

Market and Benchmark Insight Report for Azerbaijan — 2022

Competitive benefit norms for mid-market employers in Azerbaijan

Introduction

MAI CEE group was founded in Hungary in 1991, and for 30 years, has provided insurance solutions and employee benefits consulting across Eastern Europe, the Commonwealth of Independent States, and the Caucasus region. With steady growth, MAI CEE now provides insurance advice and services to the 29 countries in the region while having a physical presence in 25.

Today, MAI CEE is the leading insurance broker in the region and enjoys strong and long-lasting ties with its associate Partners. The company prides itself on delivering excellent service with the highest levels of integrity to its clients and partners.

It has specialist divisions to assist multinational businesses as brokers with specific expertise in employee benefits, construction and real estate, cyber, marine and logistics, and claims. MAI-CEE's employee benefits consulting services include:

- A separate Employee Benefits Department Personal Manager for each client
- Significant staff experience ranging from three to 20 plus years in employee benefits management
- Effective resolution of all disputed issues during the insurance period, contract follow-up support, and advocacy for clients' interests
- Complimentary review of clients' existing insurance coverage and recommendations to improve financial and medical efficiencies
- Ongoing contract review to maintain quality and ensure client satisfaction

MAI CEE is proud to be an Asinta Partner and hopes this document is of use to you.



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1. Azerbaijan Benefits Landscape

In recent years, employee benefits have become There are two groups of employee benefits insurance in Azerbaijan:

- Compulsory or statutory, which include workers' compensation and medical insurance.
- Voluntary, which includes personal accident, endowment, medical, and employer's liability insurance.

While all employees receive compulsory insurance via the Compulsory Insurance Bureau, voluntary insurance may help companies recruit and retain employees.

Benefits vary widely according to industry type. For example, many representative offices of international companies buy voluntary insurance as a part of their global corporate culture. The inclusion of employers' liability coverage comes with the contract requirements in the oil and gas sector. Small, local companies buy additional voluntary insurance less often due to economic reasons.

However, all MAI CEE clients receive benchmarking data and advice on an appropriate benefit design to meet their specific needs and budgets.

2. Azerbaijan Benefits Menu

The Compulsory Insurance Law of 2011 made workers' compensation and medical insurance mandatory. The compulsory workers' compensation insurance went into effect immediately, but it took several years to finalize the medical insurance aspect.

Many companies buy additional employee benefits coverage to recruit and retain employees. These include voluntary medical, personal accident, and endowment insurance. However, employer's liability coverage, which is similar to compulsory workers' compensation in some ways, is usually bought only in connection with work-related contract requirements.

Voluntary medical insurance is the most valued and popular employee benefit in Azerbaijan, and it seems that it will continue to be so, along with life insurance solutions.



2.1 Mandatory Benefits

Benefit	Comments
Workers' Compensation	<p>All employees receive insurance coverage for accidents at work.</p> <p>The bases for assessing benefits are:</p> <ul style="list-style-type: none"> • For temporary or partial disability • For temporary total disability • In case of permanent and absolute disability • In case of death <p>Insurance payments depend on the position and salary of the insured person and are calculated by the authorities of Azerbaijan.</p> <p>Payment can be made either monthly or in one lump sum.</p>
Holiday Pay	All workers are legally entitled to 30 days of paid holiday per year.
Compulsory Medical Insurance	All workers are covered under compulsory medical insurance provided by the Statutory Medical Insurance Program. Care is given at state clinics typically, and fees are determined by the price list prepared by the Compulsory Insurance Bureau.



3. Insured Benefits and Perks – Design and Typical Costs

When designing your benefits, you need to consider your sector, employee census data, and objectives. Then, as advisors, we will help you create a benefits package that works for you and is within your budget.

The table below shows the most popular insured employee benefits in Azerbaijan and typical levels of cover.

Benefit	Comment/Cost	Lower Quartiles Approach	Medium Quartile Approach	Upper Quartile Approach
Medical Insurance	The most valued benefit by employees. Managed care schemes are the most common. Employees have access to the network of healthcare providers of the insurance company by presenting the respective insurance card.	Only employees are covered.	Family members (spouse and children) can also receive coverage at the employee's expense.	All staff and dependents are covered at the employer's expense.
Endowment Life Insurance	A defined contribution scheme and funding is through an insurance contract. Payouts are lump sum.	Programs differ among insurance companies. Contributions cannot be higher than 50% of the insured's gross salary.		
Personal Accident	Death and disability coverage due to professional or extra-professional accidents. The insurance typically provides coverage worldwide, 24/7.	Only senior staff covered.	Only senior staff and employees with the most hazardous jobs are covered.	All staff covered.
Workers' Comp Insurance	Mandatory coverage by law, but it is nevertheless a benefit for the employees.	All staff must be covered, and the level of coverage is identical to all and determined by the applicable legislation.		
Employer's Liability Insurance	Compensation due to bodily injury of the employee. Coverage is in concert with the compulsory workers' compensation contract, and the employer chooses the limits of liability.	In case of conclusion of Employer's Liability Insurance contracts, all staff must be covered.		

