LAW OF THE REPUBLIC OF ARMENIA

INSURANCE AND INSURANCE ACTIVITIES*

The main objectives of this Law shall be to protect the rights of policyholders, insured persons, and beneficiaries; to ensure sustainable development of the insurance system, its reliability and normal functioning; and to create equal conditions for free economic competition between entities undertaking insurance activities.

SECTION 1. GENERAL PROVISIONS

CHAPTER 1. GENERAL PROVISIONS

Article 1. Scope of regulation

1. This Law shall regulate the relations arising out of undertaking and implementing of insurance, reinsurance and insurance intermediation activities; establishment, licensing, operation and termination of operation of insurance companies (hereinafter also referred to as "Company"), reinsurance companies and insurance intermediaries; public oversight of insurance, reinsurance, insurance intermediation activities; and other relations associated with insurance in the Republic of Armenia.

2. Foreign insurance companies may, without establishing a branch or subsidiary legal entity in Armenia, perform insurance activities through a public offering only if they are registered in countries that are parties to the agreements (acceded also by the Republic of Armenia) signed within the framework of the World Trade Organization; such legal entities may only perform insurance covering the following risks:

1) maritime shipping, civil aviation, spaceship launching and freight (including satellites); such insurance may cover transportable goods, transporting vehicle and any liability arising out of such transportation, both altogether and separately;
2) international freight carriage;
3) reinsurance and retrocession and other services related to reinsurance.

The insurance referred to hereunder may be performed in the Republic of Armenia by a foreign insurance company with or without insurance intermediaries, and shall comply with the laws and prudential regulations of the Republic of Armenia.
The definition of the territory of the Republic of Armenia is stipulated by the Armenian Law on State Frontier.

3. This Law shall not apply to the Deposit Guarantee Fund established under the Armenian Law on Guarantee of Remuneration of Bank Deposits of Individuals, the State Fund for Social Insurance of the Republic of Armenia, as well as banks and credit organizations as to the provision of bank and credit guarantees, and commercial organizations as to the provision of warranty services for their products sold.

4. This law shall not apply to the mandatory social insurance, but shall apply to the voluntary pension insurance provided by Companies.

Article 2. Legal acts governing insurance

1. In the Republic of Armenia, insurance shall be governed by the Constitution of the Republic of Armenia, international treaties, the Civil Code of the Republic of Armenia, this Law, other laws, and prudential regulations of the Central Bank of Armenia (the Central Bank) adopted pursuant

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* RoAL-177-N, adopted on 09.04.2007; entered into force on 30.09.2007 (RoAOB No. 26 (550), 23.05.2007).

thereto.

2. Opinion and conclusion of the Central Bank as required by this Law shall be reflected in the resolution of the Board of the Central Bank.

3. Acts of the Board of the Central Bank, Chairman and Licensing Commission may be appealed in the court, whereas acts of Licensing Commission, also in a hierarchical order, may be appealed to the Board of the Central Bank by those whose rights have been violated under such acts.

Article 3. Definitions used

For the purpose of this Law:

1) **actuary** is a party with relevant qualification defined by this Law, who shall assess the probability of certain events by applying mathematical, statistical and other methods and calculate insurance tariffs, insurance premiums, insurance cover, reserves, pension, annuities, and other similar indicators;
2) **personal details** involve full name, date of birth, place of birth, place of residence, citizenship, personal identification data, social security number (if available) for individuals; and the name or firm name, place of location, postal address, taxpayer identification number, the name of the party empowered to operate on behalf of the legal entity, including its full name, date of birth, place of birth, place of residence, citizenship, personal identification data, social security number for legal entities;
3) **annuity** is single or installment payment, as provided for by the contract, of the sum specified in the contract, made by a policyholder to an insurer, in return to which the insurer shall return to the policyholder or the beneficiary the paid amount or income secured by the contract within the terms and frequency stipulated by the contract;
4) **insurance broker** is a commercial organization licensed to engage in insurance brokerage activities in the Republic of Armenia;
5) **insurance brokerage activities** is engagement in intermediation by a party in the name and on behalf of a policyholder, whereas, in case of reinsurance, in the name and on behalf of Company;
6) **insurance secret** is information related to the policyholder, insured person or beneficiary, which becomes known to the insurer, reinsurer or insurance intermediary in the course of the insurance activity, such as the trade secret of the policyholder, insured person or beneficiary or any other information, which the policyholder or the insured party have intended to keep in secret, and the insurance or reinsurance company or the insurance intermediary have been aware or should have been aware of such intention;
7) **disclosure of insurance secret** is oral or written disclosure or dissemination of information, constituting insurance secrecy, through mass media or otherwise, making it known to a third party or parties, or giving third parties an opportunity, either directly or indirectly, to obtain such information, i.e. permitting, not preventing or enabling it through violation of the procedure for keeping such information, save for the cases stipulated by this Law;
8) **insurance agent** is a person registered in the insurance agents' register with the Central Bank for performing activities of an insurance agent in the Republic of Armenia;
9) **insurance agent activities** involve undertaking of insurance intermediation activities by a person in the name and on behalf of one or several insurance and/or reinsurance companies;
10) **insurance activities** is the integrity of actual actions, implemented as entrepreneurial activity, aimed at concluding insurance contracts, fulfilling the commitments assumed thereby, and exercising the rights acquired thereby;
11) **insurance company (Company)** is a legal entity licensed to perform insurance activities provided for by this Law;
12) **insurance intermediation** involves establishment of insurance relations between insurers (reinsurers) and policyholders, and actions that:

a) prepare for the conclusion of insurance and reinsurance contracts, including

consultation,

b) arrange the conclusion of insurance and reinsurance contracts with policyholders,

c) assist in the administration and performance of insurance and reinsurance contracts, including the collection of insurance premiums and transfer of indemnities in the amount authorized by the policyholder or Company;

13) **insurance portfolio** is the set of rights and liabilities arising out of all insurance contracts or all insurance contracts of one class concluded by the insurer;

14) **insurer** is an insurance company or a branch office of a foreign insurance company operating in the Republic of Armenia;

15) **policyholder** is the party to an insurance contract, to whom or its nominee (beneficiary) the insurer shall undertake to compensate for the loss or a part of it caused as a result of an event (insurance event) specified in the insurance contract or to pay a certain amount of money according to the terms and conditions of the insurance contract;

16) **share** is a stock, share, stake;

17) **Central Bank** is the Central Bank of the Republic of Armenia;

18) **competition, economic competition, dominant position** is competition, economic competition, dominant position as stipulated by the Armenian Law on Protection of Economic Competition;

19) **reinsurance company** is an insurance company engaged exclusively in reinsurance activities;

20) **reinsurer** is a party licensed to perform reinsurance activities;

21) **reinsurance** is the acceptance of risks ceded by an insurer, provided that the risks relate to a full or partial fulfillment of obligations of the insurer towards its policyholders under the terms and conditions stipulated by the contract;

22) **reinsurance activity** is an entrepreneurial activity that involves insuring the risk related to a full or partial fulfillment of obligations of other insurers towards their policyholders;

23) **supervised entity** is an insurer, reinsurer, insurance intermediary as legal entity carrying out activities as provided for under an outsourcing agreement (counterparty);

24) **technical reserves** are special reserves established for ensuring secure and regular course of activities of Company, and covering the current or future liabilities and possible losses;

25) **financial organization** is a bank, credit organization, insurance company, entity performing specialized activities in the securities market, as well as a party treated as a financial organization according to foreign law.

Article 4. Use of words INSURANCE (as adjective) and INSURANCE (as noun)

1. The words *insurance* (as adjective) and *insurance* (as noun), their derivatives, conjugated forms or translations, as well as the Armenian transcription thereof in a foreign language may be used in the titles, advertisements or otherwise by insurance, reinsurance companies or insurance intermediaries, which have been established and licensed or authorized to engage in insurance activities in accordance with this Law, except when the meaning of the words *apahovagrakan* (insurance, adj.) *veraapahovagrakan (*reinsurance, adj.), *apahovagrakan broker* (insurance broker), *apahovagrakan gorcakal* (insurance agent), *apahovagrakan mijnord* (insurance intermediary) or *apahovagrutiun* (insurance, n.) explicitly implies that it does not refer to insurance, reinsurance and insurance intermediation.

Parties licensed to perform insurance, reinsurance or insurance intermediation activities shall, within 90 days upon the receipt of the license, include in their names the following words: *apahovagrakan* (insurance, adj.), *apahovagrutiun* (insurance, n.), *veraapahovagrakan* (reinsurance, adj.), *veraapahovagrutiun* (reinsurance, n.), and remove the ones from their names within 30 days after revocation or hand-over of the license.

2. Only a party having been licensed under this Law to perform insurance or reinsurance activities may advertise or order an advertisement of insurance or reinsurance activities.

3. Only a party having been licensed under this Law to operate as an insurance agent may advertise or order an advertisement of insurance agent’s activities.

4. Only a party having been licensed under this Law to operate as an insurance broker may advertise or order an advertisement of insurance brokerage activities.

Article 5. Insurance unions

1. Insurers, reinsurers and insurance intermediaries may establish and/or enter into membership of nonprofit unions of insurers, reinsurers and insurance intermediaries for coordination of their activities, expression and protection of their interests, exchange of information and settlement of other issues in combination.

2. Unions of insurers, reinsurers and insurance intermediaries shall not perform insurance, reinsurance, insurance intermediation activities.

3. Unions of insurers, reinsurers and insurance intermediaries shall notify the Central Bank of their state registration within 10 days upon being registered, informing about their location, management bodies and managers, as well as further changes within 10 days after such changes would have occurred.

Article 6. Forms of insurance

1. In the Republic of Armenia, insurance may be carried out on voluntary and mandatory bases.
2. The cases, terms and procedures for mandatory insurance are defined by law.

Article 7. Types and classes of insurance

1. Types of insurance are:
   1) insurance other than life insurance (hereinafter non-life insurance);
   2) life insurance;
   3) reinsurance.

2. The classes of non-life insurance are:
   1) Accident insurance (including industrial injury and occupational diseases):

      a) with fixed pecuniary benefits;
      b) by benefits depending on the nature of the accident;
      c) combination of sub-points (1) and (2) hereunder;
      d) injuries to passengers;

   2) Health insurance:

      a) with fixed pecuniary benefits;
      b) by benefits depending on the nature of the accident;
      c) combination of sub-points (1) and (2) hereunder;

   3) Land vehicles insurance (other than railway rolling stock), which covers all damage to or loss of:
      a) land motor vehicles;
      b) other land transport;

   4) Railway rolling stock insurance, which covers all damage to or loss of railway rolling stock;

   5) Aircraft insurance, which covers all damage to or loss of aircraft;

   6) Ships insurance, which covers all damage to or loss of:

a) river and canal vessels;
b) lake vessels;
c) sea (ocean) vessels;

7) Goods (cargo) in transit insurance, which covers all damage to or loss of goods (cargo) in transit, irrespective of the type of transport;

8) Fire and natural forces insurance, which covers all damage to or loss of property (other than property included in classes of insurance specified in sub-points 3-7 hereinabove) due to:

a) fire;
b) explosion;
c) earthquake;
d) storm;
e) nuclear contamination, damage, etc;
f) landslide;

9) Other damage to property insurance, which covers all damage to or loss of property (other than property included in classes of insurance specified in sub-points 3-7 hereinabove) due to the events which are not mentioned under the class specified in sub-point 8) hereinabove, as follows:

a) hail;
b) frost;
c) drought;
d) epidemic, quarantine disease;
e) downpour, flood;
f) other natural and man-caused disasters, breakdowns and accidents, including theft of property;

10) Motor vehicle liability insurance (also cargo), which covers all liabilities arising out of the use of land motor vehicles;

11) Aircraft liability insurance (also cargo), which covers all liabilities arising out of use of aircraft;

12) Ships liability insurance (also cargo), which covers all liabilities arising out of use of ships covered by the class of insurance specified in sub-point 6 hereinabove;

13) General liability insurance (all types of liabilities other than those covered by the class of insurance specified in sub-points 10-12 hereinabove;

14) Credit insurance, including:

a) insolvency (general);
b) export credit;
c) deferred payment (installment repayment);
d) mortgage loans;
e) agricultural credit;
f) other credit insurance;

15) Surety insurance, including:

a) indirect;
b) direct;

16) Financial loss insurance, which covers financial losses arising out of:

a) employment risks;
b) insufficient income (general);
c) bad weather;
d) loss of benefits;
e) continuing (current) general expenses;
f) unforeseen trading expenses;
g) loss of market value;
h) loss of rent or other revenue;
i) indirect trading losses other than those specified in sub-points a-h hereinabove;
j) other financial loss (non-trading);
k) other forms of financial loss.

17) Litigation and extrajudicial costs insurance;

18) Assistance insurance, which covers assistance to persons in travel or away from their place of residence;

The sub-points defining each class of non-life insurance shall be considered as a separate subclass of the given class of non-life insurance.

3. Non-life insurance involving several classes of insurance shall be classified in the following insurance groups:

1) Accident and health insurance shall cover the classes of insurance referred to classes of insurance specified in points 1) and 2) of Paragraph 2 hereinabove;

2) Land motor vehicle insurance shall cover the classes of insurance referred to classes of insurance specified in sub-point d) of point 1), as well as in points 3), 7) and 10) of Paragraph 2 hereinabove;

3) Maritime and transport insurance shall cover the classes of insurance referred to classes of insurance specified in sub-point d) of point 1), as well as in points 4), 6), 7) and 11) of Paragraph 2 hereinabove;

4) Aviation insurance shall cover the classes of insurance referred to classes of insurance specified in sub-point d) of point 1), as well as in points 5), 7) and 11) of Paragraph 2 hereinabove;

5) Insurance against fire and other damages to property shall cover the classes of insurance referred to classes of insurance specified in points 8) and 9) of Paragraph 2 hereinabove;

6) Liability insurance shall cover the classes of insurance referred to classes of insurance specified in points 10-13 of Paragraph 2 hereinabove;

7) Credit insurance and surety insurance shall cover the classes of insurance referred to classes of insurance specified in points 14 and 15 of Paragraph 2 hereinabove;

8) Damage to property and accident insurance shall cover the classes of insurance referred to classes of insurance specified in points 3-13 and 16 of Paragraph 2 hereinabove.

4. The classes of life insurance are:

1) life insurance, which comprises insurance on survival to a stipulated age, insurance on death, and insurance on survival to a stipulated age and death in the same time, annuities, in addition to the life insurance contract, accident and health insurance as specified in point 1) of Paragraph 3 hereinabove, and insurance not specified in points 2-6 herewith;

2) marriage insurance and birth insurance;

3) insurance related to investment assets, when the policyholder assumes the investment asset risk;

4) management of pension funds, which comprises management of assets (investments) of pension funds intended for payment of indemnities for insurance on survival to a stipulated age, insurance on death and incapacity for employment;

5) tontine, where a reserve is formed of insurance premiums and accumulated assets are further distributed among the survivors upon completion of a certain age or among the beneficiaries of the deceased;

6) capital redemption insurance whereby commitments of specified duration and amount are

undertaken in return for single or regular payments agreed in advance.

5. The classes of reinsurance are:
   a) reinsurance of non-life insurance;
   b) reinsurance of life insurance.

SECTION 2. STATUS OF COMPANIES; HOLDINGS IN STATUTORY CAPITAL; AND MANAGEMENT

CHAPTER 2. LEGAL STATUS OF COMPANIES

Article 8. Legal and organizational forms of Companies

1. Insurance companies can be established exclusively as joint-stock companies or limited liability companies as provided for under this Law.

2. Activities of insurance, reinsurance companies and insurance intermediaries shall be governed by the Constitution of the Republic of Armenia, international treaties of the Republic of Armenia, the Civil Code of the Republic of Armenia, this Law, prudential regulations of the Central Bank adopted pursuant thereto, other laws and regulations.

3. Companies shall be governed by the provisions of the Civil Code of the Republic of Armenia, of the Armenian Law on Joint-Stock Companies and the Armenian Law on Limited Liability Companies, and of other regulations.

4. Legal norms concerning insurance companies or stipulated therefor by this Law or prudential regulations of the Central Bank shall also apply to branch offices of foreign insurance companies, operating in the Republic of Armenia, reinsurance companies, insurance intermediaries, except when otherwise stipulated by this Law or prudential regulations of the Central Bank or when the subject of the legal norm explicitly implies that it does not relate to a branch office of foreign insurance company, operating in the Republic of Armenia, a reinsurance company or insurance intermediary.

Article 9. Charter of Company

1. The charter of Company shall lay down and/or include:
   1) the firm name of Company;
   2) the location of Company;
   3) the legal and organizational form of Company;
   4) the types and classes of insurance to be carried out by Company;
   5) the size of the statutory capital of Company;
   6) procedures for use of profit and loss provisioning;
   7) the structure of management bodies of Company, their authorities and decision-making;
   8) procedures for disclosure of information on Company and its participants;
   9) procedures for winding up of Company;
   10) procedures for selecting a party to conduct external audit of Company;
   11) terms and procedures for payment of dividends;
   12) procedures for establishment and termination of branch and representative offices;
   13) procedures for arranging and holding general meetings of Company's stakeholders;
   14) procedures for convening and holding distance meetings of Company's management;
   15) other information as provided for by this Law and prudential regulations of the Central Bank.

2. Amendments may be made to the charter of Company, and the edited version shall be approved at the general meeting of stakeholders by a resolution passed with the 3/4 of the votes.

Article 10. Company's firm name

1. An insurance company shall have a firm name which should include the word *apahovagrakan* (insurance, adj.), whereas the firm name of reinsurance company should include the word *veraapahovagrakan* (reinsurance, adj.).

2. The requirement of Paragraph 1 hereinabove shall not apply to the unions of insurers, reinsurers and insurance intermediaries.

3. Insurance companies shall not use misleading words in their firm names, which can shape false assumptions about the financial standing or the legal status of the given insurance company.

Article 11. Restricted participation in insurance company

1. The Republic of Armenia, foreign countries, communities of the Republic of Armenia or foreign countries may be participants of an insurance company exclusively as and when provided for by law.

2. Political parties and trade unions cannot be stakeholders of an insurance company.

Article 12. Qualifying holding

1. The qualifying holding in the statutory capital of a legal entity may be direct or indirect.

2. Direct qualifying holding in a legal entity's statutory capital means an ownership of 10 percent or more of the voting rights.

3. Indirect qualified holding in a legal entity's statutory capital means that:

1) a party does not have a holding in the statutory capital of the legal entity or has less than 10 percent; however, according to the Central Bank criteria, it can, directly or indirectly, through its business reputation and standing, predetermine the decisions of the management bodies of the legal entity or exercise significant influence over their decision-making (enforcement) or predetermine the directions or spheres of the activities of the given legal entity;

2) a party does not have a holding in the statutory capital of the legal entity or has less than 10 percent; however, according to the Central Bank criteria, it can predetermine the decisions of the management body of the legal entity or exercise significant influence over their decision-making (enforcement) or predetermine the directions, spheres of the activities of the given legal entity upon the right of claim towards the legal entity;

3) a party has 50 percent or more of the shares in the statutory capital of a legal entity having a qualifying holding in the statutory capital of the legal entity;

4) a party does not have a holding in the statutory capital of the legal entity or has less than 50 percent of the shares in the statutory capital of a legal entity having a direct qualifying holding in the statutory capital of the legal entity, and, according to the Central Bank criteria, it can through its business reputation and standing predetermine the decisions of the legal entity with a qualifying holding or the management body of the legal entity with a qualified holding of the given entity or exercise significant influence over their decision-making (enforcement) or predetermine the directions, spheres of the activities of the legal entity having a qualifying holding in the given legal entity.

Article 13. Affiliated parties

1. Legal entities shall be considered affiliated, if:

1) a given legal entity owns, with a voting right, 20 percent or more of the voting shares of another entity or may predetermine the decisions of the other entity through its participation or in

accordance with a contract concluded between these legal entities;

2) a participant and/or participants and/or their family members who own more than 20 percent of the voting shares of one of the legal entities or may predetermine the decisions thereof in a manner not prohibited by law, shall have the right to possess, directly or indirectly, more than 20 percent of the other entity's voting shares or to predetermine the decisions of the latter;

3) one third of their management body or other parties that perform such obligations, as well as their family members are at the same time member of the management body of the other party or any other party performing such obligations;

4) they have acted in agreement on the basis of common economic interests or they have been recognized as such by the justified opinion of the Central Bank.

2. Individuals shall be considered as affiliated, if they are members of the same family and run a joint business or joint venture activities or have acted in agreement on the basis of common economic interests or have been recognized as such by the justified opinion of the Central Bank.

3. Individuals and legal entities shall be considered as affiliated, if they have acted in agreement on the basis of common economic interests or they have been recognized as such by the justified opinion of the Central Bank or if the individual or any member of his family is:

a) a participant holding more than 20 percent of the shares of the given legal entity;
b) a party who can predetermine the decisions of the legal entity;
c) head of the given legal entity.

4. The same family members include father, mother, spouse, spouse's parents, grandfather, grandmother, sister, brother, children, children's spouses, the spouse of the sister, brother and children.

CHAPTER 3. STATUTORY CAPITAL OF COMPANY

Article 14. Requirements to statutory capital

1. The size of the statutory capital of Company shall be stipulated in the charter thereof. The actual paid-up statutory capital shall be constituted of the investments made by shareholders of Company. The actual paid-up statutory capital equals to:

1) the amount invested against equity of shareholders of a limited liability insurance company;

2) the proceeds received against all types of shares allocated by shareholders of a joint-stock insurance company.

2. Upon registration of insurance company, its total statutory capital and in case of increase in the statutory capital, the increased amount, shall be paid onto the cumulative account with the Central Bank or any other bank operating in the Republic of Armenia and not affiliated with the insurance company.

3. The statutory capital of insurance company shall be paid in the form of monetary contribution, in Armenian Dram.

Article 15. Reduction of statutory capital

1. The reduction of the actual paid-up statutory capital of insurance company during its operations in view of distribution of dividends or otherwise shall be disallowed, except for the cases provided for by Paragraph 2 of this Article.

2. The shareholders (participants) of insurance company that have voting rights may demand from the insurance company to determine a buyback price of a holding and buyback of shares or a part thereof belonging to them, if:

1) a decision was taken for reorganization of the insurance company, suspension of a preferential right or entering into a large transaction and the shareholders concerned voted against the reorganization of the insurance company, suspension of a preferential right or entering into a large transaction or have not participated in the voting;

2) amendments were made to the charter or the edited version of the charter was approved, and the rights of the abovementioned shareholders were restricted as a result, and they voted against or have not participated in the voting.

3. The list of shareholders of insurance company, which have the right to demand the buyback of their shares, is drawn up on the basis of the data of the shareholders' register of the insurance company, as of the day of drawing up the list of shareholders with a right to participate in the general meeting, the agenda of which includes issues, the adoption of which resulted in the restriction of the rights of shareholders, as provided for by the first sub-point of Paragraph 2 of this Article.

4. The buyback of shares by insurance company shall be executed at the market value, which is determined without taking into account the assessment of participation and changes caused by the operations of the insurance company which gives the right to require a buyback of holding.

5. A reduction of the statutory capital of insurance company shall also be allowed in cases provided for by the Armenian Law on Bankruptcy of Banks, Credit Organizations and Insurance Companies.

