

Law of the Republic of Azerbaijan

On Insurance Activity

This Law determines the main directions and principles of development of the insurance *market*, activity of professional participants of the insurance market, including insurers, reinsurers, insurance intermediaries, as well as legal and economic bases of *regulation and supervision* in the field of insurance.

~~This Law shall not apply to relationships of social insurance.~~

Chapter 1. General provisions

Article 1. Main definitions

1.1. The following definitions shall be used in this law:

- 1.1.1. **insurance** is a system of relations based on the transfer or redistribution of risks in the sphere of protection of property interests related to property, life, health, civil liability, as well as activity not prohibited by law, including entrepreneurial activity of the policyholder or insured;
- 1.1.2. **reinsurance** is a system of relations based on the transfer or redistribution of risks in whole or in part insured by the insurer under the contract concluded with the reinsurer;

*1.1.2-1. **joint insurance** - a system of relations based on the issuance of insurance payments from the joint insurance fund, the distribution of risks, including profit and loss incurred in the fund;*

*1.1.2-2. **joint insurance fund** - a set of funds paid by individuals and legal entities to insure the property interests of these individuals on the basis of joint insurance, as well as funds allocated from the state budget for these purposes;*

1.1.3. **insurer** - a local legal entity that is a party to the insurance contract and has the appropriate license to conduct insurance business on the basis of the present Law, and that undertakes the obligation to make insurance payment in case of occurrence of an insured event in accordance with the provisions of the law on compulsory insurance or the contract;

*1.1.3-1. **joint insurer** - an insurer holding an appropriate license to conduct activities solely on the basis of joint insurance;*

1.1.4. **policyholder** - a party to an insurance contract who pays the insurance premium and has an insurable interest in the insurance of the object of the insurance;

1.1.5. **insured** - a person whose property interests are insured under the insurance contract;

1.1.6. **beneficiary** - a person to whom the insurance payment shall be made in accordance with the laws on compulsory insurance and the insurance contract;

1.1.7. **reinsurer** - a party reinsuring (accepting for reinsurance) the insured (reinsured) risks on the basis of insurance or reinsurance contracts concluded with the primary insurer or primary reinsurer having a license for ~~insurance or~~ reinsurance activity;

1.1.8. **reinsured** - an insurer or reinsurer that reinsures (transfers to a reinsurer) the risks it has insured or reinsured under a reinsurance contract;

~~1.1.9. financial market supervision authority shall mean the structure, established by the relevant executive power authority to implement the regulation and supervision of the financial markets;~~

1.1.9-1. **independent expert activity** - activity performed to assess insurance risks related to the subject of insurance, damage caused as a result of an insured event and/or to investigate an insured event;

1.1.9-2. **independent expert** – an individual or a legal entity established in the Republic of Azerbaijan who carries out independent expert activities;

1.1.10. **insurance contract** - an agreement setting out the terms and conditions under which the insurer undertakes to pay losses, damages or an agreed sum of money in respect of risks to which the insurance object may be exposed, in return for the payment of an appropriate insurance premium by the policyholder;

1.1.11. **insurance certificate** - a document issued by the insurer to the policyholder and/or insured person and certifying the fact of conclusion of insurance contract;

1.1.12. **insurance regulations** - a document establishing the rules and conditions for the type of voluntary insurance provided by the insurer ~~in accordance with the insurance legislation~~, adopted by the insurer itself *by the Central Bank of the Republic of Azerbaijan (hereinafter referred to as the Central Bank)* in accordance with Article 16.5 of this Law or *by the body (institution) determined by the relevant executive authority in accordance with Article 16.6 of*

this Law, taking into account the requirements of the Civil Code of the Republic of Azerbaijan and this Law;

1.1.13. **object of the insurance** - any insurable property interest of the policyholder or insured person not inconsistent with law;

1.1.14. **insurance premium** – the amount of money that the insured must pay to the insurer in exchange for accepting or sharing risks, as stipulated by the insurance contract in voluntary insurance, and in compulsory insurance in accordance with the compulsory insurance laws;

1.1.15. **sum insured** – the final limit of the insurer's liability for insured risks, expressed in the amount determined by the laws on compulsory insurance for compulsory insurance and by the insurance contract for voluntary insurance.

1.1.16. **surrender value** – the amount of money that the insurer is required to pay to the policyholder in the event of early termination of a savings insurance contract;

1.1.17. **subject matter of the insurance** - a person, property or circumstance in respect of which the property interests insured under the insurance contract are deemed to exist;

1.1.18. **insurance risk or risk** - the possibility of an event or circumstance that will cause loss or damage to the insured object, as well as the obligation assumed by the insurer against that possibility;

1.1.19. **insured event** – an event or circumstance that occurs during the period of validity of the insurance contract, which is the basis for the payment of insurance payment to the policyholder, the insured or other beneficiaries under the laws on compulsory insurance or the insurance contract on voluntary insurance;

1.1.20. **insurance claim** - a request by the insured, policyholder or beneficiary to the insurer to perform its obligations under the Civil Code of the Republic of Azerbaijan, this Law, compulsory insurance laws and the insurance contract upon the occurrence of an insured event; this concept is used as "reinsurance claim" in relation to the corresponding request by the reinsured to the reinsurer under reinsurance contracts;

1.1.21. **insurance payment** - financial compensation paid by the insurer in the event of an insured event in accordance with the law on compulsory insurance or the insurance contract;

1.1.22. **own risk retention** - a part of the insured risk that remains at the insurer's (reinsurer's) liability under the insurance or reinsurance contract;

1.1.23. **co-insurance** - a mechanism of legal and economic relations resulting from a contract concluded between several insurers on joint insurance of risks defined in the insurance contract and distribution of obligations for insurance payment;

1.1.24. **savings insurance** - the form of life insurance that provides for the accumulation of insurance premiums paid by the policyholder to the insurer on a regular basis as a fixed-term accumulation;

1.1.25. **actuary** - a specialist who defines the bases of calculation of insurance premiums by performing economic and mathematical calculations in accordance with the present Law, as well as calculation of insurance reserves;

1.1.26. **license** - an official document allowing an insurer to conduct insurance activity, a reinsurer to conduct reinsurance activity, a broker to conduct insurance brokerage activity, and an insurance agent to conduct insurance agent activity;

1.1.27. **required capital** - the amount expressing the means necessary for the insurer to fully meet its financial obligations;

1.1.28. **insurer's own funds** - funds that are exempt from the insurer's obligations, the amount of which is calculated according to the rules established by the Central Bank.

1.1.29. **total capital** – the available amount of funds necessary to ensure the financial stability and solvency of the insurer;

1.1.30. **person** - an individual or legal entity;

1.1.31. **local legal entity** - any legal entity established within the borders of the Republic of Azerbaijan;

1.1.32. **foreign individual** - an individual who is not a citizen of the Republic of Azerbaijan and whose permanent residence is not on the territory of the Republic of Azerbaijan;

1.1.33. **foreign legal entity** - a legal entity to which the definition of local legal entity is not applied;

1.1.34. **foreign insurer** - a foreign legal entity that has the right to conduct insurance activities under the laws of its country;

1.1.35. **foreign reinsurer** – a foreign legal entity that has the right to conduct reinsurance activities under the laws of its country;

1.1.36. **subsidiary company** - a legal entity in the management of which the main founder (shareholder) has the significant influence for the purposes of the present Law;

1.1.37. **affiliated companies** - legal entities that are under the significant influence of one another or each of them by the same third person (s);

1.1.38. **significant contract** - for the purposes of this Law, a contract that gives any person the power to exercise significant influence over the decision-making of a legal entity, regardless of whether he or she owns shares in that legal entity;

1.1.39. **significant influence** - the possession 50 or more percent of placed ordinary shares of the legal entity or the opportunity of considerable influence on the decision-making of the legal entity by any person on the basis of a significant contract for the purposes of the present Law;

1.1.40. **qualifying holding** - direct or indirect ownership of 10 percent or more of the shares placed in the authorized capital; a person is considered to have an indirect qualifying holding in a legal entity if he exercises significant influence over another legal entity that has a qualifying holding in this legal entity;

*1.1.40-1. **fit and proper** - civil impeccability, honesty, and trustworthiness by virtue of public position, as well as professionalism, experience and business reputation that allow the obtaining of the rights provided for by this Law;*

1.1.41. **civil impeccability** - for persons referred to in this Law:

1.1.41.1. no conviction for an intentional crime;

1.1.41.2. absence of conviction for commitment of serious or very serious crimes against property and in the sphere of economic activity;

1.1.41.3. absence of prohibition for occupation of the respective position or exercise of professional activity imposed by the court decision;

1.1.41.4. no criminal transactions with persons of common interest who do not meet the requirements stipulated in Articles 1.1.41-1.1.43 of this Law.

1.1.42. **close relatives** shall mean husband, wife, parents, children, adoptive parents, sisters, brothers, parents, sisters and brothers of husband or wife for purposes of the present Law;

*1.1.43. **financial field**: for the purposes of this Law, this refers to the banking, insurance, securities, and pension fund sectors, as well as the field of financial market regulation and supervision.*

- 1.2. Certain definitions of insurer and foreign insurer shall apply to reinsurer or foreign reinsurer respectively in the following cases:
 - 1.2.1. if no specific distinction is made in the relevant provision;
 - 1.2.2. if there is no indication of the content applicable only to the insurer or foreign insurer;
 - 1.2.3. if the terms "insurer" and "reinsurer" or "foreign insurer" and "foreign reinsurer" are not used in the same sentence;
 - 1.2.4. if the provision using the definition of insurer or foreign insurer does not define the case which applies only to foreign insurer and foreign reinsurer.

Article 2. Insurance legislation

- 2.1. Insurance legislation of the Republic of Azerbaijan consists of the Constitution of the Republic of Azerbaijan, Civil Code of the Republic of Azerbaijan, *the Law of the Republic of Azerbaijan "On the Central Bank of the Republic of Azerbaijan"*, this Law and regulatory legal acts adopted on its basis, laws on compulsory insurance, other regulatory legal acts and intergovernmental international agreements to which the Republic of Azerbaijan is a party.
- 2.2. The *Central Bank* is authorized to adopt normative acts regulating the insurance market, ~~as well as to determine standards for insurers and insurance intermediaries~~, in cases stipulated by the Civil Code of the Republic of Azerbaijan, *the Law of the Republic of Azerbaijan "On the Central Bank of the Republic of Azerbaijan,"* this Law, and compulsory insurance laws.
- 2.3. Except for cases where different provisions are provided for in the laws on compulsory insurance *and Article 2.6 of this Law*, relations arising from the implementation of compulsory insurance types are regulated by this Law and the Civil Code of the Republic of Azerbaijan.
- 2.4. *Relations in the sphere of insurance activities in the Alat Free Economic Zone are regulated in accordance with the requirements of the Law of the Republic of Azerbaijan "On the Alat Free Economic Zone".*
- 2.5. *Relations covered by the agricultural insurance system are regulated by the Civil Code of the Republic of Azerbaijan, this Law and the Law of the Republic of Azerbaijan "On Agricultural Insurance".*
- 2.6. *This Law does not apply to relations arising from social insurance and compulsory state personal insurance.*

Article 3. Compulsory and voluntary insurance

- 3.1. Compulsory and voluntary insurance contracts may be concluded only by insurers *that have obtained a permission from the Central Bank* to conduct the respective type of insurance.
- 3.2. Types, rules and conditions of compulsory insurance are determined by the Civil Code of the Republic of Azerbaijan, this Law and laws on compulsory insurance.

- 3.3. The insurer shall determine the type of voluntary insurance and the relevant insurance rules, taking into account Article 16.5 of this Law.
- 3.4. The insurer who has obtained the permission to perform the type of compulsory insurance does not have the right to refuse the conclusion of the respective compulsory insurance contract.

Article 4. Prohibition to use certain words related to insurance activity in the names of other persons

- 4.1. The words "insurance" and "reinsurance", other words derived from them, as well as their translations into other languages (except for cases where it is clearly understood from the text in which they are used that the word does not refer to insurance, reinsurance or insurance brokerage activities, respectively), the words "insurance broker", "*insurance agent*" and "*independent insurance expert*", as well as their translations into other languages, are prohibited from being used in the names of persons who are not engaged in the aforementioned types of activities as their main type of activity.
- 4.2. A legal entity whose license to conduct insurance intermediation activities has been revoked or whose license has been denied under this Law shall comply with the requirements of Article 4.1 of this Law within 2 months from the date of the relevant decision of the *Central Bank* or shall be voluntarily liquidated.
- 4.3. If the legal entity fails to comply with the term specified in Article 4.2 of this Law, it may be compulsorily liquidated by a court decision on the basis of a claim of the *Central Bank*.

Article 5. Insurance market and its participants

- 5.1. *The insurance market consists of professional and other participants in the insurance market.*
- 5.2. Professional participants of the insurance market are insurers, reinsurers, insurance intermediaries, actuaries, independent auditors, independent experts and legal entities performing auxiliary activities in the field of insurance.
- 5.3. Other participants in the insurance market are policyholders, insured persons and beneficiaries.

Article 6. Insurance secret

- 6.1. The following information shall be deemed to be insurance secret:
 - 6.1.1. name, address and other personal data of the policyholder, insured person or beneficiary;
 - 6.1.2. sum insured or surrender value of any insurance contract;
 - 6.1.3. paid or unpaid insurance premium under any insurance contract;
 - 6.1.4. commercial or business secret of the policyholder, insured person or beneficiary being legal entities;

- 6.1.5. information relating to the private or family life of the insured, insured person or beneficiary, including information on their health and assets.
- 6.2. Professional participants in the insurance market shall be obliged to protect information obtained as a result of professional activity and considered as insurance secrets, and not to disclose such information to other persons, except in the following cases:
- 6.2.1. on the basis of the written consent of the person who is the owner of the insurance secret;
 - 6.2.2. for the purpose of concluding the reinsurance or co-insurance contract, to the other party to the reinsurance or co-insurance contract, as well as to the insurance broker acting as an intermediary;
 - 6.2.3. in criminal cases conducted by the pre-trial investigation authority - to that authority on the basis of a decision of the competent authority;
 - 6.2.4. in cases heard by a court - to that court on the basis of its decision;
 - 6.2.5. *to the Central Bank with regard to the exercise of its supervisory functions in the insurance sector;*
 - 6.2.6. in all matters necessary for the assessment of insurable risks, the investigation of the insured accident and/or the settlement of claims - to persons involved in insurance operations, with due regard to the requirement of Article 10.10 of this Law, who perform auxiliary activities in the field of insurance, and to independent experts; ~~involved in insurance transactions in accordance with insurance legislation;~~
 - 6.2.7. *to the Bureau of Compulsory Insurance for types of insurance specified in the Law of the Republic of Azerbaijan "On Insurance Activity" and the Law of the Republic of Azerbaijan "On Compulsory Insurance against Loss of Occupational Capacity as a result of Labor Accidents and Occupational Diseases;*
 - 6.2.8. *to the following persons - in case of death of the policyholder, insured person or beneficiary being an individual:*
 - 6.2.8.1. heirs - based on notarially attested requests;
 - 6.2.8.2. the court, which has the inheritance cases associated with respective deceased person - on the basis of the court decision;
 - 6.2.8.3. a notary dealing with inheritance issues related to a deceased person - upon a written request of the notary concerned, accompanied by a copy of the death certificate of the deceased person;
 - 6.2.8.4. to the consular institutions of foreign countries in the inheritance cases connected with the respective deceased person - on the basis of the written request of these institutions.
 - 6.2.9. *To the financial monitoring body in cases provided for in the Law of the Republic of Azerbaijan Law "On Prevention of Legalization of Criminally Obtained Property and the Financing of Terrorism";*
 - 6.2.10. *In accordance with the international agreements to which the Republic of Azerbaijan is a party and which provide for exchange of tax and financial*

information, information on financial transactions carried out by legal entities and individuals of these states on the territory of the Republic of Azerbaijan shall be transmitted to the competent authorities of these foreign states through the competent executive authority within the limits and in the manner determined by the competent executive authority.

- 6.3. All persons who have lawfully obtained access to the insurance secret shall be liable for its disclosure and disclosure to other persons in cases provided for by the Criminal Code of the Republic of Azerbaijan and the Code of Administrative Offences of the Republic of Azerbaijan.

Article 6-1. Settlements

Payments for settlements established by this Law shall be made only in cashless form.

Chapter 2. Fundamentals of insurer's activity

Article 7. Insurer's legal status

- 7.1. In order to engage in insurance and reinsurance activities in the territory of the Republic of Azerbaijan, an appropriate license shall be obtained in accordance with the procedure provided for in this Law.
- 7.2. The insurer is obliged to obtain the appropriate permission from the Central Bank to conduct any type of insurance on the territory of the Republic of Azerbaijan.
- 7.3. *Excluded.*
- 7.4. Persons failing to comply with Articles 7.1 and 7.2 of the present Law shall be liable in the cases referred to in the Criminal Code of the Republic of Azerbaijan and Code of Administrative Offences of the Republic of Azerbaijan.
- 7.5. The insurer is a commercial organization, which is a structure of public importance and carries out its activity in accordance with this Law, other normative legal documents and acts of *normative character* of the Republic of Azerbaijan and its charter.
- 7.6. Being a legal entity, which is a commercial organization, the insurer may carry out its activities only in organizational and legal form of open joint stock company.

Article 8. Insurer's securities

- 8.1. Securities including shares of the insurer may belong only to the category of nominal securities.
- 8.2. Shares constituting chartered capital of the insurer may be only in the form of ordinary shares.

Article 9. Insurer's name

- 9.1. The insurer's name shall be defined in Azerbaijani language.

- 9.2. Use of names composed of meaningless words, including names composed of letter combinations by the insurer shall be prohibited.
- 9.3. The insurer is obliged to use the full name and the abbreviated name, as defined in its Charter, on signs, letterheads, seals and all other official office materials, advertisements and announcements bearing its name.
- 9.4. The word "insurance" shall be necessarily available in the full name of the insurer.
- 9.5. Full name of the insurer exercising the activity exclusively in the sphere of health insurance shall necessarily contain the word "life".
- 9.6. Full name of the reinsurer exclusively dealing with reinsurance activity shall necessarily contain the word "reinsurance".
- 9.7. It is forbidden to use the words "Azerbaijan", "state", "national", "central", "budgetary" and "republican" in the name of an insurance company in which the state does not have significant influence.
- 9.8. The insurer is prohibited from using in its name words or combinations of words that are similar to the names of previously established and operating insurers, as well as similar to each other to the extent of mixing.
- 9.9. The requirements of Articles 9.1 and 9.8 of this Law do not apply to an insurance company that uses the name of a foreign shareholder holding fifty percent or more of its shares.
- 9.10. Before submitting to the competent authority, the documents related to the introduction of changes in the name for registration in the State Register of Legal Entities, the insurer is obliged to coordinate such change with the *Central Bank*.

Article 10. Insurance and reinsurance activity

- 10.1. Insurance activity is a type of activity performed on the basis of a license issued for insurance activity in connection with the conclusion and implementation of insurance contracts for the acceptance, placement or distribution of insurable risks by the insurer.
- 10.2. Reinsurance activity is a type of activity performed on the basis of a license issued for reinsurance activity, connected with the conclusion and implementation of reinsurance contracts for the assumption of insurable risks by insurers from other insurers or the distribution of such risks. *In order to regulate insurance risks in reinsurance, the Central Bank establishes minimum requirements for the policies of insurers and reinsurers in reinsurance operations and the reinsurance of catastrophic risks.*
- 10.3. Insurance of property interests related to the subject of insurance located or existing in the territory of the Republic of Azerbaijan is carried out only by local insurers.

10.3-1. Insurable risks (including cargoes, vehicles carrying the cargoes, and their civil liability) associated with commercial maritime or air transportation, as well as space flights, transportation and installations (including satellites) may be insured by foreign insurers.
- 10.4. Policyholders are free to choose their insurer.

- 10.5. In case of insurance or reinsurance of property interests connected with the subject of insurance, located or present in the territory of the Republic of Azerbaijan, only local insurance brokers shall be used.
- 10.6. Insurers may reinsure risks arising from property rights connected with the subject-matter of the insurance located or existing in the territory of the Republic of Azerbaijan with local reinsurers or foreign insurers *meeting the limits and requirements set by the Central Bank*. Such reinsurance may be carried out directly, through local insurance brokers or, in the case of reinsurance with foreign insurers, through foreign insurance brokers who meet the requirements of this Law and are included in the register provided for in Article 95.3 of this Law.
- 10.7. Branches and representative offices of insurers beyond the borders of the Republic of Azerbaijan may be opened only with the permission of the *Central Bank*.
- 10.8. State and local authorities may not interfere with the activities of the insurer, dispose of its property, including funds in bank accounts, except for the cases provided by law.
- 10.9. If services related to the assessment of insurable risks and losses, investigation of insured events are provided by legal entities performing ancillary activities in the field of insurance, this activity is also considered to be an integral part of insurance services.
- 10.10. Legal entities performing auxiliary activities in the sphere of insurance and independent experts of the Republic of Azerbaijan may be invited to render services in the sphere of insurance operations only in case of their inclusion in the register referred to in Article 95.3 of the present Law.
- 10.11. Every insurer shall have an official website for the electronic dissemination of information about its activities and the insurance services it provides, as well as for the receipt of complaints and applications in this regard, and an electronic information system that allows for the electronic entry, processing and storage of information related to the insurance and reinsurance contracts it concludes. The minimum requirements for the official website and the electronic information system of insurers shall be determined by the *Central Bank*.

Article 11. Insurer's activity areas

- 11.1. Insurance activity and, in the case referred to in Article 11.4 of this Law, reinsurance activity shall be the main type of activity of the insurer, and exclusively, the reinsurance activity shall be the main type of activity of the reinsurer.
- 11.2. The insurer and the reinsurer may only engage in the following types of activities in addition to their principal activities:
 - 11.2.1. organization and conduct of trainings for professional participants of insurance market with the purpose of professional development of specialists;
 - 11.2.2. preparation and sale of specialized literature on insurance and related spheres of activity on electronic media;
 - 11.2.3. development based on information technologies and sale of special software related to insurance;

- 11.2.4. provision of consultation services on insurance issues, as well as on loss prevention;
 - 11.2.5. legal expert examination of the clients' documents, including legal expert examination in the course of claims settlement;
 - 11.2.6. assessment of insurable risks, investigation of the insured event and provision of legal, technical and organizational assistance in claims settlement.
- 11.3. Reinsurers dealing exclusively with reinsurance activity may exercise reinsurance operations under all classes of insurance.
- 11.4. The insurer with a license to conduct any type of insurance may conduct reinsurance activities in the classes of insurance covered by that type of insurance on the basis of a separate license for reinsurance activities obtained in accordance with this Law.
- 11.4-1. Reinsurance activity under a type of compulsory insurance may not be performed by an insurer that does not have a license to perform that type of insurance.
- 11.5. If the insurer reinsurers the risks insured by it under the insurance contract, it shall be considered a reinsurer under the reinsurance contract.
- 11.6. In order to organize reinsurance, reinsurers may establish a reinsurance pool on the basis of an agreement on joint activity.

Article 12. Prohibition of monopoly

- 12.1. The monopolization of insurance services by insurers and insurance brokers and the conclusion of agreements aimed at limiting the competitiveness of the insurance market, as well as the performance of activities that may lead to such a situation, are prohibited.
- 12.2. Control over the implementation of anti-monopoly rules and measures in the insurance market is carried out in accordance with the *Competition Code of the Republic of Azerbaijan*.
- 12.3. It is prohibited to carry out activities of branches and representative offices of insurers and insurance intermediaries, including concluding contracts, in administrative buildings and on the territory of state authorities and their structural units, subordinate organizations, local divisions.

