“AGREED” BY

Central Bank of the Republic of Azerbaijan

General Director

Vusal Gurbanov

21.08.2026

“APPROVED” BY

“PASHA Life Insurance”OJSC
Management Board Meeting Protocol dated
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Chairperson of the Management Board

Ulviyya Jabbarova

Endowment Life Insurance
Rules

Baku-2026

Disclaimer

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General concepts

Endowment Life Insurance Rules (hereinafter referred to as the "Rules") set forth the rules and terms applicable to the voluntary life insurance coverage provided by "PASHA Life Insurance" OJSC, which provides for the payment of an insurance payment in the event of the death of the insured during the term of the insurance contract or if the insured survives until the age or period specified in the insurance contract.

Unless otherwise provided for in these Rules, the terms and expressions used herein shall have the following meanings:

Policyholder - a party to the insurance contract who pays the insurance premium and has an insurable interest in in insuring the object of insurance;

Insurer - "PASHA Life Insurance" Open Joint Stock Company, a local legal entity that has an appropriate license to carry out insurance activities in accordance with the legislation and is a party to the insurance contract, which is obliged to pay insurance payment in accordance with the procedure established by law or the contract in the event of an insurance event stipulated in the insurance contract;

Insured - a person whose property interests are insured on the basis of an insurance contract.

Beneficiary - The person to whom the insurance payment must be made in accordance with the insurance contract;

Actuary - a specialist who determines the grounds for calculating insurance premiums by performing economic and mathematical calculations in accordance with the legislation, as well as calculating insurance reserves;

Insurance contract - an agreement setting forth the terms under which the insurer undertakes, in consideration of the payment of the relevant insurance premium by the policyholder, to indemnify losses or damage arising from risks to which the object of insurance may be exposed, or to pay an agreed sum of money upon the occurrence of a specified event. For the purposes of these Rules, the term "Preferential Endowment Life Insurance Contract" shall refer to all endowment life insurance contracts, unless expressly distinguished otherwise in the relevant provision;

Preferential Endowment Life Insurance Contract - endowment life insurance contract (certificate) concluded for a term of not less than 3 (three) years at the time of its initial execution, in respect of the insurance premiums paid by the policyholder under which a tax and/or mandatory state social insurance relief or exemption is applied pursuant to the legislation of the Republic of Azerbaijan;

Insurance certificate - a document confirming the fact of the conclusion of an insurance contract, issued by the Insurer to the Policyholder and (or) the Insured;

Insurance year – the first year during which the insurance coverage is in force, commencing on the effective date of a endowment life insurance contract (certificate), and each subsequent year completed during the entire period of validity of such contract;

Subject of Insurance – the individual to whose property interests insured under the insurance contract the insurance relates;

Insurance Risk – the probability of the occurrence of an event or the emergence of a circumstance that may result in losses or damage in connection with the object of insurance, as well as the obligation assumed by the Insurer in respect of such probability;

Insured event - an event occurring or a circumstance arising during the period of validity of the insurance contract that constitutes the basis for the payment of an insurance payment to the Policyholder, Insured or other Beneficiaries under the insurance contract;

Sum insured – the maximum limit of the Insurer's liability in respect of the insured risks, expressed as an amount determined under the insurance contract;

Insurance Premium – the amount of money payable by the Policyholder to the Insurer in accordance with the terms of the insurance contract in consideration for the assumption or sharing of risks;

Insurance Premium Payment Schedule (Payment Schedule) - a schedule specifying the amounts of insurance premiums payable by the Policyholder to the Insurer under the insurance contract, as well as the frequency and sequence of such payments;

Insurance payment - in the event of an insurance event, financial compensation paid by the Insurer in accordance with the insurance contract;

Accident - an unforeseen and accidental event associated with an external or short-term physical impact that causes harm to the health of the Insured and results in a sudden and acute impairment of health accompanied by injury to body parts or tissues;

Pre-existing Condition/Disease - any deterioration of health, injury, trauma, pathology, chronic or acute disease, mental or neurological disorder, or any other condition or illness that had already been diagnosed or manifested through symptoms at the time of entering into the insurance contract and of which the Policyholder/Insured was aware or ought reasonably to have been aware;

Surrender value - the monetary amount payable to the Policyholder or Insured in the event of early termination of the insurance contract;

Risk amount – the difference between the sum insured and the amount of the mathematical insurance reserve accumulated from the insurance premiums by any given day during the validity period of the insurance contract;

Mathematical Insurance Reserve - the Insurer's (Reinsurer's) obligation to make insurance payments in respect of insurance events that have not occurred as of the reporting date but may occur in the future during the term of the insurance (reinsurance) contract;

Annual Yield Rate - the annual interest rate applicable to each insurance year of the insurance term for the purpose of calculating insurance premiums for the endowment life insurance class;

Electronic document - document submitted in electronic form for use in the information system and certified by electronic signature;

Electronic signature - data that are added to other data or logically related to them, allowing to identify the owner of the signature.

1. Insurance class

1.1. The insurance coverage provided under these Rules falls within the endowment life insurance class and provides for the payment of an insurance payment in the event of the death of the Insured during the term of the insurance contract or if the Insured survives until the age or period specified in the insurance contract.

