

Aviation Insurance Rules

General Definitions

Unless otherwise provided, the terms below have the following meanings:

Insured – A party to the insurance contract who pays the premium and has an insurable interest in the subject matter of insurance.

Insurer – A local legal entity that holds the relevant license to conduct insurance activities and, upon the occurrence of an insured event, is obliged under law and/or the contract to pay the insurance indemnity; a party to the insurance contract.

Beneficiary(ies) – A person entitled to receive the insurance indemnity under the insurance contract.

Actuary – A specialist who, in accordance with law, determines the basis for premium calculation through economic–mathematical methods and calculates insurance reserves.

Insured Event – An unforeseen event or circumstance occurring during the validity of the contract which, under law or the contract, gives rise to payment of the insurance indemnity to the insured, the policyholder or other beneficiary.

Sum Insured – The maximum limit of the insurer's liability for insured risks as determined by law or the contract and expressed as a monetary amount.

Insurance Claim (Notice of Loss) – A request by the insured, policyholder or beneficiary, upon the occurrence of an insured event, for the insurer to perform its obligations under law and the insurance contract.

Insurance Indemnity (Payment) – The financial compensation paid by the insurer upon an insured event, pursuant to law and the insurance contract.

Object of Insurance – Any lawful property interest of the insured or policyholder.

Subject Matter of Insurance – The property to which the insured property interests under the insurance contract relate.

Insurable Interest – The interest that forms the legal basis for insuring the object of insurance, arising from the likelihood of the insured suffering financial loss if an insured event occurs.

Insurance Premium – The amount payable by the insured to the insurer under the insurance contract in consideration of the acceptance and/or sharing of risks in accordance with insurance law.

Insurance Risk / Risk – The probability of an event or circumstance causing loss or damage to the object of insurance and the corresponding obligation assumed by the insurer against such probability.

Insurance Tariff – The percentage rate determined on the basis of actuarial calculations for computing the insurance premium.

Insurance Contract – The agreement setting out the terms under which, in return for the relevant premium, the insurer undertakes to compensate losses, damage, or a pre-agreed amount arising from specified risks affecting the object of insurance upon the occurrence of a defined event.

Certificate of Insurance – The document issued by the insurer to the insured and/or policyholder evidencing conclusion of the insurance contract.

Insurance Period – The period during which the insured risks are covered.

Deductible (Franchise) – The portion of loss or damage arising from an insured event that is not covered and remains for the account of the insured. The deductible is applied to the calculated indemnity in all cases in accordance with the contract.

Material Circumstances – Circumstances that could influence the insurer's decision to refuse the contract or to determine its terms and conditions.

Territorial Scope of Insurance – The defined geographic limits within which the object is deemed insured.

Actual Total Loss – The factual destruction of the property beyond recovery.

Constructive Total Loss – A situation where saving or repairing the property is not economically feasible as the costs of such operations would exceed the value of the property.

Aircraft – The aircraft's hull, engine system, mechanisms and equipment; and, unless otherwise provided in the insurance contract, standard devices required for the aircraft's special purposes when it is used for such purposes.

1. Classes of Insurance

1.1. The following classes fall under property insurance by object:

1.1.1. Aircraft Insurance – Indemnity for the insured's property interests arising from damage to, destruction, hijacking or theft of an aircraft, paid in whole or in part.

1.1.2. Owners' Liability Insurance for Aircraft – Indemnity for the insured's property interests associated with the obligation to compensate third parties for damage caused in the use of an aircraft, paid in whole or in part.

2. Subject Matter of Insurance

2.1. The subject matter comprises the property to which the insured interests relate under the contract, and liability for bodily injury or death to third parties or damage to their property.

3. Object of Insurance

3.1. The object is the insured's property interest arising from ownership, use and/or disposal of the subject matter. Additionally, property interests relating to compensation of harm caused to the life or health of individuals, or to the property of individuals and legal entities as a result of an insured event, are deemed objects of insurance.

4. Sum Insured

4.1. As specified in the Certificate of Insurance, the sum insured reflects the limits of payment the insurer undertakes to make to the insured.