Article 13. Prevention of legalization of criminally obtained property and the financing of terrorism

- 13.1. *Insurers, reinsurers and insurance intermediaries engaged in savings insurance activities shall submit to the financial monitoring body information and documents on transactions subject to monitoring against legalization of criminally obtained property and the financing of terrorism, develop and implement their own internal control program, and implement other measures specified by the laws of the Republic of Azerbaijan and international treaties to which the Republic of Azerbaijan is a party.*

- 13.2. *Insurers, reinsurers and insurance intermediaries engaged in savings insurance activities shall, in the cases and in the manner prescribed by law, apply customer due diligence measures in relation to the policyholder, the insured, the beneficiary, the beneficial owner and the authorized representative, and comply with the requirements for maintaining information and documents.*
- 13.3. *In addition to the requirements specified in Articles 13.1 and 13.2 of this Law, other requirements are determined by the Laws of the Republic of Azerbaijan “On Prevention of Legalization of Criminally Obtained Property and the Financing of Terrorism” and “On Targeted Financial Sanctions”, as well as other normative legal and regulatory acts.*

Article 14. Life and non-life insurance, related insurance classes

- 14.1. Insurers may operate only in one sphere - life or non-life insurance (general insurance).
- 14.2. Life insurance includes the following classes of insurance, which are related to life insurance in terms of the insured object:
- 14.2.1. life insurance against death, which provides insurance payment upon the death of the policyholder or insured person;
 - 14.2.2. endowment insurance, which provides for the payment of insurance payments in the event that the insured dies during the period of validity of the insurance contract or lives up to the age and period specified in the insurance contract;
 - 14.2.3. annuity insurance providing for payment of periodical insurance compensation in the form of pension or annuity in case the insured reaches a certain age, loses the ability to work due to age, disability, ~~including restriction of health opportunities before 18 years old~~ or disease, loses the breadwinner of the family, loses the job and in other cases that cause a reduction of the person's income;
 - 14.2.4. insurance from loss of working capacity providing for payment of insurance compensation with the purpose of compensation of incomes, of which the insured person was deprived in case of full or partial loss of his/her working capacity as a result of disease or accident;
 - 14.2.5. insurance from incurable diseases providing for payment of insurance compensation in case of detection of disease of insured person, which poses threat to his/her life.
- 14.3. Non-health insurance (general insurance) shall include the following classes of insurance:
- 14.3.1. classes regarded to personal insurance for the object of the insurance.
 - 14.3.1.1. personal accident ~~and illness~~ insurance, which provides for the payment of insurance compensation in the amount specified in the contract, as well as full or partial reimbursement of additional expenses of the insured in the event of the insured's death, full or partial loss of

general or professional working capacity as a result of an accident or illness;

14.3.1.2. medical insurance providing for payment of insurance compensation for medical services included into medical insurance program in the amount full or partial compensation of expenses of insured person emerged in connection with services rendered to him/her by medical institutions;

14.3.1.2-1. travel insurance providing for payment of insurance compensation in the amount of full or partial compensation of medical expenses required in connection with disease of the insured person or health disorder as a result of accident in the course of travel in the country or beyond its borders as well as other losses emerged in the course of travel provided for in the insurance contract;

14.3.1.3. other classes not referred to in Articles 14.3.1.1 and 14.3.1.2 of the present Law and regarded to personal insurance for subject entity of the insurance.

14.3.2. The following classes under property insurance regarded to property insurance for subject entity of the insurance:

14.3.2.1. insurance of property from fire and other risks providing for payment of insurance compensation in the amount of full or partial reimbursement of damage caused to property interests of the insurant in connection with damage, destruction or loss of property in any form together with or separately from other property located in its territory and/or inside it, except for property listed in Articles 14.3.2.2-14.3.2.5 of the present Law;

14.3.2.2. insurance of motor transportation vehicles providing for payment of insurance compensation in the amount of full or partial reimbursement of damage caused to property interests of the insurant as a result of damage, destruction as well as hijack or theft of motor transportation vehicle;

14.3.2.3. insurance of rail transportation vehicles providing for payment of insurance compensation in the amount of full or partial reimbursement of damage caused to property interests of the insurant as a result of damage, destruction as well as hijack or theft of rail transportation vehicle;

14.3.2.4. insurance of air transportation vehicles providing for payment of insurance compensation in the amount of full or partial reimbursement of damage caused to property interests of the insurant as a result of damage, destruction as well as hijack or theft of air transportation vehicle;

- 14.3.2.5. insurance of water transportation vehicles providing for payment of insurance compensation in the amount of full or partial reimbursement of damage caused to property interests of the insurant as a result of damage, destruction as well as hijack or theft of water transportation vehicle;
 - 14.3.2.6. insurance of loads (transport insurance) providing for payment of insurance compensation in the amount of full or partial reimbursement of damage caused to property interests of the insurant as a result of damage, spoilage, destruction or loss of load in any form irrespective of method of transportation;
 - 14.3.2.6-1. title insurance providing for payment of insurance compensation in the amount of full or partial reimbursement of damage caused to property interests of the insurant in connection with the loss of title to any property on the basis of claims raised by other persons in connection with contesting the title for that property;
 - 14.3.2.6-2. insurance of crops providing for payment of insurance compensation in the amount of full or partial reimbursement of damage caused to property interests of the insurant in connection with full or partial destruction of crops and/or products as a result of fire, natural disasters, diseases, distribution or attack of pests;
 - 14.3.2.6-3. insurance of agricultural animals providing for payment of insurance compensation in the amount of full or partial reimbursement of damage caused to property interests of the insurant in connection with destruction of animals and poultry regarded to the agriculture, rabbits, clusters, fur-bearing wild animals as a result of fire, natural disasters, distribution or attack of pests, infectious diseases;
 - 14.3.2.6-4. *agricultural insurance, which provides for the payment of insurance compensation in the amount of full or partial compensation for damage caused to the property interests of the insurant as a result of accidents stipulated by the Law of the Republic of Azerbaijan "On Agricultural Insurance".*
 - 14.3.2.7. other classes associated with property insurance and not referred to in Article 14.3.2.1-14.3.2.6-4 of the present Law and regarded to property insurance for subject entity of the insurance.
- 14.3.3. The following classes of civil liability insurance related to property insurance for the object of insurance:
- 14.3.3.1. insurance of civil liability of motor transport vehicle owners providing for the payment of the insurance indemnity in the amount of the full or partial compensation of the damage related to the obligation to compensate for the damage caused to third parties while using the

- insured motor transport vehicle by the policyholder himself or by his authorized representative;
- 14.3.3.2. insurance of civil liability of rail transport vehicle owners providing for payment of insurance indemnity in the amount of full or partial compensation for damage caused to the policyholder's property connected with the obligation to compensate for damage caused to third parties while using the railway vehicle owned by the policyholder;
 - 14.3.3.3. insurance of civil liability of air transport vehicle owners providing for payment of insurance indemnity in the amount of full or partial compensation of damage to property interests of the policyholder in connection with the obligation to compensate the damage caused to third persons while using the air transport vehicle owned by the policyholder;
 - 14.3.3.4. insurance of civil liability of water transport vehicle owners, providing for payment of insurance indemnity in the amount of full or partial compensation for damage caused to the policyholder's property related to the obligation to compensate for damage caused to third persons while using the water transport vehicle belonging to the policyholder;
 - 14.3.3.5. insurance of the carrier's civil liability providing for payment of full or partial indemnification for damage related to the policyholder's property interests arising from the obligation to compensate for damage caused to third parties while using the vehicle as a carrier;
 - 14.3.3.6. insurance of civil liability under a civil law agreement providing for payment of insurance indemnification in connection with the occurrence of the respective insured event in cases where the policyholder has insured his civil liability for breach of the terms and conditions of the agreement;
 - 14.3.3.7. professional liability insurance providing for payment of insurance indemnity in connection with the circumstances of damage caused as a result of committed error or introduced negligence or inadvertence in the course of professional activity of holders of various professions having the required qualification;
 - 14.3.3.8. employer's liability insurance providing for payment of insurance indemnification in connection with employer's obligations to reimburse the employee or his/her family members for expenses incurred in connection with the employee's property interests as a result of an injury or illness caused or arising during the performance of the employee's duties;
 - 14.3.3.9. insurance of general civil liability not referred to in Articles 14.3.3.1 - 14.3.3.8 of this Law but considered as property insurance for the object of the insurance.
- 14.3.4. The following classes under loan insurance regarded to property insurance for the object of the insurance:

- 14.3.4.1. insurance of loans providing for payment of insurance compensation for full or partial reimbursement of damage caused to property interests of the creditor as a result of failure to repay a loan by the person, to whom the loan was issued in connection with his/her bankruptcy or death as well as failure to comply with his/her obligations due to other reasons;
 - 14.3.4.2. mortgage insurance providing for payment of insurance compensation for full or partial reimbursement of damage caused to property interests of the creditor as a result of full or partial failure to comply with debt obligations of the mortgage issuer (debtor) before the mortgage holder (creditor);
 - 14.3.4.3. other classes under loan insurance not referred to in Articles 14.3.4.1-14.3.4.2 of the present Law, but not regarded to property insurance for the object of the insurance.
- 14.3.5. The following classes under insurance of mixed financial risks regarded to property insurance for the object of the insurance:
- 14.3.5.1. insurance of risk of fall of market value providing for payment of insurance compensation for full and partial reimbursement of damage caused to property interests of the insurant in connection with the use of property in case of fall of its market value;
 - 14.3.5.2. insurance of risks in connection with suspension of work providing for payment of insurance compensation for full or partial reimbursement of damage caused to property interests of the insurant in connection with lost profit and additional expenses due to the break in its commercial activity as a result of insured accident;
- 14.3.6. Insurance of legal expenses providing for payment of insurance compensation for full or partial reimbursement of expenses emerged in connection with legal protection, consultation, negotiations, and other associated legal services as a result of disputes which may emerge in future as well as emerged in the course of investigation, court, arbitration and other similar proceedings.

Article 15. Requirements to classes of insurance

- 15.1. Classes of insurance referred to in Articles 14.2.2 and 14.2.3 of the present Law shall regard to savings insurance.
- 15.2. *Excluded.*
- 15.3. In case of insurance of civil liability pursuant to Articles 14.3.3.1-14.3.3.5 and 14.3.3.9 of the present Law, liability of the policyholder itself and other person on whom such obligation may be imposed may be insured. Name or category of other person(s) whose civil liability is insured in such way should be indicated in the insurance contract. If the

insurance contract does not indicate the insurance of civil liability of other person(s), only civil liability of the policyholder itself shall be deemed insured.

Article 16. Type of insurance and insurance regulations

- 16.1. Type of insurance shall be the product of insurance provided by the insurer to the policyholder on the basis of one or several classes of the insurance and rendered through the conclusion of the insurance contract.
- 16.2. Insurer may conclude the insurance contract under the respective type of insurance only upon the acquisition of the permission from the *Central Bank*.
- 16.3. If certain regulations referred to in Article 16.5 of the present Law are missing, insurer should agree respective insurance regulations developed by it with the *Central Bank* for acquisition of permission to exercise type of voluntary insurance.
- 16.4. Additional requirements for exercise of each type of compulsory insurance shall be defined by the laws on compulsory insurance.
- 16.5. *The Central Bank, taking into account the requirements of Article 16.6. of this Law on the basis of instruction of the relevant authority of executive power, shall adopt insurance regulations for certain type of voluntary insurance offered to individuals which are binding for all insurers.*
- 16.6. *Insurance regulations stipulated by the Law of the Republic of Azerbaijan "On Agricultural Insurance" are approved by the body (structure), established by the relevant executive authority.*

Article 17. Additional peculiarities of performing the activity of endowment insurance

- 17.1. The insurer performing the activity of endowment insurance may offer the insured person a loan of up to 50% of the redemption amount with a pledge of this amount, provided that the insurance contract would be valid for at least 2 years. In such a case, the loan may not be issued for a term longer than the remaining term of the insurance contract. The regulations on the issue of loans referred to in this Article shall be established by the *Central Bank*.
- 17.2. Within the validity period of annuity agreement, the insurer may, on the basis of actuary's opinion, increase the amount of periodical insurance payments.
- 17.3. *When opening an account for customers or providing them with financial services, the insurer, that carries out activities on endowment life insurance and (or) annuity insurance, shall ensure compliance with the requirements of regulatory legal acts of the Republic of Azerbaijan, as well as international treaties of the Republic of Azerbaijan providing for the exchange of tax and financial information, and, in accordance with these international treaties, on the basis of the requirements of Article 76-1 of the Tax Code of the Republic of Azerbaijan, shall submit information on financial transactions carried out by individuals and legal entities of foreign states on the territory of the Republic of Azerbaijan, to the authorities of foreign countries.*

Article 17-1. Conclusion of insurance contracts in the form of electronic document

17-1.1. *The insurer may conclude insurance contracts in the form of an electronic document only if the following possibilities are available:*

17-1.1.1. *before concluding the insurance contract, the insured should have the opportunity to acquaint himself/herself with the electronic version of the insurance regulations, as well as with the offered insurance terms and conditions (premium, sum insured, deductible, concessions) by selecting one or more risks provided for in these regulations in an electronic way and having the opportunity to print them out;*

17-1.1.2. *when concluding the insurance contract, the insured should have the possibility to acquire access to the electronic version of this contract within the validity period of the contract and within the period referred to in Article 123.2 of the present Law, as well as the possibility to print it out and send it to the respective e-mail address;*

17-1.2. *If the opportunities referred to in Article 17-1.1 of the present Law in the official website of the insurer, the Central Bank shall issue substantiated motion on suspension of conclusion of insurance contract in the form of electronic document.*

Chapter 3. Founders and shareholders of the insurer

Article 18. Categories of founders and shareholders of the insurer

18.0. *With due regard to the requirements of the present Law, founder or shareholder of the insurer may be any person, except for:*

18.0.1. *stateless persons;*

18.0.2. *political parties;*

18.0.3. *non-governmental organizations (public associations and foundations);*

18.0.4. *other international organizations, except for international financial institutions, which the Republic of Azerbaijan is a member of.*

Article 19. Requirements for founders or shareholders of the insurer

19.1. *To become a founder or a shareholder, a person should meet the following requirements:*

19.1.1. *have sufficient financial resources to acquire the relevant shares;*

19.1.2. *be a fit and proper person in the case of a desire to acquire qualifying holding or significant influence.*

19.2. *To become a founder or a shareholder, a legal entity should meet the following requirements:*

19.2.1. *comply with the standards of financial stability in the sphere in which it carries out its activity, if required by law;*

19.2.2. *in the case of an intended acquisition of qualifying holding or significant influence, for local legal entities, have fit and proper top officials of the executive*

authority, and for foreign legal entities, have a rating, which may be assigned by international rating organizations, and which may not be lower than the respective credit rating of the Republic of Azerbaijan, as well as *have fit and proper* top officials of the executive authority.

19.3. *Excluded.*

19.3.1. *Excluded.*

19.3.2. *Excluded.*

19.3.3. *Excluded.*

19.3.4. *Excluded.*

19.4. *The insurer's beneficial owner shall be a fit and proper person.*

Article 20. Additional requirements in respect of foreign capital

20.1. Upper limit of the interest of foreign capital in the aggregate amount of authorized capitals of all insurers operating in the Republic of Azerbaijan, and regulations for calculation of that interest shall be defined by the Central Bank.

20.1-1. Interest of one foreign individual in the chartered capital of the insurer may not exceed 10 percent and general amount of the interest of foreign individuals may not exceed 30 percent of shares.

20.1-2. Except for international financial institutions which the Republic of Azerbaijan is a member of, foreign insurers as well as foreign institutional investors (banking and credit organizations, pension funds, investment funds), general interest of other foreign legal entities in the chartered capital of the insurer should be less than 50 percent of shares.

20.2. Opening of the branch by the foreign insurer in the territory of the Republic of Azerbaijan shall be prohibited.

Article 21. Consent to acquire qualifying holding or significant influence

21.1. Without the permission of the *Central Bank*, no one, including the insurer's founder and shareholder, may enter into an agreement leading to the acquisition of qualifying holding in the insurer's charter capital through the purchase of ordinary shares, as well as the exercise of significant influence over the insurer.

21.1-1. *A shareholder with qualifying holding may, with the approval of the Central Bank, increase its existing shareholding and acquire a share that would bring its shareholding to or exceed 20 percent or 33 percent of the shares or authorized capital, subject to the requirements of Article 22 of this Law regarding qualifying holding.*

21.2. If the person acquires the qualifying holding in the insurer through full or partial breach of requirements of the present Law, the *Central Bank* shall give to the person a written

instruction on liquidation of that share or its respective part within the period defined by it.

21.3. The *Central Bank* shall file an application with the court for the alienation of the share of a person with a qualifying holding in the authorized capital of an insurer or for its redemption by the insurer if it discovers the following circumstances:

21.3.1. *if any of the executive officers of an individual or legal entity does not meet the fit and proper criteria;*

21.3.2. *if the insurer is influenced to an extent that may threaten the financial health of the insurer or its reliable and prudent management;*

21.3.3. *if the official document (license, permit, etc.) granting the right to carry out the main activity of a foreign insurer or a foreign institutional investor specified in Article 20.1-2 of this Law is revoked.*

Article 22. Application for permission of acquisition of qualifying holding or of significant influence

22.1. *A person wishing to have a qualifying holding or significant influence in an insurer shall apply in writing to the Central Bank, attaching documents confirming compliance with the requirements of Article 19 of this Law, as well as the following documents, in order to obtain consent from the Central Bank:*

22.1.1. *in the case of an individual wishing to acquire a qualifying holding or significant influence, a copy of the document proving his/her identity certified by a notary or in accordance with the procedure established by Article 9 of the Law of the Republic of Azerbaijan "On Administrative Proceedings", documents and information indicating the place of work (type of employment) (if any), as well as documents and information on the source of funds directed to the acquisition of a qualifying holding or significant influence, and in the case of a foreign individual, a certificate issued by the relevant state authorities of the country of his/her residence stating whether he/she has been brought to criminal liability and legalized or apostille issued in accordance with the procedure established by the legislation;*

22.1.2. *In the case of a legal entity wishing to acquire a qualifying holding or significant influence, a copy of the certificate of state registration and charter certified by a notary or in accordance with the procedure established by Article 9 of the Law of the Republic of Azerbaijan "On Administrative Proceedings", financial statements certified by an independent auditor for the last three financial years, and for the entire period of activity if it has been operating for less than three years, and relevant documents reflecting the opinion of the independent auditor, documents and information on the source of funds directed to the acquisition of a qualifying holding or significant influence, and in the case of a foreign legal entity, also a certificate issued by the relevant state authorities of the country where the executives of the executive body are residents, stating whether they have been*

brought to criminal liability and legalized or apostille issued in accordance with the procedure established by the legislation.

- 22.2. If the *Central Bank*, while considering the application provided for in Article 22.1 of this Law, discovers deficiencies in the submitted documents or information or inconsistencies with this Law, it shall request additional information, documents or explanations from the applicant in writing within *15 business days* from the date of receipt of the application.
- ~~22.3. In the course of consideration of application referred to in Article 22.1 of the present Law, the financial market supervisory authority, on the basis of the request, should be obliged to acquire information on the accuracy of information indicated in the application and attached documents from the respective state authorities and other persons.~~
- ~~22.4. State authorities and other persons shall be obliged to respond to the request referred to in Article 22.3 of the present Law within the period of 10 working days from the moment of its receipt.~~
- 22.5. If the applicant meets the requirements of this Law, the Central Bank shall make a decision to grant consent to its holding of a significant shareholding or significant influence. If the applicant does not meet the requirements of this Law, as well as in the following cases, the Central Bank shall make a reasoned decision to refuse to grant consent:
- 22.5.1. *if the persons seeking to acquire a qualifying holding or significant influence (in the case of a legal entity, the executives of their executive bodies) are not fit and proper;*
- 22.5.2. *if there are facts that provide grounds for believing that the influence of the holders of qualifying holding and persons with significant influence and their beneficial owners on the insurer poses a threat to its sound and prudent management;*
- 22.5.3. *if the source of funds used to acquire the qualifying holding or significant influence is unknown;*
- 22.5.4. *if the financial condition of the legal entity acquiring the qualifying holding or significant influence is unsatisfactory.*
- 22.6. *Central Bank* shall communicate to the applicant a copy of the decision referred to in Article 22.5 of the present Law within the period of 30 working days from the moment of receipt of the application or receipt of additional information, documents, explanations referred to in Article 22.1 of the present Law in the respective case.
- 22.7. Failure to communicate a copy of the decision referred to in Article 22.5 of the present Law by the *Central Bank* to the applicant within the period referred to in Article 22.6 of the present Law shall be deemed as the consent of that authority to the acquisition of mentioned qualifying holding or significant influence.

Article 23. Shareholder's duty to submit information

- 23.1. Shareholder which is a *foreign legal entity* or local legal entity owning qualifying holding in the insurer within the period of 10 working days from the moment of occurrence of the respective below mentioned cases shall be obliged to inform the *Central Bank* thereof:

- 23.1.1. in case of change of person possessing significant influence over local or foreign legal entity;
 - 23.1.2. in case of occurrence of the circumstance affecting the civil perfection or business prestige of individual or legal entity respectively possessing the significant influence over local or foreign legal entity;
 - 23.1.3. in case of occurrence of the circumstance affecting the civil perfection of the top official of local or foreign legal entity;
 - 23.1.4. *in case of reduction of shares of person possessing a significant influence in local or foreign legal entity, in chartered capital of that legal entity in the quantity sufficient for the loss of significant influence.*
- ~~23.2. With the purpose of exercise of supervision over the compliance with the present Law, the financial market supervisory authority, once a year, shall require from shareholders owning the qualifying holding in the chartered capital of the insurer or exercising the significant influence over it or other persons to submit information on civil perfection of those shareholders who are individuals and information on civil perfection of top officials of those shareholders which are legal entities.~~

Article 24. Invalidity of the shareholder's voting right

- 24.1. If a person acquires a significant shareholding in an insurer *or the shares specified in Article 21.1-1 of this Law* in violation of the requirements of this Law, the voting rights on the shares held by him in this way shall not be taken into account at the meetings of the General Meeting of Shareholders.
- 24.2. Any decision adopted by the General Meeting of Shareholders taking into account the voting rights prohibited by Article 24.1 of this Law shall not have legal force and shall be invalid from the moment of its adoption.

Chapter 4. Corporate governance in insurers

Article 25. Managing bodies of the insurer

- 25.1. Corporate governance in insurers shall be formed and exercised pursuant to the Civil Code of the Republic of Azerbaijan as well as with due regard to additional requirements defined by this Law.
- 25.2. The insurer shall be managed by the following bodies:
 - 25.2.1. The General Meeting of Shareholders, which is the supreme managing body;
 - 25.2.2. The Board of Directors, which exercises general management and supervision over the activity of the insurer;
 - 25.2.3. The Executive Board which is an executive body;
 - 25.2.4. *The Audit Committee, which organizes the preparation, implementation and audit supervision of internal audit policy and strategy.*
- 25.3. *Insurers shall comply with corporate governance standards set by the Central Bank.*

Article 26. General Meeting of Shareholders of the insurer

- 26.1. Except for exceptional powers stipulated *by Article 107.1 of the Civil Code* of the Republic of Azerbaijan, General Meeting of shareholders shall have the following supplementary powers:
- 26.1.1. adoption of decisions regarding placement of investments in the chartered capital of other legal entities, including regarding acquisition of shares of other insurer, establishment of subsidiary enterprises of the insurer and termination of their activity;
 - 26.1.2. determination of terms and conditions of issuance of securities, including the shares of the insurer, adoption of decisions on increase or decrease of capital of the insurer, formation of reserves at the expense of net profit;
 - 26.1.3. adoption of decisions regarding the solid amendments referred to in Chapter 8 of the present Law;
 - 26.1.4. determination of financial, registration, administrative and personnel policy of the insurer;
 - 26.1.5. adoption of decisions regarding the opening or liquidation of branches and representative offices of the insurer with due regard to Articles 10.7 of the present Law, approval of their charters;
 - 26.1.6. election and withdrawal of independent auditors of the insurer, except for cases referred to in Article 75.3 of the present Law;
 - 26.1.7. approval and adoption of the insurer's budget;
 - 26.1.8. approval of the statutes of the Board of Directors and Executive Board;
 - 26.1.9. receiving reports from the Board of Directors and *Audit Committee*;
 - 26.1.10. election of members of the Executive Board, including the chairman and his/her deputies, termination of their powers;
 - 26.1.11. determination of frames of powers of top officials for assuming the obligations on behalf of the insurer and transfer of those powers to other employees of the insurer;
 - 26.1.12. approval of financial statements of the insurer certified by an independent auditor and recommended by the *Audit Committee*.
- 26.2. Powers referred to in Articles 26.1.4-26.1.6 and 26.1.10 of the present Law may be transferred to the Board of Directors of the insurer on the basis of charter or decision of the General Meeting of Shareholders.

Article 27. Sessions of the General Meeting of Shareholders of the insurer

- 27.1. At the sessions of the General Meeting of shareholders of the insurer, *except for cases of shareholders participation in voting and decision-taking procedure, stipulated by the Civil Code of the Republic of Azerbaijan*, decisions on the issues of appointment to the positions and dismissal from the positions of members of the Board of Directors and Executive Board, acquisition of shares of other insurers, establishment of subsidiary entities shall be adopted by two thirds of the majority of shareholders present in the sessions.

