

REPUBLIC OF ARMENIA

LAW

ON INSURANCE AND INSURANCE ACTIVITIES¹

Adopted on April 9, 2007

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 operation; 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.

¹ *Includes changes and amendments according to LA-89-N, 26.05.08; LA-228-N, 26.12.08; LA-144-N, 08.06.09; LA-257-N, 22.12.2010; LA-60-N, 28.02.11; LA-142-N, 19.03.12; LA-23-N, 30.04.13; LA-119-N, 21.06.14; LA-269-N, 17.12.14; LA-136-N, 12.11.15; LA-196-N, 21.12.15; 27.10.16 LA-197-N; LA-24-N 16.12.16; LA-189-N, 25.10.17)*

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 Border”.

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 in terms of the provision of bank and credit guarantees, and commercial organizations in terms of 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 funded pension insurance provided by Companies. Companies can provide voluntary funded pension insurance only based on the scheme of “determined pensions” specified in the law of RA “On Funded pension”.

5. Additional requirements for the entities carrying out insurance or reinsurance activities as a member of a financial group are defined by the Law of the Republic of Armenia "On the Central Bank of the Republic of Armenia".

(Article 1 amended, edited, LA-257-N, 22.12.2010; LA-136-N, 12.11.15)

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 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. Basic Concepts Used in the Law:

In the meaning of this Law:

1) **actuary** means 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** means a lump sum payment or payment in installments, as provided for by the contract, of the sum specified in the contract, made by a policyholder to an insurer, against 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** means a commercial organization licensed to engage in insurance brokerage activities in the Republic of Armenia;

5) **insurance brokerage activities** means 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** means 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 shall have been aware of such intention;

7) **disclosure of insurance secret** means 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** means 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** means 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)** means 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** means 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** means an insurance company or a branch office of a foreign insurance company operating in the Republic of Armenia;
- 15) **policyholder** means 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** means stock, equity, unit;
- 17) **Central Bank** means the Central Bank of the Republic of Armenia;
- 18) **competition, economic competition, dominant position** means competition, economic competition, dominant position as stipulated by the Armenian Law on Protection of Economic Competition;
- 19) **reinsurance company** means an insurance company engaged exclusively in reinsurance activities;
- 20) **reinsurer** means a party licensed to perform reinsurance activities;
- 21) **reinsurance** means 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** means 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** means an insurer, reinsurer, insurance intermediary as legal entity carrying out activities as provided for under an outsourcing agreement (counterparty);
- 24) **technical reserves** means 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** means 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;
- 26) **MTPLI** means compulsory insurance of motor third party liability;
- 27) **Bureau** means Bureau established in accordance with the Law of the Republic of Armenia on “Compulsory Insurance of Liability Pertaining to the Use of Motor Vehicles”;
- 28) **Insurance company of systemic significance** - the Company is considered to be of a systemic significance by the Central Bank if deterioration or insolvency of the company or its bankruptcy or liquidation may have a material adverse impact on the financial system and (or) other sectors of the economy of the Republic of Armenia;

The significant negative impact on the financial system and (or) other sectors of the economy is assessed based on the size of the Company, its relationship with other financial system participants, changeability of the Company's services, its nature, complexity and (or) level of risk. The Central Bank, on the basis of the criteria set out in this clause, shall define the procedure for considering the Company as of a systemic significance.

(Amended according to LA-64-N, 18.05.10; LA-189-N, 25.10.17)

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 “insurance”, “reinsurance”, “insurance broker”, “insurance intermediary” or “insurance” (noun) 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: insurance”, “reinsurance”, “insurance broker”, “insurance intermediary” or “insurance” (noun), and remove the ones from their names within 30 days after revocation or hand-over of the license.

1. 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.
2. 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.
3. 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.
4. An insurance company may become member of the Bureau without prejudice to its right of creating and participating insurance unions.

(Amended according to LA-64-N, 18.05.10)

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-paragraphs (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-paragraphs (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-paragraphs 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-paragraphs 3-7 hereinabove) due to the events which are not mentioned under the class specified in sub-paragraph 8. above, 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-paragraph 6 hereinabove;

13) General liability insurance (all types of liabilities other than those covered by the class of insurance specified in sub-paragraphs 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-paragraphs 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-paragraphs 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 paragraphs 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-paragraph d) of paragraph 1), as well as in paragraphs 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-paragraph d) of paragraph 1), as well as in paragraphs 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-paragraph d) of paragraph 1), as well as in paragraphs 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 paragraphs 8) and 9) of Paragraph 2 hereinabove;
- 6) Liability insurance shall cover the classes of insurance referred to classes of insurance specified in paragraphs 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 paragraphs 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 paragraphs 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 paragraph 1) of Paragraph 3 hereinabove, and insurance not specified in paragraphs 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 voluntary funded pension funds on the basis of the scheme “determined pensions” specified in the law of RA “on Funded pensions” 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.

(Article 7 edited, LA-257-N, 22.12.2010)

SECTION 2

STATUS OF COMPANIES; HOLDINGS IN STATUTORY CAPITAL; AND MANAGEMENT

CHAPTER 2

LEGAL STATUS OF INSURANCE 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 therefore 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 define and/or include:
 - 1) firm name of Company;
 - 2) location of Company;
 - 3) legal and organizational form of Company;

- 4) types and classes of insurance to be carried out by Company;
 - 5) the size of the statutory capital of Company;
 - 6) procedures for the 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 Assembly of Company's stakeholders;
 - 14) procedures for convening and holding distance sessions 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 Assembly of stakeholders by a resolution passed with the 3/4 of the votes.

Article 10. Company Firm Name

1. An insurance company shall have a firm name which shall include the word "insurance", whereas the firm name of reinsurance company shall include the word reinsurance.
2. Provision of Paragraph 1 above 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. Limits on Participation in the 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.
3. The Republic of Armenia may establish an insurance company dealing with exports and (or) become a member of that insurance company. This company shall be entitled to execute export insurance based on a credit insurance class, a warranty provision class, and financial losses class (including the subclasses included in those classes) on the basis of the relevant license provided for by the Law of the Republic of Armenia "On Insurance and Insurance Activities". Total capital of that company shall be at least equal to the total capital set up for a newly established insurance company in the territory of the Republic of Armenia. In the event the total capital of the company during the operation of that company in the territory of the Republic of Armenia, the total capital is reduced, the capital replenishment shall be carried out in the manner prescribed by the legislation of the Republic of Armenia.