4.2. Unless otherwise provided, the sum insured sets the maximum aggregate of insurance payments for all insured events during the period of insurance.

5. Insured Risks

5.1. Unless otherwise provided in the contract, the insurer covers the destruction or damage of the subject matter resulting from:

5.1.1. aircraft accident;

5.1.2. fire, explosion, lightning;

5.1.3. storm, hurricane or other natural disasters;

5.1.4. engine or equipment failure of the aircraft;

5.1.5. disappearance of the aircraft without news;

5.1.6. unlawful malicious acts of third parties.

6. General Exclusions

6.2.1. Unless otherwise stated in the Certificate, the insurer does not indemnify losses arising from:

6.2.1.1. wilful intent or gross negligence of the insured or its representative;

6.2.1.2. nuclear explosion, radiation or radioactive contamination;

6.2.1.3. war, invasion, hostilities, acts of foreign enemies, whether war be declared or not, civil war, public disturbances, strikes, riots, insurrections evolving into popular uprisings or military coups, revolution, military or usurping power;

6.2.1.4. destruction, seizure, confiscation, arrest or detention of the aircraft by order of competent authorities;

6.2.1.5. seizure or hijacking of the aircraft;

6.2.1.6. the insured or its representative being aware, prior to flight authorization, of the aircraft's unairworthy condition;

6.2.1.7. the direct or indirect effect of sonic shock waves;

6.2.1.8. use of the aircraft for purposes not provided in the contract or contrary to its intended use;

6.2.1.9. operation by persons without a pilot certificate and/or lacking the training/experience required to operate that type independently;

6.2.1.10. civil flights conducted with an incomplete crew;

6.2.1.11. use of an airfield not designated for the insured aircraft to land, unless due to force majeure;

6.2.1.12. wear and tear, depreciation of the aircraft or its parts;

6.2.1.13. operation of the aircraft under conditions not provided for in its flight-technical specifications;

6.2.1.14. breakage of parts of the aircraft unless such breakage causes damage to other parts;

6.2.1.15. ingestion of foreign objects into a running engine while taxiing or parked, unless such ingestion also damages other parts (engine excepted as stated).

7. Insurance Contract

7.1. Conclusion of Contract

7.1.1. The contract is concluded on the basis of a written application by the insured, which forms an integral part of the contract.

7.1.2. At inception, the insured must disclose to the insurer all material circumstances known to it that are relevant to assessing the degree of risk concerning the insured aircraft. Items stated in the application are also deemed material. If, after inception, it is established that the insured knowingly provided false information, the insurer may seek to have the contract declared void.

7.1.3. Conclusion of the contract is evidenced by the Certificate of Insurance issued to the insured with the rules attached.

8. Parties to the Contract

8.2.1. Insurer. Under these Rules, the insurer is PASHA Insurance OJSC.

8.2.2. Insured. Any natural or legal person having property interests in relation to the subject matter may be the insured. Acts of employees, officers, and other representatives authorized under the laws of the Republic of Azerbaijan, the Law “On Insurance Activity,” the insurance contract, power of attorney or job duties are deemed acts of the insured within these Rules.

8.2.3. Beneficiary.

8.2.3.1. The contract may be concluded in favor of any natural or legal person as Beneficiary.

8.2.3.2. The Beneficiary’s name must be specified in the contract.

8.2.3.3. Concluding the contract in favor of a Beneficiary does not release the insured from obligations under the contract.

8.2.3.4. All provisions applicable to the insured equally apply to the Beneficiary to the extent it seeks to benefit from the insurance.

9. Insurance Premium

9.1. The premium is calculated based on insurance tariffs.

9.2. The premium is payable in a single installment or, by agreement, in installments.

9.3. The date of payment is the date funds are credited to the insurer’s bank account or cash desk.

9.4. Unless otherwise agreed, the contract enters into force at 24:00 on the day the first installment or full premium is paid, but not earlier than the inception date stated in the Certificate.

9.5. If the premium or subsequent installment is not paid by the due date or is underpaid:

9.5.1. The insurer may, in writing and with regard to Clause 9.5.2, grant an additional period of up to 15 days for payment.