6. The consent of the Board of the Central Bank shall be required for the buyback of shares. The Board of the Central Bank may refuse to give consent, if:

1) in case of buyback of shares, the insurance company will not be able to fully satisfy the claims of its creditors;

2) the reduction of the statutory capital jeopardizes or may jeopardize the solvency of the insurance company, the rights of policyholders, insured persons, beneficiaries or other creditors of the insurance company;

3) the insurance company will violate the main prudential standards or at least one of them;

4) the buyback of shares may lead to destabilization of the Armenian insurance or financial systems.

7. In case of a buyback of shares by insurance company, the decision on reducing the statutory capital or selling the shares under question shall be adopted at the general meeting, by 3/4 of votes of shareholders participating in the voting, but not less than 2/3 of votes of voting shareholders.

8. Before taking a decision on reduction of the statutory capital, insurance company shall request the consent of the Board of the Central Bank in accordance with the procedure stipulated by prudential regulations of the Central Bank. Without the consent of the Board, the decision on reduction of the statutory capital shall be void.

9. The Board of the Central Bank shall give consent or refuse to give consent for reduction of the statutory capital of insurance company within 30 days after the receipt of the application. The application shall be deemed satisfied in case of non-satisfaction or non-refusal thereof within 30 days.

10. Insurance company shall take the decision on reduction of the statutory capital within one day after the receipt of authorization of the Central Bank on reduction of the statutory capital and publish the information thereon on its website and through mass media in accordance with the procedure stipulated by prudential regulations of the Central Bank.

Article 16. Payment of dividends and payment restrictions

1. Insurance company shall have the right to make a decision (declare) on distribution or payment of quarterly, semiannual or annual dividends to its shareholders, unless otherwise stipulated by this Law or the charter of the insurance company.

2. The profit disclosed in the annual financial reports may be distributed to the shareholders of insurance company or brought forward to the next financial year only if the contingency reserves or other reserves stipulated by the charter are established and fully formed.

3. The payment of dividends from the statutory capital shall not be allowed.

4. Insurance company shall not have the right to pay annual dividends, if:

1) upon the payment of dividends or as a result of it, the insurance company violates or may violate even one of the prudential standards provided for by this Law and the Central Bank;

2) the Central Bank has demanded the insurance company to eliminate the inaccuracies of the information disclosed in the financial or other reports, and the insurance company has neglected the instruction to eliminate such;

3) the losses (damages) suffered by insurance company at the moment of paying the dividends are either equal to or exceed the amount of undistributed net profit of the insurance company.

5. The terms for payment of annual dividends shall be established by the charter of the insurance company or the decision of the general meeting on payment of dividends. The terms for payment of interim dividends (quarterly and semi-annual) shall be established by the decision of the board of the insurance company on payment of interim dividends, but not sooner than 30 days after the decision is taken. For each payout of dividends, the board shall make a list of shareholders entitled to receive dividends, which shall include:

1) in case of interim dividends, the shareholders of the insurance company, included in the shareholder register of the insurance company at least 10 days before the decision on payment of interim dividends was made by the board;

2) in case of annual dividends, the shareholders of the insurance company, which were included in the shareholders register of the insurance company as of the date of drawing up the list of shareholders with a right to participate at the annual general meeting of the shareholders of the insurance company.

6. The decision on payment of interim dividends, the size of dividends and the method of payment shall be made by the board. The decision on payment of annual dividends, the size of annual dividends and the method of payment shall be made by the general meeting of shareholders of insurance company, as proposed by the board. The size of interim dividends shall not exceed 50 percent of the dividends paid out on the basis of the results of the previous financial year. The size of annual dividends shall not be less than the size of interim dividends already paid.

If the size of annual dividends set by the decision of the general meeting is equal to the size of already paid interim dividends, then annual dividends shall not be paid.

If the size of annual dividends set by the decision of the general meeting exceeds the size of already paid interim dividends, annual dividends shall be paid as a difference of fixed annual dividends and the sum of interim dividends already paid for the current year.

The general meeting has the right to make a decision on non-payment of the dividends, and also on partial payment of dividends for preferential shares of a joint stock insurance company, where the size of dividends to be paid for the mentioned preferential shares is established by the charter.

CHAPTER 4. PRIOR CONSENT FOR ACQUISITION OF A QUALIFYING HOLDING

Article 17. Prior consent

1. For acquisition of a qualifying holding in the statutory capital of insurance company by a party or affiliated parties, a prior consent of the Board of the Central Bank shall be required.

2. A party who intends to acquire a qualifying holding shall submit an application to the Central Bank for obtaining a prior consent for acquisition of a qualifying holding.
The application for obtaining a prior consent for acquisition of a qualifying holding, the list of information and documents to be attached to the application, the format, terms and procedures for submission thereof shall be established by prudential regulations of the Central Bank.

3. The prior consent of the Board of the Central Bank, as established herewith, shall be required for each new transaction or transactions, as a result of which the proportion of the participation of a party or affiliated parties in the statutory capital of insurance company will exceed 20 percent and more or 50 percent and more, respectively.

4. To obtain a prior consent for acquisition of a qualifying holding in the statutory capital of insurance company, the party shall through the insurance company submit to the Central Bank a statement claiming that no other party will, through its participation, acquire a status of a party with an indirect qualifying holding in the insurance company, or otherwise the party shall also submit the documents and information, provided for by prudential regulations of the Central Bank, on parties acquiring indirect qualifying holding. For acquisition of a status of a party possessing an indirect qualifying holding, it shall be required to obtain the prior consent of the Board of the Central Bank in accordance with the procedure stipulated by this Article.

5. To obtain a prior consent for acquisition of a qualifying holding in the statutory capital of insurance company, the party shall through the insurance company also submit to the Central Bank sufficient and complete justifications (documents, information, etc.) on the legitimacy of the origin of the invested assets, as well as information, as provided for by prudential regulations of the Central Bank, on legal entities, wherein the party acquiring a qualifying holding in the statutory capital of the insurance company already has a qualifying holding.

6. If a party has submitted to the Central Bank an application for obtaining an insurance activity license together with an application for a prior consent for acquisition of a qualifying holding, the Board of the Central Bank shall make a single decision on granting an activity license and a prior consent for acquisition of a qualifying holding.

7. The Board of the Central Bank shall, within 30 days after the receipt of the documents and information required under this Article and prudential regulations of the Central Bank, make a decision on granting or refusing to grant a prior consent for acquisition of a qualifying holding.

Article 18. Refusal to grant a prior consent

1. The Board of the Central Bank may reject the application for a prior consent for acquisition of a qualifying holding in the statutory capital of insurance company, if:

1) a natural person acquiring a qualifying holding has been convicted of a deliberately committed crime which has not been quashed or expunged as stipulated by law;

2) the party acquiring a qualifying holding has not proved the legitimacy of the proceeds invested for the acquisition of the holding;

3) a natural person acquiring a qualifying holding has been declared as disabled or partially disabled in the order stipulated by law;

4) a natural person acquiring a qualifying holding has been, by a court judgment entered into force, deprived of the right to assume an office in financial, insurance, banking, tax, customs,

commercial, economic or legal areas;

5) the party was declared bankrupt and has outstanding liabilities;

6) the acquisition of a qualifying holding is aimed at, or leads to, or may lead to, restriction of free economic competition;

7) the party acquiring a qualifying holding or the parties affiliated thereto have in the past acted in a way that, according to the opinion of the Board of the Central Bank, it gives grounds to believe that the actions of the mentioned party as a member with a right to vote during the decision making of the highest management body of the insurance company, may lead to the bankruptcy or deterioration of the financial situation or compromise the business and professional reputation of the insurance company;

8) the shareholder acquiring a qualifying holding in the statutory capital of insurance company as a result of a transaction aimed at obtaining a qualifying holding or the party affiliated thereto, according to the opinion of the Board of the Central Bank, does not have a sound financial position, or the financial standing of the party acquiring a qualifying holding or the party affiliated thereto may result in the deterioration of the financial situation of the insurance company, or the operations of the party acquiring a qualifying holding in the statutory capital of the insurance company or the party affiliated thereto or the nature of his relations with the insurance company, according to the justified opinion of the Board of the Central Bank, may impede the exercise of efficient supervision by the Central Bank or does not allow to identify or efficiently manage the risks of the insurance company;

9) the documents were submitted with violations of the requirements defined by prudential regulations of the Central Bank or the documents or information submitted contain false or inaccurate data, or the documents are incomplete.

2. The Board of the Central Bank shall, within 7 days after the issue of a decision on refusal, notify of the refusal to the party or the representative thereof who has applied for a prior consent for acquisition of a qualifying holding.

Article 19. Termination of action of prior consent

1. The Board of the Central Bank may terminate the action of prior consent for acquisition of a qualifying holding in the statutory capital of insurance company, if after the party has acquired a qualifying holding in accordance with the procedure established by this Law, any of the grounds as stipulated by Article 18 hereinabove for refusal to grant a prior consent for acquisition of a qualifying holding has been revealed.

2. In case the Board of the Central Bank terminates the action of prior consent for a qualifying holding in the statutory capital of insurance company, the party with a qualifying holding in the statutory capital of the insurance company, as of the day of the entry into force of the resolution of the Board of the Central Bank, shall be deprived of the right, conferred to him as a result of the acquisition of a holding, to vote, receive dividends and to become a board member without election or to appoint his representatives. The voting right as referred to herewith shall be accordingly distributed among other participants of the insurance company in proportion to their holding in the statutory capital of the insurance company.

3. In case the Board of the Central Bank suspends the action of prior consent for a qualifying holding in the statutory capital of insurance company, the party with a qualifying holding shall, within the reasonable period established by the Board of the Central Bank, dispose his holding in the statutory capital of the insurance company.

Article 20. legal consequences of illicit acquisition of qualifying holding

1. The transaction for acquisition of a qualifying holding in the statutory capital of insurance company without the prior consent of the Board of the Central Bank shall be void.

2. If a party has acquired a qualifying holding in the statutory capital of insurance company in

violation of the procedure established by this law or prudential regulations of the Central Bank, he shall be deprived of the right, conferred to him as a result of acquisition of a holding, to vote, receive dividends and become a board member without election or to appoint his representatives. The voting right as referred to herewith shall be accordingly distributed among other participants of the insurance company in proportion to their holding in the statutory capital of the insurance company.

CHAPTER 5. MANAGEMENT, MANAGERS, INTERNAL AUDITOR AND CERTIFIED ACTUARY OF INSURANCE COMPANY

Article 21. Management and managers of Company

1. Management bodies of Company shall comprise:
   1) the general meeting;
   2) the board;
   3) the executive body, i.e. the executive director, and the management of Company, as stipulated by the charter of Company.

2. Managers of Company shall include: chairman of the board and members thereof, executive director, managing director and members thereof, chairman of executive board and members thereof, deputy executive director, chief accountant and deputy chief accountant, head of internal audit and members thereof, certified actuary, head and chief accountant of territorial and structural subdivisions (department, division, unit, group or other unit); in the case of a branch office – director, deputy director, chief accountant, deputy chief accountant. The certified actuary is a head of the actuarial subdivision.

3. A party who may somehow influence over the decision-making of the management of Company or make independent decisions may be recognized as a manager of Company in cases as justified by the Central Bank in accordance with the Central Bank criteria.

4. Company should, irrespective of its legal and organizational form, have its management bodies, a chief accountant, a head of internal audit and a certified actuary as provided for by Paragraph 1 herewith, except when an outsourcing agreement has been signed with a relevant party in cases stipulated by this Law and prudential regulations of the Central Bank adopted pursuant thereto. In case of a vacant position for members of the management body, chief accountant, head of internal audit and certified actuary, Company shall appoint members of the management bodies, chief accountant, head of internal audit and certified actuary within 90 ninety days, in accordance with the procedures stipulated by this Law and prudential regulations of the Central Bank.

Article 22. Professional adequacy and qualification of managers

1. The standards for qualification and professional adequacy of the managers of insurance and reinsurance companies as well as insurance intermediaries, except for the heads of structural subdivisions, as well as procedure for testing the professional adequacy and qualification thereof shall be established by the Central Bank criteria.

2. The professional adequacy and qualification of managers of Company may be examined at the Central Bank if such is provided for under prudential regulations of the Central Bank.

Article 23. Requirements to managers

1. A position of a manager of Company may be assumed by any competent person who:

   1) meets the professional adequacy and qualification standards defined by the Central Bank;
   2) has not been quashed or expunged of criminal record provided for by law;

3) has not been deprived of the right to assume an office in financial, insurance, banking, tax, customs, commercial, economic, legal areas by a court decision;

4) has not been recognized bankrupt and has not outstanding liabilities;

5) has not in the past acted in a way that, according to the opinion of the Board of the Central Bank, it gives grounds to believe that the given person, in his capacity of a manager of an insurance company, cannot duly manage the relevant field of the activities of the insurance company or his actions may lead to the bankruptcy or deterioration of the financial situation of the insurance company or compromise the professional and business reputation thereof;

6) is not engaged in a criminal case as a suspect, accused or defendant.

2. The chairman or a member of the board of Company shall not simultaneously be a member of the executive body or hold any other position in the given insurance company, as well as be a chairman or member of the board, a member of the executive body or hold any other position in another insurance company, except for the cases when both are parent and subsidiary companies.

3. The executive director, deputy executive director, chief accountant, members of the management body, the head or the members of internal audit group of Company shall not simultaneously hold the same or other position in the given company or another insurance company. Parties referred to hereunder may perform paid jobs, other than scientific, educational and creative works, only by the consent of the board of Company.

4. The certified actuary shall not hold a position other than the actuary position at the given insurance company or another financial organization. A person working as a certified actuary in an insurance company may perform functions of a certified actuary in another insurance company only by the consent of the board of Company or companies where he serves as a certified actuary.

Article 24. General meeting and its authorities

1. The general meeting is the supreme management body of Company.

2. Exclusive authorities of the general meeting are as follows:

1) approval of, and amendments to the charter of Company, except for the increase in the statutory capital, if the decision-making thereon is reserved to the board according to the charter;

2) reorganization of Company;

3) liquidation of Company;

4) approval of consolidated, interim and liquidation balance sheets, appointment of a liquidation committee;

5) approval of the quantitative composition of the board, election of its members and early termination of the powers thereof. Moreover, issues related to the quantitative composition of the board and the election of the members thereof shall be discussed exclusively at annual general meetings. The election of board members may be discussed at an extraordinary meeting if the board has made a decision on early termination of the authorities of the board or its individual members;

6) approval of an external auditor for Company by the nomination of the board;

7) approval of the annual financial statements, distribution of profits and losses of Company, adoption of a decision on payout of annual dividends and approval of the size of annual dividends;

8) establishment of a counting commission;

9) consolidation and fragmentation of shares;

10) defining the remuneration of the members of the board;

11) adoption of a decision on waiving the pre-emption right of acquisition of shares in cases stipulated by law;

12) approval of the procedure for holding general meetings;
13) establishment of subsidiary and dependent companies;
14) participation in subsidiary and dependent companies;
15) acting as a founder of unions of legal entities,
16) participation in unions of legal entities;
17) decision-making on other issues stipulated by law.

3. The general meeting has the exclusive right to make decisions on issues specified in Paragraph 2 hereunder, with that right not to be transferred to other management bodies or parties, except for the issues specified in points 10, 13-16 of Paragraph 2 of this Article and the issue relating to the increase in the statutory capital, where the decision-making right may be transferred to the board according to the charter of Company or by the decision of the general meeting.

Article 25. Organizing proceedings of general meeting

1. Decisions of the general meeting may also be taken by distance voting, except for issues referred to in points 2, 3 and 7 of Paragraph 2 of Article 24 hereinabove. The annual general meeting may not be held through distance voting.
The distance sessions of Company's general meeting shall be convened according to the procedure for convening and holding distance sessions as defined by the charter of Company. Moreover, the decisions of the general meeting may be taken through a session where the participants of the general meeting may communicate with each other by phone or other means of communication in the regime of real time. Such sessions shall not be deemed as distance sessions.

2. The following parties shall have the right to participate in the general meeting:

1) owners of common (ordinary) shares of Company, with the votes belonging to them, as well as registered shareholders with voting rights;
2) owners of preferential shares of Company, with the votes equivalent to the quantity and nominal value of the shares they own, as well as registered holders of those shares in cases and according to the procedures stipulated by this Law and the charter of Company;
3) members of the board and of the executive body that are not stakeholders of Company, with a right of a consultative vote;
4) members of the internal audit subdivisions of Company, in the capacity of observers;
5) external auditor of Company, in the capacity of an observer (if his report is among the issues included in the agenda of the general meeting);
6) certified actuary, in the capacity of an observer (if his report is among the issues included in the agenda of the general meeting);
7) authorized officials of the Central Bank;
8) other parties defined by the charter of Company.

3. The list of shareholders of Company entitled to participate in the general meeting shall be made as of the date defined by the board on the basis of the data of the shareholder's register of Company.

4. The date of making the list of the shareholders of Company entitled to participate in the general meeting shall not be defined prior to the issue of a decision on convening a general meeting and more than 45 days before convening the general meeting.

5. In case the general meeting is held by distance voting, the date of making the list of shareholders of the insurance company entitled to participate therein shall be defined at least 35 days before the day of convening the general meeting.

6. Company shall notify the Central Bank of holding a general meeting of shareholders not later

than 15 days prior to convening the meeting.

7. To make the list of shareholders of Company entitled to participate in the general meeting, the registered shareholder must provide data, as of the date of making the list, on the parties whose interests he represents by managing their shares.

8. The list of shareholders of Company entitled to participate in the general meeting shall contain data on the name, place of location (residence) of each shareholder, and on their holding in the statutory capital of Company. The data on the shareholder's holding in the statutory capital included in the list of Company's shareholders entitled to participate in the general meeting shall be provided by types and classes of shares.

9. The list of Company's shareholders entitled to participate in the general meeting shall be provided to the shareholders of Company who are registered in Company's register at least 10 days prior to the meeting.

10. Company shall upon its shareholder's request provide the latter with a statement on his inclusion in the list of Company's shareholders entitled to participate in the general meeting.

11. Changes to the list of Company's shareholders entitled to participate in the general meeting shall be made in view of correcting the mistakes therein or restoring the violated rights and lawful interests of shareholders omitted from the list.

Article 26. Board and establishment thereof

1. The board shall carry out the overall management of Company within the scope of the authorities of the board, as defined by this Law.

2. The board of Company shall consist of at least 5 and at most 13 members.

3. The members of the board shall be elected by the shareholders of Company participating at the annual general meeting, whereas in case of early termination of the authorities of a member of the board, the member shall be elected by the shareholders of Company participating at the extraordinary meeting, in accordance with the procedure established by law and the charter of Company.

4. Nominations for candidates of board members of Company may be presented to the general meeting by the shareholders of Company and the board (except for the first-time establishment of the board).

5. Shareholders of Company, who, as of the date of drawing up the list of Company's shareholders entitled to participate in the general meeting, hold 10 percent and more of the outstanding voting shares of Company, shall have the right to be included within the board or appoint their representative without any election.

6. Shareholders of Company, who, as of the date of drawing up the list of Company's shareholders entitled to participate in the general meeting, hold up to 10 percent of the outstanding voting shares of Company, may join each other, and if they acquire 10 percent or more of outstanding voting shares of Company, their representative may be included in the board without being elected by the general meeting.

The inclusion of a representative in the board, as provided for in Paragraph 1 of this Article, shall be made possible only in case there is a contract on establishment of a shareholder's group of Company and after having notified the general meeting thereof.
The contract as referred to in Paragraph 2 of this Article shall contain the following terms and information:

1) data on joining shareholders of Company, including the number of their outstanding voting shares of Company;

2) information specified by Article 84 hereunder on the candidate of the board member nominated by joint shareholders;

3) a stipulation that the contract is concluded for at least a one-year term and is not subject to amendments or withdrawal until then;

4) other terms stipulated by joint shareholders.

Copies of the contract shall be provided to all shareholders of the general meeting at least 30 days before holding the general meeting and in case of distance voting – at least 30 days before the last day of the deadline defined for the acceptance of completed ballots by the insurance company.

7. The minority shareholders of Company shall have the right to include a representative presenting their interests in the board of Company.

In terms of implementation hereof, a minority shareholder of Company shall be deemed a shareholder owning less than 10 percent of outstanding voting shares of the given Company who has not concluded the contract specified in Paragraph 6 of this Article.

A common representative of minority shareholders of Company shall be nominated thereby and included in the composition of the board without being elected by the general meeting.

Only minority shareholders participating in the session of the general meeting or the representatives thereof, even if there is only one, shall take part in the election of a representative of minority shareholders of Company. Shareholders of Company who have concluded the contract specified in Paragraph 6 hereinabove shall not participate in the election of a representative of minority shareholders.

The procedure for election, nomination of a representative of minority shareholders and inclusion thereof in the composition of the board shall be stipulated by the charter. In addition, the board shall provide the information, required by law, on the nominated representative of minority shareholders of Company to all participants of the general meeting at least 30 days prior to the holding of a general meeting and in case of distance voting - at least 30 days before the last day of the deadline defined for the acceptance of completed ballots by Company.

Article 27. Members of the board

1. The members of the board shall not be affiliated parties. The members of the board as well as the members of the executive body of Company cannot be affiliated parties.

2. Company shall remunerate or reward the members of the board for their performed activities or duties, in accordance with the terms and procedures stipulated by the board.

3. The terms of office of board members shall be defined by the general meeting and shall not be less than one year.

Article 28. Chairman of the board

1. The chairman of the board shall be elected out of and by the members of the board.

2. The chairman of the board shall:

1) organize the activities of the board;
2) convene and chair the meetings of the board;
3) organize the taking of minutes of board meetings
4) chair the general meeting of Company;

5) organize the proceedings of the committees adjunct to the board.

Article 29. Authorities of the board

1. The authorities of the board shall include:

1) determining the main directions of activities of Company, including the approval of the prospective development plan and the business plan of insurance company;

2) convening annual and extraordinary sessions of the general meeting, approving the agenda, as well as ensuring the implementation of preparatory works for convening and holding of sessions.

3) appointing members of the executive body, the certified actuary and the members of the actuarial subdivision of Company, early termination of the authorities thereof and approval of terms of payment thereto;

4) establishing internal control standards for Company; appointing the head and the members of internal audit unit of Company, approving the annual working plan of internal audit unit, early termination of the authorities of the head and the members of the internal audit unit, and approval of terms of payment thereto;

5) approving the performance plan and the budget of annual expenses of Company;

6) approving the internal organizational structure and job positions of Company;

7) increasing the statutory capital of Company, if the board has been delegated with such power by the charter or the decision of the general meeting;

8) submitting recommendations to the general meeting on the payment of dividends, including, for each payment of dividends, the drawing up of a list of participants of Company entitled to get dividends. The list shall include the stakeholders of Company who have been included in the shareholders' register of Company as of the date of making the list of shareholders entitled to participate in the annual general meeting;

9) provisional approval of the annual financial statements of Company and submission thereof to the general meeting;

10) presenting the candidature of external auditor of Company for the approval of the general meeting;

11) determining the size of remuneration for the external auditor of Company;

12) taking measures to eliminate inaccuracies identified as a result of audit or other controls carried out at Company and the monitoring the implementation thereof;

13) adopting internal regulations that define the performance procedure of insurance activities;

14) approving by-laws of territorial and independent structural subdivisions of Company; distributing functional duties among independent structural subdivisions of Company;

15) submitting issues specified in points 2, 10, 13-16 of Article 24 hereinabove for the discussion of the general meeting;

16) deciding upon the allocation of shares and other securities of Company;

17) using reserve and other funds of Company;

18) establishing branch offices, representative offices and establishments of Company;

19) formulating an accounting policy for Company, such as the principles, bases, methods, rules, forms and internal regulations for keeping records and drafting financial statements;

20) taking decisions on other issues defined by the law and the charter of Company.