(Article 11 added LA-23-N, 30.04.13)

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. A member of the same family shall be deemed the spouse, as well as the following persons living together (cohabitants) or running a common household: parents, grandparents, grandchild of at least 18 years of age, child of at least 18 years of age and his/her spouse, sister or brother of at least 18 years of age and their spouses; and their children of at least 18 years of age, the spouse's parents, the husband's child of at least 18 years of age. Persons shall be deemed to run a common household, if deterioration of one's financial condition results in or may lead to deterioration of the other's financial condition, or if income or other financial means of one of them shall be used or may be used to finance joint expenditures or

expenditures of the other. The Central Bank may establish criteria for running a common household.

(Article 13 added LA-189-N, 25.10.17)

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) amount invested against equity of shareholders of a limited liability insurance company;
- 2) 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. Statutory capital of insurance company shall be paid in the form of monetary contribution, in Armenian Dram.

Article 15. Reduction of Statutory Capital

1. Reduction of actually replenished equity capital of a company during the period of its operation through distribution of dividends or otherwise shall be prohibited, 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 an insurance company, which have the right to demand the buyback of their shares, shall be 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 Assembly, 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-paragraph of Paragraph 2 of this Article.

4. 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:

- 1) in case of buyback of shares, the insurance company will not be able to fully satisfy the claims of its creditors;
- 2) 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 Assembly, 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 information on it in the manner prescribed by the Central Bank normative legal acts on its website and at the official website of the Republic of Armenia Public Notices at <http://www.azdarar.am>.

(Article 15 amended LA-142-N 19.03.12)

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. 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 Assembly 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 Assembly 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 Assembly 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 Assembly 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 Assembly 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.

General Assembly shall be entitled 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 for Acquisition of a Qualified Holding

1. Acquisition of a qualifying holding in the statutory capital of insurance company by a party or affiliated parties requires a prior consent of the Board of the Central Bank.
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. 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 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) 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) party acquiring a qualifying holding has not proved the legitimacy of the proceeds invested for the acquisition of the holding;
- 3) natural person acquiring a qualifying holding has been declared as disabled or partially disabled in the order stipulated by law;
- 4) 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) 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) 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) 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) documents were submitted with violations of the requirements defined by prudential regulations of the Central Bank or the documents or information submitted contains 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 Prior Consent on Acquisition of Qualifying Holding

1. The Board of the Central Bank may terminate the effect of prior consent on 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) General Assembly;
- 2) the Board;
- 3) the executive body, i.e. executive director, and the management of Company, as stipulated by the charter of Company.

2. Managers of the Company are the chairman and members of the Board, the executive director, the head and members of the management, the chairman and members of the management Board, the deputy executive director, the chief accountant and his/her deputy, the head and members of the internal audit, certified actuary, the person responsible for performing risk management functions, the person responsible for the implementation of the

compliance function, the head and chief accountant of the territorial and structural unit (department, division, group or other unit), in the presence of a branch - also the director of the branch, his/her deputy, chief accountant and his/her deputy. Certified actuary serves is the head of the actuarial unit.

3. In cases defined in the criteria set out in the normative legal acts of the Central Bank, the head of the Company may also be deemed the person having any influence on the decision-making of the Management Board of the Company or the decision-making person.

4. Irrespective of its legal and organizational form, Company shall have its management bodies, chief accountant, the head of internal audit, certified actuary, the person responsible for performance of the function of risk management and the person responsible for performance of the function of compliance, 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 the internal audit, certified actuary, the person responsible for performance of the function of risk management and the person responsible for performance of the function of compliance, the Company shall appoint members of the management bodies, chief accountant, head of the internal audit, certified actuary, the person responsible for performance of the function of risk management and the person responsible for performance of the function of compliance within 90 ninety days, in accordance with the procedures stipulated by this Law and prudential regulations of the Central Bank.

5. The Central Bank normative legal acts shall define the least requirements of the internal control system of the Company.

(Article 21 added, amended, edited LA-189-N, 25.10.17)

Article 22. Professional Competence and Qualification of Company Managers

1. The standards for qualification and professional competence 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 competence and qualification thereof shall be established by the Central Bank criteria.

2. The professional competence 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 Company Managers

1. Manager of the company can be any capable person who:

- 1) meets the professional competence 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. 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 Assembly and its Powers

1. General Assembly is the supreme management body of Company.

2. Exclusive authorities of the General Assembly 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 Commission;
- 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 Assembly. The election of Board members may be discussed at an extraordinary session 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 incases stipulated by law;
- 12) approval of the procedure for holding General Assembly;
- 13) establishment of subsidiary and dependent companies;
- 14) participation in subsidiary and dependent companies;
- 15) acting as a founder of a non-governmental organization;
- 16) participation in a non-governmental organization;
- 17) decision-making on other issues stipulated by law.

3. The General Assembly 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 paragraphs 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 Assembly.

(Article 24 amended LA-24-N 16.12.16)

Article 25. Organization of the Activities of General Assembly

1. Decisions of the General Assembly may also be taken by distance voting, except for issues referred to in paragraphs 2, 3 and 7 of Paragraph 2 of Article 24 hereinabove. The annual General Assembly may not be held through voting on absentia (survey).

Distance sessions of Company's General Assembly 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 Assembly may be taken through a session where the participants of the General Assembly 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 Assembly:

- 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 Assembly);
- 6) certified actuary, in the capacity of an observer (if his report is among the issues
- 7) included in the agenda of the General Assembly);
- 8) authorized officers of the Central Bank;
- 9) other parties defined by the charter of Company.

3. The list of shareholders of Company entitled to participate in the General Assembly 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 year, month, and date of compiling the list of company participants, entitled to participate in the General Assembly, shall simultaneously satisfy the following two requirements:

- a) it shall not be preceded by the date on which the decision on convening General Assembly was taken,
- b) period between the date of making the list and the date of convening General Assembly may not exceed 45 days.

5. In case the General Assembly 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 Assembly.

6. Company shall notify the Central Bank of holding a General Assembly of shareholders not later than 15 days prior to convening the session.

7. To make the list of shareholders of Company entitled to participate in the General Assembly, 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 Assembly 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 Assembly shall be provided by types and classes of shares.

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

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 Assembly.

11. Changes to the list of Company's shareholders entitled to participate in the General Assembly 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 25 edited LA-189-N, 25.10.17)

Article 26. The Board and Formation of the Board

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. Members of the Board shall be elected by the shareholders of Company participating at the annual General Assembly, 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 session, in accordance with the procedure established by law and the charter of Company.

