INSURANCE MARKET REPORT

VIETNAM: NON-LIFE (P&C)

NON-LIFE (P&C)

Country Map


VIETNAM
POLITICAL
WITH PROVINCES
Country capital
Province capital
Major city
Other city
Primary road
Secondary road
Railway
0 100 km
0 100 mi
N
100ºE
105ºE
20ºN
15ºN
10ºN
CHINA
MYANMAR
LAOS
THAILAND
CAMBODIA
VIETNAM
Gulf of Tonkin
South China Sea
Gulf of Thailand
Hainan Dao
HA NOI
VIENTIANE (VIANGCHAN)
BANGKOK
PHNOM PENH
Ha Giang
Cao Bang
Lao Cai
Bac Kan
Tuyen Quang
Yen Bai
Thai Nguyen
Lang Son
Dien Bien Phu
Vinh Yen
Son La
Viet Tri
Bac Giang
Bac Ninh
Hoa Binh
Ha Dong
Hai Phong
Hai Duong
Hon Gai
QUANG NINH
Thai Binh
Phu Ly
Ninh Binh
Nam Dinh
LAI CHAU
Muong Te
Muong Leo
Thanh Hoa
Ba Lang
Muong Sen
NGHE AN
Luong Khe
Vinh
Ha Tinh
Ky Anh
Vinh Son
QUANG BINH
Dong Hoi
Lang Mo
QUANG TRI
Dong Ha
Hue
THUA THIEN-HUE
Annam
Da Nang
QUANG NAM
Tam Ky
Quang Ngai
Dien Truong
Hoai Nhon
BINH DINH
Kon Tum
Pleiku
GIA LAI
Quy Nhon
Ban Ay Rieng
Hau Bon
PHU YEN
Tuy Hoa
DAC LAC
Buon Ma Thuot
Van Ninh
KHANH HOA
Nha Trang
Da Lat
Dang Boa
NINH THUAN
Phan Rang-Thap Cham
LAM DONG
Dong Xoai
BINH PHUOC
Tay Ninh
Thu Dau Mot
DONG NAI
Bien Hoa
Phan Thiet
BINH THUAN
Ho Chi Minh
BA RIA - VUNG TAU
Vung Tau
Tan An
LONG AN
Cao Lanh
Long Xuyen
AN GIANG
My Tho
Ben Tre
Vinh Long
Tra Vinh
Can Tho
Soc Trang
Rach Gia
KIEN GIANG
Dao Phu Quoc
Bac Lieu
Ca Mau
Tan An
Duong Keo
Xom Rach Tau
Con Dao
Zhicun
Man-Lo
Hong
Meng-Wang
Pai-Chia-Chia
Phongsali
Xinning
Nanning
Laituan
Pingxiang
Fangcheng Gang
Haikou
Leiming
Yacha
Nanlu
Foluo
Jiusuo
Louang Namtha
Ban Ta Fa
Xam Nua
Louangphrabang
Xiangkhoang
Muang Xaignabouri
Phayao
Nan
Pak Lay
Phrae
Uttaradit
Loei
Udon Thani
Nakhom Phanom
Muang Khammouan
Sakon Nakhon
Savannakhet
Khon Kaen
Phitsanulok
Phichit
Phetchabun
Chaiyaphum
Nakhon Sawan
Roi Et
Lam Nam Chi
Mae Nam Mun
Saravan
Pakse
Ratchasima
Buriram
Ubon Ratchathani
Surin
Champasak
Attapu
Chao Phraya
Saraburi
Phnum Dangrek
Prachin Buri
Thon Buri
Phnum Tbeng Meanchey
Stoeng Treng
Lumphat
Srepok
Siemreab
Tonle Sap
Chon Buri
Battambang
Rayong
Kampong Thum
Chanthaburi
Pouthisat
Kampong Chhnang
Mekong
Kracheh
Senmonorom
Trat
Krong Kaoh Kong
Takev
Kampot
Duong Dong
PROVINCES
1. Binh Duong
2. Dong Thap
3. Ha Nam
4. Ha Noi
5. Ha Tay
6. Phu Tho
7. Tien Giang
8. Vinh Phuc
Provinces have the same name as their capitals except where named.

Map of the Area

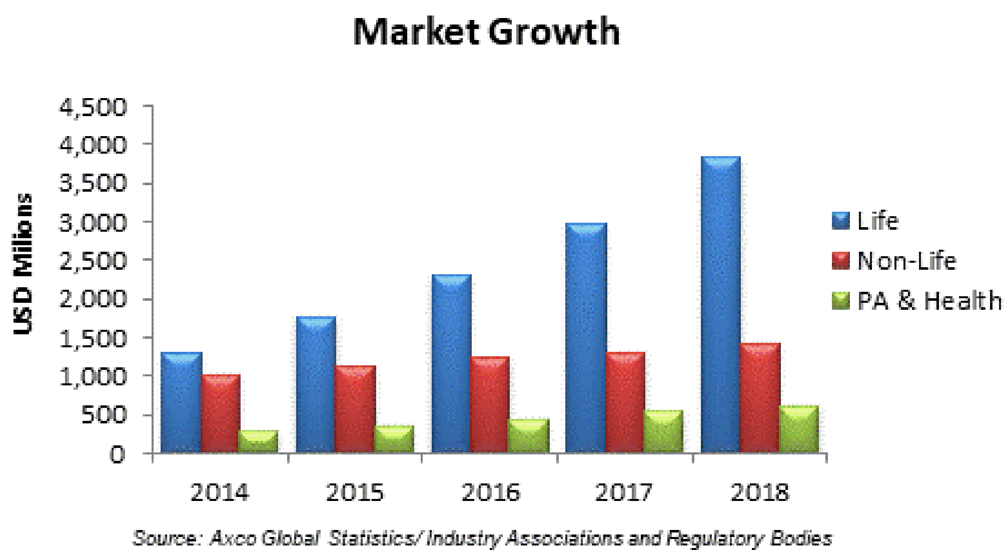
- The prime minister issued *Decision No 242/QD-TTg* dated 28 February 2019 approving an insurance business restructuring plan up to 2025, based on proposals by the Ministry of Finance. Insurance market supervision will be based upon a change from a compliance-based model to a risk-based model by 2020, following the introduction of a new insurance law. In the context of this decision it is already clear that a new insurance law will be developed, presented to parliament and brought into force by 2020. Implementation of the plan is likely to significantly augment the use of actuarial services in all sectors of the insurance market.
- *Law No 42/2019/QH14* amending the *Law on Insurance Business* was passed in June 2019 and is due to come into force on 1 November 2019. This law addresses insurance auxiliary services for the first time. This law mandates the compulsory purchase of professional indemnity insurance for specified insurance auxiliary service professions appropriate to the type of service, but without specifying coverage limits.
- On 27 September 2018 Vietnam ratified the *Convention for the Unification of Certain Rules for International Carriage by Air, Montreal, 28 May 1999* (MC99) which came into force in Vietnam on 27 November 2018. MC99 updates and modernises the *Warsaw Convention 1929* (WC29) and subsequent *Protocol to Amend the Warsaw Convention of 1929, The Hague, 28 September 1955* (HP55). Vietnam is the 134th party to MC99 and is one of the fastest growing aviation markets in the world. The signing of this convention is likely to further boost aviation activity in the country.
- The ASEAN Trade in Services Agreement (ATISA), which will replace the ASEAN Framework Agreement on Services (AFAS), was signed by ASEAN member states (including Vietnam) in April 2019. ATISA provides that restrictions to the provision of financial services between member states will be removed progressively until 2025. Member states, however, may set out which sectors will not be liberalised or will be only partially liberalised.
- The property tariff was revised following a spate of large claims caused by fires in 2018. According to local opinion the overall effect of these tariff changes was to increase average property insurance rates by about 10% to 15% for risks with sums insured below VND 1trn (USD 43.41mn). In relation to property risks with sums insured exceeding VND 1trn (USD 43.41mn) the market has reported a modest average increase in rates due to overall hardening of the reinsurance market in Asia generally.
- Current reports indicate strong ongoing trends in competition for marine cargo business with reductions up to 20% in some cases reported in 2018 and 2019.
- The South Korean insurer, Hyundai Marine & Fire Insurance signed a stock purchase agreement to acquire a 25% stake in VietinBank Insurance (VBI) and this purchase was confirmed in June 2019 in a ceremony at which a share purchase certificate was handed over.

The Future

Relevant factors (including projected GDP growth) indicate that the non-life insurance market in Vietnam is likely to continue its pattern of comparatively positive growth until at least 2021. There is still considerable room for expansion of the non-life market.

Key Facts

Growth in the non-life, life, and personal accident (PA) and healthcare markets is shown below.



New statistical information may have been included in the appendices.

- The current rate of exchange is VND 23,037.08 : USD 1. Further details are provided within the Currency and Exchange Control subsection in the Politics and the Economy section of this report.
- Vietnam's land area is 127,246 square miles (329,565 square kilometres) and the population was estimated at 96.49 million in 2018.
- Following almost 100 years of colonial rule, Ho Chi Minh, leader of the Viet Minh independence movement, declared independence from French rule in 1945. After the defeat of the French in the subsequent war, the *Geneva Agreements* divided Vietnam into north and south. Hostilities continued thereafter with the US supporting the south. US troops withdrew in 1973 and Saigon fell two years later, allowing the reunification of the country.
- The country can be divided into three regions: North Vietnam, Central Vietnam and South Vietnam. North Vietnam is mountainous, especially in the north and north-west, while the lowlands consist of the Red River Delta and the coastal plains. Central Vietnam is divided into a narrow coastal strip, a broad plateau and the Annamite Mountain Chain which separates the plateau from the coastal lowlands. South Vietnam includes the Mekong river system and is low, marshy and flat.
- Vietnam has a unitary political system with a strong central government; exclusive power resides with the Communist Party, the sole legal party in the country. The current political situation is stable. The Communist Party is expected to maintain its leading role for the foreseeable future.
- Vietnam is regarded by many as a destination of interest for foreign investment, due mainly to its history of consistently high rates of GDP growth. In 2018 actual growth in GDP was 7.08%, with estimates of 6.50% for 2019 and 6.52% for 2020. The actual rate of inflation was 3.54% in 2018, with estimates of 3.01% and 3.75% for 2019 and 2020.

Key Facts

- Non-life premium income for 2018 excluding personal accident and healthcare was VND 32.21trn (USD 1.42bn): the non-life (excluding personal accident and healthcare) market growth rate in 2018 was 9.66%. In 2018 non-life personal accident and healthcare gross premium income was VND 13.94trn (USD 616.56mn), the year-on-year growth rate being 13.99%.
- There are currently 29 non-life insurers in the market: eight of the companies are 100% foreign-owned, while others have minority foreign interests. Bao Viet Insurance and PetroVietnam Insurance (PVI) were the non-life market leaders in 2018 with a combined market share of 35.85%
- All insurers wishing to do business in Vietnam must be authorised. With some exceptions, business situated in Vietnam should be placed with an insurer authorised to operate in the country.
- Most compulsory insurances are subject to statutory tariffs. All compulsory professional indemnity insurances are understood to be subject to statutory tariffs with the exception of insurance related to securities companies, fund management companies, independent auditors and notaries public.
- By virtue of *Decree No 73/2016/ND-CP* the law permits the establishment in Vietnam of 100% foreign owned subsidiary insurance companies, joint ventures between Vietnamese and foreign interests and the establishment by foreign companies of non-life branches in Vietnam. The establishment of representative offices is also permitted but with very limited activities with no powers to underwrite or issue insurance contracts locally.
- The main non-life distribution channels are companies' agency forces, brokers and direct sales: the agency network is more important to the domestic insurers than the foreign property and casualty companies. Non-life business transacted through banks is reported to be relatively small but growing. Internet sales and e-commerce are very limited.
- Vietnam is subject to typhoons and tropical storms. These principally affect the centre of the country and may cause severe flooding. There is exposure to earthquake, especially in the north-west, but it is of little consequence to the insurance market as insured values and penetration are low.
- The main obligatory insurances include: motor third party liability, aviation liability, professional indemnity for a number of professions, fire and explosion insurance for 19 types of high-risk industries, construction-related insurances (those having an impact on the environment or public safety and those with complex construction conditions) insurance for contractors and investors, and civil liability insurance of persons and firms dealing with the transport of passengers or flammable or explosive cargoes by inland waterway.

General Country Information

Country Indicators

Demographic and economic data are shown below, with projections for the final two years.

Indicator	2016	2017	2018	2019	2020
Total population (mn)	94.57	95.54	96.49	97.43	98.36
Total GDP (USD mn)	205,276.17	223,779.89	244,901.10	258,988.46	284,293.91
Real GDP growth (%)	6.21	6.81	7.08	6.50	6.52
Inflation (%)	3.24	3.52	3.54	3.01	3.75

Source: IMF and I.H.S Markit

History

Early History

11th c	The Ly dynasty, the first significant independent Vietnamese dynasty, was established. Dykes, canals and roads were built and agriculture was developed throughout the country.
1788	The Vietnamese kingdom collapsed following a peasants' revolt.
19th c	France assumed control first over the southern part of the country, which became a French colony in 1867, then over central and north Vietnam, which became a protectorate in 1887.