2. Object of insurance

2.1. Under these Rules, the object of insurance shall be the property interests of the Policyholder or the Insured relating to the life of the Policyholder or the Insured.

3. Subject of Insurance

3.1. Under these Rules, the subject of insurance shall be the individual to whom the property interests insured under the insurance contract relate.

4. Insurance premium and sum insured

4.1. The sum of the insurance premium and the sum insured shall be agreed upon in the insurance contract.

4.2. The payment and modification of insurance premiums under the Preferential Endowment Life Insurance Contract shall be governed by Subparagraphs 4.2.1–4.2.3 of these Rules:

4.2.1. Under a Preferential Endowment Life Insurance Contract, the total amount of insurance premiums payable for each insurance year may not exceed the total amount of insurance premiums payable for the preceding insurance year. Accordingly, the aggregate amount of insurance premiums paid for each insurance year shall constitute the maximum limit of the total insurance premiums that may be paid for the following insurance year. When amending the insurance contract to increase or decrease the amount of the insurance premium, the Parties shall comply with the requirements of this provision.

4.2.2. Subject to the requirements of Subparagraph 4.2.1 of these Rules, where an application is made to increase the insurance premium under a Preferential Endowment Life Insurance Contract, the additional insurance premium may be determined to be payable for the current insurance year and/or subsequent insurance years. For each application to increase the insurance premium, the applicable increase period and the insurance premium payment schedule shall be established in accordance with the Policyholder's choice. Where the application of the increase in the insurance premium to subsequent insurance years is not selected, the payment of insurance premiums for such years shall continue in accordance with the payment schedule applicable to those insurance years prior to the application for the increase.

4.2.3. An application for an increase in the insurance premium as provided for in Subparagraph 4.2.2 of these Rules may be submitted during the first 11 months of each insurance year. The application for an increase in the insurance premium may not provide for the increase to take effect only from the last month of the relevant insurance year.

4.3. The insurance contract may provide for the insurance premium to be paid either in a lump sum or in instalments.

4.4. If the insurance premium or any part thereof is not paid when due, the Insurer may, taking into account the requirements of Clause 4.5 of these Rules, specify in writing a period of up to 15 days for payment thereof.

4.5. In any event, the insurance premium or the agreed first instalment thereof shall be paid no later than one month from the date of conclusion of the insurance contract.

4.6. Payment of the insurance premium under an insurance contract executed in electronic form shall constitute confirmation that the Policyholder has read and agreed to these Rules and the terms and conditions of the insurance contract, as well as confirmation of the fact that the insurance contract has been concluded.

5. Insurance risks

5.1. Under an insurance contract concluded in accordance with these Rules, the Insurer shall provide the Policyholder with insurance coverage against the following risks, except for the circumstances specified in the exclusions section of these Rules:

5.1.1. Death of the Insured during the period of validity of the insurance coverage;

5.1.2. The Insured's survival to the age or until the term specified in the Insurance contract.

6. Exceptions

6.1. Unless otherwise provided by the insurance contract, the events covered by insurance contracts concluded under these Rules shall not be considered Insured events if they occurred as a result of the following:

6.1.1. the Insured's suicide within the first 2 years of the validity of the insurance contract, cases of forcing the Insured to commit suicide by illegal actions of third parties are excluded from this provision;

6.1.2. Cases such as the Insured's participation in military operations, civil unrest, acts of terrorism, military coups, mass riots, forcible seizure of power, as well as the Insured's engagement in military service, military mobilizations, trainings, or participation in officially declared or undeclared wars, etc;

6.1.3. Exposure of the Insured to ionizing radiation, radioactive emission, poisoning, or declared epidemics;

6.1.4. the Insured being in a state of alcohol intoxication or taking drugs or toxic substances;

6.1.5. the Insured being in a state of mental incapacity, that is, as a result of a chronic mental illness, temporary mental disorder, mental retardation, or other mental conditions, being unable to understand the actual nature of their actions (acts or omissions) or to control them;

6.1.6. participation of the Insured in any airline flights, except for participation as a passenger in the flight carried out by a certified airline crew and in a special order, or the accident of the aircraft operated by the Insured himself;

6.1.7. Insured driving a vehicle without the legal right or a valid license to operate it;

6.1.8. the Insured is engaged in dangerous work or dangerous sports (auto-moto sports, parachute jumping, hand-to-hand combat, mountaineering, mountain and water tourism, underwater swimming, diving, horse riding, etc.);

6.1.9. except for cases when it is done with the aim of saving human life, when the Insured deliberately endangers himself, deliberately injures himself, damages his own health;

6.1.10. non-compliance by the Insured with medical advice and intentional failure to obtain medical treatment;

6.1.11. the Insured undergoing medical examinations, receiving treatment, or taking medications prescribed by a person who is not legally authorized to practice medicine;

6.1.12. death occurring in guardhouses, temporary detention facilities, pre-trial detention facilities, correctional institutions or prisons;

6.1.13. the Insured’s use of psychotropic substances and medicinal products without a physician’s prescription or, even where prescribed by a physician, in violation of the prescribed dosage or instructions for use;

6.1.14. acquired immunodeficiency syndrome (AIDS), immunodeficiency virus (HIV), or other similar diseases and all conditions associated with such diseases;

6.1.15. cases of childbirth without medical supervision and complications of childbirth, termination of pregnancy by artificial means or other surgical interventions without a doctor's appointment and supervision.