4. Nominations for candidates of the Board members of Company may be presented to the General Assembly 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 Assembly, 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 Assembly, 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 Assembly.

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 Assembly 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 Assembly at least 30 days before holding the General Assembly 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 Assembly.

Only minority shareholders participating in the session of the General Assembly 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 Assembly at least 30 days prior to the holding of a General Assembly 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. 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. Terms of office of the Board members shall be defined by the General Assembly 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 sessions of the Board;
 - 3) organize the taking of minutes of Board sessions;
 - 4) chair the General Assembly of Company;
 - 5) organize activities of the Board committees.

Article 29. Powers of the Board

1. Powers 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 Assembly, 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, 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 Assembly;
- 8) submitting recommendations to the General Assembly 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 Assembly;
- 9) provisional approval of the annual financial statements of Company and submission thereof to the General Assembly;
- 10) presentation of the Company's External Auditor to the approval of the General Assembly, determining the amount of payment to the External Auditor of the Company;
- 11) establishment of the rules of business conduct;
- 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 paragraphs 2, 10, 13-16 of Article 24 hereinabove for the discussion of the General Assembly;
- 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 in 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 in a quarter, the Board shall discuss the reports of internal audit group, executive director (management) and chief accountant, and of certified actuary (head of actuarial subdivision), in accordance with the procedures stipulated by the Board.

(Article 29 edited, added LA-189-N, 25.10.17)

Article 30. Sessions of the Board

1. 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, external auditor of Company, Central Bank, as well as shareholder(s) holding 5 percent or more of voting shares of Company.

4. Sessions 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 sessions where all participants of the Board session are able to communicate by phone or other means of communication in the regime of real time. Such sessions shall not

be deemed as distance sessions. Issues referred to in paragraphs 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 sessions of the Board.

5. The quorum at the sessions 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 session, unless otherwise provided for by this Law or more number of votes is envisaged by the charter or the regulation approved at the General Assembly.

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 session, 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 sessions of the Board with the right of consultative vote.

8. Sessions of the Board shall be recorded. Minutes of the session shall be prepared within 10 days after the session. Minutes shall include:

- 1) the 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 voting results according to each Board member present at the session;
- 5) opinions of the Board members and other parties present at the session regarding the issues brought to a vote;
- 6) decisions taken at the session.

9. Minutes of the Board session shall be signed by all members participating at the session, who shall thus carry the responsibility for the accuracy and trustworthiness of the information contained therein.

10. Chairman of the Board shall chair the sessions and sign the decisions made at the session. Chairman of the Board shall carry the responsibility for the accuracy of the information contained therein.

Article 31. Committees of the Board

1. The Board may establish committees for effective organization of its proceedings. Powers and the rules of operation shall be established by the decision of the Board.
2. Committees of the Board may consist of Board members and other managers or employees of Company.
3. Decisions of the committees shall be of consultative nature.

Article 32. Grounds for Early Termination of the Board Member's Powers

1. General Assembly shall decide on early termination of the authorities of a Board member upon the request of the latter or if:
 - 1) 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) Board member, during a year, has not participated in at least 1/4 of the Board sessions for unjustified reasons or in general has not participated in at least more than half of the sessions (including excused and unexcused absences);
 - 4) has been deprived of the right to hold positions in financial, banking, tax, customs, commercial, economic and legal spheres by a valid judgment verdict of the court;
 - 5) Board member died.
2. Powers 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, 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/her duties (non-performance or improper performance).

Article 33. Executive Director, Directorate of the Company

1. Current activities of Company shall be managed by the executive director of Company, and where stipulated by its charter, Directorate of Company. The executive director may have deputies. The executive director (members of Directorate body) of Company shall be appointed by the Board. The deputy directors shall be appointed by the Board upon recommendation of the executive director. Structure of Directorate 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 Directorate shall be clearly separated.
3. Directorate 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. Sessions of Directorate are conducted by the executive director. The sessions of Directorate shall be recorded. The minutes of Directorate 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 Directorate and other parties present at the session about the issues brought to a vote;
 - 6) decisions made at the session.
6. Minutes of Directorate 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 Directorate and sign the decisions of the session. The executive director shall carry the responsibility for the accuracy of the information contained therein.
8. The Company's executive director, as its exclusive competence, represents the Company in the Republic of Armenia and foreign countries, signs contracts on behalf of the Company, acts on behalf of the Company without a power of attorney and provides a power of attorney. The executive director can issue powers of attorney.
9. The executive director or Directorate 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 Assembly and the Board;
- 6) undertake other duties relating to Directorate of the current activities of Company pursuant to its charter and other regulations adopted by the Board.

10. The issues that have not been assigned to the General Assembly, the Board, the internal audit group or certified actuary under the law or the charter shall fall within the competence of the executive director (management).

11. The executive director (Directorate) 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. 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, 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 competence 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 the latter:

- 1) has been recognized as disabled or limited capable by a lawfully enforced decision of the court;
- 2) during the term of office, circumstances which prohibit him from serving as executive director of Company or holding any other position as manager have occurred;
- 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) died.

14. Powers 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. 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 paragraph 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 competence standards established for chief accountants of Company under the Central Bank criteria.
4. Chief accountant shall at least once in a quarter submit 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 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 certified actuary are responsible, shall be signed by both of the officers.

Article 35. Internal Audit

1. 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. Internal audit, in accordance with the regulations approved by the Board:

1) provides independent assessment of Company internal control, including risk management systems, Company management system and process quality, equivalence and effectiveness;

2) *(paragraph repealed LA-189-N, 25.10.17),*

3) makes comments and recommendations on issues proposed by the Board, as well as issues put forward at its 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) description of the content of planned operational audit in individual areas.

6. 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, shall 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. 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. Execution of the obligations mentioned in this part by the internal audit cannot result in any negative consequences or liability for the latter.

10. No supervisory committee shall be established in Company.

Article 36. Certified Actuary

1. Certified actuary of Company shall be appointed by the Board.
2. 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 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
 - 5) Company;
 - 6) 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 certified actuary with information required for fulfilling his obligations.
4. Certified actuary shall submit quarterly reports to the Board.
5. Shall a certified actuary (head of the 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. Execution of the obligations mentioned in this part by the certified actuary cannot result in any negative consequences or liability for the latter.