20th/21st Century

1941	The Revolutionary League for the Independence of Vietnam (Viet Minh) was formed by nationalists under Ho Chi Minh's leadership in response to the Japanese invasion of the country during World War 2.
1945	Ho Chi Minh proclaimed an independent Democratic Republic of Vietnam but France refused to relinquish control, leading to a protracted war between the French and nationalist forces.
1954	The French were defeated at Dien Bien Phu. The *Geneva Agreements* which ended the war divided the country into north and south. US-backed Ngo Dinh Diem assumed power in the south while Ho Chi Minh retained power in the north.
1959	The North Vietnamese-backed National Front for the Liberation of South Vietnam (Viet Cong) was formed to oppose Diem.
1963	Diem was assassinated in a generals' coup as violence escalated and the US committed troops to support the south.
1968	North Vietnamese troops launched the Tet (New Year) offensive which, though a military defeat, shook the American public by its display of strength. It proved a turning point in the conflict. Peace talks began in Paris.
1973	The *Paris Peace Agreement* was signed which provided for the complete withdrawal of US troops. Fighting between the north and south continued for two more years.
1975	Without US support southern resistance crumbled and Saigon fell on the 30 April, ending the 30-year war for Vietnam's liberation and unification.
1976	The National Assembly (Quoc Hoi) formally proclaimed the country's reunification under the name of the Socialist Republic of Vietnam. Hanoi was designated the capital city and Saigon renamed Ho Chi Minh City.

1979	Vietnamese forces toppled the Pol Pot regime in neighbouring Cambodia. China, the chief supporter of Pot's regime, invaded Vietnam sparking a brief but bloody border war. Vietnam suffered more losses but China was forced to withdraw and both sides claimed victory.
1986	The sixth Communist Party Congress embarked on "doi moi", a bold series of economic reforms, in an effort to encourage foreign investment, reduce central control with more autonomy given to state enterprises, and implement more flexible financial and fiscal policies.
1992	Vietnam adopted a new constitution that reaffirmed the central role of the Communist Party but stipulated that the party be subject to the law. The constitution continued to advocate state domination of the economy but acknowledged the importance of foreign investment.
1993	Relations with the People's Republic of China were normalised.
1994	The US lifted its 19-year economic embargo on the country.
1995	Diplomatic relations with the US were normalised and the country became a member of the Association of South-East Asian Nations (ASEAN) and an observer at the WTO.
1996	The eighth Communist Party Congress elected a new 170-member Central Committee and Politburo. The economic policy of "doi moi" received widespread approval.
1997	Progress was made in settling territorial disputes over the Gulf of Tonkin and the land border with China. The first US ambassador since 1975 arrived to establish an embassy in the country.
2000	In November US President Bill Clinton became the first sitting US head of state to visit Vietnam since the war ended and relations were normalised. A bilateral trade agreement between Vietnam and the US was signed and ratified by both governments in late 2001.
2002	National Assembly elections in May resulted in the election of 498 deputies, 90% of whom were Communist Party members.
2004	In December the first US commercial flight since the end of the Vietnam war touched down in Ho Chi Minh City.
2006	In June the prime minister, president and National Assembly chairman were replaced by younger leaders.
2007	In January after 12 years of talks Vietnam became the 150th member of the WTO.
	In July Nguyen Tan Dung was re-appointed prime minister.
2011	In January Nguyen Tan Dung was re-appointed prime minister and Trong Tan Sang was appointed president.
2012	In November the government introduced annual votes of confidence for the prime minister and the president.
2013	Online discussion of current affairs was banned from August.
2016	In January the party congress endorsed Nguyen Xuan Phuc for prime minister, Tran Dai Quang for president and Nguyen Phu the incumbent, for party secretary. The trio were confirmed in office in April.
	A pollution leak from the Formosa Ha Tinh Steel Corporation plant in the central Quang Binh province damaged fishing and tourism along over 350km of coastline and forced the steelworks to close for over a year.
	In July, the UN Permanent Court of Arbitration dismissed Chinese claims to the South China Sea, in favour of the Philippines, which brought the case. The ruling has implications for other claimants in the area, including Vietnam.
2017	A series of typhoons and heavy rains from September to November killed at least 164 people and caused damage worth over USD 2bn (VMD 46trn).

General Country Information

Geographic Description

Country Name
The Socialist Republic of Vietnam.

Frontiers and Coastline
Vietnam is bounded by the South China Sea to the east, Laos and Cambodia to the west and China to the north. Long and narrow, the country stretches 1,025 miles (1,650 km) from north to south.

Land Area
The land area is 127,246 sq miles (329,565 sq km). Vietnam forms part of the Indo-China peninsula in south-east Asia.

Administration
Vietnam is divided into 63 provinces and five municipalities - Can Tho, Danang, Hanoi, Haiphong and Ho Chi Minh City. The provinces and municipalities all have equal status and report directly to the central government. They are subdivided into districts, towns and villages which are placed under the authority of the locally elected People's Councils which in turn elect People's Committees, who continue to have considerable autonomy in the daily administration and management of local resources and activities.

Topography
The country can be divided into three regions: North Vietnam, Central Vietnam and South Vietnam. North Vietnam is mountainous, especially in the north and north-west, while the lowlands consist of the Red River Delta and the coastal plains. Central Vietnam is divided into a narrow coastal strip, a broad plateau and the Annamite Mountain Chain which separates the plateau from the coastal lowlands. South Vietnam includes the Mekong river system and is low, marshy and flat land while, further north and east, forests and rugged terrain dominate the landscape.

The principal river systems are the Red River in the north and the Mekong River in the south. There are three large lakes: the Ba-Be, HoTay and Hoan-Kiem.

The highest point is Fan Si Pan at 10,320 feet (3,144 metres).

Climate
The climate ranges from tropical in the south to subtropical in the north. Both north and south are affected by monsoons. North Vietnam has a hot and humid wet season from mid-May to mid-September, and a warm and humid dry season from mid-October to mid-March with two short transition periods.

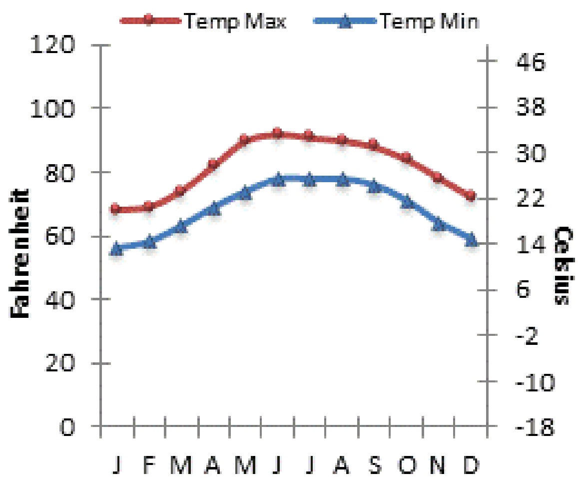
In the south the seasons come later and in Central Vietnam rainfall is heaviest between September and January when the coast is subject to tropical storms.

Average annual precipitation in Hanoi is 72 inches (1,830 millimetres) with areas in the Annamite Mountains exceeding 160 inches (4,060 mm). Average temperature ranges in Hanoi are from 63ºF (17ºC) in January to 84ºF (29ºC) in June.

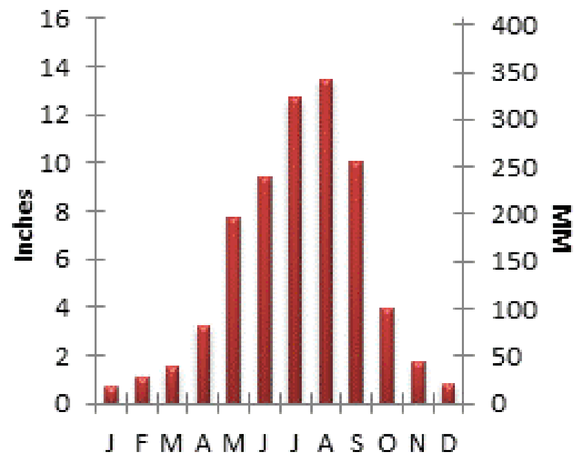
In the south the climate is tropical with average temperatures ranging between 77ºF and 86ºF (25ºC and 30ºC) throughout the year. The dry season runs from November to April and the wet season from May to October. April and May are particularly hot with temperatures reaching an average 95ºF (35ºC).

Average temperatures and rainfall for Hanoi, 21º 02'N, 105º 52'E at an altitude of 68 ft (21 m) and Ho Chi Minh City, 10°45'N, 106°40E, at an altitude of 13 ft (4 m) are shown in the graph below.

Hanoi

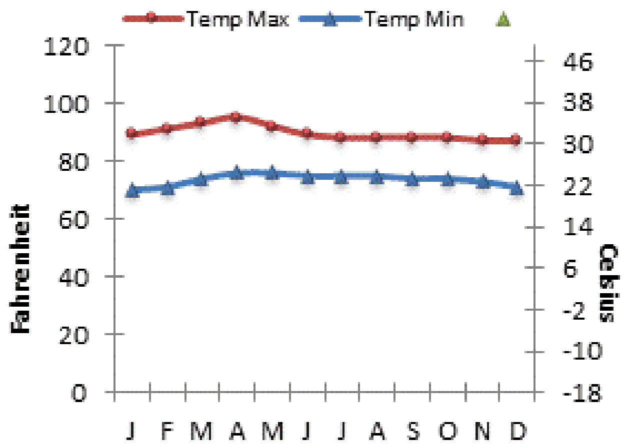


Maximum recorded temperature 109°F/43°C, lowest recorded 42°F/6°C based on readings for 33 years

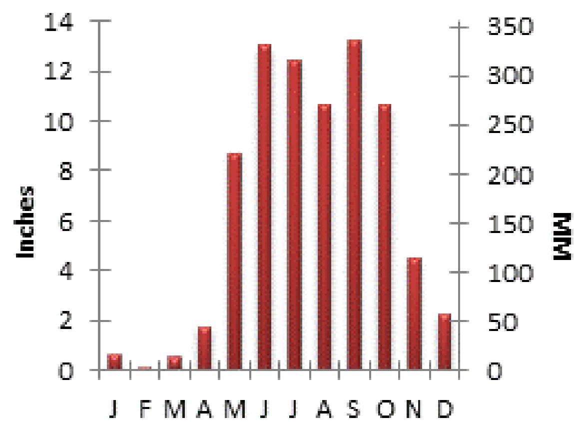


Ho Chi Minh City

General Country Information



Maximum recorded temperature 104°F/40°C, lowest recorded 57°F/14°C based on readings for 31 years



Population and Demographic Trends

Population

The population was estimated to have reached 96.49 million in 2018, trending above national estimates.

The last census was held in 2019. The preliminary results reported that the population totalled 96.21 million in April. According to the report, 34.4% lived in urban areas and 65.6% in rural areas.

Vietnam has 54 ethnic groups. The largest is the Viet (Kinh), an estimated 88% of the population. The Tay, Thai, Hoa and Khmer each have a population of approximately one million, with small ethnic groups making up the remainder.

Total population figures are shown below.

Year	Population (mn)
2018	96.49
2017	95.54
2016	94.57
2010	88.47
2000	80.29
1990	68.21
1980	54.37
1970	43.41
1960	32.67

Source: United Nations

Projected total population figures are shown below.

Year	Population (mn)
2050	114.63
2040	111.23
2030	106.28
2020	98.36

Source: United Nations

Birth and death rates per '000 are shown below.

Year	Birth rate	Death rate	Rate of natural increase
2015 to 2020	16.2	5.8	10.4
2010 to 2015	17.4	5.8	11.6
2005 to 2010	17.3	5.6	11.7
2000 to 2005	16.9	5.5	11.4
1995 to 2000	19.3	5.6	13.6
1990 to 1995	26.7	6.1	20.6
1985 to 1990	29.8	6.6	23.2
1980 to 1985	31.4	7.2	24.3
1975 to 1980	32.9	7.8	25.0

Source: United Nations

Infant mortality rates per '000 live births are shown below.

Year	Infant mortality rate
2015 to 2020	16.6
2010 to 2015	19.3
2005 to 2010	22.2
2000 to 2005	25.3
1995 to 2000	29.0
1990 to 1995	33.7
1985 to 1990	37.1
1980 to 1985	41.2
1975 to 1980	45.6

Source: United Nations

The age structure of the population is shown below, with projections for 2025 and 2050.

Age group	1970	1980	1990	2000	2010	2015	2025	2050
To 14 (%)	43.8	40.9	37.4	31.7	23.7	23.1	22.2	16.9
15 to 59 (%)	48.2	51.4	54.5	59.7	67.4	66.6	62.8	54.8
60 and above (%)	8.1	7.8	8.2	8.6	8.9	10.3	15.0	28.3

Note: due to rounding the breakdown above may not equal 100%.
Source: United Nations

The age structure of the population aged 65 and above and 80 and above is shown below, with projections for 2025 and 2050.

Age group	1970	1980	1990	2000	2010	2015	2025	2050
65 and above (%)	5.4	5.3	5.7	6.4	6.6	6.7	10.1	21.5
80 and above (%)	0.7	0.8	1.1	1.4	1.8	2.0	2.0	6.5

Source: United Nations

Life Expectancy

Life expectancy at birth is shown below.

Year	Males	Females
2015 to 2020	71.9	81.1
2010 to 2015	70.7	80.3
2005 to 2010	69.7	79.7
2000 to 2005	68.9	78.7
1995 to 2000	67.9	77.5
1990 to 1995	66.6	75.9
1985 to 1990	65.3	74.2
1980 to 1985	63.6	72.5
1975 to 1980	61.6	70.6

Source: United Nations

Life expectancy at various ages is shown below.