6.2. The exclusions and limitations provided for under these Rules may be included in the insurance coverage by mutual agreement of the parties to the Insurance Contract.

7. Insurance contract

7.1. According to the life insurance contract concluded on the basis of these Rules, the Insurer undertakes to pay the sum insured specified in the contract to the Beneficiary in the form of a one-time insurance payment or periodic payments in the event of an insurance event of the Policyholder or another person specified in the contract as the Insured in exchange for the insurance premium agreed with the contract and paid by the Policyholder.

7.2. The insurance contract is concluded on the basis of the application for insurance if the Policyholder is an individual, and in the case of a legal entity, on the basis of the list of Insured persons and the request form determined by the Insurer. By mutual agreement of the parties, an insurance contract may be concluded on the basis of a verbal request.

7.3. The insurance contract shall be concluded in writing in any of the following forms:

7.3.1. by drawing up and mutually signing a document called an insurance contract by the parties on the basis of these Rules;

7.3.2. Subject to the Policyholder's written confirmation of having read and agreed to the terms of these Rules, the Insurer shall provide the Policyholder with an Insurance Certificate.

7.4. In the case provided for in subparagraph 7.3.2 of these Rules, the Insurance Certificate shall specifically list the risks to which the insurance subject is Insured.

7.5. The forms of the insurance contract provided for in paragraph 7.3 of these Rules can be concluded by means of an electronic signature, as well as by means of scanning or other copying of the signature and/or seal of the parties.
7.6. When concluding an insurance contract, the Insurer must provide the Policyholder with an information sheet, which is drawn up in a style that is easily understood by everyone and contains:
7.6.1. how to act when a situation that can be considered an insurance event occurs;
7.6.2. legal grounds for the Insurer's refusal of insurance payment.
7.7. When concluding an insurance contract, the Insurer may require an examination of the Insured at his own expense or at the expense of the Policyholder (Insured), depending on the terms of the insurance contract, in order to assess the current state of the Insured's health.
7.8. The Insurer must provide the Policyholder with a document confirming the conclusion of the insurance contract - an insurance certificate within 10 days. This requirement also applies to the case when the insurance contract is concluded in the manner provided for in subparagraph 7.3.1 of these Rules.
7.9. The contract may provide for the participation of several persons as shareholders in the payment of insurance premiums. In this case, those persons act as co-Insured.
7.10. Additions and amendments may be made to the insurance contract during its validity period in accordance with the legislation and the terms of these Rules. Such additions and amendments form an integral part of the insurance contract.

8. Insurance period and territory of insurance

8.1. The insurance period shall be determined by the insurance contract.
8.2. Unless otherwise provided for in the insurance contract, provided that the first instalment or the full amount of the insurance premium has been paid, the insurance coverage period shall commence at 24:00 on the date of conclusion of the Insurance Contract and shall expire at 24:00 on the last day of the term of the insurance contract.
8.3. Unless otherwise provided for in the insurance contract, no territorial restrictions shall apply to the territory in which the insurance contract is in force.

9. Rights and obligations of the Parties to the Insurance Contract

9.1. **Rights of the Policyholder (Insured):**

9.1.1. To review the Insurer’s annual balance sheet, as certified by an independent auditor, and its financial results for the year upon conclusion of the insurance contract;
9.1.2. To obtain a duplicate of the insurance certificate from the Insurer in the event of its loss or destruction;
9.1.3. To obtain explanations from the Insurer regarding the terms and conditions of the insurance contract and these Rules;
9.1.4. To propose amendments to the terms and conditions of the insurance contract;
9.1.5. In the event of the death of the Policyholder, being an individual, or the liquidation of the Policyholder, being a legal entity, the Insured shall perform the obligations of the Policyholder stipulated by the insurance contract and the Rules, in accordance with the procedure prescribed by the applicable legislation and the agreement between the Policyholder and the Insurer;
9.1.6. To exercise any other rights provided for by the Civil Code of the Republic of Azerbaijan and these Rules;

9.2. **Obligations of the Policyholder (Insured):**

9.2.1. To provide accurate answers to the questions set out in the application for insurance;
9.2.2. Pay the insurance premium within the period and amount stipulated by the insurance contract;
9.2.3. To disclose to the Insurer, upon conclusion of the insurance contract, all circumstances known to the Policyholder, as well as those requested by the Insurer in writing, which may affect the Insurer’s decision to refuse to enter into the insurance contract or to conclude it on different terms;
9.2.4. To notify the Insurer or the insurance intermediary acting on behalf of the Insurer, within 5 business days, of any and all changes occurring after the conclusion of the insurance contract in relation to the circumstances disclosed pursuant to Clause 9.2.3 of these Rules;
9.2.5. To provide the Insurer with accurate information concerning the Beneficiary;

9.2.6. In the event of an insured event, the Policyholder, Insured or Beneficiary shall, immediately upon becoming aware of the occurrence of the event, or within the shortest possible period, notify the Insurer or its representative by any means, as well as the competent state authorities that are required to be notified of such event;
9.2.7. To provide the Insurer or its representative with unrestricted access to information related to the insured event;
9.2.8. To fulfill other duties provided for in the Civil Code of the Republic of Azerbaijan and arising from these rules.

