

**NATIONAL ASSEMBLY OF  
VIETNAM**

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Law No. 08/2022/QH15

**SOCIALIST REPUBLIC OF VIETNAM  
Independence - Freedom - Happiness**

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*Hanoi, June 16, 2022*

**LAW**

**INSURANCE BUSINESS**

*Pursuant to the Constitution of the Socialist Republic of Vietnam;*

*The National Assembly herein passes the Law on Insurance Business.*

**Chapter I**

**GENERAL PROVISIONS**

**Article 1. Scope**

1. This Law provides for organization and operation of insurance business; rights and obligations of entities and persons participating in insurance; state management of insurance business activities.
2. This Law does not apply to social insurance, health insurance, deposit insurance and other state-controlled types of non-commercial insurance.

**Article 2. Subjects of application**

1. Insurers; reinsurers; insurance agents; brokers; entities and persons providing ancillary benefit services; mutuals providing microinsurance products.
2. Branches of foreign non-life insurers, foreign reinsurers' branches (hereinafter referred to as foreign insurance branches in Vietnam).
3. Representative offices of foreign insurers, foreign reinsurers, foreign insurance brokers and foreign financial and insurance corporations in Vietnam (hereinafter referred to as foreign representative offices in Vietnam).
4. Policyholders/the assured, the insured, beneficiaries.
5. State regulatory authorities in charge of insurance business affairs.
6. Entities and persons involved in insurance business.

### **Article 3. Application of the Law on Insurance Business, other relevant laws and international practices**

1. If any other law passed after the entry into force of this Law needs to contain regulations other than those laid down herein pertaining to insurance contracts; establishment, management and provision of insurance services, financial, bookkeeping, accounting and financial reporting activities; payment capabilities; and intervention measures to be applied to insurers, reinsurers, foreign branches in Vietnam, mutuals providing microinsurance products and insurance brokers, cases of compliance or non-compliance with regulations of this Law must be specified.

2. Parties to insurance, reinsurance or insurance brokerage contracts may be agreed on application of international practices in the following cases: At least a contracting party is a foreign entity or person; or all contracting parties are Vietnamese entities and nationals but subject matters insured or execution of contracts occurs abroad. If consequences of application of international practices are in contradiction to basic principles of domestic law in Vietnam, Vietnam's law shall be applied.

### **Article 4. Interpretation**

For the purposes of this Law, terms used herein are construed as follows:

1. *Insurance business industry (also insurance industry)* covers a range of such sectors as insurance, reinsurance, cession and others related to insurance business, including insurance agent, broker and insurance ancillary services.

2. *Insurance service (also insurance business sector)* refers to an activity of an insurer, non-life insurer's foreign branch, mutual providing microinsurance product that insures the risk of the insured. That activity is performed by the policyholder's paying insurance premiums in order for the aforesaid entity to pay indemnity or insurance coverage in case of any policy event that occurs under terms and conditions of an insurance contract.

3. *Reinsurance service* refers to the practice whereby an insurer, a reinsurer or an insurer's foreign branch in Vietnam is paid a sum of reinsurance premium by another insurer, reinsurer or insurer's foreign branch in Vietnam; by a foreign insurer, reinsurer or foreign insurance organization to undertake to cover the insured liability.

4. *Cession* refers to the practice whereby an insurer, a reinsurer or an insurer's foreign branch in Vietnam transfers a portion of their insured liability and pay reinsurance premium to another insurer, reinsurer or insurer's foreign branch in Vietnam; to a foreign insurer, reinsurer or foreign insurance organization.

5. *Insurance agent service* refers to one or several fiduciary duties assigned by an insurer, a foreign non-life insurer's branch or a mutual providing microinsurance product, including giving advice or counsels on insurance products (also insurance plans or schemes); introducing insurance products; marketing insurance products; making arrangements preparatory to the

conclusion of insurance contracts; collecting insurance premiums; gathering related documents necessary for settlement of claims and payment of insurance.

6. *Insurance brokerage* refers to the practice of providing a policyholder with information and advice or counsel on type of insurance, line of insurance business, insurance product, insurance schemes, terms and conditions, insurance premium, insurer, reinsurer, foreign insurance branch in Vietnam; other service activities related to the negotiation, arrangement for conclusion and execution of insurance or reinsurance contracts or policies.

7. *Ancillary insurance service* covers a range of activities, such as insurance consulting, underwriting, actuary, loss assessment, and facilitation for settlement of insurance claims. Ancillary insurance service does not comprise any service that an insurer, a reinsurer, a foreign insurance branch in Vietnam or a mutual providing microinsurance product renders on their own account to do their insurance or reinsurance business.

8. *Consulting or counseling* refers to a service activity performed to give an advice or counsel on a line of insurance business, insurance product, insurance risk management, insurance loss reserve and limitation.

9. *Insurance risk assessment* refers to an act of identification, classification, assessment, evaluation or quantification of risks in people, property and civil liability which serves as the prerequisite for participation in insurance and reinsurance.

10. *Insurance actuarial service* refers to the function of collecting and analyzing statistical data; calculating insurance premiums, reserves, assets and solvency; assessing income; valuing insurance companies in order to ensure that an insurer, reinsurer, foreign insurance branch in Vietnam or mutual providing microinsurance product is financially prudent.

11. *Insurance loss assessment* refers to the act of identifying the actual state, causes and degree of loss; calculating the distribution in liability for compensation for the covered loss. This service shall serve as the prerequisite to settlement of insurance claims.

12. *Support for settlement of insurance claims* refers to the act of assisting the policyholder, insured, beneficiary or insurer, reinsurer, foreign insurance branch in Vietnam, mutual providing microinsurance product in insurance claims settlement or payout process.

13. *Life insurance* refers to a type of insurance designed to offer protection for an insured person who is alive or dead.

14. *Non-life insurance* refers to a type of insurance designed to offer protection against property and other losses or to provide third-party civil liability cover.

15. *Health insurance* refers to a type of insurance designed to provide the insured with insurance benefits when the insured suffers injury, accident or illness, or needs medical care.

16. *Insurance contract (also insurance policy)* refers to an arrangement between a policyholder and an insurer or a foreign non-life insurer's branch or a mutual providing microinsurance product whereunder the policyholder is bound to pay insurance premiums; the insurer, the foreign non-life insurer's branch or the mutual providing microinsurance service is bound to pay indemnity or insurance benefits or coverage under contractual terms and conditions.

17. *Insurer (also insurance company)* refers to an enterprise that is established, managed and run as per this Law and other relevant laws to do business in the insurance, reinsurance and reinsurance cession sector. Insurance companies are classified into life insurance, non-life insurance and health insurance companies.

18. *Reinsurer (also reinsurance company)* refers to an enterprise that is established, managed and run as per this Law and other relevant laws to do business in the reinsurance and reinsurance cession sector.

19. *Foreign non-life insurer's branch (also foreign non-life insurance branch)* refers to the subsidiary of a parent foreign non-life insurer that has no legal personality and is offered guarantee from the parent foreign non-life insurer for their obligations and commitments arising during their existence period in Vietnam.

20. *Foreign reinsurer's branch* refers to the subsidiary of a parent foreign insurer that has no legal personality and is offered guarantee from the parent reinsurer for their obligations and commitments arising during their existence period in Vietnam.

21. *Insurance broker (also insurance brokerage company)* refers to an enterprise that is established, managed and run as per this Law and other relevant laws to do business in the insurance brokerage sector.

22. *Microinsurance* refers to the insurance service meant for low-income individuals and families in order to offer them protection against life, health and property risks.

23. *Mutual providing microinsurance product* refers to an entity that has legal personality, independent accounting regime; is founded by members or institutional representatives of members to render not-for-profit microinsurance product in order for members participating in insurance to offer mutual aid or support to each other according to the mechanism of voluntary contribution, financial autonomy and self-responsibility before law if such aid or support is restricted to their assets generated from microinsurance product.

24. *Policyholder (also the assured)* refers to an entity or person entering into an insurance contract with an insurer, foreign non-life insurer's branch or mutual providing microinsurance product and paying insurance premiums.

25. *Insured person (also the insured)* refers to an entity and person whose property, civil liability, health, life, obligations or economic benefit is insured under an insurance contract.

26. *Beneficiary* refers to an entity or person that is designated to receive insurance payout as agreed upon in an insurance contract.

27. *Insured or policy event* refers to an unexpected event agreed upon between contracting parties or prescribed in law in which, when occurring, an insurer, a foreign non-life insurer's branch or a mutual providing microinsurance product is bound to pay compensation or insurance cover or benefit under contractual terms and conditions.

28. *Insurance premium* refers to a sum that the policyholder is bound to pay to an insurer, a foreign non-life insurer's branch or a mutual providing microinsurance product is bound to pay as per law or agreed upon between contracting parties.

29. *Coinsurance* refers to the situation where insurers and foreign non-life insurers' branches jointly agree with the policyholder to conclude an insurance contract under which insurers and foreign non-life insurers' branches can receive insurance premiums and pay indemnity or insurance at the agreed-upon percentage rate.

## **Article 5. Policies for development of the insurance industry**

1. The Government shall provide protection for legitimate rights and interests of entities and persons participating in insurance and organizations rendering insurance services.
2. The Government shall provide insurers, reinsurers, foreign insurance branches in Vietnam and mutuals providing microinsurance product with incentive and facilitation measures for research and development of products, services, application of advanced technologies in the insurance industry.
3. The Government shall provide insurers, reinsurers, foreign insurance branches in Vietnam and mutuals providing microinsurance product with incentive and facilitation measures for resumption of investment in the economy, re-investment and development of the insurance market.
4. The Government shall provide incentive and facilitation measures for launching, offering and participating in agricultural, forestry, fishery or aquaculture insurance, microinsurance and other insurance products serving social welfare and security purposes.

## **Article 6. Principles of provision and use of insurance services**

1. Entities and persons in Vietnam wishing to participate in insurance schemes can only participate in insurance with insurers, foreign non-life insurers' branches or mutuals providing microinsurance products obtaining establishment permits or business licenses in Vietnam, except in case of using cross-border insurance services under the international treaties to which the Socialist Republic of Vietnam is a signatory.

2. The Government shall provide detailed regulations on provision and use of cross-border insurance, insurance brokerage and insurance ancillary services in conformity with the international treaties to which the Socialist Republic of Vietnam is a signatory.

### **Article 7. Types of insurance**

1. There are the following types of insurance:

- a) Life insurance;
- b) Health insurance;
- c) Non-life insurance.

2. The Government shall elaborate on regulations on insurance operations of respective types of insurance referred to in clause 1 of this Article.

### **Article 8. Compulsory insurance**

1. Compulsory insurance means an insurance product or plan serving the purposes of protection of public interest, environment and social safety.

2. Classes of compulsory insurance, including:

- a) Compulsory insurance against civil liability of vehicle owner;
- b) Compulsory fire and explosion insurance;
- c) Compulsory insurance in the construction industry;
- d) Classes of compulsory insurance prescribed in other laws that meet the regulations laid down in clause 1 of this Article.

3. Entities and persons eligible for participation in compulsory insurance schemes shall be obliged to buy compulsory insurance schemes and may opt to take compulsory insurance with authorized insurers and foreign non-life insurers' branches.

4. Insurers and foreign non-life insurers' branches obtaining permission to provide compulsory insurance shall not be allowed to refuse to sell their insurance to entities and persons fully meeting the eligibility conditions for buying compulsory insurance under law.

5. The Government shall impose detailed regulations on conditions binding upon extent of cover, insurance premiums, minimum amounts required for compulsory insurance coverage prescribed in clause 2 of this Article.

### **Article 9. Prohibited acts**

1. Insurance, reinsurance, reinsurance ceding and insurance brokerage business activities are performed when none of establishment permits or business licences is obtained.
2. Insurance, reinsurance, reinsurance ceding and insurance brokerage business activities are performed outside of the permissible scope of business.
3. Insurance brokerage, insurance ancillary service business is done when eligibility conditions for doing so as prescribed in law are not met.
4. The following fraudulent acts are committed:
  - a) Conspire with insurance beneficiaries to settle insurance claims and pay insurance illegally;
  - b) Forge documents, intentionally falsify information shown in documents required for filing claims for insurance coverage and payout;
  - c) Forge documents, deliberately falsify information to reject payment of insurance indemnities and insurance when insurable events happen;
  - d) Cause self-harm or bodily self-injury or deliberately self-inflicted loss or damage to property to claim insurance benefits.
5. Using threats and force to obtain the consent to insurance contracts.

#### **Article 10. Socio-professional organizations involved in the insurance industry**

1. Socio-professional organizations engaged in the insurance industry must be incorporated and operated under law on associations; shall comply with regulatory provision regarding the insurance industry and be kept under the supervision of the Ministry of Finance.
2. Socio-professional organizations involved in the insurance industry shall issue the professional code of conduct and ethics, rules and standards to be applied to all of their members; shall cooperate with state regulatory authorities in charge of the insurance industry on promulgation, dissemination and enhancement of awareness of law on insurance business.

#### **Article 11. Insurance industry database**

1. The Government shall invest in establishing the database in the insurance industry. The Ministry of Finance shall be responsible for setting up, running and managing the insurance-industry database designed for state management and protection of legitimate rights and interests of parties involved in insurance business activities.
2. Insurers; reinsurers; foreign insurance branches in Vietnam; insurance brokers; insurance ancillary service providers; mutuals providing microinsurance product shall be responsible for providing policyholder, the insured, subject matter insured, insurance agent and other relevant information used as inputs into the database in the insurance industry.

3. Collection, use, storage and provision of information included in the insurance industry database must ensure confidentiality and security of information, and comply with the regulatory provisions of laws on protection of personal privacy, personal secrets, family secrets and trade secrets.

State agencies, other entities and persons are required to use the information provided for the right purposes and are not allowed to provide information to any third party without the consent of the policyholder or the insured, unless otherwise provided in law.

4. The insurance industry database may be linked to other national and specialized databases.

5. The Government shall impose detailed regulations on setting up, collecting, using, storing and providing information for the insurance industry database, and linking the insurance industry database with other national and specialized databases.

## **Article 12. Application of information technology in the insurance industry**

1. Application of information technology in the insurance industry serves the following purposes:

a) Improve insurance business performance, including building and design of insurance products, risk assessment, underwriting, conclusion of contracts, management of contracts, loss assessment, payment of insurance claims and coverage; business management and methods of providing insurance services and products;

b) Modernize statistics and reporting methods; streamline administrative procedures and reduce administrative burdens; build information technology systems and databases in the insurance business to serve the purposes of management, supervision, analysis and forecast of insurance markets, and prevention or control of insurance frauds or scams.

2. Application of information technology in the insurance industry must conform to regulatory provisions of this Law, law on electronic transactions, information technology, anti-money laundering and other relevant legislation.

3. The Government shall impose regulations on recent issues related to application of information technology in the insurance industry.

## **Article 13. Requirements concerning application of information technology in the insurance industry**

Insurance companies, reinsurance companies, foreign branches in Vietnam and insurance brokerage companies shall, of their own accord, establish, maintain and operate information technology systems corresponding to the business scale and meeting the following minimum requirements:



1. Server systems, software and engineering solutions must be set in place to update, make statistics of, process and store information to meet insurance business management needs, and cybersecurity and information security requirements;
2. Information technology systems must be available for use to facilitate the management and control of risks that they may face and regulatory inspection or supervision by regulators;
3. Information technology solutions must be ready for use to provide against calamities and ensure that their insurance business is uninterrupted.

#### **Article 14. Provision of insurance services and products online**

1. Entities and persons licensed or permitted to provide insurance services and products online, including:
  - a) Insurance companies, branches of foreign non-life insurance companies, mutuals providing microinsurance products;
  - b) Insurance agents;
  - c) Insurance brokerage companies.
2. Entities and persons providing insurance services and products online shall be subject to the following regulations:
  - a) Insurance companies, branches of foreign non-life insurance companies, insurance brokerage companies and mutuals providing microinsurance products can, at their discretion, decide on the method of providing insurance products and services online;
  - b) Insurance agents can provide insurance services and products online only if these insurance services and products fall within the insurance agent contract scope;
  - c) Insurance companies, branches of foreign non-life insurance companies, insurance agents, insurance brokerage companies and mutuals providing microinsurance products providing insurance products and services online shall be responsible to policyholders if such provision of these insurance services and products prejudices legitimate rights and interests of policyholders;
  - d) Entities and persons entering into insurance contracts online shall be responsible for providing honest and accurate information as stipulated in Article 22 herein.
3. Minister of Finance shall elaborate on this Article.

#### **Chapter II**

#### **INSURANCE CONTRACTS**

## **Section 1. GENERAL STIPULATIONS ABOUT INSURANCE CONTRACTS**

### **Article 15. Insurance contracts**

1. There are the following types of insurance contract:

- a) Life insurance contract;
- b) Health insurance contract;
- c) Property insurance contract;
- d) Property damage liability insurance contract;
- dd) Liability insurance contract.

Those specified in point c, d and dd of this clause are classified into the type of non-life insurance.

2. Insurance companies, branches of foreign non-life insurance companies and policyholders may agree to enter into a single or combined type of insurance contracts prescribed in clause 1 of this Article and ensure conformance to clause 3 of Article 63 in this Law.

3. Marine insurance contracts shall be subject to the Maritime Code; parts of these contracts that are not prescribed in the Maritime Code shall be subject to regulatory provisions of this Law.

4. Insurance contract-related matters that are not covered herein shall be subject to the Civil Code.

### **Article 16. Principles of conclusion and execution of insurance contracts**

Conclusion and implementation of insurance contracts must adhere to the fundamental principles in civil law and the following principles:

- 1. Principle of utmost good faith: Parties to an insurance contract must provide information and implement contractual rights and obligations in a most honest and trustful manner, and must place the absolute mutual trust in each other during the period of conclusion and implementation of insurance contracts;
- 2. Principle of insurable interest: Policyholders must be entitled to the insurable benefit varying according to specific types of insurance contract under this Law;
- 3. Principle of indemnity: The amount of coverage or indemnity that the insured can get shall not exceed the actual loss incurred in a policy event, unless otherwise agreed upon in the insurance contract;

4. Principle of subrogation: the insured shall be responsible for giving the insurer or foreign non-life insurer the right to claim the amount of loss from the third party responsible for such loss if such amount falls within the permissible loss limit. This principle shall not apply to life and health insurance contracts;

5. Principle of unpredictable risk: in order for a risk to be covered or insured against, it must be a sudden or unanticipated one.

#### **Article 17. Contents of insurance contracts**

1. An insurance contract must include but not limited to the followings:

a) The policyholder, the insured, the beneficiary (if any), the insurer or the foreign non-life insurer's branch;

b) Subject matter insured;

c) Sum insured or value of property insured or covered property value or insurance policy limit;

d) Scope of insurance coverage and insurance benefits; insurance rules, terms and conditions;

dd) Rights and obligations of the insurer, the foreign non-life insurer's branch and the policyholder;

e) Insurance policy period, date of entry into force of the insurance contract;

g) Insurance premium, premium payment option;

h) Insurance coverage and payment option;

i) Dispute resolution method.

2. Minister of Finance shall elaborate on clause 1 of this Article with respect to life and health insurance contracts.

#### **Article 18. Presentation and proof of conclusion of insurance contracts**

Insurance contracts must be made in writing. Proof of conclusion of an insurance contract shall comprise insurance contract, certificate of insurance, insurance policy or others prescribed in law.

#### **Article 19. Disclaimer clauses**

1. Disclaimer clauses shall prescribe cases in which insurers or foreign non-life insurers' branches can refuse to pay claims and insurance.

2. In the presence of clauses on disclaimer of insured liability, insurers and foreign non-life insurers' branches must clearly elaborate them in insurance contracts, give explicit, adequate explanations and evidence about the fact that insurers have already received full and clear explanations of these disclaimer clauses by insurers and foreign non-life insurers' branches when concluding insurance contracts.

3. Where any force majeure event or circumstantial obstacle results in the policyholder's late notice of any policy event, the insurer or foreign non-life insurer's branch is not allowed to apply disclaimer clauses.