Present age	2015 to 2020	
	Males	Females
At Birth	71.9	81.1
5	68.6	77.7
10	63.7	72.8
20	54.2	63.0
30	45.0	53.2
40	36.1	43.6
50	27.5	34.2
60	19.9	25.3
70	13.3	17.3
80	8.4	10.8
90	5.1	6.2
100+	3.1	3.4

Source: United Nations

Major Causes of Death

The following table shows the leading estimated causes of death in 2016 (last available data).

Cause of death	Total
Cardiovascular diseases	31.40
Malignant neoplasms	18.64
External causes	11.30
Neurological conditions	6.57
Infectious and parasitic diseases	5.84
Respiratory diseases	5.58

Cause of death	Total
Digestive diseases	5.11
Diabetes mellitus	3.78
Genitourinary diseases	3.24
Respiratory infections	3.02
Other causes	5.52
Total	**100.00**

Source: United Nations

The information and tables shown above must be considered with caution in the context of local data collection as explained by the World Health Organisation (WHO) statistical publication, *WHO methods and data sources for country-level causes of death 2000-2016.* Much of the modelling used is based on the data for surrounding countries, as the WHO classifies Vietnamese death registration data as unavailable or unusable.

Language

Vietnamese is the official language. There are minor differences in the spoken language between the north, centre and south of the country. Foreign languages in regular use include Chinese, Japanese, French, Russian and English. English is used in the financial and commercial sectors.

Religion

Around 55% of the population are Buddhists. Religious minorities include Taoists, followers of Confucius and Christians.

Largest Cities

Capital

The following population figures are United Nations estimates for 2018.

Hanoi - population 4.28 million. Hanoi is the political and cultural capital but is second to Ho Chi Minh City in commerce. Noi Bai airport is 23 miles (38 km) from the city centre. Hanoi is situated in the north of the country on the Hong (Red) river.

Other Major Areas/Cities

Ho Chi Minh City - population 8.14 million. Ho Chi Minh City, formerly known as Saigon, is the commercial and industrial centre of Vietnam. Tan Son Nhat airport is a few kilometres from the city centre. Saigon sea port is the biggest in Vietnam. The city is situated in the south of the country on the Mekong River.

Can Tho City - population 1.44 million. Situated in the Mekong Delta, the principal agricultural region of Vietnam, the city is an industrial hub. The city has an international airport.

Hai Phong City - population 1.29 million. Hai Phong City is a major sea port close to the Gulf of Tonkin and 63 miles (102 km) from Hanoi. It has a domestic airport and ranks third in terms of the destinations for foreign investment.

Da Nang City - population 1.06 million. Da Nang City has a modern sea and airport and is an entry point for central Vietnam. It is an important industrial centre.

Politics and the Economy

Government Structure

Constitution

The current constitution was promulgated in 1980 and provides for elected institutions such as the National Assembly and People's Councils while affirming the dominant role of the Communist Party in state and society. The constitution was amended in 1992 to reflect economic reforms undertaken in 1986 as well as the decision to reduce the role of the party in the governing process. Amendments in 2001 allowed elected members of the National Assembly to pass no-confidence motions and dismiss ministers, and further amendments tightened the party's monopoly on power in 2014, enshrining the army's allegiance to the party.

Executive/Legislature

Under the constitution, the head of state is the president, elected for a five-year term by the National Assembly from among its members. The president is advised by a National Defence and Security Council and is assisted by a cabinet composed of a prime minister, a deputy prime minister and other senior ministers. All ministers are appointed by and are accountable to the National Assembly.

The National Assembly is the highest organ of state power and passes legislation and amends the constitution. Deputies are elected for five years by all citizens over 18 years of age. The National Assembly holds two sessions each year to pass legislation proposed by the executive branch of the government.

There is a standing committee of the National Assembly, which is chaired by the president, and acts on its behalf at other times and supervises the enforcement of laws and the activities of the government. A member of the standing committee cannot be a member of the government.

Electoral System

The 493 members of the National Assembly are elected by universal suffrage of those over age 18 for five-year terms. The Communist Party of Vietnam (CPV) controls the approval process for candidates, and very few candidates not aligned to the CPV are permitted to stand. The last elections to the National Assembly were held in May 2016 and the next are due in May 2021.

The assembly appoints the president and the cabinet.

Local Government

Provinces and municipalities are subdivided into districts, towns and villages, which are placed under the authority of the locally elected People's Councils. These in turn elect People's Committees, who have considerable autonomy in the daily administration and management of local resources and activities.

Current Political Situation

Present Government

Vietnam has a unitary political system with a strong central government. The Communist Party of Vietnam (CPV), the sole legal party in the country, retains exclusive control of institutions.

In October 2018, Nguyen Phu Trong was elected as president following the death of the incumbent, Tran Dai Quang. Mr Trong continued to hold the post of general secretary of the CPV, to which he was appointed in 2011.

In 2016 Nguyen Xuan Phuc was named prime minister, succeeding Nguyen Tan Dung, who had served two terms.

The armed forces are represented at senior levels by a minister of defence in the cabinet and senior military officials frequently serve in the party central committee and politburo.

Political Situation

Vietnam is politically stable under one-party rule by the Communist Party of Vietnam (CPV). The general secretary of the CPV, Nguyen Phu Trong, consolidated his influence through an anti-corruption campaign after his tenure was renewed in 2016. Governance remains based on consensus within the party, supporting policy continuity and economic reforms to increase trade and foreign investment.

Conservatives inside the party are concerned that the economic reforms of the last two decades have proceeded too quickly and may provoke instability. The fast rate of industrial growth has led to a boom in the construction of factories, power plants and infrastructure improvements, but this has been accompanied by displacement of communities and a growing disparity in income between urban and rural areas. Efforts to privatise the State-Owned Enterprises (SOEs) that dominate many sectors of the economy face opposition from vested interests. In 2016, a more conservative faction aligned with Mr Trong consolidated its position, denying the outgoing prime minister, Nguyen Tan Dung, a promotion to the general secretary role over concerns that his populist style would disrupt the existing consensus. Mr Trong's signature policy initiative has been a package of anti-corruption measures that resulted in the conviction and expulsion of an unprecedented number of high-ranking CPV officials, many of whom were associated with Mr Dung.

Overt political opposition is banned, and the government has tightened controls on organised dissent by civil society groups in recent years. In addition to concerns regarding corruption, public opinion holds anti-Sino nationalism, land disputes and environmental complaints as rare acceptable provocations for protests, however. In January 2019, a cybersecurity law came into force that empowered the government to order the removal of online content and access users' information. Access to social media had previously provided an outlet for public outrage and organisation, and the law attracted localised protests and public objections to the regulations by some CPV figures. However, in practice the government remains responsive only to public concerns that it does not perceive as a threat to the party's monopoly on power, and will seek to further constrain online expression. In contrast, the government postponed a bill establishing new special economic zones after the draft's provisions prompted demonstrations against Chinese investment in six cities in June 2018.

The party leadership is conscious that failures to maintain economic growth, expand public services and combat corruption would represent potential challenges to its legitimacy. The prime minister, Nguyen Xuan Phuc, has overseen an acceleration of efforts to reform and privatise SOEs. The government plans to sell stakes in 103 companies by 2020, raising approximately USD 11bn (VND 254trn). The proceeds are designated for maintaining the pace of infrastructure development without breaching the country's debt limit of 65% of GDP, and provide impetus for the companies to increase their competitiveness as Vietnamese markets are increasingly exposed by the multiple Free Trade Agreements signed in recent years. Analysts consider the full implementation of the programme unlikely, in part due to regulatory uncertainty and the deterrent effect of the politicised judicial system. Further efforts to improve protections for investors and the buoyancy of the economy provide incentives for privatisations of consumer-facing companies, however.

The SOE reforms are increasingly integrated into the CPV's broader anticorruption campaign. Current and former SOE executives and local party officials were charged with corruption-related offences and removed from office. The most prominent of these was Din La Thang, a former Chairman of PetroVietnam, party secretary for Ho Chi Minh City and politburo member, who was sentenced to 18 years in prison in March 2018. In addition to selectively purging or side-lining other figures linked to Nguyen Tan Dung, the CPV leadership has sought to discourage the corruption and internal opposition that has contributed to the programme's slow progress in recent years. In May 2018, the CPV adopted personnel regulations aimed at consolidating central control over party officials. The measures, which include reducing the size of the public sector, subjecting officials to greater oversight and limiting promotion to the CPV's Central Committee to a pool of "strategic cadres", are likely intended to disrupt local patronage networks. Vietnam continues to trail most of its ASEAN peers in international indices, however; Transparency International ranked Vietnam 117th out of 180 countries in its Corruption Perception Index in 2018.

Despite on-going social problems, the CPV continues to operate on consensus and is expected to maintain its dominant role for the foreseeable future. The pursuit of economic reforms remains a policy priority, as the government seeks to capitalise on favourable external conditions and maintain foreign investment to sustain record growth rates. In the medium term, the 2021 party congress is expected to mark a generational change in leadership. Nguyen Phu Trong is scheduled to step down as chairman at the meeting, while figures who joined the CPV after Vietnam's unification stand to begin replacing the aging revolutionary cohort in a managed process. In October 2018, the assumption of the presidency by Mr Trong following the death of its incumbent confirmed the secure position of the general secretary and aligned figures in the short term. However, more intense competition among party elites seeking positions and influence before the congress may be triggered by Mr Trong's ill health, which was confirmed by his hospitalisation in mid-2019.

International Relations

Vietnam maintains diplomatic relations with major powers, including important ties to Russia and China. The Sino-Vietnamese relationship is periodically strained by territorial disputes and economic resources in the South China Sea, prompting it to deepen ties with the US, India and fellow members of the Association of South East Asian Nations (ASEAN). Trade liberalisation is another focus, supporting the country's trade and Foreign Direct Investment (FDI) driven growth model. Vietnam is a signatory to a series of Free Trade Agreements (FTAs), and is a member of ASEAN Economic Community (AEC).

China is Vietnam's largest trade partner, but despite their governments' shared communist ideology, the countries' relations have historically been characterised by division and antagonism that spilled into a border war in 1979. Despite normalised relations and deeper economic ties, the two countries' competing claims to sovereignty over the Spratly and Paracel Islands in the South China Sea present a source of conflict. The area around these islands holds large deposits of oil and gas, rich but dwindling fish stocks and is a key shipping route. China has sought bilateral negotiations with individual claimants, while building permanent civilian-military facilities on reclaimed land on the Paracel Islands. In 2016, China rejected the ruling of UN Permanent Court of Arbitration that dismissed Chinese claims in favour of the Philippines.

Offshore energy development is particularly contentious. Despite Vietnam's more forceful position compared to other claimants in the South China Sea, it has occasionally moderated its stance to avoid confrontation with China. Diplomatic pressure from China prompted Vietnam to order the suspension of two offshore exploration projects in disputed waters in 2017 and 2018. A Chinese geological survey of contested waters and the harassment of Vietnamese drilling operations by the Chinese Coast Guard sparked protests outside China's embassy in Hanoi in mid-2019. Disputes over the islands are expected to continue, prompting Vietnam to increase defence spending as it seeks to strike an assertive posture without damaging bilateral investment and trade. Despite its efforts to establish a formal code of conduct through ASEAN, Vietnam will continue to seek diplomatic conciliation with China, given the latter's outsized role in Vietnam's export and tourism sectors and disproportionate military advantage.

The relationship between Vietnam and the US suffered in the two decades following the end of the Vietnam War but has improved since 2000. Economic ties have deepened as US investment has poured into the country. The US is Vietnam's largest export partner, accounting for over 21% of exports, and over 40% of exports from the vital garment sector. Military ties have also expanded rapidly, although Vietnam continues to rely on Russian armament imports despite the end of a US embargo in 2016. Vietnam sees the US as a useful counterbalance to Chinese influence in the region and received US presidents Barack Obama and Donald Trump for state visits in 2016 and 2017. Hanoi also hosted a summit between the US and North Korea in February 2019. The US shares Vietnamese concerns over Chinese territorial ambitions in the South China Sea, and signalled its support when a US aircraft carrier group made a port call in Danang in March 2018. However, the US is unlikely to intervene on behalf of Vietnam in response to Chinese actions, and placed tariffs on some reprocessed Vietnamese steel products in July 2019. Vietnam's heightened trade surplus with the US also risks the imposition of further tariffs.

Vietnam is expected to continue its pursuit of FTAs and to negotiate financial services and investment agreements. Vietnam agreed FTAs with the EU and the Eurasian Economic Union (EEU) in 2015. The ratification of the EU deal, which would eliminate over 99% of customs duties, was delayed by a European legal challenge and EU concerns over working conditions and labour rights. Although Vietnam's legislature was due to pass a new Labour Code to address concerns, EU parliamentarians may continue to block ratification following its scheduled passage in November 2019. Vietnam is a member of the Asian Economic Community (AEC) between ASEAN members, which took effect from 31 December 2015. Vietnam and other members are scheduled to eliminate almost all tariffs within the AEC and allow financial institutions to establish themselves throughout the bloc by the end of 2018. The AEC was expected to gradually increase the economic clout of the region relative to the US and China while further liberalising trade.

