



**ARMENIA
INSURANCE FINANCIAL REPORTING,
DRAFTING AND CAPACITY BUILDING (C226)
REGULATION ON INVESTMENTS**

Submitted to:

Ministry of Finance and Economy
Head of Insurance Department
Republic of Armenia

Submitted by:

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Section 1

Insurance companies shall invest in the security of, and shall hold as assets, only cash and premiums in the course of collection or accrual investment income or eligible (permitted) investments as prescribed in this Regulation.

Section 2

The eligibility of an investment is determined as of the date of its making or acquisition.

Section 3

Any limitation based upon the amount of the insurance company's assets relates to assets as shown on the financial statements as of December 31 preceding the date of investment. For newly formed and licensed insurance companies, the total assets shown in their initial balance sheet filed with the Insurance Department shall be used.

Section 4

No security or other investment shall be eligible for purchase or acquisition under this Regulation unless it is interest bearing or interest accruing or dividend or income paying, is not then in default in any respect and the insurer is entitled to receive for its exclusive account and benefit the interest or income accruing thereon.

Section 5

No security shall be eligible for purchase at a price greater than its fair market value. All securities and property held pursuant to this Regulation must be in the sole and exclusive name of the insurance company or its nominee and provide for its exercise of all rights attendant to ownership.

Section 6

Except for investments in or the security of general obligations of the government of the Republic of Armenia, an insurance company shall not have at any one time any investment or a combination of investments in or loans upon the security of the obligations, property and securities of any one person, firm or other entity aggregating in an amount exceeding ten (10%) of the company's assets unless otherwise authorized under this Regulation.

Section 7

An insurance company shall invest and keep invested its assets equal at least to 100% of reserves in cash, bank deposits or obligations of the Government of the Republic of Armenia.

Section 8

Insurance companies may invest in the following:

- A. Bonds or other evidences of debt, not in default as to principal and interest, which are valid and legally authorized obligations issued, assumed, or guaranteed by the government of the Republic of Armenia, or by any town or municipality or district therein, or by any political subdivision thereof, or by a agency or instrumentality of one or more of the foregoing, if by statutory or legal requirements applicable thereto, the obligations are payable as to both principal and interest from taxes levied or required to be levied upon all taxable property or all taxable income within the jurisdiction of the government unit, or adequate special revenues pledged or otherwise appropriated or by law required to be provided for the purpose of such payment, but not including any obligation payable solely out of special assessments on properties benefited by local improvements unless adequate security is evidenced by adequate guarantee fund required by law.
- B. Obligations issued and guaranteed by the International Bank for Reconstruction and Development, the European Bank for Reconstruction and Development, the Asian Development Bank, or of similar other international banks or financial institutions as shall be allowed by the Department of Insurance.
- C. Corporate obligations. Obligations issued, assumed, or guaranteed by any solvent institution created or existing under the laws of Republic of Armenia or of any other jurisdiction allowed by the Department of Insurance in the aggregate amount not greater than ten (10%) of its assets.
- D. Preferred or guaranteed stocks or shares of solvent institutions created or existing under the laws of Republic of Armenia or of any other jurisdiction allowed by the Department of Insurance if all prior obligations and prior preferred stock, of such institution are not in default and in no case more than 10% of the company's assets.
- E. Mortgage loans consisting of fist liens on real estate located in the Republic of Armenia on improved unencumbered real property in an amount not more than 70% of its fair market value and in at no time grater than 10% of its assets in such investments.
- F. The home office or branch office buildings of an insurance company whether constructed or acquired on land owned by the company. The aggregate amount of investment allowed under this Regulation shall not be greater than ten (10%) of the company's assets.
- G. Real property acquired for the production of income up to an aggregate amount not greater than fifteen (15%) percent of its assets.

- H. Real property acquired in satisfaction or on account of loans, mortgages, liens, judgments, or other debts previously owing to the insurance company in the course of its business, or property acquired by gift or devise. Such property must be disposed of after 3 years unless it otherwise becomes qualified as an investment or unless the Insurance Department shall grant an additional period for disposition
- I. Policy loans. A life insurance company may extend a loan upon the security of a life insurance policy issued by it for any amount not greater than the cash value of the policy plus any unpaid interest thereon.
- J. Savings and Deposit accounts. An insurance company may invest or make deposits in checking or savings accounts or maintain separate certificates of deposits in any solvent bank or financial institution.
- K. An insurance company may invest in ordinary (common) shares in solvent corporations up to an aggregate amount of not greater than five (5%) of its assets in equity shares traded in a stock exchange recognized by the Department of Insurance and up to an aggregate amount not greater than two (2%) percent of its assets in equity shares of any other solvent corporation in Republic of Armenia or in jurisdictions allowed by the Department of Insurance.
- L. Secured loans. An insurance company is allowed to loan its funds upon the pledge of securities or evidences of debt that are permitted investments under this Regulation.
- M. Segregated or separate accounts. A life insurance company authorized by the Department of Insurance to conduct business in unit-linked or variable products may, by board resolution, allocate its assets in one or more segregated accounts. Investments in these accounts are subject to Regulations promulgated or to be promulgated by the Department of Insurance governing the establishment and allocation of segregated or separate accounts.

Section 9

The following investments are prohibited:

- A. Issued shares of it's own capital stock.
- B. Any investment that that does not conform to the requirements of Section 4 of this Regulation.
- C. Securities issued by an insolvent entity.

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EMERGING MARKETS

- F. Loans to an officer or director or to any related party as defined under of these Regulations, whether made directly or indirectly to these persons.E. Any investment or security that is determined by the Department of Insurance as acquired or made to evade any prohibitions prescribed by this Regulation.Unsecured loans for any reason.