

# **Law of the Republic of Azerbaijan**

## **On Agricultural Insurance**

The present Law regulates the relations connected with risk insurance in the agricultural sector by means of joint insurance mechanism in the Republic of Azerbaijan and defines the legal, economic and organizational bases of agricultural insurance in accordance with Item 27 of Part I of Article 94 of the Constitution of the Republic of Azerbaijan.

### **Chapter 1.**

#### **General provisions**

##### **Article 1. Main definitions**

1.1. For the purposes of this Law, the following definitions shall be used:

1.1.1. agricultural insurance system – a system of relations based on transfer and distribution of risks in the sphere of voluntary insurance protection of property interests of the manufacturer of agricultural and aquaculture products (hereinafter referred to as the manufacturer of agricultural products) stipulated by Article 4.1 of this Law;

1.1.2. agricultural insurance body – a non-profit legal entity operating in the field of agricultural insurance system according to Article 8.2 of this Law;

1.1.3. managing body – a joint insurer that manages the agricultural insurance system on behalf of the agricultural insurance body;

1.1.4. intermediary agricultural insurer - a local legal entity that performs insurance activities in the territory of the Republic of Azerbaijan in accordance with the Law of the Republic of Azerbaijan "On Insurance Activity" and is a shareholder of the managing body;

1.1.5. independent expert – an individual who assess insurance risks and (or) losses, as well as investigate insurance events;

1.1.6. agricultural policyholder – an individual or legal entity producing agricultural products, the property interests of which are insured in the system of agricultural insurance;

1.1.7. agricultural insurance product - insurance service offered to agricultural manufacturers by the intermediary agricultural insurer to protect their property interests;

1.1.8. aquaculture products - aquaculture objects obtained through aquaculture from fish and other aquatic biological resources, processed and sent for consumption.

1.2. Other terms not provided for in this Law shall have the meanings defined by the Civil Code of the Republic of Azerbaijan and the Law of the Republic of Azerbaijan "On Insurance Activity".

## **Article 2. Legislation on agricultural insurance**

2.1. The legislation of the Republic of Azerbaijan on agricultural insurance consists of the Constitution of the Republic of Azerbaijan, this Law, the Civil Code of the Republic of Azerbaijan, *the Law of the Republic of Azerbaijan "On the Central Bank of the Republic of Azerbaijan"*, the Law of the Republic of Azerbaijan "On Insurance Activity", and other normative legal acts and international treaties to which the Republic of Azerbaijan is a party.

2.2. Relations in the field of agricultural insurance in the Alat Economic Zone shall be regulated in accordance with the requirements of the Law of the Republic of Azerbaijan "On the Alat Economic Zone".

## **Article 3. Obligations of the state in the field of agricultural insurance**

3.0. The state shall have the following obligations when carrying out agricultural insurance:

3.0.1. identify subjects and risks of agricultural insurance;

3.0.2. determine the directions of state policy in the sphere of agricultural insurance and adopt normative legal acts;

3.0.3. implement stimulating measures for the expansion of agricultural insurance activities;

3.0.4. organize awareness and informative work for expanding the application of agricultural insurance;

3.0.5. control the implementation of the agricultural insurance system and provide support to ensure its continuity;

3.0.6. ensure the implementation of measures related to the development and promotion of the use of the agricultural insurance system;

3.0.7. support international cooperation in the field of agricultural insurance.

## **Article 4. Subject of agricultural insurance**

4.1. In accordance with the requirements of this Law, the following shall be considered the subject of agricultural insurance:

4.1.1. agricultural plants and plant products (including multiple plantings and their harvest);

4.1.2. farm animals and animals bred for agricultural purposes;

4.1.3. aquaculture products.

4.2. The composition of the agricultural insurance subject listed in Article 4.1 of this Law shall be determined by the body (organization) determined by the relevant executive authority.

