OFFICIAL TRANSLATION

HO-177-N/09.04.2007/EN/I-09.06.2022/12.09.2023

"TRANSLATION CENTRE OF THE MINISTRY OF JUSTICE
OF THE REPUBLIC OF ARMENIA"
STATE NON-COMMERCIAL ORGANISATION

EMILIA ADUMYAN

DIRECTOR

12 SEPTEMBER 2023

LAW

OF THE REPUBLIC OF ARMENIA

Adopted on 9 April 2007

ON INSURANCE AND INSURANCE ACTIVITIES

The main goals of this Law are to protect the rights of policyholders, insured persons and beneficiaries, to ensure the sustainable development, reliability and regular operation of the insurance system and to create equal conditions for free economic competition between persons carrying out insurance activities.

SECTION 1

GENERAL PROVISIONS

CHAPTER 1

GENERAL PROVISIONS

Article 1. Subject matter of the Law

1. This Law regulates relations pertaining to the organisation and implementation of insurance activities, reinsurance activities and insurance brokerage activities, the creation, licensing, activities and termination of activities of insurance companies (hereinafter also referred to as "Company"), reinsurance Companies, persons carrying out insurance brokerage activities, the exercise of state control of insurance activities, reinsurance activities and insurance brokerage activities, as well as other relations pertaining to insurance.

2. Foreign Companies may carry out insurance activities through a public offer without establishing a branch or subsidiary legal person within the territory of the Republic of Armenia only if they are registered in states that are parties to agreements concluded within the framework of the World Trade Organisation, to which the Republic of Armenia has also acceded; moreover, they may only carry out insurance relating to the following risks:

   (1) maritime transport, civil aviation, launch of spacecrafts, freight (including the accompanying and service personnel). Such insurance may extend to the property being transported, the carrier vehicle and the responsibility arising from the transport, all together, as well as each of them separately;

   (2) international cargo transport;

(3) reinsurance, retrocession and other services relating to reinsurance.

The insurance referred to in this part may be carried out by a foreign Company within the territory of the Republic of Armenia through insurance brokers, or without them and must be in compliance with laws and other regulatory legal acts of the Republic of Armenia.

The concept of the territory of the Republic of Armenia shall be defined by the Law of the Republic of Armenia "On the State Border".

3. This Law shall not extend to the Deposit Guarantee Fund established as prescribed by the Law of the Republic of Armenia "On guaranteeing compensation for bank deposits of natural persons", the State Social Insurance Fund of the Republic of Armenia, as well as banks and credit organisations, with respect to the provision of bank and loan guarantees, to commercial organisations, with respect to guarantee service for the goods they sell.

4. This Law shall not extend to mandatory social insurance, but it shall extend to voluntary funded pension insurance carried out by Companies. Companies may carry out voluntary funded pension insurance only in accordance with the "prescribed pensions" scheme provided for by the Law of the Republic of Armenia "On funded pensions".

5. Additional requirements to the activities of entities carrying out insurance activities, reinsurance activities as members of a financial group shall be prescribed by the Law of the Republic of Armenia "On the Central Bank of the Republic of Armenia".

(Article 1 supplemented by HO-257-N of 22 December 2010, HO-136-N of 12 November 2015)

Article 2. Legal acts regulating insurance

1. In the Republic of Armenia insurance shall be regulated by the Constitution of the Republic of Armenia, international treaties, the Civil Code of the Republic of Armenia, this Law, other laws and regulatory legal acts of the Central Bank adopted on their basis.

2. The opinion and conclusion of the Central Bank required by this Law shall be included in the relevant decision of the Board of the Central Bank that is adopted on the basis of the respective opinion or conclusion.

3. The acts of the Board, Chairperson and the licensing commission of the Central Bank — through judicial procedure, and the acts of the licensing commission — also in order of precedence (where the appeal shall be examined by the Board of the Central Bank), may be appealed by persons whose rights have been violated by those acts.

Article 3. Main concepts used in the Law

Within the meaning of this Law:

(1) **"actuary"** — person with relevant qualification prescribed by this Law who, through the application of mathematical, statistical and other methods, evaluates the probability of certain events and calculates the amounts of insurance tariffs, insurance premiums, the sum ensured, technical reserves, pensions, annuity payments and other similar indicators;

(2) **"individual data"** — for natural persons — name, surname, patronymic, date of birth, birthplace, place of residence, citizenship, data of the personal identification document, social card number (where available), for legal persons — name or trade name, registered office, postal address, taxpayer registration number, name, surname, patronymic, date of birth,

birthplace, place of residence, citizenship, data of the personal identification document, social card number of the person authorised to act on behalf of the legal person;

(3) **"annuity"** — payment by a policyholder to the insurer of the amount provided for by the contract as a lump sum or at intervals provided for by the contract, in exchange of which the insurer undertakes to return the paid amount and the income guaranteed by the contract to the policyholder or beneficiary in time limits and at intervals provided for by the contract;

(4) **"insurance broker"** — commercial organisation holding a licence to carry out insurance brokerage activities in the territory of the Republic of Armenia;

(5) **"insurance brokerage activities"** — exercise by a person of insurance brokerage activities on behalf of and at the expense of a policyholder, and in case of reinsurance — on behalf of and at the expense of a Company or foreign insurance company;

(6) **"insurance secret"** — commercial secret of a policyholder, insured person or beneficiary that has become known to the insurer, reinsurer or person carrying out insurance brokerage activities during insurance activities and regarding the policyholder, insured person or beneficiary, or other information that the policyholder or insured person intended to keep confidential, and the Company, reinsurance company or insurance broker is aware or should have been aware of that intention;

(7) **"disclosure of insurance secret"** — disclosing or disseminating the information constituting insurance secret through mass media or otherwise in verbal or written form, disclosing it to a third party or parties, directly or indirectly enabling third parties to obtain such information, i.e. permitting, failing to prevent or as a result of violation of the procedure for the custody

of such information, making the disclosure possible, except for cases prescribed by this Law;

(8) **"insurance agent"** — person listed in the register of insurance agents of the Central Bank for carrying out activities of an insurance agent in the territory of the Republic of Armenia;

(9) **"activities of an insurance agent"** — exercise by a person of insurance brokerage activities on behalf of and at the expense of one insurance and/or reinsurance company or several insurance and/or reinsurance companies;

(10) **"insurance activities"** — aggregate of actual actions of the person as an insuring party for regularly concluding insurance transactions on its behalf, as well as performing the obligations assumed thereby and exercising the rights obtained thereby;

(11) **"insurance company (Company)"** — legal person holding a licence for insurance activities as prescribed by this Law;

(12) **"insurance brokerage activities"** — exercise by a third party of organisational, other actual and legal actions prompting, promoting, supporting the establishment of insurance relations between insurers (reinsurers) and policyholders, the conclusion of an insurance contract between them, particularly:

a. carrying out preparatory activities for the conclusion of insurance and reinsurance contracts, including insurance consulting;

b. organising the conclusion of insurance and reinsurance contracts with specific insurers by policyholders;

c. assisting in the execution of insurance and reinsurance contracts, including collecting insurance premiums and transferring indemnities, in the amounts permitted by the policyholder or the Company;

(13) **"insurance portfolio"** — aggregate of rights and obligations arising from all insurance contracts concluded by the insurer, or all insurance contracts of the same class;

(14) **"insurer"** — Company or branch of a foreign Company operating in the territory of the Republic of Armenia;

(15) **"policyholder"** — party to an insurance contract, to whom or to the person (beneficiary) indicated thereby the insurer undertakes to compensate the damage caused as a result of an event (insured event) provided for by the insurance contract or a part thereof, or to provide a certain amount of money where the event (insured event) provided for by the contract has occurred, in accordance with the conditions of the insurance contract;

(16) **"share"** — stock, share, unit;

(17) **"Central Bank"** — the Central Bank of the Republic of Armenia;

(18) **"competition, economic competition, dominant position"** — pursuant to the Law of the Republic of Armenia "On the protection of economic competition";

(19) **"reinsurance company"** — Company involved exclusively in reinsurance activities;

(20) **"reinsurer"** — person holding a licence to carry out reinsurance;

(21) **"reinsurance"** — insurance by one insurer with another insurer of the risk relating to the performance of all obligations in relation to policyholders or a part thereof under conditions determined by a contract;

(22) **"reinsurance activities"** — insurance of the risk relating to the performance of all obligations of other insurers in relation to policyholders or a part thereof, as an entrepreneurial activity;

(23) **"controlled person"** — insurer, reinsurer, person carrying out insurance brokerage activities, legal person carrying out activities under a contract of delegation of insurance functions (counterparty);

(24) **"technical reserves"** — special reserves created for the purpose of guaranteeing the regular and safe activities of the Company and for covering the existing and future obligations of the Company arising from insurance contracts and possible losses;

(25) **"financial organisation"** — bank, credit organisation, Company, person carrying out specialised activities in the stock market, as well as person considered a financial organisation pursuant to foreign legislation;

(26) **"CMVLI"** — compulsory motor vehicle liability insurance;

(27) **"Bureau"** — Bureau established in accordance with the Law of the Republic of Armenia "On compulsory motor vehicle liability insurance".

(28) **"systemically important insurance company"** — the Company shall be considered by the Central Bank as systemically important, where the aggravation of the financial position of that company or insolvency or bankruptcy or liquidation may have significant negative impact on the financial system and/or other sectors of economy of the Republic of Armenia.

The significant negative impact on the financial system and/or other sectors of economy of the Republic of Armenia shall be assessed taking as a basis the fact whether the given Company is large, interconnected with the other participators of the financial system of the Republic of Armenia, whether the services rendered by the Company can be substituted, the nature, complexity and/or the riskiness of the operations performed by the Company.

The Central Bank, based on the criteria prescribed by this point, shall establish the procedure for considering the Companies as systemically important.

(Article 3 supplemented by HO-64-N of 18 May 2010, HO-189-N of 25 October 2017)

Article 4. Use of the words “Insurance” [as an adjective] and “Insurance” [as a noun]

1. The words “insurance” [as an adjective] and “insurance” [as a noun], their derivatives, cases or translations, as well as the Armenian transcription of that word in a foreign language may be used in the name, advertisements or in another way only by persons established as prescribed by this Law and holding a licence or having the right to carry out insurance activities, reinsurance activities or insurance brokerage activities, except for cases where it is obvious from the meaning of the use of the words “insurance” [as an adjective], “reinsurance” [as an adjective], “insurance broker”, “insurance agent”, “insurance broker” or “insurance” [as a noun] that it does not refer to insurance activities, reinsurance activities or insurance brokerage activities.

Persons having obtained a licence to carry out insurance activities, reinsurance activities or insurance brokerage activities shall, within 90 days upon obtaining the licence, include in their names the words “insurance” [as an adjective], “insurance” [as a noun], “reinsurance” [as an adjective] or “reinsurance” [as a noun], and remove them from the name within 30 days upon revocation or return of that licence.

2. Insurance activities or reinsurance activities may only be advertised by a person holding a licence to carry out insurance activities or reinsurance activities as prescribed by this Law, or by the order thereof.

3. Activities of an insurance agent may only be advertised by a person having the right to carry out activities of an insurance agent as prescribed by this Law, or by the order thereof.

4. Insurance brokerage activities may only be advertised by a person holding a licence to carry out insurance brokerage activities as prescribed by this Law, or by the order thereof.

Article 5. Insurance unions

1. Insurers, reinsurers and persons carrying out insurance brokerage activities, for the purpose of coordinating their activities, representing and protecting their interests, exchanging information and jointly solving other issues, may establish and/or join non-profit unions of insurers, reinsurers or persons carrying out insurance brokerage activities.

2. Unions of insurers, reinsurers and persons carrying out insurance brokerage activities may not carry out insurance activities, reinsurance activities, insurance brokerage activities.

3. Unions of insurers, reinsurers and persons carrying out insurance brokerage activities shall, within 10 days upon state registration, notify the Central Bank thereof by informing about their registered office, management bodies and executive officers, as well as their future changes — within 10 days following those changes.

4. Membership in the Bureau may not limit the right of insurance companies to establish and join insurance unions.

(Article 5 supplemented by HO-64-N of 18 May 2010)

Article 6. Forms of insurance

1. Voluntary and compulsory insurance may be carried out in the Republic of Armenia.

2. Cases of, procedure and conditions for carrying out compulsory insurance shall be prescribed by law.

Article 7. Types and classes of insurance

1. The types of insurance are:

(1) any other insurance apart from life insurance (hereinafter referred to as "non-life insurance");

(2) life insurance;

(3) reinsurance.

2. The classes of non-life insurance are:

(1) accident insurance (including from industrial damage and diseases acquired during professional activities):

a. with fixed monetary compensation;

b. with compensation depending on the nature of the incident;

c. subpoints (a) and (b) of this point, together;

d. for injuries of passengers;

(2) health insurance:

a. with fixed monetary compensation;

b. with compensation depending on the nature of the incident;

c. subpoints (a) and (b) of this point, together;

(3) land transport insurance (except for railway), which shall cover the damages or losses that have been caused to:

a. land motor vehicle;

b. other land transport;

(4) rail transport insurance, which shall cover the damages or losses caused to rail transport;

(5) aircraft insurance, which shall cover the damages and losses caused to aircrafts;

(6) water vehicle insurance, which shall cover the damages and losses that have been caused to:

a. river and canal vehicles;

b. lake vehicles;

c. maritime (ocean) vehicles;

(7) insurance of transported property (cargo), which shall cover the damages and losses that have been caused to the property (cargo) being transported, irrespective of the type of vehicle;

(8) insurance for fires and natural disasters, which shall cover the damages and losses that have been caused to property (except for the types of property that are included in the classes prescribed by points 3-7 of this part) as a result of the following incidents:

a. fire;

b. explosion;

c. earthquake;

d. storm;

e. nuclear infection, injury, etc.;

f. landslide;

(9) insurance for other damages caused to property, which shall cover the damages and losses that have been caused to property (except for the property included in the classes prescribed by points 3-7 of this part) as a result of the following incidents and that are not specified in the class prescribed by point 8 of this part:

a. hail;

b. frostbite;

c. draught;

d. epidemic, quarantine disease;

e. heavy showers, flood;

f. other natural and technogenic disasters, accidents and incidents, including illegal taking of property;

(10) liability insurance arising from the use of land motor vehicles (also cargo carriers);

(11) liability insurance arising from the use of aircrafts (also cargo carriers);

(12) liability insurance arising from the use of water vehicles included in the class referred to in point 6 of this part (also cargo carriers);

(13) general liability insurance (all types of liability not included in the classes provided for by points 10-12 of this part);

(14) loan insurance, including:

a. insolvency (general);

b. export loan;

c. deferred payment obligation (on credit);

d. mortgage loan;

e. agricultural loan;

f. other loan insurance;

(15) provision of guarantee, including:

a. indirect;

b. direct;

(16) insurance from financial damages that arise:

a. from occupational hazards;

b. from income deficiency (general);

c. from bad weather;

d. from lost benefits;

e. from ongoing (current) general expenses;

f. from unforeseen commercial expenses;

g. from loss of market value;

h. from loss of lease payment or other income;

i. from indirect commercial losses not specified in subpoints (a)-(h) of this point;

j. from other non-commercial financial losses;

k. from other forms of financial losses;

(17) insurance for judicial and extrajudicial expenses;

(18) support insurance, which shall cover the provision of support to persons travelling or far from their place of permanent residence.

The subpoints of the point of this part defining each class of non-life insurance shall be considered a separate sub-class of the respective class of non-life insurance.

3. In case of carrying out insurance activities as per more than one class of non-life insurance, the following groups of classes of insurance shall be separated:

(1) for classes provided for by points 1 and 2 of part 2 of this Article — "accident and health insurance";

(2) for classes provided for by subpoint “d” of point 1, as well as points 3, 7 and 10 of part 2 of this Article — “car insurance”;

(3) for classes provided for by subpoint “d” of point 1, as well as points 4, 6, 7 and 12 of part 2 of this Article — “marine and transport insurance”;

(4) for classes provided for by subpoint “d” of point 1, as well as points 5, 7 and 11 of part 2 of this Article — “aviation insurance”;

(5) for classes provided for by points 8 and 9 of part 2 of this Article — “insurance for fires and other damages caused to property”;

(6) for classes provided for by points 10-13 of part 2 of this Article — “liability insurance”;

(7) for classes provided for by points 14 and 15 of part 2 of this Article — “loan insurance and provision of guarantee”;

(8) for classes provided for by points 1, 3-13 and 16 of part 2 of this Article — “non-life and accident insurance”;

4. The classes of life insurance are:

(1) life insurance that includes longevity insurance, death insurance, concurrently longevity and death insurance, annuity; in addition to a life insurance contract, accident and health insurance specified in point 1 of part 3 of this Article, and other insurance not specified in points 2-6 of this part;

(2) marriage insurance, birth insurance;

(3) insurance related to investment assets, where policyholders assume the investment risk;

(4) management of voluntary funded pension funds as per the “prescribed pensions” scheme provided for by the Law of the Republic of Armenia “On

funded pensions", which includes the management of assets (investments) of pension funds intended for the payment of indemnities in cases of longevity, death and incapacity to work, which is combined with insurance for payment of the minimum profitability;

(5) tontine, where a reserve is formed of all insurance premiums, and the accumulated assets are subsequently distributed among the members having attained a certain age or among the beneficiaries of deceased members;

(6) capital redemption insurance, whereby the insurer assumes an obligation to pay a certain amount within specific time limits against lump-sum or regular insurance premiums agreed upon in advance.

5. The classes of reinsurance are:

(1) non-life reinsurance;

(2) life reinsurance.

(Article 7 amended by HO-257-N of 22 December 2010)

SECTION 2

LEGAL STATUS, SHAREHOLDING IN THE CAPITAL OF AND MANAGEMENT OF INSURANCE COMPANIES

CHAPTER 2

LEGAL STATUS OF INSURANCE COMPANIES

Article 8. Organisational and legal forms of Companies

1. Companies and reinsurance companies may be established exclusively as joint-stock companies or limited liability companies as prescribed by this Law.

2. Activities of insurance and reinsurance companies and persons carrying out insurance brokerage activities shall be regulated 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, regulatory legal acts of the Central Bank adopted on the basis of this Law, other laws and legal acts.

3. The provisions of the Civil Code of the Republic of Armenia, the Laws of the Republic of Armenia "On joint-stock companies", "On limited liability companies" and other legal acts shall apply to Companies as per the organisational and legal form of the Company.

4. The legal norms relating to Companies or defined for them by this Law or regulatory legal acts of the Central Bank shall also extend to branches of foreign Companies operating in the territory of the Republic of Armenia, reinsurance companies and persons carrying out insurance brokerage activities, unless otherwise prescribed by this Law or regulatory legal acts of the Central Bank, or

it is evident from the essence of the legal norm that it may not refer to the branch of a foreign Company operating in the territory of the Republic of Armenia, a reinsurance company or a person carrying out insurance brokerage activities.

Article 9. Charter of the Company

1. The charter of the Company must define and/or include:

(1) trade name of the Company;

(2) registered office of the Company;

(3) organisational and legal form of the Company;

(4) types and classes of insurance to be carried out by the Company;

(5) size of the authorised capital;

(6) procedure for using the profit and covering the losses;

(7) structure, competences and decision-making procedure of management bodies of a Company;

(8) procedure for publication of information about the Company and the participators thereof prescribed by this Law;

(9) procedure for liquidation of the Company;

(10) procedure for electing the person performing the external audit of the Company;

(11) procedure and conditions for payment of dividends;

(12) procedure for establishing and terminating the activities of branches and representative offices by the Company;

(13) procedure for arranging and holding a general meeting of participators of the Company;

(14) procedure for convening and holding a remote meeting of management bodies of the Company;

(15) other information prescribed by law or regulatory legal acts of the Central Bank.

2. The charter of a Company shall be supplemented and amended, as well as the new edition of the charter of the Company shall be confirmed in the general meeting of participators of the Company by a decision adopted by 3/4 of the votes.

Article 10. Trade name of the Company

1. The Company shall have a trade name that must contain the word "insurance" [as an adjective], while the trade name of a Company exclusively engaged in reinsurance activities must contain the word "reinsurance" [as an adjective].

2. The requirement of part 1 of this Article shall not extend to the unions of insurers, reinsurers, persons carrying out insurance brokerage activities.

3. Companies shall not have the right to use such misleading words in their trade names, which may lead to false assumptions with regard to the financial position or legal status of the respective Company.

Article 11. Limitations on shareholding in a Company

1. The Republic of Armenia, foreign states, the communities of the Republic of Armenia or a foreign state may be participators of a Company exclusively in cases and in the manner prescribed by law.

2. Political parties and trade unions may not be participators of a Company.

3. The Republic of Armenia may establish an insurance company engaged in export insurance and/or be a participator of such a company. That company shall be entitled to carry out export insurance of the class of loan insurance, the class of provision of guarantee and the class of financial damages (including the sub-classes included in those classes), on the basis of an appropriate licence provided for by the Law of the Republic of Armenia "On insurance and insurance activities". The size of the total capital of this company shall, at the moment of its establishment, be not less than the size of the total capital prescribed for insurance companies that are being newly established in the territory of the Republic of Armenia. Where the size of the total capital of the company becomes smaller than the size of the total capital prescribed for insurance companies in the territory of the Republic of Armenia during the activities of that company, that capital shall be replenished as prescribed by the legislation of the Republic of Armenia.

(Article 11 supplemented by HO-23-N of 30 April 2013)

Article 12. Qualifying holding and real beneficiaries

(title supplemented by HO-256-N of 3 June 2021)

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

2. The direct qualifying holding is the shareholding in the authorised capital of a legal person with 10 per cent and more of voting rights.

3. The indirect qualifying holding is the shareholding in case of which:

   (1) the person does not have a shareholding in the authorised capital of the legal person or has a shareholding of less than 10 per cent, but, as per the

criteria defined by regulatory legal acts of the Central Bank, in view of its business image or reputation, directly or indirectly is capable of predetermining the decisions of management bodies of the respective legal person, or significantly influencing their decision-making process (implementation) or predetermining the directions or spheres of activity of the respective legal person;

(2) the person does not have a shareholding in the authorised capital of the legal person or has a shareholding of less than 10 per cent, but as per the criteria defined by regulatory legal acts of the Central Bank, is capable of predetermining the decisions of management bodies of the respective legal person, or significantly influencing their decision-making process (implementation), or predetermining the directions, spheres of activity of the respective legal person by virtue of its right to claim against the respective legal person;

(3) the participator holds 50 per cent and more of voting stocks in the authorised capital of the legal person with a direct qualifying holding in the authorised capital of the legal person;

(4) the person has a shareholding of less than 50 per cent or does not have a shareholding in the authorised capital of the legal person with a direct qualifying holding in the authorised capital of the legal person and, as per the criteria defined by regulatory legal acts of the Central Bank, in view of its business image or reputation, is capable of predetermining the decisions of management bodies of the respective legal person or of the legal person with a direct qualifying holding in the authorised capital of that legal person, significantly influencing their decision-making process (implementation), or predetermining the directions or spheres of activity of the respective legal person or of the legal person with a qualifying holding in the authorised capital of that legal person.

4. The Company or the branch of the foreign insurance Company registered in the Republic of Armenia shall be obliged to submit information to the Central Bank on persons deemed to be real beneficiaries of the Company or the branch of the foreign insurance Company registered in the Republic of Armenia under the criteria prescribed by the Law of the Republic of Armenia "On combating money laundering and financing of terrorism", in accordance with the requirements prescribed by this Law and regulatory legal acts established by the Board of the Central Bank.

(Article 12 supplemented by HO-256-N of 3 June 2021)

Article 13. Affiliated persons

1. Legal persons shall be deemed affiliated if:

   (1) the respective legal person possesses, with the right to vote, 20 per cent and more of voting stocks of the other person, or by virtue of its shareholding or in accordance with an agreement concluded between the respective persons, is capable of predetermining the decisions of the other person;

   (2) the participator and/or participators possessing more than 20 per cent of voting stocks of one of them or capable of predetermining its decisions in another way not prohibited by law, or their family members are entitled to directly or indirectly possess more than 20 per cent of voting stocks of the other person or are capable of predetermining the decisions of the latter;

   (3) one third of a management body of one of them or of other persons exercising such duties, as well as of one third of their family members are, at the same time, members of a management body of the other person or other persons exercising such duties;

(4) they have been acting in agreement based on common economic interests, or they have been recognised as such by a reasoned opinion of the Central Bank.

2. Natural persons shall be deemed affiliated if they are members of the same family, or run a common household, or carry out joint business activity, or if they have been acting in agreement based on common economic interests, or they have been recognised as affiliated persons by a reasoned opinion of the Central Bank.

3. Natural and legal persons shall be deemed affiliated if they have been acting in agreement based on common economic interests, or they have been recognised as such by a reasoned opinion of the Central Bank, or if the respective natural person or a member of his or her family is:

(1) a participator that disposes of more than 20 per cent of stocks of the respective legal person;

(2) a person capable of predetermining the decisions of the legal person;

(3) the executive officer of the legal person concerned.

4. The spouse, as well as the following persons cohabitating or running a common household shall be deemed members of the same family: parents, grandmother, grandfather, grandchild having attained the age of 18, child having attained the age of 18 and the spouse thereof, sister, brother having attained the age of 18 and the spouses thereof, and children thereof having attained the age of 18, spouse's parents, spouse's child having attained the age of 18.

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

(Article 13 edited by HO-189-N of 25 October 2017)

CHAPTER 3

AUTHORISED CAPITAL OF THE INSURANCE COMPANY

Article 14. Requirements for the statutory capital of a company

1. The size of the authorised capital of a Company shall be stipulated by its charter. The paid-in authorised capital shall be composed of investments of participators of a Company. The paid-in authorised capital shall be equal to:

   (1) the amount invested in the shares of participators of a Company which is a limited liability company;

   (2) the amount received in exchange for all types of stocks placed by a Company which is a joint-stock company.

2. At the moment of the registration of a Company the whole authorised capital of the Company, and in case of increasing the authorised capital — the whole of the amount to be increased must be paid to the cumulative account opened at the Central Bank, or any bank operating in the territory of the Republic of Armenia and not affiliated with the Company.

3. The authorised capital of the Company shall be replenished only with money — drams of the Republic of Armenia.

Article 15. Reduction of authorised capital

1. The reduction of the paid-in authorised capital of the Company during the activities of the Company through distribution of dividends at the expense thereof or otherwise shall be prohibited, except for cases defined by part 2 of this Article.

2. Holders of voting stocks (shares) of the Company (participators) shall be entitled to request the Company to determine the repurchase price of the shareholding and to repurchase the stocks belonging to them or a part thereof, if:

(1) a decision has been taken on the reorganisation of the Company, suspension of the preferential right or conclusion of a major transaction, and the respective participators have voted against the reorganisation of the Company, suspension of the preferential right or conclusion of a major transaction or have not participated in the voting on those issues;

(2) the charter has been supplemented or amended or a new edition of the charter has been confirmed resulting in the limitation of rights of the mentioned participators, and they have cast a negative vote when adopting the respective decision or have not participated in the voting.

3. The list of participators of the Company with the right to request the repurchase of their shareholding shall be drawn up on the basis of the data of the register of participators of the Company as of the day of drawing up the list of participators with the right to participate in the general meeting, the agenda of which includes issues, the settlement of which has resulted in the limitation of rights of participators referred to in point 1 of part 2 of this Article.

4. The repurchase of shareholding by the Company shall be carried out at its market value which is determined without valuation of the shareholding and regardless of changes resulting from actions of the Company giving rise to the right to request the repurchase.

