

Regulation
on calculation of insurance premium amounts on vehicle owners’ compulsory
civil liability insurance

1. General provisions

1.1. This Regulation has been developed according to Article 57.1 of the Law of the Republic of Azerbaijan ‘on Compulsory Insurances’ and regulates issues related to calculation of insurance premium amounts on vehicle owners’ compulsory civil liability insurance.

1.2. Main definitions used for purposes of this Regulation bear the following meanings:

1.2.1. Bonus-Malus (hereinafter - BM) system – a system of discounts and additions, which provide for application of coefficients that increase or decrease insurance premiums in relation to the policyholder, whether the insured event occurred due to the fault of the vehicle driver under previous insurance contracts.

1.2.2. BM subject – a person to whom discounts or additions determined by the BM system are applied.

1.2.3. individual BM subject (hereinafter - IBMS) – BM subject whose liability was compulsorily insured for 428 days or less for all BM groups (hereinafter - BM group) within the last year.

1.2.4. a car fleet BM subject (hereinafter - CFBMS) – BM subject whose liability was compulsorily insured for more than 428 days across all BM groups over recent one year.

1.2.5. BM class – risk class defined for a relevant BM group of vehicles for any BM subject.

1.2.6. interim BM class (hereinafter – IBM class) – the indicator used in determination of the BM class of IBMS, differentiated by the number of days insured by the relevant BM group over recent one year and preceding years.

1.2.7. frequency coefficient (hereinafter - FC) – coefficient calculated by dividing the number of insured events occurred over recent one year due to the fault of CFBMS and insurance payments made for the relevant BM group by the number of days it was insured over that year.

1.2.8. average frequency coefficient (hereinafter - AFC) – the coefficient calculated by the Compulsory Insurance Bureau once a year by dividing the number of insured events that occurred due to the fault of all policyholders and for which insurance payment was made over past five years by the number of days that all policyholders were insured over that period.

1.2.9. BM groups are the following:

1.2.9.1. passenger cars and other vehicles manufactured on their basis.

1.2.9.2. trucks and other vehicles manufactured on their basis.

1.2.9.3. buses, minibuses, and other vehicles manufactured on their basis.

1.2.9.4. motorcycles, *tricycles, and quadricycles*.

1.2.9.5. tractors, vehicles used in ~~road construction~~, forestry, and agriculture.

1.2.9.6. trolleybuses and trams.

1.2.9.7. trailers and semi-trailers.

1.2.9.8. *technological vehicles and other mechanical motor vehicles of this category.*

2. The procedure for calculating the insurance premium amount

2.1. Taking into account paragraph 2.4 of this Regulation, one-year insurance premium to be paid at the time of concluding the contract on motor vehicle owners' compulsory civil liability insurance is calculated as follows by applying the coefficients determined by this Regulation to the base insurance premium amount:

2.1.1. if the vehicle owner is an individual:

$IP = BIP \times CTV \times EAC \times RC \times LVC \times VDC \times BMC$ where,

IP – one-year insurance premium amount.

BIP – base insurance premium amount.

CTV – coefficient under the type of vehicle.

EAC – coefficient according to the policyholder's driving experience and age.

RC – coefficient according to the area where the vehicle is mostly used.

LVC – coefficient according to life of the vehicle.

VDC – coefficient for the number of persons with the right to drive the vehicle.

BMC – coefficient by the BM class.

2.1.2. if the vehicle owner is a legal entity: $IP =$

$BIP \times CTV \times RC \times LVC \times LEC \times BMC$

where,

IP – one-year insurance premium amount.

BIP – base insurance premium amount.

CTV – coefficient under the type of vehicle.

RC – coefficient according to the area where the vehicle is mostly used.

LVC – coefficient according to life of the vehicle.

LEC – coefficient for the fact that the vehicle owner is a legal entity. BMC

– coefficient by the BM class.

2.2. The base insurance premium is set AZN50,0.

2.3. The insurance premium calculated by applying relevant coefficients in accordance with Item 2.1 herein may not be more than three times of the base insurance premium and the coefficient determined by the type of vehicle provided for in Part 3 herein in each case.