6. The annual report of Company shall include the report of 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.

(Article 36 supplemented LA-189-N, 25.10.17)

Article 36.1. Person Responsible for the Performance of Risk Management Function

1. Person responsible for the performance of Company risk management function shall:
 - a) identify and assess the risks inherent in the operations of the Company and give a general description of the Company's risk profile;
 - b) evaluate and monitor the identified risks, ensure their effective management;
 - c) present to the Company's approval risk management strategy, acceptable risk limits, and separate risk management policies in accordance with the schedule specified by the Board and report to the executive body on the Company's risk profile and risk management processes;
 - d) carry out other functions related to risk management, defined by the Central Bank regulations.
2. The Central Bank shall define by its normative legal acts the least requirements for the effective implementation of the Company's risk management function.

(Article 36.1 added LA-189-N, 25.10.17)

Article 36.2. Person Responsible for the Performance of the Compliance Function

1. Person responsible for the performance of the Company compliance function shall:
 - a) ensure the compliance of the Company and Company's employees with the requirements of laws and other legal acts, including the internal legal acts of the Company;
 - b) ensure the formation and maintenance of responsible conduct in the Company;
 - c) assess the impact of possible changes in laws and other legal acts on the Company's activities and the possible risks associated with it;
 - η) carry out other functions related to the function of ensuring compliance, defined by the Central Bank regulations.
2. The Central Bank shall define by its normative legal acts the least requirements for the effective implementation of the function of ensuring compliance.

(Article 36.2 added LA-189-N, 25.10.17)

CHAPTER 6

EXTERNAL AUDIT

Article 37. Annual Audit of Financial and Economic Performance

1. 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 at 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 Assembly 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. In the event of a material deterioration of the financial condition of the Company in the opinion of the auditor, as well as identification of failures in internal systems (including the internal control system), the auditor shall be obliged to inform them immediately, but not later than within five working days to the bank. Execution of the obligations mentioned in this part by external audit cannot have any negative consequences or liability for the latter.
7. The Central Bank may impose on the Company a four months period to publish the financial statements of the Company and the conclusion of the auditor on the official website of the Public Procurement Officer of the Republic of Armenia at <http://www.azdarar.am>.
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.

(Article 37 amended LA-142-N, 19.03.12; LA-189-N, 25.10.17)

SECTION 3

COMPANY REGISTRATION AND LICENSING; OUTSOURCED OPERATIONS

CHAPTER 7

LICENSE TO INSURANCE BUSINESS

Article 38. License for Insurance Activity:

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. Validity of the Insurance Activity License

1. Insurance 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 paragraph 14 (credit insurance), paragraph 15 (surety insurance), paragraph 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 paragraph 6 (ships insurance), paragraph 12 (ships liability insurance (also cargo)), and paragraph 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 paragraph 1 (accident insurance) and paragraph 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. Performance of insurance, reinsurance or insurance brokerage activity without the Central Bank license is prohibited.

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) business plan of Company;
- 3) charter of Company, in 6 copies, approved by the General Assembly of the founders of Company.

3.1 Relations pertaining to the application for the registration of the firm name of the Company, provisions, list of documents attached thereto, as well as relations pertaining to reviewing the application, the firm name and changes thereof shall be regulated by the procedure established jointly by the Central Bank and the Republic of Armenia Government authorized body.

- 4) 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 General Assembly 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) copies of qualification certificates of managers and certified actuaries (if they exist);
- 8) 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;
- 10) 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 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 40 amended according to LA-144-N, 08.06.09; LA-142-N, 19.03.12)

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 Rejection of the 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) 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) Charter of Company has contradictions with law;
- 6) 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 equipment 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) 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) 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) 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 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. A 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. 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. 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) decision of the Board of Company or an extract from the minutes on
 - 2) establishing a branch office;
 - 3) a letter of request of Company;

- 4) charter of the branch office;
- 5) a statement on the activities of the managers of the branch office to be established
- 6) according to the procedure provided for by the Central Bank;
- 7) business plan of the branch office to be established according to the procedure provided for by the Central Bank;
- 8) 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;
- 9) 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) decision of an authorized management body of Company on establishing a representative office within the Republic of Armenia;
- 3) 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 reject 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;
- 3) Premises of the branch office of Company or its technical facilities and equipment do not meet the Central Bank criteria;

- 4) professional competence or qualification of the branch managers of Company does not meet the criteria set forth by prudential regulations of the Central Bank;
- 5) during 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;
- 6) business plan or the amendments thereto do not comply with the requirements stipulated by this Law or prudential regulations of the Central Bank;
- 7) according to the reasoned 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;
- 8) at the moment of submitting the branch registration documents to the Central Bank, the summary assessment indicators of the Company's performance are lower than the size established by 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) at the time of submitting the representative registration documents to the Central Bank, the summary of the Company's performance indicators is lower than the size established by the Central Bank.

10. 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 a Branch and Representative Office of a Foreign Company in the Republic of Armenia

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) 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) business plan of the branch office;
- 9) 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 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. 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. 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. 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. 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. 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. Central Bank may make exceptions from the documents specified in Paragraphs 2 and 4 of this Article.

Article 48. Grounds for Rejection of 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) 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) 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) 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 equipment 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. Central Bank shall reject the registration of a representative office of foreign insurance company within the territory of the Republic of Armenia, if:

- 1) 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. Creating a Branch and Representative Office Outside the Republic of 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) 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. 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. 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 or representative office with the Central Bank by submitting a document certifying their registration (licensing).

5. 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 Office 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. 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. 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.

7. Within 5 working days after making changes in the firm name of the insurance company, the Central Bank shall advise thereof the state body authorized for registration of legal persons in order to make the respective entry on the change in the firma name of the insurance company.

(Article 51 amended according to LA-144-N, 08.06.09)

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 competence 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
- 4) involving damages;
- 5) maintenance of accounting;
- 6) assessment of the value of insured objects;
- 7) functions of actuary;
- 8) 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.

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

2. 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

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 eliminate the violation. Where the Counterparty fails to eliminate 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 shall 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;
- 10) standard on foreign exchange management.

2. Thresholds of the main prudential standards, the order of calculation, the composition and thresholds of the elements involved in calculation and deducted from the calculation shall be determined by the Central Bank regulations. Such prudential standards can be defined by forms, 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 paragraph 1 of Paragraph 1 of this Article for newly established Companies and except for other cases provided for by this law or other laws.

4. Central Bank may set more strict core prudential standards for a separate Company if the summary of the Company's performance indicators is lower than the minimum estimate of the indicators of the Central Bank, financial indicators of the Company deteriorated, Company operates in the high-risk sectors or he Company is considered to be of a systemic significance.

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. In case the Central Bank sets stricter prudential standards, the main prudential standards shall enter into force in six months after the adoption, unless the law provides otherwise.