## **Article 20. Rights and obligations of insurers and foreign non-life insurers' branches**

1. An insurer and foreign non-life insurer's branch shall have the following rights:

- a) Collect insurance premiums under contractual terms and conditions;
- b) Request the policyholder to provide full and accurate information related to conclusion and execution of the insurance contract;
- c) Revoke the insurance contract as per clause 2 of Article 22 or unilaterally terminate the insurance contract under Article 26 herein;
- d) Reject payment of insurance claims or insurance if insurance claims fall outside of the limit of insured liability or fall within the scope of application of the disclaimer clause as provided in the insurance contract;
- dd) Request the policyholder to apply loss prevention and control measures under this Law and other regulatory provisions of relevant law;
- e) Request the third party to repay the amount that the insurer or the foreign non-life insurer's branch pay as indemnity or coverage to the insured in case of loss or damage to property; economic interests or contractual or lawful obligations; civil liability that the third party causes;
- g) Other rights prescribed by law.

2. An insurer and a foreign non-life insurer's branch shall take on the following obligations:

- a) Provide the policyholder with proposal and questionnaire related to insurable risks, subject matters insured, rules, terms and conditions of insurance;
- b) Give the policyholder with clear and full explanations about insurance benefits, clauses on disclaimer of insured liability, rights and obligations of the policyholder when concluding the insurance contract;
- c) Provide the policyholder with the proof of conclusion of the insurance contract prescribed in Article 18 herein;

- d) Issue premium invoices to the policyholder as agreed upon in the insurance contract and stipulated in regulatory provisions of relevant law;
- dd) Pay indemnity and insurance in case of policy event that occurs;
- e) Give written explanations as to why payment of any insurance claim or coverage is rejected;
- g) Cooperate with the policyholder on settling third-party claims for compensation for any losses falling within the limit of insured liability in case of any policy event that occurs;
- h) Store and retain insurance contract-related documents and records under law;
- i) Ensure confidentiality and security for information provided by the policyholder or the insured, except as requested by competent regulatory authorities or agreed by the policyholder or the insured;
- k) Other obligations prescribed by law.

## **Article 21. Rights and obligations of the policyholder**

### **1. The policyholder shall have the following rights:**

- a) Decide on the insurer or the foreign non-life insurer's branch with which the policyholder may conclude the insurance contract;
- b) Request the insurer or the foreign non-life insurer's branch to provide proposal and questionnaire related to risks covered against, subject matters insured, rules, terms and conditions of insurance, and interpret contractual terms and conditions;
- c) Request the insurer or the foreign non-life insurer's branch to provide proof of conclusion of the insurance contract referred to in Article 18 herein;
- d) Request the insurer or the foreign non-life insurer's branch to issue premium invoices as agreed upon in the insurance contract and stipulated in regulatory provisions of relevant law;
- dd) Revoke the insurance contract under clause 3 of Article 22 and 35 or unilaterally terminate the insurance contract under Article 26 herein;
- e) Request the insurer or the foreign non-life insurer's branch to pay insurance claims or coverage or indemnity in case of any policy event that occurs;
- g) Transfer the insurance contract under contractual terms and conditions or as provided by law;
- h) Other rights stipulated by law.

### **2. The policyholder shall take on the following obligations:**

- a) Provide all full and accurate information related to the insurance contract upon the request of the insurer or the foreign non-life insurer's branch;
- b) Carefully read and understand policy terms and conditions, rights and obligations of the policyholder when entering into the insurance contract, and other contents of the insurance contract;
- c) Pay insurance premiums in full and on time under contractual terms and conditions;
- d) Inform the insurer or the foreign non-life insurer's branch of cases in which it is likely to assume aggregated or alleviated risks or additional liability during the contract term as agreed upon in the insurance contract;
- dd) Inform the insurer or the foreign non-life insurer's branch of occurrence of any policy event as agreed upon in the insurance contract; cooperate with the insurer or the foreign non-life insurer's branch on insurance loss assessment;
- e) Apply loss prevention and control measures in accordance with this Law and other regulatory provisions of relevant law;
- g) Other obligations prescribed by law.

## **Article 22. Responsibilities and legal consequences for breach of information disclosure obligations**

1. When entering into insurance contracts, insurers and foreign non-life insurers' branches shall have the burden of providing full and accurate information related to insurance contracts; give explanations about contractual terms and conditions to policyholders. Meanwhile, policyholders shall have the burden of providing full and accurate information related to subject matters of insurance for insurers and foreign non-life insurers' branches.
2. Where any policyholder deliberately provides inadequate or untrue information with the aim of concluding an insurance contract to receive insurance indemnity or coverage, the insurer or foreign non-life insurer's branch may nullify the insurance contract. To such extent, the insurer or the foreign non-life insurer's branch shall not be obliged to pay insurance indemnity or coverage and must reimburse insurance premiums that the policyholder pays after deducting reasonable expenses (if any) under contractual terms and conditions. The policyholder is bound to compensate for any possible loss that the insurer or the foreign non-life insurer's branch incurs due to such act.
3. Where the insurer or the foreign non-life insurer's branch deliberately fails to discharge its information disclosure obligations or provides untrue information with the intention of obtaining the insurance contract, the policyholder can terminate the insurance contract and be repaid insurance premiums. The insurer or the foreign non-life insurer's branch is bound to compensate for any loss that the policyholder may suffer due to such act.

## **Article 23. Changes in levels of insurable risks**

1. Whenever there is any change in threshold factors used for calculation of insurance premium that leads to any decrease in risks insured, under contractual terms and conditions, the policyholder may request the insurer or the foreign non-life insurer's branch to perform one of the following tasks:

- a) Reduce insurance premiums during days left to the expiry date of the insurance contract;
- b) Increase the sum insured during days left to the expiry date of the insurance contract;
- c) Extend the insurance policy period;
- d) Expand the scope of insurance cover during days left to the expiry date of the insurance contract.

2. Where the insurer or the foreign non-life insurer's branch fails to accept the request specified in clause 1 of this Article, the policyholder may unilaterally terminate the insurance contract by promptly notifying it of the intention of such termination.

3. Whenever there is any change in threshold factors used for calculation of insurance premium that results in any increase in insurable risks, under contractual terms and conditions, the insurer or the foreign non-life insurer's branch may take one of the following actions:

- a) Re-compute insurance premiums during days left to the expiry date of the insurance contract;
- b) Decrease the sum insured during days left to the expiry date of the insurance contract;
- c) Shorten the insurance policy period;
- d) Limit the scope of insurance cover during days left to the expiry date of the insurance contract.

4. Where the policyholder refuses to accept the request specified in clause 3 of this Article, the insurer or the foreign non-life insurer's branch may unilaterally terminate the insurance contract by promptly notifying the policyholder of the intention of such termination.

## **Article 24. Interpretation of insurance contracts**

Where any insurance contract has vague terms and conditions that are open to misinterpretation, they may be explained to the policyholder's advantage.

## **Article 25. Null and void insurance contracts**

1. An insurance contract shall be made null and void in the following cases:

- a) The policyholder has no insurable interest at the time of conclusion of an insurance contract;
  - b) No subject matter of insurance exists at the time of conclusion of an insurance contract;
  - c) At the time of conclusion of the insurance contract, the policyholder has the knowledge of the policy event that occurs;
  - d) Objectives and contents of an insurance contract are in contravention of prohibition clauses and social ethics;
  - dd) The insurer, the foreign non-life insurer's branch and the policyholder enter into the fraudulent insurance policy;
  - e) The policyholder is a minor; the person who is incapable of civil acts; the person who have cognitive and behavioral difficulties; the person whose capacity to perform civil acts is restricted;
  - g) When being entered into, an insurance contract contains any confusion that causes one or more parties to fail to achieve the purposes of entering into that contract, unless the contractual purposes of the contracting parties have been achieved, or the contracting parties can take immediate remedial actions against such confusion to make the purposes of entering into the contract successfully achieved;
  - h) The insurance contract is concluded by fraud, except as provided in Article 22 herein;
  - i) The insurance contract is concluded under threat or pressure;
  - k) The policyholder lives with health condition related to cognitive disability and impulse control disorder when entering into the insurance contract;
  - l) The insurance contract is in contravention of regulations on presentation of insurance contracts laid down in Article 18 herein.
2. When an insurance contract is null and void, it is no longer in effect from the date of conclusion. The insurer or the foreign non-life insurer's branch and the policyholder shall be obliged to return what they have received to each other. The party at fault must be liable to pay compensation.

## **Article 26. Unilateral termination of insurance contracts**

The insurer, the foreign non-life insurer's branch or the policyholder may unilaterally terminate the insurance contract in the following cases:

1. The policyholder defaults on insurance premiums or does not pay insurance premiums in full by the agreed due date or after the extended due date;



2. The insurer, the foreign non-life insurer's branch or the policyholder does not accept the request for change in the level of insurable risk under Article 23 herein;
3. The insured fails to apply safety measures to protect subject matters insured as provided in clause 3 of Article 55 herein;
4. The policyholder disagrees to transfer the portfolio of insurance contracts prescribed in clause 4 of Article 92 herein.

#### **Article 27. Legal consequences of unilateral termination of insurance contracts**

1. In case of unilateral termination of an insurance contract prescribed in clause 1 of Article 26 herein, the following actions shall be taken as follows:

- a) Insurance premiums remain to be paid in full by the policyholder till the time of unilateral termination of the insurance contract. This regulation shall not apply to life insurance contracts and health insurance contracts, except group insurance contracts;
  - b) When unilaterally terminating a life insurance contract or health insurance contract in this case, the insurer or the foreign non-life insurer's branch shall be responsible for paying insurance to the insured if the policy event occurs before the time of unilateral termination of the insurance contract, and may deduct insurance premiums paid till the time of unilateral termination of the insurance contract;
  - c) When unilaterally terminating a property insurance contract, a property damage liability insurance contract or a liability insurance contract, the insurer or the foreign non-life insurer's branch shall be responsible for indemnifying the insured if the policy event occurs before the time of unilateral termination of the insurance contract, and may deduct insurance premiums as agreed upon in the insurance contract.
2. When unilaterally terminating an insurance contract as provided in clause 2 and 3 of Article 26 herein, the insurer or the foreign non-life insurer's branch shall be responsible for refunding insurance premiums paid in advance for days left to the expiry date of the insurance contract as agreed upon in the insurance contract. The insurer or the foreign non-life insurer's branch shall be responsible for paying insurance indemnity or coverage as agreed upon in the insurance contract if the policy event occurs before the time of unilateral termination of the insurance contract.
3. When unilaterally terminating a life insurance contract involving cash surrender value in the cases stipulated in clause 1 and 2 of Article 26 herein, the insurer shall be obliged to pay the policyholder the cash surrender value agreed in the insurance contract, unless otherwise agreed by contracting parties.
4. When unilaterally terminating an insurance contract as stipulated in clause 4 of Article 26 herein, the policyholder may be refunded the cash surrender value or insurance premiums that he/she already pays in advance in proportion to the days left to the expiry date of the policy term,

depending on specific types of insurance products. Where the property value is less than technical provisions in the transferred portfolio of insurance contracts, the refund that the policyholder receives shall be calculated according to the proportion of property value to technical provisions in the transferred portfolio of insurance contracts.

#### **Article 28. Transfer of insurance contracts**

1. The policyholder shall have the right to transfer an insurance contract. In order to transfer a life insurance contract, the written consent must be obtained from the insured or the insured's legal representative.
2. The transferee of the insurance contract must have insurable benefits and may inherit rights and obligations from the transferor.
3. The transfer of an insurance contract shall only come into effect when the policyholder sends the written notice of such transfer and the written consent is obtained from the insurer or the foreign non-life insurer's branch, except when the transfer is made according to international practices or as agreed upon in the insurance contract.

#### **Article 29. Responsibilities arising in case of reinsurance**

1. The insurer or the foreign non-life insurer's branch shall bear sole responsibility to the policyholder under the insurance contract, even in case of reinsuring insured liabilities. The insurer or the foreign non-life insurer's branch shall not be allowed to refuse or delay their assumption of responsibility to the policyholder, even when the reinsurer defaults on their reinsurance payment obligations for liabilities reinsured.
2. The reinsurer shall not be permitted to request the policyholder to pay insurance premiums directly to them, unless otherwise agreed upon in the insurance contract.
3. The policyholder shall not be permitted to request the policyholder to pay insurance premiums directly to them, unless otherwise agreed upon in the insurance contract.

#### **Article 30. Time limits for submission of insurance claims**

1. The time limit for submission of an insurance claim under an insurance contract shall be 01 (one) year from the date of occurrence of the policy event. The period during which a force majeure event or circumstantial obstacle occurs shall not make any increase in the time limit for filing an insurance claim.
2. Where the insured or the beneficiary proves that they have no knowledge of the time of occurrence of the policy event, the time limit specified in clause 1 of this Article may start from the day on which the insured or the beneficiary has knowledge of occurrence of that policy event.

3. When the third party demands compensation from the policyholder for losses falling within the limit of insured liability as agreed upon in the insurance contract, the time limit stipulated in clause 1 of this Article shall start from the day on which the third party files their request.

### **Article 31. Time limits for payment of insurance indemnity and coverage**

1. In case of occurrence of the policy event, the insurer or the foreign non-life insurer's branch shall pay insurance indemnity or coverage within the time limit agreed upon in the insurance contract. In the absence of any agreement on the time limit, the insurer or the foreign non-life insurer's branch shall pay insurance indemnity or coverage within the time limit of 15 days of receipt of all valid documents concerning request for payment of insurance claims and coverage.

2. If the insurer or the foreign non-life insurer's branch makes late payment of insurance claims or coverage prescribed in clause 1 of this Article, the amount of interest on the overdue payment must be paid in proportion to the period of late payment. The interest rate of the late payment shall be determined according to the agreement between parties in accordance with the Civil Code.

### **Article 32. Dispute resolution mechanism**

Any dispute about an insurance contract shall be resolved through negotiation between involved parties. In cases where such negotiation fails, the dispute shall be settled through the mediation, arbitration or court process as agreed upon in the insurance contract and according to regulatory provisions.

## **Section 2. LIFE INSURANCE POLICIES AND HEALTH INSURANCE POLICIES**

### **Article 33. Subject matters**

1. Human life and life expectancy is the subject matters of a life insurance policy.
2. Human health is the subject matters of a health insurance policy.

### **Article 34. Insurable interests of life insurance policies and health insurance policies**

1. The policyholder shall have insurable interests for the following persons:
  - a) The policyholder himself;
  - b) The policyholder's spouses, parents, offspring;
  - c) The policyholder's biological siblings or other persons who are in care or support relationships with the policyholder;
  - d) The persons having financial interests or labor relations with the policyholder;

dd) Insured persons giving their written consent for purchase of health insurance policies to the policyholder.

2. At the time of conclusion of an insurance contract, the policyholder must have insurable interests.

### **Article 35. Time limits for consideration of participation in insurance**

For a term insurance contract lasting for more than one year, within 21 days of receipt of the insurance contract, the policyholder may refuse to continue to participate in insurance. Where the policyholder refuses to continue to participate in insurance, the insurance contract shall be terminated and the policyholder shall be refunded insurance premiums that they have paid after deducting reasonable costs and expenses (if any) as agreed upon in the insurance contract; the insurer shall not be obliged to pay insurance indemnity or coverage in case of occurrence of a policy event.

### **Article 36. Temporary coverage in life insurance**

The insurer shall offer temporary coverage to the policyholder upon receiving the insurance proposal and advance premiums from the policyholder. Insurance term, sum insured and terms and conditions of temporary coverage shall be negotiated between the insurer and the policyholder. Temporary coverage is terminated after the insurer accepts or refuses insurance, or unless otherwise agreed.

### **Article 37. Payment of life insurance premiums**

1. The insurer can pay insurance premiums on a one-off basis or in installments according to the time limit and approach agreed upon in an insurance contract.

2. In the cases where insurance premiums are paid in installments and the policyholder pays one or several installments of insurance premiums, if the policyholder is unable to proceed to pay further, the extended duration of payment of premiums shall be 60 days.

3. Parties can agree to restore the effect of the insurance contract that is unilaterally terminated under clause 1 of Article 26 herein within 02 years of termination when the policyholder has paid outstanding debts on insurance premiums.

4. Where the policyholder defaults on insurance premiums or fails to pay insurance premiums in full, the insurer shall not be allowed to arbitrarily deduct premiums from the surrender value of the insurance contract without the policyholder's consent, and take legal action to request the policyholder to pay insurance premiums. This regulation shall not apply in case of group insurance.

### **Article 38. Prohibition against request for third-party reimbursement**

Notwithstanding that the insured is deceased, injured or sick due to direct or indirect acts of the third party, the insurer or the foreign non-life insurer's branch shall discharge their obligation to pay insurance indemnity or coverage as agreed upon in the insurance contract without having the right to request the third party to reimburse the amount that the insurer or the foreign non-life insurer's branch has already paid to the beneficiary. The third party shall still have the burden of paying indemnity to the insured under law.

### **Article 39. Conclusion of life insurance contracts and health insurance contracts insuring the death of other person**

1. When the policyholder enters into a life insurance contract or a health insurance contract to insure the death of the other person, the written consent, clarifying the sum insured and the beneficiary, must be obtained from that other person.
2. Conclusion of a life insurance contract and health insurance contract insuring the death of the following persons shall be prohibited:
  - a) Minors, except as agreed in writing by their parents or guardians;
  - b) People incapable of civil acts;
  - c) Persons who have cognitive and impulse control difficulties;
  - d) People with restricted capabilities of civil acts.

### **Article 40. Insurance exclusions**

1. Insurers and foreign non-life insurers' branches shall not be exempted from paying insurance indemnity and coverage in the following cases:
  - a) The insured is deceased within 02 years of the first payment of premium or restoration of the insurance contract's effect;
  - b) The insured's death is caused willfully and intentionally by the policyholder or the beneficiary, except as prescribed in clause 2 of this Article;
  - c) The insured's permanent injury or impairment is caused willfully and intentionally by the insured himself, the policyholder or the beneficiary, except as prescribed in clause 2 of this Article;
  - d) The insured's death is caused by serving the death sentence;
  - dd) Other cases are stipulated in the insurance contract.
2. In the cases where there are more than one beneficiary, despite the fact that one or more beneficiaries intentionally cause death or permanent injury or impairment for the insured, the

insurer or the foreign non-life insurer's branch shall have the burden of paying insurance indemnity or coverage to the other beneficiaries under contractual terms and conditions.

3. When any situation specified in clause 1 of this Article arises, the insurer or the foreign non-life insurer's branch shall pay the policyholder the surrender value of the insurance contract or all of the premiums already paid after deducting any reasonable costs and expenses as agreed upon in the insurance contract, except as provided in clause 2 of this Article. In case of the death of the policyholder, all of the refunds shall be treated according to law on inheritance.

#### **Article 41. Designation and change of beneficiaries**

1. The policyholder shall have the right to designate the beneficiary, except group insurance contracts. If the policyholder is not the insured, the policyholder must obtain the written consent for designation of the beneficiary from the insured; if the insured is a minor or is incapable of civil acts or faces cognitive or impulse control problems or has restricted capabilities of civil acts, in order to designate a beneficiary, the approval from his/her legal representative must be sought.

2. If there are multiple beneficiaries, the persons entitled to designate beneficiaries as referred to in this Law may determine the beneficiary line or order of precedence or the percentage of benefit that each beneficiary can enjoy. If not doing so, all beneficiaries may be entitled to the equal percentage of benefit.

3. The policyholder can change any beneficiary provided that the written consent for such change from the insured is obtained, and the insurer or the foreign non-life insurer's branch is informed in writing beforehand of such change. If the insured is a minor or incapable of civil acts or faces cognitive or impulse control problems or has restricted capabilities of civil acts, in order to change a beneficiary, the approval from his/her legal representative must be sought. The insurer or the foreign non-life insurer's branch must give their certification in the insurance contract or the document attached hereto after receiving the notice of such change from the policyholder.

#### **Article 42. Group insurance contracts**

1. Group insurance contract is the arrangement between the policyholder and the insurer or the foreign non-life insurer's branch that is made to offer insurance on the insured group members under the same insurance contract.

2. A group of members participating in the insurance contract must be the group set up not to serve the purpose of participation in insurance.

3. The policyholder and the insured may negotiate for the joint payment of premiums.

4. The insured shall have the right to designate the beneficiary in case of the death of the insured.

5. The policyholder, the insurer or the foreign non-life insurer's branch shall have the right to amend and supplement the group insurance contract in the following cases:

- a) At least one insured person is no longer the group member;
- b) Insurance premiums specific to the insured persons are not paid under terms and conditions of the insurance contract;
- c) Other cases are agreed upon in the insurance contract.

