



İcbari Sığorta Bürosu
Compulsory Insurance Bureau

**Digitalization for motor
insurance market in Azerbaijan**

AIIF 2016,
7-th International Insurance Forum Baku, Azerbaijan

CMTPL STATUS – UPDATE FOR 2016

2016 is proving to be crucial for CMTPL as the following critical changes to the legislation were introduced earlier at the beginning of the year. These updates will have great effect on processes and procedures governing CMTPL insurance and CIB information systems operation:

- CMTPL policy issue to be carried out electronically by issuing electronic document as well as utilizing electronic signature
- Real-time electronic tracking of CMTPL premium payments
- Introduction of Direct Claim Handling system

E-SIGNATURE AND E-DOC IMPLEMENTATION

As opposed to the current method of policy issue, as per new process - one of the following two authorized certification centers will need to be used for all CMTPL policy related operations.

1. **E-imza (National Certificate Service Center, Ministry of Communication)**
2. **Asan-imza (Service Center of Ministry of Taxes)**

Each CMTPL policy issue process will have to include a step where Insurance Company generates electronic document by processing it with company's electronic signature. Electronic Signature for each Insurance Company will be authorized by either of the two centers. Electronic Document generated during the process must be made available to the insured person by the Insurance Company.

ELECTRONIC PAYMENT SYSTEM

As per legislation outlined in the Law on Compulsory Insurance, all compulsory insurance policies must be issued through the CIB information system. Insurance policy must be issued only after the insurance premium is received for the respective policy.

- One of the current difficulties CIB and the industry in generate is facing – CIB is unable to fully track the fact that the insurance premium has been received by the insurance company before the associated policy is issued. Subsequently, this leads to a number of issues, including cases where insurance companies request cancellation of policies which are in “valid” status but for which in reality insurance company has not received premium.
- In reality, there are situations where premiums are not physically transferred to insurer by insurance intermediaries or late transfers take place. A gap between collection of premiums by intermediaries and transfer of appropriate funds/reporting to insurance companies which creates overdue debt issues.

Integration of CIB system with electronic payment processing centers will allow for real-time tracking of premiums acceptance and subsequent automatic process of updating CMTPL policy status to “valid”.

CMTPL BONUS – MALUS SYSTEM

BM system is a method of adjusting policy premium paid by the insured persons according to their insured days and claims history. The basic principle is:

- If an insured person had a claim-free year (and sufficient insured days), then certain discount (bonus) is applied to the premium of the next policy.
- If insured person had claims, then certain increase (malus) is applied to the policy premium.

The main goal of BM system is to stimulate vehicle owners to drive carefully and avoid accidents that would lead to the loss of bonus and, consequently, higher premium for the next policies.

There are 17 BM classes. Class 6 is taken as the default. Classes 7-17 are Bonus, and Classes 1-5 are Malus.

BONUS-MALUS ISSUES ~~and SOLUTIONS~~

Issues

Due to lack of integration with PIN or TAX ID authorized registry sources, CIB is unable to verify correct input of respective information. As a result this gives way for the following faulty patterns:

- Intentional abuse of PIN or TAX ID to decrease premium fee
- Unintentional errors while inputting PIN or TAX ID information

Both of these result in incorrect Bonus-Malus calculation associated with respective PIN or TAX ID which subsequently affect premium amount calculation

Solution

Integration with authorized PIN and TAX ID registry sources as part of implementation of electronic payment processing system. During the process, all information on physical or legal persons entered during policy premium calculation and subsequent policy issue processes will be automatically verified by authorized verification sources.

Process of integration will also allow to identify and authorize agents (end-users of CIB system) for all operations related to policy life-cycle

CMTPL DIGITALIZATION GOALS

- ✓ **Elimination of paper blanks**
- ✓ **Real-time electronic tracking of premium acceptance**
- ✓ **Enrollment of automatic validity check of legal persons TAX ID or physical persons PIN**
- ✓ **Correct calculation of insurance premiums will be achieved**
- ✓ **Provision of CMTPL policies to insured persons electronically which simplifies online access to policy**
- ✓ **Increasing CMTPL market penetration by introducing better sale channels diversity**

COMPARATIVE STATISTICS ON CMTPL FOR 2015 AND 2014

Type of insurance	Number of CMTPL insurance policies		Comparison	Amount of CMTPL insurance premiums		Comparison
	2015	2014		2015	2014	
CMTPL	965 022	931 464	3,6% up	76 375 074.5	70 687 551	8% up

2014 Average CMTPL premium: **75.88**
AZN

2015 Average CMTPL premium: **79.14**
AZN

During 2015 CIB participant insurance companies in total have spent 30% of the collected premium was used to pay for claims

Total number of registered motor vehicles in Azerbaijan as at the end of 2014: **1 291 008**

Number of insured vehicles : **797 426** (62 % of total registered vehicles)

Number of uninsured vehicles : **493 582** (38 % of total registered vehicles)

Unfortunately, CIB has no information on percentage of vehicles that are currently in use as opposed to those, permanently out-of-use

1 EURO = 1.71 AZN
16/06/2016 Official Exchange Rate

CIB

8

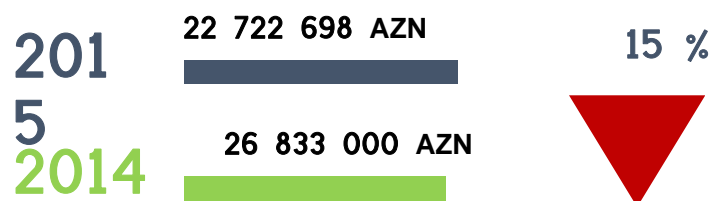
COMPARATIVE STATISTICS ON INSURANCE PAYMENTS

CLAIM STATISTICS – 2015

	Vehicle damages	Property damages	Health injury	Death of a person	TOTAL (AZN)
Number of claims	17 326	463	624	260	18 673
Payments (AZN)	20 012 447	652 001	758 250	1 300 000	22 722 698

Compared to 2014, the number of insurance claims has decreased by 10% and there has been 15% decrease in insurance claim payments.

IN COMPARISON to 2014



1 EURO = 1.71 AZN
16/06/2016 Official Exchange Rate

AZERBAIJAN IN THE GREEN CARD SYSTEM

The Transitional Membership of the Compulsory Insurance Bureau was activated on 1st January 2016.

Signed bilateral agreements with Non-EU countries came into force from 1st January 2016.

Common implementation date of the bilateral agreements between the Compulsory Insurance Bureau and each Bureau of the EEA and Switzerland was 1st April 2016.

Special agreement signed between Compulsory Insurance Bureau and National Bureau of Motor Insurers of Moldova will be recognized as valid within the period starting from 15 April 2016 to 31 December 2017.

At present:

- Single Green Card insurance accident registered on the territory of Azerbaijan involving a vehicle from Ukraine
- CIB has received two confirmation requests from Turkish Motor Insurer's Bureau which were positively responded

GREEN CARD POLICY STATISTICS, JANUARY – MAY, 2016

Type of insurance	Number of Green Card insurance policies	Amount of Green Card insurance premiums (AZN)
GREEN CARD	1 434	220 820

Vehicle type	Number of Green Card insurance policies
Truck	337
Trailer	310
Passenger Car	766
Bus	14
Motorcycle	7
Total	1434

1 EURO = 1.71 AZN
16/06/2016 Official Exchange Rate

CIB



İcbari Sığorta Bürosu
Compulsory Insurance Bureau

Thank You

AIIF 2016, 7-th International Insurance Forum Baku, Azerbaijan