

**LAW OF THE REPUBLIC OF ARMENIA**  
**INSURANCE AND INSURANCE ACTIVITIES\***

*(Adopted on April 9, 2007)*

***Article 3. Definitions used***

For the purpose of this Law:

6) **insurance secret** is information related to the policyholder, insured person or beneficiary, which becomes known to the insurer, reinsurer or insurance intermediary in the course of the insurance activity, such as the trade secret of the policyholder, insured person or beneficiary or any other information, which the policyholder or the insured party have intended to keep in secret, and the insurance or reinsurance company or the insurance intermediary have been aware or should have been aware of such intention;

***Article 12. Qualifying holding***

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

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

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

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

2) a party does not have a holding in the statutory capital of the legal entity or has less than 10 percent; however, according to the Central Bank criteria, it can predetermine the decisions of

the management body of the legal entity or exercise significant influence over their decision-making (enforcement) or predetermine the directions, spheres of the activities of the given legal entity upon the right of claim towards the legal entity;

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

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

#### ***Article 17. Prior consent***

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

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

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

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

party possessing an indirect qualifying holding, it shall be required to obtain the prior consent of the Board of the Central Bank in accordance with the procedure stipulated by this Article.

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

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

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

#### ***Article 18. Refusal to grant a prior consent***

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

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

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

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

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

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

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

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

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

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

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

### ***Article 19. Termination of action of prior consent***

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

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

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

#### ***Article 21. Management and managers of Company***

1. Management bodies of Company shall comprise:

1) the general meeting;

2) the board;

3) the executive body, i.e. the executive director, and the management of Company, as stipulated by the charter of Company.

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

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

4. Company should, irrespective of its legal and organizational form, have its management bodies, a chief accountant, a head of internal audit and a certified actuary as provided for by

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

***Article 22. Professional adequacy and qualification of managers***

1. The standards for qualification and professional adequacy of the managers of insurance and reinsurance companies as well as insurance intermediaries, except for the heads of structural subdivisions, as well as procedure for testing the professional adequacy and qualification thereof shall be established by the Central Bank criteria.
2. The professional adequacy and qualification of managers of Company may be examined at the Central Bank if such is provided for under prudential regulations of the Central Bank.

***Article 23. Requirements to managers***

1. A position of a manager of Company may be assumed by any competent person who:
  - 1) meets the professional adequacy and qualification standards defined by the Central Bank;
  - 2) has not been quashed or expunged of criminal record provided for by law;
  - 3) has not been deprived of the right to assume an office in financial, insurance, banking, tax, customs, commercial, economic, legal areas by a court decision;
  - 4) has not been recognized bankrupt and has not outstanding liabilities;
  - 5) has not in the past acted in a way that, according to the opinion of the Board of the Central Bank, it gives grounds to believe that the given person, in his capacity of a manager of an insurance company, cannot duly manage the relevant field of the activities of the insurance company or his actions may lead to the bankruptcy or deterioration of the financial situation of the insurance company or compromise the professional and business reputation thereof;

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

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

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

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

***Article 38. License to the insurance business***

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

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

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

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

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

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

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

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

***Article 39. Scope of activity license***

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

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

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

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

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

6. Company authorized to engage in certain classes of non-life insurance may operate by classes or subclasses of insurance without additional activity license, if the insurance risk is related to the object insured on the basis of the class or subclass of insurance indicated in the activity license, and the insurance risk and the object are insured on the basis of the same insurance contract.

The provisions hereunder do not apply to the insurance activities by insurance classes specified in point 14 (credit insurance), point 15 (surety insurance), point 17 (legal expenses and out-of-court charges insurance) of Paragraph 2 of Article 7 hereinabove, except for the cases when legal expenses and out-of-court charges insurance is considered as additional insurance by classes of insurance specified in point 6 (ships insurance), point 12 (ships liability insurance (also cargo)), and point 18) (assistance insurance) of Paragraph 2 of Article 7 hereinabove.



