles merchants 7,000
5. Hacızade Mehmet Mesut Effendi, Board Member of the Istanbul Chamber of Commerce, tobacco merchant and ship outfitter 5,000
6. Armenak Ütüciyan Effendi, insurance agent 9,000
7. J. D. Salmona Effendi, merchant 7,000
8. M. Haydon, merchant 45,000

__________________________

100,000
It was decided at an Extraordinary General Shareholders Meeting on 15 January 1928 that the company would issue 2,500 additional shares at 10 liras each to increase the capital to 125,000 liras. The company moved into its own building, the İtimad-ı Milli Building, on Hazeran Street in Istanbul’s Karaköy district in 1929. With the Great Depression influencing the legal and financial requirements of the insurance industry, the company decided in 1933 to increase its capital to 200,000 liras. Meanwhile, an agreement was concluded with Adapazarı Turkish Bank of Commerce, which operated with 23 branches. According to this agreement, the bank would acquire 90% of the old shares, commit itself to purchase the new shares and pay immediately for half of them, open a large line of credit to help the company pay its matured debts, and transfer all its insurance contracts to the İtimad-ı Milli Insurance Company. The company and the bank also signed an agency contract. The company was thus transformed into a robust insurance operator. The company then amended some of its constitution, such as the clauses requiring half of the Board Members to be Turkish citizens and the company’s Manager to be a substitute Board Member. In 1935, Adapazari Turkish Bank of Commerce was in difficulty and had to sell its shares to Sümerbank.

During an Extraordinary General Shareholders Meeting on 16 December 1935, the company’s name was changed to Güven Türk Anonim Sigorta Sosyeti (Trust Turkish Joint Stock Insurance Society), and its capital was increased from 200,000 to 500,000 liras. Committing itself to the increase, Sümerbank immediately paid 25% of it. The company’s constitution was amended and modified to align it with the constitutions of Sümerbank’s other companies. It was also decided that the company’s administrative centre would be in Ankara and the operations centre would be in Istanbul, and that all Board Members would be Turkish citizens. Sümerbank sold half of its shares in the company to Emlâk ve Eytam Bank, thus giving the bank a say in the management of the company.

Meanwhile, the insurance contracts generated through the Bulgarian contribution were liquidated and a new company, wholly national and fully independent financially, technically and managerially, called Güven Insurance was founded. The company successfully made reinsurance contracts, through negotiations free of foreign mediation and in line with principles of mutual benefit, with the oldest and most well-known insurance companies in London like Sun and Caledonian. The conditions of the contracts made by Güven Insurance, then with a small portfolio, were quantitatively and qualitatively superior to the conditions of the contracts drawn by Milli Re with its public domestic portfolio. These were the first reinsurance contracts based on principles of mutual benefit between a European company and a real Turkish insurance company. Güven Insurance thus acquired an important place in the history of national insurance and created confidence in the insurance sector.

War II was a difficult time, the founding of Turkish national companies continued uninterrupted. On 1 January 1940, the monopoly insurance rate dropped back to 50% from the increase to 75% of 1 January 1937, and remained there until 1954.
FENİKS AND TÜRKİYE MİLLİ INSURANCE COMPANIES

The dissolution and termination of operations of Phénix du Vienne and Turkish National Insurance companies put the civil servants and members of the military insured by these companies in a difficult position. The Ministry of the Economy assigned Milli Re the task of protecting the rights of the people insured by these companies. Milli Re’s rescue operation, as mentioned above, required a decree increasing the company’s share of the reinsurance of fire and cargo insurance contracts from 50% to 75%, and this decree came into effect on 1 January 1937.

Anadolu Sigorta considered these developments to be positive, highlighting that the decision “was directly related to national concerns” and claiming that it was a good and valuable step for insurance companies. Milli Re’s additional 25% share was to be distributed among the foreign and domestic companies operating in the country. This way, the premiums revenues of insurance companies would grow and the risks would be spread.

Foreign companies soon objected to this decision and took a position against the Turkish insurance sector. Refi Celâl Bayar was consequently sent to Europe to negotiate with foreign insurance companies, especially French, Swiss, German and Italian companies. They insisted that the decision be revoked, but the state had already decided and completed the formalities. According to Anadolu Sigorta, the state should not backtrack on this “decision so well-suited to our national interests”; this was a ‘justified’ case. Foreign insurance companies launched a boycott of the Turkish insurance industry, but the French, German and Italian companies had to give way in face of the government’s firm stand.

The British insurance companies, however, did not concede. British were among the representatives of foreign companies who came to Istanbul to discuss the issue with representatives of Turkish companies. The British companies, who had nearly boycotted Turkey because of their opposition to the establishment of Milli Re, realised that they would not get any results this time. They, along with the other foreign companies, ratified the projects prepared during the meetings in Istanbul. Actually, the crisis went beyond insurance companies, and Mr Eden, the British Minister of Foreign Affairs, applied pressure on the Minister of the Economy in Ankara not to implement the decision. The Ministry maintained close contact with Anadolu Sigorta during this phase. Muammer Eriş, General Director of Isbank, suggested to the Minister of the Economy that mutual benefits should be pursued, pointing out that the Turkish insurance industry paid the British industry 150,000 liras every year and received nothing in return. Eriş’s concluding words at a Board Meeting speech in which he criticised the British were “Our fight is against this colonial attitude of foreigners, and today we have won.”

In April 1937, Osman Nuri, Chairman of the Board of Güven Insurance, reached an agreement with Muammer Eriş favouring the interests of both companies. According to this one-year agreement, Güven Insurance would maintain its financial and administrative freedom. This meant that Güven Insurance would be free to utilise its existing assets, and all its correspondence with its agents would be handled by the company itself. Refi Bayar would forward instructions, as per technical principles, to Rabbani Tunaman, Executive Director of Güven Insurance, who, in turn, would inform all those
concerned of the circumstances. Both parties would maintain their status quos. That is, none of the risks included in the agreement would be taken on by one company if it was in the portfolio of the other company, and so there would be no competition for these risks. The agents would receive clear and explicit orders about this agreement. New business would be handled in complete agreement with technical principles. The technical aspects of business taken by the companies would be dealt with as per the instructions of Refi Bayar, the Technical Adviser of Anadolu Sigorta. The maximum limits of retentions and related reserves would be pre-specified, and transactions would be directly managed by Refi Bayar’s directives. These conditions would be in effect for one year, until April 1938.

Fuat Bulca, Chairman of the Board, seconded Muammer Eriş comments and remarked that ‘national insurance’ had been initiated through Anadolu Sigorta, that exploitation had been stopped, and that the “Turkish insurance industry provided a clean and honest front.”

RELATIONS WITH GÜVEN INSURANCE

The bankruptcy of Phénix du Vienne and Türkiye Milli Sigorta companies strengthened the nationalistic inclinations of the insurance field. According to Anadolu Sigorta, “this act would necessitate the strengthening of national insurance”. Because Milli Re and Anadolu and Ankara Insurance companies had acted in unison, Güven Insurance was motivated to strike a bargain with them. Güven Insurance Company, as we saw, was a collaboration of Sümerbank and Emlâk Bank, and was in fierce competition with Anadolu Sigorta. Güven Insurance had been keeping a small per cent of its insurance revenues as retention and transferring the remainder to its British reinsuring company. In short, Güven Insurance had been retaining a small portion of its production revenues and sending the balance to Britain. Güven Insurance’s conduct was thus benefitting British insurance companies.

If, however, Güven Insurance had distributed its business among Turkish companies, it would have been a more profitable company, and its revenues would have increased by getting business from the companies it worked with. Nonetheless, when the winds shifted, Güven Insurance realised the necessity of approaching Anadolu Sigorta. According to Anadolu Sigorta, the country’s insurance
The Anadolu Sigorta
Secretariat Department

The Anadolu Sigorta
Archives
companies had to create a common front by not competing with each other and by sharing risks in proportion to their potential and strength. To achieve this, an agreement to form a committee where the companies’ managers would meet and exchange views on technical issues could be signed. In fact, Sümerbank approved of this approach and asked Anadolu Sigorta for a proposal. Muammer Eriş remarked, “We believe that such an agreement among national companies would generate good and prosperous results for both the Anadolu and Turkish insurance businesses.”

RADICAL TRANSFORMATIONS IN THE INSURANCE INDUSTRY

The birth of Güven Insurance was a warning to Anadolu Sigorta. The company lost Sümerbank’s insurance business when the bank’s negotiations with İtimad-ı Milli Company resulted in Sümerbank buying the majority of Anadolu Sigorta shares in İtimad-ı Milli’s portfolio for 30,000 liras. Anadolu Sigorta lost another important account when Sümerbank’s negotiations with Emlâk Bank resulted in the latter buying half of İtimad-ı Milli’s shares and Sümerbank receiving Emlâk’s insurance business.

Anxious about the possibility of incurring similar losses in the near future, Anadolu Sigorta hastily arranged a meeting with Ziraat Bank, Emlâk Bank, Belediyeler Bank [Municipalities Bank] and Eti Bank, where Anadolu Sigorta proposed to increase its capital and to distribute the increase among the other four banks in proportions to be specified. This operation was assigned to Refi Celâl Bayar, son of Celâl Bayar and the then-manager of Milli Re. Monsieur Piyos, Anadolu Sigorta’s Technical Adviser since its inception and the company’s most experienced executive, was urgently summoned from abroad by telegraph to evaluate these developments.

### DISTRIBUTION OF SHARES OF ANADOLU SİGORTA AS OF

**14 MARCH 1936**

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Isbank</strong></td>
<td>11,000</td>
</tr>
<tr>
<td><strong>Ziraat Bank</strong></td>
<td>10,000</td>
</tr>
<tr>
<td><strong>Fuat Bulca</strong></td>
<td>300</td>
</tr>
<tr>
<td><strong>Salih Bozok</strong></td>
<td>300</td>
</tr>
<tr>
<td><strong>Hakki Şinasi Erel</strong></td>
<td>75</td>
</tr>
<tr>
<td><strong>Vefik Sertel</strong></td>
<td>375</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>22,050</td>
</tr>
</tbody>
</table>

### MINUTES OF THE EXTRAORDINARY MEETING OF 12 MAY 1935

*Appended to Article 12 of the Company’s constitution:*

*The general managers of Isbank, in addition to being the financial consultants of the company, shall always be substitute members of the Board of Directors.*
Meanwhile, Muammer Eriş, General Manager of Isbank and Anadolu Sigorta’s Financial Adviser, was invited to the Board of Directors Meeting of 30 March 1935 - an invitation that deemed Mr. Eriş to be a substitute Board Member. It was decided at the meeting that from then on, every General Manager of Isbank would simultaneously serve as Financial Adviser of Anadolu Sigorta.

1935 was a year of problems for Anadolu Sigorta’s management. During the founding of Güven Insurance, Rabbani Fehmi Tunaman, Anadolu Sigorta’s manager, was assigned to İtimad-ı Milli, which was being bought by Sümerbank. Vefik Sertel was appointed to fill the managerial vacancy, on the condition that he continues working as Technical Adviser. The number of assistant managers was increased when ‘fon dö puvar’ [fond de pouvoir = senior executive] Mirat Yenel was appointed Assistant Manager to Kemal Celâl. A few months later, Monsieur Piyos informed the company that he was resigning from his post as Technical Adviser. Refi Celâl Bayar, Manager of Milli Re, was appointed to replace him. Acting Manager Vefik Sertel withdrew from the post but continued as Technical Adviser, with the same powers as Refi Celâl Bayar. Mirat Yenel was appointed Company Manager. Another change was the abolishment of the General Secretariat of the Board of Directors position. Vefik Sertel was assigned this task and was also put in charge of the Minute Books of the General Assembly.

All the above decisions were made during the Board of Directors Meeting of 8 October 1935, where the Board also decided to employ Neş’et Bey, a former member of parliament then having financial difficulties, at a salary of 100 liras per month. The Board also decided to convert a five-floor building the company owned into an apartment block. The building was the smaller of two that the company had bought from the bailiff’s office after Zelliç, a reputable printing house in the Galata district, had been unable to make its mortgage payments and had gone bankrupt during the Great Depression. Another decision was to lend 10,000 liras, at 9% interest, to Kâzım Taşkent, head of the Sugar
Company, as a first mortgage on a large building valued at 17,000 liras in the Cihangir district. The savings process to establish Doğan Insurance in the 1940s had thus begun.

The same meeting also saw the Board decide, in accordance with the Surname Law, to renew the list of authorised signatures with new surnames and signatures. The Board heard at the meeting that Itimad-ı Milli had annulled its ‘itilafname’ [letter of agreement] with Anadolu Sigorta, but resolved to pursue the matter by assigning Muammer Eriş and Refi Celâl Bayar to contact Sümerbank, owner of Itimad-ı Milli, about a new letter of agreement with new conditions.

**THE MEMORANDUM OF REFI CELÂL BAYAR**

Since its foundation, Anadolu Sigorta had been managed by İttihadı Milli Insurance Company under a contract of ‘gérance forfaitaire’ [trustee of affairs]. In other words, the production was carried out by İttihadı Milli. In 10 years, however, Anadolu Sigorta had gained sufficient experience to stand on its own feet. Moreover, relations with İttihadı Milli had become harmful to the company’s interests. The young staff trained at Anadolu Sigorta was now able to manage the company independently. In addition, considering the portfolio of Ziraat Bank, which had branches all over the country and was functioning as Anadolu Sigorta’s agent, it was expedient to make the bank the company’s major shareholder as soon as possible. By purchasing the Anadolu Sigorta shares owned by Union Insurance Companies and transferring them to Ziraat Bank, the company would attain a ‘more national’ status. Anadolu Sigorta Technical Adviser Refi Celâl Bayar contacted Monsieur Piyos, representative of both İttihadı Milli and Union Insurance Companies, and prepared a memorandum approved by the company’s financial adviser and the Chairman of the Board.

According to this memorandum, the ‘jeran forfeter’ [trustee of management] contract Isbank signed with İttihadı Milli would be annulled, and a minimum of 8,000 of the Anadolu Sigorta shares owned by Union Insurance Companies were to be bought at 15 liras per share in order to reserve them for prospective shareholders, and the transfer date was to be 1 February 1936. The ex-trustee of management would transfer to Anadolu Sigorta all contracts signed in the name of Anadolu Sigorta, pooling and general reinsurance contracts, second copies of insurance contracts and related files and bordereaux; correspondence documents, accounting ledgers and negotiable papers, shares and...
the current bank balances of Anadolu Sigorta, mortgage files, and statistics and reinsurance risk accumulation cards; in short, all the working assets and documents that an insurance company has to have.

The two parties would reach an agreement on which of the employees working for the ‘inclusive agent’ would be transferred to Anadolu Sigorta’s payroll, and the ‘inclusive agent’ would keep the employees it needed. Anadolu Sigorta would cover the severance pay of staff left unemployed but who had been hired after the company was founded. The method and amount of severance payments would be agreed upon by both parties, but the total to be paid by Anadolu Sigorta would not exceed 5,000 liras.

Anadolu Sigorta would pay Union Company a one-off sum of 10,000 liras as compensation for the transfer to Anadolu Sigorta of all transactions administered by the ‘ajan forfeter’ to that date, for the documents mentioned above, and for the annulment of the ‘jeran forfeter’ contract. Isbank pledged to grant Union right of priority for reinsurance contracts with companies in foreign countries, subject to equal conditions. The percentage of Pool Anadolu’s contribution to the pool, to be specified every three years, would be equal to Anadolu Sigorta’s retention and the premiums it had paid into the pool. Union Group of Insurance Companies would continue paying Anadolu Sigorta shares for international work, and Union Group of Insurance Companies would approve an increase in those shares, if and as soon as possible.

Isbank, wishing to continue its close and warm relations with both Union and Ittihad-i Milli, ordered the manager of Anadolu Sigorta to avoid any competition. Anadolu Sigorta had pledged to pay Mr. Piyos a 3% commission on net premiums – minus Milli Re percentage – from fire and transportation reinsurance contracts. This commission, which started on the date of the annulment of the ‘trustee of affairs’ contract, and continued until 3 January 1937, was considered as a display of gratitude and compensation to Mr Piyos, for services rendered and to be rendered. In return, it was expected that Mr Piyos would safeguard the company’s interests in reinsurance allocations in Turkey and abroad. Feridun Bey, one of Isbank’s inspectors, was assigned the task of solving possible problems during the transfer of departments.

This lengthy memorandum was an agenda item approved at the Board of Directors Meeting of 3 March 1936. The company’s Financial Adviser Muammer Eriş was authorised to buy the shares and transfer them to Ziraat Bank. In fact, at the General Shareholders Meeting of 14 March 1936, 100,000 liras worth of Ziraat Bank shares were registered.

Technical Adviser Refi Celâl Bayar, along with the Financial Adviser, was assigned the tasks of reorganising after the memorandum, choosing staff, renting a new building and purchasing the necessary equipment. Refi Celâl Bayar and the Financial Adviser were also authorised to prepare and approve the technical contracts in line with the new structure. Lastly, it was unanimously decided that Refi Celâl Bayar would receive a monthly net salary of 500 liras for handling the new management.

Anadolu Sigorta, managed through a ‘jeran forfeter’ until 1936, was at last in a state to stand on its own feet. This status was affirmed by the decisions taken at the Board of Directors Meeting.
of 14 March 1936. The company would hereafter be managed ‘independently’. The shares owned by foreigners were being purchased, and collaboration in the insurance business with Ziraat Bank had started. The pooling and reinsurance contracts signed with Union Company were annulled and new pooling and reinsurance contracts, with conditions more favourable to Anadolu Company, were drawn up thanks to the efforts of Muammer Eriş and the goodwill of Union management. These were approved by the Board of Directors.

A NEW INSURANCE COMPANY: ANKARA INSURANCE

A thorough ‘nationalisation’ of the industry was completed. Another step, however, was needed to become more effective in the market. For this purpose, Anadolu Sigorta had decided to establish a new insurance company, of which it would assume the role of ‘trustee of affairs’. A new company called Ankara, under the safeguard of Anadolu Sigorta and with limited overhead expenses - Anadolu Sigorta being the ‘jeran forfeter’ was thus formed. This was done “to support and improve the Turkish insurance industry for the benefit of the insurance transactions of national corporations”. In other words, Anadolu Sigorta was going to assume the management of Ankara Insurance in the same way that İttihad-ı Milli Insurance Company had for Anadolu Sigorta for more than 10 years. It was proposed that Belediyeler Bankası [Municipalities Bank], Eti Bank, Adapazarı Turkish Bank of Commerce, Milli Re and Anadolu Sigorta participate in establishing the new company, and The Board of Directors approved Chairman Fuat Bulca’s Ankara Insurance project at a meeting on 14 March 1936.

Anadolu Sigorta’s new capital structure required a new Board of Directors, and Ziraat Bank, holding 10,000 shares of Anadolu Sigorta, had to be represented by three Board Members. To allow the formation of a new board, all the Board Members resigned during the General Shareholders Meeting. Meanwhile, Technical Adviser and General Secretary of the Board of Directors Vefik Sertel resigned from the company and accordingly informed Chairman Fuat Bulca. He did so because Anadolu Sigorta had severed its ties with the ‘jeran forfeter’ on 1 March 1936 and begun managing itself.
As Vefik Sertel would not be able to maintain two different jobs, he decided to keep his job with the Union Group. With the resignation of Vefik Sertel and the decision of the other Technical Adviser, Refi Celâl Bayar, to go abroad for medical treatment, Isbank’s Istanbul Branch Manager Yusuf Ziya was appointed Technical Adviser until Mr Bayar’s return.

The new Board of Directors, with Ziraat Bank’s representation ensured, consisted of Fuat Bulca, Salih Bozok, Mahmut Soydan, Hamdi Aksoy, Ali Kılıç, Muammer Eriş, Sabit Sağiroğlu, Kemal Zaim, Dr. Cevdet Nasuhi and Nedim Servet Tör. Fuat Bulca was appointed Chairman of the Board and Salih Bozok Vice Chairman. In this same meeting, the decision was made to establish Ankara Insurance Company with the participation of Eti Bank, Belediyeler Bank, and Adapazari Türk Ticaret Bank. Anadolu Sigorta’s portion, as the founder, was 51,000 share certificates in its name. A quarter of this portion, amounting to 63,750 liras, had to be paid up front, and the company decided to pay this to Ankara Insurance. Of the 51,000 shares bought from Ankara Insurance, 5,000 would be sold to Eti Bank, and 30,000 to Milli Re, all at the same price.

At the same time, the Management Contract establishing a ‘jeran forfeter’ relation between Anadolu Sigorta and Ankara Insurance was submitted for approval to the Board of Directors. According to this contract, Ankara Joint Stock Turkish Insurance Company would be ‘directed and managed’ in return for a fixed commission. In the meeting, Technical Adviser Refi Celâl Bey argued that this system would afford Ankara Insurance considerable savings on its overhead expenses, and
that the new company would benefit from Anadolu Sigorta’s global status and technical strength. Anadolu Sigorta would help Ankara Insurance acquire new insurance and reinsurance work, and in return would benefit from the work Ankara Insurance obtained. For insurance work within Ankara Insurance’s operation, Anadolu Sigorta would handle the following: procurement and acceptance of all insurance work; recruitment and organisation of agents, producers and other sources of production, and regulation of their operations and relations; organisation and management of the company’s internal structure; coordination and execution of the administrative and technical organisation needed to oversee the work the company acquires; and arrangement and administration of all reinsurance transactions, and of relations with both domestic and foreign companies.

In addition, Anadolu Sigorta’s Board of Directors would act as Ankara Insurance’s Board of Directors for the following duties: organisation of Ankara Insurance’s internal bylaws; appointment of the company’s employees and agents, and the rating and determination of their salaries, remuneration, fees and bonuses, and designation of the conditions of their hiring and retirement; specification of the equipment necessary to run the company; collection of receivables, payment of debts, and the drawing up of the company’s promissory notes and provision of collateral for them; the drawing up and signing of all contracts related to founding the company; execution of purchases and the resulting transactions; and the signing, extension and renewal of all contracts with general insurance and reinsurance companies.
During the same meeting, Halil Murat Yinel was appointed Company Director to replace Vefik Sertel, who had resigned as General Secretariat of the Board of Directors. In the next meeting, on 25 June, Anadolu Sigorta Assistant Director Kemal Ayral submitted his resignation because of his appointment to the directorate of Ankara Insurance; Kemal Bey, one of Milli Re’s senior executives, was appointed his replacement. As well, because of Company Director Mirat Yinel’s heavy workload - he was appointed General Secretary of the Board of Directors in the meeting - Isbank’s General Secretary Baki Sedes was assigned to the General Secretariat.

Turkey’s insurance industry finally acquired a national base with the establishment of Güven Insurance and the founding of Ankara Insurance, under the ‘jerans’ of Anadolu Sigorta, with the participation of Türk Ticaret Bank and Etibank. During Milli Re’s early years, almost its entire insurance portfolio was in the hands of foreign companies. After Güven Insurance was established in 1935 and Anadolu Sigorta had completely separated from Ittihad-i Milli Company in 1936, its 1939 insurance portfolio was divided among national (36%), semi-national (9%) and foreign companies (55%).

One of the most important developments in the insurance industry between 1936 and the start of World War II was the founding of Ankara Insurance Company by Anadolu Sigorta. The bankruptcy of the Phénix Company of Vienna in this period led its Turkish subsidiary Turkish National Company to default, and its insured were saved from losses only when Milli Re secured
the company’s contracts. This rescue operation necessitated raising the reinsurance rate from 50% to 75%, but it preserved the credibility of the concept of life insurance in Turkey. Law No. 3392, published 20 May 1938, required that life insurance mathematical reserve funds be kept within the country and utilised for national needs.

DEVELOPMENTS IN THE INSURANCE INDUSTRY

During the foundation phase of Anadolu Sigorta, almost all the country’s insurance portfolio was handled by foreign companies. After Güven Insurance was established in 1935 and after Anadolu Sigorta had completely separated from İttihad-ı Milli Company in 1936, the portfolio of 1939 was shared between national, semi-national and foreign companies with 36%, 9% and 55%, respectively. During the four years from 1936 to the start of World War II, one of the most important developments in the insurance market was Anadolu Sigorta’s founding of Ankara Insurance Company.

THE PUBLIC OFFICIAL’S SALARIES SCALE LAW AND WAGES AT ANADOLU SİGORTA

Since the initial years of the Republic, a series of legal decrees had complicated the state’s personnel policy had, and the wages policy was especially problematic. To attain a balance in wages, the
CELÂL BAYAR AND THE 1936 INSURANCE INDUSTRY CRISIS

Minister of the Economy Celâl Bayar’s 1936 statement on the termination of Feniks dö Viyen and Türkiye Milli Sigorta companies:

1) As is known, the Feniks dö Viyen and Türkiye Milli Sigorta companies have ceased operations. The conclusion of a recent study has been the realisation that protecting the people insured by these two companies from loss during the liquidation process would not be possible.

2) The real and trusted guarantees of the insurance companies are the parts of the reserve funds and technical reserves of the 50% premium shares that have not been vouchsafed but have had to be paid to Milli Re Company since its establishment.

3) Our government has made solid efforts to maintain confidence in insurance and to prevent loss to those who had been insured by these two companies.

Supported by the insurance companies operating in Turkey, led by Milli Re, it has been decided that the following form and method would be applied.

a) Those who have bought life, fire, motor or any other kind of insurance policy from these two companies, provided that these policies have been registered in Turkey and upon submitting these policies to any other insurance company operating in Turkey, will receive renewed policies with the same conditions and prices, the only condition being that their rights of advance loans or surrender will be deferred for two years starting from the date of submission.

b) Those wishing to learn the details of this process must apply to the office set up for this purpose in the Türkiye Building, behind the New Post Office.

4) All legal proceedings against Türkiye Milli and Feniks dö Viyen Insurance companies are being taken.

5) The errors detected during the general inspection of insurance companies’ transactions are being corrected.

The value of some companies’ legally obligatory guarantees submitted to the Ministry was reduced due to the drop in real estate values. These companies are obliged to make up for the reduced guarantee values. Companies who fail to restore the deficit by the specified date will be prosecuted and will be identified in newspapers.

6) The existing legislation concerning our country’s insurance industry has been reviewed in light of the accumulated experience of the past 10 years. A new legal project has been prepared with prescriptive addendums, in accordance with national requirements. Before being submitted to Parliament, the project will be published in newspapers as the topic of a public survey.
CELÂL BAYAR AND MEASURES FOR THE NATIONAL INSURANCE BUSINESS

The statement made by Minister of the Economy Celâl Bayar to Anadolu News Agency on the subject of insurance legislation:

Concerning the suspension of activities of Feniks dö Viyen and Türkiye Milli Insurance companies, I had presented to the public, through your news agency, the measures taken to prevent losses to our citizens insured by these companies, and my ideas for the future.

In this context, we had published a clause number six, as follows:

The existing legislation concerning our country’s insurance industry has been reviewed in light of the accumulated experience of the past 10 years. A new legal project has been prepared with prescriptive addendums, in accordance with national requirements. Before being submitted to Parliament, the project will be published in newspapers as the topic of a public survey. I have invited you here to keep the promise I made to the public in this clause. I am entrusting you with two documents. One of is a new legislation project regarding the inspection and auditing of insurance companies which will be published as an addendum to Law No. 1149 published in 1928. The other is a preamble regarding the main rationale behind this legislation.

As you can see, the last published legislation concerning insurance companies is dated 1928, which means that almost 10 years has passed. During this period, much experience was acquired and some truths were revealed. The most important lesson for us was the termination of the Feniks dö Viyen and Milli Insurance companies’ operations. We realised then that some foreign companies established insurance companies in our country, with appealing names and headed by seemingly strong boards of directors, with the purpose of gaining the public’s trust. Reputed to be companies, they were in fact nothing more than agencies of foreign companies. All their reserves and even all their accounts were abroad. If the parent company got into troubles beyond our control - stopping payments or going bankrupt - its branch in our country was consequently doomed to be swept away.

We have realised that in order to protect the rights of our citizens who have insured themselves or their possessions and goods, the first measure is to secure the system of legal reserves and similar funds in accordance with both our and international legislation. In short, to keep them in our country as a national guarantee.

To attain this result, we have brought these issues and other related articles into the new legislation project. What I wish is that, before it is submitted to review by the Members of Parliament, the law be treated as a nation-wide public survey of those involved and of experts. After publishing this, newspapers can help with this aim by publishing the observations of insurance experts and those involved in the insurance business from among their readers. Those who wish can also directly enlighten the Ministry.
Unification and Equivalence of Employees of Banks and State Corporations Law was published in 1939. It was not clear at first if insurance companies were covered by the law. When Anadolu Sigorta’s Assistant Manager Osman Fikret Arkun went to Ankara to discuss this with government officials, it was realised that the company was covered by the Salaries Scale Law.

It was also understood that two other companies considered ‘national’ insurance companies, Ankara and Güven Insurance companies, were covered by this law. The other insurance companies operating in Turkey, being ‘foreigners’, were not in the scope of the salary regulation. Such a policy put the ‘national’ companies at a competitive disadvantage, and Articles 1, 3 and 9 were particularly troublesome for Anadolu Sigorta.

Paragraph C of Article 1 meant that the salaries of Anadolu Sigorta officials and employees should be evaluated according to the scale in Article 2, and that the salaries of managers, sub-managers; and the chairman and members of the board should be evaluated according to Article 3, and be approved by the Cabinet Council without exceeding the maximum rates of Article 2. Although it was asserted that the salary rates would be in effect as of August, the law did not contain such a clause. It was simply assumed that, the law being promulgated on 11 July 11 1939, the starting date for appropriations and salaries would be 1 August.

Because of this uncertainty, Anadolu Sigorta continued paying its appropriations and salaries at the old rates. Any differences to occur after the rates were determined would be handled by deduction or refund. The company had meanwhile applied to the Ministry of Commerce to have the appropriations and salaries of the chairman and members of the board, managers and sub-managers determined by the Cabinet Council.

According to the Board of Directors, other insurance companies were managed by specialists, and the schools of specialisation were the insurance companies themselves. In this context, Article 9 of the law was of concern to Anadolu Sigorta. According to this article, the salaries of the 13 specialists were also to be determined by the General Supervisory Council and then approved by the Cabinet Council. Anadolu Sigorta contacted the Ministry of Commerce on this issue, and also requested the application forms needed to determine employees’ salaries according to the salaries scale.

The second important issue of the Salaries Scale Law was the restriction provisions therein. These were going to adversely affect the company’s production, and hence its structure. The Salaries Scale Law contained a mandatory provision prohibiting employees of institutions covered by the law from receiving any payments - in the form of dividends, shares sales, bonuses, compensation, or any similar from – other than the payments specified in this law and in the retirement laws. According to this provision, a commission paid to an employee for procuring new business was no longer legal. This introduced the possibility that employees might direct business to other companies through a middleman, thus compromising the company’s production and business volume.

Moreover, all of Anadolu Sigorta’s agencies, with the exception of four private individuals, were branches of Isbank or Ziraat Bank. Part of the agency commission paid by Anadolu Sigorta to the branch that produced the work was distributed by the bank’s General Directorship among the managers and employees handling the insurance operations. This practice gave the bank employees an incentive to work
enthusiastically on insurance business, and thus created more production. However, as both banks were subject to the Salaries Scale Law, as per the above-mentioned article, employees would no longer be able to receive commissions in return for this supplementary task. This, of course, would make employees lose interest in their secondary duty and, in turn, would lead to a loss of business and a reduction in the company’s portfolio. According to 1938 statistics, the total portfolio of Isbank branches was about 212,000 liras and that of Ziraat Bank branches about 74,000 liras. The amount of potential lost business was thus considerable.

In the end, Anadolu Sigorta was going to be hampered in fighting unlawful competition with equal strength and artillery because only the three national insurance companies were subject to the Salaries Scale Law and none of the other companies were bound by it. The company especially felt the adverse effects of this in the portfolios of Isbank and Ziraat Bank.
In addition, the Salaries Scale Law was going to adversely affect the company’s current and future employees. To reduce the negative effects of the law, and to restrict the fall in production, the company decided to start up new organisations under the company’s name outside of bank branches in major commercial and industrial centres like Ankara and İzmir. The company would thus avert, to an extent, a loss of competitiveness and business volume. Of course, the General Directorship of Isbank would have to be informed about the delicacy and importance of the situation, and would have to approve the decision.

The Salaries Scale Law constrained Anadolu Sigorta until 9 June 1948, when Law No. 5212, which exempted Isbank and Anadolu Sigorta from the salary scale, came into effect. Paralleling developments at Isbank, the period until the beginning of 1949 was accepted as a transition phase for the new salary and remuneration arrangements of Anadolu Sigorta’s officials and employees.

ANADOLU SİGORTA IN A WAR ENVIRONMENT

Turkey did not enter World War II; it remained neutral. The country was affected by the war in many ways, however. Foreign trade almost came to a stop, and a significant portion of the adult population was called to arms, causing a manpower deficit in various industries.

Adverse developments in the war environment were not long in affecting the insurance industry. Insurance companies started a coastal trading insurance pool to share the risks of war, the authorities utilised a system of ‘over-premiums’ to cover the risks, and many insurance industry employees were called to arms - and some, occasionally, to military manoeuvres. Anadolu Sigorta’s Board of Directors unanimously agreed that these employees, like those in other financial corporations, would receive their full salaries in accordance with Paragraph B of Article 13 of the Salaries Scale Law and as required by the circular letter received from Isbank.

Although Turkey remained neutral, the war years were times of scarcity, and the whole nation suffered. The company’s management was authorised to pay employees up to two months’ salary in advance for childbirth, death, illness or any other reason the management thought appropriate. Again, however, the Salaries Scale Law restricted the management. With the absence of factors like pensions and social security that bind employees to a corporation and aid them in cases of difficulty, a social support fund, similar to the one at Isbank, was set up. Anadolu Sigorta employees specifically requested that the fund be created with 1% deductions from employees’ salaries and be used to lend money, interest-free, to those in difficulty. The company provided the initial capital required for the fund.

The deed of trust for the Pension Fund was submitted to the Board of Directors on 13 March 1943. According to this deed, a legal entity ‘trust’ called Anadolu Sigorta Company Pension Fund would be set up for salaried employees of Anadolu Sigorta and its ‘jerans’ company Ankara Insurance. Contracted experts, foreign national experts, and the Chairman and Members of the Board were not eligible to participate in this fund.
The fund would pay retirement or disability pensions to permanent, salaried employees of both companies, and, in the event of their death, to their children and widowed spouses. Those who withdrew from the fund would receive their pension fund contributions, bonuses, or indemnities.

The company initially allocated 40,000 liras for this purpose. Deductions of 5% from the salaries of employees participating in the fund, with an equal amount matched by the company, constituted the fund’s initial capital and revenue. Further, 25% of the first month’s salaries of new employees and of employees who received a salary increase were considered the fund’s revenues. Lastly, any profits generated from investments with the fund’s capital, and any donations made by legal entities, were added to the capital.

To conduct the fund’s business, an amount of money deemed appropriate by the Fund Directors was available in deposit accounts at Isbank and Ziraat Bank. The available money of the fund was used by the Directors for regular payments of retirement, disability and orphans’ pensions, and other indemnities. The fund was authorised to purchase or sell real estate, give loans against mortgages, and operate and rent purchased real estate. The Fund Directors prepared an investment plan at the beginning of every year and submitted it to the Board of Directors for approval.

Anadolu Sigorta’s biggest competitor in the 1940s was Güven Insurance. The Sugar Company’s insurance contract became a problem for the two companies during the war years. Sümerbank owned one third of the Sugar Company’s shares, and the bank insisted that one third of the Sugar Company’s insurance work be handled by Güven Insurance, which the bank also owned. The problem was solved through discussions between the general managers of Isbank and Sümerbank. Anadolu Sigorta was not especially insistent.

Meanwhile, the war environment and especially the Wealth Tax led to liquidation in the real estate market, creating a suitable opportunity for Anadolu Sigorta to invest in real estate. The Bozkurt and La Jeneral dö Pari [La Général de Paris] companies on Bankalar Street in the Galata district were liquidating and selling their buildings. The Board of Directors appointed the manager, along with Haydar Vaner, Emin Draman and Hilmi Sevres, to a committee to purchase these two buildings.
The committee discovered, however, that the Ministry of Commerce accepted this real estate as collateral and had assessed it at a value of 10 times the gross revenue discounted by 20%. This was 60 to 70% less than the ratio of the gross revenue to the asking price of all the other real estate on the market, and the plan to purchase real estate was shelved for the time being.

NEW TAXES IN EXTRAORDINARY TIMES

Although Turkey remained neutral during the war, there was a state of emergency in the country. The army called 1.5 million people to arms, and an unofficial mobilisation was announced. This naturally put a burden on the state budget. In spite of extraordinary revenues like the Wealth Tax and Agricultural Products Tax, levied because of the war situation, inflation soared as it did during World War I. The state treasury could not afford the insurance costs of its own institutions. Passenger planes could not be insured because of a lack of budget allocations. Even insuring Atatürk’s yacht was problematic.

Another problem during these years was the limit the Audit Law had set on insurance companies’ reserves. The amended Article 10 of the law mandated that the stocks and bonds constituting the reserves should be only government bonds and shares of national banks.

The Central Office of Turkish Insurers requested that the Ministry of Commerce postpone the article’s enactment. The Ministry responded by asking the Office to what extent the article was already being followed, and the Office then requested this information from the insurance companies.

According to the Audit Law, Anadolu Sigorta had to replace the 1,000 shares of Ankara Palas [a hotel], 16,000 shares of Ankara Insurance Company and 5,000 shares Arslan Çimento Company [a cement company] in its portfolio. However, the company wished to hold on to its 20,050 Milli Re shares, valued at 110,275 liras, and requested the Office to appeal to the Ministry for permission to keep these shares in its portfolio.

The company meanwhile learned that the 7th Class Erzurum-Sivas Railroad bonds would be issued 25 to 29 November 1940. Like previous issues, these bonds yielded 7% interest and had a 19-lira issue price against a 20-lira nominal price. The company decided to purchase the Erzurum-Sivas Railroad bonds in order to replace the 25,400 liras of stocks and bonds it was obligated to sell. A circular letter dated 17 October 1940 warned the Ministry of Commerce that the contents of the company’s reserves could be affected by changes in the market, and ordered the purchase of 30,000 liras of the Erzurum-Sivas bonds.

The war years were not the time for the state to make do with ordinary taxes. The National Protection Law published in 1940 laid out a series of new taxes which were extraordinary in substance. Like other economic corporations, insurance companies had their taxes and tax liabilities raised. Law No. 3828 and Law No. 3840 increased the income tax rate from 11% in 1939 to 22.5% in June 1940. The emergency tax rate did not change, but because it was levied as
10% of the income tax, the income tax increase caused a de facto emergency tax increase. Real estate revenue was not subject to income tax until 24 May 1940 and the enactment of Article 6 of Law No. 3840. Anadolu Sigorta thus started to pay income tax on its real estate, in addition to the usual building taxes, in 1940.

The excise tax was also increased. Law No. 3843, published on 4 June 1940, raised the excise tax rate from 2.5% to 5% and expanded the excise tax to cover the total sum that the company collected. Real estate revenue, interest income from shares, and profits from the sale of bonds and stocks were not subject to excise tax before 1940; but with this new law, paying 5% excise tax on all the above-mentioned transactions became mandatory. The only exception to the tax was interest income from state treasury bonds and public debt bonds. Lastly, a 50% increase on fixed stamp duties and a 10% increase on graduated stamp duties were put into effect.

THE REINSURANCE PROBLEM IN A WAR ENVIRONMENT

In World War II, the industrialised Western countries divided into two blocks and ignited a war. With the start of the war, the Turkish insurance industry had to meet the risks of war. It was not possible, however, to find the necessary reinsurer support and coverage in a Europe at war. Insurance is usually an international enterprise, but this attribute was lost during the war.
As contact with the London and Paris markets was severed, Anadolu Sigorta turned to the Italian market for reinsurance. Letters sent from London took 3.5 to 4.5 months to reach Istanbul. Restrictions on foreign currency exports in Germany meant that collecting indemnities or credit claims from the German market was very difficult, and Anadolu Sigorta annulled its reinsurance contracts with Ahen [Aachen] and Müni [Munich] Insurance companies.

For these reasons, Anadolu Sigorta chose the Italian market in wartime. When the company could not renew its existing contracts, the Board of Directors looked to the Italian market and decided to go to Italy to negotiate with Assicurazioni Generali or other Italian insurance companies. Assicurazioni Generali had quoted good prices with favourable conditions when contacted about reinsuring the railway cars and engines that the government would import from Germany. In fact, Anadolu Sigorta already had a seven line transportation pooling reinsurance contract with this company. Anadolu Sigorta’s representatives travelled to Assicurazioni Generali Company’s headquarters in Trieste to sign a reinsurance contract with this company with which “good relations must always be maintained”.

Turkey’s neutrality during the war obliged the country to maintain relations with both sides. It was not easy to spread the risks arising from these relations or to operate with maximum guarantee and security. Milli Re was considered the corporation to carry this heavy burden, and, drawing strength from the government’s trust, it shouldered the load and created an ethos of robust cooperation with both domestic and foreign companies.
Despite the country’s neutrality, Turkey could not help being affected by the onerous economic problems of the war environment. Exportation and importation became very difficult, international transportation was fraught with danger, and it became necessary to insure international transportation against the risks of the war. As Turkey was not one of the warring parties, the government could not officially cover war transportation risks. Milli Re thus handled the coverage of war transportation risks. Although imports or exports could have been transported by vessels from either side, the probability of these vessels being sunk was rather high. On the other hand, transport ships of neutral countries had to sail through the Mediterranean, and goods imported from Europe had to be transported overland. Facing these conditions, Milli Re, thanks to its foreign relationships and the brokering of the Insurance Investigation Committee’s Transportation Subcommittee, set its own war-time prices and obtained the necessary coverage, and maintained this service until the end of the war.

CONSORTIUM OF NATIONAL COMPANIES

“We are happy to announce that Anadolu, Güven, Doğan, Ankara and Halk national insurance companies have reached a firm agreement, based on mutual security and principles of goodwill, on the goal of the Turkish insurance business attaining the growth and strength to perform its national role and duty.

The major and most fundamental subject of this agreement is the discounts and unfair competition issue threatening our national insurance companies and our insurance industry, and that has reached such a high level that it must be addressed immediately. Therefore, we, the five companies signing this agreement, have accepted and committed to apply no more than a 15% discount to the corporations identified in the 2nd and 3rd paragraphs of Article 28 of the fire insurance price list and guidelines as eligible to receive an official 15% discount. We therefore announce, with due respect, that a discount of more than 15% should never be applied to such corporations, that if you receive such an insurance demand, do not negotiate or accept before requesting instructions from your manager, and that we consider this letter to be forwarded to the personnel of the other national corporations.”

This declaration, dated 22 June 1944, by a consortium of five national insurance companies of the day, Anadolu, Güven, Doğan, Ankara and Halk, was forwarded to all employees of these companies. The representatives of these companies, Halil Mirat Yenel, Nail Morali, Selim Bayakın, Kemal Ayral and Nihat Rutkay, had held a meeting on 15 June 1944 to establish a consortium in order to solve the discounts and unfair competition issue. The above declaration was published as the result of their first meeting.

On this date, the five companies decided to adopt a common stand and establish a secretariat to facilitate their work. All the secretariat’s expenses would be shared equally by the companies and the companies’ employees were to be informed of the agreement. All five companies would prepare lists showing the names and discount rates of all those who had applied more than a 15% reduction - by way of returns, discounts, etc. - to the corporations identified in Paragraphs 2 and 3 of Article 28 of the Fire Insurance Tariff Rates List and Guidelines. These lists would be joined as a protocol.
A second point was that each of the five companies would prepare a list of producers on exclusive contract to them, and these lists would also be joined in a protocol. For those state insurance jobs not included in the agreement but to be added later to the framework of the agreement, each company would study them from that company’s perspective and inform the ‘general assembly’ established by the companies of the results. The agreement would take effect shortly, and the Commerce Office had already informed Halk Insurance that it would no longer receive its 3% commission. Letters were sent to some corporations, informing them that commissions over 15% would no longer be given. One example is the excerpt below from a letter sent by Halk Insurance to the Agricultural Products Office on 26 June 1944:

“This is a supplement to our letter number 713, dated 15 April 1944. In our above mentioned letter, we had informed your esteemed Office that we would pay a higher commission. Conditions on that date had allowed us to increase the commissions, and we were happy to do so for your benefit. The commercial situation today has changed and affected the insurance market, causing our costs to rise. Consequently, we have to inform you that starting from 01.07.1944, we will have to reduce the commission to the previous rate, and we sincerely hope that this necessity will be met with the assent of your esteemed Office.”

The war environment had driven the insurance companies into a corner, and they realised that if they did not act in concert, competition devoid of technical calculations would cause the collapse of all the insurance companies. The ‘general assembly’ and the ‘secretariat’ that the companies had formed solved the price list issues, at least in war-time. The companies had difficulty, however, in resisting pressure from certain circles. Ankara Municipality sent the companies’ Ankara branches a proposal for a 21.5% return, to be provided jointly by the five national insurance companies, on its fire insurance jobs. The ‘General Assembly’ discussed the proposal and unanimously agreed to apply the return as an ‘exception’.

TARIFF RATES REDUCTIONS AND THE MINISTRY OF COMMERCE

Although the national insurance companies had formed an insurance consortium and reached agreements on tariff rates towards the end of World War II, this shared attitude could not be sustained after the war. In order to obtain insurance work from companies with substantial portfolios, some insurance companies and their production staff applied reductions beyond the tariff rates approved by the Ministry. That other companies had to keep pace with these reductions was deeply harmful to the body of the insurance industry. ‘Unlawful tariff rate reductions and commission returns’ constituted a continuous problem for the insurance industry. Hence, starting from early 1945, the Ministry of Commerce frequently assembled the insurance companies’ representatives for meetings in Istanbul. An Insurance Examination Committee was finally formed by these representatives to end the reductions and to determine the rates of commission to be paid to producers. The decisions made at the Istanbul meetings were conveyed to the Ministry of Commerce, as were the decisions of the Insurance Examination Committee. At the same time, the Ministry
of Commerce was preparing new insurance legislation. The Ministry carefully studied the Insurance Examination Committee’s suggestions and evaluated them for the draft legislation, with the aim of having the insurance industry operate properly and regulating its development.

Legal steps took time, however, and urgent measures were needed. With this in mind, the Ministry determined a series of principles, based on the Insurance Examination Committee’s decisions, and announced these to the companies in a letter dated 5 October 1946.

These price lists, although prohibiting transactions contrary to the legally approved tariff rates, allowed exceptions on the condition that such transactions were ‘not being based on unlawful goals’. The term ‘unlawful’ was somewhat vague, however, so the Ministry of Commerce identified a series of actions as ‘based on unlawful goals’.

Insurance companies were henceforth prohibited from violating the legislation regarding commissions paid to agents, general agents or other producers. Any compensation to clients - such as discounts, commissions, returns, waivers or direct payments - over the value of the policies or endorsements drawn up by the insurance companies was also prohibited.

In short, transactions below the listed tariff rates were allowed provided they were not ‘based on unlawful goals’. Such reductions had to be general and explicit, and valid for all policies and renewals of risks in the same field. Insurance companies were obliged to notify the Ministry of Commerce in writing on the same day that they applied the special and explicit reductions, and then wait for the Ministry’s reply before actually putting them into effect. The Ministry would evaluate the reduction in terms of the ‘unlawful goal’ and notify the company of its decision. In accordance with the 4th article of the reinsurance regulation, these special and explicit reductions would not affect the shares that had to be transferred to Milli Re.

The maximum commission rates insurance companies could pay their producers and other insurance companies were classified according to the insurance field. The commissions paid could not exceed these maximum rates, and payment in addition to commissions - as expenses, appropriations, fixed-fee salaries, wages, taxes, and rent – was deemed commission over-payment. The only payments allowed were transportation expenses for life insurance production.
travel, and the daily expenses
specified by the Central Office
of Insurers. Contracts between
insurance companies and their
producers would not include
provisions contrary to these
principles.

The Ministry of Commerce’s
letter contained another list
of exempted transactions.
The national, regional and
municipal governments,
government-owned companies,
and corporations with at least
50% government capital were
all entitled to a 15% discount
on fire, transportation (goods
and vessels), and motor
insurance contracts. Non-profit
organisations, cooperatives
and charities would likewise
receive the same discount in the
same fields. Neither insurance
companies nor production
entities would be able to give
reductions or returns exceeding
these tariff rates.

Despite all these regulations,
the notice from the Ministry of
Commerce was only a ‘request’.
How the notice would be
applied and the effect it would
have on the contracts between
companies and producers
remained to be seen. The
Central Office of Insurers had
to follow this issue and bring
clarity to the system. The
general opinion was that unless
a law was published, it would be
difficult to completely stop the
false discounts. The Office thus
reported to the Ministry that

---

**KÂZIM TAŞKENT’S LETTER OF CONGRATULATIONS**

*Maximum Commission Rates*

The maximum commission rates allowed to be paid to producers and insurance companies
(Excluding reinsurance and retrocession jobs)

**Fire Branch:**

<table>
<thead>
<tr>
<th>Category</th>
<th>General agents</th>
<th>Agents</th>
<th>All other producer entities</th>
<th>Insurance Companies</th>
<th>All producer entities for jobs included in Clause D</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>30%</td>
<td>25%</td>
<td>22.5%</td>
<td>30%</td>
<td>15%</td>
</tr>
</tbody>
</table>

**Transportation Branch:**

<table>
<thead>
<tr>
<th>Category</th>
<th>General agents</th>
<th>Agents</th>
<th>All other producer entities</th>
<th>Insurance Companies</th>
<th>All producer entities for jobs included in Clause D</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>22.5%</td>
<td>17.5%</td>
<td>15%</td>
<td>22.5%</td>
<td>5%</td>
</tr>
</tbody>
</table>

**Motor Branch:**

<table>
<thead>
<tr>
<th>Category</th>
<th>General Agents</th>
<th>Agents producer</th>
<th>All other entities</th>
<th>Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>a. Personal, financial liability, freelance, collective and glass jobs</strong></td>
<td>22.5%</td>
<td>20%</td>
<td>17.5%</td>
<td>22.5%</td>
</tr>
<tr>
<td><strong>b. Occupational accident, vehicle and financial liability, theft and match</strong></td>
<td>17.5%</td>
<td>15%</td>
<td>12.5%</td>
<td>17.5%</td>
</tr>
<tr>
<td><strong>c. Aircraft body and financial liability or machine breakdown and other jobs</strong></td>
<td>10%</td>
<td>7.5%</td>
<td>5%</td>
<td>10%</td>
</tr>
</tbody>
</table>

**Life Branch**

<table>
<thead>
<tr>
<th>Category</th>
<th>First year</th>
<th>Second year</th>
<th>Third year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>a. Agents and general agents</strong></td>
<td>65%</td>
<td>15%</td>
<td>5%</td>
</tr>
<tr>
<td><strong>b. All other producer entities</strong></td>
<td>60%</td>
<td>15%</td>
<td>5%</td>
</tr>
</tbody>
</table>
the reduction of commission levels to those specified by the ministry led to major conflicts among the agents and producers and insurance companies.

This subject was discussed at length in a meeting spanning 17 to 19 February 1947 organised by the Insurance Examination Committee and attended by the Undersecretary of the Ministry of Commerce. The Undersecretary firmly stated that the Ministry was determined to limit commissions and eliminate unlawful competition. He added that the insurance companies had until 15 April 1947 to reach a decision; from then on, any company not complying with the notice would be penalised according to the notice’s provisions.

It was extremely difficult for the companies to reach a consensus. In fact, the Ministry Commissioner invited the Insurance Companies General Assembly to a meeting on 3 June 1947 because they companies had not reached an agreement and had not informed the Ministry of this. Upon receiving this invitation, the five ‘national’ companies met on 26 May 1947 and firmly declared that they had agreed on limiting the commissions and eliminating the returns.

Although such a decision had been announced, implementing the decision required reviewing the existing contracts. This review would create controversy among the companies, agents and producers. Likewise, limiting commissions on the ‘reviewed’ contracts, in line with the Ministry’s demand, might prompt some producers and other producing entities to part with Anadolu Sigorta. In view of such a conflict, the problem was brought to the Board of Director’s agenda.

On the one hand, the above-mentioned difficulties were considered from the company’s perspective; however, on the other hand, from the perspective of insurance ethics, it seemed imperative to comply with the Ministry’s well-justified orders. If the other insurance companies promised to comply with the Ministry’s orders, there was nothing for Anadolu Sigorta to do but comply.