2.4. The insurance premiums for border insurance contracts (hereinafter referred to as "border insurance contracts") concluded for motor vehicles registered in another country whose drivers do not present a Green Card upon entering the territory of the Republic of Azerbaijan, as provided for in Article 63-1.2 of the Law of the Republic of Azerbaijan on Compulsory Insurance, shall be calculated in accordance with Part 10 of this Regulation.

3. Coefficients applied according to the type of vehicle

To calculate one-year insurance premium amount to be paid when concluding a contract on vehicle owner's compulsory civil liability insurance, the coefficients specified in Table 1 are applied in accordance with the type of the vehicle:

Table 1.

| No. | Type of vehicles | Coefficients |
|------|--|--------------|
| 1. | Passenger cars and other vehicles manufactured on their basis: | |
| 1.1. | in terms of the volume of their engines: | |

| | | |
|-------------|--|------------|
| | <i>50 sm³ – 1500 sm³</i> | <i>1</i> |
| | <i>1501 sm³ – 2000 sm³</i> | <i>1.5</i> |
| | <i>2 001 sm³ – 2500 sm³</i> | <i>2</i> |
| | <i>2501 sm³ – 3000 sm³</i> | <i>2.5</i> |
| | <i>3001 sm³ – 3500 sm³</i> | <i>3</i> |
| | <i>3501 sm³ – 4000 sm³</i> | <i>3.5</i> |
| | <i>4001 sm³ – 4500 sm³</i> | <i>4</i> |
| | <i>4501 sm³ – 5000 sm³</i> | <i>4.5</i> |
| | <i>over 5000 sm³</i> | <i>5</i> |
| 1.2. | <i>Passenger cars powered by an electric motor</i> | <i>1.5</i> |
| 2. | <i>Buses, minibuses, and other vehicles manufactured on their basis – in terms of the number of passenger seats:</i> | |
| | <i>9 – 16</i> | <i>3</i> |
| | <i>over 16</i> | <i>4</i> |
| 3. | <i>Trucks and other vehicles manufactured on their basis – in terms of their maximum permissible mass:</i> | |
| | <i>below 3500 kg</i> | <i>3</i> |
| | <i>3501 kg – 7 500 kg</i> | <i>4</i> |
| | <i>over 7500 kg</i> | <i>5</i> |
| 4. | <i>Motorcycles, tricycles, and quadricycles</i> | <i>1</i> |
| 5. | <i>Trailers and semi-trailers</i> | <i>2</i> |
| 6. | <i>Tractors, mechanical vehicles used in forestry and agriculture</i> | <i>1</i> |
| 7. | <i>Technological vehicles and other mechanical motor vehicles of this category</i> | <i>1</i> |
| 8. | <i>Trailers and semi-trailers</i> | <i>0.5</i> |

4. Coefficients applied in terms of policyholder's driving experience and age

4.1. To calculate the one-year insurance premium amount to be paid when concluding the contract on vehicle owners' compulsory civil liability insurance, the coefficients provided in Table 2 are applied according to the policyholder's driving experience and age:

Table 2

| No | Age/Experience | 0 year | 1 year | 2 years | 3-4 years | 5-6 years | 7-10 years | over 10 years |
|-----------|----------------|--------|--------|---------|-----------|-----------|------------|---------------|
| 1. | 16-25 | 1.35 | 1.35 | 1.35 | 1.30 | 1.25 | 1.20 | - |
| 2. | 26-29 | 1.35 | 1.35 | 1.30 | 1.25 | 1.20 | 1.10 | 1.00 |
| 3. | 30-39 | 1.35 | 1.30 | 1.25 | 1.20 | 1.10 | 1.00 | 1.00 |
| 4. | 40-49 | 1.35 | 1.30 | 1.25 | 1.15 | 1.10 | 1.00 | 1.00 |
| 5. | 50-65 | 1.35 | 1.30 | 1.25 | 1.15 | 1.05 | 1.00 | 1.00 |
| 6. | over 65 | 1.35 | 1.35 | 1.35 | 1.30 | 1.25 | 1.20 | 1.10 |

4.2. Driving experience of persons who do not have a driver's license issued by an authorized body of the Republic of Azerbaijan is equal to 0.