9.5.2. In any case, the premium or agreed first installment must be paid no later than one month from the date of contract conclusion.

9.6. If the insured fails to pay the premium or an installment on time, the insurer may terminate the contract or unilaterally refuse further performance.

10. Territorial Scope

10.1. Unless otherwise agreed, the insurance is effective within the territory of the Republic of Azerbaijan.

10.2. If a territory is specified in the contract, coverage applies only to insured events occurring within that territory.

10.3. The territorial scope may be extended subject to prior written consent of the insurer and payment of an additional premium.

11. Insurance Period

11.1. Unless otherwise provided in the Certificate, cover commences at 24:00 on the date of contract conclusion and ends at 24:00 on the last day of the contract period.

12. Deductible

12.1. A conditional or unconditional deductible may be set by agreement between the parties.

12.2. Conditional deductible: if the loss amount exceeds the deductible, no deduction is taken from the loss.

12.3. Unconditional deductible: the deductible is deducted from the loss amount in all cases.

12.6. If multiple insured events occur during the period, the deductible applies per occurrence.

13. Change in Degree of Risk

13.1. At inception, the insurer provides the insured with a questionnaire listing circumstances that may materially affect the risk. During the contract period, the insured must promptly notify the insurer of any changes to previously disclosed material circumstances and of any other known circumstances that may materially affect the risk.

13.2. Upon learning of increased risk, the insurer may:

13.2.1. amend terms and conditions;

13.2.2. require an additional premium; or

13.2.3. terminate the contract from the date such changes occurred.

14. Endorsements and Amendments

14.1. During the contract period, the insured and insurer may, with the Beneficiary's written consent (if any), agree to amend terms or add endorsements.

15. Termination

15.1. The contract terminates:

15.1.1. upon expiry;

15.1.2. when the insurer fully discharges its obligations to the insured;

15.1.3. if the insured fails to pay the premium within the agreed time;

15.1.4. if the insurer is liquidated under the laws of the Republic of Azerbaijan;

15.1.5. upon a court decision declaring the contract invalid;

15.1.6. when the insurable interest ceases to exist;

15.1.7. when the subject matter ceases to exist;

15.1.8. in other cases provided by Azerbaijani law.

15.2. The contract may be terminated early at the request of either party. Except as provided by law, the parties must notify each other in writing at least thirty (30) days in advance.

15.4. Consequences of Early Termination

15.4.1. If terminated at the insured's request, the insurer refunds the premium for the unexpired period less administrative expenses unless termination is due to the insurer's failure to perform, in which case the premium is refunded in full.

15.4.2. If terminated at the insurer's request, the insurer refunds the premium in full; however, if due to the insured's failure to perform, the insurer refunds the unexpired portion less administrative expenses.

15.4.3. If, by the termination date, the insurer has paid an indemnity equal to or exceeding the premium paid, no premium is refunded.

15.4.4. If the indemnity paid is less than the premium paid, the refund equals the difference, in accordance with Clauses 15.4.1 and 15.4.2.

15.4.5. If a court terminates the contract because the insured is declared incapable or capacity is limited, the insurer refunds the premium for the unexpired period to the insured's legal representative, less administrative expenses and with regard to Clauses 15.4.3 and 15.4.4.

16. Rights and Obligations of the Parties

16.1. Rights of the Insured:

16.1.1. to receive indemnity upon an insured event;

- 16.1.2. to conclude the contract in favor of a Beneficiary;
- 16.1.3. to make endorsements and amendments;
- 16.1.4. to terminate the contract;
- 16.1.5. to obtain a duplicate certificate if lost;
- 16.1.6. other rights under applicable law.

16.2. Obligations of the Insured:

- 16.2.1. notify the insurer of an insured event within the period set in Clause 17.1;
- 16.2.2. take all necessary measures to prevent or minimize loss and pay the premium on time;
- 16.2.3. complete the risk questionnaire truthfully at inception and notify the insurer of any change in risk during the term;
- 16.2.4. inform the insurer of other insurance contracts in force on the insured object;
- 16.2.5. prove the occurrence of the insured event and provide all documents required by law and practice;
- 16.2.6. other obligations under applicable law.

