

## **On approval of the Regulations on agricultural insurance**

In order to ensure the implementation of sub-item 2.3.2 of Decree No 809 of President of the Republic of Azerbaijan on 'application of Law 1617-VQ of the Republic of Azerbaijan on Agricultural Insurance and establishment of the Azerbaijan Agrarian Insurance Fund' dated 19 August 2019 the Cabinet of Ministers **decides:**

Approve the 'Regulations on agricultural insurance' (annexed).

**Ali ASADOV**

**Prime Minister of the Republic of Azerbaijan**

Baku city, 30 October 2020

№ 431

Approved by Resolution No 431 of the Cabinet  
of Ministers of the Republic of Azerbaijan dated  
30 October 2020.

## REGULATIONS on agricultural insurance

### 1. General conditions regarding agricultural insurance

#### 1.1. General provisions

1.1.1. These Regulations have been developed in accordance with Article 6.1 of Law 1617-VQ of the Republic of Azerbaijan on Agricultural Insurance dated 27 June 2019 (hereinafter – the Law) and determine criteria for regulation of agrarian insurance mechanism in the Republic of Azerbaijan.

1.1.2. Issues arising from the agricultural insurance contract (hereinafter – insurance contract) and not regulated with the present Regulations are regulated with the Civil Code of the Republic of Azerbaijan (hereinafter – the Code), the Law of the Republic of Azerbaijan on Insurance Activity and the Law.

1.1.3. These Regulations do not apply to cases announced in connection with application of the quarantine regime, and in such cases, costs of phytosanitary and veterinary measures in the areas where the quarantine regime is applied are carried out at the expense of the state budget in accordance with the Laws of the Republic of Azerbaijan ‘on Phytosanitary Control’ and ‘on Veterinary Medicine’.

#### 1.2. Main definitions

1.2.1. The following definitions are used in these Regulations:

1. **The Agrarian Insurance Fund (hereinafter – the Fund)** – a non-commercial legal entity that ensures the organization, development and stability of the agrarian insurance system in the Republic of Azerbaijan, and the formation of a managing body and controls its activities;

2. **Managing body** – a co-insurer managing the agrarian insurance system on behalf of the Fund;

3. **Independent expert** – an individual who assesses risks and (or) losses in agricultural insurance, as well as investigates insured events;

4. **Agro-policyholder (hereinafter – policyholder)** – an individual or a legal entity, a producer of agricultural products whose property interests are insured under the agrarian insurance system;

5. **Beneficiary** – person to receive insurance premium under the insurance contract;

6. **Agrarian insurance product (hereinafter – insurance product)** – insurance service offered to producers of agricultural products by an intermediary agrarian insurer for protection of their property interests;

7. **Conditions of the agrarian insurance product (hereinafter – conditions of the insurance product)** – types and tariffs of agrarian insurance products (services) provided to the policyholder, insurance contracts and terms of reference that includes issues related to these Regulations, developed in accordance with these Regulations and approved by the Fund and placed on its official website;

8. **Risk assessment** – in the cases provided for in these Regulations and conditions of the agrarian insurance product, prior to conclusion of the insurance contract, an/independent expert(s) review the subject of agricultural insurance (hereinafter – the subject of insurance) and identifies possible risks;

9. **Damage assessment** – determination by an/independent expert(s) of damages caused by the occurrence of an insured event according to the insurance contract;

10. **Deductible** – the part of losses or damage caused by the insured event not covered by insurance coverage and met by the policyholder in any case;

11. **Unconditional waiting period** – period in which the insurance claim or insurance payment is not applicable to losses incurred during the period after the insured event;

12. **Tagging** – identification of agricultural animals and animals bred for agricultural purposes by registering and placing consecutive numbers on their ears appropriately;

13. **Forced slaughter** – in cases where it is impossible to eliminate the damage caused to agricultural animals and animals bred for agricultural purposes as a result of insured risks, their useful parts are given to animal slaughter stations due to the loss of value;

14. **Agro-technical measures** – measures carried out in order to obtain planned harvest from agricultural plants under the condition of maintaining soil fertility and controlling the general phytosanitary condition of the field, cultivating the soil, providing the plant with the right nutrient area (regulating the distance between plants and rows), sowing, fertilizing and watering of planting areas, as well as combating plant diseases, pests and weeds, applying crop rotation and timely harvesting;

15. **Zoo-veterinary measures** – measures taken to obtain the planned product (meat, milk, etc.) from agricultural animals and control the general veterinary-sanitary and zoo-technical condition of the area, animal keeping, breeding, feeding, as well as preventive and treatment measures against animal diseases;

16. **Agrarian Insurance Information System (hereinafter – ASIS)** – a state information system created by the Fund for the purpose of conducting actions of entities in agrarian insurance electronically, electronic organization of the agrarian insurance product, registration of policyholders and control of provided services in a prompt manner;

17. **Electronic Agriculture Information System (hereinafter – EAIS)** – a state information system that ensures provision of services in agriculture and automation of creation, collection, processing, storage and search of information for this purpose.

### **1.3. Class of insurance**

1.3.1. These Regulations cover the agrarian class of insurance in accordance with Article 14.3.2.6-4 of the Law of the Republic of Azerbaijan on Insurance Activity.

### **1.4. The subject of insurance and covered risks**

1.4.1. The composition of subjects of insurance, covered risks, exceptions and other issues for subjects of insurance provided for in Article 4.1 of the Law are determined separately for each of the 2nd, 3rd and 4th parts of these Regulations. An insurance contract is concluded separately per subject defined in Article 4.1 of the Law.

1.4.2. According to Part 2 of the 'Composition of covered risks under agricultural insurance' approved by Resolution No. 505 of the Cabinet of Ministers of the Republic of Azerbaijan dated 27 December 2019, insurance products selected from among the risks in Items 2.2, 3.2 and 4.2 herein and on risks to be covered are published annually on the Fund's official website.

### **1.5. Insured event**

1.5.1. According to the insurance contract, the fact of damage to the insured object as a result of occurrence of risks covered under the insurance contract, which is the basis for insurance payment by the Fund directly to the policyholder or other beneficiaries, during the validity of the insurance contract, is considered an insured event.

1.5.2. In insurance contracts on insurance of agricultural plants and crop products on provision of young products (seedlings) and trees (bushes), the fact of complete damage to the subject of insurance is considered an insured event.

1.5.3. The fact of damage to the insured object as a result of occurrence of risks not covered by insurance and (or) excluded is not considered an insured event.

### **1.6. Insurance amount, deductible and unconditional waiting period**

1.6.1. Insurance amount is set with the insurance contract in accordance with the requirements of sub-items 1.6.2-1.6.4 herein.

1.6.2. Insurance amount regarding provision of crop on insurance of agricultural plants and crop products is calculated in consideration of the area where the plant is planted, quantity and price of expected harvest; insurance amount on provision of young products (seedlings) in consideration of the market price of that young plant (seedling); insurance amount on provision of trees (bushes) in consideration of three times the expected harvest.

1.6.3. The insurance contract on insurance of agricultural animals and animals bred for agricultural purposes specifies total insurance amount and insurance amount per insured animal. Total insurance amount is calculated taking into account the number and market

prices of insured animals, while insurance amount per insured animal is calculated taking into account the market price of that animal.

1.6.4. Insurance amount on insurance of aquaculture products is the value of the highest monthly indicator specified by the policyholder in the annual aquaculture production plan of aquaculture enterprises. The form of the annual aquaculture production plan of aquaculture enterprises is determined by conditions of the insurance product.

1.6.5. Expected quantity and price of the insured product for insurance of insured agricultural plants and crop products are selected within minimum and maximum limits set by the Fund, taking into account climate, maintenance and market conditions.

1.6.6. The market price of the insured animal under insurance of agricultural animals and animals bred for agricultural purposes is selected within minimum and maximum limits set by the Fund, taking into account climate, maintenance and market conditions when applying for the insurance contract by the policyholder, and is set by an independent expert in line with risk assessment results.

1.6.7. Deductibles regarding the insurance contract are set in the following limits per subject of insurance provided for in Article 4.1 of the Law:

1. on insurance of agricultural crops and crop products:

- From 5% to 30% of insurance amount in relation to other risks, except for the risks of spread of plant diseases, pests and particularly dangerous pests;

- From 30% to 50% of insurance amount in relation to the risks of spread of plant diseases, pests and particularly dangerous pests;

2. From 5% to 30% of insurance amount specified per head of animal in the insurance contract for insurance of agricultural animals and animals bred for agricultural purposes;

3. From 5% to 30% of insurance amount for insurance of aquaculture products.

1.6.8. In accordance with sub-item 1.6.7 herein, the deductible per insurance product is determined by conditions of the insurance product. When determining the deductible, discounts and additions to the insurance premium provided for in Para 2 of sub-item 1.9.4 and sub-item 1.9.8 herein, as well as performance of the tasks specified in Paras 11-12 and 14 of sub-item 1.14.2 herein by the policyholder are taken into account.

1.6.9. An unconditional waiting period of 7 days is set ~~in contracts concluded as a result of the risk assessment~~ on insurance of agricultural products and crop products.

1.6.10. An unconditional waiting period of 7 days is defined for the risks provided for in Paras 1, 2, 3 and 3-1 of sub-item 3.2.1 herein on insurance of agricultural animals and animals bred for agricultural purposes.

1.6.11. An unconditional waiting period of 14 days is set for insurance of aquaculture products.

1.6.12. If the insurance contract on insurance of agricultural animals and animals bred for agricultural purposes continues without interruption, the unconditional waiting period specified in sub-item 1.6.10 herein does not apply to the subjects specified in the previous insurance contract when a new insurance contract is concluded.

## **1.7. Partial insurance**

1.7.1. Partial insurance is applied if insurance amount specified in the insurance contract on insurance of agricultural plants and crop products is less than the insurance value. The provision on partial insurance should be defined in the insurance contract.

1.7.2. Insurance of agricultural animals and animals bred for agricultural purposes and aquaculture products is not subject to partial insurance.

1.7.3. In case of partial insurance, compensation for damage is paid in proportion of insurance amount to the insurance value.

## **1.8. Agricultural insurance premium**

1.8.1. Agricultural insurance premium (hereinafter – insurance premium) is the amount of money to be paid by the policyholder to the Fund in exchange for acceptance or distribution of risks, as stipulated in the insurance contract.