5. Coefficients according to the area where the vehicle is mostly used

5.1. To calculate the one-year insurance premium amount to be paid when concluding the contract on vehicle owners' compulsory civil liability insurance the area where the vehicle is mostly used is taken into account.

5.2. The most frequently used area of the vehicle is determined by the place of registration of the vehicle.

5.3. In relation to diplomatic missions and consulates of foreign countries operating in the Republic of Azerbaijan, international organizations with the status (immunity) of diplomatic missions, as well as vehicles belonging to their diplomatic personnel and their family members, the area where the vehicle is used more often is determined by location of the relevant diplomatic mission and (or) consulate.

5.4. To calculate the one-year insurance premium amount to be paid when concluding the contract on vehicle owners' compulsory civil liability insurance the coefficients provided in Table 3 are applied according to the area where the vehicle is used more often:

Table 3

| No | The area where the vehicle is mostly used | Coefficients |
|----|---|--------------|
| 1. | Baku city | 1.1 |
| 2. | Sumgait city, Absheron district | 1.05 |
| 3. | <u>Nakhchivan Autonomous Republic, Ganja city</u> | 1.0 |
| 4. | Other towns and districts | 0.95 |

5.5. Border insurance contracts concluded in relation to vehicles that are centrally registered in the Republic of Azerbaijan, ~~as well as registered in another country and for which the driver does not present a Green Card provided for in Article 63 1.2 of the Law of the Republic of Azerbaijan 'on Compulsory Insurances' when entering the territory of the Republic of Azerbaijan (hereinafter the border insurance contract),~~ the coefficient is equal to 1.1 according to the area where the motor vehicle is used more often.

6. Coefficients applied according to life of the vehicle

6.1. To calculate the one-year insurance premium amount to be paid when concluding the contract on vehicle owners' compulsory civil liability insurance the coefficients specified in Table 4 are applied in terms of the life of the vehicle:

Table 4

| No | Life of vehicle | Coefficients |
|----|-----------------|--------------|
| 1. | 0-10 years | 1 |
| 2. | 11-20 years | 1.05 |
| 3. | over 20 years | 1.10 |

6.2. The life of the vehicle is calculated from the year of release of the vehicle, which is determined in the state registration certificate of the vehicle issued by competent authorities of the Republic of Azerbaijan ~~or foreign countries.~~

7. Coefficients in terms of the number of persons with the right to drive the vehicle

7.1. The number of persons with the right to drive a vehicle is taken into account in the calculation of the insurance premium when concluding vehicle owners' compulsory civil liability insurance contract by individuals.

7.2. To calculate the one-year insurance premium amount to be paid when concluding the contract on vehicle owners' compulsory civil liability insurance by individuals, the following coefficients are applied in terms of the number of persons with the right to drive a vehicle:

7.2.1. if only one person is entitled to drive the vehicle – 1.

7.2.2. if two and more persons are entitled to drive the vehicle - 1.15.

7.3. The right to drive the vehicle by two or more persons is determined based on a document confirming the ownership of the vehicle, an agreement on lease of the vehicle or on other property rights, and a power of attorney on the rights to use or dispose of the vehicle.

7.4. ~~1 coefficient is applied to border insurance contracts.~~

8. The BM system and related coefficients

8.1. The BM system is a part of the information system of the Compulsory Insurance Bureau and on vehicle owners' compulsory civil liability insurance it:

8.1.1. ensures uniform definition of BM classes.

8.1.2. provides accounting of data on insurance history per BM subject on past 13 years.

8.1.3. ensures that the BM class is set by the corresponding BM group for each BM subject.

8.2. BM classes are classified as follows:

8.2.1. Malus classes reflecting high insurance risk (BM classes 1 – 13).

8.2.2. Bonus classes reflecting low insurance risk (BM classes 15 - 22).

8.2.3. BM class 14, which is determined when the insurance contract is concluded for the first time in relation to the vehicle belonging to the relevant BM group and reflects uncertainty of the insurance risk.

