

POSSIBLE SHIFT IN TURKISH COURT’S INSURANCE CAUSATION STANDARD

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The Turkish Court of Cassation’s ruling on March 19, 2024, may signal a shift in its approach to identify causation in insurance cases, potentially affecting the determination of policy coverage (Turkish Court of Cassation 11th Civil Chamber decision dated March 19, 2024, File No:2022/5308 Decision No: 2024/2231).

The case in question involves a typical compensation lawsuit filed by an insured party against its insurer. At the insured’s workplace, an induction furnace covered under a Machinery Breakdown Policy ruptured during a casting operation. This rupture caused molten metal fragments to scatter and ignite a fire in the factory. The insurer rejected the claim, citing Article 3(d) of the Machinery Breakdown Policy General Conditions, which excludes fire-related damages from coverage. Furthermore, the policy’s special conditions covered only direct consequences of machinery breakdown, with fire-related incidents included only if they occurred during events such as strikes, lockouts, unrest, and public movements.

However, the court concluded that the damages were within the policy coverage based on expert reports indicating that “the fire started as a result of the insured machine’s breakdown.” This reasoning is based on the concept of “adequate causation,” a holistic approach that considers the interdependence of subsequent events leading to the loss. According to this test, the decisive event for coverage disputes is the earliest event that triggers the chain reaction resulting in the loss (Turkish Court of Cassation 17th Civil Chamber decision dated October 14, 2015, File No:2014/4241 Decision No: 2015/10603).

In contrast, the Court of Cassation had previously upheld instances where parties explicitly adopted a “direct causation” wording in their policies, bypassing the adequate causation test. For example, in a policy covering “loss or damages directly caused by snow accumulated on the roof,” the court deemed recoverable only the physical damage due to the roof’s collapse, not the rotted stocks caused by the resulting temperature change (Turkish Court of Cassation 11th Civil Chamber decision dated January 14, 2010, File No:2008/8644 Decision No: 2010/327).

The 2024 decision is noteworthy because it broadens the scope of the “adequate causation” test at the expense of the “direct causation” test, which has typically favored insurers. It appears that the “direct causation” wording, this time, for some reason, was insufficient for the Court to favor the insurer in this instance.

Although the Court did not provide an extensive explanation, Turkish Court of Cassation's approach to these principles may be suggesting a possible move away from a strict interpretation of direct causation towards a broader application of adequate causation. This is a common legal issue in many jurisdictions, including the UK, where courts often balance these principles to determine the scope of insurance coverage.

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