In place of the US-led Trans-Pacific Partnership (TPP) trade agreement, the Comprehensive and Progressive agreement for Trans-Pacific Partnership (CPTPP) was agreed with Japan, Canada, Peru, Chile, Mexico, Australia and three other south-east Asian economies in November 2017. Though more limited in scope and size without the US, the CPTTP was due to remove tariffs on 95% of goods traded among its member states, who account for 13.6% of global GDP. Vietnam ratified the agreement, which came into force in January 2019. The agreement is likely to support continued foreign investment flows from Asian companies seeking to avoid the trade war between the US and China and increasing wages in the Chinese manufacturing sector.

Inter-governmental links with Cambodia remain warm, as the country's prime minister, Hun Sen, was a member of the government installed by Vietnam in 1979. The countries also cooperate on defence, holding joint naval patrols, although low-level disputes over border demarcation remain outstanding. The country's garment manufacturing sector competes with Vietnam's, although Cambodia's minimum wage rates have increased rapidly in recent years. Vietnam's participation in the CPTPP could further expose the Cambodian sector.

Vietnam is a member of ASEAN, the World Trade Organisation (WTO), Asia-Pacific Economic Cooperation (APEC), the UN, the IMF, World Bank and the International Bank for Reconstruction and Development (IBRD) and other international organisations.

Economy

Economic Performance

The economy is dependent on agriculture, as nearly 50% of the country's labour force is working in related industries. As the economy has gradually opened to foreign investors and gained access to global markets, manufacturing for export has grown to rival the importance of agriculture. The sector has increasingly expanded from textiles and garment production into the electronics and technology sectors. Vietnam offers a comparatively inexpensive labour pool, positioning it to benefit from the relocation of manufacturing from China. Development remains limited hampered by inadequate infrastructure, inefficient state-run companies and low human capital. Foreign Direct Investment (FDI) averaged 5.7% of GDP annually from 2013 through 2017.

Investment in deep-water ports is due to enable Vietnam to capitalise on its geographical position between south-east Asia and China to develop further as an exporter and trans-shipment hub. Demands on infrastructure have grown due to rapid growth in manufacturing exports in recent years. In the first half of 2019, industrial production, manufacturing exports and FDI exceeded expectations despite global trade tensions and weaker global and regional demand. The service sector also strengthened, supported by record international tourist arrivals and domestic consumption.

The government's economic strategy for 2013 through 2020 outlines a comprehensive restructuring of the finance sector and accelerated sales of shares in public companies, which accounted for approximately one third of the economy in 2016 (last available data). Initial plans announced in 2014 to sell stakes in 532 State-Owned Enterprises (SOEs) proved overambitious, as many sales were postponed or cancelled, with investors facing arduous bureaucratic requirements for submitting bids. Following measures to strengthen the business environment and reform SOEs, 103 companies were scheduled for partial privatisation, known locally as equitisation, aiming to raise approximately USD 11bn (VND 252trn) by 2020. Although 54% of Sabeco, a beer manufacturer, was sold for USD 4.8bn (VND 110.7trn) in 2017, other listings were delayed or cancelled due to a lack of investor interest. Majority stakes in energy, shipbuilding, telecoms and tourism SOEs were scheduled to be sold. The authorities are keen to provide impetus to increase their competitiveness, as they are increasingly exposed by the multiple Free Trade Agreements (FTAs) signed in recent years.

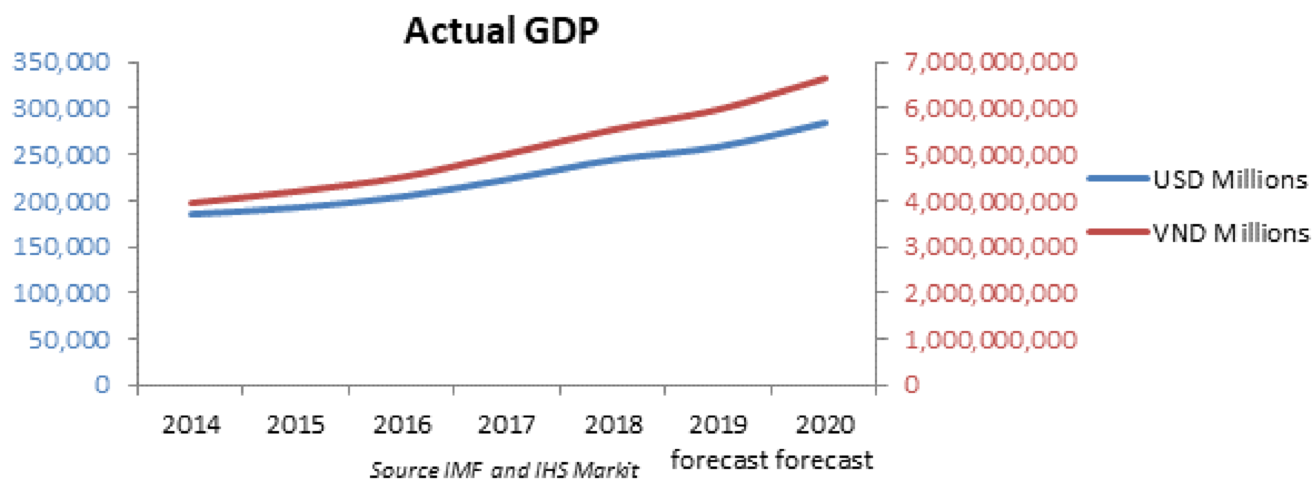
The government has pursued gradual fiscal consolidation in order to prevent a breach of the statutory debt limit of 65% of GDP, largely by cutting recurrent expenditure and public investment and reducing growth in guarantees to SOEs. In 2018, stronger revenues supported a reduction of the deficit to 4.8% of GDP, although privatisations have advanced slower than expected and are unlikely to meet projected targets to sustain fiscal targets alone in the medium term.

Real GDP growth was projected to expand by 6.50% in 2019 and 6.52% in 2019, benefiting from resilient industrial production and FDI despite tighter credit and subdued external demand. Meanwhile, inflation was expected to total 3.01% in 2019 and 3.75% in 2020, reflecting limited upward pressure from stronger domestic demand and increased government fees for public services. A severe global slowdown would pose downside risks to the forecast given the elevated trade to GDP ratio of 187.5% in 2018.

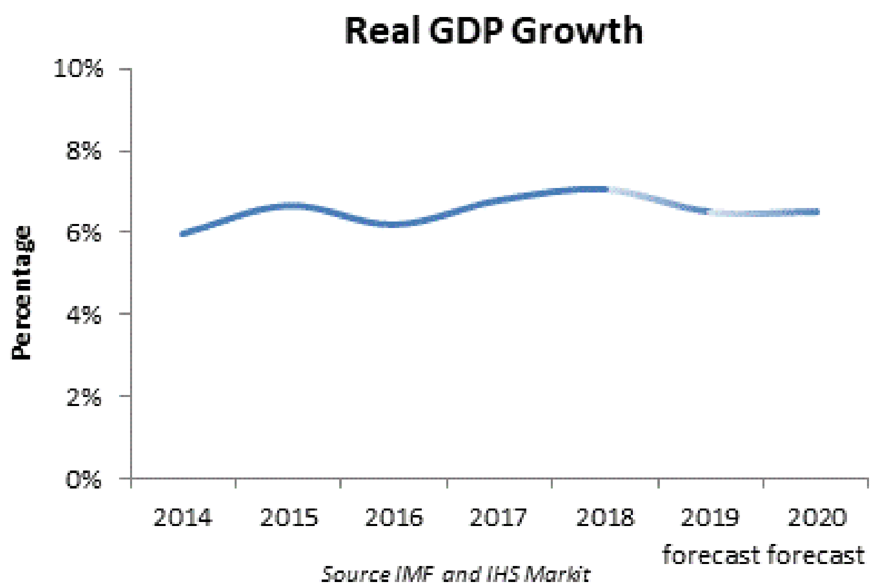
In April 2019, S & P Global Ratings reported that Vietnam's sovereign debt was rated "BB" with a stable outlook.

Gross Domestic Product

Total GDP figures are shown below in local currency and US dollars (USD) converted at the average annual rate of exchange.



Growth in real GDP in local currency is shown below.



The main contributors to GDP are shown below.

Industry	2017
	Percentage of total
Services	45.49
Manufacturing	30.13
Agriculture	18.14
Industry	6.24
Total	**100.00**

Source: Axco Global Statistics / Industry Associations and Regulatory Bodies

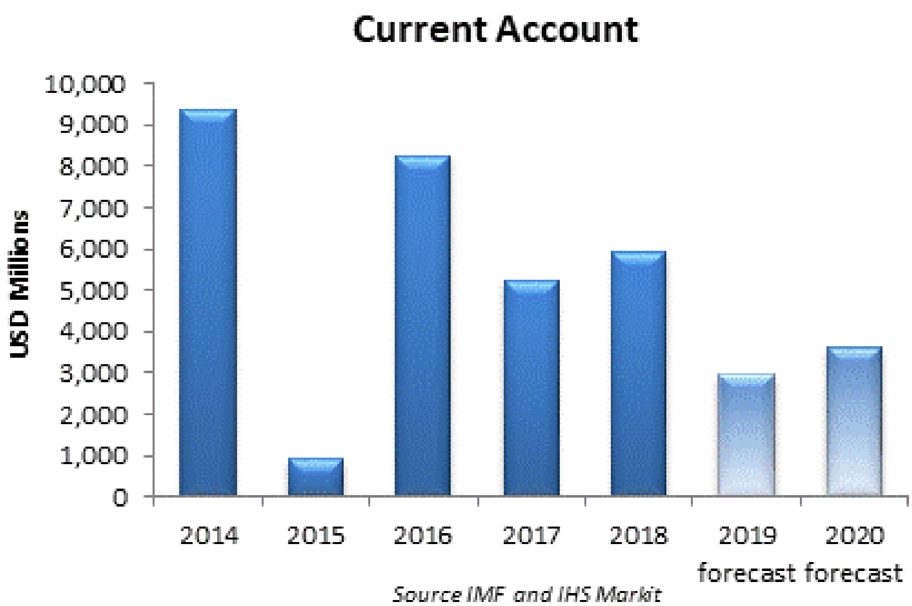
GDP per capita in US dollars (USD) and in comparable economies is shown below.

Country	2018
	GDP per capita
Singapore	62,348.34
Malaysia	11,058.72
Thailand	6,563.77
Indonesia	3,905.42
Vietnam	**2,538.07**

Source: Axco Global Statistics / Industry Associations and Regulatory Bodies

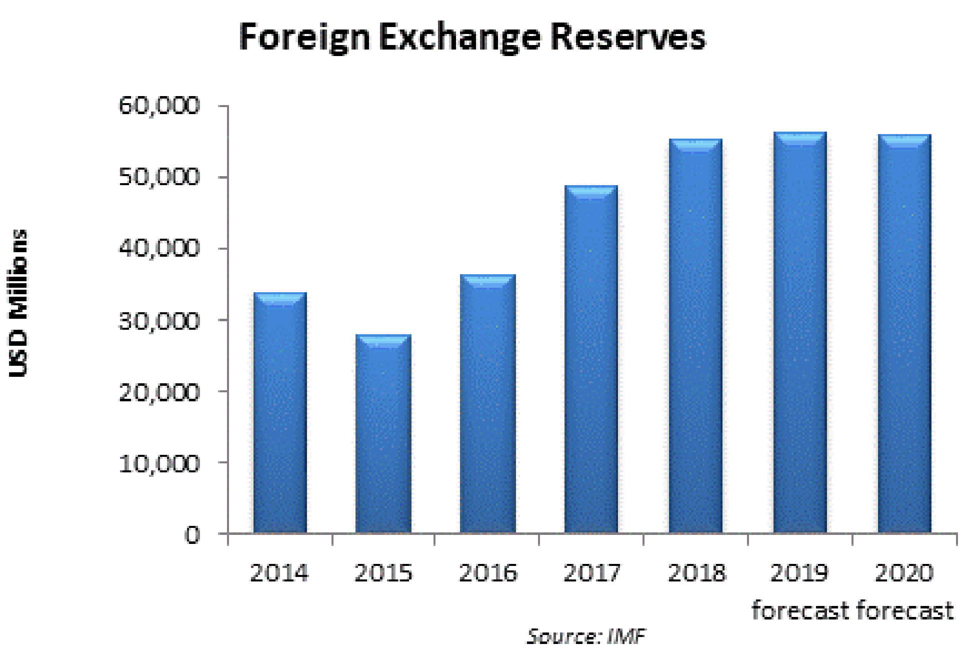
Current Account Balance

The current account balance in US dollars (USD) is shown below.