COMING THROUGH AND NEW OPPORTUNITIES

Towards the end of the 1940s, business had started to open up. The Marshall Plan [European Recovery Program] was one of the major contributions towards this development. Anadolu Sigorta provided a third of the cargo insurance for the aid material shipped from the U.S.A. Güven Insurance provided a third, and the remaining third was divided among Doğan (18%), Ankara (9%) and Halk (7%), the other three national insurance companies. Elsewhere, Anadolu, Güven and Doğan had been equally sharing the Sugar Company’s insurance work. Anadolu now doubled its share by obtaining Doğan’s share. Anadolu Sigorta’s production in 1948 was 36% higher than in the previous year.

Meanwhile, the Ministry of Commerce had started preparations for an agricultural insurance system. The subject immediately became an item on Anadolu Sigorta’s agenda, and Zeki Kadirbeyoğlu, having previously studied this field, stated that this sort of insurance could be handled only with the government’s help and support. Agricultural insurance in Turkey could be divided into four areas:
SUPHİ TANEL’S APPOINTMENT AS GENERAL MANAGER

It has been decided in the Board of Directors Meeting on 28 August 1947 that the former Assistant General Manager and Head Comptroller of Ziraat Bank be appointed the Company Manager, at an appropriated monthly salary of 875.00 liras.

Board of Directors – 28 August 1947

[Technical Adviser Kemal Suher had been the acting Company Manager since 17 April 1947]

DONATION TO ŞİŞLİ MOSQUE

A letter has been received from a society called ‘Building and Maintaining a Mosque in Şişli, Istanbul’, requesting aid from our company in order to complete the construction of the mosque. The letter also mentioned that Milli Re had donated 10,000.00 liras and Güven Insurance had donated 5,000.00 liras, and that donations would be tax-deductible because the society was defined as a ‘Society for Public Benefit’ by the Cabinet. In a memorandum dated 5 August 1947, our Company Manager proposed that an appropriate donation be made to the society. The Board of Directors, in a meeting on 14 August 1947, decided that a donation of 7,500.00 liras would be made to the above mentioned society.

Board of Directors, 14 August 1947

flood, locust, drought and frost. To be able to determine these risks on site and in time, however, a surveyor had to be available in every village, or at least in every township which was a condition insurance companies could not meet. This field of insurance could be realised only if the state organised it.

Up until this time, the insurance fields with the largest revenues had been fire and transportation. After World War II, however, fuel usage shifted from coal to petroleum, and highways gained importance over railways. Experts from the U.S.A. had inculcated the governments of the time with the pursuit of these developments. As a result of this transition, and with the benefits of the Marshall Plan, the number of vehicles on Turkish highways was increasing. Because the road infrastructure was inadequate, however, the increase in vehicles led to an increase in accidents. Consequently, insurance companies were having difficulties in examining, analysing and paying motor claims. Such problems were occasionally conveyed to the Board of Directors. The number of accidents multiplied, and the policy system that had been prepared at least 20 years earlier appeared inadequate. These circumstances prompted some justified complaints from clients, thus damaging the company’s public image. In particular, requiring claim payments to be approved by the Board of Directors generated delays. The Board of Directors thus decided on 26 January 1949 to grant Management authorisation to pay motor claims, on the condition that payment did not exceed 25% of the vehicle’s value.

Another development was the Management’s proposal, toward stimulating Anadolu Sigorta’s production, that the managers of Isbank and Ziraat Bank branches which also functioned as Anadolu Sigorta agencies be awarded a fee of up to 5% gross on the net premium revenue of an insurance contract if they personally evaluated and handled the branches’ insurance prospect, acted as a surveyor or expert, and prepared a report on the prospect.

Meanwhile, discussions of the Kontrol ve Teftiş Talimatnamesi [Control and Inspection
Regulations project prepared by Anadolu Sigorta’s Management began during the 6 October 1948 Board Meeting.

**NEW REINSURANCE CONTRACTS**

In 1936, Anadolu Sigorta severed its ties with the Paris-based Union Insurance Company, which had been working with Anadolu Sigorta since its founding, and which had managed Anadolu Sigorta’s business as trustee of affairs until the mid-1930s. At the same time, however, the company’s reinsurance contract with Union was renewed, adding Ankara Insurance to the contract. The amendments the reinsurer requested in 1946 ran contrary to Anadolu Sigorta’s interests, and the company annulled the contract, ex officio, as of 1 January 1947. Because of this annulment, the pooling contract that Anadolu Sigorta had signed with Union, İttihad-ı Milli, and Ankara Insurance, and no longer of use to Anadolu Sigorta, was also nullified.

According to the pooling contract in effect until the beginning of 1947, each company participating in the pool would transfer five lines to the pool; that was the loss each company would have to cover, after the deduction of the obligatory Milli Re share. The amount in the pool was allocated as 60% between Anadolu and Ankara and 40% between Union and İttihad-ı Milli. Of the 60% portion reserved for Ankara Insurance and Anadolu Sigorta, one third was kept for Ankara and two thirds for Anadolu.

Following the annulment of this contract, Anadolu signed new reinsurance contracts, effective from January 1st, 1947, with Assicurazioni Generali, Kompani di Roma [Compagnia di Roma], Baluvaz [Baloise] and La Suisse [La Suisse] insurance companies. Meanwhile, with Anadolu and Ankara insurance companies’ shares in the annulled pooling contract in mind, a clause that the reinsurances would apply to the risks exceeding three lines of both companies was added to the contract. The new pooling contract, which designated the allocation of these three lines excluded from the reinsurance process as one third to Ankara and two thirds to Anadolu - just like the former pooling contract - was effective 1 January 1947.

Meanwhile, as a result of Anadolu’s long-time cooperation with Union and despite the annulment of their reinsurance contract, the company’s long-term life insurance contracts with Union were still in effect. In accordance with the French legislation of 15 February 1947, companies with reinsurance work in France or Algeria had to have a legal representative present in France. To comply with this legislation, Anadolu Sigorta appointed M. Henri Autebe, an authorised signatory employee of Union Insurance Company, as its legal representative.

---

**LABOUR LEGISLATION AND LUNCH FOR EMPLOYEES**

The Management issued a memorandum on 28 August 1947 about allocating two thousand liras (TL 2,000) for September 1947 to provide lunch to personnel employed in accordance with the Labour Law, as in similar institutions, in order to compensate for the food expenses of these employees. The memorandum was read and explicated during the Board of Directors Meeting of 28 August 1947, and the allocation of two thousand liras to provide lunch to employees working in accordance with the Labour Law was accepted.

Board of Directors – 28 August 1947
I was passing by Hüdavendigâr Building recently. Entering to visit a friend’s office, I used the opportunity for a simple study of the building. It really is perfect and massive. I checked some of the rooms and storage areas. The stairways are marble and the thresholds are made of mosaics. The doors and their frames have been built with special care. Even the iron doors between the rooms show good workmanship. The shop areas are large. The façade has a marble veneer. The building has central heating and an elevator. It is an altogether sturdy building.

Chairman of the Board Adnan Tâşpinar, 14 June 1948
NEW HEADQUARTERS: ANADOLU SİGORTA BUILDING

Anadolu Sigorta has changed its location four times so far. The company started its operations in the Ünyon Building in the Galata district [Istanbul] on 1 April 1925; this, however, was a short stay. The company moved to suites 21-25 of the 4th Vakıf Building two months later, and worked here for 10 years. A large space was not needed as most of the work was done in the Ünyon Building because of the trustee of management arrangement. When Anadolu Sigorta became independent in 1936, however, the need arose for larger premises. In that year, the company rented the Büyük Kınacıyan Building, where Isbank had opened its first Istanbul branch. The building was in the Sirkeci district, in an area called Meydancık, just across from the Grand Post Office, and was used by the company for more than 10 years.

Anadolu Sigorta had operated from rented premises for years. It was time to buy its own property. The company first considered buying the Büyük Kınacıyan Building, from where it was already operating. In fact, discussions with Isbank during World War II led to a decision of intent to buy the building. Isbank was going to help with the purchase. The company also contacted Ziraat Bank and secured a loan of 200,000 liras; the war years, however, discouraged Anadolu Sigorta from making the purchase. After the war, Türkiye Kredi Bank was swifter and bought the building.

Türkiye Kredi Bank requested that Anadolu Sigorta evacuate two rooms and the vault, and a short while later, the large hall. Anadolu Sigorta declined both requests, but the case was submitted to the General Directorship of Ziraat Bank. The last bargaining point was transfer of the two rooms in return for a three-year lease. Kredi Bank did not accept this. Anadolu Sigorta’s lawyer was convinced that, according to the National Protection Law, an insurance company could not be evicted. Still, it had at last become imperative that Anadolu Sigorta move into its own building.

The realtor Alber de Leon made the first offer. This building, which housed the Rehber and Soryana Clothing Accessories stores, was again in the Sirkeci district, across from the Yerli Mallar Pazari [Local Goods Market], and was large enough for the offices of both Anadolu and Ankara Insurance companies. It was not approved, however. The focus soon turned to two buildings: Basiret Building in Sirkeci, and Hüdavendigâr Building in Galata.

The Chairman favoured the Hüdavendigâr Building, which was on a plot more than 1,000 square metres [0.25 acres] and had about eighty large rooms. In addition, there were thirty utilisable loft rooms on the top floor. There were large halls on both sides of the ground floor entrance, and these halls could accommodate all the functioning departments of Anadolu Sigorta. The building was on a street in one of Istanbul’s largest commercial districts. The company would have been proud to own such a building. The Basiret Building, on the other hand, was much less impressive. Its entrance was narrow and gloomy. There were two stores on the ground floor, but they were narrow and insufficient to house the departments. The building did not receive enough natural light, and its plot was only two thirds the size of Hüdavendigâr’s. According to Adnan Taşpınar, the Basiret Building’s 450,000-lira asking price meant the Hüdavendigâr Building should have had a value of 800 - 900,000 liras. He said, however, that he would settle for the Basiret Building if the Hüdavendigâr Building could not be bought.

The Board of Directors, on the other hand, believed that the Basiret Building was more appropriate
for the insurance market. Anadolu Sigorta’s customers had never yet crossed the Galata Bridge to the side dominated by foreigners. Isbank, too, had chosen premises adjacent to Sirkeci - in the Bahçekapı area of the Eminönü district. The insurance market issue preoccupied the Board of Directors. Manager Suphi Tanel said, “The Hüdavendigâr Building is really valuable as a building, but I am hesitant about the area’s suitability for the insurance business”.

One other obstacle to buying the Hüdavendigâr Building was the owners’ refusal to accept less than 650,000 liras. Anadolu Sigorta, meanwhile, would not consider investing even 600,000 Liras in a building. Chairman Adnan Taşpınar’s proposal to offer 325,000 liras for the Basiret Building, and 550,000 liras for the Hüdavendigâr Building was accepted with opposition from only İsmail Suphi Soysalıoğlu. In his statement of opposition, Soysalıoğlu said that the company’s Manager should be granted authority to pay up to 600,000 liras for the Hüdavendigâr Building.

The Basiret Building’s owner had firmly stated that he would not sell for 325,000 liras, inclining the Board of Directors toward the Hüdavendigâr Building. In the meeting after the 14 June decision, Zeki Kadirbeyoğlu accepted 600,000 liras. It was time for an urgent decision. However, Chairman Adnan Taşpınar, who had proposed 550,000 liras, was ill and could not attend the meeting. General Kemal Ergüden claimed it would be improper to make a new decision before the Chairman withdrew the previous proposal. Both Zeki Kadirbeyoğlu and the Management then contacted Adnan Taşpınar and informed him that the company was about to lose the chance to buy the building. With the Chairman consequently accepting to offer 600,000 liras, it was agreed that the final decision should not be postponed to the next meeting. The price of 600,000 was voted on and accepted. Then, to get together that amount of money, the company sold one of its buildings, a warehouse in Galata known as the Zeliç Print Shop, to the building’s tenant Vangel Haydopulos for 90,000 liras: 30,000 in cash, with the remaining 60,000 to be paid in equal instalments over four years at 8% interest.

Nonetheless, the offer of 600,000 liras had not solved the problem. The owners of Hüdavendigâr

---

**THE PURCHASE OF THE HÜDAVENDİGÂR BUILDING I**

It has been decided that, of the buildings under consideration to be bought as company headquarters, Anadolu Sigorta would buy the Hüdavendigâr Building for 550,000 liras; 50,000 less than the proposed 600,000; and the Basiret Building for 325,000 liras: 125,000 less than the proposed 450,000.

Board of Directors, 14 June 1948

**THE PURCHASE OF THE HÜDAVENDİGÂR BUILDING II**

The Management’s memorandum number 151, dated 30 June 1948, informing the Board that the Basiret Building’s owner had not accepted the offer of 325,000 liras and was prepared to sell only for 450,000 liras, was read and understood during the Board of Directors Meeting of 30 June 1948. It was subsequently decided that the Management would be authorised to reach an agreement with the owners of Hüdavendigâr Building for the purchase of the building for not more than 600,000 liras.

Board of Directors, 30 June 1948
Building were contacted again and Selman Bey, who owned 74% of the building, agreed to sell his share for 74% of the total price of 600,000 liras. The remaining 26% was owned by a very old man called Şefik Bey. His attorney was Sabri Bey, a retired judge. Şefik Bey was unwilling to sell his share for 26% of 600,000 liras. Sabri Bey proposed that Şefik Bey receive 26% of a total price of 800,000 liras. The company was determined to buy Selman Bey’s 74% share for 450,000 liras, and was willing to wait and see what the future held for the remaining 26%. The purchase of the 74% share was finalised in July.

After the sale, Sabri Bey contacted Anadolu Sigorta and said that Şefik Bey ‘might’ accept 160,000 liras for his 26% share – 4,000 liras more than the company was offering. Manager Suphi Tanel submitted this information to the Board of Directors. If Anadolu Sigorta chose not to pay the 4,000 liras difference, it was possible that the company would spend a similar amount on court cases; and these cases would drag for months. For this reason, the Board authorised the Management to buy the remaining 26% for 160,000 liras.

The entire building was soon purchased and renamed the Anadolu Sigorta Building.

THE COURSE OF EMPTYING THE BUILDING

The purchase was completed, but the building’s tenants had to vacate the offices before Anadolu Sigorta could move in. Some of the rooms were occupied by the Internal Revenue Department’s Audit and Appeal Commissions 2 and 3. Commission 3 had vacated before the end of August, but had moved back into seven rooms in the building when it was unable to find suitable new premises. Commission 2 had moved out of its five rooms and handed over the keys. The Internal Revenue Department’s Tophane Office occupied room number 19 on the building’s second floor. It was uncertain if they would vacate and move into the Internal Revenue Department’s newly-constructed building. There were rumours that the Revenue Department’s Galata Office would move into the new building, and the Tophane Office would remain in the Hüdavendigâr Building. Ousting the Internal Revenue was no small feat.
Anadolu Sigorta’s Management was negotiating with the tenants and trying to convince them to vacate. The company wrote and sent letters to the tenants, and filed complaints. The process of moving in was being hindered. Actually, as long as the National Protection Regulation was in effect, Anadolu Sigorta could remain in the Büyük Kinacıyan Building. Meanwhile, Anadolu Sigorta received a formal protest note from the Türkiye Genel Insurance Company, informing them that Türkiye Genel had bought half of the Büyük Kinacıyan Building from Türkiye Kredi Bank and would move in at the beginning of the year, and that the contract with Anadolu Sigorta would thus not be renewed. This was bad news. If Anadolu Sigorta left the Kinacıyan Building and the Sirkeci district, it might lose its customers in that area to Türkiye Genel Insurance, which operated from that same location. Therefore, if the move to the Galata district happened, a contact point had to be maintained in Sirkeci. One option was to hang a sign on the Büyük Kinacıyan Building’s door and work from a small office therein. If that was not possible, the office of Ankara Insurance, in the same building, could be utilised. According to the National Protection Law, however, a tenant could not sublet a property. Thus, it might not be legal to put up a sign in Ankara Insurance’s office.

The Anadolu Sigorta Building was vacated in stages. A renovation project was being prepared under the active management of Chairman Adnan Taşpınar, Vice Chairman Mahmut Nedim Ersun and company Manager Suphi Tanel. Two preliminary projects had been prepared by architects, one by Zeki Bey and the other by Sabri Bey. After studying them, the company approved Sabri Bey’s plan and paid Zeki Bey 1,000 liras and Sabri Bey 1,500 liras for their work.

Anadolu Sigorta requested offers — and references from Isbank and Ziraat Bank -
from leading construction companies for the renovation and some additional construction work. Three of the companies were shortlisted: Muhsin Kadirbeyoğlu, Şinasi Lugal and Halil İbrahim Aygen, and Münif Benlioğlu companies. Muhsin Kadirbeyoğlu had bid 6,208 liras fewer than the estimated costs for renovation and 4,030 liras fewer than the estimated costs for additional construction, totalling 10,238 liras fewer than the total estimated cost. The Şinasi Lugal and Halil İbrahim Aygen Company had bid 159 liras more for the renovation and 1,993 liras fewer for the additional construction, totalling 1,834 liras fewer than the estimated cost. Münif Benlioğlu was out of the running with its bids of 2,562 liras over the renovation estimate and 5,377 liras over the additional construction estimate, coming to 7,939 liras beyond the total estimated cost.

Following the bids, Anadolu Sigorta had to choose between the two remaining companies. Because the ‘ransenyöman’ [renseignement = references] from the banks for both companies were favourable, the job was granted to the Muhsin Kadirbeyoğlu Company, with its 10,238-lira bid 8,404 liras under its competitor’s bid. Out of four bids for the counters, windows, wainscoting, and linoleum flooring, the Yorgi E. Nikolaidis Company’s bid was accepted, being 10.5% lower than the estimated cost. The installation of central heating, electricity, buzzers, and telephone outlets was awarded to Ömer Taviloğlu and Hrant Papazyan Company, the lowest bidder. The G.M. Alfasa Elektrik Evi Company received the job of putting up double neon signs on the building’s roof and façade.

As the renovation job was decided according to the projects and budget estimates of architect Sabri Erhan, he was also assigned the responsibility and supervision of the renovation. Zeki Sayar, President of the Architects Association, was assigned the task of checking both Sabri Erhan’s regular supervision and the contractor’s work.

**THE RENOVATION OF THE ANADOLU SİGORTA BUILDING**

It has been decided to award the renovation work in the Anadolu Sigorta Building to Muhsin Kadirbeyoğlu for 83,742.50 liras, the carpentry work to Yorgi Nikolaidis for 76,433 liras, the installation work to Ömer Taviloğlu and Hrant Papazyan for 29,941.64 liras, and the construction supervision work to Architect Sabri Erhan and Master Architect Zeki Sayar for 6.5% of the tender value. It has also been decided to pay a lump sum of 5,000 liras to the supervisor architect Sabri Erhan for checking the renovation, carpentry and installation processes as per tender specifications determined by the Board, and 3,000 liras to Master Architect Zeki Sayar for supplementary checks.

Board of Directors, 27 April 1949

**THE BILLBOARDS OF THE ANADOLU SİGORTA BUILDING**

The Management’s memorandum number 316, of 2 September 1949, requesting permission to order a billboard 12 x 1 metres to be placed lengthwise on our company’s building wall facing Galata, with the company’s name written in oil paint; to order the three shop windows and the building’s door window to be printed with the company’s name in gold paint; and to pay a total of 1,340 for all the work, was read and discussed during the meeting of 2 September 1949. The request was deemed appropriate, and the supplementary appropriation of 1,340 liras was unanimously approved.

Board of Directors, 2 September 1949
Purchasing the Anadolu Sigorta Building had strained the company’s financial resources, so purchasing the bulk of office furniture like desks, chairs, lockers and filing cabinets, which would be needed only when the company settled in, was postponed. Still, during the moving process, 30 chairs, 3 armchairs and 3 coffee tables were bought for 2,640 liras. Despite moving to the new building, Anadolu Sigorta was still concerned about the Sirkeci district. Because the company had transferred to the Galata district, it rented the ground floor of a building on a street beside the Büyük Kinacıyan Building, leading to the Sirkeci Train Station, for 500 liras a month, so that the company could easily receive the applications of customers accustomed to the office in the old area and could maintain its connection with that area. The keys for this building, under construction, were going to be handed over on 1 October 1949.

The Anadolu Sigorta Company would remain in the Anadolu Sigorta Building, its own property, for more than half a century.

**THE OPENING OF THE COMPANY’S ANKARA BRANCH**

Production in Ankara had been handled mainly by agents and producers for many years. Over time, however, the company had lost a large number of its direct customers to the producers. Because of this and other problems experienced with the producers, the Board of Directors had decided during its 28 July 1948 meeting to open a branch in Ankara. However, disputes resulted over the branch’s regulations, the drawing up of which would necessitate detailing in writing the branch’s mode of operation. Otherwise, a series of excuses might come up during the production process. The prepared regulations were thus conveniently titled “The Duties and Powers of the Ankara Branch and the Principles of the Methods of Operation”.

The Ankara Branch, established on 1 July 1948, would work in Ankara in all fields of insurance covered by Anadolu Sigorta and Ankara Insurance. Operating under the former’s management, the branch would thereby be able to accept insurance offers from all fields. The branch would also be able to draw up – with two authorised signatures - fire, transportation, automobile and truck insurance policies. The head office, however, would determine and specify at the beginning of every year the maximum amounts that the branch would be allowed to accept. Offers exceeding these maximum amounts would not be declined, but the supply of credit and the drawing up of policies would be requested from the company’s head office. Nevertheless, the Branch management, with permission granted by the head office, would be allowed to draw up some over-the-limit policies.
The cargo insurance offers, with the condition of being in-country and land transport, could be readily accepted by the branch when within the maximum limits. However, insurance offers for land transportation abroad, and especially maritime transportation, would be handled according to instructions received from the head office. The branch would be allowed to insure automobiles and trucks, but it would decline to insure automobiles more than eight years old. The branch was not authorised to accept insurance offers for life, financial liability or personal accident; these offers would have to be sent to the head office. The branch was responsible for organising the medical examinations required for life insurance, for collecting deposits, and for following up the offers it had sent to the head office by ensuring that it received the policies from the head office, delivering them to the client, and finalising the transaction by getting the customer’s signature. Other major duties of the branch were hiring an agent to follow up the renewal dates of fire and motor insurance policies, renewing the policies which had come due, and regularly following up floating insurance policies.

One of the basic duties of the branch was active production. While working on production, however, the branch would take the utmost care not to interfere with the portfolios of the agents and producers currently working in the region. In fact, the branch would do its best to aid the local production bodies—agents and producers—to finalise the jobs they were following. The company would prepare and send a list of its direct jobs to the branch, and the branch would take the necessary measures to prevent these jobs from going to the area’s agents or producers, or to the competition. The branch would oversee and supervise the jobs handled by all of Anadolu and Ankara Insurance companies’ agents and producers in Ankara, as well as those outside Ankara but affiliated to the branch. The branch manager was in charge of preparing the details and premium calculations for motor, transportation, fire and life insurance policies according to the principles in effect, and carrying out and handling all relevant customer demands and applications in the shortest time.

The branch was not authorised to make de facto indemnity payments. The branch would notify the head office as soon as damage occurred, and would perform the necessary tasks to protect the company’s interests until receiving information and instructions about the appraisal work from the head office. The branch had the authority to appoint an appraiser for automobile accidents.
The branches accounting would be done in compliance with the company’s existing accounting regulations, and the branch would open the necessary accounts in line with the regulations. At year end, the branch would take inventory, prepare income and loss statements, keep the books required by income tax law, and have the books approved by the relevant authorities.

The branch was authorised to withdraw up to 1,500 liras per month from the bank to cover both expenses for the branch’s management and indemnity payments announced by the head office. The essential tasks of the branch were following up and finalising jobs that were officially undertaken by the branch, and collecting the premiums for these jobs. The branch would also comply with the provisions and contract settlement periods of the agents and producers affiliated to the branch.

The branch was not authorised to retain a lawyer on behalf of the company, and was not allowed to represent the company in court without permission. The head office would appoint an attorney for lawsuits. The branch manager had primary responsibility for ensuring that the branch fulfilled the company’s instructions and directives.

In reality, the Ankara Branch was an agency equipped with broad powers. Alâeddin Bekir Alpar was appointed head of this unit, but it was soon necessary to appoint a new manager. There were two candidates for the position vacated by Alâeddin Bekir Alpar. The first was Adnan Özkan. He had worked for the İttihad-ı Milli Insurance Company as both an employee and a commissioned agent; he had not done any ‘independent’ work. The other candidate was Hasan Polatkan, the Democratic Party’s sitting Member of Parliament for Eskişehir City. He was a graduate of the School for Civil Servants and had worked as Ziraat Bank’s comptroller. He was said to have distinguished himself as honest, well-educated and hardworking. The Board of Directors would select one of these two candidates.

The main doubt about Hasan Polatkan was his political identity. How could he be an agent and a politician? There was no legal obstacle, however, to a politician do agency work. Board Member General Kemal Ergüden was quite concerned about Hasan Polatkan’s parliamentary immunity. If he were the subject of a lawsuit, it would be necessary to wait until the parliamentary term ended before proceeding. Yet Hasan Polatkan’s merits outweighed the other candidate’s in the final evaluation, and he was appointed Anadolu Sigorta’s Ankara agent.

ANADOLU SİGORTA İZMİR OFFICE

The Ankara Branch soon proved to be successful. Based on this favourable result, it was decided to open a similar office in İzmir, then a major domestic and foreign trade centre where seven agencies offered their services. The representative sent to İzmir had to be capable, experienced in fire insurance, and knowledgeable about the effects of blockages on
risks. Hafız Baysal, who was then the company’s Head of Staff and who had worked in the fire insurance field at Anadolu Sigorta and Milli Re for over 20 years, was appointed Manager of the İzmir Office. An accountant and a caretaker were added as staff. To economise, the Office would either share a suitable room in one of Isbank’s or Ziraat Bank’s branches, or be allocated a room by Milli Re in İzmir.

The Office would act as a liaison between the head office and the agencies in İzmir and environs. These agencies would receive directly from the Office their acceptance limit requirements for the insurance they were offering. The Office would basically refer to the table of limits sent by the head office and adjust the agencies’ applications accordingly, and would notify the head office by cable in case of limit excesses. The branch would thus compensate for the limit deficits by obtaining company approval.

All documents drawn up by the agencies in İzmir and environs would be submitted to the Office and then forwarded to the head office. The Office would check for blockages on the files received from the agencies; if a blockage deficit were detected, the Office would rectify the problem ex officio. When necessary, the Office would relay technical comments about the insured risks. The Office’s other duties were to inform the company about developments in the insurance business in İzmir and environs, to warn the company about flaws and irregularities in the local agents’ transactions, and to advise and comment on measures needed for the proper performance of local insurance transactions.

THE ANKARA INSURANCE PROBLEM

Anadolu Sigorta had played an active role in establishing Ankara Insurance, and was actually running the company with the ‘trustee of management’ [ajan forfeter] contract. In fact, the story of Ankara Insurance’s founding started with a venture of Eti Bank and Turkish Commerce Bank. Isbank also entered the picture and contributed the majority of capital, thus relegating the other two banks to secondary importance. Through Isbank, Anadolu Sigorta also participated in Ankara Insurance’s establishment.
The Board Members had differing, pro and con views about Ankara Insurance. Hamdi Aksoy regarded Ankara Insurance as a monkey on the company’s back. Chairman Adnan Taşpinar wondered if Ankara Insurance would collapse if Anadolu relinquished management and left Ankara to its own devices. Chairman Adnan Taşpinar was not in favour of loosening Ankara’s reins because Isbank was an Ankara Insurance shareholder. If Anadolu Sigorta stopped managing Ankara Insurance, Isbank might shift its insurance work from Anadolu to Ankara Insurance.

Furthermore, Anadolu Sigorta was one Ankara Insurance’s shareholders. One solution would have been to have Isbank transfer its Ankara Insurance shares to Anadolu Sigorta, thus allowing Anadolu Sigorta to be on Ankara Insurance’s Board of Directors. In this case, even if the ‘inclusive management’ were removed, Anadolu would still hold an active position within Ankara. The Board of Directors disapproved of Ankara Insurance’s occasional competition with Anadolu Sigorta. Anadolu Sigorta’s Manager was a Board Member of Ankara until 1947. After all, Anadolu Sigorta was paying the salaries and premiums of Ankara Insurance’s Manager, Assistant Manager and Legal Adviser. Thanks to the ‘trustee of management’, these individuals did not have much work to do and were not active. Anadolu Sigorta was paying the piper, but Ankara Insurance was calling the tune.

According to Paragraph B of Article 3 of the ‘trustee of management’ contract between Ankara Insurance and Anadolu Sigorta, a 25% transportation commission was arranged on insurance fees for ordinary risks. Commissions on insurance fees during World War II, based on this agreement but taking the higher costs into account, were actually lower: 22.5% in 1942, and an average of 17.5% between 1943 and 1945. After the war, the commissions were increased: 25% in 1946 and 1947. Ankara Insurance requested that Anadolu Sigorta accrue the commissions at 17.5% for these years, too. If the company did not accept this request, Ankara Insurance’s balance sheet for the next year would show a loss. Anadolu Sigorta did not have much choice. Manager Suphi Tanel, convinced that Ankara Insurance should not be treated like a ‘step child’,
submitted the request to the Board of Directors and received its approval.
A transfer of the 95,000 Ankara Insurance shares from Isbank to Anadolu Sigorta was being deliberated at this time. While Anadolu Sigorta’s Board of Directors was discussing the ‘burden’ of Ankara Insurance, Anadolu Sigorta received a proposal in September 1948 from Ankara Insurance’s Board of Directors to annul the administrative contract regulating the ‘trustee of management’ relationship between the two companies. In fact, the administrative contract was due to expire in August 1951. Ankara Insurance, however, believed it was now able to manage its own affairs and wished to annul the contract early. Another stated justification was that Anadolu Sigorta was not spending sufficient time on Ankara Insurance’s affairs.

Anadolu Sigorta’s Board of Directors found this proposal odd. Isbank and Ziraat Bank held a total 325,000 liras of Ankara Insurance shares. Isbank and Milli Re held a total 275,000 liras, and Eti Bank held 100,000 liras. A company had been formed, most of whose capital held by the Isbank group, but Isbank was not represented on the company’s Board of Directors. Joining forces with Ankara Insurance’s Management, the company’s Board of Directors was attempting to become independent.

The letter from Ankara Insurance’s Board of Directors gave no substantive reason for the annulment request. Anadolu Sigorta had fulfilled all of its contractual obligations, and could not understand Ankara Insurance’s attitude. The company also believed that Ankara Insurance was not yet ready to manage its own affairs. It would have to spend money, at a critical time, on a new building, new furnishings and new staff, and Anadolu Sigorta and the other shareholders would have to cover these superfluous expenditures. Chairman Adnan Taşpınar stated that Ankara Insurance’s behaviour was like ‘the childish act of a boy sulking at his father’. Manager Suphi Tanel was of the opinion that this was the ‘emotional undertaking’ of Ankara Insurance’s Manager Veysi Bey. There was no financial motive whatsoever. On the contrary, even though Anadolu Sigorta’s annual profit from Ankara Insurance was 111,000 liras, Anadolu’s expenditures made for Ankara Insurance equalled or sometimes even exceeded this figure. Other than losses, Ankara Insurance brought nothing to Anadolu Sigorta.

Chairman Adnan Taşpınar was in favour of notifying Isbank about this issue. Anadolu Sigorta did not trust Ankara Insurance’s Board of Directors and Management’s ability to run the company properly. Calculations had to be made for the building and the other start up costs. Anadolu Sigorta had to request to have a member on Ankara Insurance’s Board of Directors. Further, Isbank’s shares in Ankara Insurance had to be transferred to Anadolu Sigorta. During the discussions, Suphi Soysalhoğlu said that they did not want to carry Ankara Insurance on their backs like a ‘hump’; that Anadolu Sigorta got nothing from this relationship except a competitive advantage in the market; and that Ankara Insurance after all was not an indispensable asset.

Anadolu Sigorta sent Assistant Manager Bülend Kozlu to Ankara to investigate this incomprehensible attempt to withdraw, and the information he relayed back exposed the truth. Eti Bank, holding 20% of Ankara Insurance’s capital, needed an independent insurance company. Eti Bank’s portfolio would satisfy an independent insurance company, both in volume and value. The real reason behind the attempt to annul the trustee of management contract was now apparent.
This also meant that Anadolu Sigorta would lose Eti Bank as a customer. Moreover, Eti Bank had even insinuated that if the annulment did not happen, it would shift its portfolio to Güven Insurance.

Ankara Insurance was providing a sort of ‘intangible force’ against European reassurance companies. According to calculations, if Ankara Insurance broke from Anadolu Sigorta, Ankara would have to hire approximately 100 employees and would be choked by expenses. If the company lost money, Anadolu Sigorta, as a shareholder, would also lose money. Anadolu Sigorta tried to persuade Isbank’s senior management with these considerations. The final decision about this problem, which the government was also discussing, lay with Isbank, who favoured annulment.

Anadolu Sigorta was pursuing an interim solution. Would Eti Bank be satisfied if some additional powers were granted to Ankara Insurance? Chairman Adnan Taşpınar’s family analogy would be employed to convince Eti Bank. Anadolu Sigorta represented the father and Ankara Insurance the child: “We are in a home, with a father and his child. The child says that he has decided to leave and make his own home. The father makes calculations and says that he is already spending X amount of money; if the son makes his own home, the father would have to spend even more and thus his son’s proposal is unacceptable. All the above were some of the considerations behind the desire to stop the annulment.

During the discussions, it came out that Eti Bank had different motives. The commissions Eti Bank received and the increasing frequency of Anadolu Sigorta’s inspections were the reasons behind the annulment attempt. Eti Bank had requested an increase in its commission rates. Anadolu Sigorta, on the other hand, had asked Eti Bank for an inventory list in order to draw up a policy for the Zonguldak Coal Works, and was informed that such a list did not exist. Furthermore, Eti Bank claimed Anadolu Sigorta had not paid some of its indemnities. These had actually been paid, but Eti Bank had not yet conveyed this information to its affiliates. Eti Bank’s delay in rendering these accounts caused the affiliates to think Anadolu Sigorta was at fault.
It was now clear that Eti Bank opposed Anadolu Sigorta. When Ankara Insurance parted from Anadolu Sigorta, Eti Bank would be able give business to Ankara Insurance with lump sum bargaining, and indemnities could be paid without any proper calculations. Anadolu Sigorta’s refusal to insure without an inventory did not suit Eti Bank’s interests. The commissions Eti Bank received as a customer, however, were more beneficial than the profits it might make from its 20% shares. Even if Ankara Insurance incurred a loss, Eti Bank’s loss as a shareholder would be amply compensated by the increased commissions it received.

Anadolu Sigorta’s management, following a series of discussions in Ankara with Isbank, Ziraat Bank and Eti Bank, realised that separation was inevitable and thus prepared a protocol for the annulment of the management contract with Ankara Insurance. According to this protocol, submitted to the Board of Directors on 13 April 1949, Ankara Insurance’s personnel requirements should preferably be filled by Anadolu Sigorta’s employees, in view of Anadolu Sigorta’s staff overload arising from the management contract’s obligations.
ANADOLU SİGORTA’S FIRST CAPITAL INCREASES

As shown in Anadolu Sigorta’s foundation petition, its initial capital was 500,000 liras, consisting of 25,000 shares at 20 liras per share. Of these, 60% were to order; that is, they were drawn up to a name. These shareholders had to be Turkish nationals. The remaining 40% were bearer’s shares. Isbank provided 60% of this initial capital, and Union Group’s İttihad-ı Milli Insurance Company held most of the remaining shares. This arrangement continued for 10 years. In 1935, Ziraat Bank acquired the bearer shares. Anadolu Sigorta thus became jointly owned by two, fully national banks 10 years after its foundation.

Anadolu Sigorta was content with a capital of 500,000 liras for almost a quarter of a century. In 1949 and 1950, however, it had two successive capital increases. The company’s capital was increased to 1 million liras, and then to 1.5 million liras.

The decision for the first capital raise was made at an Extraordinary General Shareholders Meeting on 31 March 1949. It was also decided at the same meeting to make two amendments to the company’s constitution. The clause “insurance against dangers of land and maritime transportation” in the constitution’s first article was changed to “insurance against dangers of land, maritime and air transportation”, thus adding airways to coverage in the cargo insurance field. Second, the salary restrictions brought about by the Salaries Scale Law were lifted and the sentence in the constitution’s 23rd article “The salaries of the Chairman and members of the Board of Directors are determined in compliance with the third article of the Unification and Balancing the Salaries of Banks and State Institutions Employees Law No. 3659” was changed to “the appropriations paid to the Chairman and Members of the Board, to be remitted from the company’s general expenses, are ordained and determined at the General Shareholders Meeting”.

PERMISSION FOR HARVESTING LEAVE FOR ZEKİ KADİRBEYOĞLU

Board Member Zeki Kadırbe yö lu made an oral request for two month’s leave to attend the harvesting of his land in Gümüşhane, as he had no one else to delegate the task to. The request was unanimously approved at the Board of Directors Meeting of 17 August 1949, and it was decided that Zeki Kadırbe yö lu had started his two month’s leave on 15 August 1949.

Board of Directors, 17 August 1949

MINUTES OF THE EXTRAORDINARY GENERAL MEETING OF 31 MARCH 1949

Amendments to the Constitution:

1. In Paragraph D of the first article of the old Constitution, the clause “insurance against dangers of land and maritime transportation” to be changed to “insurance against dangers of land, maritime and air transportation”.

2. In Article 5 of the old Constitution, the clause “The company’s capital is five hundred thousand Turkish liras divided into twenty five thousand shares of twenty Turkish liras each” to be changed to “The company’s capital is one million Turkish liras divided into fifty thousand shares of twenty Turkish liras each”.

6. The sentence in the 23rd article “The salaries of the Chairman and Members of Board of Directors are determined in compliance with the third article of the Unification and Balancing the Salaries of Banks and State Institutions Employees Law No. 3659” to be changed to “the appropriations paid to the chairman and members of the board, to be remitted from the company’s general expenses, are ordained and determined at the General Shareholders Meeting”.
With the company's capital increase to 1 million liras, the unpaid instalments of its initial 500,000 liras of capital were fully collected. In compliance with the Law of Commerce's provisions, the capital increase was announced by the 31 July 1949 deadline. Despite this announcement, some shareholders had not exercised their share options. Among them were İsmet İnönü, President of the Republic, who had 500 shares, and Ankara Insurance, which held 470 shares. The Law of Commerce allowed the sales of these shares to new applicants. In fact, the Board of Directors decided to transfer these shares to the Anadolu Sigorta Retirement Fund at their nominal values.

The second capital increase occurred the next year, on 8 December 1950, when the company's capital was increased to 1.5 million liras at another Extraordinary General Shareholders Meeting. Although Anadolu Sigorta's capital remained at 1.5 million liras for a long time, the total of reserves against risks was constantly increased.

When Ziraat Bank founded Başak Insurance in 1959, its 40% share of Anadolu Sigorta was transferred to Destek Reinsurance Company, another subsidiary of Isbank, the main founder of Anadolu Sigorta.

The company's capital remained at 1.5 million liras of capital for 26 years, until an Extraordinary General Shareholders Meeting on 21 December 1976, when the capital was raised by 18.5 million liras to 20 million liras. The next capital increase happened seven years later, on 21 November 1983, when the company's capital was increased by 430 million liras to 450 million liras. During the second half of the 1980s, when the monetary buzzword was 'billions', the capital was raised to 2 billion liras (1986), to 4 billion (1987), and to 10 billion (1988).
DEVELOPMENTS IN INSURANCE POST-1950

While there was a total of three Turkish insurance companies – Güven, Anadolu and Ankara - in the 1930s, the number of national insurance companies grew over time. Güven Insurance was established by Sümerbank and Emlak Kredi Bank in 1936. Anadolu Sigorta, founded in 1925, was the first insurance company with predominantly national capital. Güven Sigorta was registered as the first insurance company founded with Turkish capital and not dependent on any foreign insurance company. Shortly after Güven Sigorta’s establishment, all of Anadolu Sigorta’s capital was owned by two national banks. Ankara Insurance was founded in 1936 by three Turkish banks: Isbank, Eti Bank and the Turkish Bank of Commerce.

Following legislation proclaimed in 1938, the mathematical reserves of insurance companies had to remain in the country. This strengthened the national insurance companies, and the reserves were used to serve national goals. The first insurance company founded as a private enterprise and with full private capital was Kâzım Taşkent’s Doğan Insurance, established in 1942. Doğan Insurance was followed by Halk Insurance Company in 1944 and Genel Insurance Company in 1947. Isbank and Milli Re Company, with the participation of Güven, Anadolu and Ankara Insurance companies, formed Destek Reinsurance Company in 1945 with the aim of operating in the free reassurance market.

The 1950s saw a blossoming of insurance companies. The General Directorate of Monopolies Personnel Charity Fund and Turkey Tutum Bank collaborated to found İnan Insurance Company in 1950. The following insurance companies were established in the second half of the 1950s: Şeker Insurance Company by the Sugar Company (1955); Güneş Insurance Company by a joint venture of the Agricultural Products Office, Vakıflar Bank and Istanbul Bank (1957); Ray Insurance Company by the Railroad Company and Raybank (1958); Sanayi Insurance Company (1958); and Cihan Insurance Company and Birlik Insurance Cooperative, the first mutual insurance company (1959).

---

**GRATUITIES FOR RAŞİD RİZA AND BEHZAT BUDAK**

The management’s oral proposal and request for permission to donate a total of 2,500 liras for the 50th year jubilee of our performing artists Raşid Rıza and Behzat Budak were discussed during the Board of Directors Meeting of 9 October 1957, and as a conclusion:

It has been unanimously decided that the company donate a total of 2,500 liras to our performing artists Raşid Rıza and Behzat Budak on the occasion of their 50th year of art jubilee, as per the management’s proposal.

Board of Directors, 9 October 1957
The Supervision of Insurance Companies Law, which came into effect at the end of 1959, introduced many new provisions about the founding and supervision of insurance companies. The first company established in compliance with this law was Başak Sigorta, which Ziraat Bank supported after having pulled its capital from Anadolu Sigorta. These were followed by Ak Insurance, supported by Akbank’s shares, in 1961; Atlantik Insurance and Tam Insurance in 1964; Tam Hayat Insurance in 1966; and Oyak Insurance, with the support of Ordu Yardımlaşma Kurumu [The Armed Forces Pension Fund], in 1968.

No new companies appeared for a while after 1968. The Second Five Year Development Plan played a part in this slowdown. With the number of companies increasing, the existing portfolios were more and more fragmented. The Plan purposefully did not provide incentives for the formation of new companies or license acquisition by foreign companies. In fact, the State Planning Organisation was in favour of facilitating mergers of insurance companies. The Third Five Year Development Plan encouraged existing companies to develop financially and technically, to reduce their service costs, and to conduct their insurance business with more modern equipment. In 1973, there were 38 insurance companies operating in Turkey: 21 domestic companies and 18 foreign companies (four British companies, four French, three Swiss, three German, two Italian, and one American and one Austrian).

**PERSONNEL REGULATION OF 1957**

Anadolu Sigorta’s Personnel Regulation of 1948 had been in effect for almost 10 years.
There had been important developments in Turkish labour legislation in the meantime, and all arrangements pertaining to employees were being reviewed in almost every field of business. The Board of Directors had kept pace with these developments and, through decisions made at various times, had aligned the company’s regulation with contemporary requirements. The company was being managed with day-to-day decisions during the 1950s, and this sort of management caused occasional discontent among the employees. The old Regulation was incompatible with the new conditions. Especially from the mid-1950s, inflation, the rising cost of living, and the salary differential between new and old employees had made immediate renewal of the regulation necessary.

The Board of Directors decided on 19 September 1956 to set up a committee, headed by Ali Fuat Dülger and including Sezai Feray, Burhanettin Semí and Ertuğrul Adalı, to prepare a new Personnel Regulation for Anadolu Sigorta’s employees. The committee imported the still-valid sections of the old Regulation to the new draft, either verbatim or with modifications, and specifically introduced objective criteria to the salary determination process. The draft stated principles for hiring new employees and their salary levels, addressed the minimum wage problem according to current subsistence levels, and formulated different salary scales for employees with primary, secondary, or university education. The principle of equity in determining salaries was adopted, and objective criteria became the basis for promotions. Regular records were to be kept about all employees, and these records were to be used to define employee status.

The draft emphasised that Anadolu Sigorta was a commercial institution; thus, characteristics contributing to the company’s efficiency, such as acuity, inventiveness and extraordinary diligence, would become reasons for the double promotion of employees. It also defined the terms of leave, employee illness, and retirement. The draft’s final topic was rewards and discipline.
POLITICS AND ANADOLU SİGORTA

Politics started to affect all segments of the population when Turkey entered the multi-party period in 1946. There was no regulation about the state funding of political parties. Parties entered elections by their own means, and funds were sometimes obtained by knocking on the doors of banks and insurance companies.

Anadolu Sigorta used to make donations to political parties during elections, and it became a tradition. However the manner of making such donations could prove to have its drawbacks. Donations could pull corporations into politics. As a matter of fact, Anadolu Sigorta had difficulties over this during the 1950s. After the military coup of 27 May 1960, Anadolu Sigorta had to pay for its involvement in politics. The National Unity Committee, which ruled Turkey following the coup, dismissed the Board of Directors and appointed a new Board of Directors.

According to the Ministry of Finance Audit Board’s reports, Anadolu Sigorta donated 158,490.47 liras to political parties from 1950 to 1960: 1,020 liras to the Cumhuriyet Halk Partisi [Republican People’s Party] (CHP), 195 Liras to Millet Partisi [Nation Party], 400 liras to Türkiye Köylü Partisi [Peasants Party of Turkey], 300 liras to Hürriyet Partisi [Freedom Party] and 156,575.47 liras to Demokrat Parti [Democratic Party]. In short, 99% of the donations went to the Democratic Party, and less than 1% to the CHP.

THE PROBLEM OF SUPERVISING INSURANCE COMPANIES

The declaration of the Republic initiated radical changes in public and private legislation, and the insurance business also needed reorganisation to conform to contemporary norms. The first piece of legislation about insurance was a series of articles, starting with No. 932, appended to the Law of Commerce of 1926. After the promulgation of the Law of Commerce, amended with the regulation about land cargo insurance, the first law concerning the supervision of insurance companies was enacted. The Inspection and Supervision of Insurance Companies Law No. 1149, dated 25 June 1927, had its shortcomings but was a major step in Turkey’s insurance legislation. With this first piece of supervision legislation in Turkey, insurance companies were to be supervised by the Ministry of Commerce, which formed an insurance branch for this purpose.
Due to the continuous growth of the national insurance business, however, this legislation was inadequate. Law No. 3392, entitled “Amendments to Some Articles and Appendices of the Inspection and Supervision of Insurance Companies Law No. 1149” was published 11 years later, on 20 June 1938.

The main purpose of these first supervision laws, even though more or less inspired by foreign laws, was to have the country’s insurance business based on scientific and technical principles. The founding of insurance companies would be relieved from arbitrary decisions. Thus, the principles that were then needed for the insurance business were defined, the problem of foreign companies was addressed, and the obligation to establish surety to protect the insured was introduced.

Legislative work was at a standstill during and after World War II. Three additional laws were promulgated while the Democratic Party was in power. The first was Highway Traffic Law No. 6085, dated 18 May 1953, which contained provisions about financial liability insurance for motor vehicles, moving machines and tractors with rubber tires, and made such insurance obligatory. This mandatory traffic insurance provided insurance companies with a new and dynamic line of business.

The legislation about insurance companies was revised in 1955, and new requirements, such as insurance companies being formed as cooperatives or joint stock companies, license acquisition for foreign companies, and annual publication of company financial statements, were added. Turkey’s insurance industry, working mainly in the fire, transportation, motor, agricultural and life insurance fields, developed rapidly within the framework of these general provisions. Meanwhile, the newly revised Turkish Commerce Law No. 6762, enacted on 1 January 1957, contained a wide range of provisions about insurance and its fifth section was devoted solely to insurance.

The supervision law of 1938 stayed in effect until 1959, when it was revised, after consideration of advanced foreign laws. The Inspection and Supervision of Insurance Companies Law No. 7397 was promulgated on 30 December 1959. The supervisory system of Switzerland, based on advanced piece of insurance legislation, was studied and adopted as a standard during the preparation of this law. The new legislation merged the earlier Law Nos. 1149, 1173 and 3392, and was adjusted to meet the requirements of the times. It also remedied the problems experienced during the long span of the previous law.

The government was aiming to closely supervise insurance companies. Because no effective supervision mechanism had been available, Milli Re had also functioned as a supervisory body via the Reinsurance Supervision Regulation. With the reassurance monopoly rate kept at 50% for a long time, this supervision remained effective. Law No. 7397 introduced an important innovation to the supervisory system. According to this law, the Ministry of Commerce would supervise all of the insurance companies’ transactions and production entities through the Supervisory Board. The aim was to create an office similar to Switzerland’s B.F.A. Formed in Istanbul, the Board was composed of one president and four members. The members had to be university graduates recognised for their knowledge and expertise in insurance, and to have worked for at least five years in an insurance company as a manager, technical adviser, or assistant manager, or on a Board as an expert or actuary.
The law prohibited returns and discounts which were incompatible with insurance techniques and principles and which endangered the rights of insured, and it aimed to prevent this sort of competition. To standardise general insurance conditions and have companies comply with the tariff rates schedule, instead of each company applying different conditions, the Ministry of Commerce would coordinate and approve all general insurance conditions, tariff rates and instructions binding for all companies. The Ministry would also specify the maximum commission rates for producers and the terms for the collection and payment of premiums.

As security corporations, insurance companies were expected to have the necessary qualifications, the financial power and the technical capability to sell security. This law was bringing professional organisation and discipline to insurance producers and insurance appraisers, and included legal sanctions.

The proclamation of the provisions about the election and conditions of appointment of the Insurance Supervisory Board’s members and their duties, powers and responsibilities had to be postponed until 12 September 1962 because of the 27 May coup. The regulation concerning the insurance producers’ qualifications, the method and conditions of their operations, and the rules of their supervision was published on 14 November 1963. This was followed by the Insurance Appraisers Regulation on 6 July 1968.

It was widely believed that this new supervision of insurance companies law, thanks to its provisions preventing unlawful competition, would benefit the entire insurance industry.

The cause of the disproportionate losses incurred in fire insurance portfolios was identified as inadequate tariff rates applied to industrial and commercial risks, and
these rates were adjusted. The new fire insurance tariff rates that came into effect at the end of 1959 thus generated favourable results.

Meanwhile, Milli Re’s term of reinsurance priority was extended for another 10 years, as of 1 January 1960, and the obligatory cession rate was reduced from 30% to 25%. Furthermore, the commission Milli Re paid against cessions received from insurance companies was increased by 2.5%.

INVESTMENT PROBLEMS IN THE ‘50s

In the second half of the 1950s, insurance companies were required to hold some of their assets as legal and mathematical reserves. The Ministry of Commerce had accepted the 551,533.82-lira portion of Anadolu Sigorta’s building as real estate collateral. The company’s government bonds and shares of banks and other companies made up the remainder of the reserves. About the same time, as a result of much effort, Anadolu Sigorta had undertaken the group insurance of Ziraat Bank employees, which yielded annual premiums of 800,000 liras. Because of this, Anadolu Sigorta had to annually block 400,000 to 500,000 liras as mathematical reserves. In other words, Anadolu Sigorta needed an investment with a minimum 7% return.

Obtaining Ziraat Bank’s group insurance had not been easy. In fact, a little earlier, the company had obtained the group insurance for the employees of Tarım Satış Kooperatifleri [Agricultural Sales Cooperatives], albeit under the management of Genel Insurance Company and in collaboration with Güven Insurance. Not wanting to suffer the same fate this time, Anadolu Sigorta had minimised its premiums during negotiations with Ziraat Bank. As a result, it needed to invest the premiums for higher returns.

On the other hand, the company’s cash proceeds were better than in previous years. The company had accumulated 3,179,590.52 liras of ‘available funds’ in its bank accounts. Even after the company covered its outstanding commitments - debts to Milli Re, shares of domestic and foreign reinsurance companies, and indemnities, mortgage and excise tax payments - of 1,140,603.67 liras, the bank accounts money could be invested and again reach 3,000,000 liras in three or four months, thanks to the regular income of collections.

As the company’s financial position was strong, the Board of Directors favoured buying real estate over investing in stocks and bonds. New buildings brought high rents. The estimated returns on some properties were almost 10%, and the revenue from such a purchase would surpass other investment revenues. In addition, real estate values were increasing daily, while the stocks of only a few banks showed any kind of increase.