5. The reduction of the authorised capital of the Company shall also be allowed in cases prescribed by the Law of the Republic of Armenia "On bankruptcy of banks, credit organisations and insurance companies".

6. The consent of the Board of the Central Bank shall be necessary for the repurchase of the shareholding. The Board of the Central Bank may refuse to give such consent, if:

(1) in case of repurchase of the shareholding the Company would not be able to meet the claims of its creditors in full;

(2) as a result of the reduction of the authorised capital, the solvency of the Company, the interests of policyholders, insured persons, beneficiaries or other creditors of the Company will be or may be threatened;

(3) the Company will violate the main prudential standards or even one of them;

(4) the repurchase of the shareholding may result in the destabilisation of the insurance or financial system of the Republic of Armenia.

7. In case of repurchase of its stocks by the Company, the decision on reducing the authorised capital or realising the respective stocks shall be taken by the general meeting by 3/4 of votes of holders of voting stocks participating therein, but not less than 2/3 of votes of holders of voting stocks (shares, units).

8. Before adopting the decision on reducing the authorised capital, the Company shall be obliged to seek the consent of the Board of the Central Bank as prescribed by regulatory legal acts of the Central Bank. In the absence of the consent of the Board of the Central Bank, the decision on reducing the authorised capital shall be null and void.

9. The Board of the Central Bank shall give consent or refuse to give consent to the reduction of the authorised capital of the Company within a period of thirty days upon receiving the application. If the application is not granted or rejected within a period of thirty days, it shall be deemed granted.

10. After receiving the permission of the Central Bank for reducing the authorised capital, the Company shall take a decision on reducing the authorised capital, and within one day upon adopting that decision, the Company shall be obliged to publish information hereon on its Internet website and on the official Internet website for public notifications of the Republic of Armenia at http://www.azdarar.am as prescribed by regulatory legal acts of the Central Bank.

(Article 15 amended by HO-142-N of 19 March 2012)

Article 16. Payment of dividends and limitations on payment

1. The Company shall be entitled to take a decision on (declare about) distributing or paying to its participators quarterly, semi-annual and annual dividends, unless otherwise provided for by this Law or the charter of the Company.

2. The profit shown in annual financial statements may be distributed among the participators of the Company or transferred to the next fiscal year, if the mandatory reserves or other reserves prescribed by the charter have been created and fully replenished.

3. Payment of dividends at the expense of the authorised capital shall be prohibited.

4. The Company shall not have the right to pay annual dividends, if:

   (1) the Company violates or may violate even one of prudential standards defined by this Law and regulatory legal acts of the Central Bank at the moment of payment or as a result of payment of dividends;

   (2) the Central Bank has demanded from the Company to eliminate the unreliability of information shown in financial statements or other statements and reports, and the Company has not fulfilled the assignment to eliminate the violation;

   (3) losses (damages) suffered by the Company at the moment of payment of dividends are equal to or exceed the amount of undistributed net profit of the Company.

5. The time limit for the payment of annual dividends shall be defined by the charter of the Company or the decision of the general meeting on the payment of dividends. The time limit for the payment of interim dividends (quarterly and semi-annual) shall be defined by the decision of the board of the Company (hereinafter referred to as “board”) on the payment of interim dividends, but not earlier than 30 days after taking the respective decision. For each payment of

dividends, the board shall draw up a list of participators entitled to receive dividends, which must include:

(1) in case of paying interim dividends, the participators of the Company that have been included in the register of participators of the Company at least 10 days before the day of taking the decision of the board on the payment of interim dividends;

(2) in case of paying annual dividends, the participators of the Company that have been included in the register of participators of the Company as of the day of drawing up the list of participators with the right to participate in the annual general meeting of participators of the Company.

6. The decision on the payment of interim dividends, the amount and mode of payment of dividends shall be taken by the board. The decision on the payment of annual dividends, the amount and mode of payment of dividends shall be taken by the general meeting of participators of the Company upon the recommendation of the board. The amount of interim dividends may not exceed 50 per cent of dividends distributed on the basis of the results of the previous fiscal year. The amount of annual dividends may not be less than the amount of interim dividends already paid.

If the amount of annual dividends, upon a decision of the general meeting, is determined as equal to the amount of interim dividends already paid, annual dividends shall not be paid.

If the amount of confirmed annual dividends, upon a decision of the general meeting, exceeds the amount of interim dividends already paid, annual dividends shall be paid in the amount equal to the difference between the defined annual dividends and interim dividends already paid during the respective year.

The General Meeting shall be entitled to take a decision not to pay dividends and, in case of preferred stocks of a Company which is a joint-stock company, the amount of dividends being paid for which is defined by the charter, also a decision not to pay the full amount of dividends.

CHAPTER 4

PRIOR CONSENT FOR ACQUISITION OF QUALIFYING HOLDING

Article 17. Prior consent for acquisition of qualifying holding

1. Prior consent of the Board of the Central Bank shall be required for the acquisition of a qualifying holding in the authorised capital of the Company by a person or affiliated persons.

2. The person intending to acquire a qualifying holding shall submit to the Central Bank an application for obtaining prior consent for the acquisition of a qualifying holding.

The application for obtaining prior consent for the acquisition of a qualifying holding, the list of information and documents to be attached to the application, the form, procedure and conditions for submission thereof shall be defined by regulatory legal acts of the Central Bank.

3. The prior consent of the Board of the Central Bank as prescribed by this Article shall be required for each new transaction or transactions, as a result of which the shareholding of a person or affiliated persons in the authorised capital of the Company will exceed 20 per cent and more or 50 per cent and more, respectively.

4. In order to obtain prior consent for the acquisition of a qualifying holding in the authorised capital of the Company, the person shall also submit to the Central Bank, through the Company, a statement that no other person acquires the status of a person with an indirect qualifying holding in the Company by virtue of shareholding thereof; otherwise, this person shall also be obliged to submit documents and information related to persons acquiring an indirect qualifying holding defined by regulatory legal acts of the Central Bank. Prior consent of the

Board of the Central Bank shall, as prescribed by this Article, be required for acquiring the status of an indirect qualifying participator.

5. In order to obtain prior consent for the acquisition of a qualifying holding in the authorised capital of the Company, the person must also submit to the Central Bank, through the Company, sufficient and complete justification (documents, information, etc.) of the legality of the origin of funds to be invested, as well as data prescribed by regulatory legal acts of the Central Bank on legal persons, for which the person acquiring a qualifying holding in the authorised capital of the Company is a person with a qualifying holding.

6. If the person, along with the application for a licence to carry out insurance activities, has submitted to the Central Bank an application for prior consent for the acquisition of a qualifying holding, the Board of the Central Bank shall take a single decision on issuing a licence and granting prior consent for the acquisition of a qualifying holding.

7. The Board of the Central Bank shall, within thirty days upon the receipt of the documents and information required by this Article and regulatory legal acts of the Central Bank, take a decision on granting or refusing to grant prior consent for the acquisition of a qualifying holding.

Article 18. Refusing to grant prior consent for acquisition of qualifying holding

1. The Board of the Central Bank may refuse the application for obtaining prior consent for the acquisition of a qualifying holding in the authorised capital of the Company, if:

   (1) the conviction of a natural person acquiring a qualifying holding for an intentionally committed crime has not been expunged or cancelled as prescribed by law;

(2) the person acquiring a qualifying holding has not justified the legality of funds to be invested for acquiring a shareholding;

(3) the natural person acquiring a qualifying holding has been declared as having no or limited active legal capacity as prescribed by law;

(4) the natural person acquiring a qualifying holding has been deprived of the right to hold positions in financial, insurance, banking, tax, customs, commercial, economic or legal spheres by a civil judgement or criminal judgement having entered into legal force;

(5) the person has been declared bankrupt and has outstanding (unreleased) liabilities;

(6) the transaction for the acquisition of a qualifying holding is aimed at or results in or may result in the restriction of free economic competition;

(7) the person acquiring a qualifying holding or an affiliated person thereof has previously committed an act which in the opinion of the Board of the Central Bank substantiated under the guidelines prescribed by regulatory legal acts of the Board of the Central Bank provide ground for suspecting that the actions of the respective person as a member having the right to vote in the decision-making process of the highest management body of the Company, may result in the bankruptcy or worsening of the financial position of the Company, or harm the reputation and business image of the Company;

(8) the participator acquiring a qualifying holding in the authorised capital of the Company as a result of a transaction for the acquisition of a qualifying holding or an affiliated person thereof, in the opinion of the Board of the Central Bank substantiated under the guidelines prescribed by regulatory legal acts of the Board of the Central Bank, is in a poor financial position or the financial position of the qualifying participator or affiliated persons

thereof may cause the worsening of the financial position of the Company, or the activities of persons acquiring a qualifying holding in the authorised capital of the Company or affiliated persons thereof, or the nature of their relations with the Company, in the reasoned opinion of the Board of the Central Bank, may impede the exercise of effective control by the Central Bank, or prevent identifying or effectively managing the risks of the Company;

(9) the documents have been submitted in violation of the requirements defined by regulatory legal acts of the Central Bank, or the documents or information submitted contain false or unreliable information, as well as if those documents are false or incomplete.

2. The Board of the Central Bank shall, within seven days after taking the decision on the refusal, be obliged to notify thereon the person having submitted an application for obtaining prior consent for the acquisition of a qualifying holding or the representative thereof.

(Article 18 amended by HO-203-N of 9 June 2022)

Article 19. Terminating prior consent for acquisition of qualifying holding

1. The Board of the Central Bank may terminate the prior consent for the qualifying holding in the authorised capital of the Company, if any one of the grounds for refusing to grant prior consent for the qualifying holding provided for by Article 18 of this Law has emerged after the person has acquired a qualifying holding in the authorised capital of the Company as prescribed by this Law.

2. In case of termination by the Board of the Central Bank of the prior consent for the qualifying holding in the authorised capital of the Company, the person with a qualifying holding in the authorised capital of the Company, upon the entry into force of the decision of the Board of the Central Bank, shall not benefit from the

right to vote reserved thereto by virtue of shareholding, to receive dividends and to be included in the board without election or to appoint a representative to the board. The voting right referred to in this part shall be accordingly distributed among other participators of the Company, in proportion to their shareholding in the authorised capital of the Company.

3. In case of termination by the Board of the Central Bank of the prior consent for the qualifying holding in the authorised capital of the Company, the person with a qualifying holding shall be obliged to alienate the shareholding thereof in the authorised capital of the Company within a reasonable time limit determined by the Board of the Central Bank.

Article 20. Legal consequences of illegal acquisition of qualifying holding

1. Without the prior consent of the Board of the Central Bank the transaction relating to the qualifying holding in the authorised capital of the Company shall be null and void.

2. The person having acquired a qualifying holding in the authorised capital of the Company by violating the procedure prescribed by this Law or regulatory legal acts of the Central Bank shall not benefit from right to vote reserved thereto by virtue of shareholding, to receive dividends and to be included in the board without election or to appoint a representative to the board. The voting right referred to in this part shall be accordingly distributed among other participators of the Company, in proportion to their shareholding in the authorised capital of the Company.

CHAPTER 5

MANAGEMENT BODIES, EXECUTIVE OFFICERS, INTERNAL AUDIT AND RESPONSIBLE ACTUARY OF INSURANCE COMPANIES

Article 21. Management bodies and executive officers of Company

1. The management bodies of a Company are:

   (1) the general meeting;

   (2) the board;

   (3) the executive body — the chief executive officer, and where provided for by the charter of the Company, the executive board of the Company.

2. The executive officers of the Company are the chairperson and members of the board, the chief executive officer, the head and members of the executive board, the chairperson and members of the administration, the deputy chief executive officer, the chief accountant and the deputy thereof, the head and members of the internal audit, the responsible actuary, the person responsible for the implementation of the function of risk management, the person responsible for the implementation of the function of ensuring compliance, the head and chief accountant of a territorial and a structural subdivision (directorate, department, division, group or another unit), in case of the existence of a branch, also the director of the branch, the deputy thereof, the chief accountant and the deputy thereof. Moreover, the responsible actuary is the head of the actuarial unit.

3. Where justified by the Central Bank based on the criteria defined by its regulatory legal acts, the person in any way influencing the decision-making process by management bodies of the Company or the person taking decisions independently may also be recognised as an executive officer of the Company.

4. Irrespective of the organisational and legal form, the Company shall be obliged to have the management bodies provided for by part 1 of this Article, a chief accountant, head of internal audit, responsible actuary, person responsible for the implementation of the function of risk management and person responsible for the implementation of the function of ensuring compliance, except for cases where a contract of delegation of insurance functions concluded with a relevant person in cases provided for by this Law and regulatory legal acts of the Central Bank adopted on the basis thereof exists. Where the positions of members of management bodies, chief accountant, head of internal audit, responsible actuary, person responsible for the implementation of the function of risk management and person responsible for the implementation of the function of ensuring compliance, of the Company become vacant, the Company shall be obliged to appoint, within a period of 90 days, members of management bodies, the chief accountant, the head of internal audit, the responsible actuary, person responsible for the implementation of the function of risk management and person responsible for the implementation of the function of ensuring compliance, as prescribed by this Law and regulatory legal acts of the Central Bank.

5. The regulatory legal acts of the Central Bank may prescribe the minimum requirements of the internal control system of the Company.

(Article 21 supplemented, amended, edited by HO-189-N of 25 October 2017)

Article 22. Professional competence and qualification of executive officers of Company

1. The standards of professional competence and qualification for executive officers of insurance and reinsurance companies, persons carrying out insurance

brokerage activities (except for the heads of structural subdivisions), as well as the procedure for verifying the professional competence and qualification procedure shall be defined by regulatory legal acts of the Central Bank.

2. The compliance of executive officers with the standards of professional competence and qualification referred to in part 1 of this Article may be verified at the Central Bank, if that is provided for by regulatory legal acts of the Central Bank.

Article 23. Requirements for executive officers of Company

1. An executive officer of a Company may be any person with active legal capacity, who:

   (1) complies with the standards of professional competence and qualification defined by regulatory legal acts of the Central Bank;

   (2) does not have conviction for an intentionally committed crime that has not been expunged or cancelled as prescribed by law;

   (3) is not deprived of the right to hold positions in financial, insurance, banking, tax, customs, commercial, economic, legal spheres by a criminal judgement;

   (4) has not been declared bankrupt and does not have outstanding (unreleased) liabilities;

   (5) has not previously committed an act which in the opinion of the Central Bank substantiated under the guidelines prescribed by regulatory legal acts of the Board of the Central Bank provide ground for concluding that the respective person as an executive officer of the Company cannot properly manage the respective field of activity of the Company or his or her actions may result in the bankruptcy or worsening of the financial position of the Company, or harm the reputation and business image of the Company;

(6) no criminal prosecution is initiated against him or her.

2. The chairperson or a member of the board of a Company may not at the same time be a member of the executive body or another employee of the respective Company, as well as the chairperson or a member of the board, a member of the executive body or another employee of another Company, except for cases when one of the two Companies is a subsidiary company or parent company for the other.

3. The chief executive officer, deputy chief executive officer, chief accountant, members of the executive board, head or members of the internal audit unit of a Company may not hold another position in the same Company or be an executive officer or another employee of another Company. The persons referred to in this part may perform other paid work apart from scientific, pedagogical and creative activities only by the consent of the board.

4. Apart from the position of actuary, the responsible actuary may not hold another position in the respective Company or another financial organisation. The person working as the responsible actuary of a Company may perform the functions of the responsible actuary in another Company only by the consent of the board of the Company in which he or she serves as a responsible actuary.

(Article 23 amended, edited by HO-203-N of 9 June 2022)

Article 24. Competencies of the general meeting

1. The general meeting is the highest management body of a Company.

2. The following shall be the exclusive competencies of the general meeting:

(1) confirming the charter of the Company, making amendments and supplements thereto, except for cases of increasing the authorised capital where the adoption of a decision thereon is reserved to the board by the charter;

(2) reorganising the Company;

(3) liquidating the Company;

(4) confirming the consolidated, interim and liquidation balance sheets, appointing a liquidation committee;

(5) confirming the quantitative composition of the board, electing the members thereof and terminating their powers early. Moreover, the issues of confirming the quantitative composition of the board and electing the members thereof shall be discussed exclusively at annual general meetings. The issue of electing the members of the board may be discussed at an extraordinary general meeting if the latter has adopted a decision on the early termination of the powers of the board or separate members thereof;

(6) confirming the person performing the external audit of the Company upon the recommendation of the board;

(7) confirming annual financial statements, distribution of profits and losses of the Company, taking a decision on payment of annual dividends and confirming the size of annual dividends;

(8) forming the counting committee;

(9) consolidating and splitting the stocks;

(10) determining the amount of remuneration or compensation of members of the board;

(11) adopting a decision on not exercising the preferential right for the acquisition of stocks in cases provided for by law;

(12) confirming the procedure for conducting the general meeting;

(13) establishing subsidiary or dependant companies;

(14) shareholding in subsidiary or dependant companies;

(15) acting as a founder of a non-governmental organisation;

(16) membership in a non-governmental organisation;

(17) adopting decisions on other issues provided for by law.

3. The adoption of decisions on issues specified in part 2 of this Article shall be reserved to the exclusive competence of the general meeting and may not be delegated to other management bodies or persons, except for issues specified in points 10, 13-16 of part 2 of this Article and the issue related to the increase of the authorised capital of the Company where the adoption of decisions thereon may be delegated to the board under the charter of the Company or a decision of the general meeting.

(Article 24 amended by HO-24-N of 16 December 2016)

Article 25. Organising activities of general meeting

1. Decisions of the general meeting may also be adopted through remote voting (inquiry), except for issues referred to in points 2, 3 and 7 of part 2 of Article 24 of this Law. The annual general meeting may not be held through remote voting (inquiry).

Remote meetings of the general meeting of a Company shall be convened in accordance with the procedure for convening and holding remote meetings as prescribed by the charter of the Company. Moreover, the general meeting may adopt its decisions in such a meeting where the participants of the general meeting may communicate with each other via telephone, video communication or other means of communication, including through email, software and application platforms (including mobile applications) in real-time regime. Such session meeting shall not be considered a remote meeting (through inquiry), and decisions adopted in such session shall not be considered to be adopted through remote voting (inquiry).

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

(1) participators holding common (ordinary) stocks of the Company, as per the number of their votes, as well as nominal shareholders having the right to vote;

(2) shareholders holding preferred stocks of the Company, as per the number of votes corresponding to the amount and nominal value of preferred stocks belonging to them, as well as nominal holders of those stocks, in cases and the manner prescribed by law and the charter of the Company;

(3) members of the board and executive body that are not participators of the Company, with the right of an advisory vote;

(4) members of the internal audit unit of the Company, as observers;

(5) person performing the external audit of the Company, as an observer (if his or her opinion is included in the agenda of the general meeting to be convened);

(6) responsible actuary, as an observer (if his or her opinion is included in the agenda of the general meeting to be convened);

(7) authorised officials of the Central Bank;

(8) other persons provided for by the charter of the Company.

3. The list of participators of the Company with the right to participate in the general meeting shall be drawn up as of the year, month and day set by the board, based on the data of the register of participators of the Company.

4. The year, month and day of drawing up the list of participators of the Company with the right to participate in the general meeting must meet the following two requirements at the same time:

(a) it must not precede the day of adopting the decision on convening a general meeting,

(b) the period between the day of drawing up the list and the day of holding the general meeting may not be more than 45 days.

5. If the general meeting is convened by remote voting, the year, month and day of drawing up the list of participators of the Company with the right to participate therein shall be at least 35 days earlier than the date of convening the general meeting.

6. Companies shall notify the Central Bank about holding a general meeting of their participators not later than 15 days prior to the date of holding it.

7. For the purpose of drawing up the list of participators of the Company with the right to participate in the general meeting, the nominal holders of stocks shall be obliged to provide data on persons in the interests thereof they dispose of the stocks, as of the year, month and day of drawing up the list.

8. The list of participators of the Company with the right to participate in the general meeting shall include data on the name, registered office (place of residence) and the shareholding of each participator of the Company in the authorised capital of the Company. Data on the shareholding of a shareholder in the authorised capital included in the list of participators of a joint-stock company with the right to participate in the general meeting must be presented as per the types and classes of stocks.

9. The list of participators of the Company with the right to participate in the general meeting must be provided to the participators of the Company which are registered in the register of participators of the Company at least 10 days prior to holding the meeting.

10. Upon requests of participators of the Company, the Company shall be obliged to provide them a letter of verification on their inclusion in the list of participators with the right to participate in the general meeting.

11. Changes in the list of participators of the Company with the right to participate in the general meeting may be made only for correcting the mistakes made while drawing up the list or for restoring the infringed rights and lawful interests of participators of the Company not included in the list.

(Article 25 edited by HO-189-N of 25 October 2017, supplemented, edited by HO-165-N of 31 March 2020)

Article 26. Board and formation of board

1. The board shall perform general management of activities of the Company within the scope of issues reserved to the board by this Law.

2. The board of the Company must be composed of at least 5 and maximum 13 members.

3. The members of the board shall be elected by the participators of the Company present at the annual general meeting and, in case of early termination of powers of a member of the board of the Company, by the participators of the Company present at the extraordinary general meeting as prescribed by law and the charter of the Company.

4. At the general meeting recommendations regarding candidates for members of the board of the Company may be presented by the participators of the Company, as well as the board (except when forming the board for the first time).

5. The participators of the Company possessing 10 per cent and more of placed voting stocks of the Company as of the day of drawing up the list of participators with the right to participate in the general meeting shall have the right to be included in the board without election or to appoint their representatives to the board.

6. The participators of the Company possessing up to 10 percent of placed voting stocks of the Company as of the day of drawing up the list of participators with the right to participate in the general meeting may join together and, in case they obtain 10 per cent and more of placed voting stocks of the Company, they may include their representative in the board without election by the general meeting.

The appointment of a representative to the board as prescribed by the first paragraph of this part shall be possible only where a respective agreement on forming a group of participators of the Company exists and upon informing the general meeting about that agreement.

The agreement referred to in the second paragraph of this part must contain the following conditions and information:

(1) data on participators of the Company joining together, including the amount of placed voting stocks of the Company belonging to them;

(2) information on the candidate for a member of the board recommended by participators joining together, prescribed by Article 84 of this Law;

(3) a condition that the agreement is concluded for a period of at least one year, and it shall not be amended or terminated before the end of that period;

(4) other conditions at the discretion of participators joining together.

Carbon copies of the agreement shall be provided to all participants of the general meeting at least 30 days before the day of holding the general meeting, and — in case of a remote voting — at least 30 days before the last day of the period set by the Company for accepting the completed ballot papers.

7. Participators with a small shareholding in the authorised capital of the Company shall have the right to appoint the representative representing their interests to the board of the Company.

With regard to the implementation of this part, a participator with a small shareholding in the authorised capital of the Company shall be considered the participator possessing less than 10 per cent of placed voting stocks of the respective Company, that has not concluded the agreement referred to in part 6 of this Article.

The joint representative of participators with a small shareholding in the authorised capital of the Company must be nominated by them and included in the board without election by the general meeting.

Only participators with a small shareholding or their representatives present at the meeting of the general meeting shall take part in the election of the representative of participators with a small shareholding in the authorised capital of the Company, even if there is only one of them. Participators of the Company having concluded an agreement referred to in part 6 of this Article shall not take part in the election of the representative of participators with a small shareholding in the authorised capital of the Company.

The procedure for electing, nominating and including a representative of participators with a small shareholding in the authorised capital of the Company in the board of the Company shall be prescribed by the charter. Moreover, the information on the nominated representative of participators with a small shareholding in the authorised capital of the Company, required by law, shall be provided by the board to all participants of the general meeting at least 30 days before the day of holding the general meeting, and — in case of a remote voting — at least 30 days before the last day of the period set by the Company for accepting the completed ballot papers.

Article 27. Members of the board

1. Members of the board must not be affiliated with each other. Members of the board and members of the executive body of the respective Company may not be affiliated persons.

2. The Company shall be obliged to provide remuneration or compensation to members of the board for their work or term of office, in the manner and under the conditions defined by the Council.

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

Article 28. Chairperson of the board

1. The chairperson of the board shall be elected by the board from among the members of the board.

2. The chairperson of the board shall:

   (1) organise the activities of the board;

   (2) convene and preside over board meetings;

   (3) organise the taking of minutes of board meetings;

   (4) preside at the general meeting of the Company;

   (5) organise the activities of adjunct committees of the board.

Article 29. Competences of the board

1. Competences of the board shall be the following:

   (1) determining the main directions of activity of the Company, including confirming the prospective development and business plans of the Company;

   (2) convening annual and extraordinary meetings of the general meeting, confirming the agenda, as well as ensuring the performance of preparatory activities with regard to convening and holding thereof;

(3) appointing the members of the executive body, the responsible actuary and employees of the actuarial unit of the Company, terminating their powers early and confirming the conditions of remuneration;

(4) establishing standards for internal supervision in the Company, appointing the head and members of the internal audit of the Company, confirming the annual work plan of the internal audit, terminating the powers of the head and members of the internal audit early and confirming the conditions of remuneration;

(5) confirming the estimate and performance of annual costs of the Company;

(6) confirming the organisational structure and the list of staff positions of the Company;

(7) increasing the authorised capital of the Company if it has the respective power under the charter or a decision of the general meeting;

(8) submitting recommendations to the general meeting related to the payment of dividends, including drawing up of the list of participators of the Company with the right to receive dividends for each dividend payment, which must include the participators of the Company that have been included in the register of participators of the Company as of the day of drawing up the list of participators with the right to participate in the annual general meeting of the Company;

(9) granting prior confirmation to annual financial statements of the Company and submitting them to the general meeting;

(10) introducing the person performing the external audit of the Company for the confirmation of the general meeting; determining the amount of payment to the person performing the external audit of the Company;

(11) establishing rules of business conduct;

(12) initiating and overseeing the implementation of measures to remedy the shortcomings identified during audit or other inspections in the Company;

(13) adopting internal legal acts establishing the manner of implementation by the Company of insurance activities;

(14) confirming the charters of territorial and independent structural subdivisions of the Company, dividing functional responsibilities between independent structural subdivisions of the Company;

(15) introducing the issues provided for in points 2, 10, 13-16 of part 2 of Article 24 of this Law for the consideration of the general meeting;

(16) adopting a decision on the placement of bonds and other securities of the Company;

(17) using the reserve and other funds of the Company;

(18) establishing branches, representative offices and agencies of the Company;

(19) defining the accounting policy of the Company, including the principles, basics, modes, rules, forms and internal legal acts for keeping accounting records and drawing up financial statements;

(20) adopting other decisions provided for by law and the charter of the Company.

2. The adoption of decisions on issues specified in part 1 of this Article shall be reserved to the exclusive competence of the board and may not be delegated to other management bodies of the Company or other persons.

3. At least once a year the board must discuss at its meeting the report of the person performing external audit (letter to the management), as well as discuss and where appropriate review the main directions of activity, strategy and other internal legal acts of the Company.

4. At least once a quarter the board must discuss the statements and reports of the internal audit unit, chief executive officer (executive board) and chief accountant, responsible actuary (head of actuarial unit) of the Company in the manner and form prescribed thereby.

5. The board shall be responsible for ensuring an effective internal control system in the Company.

(Article 29 edited, supplemented by HO-189-N of 25 October 2017)

Article 30. Board meetings

1. Board meetings shall be convened at least once every three months.

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

3. Board meetings shall be convened by the chairperson of the board upon his or her written request, the written request of a member of the board, the chief executive officer (executive board) of the Company, the head of the internal audit unit, the person performing the external audit of the Company, the Central Bank, as well as a participator (participators) holding 5 per cent or more of voting stocks of the Company.

