

LAW OF AGRICULTURAL INSURANCE COMES INTO EFFECT

In August 2019, Law No 1617-VQ of the Republic of Azerbaijan, *On Agrarian Insurance*, was promulgated.

The Parliament passed the Law pursuant to an authority to establish the framework of banking, bookkeeping, and insurance. The Law regulates relations upon insuring farming risks through the mechanism of coinsurance as well as establishes legal, economic, and organisational bases of agricultural insurance.

The Law came effective as of 2020, upon which, the 2002 Law of Stimulating Insurance in Agriculture ceases to have effect.

The system of agricultural insurance is a system of relations based on transferring and sharing risk in protecting, based on voluntary insurance, proprietary interests of manufacturers of produce of agriculture and aquaculture. Proprietary interests in the following are protected, *i.e.*, subjects of agricultural insurance:

- agricultural plants and vegetable products (including perennial plantings and their crops);
- agricultural animals and animals raised for agricultural purposes (farm livestock); and
- produce of aquaculture.

Produce of agriculture restricted from manufacturing, processing, importing or remaining in turnover, as well as ailing farm animals and produce of aquaculture and those from territories subject to quarantine and restrictive measures may not be subject of agrarian insurance.

Manufacturers of agricultural produce are insured against any or all of the following risks categorised by subjects of agricultural insurance:

- natural disasters;
- fires;
- plant diseases and pests;
- infectious diseases and poisoning;
- wild animal attacks and spread and attacks of especially dangerous pests; and
- third-party acts.

Insurance premium consists of a part payable by an insured and part covered out of the state budget funds.

Pursuant to the Presidential Decree implementing the Law and approving establishment of the Fund, the Agrarian Insurance Fund non-commercial entity is established.

The Cabinet of Ministers approved on 11 December 2019 the charter of the Fund. The Fund is governed by the boards of trustees and management. The Fund's charter capital is AZN1,000,000.

The Fund functions to ensure organisation, development, and sustainability of the system of agrarian insurance and controls operations of the management institution along with ensuring continuity of its operations.

The management institution is functioning in the form of an open joint-stock company (a commercial entity) established by entities licensed to provide non-life insurance and equally holding shares in the institution. The institution may not issue securities (other than shares) or borrow. As of now, the institution has not been formed.

**PLEASE CONTACT US FOR ANY QUESTIONS AND FURTHER
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