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**Central Bank of the Republic of Azerbaijan**

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**“PASHA Life Insurance” OJSC  
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**Executive Director**

**Ziya Aliyev  
30.11.2020**

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**CEO**

**Niyaz Ismayilov**

## **Rules on Endowment Life Insurance**

## Disclaimer

Please take into consideration that this document constitutes an unofficial translation from Azerbaijani. If there is any inconsistency between the Azerbaijani and English versions of the document, the Azerbaijani version shall prevail. In case of any questions or uncertainties regarding its content, we kindly recommend contacting the Insurer for verification.

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### **Main definitions**

Rules of Endowment Life Insurance (hereinafter – the “Rules”) define the terms and conditions for the voluntary life insurance type conducted by “PASHA Life Insurance” OJSC, which provides for the payment of insurance benefits 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 in the content of the Rules, the terms and expressions used in these Rules shall have the following meanings:

***Policyholder*** – a party to the insurance contract who pays the insurance premium and has an insurable interest in the insurance of the insured object;

***Insurer*** – “PASHA Life Insurance” OJSC, a local legal entity having an appropriate license to carry out insurance activities in accordance with the Law of the Republic of Azerbaijan “On Insurance Activity,” which is a party to an insurance contract with the obligation to make an insurance payment in the manner prescribed by legislation or the contract in the event of the occurrence of the insured event specified in the insurance contract;

***Insured*** – a person whose property interests are insured under the insurance contract;

***Beneficiary*** – a person to whom the insurance payment shall be made in accordance with the insurance contract;

***Actuary*** – a specialist who defines the bases for calculating insurance premiums by performing economic and mathematical calculations in accordance with the legislation and also calculates insurance reserves;

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

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

***Subject matter of insurance*** – a person in respect of whom the property interests insured under the insurance contract are deemed to exist;

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

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

***Sum insured*** – the final limit of the Insurer's liability for insured risks, expressed in the amount determined by the insurance contract;

***Insurance premium*** – the amount of money that the insured must pay to the Insurer in exchange for accepting or sharing risks, as stipulated by the insurance contract;

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

***Accident*** – a sudden, unexpected, and accidental event associated with external and short-term physical impact that causes harm to the health of the insured, accompanied by sudden and acute impairment of health through damage to body parts or tissues;

***Pre-existing Condition/Disease*** – a deterioration of health, injury, trauma, pathology, chronic or acute illness, psychiatric or neurological disorder, or other conditions or diseases that, at the time the insurance contract is concluded, have already been diagnosed or manifested through symptoms, of which the policyholder / insured was or should have been aware;

***Surrender value*** – the amount of money to be paid to the policyholder or insured in the event of early termination of the contract;

***Risk Amount*** – the difference between the sum insured and the mathematical insurance reserve of the insurance premiums accumulated up to any day during the term of the contract;

***Mathematical Insurance Reserve*** – the Insurer's (or Reinsurer's) obligation to make insurance payments for insured events that have not occurred by the reporting date but may occur in the future during the term of the insurance (or reinsurance) contract;

***Annual Yield Rate*** – the annual interest rate used for calculating insurance premiums for each insurance year under the life insurance class;

***Electronic document*** – document submitted in electronic version for use in information system and confirmed by electronic signature;

***Electronic signature*** – data added to another data or logically linked to them, admitting identification of signature holder/

## ***1. Insurance class***

1.1. The insurance coverage provided under these Rules belongs to the endowment life insurance class, which provides for the payment of insurance payments in the event that the

insured dies during the term of the insurance contract or lives up to the age and period specified in the insurance contract.

## **2. *Object of Insurance***

2.1. Under these Rules, the object of insurance is the property interests related to the life of the policyholder or the insured.

## **3. *Subject of insurance***

3.1. According to these Rules, the individual to whom the insured property interests under the insurance contract belong is considered the subject of insurance.

## **4. *Insurance premium and sum insured***

4.1. The amount of the insurance premium shall be determined by the insurance contract.

4.2. Payment of the insurance premium in a lump sum or in installments may be agreed upon in the insurance contract.

4.3. If the insurance premium or its part is not paid in due time, then the Insurer may set a period of up to 15 days in writing for its payment, subject to the requirements of Clause 4.4 of these Rules.