6. In addition to those regulations laid down in Article 17 herein, a group insurance contract must contain the followings:

- a) Conditions for participation in insurance to be applied to the insured;
- b) Conditions and procedures for transformation into the individual insurance contract.

### **Section 3. PROPERTY INSURANCE CONTRACTS, PROPERTY DAMAGE LIABILITY INSURANCE CONTRACTS**

#### **Article 43. Subject matters**

- 1. The property or assets stipulated in the Civil Code are the subject matters of a property insurance contract.
- 2. Any economic benefit or contractual or lawful obligation of which any loss is incurred by the insured is the subject matter of a damage liability insurance contract.

#### **Article 44. Insurable interests**

- 1. Under a property insurance contract, the policyholder has insurable interests when acquiring the ownership right; other rights to property or assets; right of possession and use of the non-owner.
- 2. Under a damage liability insurance contract, the policyholder has insurable interests when they have financial interests; assume financial obligations and liabilities; incur economic losses towards the subject matters insured.
- 3. At the time of occurrence of insured losses, the policyholder or the insured must have insurable interests.

#### **Article 45. Sums insured**

The sum insured is the amount of money that a policyholder and an insurer or foreign non-life insurer's branch are agreed upon in the insurance contract to provide insurance for property or assets and against losses upon the policyholder's request as per this Law.

## **Article 46. Notification of policy events**

1. The policyholder is bound to notify the insurer or the foreign non-life insurer's branch when having the knowledge of an occurrence within the time limit agreed upon in the insurance contract. Where the policyholder fails to comply with the obligation of notification or gives late notification, the insurer or the foreign non-life insurer's branch can deduct the amount of money that must be paid as insurance in proportion to losses that the insurer or the foreign non-life insurer's branch incurs, except in force majeure events or objective obstacles.
2. The insurer or the foreign non-life insurer's branch is not allowed to apply the regulations laid down in clause 1 of this Article if the insurance contract does not have any terms and conditions relating to liabilities of the policyholder, sanctions against failure to comply with the obligation of notification or the deferred notification of the policy event.

## **Article 47. Property overinsurance contracts**

1. An overinsurance contract is the contract where the sum insured is greater than the market value of the insured property at the time of conclusion of the contract. The insurer, the foreign non-life insurer's branch and the policyholder shall not be allowed to deliberately enter into an overinsurance contract.
2. Where an overinsurance contract is concluded through the policyholder's intentional fault, the following actions shall be taken:
  - a) If there is no policy event that occurs, the insurer or the foreign non-life insurer's branch shall repay the policyholder the amount of premiums paid in advance in proportion to the sum insured in excess of the market value of the insured property at the time of conclusion of the insurance contract after deducting reasonable costs and expenses (if any) as agreed upon in the insurance contract;
  - b) If any policy event occurs, the insurer or the foreign non-life insurer's branch shall indemnify the policyholder for losses in proportion to the market value of the insured property at the time of occurrence, and repay the policyholder the amount of premiums already paid in advance in proportion to the amount of insurance in excess of the market value of the insured property at the time of conclusion of the insurance contract after deducting reasonable costs and expenses (if any) as agreed upon in the insurance contract.

## **Article 48. Property underinsurance contracts**

1. An underinsurance contract is the contract where the sum insured is less than the market value of the insured property at the time of conclusion of the contract.
2. When entering into a property underinsurance contract, the insurer or the foreign non-life insurer's branch shall pay losses in proportion to the sum insured and the market value of the insured property at the time of conclusion or as agreed upon in the insurance contract.



#### **Article 49. Double insurance contracts**

1. A double insurance contract is the situation where there are at least two insurance contracts that provide insurance in the same scope of insurance, for the same subject matter, during the same policy term and against the same insured event, and total sum insured of these insurance contracts exceeds the market value of the insured property at the time of conclusion of the insurance contracts.

2. After entering into a double insurance contract, in case of occurrence of a policy event, the amount of the indemnity in each insurance contract is calculated according to the relevant proportion of the agreed sum insured to total of the sums insured in all insurance contracts that the policyholder enters into. Total of the indemnities of all insurance contracts shall not be greater than the actual loss of the insured property.

#### **Article 50. Loss or damage caused by normal wear and tear or inherent vice or nature of insured property**

The insurer or foreign non-life insurer's branch can disclaim indemnification responsibility for the insured property damaged due to normal wear and tear or inherent vice or nature of that property, unless otherwise agreed upon in the insurance contract.

#### **Article 51. Indemnification basis**

1. The amount of indemnity that the insurer or the foreign non-life insurer's branch must pay the insured is calculated on the basis of the market value of the insured property at the time and place of occurrence of loss or damage and actual loss percentage, unless otherwise agreed upon in the insurance contract. Costs and expenses incurred from determination of the market value and loss percentage shall be covered by the insurer or the foreign non-life insurer's branch.

2. The amount of indemnity that the insurer or the foreign non-life insurer's branch pays the insured shall not be greater than the sum insured, unless otherwise agreed upon in the insurance contract.

3. In addition to paying indemnity, the insurer or the foreign non-life insurer's branch shall pay the insured necessary or reasonable expenses agreed upon in the insurance contract to provide and hedge against losses, and claims-arising expenses that the policyholder or the insured must incur to follow the instructions of the insurer or foreign non-life insurer's branch.

#### **Article 52. Methods of providing indemnity**

1. The policyholder and the insurer or the foreign non-life insurer's branch can agree on one of the following methods:

- a) Repairing the damaged property;
- b) Replacing the damaged property with another equivalent one;

c) Paying indemnity.

2. If the insurer, the foreign non-life insurer's branch and the policyholder are unable to agree on the method of providing indemnity, cash indemnity can be paid.

3. Where either or both of the indemnification methods specified in point b and c of clause 1 of this Article is used, the insurer or the foreign non-life insurer's branch shall be entitled to keep the damaged property after replacing it with another equivalent one or paying the indemnity in full according to the market value of the insured property.

### **Article 53. Loss and damage assessment**

1. In case of the policy event that occurs, the insurer or the foreign non-life insurer's branch or the person authorized by the insurer or the foreign non-life insurer's branch shall conduct the assessment of loss and damage in order to determine the causes and levels of loss or damage. Costs and expenses incurred from the loss assessment process shall be covered by the insurer or the foreign non-life insurer's branch.

2. Where contracting parties fail to reach any agreement on the causes and levels of loss or damage, independent assessors may be hired by mutual consent, unless otherwise agreed upon in the insurance contract. Where the contracting parties disagree on hiring of the independent assessor, one of the parties may request the Court having relevant jurisdiction or the Arbitrator to solicit the independent assessor for their assessment feedback. The independent assessor's conclusions or consultative opinions shall be binding upon concerned parties.

### **Article 54. Transfer of the right to claim for reimbursement**

1. In a policy event that occurs, if the third party carried the burden of paying compensation for any loss or damage to the insured, the following actions shall be taken:

a) After the insurer or foreign non-life insurer's branch completes their payment of the insured's insurance claim, the insured shall assign the right to claim reimbursement from the third party for that insurance claim to them;

b) The insurer or the foreign non-life insurer's branch may deduct the amount of insurance claim, depending on how serious the insured's fault is, if the insured refuses to the right to claim for reimbursement from the third party.

2. When the insurer or the foreign non-life insurer's branch enforces the right to claim for reimbursement from the third party, the insured shall have the mandate to provide them with required documents and associated information under terms and conditions of the insurance contract.

3. The insurer or the foreign non-life insurer's branch is not allowed to request the insured's parent, spouse or offspring to reimburse the insurance claim that they pay the insured, except as these requested kin cause any loss or damage through their intentional fault.

## **Article 55. Safety regulations**

1. The insured shall be bound to comply with fire prevention and control; occupational safety and hygiene; and other regulations of relevant law in order to ensure their safety.
2. Insurers and foreign non-life insurer's branches shall have the right to inspect safety conditions for the insured or advise and request the insured to apply measures to provide and hedge against risks.
3. Where the insured fails to apply safety measures to provide sufficient protection for the subject matter insured, insurers and foreign non-life insurer's branches shall have the right to set the deadline for the insured's execution of these measures. After such deadline, if the insured fails to comply, insurers and foreign non-life insurer's branches shall reserve the right to increase insurance premiums or unilaterally terminate the insurance contract.

## **Article 56. Prohibition against abandonment of insured property**

In case of any loss or damage that occurs, the insured shall not be allowed to abandon the insured property and shall apply necessary measures within their competence to prevent or minimize loss or damage, unless otherwise prescribed in law or agreed upon by parties.

## **Section 4. LIABILITY INSURANCE CONTRACTS**

### **Article 57. Subject matters insured**

The subject matter of a liability insurance contract is the civil liability of the insured towards the third party under the regulatory provisions of law.

### **Article 58. Responsibilities of insurers and foreign non-life insurers' branches**

1. Responsibilities of the insurer or the foreign non-life insurer arise only when the third party requests the insured to pay them compensation for any loss or damage occurring within the policy term.
2. The third party shall not be entitled to directly demand compensation from the insurer or the foreign non-life insurer's branch, unless otherwise provided by law.

### **Article 59. Limit of liability**

1. The limit of liability is the amount of money that an insurer or a foreign non-life insurer's branch is bound to pay to the insured under terms and conditions of the insurance contract.
2. Within their limit of liability, the insurer or foreign non-life insurer's branch is bound to pay the insured amounts of money that the insured is obliged to pay as insurance indemnity or coverage to the third party under law.

3. In addition to paying the insurance claim as per clause 2 of this Article, the insurer or the foreign non-life insurer's branch is bound to pay expenses related to the resolution of disputes over liability towards the third party, together with any interest payable to the third party that is charged on the insured's late payment of the compensation claim according to the instructions of the insurer or the foreign non-life insurer's branch.

4. Total amount of insurance claim paid by the insurer or the foreign non-life insurer's branch as per clause 2 and 3 of this Article must fall within the limit of liability, unless otherwise agreed in the insurance contract.

5. Where the insured is required to provide a pledge or security deposit to ensure that the insured property is not forfeited; or taking legal action in court is not required, upon the request of the insured and under the insurance contract, the insurer or the foreign non-life insurer's branch shall be obliged to provide a pledge or security deposit within the limit of liability that they insure against.

#### **Article 60. Rights of representation for insured persons**

Insurers and foreign non-life insurers' branches shall have the right to act on behalf of the insured persons to negotiate with the third party about the amount of compensation for loss or damage, unless otherwise agreed upon in insurance contracts.

#### **Article 61. Indemnification approaches**

As requested by the insured, insurers or foreign non-life insurers' branches can directly pay insurance claims to the insured or pay compensation to the third parties suffering insured loss or damage.

### **Chapter III**

## **INSURANCE COMPANIES, REINSURANCE COMPANIES, FOREIGN INSURANCE BRANCHES IN VIETNAM**

### **Section 1. BUSINESS PERMITS AND LICENSES**

#### **Article 62. Business types of insurance companies and reinsurance companies**

1. Joint-stock company.
2. Limited liability company.

#### **Article 63. Business sectors or activities**

1. Insurers and foreign non-life insurers' branches can be involved in the following range or area of business activities:

- a) Insurance, reinsurance or reinsurance cession business;
- b) Management of funds and investment of funds generated in the insurance industry;
- c) Provision of insurance ancillary services;
- d) Other activities directly related to the insurance industry.

2. Reinsurance companies and foreign reinsurance branches can be involved in the following range or area of business activities:

- a) Reinsurance, reinsurance cession sector;
- b) Management of funds and investment of funds generated from rendering reinsurance services;
- c) Other activities directly related to reinsurance services.

3. Insurance companies and foreign non-life insurance branches can choose only one of the types of insurance specified in clause 1 of Article 7 herein to start their business, except in the following cases:

- a) Life insurance companies are involved in the health insurance sector;
- b) Non-life insurance companies and foreign non-life insurance branches are involved in business of health insurance products, each of which has the maximum insurance term of 01 year, and casualty insurance products, each of which has the maximum insurance term of 01 year;
- c) Health insurance companies are involved in business of casualty insurance products, each of which has the maximum insurance term of 01 year.

#### **Article 64. General licensing conditions applicable to insurance companies and reinsurance companies**

1. Licensing conditions concerning founding shareholders or members:

- a) In order to obtain business licences or permits, entities and persons applying for these licenses or permits must have the rights of business incorporation and management in Vietnam under the Corporate Law;
- b) In order to obtain business licences or permits, entities applying for these licenses or permits need to have legal personality and is operating in Vietnam; if each entity makes at least 10% of capital contribution, they must ensure that they generate profits within 03 consecutive fiscal years immediately before the date of submission of application packages for these licenses or permits, and must meet financial conditions in accordance with the Government's regulations;

c) In order to obtain business licences or permits, insurers and reinsurers previously licensed for their establishment and operation in Vietnam that contribute capital to set up insurance companies; new reinsurers must generate business profits during 03 consecutive years immediately before the date of submission of application packages for these licenses and permits, and must meet the prudential ratio or the minimum required capital requirement specified herein.

2. Licensing conditions concerning capital or assets:

a) The amount of Vietnamese-dong contribution to the charter capital must not be less than the minimum required amount of charter capital under the Government's regulations;

b) Founding shareholders and capital-contributing members shall not be allowed to contribute borrowed funds or funds or assets held in trust for other entities and persons for equity participation purposes.

3. Licensing conditions concerning personnel: Any nominee for a Chairperson of the Board of Directors or Chairperson of the Board of Members, Director or General Director, legal representative or actuary in an entity applying for such business licence and permit must meet managerial competency and qualification conditions and standards prescribed in Article 81 herein.

4. The applicant for such business licence and permit must choose their business type in accordance with this Law and must have the draft charter conforming to the regulations of the Corporate Law.

**Article 65. Eligibility conditions of members contributing capital to establish insurance limited liability companies and reinsurance limited liability companies (hereinafter referred to founding members)**

The founding member of an insurance limited liability company or a reinsurance limited liability company must be an entity and meet general licensing conditions prescribed in Article 64 herein and the following conditions:

1. Regulatory conditions for eligibility as the capital-contributing entity established under foreign law:

a) It must be a foreign insurance company, reinsurance company or finance and insurance corporation;

b) It must obtain certification from a foreign competent regulatory authority that, as a foreign insurance company, reinsurance company or finance and insurance corporation, it has not committed any serious offence against domestic legislation on insurance business of the country where their head office is located during 03 consecutive years immediately before the time of submission of application packages for such license or permit;

c) The business sector in which it proposes to get involved in Vietnam must comprise business activities that the foreign insurance company, reinsurance company or finance and insurance corporation applying for the license or permit is directly performing, or their subsidiaries are performing, within the latest 07 consecutive years;

d) It must own the minimum total asset of USD 02 billion in the year immediately preceding the year of submission of application packages for such business license or permit;

dd) It must be committed to offering financial, technological, corporate management, risk management, governance and operational support for the insurance company or reinsurance company to be incorporated in Vietnam; must ensure that the insurance company or reinsurance company-to-be complies with regulatory provisions concerning compliance with financial prudence and risk management requirements laid down herein;

e) The insurance company, reinsurance company, finance and insurance corporation satisfying the conditions specified in point b, c, d and dd of this clause can authorize their subsidiaries specialized in outward investment to set up an insurance company or reinsurance company in Vietnam. Subsidiaries specialized in outward investment must meet the conditions specified in point d of this clause;

2. In order to meet the licensing conditions, each economic organization established under Vietnam's law must own their minimum total asset of VND 2,000 billion in the year immediately before the year of application for such business license or permit;

3. Pursuant to the regulations laid down in point d of clause 1 and 2 of this Article, the Government shall impose detailed regulations on the minimum required total assets varying over periods of time.

#### **Article 66. Regulatory conditions concerning the structure of shareholders contributing capital to establish insurance joint-stock companies and reinsurance joint-stock companies**

In order to establish an insurance joint-stock company or reinsurance joint-stock company, in addition to conforming to the licensing conditions specified in Article 64 herein, the following conditions must be satisfied:

1. There must be at least two shareholders that are entities and each of which meets the following conditions:

a) Their equity contribution must make up at least 10% of the charter capital of the insurance company or the reinsurance company-to-be;

b) The conditions specified in Article 65 hereof must be satisfied;

2. An individual shareholder's equity contribution shall not exceed 10% of the charter capital of the insurance company or reinsurance company-to-be.

## **Article 67. Licensing conditions applicable to foreign branches in Vietnam**

1. In order to obtain a license or permit to establish a branch in Vietnam, a non-life insurance company or a foreign insurance company must meet the following conditions:

- a) Their head office is located in the country with which Vietnam has signed the international treaty, including agreements on establishment of such branch in Vietnam; the foreign state insurance authority of the place where the parent company's head office is located has signed the international agreement with the Ministry of Finance of Vietnam on management and supervision of operations of the branch;
- b) The foreign state insurance authority of the place where the parent company's head office is located gives permission to establish their branch in Vietnam that can render authorized insurance services;
- c) It must acquire at least 07 years' experience in the proposed business activities that it is applying for the license or permit to perform in Vietnam;
- d) Their minimum required total of assets must conform to the conditions specified in point d of clause 1 and 3 of Article 65 herein;
- dd) It generates profits during 03 consecutive fiscal years immediately before the time of submission and must meet financial conditions prescribed in the Government's regulations;
- e) It must provide guarantee and bear responsibility for all obligations and commitments of their branch in Vietnam.

2. The branch of a foreign non-life insurance company or a foreign reinsurance company to be established and operate in Vietnam must meet the following conditions:

- a) The minimum allocated amount of Vietnamese-dong funds must not be less than the minimum limit prescribed in the Government's regulations;
- b) Funding for establishment of the branch must be legitimate and not include borrowed funds or investment funds held in trust in any form;
- c) The branch's nominated Director and actuaries must meet managerial competency and professional qualification conditions and standards specified in Article 81 herein.

3. After obtaining the license or permit for their establishment and operation in Vietnam, the foreign branch in Vietnam can run like an insurance company or reinsurance company established and operated in Vietnam under this Law.

## **Article 68. Percentage of ownership interests owned by foreign investors**



Foreign investors may have the ownership interest in shares or contributed capital that makes up as high as 100% of the charter capital of an insurance company or reinsurance company.

#### **Article 69. Application requirements for business licenses or permits**

Each set or package of application documents for a business licence or permit must be comprised of the followings:

1. Form of request or application for the business license or permit;
2. The draft charter of an insurance company or reinsurance company; the draft regulations on organization and operation of the foreign branch in Vietnam;
3. Business plan to be executed in the first five years. The plan must specify recommended insurance services, risk management model, technical provisioning method, reinsurance scheme, investment of funds, solvency of the insurance company, the reinsurance company or foreign branch in Vietnam;
4. Resume, police record, duplicate copy of certificate or qualification indicating professional competency and expertise of the nominee for the Chairperson of the Managing Board or the Chairperson of the Board of Members, Director or General Director, legal representative or actuary;
5. Rate of contributed capital and method of contributing capital; list of founding entities or persons or members or shareholders that intend to contribute at least 10% of the charter capital, and documents evidencing compliance with conditions relevant to specific business types of insurance company, reinsurance company, foreign branch in Vietnam referred to in Article 64, 65, 66 and 67 of this Law that the institutional or individual applicant chooses to operate;
6. List of beneficial owners of the insurance company or reinsurance company applying for such license or permit. The Government shall establish criteria for determining beneficial owners of insurance companies and reinsurance companies.

#### **Article 70. Licensing time limits**

1. Within 60 days of receipt of the valid application package, the Ministry of Finance shall decide whether a business license or permit is issued. In case of refusal to issue the business licence or permit, the written notice clearly stating reasons for such refusal must be issued.
2. In case of issuance of the business license or permit, the Ministry of Finance shall issue an Approval-in-Principle document for any nominee for the Chairperson of the Managing Board or the Chairperson of the Board of Members, the Director or General Director or the Actuary.