3.1 Wider Benefit Provisions (Perks)

In addition to the mandatory benefits, employers will often provide a range of benefits to help recruit and retain employees. The table below highlights the most common employee perks.

Benefit	Comments
Company Cars	A small number of employees receive company-financed cars and/or fuel or an allowance in lieu. In a work environment where employees travel on business, you may see either company cars provided or a car allowance paid.
Work from Home	An increasing number of employers offer employees the opportunity to work from home, particularly in the technology sector.
Workplace Canteens	Canteens are standard with larger employers and particularly in industrial facilities. Food is provided at a discounted rate and may include breakfast and lunch.



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4. Setting Up Policies

Employers often ask us to comment on how policies need to be set up in Azerbaijan and possible restrictions that may apply.

4.1 Medical Insurance

- Definition of the plan's design: selection of covers (in-hospital, outpatient, dental, vision, medicines, childbirth, and other secondary supplemental covers), its respective annual limits per person, and eligibility.
- Paperwork
 - Employer must complete and sign a specific form.
 - Employees must complete and sign a specific form with their personal data and a health questionnaire.
 - For larger populations, it is enough to fulfill a specific Excel sheet provided by the insurance company with the employees' data (and one of their dependents, if applicable).

4.2. Endowment Life Insurance

- Policy design – pure life with death benefit only is • Definition of the plan's design: contribution amount (a percentage of salary), eligibility, vesting, and tax regime.
- Paperwork
 - Employer must complete and sign a specific form.
 - Employees must complete and sign a specific form with their personal data and identification of their beneficiary(ies) in case of death.
 - Under some circumstances, to be assessed case by case, employee forms are waived.
 - Policies are signed by three parties: employer, employees, and insurance company.

4.3 Personal Accident

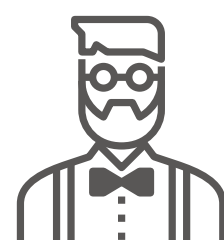
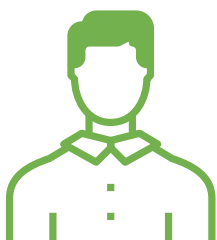
- Definition of the plan's design: selection of covers (accidental death, accidental disability, sub-limits for bones fractures, etc.), sum insured per person, a multiple of salary, and eligibility.
- Paperwork
 - Employer must complete and sign a specific form with information on all employees (DOB, position, and gross annual salary).
 - Under same circumstances, to be assessed case by case, the fulfillment of the forms by the employees can be waived.

4.4 Workers' Compensation Insurance

- The level of benefit is pre-determined by law. All employees must be covered.
- The cost will vary according to the employers' activity and types of employees (blue collar / white collar).
- Paperwork
 - All policies are issued automatically in the Compulsory Insurance System. Policies are signed electronically by employers.

4.5 Employer's Liability Insurance

- Definition of the plan's design: preferred limit of liability, type of activity of employer, preferred deductibles, extensions to the standard coverage.
- The cost will vary according to the type of business activity, number of local and expatriate employees, preferred deductible, policy extensions.
- Paperwork
 - Employers must complete and sign a specific form with detailed information on their activity type, employee's date of birth, position, and gross annual salary.





5. Onboarding and Policy Administration

Onboarding

There is less emphasis on the onboarding process in Azerbaijan because there is little benefit choice, and employees are automatically enrolled into policies.

MAI CEE can support employee benefits communication with:

- Staff presentations
- Benefit communication packets, including new employee packets

Policy Administration

As advisers, we provide full policy administration and support, which includes but is not limited to:

- Coverage design and contract requirements.
- Solving any problems during the policy period.
- Supporting claims of all sizes.
- Ensuring policies are up to date.

6. Adviser Remuneration

We base our costs on the client's requirements and the time spent providing that service. Commissions payable on insured policies are the typical market practice, but we are happy to discuss fee or commission options whenever required.

Commissions are a percentage of the insurance premium, and we guarantee that this amount is charged to the insurer, not the insured. The insurance company retains this fee in case no agent/broker is involved and is shared accordingly with us in case we are involved.

There is no fee in compulsory medical insurance as the State fully controls this type.

When looking at fees, we consider:

- Time required to set up any new policies.
- The total number of policies to manage.
- Time required to administer the policies.
- Frequency of pre-determined face-to-face client meetings and conference calls.
- Whether there is the need to assist your employees directly.
- The size of policies (expected claims volumes) under management

7. MAI CEE Contact



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Celebrating 30 years of brilliant connections in employee benefits, Asinta delivers weekly legislative alerts and updates from across the world.