1.8.2. The insurance premium is calculated by the managing body and consists of:

1. The part to be paid by the policyholder;
2. The part paid from state budget funds.

1.8.3. Unless an additional rule is provided for in the insurance contract, the part of the insurance premium to be paid by the policyholder is paid as a lump sum.

1.8.4. If the insurance contract provides for insurance premium payment, the contract specifies a procedure for insurance premium payment. In each case, the first installment of the insurance premium to be paid by the policyholder is at least 25% of that amount.

1.8.5. If the insurance contract stipulates payment of insurance premium in installments, the insurance contract takes effect after payment of the first installment of the insurance premium, and if full payment of the insurance premium is specified, the insurance contract takes effect after its full payment.

1.8.6. Article 15 of the Law regulates the procedure and period of payment of the insurance premium from state budget funds.

## **1.9. Calculation of insurance premium**

1.9.1. The insurance premium related to covered risks on each crop, young plant (seedling) or tree (bush) that are the subject of insurance in insurance of agricultural plants and crop products; for each animal that is the subject of insurance in insurance of agricultural animals and animals bred for agricultural purposes; and on each type of fish in insurance of aquaculture products is calculated based on multiplying the insurance tariff set under sub-item 1.9.13 herein by insurance amount through the ASIS.

1.9.2. The insurance contract determines the amount of insurance premium.

1.9.3. The part of the insurance premium paid from state budget funds is determined by Resolution No 456 of the Cabinet of Ministers of the Republic of Azerbaijan 'on approval

of the part of agrarian insurance premium to be paid from state budget funds per insurance product' dated 27 November 2019.

1.9.4. The following discounts are applied to insurance premium in all types of insurance for the agricultural class of insurance:

1. if the policyholder is 29 years old or younger – the 'young farmer discount';
2. if there are insurance contracts concluded in previous years between the policyholder and the Fund on those types taking into account the requirements of sub-items 1.9.6 and 1.9.7 herein – 'harmlessness discount'.

1.9.5. In case of insurance of agricultural plants and crop products, the area where the subject of insurance is located has flood risk protection structures the amount of discount specified in sub-item 1.9.10 herein is applied to insurance premium.

1.9.6. Discounts on insurance premium for insurance of agricultural plants and crop products and insurance of aquaculture products are set in light of the number of years in which the insured event did not occur when insurance contracts were concluded.

1.9.7. Discounts on insurance premium for insurance of agricultural animals and animals bred for agricultural purposes are set taking into account the number of years of insurance contracts and the ratio of total insurance payment paid to total insurance premium earned over last 4 calendar years.

1.9.8. Additions to agro-insurance premium on agro-class of insurance are set as follows:

1. taking into account only the number of years of insurance payment and the total insurance payment to total insurance premium ratio over last 4 years of insurance contracts concluded for the subject of agrarian insurance for insurance of agricultural plants and crop products;

2. taking into account the number of years of insurance contracts for insurance of agricultural animals and animals bred for agricultural purposes and total insurance payment paid to total insurance premium earned ratio over last 4 calendar years.

1.9.9. Additions to insurance premium and discounts set by Para 2 of sub-item 1.9.4 herein on insurance of agricultural plants and crop products are applied in relation to the administrative territorial unit (district, city, urban district, settlement, village) where the subject of insurance is located and to the policyholder; on insurance of agricultural animals and animals bred for agricultural purposes and insurance of aquaculture products in relation to the policyholder.

1.9.10. Each of the discounts provided for in Para 1 of sub-item 1.9.4 and sub-item 1.9.5 herein is applied in the amount of 5% of insurance premium.

1.9.11. Sum of discounts applied under sub-items 1.9.4 and 1.9.5 herein may not exceed 25% of insurance premium.

1.9.12. Discounts and additions to insurance premium provided for in sub-items 1.9.6, 1.9.7 and 1.9.8 herein are calculated according to the coefficients in Annex 1 herein.

1.9.13. Annex 2 herein sets insurance tariffs and their economic substantiation.

1.9.14. Insurance premiums are paid non-cash to the Fund's bank account.

## **1.10. Concluding an insurance contract**

1.10.1. The insurance contract is concluded between the policyholder and the managing body on behalf of the Fund through the ASIS based on the policyholder's appeal.

1.10.2. The insurance contract is concluded in writing in any of the following forms:

1. by drawing up and mutually signing a document called an insurance contract on the basis of these Regulations;

2. by issuing an insurance certificate to the policyholder by the managing body, provided that the policyholder familiarized him/herself with these Regulations and confirmed his/her agreement with its terms.

1.10.3. When the insurance contract is concluded in accordance with Para 2 of sub-item 1.10.2 herein, issuance of an insurance certificate confirms the fact of conclusion of the insurance contract. The insurance certificate should enlist the risks against which the subject of insurance is insured.

1.10.4. The insurance contract may be also concluded as an electronic document.

1.10.5. The insurance contract is registered in the ASIS.

1.10.6. The procedure and terms for concluding the insurance contract are defined in Items 2.4, 3.4 and 4.4 herein for each of the insurance subjects.

1.10.7. The insurance contract is concluded via intermediation of the agrarian insurer.

1.10.8. The insurance coverage period is defined with the insurance contract.

1.10.9. In insurance of agricultural plants and crop products, when the insured product is fully collected under insurance contracts on crop insurance, the insurance coverage ends prior to the expiration date of the insurance contract.

1.10.10. Intermediary agrarian insurers receive a commission in the amount of up to 15% of the calculated insurance premium for insurance intermediation activities.

1.10.11. In relation to each insurance product, the amount of the commission paid to intermediary agrarian insurers for insurance intermediation activity is specified in the terms of that agrarian insurance contract.

## **1.11. Making additions and changes to the insurance contract**

1.11.1. During the period of validity of the insurance contract, terms of the insurance contract may be changed or additions made to it with the agreement of the parties.

1.11.2. When the managing body receives information on changes that increase the insurance risk during the period of validity of the insurance contract, it may request to change conditions of the insurance contract, including the increase of the insurance premium. If the policyholder disagrees with this request, the managing body can make a request for premature termination of the insurance contract on behalf of the Fund.

1.11.3. Additions and changes to the insurance contract are included in the ASIS.

## **1.12. Grounds for premature termination of the insurance contract**

1.12.1. The insurance contract is terminated prematurely if:

1. the subject of insurance no longer exists;
2. the policyholder individual dies or the policyholder legal entity is liquidated, except for the cases provided for in sub-item 1.12.2 herein;
3. there is no probability of occurrence of the insured event and existence of the insurance risk ends due to circumstances not caused by the insured event;
4. liabilities due to the policyholder regarding the provision of insurance payment under the insurance contract are fully met;
5. the policyholder fails to pay insurance premiums under the contract;
6. the insurable interest no longer exists;
7. the parties request early termination of the insurance contract.

1.12.2. The insurance contract is not terminated prematurely in the following cases:

1. If the policyholder individual dies in cases where the policyholder, who has concluded the insurance contract, appointed any person to accept insured property while concluding the insurance contract, and changed it with the consent of the managing body prior to insured event occurrence, his/her rights and duties under that contract passes to the recipient of the insured property under the order of inheritance determined by the Code;

2. The policyholder's rights and responsibilities are transferred to the new owner, the owner or the user of the property, the subject of insurance with the consent of both the policyholder and the managing body formalized in the contract;

3. If the policyholder legal entity is reorganized during validity of the insurance contract, its rights and liabilities under that contract are transferred to the relevant legal successor in accordance with the legislation.

1.12.3. In the cases specified in sub-item 1.12.1 herein, in the event of conditions that are grounds for terminating the insurance contract, taking into account sub-item 1.12.4 herein, the party interested in terminating the insurance contract should immediately notify the other party.

1.12.4. When the parties make a request for premature termination of the insurance contract, one party should send the other one a 30-day notice (60 days if the insurance contract was concluded for more than 5 years, and 5 working days if it was concluded for less than 3 months) to justify the request.

### **1.13. Consequences of premature termination of the insurance contract**

1.13.1. If the insurance contract (in case of group insurance in relation to any insurance subject of the agreement) is prematurely terminated at the request of the policyholder, the Fund returns insurance premium for that period by deducting the portion of costs of conducting work from the returned part of the insurance premium under that contract (in case of group insurance, which is proportional to insurance premium related to any insurance subject of the agreement) for the unexpired term of the contract. If the policyholder's request for termination of the insurance contract relates to the failure of the Fund or the managing body to meet its liabilities under the insurance contract, the Fund will

return insurance premiums paid by the policyholder (in case of group insurance, as well as the premiums paid for any insurance subject of the agreement) to the policyholder in full.

1.13.2. If the insurance contract (in case of group insurance, as well as in relation to any insurance subject of the agreement) is prematurely terminated by the managing body on behalf of the Fund, the Fund returns insurance premiums (in case of group insurance, as well as insurance premiums paid for any insurance subject of the agreement) to the policyholder in full; if this request relates to policyholder's failure to meet his/her duties under the insurance contract, the Fund returns insurance premiums for the unexpired term of the contract (in case of group insurance, insurance premiums paid on any insurance subject of the agreement). In this case, the Fund may deduct from the returned part of the insurance premium under the insurance contract (in case of group insurance, proportional to the insurance premium related to any insurance subject of the agreement) the part of costs of carrying out work proportional to the unexpired term of the contract.

1.13.3. In case of premature termination of the insurance contract (in case of group insurance, in relation to any insurance subject of the agreement), if total insurance premium paid by the Fund to the policyholder until the moment of termination (in case of group insurance, for any insurance subject of the agreement) is equal to or more than paid insurance payments, the premium (in case of group insurance, insurance premiums paid on any insurance subject of the agreement) is not returned to the policyholder.

1.13.4. In case of premature termination of the insurance contract, if insurance payment is less than total premium paid up to the moment of termination (in case of group insurance, insurance premiums paid for any insurance subject of the agreement), insurance premium amounting to the difference between the insurance premium paid by the policyholder and the insurance payment is returned as per sub-items 1.13.1 and 1.13.2 -herein.

1.13.5. In case of premature termination of the insurance contract, the part of the insurance premium paid from state budget is kept in the Fund's bank account and used on new insurance contracts in accordance with Article 15.1 of the Law.

1.13.6. If any of the cases specified in Paras 1-6 of sub-item 1.12.1 herein occurs, insurance coverage under the insurance contract is considered to have ended from the moment of that event.

