

Azerbaijan

Baker & McKenzie

Azerbaijani Law No. 573-IIQ dated January 6, 2004 On Obligatory Fire Insurance

The Law lays legal and financial groundwork for obligatory fire insurance to cover the property of legal entities and self-employed entrepreneurs in Azerbaijan and their civil liability to third parties. If the value of the property being insured is under one billion manats (approximately USD 200,000), the insurance premiums will be 0.3% of that value. If such value is under 5 billion manats (approximately USD 600,000), the premiums will work out to 0.25%. If the property insured is worth more than 5 billion manats, the premiums will be collected at a rate of 0.2%. The insurer's fee will amount to 15%, and compensation due to insurance agents will add up to 5%. Insurance risks are to be re-insured. If the sum total of risks under a policy is 3 billion manats or less, all of the risks should be re-insured in Azerbaijan. If such sum is over 3 billion manats, the amount exceeding 3 billion manats may be re-insured abroad, but the foreign insurer should collect a fee of at least 15%.

The amount of insurance to cover civil liability for damage to property as a result of a fire should amount to 20% of the property insurance. The ceiling on insurance that can be obtained for civil liability for any harm caused to human life and health is 100 million manats (the insured amount per person is 10 million manats). Should the insured person die, insurance indemnity is payable in full. Indemnity for suffering first-degree disability is 80%, second-degree disability is 60%, third degree disability is 40%, a grave injury is 25%, and a minor injury is 5% of the insured amount.

An obligatory fire insurance contract is to be executed for a term of one year. Unless any insurance indemnity is paid during that time, the insurance premiums for the next term are to be reduced by 10%, with further discounts by 15% for the third and subsequent years. If a fire alarm system and fire fighting facilities are in place, the premiums are further lowered by 5%, while the existence of a fire safety department means a further rebate of 10%. □