(Article 58 amended according to LA-189-N, 25.10.17)

Article 59. Total Capital

1. *(paragraph repealed LA-189-N, 25.10.17)*
2. *(paragraph repealed LA-189-N, 25.10.17)*
3. *(paragraph repealed LA-189-N, 25.10.17)*
4. 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. *(Article repealed LA-189-N, 25.10.17)*

Article 62. Prudential Standards on Capital Adequacy

(Article repealed LA-189-N, 25.10.17)

Article 63. Prudential Standards on Liquidity

(Article repealed LA-189-N, 25.10.17)

Article 64. Prudential Standards on Assets Covering Technical Reserves

(Article repealed LA-189-N, 25.10.17)

Article 65. Prudential Standard on Maximum Size of Single Insurance Risk Underwritten

(Article repealed LA-189-N, 25.10.17)

Article 66. Prudential Standard on Maximum Size of Major Insurance Risk Underwritten

(Article repealed LA-189-N, 25.10.17)

Article 67. Special Prudential Standards

1. In order to ensure that insurance system is sustainable in emergency situations, Central Bank may determine special prudential standards for up to six months period.
2. The Central Bank shall introduce special prudential standards within a deadline that will allow companies to adjust their activities to the requirements of the established standards.

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. Central Bank may define the following technical reserves:
 - 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. In addition to the technical reserves established by the Central Bank, the Company may also establish other reserves with the consent of the Central Bank.

4. Principles, methods, and procedure for calculation of technical reserves and composition of constituents involved in the calculation and reduced therefrom shall be defined by the normative legal acts adopted jointly by the Central Bank and the public administration body authorized by the Government of the Republic of Armenia. These policies may be formulated with regard to the insurance forms, types, classes and subclasses.

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

6. If 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 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 69 amended LA-189-N, 25.10.17)

Article 70. Reserve for insurance premiums unearned

(Article repealed LA-189-N, 25.10.17)

Article 71. Reserve for bonuses and premium discounts

(Article repealed LA-189-N, 25.10.17)

Article 72. Claims outstanding

(Article repealed LA-189-N, 25.10.17)

Article 73. Equalization reserve

(Article repealed LA-189-N, 25.10.17)

Article 74. Mathematical reserve

(Article repealed LA-189-N, 25.10.17)

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 paragraph 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 reinsurers 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 session 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 79 amended LA-189-N 25.10.17)

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.

5.1 Central Bank may demand from the Company not later than within six months to alienate its participation in the statutory capital of another person in the manner prescribed by this Article, if the Central Bank believes that such participation may cause unreasonable risks for the Company and/or compromise interests of policyholders, insured person or beneficiaries' and/or impede effective control over the Company. The Central Bank, taking into account the situation in the securities market, as well as the financial condition of the given company, may extend the terms set out in this part for another six months for the purpose of alienation of the mentioned shares at more favorable terms.

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 in paragraph 5.1 of this Article, 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 up to 1 percent of the nominal value of the given share.

(Article 80 edited 27.10.16 LA-197-N; added, amended LA-189-N, 25.10.17)

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;
- 7) carry out other duties provided for by the Law of the Republic of Armenia on “Compulsory Insurance of Liability Pertaining to the Use of Motor Vehicles”.

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.

5.1. An individual customer shall have the right to unilaterally terminate the insurance contract within 7 business days after its conclusion (hereinafter, period of consideration) without any substantiation. In that case, the insurance contract shall be deemed to be terminated on the day following the date of notification of the insurance company about termination of the insurance contract by the natural person customer and the insurance company shall pay the natural person customer in proportion to the insurance premiums for the remaining term of the contract. No other payment related to the insurance contract may be required from the customer, except for the actual costs incurred in connection with the insurance contract, whose limitations may be set out by the Central Bank regulations. In addition, the customer must return to the insurance company the original of the certificate as well as other documents provided by the insurance company under the contract.

Period of consideration shall not be applied in the following cases:

- 1) the term of the insurance contract shall not exceed one month and (or) the insurance provided by the contract shall be valid for up to one month period;
- 2) in case of compulsory insurance;
- 3) within 7 working days following the signing of the insurance contract, a natural person has applied for insurance indemnity.

The failure of the unilateral termination of the insurance contract over the period of consideration does not exclude the right of a natural person to unilaterally terminate the insurance contract in cases and in the manner prescribed by law.

A natural person customer shall not be entitled to claim insurance indemnity for the occurrence of an insurance event occurring over time, provided that the following conditions are present simultaneously:

- a) he/she did not inform the insurance company about the insurance event during the period of consideration;
- b) if the natural person has notified the insurance company about termination of the contract before the end of the period of the consideration.

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 81 amended according to LA-64-N, 18.05.10; LA-196-N, 21.12.15)

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 paragraph 1 and/or 2 of this Paragraph;
- 4) entities affiliated with insurance company.

Article 83. Prohibition of Free Competition Restrictions

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 its Publication

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 paragraph in the press as well;
 - 2) announcement on convening an annual General Assembly. Insurance companies shall publish the announcement on convening an annual General Assembly 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 holding 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 paragraphs 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 paragraphs 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 the case of public offering of bonds and other securities issued by the Company, as well as derivative financial instruments regulated by the Central Bank regulations, the information defined by the laws governing the securities market and other legal acts;
- 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. 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 Assembly 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 Assembly, sessions 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 affiliated entities 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 shall be complete and accurate.

11. Other requirements for information subject to disclosure and rules of information disclosure by companies shall be defined by the Central Bank of the Republic of Armenia.

(Article 84 supplemented LA-196-N 21.12.15; edited LA-197-N, 27.10.16)

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. 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 shall be complete and accurate.

Article 86. Accounting Policy in Company

Companies shall compile and submit their financial reports in accordance with the law of the RA “on Accounting”.

(Article 86 amended, LA-228-N, 26.12.2008)

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. Only a 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.

(Amended according to LA-64-N, 18.05.10)

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) 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) 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.

4. In order to protect the interests of consumers, as well as to prevent insurance fraud, the Central Bank may establish regulatory legal acts by signing, changing insurance intermediaries insurance contracts, the contract servicing process, as well as in terms of the activities of insurance intermediaries, business conduct rules and internal control systems.

(Article 88 supplemented LA-189-N 25.10.17)

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. 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 within 3 working days.

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

Article 90. Requirements to Officers of Insurance Intermediaries

1. Officers 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. Officers 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 competence 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 competence and qualification criteria for officers of insurance company, as well as professional competence 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-paragraph (c) of paragraph 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 “insurance broker”.