16.3. Rights of the Insurer:

- 16.3.1. verify the accuracy of information provided by the insured;
- 16.3.2. where the degree of risk increases, propose amendments (including additional premium) or terminate the contract upon notice;
- 16.3.3. inspect and assess the subject matter using various means (schematics, drawings, photo/video), and, where necessary and in line with insurance law, appoint an independent expert to determine actual value;
- 16.3.4. request from the insured (or the appointed expert/auxiliary service provider) documents and information evidencing the insured event and/or required to determine the indemnity;
- 16.3.5. refuse indemnity in whole or in part where the insured breaches obligations, submits forged documents, or acts to increase loss or inflate the claim;
- 16.3.6. other rights under applicable law.

16.4. Obligations of the Insurer:

- 16.4.1. familiarize the insured with these Rules;
- 16.4.2. upon receipt of all required documents, pay the indemnity within the period set in Clause 18.5;
- 16.4.3. keep confidential, except as required by law, information concerning the insured's property and commercial secrets;

16.4.4. where applicable, send written requests to competent state authorities to obtain documents confirming the occurrence, causes and consequences of events that may constitute insured events;

16.4.5. other obligations under applicable law.

17. Obligations of the Insured upon Loss

17.1. The insured or Beneficiary must notify the insurer or its representative immediately (or as soon as practicable) after becoming aware of the event, and also notify any competent state authorities as required by law.

17.2. Take all possible measures to avert or reduce loss and to salvage damaged property, following all instructions received from the insurer in doing so.

17.3. Enable the insurer or its representatives to inspect/examine the damaged property, determine cause and extent of loss, and participate in mitigation/salvage measures.

17.4. Provide, upon the insurer's request, all information and documents necessary to determine the destruction of the insured property and/or the amount and causes of loss.

17.5. Except in the cases below, present the damaged property to the insurer or its authorized representative in the state immediately following the event:

17.5.1. where necessary measures (to avert/reduce loss, eliminate consequences, prevent further loss, avoid interference with others) make preservation in situ impossible, including removal from the scene;

17.5.2. where the insurer's representative fails to inspect the damaged property within 5 days after timely notification;

17.5.3. where the insurer has provided written consent to not preserve the property in its post-event state.

17.6. Failure to perform any of the above obligations constitutes a material breach and releases the insurer from the obligation to pay the indemnity.

18. Loss Adjustment and Indemnity

18.1. The insurer determines the amount of loss based on the insurance claim submitted by the insured, policyholder or Beneficiary (or their representative).

18.2. The insurer may assess loss by various methods, including determining physical/technical characteristics of the damaged property or scene, taking photos/videos, or engaging an auxiliary insurance service provider appointed in accordance with insurance law.

18.3. If the parties cannot agree on the evaluation, an independent expert appointed in accordance with insurance law shall determine the amount of loss.

18.4. Such independent experts and auxiliary service providers may exercise all rights

vested in the insurer for investigation and evaluation.

18.5. The insurer pays the indemnity or issues a reasoned written denial within 15 business days after receiving all documents evidencing the fact, causes and amount of loss.

18.5.1. Required documents include at least:

- the claim/notice submitted within the contractual period;
- the relevant document from the competent authority, if notification is legally required;
- documents confirming the insured event;
- documents necessary to determine the amount of loss.

Unless otherwise agreed, these are the minimum required documents. The insurer may request additional documents necessary to determine causes/facts of the event and the amount of loss.

18.6. A total loss is deemed to occur in case of complete actual destruction of the property, or constructive total loss where repair costs exceed 75% of the actual value of the insured object.

18.7. After establishing the amount of loss, the indemnity is calculated as follows:

18.7.1. Underinsurance: payment is proportional to the ratio of the sum insured to the actual value.

18.7.2. Double Insurance: if the same risk on the same subject is covered by other insurer(s), indemnity is apportioned proportionally among insurers.