1.13.7. If the case specified in Para 7 of sub-item 1.12.1 herein occurs, the insurance coverage under the insurance contract is deemed to have ended upon the expiration of the last day of the period specified in sub-item 1.12.4 herein.

1.13.8. The procedure for calculating the refundable part of the insurance premium is determined by conditions of the insurance product.

#### **1.14. Rights and responsibilities of the policyholder**

1.14.1. The policyholder is entitled to:

1. get familiar with insurance regulations;
2. request insurance payment under these Regulations in case of the insured event;

3. file an appeal against the Fund's decision to refuse full or partial payment of the insurance payment;
4. propose additions and changes to the insurance contract;
5. request premature termination of the insurance contract;
6. request appointment of a new independent expert under the procedure determined by sub-item 1.19.6 herein in case of disagreement with insurance payment amount;
7. other rights specified in the agricultural insurance legislation.

1.14.2. The policyholder:

1. correctly and fully answers questions asked by the intermediary agrarian insurer when applying for the conclusion of an insurance contract;
2. informs on insurance risks;
3. informs the managing body about the insured event within the period provided for in sub-item 1.18.1 herein (this duty is also considered the duty of the beneficiary);
4. pays insurance premium in the period and amount set in the insurance contract;
5. takes measures to minimize damage as per Items 2.5, 3.5 and 4.5 herein;
6. provides the documents required with these Regulations;
7. creates conditions for inspecting the subject of insurance and the area of its location for risk assessment and investigation of the insured event;
8. informs the managing body on all circumstances known to him/her, and those that are required and may affect the decision to reject the contract or conclude it with a changed content when concluding the insurance contract;
9. informs the managing body on changes related to the subject of insurance and risks that emerged after the conclusion of the insurance contract;
10. informs the other party of the insurance contract in case of any changes to the information entered into the EAIS on the subject of insurance;
11. timely provides agro-technical, biological, chemical and plant breeding and protection measures on insured items under insurance of agricultural plants and crop products;
12. timely provides zoo-veterinary measures on insured items under the insurance of agricultural animals and animals bred for agricultural purposes;
13. uses the animals insured under the insurance of agricultural animals and animals bred for agricultural purposes for their purposes;
14. complies with the requirements of sub-items 3.1.2, 4.1.3 and 4.1.4 herein;
15. provides sanitary-hygiene measures;
16. ensures that the place, the insured item is kept is not kept unattended and protected to prevent occurrence of risks of attacks by wild animals and actions of third parties;
17. discharges other duties specified in the agrarian insurance legislation.

### **1.15. Rights and responsibilities of the Fund**

1.15.1. The Fund is entitled to:

1. get insurance premium to be paid by the policyholder under the insurance contract;
2. request the documents specified herein on the insured event from the managing body to make a decision on insurance payment;
3. request premature termination of the insurance contract if information provided by the policyholder to be insured is found to be incorrect after the insurance contract takes effect;
4. delegate insurance operations related authorities to the managing body;
5. request the managing body to appoint a new independent expert, when there are reasonable doubts about the amount of the insurance payment;
6. send a request to public authorities (institutions) that submitted those documents or public authorities (institutions) that supervise them to investigate the insured event in case of contradictions or deficiencies between the documents submitted by the managing body;
7. exercise the right of subrogation;
8. request the managing body to verify compliance with terms of the insurance contract by the policyholder;
9. agree to conclusion of insurance contracts in the cases stipulated in the contract concluded with the managing body;
10. request from the managing body related documents if the insurance contract is prematurely terminated, additions and changes are made therein;
11. exercise other rights specified in the agrarian insurance legislation.

#### 1.15.2. The Fund:

1. makes a decision on whether or not to issue insurance payments within 7 working days after submitting all documents required for insurance payments;
2. provides direct payment of insurance payments to policyholders;
3. provides payment of service fees to independent expert for the services they render in consideration of the requirements of Article 10.7 of the Law;
4. provides protection of information considered insurance confidentiality in accordance with Article 6.1 of the Law of the Republic of Azerbaijan on Insurance Activity';
5. place conditions of the agrarian insurance product on its official website;
6. discharges other duties specified in the agrarian insurance legislation.

### **1.16. Rights and responsibilities of the managing body**

#### 1.16.1. The managing body is entitled to:

1. request the documents stipulated in these Regulations for assessment of the insurance risk and damages caused by the insured event from the policyholder and public authorities (institutions) specified in Paras 3-6 and 11 of sub-item 1.21.1 herein;
2. make a subrogation request on behalf of the Fund;
3. conclude an insurance contract with the policyholder on behalf of the Fund in compliance with the law;
4. verify accuracy of information provided by the policyholder;

5. check whether terms of the insurance contract are observed by the policyholder at the Fund's request;
  6. calculate the insurance premium via the ASIS and request its payment;
  7. appoint an independent expert via the ASIS to inspect subjects of insurance and the area of their location;
  8. exercise other rights specified in the agrarian insurance legislation.
- 1.16.2. The managing body:
1. provides an insurance certificate to the policyholder;
  2. sends a written request to public authorities (institutions) specified in Paras 3-6 and 11 of sub-item 1.21.1 herein on the events that may be considered an insured event, that are required to be investigated or recorded to receive a document confirming the fact and (or) reason for occurrence of such events, as well as their results;
  3. delivers all documents required for making insurance payment to the Fund;
  4. enters information on insurance contract to the ASIS;
  5. appoints an independent expert through the ASIS for risk assessment in the cases specified herein and in conditions of the agrarian insurance product;
  6. appoints an independent expert through the ASIS when an insured event occurs to investigate the case and assess the damage;
  7. provides protection of information considered insurance secrecy in accordance with Article 6.1 of the Law of the Republic of Azerbaijan on Insurance Activity';
  8. discharges other duties specified in the agrarian insurance legislation.

### **1.17. Rights and responsibilities of an independent expert**

- 1.17.1. The independent expert is entitled to:
1. request a service fee for provided services;
  2. assess the risk or damage, and inspect the subject of insurance and the area of its location to reduce or prevent damage.
- 1.17.2. The independent expert:
1. assesses the insurance risk by inspecting the subject of insurance before concluding an insurance contract in the cases provided for in these Regulations and in the conditions of the agricultural insurance product;
  2. investigates the incident and assesses the damage when an insured event occurs;
  3. collects and submits information on insurance risk assessment, incident investigation and damage assessment;
  4. pays a service fee of the new independent expert in the case specified in Article 10.7 of the Law;
  5. protects information considered insurance secrecy in accordance with Article 6.1 of the Law of the Republic of Azerbaijan on Insurance Activity'.
- 1.17.3. Other rights and duties of an independent expert are determined based on the contract concluded between him/her and the managing body.

1.17.4. Conditions for appointing an independent expert and periods of inspecting the subject of insurance damaged as a result of an insured event are determined in conditions of the agricultural insurance product and in the insurance contract.

### **1.18. Notification on an insured event**

1.18.1. The policyholder or the beneficiary under insurance contracts concluded on insurance of agricultural plants and crop products should inform the intermediary agrarian insurer or the managing body, and public authorities (institutions) to be informed on the event within 10 days, on insurance contracts concluded on insurance of agricultural animals and animals bred for agricultural purposes and aquaculture products within 24 hours.

1.18.2. The insurance claim submitted after the managing body or the intermediary agrarian insurer is informed on the insured event should include the following information:

1. The date and number of the insurance contract;
2. The type of insurance;
3. 1st, last and middle names of the policyholder;
4. The policyholder's ID card number and PIN;
5. The day and time of the event that can be considered an insured event;
6. Details of the event that can be considered an insured event and its reason;
7. The type of the damaged item;
8. The place of occurrence of the event that can be considered an insured event;
9. Description of the damage caused by the occurrence of the case that can be considered an insured event.

1.18.3. At the request of the managing body, the policyholder should obtain evidence, information and documents about causes of the insured event and the amount of damage and submit it to the managing body.

### **1.19. Assessment of the damage during an insured event**

1.19.1. The independent expert appointed by the managing body assesses the damage caused during the insured event.

1.19.2. The managing body ensures the assessment of damages caused by the insured event only during the validity of the insurance contract.

1.19.3. The managing body appoints an independent expert through the ASIS to assess the damage immediately after receiving the information about the damage.

1.19.4. If the insured event under crop insurance contracts in insurance of agricultural plants and crop products occurs during growth of crop, except for the cases of its complete destruction, an independent expert makes an assessment and presents his/her opinion on the insured event, and the managing body appoints an independent expert again for accurate assessment of the damage during harvesting of the insured product.

1.19.5. In insurance contracts on tree (bush) insurance for agricultural plants and crop products, if 66% or more of the insured object is damaged, it is considered a complete loss.

1.19.6. If the policyholder disagrees with insurance payment amount, he/she appeals to the managing body for appointment of a new independent expert within 3 working days after being officially informed about insurance payment amount.

1.19.7. The managing body appoints a new independent expert within 5 days from the date of receipt of this request.

1.19.8. If the opinions by initial and new independent experts differ, the issue is reviewed by the Appeals Council of the Fund and a corresponding decision is made. If the decision of the Appeals Council approves the opinion of a new independent expert, his/her service fee is paid at the expense of the initial expert, and if it approves the opinion of the initial independent expert, it is paid at the expense of the policyholder.

1.19.9. Under the insurance contract, the policyholder or the beneficiary should deliver the damaged property to the managing body or its authorized representative immediately after the insured event, except for the following cases:

1. if it is impossible to take necessary measures to prevent or reduce the amount of damage, eliminate consequences of the insured event, or not to cause other complications, as well as not to leave the damaged property unattended that may cause possibility of further losses, and not to hinder actions or activities of other persons, and maintain the damaged property in the condition immediately after the incident during removal of the property from the scene of the incident for these purposes;

2. if the managing body fails to provide inspection of the damaged property by an independent expert within 5 days after being notified of the insured event as per these Regulations;

3. in other cases, if the Fund agrees not to keep the damaged property immediately after the insured event.

1.19.10. The following appeals to the Appeals Council of the Fund under these Regulations are considered groundless and are not considered:

1. failure of the policyholder or the beneficiary to indicate the location of the subject to be insured or insured in the processes of risk or damage assessment;

2. the insurance subject mentioned in the insurance contract is different from the subject assessed when the insured event occurs;

3. harvesting of the crop in the area specified in the insurance contract on insurance of agricultural plants and crop products prior to damage assessment;

4. destruction of the animal insured under the insurance of agricultural animals and animals bred for agricultural purposes and the aquaculture product insured under the insurance of aquaculture products prior to the damage assessment.