In this situation, Anadolu Sigorta planned to buy real estate worth up to 1,500,000 liras and under favourable terms. A committee was formed for this purpose, headed by Board Chairman Ali Fuat Dülger and composed of Vice Chairman Sezai Feray and Members Beliğ Beler and Fatin Dalaman. Acquiring high-rent real estate would largely solve the problems and cover the mathematical reserve for life insurance policies.
Anadolu Sigorta’s income from stocks and bonds was about 5%, a level that did not satisfy the Board of Directors, who thought this could go up to 10% through property acquisition. In short, there was an imbalance in investment opportunities, tilting toward real estate. According to the company’s 1959 financial statements, its assets were 1,181,479.72 liras of real estate, 10,955,574 of stocks and bonds, and 4,881,136.80 of receivables, totalling 17,018,190.52 liras. Meanwhile, the Anadolu Sigorta Building was becoming inadequate for the company. The departments overcrowded the building and business was suffering. Chairman Ali Fuat Dülger pointed out the need for a new service building. It was possible to buy a plot from the municipality and have a new building constructed, a venture that would serve as corporate advertising and allow the employees to work together in the same place.

**THE DECISION TO PURCHASE REAL ESTATE**

As the Board Members consider the company’s financial standing today suitable to purchase real estate and use it as the mathematical reserve for life insurance policies, providing this reserve with the best possible revenue, the Management’s proposal to do this was accepted and approved. With the Management’ statement that up to one and a half million liras from the available funds could be invested in real estate, it has been unanimously decided that the Management should seek a property within this amount and with favourable conditions, and submit the results to the Board of Directors for final approval.

*Board of Directors, 21 August 1957*

Our Board of Directors maintains its conviction that our company must raise its reserves, and that this is possible with cash or the purchase of property.

*In this context, although our main aim all along had been to buy a valuable property and benefit from this fixed asset, we have been criticized by the General Shareholders body for not yet having realised this aim.*

*Board of Directors, 1 April 1958*

**THE SEARCH FOR A NEW SERVICE BUILDING**

[Chairman] Ali Fuat Dülger: My opinion is that it would be expedient to have a new building constructed to accommodate our company. For example, I believe we can do this if we buy a plot of land from the Municipality. Our current building cannot accommodate all our departments, and it is not possible to supervise them. Further, the hall where our employees eat is more of an alms-house than a company dining room. During our last visit to Europe, we saw that the halls insurance and reinsurance companies allocated as employee dining rooms are excellent areas.

As our service building does not meet our needs, having a new building constructed will be good publicity for our company and will enable us to gather all our employees in one central place.

*Board of Directors, 10 December 1958*

**THE PROBLEM OF OPENING AN AGENCY IN CYPRUS**

In 1959, Ankara Insurance started work on opening an agency in Cyprus. Doğan and Güven Insurance companies had had agencies in Cyprus from some time. Anadolu Sigorta, too, decided to start operations in Cyprus, expecting the Turkish community there to gravitate toward Turkish companies. In fact,
an Isbank branch on the island was already operating as the company’s agent. Such an enterprise seemed important ‘both nationally and emotionally’. Because of the extraordinary times following the 27 May coup, however, establishing a Cyprus agency was postponed to the end of 1962.

Not content with just Cyprus, the company looked at the possibility of starting agencies in other regions of the country such as Mersin, İskenderun, Konya and Adana, and especially in cities with port facilities for exports. The insurance industry’s modus operandi required agencies and producers, but experience had shown the difficulty of working with private agencies and producers. It had not then been possible to get positive performances, especially in terms of ‘professional ethics’, from Ankara agents Hamdi Büke and Şevki Taşpınar, and İzmir agent Tahsil Esmer.

For the above reasons, Anadolu Sigorta chose in the 1950s to achieve production through Isbank and Ziraat Bank agencies and branches. Both banks had enough branches all over the country, and the company could obtain ample work through them. Moreover, agencies like Çukobirlik, Fiskobirlik and Tariş were in Anadolu Sigorta’s portfolio. Opening up new agencies had an additional drawback: seeking new agents might offend the two banks. It would not be proper to embark on an agency system without the approval of both banks. Delicacy was vital. If necessary, establishing a new ‘production department’ could be considered. However, there was also criticism about running an insurance business through the channels of the two big, shareholding banks. The banks’ priorities were different, and they did not put enough energy into insurance production.

During this time, Ziraat Bank’s shareholder status was hanging by a thread. The insurance work from Ziraat Bank could stop anytime; in fact, there were already indications of this. The company’s revenue from Ziraat Bank’s cargo insurance jobs fell to 517,864,53 liras in 1959 because Ziraat Bank had transferred Et ve Balık Kurumu’s [the Meat and Fish Corporation] insurance jobs to Başak Insurance, Ziraat’s own insurance company, in 1958. Ziraat Bank’s gradual withdrawal from Anadolu Sigorta would put a big hole in the company’s revenue – a hole that would be difficult to fill. According to the Board of Directors, Isbank’s shifting its entire portfolio to Anadolu Sigorta

---

**THE AGENCY IN CYPRUS DECISION**

It has been unanimously decided on principle that information be gathered and the necessary measures be taken regarding the intended creation of an agency in Cyprus, and that immediate action to be taken towards this goal.

Board of Directors, 3 June 1959

---

**ZİRAAT BANK AND BAŞAK INSURANCE**

Our shareholder, Ziraat Bank, to which we had long been providing insurance service, resigned as our agent at the beginning of 1960, and has now founded an insurance company called Başak. We sincerely wish success to this insurance company, whose main aim we hope is to meet Turkey’s agricultural insurance needs.

Board of Directors, 7 March 1960
could partly compensate for this deficiency.

The benefits of discussing the strategy to be adopted with Isbank were certain, as Anadolu Sigorta believed that the efforts of Isbank’s branches to produce insurance were inadequate. Ziraat Bank, one of Anadolu Sigorta’s two main shareholders and one of its largest insurance customers, had formed its own insurance company, Başak Insurance, and had ceased to be Anadolu Sigorta’s agency as of 1960.

**27 MAY MILITARY COUP AND ANADOLU SİGORTA**

Both Ziraat Bank’s decision to part from Anadolu Sigorta and Turkey’s internal unrest reverberated, to an extent, in Anadolu Sigorta. Ali Fuat Dülger and Hamdi Aksoy received two votes each during the Chairman of the Board elections following the General Shareholders Meeting in the spring of 1960. The division of tasks was postponed five days to the next meeting, when the absent Beliş Beler would attend. At that meeting, Ali Fuat Dülger was re-elected Chairman and Hamdi Aksoy was appointed Vice Chairman. There was discord between the Board and Management. The Board decided to rehire Ferit Atamer, an octogenarian temporary employee dismissed in 1959, as the company’s luncheon service supervisor. The Management objected, claiming it did not comply with the Employees Regulation. The Board, however, disregarded the Management’s opinion and ordered the Management to execute the decision.

It is interesting to note that during the meeting that failed to elect a Chairman, it was decided to add a 75,000 liras appropriation to the 1960 budget’s donations account in order to meet the requests of political parties. It was further, and unanimously, decided to deposit 60,000 liras of that amount in the Istanbul Isbank account of the Democratic Party. In one month, following the 27 May military coup, such donations would radically debilitate Anadolu Sigorta’s executive.
The National Unity Committee had dismissed Anadolu Sigorta’s Board Members during the Board’s 1 July 1960 meeting. The company’s Auditor Fettah Barin chaired the meeting, and Dr. Ekmel Zadil, appointed by the National Unity Committee, lawyer Hulki Dönmezer, and manager Veysi Emre participated. Ekmel Zadil was elected Chairman, and the absent Emin Yeşil was elected Vice Chairman. One of the new Board’s first decisions was to employ the octogenarian Ferit Atamer mentioned above. It was noted that the decision to employ this man, according to the Employees Regulation, was within the Management’s authority, and the decision to execute or not execute the previous Board’s decision belonged to the Management.

As the company administration was being reshaped under transitory, exceptional conditions after the coup, the General Shareholders were summoned to an extraordinary meeting on 23 August. The first act of the meeting was to dismiss Board Members Ali Fuat Dülger, Sezai Feray, Fatin Dalaman, Hamdi Aksoy and Beliş Beler from their posts. The number of Board Members was then reduced from five to three, and Ekmel Zadil, Emin Yeşil and Hulki Dönmezer were elected to replace the dismissed Members. In compliance with Articles 11 and 12 of the Company Constitution, they were to serve three fiscal years, starting 1 July 1960, each with a gross monthly appropriation of 950 liras. The next decision was to dismiss the company’s auditors Mithat Eriş, Ahmet Hidayet Reel and Ethem İzzet Orsal from their posts. Fettah Barin

DONATIONS TO THE DEMOCRATIC PARTY II

It has been unanimously decided that, of the 75,000 liras added to the donations account of the 1960 budget, 60,000 liras will be deposited in the Democratic Party’s bank account at Isbank’s Istanbul Branch, upon the party’s application.

Board of Directors, 4 April 1960

27 MAY AND THE NEW BOARD OF DIRECTORS

The minutes of Anadolu Sigorta Joint Stock Company’s Extraordinary General Shareholders Meeting of 23 August 1960:

As a result of discussions of the agenda items, the following decisions have been unanimously taken by the General Shareholders:

1) The dismissal of the company’s Board of Directors members Ali Fuat Dülger, Sezai Feray, Fatin Dalaman, Hamdi Aksoy and Beliş Beler; the reduction of the number of Board Members from five to three; and in accordance with Articles 11 and 12 of the Company Constitution, the appointment of Messrs. Ekmel Zadil, Emin Yeşil and Hulki Dönmezer as Board Members, for a duration of three fiscal years, starting 1 July 1960, with gross monthly appropriations of 950 liras each.

2) The dismissal of the company’s auditors Mithat Eriş, Ahmet Hidayet Reel and Ethem İzzet Orsal; and in accordance with Article 20 of the Company Constitution, the appointment of Mr. Fettah Barın to the thus vacated position of Company Auditor, starting 1 July 1960 and until the Annual General Shareholders Meeting in 1960, with a gross monthly salary of 700 liras.
was appointed Auditor. In accordance with Article 20 of the Company Constitution, he would hold the post until the Annual General Shareholders Meeting in 1960. These decisions were made with the meeting’s consensus.

Meanwhile, Isbank’s senior management was also undergoing radical changes.

The Board of Directors, meanwhile, without even being formally appointed by an official general shareholders decree, held an extraordinary meeting on 15 July 1960. The agenda had one item. It was unanimously decided to authorise the Management to buy up to 1 million liras worth of the Hürriyet government loan bonds – both those issued on that date (15 July 1960) and those issued subsequently.

**THE FIRST SIX MONTHS OF 1960: TROUBLED DAYS**

In the first half of 1960, production activities resulted in the company collecting fire branch net premiums of 6,079,400.26 liras, transportation branch net premiums of 2,199,008.97 liras, and motor branch net premiums of 1,774,838.82 liras. It drew up 332 life insurance policies, corresponding to 2,034,750 liras. Compared to the same period of 1959, the company collected less money in 1960: the fire branch yielded 1,069,422.45 fewer liras, the transportation branch yielded 1,161,648.98 fewer liras, the motor branch yielded 178,850.01 fewer liras, and the life branch yielded 2,034,750 fewer liras.

The 84,251.44-lira decrease in the fire branch business was caused by the reduction of insurance tariff rates for Çukurova Tarım Satış Kooperatif (Çukurova Agricultural Sales Cooperative). As well, there was a drop of 41,847.19 liras in the coinsurance jobs for which Anadolu Sigorta was the ‘jeran’ [manager]. In the fire branch, the 1,808,741.53 liras of decreased revenue on Ziraat Bank business were reduced to 1,069,432.35 thanks to a production increase of 739,309.18 from other sources. The drop in the transportation branch, with the loss of Ziraat Bank and from other production sources, seemed industry-wide. The 502,041.76-lira motor branch decrease, again from the loss of Ziraat Bank, was reduced to 178,850.01 thanks to a production increase from other sources.

The decrease in life branch collection was related to the fiscal cycle. The pre-coup political tension disturbed the markets, and clients were hesitant about investing their cash in long-term life insurance contracts. With the loss of the Ziraat Bank Aid Society’s group insurance, however, the year’s revenue was 14,751,904.48 liras less than the previous year’s.
One justification for decreased revenue in producers business was that most of the largest producers chose to become agencies after the promulgation of the Supervision Law. Anadolu Sigorta’s fire insurance tariff rate was more favourable than those of other companies. Conversely, Doğan and Genel Insurance companies were leaders in life insurance tariff rates.

Meanwhile, in order to revive its agency network, Anadolu Sigorta wrote an appeal to Ziraat Bank on 14 July 1960. The company then contacted the bank’s Assistant General Manager and informed him that 3-million liras portion of Ziraat Bank’s portfolio at Anadolu Sigorta had been transferred to Başak Insurance’s over time since Başak’s founding. The company reminded him that Ziraat Bank still owned 42% of Anadolu Sigorta’s capital, and that he should bear in mind the dividends the bank would receive from the company’s profits. The company requested, based on these considerations, that Ziraat Bank return to Anadolu Sigorta at least some of the work that had been shifted to Başak Insurance.

This effort bore no results, and Ziraat Bank soon transferred its Anadolu Sigorta shares to Isbank and its subsidiaries. With Ziraat Bank’s complete separation from Anadolu Sigorta, the reduced production could be compensated for, only and partially, toward the end of year.

**ANADOLU SİGORTA’S LEGAL ADVISORY DEPARTMENT**

During the Board of Directors Meeting of 23 August 1960, a legal advisory department was created and Supreme Court justice Dr. M. Adnan Damcı was appointed to the position. The Legal Advisor would administer all the affairs of the company’s legal department and would deliver his opinion, oral or written, on all legal problems at the company’s request. He would represent the company in all disputes and defend the company’s rights in courts and bailiffs’ offices, with arbitrators, and against all public authorities and third parties. The Legal Advisor would personally perform these tasks, with help from other lawyers working for the company. The contract covered a period of three years. Unless one of the parties gave a three-month termination notice, the contract would be renewed for the same duration and with the same conditions. The contract would come into effect when Adnan Damcı actively assumed office, either after approval of his resignation from the Supreme Court or one year after his resignation.

**NEW REGULATION FOR MORTGAGE INTEREST RATES**

The Banks Council raised the maximum interest rate on loans to 12% on 30 July 1960, in compliance with Law No. 18 of 14 July 1960 and as a result of the Bank Loans Regulation Committee’s Decree No. 90. This new interest rate was effective 1 August 1960. In accordance with the provisional Article 1 of Law No. 18, however, the existing interest rates in old contracts would still be valid; this new interest rate would thus be applicable to contracts drawn up after this date.

However, based on the clause “if the interest rates are increased by law or regulation, I undertake to pay the increased rate as of the validity date of the law or regulation” included in mortgage contracts since the beginning of 1957, it was assumed that the debtor recognised Anadolu Sigorta’s right
to increase the interest rate in accordance with the new law. Because Article 9 of the mortgage regulation mandated that the interest on a loan (arranged by a contract which contained the above clause) should be the maximum stated in the loans law, it would be possible to apply up to 12% interest as of 1 August 1960.

However, the Board of Directors’ decided on 8 September 1960, based on a possibility in Article 9 of the mortgage regulation, to reconsider the special status of both the company’s employees and those of its shareholder banks. Loans to the company’s and its shareholder banks’ employees, along with their spouses, children and parents, would be at 7% interest.
A SEARCH FOR A NEW STRATEGY

During the gradual transfer of Ziraat Bank’s business to Başak Insurance, some employees resigned from Anadolu Sigorta and started to work for Başak. To be able to complete their tasks on time, Anadolu Sigorta employees therefore had to work overtime. The company faced a dilemma: It could either operate with the existing employees working overtime, or hire new employees. The Board of Directors was not in favour of hiring during a time of reduced production; by choosing the overtime system, the company saved 107,613 liras in labour costs.

This saving, however, was followed by salary increases in March 1961. The National Unity Committee had issued new regulations to improve the standard of living for government employees, and Anadolu Sigorta raised its employees’ salaries in line with the raises for government employees. At the same time, the company cut employees’ salaries by 3% because of the saving bonds system that came into effect on 1 March 1961. Taking this cut into consideration, Anadolu Sigorta devised three categories of raises: salaries up to 1,000 liras were increased 20%, those between 1,000 and 2,000 were increased 15%, and those over 2,000 liras were increased 10%.

Another item on the company’s agenda was the need to abandon the on-going strategy of acquiring work mainly through Isbank and Ziraat Bank. It was time to break into the market like the other insurance companies. For this purpose, the company decided to step up its advertising and order radio and movie theatre ads. Another advertising method was New Year’s gifts. The national insurance companies, in order not to compete, had signed a protocol not to give away calendars. Only one or two companies, believed to need advertising, were allowed to give out calendars. Despite this, Anadolu Sigorta continued to give presents such as plastic briefcases, wallets and cigarette-holders to its life insurance customers and other important customers every New Year.

SOCIAL SECURITY AND THE PENSION FUND

With Cabinet Decree No. 5/180 of 21 July 1960, banks and insurance companies covered by the Labour Law were required to establish pension funds, in compliance with Cabinet Decree No. 5/532 of 16 November 1960, to safeguard their employees against old age, sickness and death according to the norms and principles stated in the social security laws. Any company failing to do so would have to remain beyond the scope of the various social security laws. Anadolu Sigorta assigned the Management the task of preparing a new insurance contract for employees that would also encompass the Employees Regulation’s concept of security. The new contract’s name was "Anadolu Sigorta Employees Old Age, Death, Disability and Sickness Indemnity and Pension Fund Group Insurance", and it replaced the existing Social Group Insurance contract. The employees were thus provided with the benefits of the Social Security Laws.

The regulation, prepared to secure Anadolu Sigorta employees in conditions of old age, death, disability, sickness and maternity, at least to the level of norms and principles suggested in the various Social Security regulations, received the Board of Directors’ approval on 9 December
1960. The Anadolu Sigorta Employees Old Age, Death, Disability and Sickness Indemnity and Pension Fund Regulation defined 60 years as old age. Any member working for the company for 30 years, regardless of age, qualified as “being of old age – and of the right to retire”. The retirement pension would be paid either as a monthly annuity for life, or as full severance pay. For members who were 60, the term would be 15 years. When a member drawing monthly retirement pension payments died, the deceased’s widow and children - and parents, if their being supported by the deceased was documented - would receive a monthly survivor’s pension in line with the conditions and amounts stated in the group insurance contract. At the beneficiary’s request, a lump sum payment would be made instead of the monthly payments.

A member permanently disabled in an occupational or any other kind of accident and unable to work again was entitled to a disability pension. A full, permanent and irrevocable disability pension was equal to the amount of the death pension.

The health benefits for pension fund members with illnesses would continue until they recovered. The duration of this medical care, however, would not exceed six months for employees with up to five years company service, one year for those with five to 10 years service, and two years for those with more than 10 years service. Those members in an accident either on the job or while performing their jobs would receive medical care until fit to work again - documented by a medical report - or until the disability was confirmed as permanent.

Company doctors would examine, free of charge, the parents, spouses and children supported by fund members, but the member would meet all medication and travel expenses.

Female members or wives of members would be granted the following benefits: routine examinations during pregnancy, provision of the necessary medical care during birth, a nursing grant, and 90 days paid maternity leave (female members only). When a female member or the wife of a member gave birth, the member would receive a bonus of one month’s salary or wages. Also for birth, the member would receive a 90-day nursing grant.
Kazaya karşı korun!
Anadolu Sigorta Turkey's Insurance
We are extremely proud that our Anadolu Sigorta Company now has half a century of success behind it.

I would like to express our bank's deep pride in how Anadolu Sigorta, even before the end of its first year, achieved instant results in insurance with its courageous steps and initiated the nationalisation of the insurance industry, thus ending a foreigners' monopoly similar to the one we experienced in the banking industry.

I also, on behalf of the whole Isbank community, sincerely congratulate you and all the employees of your company on the 50th Anniversary of the founding of our Anadolu Sigorta, and wish you many more successful anniversaries.

The congratulatory message sent from Selahattin Karahan, General Manager of Isbank, to Celâleddin Aksoy, General Manager of Anadolu Sigorta, on the 50th Anniversary of Anadolu Sigorta's founding.
PASSING BEYOND THE CRITICAL PERIOD

Anadolu Sigorta’s problematic fiscal year of 1960 ended with a net profit of 2,408,348.99 liras. The company’s financial statements had been negatively affected when Ziraat Bank, one of the company’s shareholders, annulled the agency contract and transferred its insurance work to Başak Insurance, founded by Ziraat Bank. The Supervision of Insurance Companies Law No. 7997, however, had partially reduced unlawful competition among companies, and applying the maximum allowed commissions led to positive results in the companies’ accounts. In addition, a higher return on financial investments and a decrease of almost 400,000 liras in 1960’s general expenses both contributed to make the year’s profits 1,197,836.61 liras more than 1959’s. As a result of increased efforts in 1961, the company obtained 1,220,898.65 liras worth of new work. This was despite losing premiums totalling 1,200,872.25 liras: 618,927.64 liras lost when Ziraat Bank’s and Emniyet Public Savings Bank’s work was moved to Başak Insurance, 176,650.81 lost when Sınaî Kalkınma Bank’s work was transferred to Genel Insurance, and 405,293.79 lost from the Antalya and Fındık Tarım Cooperatives.

The motor branch was a major bottleneck in this period. Production here did not reach the desired level because the contracts in Ziraat Bank’s portfolio were not renewed after they expired, a new regulation mandated the payment of traffic insurance indemnities in a lump sum instead of in instalments, there was general decreased solvency due to the economic slow-down, and the major agencies were not interested in traffic insurance jobs. Cargo insurance work fell 39.76% as a result of the lost Ziraat Bank’s business and the decrease in import and export insurance in the economic recession following the 27 May coup.

Meanwhile, the maximum interest rate on loans went from 12% to 10.5% when the Bank Loans Regulation Committee’s Decree No. 103 of 10 May 1961 was approved by Cabinet Decree No. 5/1125 on 18 May 1961 and then published in the Official Gazette on 23 May 1961. Complying with this decree, Anadolu Sigorta began on 23 May 1961 to apply this reduced rate on all loans, including those made before this date. The Board of Directors, however, ruled that 12% would be applied to loans approved before this date, even if not yet disbursed. In the end, the Board of Directors had to agree to apply a maximum interest of 10.5% on all loans as of 1 July 1961.

THE DEPARTURE OF ZİRAAT BANK

The Board of Directors Report for the 1960 fiscal year submitted to the Annual General Shareholders Meeting of 23 March 1961

The Supervision of Insurance Companies Law No. 7397 promulgated on 1 January 1960 has commenced to show positive effects in our industry due to its provisions preventing unlawful competition.

On the other hand, Ziraat Bank, one of our major shareholders, has severed its relation as our agency and transferred its work to another insurance company. This has resulted in a drop in our production. However, thanks to our efforts to augment our productive resources, our loss in the fire branch was reduced from 34% to 19.94%, and the loss in the motor branch was reduced from 24.25% to 6.70%. A loss of 39.76% in the transportation branch resulted from the withdrawal of Ziraat Bank’s business and a decrease in import and export insurance contracts.
ANADOLU SİGORTA GETTING COMPUTERISED

Anadolu Sigorta had signed a contract with International Business Machines Company in 1956 for the purchase of hardware to increase efficiency, and the Management was granted the authority to order and make the necessary expenditures for the equipment. The Management promptly applied to the Ministry of Finance, did not receive approval until the second half of 1961, and as foreign exchange in Turkey was in a bottleneck, and all capital expenditures had to be approved first. The company again actively considered importing the hardware, but the devaluation of the Turkish lira necessitated a new decision from the Board of Directors.

The future benefits of computerisation had been discussed at length by the Board of Directors, which envisaged the investment replacing 25 to 30 employees. Calculations showed that one employee cost the company an average of 1,000 liras, including bonuses and dividend and pension fund payments. The equipment functioning at full capacity could thus save the company up to a potential 350,000 liras. The company also believed that computerisation would produce greater organisational and job-handling efficiency. The Management realised saving money on staff expenses meant that computerisation would start in the accounting department, gradually move to the collections department, and then to the active branch departments. The Management also emphasised that other companies, including Isbank, were installing similar equipment.

In fact, Isbank managed to lay off 25 employees from its Yenicami [Bahçekapı] branch alone, one year after introducing computers.

It was possible to lease this sort of hardware instead of purchasing it. The purchase cost was very high, and Anadolu Sigorta might not be able to afford such an investment. In fact, only Remington brand computers were for sale. IBM leased its computers at the same price in every country. The Board of Directors thus decided at its meeting on 14 September 1961 to sign a one-year contract with IBM to lease an equipment pool of nine units.

Preparation of the company’s 1962 program, based on the computerisation of departments, accordingly included these decisions: not to hire replacement employees for the seven that had resigned; to eliminate two staff positions, one by attrition and the other which had been vacated by retirement; and to fix 1962’s personnel count at 169, down from the 178 of 1961. The practice of not hiring new employees to replace resignations would be followed in 1962; except in unavoidable cases, positions opened by resignation in 1962 would not be filled by new staff. These measures would partially compensate for the 200,000-lira burden of departmental computerisation. The program also projected a further reduction in the total number of employees into 1963 - a projection which was in fact realised. The positions left vacant by five resignations and three retirements and attritions in 1962 were eliminated, and the personnel count was reduced to 161.

**CONTRACT WITH IBM**

_In line with the Management’s proposal, it has been unanimously decided that the Management will be authorised to sign a contract of one year with IBM World Trade Corporation._

*Board of Directors, 14 September 1961*
The 1963 budget listed employee costs at 2,031,372 liras, down 76,800 liras from the 1962 budget.

Anadolu Sigorta utilised technology effectively during the first half of the 1960s, when the insurance industry as a whole was pursuing less labour-intensive methods. Accordingly, the company kept all its accounting records on computers. For this purpose, part of the bottom floor of the Anadolu Sigorta Building was set aside for the equipment pool.

Keeping the accounts on computers had various advantages, of which speed and organisation were the greatest. All documents drawn up were entered on cards and kept in an archive. Another benefit of the system was the minimisation of errors. The punch card system, which was the first phase of computerisation, was double checked by the computers. The third benefit was the savings in labour.

The attributes and functions of the equipment were categorised under five headings. The three card punch units, which transferred data to cards, were IBM 026 models. The second group, the 'control machines' that checked the data punched onto cards, was two IBM 056 models. The third group, the units that processed the data into printable form, was IBM 77 and 83 models. The IBM 514 unit was used for duplication and extraction. The largest and most important unit in the department was the IBM 421, which was used for printing and calculations.

The rough value of these machines was over 1 million liras. All the work previously handled by separate teams of staff in five active departments was now processed by these machines in a much more orderly manner. In 1964, this department was run by a team of nine employees.

Anadolu Sigorta thus became Turkey’s first computerised insurance company. The company switched to automated accounting in 1962 with its IBM 421 model, and to the card system in 1966 with its Univac 9200 computer. The company established its first data bank in 1975 with the IBM System 3 Disc computer, and all transactions, from policy drawing to all sorts of information-sharing, were accelerated with the IBM System 38, the first on-line computer, at the beginning of 1981.
END OF THE EXTRAORDINARY PHASE

The extraordinary phase that started with the 27 May military coup ended with elections in 1961. A new constitution was prepared and Turkish politics entered a period of coalitions. The resignation letter Board Member Hulki Dönmezer submitted on 20 March 1962 symbolised the end of the extraordinary phase for Anadolu Sigorta.

Dönmezer’s letter of resignation stated that he had been appointed Board Member by the ‘reform government’ following the 27 May 1960 coup, and that he was resigning so that the company could exercise its right of appointment during the Annual General Shareholders Meeting on 27 March 1962. Before this meeting, the Board of Directors held an extraordinary meeting to discuss a single agenda item: Hulki Dönmezer’s letter of resignation, which was accepted.

THE NEW MORTGAGE REGULATION

Anadolu Sigorta’s ordinance regarding mortgage loans had changed many times since the company’s foundation. The implementation of the Mortgage Regulation of 9 July 1952 was causing problems in the 1960s. Conditions in the ‘60s differed from those in the ‘50s. There had been many changes in interest rates, real estate values, and legislation. In some cases, exceptional decisions had to be made. The Legal Advisory had suggested that the Board of Directors draw up a new regulation that would prevent self-limiting. The new regulation of 18 May 1962 consisted of 44 articles, one of them temporary.

Even though this sort of ordinance shed detailed light on the mortgage issue, as mentioned above, the Management chose to shift the company’s investments toward real estate. During these times, the company’s reserves were appreciated by either buying stocks and bonds or granting loans for mortgages. The demand for loans, however, was continuously increasing. Mortgages were going beyond even the company’s maximum of 6 million liras, in itself a dangerously high amount.
The company’s liquidity would be tied up in mortgages, and if it had to pay indemnity on a big loss, it could do so only by requesting credit from Isbank. This danger, combined with the insurance companies’ propensity to invest in real estate, was forcing Anadolu Sigorta’s Management toward this choice.

In the new regulation, the authority to lend for mortgages remained with the Board of Directors. Buildings, finished or under construction, within the municipality boundaries of Ankara, Istanbul or İzmir, were accepted as collateral provided they could easily be bought or sold. Plots of land were not accepted as collateral. Mortgages on plots of land were accepted only if construction had started and if instalment payments were made as construction proceeded. The following types of real estate were not accepted as collateral: those that could not be legally bought and sold; those that were unauthorised or noncompliant with permits; buildings under construction that were incompatible with construction or zoning bylaws, with the building code and regulations, with general sanitation laws or other related legislation, or with special regulations for areas prone to earthquakes; buildings that infringed upon the land of a third party; plots of land that included a building belonging to a third party; plots with indeterminate area or borders; those with liens, injunctions, or similar entries in the land registry that impeded buying or selling; those with a registry annotated with Article 28 of the Enforcement and Bankruptcy Law; those registered with usufruct rights or with personal or in kind easements that impeded buying or selling; those registered with a long-term rental contract; those that had been donated with a right to recourse; those difficult to sell due to their legal or physical condition; and those with shacks, hovels, or buildings not built to engineering specifications, with large cracks, or in slum-like condition.
First or second mortgages were provided. Third mortgages were not considered unless the first two mortgages were guaranteed by Türkiye Emlak Kredi Bank. The mortgages were set at 40% of the real estate’s value, but Anadolu Sigorta employees who had been working for the company for a minimum of three years received 50% mortgages.

The implementation of the regulation considered the employees of Isbank and its subsidiaries - where the bank owned 90% of the capital – to be Anadolu Sigorta employees. The provision of at least three years employment applied here, too; and if employees transferred from one of these corporations to another, their previous employment was taken into account. The loan limit of 40,000 liras per person was increased to 50,000 liras for the company’s employees.
The loan term was five years maximum, but this could be extended for the company’s employees. The interest on the loans was the maximum allowed by the law. Company employees or their spouses or their underage children who did not own a suitable dwelling in the district where they resided would be able to apply for a loan to purchase a residence with an interest rate as low as 7%. Priority for mortgages was given to the company’s employees; individuals or institutions affiliated with the company followed, and then came citizens who did not own a dwelling.

THE SUPERVISION OF INSURANCE COMPANIES

As mentioned above, the Supervision of Insurance Companies Law No. 7397, promulgated on 30 December 30 1959, was Turkey’s first piece of modern legislation concerning insurance companies. This law revoked the earlier piece of legislation about the supervision of insurance companies, the Inspection and Supervision of Insurance Companies Law published on 31 May 1927, during the early years of the Republic.

Institutions related to insurance were formed in the wake of this new legislation. There was a provision about the constitution of an Insurance Companies Association, similar to the Banks Association, in Article 36 of the law. The goals of forming the Insurance and Reinsurance Companies Association, envisaged as a legal entity, were to develop the profession, establish solidarity among insurance companies, and formulate and apply the measures necessary to eliminate unfair competition. This association, which all insurance and reinsurance companies were obliged to join, was founded long after the law was promulgated.

Article 30 of the law stated, “The Ministry of Commerce supervises and audits all the transactions of insurance companies and production entities through a supervisory board and, when necessary, an audit board.” Based on this provision, the Insurance Supervisory Board was formed in 1963, about four years after the law was published. This board, tasked with supervising insurance companies, was first attached to the Ministry of Industry and Trade, but later, with Decree No. 303 of 18 December 1987, was attached to the Prime Minister’s Office. Article 31 of the law required the preparation of annual reports about the operating results of all insurance companies overseen by the Insurance Supervisory Board.

According to the law, the Ministry of Commerce, in consultation with the Ministry of Finance, would specify the details of the balance sheets, profit and loss statements, and inventory data that had to be submitted to the Ministry. At the end of each calendar year, every insurance company had to draw up their financial statements according to a specified formula and have their mathematical reserves accounts approved by an actuary. In no more than one month following this approval, the Annual General Shareholders Meeting had to approve these statements, forward two copies each to the ministries of Commerce and Finance, and have the financial statements published in at least two newspapers.
All insurance and reinsurance companies operating in Turkey were required to be members of the Association of Insurance and Reinsurance Companies, the formation of which was stipulated in Article 36 of Supervision Law No. 7397. The clause “taking and applying measures to eliminate unfair competition” was clearly stated in the law’s preamble. This same aim was reiterated in Article 4 of the Association of Insurance and Reinsurance Companies of Turkey’s constitution, promulgated by Decree No. 4/12982 on 28 April 1960. Although Paragraph B of Article 14 of the same constitution stated that “the Association’s Board of Directors has been assigned the task of taking and applying all measures toward preventing and eliminating competition defined as unfair”, a mechanism for professional or disciplinary sanction was not envisaged. The aim was to enable a self-regulatory system for the industry, functional and effective within the Association, instead of leaving supervision to the initiative of the inspection and supervision bodies. To reach this aim, it was imperative that the clear and prompt implementation of all rules and sanctions reached by majority decision, in compliance with the Association of Insurance and Reinsurance Companies of Turkey’s constitution, be binding on all insurance companies, regardless of their concurring or dissenting votes.
Although competition is one of the underlying principles of any economic activity, unregulated competition in the insurance business proved to have adverse consequences. Insurance is, after all, a public service. It should not be compared to the business of selling merchandise. A commercial corporation, in order to suppress its competitors, could decide to sell its goods at a loss. This would be only its own loss, however, and the buyer would surely profit from it. As an insurance company never knows the future cost of the coverage it sells and how it will be possible to pay possible indemnities, the governments in many civilised countries firmly control insurance prices and closely monitor the financial strength of insurance companies.

On the other hand, insurance companies who manage to provide the most convenient service to their customers through rational operations should be able to benefit from their efforts and should be able to apply different but approved tariff rates. Converting competitive actions into such a positive approach enables the customer to enjoy cheaper service and allows the insurer to compete within reasonable limits.

Competition among insurers in Turkey was far from propitious; in fact, it was becoming rather destructive. Instead of pursuing new fields and opportunities, companies were striving to redirect other companies’ customers to themselves by distorting the tariff rates. Even though insurance companies seemed to occasionally cooperate through co-insurance, the situation was generally discouraging. The main reason for this was the way companies handled their retention shares. Most insurance companies’ retention portfolios were inadequate.

Even though the Association of Insurance and Reinsurance Companies was making great effort to develop the insurance profession, to encourage solidarity among the companies, and to take and apply measures to eliminate unfair competition, these aims could not be achieved because there were no sanctions to force the companies to comply with the Association’s decisions.

The measures that had to be taken regarding competition and cooperation in the insurance sector were:

1) Explore the possible legal and administrative measures to encourage companies to give priority to their retention portfolios.

2) Form a structure that would allow punishment of both the insurer and insuree in case of noncompliance with tariff rates, for the purpose of preventing destructive competition.

3) Readjust the tariff rates to allow for competition within reasonable limits.

4) Establish a system of sanctions to bind all companies to the decisions of the bodies of the Association of Insurance and Reinsurance Companies.

Meanwhile, cooperation among insurers had to be further developed. Pools among companies, company to company pools, co-insurance and co-reinsurance were all fields to be encouraged. Relationships should not be restricted to the national level; international liaisons should also be pursued. The more insurance companies established common and strong grounds for relationship
ANADOLU
ANONİM TÜRK SIGORTA ŞİRKETİ

Sermayesi (Tümüne Ödenmiş): 1.500.000 T. L.
1949 Sonu Mali ve Teknik İhtiyatı: 17.132.650 T. L.
İDARE MERKEZİ: ANKARA
İŞ MERKEZİ: İSTANBUL

MÜLTEZİÇ SIGORTA

Acentalığı

İSTANBUL (ADRES)

Sigortalının yaşısı

30

MUKAVELENİME NUMARASI

81108

Temin edilen resmiş

16.000.

YALNIZ ORDUN TÜRK LİRASI

Maddet:

20.ŞEBEB

Sigortanın başlangıç tarihi:
15/YULUZ/1979

Sigortanın bitiş tarihi:
15/YULUZ/1979

Sigortalına ismi:
BAY H. İSRÂİM ÖZER

Senevik ücret:
579.--- T. L.
among themselves and among their local producer entities, the more resistant they would be to the pressure and effects of foreign competition. It would be best to develop such relationships immediately. The modes of cooperation which already existed, such as Türk Hava Pool [Turkish Air Pool], Green Card Pool, Hudut Sigortalari Pool [Border Insurances Pool], Nükleer Rizikolar Pool [Nuclear Risks Pool], İhtiyari Reasürans Türkiye Pool [Optional Reinsurance Pool of Turkey], should be maintained and further developed. At the same time, it would be very beneficial to maintain contracts with producer entities, with standard main provisions and conditions of minimum and mandatory principles, and to cooperate in establishing a means to increase the number of qualified employees instead of stealing the existing ones.

THE PRIVATE SECTOR AND INSURANCE COMPANIES IN THE 1960s

During the first half of the ‘60s in Turkey, 15% of the gross insurable value of assessed premiums was in the public sector, and 85% of the gross insured values was in the private sector, which consisted of individuals and commercial, industrial and agricultural corporations. The relationship with the private sector was thus extremely important for insurance companies. However, the private sector’s relation with the insurance industry was poor even in the fields of goods and real estate fire insurance, maritime cargo insurance, compulsory vehicle financial liability insurance and life insurance. Despite efforts by the insurance companies, with their limited resources, the private sector could not be made sufficiently interested in hail and livestock risks insurance in the agricultural field, machinery insurance in the industrial field, and various disability, financial and occupational financial liability insurance risks in the motor field.

The majority of goods and real estate in the private sector were not insured, and what was insured was not insured for its full value. Risks for land transportation of goods, hail on agricultural products, death of livestock, and machinery and facilities accidents were all almost entirely uninsured. There was no possibility of replacing any of these uninsured properties in the event of loss.

There were several reasons for the private sector’s reluctance to adequately insure their physical assets and financial liabilities, or not to insure them for their full value and against all risks. Above all, awareness was lacking; the significance and the necessity of insurance were not widely understood. Another reason was that the importance of the dangers and risks the physical goods were exposed to was either overlooked or underappreciated. People thought that paying insurance premiums and expenses was burdensome, and they preferred to live with the anxiety of not receiving full indemnity in the event of loss.

The organisation and financial structure of Turkey’s insurance industry was adequate to guarantee all of the country’s social and economic values, both those of the time and those that would arise in the development stage, against all possible risks and with the maximum possible assurance. The industry was thus up to the necessary task of protecting the national wealth. The priority was to establish a minimum level of awareness. To do this, it was
necessary to use advertisements, leaflets and newspaper announcements prepared by the Association of Insurance and Reinsurance Companies and the Milli Re Company to raise the public and private sectors’ corporations’ awareness of the risks that insurance policies covered and of the need for full-value coverage of risks and worth. It was also expedient to provide explicatory information through regular broadcasts on city radio stations, especially in Ankara, Istanbul and İzmir, at relatively low costs and with the support of the Ministry of Commerce.

SYNOPSIS OF FIFTY YEARS OF THE REPUBLIC

Insurance in Turkey covered substantial ground during the first 50 years of the Republic. Except for the first four years of the Democratic Party reign, these years were a period of ‘import substitution’. Turkey had commenced its development process through industrial plans in the 1930s. The State Planning Organisation was established in 1961, and its five-year development plans were implemented from 1963. Turkey’s drive to industrialise for the purpose of replacing imports created an average annual growth rate of 6.9% during the three five-year plans and daily strengthened the industrial structure. The insurance business, too, developed in proportion to industrialisation and urbanisation.

In fact, insurance premiums production had constantly grown, and the premiums portfolios and the financial and technical strengths of Turkish insurance companies had developed, in Turkey following the Republic’s proclamation. This in turn helped the predominance of national insurance companies in the Turkish insurance market and the establishment of a national insurance industry.

In the 15 years following the proclamation of the Republic, national insurance companies, although few in number, dominated the insurance market. There were six Turkish national insurance companies in the country in 1938, and only three of them had been established by completely domestic capital. There were also 26 foreign companies operating in Turkey. Of the 5,133,575 liras collected as premiums in 1938, Turkish companies produced 54.33% and foreign companies produced 45.67%. Of the 1,231,739 liras paid as indemnities in the same year, Turkish companies covered 47.34% and foreign companies 52.66%.

The activities of insurance companies founded according to the Republic’s laws and whose capital was largely made up of domestic funds showed even faster growth after 1938. As a result, the financially and technically stronger companies commanded the country’s insurance industry. From then on, the national insurance business would be led by companies established with domestic capital.

As the insurance portfolio expanded, so the insurance branches, the varieties of insurance in those branches, and the number and categories of risks to be covered also expanded. There were 21 Turkish and 17 foreign insurance companies operating in Turkey in 1972, when Turkish companies generated 95.72% of the 978,828,624 liras in premiums production and foreign companies generated 4.28%. In the same year, Turkish companies covered 95.52% of the 352,711,620 liras in indemnities paid and foreign companies covered 4.48%. Although the difference in the number of domestic and foreign companies was not substantial, the share of the domestic companies in both production and indemnification was.
Parallel to the increase in the Turkish insurance portfolio, with the increasing financial and technical capabilities of Turkish companies, was the expansion of the companies’ reinsurance and retrocession operations. They also started to receive premiums from abroad, through their reinsurance activities.

Milli Re’s contribution to such a dramatic expansion of the country’s insurance business cannot be overstated. Milli Re had been established to prepare the environment and opportunity needed to ‘nationalise’ the insurance business and to alleviate the insurance industry’s dependence on foreign reinsurance companies for its reinsurance needs. These were achieved by the monopolising of the reinsurance system and by tasking Milli Re to operate the monopoly. Milli Re quickly became a financially and technically powerful institution, providing all sorts of guidance to Turkish insurance companies and, to a great extent, covering their reinsurance needs.

Founded to operate the reinsurance monopoly, Milli Re became a recognised company in the international reinsurance market. This helped a strong domestic reinsurance market emerge, relieved domestic insurance companies from the coercion of foreign reinsurance companies, and helped domestic companies sign more opportune reinsurance contracts with foreign companies. Pools formed by cooperation among insurance companies strengthened the insurance industry, especially in the 1960s and the 1970s. These miscellaneous pools met the needs of their relevant fields and facilitated a substantial inflow of premiums from foreign companies.
Within this structure, Anadolu Sigorta always maintained its identity as a pioneer. For two years after its establishment in 1925, the company had worked only in the transportation, fire and motor fields. It added life insurance to its portfolio in 1927. Annual production reached 841,000 liras in 1930, the company's fifth year, and reached almost 3 million liras five years later. Production was 6.5 million liras in 1947, then 8 million in 1951, and 9.6 million in 1952 and 11 million liras in 1953. Production, increasing by 2 million liras annually, was 14 million in 1954 and 16 million in 1955. Record-breaking increases of 4 and 6 million liras over the following years meant total production was 18 million liras in 1956, then 22 million in 1957, and 28 million in 1958 and 34 million liras in 1959.

These increases were clearly observed in the four main branches that Anadolu Sigorta covered. Fire insurance production was half a million liras in 1930, increased to 1 million in 1940, to 4.5 million in 1950, to 13.7 million in 1960, and topped 17 million liras in 1964 - the company's 40th year. In the motor branch, production was 17,851 liras in 1930, rose to 94,856 in 1945, then 3.6 million in 1960, and 5 million liras in 1964. The increase in cargo insurance production was more interesting. It rose from 146,881 liras in 1930 to 905,775 in 1940, went up to 1 million in 1950, and became 4.7 million in 1960 and 5,336,551 liras in 1964. Lastly, life branch production was about
100,000 liras in 1930, then 5 million in both 1940 and 1960, and 9.5 million in 1964.

As can be deduced from this data, there were occasional recessions in Turkey and the world. Despite the adverse effects of the 1929 Depression and World War II, Anadolu Sigorta maintained steady growth.

With the founding of Başak Insurance and the separation of Ziraat Bank, along with all its branches that had functioned as the company’s agencies, the production loss in 1960 was 9 million liras. Growth started to gradually recover in 1961, with annual production at 27.5 million liras, then 29 million, and 31.5 million. By 1964, production exceeded 37 million liras.

Anadolu Sigorta’s profits followed a similar trend, increasing from 195,511 liras in 1944 to 197,929 in 1948 and 195,634 liras in 1952, and then more impressively in the following years. Profits were 600,937 liras in 1956, then 1,210,512 in 1959 and 2,322,138 liras in 1964. The company’s leap forward was especially dramatic between 1965 and 1974: the total net premiums of 40 million liras in 1965 were 225 million by 1974. The company grew to six times its size in 10 years.

Another of Anadolu Sigorta’s achievements was noticeable on the Republic’s 50th Anniversary: the company had served as a school for the whole insurance industry. Many insurance industry staff and experts had been trained at Anadolu Sigorta. Before the Republic was proclaimed, insurance had been monopolised by foreign companies. With the establishment of Anadolu Sigorta, the business acquired a national identity and the foundation of national insurance was laid. The company’s first manager, Ahmet Vefik Sertel, directed the old Ünyon Company and İmtaş, its successor. Rabbani Fehmi Tunaman, the second manager, became the manager of Güven Insurance and Milli Re. Faruk Seven became the

While celebrating the 50th anniversary of Anadolu Sigorta, the first national insurance company of the Republic of Turkey, our foremost tasks are recalling the hardships of the past; paying our respects and expressing our appreciation and gratitude to our devoted and faithful staff, to our agents and producers, and to our esteemed customers in both the public and private sectors, who have all contributed significantly to our attaining our current strong and successful position; wishing outstanding success to them; and remembering with respect those who have passed away. I wish the continuous breaking of records, the even higher setting of the bar, and continued success to our current personnel. I wish to congratulate the entire Anadolu Sigorta community on its 50th anniversary, and I pay my deepest respects to our confreres and the esteemed directors and personnel of Isbank, our main founder.

General Manager
Celâleddin Aksoy
technical advisor and then the manager of Milli Re. Professor Osman Fikret Arkun and Seref Serdengeçti became managers of Doğan Insurance, and Adil Üçer became the manager of İnan Insurance. Bedii Yazıcı founded Genel Insurance, Tam, and Tam Hayat Insurance companies, and became the Chairman of the Board of Aksigorta and the Vice Chairman of Doğan Insurance. Haluk Akan became the assistant general manager of Ankara Insurance, the technical advisor of Genel Insurance and the general manager of Tam Hayat Insurance. Burhan Olçaytuğ became a manager at Güven Insurance. Avnullah Senker was also a manager at Güven and then became the first assistant general manager of Güneş Insurance. Erdoğan Sergici became the assistant general manager of Istanbul Umum Insurance and the technical adviser of Genel Insurance.

THE MONOPOLY PROBLEM IN REINSURANCE

The biggest issue occupying the insurance industry in the 1970s was Milli Re’s priority status in the reinsurance business. As mentioned before, the Cabinet had extended Milli Re’s monopoly by another ten years with Decree No. 4/12205 on 24 September 1959. This decree reduced the obligatory cession rate from 30% to 25% and added provisions, such as tariff rates control, losses control, and the follow-up and collection of cession and other receivables from companies, which had not appeared in the previous concession agreements. The extension had expired on 31 December 1969 and was followed by another term of two years. Two provisions stood out in Decree No. 6/12412 of 7 August 1969. The first was the setting of ‘a right of priority to the reinsurance monopoly corporation for the remainders from all insurance amounts after the deductions of the mandatory reinsurance shares
and the retention shares of the insurance companies’. The second remarkable provision stated that the concession agreement, which had been signed by Isbank in the previous agreements, would now be signed directly by Milli Re. According to the agreement, the fixed annual dues to be paid to the Treasury were increased from 200,000 to 500,000 liras, and the payment of 58% of the reinsurance monopoly corporation’s net profits to the Treasury would continue. Another interesting entry was that when the legislation for the Second Five-Year Development Plan was published, compliance with its provisions regarding the reinsurance monopoly would be compulsory. Lastly, Milli Re’s payment of fixed dues to Isbank was cancelled.

With this last concession agreement, the right of the insurance monopoly concession would thus be in effect from 10 April 1929 to the end of 1971: a period of 42 years, one month and 27 days. The Association of Insurance and Reinsurance Companies of Turkey, convinced that monopoly had to end by 1972, started lobbying in Ankara and convinced some circles in the State Planning Organisation. Consequently, the Second Five-Year Development Plan stated that the reinsurance monopoly issue would be reviewed and a new ‘reinsurance organisation’ would be established. The plan suggested establishing a new Institute to operate the state reinsurance monopoly, which would be organised according to a piece of private legislation and managed according to the provisions of that legislation. The insurance companies would get a share of the profit, but would co-manage the corporation with public officials.

During their lobbying, the General Members Assembly of the Association of Insurance and Reinsurance Companies of Turkey had based their arguments on the fact that the insurance industry had reached maturity. The insurance monopoly had been established by Law No. 1160
of 25 June 1927, and the task of running the monopoly had been assigned to Isbank, which had to function to an extent as a state bank because the Central Bank of Turkey had not yet been founded. The Association regarded this as Ottoman style ‘public revenue farming’. Isbank, which owned this monopoly ‘favour’, had transferred and assigned this right, in return for an annual concession payment of 100,000 liras, to Milli Re, established by Isbank with the help of foreign capital. The reinsurance monopoly concession thus started on 10 April 1929, was in effect for 15 years to 10 April 1944, and then, after three extensions, to 31 December 1969. In the final extension, from 31 December 1969 to 31 December 1972, this concession was directly granted to Milli Re for the first time, without Isbank’s intermediacy.

In summary, the reinsurance monopoly concession right was in effect for 42 years, one month and 27 days. However, Article 4 of the Reinsurance Monopoly Law No. 1160 stated that the reinsurance monopoly would not be established and operated for more than 25 years, and the Association deemed the current concession incompatible with the law. The law-makers included this restriction in the legislation with the expectation that the monopoly would achieve its target within 25 years. In fact, when the monopoly was established, Turkish insurance was in its infancy and foreign companies dominated the insurance sector. Over time, however, this dominance shifted toward Turkish insurance companies. According to the insurance companies’ activities report for 1969, prepared by the Insurance Supervisory Board, 90.12% of fire insurance, 93.7% of transportation, 96.43% of motor, and 100% of machinery erection, hail, livestock and life insurance were owned by Turkish insurance companies. They collected 54,464,955 liras of the total 57,314,596 liras - in short, 95% - of life insurance premiums. Turkish companies thus no longer needed to work under the ‘guardianship’ and ‘trusteeship’ of a monopoly. Furthermore, the monopoly and the guardianship, along with the quota-share system that did not allow insurance companies to increase their retention shares, were hindering the companies’ potential growth. For these reasons, it was past the time to abolish the monopoly.

The Association of Insurance and Reinsurance Companies of Turkey had big expectations of the proposed Institute. The justification for granting Milli Re the monopoly was that the knowledge and skills in the field were not adequate, but the current level of the Turkish insurance industry had now rendered this reason obsolete, and the proposed regulation was confirmation of this belief. The Institute would be organised, through a piece of private legislation, to operate the state’s reinsurance monopoly and would be operated according to the provisions of the private legislation. The insurance companies would participate in the Institution’s management and would receive a share of its profits. In this way, the monopoly system would continue to regulate and supervise the insurance industry through a quota-share treaties system.

However, it was not easy to cast aside an existing system and move to a new system, even if this was part of the plan. Milli Re had successfully run the monopoly for many years and was almost considered a public institution. It was very difficult to find a solution without excluding Milli Re. Reorganizational alternatives to establishing the Institute were considered. One of these was making the insurance companies Milli Re partners. The insurance companies could thus participate in managing Milli Re and receive dividends from its profits. Hence, because of the reluctance surrounding the short-term establishment of the Institute, the new strategy was to achieve the planned goals through Milli Re itself. However, these hopes bore no results. The
conditions of the time left the Association of Insurance and Reinsurance Companies of Turkey’s proposal disregarded and unimplemented. The idea of insurance companies participating in Milli Re’s management and receiving dividends from its profits came to nought.