9.3. **Rights of the Insurer:**
9.3.1. To verify the accuracy of the information provided by the Policyholder and the Insured;
9.3.2. To require the Insured to undergo a medical examination, at the Insurer's own expense or at the Policyholder's expense, depending on the terms of the insurance contract, for the purpose of assessing the Insured's current state of health;
9.3.3. If the Policyholder intentionally fails to fulfill their duty to disclose information upon entering into the insurance contract, the Insurer may, within five years from the date of execution, refuse to perform its contractual obligations and demand the premature termination of the insurance contract;
9.3.4. When paying the insurance payment, deduct from the amount of the insurance payment the amount of the insurance premium that the Policyholder is obligated to pay, which is due or overdue;
9.3.5. To exercise other rights provided for by the Civil Code of the Republic of Azerbaijan and arising out of these rules.

9.4. **Duties of the Insurer:**
9.4.1. To ensure that the Policyholder is informed of and has reviewed these Rules at the time of entering into an insurance contract pursuant to these Rules;
9.4.2. To provide the Policyholder, upon conclusion of the insurance contract, with an information sheet prepared in clear and easily understandable language;
9.4.3. To provide the Policyholder with an insurance certificate accompanied by these Rules;
9.4.4. In the event of an insured event, to make the insurance payment no later than 7 business days from the date of receipt of the last of the documents specified in Clauses 13.2 and 13.3 of these Rules, or to provide the Policyholder, the Insured or the Beneficiary with a written and reasoned notice of refusal to make the insurance payment;
9.4.5. If the Policyholder, the Insured or the Beneficiary who has notified the Insurer of the occurrence of an insured event has failed to notify the competent state authorities of such event, to immediately inform the relevant authorities thereof;
9.4.6. To ensure confidentiality of information considered as insurance secret by the law of the Republic of Azerbaijan "On insurance activity";
9.4.7. To submit a written request to the competent state authorities concerning events that may constitute insured events and are subject to investigation or registration, for the purpose of obtaining a document confirming the occurrence and/or cause of such events, as well as their consequences;
9.4.8. To perform other duties provided for by the Civil Code of the Republic of Azerbaijan and arising from these rules.

10. Early termination of the insurance contract

10.1. The insurance contract shall be terminated prematurely in the following cases:
10.1.1. When the subject of insurance is no longer available;
10.1.2. Except in the following cases, when the Insured individual dies or the termination or liquidation of the activities of the Insured legal entity:

10.1.2.1. In the event of the death of an Policyholder who has entered into a life insurance contract in favor of another person, his rights and obligations transferred to the person with whom the insurance contract was concluded in favor with the written consent of that person;

10.1.2.2. When a legal entity that is Policyholder is reorganized during the period of validity of the insurance contract, his rights and obligations under that contract transferred to its legal successor.

10.1.3. In case of death of the Insured who is not Policyholder and in this case the Insurer objected to the proposal to replace the Policyholder with another;

10.1.4. Where the possibility of the occurrence of an insured event has ceased to exist and the insurance risk is extinguished for reasons other than the occurrence of an insured event;

10.1.5. When the Insurer has fully fulfilled its obligations to the Policyholder;

10.1.6. When the insurance interest no longer exists;

10.1.7. When the Policyholder does not pay the insurance premium in the manner prescribed by the insurance contract;

10.1.8. When the Policyholder or the Insurer requests early termination of the insurance contract.

10.2. If the Policyholder, who is an individual, is deemed incapable by a court decision during the period the insurance contract is in force, or if his capacity to act has been restricted by a court decision, the rights and obligations of the Policyholder shall be exercised by his guardian or custodian.

11. Notification on early termination of the insurance contract

11.1. In the cases specified in Clause 10.1 of these Rules, when circumstances arise that constitute grounds for termination of the insurance contract, the party initiating the termination shall immediately notify the other party, taking into account Clause 11.2 of these Rules.

11.2. When the insurance contract is prematurely terminated at the request of the Policyholder or the Insurer in accordance with clause 10.1.8. of these Rules, each party must send a written notification about this to the other at least 30 days in advance (60 days in advance in case the insurance contract is concluded for more than five years, and 5 working days in advance if it is concluded for less than 3 months).

12. Consequences of early termination of the insurance contract

12.1. In case of early termination of the insurance contract at the request of the Policyholder, the Insurer shall refund the insurance premiums for that period by deducting from the refundable portion of the insurance premium under that contract the portion of the costs of carrying out the work proportional to the unexpired term of the contract. If the Policyholder's claim for termination of the insurance contract is due to the Insurer's failure to fulfill his obligations under the insurance contract, the Insurer returns the insurance premiums in full to the Policyholder.

12.2. In case of early termination of the insurance contract at the request of the Insurer, he returns the entire amount of insurance premiums to the Policyholder; if this requirement is due to the Policyholder's failure to fulfill his obligations under the insurance contract, the Insurer returns insurance premiums for the unfulfilled period of the contract. In this case, the Insurer may deduct from the returned part of the insurance premium under the insurance contract a proportional part of the costs of carrying out work for the unfulfilled period of the contract.

12.3. In case of early termination of the insurance contract, if before the moment of termination the Insurer has provided the Policyholder with an insurance payment equal to or greater than the insurance premium paid to the Policyholder, the insurance premium will not be returned to the Policyholder.