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

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

***Article 40. Company registration and licensing***

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

1) an application for registration and licensing;

2) the business plan of Company;

3) the charter of Company, in 6 copies, approved by the meeting of the founders of Company;

4) the list of the shareholders of Company, which includes the name and the place of location (residence) of each shareholder, the name and the location of the shareholder—legal entity, the nominal value and number of shares to be allocated, the share in the statutory capital of Company;

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

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

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

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

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

- 10) the list of parties with qualifying holding in Company and affiliated parties;
- 11) drafts of outsourcing agreements, if any;
- 12) drafts of the activity regulations of Company;
- 13) receipt of state duty payment;
- 14) statement of payment onto the cumulative account opened at the Central Bank or any commercial bank operating in the Republic of Armenia, which is not affiliated with Company ;
- 15) a statement on compliance of the premises of Company with the Central Bank criteria;
- 16) other documents specified by prudential regulations of the Central Bank.

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

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

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

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

#### ***Article 41. Decision on registration and licensing***

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

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

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

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

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

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

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

- 1) false or incomplete documents are submitted or the documents submitted contain inaccurate or false information;
- 2) insurance premiums (insurance tariffs) and reserves, calculated according to the business plan, are insufficient for the fulfillment of obligations by Company arising out of insurance contracts;
- 3) the managers of Company do not meet the criteria established by this Law and regulations of the Central Bank;
- 4) Company does not meet the requirements for engaging in insurance activities set forth by this Law and other regulations;
- 5) the charter of Company has contradictions with law;
- 6) the provisions of the charter or the activity regulations of Company are not accurate and clear enough, which may jeopardize regular operation of Company or the interests of policyholders;
- 7) the required premises or technical equipments of Company are not in line with the requirements stipulated by the Central Bank criteria;

- 8) the Central Bank has refused or refuses even one of the applications for obtaining a prior consent for acquisition of a qualifying holding in the statutory capital of Company;
- 9) the business plan submitted does not meet the requirements of this Law and regulations of the Central Bank;
- 10) according to the justified opinion of the Central Bank, the business plan is not feasible, or Company cannot carry out regular insurance activities in case it operates according to that plan;
- 11) according to the justified opinion of the Central Bank, the activities, financial status, reputation or experience of the founders of Company or affiliated parties may jeopardize the interests or benefits of the policyholders, insured persons or beneficiaries, or impede the regular operation of Company or the appropriate supervision by the Central Bank;
- 12) the minimum amount of the statutory capital defined by prudential regulations of the Central Bank has not been paid up.

***Article 45. Revocation of license***

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

***Article 47. Registration of branch and representative office***

1. A foreign insurance company may establish a branch within the territory of the Republic of Armenia by registering it at the Central Bank according to the procedure stipulated by this Law and prudential regulations of the Central Bank.
2. For registration of a branch office of foreign insurance company to be established within the territory of Republic of Armenia, the foreign insurance company shall submit the following documents according to the format and content provided for by prudential regulations of the Central Bank:
  - 1) an application for registration of the branch office;

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

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

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

Central Bank:

1) an application for the registration of a representative office;

2) the decision of the authorized management body of the foreign insurance company on establishing a representative office in the Republic of Armenia;

3) the charter of the representative office, in 6 copies;

4) notarized copies of the registry certificate of Company, the charter or other founding documents, as well as of the activity license of Company, in accordance with the legislation of the registration country of a foreign insurance company, translated into Armenian language;

5) the financial statements of a foreign insurance company for the preceding 3 years, prepared in accordance with the international accounting standards and a positive opinion of an independent audit on the financial statements;

6) a statement on the entities having a qualifying holding in the statutory capital of the foreign insurance company;

7) the decision or other documents of the authorized management body exercising supervision over the foreign insurance company on issuing an authorization to, or permission for, establishing a representative office in the Republic of Armenia;

8) a statement from the authorized management body exercising supervision over the foreign insurance company on the fact that Company holds an activity license and performs its insurance activities in accordance with the legislation of the main registration country;

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

5. The Central Bank shall deliver a decision on registering the branch office of foreign insurance company or on registering a representative office, provided that the submitted documents and

information comply with this Law, other laws and regulations, and there are no grounds provided for by this law to refuse to register the branch office of foreign insurance company, or to register the representative office.