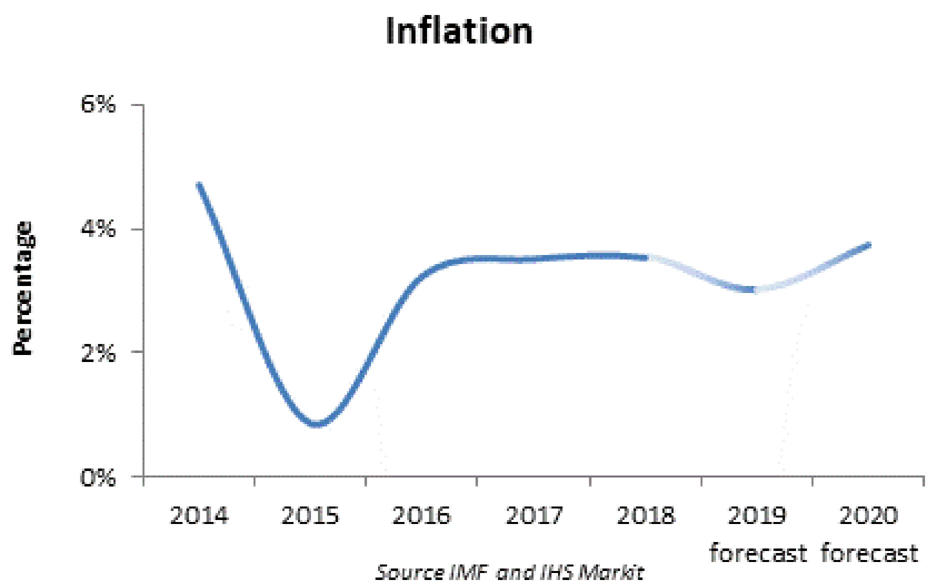
Foreign Exchange Reserves

Foreign exchange reserves, excluding gold, are quoted in US dollars (USD) below.



Inflation

Annual consumer price inflation is shown below.



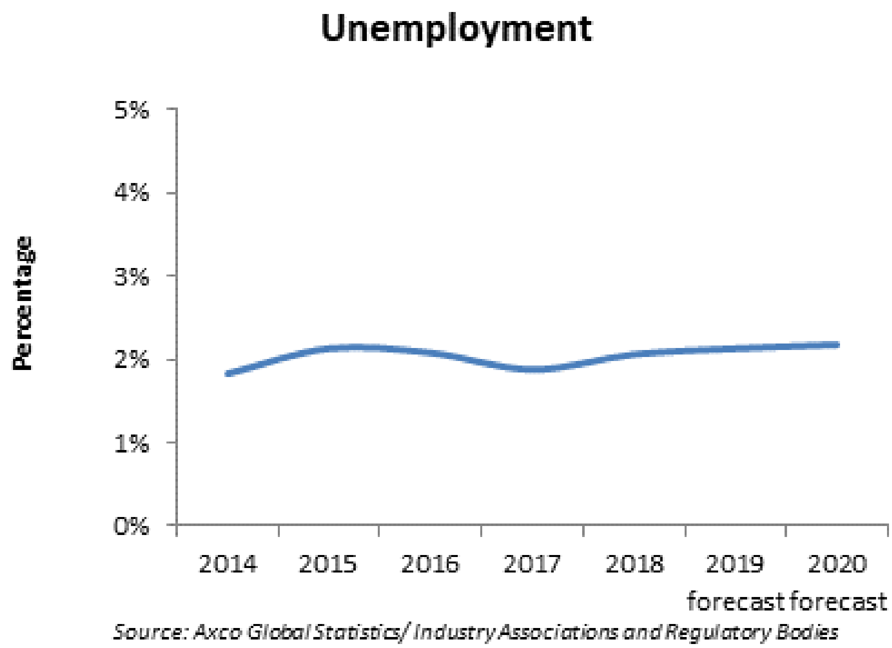
Interest Rates

Investment type	2014	2015	2016	2017	2018
Deposit Rate	4.92	4.68	4.80	4.78	n/a
Lending Rate	8.67	7.12	6.96	7.07	7.40
Treasury Bill Rate	5.09	4.23	n/a	n/a	n/a

Source: IMF

Employment

The percentage of the labour force that is unemployed is shown below.



According to national statistics, the labour force totalled 55.1 million in the first quarter of 2018. The labour force participation rate was 76.7%. The unemployment rate fell slightly to 2.01%, in line with external estimates.

Employment by industry in the first quarter of 2018 is shown below.

Industry	% of total
Agriculture, forestry and fishing	38.56
Manufacturing	18.01
Trade and repair	13.16
Construction	7.71
Accommodation and catering	4.82
Education	3.81
Transportation and storage	3.28
Public administration, defence and compulsory social security	3.05
Other services	1.74
Healthcare and social work	1.08
Financial intermediation	0.82
Administration and support	0.65
Information and communication	0.55
Professional, scientific and technical services	0.55
Arts, entertainment and recreation	0.53
Real estate	0.44
Domestic employment	0.37
Utilities	0.33
Mining and quarrying	0.30
Water supply and sanitation	0.25
Total	**100.00**

Source: Axco Global Statistics / Industry Associations and Regulatory Bodies

Earnings

Minimum wage rates vary by region and are determined annually by the National Wage Council, formed of the government, the Vietnam General Confederation of Labour (VGCL) union and the Vietnam Chamber of Commerce and Industry (VCCI).

Minimum wages in 2019 are shown in the table below.

Category	VND '000	USD
Category 1 - inner districts of Hanoi and Ho Chi Minh City	4,180	181.31
Category 2 - other districts of Hanoi and Ho Chi Minh City and other major economic zones.	3,710	160.92
Category 3 - areas with lower growth projections	3,250	140.97
Category 4 - areas with the lowest growth projections	2,920	126.66

Source: Axco Global Statistics / Industry Associations and Regulatory Bodies

Monthly earnings for salaried workers averaged VND 5.8mn (USD 251.06) in the first quarter of 2018.

Average gross monthly earnings for salaried workers by industry in the first quarter of 2018 are shown below.

Industry	Gross monthly earnings	
	VND '000	USD
Services	5,793	251.28
Industry and construction	5,527	239.74
Average	**5,433**	**235.66**
Agriculture, forestry and fishing	2,862	124.14

Source: Axco Global Statistics / Industry Associations and Regulatory Bodies

In 2016 (last available data) the UN reported that 2.0% of Cambodia's population lived on less than USD 1.90, at purchasing power parity (PPP), per day. The percentage of those earning under USD 1.90 at PPP per day, in other regional economies, is shown below.

Country	Percentage
Laos	22.7
Myanmar	6.2
Cambodia	2.2
Vietnam	**2.0**

Source: Axco Global Statistics/Industry Associations and Regulatory Bodies

Key Industries

Manufacturing

Manufacturing contributed 18.0% of employment in the first quarter of 2018 and 14.8% of GDP in 2015 (last available information). Heavy industry is concentrated in the north and light industry in the south, where Ho Chi Minh City is the country's major manufacturing hub. Since the global financial crisis, foreign investment inflows have supported the emergence of a competitive electronics manufacturing sector, reflecting a broader shift towards higher value-added products for export. Other growth sectors include oil and gas, steel, chemicals, cement, garments, footwear and printing. The sector has benefitted from a large and growing labour force which has proved attractive for companies relocating from China, where industry is increasingly subject to US tariffs and higher wages.

Agriculture and fisheries

Vietnam is the world's third largest exporter of rice. Of all cultivated land, 85% is devoted to paddy production. The country is also the second largest coffee exporter in the world. Other crops include maize, sweet potato, cassava, sugar cane, soya beans, rubber, peanuts, coconut and tea. Livestock is raised in some areas. Vietnam also produces both saltwater and freshwater fish products and has an aquaculture industry in the Mekong delta.

Agriculture and related industries accounted for 38.5% of employment in 2018 and 15.5% of GDP in 2015 (last available information). Agricultural production has benefitted from heavy public investment in irrigation, which represents approximately 70% of spending on the sector. While this has encouraged growth in rice production, contributing to food security and poverty reduction in rural areas, the sector remains exposed to adverse weather, including a severe drought in 2016 and damaging flooding during the 2017 typhoon season. The sector also faces labour challenges as younger rural workers increasingly migrate to manufacturing jobs in expanding cities. According to official figures, the US overtook China as the leading importer of Vietnamese agricultural products in the first half of 2019.

Energy

Vietnam's long continental shelf holds oil deposits, while others are believed to exist in the Mekong delta. Proven offshore reserves were estimated to be in excess of 4.4bn barrels by the US Energy Information Administration (EIA) in 2018. Some of these reserves are disputed by China, and Vietnamese drilling operations were harassed by the Chinese Coast Guard during 2019. Because of insufficient refining capacity, however, the country remains dependent on imported petroleum products. Demand for electricity has expanded rapidly as a result of industrialisation, mass migration to the cities and rising living standards. Hydro-power projects are underway in the central and central highland regions, and for the use of natural gas in other power plants. Natural gas reserves were estimated at 24.7trn cubic ft in 2016 (last available data). Liquified Natural Gas (LNG) is scheduled to be imported through two new terminals by 2023. Vietnam became a net importer of coal to meet demand from new generation in 2015.

Mineral resources

Most of the country's abundant natural resources, especially its mineral deposits, remain untapped. Vietnam is believed to hold the third largest deposit of bauxite in the world, which is principally located in the Central Highlands. The industry represents approximately 0.3% of employment and an estimated 4.0% of GDP.

The government plans to sell up to 35% of the Vietnam National Coal and Minerals Group (Vinacomin) conglomerate by 2020. The company's holdings include two aluminium plants, copper and bauxite mines and coal-fired power plants. Concerns over profitability may dampen investor demand, however.

Tourism

Tourism is a rapidly growing industry, with arrivals and tourist receipts consistently recording double digit growth. According to the World Travel and Tourism Council, the sector directly contributed 6.0% of GDP and supported 2.5mn jobs in 2018. Vietnam recorded 15.5 million tourist arrivals that year, representing an annual increase of 19.9%. China is the sector's primary source of demand, providing 32.0% of visitors. Growth in Chinese has been largely uninterrupted by periodic bilateral tensions over maritime disputes.

Exports and Imports

Exports are shown below, with leading commodities reported as percentages of total exports and in US dollars (USD).

Commodity	2017	
	Percentage	USD mn
Telecommunication and sound recording apparatus	20.57	44,090.24
Articles of apparel & clothing accessories	13.45	28,829.82
Electrical machinery, apparatus and appliances	7.62	16,322.18
Footwear	7.00	15,002.48
Other	51.36	110,053.11
Total	**100.00**	**214,297.82**

Note: due to rounding some totals may not equal the breakdown above.
Source: Axco Global Statistics / Industry Associations and Regulatory Bodies

The most important export destinations are shown below.

Destination	2017	
	Percentage	USD mn
United States of America	20.12	43,117.99
China	14.46	30,977.88
Japan	7.94	17,011.74
South Korea	6.78	14,524.13
Other	50.71	108,666.08
Total	**100.00**	**214,297.82**

Note: due to rounding some totals may not equal the breakdown above.

Source: IMF

Imports are shown below, with leading commodities reported as percentages of total imports and in US dollars (USD).

Commodity	2017	
	Percentage	USD mn
Electrical machinery, apparatus and appliances	16.07	34,024.97
Telecommunication and sound recording apparatus	9.15	19,366.48
Textile yarn and related products	7.95	16,826.21
Iron and steel	5.99	12,684.67
Other	60.84	128,801.81
Total	**100.00**	**211,704.14**

Note: due to rounding some totals may not equal the breakdown above.

Source: Axco Global Statistics / Industry Associations and Regulatory Bodies

The most important sources of imports are shown below.

Source	2017	
	Percentage	USD mn
China	27.80	58,860.77
South Korea	22.05	46,675.29
Japan	8.45	17,886.70
Taiwan	6.04	12,779.94
Other	35.66	75,501.43
Total	**100.00**	**211,704.14**

Note: due to rounding some totals may not equal the breakdown above.

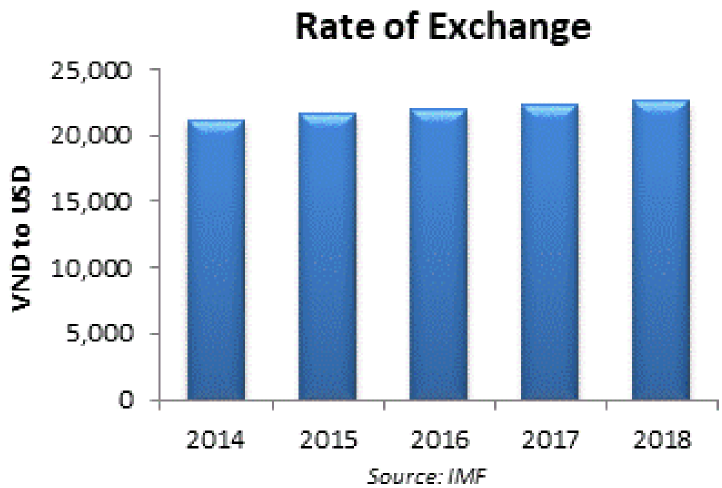
Source: IMF

Currency and Exchange Control

Currency and Exchange Rate

The local currency is the Vietnam dong (VND). It was devalued by the authorities 6 times between 2014 and January 2016, when the rate was set at VND 21,896: USD 1.

The average annual exchange rate against the US dollar (USD) is shown below.



The exchange rate when this report was in preparation has been used for all current conversions and is shown in the Key Facts section of this report. For previous years, the average annual rate for the year in question has been used.

Exchange Control

The Vietnamese dong is not a freely convertible currency. All goods and services in Vietnam must be transacted in VND.

The State Bank is the central bank, supervising monetary policy, setting interest rates and managing the exchange rate. The State Bank removed the cap on interest rates for dong loans from 1 June 2002 although the government still has a measure of control over market rates through state-owned commercial banks, which account for 80% of the banking sector.

Only authorised banks are allowed to buy and sell foreign currency. Foreign investors may transfer profits abroad but all VND must be converted into foreign currency in Vietnam for the transfer.