12.4. In case of early termination of the insurance contract, if insurance payment was made less than the insurance premium paid before the termination, the return of the insurance premium to the Policyholder in the amount of the difference between the amount of the insurance premium and the amount of the insurance payment shall be carried out in the manner provided for in paragraphs 12.1 and 12.2.

13. Procedure for making insurance payments

13.1. The sum insured agreed upon at the time of conclusion of the contract shall be paid by the Insurer to the Beneficiary only on the condition that the insurance premium has been paid in the amount and in accordance with the procedure stipulated by the contract.

13.2. The insurance payment shall be made upon submission of the following documents:

a) the insurance claim submitted to the Insurer by the Policyholder, the Insured or the Beneficiary upon the occurrence of an insured event;
b) where an event that may qualify as an insured event is required to be reported to any state authority, the relevant document issued by such authority in respect of the event;
c) insurance certificate (together with the application for insurance and its annexes);
d) a copy of the document certifying the identity of the Insured;
e) the insurance claim submitted by the Beneficiary (Beneficiaries) for the payment of the insurance payment, together with a notarized copy of the identity document;
f) a document issued by the competent state authority confirming the occurrence and/or cause, as well as the consequences, of an event that may constitute an insured event and is subject to investigation or registration, including, where the event involves a criminal offence, a copy of the court decision or the decision to initiate or refuse to initiate criminal proceedings;
g) in the event of the death of the Insured, a notarized copy of the death certificate;
h) where the Beneficiary has not been specified, a notarized copy of the certificate of inheritance.

13.3. The Insurer may also, upon providing due justification, request the following documents necessary to determine the causes of the event or establish whether the event constitutes an insured event:

a) if the Insured has died, a medical certificate stating the cause of death;
b) medical epicrisis and an extract from the relevant medical records;
c) extract from the outpatient medical record;
d) employment contract, etc.

13.4. If the Beneficiary dies without having received the insurance benefit payable to him under the insurance contract upon the death of the Insured, the insurance payment shall be made to the heirs of such Beneficiary.

13.5. The insurance payment may be made to the representative of the Insured (Beneficiary) on the basis of a power of attorney duly executed in accordance with the procedure prescribed by law.

13.6. Unless otherwise provided for in the insurance contract, upon the occurrence of an insured event, the Insurer shall, no later than seven business days from the date on which the last of the relevant documents specified in Clauses 13.2–13.3 of these Rules is received by the Insurer, make the insurance payment or provide the Policyholder, the Insured or the Beneficiary with a written and duly reasoned notice of refusal to make the insurance payment.

13.7. If the Beneficiary is under the age of 18, the insurance payment payable to the Beneficiary shall, with the written consent of his legal representative, be deposited into an account opened in the Beneficiary's name with a designated bank.

14. Grounds for refusal of insurance payment

14.1. The Insurer shall refuse to make the insurance payment in the following cases:

14.1.1. The Insurer's inability to establish whether the event qualifies as an insured event due to non-compliance with the requirements set forth in Clause 9.2.7 of these Rules;

14.1.2. The event that occurred is not deemed to be an insured event pursuant to the applicable legislation, these Rules or the insurance contract;

14.1.3. The intentional act or omission of the Policyholder, Beneficiary, Insured or, where applicable, the injured party, directed at causing the relevant event, as well as the intentional commission of a criminal offence that is directly causally connected with the event, except for circumstances excluding liability as provided for by the Civil Code of the Republic of Azerbaijan, Code of Administrative Offences of the Republic of Azerbaijan and Criminal Code of the Republic of Azerbaijan;

14.1.4. Where the insurance of military risks is not provided for under the insurance contract, the event resulted from military operations or activities of a military nature;

14.1.5. The Insurer being wholly or partially deprived of the ability to assess the insurance risk and/or determine the causes of the insured event and/or the amount of the loss incurred as a result of the Policyholder's intentional provision of false information to the Insurer concerning the obejct of insurance, the Insured and/or the insured event (provided, however, that the Insurer may not rely on the provision of false information or failure to provide

the requested information as grounds for refusing to make the insurance payment where the inaccuracy of such information was known to the Insurer at the time the insurance contract was concluded, or where the Policyholder was not at fault for providing such false information, or where the insurance contract was concluded notwithstanding the Policyholder's failure to provide the requested information);

14.1.6. The relevant instalment of the insurance premium remains unpaid where the insured event occurs 15 days after the expiry of the payment period specified in the contract for any subsequent instalment of the insurance premium, or, in the case provided for in Clause 4.4 of these Rules, three days after the expiry of the period determined by the Insurer;

14.1.7. Unless otherwise provided for in the insurance contract, the event resulted from circumstances that are excluded from insurance coverage;

14.1.8. The Policyholder's or Insured's intentional provision of false answers to the questions set out in the application for insurance, discovered after the date on which the insurance contract entered into force, provided that five years have not elapsed from the date of conclusion of the insurance contract;

14.1.9. In other cases provided for in the Civil Code of the Republic of Azerbaijan.

15. Responsibility of the parties

15.1. The Parties shall be liable, in accordance with the procedure established by law, for failure to comply with or improper performance of the provisions of these Rules.