1.19.11. If the intermediary agrarian insurer fails to report the information received on the insured event to the managing body within 24 hours, the Fund has the right to claim the damage from the intermediary agrarian insurer through the managing body.

## 1.20. Calculation of the insurance payment

1.20.1. The insurance payment is the financial compensation paid by the Fund under the insurance contract in case of an insured event, and is calculated as follows per insurance subject provided for in Article 4.1 of the Law:

1. On insurance of agricultural crops and crop products:

- if productivity amount in the product insurance contract is less than actual productivity amount, the loss percentage assessed by an independent expert as a result of the insured event and taken as the basis for calculating insurance payment is applied to the insurance amount calculated based on the productivity amount specified in the insurance contract;

- except for the case indicated in the first sentence of Para 1 of sub-item 1.20.1 herein, in other cases, the percentage of damage assessed by an independent expert as a result of the insured event and used as the basis for calculating the insurance payment is applied to the insurance amount calculated based on the actual productivity amount determined by the independent expert;

- based on the insurance amount specified in sub-item 1.6.2 herein on the insurance contract on insurance of young plants (seedlings) or trees (bushes).

2. based on the market price of the animal on insurance of agricultural animals and animals bred for agricultural purposes;

3. based on insurance amount of the product, the information mentioned in the monthly indicator of the previous month on the aquaculture product submitted to the Fund under the contract before the insured event of aquaculture products occurred, and if such information is not provided, the aquaculture in the annual aquaculture product breeding plan submitted under the insurance contract corresponding to the month of the event.

1.20.2. Insurance payments are not made before harvesting, except for cases of complete destruction of the crop in insurance contracts on insurance of agricultural plants and crop products.

1.20.3. If the amount of damage increases due to policyholder's failure to fulfill his/her obligations at the time of the insured event, the increased part of the amount of the final damage is reduced by that amount.

1.20.4. If amount of damage is less than the deductible, insurance payment is not made.

1.20.5. The insurance payment is calculated taking into account expenses incurred for deductible and minimizing the damage.

1.20.6. When insurance payment is made, the Fund has the right to deduct from the insurance payment amount the amount of the overdue or delayed insurance premium the policyholder has to pay under the insurance contract.

1.20.7. Insurance payment cannot exceed the insurance amount and the amount of real damage.

1.20.8. In accordance with these Regulations, after all documents required for insurance payment have been submitted by the managing body, the Fund makes a decision

on full or partial insurance payment or refusal to pay within 7 working days, and provides related official information to the policyholder in accordance with the Law of the Republic of Azerbaijan 'on Administrative Proceedings'.

1.20.9. When the Fund makes a decision on full or partial insurance payment, it transfers the insurance payment directly to policyholder's bank account.

1.20.10. In its decision on full or partial refusal to provide insurance payment, the Fund should clearly indicate grounds for refusal by referring to provisions of the legislation, the insurance contract or insurance regulations.

### **1.21. Basis for insurance payment**

1.21.1. Insurance payment is made if each of the following documents is available:

1. an insurance claim addressed to the managing body by the policyholder or the beneficiary, reflecting details and outcome of the insured event;

2. an opinion of the independent expert on investigation of the insured event and damage assessment;

3. in relation to the risk of fire, a document that reflects details of the event that can be considered an insured event provided by the Ministry of Emergency Situations of the Republic of Azerbaijan (the time and place of the event, the person(s) guilty for the event and (or) the victim(s), as well as the damaged property, characteristics of the damage ) and confirms the relevant fact;

4. in relation to hail, storm, hurricane, landslide, *flood or deluge, pouring rain, lightning, freezing (congelation), excessive snowfalls*, a document that reflects details of the event that can be considered an insured event provided by the Ministry of Emergency Situations of the Republic of Azerbaijan (time and location of the event etc.) and confirms the relevant fact;

5. in relation to the risk of earthquake a document that reflects details of the case that can be considered an insured event presented by the Republican Seismological Service Center under the National Academy of Sciences of the Republic of Azerbaijan and confirms the relevant fact;

6. in relation to acts of third parties, a document that reflects details of the case that can be considered an insured event provided by the relevant public authority (time, place of occurrence, person(s). guilty for the event and (or) victimized, as well as damaged property, characteristics of the damage) and confirms the relevant fact;

7. certificate of compliance confirming varietal and sowing qualities of seeds in relation to one-year plantings under the insurance of agricultural plants and crop products;

8. in case of forced slaughter of agricultural animals and animals bred for agricultural purposes at the insured animal slaughter point a relevant act and a document on the weight of the animal;

9. a document confirming vaccinations specified in Para 3 of sub-item 3.1.2 and Para 8 of sub-item 4.1.4 herein;

10. in relation to risks specified in Paras 1 and 3 of sub-item 3.2.1 herein, documents confirming compliance with the requirements of the 'Regulations on organization and implementation of veterinary events' approved by Resolution No. 11 of the Cabinet of Ministers of the Republic of Azerbaijan dated 23 January 2007 and the 'Regulations on keeping, breeding and use of animals' approved by the Resolution No. 19 of the Cabinet of Ministers of the Republic of Azerbaijan dated 30 January 2007;

11. details of the case that can be considered an insured event provided by the Ministry of Agriculture of the Republic of Azerbaijan in relation to the risks provided for in Paras 1, 2, 3, 3-1 and 6 of sub-item 3.2. herein (the time, place, etc.) of the incident and a document confirming the relevant fact;

12. results of laboratory analysis of samples sent to the laboratory in cases where an independent expert considers it necessary to determine the cause of death on insurance of agricultural animals and animals bred for agricultural purposes or to conduct additional investigation in relation to insurance risks provided for under the agreement;

13. In relation to the insurance risk provided for in Para 1 of sub-item 4.2.1 herein, results of laboratory analysis on the aquaculture product, water it is stored in, and the feed provided to determine the cause of death; in relation to the insurance risk provided for in Para 3 of sub-item 4.2.1 herein results of laboratory analysis of the aquaculture product to determine the cause of death.

1.21.2. Documents specified in Paras 1, 7-10, 12 and 13 of sub-item 1.21.1 herein are submitted to the managing body by the policyholder, and documents specified in Para 2 are submitted by an independent expert. Other documents are collected by the managing body.

## **1.22. Grounds for refusal to provide insurance payments**

1.22.1. The Fund may refuse to provide insurance payment if:

1. the event is not considered an insured event according to the insurance contract and these Regulations;

2. there is a reasoned document of the managing body that it is deprived of the opportunity to determine whether the event is an insured event as a result of non-compliance with the requirements of sub-item 1.18.1 herein;

3. the event is the result of military operations or measures of a military nature;

4. the policyholder is able to take necessary and possible measures to prevent or reduce amount of damage to the insured property, he/she intentionally does not take them (in this case, insurance payment can be waived to the extent that if he/she had taken possible measures, the amount of damage would have been reduced by that amount);

5. failure to comply with sub-item 1.19.9 herein on presentation of the damaged property to the managing body completely or partially deprives the managing body of the opportunity to determine the extent of the damage;

6. policyholder's intentional misinformation about the subject of insurance and (or) the insured event to the managing body completely or partially deprives the latter of the

opportunity to assess the insurance risk, and determine causes of the insured event and (or) the extent of the damage;

7. the policyholder or the beneficiary receives full compensation for damage from the person, responsible for the damage (if the damaging party has partially paid compensation for the damage, the insurance payment is refused in the amount of the paid amount);

8. the relevant part of the insurance premium has not been paid in case of an insured event occurring 15 days after the end of the period for payment of the next part of the insurance premium stipulated in the contract;

9. Except for the cases excluding the liability stipulated in the Civil Code of the Republic of Azerbaijan, the Code of Administrative Offenses of the Republic of Azerbaijan, and the Criminal Code of the Republic of Azerbaijan, the policyholder's intentional action or inaction aimed at occurrence of the relevant event, as well as committing intentional crime directly causally related to the event;

10. it is discovered that during or after conclusion of the contract the policyholder intentionally provided false information on circumstances that could lead to an increase in the insurance risk and occurrence of an insured event;

11. the requirements of sub-items 2.1.3, 3.1.2, 4.1.3 and 4.1.4 herein are not observed.

1.22.2. In the event the managing body was aware of the fact that information specified in Para 10 of sub-item 1.22.1 herein is inaccurate when the insurance contract is concluded, or the policyholder is not guilty for providing incorrect information, as well as the insurance contract has been concluded despite the fact that the policyholder does not respond to required information, the Fund may not refuse to provide insurance payment based on provision of inaccurate information or failure to provide required information.

1.22.3. Where the Fund refuses insurance payment, it should substantiate it under the legislation.

### **1.23. The right of subrogation**

1.23.1. The right of subrogation is the right of the Fund that made the payment to use the rights and remedies of the person who received the insurance payment against the person who is responsible for the damage caused to him/her.

1.23.2. The beneficiary's right to claim compensation for his/her loss against the damaging party is transferred to the Fund that provided the insurance payment in the amount of the insurance payment in the order of subrogation.

1.23.3. When the beneficiary receives the insurance payment, he/she should provide the Fund with all necessary documents to exercise the right of subrogation.

1.23.4. If the beneficiary refuses the claim against the damaging party or the rights that satisfy the claim, or to give necessary documents to the Fund, the latter is exempted from making insurance payment to the extent of the amount that it can receive from the damaging party in the manner of subrogation.

1.23.5. The Fund can use the right of subrogation against the damaging party and (or) against the insurer that insured the liability of that person for the risks related to the relevant

insured event, as well as against another person who may be financially responsible for the damage caused to the policyholder or the beneficiary.

1.23.6. The Fund may transfer the right of subrogation to the managing body in accordance with the contract signed between them.

#### **1.24. Responsibilities of the parties for non-fulfillment or improper fulfillment of conditions of the insurance contract**

1.24.1. The parties are kept responsible for non-fulfillment or improper fulfillment of conditions of the insurance contract as per the agricultural insurance legislation.

#### **1.25. Resolution of disputes**

1.25.1. Disputes arising from the execution of the insurance contract are reviewed by the Appeal Council, which operates in accordance with the requirements of the Law of the Republic of Azerbaijan 'on Administrative Proceedings' and is established within the Fund, to be resolved by mutual agreement of the parties.

1.25.2. If it is not possible to reach a mutual agreement between the parties in resolution of disputes arising from execution of the insurance contract, disputes are settled in court.

