

Green Card Bureau Compendium

AZ- Azerbaijan

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General information

Please provide the official full name of your Bureau.

«Compulsory Insurance Bureau» Union of Legal Entities

What is the legal status (form) of your Bureau (non-profit organisation, association of legal entities, limited liability company, etc.)?

Non-profit organization, union of insurance companies

How is the ownership/membership of your Bureau structured (e.g. owned/controlled by all members equally, part of state government, etc.)?

In order to operate under any type of compulsory insurance, provided in the Law "On compulsory insurances" insurer shall be a participant of the Bureau. The Bureau is managed by the Council of Trustees, a supreme management body, which consists of two representatives appointed from the Financial Market Supervision Authority and three representatives from the participating insurers elected among candidates nominated at the meeting of participating insurers by these insurers.

Question N° 1

1.1. What was the date of the original Law, which introduced Compulsory Third Party Motor Insurance and what was the date of its entry into force?

The Law of the Republic of Azerbaijan dated 31 May 1996. № 113-IQ. "On compulsory civil liability insurance of motor vehicle owners in the Republic of Azerbaijan" entered into force on 12 July 1996.

1.2. What is the date of the present Law and of its entry into force?

The Law of the Republic of Azerbaijan dated 24 June 2011, No. 165-IVQ "On Compulsory Insurances" entered into force on 18 October 2011 (the part relating compensation payment entered into force on 18 April 2012).

Question N° 2

2. Which are the classes of motor vehicles for which insurance is compulsory?

In accordance with the Article 50 of the Law of the Republic of Azerbaijan “On Compulsory Insurances” the following types of vehicles have to be covered by compulsory insurance:

Following motor vehicles cylinder capacity of which exceeds 50 cubical centimetres:

- passenger vehicles and other motor vehicles produced on their basis;
- lorries and other motor vehicles produced on their basis;
- minibuses, buses and other motor vehicles produced on their basis;
- motorcycles and scooters;
- tractors, motor vehicles used in road construction works, forestry and agriculture.
- trolleybuses and trams;
- trailers and semi-trailers (according to the Decree № Q-01 of the Ministry of Finance of the Republic of Azerbaijan dated 6 December 2011 trailers and semi – trailers are included to the list of vehicles which have to be covered by compulsory insurance).

Question N° 3

3. Is the Law applicable to foreign visitors?

Yes.

Question N° 4

4. Does the Law apply in respect of liability for both personal injury and damage to property?

Yes.

Question N° 5

5. What is the minimum limit of cover required for personal injury damage? State the minimum value of sum insured, date with effect from and please indicate whether the limit is per accident or per victim.

Type of vehicle	Personal injuries		Material damage	
	Per accident	Per victim	Per accident	Per victim
All	50,000 AZN (43,562 €)	5,000 AZN (4,356 €)	5,000 AZN (4,356 €)	Up to 5,000 AZN (4,356 €)
Date of effect: 18 th October 2011, the part regarding compensation payment entered into force on 18				

April 2012.

Please take into consideration that according to the Rates of Central Bank of Azerbaijan Republic on 11.12.2015, 1 EUR equals 1.1478 AZN (<http://en.cbar.az/>).

Question N° 6

6.1. Does the Law require cover in respect of passengers carried in the vehicle?

Yes.

6.2. Is there any category of passenger excluded from this cover?

Yes, there is. In accordance with Article 7 of the Law “On Compulsory Insurances” policy holder’s and insured person’s family members are not covered by compulsory insurance. “Family members” shall mean children of the dead person (adopted children), child born after the death of person, dead person’s wife (husband) and parents (adoptive parents).