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

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

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

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

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

***Article 48. Grounds for refusal to application for registration***

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

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

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

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

- 4) foreign insurance company or the branch office to be established within the Republic of Armenia do not meet the requirements for engaging in insurance activities provided for by this Law and other regulations;
- 5) the charter of the branch office of foreign insurance company is not in compliance with the law;
- 6) the provisions of the charter or the activity regulations of the branch office of foreign insurance company are not accurate and clear enough, which may jeopardize the regular operation of foreign insurance company or the interests of the policyholders, insured persons or beneficiaries;
- 7) the required premises and technical facilities and equipments of the branch office of foreign insurance company are not in line with the requirements set forth by prudential regulations of the Central Bank;
- 8) the submitted business plan is not in compliance with the requirements set forth by this Law or prudential regulations of the Central Bank;
- 9) according to the justified opinion of the Central Bank, the business plan is not feasible, or the branch office of foreign insurance company cannot carry out regular insurance activities in case it operates according to the plan;
- 10) according to the justified opinion of the Central Bank, the activities, financial status, reputation or experience of qualifying shareholders of foreign insurance company or affiliated entities thereof, may jeopardize the interests of the policyholders, insured persons and beneficiaries, or impede the regular operation of the branch office of foreign insurance company, or the appropriate supervision by the Central Bank;
- 11) according to the justified opinion of the Central Bank, the authority responsible for the supervision of the insurance sector of the country of main operation of Company does not exercise supervision over the activities of insurance companies registered in the given country in accordance with the international standards and in a proper way, or the country concerned does not allow the Central Bank to undertake a proper inspection or supervision of the branch office to be established;



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

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

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

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

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

### ***Article 53 Outsourcing agreement***

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

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

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

2) investment management or asset management;

3) assessment of risks arising out of insurance contracts, handling of cases involving damages;

4) maintenance of accounting;

5) assessment of the value of insured objects;

6) functions of actuary;

7) other operations provided for by prudential regulations of the Central Bank.

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

4. An outsourcing agreement shall at least include:

1) the duties and obligations of the Counterparty related to the insurance confidentiality;

2) the unreserved and irrevocable consent of the Counterparty on conducting investigations, exercising supervision, inspections, re-inspections over its activities by the insurance company, its auditors and the Central Bank, and on disclosure of information related thereto;

3) the responsibility of the Counterparty for failure to carry out or improperly carry out its operations;

4) a detailed overview of the due diligence criteria for implementation of operations by the Counterparty;

5) the procedure for the rescission of the contract;

6) the terms and the procedure for exercising supervision over the implementation of the operations outsourced to the Counterparty by insurance company.

#### ***Article 55. Oversight of outsourced operations***

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

#### ***Article 87. Insurance intermediation and its types***

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

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

3. A legal entity, individual entrepreneur, or natural person having been registered as an

insurance agent in the register of intermediaries of the Central Bank in accordance with the procedure stipulated by this Law and prudential regulations of the Central Bank can engage in insurance agency activities.

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

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

### ***Article 88. Insurance intermediaries***

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

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

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

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

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

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

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

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

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

**Article 90. Requirements to officials of insurance intermediaries**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7. The provisions provided for in Paragraph 5 of this Article shall not apply to insurance agents whose responsibility of ensuring the compensation for the damage caused due to professional negligence is undertaken by insurance company.