1.25.3. The policyholder or the beneficiary, who believes that his/her rights under the insurance contract were violated by the managing body or intermediary agrarian insurer, may appeal a complaint to the Central Bank of the Republic of Azerbaijan and the Fund.

### **2. Common conditions on insurance of agricultural plants and crop products**

#### **2.1. The subject of insurance**

2.1.1. In accordance with these Regulations, insurance of agricultural plants and crop products: wheat, barley, corn, potato, sugar beet, orange, lemon, tangerine, tea, raw rice, tobacco, grape, hazelnut, *cotton, sunflower, soybean, alfalfa, pea, green pea, greengage plum, cherry, apples, pears, strawberries, apricots, plums, sweet cherries, quinces, dates, pomegranates, peaches, olives, almonds, walnuts, onions, cabbage, watermelons, melons, tomatoes, garlic and millet* are considered the subject of insurance.

2.1.2. *Insurance coverage is provided for the following parts of agricultural plants and crop products, which are considered the subject of insurance:*

1. *corn, sunflower, soy-bean, peas, green peas and millet grown for grain, wheat, barley, raw rice, (stems in the cases provided for in sub-item 2.2. herein);*

2. *cotton - fiber;*

3. *sugar beet – root fruit;*

4. *potato – root crop;*

5. *onions, garlic - chives;*

6. *tobacco – leaves;*
7. *cabbage - head, stem, leaf or flower, depending on the type;*
8. *tea – leaf in crop insurance contracts, seedling or bush in agreements on insurance of seedling or bush supply, respectively;*
9. *oranges, lemons, tangerines, grapes, hazelnuts, cherries, cherries, apples, pears, apricots, plums, sweet cherries, quinces, dates, pomegranates, peaches, olives, almonds, walnuts in crop insurance contracts fruit, seedling or tree, in product insurance contracts seedling or tree respectively;*
10. *fodder corn (silage), alfalfa – the entire green part;*
11. *strawberry – in fruit insurance contracts fruit, in agreements on insurance of seedlings or bushes, seedling or bush, respectively;*
12. *tomato, watermelon and melon – fruit in crop insurance contracts, seedlings in seedling insurance contracts.*

2.1.3. Agricultural products in the area where production, processing, import and circulation are prohibited, as well as quarantine and restriction measures are applied, may not be the subject of insurance.

## **2.2. Covered risks**

2.2.1. The amount of damage caused to agricultural plants as a result of one or more of the following risks determined by terms and conditions of the insurance product is covered by the insurance contract:

1. hail;
2. fire;
3. earthquake;
4. landslide;
5. hurricane;
6. storm;
- 6-1. *flood or deluge;*
- 6-2. *pouring rain;*
- 6-3. *freezing (congelation);*
- 6-4. *excessive snowfalls;*
7. plant diseases and pests;
- 7-1. *attack of wild animals;*
8. spread and attack of particularly dangerous pests;
9. acts of third parties.

2.2.2. Insurance contracts on crop insurance of oranges, lemons, tangerines, grapes, tobacco, cherries, sweet cherries, apples, pears, strawberries, apricots, plums, cherries, quinces, dates, pomegranates, peaches, olives, cabbage, watermelons, melons and tomato can provide coverage for loss of quality as well as loss of quantity caused by the risk of hail in their products at the policyholder's discretion by paying additional insurance premium.

2.2.3. Loss of quantity in the stem in addition to the grain part of wheat, barley and millet plants as a result of occurrence of the risks specified in sub-item 2.2.1 herein can be

covered at policyholder's discretion by paying additional insurance premium and insurance amount for this coverage cannot exceed 40% of insurance amount for the grain part of the plant.

2.2.4. Coverages against the risks provided for in sub-items 2.2.1, 2.2.2 and 2.2.3 herein cover damages caused by the following cases:

1. hail risk insurance – damages caused by direct impact of hailstones;
2. fire risk insurance – damages caused by fire, lightning, explosion, as well as smoke, steam and heat caused by fire and explosion;
3. earthquake risk insurance - damages directly caused by an earthquake;
4. landslide risk insurance – damages caused by the movement of soil or masses of soil as a result of gravity, inclination, heavy rain, flood and other similar events;
5. hurricane risk insurance – damage caused by a very strong wind in the form of a vortex as a result of a sudden change in atmospheric pressure in a limited area;
6. storm risk insurance – damage caused with or without at least one of rain, snow and hail precipitation, as a result of winds blowing at a height of 10 meters and a speed of more than 25 m/s, as well as objects blown over, dragged or thrown by it during the wind;
7. insurance of loss of quality in products caused by the risk of hail – loss of quality in crop of grapes, lemons, tangerines, oranges, tobacco, cherries, sweet cherries, apples, pears, strawberries, apricots, plums, cherries, quinces, dates, pomegranates, peaches, olives, of cabbage, watermelon, melon and tomato due to direct impact of hailstones;
  - 7-1. flood or deluge risk insurance – damage to crop and stem as a result of increasing amount of water in rivers, lakes, streams, canals and other water bodies due to the effect of sudden water masses, continuous rain or snow melting, water flowing from slopes, and accumulation of water in subsoil as a result or accumulation of water in the upper layer of the soil in excess of soil's water absorption capacity;
  - 7-2. pouring rain risk insurance – damages caused by impact of localized precipitation with a droplet diameter of more than 1.00 mm, an intensity of 1-3 mm/minute and more (this coverage is provided due to damages related to fruit ripening in cherries and grapes, partial enlargement of the fruit due to the effect of precipitation during harvesting and in cotton due to the damage caused by falling of opened cones due to impact of precipitation from the time of opening of the cocoon to harvesting);
  - 7-3. freezing (congelation) risk insurance – damage to the stem or crop of oranges, lemons, tangerines, grapes, hazelnuts, cherries, sweet cherries, apples, pears, apricots, plums, quinces, dates, pomegranates, peaches, olives, almonds and nuts as a result of the air temperature fall below 0 degrees;
  - 7-4. excessive snowfall risk insurance – damage caused by breakage of branches and trunks in the canopy of plants due to snowfall;
8. plant diseases and pests – damages caused by spread of other plant diseases and pests with the exception of those specified in the 'List of harmful organisms not discovered in the Republic of Azerbaijan, spread in a limited area and that may pose a potential threat to the country, and are subject to quarantine' approved by Decision No. 280 of the Cabinet of Ministers of the Republic of Azerbaijan dated 29 December 2006;

9. spread and attack of particularly dangerous pests – other damages caused by spread and attack of particularly dangerous pests, with the exception of Item 2.2 of the ‘Cases where costs of phytosanitary measures are carried out at the expense of the state budget’ approved by the Decision No. 260 of the Cabinet of Ministers of the Republic of Azerbaijan dated 7 December 2006;

*9-1. wild animal attack damage caused in crops insured against wild animal attack;*

10. actions of third parties – damages caused by the actions or inaction of other persons, except for the policyholder or family members of the beneficiary.

2.2.5. ‘Family members’ in Para 10 of sub-item 2.2.4 herein mean the party’s children (adoptees), children born after his/her death, spouses, parents (adoptive).

2.2.6. In determining the damage as a result of any of the risks specified in sub-item 2.2.4 herein, opinions of an independent expert and competent public authorities (institutions) confirming occurrence of the insured event are taken as a basis.

### **2.3. Exceptions from insurance risks**

2.3.1. Damages caused by the following circumstances are not covered by insurance:

1. storage of harvested products in gardens, orchards and fields;
2. mowing and harvesting later than the date of mowing or harvesting announced in the ASIS, regardless of the reason;
- ~~3. other precipitation except hail;~~
4. incomplete or incorrect implementation of agro technical measures related to the product, whether the insured risks occur;
5. drought;
6. when the insurance claim is related to policyholder’s property interests, moral damage or loss of income due to payment of fines, delinquency charges and penalties;
7. when the event is related to a strike, lockout, rebellion, revolt, popular movements, internal conflict and military and administrative measures caused by them;
8. when the event is related to nuclear explosion, radiation, biological, chemical or radioactive pollution, as well as administrative and military measures connected to them;
9. when the insurance claim relates to indirect damage resulting from occurrence of the insured risk;
10. when the insurance claim relates to the damage identified outside the area of the subject of insurance specified in the insurance contract;
11. the fact that the type of agricultural product specified and covered in the insurance contract is different from the product and type found in the area;
12. except for sub-item 2.2.2 herein, loss of product quality as a result of insured risks;
- 13. when the insurance claim relates to damages caused by the rise in the level of groundwater;*
- 14. when the insurance claim relates to the damage to crops planted in areas between lakes, rivers, streams and canals and barriers installed to prevent the risk of flood or deluge;*

15. *when the insurance claim relates to damage caused by birds during phenological periods before grain formation in sunflowers.*

## **2.4. Procedure for concluding and timing of an insurance contract**

2.4.1. Legal entities or individuals willing to insure agricultural plants and crop products, that are considered the subject of insurance, apply to an intermediary agricultural insurer. Persons willing to conclude insurance contracts register in the ASIS through intermediary agrarian insurers.

2.4.2. After checking accuracy of the information provided by the person who wants to conclude an insurance contract with the one in EAIS, his/her application is accepted.

2.4.3. If the information provided by the person and the one in the EAIS is different, the insurance contract can be concluded only after updating the information in EAIS.

2.4.4. If the information provided by the person and the one in the EAIS is the same, the managing body concludes an insurance contract with him/her on behalf of the Fund.

2.4.5. A person willing to conclude an insurance contract applies for an insurance contract on crop insurance within deadlines fixed by conditions of the agricultural insurance product according to products, risks and geographical areas and published on the Fund's official website. The person willing to conclude an insurance contract can apply any time for conclusion of an insurance contract on young plant (seedling) or tree (bush) insurance.

2.4.6. The appeal for the crop insurance contract is accepted for each type of plant up to 15 days before the start of the insurance coverage specified in sub-item 2.4.7 herein.