4.4. In any case, the insurance premium or its agreed initial installment must be paid not later than 1 month from the date the insurance contract is concluded.

4.5. The payment of the insurance premium under an insurance contract executed in electronic document form serves as confirmation that the policyholder has reviewed and agrees with these Rules and the terms of the insurance contract, and that the fact of concluding the insurance contract is acknowledged.

4.6. The sum insured is determined by the insurance contract.

4.7. In the cases provided for in the insurance contract, after the insurance payment is made, the sum insured shall be reduced by the amount paid. The reduction of the sum insured applies from the date of the occurrence of the insured event.

4.8. With the consent of both parties, the policyholder may reinstate the initial sum insured in exchange for an additional insurance premium.

## **5. *Insurance risk***

5.1. Under these Rules, the Insurer provides the policyholder with insurance coverage for the following risks under the insurance contract, except for the cases set forth in the exceptions clause of these Rules:

5.1.1. While the insurance coverage is in force, the death of the insured;

5.1.2. The insured surviving up to the age or term specified in the insurance contract.

## **6. *Exceptions***

6.1. Unless otherwise provided in the insurance contract, under insurance contracts concluded in accordance with these Rules, events occurring as a result of the following shall not be considered insured events:

- 6.1.1. Suicide of the insured within the first 2 years of the insurance contract being in force (cases where the insured is compelled to commit suicide as a result of unlawful acts of third parties are excluded from this provision);
- 6.1.2. Participation of the insured in military operations, civil conflicts, terrorist acts, coups, mass riots, or the forcible seizure of power, as well as participation in military service, military assemblies, exercises, declared or undeclared wars, and similar situations;
- 6.1.3. The insured's exposure to ionizing radiation or radioactive contamination, poisoning, or declared epidemics;
- 6.1.4. The insured being in a state of alcohol intoxication or under the influence of narcotic or toxic substances;
- 6.1.5. The insured being in an incapacitated mental state, that is, due to chronic mental illness, temporary impairment of mental functioning, intellectual disability, or other psychiatric disorders, being unable to comprehend the actual nature of their actions (acts or omissions) or to control them;
- 6.1.6. Excluding participation as a passenger in an air flight conducted by a certified aircrew in accordance with established procedures, any involvement of the insured in other air flights, or the crash of an aircraft operated by the insured;
- 6.1.7. The insured operating a vehicle without having the legal right to do so;
- 6.1.8. The insured's engagement in hazardous work or high-risk sports (e.g., motorsports, parachuting, hand-to-hand combat, mountaineering, mountain and water tourism, scuba diving, diving, horseback riding, etc.);
- 6.1.9. except for cases involving the rescue of human life, the insured's deliberate exposure to danger, intentional self-harm, or damage to their own health;
- 6.1.10. The insured's failure to follow medical advice or deliberate refusal to seek medical assistance;
- 6.1.11. the insured undergoing medical examinations, receiving treatment, or taking medications prescribed by an individual who is not authorized to practice medicine;
- 6.1.12. death occurring in guardrooms, temporary detention facilities, investigation detention centers, correctional institutions, or prisons;
- 6.1.13. the insured's consumption of psychotropic substances and medications without a medical prescription, or even with a prescription, but in breach of the prescribed instructions or usage rules;
- 6.1.14. acquired immunodeficiency syndrome (AIDS), human immunodeficiency virus (HIV), or any other similar diseases, and all conditions arising from such diseases;
- 6.1.15. childbirth and complications of childbirth without medical supervision, as well as artificial termination of pregnancy or any other surgical interventions without a doctor's prescription and supervision.
- 6.2. The exclusions and limitations provided for in these Rules may be included in the insurance coverage if agreed upon in the insurance contract.

## **7. *Insurance contract***

7.1. Pursuant to a life insurance contract concluded under these Rules, the Insurer undertakes, in return for the insurance premium paid by the policyholder and as agreed in the contract, to

pay the sum insured specified in the contract to the beneficiary in the event of an insured event occurring under the insurance risks set out in the contract, either as a lump-sum payment or in installments, in respect of the policyholder or another person designated as insured under the contract.

