October 23, 1347 - The First Insurance Contract and Its Impact on the Global Maritime Insurance Sector

Although Türk P&I Sigorta A.Ş. was established just 11 years ago with the mission and vision of "Turkish cabotage, Turkish shipowner, and Turkish insurance company," it continues to draw on the 700 years of knowledge and practical experience of the global maritime insurance industry. By actively representing our nation on the world's seas, Türk P&I Sigorta strives to solidify its place in the global maritime insurance sector.

The foundations of this 700-year-old sector mentioned in our introduction were laid with the first insurance contract, believed to have been signed on October 23, 1347, in Genoa, Italy—a city renowned for its maritime trade, a leader in Mediterranean commerce, and a critical trade hub connecting Europe with the Middle East and Asia. The success and continuity of this trade naturally depended on the safety of ships at sea and the protection of their cargo. Given the substantial financial risks inherent in maritime activities, shipowners and merchants sought innovative ways to secure their assets. This first insurance policy, which provided written contractual protection against risks encountered during maritime operations, not only laid the foundation of the insurance industry but also significantly contributed to the global expansion of maritime trade.

To mitigate the financial risks inherent in maritime trade, insurance practices dating back to the Babylonians around 4000 BCE were utilized as solutions. Within this context, the first insurance contract signed in 1347 provided for the insurance of a ship and its cargo against potential damages. Fundamentally similar to today's policies, the contract required one party to pay a premium in exchange for the insurer providing coverage against specific risks. These risks included potential damage to the ship from storms, pirate attacks, or the loss of commercial goods.

The essential components of this contract, which bear remarkable similarities to modern practices, can be summarized as follows;

• Premium Payment: Shipowners or merchants secured insurance by paying premiums calculated based on the costs of the risks covered.

• Compensation Payment: If the insured ship or cargo encountered one of the risks specified in the contract, the insurer was obligated to compensate the value of the ship or cargo based on the damages incurred.

• Scope of Risk: In the 14th century, the most significant maritime threats included pirate attacks, maritime accidents, grounding, or the loss of commercial goods, all of which were covered under this insurance.

• Insurance Period: The contract was structured to cover either a specific voyage or a defined time period. During this period, if the ship or cargo suffered any damage, the insurer was responsible for covering the loss.

Erdinç Kartal GÜRSOY

Claims Senior Specialist

+90 850 420 81 36 (Ext.240)

erdinc.gursoy@turkpandi.com

He graduated from Marmara University, Department of Insurance in 2015. While continuing his education, he started his career as an intern at Groupama Insurance in November 2014, where he worked in the bodily injury and legal departments for a total of 4.5 years. Between 2019-2021, he worked as a litigated bodily claims specialist at Zurich Insurance. Between 2021 and 2022, he worked as a bodily claims executive at Doğa Sigorta. After working there, he worked as an insurance executive at Kumport Port Services. Lastly, he worked as a claims assistant manager at ECB Insurance and Reinsurance Brokerage and joined Türk P&I Insurance as a claims specialist in November 2023.

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The first insurance contract signed in 1347 laid the foundation for the maritime insurance sector. At a time when the risks of maritime trade were substantial and unpredictable, this agreement provided significant financial security for merchants and shipowners. Moreover, the contract played a pioneering role in spreading the concept of insurance within the maritime world and facilitating the global adoption of maritime insurance.

The primary impacts of this contract on the maritime insurance sector can be summarized as follows;

- *Risk Management: Insurance became a critical tool for risk management in the maritime sector by providing financial security. Merchants and shipowners began to minimize potential losses through insurance, increasing confidence in maritime trade and contributing to its growth.*

- *Globalization of Trade: Maritime insurance enabled merchants and shipowners to transport goods to farther and riskier regions, previously avoided due to potential financial losses. This policy encouraged the formation of trade routes extending from the Mediterranean to Asia and even across the Atlantic, fostering the globalization of trade.*

- *Formation of Insurance Institutions: The signing of this first policy paved the way for the establishment of insurance companies. Over the ensuing centuries, insurance evolved into a professional sector, with companies offering broader coverage to merchants and shipowners. These companies' development allowed for statistical record-keeping of maritime risks and improved management processes.*

- *The Birth of Modern Insurance and Lloyd's of London: Established in the 17th century by merchants and seafarers in England, Lloyd's of London functioned as a sort of insurance exchange, playing a critical role in institutionalizing the insurance industry.*

- *Maritime and Commercial Law: The administration of damages arising from insurance policies eventually necessitated legal regulations. Maritime and commercial law evolved to address the needs arising from trade activities, providing a legal framework that defined the rights and responsibilities of merchants and shipowners, fostering a fairer and more predictable financial sector.*

The first insurance contract signed in 1347 is regarded as a turning point in the development of the maritime sector. Created to manage the risks of maritime trade and ensure the financial security of merchants, this contract also laid the groundwork for modern insurance. Maritime insurance rapidly advanced following this policy and became an indispensable part of global trade. While revolutionizing maritime commerce, this initial contract also played a significant role in enabling maritime insurance to reach its current stature.

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