Question N° 7

7. Under what conditions is an insurer permitted by Law to reject a third party claim? Please specify.

According to the Law of the Republic of Azerbaijan “On Compulsory Insurances” and Civil Code of the Republic of Azerbaijan insurance payment under compulsory third party liability insurance agreements shall not be granted in the following cases:

- where accident or circumstance relates to military operations, terrorism, mass riots, nuclear explosion, radioactive pollution (Article 21.1.1 of the Law “On Compulsory Insurances”);
- where insurance claim relates to damage caused to money, securities, precious metals and precious stones, works of art, including artworks, engravings, sculptures belonging to third persons as well as to property in the form of models, plans and outlines, patents for invention, documents, books and scripts (Article 21.1.2 of the Law “On Compulsory Insurances”);
- where insurance claim relates to moral damage and deprivation of income (Article 21.1.3 of the Law “On Compulsory Insurances”);
- where insurance claim relates to policy holder’s or insured person’s property interests for payment of fine, forfeit and penalty fee (Article 21.1.4 of the Law “On Compulsory Insurances”);
- where an insurer is unable to determine insurance accident due to the failure to meet requirements of the law concerning the notification of the insurer (Article 935.1.1 of the Civil Code);
- where an insurer fully or partially deprived of the opportunity to identify causes of the accident and (or) amount of the damage as a result of non-fulfilment of the requirements of the legislation regarding the submission of the damaged property to insurer or insured’s deliberately false information to insurer regarding insurance accident (Articles 935.1.5 and 935.1.6 of the Civil Code);

- except the circumstances eliminating the liability accident occurred in the result of deliberate action or inaction of the third party or caused in the result of commitment of crime which is related with an accident (Article 935.1.2 of the Civil Code);
- where the beneficiary is fully compensated by the guilty person or its appropriate insurer; if the insurance payment partly made by the guilty person or its appropriate, the compensated part is subject to the rejection (Article 935.1.7 of the Civil Code);
- where a property damage of third party as a result of insurance accident is fully reimbursed by policy holder or insured person as well as by insurer which is a party of another relevant insurance agreement concluded by third party, insurer shall pay insurance payment in the amount of insurance amount to policy holder or insured person or other insurer which submitted a claim by way of subrogation. In such case, amount of insurance payment may not exceed an amount paid to the beneficiary by the policy holder or insured person or other insurer (Article 20.6 of the Law “On Compulsory Insurances”);
- where the occurred accident is not deemed to be an insurance accident in accordance with the legislation (Article 935.1.8 of the Civil Code).

Question N° 8

8. Is there a direct right of action by a third party against an insurer?

Yes. A third party has the direct right of action against an insurer.

Question N° 9

9. Does a claimant resident in a foreign country have a direct right of action against the local Bureau or the insurer representing the Bureau?

A claimant resident in a foreign country has a direct right of action against the Bureau.

Question N° 10

10.1. Does the Law require the insurer and/or Bureau to make an offer of compensation to a claimant within a specified time?

Yes.

If yes, what is the nature of the damages to which the time-limit applies?

The time-limits are the same for both: property damage and personal injuries.

10.2. What is the specific time-limit?

According to Article 18.1 of the Law “On Compulsory Insurances” the insurer shall be obliged to pay insurance payment not later than 7 working days from the date of submission to and/or receipt by it of last of documents indicated in the Law “On Compulsory Insurances”.

10.3. Which are the other provisions of the Law in this respect? (e.g. sanctions)

According to the Article 13.5 insurer shall submit the written insurance claim form to insured person and/or beneficiary within 3 working days from the moment of submission of verbal information about occurrence of circumstance which may be recognized as an insurance accident.

In the meantime as provided in Article 18.2 of the Law "On Compulsory Insurances" if insurance payment is not paid within the period of 7 working days from the moment of submission to and/or receipt by it of last of documents indicated in the Law "On Compulsory Insurances", insurer shall pay fine in the amount of 0, 1 percent of sum insured for each day of delay.

10.4. Are there any similar stipulations for provisional payments?

Yes. According to the Article 58.3-1 of the Law "On Compulsory Insurances" if, in the result of traffic accident which may be considered as insurance accident, the driver, passenger or pedestrian will die, insurer which has insured the civil liability of the owner of that motor vehicle shall pay compensation in the amount of 20 percent of insurance amount to family members of died person within 2 working days from the moment of acquisition of reference of the relevant state authority certifying such fact and copy of respective death certificate. If the fact of emergence of civil liability of the owner of motor vehicle in the occurrence of insurance accident is determined, remaining part of insurance compensation shall be paid as provided in the Law "On Compulsory Insurances". If the fact of emergence of civil liability of the owner of motor vehicle in the occurrence of insurance accident is not determined, right to subrogation in the amount of paid compensation against the insurer, which has insured the guilty person and his/her civil liability, shall be effective, except for case of automobile-pedestrian accident.