7.2. An insurance contract shall be concluded upon the insurance application where the policyholder is a natural person or where the policyholder is a legal entity, based on the list of people to be insured and the questionnaire form established by the Insurer. By mutual consent of the parties, the insurance contract may also be concluded on the basis of an oral inquiry.

7.3. An insurance contract is concluded in writing in any of the following forms:

7.3.1. by the parties preparing and mutually signing a document referred to as an insurance contract in accordance with these Rules;

7.3.2. On the condition that the policyholder confirms in writing that they are familiar with these Rules and agree with their terms, the Insurer shall issue an insurance certificate to the policyholder.

7.4. In the case specified in Clause 7.3.2 of these Rules, the risks insured for which the subject of insurance is covered must be explicitly listed in the insurance certificate.

7.5. The insurance contract referred to in Clause 7.3 of these Rules may also be concluded by means of an electronic signature, as well as through the use of scanned or otherwise reproduced copies of the parties' signatures and/or seals.

7.6. Upon the conclusion of the insurance contract, the Insurer must provide the policyholder with a commemorative booklet, drafted in a manner that is easily comprehensible to the general public, and which reflects the following:

7.6.1. the actions to be taken in the event of the occurrence of a circumstance which may be deemed as an insured accident;

7.6.2. lawful grounds for the refusal of the Insurer to make an insurance payment.

7.7. Upon the conclusion of the insurance contract, for the purpose of assessing the current health condition of the insured, the Insurer shall have the right to require the insured to undergo a medical examination at either its own expense or at the expense of the policyholder (insured), depending on the terms of the insurance contract.

7.8. The Insurer shall be responsible for issuing to the insured the document - the insurance policy that confirms the fact of the conclusion of insurance contract. This requirement shall apply to insurance contracts concluded in accordance with the procedure set forth in clause 7.3.1 of these Rules.

7.9. The contract may provide for the participation of several people as contributors to the payment of the insurance premium. In such a case, these people shall act as joint policyholders.

7.10. The insurance contract may be amended or modified during its term in accordance with the legislation and the provisions of these Rules. Any such amendments and modifications constitute an integral part of the insurance contract.

## **8. *Term of insurance and coverage area***

8.1. The term of insurance shall be established by the insurance contract.

8.2. Unless otherwise provided in the insurance contract, upon payment of the initial installment or the full insurance premium, the insurance coverage shall commence at 24:00 on

the date of conclusion of the contract and shall expire at 24:00 on the last day of the contract term, in accordance with the provisions of the insurance contract.

8.3. Unless otherwise provided in the insurance contract, the territory of validity of the insurance contract shall not be subject to any limitation.

## ***9. Rights and obligations of the parties to the insurance contract***

### **9.1. Rights of the Insured and the Policyholder:**

9.1.1. To be acquainted, at the time of concluding the insurance contract, with the Insurer's annual balance sheet certified by an independent auditor and the financial results of its annual operations;

9.1.2. In case the insurance certificate is lost or destroyed, to obtain a duplicate from the Insurer;

9.1.3. To obtain explanations from the Insurer regarding the terms of the insurance contract and these Rules;

9.1.4. To submit proposals for the modifications to the terms of the insurance contract;

9.1.5. In the event of the death of an insured, individual policyholder or the dissolution of a legal entity policyholder, to fulfill the policyholder's obligations set forth in the insurance contract and the Rules, in accordance with the prevailing legislation and the agreement between the policyholder and the Insurer;

9.1.6. To exercise other rights arising under the Civil Code of the Republic of Azerbaijan and these Rules.

### **9.2. Obligations of the Insured and the Policyholder:**

9.2.1. To provide accurate answers to the questions set forth in the insurance application;

9.2.2. To pay the insurance premium in the amount and within the timeframe stipulated in the insurance contract;

9.2.3. Upon conclusion of insurance agreement, to inform the Insurer of all circumstances known to the policyholder, as well as those requested in writing by the Insurer, which may affect the Insurer's decision to refuse the contract or to conclude it with modified terms;