#### **Article 71. Authority to issue, reissue, revise, amend or revoke business licenses or permits; suspend business activities**

1. Business license or permit is also the business registration certificate.
2. The Ministry of Finance shall be vested with authority to issue, reissue, revise, amend or revoke business licenses or permits; suspend part or all of business activities of insurance companies, reinsurance companies or foreign branches in Vietnam in accordance with this Law and other regulatory provisions of relevant law.
3. After issuance, revision, amendment or revocation of business licenses or permits, the Ministry of Finance shall have the burden of issuing the written notification of these acts in order for registration agencies of the provinces where insurance companies, reinsurance companies or foreign branches in Vietnam are based to keep the National Information System for business registration updated.
4. The Government shall impose detailed regulations regarding application procedures and documentation requirements for issuance, reissuance, revision, modification or revocation of business licenses or permits; suspension of part or all of business activities of insurance companies, reinsurance companies and foreign branches in Vietnam.

#### **Article 72. Public announcement of business licenses or permits**

1. The Ministry of Finance shall make information about business licences of insurance companies, reinsurance companies or foreign branches in Vietnam available to the public on the Web Portal of the Ministry of Finance within 30 days of issuance of these business licenses or permits.
2. At least 30 days before their business is officially commenced, licensed insurance companies, reinsurance companies or foreign branches in Vietnam must post the most updated information about business licenses or permits and the proposed date of official business on a print newspaper in three successive issues or on an electronic newspaper of Vietnam.

#### **Article 73. Preconditions of official business**

1. Insurance companies, reinsurance companies and foreign branches in Vietnam must officially commence their business within 12 months of issuance of business licenses or permits, except in case of force majeure events or circumstantial obstacles. In case of force majeure events or circumstantial obstacles, insurance companies, reinsurance companies and foreign branches in Vietnam must report on such unexpected events in writing and receive the written consent to extension of the time limit for commencement of their official business from the Ministry of Finance; the extension of the time limit for commencement of official business shall not be longer than 12 months.
2. An insurance company, reinsurance company or foreign branch in Vietnam must meet the following regulations to officially commence their business:
  - a) Transform funds kept in their escrow account into charter capital or allocation;

- b) Develop their organization structure and machinery for corporate management, internal control, audit and risk management system matched with their business type prescribed in this Law and other regulatory provisions of relevant law; elect or appoint the legal representative; elect or appoint officeholders approved in principle by the Ministry of Finance according to clause 2 of Article 70 herein;
- c) Issue internal rules and regulations regarding operations management and governance; internal rules and regulations on risk management and other basic operational procedures in accordance with law;
- d) Provide security deposit in full prescribed in this Law at commercial banks that are active in Vietnam;
- dd) Have their office, facilities, technical utilities and technological systems tailor-made for operations processes in the insurance industry;
- e) Publicly communicate and disseminate information about their business license or permit as provided in clause 2 of Article 72 herein.

3. Insurance companies, reinsurance companies or foreign branches in Vietnam must notify the Ministry of Finance of their compliance with the regulations laid down in clause 2 of this Article at least 15 days before their business is officially commenced. The Ministry of Finance shall be accorded authority to cease the official business commencement of insurance companies, reinsurance companies or foreign branches in Vietnam when regulations laid down in clause 2 of this Article are not satisfied yet.

4. Insurance companies, reinsurance companies and foreign branches in Vietnam shall not be allowed to perform any insurance transactions before the official commencement date.

#### **Article 74. Changes relying upon approval or notification**

1. Insurance companies, reinsurance companies or foreign branches in Vietnam need to seek the written approval of any change in the following information from the Ministry of Finance:

- a) Their name or their head office's address;
- b) Amount of charter capital; allocated capital;
- c) Scope and period of business;
- d) Assignment of shares or ownership interests that help shareholders or members contributing capital to own at least 10% of their charter capital, or cause shareholders or members contributing capital to own less than 10% of their charter capital;
- dd) Chairperson of the Managing Board or Chairperson of the Board of Members, Director or General Director or the Actuary;

e) Split-up, split-off, merger, amalgamation, dissolution of or transformation into other business type or type of business ownership;

g) Outward investment, including the establishment of new branches, representative offices, and other types of commercial establishment in foreign countries.

2. Within 10 days of receipt of the written consent to any change prescribed in clause 1 of this Article from the Ministry of Finance, the Ministry of Finance shall be responsible for posting updated information on the Web Portal of the Ministry of Finance.

3. Insurance companies, reinsurance companies or foreign branches in Vietnam need to notify the Ministry of Finance in writing within 15 days after making the following changes:

a) Changes in the charter of the insurance company or reinsurance company; rules and regulations for operations of the foreign branch in Vietnam;

b) Opening, closing or change of location of the branch or representative office of the insurance company or the reinsurance company;

c) Opening, closing or change of the business location;

d) Replacement by new beneficial owners of the insurance company or reinsurance company.

4. The Government shall impose detailed regulations regarding conditions, application procedures, documentation requirements and processes for approval of changes referred to in point b of clause 3 of this Article.

#### **Article 75. Revocation of business licenses or permits**

1. The business license or permit of an insurance company, reinsurance company or foreign branch in Vietnam shall be revoked in the following cases:

a) Application for the business license or permit contains fraudulent information provided with the aim of satisfying licensing conditions;

b) They do not officially commence their business after the expiry date of official commencement of their business prescribed in clause 1 of Article 73 herein;

c) They are split up, split off, amalgamated, resolved or closed;

d) Their business activities are not the same as those specified in the business license or permit that they are holding;

dd) The insurance company or reinsurance company is declared bankrupt by the Court's judgement;

e) The foreign non-life insurance company or the foreign reinsurance company that has their branches established in Vietnam goes bankrupt or has their business license or permit withdrawn or revoked.

2. When having their business licence or permit withdrawn or revoked as stipulated in point a, c, d and e of clause 1 of this Article, the affected insurance companies, reinsurance companies and foreign branches in Vietnam must immediately cease the conclusion of new insurance contracts or reinsurance contracts; the affected insurance companies and branches of foreign non-life insurance companies must transfer the portfolio of insurance contracts; the transfer of the portfolio of insurance contracts shall not be permitted in case of insurance contracts that are made null or void as provided in this Law.

3. Decisions on revocation or withdrawal of business licenses or permits of insurance companies, reinsurance companies or foreign branches in Vietnam must be made available for public access on the Web Portal of the Ministry of Finance.

#### **Article 76. Foreign representative offices in Vietnam**

1. Foreign insurance companies; foreign reinsurance companies; foreign finance and insurance corporations; foreign insurance brokerage companies may establish representative offices in Vietnam. Foreign representative offices in Vietnam are dependent units of foreign insurance companies; foreign reinsurance companies; foreign finance and insurance corporations; foreign insurance brokerage companies, and shall not be allowed to conduct insurance business in Vietnam.

2. Foreign representative offices in Vietnam may perform the following functions:

a) Perform the function of a contact office;

b) Conduct market researches;

c) Promote the development of investment projects of foreign insurance companies; foreign reinsurance companies; foreign finance and insurance corporations; foreign insurance brokerage companies in Vietnam;

d) Promote and monitor the implementation of projects financed by foreign insurance companies; foreign reinsurance companies; foreign finance and insurance corporations; foreign insurance brokerage companies in Vietnam;

dd) Perform other activities in compliance with domestic law of Vietnam.

3. The life of a foreign representative office in Vietnam shall not be longer than 05 years and may be extended.

4. Reporting on performance, notifying changes and publicly announcing foreign representative offices in Vietnam shall be subject to the regulations of the Minister of Finance.

**Article 77. Issuance, reissuance, revision, supplementation, extension, termination and revocation of licenses or permits for establishment of foreign representative offices in Vietnam**

1. In order to obtain permission to establish their foreign representative offices in Vietnam, foreign insurance companies; foreign reinsurance companies; foreign finance and insurance corporations; foreign insurance brokerage companies must meet the following conditions:

a) Perform their minimum business functions in the latest five years;

b) Obtain permission to establish representative offices in Vietnam from the insurance regulatory authorities in the foreign countries where their head offices are located.

2. The Government shall impose detailed regulations on conditions, application procedures, documentation requirements and processes for issuance, reissuance, revision, supplementation, modification, extension, termination and revocation of licenses or permits for establishment of representative offices in Vietnam.

3. The Ministry of Finance shall be vested with authority to issue, reissue, revise, modify, supplement, extend and revoke or withdraw licenses or permits to establish foreign representative offices in Vietnam, and close or terminate operation of foreign representative offices in Vietnam.

**Section 2. CORPORATE STRUCTURE**

**Article 78. Corporate organization structure of an insurance company, reinsurance company or foreign branch in Vietnam**

1. The domestic-side structure of an insurance company or reinsurance company shall consist of their head office, branch(es), representative office(s) and business location(s).

2. The foreign-side structure of an insurance company or reinsurance company shall consist of their branch(es), representative office(s) and other types of commercial establishment under regulatory provisions of law.

3. The organizational structure of a foreign branch in Vietnam shall consist of their head office and business location(s).

**Article 79. Corporate governance structure of an insurance company and reinsurance company**

1. Insurance joint-stock companies and reinsurance joint-stock companies may decide on either of the two governance structures:

a) Shareholders' General Meeting, Managing Board, Supervisory Board, Director or General Director. A Supervisory Board consists of 03 – 05 controllers under the regulatory provisions of the Company's Charter;

b) Shareholders' General Meeting, Managing Board, Director or General Director. In particular, the Managing Board shall be subject to the binding requirement that 20% of membership must be independent members and it must directly control an Audit Committee. The organizational structure, functions and duties of an Audit Committee must be specified in the Company's Charter or executive rules and regulations of the Audit Committee that are ratified by the Managing Board.

2. Insurance limited liability companies and reinsurance limited liability companies shall decide on using the corporate governance structure consisting of the Board of Members, Director or General Director. Insurance companies and reinsurance companies may make their own decisions to set up Supervisory Boards in accordance with law.

#### **Article 80. Managers and controllers of insurance companies, reinsurance companies and foreign branches in Vietnam**

1. A manager of an insurance company or reinsurance company can hold the following posts:

a) Chairperson of the Managing Board, Member of the Managing Board; Chairperson of the Board of Members, Member of the Board of Members;

b) Director or General Director, Vice Director or Deputy General Director, Legal Representative;

c) Chief Accountant, Director of a branch, Head of a representative office, Head of an operations department and the like under the Company's Charter.

2. A manager of a foreign branch in Vietnam can hold the following posts:

a) Director, Deputy Director;

b) Chief Accountant, Head of an operations department and the like under the rules and regulations on organization and operation of foreign branches in Vietnam.

3. A controller of an insurance company, reinsurance company or foreign branch in Vietnam shall exercise his/her freedom of making decisions related to insurance services or operations, and can hold the following posts:

a) Head of the Supervisory Board or Controller;

b) Head of the risk management department, Head of the compliance management department, Head of the internal audit department;

c) Actuary.

4. Insurance companies, reinsurance companies and foreign branches in Vietnam must keep at least two titles, including Director and Actuary or General Director and Actuary. Where any change is needed, within the maximum period of 75 days from the date of discharge from the title of Director or General Director or Actuary, insurance companies, reinsurance companies and foreign branches in Vietnam must apply to seek the Ministry of Finance's approval of new Director and Actuary or General Director and Actuary.

### **Article 81. Eligibility requirements and standards of managers and controllers of insurance companies, reinsurance companies and foreign branches in Vietnam**

#### **1. General requirements and standards:**

- a) Reserve the corporate governance rights prescribed in the Corporate Law;
- b) Not be subject to any penalty for administrative violations arising in the insurance industry; not be disciplined in the form of dismissal for any of their violations against internal regulatory procedures for handling work within 03 consecutive years before the appointment date; not be the object of the decisions on initiation of legal proceedings under the regulatory provisions of law at the election or appointment time.

#### **2. Specific requirements and standards of the Chairperson of the Managing Board, the Chairperson of the Board of Member; the Member of the Managing Board, the Member of the Board of Members:**

- a) Satisfy the general requirements and standards specified in clause 1 of this Article;
- b) Hold at least an undergraduate degree;
- c) The Chairperson of the Managing Board or the Chairperson of the Board of Member must have at least 05 years' experience of directly working in the insurance, finance or banking sector, or at least 03 years' experience of holding the post as a manager, operations executive or controller at an enterprise in the insurance, finance or banking industry; the Member of the Managing Board or the Member of the Board of Members must acquire at least 03 years' experience of directly working in the insurance, finance or banking sector or at least 03 years' experience of holding the post as a manager, operations executive or controller at an enterprise in the insurance, finance or banking industry.

#### **3. Specific requirements and standards of the Director, General Director and Legal Representative:**

- a) Satisfy the general requirements and standards specified in clause 1 of this Article;
- b) Hold at least an undergraduate degree in the insurance major. If not, he/she must hold at least an undergraduate degree in any other major and must complete the practicing certificate in the insurance industry conferred by an legally-licensed domestic or foreign insurance training institution;



c) Have at least 05 years' experience of working in the insurance, finance or banking sector, including 03 years' experience of holding the post as a manager or controller of an insurance company, reinsurance company or foreign branch;

d) Reside in Vietnam during his/her term in office.

4. Specific requirements and standards of the managers other than those specified in clause 2 and 3 of this Article of an insurance company, reinsurance company or foreign branch in Vietnam:

a) Satisfy the general conditions and standards specified in clause 1 of this Article;

b) Hold at least an undergraduate decree on the insurance major. If not, he/she must hold at least an undergraduate degree in any other major and must complete the practicing certificate in the insurance services within the employing enterprise's scope of business is issued by legally-licensed domestic or foreign insurance training institutions;

c) Spend at least 03 years on working in the insurance, finance or banking sector or holding the post for which he/she is recommended in the past. In particular, the nominee for a head of an operations department must have at least 03 years' experience of working in the insurance, finance or banking sector or holding the post for which he/she is recommended;

d) Reside in Vietnam during his/her term in office.

5. Controllers of insurance companies, reinsurance companies or foreign branches in Vietnam are required to satisfy the general conditions and standards referred to in clause 1 of this Article and others prescribed in the Government's regulations.

6. The Minister of Finance shall elaborate point b of clause 3 and point b of clause 4 of this Article, and impose detailed regulations regarding training curriculum or program, application requirements, procedures and processes for certification testing, issuance, revocation, withdrawal and reissuance of insurance practising certificates issued by legally-licensed domestic insurance training institutions.

## **Article 82. Incumbent or office-holding principles**

1. Chairperson of the Managing Board, Chairperson of the Board of Members or Member of the Managing Board, Member of the Board of Members of an insurance company or reinsurance company cannot concurrently hold the post as the Member of the Managing Board or the Member of the Board of Members of another insurance company or reinsurance company in the same life insurance, non-life insurance, health insurance or reinsurance sector in Vietnam.

2. Director or General Director of an insurance company, reinsurance company or foreign branch in Vietnam cannot concurrently work for another insurance company, reinsurance company or foreign branch in the same life insurance, non-life insurance, health insurance or reinsurance sector in Vietnam.

3. Director or General Director, Director of a branch or Head of a representative office of an insurance company or reinsurance company can hold only one more post like the Director of a branch or the Head of a representative office or the Head of an operations department in the same insurance company or reinsurance company. The Director of a foreign branch in Vietnam is the legal representative and can hold only one more post as the Head of an operations department of that branch.

4. Meanwhile, the Actuary, Head of the risk management department or Head of the compliance department of an insurance company, reinsurance company or foreign branch in Vietnam shall not be allowed to hold any other executive post at the same host entity; shall not be allowed to concurrently work for any other insurance company, reinsurance company or foreign branch in Vietnam. The Actuary must perform the duties assigned by the Minister of Finance.

5. The Head of the Supervisory Board or the Controller shall not be allowed to hold any other executive post at the same host entity. The Head of the Supervisory Board cannot concurrently hold another post as the Controller or manager of any other insurance company or reinsurance company operating in Vietnam.

6. The Chief Accountant, Head of the internal audit department in an insurance company, reinsurance company or foreign branch in Vietnam shall not be allowed to hold any other post in the same host entity; shall not be allowed to concurrently work for any other insurance company, reinsurance company or foreign branch in Vietnam.

**Article 83. Termination and temporary suspension of execution of rights and obligations of Chairperson of the Managing Board, Chairperson of the Board of Members, Director or General Director or Actuary**

1. The Ministry of Finance shall be accorded authority to termination or temporarily suspend the enforcement of rights and obligations of the Chairperson of the Managing Board, Chairperson of the Board of Members, Director or General Director or Actuary of an insurance company, reinsurance company, foreign branch in Vietnam if he/she commits any violation against the office-holding principles stipulated in Article 82 herein, or no longer meets eligibility requirements and standards prescribed in Article 81 herein.

2. Within the maximum period of 75 days of the Ministry of Finance's issuance of the document stating termination of their rights and obligations, as obligors, insurance companies, reinsurance companies and foreign branches in Vietnam must submit valid application for approval of a new Chairperson of the Managing Board, Chairperson of the Board of Members, Director or General Director and Actuary to the Ministry of Finance.

3. Persons whose rights and obligations are terminated or temporarily suspended as per clause 1 of this Article shall be responsible for being involved in the process for handling of issues and violations concerning personal liabilities upon the request of insurance companies, reinsurance companies or foreign branches in Vietnam.

4. The Government shall impose detailed regulations on termination and temporary suspension of execution or enforcement of rights and obligations of the Chairperson of the Managing Board, Chairperson of the Board of Members, Director or General Director and Actuary that are prescribed in clause 1 and 2 of this Article.

### **Section 3. INTERNAL CONTROL, INTERNAL AUDIT, RISK MANAGEMENT**

#### **Article 84. Internal control or supervision**

1. Insurance companies, reinsurance companies or foreign branches in Vietnam must conduct the intracorporate control or supervision in order to ensure compliance with the following requirements:

- a) Effectiveness and safety in all operations and security, management and utilization of corporate property and resources;
- b) Honesty, reasoning, adequacy, timeliness in financial and executive information systems;
- c) Compliance with law, internal rules, regulations and procedures.

2. Insurance companies, reinsurance companies or foreign branches in Vietnam must formulate internal control standards, procedures and procedures; must ensure that managers, controllers, superintendents, employees or staff members clearly understand and strictly comply with them.

3. Internal control activities of insurance companies, reinsurance companies or foreign branches in Vietnam must be assessed annually through the internal audit processes.

4. The Minister of Finance shall elaborate on this Article.

#### **Article 85. Internal audit**

1. Insurance companies and reinsurance companies are obliged to establish internal audit departments. Foreign branches in Vietnam can have the option of either establishing their own internal audit departments or employing internal audit departments under the control of foreign non-life insurance companies or foreign reinsurance companies.

2. Each year, insurance companies, reinsurance companies or foreign branches in Vietnam must take the following internal audit actions:

- a) Review and assess control and risk management activities in an independent and objective manner;
- b) Conduct the arm's-length assessment of relevance and compliance with internal rules, regulations, policies, procedures and processes that have already been made available for use within insurance companies, reinsurance companies or foreign branches in Vietnam;

c) Make requests for actions to be taken to correct or mitigate errors or defects, and give recommendations about solutions to perfecting and improving effectiveness in internal systems, procedures, rules and regulations, contributing to ensuring that insurance companies, reinsurance companies and foreign branches in Vietnam do business safely, effectively and legally.

3. Findings or results of internal audit engagements of or by insurance companies or reinsurance companies must be reported on time to Managing Boards, Boards of Members and sent to Directors or General Directors thereof.

Findings or results of internal audit engagements of or by foreign branches in Vietnam must be reported on time to parent foreign non-life insurers, foreign reinsurers, and sent to Directors thereof.

4. The Minister of Finance shall elaborate on this Article.

## **Article 86. Risk management**

1. Insurance companies, reinsurance companies and foreign branches in Vietnam shall have responsibility to establish risk management systems performing the functions of determining, measuring, assessing, reporting and controlling risks arising from business activities in an effective manner.