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

#### ***Article 91. Scopes of insurance intermediation***

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

#### ***Article 97. Licensing of insurance brokerage activity***

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

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

1) a letter of request;

- 2) an insurance liability contract of insurance broker, which meets the requirements provided for by Paragraph 5 of Article 90 hereinabove;
- 3) information about the participants of the commercial organization;
- 4) the decision of the authorized body of the commercial organization on the appointment of officials of the insurance broker;
- 5) statement about the activity of officials of the insurance broker, samples of their certified signatures;
- 6) the regulations of the insurance brokerage company;
- 7) a statement on the compliance of the premises of insurance broker with the Central Bank criteria;
- 8) information on parties having a qualifying holding in the capital of insurance broker as well as on their personal data and share of participation;
- 9) receipt for the payment of state duty;
- 10) other documents as provided for by prudential regulations of the Central Bank.

***Article 98. Decision to license insurance brokerage activity***

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

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

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

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

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

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

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

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

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

3) commercial organization having submitted a letter of request has not delivered the documents specified by Article 97 hereinabove or delivered false or incomplete documents or the documents contain inaccurate and false data;

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

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

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

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

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

1. For entry in the register of insurance agents or amend the information available in the register, an insurance agent shall submit the following documents and information as provided for by prudential regulations of the Central Bank:

1) for an applicant as legal entity:

(a) an application for entry in the register;

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

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

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

(e) professional qualification certificates of managers,

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

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

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

2) for an applicant as individual entrepreneur:

(a) an application for entry in the register;

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



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

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

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

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

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

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

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

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

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

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

**Article 105. Grounds for refusal to register insurance agent**

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

- 1) applicant fails to meet the requirements to insurance agents set forth by this Law and other regulations;
- 2) managers of the applicant fail to comply with the requirements set forth by this Law and prudential regulations of the Central Bank;
- 3) applicant has not submitted the documents specified by Article 103 or has submitted false or incomplete documents or the documents submitted contain inaccurate or false data.

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

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

- 1) insurance agent has submitted to the Central Bank an application about removal from the register;
- 2) legal entity–insurance agent has been dissolved or entrepreneur-insurance agent has died;
- 3) the insurance contract between insurance company and insurance agent has terminated;
- 4) insurance agent does not have documents proving the availability of requirements provided for in Paragraphs 5-7 of Article 90;
- 5) the grounds for refusing to enter insurance agent in the register, as provided for by Article 105, have been identified;
- 6) insurance agent or insurance agent's manager has violated the requirements set forth by Article 102 concerning mediation of insurance contracts;
- 7) insurance agent has violated this Law and other regulations or the interests and legitimate rights of the policyholders, the insured persons or beneficiaries are not sufficiently guaranteed from the risks arising out of the activities or negligence of insurance agent;
- 8) insurance agent has not executed the instruction of the Central Bank.

2. In case of identifying the grounds mentioned in Paragraph 1 herewith, insurance company shall notify the Central Bank of them within 2 business days.
3. Upon receiving or identifying the information set forth in Paragraph 1 herewith, the Central Bank shall, within 10 business days, make a decision to delete insurance agent from the register or amend the information on insurance agent.
4. The Central Bank shall, within 3 business days upon a decision on deleting insurance agent from the register, notify the insurance agent thereon.

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

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

***Article 111. Provision of insurance secret***

1. Provision of information constituting an insurance secret shall involve the making of such information available, in writing or verbatim, to state authorities, officials and citizens, according to procedure and grounds provided for by this Law.
2. Parties or organizations, except for the insurer, reinsurer and insurance intermediary, who have been entrusted with or have become aware of information constituting an insurance secret during the course of their service or operation, shall not have the right to provide the mentioned information. The Central Bank shall not have the right to provide state authorities, officials, and citizens or any other party with information constituting an insurance secret of customers of the insurer, reinsurer, insurance intermediary, which has been disclosed to it during the supervision of the insurer, reinsurer and insurance intermediary, except for the cases prescribed by law.
3. Information stipulated under the Republic of Armenia Law on Combating Money Laundering and Terrorism Financing, that constitutes insurance secrecy, shall be provided to the Authorized Body defined under that Law, in the presence of suspicions on money laundering or terrorist financing or upon the request of the Authorized Body, in the cases and manner established by that Law.