4. Board meetings may be convened remotely pursuant to the procedure for convening and holding remote meetings prescribed by the charter of the Company. The board may adopt decisions in a meeting where all participants of the board meeting may communicate with each other via telephone, video communication or other means of communication, including through email, software and application platforms (including mobile applications) in the real-time regime. Such a meeting shall not be considered a remote meeting (through inquiry). Issues referred to in points 3, 4, 10 and 14 of part 1 of Article 29 of this

Law, as well as the confirmation of the prospective development or business plan of the Company, the issue of the election of the chairperson of the board may not be decided upon during remote meetings of the board.

5. The quorum for board meetings shall be determined by the charter of the Company, but may not be less than half of members of the board. Decisions of the board shall be adopted by the simple majority of votes of members of the board present at the meeting, unless otherwise provided for by this Law, or a greater number of votes is envisaged by the charter or the rules of procedure of the board confirmed by the general meeting.

6. During voting, each member of the board shall have only one vote. Transfer of the vote and the right to vote to another person (including to another member of the board) shall be prohibited. In case of a tie, the vote of the chairperson of the board shall be decisive, unless otherwise provided for by the charter.

7. The discussion of all issues of board meetings may take place only with the mandatory participation of the chief executive officer, except for issues related to the early termination of powers of the chief executive officer of the Company, as well as conditions of remuneration thereof. The chief executive officer shall participate in board meetings with the right of an advisory vote.

8. Minutes of board meetings shall be recorded. Minutes of a meeting shall be drawn up within 10 days after the meeting. The following shall be specified in the minutes:

   (1) year, month, day, time and place of convening the meeting;

   (2) persons that have participated in the meeting;

   (3) agenda of the meeting;

   (4) issues to be voted upon, as well as the results of voting for each member of the board that has participated in the meeting;

(5) opinions of members of the board and other persons participating in the board meeting on issues to be voted upon;

(6) decisions adopted at the meeting.

9. Minutes of board meetings shall be signed by all members participating in the meeting who shall be responsible for the accuracy and authenticity of information contained in the minutes.

10. Board meetings shall be conducted by the chairperson of the board who shall sign the decisions of the meeting. The chairperson of the board shall be responsible for the authenticity of information contained in a decision.

(Article 30 supplemented by HO-165-N of 31 March 2020)

Article 31. Adjunct committees of the board

1. The board may establish committees with a view to effectively organising its activities. The competences of and rules of procedure for committees shall be defined by a decision of the board.

2. Members of the board and other executive officers or employees of the Company may be involved in adjunct committees of the board.

3. Decisions of adjunct committees of the board shall have an advisory nature.

Article 32. Grounds for early termination of powers of members of the Board

1. Powers of a member of the board shall be terminated early by the general meeting on the basis of his or her application or if:

(1) he or she has been declared as having no or limited active legal capacity by a civil judgement of a court that has entered into legal force;

(2) circumstances have occurred during his or her term of office, by the virtue of which he or she is prohibited from being an executive officer of the Company in accordance with the law;

(3) he or she was absent from at least 1/4 of board meetings during one year without a valid reason, or overall (including absences for valid and invalid reasons) was absent from at least half of the meetings;

(4) he or she has been deprived of the right to hold positions in financial, banking, tax, customs, commercial, economic, legal spheres by a civil judgement or criminal judgement having entered into legal force;

(5) he or she has died.

2. Powers of a member of the board may also be terminated early provided that the remuneration determined for the remaining period of his or her term and, in case this period exceeds one year, the remuneration determined for one year is reimbursed to him or her by the Company.

The Company shall be entitled to claim back from the person removed from the position of a member of the board the remuneration reimbursed to him or her under the first paragraph of this part through a judicial procedure by proving in court that the member of the board has failed to fulfil (did not fulfil or improperly fulfilled) his or her official duties.

Article 33. Chief executive officer, executive board of Company

1. The management of current activities of the Company shall be carried out by the chief executive officer and, where provided for by the charter of the Company, by the executive board. The chief executive officer may have deputies. The chief executive officer (members of the executive board) of the Company shall be appointed by the board and the deputy chief executive officers shall be appointed

by the board upon the recommendation of the chief executive officer. The structure of the executive board of the Company shall be defined by the charter of the Company.

2. Where the charter provides for the establishment of an executive board, the competencies of the chief executive officer and the executive board shall be clearly distinguished in the charter.

3. The executive board shall act on the basis of the charter, as well as internal legal acts of the Company approved by the board, which define time limits and the procedure for convening and holding meetings of the executive board, as well as the procedure for adopting decisions thereby.

4. The chief executive officer of the Company, the deputy (deputies) thereof, the chief accountant shall be mandatorily included in the executive board.

5. The meetings of the executive board shall be conducted by the chief executive officer. Minutes of meetings of the executive board shall be recorded. Minutes of meetings of the executive board shall be presented to the board, the internal audit and the person performing the external audit of the Company upon their request. Minutes of a meeting shall be drawn up within 10 days after the meeting. The following shall be specified in the minutes:

   (1) year, month, day, time and place of convening the meeting;

   (2) names of persons that have participated in the meeting;

   (3) agenda of the meeting;

   (4) issues to be voted upon, as well as the results of the voting for each member of the executive board that has participated in the meeting;

   (5) opinions of members of the executive board and other persons participating in the meeting of the executive board on issues to be voted upon;

(6) decisions adopted at the meeting.

6. Minutes of a meeting of the executive board shall be signed by all members participating in the meeting who shall be responsible for the authenticity of information contained in the minutes.

7. Meetings of the executive board shall be organised and conducted by the chief executive officer who signs the decisions of the meeting. The chief executive officer shall be responsible for the authenticity of information contained in the decision.

8. The chief executive officer of the Company shall, as an exclusive competence thereof, represent the Company in the Republic of Armenia and in foreign states, conclude transactions on behalf of the Company, act on behalf of the Company without a power of attorney and issue powers of attorney.

9. The chief executive officer or the executive board of the Company shall:

(1) submit for the confirmation of the board the internal legal acts to be confirmed by the board, the charters of independent subdivisions, the organisational structure of the Company;

(2) dispose of the property of the Company, including financial means, issue orders, directives, binding instructions within the scope of his or her competences and supervise their implementation;

(3) hire and dismiss the employees of the Company;

(4) provide incentives to and impose disciplinary sanctions on the employees of the Company;

(5) ensure the enforcement of decisions of the general meeting and the board;

(6) perform other competencies related to the management of current activities of the Company provided for by the charter of the Company, as well as within the framework of legal acts prescribed by the board.

10. Issues which have not been defined as falling within the competence of the general meeting, the board, the internal audit unit or the responsible actuary under the law or the charter shall fall within the competence of the chief executive officer (executive board).

11. The chief executive officer (executive board) shall regularly, but not less than once a quarter, submit follow-up reports to the board as prescribed by the board.

12. The adoption of decisions on issues falling within the competence of the chief executive officer (executive board) may not be delegated to other management bodies, the internal audit, the chief accountant, the responsible actuary of the Company or another person.

    With the exception of persons defined in this part, powers of the chief executive officer may be temporarily (for a period not exceeding ninety days) delegated to another person in due manner, if the latter meets the standards of professional competence and qualification defined for chief executive officers of Companies by regulatory legal acts of the Central Bank.

13. Powers of the chief executive officer shall be terminated early by the board on the basis of his or her application or if:

    (1) he or she has been declared as having no or limited active legal capacity by a civil judgement of a court that has entered into legal force;

    (2) circumstances have occurred during his or her term of office, by the virtue of which he or she is prohibited from being the chief executive officer or another executive officer of the Company in accordance with the law;

    (3) he or she has been deprived of the right to hold positions in financial, banking, tax, customs, commercial, economic, legal spheres by a civil judgement or criminal judgement having entered into legal force;

(4) he or she has died.

14. Powers of the chief executive officer may also be terminated early provided that the remuneration determined for the remaining period of his or her term and, in case this period exceeds one year, the remuneration determined for one year is reimbursed to him or her by the Company.

The Company shall be entitled to claim back from the person removed from the position of the chief executive officer the remuneration reimbursed to him or her under the first paragraph of this part by proving in court that the chief executive officer has failed to fulfil (did not fulfil or improperly fulfilled) his or her official duties.

Article 34. Chief accountant of the Company

1. The chief accountant of the Company or the person exercising such responsibilities (hereinafter referred to as "chief accountant") shall exercise the rights and responsibilities prescribed for the chief accountant by the Law of the Republic of Armenia "On accounting".

2. The chief accountant shall be appointed by the board upon the recommendation of the chief executive officer (executive board).

3. The rights and responsibilities of the chief accountant may not be delegated to any other management body or official, except for the case prescribed by this part. With the exception of persons defined in the first paragraph of part 12 of Article 33 of this Law, powers of the chief accountant may be temporarily (for a period not exceeding ninety days) delegated to another person in due manner, if the latter meets the standards of professional competence and qualification defined for chief accountants of Companies by regulatory legal acts of the Central Bank.

4. The chief accountant shall, at least once a quarter, submit a financial statement to the board and the chief executive officer (executive board) in the form and content confirmed by the board.

5. The chief accountant shall be responsible for keeping accounting records of the Company, the state and authenticity thereof, the annual report, the timely submission of financial statements and statistical reports to state administration bodies prescribed by laws and other legal acts, as well as for the authenticity of financial information related to the Company provided to participators of the Company, creditors, press and other mass media in accordance with the law, other legal acts and the charter of the Company. The responsibility of the chief accountant for drawing up, submitting or publishing the statements and reports referred to in this part shall not extend to the statements and reports prescribed by law to be drawn up, submitted and published by the responsible actuary of the Company. The statements and reports of the Company containing different information, the responsibility for the drawing up, submission or publication of which bear both the chief accountant and the responsible actuary shall be signed by both officials.

Article 35. Internal audit

1. The head and members of the internal audit shall be appointed by the board. The head and members of management bodies of the Company, other executive officers and employees, as well as persons affiliated with the members of the executive body or the chief accountant may not be members of the internal audit.

2. In accordance with the rules of procedure confirmed by the board, the internal audit shall:

   (1) give an independent assessment of the quality, adequacy and effectiveness of the internal control, including risk management systems of the Company, the management system and processes of the Company;

(2) ***(point repealed by HO-189-N of 25 October 2017)***

(3) give opinions and recommendations on issues raised by the board, as well as issues put forward on its own initiative.

3. The regulation of issues related to competences of the internal audit may not be delegated to management bodies of the Company or other persons.

4. Every year the board shall approve the annual internal audit plan.

5. The annual plan must include at least the following:

(1) spheres in which an audit inspection must be carried out;

(2) description of the content of audit observation in specific spheres.

6. The head of the internal audit shall submit to the board (carbon copy — to the executive body) the following reports:

(1) regular report on the results of inspections prescribed by the annual plan;

(2) extraordinary reports, if in the reasoned opinion of the internal audit, material violations have been identified. Moreover, if the violations are caused by the actions or omissions of the executive body, the chief accountant or the board, the report shall be directly submitted to the chairperson of the board.

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

(1) description of the audit observation;

(2) violations and deficiencies identified as a result of the observation and measures proposed for the elimination thereof;

(3) opinion of the internal audit on the violations and deficiencies identified.

8. In cases provided for by this part, reports shall be submitted within maximum five working days after detecting the violation.

9. In case of identifying violations of laws, other legal acts, the internal audit shall be obliged to submit them to the board, and submit their carbon copies to the Central Bank. Performance of the duties referred to in this part by the internal audit may not cause any negative consequences or obligations for the latter.

10. Audit committees shall not be established in Companies.

(Article 35 amended, edited, supplemented by HO-189-N of 25 October 2017)

Article 36. Responsible actuary

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

2. The responsible actuary of the Company shall:

   (1) verify the conformity of the calculation of insurance premiums and the formation of technical reserves with the requirements of this Law and other legal acts;

   (2) determine whether the calculated insurance premiums and formed reserves ensure the performance of obligations from insurance contracts;

   (3) calculate insurance tariffs, insurance premiums, as well as the sum ensured, pension and annuity sums;

   (4) attest to fulfilment by the Company of the requirements prescribed in Section 4 of this Law;

   (5) draw up, submit or publish statements and reports prescribed by laws and other legal acts that have the following content:

a. a report reflecting the principles for calculating technical reserves;

b. a report reflecting the equivalence of the reserves of the Company, assets equivalent to the reserves and obligations arising from insurance contracts;

c. a report showing that the insurance premiums (insurance tariffs) are sufficient;

d. a report showing the actual amount of prudential standards of the Company prescribed by this Law and other legal acts.

3. The executive body shall be obliged to provide the responsible actuary with information necessary for exercising the powers thereof.

4. The responsible actuary shall be obliged to submit a report to the board at least once a quarter.

5. If the responsible actuary (head of actuarial unit) has revealed while exercising the powers thereof that the insurance premiums have not been calculated and the technical reserves have not been formed as prescribed by this Law and other legal acts, and the performance of obligations arising from insurance contracts has been put at risk as a result thereof, the responsible actuary shall immediately, but not later than within five days inform the board, the executive body and the Central Bank thereof. Performance of the duties by the responsible actuary referred to in this part by the internal audit may not cause any negative consequences or obligations for the latter.

6. The annual report of the Company must include the report of the responsible actuary and the opinion on the insurance premiums and technical reserves being calculated as prescribed by this Law.

(Article 36 supplemented by HO-189-N of 25 October 2017)

Article 36.1 Person responsible for the implementation of the function of risk management

1. A person responsible for the implementation of the function of risk management shall:

   (a) identify, assess the risks inherent in the activities of the Company, provide an overview of the risk of the Company;

   (b) carry out control and monitoring of the identified risks, ensure their effective management;

   (c) submit the risk management strategy of the Company, acceptable limit of the risk, as well as individual risk management policies for the approval of the Board, submit reports on description of risks and processes of risk management of the Company to the Board and executive body in the frequency established by the Board;

   (d) perform other functions related to risk management prescribed by regulatory legal acts of the Central Bank.

2. The regulatory legal acts of the Central Bank may prescribe the minimum requirements for the effective implementation of the function of risk management of the Company.

(Article 36.1 supplemented by HO-189-N of 25 October 2017)

Article 36.2 Person responsible for the implementation of the function of ensuring compliance

1. A person responsible for the implementation of the function of ensuring compliance of the Company shall:

(a) ensure the compliance of the activities of the Company and employees of the Company with the requirements of laws, other regulatory legal acts, including the internal legal acts of the Company;

(b) ensure the formation and maintenance of responsible behaviour in the Company;

(c) assess the impact of possible changes in the legal acts on the activities of the Company and the possible risks related thereto;

(d) perform other functions related to ensuring the compliance prescribed by the regulatory legal acts of the Central Bank.

2. The regulatory legal acts of the Central Bank may prescribe the minimum requirements for the effective implementation of the function of ensuring compliance of the Company.

(Article 36.2 supplemented by HO-189-N of 25 October 2017)

CHAPTER 6

EXTERNAL AUDIT

Article 37. Annual audit of financial and economic activities

1. The financial and economic activities of Companies must be audited each year by a person performing audit. Regulatory legal acts of the Central Bank may prescribe the criteria for persons performing audit of financial and economic activities of Companies, in case of compliance wherewith a person performing audit may render auditing services to a Company.

2. The board may request audit of the Company at any time, at the expense of the Company.

3. A person performing external audit may conduct an inspection of financial and economic activities of the Company also at the request of participators holding at least 5 percent of voting stocks of the Company. In that case the participators requesting the audit shall select the person performing the audit, conclude a contract therewith, pay for its services. Moreover, the persons specified in this part may request from the Company to compensate the expenses incurred by them, and the Company shall be obliged to compensate them where that audit has, by the decision of the general meeting or of the board, been justified for the Company.

4. The contract concluded with the person performing the audit of the Company shall, in addition to the obligation to draw up an audit opinion, also provide for the preparing of an audit report (letter to the executive officers of the Company).

5. The Company shall, in the contract concluded with the person performing the audit, also provide for inspection of accuracy of statements and reports submitted by the Company to the Central Bank, of compliance of technical reserves with the requirements of main prudential standards, requirements prescribed by this Law and regulatory legal acts of the Central Bank for - placement of assets covering the technical reserves.

6. In case of discovering, in its opinion, facts of significant worsening of the financial position of the Company, as well as shortcomings in the internal systems (including the internal supervision system) while performing an audit inspection, the person performing the audit shall be obliged to notify the Central Bank about them immediately, but not later than within five working days. Performance of the duties referred to in this part by the external audit may not cause any negative consequences or obligations for the latter.

7. The Central Bank may compel the Company to invite a person performing audit within four months and publish the financial statements of the Company and the opinion of the person performing the audit on the official Internet website of public notifications of the Republic of Armenia at http://www.azdarar.am.

8. The Company must submit the opinion and the report of the auditor to the Central Bank by 1 May of the year following a given financial year.

9. At the request of the Central Bank, the person performing the audit shall be obliged to submit the necessary documents with regard to the audit of the Company to the Central Bank even if they constitute trade, banking, insurance or other secrets. In case of failure to fulfil the obligations prescribed by this part, the person performing the audit shall bear liability prescribed by law.

10. The person performing the audit of the Company shall also submit an opinion on the following:

    (1) adequacy of technical reserves of the Company;

    (2) compliance with the requirements of prudential standards for Companies prescribed by this Law and regulatory legal acts of the Central Bank;

    (3) compliance with the requirements prescribed by this Law and regulatory legal acts of the Central Bank for placement of assets covering the technical reserves of the Company;

    (4) compliance of the internal auditing and the internal supervision system of the Company with the requirements prescribed by this Law and regulatory legal acts of the Central Bank;

    (5) existence of an internal information system within the Company or the quality thereof;

    (6) completeness and accuracy of statements and reports submitted to the Central Bank.

11. More detailed requirements with regard to the audit and form and content of the audit opinion may be prescribed for persons performing audit by joint regulatory legal acts of the Central Bank and authorised state administration body of the Government of the Republic of Armenia.

12. The Central Bank may request the person performing the audit to give additional explanations and clarifications with regard to the opinion and report thereof.

13. Where the audit opinion and/or report were drawn in violation of the requirements prescribed by this Law, other laws and legal acts, or the audit was not performed as prescribed by laws and legal acts, the Central Bank need not accept it and may request a new audit by another person performing audit at the expense of the Company.

(Article 37 amended by HO-142-N of 19 March 2012, supplemented by HO-189-N of 25 October 2017)

SECTION 3

REGISTRATION AND LICENSING OF COMPANIES, DELEGATION OF INSURANCE FUNCTIONS

CHAPTER 7

LICENCE FOR INSURANCE ACTIVITIES

Article 38. Licence for insurance activities

1. A licence for insurance activities (hereinafter referred to in this Article as the "licence") is a document issued by the Central Bank certifying the permission to carry out insurance activities.

2. A licence shall be issued without time limits. It may not be alienated, pledged or transferred.

3. The licence number, date of issue, the Company's full trade name, registration number, type(s) and class(es) of insurance shall be indicated in the licence.

4. The single form of the licence shall be prescribed by regulatory legal acts of the Central Bank.

5. The licence may be revoked by the decision of the Central Bank in cases and in the manner prescribed by law.

6. In case the licence has been revoked, the Company shall return it to the Central Bank within a period of three days.

7. In case the licence is lost, the Company shall immediately, but not later than within five days, notify the Central Bank about it. At the request of the Company, the Central Bank shall, within a period of ten days, provide the Company with a duplicate of the licence.

8. The procedure for licensing insurance activities shall be prescribed by this Law and regulatory legal acts of the Central Bank.

Article 39. Validity of the licence for insurance activities

1. A licence for insurance activities shall be issued for carrying out insurance activities of one or several classes or sub-classes prescribed by Article 7 of this Law.

2. Companies and foreign insurance Companies' branches registered in the Republic of Armenia may carry out insurance activities of only those classes and sub-classes of insurance, for which the licence has been obtained.

3. A Company may simultaneously provide life insurance and life reinsurance or non-life insurance and non-life reinsurance.

4. A Company may not simultaneously carry out insurance activities of life and non-life insurance classes specified in Article 7.

5. A reinsurance company may simultaneously provide life and non-life insurance.

6. A Company holding a licence for certain classes of non-life insurance may, without additional licensing, provide additional insurance of insurance risks of another class where those insurance risks are related to an insured object insured within the scope of a licensed class and said insurance risks and insured object have been insured under the same insurance contract.

The provisions of this part shall not extend to insurance activities of classes prescribed by points 14 (loan insurance), 15 (provision of guarantee) and 17 (insurance for judicial and extrajudicial expenses) of part two of Article 7 of this Law except for cases when the insurance for judicial and extrajudicial expenses constitutes additional insurance for insurance of classes prescribed by points 6 (water vehicle insurance), 12 (liability insurance arising from the use of water vehicles (also cargo carriers)) and 18 (support insurance) of part 2 of Article 7 of this Law.

7. A Company holding a licence for life insurance may provide insurance of the classes prescribed by points 1 (accident insurance) and 2 (health insurance) of part 2 of Article 7 of this Law where they complement the main activities thereof and derive from servicing life insurance contracts.

8. The carrying out of insurance, reinsurance or insurance brokerage activities without a licence issued by the Central Bank shall be prohibited.

Article 40. Registration and licensing of a Company

1. For the purpose of state registration and licensing of a Company, the founders thereof shall submit the following to the Central Bank in the form, manner and with the content prescribed by the Central Bank:

   (1) application for registration and licensing;

   (2) business plan of the Company;

   (3) charter of the Company confirmed by the meeting of the founders of the Company — in 6 copies;

   (3.1) application for registration of the trade name of the Company, the requirements for which, the list of documents to be submitted along wherewith, as well as the relations connected with the consideration of the application and registration of the trade name and the amendments thereto shall be regulated as jointly prescribed by the Central Bank and the authorised body of the Government of the Republic of Armenia;

   (4) list of the participators of the Company indicating their name, place of residence (registered office), the nominal value and number of shares to be placed, the size of the shareholding in the authorised capital of the Company;

   (5) decision of the meeting of the founders of the Company on appointing the executive officers of the Company;

   (6) statement of information on the activities of the executive officers of the Company (work, education, business), certified samples of their signatures;

   (7) copies of the qualification certificates of the executive officers and of the responsible actuaries (if such exist);

   (8) documents prescribed by Article 17 of this Law and other regulatory legal acts of the Central Bank for obtaining prior consent to the qualifying

holding of the persons with qualifying holding in the authorised capital of the Company;

(9) for legal persons with qualifying holding in the Company — financial statements covering the preceding three years and independent audit opinions thereon;

(10) list of the persons with qualifying holding in the Company and of the persons affiliated therewith;

(11) draft contracts of delegation of insurance functions, if such exist;

(12) draft rules of procedure for the activities of the Company;

(13) state duty payment receipt;

(14) document certifying the payment of the authorised capital of the Company to the cumulative account opened with the Central Bank or any bank not affiliated with the Company and operating in the territory of the Republic of Armenia;

(15) statement on the compliance of the premises for activities of the Company with the standards prescribed by the Central Bank;

(16) other documents prescribed by regulatory legal acts of the Central Bank.

2. The Central Bank may request additional information necessary to assess the accuracy of the information specified in part 1 of this Article.

3. The Central Bank may, in cases provided for by regulatory legal acts thereof, prescribe exceptions to the documents specified in part 1 of this Article for branches of foreign Companies, foreign non-resident qualifying shareholders and executive officers.

5. Where after submitting the application prescribed by this Article changes have been made to the information submitted, the applicant shall also be obliged to

submit the information changed before the Central Bank takes a decision on registration and issuance of a licence or on rejecting the registration and issuance of a licence.

6. The procedure for registration and licensing of Companies, form and content of required documents, procedure for the submission thereof shall be prescribed by regulatory legal acts of the Central Bank.

(Article 40 supplemented by HO-144-N of 8 June 2009, amended by HO-142-N of 19 March 2012)

Article 41. Decision on registration and licensing

1. The Central Bank shall adopt a decision on registering a Company and issuing a licence where the submitted documents and information comply with this Law, other laws and legal acts and there are no grounds prescribed by this Law for rejecting the registration of the Company and the issuing of a licence.

2. The Central Bank shall, within a period of five days upon taking the decision on registration and issuance of a licence, hand the registration certificate and licence over to the Company.

3. The Central Bank shall register and license the Company or reject the registration and licensing of the Company within a period of 30 days after the submission of the application by the founders of the Company, the processing whereof may, upon the decision of the Central Bank, be suspended for not more than 30 days for the purpose of acquiring certain information required by the Central Bank. Where the Central Bank does not, within the specified period, adopt a decision on rejecting the registration and issuance of a licence or on the registration and licence, the licence shall be deemed to be issued, and the Company — registered.

4. The Central Bank shall, within a period of five days after adopting the decision on the registration of the Company, notify thereof the state authorised body carrying out the registration of legal persons for it to make a relevant entry about the registration of the Company.

5. The Company shall acquire the status of a legal person upon being registered with the Central Bank.

Article 42. Grounds for rejecting the application for registration and licensing

The Central Bank may reject the registration and licensing of a Company where:

(1) false or incomplete documents have been submitted or the submitted documents contain unreliable or false data;

(2) pursuant to the business plan, the calculated insurance premiums (insurance tariffs) and reserves are not sufficient for the fulfilment by the Company of the liabilities arising from insurance contracts;

(3) executive officers of the Company do not meet the requirements prescribed by this Law and regulatory legal acts of the Central Bank;

(4) the Company does not meet the requirements prescribed by this Law and other legal acts for carrying out insurance activities;

(5) the charter of the Company contravenes the law;

(6) provisions of the charter or rules of procedure for the activities of the Company are not accurate and sufficiently clear due to which the normal operation of the Company or the interests of policyholders may be jeopardised;

(7) the Company does not have the necessary premises or technical equipment complying with the requirements prescribed by regulatory legal acts of the Central Bank;

(8) the Central Bank has rejected or is rejecting even one of the applications for prior consent to acquiring a qualifying holding in the authorised capital of the Company;

(9) the submitted business plan does not comply with the requirements prescribed by this Law or regulatory legal acts of the Central Bank;

(10) in the reasonable opinion of the Central Bank, the business plan is unrealistic or by acting in accordance with the plan the Company will not be able to carry out normal insurance activities;

(11) in the reasonable opinion of the Central Bank, the activities, financial position, bad reputation of the founders of the Company or of the persons affiliated therewith or their lack of experience in the financial sector may jeopardise the interests or rights of policyholders, insured persons or beneficiaries or hinder the carrying out of normal insurance activities by the Company or the exercise of due control by the Central Bank;

(12) the minimum amount of the authorised capital prescribed by regulatory legal acts of the Central Bank has not been paid.

Article 43. State duty

(title edited by HO-70-N of 25 June 2019)

State duty shall be charged for issuing a licence to, registering and record-registering the Company, branch of the Company, representation of the Company, branch or representation of the foreign Company, reinsurance company, insurance brokerage company in the manner and amount prescribed by the Law of the Republic of Armenia "On state duty".