- 27.2. Regular sessions of the General Meeting of shareholders shall be convened as provided for in the Civil Code of the Republic of Azerbaijan ~~but no later than 2 months after the end of the financial year.~~
- 27.3. *Extraordinary meetings of the General Meeting of Shareholders are convened by the Board of Directors at the request of shareholders holding at least ten percent of the shares, the Board of Directors and the Audit Committee, in the manner and within the period stipulated in the Civil Code of the Republic of Azerbaijan.*
- 27.4. Following to the unanimous decision of shareholders having the voting rights, session of the General Meeting of Shareholders may also discuss the issues not included into the agenda and adopt decisions thereof.

Article 28. Composition and sessions of the Board of Directors of insurer

- 28.1. The Board of Directors shall be composed of members who are individuals in odd composition not less than three persons. At least one of those members should be an independent person elected pursuant to Article 28.3 of the present Law.
- 28.2. Members of the Board of Directors shall be elected for the term not more than 3 years. Members of the Board of Directors may be re-elected for the next terms of office.
- 28.3. An independent member of the Board of Directors may be elected if they are not a member of the insurer's managing body or a *related* person, and if they or their spouse does not possess any shares of the insurer or a *related* person.
- 28.4. The Chairman of the Board of Directors shall be elected by the General Meeting of Shareholders from among the members of the Board. The Chairman of the Board of Directors may not hold a position in any other managing body of the insurer (*except the Audit Committee*).
- 28.5. Except for cases referred to in the Civil Code of the Republic of Azerbaijan, the following persons may not be members of the Board of Directors:
 - 28.5.1. *members of the management body of the other insurer, except where one insurer has significant influence or a qualifying holding in the other insurer or where 50 percent or more of the shares of each of the insurers are owned by the same shareholders, and except where a member of the Board of Directors of the insurer operating in the field of life insurance is a member of the Board of Directors of only one of those insurers operating in the field of non-life insurance, and a member of the Board of Directors of the insurer operating in the field of non-life insurance is a member of the Board of Directors of only one of those insurers operating in the field of life insurance;*
 - 28.5.2. *persons who are members of managing body of three (five, when appointed by the relevant executive authority) or more legal entities which are not insurers.*
- 28.6. Persons referred to in Article 28.5 of the present Law should be dismissed from the position of member of the Board of Directors under the decision of the General Meeting of shareholders.
- 28.7. Session of the Board of Directors shall be legitimate in case of presence of half of its members in the session. Procedure of holding the sessions shall be defined by the charter of the insurer or statute on Board of Directors.

- 28.8. Decisions of the Board of Directors shall be adopted through the simple majority of votes of those members present in the session. Each member shall have one vote. Abstaining from voting by members in the sessions of the Board of Directors shall not be permitted.

Article 29. Powers of the Board of Directors of the insurer

- 29.1. The following shall be regarded to powers of the Board of Directors of the insurer:
- 29.1.1. exercise of supervision over the management and activity of the insurer, including the receipt of reports from the Executive Board and *Audit Committee* of the insurer;

29.1.1-1. approve the charter of the Audit Committee;
 - 29.1.2. submit recommendations to the General Meeting of shareholders and Executive Board;
 - 29.1.3. convene sessions of the General Meeting of shareholders through the communication of notifications and determination of the agenda for each session, except for extraordinary sessions convened upon the request of shareholders, Executive Board and *Audit Committee*;
 - 29.1.4. convene sessions of Executive Board and *Audit Committee*;
 - 29.1.5. take measures ensuring the removal of the breach and notification of the General Meeting of shareholders, Executive Board and *Audit Committee* thereof in case of detection of the fact of failure of the insurer to comply with the law;
 - 29.1.6. *appoint other senior executives of the insurer, other than the members of the Board of Directors and the Executive Board (except for cases where the relevant powers regarding the election of members of the Executive Board are granted to the Board of Directors in accordance with Article 26.2 of this Law) and to determine their salaries;*
 - 29.1.7. if the performance of any member of the Board of Directors is deemed unsatisfactory, *dismiss* him/her from office and temporarily select another person who meets the requirements of this Law to perform the relevant position until the ~~General Meeting of Shareholders~~ a new member of the Board of Directors is approved;
 - 29.1.8. determine and approve rules for regulation of conflict of interests occurring between its members and members of the Executive Board, as well as between the members of the Executive Board themselves;
 - 29.1.9. determine the insurer's business strategy;
 - 29.1.10. approve rules and procedures constituting the system of internal supervision of the insurer on the basis of the following principles:
 - 29.1.10.1. exercise of the activity of the insurer in accordance with strategy and rules defined by the Board of Directors;
 - 29.1.10.2. conduct of insurance operations only within the procedure corresponding to the license;
 - 29.1.10.3. ensure the safety of the insurer's assets;

- 29.1.10.4. duly reflect the submitted information in the accounting in full, accurate, transparent and clear form;
 - 29.1.10.5. determine, assess and regulate the entrepreneurial risks of top officials, availability of the ability to store respective level of the capital for such risks;
 - 29.1.10.6. *ensure compliance with the requirements of the Laws of the Republic of Azerbaijan "On Prevention of Legalization of Criminally Obtained Property and the Financing of Terrorism" and "On Targeted Financial Sanctions" during the insurer's activities.*
 - 29.1.11. adoption of the decision on formation of reserves of the insurer's capital;
 - 29.1.12. issue permission to conclude respective bargains on behalf of insurers in cases referred to in the charter of the insurer;
 - 29.1.13. adopt decisions on internal inspection of the activity of the insurer in complex form or in separate spheres;
 - 29.1.14. consider the results of inspections of independent or internal auditors as well as Central Bank, take measures concerning the results of those inspections;
 - 29.1.15. exercise other powers provided for in the law as well as the charter of the insurer.
- 29.2. Decisions of the Board of Directors adopted pursuant to Articles 29.1.7 and 29.1.11 of the present Law shall be included into the agenda of the session of the General Meeting of shareholders and shall be discussed in that session.
- 29.3. Responsible actuary of the insurer shall be appointed by its Board of Directors.

Article 30. Duties of the Board of Directors of the insurer

- 30.1. The duties of the Board of Directors of the insurer shall be the following:
- 30.1.1. control over sufficient provision of safety of financial means of the insurer for duly exercise of its obligations, over fair treatment with insurant, business management and other operations of the insurer;
 - 30.1.2. approval of instruction for examination and determination of bargains concluded with *related* persons referred to in Chapter VII of the present Law with the purpose of removal of circumstances which do not correspond to the interests of the insurer;
 - 30.1.3. approval of instruction for unbiased treatment with customers, also for issuance of respective information to them, protection of confidentiality of personal data in accordance with the present Law, duly and unbiased assessment of losses associated with the insured accident, payment of insurance compensations in short periods of time under insurance claims of policyholders, insured persons and beneficiaries as well as for duly consideration and settlement of complaints of policyholders and other customers;

- 30.1.4. approval of internal policy and risk management regulations with the purpose of regular determination and assessment of significant risks and control over them;
- 30.1.5. approval of investment policy of the insurer corresponding to the requirements of the Chapter 6 of this Law for prevention of risks of occurrence of large losses and earning of profits foreseen in advance;
- 30.1.6. approval of the policy for reinsurance operations, including criteria of reinsurance reliability, general level of distribution of risks, upper limit of own deduction under each risk and obligations under each insured accident and other reinsurance criteria which are deemed acceptable for insurers;
- 30.1.7. exercise of permanent supervision over strict compliance with the policy, strategies and instructions referred to in Articles 30.1.1-30.1.6 of the present Law by the insurer, over regular revision of those documents with due regard to the change of terms and conditions;
- 30.1.8. *In case of detecting a violation of the applicable legislation by the insurer, inform the General Meeting of Shareholders, the Board of Directors and the Audit Committee about this violation, and send a notification to the Central Bank about the facts of violation of the requirements of the insurance legislation and the Law of the Republic of Azerbaijan "On Prevention of Legalization of Criminally Obtained Property and the Financing of Terrorism".*

Article 31. Executive Board of the insurer

- 31.1. The Executive Board of the insurer shall consist of an odd number of individuals, with a minimum of three members.
- 31.2. Members of the Executive Board shall be elected for the term not more than 3 years. Members of the Executive Board may be re-elected for the next terms of office.
- ~~31.3. Person occupying the leading position in the executive body of other legal entity may not be a member of the Executive Board of the insurer. If a member of the Executive Board is appointed to the leading position in the executive body of other legal entity, he/she shall be dismissed from the position of members of the Executive Board.~~
- 31.4. Chairman of the Executive Board and his/her one or several deputies shall be elected from the pool of members of the Executive Board. Powers of the chairman of the Executive Board shall be defined by the charter of the Executive Board.
- 31.5. Session of the Board of Directors shall be legitimate in case of presence of half of its members in the session.
- 31.6. Decisions of the Executive Board shall be adopted through the simple majority of votes of those members present in its session. Abstaining of members in the course of voting shall not be permitted. If the votes are distributed equally, the vote of the chairman shall be decisive.
- 31.7. Executive Board shall exercise its activity in accordance with the business strategy elaborated by the Board of Directors as well as with rules and procedures adopted pursuant to Articles 29.1.10 of the present Law.

31.8. *The provision of information in cases where the personal interests of members of the Executive Board may lead to a conflict with the interests of the insurer, as well as the conclusion of transactions contrary to the interests of the insurer, are carried out in accordance with the requirements of Articles 107-10.5 of the Civil Code of the Republic of Azerbaijan.*

Article 32. Audit Committee of the insurer, its composition and sessions

- 32.1. The *Audit Committee* of the insurer shall be composed of members who are individuals in odd composition not less than three persons. At least one of those members should be an independent person elected pursuant to Article 32.3 of the present Law.
- 32.2. Members of the *Audit Committee* shall be elected for the term not more than 3 years. Members of the *Audit Committee* may be re-elected for the next terms of office.
- 32.3. An independent member of the *Audit Committee* may be elected if they are not a member of the insurer's managing body or a *related person* (except for an independent member of the same insurer's Board of Directors), and if they or their spouse does not possess any shares of the insurer or a *related person*.
- 32.3-1. Shareholders and members of the Board of Directors of an insurer may not be members of its Audit Committee. Subject to the requirements of Article 32.3 of this Law, a member of the Board of Directors of an insurer (except for a member of the Board of Directors who is a shareholder of the insurer) may be a member of the Audit Committee.*
- 32.4. The members of the *Audit Committee* are elected by the Board of Directors. The Board of Directors appoints one of the members of the *Audit Committee* as the Chairman of the *Audit Committee*. The powers of the Chairman of the *Audit Committee* are determined by the charter of the insurer and the regulations on the *Audit Committee*.
- 32.5. Sessions of the *Audit Committee* shall be legitimate in case of presence of half of its members in the sessions.
- 32.6. Decisions of the *Audit Committee* shall be adopted through the simple majority of votes of those members present in its session. Abstaining of members in the course of voting shall not be permitted. If the votes are distributed equally, the vote of the chairman of the *Audit Committee* shall be decisive.

Article 33. Powers of the Audit Committee of the insurer

- 33.1. The powers of the insurer's *Audit Committee* shall be the following:
- 33.1.1. determination of the audit strategy and policy of the insurer;
 - 33.1.2. approval of internal audit plans;
 - 33.1.3. submission of proposals to the competent managing bodies of the insurer in connection with the appointment of independent auditor;
 - 33.1.4. submission of proposals regarding the improvement of internal supervision system to the General Meeting of shareholders and Board of Directors;
 - 33.1.5. supervision over the activity of the internal audit service;
 - 33.1.6. request of convocation of sessions of the Board of Directors and Executive Board for matters regarded to its powers, convocation of session of internal audit service;

- 33.1.7. exercise other powers stipulated in the Civil Code of the Republic of Azerbaijan and *regulatory acts of the Central Bank*.

Article 34. Duties of the *Audit Committee* of the insurer

- 34.1. The duties of the insurer's *Audit Committee* shall be as follows:
 - 34.1.1. supervision over operations or conditions which probably may negatively affect the financial state of the insurer;
 - 34.1.2. conduct of meetings with independent auditor for discussion of annual financial results;
 - 34.1.3. organization of joint work of top officials of the insurer and independent auditor, taking of measures for removal of shortcomings detected by the independent auditor and application of its recommendations;
 - 34.1.4. provision of cooperation of managing bodies of the insurer with independent auditors, competent state authorities, also with the *Central Bank*;
 - 34.1.5. discussion of the efficiency of internal supervision system of the insurer with the Executive Board;
 - 34.1.6. consideration of financial statements, including annual balance of the insurer, notification of the Board of Directors on respective shortcomings and recommendations;
 - 34.1.7. consideration of bargain, conclusion of which with *related* persons are permitted by the present Law on the basis of motion of the Board of Directors prior to their formalization and submission of opinion on compliance of the bargain with the requirements of the present Law and interests of the insurer.

Article 35. Internal audit service of the insurer

- 35.1. The Internal Audit Service, in conjunction with the Executive Board, shall supervise the activities of internal supervision and risk management systems under the control of the *Audit Committee*.
- 35.2. Director of the internal audit service shall be appointed to the position and dismissed from the position by the Board of Directors upon the motion of the *Audit Committee*.
- 35.3. Regulations of conduct of internal audit in the insurers shall be defined by the *Central Bank*.

Article 36. Auxiliary committees

- 36.1. The Board of Directors may organize auxiliary committees from the number of its members and provide them with the part of its powers.
- 36.2. Organization of auxiliary committees and provision of them with respective powers shall not restrict the powers and obligations of the Board of Directors.

Article 37. Requirements for top officials of the insurer

- 37.1. The members of the insurer's Board of Directors, Management Board and *Audit Committee*, the head of the internal audit service, the chief accountant and the responsible actuary are the insurer's senior employees.
- 37.2. *Top officials of the insurer shall meet the following requirements:*
- 37.2.1. *for the chairman and members of the Board of Directors and Audit Committee of the insurer - higher education in economics, management or law and at least 5 years of work experience in finance or in the fields specified in the insurer's business strategy, or higher education and at least 7 years of work experience in those fields;*
 - 37.2.2. *for the chairman and members of the Board of Directors of the insurer - higher education in economics, management or law and at least 5 years of work experience in finance (with at least 3 years in a management position), or higher education and 10 years of work experience in finance or in areas specified in the insurer's business strategy (with at least 5 years in a management position);*
 - 37.2.3. *for the head of the insurer's internal audit service - higher education in economics or law and at least 4 years of work experience in finance (at least 2 years of which at the insurer), or higher education and at least 5 years of work experience in finance (at least 3 years of which at the insurer);*
 - 37.2.4. *for the chief accountant of the insurer (person performing this position) - higher education in economics and at least 3 years of work experience in accounting at the insurer, or higher education and at least 5 years of work experience in accounting (at least 3 years at the insurer). The chief accountant of the insurer (person performing this position) shall obtain a professional accountant certificate in accordance with the Law of the Republic of Azerbaijan "On Accounting";*
 - 37.2.5. *for a responsible actuary – higher education and at least 1 year of work experience as an actuary;*
 - 37.2.6. *top officials shall not be a member of the Board of Directors (Supervisory Board), Inspection Commission, Audit Committee, Management Board or internal audit service, or a chief accountant and responsible actuary, who participated in the determination of the business strategy and decision-making processes of a legal entity operating in the financial sector that has been forcibly liquidated or declared bankrupt due to deterioration of its financial situation or violation of the requirements of the legislation in the financial sector for at least 12 months prior to the date of adoption of the decision on liquidation of that entity. This requirement shall apply for a period of 2 years from the date of adoption of the decision on compulsory liquidation of that legal entity by declaring it bankrupt in the manner prescribed by the legislation;*
 - 37.2.7. *shall not have been dismissed from the position of a senior executive of the insurer due to unsatisfactory performance in accordance with the procedure established by law;*

- 37.2.8. *taking into account Article 32.3-1 of this Law, a member of one management body of an insurer (except for the general meeting of shareholders) may not hold the position of a member of another management body, the chief accountant may not hold the position of a member of the Audit Committee of the insurer, and the head of the internal audit service may not hold any other position in the insurer;*
- 37.2.9. *members of the Board of Directors and Audit Committee of the insurer, the chief accountant (the person performing this position), the head of the internal audit service and the responsible actuary cannot hold any position in other insurers and legal entities (except for cases where they are members of the Board of Directors of other insurers and legal entities in which the insurer is a shareholder, taking into account Article 28.5.1 of this Law);*
- 37.2.10. *top officials of the insurer shall be fit and proper.*
- 37.2-1. *The requirements set forth in Article 37.2.4 of this Law for the chief accountant (person performing this position) do not apply to persons with at least 2 years of work experience in the field of accounting at the insurer and a relevant professional accounting certificate.*
- 37.2-2. *Article 37.2.6 of this Law does not apply to responsible actuaries who fulfill the requirement of Article 81-5.2.3 of this Law.*
- 37.3. Requirements of Article 37.2 of the present Law concerning top officials of the insurer shall also apply to persons who should temporarily exercise the functions of top official for more than 60 days.
- 37.4. Persons failing to comply with the requirements referred to in Article 37.2 of the present Law shall be deemed inconsistent with the position of top official.
- ~~37.5. Requirement of Article 37.2.7 of the present Law shall not apply to members of the Board of Directors and responsible actuary.~~
- 37.6. Requirements related to work experience referred to in Article 37 of the present Law in the respective sector or sphere shall provide for work experience on positions associated with the exercise of principal activity in that sector or sphere.

Article 38. Appointment of top officials of the insurer

- 38.1. *The insurer shall send a written notification to the Central Bank regarding all appointments and changes to the positions of the Chairman and members of the Board of Directors and the Management Board. The notification shall be accompanied by information and documents confirming that the executive meets the requirements specified in Article 37.2 of this Law, documents and information specified in Article 44.1.8 of this Law, as well as copies of relevant documents on education and work experience certified by a notary or in accordance with the procedure specified in Article 9 of the Law of the Republic of Azerbaijan "On Administrative Proceedings". The Central Bank shall consider the notification within 30 calendar days and, if there are no errors or deficiencies in the submitted documents, shall invite the candidates for an interview within that period.*

After receiving a positive opinion of the Central Bank on these appointments, these candidates shall begin performing their duties. The procedure for conducting the interview shall be determined by the Central Bank. If errors or deficiencies are discovered in the documents, the insurer shall be informed thereof within 15 calendar days from the date of submission of the documents and he shall be offered to eliminate these errors or deficiencies. In this case, the notification review period is calculated from the time when those errors or deficiencies are eliminated. If the Central Bank does not invite candidates for an interview during the notification review period, their candidacy is considered to have been positively reviewed.

- 38.2. The insurer shall submit a written notification to the Central Bank within 7 working days from the date of adoption of the relevant decision on other appointments and changes to the position of a senior executive, with the exception of the Chairman and members of the Board of Directors and Management Board of the insurer, and the documents and information specified in Article 38.1 of this Law shall be attached to the notification.*
- 38.3. If the documents and information specified in Articles 38.1 and 38.2 of this Law have been submitted to the Central Bank and there are no changes in those documents and information, they shall not be required to be submitted again, provided that the Central Bank is informed in writing about this.*
- 38.4. In the following cases, the Central Bank shall issue a notification to the insurer regarding the dismissal of the relevant executive:*
 - 38.4.1. if the documents and information submitted in connection with the appointment of persons specified in Articles 38.1 and 38.2 of this Law are subsequently discovered to be incorrect;*
 - 38.4.2. if a senior employee has been held administratively liable three or more times within the last year for violations of the law related to insurance legislation;*
 - 38.4.3. when it is determined that the executive does not meet the requirements established by this Law.*
- 38.5. The insurer may terminate the employment contract concluded with its responsible actuary only upon a reasoned application to the Central Bank and with the consent of the Central Bank.*

Article 39. Top official of the insurer who is a foreign national

Foreign individuals may be appointed as top officials of insurers, provided that the requirements of Article 13 of the Labor Code of the Republic of Azerbaijan are met.

Article 40. Accessibility of information for top officials of the insurer

Insurers shall provide top officials with the financial and other statements necessary for them to carry out their duties.

Article 41. Obligations of insurer's employees

- 41.1. Employees, including top officials of the insurer, shall comply with the law, the insurer's charter and internal documents, and the terms and conditions of the labor agreement, to strive to represent the insurer's interests while carrying out their duties and act as cautiously, diligently, and skillfully as possible in each case.
- 41.2. The provisions of the insurer's internal documents, as well as any of its agreements, shall not relieve top officials and other employees from the liability provided for by law.
- 41.3. If top officials and other employees perform their duties in accordance with the requirements of Article 41.1 of this Law, the insurer may reimburse them for expenses associated with bringing them to any liability or protecting their rights.

Article 42. Information on top officials and independent auditor of the insurer

- 42.1. Upon each session of the General Meeting of shareholders, in which a decision on aforementioned persons is adopted, the insurer shall be obliged to submit the following information to the *Central Bank* within the period 10 working days:
 - 42.1.1. in respect of members of the Board of Directors, ~~Inspection Commission~~ and Executive Board of the insurer:
 - 42.1.1.1. name, family name, patronymic, place of residence and postal address;
 - 42.1.1.2. work experience and professional qualities;
 - 42.1.1.3. information on existence or absence of membership in the managing body of other legal entity;
 - 42.1.1.4. date of expiration of term of office.
 - 42.1.2. in respect to the independent auditor of the insurer:
 - 42.1.2.1. name, family name, patronymic, place of residence for those who are individuals and name and place of location for those which are legal entities;
 - 42.1.2.2. date of appointment;
 - 42.1.2.3. work experience and professional qualities for individuals.

Chapter 5. Licensing of insurance and reinsurance activity

Article 43. Licensing requirements

- 43.1. Issuance of license for insurance and reinsurance activity, temporary suspension, restriction and annulment of the validity of the license shall be exercised by the *Central Bank*, as provided for in the present Law.
- 43.2. *Licenses for insurance and reinsurance activities are issued indefinitely.*
- 43.3. *Excluded.*
- 43.4. Application for the issuance of the license for insurance and reinsurance activity shall be considered by the *Central Bank* in two phases:
 - 43.4.1. consideration of preliminary application for the issuance of the license submitted by the founders or other person(s) in accordance with the Civil Code of the Republic of Azerbaijan;
 - 43.4.2. consideration of final application for the issuance of the license upon the state registration as an open joint stock company.

Article 44. Documents submitted during the preliminary application process for a license

- 44.1. When making an initial application for a license, the following documents and information must be submitted, in addition to the documents and information provided for in Article 22 of this Law:
 - 44.1.1. written application for issuance of the license, reflecting the name and address of the open joint stock company founded as an insurer, in the form provided for in the present Law;
 - 44.1.2. ~~notarized~~ copy of the charter of the open joint-stock company, and if there is more than one founder, a copy of the founding agreement, also approved in the appropriate manner;
 - 44.1.3. information on founders which are legal entities, including:
 - 44.1.3.1. copy of the certificate of state registration as a legal entity, certified by a notary or in accordance with the procedure established in Article 9 of the Law of the Republic of Azerbaijan "On Administrative Proceedings";
 - 44.1.3.2. copy of the founding documents certified by a notary or in accordance with the procedure established in Article 9 of the Law of the Republic of Azerbaijan "On Administrative Proceedings";
 - 44.1.3.3. ~~balance sheets~~, approved financial statements with the enclosure of respective opinion of the independent auditor on profits and losses for the last three financial years and for entire period of activity, including the preceding quarter from the moment of submission of documents in case of activity less than three years;
 - 44.1.3.4. copy of the decision of its competent managing body on acquisition of provided interest share certified as provided.

