



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

**DRAFT REGULATION ON VALUATION OF
ASSETS AND LIABILITIES AND ON MATCHING
OF ASSET AND LIABILITY DURATIONS**

Submitted to:

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

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Section 1

Only such assets as are owned by an insurance company and which are interest bearing or income producing for the account of the insurer, or are cash or cash equivalent current accounts and which consist of the following constitute admitted assets:

- A. Cash in the possession of the licensed company or in transit under its control, and the true positive balance of any deposit of the insurer in a solvent bank or financial institution;
- B. Investments, securities, properties, and secured loans acquired or under control of the insurer in accordance with the Regulation on Investments, including the following items in connection therewith:
 - i. Interest due or accrued on any bond, mortgage or other instrument of indebtedness or any bank accounts;
 - ii. Declared and unpaid dividends on shares;
 - iii. Rental income due or accrued on rental properties of the insurer;
 - iv. Premium notes, policy loans, and other policy assets and liens on life insurance policies, in amount not exceeding the reserves thereon;
 - v. The net amount a premiums and annuity considerations deferred or uncollected;
 - vi. Agents balances or uncollected premiums, other than for life insurance and other receivables from or advances to agents, not more than ninety (90) days past due, less commissions payable thereon;
 - vii. Installment premiums other than life insurance premiums, in accordance with accounting standards prescribed by the Department of Insurance consistent with practice formulated or adopted under the International Accounting Standards;
 - viii. Notes and similar written obligations not past due, taken for premiums other than life insurance premiums, on policies permitted to be issued on such basis, to the extent of the unearned premium reserves carried thereon and unless otherwise required by Regulations or directives prescribed by the Insurance Department;
 - ix. The full amount of reinsurance recoverable by a ceding insurer from a solvent reinsurer authorized by the Department of Insurance to take such reinsurance consistent with the provisions of the Insurance Law and conditions prescribed by these Regulations.
 - x. The amount of reinsurance recoverable from an unauthorized reinsurer, not greater than the liabilities carried by the ceding insurer, for amounts withheld under a reinsurance treaty with such reinsurer as security for the payment of obligations there under if such funds are held subject to withdrawal by, and under the control of, the ceding insurer.

- x. Amounts receivable by an assuming reinsurer representing funds withheld by a solvent ceding insurer under a reinsurance treaty;
- xi. Electronic data hardware used by the company in the conduct of its business in an amount not to exceed five percent (5%) of its total assets and provided that historical costs thereof is depreciated over a period not exceeding 36 months;
- xii. Motor vehicles owned and used by the company in the conduct of its business in an amount not exceeding five percent (5%) of its assets and provided further that the historical costs thereof is depreciated over a period not exceeding 60 months; and
- xiii. Other assets not inconsistent with the foregoing provisions approved by Insurance Department pursuant to the acquiring insurer's submission of evidence sufficient to establish valuation and liquidity of the asset. All assets under this section may not exceed five percent (5%) of the insurer's assets.

Section 2.

The following shall not be included as admitted assets of an insurance company:

- A. Intangible assets, including, without limitation, goodwill, trade names, software applications, business processes and intellectual property;
- B. any receivable without adequate documentation;
- C. Prepaid expenses paid by the insurance company; except the prepaid portion of taxes payable to the Government;
- D. Advances to officers, employees, agents, and other persons on personal security only; and
- E. Stock of the licensed company, owned by it, or any equity therein or loans secured thereby, or any proportionate interest in such stock through the ownership by the licensed company of an interest in another firm, corporation or business unit; and

Section 3.

Insurance companies shall establish and value liabilities as follows:

- A. The reserves required of it by the Regulation on Reserves; and

- B. Taxes, expenses, and other obligations accrued as of the end of the financial period or valuation date.

Section 4.

An insurance company shall hold and maintain, at all times, sufficient amount of assets equal to, or in excess, of the amounts of its liabilities and its core capital required under the Regulation On Capital and Solvency Margins, or as required by the Department of Insurance pursuant to an order or directive issued by it consistent with these Regulations. An insurance company shall, at all times, implement a prudential program of asset investment and management in order to ensure that the maturities of invested assets adequately match the amounts of its liabilities when they are due.