Foreign-invested companies have the right to purchase foreign currency to satisfy their requirements for current transactions, for capital transactions and for other approved transactions provided they are able to provide supporting documentation. The State Bank approval for purchases of foreign currency by foreign-invested companies is no longer required.

Insurers have no difficulty in acquiring hard currency for the settlement of reinsurance.

Legislation

Insurance Legislation

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Update April 2020

Decree No 80/2019/ND-CP came into effect on 1 November 2019. It contains the implementing regulations to *Law No 42/2019/QH14* on insurance auxiliary services.

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Legislative Overview

The *Law on Insurance Business No 24/2000/QH-10* of 9 December 2000, as amended by *Law No 61/2010/QH12* of 24 November 2010, is the current core insurance legislation in Vietnam. It repealed the 1993 *Decree No 100/CP*, the first insurance law issued after reunification.

Decree No 73/2016/ND-CP, in effect from 1 July 2016, amended the *Law on Insurance Business No 24/2000/QH-10* of 9 December 2000 and repealed and replaced four of its implementing regulations, while consolidating the rest in a single document. It accompanied new enterprise and investment laws which came into force simultaneously. The decree contained provisions on several aspects of (re)insurance, from rules on non-admitted insurance to operating requirements.

A major change in insurance market supervision strategy emerged when the prime minister issued *Decision No 242/QD-TTg* dated 28 February 2019 approving an insurance business restructuring plan up to 2025, based on proposals by the Ministry of Finance. According to the plan, insurance market supervision will be based upon a change in approach from a compliance-based model to a risk-based model by 2020, following the introduction of a new insurance law. The law aims to enhance transparency and corporate governance while modernising the market in line with international best practice.

Implementation of the plan is likely to significantly augment the use of actuarial services in all sectors of the non-life insurance market in order to support the transition to a risk-based supervision model. In this context *Law No 42/2019/QH14,* which amended the *Law on Insurance Business,* was passed in June 2019 and is due to come into force on 1 November 2019. This law addresses insurance auxiliary services, including actuarial services, for the first time.

The emergence of *Decision No 242/QD-TTg* and *Law No 42/2019/QH14* indicate clearly the government's intention to prepare the local insurance market for the implementation of the Association of Southeast Asian Nations (ASEAN) Trade in Services Agreement (ATISA).

Current Legislation

The main legislation and related items governing the insurance market are set out in chronological order in the table below.

Legislation	Effective Date	Purpose
Law on Insurance Business No 24/2000/QH-10 of 9 December 2000	1 April 2001	The core insurance legislation in Vietnam, governing the organisation and operation of insurance business.
Decree No 73/2016/ND-CP	1 July 2016	Amends the *Law on Insurance Business No 24/2000/QH-10*. Provisions include the establishment and operation of enterprises providing life insurance, non-life insurance, health insurance and reinsurance, branches of foreign non-life insurance enterprises (foreign branches), insurance broker enterprises, insurance agencies, providers of cross-border insurance services, representative offices of insurance enterprises and foreign insurance broker enterprises.
		In addition, the decree provides financial management regulations for insurance enterprises, foreign branches and insurance broker enterprises, and restated the regulations regarding the policyholders' protection fund originally established by *Law No 61/2010/QH12* of 24 November 2010.
Circular No 50/2017/TT-BTC dated 15 May 2017	1 July 2017	Contained numerous implementing regulations under *Decree No 73/2016/ND-CP* dealing with the conduct and regulatory oversight of insurance business transacted by licensed insurers, foreign branches and brokers. In particular the circular contains regulations relative to areas such as statutory returns, insolvency, reserving and reinsurance.

Supervision and Control

Legislative Process

Legislation in Vietnam is often developed by the ministry responsible, which for the insurance industry is the Ministry of Finance (MoF). It is then passed to the Ministry of Justice for review before it is submitted to the National Assembly for approval and finally for signature by the president, after which it is gazetted.

There is increasing consultation between the MoF and the Association of Vietnamese Insurers (AVI) before new insurance legislation is drafted and introduced. Some exchange of views with senior industry figures also occurs.

Statutory Tariffs

Most compulsory insurances (including motor third party liability - MTPL) are subject to statutory tariffs. All compulsory professional indemnity (PI) insurances are understood to be subject to statutory tariffs with the exception of:

- securities companies
- fund management companies
- independent auditors
- notaries.

Article 39 of *Decree No 73/2016/ND-CP*, effective from 1 July 2016, states that apart from compulsory insurances, vehicle and health insurance products, non-life insurers and branches of foreign insurers can formulate the rates of other non-life products at their own discretion.

Circular No 329/2016/TT-BC dated 16 December 2016 provided further guidelines in respect of mandatory construction insurances (contract works, professional indemnity and workers' compensation) as per *Decree No 119/2015/ND-CP* in respect of policy wordings and premium schedules related to compulsory insurance for construction activities for total contract values of less than VND 700bn (USD 30.39mn). Please see Compulsory Insurances (Supplementary Information) for further details.

Decree No 23/2018/ND-CP, published on 23 February 2018 which came into force on 15 April 2018, prescribes premium rates for mandatory fire and explosion insurance coverage for 19 categories of high-risk establishments with sums insured under VND 1trn (USD 43.41mn). Prescribed annual premium rates vary between 0.05% and 0.7% of the sum insured. Premium rates for establishments having a sum insured of VND 1trn (USD 43.41mn) or more (as well as nuclear facilities) must be individually negotiated and based on reinsurers' consent, where applicable.

Compulsory Insurances

List of Compulsory Insurances

- Motor third party liability.
- Workers' compensation (state scheme)

- Workers' compensation (private insurance) for construction workers on projects having an impact on the environment or public safety or with complex construction conditions.
- Aviation third party passenger liability insurance and the internationally recognised additional insurances for scheduled airlines.
- Professional indemnity (PI) for lawyers.
- PI for insurance brokers.
- PI for providers of insurance auxiliary services, including insurance consultancy services, insurance risk assessment services, actuarial services (described as insurance calculation), insurance loss assessment services and insurance indemnity settlement support.
- PI for architects.
- PI for engineers.
- PI for securities companies.
- PI for notaries public.
- PI for independent auditors.
- PI for fund management companies.
- PI for contractors supervising the execution of building works.
- PI for doctors and medical practitioners.
- PI for organisations and individuals performing tasks involving radiation.
- Fire and explosion insurance for 19 different types of high-risk industries.
- A guarantee covering construction tenders presented.
- Insurance for contractors and investors in certain construction works including those having an impact on the environment or public safety or with complex construction conditions.
- Transporters' liability in respect of passengers carried by inland waterway and inflammable/explosive substances carried by inland waterway.
- Shipowners' liability for marine oil pollution (financial guarantee or insurance).

Supplementary Information on Compulsory Insurances

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Update April 2020

Decree No 80/2019/ND-CP came into effect on 1 November 2019. It contained the implementing regulations to *Law No 42/2019/QH14* on insurance auxiliary services (which include insurance consultancy services, insurance risk assessment services, actuarial services, insurance loss assessment services and insurance indemnity settlement support). Under the decree, professional liability insurance is mandatory for local and cross-border providers of insurance auxiliary services.

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Article 5 of *Decree No 73/2016/ND-CP* states that:

- insurance companies and foreign insurer branches cannot refuse to provide compulsory insurance to buyers who meet the criteria of the law
- business entities and individuals required by the law to purchase compulsory insurance have the duty to do so.

According to *Circular No 22/2016/TT/BTC* dated 16 February 2016 the currently applicable minimum limits for motor third party insurance causing death, bodily injury and property damage are as follows:

- death and bodily injury resulting from a motor accident (all vehicles including two-wheelers, tricycles, motor bikes and the like) - VND 100mn (USD 4,341) per person, per occurrence
- property damage caused by two wheelers, tricycles, motor bikes and the like - VND 50mn (USD 2,170) per occurrence
- property damage caused by cars, tractors, vehicles for agricultural or forestry use, military vehicles used for national security and defence (including trailers and semi-trailers pulled by motor cars or tractors) - VND 100mn (USD 4,341) per occurrence.

The obligation to insure applies to "motor vehicle owners who join traffic in the territory of the Socialist Republic of Vietnam". Motor vehicle is defined as "an automobile, tractor, construction vehicle or machine, agricultural or forestry vehicle or machine or a special-type vehicle, which is used for security or defence purpose (including trailers and semi-trailers pulled by automobiles or tractors), two-wheeled motorcycle, three-wheeled motorcycle, motorbike or a similar motor vehicle (including motor vehicles for disabled people) which runs on road" (*Decree No 103/2008/ND-CP*). The law applies to all motorised vehicles and no exceptions are listed.

No specific limits of liability are imposed in respect of any of the various professions subject to compulsory professional indemnity (PI) insurance. The various laws and regulations imposing compulsory PI insurance are as follows:

- PI for lawyers - *Law on Insurance Business No 24/2000/QH-10* dated 9 December 2000
- PI for insurance brokers - *Law on Insurance Business No 24/2000/QH-10*
- PI for architects - *Law on Construction No 50/2014/QH-13* dated 18 June 2014
- PI for engineers - *Law on Construction No 50/2014/QH-13* dated 18 June 2014
- PI for securities companies - *Law on Securities No 70/2006/QH-11* dated 29 June 2006

- PI for notaries public - *Law on Notary No 53/2014/QH-13* dated 20 June 2014
- PI for independent auditors - *Law on Independent Audit No 67/2011/QH-12* dated 29 March 2011
- PI for fund management companies - *Circular 212/2012/TT-BTC* dated 5 December 2012
- PI for contractors supervising the execution of building works - *Decree 48/2010/ND-CP* dated 7 May 2010 *on Construction Contract*
- PI for doctors and medical practitioners - *Law on Medial Examination and Treatment No 40/2009/QH-12* dated 23 November 2009
- PI for organisations and individuals performing tasks involving radiation - *Circular 13/2012/TT-BTC* dated 7 February 2012
- PI for providers of insurance auxiliary services, including insurance consultancy services, insurance risk assessment services, actuarial services (described as insurance calculation), insurance loss assessment services and insurance indemnity settlement support - *Law No 42/2019/QH14* amending the *Law on Insurance Business*.

Decree No 23/2018/ND-CP regulating compulsory fire and explosion insurance for 19 categories of high-risk establishments, published on 23 February 2018, replaced *Decree No 130-2006-ND-CP* and *Decree No 35-2003-ND-CP* as from 15 April 2018. The 19 categories of establishment listed in the decree are divided into 26 sub-categories. The decree prescribes premium rates for such establishments with sums insured under VND 1trn (USD 43.41mn) as well as limits, deductibles and minimum sums insured.

Assets which must be covered by fire and explosion insurance under the decree include:

- housing, buildings and associated assets as well as machinery and equipment
- all types of goods and supplies including raw materials and finished/semi-finished products.

A full list of exclusions, including fire resulting from earthquakes or volcanic eruptions, is contained in *Decree No 23/2018/ND-CP.* The insurer and insured must agree specific exclusions for mandatory insurance of nuclear facilities based on reinsurers' agreement.

The insurance in respect of tenders is contained in *Decree No 111/2006/ND-CP,* which regulates the *Bidding Law No 61/2005/QH11* and the selection of contractors under the *Construction Law*.

Decree No 125/2005/ND-CP (dated July 2005) provided for a compulsory regime of civil liability insurance for those who deal with the transport of passengers or flammable or explosive cargoes by inland waterway. This decree authorises the regulator to promulgate regulations on insurance conditions, insurance premiums and minimum limits of indemnity in respect of its provisions related to civil liability. Inland waterways are defined as rivers, streams, docks, canals and lagoons as well as bays, coastal areas and islands within the territorial waters of Vietnam. Insurance certificates and policy wordings in respect of coverage provided for in the decree are as specified by the regulator. The decree provides in its appendices for a long list of statutory damages for death, blindness, untreatable psychosis and injuries giving rise to permanent disability, up to a maximum of VND 30mn (USD 1,302) per victim. The indemnity limits in respect of accidents caused by flammable or explosive cargoes vary by tonnage and use classification.

Under *Decree No 119/2015/ND-CP* (effective from 10 February 2016), insurance for contractors and investors in certain construction works became mandatory. Construction projects which must be insured include those having an impact on the environment or public safety and those with complex construction conditions. Mandatory covers for projects covered by the decree include damage to the construction works during the construction period. The minimum sum insured in respect of mandatory construction works insurance may not be less than the total value of the construction project, including additional or adjusted prices, if any. The insurance period is also specifically defined.

Circular No 329/2016/TT-BC dated 16 December 2016 provided further guidelines in respect of mandatory construction insurance as per *Decree No 119* in respect of policy wordings, premium schedules and the financial and reporting regimes related to compulsory insurance for construction activities. *Decree No 119/2015/ND-CP* and *Circular No 329/2016/TT-BC* relate to:

- investors and contractors (if the construction works insurance premium is included in the contract value)
- construction works consultants
- construction contractors
- non-life insurers, branches of foreign non-life insurers, ceding companies
- other relevant enterprises.

Also covered in *Circular No 329/2016/TT-BC* are mandatory insurance regulations (in respect of construction projects covered by *Decree No 119/2015/ND-CP* of 10 February 2016) related to:

- professional indemnity insurance for consultants providing expert advice on survey and design of grade II construction works or higher, (which specify, inter alia, the bases of minimum sums insured)
- regulations relating to mandatory workers' compensation for construction workers in respect of workplace accidents and industrial disease (up to VND 100mn (USD 4,341) per employee)
- regulations related to public liability insurance in respect of covered construction sites.