- 44.1.4. information and documents reflecting the data of identity card, permanent place of residence, place of work (occupation) of founders who are individuals, documents certifying the sufficiency of means for acquisition of shares;
- 44.1.5. document certifying the powers of the person for addressing on behalf of founders certified as provided;
- 44.1.6. *the amount of the insurer's proposed authorized capital, the share of each shareholder and the source of funds allocated for the acquisition of the share, the prevailing interest shares of the owners of prevailing interest shares of the insurer in other legal entities, as well as if the owners of the insurer's prevailing interest shares are legal entities, then documents and information on the prevailing interest shares of other persons in their authorized capital;*

44.1.6.-1. information on the relations between the shareholders of the insurer, and information about the beneficial owners of the insurer, including their civil impeccability as determined by this Law, in the form determined by the Central Bank, and if the beneficial owner is a foreign individual, a certificate issued by the relevant state authorities of the country of his/her residence on whether he/she has been brought to criminal liability, which is legalized or apostilled in accordance with the procedure established by the legislation;

- 44.1.7. business plan reflecting the following information for at least 3 subsequent years:
 - 44.1.7.1. organizational action plan and justified amount of funds allocated for this purpose;
 - 44.1.7.2. the amount of funds earmarked for the initial stage of the activity;
 - 44.1.7.3. types of insurance risks and undertaken obligations;
 - 44.1.7.4. marketing plan, description of customer base and expected customer groups;
 - 44.1.7.5. principles of reinsurance policy and reinsurance program;
 - 44.1.7.6. prediction of the financial outcomes of the established insurer.
 - 44.1.7.7. ~~information on independent auditor who will conduct an audit;~~
 - 44.1.7.8. sample of simplified balance reflecting plan of business development and increase of payment ability in the form of profits and expenses in which forecasted figures formulate the volume and structure of operations, insurance fees, commission premiums, expenses for exercise of works, insurance compensations, investment profits and taxes;
 - 44.1.7.9. description of used office building, computer and telecommunication systems, electronic accountancy, and other computer programs;
 - 44.1.7.10. description of internal control mechanisms.

- 44.1.8 *list of individuals intended to be appointed to management positions, indicating their prevailing interest shares in the insurer or other legal entities, and information on their civil impeccability; if these persons are foreign individuals, a certificate issued by the relevant state authorities of the country of their residence stating whether they have been brought to criminal liability, which is legalized or apostilled in accordance with the procedure established by legislation;*
- 44.2. *The Central Bank may obtain information from independent and reliable sources, as well as from relevant state bodies (institutions), in order to verify the submitted documents and information, including the financial status of the shareholders and beneficial owners in the insurer's capital, as well as the information on the fit and proper status of the shareholders (in the case of a legal entity, the executives of their executive bodies), beneficial owners and executives, and the source of the insurer's authorized capital. State bodies (institutions) must provide the information requested by the Central Bank within 7 working days. State bodies (institutions) may not refuse to provide the requested information on the grounds that it relates to commercial secrets, tax secrets or other confidential information protected by law, except for state secrets.*
- 44.2-1. *If the documents or information to be submitted during the initial application for a license can be obtained from the relevant state body (institution) through the Electronic Government Information System, those documents or information are not required from the applicant. In cases where such documents or information cannot be obtained through the Electronic Government Information System, their submission is required from the relevant state body (institution) upon request with the consent of the applicant or is provided by the applicant.*
- 44.2-2. *Articles 44.2 and 44.2-1 of this Law shall also apply to persons who subsequently wish to acquire a qualifying holding and significant influence in the insurer (in the case of a legal entity, to the executives of its executive bodies) and (or) to persons who are beneficial owners, as well as newly appointed executives.*
- 44.3. *Excluded.*

Article 45. Consideration of preliminary application for the issuance of the license

- 45.1. *The Central Bank shall consider a preliminary application for issuance of a license within one month of submission of the last document required by Article 44.1 of this Law, as well as the last document with introduced amendments and modifications, if required by Article 45.2.*
- 45.2. *If the documents related to the initial application for a license are not submitted in full (taking into account the requirements of Article 44.2-1 of this Law), or if the information in the documents is incomplete or incorrect, the Central Bank shall require the submission of the documents in full, completion or correction of the information.*
- 45.3. *The final application for the issuance of the license shall be submitted within six months of the Central Bank's positive response to the preliminary application.*

45.4. The *Central Bank* shall notify the applicant in writing of the results of the preliminary application for a license within the timeframe specified in Article 45.1 of this Law.

Article 46. Grounds for rejecting preliminary applications for a license:

46.1. The *Central Bank* shall reject the preliminary application for the issuance of the license in the following cases:

46.1.1. if the documents specified in Article 44.1 of this Law are not submitted in full (*taking into account the requirements of Article 44.2-1 of this Law*) or if they contain inconsistencies with the requirements of this Law, as well as if the information in the documents is not completed or corrected in the manner required in accordance with Article 45.2, *as well as if there are facts that provide grounds for the beneficial owners' influence on the insurer to pose a threat to its reliable and prudent management, or if the source of the insurer's initial authorized capital is unknown;*

46.1.2. *if the requirements of Articles 18, 19, 20.1 and 37 of this Law are not fully met, as well as if there is a basis for refusing to grant consent to the acquisition of a qualifying holding or significant influence in accordance with Article 22.5 of this Law;*

46.1.3. *if the financial situation of the founders is unsatisfactory;*

46.1.4. if the business plan is deemed unsatisfactory from the point of provision of financial stability and payment ability, normal activity of founded insurer as well as protection of policyholders' rights;

46.1.5. if the submission of inaccurate information on legal entity founded to be an insurer and its founder to the *Central Bank* even after the requirement pursuant to Article 45.2 of the present Law shall be evident and unquestionable.

46.2. If the *Central Bank* rejects the preliminary application for a license, it shall indicate the reasons for the rejection in the notification referred to in Article 45.4 of this Law.

Article 47. New preliminary application for the issuance of the license

If the preliminary application for the issuance of the license is rejected, an application repeatedly submitted to the *Central Bank* for the issuance of the license shall be considered as a new preliminary application.

Article 48. Grounds for change in the preliminary response to the application for license

48.1. The *Central Bank* shall withdraw a positive response associated with the preliminary application for the issuance of the license in the following cases:

- 48.1.1. If inaccurate information is subsequently revealed in documents submitted in connection with the preliminary application for the issuance of the license.
- 48.1.2. If it is revealed that the legal entity accepted for state registration as an open joint stock company has engaged in insurance or reinsurance activities without acquiring the respective license.
- 48.1.3. If acceptance of legal entities for state registration as an open joint-stock company is not provided within the period referred to in Article 45.3 of this Law, except in cases where the delay in state registration is due to reasons beyond the control of the founders.

Article 49. State registration of open joint stock company founded to be an insurer

Upon receiving a positive response from the Central Bank regarding the preliminary application for a license, the open joint-stock company founded to be an insurer shall be accepted for state registration in accordance with the Law of the Republic of Azerbaijan "On State Registration and the State Register of Legal Entities."

Article 50. Documents submitted in the course of final application for the issuance of the license

- 50.1. After being accepted for state registration, a legal entity founded as an insurer shall submit the following documents to the *Central Bank* for issuance of a license:
 - 50.1.1. final application reflecting its name, organizational and legal form, place of location, number of settlement account, name of the type of activity, for license of which the application was submitted;
 - 50.1.2. copy of the certificate on state registration certified by the notary or *as provided for in Article 9 of the Law of the Republic of Azerbaijan "On Administrative Proceedings"*;
 - 50.1.3. copy of the document on acceptance of open joint stock company founded to be an insurer to the registration by the respective tax authority certified by the notary or *as provided for in Article 9 of the Law of the Republic of Azerbaijan "On Administrative Proceedings"*;
 - 50.1.4. Copy of its charter certified by the notary or *as provided for in Article 9 of the Law of the Republic of Azerbaijan "On Administrative Proceedings"*;
 - 50.1.5. documents certifying the payment of the chartered capital of open joint stock company founded to be an insurer to the bank account in accordance with the present Law;
 - 50.1.6. information confirming the compliance of persons appointed to managerial positions with the requirements of this Law, including copies of relevant documents on education and work experience certified by a notary or in accordance with the procedure established in Article 9 of the Law of the Republic of Azerbaijan "On Administrative Proceedings", *a questionnaire filled out by those persons.*

- 50.1.7. insurance regulations under type(s) of voluntary insurance to the exercise of which the permission is required, in case of absence of respective regulations referred to in Article 16.5 of the present Law;
- 50.1.8. copy of the document certifying the right to use an office building in which the open joint stock company founded to be an insurer will operate;

50.1-1. If the documents or information to be submitted during the final application for the issuance of a license can be obtained from the relevant state body (institution) through the Electronic Government Information System, such documents or information shall not be required from the legal entity established as an insurer. In cases where such documents or information cannot be obtained through the Electronic Government Information System, their submission shall be required from the relevant state body (institution) upon request with the consent of the legal entity established as an insurer or shall be provided by that person.

- 50.2. Article 50.1.7 of the present Law shall not apply to open joint stock company founded exceptionally for the exercise of reinsurance activity.

Article 51. Consideration of the final application for issuance of the license

- 51.1. The *Central Bank* should consider the final application for the issuance of the license within the period of 1 month from the moment of submission of the last of documents required pursuant to Article 50.1 of the present Law to it, and last of documents with introduced amendments and modifications, if required by Article 51.2.
- 51.2. If the documents associated with the final application for the issuance of the license are not fully submitted (*taking into account the requirements of Article 50.1-1 of this Law*), or information in the documents are incomplete or inaccurate, the *Central Bank* should require the submission of documents in full, the introduction of amendments or modifications to the information.
- 51.3. The amount of the state duty that must be paid for the issuance of the license is defined by the Law of the Republic of Azerbaijan "On State Duty".
- 51.4. The *Central Bank* shall issue the respective license upon recognizing that the documents and information submitted in the final application for issuance of the license correspond to the requirements of this Law. The applicant shall be notified of this decision and shall submit a document certifying payment of the state duty for issuance of the license.
- 51.5. The *Central Bank* shall notify the applicant in writing of the issuance or refusal of a license within the timeframe specified in Article 51.1 of the present Law. The license will be delivered in person to the authorized representative by the *Central Bank*.
- 51.6. The *Central Bank* shall communicate a notification to the respective tax authority and publish information in two official gazettes published in the Republic of Azerbaijan at the expense of the license owner within *7 business days* of the license being registered in the register referred to in Article 54 of the present Law.

51.7. Within the period of 6 months from the moment of acquisition of the license, the insurer shall be obliged to submit the information on address, in which his official website is placed, to the *Central Bank*.

Article 52. Grounds for the refusal from issuance of the license for insurance or reinsurance activity

52.1. The *Central Bank* shall refuse from issuance of the license for insurance or reinsurance activity in the following cases:

- 52.1.1. if the documents specified in Article 50.1 of this Law are not submitted in full (*taking into account the requirements of Article 50.1-1 of this Law*) or if they contain inconsistencies with the requirements of this Law, as well as if the information in the documents is not completed or corrected in the manner required in accordance with Article 51.2;
- 52.1.2. in case of reveal of incompliance with the requirements of the present Law and its Articles 37 and 39 associated with top officials;
- 52.1.3. if the emergence of any of grounds referred to Article 46.1 of the present Law is revealed within the period referred to in Article 45.3 of the present Law;
- 52.1.4. if the submission of inaccurate information in documents communicated for the issuance of the license to the *Central Bank* even after the requirement pursuant to Article 51.2 of the present Law shall be evident and unquestionable.
- 52.1.5. if an open joint stock company founded to be an insurer does not submit the final application for a license to the *Central Bank* within the timeframe defined by Article 45.3 of this Law, it will not be granted a license, except in cases where the delay in state registration is due to reasons beyond the control of the founders.

Article 53. Form of the license

53.1. The following information shall be indicated in the license issued to the insurer:

- 53.1.1. registration number and date of issuance of the license;
- 53.1.2. name of the *authority* that issued the license;
- 53.1.3. full name and legal address of the owner of the license;
- 53.1.4. names of types of activity, as mentioned below:
 - 53.1.4.1. "insurance activity" - if the license is issued *for insurance activity*;
 - 53.1.4.2. "reinsurance activity" - if the license is issued *for reinsurance activity*.

53.2. In addition to the information listed in Article 53.1 of this Law, the license issued to the insurer shall indicate the license's validity period.

53.3. The license shall be signed and sealed by the head of the *Central Bank* or authorized official.

53.4. The form of the license and its completion rules shall be defined by the *Central Bank*.

Article 54. Register of licenses

54.1. The *Central Bank* shall run the register of issued licenses, restricted or suspended licenses as well as annulated licenses.

54.2. The following cases shall be concluded to the register:

54.2.1. full name and legal address of the owner of the license;

54.2.2. date of issue, ~~validity period~~, number and registration number of licenses;

54.2.3. date and number of the *Central Bank* on the issuance of the license;

54.2.4. name of type of activity;

54.2.5. position, name, family name, patronymic of authorized person who has signed the license;

54.2.6. date and period of suspension of the license;

54.2.7. date and restriction period of the license;

54.2.8. date of annulment of the license.

54.3. The issuance, restriction, suspension, or annulment of a license shall be recorded in the register from the moment the respective decision takes effect.

54.4. The *Central Bank* shall be obliged to post the register data on licenses on its official website.

Article 55. Permission to exercise the type of the insurance

55.1. The insurer shall exercise its activity under the type of voluntary insurance on the basis of permission issued by the *Central Bank*.

55.2. Permission for activities under the types of voluntary insurance shall be issued upon agreement with the *Central Bank* regarding the respective insurance regulations, except in cases where the respective regulations referred to in Article 16.5 of the present Law exist.

55.3. Activities under the types of compulsory insurance shall be carried out after acquiring permission from the *Central Bank*.

55.4. The application for permission to perform insurance activities may be submitted to the *Central Bank* with the final application for a license, or during the license's validity period.

55.5. Amendments made to insurance regulations under voluntary insurance shall apply upon the agreement with the *Central Bank*.

Article 56. Grounds for refusal from the issuance of the permission to exercise the type of insurance

56.1. The *Central Bank* shall refuse from the issuance of the permission to exercise the type of insurance in case of existence of one of the following grounds:

56.1.1. if provisions of the insurance regulations contradict to applicable normative and legal acts *and normative acts*;

- 56.1.2. if the insurance regulations of the insurer contain provisions failing to comply with legitimate interests of policyholders, insured persons or beneficiaries;
- 56.1.3. if tariff rates of insurance fees under respective insurance regulations are substantiated incorrectly or if actuarial calculations are inadequate;
- 56.1.4. if exercise of the requirements of any motion of the Central Bank or penalty applied by it for the failure to comply with the requirements of the present is not completed.

~~Article 57. Application in connection with the issuance of the license with the indefinite validity period~~

- ~~57.1. Insurer willing to continue its insurance or reinsurance activity shall be obliged to address with application to the *financial market supervisory authority* for the issuance of new license with the indefinite validity period not less than 1 month prior to the expiry of the validity period of the first license.~~
- ~~57.2. In the course of application for the issuance of the license with the indefinite validity period, the insurer shall be obliged to submit the following to the *financial market supervisory authority*:~~
 - ~~57.2.1. application with contents referred to in Article 50.1.1 of the present Law;~~
 - ~~57.2.2. respective excerpt from the state register of legal entities;~~
 - ~~57.2.3. if any changes certified by the notary or as provided for in Article 9 of the Law of the Republic of Azerbaijan «On administrative proceedings» have taken place in contents of the respective documents submitted pursuant to Article 50.1 of the present Law, copies of those documents.~~
- ~~57.3. The *financial market supervisory authority* shall be obliged to consider the application for the issuance of the license with the indefinite validity period within the period of 20 days from the moment of submission of last of documents required pursuant to Article 57.2 of the present Law and documents with introduced amendments and modifications required in accordance with Article 57.4.~~
- ~~57.4. If documents associated with the application for the issuance of the license with the indefinite validity period are not submitted in full or inaccurate, *financial market supervisory authority* shall be obliged to require full submission of documents, complement or amendment of information.~~
- ~~57.5. Information on the issuance or refusal from the issuance of the license with the indefinite validity period shall be communicated to the applicant as provided for in Article 51.5 of the present Law.~~
- ~~57.6. If the *financial market supervisory authority* considers documents and information submitted in the course of application for the issuance of the license with the indefinite validity period as complying with the requirements of the present Law as well as if there are no grounds referred to in Article 58.1 of the present Law, it shall issue the respective license upon the notification of the applicant thereof and submission of the document certifying the payment of the state duty for the issuance of the license.~~

~~57.7. The financial market supervisory authority shall be also obliged to comply with the requirements of Article 51.6 of the present Law in the course of issuance of the license with the indefinite validity period.~~

~~57.8. If the insurer complies with the requirements of Articles 57.1 and 57.2 of the present Law, validity period of the first license shall be deemed extended from the moment of delivery of the respective notification to the insurer referred to in Article 51.5, even upon its expiry.~~

~~Article 58. Grounds for refusal from the issuance of the license with the indefinite validity period~~

~~58.1. The financial market supervisory authority shall refuse from the issuance of the license with the indefinite validity period in case of reveal of any cases referred to in Article 107.1 of the present Law which are grounds for the annulment of the license.~~

~~58.2. If the financial market supervisory authority refuses from the issuance of the license, it shall be obliged to indicate the reasons of refusal in the notification referred to in Article 51.5 of the present Law.~~

~~58.3. Requirements defined by Articles 108.1, 108.2, 108.4 and 108.5 of the present Law in connection with consequences of annulment of the license shall also apply to legal consequences of the refusal from the issuance of the license with the indefinite validity period.~~

~~Article 59. Postponement of consideration of the application in connection with the issuance of the license with the indefinite validity period~~

~~If the application for the issuance of the license with the indefinite validity period arrives to the *financial market supervisory authority* within the period of suspension of the license on the basis of the present Law, consideration of the application of the insurer in connection with the issuance of the license with the indefinite validity period shall be postponed to the latest period of suspension of the validity of the license and Article 57.8 of the present Law shall apply thereof.~~

Article 60. Renewal of the license

60.1. In case of introduction of amendments to the name, insurer shall be obliged to address to the *Central Bank* for renewal of the license within the period of 5 working days upon the receipt of the document of acceptance of such amendment to the state registration of legal entities, and shall immediately publish information on recognition of the license as invalid in two official gazette published in the Republic of Azerbaijan in case of its loss, damage or destruction.

60.2. The following documents shall be enclosed in case of introduction of amendment to the name of the insurer in connection with the renewal of the license:

60.2.1. copy of the decision of the competent managing body of the insurer on the amendment of its name;

- 60.2.2. copy of amended charter certified by the notary or *as provide for in Article 9 of the Law of the Republic of Azerbaijan “On Administrative Proceedings”*;
- 60.2.3. copy of the certificate on the state registration certified by the notary or *as provided for in Article 9 of the Law of the Republic of Azerbaijan “On Administrative Proceedings”*.
- 60.3. In case of loss, damage or destruction of the license, copies of gazettes, in which the announcements on its recognition as invalid were published as well as damaged license in the respective case shall be enclosed to the application in connection with the renewal of the license.
- 60.3-1. *If the documents or information required for license renewal can be obtained from the relevant state body (institution) through the Electronic Government Information System, those documents or information are not required from the insurer. In cases where such documents or information cannot be obtained through the Electronic Government Information System, their submission shall be requested from the relevant state body (institution) upon request with the consent of the insurer or shall be provided by the insurer.*
- 60.4. The *Central Bank* shall be obliged to consider the application for the renewal of the license within the period of *10 working days* from the moment of submission of last of documents required under Articles 60.2 and 60.3 of the present Law.

Article 61. Issuance of licenses in connection with the merger of insurers

If two or more insurers adopt a decision on merger, open joint stock company reorganized as the insurer in accordance with Article 73 of the present Law, it shall be obliged, within the period of 10 days from the day of its state registration, to address with the application to the *Central Bank* for the issuance of the license for insurance or reinsurance activity as provided for in Article 50.1.1 of the present Law and the *Central Bank* shall be obliged to issue a relevant license within the period of 15 days from the moment of receipt of such application.

Chapter 6. Investments

Article 62. Insurer’s investment policy

- 62.1. To prevent large losses and maximize profits, each insurer shall define an efficient investment policy that meets the requirements of this Law and reflects the insurer's obligations and to operate in accordance with this policy.
- 62.2. The *Central Bank* shall set out regulations associated with insurers’ investment operations.

Article 63. Investing the insurer's own funds

63.1. Insurer shall invest its means with due regard to reliability, profitability, liquidity and diversity and a part of those means accepted for calculation of aggregate capital shall be expressed in the following groups of assets:

63.1.1. state securities;

63.1.2. monetary funds in bank accounts;

63.1.3. immovable property;

63.1.4. non-state securities;

63.1.5. means invested to the chartered capital of other legal entities;

63.1.6. monetary funds given as loan to its employees.

63.2. The insurer's own means invested in groups of assets not referred to in Articles 63.1.1-63.1.6 of the present Law shall not be taken into consideration when calculating its aggregate capital.

63.3. Investing of own funds by the insurer shall be defined by regulations referred to in Article 62.2 of the present Law.

Article 64. Investing the insurer's funds providing insurance reserves

64.1. Monetary funds that provide insurance reserves shall be invested with due regard for reliability, profitability, liquidity, and diversity and shall be allocated among the following asset groups:

64.1.1. state securities;

64.1.2. monetary funds in bank accounts;

64.1.3. immovable property;

64.1.4. non-state securities;

64.1.5. insurance and reinsurance premiums, which are subject to receipt under insurance and reinsurance contracts;

64.1.6. interests of reinsurers in the insurance reserves;

64.1.7. monetary funds provided as loan to policyholders or insured persons under life savings insurance.

64.2. The monetary funds that provide insurance reserves may not be invested in groups not referred to in Articles 64.1.1-64.1.7 of this Law.

64.3. Investing of monetary funds providing the insurance reserves of the insurer shall be defined pursuant to regulations referred to in Article 62.2 of the present Law.

Article 65. Loans provided by the insurer

- 65.1. The insurer exercising the activity in the sphere of life insurance may not provide the loan to anyone except for policyholders or insured persons, as well as its employees pursuant to Article 17.1 of the present Law.
- 65.2. The insurer failing to exercise the activity in the sphere of life insurance, as provided for in this Law, may not provide a loan to anyone except for its employees.

Article 66. Permission to acquire qualifying holding in other legal entity

- 66.1. Except for the case referred to in Article 66.4 of the present Law, the insurer may not own the qualifying holding in the chartered capital of other legal entities except for its subsidiary entities without permission of the *Central Bank*.
- 66.2. *Excluded.*
- 66.3. The *Central Bank* shall consider the application for the issuance of the permission referred to in Article 66.1 of the present Law for making investments in the charter capital of other legal entity within the period of 15 working days from the moment of its arrival and shall communicate a written notification to the applicant on the respective decision.
- 66.4. In case of simultaneous existence of the following terms and conditions, the insurer may make investments to the chartered capital of local legal entity without permission of the *Central Bank*:
 - 66.4.1. if the volume of investments directed to the chartered capital of the legal entity does not exceed 2 percent from the aggregate capital of insurer-investor;
 - 66.4.2. if the legal entity, in the chartered capital of which the investments are made, exercises the activity in the financial sphere.

Article 67. Subsidiary entities of the insurer

- 67.1. The followings may be subsidiary entities of the insurer:
 - 67.1.1. local or foreign insurer;
 - 67.1.2. legal entity exercising any of types of activity referred to in Article 11.2 of the present Law.

Chapter 7. Bargains concluded with related persons

Article 68. Related persons of the insurer

- 68.1. *Related persons of the legal entity specified in Article 49-1.1 of the Civil Code of the Republic of Azerbaijan shall be considered as related persons of the insurer.*
 - 68.1.1. ~~a member of managing body of the insurer and his/her close relatives;~~
 - 68.1.2. legal or individuals or his/her close relatives having the qualifying holding in the charter capital of the insurer;

- 68.1.3. dependent entity of the insurer or top official of dependent entity, his/her close relatives or legal or individual or his/her close relatives having the qualifying holding in the charter capital of that dependent entity;
 - 68.1.4. legal entity, in which the member of managing body of the insurer has significant influence.
- 68.2. ~~Excluded.~~
- 68.3. If a bargain is concluded by subsidiary entities of the insurer, it shall be deemed concluded indirectly by the insurer.

Article 69. Bargains permitted to conclude with *related* persons

- 69.1. The insurer may conclude the following bargains with *related persons*:
- 69.1.1. *conclusion of the reinsurance contract with other insurer, which is a related person*;
 - 69.1.2. provision of related person, who is its employee with the loan or guarantee in his/her favor with due regard to investment-related requirements of the present Law;
 - 69.1.3. acceptance of the loan from the *related person* or issuance of bill to him/her;
 - 69.1.4. conclusion of the insurance contract with the *related person*;
 - 69.1.5. purchase or acquisition of the following from *the related person* through the other method:
 - 69.1.5.1. state securities or securities with the state guarantee;
 - 69.1.5.2. commodities used in ordinary business transactions.
- 69.2. The insurer may sell its property to the *related person* on the condition of payment of the value of the property in full by him/her/it.
- 69.3. The insurer may use services offered by the *related person* in ordinary business transactions.
- 69.4. The insurer may provide the *related person* with services offered by him/her/it in ordinary business transactions with due regard to the requirements of the present Law.
- 69.5. *The related person* may acquire shares of the insurer through the immediate payment of their value in monetary form.
- 69.6. The insurer may conclude bargains with *related person* who is a member of the managing body of the insurer concerning the remuneration of labor, pension provision, reward, option and other similar provisions as a member of the managing body.
- 69.7. The insurer may not conclude other bargains with *related persons*, except for those referred to in the present Law.