(Article 43 edited by HO-70-N of 25 June 2019)

Article 44. Business plan of a Company

1. A business plan shall be drawn up for the upcoming three years and contain the following information:

   (1) internal organisational structure of the Company;

   (2) calculation of incomes and expenses;

   (3) prospective financial development trends;

   (4) description of potential markets where activities might be carried out;

   (5) main competitors and methods for withstanding the competition;

   (6) management methods and assessment of potential risks;

   (7) each class and sub-class of insurance to be provided by the Company or the branch;

   (8) more detailed description of business forecasts with regard to each class and sub-class of insurance;

   (9) reinsurance plan;

   (10) internal procedures for calculating the technical reserves;

   (11) policy of placement of assets covering the technical reserves;

   (12) amounts of insurance premiums (insurance tariffs) and the justification thereof signed by the responsible actuary or the candidate for the position of the head of the actuarial unit except for the case of applying a reliable reinsurer's tariff as prescribed by this Law and regulatory legal acts of the Central Bank;

   (13) other information prescribed by regulatory legal acts of the Central Bank.

The Company may submit also other information concerning the business plan.

2. While carrying out its activities, the Company must, in the manner, form and within the time limits prescribed by regulatory legal acts of the Central Bank,

submit to the Central Bank a report on the implementation of the business plan submitted during the registration and licensing.

3. Companies shall, in the manner, form and within the time limits prescribed by regulatory legal acts of the Central Bank, be obliged to submit to the Central Bank a business plan covering three years of activities and the amendments made thereto.

Article 45. Revocation of the licence

1. The Board of the Central Bank shall revoke the licence of a Company, insurance brokerage company, the registration of a foreign Company's branch operating in the territory of the Republic of Armenia on the grounds of liquidation, reorganisation (except for conversion), bankruptcy and on other grounds prescribed by law.

2. The Board of the Central Bank may, in cases prescribed by this Law, revoke the licence of a Company as a sanction imposed for violations of legal acts committed by the Company.

CHAPTER 8

OPENING OF TERRITORIAL SUBDIVISIONS OF COMPANIES IN THE REPUBLIC OF ARMENIA

Article 46. Branches and representative offices of Companies

1. Companies operating in the territory of the Republic of Armenia may open branches and representative offices in the Republic of Armenia as prescribed by this Law and other legal acts.

2. The branch of a Company is a separated subdivision of the Company without the status of a legal person and located outside the registered office of the Company, which operates within the scope of powers granted by the Company, and carries out insurance activities on behalf thereof. A branch may carry out insurance activities only within the scope of those classes of insurance for which the Company has received a licence.

3. The representative office of a Company is a separated subdivision of the Company without the status of a legal person and located outside the registered office of the Company, which represents the Company, analyses the financial market, concludes contracts on behalf of the Company, performs other similar functions.

Representative offices shall not have the right to carry out insurance activities.

4. Branches to be established in the territory of the Republic of Armenia of a Company operating in the territory of the Republic of Armenia shall be registered by the Central Bank by submitting the following documents in the form and with the content prescribed by regulatory legal acts of the Central Bank:

   (1) decision of the Board of the Company or an extract from the protocol on opening a branch;

   (2) letter of request of the Company;

   (3) charter of the branch;

   (4) statement of information on the activities of the executive officers of the branch to be established — in the form prescribed by the Central Bank;

   (5) business plan of the branch to be established — in the form prescribed by the Central Bank;

(6) statement on providing premises to the branch and on the compliance of the technical equipment of the branch with the standards prescribed by regulatory legal acts of the Central Bank;

(7) other documents and information prescribed by regulatory legal acts of the Central Bank.

5. To register the representative office to be established in the territory of the Republic of Armenia of a Company operating in the territory of the Republic of Armenia, the Company shall submit the following to the Central Bank:

(1) letter of request of the Company;

(2) decision of the competent management body of the Company on establishing a representative office in the Republic of Armenia;

(3) charter of the representative office;

(4) other documents prescribed by regulatory legal acts of the Central Bank.

6. The Central Bank shall, within a period of 30 days upon the submission of the letter of request and the required documents provided for by this Article, register the branch or the representative office and issue a registration certificate, and in case of rejecting the registration it shall, within a period of five working days, inform the Company of the grounds for rejecting.

7. The Central Bank shall, within a period of five days after taking the decision on the registration of the branch or the representative office, notify thereof the state authorised body carrying out the registration of legal persons for it to make a relevant entry about the registration of the branch or the representative office.

8. The Central Bank may reject the letter of request of a Company for registration of a branch to be established in the Republic of Armenia where:

(1) submitted documents contain unreliable or false data;

(2) submitted documents are incomplete;

(3) premises of the branch of the Company or the technical equipment do not comply with the requirements prescribed by regulatory legal acts of the Central Bank;

(4) the professional knowledge or qualification of the executive officers of the branch of the Company do not comply with the standards prescribed by regulatory legal acts of the Central Bank;

(5) the Company has — within one year prior to the moment of submitting the documents for registration of the branch to the Central Bank — violated main prudential standards, or the opening of a branch will result in the worsening of the financial position of the Company;

(6) the submitted business plan of the branch or the amendments made to the plan do not comply with the requirements prescribed by this Law or regulatory legal acts of the Central Bank;

(7) in the reasonable opinion of the Central Bank, the business plan of the branch or the amendments made to the plan are unrealistic or by acting in accordance with the plan the branch of the Company will not be able to carry out normal insurance activities;

(8) the composite score of performance of the Company upon submitting the documents for registration of the branch is lower than the score prescribed by the Central Bank.

9. The Central Bank may reject the letter of request for registration of a representative office to be established in the territory of the Republic of Armenia of a Company where:

(1) submitted documents contain unreliable or false data;

(2) submitted documents are false or incomplete;

(3) in the reasonable opinion of the Central Bank, the establishment of the representative office will result in the worsening of the financial position of the Company;

(4) upon submitting the documents for registration of the representative office, the composite score of performance of the Company is lower than the score prescribed by the Central Bank.

10. The procedure for and conditions of termination (including temporary suspension) of the activities of branches and representative offices shall be prescribed by regulatory legal acts of the Central Bank. The Central Bank may prohibit the termination or temporary suspension of the activities of branches or representative offices in cases and under the conditions prescribed by regulatory legal acts of the Central Bank.

Article 47. Registration of foreign Companies' branches and representative offices in the Republic of Armenia

1. A foreign Company may establish a branch in the territory of the Republic of Armenia by registering it with the Central Bank as prescribed by this Law and regulatory legal acts of the Central Bank.

2. To register a foreign Company's branch to be established in the territory of the Republic of Armenia, the foreign Company must, in the form, manner and with the content prescribed by regulatory legal acts of the Central Bank, submit the following documents:

(1) application for registration of a branch;

(2) decision of the competent management body of the foreign Company on establishing a branch in the Republic of Armenia;

(3) the charter of the branch confirmed by the competent management body — in 6 copies;

(4) rules of procedure for the activities of the branch, if such exist;

(5) in accordance with the legislation of the country of registration of the foreign Company, the registration certificate of the Company, its charter or other founding documents, licence, as well as notary certified Armenian translations thereof;

(6) financial statements of the foreign Company drawn up in accordance with the international accounting standards and covering the last three years, as well as independent audit opinions thereon;

(7) statement of information on persons with qualifying holding in the authorised capital of the foreign Company;

(8) business plan of the branch;

(9) decision or other document of the competent body exercising control over the foreign Company on permitting or not objecting to the establishment of a branch in the Republic of Armenia;

(10) statement of information from the competent body exercising control over the foreign Company to the effect that the foreign Company has a permission to carry out insurance activities and carries out insurance activities in accordance with the legislation of the country of the main registration;

(11) decision of the competent management body of the foreign Company on appointing executive officers of the branch of the Company;

(12) statement of information on the activities of the executive officers of the branch of the foreign Company and certified samples of their signatures;

(13) copies of contracts of delegation of insurance functions, if such exist;

(14) state duty payment receipt;

(15) statement on the compliance of the premises for activities of the branch of the foreign Company with the standards prescribed by regulatory legal acts of the Central Bank;

(16) other documents prescribed by regulatory legal acts of the Central Bank.

3. A foreign Company may establish a representative office in the territory of the Republic of Armenia by registering it with the Central Bank as prescribed by this Law and regulatory legal acts of the Central Bank.

4. To register a representative office to be established in the territory of the Republic of Armenia of a foreign Company, the foreign Company must, in the form and with the content prescribed by regulatory legal acts of the Central Bank, submit the following documents:

(1) application for registration of a representative office;

(2) decision of the competent body of the foreign Company on establishing a representative office in the Republic of Armenia;

(3) charter of the representative office — in 6 copies;

(4) in accordance with the legislation of the country of registration of the foreign Company, notary certified copies of the registration certificate of the insurance company, its charter or other founding documents and licence for insurance activities — in Armenian;

(5) financial statements of the foreign Company drawn up in accordance with the international accounting standards and covering the last three years, as well as independent audit opinions thereon;

(6) statement of information on persons with qualifying holding in the authorised capital of the foreign Company;

(7) decision or other document of the competent body exercising control over the foreign Company on permitting or not objecting to the establishment of a representative office in the Republic of Armenia;

(8) statement of information from the competent body exercising control over the foreign Company to the effect that the foreign Company has a licence to carry out insurance activities and carries out insurance activities in accordance with the legislation of the country of the main registration;

(9) other documents prescribed by regulatory legal acts of the Central Bank.

5. The Central Bank shall adopt a decision on registering the branch or representative office of a foreign Company where the submitted documents and information comply with this Law, other laws and legal acts and there are no grounds prescribed by this Law for rejecting the registration of the branch or representative office of the foreign Company.

6. The Central Bank shall, within a period of five days upon taking the decision prescribed by part 5 of this Article, be obliged to hand the registration certificate over to the foreign Company.

7. The Central Bank shall, within a period of 30 days upon the submission of the application by a foreign Company, register the branch or representative office of the foreign Company or reject the registration, the processing whereof may, upon the decision of the Central Bank, be suspended for not more than 30 days for the purpose of acquiring certain information required by the Central Bank. Where the Central Bank does not, within the specified period, adopt a decision on rejecting the registration and issuance of a licence or on registration and issuance of the license, the branch shall be deemed to be registered.

8. The Central Bank shall, within a period of five days after adopting the decision on the registration of the branch or the representative office of the foreign Company, notify thereof the state authorised body carrying out the registration

of legal persons for it to make a relevant entry about the registration of the branch or the representative office of the foreign Company.

9. The Central Bank may require additional information necessary to assess the accuracy of the information specified in part 2 and 4 of this Article.

10. The Central Bank may, in cases prescribed by regulatory legal acts thereof, prescribe exceptions to the documents specified in parts 2 and 4 of this Article.

Article 48. Grounds for rejecting the application for registration of the branch and representative office of a foreign Company in the territory of the Republic of Armenia

1. The Central Bank shall reject the registration of the branch of a foreign Company in the territory of the Republic of Armenia where:

   (1) false or incomplete documents have been submitted or the submitted documents contain unreliable or false data;

   (2) the calculated insurance premiums (insurance tariffs) and reserves are not sufficient for the fulfilment by the foreign Company of the liabilities arising from insurance contracts;

   (3) executive officers of the branch of the foreign Company do not meet the requirements prescribed by this Law and regulatory legal acts of the Central Bank;

   (4) the foreign Company or the branch to be established in the territory of the Republic of Armenia does not meet the requirements prescribed by this Law and other legal acts for carrying out insurance activities;

   (5) the charter of the branch of the foreign Company contravenes the law;

(6) the provisions of the charter or rules of procedure for the activities of the branch of the foreign Company are not accurate or sufficiently clear due to which normal operation of the branch of the foreign Company or the interests of policyholders, insured persons or beneficiaries may be jeopardised;

(7) the branch of the foreign Company does not have the necessary premises or technical equipment complying with the requirements prescribed by regulatory legal acts of the Central Bank;

(8) the submitted business plan does not comply with the requirements prescribed by this Law or regulatory legal acts of the Central Bank;

(9) in the reasonable opinion of the Central Bank, the business plan is unrealistic or by acting in accordance with the plan the branch of the foreign Company will not be able to carry out normal insurance activities;

(10) in the reasonable opinion of the Central Bank, the activities, financial standing, reputation or experience of the qualifying shareholders of the foreign Company or of the persons affiliated therewith may jeopardise the interests or rights of policyholders, insured persons or beneficiaries or hinder the carrying out of normal insurance activities by the branch of the foreign Company or the exercise of due control by the Central Bank;

(11) in the reasonable opinion of the Central Bank, the body responsible for the control over the insurance sector in the country of main activities of the Company does not exercise control, in due manner and in compliance with international standards, over the activities of Companies registered in that state or said state does not enable the Central Bank to inspect or exercise due control over the branch to be established;

(12) in case of establishing a branch in the territory of the Republic of Armenia, the Company does not prove the necessity of establishing a branch in the

Republic of Armenia or, in the reasonable opinion of the Central Bank, is planning to circulate proceeds of crime.

2. The Central Bank shall reject the registration of the representative office of a foreign Company in the territory of the Republic of Armenia where:

(1) false or incomplete documents have been submitted or the submitted documents contain unreliable or false data;

(2) the charter of the foreign Company contravenes the law;

(3) in case of establishing a representative office in the territory of the Republic of Armenia, the Company does not prove the necessity of establishing a representative office or, in the opinion of the Board of the Central Bank, is planning to contribute to circulation of proceeds of crime.

CHAPTER 9

ACTIVITIES OF INSURANCE COMPANIES OPERATING IN THE TERITORY OF THE REPUBLIC OF ARMENIA IN FOREIGN COUNTRIES

Article 49. Establishing a branch and representative office of a Company outside the territory of the Republic of Armenia

1. The Company operating in the territory of the Republic of Armenia must, when establishing branches and representative offices outside the territory of the Republic of Armenia, obtain the prior consent of the Central Bank by submitting the following documents in the form and with the content prescribed by regulatory legal acts of the Central Bank:

(1) letter of request for obtaining the prior consent to establishing a branch or representative office outside the territory of the Republic of Armenia;

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

(3) other documents prescribed by regulatory legal acts of the Central Bank.

2. The Central Bank shall adopt a decision on granting prior consent to the establishment of a branch or representative office outside the territory of the Republic of Armenia where the submitted documents and information comply with this Law, other laws and legal acts, the information submitted in them is precise and reliable and there are no grounds prescribed by this Law or regulatory legal acts of the Central Bank to reject the granting of consent to the establishment of the branch or representative office of the Company outside the territory of the Republic of Armenia.

3. The Central Bank shall grant its consent to the establishment of a branch or representative office of the Company outside the territory of the Republic of Armenia or reject the letter of request within a period of 30 days upon its submission to the Central Bank.

4. The Company shall, following the registration (licensing, certification) of a branch or representative office in another country as prescribed by the legislation of the respective country, be obliged to list it with the Central Bank within a period of 10 days by submitting a document certifying the fact of registration (licensing, certification).

5. The Central Bank shall, after listing the branch or representative office outside the territory of the Republic of Armenia, notify thereof the state authorised body carrying out the registration of legal persons for it to make a relevant entry about the registration of the branch or the representative office of the Company.

Article 50. Grounds for rejecting the granting of consent to the establishment of a branch or representative office of a Company outside the territory of the Republic o Armenia

The Central Bank shall reject the granting of consent to the establishment of a branch or a representative office of a Company outside the territory of the Republic of Armenia where:

(1) false or incomplete documents have been submitted or the submitted documents contain unreliable or false data;

(2) in the reasonable opinion of the Central Bank, the establishment of the branch or the representative office will result in the worsening of the financial position of the Company;

(3) in case of establishing a branch or a representative office outside the territory of the Republic of Armenia, the body responsible for the control over the insurance sector in the foreign country does not, in the reasonable opinion of the Central Bank, exercise control, in due manner and in compliance with international standards, over the activities of Companies registered in said country, or said country does not enable the Central Bank to inspect or exercise due control over the branch or representative office to be established, the list whereof shall be prescribed by regulatory legal acts of the Central Bank;

(4) in case of establishing a branch or representative office outside the territory of the Republic of Armenia, the Company does not prove the necessity of establishing a branch or representative office in the respective country or, in the reasonable opinion of the Central Bank, is planning to circulate proceeds of crime or contribute to their circulation;

(5) the submitted business plan of the branch or the amendments made thereto do not comply with the requirements prescribed by this Law or regulatory legal acts of the Central Bank;

(6) in the reasonable opinion of the Central Bank, the business plan or amendments made thereto are unrealistic or by acting in accordance with the plan the branch of the Company will not be able to carry out normal insurance activities;

(7) the Company has — within one year prior to the moment of submitting the documents for obtaining prior consent to the establishment of the branch or representative office to the Central Bank — violated even one of the main prudential standards, or the establishment of a branch or representative office will result in the worsening of the financial position of the Company according to the criteria prescribed by the Central Bank.

CHAPTER 10

REGISTRATION OF CHANGES

Article 51. Registration of changes

1. Companies and foreign Companies' branches and representative offices operating in the territory of the Republic of Armenia shall be obliged to submit the following changes for registration by the Central Bank within a period of ten days after they are made:

   (1) amendments made to the charter of the Company or the branch or representative office of the foreign Company;

   (2) changes in the composition of executive officers (except for the heads of structural subdivisions);

   (3) other changes prescribed by law or by legal acts of the Central Bank.

2. The Central Bank shall, within a period of 30 days upon receiving the documents prescribed by regulatory legal acts of the Central Bank for registration of above-mentioned changes, be obliged to register or reject the registration of the changes provided for by part 1 of this Article.

3. The Central Bank shall register the changes if they do not contravene laws and other legal acts and have been submitted in accordance with the requirements of regulatory legal acts of the Central Bank.

4. The procedure for and form of submitting the changes for registration shall be prescribed by regulatory legal acts of the Central Bank.

5. The changes provided for by this Law and regulatory legal acts of the Central Bank shall enter into force upon their registration by the Central Bank.

6. In case of a change in the amount of the authorised capital, Companies operating in the territory of the Republic of Armenia shall open a cumulative account with the Central Bank or any commercial bank not affiliated with the Company operating in the Republic of Armenia. Funds in the cumulative account shall be frozen by the Central Bank or the commercial bank, and the Company may not possess, dispose of and use those funds until the changes have been registered with the Central Bank as prescribed by this Article.

7. The Central Bank shall, within five working days upon the registration of a change of the trade name of an insurance company, inform thereof the state authorised body carrying out the registration of legal persons for making a relevant entry about the change of the trade name of the insurance company.

(Article 51 supplemented by HO-144-N of 8 June 2009)

Article 52. Declaring the registration invalid

The decision of the Board or the Chairperson of the Central Bank confirming the facts being registered with the Central Bank may be declared invalid by a decision of the Board or the Chairperson of the Central Bank where the Company has submitted to the Central Bank false or unreliable documents or information for the purpose of registering a branch, representative office or the changes prescribed by this Law or for obtaining a certificate of qualification, professional competence of executive officers of the Company or for other cases prescribed by this Law.

CHAPTER 11

DELEGATION OF INSURANCE FUNCTIONS

Article 53. Contract of delegation of insurance functions

1. A Company may, under a contract of delegation of insurance functions, delegate the performance of any of its function indicated in part 2 of this Article, a part thereof or all of them to other legal persons (hereinafter referred to as "counterparties") for a certain or indefinite period of time.

2. The following functions may be delegated under a contract of delegation of insurance functions:

   (1) services of insurance agencies in relation to insurance intermediation activities;

   (2) management of investments or assets;

   (3) handling of cases of assessment, compensation or repair of damages arising from insurance contracts;

(4) maintenance of accounting;

(5) estimating the value of the insured object;

(6) actuarial functions;

(7) other functions prescribed by regulatory legal acts of the Central Bank.

3. In case of delegating functions under a contract of delegation of insurance functions, the Company shall be held liable to policyholders and third persons for non-performance or improper performance of the functions delegated to the counterparties under the contract of delegation of insurance functions.

4. A contract of delegation of insurance functions shall include:

(1) duties and liability of the counterparties with regard to insurance secrets;

(2) unconditional and irrevocable consent of the counterparty to the exercise of control, conduct of inspections, audits, examinations therein by the Company, person performing the Company's audit and the Central Bank and to the provision of information with regard thereto;

(3) liability of the counterparty for non-performance or improper performance of the functions;

(4) detailed description of the criteria of the counterparty's good faith performance of the functions;

(5) procedure for the termination of the contract;

(6) procedure for and conditions of the Company's control over the performance of the functions delegated to the counterparty.

Article 54. Prior permission for delegation of insurance functions

1. To delegate functions under a contract of delegation of insurance functions, a Company shall obtain permission from the Central Bank in advance.

2. To obtain the permission of the Central Bank, the Company must submit the following documents and information in the form, manner and with the content prescribed by the Central Bank:

   (1) information on the legal status of the counterparty;

   (2) financial statements of the counterparty covering the last three years and independent audit opinions thereon, with the exception of the cases when the counterparty is a person performing audit;

   (3) information on the functions which are to be delegated under the contract of delegation of insurance functions;

   (4) other information prescribed by the Central Bank.

3. The procedure for and conditions of obtaining permission for concluding a contract of delegation of insurance functions shall be prescribed by regulatory legal acts of the Central Bank.

4. The Central Bank need not permit the delegation of functions where as a result of delegating any of the functions specified in part 2 of Article 52 of this Law, a part thereof or all of them to another person:

   (1) interests of policyholders, insured persons or beneficiaries may be jeopardised in the reasonable opinion of the Central Bank;

   (2) the exercise of due control over the Company may become impossible in the reasonable opinion of the Central Bank;

   (3) requirements for contracts of delegation of insurance functions specified in part 4 of Article 53 of this Article have not been observed.

Article 55. Control over delegated insurance functions

The provisions prescribed by this Law and other laws on the exercise of control, conduct of inspections, audits, examinations in Companies shall also apply to counterparties to the extent of the functions delegated to them.

Article 56. Termination of a contract of delegation of insurance functions

1. Where a Company discovers that the actions of a counterparty are violating or may violate the requirements of this Law, other laws and legal acts or of the contract of delegation of insurance functions, it shall be obliged to request the counterparty to immediately eliminate the violation. Where the counterparty does not eliminate the violation within a period of thirty days following the request of the Company (unless shorter time limits have been prescribed by the Company), the Company may unilaterally terminate the contract of delegation of insurance functions.

2. The termination of the contract of delegation of insurance functions provided for by this Article may also be requested by the Central Bank where the counterparty has committed violations of laws and other legal acts and said violations may jeopardise the interests of policyholders, insured persons and beneficiaries. The request of the Central Bank shall be binding for the parties and must be implemented within reasonable time limits and as prescribed by the Central Bank.

SECTION 4

REQUIREMENTS AND PRUDENTIAL STANDARDS FOR THE ACITIVITIES OF COMPANIES

CHAPTER 12

GENERAL PROVISIONS

Article 57. Risk management

1. During the performance of its activities a Company must have a capital covering the extent of liabilities and risks assumed for each type, class, sub-class of insurance.

2. The Company shall be obliged to act so that the risks arising from all or certain types, classes, sub-classes of insurance provided by it and those arising from placement and management of assets do not exceed the limits prescribed by this Law and other legal acts.

3. The Company shall be obliged to act so that to have, at any time when it carries out its activities, sufficient liquid assets for the fulfilment of all existing and future liabilities assumed by it.

4. To meet the requirements for risk management prescribed by this Law or regulatory legal acts of the Central Bank, the prudential standards and technical reserves of a Company shall be calculated as prescribed by this Law and regulatory legal acts of the Central Bank.

CHAPTER 13

MAIN AND OTHER PRUDENTIONAL STANDARDS FOR THE ACTIVITIES OF INSURANCE COMPANIES

Article 58. Main prudential standards

1. The Central Bank may establish the following prudential standards for the activities of Companies:

   (1) standards for the minimum amounts of the authorised and total capitals of Companies;

   (2) solvency standards for Companies;

   (3) capital adequacy standards for Companies;

   (4) liquidity standards for Companies;

   (5) standards for all and separate assets covering the technical reserves of the Company;

   (6) standard for the maximum amount of one insurance risk assumed;

   (7) standard for the maximum amount of major insurance risks assumed;

   (8) maximum amount(s) of the risk for one borrower, major borrowers;

   (9) maximum amount(s) of the risk for persons, a person affiliated with the Company;

   (10) foreign currency disposal standard.

2. The limits, procedure for calculation of main prudential standards, the composition and limits of elements included in the calculation and deducted from the calculation shall be prescribed by regulatory legal acts of the Central Bank. Moreover, they may be defined as per forms, types, classes and sub-classes of insurance.

3. The main prudential standards shall be binding and must be the same for all the Companies operating in the territory of the Republic of Armenia and holding a licence for the provision of insurance of the same type, class or sub-class, with the exception of main prudential standards — prescribed for newly established Companies — of minimum amounts of the authorised and total capitals provided for by point 1 of part 1 of this Article, as well as of other cases provided for by this Law and other laws.

4. For an individual Company the Central Bank may establish stricter main prudential standards where the composite score of performance of that Company is lower than the minimum composite score of performance of Companies prescribed by the Central Bank, the financial indicators of that Company have declined essentially, or that Company carries out activities in high-risk areas, or where the Company is considered as systemically important Company. In that case the stricter standard shall enter into force within a reasonable period prescribed by the decision of the Board of the Central Bank.

5. In case the Central Bank prescribes stricter main prudential standards, the main prudential standards shall enter into force after six months from the moment of adoption, unless otherwise prescribed by the Law.

(Article 58 amended, supplemented by HO-189-N of 25 October 2017)

Article 59. Total capital

1. (part repealed by HO-189-N of 25 October 2017)

2. (part repealed by HO-189-N of 25 October 2017)

3. (part repealed by HO-189-N of 25 October 2017)

4. Regulatory legal acts of the Central Bank may separately provide for a standard for the minimum amount of the total capital also for insurance brokers and legal persons acting as agents.

(Article 59 amended by HO-189-N of 25 October 2017)

Article 60. Minimum amount of the authorised capital and total capital

1. The Central Bank shall define, in the form of certain sums, the minimum amounts of the authorised capital and total capital of Companies. The Central Bank may review the minimum amounts of the authorised capital or total capital of Companies, but not more often than once a year.

2. When reviewing the minimum amounts of the authorised capital or total capital of Companies, the Central Bank shall also set the time limit during which the Companies shall be obliged to replenish the minimum amounts of the authorised capital or total capital reviewed; moreover that time limit may not be less than one year.

3. The Central Bank may define, in the form of a certain sum, a different minimum amount of the total capital of newly established Companies. The Central Bank may review the minimum amount of the total capital of newly established Companies, but not more often than once a year.

Article 61. Solvency standards

(Article repealed by HO-189-N of 25 October 2017)

Article 62. Capital adequacy standards

(Article repealed by HO-189-N of 25 October 2017)

Article 63. Liquidity standards

(Article repealed by HO-189-N of 25 October 2017)

Article 64. Standards for assets covering the technical reserves

(Article repealed by HO-189-N of 25 October 2017).

Article 65. Standard for the maximum amount of one insurance risk assumed

(Article repealed by HO-189-N of 25 October 2017)

Article 66. Standard for the maximum amount of major insurance risks assumed

(Article repealed by HO-189-N of 25 October 2017)

Article 67. Special prudential standards

1. For the purpose of ensuring the stability of the insurance system, the Central Bank may, in emergency cases, establish special prudential standards for a duration of up to six months.
2. The Central Bank shall put the special prudential standards into effect in such time limits that would allow the Companies to bring their activities in line with the requirements of the established standards.