4.3. Agricultural products whose production, processing, import and circulation are prohibited, as well as agricultural products in the area where quarantine and restriction

measures are applied or sick agricultural animals and aquaculture products cannot be the subject of agricultural insurance. The procedure for compliance with this requirement shall be determined by insurance regulations.

## **Article 5. Risks covered by agricultural insurance**

5.1. Agricultural manufacturers shall be insured against one or more of the following risks on agricultural insurance subjects in accordance with the regulations of agricultural insurance:

5.1.1. natural disasters;

5.1.2. fire;

5.1.3. plant diseases and pests;

5.1.4. infectious diseases and poisoning;

5.1.5. attack of wild animals and the spread and attack of particularly dangerous pests;

5.1.6. acts of third persons.

5.2. Deliberate illegal actions of the agricultural policyholder aimed at the occurrence of the insurance event cannot be a risk of agricultural insurance.

5.3. The composition of the risks covered by agricultural insurance listed in Article 5.1 of this Law shall be specified by the body (organization) determined by the relevant executive authority.

## **Article 6. Regulation of agricultural insurance**

6.1. Regulation of agricultural insurance shall be carried out in accordance with the insurance regulations approved by the body (organization) determined by the relevant executive authority.

6.2. In addition to those stipulated by Article 916.1 of the Civil Code of the Republic of Azerbaijan, the following shall be determined by the insurance regulations:

6.2.1. calculation of the insurance premium, its payment order and form;

6.2.2. premium discounts and surcharges;

6.2.3. partial insurance, deductible and waiting period;

6.2.4. form of the insurance contract;

6.2.5. terms of the insurance contract;

6.2.6. cases provided for in other articles of this Law.

6.3. Subsequent amendments to the insurance regulations shall not be apply to existing insurance contracts.

6.4. Agricultural insurance product terms and conditions are prepared in accordance with the insurance regulations, and the terms and conditions of each agricultural insurance product include the types and rates of services provided to policyholders, as well as issues related to insurance contracts.

6.5. Agricultural insurance product shall apply to agricultural policyholder based on agricultural insurance contract concluded with the policyholder in accordance with the insurance regulations.

6.6. A contract of agricultural insurance shall be concluded in writing between the policyholder and the managing body. A contract of agricultural insurance may be concluded in the form of an electronic document. Payment of the insurance premium by the agricultural policyholder under the insurance contract confirms that the agricultural policyholder is familiar with the relevant terms and conditions of the insurance contract, agrees with its terms and conditions, as well as confirms the conclusion of the insurance contract. The contract of agricultural insurance shall be registered in the information system of agricultural insurance.

6.7. The contract of agricultural insurance may not be concluded for a period exceeding the period specified in the insurance regulations and terms and conditions of the agricultural insurance product.

6.8. If the rights of ownership, use and lease of the property, which is the subject of insurance, pass to another person during the term of the agricultural insurance contract, the rights and obligations of the agricultural policyholder shall also pass to this person. In this regard, the contract shall be amended accordingly and information about this shall be entered into the information system of agricultural insurance.

## **Article 7. Agricultural insurance premium**

7.1. The premium for agricultural insurance is calculated by the managing body based on the insurance regulations and consists of the following parts:

7.1.1. part payable by the agricultural policyholder;

7.1.2. part payable at the expense of the state budget.

7.2. That part of the agricultural insurance premium for each insurance product, which must be paid at the expense of the state budget, shall be approved by a body (organization) determined by the relevant executive authority.

7.3. The part payable by the agricultural policyholder shall be paid directly to the bank account of the agricultural insurance body.

## **Chapter 2. Agricultural insurance entities**

### **Article 8. Agricultural insurance body**

8.1. The agricultural insurance body is established by a body (organization) determined by the relevant executive authority.

8.2. The agricultural insurance body carries out its activities in order to ensure the organization, development and sustainability of the system of agricultural insurance in the

manner determined by its Charter, as well as supervises the activities of the managing body, ensures the formation of a new managing body when the previous is liquidated.