Article 70. Additional requirements to bargains permitted with *related* persons

- 70.1. The insurer may conclude bargains with *related person* referred to in Article 69.1 of the present Law, only with the following conditions:

- 70.1.1. if the Board of Directors considers offered transaction as corresponding to the interests and requirements of Articles 69 and 71 of the present Law;
- 70.1.2. if aggregate value of bargains concluded with related persons, except for bargains referred to in Article 69.1.1 of the present Law, does not exceed 10 percent of own assets of the insurer;
- 70.1.3. *if the value of the bargain, which is expected to conclude with related party is 5 or more percent of the value of the insurer's assets, if there is an opinion of the independent auditor, involved by the insurer, on conclusion of this bargain and decision, adopted by a simple majority of the General Meeting of Shareholders with the right to vote;*
- 70.1.4. *if the value of the bargain, which is expected to conclude with the related party is up to 5 percent of the value of the insurer's assets, if there is the decision of the Board of Directors, except for the cases when the authority to take a decision on the conclusion of this bargain according to the by-laws of the insurer is transferred to the General Meeting of Shareholders or the Executive Board.*
- 70.2. *Members of the Board of Directors and Executive Board, as well as heads of structural divisions (branches, representative offices and etc.) of the insurer are obliged to provide information if they, as well as persons referred to in Articles 49-1.1.3 and 49-1.1.5 of the Civil Code of the Republic of Azerbaijan, act as the related party in respect of the concluded bargain, as well as about the nature (appearance, amount, etc.) of their interests in connection with this bargain, in the manner prescribed in articles 49-1.5, 49-1.6 and 49-1.7 of the Civil Code of the Republic of Azerbaijan.*
- 70.3. *Other rules of conclusion of bargains with related parties shall be established by Article 49-1 of the Civil Code of the Republic of Azerbaijan.*

Article 71. Restrictions to bargains permitted with *related* persons

- 71.1. Terms and conditions of any bargain referred to in Article 69.1 of the present Law concluded between the insurer and *related person* must not be more beneficial than terms and conditions of the respective bargain offered to a *party which is not a related person of the insurer*.
- 71.2. Terms and conditions offered by the insurer to *related person* shall be deemed more beneficial than those terms and conditions offered to a party, *which is not a related person* in the following cases:
 - 71.2.1. terms and conditions of the insurance contract concluded between the insurer *and related person* are considerably beneficial from those terms and conditions offered to a party which is in the similar position with that person from the point of assessment of insurable risk, but not deemed *related person* of the insurer;
 - 71.2.2. acquisition of the property of the insurer from related person for the value considerable differing from real market value or acquisition of low-quality commodities from it;
 - 71.2.3. sale of the property by the insurer to the *related person* for the value lower than market value;

- 71.2.4. payment of the value of commodities and services of the same type and same quality, offered by its *related* person, by the insurer in the course of ordinary business transactions for the value overestimated in comparison to the party which is not a related person.
- 71.3. Bargain of the insurer not referred to in the present Law and concluded without due regard to the requirements of Article 70 of the present Law as well as concluded with *related person* on terms and conditions more beneficial than terms and conditions offered to a party which is not a *related person* shall be deemed nominal from the moment of conclusion and shall not be effective.

Chapter 8. Fundamental changes in insurer activity

Article 72. Transfer of the insurance or reinsurance contract

- 72.1. In the event that the insurer's (reinsurer's) license is restricted, suspended, or annulled, the insurer (reinsurer) may transfer insurance (reinsurance) agreements to another insurer (reinsurer), with the consent of the respective policyholder (reinsurance policyholder) and on the basis of written permission from the *Central Bank*, either fully or partially.
- 72.2. Within the period of 3 working days from the moment of adoption of the decision on the transfer of insurance (reinsurance) contracts to the other insurer (reinsurer), the insurer (reinsurer) shall be obliged to inform the policyholder (reinsurance policyholder) regarding those contracts through the communication of written notification to the place of his/her residence (place of location of the legal entity) and through the mobile communication as provided by the confirmation the receipt of the notification.
- 72.3. If the policyholder (reinsurance policyholder), within the period of 7 working days from the moment of receipt of last information on the agreement regarding to it and communicated through the methods of informing referred to in Article 72.2 of the present Law, will not object against the transfer of mentioned agreement, it shall be deemed as a consent to the transfer.
- 72.4. If, within the period referred to in Article 72.3 of the present Law, the policyholder (reinsurance policyholder) will object against the transfer of the agreement regarding to it to the other insurer (reinsurer), that agreement, upon the desire of the policyholder (reinsurance policyholder), shall be transferred to the insurer (reinsurer) with which it came to an agreement or shall be terminated.
- 72.5. In the course of termination of the insurance (reinsurance) contract in case referred to in Article 72.4 of the present Law, insurance (reinsurance) premiums under that contract shall be returned to the policyholder (reinsurance policyholder) in full.
- 72.6. The *Central Bank* shall not consent to the transfer of insurance or reinsurance contracts to another insurer or reinsurer in the following cases:
- 72.6.1. if the interests of policyholders (reinsurance policyholders), insured persons and beneficiaries under ceded insurance (reinsurance) contracts are not adequately taken into account;

- 72.6.2. if the insurer (reinsurer) to whom the insurance (reinsurance) contracts are transferred shall not have a license to engage in the relevant activity or an appropriate permit for the type of insurance to which the transferred insurance (reinsurance) contracts relate (as well as in the case provided for in Article 11.4 of this Law);
- 72.6.3. if the foreign reinsurer to whom the reinsurance contracts are transferred does not have the appropriate license provided for by the laws of its own country.

Article 73. Reorganization of insurers through the merger

- 73.1. The insurer may conduct a merger only with legal entity(s) which is/are insurer(s). For conduct of such merger, permission of the *Central Bank* shall be required.
- 73.2. The new legal entity formed by the merger of the insurers should take the form of an open joint-stock company.
- 73.3. Insurers that have made a merger decision shall submit an application to the *Central Bank* for permission. The *Central Bank* shall publish an announcement on the aforementioned application twice in two official gazettes published in the Republic of Azerbaijan, with a 30-day intermediacy period and payment for the value of the announcement by the merging insurers.
- 73.4. The first announcement referred to in Article 73.3 of the present Law shall indicate opportunities of policyholders or reinsurance policyholders of merging insurers as well as other interested parties on the objection against that merger within the period of 30 days as well as the procedure of expression of such objection to the *Central Bank*.
- 73.5. The agreement on the merger of the insurers should be made public to all persons during regular business hours at the headquarters of the parties to the agreement within the Republic of Azerbaijan within 15 days of the publication of the last announcement referred to in Article 73.3 of this Law.
- 73.6. The *Central Bank* shall define the list of information, materials, and other documents required for the issuance of permission for the merger of insurers.
- 73.7. If an open joint-stock company reorganizes as an insurer as a result of a merger and does not comply with the licensing requirements of the present Law, the *Central Bank* shall not grant permission for the merger.

Chapter 9. Independent auditor and reporting of the insurer

Article 74. Appointment of the insurer's independent auditor

- 74.1. The competent managing body of the insurer shall appoint an independent auditor annually.
- 74.2. The following requirements must be met by auditors working independently or by auditor organizations to be appointed as the insurer's independent auditor:
 - 74.2.1. possession of a license to provide audit services;
 - 74.2.2. independence in respect to the insurer.

- 74.3. An auditor working independently, or an audit organization shall not be deemed independent in respect to the insurer in which the audit is to be conducted in the following cases:
- 74.3.1. If there is any financial connection with the insurer, except when the auditor operates as an insured or insurer in relationships with the insurer.
 - 74.3.2. If he/she/it is a member of the managing body, an employee, or an insurance agent of the insurer, its subsidiary entity, or a dependent entity.
 - 74.3.3. If he/she/it has any financial connection with a member of the managing body, an employee, or an insurance agent of the insurer, its subsidiary entity, or its dependent entity.
 - 74.3.4. If he/she/it directly or indirectly owns a controlling interest in the chartered capital of the insurer, its subsidiary entity, or dependent entity;
 - 74.3.5. If he/she/it was a temporary officer of its subsidiary entity or dependent entity within 2 years preceding the date of appointment as an auditor.
- 74.4. An auditor working independently, or an audit organization may not be appointed as an independent auditor of the same insurer within a period exceeding 3 years.

Article 75. Replacement of independent auditor of the insurer

- 75.1. If independent auditor of the insurer fails to comply with the requirements of the present Law, his/her/its appointment may be withdrawn by the decision of the competent managing body of the insurer.
- 75.2. The independent auditor of the insurer may refuse from the exercise of his/her/its functions.
- 75.3. If the General Meeting of Shareholders is unable to appoint a new auditor within *10 business days* of the cases referred to in Articles 75.1 and 75.2 of the present Law, the Board of Directors shall appoint a new auditor for that term of office.
- 75.4. A new independent auditor shall be appointed for the remainder of the previous independent auditor's term upon its completion.

Article 76. Submission of information on independent auditor to the *Central Bank*

The insurer shall be obliged to submit written information to the *Central Bank* within seven working days from the moment of adoption of the decision on appointment of its independent auditor and withdrawal of such appointment, as well as refusal of the independent auditor from exercising his/her/its function in the insurer.

Article 77. Conduct of audit of the insurer

- 77.1. *Excluded.*
- 77.2. Members of the Board of Directors and Executive Board, as well as employees or representatives of the insurer, shall be obliged to provide the independent auditor with

- access to all documents, assets, and securities necessary for a free audit, and to furnish him or her with all information required in connection with the insurer's activities.
- 77.3. As a result of the audit, the independent auditor shall be obliged to submit written information to the insurer and the *Central Bank* concerning bargains or cases that contradict the law or that may negatively affect the insurer's financial stability.
- 77.4. The independent auditor of the insurer shall be liable for failing to reveal cases of inaccurate indications or incorrect reflections of information in financial statements.
- 77.5. The *Central Bank* shall define minimal requirements for conduct of independent audit of the insurer in accordance with the practice of international insurance supervision.
- 77.6. *Excluded.*
- 77.7. If the insurer's audit is not conducted in accordance with the Law of the Republic of Azerbaijan "On Auditor Service" or the requirements referred to in Article 77.5 of this Law, the *Central Bank* shall be obliged to require a repeated audit at the insurer's expense, replacing the independent auditor.

Article 78. Reports and information submitted by the insurer to the *Central Bank*

- 78.1. The insurer shall be obliged to submit its annual financial statements, along with the corresponding auditor's opinion, to the Central Bank.
- 78.2. *Insurers shall submit reports on their activities to the Central Bank. The form, content and procedure for submitting such reports are determined by the Central Bank.*
- 78.3. ~~*Insurers shall be obliged to submit to the Central Bank of the Republic of Azerbaijan their annual financial statements within the period of 90 days after the end of calendar year, quarterly reports within the period of 20 days after the end of respective quarter and monthly reports within 10 days after the end of respective month.*~~
- ~~*78.3.1. Quarterly reports of the insurer shall be accompanied with the opinion of the actuary referred to in Article 81-6 of the present Law.*~~
- 78.4. *The insurer shall keep accounting records and prepare financial statements in accordance with requirements of the Law of the Republic of Azerbaijan "On Accounting". Except for financial statements, list, form and periodicity of other reports shall be defined by the financial market supervisory authority.*
- 78.5. The financial statements and reports on the activities of the insurer as provided for in this Law are analyzed by the *Central Bank*.
- 78.6. The insurer shall submit relevant documents on the registration of amendments to its charter in the state register of legal entities within 5 business days of their receipt, as well as provide written information to the Central Bank within 3 business days from the date of adoption of the relevant decision on the dismissal, dismissal of management personnel or change of the address of its permanent operating body, and within 7 business days from the date of adoption of the decision on the opening of a branch or representative office, suspension or liquidation of their activities.
- 78.7. *When required for the implementation of supervisory functions in the insurance sector, the insurer, its significant influence entities and related parties, as well as persons conducting or having conducted an audit of the insurer, shall submit any documents and*

information related to the insurer's activities, including insurance secrets, to the Central Bank upon its written request within the period specified in the request.

78.8. *The insurer shall be obliged to submit to the Central Bank of the Azerbaijan Republic the annual financial statements verified by the external auditor no later than three months after the end of the fiscal year, and the summary (consolidated) financial statements verified by the external auditor no later than six months after the end of the fiscal year, along with the auditor's opinion, and publish them within the specified period on its official website and in gazette and provide information about this to the Central Bank of the Republic of Azerbaijan.*

78.8-1. The insurer shall be obliged to provide copies of the annual financial statements and summary (consolidated) financial statements, along with the auditor's opinion, to any person on the basis of his request free of charge.

78.9. *Control over the activities of the insurer in the field of accounting and financial reporting is carried out by the Central Bank of the Republic of Azerbaijan in accordance with this Law and the Law of the Republic of Azerbaijan "On Accounting".*

Chapter 10. Financial stability and solvency of the insurer

Article 79. Required capital and aggregate capital of the insurer

79.1. Financial stability and payment ability of the insurer shall be stipulated by its abilities to duly and fully comply with financial obligations.

79.2. *The Central Bank* shall define the minimal amount of required capital.

79.3. Regulations of determination of required capital shall be defined by the *Central Bank*.

79.4. The aggregate capital of the insurer shall be defined based on the regulations referenced in Article 62.2 of this Law, taking into account the requirements regarding the level of diversification, reliability, investment, profitability, liquidity, composition, and other quality criteria of its assets.

79.5. The insurer's aggregate capital may not be less than the required amount.

79.6. The amount of the insurer's own retention in connection with insurable risks for one subject of insurance may not exceed 10 percent of its aggregate capital.

79.7. In accordance with Article 79.6 of the present Law, the insurer's own retention for risks under one property insurance contract should not exceed 30 percent of its aggregate capital.

79.7-1. The extent of the total risk retained by the insurer in relation to catastrophic risks shall comply with the requirements set out in Articles 10.2 and 10.6 of this Law.

79.8. The insurer may not artificially divide insured objects of the same category into separate contracts when they can be insured under one contract, most of which are likely to suffer damage in the event of an insured loss.

Article 80. Authorized capital of the insurer

- 80.1. Prior to acceptance to the state registration of legal entity founded to be an insurer, its authorized capital shall be paid in monetary form in part which is not less than the minimal amount of required capital defined by the *Central Bank*.
- 80.2. Except for the formation of the authorized capital of an insurer, funds raised in the form of a loan or debt, property pledged or acquired illegally, as well as funds from state and municipal budgets, extra-budgetary funds and other funds at the disposal of state authorities may not be used, ~~except for cases provided for by legislation,~~ *except for the formation of the authorized capital of insurers whose controlling shareholding is owned by the state.*

Article 81. Insurance reserves

- 81.1. *Insurance reserves shall be the funds formed in accordance with the aggregations of obligations of the insurer for payment of insurance compensations under insurance or reinsurance contracts.*
- 81.2. To ensure the stability of their insurance operations, insurers form insurance reserves at the expense of insurance premiums.
- 81.3. To fulfill the obligations under applicable insurance or reinsurance contracts, the insurer shall establish insurance reserves for life and non-life insurance, as calculated by an actuary.
- 81.4. The insurer shall use the insurance reserves it has formed under life insurance only for the purpose of paying insurance payments under life insurance contracts. In the event of the insurer's bankruptcy or liquidation, these reserves may be transferred to another insurer or returned to the insured at the option of the insured and the insured.
- 81.5. The insurer shall form the following insurance reserves for life insurance:
 - 81.5.1. reserves for long-term obligations (mathematical reserves);
 - 81.5.2. reserves for incurred but not reported loss reserve;
 - 81.5.3. reserves for reported but not settled loss reserve;
 - 81.5.4. *catastrophic risk reserve.*
- 81.6. The insurer shall form the following reserves for non-life insurance:
 - 81.6.1. reserves for unearned insurance premiums;
 - 81.6.2. reserves for incurred but not reported loss reserve;
 - 81.6.3. reserves for reported but not settled loss reserve;
 - 81.6.4. *stabilization reserve;*
 - 81.6.5. *contingent liability reserve defined by Article 31.2 of the Law of the Republic of Azerbaijan "On Compulsory Insurance";*
 - 81.6.6. *catastrophic risk reserve.*

- 81.7. If the insurance reserves formed by the insurer for non-life insurance do not correspond to its obligations under insurance and reinsurance contracts, the *Central Bank* shall require it to form additional reserves.
- 81.8. Regulations for formation of insurance reserves for life and non-life insurance shall be defined by the Central Bank with due regard to the requirements concerning the diversification, reliability, investing, profitability, liquidity, composition and other quality criteria providing their assets.
- 81.9. The amount of insurance reserves calculated by the actuary may not be less than the amount of those reserves calculated in accordance with regulations referred to in Article 81.8 of the present Law.

Chapter 10-1. Actuarial activity

Article 81-1. Purpose of the actuarial activity

81-1.0. The purpose of actuarial activities shall be to perform the respective calculations necessary to determine the financial stability and payment ability of the insurer, as required by the present Law:

- 81-1.0.1. insurance tariffs;
- 81-1.0.2. amount of required capital;
- 81-1.0.3. amount of aggregate capital;
- 81-1.0.4. amount of own means of the insurer;
- 81-1.0.5. amount of insurance reserves;
- 81-1.0.6. loss rate;
- 81-1.0.7. own risk retention under insurance or reinsurance contracts.

Article 81-2. Directions of actuarial activity

81-2.1. The following services are to be included in the actuarial activity:

- 81-2.1.1. provision of consultations and recommendations in connection with methods and sources of formation of insurance reserves;
- 81-2.1.2. provision of services under issues associated with the assessment of financial stability and payment ability of the insurer;
- 81-2.1.3. elaboration of methodology of calculation and economical substantiation of insurance tariffs;
- 81-2.1.4. study and systematization of insurable risks in accordance with classification of types of insurance defined by the present Law;
- 81-2.1.5. economic substantiation of terms and conditions of the insurer in insurance regulations for types of voluntary insurance;
- 81-2.1.6. determination of upper limit of loans issued to insured persons under accumulative life insurance contracts;
- 81-2.1.7. consultation services under actuarial calculations.

81-2.2. The *Central Bank* shall establish the guidelines regarding the conduct of actuarial calculations.

81-2.3. Services related to the implementation of actuarial activities (hereinafter referred to as the “actuarial services”) are considered an integral part of insurance services.

Article 81-3. Certificate of the actuary

81-3.1. Only persons with a certificate issued by the *Central Bank* (hereinafter referred to as a “certificate of the actuary”) may engage in actuarial activities.

81-3.2. Those who meet the fit and proper criteria and have a higher education shall be permitted to undergo attestation for the issuance of the actuary certificate.

81-3.3. *An actuarial certificate is issued to individuals who have passed the certification exam in accordance with the Central Bank's established rules within five working days of submitting a document confirming payment of the state fee. The actuarial certificate is valid for 5 years from the certification date.*

81-3.4. Upon the expiry of the validity period of the certificate of the actuary, the actuary shall be obliged to pass re-attestation in the *Central Bank* for the acquisition of new certificate.

81-3.5. The amount of state duty to be paid for issuance of an actuary certificate shall be defined by the Law of the Republic of Azerbaijan “On State Duties”.

81-3.6. The form of the certificate of the actuary and procedure of its completion shall be defined by the *Central Bank*.

Article 81-4. Register of actuaries

81-4.1. Persons who have passed the certification provided for in Article 81-3.3 of this Law and *received an actuarial certificate shall immediately* be included in the register of actuaries provided for in Article 95.3 of this Law.

81-4.2. The *Central Bank* shall exclude an actuary from the register of actuaries in the following cases:

81-4.2.1. upon the expiry of the validity period of the certificate of the actuary;

81-4.2.2. if responsible actuary has been brought to liability referred to in Article 81-7 of the present Law twice in one year;

81-4.2.3. in case of occurrence of the circumstance removing the fit and proper criteria;

81-4.2.4. in case of death of the actuary.

81-4.3. Except for the case referred to in Article 81-4.2.1 of the present Law, certificate of the actuary excluded for the register of actuaries shall be deemed annulated from the moment of exclusion from the register.

81-4.4. A person excluded from the register pursuant to Article 81-4.2.2 of this Law may apply for a new certificate no earlier than one year after being excluded from the register.

Article 81-5. Responsible actuary of the insurer

81-5.1. Along with general requirements for top officials of the insurer by Article 37 of the present Law, responsible actuary of the insurer shall also meet the following requirements:

81-5.1.1. it should be included into the register of actuaries referred to in Article 95.3 of the present Law;

81-5.1.2. it should not occupy other position in the insurer.

81-5.2. The responsible actuary shall be liable to the insurer and the *Central Bank* for:

81-5.2.1. supervision over daily state of insurer in connection with financial stability and payment ability;

81-5.2.2. notification of the Executive Board and Board of Directors of the insurer on circumstance which may lead to worsening of financial stability and payment ability of the insurer;

81-5.2.3. submission of written information to the Central Bank, if managing bodies of the insurer fail to take measures towards the removal of circumstances referred to in 81-5.2.2 of the present Law.

81-5.3. Upon request, the responsible actuary has the right to obtain documents and information from state bodies and other organizations, provided that the dissemination of said documents and information is not prohibited by the Law of the Republic of Azerbaijan "On Access to Information."

Article 81-6. Actuarial opinion

81-6.1. The opinion of the actuary regarding the results of the calculations referred to in Article 81-1.0 of the present law shall be approved by the actuary responsible for the insurer.

81-6.2. In order for the actuary to draft an opinion, the insurer shall submit all the required documents and information related to its activities to the responsible actuary.

81-6.3. The opinion of the actuary shall be drafted in accordance with the following requirements:

81-6.3.1. correct selection of methodical means and actuarial hypothesis and correct conduct of actuarial calculations;

81-6.3.2. correct and thorough assessment of current state of the insurer in connection with its financial stability and payment ability;

81-6.3.3. submission of required recommendations for improvement of financial stability and payment ability;

81-6.3.4. *inclusion of other calculations and indicators determined by the Central Bank.*

81-6.4. The opinion of the actuary shall be accompanied by information on the methodological means used to develop that opinion, the modeling principles, and the actuary's hypotheses.

81-6.5. If the insurer refuses to submit any document or any information which are related to its activity and which are required in connection with drafting of opinion of the actuary or if the responsible actuary is aware or should be aware of the fact that the insurer conceals

such document or information, responsible actuary shall be obliged to submit written information thereof to the *Central Bank*.

81-6.6. *The opinion of the actuary, drafted in three copies, should be submitted to the insurer and the Central Bank within three working days of its approval by the responsible actuary.*

81-6.7. *Information on the methodical means used to develop the actuary's opinion, the modeling principles, and the actuary's hypotheses shall be included with the opinion submitted to the Central Bank.*

Article 81-7. Liability of the responsible actuary

Responsible actuary shall bear liability in cases referred to in the Code of Administrative Offences of the Republic of Azerbaijan for the failure to comply with the requirements referred to in Article 81-6.3 of the present Law within the framework of abilities of documents and information submitted to the insurer and for the failure to comply with obligations referred to in Articles 81-5.2.3 and 81-6.5 of the present Law, as well as for unduly submission of the opinion of the actuary.

Chapter 11. Insurance mediators

Article 82. Fundamentals of insurance intermediary activities

82.1. For purposes of the present Law, insurance agents and insurance brokers shall be insurance mediators.

82.2. Unless otherwise provided for in the contract of engagement concluded with the insurer, an insurance agent is a natural or legal person who, on behalf of the insurer and within the powers granted by it, acts as an intermediary in concluding, continuing or renewing insurance contracts, as well as in conducting negotiations between the parties. An insurance agent may act as an insurance agent for several insurers.

