

# Law of the Republic of Azerbaijan

## On social insurance<sup>[1]</sup>

This Law regulates relationships in the area of social insurance, defines legal, economical and organisation grounds for social insurance in the Republic of Azerbaijan.

### Chapter I.

#### General

#### Article 1. Concept of social insurance

**Social insurance** - is form of security intended for compensation of lost right to work, profits and also extra expenses of *individuals* envisaged by this Law, and for prevention of such losses. <sup>[2]</sup>

#### Article 2. Forms of social insurance

Social insurance may be compulsory state insurance and voluntary (additional) insurance.

Compulsory state social insurance is implemented by insurants with respect to all employees working under labour agreements (contracts). In situations envisaged by this Law other persons may be also liable to compulsory state social insurance. <sup>[3]</sup>

#### Article 3. Principles of social insurance

Principles of social insurance are the following:

- state guarantee of continuity of social insurance;
- overall character of social insurance;
- provision of social insurance in all cases of disablement of the employee;
- equality of legal subjects of social insurance;
- compulsory state social insurance;
- guaranteed participation of public organisations in control over obligatory social insurance.

#### Article 4. Social-insured accident

Social-insured accident is such situation when *insured* gets the right for insurance compensation to be paid by the insurance company.

The following are regarded as social-insured accidents:

- on reaching pension age;
- disability or limited health abilities up to 18 years;
- loss of breadwinner;
- temporary disability (for the period envisaged by the legislation);<sup>[5]</sup>
- pregnancy and confinement;
- child's birth;
- care of a child;
- death;
- need in recreation.
- ~~to be unemployed (for the period envisaged by the legislation).~~<sup>[6]</sup>

Compulsory state social insurance is *applied* in all cases specified in this Article, and voluntary (additional) insurance - in insurance cases chosen by the parties.<sup>[7]</sup>

## **Article 5. Insurance documents**

Documents confirming social-insured accidents and constituting basis for allocation of social insurance compensation are as specified by legislation.

## **Article 6. Kinds of social insurance compensations**

The following insurance compensations are allocated in case of social-insured accident:

- labour (~~social insurance~~)-pensions, stipulated by respective legislation of the Republic of Azerbaijan; <sup>[8]</sup>
- addition to labour pensions paid based on voluntary (additional) social insurance; <sup>[9]</sup>
- compensation for temporary disability (for the period envisaged by the legislation); <sup>[10]</sup>
- maternity benefit;
- postnatal allowance;
- allowances to parents paid until children are of age specified by legislation;

- allowance for burial;
- full or partial compensation of expenditures for stay in sanatorium of *insured*.
- ~~unemployment benefit.~~<sup>[11]</sup>

The right to receive the compensation for temporary disability and maternity and childbirth allowances shall be applied to the persons with social insurance period being not less than 6 months. In both cases maximal monthly limit cannot exceed 25-fold *minimum amount of a labor pension in accordance with Article 6-1 of the Law of the Republic of Azerbaijan "On Labor Pensions"*.<sup>[12]</sup>

The persons working for the insurants, exempted of the compulsory state social insurance contributions to the salary fund according to the legislation are entitled to receive the social insurance compensation (except for work pension) in ratio of charged amount of the compulsory state social insurance contributions to the amount of compulsory state social insurance contributions subject to charging without consideration of exemption.<sup>[13]</sup>

~~According to the relevant state program of unemployment benefits financed by contributions for obligatory state insurance.~~<sup>[14]</sup>

~~Other kinds of social insurance may be applied according to legislation of the Republic of Azerbaijan.~~<sup>[15]</sup>

## **Article 7. Legislation on social insurance**

Legislation on social insurance includes this Law and other normative-legal acts.

*Relations in the sphere of social insurance in the Alyat free economic zone are regulated in accordance with the requirements of the Law of the Republic of Azerbaijan "On the Alyat free economic zone"*.<sup>[16]</sup>

## **Chapter II.**

### **Parties in social insurance process. Rights and responsibilities**

## **Article 8. Parties in social insurance**

Parties in social insurance are insurers, insurants and *insured* persons.

