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Insurance Arbitration: Update on Claim Thresholds

The Insurance Law (Law No. 5684) allows for policy holders and beneficiaries to resort to arbitral proceedings before the Insurance Arbitration Commission ("IAC") to settle disputes arising from insurance contracts ("Insurance Arbitration"). The monetary thresholds specified in the Law for Insurance Arbitration were formerly amended through a Communiqué (Official Gazette No. 31811) published on April 16, 2022. The thresholds have been redetermined with a recent Communiqué (Official Gazette No. 32118) published on February 23, 2023, and came into effect on the same date.

Disputes arising out of insurance contracts are resolved either by a sole arbitrator or a committee comprised of three arbitrators to be commissioned by IAC. The formation of a committee is mandatory if the value of the claim exceeds the threshold set forth in the law. The concerning threshold has been hiked from TRY 24,000 to TRY 50,000.

As per the law, the arbitral awards rendered at IAC for claims below the statutory threshold are deemed conclusive and not subject to review. The concerning threshold has been increased from TRY 8,000 to TRY 15,000. Hence, the right of objection against the arbitral award can be exercised only for claims above TRY 15,000.

In case of objection to the decision of the sole arbitrator or committee, the dispute is reviewed by a higher committee comprised of three arbitrators ("Objection Committee") to be appointed by IAC. The decision rendered by the Objection Committee can be appealed to regional appeals courts, provided that the claim exceeds the threshold set by the law. Otherwise, such decisions are deemed final and unappealable. The relevant threshold has been raised from TRY 107,000 to TRY 238,730.

The new communiqué also clarifies the effect of the updated thresholds for the ongoing disputes filed with IAC prior to its effective date.

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