2. The board shall have an exclusive right to make decisions on the issues referred to in Paragraph 1 hereinabove and it may not be transferred to other management bodies or other parties of Company.

3. At least once a year, the board shall discuss the report of the auditor (letter to the management) at its session, as well as discuss and reconsider, if necessary, the main directions of the activities of Company, as well as its strategy, procedures and other internal regulations.

4. At least once a quarter, the board shall discuss the reports of internal audit group, executive director (management) and chief accountant, and of the certified actuary (head of actuarial

subdivision), in accordance with the procedures stipulated by the board.

Article 30. Meetings of the board

1. The sessions of the board shall be held at least on a quarterly basis.

2. The procedure for convening and holding sessions shall be established by the charter.

3. Chairman of the board shall convene sessions of the board on the basis of a written request presented by the chairman of the board, a board member, the executive director (management), head of the internal audit group, the external auditor of Company, the Central Bank, as well as shareholder(s) holding 5 percent or more of voting shares of Company.

4. The meetings of the board may be held by distance voting according to the procedure for convening and holding distance sessions stipulated by the charter of Company. The board may take decisions at meetings where all participants of the board meeting are able to communicate by phone or other means of communication in the regime of real time. Such meetings shall not be deemed as distance meetings. Issues referred to in points 3, 4, 10 and 14 of Article 29 hereinabove, as well as the approval of the prospective development plan or business plan of Company, the election of chairman of the board shall not be decided upon at distance meetings of the board.

5. The quorum of the meetings of the board shall be established by the charter of Company; however it shall not be less than half of the board members. The decisions of the board shall be made by simple majority of the board members present at the meeting, unless otherwise provided for by this Law or more number of votes is envisaged by the charter or the regulation approved at the general meeting.

6. Each member shall have one voting right at the voting. If the votes are equal, the vote of the chairman shall be decisive, unless otherwise stipulated by the charter.

7. All issues of the board meeting, except for those relating to early termination of the authorities of the executive director and the terms of payment thereto, shall be discussed only if the executive director is present. The executive director shall participate in the meetings of the board with the right of consultative vote.

8. The meetings of the board shall be recorded. The minutes of the meeting shall be made within 10 days after the meeting. The minutes shall include:

1) the date, time and location of the meeting;
2) the names of the participants of the meeting;
3) the agenda of the meeting;
4) the issues brought to a vote, as well as the voting results according to each board member present at the meeting;
5) opinions of the board members and other parties present at the meeting regarding the issues brought to a vote;
6) decisions made at the meeting.

9. The minutes of the board meeting shall be signed by all members participating at the meeting, who shall thus carry the responsibility for the accuracy and trustworthiness of the information contained therein.

10. Chairman of the board shall chair the meetings and sign the decisions made at the meeting. Chairman of the board shall carry the responsibility for the accuracy of the information contained therein.

Article 31. Committees adjunct to the board

1. The board may establish committees for effective organization of its proceedings. The authorities and the order of proceedings shall be established upon the decision of the board.

2. Committees adjunct to the board may consist of board members and other managers or employees of Company.

3. The decisions of committees adjunct to the board shall be of consultative nature.

Article 32. Grounds for early termination of authorities of board member

1. The general meeting shall decide on early termination of the authorities of a board member upon the request of the latter or if:

1) the board member has been declared disabled or partially disabled by a lawfully enforced court decision;
2) during his term of office, such circumstances have occurred that prohibit the board member from serving a manager an insurance company as stipulated by law;
3) the board member, during a year, has not participated in at least 1/4 of the board meetings for unjustified reasons or in general has not participated in at least more than half of the meetings (including excused and unexcused absences);
4) has been deprived, by the court decision or judgment entered into force, of the right to hold a position in financial, banking, tax, customs, commercial, economic, legal areas;
5) the board member has died.

2. The authorities of a board member may also be terminated prior the end of the assignment period, provided that the board member will be compensated for the remaining period of his assignment, and in case the remaining period exceeds one year, Company shall pay the board member the amount defined for one year. Company shall be entitled to reclaim from the dismissed board member, through the court, the remuneration provided to that member in accordance with Paragraph 1 of this Article, if it proves at the court that that member has failed to duly perform his duties (non execution or improper execution).

Article 33. Company's executive director and management

1. Current activities of Company shall be managed by the executive director of Company, and where stipulated by its charter, the management of Company. The executive director may have deputies. The executive director (members of the management body) of Company shall be appointed by the board. The deputy directors shall be appointed by the board upon recommendation of the executive director. The structure of the management of Company shall be established by its charter.

2. Where the charter provides for the availability of management, the functions of the executive director and the management shall be clearly separated.

3. The management of Company shall operate pursuant to the charter and the internal regulations of Company adopted by the board, which establish the terms and procedures for convening and holding sessions of management, as well as the procedure for making decisions.

4. The executive director, his deputy/deputies and chief accountant of Company must be included in the directorship.

5. The sessions of the management are conducted by the executive director. The sessions of the management shall be recorded. The minutes of the management sessions shall be submitted to the board, the internal auditor, the external auditor of Company, upon their request. The minutes

of the session shall be made within 10 days after the session. The minutes of the session shall include:

1) date, time and location of the session;
2) names of the participants of the session;
3) agenda of the session;
4) issues brought to a vote, as well as the results of the voting by each member present at the session;
5) opinions of the members of the management and other parties present at the session about the issues brought to a vote;
6) decisions made at the session.

6. The minutes of the management session shall be signed by all attending members of the session, who shall thus carry the responsibility for the accuracy of the information contained therein.

7. The executive director shall organize and chair the sessions of the management and sign the decisions of the session. The executive director shall carry the responsibility for the accuracy of the information contained therein.

8. The executive director in his capacity shall represent Company in the Republic of Armenia and abroad, conclude transactions and act on behalf of Company, without a power of attorney. The executive director can issue powers of attorney.

9. The executive director or the management of Company shall:

1) submit internal regulations, by-laws of structural units, the organizational structure of Company to the board for approval;
2) manage Company's property, including financial assets, give orders, decrees within the scope of his competence, give compelling instructions and monitor the implementation thereof;
3) recruit and dismiss employees of Company;
4) apply incentive and disciplinary measures in regard to the employees of Company;
5) ensure the implementation of the decisions of the general meeting and the board;
6) undertake other duties relating to the management of the current activities of Company pursuant to its charter and other regulations adopted by the board.

10. Issues that have not been assigned to the general meeting, the board, the internal audit group or the certified actuary under the law or the charter shall fall within the competence of the executive director (management).

11. The executive director (management) shall regularly, but not less than on quarterly bases, submit to the board a report on its activities, in accordance with the procedure stipulated by the board.

12. The decision-making in relation to the issues under the competence of the executive director (management) shall not be transferred to other management bodies of Company, the internal auditor, the chief accountant, the certified actuary or other party. Except for the parties specified hereunder, the authorities of the executive director may be temporarily (for not more than 90 days) transferred to another party, in an appropriate manner, provided that the latter meets the qualification and professional adequacy standards established for executive directors of Companies under the Central Bank criteria.

13. The board shall decide on early termination of the authorities of an executive director upon his request or if he:

1) has been recognized as disabled or limited capable by a lawfully enforced decision of the court;

2) during his term of office, such circumstances have occurred which prohibit him from serving as executive director of Company or holding any other position as manager;

3) has been deprived, by the court decision or judgment entered into force, of the right to hold a position in financial, banking, taxes, customs, commercial, economic, legal areas;

4) has died.

14. The authorities of the executive director may also be terminated prior the end of the assignment period, provided that the executive director shall be compensated for the remaining period of his assignment and in case the remaining period exceeds one year, Company shall remunerate the executive director the amount defined for one year. Company is entitled to reclaim from the dismissed executive director, through the court, the remuneration provided to him in accordance with Paragraph 1 of this Article, by proving at the court that the executive director has failed to duly perform his duties (non-execution or improper execution).

Article 34. Company's chief accountant

1. Chief accountant of Company or a person with similar authorities (hereinafter chief accountant) shall have the rights and obligations established for chief accountants by the Armenian Law on Accounting.

2. Chief accountant shall be appointed by the board as recommended by the executive director (management).

3. The rights and obligations of chief accountant shall not be transferred to another management body or official, except when provided for by this Paragraph. Except for the parties specified in point 1 of Paragraph 12 of Article 33 hereinabove, the authorities of chief accountant may be temporarily (for not more than 90 days) transferred to another person, in an appropriate manner, provided that the latter meets the qualification and professional adequacy standards established for chief accountants of Company under the Central Bank criteria.

4. Chief accountant shall, at least once a quarter, submit a financial report to the board and the executive director (management) in accordance with the procedure and content approved by the board.

5. Chief accountant shall be responsible for maintaining the accounts of Company, its status and credibility, annual reports, for timely submission of financial statements and statistics reports to public administration bodies, as provided for by laws and other regulations, as well as for the accuracy of the financial data relating to Company subject to presentment to Company's stakeholders, creditors and mass media in compliance with law, other regulations and the charter of Company. The responsibility of chief accountant for elaboration, submission and publication of the reports mentioned in this Paragraph shall not apply to the reports which, according to the law, shall be elaborated, submitted and published by the certified actuary of Company. The reports of Company which contain different aspects of information, for the elaboration, submission or publication of which both the chief accountant and the certified actuary are responsible, shall be signed by both of the officials.

Article 35. Internal audit group

1. The head and the members of internal audit group shall be appointed by the board. The members of management bodies, other managers and employees, as well as the parties affiliated to the members of the executive body or chief accountant of Company shall not be members of internal audit group.

2. In accordance with the internal regulation approved by the board, the internal audit group shall:

1) control the current activities and the risks of Company;

2) control the fulfillment of tasks assigned to the executive body or chief accountant, as well as

the implementation of laws, other regulations and internal procedures and policies of Company by the executive body, chief accountant, regional and structural subdivisions, certified actuary and actuarial subdivision;

3) make comments and recommendations on issues proposed by the board as well as on issues put forward at its own initiative.

3. The decision-making of issues under the competence of the internal audit group cannot be transferred to the management bodies of Companies or other parties.

4. The board shall, each year, approve the annual plan of internal audit.

5. The annual plan shall, at least, include:

1) the areas of operation where internal auditors will perform an examination of operation;

2) a description of the content of planned operational audit in individual areas.

6. The head of the internal audit shall submit to the board the following reports (with copies to submit to the executive body):

1) regular reports on the results of examinations established by the annual plan;

2) extraordinary report, if, according to the justified opinion of the internal audit, substantial violations have been revealed. Moreover, should the violations be the result of the activities undertaken by, or the negligence of, the executive body, chief accountant or the board, the report shall be submitted directly to the chairman of the board.

7. The report of the head of internal audit shall, at least, contain the following information:

1) a description of all auditing examinations carried out;

2) violations and irregularities revealed as a result of the examination and measures proposed for the elimination thereof;

3) findings of the internal audit on elimination of revealed violations and irregularities.

8. In cases envisaged hereunder, the reports shall be submitted within a maximum of 5 business days after a violation has been revealed.

9. Where the internal audit reveals violations of laws, other regulations, it shall report these to the board and a copy of them to the Central Bank.

10. No supervisory committee shall be established in Company.

Article 36. Certified actuary

1. The certified actuary of Company shall be appointed by the board.

2. The certified actuary of Company shall:

1) examine whether insurance premiums are calculated and technical reserves formed in accordance with the requirements of this law and other regulations;

2) find out whether the calculated insurance premiums and formed reserves ensure the undertaking of liabilities arising out of insurance contracts;

3) calculate insurance tariffs as well as the insurance, pension and annuity sums;

4) verify the fulfillment of requirements established by Section 4 of this Law by Company;

5) prepare, submit or publish the reports, established by laws and regulations, which have the following content:

(a) a report reflecting the principles for calculation of technical reserves;

(b) a report reflecting the adequacy of reserves, assets covering technical reserves to the obligations arising out of insurance contracts;

(c) a report reflecting the sufficiency of insurance premiums (insurance tariffs);

(d) a report reflecting the actual size of prudential standards of Company established by

this Law and other regulations.

3. The executive body shall provide the certified actuary with information required for fulfilling his obligations.

4. The certified actuary shall submit quarterly reports to the board.

5. Should the certified actuary (head of actuarial subdivision) find out that the insurance premiums have not been calculated and the technical reserves have not been set aside in accordance with the procedure stipulated by this Law and other regulations, and as a result of it the fulfillment of obligations arising out of insurance contracts are threatened, he shall immediately, but not later than within 5 days notify, in writing, to the board, the executive body and the Central Bank thereupon.

6. The annual report of Company shall include the report of the certified actuary and the conclusion thereof stating that the insurance premiums have been calculated and technical reserves set aside in accordance with the procedure stipulated by this Law.

CHAPTER 6. EXTERNAL AUDIT

Article 37. Annual audit of financial and economic performance

1. The financial and economic operations of Company shall be annually audited by an auditor. Prudential regulations of the Central Bank may stipulate the requirements for auditors involved in the audit of financial and economic operations of Company, which have to be met by the auditor in order to provide auditing services to Company.

2. The board may at any time organize an audit of Company, at its own expense.

3. The examination of financial and economic operations of Company by an external auditor may also be performed at the request of the participants holding al least 5 percent of voting shares of Company. In that case, the shareholders requesting the audit shall select the auditor, sign a contract with him, and pay for its services. Moreover, the parties specified in this Paragraph may request from Company a compensation for the expenses made and Company must compensate, if the audit, according to the decision of the general meeting or the board, was justified for Company.

4. Company shall, in the contract to be concluded with the auditor, other than the stipulation of the obligation to prepare an audit conclusion, envisage also the preparation of an audit report (a letter to Company’s management).

5. Company shall, in the contract to be concluded with the auditor, also provide for the examination of credibility of reports submitted to the Central Bank as to their conformity of the requirements to technical reserves, basic prudential standards, and distribution of assets covering technical reserves with the requirements established by this Law and prudential regulations of the Central Bank.

6. Should an auditor, when performing his duties, reveal facts on substantial deterioration of the financial standing of Company, as well as shortcomings of the internal systems (including the internal control system) of Company, he shall immediately, but not more than within 5 business days, notify the Central Bank thereupon.

7. The Central Bank may require Company to invite an auditor within 4 months and to publish the financial statements of Company and the conclusions of the auditor in a national newspaper with at least 2000 print-run.

8. Company shall provide the Central Bank with the conclusions of the auditor and the statement not later than May 1 of the year following the given financial year.

9. Upon the request of the Central Bank, the auditor shall provide the Central Bank with the necessary documents relating to the audit of Company, even if they constitute a trade, banking, insurance or other secret. The auditor shall carry the responsibility established by law for failure to fulfill the obligations stipulated hereunder.

10. The auditor of Company shall also submit conclusion on the following issues:

1) adequacy of technical reserves of Company;

2) the conformity to requirements of prudential standards established by this Law and the Central Bank criteria;

3) conformity of the distribution of assets covering technical reserves of Company to the requirements established by this Law and the Central Bank criteria;

4) conformity of the internal audit, internal control system of Company to the requirements established by this Law and the Central Bank criteria;

5) existence or the quality of the internal information system of Company;

6) integrity and credibility of the reports submitted to the Central Bank.

11. The joint prudential regulations of the Central Bank and state body authorized by the Republic of Armenia may stipulate more detailed requirements for an auditor as to the format and content of auditor's conclusions and the audit examination.

12. The Central Bank may request the auditor to submit additional explanations and clarifications on his conclusions and the report.

13. If the audit conclusions and/or the report have been prepared in violation of the requirements provided for by this Law, other laws and regulations or if the audit has not been conducted in accordance with the procedure stipulated by laws and other regulations, the Central Bank may refuse accepting it and require a new audit to be conducted by another auditor, at the expense of Company.

SECTION 3. COMPANY REGISTRATION AND LICENSING; OUTSOURCED OPERATIONS

CHAPTER 7. LICENSE TO INSURANCE BUSINESS

Article 38. License to the insurance business

1. Insurance activity license is a document issued by the Central Bank, which authorizes to engage in insurance business.

2. Insurance activity license shall be issued for an unspecified term. It shall not be disposed, pledged or transferred.

3. Insurance activity license shall bear the license number, the date of issue, full firm name of Company and the registration number, type (types) and class (classes) of insurance.

4. The single template to the insurance activity license is provided for by prudential regulations of the Central Bank.

5. Insurance activity license may be revoked by the resolution of the Board of the Central Bank in cases provided for, and according to the procedures stipulated by, law.

6. If the activity license of an insurance company is revoked, it shall be returned by the insurance company to the Central Bank within 3 days.

7. If Company loses its activity license, the Central Bank must be immediately, but not later than within 5 days, notified of that. Upon the request of Company, the Central Bank shall, within 10 days, provide a copy of the insurance license.

8. The licensing procedure of Company is defined by this Law and prudential regulations of the Central Bank.

Article 39. Scope of activity license

1. An activity license shall be issued for engaging in one or several classes or subclasses of insurance defined by Article 7 of this Law.

2. Company shall only engage in such classes and subclasses of insurance for which the activity license has been issued.

3. Company shall be simultaneously engaged either in life insurance and the reinsurance of life insurance or in non-life insurance and in the reinsurance of non-life insurance.

4. Company shall not be simultaneously engaged in insurance activities of life insurance and non-life insurance classes specified in Article 7 of this Law.

5. A reinsurance company may be simultaneously engaged in reinsurance of life insurance and non-life insurance.

6. Company authorized to engage in certain classes of non-life insurance may operate by classes or subclasses of insurance without additional activity license, if the insurance risk is related to the object insured on the basis of the class or subclass of insurance indicated in the activity license, and the insurance risk and the object are insured on the basis of the same insurance contract. The provisions hereunder do not apply to the insurance activities by insurance classes specified in point 14 (credit insurance), point 15 (surety insurance), point 17 (legal expenses and out-of-court charges insurance) of Paragraph 2 of Article 7 hereinabove, except for the cases when legal expenses and out-of-court charges insurance is considered as additional insurance by classes of insurance specified in point 6 (ships insurance), point 12 (ships liability insurance (also cargo)), and point 18) (assistance insurance) of Paragraph 2 of Article 7 hereinabove.

7. Company authorized to engage in life insurance may also be engaged in classes of insurance specified in point 1 (accident insurance) and point 2 (health insurance) of Paragraph 2 of Article 7 hereinabove, provided that they supplement its main activities and result from the service of life insurance contracts.

8. The performance of insurance, reinsurance or insurance brokerage activity is prohibited without the Central Bank license.

Article 40. Company registration and licensing

1. For the purposes of state registration and licensing of Company, the founders thereof shall submit to the Central Bank, in the format and content defined by the Central Bank, the following documents and information:

1) an application for registration and licensing;
2) the business plan of Company;
3) the charter of Company, in 6 copies, approved by the meeting of the founders of Company;
4) the list of the shareholders of Company, which includes the name and the place of location (residence) of each shareholder, the name and the location of the shareholder–legal entity, the nominal value and number of shares to be allocated, the share in the statutory capital of

Company;

5) the decision of the meeting of the founders on appointment of managers;

6) a statement on the activities (work, education, business) of the managers of Company, samples of their certified signatures,

7) the copies of qualification certificates of managers and certified actuaries (if they exist);

8) the documents specified in Article 17 hereinabove and other regulations of the Central Bank, on prior consent for acquiring a qualifying holding by parties with qualifying holding in the statutory capital of Company;

9) financial statements of legal entities with qualifying holding in Company for the preceding three years, and an independent auditor's positive opinion thereon;

10) the list of parties with qualifying holding in Company and affiliated parties;

11) drafts of outsourcing agreements, if any;

12) drafts of the activity regulations of Company;

13) receipt of state duty payment;

14) statement of payment onto the cumulative account opened at the Central Bank or any commercial bank operating in the Republic of Armenia, which is not affiliated with Company ;

15) a statement on compliance of the premises of Company with the Central Bank criteria;

16) other documents specified by prudential regulations of the Central Bank.

2. The Central Bank may request additional information necessary for assessment of the accuracy of the information specified in Paragraph 1 of this Article.

3. The Central Bank may make exceptions from the documents specified in Paragraph 1 hereinabove in cases stipulated by its prudential regulations on branches of foreign insurance companies, foreign non-resident qualifying holders and managers.

4. If, following the submission of the application specified herewith, any changes occur in the information or documents submitted, the applicant shall undertake to resubmit the amended information, before the Central Bank delivers a decision on registration and issuance of an activity license or a decision on refusal to register and issue an activity license.

5. The registration and licensing procedure of Company, the formats and contents of required documents, the submission procedure shall be defined by prudential regulations of the Central Bank.

Article 41. Decision on registration and licensing

1. The Central Bank shall make a decision on the registration and licensing of Company, if the documents and information provided comply with the requirements stipulated by this Law, other laws and regulations and there are no grounds, provided for by this Law, to refuse the registration and licensing of Company.

2. The Central Bank shall provide the registration certificate and the activity license to Company within 5 days upon the delivery of the decision on registration and issue of an insurance activity license.

3. The Central Bank shall register and license Company or refuse the registration and licensing within 30 days after submission of the application by the founders of Company. This period may be suspended by a Central Bank decision for not more than 30 days in order for the Central Bank to receive other data as necessary. Where the Central Bank does not make a decision on refusal to registration and licensing or on registration and licensing, the activity license shall be deemed as issued and Company registered.

4. The Central Bank shall, within 5 days after making the decision on the registration of Company, notify the state authorized body for registration of legal entities to make the relevant records on

the registration of Company.

5. Upon the registration in the Central Bank Company shall acquire a status of legal entity.

Article 42. Grounds for refusal to application for registration and licensing

The Central Bank may refuse to register and issue a license to Company, if:

1) false or incomplete documents are submitted or the documents submitted contain inaccurate or false information;

2) insurance premiums (insurance tariffs) and reserves, calculated according to the business plan, are insufficient for the fulfillment of obligations by Company arising out of insurance contracts;

3) the managers of Company do not meet the criteria established by this Law and regulations of the Central Bank;

4) Company does not meet the requirements for engaging in insurance activities set forth by this Law and other regulations;

5) the charter of Company has contradictions with law;

6) the provisions of the charter or the activity regulations of Company are not accurate and clear enough, which may jeopardize regular operation of Company or the interests of policyholders;

7) the required premises or technical equipments of Company are not in line with the requirements stipulated by the Central Bank criteria;

8) the Central Bank has refused or refuses even one of the applications for obtaining a prior consent for acquisition of a qualifying holding in the statutory capital of Company;

9) the business plan submitted does not meet the requirements of this Law and regulations of the Central Bank;

10) according to the justified opinion of the Central Bank, the business plan is not feasible, or Company cannot carry out regular insurance activities in case it operates according to that plan;

11) according to the justified opinion of the Central Bank, the activities, financial status, reputation or experience of the founders of Company or affiliated parties may jeopardize the interests or benefits of the policyholders, insured persons or beneficiaries, or impede the regular operation of Company or the appropriate supervision by the Central Bank;

12) the minimum amount of the statutory capital defined by prudential regulations of the Central Bank has not been paid up.

Article 43. State duty and service fee

State duty shall be charged for the issuance of license to Company, a branch office of a foreign insurance company, and an insurance brokerage company in the amount and procedure stipulated by the Armenian Law on State Duty.