2. The word combination 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, 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 officers of insurance brokers.

3. Insurance brokers shall compile and submit their financial reports in accordance with the law of RA “on Accounting”.

(Article 96 amended, LA-228-N, 26.12.2008)

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 officers of the insurance broker;
 - 5) statement about the activity of officers 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. 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. 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. Central Bank shall undertake to issue a license to insurance broker within 5 days after making a decision on issuing a license.

4. 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

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 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 paragraph 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 paragraph 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. 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. 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. 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. 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 the Bureau 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, the Bureau 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 Bureau 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, or the Bureau 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.
 - 2.1 Placing by the Bureau of information envisaged under the Law of the Republic of Armenia on “Compulsory Insurance of Liability Pertaining to the Use of Motor Vehicles” onto its web site shall not be deemed as illegal disclosure of insurance secret.
3. For the purpose of this Chapter, third parties shall be all other parties except for the Central Bank, the insurer, the reinsurer, the credit bureau, the insurance intermediary and its customer as well as the Bureau.

(Article 108 amended according to LA-193-N, 22.10.08; LA-64-N, 18.05.10)

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. Insurer, reinsurer, insurance intermediary and the Bureau shall guarantee the confidentiality of information constituting insurance secrets.
2. Insurer, reinsurer, managers of insurance intermediary and the Bureau, employees, former manager or parties acting as employees as well as parties and organizations providing or having formerly provided services to insurer, reinsurer, insurance intermediary and the Bureau 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 and the Bureau shall undertake technical measures and set administrative rulings which are necessary to ensure due maintenance of insurance secrets.
4. Insurer, reinsurer, insurance intermediary and the Bureau 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, the Bureau 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.

(Amended according to LA-64-N, 18.05.10)

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, officers and citizens, according to procedure and grounds provided for by this Law.
2. Parties or organizations, except for the insurer, reinsurer and insurance intermediary and the Bureau, 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, officers, and citizens or any other party with information constituting an insurance secret of customers of the insurer, reinsurer, insurance intermediary, (and customers of the Bureau members), which has been disclosed to it during the supervision of the insurer, reinsurer and insurance intermediary and the Bureau, except for the cases prescribed by law.
3. Information provided by the Law of the Republic of Armenia "On Combating Money Laundering and the Financing of Terrorism" shall be provided to the authorized body defined by this Law in the event that there is a suspicion of money laundering or terrorist financing or at the request of the authorized body in cases and in the manner established by this Law.

(Amended according to LA-64-N, 18.05.10, LA-119-N, 21.06.14)

Article 112. Provision of Insurance Secret to Criminal Prosecution Authorities

1. Insurer, reinsurer, insurance intermediary and the Bureau 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. Insurer, reinsurer, insurance intermediary and the Bureau 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 envelope and signed in the closing part by the head of the executive body or person substituting him/her, to the court or the authorized party thereof. The insurer, reinsurer and insurance intermediary and the Bureau shall be prohibited to notify their customers (in case of the Bureau, customers of its members) of providing the criminal prosecution authorities with information constituting an insurance secret thereof.
3. Managers of an insurer, reinsurer, insurance intermediary and the Bureau 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.

(Amended according to LA-64-N, 18.05.10; LA-69-N, 19.03.12)

Article 113. Provision of Insurance Secret to Court

1. The insurer, reinsurer, insurance intermediary shall disclose and provide information constituting insurance secrets of their customers, (in case of the Bureau, customers of its members), 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 and the Bureau 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 envelope and signed in the closing part by the head of the executive body or person substituting him/her, to the court or the authorized party thereof. During this period the insurer, reinsurer, insurance intermediary shall take all measures necessary to inform their customers, (in case of the Bureau, customers of its members), 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.

(Amended according to LA-64-N, 18.05.10, *LA-69-N, 19.03.12*)

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 (in case of the Bureau, customers of its members), to heirs/successors thereof if the heirs/successors or their representatives have submitted the necessary documents verifying their rights over succession.
2. Upon receipt of the documents verifying the succession rights, the insurer, reinsurer, insurance intermediary or the Bureau 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 and insurance intermediary or the Bureau 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 and insurance intermediary.

(Amended according to LA-64-N, 18.05.10)

Article 115. Provision of Insurance Secret to Tax Authorities

The insurer, reinsurer, insurance intermediary and the Bureau 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.

(Amended according to LA-64-N, 18.05.10)

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

(Article repealed LA-189-N, 21.06.14)

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

(Title amended LA-189-N, 18.05.10)

1. For ensuring safer activity and reduced possibility of fraudulent actions, the insurers, reinsurers, insurance intermediaries and the Bureau may exchange or provide each other with information on their customers, (in case of the Bureau, customers of its members), 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, (in case of the Bureau, customers of its members), even if it would represent an insurance secret.
3. Information database of customers of the insurers, reinsurers and insurance intermediaries and the Bureau can be established within the Central Bank in accordance with the Central Bank criteria, with participation mandatory to all insurers, reinsurers and insurance intermediaries and the Bureau operating in the Republic of Armenia.

(Amended according to LA-64-N, 18.05.10)

Article 118. Restricted Provision of Insurance Secret

1. As prescribed by Articles 112 - 115 of this Law, the insurer, reinsurer, insurance intermediary and the Bureau shall provide insurance secrets relating to their customers only. Where customer documents kept with the insurers, reinsurers, insurance intermediaries (in case of the Bureau, customers of its members) 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 and the Bureau 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.

(amended according to LA-64-N, 18.05.10)

Article 119. Refusal to Provide Insurance Secret

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

(Amended according to LA-64-N, 18.05.10)

Article 120. Obligation to Report Crime

1. Managers of insurers, reinsurers, insurance intermediaries and the Bureau 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.

(Amended according to LA-64-N, 18.05.10)

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 and the Bureau 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.

(Article 122 amended according to LA-89-N, 26.05.08; LA-64-N, 18.05.10)

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). Portfolio relating to MTPL may be transferred only to an insurance

company entitled to carry out MTPL under the Law of the Republic of Armenia on “Compulsory Insurance of Liability Pertaining to the Use of Motor Vehicles”.

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.

(Amended according to LA-64-N, 18.05.10)

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 Commission.

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 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 124 amended LA-69-N, 19.03.12)

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. Acceptance or Rejection of Application for Insurance Portfolio Transfer Authorization

1. Central Bank shall accept or reject the application for transfer of insurance portfolio of company providing non-life insurance within 60 days after submission of the application.