9.2.4. To notify the Insurer, or the insurance intermediary acting on behalf of the Insurer, within 5 business days of all changes arising after the conclusion of the insurance contract in respect of the circumstances disclosed in accordance with clause 9.2.3 of these Rules;

9.2.5. To provide the Insurer with accurate information regarding the beneficiary;

9.2.6. Upon becoming aware of the occurrence of an insured event, to notify the Insurer or its representative, as well as the competent state authorities required to be informed of the event, by any means, immediately but no later than thirty (30) calendar days. This obligation may also be fulfilled by the beneficiary;

9.2.7. To enable the Insurer or its representative to freely obtain information related to the insured event;

9.2.8. To perform other obligations arising under the Civil Code of the Republic of Azerbaijan and these Rules.

### **9.3. Rights of the Insurer:**

- 9.3.1. To verify the accuracy of the information provided by the insured and the policyholder;
- 9.3.2. To request that the insured undergo a medical examination, at either its own expense or at the expense of the policyholder, for the purpose of assessing the insured's current health condition;
- 9.3.3. Where the policyholder deliberately fails to fulfill their duty to provide information at the time of concluding the insurance contract, to refuse performance of its obligations under the contract, and to seek early termination of the insurance contract, within five (5) years from the date of the contract's conclusion;
- 9.3.4. To suspend the payment of the insurance benefit in the event that a criminal proceeding is initiated regarding the incident that caused the death of the insured, until the competent authority issues the relevant decision;
- 9.3.5. Unless otherwise provided in the insurance contract, should the documents required under clauses 13.3–13.4 of these Rules not be submitted to the Insurer within three (3) years from the date of the insured event, to refuse payment of the insurance benefit;
- 9.3.6. At the time of making the insurance payment, to withhold from the insurance payment any portion of the insurance premium that is payable or overdue by the insured;
- 9.3.7. To exercise other rights arising under the Civil Code of the Republic of Azerbaijan and these Rules.

### **9.4. Obligations of the Insurer:**

- 9.4.1. To familiarize the policyholder with these Rules upon the conclusion of the insurance contract under these Rules;
- 9.4.2. Upon conclusion of the insurance contract, to provide the policyholder with a commemorative booklet drafted in a manner that is easily comprehensible to the general public;
- 9.4.3. To provide the policyholder with the insurance certificate to which these Rules are attached;
- 9.4.4. Upon the occurrence of an insured event, to make the insurance payment no later than seven (7) business days from the date of receipt of the last document specified in clauses 13.3–13.4 of these Rules, or to provide the insured, the policyholder, or the beneficiary with a written notice substantiating the refusal to make the insurance payment;
- 9.4.5. If the insured or policyholder, as well as the beneficiary, who has notified the Insurer of the occurrence of an insured event, has not informed the competent state authorities about the event, to promptly notify such authorities of the event;
- 9.4.6. To maintain the confidentiality of information classified as insurance secret under the Law of the Republic of Azerbaijan on Insurance Activity;
- 9.4.7. To submit a written request to the competent state authorities regarding events that may be deemed insured events and require investigation or registration, in order to obtain a document confirming the occurrence and/or cause of such events, as well as their consequences;
- 9.4.8. To perform other obligations arising under the Civil Code of the Republic of Azerbaijan and these Rules.



## **10. Early termination of insurance agreement**

10.1. The insurance contract shall be subject to early termination in the following cases:

10.1.1. if the insured subject no longer exists;

10.1.2. except in the cases specified below, in the event of the death of the policyholder, if this is an individual, or in the event of liquidation of the policyholder, if this is a legal entity:

10.1.2.1. When the policyholder who has concluded a life insurance contract in favor of another person dies, his rights and obligations shall be transferred to the person in whose favor the insurance contract was concluded, subject to that person's written consent;

10.1.2.2. If legal entity being the policyholder is reorganized during the term of the insurance contract, its rights and obligations under this contract shall pass to its legal successor.