TÜRKİYE REINSURANCE COMPANY

During this time, to end Milli Re’s monopoly and to realise the aims mentioned above, the creation of a new reinsurance company, Türkiye Reinsurance Company, was considered. The Treasury, if it chose to do so, could also contribute to its capital. If this company was granted a monopoly concession with at least the same conditions as those granted to Milli Re, the Treasury’s interests would be protected and the balance of international payments would be favourably affected by an increase in the retention shares. Furthermore, this company would benefit not just one specific investment group, but other investors too. Also, along with the insurance companies themselves, other groups whose capital supported or had founded insurance companies, such as Ziraat Bank, Sümerbank, Türkiye Emek Kredi Bank, İller Bank, Agricultural Products Office, Etibank, Vakıflar Bank, Turkey Sugar Factories Joint Stock Company, Türk Ticaret Bank, Yapı ve Kredi Bank, Akbank, Pamukbank, and the Armed Forces Pension Fund, would profit from the monopoly. Hence, the provision of the Constitution stating “concessions will not be granted to one individual, one community or class” would have been complied with.

The trusteeship of the pools that had been set up and proliferated since 1960 would be assigned to the Türkiye Reinsurance Company as the holder of the reinsurance monopoly concession. Centralising the pools’ management would curtail expenses. This way, Milli Re could stay out of the monopoly, participate in the insurance companies’ reinsurance treaties, contribute to Türkiye Reinsurance Company’s capital, and continue its essential activities of developing foreign relations.

Türkiye Reinsurance Company would also work outside the field of reinsurance, thus contributing to Turkey’s existing retention share capacity and supplementing the foreign exchange economy. This would also serve the goal stated in the Series VII, Sequence Number 3 Communiqué, which was based on the Protecting the Value of the Turkish Currency Law, a piece of legislation enacted to maximise foreign exchange savings.

The members of the Association decided to found a company named Türkiye Reinsurance Joint Stock Company, with a capital of 12 million liras. The constitution was prepared and registered, and subscriptions for the founding capital were finalised. The fourth article of this company’s constitution listed the operation of the reinsurance monopoly as one of its fields of business. Many circles initially considered this a favourable development; even İsbank seriously considered becoming a shareholder of this company.

Milli Re was anxiously following these developments in the State Planning Organisation. Milli Re claimed that the Five-Year Plan’s provisions were examples of haphazardness, had no justification at all, and aimed to deactivate the reinsurance monopoly by placing it under the companies’ management. According to Milli Re, such an endeavour was completely against the Treasury’s interests. This argument was repeatedly explained in discussions, letters and reports. Milli Re’s
position on the issue was unequivocal.

As the result of this campaign, Milli Re retained operation of the reinsurance monopoly another three years, in accordance with the Cabinet Decree No. 7/3587 published in the Official Gazette on 31 December 1971. The monopoly, covering all fields of insurance, was extended from 1 January 1972 to 31 December 1974. The compulsory cession rate was kept as 25%. Milli Re, as the reinsurance monopoly institution, also maintained its right of priority, under equal conditions, on the insurance amount after deductions for the reinsurance monopoly share and the insurance companies’ own actual retentions.

Milli Re was responsible for jobs domestically obtained, whether subject to monopoly or not, and the following activities: expanding its existing activity of obtaining profitable, reciprocal or independent jobs in the domestic and foreign markets, with adequate speed and security; reserving some of its jobs for reciprocal relationships; for this purpose, participating in insurance and reinsurance companies’ pools; contributing, if necessary, to these companies’ capital; reporting annually and in detail to the Ministries of Finance and Commerce the expenditure and revenue results of completed jobs, and the expected expenditure and revenues of pending jobs related to its efforts to expand its relationships abroad, especially in developing countries. Through these activities, Milli Re, would pursue foreign currency revenues by exporting reinsurance services. It was also decided that the fixed dues paid to the Treasury would be increased from 500,000 to 1 million liras, and, along with the appropriation being paid to the Ministry of Commerce for staff training, another appropriation would be paid to the Ministry of Finance for the same purpose. The most important change mandated by this decree was that life insurance had again been placed under a monopoly.

This development surprised the insurance companies. The Cabinet Decree shocked the companies. The insurance companies, seeking release from Milli Re’s monopoly, had lost the life insurance branch to the monopoly. Since the start of the preliminary work for the Second Five-Year Plan, they had received promises from certain circles in the State Planning Organisation and had been seriously hoping for reorganisation. Meanwhile, the State Planning Organisation was tending toward a ‘public enterprise’ operating the reinsurance monopoly. The radical technocrats among the cabinet members appointed after the 12 March 1971 military coup played a role in this tendency. In fact, the Third Five-Year Plan stipulated that when the concession period expired, the monopoly and other public services performed by Milli Re should be transferred to a ‘public enterprise’. The Association of Insurance and Reinsurance Companies of Turkey’s standpoint had lost power in the face of Milli Re’s resistance.

All these developments were unexpected for the Association of Insurance and Reinsurance Companies of Turkey. Preparations for the Türkiye Reinsurance Company had been completed in May 1971. The insurance companies, based on their contact with the State Planning Organisation, were convinced that the reinsurance monopoly would not be extended after 1972, and even if it was, it would be transferred from Milli Re to the company that they had established.

**Lawsuit at the Council of State**

The disappointment and fury pushed eight insurance companies into action. The last recourse was
launching a lawsuit at the State Council to annul Decree No. 7/3587 about the reinsurance monopoly. The Board of Directors of the Association organised a meeting on 6 January 1972, with Hanefi Ulutekin presiding over the representatives of 13 insurance companies, to discuss the extension decree. Şark Insurance representative Hayri Başer had submitted his study of the insurance monopoly to the Board of Directors and claimed that the decree was not legal. The decisions made at the meeting were that the extension could be valid only with the insurance companies’ consent, to launch action to quash the decree, and to send a memorandum about the Association’s view to the relevant authorities. If these actions did not produce any results, a suit would be filed at the State Council to cancel the decree (which the Cabinet had accepted seven votes to six). A commission, headed by Hayri Başer and consisting of Haluk Akan, Haşim Ekener, Ali Neyzi and Erdoğan Sergici, was formed to prepare the memorandum.

Equipped with a new set of arguments, the Association thus made another attempt with the public authorities. One of the arguments was that such a reinsurance monopoly, one in force for almost forty-three years, did not exist in any of the member countries of the European Common Market or the Organisation of European Economy and Development. The monopoly institution had long ago lost its justification stated in Article 4 of Law No. 1160. The extension decree did not comply with injunction of the Second Five-Year Development Plan, which had been approved by the legislative body. Further, the decree was not compatible with the State Planning Organization’s letter of 22 December 1971, in which their standpoint was phrased as “the extension of the concession should not exceed one year, and the life insurance branch should be kept out of the coverage of the monopoly, as in the previous terms”. Additionally, it was necessary to gradually annul such monopolies in order to comply with the first paragraph of Article 37 of the European Economic Community’s Treaty of Rome. In fact, the sole instance of a reinsurance monopoly in Europe, Caisse Centrale de Réassurances’s insurance monopoly concession, had ended as of the beginning of 1971, and this corporation disappeared when it was merged with Société Commerciale de Réassurances.

This last extension of the reinsurance monopoly concession did not comply with either our domestic legislation or our international commitments, and did not have a legal basis. Continuation of the monopoly should have been possible only with the insurance companies’ acceptance and approval. As a matter of fact, the 355th provision of the Development Plan’s 1972 implementation rules states that “the study to be undertaken by the Ministries of Industry and Trade and Finance, along with the Association of Insurance and Reinsurance Companies of Turkey, for a decision about the continuation or cancellation of the application of reinsurance monopoly, and in case of continuation, about the mode of operation during the Third Five-Year Development Plan, will be completed before June 1972”. That the extension decision was made before this study had been completed and especially that the extension overlapped the first two years of the Third Five-Year Development Plan were not in accord with these implementation rules. The lawsuit thus demanded that the extension be reduced to only one year, until the study was completed, and that, to have the insurance companies accept and approve the extension by the Second Five-Year Development Plan’s 1972 deadline, the monopoly be applied with the provisions and conditions of 1971 and the life insurance branch be kept out of the coverage.

MİLLİ Re AND THE COUNCIL OF STATE DECISION
Realising that their demands had not been met and that there had been no developments, the eight companies promptly made their preparations and on 1 March 1972 filed a suit to cancel the decree at the Council of State Judicial Chambers General Assembly. On 21 June 1972, a second suit was filed to cancel the ‘technical basics’ that listed the reinsurance monopoly’s implementation rules and conditions. The plaintiffs were Başak Insurance, Halk Insurance, İstanbul Umum Insurance, Şark Insurance, Şeker Insurance, Tam Insurance, Tam Hayat Insurance and Türkiye Genel Insurance. Ekrem Amaç and Feyzi Amaç were appointed counsel for the plaintiffs. During the lawsuit, which was heard for approximately three years, all the insurance companies’ allegations against the reinsurance monopoly were again advanced. The main points of the lawsuit were the following:

Objections were made to three-year extension of the reinsurance monopoly that would have expired on 31 December 1971; to maintaining the compulsory cession rate at 25%; to the reinsurance monopoly operator’s right of priority, under equal conditions, on the insurance amount remainders after the reinsurance monopoly deductions; to the contract that granted the insurance monopoly operation to Milli Re; and to the fact that the Ministry of Commerce was granted authority for the contract. A Cabinet decree could not extend Cabinet Decree No. 7/3587 of 27 December and its appendix of ‘grounds and conditions” of the insurance monopoly’s operation because the 25 years stated in Article 4 of Law No. 1160 had elapsed. The decree had not been reviewed by the Council of State and thus was not compliant with the Articles 29 and 53 of the Council of State Law No. 521. Granting the reinsurance monopoly to Milli Re was a violation of the Constitution’s principle of equality, and violated Article 40 of the Constitution because it hindered secure and decisive work. Granting supervision of the insurance companies to a private legal entity was incompatible with Article 117 of the Constitution. Article 2 of the decree, mandating reinsurance of a percentage of all the companies’ insurance contracts, regardless if they needed it or not, contradicted Article 59 of Law No. 7397 and the Council of State’s final decree on this subject. Granting Milli Re a right of priority in reinsuring insurance transactions not covered by monopoly was incompatible with Article 2 of Law No. 1160. Fixing reinsurance commission rates low for insurance contracts covered by the monopoly was incompatible with Article 3 of the Reinsurance Regulation and would cause foreign reinsurers to reduce their commission rates and thus lead to the loss of foreign currency. The decree’s provisions were incompatible with the European Economic Community Treaty’s Articles 37 and 62. Adding the life insurance branch to the monopoly’s coverage, which had not been done in the previous decrees, was illegal and had to be cancelled.

The plaintiff’s arguments were ultimately rejected in Decision No. 1975/225 of the Council of State Judicial Chambers General Assembly on 10 February 1975, and their subsequent suits appealing the decision filed with Department 12 of the Council of State were similarly rejected. The Council of State’s decision thus held that none of the insurance companies’ arguments against any of the reinsurance monopoly’s extensions were valid, and that Milli Re’s legal status was fully compatible with the law.

THE INSURANCE INDUSTRY DURING THE 1970s

Through all these developments, Anadolu Sigorta was on Milli Re’s side. The reinsurance
controversy that occupied the 1970s continued until the last months of 1979, and the 13 companies which had filed a lawsuit against the Ministry of Finance for its Communiqué No. 6/1, which had ordered the companies to give shares to the Turkish reinsurance corporation according to the quota-share system, were ruled against by the Council of State. Following the appeal of the decision, a new communiqué on 29 December 1979 modified the process and restricted the capacity to 25%. Another communiqué, dated 28 December 1979, extended the Cabinet’s reinsurance monopoly decree for another two years, to 31 December 1981.

One important development during the 1970s was the decision to cancel interest on commercial deposit accounts. This had adverse effects on the insurance market. During this time, interest was an important factor in insurance risk calculations, which were based on probability and statistical principles. In this way, the insurance companies’ position was different from positions of other corporations operating in other fields of the economy. Furthermore, the Ministry of Commerce’s communiqué of 18 August 1972, about payment terms and maximum commissions, had a bearing on the insurance companies’ operations.

While no new insurance company had been established for a long time, the insurance industry was revitalised in 1979. Two of the three insurance companies affiliated with the Sabancı Holding Company, Doğan and Atlantik, cut back their operations and started to transfer their portfolios to Ak Insurance. Atlantik Insurance operated exclusively in the reinsurance field.

Endeavours to establish two new companies were completed in the last months of the year with the appearance of and Halk Reinsurance and Istanbul Reinsurance. Halk Reinsurance, with 2 million liras of capital, was established by Halk Insurance Company; Istanbul Reinsurance, with 26 million liras of capital, was established by the 13 companies who had filed a lawsuit against the provisions of the Communiqué Series IV, No. 6/1.

The inflation rate was the highest in 1979, and the growth rate of the insurance companies’ portfolios also increased, helped by technological improvements and the spread of insurance awareness. The country-wide destruction caused by political and social movements and acts of anarchy particularly accelerated the increase in industrial risks. The booming volume of business was shared by the existing insurance companies in a highly competitive environment.

As a result of the ‘import substitution’ policies, domestic companies had largely dominated the insurance industry toward the ’70s. However, insurance awareness had not yet reached the masses. Urbanisation was in a rather early stage in Turkey. Without an urban culture, awareness of the future was also lacking. People disregarded the risk factor in their daily lives. A prerequisite of Turkey’s insurance industry reaching that of Western countries’ was a prosperous Turkish public. Further, instilling the insurance culture into society was indeed a social problem. Even though the insurance business experienced progress with the pools, Turkey ranked low on the global scale in the ’60s and ’70s. In 1968, when the premiums revenue per capita was $97.8 in Germany, $77.7 in France, $74.7 in Belgium, and $73.2 in Norway, it was $1.7 in Turkey. The proportion of premiums revenue to gross national product in the same year was 5.3% in Germany, 4% in France, 4.5% in Belgium, 4.1% in Norway, and 0.5% in Turkey.
Although Turkey’s national insurance industry had 50 years behind it, the desired progress could not be achieved. Insurance expert Aslan Tufan Yazman wrote in his article in Sigorta Dünyası [The World of Insurance], a professional periodical, that Turkey’s insurance industry had been ‘mistreated’ for many years. This was why the industry could not pull itself together. A Law of Supervision was published. It was prepared in order to ‘discipline’ the insurance industry. This law, as its name suggested, targeted ‘supervision’ and control instead of ‘progress’. Moreover, the task of supervision was offloaded to a section of the Ministry of Commerce. In other words, the task was abandoned to a small governmental office which was acting as the sword of Damocles. Consequently, despite every effort, insurance premium revenues in the mid-70s could reach only 2 billion liras. According to Aslan Tufan Yazman, Turkey’s ranked at the bottom of the global scale. The only place with a lower premiums volume than Turkey was an obscure country in Africa.

Anadolu Sigorta and Güven Insurance celebrated their 50th anniversaries in 1975. The insurance industry, founded by Atatürk’s directive and under Celâl Bayar’s leadership, had not been able to achieve the expected progress in fifty years. Globally, insurance companies collected big-figure premiums, and these were a major source of investment programs. The money accumulated from insurance premiums in Turkey, however, was not a sufficient source of investment. If they could have been increased, the savings from the insurance business would have provided substantial funds for the country.
The Future Of The Past
Anadolu Sigorta Turkey's Insurance
Throughout its half-century-plus past, Anadolu Sigorta has always linked its growth and development to the healthy and secure growth of the industry; it has not only focused on its own profitability but has also adopted the principle of serving the country’s economy. From this perspective, the company has been a school for the industry, just like its founder, Isbank, and has contributed to the training of many valuable insurance operatives who hold important positions in the industry today.

The insurance industry is expected to grow rapidly during the coming years. This growth will exhibit itself on one hand as the expansion of the potential of insurance, and on the other hand as the application of new types and techniques of insurance. Anadolu Sigorta will surely play an important role in this development, befitting its powerful past and its reputable name.

Bedii Tümer, General Manager - 1990
INSURANCE AFTER THE DECREES OF 24 JANUARY

The decrees of 24 January 1980 and the military coup on the following 12 September marked the beginning of a new phase for the Turkish financial sector. Political and social movements, acts of anarchy, and continuously rising inflation caused industrial risks to multiply during 1980, especially in the first three quarters. At the same time, despite the absence of advertising activities, the public’s insurance awareness was growing, especially in the motor vehicle, household goods, and building fire branches.

Meanwhile, due to the unrest in Turkey and to their inability to pay their debts, some companies were having difficulty finding collateral abroad. Some foreign reinsurers, especially the renowned ones, were withdrawing from the Turkish market because they could not collect their premiums claims, and even when they could, they actually collected less due to the devaluation of the Turkish lira.

The liquidity problems of large industrial companies, caused by high interest rates and increased costs, resulted in a significant scarcity of funds in the insurance industry in 1980. With its substantial portfolio of industrial companies, Anadolu Sigorta had problems collecting premiums from such accounts, and occasionally had to ask for Isbank’s help. There were problems in sole proprietor agencies during this period. Settlement of receivables was tightly monitored, and the business volume of agents who habitually delayed paying was diminished by not giving them new policies until they had made their outstanding payments. Legal proceedings became necessary in some cases.

Despite these problems, Anadolu Sigorta’s premiums production reached TL 2.208 billion - an extraordinary increase of 85%, or TL 1.018 billion, over the previous year. This increase, coupled with 1980 being a year of generally fewer losses, led to a 114% rise in technical profits -from TL 115 million to TL 242 million.

Anadolu Sigorta was the acting President of the Association of the Insurance and Reinsurance Companies in 1980, and led the Association in solving many of its problems. The company made and followed up appeals to the Ministry to strengthen the country’s insurance industry, to expand investment opportunities, to exempt investment revenue from taxes, to rescind or reduce the administrative duty taxes, to render fire, financial liability, goods and passenger cargo insurance compulsory, to improve life insurance incentives, and to enhance the operability of exports insurance. In addition, Anadolu Sigorta compiled a new tariff schedule for motor vehicle insurance and submitted it to the Ministry for approval.

The insurance companies’ awareness of their common problems heightened in 1981, and the industry focused more on unity and solidarity. There was a belief that this awareness was, to some extent, the result of economic pressure. In 1981, credit restrictions and high interest rates were still causing collection problems for insurance companies, and this lack of liquidity forced the companies to act in unison against the agencies. Despite the market pressures and the persistent inclination to arbitrary applications, the difficulty in collecting remained the most important problem of 1981.
The slowing of inflation affected the insurance portfolio in the same way, and the 90% increase of the previous year fell to approximately 40% in 1981. At the same time, under the military government following the coup, insurance contracts covering strikes, lockouts and malicious acts were all cancelled, and the growth in fire insurance subsided. Export insurance, however, grew substantially as a result of the export mobilisation campaign. As well, the decrease in social agitation restored the importance of the Turkish insurance market, and foreign companies resumed selling collateral.

A Cabinet decree in December 1981 extended the reinsurance monopoly for another 10 years and based the compulsory cessions on the surplus system instead of on quota shares. During the 1980 recession, Swiss Reinsurance Company, one of the largest reinsurance companies in the world, severed its ties with all Turkish companies except Anadolu Sigorta. When the market rebounded, Swiss Reinsurance took over the management of La Suisse, a foreign company with limited operations in Turkey, and started direct insurance operations in the country after hiring several well-known Turkish insurance operatives.

In order to protect its equity from the ravages of inflation, Anadolu Sigorta embarked on a program of real estate investment. One of the first results of this program was the purchase of a five-floor office block and branch building in İzmir, which opened on 1 April 1981. The first floor of the TL 130 million building was allocated for the branch office. The basement and mezzanine were rented to the foreign bank B.C.C.I. for 20 years for TL 275 million, all of which was to be paid over the first four years in equal instalments. The second floor was rented to Citibank for TL 475,000 per month, with the rent for the first five years adjusted annually according to the wholesale price index. The third floor was rented to the American Consulate of İzmir for TL 600,000 per month, with a three-year deposit and a 20% raise in the rent every three years.

In 1981, the company established 26 new agencies - five Class A and 21 Class B – and cancelled the contracts with six agents because of their failure to comply with the company’s production...
and payment policies. The number of Anadolu Sigorta agencies, excluding bank branches, thus rose to 168. In February of that year, the company organised the first social meeting with its agents. Held at the Sheraton Hotel, this meeting featured the discussions of various subjects and attempts to solve problems. 1981 was also the year when Anadolu Sigorta’s advertising activities peaked.

ANADOLU SİGORTA’S NEW PRODUCTS

Anadolu Sigorta was working on introducing a brand new product to the market during 1982: an advanced, profitable and comprehensive insurance policy covering all the risks involving the insured’s residence. Isbank played a leading role in the launch and promotion of this insurance contract, called ‘blue insurance’. Preparations took some time, and the ‘Blue Insurance Policy’ was launched in March 1983.

Anadolu Sigorta’s new automation system, consisting of a computer with a 1.2 billion-character capacity and of several work stations, was in operation as of June 1981. All departments were computerised, and new policies, renewals, and all the accounting and collection data were stored in the computer. However, because calculating the retention rate corresponding to the risk required processing the policies one by one, reinsurance work was performed both automatically and manually for some time. The new automation system attracted the industry’s attention, and many insurance companies’ representatives visited Anadolu Sigorta to examine the system.
Fire insurance had incurred comparatively fewer losses over the last several years, prompting the Ministry of Finance to announce its intention to reduce the fire insurance tariff rates. The Association of Insurance and Reinsurance Companies shared this view and notified the Ministry in 1983 that they would approve a 15% reduction, believing it would increase the volume of business volume. Even though most of the Association’s members favoured this change, Anadolu Sigorta thought it was too early to take such action. The company believed that the statistical data for such a short period was insufficient to be conclusive, and that such a reduction might cause the industry difficulties if losses increased in the following years. While Anadolu Sigorta was preparing a report on this issue, the Ministry of Commerce announced tariff rates reductions of 10% for industrial fire insurance and of 15% for personal fire insurance, effective 15 April 1984.

In the same period, changes in the tariff rates for motor vehicle insurance, which had long shown bad results, made the branch profitable. This relaxed the selection process at Anadolu Sigorta and thus led to a higher rate of profitability. In order to receive more premiums, department managers were instructed to accept motor insurance requests in the same way they would accept a normal fire insurance request. With such incentives, work on launching the comprehensive insurance policies accelerated.

There was an upsurge in Anadolu Sigorta’s life insurance volume in 1984. Total premiums increased 87% to TL 511 million, partly as a result of the ‘insurance of the future’ product launched in July. This system was designed to attract the small savings of the insured in the form of monthly instalments, which were invested and paid back to the policy holders as dividends at market-rate interest. Offering the insured a choice of an attractive amount of capital or a monthly income, this product added numerous new contracts to Anadolu Sigorta’s portfolio. These were individual policies at first, but the intention was to also offer them as group contracts to companies and occupational organisations. As ‘insurance of the future’ was selling more than expected, the company created a special department to speed up handling of the product. With the growth in the life insurance branch, the company expedited work on the automation system and ordered an M-38, a new ‘on-line’ computer. By the end of 1986, there were 295,078 ‘insurance of the future’ policies: 20,781 in the last half of 1984, and 63,536 in 1985, and 210,761 in 1986. Of these, Isbank produced 27% and the agents 73%. The ratio of life insurance premiums to total premiums production in Turkey dropped to 1.3% in 1984, then rose to 2% in 1985, and reached 5% in 1986. In Anadolu Sigorta’s portfolio, however, the ratios for the same years were 5%, 10.6% and 20.8%.

Turkey’s developing economic structure had brought an increase in premiums by the mid-80s; however the problem of collections was also increasing. Due to the substantial increase in the value of assets, the public showed a greater tendency to seek protection against risks; with the insurance companies’ more rational approach, the insurance business had gained importance. The industry’s new ability to accumulate funds through the small savings of the public was also an advantage.

Batı Insurance, a new company, was established in 1984 and brought the number of insurance and reinsurance companies to 36. The Ministry of Commerce and Industry prepared new draft legislation in the same year and sent it to the insurance companies for evaluation and comments.
The draft introduced many important changes. A new provision requiring insurance and reinsurance companies to raise their minimum capital to TL 500 million evoked strong reactions from foreign companies, and a provision requiring foreign companies to comply with the same establishment and management conditions that bound domestic companies elicited an even stronger reaction. A provision forbidding those in the insurance profession from doing business in other fields was seen by many companies as a blow to the developing insurance business that would cause it to regress by forcing many agents to withdraw from the market. A provision that the insured would not receive the policy documents before the insurance premium had been paid fully in advance was considered unrealistic in view of the current market conditions, and companies argued that this provision had to be attenuated. They also criticised a provision that imposed a ten-fold raise in fines and even imprisonment in cases of fault or negligence.

While discussions of the draft legislation continued, Anadolu Sigorta pointed out that the insurance companies had to form an effective organisation to solve the problems facing the insurance industry. The Association of the Insurance and Reinsurance Companies of Turkey seemed to be the only organisation that could perform this function. The company emphasised, however, that the insurance companies should align themselves more closely with the Association, that only active members with the capability to solve problems should undertake such tasks, and that conveying the industry’s difficulties to government authorities should be handled more effectively.

NEW TECHNIQUES IN INSURANCE

Meanwhile, it was observed that Anadolu Sigorta, with its 60-year history, was performing many of its transactions with old habits and applications. The work of the last three years to set up an automated system with work stations had revealed the need to review and streamline the procedures of all departments.

Anadolu Sigorta accelerated its real estate investments in 1984 and 1985, acquiring the following buildings: in Ankara, at the intersection of Ataturk Boulevard and Meşrutiyet Avenue, a 500-square-meter flat bought from Koray Company for TL 100 million, to be used as the Ankara Branch office; in downtown Bursa, a 225-square-meter flat belonging to the bankrupt Kastelli Company, purchased through the Liquidation Committee for TL 31.5 million; in the Babıali district of Istanbul, a five-storey office block for TL 225 million; and on the main street...
of the Bebek district of Istanbul, a building for TL 85 million, to be used as the General Management’s lodgings.

Although Anadolu Sigorta, due to its prudence and respected position in the industry, kept its reserves necessitated by insurance mathematics above the legally required levels, it still had the industry’s highest technical profits in these years. The company had focused on real estate investments, and these investments continuously grew. Loans for mortgages, an integral component of life insurance but yielding lower returns, also increased. Most of these loans went to the Türkiye Şişe ve Cam Fabrikaları’s [Bottle & Glass Factories of Turkey] employees’ group insurance.

The insurance industry maintained its healthy growth throughout 1986. Premiums production increased 50% to TL 200 billion by the end of the year. With the premiums to loss ratio as low as 40%, insurance companies enjoyed higher profits this year. The share of life insurance premiums, increasing since 1985, reached 5% in 1986. This trend toward life insurance, which had always been less vulnerable to business cycles, was considered to be securing the industry’s future. The other insurance branches were also growing. In the motor branch, however, insurance companies were hesitating to accept motor, traffic and liability insurances as their prices fell below the inflation rate and the prices for spare parts. Anadolu Sigorta had decided to reduce its portfolio share in these insurance branches, which had inadequate tariff rates and a high frequency of loss. Instead, the company emphasised personal accident insurance throughout 1987. This included family insurance policies with special condition covering both parents and children; personal family and tourism insurance covering holiday travel; ‘holiday’ insurance policies for travel companies; and ‘business travel insurance’ covering business trips of managers and marketing staff in large companies.

An important event in 1986 was the meetings of the Comité Européen des Assurances [The Committee of Associations of European Insurance Companies] and its general shareholders, held in Istanbul for the first time in the Committee’s 32-year history. The meetings started on 3 September, lasted one week, and were attended by 130 insurance executives from 18 European countries.

Anadolu Sigorta enjoyed rapid growth throughout the ’80s, and the number of its insurance contracts increased substantially. To a large extent, this growth was achieved through life insurance policies. From 1981, the number of policies was as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Policies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981</td>
<td>192,985</td>
</tr>
<tr>
<td>1982</td>
<td>245,895</td>
</tr>
<tr>
<td>1983</td>
<td>263,533</td>
</tr>
<tr>
<td>1984</td>
<td>355,630</td>
</tr>
<tr>
<td>1985</td>
<td>482,957</td>
</tr>
<tr>
<td>1986</td>
<td>682,745</td>
</tr>
</tbody>
</table>

Premiums for machinery erection (engineering) insurance also continuously grew
throughout the ‘80s. Turkish contractors collaborating with Saudi Arabian companies on jobs abroad contributed to the growth in this branch. The company insured Tekfen Construction Company’s Riyadh-Kubais water-pipeline job in Saudi Arabia. Machinery erection insurance increased 60% over 1985, reaching TL 1.925 billion, and the branch’s technical profit was TL 143 million in 1986. In this portfolio, TL 644 million came from the Karakaya Dam, 345 million from the first year of the construction of Ataturk Dam, 100 million from Electronic Equipment insurance (the company’s new product), 200 million from machinery erection insurance, and TL 600 million came from Construction-Installation All Risks insurance on other projects.

Anadolu Sigorta kept the Ataturk Dam and the Yenikapi sewage discharge jobs in its portfolio in 1986, after drastic price competition, but lost the Fatih Sultan Mehmet Bridge ring roads and the Galata Bridge jobs to other companies.

The company added agricultural insurance to its portfolio on 1 January 1987. The training for this branch, based on climatic conditions, started in Southern and South-eastern Anatolia, and finished in Thrace, the Bursa region and Central Anatolia. The company’s agencies and branch employees, and Isbank’s employees, handled the work, with the risk and reinsurance transactions done on a sub-district basis. Munich R. handled 90% of the reinsurance and Milli Re handled 10%.

The treaty limited each sub-district to TL 500 million.

THE WAX MUSEUM PROJECT FOR ATATURK’S 100TH BIRTHDAY ANNIVERSARY

The General Manager has disclosed the following:

The Ministry of Culture has proposed that our Company prepare, by 15 May 1981, a Wax Museum for Atatürk’s 100th Birthday Anniversary. After study of the proposal, it has been deduced that, given the availability of artists and the time involved, such a project is too multifaceted and difficult to realise. Following discussions with Isbank officials and later with the Ministry, it has been decided that the matter should be simplified and the company’s contribution should be to have made, on a specific theme, one wax sculpture of Atatürk and one of İnönü, and have them placed in the Ataturk Museum in Şişli, Istanbul. Following negotiations with potential artists, and taking the Ministry’s recommendation into consideration, an initial agreement has been reached with the veteran painter Nevzat Duruak, for a total of TL 300,000 (TL 150,000 for each wax sculpture). The Board has decided by a majority vote to order these sculptures, and if they truly resemble Ataturk and İnönü, to have them placed in the Ataturk Museum in Şişli.

Board of Directors, 20 January 1981

ESTABLISHMENT AND WORKING PRINCIPLES REGULATION

The 4th article of the Supervision of Insurance Law had stated that a regulation specifying the establishment and working principles of insurance companies, domestic and foreign, in Turkey would be published. The Official Gazette of 21 June 1988 thus contained the ‘Establishment and Working Principles of Insurance Companies and Reinsurance Companies Regulation’, which came into effect on the same date.
The regulation subjected the establishment of insurance and reinsurance companies, and of foreign companies’ branches, to approval by the Treasury and Foreign Trade Undersecretariat. Foreigners, along with being able to establish companies in Turkey if in compliance with the provisions of the laws and the above regulation, could now also open branches. The difference from the old regulation was that the Undersecretariat’s approval would be limited to compliance with the provisions of the laws and the regulation. In other words, a ‘normative’ approach replaced a ‘concession’ approach.

The regulation stated, “The stock certificates of companies to be established in Turkey must be issued to names”, and obliged shareholders possessing more than 10% of the capital to abide by the same rules that applied to the founders. This necessitated an amendment of the 7th article in the company’s constitution, which stated that 60% of the stock certificates should be issued to names and 40% to their bearers.

The 41st article of the Supervision of Insurance Law stated that insurance and reinsurance companies would not engage in activities other than insurance activities or activities directly related to insurance. The 12th article of the new regulation reiterates this provision, and adds a provision, parallel to the 49th and 50th articles of the Banks Law, stating that insurance companies and branches of foreign companies could not engage in trade of merchandise or real estate for commercial purposes. Although insurance companies were considered to acquire real estate not for commercial purposes but to invest their capital and reserves, they were subjected to another restriction by the real estate and stock acquisition regulation’s 27th article.

According to this article, the stocks and real estate owned by insurance companies should not exceed the amount of their equities, and the amount reached by deducting the total of stocks and real estate from the equity should not be less than the 8% of the total assets. To comply with this article, Anadolu Sigorta, with more than TL 27.7 billion of stocks and real estate, and with equity of TL 11.6 billion following the last capital increase, could not buy new real estate and had to dispose of some of its current stocks and/or real estate in the following three years. To avoid doing so, Anadolu Sigorta
had to accelerate collection of its call money from the last increase, and to undertake a new capital increase to raise its equity to the required level.

The regulation's 15th article required that one member more than half of the Board of Directors have degrees in law, economics, finance, mathematics, or business administration. The 16th article required that general managers and assistant general managers have these same degrees, and that general managers have a minimum of seven years work experience in the insurance or business sectors. Assistant general managers had to have a minimum of five years experience. The requirements for auditors were the same as those for general managers. At that time, three of Anadolu Sigorta’s officers could not comply with this article’s conditions.

The annex article to the Supervision Law had obliged insurance companies to separate their life insurance operations from the other insurance branches and have a fully independent life insurance operation. The regulation stated that this separation would be performed in compliance with the method and principles to be determined by the Undersecretariat. Anadolu Sigorta, with 61.8% of Turkey's life insurance market, commenced work in this context. To strengthen the insurance companies’ financial structures, the regulation’s 27th article introduced calculations, under the paragraph heading ‘liability coverage sufficiency’, based on premiums and indemnities. The article stated that the total equity could not be lower than the ‘liability coverage sufficiency’
determined using these calculations. The article also said that if one-third of the liability coverage sufficiency amount was higher than the total flexible guarantees, the difference would be blocked on behalf of the Undersecretariat as an additional guarantee. This was not a problem for Anadolu Sigorta, however, as the company was not then below the sufficiency limit.

Another of the Supervision Law’s articles obliged insurance companies to have coverage for 15% of their receivables from their insured and insurance intermediaries. The regulation added that the allowances reserved for aged receivables from the insured and insurance intermediaries aged 6, 9, 12 and 18 months should be 25%, 50%, 75% and 100% respectively, and that the net receivables entry, after the deduction of these allowances, should appear on the balance sheet. The target was thus the quick collection of insurance receivables. Bank branch agencies and individual agents had to be careful to immediately collect the premiums and transfer them to the company, and to cancel the policies for which the premiums could not be collected. Otherwise, reserving allowances for uncollected premiums would lower profits.

Lastly, the regulation dictated that the total stocks and shares of legal entities in a partnership with an insurance company could never exceed 25% of the total shares and stocks account. Anadolu Sigorta did not have such assets exceeding this limit.
REGULATION FOR INTERMEDIARIES

The 9th article of the Supervision of Insurance Law No. 7397, which had been amended by Law No. 3379, stated that the working principles of the insurance and insurance intermediaries would be specified by a regulation. In accordance with this article, the Ministry of State’s Treasury and Foreign Trade Undersecretariat prepared the ‘Regulation on Insurance and Reinsurance Intermediaries’. Published in the Official Gazette of 31 August 1988, it came into effect on that date.

The regulation’s 6th and 7th articles listed both the requirements to become a natural and legal person agent or a legal entity agent, and the conditions that prohibited agency assignation. The most important prohibitive condition was “those who have not chosen the insurance profession exclusively” could not be agents. According to Anadolu Sigorta’s Management, this regulation violated the Supervision Law. Although the law’s 9th article stated that “those to work as agencies (except for banks) cannot engage in work that is incompatible with insurance”, this regulation prohibited all other work, compatible with insurance or not. The regulation did, however, make exceptions for banks and financial institutions; they were allowed to be agencies and were not subject to the conditions that applied to other agencies.

As well, the regulation’s 6th article stated that the partners of legal entities had to be natural and legal persons if the entities were to be agents. This provision allowed limited liability and ordinary partnership companies, of course, but created problems for joint stock companies.
and corporations. For example, Anadolu Sigorta’s Bottle & Glass Group and Rabak Company agencies could not comply with this provision.

Anadolu Sigorta appealed to the Undersecretariat to either annul or modify the provisions “those who have not chosen the insurance profession exclusively” and “that in order for legal entities to be agents, their partners had to be natural and legal persons”.

The regulation’s 6th article also stated that natural and legal person agents had to be at least high school graduates. The prevailing opinion in the insurance industry was that this provision was for new agent appointees and that the existing agents were beyond the provision’s scope. At that point, Anadolu Sigorta had 15 such agents. According to the regulation’s 12th article, natural and legal person and legal entity agents, before starting their operations, had to give the insurance company a guarantee deposit of at least TL 10 million. This deposit would be adjusted to cover at least 20% of the agents’ debt at the end of each calendar year, and the difference would be settled by the end of the following March. The guarantee deposit was never to fall below TL 10 million. A provisional 1st article obliged agents already operating on the regulation’s promulgation date to submit their minimum guarantee deposits by 31 December 1988.

The fact that real estate mortgage was not accepted as a guarantee was causing problems. It was very difficult for many Anadolu Sigorta agents in various regions of the country to engage exclusively in insurance and still be able to come up with a cash or stocks and bonds guarantee of TL 10 million. Some agents were going to have to withdraw. At the same time, it was difficult for the existing agents to come up with a TL 10 million guarantee. The company appealed to the Undersecretariat to continue accepting real estate guarantees from agents.

According to the regulation’s 16th article, premiums had to be paid immediately. It was possible, however, to collect the premiums in instalments. In this case, a minimum 40% down payment would be made and the remainder would be divided into instalments, over a term not exceeding six months. The difference between this article and the previous regulation was that the down payment increased from 30% to 40%. The regulation set the intermediary’s commission at 30% of the net premium without allowing for differences among types of agents and insurance. However, the regulation allowed insurance companies to freely determine life insurance commissions, incentive commissions for intermediaries, training expenses, and the rates and amounts of establishment expenses, and the conditions of payments for such.

Before the new regulation, commissions were determined differently, depending on the type of agent and insurance, and the commission rates were listed in the price tariffs prepared for each type of insurance. In this respect, allowing insurance companies to freely determine the commission rates for their agents was incongruous with the price tariff system, and would hasten the transition to a free tariff rates system, for which the insurance industry was not prepared. Anadolu Sigorta appealed to the Undersecretariat on this issue, too. The company proposed an amendment to the regulation that would make the insurance companies work within maximum commission limits, for every type of insurance, to be determined by the Association of Insurance and Reassurance Companies.
Agents had to pay their premiums collections to the insurance company, either in cash or by bank transfer, by the end of the following month. This condition also appeared in old ministerial communiqués. The new regulation also dictated, parallel with the conditions to become an agent, the conditions the producers had to meet to comply with the principles stated in the Supervision Law’s 37th article. The important requirements were that the producer be at least a high school graduate, not engage in any business other than insurance production, and deposit a guarantee of TL 100,000.

The regulation also included provisions for the supervision of insurance and reinsurance activities. Intermediaries were subject to inspection by the Insurance Supervision Board, and insurance companies were obliged to supervise the intermediaries’ compliance with the regulation’s provisions and to notify the Supervision Board about instances of non-compliance. The regulation allowed intermediaries already operating a two-year adaptation period. The regulation also included a provision to settle existing debts within two years.

**DEVELOPMENTS BETWEEN 1989 AND 1993**

1989 was a year of big fires and catastrophic losses worldwide, and thus was a year of limited profitability for insurance companies. Turkey was one of the few countries with positive results in the global insurance market. Anadolu Sigorta ended the year leading the Turkish market, and premiums collection for non-life insurance branches totalled TL 874 billion.
In line with the liberal economy embraced by the industry, the transition to a free tariff rates regime was made and foreign companies were allowed to operate in the Turkish market in 1990. The Turkish insurance industry, with premiums production of TL 1.748 billion the year of the Gulf crisis, grew 50%, in real terms, over 1989. The most important development was Şark Insurance leading the market in both 1990 and 1991, thanks to campaigns organised by Milpa.

1991 was a year of transition to free tariff rates and of radical changes in the industry. The Gulf War, political uncertainty, the economic recession caused by high interest and inflation rates, and the constriction of investments all affected the insurance industry. Growth slowed and competition became fiercer. Growth in real terms was 26% with TL 3.125 billion of production. The problem of liquidity became a priority for insurance companies because competition was generally about prices and dates, the share of motor insurance in portfolios grew, and because the increase in risks in fire and cargo insurance coupled with the decrease of premiums destabilised the indemnity/premium balance. These conditions forced the industry to quicken the pace to find solutions to the collections problem. Meanwhile, four new companies operating in non-life insurance fields were founded.

In 1992, capacity in the world insurance and reinsurance markets shrank, and structural changes were introduced, and the results were negative. In Turkey that year, the price competition that started with the transition to a free tariff rate regime continued, and the indemnity/premium balance could not be optimised, and the industry thus could not reach its profits targets. Intensification of the price competition not only decreased technical profits in 1991 and 1992, it also affected the conditions of the insurance companies’ transfer of risks to reinsurers. Along with incurring big losses in the world markets, reinsurers did not earn the profits they expected from the Turkish market. This forced them to take immediate measures which restricted risks and reduced liabilities, and this adversely affected the insurance companies’ technical and financial results.

Insurance companies were forced to renew their reinsurance contracts in 1992 with terms worse than the previous year’s. Three new companies entered the market this year, several companies suffered losses, some domestic and foreign companies changed management, and some companies were transferred to other capital groups. The industry’s main problem - the difficulty in collecting premiums and receivables - became even more serious, and the search for solutions occupied every company. Despite all this, the industry’s premiums production was TL 6.455 billion in 1992. Although the industry did not perform as well as in 1990, its real growth of 39% surpassed 1991’s growth.

Anadolu Sigorta increased its production in this period, thanks to Isbank’s broad and intense marketing of loans for motor vehicles and thanks to the potential created by financial leasing packages. The company grew by 44%, higher than the industry’s growth rate, and thus regained the industry leadership. Anadolu Sigorta, successfully increasing its technical and monetary profits over the previous years, now had the strongest financial structure in the industry. In 1992, Anadolu Sigorta became the first Turkish insurance company to establish, a company abroad, setting up a company in Azerbaijan with a joint venture contract.
In the environment of free competition, Anadolu Sigorta aimed to make a difference by adding speed, quality and volume to its services. Monitoring the changing conditions, the company set up a series of targets. Anadolu Sigorta would expand its market, increase its market share, improve its existing products to meet the needs of the target markets, increase the motivation and know-how of its sales and production channels, and launch insurance products that would satisfy the special requirements of the public and occupational groups. With these efforts, the company introduced products such as family insurance, travel insurance, tourist facilities insurance and natural gas insurance.

At the same time, Anadolu Sigorta closely followed the changes to insurance industries’ legislation and structures in EEC countries, which were in the process of merging into a single market. The company studied the EEC insurance market directives and prepared to adapt insurance applications that did not exist in Turkey. Anadolu Sigorta subsequently submitted these adaptations as proposals to the Prime Ministry. The ministry accepted the company’s proposal that legal protection insurance be recognised an independent insurance branch in Turkey, and it approved the general and special conditions of the draft prepared by the company. The Legal Protection Insurance product was thus brought to the market through Anadolu Sigorta’s efforts. The

AMENDMENTS TO THE COMPANY’S CONSTITUTION

Extraordinary Shareholders Meeting 1993

The minutes of the extraordinary meeting of Anadolu Sigorta of 24 November 1993, regarding amendments to the constitution:

The constitution in effect:

The Company’s Object and Scope

a – Engage in any and all manner of insurance and reinsurance transactions in Turkey and in foreign countries;

b – Act as a proxy, lead insurer, representative, or agent for other insurance and reinsurance companies;

c – Engage in any and all transactions related to the business of insurance and take part in financial, commercial, and industrial undertakings and enterprises related to such business, set up banks and companies and take part in enterprises that have been or will be established for this purpose and acquire them in whole or in part;

d – Lend sums of money for mortgages on real estate properties;

e – For the purpose of achieving the company’s objectives and putting its capital and reserves to work: buy and sell any and all manner of stocks, bonds, and Treasury bills; buy, sell, and rent movable and immovable properties, have them built, and use them in every possible way.

Businesses other than the ones enumerated above that may be deemed necessary or beneficial in the future shall be added to the company’s object and scope by amending this constitution.

New Wording:

The Company’s Object and Scope

a – Engage in any and all manner of insurance and reinsurance transactions in Turkey and in foreign countries;

b – Act as a proxy, lead insurer, representative, or agent for other insurance and reinsurance companies;

c – Engage in any and all transactions related to the business of insurance and take part in financial, commercial, and industrial undertakings and enterprises related to such business, set up banks and companies and take part in enterprises that have been or will be established for this purpose and acquire them in whole or in part;

d – Lend sums of money for mortgages on real estate properties;

e – For the purpose of achieving the company’s objectives and putting its capital and reserves to work: buy and sell any and all manner of stocks, bonds, and Treasury bills (except that this shall not be in the nature of portfolio management); buy, sell, and rent movable and immovable properties, have them built, and use them in every possible way;
company also worked on adapting insurance that focused on the liabilities arising from the goods and services of producers and submitted its study to the government for approval. The inspiration for this insurance was also an EEC directive.

There were 56 companies in Turkey’s insurance sector in 1992: 52 insurance companies and four reinsurance companies. After two new companies were established in 1993 and one company ceased operations, the total was 57. There were 41 companies operating in the non-life insurance market. In line with the reinsurers’ demands, the general conditions for fire insurance and the tariff rates for earthquake, terrorism, and strike-lockout-malicious acts insurance were rearranged and made compulsory. Despite the difficult conditions and fierce competition, in 1993 Anadolu Sigorta became the first company to attain premiums production of TL 1 trillion - which was the total premiums production of the entire industry only four years earlier.

Analysis of the five-year industry trend between 1989 and 1993 shows that following the decline in 1991, the industry gained momentum and tended to grow. Anadolu Sigorta enjoyed a growth rate above the industry average in 1991, 1992 and 1993. Of the top 10 companies, Anadolu Sigorta, Oyak Insurance and Ak Insurance exhibited the clearest growth in this period. In the industry’s general portfolio, the motor branch’s share growth rate was especially constant, going from 46% in 1989 to 65% in 1993. This was a result of the rapid growth of Turkey’s automotive industry.

The achievements of 1993 were another demonstration of the wisdom of Anadolu Sigorta’s established and stable strategy. In a market rife with fierce price competition, the company proved that it could raise its business volume and profits without making any concessions on its service quality and technical
standards. The continuous improvement of the service quality, the prompt indemnity payments, and the introduction of new products were all indications of Anadolu Sigorta’s responsiveness to the customers’ needs, and all made major contributions to the company’s progress.

Anadolu Sigorta produced TL 1.618 trillion of premiums and had TL 277.2 billion in technical profits in 1993. The accounting profit was TL 305 billion, with financial revenues of TL 279.4 billion, and expenses and reserves of TL 323.3 billion. The accounting profit for the previous year was TL 50 billion.

Another milestone for Anadolu Sigorta in 1993 was the public offering of 15% of its capital. Due to the company’s standing in the industry, and its financial strength and profitability, there was in fact substantial demand, both domestically and abroad, for the shares.

The year was also a legislative milestone. Decree Law No. 510, published in the Official Gazette on 15 September 1993, superseded many articles of the Supervision of Insurance Law and introduced a series of regulations concerning insurance agencies. As of this date, agencies authorised to draw up insurance policies and collect premiums were not allowed to engage in any commercial activity other than insurance. Authorised agencies had to transfer their net collected premiums, after the commissions and related taxes were deducted, within 10 working days. Lastly, authorised agents had to show in their accounts all policies they had drawn up and all details related to the policies such as cancellation and the collection and instalments of all premiums. The decree also stated that contracts made with agencies who failed to comply with the regulation would be declared null and void.

The insurance industry, however, successfully appealed to the Constitutional Court to annul Decree Law No. 510, which, to comply with EC standards, superseded many articles of the Supervision of Insurance Law. The annulment was published in the Official Gazette on 22 December 1993.

DEVELOPMENTS IN 1994 AND AFTER

The economic problems of 1994 had a substantial effect on the insurance industry. Demand for new production dwindled and losses were incurred on jobs already obtained. Insurance expenditures were rather low on the consumer’s list of priorities. At the same time, foreign reinsurance companies started to apply strict conditions, compared to 1993, on Turkish insurance companies. In this context, the premiums reserves retained by insurance companies were lowered, the interest rate on payments to reinsurers for reserves tripled, and the transfer period of reinsurance premiums was reduced by another month to five months. These new conditions burdened insurance companies with additional costs, and were considered a warning to the industry. The hope was that the industry would somewhat curb its excessive competition over prices. Anadolu Sigorta expected that these conditions would force companies to comply with the legislation regarding rates and the rules of collection.

Premiums production in non-life branches increased 95% in 1994. As the inflation rate was
121%, however, this was a decrease of 26% in real terms. Despite these problems, Anadolu Sigorta’s premiums production, along with reinsurance premiums received, increased 78% to TL 2.880 trillion in 1994. Growth in 1993 was 112.4%. The decline in 1994’s production growth rate was caused by a decrease in consumer loans and automotive sales, which in turn caused a drop in motor vehicle insurance, a major share of the total volume. With a portfolio dominated by motor insurance, Anadolu Sigorta maintained its industry leadership in 1994. As well as leading in total premiums production, the company was first in motor and fire insurance premiums production and was third in transportation and engineering insurance.

Another important 1994 event for Anadolu Sigorta was the increase of its capital from TL 125 billion to TL 375 billion.

**LEGAL PROTECTION INSURANCE**

Legal Protection Insurance was an independent insurance branch which Anadolu Sigorta introduced into Turkey. With a license received on 28 June 1995, Anadolu Sigorta was the first insurance company to obtain the right to work in this field. A new department created within Anadolu Sigorta was called the Legal Protection Insurance Department.

With Legal Protection Insurance, Anadolu Sigorta started the market’s youngest and most dynamic insurance application. This was an important step for Turkey because one of the purposes of this insurance was to contribute to the human right to ‘equality of opportunity’ and the right to legal remedy.

Legal Protection Insurance was not an invention of the insurance industry; in fact, it was an inevitable product of the times. As a result of the uncontrollable development of technology and transport, industrialisation was threatening the legal rights of the individual and forcing a defence of these rights. As a matter of fact, 58% of the German public felt the necessity to obtain this insurance.

The inspiration for Legal Protection Insurance was the solidarity associations that had been established to protect the rights of people with common interests. For example, property owners whose properties had been damaged by mining activities, or owners of overseas cargo ships in dispute, had attempted to defend their rights through an organised body. The real sources of the insurance companies’ application of Legal Protection Insurance as an independent insurance field were the ‘traffic risks’. In particular, when many people were killed during a motor race in 1917, it was evident that the framework of compulsory traffic insurance was inadequate to secure the rights of the deceased. As the traffic insurer and the defendant insured shared a common fate, the tendency to protect the insured rather than the injured party was unfair.

The first step in the application of Legal Protection Insurance in Turkey was Anadolu Sigorta’s preparation of special Legal Protection Insurance General Conditions and the submission of this report to the Treasury and Foreign Trade Undersecretariat and
the Insurance Supervision Board on 8 May 1991. Subsequently, the Association of the Insurance and Reinsurance Companies formed a committee which based its work on this report and then submitted the resulting draft to the Undersecretariat on 28 July 1992. The Undersecretariat evaluated the opinions received from universities and the Union of Turkish Bar Associations, revised general conditions in the report, and sent them to the Association on 16 March, 1993.

Legal Protection Insurance had a character different from classic insurance such as fire, transportation or motor. The general point of the insurance was to pay expenses the insured incurred while protecting his/her legal rights. In a dispute over risks within this insurance’s scope, the insured’s legal expenses while pursuing or defending his/her legal rights were the subject of this insurance. Legal Protection Insurance was classified as loss rather than funds insurance, and within this passive loss insurance classification, Legal Protection Insurance was expense insurance rather than liability insurance or reinsurance. This insurance field covered the obligatory ‘legal remedy expenses’ for the purpose of helping the insured acquire his/her rights. The insurer first attempts to solve the dispute amicably, but if a lawsuit is inevitable, covers the court and lawyer fees.

While Legal Protection Insurance facilitated the insured’s pursuit of his/her rights, it also provided lawyers with new business opportunities. This is why the principle of allowing the insured to freely choose a lawyer is important. If the dispute became a lawsuit, this insurance covers the insured’s lawyer fees, as either defendant or claimant, and covers the opposing party’s lawyer fees if the case is lost.