2.4.7. *In product insurance contracts, starting times of insurance coverage in relation to risks of hail, storm, hurricane, flood or deluge, as well as freezing (congelation) are determined as follows:*

1. *from plant germination in wheat, barley, corn, raw rice, cotton, potato, sugar beet, tobacco, sunflower, soybean, alfalfa, pea, green pea, onion, watermelon, melon, garlic and millet;*

2. *from awakening of shoots in grapes;*

3. *from the time when stalks are separated from scales surrounding female flowers and first leaves appear in hazelnuts;*

4. *from the beginning of the first flowering period of lemons, oranges, tangerines, cherries, sweet cherries, apricots, plums, dates, pomegranates, peaches, olives and almonds (the first flowering period is the period when 5% of flowers on a tree open);*

5. *from germination of first shoots of the tea plant;*

6. *from generation of flower buds in apple, pear and quinces;*

7. *from the formation of runners of strawberry;*

8. *from formation of first leaves in pods of walnuts;*

9. *from germination of the plant or planting of seedling in soil in cabbages and tomatoes.*

2.4.7-1. *In product insurance contracts, starting times of insurance coverage in relation to the risk of rain are determined as follows:*

1. *from fruit ripening in grapes and cherries;*

2. *from opening of bolls in cotton.*

2.4.8. *If phenological periods specified in Paras 1-3, 5 and 7-9 of sub-item 2.4.7 herein are present in 90% of planted plants (in at least 20% of each plant), and the phenological period specified in Para 6 is considered to have occurred when 20% of buds on trees have opened.*

2.4.9. In crop insurance contracts insurance coverage on earthquakes, landslides, excessive snowfalls, wild animal attacks (except for the case provided for in sub-item 2.4.9-1 herein), fire, spread and attack of plant diseases and pests, particularly dangerous pests, as well as in relation to risks of actions of third parties, insurance coverage in insurance contracts on insurance contract takes effect taking into account the requirements of sub-item 1.6.9 herein.

2.4.9-1. *In crop insurance contracts on insurance of corn, sunflower, rice, grapes, cherries, pomegranates, dates and strawberries, insurance coverage for the risk of attack by wild birds begins after the crop ripens.*

2.4.10. A separate insurance contract is concluded for each type of the subject grown in the same area and separately registered in the ASIS.

2.4.11. An insurance contract is not concluded on subjects not registered in the EAIS.

2.4.12. A managing body appoints an independent expert through the ASIS to assess the risk in order to make a decision whether to sign an insurance contract when:

1. there is an appeal for conclusion of an insurance contract for areas where insured risks are known to occur frequently or in recent past;
2. it is known that the policyholder committed illegal actions related to receipt of insurance payments in previous years;
3. the policyholder requests to change the amount of productivity declared in the EAIS;
4. it is determined that the appeal to be insured is received within 30 days after deadline for appeal stipulated in conditions of the agricultural insurance product;
5. the requirement to appoint an independent expert for risk assessment is stipulated in conditions of the agricultural insurance product.

2.4.13. To conclude an insurance contract, based on the independent expert's opinion, the policyholder submits the document provided for in Para 7 of sub-item 1.21.1 herein to the managing body.

## **2.5. Minimization of damages resulting from the insured event**

2.5.1. In case of insured event, to prevent or reduce damage the policyholder should:

1. take all measures for the development of the product from occurrence of the insured event to the damage assessment and follow recommendations and instructions provided by the managing body;
2. provide conditions for the managing body and an independent expert to inspect the insured object, the area of its location and get acquainted with related documents to it to determine the amount of the insurance;
3. not make any changes to the damaged object that may complicate the assessment of damage or increase the amount of damage until the damage assessment period, except for those specified in sub-item 1.19.9 herein.

2.5.2. In the event an insured event occurs during the mowing or harvesting period, the policyholder may continue to mow or harvest with the permission of the managing body in the portion of the affected area determined by the managing body in such a way and in such an amount as to allow correct assessment of the damage.

2.5.3. Residual value of the crop damaged as a result of the insured event is deducted from insurance payment.

## **2.6. Crop re-planting**

2.6.1. If specified in the insurance contract, if the insured crop is damaged and it is possible to replant that crop according to the opinion of an independent expert, costs incurred by the policyholder for planting up to the date of damage are paid to him/her.

2.6.2. Maximum amount of funds paid on expenses specified in sub-item 2.6.1 herein may be up to 30% of the insurance amount corresponding to the damaged part of the area.

2.6.3. If the independent expert finds replanting of the same crop acceptable in his/her opinion, the insurance contract continues under the same conditions. At that, the amount of planting expenses paid is deducted from the insurance amount.

2.6.4. If the independent expert finds replanting of the same crop unacceptable in his/her opinion the current contract is terminated and the policyholder is paid appropriate insurance for the damage. If a different crop is planted in that area by the policyholder, a separate contract for the new crop may be concluded at his/her request.

2.6.5. Crop replanting costs are not paid if:

1. replanting costs are paid earlier during the production year;
2. replanting conditions are found to be unfavorable;
3. according to the opinion of an independent expert, the amount of the product to be received by the policyholder exceeds the amount of insurance specified in the insurance contract event if the insured object is damaged as a result of insured risks.

## **3. Special conditions for insurance of agricultural animals and animals bred for agricultural purposes**

### **3.1. Subject of insurance**

3.1.1. According to these Regulations, *cattle (from 11 days to 7 years for dairy, from 11 days to 3 years for meat) and small-horned animals (from 11 days to 5 years)* are considered the subject of insurance.

3.1.2. Animals are considered the subject of insurance only when:

1. the animal is kept in a closed place and the place where it is kept is in accordance with the 'Regulations on keeping, breeding and using animals' approved by Resolution No. 19 of the Cabinet of Ministers of the Republic of Azerbaijan dated 30 January 2007;

2. animal care and feeding are provided in accordance with the 'Regulations on organization and implementation of veterinary measures' approved by Resolution No. 11 of the Cabinet of Ministers of the Republic of Azerbaijan dated 23 January 2007;

3. vaccinations specified in the 'Regulations on planned prophylactic or mandatory vaccination of animals, prevention of occurrence and spread of animal diseases, in order to eliminate diseases in epizootic sources and unhealthy areas, disinfection, disinsection and deratization in animal husbandry buildings, their territories, transport and other places' approved by Resolution No. 11 of the Cabinet of Ministers of the Republic of Azerbaijan dated 23 January 2007 and the 'Regulations on prevention of animal diseases and ensuring the safety of cargo subject to state veterinary control' approved by Resolution No. 209 of the Cabinet of Ministers of the Republic of Azerbaijan dated 13 September 2007 are maintained;

4. In relation to animals brought to the territory of the Republic of Azerbaijan, they are kept as per the 'Regulations on duration of keeping animals imported from other countries in isolation to determine their health' approved by Resolution No. 11 of the Cabinet of Ministers of the Republic of Azerbaijan dated 23 January 2007;

5. the animal is properly registered and tagged;

6. information on animals is entered to the EAIS.

3.1.3. Independent experts appointed by the managing body determine compliance with the requirements mentioned in sub-item 3.1.2 herein.

### **3.2. Covered risks**

3.2.1. According to these Regulations, death of the insured animal as a result of the occurrence of the following risks is covered:

1. other infectious diseases except for those included to the 'List of particularly dangerous diseases of animals whose prevention, diagnosis and elimination in veterinary medicine are financed from the state budget' approved by Resolution No. 65 of 7 March 2006 and diseases included to the list of quarantine and specially dangerous infectious (exotic) diseases specified in the 'Regulations on compensation for financial damage caused to legal entities and individuals in case of occurrence of some quarantine and specially dangerous infectious diseases, during the elimination of those diseases' approved by Resolution No. 66 dated 16 April 2007 of the Cabinet of Ministers of the Republic of Azerbaijan;

2. snake or insect bites;

3. poisoning from poisonous herbs or fodder;

3-1. *poisoning from chemicals;*

4. natural disasters (earthquake, landslide, hurricane, storm, *hail, flood or deluge, pouring rain, lightning, freezing (congelation) and excessive snowfalls*);

5. fire;

6. wild animal attacks;

7. actions of third parties.

3.2.1-1. *Insurance is covered for damage to animals insured against the risk of poisoning from chemical substances provided for in Para 3-1 of sub-item 3.2.1 herein, veterinary drugs, disinfection, disinsection and deratization agents, chemical drugs used against ectoparasites (scratching, use on the skin, etc.), pesticides and agrochemicals used against plant-damaging organisms.*

3.2.2. For the risks of theft, rustling and larceny of animals, the insurance is provided for the damages incurred as a result of entering the place of storage of the animal specified in the insurance contract by one of the ways mentioned below:

1. by breaking, hollowing, knocking down, throwing over or applying force;
2. by climbing or overrunning using various tools and equipment;
3. by using lost, stolen or illegally obtained key, its copy or other tools;
4. by secretly entering the place where the animal is kept.

### **3.3. Exceptions from risks of insurance**

3.3.1. Damages caused by the following instances are not covered with insurance:

1. diseases included to the 'List of particularly dangerous diseases of animals whose prevention, diagnosis and elimination in veterinary medicine are financed from the state budget' approved by Resolution No. 65 of 7 March 2006 and diseases included to the list of quarantine and specially dangerous infectious (exotic) diseases specified in the 'Regulations on compensation for financial damage caused to legal entities and individuals in case of occurrence of some quarantine and specially dangerous infectious diseases, during the elimination of those diseases' approved by Resolution No. 66 dated 16 April 2007 of the Cabinet of Ministers of the Republic of Azerbaijan and non-infectious animal diseases;

2. loss or change of the insured animal;
3. in other cases except for covered risks, forced slaughter due to decrease in milk yield;
4. damage to the insured object as a result of insured risks during transportation of animals without informing the managing body;
5. road stress of animals during or after transportation;
6. when an infectious disease is detected in animals, failure to inform the managing body, and when information is provided, the managing body tries to cure the animal skipping opinions and recommendations of independent experts appointed via the ASIS;
7. lack of a tag on the dead animal;
8. taking into account the type, age and sex of animals, death or forced slaughter as a result of diseases caused by failure to administer vaccinations specified in Para 3 of sub-item 3.1.2 herein, as well as non-observance of quarantine measures;
9. damages caused by improper care and feeding conditions;
10. when the insurance claim relates to policyholder's property interest in payment of fines, delinquency charges, penalties, moral damage or loss of income;
11. when the event relates to a strike, lockout, uprising, rebellion, popular movements, internal conflict and military and administrative measures caused by them;

12. when the event relates to a nuclear explosion, radiation, biological, chemical or radioactive pollution, as well as administrative and military measures connected to them;
13. when the insurance claim relates to indirect damage resulting the insured risk;
14. when the insurance claim relates to the damage specified in the insurance contract outside the insured area;
15. when the insurance claim relates to theft, rustling or larceny of the insured property, except for the cases specified in sub-item 3.2.2 herein;
16. death or forced slaughter of the animal due to diseases caused by the failure to take measures to combat internal and external parasites recommended by veterinary specialists;
17. theft of an animal when there is no one in the place where the animal is kept since doors of the place are not closed with a key or a lock, windows or the ceiling are left open, the key is left unattended.

