

FLEDGLING TURK P&I STRIVES TO ACHIEVE NATIONALISTIC DREAM

Turkey

CLUB EXECUTIVES SAY ALMOST 80% OF TONNAGE CROSSING THE BOSPHORUS STRAIT ARE CLIENTS

Gillian Whittaker Istanbul

JUST TWO DAYS BEFORE the 20 February reinsurance renewal this year, specialist protection-and-indemnity (P&I) insurer Turk P&I won its licence to operate.

Fast-forward eight months and the company has some 600 ships on its books, has written around \$4m of premium and its portfolio includes some prestigious fleets, such as the ferries of Istanbul Ferry Lines (IDO) and Istanbul City Lines.

Turk P&I is hoping to hit its target of 700 vessels by the end of the year.

The venture, which TradeWinds first wrote about a year ago, was set up to fill the gap in cabotage trading and to insure Turkey's thousands of small vessels, many of which had never had insurance.

"The main issue is to give P&I coverage to those sea craft trading between the Turkish ports and in internal waters, lakes and rivers," said chairman Aret Tasciyan.

Turkey, like many other countries, did not have a national P&I insurance facility, so the small coastal vessels, commercial yachts, boats carrying passengers on the famous Blue Coast voyages and passengerships on the Bosphorus were all obliged to get their insurance from foreign providers and were subject to foreign, mostly English, jurisdiction.

In a revised Turkish Commercial Code that went into effect in July 2012, the passenger liability limits of the Athens Convention were copied, meaning the compensation limit for vessels carrying over 12 passengers was raised to special drawing rights (SDR) 250,000 (\$385,000) per person.

"If their capacity is 100 passengers, that's 25m SDR, say \$40m," said Tasciyan.

Turk P&I can provide up to \$500m cover and has a share reinsurance agreement with two P&I clubs — Shipowners and Standard.

The birth of the club was a long time in the making.

"Over the years, we had this nationalistic dream, let's say, that Turkey should have a P&I insurance company of its own. But such things do not happen immediately and such things do not happen without government support," Tasciyan said.

After many meetings and with promises of government support, the project moved forward.

Turk P&I is backed by three state-controlled insurance companies — Ziraat Sigorta, Halk Sigorta and Gunes Sigorta — while on the other side of the table sit three local P&I club correspondents — Omur Marine, Vitsan and Metropole. A representative of the transportation ministry and general manager Ufuk Teker also sit on the board.

Another kink in the smooth path to establishment was the fact that there is a law prohibiting the use of the word "Turk" in the name of a commercial company. In order to get permission for the name to be used, the whole cabinet had to give the okay.

"So we obtained that also. There is no other insurance company using that name," said Teker proudly.

The club representatives are satisfied with the progress the fledgling has made, although not everything has gone exactly as planned.

Some of the incentives the government had agreed to push through in order to encourage shipowners to take P&I cover have yet to materialise.

"Normally foreign-flag vessels don't pay any tax when they consume fuel but Turkish-flag vessels have to pay some taxes when they are in local trade," Teker explained.



Turk P&I general manager Ufuk Teker (left) and chairman Aret Tasciyan. Photo: GILLIAN WHITTAKER

Chairman Aret Tasciyan: We are not dealing with internationally-going ship operators. We are dealing with fishermen and small coastal operators.

The government was going to word the rules so, that in order to benefit from an exemption to this tax, owners would have to take P&I cover, although not specifically from Turk P&I.

"That didn't go through. But we continued on our way and we are still progressing. Maybe if that had come through instead of having 600 ships we were going to have 700," Tasciyan said.

Some Turkish-flag ships do not have any P&I cover at all, Teker says, but almost 80% of the vessels criss-crossing the busy Bosphorus between the European and Asian sides of Istanbul are now covered, and most are Turk P&I clients, say the executives.

While on paper Turk P&I is an insurance company, Tasciyan feels that one of its most important duties is to increase the quality and safety of the vessels in the cabotage trades.

"I'm not saying they are unsafe vessels but the companies' safety understanding and organisation are limited. They are not up to international standards. Before we provide cover to them, we are having them go through a serious condition survey," he said.

The social responsibility aspect of the organisation has seen it arranging seminars for shipowners and helping educate them.

"We are not dealing with internationally-going ship operators. We are dealing with fishermen and small coastal operators," he added.

Are they responding positively?

The question raised a chuckle from both men. "Not always but that's quite normal. First of all, human beings will automatically say no to something new," Tasciyan said. But he hastened to add: "We shouldn't forget — this is the eighth month. We are not even one year old."



A ferry transits the Bosphorus strait in Istanbul, Turkey. The majority of Turk P&I members are owners of small craft. Photo: GLOOMBERG