The four types of insurance within the scope of Legal Protection Insurance are Legal Protection Insurance Due to Motor Vehicle, Driver’s Legal Protection Insurance, Personal-Family Legal Protection Insurance, and Legal Protection Insurance Due to Immovable Property. Anadolu Sigorta gave priority to the first two.

**RECONSTRUCTION – ON LINE REAL TIME**

Anadolu Sigorta’s information processing team was quite small, and the department consisted of five employees in 1990. In fact, the company was the first in the industry to utilize a computer system. The company had started its computerisation between 1965 and 1970, parallel with Isbank, and the programs were executed off-line until 1990. In those days, the agents used offer forms to request policy documents, and Anadolu Sigorta prepared and forwarded the policies.

Between 1975 and 1980, the data prepared by the departments were recorded in a special format on diskette machines used for data entry by the operators, who entered the data using punching machines. The programming technology of the time used punched cards. The software for these cards, run by IBM System/3 computers, read the data on the diskettes and processed them in the background using algorithms. With these, the records of outstanding claims, accounting, production and renewals were entered.
The head office started to use IBM System/38 computers around mid-1981, and ‘interactive’ processing was initiated. The regional branches used IBM System/36 computers, which used the same programs as the S/38. All computers could do some on-line work on their respective networks. The data came to the head office in weekly and monthly diskettes. The weekly data were for information only, and the monthly data were used to close renewals, accounting losses and reinsurance accounts under the general heading of ‘end of the month policy closing’. This mode of operation continued until the 1990s. Meanwhile, the S/36 computers in the regional branches were remotely connected on-line to the S/38 computers in the head office, thus ending the burden of conveying diskettes to and from the branches. The S/38s and S/36s in the head office were replaced by an AS/400 computer and the regional branches were real-time connected to the central computer in 1993 and 1994. The progress of technology also enabled the use of smaller work stations. The large-track, external hard disks were replaced by internal disks, and computers with faster processors and larger memories were purchased.

It was seen during the first half of the ‘90s that computers could be used more efficiently in insurance business, as was done in banking. With the old application, all the work was done in the head office and the produced policies were then distributed. As a result of work throughout 1992, an off-line program was prepared and distributed on diskettes to 120 agents. If the program had to be modified, the diskettes were re-written and re-sent.

The regional branches, connected to the system at the head office, were thus able to work ‘on line real time’ in early 1994. The agents affiliated with the regional branches brought the policy requests to the branches and had them entered and distributed from there. But the whole system, especially the collections function, was off-line. The collections were made, and who paid what was recorded from lists. With 500 agents and 800 Isbank branches, there was a total of 1,400
collection points that required balancing. This resulted in unbalanced accounts for many years.

The technology at Anadolu Sigorta changed in line with the work processes during the early 1990s. Newly-hired organisation and method experts initiated a new reconfiguration project, known as ‘Recon’, and work on the business side of this project continued until the mid-1990s. The company’s IT team started programming software at this point. Consisting of 6 or 7 employees until the 1990s, the team was now 38 strong. Only the reinsurance component of the Recon project was outsourced; under the guidance of project manager IBM, all the other components were built with the company’s own resources. Following completion of the business applications, the adaptation and implementation procedures were initiated. Real-time access to all the sales channels’ data was realised in January 1997, and the first pilot implementation of Recon involved 80 agents. This was an important step in view of the technical possibilities of the times.

Cooperative work on the system’s architecture was done during the project’s initial stages. The designs of the printed policy documents were modified. Although dot matrix printers were being used at the time, all the designs were customised for laser printers. These, however, could be used for only a short time because the volume of the data overloaded the technological structure of the printers. Furthermore, laser printers required a different type of paper and their consumables were much more expensive than those for dot matrix printers. Therefore, the old dot matrix printers were re-installed.

The Recon project’s first target was to create a single file for collections: all the collections would be entered ‘on line real time’ and saved to that file, thus preventing unbalanced accounts. The second target was to render policy production user-friendly: to hold all fixed information, such as price, brand and model, in a central computer, and to control every agency and enable them to produce policies by supplying them with work stations connected to the central system. In other words, the system had two facets: collections and policy production. Such control could only be achieved through a centralised system. To this end, all the software – approximately 400 programs - was re-written between 1994 and 1997. There were still some problems, however, in the collections and loss. To keep the software written for the project up to date, a new application was started on 1 January 1997.

This arrangement continued until the beginning of 1997. Meanwhile, the IT department was renamed the Organisation and Information Processing Department and employed 28 specialists who were going to execute the reconfiguration project.

The AS/400 was replaced by a more advanced model when the new system started, but the old computers continued to be used for some time. Policy production commenced once all the applications were transferred to the new computer. The regional branches used laser printers because of their speed and better printing quality, but the computers and transmission lines were inadequate for these printers and the software was readjusted to work with matrix printers. The project was operable in the regional branches and 80 agencies after new lines were installed in January 1997.
All of Isbank branches’ collections transactions were linked to the central computer, allowing Isbank’s 800 branches to use Anadolu Sigorta’s programs for collections and policy production. All Isbank branches had immediate access to the files and were equipped to make and record collections.

Anadolu Sigorta had approximately 300 employees and 500 agents at this time. With Isbank’s branches, there were almost 4,000 users of the project. This was indeed a technological revolution; in fact, this technological advance was publicised in television ads.

The first items the new system produced were reinsurance procedures and intensive products. Adapting the accounting procedures to the new system was completed toward the last quarter of 1997, and on-line, real-time applications were developed for the collections process. The first of these was a mail-order system, followed by collection via credit cards, blocked credit cards through a virtual POS system, and virtual POS systems applications. It was thus now possible to pay indemnities and cash premiums through banks. Another innovation of this time was the project designed for contracted service stations. This project, still in use today, was embedded in the system and consisted of the organisational and technical arrangements to have damaged cars repaired by contracted service stations. In the same vein, mobile devices were sent to assess the loss after the earthquakes in Erzincan in 1992 and in Düzce and the Marmara region in 1999. All the sales channels were operating on-line and in real-time by the start of 2003. Another aim of this transition to such technology was to reduce the amount of paper consumed in the business processes.

Keeping up with the latest developments in technology, Anadolu Sigorta began work on a web-based system, called SWIP (System Web Integration Project), to customise the applications
developed for the AS/400 system to be completely compatible in a web environment. The first web-based products were the traffic insurance policies of February 2008 and the motor insurance policies of July 2008. A short time later, twelve products were transferred from the AS/400 system to the web environment.

Isbank’s collaboration with Anadolu Sigorta helped achieve rapid results. The work stations in Isbank branches had instant access to all the data in Anadolu Sigorta’s main computer. Burhan Karagöz, Isbank’s Chairman of the Board, called the system “a very important step, a reform”.

**GÜNAY ANADOLU SİGORTA - AZERBAIJAN**

Azerbaijan had gained its independence, was abandoning its socialist system, and was taking the first steps to establish an insurance industry. Through Isbank’s Foreign Affairs Department, Anadolu Sigorta contacted Mahmud Mamedov, who was looking for a Turkish partner to establish an insurance company. Following initial negotiations, Şahap Tezer, an Anadolu Sigorta manager, and Zeki Demirci studied the country’s market for one week.

Within the framework of a pre-contract signed in July 1922, a partnership agreement complying with Azerbaijani legislation and a constitution were drawn up and then signed at Anadolu Sigorta’s head office on 12 August 1992. The company was called Günay Anadolu Sigorta J.V., and its capital was $200,000. Anadolu Sigorta owned 30% of the capital, and two of Mahmud Mamedov’s companies owned 70%. Mahmud Mamedov was Chairman of the Board, and Anadolu Sigorta was to appoint the general manager.

The establishment procedure was completed in September 1992, and the first general shareholders and board of directors meetings were held in Baku in October 1992. The company’s capital was increased 100% to $400,000 in 1995, and the company had three owners by May 1997: Günay Bank (Baku), Anba Internasyonel Ticaret (İstanbul) and Anadolu Sigorta. Their shares were 51%, 19% and 30% respectively. Anba Company, a Turkish company established in the early ’90s, was owned by MNM Holding Company.

According to the Partnership Agreement signed in the establishment phase, three of the five board members, including the chairman, were from MNM Holding, and two members including the vice chairman were from Anadolu Sigorta. Anadolu Sigorta approved appointment of the company’s general manager, and this was done by retired Anadolu Sigorta managers.

Mahmud Mamedov was Chairman of the Board, and Anadolu Sigorta was represented on the board by Hamdi Sankaya, Reinsurance/Fire Department Manager. The other two members were Alovset Gocayev, General Manager of Günay Bank, and İlham Emiras lanov, General Manager of Günay Newspaper.
Milyarlık yatırımlarımıza gerçek garanti:

Anadolu Sigorta
Elektronik Cihaz Sigortası

Günümüz yaşamın her anında kullanılan elektrikli birçoğundan, en gelişmiş elektronik bitki işlem u nit ve sistemlerine kadar her türlü amaç yönelli olarak:

Tip-Bitiş İşlem- Telekomünikasyon - Film, Video, Kâle-Heis'in ve diğer alanlarda
(Konutlardaki cihazlar hariç) kullanılan elektronik cihazların am ve beklenmedik her türlü hasarın, onarım ve yenilenmesini gerektiren harcarların Anadolu Sigorta, güvenece alma alıyor.

Milyarlık yatırımlarında cihazınızı sigorta yoksa, yapılan yanıım eksik ve tehlikede olur. Geç kalmadan siz de elektronik cihazınızı tüm risklere karşı güvenece alın, cihazınız “garantisiz” kalsın.

Anadolu Sigorta Şubeeri ile Acemişleriniz.
Gezi Müşteri-Elekttronik Cihaz Sigortası Müşteri,
size bu çağdaş hızlı hizmeti sunmakta kзвук duruyoruz.
Three employees from Mahmud Mamedov’s old insurance company were transferred to Günay Anadolu Sigorta and received one month’s training in Istanbul during the establishment phase. To run the company’s accounting and financial operations, Mehrali Hasanov, an auditor in Azerbaijan’s Ministry of Finance transferred to Günay Anadolu Sigorta, was appointed Chief Accountant. Following one month of training in Anadolu Sigorta’s Claims Department in Istanbul in 1995, he was also assigned the responsibility for claims transactions.

Anadolu Sigorta appointed the company’s general managers from 1992 to 1997. In chronological order, these were Hatusil Bilgi, Faruk İdikut (Technical Manager) and Derya İlter. In the same time period, the company hired approximately 15 employees who worked for one to three years and then quit. Among these, Rafael Kerimov and Emin Aslanov, with their full training, were serious losses for the company. Emin Aslanov was transferred to Ateşgah, a company founded by Russian petroleum company Lukoil.

The company’s premiums income was $630,787 for 1992 to 1997, of which 90% was transferred to reinsurers and 10% was held as a retention share. For the same period, the company’s technical profit was $138,036.77 and the accounting loss was $256,559. Of this loss, $233,934 was repair...
expenses on a building rented from the Azerbaijani state for the purpose of purchasing it, in accordance with privatisation legislation.

There were 52 companies operating in Azerbaijan’s insurance market in May 1997, but fewer than 10 were active and five of these had foreign capital. These companies were Günay Anadolu (Turkey: $400,000), Başak-İnam (Turkey: $249,218), Caspian Insurance (England: $247,218), CI Insurance (Dubai: $127,317) and Ateşgah (Russia: $247,218). Additionally, Sedgwick, C.E. Heath and Gibbs Hartley Cooper, all international insurance and reinsurance brokers, were in the market through their local representatives.

Günay Anadolu Sigorta held a notable position in the Azerbaijani market. The company’s premiums revenue was third overall in 1996, and its market share was 4%. Anadolu Sigorta met all of Güney Anadolu’s reinsurance needs in 1993 and 1994. Destek Reinsurance and Milli Re were added to the reinsurance agreements for fire and engineering insurance in 1995. Except for motor vehicle insurance, the policies Günay Anadolu produced were included in Anadolu Sigorta’s coverage from 1 January 1996 on.

At the Board of Directors meeting in February 2001, Mahmud Mamedov, the owner of MNM Holding, resigned as Chairman of the Board, the number of board members was increased to seven - three of them from Anadolu Sigorta - and Ahmet Yavuz, General manager of Anadolu Sigorta, was appointed Chairman of the Board. The other two Anadolu Sigorta members were Şahap Tezer and Hamdi Sarıkaya. Elöset Gocayev was appointed acting General Manager, replacing the Turkish general manager who had resigned after two and half years in the position.

There were 49 insurance companies operating in Azerbaijan in 2000, and premiums production was over $17 million, of which 64% belonged to the four state-owned companies. Günay Anadolu’s 5% market share was the sixth largest, but the company ranked higher according to number of policies, quality of service, and reliability.

In Azerbaijan’s insurance industry, which was still in its infancy, Günay Anadolu Sigorta, bolstered by the name of Anadolu Sigorta, was considered an honourable corporation by Turkish companies, some foreign companies, and especially foreign embassies and consulates.

Anadolu Sigorta has no relationship with the Günay Anadolu Sigorta Company today.

**ANADOLU ASSISTANCE**

The Anadolu Assistance launched in the summer of 1998 consisted of four main categories: motor vehicle coverage, personal coverage, luggage coverage, and motor vehicle-related legal help coverage. These were designed to provide the insured with the quickest, easiest and most comprehensive service in the event of accidents or of being stranded on the road. The
services were offered as part of motor vehicle insurance policies and were available to the insured throughout Turkey seven days a week, 24 hours a day.

The motor vehicle coverage was for accidents or vehicle breakdowns. It covered expenses resulting from electrical or mechanical faults immobilising the vehicle, road accidents, loss, damage or destruction. It also covered the towing or rescue of the vehicle, and accommodation, if the incident occurred more than 25 km from the insured's residence. The coverage was valid for three days, including the day of the incident, if the vehicle could not be repaired the same day. All expenses for returning to the insured’s residence were covered; alternatively, all expenses for continuing the journey were met – if these were not higher than the expenses for returning to the residence. If the accident or breakdown occurred more than 25 km from the insured’s residence and repair time exceeded 48 hours, rental car expenses were also covered.

The personal coverage was for transportation in event of illness or injury. The ill or injured insured was transferred by ambulance, or other transport vehicle approved by the attendant or company doctor, to an appropriate health centre, from one hospital to another, or to the insured’s residence.

The luggage coverage applied to the finding of lost luggage and personal effects, and their delivery to the insured. If the luggage could not be delivered within 24 hours, the insured received monetary aid.

Last, the legal help coverage applied when the insured’s vehicle was in an accident, and it benefited the insured or the driver whose name appeared on the policy. It covered the driver’s defence expenses for legal prosecution resulting from an accident, the court expenses, and the bail requested by the claimant. It also covered bail for the release of the driver in lawsuits resulting from accidents. However, the bail amounts were considered loans to the insured.

MOVING TO THE NEW HEAD OFFICE

Anadolu Sigorta had been operating in the Anadolu Sigorta Building in Galata, Istanbul for over 50 years, and many departments had had to move out during this time. In the ‘90s, Isbank decided to move its headquarters to Istanbul and started construction of a building in the Dördüncü Levent district. Isbank wanted to gather its subsidiaries under the same roof and thus set up a more efficient structure. This meant that Anadolu Sigorta would also move to the new building.

At a meeting on 12 November 1999, the Board of Directors decided to rent a section of Isbank’s Head Office; the rent would be agreed on with Isbank officials. The most appropriate section for the company’s new headquarters was floors 21 to 26 of the complex’s Tower-2, and the company was going to get two shops on the shopping centre’s ground floor. The shopping centre, however, was Isbank’s storefront in their new head office complex, and a subsequent decision by İş Real Estate Investment Trust Co. saw the shops reserved for Anadolu Sigorta’s customer services go instead to Şişe Cam Group to set up a Paşabahçe Glassworks retail store.
Finishing and decorating of the new Head Office offices was estimated to cost $3 million. Moving from the Anadolu Sigorta Building would cost an additional $600,000. Based on studies and experts’ assessments of the Anadolu Sigorta building, it was decided that the building could be sold for $8 million or be rented at $13.00 per square metre.

The move to the new Head Office took almost one and a half years, and was completed on 18 February 2001. The next day, 19 February 2001, Anadolu Sigorta started its operations at Büyükdere Street, İş Towers, Tower 2, Floors 21-26, Levent/Istanbul.

There were many benefits in having most of Isbank’s subsidiaries at the same address, the İş Towers. Shared use of the customer database was a very important advantage. Working under the same roof and using the same network would surely create more synergy than when Isbank was physically removed from its own departments and its subsidiaries.

The insurance contracts for İş Towers were being finalised in 2001. The First Tower was insured for $163 million, and the Second and Third Towers were insured for $120 million. These amounts exceeded Anadolu Sigorta’s limits, so the company collaborated with other insurance companies to share the contract: Anadolu Sigorta had 67%, Güneş Insurance 18%, and Koç Allianz Insurance 15%.
INSURANCE PORTFOLIO EVALUATION STRATEGY

After Anadolu Life Insurance Company’s public offering, Anadolu Sigorta had to design a new strategy to classify and evaluate its portfolio of shares and equity participations. A provision in the Uniform Accounting Plan Prospectus, backed by the Supervision of Insurance Law, obliged companies to revalue their stocks and equity participations, and to establish provisional reserves against depreciation. On the other hand, the Capital Market Communiqué of the Capital Market Law stated that publicly traded companies were allowed to divide their stocks portfolios into two categories: general stocks and partnerships’ stocks. The revaluation process for the latter was arbitrary, and if they were revaluated, the value increases could be accumulated in the Revaluation Fund Account under the balance sheet debits and considered part of the equity. Up to now, the ratio of Anadolu Sigorta stocks within its assets was low. The revaluation was done in compliance with insurance legislation, and increases in value were included in the profit account and then transferred to capital.

According to the Capital Market Law, if a revaluation was performed, this amount should not be added to the capital; addition to the capital was possible only after the sale of the revaluated stock. Anadolu Life Insurance owned stocks with a total selling price of TL 55 trillion, and the Capital Market legislation allowed the company to book this amount in assets, and in debits in the Revaluation Fund account. To protect Anadolu Sigorta’s equity from large fluctuations, it was necessary to adjust the balance sheet entry of the partnerships’ stocks when their market values increased, to book the stocks fallen below purchase price in the loss account, and to show all stocks, partnerships’ and general, with detailed footnotes.

For this purpose, the Board of Directors created a new category for the stocks and equity participations in the company’s portfolio at a meeting on 24
April 2000. From then on, all stock securities would be valued according to stock exchange prices, in compliance with the provisions of the Supervision of Insurance and Capital Market laws, and appreciation would be booked as revenue and depreciation as debit. The book values of Anadolu Sigorta’s partnerships’ shares as of 31 December 1999 were accepted as the cost values, and partnerships’ shares acquired after this date were booked at cost. No revaluation would be done if these shares’ market values surpassed the cost values. If the market values fell below the cost values, the difference would be booked as loss and entered in the Provision for Decreases in Value account. The entire partnerships’ shares portfolio would be shown in the balance sheet’s footnotes, with full details and market values in the required format.

OVERALL BALANCE TOWARD THE 21ST CENTURY

Anadolu Sigorta had insured Turkey’s major industrial corporations, buildings and projects since the beginning of the Republic: Türkiye Şişe ve Cam Fabrikaları [Bottle & Glass Works Factories], Ereğli Demir Çelik [Iron & Steel Works] sites, SEKA [Paper Works], Petkim [Petrochemicals], the Keban Dam, the Bosphorus Bridge, and many more. In this context, Anadolu Sigorta was ‘Turkey’s Insurance’.

Major losses showed Anadolu Sigorta’s strength and reliability. The 1936 and 1937 fires in the Üsküdar district, the Covered Bazaar fire of 1954 (when 1,394 shops burnt down), and the Atatürk Cultural Centre fire of 1970 were all successfully covered by Anadolu Sigorta.

Anadolu Sigorta was the country’s first computerised insurance company. Its accounting was automated in 1962 with an IBM 421 computer, and its card system was initiated in 1966 with the Univac 9200 system. The first data bank was set up in 1975 with an IBM System/3 computer. Turkey’s first on-line computer, an IBM System/38, was set up at the start of 1981 and enabled instant policy document preparation and accelerated all transactions and exchanges of information.

The insurance industry developed rapidly in the last quarter of the 20th century, and this development naturally made competition a problem. To fit in with the environment was one of Anadolu Sigorta’s priorities. Two new applications launched by the company were appreciated by the public and earned its trust. The first, launched in 1983, was the Blue Insurance package system, which covered the insured for seventeen different risks. The Insurance of the Future, introduced in 1984, was a comprehensive and advanced life insurance product adapted to Turkey’s conditions, and it garnered positive reactions from the industry and public both. With a 95%-profit-share capacity, it gained a wide customer base. The company launched the Electronics Equipment Insurance, a first in Turkey, in 1986. The Agricultural Insurance branch, with livestock and hail insurances, was added to

With the decision of the Board of Directors dated 10 March 1997, the capital of Anadolu Sigorta was increased from TL 1,500,000,000,000 to TL 3,000,000,000,000.
the portfolio in 1987. The life insurance branch, in compliance with legislation of 1991, was transferred to Anadolu Life Insurance Company, which was co-founded by Anadolu Sigorta and Isbank.

The country’s economic trend prompted Anadolu Sigorta to offer service in international markets, insuring the contracts of Turkish contracting and engineering firms in Kuwait, Saudi Arabia, and the United Arab Emirates. For better execution, Anadolu Sigorta reached partnership and representation agreements with Saudi Arabian insurance companies such as Saudi Pearl Ins. Co. Ltd. and Tragex International Trading and Agencies Co. Ltd.

The company initiated the ‘Legal Protection Insurance’ (considered a different insurance branch), conducted important studies in liability insurance such as professional liability and product liability, and facilitated their readiness for application in the insurance market.

The 1990s saw the transition from compulsory insurance tariff rates to autonomous rates. Competition in the insurance market was its fiercest ever when Anadolu Sigorta inaugurated a series of moves. In 1993, it became the first Turkish insurance company to establish an insurance company abroad. Azerbaijan’s Günay Anadolu Sigorta owed its growth in both capital and technical know-how to Anadolu Sigorta.
In the same year, Anadolu Sigorta confirmed its market leadership by becoming the first company to reach premiums production of TL 1 trillion. The company achieved another national first in 1993, when its shares were quoted on the Istanbul Stock Exchange. Anadolu Sigorta launched its ‘reconfiguration’ project in 1997 to maximise the benefits of information processing technologies. Aiming to connect all agents to an on-line, real-time, central data processing system and thus provide instant service to customers, this project confirmed the company’s conviction that competition in providing services was as important as competition in prices.

After the 17 August 1999 Marmara earthquake, the losses of the insured had to be compensated as quickly as possible, and Anadolu Sigorta’s employees and agents worked 24 hours a day. With its strong finances and the effective and devoted efforts of its claim assessment teams, the company managed to pay the indemnities of the insured a short time after this catastrophe.

In 2001, the Anadolu Sigorta Head Office moved to its new address in Tower 2 of the İş Towers, a contemporary working environment. An additional benefit of the new address was its proximity to Isbank and its subsidiaries. The company undertook a major reorganisation in 2002, establishing three regional branches in Istanbul and transferring all operational work to these branches.

2004 was a year of advances for Anadolu Sigorta. It acquired the ISO 9001:2000 Quality Management System Certificate, an endorsement that its quality management system was of international standards. Selected as ‘the insurance company with the most satisfactory products and services’, Anadolu Sigorta received the Active Academy Private Customer Satisfaction Award in Insurance. Complying with legislation, the company expanded its services by taking over the health branch from Anadolu Life Pension Company, and then launched the ‘Anadolu Service and Claims Line’ to serve all of Turkey 24/7.

Anadolu Sigorta was the industry leader in premiums production in 2002, 2003, 2004 and 2005. The company again received the Active Academy Private Customer Satisfaction Award in Insurance as ‘the insurance company with the most satisfactory products and services’ in 2005.

Anadolu Sigorta maintained its first ranking in both reserves and business volume. The company had protected both the public and private sectors’ values and assets since its foundation, and contributed to keeping insurance premiums in the country’s economy.

Anadolu Sigorta played the leading role in the insurance industry’s development - leadership resulting from its continuous self-renewal as a modern insurance company with contemporary standards. The company sent some of its employees on internships in major insurance companies in Europe every year, thus increasing its work force’s knowledge and experience and deepening its professional culture.
ANADOLU SİGORTA IN THE 21ST CENTURY

Anadolu Sigorta net profits for 2000 were TL 21 trillion. Total premiums production was TL 60.6 trillion in 1999, and this grew 100.5% to TL 121.6 trillion in 2000. This growth in premiums production, in the midst of 39% inflation, was a major achievement. The company’s technical profits were TL 7.3 trillion in 1999, and grew 185.3% to TL 20.9 trillion in 2000. Its technical profitability ratio increased from 12.1% to 17.2%. General expenses were TL 9.3 trillion in 1999 and increased 69.9% to TL 15.8 trillion in 2000, and financial revenues increased from TL 36.3 trillion to TL 28.8 trillion in the same years. The TL 29.1 trillion in gross profits in 1999 increased 5% to TL 33.7 trillion in 2000. Net profits grew 23.4% between 1999 and 2000, increasing from TL 16.9 trillion to TL 21 trillion. The company reserved TL 2.1 trillion as free provisions, and its total reserves reached TL 25.7 trillion. The most favourable improvement on the balance sheet was the 111.6% growth in equity. With its profits, the company’s equity value was approximately $80 million.

Another development in the total premiums production in 2000 was the increase in the share of Isbank. Despite the increase in retention rates for indemnity payments from 55% to 70%, there was a substantial fall in the indemnity/premiums ratio. The increase in the ratio of technical profits to revenues from 20% to 42% was a big success in technical profitability. Technical profits in the motor branch rose by 911.3%, resulting from greater demand in the automotive market, and thus more motor insurance policies, and from efficient risk management. Another positive figure on the balance sheet was the increase in the ratio of collections from agencies. The target for 2001 was increasing the company’s capital to TL 50 trillion.

The effects of the 2001 crisis were soon felt, however, and premiums production in 2001 fell below the inflation rate. Nonetheless, compared to the other companies, Anadolu Sigorta was in good shape. Meanwhile, there were some positive insurance business developments at Isbank, which added insurance to its other areas of expertise and assigned trained insurance specialists to large branches to engage solely in insurance. This benefited both Anadolu Sigorta and Isbank, which was able to increase its commissions obtained from insurance work.

DASK (TCIP) AND RESIDENTIAL INSURANCE

Compulsory earthquake insurance came into effect on 27 September 2000, reducing demand for residential insurance policies. Most new customers signing the compulsory earthquake insurance policies were content with DASK [TCIP: Turkish Catastrophe Insurance Pool] and did not request any optional residential insurance policies. Some existing customers simply signed with DASK and did not renew their residential insurance policies.

To raise both the number and the premiums of residential insurance policies to desired levels, the company needed to promote the products with active marketing and advertising strategies, and to train the agents about these products. Within the framework of cooperation between Anadolu Sigorta and Isbank, the company proposed that the Bank promote the products to its savings and credit card customers.
FOUR REGULATIONS

Four new regulations - Salvage, Electronic Communication, Proposal System, and Archives - were put into effect at Anadolu Sigorta on 1 February 2002.

The Salvage Regulation governed the assessment criteria of total loss vehicles and goods. If a claims appraiser certified that a vehicle insured by Anadolu Sigorta was a total loss, the insured chose one of two alternatives. The insured could either surrender the vehicle to Anadolu Sigorta and receive an indemnity equal to the vehicle’s value, or keep the vehicle and receive an indemnity up to a specified limit. Salvage management consisted of receiving offers from companies dealing with the sale of damaged cars, evaluating such offers, and selling the damaged vehicle.

The Electronic Communication Regulation determined the application principles of digital communication. The Proposal System Regulation specified the evaluation criteria for employees’ proposals concerning the Company’s operations and applications. Depending on the proposal’s size and quality, the employee received either a thank you letter or a monetary reward. The Proposal Evaluation Committee, meeting under the coordination of the Organisation Department, evaluated the
proposals and transferred them to the Human Resources Department, where the Personnel Unit decided on the type of award. If the monetary reward was more than the specified limit, the Board of Directors’ approval was needed. The inspiration for this regulation was a similar application at Isbank, which had been using the proposal system since 1996.

The Archives Regulation determined arrangement of the archival material and job descriptions in the archives. The old archives building in Istanbul’s Galata Kulesi district was vacated and the archives were moved to a rented building in the Seyrantepe district. Following creation of regional departments, the archives would be moved into a suitable building. Advanced archiving systems were also under consideration. Isbank had set up a digital archives group, and a two-year project to digitalise all past documents was under way. After that, all records would be stored digitally and only the required documents would be stored in the archives. This application set an example for Anadolu Sigorta.

RAISING THE REGISTERED CAPITAL CEILING

On 16 February 2000, the Capital Markets Board of Turkey approved raising Anadolu Sigorta’s registered capital ceiling from TL 30 trillion to TL 80 trillion. Anadolu Sigorta reached this ceiling in 2002, when it increased its issued capital from TL 50 trillion to TL 80 trillion.

On the other hand, foreign reinsurers’ risk acceptance rates, and thus Turkish insurance companies’ reinsurance costs, began to soar in 2000 because foreign reinsurers had underwritten a substantial part of the damages in the 1999 earthquakes. Moreover, the terrorist attacks in New York on 11 September 2001 made it difficult and costly for Turkish insurance companies to find reinsurance capacities. These two factors obliged insurance companies to keep higher retention rates for the risks they had underwritten, which, in turn, necessitated capital increases. The Board of Directors aimed to increase the company’s capital to $100 million.

Achieving this aim was necessary to be able to increase the retention share limits, to mitigate the effects of adverse domestic and global economic events, to reach a level of capital that would meet the growing demand for insurance, and to be able to make the required infrastructure investments. However, the registered capital ceiling was not sufficient for this target. In view of the capital requirements for 2003-2005, it seemed necessary to increase the registered capital ceiling to TL 200 trillion. It was also planned to increase the TL 80 trillion issued capital to 115 trillion in 2003, to 155 trillion in 2004, and to TL 200 trillion in 2005.
UPGRADING THE DATA PROCESSING SYSTEM

In 2003, the processing power and memory capacity of the company’s main computer, the AS/400, often failed to meet the increasing data processing demands and number of users. The demand for processing was especially intense during the first and last weeks of the months, when response times beyond acceptable limits caused customers to complain. These response delays meant the system was processing more jobs simultaneously and thus performing more slowly.

At the same time, technology was rapidly developing and there was demand for a transition to a web-based system. The company had started work on some web-based applications, which were easier on the eye and favoured by users. Screens with colourful windows and the use of a mouse instead of a keyboard called for the abandonment of so-called ‘green monitor’ technology and a move to web-based technology.

Developing web-based applications was easier than programming the AS/400. Because of the variety and density of the technology behind web-based applications, however, the company needed specialists in several fields, and began hiring them in 2004. In September of that year, the health branch was transferred in its entirety from Anadolu Life Pension Company and installed on
The AS/400. Today, some sections of the branch are web-based, and some are still run from the AS/400.

The system’s capacity was exceeded when the number of simultaneous users reached 1,500, but in these years the system had 2,500 recognised users (including additional users). The tariff rate changes to motor, residential and traffic insurance in 2003 increased the number of simultaneous users, and thus increased the backlog.

Analysis of the system’s specifications showed that the hard disks could be no more than 70% full if they were to function at high performance, but the disks as used were approximately 80% full. To solve this performance problem, additional storage capacity had to be purchased.

The move to web technologies led to a decrease in the system’s simultaneous workload. The hardware for the web technologies cost less, and to utilise this advantage, JAVA software had to be used with the existing programming software. This shift to hardware-independent JAVA would release the company from hardware dependency in the coming years and enable a reduction in costs. The increased number of users following the addition of the health branch in 2004 necessitated additional storage space and processing power.

The majority of the money allocated for the company’s computer and communication systems in 1999 had been spent on the central computer system, agency connectivity, and the intranet PC network in the previous years. The increased workload and expanded domestic network had made imperative the purchase of higher-performance central computer models, larger peripherals, and web-based software compatible with current conditions. Thus, in September 2003, General Management was authorised to make the necessary expenditures.

Isbank initiated the project of establishing high-technology environments at the beginning of the 1980s, and Anadolu Sigorta continued with the project at the beginning of the 1990s, especially the automation of business processes. Isbank supported Anadolu Sigorta in this endeavour.

Anadolu Sigorta, like the rest of the world, conducted a millennium technology project in 2000. Anxiety about software and hardware problems within the system during the transition to the year 2000 was global. The company successfully entered the 21st century without any problems or loss of data. A similar anxiety was felt in 2005-2006, during the deletion of six zeros from the Turkish currency, but that also passed without any problems.
Many of the company’s regulations were revised during the Board of Directors meeting of 16 December 2004. Put into effect were the Quality Handbook, the Discipline Regulation, the Human Resources Regulation, the Health Assistance Regulation, the Purchasing Regulation, and the Written Communication Regulation, all within the scope of the ISO 9001:2000 Quality Management System work that started in March 2004 was coordinated by the Organisation Department. The Travel Expenses and Proposal System regulations, previously approved by the Board, were revised. The Electronic Communication Regulation was annulled, as was the Supervisory Board Regulation - the Supervisory Board having been abolished.

The Discipline Regulation specified the principles, applications and legalities of disciplinary penalties for employees who violated the company’s rules and guidelines, and it covered all the company’s permanent employees. However, as there were specific provisions about discipline in the Collective Labour Agreement, staff who were labour union members were exempt from this regulation.

The Human Resources Regulation specified the methods and principles of human resources planning, recruiting, appointment, promotion, working conditions, qualifications, personal records, and other employee matters. The Health Assistance Regulation designated health, prosthetic, maternity and death benefits, in accordance with Anadolu Sigorta Employees’ Pension Fund Regulation, for company employees and their family dependants, retirees, and widowed and orphaned pensioners and their family dependants, in the event of work accidents and occupational illnesses, and in the event of other illnesses, accidents, disabilities, maternity and death.

The Purchasing Regulation laid out the principles and methods for the acquisition of goods and services for the Head Office, regional branches and, when deemed appropriate by the company, agencies; from domestic and foreign markets; and in terms of efficiency and profitability, with favourable terms according to quantity, quality, and specifications. The Written Communication Regulation stipulated the forms and standards of the company’s written and electronic communication in terms of compliance with its corporate identity and the proper representation of the company and its units.

The Travel Expenses Regulation specified the rules governing employees’ domestic and foreign trips for business, training, transfers, assignments, and treatments. The Proposal System Regulation spelled out the modus operandi of the company’s ‘Proposal System’, in which employees’ proposals about the company’s operations and practices were evaluated, and then put into practise and rewarded if approved. The proposals had to be innovative: finding new service opportunities for the company, designing new products or applications, promoting corporate image or identity, providing better or higher-quality customer service, designing procedures for more effective or efficient resource utilisation, finding methods to execute operations faster or with less cost or effort, improving the working environment or conditions, increasing employee motivation or job satisfaction, protecting the life or property of employees or customers, or protecting the environment.
EVALUATION REPORT FOR 2005

There were important developments in Turkey’s economy after 2002. The inflation rate, above 30% since 1982, had fallen to 29.78% by the end of 2002; over the next two years, it became single-digit for the first time in 35 years. The consumer price index, 37.1% in September 2002, dropped to 8% in September 2005. The economy, having shrunk after the 2001 crisis, grew steadily: real growth from 2002 to 2005 was 27.9%, the highest quadrennial growth rate since 1953.
This recent stability led to substantial decreases in the nominal and real interest rates. The nominal interest rate of 62.2% in September 2002 fell to 14.8% by September 2005. Fiscal discipline reduced the budget deficit from 40.2 billion New Turkish liras (YTL) in 2003 to YTL 30.3 billion in 2004. The 2005 budget deficit was forecasted at YTL 14.6 billion. Despite these positive developments, the problems of the current deficit, unrecorded economy, and unemployment still affected the economy.

These developments benefitted all sectors, including insurance. To understand the potential level and nature of the effects that Turkey’s pending full membership in the European Union might have on Anadolu Sigorta, the Treasury and Foreign Trade Undersecretariat requested, through the Association of the Insurance and Reinsurance Companies of Turkey, an evaluation study from the company’s Internal Control Department.

The Evaluation Report had four main headings - the insurance industry in general, branches, distribution channels, and conclusions - and their respective subheadings. Tables and graphics, from the company’s records and from the Association’s annual activity reports, aided comparison and comprehensibility. This report also qualified as an evaluation of Anadolu Sigorta’s performance over 80 years.

As the insurance industry’s function is marketing security, the most important issue was the companies’ fulfilment of their commitments and responsibilities toward the insured, completely and punctually. Along with increasing the quality of service and enhancing the public’s confidence in the industry, the prerequisites of this were a strong financial structure and sufficient equity. As interest rates fell because of the anti-inflation strategies and as expectations of risk in the economy fell, so did financial profitability. Although it was still possible to earn interest at rates higher than inflation through investment instruments, the era of earning interest, in real terms, at rates substantially higher than inflation was over. A consequence of this was the expectation that capital owners would tend to invest in areas of higher returns, and this was expected to contribute to economic growth and an increase in insurable assets.

Competition in insurance should centre on services and the quality of service, not on prices. In Turkey, however, due to the pressures of consumption, competition was mainly, even solely, about prices. This approach, of course, brought adverse results to all insurance companies. They offered high premiums discounts simply to add new customers to their portfolios, and ignored technical profitability. Such practises, which had companies losing money even as they drew up the policy, had to end and this extreme competition had to be eliminated for the protection of the companies’ financial strength. In a free market, it was essential that prices be set by considering costs. In view of their diminishing returns and in order to generate profits, companies had to reduce their costs and/or review their current prices in the health branch, and especially in the motor branch, which was the leading premiums productions branch.

In branches like fire and machine installation, price reductions made to procure jobs caused reinsurers to refuse such jobs, thus forcing the companies to assume the entire risk without sufficient reinsurance. In the event of losses, the adverse effects on these companies would be
magnified and the results could be disastrous. As well, companies quoting prices below the minimums in shared treaties had to pay the difference to the reinsurer and thus reduced their technical profits. Such competition for higher gross profits could be fatal for companies with mediocre finances.

With the start of the European Union accession process, insurance companies had to update their strategies and reach positions that would allow them to compete, in the medium and long term, with EU insurance companies. Because the real competition would start once Turkey joined the EU, it was necessary to optimise the insurance industry’s financial strength now. Turkey’s full membership in the EU, with its single-license practice, would enable the other EU members’ insurance companies to open branches and operate freely in Turkey, without obtaining a license from the Treasury Undersecretariat. The Turkish insurance industry could withstand this foreign competition only to the extent that it was strong. Thus, for the financial power needed to cope with the coming competition and to be less dependent on foreign reinsurance markets, building equity was a must.

Turkey needed a financially strong insurance industry. The companies had to focus on equity, premiums production, technical and accounting profits, and the size of their assets. They had to emphasise their technical profitability and be more rational in their pricing and risk-taking; they had to focus on rational competition and service quality instead of unbridled price competition. By improving services such as the right premiums necessary to cover the insured’s
risks and the prompt payment of indemnities, the companies would help raise insurance awareness and be able to meet the new demands for insurance, and thus increase the number of their contracts. The companies needed stronger financial structures to maintain this progress. Although it might seem that such efforts would benefit only the companies, an insurance industry with strong finances would also benefit the consumer in particular and the country’s economy in general.

Establishing a new provisional reserve, ‘the free retention share provision’, as a precautionary measure would help protect and strengthen the insurance companies’ financial structures. The companies had to improve their (financial) sufficiency ratios in order to minimise the risk of failing to fulfil their financial commitments to the insured.

The best route was for the companies to stop working with their premiums-weighted focus, to implement proper pricing in accordance with the specifications of the risks they offered to cover, and to refrain from decisions that would cause substantial decreases in their technical revenues. An important step on this road was using, profitability, along with premiums production, as an important criterion to rank companies. Although the long payment terms and additional commissions paid to intermediaries can be viewed as internal decisions they made within their financial frameworks, the companies generally engaged in these practises for competitive purposes. These types of actions also had to be seen as part of the rationale for price competition.

In view of recent developments in economic conditions and the EU membership process, the bulk of the responsibility for the industry’s adapting to these conditions and this process rested with the industry’s regulatory authorities and the insurance companies themselves.

THE TURKISH INSURANCE INDUSTRY IN THE 21STCENTURY

The global economy in 2004 showed its best performance in 25 years, growing 5%. This positive development affected the global insurance industry, where premiums production grew 6% in the primary insurance branches. Similar growth was seen in the motor vehicle branch. Globally, motor insurance was generally the most important of the primary branches. A telling indication of the widespread insurance awareness in developed countries, the number of uninsured vehicles in these countries was much lower than in Turkey. Comparing the European and Turkish insurance industries by product diversity, insurance techniques, or indemnity payments, it could be deduced that Turkey’s industry was not inferior to Europe’s. Personal insurance contracts, however, were much more widespread in Europe. The annual average per capita premiums production in Europe was $1,230 in 2003; in Turkey it was only $47. Europe’s average per capita premiums production increased to $1,427.9 in 2004. Turkey’s increased to $67.7, due to real growth in premiums production and a low foreign currency exchange rate.

This growth in premiums production from 2003 to 2004 was quite rapid, considering that per capita premiums production was $40 in 2000 and then $25 immediately following the 2001 crisis. Nonetheless, this growth of $20 to $67.7, still a double-digit average, was far below what
it ought to have been. The global average per capita premiums production was $511.5. With Turkey’s share of the world’s production at 0.14%, it can be seen that the ratio of the insured was much lower.

In Turkey, the motor vehicle insurance contracts’ share was 25%, and the residential insurance contracts’ share was 15 to 16%. In the EU and USA, however, the residential insurance contracts’ share was over 60%. The main reason for such low insurance awareness in Turkey, in spite of the country’s catastrophes and earthquakes, was the public’s fatalism. As well, the lack of interest in insurance resulting from ignorance and the relatively small portion of income allocated to personal insurance resulting from economic instability both restricted the industry’s growth.

The most striking differences between the European and Turkish insurance industries were in the companies’ sizes and equity. As the insurance industry’s function is marketing security, the most important issue is the companies’ fulfilment of their commitments and responsibilities towards the insured, completely and punctually. Along with increasing the quality of service and enhancing the public’s confidence in the industry, the prerequisites of this are a strong financial structure and sufficient equity. Strong equity is very important in enabling companies to retain a larger share of their premiums and, to some extent, to customise their reinsurance strategies in line with their requirements. These abilities would give companies the capacity to cope better with the international competition that was now a real possibility with the EU membership process.

A NEW UNDERSTANDING AT ANADOLU SİGORTA

The Turkish insurance industry at the beginning of 21st century was in a vicious circle caused by wild price competition, and the industry had not grown to anywhere near its potential. Insurance companies obsessed over price and payment terms instead of competing for market share with high premiums production and service. The industry had lost substantial premiums and profits as the result of non-technical pricing done to secure high rankings in premiums production. Erroneously called ‘competition’, this meant targeting other companies’ existing customers, and not expanding the market by acquiring new customers.

Despite leading in total premiums production and generating technical profits during early 2000s, Anadolu Sigorta was adversely affected by the extremely fierce price competition, especially in the motor and health branches. This was shown in the decrease in technical profits in the company’s financial statements. The company tried to increase its tariff prices to compensate for this, but price competition rendered this solution ineffectual. However, the company achieved better results by developing projects to reduce the costs of losses and their application. Although there was also price competition in the fire, machine installation and transportation branches, it was not as intense as in the motor and health branches. In these latter branches, technical pricing and risk analysis allowed the company to maintain its position in these three branches. The company’s relations with its intermediaries were also unstable because other companies were extending their collection terms and increasing their commission rates.
From market research done in 2005 on its customer base, the Turkish insurance industry discovered that almost three-quarters of its existing and potential customers had assessed it as unsafe and unreliable. The remaining quarter stated that the main reason for this image of unreliability was the industry’s failure to keep its promises. Other reasons included negative perceptions of the industry, and indemnities not paid on time. To regain consumer confidence, the industry had to maximise customer satisfaction from the moment a policy was drawn up to the moment an indemnity was paid. Marketing designed to do this had to be based on competition in service quality, not prices.

Anadolu Sigorta was conscious of its responsibility in the industry. The company was maintaining its respectable standing in the intensely competitive market by continuing to focus on premiums production, profitability, and service concepts. Anadolu Sigorta’s strong finances and reliable corporate image held it firm in the market.

Anadolu Sigorta ranked first in premiums production in non-life branches in 2003 and 2004. It ranked third in indemnity payments in 2003 and second in 2004. The company’s loss/premium ratio was lower than the industry average in these years, and this ratio was lower than that of the top ten premiums-producing companies as of 31 December 2004. Although the company had always ranked high in indemnity payments, its loss/premium ratio did not parallel this growth. In short, its growth in premiums production was higher than its growth in indemnity payments. Comparing Anadolu Sigorta’s premiums production, loss/premium ratio, and total indemnities paid with the other companies operating in non-life branches, it was clear that the company had the best portfolio composition.
DEVELOPMENTS IN BRANCHES: MOTOR

Motor branch production accounted for more than half the total insurance industry production in Turkey in the early years of the 21st century. The motor branch’s share of total premiums production was 60% in 2003 and 61.1% in 2004. One reason for the motor branch’s steady growth between 2002 and 2004 was the substantial growth in automotive sales. With this postponed demand surfacing, especially after May 2003, all the insurance companies had a very good year in motor insurance. The rapid fall in inflation, currency exchange rate stability, low-interest consumer loans, discounts on the purchase of new vehicles (due to the scrapping of the bonus application), and the remittance of transaction taxes on second-hand vehicles all served to boost vehicle sales. According to a statement by the Association of Automotive Distributors, 2004 saw a 92% increase in automotive sales over 2003 and was a record year for automobile and light commercial vehicle sales. The 691,226 units sold in 2004 easily topped the 620,237 units sold in 2000, the former record year.

Premiums production in the motor branch, driven by increased insurance awareness and record automotive sales, grew faster and had a higher share of total premiums production than the other branches in 2004. However, relentless price competition prevented this dramatic growth of new customers and premiums production in 2003 and 2004 from being fully advantageous. This real growth had not contributed to the companies’ profits or equity. Company officials pointed out in trade magazines that price competition, very intense in 2003 and more so in 2004, adversely affected all insurance companies. There were serious problems in making the premiums received cover indemnities paid on motor insurance policies, and these problems continued for years.

The motor branch’s frequency of loss and share of indemnity payments were much higher than the other branches’. The costs of losses steadily increased as the automotive industry raised the prices of spare parts at rates higher than inflation.

The loss/premium ratio fell over the years because the premiums production increase was larger than the indemnity payments increase. Anadolu Sigorta initiated a series of project applications that reduced the cost of motor insurance losses, which constituted 95% of the motor branch’s losses.

The most important of these projects was the systematic monitoring of automotive industry’s spare parts that were used to replace damaged parts. Spare parts prices, which had been standardised country-wide, could be checked through the system. Another project that aimed to reduce the costs of the price increases in automotive spare parts was a parts procurement application. The pilot application started in Istanbul on 25 May 2005. Within the framework of the company’s agreements with the leading distributors of brands constituting the major part of the company’s portfolio, parts that the appraiser approved for replacement were purchased at discounted prices. Due to block exemption, however, this spare parts procurement project initially could be applied only at private service stations and repair shops, and not at authorised service stations. The third project to reduce the costs of loss was the ‘mini-repair service’ application. Insured vehicles with minor claim such as scratches, scrapes or small dents were
repaired under this system. As well as reducing the costs of loss, this service increased customer satisfaction by repairing the customer’s vehicle without extra premiums or affecting the insured’s right to no-claims discount.

Misappropriation was an important problem in the motor branch, and the company’s appraisers and professional appraisal companies conducted inspections to minimise it. Additionally, the company hired ‘claim inspection personnel’ in 2005, and their visits to service stations and repair shops achieved tighter control over both routine and suspicious claims.

Study of data related to motor liability insurance revealed a potential danger inherent in the branch. There was extended motor liability coverage in both the motor liability branch’s traffic insurance policies and comprehensive motor insurance policies. Indemnity payments in the motor liability branch were the third highest, after the motor and life branches. As the growth in indemnities paid for motor liability exceeded the growth in premiums production
over the years, the branch’s share of total indemnity payments grew and the loss/premium
ratio consequently increased. Most of the indemnities paid were below the coverage limits for
accidents and for vehicles. The big indemnity payments were generally made on death coverage.

The Treasury Undersecretariat was preparing tariff rates for the motor liability insurance
branch. Further, the Traffic Insurance Information Centre came into effect on 1 June 2004,
ending the industry-wide confusion and neglect of traffic insurance policies, and solving
the problem of premium differences arising from the absence of intercompany access to past
insurance data. Legal protection coverage was also added to the motorways comprehensive
motor insurance policies. There were few such claims or indemnity payments, however, as the
insured were not well-informed.

Meanwhile, the transition to a
partially-free tariff rates system
was in progress. The Regulation
on Amendments to the Tariff
Applications in Compulsory
Motorways Motor Vehicle Third Party Liability Insurance Regulation was published in the
Official Gazette of 6 February 2008. This regulation allowed companies, as of 1 July 2008,
to freely determine premium amounts according to three criteria: the type of vehicle, whether
the insured was being a natural person or a legal entity, and the city the vehicle was in. The
companies could determine discounts or mark-ups within the limits set by the Undersecretariat.

As well, Anadolu Sigorta introduced unlimited liability insurance (IMM), an industry first. The
Extended Liability Insurance provided unlimited indemnity on the coverage and full coverage of
any claim the insured’s vehicle did to third parties and their property.

**THE TECHNICAL PROFIT/LOSS PROBLEM IN THE MOTOR INSURANCE**

The government’s intervention in the automotive industry in 2005 - restricting sales of
imported cars, revoking the scrapping bonus practise, and increasing the Special Consumption
Tax - caused a lull in car sales, especially new cars, and this naturally caused motor insurance
premiums production to fall below 2004’s figures. The picture was made even more sombre by
no increase in the coverage amounts in 2005, and especially by decreases in the coverage values
for some brand and models, the no-claims bonus practise, and the losses paid in 2005 for
policies whose premiums belonged to fiscal year 2004. Some companies dropped their prices to
be more competitive, and thus reduced their profitability ratio relative to 2004.

Competition in motor insurance became more intense with the decrease in new car sales.
However, because this competition centred mainly on price and because the branch’s technical
profitability was already low, it was apparent that companies would have difficulties. They had
to draw new model cars into their portfolios, especially those not yet insured, by improving and
diversifying their products and enhancing their service quality, and not by cutting prices.
The technical profitability of the third party liability portfolio in motor branch began to fall on 1 January 2005. This was a result of the automatic increase in the scope of coverage for compulsory liability insurance policies, which were 82% of the branch’s policies, and the companies’ lack of recourse to demand additional premiums for these policies. In fact, the companies were deprived of additional premiums revenues in 2005 when the value of traffic insurance policy coverage increased 25% while premiums increased a meagre 6 to 7%, and the practise of receiving additional premiums for differences was abolished. Some companies were booking technical losses for the traffic branch because they paid losses in 2005 for policies which were still valid but which had been drawn up in 2004 and whose premiums had been collected and booked in 2004. With all of these problems, it was urgent that the new procedure for traffic insurance policies be repealed, and a regulation be prepared that kept allowed indemnities payments within the limits of the collected premiums.

The tariff rates approved by the company’s top management were being applied to the motor branch’s other products, and the company established active control over the system in order to be able to draw up policies with these tariff rates. A progressive system of authorisation was utilised: from the General Manager, to the regional managers, and then to agencies. In the fiercely competitive environment, the top management determined the discounts the agencies could give, and these were valid for all channels of production.

Motor vehicle insurance, the industry’s leading branch, was a critical product affecting the makeup of the companies’ portfolios and profitability. Anadolu Sigorta aimed to earn technical profits in this extremely competitive branch by maintaining an income/expenditure balance through competition using rational concessions in tariff prices and by reducing the costs of loss.

**DEVELOPMENTS IN BRANCHES: FIRE**

Analysis of industry data revealed that the second highest premiums production branch, after the motor branch, was the fire branch. Its premiums produced 20% of the industry’s total in 2004, the year almost all health insurance was transferred to companies operating in the primary branches.

National revenue grew 5.9% in fixed prices in 2003, and all industries grew at an even higher rate, except the agricultural, construction and financial industries. Many industries grew rapidly following the 2001 economic crisis, and this led to high growth rates in the fire branch’s premiums production in 2003 and 2004.