Vietnam has ratified the *International Convention on Civil Liability for Oil Pollution Damage 1969*, renewed in 1992 (amended in 2000) and referred to as the CLC Convention. There is an associated mandatory requirement to maintain "insurance or other financial guarantee" in respect of oil pollution. The treaty requires owners of ships carrying more than 2,000 tonnes of oil in cargo to maintain "insurance or other financial security" sufficient to cover the maximum liability for one oil spill. Further details can be found in the separate Axco report on International Agreements.

Changes in Legislation

Legislative Update

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Update April 2020

Decree No 80/2019/ND-CP came into effect on 1 November 2019. It contains the implementing regulations to *Law No 42/2019/QH14* on insurance auxiliary services (which include insurance consultancy services, insurance risk assessment services, actuarial services (described as insurance calculation), insurance loss assessment services and insurance indemnity settlement support). The decree regulates insurance auxiliary services provided locally as well as those provided by cross-border service providers.

Under the decree, insurers, branches of foreign insurers and brokers are only allowed to hire the services of foreign entities providing cross-border auxiliary services that meet the following criteria: are permitted to provide those same services according to the law of their home country, have been operating legally for at least 10 years, have a profitable business over the last three fiscal years and do not commit violations against the established regulations.

Financial penalties and even suspension of business activity may be imposed in the event of a breach or failure to comply with the legal framework.

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The prime minister issued *Decision No 242/QD-TTg* dated 28 February 2019 approving an insurance business restructuring plan up to 2025, based on proposals by the Ministry of Finance. The plan aims to strengthen the financial capacity of insurers and improve their competitiveness both regionally and locally. The plan's stated objectives for the insurance market are as follows:

- to achieve an average annual growth rate of total assets, total investment amounts, total operational reserves, total equity capital and total revenue of the insurance market of 20% by 2020 and 15% between 2021 and 2025
- to achieve an average ratio of insurance premium revenue to GDP of 3% by 2020, increasing to 3.5% by 2025

- to diversify insurance products and adopt modern technologies for all insurance business operations.

According to the plan, insurance market supervision will be based upon a change in approach from a compliance-based model to a risk-based model by 2020, following the introduction of a new insurance law. The law aims to enhance transparency and corporate governance while modernising the market in line with international best practice. Administrative procedures will be simplified and a uniform information data system will be developed for the entire insurance market in order to support supervision and control risk and fraud. Market players have been advised to take the plan into account when planning their business strategies.

Law No 42/2019/QH14 amending the *Law on Insurance Business* was passed in June 2019 and is due to come into force on 1 November 2019. This law addresses insurance auxiliary services for the first time. These include insurance consultancy services, insurance risk assessment services, actuarial services (described as insurance calculation), insurance loss assessment services and insurance indemnity settlement support. *Law No 42/2019/QH14* sets out regulations for the provision of these services, including rules of establishment, appointment of duly qualified personnel, maintenance of confidentiality of customer information and compulsory purchase of professional indemnity insurance appropriate to the regulated service(s). Insurance auxiliary service providers will be granted one year from 1 November 2019 to comply with the new regulations.

Projected Legislation

The prime minister issued *Decision No 242/QD-TTg* dated 28 February 2019 approving an insurance business restructuring plan up to 2025, based on proposals by the Ministry of Finance. In this context it is clear that a new insurance law will be developed, presented to parliament and brought into force by 2020. This law will, inter alia, introduce a risk-based regulatory regime in line with recognised international standards. It will enhance the responsibilities and activities of insurers in relation to their management of capital, risk and human resources and it will simplify administration procedures. It will also convert the Insurance Research and Training Centre of the Ministry of Finance into a new Insurance Development Institute with a remit of professional development, rating, reserving, and matters of policy for the Vietnamese insurance sector.

Supervision

Insurance Supervisory Authority

The Insurance Supervisory Authority Department (the regulator) of the Ministry of Finance (MOF) supervises the insurance market including insurance and reinsurance companies, agents and brokers.

Decision No 1313/QD-BTC of the Ministry of Finance dated 11 June 2014 is the latest regulation defining the functions, duties, power and organisational structure of the regulator. In summary the regulator is a unit of the Ministry of Finance and has the functions of advising and assisting the latter in relation to the performance of state management of insurance business nationwide, with the specific responsibility of directly managing and supervising insurance business and related services.

The current minister of finance is Dinh Tien Dung and the general director of the Insurance Supervisory Authority Department (ISA) is Phung Ngoc Khanh.

The Ministry of Finance is responsible for the supervision of all "banks, non-bank financial institutions and financial services" including the non-life insurance industry, and it considers all new insurance and insurance related licensing applications.

There is no levy to finance insurance regulatory activities which are financed by the state.

The prime minister issued *Decision No 242/QD-TTg* dated 28 February 2019 approving an insurance business restructuring plan up to 2025, based on proposals by the Ministry of Finance. The plan aims to strengthen the financial capacity of insurers and improve their competitiveness both regionally and locally. According to the plan, insurance market supervision will be based upon a change in approach from a compliance-based model to a risk-based model by 2020, following the introduction of a new insurance law.

Statutory Returns

The fiscal year runs from 1 January to 31 December and all companies are required to submit returns quarterly, six-monthly and annually. Monthly reports should be submitted within 15 days following the last day of the month, quarterly within 30 days following the end of the quarter and annual returns with 90 days following the year-end. Annual returns, which must be the subject of an independent audit, comprise:

- report on the operations of the company for the year
- balance sheet
- profit and loss account
- cash flow statements
- all other documents as required by the regulator to clarify the above documents.

In relation to insurers and branches of foreign insurers and brokers, regulations on accounting, audits, statistics and financial reporting are set out in *Decree No 73/2016/ND-CP*.

Decree No 73/2016/ND-CP also states that assessment of owner's equity must be carried out on a quarterly basis. If in any quarter the owner's equity does not meet regulatory requirements insurance enterprises have to carry out the necessary procedures to supplement the capital within six months from the end of the quarter.

Circular No 50/2017/TT-BTC, which came into force on 1 July 2017, contained numerous implementing regulations under *Decree No 73/2016/ND-CP* pertaining to the financial reporting by licensed insurers, foreign branches and insurance brokers. The circular does not change the frequency or deadlines for reporting, but annual audited financial statements must be published on the company's website and in newspapers in three consecutive issues along with the opinion of the auditor.

Representative offices of foreign insurers or brokers in Vietnam must provide six-monthly and annual reports on their operations to the Ministry of Finance and to the People's Committee of the city or province where they have opened their office.

A possible move to the mandatory application in respect of insurance companies of International Financial Reporting Standards (IFRS) continues to be considered but is not yet in force.

Insolvency Regulation

Part 4, Chapter IV Articles 64 to *67* of *Decree No 73/2016/ND-CP* deal with solvency and the restoration of solvency. *Article 66* states that an insurer or branch of a foreign insurer is deemed to be at risk of insolvency when its solvency margin falls below the required minimum.

Entities at risk of insolvency are required to actively take measures to self-restore their solvency whilst reporting to the regulator their current financial situation, reasons for the risk of insolvency and to present a solvency restoration plan.

If an entity fails to self-restore its solvency the regulator shall require implementation of the any or all of the following measures:

- increase of owners' equity
- arrangement of additional reinsurance
- reduction of the content, scope and area of operations
- suspension of part or all of the operations
- consolidation of the organisational structure and replacement of management
- transfer of the insurance portfolio
- any other required measures.

If an insurance company or branch of a foreign insurer fails to restore solvency despite these measures, the entity may be placed under special control with the regulator providing guidelines for the establishment and operation of a solvency control board.

The fund for the protection of the insured to compensate policyholders in the event of the insolvency of an insurer was originally established by *Law No 61/2010/QH-12* of 24 November 2010. The regulations regarding this fund are stated in *Articles 103* to *109* of *Decree No 73/2016/ND-CP.* Companies are charged no more than 0.3% of net retained premium income in the year immediately preceding the year of contribution, and are permitted to pay the contribution in two equal instalments at 30 June and 31 December of the contribution year. Contributions shall be made to the policyholders' protection fund until such time as it is equal to 5% of total assets of non-life insurers, branches of foreign companies and health insurers and 3% of the total assets of all licensed life insurance companies.

Circular No 50/2017/TT-BTC, which came into force on 1 July 2017, sets out regulations under *Decree No 73/2016/ND-CP*. The circular provides for the establishment of a Solvency Control Committee to direct and oversee the adoption of solvency restoration measures when a company has failed to restore its solvency to required levels. Inter alia, the committee, may request the Ministry of Finance to suspend activities which led to the insurer's or foreign branch's insolvency, or require the insurer or foreign branch to transfer all insurance policies in one or several lines of business to another insurer or foreign branch with the approval of the MoF. The committee also has powers to suspend the administration rights of the board of directors (BOD), individual BOD members, the director general, requiring the company to replace suspended members.

Consumer Dispute Resolution

Insurance companies are required to supply policyholders with clear procedures to be followed in the event of a dispute regarding insurance. A dissatisfied policyholder should first try to resolve the problem directly with the insurance company. If that fails, the policyholder may refer the matter to the regulator. If the latter intervenes, its decision will usually be accepted by the two parties to the dispute. The matter may also be referred to arbitration as provided for in the policy conditions. As a last resort, the consumer may take legal action, but this is generally avoided whenever possible.

Certain types of disputes may be referred to the People's Committees of towns and villages.

The commercial arbitration law, *No 55/2010/QH12* of 17 June 2010, took effect from 1 January 2011. The law is designed to facilitate the use of arbitration as a rapid and more effective means of dispute settlement: there are seven arbitration centres throughout the country.

There is a consumers' association, the Vietnam Standards and Consumers Association (VINASTAS), but no ombudsman. *Law No 59/2010/QH12* on the protection of consumers' interests was passed on 17 November 2010, and includes the concept of arbitration as a possible form of dispute settlement. Market sources report that it is rare for parties suffering a loss to approach the consumers' association for advice and assistance.

Non-Admitted Insurance Regulatory Position

Definition

Non-admitted insurance refers to the placing of insurance outside the regulatory system of the country in which the risk is located. A non-admitted insurance policy may be one that is issued abroad or one in which the risk(s) may be included in a global master policy by an insurer that is unauthorised in the country in which the risk is located. An authorised insurer is one that has been granted permission to do business in a country (or region) by the local supervisory authority. The text below describes the regulations that apply to non-admitted insurance for this country.

Summary

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Update April 2020

The free trade agreement between the EU and Vietnam is expected to come into effect in mid-2020. Under the agreement, Vietnam has committed to improve the access for EU companies to a broad range of services sectors, including insurance. Under the agreement, the limited provision of non-admitted insurance by an insurer from an EU member state to foreign owned enterprises with more than a 49% shareholding, and to foreign individuals working in Vietnam is allowed. Furthermore, there are no restrictions on cross-border reinsurance, international marine and aviation insurance. These are in line with the provisions of *Decree No 73/2016/ND-CP*.

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Non-admitted insurance is not permitted in Vietnam because the law provides that insurance must be purchased from local authorised insurers with some exceptions.

Legislation

The legal provisions setting out the requirement for insurers to be authorised are contained in *Article 3, Para 1* of *Decree No 73/2016/ND-CP,* effective from 1 July 2016. This specifies that "organisations and individuals aspiring to conduct business in insurance, reinsurance and insurance brokerage in Vietnam must possess a licence for establishment and operation from the Ministry of Finance or fulfil the requirements for the provision of cross-border insurance services as per *Section 1 Article 90* and *Article 91* of this decree".

The legal provisions setting out the requirement for risks to be insured with locally authorised companies are contained in *Article 3, Para 2* of *Decree No 73/2016/ND-CP* which specifies that "organisations and individuals wishing to purchase insurance shall choose insurance enterprises" (insurers) "at their discretion but can only purchase insurance from insurance enterprises and foreign branches licensed to operate in Vietnam, except cross-border insurance services as defined in *Article 90 Sections 1* and *2* of this decree".

In relation to the provision of cross-border insurance services *Articles 90* to *94* of *Decree No 73/2016/ND-CP* are summarised below.

- Providers of cross-border insurance services are foreign insurance enterprises (insurers) and foreign insurance brokers whose home country has entered into an international trade agreement with Vietnam permitting the provision of cross-border insurance services in Vietnam. In addition to meeting certain financial conditions, foreign insurers must be licensed to provide insurance services in their home country and have written permission from the home regulator to provide cross-border insurance services in Vietnam.
- Foreign insurers providing cross-border insurance services in Vietnam can only do so through a broker licensed to operate in Vietnam. Foreign brokers wishing to provide cross-border insurance services in Vietnam shall solely transact such business with insurers or branches of foreign insurers licensed to operate in Vietnam.
- Enterprises that are incorporated in Vietnam, having 49% of their charter capital held by foreign investors and which recruit foreign employees working in Vietnam, are permitted to use cross-border insurance services.

Under *Article 90* of *Decree No 73/2016/ND-CP*, "services of reinsurance, international maritime insurance, international aviation insurance, international reinsurance brokerage, consultancy, computation, risk assessment and claims settlement shall be governed by current laws and best practices". This has been interpreted by the market to mean that non-admitted insurance is permitted for reinsurance, international maritime insurance and international aviation insurance (including inland transits in Vietnam as part of an international voyage), however, cross-border insurance regulations apply to international rail and road cargo.