10.1.3. In the event that the insured, who is not the policyholder, dies and the Insurer rejects the policyholder's proposal to replace that person with another;

10.1.4. When the occurrence of the insured event is no longer possible and the existence of the insurance risk is terminated due to circumstances that do not constitute an insured event;

10.1.5. Upon the complete fulfillment by the Insurer of its obligations to the policyholder;

10.1.6. If there is already no insurable interest;

10.1.7. If the policyholder does not pay the insurance premiums in accordance with the procedures set forth in the insurance contract;

10.1.8. Where the policyholder or the Insurer submits a request for early termination of the insurance contract.

10.2. In the event that, during the validity period of the insurance contract, the policyholder, being a natural person, is declared legally incapacitated by a court decision, or his/her legal capacity is restricted by a court decision, the rights and obligations of the policyholder shall be exercised by his/her guardian or custodian.

## **11. Notification regarding early termination of insurance contract**

11.1. In the circumstances specified in clause 10.1 of these Rules, when grounds for the termination of the insurance contract arise, the party interested in terminating the contract shall immediately notify the other party, taking into account the provisions of clause 11.2 of these Rules.

11.2. Where the insurance contract is terminated early at the request of the policyholder or the Insurer in accordance with clause 10.1.8 of these Rules, the party initiating the termination shall send a written notice substantiating the request to the other party at least 30 days in advance (60 days if the insurance contract is concluded for more than five years, and 5 business days if it is concluded for less than three months).

## **12. Consequences of early termination of the insurance contract**

12.1. If the insurance contract is terminated early at the request of the policyholder, the Insurer shall return insurance premiums for the unexpired term of the contract, after deducting the portion of administrative expenses proportionate to that term. If the policyholder's request for early termination arises due to the failure of the Insurer to comply with the obligations

under the insurance contract, the Insurer shall return insurance premiums to the policyholder in full.

12.2. If the insurance contract is terminated early at the request of the Insurer, then the Insurer shall fully return the insurance premiums to the policyholder; if this request is due to the policyholder's failure to perform their obligations under the insurance contract, then the Insurer shall return the premiums for the unexpired term of the contract. In such case, the Insurer may deduct from the refunded portion of the insurance premium the pro rata share of administrative costs corresponding to the unexpired term of the contract.

12.3. Where the insurance contract is terminated early, and the amount of insurance payments already made by the Insurer to the policyholder is equal to or greater than the premiums paid, the insurance premiums shall not be returned to the insured.

12.4. Where the insurance contract is terminated early, the insurance payments made are less than the premiums paid, the difference between the paid insurance premiums and the insurance payments shall be refunded to the policyholder in accordance with the procedures specified in clauses 12.1 and 12.2 of these Rules.

### **13. Procedure for making insurance payments**

13.1. The payment of the agreed sum insured under the contract shall be made by the Insurer to the beneficiary only if the insurance premium has been paid in the amount and manner stipulated in the contract.

13.2. If an insured event occurs after the grace period for the payment of the next installment of the insurance premium has expired, but the relevant premium has not been paid by the end of that grace period, the Insurer shall have the right to refuse insurance payment and to terminate the insurance contract in accordance with the established procedure.

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

13.3.1. An insurance claim submitted by the policyholder, insurer or the beneficiary to the Insurer in the event of an insured event;

13.3.2. Where an event deemed an insured event must be reported to any state authority, the relevant document provided by such authority concerning the event;

13.3.3. The insurance certificate (together with the insurance application and its annexes);

13.3.4. A copy of the document verifying the identity of the insured;

13.3.5. The insurance claim submitted by the beneficiary (or beneficiaries) for the receipt of the insurance payment, along with a notarized copy of the document verifying their identity;

13.3.6. A document issued by the competent state authority regarding incidents that may be deemed insured events and require investigation or registration, confirming the occurrence and/or cause of such incidents, as well as their consequences; in cases where the incident involves a criminal element, a copy of the court decision or a decision on the initiation or dismissal of a criminal case;

13.3.7. In the event of the death of the insured, a notarized copy of the certificate of death;

13.3.8. If the beneficiary has not been determined, a notarized copy of the certificate of inheritance.

13.4. The Insurer may, on a substantiated basis, request the following documents necessary to determine the causes of the incident or the fact that it constitutes an insured event:

- a) If the insured has died, a medical certificate indicating the cause of death;
- b) An extract from the epicrisis or medical history;
- c) An extract from the outpatient card;
- d) Employment contract, etc.;

13.5. If the beneficiary dies before receiving the insurance payment to which they are entitled under the contract upon the insured's death, the insurance payment shall be made to the heirs of that beneficiary.