### **3.4. Procedure and period for concluding an insurance contract**

3.4.1. Legal entities or individuals willing to insure agricultural animals and animals bred for agricultural purposes, considered the subject of insurance, apply to an intermediary agricultural insurer. People willing to conclude an insurance contract register in the ASIS through an intermediary agrarian insurer.

3.4.2. After checking accuracy of the information provided by the person willing to conclude an insurance contract with the information in EAIS, his/her appeal is accepted.

3.4.3. If the information provided by the person and the one in the EAIS is different, the insurance contract can be concluded only after updating the information in EAIS.

3.4.4. If the information provided by the person and the one in the EAIS is the same, the managing body takes a decision on assessment of the risk by an independent expert in light of the requirements of sub-item 3.4.5 herein.

3.4.5. The managing body takes a decision on whether to have the risk assessed by the independent expert when:

1. it is known that the policyholder committed illegal actions related to receipt of insurance payments in previous years;
2. the loss rate under the insurance contract concluded by the policyholder in the previous year exceeds 100%.

3.4.6. When the managing body makes a decision on risk assessment, an independent expert is appointed, and based on his/her opinion, the managing body makes a decision on whether to conclude an insurance contract on the subject of insurance.

3.4.7. When the managing body takes a decision to cover the subject of insurance, an insurance contract is signed between the policyholder and on behalf of the Fund.

3.4.8. The managing body should substantiate its refusal to assess the risk and conclude a contract.

3.4.9. Insurance contracts are not signed on animals not registered in the EAIS and not tagged.

3.4.10. A person willing to conclude an insurance contract may apply for a contract on insurance of agricultural animals and animals bred for agricultural purposes at any time.

3.4.11. To conclude an insurance contract, based on the opinion of an independent expert, the policyholder submits the documents provided for in Paras 9 and 10 of sub-item 1.21.1 herein to the managing body.

### **3.5. Minimization of damages resulting from the insured event**

3.5.1. In case of insured event, to prevent or reduce damage the policyholder should:

1. implement treatment measures by a veterinarian in case of illness or injury of the insured animal;

2. create conditions for the managing body and independent experts to inspect the insured animal, the area where the animal is kept, and get acquainted with related documents for investigation of the insured event and determination of the damage;

3. submit information and documents to the managing body or an independent expert that will help to reasonably determine causes of the insured event and identify the evidence.

3.5.2. If any infectious disease is detected, the policyholder should:

1. separate sick animals from healthy ones and keep them in different places;

2. promptly inform the managing body and the intermediary agro-insurer on the case;

3. comply with veterinary-sanitary requirements and take protective sanitary-hygiene measures;

4. follow recommendations by the managing body and (or) an independent expert given after inspection of animals.

### **3.6. Residual value**

3.6.1. If the skin of the animal damaged as a result of the insured event is useful, regardless of whether the skin is peeled or not, a residual value of at least 0.5% of insurance amount set per animal is calculated and deducted from the insurance payment amount.

3.6.2. If the meat of the animal damaged as a result of the insured event is usable, a residual value of at least 10% of the insurance amount set per animal is calculated and deducted from the insurance payment amount.

3.6.3. To minimize the damage caused as a result of insured risks, according to the opinion by an independent expert, the damaged animal is sent to forced slaughter.

3.6.4. If agricultural animals and animals bred for agricultural purposes damaged as a result of insured risks are forced to be slaughtered according to the opinion of an independent expert, this case is considered an insured event, and insurance payment is made taking into account sub-items 3.6.1 and 3.6.2 herein.

## **4. Special conditions for insurance of aquaculture products**

## 4.1. Subject of insurance

4.1.1. According to these Regulations, as aquaculture products fish, including fertilized caviar, larvae and baby fish are considered the subject of insurance.

4.1.2. The Fund determines insurance start periods per kind of fish.

4.1.3. Only aquaculture products grown in entities with the following characteristics are considered the subject of insurance:

1. compliance of water for species grown in entities with the requirements established by technical normative legal acts;

2. availability of an additional pump and generator always in working order in entities where water supply is provided by running water and pumps;

3. use of mechanical filters and means for removing waste mixed with water in entities where water supply is provided by running water, as well as cleaning at least once a day;

4. availability of a water removal system for draining water in entities where water supply is provided by running water;

5. availability of warning lights and phosphorescent markings for maritime transport in relation to entities located in the sea;

6. availability of options to prevent wild animal attacks

4.1.4. The following requirements should be provided in ponds along with the ones specified in Paras 1-4 and 6 of sub-item 4.1.3 herein:

1. at least 4 mg/lit oxygen;

2. sufficient size channels are opened in to ensure water change;

3. the side walls of edges inclined at most 45 degrees;

4. not originate from ground water;

5. as a result of winter rains, water in drainage channels does not mix with ponds;

6. existence of a ventilation system in the pond according to the fish size to prevent reduction of oxygen;

7. prevention of nighttime oxygen depletion for algae growing on the floor and sides of the pond;

8. injection of appropriate vaccines if vaccination is necessary;

9. frequent monitoring of water color and oxygen to assess algal bloom risk;

10. presence and automatic activation of a generator to prevent damage due to light failure, as well as presence of a warning signal.

## 4.2. Covered risks

4.2.1. Death of fish insured against the following risks is covered according to these Regulations:

1. Mass poisoning;

2. Natural disasters (earthquake, landslide, hurricane, storm, *hail, flood or deluge, lightning and excessive snowfalls*);

3. Other infectious diseases except for those included to the 'List of particularly dangerous diseases of animals whose prevention, diagnosis and elimination in veterinary medicine are financed from the state budget' approved by Resolution No. 65 of 7 March 2006 of the Cabinet of Ministers of the Republic of Azerbaijan;

4. Wild animal attacks;
5. Direct or indirect effect of fire;
6. Actions of third parties.

4.2.2. For the risks of theft, rustling and larceny of animals included to acts of third parties, insurance is provided for damages incurred as a result of entering the place of storage of aquaculture products specified in the insurance contract by one of the ways mentioned below:

1. by breaking, hollowing, knocking down, throwing over or applying force;
2. by climbing or overrunning using various tools and equipment;
3. by using lost, stolen or illegally obtained key, its copy or other tools;
4. by secretly entering the place where the aquaculture product is kept.

### **4.3. Exceptions from insurance risks**

4.3.1. Damages caused by the following circumstances are not covered by insurance:

1. diseases included to the 'List of particularly dangerous diseases of animals whose prevention, diagnosis and elimination in veterinary medicine are financed from the state budget' approved by Resolution No. 65 of 7 March 2006 of the Cabinet of Ministers of the Republic of Azerbaijan;

2. depending on the species, failure to ensure that fish are fed in accordance with feeding norms determined by conditions of the agricultural insurance product;

3. poisoning caused by improper maintenance of the quality of fodder resources;

4. failure to use approved drugs and chemicals in accordance with instructions;

5. use of drugs and chemicals not allowed to be used;

6. speed of water flow is lower than the one specified in the insurance contract in ponds and pools with specially created and regulated conditions due to the manufacturer's error;

7. failure of equipment used in production of aquaculture products in entities to discharge their function;

8. damage to the insured object as a result of insured risks during transportation of the aquaculture product without informing the managing body;

9. sudden changes in water temperature and saltiness due to entity-dependent reasons;

10. more fish than the amount specified in the insurance contract in the area available where the subject of insurance exists;

11. the insurance claim relates to policyholder's property interests, moral damage or loss of income due to payment of fines, delinquency charges and penalties;

12. the event relates to a strike, lockout, rebellion, revolt, popular movements, internal conflict and military and administrative measures caused by them;

13. the event relates to nuclear explosion, radiation, biological, chemical or radioactive pollution, as well as administrative and military measures connected to them;
14. the insurance claim relates to indirect damage caused by the occurrence of the covered risk except for Para 5 of sub-item 4.2.1 herein;
15. the insurance claim relates to theft, rustling or larceny of insured property except for the cases specified in sub-item 4.2.2 herein;
16. the type, age, size and average weight of the object specified in the insurance contract are different from those found in the area;
17. theft of the insured aquaculture product as a result of leaving the place where the aquaculture product is kept unattended.

#### **4.4. Procedure and period for concluding an insurance contract**

4.4.1. Legal entities or individuals willing to insure aqua cultural products, considered subject of insurance, apply to an intermediary agro insurer. People willing to conclude an insurance contract register in the ASIS through an intermediary agrarian insurer.

4.4.2. The managing body takes a decision to have the risk assessed by an independent expert in light of the requirements of sub-item 4.4.3 herein.

4.4.3. The managing body takes a decision on whether to have the risk assessed by the independent expert when:

1. it is known that the policyholder committed illegal actions related to receipt of insurance payments in previous years;
2. the loss rate under the insurance contract concluded by the policyholder in the previous year exceeds 100%.

4.4.4. When the managing body makes a decision on risk assessment, an independent expert is appointed, and based on his/her opinion, the managing body makes a decision on whether to conclude an insurance contract on the subject of insurance.

4.4.5. When the managing body takes a decision to cover the subject of insurance, an insurance contract is signed between the policyholder and on behalf of the Fund.

4.4.6. The managing body should substantiate its refusal to assess the risk and conclude a contract.

4.4.7. A person willing to conclude an insurance contract may apply for a contract on insurance of aqua cultural products at any time.

4.4.8. To conclude an insurance contract, based on the opinion of an independent expert, the policyholder submits the documents provided for in Paras 9 and 10 of sub-item 1.21.1 herein to the managing body.

#### **4.5. Minimization of damages resulting from the insured event**

4.5.1. In case of insured event, to prevent or reduce damage the policyholder should:

1. take appropriate measures to minimize damage and prevent damage to undamaged aquaculture products by involving persons specialized in the relevant field (ichthyopathologist, engineer, etc.);

2. take measures to carry out a pathological-anatomical analysis, to find out the cause of death, make a decision on the sale or processing of dead, dying or diseased fish;

3. ensure isolation of sick fish from the pool where healthy fish are kept, as well as separate storage of tools used for sick fish;

4. create conditions for the managing body and an independent expert to inspect the insured product, the area where the product is located, and get acquainted with related documents to determine the amount of insurance payment;

5. submit information and documents that will help to reasonably determine the causes of the insured event, determine the amount of damage and evidence to the managing body and an independent expert.