Insurers are a body (structure), established by the relevant executive authority and legal entities carrying out activities for compulsory state social insurance or voluntary insurance (except for activities to control the calculation and payment of compulsory state social insurance contributions) and controlling insurance funds as specified by laws of the Republic of Azerbaijan. [\[17\]](#)

Insurants are enterprises, companies and organisations, having the status of legal entity, their branches and representations, elected bodies, public authorities, irrespective of the ownership type and organizational-legal form, established according to the legislation of the Republic of Azerbaijan or foreign state, operating in the Republic of Azerbaijan and also other persons implementing social insurance of themselves or other persons. [\[18\]](#)

Insured persons are those persons in whose favour insurance is implemented.

Insurance period of insured person is an aggregate period of labour activity, when insurance contributions for obligatory social insurance in favour of insurant were paid. [\[19\]](#)

## **Article 9. Rights and responsibilities of insurers**

Insurers have the following rights:

- to receive information and reports on contributions for compulsory state social insurance from the body (structure), determined by the relevant executive authority; [\[20\]](#)
- to receive statements (extracts) from insurants specifying sums of social-insurance payments and grounds for that;
- to conduct electronic monitoring of the compliance of policyholders with the requirements of this Law, to inform the body (structure), determined by the relevant executive authority about the results of monitoring; [\[21\]](#)
- to demand fulfilment of obligations under the agreement of voluntary (additional) social insurance;
- to realize other rights envisaged by legislation.

Insurers must:

- take measures for being permanently solvent;

- provide estimation and payment of social-insurance sums in due time;
- fulfil obligations under the agreements of voluntary (additional) social insurance in due time and in full amount;
- *for the purposes of compulsory state social insurance, to keep a record of the insurants and the insured persons on the basis of information provided by the body (structure), determined by the relevant executive authority;* <sup>[22]</sup>
- *to carry out monthly, quarterly and annual reconciliations with the body (structure), determined by the relevant executive body, receipts for compulsory state social insurance;*
- fulfil other obligations envisaged by legislation.

***Article 9-1. Control over the calculation and payment of contributions to compulsory state social insurance***<sup>[23]</sup>

*9-1.1. Control over the calculation and payment of contributions to compulsory state social insurance, the application of financial sanctions for the late submission of the report on contributions to compulsory state social insurance, reduction of the estimated contribution to compulsory state social insurance or evasion from its payment, receipt of arising debt on compulsory state social insurance, accrual of interest for late payment of the fee for compulsory state social insurance and refund of overpaid contribution for obligatory state social insurance is carried out in the manner prescribed by the Tax Code of Taxes of the Republic of Azerbaijan.*

*9-1.2. The procedure for the return of overpaid or improperly withheld contributions to compulsory state social insurance is established by the body (structure), determined by the relevant executive body.*

**Article 10. Rights and obligations of insurants**

Insurants have the following rights:

- to take part in all forms of social insurance;
- to choose independently insurance company for voluntary (additional) social insurance;
- to demand that regulations of social insurance and provisions of agreements on voluntary (additional) social insurance are observed.

Insurants must:

- ~~register in insurance company which carries out voluntary state social insurance (with the exception of business legal entities, public legal entities, branches or representations of foreign business entities and physical entities engaged in entrepreneurial activity);~~ <sup>[24]</sup>
- pay installment insurance premiums to the insurer within specified period;
- ~~whenever insured accident occurs — pay insured persons insurance sums in due time and in an established order;~~
- *register social insurance contributions and, at the end of the quarter, no later than the 20th day of the next month, provide the body (structure), defined by the relevant executive authority with this report for each quarter in the form established by the body (structure), determined by the relevant executive body authorities;* <sup>[25]</sup>
- *in the absence of activity during the reporting period, submit to the body (structure), determined by the relevant executive authority, instead of the report a certificate of the absence of activity in the manner prescribed by the Tax Code of the Republic of Azerbaijan, no later than within terms established for submission of report;*
- fulfil other obligations envisaged by legislation.

## **Article 11. Rights and obligations of insured persons**

*Insured persons have the following rights:*

- to demand that *insurants* insure them using compulsory state social insurance;
- to choose independently insurer for voluntary (additional) social insurance;
- to demand that social-insurance premiums are paid to them in due time;
- to receive an information about his/her insurance period from insurers or insuring persons when fixing an amount of social insurance payments. <sup>[26]</sup>

*Insured persons must:*

- ~~register themselves with the company insurer carrying out obligatory social insurance;~~ <sup>[27]</sup>
- to pay installment insurance premiums in due time;
- to present to the insurer or to the insurant documents confirming existence of insured accident.