Anadolu Sigorta ranked first in the fire branch in 2003 and 2004. The company had two basic categories for fire insurance risks – commercial/industrial and civilian – and wanted to create a pool that would both effectively identify the ‘insurance risk profile’ and ‘enterprise risk profile’ criteria by specifying the service requirements for both categories, and develop a product range that had proper prices and coverage terms. Such a pool would minimise the negative effects
of price competition on technical profitability and would facilitate the spread of the ‘service’ approach, which the company had always emphasised and was the key prerequisite to raising the public’s insurance awareness.

Commercial/industrial risks had relatively high insurance fees and constituted the majority of the company’s premiums volume in its fire insurance portfolio. With its aim to promote insurance awareness through a differentiated service approach, Anadolu Sigorta was developing effective marketing strategies targeting small and medium-sized enterprises (SME), and the share of ‘low risk profile’ sites in its general portfolio was thus rising. This aim was important for optimising the company’s ‘enterprise risk profile’.

On the other hand, the company and its intermediaries had to sacrifice revenues to win insurance contracts in the SME market because price competition was at its peak here, and ‘insurance’ was regarded as just another ‘expense item’. However, such reductions in revenue, combined with possible indemnity payments, would have even worse effects on technical profits, and the company therefore had to be particularly careful when selecting its risks.

Almost the same considerations were valid for the insurance policies for industrial sites. Price competition for large-scale industrial sites and state tenders was extremely intense because they were very important for both prestige and premiums volume. Even in such big undertakings, Anadolu Sigorta sought to cover the risks with the right prices and conditions. However, even for earthquake insurance, a competitor would sometimes quote a price below the Treasury Undersecretariat’s recently published compulsory tariff rate. In these cases, the company had to withdraw from the tender.
There were more civilian risks contracts in the company’s fire insurance portfolio than other kind of contract. Although regarded as a minor field in the fire insurance branch, civilian risks did not have the large-scale claim potential of commercial/industrial risks, and thus offered insurance companies high technical profits. With the public’s low insurance awareness, and real estate owners’ greater reluctance (relative to motor vehicle owners) to insure their property, insurance companies could not afford to update their policy prices. Price competition in residential insurance was not as fierce as in commercial/industrial insurance, but companies were hesitant to raise their prices as freely as they did in the motor insurance branch.

Another cause of this hesitancy was the Compulsory Earthquake Insurance, which came into effect with Legislative Decree No. 578 in 2001; homeowners were content with this insurance and now refused to insure their houses against fire and other risks. This shows that the cause of price competition in civilian risks was actually low insurance awareness, and not insurance companies. Although making technical profits in civilian risks, Anadolu Sigorta would have made even more with greater insurance awareness. The responsibility for developing this awareness rested with the insurance companies.

**RISK IN FIRE INSURANCE**

Because Anadolu Sigorta led the industry in the fire branch, it faced more extreme price competition than the other companies. However, it continued to perform risk analyses, quote the right prices for the right risks, and aim for technical profits.

‘Risk’ had two different meanings in fire insurance. One was the potential dangers an enterprise might encounter in its area of activity and operating conditions. These dangers were listed in the policy document as coverage. The conditions of the site’s location, the probability and degree of risks in that location, the risks inherent in that line of work, and the measures the site’s management implemented were all assessed to determine the site’s ‘insurance risk profile’.

The second meaning was the ‘enterprise risk profile’, which utilised extrapolation. This profile was created through a ‘risk pool’, which extracted the following information from the company’s past and present policies: location of activity, proximity to any earthquake zone, insurance amount, and past data of the enterprise to be insured. An effective assessment in both these senses of ‘risk’ was vital to sustain the company’s insurance operations and ‘competition factor’, a subset of ‘industrial responsibility’.

There was a cutthroat competition in the fire insurance field, especially in the early 2000s. To sustain their portfolios and increase their market share, some companies quoted low prices and made decisions that could harm the future of the entire insurance industry, even though their reinsurance contracts bound them to specific prices and conditions. Technical profitability naturally fell below desired levels as a result, upsetting the balance of the companies’ financial structures.
With the positive trends in the country’s economy, insurance companies were abandoning their usual strategies, which were designed for times of high inflation. In a market where accounting profits fell drastically, the sole target became technical profitability. Falling insurance fees, which are the basis of premiums, combined with decreasing premiums production growth, made risk – in both senses of the word - absolutely critical. Correctly assessing the risk profiles, reducing operational expenses, increasing operational efficiency, and designing new marketing strategies all became necessary for survival.

**DEVELOPMENTS IN BRANCHES: MACHINE ERECTION**

Anadolu Sigorta had assumed industry leadership in the machine installation branch by the end of 2004. Like the other branches, this branch suffered from intense price competition. The company also avoided financial difficulties and targeted technical profitability in this branch through risk selectivity, correct pricing and, when needed, through optional investment.

The cause of rapid fluctuations in the machine installation branch’s premiums production was that the companies, unlike in the electronic equipment or machine breakdown branches, could not build or maintain long-term portfolios; construction and installation insurance was high-premium but temporary, project-based insurance. The companies’ premiums production, and thus their market shares, fluctuated wildly when their large project and installation insurance contracts were not renewed as a matter of course after they expired or when ownership of the projects changed hands, and when new contracts were signed. Contracts for construction/ installation were in force only as long as the project continued; they were not ‘renewable’. This, of course, prevented a balanced flow in the machine installation branch portfolios. The depth of the machine installation branch market also caused instability: it was shallow compared to the other branches’ markets.

However, as this branch provided rather high premium volumes, it was prone to competition. Depending on the country’s political and economic state at any given time, investment gained momentum and premiums production of project-based insurances moved along with it. Since there were few such prestigious and high-premium potential and projects, however, competition among the companies grabbing for a slice of this small cake was frenzied.

In domestic jobs, projects such as highway and dam construction were generally owned by State Economic Enterprises and were generally not insured in their initial stages. The project continued this way for some time, and when the uninsured risks accumulated to the highest degree, insurance was made a legal requirement (e.g., process billing). Many insurance companies quoted prices much lower than were technically feasible for such risks, and sometimes even quoted prices below the minimum. This put Anadolu Sigorta at a competitive disadvantage, of course, but the company remained prudent and selective in order to maintain its loss/premium balance.

The dimension of competition in machine installation insurance was even more striking when compared to other enterprise insurance. The portfolio balance of machine installation insurance
could be maintained only by combining it in comprehensive enterprise policies with ‘renewable’ insurances such as machine breakdown and electronic equipment insurance. However, competition in enterprise insurance was also intense, due to differences in both the companies’ treaties and the enterprises’ credit ratings. Policies with minimum and technically insufficient prices were sometimes drawn up under the pressure of competition simply to sustain the portfolio. The insurer’s premium/risk balance could easily be upset, especially when insuring the machinery or equipment of high risk groups such as heavy equipment, energy site, or heavy industry.

No tariff list for basic prices was applied to machine installation insurance until 2003. That year, to render the premiums more technically solid, a minimum price was applied in parallel with the insurance companies’ reinsurance contracts. Further, a certain standard level in premium quotations was reached with the announcement on 11 November 2002 of a terrorism tariff as a condition of industry treaty transfers. Similarly, premiums for machine installation policies were substantially raised with the earthquake tariff put into effect on 1 November 2003, and competition somewhat abated.

The negative effects of fierce competition on the companies thus lessened to an extent in this branch. As the market was small, however, it was difficult to achieve technically satisfactory premium levels. Because some of the companies leading the machine installation insurance market had different treaty structures, they could be more competitive and could afford to quote prices below the compulsory minimum tariff rates with which most other companies had to comply.

The contracting companies’ credit ratings and partnership structures also increased the competition to insure their projects. In addition, general economic trends led many field-tested contractors to undertake projects abroad. Insurance companies had to consider the social, economic, and political conditions of the project’s host countries and be more selective in insuring those projects. Moreover, in the event of loss, expenses for travel and appraisal, necessary to determine the compensation for the loss, would reduce technical profitability.

The limited market for machine installation insurance led to vicious price competition, with the result that risks could not be covered with adequate premiums and conditions. The machine installation branch was thus a branch where insurance companies usually booked technical losses.

**DEVELOPMENTS IN BRANCHES: TRANSPORTATION**

Although competition and the free tariff rates caused prices to fall considerably, the technical profit/premium ratio of the transportation branch, ranking high in premiums volume, was still growing consistently. Despite the low prices, the annual technical profits looked okay on paper; because of specialty goods insurance, however, even the technical profits of the last several years could disappear in the event of a big loss.
The transportation branch’s 5% share of total premiums production at the beginning of the 2000s was an expected decrease. Although the share of total insurance premiums production of Turkey’s national income was lower than that in developed countries, the growth potential of the other primary branches was thought to be much higher than the potential of the transportation branch.

According to data published by the Foreign Trade Undersecretariat, total exports for the three years immediately after the 2001 crisis were $36 billion (2002), $47 billion (2003) and $63 billion (2004). Despite the relative stability of foreign exchange rates, this improvement in foreign trade caused a noticeable increase in the transportation branch’s premiums production. Anadolu Sigorta was far and away the leader in this branch.

Cargo insurance was generally grouped into two main categories: vessel and goods. In the goods insurance market, although tariff rates in the goods insurance market were determined in common by all insurance companies, competition caused the actual policy prices to be far below these rates. The criteria for pricing were indeed concrete, so establishing a standard price list was possible; in real life, however, it was possible that similar shipments would have different results. If the companies ratified the risks of shipments according to past experience and evaluated the statistical records and data, it would be possible to assess risk subgroups. Companies could study the accounts of big customers, detect any trends with unfavourable results, and then take measures such as raising prices, reducing indemnities, applying exemptions, or preventing losses.

Vessel insurance required more expertise than goods insurance did, so prices had to be quoted without regard to competition. There were no fixed tariff rates for vessel insurance, and prices differed according to the vessel’s age, tonnage, membership in a fleet, and previous year’s losses, and the owner’s professional experience. Anadolu Sigorta applied Lloyd’s prices in this branch.

The Turkish insurance market followed the London market’s rates for risks of war and strikes. Recently, foreign vessel insurers were steadily reducing indemnities and raising premiums. Because big indemnities were paid for losses in this branch, it was important that premiums were raised to satisfactory levels in Turkey, where the limited number of insurable vessels led to price competition and constrained the volume of premiums.

As well, the Turkish merchant fleet generally consisted of old vessels which the industry hesitated to insure. However, because these vessels, operating within the Algeria-Turkey-Russia triangle, charged high freight charges, their owners maintained them very well. Still, their ages were an obstacle to finding coverage, and any coverage they found was backed by the insurance company’s own retention shares. It was possible to form a pool only for such vessels, covering only total loss, and with high rates and thus high premium earnings. When pricing insurance for both goods and vessels, companies had to evaluate the technical results for not only the current year but also the cumulative vessel results for at least the previous five years, and they also had to consider expected market performance. This, in turn, necessitated raising prices to viable levels and refraining from needless price competition.
Reinsurers applied standard tariff rates for war and strike insurance, and insisted all insurance companies apply the same rates.

Vessel insurance was one of the industry’s most technical fields. Six criteria made up a policy: particular average, general average, total loss, salvage assistance, sue and labour charges, and collision responsibility. Every risk had to be carefully analysed; it was possible to have to pay an indemnity 500% more than the insurance amount. The vessel insurance field had a relatively low frequency of loss, but a high potential for big losses. Thus, in the event of a total loss, the premiums received might not cover the indemnity.

Anadolu Sigorta maintained technical profitability in the cargo insurance branch, especially in vessel and vessel-related insurance, by concentrating on risk management: carefully studying the risk factors, closely analysing the statistical data, and following internationally accepted pricing strategies.

The company decided in 2008, after organisational changes, that the special risks involved in cargo insurance required better management and that losses in this branch would now be assessed within the Transportation Department. Thus, the Claims Department handled the losses of all technical departments except the Cargo insurance Department, which became the only technical department that handled its own claims.
DEVELOPMENTS IN BRANCHES: HEALTH

Following the regulation prohibiting individual pension companies from engaging in health insurance, the branch was transferred from Anadolu Life Pension Company to Anadolu Sigorta on 1 April 2004.

In Turkey, as in the whole world, it was difficult to earn technical profits in the health branch. In Anadolu Sigorta’s health branch portfolio, individual customers supplied 20% of the premiums and corporate customers supplied 80%. Although the company showed profits in the individual health field, heavier price competition in the corporate health field saddled it with losses in its total health branch operations. The imbalance in premiums prevented the individual health profit from compensating for the corporate health loss.

Total annual premiums for the corporate health branch were higher than for other branches in the industry. Prices below the tariffs were still occasionally quoted by companies seeking a higher ranking in premiums production, and it was highly possible that indemnities paid would exceed annual premiums received. This led to overall loss in the health branch.

Anadolu Sigorta paid extra commissions when an agent sold new individual health policies beyond a specific number. The company encouraged agents to sell such policies in order to increase its portfolio of these highly profitable individual health insurance contracts, and thus reduce the risks in its overall health insurance portfolio.

Conditions prevailing in Turkey made it necessary to sell low-premium, high-guarantee policies covering only inpatient treatment expenses in order to be able to increase the spread of health insurance. Of the total health insurance premiums production in Turkey in 2005, policies that corporations took out for their employees supplied 60% and policies individuals took out for themselves supplied 40%.

Both corporations and individuals had to restrict their health insurance budgets as a result of the 2001 economic crisis, and insurance companies consequently had to reduce their premiums levels and failed to reach their desired levels of premiums production. This continued for some time, and the industry was unable to procure new customers despite the interest in both corporate and individual health insurance. Many corporations asked for quotations from insurance companies, but changed their minds because the premiums exceeded their budget.

After its transfer from Anadolu Life Pension Company, the health branch upset the balance of Anadolu Sigorta’s technical departments. To balance premiums revenue and earn technical profits, the company examined solutions not based on prices, but the unrestrained price competition hindered success. Of the total indemnities the company paid, the health branch’s share was higher than the transportation and machine installation branches’. Compared to the primary branches, the health branch’s loss/premium ratio was excessively high. Unless the company took the right measures, indemnities paid in the health branch would muddle its overall loss/premium ratio and its technical profitability.
To this end, the company worked concurrently on increasing its individual insurance portfolio and implementing a more effective damage-control system. It conducted promotional campaigns to expand the individual health portfolio and to increase sales of products covering only inpatient treatment, which were cheaper but of heavier risk coverage. At the start of 2005, it launched advertising campaigns for health insurance only and trained its agents in individual health insurance products and their applications.

**THE DISTRIBUTION CHANNELS**

Across the insurance industry at the start of the 2000’s, agents procured approximately 70% of production, bank branches 8%, brokers 7% and head offices 15%. Analysis of the industry’s distribution channels showed professional agents to be more effective than brokers or bank branches. This was because the agents had adopted a customer-oriented approach and effectively used customer management. The number of agents working in the industry would continue to increase over the coming years. However, the skills of the agents also had to increase. The services the agents provided were not limited to drawing up policies; the agents were effectively active in every process, from collecting premiums to following up losses.

Representing the insurance company, the agents were responsible for punctually transferring to the company the premiums they collected from the insured on behalf of the company. In the past, when it was not possible to keep accounts for every policy, it was impossible to decide, especially in the event of loss, how much the agent collected from which customer. Recent technological developments, however, made it possible to follow every transaction as being related to a specific policy, and to follow-up the actual premium collection for an individual policy. This also enabled the company to cancel coverage of customers who had not paid their premiums. Sometimes, however, agents deliberately delayed transferring the premiums they collected and invested the money to earn interest. As well, agents sometimes made the premium payments with their own money, trying to help or please their customers by delaying collection of the premiums.

Both these collection irregularities created collection problems for the insurance companies and forced them to extend the agents’ payment terms. Anadolu Sigorta also had to grant special conditions to some of its agents, but the company tried to keep such special treatment to the minimum. Some agents, especially those with large portfolios, demanded extra commissions as well as extended payment terms, and the company had to take into account both the financial and technical profitability of the agent’s portfolio when it evaluated such demands.

Companies neglecting to conduct these evaluations inevitably faced the pressures of technically and financially unprofitable portfolios. This problem of collections was one of the primary threats to a company’s assets. It could lead to even more extensions of payment terms for the agents and to more delays in indemnity payments. On the other hand, companies working with relatively few agents could not avoid the issue of extended terms and extra commissions.

Keeping the number and the quality of distribution channels under control was important in protecting and sustaining relations between the insurance company and the insured. Insurance
companies wishing to attract agencies with high production potential offered concessions, generally monetary. This practice raised the expectations of new agency candidates and caused unrest among the existing agents.

Concessions for high-potential agents had become almost standard by the early 2000s. To secure the services of agents, companies offered concessions similar to those granted by other companies, and they granted special collection terms and additional commissions to their existing agencies to protect them from being poached. Maintaining agency loyalty was getting to be truly difficult for Anadolu Sigorta, as other companies offered much higher commission rates, handsome furnishings, and extended payment terms of 10 to 12 months. Agents working with these concessions disrupted the distribution channel network; and in the long term, they disrupted the company and the entire insurance industry by weakening the other distribution channels.

The source of another problem was the guarantee bonds the agents had to submit to the companies. Because competition tended to reduce the amounts of such bonds, Anadolu Sigorta’s agents asked the company not to increase their bonds, and they even asked the company to reduce them. At this point, the agent’s financial strength was as important as the companies’ financial strength. The agents also had to have a strong financial base and submit a sufficient guarantee to the companies. However, market conditions made it impossible for the companies to receive such a guarantee from all the agencies. This was a risk for both Anadolu Sigorta and the industry.

Another problem was the inadequate knowledge of some agents. This, of course, was inimical to the mission of raising insurance awareness; policy documents drawn up with information missing created dissatisfied customers. Anadolu Sigorta regularly trained its agencies in order to eliminate this problem.

Secondary agents had similar problems. Most of them were not legally registered and could
not meet the training, equipment or guarantee requirements. Some even acted beyond their authority. To increase their premiums production and to be able to request concessions, some agencies formed groups of secondary agents. Insurance companies had to closely supervise these groups, block the ones that did not comply with the rules, and impose effective sanctions. To do this, Anadolu Sigorta commenced supervision of its agents in early 2005, under the terms of a company bylaw.

At the same time, market conditions affected even ethical agents and tarnished the image and reliability of the insurance industry. Customers received separate offers from different intermediaries of the same company, leaving them distrustful and disillusioned. Quotations from different intermediaries varied because of the different prices of different companies, because the agents were giving discounts on their own commissions, or because the different policies had different coverage. Whatever the reason, the result was the same: the customers were suspicious of the insurance industry. Some insurance companies, driven by their greed for premiums, tolerated this practise; however, it led to a drop in revenue for both the agents and insurance companies. To reduce the frequency of such problems, the companies had to limit the number of agents they worked with.

With proper risk assessment and sales strategies weighted toward technical profits, the insurance industry would have a more varied product range and maintain its financial integrity. With this thinking, Anadolu Sigorta aimed for sustainability and adequate technical profitability, and designed its marketing strategy around accepting portfolios based on risk assessments. The company also worked to make its distribution channels accept this strategy, and evaluated the performances of its agents in accordance with this strategy.

**ELECTRONIC-SERVICE PROVISION**

With Anadolu Sigorta Health Insurance, 130,000 insured people could visit almost 2,000 contracted health institutions in 60 cities for inpatient and outpatient treatment. These institutions consisted of hospitals, health centres, laboratories, imaging centres, pharmacies and physicians’ offices. Projections showed the company could expect to pay about TL 110 million in indemnities on approximately 800,000 insurance files at the end of 2007.

The Health Insurance Department had a long-running research project on the provision (coverage confirmation) processes of the contracted health institutions. The four aims of this project were to provide a more contemporary, 24/7 service to the insured by utilising technological innovations; to digitally monitor the agreements with the health institutions in order to minimise unauthorised claim payments; to reduce the workload and time losses of manual monitoring; and to be able to compare and evaluate all the transactions of the institutions, using identical codes in the same environment.

As the result of this research, the company decided to work with the Tepe Teknoloji Servisler and Promed Bilgi Yönetim Sistemleri ve Sağlık Danışmanlık companies, who had previously designed a pharmacy automation system called ‘Electronic Claim Processing’ for the members of
Isbank Health Assistance Fund and Anadolu Sigorta Health Aid Fund, and the health insurance customers of Anadolu Sigorta.

In the new project, ‘Electronic-Invoice, Electronic-Service Provision’, the control functions would be run through service rules determined during the analysis phase and transferred, along with the additional system to run the rules sets, to the digital environment. The project’s Electronic-Invoice component would digitally transfer to the insurance system all services to be invoiced by the health system; check the contracted institutions’ prices for each transaction; separate the to-be-paid transactions from the not-to-be paid transactions; digitally group and sum up transactions according to their coverage; examine these sums according to coverage limits; digitally send the results to the health institution; have the results appear on the screens of the call centre operators when necessary; block the limits of the insured accordingly; and convert the results, through invoices, to payment files/packages. The project’s Electronic-Service Provision component covered the Electronic-Invoice, the rules bases of the insured’s exceptions; the transaction frequency controls; transaction specialist controls; and the policy’s special conditions.

Anadolu Sigorta and the two collaborating companies planned to complete the business development, analysis, software solution and integration processes in 12 months. The software, developed for Anadolu Sigorta by Tepe Teknolojik Servisler, was to utilise the coding system of the Medula software package that the government compelled all public and private health institutions to use, and would enable health institutions to easily use the program for provision (coverage confirmation) requests. When fully functional, the systems would benefit the members of the Health Assistance funds of both Isbank and Anadolu Sigorta.

**ANALYSIS OF WORK PROCESSES AND PROCESS MANAGEMENT STUDIES**

In the insurance industry, as in the banking industry, mergers with international companies had become widespread, and thus brought on the necessity to be prepared for competition. Moreover, Anadolu Sigorta had for some time been conducting studies of the paths and methods to be implemented in order to maintain its national leadership, in line with international standards and its corporate targets and vision. The work consisted of improving the business processes through analysis and applying the process management concept to the company’s operations.

Three main categories of achievement were expected from the process management project. The first group was, through the examination of national and international industrial approaches, to provide the company with a top-level perspective, to set the course of long-term strategies, and to secure quick profits by implementing short-term solutions. The second was to enable an overview of the business processes independently of departments, and to reduce workloads and costs by identifying unnecessary steps in the business flow. The third was to implant the concept of continuous improvement in the company culture by having personnel adopt a process-oriented perspective.

For the process management project, Anadolu Sigorta sought the services of a consulting company specialising in process management, in order to benefit from the best applications and to handle the project professionally and effectively.
Negotiating with eight consultancies, Anadolu Sigorta studied each company’s project experience, team composition, level of know-how and experience, approach to process management, and capacity to achieve results, and short-listed two of them. After detailed negotiations with these two companies and a final evaluation, Anadolu Sigorta chose Accenture Company’s offer on the basis of its price and comprehensiveness.

ANADOLU SİGORTA AND PENETRATION

Bancassurance, also known as the bank insurance model, was defined as the cooperation of an insurance company with the branches of banks, and the promotion of its insurance products and services by reaching out to the commercial and corporate customers of the banks. Bancassurance was thus a distribution channel for insurance companies that enabled them to acquire many more corporate and individual customers than they could with their own physical capacities.

One of the most important competition factors for insurance companies was the effective distribution of their products and services to the target market. Although there were many different distribution channels in the European market, the most important was the direct sales teams who personally contacted the customers, agencies, brokers and bank branches. Bank branches were becoming increasingly important for the distribution of insurance products. Above all, banks, providing for the customer’s financial needs, were trusted institutions. With their broad customer portfolios, it was possible to take advantage of cross-sales opportunities and increase distribution efficiency. Banks had close and frequent interactions with their customers, and the potential to translate these interactions into sales was high. The cost of marketing and sales activities of bank branches was lower than other channels that employed face to face communication. Lastly, the one-stop supply for financial needs was quite convenient for the customer.

Banks had become the industry’s most important distribution channel in Europe in the 1990s. The banks’ 2007 share of total distribution in the life and pension branches was 60 to 70% in France, Spain and Italy and around 90% in Portugal. The bank insurance model was less effective in non-life insurance. Experience showed that sales of non-life insurance products through banks were not favourable, and the penetration of banks into the primary insurance branches was below 10% in Europe.

The bank insurance model also had several benefits for the banks. In addition to product variety and commission income benefits, insurance products were long-lasting and a tool to increase customer loyalty.

In 21st-century Turkey, agencies were still the most important distribution channel. Although the share of bank insurance in life and pension branches was lower than in Europe, the share in the primary branches was similar. Study of the banks’ production in the primary branches over the years revealed that the banks’ penetration was increasing, and had risen to 12% by the end of 2006. Most major insurance companies had distribution channel agreements with banks, and trends indicated that the banks distribution channel would spread further. With the mortgage
law enacted in 2007, it was expected that insurance products related to home loans would rise. It was also expected that investors in the Turkish insurance market would frequently use the bank insurance model, and that brokers and banks would replace agencies as part of the EU harmonisation process.

In the bancassurance system, the banks’ personnel had to be sufficiently informed about insurance products. Moreover, the customers expected to receive service after-sales service, as they would from agents. The banks’ ability to sell insurance, along with their loan operations and broad customer base, made them an important channel for insurers.

In summary, the penetration ratio of the bancassurance application was high throughout the world, particularly for life and pension insurance. The penetration ratio of bank insurance in the primary branches was more or less equal in Turkey and the world. The 2006 penetration ratios of Ak and Garanti Insurance companies were quite high, but Garanti had modified its bank branch-focused marketing strategy and was strengthening its agency network, and its penetration ratio had fallen.

Anadolu Sigorta’s penetration ratio had also fallen over the years. The share of the company’s total production achieved through banks had been decreasing since 2002: it dropped from 15% to 12% between 2002 and 2006, then to 10.49% in 2007, and the fall continued in 2008. The company did not have a bancassurance unit in these years, but intended to set one up.

The company had to reach the broad customer base of Isbank in order to attain the level of bank insurance operations it wanted. Up to that time, the existing potential could not be tapped because untrained bank personnel were not able to market complicated insurance products. The company started a new application in 2007 to improve the bancassurance system, placing Maximum Insurance Experts (MSE) in some Isbank branches. Initially assigned to branches in Istanbul, Ankara and Izmir, the 46 MSEs became 100 and were sent to all regional branches under an agreement reached with Isbank. It was also planned to have selected experienced, professional agents focus on the Isbank customer base, using MSE methods. At the same time, Anadolu Life Pension Company’s professional agents utilised this model.

The path to reaching all the company’s targets was to see every step required to design a strategy to actualise a competitive advantage and make a difference as part of a major program of revision. Bancassurance was also seen as part of the revision program ‘Closer to Customer (C2C)’, also initiated at this time. This project was held to be the key to increasing bank insurance operations.

TECHNICAL PROVISIONS AND INVESTMENT ASSETS

Many changes and applications were actualised in both the insurance industry and Anadolu Sigorta in the first quarter of 2008. Insurance Law No. 5684, published in the Official Gazette of 14 June 2007, and the subsequent Regulation on Technical Provisions of Insurance, Reinsurance and Pension Companies and Assets in Which Such Provisions Are To Be Invested, modified the calculations of technical provisions, effective 1 January 2008.
In accordance with this regulation, the unearned premiums provisions for policies drawn up as of the beginning of 2008 were calculated according to gross premiums with no deductions for commissions. The commission were to be followed in another account for delayed commissions. In order to balance the fluctuations in indemnity ratios and cover catastrophic risks for the next fiscal term, a balancing provision was reserved on bank loans and earthquake coverage.

The amount of the current fiscal term’s outstanding coverage provision could not be lower than the amount calculated by the actuarial chain ladder method specified by the Undersecretariat. It also stated that recourse, salvage and similar income items were to be deducted in the calculations of the coverage provision. In insurance branches where the level of risk undertaken throughout the contract term is not in concert with the temporal distribution of the earned premiums, a provision could be made up if the earned risk provisions were insufficient to cover the risks undertaken by the company and the expected expenses. Criteria such as premiums production and number of loss files and policies were taken into consideration in the distribution of operational expenses, which were to be transferred to the technical reserves. Specifying the amount of investment income to be transferred to the technical reserves was also standardised, and all income received from the investment of the assets covering the technical provisions was thus transferred to the technical reserves.
From 1925 until today, 10 years before the centennial of the Turkish Republic, Anadolu Sigorta, almost 90 years since its establishment, has become stronger and stronger. Our hopes are that in 2025, the centennial of our establishment, society will have fully assimilated the concept of insurance and every household will own at least one Anadolu Sigorta policy. Anadolu Sigorta will work very hard to attain this goal and ensure broad recognition of the Anadolu Sigorta trademark.

Anadolu Sigorta, within the framework of its corporate vision and objectives, has adopted the principles of maintaining its industry leadership and providing international-standard services to our citizens. To realise these aims, our main targets are to improve the job processes through analysis, to incorporate the concept of process management into the company’s operations, and, through the concept of maximum service, to raise the quality of customer services while decreasing our costs and increasing our market share. Our experience and accomplishments will guide us on this road.

Anadolu Sigorta has always striven to enhance the Turkish public’s awareness of insurance. A heightened awareness of insurance is the only way for the public to be confident about the future.

Anadolu Sigorta
ANADOLU SİGORTA AND THE CRISIS OF 2008

In 2007, Anadolu Sigorta became the first company to cross the threshold of one billion dollars in total premiums revenue, and this after the company had maintained its leadership in customer satisfaction for the previous five years. Although the world was experiencing its first deep economic crisis since the Great Depression of 1929, Anadolu Sigorta, by investing in profitability for the previous one and a half years, was prepared.

There had been some major developments in the insurance industry in 2008 before the crisis: foreign capital had kept buying existing insurance companies, the Zürich Financial Services Group bought the TB Insurance Company, the Aegon Group bought the Ankara Emeklilik Company, the Oyak Group withdrew from its partnership with the Axa Oyak Insurance Company, and the Koç Group withdrew from its partnership with the Koç Allianz Insurance and Koç Allianz Life and Pension companies.

Other important developments affecting the insurance industry in 2008 were changes in regulations and the implementation of new practises. The new Banking Regulation and Supervision Agency legislation affected the other joint stock companies as well, and there were some modifications to the calculation of technical reserves as of 1 January 2008. These modifications were listed under five headings:

First, the provision for the calculation method of unearned premiums was changed to apply to policies drawn as of the beginning of 2008. Second, the provision for balancing reserves on earthquake and credit coverage, to balance possible changes in indemnity rates during the coming fiscal periods and to compensate for catastrophic risks, was changed. Third, the amount of the provision for outstanding claims now could not be less than the amount reached using the calculation method specified by the Undersecretariat, and revenue items like recourse and salvage now had to be deducted. Fourth, in the insurance branches where the earned premiums were not accepted as being in line with the level of risk assumed – that is, where the provision for unearned premiums was inadequate relative to the risks assumed by the company and to the company’s expected costs - a provision for continuing risks had to be reserved. Last, for the operation costs to be allocated to the technical department, premiums production, the number of indemnity files, and the number of policy documents all now had to be taken into consideration. Further, the specifying of the amount of investment income to be allocated to the technical reserves now had to be standardised, and all the investment income from the assets making up the technical reserves now had to be transferred to the technical department.

THE STRATEGY OF ANADOLU SİGORTA

Anadolu Sigorta had adopted new strategies to become financially stronger and avert dependence on foreigners at a time when foreign dominance of industry was rising. The global crisis certainly caused distress in the Turkish insurance industry: 2008 was a year of loss in real terms, and 2009 was not so favourable, either. Although the economic crisis that seized the world was not so severe in Turkey, the restriction of credit and the absence of new investments caused a contraction in the insurance business.

The insurance business is, after all, an industry where the effects of economic difficulties lag. It should be remembered, however, that crises generate opportunities. Anadolu Sigorta encountered the crisis when its profitability had increased and it had no cost problems. Insurance companies cannot afford to
KREDİ KARTINIZA TAM KORUMA.
Anadolu Sigorta Kart Koruma Poliçesi.

Artık kredi kartlarınız yurtiçi ve yurtdışında çalınma ve kaybolmaya karşı Anadolu Sigorta'nın koruması altında. Kart Koruma Poliçesi'yle kredi kartlarınızdan yapılan harcamaları, çanta, cüzdan ve hatta kimlik yenileme masraflarınızı teminat altına alabilirsiniz. Üstelik tek bir telefona tüm kartlarınızı iptal edebilir, 7/24 ücretsiz tıbbi danışmanlık, ambulans, çekici ve çilingir hizmetlerinden faydalanabilirsiniz.
embark on adventures. Anadolu Sigorta had invested in secure funds. Having been the leader in premiums production for six consecutive years, Anadolu Sigorta consciously and voluntarily relinquished this position in September 2008. Based on the data for the end of September, the company’s 10.78% market share and premium production of 821,762,520 TL placed it behind Axa Insurance. That the net profits for the first nine months of 2008 were 14.4% higher than for the same period the previous year reflected the accuracy of Anadolu Sigorta’s strategy.

Total premiums production in Turkey in 2009 was 12.425 billion TL, an increase of 5.5% from 2008. Premiums production of 10.603 billion TL came from non-life branches, and 1.822 billion TL from life insurance. Growth in non-life insurance fields was 4%, and 16% in life insurance.

The growth rate in the insurance industry in 2009 was below the inflation rate (CPI: 6.63%, PPI: 5.93%). In real terms, the insurance industry shrunk by 1% in 2009, and this generally stemmed from the non-life insurance branches. Non-life insurance premiums revenue shrunk by 2.5% in real terms, and life insurance grew in real terms. Considering that the Turkish economy shrunk by 8.4% in the first nine months of 2009, the 1% real shrinkage in the insurance industry was the proof that the industry was quite resistant to economic crises.

The motor branch, which was the industry leader, shrunk by 2.4% in 2009. Taking inflation into account, it shrunk by approximately 9% in real terms. In 2009, the premiums production increase was 10% in traffic insurance, 3% in fire, 18% in TCIP [Turkish Catastrophe Insurance Pool], 10% in personal accident, 16% in engineering, 21% in agriculture, and 6% in health insurance. Cargo insurance decreased 9%.

Anadolu Sigorta’s production in 2009 was 1.243 billion TL. Affected by the crisis, the industry’s premiums production was below the inflation rate. However, another reason for the depreciation, and as important as the crisis, was the fierce price competition for a greater market share. The quotation of low prices to procure more premiums had adversely affected the industry. To a large extent, the crisis was restrained in 2010. In parallel, the market became more active and the environment was ripe for long-term plans. By 2010, the industry’s shrinkage was slowing.

During this crisis, Anadolu Sigorta maintained a solid growth strategy that prioritised profitability. For this purpose, it launched new products on the market. Analysing the needs of SMEs [Small and Medium Sized Enterprises], which added high value to the economy, the company developed the ‘SME Package Policy’ product to protect these enterprises, which were highly vulnerable to risks in times of crises. The special Mehmetçik [the Turkish term for private (soldier)] Motor Insurance offered advantageous terms for the personal vehicles of members of the TAF [Turkish Armed Forces], their spouses and children, retired TAF members, the personnel of trusts operating on behalf of the TAF, and the personnel of these trusts’ partners and affiliates. As well, the company’s Public Motor Insurance offered a similar service to the founders, management and members of Türkiye Kamu Çalışanları Konfederasyonu [Confederation of Government Employee Unions of Turkey], and to their spouses and children.

Another innovation from Anadolu Sigorta was a campaign targeting workers who commuted in a shuttle vehicle. This insurance covered all employees in both private and public companies who commuted in shuttle vehicles within metropolitan municipal boundaries. This campaign stated that those who chose the
'Comprehensive Motor’ insurance product, upon documenting that they used a shuttle vehicle to commute, would be entitled to a discount, with the rates depending on the city where they lived. The insured who already owned a comprehensive motor insurance product would benefit from this campaign when renewing their policies.

This product was designed to better protect the interests of those who preferred to commute by shuttle service instead of by personal vehicle. The discounts for this insurance, a first in Turkey, was 30% in Istanbul, 20% in Ankara, 15% in İzmir and 10% in other cities. Customers wishing to benefit from these discounts got a document from Anadolu Sigorta that had to be filled in by their employer.

The innovations of Anadolu Sigorta’s comprehensive motor insurance product were not limited to the shuttle service discount. The company also incorporated a discount based on the vehicle’s model year. This model year discount, updated to 30%, also covered minibuses. Further, the coverage in the Anadolu Assistance Motor Insurance for Private Vehicles was expanded to include services like sending an emergency car for repairs, on-the-road repairs, short-distance passenger and transfer transport, and organising the MOT (Vehicle Roadworthiness Test) procedure.

Another Anadolu Sigorta service was coverage of all medical examinations, medicine, diagnostic analyses, and inpatient treatment (except for the rapid influenza diagnostic test, viral panels and the H1N1 PCR
test) for those with symptoms of swine flu seeking health care. Even though a clause in the special conditions section of the policy document stated that “expenses for officially announced epidemics are not covered”, Anadolu Sigorta decided to cover these expenses. Anadolu Sigorta’s coverage of inpatient treatment and intensive care expenses relieved the insured’s anxieties about swine flu. Although the government controlled epidemics and hospitals approved by the Ministry of Health handled diagnosis and treatment for epidemics, Anadolu Sigorta decided to pay expenditures related to swine flu.

Lastly, Anadolu Sigorta was again a pioneer, by offering all the benefits of personal health insurance to children below 18 years of age, individually and separately from their parents. If there were more than one child under 18 years of age in the family, the condition was that all the children were to be insured. With this Anadolu Sigorta policy, parents with one or more children under 18 years of age could insure their children without insuring themselves.

In the same policy’s coverage, Anadolu Sigorta achieved another first by offering a lifelong, unconditional renewal guarantee of the insurance policies of children below 18 years of age. The purpose was to show the importance of joining the private health insurance system while one was young and healthy. Those who had owned a health insurance policy since childhood would possess an especially important assurance. An individual’s wish to have private health insurance is related to a forward-looking view of the world, of the future and of risk. The individual who buys a health insurance policy while healthy, upon encountering health problems, would be guaranteed to receive fast, high-quality service in private health institutions. To acquire private health insurance while healthy was to invest in the future.

Anadolu Sigorta offered an extensive range of health insurance products at affordable prices. The company also offered ‘eco’ products with 20-25% lower premiums. Health insurance, however, was still considered a luxury in Turkey. On the other hand, our most valuable possession is our health.

**SYSTEM WEB INTEGRATION PROJECT**

The System Web Integration Project was initiated to convert the company’s practices to internet applications. As the result of R&D work during the technology selection phase, JAVA was selected as the programming language. Following study of the software platform and consultation with Isbank’s upper management, the software platform decision was made in March 2004. The Data Processing Department’s personnel were trained in the new technology. Meanwhile, between July 2004 and May 2005, the TL was being converted to YTL [New Turkish Lira], and the project had to be interrupted. The work on the structure of the process-based programming, the user interface, the product engine, the rules engine, and the infrastructure of the rules engine’s platform was all concluded between May 2005 and November 2006. The first analyses and first designs for insurance products were done between November 2006 and March 2007.

Following consultation with the Isbank Data Processing Centre, a new database product, which Isbank was already using and was satisfied with, was selected and installation began in April 2007. The first insurance applications designed for the new technology were the system of authority, customer database, printing-queue processes, product-modelling processes, definitions of the
instalment types, and infrastructure for automatic policy document printouts, and they were all completed by the end of 2007. The first real-time policy document production of the Maximum Traffic product, piloted in selected agencies, commenced in December 2007.

From December 2007 to September 2008, fully 95% of the Motor Insurance Department products were put into practice with the new analysis designs of the new technology. The product-development process was very flexible with this new technology installation, and the Mehmetçik Motor, Mehmetçik Life, and Public Motor products were swiftly implemented in the second half of 2008. The company thus realised its goal of quickly developing products with the System Web Integration Project.

The design and development work with the SWIP continued, in parallel with detailed design work for the C2C Project.

**C2C (CLOSER TO CUSTOMER) PROJECT**

In line with its aims and vision, from the beginning of 2008 Anadolu Sigorta conducted studies in analysing and improving business processes, and in incorporating the process-management approach into the company’s practises, in order to maintain its national leadership and attain international standards. A process-management project to augment the quality of customer services within the framework of the maximum service concept, while reducing costs and increasing market share, was thus initiated. This project, which targeted a customer-oriented approach in the working models, processes, and services, was first titled ‘Top Level Working Model and Process Design Project’, and was later changed to ‘Customer-Oriented Change Program’ or ‘Closer to Customer’, abbreviated as C2C.
The C2C Change Program’s aims can be grouped under five headings: readiness against competition in the industry from the spreading mergers with international companies, as experienced in the banking industry; maintenance of national leadership within the framework of corporate aims and vision; attainment of international standards through analysis and improvement of the business processes; embedment of the process-management system in the company’s activities; and augmentation of the quality of customer services within the framework of the maximum service concept while reducing costs and increasing the market share.

A series of studies in the Top Level Working Model and Process Design Project was conducted with the Accenture consulting company between 7 January and 16 April 2008 to review and improve Anadolu Sigorta’s working model and processes. The priority was determination of both the customer-oriented approach and the operational-efficiency processes. The study also focused on the design of both the target working model and the organisational structure. The General Management’s relationships with Isbank, the regional managements, and the distribution channels were reviewed to define the new structure’s processes. In specifying quick income opportunities, short-term changes that did not require extensive investment were reviewed and a road map for implementing everything was finally developing.

The eight job blocks appearing on the road map developed in the final stage of the Top Level Working Model and Process Design Project were the sales and services model, business processes, contact and common service centres, performance management, the reporting and planning of top management, organisation and training and human resources, the information management portal, the SWIP and technology application, and program and change management.
In line with the blocks’ project designs, the progressive transition process to the targeted organisational structure was initiated by the end of 2008. Following approval of the printouts of the Sales and Services Model’s Bancassurance Project on 1 July 2009, the Bancassurance Unit was formed within the Agencies and Marketing Department, and the Unit’s responsibilities were differentiated. Part of the Job Processes block, the Claims and Recoveries Project reconfigured the Claims Department, and the Claims Management Department and the Motor Claims Department were established on 2 February 2009. The IT Organisational Reconstruction Project, included in the seventh block, i.e., the SWIP and Technology Application job block, necessitated reconfiguration of the Information Processing Department, and the Software Development Department came into being on 1 December 2008. The Installation of Program Management Approach Project, within the scope of the eighth job block, the Program and Change Management Project, reconfigured the Organisation Department into the Project Management and Organisation Department, which was established on 20 July 2009. Two units, the Job Analysis Office and the Project Management Office, were established within the body of this department.

After completing the C2C projects’ designs and identifying the technological applications’ requirements, the project teams commenced studies in March 2009 to specify the necessary technological applications. Discussions during this work considered having the Anadolu Sigorta Software Development Department develop the technological applications, outsourcing the purchase and customising of the technological applications, and/or developing applications in a platform to be specified by outside sources.

The C2C projects were expected to take approximately 65,000 person-days and were calculated to be 30% complete as of 31 December 2009. The majority of the effort expended to this date would be related to analysis and design. It was expected that 50% of the total effort calculated for all the C2C projects would be spent after this date on application development, customisation, integration, and system tests. At the same time, the focus would shift to work on information technologies.

ANADOLU SİGORTA AND AWARDS

The success of Anadolu Sigorta, Turkey’s leading insurance company, was again attested to when it received awards from the Active Academy and Capital. Anadolu Sigorta accepted its ‘Innovative Company’ award from the Active Academy during the Insurance Summit held at the Istanbul Swissôtel on 9 April 2008. Mehmet Şimşek, State Minister for the Treasury, presented the award to Anadolu Sigorta. The Insurance Summit was the first to be organised for the key players of the industry, and Anadolu Sigorta won the award thanks to its ‘Parts Procuring Project’, which standardised spare parts prices and qualities nationwide, thus minimising problems for the insured while their vehicles were being repaired.

Anadolu Sigorta also accepted an award from Capital magazine at a ceremony organised by ‘Turkey’s Most Favourite Companies Survey 2007’ at the Istanbul Ritz Carlton Hotel on 9 April 2007. Anadolu Sigorta was the favourite company in the insurance industry according to the eighth annual survey, which determined the top three favourite companies in 33 industries by
asking 1,350 top and middle level managers from numerous industries to comment on business companies and on the competitor companies in their own sectors.

As well, Anadolu Sigorta was chosen the best Turkish insurance company by Euromoney, the leading economy and finance publication. Anadolu Sigorta also enjoyed first ranking in the subcategories of indemnity payments, innovation, and price. Anadolu Sigorta’s success was further attested to in the Research of Trademarks 2007 Turkey. A survey of 1,401 associations in Turkey’s three major cities showed Anadolu Sigorta to have the most recognised trademark in the insurance category.

Lastly, at ‘The Third Turkish Shipping Awards’ ceremony organised at the Istanbul Four Seasons Hotel by Lloyd’s List, the world’s most prestigious maritime publication, Anadolu Sigorta was
selected ‘Best Company of Turkey’ in the ‘Maritime Services Company of the Year’ category. Anadolu Sigorta had successfully increased its contributions to the maritime industry. The maritime insurance field was handled by Anadolu Sigorta’s cargo insurance department, which offered hull and associated risks insurance policies, along with all types of cargo insurance.

In this branch, the company continuously monitored the maritime industry and the changing economic environment, and responded to developments without delay. With the recent general fall in vessel prices, premium amounts had been readjusted and the insured had received premium returns.

What’s more, in cases where both particular averages and general averages were encountered, the necessary indemnity payments (based on particular averages) were quickly made, and, as such
events are multi-faceted, delays and aggravated damage were averted. This was especially why shipping companies preferred Anadolu Sigorta.

**THE OVERVIEW OF 85 YEARS: PIONEERING IN PUBLICITY**

The ceremony for the twenty-second annual ‘Crystal Apple Advertising Awards of Turkey’, nicknamed the Oscars of the Turkish advertising industry, was held at Istanbul Suada on 30 June 2010. The effective publicity campaign organised for Anadolu Sigorta’s 85th anniversary brought the company Crystal Apple awards in five categories: ‘Press’, ‘Television’, ‘Multimedia Campaign’, ‘Best Advertising Film Production’ and ‘Special Casting’.

The film marking Anadolu Sigorta’s 85th anniversary and recounting the story of the company’s establishment was awarded ‘Best Advertising Film Production’. The company received Crystal
Apples for its ‘Health Insurance for Athletes’ advertisement in the ‘Press’ category, for its ‘Accidents Just Happen’ advertisement in the ‘Television’ and ‘Multimedia Campaign’ categories, and for the ‘Truck Driver’ cast in its motor insurance advertisement in the ‘Special Casting’ category.

Besides these five Crystal Apples, Anadolu Sigorta received second-place prizes for its residential insurance advertisement in the ‘Radio’ category, for its personal accident insurance advertisement in the ‘Outdoor Advertising’ category, for its ‘Never Lose’ jingle in the ‘The Best Commercial Jingle’ category, and for its 85th anniversary advertising film in the ‘Best Commercial Film Director’ category and in the ‘Special Casting’ category (for the performance of the ‘Grandfather’).

Anadolu Sigorta also won third-place awards for its ‘85th Year Campaign’ advertisement in the ‘Television’ category, for its ‘Dangers in Traffic’ advertisement in the ‘Radio’ category, and for its ‘85th Anniversary’ advertising in the ‘Special Casting’ category (for the performance of Ataturk).

AN ANADOLU SİGORTA POLICY IN EVERY HOUSEHOLD

From 2010 to 2013, Turkey’s economic stability and growth rate distinguished it from other developing countries and successfully reduced its vulnerability to the effects of the unstable Euro environment. This consistent economic configuration improved the demand for insurance, as did new laws and efforts to raise insurance awareness and to win the trust of the insured after natural disasters.

From the day it was established, Anadolu Sigorta adopted the principles of leading the insurance industry’s development, of spreading insurance awareness to the populace, and of offering security with top-quality service to the insured. Equipped with experience extending back to 1925, Anadolu Sigorta has maintained its leadership and competitive position in the industry, and has continuously developed new projects to energise its business processes. Millions of dollars have been budgeted for projects, like the C2C (Closer to Customer) Change Program, to review all transactions and restructure all business processes, and to implement the changes while safeguarding the company’s roots.

The first applications implemented from the coverage of the C2C Customer-Oriented Change Program, initiated to restructure all of Anadolu Sigorta’s business processes in terms of customer needs and satisfaction, were SAMBA (Increase Sales and Customer Loyalty) and CRM (Customer and Channel Relations Management). The 360-degree customer image application of SAMBA defined sales opportunities and campaigns customised for the individual customer, provided agencies with data such as the customer’s market segment and profitability score, and determined the pricing of retail products. In order to design the management strategies and target organisation of the C2C ‘Customer Oriented’ Program, the Agencies and Marketing Department was restructured, and the ‘Individual and Commercial Insurance’ and ‘Agency and Channel Management’ departments were formed on 1 October 2001. The Individual and Commercial Insurance Department consisted of the Individual and Commercial Marketing and Campaign Management, Individual and Commercial Customer Management, and Contact Centre units. The Contact Centre was formed to receive, at a single point, calls from existing or potential customers, and to handle these requests
through filtering. The Agency and Channel Management Department consisted of the Agency Establishment-Dismissal, Targeting and Channel Performance Management, and Alternative Distribution Channels Management units. Finally, the ‘Anadolu Sigorta Enterprise Information Portal’ was created as the result of work done to establish a single point to provide updated information to employees, agencies and branches. Investments in the ‘Business Intelligence’, ‘Bank Insurance’, and ‘Customer Relations Management’ units were expected to show results in 2013.

There have been radical changes in the insurance industry in the first years of the 21st century. Through vigorous effort, the Undersecretariat of the Treasury solved the industry’s legal infrastructure problems and implemented regulations prepared in compliance with EU legislation. The Turkish insurance sector thus finally acquired international-standard legislation in line with contemporary practices. The ‘Changes in the Life Insurance Regulation’ came into effect on 1 March 2009. Another important development in these years was the creation of the Insurance Arbitration Committee, which aimed to easily and quickly solve, through arbitration, disputes arising from insurance contracts.

At the same time, the powerful synergy achieved with the formation of the Bancassurance Unit, began a new age in which Anadolu Sigorta’s communication and relationships with all bank branch agencies, especially with those of Isbank, were coordinated at the top level. The Bancassurance project, within the scope of the C2C Customer-Oriented Change Program initiated to provide Anadolu Sigorta with a more innovative and competitive structure, brought about higher premiums production and better service delivery through a stronger and more efficient channel structure with better communication and integration.

Parallel to the measures, taken in response to the global financial crisis of the last quarter of 2008, to have the Turkish insurance industry operate with more caution, the Undersecretariat of the Treasury published the ‘Circular Letter Regarding Securing Sufficient Coverage for Catastrophic Risks and Taking Measures against Issues Disruptive to the Market and to the Financial Structures of Companies’ in 2010. This letter encouraged insurance companies to abandon their aggressive growth strategies and work more on risk selection and prices. Competition in the industry would thus follow a fairer course.

Meanwhile, in its pursuit of providing higher quality service to its insured and as a reflection of its pioneering service approach, Anadolu Sigorta completed preparations for a new motor insurance tariff in 2009. With the new tariff, premiums could be specifically determined according to the personal characteristics and risks of the insured individual instead of being broadly determined according to general statistical profiles. It was now possible to determine and apply more realistic premiums which better represented the personal risks of the insured. During preparation for this new tariff, globally accepted insurance techniques were utilised, and comprehensive models were prepared with advanced software applied to databases consisting of millions of records.

Along with the Undersecretariat of the Treasury’s Circular Letter Regarding Securing Sufficient Coverage for Catastrophic Risks and Taking Measures against Issues Disruptive to the Market and to the Financial Structures of Companies in 2010, important changes were made to the insurance companies’ technical reserves. The application of recourse reduction from outstanding
claims was eliminated, and new regulations about accrued income from insurance companies and third parties were put into effect. Further, the Undersecretariat put into force a communiqué on compulsory liability insurance for medical malpractice. The communiqué made this insurance compulsory for doctors in Turkey and added a new line to the expanding liability insurance branch.

While energising its business processes through technological innovations, Anadolu Sigorta was reinforcing its leading position with applications that supported its agencies and insured. Anadolu Sigorta’s corporate showcase, its website www.anadolusigorta.com.tr, redone with improved technology, better security, modern style and a lively design, exhibited the company’s command in the digital field. As well, the website offered virtual service and applications such as an e-learning portal for Anadolu Sigorta agents, titled ‘Super Insurance School’, an online transactions section and risk engineering information.