82.2-2. The assignment agreement for the provision of mediation services concluded between the insurer and the insurance agent shall reflect the following:

82.2-2.1. number and date of the assignment agreement;

82.2-2.2. name and address of the insurer;

82.2-2.3. if an insurance agent is an individual - his full name, place of residence, series and number of identity document, series and number of the license and TIN;

82.2-2.4. if an insurance agent is a legal entity - its name, location, series and number of the license, TIN; if it is engaged exclusively in activities of insurance agents - full name of the head of the executive authority; if the main activity is other kind of activity - along with the head of the executive authority, full name of employees who have passed certification in accordance with the rules provided for in Article 83.2.2 of this Law;

82.2-2.5. subject of the assignment agreement;

- 82.2-2.6. list of types of insurance, which insurance agent will offer to customers;
 - 82.2-2.7. the amount of commission to be paid to the insurance agent under the assignment agreement;
 - 82.2-2.8. rights and obligations of the parties;
 - 82.2-2.9. responsibility of the parties for breach of the contract;
 - 82.2-2.10. territory, covered by the assignment agreement;
 - 82.2-2.11. term of the assignment agreement;
 - 82.2-2.12. contact details of the parties.
- 82.3. An insurance broker is an individual or legal entity that engages in mediation activities related to insurance matters. These activities include conducting negotiations, extending or renewing insurance contracts, placing risks, and providing consultations regarding the conclusion of insurance contracts and insurance claims.
- 82.4. Insurance mediators shall be awarded with commission for mediation or consultation services rendered to customers.
- 82.5. An individual may independently exercise the respective activity on behalf of an insurance mediator, which is a legal entity, in the capacity of the head of its managing body or an ordinary employee.
- 82.6. An individual exercising insurance mediation on behalf of an insurance mediator, which is a legal entity, may not independently engage in such activities.
- 82.7. Insurance mediators which are legal entities may have any organizational and legal form.
- 82.8. *Excluded.*

Article 83. Licensing of insurance mediation activities

- 83.1. For exercise of the activity of the insurance agent or insurance broker in the Republic of Azerbaijan, acquisition of respective license from the *Central Bank* shall be required. Persons shall bear liability for the failure to comply with that requirement in cases referred to in the Code of Administrative Offences of the Republic of Azerbaijan and Civil Code of the Republic of Azerbaijan.
- 83.2. To obtain a license for the relevant insurance mediation activity, an individual shall:
- 83.2.1. be at least 19 years old;
 - 83.2.2. have passed the relevant attestation at the Central Bank, as defined by that authority, for individuals seeking a license;
 - 83.2.3. *except in cases provided for in Article 107.1.1 of this Law, his or her license for the mediation activity has not been previously annulled;*
 - 83.2.4. *be fit and proper;*
 - 83.2.5. not hold a position that allows the exercise of coercion, pressure, or influence to control, direct, or engage in insurance transactions.
- 83.3. For acquisition of the license by the legal entity for the activity of insurance agent at least two persons who are employees on the basis of labor agreement shall pass the attestation in the *Central Bank* in accordance with regulations referred to in Article 83.2.2 of the present Law.

- 83.3-1. *A legal entity shall comply with the requirement of Article 83.3 of this Law regarding the number of employees who must undergo certification during the period of activity as an insurance agent.*
- 83.4. For acquisition of the license for the activity under respective insurance mediation by the insurance broker which are legal entity as well as legal entity founded exceptionally to be an insurance agent, head of its executive body should pass the attestation in the *Central Bank* in accordance with regulations referred to in Article 83.2.2 of the present Law.
- 83.5. A shareholder or participant of an insurance broker, which is a legal entity, shall not have a status that allows for compulsion, pressure, or influence over the supervision or direction of insurance operations.
- 83.6. The *Central Bank* shall define the category of persons who fail to comply with the requirements referred to in Articles 83.2.5 and 83.5 of the present law.
- 83.7. A person may not engage in the activities of an insurance agent and an insurance broker at the same time.
- 83.8. The license issued for the activity of insurance agent or insurance broker shall be unlimited.
- 83.9. The present law shall define the regulations for issuing licenses for insurance agents or brokers, as well as the conditions for suspending or terminating their validity.

Article 84. Documents required for the issuance of a license for insurance mediation activities

- 84.1. In order to obtain the necessary license, a person who wishes to become an insurance mediator must submit the following documents to the *Central Bank*, in addition to the documents and information that certify compliance with the requirements set forth in Articles 83.2-83.5 of this law:

84.1.1. individuals:

- 84.1.1.1. a copy of the identity card certified by a notary or in accordance with the procedure established by Article 9 of the Law of the Republic of Azerbaijan "On Administrative Proceedings", and *if the applicant is a foreign individual, also a certificate issued by the relevant state authorities of the country of residence stating whether he has been brought to criminal liability and legalized or apostille issued in accordance with the procedure established by the legislation;*
- 84.1.1.2. ~~taking into account~~ Article 84.3 of this Law, a copy of the document on registration with the relevant tax authority, certified by a notary or in accordance with the procedure established in Article 9 of the Law of the Republic of Azerbaijan "On Administrative Proceedings";

84.1.2. legal entities:

- 84.1.2.1. a copy of the state registration certificate certified by a notary or in accordance with the procedure established in Article 9 of the Law of the Republic of Azerbaijan "On Administrative Proceedings";
- 84.1.2.2. copy of its charter certified by the notary or as provided for in Article 9 of the Law of the Republic of Azerbaijan "On Administrative Proceedings";
- 84.1.2.3. documents confirming the compliance of the person appointed to a management position with the requirements of Article 91 of this Law, *and if that person is a foreign individual, also a certificate issued by the relevant state authorities of the country of his/her residence stating whether he/she has been brought to criminal liability and legalized or apostille issued in accordance with the procedure established by the legislation;*
- 84.1.2.4. document confirming that the employees, provided for in Article 83.3 of this Law, have passed certification in accordance with the rules provided for in Article 83.2.2 of this Law;
- 84.1-1. *If the documents or information necessary for obtaining a license to engage in insurance mediation activities can be obtained from the relevant state body (institution) via the Electronic Government Information System, then those documents or information will not be required from the individual seeking to become an insurance mediator. If such documents or information cannot be obtained through the Electronic Government Information System, they must be submitted by the relevant state body (institution) upon request and with the consent of the person wishing to become an insurance mediator, or provided by that person.*

~~84.2. Document on compliance of the person with the requirement referred to in Article 83.2.4 of the present Law shall be submitted by the internal affairs body on the basis of the request of the Central Bank.~~

~~84.3. Excluded.~~

Article 85. Consideration of the application for a license to engage in insurance mediation activities

- 85.1. If the documents related to the application for a license to engage in insurance brokerage activities are not submitted in full, as required by Article 84.1-1 of this Law, or if the information in the documents is incomplete or incorrect, the *Central Bank* shall require the applicant to submit the documents in full and/or complete or correct the information.
- 85.2. The *Central Bank* shall consider the application for the issuance of the license to the respective activity for insurance mediation within the period of 1 month from the moment of submission to the latter of last of documents required pursuant to Article 84.1 of the present Law, respective reference referred to in Article 121 of the present Law which

certifies the compliance with the requirement referred to in Article 83.2.4 of the present Law on the basis of that application as well as last of documents with introduced amendments or modifications, if required pursuant to Article 85.1 of the present Law.

- 85.3. The amount of state duty to be paid for issuing licenses to insurance mediators shall be defined by the Law of the Republic of Azerbaijan "On State Duties".

Article 86. Issuance of a license for insurance mediation activities

- 86.1. The *Central Bank* shall issue a license for the activity of an insurance agent or broker after reviewing the submitted application documents and confirming that they comply with the requirements of this law. The applicant shall be notified of this decision and shall submit a document confirming payment of the state fee for the issuance of the license. *If the applicant does not meet the requirements of this law or if the individuals intended to be appointed as management personnel of an insurance broker or legal entity established exclusively to be an insurance agent do not possess the necessary qualifications, the Central Bank shall issue a reasoned decision to refuse to issue a license.*
- 86.2. The *Central Bank* shall notify applicants of the issuance or refusal of a license through written notification within the period referred to in Article 85.2 of this Law. The *Central Bank* shall deliver the license in person to an insurance mediator that is a legal entity, or to an authorized representative of an insurance mediator that is a legal entity.

Article 87. Form, renewal and register of licenses of insurance mediators

- 87.1. In accordance with Article 87.2 of the present law, the requirements of Articles 53, 54, and 60 shall also apply to insurance agents and insurance brokers with regard to the form, register, and renewal of licenses.
- 87.2. A license issued to insurance mediators for a specific type of activity shall indicate either "insurance agent activity" or "insurance broker activity".

Article 88. Additional requirements to insurance mediators

- 88.1. Within 10 working days of acquiring a license, insurance brokers shall insure their professional liability in an amount defined by the *Central Bank* and this insurance shall be maintained throughout their period of activity.
- 88.2. The involvement of an insurance broker that provided mediation or consultation services when the insurance contract was established in rendering mediation or consultation services when the risks under that agreement are reinsured shall be prohibited. Both the insurance broker and the respective insurer shall be liable for failing to comply with this requirement.
- 88.3. *Individual insurance intermediaries, as well as the persons specified in Articles 83.3, 83.4, and 88.4 of this law, shall be certified by the Central Bank every 5 years, starting from the certification date.*

88.4. *In accordance with Article 83.2.2 of this Law, employees of a legal entity licensed to operate as an insurance agent who are involved in insurance brokerage activities under an employment or civil law contract shall undergo certification at the Central Bank.*

Article 89. Requirements to founders or participants of insurance broker who is a legal entity and to a legal entity engaged exclusively in insurance agent activities

- 89.1. Any person may be a founder and participant of an insurance broker and legal entity exceptionally dealing with the activity of insurance agent, except for the following persons:
- 89.1.1. a local legal entity that is a subsidiary of a foreign legal entity and fails to comply with the requirements of Article 89.1.2 of this Law.
 - 89.1.2. a foreign person who fails to meet the following requirements:
 - 89.1.2.1. engaging in relevant insurance brokerage activities for at least the last 5 years;
 - 89.1.2.2. absence of prohibition to deal with the activity for respective insurance mediation in its country.
 - 89.1.3. political parties;
 - 89.1.4. non-governmental organizations (public associations and funds).
- 89.2. Founder and participant of insurance broker, which is a legal entity may not occupy a position in the insurer simultaneously.
- 89.3. Opening of the branch in the Republic of Azerbaijan by foreign insurance brokers shall be prohibited.

Article 90. Name of insurance broker who is a legal entity that exclusively engages in insurance agent activities

- 90.1. The name of the insurance broker, which is a legal entity that deals exclusively with insurance agent activities, shall be defined in the Azerbaijani language.
- 90.2. The use of meaningless words, including letter combinations in the name of an insurance broker, which is a legal entity that deals exclusively with insurance agent activities, shall be prohibited.
- 90.3. An insurance broker, which is a legal entity that deals exclusively with insurance agent activities, shall be obliged to use its full and abbreviated names, as defined in its charter, on signboards, letterheads, seals, and all other official office supplies, advertisements, and announcements bearing its name.
- 90.4. The name of an insurance broker, which is a legal entity that deals exclusively with insurance agent activities, shall include the words "insurance broker" or "insurance agent," respectively.
- 90.5. The use of the words "Azerbaijani" "state," "national," "central," "budgetary," or "republican" in the name of an insurance broker that is a legal entity in which the state

does not possess significant influence, as well as a legal entity that deals exclusively with insurance agent activities, shall be prohibited.

- 90.6. The use of words or word combinations by an insurance broker, which is a legal entity that deals with insurance agent activities in its name, that are similar to the names of earlier established insurers, foreign insurers, or similar to each other to the point of confusion, shall be prohibited
- 90.7. The requirements of Articles 90.1 and 90.6 of this Law shall not apply to an insurance intermediary that uses the name of a foreign legal entity that owns fifty percent or more of its charter capital.

Article 91. Requirements to top officials of insurance broker who is a legal entity that exclusively deals with the activity of insurance agent

- 91.1. Head of executive body, his/her deputies and accountant general of insurance broker which is a legal entity and legal entity exceptionally dealing with the activity of insurance agent shall be its top officials.
- 91.2. Top official of insurance broker which is a legal entity and legal entity exceptionally dealing with the activity of insurance agent shall *have higher education as well as be fit and proper, the chief accountant or the person performing these duties shall be professional accountants.*
- 91.3. Top officials of insurance broker which is a legal entity and legal entity exceptionally dealing with the activity of insurance agent should have the following work experience:
- 91.3.1. head of executive body and his/her deputies - not less than 2 years as a full-time employee in financial sphere;
- 91.3.2. accountant general - not less than 2 years as an accountant.
- 91.4. *Excluded.*

Article 92. Appointment of top officials of insurance broker who is a legal entity that exclusively engages in insurance agent activities

- 92.1 Top official of insurance broker who is a legal entity and a legal entity exclusively dealing with the activity of insurance agent shall be appointed to the position with the permission of *Central Bank*.
- 92.2 Decision on appointment, including temporary appointment to the position of top official of insurance broker which is a legal entity and legal entity exceptionally dealing with the activity of insurance agent shall be ineffective from the moment of its adoption without permission of *Central Bank*.
- 92.3 *Central Bank* shall communicate a written notification to the insurance broker which is a legal entity on the permission to appoint or refusal from appointment, in case of failure to comply with the requirements of Article 91 of the present Law, within the period of 10 working days from the moment of submission of documents and information in connection with appointment of person to leading position by the insurance broker which is a legal entity.

- 92.4 If, within the period referred to in Article 92.3 of the present Law, *Central Bank* fails to express, pursuant to present Article, any written attitude in connection with the appointment of any person to the position of top official of insurance mediator which is a legal entity, it shall be deemed as a permission of that authority to such appointment.
- 92.5 If it is later discovered that the information used as the basis for granting consent is incorrect, or if the executive officer of an insurance broker that is a legal entity or a legal entity exclusively engaged in insurance agent activities does not meet the fit and proper criteria, or if he/she has been held administratively liable three or more times within the last 1 year for violations of law related to insurance legislation, the *Central Bank* shall issue a recommendation to withdraw the consent it gave to the appointment of the executive officer of an insurance broker that is a legal entity or a legal entity exclusively engaged in insurance agent activities and to dismiss the person appointed to the position on the basis thereof.

Article 93. Reports and information of insurance intermediaries

- 93.1 *The requirements of Article 78 of this Law regarding reports and information of insurers shall apply to insurance brokers who are legal entities and to legal entities exclusively engaged in insurance agent activities, taking into account the requirements of Article 93.2 of this Law.*
- 93.2 Examination of financial statements of insurance brokers which are a legal entities and legal entities exceptionally dealing with the activity of insurance agent (*except for large and medium-sized businesses*) by the independent auditor shall not be required.
- 93.2-1. *Legal entities licensed to operate as insurance agents must provide written information to the Central Bank at the end of each financial year about their employees as specified in Articles 83.3-1 and 88.4 of this Law.*
- 93.2-2. *Insurance intermediaries must submit reports on their activities to the Central Bank. The form, content and procedure for submitting such reports are determined by the Central Bank.*
- 93.3. *Excluded.*

Article 94. Insurance intermediaries engaging in other types of activities

- 94.1. Activity of insurance broker shall be the basic type of activity of insurance broker and the activity of insurance agent shall be the basic type of activity of legal entity exceptionally dealing with the activity of insurance agent.
- 94.2. Individual occupying other position or dealing with other activity along with the activity of insurance mediator shall be obliged to provide that interests associated with that position or activity would not cause a damage to adoption of the decision, exercise of powers in the capacity of insurance mediator.
- 94.3. Insurance broker and *insurance agent* who are an individual may not occupy a position in the insurer simultaneously.
- 94.4. Insurance broker which is a legal entity and legal entity exceptionally dealing with the activity of insurance agent, may deal with the following types of activity, apart from basic type of activity:

- 94.4.1. arrangement and conduct of training with the purpose of increase of qualification of specialists in the sphere of insurance;
- 94.4.2. elaboration and sale of special literature concerning insurance or spheres of activity associated with it on various information carriers;
- 94.4.3. elaboration and sale of special software associated with the insurance;
- 94.4.4. conduct of legal expert examination of documents of its customers.

Chapter 11-1

Independent experts

Article 94-1. Fundamentals of independent expert activity

- 94-1.1. *Independent expert activities are carried out in areas determined by the body (institution) designated by the relevant executive authority, based on the proposal of the Central Bank.*
- 94-1.2. *After being included in the register of independent experts, individuals and legal entities that meet the following requirements may engage in independent expert activities in the field(s) in which they are included in the register:*
 - 94-1.2.1. *an individual shall meet the fit and proper criteria and have an independent expert certificate;*
 - 94-1.2.2. *a legal entity:*
 - 94-1.2.2.1. *at least two employees of a legal entity working under an employment contract shall be independent experts;*
 - 94-1.2.2.2. *the participant and the head of the executive body of a legal entity must not have an employment or civil-law contract with the insurer, legal entities engaged in auxiliary activities in the field of insurance, or an insurance intermediary that is a legal entity, and shall not carry out insurance intermediation activities;*
 - 94-1.2.2.3. *the name of the legal entity shall comply with the requirements of Article 94-4 of this Law.*
- 94-1.3. *A person wishing to become an independent expert in the agricultural insurance system shall be included in the register provided for in Article 95.3 of this Law after receiving a certificate in accordance with Article 10.1 of the Law of the Republic of Azerbaijan "On Agricultural Insurance".*
- 94-1.4. *During the period of independent expert activity, an independent expert who is a natural person shall not be in a civil law contract or employment contract with an insurer, a legal entity engaged in auxiliary activities in the field of insurance, or an insurance intermediary who is a legal entity, in connection with other services, except for the provision of independent expert activity services, and shall not carry out insurance intermediation activities.*
- 94-1.5. *The independent expert activity carried out by an independent expert who is a legal entity is its main type of activity.*
- 94-1.6. *An independent expert who is a legal entity may engage in only the following types of activities, in addition to his main activity:*
 - 94-1.6.1. *organizing and conducting training for the purpose of improving the qualifications of independent experts;*

- 94-1.6.2. *preparation and sale of special literature related to insurance and related fields of activity on various types of data carriers;*
- 94-1.6.3. *development and sale of specialized insurance-related software.*
- 94-1.7. *When the independent expert certificate of the persons specified in Article 94-1.2.2.1 of this Law expires, the employment contract concluded with them is terminated, or they are removed from the register of independent experts, the legal entity must restore the minimum number of independent experts working under an employment contract within 2 months and must not carry out independent expert activities in the relevant field during that period.*
- 94-1.8. *An independent expert is prohibited from performing the following:*
 - 94-1.8.1. *acting as an independent expert on an insurance event related to risks insured by insurers with which he/she has an employment contract or civil-legal contract for the provision of services within 2 years prior to the date of inclusion in the register of independent experts;*
 - 94-1.8.2. *acting as an independent expert on an insurance event related to an insured, insured, beneficiary or injured third party who is in a civil-legal contractual relationship with an independent expert regarding the provision of services or an employment contract;*
 - 94-1.8.3. *While working under an employment contract for an independent expert who is a legal entity, holding a position in another independent expert who is a legal entity or freely carrying out independent expert activities;*
 - 94-1.8.4. *operating at the head office, branch or representative office of an insurer, a legal entity providing auxiliary activities in the insurance sector or an insurance intermediary;*
 - 94-1.8.5. *in case of assessing the risk related to the conclusion of an insurance contract, investigation of the insured event that occurred under that contract, elimination of its consequences and (or) assessment of the damage;*
 - 94-1.8.6. *conducting an independent examination in the following cases:*
 - 94-1.8.6.1. *if he or his close relatives have a property interest in the object of expertise, a dispute with one of the parties (including the previous period), or non-contractual obligations regarding the object of expertise;*
 - 94-1.8.6.2. *if he or her close relatives are related to a legal entity that has a property interest in the object of expertise.*
- 94-1.9. *An independent expert must ensure the protection of commercial, insurance, banking and other confidential information obtained in connection with the implementation of independent expert activities in accordance with the procedure established by law.*
- 94-1.10. *The minimum requirements for the implementation of independent expert activities are determined by the Central Bank.*

Article 94-2. Register of independent experts

- 94-2.1. *The register of independent experts is maintained by sector in accordance with Article 95.3 of this Law.*
- 94-2.2. *An individual shall be included in the register of independent experts in the field(s) specified in the independent expert certificate, and a legal entity shall be included in the register of independent experts in the field(s) specified in the independent expert certificate, in which the independent experts work under the employment contract.*
- 94-2.3. *Individuals and legal entities are removed from the register of independent experts in the following cases:*
- 94-2.3.1. *for an individual:*
- 94-2.3.1.1. *when he/she applies with his/her own application;*
 - 94-2.3.1.2. *taking into account Article 94-2.4 of this Law, when the independent expert certificate expires and a new one is not obtained;*
 - 94-2.3.1.3. *when brought to administrative responsibility three or more times within one year for violating the requirements of this Law regarding independent expert activities;*
 - 94-2.3.1.4. *if they do not have acceptable and necessary qualities;*
 - 94-2.3.1.5. *if the submission made in accordance with Article 102 of this Law is not executed on time or in full;*
 - 94-2.3.1.6. *when he/she died;*
 - 94-2.3.1.7. *if he/she is considered to be incapacitated or has limited capacity based on a legally effective court decision.*
 - 94-2.3.1.8. *if there is a legally effective court decision to deprive him/her of the right to engage in independent expert activities, including the imposition of compulsory medical measures against him.*
- 94-2.3.2. *for a legal entity:*
- 94-2.3.2.1. *when applying with its own application;*
 - 94-2.3.2.2. *if the requirements of Article 94-1.7 of this Law are violated;*
 - 94-2.3.2.3. *in the cases specified in Articles 94-2.3.1.3 or 94-2.3.1.5 of this Law;*
 - 94-2.3.2.4. *when declared bankrupt or liquidated.*
- 94-2.4. *An independent expert who is an individual included in the register of independent experts in several fields shall be removed from the register in that field if he/she does not re-receive a certificate in the relevant field in accordance with Article 94-3.4 of this Law.*
- 94-2.5. *Taking into account the requirement of Article 94-1.7 of this Law, if an independent expert that is a legal entity does not replace an employee who is an independent expert with an independent expert in the relevant field within 2 months after the termination of the employment contract (except for cases where the employee has another independent expert in the relevant field), the employee shall be removed from the register of independent experts in the relevant field.*
- 94-2.6. *An independent expert removed from the register in accordance with Articles 94-2.3.1.3 – 94-2.3.1.5 and 94-2.3.2.3 of this Law may not engage in independent expert activities from the date of removal from the register and may not be re-registered within one year.*

Article 94-3. Independent expert certificate

- 94-3.1. *An independent expert certificate is issued in the areas specified in accordance with Article 94-1.1 of this Law.*
- 94-3.2. *In order to obtain an independent expert certificate, individuals shall pass an exam at a body (institution) designated by the relevant executive authority.*
- 94-3.3. *The requirements for persons admitted to the examination provided for in Article 94-3.2 of this Law, the procedure for conducting the examination, and the form and procedure for issuing an independent expert certificate shall be determined by the body (institution) designated by the relevant executive authority.*
- 94-3.4. *The independent expert certificate is issued to persons who have passed the examination for a period of 5 years. When the independent expert certificate expires, in order to obtain a new certificate, it is necessary to re-take the examination provided for in Article 94-3.2 of this Law.*

Article 94-4. Name of the independent expert who is a legal entity

- 94-4.1. *The full name of an independent expert who is a legal entity shall include the words "independent insurance expert".*
- 94-4.2. *The requirements of Article 90 of this Law also apply to independent experts who are legal entities.*

Chapter 12. Regulation and supervision in the insurance sector

Article 95. Tasks of regulation and supervision in the insurance sector

- 95.1. Basic tasks of *regulation and supervision* in the insurance sector shall be the following:
 - 95.1.1. exercise of respective measures for the development *and improvement* of insurance market ~~and improvement of insurance system~~ in the Republic of Azerbaijan;
 - 95.1.2. regulation of insurance business, as well as insurance market and exercise of supervision over the insurance activity;
 - 95.1.3. exercise of measures for strengthening of legislative base of insurance business, determination of types of compulsory insurance and principles of participation of the Republic of Azerbaijan in the international insurance *relations*;
 - 95.1.4. exercise of measures for the protection of rights and legitimate interests of insurers, policyholders, insured persons, beneficiaries and other participants of insurance market as well as interests of *national and public importance*;
 - 95.1.5. *provision of compliance with the requirements of the Laws of the Republic of Azerbaijan "On Prevention of Legalization of Criminally Obtained Property and the Financing of Terrorism" and "On Targeted Financial Sanctions"*.