2. Risk management of and by insurance companies, reinsurance companies and foreign branches in Vietnam must satisfy the following requirements:

a) Have the ability to determine and measure risks that is aligned with the nature, extent and complexity of risks arising from business activities; impacts on capital, assets, operational safety and minimum capital requirements;

b) Clarify roles and responsibilities of specific departments and persons involved in the risk management process and risk management structure;

c) Adopt explicit and transparent risk management policies that clearly identify material and other associated risks arising from business activities, risk appetite and management methods specific to types of risk. Before being put to use, the approval for risk management policies must be sought from Managing Boards, Boards of Members of insurance companies, reinsurance companies; foreign non-life insurance companies or foreign reinsurance companies that own or control foreign branches in Vietnam;

d) Formulate the full set of risk acceptance criteria to be applied to specific material or other associated risks, allowing for correlation between these risks. Risk acceptance criteria must be aligned with risk management policies, business strategies, human resources and information technology facilities;

dd) Formulate the complete procedures for risk management, including supervision, handling and response steps against any risk changes.

3. On an annual basis, insurance companies, reinsurance companies and foreign branches in Vietnam shall assume responsibility to make reports on assessment of solvency and risk management capabilities, including the rating of completeness of risk management, present and future payment capabilities, within the time frames in line with business plans; determine all of financial resources needed for business management within allowed risk acceptance capabilities and business plans; check their risk tolerance and give the analysis of their business continuity.

4. The Minister of Finance shall elaborate on this Article.

## **Section 4. INSURANCE OPERATIONS**

### **Article 87. Creating, designing, developing and rendering insurance products**

1. Insurance companies and branches of foreign non-life insurance companies shall have the autonomy and sole responsibility towards creating, designing and developing insurance products.

2. Rules, terms, conditions and tariffs of insurance products that are formulated by insurance companies and branches of foreign non-life insurance companies must conform to the following requirements:

a) Complying with law, conforming to practices and standards of ethics, cultural and traditional values and customs of Vietnam;

b) Wording of these rules, terms and conditions of insurance products must be accurate, explicit, literate, and must contain terms that need to be clearly interpreted;

c) They must clearly and transparently show insurable interests; subject matters insured; scope of insurance cover; covered risks; rights and obligations of the policyholder and the insured; liabilities of the insurance company or non-life insurance company's branch; disclaimer of insured liabilities; methods of payment of insurance claims; other regulations regarding settlement of disputes;

d) Insurance premiums must be calculated or determined according to statistical data; can vary, depending on insurance conditions and insured liabilities and must be matched with payment capabilities of insurance companies or branches of foreign non-life insurance companies.

3. Insurance companies and branches of foreign non-life insurance companies are required to register and seek the Ministry of Finance's consent to the premium calculation methods and bases of insurance products classified into classes or lines of life insurance, health insurance, vehicle liability coverage or vehicle insurance, except insurance coverage against vehicle owner's civil liability.

4. Insurance companies and branches of foreign non-life insurance companies may have the freedom of supplying insurance products:

a) directly or in person;

- b) via insurance agents or brokers;
- c) through the tendering or tendering process;
- d) via electronic transactions;
- dd) in other permissible ways.

5. The Government shall impose detailed regulations on documentation requirements, application procedures and processes for approval of premium calculation methods and bases specified in clause 3 of this Article.

6. The Minister of Finance shall impose detailed regulations on premium calculation methods and bases specified in clause 3 of this Article and provision of insurance products stipulated in clause 4 of this Article.

#### **Article 88. State or publicly-funded insurance products**

1. Launching, offering and participating in agriculture, forestry, fishery or aquaculture insurance and other insurance products serving social welfare and security purposes shall be encouraged, supported and facilitated by the Government through one or several methods as follows:

- a) Simplify or streamline administrative formalities;
- b) Communicate and propagate insurance policies;
- c) Establish insurance risk funds;
- d) Build the database, provide support for application of technologies in designing and creating insurance products, assessing loss or damage and paying insurance claims;
- dd) Establish distribution channels according to the chain of value in the agriculture, forestry, fishery or aquaculture industry;
- e) Give partial grants in the annual central and/or local budget estimates or other legitimate funds prescribed by law to pay insurance premiums;
- g) Formulate the mechanism for executive and supervisory information cooperation and sharing between Ministries and central authorities in order to promote connection and collaboration in the insurance business industry.

2. The Government shall impose detailed regulations on measures specified in clause 1 of this Article that are relevant to socio-economic development guidelines and conditions over time.

#### **Article 89. Reinsurance; reinsurance cession; coinsurance; motor vehicle insurance fund; insurance risk fund**

1. Insurance companies, reinsurance companies or foreign branches in Vietnam may share risks with other insurance companies, reinsurance companies or foreign branches in Vietnam, foreign insurance companies, foreign reinsurance companies or foreign insurance organizations in the form of reinsurance or reinsurance ceding.

Foreign insurance companies, foreign reinsurance companies or foreign insurance organizations that accept reinsurance must be satisfactorily ranked by international credit rating providers and must meet other conditions under the Government's regulations.

2. Insurance companies or branches of foreign non-life insurance companies can provide coinsurance on the basis of jointly agreeing with the policyholder to conclude an insurance contract under which insurance companies or branches of foreign non-life insurance companies can receive insurance premiums and pay indemnity or insurance at the agreed-upon percentage rate.

Insurance companies or branches of foreign non-life insurance companies participating in coinsurance plans must be insurance companies or branches of foreign non-life insurance companies obtaining business licenses or permits under this Law.

3. The motor vehicle insurance fund may be formed from contributions of non-life insurance companies or branches of foreign non-life insurance companies providing compulsory insurance against civil liability of vehicle owners and other legitimate funds to serve the purposes of paying for offering humanitarian aid or support and other activities in order to boost success in discharging obligations of compulsory insurance against civil liability of motor vehicle owners. The vehicle insurance fund shall be managed in a centralized manner; the mechanism for management and use of the vehicle insurance fund shall be subject to the Government's regulations.

4. Insurance companies, reinsurance companies and foreign branches in Vietnam can negotiate about establishment of the insurance risk fund to spread and distribute insurance against major risks, catastrophic risks or new risks that are not or are less insured against on the insurance market. Arrangements and agreements on establishment of the state-contributed or state-aided insurance risk fund shall be subject to the Government's regulations; where the fund is funded by the state budget's grants, the regulations of the Law on State Budget shall apply.

5. The Minister of Finance shall impose detailed regulations on reinsurance, cession and coinsurance.

## **Article 90. Outsourcing**

1. Outsourcing is an act of entering into an outsourcing contract between an insurance company, reinsurance company or foreign branch in Vietnam and another entity or person to perform part of the procedures or activities, except the followings:

a) Internal control;

b) Internal audit;

c) Risk management;

d) Insurance product consulting, launching, offering and marketing; arranging for conclusion of insurance contracts.

2. Where part of the procedures or activities directly related to insurance business is outsourced, the insurance company, reinsurance company or foreign branch in Vietnam, as the outsourcing purchaser, shall assume the sole and ultimate responsibility towards the policyholder and take on the following obligations:

a) Formulate regulations on outsourcing management, including rules and regulations binding on the scope of business activities that can be outsourced, framework for assessment of associated risks, criteria for approval of outsourcing contracts and conditions binding upon the outsourcing supplier, ensuring compliance with law. Regulations on outsourcing management must be subject to approval sought from Managing Boards or Boards of Members of insurance companies, reinsurance companies or entities having control over foreign branches in Vietnam;

b) Formulate outsourcing procedures, risk management procedures and procedures for internal control of outsourcing activities and take measures to ensure prevention, mitigation of and timely response to risks arising from outsourcing, especially those related to legitimate rights and interests of the policyholder and the insured;

c) Temporarily suspend, modify or terminate any outsourcing contract when it is established that outsourcing activities may cause adverse impacts on legitimate rights and interests of the policyholder or the insured;

d) Have contingency plans to ensure that business activities are not interrupted in the event that the outsourcing supplier is unable to perform or fails to duly perform responsibilities for outsourcing tasks under terms and conditions of the outsourcing contract;

dd) Conduct regular inspection and supervision of the outsourcing supplier's performance during the effective period of outsourcing agreements in order to ensure outsourced tasks are performed according to quality and progress requirements set out in outsourcing contracts. The outsourcing supplier must manage to perform at least 75% of the outsourced amount of work by itself; if the outsourcing supplier wishes to hire any subcontractor to perform part of their amount of work, they must seek the prior written approval from the insurance company, reinsurance company or foreign branch in Vietnam as the outsourcing client, and must guarantee that their responsibilities and obligations are kept unchanged;

e) Ensure personal data and information security for clients in accordance with law;

g) Track and keep separate record of outsourcing transactions.

3. An outsourcing contract must be made in writing and include but not limited to the following:



- a) Scope of outsourced services, description of outsourced services;
- b) Time and location when/where outsourcing takes place;
- c) Rights and obligations of the insurance company, reinsurance company or foreign branch in Vietnam as the client and the supplier of outsourced services;
- d) Standards and requirements concerning quality of the outsourced services that are completely supplied;
- dd) Mechanism and responsibilities for providing information and reports by the outsourcing supplier to the insurance company, reinsurance company or foreign branch in Vietnam as the client during the outsourcing period;
- e) Contingency and response plans against loss or damage, compensation paid by the outsourcing supplier in the event that the outsourcing supplier fails to carry out or is in breach of terms and conditions of the outsourcing contract;
- g) Supervision, control and audit mechanism for performance of the outsourcing supplier; requirements binding the outsourcing supplier to track outsourcing transactions and ensure that outsourced service transactions in the insurance industry must be accounted for separately from those in other industries; the insurance company, reinsurance company or foreign branch in Vietnam must account for their outsourced service transactions independently;
- h) Regulations on restriction on subcontractor agreements;
- i) Client data privacy and protection policy;
- k) Dispute settlement facility.

## **Section 5. TRANSFER OF PORTFOLIOS OF INSURANCE CONTRACTS**

### **Article 91. Cases in need of transfer of portfolios of insurance contracts**

Transfer of the entire portfolio of insurance contracts pertaining to one or several respective lines of insurance, property and liabilities between insurance companies or foreign non-life insurance companies shall occur in the following cases:

1. As requested by the Ministry of Finance as provided in point c and d of clause 8 of Article 113 herein;
2. Service or business shrinking;
3. Split-up, split-off, merger, amalgamation, dissolution, closing or termination of business;
4. Other cases specified in point a, d and e of clause 1 of Article 75 in this Law.

## **Article 92. Preconditions for transfer of portfolios of insurance contracts**

1. An insurance company or foreign non-life insurance company's branch may receive the transferred portfolio of insurance contracts when meeting the following conditions:

- a) They are rendering the insurance service to be transferred;
- b) They meet the minimum capital requirements and the capital adequacy or prudential ratios prescribed in this Law;
- c) They ensure conformance to conditions for eligibility to render insurance services after transfer.

2. The transfer of the portfolio of insurance contracts must entail the transfer of relevant property put up as technical provisions for all of portfolios of insurance contracts to be transferred.

3. Rights and obligations agreed upon in an insurance contract that are subject to the process of portfolio transfer shall remain unchanged until that insurance contract expires. In the case of transfer of the portfolio of insurance contracts prescribed in clause 1 of Article 91 herein, if the value of property is less than the value of technical provisions for the portfolio of insurance contracts to be transferred, the insurance company or foreign non-life insurance company's branch as the transferee shall agree with the policyholder or the insured on reduction in the sum insured or insurance benefit and other obligations under the insurance contract.

4. In case of disagreeing over the transfer, the policyholder may unilaterally terminate the insurance contract.

## **Article 93. Procedures for transfer of insurance contracts**

1. When transferring the portfolio of insurance contracts, an insurance company or branch of a foreign non-life insurance company shall submit the written request for transfer of the portfolio of insurance contracts to the Ministry of Finance, clearly stating the reasons for such transfer, enclosing the transfer plan and contract. Transfer of the portfolio of insurance contracts shall proceed only after receipt of the written consent to such transfer from the Ministry of Finance.

2. Within 30 days of receipt of the Ministry of Finance's consent to such transfer, the insurance company or the foreign non-life insurance company's branch that transfer the portfolio of insurance contracts shall post the news of such transfer on their websites and notify the transfer in writing to the policyholder.

3. The Government shall impose detailed regulations on documentation requirements, application procedures and processes for transfer of portfolios of insurance contracts.

## **Section 6. FINANCE, ACCOUNTING AND FINANCIAL REPORTING**

### **Article 94. Capital and assets**

1. Charter capital is total sum that a member already contributes or is committed to contribute when establishing a limited liability company; is total par value of shares that have been sold or of which purchase is registered when establishing a joint-stock company, and that are recorded in the charter of the insurance company or reinsurance company.
2. Allocated capital of a foreign branch in Vietnam is total capital that a foreign non-life insurance company or foreign reinsurance company allocates to their branch in Vietnam.
3. Equity is composed of the amount of contributions to the charter capital and allocated capital of a foreign branch in Vietnam, reserve funds, undistributed post-tax profits and owner's funds created by pooling after-tax profits in accordance with regulations.
4. Available capital is comprised of equity and other funds that may be recorded or deductibles subject to the regulations of the Ministry of Finance.
5. Risk-weighted asset is determined by the measurement and quantitative assessment of impacts of classes of risk on business of an insurance company, reinsurance company or foreign branch in Vietnam, including:
  - a) Insurance risk class, including risks arising from changes in technical factors in response to lines of life, non-life or health insurance;
  - b) Market risk class, including risks arising from market activities to investments of an insurance company, reinsurance company or foreign branch in Vietnam;
  - c) Operational risk class, including risks arising from the operating procedures, system and governance of an insurance company, reinsurance company or foreign branch in Vietnam;
  - d) Other risks, including risks arising from other partners or other factors that have not yet been allowed for during the process of quantitatively assessing insurance risks, market risks and operational risks.
6. The Government shall impose detailed regulations on the minimum requirements of charter capital and the minimum requirements of allocated capital corresponding to business types of insurance company, reinsurance company or foreign branch in Vietnam.

## **Article 95. Capital adequacy ratio**

1. Capital adequacy ratio is the ratio of available capital to risk-weighted assets.
2. Insurance companies, reinsurance companies or foreign branches in Vietnam must always maintain the capital adequacy ratio not less than the prescribed one.
3. When determining the capital adequacy ratio, insurance companies, reinsurance companies or foreign branches in Vietnam shall not be allowed to include sums invested in the form of capital

contribution or share purchase in other insurance companies, reinsurance companies, subsidiaries of insurance companies or subsidiaries of reinsurance companies.

4. The Minister of Finance shall impose detailed regulations on capital adequacy ratios, risk-weighted assets and available capital.

#### **Article 96. Escrow**

1. Insurance companies, reinsurance companies or foreign branches in Vietnam must set aside part of charter capital or allocated capital as an escrow held at commercial banks operating in Vietnam.

2. The sum held in escrow must make up 02% of the minimum requirement of charter capital or allocated capital at the time of establishment of an insurance company, reinsurance company or foreign branch in Vietnam.

3. Insurance companies, reinsurance companies and foreign branches in Vietnam can use sums held in escrow to meet commitments to the policyholder only when they are short of capability to pay and the written consent to such use is given by the Ministry of Finance. Within 90 days of use of sums held in escrow, insurance companies, reinsurance companies or foreign branches in Vietnam shall be responsible for replenishing escrow accounts with sums equaling the sums that they have withdrawn for use.

4. Insurance companies, reinsurance companies or foreign branches in Vietnam may withdraw all of money left in escrow accounts only when their business is closed or terminated.

#### **Article 97. Technical provisions**

1. Technical provision is a sum of money that an insurance company, reinsurance company or foreign branch in Vietnam needs to set aside to serve the purposes of paying for insured liabilities that may arise from insurance contracts that have already been entered into.

2. Technical provisions can be made when the following requirements are satisfied:

a) They vary among insurance services;

b) Each technical provision is equivalent to part of committed liabilities agreed upon in an insurance contract;

c) They vary between insurance contracts against the subject matters insured inside Vietnam and those outside Vietnam, even in the same insurance service or insurance product, unless otherwise prescribed in law;

d) Property commensurate with the technical provision that has been made is always available and separate from the property commensurate with the provision specified in point c of this clause;

- dd) An actuary may be employed to measure and make the technical provision;
  - e) Regularly conducting the review and assessment of technical provisioning; taking prompt measures to ensure adequate technical provisions used for paying for liabilities of insurance companies, reinsurance companies or foreign branches in Vietnam.
3. Insurance companies, reinsurance companies or foreign branches in Vietnam must apply to seek the approval of technical provisioning methods from the Ministry of Finance.
4. The Government shall impose detailed regulations on technical provisioning, documentation requirements, application procedures and processes for approval of technical provisioning methods.

#### **Article 98. Reserve funds**

1. Insurance companies, reinsurance companies or foreign branches in Vietnam must establish compulsory reserve funds to supplement equity and ensure conformance to solvency requirements.
2. Each year, a compulsory reserve fund shall receive 05% of total after-tax profit set aside until it meets the maximum limit prescribed in the Government's regulations.
3. In addition to compulsory reserve funds, insurance companies, reinsurance companies and foreign branches in Vietnam may set up other reserve funds that receive fiscal years' after-tax profits set aside according to charters of insurance companies, reinsurance companies, or organizational and operational statutes of foreign branches in Vietnam.

#### **Article 99. General provisions for investment**

1. Investment funds of insurance companies, reinsurance companies and foreign branches in Vietnam shall be comprised of the followings:
- a) Equity;
  - b) Idle capital derived from technical provisions, subject to the Government's regulations;
  - c) Other legitimate funds prescribed in law.
2. Investments made by insurance companies, reinsurance companies or foreign branches in Vietnam must adhere to the following principles:
- a) Ensure safety, liquidity and efficiency; comply with law and self-responsibility rules applied to investment activities;
  - b) Technical provisions may be used as investments in Vietnam only, except those specified in point b of clause 2 of Article 100 herein;

c) It is prohibitory that borrowed funds are used for investment and fiduciary investment in securities, real estate business or contribution of capital to other enterprises;

d) It is prohibitory that investment accounting for 30% of the portfolio of investments in companies belonging to the same group of companies having mutual ownership relationship is made. This prohibition clause shall not apply to deposits made at credit institutions and outward investment funds existing in the form of establishment of companies or establishment of foreign branches in the receiving foreign countries;

dd) Investments made in return for those of shareholders or members contributing capital or persons associated with these shareholders or members contributing capital are not allowed, except in case of deposits made at transaction offices of shareholders or members that are credit institutions;

e) Purchase of corporate bonds issued to serve certain purposes of restructuring of loans of issuing companies is not allowed;

g) In case of fiduciary investments, trustees must be licensed to perform fiduciary investment activities falling within the scope of fiduciary investment.

3. Insurance companies, reinsurance companies and foreign branches in Vietnam shall not be allowed to make the following forms of investment:

a) Investment in real estate business, except in the following cases: purchasing stocks of real estate businesses listed on the securities market, fund certificates of public funds; purchasing, investing in or owning real property used as business offices, locations or treasure vaults for direct uses for their insurance business; leasing out unoccupied business establishments under their control or management; seizing real property by managing or disposing of mortgage bonds, or recovering loans secured by real property within 03 years from the lien date;

b) Investment in precious metals, jewels;

c) Investment in intangible fixed assets, except those used for commercial and business purposes of insurance companies or branches;

d) Investment in derivatives or derivative contracts, except those listed as provisions for risks arising from insurance, reinsurance contracts and portfolios of stocks that insurance companies, reinsurance companies or foreign branches in Vietnam are holding.

4. Insurance companies, reinsurance companies and foreign branches in Vietnam shall be in charge of valuation of investment assets as per the regulations imposed by the Minister of Finance.

5. The Government shall impose detailed regulations on investment quotas or limits applicable to insurance companies, reinsurance companies and foreign branches in Vietnam.

## **Article 100. Outward investment**

1. Insurance companies and reinsurance companies can invest abroad by:

a) Establishing; contributing capital to establish; making equity participation in; purchasing shares of; purchasing ownership interest in insurance companies or reinsurance companies in foreign countries; establishing branches of insurance companies or reinsurance companies in foreign countries; setting up representative offices and other types of commercial establishment in foreign countries;

b) Purchasing and selling stocks, other financial instruments or investing through securities investment funds, financial intermediaries in foreign countries under the Government's regulatory provisions.

2. Insurance companies and reinsurance companies can invest abroad by using the following funding sources:

a) Portion of equity left after deducting the portion of funds satisfying the capital adequacy and solvency requirements under the regulatory provisions of this Law;

b) Portion of idle funds from technical provisions for insurance contracts whereunder their interests are associated with domestic investment indices of foreign countries, and portion of idle funds from technical provisions for insurance contracts entered into with overseas entities or persons.