8.3. The BM class is determined from the date of entry into force of this Regulation to the date of conclusion of each contract (hereinafter – calculation date).

8.4. To calculate the BM class, data relating to the period of the calculation date of the previous insurance contract (hereinafter – calculation period) are used.

8.5. The BM class of the IBMS is determined in two stages:

8.5.1. In Stage one the IBM class of the IBMS is determined as follows under Table 5:

8.5.1.1. if the number of insured days of IBMS during the calculation period is less than 275, his/her BM class for that BM group does not change.

8.5.1.2. if the number of days during which the IBMS is insured is more than 275 during the calculation period and no insured event occurred for which the insurance payment was made, the existing BM class increases by 1 level.

Table 5

Deter

mination of the IBM class according to the number of days during which the liability of IBMS is insured for the relevant BM group

| Current BM class | ABM class | |
|------------------|----------------------|---------------------------|
| | <i>less than 275</i> | <i>more than 275 days</i> |
| 22 | 22 | 22 |
| 21 | 21 | 22 |
| 20 | 20 | 21 |
| 19 | 19 | 20 |
| 18 | 18 | 19 |
| 17 | 17 | 18 |
| 16 | 16 | 17 |
| 15 | 15 | 16 |
| 14 | 14 | 15 |
| 13 | 13 | 14 |
| 12 | 12 | 13 |
| 11 | 11 | 12 |
| 10 | 10 | 11 |
| 9 | 9 | 10 |
| 8 | 8 | 9 |
| 7 | 7 | 8 |
| 6 | 6 | 7 |
| 5 | 5 | 6 |
| 4 | 4 | 5 |
| 3 | 3 | 4 |
| 2 | 2 | 3 |
| 1 | 1 | 2 |

8.5.2. in Stage two the BM class of the IBMS is determined as follows:

8.5.2.1. if there was no insured event for which the insurance payment was made due to the fault of IBMS during the reporting period, his/her BM class is equal to the IBM class determined in accordance with sub-item 8.5.1 herein.

8.5.2.2. if due to the fault of IBMS, 1 or more insured events occurred over the reporting period, for which 1 or more insurance payments were made, his/her BM class is determined according to the corresponding IBM class, depending on the number of insured events, as per Table 6:

Table 6

Determination of the BM class of the IBMS

| The IBM class determined as per sub-item 8.5.1 herein | BM class of the IBMS | | | |
|---|------------------------|-------------------------|-------------------------|----------------------------------|
| | <i>1 insured event</i> | <i>2 insured events</i> | <i>3 insured events</i> | <i>4 and more insured events</i> |
| 22 | 17 | 13 | 9 | 5 |
| 21 | 16 | 12 | 8 | 4 |
| 20 | 15 | 11 | 7 | 3 |
| 19 | 14 | 10 | 6 | 2 |
| 18 | 13 | 9 | 5 | 1 |
| 17 | 12 | 8 | 4 | 1 |
| 16 | 11 | 7 | 3 | 1 |
| 15 | 11 | 7 | 3 | 1 |
| 14 | 10 | 6 | 2 | 1 |
| 13 | 9 | 5 | 2 | 1 |
| 12 | 8 | 4 | 2 | 1 |
| 11 | 7 | 3 | 2 | 1 |
| 10 | 6 | 2 | 1 | 1 |
| 9 | 5 | 2 | 1 | 1 |
| 8 | 4 | 2 | 1 | 1 |
| 7 | 3 | 1 | 1 | 1 |
| 6 | 2 | 1 | 1 | 1 |
| 5 | 1 | 1 | 1 | 1 |
| 4 | 1 | 1 | 1 | 1 |
| 3 | 1 | 1 | 1 | 1 |
| 2 | 1 | 1 | 1 | 1 |
| 1 | 1 | 1 | 1 | 1 |

8.6. The BM class of the CFBMS is determined in two stages:

8.6.1. in Stage one the IBM class of the IBM class is determined as follows:

8.6.1.1. where the $FC < AFC$ condition is met, the CFBMS's IBM class is determined 1 level higher than its existing BM class.