***Article 112. provision of insurance secret to criminal prosecution authorities***

1. The insurer, reinsurer, insurance intermediary shall provide the criminal prosecution authorities with information constituting insurance secrets only based on a court decision, in accordance with the Code of Criminal Procedures of the Republic of Armenia.
2. The insurer, reinsurer, insurance intermediary shall, within 2 business days upon the receipt of a court decision, undertake to provide the information and documentation indicated and required by the court decision, in a closed and sealed envelope, to the court or the authorized party thereof. The insurer, reinsurer and insurance intermediary shall be prohibited to notify their customers of providing the criminal prosecution authorities with information constituting an insurance secret thereof.
3. Managers of an insurer, reinsurer, insurance intermediary or the employees thereof shall not be interrogated with regard to the information constituting an insurance secret of customer, except for the cases provided for herewith and in cases and according to the procedure stipulated by Articles 113, 114 and 119 of this Law.

***Article 113. Provision of insurance secret to court***

1. The insurer, reinsurer, insurance intermediary shall disclose and provide information constituting insurance secrets of their customer involved as a party of civil and criminal proceeding exclusively on the basis of a court decision taken in accordance with the Code of Civil Procedure or the Code of Criminal Procedure of the Republic of Armenia.
2. Upon the receipt of a court decision or court judgment, the insurer, reinsurer, insurance intermediary shall undertake to provide, within 2 business days, information and documentation indicated and required by the court decision, judgment or the verdict of the court, in a closed and sealed envelope, to the court or the authorized party thereof. During this period the insurer, reinsurer, insurance intermediary shall take all measures necessary to inform their customer about obtaining the court decision or verdict made in accordance with the Code of Civil Procedure and about the obligation of the Central Bank to provide with information constituting insurance secret.

The insurer, reinsurer, insurance intermediary shall be prohibited to notify their customers of acquiring of court decision or judgment made in accordance with the Code of Criminal

Procedure and about the fact of provision of information thereon constituting an insurance secret to court or representative of the court.

***Article 115. Provision of insurance secret to tax authorities***

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

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

**(Article 116 was repealed by 21.06.2014 HO-119-N)**

***Article 120. Obligation to report crime***

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

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

***Article 142. Exercise of supervision***

1. The Central Bank shall have the exclusive right for the supervision over compliance of the supervised entities with requirements of this Law and other regulations governing insurance

activities. The Central Bank shall exercise supervision over the parties referred to in this Article according to the procedure established by the Armenian Law on the Central Bank.

2. The Central Bank may provide information, which has become known to it as a result of its supervision over certain insurers, reinsurers, insurance intermediaries, to the state body with an exclusive right for exercising control over insurers, reinsurers, insurance intermediaries of a foreign country, provided that the information is necessary for exercising supervision over a branch office or territorial subdivision, located in the given country, of an insurer, reinsurer, insurance intermediary operating in the Republic of Armenia or for approving the establishment of a branch office or territorial subdivision in the given country, according to the procedures established by the international agreements signed between the Central Bank and the state body with an exclusive right to exercise supervision over insurers, reinsurers, insurance intermediaries of the given country.

The Central Bank may submit the information specified in this Paragraph even if it constitutes an insurance or other secret.