Article 68. Reserves for possible losses of assets

For the purpose of performing the calculation of standards for Companies, the Central Bank along with the authorised state administration body of the Government of the Republic of Armenia may prescribe procedures for classification of the assets of Companies and for set-up and utilisation of the reserves for possible losses.

CHAPTER 14

TECHNICAL RESERVES

Article 69. Technical reserves

1. Companies shall be obliged to set up reserves for the purpose of fulfilling the liabilities arising from the insurance contract and of covering the possible risks.

2. The Central Bank may establish the following technical reserves:

   (1) unearned premium reserve;

   (2) bonus and discounts reserve;

   (3) claims reserve, including:

      a. reserve for reported but outstanding claims;

      b. reserve for incurred but not reported claims;

   (4) equalisation reserve;

   (5) mathematical reserve;

   (6) other technical reserves prescribed by the regulatory legal acts of the Central Bank.

3. Except for the technical reserves established by the Central Bank, Companies may — with the consent of the Central Bank — set up other reserves.

4. The principles and methods of, procedure for calculating the technical reserves, the composition of components to be included in and those to be deducted from the calculation shall be defined by the regulatory legal acts jointly adopted by the Central Bank and the authorised public administration body of the Government of the Republic of Armenia. Moreover, they may be defined as per forms, types, classes and sub-classes of insurance.

5. The technical reserves shall be compulsory, and the procedure for the set-up thereof must be the same for all the Companies holding a licence for providing insurance of the same form, type, class or sub-class and operating in the territory of the Republic of Armenia, with the exception of the cases provided for by law.

6. In case the Central Bank prescribes stricter requirements for the set-up of technical reserves, the new requirements for the set-up of technical reserves shall enter into force 90 days after the adoption unless a later time limit is provided for by the regulatory legal acts of the Central Bank.

7. In case the Central Bank prescribes less strict requirements for the set-up of technical reserves, the new requirements for the set-up of technical reserves shall enter into force from the moment prescribed by the regulatory legal acts of the Central Bank.

(Article 69 amended by HO-189-N of 25 October 2017)

Article 70. Unearned premium reserve

(Article repealed by HO-189-N of 25 October 2017)

Article 71. Bonus and discount reserve

(Article repealed by HO-189-N of 25 October 2017)

Article 72. Claims reserve

(Article repealed by HO-189-N of 25 October 2017)

Article 73. Equalisation reserve

(Article repealed by HO-189-N of 25 October 2017)

Article 74. Mathematical reserve

(Article repealed by HO-189-N of 25 October 2017)

CHAPTER 15

REQUIREMENTS FOR REINSURANCE AND JOINT INSURANCE

Article 75. Obligation to reinsure

1. A Company shall be obliged to reinsure the part of the assumed insurance risk that — according to the table of maximum coverage — exceeds the amount of the liabilities assumed under the insurance contracts concluded by the Company on its own behalf.

2. With the table of maximum coverage a Company shall prescribe the maximum amount of the insurance risk that the Company may assume for each class and sub-class of insurance.

3. The Central Bank may prescribe requirements for the calculation of the maximum coverage of the insurance risk assumed by a Company for certain classes of insurance, and for the principles and methods of said calculation.

Article 76. Annual reinsurance plan

1. For each financial year a Company shall be obliged to adopt an annual reinsurance plan which must include:

   (1) the amount of its own shareholding in each class of insurance;

   (2) table of maximum coverage;

(3) the criteria of and procedure for the assessment of the probability of occurrence of damages with regard to certain insurance risks;

(4) other information prescribed by the regulatory legal acts of the Central Bank.

2. While carrying out the calculations prescribed by point 1 of part 1 of this Article, a Company shall take into consideration the following:

(1) the values of the main prudential standards;

(2) the level of activity as per types, classes and sub-classes of insurance;

(3) the insurance premiums received as per types, classes and sub-classes of insurance;

(4) adjustments made in certain classes and sub-classes of insurance due to deviations;

(5) other factors prescribed by the regulatory legal acts of the Central Bank.

3. The content of the annual reinsurance plan and the procedure for submitting it shall be prescribed by the regulatory legal acts of the Central Bank.

Article 77. Requirements for reinsurers

1. Companies shall have the right to reinsure, in accordance with the criteria prescribed by the Central Bank, assumed insurance risks at reinsurers considered non-prohibited and/or reliable.

2. The criteria for considering reinsurers non-prohibited and reliable shall be prescribed by the regulatory legal acts of the Central Bank.

3. The Central Bank may also prohibit a Company to use the services of certain reinsurers considered non-prohibited and reliable in accordance with part 1 of this Article, where, in the opinion of the Central Bank, said reinsurers experience financial hardships, or the reinsuring of risks at the given reinsurer jeopardises

or may jeopardise the interests of policyholders, insured persons or beneficiaries.

Article 78. Restrictions on joint insurance

Companies shall be prohibited from insuring under a joint insurance contract the part of the assumed insurance risk which, according to the table of maximum coverage, exceeds the amount of liabilities assumed by the Company under insurance contracts.

CHAPTER 16

OTHER REQUIREMENTS FOR ACTIVITIES OF COMPANIES

Article 79. Operations of Companies

1. Companies and branches thereof operating in the territory of the Republic of Armenia may carry out, as prescribed by laws and other legal acts, the following operations deriving from or directly related to insurance activities:

   (1) investing and managing the funds of the Company in the assets and within the limits permitted by this Law and regulatory legal acts of the Central Bank;

   (2) managing its assets and liabilities, as well as those of other persons prescribed by law;

   (3) carrying out operations with derivative financial instruments, provided that they are used to cover risks associated with the fulfilment of liabilities arising from insurance contracts and are connected with risks arising from changes in exchange rates, interest rates, as well as other risks;

(4) assessing insurance risks;

(5) undertaking and alienating the ownership of a property and other rights transferred to the insurer as a result of subrogation;

(6) revealing the circumstances and causes of insured events;

(7) assessing the amount of damages resulting from insured events and that of insurance indemnity and other payments deriving from insurance contracts;

(8) assessing the value of the insured object;

(9) implementing measures directed at the prevention of insured events, reduction of damages that may possibly result therefrom, generating funds for the purpose of financing those measures;

(10) inspecting, within the validity period of the insurance contract and where it is provided for by the insurance contract, the condition of maintenance of the insured material assets, and where defects are detected, requesting their elimination, prescribing reasonable time limits;

(11) establishing and maintaining an information system with regard to clients.

2. The Central Bank may permit the Companies to carry out activities or operations not explicitly provided for by this Law where they derive from or are directly related to insurance activities or operations provided for by this part and where such permission does not contravene the objectives of this Law and does not jeopardise the interests of policyholders, insured persons or beneficiaries.

3. Companies may conclude any civil-law transaction which is necessary or practical for carrying out the activities thereof permitted by this Law and regulatory legal acts of the Central Bank. Companies may not carry out activities of industrial, commercial, banking and credit organisations, unless otherwise prescribed by this Law and regulatory legal acts adopted on the basis thereof.

(Article 79 amended by HO-189-N of 25 October 2017)

Article 80. Investment activities

1. Companies may carry out investment activities, i.e. purchase or otherwise acquire or alienate, on their own behalf and at their own expense, stocks, bonds, other investment securities, as well as derivative financial instruments that have an investment security as an underlying object.

2. A Company shall be prohibited from effecting, without the prior consent of the Central Bank, transactions and operations, as a result whereof:

   (1) the Company's shareholding in the authorised capital of another person would constitute 5 per cent or more;

   (2) the Company's shareholding in the authorised capital of another person would exceed 15 per cent of the total capital of the Company;

   (3) the Company's shareholding in the authorised capitals of all persons would exceed 35 per cent of the total capital of the Company.

The prior consent of the Central Bank shall be required for conclusion of every new transaction or transactions as a result whereof the shareholding of the Company in the authorised capital of another or the same person would exceed 10, 20 or 50 per cent.

3. When acquiring a shareholding in the authorised capital of other persons prescribed by part 2 of this Article, the Company shall consolidate the balance sheets of said persons into its balance sheet as prescribed by the regulatory legal acts of the Central Bank.

4. The Central Bank shall, in the manner and under the conditions prescribed by the Law of the Republic of Armenia "On the Central Bank of the Republic of Armenia", exercise control over the persons, the balance sheets whereof have been consolidated by the Company into its balance sheet (consolidated balance sheet) as prescribed by this Article.

5. In cases prescribed by part 2 of this Article the Central Bank shall, within a period of thirty days, consider the application for granting prior consent with

regard to envisaged transactions and adopt a decision on granting consent where the envisaged transaction is compatible with the financial position of the Company, will promote the development of the Company's activities in the financial market and does not contravene the requirements prescribed by the Law and the Central Bank.

5.1. The Central Bank may demand that the Company, not later than within six months, alienate the shareholding thereof in the authorised capital of other person acquired as prescribed by this Article, where according to the reasoned opinion of the Central Bank, that shareholding may give rise to unjustified risks for the Company and/or jeopardize the interests of the policyholders, insured persons or beneficiaries and/or hinder the implementation of effective supervision over the Company. Taking into consideration the situation in the securities market, as well as the financial position of the Company, the Central Bank may extend the period prescribed by this part for another six months for the purpose of alienating the above-mentioned shares under more favourable conditions.

6. In case of acquiring a shareholding, prescribed by this Law, in a financial organisation operating in a foreign country or establishing a financial organisation with such shareholding, the Central Bank may reject the application for granting prior consent where the acquisition of such shareholding in the financial organisation operating in a foreign country or the establishment of a financial organisation with such shareholding does not comply with the requirements of this Law or the regulatory legal acts of the Central Bank, the body (bodies) responsible for the control over the financial organisation in a given state does (do) not, in the reasonable opinion of the Central Bank, exercise control, in due manner and in conformity with international standards, over the activities of the financial organisation registered in that state or said state does not enable the Central Bank to inspect or exercise due control over the activities of the financial organisation with such shareholding.

7. The prior consent provided for by part 2 of this Article shall not be required where the shareholding in the authorised capital of another person has passed to the Company against liabilities assumed with regard to the Company and not fulfilled. The Company must alienate the shareholding acquired in this manner within the shortest period possible, but not later than six months. Taking into consideration the situation in the securities market, as well as the financial position of the Company, the Central Bank may extend the time limit prescribed by this part for another six months for the purpose of alienating the above-mentioned shares under more favourable conditions.

In case of failure by the Company to alienate the shareholding within the time limits prescribed by this part, as well as by part 5.1 of this Article, the Central Bank may obligate that Company to declare it as a loss corresponding to the value of acquisition of that shareholding and realise it immediately, as well as impose a fine on the Company for each day of violation in the amount of up to one per cent of the nominal value of said shareholding.

(Article 80 edited by HO-197-N of 27 October 2016, supplemented, amended by HO-189-N of 25 October 2017)

Article 81. Relations between Companies and clients

1. A Company operating in the territory of the Republic of Armenia and a foreign Company's branch operating in the territory of the Republic of Armenia shall, prior to concluding an insurance contract, be obliged to:

   (1) inform the clients of its registered office and phone number, organisational and legal form and, in case the provision of the insurance is carried out by a branch, the address and phone number of the branch;

   (2) address and phone number of the body exercising control;

(3) inform the clients of the types of insurance as per which the Company concludes insurance contracts, and make reference to the point of the licence that gives right to carry out relevant activities;

(4) formulate the insurance contract so that it complies with the nature of the risks the client wishes to have insured, as well as covers them;

(5) provide the clients with written presentation of and explain them orally all essential conditions of the insurance contract;

(6) provide the clients with written presentation of the procedure for and conditions of insurance indemnity in case of occurrence of an insured event;

(7) perform other duties provided for by the Law of the Republic of Armenia "On compulsory motor vehicle liability insurance".

2. The relations between Companies and clients shall be of contractual nature.

3. A Company shall prescribe such rules for its activities that would ensure equal conditions for policyholders and exclude the possibility of the conflict of interest, in particular:

(1) liabilities assumed by the Company with regard to one client would not conflict with the liabilities assumed with regard to another client;

(2) interests of executive officers and employees of the Company would not conflict with the liabilities assumed by the Company with regard to a client.

3.1. Insurance companies shall be obliged to have rules of business conduct. The rules of business conduct shall at least regulate the following:

(1) advertisement on the insurance company and services offered thereby and marketing activities;

(2) requirements for the contracts concluded with clients;

(3) list of the information provided to clients prior to, while concluding a contract and during the period of effectiveness of a contract, and the form

and procedure for providing that information, as well as the procedure for communication with clients;

(4) procedure for submitting by clients a proposal on new insurance services to insurance companies within the framework of their insurance classes and for discussing such proposal;

(5) procedure for storing personal data of clients and their safe use;

(6) procedure for treating clients;

(7) procedure for providing insurance compensation to customers;

(8) other issues related to the protection of the rights of clients.

Detailed requirements for the rules of business conduct of insurance companies or the content of the part thereof may be prescribed by the law or the regulatory legal act of the Central Bank.

Where the requirements for the rules of business conduct are violated, liability shall be prescribed by this Law, the Civil Code of the Republic of Armenia, the Labour Code of the Republic of Armenia and other laws.

3.2. The insurance companies shall be obliged to observe the rules of business conduct provided for by part 3.1 of this Article.

In case the fact of violation by the insurance company of the requirements of the rules of business conduct prescribed by the regulatory legal acts of the Central Bank, provided for by part 3.1 of this Article, is established by the court or the Financial System Mediator or commercial arbitration, the insurance company shall be obliged to pay AMD 300,000 (three hundred thousand) to the Client, except for the cases when as of the day of applying to the court, the commercial arbitration or the Financial System Mediator:

(1) the Company has undertaken all the actions necessary to restore the violated right of the client; and

(2) the violation of the right of the client that can be eliminated has actually ceased to exist; and

(3) as a result of violation of the right, the client has not actually incurred the actual damage prescribed by the Civil Code of the Republic of Armenia, and where such a damage is incurred, it is compensated by the Company.

In case it is impossible to eliminate the violations of the right prescribed by this part, the existence of conditions prescribed by points 1 and 3 of this part shall be sufficient to apply the exception provided for by this part.

4. A company shall be prohibited from providing for (whether in writing or orally) as a condition for concluding an insurance contract with a client the rendering of other insurance services to that client exclusively by the Company or by a person indicated by the Company.

5. A Company shall, at the request of the clients, be obliged to provide them with the information subject to publication, with the exception of cases provided for by law.

5.1. The client-natural person shall have the right to unilaterally rescind the insurance contract without any reasoning within 7 working days following the conclusion thereof (hereinafter referred to as "the time for consideration"). In such case, the insurance contract shall be deemed to be rescinded starting from the day following the day the client-natural person notifies the insurance company on rescinding the insurance contract, and the insurance company shall be obliged to pay the insurance premiums for the remaining term of the contract to the client-natural person, in a proportional manner. No other fee related to the insurance contract may be requested from the client, except for the actual costs incurred in connection with the insurance contract, the limits of which may be prescribed by the regulatory legal acts of the Central Bank. Moreover, the client shall be obliged to return the original certificate to the insurance company with the notification, as well as other documents provided for by the insurance company, stipulated by the contract.

Time for consideration shall not apply in the following cases:

(1) the term of the insurance contract does not exceed one month, and/or insurance provided for by the contract is valid for a period of up to one month;

(2) in case of compulsory insurance;

(3) the client-natural person, has applied for insurance compensation within 7 working days following the conclusion of the insurance contract.

Failure to enjoy the right to unilaterally rescind the insurance contract during the time for consideration shall not exclude the right of the client-natural person to unilaterally rescind the insurance contract in the cases and manner prescribed by law.

The client-natural person shall not have the right to claim insurance compensation for an insurance accident that occurred during the time for consideration, where the following conditions exist simultaneously:

a. he or she has not notified the insurance company on the accident during the time for consideration;

b. where, after the occurrence of the accident, the client-natural person has notified the insurance company on rescinding the contract before the time for consideration was over.

6. In the event of violating the requirements prescribed by this Article, as well as for providing obviously false or misleading information, a Company shall be held liable as prescribed by law.

(Article 81 supplemented by HO-64-N of 18 May 2010, HO-196-N of 21 December 2015, edited by HO-474-N of 27 October 2020)

(Law HO-474-N of 27 October 2020 contains a transitional provision)

Article 82. Transactions with persons related to a Company

1. Transactions concluded with persons related to a Company shall not, for said persons, provide for conditions (including possibility to conclude a transaction, tariff, sum insured, etc.) more favourable than those similar transactions concluded with persons not deemed related to the Company provide for. Transactions with persons related to a Company shall be concluded in compliance with the internal procedures provided for by the Company for concluding the relevant transactions. Transactions concluded with persons related to a Company in violation of this part shall be null and void.

2. Within the meaning of this Law, persons related to a Company shall be the following:

   (1) executive officers of the Company;

   (2) persons with qualifying holding in the capital of the Company;

   (3) persons affiliated and/or co-operating with persons specified in point 1 and/or 2 of this part;

   (4) persons affiliated with the Company.

Article 83. Prohibiting restrictions on free competition

Companies shall be prohibited from concluding transactions which are directed at or would result in restrictions on free competition between Companies, or as a result whereof a Company, persons affiliated or co-operating therewith may occupy a dominating position in the insurance market, or which enable them to pre-determine the market rates and conditions of or even those of one of the activities and operations prescribed by Article 79 of this Law. This restriction shall not extend to Companies who are able to pre-determine the market rates of certain types of the above-mentioned activities or operations for the mere reason of those activities or operations being carried out solely by that Company.

Article 84. Information and publication thereof

1. Companies operating in the territory of the Republic of Armenia shall be obliged to have a permanently functioning website.

2. Companies, branches thereof operating in the territory of the Republic of Armenia shall be obliged to publish the following on their website:

   (1) financial statements (at least the last annual and the last quarterly statements) and the copy of the audit opinion thereon. Moreover, Companies shall be obliged to publish the financial statements specified in this point also in printed media;

   (2) announcement on convening annual general meeting. Moreover, Companies shall be obliged to publish the announcements on convening annual general meeting also in printed media;

   (3) copies of decisions on paying dividends, as well as copies of acts establishing the dividend policy of the Company, if available;

   (4) information on persons with qualifying holding in the Company — the name thereof, the size of the qualifying holding thereof in the Company (with the exception of persons with indirect qualifying holding but with no shareholding in the authorised capital of the Company), data on insurance contracts concluded between them, persons affiliated therewith and the Company during the preceding year, including the insured object, sum insured and insurance tariff;

   (5) the list and personal data (name, surname, date of birth, biography) of the members of the board, executive body, the amount of the total remuneration (including awards, payments for doing certain work for the Company, other incomes equal to the salary) received by the members of the Board, executive director and chief accountant from the Company during the preceding year, data on insurance contracts concluded between

them, persons affiliated therewith and the Company, including the insured object, sum insured and insurance tariff;

(6) besides the information indicated in points 1-5 of this part, the Central Bank may request that Companies publish — on their website, in printed media and via other mass media with the frequency and as prescribed by the regulatory legal acts of the Central Bank — also other information, with the exception of information constituting trade, insurance and another secret;

(7) Companies shall be obliged to publish the changes made to the information indicated in points 1-5 of this part within 10 working days following the day they are made;

(8) Companies shall be obliged to publish — on their website and in the form of a separate booklet or through other publicly accessible means (in the head office of the Company, branches and representative offices of the Company) — daily updated information on the insurance services offered thereby as per types, classes and sub-classes of insurance, including insurance conditions and offered insurance tariffs.

3. Companies shall be obliged to publish in printed media the audit opinion, annual financial statements within a period of 120 days following the end of the financial year, while their quarterly financial statements shall be published by 15th of the month following each quarter. Companies shall be obliged to publish the financial statements also in the form of a booklet or through other publicly accessible means (in the head office of the Company, branches and representative offices of the Company).

4. Companies shall be obliged to provide any person, at the request of that person, also with the following:

(1) copies of the state registration certificate of the Company and the charter of the Company;

(2) in case of open offering of stocks — copy of the prospectus for issuance of stocks of the Company;

(3) in case of public placement of bonds and other securities issued by the Company, as well as derivative financial instruments regulated by the regulatory legal acts of the Central Bank — information prescribed by laws and other legal acts regulating the securities market;

(4) information and copies of documents specified in part 1 of this Article.

The fee charged for providing information indicated in this part shall not exceed the actual expenses spent on its preparation and/or postal delivery.

A Company shall be obliged to post — on a visible place in the head office thereof, branches and representative offices of the Company — an announcement on the possibility of receiving the information specified in this part and on the procedure for, place and time of receiving that information.

5. The regulatory legal acts of the Central Bank may prescribe the procedure for publishing (providing) information specified in this part.

6. Each participator of a Company shall be entitled to receive from the Company copies of the last annual statements and external audit opinion free of charge.

7. At the request of each participator (participators) holding 2 or more per cent of allocated voting stocks of the Company, the Company must provide it (them) with the following information free of charge, even if they constitute insurance, trade or another secret:

(1) the information specified in this Article on the Board, executive director and chief accountant;

(2) the amount of total the remuneration (including awards, payments for doing certain work for the Company, other incomes equal to the salary) received by the members of the board, executive director and chief

accountant from the Company during the preceding year, data on insurance contracts concluded between them, persons affiliated therewith and the Company, including the insured object, sum insured and insurance tariff, information on persons with qualifying holding in the Company — the name thereof, the size of the qualifying holding thereof in the Company (with the exception of persons with indirect qualifying holding but with no shareholding in the authorised capital of the Company), data on insurance contracts concluded between them, persons affiliated therewith and the Company during the preceding year, including the insured object, sum insured and insurance tariff;

(3) on major transactions concluded between the Company and the persons related thereto, as well as transactions concluded within two years prior to the submitting the request on receiving that information and related to the performance by the Company of operations prescribed by this Law;

(4) on liabilities assumed by the Company with regard to a person related to the Company;

(5) on existence of contracts aimed at establishment of groups of the Company's participators implementing a similar policy, as well as the names of the Company's participators acting as a party to these contracts;

(6) copies of documents certifying the property rights of the Company over the property reflected in the balance sheet of the Company, internal acts of the Company, charters of separated subdivisions and institutions of the Company confirmed by the general meeting and other management bodies, financial statements and statistical reports submitted by the Company to the state bodies, minutes of the general meeting, board, directorate, reports on inspections conducted by the Central Bank, copies of decisions of the Central Bank on sanctions imposed by the Central Bank on the Company

and/or executive officers of the Company, copies of statements and reports submitted by the head of the internal audit unit to the board and the executive director (directorate);

(7) the list of the legal persons, in the authorised capital whereof the executive officers of the Company or the persons affiliated therewith have a shareholding of 20 or more per cent or the decision of which they are able to influence.

All participators of the Company shall be provided with the protocols of the Counting Commission.

Pursuant to this Article, the information received by the participator of the Company may not be transferred by said participator to another person, as well as it may not be used to damage the business reputation, violate the legitimate interests of participators or clients of the Company or for other similar purposes. Otherwise, they shall be held liable as prescribed by law and/or the contract.

8. The information submitted to the participators of the Company with regard to the members of the Board, executive director, chief accountant, as well as the candidates for members of the Board, shall also include the following:

(1) name, surname and year, month, day of birth;

(2) profession and educational background;

(3) positions held in the last 10 years;

(4) date of appointment (election) to that position and date of dismissal from the position;

(5) the number of times a given person has been re-elected in a given position;

(6) the quantity of the voting stocks (shares, units) of the Company belonging to members of the Board, executive director, chief accountant and candidates for members of the Board, as well as persons affiliated therewith, which are participators of the Company;

(7) information on legal persons wherein a given person holds managerial positions;

(8) the nature of relations with the Company and the persons related thereto;

(9) other data provided for by the charter or internal legal acts of the Company.

9. In their advertisements, public offers or in any announcements made on their behalf Companies do not have the right to use misleading information or announcements made by other persons with regard to that Company that may give rise to wrong assumptions on the financial position of the Company, the position it occupies in the financial market, reputation, business image or legal status thereof.

10. The information published or provided by the Company in accordance with this Article must be complete and reliable.

11. The requirements related to the information subject to publication by the companies and the procedure for publishing the information may be established by the Central Bank of the Republic of Armenia.

(Article 84 supplemented by HO-196-N of 21 December 2015, edited by HO-197-N of 27 October 2016)

Article 85. Statements and reports of Companies

1. Companies shall draw up, publish and submit to the Central Bank annual and quarterly financial statements and other reports. The regulatory legal acts of the Central Bank may prescribe another frequency for the submission of statements and reports.

2. The forms of the statements and reports submitted to the Central Bank, information included therein, procedure and time limits for the submission shall be prescribed by the regulatory legal acts of the Central Bank.

3. Each Company shall be obliged to — in the form, cases, manner and within the time limits prescribed by the regulatory legal acts of the Central Bank, but not less than once a year — submit the following to the Central Bank:

(1) financial statements of the legal persons with qualifying holding in the authorised capital of the Company, information on executive officers of those legal persons and persons with qualifying holding;

(2) financial statements of the legal persons affiliated with the persons with qualifying holding in the authorised capital of the Company, information on the executive officers of and persons with qualifying holding in said affiliated legal persons;

(3) the statements of the persons with qualifying holding in the authorised capital of the Company to the effect that their holding has not enabled any other person to acquire the status of a person with indirect qualifying holding in the Company. Where another person has acquired qualifying holding in the Company, the Company shall be obliged to — for the purpose of obtaining the consent of the Central Bank, within a period of 10 days following the day of acquisition by that person of the indirect qualifying holding in the Company — submit to the Central Bank documents, prescribed by the Central Bank, on the persons with indirect qualifying holding in the Company, as well as documents on the legal persons (including the name, registered office, financial statements, information on the executive officers, information on the persons with qualifying holding) in which the person with indirect qualifying holding is a person with qualifying holding.

The obligation to submit the statements, reports and information prescribed by this part to the Company shall rest with the person with direct qualifying holding in the authorised capital of the Company.

4. The statements, reports and other information submitted to the Central Bank by a Company shall be complete and reliable.

Article 86. Accounting in Companies

Companies shall draw up and submit the financial statements in accordance with the Law of the Republic of Armenia "On accounting".

(Article 86 edited by HO-228-N of 26 December 2008)

SECTION 5

INSURANCE INTERMEDIATION ACTIVITIES

CHAPTER 17

INSURANCE INTERMEDIATION

Article 87. Insurance intermediation and types thereof

1. Insurance intermediation activities shall be carried out by way of carrying out activities of an insurance agent or insurance brokerage activities.
2. Insurance brokerage activities may only be carried out by a legal person having obtained, as prescribed by this Law and regulatory legal acts of the Central Bank, an insurance broker licence from the Central Bank.
3. Activities of an insurance agent may only be carried out by a person registered, as prescribed by this Law and regulatory legal acts of the Central Bank, as an insurance agent on the register of intermediaries of the Central Bank.

4. Operations of an insurance agent may only be carried out by a responsible person of an insurance agent prescribed by Article 90 of this Law.

5. Insurance brokerage operations may only be carried out by a responsible person of an insurance broker prescribed by Article 90 of this Law.

(Article 87 amended by HO-64-N of 18 May 2010)

Article 88. Insurance intermediary

1. Insurance brokers and insurance agents shall be deemed to be the insurance intermediaries.

2. An insurance broker may not carry out other activities besides insurance brokerage activities, except for cases provided for by law.

An insurance agent may not simultaneously carry out activities of an insurance broker.