3. Outward investments made by insurance companies and reinsurance companies must conform to general regulations on investment set out in Article 99 herein and the following stipulations:

a) Each outward investment must ensure conformance to the capital adequacy and solvency requirements of insurance companies or reinsurance companies as outward investors;

b) Each outward investment must conform to law on insurance business, law on investment and law on foreign exchange management;

c) Each outward investment must be made in the own name of the insurance company or reinsurance company as the outward investor;

d) Outward investment funds, investment assets, revenues and expenses related to outward investments must be managed and monitored separately;

dd) Using sums of money and/or property of domestic policyholders to compensate for any losses to or deficits in funds for outward investment is prohibited, unless otherwise provided in law;

e) Each outward investment shall be subject to application for the written consent from the Ministry of Finance prior to commencement.

4. Foreign branches in Vietnam shall be prohibited from investing abroad.
5. The Government shall impose detailed regulations on conditions, quotas, documentation requirements, application procedures and processes for approval of outward investments made by insurance companies and reinsurance companies.

#### **Article 101. Separate management of equity and insurance premiums, distribution of surpluses**

1. Insurance companies, reinsurance companies or foreign branches in Vietnam must register implementation principles with the Ministry of Finance and must carry out the process of separately managing, individually recording and tracking:
  - a) Equity, premiums and assets classified by specific types of capital;
  - b) Revenues, expenses and incomes arising from insurance business or investment of equity and premiums;
  - c) Premiums arising from insurance business activities performed inside and outside Vietnam; revenues, expenses, technical provisions and other relevant expenses arising from insurance business conducted inside and outside Vietnam.
2. Life insurance companies must separately manage, individually record and track assets, capital, revenues, expenses or incomes of dividend-paying life insurance contracts according to the methods approved by the Ministry of Finance.
3. The Government shall impose detailed regulations on documentation requirements, application procedures and processes for registration or approval referred to in clause 1 and 2 of this Article.
4. The Minister of Finance shall impose detailed regulations on separate management of equity and premiums, and principles of distribution of surpluses, with regard to dividend-paying life insurance contracts.

#### **Article 102. Financial regime**

1. Financial regimes of insurance companies, reinsurance companies and foreign branches in Vietnam shall be subject to regulatory provisions of this Law and others of relevant law.
2. The Government shall impose detailed regulations on financial regimes of insurance companies, reinsurance companies and foreign branches in Vietnam.

#### **Article 103. Fiscal year**

1. The fiscal year of insurance companies, reinsurance companies and foreign branches in Vietnam shall start on January 1 and end on December 31 in the same calendar year.



2. The first fiscal year of insurance companies, reinsurance companies and foreign branches in Vietnam shall start from the date of issuance of their license or permit and end on the last day of the year in question.

#### **Article 104. Accounting regimes**

Accounting regimes applied to insurance companies, reinsurance companies and foreign branches in Vietnam shall be subject to regulatory provisions of legislation on accounting.

#### **Article 105. Independent audit**

1. Annual financial statements of insurance companies, reinsurance companies and foreign branches in Vietnam shall be subject to annual independent audit.

2. Insurance companies, reinsurance companies and foreign branches in Vietnam must receive confirmatory opinions of independent audit bodies on their reports on assessment of their solvency and risk management capabilities; reports on their separate management of equity and premiums; assessment reports on performance of universal life insurance funds, unit-linked insurance funds and pension funds.

3. When conducting audit or giving confirmation of reports specified in clause 1 and 2 of this Article, independent audit bodies shall assume the following responsibilities:

- a) Comply with law on independent auditing;
- b) Engage actuaries in audit of capital adequacy ratios and technical provisions; risk management specialists in audit of risk management practices and other professionals appropriate for independent audit engagements;
- c) Provide, present and account for data and information related to audits of insurance companies, reinsurance companies and foreign branches in Vietnam upon the request of the Ministry of Finance;
- d) Report to the Ministry of Finance in writing when they discover that audited insurance companies, reinsurance companies or foreign branches in Vietnam have made any material errors in their reports that are audited or obtain confirmation due to failure to comply with law; have committed any fraudulent acts involved in insurance business; have made unusual transactions posing serious threats to financial safety or interests of participants in insurance plans;
- dd) Protect information security and privacy in accordance with law.

4. The Minister of Finance shall elaborate on clause 2 of this Article.

#### **Article 106. Reporting and information provision**

1. Insurance companies, reinsurance companies and foreign branches in Vietnam shall have the burden of submitting the following reports and statements to the Ministry of Finance:

a) Financial statements; when getting opinions or conclusions that are not unqualified from independent audit bodies towards any reports or operations that are audited, insurance companies, reinsurance companies and foreign branches in Vietnam are required to report to the Ministry of Finance on causes and current state;

b) Operational reports;

c) Reports on separate management of equity and insurance premiums;

d) Reports on assessment of solvency and risk management capabilities;

dd) Reports on changes in capital and assets associated with specific types of risk.

2. In addition to those reports specified in clause 1 of this Article, insurance companies, reinsurance companies and foreign branches in Vietnam shall be obliged to report to the Ministry of Finance when:

a) there is any unusual event or emergency situation that causes impacts on solvency and reputation of a company or branch during their insurance business;

b) they fail to meet financial and other regulatory requirements.

3. The Minister of Finance shall imposed detailed regulation on reporting and provision of information prescribed in clause 1 and 2 of this Article.

#### **Article 107. Remittance of profits and assets abroad**

1. Insurance companies, reinsurance companies and foreign branches in Vietnam shall be allowed to transfer their profits and assets abroad under domestic law of Vietnam and the following regulations:

a) Remitting the amount of profits under the foreign investor's ownership left after earmarking some profits to set up funds, fulfilling financial obligations and ensuring conformance to the capital adequacy and solvency requirements prescribed herein;

b) Remitting the remaining amount of property and assets under the foreign investor's ownership after termination of their business in Vietnam.

2. Outward transfer or remittance of money and other property or assets shall be subject to domestic law of Vietnam.

#### **Article 108. Financial management**

1. Insurance companies, reinsurance companies and foreign branches in Vietnam may adopt financial autonomy and self-responsibility practices towards effective management and supervision of their operations and business; carry out the obligations and commitments to policyholders, interested entities or persons and the Government in accordance with law.

2. Insurance companies, reinsurance companies and foreign branches in Vietnam shall be obliged to formulate strategies, procedures, regulations, procedures and organization structures as prerequisites to financial management and supervision, ensuring safety, effectiveness and compliance with law; actively prevent, control and minimize risks.

## **Section 7. SOLVENCY AND INTERVENTION MEASURES**

### **Article 109. Financial safety or prudence**

1. Insurance companies, reinsurance companies and foreign branches in Vietnam may be deemed financially safe and prudent when meeting regulations regarding capital, assets, solvency and investment.

2. Whilst doing business, insurance companies, reinsurance companies and foreign branches in Vietnam must review their procedures, rules, regulations and systems for risk management and business plans; assess their insurance, reinsurance and financial performance; ensure that their business is safe, efficient and obeys law with the aim of meeting financial safety requirements set out in this Law.

3. The Minister of Finance shall impose regulations on subjects of application of enhancement measures, early intervention measures and control measures stipulated in Article 111, 112 and 113 herein for maintenance of financial safety.

### **Article 110. Solvency**

1. Insurance companies, reinsurance companies and foreign branches in Vietnam must maintain their conformance to solvency requirements during their business.

2. Insurance companies, reinsurance companies and foreign branches in Vietnam may be deemed fully solvent when meeting both of the following conditions:

- a) Make technical provisions in full;
- b) Meet capital adequacy ratios.

### **Article 111. Enhancement measures**

1. Where it is mandatory to apply enhancement measures, insurance companies, reinsurance companies and foreign branches in Vietnam may have the freedom of deciding on and carrying out one or several enhancement measures prescribed in clause 2 of this Article, and shall notify the Ministry of Finance of the current state, causes and enhancement measures to be applied.

2. Enhancement measures shall comprise the following actions:

- a) Increase the amount of charter capital or allocated capital;
- b) Improve business performance, including focusing on offering insurance products in an effective manner; reviewing insurance premiums in line with conditions and responsibilities of insurance; restructuring reinsurance plans or schemes; reducing operating expenses, administrative expenses and selling expenses;
- c) Restructure investment portfolios, including improving the possession of the most liquid assets; sell and dispose of ineffective or high-risk assets;
- d) Strengthen risk management; reorganize the management and staff machinery; control purchase of fixed assets; control setting-aside of funds for establishment and use of funds;
- dd) Take other measures in accordance with law.

3. During the process of implementation of enhancement measures, insurance companies, reinsurance companies and foreign branches in Vietnam shall not be allowed to perform the following acts:

- a) Remittance of profits abroad, distribution of profits, payment of dividends;
- b) Increase in acceptance of reinsurance.

#### **Article 112. Early intervention measures**

1. If any insurance company, reinsurance company or foreign branch in Vietnam has their capital adequacy ratio which is not satisfactory to the extent of needing an early intervention measure; or if such capital adequacy ratio remains unsatisfactory even after completing an enhancement measure specified in Article 111 herein during 12 consecutive months, the Ministry of Finance shall issue the written instruction on application of the early intervention measure.

2. Within 60 days from the date of the Ministry of Finance's issuance of the written instruction on application of the early intervention measure, the receiving insurance company, reinsurance company or foreign branch in Vietnam shall be responsible for formulating the plan for correction of the capital adequacy ratio prescribed in clause 4 of this Article and implementing that plan; concurrently, reporting to the Ministry of Finance on the current state, causes and the plan for correction of the capital adequacy ratio. The Ministry of Finance shall issue the written demand for any modification of the correction plan to the insurance company, reinsurance company or foreign branch in Vietnam where necessary.

3. The maximum time limit for implementation of the correction plan shall be 12 months since the Ministry of Finance has issued the written instruction on application of the early intervention measure.

4. The correction plan shall comprise one or several measures as follows:

- a) Any measures prescribed in clause 2 of Article 111 herein;
- b) Involuntary or voluntary termination of office of managers;
- c) Ineffective service and business shrinking; temporary suspension of ineffective new products or services.

5. When any early intervention measure is being taken, insurance companies, reinsurance companies or foreign branches in Vietnam shall be prevented from performing the following acts:

- a) Those acts specified in clause 3 of Article 111 herein;
- b) Purchase of treasury stocks;
- c) Expansion of lines, scope and duration of business.

6. Within the time limit specified in clause 2 of this Article, if the insurance company, reinsurance company or foreign branch in Vietnam fails to formulate the plan for correction of their capital adequacy ratio or has not managed to correct their capital adequacy ratio before expiry of the time limit specified in clause 3 of this Article, depending on the type and level of risk, the Ministry of Finance can request them to take one or several measures stipulated in clause 4 of this Article.

7. The Ministry of Finance shall publicly announce the list of insurance companies, reinsurance companies and foreign branches in Vietnam required to apply the early intervention measure on the website of the Ministry of Finance.

8. The Ministry of Finance can consider issuing the written instruction on termination of the early intervention measure to any insurance company, reinsurance company or foreign branch in Vietnam when:

- a) They are given confirmation by an independent audit body that their capital adequacy ratio is corrected successfully;
- b) They are bound to apply any control measure prescribed in Article 113 in this Law.

### **Article 113. Control measures**

1. If any insurance company, reinsurance company or foreign branch in Vietnam has their capital adequacy ratio which is not satisfactory to the extent of needing a control measure, then the Ministry of Finance shall consider deciding to issue the written instruction on application of the control measure to that insurance company, reinsurance company or foreign branch in Vietnam.

2. The Ministry of Finance shall notify application of the control measure to the following recipients:

- a) Owners, members or shareholders whose equity participation accounts for at least 10% of the charter capital in insurance companies, reinsurance companies; foreign non-life insurance companies, foreign reinsurance companies whose branches are located in Vietnam;
- b) Foreign insurance regulatory authorities having jurisdiction over companies owning 100% of charter capital or allocated capital of foreign insurance companies, reinsurance companies or foreign branches in Vietnam.

3. Within 30 days from the date of the Ministry of Finance's issuance of the written instruction on application of the control measure, the receiving insurance company, reinsurance company or foreign branch in Vietnam must hire an independent audit body to review and assess the current financial status, determine the real value of charter capital, allocated capital and solvency. Where they fail to hire an independent audit body within the permissible time limit, the Ministry of Finance shall reserve the right to appoint an independent audit body. Audit costs and expenses shall be covered by the insurance company, reinsurance company or foreign branch in Vietnam.

4. Within 120 days from the date of the Ministry of Finance's issuance of the written instruction on application of the control measure, the receiving insurance company, reinsurance company or foreign branch in Vietnam shall be responsible for formulating the plan for correction of the capital adequacy ratio and implementing that plan; concurrently, reporting to the Ministry of Finance on the current state, causes and the plan for correction of the capital adequacy ratio. The Ministry of Finance shall issue the written demand for any modification of the correction plan to the insurance company, reinsurance company or foreign branch in Vietnam where necessary.

5. The maximum time limit for implementation of the correction plan shall be 18 months since the Ministry of Finance has issued the written instruction on application of the control measure.

6. The correction plan shall comprise one or several measures as follows:

- a) Any measures prescribed in clause 4 of Article 112 herein;
- b) Termination of any business or operation that may result in failure to meet the permissible capital adequacy ratio.

7. During the process of implementation of a control measure, the insurance company, reinsurance company or foreign branch in Vietnam shall not be allowed to perform the following acts:

- a) Perform those acts specified in clause 5 of Article 112 herein;
- b) Contribute capital to establish a business; purchase real property used as a business office or location or vault facility for direct provision of services;

c) Invest in high-risk property or assets or perform business activities, causing any reduction in their capital adequacy ratio.

8. Within the time limit specified in clause 4 of this Article, if the insurance company, reinsurance company or foreign branch in Vietnam fails to formulate the plan for correction of their capital adequacy ratio or has not managed to correct their capital adequacy ratio before expiry of the time limit specified in clause 5 of this Article, depending on the type and level of risk that such failure may pose, the Ministry of Finance can perform one or several actions as follows:

a) Cease part or all of services provided by the insurance company, reinsurance company or foreign branch in Vietnam at fault;

b) Request implementation of the process of split-up, split-off, merger or amalgamation of the insurance company or reinsurance company at fault;

c) Request the transfer of portfolios of insurance contracts;

d) Designate the other insurance company or foreign non-life insurance company's branch to make capital contribution, purchase shares or acquire the transferred portfolio of insurance contracts of the insurance company or the branch of the foreign non-life insurance company put under control.

9. During the period of cessation of business stated in point a of clause 8 of this Article, the affected insurance company, reinsurance company or foreign branch in Vietnam shall remain to make technical provisions in full in accordance with law; closely monitor and supervise insurance contracts remaining valid; ensure that insurance claims and coverage must be paid on time and in full under the contractual terms and conditions and regulatory provisions; fulfill their tax obligations; continue to pay debts and finish executing the contract entered into with the policyholder and the employee under law, unless otherwise agreed upon between contracting parties.

10. The Ministry of Finance shall publicly announce the list of insurance companies, reinsurance companies and foreign branches in Vietnam subject to control measures on the website of the Ministry of Finance.

11. The Ministry of Finance can consider issuing the written instruction on termination of application of the control measure to the controlled insurance company, reinsurance company or foreign branch in Vietnam when:

a) Such controlled insurance company, reinsurance company or foreign branch in Vietnam is given confirmation by an independent audit body that their capital adequacy ratio is corrected successfully;

b) The insurance company or reinsurance company under control has been amalgamated, merged or closed;

c) Such controlled insurance company, reinsurance company or foreign branch in Vietnam fails to correct the state causing them to be subject to the control measure.

**Article 114. Responsibilities of insurance companies, reinsurance companies and foreign branches in Vietnam in case of enforcement of enhancement measures, intervention measures or control measures**

In addition to the responsibilities specified in Article 111, 112 and 113 herein, insurance companies, reinsurance companies and foreign branches in Vietnam that are bound to apply enhancement measures, intervention measures or control measures shall assume the following responsibilities:

1. Manage, control and administer their business as well as provide protection for their property and assets;
2. Bear responsibility for the accuracy of administrative, operational and other relevant information, documents, records and matters;
3. Report to the Ministry of Finance to the Ministry of Finance on outcomes of application of such measures and how the situation is improved on a monthly basis or upon the request of the Ministry of Finance;
4. Assume other responsibilities prescribed by law.

**Article 115. Dissolution of insurance companies, reinsurance companies; termination of foreign branches in Vietnam**

1. An insurance company, reinsurance company or foreign branch in Vietnam can be terminated in the following cases:

- a) They are dissolved or terminated of their own accord;
- b) The business life specified in their business license or permit is expired;
- c) Their business license or permit is revoked or withdrawn as per point a, b, d and e of clause 1 of Article 75 herein;
- d) The foreign branch in Vietnam fails to correct their capital adequacy ratio after being subject to the control measure;
- dd) They fall into other cases specified in law.

2. Dissolution of insurance companies, reinsurance companies or termination of foreign branches in Vietnam shall be subject to the written consent from the Ministry of Finance.



3. The Government shall impose detailed regulations on conditions, documentation requirements, application procedures and processes for dissolution of insurance companies, reinsurance companies or termination of foreign branches in Vietnam.

#### **Article 116. Bankruptcy of insurance companies and reinsurance companies**

1. After the Ministry of Finance issues the written instruction on application of the control measure prescribed in point c of clause 11 of Article 113 herein, the insurance company or reinsurance company suffering such control measure shall be obliged to file a petition to the Court to initiate the bankruptcy proceedings as per the Law on Bankruptcy; if the insurance company or reinsurance company suffering the control measure does not file a petition to initiate the bankruptcy proceedings, the Ministry of Finance shall do so.

2. Upon receipt of the petition to initiate the bankruptcy proceedings against the insurance company or reinsurance company as provided in clause 1 of this Article, the Court shall start the procedures for handling of the request for declaring bankruptcy and declare that the insurance company or reinsurance company is bankrupt without resort to any meeting of creditors to be held and business recovery actions to be taken.

3. Property and assets of an insurance company or reinsurance company in case of bankruptcy shall be distributed in the following order of priority to pay:

a) Bankruptcy-related costs;

b) Outstanding wages, salaries, severance allowance, social insurance or health insurance contributions for employees;

c) Insurance indemnities or coverage in insurance claims under which the insurance company or reinsurance company has accepted payment of surrender value, account balance of insurance contracts or insurance premium refunds;

d) Financial obligations to the Government; unsecured debts that need to be repaid to creditors on the list of creditors; secured debts that are not repaid yet due to the imbalance between the value of collateral and the amount of debts payable;

dd) Owners, capital-contributing members and shareholders of the insurance company or reinsurance company.

4. If the value of property or asset is not enough to pay as prescribed in clause 3 of this Article, the payees in the same group of priority may receive payments in percent in proportion to the amount of debts owed.

5. Issues related to bankruptcy of insurance companies and reinsurance companies that are not mentioned in this Article shall be subject to regulatory provisions of the Law on Bankruptcy.

#### **Section 8. DISCLOSURE OF INFORMATION**

## **Article 117. Responsibilities for information disclosure**

1. Insurance companies, reinsurance companies and foreign branches in Vietnam shall be bound to disclose information classified under the regulations laid down in Article 118, 119 and 120 of this Law and shall bear legal responsibility for disclosed pieces of information. Information must be disclosed in an accurate, timely, adequate and easy-to-follow manner and in accordance with law.

Where there is any change in the piece of information that has been disclosed previously, insurance companies, reinsurance companies and foreign branches in Vietnam shall be required to give full and timely update on such change and reasons for such change.

2. Insurance companies, reinsurance companies or foreign branches in Vietnam shall post information to be disclosed on websites of these companies or branches. Posting information shall be subject to the regulations of the Minister of Finance. Duration of information disclosure shall be subject to the following regulations:

a) Information must be disclosed within 07 working days from the final deadline for submission of reports prescribed in Article 118 in this Law, or from the day on which any of the events related to information to be disclosed as per Article 119 in this Law occurs;

b) Information must be disclosed within 03 working days from the day on which any of the events related to information to be disclosed as per Article 120 in this Law occurs;

3. Within 07 working days from the date of information disclosure, insurance companies, reinsurance companies or foreign branches in Vietnam shall be responsible for notifying the Ministry of Finance of pieces of information to be disclosed.