18.7.3. Co-Insurance: indemnity is apportioned in proportion to each insurer's share of the sum insured.

18.7.4. Deductible: the indemnity is reduced by the deductible where applicable.

18.7.5. Set-off: the insurer may set off any due or overdue premium against the indemnity.

18.7.6. The aggregate of indemnities under the Certificate may not exceed the sum insured.

18.8. The insurer may defer payment where administrative offence or criminal proceedings are initiated against the insured in connection with the event; the decision is made after the competent authority's final resolution.

18.9. If the insured retains the salvage, the residual value is deducted from the indemnity. If the insured abandons the salvage, rights in the property/spare parts pass to the insurer after payment or replacement, and the insured must take all

necessary actions to transfer such rights. If the lost property is later recovered, the insurer may keep it or return it to the insured; in the latter case the indemnity must be repaid, with compensation for any deterioration.

18.10. If the insured or Beneficiary receives compensation from third parties, the insurer pays only the difference between the amount due under the policy and the amount received from third parties. The insured must promptly notify the insurer of such receipts.

19. Grounds for Denial

19.1. The insurer refuses indemnity in the following cases:

19.1.1. late notification that materially prejudices the insurer's ability to determine causes and/or extent of loss, or failure to comply with Clause 17.5 on presenting damaged property;

19.1.2. wilful act or omission by the insured (or, as appropriate, the victim) directed at causing the insured event, or intentional crime directly causing the event, except where liability is excluded by law;

19.1.3. where the cause of loss falls under an exclusion, unless otherwise agreed;

19.1.4. the insured's deliberate failure to take feasible measures to avert or reduce loss; denial may be proportionate to the extent loss would have been reduced had measures been taken;

19.1.5. obstruction of the insurer's investigation, including removal of property from the scene (except as allowed under 17.5.1), that deprives the insurer of the ability to determine cause/extent of loss;

19.1.6. the insured's intentional misrepresentation of the subject, event or loss (subject to 19.2), depriving the insurer wholly or partly of the ability to assess risk or determine cause/extent of loss;

19.1.7. the insured, policyholder or Beneficiary has been fully compensated by the liable party; where partial compensation is received, the insurer may deny to that extent;

19.1.8. the event does not constitute an insured event under law or the contract;

19.1.9. the insured event occurs 15 days after expiry of the legal/contractual payment period for the premium or its part, and such premium/part remains unpaid (or, in the case of 9.5.1, three days after expiry of the additional period set by the insurer);

19.1.10. other cases provided in these Rules.

19.2. If the insurer knew of inaccuracies in the disclosures referenced in 16.2.3 at inception, or if the insured is not at fault for misstatements, the insurer may not rely on misrepresentation to deny indemnity.

20. Subrogation

20.1. Subrogation is the insurer's right, after paying indemnity, to exercise the insured's rights and remedies against the third party responsible for the loss.

20.2. The insured's (Beneficiary's) claim against the liable third party passes to the insurer to the extent of the indemnity paid.

20.3. Upon receiving indemnity, the insured (Beneficiary) must provide the insurer with all documents necessary to exercise subrogation.

20.4. If the insured (Beneficiary) waives claims/rights against the liable party or fails to provide documents to the insurer, the insurer is released from liability to the extent of the amount that could have been recovered by subrogation, or may demand reimbursement of amounts already paid.

20.5. The insurer may exercise subrogation against the tortfeasor and/or that party's liability insurer and, as provided by law, against any other person who may be materially liable to the insured or Beneficiary.

21. Liability of the Parties

21.1. For non-performance or improper performance of these Rules, the parties bear liability as provided by law.

22. Confidentiality of Business Secrets

22.1. The insurer is liable, in accordance with law, for any material or moral damage caused to the insured by failure to keep the insured's business secrets confidential.

23. Dispute Resolution

23.1. All disputes arising from insurance contracts concluded under these Rules shall first be settled by negotiation and claim procedures; failing agreement, they shall be resolved by the courts of the Republic of Azerbaijan in accordance with applicable law.

24. Special Conditions

24.1. Special conditions not contrary to these Rules and applicable law may be established in the insurance contract. Failure by the insured to comply with such special conditions constitutes grounds for the insurer to refuse payment.