3. Within the meaning of this Law, a person carrying out activities of an insurance agent shall not be deemed to be an insurance agent where the insurance contract for the conclusion of which the person has intermediated simultaneously meets all of the following requirements provided for by this part:

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

   (2) the activities of an insurance agent are not the main activities of that person;

   (3) the annual amount of the insurance premiums provided for by the insurance contract does not exceed the amount prescribed by regulatory legal acts of the Central Bank, and the period of validity of that contract (including the period of extension of the period of validity of the contract) does not exceed 5 years;

(4) the insurance contract is attached to the goods or services sold and/or offered by the supplier, and the insurance contract insures:

a. the risk of loss of or damage to the sold and/or offered goods; or

b. another risk connected with loss of or damage to the cargo attached to the travel service sold by that supplier or with travel, even if life or liability risk has been insured, where they are connected with the main travel risk.

4. For the purpose of protecting the interests of consumers, as well as of preventing insurance fraud, the Central Bank may establish by regulatory legal acts requirements for the process of concluding, amending, and servicing insurance contracts by insurance mediators, as well as the activities of insurance mediators, rules of conduct and internal control systems.

5. Persons with qualifying holding of insurance mediators may not be persons who have a record of conviction for an intentionally committed crime, where such conviction has not been expunged or cancelled as prescribed by law. The insurance mediators shall submit a report on the information provided for by this part to the Central Bank through the procedure and within the time limits established by the Central Bank.

(Article 88 supplemented by HO-189-N of 25 October 2017, HO-108-N of 28 June 2019, amended by HO-203-N of 9 June 2022)

Article 89. Register of insurance intermediaries

1. A company or reinsurance company may only use services of intermediaries who are registered on the register maintained by the Central Bank or who are persons carrying out activities referred to in part 3 of Article 88 of this Law.

2. Insurance brokers and insurance agents shall be registered on and removed from the register of intermediaries by the Central Bank.

3. Unless there is a motion from the Company, the Central Bank may remove an insurance agent from the registry only if the insurance agent has violated the requirements of this Law and other legal acts regulating insurance activities. In case of removal from the registry, the Companies for which the person concerned is an agent must be notified about it by the Central Bank within 3 working days.

4. The list of registered insurance intermediaries and their data must be published on the Internet website of the Central Bank.

Article 90. Requirements for responsible persons of insurance intermediaries

1. The executive director or chairperson of the management board, members of the management board, chief accountant, deputy executive director, as well as natural persons carrying out brokerage operations who are in employment or other civil legal relations with an insurance broker shall be deemed to be the responsible persons of an insurance broker.

2. The member(s) of the board and the member of the executive body or of another body equivalent thereto who are responsible for the operations of an insurance agent, and natural persons carrying out the operations of an insurance agent shall be deemed to be the responsible persons of an insurance agent.

3. A person may act as a responsible person of an insurance intermediary, if he or she:

   (1) complies with the standards of professional competence and qualification prescribed by the Central Bank;

(2) does not have a record of conviction for a crime committed intentionally that has not expired or been cancelled as prescribed by law;

(3) is not deprived, by a criminal judgement, of the right to occupy positions in financial, insurance, banking, tax, customs, commercial, economic, legal fields;

(4) has not been declared bankrupt and does not have outstanding (unreleased) liabilities;

(5) has not previously committed acts which in the opinion of the Central Bank substantiated under the guidelines confirmed by the Central Bank provide ground for suspecting that as a responsible person of the insurance intermediary the respective person cannot properly manage the respective field of activity of the insurance intermediary or his or her actions may result in the bankruptcy or worsening of the financial position of the Company, or harm the reputation or business image of the Company;

(6) no criminal prosecution is initiated against him or her.

4. The standards of professional competence and qualification set before the responsible persons of insurance intermediaries, as well as the procedure for the professional competence and qualification check, shall be prescribed by the Central Bank.

5. To ensure indemnity for damages caused due to professional negligence, an insurance intermediary shall be obliged to conclude a liability insurance contract under the following conditions:

(1) the insured event must include the direct monetary damages caused to the policyholder, insured person or beneficiary by the insurance intermediary due to professional negligence;

(2) the sum of the insurance liability, for both one insured event and the whole contract, must be at least equal to the minimum threshold prescribed by regulatory legal acts of the Central Bank;

(3) the insurance contract shall define an insured event as the damages which have occurred during the period of validity of the insurance contract concluded with the intermediation of the insurance intermediary due to the intermediary's fault.

6. An intermediary who carries out operations referred to in subpoint c of point 12 of Article 3 of this Law shall be obliged to ensure the minimum threshold of the authorised and total capitals prescribed by regulatory legal acts of the Central Bank in case of insurance brokers and insurance agents who are legal persons, or constantly ensure the presence of at least the minimum guarantee amount prescribed by regulatory legal acts of the Central Bank on the account opened with any commercial bank operating in the territory of the Republic of Armenia in case of insurance agents who are natural persons.

7. The provisions prescribed by part 5 of this Article shall not extend to insurance agents whose liability for ensuring indemnity for damages caused due to their professional negligence has been assumed by the Company.

8. A responsible person of an insurance broker may not simultaneously provide services of an insurance agent or act as a responsible person of an insurance agent. A responsible person of an insurance agent may not simultaneously provide services of an insurance broker or act as a responsible person of an insurance broker.

(Article 90 amended, edited by HO-203-N of 9 June 2022)

Article 91. Limits of insurance intermediation activities

The insurance intermediary may carry out insurance intermediation activities only with insurers who hold a licence to carry out insurance activities in the territory of the Republic of Armenia (except where the intermediation activities concern reinsurance, also with insurers who have not obtained a licence for insurance activities in the territory of the Republic of Armenia).

Article 92. Separate record-keeping of assets

1. Insurance intermediaries shall be obliged to keep, on a separate settlement account opened with any commercial bank operating in the Republic of Armenia, the insurance premiums paid by the policyholder and pertaining to the Company, as well as the reinsurance premiums paid by the Company and pertaining to the reinsurer.
2. Insurance intermediaries shall not have the right to use the funds prescribed by part 1 of this Article for their entrepreneurial activities and may dispose of them, except for the purpose of returning the insurance premiums pertaining to the Company to that Company. The fund prescribed by part 1 of this Article shall not be included in the property of the intermediary in liquidation, and the claims of creditors (except for Companies, in the amount of the insurance premiums pertaining thereto) shall not be satisfied from based on those measures.
3. An intermediary shall be obliged to transfer the insurance premium, paid to the intermediary against an insurance contract or insurance certificate obtained by a policyholder, to the Company or reinsurer within the time limits provided for by the contract or certificate, or within a maximum period of thirty days, in case no time limits are provided for.
4. The insurance premium paid by a policyholder to an insurance agent against an insurance contract or certificate shall be deemed to be paid to the Company, irrespective of whether or not it has been transferred to the Company by the insurance agent.

5. Where a Company pays the insurance indemnity through an intermediary the Company's indemnity shall be deemed to be paid, if the policyholder, insured person or beneficiary receives that indemnity.

Article 93. Procedure for notifying policyholders

Intermediaries must provide policyholders with information — in writing and at least in Armenian — regarding the requirements prescribed by Articles 95 and 102 of this Law for the intermediation of insurance contracts.

CHAPTER 18

INSURANCE BROKERS

Article 94. Use of the words "insurance broker"

1. The trade name of a commercial organisation having obtained a licence to carry out insurance brokerage activities must include the words "insurance broker" and/or "reinsurance broker".

2. Only persons holding a licence to carry out insurance brokerage activities may use the words "insurance broker" and/or "reinsurance broker", their derivatives, declined forms and translations in their names, advertisements or in another way.

3. Insurance brokerage organisations do not have the right to use such misleading words in their trade names which may give rise to false assumptions with regard to the financial position or legal status of the respective insurance brokerage organisation.

Article 95. Requirements for intermediation for concluding insurance contracts

1. Prior to concluding insurance contracts or making amendments to insurance contracts having entered into force, the insurance brokerage organisation shall be obliged to:

   (1) inform the clients of its address, telephone number and Internet website address;

   (2) inform the clients of the powers reserved to it by point 12 of Article 3 of this Law and inform that it is registered on the register of insurance brokerage companies;

   (3) inform the clients of the Company, in the authorised capital of which the insurance brokerage company has a qualifying holding, as well as of the Company or the parent company of the daughter Company which has a qualifying holding in the capital of the insurance brokerage organisation;

   (4) present the insurance conditions offered by Companies, as per types, classes and subclasses, to the clients;

   (5) offer an insurance contract formulated so that it complies with the nature of the risks the client wishes to have insured, as well as covers them;

   (6) provide the clients with written presentation of and explain them orally all the conditions of the insurance contract, particularly the amount of insurance premiums, contractual restrictions, etc.;

   (7) provide the clients with written presentation of and explain them orally the procedure for and conditions of insurance indemnity in case of occurrence of an insured event;

   (8) inform the clients that they have the right to request that an insurance brokerage organisation publish the amount of the fee for the service of intermediation for an insurance contract;

(9) check the content of the insurance certificate;

(10) assess the compliance of the prudential standards of the Company with the requirements of this Law in case of necessity or at the request of the policyholder;

(11) provide the policyholder with other consulting services in connection with the insurance contract;

(12) fulfil other requirements prescribed by regulatory legal acts of the Central Bank.

2. Insurance brokers may not directly or indirectly receive financial or non-financial compensation from Companies for carrying out insurance brokerage activities, with the exception of reinsurance intermediation.

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

1. Insurance brokerage organisations shall submit to the Central Bank reports on their activities and responsible persons. The form of the reports, composition of the information and the procedure and time limits for submitting the information shall be prescribed by regulatory legal acts of the Central Bank.

2. The regulatory legal acts of the Central Bank may prescribe the list, forms of and the frequency with which the information about insurance brokerage organisations and their responsible persons shall be published.

3. Insurance brokerage organisations shall draw up and submit the financial statements in accordance with the Law of the Republic of Armenia "On accounting".

(Article 96 edited by HO-228-N of 26 December 2008)

Article 97. Licensing of insurance brokerage activities

1. Only a commercial organisation may obtain a licence for insurance brokerage activities.

2. In order to obtain a licence for insurance brokerage activities, a commercial organisation shall submit to the Central Bank the following documents and information in the form, with the content and in the manner prescribed by regulatory legal acts of the Central Bank:

   (1) letter of request;

   (2) contract insuring the liability of the insurance brokerage organisation complying with the requirements prescribed by part 5 of Article 90 of this Law;

   (3) information about the participators of the commercial organisation;

   (4) decision of the competent body of the commercial organisation on appointing responsible persons of the insurance brokerage organisation;

   (5) statement of information on the activities of the responsible persons of the insurance brokerage organisation, certified samples of their signatures;

   (6) rules of procedure for the activities of the insurance brokerage organisation;

   (7) statement on the compliance of the premises for activities of the insurance broker with the standards prescribed by regulatory legal acts of the Central Bank;

   (8) information regarding the persons with qualifying holding in the authorised capital of the insurance brokerage organisation, their personal data (written statement on not having a record of conviction for an intentionally committed crime (where such conviction has been expunged or cancelled as prescribed by law) and the size of their holdings;

(9) state duty payment receipt;

(10) other documents prescribed by regulatory legal acts of the Central Bank.

(Article 97 supplemented by HO-108-N of 28 June 2019, amended by HO-203-N of 9 June 2022)

Article 98. Decision on licensing of insurance brokerage activities

1. The Board of the Central Bank shall adopt a decision on issuing a licence for insurance brokerage activities, where the submitted documents and information comply with this Law, other laws and legal acts, the information presented therein is precise and reliable, and there are no grounds prescribed by this Law or regulatory legal acts of the Central Bank for rejecting the issuance of a licence for insurance brokerage activities.

2. The Central Bank shall issue a licence for insurance brokerage activities or reject the issuance of a licence within a period of 30 days from the moment of submission of the letter of request for issuance of a licence, the processing whereof may, upon the decision of the Central Bank, be suspended for not more than 30 days for the purpose of acquiring certain information required by the Central Bank. Where the Central Bank does not, within the specified period, adopt a decision on rejecting the registration and issuance of a licence or on registration and licence, the licence shall be deemed to be issued, and the organisation — registered.

3. Within a period of five days from the adoption of the decision on issuing a licence, the Central Bank shall be obliged to hand the licence over to the insurance brokerage organisation.

4. Within five working days following the adoption of the decision on issuing a licence for insurance brokerage activities, the Central Bank must enter in the register of insurance intermediaries the name, registered office, place of activity,

names of the responsible executive officers of the insurance brokerage organisation, other information prescribed by regulatory legal acts of the Central Bank.

5. Within a period of 10 days from the moment of obtaining a licence for insurance brokerage activities, the insurance brokerage organisation shall be obliged to provide the Central Bank with a copy of the liability insurance contract complying with the requirements prescribed by part 5 of Article 90 of this Law.

Article 99. Grounds for rejection of licence for insurance brokerage activities

The Board of the Central Bank shall reject the issuance of a licence for insurance brokerage activities, if:

(1) the commercial organisation having submitted the letter of request does not comply with the requirements prescribed by this Law and other legal acts for carrying out insurance brokerage activities;

(2) the executive officers of the commercial organisation having submitted the letter of request do not comply with the requirements prescribed by this Law or regulatory legal acts of the Central Bank;

(3) the commercial organisation having submitted the letter of request has not submitted the documents prescribed by Article 97 of this Law, or false or incomplete documents have been submitted, or unreliable or false data have been shown in the submitted documents;

(4) the provisions of the charter or of the rules of procedure for the activities of the commercial organisation having submitted the letter of request are not accurate and sufficiently clear due to which the interests of policyholders, insured persons or beneficiaries may be jeopardised;

(4.1) at least one of the persons with qualifying holding has a record of conviction for an intentionally committed crime, and such conviction has not been expunged or cancelled as prescribed by law;

(5) the commercial organisation having submitted the letter of request does not have the necessary premises and technical equipment complying with the standards prescribed by regulatory legal acts of the Central Bank.

(Article 99 supplemented by HO-108-N of 28 June 2019, amended by HO-203-N of 9 June 2022)

Article 100. Insurance broker's branches or representative offices operating in the Republic of Armenia or in a foreign state

An insurance brokerage organisation may establish branches and representative offices in the Republic of Armenia or in a foreign state and carry out insurance brokerage activities through branches upon receiving the permission of the Central Bank as prescribed by regulatory legal acts of the Central Bank.

CHAPTER 19

INSURANCE AGENTS

Article 101. Use of the words "insurance agent"

1. Only persons having the right to carry out activities of an insurance agent may use the words "insurance agent", their derivatives, declined forms and translations in their names, advertisements or in another way.

2. Insurance agents do not have the right to use such misleading words in their trade names which may give rise to false assumptions with regard to the financial position or legal status of the respective insurance agent.

Article 102. Requirements for intermediation for concluding insurance contracts

1. Prior to concluding insurance contracts or making amendments to insurance contracts having entered into force, the insurance agents shall be obliged to:

   (1) inform the clients of their address and telephone number;

   (2) inform the clients that they are operating as an insurance agent, affirm with relevant documents that they are registered on the register of insurance agents, as well as inform the clients of the right of policyholders to check the entries made in the registry;

   (3) inform the clients about the Company or Companies on whose behalf the insurance agent acts, the classes of insurance for which they have been vested by the Company or Companies with powers to carry out insurance intermediation;

   (4) offer the client to conclude an insurance contract;

   (5) present to the clients all the conditions of the insurance contract, particularly the amount of insurance premiums, contractual restrictions, etc.;

   (6) present to the clients the procedure for and conditions of insurance indemnity in case of occurrence of an insured event;

   (7) fulfil other requirements prescribed by regulatory legal acts of the Central Bank.

Article 103. Application for registration of an insurance agent

1. To register on the register of insurance agents or to change the information on the register, a person or insurance agent shall submit the following documents and information in the manner, form and with the content prescribed by regulatory acts of the Central Bank:

   (1) for legal person applicants:

      a. application for registration;

      b. charter of the legal person applicant, amendments to the charter or the restated charter;

      c. list of the executive officers of the legal person applicant which shall also include data regarding them;

      d. copy of the contract for carrying out operations between the Company and the insurance agent, which must state which operations prescribed by point 12 of Article 3 of this Law are permitted for the insurance agent and for which classes of insurance, and in the case of the operation prescribed by subpoint "c" of point 12 of Article 3 of this Law, also the amounts of the insurance premiums and indemnities which the agent is permitted by the Company to respectively collect and transfer;

      e. professional qualification certificates of the executive officers;

      f. documents certifying compliance with the requirements provided for by parts 5-7 of Article 90 of this Law;

      g. statement of the executive officers on the absence of grounds prescribed by part 3 of Article 90 of this Law;

      g.1. information on persons with qualifying holding in the authorised capital of a legal person, their personal data and the size of their holding, written statement on not having a record of conviction for a

crime committed intentionally by persons with qualifying holding (or on the fact that such conviction has been expunged or cancelled as prescribed by law);

h. other information prescribed by regulatory legal acts of the Central Bank;

(2) for individual entrepreneur applicants:

a. application for registration;

b. data regarding the executive officers in employment relations with the individual entrepreneur agent;

c. copy of the contract for carrying out operations between the Company and the individual entrepreneur agent, which must state which operations prescribed by point 12 of Article 3 of this Law are permitted for the insurance agent and for which classes of insurance, and in the case of the operation prescribed by subpoint "c" of point 12, also the amounts of the insurance premiums and indemnities which the agent is permitted by the Company to respectively collect and transfer;

d. professional qualification certificates of the executive officers in employment relations with the individual entrepreneur agent;

e. statement of the individual entrepreneur and the executive officers in employment relations with the individual entrepreneur agent on the absence of grounds prescribed by part 3 of Article 90 of this Law;

f. documents certifying compliance with the requirements provided for by parts 5-7 of Article 90 of this Law;

g. other information prescribed by regulatory legal acts of the Central Bank.

(Article 103 supplemented by HO-108-N of 28 June 2019, amended by HO-203-N of 9 June 2022)

Article 104. Decision on registration of an insurance agent

1. The Central Bank shall adopt a decision on registering an insurance agent on the register of insurance agents, where the submitted documents and information comply with this Law, other laws and legal acts, the information presented therein is precise and accurate, and there are no grounds prescribed by this Law for rejecting the registration of the insurance agent on the register of insurance agents.

2. Within 10 working days from the moment of receiving the information and documents prescribed by part 1 of Article 103 of this Law, the Central Bank shall adopt a decision on registering an insurance agent or rejecting the registration of an insurance agent on the register of insurance agents.

3. Within two working days upon adoption of a decision on registration, the Central Bank must enter in the register of insurance agents the name, registration number, address, place of activity of the insurance agent, as well as the names of the executive officers responsible for intermediation and the data regarding the natural persons carrying out operations of the insurance agent.

4. Within three working days upon adoption of the decision on registering the insurance agent on the register of insurance agents, the Central Bank shall be obliged to hand the registration certificate over to the insurance agent.

Article 105. Grounds for rejecting the registration of an insurance agent

The Central Bank shall reject the registration of an insurance agent on the register of insurance agents, if:

(1) the applicant does not comply with the requirements prescribed by this Law and other legal acts for carrying out activities of an insurance agent;

(2) the executive officers of the applicant do not comply with the requirements prescribed by this Law and regulatory legal acts of the Central Bank;

(2.1) at least one of the persons with qualifying holding of the applicant has a record of conviction for an intentionally committed crime, and such conviction has not been expunged or cancelled as prescribed by law;

(3) the applicant has not submitted the documents prescribed by Article 103 of this Law, or false or incomplete documents have been submitted, or unreliable or false data have been shown in the submitted documents.

(Article 105 supplemented by HO-108-N of 28 June 2019, HO-203-N of 9 June 2022)

Article 106. Removing an agent from the register of insurance agents or changes to entries in the register

1. The Central Bank shall remove an insurance agent from the register of insurance agents or enter changes to the information regarding an insurance agent in the register of insurance agents, if:

   (1) the insurance agent has submitted to the Central Bank an application for being removed from the register of insurance agents;

   (2) the legal person insurance agent has been liquidated, or the individual entrepreneur insurance agent has died;

   (3) the validity of the contract between the Company and the insurance agent has expired;

   (4) the insurance agent does not have documents certifying compliance with the requirements provided for by parts 5-7 of Article 90 of this Law;

(5) grounds for rejecting the registration of the agent on the register of insurance agents prescribed by Article 105 of this Law have emerged;

(6) the insurance agent or an executive officer of the insurance agent has violated the requirements prescribed for intermediation of insurance contracts prescribed by Article 102 of this Law;

(7) the insurance agent has violated this Law or other legal acts, or the rights and legitimate interests of policyholders, insured persons or beneficiaries are not sufficiently protected from the risks that can emerge from the actions or omissions of the insurance agent;

(8) the insurance agent has not fulfilled the assignment of the Central Bank.

2. In case of discovering circumstances referred to in part 1 of this Article a Company shall inform the Central Bank of it within two working days.

3. Within 10 working days after receiving or revealing the information referred to in part 1 of this Article, the Central Bank shall adopt a decision on removing an insurance agent from the register of insurance agents or on changing the information on the insurance agent in the register of insurance agents.

4. Within a period of three days from the moment of adoption of the decision on removing from the register of insurance agents, the Central Bank shall be obliged to inform the insurance agent of it.

Article 107. Insurance agent's branches and representative offices of operating in the Republic of Armenia or in foreign states

An insurance agent may establish branches and representative offices in the Republic of Armenia or in a foreign state and carry out activities of an insurance agent through branches upon receiving the permission of the Central Bank as prescribed by regulatory legal acts of the Central Bank.

SECTION 6

INSURANCE SECRET

CHAPTER 20

INSURANCE SECRET

Article 108. Disclosure of an insurance secret

1. Disclosure or submission of information constituting an insurance secret by an insurer, reinsurer, person carrying out insurance intermediation or the Bureau to persons and organisations providing said insurer, reinsurer, person carrying out insurance intermediation or the Bureau with legal, accounting, other consulting or representation services or doing certain work for said insurer, reinsurer, person carrying out insurance intermediation or the Bureau — provided that it is necessary for the provision of those services or doing that work, and that those persons and organisations shall be obliged to refrain from actions or omissions prescribed by Article 110 of this Law — shall not be deemed to be disclosure of an insurance secret.

2. Disclosure, by the Central Bank or the person who has committed the violation, of violations of requirements of laws or other legal acts committed by an insurer, reinsurer, person carrying out insurance intermediation, the Bureau and/or an executive officer thereof and the decisions on the sanctions imposed by the Central Bank on the insurer, reinsurer, person carrying out insurance intermediation and/or the executive officer thereof for said violations shall not be deemed to be illegal disclosure of an insurance secret. It is prohibited to indicate the names of clients of the person who has committed the violation when disclosing the decisions on the sanctions.

2.1. Disclosure by the Bureau of information provided for by the Law of the Republic of Armenia "On compulsory motor vehicle liability insurance" on the website of the Bureau shall not be deemed to be illegal disclosure of an insurance secret.

3. Within the meaning of this Chapter, all persons, except for the Central Bank, the concerned insurer, reinsurer, credit bureau, person carrying out insurance intermediation and client thereof and the Bureau, shall be deemed to be third persons.

(Article 108 supplemented by HO-193-N of 22 October 2008, HO-64-N of 18 May 2010)

Article 109. Prohibition on disclosure of an insurance secret

1. Any person, organisation, state body or official to whom any information constituting an insurance secret has been confided or has become known in the course of their service or work or has been provided prescribed by this Law shall be prohibited from disclosing such information.

2. To the extent the information disclosed concerns themselves only, this Article shall not apply to clients of a Company.

3. Information constituting an insurance secret and relating to a certain client may be disclosed with said client's written permission or oral permission given in court. With the permission of a client, information concerning only that client may be disclosed in accordance with Article 117 of this Law.

Article 110. Protection of insurance secrets

1. Insurers, reinsurers, persons carrying out insurance intermediation and the Bureau must guarantee the protection of information constituting an insurance secret.

2. Executive officers, employees, or former executive officers or officers of the insurer, reinsurer, person carrying out insurance intermediation and the Bureau, as well as the persons and organisations who provide or have provided services (tasks) to the insurer, reinsurer, person carrying out insurance intermediation and the Bureau, shall be prohibited from disclosing any information constituting insurance secret that was confided or became known to them, or use it for their own or third persons' benefit, directly or indirectly enabling third persons to make such use of it, i.e. permit, fail to hinder or — as a result of violation of privacy rules — make the disclosure of such information possible.

3. Insurers, reinsurers, persons carrying out insurance intermediation and the Bureau shall be obliged to undertake such technical measures and prescribe such organisational rules that are necessary to ensure proper protection of information constituting an insurance secret.

4. An insurer, reinsurer, person carrying out insurance intermediation and the Bureau may disclose information constituting an insurance secret and relating to a client before a court when and within the limits necessary for the protection of the rights and legitimate interests of the client, provided that the dispute has arisen between that insurer, reinsurer, person carrying out insurance intermediation, the Bureau and that client. In such cases the court session may be held in camera upon motion of the insurer, reinsurer, person carrying out insurance intermediation, the Bureau or the client.

(Article 110 supplemented by HO-64-N of 18 May 2010)

Article 111. Provision of an insurance secret

1. The provision of information constituting an insurance secret is the communication of such information orally or in writing to state authorities, officials and citizens only in cases and on grounds prescribed by this Law.

2. Persons or organisations, except for the insurer, reinsurer, person carrying out insurance intermediation and the Bureau, to whom information constituting an insurance secret has been confided or become known in the course of their service or work, shall not have the right to provide such information. With the exception of cases prescribed by law, the Central Bank shall not have the right to provide state authorities, officials and citizens or any other person with information on the clients of insurers, reinsurers, persons carrying out insurance intermediation and the Bureau (clients of the members of the Bureau) constituting an insurance secret which has become known to it due to the control over them.

3. Information provided for by the Law of the Republic of Armenia “On combating money laundering and terrorism financing” and constituting an insurance secret shall be provided to the authorised body prescribed by that Law on the ground of suspected money laundering or terrorism financing or of inquiry from the authorised body, in cases and as prescribed by that Law.

4. In the cases prescribed by the Law of the Republic of Armenia "On civil forfeiture of illegal assets", information constituting insurance secret shall be provided to the competent body, based on a court decision.

(Article 111 supplemented by HO-64-N of 18 May 2010, HO-119-N of 21 June 2014, HO-242-N of 16 April 2020)

Article 112. Provision of an insurance secret to bodies conducting preliminary investigation

(title amended by HO-203-N of 9 June 2022)

1. Insurers, reinsurers, persons carrying out insurance intermediation and the Bureau shall, in accordance with this Law, provide information constituting an insurance secret to bodies conducting preliminary investigation only on the basis of a court decision, in conformity with the Criminal Procedure Code of the Republic of Armenia.

2. Upon receipt of the court decision, the insurer, reinsurer, person carrying out insurance intermediation and the Bureau shall be obliged to provide, within two working days, the information and documents required by that decision to the body conducting preliminary investigation or to the person authorised by it in a closed envelope signed — on the part of the envelope where it is closed — by the head of the executive body or the person substituting for the head of the executive body. Insurers, reinsurers, persons carrying out insurance intermediation and the Bureau shall be prohibited from informing their clients (in the case of the Bureau — the clients of its members) of the provision of information on them constituting insurance secret to bodies conducting preliminary investigation.

3. Executive officers or officials of insurers, reinsurers, persons carrying out insurance intermediation and the Bureau may not be interrogated for information constituting an insurance secret and relating to a client, except for the cases and in the manner prescribed by this Article and by Articles 113, 114 and 119 of this Law.