4. Insurance companies and reinsurance companies that are public companies shall disclose information under this Law and regulatory provisions of the Law on Securities.

## **Article 118. Periodic disclosure**

1. Full-year financial statements that have been audited; mid-year financial statements.

2. Reports on assessment of solvency and risk management capabilities.

3. Available capital and capital adequacy ratio.

## **Article 119. Regular disclosure**

1. Business profile information of an insurance company, reinsurance company or foreign branch in Vietnam, including:

a) Details given in their business license or permit;

b) Information about the Chairperson of the Managing Board or the Chairperson of the Board of Members, the Director or General Director, the legal representative and the Actuary;

c) Address of their head office, branch, representative office or business location;

d) Hotline.

2. Information about insurance operations and services, including:

a) Rules, terms and conditions, tariff of specific insurance products currently available on the market; attention that clients should pay when participating in each insurance plan;

b) Procedures and documentation requirements for filing insurance claims;

c) Investment management objectives and policies;

d) Objectives and policies of assessment of capital adequacy ratio.

### **Article 120. Irregular disclosure**

1. Information to be irregularly disclosed, including:

a) Temporary suspension of business; termination of insurance business lines or services; revocation or withdrawal of the business license or permit;

b) Split-up, split-off, merger, amalgamation, dissolution of or transformation into other business type or type of business ownership; outward investment; establishment or closing of branches or representative offices;

c) Termination of operation of foreign branches in Vietnam;

d) Any changes in applied accounting policies; retroactive adjustments in financial statements; opinions other than unqualified opinions of an independent audit body as to financial statements; designation or substitution of the independent audit body;

dd) Assignment of shares or ownership interests that helps shareholders or members contributing capital to own at least 10% of charter capital, or cause shareholders or members contributing capital to own less than 10% of charter capital;

e) Penalty decisions against administrative offences arising in insurance business sectors;

g) Court judgements or decisions legally in force that are related to operations and services of insurance companies, reinsurance companies and foreign branches in Vietnam;

h) Court decisions on initiation of bankruptcy proceedings against insurance companies or reinsurance companies;

- i) Decisions on initiation of legal proceedings against enterprises, managers and controllers that are related to business of insurance companies, reinsurance companies and foreign branches in Vietnam;
- k) Events that cause critical impacts on legal rights and interests of participants in insurance plans;
- l) Information related to insurance companies, reinsurance companies or foreign branches in Vietnam that causes material effects on capital, assets, solvency, risk management and corporate governance capabilities;
- m) Loss or damage to the property whose value makes up at least 10% of equity;
- n) Transfer of portfolios of insurance contracts;
- o) Other information prescribed in law.

2. The Minister of Finance shall impose detailed regulations on information to be irregularly disclosed as provided in point k and l of clause 1 of this Article.

## **Section 9. PREVENTION AND CONTROL OF LOSS OR DAMAGE IN INSURANCE; PREVENTION AND CONTROL OF INSURANCE FRAUDS OR SCAMS**

### **Article 121. Responsibilities for prevention and control of loss or damage in insurance; prevention and control of insurance fraud**

Insurance companies, branches of foreign non-life insurance companies, policyholders, insured persons and other concerned parties shall assume their responsibilities for prevention and control of loss or damage in insurance; prevention and control of insurance fraud.

### **Article 122. Prevention and control of loss or damage**

1. Prevention and control of loss or damage in insurance is the act of performing measures to prevent and reduce possible loss or damage to the subject matters insured.
2. Policyholders and insured persons shall be responsible for proactively taking measures to prevent and reduce loss or damage; immediately notifying insurance companies or branches of foreign non-life insurance companies of occurrence of insured events; carrying out measures to prevent and reduce loss or damage according to the instructions of insurance companies (if any).
3. Insurance companies and branches of foreign non-life insurance companies shall be responsible for taking the following risk prevention and control measures:
  - a) Provide training and propagation sessions; offer support to ensure training and propagation sessions on insurance business policies are successfully organized;

- b) Provide funding for access to and donate equipment and physical resources for prevention and control of risks;
  - c) Back development of construction structures used for the purposes of preventing and mitigating possible effects of risks to subject matters insured;
  - d) Hire other entities and persons to monitor, prevent and control loss or damage.
4. Relevant entities shall provide guidance and propagation sessions on implementation of measures to prevent and control loss or damage.

### **Article 123. Prevention and control of insurance fraud**

1. Prevention and control of fraudulent or dishonest conduct in the insurance industry is the practice of taking any measures to prevent and control fraudulent acts during the process of concluding and carrying out an insurance contract to illegally take money and property from an insurance company, branch of a non-life insurance company or policyholder.
2. Insurance companies and branches of foreign non-life insurance companies shall be responsible for actively formulating and implementing measures to prevent, detect and minimize insurance frauds; hold propagation sessions on prevention and control of insurance frauds.
3. Policyholders and insured persons shall actively participate in the task of prevention and control of insurance frauds; if any insurance fraud is detected, they must promptly notify these frauds to insurance companies, branches of foreign non-life insurance companies and regulatory authorities.
4. Relevant entities can cooperate with insurance companies, branches of foreign non-life insurance companies, policyholders and insured persons on insurance fraud prevention and control activities.

## **Chapter IV**

### **INSURANCE AGENTS, INSURANCE BROKERAGE COMPANIES, ENTITIES AND PERSONS PROVIDING INSURANCE ANCILLARY SERVICES**

#### **Section 1. INSURANCE AGENTS**

##### **Article 124. Insurance agents**

Insurance agent is an entity or person authorized under an insurance agent agreement to render insurance agent services by an insurance company, branch of a non-life insurance company or mutual providing microinsurance products.

##### **Article 125. Licensing conditions of insurance agents**

1. A person rendering insurance agent services must:

- a) be a Vietnamese citizen permanently residing in Vietnam;
- b) have full civil capacity;
- c) hold the certificate of practising as an insurance agent conforming to Article 130 herein.

2. An entity rendering insurance agent services must:

- a) be licensed or permitted for their establishment and operation in Vietnam;
- b) obtain registration for their scope of insurance agent services under the regulatory provisions of the Corporate Law. As for any entity engaged in conditional business sectors and industries, a license, certificate and other approval or certification document (if any) containing information about permission for insurance agent services that is issued by a competent agency shall be needed;
- c) be staffed by employees directly rendering insurance agent services that meet the conditions specified in clause 1 of this Article;
- d) meet personnel and other conditions under the Government's regulations.

3. Any entity or person shall be prohibited from concluding and executing an insurance agent agreement when:

- a) The entity is a commercial legal entity facing the criminal prosecution process; an entity that is subject to the temporary suspension, perpetual termination or prohibition of their business or the prohibition of their engagement in the insurance-related sectors;
- b) The person is facing criminal prosecution actions; is serving a prison sentence; is serving the sentence of prohibition of practising in the insurance-related sectors.

#### **Article 126. Contents of insurance agent agreements**

An insurance contract must include, but not limited to, the followings:

- 1. Name and address of the insurance agent;
- 2. Name and address of the head office of the insurance company, branch of the non-life insurance company or mutual providing microinsurance products;
- 3. Rights and obligations of the insurance company, branch of the non-life insurance company, mutual providing microinsurance products, insurance agent;
- 4. Scope of business of the insurance agent;

5. Insurance agent commissions, rewards, support provided for the insurance agent and other interests (if any);

6. Contract term;

7. Dispute settlement methods.

#### **Article 127. Operating principles of insurance agents**

1. Persons cannot be insurance agents for other insurance companies or branches of foreign non-life insurance companies operating in the business lines or sectors that are the same as those in which the principal insurance companies or branches of foreign non-life insurance companies for which these persons are acting as agents are performing transactions. A person acting as an insurance agent for a mutual providing microinsurance products shall not be allowed to act as the insurance agent for the other mutual providing microinsurance products.

2. An entity cannot be an insurance agent for the other insurance company or branch of a foreign non-life insurance company or mutual providing microinsurance products without the written approval from the insurance company, branch of the foreign non-life insurance company or mutual providing microinsurance products for which that entity is acting as the agent.

3. Persons rendering insurance agent services or employees of entities doing insurance agent business can only render insurance agent services for insurance schemes or products in which they are trained.

4. Biodata about persons rendering insurance agent services and staff members of entities rendering insurance agent services that are directly involved in insurance agent services must be registered and updated in the database of insurance agent services according to Article 11 herein.

5. Persons that have obtained certificates of practising in the insurance agent business sector, but have not operated in the insurance agent business sector, during 03 consecutive years must take tests to obtain new ones before commencement of the insurance agent services.

#### **Article 128. Rights and obligations of insurance companies, branches of non-life insurance companies and mutuals providing microinsurance products in the insurance agent business sector**

1. Insurance companies, branches of non-life insurance companies and mutuals providing microinsurance products shall have the following rights:

a) Organize insurance agent systems designed for implementation of business strategies;

b) Recruit insurance agents and enter into insurance agent agreements;

- c) Decide the amount of insurance agent commissions, rewards and grants for insurance agents and other interests specified in insurance agent agreements provided that such amount is not greater than the limit regulated by the Minister of Finance;
- d) Receive and have custody of security deposit or collateral provided by insurance agents if agreed upon in insurance agent agreements;
- dd) Request insurance agents to remit collections under terms and conditions of insurance agent agreements;
- e) Check and supervise execution of insurance agent agreements; measure the performance in insurance product consulting and offering activities of insurance agents and staff members of entities rendering insurance agent services;
- g) Enjoy other legitimate rights and benefits arising from rendering insurance agent services;
- h) Have other rights stipulated by law.

2. Insurance companies, branches of non-life insurance companies and mutuals providing microinsurance products shall take on the following obligations:

- a) Bear responsibility for organization, management and engagement of insurance agents;
- b) Organize training and knowledge updating sessions to be provided for insurance agents under law;
- c) Fully and accurately provide guidance, necessary information and documents related to the insurance agent business;
- d) Perform responsibilities arising in insurance agent agreements that have been entered into;
- dd) Settle and pay the amount of insurance agent commissions, rewards and grants for insurance agents and other interests specified in insurance agent agreements provided that such amount is not greater than the limit regulated by the Minister of Finance;
- e) Return security deposit or collateral to insurance agents under contractual terms and conditions;
- g) Bear responsibility to perform obligations agreed upon in insurance contracts that insurance agents or staff members of entities rendering insurance agent services arrange to conclude. Where any insurance agent or staff member of an entity rendering insurance agent services is in breach of an insurance contract, causing any loss or damage to legitimate rights and interests of an insured persons and policyholder, the insurance company, branch of the foreign non-life insurance company or mutual providing microinsurance products, as the principal, must bear responsibility for discharging obligations agreed upon in the insurance contract that such insurance agent arranges to conclude;



- h) Have their insurance agent business put under the inspection and supervision of competent regulatory authorities;
- i) Protect and avoid encumbering legitimate rights and interests of insurance agents under contractual terms and conditions and in accordance with law;
- k) Report on the training and employment of insurance agents under the regulations adopted by the Minister of Finance;
- l) Register and update biodata about persons rendering insurance agent services and staff members of entities rendering insurance agent services that are directly involved in insurance agent services in the database of insurance agent services according to Article 11 herein;
- m) Assume other obligations prescribed by law.

## **Article 129. Rights and obligations of insurance agents**

### **1. Insurance agents shall have the following rights:**

- a) Decide on and conclude insurance agent agreements. This right is intended for insurance companies, branches of non-life insurance companies or mutuals providing microinsurance products in accordance with law;
- b) Have access to information and preconditions for successful execution of insurance agent agreements;
- c) Receive insurance agent commissions, rewards and grants for insurance agents and other interests from insurance agent services according to insurance agent agreements;
- d) Request insurance companies, branches of non-life insurance companies and mutuals providing microinsurance products to return security deposit or collateral under contractual terms and conditions of insurance agent agreements;
- dd) Exercise other rights in accordance with law.

### **2. Insurance agents shall take on the following obligations:**

- a) Discharge their contractual obligations;
- b) Provide security deposit or collateral on behalf of insurance companies, branches of non-life insurance companies and mutuals providing microinsurance products if this obligation is prescribed in an insurance agent agreement;
- c) Fulfill financial obligations in accordance with law;

d) Provide insurance product consulting, offering and marketing services; provide full and accurate information about insurance products, insurance companies, branches of non-life insurance companies or mutuals providing microinsurance products to policyholders and give clear and comprehensive explanations about insurance benefits, disclaimer clauses, rights and obligations of policyholders; avoid providing information for policyholders without approval from policyholders; implement other obligations falling within the scope of authorization specified in insurance agent agreements;

dd) Participate in training and knowledge updating sessions designed for insurance companies, branches of non-life insurance companies and mutuals providing microinsurance products;

e) Submit to the inspection and supervision by insurance companies, branches of non-life insurance companies or mutuals providing microinsurance products;

g) Refund insurance companies, branches of foreign non-life insurance companies or mutuals providing microinsurance products sums that they have paid as insurance indemnities or coverage to insured persons or policyholders in the event that insurance agents or staff members of entities rendering insurance agent services are in breach of insurance agent agreements, causing loss or damage to legitimate rights and interests of these insured persons or policyholders;

h) Adhere to eligibility standards for operation of insurance agents that are set by insurance companies, branches of non-life insurance companies and mutuals providing microinsurance products;

i) Protect client privacy and personal information of clients; use client's information to serve permitted purposes; avoid providing information for any third party without client's consent, except as provided in law;

k) Take on other obligations prescribed by law.

3. Insurance agents shall be prohibited from performing the following acts:

a) Provide false information and advertisements about insurance services and scope of business of insurance companies, branches of non-life insurance companies and mutuals providing microinsurance products; insurance terms and conditions prejudicing legitimate rights and interests of policyholders;

b) Prevent policyholders from providing information related to insurance contracts or incite policyholders or insured persons not to declare information related to insurance contracts;

c) Compete for clients by precluding, enticing, bribing and threatening employees or clients of other insurance companies, branches of foreign non-life insurance companies, mutuals providing microinsurance products, insurance agents or insurance brokerage companies;

d) Incite clients to nullify insurance contracts that are in effect in any form.

4. The Minister of Finance shall elaborate on point d of clause 2 of this Article.

### **Article 130. Insurance agent practising certificates**

1. Insurance agent practising certificates are classified into the followings:

- a) Life insurance agent practising certificate;
- b) Non-life insurance agent practising certificate;
- c) Health insurance agent practising certificate.

2. Each training course or program that a trainee must take to graduate an insurance agent practising certificate must comprise:

- a) General knowledge about insurance; principles of rendering of insurance services that vary depending on types of insurance agent practicing certificate;
- b) Code of professional ethics and conduct in the insurance agent business;
- c) Rights and obligations of insurance companies, branches of non-life insurance companies, mutuals providing microinsurance products and insurance agents in the insurance agent business sector;
- d) Domestic law of Vietnam applicable in the insurance industry;
- dd) Insurance agent skills and practising as an insurance agent.

3. The Minister of Finance shall impose detailed regulations on types of insurance agent practising certificate; content of training curriculum or program, documentation requirements, application procedures and processes for certification testing, issuance, revocation and reissuance of insurance agent practising certificates.

## **Section 2. INSURANCE BROKERAGE COMPANIES**

### **Article 131. Scope of business in the insurance brokerage sector**

- 1. Root insurance brokerage and reinsurance brokerage.
- 2. Provision of insurance ancillary services.
- 3. Other services related to insurance contracts that are rendered upon policyholders' request.

### **Article 132. Business principles of insurance brokerage services**

- 1. Honesty, objectivity, transparency; ensuring legitimate rights and interests of related parties.

2. Adherence to the rules professional ethics adopted by socio-professional organizations.
3. Insurance brokerage companies must agree in writing with clients when rendering insurance brokerage services.

### **Article 133. Licensing conditions of insurance brokerage companies**

#### 1. Licensing conditions of founding shareholders or members, including:

- a) In order to obtain business licences or permits, entities and persons applying for these licenses or permits must have the rights of business incorporation and management in Vietnam under the Corporate Law;
- b) In order to obtain business licences or permits, entities applying for these licenses or permits need to have legal personality, are operating in Vietnam, and meet financial conditions in accordance with the Government's regulations.

#### 2. Licensing conditions concerning capital or assets:

- a) The amount of Vietnamese-dong contribution to the charter capital must not be less than the minimum required amount of charter capital under the Government's regulations;
- b) Shareholders and capital-contributing members shall not be allowed to contribute borrowed funds or funds or assets held in trust for other entities and persons for equity participation purposes.

3. Licensing conditions concerning personnel: Any nominee for a Chairperson of the Managing Board or Chairperson of the Board of Members, Director or General Director or legal representative must meet managerial competency and professional qualification requirements and credentials prescribed in Article 138 herein.

4. The applicant for such business licence and permit must choose their business type in accordance with this Law and must have the draft charter conforming to the regulations of the Corporate Law.

5. In order to be licensed or permitted to contribute capital to establish; purchase shares or ownership interest making up at least 10% of charter capital of an insurance brokerage company, the entity incorporated under foreign law must satisfy the following conditions:

- a) It must be an entity established under domestic law of a foreign country that is directly involved in or has their subsidiary render insurance brokerage services during 05 consecutive years promptly before the date of submission of application for the business license or permit;
- b) It must be licensed or permitted to establish their insurance brokerage company in Vietnam, and must be certified not to commit any serious violation against law on insurance brokerage of the country where their head office is located, by the competent authority of the foreign country

within 03 consecutive years immediately before the date of submission of application for the business license or permit.

#### **Article 134. Documentation requirements for application for business licenses or permits of insurance brokerage companies**

1. Each set or package of application documents for a business licence or permit must be comprised of the followings:

- a) Form of written request or application for the business license or permit;
- b) Company's draft charter;
- c) First five years' business plan, including clear description of proposed service activities;
- d) Resume, police record, duplicate copy of certificate or qualification indicating professional competency and expertise of the nominee for the Chairperson of the Managing Board or the Chairperson of the Board of Members, Director or General Director or legal representative;
- dd) Rate and method of capital contribution; list of founding entities or persons or members or shareholders that intend to contribute at least 10% of the charter capital; and documents evidencing compliance with the conditions set out in Article 133 herein.

2. The Government shall impose detailed regulations on conditions, documentation requirements, procedures and processes for application for business licenses or permits of insurance brokerage companies.

#### **Article 135. Organization and operation**

Regulations on organization and operation of an insurance brokerage company, including the business type; ownership percentage of the foreign investor; time limit for issuance of the business license or permit; authority to issue, reissue, revise, modify, revoke or withdraw the business license or permit, or terminate any service or business; announcement of contents of the business license or permit; revocation or withdrawal of the business license or permit, shall be subject to the regulations laid down in Article 62, 68, 70, 71, 72 and clause 1 and 3 of Article 75 herein.

#### **Article 136. Changes relying upon approval or notification**

1. In order to make any change in the following information, insurance brokerage companies need to seek the written approval from the Ministry of Finance:

- a) Corporate name or head office's address;
- b) Amount of charter capital;

c) Type, scope and period of business;

d) Assignment of shares or ownership interests that helps shareholders or members contributing capital to own at least 10% of charter capital, or cause shareholders or members contributing capital to own less than 10% of charter capital;

dd) Chairperson of the Managing Board or Chairperson of the Board of Members, Director or General Director;

e) Business split-up, split-off, merger, amalgamation and transformation into another business type; establishment of new branches, representative offices, and other types of commercial establishment in foreign countries.

2. Insurance brokerage companies need to notify the Ministry of Finance in writing within 15 days after making the following changes:

a) Company's charter;

b) Opening, termination and relocation of the branch or representative office.

3. Within 10 days of receipt of the written consent to any changes prescribed in clause 1 of this Article from the Ministry of Finance, the Ministry of Finance shall be responsible for posting updated information on the Web Portal of the Ministry of Finance.

4. The Government shall impose detailed regulations regarding application conditions, procedures, documentation requirements and processes for approving changes referred to in clause 1 of this Article, and documentation requirements, application procedures and processes for recording the changes referred to in point b of clause 2 of this Article.