## Chapter III.

### Compulsory state social insurance

#### Article 12. Persons liable to compulsory state social insurance <sup>[28]</sup>

Compulsory state social insurance involves persons appointed to their posts by decrees of Milli Majlis of the Republic of Azerbaijan, decrees and orders of the President of the Republic of Azerbaijan; citizens of the Republic of Azerbaijan and stateless citizens working under *labour agreements* (contracts) ~~in all institutions, enterprises and organisations operating in the Republic of Azerbaijan or belonging to Azerbaijan Republic but located in foreign states~~; foreign citizens, obtaining from sources in the Republic of Azerbaijan salaries and other incomes, subject to compulsory state social insurance fees (except for the foreigners working for contractors and subcontractors, operating within the limits of Agreements on exploration, development of oil and gas reserves and the shared production section, export pipelines approved by laws; as well as involved by the resident of the industrial park, engaged in activities, established by the relevant executive authority in the industrial park, formed in accordance with the decision of the relevant executive authority, as well as by its contractor and subcontractor, concluded direct contract with the contractor for the purpose of such activities (5-year period from May 1, 2016); persons who occupy electoral paid posts; military men and persons with special rank (except for military men of statutory active military service); public prosecutors, deputy prosecutors and assistants to prosecutors, inspectors of the procurator's offices; tax authorities personnel; members of the Board of barristers; individuals; persons who carry out individual business and production activity; ~~foreign citizens in compliance with intergovernmental agreements.~~ <sup>[29]</sup>

#### <sup>[30]</sup>Article 13. Registration of insurance participants for compulsory state social insurance<sup>[31]</sup>

13.1. Registration of insurants and insureds with the insurer for the purposes of compulsory state social insurance is carried out on the basis of accounting data, provided by the body (structure), determined by the relevant executive authority.

13.2. After registration in the manner prescribed by law, family farms and persons who use the land in their ownership, suitable for agriculture, within one month from the date of receipt of the document confirming the ownership of the land, shall apply

*to the body (structure), determined by the relevant executive authority on registration, for the purposes of compulsory state social insurance. The application form is determined by the body (structure), defined by the relevant executive authority.*

*13.3. The body (structure), determined by the relevant executive authority, after registration, in accordance with article 13.2 of this Law, within one working day informs the body (structure), determined by the relevant executive authority in electronic form.*

*13.4. The procedure of registration of insurants and insureds for the purposes of compulsory state social insurance is established by the body (structure), determined by the relevant executive authority.*

***Article 14. Contribution to compulsory state social insurance***

*14.1. Contribution to compulsory state social insurance is sum of money paid to the insurer for insurance.*

*14.2. In compulsory state social insurance, the insurance contribution is determined in percents against the amount of wages (income) and is paid at the expense of the means of the insurant and the insured.*

*14.3. Subject to the provisions of Article 14.4 of this Law, contributions to compulsory state social insurance for income from employment are paid at the following rates:*

*14.3.1. the insurance contribution paid by the insurant is 22 percent of the accrued payroll fund and other income, attracted to compulsory state social insurance;*

*14.3.2. the insurance contribution paid by the insured is 3 percent of the salary and other income of an employee, attracted to compulsory state social insurance.*

*14.4. Contribution to compulsory state social insurance of the insureds, not employed in the oil and gas sector and working with insurers, belonging to the non-state sector, from monthly income from employment is paid from January 1, 2019 for 7 years at the following rates:*

<b><i>Monthly income for insurance contribution</i></b>	<b><i>Social Insurance Contribution Rate</i></b>		
	<b><i>Total</i></b>	<b><i>Withheld from</i></b>	<b><i>Paid at the</i></b>

		<i>the income of the insured</i>	<i>expense of the insurant</i>
<i>Up to 200 manats</i>	<i>25 percents</i>	<i>3 percents</i>	<i>22 percents</i>
<i>More than 200 manats</i>	<i>25 percents</i>	<i>6 manats + 10 percents of the part, exceeding 200 manats</i>	<i>44 manats + 15 percents of the part, exceeding 200 manats</i>

*14.5. Contribution to compulsory state social insurance for insureds, receiving income from activities not related to employment, is paid at the following rates:*