Question N° 11

11.1. Is there a limitation period for legal proceedings against the insured or the insurer?

Yes.

If yes, please specify.

There is a 3 years limitation period concerning property damage. This period is estimated from the day of the road traffic accident. However this period does not extend on the actions related to the personal injuries.

11.2. Are there any provisions in the Law which allow for the suspension or extension of that limitation period?

Yes.

If yes, please specify.

According to the Articles 379, 375 and 382 of the Civil Code of the Republic of Azerbaijan the continuity of period of limitation shall be suspended in the following circumstances:

- where submission of claim has been obstructed by extraordinary and no preventable at that time circumstance (non-preventable force);
- where claimant or defendant are in armed forces transferred to military condition;

- where the relevant body of executive authority has established a moratorium in respect of performance of obligation;
- where incapable person does not have legal representative;
- where an effect of law or other normative legal act regulating relevant relationships has been suspended.

Continuity of period of limitation in respect of claims relating to compensation of damage caused to life or health of physical persons shall be also be suspended until apportionment of pension or allowance or refusal from their apportionment pursuant to application of physical person to relevant body for apportionment of pension or allowance.

Continuity of period of limitation shall be suspended on the condition that circumstances specified in this Article have emerged or continued to occur during the last 6 months of a period of limitation, and where that period is equal to or less than six months — within a period of limitation.

Continuity of period of limitation shall continue from the day of the end of an event giving ground to suspension of period or limitation. Remainder of a period shall be extended up to 6 months, and where a period of limitation is equal or less than 6 months— it shall be extended for the whole period.

Continuity of period of limitation in respect of claims between spouses shall be suspended for the period of existence of marriage. The same procedures shall apply in respect of claims between parents and children until children have reached the age of majority, as well as claims between custodians (guardians) and children in custody (guarded) for the entire period of custody.

In the event claim has been brought forward by a person with restricted action capacity or lacking action capacity not having a legal representative, a period of limitation shall be considered suspended until that persons attains full action capacity or until a representative has been appointed for him.

Claim in respect of protection of a right shall be accepted by court for review regardless of expiry of period of limitation.

Period of limitation shall be applied by court only on the basis of a petition of a party to dispute submitted prior to issuance of court decision. Expiry of period of limitation in respect of which a party to dispute has submitted a petition for application shall be ground for issuance by court of decision on refusal of claim.

Violated right of physical person shall be protected in exceptional circumstances where a court finds reason of lapse of a period of limitation due to circumstances connected with persons (heavy illness, helpless situation, lack of knowledge, etc.) excusable. Reasons of lapse of period of limitation may be considered excusable in the event they have occurred within last 6 months of a period of limitation, and where that period is equal to or less than 6 months — within the period.

Question N° 12

12.1. Is your Bureau a VAT liable entity?

No.

12.2. If yes, please indicate the VAT number:

N/A.

In this case is the service of claims handling by the Bureau VAT exempted?

N/A.

12.3. Is an MTPL insurer in your market a VAT liable entity?

No.

If yes, is the service of claims handling by an MTPL insurer VAT exempted?

N/A.

12.4. Is a specialised claims handling office a VAT liable entity?

Yes.

If yes, is the service of claims handling by this entity VAT exempted?

In this case it depends on claim handling office. Thus, according to the Article 164.1.2 of the Tax Code of the Republic of Azerbaijan, provision of financial services are subject to exemption from tax. Meanwhile, according to the Article 13.2.14.7 of the same law, any insurance or re-insurance transactions, as well as insurance agent and insurance broker services in connection with these transactions are specified as financial services. Taking into consideration the fact that claim handling offices are operating the insurance transactions and this transactions are exempted from tax, claims handling offices are not VAT liable entity.