13.6. Insurance payments may be disbursed to a representative of the insured or the beneficiary pursuant to a power of attorney duly certified in accordance with the law.

13.7. Unless otherwise stipulated in the insurance contract, upon the occurrence of an insured event, the Insurer shall, within seven (7) business days from the date of receipt of the last relevant document specified in clauses 13.3–13.4 of these Rules, either make the insurance payment or provide the insured, the policyholder, or the beneficiary with a written notice substantiating the refusal to make the insurance payment.

13.8. If the beneficiary has not reached the age of 18, the insurance payment due to them shall be deposited into an account opened in the beneficiary's name at a designated bank, with the written consent of their legal representative.

#### **14. Basis for refusal of insurance payment**

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

14.1.1. If, due to non-compliance with the requirements of clause 9.2.7 of these Rules, the Insurer is deprived of the opportunity to determine whether the occurrence constitutes an insured event;

14.1.2. If the occurrence is not considered an insured event under the law, these Rules, or the insurance contract;

14.1.3. With the exception of cases that exclude responsibility under the Civil Code, the Code of Administrative Offenses, or the Criminal Code of the Republic of Azerbaijan, the Insurer shall refuse payment where the insured, the beneficiary, or the policyholder has intentionally performed or omitted acts that directly led to the occurrence of the event, or has committed an intentional criminal act directly linked to the event;

14.1.4. In cases where the contract does not cover military risks, the Insurer shall refuse payment if the event arises as a consequence of military operations or actions of a military nature;

14.1.5. If, as a result of the policyholder deliberately providing false information to the Insurer regarding the insurance subject, the insured person, and/or the insured event, the Insurer is wholly or partially deprived of the ability to assess the insurance risk or to determine the causes of the insured event and/or the extent of the loss (provided that the Insurer cannot rely on the provision of false information or the failure to provide requested information to deny the insurance payment if the falsity of the information was known to the Insurer at the time of entering into the contract, or the policyholder was not responsible for submission of incorrect information, or the insurance contract was concluded despite the policyholder's failure to respond to the requested information);

14.1.6. Where any subsequent installment of the insurance premium due under the contract has not been paid by fifteen (15) days after its due date, and in the case specified in clause 4.3 of these Rules, after three (3) days following the expiry of the period set by the Insurer, at the time of the occurrence of an insured event;

14.1.7. Unless otherwise provided in the contract, if the cause of the occurrence falls within circumstances excluded from coverage;

14.1.8. Interference by the policyholder, the insured, or the beneficiary with the Insurer's examination of the causes of the insured event;

14.1.9. Failure of the policyholder or the insured to comply with the requirements of clause 9.2 of these Rules;

14.1.10. Intentional provision of false answers by the policyholder or the insured to questions in the insurance application discovered after the effective date of the insurance contract, provided that five (5) years have not passed since the date of conclusion of the contract.

## **15. Liability of the Parties**

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

## **16. Resolution of Disputes**

16.1. Disputes arising from the performance of the insurance contract shall be resolved by mutual agreement of the parties.

16.2. If mutual agreement cannot be reached in resolving disputes arising from the performance of the insurance contract, such disputes shall be settled in court.

16.3. The policyholder, the insured, or the 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. Conditions**

17.1. The insurance contract may establish special conditions that do not contravene these Rules or the applicable legislation. Failure by the policyholder to comply with such special conditions shall constitute grounds for the Insurer to refuse insurance payment and/or to terminate the insurance contract.

## **18. Granting of loans**

18.1. The Insurer may provide a loan to the insured in accordance with the procedures 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 regulations established by the Central Bank.

## **19. Final provisions**

19.1. The parties shall send all notices and information related to the performance or termination of the contract to the addresses or contact details specified in the insurance contract

(postal address, and where provided in the contract, email address or other contact means). In the event of a change of address or contact details, a party shall notify the other party in writing in advance. If a party fails to notify the other party in advance of such change, any notices or information sent to the previous address or contact details shall be deemed to have been duly delivered.