8.3. The agricultural insurance body manages the agricultural insurance system and the information system of agricultural insurance through the management body in the order determined by this Law and normative legal acts. The Board of Appeals, acting in accordance with the requirements of the Law of the Republic of Azerbaijan "On Administrative Proceedings", shall be established under the agricultural insurance body to review complaints against the actions and inactions of the managing body, as well as issues provided for in Article 10.7 of this Law.

8.4. The agricultural insurance body shall direct its profit to the following areas:

8.4.1. formation of long-term insurance provisions;

8.4.2. increasing share capital;

8.4.3. payment of a part of the next insurance premiums to be paid by the policyholder;

8.4.4. payment of a part of the next insurance premiums to be paid at the expense of the state budget funds.

8.5. If the assets of the agricultural insurance body and the reinsurance coverage are not sufficient to fulfill its obligations, the agricultural insurance body applies to the body (organization) determined by the relevant executive authority to attract additional financial resources.

## **Article 9. Managing body**

9.1. The managing body shall be established by legal entities licensed to carry out non-life insurance activities in the territory of the Republic of Azerbaijan with equal shares and act in the organizational and legal form of an open joint stock company.

9.2. In the event that none of the shareholders sell their share, the managing body carries out an additional share issue.

9.3. The managing body shall carry out its activity in accordance with this Law, its Charter and the contract signed with the agricultural insurance body.

9.4. It is not allowed to issue securities (except for shares) by the managing body, to attract debt funds from the state budget or other sources.

9.5. Operating costs of the managing body are determined based on the contract concluded with the agricultural insurance body.

9.6. The managing body is not responsible for the contracts concluded in accordance with the law on behalf of the agricultural insurance body.

9.7. When the managing body ceases to operate, is liquidated, or is declared bankrupt by a court decision, all its documents are handed over to the agricultural insurance body.

9.8. The managing body can use the property and the funds received by the agricultural insurance body only for the following purposes:

9.8.1. payment of insurance premiums;

9.8.2. implementation of reinsurance operations;

9.8.3. payment of commission fees to agricultural insurance intermediaries;

9.8.4. payment of administrative expenses;

9.8.5. implementation of investment operations;

9.8.6. establishment of an agricultural information system and its maintenance.

9.9. Funds paid by the agricultural insurance body for ensuring the activity of the managing body shall not exceed 15 percent of the insurance premiums paid for that period.

## **Article 10. Independent experts**

10.1 Independent experts who have successfully passed the examination organized by the body (organization) determined by the relevant executive authority, have received an appropriate certificate and have been entered in the register maintained by the *Central Bank of the Republic of Azerbaijan* shall be engaged to participate in the services of agricultural insurance activities. The procedure for conducting such an examination shall be established by the body (organization) determined by the relevant executive authority.

10.2. *The Central Bank of the Republic of Azerbaijan* shall determine the suitability requirements for engaging foreign individuals for assessment of risks and (or) losses in agricultural insurance, as well as investigation of insurance events in coordination with the body (organization) determined by the relevant executive authority. Persons whose compliance with the established requirements shall be involved in these activities by the decision of the agricultural insurance body, while the requirements of Article 10.1 of this Law shall not apply.

10.3. The activities, rights and obligations of independent experts shall be defined in the insurance regulations and in the contract concluded between them and the managing body.

10.4. When an independent expert detects a violation of the terms of the contract, the agricultural insurance body informs the *Central Bank of the Republic of Azerbaijan*.

10.5. An independent expert assessing insurance risk may not participate in the investigation of insurance events and assessment of losses at this risk.

10.6. Payment for the services of independent experts shall be carried out in the order determined by the agricultural insurance body and at the expense of its funds. In cases of dispute between the parties to the insurance contract on the amount of insurance payment, a new independent expert can be appointed.