1.1. Within five working days upon receipt of the application for transferring insurance portfolio of the company providing life insurance, the Central Bank shall publish an announcement on the intended transfer of insurance portfolio on the official website of the Central Bank, as well as on the official website of the Republic of Armenia Public Notices at <http://www.azdarar.am>. The said announcement shall state that within two months after publication of the announcement, policyholders whose insurance contracts has been to transfer to another company may submit to the Central Bank their written objections to the transfer of the insurance portfolio. During the same period, the transferring Company shall send a notification to the policyholders in the manner prescribed by the law on the transfer of insurance portfolio, attaching to it the announcement of the Central Bank.

1.2. Central Bank shall satisfy or reject the application for transferring insurance portfolio of the company providing life insurance within 30 days after the end of a two-month period specified in paragraph 1.1 of this Article. Objections received from policyholders shall not serve as a ground for rejecting the transfer of insurance portfolio, but the Central Bank shall also

address the objections raised by policyholders about transferring the insurance portfolio and justify the reasons for not accepting such objections.

2. 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) 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) Central Bank believes that the transfer of insurance portfolio may lead to deterioration of the financial standing of Transferor or Transferee;
- 4) 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;
 - 4.1) the Transferee is not entitled to carry out insurance of any class (form) included in the insurance portfolio;
- 5) 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 126 amended according to LA-64-N, 18.05.10; *LA-189-N, 25.10.17*)

Article 127. Notifying Policyholders about 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, as well as send a notice to policyholders in the manner prescribed by law.
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.

(*Article 127 amended according to LA-189-N, 25.10.17*)

SECTION 8

REORGANIZATION AND LIQUIDATION 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. 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) application to obtain a prior consent for merger;
 - 2) management's decision on merger;
 - 3) 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. 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. Board of the Central Bank may refuse to approve the merger agreement if:

1) 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) 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) 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) 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) Central Bank has declined or declines the application for granting a prior consent as referred to in paragraphs 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.
1. Terms to eliminate the grounds for suspension shall also be established by the resolution of the Central Bank on suspension of merger.
2. 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 based on:
 - 1) the decision of the General Assembly of Company (self-liquidation);
 - 2) revocation of license;
 - 3) in case of bankruptcy of the company.

Article 135. Self-Liquidation

1. The General Assembly 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 Assembly for liquidation of Company, the Board shall submit to the General Assembly a report on the current financial standing of Company, as well as a statement containing the terms for session 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 Assembly 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 Assembly 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 Commission

1. Liquidation Commission of a Company shall be established within 5 days upon the decision of the Central Bank on granting an authorization for liquidation of Company.
2. Liquidation Commission shall be established in order to liquidate Company, transfer Company's property (assets) and satisfy claims of creditors.
3. Liquidation Commission 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 Commission.
4. Prior to the establishment of Liquidation Commission, the authorities of Liquidation Commission shall be exercised by the executive body of Company unless otherwise provided for by the charter of Company.
5. Following the establishment of Liquidation Commission, the authorities of management of Company shall be transferred to Liquidation Commission.
6. Liquidation Commission 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 Commission has not been established, a Liquidation Commission to Company shall be established by the decision of the Board of the Central Bank.

Article 137. Procedure of Liquidation

1. Governance bodies of the Company shall be obliged to transfer the Company's seal, forms, documents, material and other valuables within three days from the moment of the establishment of the Liquidation Commission.

2. Chairman of Liquidation Commission 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 company under liquidation. 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. Liquidation Commission shall, within fifteen days after the amendment to the Company name in accordance with the procedure set forth in paragraph 2 of this Article, change the seal of the company under liquidation and the forms, including the words "insurance company under liquidation".

4. Before embarking on satisfying the claims of the creditors, Liquidation Commission 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 company under liquidation;
- 5) define the procedure for allocation of the remaining assets among the shareholders after fulfillment of commitments of the insurance company.

5. Liquidation Commission 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) assets of the company under liquidation;
- 2) list of the claims presented by creditors, including 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) results of the examination of the claims presented by creditors;
- 4) other information as provided for by prudential regulations of the Central Bank.

6. Liquidation Commission 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 Liquidation Commission to publish the interim liquidating balance sheet in other national newspapers with at least 2000 print-run.

7. Liquidation Commission 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 137 amended according to LA-144-N, 08.06.09, *LA-69-N, 19.03.12*)

Article 138. Order of Satisfaction of Claims

1. Collateralized liabilities shall be satisfied from the amount received from the sale of the collateral, which is the measure of securing the obligation, in accordance with the requirements of Chapter 14.1 of the Civil Code of the Republic of Armenia. 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.

1.1. The claims arising out of insurance contracts shall be covered as a priority from the Company's technical reserves, in the order specified by Paragraphs 2 to 8 of this Article.

If the value of claims arising out of insurance contracts exceeds the amount of assets adequate to the Company's technical reserves, the excess shall be satisfied under this Article in the order of coverage of the claims prescribed in the insurance contracts. If the amount of assets adequate to the Company's technical reserves exceeds the value of the claims, the excess shall be included in the liquidation proceeds and shall be used in the manner prescribed by law.

2. Liabilities of insurance company shall be satisfied from the liquidation funds in the following order:

- required and substantiated expenses incurred by Liquidation Commission for the execution of functions established under this Law, including salaries of Liquidation Commission Chairman and members and equalized payments;
- second, the claims related to the damage caused to the life and health of a person, arising from compulsory insurance contracts.
- third, other claims arising from compulsory insurance contracts;
- fourth, the claims related to the damage caused to life and health of a person arising from voluntary insurance contracts;
- fifth, other claims arising from voluntary insurance contracts;

- sixth, the claims arising out of reinsurance contracts against accepted (committed) risks on damage caused to life and health of a person;
- seventh, other claims arising out of reinsurance contracts against accepted (committed) risks;
- eight, the claims arising out of insurance contracts not included within the first to seventh queues;
- ninth, the claims arising out of insurance contracts not included within from first to seventh, tenth-eleventh queues;
- tenth, the Company's liabilities to the state budget and community budgets;
- eleventh, the claims arising from subordinated loans;
- twelfth, claims of the Company participants.

3. Company shareholders and persons affiliated with the Company over which the Company's obligations are satisfied in twelfth queue shall be exempt from the number of creditors defined in the second, ninth and eleventh queues defined in paragraph 2 of this Article.