Article 44. Company's business plan

1. The business plan must be prepared for at least the forthcoming 3 years and contain the following information:

1) internal organizational structure of Company;
2) calculation of incomes and expenses;
3) trends of financial prospective development;
4) description of markets identified to engage in;
5) main competitors and methods to withstand competition;
6) management methods and evaluation of potential risks;
7) list of the planned class and subclass of insurance sold by Company or its branch office;
8) a technical business plan for each class and subclass of insurance;
9) reinsurance plan;
10) internal methods for calculation of technical reserves;

11) policy of allocation of assets covering technical reserves;
12) the amount of insurance premiums (insurance tariffs) and the justification thereof, signed by the certified actuary or the candidate of the head of the actuary subdivision;
13) other information defined by regulations of the Central Bank.
Company may submit other information in respect of the business plan.

2. During its operation, Company shall submit to the Central Bank a report on implementation of the business plan submitted during the registration and licensing, in the format, procedure and terms stipulated by prudential regulations of the Central Bank.

3. Company shall undertake to submit to the Central Bank a 3-year business plan and amendments thereto in the format, procedure and terms stipulated by prudential regulations of the Central Bank.

Article 45. Revocation of license

1. The Board of Central Bank shall revoke the activity license of Company, insurance brokerage company, and the registration of branch office of a foreign insurance company, operating in the Republic of Armenia, in cases of the winding up, reorganization (other than restructuring), insolvency, and other grounds provided for by law.
2. The Board of the Central Bank may revoke the activity license of Company as a punitive measure in case of violation of regulations by Company, as provided for by this Law.

CHAPTER 8. ESTABLISHMENT OF BRANCHES AND REPRESENTATIONS IN ARMENIA

Article 46. Company's branch and representative office

1**.** Company operating in Armenia may establish a branch office and a representative office within the territory of the Republic of Armenia according to the procedure stipulated by this Law and other regulations.

2. The branch office of Company is a separate subdivision that does not have a status of legal entity and is located outside Company. It shall operate within the framework of authorizations delegated to it by Company and engage in insurance business on behalf of Company. The branch office may engage in classes of insurance activities for which Company has an insurance activity license.

3. The representative office of Company is a separate subdivision that does not have a status of legal entity and is located outside Company. It represents Company, studies the financial market, concludes contracts on behalf of Company, and engages in other similar operations. The representative office is not entitled to engage in insurance business.

4. The branch offices of Company operating in the Republic of Armenia shall be registered by the Central Bank; and the documents shall be submitted in the format and content provided for by prudential regulations of the Central Bank, as follows:

1) the decision of the board of Company or an extract from the minutes on establishing a branch office;
2) a letter of request of Company;
3) the charter of the branch office;
4) a statement on the activities of the managers of the branch office to be established according to the procedure provided for by the Central Bank;
5) the business plan of the branch office to be established according to the procedure provided for by the Central Bank;
6) declaration on the provision of premises for the branch office and on the compliance of

the technical facilities and equipment of the branch with the Central Bank criteria;
7) other documents and information provided for by prudential regulations of the Central Bank.

5. In view of registration of a representative office of Company, operating in the Republic of Armenia, Company shall submit the following documents to the Central Bank:
1) a letter of request of Company;
2) the decision of an authorized management body of Company on establishing a representative office within the Republic of Armenia;
3) the charter of the representative office;
4) other documents provided for by the Central Bank.

6. The Central Bank shall, within 30 days following the submission of the letter of request and the required documents provided for by this Article, register the branch or representative office and issue a registration certificate, whereas in case of refusing to register, it shall notify Company on the grounds for refusal within 5 business days.

7. The Central Bank shall, within 5 days following the delivery of a resolution on registration of a branch or representative office, notify the state authorized body performing the registration of legal entities of the resolution, with the purpose of making a relevant record on the registration of the branch or representative office.

8. The Central Bank may refuse the letter of request for registration of a branch office of Company to be established within the territory of the Republic of Armenia, if:

1) the documents submitted contain inaccurate or false data;
2) the documents submitted are incomplete;
1) the premises of the branch office of Company or the technical facilities and equipments do not comply with the Central Bank criteria;
2) the professional knowledge or qualification of the branch managers of Company do not comply with the criteria set forth by prudential regulations of the Central Bank;
3) during the one-year period preceding the submission of the documents to the Central Bank for the registration of the branch office, Company has violated the main prudential standards, or the establishment of the branch office may result in the deterioration of the financial position of Company;
4) the business plan or the amendments thereto do not comply with the requirements stipulated by this Law or prudential regulations of the Central Bank;
5) based on the justified opinion of the Central Bank, the business plan or the amendments thereto are not feasible, or the branch office of Company cannot engage in regular insurance activities if it follows the provisions of the business plan;
6) the overall assessment of performance indicators of Company is below the Central Bank criteria in the time of presentment of the registration documents of the branch to the Central Bank.

9. The Central Bank may refuse a letter of request for registration of a representative office to be established within the territory of the Republic of Armenia, if:
1) submitted documents contain inaccurate or false data;
2) submitted documents are incomplete;
3) based on the justified opinion of the Central Bank, the establishment of the representative office may lead to a deterioration of the financial situation of Company;
4) the overall assessment of performance indicators of Company is below the Central Bank criteria in the time of presentment of the registration documents of the representative office to the Central Bank.

10. The terms and procedures for termination of operations of branch and representative offices, including those for temporary termination, shall be defined by prudential regulations of the Central

Bank. The Central Bank may disallow the termination or temporary termination of operations of branch and representative offices in cases and terms provided for by its prudential regulations.

Article 47. Registration of branch and representative office

1. A foreign insurance company may establish a branch within the territory of the Republic of Armenia by registering it at the Central Bank according to the procedure stipulated by this Law and prudential regulations of the Central Bank.

2. For registration of a branch office of foreign insurance company to be established within the territory of Republic of Armenia, the foreign insurance company shall submit the following documents according to the format and content provided for by prudential regulations of the Central Bank:

1) an application for registration of the branch office;
2) the decision of the authorized management body of Company on establishing a branch office in the Republic of Armenia;
3) the charter of the branch office, in 6 copies, approved by the authorized management;
4) activity regulations of the branch office, if any;
5) notarized copies of the registry certificate of Company, the charter or other founding documents, as well as of the activity license of Company, in accordance with the legislation of the registration country of a foreign insurance company, translated into Armenian language;
6) the financial statements of Company for the preceding 3 years, prepared in accordance with the international accounting standards, and a positive opinion of an independent audit on the financial statements;
7) a statement on the entities having a qualifying holding in the statutory capital of Company;
8) the business plan of the branch office;
9) the decision or other documents of the authorized management body exercising supervision over the foreign insurance company on issuing an authorization to, or permission for, establishing a branch office in the Republic of Armenia;
10) a statement from the competent management body exercising supervision over the foreign insurance company on the fact that Company has an authorization and performs its insurance activities in accordance with the legislation of the main registration country;
11) the decision of the authorized management body of the foreign insurance company on the nomination of branch managers of Company;
12) a statement on the activities of the branch office's managers of the foreign insurance company and the samples of their certified signatures;
13) copies of outsourcing agreements, if any;
14) a receipt of payment of state duty;
15) a statement on the compliance of the premises of the branch office of the foreign insurance company with the Central Bank criteria;
16) other documents provided for by prudential regulations of the Central Bank.

3. A foreign insurance company may establish a representative office within the territory of the Republic of Armenia by registering it at the Central Bank in accordance with the procedure stipulated by this Law and prudential regulations of the Central Bank.

4. For the registration of a representative office of the foreign insurance company to be established within the territory of the Republic of Armenia, Company shall submit the following documents according to the format and content provided for by prudential regulations of the Central Bank:

1) an application for the registration of a representative office;
2) the decision of the authorized management body of the foreign insurance company on

establishing a representative office in the Republic of Armenia;
3) the charter of the representative office, in 6 copies;
4) notarized copies of the registry certificate of Company, the charter or other founding documents, as well as of the activity license of Company, in accordance with the legislation of the registration country of a foreign insurance company, translated into Armenian language;
5) the financial statements of a foreign insurance company for the preceding 3 years, prepared in accordance with the international accounting standards and a positive opinion of an independent audit on the financial statements;
6) a statement on the entities having a qualifying holding in the statutory capital of the foreign insurance company;
7) the decision or other documents of the authorized management body exercising supervision over the foreign insurance company on issuing an authorization to, or permission for, establishing a representative office in the Republic of Armenia;
8) a statement from the authorized management body exercising supervision over the foreign insurance company on the fact that Company holds an activity license and performs its insurance activities in accordance with the legislation of the main registration country;
9) other documents provided for by prudential regulations of the Central Bank.

5. The Central Bank shall deliver a decision on registering the branch office of foreign insurance company or on registering a representative office, provided that the submitted documents and information comply with this Law, other laws and regulations, and there are no grounds provided for by this law to refuse to register the branch office of foreign insurance company, or to register the representative office.

6. The Central Bank shall provide a registration certificate to the foreign insurance company within 5 days upon the delivery of the decision specified in Paragraph 5 of this Article.

7. The Central Bank shall register the branch or representative office of the foreign insurance company or refuse to register, within 30 days upon the submission of the application by the foreign insurance company. This period may be suspended by a Central Bank decision for not more than 30 days in order for the Central Bank to receive other data as necessary. Where the Central Bank does not make a decision on refusal to registration and licensing or on registration and licensing, the branch office shall be deemed as registered.

8. The Central Bank shall, within 5 days following the delivery of the decision on registration of a branch or representative office of foreign insurance company, notify the state authorized body for registration of legal entities in view of making the relevant records on the registration of the branch or representative office of the foreign insurance company.

9. The Central Bank may require additional information necessary for the assessment of the accuracy of the information specified in Paragraphs 2 and 4 of this Article.

10. The Central Bank may make exceptions from the documents specified in Paragraphs 2 and 4 of this Article.

Article 48. Grounds for refusal to application for registration

1. The Central Bank shall refuse to register a branch office of foreign insurance company within the territory of the Republic of Armenia, if:

1) the insurance company has submitted false or incomplete documents or the documents submitted contain false or inaccurate data;

2) the calculated amount of insurance premiums (insurance tariffs) and reserves are not sufficient for the fulfillment of obligations arising out of insurance contracts by foreign insurance company;

3) the branch managers of foreign insurance company do not meet the requirements defined by this Law and prudential regulations of the Central Bank;

4) foreign insurance company or the branch office to be established within the Republic of Armenia do not meet the requirements for engaging in insurance activities provided for by this Law and other regulations;

5) the charter of the branch office of foreign insurance company is not in compliance with the law;

6) the provisions of the charter or the activity regulations of the branch office of foreign insurance company are not accurate and clear enough, which may jeopardize the regular operation of foreign insurance company or the interests of the policyholders, insured persons or beneficiaries;

7) the required premises and technical facilities and equipments of the branch office of foreign insurance company are not in line with the requirements set forth by prudential regulations of the Central Bank;

8) the submitted business plan is not in compliance with the requirements set forth by this Law or prudential regulations of the Central Bank;

9) according to the justified opinion of the Central Bank, the business plan is not feasible, or the branch office of foreign insurance company cannot carry out regular insurance activities in case it operates according to the plan;

10) according to the justified opinion of the Central Bank, the activities, financial status, reputation or experience of qualifying shareholders of foreign insurance company or affiliated entities thereof, may jeopardize the interests of the policyholders, insured persons and beneficiaries, or impede the regular operation of the branch office of foreign insurance company, or the appropriate supervision by the Central Bank;

11) according to the justified opinion of the Central Bank, the authority responsible for the supervision of the insurance sector of the country of main operation of Company does not exercise supervision over the activities of insurance companies registered in the given country in accordance with the international standards and in a proper way, or the country concerned does not allow the Central Bank to undertake a proper inspection or supervision of the branch office to be established;

12) in case of the establishment of a branch office in the territory of the Republic of Armenia, the insurance company does not substantiate the need to open a branch or, according to the opinion of the Board of the Central Bank, it plans to circulate illicit proceeds.

2. The Central Bank shall refuse the registration of a representative office of foreign insurance company within the territory of the Republic of Armenia, if:

1) the foreign insurance company has submitted false or incomplete documents or the documents submitted contain false or inaccurate data;

2) the charter of the representative office of foreign insurance company has contradictions with the law;

3) in case of the establishment of a representative office in the territory of the Republic of Armenia, the insurance company does not substantiate the need to open a representative office or, according to the opinion of the Board of the Central Bank, it plans to support the circulation of illicit proceeds.

CHAPTER 9. COMPANY'S ACTIVITY IN FOREIGN COUNTRIES

Article 49. Establishing branch or representative offices outside Armenia

1. Insurance company operating in the Republic of Armenia must seek a prior consent of the Central Bank for establishing a branch or representative office outside Armenia by submitting the documents according to the format and the content provided for by prudential regulations of the Central Bank, as follows:

1) a letter of request for obtaining a prior consent to establish a branch or representative office outside Armenia;

2) the business plan of the branch or representative office to be established outside Armenia;

3) other documents provided for by prudential regulations of the Central Bank.

2. The Central Bank shall deliver a decision on granting a prior consent for the establishment of a branch or representative office of insurance company outside Armenia, provided that the documents and information submitted comply with this Law, other laws and regulations, the information reflected therein is accurate and trustworthy, and there are no grounds provided for by this Law and prudential regulations of the Central Bank for refusal of granting a consent for the establishment of a branch or representative office outside Armenia.

3. The Central Bank shall grant its consent to establish a branch or representative office of insurance company outside Armenia or refuse the letter of request within 30 days upon its presentment to the Central Bank.

4. Insurance company shall, within 10 days after the registration (licensing) of a branch or representative office outside the Republic of Armenia in accordance with the procedure stipulated by the legislation of the given foreign country, register that branch of representative office with the Central Bank by submitting a document certifying their registration (licensing).

5. The Central Bank shall, within 5 days following the registration of a branch or representative office of insurance company established outside Armenia, notify the state authorized body for registration of legal entities in view of making a relevant record on the registration of the branch or representative office of insurance company.

Article 50. Grounds for refusal to authorize establishment of branch and representative offices outside Armenia

1. The Central Bank shall refuse to grant authorization for the establishment of a branch or representative office of insurance company outside Armenia, if:

1) the insurance company has submitted false or incomplete documents or the documents submitted contain false or inaccurate data;

2) according to the justified opinion of the Central Bank, the establishment of a branch or representative office of insurance company may result in the deterioration of the financial situation of Company;

3) according to the justified opinion of the Central Bank, in case of the establishment of a branch or representative office outside Armenia, the authority responsible for the supervision of the insurance sector in the foreign country does not exercise supervision over the activities of insurance companies registered in the given country in accordance with the international standards and in a proper way, or the country concerned does not allow the Central Bank to undertake a proper inspection or supervision of the branch or representative office to be established, the list of which is determined under the normative legal acts of the Central Bank;

4) in case of the establishment of a branch or representative office outside Armenia, insurance company does not substantiate the need to establish a branch or representative office or, according to the opinion of the Board of the Central Bank, it plans to circulate illicit proceeds or support the circulation thereof;

5) the business plan submitted by the branch office or amendments thereto do not comply with the requirements set forth by this Law or prudential regulations of the Central Bank;

6) according to the justified opinion of the Central Bank, the business plan or the amendments thereto are not feasible, or the branch office of insurance company cannot carry out regular insurance activities in case it operates according to that plan;

7) during the one-year period preceding the submission of the documents for a prior consent on establishing a branch or representative office to the Central Bank, the insurance company has violated at least one of the prudential standards, or the establishment of a branch or representative office may lead to a deterioration of the financial situation of Company as provided for by the Central Bank criteria.

CHAPTER 10. REGISTRATION OF AMENDMENTS

Article 51. Registration of amendments

1. Insurance companies, as well as branches and representative offices of foreign insurance companies operating in the Republic of Armenia shall submit the following amendments to the Central Bank for registration purposes within 10 days after they take place:

1) amendments to the charter of insurance company or that of the branch or the representative office of foreign insurance company;

2) replacements in the composition of managers (except for managers of structural subdivisions);

3) other amendments specified by law or regulations of the Central Bank.

2. Within 30 days following the receipt of the documents specified by prudential regulations of the Central Bank submitted for the registration of the aforementioned amendments, the Central Bank shall register the amendments stipulated in Paragraph 1 of this Article or refuse the registration thereof.

3. The Central Bank shall register the amendments, provided that they do not contradict laws and other regulations, and that they have been submitted in accordance with the requirements of prudential regulations of the Central Bank.

4. The procedures and the format of registration of amendments shall be determined by prudential regulations of the Central Bank.

5. The amendments provided for by This Law and prudential regulations of the Central Bank shall enter into force upon being registered by the Central Bank.

6. In case of change in the size of the statutory capital of insurance companies operating in the Republic of Armenia, Companies shall open a cumulative account at the Central Bank or any commercial bank not affiliated with the insurance company operating in Armenia. The funds of the cumulative account shall be frozen by the Central Bank or commercial banks, and Company may not possess, manage or use those funds until the amendments are registered at the Central Bank according to the procedure stipulated by this Article.

Article 52. Revocation of registration

The resolution of the Chairman or the Board of the Central Bank confirming the facts of registration at the Central Bank may be withdrawn by the resolution of the Chairman or the Board of the Central Bank, if insurance company has provided the Central Bank with false or inaccurate data in respect of registering a branch, representative office or the amendments provided for by this Law, or with the purpose of obtaining a certificate of professional adequacy or qualification of the managers of insurance company, or in other cases as provided for by this Law.

CHAPTER 11. OUTSOURCED OPERATIONS

Article 53 Outsourcing agreement

1. Insurance company may outsource any, some part, or all of its operations, defined in Paragraph 2 of this Article, for a certain or unspecified period of time to other legal entities (hereinafter Counterparty) by means of an outsourcing agreement:

2. The following operations of insurance company may be outsourced by means of an outsourcing agreement:

1) services of insurance agency related to insurance intermediation activities;

2) investment management or asset management;
3) assessment of risks arising out of insurance contracts, handling of cases involving damages;
4) maintenance of accounting;
5) assessment of the value of insured objects;
6) functions of actuary;
7) other operations provided for by prudential regulations of the Central Bank.

3. In case of outsourcing operations by means of an outsourcing agreement, insurance company shall bear responsibility before the policyholders and third parties for failure to carry out or improperly carry out its operations outsourced to the Counterparty by means of the outsourcing agreement.

4. An outsourcing agreement shall at least include:
1) the duties and obligations of the Counterparty related to the insurance confidentiality;
2) the unreserved and irrevocable consent of the Counterparty on conducting investigations, exercising supervision, inspections, re-inspections over its activities by the insurance company, its auditors and the Central Bank, and on disclosure of information related thereto;
3) the responsibility of the Counterparty for failure to carry out or improperly carry out its operations;
4) a detailed overview of the due diligence criteria for implementation of operations by the Counterparty;
5) the procedure for the rescission of the contract;
6) the terms and the procedure for exercising supervision over the implementation of the operations outsourced to the Counterparty by insurance company.

Article 54. Preliminary authorization for outsourced operations

1. Insurance company shall obtain a preliminary authorization from the Central Bank for outsourcing its operations by an outsourcing agreement.

2. To obtain an authorization by the Central Bank, insurance company shall provide the Central Bank with the documents in accordance with the format and content required by the Central Bank, as follows:
1) information on the legal status of the Counterparty;
2) the financial statements of the Counterparty for the preceding 3 years and positive opinions of independent auditors thereon, except for the cases when the Counterparty is an auditor;
3) information on operations that are outsourced by an outsourcing agreement;
4) other information specified by the Central Bank.

3. The terms and the procedure for obtaining an authorization for concluding an outsourcing agreement shall be laid down in prudential regulations of the Central Bank.

4. The Central Bank may not authorize to outsource operations, if the outsourcing of one, part or all of the operations specified in Paragraph 2 of Article 53 hereinabove to the given entity may lead to the following:
1) according to the justified opinion of the Central Bank, it may jeopardize the interests of the policyholders, insured persons or beneficiaries;
2) according to the justified opinion of the Central Bank, a proper supervision over the insurance company may become impossible, and/or;
3) the requirements of the outsourcing agreement specified in Paragraph 4 of Article 53 hereinabove are not met.

Article 55. Oversight of outsourced operations

The provisions on carrying out supervision, inspection, examination and general oversight of Company, as provided for by this Law and other regulations, shall apply to the Counterparties as well, to the extent of outsourced operations implemented.

Article 56. Termination of outsourcing agreement

1. If an insurance company detects that the operations of the Counterparty violate or may violate the requirements of this Law, other laws and regulations or the requirements of the outsourcing agreement, the insurance company shall require the Counterparty to immediately remedy the violation. Where the Counterparty fails to remedy the violation within 30 days following the request of the insurance company (unless a shorter period has been set by the insurance company), the insurance company may unanimously rescind the outsourcing agreement.

2. The Central Bank may also require cancellation of an outsourcing agreement as provided for by this Article, if the Counterparty has violated laws or other regulations which may jeopardize interests of the policyholders and beneficiaries. The request of the Central Bank shall be binding for all parties and should be met within reasonable terms and according to the procedure stipulated by the Central Bank.

SECTION 4. REQUIREMENTS AND PRUDENTIAL STANDARDS FOR COMPANIES

CHAPTER 12. GENERAL PROVISIONS

Article 57. Risk management

1. Company shall hold capital relevant to the type, class, subclass and volume of insurance it undertakes, as well as the risks.

2. Company shall operate in such a way so as the risks arising out of all or separate types, classes and subclasses of insurance, as well as the risks associated with the allocation and management of assets do not exceed the limits stipulated in this Law and other regulations.

3. Company shall operate in such a way so as to have, at any point in time, sufficient liquidity for the fulfillment of its current and future liabilities.

4. To meet the risk management requirements as established by this Law or prudential regulations of the Central Bank, the prudential standards and technical reserves of Company shall be calculated according to the procedure stipulated by this Law and prudential regulations of the Central Bank.

CHAPTER 13. MAIN AND OTHER PRUDENTIAL STANDARDS FOR COMPANIES

Article 58. Main prudential standards

1. The Central Bank may set forth the following prudential standards for the operation of Company:
1) standards on minimum statutory capital and total capital;
2) standards on solvency;
3) standards on capital adequacy;
4) standards on liquidity;
5) standards on all and individual assets covering technical reserves of Company;
6) standard on the maximum size of a single insurance risk underwritten;
7) standard on the maximum size of large insurance risks underwritten;
8) maximum size(s) of risk on a single borrower and major borrowers;

9) maximum size(s) of risk on party/parties affiliated with Company.

2. The limitations of the main prudential standards, the calculation procedure, the composition of constituent parts involved in the calculation or reduced therefrom shall be set forth by prudential regulations of the Central Bank. Such prudential standards can be defined by types, classes and subclasses of insurance.

3. The main prudential standards shall be binding and identical for all insurance companies licensed to carry out the same type, class or subclass of insurance and operating in Armenia, except for the main prudential standards on minimum sizes of statutory capital and total capital set forth by point 1 of Paragraph 1 of this Article for newly established Companies and except for other cases provided for by law.

4. The Central Bank may set forth stricter prudential standards for an individual Company if: the overall assessment of financial performance of that Company is below that of estimated by the Central Bank; financial indicators have been deteriorated; or Company operates in high-risk sectors. In this case a stricter legal norm shall enter into force within reasonable terms established by the resolution of the Board of the Central Bank.

5. If the Central Bank sets forth stricter prudential standards, the main prudential standards shall enter into force 6 months after the adoption thereof, unless otherwise provided for by this Law.

Article 59. Total capital

1. Total capital is the sum of the core (primary) capital and additional (secondary) capital.

2. Constituent parts of the core capital are the statutory capital, undistributed profit (loss), and other constituent parts provided for by prudential standards of the Central Bank.