## 20. Insurance rates and their economic basis

20.1. The quantities used in the calculation of premiums for life insurance are determined using the following formulas:

The expected present value of the insurance payout for a person aged  $x$  under a life insurance covering a term of  $n$  years shall be calculated according to the following formula:

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

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

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

The formula for  ${}_nE_x$  expressed using commutation functions is as follows:

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

The expected present value of the insurance payout for a person aged  $x$  under a life insurance covering the risk of death over  $n$  years shall be calculated according to the following formula:

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

Here,  $q_x$  represents the probability that a person aged  $x$  will die within the next year, and its values are provided in Appendix 1.

The formula expressing this quantity using commutation functions is as follows:

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

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

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

Here,  $\delta$  is the force of interest, and it is calculated as follows:

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

The expected present value of unit payments made at the beginning of each insurance year over a term of  $n$  years for a person aged  $x$  shall be calculated using the following formula:

$$\ddot{a}_x = 1 + \sum_{t=1}^{\infty} v^t {}_t p_x = 1 + \sum_{t=1}^{\infty} {}_t E_x$$

The formula expressing this quantity using commutation functions is as follows:

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

The expected present value of payments under an  $n$  year annuity insurance for a person aged  $x$ , made  $m$  times per year (in equal installments of  $1/m$  at the beginning of each  $1/m$  portion of the year), shall be calculated using the following formula:

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

20.2. Where the sum insured under a life insurance policy is known, the premium payable  $m$  times per year in equal installments during each insurance year over a period of  $k$  ( $k \leq n$ ) years for  $n$  year coverage shall be calculated using the following formula:

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

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

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

$S_1$  - is the sum insured for the death benefit.

$S_2$  - is the sum insured for the survival benefit.

$S$  - is the greater of the two sums,  $S_1$  and  $S_2$ .

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

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

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

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

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

The expense coefficients ( $\alpha$  and  $\gamma$ ) calculated based on the sum insured shall be applied to the greater of the death or survival benefits.

20.4. The long-term liabilities reserve (mathematical reserves) at the end of the  $t$ -th year of the life insurance coverage shall be calculated using the following formulas:

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

For periods 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. In the event of early termination of a life insurance or annuity contract at the end of the  $t$ -th year of coverage, the refund amount  ${}_tSV_x$  shall be calculated using the following formula:

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

The refund amount  ${}_tSV_x$  is the cash sum payable by the Insurer to the policyholder upon early termination of the insurance contract. The refund amount is calculated in accordance with the Guidelines for Actuarial Calculations and is equal to the amount obtained by deducting 2% of the difference between the sum insured and the mathematical reserve. In this calculation, the mathematical reserve as of the termination date is taken as the basis.

20.6. The coefficients  $\alpha$ ,  $\beta$ ,  $\gamma$ ,  $\rho_1$ , and  $\rho_2$  appearing in the formulas set forth above for life insurance have the following meanings:

$\alpha$  – a percentage coefficient representing the expenses incurred at the conclusion of the insurance contract (excluding commission fees payable to insurance intermediaries);

$\beta$  – a percentage coefficient representing the expenses related to the payment of insurance premiums during the premium payment period;

$\gamma$  – a percentage coefficient representing the annual administrative expenses incurred during the term of the insurance contract;

$\rho_1$  – a percentage coefficient representing the expenses associated with the settlement of claims arising from death events;

$\rho_2$  – a percentage coefficient representing the expenses associated with the settlement of claims arising from survival events.

The values of these coefficients are set forth in Appendix 2.



## Annex No. 1 to the Rules on Endowment Life Insurance

This Annex constitutes an integral part of the Rules on Endowment Life Insurance and shall be applied together with the provisions set forth therein.