8.6.1.2. where the $FC < AFC$ condition is not met, the CFBMS's IBM class is set at a level equal to its existing BM class.

8.6.2. in Stage two the BM class of the CFBMS is determined as follows:

8.6.2.1. where the condition of sub-item 8.6.1.1 herein is met, the BM class of the CFBMS is equal to the IBM class.

8.6.2.2. where the condition of sub-item 8.6.1.1 herein is not met, the BM class of the CFBMS is determined by rounding the number calculated according to the following formula to the nearest natural number:

$$BM = IBM \text{ class} \times (1 - 100 \times FC^2/AFC)$$

8.7. The coefficient for the BM class in relation to the IBMS and the CFBMS (BMC) is applied as per Table 7:

Table 7

| BM class | BMC |
|-----------------|------------|
| 22 | 0.60 |
| 21 | 0.65 |
| 20 | 0.70 |
| 19 | 0.75 |
| 18 | 0.80 |
| 17 | 0.85 |
| 16 | 0.90 |
| 15 | 0.95 |
| 14 | 1.00 |
| 13 | 1.10 |
| 12 | 1.20 |
| 11 | 1.30 |
| 10 | 1.40 |
| 9 | 1.50 |
| 8 | 1.60 |
| 7 | 1.80 |
| 6 | 2.00 |
| 5 | 2.20 |
| 4 | 2.40 |
| 3 | 2.60 |
| 2 | 2.80 |
| 1 | 3.00 |

9. Coefficient for the fact that the vehicle owner is a legal entity

When the vehicle owner is a legal entity, the coefficient of 1.40 is applied in the calculation of the one-year insurance premium to be paid when concluding the vehicle owners' compulsory civil liability insurance contract.

10. Insurance premium on the border insurance contract

Insurance premiums for border insurance contracts are determined based on the tariffs provided in Table 8, depending on the type of vehicle and the term of the insurance contract.

Table 8.

| Type of vehicle | Amount of insurance premium for the term of the border insurance contract (in manat) | | | |
|---|--|----------|----------|---------|
| | 12 months | 6 months | 3 months | 1 month |
| Passenger cars and other motor vehicles manufactured on their basis | 130 | 91 | 59 | 26 |
| Trucks and other motor vehicles manufactured on their basis | 485 | 340 | 218 | 97 |
| Trailers and semi-trailers | 50 | 35 | 23 | 10 |
| Buses, minibuses and other motor vehicles manufactured on their basis | 370 | 259 | 167 | 74 |
| Motorcycles and scooters | 95 | 67 | 43 | 19 |
| Tractors, road construction, forestry and agricultural vehicles | 95 | 67 | 43 | 19 |

11. Final provisions

11.1. Taking into account Items 11.2 and 11.3 herein, BM subjects are considered in the BM classes for the relevant BM group determined by this Regulation in accordance with the BM coefficient applied to them for the relevant BM group until this Regulation takes effect.

11.2. Until this Regulation takes effect, the Bonus coefficients of the BM subjects to which the BM coefficient of 0.45, 0.50 and 0.55 applied for the relevant BM group are kept unchanged until the insured event occurs due to their fault. When the insured event occurs due to their fault, the mentioned BM subjects are considered in the 22nd BM class defined by this Regulation, and the corresponding Malus coefficient is applied to them.

11.3. Until this Regulation takes effect, BM subjects in the Malus class for the relevant BM group are considered in the following BM classes defined by this Regulation:

11.3.1. BM subjects with 1.25 BM coefficient applied in BM class 13 until this Regulation takes effect.

11.3.2. BM subjects with 1.60 BM coefficient applied in BM class 12 until this Regulation takes effect.

11.3.3. BM subjects with 2.00 BM coefficient applied in BM class 11 until this Regulation takes effect.

11.3.4. BM subjects with 2.45 BM coefficient applied in BM class 9 until this Regulation takes effect.

11.3.5. BM subjects with 3.00 BM coefficient applied in BM class 7 until this Regulation takes effect.