- 95.2. *Central Bank*, its officials, employees, appointed temporary officers shall bear no liability for the damage emerged as a result of action (omission), unlawfulness and intention of which is not proved as provided by law in the course of exercise of their powers in connection with the regulation and supervision in the insurance sector as well as function in connection with its liquidation.
- 95.3. *Central Bank* shall manage the register of insurers, insurance mediators, including ~~foreign insurers and~~ foreign insurance brokers, their representative offices in the Republic of Azerbaijan, actuaries, as well as legal entities exercising auxiliary activity in the sphere of insurance and relevant independent experts. Regulations for management of that register shall be defined by *Central Bank*.
- 95.4. *The Central Bank has the right to set standards and requirements different from those established for insurers, taking into account their systemic importance.*
- 95.5. *The criteria for assessing an insurer as a systemically important insurer are determined by the Central Bank.*

~~Article 96. The contributions paid to the financial market supervisory authority~~

~~*Professional participants of the insurance market shall pay fees to the financial market supervisory authority in the amount and manner established by that authority.*~~

Article 96-1. Measures applied to the insurer in order to restore financial standing and lost capital

- 96-1.1. *In order to restore the financial standing of the insurer and lost capital the Central Bank shall apply to the insurer the measures provided for in Article 96-1.2 of this Law in the following cases:*
- 96-1.1.1. *if it is established from reports submitted by the insurer to the Central Bank and/or facts received by the Central Bank and confirmed by documents that the total capital of the insurer is less than the amount of its required capital;*
 - 96-1.1.2. *if the insurer has not fully fulfilled its obligations to the insured, insurable, beneficiaries, the Central Bank, the Compulsory Insurance Bureau and other persons, as well as other obligations stipulated by law, consistently within 3 months and within 30 days after the notification, issued by the Central Bank about this, the obligation specified in the notification will not be fully fulfilled.*
- 96-1.2. *The measures, applied to the insurer in order to restore the financial standing and lost capital are as follows:*
- 96-1.2.1. *demanding the preparation and application of a recovery plan;*

- 96-1.2.2. *demanding temporary suspension and dismissal of senior employees of the insurer;*
- 96-1.2.3. *appointment of a temporary officer to the insurer.*

Article 96-2. Recovery plan

- 96-2.1. *If the total capital of the insurer has decreased to 90 percent of the amount of its required capital, the Central Bank requires the insurer to submit a recovery plan that contains measures to restore the financial standing and lost capital of the insurer and the timing of their implementation.*
- 96-2.2. *The requirements for the recovery plan, the procedure for calculating the deadline for its execution and the reporting form for performance, as well as the reporting procedure, are established by the Central Bank.*
- 96-2.3. *After receiving a written request from the Central Bank, the insurer prepares a draft recovery plan in time specified in the request and submits it in writing to the Central Bank for consideration. The deadline for developing a rehabilitation plan and submitting a project for consideration may not exceed 30 working days.*
- 96-2.4. *If the Central Bank has suggestions for a recovery plan submitted to it for consideration, it submits a written notice to the insurer within 10 business days and requires to make additions and (or) changes to the recovery plan. After making additions and (or) changes to the recovery plan within 5 working days, the insurer will again submit a draft recovery plan to the Central Bank in writing. In case of agreement of the draft recovery plan, the Central Bank will send a written notice to the insurer within 5 business days.*
- 96-2.5. *After agreement of the recovery plan with the Central Bank, the insurer proceeds with the implementation of the recovery plan.*
- 96-2.6. *As part of the supervision of the implementation of the recovery plan, the Central Bank receives reports on the implementation of the recovery plan in the manner prescribed by Article 96-2.2 of this Law.*
- 96-2.7. *A recovery plan for one insurer can be applied only once during two calendar years.*

Article 96-3. Temporary suspension and dismissal of senior employees of the insurer

- 96-3.1. *The Central Bank submits to the insurer a notice on the temporary dismissal of senior employees for up to 45 business days in the following cases:*
 - 96-3.1.1. *if the total capital of the insurer is less than 90 percent and more than 80 percent of the amount of its required capital;*
 - 96-3.1.2. *if the measure provided for in Article 96-1.2.1 of this Law is not performed by the insurer;*
 - 96-3.1.3. *if the circumstance that has become the basis for the presentation of the recovery plan specified in Article 96-2.1 of this Law has not been eliminated as a result of the implementation of the recovery plan.*
- 96-3.2. *Starting from the filing date of the representation referred to in Article 96-3.1 of this Law, the Central Bank shall study the reasons for the decrease in the total capital of the insurer and/or the failure to prepare or submit a recovery plan.*

- 96-3.3. *In the event that, as a result of proceedings conducted by the Central Bank, during the period specified in the representation issued on the basis of Article 96-3.1 of this Law, the deficiencies in the work of senior employees temporarily suspended from their positions are revealed, the Central Bank shall submit to the insurer a reasonable representation of the dismissal of senior executives.*
- 96-3.4. *The submission of the financial markets supervision authority regarding the temporary suspension or dismissal of senior employees of the insurer shall be made within 5 working days following the day of submission of the representation.*
- 96-3.5. *If the Central Bank has submitted a representation to the insurer due to the circumstances provided for in Article 96-3.1.1 of this Law, the insurer shall ensure that the amount of its total capital is equal to at least 90 percent of the amount of required capital within 6 months from the date filing such a representation.*
- 96-3.6. *If the Central Bank has submitted a representation to the insurer in connection with the circumstances provided for in Article 96-3.1.2 of this Law, the insurer must ensure that the amount of its total capital is equal to the amount of required capital from the date of filing of such submission to the expiration of the execution of the recovery plan.*
- 96-3.7. *If the Central Bank has submitted a representation to the insurer in connection with the circumstances provided for in Article 96-3.1.3 of this Law, the insurer shall ensure that its total capital is equal to the amount of required capital within 6 months from the date of filing of such representation.*

Article 96-4. Reasons for appointing a temporary officer

- 96-4.1. *If one or more of the following circumstances exists, the Central Bank appoints a temporary officer for the insurer:*
- 96-4.1.1. *the total capital of the insurer fell below 80% of the amount of its required capital;*
 - 96-4.1.2. *in circumstance referred to in Article 96-1.1.2 of this Law;*
 - 96-4.1.3. *the insurer does not comply with the requirements of Articles 96-3.4, 96-3.5, 96-3.6 or 96-3.7 of this Law.*
- 96-4.2. *The Central Bank when appointing a temporary officer determines the scope of its functions and powers.*
- 96-4.3. *The functions of the temporary officer include improving the financial position of the insurer, exercising control over all or part of its activities, effectively managing the activities of the insurer and changing the business strategy of the insurer.*
- 96-4.4. *The issuance of sanctions and representations to the insurer by the Central Bank is suspended from the moment the temporary officer is appointed until his powers expire.*

Article 96-5. Appointment of a temporary officer

- 96-5.1. *A temporary officer is appointed from among the employees of the Central Bank or unauthorized persons (individuals and (or) legal entities) for a period of up to 3 months. This period may be extended up to a total of 12 months each time for no more than 3 months.*

- 96-5.2. *The salary of the temporary officer and the expenses incurred by him are covered by the assets of the insurer. If the insurer's assets are insufficient to cover wages and expenses incurred by the temporary officer, these expenses are consistently covered by the Central Bank for 3 months.*
- 96-5.3. *Persons related to insurers, as well as insurer's creditors, insured, insurable, beneficiaries and beneficial owners (with the exception of the supervisor of financial markets) cannot be appointed to the post of temporary officer of the insurer.*
- 96-5.4. *The decision on the appointment or extension of the appointment of the temporary officer shall indicate the grounds for making this decision, taking into account Article 96-4.2 of this Law, information on the temporary officer and his term of office. After a decision is made, the Central Bank ensures its immediate representation to the Board of Directors and the Board of the insurer.*
- 96-5.5. *The temporary officer is guided in his activities by this Law, applicable regulatory legal acts, including regulatory acts, as well as instructions and recommendations of the Central Bank.*
- 96-5.6. *Within 5 calendar days from the date of submission to the insurer of a copy of the decision of the Central Bank on the appointment of a temporary officer, the Board of Directors of the insurer must decide to replace the appointed temporary officer or give him consent and submit a certified copy of the decision to the Central Bank. If the insurer has not expressed its opinion regarding the appeal of the Central Bank, the insurer is considered satisfied with the decision to appoint a temporary officer.*
- 96-5.7. *Upon receipt of a protest against a temporary officer appointed by him, the Central Bank should review its decision within 5 working days and decide to cancel the appointment or leave the decision in force, justifying its choice. The decision of the Central Bank to appoint another temporary officer or to leave the previous appointment in force is immediately submitted to the insurer.*
- 96-5.8. *Regardless of the circumstances provided for in Articles 96-5.6 and 96-5.7 of this Law, the temporary officer appointed by the Central Bank should immediately begin to fulfill his duties after the Central Bank has made a decision on his appointment. If the appointment of the temporary officer is changed, the temporary officer must immediately hand over the insurer's asset management, ledgers and records to the newly appointed temporary officer.*

Article 96-6. Authorities of the temporary officer

- 96-6.1. *Subject to the requirements of Article 96-4.2 of this Law, the authorities of the management bodies in connection with the management of the insurer shall be suspended from the date of appointment of the temporary officer, and these powers shall be transferred to the temporary officer.*
- 96-6.2. *The temporary officer of the insurer is not entitled to make decisions on the sale, reorganization and liquidation of the insurer.*
- 96-6.3. *The temporary officer prepares a report on the current financial condition of the insurer within 60 calendar days and submits it to the Central Bank. The report includes the estimated value of assets that can be sold at the time of the liquidation of the insurer.*

The temporary officer may involve experts in the preparation of the report. The services of experts shall be paid in the manner prescribed by Article 96-5.2 of this Law.

- 96-6.4. *Transactions on behalf of the insurer and at the expense of the insurer are concluded with the written consent of the temporary officer, otherwise these transactions are considered invalid.*
- 96-6.5. *In addition to the powers of the governing body of the insurer, the temporary officer shall:*
- 96-6.5.1. *takes measures to protect property and documents of the insurer;*
 - 96-6.5.2. *determines the creditors of the insurer and the volume of obligations of the insurer to them;*
 - 96-6.5.3. *directs the insurer's own funds (funds, capital, etc.) to secure the obligations of the insurer and takes measures to fulfill the obligations of the insurer to creditors;*
 - 96-6.5.4. *concludes transactions and signs documents on behalf of the insurer;*
 - 96-6.5.5. *if necessary, cancels the concluded agreements of the insurer providing for investments or makes amendments or additions to them;*
 - 96-6.5.6. *provides representation in the courts on behalf of the insurer and in the name of his interests;*
 - 96-6.5.7. *issues orders on dismissal, hiring, demotion, dismissal, distribution of duties among employees of the insurer.*
- 96-6.6. *The temporary officer may apply on behalf of the insurer to the Central Bank for canceling permits for any type of insurance.*
- 96-6.7. *With the approval of the Central Bank, the temporary officer may involve other persons in the management of the insurer, including senior employees and employees of the insurer.*
- 96-6.8. *The temporary officer shall exercise the powers provided for in Articles 29.1.3, 29.1.5, 29.1.6, 29.1.7, 29.1.9, 29.1.11, 29.1.12, and the obligations provided for in Articles 30.1.5 and 30.1.6 of this Law, in coordination with the Central Bank.*
- 96-6.9. *From the moment of the beginning of the activity, the leading employees and staff of the insurer shall hand over to the temporary officer the seal and stamps of the insurer, books and other documents, property and other values and provide him with the necessary information about their activities.*
- 96-6.10. *Based on the appeal of the temporary officer, law enforcement officials must ensure his access to the building of the insurer, acceptance for management and protection of assets, ledgers and insurer's records.*

Article 96-7. Control over the activities of the temporary officer by the Central Bank

- 96-7.1. *The Central Bank exercises control over the temporary officer during the entire period of his activity.*
- 96-7.2. *The Central Bank is authorized to:*
- 96-7.2.1. *give the temporary officer binding written instructions;*

96-7.2.2. *require the provision of information on the activities of the temporary officer;*

96-7.2.3. *receive reports from the temporary officer;*

96-7.2.4. *extend the appointment of a temporary officer in accordance with Article 96-5.1 of this Law.*

96-7.3. *The temporary officer is accountable only to the Central Bank.*

Article 96-8. Moratorium

96-8.1. *During the period of appointment of a temporary officer to the insurer, the court may, at the request of the financial market supervisor, completely or partially stop payments on the obligations of the insurer (apply a moratorium).*

96-8.2. *The moratorium is initially applied for 3 months. This period may be extended until the termination of the powers of the temporary officer each time for no more than 3 months.*

96-8.3. *With the exception of insurance payments of the insurer, obligations arising from labor relations, household expenses necessary to support its activities, during a moratorium, its other obligations, including those indicated below, are suspended:*

96-8.3.1. *taxes and other government payments;*

96-8.3.2. *production of executive documents;*

96-8.3.3. *the amounts to be returned to the insurer in case of early termination of insurance contracts;*

96-8.3.4. *monetary obligations arising from the repurchase of shares owned by the shareholders of the insurer.*

96-8.4. *Upon suspension of liabilities, the accrual of all interest on liabilities, forfeits shall be suspended.*

Article 96-9. Termination of the powers of the temporary officer

96-9.1. *The powers of the temporary officer are terminated by the decision of the Central Bank in the following cases:*

96-9.1.1. *if the deadline set by the supervisor of financial markets expires;*

96-9.1.2. *if the expenses specified in Article 96-5.2 of this Law were paid by the Central Bank for 3 consecutive months;*

96-9.1.3. *in case of early termination of powers of the temporary officer by the Central Bank.*

96-9.2. *In the event of a situation specified in Article 107.1.7-1 of this Law, the Central Bank shall decide on the early termination of powers of the temporary officer and revoke the license for insurance activities issued to the insurer.*

96-9.3. *After the termination of the powers of the temporary officer, he/she shall prepare a final report within 30 days and submit it to the Central Bank.*

Article 97. Inspections

- 97.1. *Inspections in the insurance sector are carried out in accordance with the Law of the Republic of Azerbaijan "On the Central Bank of the Republic of Azerbaijan".*
- 97.2. *Inspections related to state control over compliance with competition legislation by professional participants of the insurance market are carried out in accordance with the procedure stipulated in the Competition Code of the Republic of Azerbaijan.*

Article 98. Decision on assignment of on-site inspection

- ~~98.1. On-site inspection shall be assigned by the respective decision of the *financial market supervisory authority*.~~
- ~~98.2. Decision of assignment of on-site inspection shall contain the following:~~
- ~~98.2.1. name of insurer or insurance mediator in respect of which on-site inspection was assigned;~~
 - ~~98.2.2. ordinariness or extraordinariness of on-site inspection;~~
 - ~~98.2.3. inspected period of activity, in case of ordinary on-site inspection;~~
 - ~~98.2.4. circumstance which is a ground for assignment of inspection, in case of extraordinary on-site inspection;~~
 - ~~98.2.5. date of commencement, period and date of completion of on-site inspection;~~
 - ~~98.2.6. family name, name, patronymic of inspector(s) and position he/she/they occupies (occupy) in the financial market supervisory authority.~~

Article 99. Period of on-site inspection

- ~~99.1. On-site inspection shall be assigned for the period not exceeding 45 working days.~~
- ~~99.2. If the period defined for conduct of on-site inspection is insufficient for completion of the inspection, it shall be extended for the period not exceeding subsequent 60 working days on the basis of respective decision of the *financial market supervisory authority*.~~

Article 100. Rights and obligations of inspectors in the course of conduct of on-site inspection

- ~~100.1. Inspectors conducting on-site inspections have the following rights:~~
- ~~100.1.1. examine documents in connection with the activity of insurer and insurance mediators, their *accounting documents*, information in calculation equipment, accountancy software and other information carriers;~~
 - ~~100.1.2. involve experts and specialists, including interpreters having specific knowledge and experience in spheres not regarded to the insurance activity in connection with the issues concerning the examination for rendering respective services;~~
 - ~~100.1.3. require the submission of original documents from inspected subject entities, make copies of respective documents;~~

- ~~100.1.4. acquire documents, information, opinions, explanations, references required for conduct of inspection through the communication of written request to the following persons:~~
- ~~100.1.4.1. head and ordinary employees of inspected subject entity and individual, if he/she is an inspected subject entity;~~
 - ~~100.1.4.2. subsidiary entities of inspected subject entity, persons exercising significant influence over such subject entity or over which the subject entity exercised significant influence, owners of prevailing interest share, dependent entities;~~
 - ~~100.1.4.3. insurance mediators rendering or which have insurance mediation services to inspected subject entity;~~
 - ~~100.1.4.4. auditors conducting or who have conducted an audit of inspected subject entity.~~
- ~~100.2. Inspector shall bear liability for the disclosure of insurance secret or information which is deemed commercial secret *in cases referred to in Criminal Code of the Republic of Azerbaijan and Code of Administrative Offences of the Republic of Azerbaijan.*~~
- ~~100.3. Insurer or insurance mediator activity of which is inspected shall be obliged to assist to the financial market supervisory authority in conduct of the inspection, create conditions for unimpeded acquaintance with all documents and for access to sources of information, for submission of documents, explanations and opinions by the employees.~~
- ~~100.4. If the continuation of on-site inspection is impossible prior to receipt of the response to the request or application of the inspector, submission of respective opinion, or completion of service of relevant specialists, term of on-site inspection shall be suspended by the decision of the financial market supervisory authority. In such case, term of completion of on-site inspection shall be extended for the term of suspension.~~

Article 101. Results of on-site inspection

- ~~101.1 Inspector shall draft a statement of inspection on results of on-site inspection. Statement of inspection shall be discussed with executive authority of inspected subject entity and with individual, if he/she is an inspected subject entity, signed and formalized by the inspector and authorized persons of inspected entity.~~
- ~~101.2 If inspected subject entity does not agree with the statement of inspection or any of its part, it shall sign the statement and include the reservation on objection. Inspected subject entity may submit written explanation with enclosed documents substantiating its objection to the financial market supervisory authority.~~
- ~~101.3 The financial market supervisory authority shall be obliged to consider documents of the inspection not later than 20 days from the moment of its completion and adopt a decision on motion and/or penalty following to its results in cases referred to in the present Law.~~

Article 102. Motions of the *Central Bank*

- 102.1. If breach of insurance legislation or circumstance which may create conditions for that is revealed as a result of conducted analysis, research or inspections in the activity insurers, actuaries, *independent experts* and insurance mediators, including when exercising the right of justified discretion in accordance with the Law of the Republic of Azerbaijan "On the Central Bank of the Republic of Azerbaijan", the *Central Bank* shall communicate to them a motion, i.e. written instruction on binding measures regarding the removal or prevention of such breach and/or such circumstance(s) within certain period.
- 102.2. Central Bank, having communicated such motion, shall require the following from insurers, actuaries, independent experts and insurance mediators in connection with cases regarded to them:
- 102.2.1. compliance with regulations related to the financial stability and solvency of the insurer, for this purpose, increasing its own funds and ensuring the liquidity of its assets;
 - 102.2.2. suspension of opening of new branches, suspension or termination of operating branches;
 - 102.2.3. introduction of amendments to the regulations for conduct of internal supervision of the insurer;
 - 102.2.4. determination of action plan for removal of incompliance with the requirements of the legislation or circumstances which may create conditions for that within certain period;
 - 102.2.5. removal of top official of the insurer from the position in the following cases until consideration of the issue by the respective body of the insurer and removal of illegal circumstances and/or shortcomings:
 - 102.2.5.1. if there are grounds to believe that actions of the top official of the insurer fail to comply with the requirements of the present Law;

- 102.2.5.2. if top official of the insurer has been brought to administrative liability in connection with the exercise of its functions not less than twice within the period of one year;
 - 102.2.6. ~~payment of fees, referred to in Article 96;~~
 - 102.2.7. payment of insurance compensation from the issuance of which has been refused without legal ground;
 - 102.2.8. submission of documents and information requested by the Central Bank or its on-site inspector;

 - 102.2.8-1. appointment of authorized person exercising the functions of the top official of the insurer as provided by the present Law;

 - 102.2.8-2. provision of existence of official website and electronic information system of the insurer as well as their compliance with minimal requirements defined by the Central Bank;
 - 102.2.9. removal of other shortcomings in connection with the insurance legislation;
 - 102.2.10. submission of information on assets of the insurer in bank accounts substantiated with banking documents and movement of those assets within respective period or operations conducted in connection with them;
 - 102.2.11. *urgent implementation of measures specified in the recovery plan provided for in Article 96-2 of this Law and (or) amending the recovery plan;*
 - 102.2.12. *a legal entity licensed to operate as an insurance agent shall ensure that its employees specified in Article 88.4 of this Law undergo certification in accordance with that Article.*
- 102.3. Respective motion of the *Central Bank* shall indicate a reason of each binding instruction and deadline of its exercise.
- 102.4. Depending on circumstances revealed in accordance with Article 102.1 of the present Law, respective motion of the Central Bank shall cover one or several requirements referred to in Article 102.2 of the present Law.
- 102.5. *If there are grounds to believe that the actions of a senior executive of the insurer do not comply with the requirements of this Law, the relevant body of the insurer shall consider the matter and remove the senior executive of the insurer from his position until the unlawful circumstances and (or) shortcomings are eliminated.*
- 102.2.5-1. dismissing a senior employee from his/her position in accordance with Articles 38.4 or 92.5 of this Law;*
- 102.6. If the motion given pursuant to Article 102.2.7 of this Law is not exercised duly or fully, *Central Bank shall be obliged to give to banks and other credit institutions an order, i.e., binding document for the payment of insurance compensation calculated in accordance with the insurance contract to the policyholder, insured person or beneficiary from bank accounts of the insurer.*

102.7. Within the framework of the supervision over insurance activity, Central Bank may require information on assets on bank accounts of the insurer and movement of those assets from banks. Banks failing to comply with that requirement duly and fully shall bear liability in cases referred to in the Code of Administrative Offences of the Republic of Azerbaijan.

Article 103. Sanctions of *Central Bank*

103.1. *The Central Bank* shall apply the following sanctions in accordance with the procedure and grounds provided for in this Law and administrative legislation:

103.1.1. bring the insurer, insurance mediator as well as their top officials, actuaries, *independent experts* to the liability in cases and as provided for in the Code of Administrative Offences of the Republic of Azerbaijan;

103.1.2. restriction of the validity of the license;

103.1.3. suspension of the validity of the license;

103.1.4. annulment of the license.

103.2. Article 103.1.2 of this Law shall not apply to reinsurers and insurance mediators.

103.3. *Excluded.*

Article 104. Decision on motions and penalties

104.1. Copies of the decisions on the application of motions and sanctions shall be *correspondingly* sent to the Chairman of the Board of Directors of the insurer, the head of the executive body of the insurance intermediary and *independent expert*, the *independent expert* who is an individual and the insurance intermediary in a manner that confirms the delivery. A copy of the motion given to the insurer and (or) information on the applied sanction shall also be sent to the Chairman of the Board of Directors of the insurer.

104.2. Decisions on motions and penalties shall take effect from the moment they are delivered to the insurer, *independent expert*, or insurance mediator in a manner that confirms delivery.

Article 105. Restriction of the validity of the license

105.1. Validity of the license shall be restricted in the following cases through the annulment of permission issued by the *Central Bank* to the insurer for exercise of the type of insurance:

105.1.1. if the insurer fails to submit respective application;

105.1.2. if the motion given in connection with the following cases is not duly and/or fully complied with:

105.1.2.1. if the terms and conditions of voluntary insurance contracts do not comply with the Civil Code of the Republic of Azerbaijan or this Law and create conditions that breach the interests of policyholders;

105.1.2.2. if compulsory insurance contracts are concluded on conditions which do not comply with the Civil Code of the Republic of Azerbaijan, this Law

- and laws on compulsory insurance or compulsory deductions referred to in Article 12.2 of the Law of the Republic of Azerbaijan “On Compulsory Insurance” are not duly and/or fully exercised;
- 105.1.2.3. if insurance payments are not issued as provided for in laws on compulsory insurance or insurance contract.
- 105.2. If it is possible to eliminate the circumstances provided for in Article 105.1.2 of this Law, the insurer's license shall be restricted until they are eliminated, and in other cases for a period of up to 6 months.
- 105.3. Restriction of the validity of the license of the insurer shall prohibit the conclusion of new insurance contracts under respective type of insurance as well as extension of the validity period of applicable insurance contracts under such type.
- 105.4. The insurer shall be obliged to exercise obligations undertaken under the insurance contracts concluded earlier under type of insurance validity of the license of which is restricted, until the expiry of validity of those agreements or their pre-term termination on grounds referred to in Article 919 of the Civil Code of the Republic of Azerbaijan.
- 105.5. The decision to restrict the license's validity shall specify the circumstances justifying the restriction.
- 105.6. The press service of the Central Bank shall distribute information on the restriction or withdrawal of the license's validity and post it on the authority's official website within 3 working days of the respective decision's adoption.