3. Constituent parts of the additional capital are determined by prudential standards of the Central Bank. The Central Bank may restrict the share of additional capital in the composition of the total capital.

4. The prudential standards on minimum size of total capital may be separately defined by prudential regulations of the Central Bank for insurance brokers and agents as legal entities.

Article 60. Minimum size of statutory capital and total capital

1. The Central Bank shall determine the minimum size of statutory capital and total capital of Company as certain amounts. The Central Bank may review the minimum sizes of statutory capital and total capital of Company, but not more than once a year.

2. While reviewing the minimum sizes of statutory capital or total capital, the Central Bank shall also define the period during which Company shall pay in the revised portion of statutory capital or total capital. That period shall not be less than one year.

3. The Central Bank may define another minimum size of total capital as certain amounts for newly established Companies. The Central Bank may review the minimum sizes of total capital for newly established Companies, but not more than once a year.

Article 61. Prudential standards on solvency

1. The prudential standards on solvency of Company shall be as follows:
   1) in case of non-life insurance and reinsurance - marginal ratio of the required solvency margin calculated through the method of insurance premiums in respect of total capital or its

constituent parts;

2) in case of non-life insurance and reinsurance - marginal ratio of the required solvency margin calculated through the method of insurance indemnities in respect of total capital or its constituent parts;

3) in case of life insurance and reinsurance - marginal ratio of the required solvency margin calculated through the method of mathematical reserves in respect of total capital or its constituent parts;

4) in case of life insurance and reinsurance - marginal ratio of the required solvency margin calculated through the method of risk capital in respect of total capital or its constituent parts.

2. Prudential standards specified in Paragraph 1 of this Article as well as different combinations thereof may serve as solvency standards defined for different types, classes and subclasses of insurance.

Article 62. Prudential standards on capital adequacy

The prudential standards on capital adequacy of Company shall be as follows:

1) marginal ratio of total capital to risk weighted assets;

2) marginal ratio of core capital to risk weighted assets;

3) marginal ratio of total capital to the sums of risk weighted assets and required solvency;

4) marginal ratio of core capital to the sums of risk weighted assets and required solvency.

Article 63. Prudential standards on liquidity

The prudential standards on liquidity shall be as follows:

1) marginal ratio of highly liquid assets to liabilities payable (current liquidity);

2) marginal ratio of highly liquid assets to total liabilities, including technical reserves, or marginal ratio of highly liquid assets to technical reserves (total liquidity).

Article 64. Prudential standards on assets covering technical reserves

Prudential standards on assets covering technical reserves shall include:

1) permitted composition and structure of assets covering all or individual types of technical reserves;

2) marginal ratios in respect of all assets, different asset groups, all debtors, individual groups of debtors, assets on a single debtor and all or separate types of technical reserves.

Article 65. Prudential standard on maximum size of single insurance risk underwritten

The prudential standard on maximum size of a single insurance risk underwritten is the marginal ratio of liabilities in respect of insurance risk underwritten to total capital of Company.

Article 66. Prudential standard on maximum size of major insurance risk underwritten

The prudential standard on maximum size of major insurance risks underwritten is the marginal ratio of liabilities in respect of major insurance risks underwritten to total capital of Company.

Article 67. Special prudential standards

1. To make sure the insurance system is sustainable in emergency situations, the Central Bank may determine special prudential standards for up to six months period.

2. The Central Bank shall enforce the special prudential standards in such a period which will enable Companies to bring their operations in compliance with the requirements of the standards determined.

Article 68. Reserves for possible losses of assets

For calculation of prudential standards of insurance companies, the Central Bank jointly with the state body authorized by the Government of the Republic of Armenia may stipulate procedures for classification of assets, formation and utilization of reserves for possible losses of insurance companies.

CHAPTER 14. TECHNICAL RESERVES

Article 69. Technical reserves

1. Company shall undertake to form technical reserves to meet its liabilities arising out of insurance contracts and to cover possible risks.

2. Company shall form technical reserves, as follows:
1) reserve for insurance premiums unearned;
2) reserve for bonuses and premium discounts;
3) claims outstanding, including:

   (a) reserve for claims reported but not settled;
   (b) reserve for claims occurred but not reported;

4) equalization reserve;
5) mathematical reserve;
6) other technical reserves provided for by prudential regulations of the Central Bank.

3. Company may, along with the reserves specified in Paragraph 2 of this Article, also form other reserves if agreed with the Central Bank.

4. The principles, methods, and procedure for calculation of reserves specified in Paragraphs 2 and 3 herewith, as well as the composition of constituents involved in the calculation and reduced therefrom shall be stipulated by prudential regulations of the Central Bank adopted jointly with state body authorized by the Government of the Republic of Armenia. These policies may be formulated with regard to the insurance types, classes and subclasses.

5. Technical reserves shall be mandatory and the procedure for the formation thereof should be identical for all insurance companies holding an activity license of the same insurance type, class or subclass and operating in the Republic of Armenia, except for other cases provided for by law.

6. If the Central Bank establishes a stricter procedure for formation of technical reserves, the new requirements shall enter into force after 90 days upon the adoption thereof, unless otherwise provided for by prudential regulations of the Central Bank.

7. If the Central Bank establishes an eased procedure for formation of technical reserves, the new requirements shall enter into force from the date stipulated by prudential regulations of the Central Bank.

Article 70. Reserve for insurance premiums unearned

The reserve for insurance premiums unearned is the part of insurance premiums, which is intended to cover all the obligations arising out of the insurance contracts in the period following the reporting period.

Article 71. Reserve for bonuses and premium discounts

The reserve for bonuses and premium discounts shall be formed up to the amount which the policyholders are entitled to receive under an insurance contract and which derives from:

1) the right on dividends and other rights (bonus) arising out of profits obtained as a result of asset management to be formed on the basis of premiums paid by the policyholder;
2) the right to a partial reduction in premiums (discounts).

Article 72. Claims outstanding

1. Claims outstanding shall be formed in the amount of the assessed or anticipated obligations of Company arising out of insurance contracts which occurred during the reporting period and which have not been met by the end of the reporting period.

2. Claims outstanding shall include the reserve intended to cover the obligations for claims reported to an insurer by the end of the reporting period but not settled and the reserve for covering the obligations for claims occurred by the end of the reporting period but not reported to an insurer during the reporting period.

Article 73. Equalization reserve

Equalization reserve shall be formed in order to equalize, in the course of time, the considerable fluctuations in frequency and amount of loss of Company.

Article 74. Mathematical reserve

1. Mathematical reserve shall be formed to cover the future obligations of Company arising out of life insurance contracts.

2. Mathematical reserves shall be calculated by means of an actuarial valuation, taking into account all future obligations of Company arising out of individual insurance contracts, including:

1) guaranteed payments to which the policyholder is entitled;
2) bonuses to which the policyholder is entitled either individually or together with other policyholders, irrespective of the forms of those bonuses;
3) other rights from which the policyholder benefits under the insurance contract;
4) mandatory charges, including commissions.

CHAPTER 15. REQUIREMENTS TO REINSURANCE AND COINSURANCE

Article 75. Obligation to reinsure

1. Company must reinsure the portion of insurance risk underwritten which, according to the table of maximum coverage, exceeds the amount of liabilities on insurance contracts undertaken by Company.

2. Company shall use the table of maximum coverage to establish the ceiling of insurance risk undertaken by Company in respect of each class and subclass of insurance.

3. The Central Bank may establish requirements for the calculation of table of maximum coverage of insurance risk undertaken by Company by separate insurance class and for the principles and methods thereof.

Article 76. Annual reinsurance plan

1. Company shall adopt an annual reinsurance plan for each financial year, which shall include:
   1) calculated own shares by individual class of insurance;
   2) a table of maximum coverage;
   3) criteria and procedure for establishing the highest probability of loss occurrence with regard to individual insurance risks underwritten;
   4) other information as provided for by prudential regulations of the Central Bank.

2. In the calculations referred to in point 1 of Paragraph 1 of this Article, Company shall take into account:
   1) the size of its main prudential standards;
   2) the volume of operations with regard to insurance types, classes and subclasses;
   3) received insurance premiums with regard to insurance types, classes and subclasses;
   4) adjustments due to deviations within individual insurance classes and subclasses;
   5) other factors as provided for by prudential regulations of the Central Bank.

3. The content and procedure of presentment of the annual reinsurance plan shall be stipulated by prudential regulations of the Central Bank.

Article 77. Requirements to reinsurers

1. Company shall have the right to reinsure the underwritten insurance risks only with reinsurers not prohibited under the Central Bank criteria and/or with reliable reinsurers.

2. The criteria establishing reliable and not prohibited reinsures shall be laid down in prudential regulations of the Central Bank.

3. The Central Bank may prohibit an insurance company to use the services of reinsurer, as referred to in Paragraph 1 herewith, if it believes that that reinsurer experiences financial hardships or the reinsurance of risks with that reinsurer jeopardizes or may jeopardize the interests of the policyholders, insured persons or beneficiaries.

Article 78. Restrictions to coinsurance

Company must not coinsure the portion of insurance risk which exceeds the amount of liabilities, according to the table of maximum coverage, undertaken by Company in respect of insurance contracts.

CHAPTER 16. OTHER REQUIREMENTS TO THE OPERATIONS OF COMPANIES

Article 79. Operations of Companies

1. Insurance companies, their branch offices operating in the Republic of Armenia shall carry out operations deriving from or directly related to insurance activities, under laws and other regulations, as follows:
   1) invest and manage financial resources of Company in assets and within the limits authorized by this Law and prudential regulations of the Central Bank;
   2) manage assets and liabilities, including those of other parties;
   3) carry out operations using financial derivatives, provided that these are used to cover risks of meeting the obligations arising out of insurance contracts as to the risks relating to

changes in the exchange rate, interest rates and other risks;

4) evaluate insurance risks;

5) acquire and dispose the property and other rights transferred to an insurer as a result of subrogation;

6) identify the circumstances and reasons for insurance events;

7) determine the amount of payments for damages resulted from an insurance event, as well as insurance indemnities and other payments arising out of insurance contracts;

8) determine the value of insurance object;

9) take measures aimed at preventing insurance events, reducing possible damages resulting from insurance events, as well as raising funds for financing those measures;

10) check whether the insured material values are kept adequately, if established under the insurance contract, and require their removal, in case of defects, within a reasonable timeframe;

11) establish and run a customer database.

2. The Central Bank may authorize insurance companies to engage in activities and operations which are not directly provided for by this Law, if these arise from or are directly related to the insurance activities or operations provided for herewith and if such authorization does not contradict the objectives of this Law and does not jeopardize the interests of the policyholders, insured persons or beneficiaries.

3. Insurance companies may conclude any type of civil transaction which is necessary or expedient for engaging in activities authorized by this Law and prudential regulations of the Central Bank. Insurance companies cannot engage in industrial, commercial and banking and non-banking businesses, unless otherwise provided for by this Law and other regulations adopted pursuant thereto.

Article 80. Investment activities

1. Insurance companies can engage in investment activities by purchasing or otherwise acquiring or disposing, on their behalf and at their expense, shares, bonds and other investment securities.

2. Without prior consent of the Central Bank, an insurance company must not engage in such transactions and operations as a result of which the share of the insurance company will:

1) reach 5 percent and more of the statutory capital of another entity;
2) exceed 15 percent of total capital of that insurance company in the statutory capital of one entity;
3) exceed 35 percent of total capital of that insurance company in the statutory capital of all entities.

Prior consent of the Central Bank shall be required for the conclusion of each new transaction or transactions as a result of which the share of the insurance company in the statutory capital of other or of the same entity will exceed 10, 20 or 50 percent.

3. In acquiring a share in the statutory capital of other entities, as provided for by Paragraph 2 herewith, insurance company shall consolidate the balance account of the given entities in its balance account according to the procedure established by prudential regulations of the Central Bank.

4. The Central Bank shall, according to the terms and procedures stipulated by the Armenian Law on the Central Bank, exercise supervision over those entities whose balance account shall be consolidated in balance accounts of an insurance company (consolidated account) in accordance with the procedure stipulated by this Article.

5. The Central Bank shall, in cases provided for by Paragraph 2 herewith, review the application on granting a prior consent for the planned transaction within 30 days and grant the consent if the planned transaction is relevant to the financial standing of insurance company, will promote the development of the activities of the insurance company in the financial market and if it does not

contradict the Central Bank criteria.

6. In case of acquiring a share in financial organizations operating in foreign countries, as provided for by this Article, or establishing a financial organization through acquisition of share, the Central Bank may reject the application for granting a prior consent if the acquisition of such a share in financial organizations operating in foreign countries or the establishment of financial organizations through acquisition of share do not comply with the requirements or conditions provided for by this Law or prudential regulations of the Central Bank or, based on the justified opinion of the Central Bank, a body (bodies) responsible for the supervision over the financial organization in the given country does not (do not) supervise the activities of financial organizations registered in the given country in a proper way or in accordance with international standards or the given country does not allow the Central Bank to inspect or exercise a proper supervision over the activities of the financial organization with such share.

7. Prior consent, as provided for by Paragraph 2 herewith, shall not be required if the share in the statutory capital of other entity has been transferred to insurance company against the commitments undertaken but not fulfilled in respect of the insurance company. Insurance company shall undertake to dispose the share acquired in such a way not later than within 6 months. Considering current situation in the securities market and financial standing of the insurance company, the Central Bank may extend the period for another 6 months in order to dispose the share on more favorable conditions.

If insurance company fails to dispose the mentioned share within the period specified herewith, the Central Bank may oblige that insurance company to recognize a loss within the limits of the value of the share and sell it immediately and, thus, penalize the insurance company for each day of infringement in the amount of 1 percent of the nominal value of the given share.

Article 81. Relations between Company and customers

1. Insurance company or branch office of a foreign insurance company, operating in the Republic of Armenia, prior to entering into an insurance contract, shall:

1) inform the customer on its place of location, telephone number, legal and organizational form and, in case the insurance activities are performed through a branch office, the address and telephone number of the branch office;

2) the address and telephone number of the Supervisory Authority;

3) notify the customer that the insurance company proposes to conclude insurance contracts and refer to the license authorizing to engage in relevant activities;

4) draw up an insurance contract that is relevant to the nature and coverage of risks to be insured by the customer;

5) inform the customer on all essential terms and conditions of the insurance contract;

6) inform the customer on the terms and procedures of paying insurance indemnities in case of insurance event.

2. The relations between insurance company and its customers shall be of a contractual nature.

3. Insurance company shall set forth such rules for engaging in insurance activities so as to ensure equal conditions for policyholders and to rule out conflict of interests, particularly:

1) commitments undertaken by insurance company towards one customer shall not be in conflict with its commitments towards another customer;

2) interests of managers and employees of insurance company shall not contradict the commitments undertaken by insurance company towards its customers.

4. Insurance companies shall be disallowed to offer a customer other insurance services, as a condition to enter into an insurance contract with that customer, to be provided exclusively by it or by a party assigned by it.

5. Insurance company shall, upon the request of its customers, provide all information which may be published, except for the cases provided for by law.

6. Insurance companies shall be held liable for violation of requirements set forth by this Article and for provision of false or misleading information, in accordance with the procedure stipulated by law.

Article 82. Transactions with related entities

1. Transactions to be concluded with entities related with insurance company cannot provide for more favorable conditions (including an opportunity to conclude transactions, tariffs, amount and etc.) for these entities than those envisaged for similar transactions concluded with entities not related with the insurance company. Transactions with entities related with insurance company shall be concluded in line with the internal procedures envisaged for the conclusion of relevant transactions by insurance company. Transactions concluded with entities related with insurance company by violation of this Paragraph shall be considered void.

2. For the purposes of this Law, entities related with insurance company are:
1) managers of insurance company;
2) entities possessing a qualifying holding in the capital of an insurance company;
3) parties affiliated and cooperating with the entities referred to in point 1 and/or 2 of this Paragraph;
4) entities affiliated with insurance company.

Article 83. Prohibiting restriction of free competition

Insurance companies shall be prohibited to conclude transactions which are aimed at or result in the restriction of free economic competition of insurance companies or as a result of which an insurance company, affiliated parties thereof, and parties cooperating therewith acquire a dominant position in the Armenian insurance market or which enable them to predict the market tariffs and conditions of the activities and operations or at least one of the activities or operations referred to in Article 79 of this Law. This restriction shall not extend to an insurance company if that company has the opportunity to predict the market tariffs of the above-mentioned activities or of certain types of operations only for the reason that such activity or operation is carried out solely by the given insurance company.

Article 84. Information and publication thereof

1. Insurance companies operating in the Republic of Armenia shall have an all-time-available website.

2. Insurance companies and their branches operating in the Republic of Armenia shall undertake to place information on their website, as follows:

1) financial statements (at least the latest annual and quarterly reports) and a copy of external audit's report on financial statements. Insurance companies shall publish the financial statements referred to in this point in the press as well;

2) announcement on convening an annual general meeting. Insurance companies shall publish the announcement on convening an annual general meeting in the press as well;

3) copies of the decisions on paying dividends and, if available, copies of acts defining the dividend payment policy of insurance company;

4) information on entities possessing a qualifying holing in insurance company, namely their names, the size of their share in the insurance company (except for entities having an indirect qualifying holding who do not have a share in the statutory capital of insurance company), data on insurance contracts concluded by insurance company with entities having a qualifying holding and entities affiliated therewith during the previous year, including the object of insurance, the

insurance sum and the insurance tariff;

5) the list of members of the board, the executive body and their personal data, i.e. their names, date of birth, biography, size of the total remuneration of members of the board, the executive director and chief accountant received from insurance company during the previous year (including bonuses, fees for certain work done for insurance company, other salary equivalents), data on insurance contracts concluded by insurance company with entities having a qualifying holding and entities affiliated therewith, including the insurance objects, insurance sum and insurance tariffs;

6) In addition to the information provided for in points 1-5 of this Paragraph, the Central Bank may require insurance companies to publish also other information in their website, in the press and mass media, in accordance with the procedure and frequency stipulated by prudential regulations of the Central Bank, except for information constituting commercial, insurance and other secret;

7) Insurance companies shall undertake to publish the amendments to the information provided for in points 1-5 of this Paragraph within 10 business days after the day of the amendments;

8) Insurance companies shall undertake to publish, on a daily basis, updated information on their insurance services with regard to insurance types, classes and subclasses, including terms of insurance and proposed insurance tariffs in their website, in a separate booklet or otherwise accessible to the public (at the headquarter of the insurance company, its branch or representative offices).

3. Insurance companies shall undertake to publish the auditor's opinion and the annual financial report in the press within 120 days after the end of the financial year and their quarterly financial report - by the 15-th of the month following each quarter. Insurance companies shall undertake to publish their financial reports also in a separate booklet or otherwise accessible to the public (at the head-quarter of the insurance company, its branch or representative offices).

4. Insurance company shall, upon the request of any party, provide:

1) copies of the state registration certificate and the charter of insurance company;

2) in case of open subscription for shares, the copies of the prospectus for the issue of shares of insurance company;

3) in case of public offering of issued bonds and other securities of an insurance company, information provided for by acts regulating the securities market and other regulations;

4) information or copies of documents provided for in Paragraph 1 of This Article;

The fee for the provision of information referred to in this Paragraph shall not exceed the actual expenditures made for the preparation and postal delivery thereof.

Insurance company shall post at its headquarters, branch and representative offices, in a visible place, an announcement on the opportunity of obtaining the information referred to in this Paragraph, as well as the procedure, place and time for obtaining the mentioned information.

5. The procedure for publication (provision) of the information referred to in this Article may be stipulated by prudential regulations of the Central Bank.

6. Each shareholder of insurance company shall be entitled to receive from insurance company, free of charge, the copies of the latest annual report of the insurance company and the auditor's opinion.

7. Upon the request of each shareholder/s possessing 2 percent or more of outstanding voting shares of insurance company, the insurance company shall provide him/them, free of charge, the following information, even if it constitutes a commercial, insurance and other secret:

1) information referred to in this Article on the board, the executive director and the chief accountant;

2) the size of the total remuneration of the board members, the executive director and the chief accountant received from insurance company during the previous year (including bonuses, fees for certain work done for the insurance company, other salary equivalents), data on

insurance contracts concluded by the insurance company with entities having a qualifying holding and entities affiliated therewith, including the insurance objects, insurance sum and insurance tariffs, information on shareholders having a qualifying holding in the insurance company, namely their names, the size of their share in the insurance company (except for entities having indirect qualifying holding who do not have a share in the statutory capital of the insurance company), data on insurance contracts concluded by the insurance company with entities having a qualifying holding and entities affiliated therewith, including the insurance objects, insurance sum and insurance tariffs;

3) information on large-scale transactions concluded with insurance company and entities affiliated therewith, as well as on transactions which have been concluded during the two years preceding the request and which are related to the implementation of operations by insurance company, as provided for by this Law;

4) information on commitments undertaken by insurance company towards the entity related with the insurance company;

5) information on the availability of contracts aimed at the establishment of a shareholders' group of the insurance company conducting the same policy, as well as the names of participants of insurance company signatory to those contracts;

6) copies of documents certifying the property right of insurance company towards the property reflected in the balance sheet of the insurance company, copies of internal acts of the insurance company approved by the general meeting and other management bodies, as well as copies of charters of independent subdivisions and entities of the insurance company, financial and statistical reports to be submitted by the insurance company to state authorities, minutes of the general meeting, meetings of the board and the management, reports on inspection carried out by the Central Bank, resolutions of the Central Bank on sanctions imposed to the insurance company and/or managers of the insurance company, reports submitted to the executive director (management) and the board by the head of internal audit;

7) a list of legal entities, in the statutory capital of which the managers of insurance company or entities affiliated therewith have a share of 20 percent and more or an opportunity to influence on their decisions.

All shareholders of insurance company shall be provided with the minutes of the Counting Committee.

The shareholders of insurance company having obtained information shall not transfer it to other entities. Nor shall they use that information for compromising business reputation of the insurance company, violating the legitimate interests and rights of shareholders of the insurance company or its customers or for purposes whatsoever. Otherwise, they shall be held liable under laws and/or the relevant contract.

8. Information to be provided to the shareholders of insurance company on the board members, the executive director and the chief accountant, as well as on the candidates of board members shall include:

1) their names, date of birth;
2) professional and educational background;
3) positions held during the last 10 years;
4) the date of assuming (being elected to assume) the given office, and the date of dismissal;
5) the number of re-nominations to that position;
6) the number of voting shares (stocks, stakes) of insurance company belonging to the board member, the executive director, chief accountant or the candidate for a board member and parties affiliated therewith;
7) information on legal entities where the given entity occupies a managerial position;
8) the nature of interrelations of the insurance company with parties related to the insurance company;
9) other data provided for by the charter or internal regulations of insurance company.

9. Insurance companies shall not use in their advertisements, public offerings or in any other

announcements made in their name such misleading information or statements made by other entities on the given insurance company, which may lead to a misleading assumption on the financial standing of the company, its position in the financial market, reputation, business reputation or legal status thereof.

10. Information published or provided by insurance company in accordance with this Article should be complete and accurate.

Article 85. Reports by Company

1. Company shall prepare, publish and submit annual and quarterly financial and other reports to the Central Bank. Prudential regulations of the Central Bank may provide for other periodicity for reporting.

2. The forms of reports to be submitted to the Central Bank, the terms and procedures for the submission thereof shall be defined by prudential regulations of the Central Bank.