*14.5.1. business activities - in the amount of 50 percent of the minimum wage in the construction and trade sectors and 25 percent in other areas; (comes into force since January 1, 2020, and until that date, social insurance contributions for the activities specified in Article 14.5.1 of the Law of the Republic of Azerbaijan "On Social Insurance" are paid in accordance with Article 14 of this Law, valid until January 1, 2019)*

*14.5.2. for those working on the basis of a civil law contracts (with the exception of private entrepreneurs) with retention at the source of payment - in the amount of 25 percent of their incomes;*

*14.5.3. for private notaries - in the amount of 25 percent of the 10-fold minimum monthly wage;*

*14.5.4. for legal entities and individuals paying royalties with retention at the source of payment - in the amount of 15 percent of the calculated amount of the royalty;*

*14.5.5. members of the bar association, independent auditors, independent accountants - in the amount of 20 percent of their incomes;*

*14.5.6. for each of the able-bodied family members of individuals who use land in their ownership, suitable for agriculture (except for persons paying compulsory state social insurance*

*contributions, working in other areas) and family farms (persons from 15 years old up to the age limit established by Article 7 of the Law of the Republic of Azerbaijan "On labor pensions", excluding persons with disabilities of I and II groups, as well as children with disabilities) (including personal subsidiary and other household plot to the acquisition of property and land allotment) - at a rate of 6 per cent of the minimum monthly wage.*

*14.6. Contribution to compulsory state social insurance is calculated for each month, paid in full simultaneously with payments on wages and other income, but no later than the 15th day of the next month, only by way of cashless payment.*

*14.7. For the purposes of this Law, the criteria for activities in the oil and gas industry and the non-state sector are determined by the body (structure), defined by the relevant executive authority.*

#### **Article 15. Types of income which are subject to estimation of installment premiums in obligatory state insurance [\[32\]](#)**

Fees on compulsory state social insurance are calculated for all types of labor payments and incomes, with exception of those listed below uncalculated types of incomes:

rises, paid instead of daily travel allowances to employees, whose work involves constant travels or assignments, as well as those working on site;

amounts of travel allowances established by legislation (per diems on food, utilities and transportation);

amounts of lump sum allowances paid in the event of termination of labor contract in connection with *the liquidation of the enterprise*, as a result of staff reduction, downsizing or death of employee; [\[33\]](#)

price of preventive treatment food, milk and equivalent products supplied free of charge to employees working at health hazardous environments, underground and the value of the special clothing, shoes and other personal protective equipment issued to employees;

amounts of scholarships paid to students, *doctoral candidates and master degree* students sent to schools with separation from labor, paid by entities and organizations; [134](#)

amounts on one time grants paid by the decisions of relevant executive authorities, as well as foreign states and other organizations as a result of natural disasters and other emergencies;

alimony payments, compensation to donors for blood and blood components;

amounts of payments on social insurance, paid via fees on compulsory state social insurance;

state scholarships and state allowances, paid from state budget on the basis of the Laws of the Republic of Azerbaijan and decisions of relevant executive authorities; [135](#)

funds - insurance premiums in cash or in kind paid to the insured to reimburse for damage to his property or property interests upon occurrence of an insured event, and all types of compulsory insurance and voluntary medical insurance paid by the insurant, insurance premiums of insurant for life insurance *and pension insurance paid from a portion not exceeding 50 percent of the income of the insured to the insurers of the Republic of Azerbaijan under the contracts signed for a period of not less than 3 years, any amounts paid to the insured and beneficiary upon expiration of 3 years from the date of entry into force of the contract for life insurance and pension insurance*; [136](#)

income from activities not related with journey-work or entrepreneur activities (income from interests, dividends, incomes from leasing of property, royalty, income from provision of assets, not used for the purposes of entrepreneur activities, *value of presents and inheritance, cash prizes from holding sweepstakes on sports games, lotteries, as well as from other competitions and contests*); [137](#)

value of property and money awards, received from competitions and tournaments;

single time allowance paid to state servicemen due to his voluntary leave from work as a result of reaching of retirement age;

temporary incapability allowance paid from insurant funds;

compensation paid to workers, assigned by state authorities by transfer to work in different location, to cover costs on travel and accommodation; [\[38\]](#)