16. Procedure for resolving disputes

16.1. Any disputes arising out of the performance of the insurance contract shall be resolved by mutual agreement between the Parties.

16.2. If the Parties are unable to reach a mutual agreement in resolving disputes arising out of the performance of the insurance contract, such disputes shall be resolved through judicial proceedings. The Policyholder, Insured or Beneficiary who considers that their rights under the insurance contract have been violated by the Insurer may submit a complaint to the Central Bank of the Republic of Azerbaijan.

17. Special conditions

~~17.1.~~ The insurance contract may contain special terms and conditions that do not conflict with the applicable legislation or these Rules.

18. Issuance of loans

18.1. The Insurer may grant a loan to the Insured in accordance with the procedure prescribed by law.

18.2. The provision of the loan referred to in this Clause shall be carried out in accordance with the Civil Code of the Republic of Azerbaijan and the rules established by the supervisory authority.

19. Final provisions

19.1. The parties shall send all warnings and information regarding the execution or termination of the contract to the addresses or means of communication (postal address, e-mail address or other means of communication provided for in the contract) specified in the insurance contract. In the event of a change in addresses or means of communication, one party must inform the other party in writing in advance. If one party has not informed the other party about the change of addresses or means of communication in advance, the warnings and information sent to the old address or means of communication are considered as delivered.

20. Insurance tariffs and their economic justification

20.1. The quantities used in the calculation of insurance premiums for endowment life insurance shall be calculated using the following formulas:

The expected present value of the insurance payment under survival risk insurance for a person aged x over a period of n years shall be calculated using the following formula:

$$ {}_nE_x = \left({}_np_x \right)(1+i)^{-n} = v^n \, {}_np_x $$

Here, ${}_np_x$ represents the probability that a person aged *x* will survive for *n* years, while *i* represents the annual interest rate. $v$is the discount factor, which is calculated using the following formula:

$$ v = (1+i)^{-1} $$

The formula for expressing ${}_nE_x$ in terms of commutation functions is as follows:

$$ {}_nE_x = \frac{D_{x+n}}{D_x} $$

The expected present value of the insurance payment under death risk insurance for a person aged *x* over a period of *n* years shall be calculated using the following formula:

$$ A^1_{x:\overline{n|}} = \sum_{t=0}^{n-1} {}_tp_x \, q_{x+t} v^{t+1} $$

In this context, q_x denotes the probability of death within the following year for a person aged *x*, with the relevant values specified in Annex 1.

The formula for expressing this quantity in terms of commutation functions is as follows:

$$ A^1_{x:\overline{n|}} = \sum_{t=0}^{n-1} \frac{C_{x+t}}{D_x} = \frac{M_x - M_{x+n}}{D_x} $$

Taking into account that death may occur not only at the end of a discrete time period, the expected present value of the insurance payment under death risk insurance for a person aged x over a period of n years shall be calculated using the following formula:

$$ \bar{A}^1_{x:\overline{n|}} = \frac{i}{\delta} \cdot A^1_{x:\overline{n|}} $$

Here, δ denotes the intensity of the annual interest rate and is calculated as follows:

$$ \delta = \ln(1+i) $$

The expected present value of unit amounts payable to a person aged x at the beginning of each insurance year over a period of n years shall be calculated using the following formula:

$$ \ddot{a}_{x:\overline{n|}} = 1 + \sum_{t=1}^{n-1} v^t \; {}_tp_x = 1 + \sum_{t=1}^{n-1} {}_tE_x $$

The formula for expressing this quantity in terms of commutation functions is as follows:

$$ \ddot{a}_{x:\overline{n|}} = \frac{N_x - N_{x+n}}{D_x} $$

The expected present value of the amounts payable to a person aged *x* under an annuity insurance policy with a term of *n* years, with payments made *m* times during each insurance year (in amounts of 1/m at the beginning of each 1/m fraction of the year), shall be calculated using the following formula:

$$ \ddot{a}^{(m)}_{x:\overline{n|}} = \ddot{a}_{x:\overline{n|}} - \left(\frac{m-1}{2m} \right)\left(1 - {}_nE_x\right) $$

20.2. Where the sum insured under an endowment life insurance is known, the insurance premium payable in equal instalments m times during each insurance year over a period of k years (k ≤ n) for n-year insurance coverage shall be calculated using the following formula:

$$P_m = \frac{(1+\rho_1)\times S\times \bar{A}^{1}_{x:\overline{n}|} + (1+\rho_2)\times S\times {}_{n}E_{x} + \alpha\times S + \gamma\times S\times \ddot{a}_{x:\overline{n}|}}{m\times(1-\beta)\times \ddot{a}^{(m)}_{x:\overline{k}|}}$$

20.3. In special cases, where the sum insured for death and survival benefits under a life insurance contract differ, the formula specified in Clause 20.2 shall take the following form:

$$P_m = \frac{(1+\rho_1)\times S_1\times \bar{A}^{1}_{x:\overline{n}|} + (1+\rho_2)\times S_2\times {}_{n}E_{x} + \alpha\times S + \gamma\times S\times \ddot{a}_{x:\overline{n}|}}{m\times(1-\beta)\times \ddot{a}^{(m)}_{x:\overline{k}|}}$$

S1 represents the sum insured for the death benefit.
S1 represents the sum insured for the survival benefit.
S is the greater of the sum insured specified as S1 and S2.