(Article 112 supplemented by HO-64-N of 18 May 2010, amended by HO-69-N of 19 March 2012, HO-203-N of 9 June 2022)

Article 113. Provision of an insurance secret to the court

1. Insurers, reinsurers, persons carrying out insurance intermediation shall, in accordance with this Law, provide information constituting an insurance secret and relating to their clients, who are parties in civil cases and criminal proceedings and the Bureau shall, in accordance with this Law, provide information constituting an insurance secret and relating to the clients of its members only based on the decision of the court rendered as prescribed by the Civil Procedure Code or the Criminal Procedure Code of the Republic of Armenia.

2. Upon receipt of the court decision, civil or criminal judgement, the insurer, reinsurer, person carrying out insurance intermediation and the Bureau shall be obliged to provide, within two working days, the information and documents required by that decision, civil or criminal judgement to the court or to the person authorised by the court in a closed envelope signed — on the part of the envelope where it is closed — by the head of the executive body or the person substituting for the head of the executive body. During that period, the insurer, reinsurer, person carrying out insurance intermediation and the Bureau shall undertake necessary measures to inform their client of receiving a court decision or civil judgement rendered as prescribed by the Civil Procedure Code of the Republic of Armenia and of the bank's obligation to provide information constituting an insurance secret.

The insurer, reinsurer, person carrying out insurance intermediation shall be prohibited from informing their clients, and the Bureau shall be prohibited from informing the clients of its members of the fact of receiving a court decision or criminal judgement rendered as prescribed by the Criminal Procedure Code of the Republic of Armenia and of providing information constituting an insurance secret and relating to the client to the court or to the person authorised by the court.

(Article 113 supplemented by HO-64-N of 18 May 2010, amended by HO-69-N of 19 March 2012, HO-203-N of 9 June 2022)

Article 114. Provision of an insurance secret to legal successors of a client

1. Insurers, reinsurers, persons carrying out insurance intermediation shall provide information constituting an insurance secret and relating to the clients, and the Bureau shall provide information constituting an insurance secret and relating to the client of its members to the heirs (legal successors) of the client concerned pursuant to this Law, where the latter or the representatives thereof have

submitted sufficient documents certifying inheritance (legal succession) rights of the persons concerned.

2. Upon receipt of the sufficient documents certifying the inheritance (legal succession) rights, within five working days, the insurer, reinsurer, person carrying out insurance intermediation or the Bureau shall be obliged to inform the applying persons or organisations of the insufficiency of the documents submitted indicating the list of missing documents required, and in case of sufficiency of the documents communicate the whole information the insurer, reinsurer, person carrying out insurance intermediation or the Bureau possesses with respect to the client to them and provide them with all the documents within ten working days.

3. Any refusal by an insurer, reinsurer, person carrying out insurance intermediation or the Bureau to communicate information and provide documents in compliance with this Article, or failure to provide such information or documents within the time limits prescribed may be appealed to the court. Any damages caused to the applying persons or organisations as a result of failure to communicate information and provide documents within the time limits prescribed by this Law shall be subject to compensation as prescribed by law, where the refusal has been ungrounded or the time limits have been violated due to the fault of the insurer, reinsurer, person carrying out insurance intermediation or the Bureau.

(Article 114 supplemented by HO-64-N of 18 May 2010)

Article 115. Provision of an insurance secret to tax authorities

Insurers, reinsurers, persons carrying out insurance intermediation shall, in accordance with this Law, provide information constituting an insurance secret and relating to their clients, and the Bureau shall, in accordance with this Law, provide

information constituting an insurance secret and relating to the clients of its members only based on the decision of the court rendered as prescribed by Chapter 31.7 of the Administrative Procedure Code of the Republic of Armenia, the Civil Procedure Code or the Criminal Procedure Code of the Republic of Armenia.

Insurers, reinsurers and persons carrying out insurance intermediation shall be prohibited from informing the customers thereof on the court decision rendered as provided for by the Administrative Procedure Code of the Republic of Armenia and on the fact of providing information constituting insurance secret relating to the court or to the person authorised by the tax authority.

(Article 115 supplemented by HO-64-N of 18 May 2010, HO-99-N of 12 April 2022)

Article 115.1. Provision of an insurance secret to the Commission for the Prevention of Corruption

In the cases prescribed by the Law "On Commission for the Prevention of Corruption", provision of information constituting insurance secret shall not be deemed to be disclosure of insurance secret to the Commission for the Prevention of Corruption.

(Article 115.1 supplemented by HO-203-N of 25 March 2020)

Article 116. Provision of an insurance secret within the scope of combating money laundering and terrorism financing

(Article repealed by HO-119-N of 21 June 2014)

Article 117. Circulation of an insurance secret among insurers, reinsurers, insurance intermediaries, the Bureau and the Central Bank

(title supplemented by HO-64-N of 18 May 2010)

1. With a view to ensuring the safety of their activities and reducing the probability of fraud, insurers, reinsurers, persons carrying out insurance intermediation and the Bureau may exchange or provide each other with information about their clients (the Bureau may exchange or provide information about the clients of its members), even if that information constitutes an insurance secret.

2. When exercising control over insurers, reinsurers, persons carrying out insurance intermediation and the Bureau, the Central Bank shall have the right to obtain and get acquainted with information relating to their clients (clients of the members of the Bureau), even if that information constitutes an insurance secret.

3. A client information system for insurers, reinsurers and persons carrying out insurance intermediation — the participation in which shall be compulsorily for all the insurers, reinsurers and persons carrying out insurance intermediation operating in the territory of the Republic of Armenia — may be created within the Central Bank as prescribed by and under the conditions of regulatory legal acts of the Central Bank.

(Article 117 supplemented by HO-64-N of 18 May 2010)

Article 118. Scope of the information constituting an insurance secret to be provided

1. Insurers, reinsurers, persons carrying out insurance intermediation and the Bureau shall, in accordance with Articles 112-115 of this Law, provide information constituting an insurance secret only in relation to their clients only, and the

Bureau — only in relation to the clients of its members. Moreover, where names, conditions of transactions (operations) and other similar information relating to other persons are specified in the documents of a client kept with the insurer, reinsurer, person carrying out insurance intermediation or the Bureau, they shall, within the meaning of this Article, be deemed to be information relating to the client.

2. When providing, as prescribed by this Law, information relating to their clients and the clients of the members of the Bureau, an insurer, reinsurer, person carrying out insurance intermediation and the Bureau shall not have the right to provide information relating to persons and organisations acting as parties to contracts or other transactions (operations) concluded by the insurer, reinsurer, person carrying out insurance intermediation and the Bureau, where the information has not been requested as prescribed by this Law.

(Article 118 supplemented by HO-64-N of 18 May 2010)

Article 119. Rejection of requests for providing information constituting an insurance secret

Insurers, reinsurers, persons carrying out insurance intermediation and the Bureau shall be obliged to reject the provision of information constituting an insurance secret where the request does not comply with the provisions of this Law.

(Article 119 supplemented by HO-64-N of 18 May 2010)

Article 120. Duty to report crime

1. Executive officers of insurers, reinsurers, persons carrying out insurance intermediation and the Bureau shall be obliged to report grave or particularly grave crimes in preparation and certainly known to them to the body conducting

preliminary investigation. Moreover, information and documents constituting an insurance secret shall be provided to the body conducting preliminary investigation, in conformity with Articles 112 and 113 of this Law. Employees of an insurer, reinsurer, person carrying out insurance intermediation shall be obliged to inform in writing the executive officers or at least one of the executive officers of the insurer, reinsurer and person carrying out insurance intermediation of such information regarding a crime in preparation or already committed and certainly known to them.

2. No provision of this Law may be interpreted as an exemption from the liability prescribed by the Criminal Code of the Republic of Armenia for persons who are guilty of concealing traces of a crime and illegal proceeds or failing to report a crime.

(Article 120 supplemented by HO-64-N of 18 May 2010, amended by HO-203-N of 9 June 2022)

Article 121. Liability for providing information constituting an insurance secret in violation of the requirements of this Law

Persons and organisations violating the requirements of Articles 109-113 and 118 of this Law shall, as prescribed by this Law, be obliged to compensate the damages caused to the client of the insurer, reinsurer and person carrying out insurance intermediation resulting from the violation. Violations provided for by this Article shall lead to liability prescribed by law.

Article 122. Protecting the interests of clients and ensuring secrecy when carrying out insurance intermediation

1. Prior to the entry into force of an insurance contract, insurance intermediaries shall be obliged to identify the policyholder or authorised person thereof as

prescribed by the Law of the Republic of Armenia "On combating money laundering and terrorism financing". Where insurance intermediaries have revealed the identity of the policyholder or authorised person thereof prior to the conclusion of the insurance contract they may request additional information. Insurance intermediaries shall have the right to receive from competent bodies the individual data of a policyholder or the authorised person thereof.

2. When carrying out insurance intermediation, insurance intermediaries shall not have the right to use information about a policyholder, insured person, beneficiary or their plenipotentiary representative without their consent, except for cases prescribed by law. In case of termination of contractual relations the use of information about individual data without the consent of the persons mentioned above shall be prohibited, except for cases prescribed by law.

3. In the course of their activities and in case of termination of their activities, the executive officers and employees of insurance intermediaries, as well as persons authorised to act on behalf of an insurance intermediary, shall, as prescribed by this Law and other legal acts, be obliged to ensure the secrecy of information about policyholders, insured persons, beneficiaries and insurance, reinsurance companies and the Bureau, including information constituting a trade secret, that has become known in the course of insurance intermediation activities. In the course of their activities, intermediaries may disclose information about policyholders, insured persons, beneficiaries or representatives thereof that has become known only in cases prescribed by this Law and other legal acts.

(Article 122 amended by HO-89-N of 26 May 2008, supplemented by HO-64-N of 18 May 2010)

SECTION 7

TRANSFERRING THE INSURANCE PORTFOLIO

CHAPTER 21

TRANSFERRING THE INSURANCE PORTFOLIO

Article 123. Insurance portfolio transfer conditions

1. Companies operating in the territory of the Republic of Armenia (transferring Company) may transfer the insurance portfolio pertaining thereto to another Company operating in the territory of the Republic of Armenia (assuming Company). A portfolio regarding CMVLI may only be transferred to an insurance company entitled to provide CMVLI in accordance with the Law of the Republic of Armenia "On compulsory motor vehicle liability insurance".

2. An insurance portfolio shall be transferred without the consent of the policyholders.

3. Where they do not agree with the transfer, policyholders may terminate their contracts by having the insurance premiums for the unexpired period of the contract refunded as prescribed by law.

4. An insurance portfolio may be transferred exclusively with prior permission of the Central Bank, which shall be granted as prescribed by this Law and regulatory legal acts of the Central Bank.

(Article 123 supplemented by HO-64-N of 18 May 2010)

Article 124. Contract on transfer of an insurance portfolio

1. To transfer an insurance portfolio, transferring and assuming Companies shall conclude a contract on transfer of an insurance portfolio, which shall prescribe the rights and responsibilities of the parties.

2. The contract may not contain such provisions that violate or may violate the rights and legitimate interests of policyholders, insured persons or beneficiaries, except for cases when the transferring Company is under the management of a temporary administration.

3. Prior to conclusion, the contract must be confirmed by the boards of the transferring and assuming Companies. If a transferring Company is under the management of a temporary administration or in liquidation process, the contract on transfer shall be concluded by the head of the administration or the liquidation manager or the chairperson of the liquidation committee.

4. The contract on transfer of an insurance portfolio shall enter into force within the time limits mentioned in the contract on transfer but not later than the day on which the Central Bank grants permission for transfer of the portfolio.

5. The actual transfer of an insurance portfolio must be carried out within the time limits specified in the contract on transfer of an insurance portfolio but not later than within 90 days following the entry into force of the contract.

6. The assuming Company shall, within 5 working days after the end of the process of actual transfer of the insurance portfolio, submit to the Central Bank the act of delivery and acceptance attested by the signatures of the authorised persons of the Companies transferring and assuming the insurance portfolio.

7. From the moment of entry into force of the contract on transfer of an insurance portfolio, the assuming Company shall become a party to the transferred insurance contracts with the status of the insurer and shall bear all the obligations of an insurer provided for by law and the contract.

(Article 124 amended by HO-69-N of 19 March 2012)

Article 125. Procedure for granting permission for transfer of an insurance portfolio

1. To receive a permission for transfer of an insurance portfolio, the transferring and assuming Companies shall submit to the Central Bank the following documents and information in the form and with the content prescribed by regulatory legal acts of the Central Bank:

   (1) application for permission for transfer of an insurance portfolio;

   (2) the concluded contract on transfer of an insurance portfolio;

   (3) list of insurance contracts to be transferred per specific classes or sub-classes;

   (4) types of reserves formed for the portfolio being transferred and the estimates connected therewith;

   (5) estimation of main prudential standards of the transferring Company and the assuming Company prescribed by this Law;

   (6) changes made in the business plans of the assuming and transferring Companies due to the transfer of the portfolio;

   (7) other information prescribed by regulatory legal acts of the Central Bank.

2. The procedure for receiving a permission for transfer of an insurance portfolio shall be established by regulatory legal acts of the Central Bank.

Article 126. Acceptance or rejection of the application for permission for transfer of an insurance portfolio

1. The Central Bank shall grant or reject an application for transfer of an insurance portfolio within a period of 60 days from the moment of submission of the application of the Company providing non-life insurance.

1.1. The Central Bank shall, within five working days after the receipt of the application for transfer of an insurance portfolio of the Company providing non-life insurance, publish an announcement regarding the intended transfer of the insurance portfolio on the official website of the Central Bank, as well as on the official website of public notifications of the Republic of Armenia at http://www.azdarar.am. The mentioned announcement shall state that within two months following the publication of the announcement, the policyholders, the insurance contracts concluded with which are envisaged to be transferred to another Company, may submit their objections to the transfer of the insurance portfolio in writing to the Central Bank. Within the same period, the transferring Company shall send a notification to the policyholders on the intended transfer of the insurance portfolio as prescribed by law, attaching the announcement of the Central Bank to the notification.

1.2. The Central Bank shall grant or reject the application for transfer of an insurance portfolio of the Company providing life insurance within a period of 30 days after the period of two months prescribed by part 1.1 of this Article is over. Objections received from policyholders shall not be grounds for rejecting the transfer of the insurance portfolio, however the Central Bank shall also address the objections received from policyholders regarding the transfer of the insurance portfolio by decision and justify the reasons for not accepting such objections.

2. The Central Bank shall reject an application for transfer of an insurance portfolio, if:

(1) the documents or information prescribed by part 1 of Article 125 of this Law do not comply with the requirements prescribed by this Law or regulatory legal acts of the Central Bank, or false, incomplete or unreliable information has been submitted in those documents;

(2) the transfer of the insurance portfolio, in the reasonable opinion of the Central Bank, jeopardizes or may jeopardize the rights or legitimate interests of policyholders, insured persons or beneficiaries;

(3) the transfer of the insurance portfolio, in the reasonable opinion of the Central Bank, may result in the worsening of the financial position of the transferring or assuming Company;

(4) in case of transfer of the insurance portfolio, in the reasonable opinion of the Central Bank, the assuming Company will not meet the requirements prescribed by this Law or regulatory legal acts of the Central Bank;

(4.1) the assuming Company is not entitled to provide insurance of an insurance class (form) included in the insurance portfolio;

(5) the transfer of the insurance portfolio, in the reasonable opinion of the Central Bank, may result in restriction of the economic competition.

3. The Central Bank shall, within a period of five days from the moment of adoption of a decision on accepting or rejecting an application for transfer of an insurance portfolio, be obliged to inform the Companies having submitted the application of its decision, as well as post that decision on the Internet website of the Central Bank.

(Article 126 supplemented by HO-64-N of 18 May 2010, amended, supplemented by HO-189-N of 25 October 2017)

Article 127. Notifying policyholders about transfer of the insurance portfolio

1. Within a period of five days from the moment of receiving a permission from the Central Bank for transfer of an insurance portfolio, the assuming Company shall be obliged to publish an announcement thereon in a press with a print run of at

least 2 000 copies in the Republic of Armenia, via electronic mass media outlets with access in the territory of the Republic of Armenia, on the home page of its Internet website, as well as send a notification to the policyholders as prescribed by law.

2. The announcement and notification must specify information about the right of the policyholder to terminate the insurance contract and about the conditions of, time limits and procedure for exercising that right.

3. The time limit for a policyholder to exercise the right to terminate the insurance contract may not be less than 30 days.

(Article 127 amended by HO-189-N of 25 October 2017)

SECTION 8

REORGANISATION AND LIQUIDATION OF A COMPANY

CHAPTER 22

REORGANISATION OF A COMPANY

Article 128. Reorganisation of a Company

1. A Company may be reorganised exclusively through a merger with another Company or through conversion.

2. Reorganisation of a Company shall be carried out as prescribed by the Civil Code of the Republic of Armenia, this Law, other laws and regulatory legal acts of the Central Bank.

Article 129. Merger with a Company

1. A Company may merge only with another Company.

2. A Company having obtained a licence for providing insurance of life insurance classes may merge only with a Company having obtained a licence for providing insurance of life insurance classes, and a Company having obtained a licence for providing insurance of non-life insurance classes may merge only with a Company having obtained a licence for providing insurance of non-life insurance classes.

Article 130. Procedure for merger

1. In case of a merger of one or more Companies with another Company the Companies shall conclude a merger agreement upon obtaining the prior consent of the Board of the Central Bank.

2. To obtain consent to conclusion of a merger agreement, the Company (Companies) shall submit to the Central Bank the following in the form, manner and time limits prescribed by regulatory legal acts of the Central Bank:

   (1) application for prior consent to a merger;

   (2) the decision of the competent management bodies of the reorganising Companies on a merger;

   (3) essential conditions of the transaction;

   (4) business plan for the upcoming three years of the Company surviving the merger;

   (5) information on those persons in which the surviving Company and the persons affiliated therewith will acquire shareholdings. Moreover, along with an application for prior consent to a merger the surviving Company

must also, as prescribed by this Law and regulatory legal acts of the Central Bank, submit an application for prior consent to acquisition of shareholdings in other persons prescribed by law and other required documents;

(6) information on persons that will acquire qualifying holdings in the surviving Company. Moreover, along with the application for prior consent to a merger, the surviving Company must submit an application of the person acquiring a qualifying holding and person affiliated therewith for prior consent to the acquisition of a qualifying holding in its authorised capital as prescribed by this Law and regulatory legal acts of the Central Bank, as well as other required documents;

(7) other documents and information prescribed by regulatory legal acts of the Central Bank.

3. The Board of the Central Bank shall, within a period of 30 days upon receipt of the essential conditions, necessary documents and information referred to in part 2 of this Article, adopt a decision on granting or not granting consent provided for by part 1 of this Article.

4. The Board of the Central Bank need not grant consent to the conclusion of a merger agreement, if:

(1) the merger of the Company (Companies) or the submitted documents are in conflict with laws or other legal acts;

(2) the required documents have not been submitted in a proper manner and form, or are incomplete, or there are false, unreliable or incomplete data therein;

(3) in the reasonable opinion of the Central Bank, the merger will result in the substantial worsening of the financial position of the surviving Company surviving, or the requirements prescribed by this Law or regulatory legal acts of the Central Bank will be violated by it;

(4) the Company or a person with qualifying holding in the authorised capital of the Company or a person affiliated therewith will, in the reasonable opinion of the Central Bank, as a result of the merger occupy a dominating position in the insurance market;

(5) in the reasonable opinion of the Central Bank, the interests of the policyholders, insured persons or beneficiaries of any one of the parties may be jeopardised as a result of the merger;

(6) the Central Bank has rejected or is rejecting an application on granting prior consent referred to in points 5 or 6 of part 2 of this Article.

5. Merging Companies shall, within a period of 30 days upon obtaining the prior consent of the Central Bank, together with the letter of request, submit for confirmation by the Board of the Central Bank the merger agreement and other documents and information prescribed by regulatory legal acts of the Central Bank. The Board of the Central Bank shall confirm the merger agreement within a period of 15 days upon its receipt, if the agreement meets the conditions of the obtained prior consent.

Article 131. Consequences of a merger

1. Companies having jointly taken a decision on a merger shall, within the time limits prescribed by the merger agreement, implement the measures provided for by the merger agreement, confirm the act of transfer and together with the charter or supplements and amendments to the charter of the surviving Company submit it to the Central Bank for registration as prescribed by this Law and regulatory legal acts of the Central Bank.

2. From the moment the Central Bank registers the charter or the amendments and supplements to the charter of the reorganising Company, a record on termination of the activities of the merged Company (Companies) shall be made

in the register of Companies. A surviving Company shall be deemed to be reorganised from the moment of making the record referred to in this part.

3. A reorganised Company may provide insurance of all the classes for which the merged Company or Companies had permission for concluding insurance contracts.

Article 132. Merger notification

Merging Companies shall, within a period of three days from the moment of obtaining the prior consent of the Central Bank to conclusion of a merger agreement, be obliged to publish an announcement thereon as prescribed by the Central Bank on their Internet websites and in the press.

Article 133. Suspension and termination of a merger

1. A merger may be suspended by the Board of the Central Bank, if:

   (1) the reorganising Companies violate the requirements of this Law, other laws, regulatory legal acts of the Central Bank, the merger agreement and the decision of the Board of the Central Bank on granting prior consent to the conclusion of a merger agreement;

   (2) during the merger, the reorganising Companies commit such actions or omissions that may jeopardize the rights and legitimate interests of policyholders, insured persons or beneficiaries.

2. The decision of the Board of the Central Bank on suspension of a merger shall also prescribe time limits for eliminating the grounds for suspension.

3. In case of failure to eliminate the grounds for suspension provided for by part 2 of this Article within the prescribed time limits the Board of the Central Bank shall terminate the merger.

CHAPTER 23

LIQUIDATION OF A COMPANY

Article 134. Grounds for liquidation of a Company

A Company shall be liquidated:

(1) upon the decision of the general meeting of the Company (self-liquidation);

(2) in case the license is repealed;

(3) in case of insolvency of the Company.

Article 135. Self-liquidation of a Company

1. The general meeting of a Company shall have the right to adopt a decision on liquidation of the Company, if the Company has transferred its insurance portfolio in its entirety, fulfilled all the liabilities arising from insurance contracts and has sufficient funds to satisfy the claims of all the other creditors.

2. For the adoption of a decision on the general meeting's application to the Central Bank for prior consent to liquidation of the Company, the board shall submit to the general meeting a report on the financial position of the Company in the current year, as well as a statement of information certifying the existence of funds for satisfying the claims of the creditors and providing for the time limits necessary to satisfy the claims of the creditors.

3. Upon the decision of the general meeting, based on the decision on the general meeting's application to the Central Bank for prior consent to liquidation of the Company, the Company shall submit to the Central Bank an application for prior consent to liquidation of the Company, attaching thereto documents and information substantiating the liquidation, the list whereof shall be prescribed by regulatory legal acts of the Central Bank.

4. The Board of the Central Bank shall, within a period of 90 day, consider an application for prior consent to liquidation of a Company and adopt a decision on granting or rejecting the application.

5. The Board of the Central Bank may reject the application for prior consent to liquidation of the Company, if, in the reasonable opinion of the Board of the Central Bank, the liquidation may jeopardize the rights and legitimate interests of the policyholders or lead to destabilisation of the financial system.

6. If the Board of the Central Bank grants prior consent to liquidation to the Company, the Company shall take measures to transfer its insurance portfolio in its entirety and properly fulfil all of its obligations arising from insurance activities.

7. Only after transferring the insurance portfolio in its entirety and properly fulfilling all of its obligations arising from insurance activities may the general meeting adopt a decision on liquidation.

8. After adopting a decision on liquidation, the Company shall, within a period of three days, submit to the Central Bank an application for permission for liquidation, attaching thereto the documents and information substantiating the liquidation, the list of which shall be prescribed by regulatory legal acts of the Central Bank.

9. The Board of the Central Bank shall, within a period of 30 days, consider the application for permission for liquidation of a Company and adopt a decision on accepting or rejecting the application.

10. The Board of the Central Bank shall have the right to reject the application for permission for liquidation, where there exist obligations arising from insurance activities, or if the Company will not be capable of satisfying the claims of its other creditors.

11. In case of granting permission for liquidation the Board of the Central Bank shall also adopt a decision on declaring the license for insurance activities of the Company repealed.

Article 136. Liquidation committee

1. The liquidation committee of a Company shall be established within a period of five days upon adoption of the decision of the Central Bank on granting permission for liquidation of the Company.

2. The liquidation committee shall be established with the purpose of liquidating the Company, selling its property (funds) and satisfying the legitimate claims of creditors.

3. A liquidation committee shall be composed of at least three members. Persons with appropriate qualification prescribed by regulatory legal acts of the Central Bank only may be a chairperson and a member of a liquidation committee.

4. Prior to the establishment of a liquidation committee, the powers of a liquidation committee shall be exercised by the executive authority of a given Company, unless otherwise provided for by the charter of the Company.

5. The management powers of a Company being liquidated shall pass to the liquidation committee from the moment of its establishment.

6. A liquidation committee shall, within a period of five days upon its establishment, place an announcement in a press with a print run of at least 2 000 copies in the territory of the Republic and notify the Central Bank about liquidation of the Company and about the procedure and time limits for submission of claims by creditors which may not be shorter than 60 calendar days.

7. In case of failure to establish a liquidation committee the liquidation committee of a Company shall be established upon a decision of the Board of the Central Bank.

Article 137. Procedure for liquidation

1. The management bodies of a Company shall, within a period of three days upon establishment of a liquidation committee, be obliged to submit the seal, document templates, documents, material and other objects of value of the Company to the liquidation committee.

2. Within a period of three days upon establishment of the liquidation committee, the chairperson of the liquidation committee shall apply to the Central Bank in order to include the words "insurance company in liquidation" in the trade name of the Company in liquidation. Within a period of three days upon receiving the application, the Central Bank shall make a change in the trade name of the Company in liquidation by including the words "insurance company in liquidation".

3. After changing the trade name of the Company in liquidation as prescribed by part 2 of this Article, the liquidation committee shall be obliged to change the seal, document templates of the Company in liquidation within a period of 15 day by including the words "insurance company in liquidation".

4. Before satisfying the claims of creditors, the liquidation committee shall:

   (1) account and estimate assets and liabilities of a Company in liquidation;

   (2) take measures necessary for revealing all creditors of the Company and obtaining the accounts receivable of the Company;

   (3) take measures to realise the assets of the Company in liquidation in a most profitable way;

   (4) take measures for ensuring the discharge of the existing liabilities towards the Company in liquidation;

   (5) determine the procedure for distribution among participators of funds remained upon discharge of the liabilities of the Company.

5. A liquidation committee shall, within a period of 7 days upon expiration of the time limit for submission of claims by creditors, draw, confirm and publish in a press with a print run of at least 2 000 the interim liquidation balance sheet, which shall contain information on:

   (1) the composition of the property of the Company in liquidation;

   (2) the list of claims of creditors, including the total amount of claims reflected in the balance sheet of the Company or submitted against the Company, the amount due to each creditor, the order of satisfaction of claims prescribed by this Law, as well as the separate list of claims rejected by it;

   (3) the results of the consideration of the claims submitted by the creditors;

   (4) other information prescribed by regulatory legal acts of the Central Bank.