One of Anadolu Sigorta’s main aims was to broaden the market with the right products after discerning the direction of the country’s development. Turkey had experienced rapid growth in recent years, thanks to structural reforms and new financial strategies. In order to support sustainable growth, it was important to enable Small and Medium Sized Enterprises, which provide expansive employment, to grow and become more competitive. To do this, insurance companies had to concentrate on products tailor-made for SMEs and to improve the liability insurance policies that had not yet reached their full potential in Turkey. Projections gave priority to professional indemnity insurance as products to be improved, so Anadolu Sigorta launched the ‘SME Package Policy’ to provide, especially in times of crisis, more security to SMEs, which add big value to the country’s economy. Developed by analysing the enterprises’ requirements, this product aimed to increase the SMEs’ competitiveness and export capacities, thus contributing indirectly to Turkey’s economy.

Professional indemnity insurance, which protects the insured against indemnities to be paid for losses caused while practising their profession, was expected to spread to a wide range of professions, thus expanding the number of participants in the near future. The new Turkish Law of Commerce strengthened this expectation. It was thought that the new legislation would increase the insurance industry’s business volume. Along with the law’s liability insurance, its regulations on remote sales would allow expansion of the industry’s scope and thus boost premiums production. In line with these expectations and while developing the range of products for SMEs, Anadolu Sigorta was focusing on and investing in professional liability insurance products. To raise insurance awareness in Turkey, on behalf of the industry’s development, was one of the five main principles of Anadolu Sigorta’s mission. Accordingly, the company aimed to enhance its contribution to the industry’s and economy’s growth without compromising on its ethical principles or on its target of profitable growth.

In the 21st century, Anadolu Sigorta has maintained its function of shaping and setting the standards for the Turkish insurance industry, through its innovative applications and solutions. In this context, the company has continuously increased its contributions to the maritime industry and handled, under the heading of Cargo Insurance, all cargo insurance, and hull and associated risks insurance policies. As the result of these contributions to the Turkish maritime industry, Anadolu Sigorta received the Lloyd’s List’s ‘Maritime Service Award’ at the ‘Third Turkish
According to Anadolu Sigorta’s financial status and operation results, the company’s assets increased to 2,498 million TL in 2012, a growth of 13.1% over the previous year. The total premiums production increased to 2,235 million TL in 2012, a growth of 16% over the previous year and thus giving Anadolu Sigorta a 13.1% market share among the primary companies. The largest premiums generating branch of Anadolu Sigorta was land vehicles insurance, with 33.3% of the total premiums production in 2012. Land vehicles liability insurance followed at 21.6%, fire and natural disasters at 15.6%, and the illness/health branches at 9.4%.

As of 31 December 2012, Anadolu Sigorta runs its operations with 10 Regional Branches, including Cyprus, and 915 employees.

THE ‘ONE MASTER - A THOUSAND MASTERS’ PROJECT

Anadolu Sigorta is a leader in new product design, in service, and in technology. It has achieved a sustainable structure through continuous reconfiguration. In addition to its financial identity, the company has also enjoyed leadership in social responsibility. One of Anadolu Sigorta’s recent projects with social content is directed toward traditional Turkish arts and crafts, inaugurating one of the most impressive social responsibility projects in recent years.

Anadolu Sigorta initiated this project in response to its target audiences’ expectations and in line with its corporate strategy of crowning its 85th Anniversary in 2010 with a large-scale project. The purposes are to kindle the public’s interest in near-defunct traditional crafts and local assets; to revive these crafts; and to carry into the future the experience of these crafts’ masters. The Ministry of Culture’s Research and Education Directorate is the project’s technical advisor, specifying the 50 crafts and the relevant NGOs, and the Ministry’s City Directorates set these NGOs to work. Each year, five cities and five crafts are selected from the Ministry of Culture’s list of suggestions, and 15 to 20 trainees are instructed in each craft. In 10 years, a total of 1,000 master artisans will have been developed. These crafts will be saved from extinction by virtue of the training the new craftsmen receive from the experienced masters. Thus, these national assets will be passed to the future and these regional assets will be preserved.

In the 2010 segment of the ‘One Master – A Thousand Masters’ project, the five crafts and cities selected were Karagöz Figuration (characters in a traditional Turkish shadow play) of the city of Bursa, Meerschaum Carving of Eskişehir, Edinekâri Art (traditional painting and varnishing of wood or leather) of Edirne, Kutnu Weaving (a traditional silk-based cloth) of Gaziantep, and Kazaziye (a traditional jewellery made with threads of gold or silver) of Trabzon. The trainees received basic training in these five crafts during courses in these five cities organised by the NGOs chosen by the Ministry. The crafts and cities selected for 2011 were Kargı Cloth Weaving (a traditional cloth-weaving method) of Çorum, Silk Weaving of Hatay, Stone Working of Mardin, Bone Combs of Sivas, and Savatlı Silver Work of Van. The crafts and cities for the following year were Mother of Pearl Inlaying of Ankara, Rug and Carpetbag Weaving of Kars, Glassblowing of Muğla, Earthenware Pottery of Nevşehir, and Woodblock Printing (on cotton or silk cloth) of Tokat. The crafts and the cities selected for 2013 were Traditional Carpet Weaving of Gördes/Manisa, Wood Carving of Maraş, Needlepoint Art of Namrun/
Mersin, Basketry of Rize, and Hand Weaving of Karaca/Tekirdağ.

Anadolu Sigorta’s corporate social responsibility project ‘One Master – A Thousand Masters’ has received international recognition. The company took 2011’s Galaxy, ARC and LACP Vision awards for the project. In 2012, the project earned the company the Silver Award in the ‘Corporate Social Responsibility Program of the Year in Europe’ category at the International Stevie Awards, the Golden Sabre award from the Holmes Report, the Demirkent award from Dünya Newspaper, and the Corporate Social Responsibility Project of The Year award from the Turkish Association of Advertising Agencies. İZ TV, a documentary TV channel, produced a documentary film of the project, and filmed the courses in every city for archival purposes.

In 2011, Anadolu Sigorta, with the special cooperation of Isbank, solved the financing problem of reviving these crafts. Isbank will grant microloans with special conditions to the trainees in the ‘One Master – A Thousand Masters’ project. Trainees with technical equipment and a certificate of participation can apply to Isbank for these loans. Thus, in addition to providing training in the crafts, Anadolu Sigorta is supporting the revival of the crafts.

Along with its sustainable financial strength, Anadolu Sigorta possesses a widespread and effective service network. The company’s human resources are skilled and experienced. The company is supported by its synergy with Isbank, its founder, and thus is transparent and gives priority to ethical values and the utmost consideration to human values.

Another sponsorship the company undertook in 2010 within the scope of the ‘One Master – A Thousand Masters’ project was the ‘Living Human Treasures Award’, which aimed to safeguard Turkey’s intangible cultural heritage and pass it on to future generations. The event, a collaboration between the Ministry of Culture and TRT (The Turkish State TV channel).

To prevent sea pollution and to contribute to the fight against it, Anadolu Sigorta initiated a collaboration with Deniz Temiz Derneği/TURMEPA [Clean Sea Association], a group working to clean up Turkey’s seas. According to the protocol the two parties signed in 2011, Anadolu Sigorta will transfer to TURMEPA a portion of its revenues from all its marine vessel insurance.

Anadolu Sigorta’s goals are to be the first choice of everyone in need of insurance, and to be a standard of reference in the international insurance business. The primary principles of Anadolu Sigorta’s mission are to steer the industry, to raise insurance awareness in Turkey, to implement a customer-oriented approach, to increase the company’s financial strength to international standards, and to increase the company’s value. Since its foundation, Anadolu Sigorta has maintained its industry leadership and effectively utilised its accumulated experience to create economic and social value. It adopted the principle of being a profitable enterprise with a balanced growth strategy. Anadolu Sigorta, Turkey’s first national insurance company and the insurance industry’s leader, equipped with its strong corporate structure acquired through its accumulated experience, and in accordance with its mission and vision, will continue to maintain both its contributions to the development of the Turkish insurance industry and its strong position as the industry’s standard of reference.
CONCLUSION: TOWARD THE FUTURE

While the Turkish Republic was being built, a national insurance market was non-existent. Turkey was a country where foreign insurance companies, working with ample resources, operated in competition with local enterprises. The transition from an empire restricted by capitulations to a nation-state necessitated the founding of national financial institutions. Anadolu Sigorta was one of the first manifestations of the ‘national economy’ concept which dominated the Republic’s first years.

Since its establishment, Anadolu Sigorta has been the backbone of the insurance industry of the Republic of Turkey, a secular, democratic and contemporary country founded after many struggles and sacrifices. Equipped with the pride in being the Republic’s first insurance company, with a sense of responsibility, and with strength acquired from history, the company has served the nation with the perseverance and excitement of its first day. As a pioneering corporation, the company has
carried the Turkish insurance industry to a reputable standing. Throughout this time, Anadolu Sigorta has aimed to raise its market share without sacrificing its profitability. Its pricing strategy, services offered to the insured, and support given to distribution channels have all contributed to this aim.

With the power acquired through almost 90 years of experience, Anadolu Sigorta has continuously initiated new projects to sustain its pioneering and competitive position in the industry and to streamline its business operations. In this context, the company has budgeted millions of dollars for the C2C (Closer to Customer) Project, which aims to implement change without abandoning the company’s roots by reviewing and renewing all of its business processes.

Anadolu Sigorta’s primary principles for the future are to sustain its national leadership in compliance with its corporate targets and vision; to reach international standards by analysing and improving its business processes; to embed the process-management system in its company operations; to reduce costs and increase its market share while raising the level of its customer service in accord with the ‘maximum service’ approach; and to implement these changes while maintaining the norms of the values inherited from its history, almost contemporary with the Republic.

The first insurance company of the Republic of Turkey, Anadolu Sigorta aimed to secure the nation’s assets and to instill in the Turkish public the concept of insurance security in lieu of fatalism. Moving toward its centenary, the company’s aim is to have an Anadolu Sigorta policy in every household in Turkey.

With its secular, democratic and contemporary identity and with its innovative applications and solutions setting standards for the industry, Anadolu Sigorta is a company that has shaped the Turkish insurance industry. Anadolu Sigorta was the pioneer institution of the Turkish insurance industry: it was ‘Turkey’s Insurance’.

NEW HEADQUARTERS
AT KAVACIK

On 2 December 2013, Anadolu Sigorta relocated its headquarters operations from the offices in Levent İş Kuleleri, where they have been taking place since 2001, to new premises in Istanbul’s Kavacık district... All of the headquarters operational units formerly located in the İş Kuleleri building have moved to

THE 85TH-YEAR FILM AND ATATURK

Anadolu Sigorta, founded on 1 April 1925 under the leadership of Isbank, which was established in 1924 as Turkey’s first national bank by the initiative of Gazi Mustafa Kemal Atatürk, the great statesman and founder of the Turkish Republic, celebrated its 85th anniversary with a commercial film. Shot in Erzurum, the film recounts the founding of Anadolu Sigorta, which, backed by the power of Isbank, was established to secure the assets of the young Republic. The film shows scenes of Atatürk and a big retinue visiting the villages devastated in the 1924 Erzurum-Pasinler earthquake. Conversing with an old man calmly sitting among the ruin, Atatürk is very moved by the old man’s dignity and his unselfish attitude in not expecting any help from the state. Six months after this encounter, Anadolu Sigorta was established as a solution to such disasters.

In this 102-second advertising film, Macedonian actor Mustafa Preševar plays Atatürk.
The Future Of The Past
Anadolu Sigorta
Turkey's Insurance

ANADOLU
ANONİM TÜRK SİGORTA ŞİRKETİ
the company’s new premises in Kavacık. So have the Corporate Insurance Department, the Risk Engineering Department, and the Auto Claims Department (formerly located at Şişli Beytem Plaza), the Contact Center (formerly located at Merter İş Merkezi), and the Bancassurance Department (formerly located at Kadıköy K2 Plaza). As a result of this move, all Anadolu Sigorta headquarters operations other than those of its regional departments have been brought together under a single roof.

Anadolu Sigorta’s new office building includes specially-designed waiting and meeting spaces of various sizes and equipped with amenities capable of addressing visitors’ needs, rooms for meetings with business partners, a cafeteria, a health & sport complex, conference rooms, a foyer, and similar support facilities. All physical amenities are provided at Anadolu Sigorta’s new Kavacık headquarters in order to ensure that the workplace environment is as pleasant and enjoyable for personnel as it is productive both during and outside working hours.

Anadolu Sigorta’s new headquarters are located in Kavacık, an up-and-coming district that is set to become one of Istanbul’s leading business centers. The new building has a direct link to the Fatih Sultan Mehmet bridge spanning the Bosphorus nearby.

Anadolu Sigorta’s headquarters were designed and executed to be an eco-friendly, “green” building as well.
### HİKÖMLER

- Şirket hâlâ ülkeye göre sigorta muamelesi
- Gerek hayâti üzerine sigorta muamelesi
- Hayâti üzerine sigorta muamelesi
- Şirket hâlâ ülkeye göre sigorta muamelesi
- Gerek hayâti üzerine sigorta muamelesi

### İŞTİRA VADELERİ

| Madde 3. | Şirket hâlâ ülkeye göre sigorta muamelesi
| Madde 4. | Şirket hâlâ ülkeye göre sigorta muamelesi
| Madde 5. | Şirket hâlâ ülkeye göre sigorta muamelesi

### MERMİTSİYET

| Madde 6. | Şirket hâlâ ülkeye göre sigorta muamelesi
| Madde 7. | Şirket hâlâ ülkeye göre sigorta muamelesi

### MERMİTSİYET

| Madde 8. | Şirket hâlâ ülkeye göre sigorta muamelesi
| Madde 9. | Şirket hâlâ ülkeye göre sigorta muamelesi
DOCUMENTS
Drawings by Ramiz
1937
FIRST BENEFIT

Death is not predictable, it may come anytime
We may be buried while hoping for a long life!
The day a household tumbles, a family falls,
Those at home go hungry when we pass away!

Our mind goes to rest forever
But poverty arrives promptly at our house:
Our child, our widowed better half
Will starve, worse than death!

With Life Insurance taken out while alive
Our child will survive this disaster!
Our spouse will remember us, in mourning but grateful,
Our soul finds peace while they get by!

Just think:
Why are 80% of foreigners happy and rich?
Because, for them, Life Insurance is as vital as air and water. All families in Europe insure their futures.
Anadolu Sigorta will save you from disaster with these seven benefits.

Widow: - My husband, while he was alive, worked and provided for us. Now he is dead. We are condemned to misery!

- No! He thought of this disaster and had a Life Insurance policy from Anadolu Sigorta. I just brought your money. You will not be poor!
Catastrophes do not give warning,  
Maybe we will be disabled and unable to work!  
When invalid, we cannot cope with a job,  
Our income will be cut, as we can no longer work!  

Who will lend a hand to an invalid?  
Who will provide for a cripple, for a lifetime?  
No one to soothe us, no one to inquire about our health,  
Even those closest will scatter!

On that date insurance shall befriend us,  
Only insurance will bother to rescue us:  
It will pay in full, even if we do not die,  
Our only foul-weather friend (Anadolu)?

Advice to be heeded:  
No, there is no warning when catastrophe comes!  
If you become disabled and cannot work anymore because of an automobile, tram or any other accident, you will be fired even if you have worked for 40 years. If you have no wealth, there’s only thing you can be: a beggar…  
But if you take out an insurance policy, you will save yourself from starving. Come to Anadolu Sigorta for this second benefit.

Invalid: - I had an accident and am disabled. I will not be able to work anymore!  
- The Life Insurance you have with the Anadolu Sigorta Company is enough to let you live in security. With this money, you will not be in need!
THIRD BENEFIT

Health or illness...both may happen...you cannot escape:
Fate...God’s will...What can be said?
For example, if we are not careful even when walking,
We may injure an arm or a leg!

We may stay in bed for several days,
Then we will persevere!
But we may be bed-ridden,
And not make any money, and spend all we have!

How can a poor man like this pay his debts?
We have only enough to get by!
Insurance again befriends us,
Asks for money, and covers our instalments!

Important note:
You may be insured by any company. But if your income
is cut because of an accident, they will still ask you to pay
your insurance instalments, even if you cannot afford
them. You will not be able to pay!
But Anadolu Sigorta, on this black day, will not ask for
your instalments!

Patient: - I have a temporary disability. I cannot work for the time being. How will I pay my insurance instalments?

- Anadolu Sigorta will not ask you to pay until you are well. You are insured for free!
FOURTH BENEFIT

Every year the customer receives money
Like sharing the insurance company's profit!
The insured are of course happy:
Is there a nicer profit than dividends?

If you save and pay a little money,
On one hand, the insurance will cover you
And on the other, you will receive dividends from your savings,
Your budget will expand!

If you love your country, if you care about your purse,
Recognise the company that you own!
This big, old company will make you rich:
Get your insurance from Anadolu!

Two birds with one stone:
The money you pay for your insurance will provide for
your life and for your future. But like a bank deposit, your
money will provide you with dividends.
Anadolu Sigorta gives you the chance to kill two birds with
one stone.

- On one hand, your insurance covers your life; on the other hand, you receive a dividend from your
insurance payments. Anadolu Sigorta offers you such an income. Aren't you lucky?
FIFTH BENEFIT

No matter how prudent and thrifty we are,
And we manage to save for a rainy day;
We may be short of money any day,
We may need a large amount!

In the face of a catastrophe, even if we appeal all around
We may not find a solution, and be left empty-handed!
We will clutch at a straw like a drowning man...
And borrow money from a loan shark, at one hundred per cent interest!

The interest piles up; we cannot pay the debt,
Life becomes a dungeon!
If you need money, Anadolu supports you,
Relieves you from this difficulty!

- I need to borrow money; how can you make it easier for me?
- We cannot lend money without a mortgage!

- I have life insurance with you. Can you lend me a portion of my savings?
- We will gladly lend you money. If you hadn’t had the wisdom to take out life insurance, you would be in difficulty today. Anadolu Sigorta will help you now!

In case of calamity:
Yes. A day may come when you will not have two cents to rub together. You will not need to appeal to anybody on such a day, Anadolu Sigorta will help you!
SIXTH BENEFIT

When young, we still enjoy life even if we are poor:
Being young is fun, we are strangers to grief!
We can endure poverty in youth,
But it is hard to tolerate misery in old age!

The small streams and brooks flowing down the mountains,
Fill up the big lakes you see!
Save money drop by drop; months and years will flow,
And your coffers will fill with gold!

Bitter is death of the young, and poverty of the old.
It is impossible to harvest if you do not sow, or swallow
if you do not chew. After having paid your insurance
for years, you will receive the money when you need it
most. You will thank Anadolu Sigorta at the start of your
prosperous old age.

- I am rich, thanks to the life insurance I had with Anadolu Sigorta. I will spend the rest of my life travelling, in my car and in the mansion I will buy!
SEVENTH BENEFIT

We get married... We wish for a child... We have the child... and work to raise the child! The child’s future has to be secured, too, This is possible if insured at an early age!

Before we can leave our savings to the child, We may suddenly pass away! Insurance will continue without having to pay, The child receives it when of age, and will not end up poor!

The child won’t have to ask anybody for even a dime, A young girl becomes a bride, wearing her wedding gown and veil! With her Dowry Insurance from Anadolu, She will have a tidy sum and be happy!

The biggest desire:
Think! Aren’t our children our most precious possessions and our biggest hopes? But if they end up poor when we pass away, how can we rest in peace? If we hurry and take out a dowry insurance policy for our children, we need not worry anymore.

- I am a well-off girl today, thanks to the dowry insurance I had with Anadolu Sigorta when I was a child. Although I am an orphan, I can get married without anybody’s help!

- My father insured me with Anadolu Sigorta when I was a child. Thanks to the money I have now received, I will complete my education and have start-up capital.
The Board Members, Auditors and Management Teams for the First 15 Years of Anadolu Sigorta

1925-27

Chairman: Mahmud Celâl Esquire – General Manager of Isbank
Vice-Chairman: Fuad Esquire – Member of Parliament for Rize, Chairman of the Aviation Society of Turkey
Member: Hasan Esquire – Member of Parliament for Trabzon, Vice-Chairman of the Grand National Assembly
Member: Mahmud Esquire – Member of Parliament for Siirt, Chairman of the Board of Directors of Isbank
Member: Salih Esquire – Member of Parliament for Bozok
Member: Edip Servet Esquire – Member of Parliament for Istanbul
Member: Yelkencizade Lutfi Esquire – Adviser of the Monopoly Administration of Spirits and Alcoholic Drinks Joint Stock Company, Former Secretary-General of Isbank
Member: Enver Bey – Former Member of Parliament for İzmir

Management Team:
Manager: Ahmed Vefik Bey
Assistant Manager: Rabbani Fehmi Bey
Technical Adviser: Monsieur Antuan Piyos
Technical Adviser: Ahmet Vefik Bey

Auditors and Accounts Inspectors:
Ahmed Muvaffak Bey: General Accounting Manager of Isbank
Manysazade Rufi Bey: Board of Directors Member of Emlâk ve Eytam Bank
Hakki Savfet Bey: Assistant General Manager of Emlâk ve Eytam Bank

1928 – Second Fiscal Year

Same as the previous year, except for Auditor Manysazade Rufi Bey.

1929 – Third Fiscal Year

Chairman: Mahmud Celâl Esquire – Former Minister of Finance, General Manager of Isbank
Vice-Chairman Fuat Esquire – Member of Parliament for Rize, Chairman of the Aviation Society of Turkey
Member: Mahmut Esquire – Member of Parliament for Siirt, Chairman of the Board of Directors of Isbank
Member: Salih Esquire – Member of Parliament for Yozgat
Member: General Hakki Şinasi – Whip of the Republican People’s Party, Member of Parliament for Istanbul

Member: Edip Servet Esquire – Member of Parliament for Istanbul, Manager of Balya Karayıdn Minerals Joint Stock Company
Member: Osmanzade Hamdi Esquire – Member of Parliament for İzmir
Member: Kâzım Refik Esquire – Personnel Manager of Isbank
Member: Sakizade Kemal Esquire – Merchant

Management Team:
Manager: Rabbani Fehmi Bey
Assistant Manager: Sait Rıza Bey
Technical Adviser: Mr. Antuan Piyos
Technical Adviser: Ahmet Vefik Bey

1930 – Fourth Fiscal Year

Same as 1929

1931 – Fifth Fiscal Year

Assistant Manager: Kemal Bey
The others same as 1929 and 1930

1932 – Sixth Fiscal Year

Same as the previous year

1933 – Seventh Fiscal Year

Replacing Mahmud Celâl:
Kılıç Ali Esquire – Member of Parliament for Gazi Ayıntap, Board of Directors Member of Isbank

1934 – Eighth Fiscal Year

Same as the previous year

1935 – Ninth Fiscal Year

Same as the previous year – Now with surnames (following adoption of the Surname Law in 1934):

Management Team:
Rabbani Tunaman, Kemal Celâl, Antuan Piyos, Vefik Sertel.

1936 – Tenth Fiscal Year

Radical change due to partnership with Ziraat Bank:
Board of Directors increases to 10 members.
Replacing General Hakki Şinasi Erel, Kâzım Refik Anabolu and Kemal Saka:
Muammer Eriş – General Director of Isbank
Sabit Sağinoğlu: Chairman of the Board of Türkiye Ziraat Bank
Kemal Zaim Sunel: Board of Directors Member of Türkiye Ziraat Bank
Dr. Cevdet Nasuhi Savran: Board of Directors Member of Türkiye Ziraat Bank

Financial Adviser: Mr. Muammer Eriş
Auditors:
- Mr. Fazıl Öziş
- Mr. Muvaffak İşmen
- Mr. İhsan Abidin

Management Team:
- Director: Mr. Halil Mirat Yenel
- Assistant Director: Mr. Kemal Ayral
- Technical Adviser: Mr. Refi Celâl Bayar
- Technical Adviser: Mr. Yusuf Ziya Öziş

1937 – Eleventh Fiscal Year
Mahmut Soydan and Dr. Cevdet Nasuhi Savran resign from the Board of Directors. The Board of Directors has nine members once again. İhsan Abidin Akıncı [Türkiye Ziraat Bank Board Member] replaces Dr. Cevdet Nasuhi Savran.
Dr. Cevdet Nasuhi Savran is appointed Auditor, replacing İhsan Abidin Akıncı.

1938 – Twelfth Fiscal Year
Nusret Meray [Türkiye Ziraat Bank General Director] replaces Kemal Zaim Sunel. Hulki Alisbah replaces Dr. Cevdet Nasuhi Savran as Auditor. Osman Fikret Arkun replaces Kemal Ayral as Assistant Director. Technical Advisership reduced to one person: Yusuf Ziya Öniş
Two Assistant Directorships are introduced: Kemaleddin Suher, Şeref N. Serdengeçti

1939 – Thirteenth Fiscal Year
With the exception of Nedim Servet Tör, all Board Members were changed. Chairman: General Şefik Türsan (Retired)
Vice-Chairman: Mr. Enver Tekand
- Member: Mr. Hilmi Devres
- Member: Mr. Sami Pankoğlu
- Member: Mr. Sükrü Pala
- Member: Mr. Haydar Vaner
- Member: Mr. Emin Draman
- Member: Mr. Nedim Servet Tör
- Member: Mr. Ali Haydar Sağuroğlu

Auditors:
- Mr. Mazhar Nedim Göknül
- Mr. Etem İzzet Ayaydın

Mr. Muvaffak İşmen

Management:
Assistant Managership is reduced to one: Şeref Serdengeçti.

1940 – Fourteenth Fiscal Year
Vice-Chairman: Haydar Vaner.
Raif Köseraif replaces Enver Tekand.
Nureddin Suner and Baki Sedes replace Etem İzzet Ayaydın and Muvaffak İşmen as auditors.
Kemaleddin Suher becomes the Assistant Manager. Rakım Enç starts his duty as the second Assistant Manager.

1941 – Fifteenth Fiscal Year
İzzet Çintav replaces Baki Sedes as Auditor.
Kemaleddin Suher becomes the Technical Adviser.

Management Staff for the First 40 Years

Anadolu Sigorta’s first manager, Ahmet Vefik Sertel, was the grandson of the famed General Vefik. He performed his management duties from March 1925 to March 1929, exactly four years, and then resigned to take on the company’s Technical Advisership. Rabbani Fehmi Tunaman replaced him as the Company Manager. Sair Riza Sevsay was appointed Assistant Manager on the same date, but shortly thereafter was appointed Assistant Manager of Milli Re, which was founded in 1929. Kemal Ayral was appointed Assistant Manager of Anadolu Sigorta. This staffing arrangement continued until 1935, when Rabbani Fehmi Tunaman became Manager of the newly established Güven Insurance and Ahmet Vefik Sertel, the previous manager, returned to manage the company for five months - from 11 July to 8 October.

Halil Mirat Yenel, the fourth manager, started his duties on 8 October 1935, when the other management personnel were Assistant Manager Kemal Ayral and Technical Adviser Vefik Sertel. In 1936, Refi Bayar was appointed Technical Adviser and Kemal Süher became Assistant Manager. Osman Fikret Arkun and Şeref Serdengeçti were both appointed Assistant Manager in 1937. Kemal Süher was transferred to the Technical Advisership in 1940, and Rakım Enç replaced him as Assistant Manager. Şeref Serdengeçti resigned from Anadolu Sigorta in 1942.

There were major management changes in 1947. Suphi Tanel was appointed Manager, and Burhan Olçaytuğ and Bülent Kozlu both became Assistant Manager. In 1949, Bülent Kozlu resigned from his post and Ekrem Berken replaced him.

In 1952, Reşit Egeli was appointed Manager and Burhan Saltuğcu became Assistant Manager. Osman Nuri Göver became the sixth manager of Anadolu Sigorta in 1953. Two years later, Veyis Emre was appointed Manager, and Selahattin
The third article dictates the principle that foreign insurance companies must have a single general representative in Turkey. The purpose of this provision is to have only one person responsible for the payment of government duties and taxes, and for full compliance with the legislation. Many foreign companies now have several general representatives with similar powers in various regions of the country, and this creates confusion with financial and administrative supervision.

The fourth article is about the insurance organisation Sigortacılık Daire-i Merkeziyyesi [The Central Office of Turkish Insurers]. In all countries where insurance exists, similar organisations are assigned to initiate the regulation of insurance tariffs and to manage the affairs of insurance companies. An example of such an organisation is the Casper Office Company, in England, which has been performing this duty for almost a century.

The fifth article is about the necessity for domestic and foreign insurance companies operating in Turkey to have adequate financial capacity, and to set aside the required minimum amounts of capital and reserve funds for this purpose.

The sixth article is about the license the Ministry of Commerce will issue to insurance companies, and the fees required for this license.

The seventh article is the enumeration of the necessary legal procedures for insurance companies, concerning bankruptcy, modification of the capital structure, merging with other companies and changing their representatives.

The eighth article is about the legal procedures for foreign companies to establish secondary branches and agencies in other regions of Turkey.

The tenth and eleventh articles impose the obligation of setting up fixed and variable reserve funds separately for all insurance branches. The fixed reserve fund for fire and life insurance branches is set at seventy-five thousand liras, more than for the other branches because the transactions of these two branches are for larger amounts and cover longer periods of time. The fixed reserve fund for maritime cargo insurance is set at only twenty-five thousand liras; the duration of cargo insurance contracts being very short, this amount has been deemed sufficient.

When the amounts in the variable reserve funds, which are proportional to the companies’ transaction volumes and increase as the transaction volume increases, reach the level of the fixed reserve fund, the fixed reserve fund can be reduced by half. This method is accepted and applied in many foreign countries. Foreign companies are obliged to keep their reserve funds in cash or government bonds.

The twelfth article is about the liquidation of the accounts of foreign companies who go bankrupt or suspend their operations. The financial statements of all insurance companies shall be prepared in accordance with the thirteenth and fourteenth articles. The regular preparation of financial statements by foreign insurance companies operating in Turkey will allow the inspection and supervision of such companies, as is done in all civilised countries.
auditing of their operations, and will provide the means to prepare general statistics about the country's insurance business.

The seventeenth article dictates that all the general conditions of insurance have to be reviewed and approved by the Ministry of Commerce.

The eighteenth article prevents unlicensed companies from operating. Many large insurance transactions in the Istanbul market today are performed by companies not registered in Turkey. The public, in order not to pay the official fees for their insurance contracts, choose to be insured by unregistered domestic and foreign companies. As this adversely affects the Treasury, it has been deemed necessary to apply legal sanctions against those failing to comply.

According to the twentieth article, itinerant agents and brokers employed by insurance companies have to hold an identity document to be issued by the Ministry of Commerce.

The twenty-second article is about reciprocal insurance companies.

The remaining articles of the law consist of provisions about sanctions and punishments.

Additionally, experience with supervising companies has led to the conclusion that regular and continuous supervision of insurance companies, to which the public entrusts its savings, its goods and its property, would be especially beneficial for all parties.

The Preamble of 23 May 1926 to the Reinsurance Monopoly Law No. 1160:

“There are nearly fifty insurance companies operating all around the Republic of Turkey, eight of which are Turkish and the remainder are foreign. The total annual premium revenues collected by these are over six million liras, almost a third of which is transferred as reinsurance to reinsurance companies in foreign countries. This situation conflicts with the economic policies of the Republic’s Government in two ways.

Firstly, approximately four million Turkish liras for reinsurance payments are taken from our national wealth and transferred abroad through banks every year, thus considerably reducing our foreign currency balance. Secondly, this money transferred to foreign countries comes out of the pockets of our citizens and merchants and goes directly into the vaults of companies and owners of capital in foreign countries, without any benefit to the state Treasury. In this context, this bill is designed to provide benefits to the state Treasury while not disrupting the operations of the domestic and foreign companies who pay taxes to the state. According to the law, insurance companies which undertake insurance work according to their capacities will no longer have their net premium amounts, after deductions for their own retention shares, reinsured by reinsurance companies abroad. Instead, the companies will be obliged to have fifty per cent of these amounts, after deductions for the Treasury-specified retention shares, reinsured by a national reinsurance company to be founded by the state. This will keep several million liras in the country and provide the Treasury with an annual income.”

The Minutes of Anadolu Sigorta’s First Shareholders Assembly

The First General Shareholders Assembly

Here are the minutes of the assembly of the company founders, held in Ankara on 16 March 1925.

The following people attended the assembly.

On behalf of the Isbank Joint Stock Company,
Mahmud Celâl Bey and Mahmud Bey.

Hasan Bey, who would have attended on behalf of the İttihad-ı Millî Company, excused himself and ceded his right to vote to Mahmud Bey.

The formation of the Company – Mahmud Celâl Bey started the assembly by declaring that the company’s constitution had been accepted at the Cabinet Meeting of 8 March and had received the approval of the Presidency of the Republic of Turkey the next day. As the capital had been fully committed and signed for, and twenty-five per cent of it had been collected in cash, the company was legally established. He then read the Ministry of Commerce’s official memorandum concerning approval of the company’s constitution.

Board of Directors – As the first Members of the Board should be elected by the delegates in accordance with the constitution’s eleventh article, the appointments of the people listed below were accepted.

a - From Isbank Joint Stock Company
Mahmud Celâl Bey
Fuad Bey
Mahmud Bey
Salih Bey
Kâzım Refik Bey

b - From İttihad-ı Millî Company
Hasan Bey
Edib Servet Bey
Yelkencizade Lutfi Bey
Enver Bey

The total per diem allowance for the first fiscal year was specified as 2,000 Turkish liras, to be distributed in a procedure to be approbated by the members.

Accounting Auditors – As mandated by the thirty-fourth article of the constitution, the assembly moved to the appointments of accounting auditors, and Rüfi Bey, Ziraat Bank’s Assistant General Manager, and Muaffak Bey, Işbank’s Accountant were appointed accounting auditors, severally or jointly.

A fixed per diem allowance of 100 Turkish liras was appropriated for each appointee.
Founders’ shares – Further, in accordance with the constitution’s forty-first article, it was decided that of the 1,000 founder shares issued, 600 would be held by Isbank Joint Stock Company and 400 by İttihat-ı Millî Company, and the distribution method of the shares would be specified in a subsequent announcement. As discussion of the agenda items was concluded, the assembly adjourned.

The Minutes of the Board of Directors’ First Meeting, Held in Ankara on 16 March 1925

Mahmud Celâl Bey and Hasan Bey started the meeting by declaring that the company’s constitution had been accepted by the Cabinet and received the approval of the Presidency of the Republic of Turkey, that the capital had been fully committed and signed for and twenty-five per cent of it had been collected in cash, and that the company was thus legally established now.

Head Office of the Company – In line with a proposal received from Isbank, it was decided that the company’s central administrative office in Ankara would be set up in Isbank’s building. It was also decided that the company’s central operations office in Istanbul would be set up in İttihat-ı Millî’s company headquarters, in the Ünyon Building in the Galata district, until the transfer to the 4th Vakif Buiding.

Branches of operation, starting date of operations, general documentation – It was decided that the company will officially start its operations on 1 April 1925, in the fire, motor, and land and maritime cargo insurance branches. The Company’s Bank – Isbank Joint Stock Company was chosen as the company’s official bank...

Right of Priority – The Chairman announced that the Ministry of Commerce had notified various government offices about the right of priority, in return for the government receiving a share of the profits, included in the company’s constitution, and that the relevant general documentation had been forwarded to the Governor’s Office. The Management was assigned the task of forming an organisation in order to take full advantage of this right. Kazım Refik Bey, as Secretary, was assigned to follow up the issue in government offices in Ankara.

Ankara and Bursa Branches – As Isbank had declared its wish to represent the company in the cities where the bank had initiated its operations, it was decided to transfer the work at Anadolu Sigorta’s Ankara and Bursa branches to Isbank and to send an inspector to set up the branches in these cities.

The Method of Investing Capital – The meeting next examined channels for investing the capital and decided that part of it would be lent for mortgages, within the limits specified in the constitution, and with the condition that each loan be studied beforehand. It was additionally decided to buy 10,000 Turkish liras worth of internal government loan bonds at 5% interest, and to assign this task to the Management.

Insurance Acceptance Limits, General Conditions, Reinsurance – Meeting participants Monsieur Antuan Piyos, Manager of İttihat-ı Millî Company and Technical Adviser of Anadolu Sigorta, and Ahmed Vefik Bey, company Manager, announced that the company would operate under the technical principles adopted by İttihat-ı Millî, would utilise the same general conditions and retention limits, and would, if needed, make modifications in the future. The Board approved this and authorised the Management to design the transaction procedures and draw up the reinsurance contract.

As the agenda items were concluded, Monsieur Piyos took the floor and announced that he would do his best to fulfill the tasks given to him by both İttihat-ı Millî Company, which has undertaken to administer the affairs of Anadolu Sigorta, and the Anadolu Sigorta Management. As well, Monsieur Piyos thanked the Board Members for their valuable support.

Monsieur Piyos also announced his hope that the new company would soon develop as the shareholders expected, thanks to the benefits and the backing attained by the company. Mahmud Celâl Bey replied by congratulating Monsieur Piyos for his work, and thanked him for his wishes for the company’s development.

Anadolu Sigorta’s Registration Proclamation


From Anadolu Sigorta Turkish Joint Stock Company, established by Isbank

A company named Anadolu Sigorta Turkish Joint Stock Company, with its Central Administrative Office in Ankara and its Central Operations Office in Istanbul, has been established for a period of 40 years to engage in, domestically and abroad, life insurance and all other sorts of insurance and reinsurance, and to perform land and maritime cargo insurance and reinsurance transactions. The company has been granted a right of priority in acquiring, under equal conditions, the insurance work of government offices and government-affiliated corporations in return for transferring 25% of its profits to the government. The company constitution was accepted at the Cabinet Meeting of 8-3-1341AH and then approved by the Presidency of the Republic of Turkey. The company will engage in all insurance fields covered in its purpose of establishment statement, and especially in the following fields:


The company’s capital is five hundred thousand Turkish liras, consisting of twenty-
five thousand shares of twenty Turkish liras each. The business and affairs of the company have been assigned, by the General Shareholders Assembly, to a Board of Directors consisting of five to nine members, each owning fifty shares, for a period of three years.

The Board Members for the first three years have been appointed by the founders. The Board of Directors is fully authorised to administer the company's affairs and assets. The Board of Directors has entrusted the implementation of its decisions and the daily management of the company's affairs to a management team consisting of a manager and two technical advisers. The Manager or the Assistant Manager or two proxies with signing power represents the company in courts and government offices.

The Board of Directors must gather at least once a month, in either Ankara or Istanbul. The General Shareholders Assembly is ordinarily held in the company's head office on a date during the first six months of each fiscal year. It consists of shareholders or their proxies, each possessing a minimum of ten shares. All shareholders with the right to attend the assembly have to submit their share certificates to a location, to be specified by the Board of Directors, some time during the ten days preceding the assembly date. The General Shareholders Assembly can be held if one-fourth of the total capital of the company is represented by the attending shareholders or their proxies. After deductions from the net profit of 15% for legal reserve and 7% for interest on the paid capital, one-fourth of the remaining profit will be transferred to the government. An amount of this profit, to be proposed by the Board, will be set aside as optional, and 15% of the rest will go to founder shares, 15% to the Board of Directors, 10% to management and personnel, and 60% to shareholder dividends.

The Anadolu Company's administrative centre is at Isbank in Ankara, and the operations centre is temporarily in the Ünyon Building in Galata, Istanbul.

Ahmet Vefik
Manager of Anadolu Sigorta Turkish Joint Stock Company

Anadolu Sigorta Turkish Joint Stock Company, which, in accordance with the fortieth article of its constitution, has appropriated twenty-five per cent of its net profits to the government, has, in return, been granted a right of priority in acquiring, under equal conditions, the insurance work of government offices and government-affiliated corporations. Notice of this right of priority has been served to the relevant ministries and corporations.

19 March 1341 AH

Deputy General Manager
On behalf of the Ministry
Aziz
Vahid

Constitution of the Anadolu Sigorta Turkish Joint Stock Company

Anadolu Sigorta Turkish Joint Stock Company has been established by decision of the Cabinet Meeting of 8 March 1925 and high approval of the Presidency of the Republic of Turkey.

First Paragraph

Regarding the Establishment, Purpose, Title and Headquarters of the Company

Article 1. A Turkish joint stock company to engage in life insurance and all other types of insurance and reinsurance, and to conduct land and maritime cargo insurance and reinsurance transactions, domestically and abroad, has been established with the signatures of Messrs. Mahmud, Chairman of the Board of Isbank and Member of Parliament for Siird; Celâl, Board Member; and Hasan, Board Member of İttihad-ı Milli, Member of Parliament for Trabzon and former Minister of Commerce, on behalf of İttihad-ı Milli Turkish Insurance company, with shares divided as follows. The company engages in all insurance fields covered in its purpose of establishment statement, and especially in the following fields:

A – Insurance against fire and all consequences of fire.
B – Insurance against all types of accidents and burglary.
C – All types of insurance for human life.
D – Insurance against risks of land and maritime transportation.

Additionally, the company may engage in all commercial transactions related to its purpose of establishment statement, and is free to operate simultaneously in any or all insurance fields.

Article 2. The legal name of the company shall be Anadolu Sigorta Turkish Joint Stock Company.

Third Article— The company’s central administrative office shall be in Ankara, the central operations office shall be in Istanbul, and the company shall be
able to have agencies and branches in other locations in Turkey or even in foreign countries. The Ministry of Commerce shall be notified as branches and agencies are established.

Fourth Article – The duration of the company, unless extinguished or extended for specified reasons, shall be forty years.

Second Paragraph
Regarding the Capital and Stock Certificates

Fifth Article – The company’s capital is five hundred thousand Turkish liras, consisting of twenty-five thousand shares of twenty Turkish liras each. The General Shareholders Assembly has the authority to double the capital. The government shall be notified when the decision to increase the capital is made. The capital cannot be increased before payment of the first issue of shares has been completed. An increase of capital greater than double is possible only with the government’s approval. Samples of the stock certificates the company will issue must be sent to the Ministry of Commerce for approval before issuance.

Sixth Article – When the capital is completely signed up for and ten per cent is collected, it shall be presumed that the company is legally established. Those signing as shareholders shall receive a temporary share certificate stating the instalments payments, and when the commitment is paid in full, the temporary stock certificates shall be replaced by main stock certificates. One side of the company’s stock certificates shall be written in Turkish, and the other in French.

After the first instalments of shares have been paid, the remaining amount shall be collected either in instalments or in total, depending on the company’s needs and by decision of the general shareholders assembly, and by publishing the call in official and some private newspapers in Ankara and Istanbul at least thirty days before the collection deadline. After the entire call for capital payment is fulfilled, the Ministry of Commerce shall be notified of the fact.

Seventh Article – Unless ten per cent of the committed shares have been collected, they shall not be transferable or salable. Sixty per cent of the stock certificates shall be issued to names and their owners must be of Turkish nationality. The remaining forty per cent of the shares shall belong to their bearers after half of the value has been paid. In order transfer or sell those shares issued to names, they shall be recorded in the company’s books, and signed by the buyer, seller and company officials, and the transfer or purchase shall also be mentioned and inscribed on the stock certificate itself.

Eighth Article – Stock certificates are not divisible as far as the company is concerned. The company recognizes only one owner for each share certificate. Shareholders’ heirs or creditors can never demand confiscation of the company’s assets or property, and can never intervene in the company’s management, and they are obliged to accept the company’s accounting books and the decisions of the company’s general shareholders.

Ninth Article – Unpaid instalments of shareholders’ commitments shall be subject to an annual interest charge of nine per cent, beginning at the instalment payment deadline and without notification.

Tenth Article – The company shall have the authority to take legal action against, or enforce the sale of shares of, shareholders who have failed to pay their instalments by the time due. The number of share certificates to be thus sold shall be published and announced in newspapers; fifteen days later, the company shall have the shares sold, without the requirement of warning or legal proceedings, on the Istanbul Stock Exchange, or, if the stock is not yet listed on the Stock Exchange, at an auction. Any loss or damage incurred shall be borne by the owner of the shares. Share certificates thus sold shall be cancelled, and new share certificates shall be printed bearing the same numbers as the cancelled certificates. The money collected from the sale of these shares shall be appropriated for the shareholder’s debt to the company. If the debt is not thus settled, the company shall demand the remainder; any surplus shall be paid to the share owner.

Third Paragraph
Regarding the Company’s Internal Management

Eleventh Article – The affairs and the business of the company are delegated to a Board of Directors consisting of five to nine members appointed by the General Shareholders Assembly for three years. For the first three years, the Board Members shall be appointed by the founders, and they shall serve until the operations of the third fiscal year are examined at the General Shareholders Assembly.

Twelfth Article – Upon conclusion of the first Board of Directors’ term, the Board shall be renewed completely by election. As of this date, the Board Members shall be renewed at a ratio to be determined every three years and depending on the number of existing members. The first member to be renewed shall be selected through the drawing of lots, subsequent renewed members shall be selected according to seniority, and new members shall be elected. The re-appointment of members who quit the Board shall be allowed. All Board Members shall be of Turkish nationality.

Thirteenth Article – Although the Board of Directors shall meet when the state of affairs require it, the Board must meet at least once a month, in either Ankara or Istanbul. For the Board’s deliberations to be valid, at least one member
more than half of the members must attend, personally or through a proxy.

The decisions of the Board of Directors are validated by a majority vote of the attendees. If the number of votes is equal, the issue shall be postponed until the next meeting. If the votes are again equal in the following meeting, the proposal shall be rejected.

Fourteenth Article – The deliberations of the Board of Directors shall be recorded in a minutes book and shall be signed by the Chairman and attending members. For a copy or an extract of the minutes to be considered valid, it has to be signed by the Chairman or Vice-Chairman and two Board Members.

Fifteenth Article – Each Member of the Board of Directors must own at least fifty shares of the company. These shares shall be kept in the company’s vault and cannot be sold before the end of the Member’s term of service. These shares shall be marked with a stamp denoting that they cannot be sold.

Sixteenth Article - In the event of one or more Board membership positions being empty due to death, resignation or any other reason, the Board of Directors shall appoint temporary members, and elections for permanent members shall be held during the next General Shareholders Assembly. New members thus elected shall serve for the rest of the term of the members that they have replaced.

Seventeenth Article – The Board of Directors shall select a Chairman and a Vice-Chairman every year. A Member shall be appointed Deputy when both the Chairman and Vice-Chairman are absent.

Eighteenth Article – Members who reside abroad or are temporarily absent may appoint another Member to represent them in the deliberations. The Member who represents the absent Member shall not have more than two votes, including his own. A Member who is absent from three consecutive assemblies without a valid excuse shall be considered to have resigned, and another Member will be elected as a replacement.

Nineteenth Article – The Board of Directors is fully authorised to administer the company’s assets and affairs. Unless a restrictive obstacle exists, the Board of Directors is authorised to run the following operations:

1. To implement methods of investment and appreciation of the existing cash and reserves of the company, and to temporarily invest funds surplus to the company’s daily needs.
2. To represent the company in courts of law and against third parties, or appoint an attorney. And, in accordance with the following conditions, to authorise purchasing, exchanging, renting and hiring of all movable and immovable property, and receiving, transferring and liquidating all cash and securities belonging to the company; to invest and appreciate the company’s funds by purchasing all manner of property and real estate in cities or towns — in accordance with the legal provisions regarding the possession of immovable property by legal entities — but never to dispose of such property, through unconditional transfer, if it has been pledged as security, in accordance with the legal provisions regarding manifestation of the value of immovable property as security; to authorise loans against mortgages of properties in cities and towns (however, the loan should never exceed fifty per cent of the company’s liquidity); to contract debts of any manner directly or against mortgages of the company’s immovable properties, with the exceptions of opening lines of credit and issuing bonds; to hold in pledge the physically extant assets and other belongings of business concerns, and to release the pledges or levies and reclaims and waivers of other rights, before or after receipt of payment; to draw up operational and affiliation contracts, related to the company’s aims, with insurance and other companies; and to renew such contracts or to enact derivative acquisition of the business of another insurance company.

3. To consider and determine the general conditions of insurance contracts and the tariff rates to be applied to various types of risks.
4. To collect and receive all types of the company’s receivables, and to sign quittances.
5. To make decisions about the required settling of losses and damages, and to authorise payments of such.
6. To authorise all types of legal substitution.
7. To draw up agreements, to take action on, and receive arbitration for, all existing or future lawsuits related to the company’s interests.
8. To coordinate the accounts and call the shareholders to an ordinary general assembly, to submit to the assembly the reports of the accounting results and of the status of the company’s operations, and to submit proposals about the amount of funds to be kept as optional reserves and about the level of dividends to be distributed.
9. To call the shareholders to an extraordinary general assembly and make proposals to this assembly about any amendments or appendices to this constitution about extending the duration of the company, about merging with another company, or about dissolving the company before the end of its term.
10. To appoint or dismiss the manager, assistant managers, junior managers, agents and all employees of the company, and to determine their salaries.
11. To assign, through specific letters of proxy or through ordinary decisions, to the manager all or part of the powers mentioned in items four, five, six, seven and ten above, with the condition of cancellation at the request of the Boards of Directors.
12. To assign, through a special letter of proxy, one or more persons not employed by the company, the authority to perform specific tasks.
In summary, to implement all operations related to the company’s operation.

Twentieth Article – The Members of the Board of Directors shall receive, along with their appropriated share of net profits, a per diem allowance, to be determined and decided on by the General Shareholders Assembly, for each day of their attendance in the Board meetings.

Management

Twenty-First Article - The implementation of the decisions made by the Board of Directors and the routine management of the company’s affairs shall be entrusted to a management team, consisting of a manager and two technical advisers, which shall make its decisions by majority vote. It is possible to authorise one or more assistant managers, or other appointees, to assist the manager and to stand in for him in the event he is absent or excused.

Twenty-Second Article - The management team proposes to the Board the appointment and dismissal of all the company’s employees. The management team is directly in charge of the company’s employees, and has the right to dismiss any employee when deemed necessary. When the management team exercises this right, it reports the issue at the next Board meeting, and the Board makes the final decision on the manner of dealing with the dismissed employee. The management team may also propose the establishment or abolition of branches to the Board.

Twenty-Third Article – Every three months, the management team shall submit a report to the Board about the state of the company’s affairs.

Twenty-Fourth Article – The management team attends the Board meetings, but only in a consultative capacity and with no right to vote.

Twenty-Fifth Article – The management team, when it deems necessary, may call the Board to a meeting at any time.

The Company’s Signing Officers

Twenty-Sixth Article – The documents for buying or selling real estate and manifesting collateral, life insurance policies, annuity charge bonds and documents that absolutely bind the company financially liable shall be signed by a member of the management team and a Board Member who has been assigned this task. Letters, insurance policies other than life, and documents of correspondence shall be signed by a member of the management team or another person who has been assigned this task. The signature of the Manager or Assistant Manager, or the signatures of two attorneys with signing power, is accepted and valid in courts and government offices.

Fourth Paragraph

Regarding the General Shareholders Assembly

Twenty-seventh Article – The regular General Shareholders Assembly represents all shareholders.

Twenty-eighth Article – The General Shareholders Assembly is ordinarily held at the company’s headquarters during the six months following every fiscal year, at the call of the Board of Directors or the invitation of the Ministry of Commerce. In addition, an extraordinary meeting shall be held at the request of one-fourth of the shareholders and at the call of the Board of Directors. If the Board of Directors refuses to call a meeting, the Ministry of Commerce, when it deems necessary, may call for an extraordinary meeting and may determine the agenda. Every year, the Ministry of Commerce shall be notified about the date of the shareholders meeting, in writing and twenty days in advance of the meeting. Copies of the Board’s report, the Auditors’ report and the year’s balance sheet, all prepared for the general shareholders assembly, shall be attached to this notice, and an official from the Ministry shall attend the assembly.

The reports of the Board of Directors and the auditors, the financial statements, the minutes of the general meeting, and a table showing the names of the shareholders attending the meeting and the number of shares each owns shall all be sent to the Ministry of Commerce within one month following the meeting.

Twenty-ninth Article – The general meeting shall be attended, in person or by proxy, by shareholders possessing at least ten shares. To be represented in the meeting, shareholders owning fewer than ten shares have the right to collect ten shares among themselves and select one of themselves or another participant in the general meeting as their representative. Participants in the meeting shall have one vote for every ten shares they own, but no shareholder shall have more than hundred votes, personally or through proxies.

Thirty-first Article – The invitation to the assembly and the assembly’s agenda, in compliance with the sixth article above, shall be published in newspapers at least one month before the date of the assembly.