3. Each Company shall, not less than once a year and in accordance with the format, cases, terms and procedures stipulated by prudential regulations of the Central Bank, submit information to the Central Bank, as follows:

1) financial reports of legal entities having a qualifying holding in the statutory capital of insurance company, information on the managers of those legal entities and on entities having a qualifying holding;

2) financial reports of legal entities affiliated with the entities having a qualifying holding in the statutory capital of insurance company, information on the managers of those legal entities and on the entities having a qualifying holding;

3) statements made by entities having a qualifying holding in the statutory capital of insurance company about that no new entity has acquired the status of an entity having an indirect qualifying holding in insurance company through their share. If another entity has acquired an indirect qualifying holding in insurance company, it shall submit to the Central Bank, within 10 days after the entity has acquired an indirect qualifying holding in insurance company, all documents required by the Central Bank on entities having an indirect qualifying holding in the given company. It shall also submit documents to the Central Bank on legal entities (including names, location, financial reports, and information on managers and on entities having a qualifying holding) where an entity having an indirect qualifying holding in insurance company is considered to be an entity having a qualifying holding.

Entities having a qualifying holding in the statutory capital of insurance company shall be responsible for the submission of reports and information set forth in this Paragraph to insurance company.

4. Reports and other information to be submitted to the Central Bank by insurance company should be complete and accurate.

Article 86. Accounting policy in Company

Companies shall maintain their accounting in accordance with the procedure agreed with the Central Bank and the authorized body of the Government of Armenia and in line with the accounting standards of the Republic of Armenia.

SECTION 5. INSURANCE INTERMEDIATION

CHAPTER 17. INSURANCE INTERMEDIATION

Article 87. Insurance intermediation and its types

1. Insurance intermediation shall be performed through the activities of an insurance agent and insurance brokerage.

2. Legal entities having been licensed by the Central Bank as insurance brokers in accordance with the procedure stipulated by this Law and prudential regulations of the Central Bank can engage in insurance brokerage activities.

3. A legal entity, individual entrepreneur, or natural person having been registered as an insurance agent in the register of intermediaries of the Central Bank in accordance with the procedure stipulated by this Law and prudential regulations of the Central Bank can engage in insurance agency activities.

4. Activities of an insurance agent can only be performed by an official responsible for insurance agency activities, as provided for by Article 90 of this Law.

5. Activities of an insurance broker can only be performed by an official responsible for insurance brokerage activities, as provided for by Article 90 of this Law.

Article 88. Insurance intermediaries

1. Insurance intermediaries shall comprise insurance brokers and insurance agents.

2. An insurance broker shall not engage in activities other than insurance brokerage, except for the cases provided for by law. An insurance agent shall not engage in insurance brokerage in the same time.

3. For the purposes of this Law, a party engaged in insurance agency activities shall not be deemed to be an insurance agent if the insurance contract, which has been mediated by that party, meets in the same time all the requirements provided for in this Paragraph:

1) the insurance contract is not a life insurance contract or liability insurance contract;

2) the activity of an insurance agent is not the main business of that party;

3) the amount of annual insurance premiums provided for by the insurance contract does not exceed the sum provided for by prudential regulations of the Central Bank and the total duration of the insurance contract, including any renewals, does not exceed 5 years;

4) the insurance contract is attached to the goods and services to be sold and/or offered by the provider and covers:

a) the risk of loss of, or damage to, the goods to be sold and/or offered;

b) the risk of loss of, or damage to, or other risks related to, the travel service booked with the given provider, even when life insurance or liability risk have been covered, provided that these are ancillary to the main risk related to the travel.

Article 89. Register of insurance intermediaries

1. Insurance or reinsurance companies can only use the services of intermediaries which have entered the Register maintained with the Central Bank or are considered as entities carrying out the activities referred to in Paragraph 3 of Article 88 hereinabove.

2. An insurance broker and insurance agent shall be entered in, and deleted from, the Register by the Central Bank.

3. The Central Bank may delete an insurance agent from the Register without the mediation of insurance company only when the insurance agent violates the requirements of this Law and regulations and policies governing insurance activities. In the event an insurance agent is deleted from the Register, the Central Bank shall notify the concerned insurance companies of this.

4. The list of registered insurance intermediaries and data thereon shall be published on the Central Bank's website.

Article 90. Requirements to officials of insurance intermediaries

1. Officials of an insurance broker shall include the executive director or chairman of the executive board, the members of the executive board, the chief accountant, deputy executive director, as well as a natural person entered in labor or any other civil relations with the insurance broker and carrying out brokerage activities.

2. Officials of an insurance agent shall include a member (members) of the board, and a member of the executive body or of other body equivalent to it, which is responsible for the operations of the insurance agent, as well as a natural person carrying out activities of an insurance agent.

3. An official of an insurance intermediary may be a person who:

1) complies with the qualification and professional adequacy criteria set by the Central Bank;

2) has not quashed or expunged criminal record provided for by law for deliberate crime,

3) has not been deprived, by a court decision, of the right to hold positions in financial, insurance, banking, tax, customs, trade, economic, and legal fields;

4) has not been recognized bankrupt and does not have overdue non-rebated liabilities,

5) has not acted in the past in such a way which, according to the opinion of the Central Bank, gives grounds to doubt that the person concerned cannot, in his capacity as an official responsible for insurance intermediary, duly manage the relevant sphere of the activity of the insurance intermediary or his actions may lead to the bankruptcy of insurance company or deterioration of the financial standing or compromise the professional and business reputation of the company;

6) is not involved in a criminal case as a suspect, accused or defendant.

4. Professional adequacy and qualification criteria for officials of insurance company, as well as professional adequacy tests and qualification procedures shall be defined by the Central Bank.

5. To ensure compensation for damage caused due to professional negligence, insurance intermediary shall enter into a liability insurance contract on conditions, as follows:

1) the insurance event involves direct pecuniary loss caused by insurance intermediary, due to professional negligence, to the policyholder, the insured person or beneficiary;

2) the coverage for both one insurance event and the whole contract shall at least be equal to the minimum threshold set by prudential regulations of the Central Bank;

3) under an insurance contract, an insurance event is the damage caused by insurance intermediary during the period of the insurance contract signed through the mediation of insurance intermediary.

6. An insurance intermediary carrying out the activities referred to in sub-point (c) of point 12 of Article 3 of this Law shall ensure the availability of the minimum statutory capital and total capital, as provided for by prudential regulations of the Central Bank, in case of an insurance broker and an insurance agent as legal entity, or constantly ensure the availability of at least the minimum guarantee amount, as provided for by prudential regulations of the Central Bank, at the account opened with any commercial bank operating in the Republic of Armenia, in case of an insurance agent as natural person.

7. The provisions provided for in Paragraph 5 of this Article shall not apply to insurance agents

whose responsibility of ensuring the compensation for the damage caused due to professional negligence is undertaken by insurance company.

8. Official of an insurance broker cannot simultaneously provide insurance agent services or serve as official of an insurance agent. Official of an insurance agent shall not simultaneously provide insurance broker services or serve as official of an insurance broker.

Article 91. Scopes of insurance intermediation

Insurance intermediary can only engage in insurance intermediation activities with insurance companies which are licensed to engage in insurance activities in the Republic of Armenia; as well as insurance intermediary can engage in insurance intermediation activities, as to reinsurance only, with insurance companies not licensed to engage in insurance activities in the Republic of Armenia.

Article 92. Separate bookkeeping of assets

1. Insurance intermediary shall undertake to keep the insurance premiums, paid by the policyholder to the intermediary and owned by insurance company, on a settlement account of any commercial bank operating in the Republic of Armenia; as well as it shall keep reinsurance premiums paid by insurance company and owned by reinsurer on such an account.

2. Insurance intermediary shall not have the right to use the funds on the bank account specified in Paragraph 1 of this Article for its business but can only dispose them in the form of returning the premiums to the insurance company. The funds provided for herewith shall not form a part of the bankruptcy estate of the intermediary and the claims of creditors shall not be satisfied out of such funds (except for insurance companies to the extent of their insurance premiums).

3. Insurance intermediary shall undertake to transfer to the insurance company or reinsurer the insurance premiums paid to the intermediary by the policyholder against the insurance contract or insurance policy within the terms provided for in the contract or policy, or at longest within 30 days, if the term is not specified.

4. Insurance premiums paid to an insurance agent by the policyholder against the policy or insurance contract shall be deemed to be paid to insurance company, whether or not the insurance agent has forwarded the premiums to the insurance company.

5. If insurance company pays an insurance indemnity through an intermediary, the indemnity shall be deemed to be paid when the policyholder, the insured person or the beneficiary has received the indemnity.

Article 93. Notification of policyholders

Information on requirements for intermediation of insurance contracts provided for in Articles 95 and 102 of this Law shall be forwarded to the policyholder in writing, at least in Armenian language.

CHAPTER 18. INSURANCE BROKERS

Article 94. Use of word combination 'Insurance broker'

1. The firm name of a commercial organization that has been licensed to engage in insurance brokerage activities shall include the word combination *apahovagrakan broker* (insurance broker).

2. The word combination *apahovagrakan broker* (insurance broker), its derivatives, conjugated

forms and translations may be used in the names, advertisements or otherwise only by parties who hold an insurance brokerage license.

3. Insurance brokerage company shall not use such misleading words in its firm name, which may bring to misleading assumptions about the financial standing or legal status of that company.

Article 95. Requirements to intermediation for insurance contracts

1. Prior to the entry into an insurance contract or prior to the amendment of an insurance contract which has been entered into, an insurance broker shall:

1) inform the customer of the address, telephone numbers and website address thereof;

2) inform the customer of the right to carry out the activity specified in Paragraph 12 of Article 3 of this Law and notify that he has entered in the register of insurance brokers;

3) inform the customer of any insurance company, if any, in which the insurance broker has a qualifying holding and of any insurance company or a parent undertaking of insurance company which has a qualifying holding in the capital of the insurance broker;

4) inform the customer of conditions of insurance types, classes and subclasses offered by insurance companies;

5) offer an insurance contract which meets the requirements of the customer and justify the offer;

6) introduce, in writing or verbatim, the customer to all conditions of the insurance contract to be entered into, particularly the size of insurance premiums and the restrictions relating to the contract, and other conditions;

7) introduce, in writing or verbatim, the customer to the principles and conditions of compensation upon the occurrence of the insurance event;

8) inform the customer of the right to demand that the insurance broker discloses the amount of the brokerage fee charged for the mediated insurance contract;

9) verify the content of the insurance policy;

10) if necessary or upon the request of the policyholder, assess the compliance of prudential standards of insurance company with the requirements of this Law;

11) advise the policyholder on issues relating to the insurance contract;

12) meet the requirements provided for by prudential regulations of the Central Bank.

2. For performing an insurance brokerage activity other than reinsurance intermediation, insurance brokers shall not receive direct or indirect financial reimbursement from insurance companies.

Article 96. Reports, publishable information and accounting of insurance brokers

1. Insurance broker shall submit reports on its activities and responsible parties to the Central Bank. The content, form of reports and procedure for submission shall be established by prudential regulations of the Central Bank.

2. Prudential regulations of the Central Bank may establish the content, form and periodicity of information to be published about insurance brokers and officials of insurance brokers.

3. Insurance brokers shall conduct their accounting in accordance with joint regulations of the Central Bank and the authorized state body of the Government of Armenia in accordance with the accounting standards of the Republic of Armenia.

Article 97. Licensing of insurance brokerage activity

1. An insurance brokerage activity license shall only be granted to a commercial organization.

2. To obtain an insurance brokerage activity license, a commercial organization shall, in the manner, content and procedure established by the Central Bank, submit the following documents

and information to the Central Bank:

1) a letter of request;

2) an insurance liability contract of insurance broker, which meets the requirements provided for by Paragraph 5 of Article 90 hereinabove;

3) information about the participants of the commercial organization;

4) the decision of the authorized body of the commercial organization on the appointment of officials of the insurance broker;

5) statement about the activity of officials of the insurance broker, samples of their certified signatures;

6) the regulations of the insurance brokerage company;

7) a statement on the compliance of the premises of insurance broker with the Central Bank criteria;

8) information on parties having a qualifying holding in the capital of insurance broker as well as on their personal data and share of participation;

9) receipt for the payment of state duty;

10) other documents as provided for by prudential regulations of the Central Bank.

Article 98. Decision to license insurance brokerage activity

1. The Central Bank shall make a decision to issue an insurance brokerage activity license if the documents and information delivered comply with the requirements of this Law, other laws and regulations, and if the information contained therein is correct and accurate and there are no grounds for refusal to issue an insurance brokerage activity license, as provided for by this Law and prudential regulations of the Central Bank.

2. The Central Bank shall issue an insurance brokerage activity license or refuse to issue a license within 30 days upon presentment of a letter of request for license. The Central Bank may decide to suspend the mentioned period for not more than 30 days in order to get certain information and data as may be required by the Central Bank. Where the Central Bank takes no decision in such a timeframe about refusal to registration and licensing or about registration and licensing, the license shall be deemed issued and the organization registered.

3. The Central Bank shall undertake to issue a license to insurance broker within 5 days after making a decision on issuing a license.

4. The Central Bank shall, within 5 business days after making a decision on issuing a license to insurance brokerage activity, enter the name of the insurance brokerage company, the location, place of performance of activities, the names of responsible managers and other information, as provided for by prudential regulations of the Central Bank, in the register of insurance intermediaries.

5. Insurance broker shall, within 10 days after issuing an insurance brokerage activity license, submit to the Central Bank a copy of the insurance liability contract in compliance with the requirements laid down in Paragraph 5 of Article 90 hereinabove.

Article 99. Grounds for refusal to licensing of insurance brokerage activity

The Central Bank shall refuse to issue an insurance brokerage activity license, if:

1) commercial organization having submitted a letter of request does not meet the requirements to insurance brokerage activities established by this Law and other regulations;

2) the managers of commercial organization having submitted a letter of request do not meet the requirements established by this Law and prudential regulations of the Central Bank;

3) commercial organization having submitted a letter of request has not delivered the documents

specified by Article 97 hereinabove or delivered false or incomplete documents or the documents contain inaccurate and false data;

4) provisions of the activity regulations of the commercial organization having submitted a letter of request are not accurate and sufficiently precise, as a result of which the interests of the policyholders, the insured persons or beneficiaries may be jeopardized;

5) commercial organization having submitted a letter of request does not have the required premises and technical facilities or equipment in line with the Central Bank standards and criteria.

Article 100. Insurance broker's branch and representative offices in and outside Armenia

Insurance broker can establish branch and representative offices in Armenia and abroad and engage in insurance brokerage activities through branch offices after being authorized by the Central Bank as provided for by prudential regulations of the Central Bank.

CHAPTER 19. INSURANCE AGENTS

Article 101. Use of word combination 'Insurance agent'

1. The word combination *apahovagrakan gorcakal* (insurance agent), its derivatives, conjugated forms and translations may be used in the names, advertisements or otherwise only by parties who hold an insurance agency activity license.

2. Insurance agent shall not use such misleading words in its firm name, which may bring to misleading assumptions about the financial standing or legal status of that insurance agent.

Article 102. Requirements to intermediation for insurance contracts

1. Prior to the entry into an insurance contract or prior to the amendment of an insurance contract which has been entered into, an insurance agent shall:

1) inform the customer of his address and phone number;

2) inform the customer that he acts as an insurance agent and make a reference to the register of insurance agents where he is enlisted, as well as inform of the right of the policyholder to check the entry made in the register;

3) inform the customer of the insurance company/companies that the agent represents the classes of insurance for which the insurance company/companies has/have issued an authorization to carry out insurance intermediation;

4) offer the customer to conclude an insurance contract;

5) introduce the customer to all conditions of the insurance contract, particularly the size of the insurance premiums, the restrictions and other conditions;

6) inform the customer of the terms and procedures for insurance compensation upon the occurrence of an insurance event;

7) meet other requirements as provided for by prudential regulations of the Central Bank.

Article 103. Insurance agent's application for entry in register

1. For entry in the register of insurance agents or amend the information available in the register,

an insurance agent shall submit the following documents and information as provided for by prudential regulations of the Central Bank:

1) for an applicant as legal entity:

(a) an application for entry in the register;

(b) the charter, the amendments thereto or a revised version of the charter;

(c) a list of managers of the applicant, which covers also data about them;

(d) a copy of the contract with insurance company on performing the functions of insurance agent, which shall specify which of the functions described in Paragraph 12 of Article 3 hereinabove are entrusted to the insurance agent, for which classes of insurance, and in case of a function laid down in point c) of Paragraph 12 of Article 3 also the sizes, permitted to the agent by insurance company, of collecting insurance premiums and transferring indemnities;

(e) professional qualification certificates of managers,

(f) documents certifying the availability of the requirements specified in Paragraphs 5-7 of Article 90 hereinabove,

(g) a statement of managers on the absence of grounds set forth by Paragraph 3 of Article 90;

(h) other information as provided for by prudential regulations of the Central Bank.

2) for an applicant as individual entrepreneur:

(a) an application for entry in the register;

(b) information on managers which are in working relations with the entrepreneur–agent;

(c) a copy of the contract with insurance company on performing functions of entrepreneur–agent, which shall specify which of the functions laid down in Paragraph 12 of Article 3 are permitted to the insurance agent, for which classes of insurance, and in case of a function laid down in point c) of Paragraph 12 of Article 3 also the sizes, permitted to the agent by insurance company, of collecting insurance premiums and transferring indemnities;

(d) professional qualification certificates of managers which are in working relations with the entrepreneur–agent;

(e) a statement on the absence of grounds, set forth by Paragraph 3 of Article 90, of the managers which are in working relations with the entrepreneur and the entrepreneur–agent;

(f) documents certifying the availability of requirements provided for Paragraphs 5-7 of Article 90;

(g) other information as provided for by prudential regulations of the Central Bank.

Article 104. Decision on insurance agent's entry in register

1. The Central Bank shall make a decision on entering an insurance agent in the register, if the documents and information submitted are in compliance with this Law, other laws and regulations, the information contained therein is accurate and trustworthy and there are no grounds for refusal, set forth by this Law, for entering an insurance agent in the register.

2. The Central Bank shall make a decision on insurance agent's entry in register or refusal to enter in register within 10 business days after receiving the information and documents specified in Paragraph 1 of Article 103.

3. The Central Bank shall, within 2 business days after a decision on entry in the register, enter the name, registration number, address and the place of operation of insurance agent in the register of insurance agents, as well as the name of the manager responsible for mediation and information on natural parties performing functions of insurance agent.

4. The Central Bank shall undertake to submit the registry certificate to the insurance agent within 3 business days after taking a decision on entering in the register.

Article 105. Grounds for refusal to register insurance agent

The Central Bank shall refuse to enter an insurance agent in the register, if:

1) applicant fails to meet the requirements to insurance agents set forth by this Law and other regulations;

2) managers of the applicant fail to comply with the requirements set forth by this Law and prudential regulations of the Central Bank;

3) applicant has not submitted the documents specified by Article 103 or has submitted false or incomplete documents or the documents submitted contain inaccurate or false data.

Article 106. Deleting insurance agent from register or amendment in records

1. The Central Bank shall delete insurance agent from the register or make amendments to the information on the insurance agent recorded in the register, if:

1) insurance agent has submitted to the Central Bank an application about removal from the register;

2) legal entity–insurance agent has been dissolved or entrepreneur-insurance agent has died;

3) the insurance contract between insurance company and insurance agent has terminated;

4) insurance agent does not have documents proving the availability of requirements provided for in Paragraphs 5-7 of Article 90;

5) the grounds for refusing to enter insurance agent in the register, as provided for by Article 105, have been identified;

6) insurance agent or insurance agent's manager has violated the requirements set forth by Article 102 concerning mediation of insurance contracts;

7) insurance agent has violated this Law and other regulations or the interests and legitimate rights of the policyholders, the insured persons or beneficiaries are not sufficiently guaranteed from the risks arising out of the activities or negligence of insurance agent;

8) insurance agent has not executed the instruction of the Central Bank.

2. In case of identifying the grounds mentioned in Paragraph 1 herewith, insurance company shall notify the Central Bank of them within 2 business days.

3. Upon receiving or identifying the information set forth in Paragraph 1 herewith, the Central Bank shall, within 10 business days, make a decision to delete insurance agent from the register or amend the information on insurance agent.

4. The Central Bank shall, within 3 business days upon a decision on deleting insurance agent from the register, notify the insurance agent thereon.

Article 107. Insurance agent's branch and representative offices in and outside Armenia

Insurance agent can establish branch and representative offices in Armenia and abroad and engage in insurance agency activities through branch offices after being authorized by the Central Bank as provided for by prudential regulations of the Central Bank.

SECTION 6. INSURANCE SECRECY

CHAPTER 20. INSURANCE SECRECY

Article 108. Disclosure of insurance secrets

1. Provision or disclosure of information that constitutes an insurance secret to the insurer, reinsurer, insurance intermediary or any parties or organizations who are engaged in providing legal, accounting, other advisory or representation services or carrying out some specific jobs for

an insurer, reinsurer, insurance intermediary, by the insurer, reinsurer, insurance intermediary, provided that it is necessary for providing such services or carrying out such jobs and that such parties or organizations are obliged to refrain themselves from carrying out activities or inactions prescribed by Article 110 hereunder shall not be regarded as disclosure of insurance secrets.

2. The disclosure of violations of the requirements of laws and other regulations by the insurer, reinsurer, insurance intermediary and/or the head of the intermediary or the disclosure of the decisions on sanctions, for the mentioned violations, imposed by the Central Bank to the insurer, reinsurer, insurance intermediary and/or the head of the intermediary by the Central Bank or the party who has violated the requirements shall not be deemed as an illegal disclosure of insurance secrets. The names of customers of the party who has violated the requirements must not be mentioned when disclosing decisions on imposition of sanctions.

3. For the purpose of this Chapter, third parties shall be all other parties except for the Central Bank, the insurer, the reinsurer, the insurance intermediary and its customer.

Article 109. Prohibiting disclosure of insurance secrets

1. The disclosure of insurance secrets by a party, organization, public authority or official who has been entrusted with such information or who has become informed of it during the course of his service or otherwise made available according to the procedure stipulated by this Law, shall be prohibited.

2. This Article shall not apply to customers of insurance company, only in respect of information relating thereto.

3. Information constituting an insurance secret relating to a certain customer may be disclosed only when that customer authorizes the disclosure thereof in writing or gives verbal authorization at a court. Only information exclusively concerning to the customer may, once authorized by the customer, be disclosed in accordance with Article 117 hereunder.

Article 110. Confidential information

1. The insurer, reinsurer, insurance intermediary shall guarantee the confidentially of information constituting insurance secrets.

2. The insurer, reinsurer, managers of insurance intermediary, employees, former manager or parties acting as employees as well as parties and organizations providing or having formerly provided services to insurance company shall be prohibited to disclose any information constituting insurance secrets that has been entrusted to them or has become known to them in the course of their service or operation; nor all these parties referred to above shall make use of such information for personal or third parties' interests, enable, directly or indirectly, the use of such information by third parties, i.e. permit, not to prevent or enable it through violation of the procedure for maintenance of such information.

3. Insurers, reinsurers, insurance intermediaries shall undertake technical measures and set administrative rulings which are necessary to ensure due maintenance of insurance secrets.

4. The insurer, reinsurer, insurance intermediary may disclose customer-related insurance secrets at the court, provided that it is necessary for protecting the rights and lawful interests thereof, if a dispute has been arisen between the insurer, reinsurer, insurance intermediary and the customer concerned. In such case, the court proceeding, solicited either by the insurer, reinsurer, insurance company or the customer, may be held closed-door.

Article 111. Provision of insurance secret

1. Provision of information constituting an insurance secret shall involve the making of such information available, in writing or verbatim, to state authorities, officials and citizens, according to procedure and grounds provided for by this Law.