### Mortality Table

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	10 833	0,0124	91	45 079	10	0,2337

					227					535	
<b>20</b>	976 323	645	0,0007	<b>56</b>	859 394	11 283	0,0131	<b>92</b>	34 545	8 912	0,2580
<b>21</b>	975 678	666	0,0007	<b>57</b>	848 111	12 201	0,0144	<b>93</b>	25 633	7 308	0,2851
<b>22</b>	975 012	721	0,0007	<b>58</b>	835 910	13 131	0,0157	<b>94</b>	18 325	5 778	0,3153
<b>23</b>	974 291	757	0,0008	<b>59</b>	822 779	14 520	0,0176	<b>95</b>	12 547	4 154	0,3310
<b>24</b>	973 534	841	0,0009	<b>60</b>	808 260	15 427	0,0191	<b>96</b>	8 394	2 917	0,3476
<b>25</b>	972 693	856	0,0009	<b>61</b>	792 832	15 995	0,0202	<b>97</b>	5 476	1 999	0,3650
<b>26</b>	971 837	934	0,0010	<b>62</b>	776 837	17 634	0,0227	<b>98</b>	3 478	1 333	0,3832
<b>27</b>	970 903	979	0,0010	<b>63</b>	759 203	18 567	0,0245	<b>99</b>	2 145	863	0,4025
<b>28</b>	969 924	1 063	0,0011	<b>64</b>	740 636	20 359	0,0275	<b>100</b>	1 282	542	0,4225
<b>29</b>	968 861	1 131	0,0012	<b>65</b>	720 277	21 959	0,0305	<b>101</b>	740	328	0,4431
<b>30</b>	967 730	1 234	0,0013	<b>66</b>	698 318	23 457	0,0336	<b>102</b>	412	192	0,4647
<b>31</b>	966 496	1 271	0,0013	<b>67</b>	674 861	25 019	0,0371	<b>103</b>	221	108	0,4909
<b>32</b>	965 225	1 535	0,0016	<b>68</b>	649 842	26 318	0,0405	<b>104</b>	112	58	0,5179
<b>33</b>	963 690	1 578	0,0016	<b>69</b>	623 524	28 418	0,0456	<b>105</b>	54	54	1,0000
<b>34</b>	962 111	1 613	0,0017	<b>70</b>	595 107	29 665	0,0498				
<b>35</b>	960 499	1 759	0,0018	<b>71</b>	565 441	31 568	0,0558				

## Annex No. 2 to the Rules on Endowment Life Insurance

**This Annex constitutes an integral part of the Rules on Endowment Life Insurance and shall be applied together with the provisions set forth therein.**

### Additional Provisions on Annual Interest Rate and Cost Coefficients

#### **A. In the case where all currencies specified in the insurance contract are in AZN:**

For the purpose of calculating insurance premiums under the life insurance class, the maximum annual interest rate for each insurance year of the insurance period is determined as follows, based on the discount rate of the Central Bank of the Republic of Azerbaijan on the date the insurance contracts are concluded.

Years of coverage period	Maximum annual interest rate for each year of the coverage period
1st	The interest rate of the Central Bank of the Republic of Azerbaijan +0,75%
2nd	The interest rate of the Central Bank of the Republic of Azerbaijan + 0,50%
3rd	The interest rate of the Central Bank of the Republic of Azerbaijan +0,25%
4th	The interest rate of the Central Bank of the Republic of Azerbaijan + 0%
5th	The interest rate of the Central Bank of the Republic of Azerbaijan – 0,25%
6th	The interest rate of the Central Bank of the Republic of Azerbaijan – 0,75%
7th	The interest rate of the Central Bank of the Republic of Azerbaijan – 1,25%
8th	The interest rate of the Central Bank of the Republic of Azerbaijan – 1,75%
9th	The interest rate of the Central Bank of the Republic of Azerbaijan – 2,75%
10th and above	The interest rate of the Central Bank of the Republic of Azerbaijan – 2,75%

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

In this case, all currencies specified in the insurance contract shall be expressed in AZN according to the exchange rate of the Central Bank of the Republic of Azerbaijan on the date of conclusion of the contract, and the calculations shall be carried out as specified in Section A.

#### **C. Values of Expense Coefficients**

The values of the expense coefficients have been determined as follows:

$\alpha$	0,50%
$\beta$ (if the currencies specified in the insurance contract are in AZN)	0,30% - 2%
$\beta$ (if the currencies specified in the insurance contract are not in AZN)	0,30% - 3,5%
$\gamma$	0,25%
$\rho^1$	3,00%
$\rho^2$	1,50%