~~single-time premiums paid to person at his anniversaries; [\[39\]](#)~~

wages of employees of diplomatic service, *persons performing administrative and technical servicing of diplomatic missions, assigned to foreign business trips on rotation, and military personnel, guarding diplomatic missions and consulates of the Republic of Azerbaijan in foreign countries and international organizations, requiring such protection;* [\[40\]](#)

salary fund of international, local humanitarian organizations and their founded development entities (insurants), activities of which are coordinated by the relevant executive authority, formed for foreigners with funds allocated within humanitarian programs, donor states, entities and private companies (within the term of execution of "State program on improvement of life standards and improvement of employment of refugees and internally displaced persons", approved by the Instruction No. 298 of the President of the Republic of Azerbaijan from July 1, 2004); [\[41\]](#)

compensations paid for work injury or any other damages, caused to the employee as a result of health undermining;

material assistance, paid by the public organizations, charitable societies and funds; [\[42\]](#)

~~payments not included to the cost of provision (money allowance), effected by the military men and persons with special ranks and defined by the Law of Azerbaijan Republic "On Labor Pensions"; [\[43\]](#)~~

salary of all types, compensations and other material securities, paid to individuals who have cooperated with the subjects of operational search activities, those assisting the subjects of intelligence and counterintelligence activities; [\[44\]](#)

*material assistance (support), paid by the body (structure), determined by the relevant executive authority;* [\[45\]](#)

*funds, paid to a third party in connection with the provision of foodstuffs to the insured's employees.*

## **Article 16. Terms and procedure of payments under compulsory state social insurance**

Terms and procedure of assignment of payments under the compulsory state social insurance are established by *the respective legislation of the Republic of Azerbaijan.* <sup>[46]</sup>

## **Article 17. Payments under the compulsory state social insurance** <sup>[47]</sup>

Social insurance payments stipulated under Article 6 of this Law *shall be paid directly to insured by insurer only in non-cash form, and to the subjects of operational search, intelligence and counterintelligence activities - in accordance with the Law of the Republic of Azerbaijan "On non-cash payments"*.<sup>[48]</sup>

## **Article 18. Management in the area of compulsory state social insurance**

Management in the area of compulsory state social insurance (*except for activities to control the calculation and payment of contributions to compulsory state social insurance*) is accomplished by respective executive power body. Said executive power body: <sup>[49]</sup>

- has control over the means of compulsory state social insurance;
- gives explanations as per the use of this Law and takes normative acts within the limits of its authority;
- ~~determines procedure of collecting installment premiums under compulsory state social insurance;~~<sup>[50]</sup>
- ~~performs desk top and site audits in accordance with provisions of legislation;~~<sup>[51]</sup>
- receives from the body (structure), determined by the relevant executive authority, reports from insurants concerning compulsory state social insurance; <sup>[52]</sup>
- ~~applies financial sanctions to insurants violated regulations of compulsory state social insurance;~~
- ~~imposes fines against officials of the insurant for systematic violation of regulations of compulsory state social insurance for a sum of 50% of their average monthly wages;~~

- ~~whenever instalment premium under the compulsory state social insurance has not been paid, or there is delay with payment, this executive power body informs the insurant, and if said problem is not settled within certain period, suspends operations with money transfer to the bank accounts (except payments to the budget and other obligatory payments) in an order established by legislation;~~
- ~~submits claim for payment of debts under compulsory state social insurance, by way of suspension of operations of insolvent insurants and sale of their property;~~
- ~~implements in accordance with provisions of legislation compulsory state social insurance of employees engaged by insurant to execution of works (services) without coming into legal effect of the employment contract in accordance with procedures of the Labor Code of the Republic of Azerbaijan;~~ <sup>[53]</sup>
- *provides electronic services in the field of social insurance (except for calculation and making contributions for compulsory social insurance) through a centralized electronic information system of the relevant executive authority;* <sup>[54]</sup>
- carries out other activities relevant to its status.

*Management in the field of compulsory state social insurance in terms of the calculation and payment of contributions to compulsory state social insurance is carried out by a body (structure), determined by the relevant executive authority.* <sup>[55]</sup>

~~*Relevant executive power body exercising control in the field of compulsory state social insurance will be exempted from payment of state duty for application of writs to court.*~~ <sup>[56]</sup>

## **Article 19. Means of compulsory state social insurance**

19.1. Means of compulsory state social insurance are concentrated in one fund and are used for financing social-insurance payments, *expenses for maintaining the body (structure), defined by the relevant executive authority,* and other expenditures in line with this Law and other normative-legal acts. It is prohibited to use insurance money with other objectives. <sup>[57]</sup>

19.2. *The remaining balance of compulsory state social insurance means in a single fund, unused at the end of the year is directed to finance the expenses of the following year.* <sup>[58]</sup>

## Article 20. Sources of money for compulsory state social insurance

Funds of compulsory state social insurance are formed at the expense of:

- incoming insurance instalments under the obligatory and voluntary (additional) social insurance;
- deductions from state budget;
- proceeds from financial sanctions and fines;
- proceeds from sale of tickets to the health resorts;
- bank credits;
- other profits (income) received in accordance with legislation.