4. 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 Liquidation Commission 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 Commission. 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 Liquidation Commission is satisfying the claims, the court may suspend the satisfaction of claims by Liquidation Commission 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 Liquidation Commission 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 Liquidation Commission 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, Liquidation Commission 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 Paragraphs 2-8 hereof, 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 Commission, 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 138 amended LA-60-N, 28.02.2011, *LA-269-N, 17.12.14; LA-189-N, 25.10.17*)

Article 139. Oversight over Liquidation Commission 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. Liquidation Commission 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. Liquidation Commission 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. Central Bank shall have the right to request Liquidation Commission to provide any information on its activities.

Article 140. Approval of Liquidation Balance Sheet and Termination of Activities of Liquidation Commission

1. Upon completion of settlements with creditors, Liquidation Commission shall prepare the liquidation balance sheet and submit it to the Central Bank within three days of its approval by General Assembly of the liquidated company.
2. 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 Liquidation Commission has violated the requirements set forth by this Law.

3. If Central Bank does not approve the liquidation balance sheet, Liquidation Commission 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 General Assembly of the company under liquidation. Central Bank shall examine the application in the order established by Paragraph 2 of this Article.

4. Central Bank shall, within 3 days after making a decision on the approval of the liquidation balance sheet, make a record on removing the company under liquidation 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. Liquidation Commission 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 Liquidation Commission shall be released from its responsibilities relating to the liquidation of the insurance company.

Article 141. Remuneration of a Liquidation Commission member

The remuneration of members of Liquidation Commission shall be made at the expense of the property of the company under liquidation.

SECTION 9

SUPERVISION AND RESPONSIBILITY FOR VIOLATIONS OF LEGISLATION

CHAPTER 24

SUPERVISION

Article 142. Implementation of Supervision

1. Central Bank shall have the exclusive right for the supervision of compliance of the supervised entities with requirements of this Law and other regulations governing insurance activities. Central Bank shall exercise supervision over the parties referred to in this Article according to the procedure established by the Republic of Armenia Law “On the Central Bank of the Republic of Armenia.”

2. (*Paragraph 2 repealed LA-189-N, 25.10.17*)

(*Article 142 amended LA-189-N, 25.10.17*)

CHAPTER 25

RESPONSIBILITY FOR VIOLATION OF LAWS AND OTHER REGULATIONS

Article 143. Violation of Laws and Other Regulations

1. Responsibility measures may be imposed on the supervised entities as well as their managers, 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 have 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.
- 8) the requirements of laws and (or) the legal acts adopted on their basis that govern the activity of a financial group with the participation of a supervised entity were violated.

(Article 143 supplemented LA-136-N 12.11.15)

Article 144. Responsibility of Managers or Officers

1 Managers or officers 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. Managers or officers 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 its officers, they shall carry a joint liability toward the supervised entity. The managers or officers of the supervised entity who voted against the decision on the damage caused to the supervised or did not take part in the session, shall be released from the responsibility for the damage caused to the supervised. The responsibility of a manager or officer of a supervised entity 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 therefore;

2) 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 officers thereof shall not release the manager or the officers from liability for the damage caused to the supervised entity by their fault.

4. 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 eliminate violations or warning and instruction not to repeat 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 activity license.

2. Imposition of sanctions specified in this Article shall not release the supervised entity and the managers or officers 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 eliminate the violation or a warning together with an instruction not to repeat 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. 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 officers 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 eliminate the violation within the terms set forth by the Central Bank and/or an instruction not to repeat the violation in the future and/or an instruction on taking measures aimed at further prevention of the violation. An instruction to eliminate, or not to repeat, 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 (session, correspondence, explanatory measures) and/or sanctions specified in paragraph 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 activity license must comply with the following conditions:
 - 1) it shall state that as a result of exercising supervisory measures and/or sanctions specified in paragraph 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 eliminate violations;
 - 2) 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 officers 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. Fine shall be levied based on a court decision following the claim of the Central Bank, shall 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 Officers of Supervised Entity of Qualification Certificate

1. The manager or officials of the supervised entity may be deprived of a qualification certificate upon the decision of the Central Bank, if they:

- 1) deliberately violated the laws or other regulations;
- 2) 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) impeded the actions of the Central Bank or its employees in regard to conducting supervision;
- 4) resorted to actions, as a result of which the supervised entities have incurred or could incur considerable financial or other loss;
- 5) resorted to actions or made omissions arising out of personal interests, which contradict the rights or interests of the supervised entities, the policyholders, the insured persons and beneficiaries;
- 6) were not fair and careful in respect of their official obligations;
- 7) do not meet the qualification or professional competence standards for managers or officers of the supervised entity, as stipulated by prudential regulations of the Central Bank;
- 8) did not follow the instruction of the Central Bank, which were 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. Depriving a manager or official of the supervised entity shall: be justified, be in line with the nature of violation(s), and shall not be based on discriminatory assumptions.

Article 149. Revocation of License

1. 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) 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. Activity license may be revoked on the grounds specified in paragraphs 6 or 7 of Paragraph 1 of this Article if after exercising supervisory measures (session, 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 shall 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 eliminate the violations;

2) the revocation of the activity license shall be in line with the nature of violation(s) and shall not be based on discriminatory assumptions.

3. Central Bank shall revoke the license if it turns out that the supervised entity has submitted false and inaccurate information for obtaining an activity license.

4. Activity license of the supervised entity shall be revoked by the decision of the Board of the Central Bank. Activity license of the supervised entity shall be revoked only in accordance with the procedure stipulated by this Law. Shall there be other provisions established by other laws in respect of revocation of an activity license, the provisions of this Law shall prevail.

5. 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. Publication of the Decision on Revocation of the License and its Legal Consequences

1. The decision of the Board of the Central Bank on revocation of 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 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 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 activity license shall not suspend the action of that decision during the entire court proceeding.

Article 151. Other Violations of this Law

In case of 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 eliminate 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. Prohibition of Use of Insurance Tariffs

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 the purposes of restriction of the risk of insurance, reinsurance, insurance intermediation, as well as for the implementation of MTPL, the Central Bank may require additional requirements, restrictions or special procedures for the control of a controlled entity or its insurance or other operations or some of them for certain types of investments.

(Amended according to LA-64-N, 18.05.10)

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 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 activity license to insurance by a new class;
- 2) amendments to the business plan of insurance company;
- 3) report of 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 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 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 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,
- 4) 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. 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. Republic of Armenia “Law on Insurance” (June 11, 2004), shall be repealed upon entry of this Law into force.

President of the Republic of Armenia

ROBERT KOCHARYAN

May 22, 2007, Yerevan LA-177-N