However, if these operations were held by legal entity apart from above, they could be considered as a VAT liable entity.

Question N° 13

[Note: Questions addressed to non-EEA Bureaux only. For EEA Bureaux, see Section 2 & 3]

13.1. Is there a Guarantee Fund in your Country?

No. However, in accordance with the Law of the Republic of Azerbaijan "On Compulsory Insurances", Compulsory Insurance Bureau fulfils the functions of the Guarantee Fund and Compensation Body in the Republic of Azerbaijan.

If yes, what are the conditions and limits of intervention of the Guarantee Fund?

The compensation payment is made by the Compulsory Insurance Bureau, in the following cases:

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- due to insolvency, or insurer's failure to comply with obligation in connection with property damage and personal injury under relevant compulsory insurance agreements.

- where third party is injured by unknown or stolen motor vehicle;

- where third party is injured as a result of usage of motor vehicle by person not having compulsory civil liability insurance agreement required under Part 4 of the Special chapter of the Law "On Compulsory Insurances".

The limits of the compensation payments are the same as in the answer of Question 5.

13.2. Are these conditions and limits applicable to non-residents whether they are the cause of, or victims of, accidents?

Yes.

Question N° 14 – For countries concerned by Section III of the Internal Regulations

14.1. Are there natural or legal persons (public or private) exempted from the obligation of compulsory MTPL insurance in your country? (Article 12.2 of the Internal Regulations)

N/A.

If yes, please list the persons exempt from compulsory MTPL insurance:

N/A.

In this case please also indicate the authorities or bodies responsible for compensation:

N/A.

14.2. Are there certain types of vehicles or certain vehicles bearing a special plate exempted from the obligation of compulsory MTPL insurance in your country? (Article 12.3. of the Internal Regulations)

N/A.

If yes, please list those vehicles:

N/A.

Question N° 15

15.1. Any other special features?

According to Article 25 of the Law "On Compulsory Insurances" the insurer's has right of subrogation in the amount of insurance payment granted under compulsory civil liability insurance against policy holder and/or against insured person in the following cases:

- where insurance accident is a result of intentional, illegal actions of policy holder or insured person aimed at occurrence of that accident, except for actions excluding administrative liability or avoiding criminal component of action;

- unless otherwise provided in the Special chapter of the Law “On Compulsory Insurances” under any type of insurance, where policy holder or insured person or their representative, authorized person deviates from examination conducted by the competent authority in connection with detection of exploitation of property (building, construction, motor vehicle, device, installation, equipment etc.) in alcoholic intoxication as a result of consumption of alcohol, narcotic drugs, psychotropic and other drastic substances on the moment of occurrence of insurance accident as well as the fact of use of aforesaid substances;

- where property indicated in compulsory insurance policy is exploited by the person who is not entitled to use, manage, apply and exploit it in other form, provided that if relevant property has been exploited unauthorized person without policy holder’s or insured person’s knowledge (except for cases where they are obliged to know), right of subrogation shall emerge against that person;

- where insurance accident occurred during the use of property indicated in compulsory insurance policy for purposes not corresponding to its technical assignment;

- where policy holder (insured person) or its representative, during the insurance accident, intentionally failed to take possible measures to prevent infliction of greater damage and/or to diminish it, as well as to rescue the life of sufferer or persons who might presumably suffer from damage, provided that rights of subrogation emerges in such a volume in which amount of damage might be diminished, if aforesaid measures had been taken;

- where insurance accident is accompanied with action intentionally committed by policy holder or insured person who is not recognized as victim, during the fulfilment of one or another type of activity with breach of requirement of the law regulating such type of activity;

- where policy holder or insured person, during the conclusion of insurance agreement, has not informed insurer intentionally or has submitted false information about all circumstances which should be included into the agreement as well as about all known circumstances which may affect insurer’s decision about rejection of agreement or its conclusion with altered contents, as well as all circumstances associated with the change of insurance risk upon conclusion of agreement.