Article 106. Suspension of the validity of the license

- 106.1. *Central Bank* shall suspend the validity of the license for the period of 6 months on the basis of following grounds:
- 106.1.1. unduly and incomplete exercise of other motions given on the basis of the present Law, except for case referred to in Article 105.1.2 of the present Law;
- 106.1.2. failure of the insurer to enforce court decision entered into force in connection with the issuance of insurance compensation;
- 106.1.3. subsequent reveal of erroneous or inaccurate information in documents accepted as the basis for the issuance of the license, which, in case of correct reflection, may lead to demand of additional documents or information by the *Central Bank* and failure to submit those documents and information upon the request of the *Central Bank* within the period of 15 business days;
- 106.1.4. confirmation by concrete facts of dealing with the activity not permitted by the law by the owner of the license;
- 106.1.5. failure of an insurance intermediary, which is a legal entity, to replace an employee *who has passed certification in accordance with the rules provided for in Article 83.2.2 of this Law* with another person who complies with this Law when terminating the employment relationship with that employee.
- 106.1.6. failure to comply with the prohibition referred to in Article 105.3 of the present Law;

- 106.1.7. breach of requirements referred to in the Laws of the Republic of Azerbaijan “On Prevention of Legalization of Criminally Obtained Property and the Financing of Terrorism” and “*On Targeted Financial Sanctions*”;
 - 106.1.8. ~~aggregate capital of the insurer is less than its required capital;~~
 - 106.1.9. motion has been given to the owner of the license on the basis of the present Law more than twice under the same case within the period of two years;
 - 106.1.10. failure of the insurance mediator to comply with the requirements of Articles 88.3 or 93.2-3 of the present Law.
- 106.2. The suspension of the license prohibits insurers from concluding new insurance contracts as insurers or new reinsurance contracts as reinsurers, as well as from extending the term of such contracts in force, making additions and changes to them that lead to an increase in the volume of insurance or reinsurance risks or an expansion of coverage, and insurance intermediaries from engaging in intermediary activities related to insurance transactions.
- 106.3. The insurer shall be obligated to fulfill the obligations it undertook under insurance or reinsurance contracts concluded before the suspension of its license becomes effective, and the insurance mediator shall be obligated to fulfill the obligations it undertook under the respective mediation services in connection with insurance operations.
- 106.4. The decision to suspend the license's validity shall indicate the circumstances that give grounds for it and the period for which the license is suspended.
- 106.5. The press service of the Central Bank shall distribute information on the suspension or restoration of the validity of the license and post it on the authority's official website within 3 working days of the relevant decision's adoption.

Article 107. Annulment of the license

- 107.1. *Central Bank* shall annul the license issued on the basis of the present Law in the following cases:
- 107.1.1. in case of respective application of the owner of the license on annulment of the license;
 - 107.1.2. if circumstances which are a ground for suspension of the validity of the license were not removed within defined period;
 - 107.1.3. if circumstance which became a reason of two-time suspension of the validity of the license within the period of 12 months will occur within the period 9 months from the moment of last suspension of the validity of the license on the basis of such circumstance;
 - 107.1.4. in case of existence of one of cases referred to in the present Law for the commencement of the procedure of bankruptcy of the insurer;
 - 107.1.5. if the documents used to issue the license contain incorrect or misleading information that could lead to refusal of the license, or if there are facts that suggest significant shareholders or beneficial owners could threaten the insurer's sound and prudent management, then the license will be refused;

107.1.6. in case of failure to comply with the prohibition referred to in Article 106.2 of the present Law;

107.1.7. ~~in case of failure to comply with the requirement of Article 6.2 of the present Law;~~

107.1.7-1. if the deficiencies in the activities of the insurer have not been eliminated as a result of measures taken by the temporary officer appointed in accordance with Article 96-4 of this Law;

107.1.8. *if the licensee is an individual who does not meet the fit and proper criteria or dies.*

Article 108. Results of annulment of the license

108.1. The press service of the Central Bank shall distribute information on the annulment of the license and post it on the authority's official website within 3 working days of the decision's adoption.

108.2. *The Central Bank shall publish official information about its decision to revoke the license of an insurer in a state newspaper published in the Republic of Azerbaijan, and about its decision to revoke the license of an insurance intermediary through media entities and shall send information to the relevant tax authority within 5 working days from the date of adoption of that decision.*

108.3. The powers of all managing bodies of the insurer shall be suspended from the moment of entry of the decision on annulment of the license of the insurer into force and shall be transferred to temporary officer or liquidation commission as provided for the present Law and the process of its liquidation shall be commenced.

108.4. The owner of an annulled license may not engage in transactions related to the activity specified in the license or conduct transactions through bank accounts, except in the following cases:

108.4.1. exercise of tax and other mandatory payments;

108.4.2. payment of current expenses in connection with the execution of the works;

108.4.3. entry of paid monetary funds to the account of the insurer;

108.4.4. payment of reinsurance premiums under respective reinsurance contract from insurance premiums received by the insurer;

108.4.5. issuance of insurance payments in connection with the occurrence of an insured event under insurance contracts concluded prior to the annulment of the license;

108.4.6. payment of funds in the insurance broker's insurance premium account or insurance payment account in accordance with the designated purpose.

108.5. With the purpose of exercise of obligations provided for in the law, including duly payment of insurance compensations, presence of respective specialists shall be provided in working days in the office premises of liquidated insurer.

- 108.6. Within the period of activity, temporary officer or liquidation commission of the insurer shall comply with the requirements of Articles 108.4-108.5 of the present Law.
- 108.7. The application referred to in Article 107.1.1 of this Law may be submitted if the General Meeting of Shareholders (Participants) of an insurer, an insurance broker that is a legal entity, or a legal entity that deals with insurance agent activities adopts a decision to liquidate the legal entity. In such cases, the application must be submitted to the *Central Bank within 15 working days* of the decision's adoption.
- 108.8. If the license of an insurer, an insurance broker who is a legal entity or a legal entity exclusively engaged in insurance agent activities is revoked on the grounds provided for in Articles 107.1.2-107.1.7-1 of this Law, the *Central Bank* shall file a claim in court for the compulsory revocation of the license holder within *20 business days* from the date of the decision to revoke the license. The revoked license holder or its shareholders (shareholders, participants) may file a counterclaim in the same court against the decision of the *Central Bank* to revoke the license in accordance with the procedure established by the legislation. If the claim of the *Central Bank* specified in this Article is not satisfied by the court, the relevant license shall be deemed not revoked, all measures related to the revocation of the license shall be suspended and the *Central Bank* shall provide information on this in accordance with the procedure provided for in Articles 108.1 and 108.2 of this Law.

Article 109. Temporary officer of the insurer

- 109.1. *The Central Bank appoints the insurer as a temporary officer in the following cases:*
- 109.1.1. *in the cases specified in Article 96-4 of this Law;*
 - 109.1.2. *in case of cancellation of the license of the insurer on the grounds provided for in Articles 107.1.2-107.1.7-1 of this Law.*
- 109.2. When appointing a temporary officer for an insurer with an annulled license, the following shall be taken into consideration:
- 109.2.1. *the temporary officer shall have a higher education and the work experience specified by this law for a member of the insurer's Board of Directors, as well as be fit and proper;*
 - 109.2.2. *creditors, shareholders, employees and their close relatives of an insurer whose license has been revoked cannot be appointed as temporary officers.*
- 109.3. The temporary officer shall submit a report on the insurer's current financial state to the *Central Bank* and the court to which the authority has filed a claim for the insurer's liquidation.

Article 110. Insurer's obligations when the license is restricted, suspended or revoked

- 110.1. The following requirements shall be met by insurers whose license is restricted or suspended:
- 110.1.1. *exercise obligations defined by law and provide authorized representatives and relevant insurer specialists in the office on working days to ensure the proper issuance of insurance compensation;*

- 110.1.2. retain or try to provide financial stability and the ability to make payments at the respective level in order to fulfill its obligations;
 - 110.1.3. furnish the Central Bank with respective reports and information within periods as provided for in Article 78 of the present Law until the expiry of validity periods of insurance or reinsurance contracts;
 - 110.1.4. notify the Central Bank in writing on the results of inspections of its activity by other competent state authorities;
 - 110.1.5. exercise other functions and obligations arising from the law.
- 110.2. The requirements referred to in Article 110.1.1 of this Law shall also be met by insurers in liquidation.

Article 111. Restoration of validity of activity or license for insurance type

- 111.1. The *Central Bank* shall decide on the restoration of activity or license validity for the type(s) of insurance within ten business days after the expiration of the time period determined for eliminating the circumstances that gave grounds for restricting the validity of the insurer's or insurance intermediary's license or suspending it, as well as, in appropriate cases, the expiration of the last period of restricting the license's validity.
- 111.2. The Central Bank shall notify the insurer of its decision to resume activities for the type(s) of insurance within 3 working days, and the licensee of its decision to reinstate the license within 5 working days.
- 111.3. The Central Bank's decision to restore the license or activity for a type of insurance shall take effect when the relevant information is submitted to the licensee in the approved manner.

Chapter 13. Liquidation of the insurer

Article 112. Grounds for liquidation of the insurer

- 112.1. The insurer shall be liquidated in accordance with the Civil Code of the Republic of Azerbaijan, as well as with due regard to the additional requirements referred to in this Section, if the following conditions are met:
 - 112.1.1. when the insurer's license is revoked by the shareholders' decision pursuant to Article 107.1.1 of this Law (voluntary liquidation);
 - 112.1.2. when the insurer's license is revoked in accordance with Articles 107.1.2-107.1.7-1 of this Law, by a court decision based on the Central Bank's claim (compulsory liquidation).
- 112.2. *Excluded.*

Article 113. Liquidation commission of voluntarily liquidated insurer

- 113.1. The insurer shall notify the *Central Bank* in writing of the establishment of the liquidation commission and its composition within *15 working days* of the General Meeting of Shareholders' adoption of a decision to voluntarily liquidate the insurer.

- 113.2. The number of members of the liquidation commission of a voluntarily liquidated insurer may not be fewer than three. These members shall meet the requirements for temporary officers provided in Article 109 of this Law, except for the requirements in Article 109.2.2.
- 113.3. The liquidation commission of a voluntarily liquidated insurer shall create conditions for submitting documents and information regarding its activities, as well as documents and information concerning the interests of policyholders, insured persons and beneficiaries, based on a written request from the *Central Bank* allowing its employees access to the insurer's premises and the right to work with any documents associated with the liquidation.
- 113.4. The liquidation commission shall submit a report on the liquidation of the insurer and the liquidation balance to the *Central Bank* within 7 working days of their approval.
- 113.5. *Excluded.*
- 113.6. The *Central Bank* shall supervise over the activity of liquidation commission of voluntarily liquidated insurer.

Article 114. Transformation of voluntary liquidation of the insurer to compulsory liquidation

- 114.1. In case of failure to comply with the requirements of the present Law in the process of voluntary liquidation of the insurer as well as reveal of the fact of breach of legitimate interests of policyholders and other creditors, *Central Bank* shall be obliged to give a motion to the liquidation commission as provided for in the present Law.
- 114.2. If liquidation commission fails to comply with the motion referred to in Article 114.1 of the present Law duly and fully, *Central Bank* shall lodge a claim to the court on compulsory liquidation of the insurer.

Article 115. Specific features of compulsory liquidation of the insurer

- 115.1. The court shall communicate a copy of the decision on compulsory liquidation of the insurer to the *Central Bank* within the period of 7 working days from the moment of adoption of such decision.
- 115.2. Powers of liquidation commission of the voluntarily liquidated insurer shall be transferred to the temporary officer indicated by the *Central Bank* in the statement of claim from the moment of lodging of the claim on compulsory liquidation of the insurer to the court by the that authority pursuant to Article 114.2 of the present Law.
- 115.3. List of creditors of compulsory liquidated insurer shall be approved by the court on the basis of motion of the *Central Bank*.
- 115.4. Liquidation in connection with the bankruptcy of the insurer pursuant to the *Civil Code of the Republic of Azerbaijan and Law of the Republic of Azerbaijan "On Insolvency and Bankruptcy"*.

Article 116. Liquidation commission of compulsory liquidated insurer

- 116.1. Within the period of 30 working days from the moment of adoption of the court decision on compulsory liquidation of the insurer or its declaration as a bankrupt, *Central Bank* shall be obliged to submit the list of members of liquidation commission of compulsory liquidated insurer to the court for approval.
- 116.2. From the moment of establishment of liquidation commission of compulsory liquidated insurer, powers of temporary officer shall be transferred to that commission.
- 116.3. Requirements defined by Article 113 of the present Law in connection with liquidation commission of voluntary liquidated insurer and its members shall also apply to liquidation commission of compulsory liquidated insurer with due regard to Article 116.4 of the present Law.
- 116.4. Report on liquidation and liquidation balance drafted by the liquidation commission of compulsory liquidated insurer should be submitted to the *Central Bank* upon its approval by the court.

Article 117. Committee of creditors of liquidated insurer

- 117.1. A committee of creditors may be formed during the liquidation process of an insurer to protect the interests of its creditors. This includes ensuring their presence in decision-making processes.
- 117.2. Composition of the committee of creditors of voluntary liquidated insurer shall be approved by the Central Bank on the basis of motion of the liquidation commission of the insurer.
- 117.3. Composition of the committee of creditors of compulsory liquidated insurer shall be approved by the court on the basis of joint motion of the liquidation commission of the insurer and Central Bank.

Article 118. Specific features of insolvency of the insurer and its declaration as bankrupt

- 118.1. Procedure of insolvency of the insurer shall commence in case of existence of one of the following cases:
 - 118.1.1. if the insurer is not in a position to duly and/or fully exercise its obligations under insurance or reinsurance contracts;
 - 118.1.2. if aggregate capital of the insurer less than 30 percent of its required capital;
 - 118.1.3. if the insurer which is in the process of liquidation fails to exercise its obligations before creditors.
- 118.2. The court shall consider the statement of claim on the commencement of the procedure of insolvency of the insurer only in case of existence of documents certifying the grounds referred to in this Article. If the statement of claim on insolvency of the insurer is lodged by the *Central Bank*, that statement shall be accompanied with the copy of respective decision on annulment of the license issued to it.
- 118.3. The insurer may be declared as bankrupt on the basis of the court decision with due regard to the opinion of the *Central Bank*.

118.4. *Sale of property of the insurer by public auction is carried out within 30 days after the date of entry into force of a court decision declaring the insurer insolvent.*

Article 119. Priority of payment of claims of the insurer's creditors

- 119.1. In case of liquidation of the insurer, claims of its creditors accepted by the insurer shall be satisfied as follows:
- 119.1.1. claims under insured events in connection with compulsory insurance contracts in the first turn;
 - 119.1.2. claims under insured events in connection with voluntary insurance contracts in the second turn;
 - 119.1.3. claims under insured events in connection with compulsory insurance contracts for property insurance in the third turn;
 - 119.1.4. claims in connection with the return of respective part of insurance premium under insurance contracts with unexpired validity period pursuant to the present Law in the fourth turn;
 - 119.1.4-1. outstanding claims of creditors on obligations secured by mortgage or pledge of the insurer's property in accordance with Article 119.3 of this Law, in the fifth turn;*
 - 119.1.5. Claims of individuals whose life or health is damaged as a result of the insurer's activity in connection with such damage, in the sixth turn;
 - 119.1.6. Settlements under the issuance of an allowance for dismissal, remuneration of labor under a labor agreement, and payment under a copyright agreement are seventh.
 - 119.1.7. *taxes to state budget, compulsory state social insurance contributions to extra-budgetary state funds, unemployment insurance premiums, as well as amounts payable to the compulsory health insurance fund for compulsory health insurance premiums, as well as claims arising during the year preceding the date of liquidation of the insurer in connection with duties and mandatory payments determined by the Law of the Republic of Azerbaijan "On Compulsory Insurance against Loss of Occupational Capacity as a result of Labor Accidents and Occupational Diseases", in the eighth turn;*
 - 119.1.8. *settlements with other remaining creditors in the ninth turn.*
- 119.2. *Requirements of each turn shall be cleared off upon full clearing off the requirements of previous turn.*
- 119.3. Expenses associated with the liquidation process of the insurer and claims of creditors under obligations provided through the mortgage or pawning of its property within the amount of such provision shall be satisfied out of turn. 119.3. *If the provision does not fully satisfy the creditors' claim, the unpaid amount shall be paid with the priority established by Article 119.1.4-1 of this Law.*
- 119.4. In case of satisfaction of claims regarded to the same turn, means between those claims shall be distributed in proportion to their amounts.

- 119.5. In case of consent of the creditor, its claim may be satisfied by the money and/or in kind which does not contradict to the Civil Code of the Republic of Azerbaijan through the methods of direction of claims to the property with retention of correlation in calculations.

Chapter 14. Closing provisions

Article 120. Right to apply to the court

- 120.1. Any decision ~~and activity~~ of the *Central Bank* regarding the application of this Law may be appealed ~~within the framework of administrative and to the court.~~
- 120.2. Lodging of complaint referred to in Article 120.1 of the present Law shall not restrict the activity of the *Central Bank* regarding the application of this Law.

Article 121. Determination of civil impeccability

For the purposes of this law, the civil impeccability of the relevant natural person shall be determined based on a certificate issued by an authorized state body upon the *Central Bank's* request, *except for Article 1.1.41.4 of this Law.*

Article 122. Publication of basic information and indicators

- 122.1. From the moment of a change in the name, organizational form, or address of a permanently operating body, an announcement of the change shall be published at least once per week for one month in at least two official gazettes published in the Republic of Azerbaijan. A copy of the first published announcement shall be submitted to the *Central Bank*.
- 122.2. Insurers and insurance mediators shall be obliged to post a copy of license giving them a right to deal with the respective activity certified by the notary or as provided for in Article 9 of the Law of the Republic of Azerbaijan "On Administrative Proceedings" in the part of the premises convenient for viewing and reading.

Article 123. Procedure and period for storage of documents

- 123.1. Insurers and insurance intermediaries are required to maintain legally established insurance statistics and records, as well as ensure the storage of documents related to their activities.
- 123.2. *Insurers and insurance intermediaries shall retain documents on insurance transactions carried out by them, information on such transactions contained in electronic media for at least five years after the termination of legal relations with the client or other contractual party, as well as information and documents on customer due diligence measures of the insured, the insured, the beneficiary and the beneficial owner and the authorized representative provided for in Article 13 of this Law, for the period specified in Article 6 of the Law of the Republic of Azerbaijan "On Prevention*

of Legalization of Criminally Obtained Property and the Financing of Terrorism” and, if necessary, submit them to the Central Bank or the financial monitoring authority.

Article 124. Liability for the breach of insurance legislation

- 124.1. Legal and individuals shall bear liability for the breach of insurance legislation in cases referred to in Civil Code of the Republic of Azerbaijan, Code of Administrative Offences of the Republic of Azerbaijan and Criminal Code of the Republic of Azerbaijan.
- 124.2. Insurers, reinsurers and insurance mediators shall bear liability for the failure to comply with the requirements of the Laws of the Republic of Azerbaijan “*On Prevention of Legalization of Criminally Obtained Property and the Financing of Terrorism*” and “*On Targeted Financial Sanctions*” in cases referred to in the Code of Administrative Offences of the Republic of Azerbaijan and Criminal Code of the Republic of Azerbaijan.

Chapter 15. Transitional provisions

Article 125. Expenses for conduct of affairs under compulsory insurance

Except for cases when other laws on compulsory insurance provide for other provisions, amount of deductions for expenses for conduct of affairs under types of compulsory insurance shall be defined in accordance with Article 12.4 of the Law of the Republic of Azerbaijan “On Compulsory Insurance”.

Article 126. Provisions associated with corporate governance

- 126.1. Requirements of Articles 7.6 and 25 of the present Law shall be complied with by all insurers not later than 1 year from the moment of entry of the present Law into force.
- 126.2. Within the period of 3 months from the moment of entry of the present Law into force, all insurers shall be obliged to submit an action plan to the *Central Bank* for agreement in connection with the exercise of requirements of Article 126.1 of the present Law.

Article 127. Name requirements for insurers and insurance intermediaries

- 127.1. The requirements of Articles 9.1, 9.2, 90.1, and 90.2 of this Law shall not apply to insurers and insurance brokers that are legal entities and that acquired a license before this Law took effect.
- 127.2. Legal entities that have had their license for insurance or insurance mediation annulled, or that have been refused a license and have the words "insurance," "reinsurance," or "insurance broker" in their name, shall be obliged to comply with the requirements of Article 4.1 of this Law, or shall be liquidated voluntarily within 3 months of this Law's effective date.
- 127.3. If legal entities fail to comply with the period specified in Article 127.2 of this Law, the *Central Bank* is obligated to file a claim for their compulsory liquidation with the court.

Article 128. Requirements for differentiating between life and non-life insurance activities

- 128.1. Requirement of Article 14.1 of the present Law shall not apply to insurers which have acquired a license for insurance activity prior to entry of the present Law into force as well as which have a permission or exercise of the activity both under life and non-life insurance within the period of 3 years from the moment of entry of the present Law into force.
- 128.2. Insurers that engage in activities under both life and non-life insurance, as defined in Article 128.1 of this Law, shall provide the following within 6 months of this Law's effective date:
- 128.2.1. exercise requirements defined pursuant to the present Law in connection with the required capital separately under each sphere of life and non-life insurance;
 - 128.2.2. registration of expenses for conduct of works under life insurance contracts, investment profits, claims and other economic indicators, insurance claims, suits, damage and obligations under insured accidents shall be conducted separately from the registration of respective indicators under agreements in the sphere of general insurance;
 - 128.2.3. means of insurance reserves under life insurance shall be registered, invested and stored separately from means of insurance reserves in the sphere of general insurance;
 - 128.2.4. insurance classes regarding to life and non-life insurance may not be united in types of insurance.
- 128.3. If the insurer exercising the activity pursuant to Article 128.1 of the present Law both under the sphere of life insurance and under the sphere of non-life insurance faces with circumstances under insurance compensations in connection with the sphere of general insurance, arrest upon insurance reserves regarding the sphere of life insurance may not be imposed and they may be subjected to requirements of compulsory confiscation and other methods.

Article 129. Alignment of voluntary insurance regulations with insurance legislation

Insurers shall bring applicable insurance regulations under types of voluntary legislation in compliance with the requirements of the insurance legislation and agree them with the Central Bank within the period of 1 year from the moment of entry of the present Law into force.

Article 130. Issuance of perpetual license

Applications submitted to the Central Bank by insurers who acquired a license for insurance or reinsurance activities prior to the effective date of this Law, in connection with the expiration of the respective period upon the effective date of this Law, shall be subject to the requirements and procedures defined by this Law for the issuance of a permanent license.

Article 131. Requirements to investments

Within the period of months from the moment of entry of the present Law into force, all insurers shall be obliged to ensure removal of all circumstances contradicting to provisions of Chapter VI of the present Law.

Article 132. Requirements to related persons

The provisions of Chapter 7 of this Law shall not apply to bargains concluded before the effective date of this Law if the terms of such deals have not been amended or extended.

Article 133. Requirements to insurance agents

- 133.1. Provisions of the present Law on acquisition of the license by insurance agents shall be applied upon the expiry of the period of 1 year from the moment of entry of the present Law into force.
- 133.2. Upon the expiration of the period referred to in Article 133.1 of this Law, insurance agents who fail to comply with the requirements of Chapter XI shall be obliged to suspend their activities. To continue operating, they shall acquire a license in accordance with the requirements of this Law.
- ~~133.3. Within the period of 1 year from the moment of entry of the present Law into force, financial markets supervisory authority shall be obliged to conduct registration of insurance agents as provided prior to the entry of the present Law into force.~~

Article 134. Application of requirements to top officials

Requirements defined by the present Law regarding top officials shall not apply to persons appointed to the leading position earlier than the date of entry of the present Law into force.

Article 135. Entry of the Law into force

This Law shall enter into force from the day of its publication.

President of the Republic of Azerbaijan
Ilham ALIYEV

Baku city, 25 December 2007
No. 519-IIIQ