***Article 143. Violation of laws and regulations***

1. The supervised entities as well as managers thereof may be imposed sanctions, if:

1) they have violated the requirements of this Law, other laws, and prudential legal acts adopted pursuant thereto, as well as the requirements of internal regulations of the supervised entities;

2) they have violated the prudential standards, technical reserves;

3) insurance company has carried out an operation which, the Central Bank believes, has damaged or can damage the interests of the policyholders, the insured persons or beneficiaries;

4) they have violated the rules for maintaining accounts, the terms or procedures for submitting financial or other reports, or false, incomplete or inaccurate data has been presented in those documents;

5) the supervised entities has failed to fulfill the tasks assigned by the Central Bank according to the procedure established by this Law;

6) inaccurate, false or incomplete information has been submitted to the Central Bank for registration and/or licensing of the supervised entities or for the registration in the agent's

register or for the acquisition of a qualifying holding in the statutory capital of the supervised entities;

7) the overall assessment of performance indicators of insurance company is below the Central Bank criteria.

***Article 144. Responsibility of managers and officials***

1. The managers or officials of the supervised entities, when fulfilling their obligations, shall undertake to operate based on the interests of the supervised entities, exercise their rights and fulfill their obligations towards the supervised entity in a careful and prudent manner. If the reports submitted to the board of the supervised entity reveal cases of violations of laws, other prudential regulations and internal policies and procedures of the supervised entity, the board shall take measures for elimination of those violations and further prevention thereof.

2. The managers or officials of the supervised entities shall bear responsibility toward the supervised for the legal damage caused to the supervised entity as a result of their intentional activities (omissions) according to the legislation of the Republic of Armenia. If the damage was caused by more than one manager of the supervised entity or officials thereof, they shall carry a joint liability toward the supervised entity. The managers of the supervised entity or officials thereof, who voted against the decision on the damage caused to the supervised or did not take part in the meeting, shall be released from the responsibility for the damage caused to the supervised. The responsibility of a manager of the supervised entity or officials thereof shall include, but not be limited to, the following possible cases:

1) the executive director of the supervised entity shall be responsible for compensating the actual damages caused to the supervised entity as a result of insurance obligations undertaken by violation of prudential regulations on the maximum volume of one insurance risk, large risk, or other transactions and if a board decision is required by law for entering into such transaction, the members of the board and the executive director shall be responsible therefor;

2) the members of the executive body shall also compensate for the damages caused to the supervised entity as a result of transactions made by violation of internal regulations adopted by the board of the supervised entity;

3) if the reports submitted to the board of the supervised entity reveal violations of laws, other prudential regulations and internal policies and procedures of the supervised entity and in the

past the supervised entity has had losses due to the same violations, the members of the board shall be liable for compensating those actual damages, except for cases, when the member of the board has, in his capacity, initiated sufficient and prudent actions for preventing those violations;

4) if the information on violations of laws and other prudential regulations revealed during the examination of the internal audit have not been submitted to the board, and later the supervised entity has had losses due to those violations, the internal auditor shall compensate for those damages.

3. A party shall be released from the liability for the damage caused to the supervised entity, if he has acted *bona fide* to the conviction that his actions arise from the interests of the supervised entity, particularly:

1) if decisions were made on the bases of prudent business logic, even if later they caused such damages to the supervised entity, the emergence of which was definitely taken into consideration as a business risk when taking that decision;

2) if incorrect or incomplete decision-making by the manager or official has been *bona fide* without a deliberate intention to cause damage, and if such decision-making has not violated the requirements of laws or other regulations. The dismissal of a supervised entity's manager or officials thereof shall not release the manager or the officials from liability for the damage caused to the supervised entity by their fault.

4. The supervised entity or participant (participants) of the supervised entity who jointly holds (hold) one percent and more of share in the statutory capital of the supervised entity, may bring a claim, through the court, against the manager of the supervised entity or official thereof, for compensation of damages caused to the supervised entity.

#### ***Article 145. Sanctions for violation of laws***

1. In cases specified in Article 143 of this Law, the Central Bank may, within 1 year after the detection of the violation, impose sanctions on the supervised entity or manager thereof, as follows:

1) warning and instruction to remedy violations or warning and instruction not to recur to the violation in the future or warning and instruction of taking measures aimed at further



prevention of such violation,

2) fine,

3) depriving the manager or official of the supervised entity of the qualification certificate,

4) revocation of an activity license.