10.7. If the conclusions of the initial and new independent experts differ from each other, they shall be considered by the Board of Appeals of the agricultural insurance body and a decision shall be made accordingly. If the decision of the Board of Appeals approves the opinion of the new independent expert, the fee for his services shall be at the expense of the initial expert, and if the opinion of the initial independent expert is approved - at the expense of the policyholder.

## **Article 11. Agricultural insurance intermediaries**

11.1. Agricultural insurance intermediaries shall carry out the insurance intermediary activity on application of agricultural insurance between the agricultural insurance body and agricultural policyholder.

11.2. Agricultural insurance intermediaries shall provide legal, technical and organizational services related to agricultural insurance by mediating the conclusion of the agricultural insurance contract between the managing organization and the policyholder for a fee.

11.3. For insurance intermediary activities, the agricultural insurance body shall conclude a contract with agricultural insurance intermediaries in the manner prescribed by this Law.

11.4. The agricultural insurance intermediaries receive a commission in the amount determined by the insurance regulations for their insurance intermediary activities.

11.5. In cases where the agricultural policyholder pays the insurance premium in installments, the contract concluded between the agricultural insurance body and the agricultural insurance intermediary may provide for the application of security instruments by the latter.

## **Article 12. Agricultural policyholder**

12.1. To be insured under the system of agricultural insurance, the agricultural policyholder shall be registered in the information system of agricultural insurance through agricultural insurance intermediaries and enter into a contract of insurance of property interests in accordance with this Law with the managing body.

12.2. The rights and obligations of the agricultural policyholder shall be determined in the agricultural insurance contract.

## **Chapter 3. Implementation of agricultural insurance**

### **Article 13. Agricultural insurance information system**

13.1. The agricultural insurance body shall create an agricultural insurance information system to maintain the actions of entities connected with agricultural insurance in electronic form, electronic organization of agricultural insurance product, and registration of agricultural policyholders and monitor the services provided.

13.2. The agricultural insurance information system is considered a state information system. The statute of the system is approved by the body (organization) determined by the relevant executive authority.

13.3. The list of information systems to be integrated into the information system of agricultural insurance, and the information obtained from them is established by the body (organization) determined by the relevant executive authority.

13.4. The agricultural insurance body receives the following information and documents in real time through electronic information systems:

13.4.1. weather and climatic conditions;

13.4.2. water-cadastral data, areas of irrigated land, reclamation and irrigation (irrigation) networks, hydraulic structures, pumping stations, sub-artesian wells, salinity conditions;

13.4.3. data from the state land register of lands intended for agricultural use (legal status of land plots, ownership, use and lease rights over land, quantitative and qualitative indicators of land plots, appraisal and economic evaluation of lands, other information determined by law regarding the use and protection of lands), address, other immovable property (buildings and structures) used for agricultural purposes, registered rights to this immovable property, encumbrance (restriction) of rights, information about the rights holders.

13.5. In connection with receipt of information (documents) stipulated by Article 13.4 of this Law:

13.5.1. exemption from payment of state duty is determined by the Law of the Republic of Azerbaijan "On State Duties";

13.5.2. no payment required in other cases.

13.6. Information about insurance contracts is regularly entered into the information system of agricultural insurance by the managing body and (or) other users of the system (agricultural insurance intermediaries, independent experts and agricultural policyholders).

#### **Article 14. Risk assessment**

14.1. In cases stipulated in the insurance regulations and conditions of agricultural insurance product, prior to entering into the insurance contract, an independent expert shall inspect the insurance item and assess the risks to which it may be exposed.

14.2. The independent expert enters the information on the risks associated with the insurance item into the agricultural insurance information system, as defined by the insurance regulations.

#### **Article 15. Part of the agricultural premium paid from the state budget**

15.1. Part of the agricultural insurance premium shall be paid from the state budget under the following conditions:

15.1.1. when the insurance contract is concluded in accordance with the law and the insurance regulations;

15.1.2. upon payment of a part of the insurance premium paid by the agricultural policyholder in full or the first part of the installment payment established in the insurance contract.