### **Article 137. Rights and obligations of insurance brokerage companies**

1. Insurance brokerage companies shall have the following rights:

a) Receive root insurance brokerage commissions, reinsurance brokerage commissions in accordance with the regulations of the Minister of Finance;

b) Gain proceeds from provision of insurance ancillary services;

c) Gain proceeds from other activities related to insurance contracts that are requested by policyholders;

d) Reserve other rights prescribed by law.

2. Insurance brokerage companies shall take on the following rights:

- a) Ensure privacy and security for information provided by clients, insurance companies, reinsurance companies and foreign branches in Vietnam, except as requested by the competent regulatory authority or agreed by clients, insurance companies, reinsurance companies and foreign branches in Vietnam;
- b) Pay clients compensation for any loss or damage caused during the process of rendering insurance brokerage services;
- c) Disclose pieces of information authorized by the Minister of Finance to clients;
- d) Separately account for and track collections or payments authorized by insurance companies, reinsurance companies or foreign branches in Vietnam;
- dd) Purchase professional liability insurance plans tailored for insurance brokerage services;
- e) Assume other obligations prescribed in law.

3. Insurance brokerage companies shall be prohibited from performing the following acts:

- a) Prevent policyholders or insured persons from providing information related to insurance contracts or incite policyholders or insured persons not to give details about insurance contracts;
- b) Do promotion in the form of promises to provide illegal benefits to incite clients to enter into insurance contracts;
- c) Incite policyholders to nullify insurance contracts remaining in effect to purchase new insurance contracts;
- d) Recommend clients to buy insurance bound by less competitive requirements, terms and conditions at insurance companies or branches of foreign non-life insurance companies than those at others in order to earn higher insurance brokerage commission;
- dd) Provide clients with false information or information irrelevant to insurance requirements, terms and conditions imposed by insurance companies or branches of foreign non-life insurance companies.

### **Article 138. Personnel, capital, finance, accounting regimes and financial reporting of insurance brokerage companies**

1. Chairpersons of the Managing Boards, Chairpersons of the Boards of Members, members of the Managing Boards, members of the Boards of Members, Directors or General Directors, legal representatives, Vice Directors or Deputy General Directors, Chief Accountants, heads of operations departments of insurance brokerage companies must satisfy qualification, experience and other requirements and credentials under the Government's regulations.

2. Persons directly involved in the insurance brokerage sector must hold at least undergraduate degrees in the insurance major or insurance practicing certificates appropriate for the types of insurance or insurance brokerage practicing certificates conferred by legally-licensed domestic or foreign training institutions according to the Ministry of Finance's regulations.
3. Insurance brokerage companies must maintain the rate or amount of their charter capital and equity that is not less than the required minimum requirement of charter capital and must carry out insurance regimes under the Government's regulations.
4. Insurance brokerage companies shall follow instructions about the fiscal year and accounting regime given in Article 103 and 104 herein and carry out annual independent audits of financial statements.
5. Insurance brokerage companies shall follow the instructions on reporting regime of the Minister of Finance with respect to the following reports:
  - a) Financial report;
  - b) Periodic operations report; irregular, information or other data report.
6. Foreign-invested insurance brokerage companies may remit or transfer earnings and property abroad as per Article 107 herein.
7. Insurance brokerage companies shall follow financial management regulations laid down in Article 108 herein.
8. Insurance brokerage companies shall post information about financial statements that have been audited and any changes relying upon the Ministry of Finance's approval or consent as prescribed in clause 1 of Article 136 herein and the information prescribed in point a, b and e of clause 1 of Article 120 herein on their websites. Responsibilities for information disclosure shall be subject to Article 117 herein.

#### **Article 139. Insurance brokerage practising certificates**

1. Insurance brokerage training course or program shall mainly comprise:
  - a) General knowledge about insurance and insurance services;
  - b) Principles, responsibilities and code of ethics for practising as an insurance broker;
  - c) Domestic law of Vietnam applicable in the insurance industry;
  - d) Insurance brokerage skills and practising as an insurance broker.
2. The Minister of Finance shall impose detailed regulations on training program or curriculum, application requirements, procedures and processes for certification testing, issuance, revocation,



withdrawal and reissuance of insurance brokerage practising certificates issued by legally-licensed domestic insurance training institutions.

### **Section 3. ENTITIES AND PERSONS PROVIDING INSURANCE ANCILLARY SERVICES**

#### **Article 140. Entities and persons providing insurance ancillary services**

1. Insurance companies and branches of foreign non-life insurance companies can provide insurance ancillary services for insurance companies, reinsurance companies, foreign branches in Vietnam, insurance brokerage companies or mutuals providing microinsurance products.
2. Insurance brokerage companies can provide insurance ancillary services for insurance companies, reinsurance companies, foreign branches in Vietnam, insurance brokerage companies, mutuals providing microinsurance products, other entities or persons.
3. Other entities having legal personality can provide insurance ancillary services for insurance companies, reinsurance companies, foreign branches in Vietnam, insurance brokerage companies or mutuals providing microinsurance products.
4. Persons can provide consulting services for insurance companies, reinsurance companies, foreign branches in Vietnam, insurance brokerage companies or mutuals providing microinsurance products.

#### **Article 141. Principles of provision of insurance ancillary services**

1. Honesty, impartiality, transparency; protecting legitimate rights and interests of stakeholders.
2. Conforming to regulatory standards in the insurance ancillary service sector.
3. Adherence to the rules of professional ethics issued by socio-professional organizations.
4. Each contract for provision of insurance ancillary services must be made in writing.

#### **Article 142. Responsibilities of entities and persons providing insurance ancillary services**

1. Protect client's privacy and information security; use client's information for permissible purposes; avoid providing information for any third party without client's permission, except as provided in law.
2. Insurance brokerage companies shall not be allowed to provide loss assessment services for insurance contracts that they have arranged to conclude.
3. Entities providing insurance ancillary services can provide loss assessment services and support for payment of insurance claims against insurance contracts whereunder these entities are also policyholders, insured persons or beneficiaries.

4. Persons providing consulting services must buy professional liability insurance providing coverage and protection for provision of consulting services; entities providing insurance ancillary services must buy professional liability insurance specific to types of insurance ancillary service.

#### **Article 143. Licensing conditions of insurance ancillary services**

1. In order to be licensed to render insurance ancillary services, a person providing consulting services must meet the following conditions:

- a) He/she has full civil capacity;
- b) He/she holds at least an undergraduate decree on the insurance major. If not, he/she must hold at least an undergraduate degree on any other major and must complete the practicing certificate in the insurance ancillary service, including the consulting activity, issued by legally-licensed domestic or foreign training institutions.

2. In order to be licensed to render insurance ancillary services, an entity providing insurance ancillary services must meet the following conditions:

- a) They must have legal personality; be legally permitted or licensed for their establishment and operation;
- b) Their staff members directly involved in insurance ancillary services must have full civil capacity; must hold certificate or qualification of insurance ancillary service relevant to specific types of insurance ancillary service awarded by legally-licensed domestic or foreign training institutions;
- c) Their staff members directly involved in loss assessment services must meet the conditions prescribed in point b of this clause and other credentials as assessors in accordance with law on commerce;
- d) Their staff members directly involved in actuarial services must meet the conditions prescribed in point b of this clause and other credentials as actuaries.

3. The Government shall elaborate point b, c and d of clause 2 of this Article.

4. The Minister of Finance shall impose detailed regulations on types of practising certificates of insurance ancillary services, training program or curriculum, documentation requirements, application procedures and processes for certification testing, issuance, reissuance, revocation or withdrawal of practising certificates of insurance ancillary services.

### **Chapter V**

## **MICROINSURANCE**

#### **Article 144. Characteristics of microinsurance products**

A microinsurance product shall have the following basic characteristics:

1. It must be concise, easy to understand; needs to involve streamlined or simplified actuarial procedures; or requires no actuarial service.
2. It merely includes insurance benefits to meet basic demands for protection against life, health and property risks for participants in coverage plans that last no more than 05 years;
3. The sum insured per an insurance contract and annual costs of coverage for each insured person in a contract shall not exceed the maximum limit specified in the Government's regulations.

#### **Article 145. Building, design and development of microinsurance products**

1. The State shall offer incentives, support and preferential treatment for offer of and involvement in microinsurance products through one or several measures specified in point a, b, d and e of clause 1 of Article 88 herein.
2. Entities providing microinsurance products must register and obtain the Ministry of Finance's consent to the insurance premium calculation method and basis for microinsurance products.
3. The Government shall impose detailed regulations on measures specified in clause 1 of this Article provided that these regulations are aligned with developmental orientations and socio-economic conditions over periods of time; detailed regulations on documentation requirements, procedures and processes for registration for premium calculation methods and bases to be applied to microinsurance products.
4. The Minister of Finance shall impose detailed regulations on premium calculation methods and bases to be applied to microinsurance products.

#### **Article 146. Entities providing microinsurance products**

1. Entities providing microinsurance products, including:
  - a) Insurance companies, branches of foreign non-life insurance companies established and operated in Vietnam;
  - b) Mutuals providing microinsurance products that are established and operated in Vietnam.
2. The Government shall impose detailed regulations on procedures and processes for issuance, reissuance, revision, modification, withdrawal or revocation of business licenses or permits, or termination of services offered by mutuals providing microinsurance products.

3. The Ministry of Finance shall be vested with authority to issue, reissue, revise, modify, withdraw or revoke business licenses or permits, or terminate services offered by mutuals providing microinsurance products.

**Article 147. Insurance companies, branches of foreign non-life insurance companies providing microinsurance products**

1. Insurance companies and branches of non-life insurance companies can, on their own account, provide microinsurance products that are relevant to authorized insurance services:

- a) directly or in person;
- b) via insurance agents;
- c) via any person who is a staff member or member of a socio-political organization, socio-professional organization or cooperative authorized by insurance companies or branches of foreign non-life insurance companies to provide counsels on or make arrangement for conclusion of insurance contracts on behalf of such organization or cooperative;
- d) in other permissible ways.

2. Insurance companies and branches of non-life insurance companies must track, manage and account for revenues and expenses arising from provision of microinsurance products separately from those arising from services rendered by others.

**Article 148. Mutuals providing microinsurance products**

1. Mutuals providing microinsurance products can only provide microinsurance products for their own members. Members participating in insurance plans must be both owners of mutuals providing microinsurance products and policyholders.

2. Insurance contracts between mutuals providing microinsurance products and members participating in insurance plans must conform to general regulations on insurance contracts, life insurance contracts, health insurance contracts and property insurance contracts prescribed in Chapter II herein.

3. The Government shall impose detailed regulations on provision of microinsurance products by mutuals providing microinsurance products.

**Article 149. Licensing conditions of mutuals providing microinsurance products**

1. Conditions of a founding member, including:

- a) If that member is a person, he/she must be a Vietnamese citizen having full civil capacity and a member of the entity proposing establishment of the mutual providing microinsurance products;

- b) If that member is an entity, it must be the representative of that member as per law.
2. The amount of Vietnamese-dong contribution must not be less than the minimum limit under the Government's regulations.
  3. Any nominee for a Chairperson of the Managing Board, Director or General Director, legal representative or actuary of microinsurance products must meet the conditions and standards under the Government's regulations.
  4. A plan to offer microinsurance products that is in place must allow for the number of members and the network of the mutual to be established.
  5. The available draft charter must be in line with business objectives of the mutual providing microinsurance products and conform to the Government's regulations.
  6. The available information technology system must be appropriate; can give support for or track activities of specific microinsurance contracts; can help in financial and accounting matters related to microinsurance.

#### **Article 150. Principles of operation of mutuals providing microinsurance products**

1. Mutuals providing microinsurance service shall practise their financial autonomy and bear sole responsibility before law within the scope of property formed from rendering of microinsurance services.
2. Mutuals providing microinsurance products shall be responsible for managing and supervising performance; complying with regulations on financial regimes in order to ensure financial security, successful implementation of obligations and commitments to members participating in insurance, concerned entities and persons under law.
3. Mutuals providing microinsurance products shall be responsible for carrying out risk management practice in order to effectively control risks arising from offering microinsurance products.
4. All of profits earned from offering microinsurance products by mutuals providing microinsurance products can be accessible to serve the interest of members participating in insurance plans by means of reduction in insurance premiums, increase in insurance benefits of the insured, support for members and assistance in accomplishment of other objectives as per the charters of mutuals providing microinsurance products.
5. The Government shall impose detailed regulations on operation, organization, risk management, operations, disclosure of information, financial, accounting and financial reporting regimes of mutuals providing microinsurance products.

#### **Chapter VI**

## **STATE MANAGEMENT OF INSURANCE BUSINESS**

### **Article 151. State management of insurance business**

1. The Government shall carry out its uniform state management of insurance business.
2. The Ministry of Finance shall be held accountable to the Government for its state management of insurance business and shall have the following duties and entitlements:
  - a) Promulgate or seek competent authorities' approval of promulgation and instructions on implementation of legislative documents on insurance business, formulation of strategies, projects and policies for development of Vietnam's insurance market;
  - b) Conduct statistics and forecast of the insurance market;
  - c) Supervise insurance companies, reinsurance companies and foreign branches in Vietnam, mutuals providing microinsurance products and insurance brokerage companies through their rendering of services, financial status, corporate management, risk management and compliance with law on insurance business; supervise performance of foreign representative offices in Vietnam;
  - d) Supervise performance of insurance agents and insurance ancillary services through insurance companies, reinsurance companies and foreign branches in Vietnam;
  - dd) Examine and inspect insurance companies, reinsurance companies and foreign branches in Vietnam, mutuals providing microinsurance products and insurance brokerage companies; examine performance of foreign representative offices in Vietnam;
  - e) Ensure international cooperation in the insurance sector;
  - g) Settle disputes, claims and impose sanctions against administrative violations arising in the insurance business.

### **Article 152. Mechanism for cooperation in state management of insurance business**

1. The Ministry of Finance shall cooperate with state foreign insurance authorities on management, supervision, inspection and examination of foreign branches in Vietnam in accordance with the Government's regulations.
2. The Ministry of Finance shall establish the mechanism for sharing of administrative and supervisory information with the State Bank of Vietnam, Ministries, other central authorities and socio-professional organization in the insurance industry.
3. The Ministry of Finance shall cooperate with relevant Ministries and central authorities on affiliation and cooperation between the insurance sector and the social or health insurance sector under the state control.

4. Business registration agencies shall not be allowed to accept the use of the phrase or term “insurance”, “reinsurance” or the like in a company’s name if such use can result in the confusion to such an extent that the company is wrongly considered an insurance company, reinsurance company or foreign branch in Vietnam.

5. Business registration agencies shall not be allowed to accept the use of the phrase or term “insurance brokerage”, “reinsurance brokerage” or the like in a company’s name if such use can result in the confusion to such an extent that the company is wrongly considered an insurance brokerage company.

**Article 153. Rights to request provision of information of Ministry of Finance for use in examination, inspection and handling of administrative offences arising in the insurance business**

1. During the process of examination, inspection and handling of administrative offences arising in the insurance business, in addition to the duties and powers prescribed in law on inspection, law on handling of administrative offences and other regulatory provisions of relevant law, the Ministry of Finance shall have the following duties and powers:

a) Request shareholders, capital-contributing members, managers, controllers, staff members of insurance companies, reinsurance companies, foreign branches in Vietnam or insurance brokerage companies to give explanations about and provide information, documents and data related to the scope of inspection and examination activities;

b) Request entities and persons possessing information, documents and data related to the scope of inspection and examination of the insurance business to provide these information, documents and data, or request entities or persons to give explanations about and contact it to deal with issues related to the scope of examination and inspection;

c) Request credit institutions or foreign bank branches to provide information related to accounts of insurance companies, reinsurance companies, foreign branches in Vietnam, insurance agents, insurance brokerage companies, insurance ancillary service providers, fund management companies of insurance companies, foreign representative offices in Vietnam and entities or persons suspected of committing the prohibited acts specified in Article 9 herein, or committing violations against regulations on capital adequacy ratios, investment of insurance companies, reinsurance companies, foreign branches in Vietnam, financial safety and solvency referred to in Article 95, 99, 100, 109 and 110 herein. Procedures and processes for requesting and providing information shall be subject to regulatory provisions on banking.

2. Requesting entities and persons to cooperate and provide information, documents, data, explanation, or contact it to deal with issues concerned, as per this Article must be expressed in written documents specifying purposes, bases, content and scope of each request.

3. Information provided by credit institutions, foreign bank branches, entities and persons as per this Article must be secured as per regulatory provisions and can only serve the purposes of inspection, examination and sanctioning of administrative offences of related entities or persons.

## **Article 154. Insurance business inspection**

1. State insurance business authorities shall perform the functions of specialized inspection of insurance business.
2. Where necessary, in order to carry out the specialized inspection of insurance business, those authorities specified in clause 1 of this Article can hire independent audit bodies, consulting companies or specialists to assess and give professional comments on several matters that are alleged to cause any impacts on inspectees' safety and health where necessary, including:
  - a) Technical provisions;
  - b) Solvency;
  - c) Reinsurance;
  - d) Investment;
  - dd) Separate management of equity and insurance premiums, and distribution of surpluses;
  - e) Rules, terms and conditions and tariff of insurance premiums.
3. Independent audit bodies, consulting companies or experts hired to bear legal responsibilities for accuracy, truthfulness and impartiality of assessment data, documents and opinions on matters in question.
4. Organization and operation of insurance business inspectorates shall be subject to regulations of this Law and legislation on inspection.

## **Chapter VII**

### **IMPLEMENTATION PROVISIONS**

#### **Article 155. Amendments and supplements to Appendix IV to Law on Investment 61/2020/QH14 amended or supplemented by Law No. 03/2022/QH15**

Amending, supplementing the sector or industry No. 29 and adding the sector or industry No. 29a underneath No.29 of Appendix IV on the Conditional Industry Classification as follows:

“29. Insurance brokerage

29a. Insurance ancillary services”

#### **Article 156. Entry into force**



1. This Law is entering into force as from January 01, 2023, unless otherwise prescribed in clause 2 of this Article.

2. Clause 3 of Article 86; clause 4 and 5 of Article 94; Article 95; clause 3 and 4 of Article 99; Article 109, 110, 111, 112, 113, 114 and 116 herein shall take effect as of January 1, 2028.

3. Law on Insurance Business No. 24/2000/QH10 amended and supplemented according to the Law No. 61/2010/QH12 and Law No. 42/2019/QH14 shall be expired after the entry into force of this Law, except in the following cases:

a) Clause 1 of Article 157 herein;

b) Article 77, 78, 79, 80, 81, 83, 94 and 98 of the Law on Insurance Business No. 24/2000/QH10 that have been amended and supplemented according to Law No. 61/2010/QH12 and Law No. 42/2019/QH14 shall be abolished by end of December 31, 2027.

#### **Article 157. Transitional clauses**

1. Insurance contracts that have been entered into before the effective date of this Law and remain valid can continue to apply in accordance with legislation at the time of conclusion of insurance contracts, except when contracting parties are agreed on amendments and supplements thereto to make them aligned with this Law and apply regulations of this Law.

2. Insurance agent practising certificates issued before the entry into force of this Law can continue to be used till end of December 31, 2025. Minister of Finance shall impose detailed regulations on transformation from insurance agent practising certificates issued before the entry into force of this Law into new ones referred to in this Law.

3. Insurance practising certificates, insurance agent practising certificates and certificates of practising in insurance ancillary services that have been issued before the entry into force of this Law shall continue to be used.

4. As from January 1, 2023, insurance companies and branches of foreign non-life insurance companies shall cease paying into the Fund for protection of insured persons.

5. Disposal and management of balance of the Fund for protection of insured persons stipulated in Article 97 in the Law on Insurance Business No. 24/2000/QH10 amended and supplemented by the Law No. 61/2010/QH12 and the Law No. 42/2019/QH14 shall be subject to the following regulations:

a) All balance existing in the Fund for protection of insured persons shall be in the custody of the Ministry of Finance to serve the purposes of protecting insured persons' interests when insurance companies are declared insolvent or bankrupt;

b) The Government shall impose detailed regulations on management and use of balance of the Fund for protection of insured persons.

*This Law is passed in the 3<sup>rd</sup> plenum of the XV<sup>th</sup> National Assembly of the Socialist Republic of Vietnam on June 16, 2022.*

**CHAIRMAN**

**Vuong Dinh Hue**