2. The imposition of the sanctions specified in this Article shall not release the supervised entity and the managers or officials thereof from the liability set forth by laws and other regulations or contracts.

3. For each violation of laws or other regulations, the Central Bank may simultaneously issue a warning to the supervised entity and/or the manager of the supervised party or official thereof together with an instruction to remedy the violation or a warning together with an instruction not to recur to the violation in the future or a warning together with an instruction to take measures aimed at further prevention of the violation and/or fine the supervised entity or the manager or official thereof, and/or deprive the manager of the supervised entity or official thereof, of the qualification certificate.

4. The Central Bank shall undertake to place the decision on imposition of a sanction (sanctions) provided for by this Article towards the supervised entity, its manager, or officials onto its website.

#### ***Article 146. Warning***

1. A warning shall be issued as a statement on a committed violation and the supervised entity who has committed violation shall thus be notified of the impermissibility of the violation.

2. A warning shall also imply an instruction to remedy the violation within the terms set forth by the Central Bank and/or an instruction not to recur to the violation in the future and/or an instruction on taking measures aimed at further prevention of the violation. An instruction to remedy, or not to recur to, or take measures aimed at preventing, such violations may also envisage termination and/or alteration of the conditions of certain transactions and/or operations of the supervised entity. The fulfillment of the instruction shall be mandatory for the supervised entity who has received a warning.

3. A warning may be applied as a sanction in case of the presence of any of the grounds provided for by Article 143 of this Law.

**Article 147. Fine**

1. A fine may be imposed as a sanction in case of the presence of any of the grounds provided for in Article 143 of this Law, if after exercising supervisory measures (meeting, correspondence, explanatory measures) and/or sanctions specified in point 1 of Paragraph 1 of Article 145 for the regulation of the situation of the supervised entity, the violations and/or reasons thereof have not or cannot be remedied and/or there are justified doubts that the supervised entity will recur to the same violation. In such cases the decision on revocation of an activity license must comply with the following conditions:

1) it should state that as a result of exercising supervisory measures and/or sanctions specified in point 1 of Paragraph 1 of Article 145 for the regulation of the situation of the supervised entity, the entity has not taken efficient measures to remedy violations;

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

2. The size of fine imposed for each violation on each supervised entity shall not exceed the 2500-fold of the fixed minimum salary.

3. The size of fine shall not lead to a severe financial standing of the supervised entity.

4. The size of fine imposed for each violation on the manager of supervised entity or officials thereof shall not exceed the 1000-fold of the fixed minimum salary. The fine imposed on the manager or official of the supervised entity shall be charged from their personal means.

5. The fine shall be charged by a court decision upon the claim of the Central Bank, should the supervised entity or the manager or official thereof disagree with the fine or its amount. The sum shall be charged to the benefit of the state budget.

**Article 148. Depriving managers or officials of supervised entity of qualification**

***certificate***

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

1) have deliberately violated the laws or other regulations;

2) have committed an action or permitted an omission which has damaged or can damage the rights or interests of the supervised entity, the policyholders, the insured persons or beneficiaries;

3) have impeded the actions of the Central Bank or its employees in regard to conducting supervision;

4) have undertaken actions, as a result of which the supervised entities have incurred or could incur considerable financial or other loss;

5) have undertaken actions or permitted omissions arising out of personal interests, which contradict the rights or interests of the supervised entities, the policyholders, the insured persons and beneficiaries;

6) have not been fair and careful in respect of their official obligations;

7) do not meet the qualification or professional adequacy standards for managers or officials of the supervised entity, as stipulated by prudential regulations of the Central Bank;

8) have not followed the instruction of the Central Bank issued based on Article 146 of this Law.