Thirty-first Article – The General Shareholders Assembly can be held with the condition that at least one-fourth of the company’s capital is represented by the participating shareholders or their proxies. To be able to ascertain if the participating shareholders’ shares add up to one-fourth of the capital, all the shareholders with the right to attend the assembly shall submit their share certificates to a location, to be suggested by the Board of Directors, during the ten days preceding the date of the assembly. This requirement shall be
included in the invitation announcements. Shareholders who submit their shares shall receive an entrance document inscribed with the quantity and registration numbers of their shares. At the shareholders’ request, they shall each be given a copy of the reports of the Board of Directors and auditors, and the annual balance sheet. Shareholders who attended the previous general assembly are invited to the next general assembly, regardless of the number of the shares they possess, personally or by proxy.

Shareholders present at this next assembly, regardless of the number of their shares, shall discuss the agenda items that had been approved at the previous assembly for inclusion in the next assembly’s agenda. Discussions thus held shall be in force and valid. The interval between the previous and next assemblies shall not be less than twenty days and not more than one month, and the invitations to the next assembly will be published ten days in advance of the date of that assembly.

Thirty-second Article – The Chairman of the Board presides over the General Shareholders Assembly; if the Chairman is absent, the Vice-Chairman presides. If both are absent, the Board Members elect someone among themselves to preside by proxy. The two shareholders with the least number of shares among the participants shall undertake the collection of the votes. The Secretary of the assembly shall be appointed by the Chairman and the shareholders assigned to collect the votes.

Thirty-third Article – Voting on the issues discussed during the General Shareholders Assembly shall be on a majority basis. The items included in the agenda shall consist of proposals by the Board or by individual shareholders whose shares total at least twenty-five per cent of the company’s capital. The proposals must be submitted at least ten days before the date of the assembly.

Thirty-fourth Article – The General Shareholders Assembly shall appoint one or more auditors, from among both the shareholders and non-shareholders, to audit all the accounts. The assembly’s auditors for the first fiscal year, however, shall be chosen by the founders. The auditors are responsible to the shareholders and the government for the completion of their task and the accuracy of their reports. The auditors are authorised only to audit and cannot intervene in the administration of the company. If one of the auditors cannot continue his duty, the transactions and the accounts shall be audited by the other auditors until the general shareholder assembly is held.

Thirty-fifth Article – Participants in the Annual General Shareholders Assembly listen to the reading of the annual report prepared by the Board of Directors on the affairs and business of the company, discuss the report, and accept or reject it based on the study submitted by the auditors. They determine the amount of dividends to be paid per share. They appoint new Board Members to fill vacant positions, and when necessary, dismiss Members. Through discussion, they reach final decisions on all issues and affairs of the company, and when necessary, extend the power of the Board of Directors. However, a decision to increase the company’s capital cannot be made in the General Shareholders Assembly unless the decision is a majority vote in an assembly representing at least half of the company’s capital.

Thirty-sixth Article – The minutes of the general assembly are recorded in a dedicated book to be signed by the Chairman and the Secretary of the assembly, and those assigned to collect votes. A table listing the participating shareholders’ names, addresses and number of shares is prepared, signed by the participants, attached to the day’s page in the minutes book, and is disclosed to the concerned on demand.

Thirty-seventh Article – The copy or extracts of the assembly’s minutes designated for disclosure shall be signed by the Chairman, a Board Member assigned the task, or two Board Members.

Thirty-eighth Article – Abiding by the decisions made in accordance with this constitution’s provisions during the General Shareholders Meeting is obligatory for all attendees, even those who cast opposing votes. If discussions during the General Shareholders Assembly cannot be completed in one day, a second assembly shall be held during the following week, and the date of the second session shall be announced in newspapers. A General Shareholders Assembly is not permitted on official holidays.

Fifth Paragraph

Thirty-ninth Article – The company’s fiscal year starts at the beginning of January and finishes at the end of December. The first fiscal year is an exception, however, and covers the period from the date the company is finally established to the end of December of the next year. At the end of every year, the Board of Directors shall prepare a general book listing the company’s receivables and payables, shall submit this book, along with the balance book and the accounts, to the auditors forty days prior to the General Shareholders Assembly, and shall present these at the assembly. Any shareholder certified to attend the General Shareholders Assembly is allowed to study and check these books and accounts.

Sixth Paragraph

The Government’s Share of the Profits

Fortieth Article – The government has granted the company a right of priority, under equal conditions, to all insurance jobs, within the fields of insurance covered by the company, for all government offices and government affiliated corporations. In return for this grant, the government shall receive one-fourth of the profits.
Seventh Paragraph
Regarding the Founder Shares, Distribution of the Profits, and Reserve Funds

Forty-first Article – A thousand founders’ shares have been issued. For the first five years, these founders’ shares shall be issued to names only, and shall not be sold. In compliance with the forty-second article below, fifteen per cent of the company’s net profits shall invariably be distributed as dividends to bearers of the founders’ shares. Possession of these shares does not authorise the bearers to intervene in the company’s operations or accounts. The bearers of the founders’ shares are obliged to abide by the company’s balance sheets and the decisions of the General Shareholders Assembly concerning, for instance, the amounts to be distributed as dividends and to be reserved for depreciation and amortisation, and determination of the reserve funds’ amounts. The number of founders’ shares can never be increased, even if the capital is increased, and the dividend amounts apportioned for these shares can never be changed. The founders’ shares may completely or partly be purchased by the company, ten years after the establishment date of the company, by a decree at a General Shareholders Assembly. However, the majority of the bearers of the founders’ shares have to approve this decree. If the majority approves, the objections of the minority shall not be accepted. If the decree for the purchase of the shares is accepted by the majority, the purchase price of these shares shall be calculated as follows: the two years with the lowest share values are discarded and the average of the dividends for the seven years corresponding to the date of the purchase decree shall be added to the capital at ten per cent annual interest. However, the purchase price shall not be less than ten times the dividends paid in the year before the purchase decision is made. This company’s authority to purchase the founders’ shares shall be written on the share certificates. If it is decided to purchase a portion of the founders’ shares, the number of shares to be purchased shall be determined by calculating a proportion of the total number of shares, and the number of these shares shall be published in two newspapers circulated in the city where the company’s headquarters is located. The capital required to purchase such shares shall, by a decision in the General Shareholders Assembly, be financed by either the special reserve funds that have been withdrawn in compliance with the forty-third article, or by the premiums paid by the contributors of capital who have signed and committed their participation. The dividend percentages of the purchased shares shall be added to the dividends to be distributed to the shareholders. The founders’ shares thus purchased shall be annulled.

Forty-second Article – The company’s annual profits, after deductions of all expenses, allowances for depreciation, and necessary payments for commitments, shall be distributed as follows:

- First – 10% for the reserve fund in accordance with the forty-fifth article;
- Second – Funds sufficient for the payment of seven per cent interest on the paid portion of the capital shall be reserved;
- Third – One-fourth of the remainder shall be paid to the government, as stated in the forty-third article;
- Fourth – The remaining amount shall be distributed as follows, after considering the forty-third article:
  - 15% to founders’ shares
  - 15% to the Board of Directors
  - 10% to the management and employees with the Board of Directors’ approbation
  - 60% to the shareholders as dividends.

Forty-third Article – After allocations are made for the above-mentioned legal reserve funds, for the interest on the paid capital and for the government’s share, a decision may be made at a General Shareholders Assembly, at the request of the Board of Directors, to reserve and allot an amount of the realised profit for a specified or unspecified appropriation, or simply for addition to the next year’s accounts, before implementing the above distribution.

A decision may be made at this assembly, again at the request of the Board of Directors, to change the appropriation of these optional reserve funds or even to distribute them entirely or in part. In such a case, the amount shall be distributed in accordance with the fourth item of the forty-second article.

Forty-fourth Article – If the profits are insufficient for the allocation of the seven per cent interest on the capital, the deficit will be funded by the optional reserve funds mentioned in the previous article.

If these optional reserve funds are also insufficient for the seven per cent interest payment on the capital, the interest deficit of the previous year shall be raised by seven percentage points the following year before making the profit distribution allocation, with the exception of the allocation of the compulsory legal reserve fund.

Forty-fifth Article – The reserve fund consists of the accumulation of the allocation of the percentage of the year’s profits in accordance with the forty-second article, and shall be held as coverage for extraordinary and unexpected expenditures. When the amount of the accumulated reserve fund reaches twenty per cent of the capital, allocation for the fund shall cease. When the amount of the reserve funds, due to expenditures, falls below twenty five per cent of the capital, the allocation from the profits shall recommence.

Eighth Paragraph
Regarding the Company’s Term Extension, Liquidation and Discontinuation of Operations

Forty-sixth Article – The Board of Directors may, at any time and for any
reason, call a General Shareholders Assembly and propose an extension of the company’s term, the liquidation of the company, the discontinuation of the company’s operations, or a merger with another company. If requested by a body of shareholders representing half or more of the capital, the Board is obliged to call a General Shareholders Assembly to discuss these issues. However, extension of the company’s term, and, if deemed necessary, merger with another company, and amendments to this constitution’s articles are all subject to government license.

Forty-seventh Article – If half of the company’s capital is lost, the Board of Directors shall call a General Shareholders Assembly to decide whether to dissolve the company or to continue its operations.

Forty-eighth Article – When the company’s term has expired, or the company is dissolved before its term’s expiration, the assembled general shareholders shall decide to liquidate operations and the accounts, and appoint one or several employees to clear the accounts. Decisions made in general shareholders assemblies throughout this liquidation process shall maintain the same force and authority as decisions made in times of operation. Provided they comply with the law, the employees assigned to liquidate the accounts possess the authority to implement a merger with another company through a reinsurance agreement, through the sale or transfer of property, or through any other method, and are even authorised to apply to the government for reconciliation. In other words, the authority and powers of the employees assigned to liquidate the accounts are extensive and can be restricted only by a decision made in a general shareholders assembly.

Forty-ninth Article – Following amortisation of the debts, the priority for the remaining balance is the return of the shareholders’ paid capital. If any amount remains, it shall be distributed among the shareholders, except for the founders’ shares, in proportion to their shares. At the end of the liquidation process, the liquidation team shall prepare the final balance sheet and call an Extraordinary General Shareholders Assembly, where the final balance sheet shall be submitted to the general shareholders. The Ministry of Commerce shall be notified of the company’s liquidation due to necessity, and the liquidation will be announced in newspapers.

Fiftieth Article – In order for discussions, of decisions about this paragraph’s articles, at the Extraordinary General Shareholders Assembly to be valid, at least half of the capital should be represented at the assembly, and the decisions there should be made by a majority vote of the participants. If, in the first assembly, there are not enough attending or represented shareholders, a second general shareholders assembly shall be called, and the discussions and decisions made in this second assembly shall be valid regardless of the amount of capital the participants represent.

Ninth Paragraph
Regarding Miscellaneous Articles

Fifty-first Article – In the month following government approval of the founding of the company, this constitution shall be published, verbatim and in its entirety, in the Official Gazette and a notable newspaper in the capital, and in official publications and newspapers in the cities where the company operates and has branches. Moreover, any amendments to this constitution, approved by the government, any decisions made at an annual General Shareholders Assembly, and copies of the annual balance sheets shall be published in both the capital and the provinces, as above.

Fifty-second Article – The purpose of the company’s establishment, the company’s length of duration, the names of the founders, the amount of capital, the method of capital increase, and the method of profit distribution, including the appropriations for the founders’ shares and the Board Members, shall be explicitly stated in the description the company shall publish as a share register.

Fifty-third Article – The company shall print and reproduce this constitution so that it may be given to the those concerned at their demand and so that fifty copies may be forwarded, one time only, to the Ministry of Commerce.

Fifty-fourth Article – The company shall prepare, in accordance with a template supplied by the Ministry’s Office of Statistics, a table of statistics of its annual operations and submit it to the Ministry of Commerce.

Fifty-fifth Article – The Ministry of Commerce has the right to supervise the company concerning issues related to the company’s constitution.

On Behalf of Isbank
Board Member and Chairman of the Board and 
General Manager Member of Parliament for Siirt
Mahmud Celâl Mahmud

On Behalf of İttihad-ı Milli Turkish Insurance Company
Board Member 
Member of Parliament for Trabzon Former Minister of Commerce
Hasan Hüsnü
18 March 1341 AH

This constitution of Anadolu Sigorta Turkish Joint Stock Company, approved at the Cabinet Meeting of 18 March 1341 AH and receiving the high approval of the Presidency of the Republic of Turkey, is thus certified.
This constitution was registered by the Legal Secretariat of Ankara on 18 March 1341 AH.

Anadolu Sigorta’s First Agencies Contact with Ziraat Bank, Board of Directors – 17 August 1925

Our company, established to insure all government offices and corporations affiliated with the government, must have representatives all over our country. As it is impossible to appoint agents in every town and city, however, it has been decided that the following plan would be a favourable solution: Ziraat Bank, with more than three hundred branches and loan offices throughout Turkey, should be appointed the company’s agency. However, as the branches of Isbank are the company’s defacto agents, it has been decided to appoint all Ziraat Bank branches and loan offices as the company’s agents except in Ankara, İzmir and Bursa, in cities with an expected high volume of work such as Adana and Mersin, and in the cities of old Greater İzmir Province such as İzmir, Aydın, Denizli, Saruhan and Menteşe. The task of drawing up the relevant contract with the Ziraat Bank’s General Management has been assigned to the company’s Management.

Anadolu Sigorta Turkish Joint Stock Company’s Capital is 500,000 Turkish Liras, One-fourth of Which is Paid.

- The administrative centre is in Ankara; the operations centre is in the Dördüncü Vakıf Building in Istanbul

- The Operations Report submitted at the General Shareholders Assembly of 27 March 1927, for the Accounts as of 31 December 1927

- The First Fiscal Year

- Istanbul Zelliç Biraderler Printers—Beyoğlu, Yazıcı Street 1927

- The Board of Directors’ Report for the Anadolu Sigorta Turkish Joint Stock Company General Shareholders Assembly of 27 March 1927

Gentlemen,

We hereby submit below our operations report for our first fiscal year, which, in accordance with the 39th article of our constitution, has run 21 months, from 1 April 1925, the date of our founding, to 31 December 1926.

During our first fiscal year, an important part of our working hours was dedicated to completing the organisation required for both the internal processes and the external relations of insurance activities. We are proud, however, to be able to present to this esteemed assembly a balance sheet and an income statement that reflect the position we have attained, thanks to our relentless efforts to acquire insurance work, to the thorough processing of this work, and to the trust and reliability that our company has inspired in our citizens.

We herewith consider it our duty to express our thanks to the government of our Republic for its support in granting us the right of priority to the insurance work of government offices and corporations affiliated with the government.

One of our first targets following our foundation was to establish reinsurance connections in order to firmly secure the interests of our insurance policy holders. As well, thanks to agreements with major foreign companies, we have provided the company with a considerable share of international insurance contracts. Our business has thus multiplied, resulting in a substantial profit, and we have avoided accumulating the risks of our insurance contracts. By distributing these risks, we have attained a complete balance, which is most desirable in the insurance business.

Although our insurance business has positively developed and expanded, we have adopted the principle of thorough and careful application of the rules of prudence in technical matters. Moreover, aware that we are in the preliminary phase, we have taken special care not to exceed the rates we have found to be sufficient. Although we still hold to the same principles, we intend to gradually increase our rates in proportion to the expansion of our business.

In the life insurance branch, total revenue for the 21-month fiscal year, including our direct insurance jobs both in Turkey and abroad, and collections through reinsurance, was 721,941.45 Turkish liras. Deducting the 364,361.26 liras we paid in reinsurance shares, we have kept 357,580.19 liras as our share.

We gave 132,055.83 Turkish liras in damage payments, including the reinsurance shares. The 16,354.88 liras of damage payments not yet settled are carried over to next year even though they belong to the fiscal year just ended.

Income of 44,826.29 Turkish liras received during the last fiscal year has not been counted as income and has been carried over to the following fiscal year because some of the insurance contracts continue to the next year.

We paid a total of 82,249.10 Turkish liras in general expenditures and commissions, after deducting the commissions we received from our reinsurance companies.

The receipts from the land and maritime transportation branches totalled 91,263.75 Turkish liras. Of this amount, we paid 71,850.57 Turkish liras to our
reinsurers and kept 19,413.28 Turkish liras in our own accounts. The total of damages paid and pending, including our reinsurers’ shares, was 21,676 Turkish liras, and 6,696.94 Turkish liras went to our own accounts. For our share of the insurance policies not expired as of 31 December, 2,502.87 Turkish liras have been carried over to next year. The expenses and commissions paid for cargo insurance policies totalled 3,483.70 Turkish liras, after deducting the commissions received from our reinsurers.

Collections from jobs in the motor insurance branch, which we commenced later, totalled 8,654.63 Turkish liras. Of this amount, 5,797.84 Turkish liras were kept in our own accounts. The damages paid and pending for these collections were 2,082.43 Turkish liras, and 1,531.74 Turkish liras of this amount went to our own accounts.

On our income statement, after appropriations of 55,921 Turkish liras were deducted before distribution of the profits, in accordance with the 42nd article of our constitution, the remainder of profits was 118,470.48 Turkish liras. Minus the mandatory 15% allocation for the reserve fund, in compliance with our constitution 17,773.00 Turkish liras, minus the 7% interest allocated for paid capital 8,750.00 Turkish liras, totalling as deductions 26,523.00 Turkish liras, remaining profits for distribution 91,947.48 Turkish liras, minus 25% of this amount belonging to the government 22,987.00 Turkish liras, the remainder 68,960.48 Turkish liras minus our proposed amount as optional reserve to carry over to next year 210.48 Turkish liras of the remaining 68,750.00 Turkish liras, 15% as dividends to founders’ shares 10,310.00 Turkish liras, 15% to the Board of Directors 10,310.00 Turkish liras, 10% to the Management and personnel 6,875.00 Turkish liras, 60% as dividends to our shareholders 41,250.00 Turkish liras, Total of distributed dividends 68,750.00 Turkish liras

The government’s share of our 21-month first fiscal year, in accordance with the 40th article of the constitution, is 33,230 Turkish liras, of which 10,243 liras was paid in advance on 31 December 1925. The reserve fund, in compliance with the constitution, totals 26,160 Turkish liras.

If this esteemed assembly approves our proposed table above, we shall pay the dividends at 2 liras per share and 10.31 liras per founders’ share – income tax to be deducted at payment – on 5 April.

In addition, we request that you make a decision about the per diems to be paid to the Board of Directors for the 1927 fiscal year 1927, and we request that you grant our Board Members the authority to execute business transactions personally, or as Board Members or Managers of other companies.

We conclude our presentation by thanking our management team for their care and attention in the running of our business, believing that our feelings about them are shared by all of you. We also wish to express our appreciation of the activities and services of our personnel, our auditors and our agents.

Report of the Auditors and Accounting Inspectors

Gentlemen,

Based on the authority granted us at the founders’ general assembly of 16 March 1925 and subsequently at your extraordinary general assembly of 3 January 1927, we have studied our company’s balance sheet and income statement in detail, and we declare that we are in complete agreement with our company’s accounting books.

Consequently, we propose that this esteemed assembly approve the balance sheet and income statement dated 31 December 1927, as presented.

12 March 1927
Ömer Muvaflak Manyasizade Rufi Hakki Safvet

Decisions of the General Shareholders Assembly

First Decision

The General Shareholders Assembly has heard the reports of the Board of Directors and of the auditor and the inspectors, and has approved and accepted these reports and the submitted accounts, thus discharging the Board of Directors of the first fiscal year’s operations.

Second Decision

The General Shareholders Assembly approves the advance distribution of 55,921 Turkish liras on 31 December 1925 and accepts the decision to pay the dividends at 2 liras per share and 10.31 liras per founders’ share – income tax to be deducted at payment – on 5 April, with the submission of coupon number 2.

Third Decision

The General Shareholders Assembly appropriates 9,000 liras to the Board of Directors for per diems for the 1927 fiscal year.

Fourth Decision

The General Shareholders Assembly grants Board Members the authority to execute business transactions personally, or as the Board Members or Managers of other companies.

Anadolu Sigorta Turkish Joint Stock Company Bahçekapi, Dördüncü Vakif Building, Second Floor
Life Insurance Agency Assignment

Istanbul, 9-9-1929
To: Akhisar – Isbank Branch – Agent

Sir,

In accordance with our Board of Directors’ decision and the provisions of this assignment document, we are proud to inform you that your Akhisar Branch has been appointed agency for Anadolu Sigorta Company’s life insurance department.

Duty and Authority
Your main duties consist of seeking and obtaining, by yourself or through your intermediaries or assigned brokers, life insurance jobs; despatching to us the offer documents; and, if you undertake a job, ensuring the insured signs the contract and completing the payment transactions for the fees. You are also assigned to ensure the continuing validity of the insurance contracts, to perform to the best of your ability any tasks that we forward to you, and to in no way deviate from our instructions to you or from any regulations.

By accepting this agency assignment, you also commit yourself to sparing no effort in completing the duties related to the agency, and to not providing life insurance work to other companies. You can accept insurance jobs other than life insurance or in insurance fields not covered by our company only with our written approval.

Business Associates
It is to your agency’s benefit to work with others in pursuing and obtaining insurance jobs. However, the people you employ in this capacity must be honest and capable of representing the company. The fees for these brokers or secondary agents, of whose appointments and dismissals we must be notified, will be paid directly by yourself and you will not have the right to demand compensation or supplementary commissions for these payments. The deposits and surety bonds to be submitted by these brokers or secondary agents will be kept by the company.

Supervision
As supervisors fully authorised by our company may visit your city, you commit yourself, in advance, to assisting them in their duties, to presenting all books, receipts of down payments, and other documents pertaining to your agency, and to delivering all transaction details that will aid them in fulfilling their duties.

You are also charged to perform and implement all instructions given by these supervisors.

Reciprocity
As all our business associates and agents are authorised, in principle, to travel freely all over Turkey to obtain life insurance jobs, you too, as our agent, are allowed to procure life insurance jobs all over Turkey. However, it is necessary to inform us beforehand of the regions you will be visiting for life insurance business procurement so that we can notify you of the commissions you will be earning and the physicians you can contact in those regions. Reciprocally, our company reserves the right to procure life insurance jobs in your city, directly or through intermediaries.

Special Provisions
In order to guide you in finalising insurance jobs, in preparing offers, and in achieving satisfactory results from your efforts, we kindly ask you to comply with the warnings and instructions in the first section of our memorandum for agencies, and we wish to draw your attention especially to the following provisions.

Collection of Fees
You can start collecting fees only with clear authorisation from our company. The fees should then be collected for receipts signed by the company’s Management. In collecting on behalf of the company, you do not have the authority to grant terms longer than those specified by the company, to accept advance payments, or to apply discounts or mark-ups on the amounts of contracts or receipts.

Medical Examinations
For medical examinations of those with life insurance offers, you can employ only physicians specified by the company.

Down Payments
The medical examination fees for contracts not accepted by the applicants will be paid by you. In order not to suffer such losses and to ensure results from most of the insurance contracts offered, you must collect deposits from these applicants. For this deposit, you will give the payer a receipt from a stubbed receipt book sent to you by the company, and send the other section of the perforated page to the company. The deposit will be transferred to the company just like insurance fees, and, if the applicant accepts the offer, the deposit will be deducted from the first insurance payment. If the applicant refuses to sign the contract or to pay the fee, the fee for the medical examination, the excise duty on the contract fee, and the stamp costs will be deducted from the deposit and the remainder will be returned to your agency in proportion to your commission. If the offer is rejected by the company, you are responsible for paying back the deposit, against the receipt you had given to the applicant.

Fees
In return for these duties, for the services you perform, and, in general, for all the
tasks that you undertake as our representative, you will be paid a commission
of 80% (eighty per cent) of the first year’s premiums of all the insurance
business you procure. For life insurance contracts for women, however, your
commission will be only 80% (eighty per cent) of the first year’s premiums.
Nevertheless, on combined insurance contracts with diminishing premiums, your
commission will not be based on the actual received premium amount, but
will be calculated as if that premium were from a fixed premium insurance
contract, for the same amount, for the same term and for a person of the same
age.
In addition, we wish to point out that with insurance contracts where the
annual premium exceeds five per cent of the insurance contract value, your
commission will be based on five per cent of the contract value.
For example, even if an insurance contract of 1,000 liras value results in a 35.20
lira annual premium due to tariff rate regulations, your commission will be
based on 50 liras, on five per cent of the insurance value. On the other hand, if
the annual premium is 45.40 liras, as this amount is less than five per cent of
the insurance value, your commission will be based on 45.40 liras.
You will merit these commissions only after we collect the corresponding fees or
instalments. If the company incurs any costs in the collection process, these
costs will be deducted from your commission.
If, for any reason, the company has to return the insurance premium to the owner,
in full or in part, your agency shall return the commission to the company, in
the same proportion.
If your agency is entrusted with collecting any fees other than the first year’s, you
will receive ... % (... per cent) on these payments as collection commission.
In jobs that you procure through the support of one of the company’s supervisors,
the percentage share of the commission between your agency and the
supervisor should be specified in a written agreement between you and the
supervisor.
You do not have the right to commissions or stoppage on indemnity payments,
loans, dividends or on any similar payment you make on behalf of the
company.
If you cancel your commitment to our company and join another company, every
type of commission payment will be terminated.

**Accounting Procedures**

**Expenses**

All expenses you incur while procuring insurance jobs - travelling expenses,
set up costs for your agency, or commissions or fees paid to your brokers,
intermediaries, or business associates - belong to your own accounts.
Similarly, all local duties, title fees and other taxes, and costs of printing
required to run your business are your own expenditures. In addition, any
fines you may have to pay for violation of official stamp duties, etc., are your
own liabilities.

Our company covers only your communication costs, such as post and cable. These
expenses will be credited to your account based on the detailed, monthly
registers you will submit. In addition, three liras of each medical examination
fee paid to physicians, and any costs you have incurred or payments you
have made based on written authority from our Management, belong to the
company’s accounts. You must send our Management all receipts, invoices,
and other payment documentation for such expenses and payments.

**Accounting Procedures**

You must inform us, with a collection notice, of every collection you make, and you
must return to the company promissory notes unpaid by their due date. Based
on these collection notices, our Management will prepare a chart of accounts
covering all your monthly transactions, and you are required to send the debit
balance to the company, by cashier check or by bank or postal transfer, before
the end of the month in which the accounts chart was sent to you.
If you also are an agent of our company’s fire or cargo insurance branches, we
kindly ask you not to combine the accounts of these branches with the life
insurance accounts.

**Publications**

You must receive the company’s approval before issuing any publications, official
letters or announcements related to our company.

**Responsibility**

Your agency is entirely responsible for following the instructions of our
Management or supervisors, accepting insurance offers, applying tariff rates
and other related regulations, and abiding by all provisions regarding the
collection of fees and premiums. You are also answerable to the Management
for your agency’s operations and the actions and operations of your business
associates and brokers.

**Guarantee**

As a guarantee of fulfilling all your obligations as our agent, you must send us a
suite of guaranteed bonds amounting to ...... liras. To ensure this guarantee is
proportionate to the degree of importance of our commitment, we reserve the
right to request an increase in the amount of the guarantee. At the end of our
agency agreement, this guarantee shall be returned to you thirty days after the
auditing and settling of your account.

**Duration, Authorised Jurisdiction**

This assignment letter’s expiry date is 9 September 2929. The letter’s period of
validity is indeterminate, and either of the parties can cancel the agreement,
with one month’s notice, by registered mail.
All disputes arising from the interpretation or implementation of this agreement
shall be under the jurisdiction of the courts of Istanbul.
**Annulment of Anadolu Sigorta’s Right of Priority**

21st Assembly: 20 February 1929

During the establishment phase of the Anadolu Sigorta company, owing to the agreement between the founder, Isbank, and the government and in accordance with the 40th article of the company’s constitution, Anadolu Sigorta’s right of priority over other insurance companies for the insurance work of government offices and government affiliated corporations, in return for the transfer of one-fourth of the company’s net profits to the government, was accepted, and the company started its operations accordingly. As this priority disrupted operations of the insurance companies that had previously handled the insurance work of government offices and government affiliated corporations, Anadolu Sigorta tried to compensate these companies by granting them the reinsurance contracts for some of its insurance jobs. This distribution of work, restricted to a few companies in the beginning, gradually spread to other Turkish companies until every established insurance company was trying to compete with Anadolu Sigorta, on the assumption that Anadolu Sigorta would acquire every government job. This, in return, caused Anadolu Sigorta to lose some business with the annulment of its right of priority, it would gradually recover this loss through the jobs it would be able to keep with the minimum tariff rate system would be compulsory for all the insurance companies - bringing some order to the insurance industry and preventing the 60% or 70% discounts then being applied. Although Anadolu Sigorta would be released from its commitment to transfer one-fourth of its net profits to the government. Moreover, with the implementation of the reinsurance law, the minimum tariff rate system would be compulsory for all the insurance companies - bringing some order to the insurance industry and preventing the 60% or 70% discounts then being applied. Although Anadolu Sigorta would lose some business with the annulment of its right of priority, it would gradually recover this loss through the jobs it would be able to keep with the minimum tariff rates and through new jobs. Furthermore, the company would be on better terms with the other companies and would be able to expand its business. Taking all this into consideration, the Board of Directors has decided to enable Isbank to obtain the reinsurance monopoly concession by annulling the constitution’s fortyeth article, and has charged the Management to implement the required procedures.

**Renewal of the Trustee Contract**

Ankara, 16 / 1/ 1930

To: İttihadı Millî Turkish Insurance Company,
Trustee for Anadolu Sigorta Turkish Joint Stock Company
Ünyon Building, Galata, Istanbul

Sirs,

We have received your letter dated 2 November 1929.

We hereby accept your proposal for Anadolu Sigorta to pay 30% commission, instead of 27.5%, on half of the premiums amounts, starting with the promulgation of the Reinsurance Law, in return for your assumption of the administration costs of Anadolu Sigorta, in accordance with the Trustee of Management contract between Anadolu Sigorta and your company.
We hereby confirm our approval of the proposed amendments to the Trustee of Management contract. Although we have also accepted the termination, as of the beginning of 1930, of your annual payment of 8,000 liras as a contribution to Anadolu Sigorta’s, we kindly ask you to continue contributing half the insurance commissions we pay to our managers.

In connection with the accepted amendments of the Trustee of Management contract, which were stated in the first paragraph of your letter, we kindly ask you to accept and confirm our proposal, which we had previously conveyed to Monsieur Piyos, for the contract to be valid for five years, starting in 1930. Further, if you do not send us a cancellation notice during the first six months of 1935, the contract will be valid for another five years; this procedure will be repeated every five years.

Muavfak M. Celâl
Isbank
General Directorship

The Memorandum of Refi Celâl Bayar: 55th Assembly

3 January 1936

Refi Celâl Bayar, Technical Adviser:

The Trustee of Management contract with İtihatı Milli Insurance Company, in effect since the establishment of Anadolu Sigorta Company, is now harmful to the company’s interests, relative to the company’s position today. The young staff has attained the necessary experience and is now able to manage the company on its own. As well, Ziraat Bank, still the company's agent, does not own shares of the company. It would be very beneficial for our company, from many perspectives, to have this bank among our shareholders. We have contacted both İtihatı Milli and Mr. Piyos, the Ünyon Insurance Company’s representative, for the purpose of buying the shares owned by Ünyon Insurance and transferring them to Ziraat Bank, bearing in mind that our company would thus have a more national characteristic and gain a strong sponsor. With the approval of our Financial Adviser and the Chairman of the Board, we have prepared a memorandum to convey our considerations.

Article 1 – For several reasons, Isbank desires annulment of the Trustee of Management contract with İtihatı Milli Insurance Company and desires Anadolu Sigorta to buy all, or at least 8,000, of the shares owned by Ünyon Insurance Companies for 15 Turkish liras each, as a supply for the new shareholders.

Payment for these shares will be settled against the international reinsurance contract with Ünyon Insurance Companies of Paris, or against the reinsurance accounts.

Article 2 – Collection of the commissions and premiums for jobs procured until 1 February 1936, the date of the transfer of the branch departments, will be the responsibility of the ex-trustee of management.

Article 3 – The ex-trustee of management will transfer to Anadolu Sigorta all contracts signed in the name of Anadolu Sigorta, pooling and general reinsurance contracts, second copies of insurance contracts and related files and bordereaux, correspondence documents, accounting ledgers, negotiable papers, shares, the current bank balances of Anadolu Sigorta, mortgage files, and statistics and reinsurance risk accumulation cards; in short, all the working assets and documents that an insurance company has to keep.

Article 4 – The two parties will agree about which of the employees working for the trustee will be transferred to Anadolu Sigorta’s payroll. Following this agreement and after the trustee retains the employees it needs, Anadolu Sigorta will cover the severance pay of the staff left unemployed but who had been hired after the foundation of the company. Both parties will agree on the method and amount of the severance payments, but the total Anadolu Sigorta will pay will not exceed 5,000 liras.

Article 5 – Anadolu Sigorta will pay Ünyon Company a one-off sum of 10,000 liras as compensation for the transfer of all transactions administered by the trustee to that date, for the transfer of documents mentioned in article 3 above, and for the annulment of the Trustee of Management contract with Anadolu Sigorta.

Article 6 – Isbank has pledged to grant Ünyon the right of priority for reinsurance contracts with companies in foreign countries, if subject to equal conditions.

Article 7 – The percentage of Pool Anadolu Sigorta’s contribution to the pool, to be specified every three years, will be equal to Anadolu Sigorta's retention and the premiums it has paid into the pool.

Article 8 – Ünyon Insurance Companies will continue paying Anadolu Sigorta shares for international jobs and will approve an increase in those shares, if and as soon as possible.

Article 9 – Isbank, wishing to continue its close and warm relations with both Ünyon and İtihatı Milli, will instruct Anadolu Sigorta’s Manager to avoid any competition.

Article 10 – Anadolu Sigorta has pledged to pay Mr. Piyos a 3% commission on net premiums – minus Milli Re’s percentage – from fire and transportation reinsurance contracts. This commission, which will start on the date of the annulment of the Trustee of Management contract and continue until 3 January 1937, is considered compensation and a display of gratitude to Mr. Piyos for services rendered and to be rendered. In return, it is expected that Mr. Piyos will safeguard the company’s interests in reinsurance allocations in Turkey and abroad.

Article 11 – Feridun Bey, one of Isbank’s supervisors, has been assigned the task of solving possible problems during the transfer of departments.

As I believe that the provisions of this memorandum will benefit the company, I kindly ask for its acceptance and approval.
Announcements of Chairman Fuat Bulca: 56th Assembly

14 March 1936

3 – Reis Fuat Bulca:
The Chairman has announced the following. Due to its stronger position, Anadolu Sigorta Company will be run independently and will no longer be managed by the Trustee of Management. The shares owned by foreigners have been purchased and 10,000 shares thus acquired have been sold to Ziraat Bank, with whom we cooperate in the insurance field. The existing Pool and Reinsurance contracts drawn up with Ünyon Company have been annulled and replaced by new Pool and Reinsurance contracts, drawn up with better conditions thanks to the efforts of Financial Adviser Muammer Eriş and his team, and to the goodwill of the managers of Ünyon Company, and this has been approved and accepted by the Board of Directors.

4 – For the purposes of reinforcing and developing the Turkish insurance industry’s service to national corporations, a new insurance company, under the protection and trusteeship of Anadolu Sigorta and titled ‘Ankara’, will be established. In order to reduce general expenses, a Trustee of Management contract with Anadolu Sigorta was drawn up. It is planned that Ankara Insurance will be established by a partnership of Belediyeler Bank, Eti Bank, Adapazarı Türk Ticaret Bank, Milli Re and Anadolu Sigorta. The Chairman has announced that the founding is almost finalised, and the Anadolu Sigorta Board of Directors has approved and accepted this development.

5 – The Chairman also said he was happy to announce that Güven Insurance, renamed following the recent purchase of İtimad-ı Milli Insurance Company’s entire capital by Sümerbank and Emlâk Bank, has shown an interest in acquiring shares of our company.

6 – The Chairman notified the Board that Ziraat Bank has purchased 10,000 shares of Anadolu Sigorta and, as it is necessary that the bank is represented by three Board Members, all Board Members have resigned to accommodate them. It has been decided that this development will be presented to the general shareholders, who will have a meeting in one hour.

7 – Chairman Bulca informed the Board that Vefik Sertel, the company’s Technical Adviser and General Secretary of the Board of Directors, has resigned because, with Anadolu Sigorta severing its ties to the trustee on 1 March 1936 and beginning to manage itself, he would not be able to maintain two different jobs. The resignation has been accepted by the Board, which thanked Sertel for his services to the company.

8 – In order to prevent any disruptions in the company’s operations following from the resignation of Vefik Sertel and the decision of the other Technical Adviser, Refi Celâl Bayar, to go abroad for medical treatment, Isbank’s Istanbul Branch Manager, Yusuf Ziya, was appointed Technical Adviser until Mr Bayar’s return.

Management Contract Signed by Ankara Insurance Company and Anadolu Sigorta Company

Anadolu Sigorta Turkish Joint Stock Company, with its centre of operations in its private office in the Büyük Kınacıyan Building in Istanbul, and Ankara Insurance Turkish Joint Stock Company, with its centre of operations in the same office, have signed a contract containing the articles listed below:

Article 1 – The direction and management of all the insurance business and operations of Ankara Insurance Turkish Joint Stock Company have been entrusted to Anadolu Sigorta, and Anadolu Sigorta has accepted this and committed itself to this duty.

Article 2 – Below are the specific items covered by Ankara Insurance Company’s assignment and Anadolu Sigorta Company’s commitment:

a) The procurement and acceptance of all Ankara Company’s insurance jobs,
b) The recruitment and organisation of agents, producers and other sources of production, and the regulation of their operations and relations,
c) The organisation and management of Ankara Company’s internal structure,
d) The coordination and execution of the administrative and technical organisation needed to oversee the jobs of Ankara Insurance,
e) The arrangement and administration of all reinsurance transactions, and of relations with both domestic and foreign companies.

As the articles above are not restrictive but only an enumeration, Anadolu Sigorta’s Board of Directors will act as Ankara Insurance’s Board of Directors for the following duties, in accordance with the 32nd article of Ankara Insurance’s constitution:

“The organisation of Ankara Insurance’s constitution; appointment of the company’s employees and agents, and the rating and determination of their salaries, remunerations, fees and bonuses, and designation of the conditions of their hiring and retirement; specification of the equipment necessary to run
the company; collection of receivables, payment of debts, and the drawing up of the company’s promissory notes and the provisions of collateral for them; the drawing up and signing of all contracts related to founding the company; execution of purchases and the resulting transactions; and the signing, extension and renewal of all contracts with general insurance and reinsurance companies.

The Ministry Commerce’s Letter to Anadolu Sigorta “About Tariff Rate Reductions and Commission Refunds”

Ankara: 5 October 1946 From: The Republic of Turkey
MINISTRY OF COMMERCE
General Directorship of Commerce
Number: 4/6443

To: Anadolu Sigorta Company,
Büyük Kinacıyan Building
Across from the Grand Post Office

The insurance companies’ complaints about the harmful effects on the insurance industry of tariff rate reductions and commission returns with unlawful intent were discussed during several meetings held in Istanbul with representatives of insurance companies operating in Turkey. The results achieved during these meetings have been conveyed to our Ministry as decisions of the Insurance Examination Committee. After studying these decisions, it has been decided that provisions addressing the complaints shall be added to the insurance legislation being prepared to have the insurance industry operate properly and regulate its development. However, in order to fulfill the insurance companies’ wishes and until the legislation is ready, we firmly recommend that all insurance companies abide by the following provisions, which are based on the Insurance Examination Committee’s decisions.

A. - Even though the 17th article of Law No. 1149 forbids application of tariff rates higher than those specified, it allows for transactions below the specified rates, with the condition that these are not based on unlawful intent. Please be informed that the procedures listed below have been categorised as based on unlawful intent, and, in such cases, the Ministry, in accordance with the 10th article of Law No. 3392, shall exercise its power to initiate legal proceedings.

1) Noncompliance with the provisions of subparagraph ‘C’ regarding the commissions to be paid by insurance companies to general agents or to agents or other producing entities;

2) Compensation, such as discounts, commissions, returns, waivers or direct payments, to clients beyond the value of the policies or endorsements drawn up by the insurance companies;

3) Noncompliance with the provisions of subparagraph ‘D’ regarding the official, explicit discounts;

4) Noncompliance with the provisions of subparagraph ‘B’ regarding the freedom to apply official, explicit discounts;

5) Noncompliance by insurance producing entities with the provisions of subparagraph ‘D’.

B. - Unless with unlawful intent, it is permissible to apply tariff rates lower than those specified. Such discounts have to be applied generally, openly and equally on all policies and renewals for all risks in all branches. The insurance corporations, although permitted to apply special, explicit tariff rate reductions, have to send, on the same day, a written notice about such reductions to the Ministry of Commerce and implement the reduction after receiving the Ministry’s comment. The Ministry of Commerce shall study the discount in terms of unlawful intent and shall notify the corporation applying the discount of its decision. The special, explicit tariff rate reductions will not have any effect on the compulsory reinsurance percentages to be transferred to Milli Re, in accordance with the 4th article of the reinsurance regulation.

C. - Below are the maximum commission rates insurance companies can pay their producers and other insurance companies, classified according to the insurance field:

The commissions paid cannot exceed these maximum rates, and payment in addition to commissions - as expenses, appropriations, fixed-fee salaries, wages, taxes, or rent – are considered commission over-payment. The only payments allowed are transportation expenses for life insurance production travel, and the daily expenses specified by the Central Office of Insurers.

Contracts between insurance companies and their producers cannot include provisions contrary to these principles. The maximum commission rates allowed to be paid to producers and insurance companies (excluding reinsurance and retrocession jobs), are as follows:

Fire Branch:

<table>
<thead>
<tr>
<th>Role</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>General agents</td>
<td>30%</td>
</tr>
<tr>
<td>Agents</td>
<td>25%</td>
</tr>
<tr>
<td>All other producer entities</td>
<td>22.5%</td>
</tr>
<tr>
<td>Insurance Companies</td>
<td>30%</td>
</tr>
<tr>
<td>All producer entities for jobs included in Clause D</td>
<td>10%</td>
</tr>
</tbody>
</table>

Transportation Branch:

<table>
<thead>
<tr>
<th>Type</th>
<th>Goods</th>
<th>Vessels</th>
</tr>
</thead>
<tbody>
<tr>
<td>General agents</td>
<td>22.5%</td>
<td>15%</td>
</tr>
</tbody>
</table>
Agents
All other producer entities
Insurance Companies
All producer entities for jobs included in Clause D

Motor Branch:

a. Personal, financial liability freelance, collective and glass jobs
b. Occupational accident, vehicle and financial liability, theft and match c. Aircraft body and financial liability or machine breakdown and other jobs

Life Branch

First year Second year Third year
a. Agents and general agents 65% 15% 5%
b. All other producer entities 60% 15% 5%

D. - The following discounts shall be applied to the tariff rate premiums of the following institutions:

1. - National, regional and municipal governments, government-owned companies, and corporations with at least 50% government capital:

   Fire insurance 15%
   Cargo insurance (goods and vessels) 15%
   Motor insurance 15%

2. - Non-profit organisations, cooperatives and charities:

   Fire insurance 15%
   Cargo insurance (goods and vessels) 15%
   Motor insurance 15%

Additionally, a return of 10% shall be applied to the insurance jobs mentioned in paragraph ‘1’. This return shall be applied to the net premiums remaining after the official discount is made, and shall not be reflected in the policy documents.

Insurance companies or producing entities are not allowed to apply, directly or through intermediaries, rate discounts or returns exceeding these tariff rates.

Signed by:
Cahit Zamangil on behalf of the Ministry of Commerce

Discourse on the Protection of the Rights of the Insured, Part of the Preamble of the New Insurance Law Draft Prepared in the Second Half of the 1930s:

Our government’s aims are to have our insurance and reinsurance industry attain the level of development in our social, economic and financial fields, and to have this industry become an effective field serving the nation. A strong insurance and reinsurance industry is needed to complement our domestic and foreign trade, our industrial activities, our distribution of investments in industrial and productive areas, and our transportation industry. We can attain these aims only by establishing our insurance industry on the bases of internationally proven science and techniques. Comparing the law of 1927 with this bill now presented, the government has attempted to take steps in this direction.

The insurance industry is even more dependent on ‘reputation’ than the banking sector. It is not possible to have a clear and positive opinion about an insurer who collects advance premiums against a promise of indemnity payment to cover a possible, future loss before the loss occurs or before a long-term life insurance policy expires. Recent experience, however, has demonstrated that an insurance institution can succeed in concealing its unsound and crippled financial state before it actually exhibits its insolvency. It is rather easy for imbalance to drift into legal liquidation. Yet examples have proven that liquidation results in misfortune instead of indemnity.

It is therefore necessary to take precautions well before legal liquidation occurs, in order to be able to protect the rights of the insured.

The safeguarding of the insured has thus been one of the inspirations behind this draft law we are presenting. On the other hand, as much as we have been concerned to protect the security of the insured, it has been ascertained that the best way to achieve surety is to strengthen insurance corporations and fledgling insurers by ensuring that the capability of their enterprise is not crippled and that their liquidity is not restricted. Without a doubt, their vitality and development must be reinforced.

We appreciate that foreign insurance companies operate in our country and consider expansion of their operations to be favourable. However, it is impossible to allow foreign insurance companies to operate in our country unless they keep some assets here.

We have thus added a provision to the draft to have foreign insurance companies...
keep mathematical reserves in proportion to their portfolios, and to have them invest these reserves according to the same conditions national companies must comply with. The provisions of the first sub-clause of the 3rd article of this draft, which replaces the 10th article of Law No. 1149, states that foreign companies shall have to keep mathematical reserves and shall be compelled to invest their mathematical reserves in our country.

The provision added to this draft obliging foreign life insurance companies to keep their mathematical reserves in the country is based on an international insurance rule. As a matter of fact, many governments have legally authorised their companies operating in foreign countries to act accordingly.

Our insurance legislation, which we have striven to refine through the provisions of this draft, entails solid and scientific supervision of the mathematical, financial and legal aspects of insurance. Supervision implemented without scientific or technical competence would not achieve positive results and would create a negative opinion about the effectiveness of supervision. We urgently need accomplished actuaries. We have been considering, as a priority, bringing in an actuary of international repute to train Turkish actuaries. A provision has been added to this draft about establishing an organisation for this purpose.

The New Personnel Regulation Prepared in 1957

9 December 1957 - Board of Directors - 337th Assembly
Istanbul, 30 September 1957

To: Chairman of the Board
Anadolu Sigorta Turkish Joint Stock Company

In view of recent requirements and conditions, our Board recognises the need to update the Personnel Regulation of 28 January 1948, which has been in effect for many years. With its decision number 1252 of 19 September 1956, the Board thus set up a committee, headed by Ali Fuat Dülger and consisting of members Sezai Feray, Burhanettin Semi and Ertuğrul Adalı, to prepare a new Personnel Regulation for Anadolu Sigorta’s employees.

The Boards of Directors has attempted to compensate for the irrelevant and outdated provisions of the old Personnel Regulation by making occasional decisions when the need arose. When it became impossible to match the provisions of the old regulation even with the Board’s decisions, both the Board and the Management were obliged to make ad hoc decisions, which failed to alleviate the employees’ discontent and which put the administration in an awkward position.

Even though this problem had been pointed out during various Board meetings, renewal of the personnel regulation could not be undertaken until today due to the hard work and responsibility it involved.

With the emergence of problems about salary raises to cover cost of living increases, the actual salary raises, and inequities between the salaries of new employees and old employees, the Board deemed this issue vital, decided to prepare a new regulation, and entrusted this important task to our committee.

After a long period of study and hard work, involving great responsibility, we thus submit the draft of the new regulation for your approval.

The guidelines that we considered in preparing the new Personnel Regulation are as follows:

A) As the old regulation was prepared in accordance with the law, we have transferred the still-valid sections of the old regulation to the new draft, either verbatim or with modifications.

B) In cases where provisions of the old regulation were no longer applicable, we were inspired by and utilised relevant decisions made by the Board at various times.

C) The salary raises to cover the higher cost of living, that is, prosperity raises, promotion raises for both managers and personnel, and consideration of their levels of education and seniority were all quite confusing. As these issues caused more grief than satisfaction, they received thorough attention in the preparation of the new regulation, in order to attain at least partial fairness.

D) Newly-employed personnel and their scale of salaries highlighted the issue of minimum salary rates. As it was considered that applying minimum salary rates would ensure both the health and productivity of employees, different minimum salary rates have been determined for employees with primary, secondary, and university educations. This has to be regarded as a progressive step.

E) With the implementation of this regulation, the application of prosperity and promotion raises will result in adjustments to the salaries of employees who have been underpaid or overpaid. We sincerely hope that these adjustments will ensure, to some extent, equity and contentment.

F) Believing that justified promotions increase productivity, we have also focused our attention on categorising the promotion of personnel, adopting objective and tangible criteria as the basis of promotions, and clearly distinguishing between industrious and passive personnel.

G) Evaluating employees’ job performances requires keeping organised records about each employee, and this regulation introduces both the obligation of setting up an elaborate record-keeping system and the process of arranging the employees’ benefits according to these records.

H) Being a commercial company, rewarding qualities, such as acuity, inventiveness and extraordinary diligence, which contribute to the company’s efficiency will further improve productivity. Employees with these characteristics will deserve a double promotion. It has been observed that this system is accepted and utilised by fully modern financial and commercial institutions.

I) The situations of employees at different scale levels have been considered in
terms of age and retirement term, and those assessed as capable have been granted a chance for promotion based on objective criteria. Special care has been taken to base promotions on criteria that even the employee can comprehend.

J) The new regulation also endeavours to ground the conditions of leave, illness, retirement and dismissal on objective criteria, in view of the new requirements, and these are suggested in various articles.

K) As a system of rewards and punishments serves the productivity of employees and bolsters the sense of justice, it has been seriously considered and we have tried to suggest and clarify modes of application in the relevant articles.

The issues briefly explained above have dominated the spirit of the regulation, and we have worked to establish consistency among the articles. We have also suggested clear and precise methods for the managers who will have to apply the provisions of this regulation.

It is deemed necessary that the old regulation, which was either not applied or only partially applied and was perverted by being overridden by Board of Directors’ decisions, will stay in effect until the end of 1957. As your esteemed Board’s acceptance and approval of this regulation, and its being proofread, printed, and distributed, will take time, and as a very short time remains until the end of the year, we plan to promulgate the regulation, with all of its provisions, at the beginning of 1957.

We dare not claim that this regulation, which has received much study and taken much effort, is far from lacking. But we seriously hope that this regulation, been prepared according to the old regulation in effect for many years, to the law and to past decisions, will serve our company’s needs for many years to come.

However, for the best law to be really good, it must be applied with goodwill and seriousness, and we thus hope that the necessary care shall be given to the application of this regulation.

Ziraat Bank’s Letter Regarding Secession from Anadolu Sigorta

To:
Anadolu Sigorta Turkish Joint Stock Company,
Anadolu Sigorta Building
Across from the Passenger Hall
Galata, Istanbul

1 – After long years of deliberation, we have founded a new insurance company, called Başak, for the purpose of operating in our country’s agricultural insurance field. Başak Insurance was established with a capital of 3,000,000 liras, 90% of which are the shares of our bank, Tarım Satış Kooperatifi Birlikleri [Association of Agricultural Sales Cooperatives] and Istanbul EmniyetSandığı [Istanbul Public Savings Bank]. Although the new company will concentrate on the agricultural insurance field, it will also operate in other insurance fields and will strive to meet the insurance demands of agriculture institutions and the rural economy. This line is closely related to our bank’s agricultural loans policies.

Two copies of the new company’s constitution are attached.

2 – In accordance with the provision for three month’s notice specified in the supplementary contract dated 11 October 1935, we notify you that, as of 31 December 1959, we will not continue our existing contract, dated 10 November 1932, with your esteemed company, or any of the subsequent supplementary contracts covering our general agency for fire, transportation, motor, life and marine hull insurance. We will be cancelling all related insurance transactions and all related agreements.

3 – All the insurance jobs undertaken by our bank as your agent will certainly be maintained until the contracts’ expiry dates. For the liquidation of the accounts, we kindly ask you to contact our General Directors for the purpose of jointly preparing the instructions you will give to our organisation.

4 – We kindly ask you to send us one sample of each document, along with their numbers, locations and prices, which you had specially printed for use by our bank but have not yet been used, provided that you do not object to their use by the new company.

5 – We are prepared to examine your new proposal on how to meet the requests of our customers, with our mediation in the signing of insurance contracts with your esteemed company, in regions where you do not have an agency.

6 – We have advised Başak Insurance Company to collaborate, in every possible way, with your esteemed company.

We thank you for the confidence you have shown our bank during our lengthy cooperation and wish you continued success in your enterprise.

With our best regards,
General Directorship of Ziraat Bank,
Signature