6. The liquidation committee shall be obliged to submit one copy of the newspaper where the interim liquidation balance sheet has been published to the Central Bank on the day of its publication. The Central Bank shall have the right to compel the liquidation committee to publish the interim liquidation balance sheet in a press with a print run of at least 2 000 copies.

7. The liquidation committee shall satisfy the claims of the creditors in the order prescribed by Article 138 of this Law, in accordance with the interim liquidation balance sheet, starting from the day of its publication.

(Article 137 amended by HO-144-N of 8 June 2009, HO-69-N of 19 March 2012)

Article 138. Order of satisfaction of claims

1. Obligations secured by collateral shall be satisfied from the amount received from realising the collateral securing the respective obligation, in compliance with the requirements of Chapter 14.1 of the Civil Code of the Republic of

Armenia. If the value of the obligation is greater than the value of realising the collateral securing the respective obligation, the remainder of the obligation not backed by the collateral shall be satisfied along with obligations to other creditors.

1.1. Claims arising from insurance contracts shall be satisfied, out of turn, from the assets equivalent to the technical reserves in the order prescribed by points 2-8 of part 2 of this Article.

Where the value of claims arising from insurance contracts exceeds the amount of assets equivalent to the technical reserves of the Company, the exceeding part shall be satisfied in the turn provided for by this Article for the satisfaction of relevant claims arising from insurance contracts. Where the amount of assets equivalent to the technical reserves of the Company exceeds the value of claims, the exceeding part shall be included in the composition of liquidation means and be used as prescribed by law.

2. The obligations of a Company shall be paid from liquidation assets in the following order:

(1) first, substantiated expenses necessary for exercise by the liquidation committee of powers prescribed by this Law, including the salaries of the chairperson and members of the liquidation committee and the payments equivalent thereto;

(2) second, claims arising from damages caused to the life and health of a person stemming from compulsory insurance contracts;

(3) third, other claims arising from compulsory insurance contracts;

(4) fourth, claims arising from damages caused to the life and health of a person stemming from voluntary insurance contracts;

(5) fifth, other claims arising from a voluntary insurance contracts;

(6) sixth, claims arising from damages caused to the life and health of a person stemming from a reinsurance contract on taken (assumed) risks of reinsurance;

(7) seventh, other claims arising from reinsurance contracts on taken (assumed) risks of reinsurance;

(8) eighth, claims arising from insurance contracts not included in the priority orders from one to seven;

(9) ninth, other claims not included in the priority orders from one to eight, ten to twelve;

(10) tenth, the obligations of the Company under the State Budget and community budgets;

(11) eleventh, claims arising from subordinated loans;

(12) twelfth, the claims of the participators of the Company.

3. The participators of the Company and persons affiliated with the Company shall be excluded from the number of creditors prescribed by priority orders from two to nine and eleven in the order of satisfaction of claims of creditors of the Company prescribed by part 2 of this Article, and the Company's obligations to them shall be discharged in the twelfth priority order.

4. Creditors of the same priority order shall have equal rights to satisfaction of their claims. The claims of creditors of the same priority order shall be satisfied after fully satisfying all the claims of the preceding priority order.

5. Where the liquidation committee rejects the claims of a creditor or avoids considering them, the creditor shall, prior to the confirmation of the liquidation balance sheet of the Company, have the right to appeal the actions of the liquidation committee. The court shall examine the statement of claim provided for by this part within a period of three days. The civil judgement of the court

shall enter into force upon its announcement and shall not be subject to appeal. Moreover, if the claim of the creditor is subject to satisfaction in the priority order by which the liquidation committee carries out satisfaction of claims at that moment, the court may suspend the satisfaction by the liquidation committee of the claims of said priority order until the adoption of a decision.

6. Where creditors have submitted claims after the expiry of the time limit for submission of claims by creditors prescribed by this Law, their claims shall be satisfied from those liquidation assets which will remain after the satisfaction of claims of creditors submitted on time.

7. Where the creditors that have submitted the claim and have been registered by the liquidation committee fail to appear by the last day of the time limit for satisfaction of claims of a given priority order announced by the liquidating committee in a press with a print run of at least 2 000 copies in order to receive what they have claimed, the funds or property to be allocated to such creditors shall be transferred to notary deposit or deposited otherwise as prescribed by law.

8. Before starting the process of satisfaction of claims of each priority order, the liquidation committee shall announce the place, procedure and time limits for satisfaction of the claims in the respective priority order in a press with a print run of at least 2 000 copies. The main information relating to the place, procedure and time limits for satisfaction of claims, as well as changes thereto shall have legal force from the day following the day of their publication in a press with print run of at least 2 000 copies.

9. The time limit for satisfaction of claims included in points 2-8 of part 2 of this Article may not be less than 21 days. Moreover, the time limit prescribed for satisfaction of claims shall not be subject to renewal for the reason of missing it on any ground.

10. The claims rejected by the liquidation committee, where the creditor has not brought an action in the court, as well as the claims rejected by a civil judgment of the court, shall be considered remitted.

(Article 138 edited, supplemented and amended by HO-60-N of 28 February 2011, amended by HO-269-N of 17 December 2014, supplemented, edited, amended by HO-189-N of 25 October 2017)

Article 139. Control over the liquidation committee and reports

1. For the purpose of exercising control over the process of liquidation of a Company, the Central Bank may conduct an inspection within the Company in the process of liquidation as prescribed by the Law of the Republic of Armenia "On the Central Bank of the Republic of Armenia".
2. The liquidation committee shall be obliged to submit reports to the Central Bank in the manner, form, frequency and time limits prescribed by regulatory legal acts of the Central Bank.
3. The liquidation committee shall be obliged to publish information on its activities at least once a month in a press with a print run of at least 2 000 copies in the manner, according to the list and in the form prescribed by the Central Bank.
4. The Central Bank shall have the right to request from the liquidation committee any information on its activities.

Article 140. Confirmation of liquidation balance sheet and termination of activities of liquidation committee

1. After completing settlements with the creditors, the liquidation committee shall draw up a liquidation balance sheet and submit it to the Central Bank within three days upon its confirmation by the general meeting of the Company in liquidation.

2. Within a period of ten days, the Central Bank shall make a decision to confirm or reject the confirmation of the liquidation balance, specifying the grounds for rejection. The Central Bank shall refuse to confirm the liquidation balance sheet if the liquidation committee has violated the requirements of this Law.

3. Where the Central Bank does not confirm the liquidation balance sheet, the liquidation committee shall, within a period of ten days, eliminate the grounds for the refusal of the Central Bank to confirm the liquidation balance sheet and shall submit to the Central Bank a new application for the confirmation of the new liquidation balance sheet after it has been confirmed by the general meeting of the Company in liquidation. The Central Bank shall examine that application as prescribed by part 2 of this Article.

4. Within a period of three days after the Central Bank has made a decision on confirming the liquidation balance sheet, the Central Bank shall make an entry in the register of Companies on revoking the registration of the Company in liquidation, after which the Company shall be deemed liquidated, and the activities thereof shall be deemed terminated. The Central Bank shall notify the body carrying out state registration of legal persons about it.

5. The liquidation committee shall, within a period of three days after the Central Bank makes a decision on confirming the liquidation balance sheet, publish information on the liquidation of the Company in the form and manner prescribed by regulatory legal acts of the Central Bank, upon which the liquidation committee shall be released from obligations relating to the liquidation of the Company.

Article 141. Remuneration of members of liquidation committee

Remuneration of members of a liquidation committee shall be made at the expense of the property of the Company in liquidation.

SECTION 9

CONTROL OVER AND LIABILITY FOR VIOLATIONS OF LEGAL ACTS

CHAPTER 24

CONTROL

Article 142. Exercise of control

1. The exclusive right to control over fulfilment by the controlled person of the requirements of this Law and other legal acts regulating insurance activities shall belong to the Central Bank. The Central Bank shall exercise control over the persons referred to in this Article as prescribed by the Law of the Republic of Armenia "On the Central Bank of the Republic of Armenia".

2. ***(part repealed by HO-189-N of 25 October 2017)***

(Article 142 amended by HO-189-N of 25 October 2017)

CHAPTER 25

LIABILITY FOR VIOLATIONS OF LAWS OR OTHER LEGAL ACTS

Article 143. Violations of laws and other legal acts

Sanctions may be imposed on controlled persons, as well as their executive officers, if:

(1) requirements of this Law, other laws, other regulatory legal acts adopted based thereon, as well as internal legal acts of the controlled person have been violated;

(2) prudential standards, technical reserves have been violated;

(3) the Company has carried out such activities which in the reasonable opinion of the Central Bank have jeopardized or may jeopardize the interests of policyholders, insured persons or beneficiaries;

(4) accounting rules, the procedure or conditions for submission or publication of financial statements or other reports have been violated, or false, incomplete or unreliable data have been submitted in those documents;

(5) the controlled person has not fulfilled the assignments given by the Central Bank as prescribed by this Law;

(6) inaccurate, false or unreliable information has been submitted to the Central Bank for the registration and/or licensing of the controlled person or for registration on the register of insurance agents or for obtaining qualifying holding in the authorised capital of the controlled person;

(7) the composite score of performance of the Company is lower than the composite score of performance of Companies prescribed by the Central Bank;

(8) requirements of laws regulating the activities of the financial group in which the controlled person participates and/or legal acts adopted based thereon have been violated.

(Article 143 supplemented by HO-136-N of 12 November 2015)

Article 144. Liability of executive officers or responsible persons

1. While performing their duties, the executive officers or responsible persons of a controlled person must act within the interests of the controlled person, exercise their rights and perform their duties towards the controlled person in good faith and reasonably.

Where statements and reports submitted to the board of the controlled person reveal violations of laws, other regulatory legal acts and internal legal acts of the controlled person the board shall be obliged to take measures to eliminate those violations and avoid their repetition in the future.

2. The executive officers or responsible persons of a controlled person shall be liable to the controlled person for damages caused to the controlled person due to their intentional actions (omissions), in accordance with the legislation of the Republic of Armenia. Where the act causing damages to a controlled person has been carried out by more than one executive officer or responsible person of the controlled person they shall be jointly liable to the controlled person. The executive officers or responsible persons of a controlled person who have voted against a decision which has resulted in damages to the controlled person, or have not participated in the meeting, shall be exempt from liability for the damages caused to the controlled person. Liability of the executive officers or responsible persons of a controlled person shall include but not be restricted to the following possible cases:

   (1) the executive director of the controlled person shall be held liable for compensation of real damages caused to the controlled person as a result of assuming insurance liabilities or concluding other transactions in violation of standards for the maximum amount of one insurance risk and large insurance risks assumed, and where a decision of the board is required by law for the conclusion of a given transaction the members of the board and the executive director of the board shall be held liable;

   (2) members of the executive body shall be obliged to also compensate damages caused to the controlled person as a result of transactions concluded in violation of the internal legal acts adopted by the board of the controlled person;

(3) where the reports submitted to the board of the controlled person have revealed violations of laws, other regulatory legal acts and internal legal acts of the controlled person, and where the controlled person has later suffered damages due to the same violations, the members of the board shall be held jointly liable for compensation of those real damages, except where the member of the board has, within the scope of his or her competences, undertaken sufficient and reasonable actions to prevent those violations;

(4) where information on violations of laws and other legal acts revealed by an inspection of the internal audit has not been submitted to the board of the controlled person, and the controlled person has later suffered damages due to those violations, the head of the internal audit shall be obliged to compensate those damages.

3. A person shall be exempt from liability for damages caused to a controlled person, if he or she has acted in good faith, with the conviction that his or her actions are within the interests of the controlled person. In particular:

(1) where decisions have been made based on reasonable business logic, even if later they have caused such damages to the controlled person, the emergence of which has been clearly considered as a business risk when adopting that decision;

(2) where an executive officer or responsible person has adopted wrong or poor decisions in good faith, without a specific intention to cause damages, and where by the adoption of those decisions no requirements of laws or other legal acts have been violated.

Dismissal of the executive officers or responsible persons of a controlled person from office shall not exempt the executive officers or responsible persons from liability for damages caused to the controlled person due to their fault.

4. The controlled person or the participator (participators) of the controlled person who (jointly) disposes (dispose) of a one-percent or larger shareholding in the authorised capital of the controlled person, shall have the right to bring an action against the executive officers or responsible persons of the controlled person to the court with a claim for compensation of damages caused to the controlled person.

Article 145. Sanctions

1. In cases prescribed by Article 143 of this Law the Central Bank shall, within one year upon revealing the violation, impose the following sanctions on the controlled person or executive officer thereof:

   (1) warning and assignment to eliminate the violation or warning and assignment to avoid repetition of similar violations in the future or warning and assignment to take measures to exclude such violations in the future;

   (2) fine;

   (3) revocation of the qualification certificate of the executive officer or responsible person of the controlled person;

   (4) revocation of the licence;

2. Imposition of sanctions prescribed by this Article shall not exempt the controlled person and the executive officers or responsible persons thereof from performance of duties provided for by law, other legal acts or treaties.

3. For each violation of laws or other legal acts, the Central Bank may simultaneously issue a warning to the controlled person and/or the executive officer or responsible person thereof with an assignment to eliminate the violation or a warning with an assignment to avoid repetition of such violations in the future or a warning with an assignment to take measures to exclude such

violations in the future, and/or impose a fine on the controlled person and/or the executive officer or responsible person thereof, and/or revoke the qualification certificate of the executive officer or responsible person of the controlled person.

4. The Central Bank shall be obliged to publish the decision on imposition of a sanction (sanctions) prescribed by this Article on the controlled person, executive officer or responsible person thereof on the home page of the Internet website thereof.

Article 146. Warning

1. A warning shall contain a record of the violation committed and shall serve to inform the controlled person that has committed the violation of the impermissibility of the violation.

2. A warning shall also contain an assignment to eliminate the violation committed within the time limit prescribed by the Central Bank and/or to avoid repetition of such violations in the future and/or an assignment to take measures to exclude such violations in the future. An assignment to eliminate or avoid repetition of the violation committed or an assignment to take measures to exclude such violations may also provide for termination and/or modification of conditions of certain transactions concluded and/or operations performed by the controlled person. Fulfilment of the assignment shall be mandatory for the controlled person having received the warning.

3. A warning may be imposed as a sanction where any of the grounds provided for by Article 143 of this Law exist.

Article 147. Fine

1. A fine may be imposed as a sanction in case of presence of any of the grounds provided for by Article 143 of this Law, if those violations and/or the causes thereof have not been eliminated or cannot be eliminated by taking control measures (such as meetings, correspondence, explanatory works) aimed at remedying the controlled person's state of affairs and/or by imposing sanctions prescribed by point 1 of part 1 of Article 145 of this Law: there are reasonable doubts that the controlled person will again commit such violation in the future. In that case the decision on imposing a fine must comply with the following conditions:

   (1) it shall be substantiated that following, for the given violation(s), the implementation of control measures aimed at remedying the controlled person's state of affairs and/or the imposition of the sanction prescribed by point 1 of part 1 of Article 145 of this Law, the controlled person has not undertaken the necessary and effective actions for elimination of the violations;

   (2) the imposition of the fine shall be appropriate for the nature of the violations(s) and shall not be based on discriminatory judgements.

2. The amount of the fine imposed on the controlled person may not be in excess of, for each violation, two thousand five hundred times the prescribed minimum salary.

3. The amount of the fine shall not result in a difficult financial position of the controlled person.

4. The amount of the fine imposed on the executive officer or responsible persons of the controlled person may not exceed, for each violation, thousand times the prescribed minimum salary. The fine imposed on the executive officer or responsible person of the controlled person shall be levied from his or her personal funds.

5. The fine shall be levied upon a court decision pursuant to the action brought by the Central Bank if the controlled person or the executive officer or the responsible person thereof does not agree with the imposition of the fine or with the amount of the fine. The amount shall be allotted to the State Budget.

Article 148. Revocation of qualification certificates of the executive officers or responsible persons of a controlled person

1. The qualification certificates of executive officers or responsible persons of a controlled person may be revoked upon a decision of the Central Bank, in case they:

   (1) have deliberately violated laws or other legal acts;

   (2) during their term of office, have committed such actions or omissions as a result of which the rights or legitimate interests of a controlled person, policyholders, insured persons and beneficiaries have been jeopardized or may be jeopardized;

   (3) impeded the actions of the Central Bank or its officers during the exercise of control;

   (4) have committed such actions as a result of which the controlled person suffered or could have suffered considerable financial or other loss;

   (5) when acting in an official capacity, committed such actions for their personal benefit or committed such omissions which contradict the rights or legitimate interests of the controlled person, policyholders, insured persons or beneficiaries;

   (6) have acted unfairly or in bad faith when performing their official duties;

   (7) a case as a result of which they failed to meet the qualification standards prescribed for executive officers or responsible persons of controlled persons by regulatory legal acts of the Central Bank has emerged;

(8) have not fulfilled an assignment given by the Central Bank on the ground of Article 146 of this Law.

2. Upon the entry into force of a decision of the Central Bank on revocation of the qualification certificate of an executive officer or responsible person of a controlled person, the powers of that person prescribed by this Law, other laws and legal acts, as well as by internal legal acts of the controlled person, shall be terminated.

3. Revocation of the qualification certificate of an executive officer or responsible person of a controlled person should be substantiated, be appropriate for the nature of the violation and shall not be based on discriminatory judgements.

Article 149. Revocation of the licence

1. The licence may be revoked, if:

(1) the requirements of this Law, other laws, other regulatory legal acts adopted based thereon, as well as of internal legal acts of the controlled person, have been deliberately violated;

(2) the controlled person has not carried out insurance, reinsurance or insurance intermediation activities within one year upon receipt of the licence;

(3) the controlled person, within the time limits prescribed by the Central Bank, has deliberately not fulfilled an assignment given by the Central Bank on the ground of point 1 of Article 145 of this Law;

(4) the activities of the controlled person have terminated;

(5) prudential standards or technical reserves prescribed by this Law and regulatory legal acts of the Central Bank have been violated. A licence may be revoked in case of existence of deviations from the amounts of

prudential standards or technical reserves prescribed by regulatory legal acts of the Central Bank;

(6) the Company has carried out such activities which in the reasonable opinion of the Central Bank have jeopardized or may jeopardize the interests of policyholders, insured persons or beneficiaries;

(7) accounting rules, the procedure or conditions for submission or publication of financial statements or other reports have been violated, or false, incomplete or unreliable data have been submitted in the accounting documents;

(8) false or unreliable data have been submitted in financial statements or other reports;

(9) unreliable or false information has been submitted to the Central Bank for the registration and/or licensing of the controlled person or for registration on the register of insurance agents or for obtaining qualifying holding in the authorised capital of the controlled person.

2. The licence of a controlled person may be revoked on a ground prescribed by points 1, 6 or 7 of part 1 of this Article, if those violations and/or the causes thereof have not been eliminated or cannot be eliminated by taking control measures (such as meetings, correspondence, explanatory works) aimed at remedying the controlled person's state of affairs and/or by imposing sanctions prescribed by Article 145 of this Law: there are reasonable doubts that the controlled person will again commit such violation in the future. In that case the decision on revocation of the licence of a controlled person must comply with the following conditions:

(1) it shall be substantiated that following, for the given violation(s), the implementation of control measures aimed at remedying the controlled person's state of affairs and/or the imposition of sanctions prescribed by

Article 145 of this Law, the controlled person has not undertaken the necessary and effective actions for elimination of the violations;

(2) the revocation of the licence shall be appropriate for the nature of the violations(s) and shall not be based on discriminatory judgements.

3. The Central Bank shall revoke the licence, if it has been found that the controlled person has submitted false and unreliable information to obtain a licence.

4. The licence of a controlled person shall be revoked upon the decision of the Board of the Central Bank. The licence of a controlled person shall be revoked exclusively as prescribed by this Law. Where other provisions are prescribed by other laws with regard to revocation of the licence, the provisions of this Law shall apply.

5. The licences of branches of foreign Companies shall also be revoked in case the foreign Company has been deprived of the right to carry out insurance activities in the country of the place of its registration or main activities.

Article 150. Revocation of the licence and legal consequence thereof

1. The decision of the Board of the Central Bank on revocation of the licence on grounds provided for by Article 149 of this Law shall be immediately published. The specified decision shall enter into force upon publication, unless another time limit is prescribed by the decision.

2. Controlled persons shall, from the moment of entry into force of the decision on revocation of the licence, be deprived of the right to carry out insurance, reinsurance or insurance intermediation activities (except for transactions provided for by law that are aimed at fulfilment of obligations they have assumed, realisation of funds and final distribution thereof) and shall be liquidated as prescribed by law.

3. After the adoption of the decision by the Central Bank on revocation of the licence, the controlled person shall be provided with a copy of the decision within a period of three days. Appealing the decision of the Board of the Central Bank on revocation of the licence to the court shall not — during the entire period of court examination of the case — suspend the effect of that decision.

Article 151. Other violations of this Law

For violations of Articles 4, 94 and 101 of this Law, the Central Bank may warn the persons having committed the violation about the impermissibility of the violation and assign them to eliminate the violation within a reasonable period prescribed by the Central Bank. If a person fails to fulfil the assignment of the Central Bank provided for by this Article, the Central Bank may impose a fine on the person in the amount of up to two thousand times of the prescribed minimum salary.

SECTION 10

OTHER PROVISIONS

Article 152. Prohibiting the application of an insurance tariff

The Central Bank may prohibit controlled persons from applying insurance tariffs set by them or a part thereof, if in the reasonable opinion of the Central Bank the insurance tariff set by the controlled person violates or may violate the rights or legitimate interests of policyholders, insured persons or beneficiaries, or the controlled person's financial position has been jeopardized.

Article 153. Restrictions on insurance, reinsurance and insurance intermediation activities

With a view to moderating the risk related to insurance, reinsurance and insurance intermediation activities, as well as with a view to provision of CMVLI, the Central Bank may provide for additional requirements, restrictions or a special implementation procedure for the controlled person or its insurance or other operations or a part thereof and for separate types of investments.

(Article 153 supplemented by HO-64-N of 18 May 2010)

Article 154. Fact of occurrence of an insured event

The procedure for establishment of the fact of occurrence of an insured event shall be prescribed by the insurance contract or certificate.

Article 155. Place of implementation of insurance, reinsurance and insurance intermediation activities

Insurance, reinsurance and insurance brokerage activities may be carried out exclusively at the registered office (head office) of the person carrying out insurance, reinsurance and insurance brokerage activities or at branches thereof.

Article 156. Work schedule of persons carrying out insurance, reinsurance and insurance intermediation activities

Persons carrying out insurance, reinsurance and insurance intermediation activities shall be obliged to establish and submit to the Central Bank, as prescribed by regulatory legal acts of the Central Bank, the work schedule for their activities. In case of changes to the work schedule, persons referred to in this Article shall be obliged to

inform the Central Bank thereof in advance, as prescribed by regulatory legal acts of the Central Bank.

Article 157. Suspension of time limits prescribed by law

1. All time limits prescribed by this Law for registration and issuance of licences, registration on registers, granting prior consent, granting consent, registration, approval or adoption of any other legal act on the basis of this Law may be suspended by the Central Bank for the purpose of clarifying certain facts required by the Central Bank, however for a period not longer than 6 months.

2. Where the Central Bank, within the specified period, does not reject an application, letter of request, request or any other motion submitted for registration and issuance of a licence, registration on a register, granting prior consent, granting consent, registration, approval or adoption of any other legal act on the basis of this Law, or does not inform the relevant person of suspension of the time limit prescribed, the legal acts prescribed shall be deemed to be adopted by the Central Bank.

Article 158. Financial position worsening criteria

The Central Bank may, with its regulatory legal acts, prescribe the financial position worsening criteria and the composite score of performance of Companies referred to in this Law.

Methodology for calculation of the composite score of performance of Companies shall be established by regulatory legal acts of the Central Bank.

Article 159. Licensing of insurance activities of new classes

1. For the purpose of obtaining a licence for insurance activities of a new class, the operating Company shall submit to the Central Bank the following in the form and with the content prescribed by regulatory legal acts of the Central Bank:

   (1) application for a licence for insurance activities of a new class;

   (2) amendments to the business plan of the Company;

   (3) opinion of the responsible actuary on the compatibility of the general capital and minimum limit of the general capital of the Company with the requirements prescribed by this Law and regulatory legal acts of the Central Bank;

   (4) other documents prescribed by regulatory legal acts of the Central Bank.

2. In order to carry out insurance activities of a new class, an operating Company's branch established in the territory of the Republic of Armenia shall submit to the Central Bank the following in the form and with the content prescribed by regulatory legal acts of the Central Bank:

   (1) application of the Company for carrying out insurance activities of a new class;

   (2) amendments to the business plan of the branch;

   (3) opinion of the responsible actuary on the compatibility of the general capital and minimum limit of the general capital of the Company with the requirements prescribed by this Law and regulatory legal acts of the Central Bank;

   (4) other documents prescribed by regulatory legal acts of the Central Bank.

3. For the purpose of obtaining a licence for insurance activities of a new class, a foreign Company's branch operating in the territory of the Republic of Armenia

shall submit to the Central Bank the following in the form and with the content prescribed by regulatory legal acts of the Central Bank:

(1) application for a licence for insurance activities of a new class;

(2) amendments to the business plan of the branch;

(3) decision or other document of the competent body exercising control over the foreign Company on permitting the branch established in the Republic of Armenia to carry out insurance activities of the new class or not objecting to it;

(4) other documents prescribed by regulatory legal acts of the Central Bank.

4. The Central Bank shall permit a Company, the branch thereof or a foreign Company's branch operating in the territory of the Republic of Armenia to carry out insurance activities of a new class, where carrying out such activities does not contradict the requirements of the law or regulatory legal acts of the Central Bank, and where the application for carrying out insurance activities of the new class and the documents attached thereto comply with the requirements of this Law and regulatory legal acts of the Central Bank, and where the financial position of the Company or the foreign Company's branch operating in the territory of the Republic of Armenia will not worsen, or the rights and interests of policyholders, insured persons or beneficiaries will not be violated in case of carrying out insurance activities of the new class. The Central Bank shall grant permission to carry out insurance activities of a new class within a period of 30 days upon receipt of the application.

SECTION 11

TRANSITIONAL PROVISIONS

Article 160. Transitional provisions

1. This Law shall enter into force four months following the day of its promulgation.

2. With respect to the requirements relating to actuaries, this Law shall enter into force one year following its official promulgation.

3. Part 1 of Article 27 of this Law shall enter into force from 1 January 2009.

   From the moment of entry into force of this Law until the time limit for payment of the annual state duty for licence for insurance activities, but not later than within 6 months, the operating insurance companies having obtained a licence pursuant to the Law of the Republic of Armenia "On insurance" of 11 June 2004 must be re-registered and re-licensed as prescribed by this Law.

4. Licences of insurance companies not re-registered and not re-licensed within 6 months following the entry into force of this Law shall be deemed to be revoked by virtue of this Law. Insurance companies whose licences have been deemed to be revoked on the ground provided for by this part must be liquidated as prescribed by this Law. In this case the powers of the body carrying out state registration of legal persons shall be carried out by the Central Bank.

5. Within 6 months following the entry into force of this Law, insurance brokers shall be subject to re-licensing and registration on the register of intermediaries of the Central Bank as prescribed by this Law, and insurance agents shall be subject to registration on the register of intermediaries of the Central Bank.

6. Upon the entry into force of this Law, the Law of the Republic of Armenia "On insurance" of 11 June 2004 shall be repealed.

President

of the Republic of Armenia **R. Kocharyan**

22 May 2007

Yerevan

HO-177-N

Կազմված է իննսունչորս թերթից:

Comprises ninety-four sheets.