2. Parties or organizations, except for the insurer, reinsurer and insurance intermediary, who have been entrusted with or have become aware of information constituting an insurance secret during the course of their service or operation, shall not have the right to provide the mentioned information. The Central Bank shall not have the right to provide state authorities, officials, and citizens or any other party with information constituting an insurance secret of customers of the insurer, reinsurer, insurance intermediary, which has been disclosed to it during the supervision of the insurer, reinsurer and insurance intermediary, except for the cases prescribed by law.

Article 112. provision of insurance secret to criminal prosecution authorities

1. The insurer, reinsurer, insurance intermediary shall provide the criminal prosecution authorities with information constituting insurance secrets only based on a court decision, in accordance with the Code of Criminal Procedures of the Republic of Armenia.

2. The insurer, reinsurer, insurance intermediary shall, within 2 business days upon the receipt of a court decision, undertake to provide the information and documentation indicated and required by the court decision, in a closed and sealed envelope, to the court or the authorized party thereof. The insurer, reinsurer and insurance intermediary shall be prohibited to notify their customers of providing the criminal prosecution authorities with information constituting an insurance secret thereof.

3. Managers of an insurer, reinsurer, insurance intermediary or the employees thereof shall not be interrogated with regard to the information constituting an insurance secret of customer, except for the cases provided for herewith and in cases and according to the procedure stipulated by Articles 113, 114 and 119 of this Law.

Article 113. Provision of insurance secret to court

1. The insurer, reinsurer, insurance intermediary shall disclose and provide information constituting insurance secrets of their customer involved as a party of civil and criminal proceeding exclusively on the basis of a court decision taken in accordance with the Code of Civil Procedure or the Code of Criminal Procedure of the Republic of Armenia.

2. Upon the receipt of a court decision or court judgment, the insurer, reinsurer, insurance intermediary shall undertake to provide, within 2 business days, information and documentation indicated and required by the court decision, judgment or the verdict of the court, in a closed and sealed envelope, to the court or the authorized party thereof. During this period the insurer, reinsurer, insurance intermediary shall take all measures necessary to inform their customer about obtaining the court decision or verdict made in accordance with the Code of Civil Procedure and about the obligation of the Central Bank to provide with information constituting insurance secret.
The insurer, reinsurer, insurance intermediary shall be prohibited to notify their customers of acquiring of court decision or judgment made in accordance with the Code of Criminal Procedure and about the fact of provision of information thereon constituting an insurance secret to court or representative of the court.

Article 114. Provision of information secret to customer's successors

1. The insurer, reinsurer, insurance intermediary shall provide information constituting an insurance secret relating to their customers to heirs/successors thereof if the heirs/successors or

their representatives have submitted the necessary documents verifying their rights over heirdom/succession.

2. Upon receipt of the documents verifying the heirdom/succession rights, the insurer, reinsurer, insurance intermediary shall, within 5 business days, notify the applicants or organizations of the documents lacking by indicating the list of the documents required, and in case of completeness of the documents, they shall, within 10 business days, provide the applicants with complete information and with all relevant documents that the insurer, reinsurer, insurance intermediary possesses in respect to the given customer.

3. Any refusal by the insurer, reinsurer, insurance intermediary to submit the information and documents in the manner prescribed herewith or failure to submit such information and documents in the set timeframe may be appealed at the court. Any losses caused to the applicants or organizations as a result of such refusal or failure shall be subject to compensation in accordance with law if the refusal has been unfounded or the timeframe has been violated due to the fault of the insurer, reinsurer, insurance intermediary.

Article 115. Provision of insurance secret to tax authorities

The insurer, reinsurer, insurance intermediary shall submit information constituting an insurance secrecy relating to their customers to the tax authorities of the Republic of Armenia only based on a court decision issued in accordance with the Code of Civil Procedure or the Code of Criminal Procedure of the Republic of Armenia.

Article 116. Provision of insurance secret within the framework of combating legalization of criminal proceeds and terrorism funding

Where the Central Bank reviews the information, as prescribed by the Armenian Law on Combating Legalization of Criminally Obtained Proceeds and Terrorism Funding, to find out that there has been a case for legalization of illicit proceeds or an attempt of terrorism funding, it shall directly report to the relevant criminal prosecution authority.

Article 117. Communicating insurance secret among insurers, reinsurers, insurance intermediaries and the Central Bank

1. For ensuring safer activity and reduced possibility of fraudulent actions, the insurers, reinsurers, insurance intermediaries may exchange or provide each other with information on their customers, even if it would represent an insurance secret.

2. In executing its oversight, the Central Bank shall be empowered to obtain and review information relating to customers of the insurers, reinsurers, and insurance intermediary, even if it would represent an insurance secret.

3. An information database of customers of the insurers, reinsurers and insurance intermediaries can be established within the Central Bank in accordance with the Central Bank criteria, with participation mandatory to all insurers, reinsurers and insurance intermediaries operating in the Republic of Armenia.

Article 118. Restricted provision of insurance secret

1. As prescribed by Articles 112 - 115 of this Law, the insurer, reinsurer, insurance intermediary shall provide insurance secrets relating to their customers only. Where customer documents kept with the insurers, reinsurers, insurance intermediaries contain names of other parties or organizations, terms and conditions of transactions (operations) and other similar data, such information, for the purposes of this Article, shall be deemed as information on the customer.

2. While providing information on their customer pursuant to this Law, the insurer, reinsurer, insurance intermediary shall have no right to provide any information about the parties and organizations who represent a contractual party of the customer's agreements or other transactions (operations) unless otherwise required by the provisions of this Law.

Article 119. Refusal to provide insurance secret

Insurers, reinsurers, insurance intermediaries shall decline any request made for obtaining information constituting an insurance secret if such a request contradicts the provisions of this Law.

Article 120. Obligation to report crime

1. Managers of insurers, reinsurers, insurance intermediaries shall undertake to report to the Criminal Prosecution Authorities of any imminent grave or particularly grave crimes that are definitely known to them. Moreover, information and documents containing insurance secrets shall be extended to the Criminal Prosecution Authorities in accordance with Articles 112 and 113 of this Law. Employees of insurers, reinsurers, insurance intermediaries shall undertake to report, in writing, to the managers of insurers, reinsurers and insurance intermediaries or at least one of them of any imminent crimes or crimes already committed that are definitely known to them.

2. No provision of this Law shall mean that parties who are found guilty of concealing any crime and criminally obtained proceeds or parties who failed to inform about crimes are relieved from criminal liability under the Criminal Code of the Republic of Armenia.

Article 121. Liability for violation of provisions of this law in providing insurance secret

Parties and organizations who have violated the requirements set forth in Articles 109-113 and 118 of this Law shall be held liable to indemnify the insurer, reinsurer, insurance intermediary for the damage caused to them as a result of violation. Violation provided for by this Article shall result in sanctions as prescribed hereunder.

Article 122. Protected customer interests and confidentiality in insurance intermediation

1. Before entry into a contract, insurance intermediary shall be required to identify the policyholder and the representative thereof as provided for by the Armenian Law on Combating Legalization of Criminally Obtained Proceeds and Terrorism Funding. If the party or the representative thereof has been identified before signing an insurance contract, the intermediary shall decide on the need for additional identification. The intermediary shall have the right to obtain personal data on the policyholder or the representative thereof from the databases of the relevant state agencies.

2. Insurance intermediary, while performing intermediation activities, shall not be authorized to use information about the policyholders, the insured persons or beneficiaries or the representatives thereof without having their consent, except for cases stipulated by law. Upon expiry of contractual relationship with the above parties, processing of their personal data without their consent shall be disallowed except for cases stipulated by law.

3. Managers and employees of insurance intermediaries and parties authorized to act on behalf of insurance intermediaries shall, during and after their employment or performance of their functions, adhere to the confidentiality of all information which has become known to them concerning the policyholders, the insured persons and beneficiaries as well as the business of insurance, reinsurance companies, including information constituting commercial secret, in the manner provided for by this Law and other regulations. Insurance intermediaries shall publish

information concerning the policyholders, the insured persons, beneficiaries or their representatives, which has become known to them in the course of their operation, only in cases provided for by this Law and other regulations.

SECTION 7. TRANSFER OF INSURANCE PORTFOLIO

CHAPTER 21. TRANSFER OF INSURANCE PORTFOLIO

Article 123. Conditions of transfer

1. Companies operating in the Republic of Armenia may transfer an insurance portfolio owned by them (hereinafter Transferor) to another Company operating in the Republic of Armenia (hereinafter Transferee).

2. Insurance portfolio shall be transferred without having the consent of the policyholder.

3. Policyholders wishing not to give consent for the transfer may cancel their contracts receiving the insurance premium for the remaining period of the contract, as provided for by law.

4. Insurance portfolio can be transferred only upon preliminary authorization by the Central Bank, which shall be provided according to the procedure stipulated by this Law and prudential regulations of the Central Bank.

Article 124. Contract for transfer of insurance portfolio

1. For transfer of insurance portfolio, Transferor and Transferee shall enter into a contract which sets forth the rights and obligations of both contracting parties.

2. The contract shall not have provisions that contain or may contain detriment to the rights and interests of the policyholders, the insured persons or beneficiaries, except for cases when Transferor is under receivership.

3. Terms and conditions of the contract shall be approved beforehand by governing boards of Transferor and Transferee. When Transferor is under receivership or liquidation, the contract for transfer shall be signed by the receiver or liquidator or chairman of liquidation committee.

4. The contract for transfer of insurance portfolio shall enter into force as indicated thereon but not earlier than the issuance of permission by the Central Bank to transfer the portfolio.

5. Insurance portfolio shall actually be transferred within the terms specified in the contract for transfer of insurance portfolio, but not later than within 90 days after entry of the contract into force.

6. Transferee shall, within 5 days after the actual transfer of insurance portfolio, submit the act of acceptance, signed and sealed by the representatives of Transferor and Transferee, to the Central Bank.

7. Upon entry of the contract into force Transferee shall become a party to the contracts transferred, thus obtaining the status of an insurer, and shall hold all the obligations of an insurer provided for by law and contract.

Article 125. Authorization for transfer of insurance portfolio

1. To get authorization for the transfer of insurance portfolio, Transferor and Transferee shall submit information and documents to the Central Bank in the form and content provided for by prudential regulations of the Central Bank, as follows:

1) an application to get authorization for the transfer of insurance portfolio;

2) the signed contract for transfer of insurance portfolio;

3) the list of transferred contracts with regard to separate insurance classes or subclasses;

4) types and calculations of reserves established with regard to the portfolio transferred;

5) the calculation of main prudential standards of Transferee and Transferor as provided for by this Law,

6) the amendments to the business plan of Transferee and Transferor determined by the transfer of portfolio;

7) other information as provided for by prudential regulations of the Central Bank.

2. The procedure to get authorization for transfer of insurance portfolio shall be established by prudential regulations of the Central Bank.

Article 126. Accepted or declined application

1. The Central Bank shall accept or decline the application for transfer of insurance portfolio within 60 days after submission of the application.

2. The Central Bank shall decline the application for transfer of insurance portfolio, if:

1) the documents or information specified in Paragraph 1 of Article 125 of this Law fail to meet the requirements provided for by this Law and prudential regulations of the Central Bank, or the documents contain false, incomplete or inaccurate information;

2) the Central Bank believes that the transfer of insurance portfolio contains or may contain detriment to the rights and interests of the policyholders, the insured persons or beneficiaries;

3) the Central Bank believes that the transfer of insurance portfolio may lead to deterioration of the financial standing of Transferor or Transferee;

4) the Central Bank believes that Transferee will not meet the requirements, provided for by this Law and prudential regulations of the Central Bank, in case of transfer of insurance portfolio;

5) the Central Bank believes that the transfer of insurance portfolio may result in the restriction of economic competition.

3. The Central Bank shall, within 5 days after making a decision on accepting or declining application for transfer of insurance portfolio, notify the applicant Company of its decision, as well as it shall place that decision onto the website of the Central Bank.

Article 127. Notifying policyholders of transfer of insurance portfolio

1. Transferee shall, within 5 days after having been authorized by the Central Bank for transfer of insurance portfolio, place a notice to this effect in a national newspaper with minimum 2000 print-run through electronic mass media in its local website.

2. The notice shall contain information about the right of the policyholder to cancel the insurance contract, the terms and conditions, and procedures for exercising that right.

3. The term for exercising the right of the policyholder to cancel an insurance contract shall not be less than 30 days.

SECTION 8. REORGANIZATION AND WINDING UP OF COMPANIES

CHAPTER 22. REORGANIZATION OF COMPANY

Article 128. Reorganization of Company

1. Company may be reorganized by means of merging with or restructuring into another Company.

2. The reorganization of Company shall be carried out according to the procedure provided for by the Civil Code of the Republic of Armenia, this Law, other laws and prudential regulations of the Central Bank.

Article 129. Company merger

1. Company shall merge with an insurance company only.

2. Company licensed to engage in classes of life insurance shall only merge with an insurance company licensed to engage in classes of life insurance, whereas Company licensed to engage in classes of non-life insurance shall only merge with an insurance company licensed to engage in classes of non-life insurance.

Article 130. Merger procedure

1. Where one Company or several others merge with another Company, the merging companies shall enter into a merger agreement after having obtained the prior consent of the Board of the Central Bank.

2. For a prior consent to enter into a merger agreement, insurance company/companies shall, in the manner, terms and procedure defined by the Central Bank, present documents to the Central Bank, as follows:

1) an application to obtain a prior consent for merger;
2) the management's decision on merger;
3) the requisites of the transaction;
4) business plan of surviving company for the forthcoming 3 years;
5) information on the entities where the surviving company and parties affiliated thereto will acquire a participation. The surviving company shall along with the application for prior consent for merger submit, in the manner prescribed by This Law and prudential regulations of the Central Bank, an application and other documents required for obtaining a prior consent on acquisition of participation in other entities, as provided for by law;
6) information on the entities which will acquire a qualifying holding in the surviving company. The surviving company shall along with the application for prior consent for merger submit, in the manner prescribed by this Law and prudential regulations of the Central Bank, an application of the party and the parties affiliated thereto acquiring a qualifying holding and other documents required for obtaining prior consent on acquisition of a qualifying holding in its statutory capital;
7) other documents and information as provided for by prudential regulations of the Central Bank.

3. The Board of the Central Bank shall make a decision, as referred to in Paragraph 1 herewith, on granting or refusing to grant a prior consent within 30 days after the receipt of the requisites of the transaction, the relevant documents and information on the transaction, as specified in Paragraph 2 herewith.

4. The Board of the Central Bank may refuse to approve the merger agreement if:

1) the merger of companies or the documents submitted contradict provisions of laws and

other regulations;

2) the required documents have not been filed in due manner or are incomplete, or contain false, inaccurate or incomplete data;

3) the Central Bank believes that financial standing of the surviving company will be damaged essentially or it will fail to meet the requirements set forth by this Law or other prudential regulations of the Central Bank;

4) the Central Bank believes that the surviving company or the party or the parties affiliated thereto with a qualifying holding in the statutory capital of Company will acquire a dominant position in insurance market;

5) the Central Bank believes that the interests of the policyholders, the insured persons or beneficiaries of any of the parties to the merger contract will be jeopardized;

6) the Central Bank has declined or declines the application for granting a prior consent as referred to in points 5 or 6 of Paragraph 2 herewith.

5. Within 30 days after obtaining the prior consent of the Central Bank, merging companies shall along with the letter of request submit the merger agreement and other documents and information, as required by the Central Bank, to the Board of the Central Bank for approval. The Board of the Central Bank shall approve the merger agreement within 15 days upon its receipt, provided that the agreement complies with the conditions of prior consent.

Article 131. Effect of merger

1. Insurance companies having decided to merge within the terms specified in the contract on merger shall take all the initiatives under the merger agreement, approve the statement on transfer and, together with the charter of the surviving company or the amendments and modifications thereto, in the manner set forth by this Law and prudential regulations of the Central Bank, submit it to the Central Bank for registration.

2. Upon registration of the charter, or the amendments and modifications thereto, of the reorganizing insurance company by the Central Bank, a record shall be made in the register of insurance companies on termination of the activity of the merged insurance company (companies). The surviving company shall be considered as reorganized from the moment of making the record, as referred to hereunder, on termination of the merged insurance company.

3. The reorganized insurance company may engage in all classes of insurance whereby the merged company or companies would be entitled to conclude insurance contracts.

Article 132. Notification of merger

Merging insurance companies shall undertake to give a notice of obtaining a prior consent by the Central Bank in the press and on their websites, in accordance with the procedure stipulated by the Central Bank, within 3 days after having obtained the prior consent.

Article 133. Suspension and termination of merger

1. Merger may be suspended by the Board of the Central Bank, if:

1) restructuring insurance companies fail to meet the requirements of this Law, other laws, prudential regulations of the Central Bank, merger agreement or decision of the Central Bank on granting a prior consent for concluding a merger agreement;

2) restructuring insurance companies undertake such activities or demonstrate inaction during the merging procedure which may damage the rights and interests of the policyholders, the insured persons or beneficiaries.

2. The terms to eliminate the grounds for suspension shall also be established by the resolution of the Central Bank on suspension of merger.

3. The Central Bank shall terminate the merging procedure in case of not eliminating the grounds for suspension within a specified period, as provided for by Paragraph 2 of this Article.

CHAPTER 23. LIQUIDATION OF COMPANY

Article 134. Grounds for liquidation

1. Company shall be liquidated upon:

1) the decision of the general meeting of Company (self-liquidation);

2) operation of license as revoked;

3) recognizing Company as bankrupt.

Article 135. Self-liquidation

1. The general meeting of Company shall have the right to decide on the liquidation thereof, if Company has transferred its insurance portfolio wholly, has fulfilled all commitments arising out of insurance contracts and has sufficient assets to satisfy all claims of other creditors.

2. For decision to apply to the Central Bank for obtaining a prior consent of the general meeting for liquidation of Company, the board shall submit to the general meeting a report on the current financial standing of Company, as well as a statement containing the terms for meeting the requirements of creditors and proving the availability of assets required to satisfy the claims of creditors.

3. Based on the decision to apply to the Central Bank for obtaining a prior consent of the general meeting for liquidation, Company shall apply to the Central Bank for obtaining a prior consent for liquidation and attach the documents and information justifying the liquidation, the list of which shall be defined by prudential regulations of the Central Bank.

4. The Board of the Central Bank shall, within 90 days, review the application for obtaining a prior consent for liquidation of Company and make a decision to approve or decline the application.

5. The Board of the Central Bank may decline the application, if it believes that the liquidation may damage the rights and interests of the policyholders or lead to destabilization of the financial system.

6. Once the prior consent of the Central Bank is obtained, Company shall take measures to completely transfer its insurance portfolio and duly fulfill all its obligations arising out of insurance activity.

7. The general meeting can only make a decision on liquidation after full transfer of insurance portfolio and proper fulfillment of all obligations arising out of insurance activity.

8. Within 3 days after a decision on liquidation, Company shall submit to the Central Bank an application for obtaining an authorization for liquidation and attach to it all documents and information justifying the liquidation, the list of which shall be established by prudential regulations of the Central Bank.

9. The Board of the Central Bank shall review the application for obtaining an authorization for liquidation of Company and make a decision on approving or declining the application within 30 days.

10. The Board of the Central Bank may decline the application for authorization, if there are

outstanding obligations arising out of insurance activity or if Company will not be able to satisfy the claims of other creditors.

11. Together with the decision on granting an authorization for liquidation, the Central Bank shall make a decision on revocation of insurance activity license.

Article 136. Liquidation committee

1. A liquidation committee to Company shall be established within 5 days upon the decision of the Central Bank on granting an authorization for liquidation of Company.

2. Liquidation committee shall be established in order to liquidate Company, transfer Company's property (assets) and satisfy claims of creditors.

3. Liquidation committee shall consist of at least 3 members. Only parties holding relevant qualifications under the Central Bank criteria may serve as chairman and members of liquidation committee.

4. Prior to the establishment of liquidation committee, the authorities of liquidation committee shall be exercised by the executive body of Company unless otherwise provided for by the charter of Company.

5. Upon establishment of liquidation committee, the authorities of management of Company shall be transferred to liquidation committee.

6. Liquidation committee shall, within 5 days after the establishment thereof, place an announcement in a national newspaper with at least 2000 print-run and notify the Central Bank of the liquidation of Company and the terms for filing the claims of the creditors, which shall not be less than 60 days.

7. If liquidation committee has not been established, a liquidation committee to Company shall be established by the decision of the Board of the Central Bank.

Article 137. Procedure for liquidation

1. The management of Company shall, within 3 days after the establishment of liquidation committee, pass over to the liquidation committee the seal, the stamps and the lead sealing, Company letterheads, documents, as well as material and other value of Company.

2. Chairman of liquidation committee shall, within 3 days after the establishment of the committee, apply to the state authorized body with a request to include the words "liquidating insurance company" into the firm name of the liquidating company. The state authorized body shall, within 3 days after the receipt of the application, make a change in the name of the liquidating insurance company by including the words "liquidating insurance company".

3. Within 15 days after making the relevant changes to the firm name of the liquidating insurance company, in accordance with the procedure provided for by Paragraph 2 herewith, the liquidation committee shall change the seal, stamp, lead sealing, letterheads of the company by including the words "liquidating insurance company" therein.

4. Before embarking on satisfying the claims of the creditors, the liquidation committee shall:

1) register and estimate the assets and liabilities of the liquidating insurance company;
2) take measures for identifying all creditors and obtaining the receivables of the insurance of the company;
3) take measures for streamlined realization of the assets of the company;
4) take measures for fulfillment of commitments towards the liquidating company;

5) define the procedure for allocation of the remaining assets among the shareholders after fulfillment of commitments of the insurance company.

5. The liquidation committee shall, within 7 days after the expiry of the term for receiving the claims of creditors, prepare, approve and publish in a national newspaper with at least 2000 print-run the interim liquidation balance sheet, which shall contain information on the following:

1) the assets of the liquidating company;

2) the list of claims presented by creditors, including the total sum of claims reflected in the balance sheet of the company or presented by company, the amount to be paid to each creditor and the sequence of satisfying the claims set forth by this Law as well as a separate list of claims which have been rejected by the company;

3) the results of the examination of the claims presented by creditors;

4) other information as provided for by prudential regulations of the Central Bank.

6. The liquidation committee shall submit to the Central Bank a copy of the newspaper where the interim liquidation balance sheet has been published, on the day of publication thereof. The Central Bank may require the liquidation committee to publish the interim liquidating balance sheet in other national newspapers with at least 2000 print-run.

7. The liquidation committee shall satisfy the claims of creditors in the sequence prescribed by Article 138 of this Law and in accordance with the interim liquidation balance sheet starting from the day of its publication.

Article 138. Sequence of claims

1. Pledge backed obligations shall be satisfied on an ad-hoc basis from the amount obtained from the realization of the item of the given pledge. If the value of the claim exceeds the value of the realization of the item of pledge, a part of claim not secured by pledge shall be satisfied together with other claims in respect of other creditors.

2. The obligations of insurance company shall be fulfilled from the liquidation means in the following order:

- first, the expenditures justified and necessary for fulfilling the obligations of the liquidation committee, as well as the salary of chairman and members of the liquidation committee and salary equivalents, as provided for by this Law;
- second, the claims arising out of life insurance contracts, if insurance company is engaged in life insurance and the claims arising out of non-life insurance contract, if insurance company is engaged in non-life insurance;
- third, claims not included in the first and second orders;
- fourth, the obligations of insurance company in respect of the state budget and community budgets;
- fifth, claims of shareholders of insurance company.