*50 percent of the amount of financial sanction, applied by the tax authorities in accordance with the Tax Code of the Republic of Azerbaijan for violation of the requirements of this Law, and 30 percent of the accrued interest for the insurants's delay in payment of compulsory state social insurance contributions are transferred to the account of the body (structure), determined by the relevant executive authority, in order to strengthen the material and technical base and enhance the social protection of employees of the body (structure), defined by proper authorities of executive power. The order of distribution and use of these funds is determined by the body (structure), defined by the relevant executive authority. <sup>[59]</sup>*

## ~~Article 21. Financial sanctions for violation of regulations of the compulsory state social insurance <sup>[60]</sup>~~

~~Relevant executive power bodies exercising control in the area of compulsory state social insurance have the right to apply the following financial sanctions to insurants: <sup>[61]</sup>~~

- ~~for violation of rules of registration under the compulsory state social insurance by the insurants (with the exception of business legal entities, public legal entities, branches or representations of foreign business entities and physical entities engaged in entrepreneurial activity), including restoration of the compulsory state social insurance installment liable to charging for the period when they were not registered in the books — fine at a rate of 5 percent of social insurance payment (installment), and if the sum of social insurance installment to be charged cannot be defined, then — at a rate of 22 manats; <sup>[62]</sup>~~

- ~~for delayed presentation of reports and financial documents related to compulsory state social insurance by the insureds— fine at a rate of 10 percent of social insurance installment estimated for the report period, and if the sum of social insurance installment to be charged for reporting period cannot be defined, then— at a rate of 44 manats;~~<sup>[63]</sup>
- ~~for concealment of payments received for work and profits liable to compulsory state social insurance (under estimation of social insurance payment) by the insureds— fine at a rate of 50 percent, and should such actions repeat— at a rate of 100 percent of the under estimated sum of social insurance payment, with reimbursement of this sum;~~<sup>[64]</sup>
- ~~for overpayment of social insurance payment at the expense of funds of compulsory state social insurance by the insurers— at a rate of 50 percent, and should such action repeat— at a rate of 100 percent of the overpaid sum, with reimbursement of this sum;~~
- ~~for use of installments of compulsory state social insurance with other objectives by enterprises, companies and organizations, having the status of legal entity, their branches and representations, irrespective of the ownership type and organizational legal form, established according to the legislation of the Republic of Azerbaijan or foreign state— fine at a rate of 50 percent of spent funds;~~<sup>[65]</sup>
- ~~for payment wages in an amount less than minimum wages established in the country by enterprises, companies and organisations, having the status of legal entity, their branches and representations, irrespective of the ownership type and organizational legal form, established according to the laws of the Republic of Azerbaijan or foreign state— fine at a rate of 50 percent of difference between the sums of actually paid wages and minimum wages;~~<sup>[65]</sup>
- ~~for concealment of the number of employees of enterprises, institutions and organizations having the status of legal entity, their branches and representative offices, established in accordance with the laws of the Republic of Azerbaijan or foreign state, regardless of the form of ownership and organizational legal form (when having the employees without an employment agreement (contract) or their concealment from reporting after the coming into legal effect of the employment contract (contract)) for each employee— the penalty at the rate of fifty five manats for each month of the period of activity of the insured;~~<sup>[66]</sup>