Where the insurance premium is known, the sum insured shall be calculated as follows:

$$S = \frac{m\times P_m\times(1-\beta)\times \ddot{a}^{(m)}_{x:\overline{k}|}}{(1+\rho_1)\times \bar{A}^{1}_{x:\overline{n}|} + (1+\rho_2)\times {}_{n}E_{x} + \alpha + \gamma\times \ddot{a}_{x:\overline{n}|}}$$

In special cases where the sums insured for the death and survival benefits under endowment life insurance differ, the sum insured for each benefit shall be calculated separately as follows:

$$S_1 = \frac{m\times P_m\times(1-\beta)\times \ddot{a}^{(m)}_{x:\overline{k}|}}{(1+\rho_1)\times \bar{A}^{1}_{x:\overline{n}|}}$$

$$S_2 = \frac{m\times P_m\times(1-\beta)\times \ddot{a}^{(m)}_{x:\overline{k}|}}{(1+\rho_2)\times {}_{n}E_{x}}$$

The expense factors (α and γ) calculated by reference to the sum insured shall be applied to the higher of the death and survival benefits.

20.4. The long-term liabilities reserve (mathematical reserves) under endowment life insurance as at the end of the t^{th} year of the insurance coverage period shall be calculated using the respective formulas below:

$${}_{t}V_x = \begin{cases} (1+\rho_1)\times S\times \bar{A}^{1}_{x+t:\overline{n-t}|} + (1+\rho_2)\times S\times {}_{n-t}E_{x+t} + \gamma\times S\times \ddot{a}_{x+t:\overline{n-t}|} - m\times P_m\times(1-\beta)\cdot \ddot{a}^{(m)}_{x+t:\overline{k-t}|}, & t<k \\ (1+\rho_1)\times S\times \bar{A}^{1}_{x+t:\overline{n-t}|} + (1+\rho_2)\times S\times {}_{n-t}E_{x+t} + \gamma\times S\times \ddot{a}_{x+t:\overline{n-t}|}, & t\geq k \end{cases}$$

For points in time falling between insurance years, the mathematical reserve shall be estimated using the linear interpolation method:

$$ {}_{t+s}V_x = (1-s)\times {}_tV_x + s\times {}_{t+1}V_x $$

Here, $0 < s < 1$.

20.5. If the insurance contract under endowment life insurance or annuity insurance is terminated prematurely at the end of the t^{th} year of the insurance coverage period, the amount to be refunded shall be calculated using the following ${}_tSV_x$ formula:

$$ {}_tSV_x = {}_tV_x - (S - {}_tV_x)\times 2\% $$

The refundable amount is the amount of money payable by the Insurer to the Policyholder upon the early termination of the ${}_tSV_x$ insurance contract. The refundable amount shall be calculated in accordance with the Instruction on Actuarial Calculations and shall be equal to the amount obtained by deducting 2% of the difference between the insurance payment and the mathematical insurance reserve from the mathematical insurance reserve. In such case, the mathematical insurance reserve as at the date of termination shall be taken as the basis for the calculation.

20.6. The coefficients α, β, γ, ρ_1 and ρ_2 appearing in the formulas set out in the preceding clauses in respect of endowment life insurance shall have the following meanings:

α - is a coefficient, expressed as a percentage, representing the expenses incurred upon conclusion of the insurance contract, excluding commissions payable to insurance intermediaries;

β - is a coefficient, expressed as a percentage, representing the expenses incurred in connection with insurance premiums during the period in which such premiums are paid;

γ - is a coefficient, expressed as a percentage, representing the annual administrative expenses incurred throughout the term of the insurance contract;

ρ_1 - is a coefficient, expressed as a percentage, representing the expenses incurred in adjusting losses arising from death events;

ρ_2 - is a coefficient, expressed as a percentage, representing the expenses incurred in adjusting losses arising from survival events;

The values of these coefficients are set out in Annex 2.

Annex № 1 to the Endowment Life Insurance Rules

This Annex constitutes an integral part of the Endowment Life Insurance Rules.