3. The shareholders of insurance company and parties affiliated thereto, whose claims are satisfied in the fifth order, shall be excluded from the creditors referred to in the second order provided for by Paragraph 2 of this Article.

4. The creditors of the same order shall have equal rights for satisfaction of their claims. The claims of each order shall be satisfied after the full satisfaction of the claims of the previous order.

5. In case of refusal by the liquidation committee to satisfy the claims of a creditor or of avoidance to consider them, the creditor shall have the right, before the approval of the liquidation balance sheet, to make a complaint against the actions of the liquidation committee. The complaint specified herewith shall be examined by the court within 3 days. The court decision shall enter into force from the day of its publication and cannot be repealed. Moreover, if the claim of a creditor shall be satisfied within the order in which the liquidation committee is satisfying the claims, the court may suspend the satisfaction of claims by the liquidation committee within the

given order before the court decision is taken.

6. Claims of creditors which were presented after the end of the timeframe established by the liquidation committee shall be satisfied from the property of the legal entity being liquidated that remains after the satisfaction of the claims of creditors which were presented within the set timeframe.

7. If a creditor having submitted a claim and been short-listed by the liquidation committee does not appear to receive its claim before the last day of the deadline for satisfaction of claims within the given order published in a national newspaper with at least 2000 print-run, the assets or other property intended for the creditor shall be transferred to a notary deposit or handed to safe custody according to the procedure established by law.

8. Before embarking on satisfying the claims of each order, the liquidation committee shall notify of the place, procedures and deadlines for satisfying the claims of the given order in a national newspaper with at least 2000 print-run. The main information on the place, procedures and deadlines for satisfying the claims, as well as the changes made thereto shall have a legal force only from the next day of its publication in a national newspaper with at least 2000 print-run.

9. The timeframe for satisfying claims of the second order specified in Paragraph 2 herewith may not be less than 21 days. The term for satisfying the claims cannot be restored on the basis of its omission on any excuse.

10. The claims refused by the liquidation committee, if the creditor did not file a claim to the court, as well as the claims for which the creditor has been refused satisfaction by a court decision, shall be deemed to be forgiven.

Article 139. Oversight of liquidation committee and its reports

1. For the purpose of oversight of liquidation proceedings of insurance company, the Central Bank may conduct inspection in insurance company in liquidation according to the procedure established by the Armenian Law on the Central Bank.

2. The liquidation committee shall undertake to submit reports to the Central Bank in the manner, form, frequency and terms established by prudential regulations of the Central Bank.

3. The liquidation committee shall, at least once a month, publish information on its activities in a national newspaper with at least 2000 print-run, in the manner, order and form as established by the Central Bank.

4. The Central Bank shall have the right to request the liquidation committee to provide any information on its activities.

Article 140. Approval of liquidation balance sheet and termination of activity of liquidation committee

1. Once settlements with creditors is over, the liquidation committee shall prepare a balance sheet and submit it to the Central Bank within 3 days after its approval by the general meeting of the liquidating company.

2. The Central Bank shall, within 10 days, make a decision on the approval of the liquidation balance sheet or refusal thereto specifying the bases of refusal. The Central Bank shall refuse the approval of the balance sheet, if the liquidation committee has violated the requirements set forth by this Law.

3. If the Central Bank does not approve the liquidation balance sheet, the liquidation committee

shall, within 10 days, eliminate the grounds for refusal to approve the liquidation balance sheet and submit a new application on its approval to the Central Bank after the approval of the liquidation balance sheet by the general meeting of the liquidating company. The Central Bank shall examine the application in the order established by Paragraph 2 of this Article.

4. The Central Bank shall, within 3 days after making a decision on the approval of the liquidation balance sheet, make a record on removing the liquidating company from the register of insurance companies, after which the insurance company shall be deemed to be liquidated and its operations terminated. The Central Bank shall notify of this effect the body responsible for state registration of legal entities.

5. The liquidation committee shall, within 3 days after the decision of the Central Bank on approval of the liquidating balance sheet, publish an information, as prescribed by prudential regulations of the Central Bank, on the liquidation of the insurance company, after which the liquidation committee shall be released from its responsibilities relating to the liquidation of the insurance company.

Article 141. Remuneration of staff of liquidation committee

The remuneration of members of liquidation committee shall be made at the cost of the property of the liquidating company.

SECTION 9. SUPERVISION AND RESPONSIBILITY FOR VIOLATIONS OF LEGISLATION

CHAPTER 24. SUPERVISION

Article 142. Exercise of supervision

1. The Central Bank shall have the exclusive right for the supervision over compliance of the supervised entities with requirements of this Law and other regulations governing insurance activities. The Central Bank shall exercise supervision over the parties referred to in this Article according to the procedure established by the Armenian Law on the Central Bank.

2. The Central Bank may provide information, which has become known to it as a result of its supervision over certain insurers, reinsurers, insurance intermediaries, to the state body with an exclusive right for exercising control over insurers, reinsurers, insurance intermediaries of a foreign country, provided that the information is necessary for exercising supervision over a branch office or territorial subdivision, located in the given country, of an insurer, reinsurer, insurance intermediary operating in the Republic of Armenia or for approving the establishment of a branch office or territorial subdivision in the given country, according to the procedures established by the international agreements signed between the Central Bank and the state body with an exclusive right to exercise supervision over insurers, reinsurers, insurance intermediaries of the given country.
The Central Bank may submit the information specified in this Paragraph even if it constitutes an insurance or other secret.

CHAPTER 25. RESPONSIBILITY FOR VIOLATION OF LAWS AND REGULATIONS

Article 143. Violation of laws and regulations

1. The supervised entities as well as managers thereof may be imposed sanctions, if:

1) they have violated the requirements of this Law, other laws, and prudential legal acts adopted pursuant thereto, as well as the requirements of internal regulations of the supervised entities;

2) they have violated the prudential standards, technical reserves;

3) insurance company has carried out an operation which, the Central Bank believes, has damaged or can damage the interests of the policyholders, the insured persons or beneficiaries;

4) they have violated the rules for maintaining accounts, the terms or procedures for submitting financial or other reports, or false, incomplete or inaccurate data has been presented in those documents;

5) the supervised entities has failed to fulfill the tasks assigned by the Central Bank according to the procedure established by this Law;

6) inaccurate, false or incomplete information has been submitted to the Central Bank for registration and/or licensing of the supervised entities or for the registration in the agent's register or for the acquisition of a qualifying holding in the statutory capital of the supervised entities;

7) the overall assessment of performance indicators of insurance company is below the Central Bank criteria.

Article 144. Responsibility of managers and officials

1. The managers or officials of the supervised entities, when fulfilling their obligations, shall undertake to operate based on the interests of the supervised entities, exercise their rights and fulfill their obligations towards the supervised entity in a careful and prudent manner.
If the reports submitted to the board of the supervised entity reveal cases of violations of laws, other prudential regulations and internal policies and procedures of the supervised entity, the board shall take measures for elimination of those violations and further prevention thereof.

2. The managers or officials of the supervised entities shall bear responsibility toward the supervised for the legal damage caused to the supervised entity as a result of their intentional activities (omissions) according to the legislation of the Republic of Armenia. If the damage was caused by more than one manager of the supervised entity or officials thereof, they shall carry a joint liability toward the supervised entity. The managers of the supervised entity or officials thereof, who voted against the decision on the damage caused to the supervised or did not take part in the meeting, shall be released form the responsibility for the damage caused to the supervised. The responsibility of a manager of the supervised entity or officials thereof shall include, but not be limited to, the following possible cases:

1) the executive director of the supervised entity shall be responsible for compensating the actual damages caused to the supervised entity as a result of insurance obligations undertaken by violation of prudential regulations on the maximum volume of one insurance risk, large risk, or other transactions and if a board decision is required by law for entering into such transaction, the members of the board and the executive director shall be responsible therefor;

2) the members of the executive body shall also compensate for the damages caused to the supervised entity as a result of transactions made by violation of internal regulations adopted by the board of the supervised entity;

3) if the reports submitted to the board of the supervised entity reveal violations of laws, other prudential regulations and internal policies and procedures of the supervised entity and in the past the supervised entity has had losses due to the same violations, the members of the board shall be liable for compensating those actual damages, except for cases, when the member of the board has, in his capacity, initiated sufficient and prudent actions for preventing those violations;

4) if the information on violations of laws and other prudential regulations revealed during the examination of the internal audit have not been submitted to the board, and later the supervised entity has had losses due to those violations, the internal auditor shall compensate for those damages.

3. A party shall be released from the liability for the damage caused to the supervised entity, if he has acted *bona fide* to the conviction that his actions arise from the interests of the supervised entity, particularly:

1) if decisions were made on the bases of prudent business logic, even if later they caused such damages to the supervised entity, the emergence of which was definitely taken into consideration as a business risk when taking that decision;

2) if incorrect or incomplete decision-making by the manager or official has been *bona fide* without a deliberate intention to cause damage, and if such decision-making has not violated the requirements of laws or other regulations. The dismissal of a supervised entity's manager or officials thereof shall not release the manager or the officials from liability for the damage caused to the supervised entity by their fault.

4. The supervised entity or participant (participants) of the supervised entity who jointly holds (hold) one percent and more of share in the statutory capital of the supervised entity, may bring a claim, through the court, against the manager of the supervised entity or official thereof, for compensation of damages caused to the supervised entity.

Article 145. Sanctions for violation of laws

1. In cases specified in Article 143 of this Law, the Central Bank may, within 1 year after the detection of the violation, impose sanctions on the supervised entity or manager thereof, as follows:

1) warning and instruction to remedy violations or warning and instruction not to recur to the violation in the future or warning and instruction of taking measures aimed at further prevention of such violation,

2) fine,

3) depriving the manager or official of the supervised entity of the qualification certificate,

4) revocation of an activity license.

2. The imposition of the sanctions specified in this Article shall not release the supervised entity and the managers or officials thereof from the liability set forth by laws and other regulations or contracts.

3. For each violation of laws or other regulations, the Central Bank may simultaneously issue a warning to the supervised entity and/or the manager of the supervised party or official thereof together with an instruction to remedy the violation or a warning together with an instruction not to recur to the violation in the future or a warning together with an instruction to take measures aimed at further prevention of the violation and/or fine the supervised entity or the manager or official thereof, and/or deprive the manager of the supervised entity or official thereof, of the qualification certificate.

4. The Central Bank shall undertake to place the decision on imposition of a sanction (sanctions) provided for by this Article towards the supervised entity, its manager, or officials onto its website.

Article 146. Warning

1. A warning shall be issued as a statement on a committed violation and the supervised entity who has committed violation shall thus be notified of the impermissibility of the violation.

2. A warning shall also imply an instruction to remedy the violation within the terms set forth by the Central Bank and/or an instruction not to recur to the violation in the future and/or an instruction on taking measures aimed at further prevention of the violation. An instruction to remedy, or not to recur to, or take measures aimed at preventing, such violations may also envisage termination and/or alteration of the conditions of certain transactions and/or operations of the supervised entity. The fulfillment of the instruction shall be mandatory for the supervised entity who has received a warning.

3. A warning may be applied as a sanction in case of the presence of any of the grounds provided for by Article 143 of this Law.

Article 147. Fine

1. A fine may be imposed as a sanction in case of the presence of any of the grounds provided for in Article 143 of this Law, if after exercising supervisory measures (meeting, correspondence, explanatory measures) and/or sanctions specified in point 1 of Paragraph 1 of Article 145 for the regulation of the situation of the supervised entity, the violations and/or reasons thereof have not or cannot be remedied and/or there are justified doubts that the supervised entity will recur to the same violation. In such cases the decision on revocation of an activity license must comply with the following conditions:

1) it should state that as a result of exercising supervisory measures and/or sanctions specified in point 1 of Paragraph 1 of Article 145 for the regulation of the situation of the supervised entity, the entity has not taken efficient measures to remedy violations;
2) the imposition of the fine shall be in line with the nature of violation(s) and shall not be based on discriminatory assumptions.

2. The size of fine imposed for each violation on each supervised entity shall not exceed the 2500-fold of the fixed minimum salary.

3. The size of fine shall not lead to a severe financial standing of the supervised entity.

4. The size of fine imposed for each violation on the manager of supervised entity or officials thereof shall not exceed the 1000-fold of the fixed minimum salary. The fine imposed on the manager or official of the supervised entity shall be charged from their personal means.

5. The fine shall be charged by a court decision upon the claim of the Central Bank, should the supervised entity or the manager or official thereof disagree with the fine or its amount. The sum shall be charged to the benefit of the state budget.

Article 148. Depriving managers or officials of supervised entity of qualification certificate

1. The manager or official of the supervised entity may be deprived of a qualification certificate upon the decision of the Central Bank, if they:

1) have deliberately violated the laws or other regulations;

2) have committed an action or permitted an omission which has damaged or can damage the rights or interests of the supervised entity, the policyholders, the insured persons or beneficiaries;

3) have impeded the actions of the Central Bank or its employees in regard to conducting supervision;

4) have undertaken actions, as a result of which the supervised entities have incurred or could incur considerable financial or other loss;

5) have undertaken actions or permitted omissions arising out of personal interests, which contradict the rights or interests of the supervised entities, the policyholders, the insured persons and beneficiaries;

6) have not been fair and careful in respect of their official obligations;

7) do not meet the qualification or professional adequacy standards for managers or officials of the supervised entity, as stipulated by prudential regulations of the Central Bank;

8) have not followed the instruction of the Central Bank issued based on Article 146 of this Law.

2. Upon the entry into force of a decision of the Central Bank on depriving a manager or official of the supervised entity of the qualification certificate, the authorities provided for by this Law, other laws, regulations and internal policies and procedures of the supervised entity shall be repealed.

3. The depriving the manager or official of the supervised entity should: be justified, be in line with the nature of violation(s), and should not be based on discriminatory assumptions.

Article 149. Revocation of license

1. An activity license shall be revoked, if:

1) the requirements of this Law, other laws, prudential regulations adopted pursuant thereto, as well as those of internal regulations of the supervised entity have been deliberately violated;

2) the supervised entity has not been engaged in insurance or insurance intermediation activities during one year after receiving the license;

3) the supervised entity has deliberately not followed the instruction of the Central Bank within the terms specified by the Central Bank pursuant to Paragraph 1 of Article 145;

4) the activities of the supervised entity have terminated;

5) the prudential standards or technical reserves provided for by this Law and prudential regulations of the Central Bank have been violated; a license may be revoked in case of deviations from the size of technical reserves or from prudential standards to the extent established by prudential regulations of the Central Bank;

6) insurance company has carried out an operation which, the Central Bank believes, has damaged or can damage the interests of the policyholders, the insured persons or beneficiaries;

7) rules for maintaining accounts, the terms or procedures for submitting financial or other reports have been violated, or false, incomplete or inaccurate data have been presented in those documents;

8) incomplete or inaccurate data have been presented in financial and other reports;

9) inaccurate, false or incomplete information has been submitted to the Central Bank for registration and/or licensing of the supervised entity or for entering into the register of insurance agents or for acquisition of a qualifying holding in the statutory capital of the supervised entity.

2. The activity license may be revoked on the grounds specified in points 6 or 7 of Paragraph 1 of this Article if after exercising supervisory measures (meeting, correspondence, explanatory measures) and/or sanctions as referred to in Article 145 hereunder for the regulation of the situation of the supervised party, the violations and/or reasons thereof have not or cannot be remedied and/or there are justified doubts that the supervised entity will recur to the same violation. In such cases the decision on revocation of the activity license must comply with the following conditions:

1) it should state that as a result of exercising supervisory measures and/or sanctions as referred to in Article 145 hereunder for the remedy of the situation with the supervised entity, the entity has not taken efficient measures to remedy the violations;

2) the revocation of the activity license shall be in line with the nature of violation(s) and should not be based on discriminatory assumptions.

3. The Central Bank shall operate the license as revoked if it turns out that the supervised entity has submitted false and inaccurate information for obtaining an activity license.

4. An activity license of the supervised entity shall be revoked by the decision of the Board of the Central Bank. An activity license of the supervised entity shall be revoked only in accordance with the procedure stipulated by this Law. Should there be other provisions established by other laws

in respect of revocation of an activity license, the provisions of this Law shall prevail.

5. An activity license of branch offices of foreign insurance companies shall be revoked also in case a foreign insurance company has been deprived of the right to engage in insurance activities in the country of its registration or main activity.

Article 150. Published decision on license revoked and its legal consequence

1. The decision of the Board of the Central Bank on revocation of an activity license on the bases provided for by Article 149 of this Law shall be published immediately. The said decision shall enter into force from the date of its publication, unless another date is specified by the decision.

2. Upon the entry of the decision on revocation of an activity license into force, the supervised entity shall be deprived of the right to engage in insurance or insurance intermediation activities, except for transactions provided for by this Law, which are aimed at fulfilling the obligations undertaken, marketing the assets and their final allocation. The supervised entity shall be liquidated according to the procedure stipulated by law.

3. A copy of the decision of the Central Bank on revocation of an activity license shall be delivered to the supervised entity within 3 days after its adoption. A court appeal of the decision of the Board of the Central Bank on revocation of an activity license shall not suspend the action of that decision during the entire court proceeding.

Article 151. Other violations of this Law

For violation of Articles 4, 94 and 101 of this Law, the Central Bank may notify the party having violated them of the impermissibility of the violation and issue an instruction to remedy the violation within the reasonable terms set forth by the Central Bank. The Central Bank may impose a fine on that party in the amount not exceeding 2000-fold of the minimum salary, in case of non-fulfillment of the instruction of the Central Bank specified herewith.

SECTION 10. OTHER PROVISIONS

Article 152. Prohibiting use of insurance tariff

The Central Bank may prohibit the supervised entity to apply insurance tariffs or any part thereof as established by the latter, if the Central Bank believes that the insurance tariff damages or may damage the rights or interests of the policyholders, the insured persons or beneficiaries, or has damaged the financial standing of the supervised entity.

Article 153. Restrictions on insurance, reinsurance and insurance intermediation activities

For restraining risks relating to insurance, reinsurance and insurance intermediation activities, the Central Bank may stipulate restrictions or a special procedure for performance by the supervised entity of insurance or other functions or a part thereof, and/or certain types of investments.

Article 154. Evidence of occurrence of insurance event

The procedure for recognition of the evidence of occurrence of an insurance event shall be established by an insurance contract or insurance policy.

Article 155. Place of carrying out insurance, reinsurance and insurance intermediation activities

Insurance, reinsurance and insurance brokerage activities shall only be carried out in locations where the party involved in insurance, reinsurance and insurance brokerage activities is established (head-office), or in branch offices thereof.

Article 156. Work regime of insurers, reinsurers and insurance intermediaries

Parties involved in insurance, reinsurance and insurance intermediation activities shall elaborate and submit to the Central Bank a work regime for their activities, according to the procedure stipulated by prudential regulations of the Central Bank. In case of changes in the work regime, parties referred to in this Article shall inform, in advance, the Central Bank accordingly, as provided for by prudential regulations of the Central Bank.

Article 157. Suspension of deadlines established under law

1. Deadlines provided for registration and licensing, granting a prior consent, granting a consent, registration, approval as established by this Law or for adoption of any other regulations pursuant to this Law may be suspended by the Central Bank in order to clarify certain facts required by the Central Bank for the period, however, not exceeding 6 months.

2. Regulations as provided for by law shall be deemed as adopted by the Central Bank, if the Central Bank does not refuse the application, letter of request or any other mediation of the party, within the set timeframe, for the registration and licensing, granting a prior consent, granting a consent, registration, approval or adoption of other regulations adopted pursuant to this Law, or does not notify the party of the suspension of deadlines.

Article 158. Criteria on deteriorated financial standing

Prudential regulations of the Central Bank may establish criteria on deterioration of the financial standing, the overall assessment of performance indicators of Companies, as referred to in this Law.

Article 159. Licensing insurance by new classes

1. To obtain an activity license to insurance by a new class, an operating insurance company shall, in accordance with the procedure and content established by prudential regulations of the Central Bank, submit to the Central Bank the following documents:

1) an application for obtaining an activity license to insurance by a new class;

2) amendments to the business plan of insurance company;

3) report of the certified actuary on the conformity of the total capital and minimum total capital of insurance company to the requirements established by this Law and prudential regulations of the Central Bank;

4) other documents as provided for by prudential regulations of the Central Bank.

2. To carry out insurance by a new class, a branch office of an operating insurance company established in the Republic of Armenia shall, in accordance with the procedure and content established by prudential regulations of the Central Bank, submit to the Central Bank the following documents:

1) an application of insurance company to engage in insurance by a new class;

2) amendments to the business plan of the branch office;

3) report of the certified actuary on the conformity of the total capital and minimum total capital of insurance company to the requirements established by this Law and prudential regulations of the Central Bank;

4) other documents as provided for by prudential regulations of the Central Bank.

3. To obtain an activity license to engage in insurance by a new class, a branch office of a foreign insurance company, operating in the Republic of Armenia shall, in accordance with the procedure

and content established by prudential regulations of the Central Bank, submit to the Central Bank the following documents:

1) an application to obtain an activity license by a new class of insurance;

2) amendments to the business plan of the branch office;

3) the decision or other document of an authorized body exercising supervision over the foreign insurance company addressed to the branch office founded in the Republic of Armenia on permitting or not objecting an engagement in insurance activities by a new class of insurance,

d) other documents as provided for by prudential regulations of the Central Bank.

4. The Central Bank shall authorize an insurance company, its branch office or the branch office operating in the Republic of Armenia to engage in insurance activities by a new class of insurance, if performing such activities will not contradict the requirements set forth by law or prudential regulations of the Central Bank, and if the letter requesting for engagement in insurance activities by a new class of insurance and other documents attached thereto meet the requirements of this Law and prudential regulations of the Central Bank and, in case of engaging in insurance activities by a new class of insurance, the financial standing of the insurance company or the branch office of foreign insurance company, operating in the Republic of Armenia, will not be deteriorated or the rights and interests of the policyholders, the insured persons or beneficiaries will not be damaged. The Central Bank shall grant an authorization to engage in insurance activities by a new class of insurance within 30 days after the receipt of the abovementioned letter.

SECTION 11. TRANSITIONAL PROVISIONS

Article 160. Transitional provisions

1. This Law shall enter into force 4 months after the day of publication thereof.

2. This Law, in terms of the requirements pertaining to actuaries, shall enter into force one year after the day of official publication thereof.

3. Paragraph 1 of Article 27 of this Law shall enter into force effective January 1, 2009. Starting the date of entry of this Law into force until the deadline for the annual payment of state duty for the insurance activity license, but not later than within 6 months, the insurance companies in business, having been licensed under the Armenian Law on Insurance, (June 11, 2004), shall be subject to re-registration and re-licensing, as provided for by this Law.

4. The licenses of insurance companies, which will fail to be re-registered and re-licensed within 6 months after the entry of this Law into force, shall be deemed as operated revoked to the effect of this Law. The insurance companies, the licenses of which are deemed as operated revoked as provided for by this Paragraph, shall be liquidated according to the procedure stipulated by this Law. In such case the authorities of the body responsible for the state registration of legal entities shall be exercised by the Central Bank.

5. Insurance brokers shall, within 6 months upon the entry of this Law into force, be subject to re-licensing and registration, as provided for by this Law, and insurance agents shall be registered with the registry at the Central Bank.

6. The Armenian Law on Insurance, (June 11, 2004), shall be repealed upon entry of this Law into force.

Robert Kocharyan
President of the Republic of Armenia
May 22, 2007