15.2. Payment of the part of the agricultural premium from the funds of the state budget shall be carried out in accordance with laws on the state budget adopted for each budget year.

15.3. At the end of each month, the agricultural insurance body applies to the body (organization) determined by the relevant executive authority for the payment of part of the insurance premium paid from the state budget, and attaches the documents specified by the body (organization) determined by the relevant executive authority to the application.

15.4. The body (organization) determined by the relevant executive authority ensures the transfer of part of the insurance premium paid from the state budget to the appropriate bank account of the agricultural insurance body within 10 working days from the date of receipt of the application.

15.5. In case of early termination of the agricultural insurance contract, a part of the insurance premium paid at the expense of the state budget shall remain in the bank account of the agricultural insurance body and shall be used for conclusion of new insurance contracts in accordance with Article 15.1 of this Law.

15.6. Regardless of whether the agricultural policyholder pays the agricultural insurance premium in full or in part, the portion of the agricultural insurance premium determined by the state in accordance with this Law shall be paid in full.

## **Article 16. Investigation of insurance event**

16.1. The agricultural policyholder shall apply to the managing body regarding the occurrence of an insurance event, and the managing body shall ensure the investigation of the insurance event and assessment of loss by an independent expert determined in accordance with Article 10 of this Law.

16.2. When investigating an insurance event, only the documents required by law and the insurance regulations shall be required from the agricultural policyholder.

16.3. The terms and conditions for the appointment of an independent expert and the expert examination of the insurance item, which has suffered as a result of an insurance event, shall be defined in the insurance regulations, terms and conditions of agricultural insurance product, as well as in the insurance contract.

## **Article 17. Decision on agricultural insurance indemnity**

17.1. In accordance with the insurance regulations, after submission of all documents required for the insurance indemnity, the agricultural insurance body shall take a decision on the full or partial insurance payment or refuse payment within 7 working days and provide

official information about it to the agricultural policyholder in the manner prescribed by the Law of the Republic of Azerbaijan "On Administrative Proceeding".

17.2. In case of a decision to fully or partially refuse to pay insurance indemnity, the agricultural insurance body shall clearly indicate the grounds for the refusal referring to the provisions of the legislation, insurance contract or insurance regulations.

17.3. The decision on insurance indemnity shall be executed within the period set forth in this Law and the insurance regulations.

17.4. The policyholder may appeal against a decision to refuse payment in whole or in part in administrative or judicial proceedings.

### **Article 18. Reinsurance**

18.1. Risks insured under agricultural insurance shall be reinsured with foreign and local reinsurers in excess of the personal scope of the agricultural insurance body, as well as in cases recognized as important to the agricultural insurance body.

18.2. Reinsurance operations shall be carried out in accordance with the policy of reinsurance determined by the body of agricultural insurance.

## **Chapter 4. Closing provisions**

### **Article 19. Liability for violation of the legislation on agricultural insurance**

Violation of the requirements of this Law shall entail statutory liability.

### **Article 20. Transitional provision**

In accordance with Article 13.3 of this Law, until the relevant information systems are integrated into the agricultural insurance information system, the relevant information and documents (taking into account Article 13.5 of this Law) shall be provided by the owners of information based on the request of the agricultural insurance body.

### **Article 21. Closing provisions**

21.1. This law shall come into effect from 1 January 2020.

21.2. The present Law shall repeal the Law of the Republic of Azerbaijan No. 344-IIQ dated 18 June 2002 "On Stimulation of Insurance in Agriculture" (Legislative Collection of the Republic of Azerbaijan, 2002, No. 10, Article 582; 2005, No. 8, Article 692; 2008, No. 11,

Article 960; 2013, No. 11, Article 1292; 2016, No. 3, Article 417; 2019, No. 1, Article 34) from the date of entry into force of this Law.

**Ilham Aliyev**  
**President of the Republic of Azerbaijan**

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