Death Chart

X	lx	dx	qx	x	lx	dx	qx	x	lx	dx	qx
0	1000 000	12 887	0,0129	**36**	958 740	1 859	0,0019	**72**	533 874	32 267	0,0604
1	987 113	1 906	0,0019	**37**	956 881	2 010	0,0021	**73**	501 607	33 200	0,0662
2	985 207	1 068	0,0011	**38**	954 871	2 276	0,0024	**74**	468 407	33 449	0,0714
3	984 139	701	0,0007	**39**	952 595	2 300	0,0024	**75**	434 958	34 489	0,0793
4	983 438	536	0,0005	**40**	950 294	2 547	0,0027	**76**	400 470	34 058	0,0850
5	982 902	487	0,0005	**41**	947 747	2 797	0,0030	**77**	366 412	33 118	0,0904
6	982 415	464	0,0005	**42**	944 950	3 016	0,0032	**78**	333 294	32 793	0,0984
7	981 951	429	0,0004	**43**	941 934	3 317	0,0035	**79**	300 501	31 694	0,1055
8	981 522	411	0,0004	**44**	938 616	3 561	0,0038	**80**	268 807	30 578	0,1138
9	981 111	403	0,0004	**45**	935 055	3 986	0,0043	**81**	238 229	27 247	0,1144
10	980 708	392	0,0004	**46**	931 069	4 296	0,0046	**82**	210 982	25 502	0,1209
11	980 316	375	0,0004	**47**	926 773	4 863	0,0052	**83**	185 480	24 176	0,1303
12	979 941	342	0,0003	**48**	921 910	5 371	0,0058	**84**	161 305	22 252	0,1380
13	979 599	343	0,0004	**49**	916 539	5 882	0,0064	**85**	139 052	19 549	0,1406
14	979 256	376	0,0004	**50**	910 658	6 653	0,0073	**86**	119 503	17 698	0,1481
15	978 880	429	0,0004	**51**	904 005	7 364	0,0081	**87**	101 806	16 015	0,1573
16	978 451	458	0,0005	**52**	896 642	7 851	0,0088	**88**	85 791	14 980	0,1746
17	977 993	500	0,0005	**53**	888 791	8 765	0,0099	**89**	70 811	13 613	0,1922
18	977 493	570	0,0006	**54**	880 026	9 798	0,0111	**90**	57 197	12 118	0,2119
19	976 923	600	0,0006	**55**	870 227	10 833	0,0124	**91**	45 079	10 535	0,2337
20	976 323	645	0,0007	**56**	859 394	11 283	0,0131	**92**	34 545	8 912	0,2580
21	975 678	666	0,0007	**57**	848 111	12 201	0,0144	**93**	25 633	7 308	0,2851

22	975 012	721	0,0007	**58**	835 910	13 131	0,0157	**94**	18 325	5 778	0,3153
23	974 291	757	0,0008	**59**	822 779	14 520	0,0176	**95**	12 547	4 154	0,3310
24	973 534	841	0,0009	**60**	808 260	15 427	0,0191	**96**	8 394	2 917	0,3476
25	972 693	856	0,0009	**61**	792 832	15 995	0,0202	**97**	5 476	1 999	0,3650
26	971 837	934	0,0010	**62**	776 837	17 634	0,0227	**98**	3 478	1 333	0,3832
27	970 903	979	0,0010	**63**	759 203	18 567	0,0245	**99**	2 145	863	0,4025
28	969 924	1 063	0,0011	**64**	740 636	20 359	0,0275	**100**	1 282	542	0,4225
29	968 861	1 131	0,0012	**65**	720 277	21 959	0,0305	**101**	740	328	0,4431
30	967 730	1 234	0,0013	**66**	698 318	23 457	0,0336	**102**	412	192	0,4647
31	966 496	1 271	0,0013	**67**	674 861	25 019	0,0371	**103**	221	108	0,4909
32	965 225	1 535	0,0016	**68**	649 842	26 318	0,0405	**104**	112	58	0,5179
33	963 690	1 578	0,0016	**69**	623 524	28 418	0,0456	**105**	54	54	1,0000
34	962 111	1 613	0,0017	**70**	595 107	29 665	0,0498				
35	960 499	1 759	0,0018	**71**	565 441	31 568	0,0558				

Annex № 2 to the Endowment Life Insurance Rules

This Annex constitutes an integral part of the Endowment Life Insurance Rules.

Additional provisions regarding the annual interest rate and expense coefficients

A. Where all currencies specified in the insurance contract are denominated in AZN:

For the purpose of calculating insurance premiums under the endowment life insurance class, the maximum annual interest rate applicable to each insurance year of the insurance term shall be determined, with reference to the discount rate of the Central Bank of the Republic of Azerbaijan effective as at the date of conclusion of the insurance contract, as follows:

Years of insurance period	Maximum annual interest rate for each insurance year of the insurance term
1st	The discount rate of the Central Bank of the Republic of Azerbaijan + 0.75%
2nd	The discount rate of the Central Bank of the Republic of Azerbaijan + 0.50%
3rd	The discount rate of the Central Bank of the Republic of Azerbaijan + 0.25%
4th	The discount rate of the Central Bank of the Republic of Azerbaijan + 0%
5th	The discount rate of the Central Bank of the Republic of Azerbaijan - 0,25%
6th	The discount rate of the Central Bank of the Republic of Azerbaijan - 0,75%
7th	The discount rate of the Central Bank of the Republic of Azerbaijan - 1,25%
8th	The discount rate of the Central Bank of the Republic of Azerbaijan - 1,75%
9th	The discount rate of the Central Bank of the Republic of Azerbaijan - 2,25%
>=10th	The discount rate of the Central Bank of the Republic of Azerbaijan - 2,75%

B. Where not all currencies specified in the insurance contract are AZN:

In such case, all currencies specified in the insurance contract shall be converted into AZN at the exchange rates of the Central Bank of the Republic of Azerbaijan applicable as at the date of conclusion of the insurance contract, and the calculations shall be performed as specified in Clause A.

C. **Values of the expense coefficients**:

The values of the expense coefficients are determined as follows.

α	0,50%
β (if the currencies specified in the insurance contract are AZN)	0,30% - 2%
β (where the currencies specified in the insurance contract are not AZN)	0,30% - 3,5%
γ	0,25%
$\rho 1$	3,00%
$\rho 2$	1,50%