2. Upon the entry into force of a decision of the Central Bank on depriving a manager or official of the supervised entity of the qualification certificate, the authorities provided for by this Law, other laws, regulations and internal policies and procedures of the supervised entity shall be repealed.

3. The depriving the manager or official of the supervised entity should: be justified, be in line with the nature of violation(s), and should not be based on discriminatory assumptions.

#### ***Article 149. Revocation of license***

1. An activity license shall be revoked, if:

- 1) the requirements of this Law, other laws, prudential regulations adopted pursuant thereto, as well as those of internal regulations of the supervised entity have been deliberately violated;
- 2) the supervised entity has not been engaged in insurance or insurance intermediation activities during one year after receiving the license;
- 3) the supervised entity has deliberately not followed the instruction of the Central Bank within the terms specified by the Central Bank pursuant to Paragraph 1 of Article 145;
- 4) the activities of the supervised entity have terminated;
- 5) the prudential standards or technical reserves provided for by this Law and prudential regulations of the Central Bank have been violated; a license may be revoked in case of deviations from the size of technical reserves or from prudential standards to the extent established by prudential regulations of the Central Bank;
- 6) insurance company has carried out an operation which, the Central Bank believes, has damaged or can damage the interests of the policyholders, the insured persons or beneficiaries;
- 7) rules for maintaining accounts, the terms or procedures for submitting financial or other reports have been violated, or false, incomplete or inaccurate data have been presented in those documents;
- 8) incomplete or inaccurate data have been presented in financial and other reports;
- 9) inaccurate, false or incomplete information has been submitted to the Central Bank for registration and/or licensing of the supervised entity or for entering into the register of insurance agents or for acquisition of a qualifying holding in the statutory capital of the supervised entity.

2. The activity license may be revoked on the grounds specified in points 6 or 7 of Paragraph 1 of this Article if after exercising supervisory measures (meeting, correspondence, explanatory measures) and/or sanctions as referred to in Article 145 hereunder for the regulation of the situation of the supervised party, the violations and/or reasons thereof have not or cannot be remedied and/or there are justified doubts that the supervised entity will recur to the same violation. In such cases the decision on revocation of the activity license must comply with the following conditions:

- 1) it should state that as a result of exercising supervisory measures and/or sanctions as referred to in Article 145 hereunder for the remedy of the situation with the supervised entity, the entity has not taken efficient measures to remedy the violations;
- 2) the revocation of the activity license shall be in line with the nature of violation(s) and should not be based on discriminatory assumptions.
3. The Central Bank shall operate the license as revoked if it turns out that the supervised entity has submitted false and inaccurate information for obtaining an activity license.
4. An activity license of the supervised entity shall be revoked by the decision of the Board of the Central Bank. An activity license of the supervised entity shall be revoked only in accordance with the procedure stipulated by this Law. Should there be other provisions established by other laws in respect of revocation of an activity license, the provisions of this Law shall prevail.
5. An activity license of branch offices of foreign insurance companies shall be revoked also in case a foreign insurance company has been deprived of the right to engage in insurance activities in the country of its registration or main activity.

***Article 150. Published decision on license revoked and its legal consequence***

1. The decision of the Board of the Central Bank on revocation of an activity license on the bases provided for by Article 149 of this Law shall be published immediately. The said decision shall enter into force from the date of its publication, unless another date is specified by the decision.
2. Upon the entry of the decision on revocation of an activity license into force, the supervised entity shall be deprived of the right to engage in insurance or insurance intermediation activities, except for transactions provided for by this Law, which are aimed at fulfilling the obligations undertaken, marketing the assets and their final allocation. The supervised entity shall be liquidated according to the procedure stipulated by law.
3. A copy of the decision of the Central Bank on revocation of an activity license shall be delivered to the supervised entity within 3 days after its adoption. A court appeal of the decision of the Board of the Central Bank on revocation of an activity license shall not suspend the action of that decision during the entire court proceeding.