- ~~in case if the compulsory state social insurance installments are not effected simultaneously with payment of salary, and also for failure to fulfil the order of respective executive authority, carrying out control over the compulsory state social insurance, on deduction of debts under the compulsory state social insurance and applied financial sanctions from the account of the insurant as per priority of payments, stipulated by the legislation of the Civil Code, and also for carrying out of transfer operation within the period of termination of transfer operations' performance as per settlements and other invoices according to the legislation — the penalty at a rate of 10 percents of the sum of compulsory state social insurance installment liable to payment to banks or other credit organizations. <sup>1671</sup>~~
- ~~for implementation by insurants of cash desk operations with violation of order of payment priorities, as stipulated under the Civil Code of the Republic of Azerbaijan, since the expiration of the term specified in the decree on payment of debts on state social insurance fees in accordance with procedures of Article 14 of this Law — at a rate of 10 percent of performed payment operations. <sup>1681</sup>~~
- ~~for opening of payment or other accounts for insurants (with the exception of business legal entities, public legal entities, branches or representations of foreign business entities and physical entities engaged in entrepreneurial activity) without provision of duplicate certificate for opening an account at a bank or other credit institution, issued by the relevant executive authority performing in the area of compulsory state social insurance — to bank or other credit entity in the amount of 440 manats for each opened account; <sup>1691</sup>~~
- ~~for delay by insurants of payment of compulsory state social insurance fees the penalty is applied at the amount of 0.1 % from the sum of insurance fee for each day of delay, for the maximum period of one year. <sup>1701</sup>~~

~~Penalty for delayed payment of fees of compulsory state social insurance found during inspection shall be applied from the moment of calculation of this insurance amount. <sup>1711</sup>~~

~~Debts on financial sanction are withheld in accordance with Article 14 of this Law. <sup>1721</sup>~~

~~If insurant has performed several violations of rules on compulsory state insurance, financial sanctions are applied separately to each violation. <sup>(73)</sup>~~

## **Chapter IV.**

### **Voluntary (additional) social insurance**

#### **Article 22. Right for voluntary (additional) social insurance**

Citizens of the Republic of Azerbaijan, stateless citizens, foreign citizens, all companies, enterprises and organisations have the right for voluntary (additional) social insurance.

#### **Article 23. Insurers**

Voluntary (additional) social insurance is accomplished by relevant executive power body, which is authorised to keep control in the area of compulsory state social insurance and also by private insurance companies formed specially with this objective.

Private institutions of social insurance must pass state registration in an order specified by legislation for legal entities, and get license for their activity.

Respective executive power body which issued a license, will keep control over permanent solvency of private insurance companies.

#### **Article 24. Kinds of payments under voluntary (additional) social insurance**

Respective executive power body exercising control in the area of compulsory state social insurance may carry out voluntary (additional) social insurance in all kinds of payments envisaged in Article 6 of this Law as per private social insurance for all kinds of payments except state pensions.

#### **Article 25. Insurance fund of private organisations of social insurance**

Insurance fund of private organisations of social insurance is formed at the expense of resources of its founders, insurance instalments received under the agreements of social insurance, proceeds from commercial activity, other resources obtained legally. Organisation of social insurance has exclusive rights to dispose of insurance fund resources.

## **Article 26. Agreement of voluntary (additional) social insurance**

Voluntary (additional) social insurance is implemented based on agreement of social insurance concluded between the insurer and the insurant (*insured* person). Agreement of social insurance specifies rights and obligations of the parties, sums of social insurance installments and payments, insured accident, responsibilities of the parties and also other conditions, as agreed between the parties.

## **Article 27. Social insurance certificate (policy)**

The insurer issues to the *insurant* (*insured* person) certificate (policy) of social insurance. The form of insurance policy is approved by respective executive power body.

## **Chapter V.**

### **Conclusions**

## **Article 28. Relationship between the insurers and bank institutions**

The service fee for operations, carried out in connection with the issue of social insurance payments to a bank institution is governed by an agreement concluded between the *body (structure)*, established by the relevant executive authority and the banking institution. [\[74\]](#)

All banking organisations not later than 10 days after they received letter of inquiry from the insurance company, must submit all relevant data.

## **Article 29. Arbitration**

All disputes arising between the insurant and *insured* person (entity) with regard to social insurance are to be settled in compliance with the *Labor Code of the Republic of Azerbaijan*, and disputes between the insurer and insurant, *the body (structure)*, established by the relevant executive authority - at the court of arbitration. [\[75\]](#)

## **Article 30. Responsibility for violation of this Law**

Persons guilty of violation of provisions of this Law will be responsible as is specified in legislation of the Republic of Azerbaijan.

### **Article 31. International agreements**

If provisions of international agreements with participation of the Republic of Azerbaijan differ from provisions of this Law, provisions of the former shall apply.

**Heydar ALIYEV,**

**President of the Republic of Azerbaijan**

Baku, 18 February, 1997

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