**Annex 1** to the Regulations on  
agricultural insurance

**Discount coefficients on the 'harmlessness discount' on insurance premium for  
insurance of agricultural plants and crop products and aquaculture products**

	<b>1 year</b>	<b>2 years</b>	<b>3 years and over</b>
Discount to insurance premium	5 %	10 %	15 %

**Coefficients of additions to insurance premium on insurance of agricultural plants and  
crop products**

1) coefficients of additions to the insurance premium on insurance risks specified in  
sub-items 2.2.1, 2.2.2 and 2.2.3 herein

<b>Aggregate insurance payment to aggregate insurance premium (%)</b>	<b>Only the number of years when insurance payment is made</b>			
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
		<b>2 years</b>	<b>3 years</b>	<b>4 years</b>
100 - 124		1	1,04	1,06
125 - 149		1,04	1,06	1,1
150 - 199		1,06	1,08	1,15
200 - 299		1,08	1,1	1,2
300 - 399		1,1	1,12	1,3
400 - 499		1,12	1,16	1,4
500 - 749		1,14	1,2	1,7
750 - 999		1,16	1,24	2,1
1000 - 1499		1,18	1,3	2,75
1500 - 1999		1,22	1,5	3,5
2000 - 2499		1,26	1,7	4,5
2500 - 2999		1,3	1,9	5,5
3000 - 3499		1,34	2,1	6,5
3500 - 3999		1,38	2,4	7,5
4000 - 4499		1,42	2,7	8,5
4500 - 4999		1,46	3,2	9,5
≥ 5000		1,5	3,7	10,5

2) coefficients of additions to the insurance premium for risks of spread of plant diseases, pests and special dangerous pests

Aggregate insurance payment to aggregate insurance premium (%)	Only the number of years when insurance payment is made		
	2 years	3 years	4 years
100 - 249	1	1,03	1,26
250 - 499	1	1,15	2,7
500 - 999	1,02	1,8	8
1,000 - 1,999	1,15	2,7	15
2,000 - 2,999	1,35	4,5	30
3,000 - 3,999	1,6	6,3	44
4,000 - 4,999	1,8	8	59
5,000 - 7,499	2,15	11	80
7,500 - 9,999	2,5	13,5	102
10,000 - 12,499	2,8	16	123
12,500 - 14,999	3,15	19	145
15,000 - 17,499	3,5	22	167
17,500 - 19,999	3,8	24	188
≥ 20,000	4,15	27	210

**Coefficients of discount on 'harmlessness discount' to insurance premium on insurance of agricultural animals and animals bred for agricultural purposes**

Aggregate insurance payment to aggregate insurance payment earned (%)	The number of years an insurance contract was concluded		
	2 years	3 years	4 years and over
< 1	0,850	0,800	0,750
1 - 25	0,900	0,850	0,800
26 - 50	0,950	0,925	0,900
51 - 65	0,975	0,950	0,925

**Coefficients of additions to insurance premium on insurance of agricultural animals and animals bred for agricultural purposes**

Aggregate insurance payment to aggregate insurance payment earned (%)	The number of years an insurance contract was concluded		
	2 years	3 years	4 years and over
76 - 110	1,050	1,100	1,190
111 - 130	1,150	1,200	1,320
131 - 150	1,250	1,330	1,440
151 - 200	1,350	1,450	1,940
201 - 300	1,470	1,950	3,480
> 300	2,000	3,500	8,500

**Note.** Where the total insurance payment for insurance of agricultural animals and animals bred for agricultural purposes to total insurance premium earned ratio is in the percentage interval (65-76), discounts and additions do not apply to insurance premium.

**Annex 2** to the Regulations on  
agricultural insurance

***Insurance tariffs for insurance of agricultural plants and crop products and their economic substantiation***

First net rates are calculated when substantiating tariff rates. The following information is used when calculating net rates:

- 1) probability of an insured event ( $q$ ) - 0,02;
- 2) insurance amount per insurance contract ( $S_0$ ) - AZN10 000;
- 3) average insurance payment per insured event ( $I_p$ ) - AZN7 500;
- 4) number of insurance contracts to be concluded ( $n$ ) - 1 000.

$T_n$ ,  $T_m$  and  $T_r$  stand for the net rate, its main part and risk premium respectively, the main part of the net rate is calculated according to insurance amount of AZN100 with the below formula:

$$T_m = 100 \times q \times I_p / S_0 = 100 \times 0,02 \times 7\,500 / 10\,000 = \text{AZN}1,5$$

If the probability of coverage is taken as 0.95 to calculate the risk premium, the coefficient corresponding to that probability is  $a = 1.645$ . The risk premium is calculated by the following formula:

$$T_r = 1,2 \times T_m \times a \times \left( \frac{1 - q}{n \times q} \right)^{\frac{1}{2}} = 1,5 \times 1,2 \times 1,645 \times \left( \frac{1 - 0,02}{1000 \times 0,02} \right)^{\frac{1}{2}} = \text{AZN}0,66$$

$$T_n = T_m + T_r = 1,5 + 0,66 = \text{AZN}2,16$$

The structure of the tariff rate: the net rate - 65%, the loading rate - 35%, including operating cost - 35%.

The gross rate is calculated according to the below formula, denoted by  $T_b$ :

$$T_b = T_n / (1 - f) = 2,16 / (1 - 0,35) = \text{AZN}3,3$$

Tariff rates are differentiated depending on the types of objects and categories of risks. In addition, tariff rates are determined in the following intervals by applying coefficients mentioned in conditions of the agrarian insurance product taking into account requirements of performing accurate and correct actuarial calculations and underwriting standards at a professional level specified in Para 8 of sub-item 4.8.1 of the 'Charter of the Agrarian Insurance Fund' approved by resolution No.472 of the Cabinet of Ministers of the republic of Azerbaijan' dated 11 December 2019 on types of agricultural plants and crop products:

- wheat, barley, rice, corn grown for fodder - 0,7%-10%;
- cotton, garlic, onion, olive, cabbage - 1%-10%;

*clover, peas, green peas, dates, melon, tomatoes - 1%-15%;*  
*green plum, cherries, apples, pears, plums, sweet cherries - 3%-20%;*  
*sugar beet, potato, soybean, pomegranate, millet - 0,5%-10%;*  
*tobacco and tea - 0,3%-10%;*  
*fodder corn (silage), sunflower - 0,3%-5%;*  
*strawberry, peach - 2%-20%;*  
*quince, nut, watermelon - 2%-15%;*  
*grapes, hazelnuts, almonds - 0,5%-20%;*  
*orange, lemon, tangerine, apricot - 0,5%-30%.*

When insuring against risks of plant diseases and pests, spread and attack of particularly dangerous pests, to 55% and against the risk of freezing (congelation) up to 40% is added to the above tariff rates.

### **Insurance tariffs for insurance of agricultural animals and animals bred for agricultural purposes and their economic substantiation**

First net rates are calculated when substantiating tariff rates. The following information is used when calculating net rates:

- 1) probability of an insured event (q) - 0,06;
- 2) insurance amount per insurance contract (So) - AZN5 000;
- 3) average insurance payment per insured event (Ip) - AZN3 000;
- 4) number of insurance contracts to be concluded (n) - 6 500.

Tn, Tm and Tr stand for the net rate, its main part and risk premium respectively, the main part of the net rate is calculated according to insurance amount of AZN100 with the below formula:

$$T_m = 100 \times q \times I_p / S_o = 100 \times 0,06 \times 3\,000 / 5\,000 = 3,6 \text{ manat}$$

If the probability of coverage is taken as 0.95 to calculate the risk premium, the coefficient corresponding to that probability is  $a = 1.645$ . The risk premium is calculated by the following formula:

$$T_r = 1,2 \times T_m \times a \times \left( \frac{1 - q}{n \times q} \right) = 3,6 \times 1,2 \times 1,645 \times \left( \frac{1 - 0,06}{6\,500 \times 0,06} \right) = 0,35 \text{ manat}$$

$$T_n = T_m + T_r = 3,6 + 0,35 = \text{AZN}3,95$$

The structure of the tariff rate: the net rate - 65%, the loading rate - 35%, including operating cost - 35%.

The gross rate is calculated according to the below formula, denoted by Tb:

$$T_b = T_n / (1 - f) = 3,95 / (1 - 0,35) = \text{AZN}6,07$$

Tariff rates are determined in the intervals of 3%-10% by applying coefficients provided for in conditions of the agricultural insurance product on risk categories.

### **Insurance tariffs on insurance of aquaculture products and their economic substantiation**

First net rates are calculated when substantiating tariff rates. The following information is used when calculating net rates:

- 1) probability of an insured event (q) - 0,02;
- 2) insurance amount per insurance contract (So) - AZN15 000;
- 3) average insurance payment per insured event (Ip) - AZN10 000;
- 4) number of insurance contracts to be concluded (n) - 100.

Tn, Tm and Tr stand for the net rate, its main part and risk premium respectively, the main part of the net rate is calculated according to insurance amount of AZN100 with the below formula:

$$T_m = 100 \times q \times I_p / S_o = 100 \times 0,02 \times 10\,000 / 15\,000 = \text{AZN}1,33$$

If the probability of coverage is taken as 0.95 to calculate the risk premium, the coefficient corresponding to that probability is a = 1.645. The risk premium is calculated by the following formula:

$$T_r = 1,2 \times T_m \times a \times \left( \frac{1-q}{n \times q} \right)^{\frac{1}{2}} = 1,33 \times 1,2 \times 1,645 \times \left( \frac{1-0,02}{100 \times 0,02} \right)^{\frac{1}{2}} = \text{AZN}1,84$$

$$T_n = T_m + T_r = 1,33 + 1,84 = \text{AZN}3,17$$

The structure of the tariff rate: the net rate - 65%, the loading rate - 35%, including operating cost - 35%.

The gross rate is calculated according to the below formula, denoted by Tb:

$$T_b = T_n / (1 - f) = 3,17 / (1 - 0,35) = \text{AZN}4,88$$

Tariff rates are differentiated by categories of risks. Tariff rates are determined in the intervals of 0,3%-10% by applying coefficients provided for in conditions of the agricultural insurance product on risk categories.