The provisions on cross border services do not apply to health business.

Compulsory insurances may not be placed on a non-admitted basis.

Freedom of services under Free Trade Agreements

Freedom of services under GATS

As a member of the World Trade Organization (WTO), Vietnam is a signatory to the General Agreement on Trade in Services (GATS), which forms part of the trade liberalisation arena of the WTO.

The aim of GATS is to remove barriers to trade, but members are free to choose which sectors are to be progressively liberalised, which mode of supply would apply to a particular sector, and to what extent liberalisation will occur over a given period of time. Insurance is a service within the scope of GATS but, so far, liberalisation of the sector has been limited.

Under the Vietnam's specific commitments regarding insurance under the GATS agreement, the limited provision of non-admitted insurance by an insurer from a signatory country of the GATS agreement to foreign owned enterprises with more than a 49% shareholding, and to foreign individuals working in Vietnam is allowed. Furthermore, there are no restrictions on cross-border reinsurance, international marine and aviation insurance. These are in line with the provisions of *Decree No 73/2016/ND-CP*.

ASEAN Trade in Services Agreement (ATISA)

Vietnam is a member of the Association of South East Asian Nations (ASEAN) Economic Community (AEC) established in December 2015. The AEC Blueprint 2025 confirms that one of its aims is to create a highly integrated and cohesive economy with the following key elements: trade in goods; trade in services; investment environment; financial integration, inclusion and stability; facilitating the movement of skilled labour and business visitors; enhancing the participation in global value chains.

The ASEAN Trade in Services Agreement (ATISA), which will replace the ASEAN Framework Agreement on Services (AFAS), was signed by ASEAN member states (including Vietnam) in April 2019. ATISA provides that restrictions to the provision of financial services between member states will be removed progressively until 2025. Member states, however, may set out which sectors will not be liberalised or will be only partially liberalised.

Insurers

Compulsory insurances may not be placed on a non-admitted basis.

Decree No 73/2016/ND-CP sets out the conditions for business to be placed on a non-admitted (cross border) basis. Further information can be found under the heading Summary within this section of the report.

Under *Article 90* of the decree, "services of reinsurance, international maritime insurance, international aviation insurance, international reinsurance brokerage, consultancy, computation, risk assessment and claims settlement shall be governed by current laws and best practices". This has been interpreted by the market to mean that non-admitted insurance is permitted for reinsurance, international maritime insurance and international aviation insurance (including inland transits in Vietnam as part of an international voyage), however, cross-border insurance regulations apply to international rail and road cargo.

The provisions on cross border services do not apply to health business.

All insurance contracts entered into between Vietnamese organisations or individuals and insurance enterprises not licensed in Vietnam are null and void except in those cases where non-admitted insurance is permitted.

Local Risk Definition

There does not appear to be a definition of a local risk in current legislation.

Exchange Controls

Currency exchange control is not an issue for non-admitted placements because the government decree on foreign exchange management allows the purchase of foreign currency to meet payments "on the basis of declaring related legal documents".

Tax

General opinion is that provided that the insurance is placed in accordance with the law and all the relevant premium taxes are paid, premiums may be deducted for tax purposes. *Article 9 Paragraph 1 (dd)* of *Law No 09/2003/QH11*, the *Law on Corporate Income Tax*, lists "insurance of assets... and other hired services" as deductible expenses. It makes no specific reference to where insurances are placed.

Insurer Responsibilities

The relevant laws do not impose any obligation on insurers involved in non-admitted placements to warn buyers that they are not subject to local supervision.

Multinationals

Vietnam's specific commitments regarding insurance under the GATS agreement, specifies that insurance services provided to foreign-invested enterprises and foreigners working in Vietnam may be placed on a non-admitted basis. *Decree No 73/2016/ND-CP* specifies the circumstances in which cross-border insurance may be placed. Further details may be found in the Non-Admitted Insurance Regulatory Position - Legislation section.

DIC/DIL

The legislation does not address the use of global difference in conditions/difference in limits covers or excess layers above a primary local policy.

Premium Taxes

VAT is payable on non-admitted insurances in accordance with *Article 2 Paragraph 2* of *Decree No 123/2008/ND-CP* of 8 December 2008 which stipulates that "Vietnam-based production and business organisations and individuals that purchase services (including services associated with goods) from foreign organisations without permanent establishments in Vietnam or overseas individuals not residing in Vietnam shall pay value-added tax".

Non-admitted insurers are not subject to contributions to the policyholders' protection fund to compensate policyholders in the event of the insolvency of an insurer.

Buyers

Insurance buyers may not place their business with non-admitted insurers abroad except under the terms of *Decree No 73/2016/ND-CP* relating to cross-border business. See the section headed Summary within this Non-Admitted Insurance Regulatory Position section for details.

Under *Article 90* of *Decree No 73/2016/ND-CP*, "services of reinsurance, international maritime insurance, international aviation insurance, international reinsurance brokerage, consultancy, computation, risk assessment and claims settlement shall be governed by current laws and best practices". This has been interpreted by the market to mean that non-admitted insurance is permitted for reinsurance, international maritime insurance and international aviation insurance (including inland transits in Vietnam as part of an international voyage), however, cross-border insurance regulations apply to international rail and road cargo.

The provisions on cross border services do not apply to health business.

Claims payments may be made into the country without tax implications by a non-admitted insurer provided that the insurance operation is deemed to conform to the provisions of the law.

Intermediaries

Intermediaries have to be authorised to do insurance business. The legal provisions setting out the requirement for insurers and brokers to be authorised are contained in *Decree No 73/2016/ND-CP* effective from 1 July 2016. This decree specified that "organisations and individuals wishing to purchase insurance shall choose insurance enterprises" (insurers) "at their discretion but can only purchase insurance from insurance enterprises and foreign branches licensed to operate in Vietnam, except cross-border insurance services as defined in *Article 90 Sections 1* and *2* of this decree".

According to *Article 92* of *Decree No 73/2016/ND-CP*, permitted non-admitted (cross-border) insurance can only be accessed by a broker licensed in Vietnam. Foreign brokers providing cross-border insurance services in Vietnam may only transact such business with local insurers or branches of foreign insurers licensed to operate in Vietnam.

Market Practice

Insurers, brokers and foreign-invested commercial enterprises comply with the non-admitted regulations. *Decree No 73/2016/ND-CP* sets out the circumstances in which cross-border insurances may be placed: further details may be found under the heading Summary within this Non-Admitted Insurance Regulatory Position subsection of the report.

Decree No 73/2016/ND-CP aims to improve the average retention level of the local insurance market so as to reduce reliance on foreign reinsurers, to reduce the volume of foreign currency transfers and to improve the speed of settlement of local claims involving reinsurance (see the Fronting subsection for further detail).

Fines/Penalties

Article 114 of *Decree No 73/2016/ND-CP* states that violation of its regulations shall incur administrative and disciplinary penalties or face criminal charges according to the nature and degree of such violations.

Fronting

Decree No 73/2016/ND-CP aimed to improve the average retention level of the local insurance market so as to reduce reliance on foreign reinsurers, to reduce the volume of foreign currency transfers and to improve the speed of settlement of claims involving reinsurance, by providing that:

- the maximum liability per single risk or loss that a locally licensed insurer may retain is limited to 10% of that company's owner capital
- the maximum permitted percentage of reinsurance is 90% of the local insurer's liability if the reinsurer is designated by the insured.

The stipulation regarding the maximum permitted percentage of reinsurance is intended to end the practice of fronting in the market related to cases where a major insured entity or multinational company directs reinsurance in excess of 90% to its preferred reinsurance market(s), including captives.

Although local insurance companies accept global rates without objection local wordings are generally used (many of these are based on standard international policy forms such as LM7, ABI and relevant Munich Re wordings). DIC/DIL policies are then issued as necessary. Historically the retention taken by local companies varied greatly but in most cases was nominal. *Decree No 73/2016/ND-CP,* however, provides that reinsurance may not exceed 90% of the original sum insured or limit of indemnity where it is directed by the insured.

The decree also requires that all foreign reinsurers accepting 10% or more in any reinsurance contract must be rated at least "BBB" by Standard and Poor's or Fitch, "B++" by AM Best, "Baa" by Moody's or equivalent in the prior fiscal year. When reinsurance is ceded to overseas parent companies or to companies within the same group that have no credit rating, written confirmation of the overseas reinsurer's solvency in the prior fiscal year from that company's regulator must be provided to the local regulator.

There have been no reported fronting problems between local and foreign companies.

Company Registration and Operating Requirements

Establishing A Local Company

Legislation setting out the procedures for the establishment and operation of insurance companies, reinsurance companies and brokers is contained in the *Law on Insurance Business (No 24/2000/QH-10)* of 9 December 2000.

Decree No 73/2016/ND-CP deals with the establishment and operation of enterprises providing all types of insurance. The decree, in effect from 1 July 2016, sets out in detail the documentary submissions required in respect of licensing applications to establish and operate:

- insurance enterprises organised as a limited liability business (*Article 11*)
- insurance enterprises organised as a joint stock business (*Article 12*)
- branches of foreign insurance companies (*Article 13*).

For all of these, the documents required include:

- the completed Ministry of Finance application form
- the draft charter of the company as per *Article 25* of the *Enterprise Law*
- business plan for the first five years
- copies of proof of identity, experience and qualifications of key personnel
- copies of certificates of business registration or equivalent documents
- certification from a bank licensed to operate in Vietnam of lodgement of charter capital.

Capital contributions must be in the form of cash: it is not permissible to use capital from borrowings or the investment trust funds of other organisations or individuals to supply capital contributions.

Vietnamese investors contributing capital to a Vietnamese limited liability insurance company must operate in the finance, banking and insurance sector and have total assets of at least VND 2trn (USD 86.82mn).

Where an insurance joint stock company (JSC) is established there must be at least two founding shareholders being corporate organisations, together holding at least 20% of the shares in the incorporated company and the founding shareholders must hold at least 50% of the shares from the licence date. This requirement is aimed at improving financial capacity and corporate governance for JSC insurers.

Types of Insurance Organisation

Decree No 73/2016/ND-CP describes the permitted types of insurance operations as:

- insurance enterprises organised as a limited liability business
- insurance enterprises organised as a joint stock business
- branches of foreign insurance companies, whose activities are limited to non-life insurance including health business.

Decree No 18/2005/ND-CP of February 2005 established a legal framework to enable companies in a common industry (such as forestry and fishing) to establish a mutual insurance operation with minimum capital stipulated separately for agricultural mutuals and all other mutuals. So far no mutual companies have been established in the market.

There are no restrictions on banks investing in insurance companies.

Foreign Ownership

Decree No 73/2016/ND-CP permits the establishment in Vietnam of:

- 100% foreign owned subsidiary insurance companies
- joint ventures between Vietnamese and foreign interests
- branches of foreign non-life companies.

The establishment of representative offices is also permitted but their activities are limited to operating as liaison offices, with no powers to underwrite or issue insurance contracts locally.

The licensing requirements for foreign insurers are similar to those for local insurers, but foreign insurers may only be licensed for classes of business for which they are already licensed in other countries. A foreign company wishing to establish a local company or branch must have at least 10 years of operational experience and a minimum asset value of USD 2bn.

In addition, the parent company must be situated in a country with which Vietnam has signed international trade agreements specifically permitting the opening of non-life insurance branches in Vietnam. The insurance regulator in the home country must also have signed agreements with the local insurance regulator relating to co-operation on the supervision of the branch(es) in Vietnam.

Types of Licence

Under *Decree No 73/2016/ND-CP* insurance companies may not simultaneously carry out life and non-life business and must hold separate licences for non-life, life and health insurance business respectively. A life insurer may (subject to a specific licence) carry out personal accident and health insurance business which is incidental to its life insurance operations. Insurers may accept inward reinsurance, for which no separate licence is required.

Locally licensed reinsurance companies are permitted to operate on a composite basis as long as the requisite licensing requirements are met.

Capital Requirements

The minimum legal capital requirements under *Decree No 73/2016/ND-CP* are as follows:

1. for the provision of non-life insurance and health insurance except under points 2 and 3 below - VND 300bn (USD 13.02mn)
2. for the provision of non-life insurance and provision of either aviation or satellite insurance - VND 350bn (USD 15.19mn)
3. for the provision of non-life insurance and provision of aviation and satellite insurance - VND 400bn (USD 17.36mn)
4. for the provision of health insurance only - VND 300bn (USD 13.02mn)
5. for branches of foreign non-life insurance companies in respect of the provision of non-life insurance and health insurance except under points 6 and 7 below - VND 200bn (USD 8.68mn)
6. for branches of foreign non-life insurance companies in respect of the provision of non-life insurance and provision of either aviation or satellite insurance - VND 250bn (USD 10.85mn)
7. for branches of foreign non-life insurance companies in respect of the provision of non-life insurance and provision of aviation and satellite insurance - VND 300bn (USD 13.02mn)
8. for reinsurance companies in respect of the provision of both non-life and health reinsurance - VND 400bn (USD 17.36mn)
9. for reinsurance companies in respect of the provision of life reinsurance or both life and health reinsurance - VND 700bn (USD 30.39mn)
10. for reinsurance companies in respect of the provision of life reinsurance, non-life reinsurance and health reinsurance (composite) - VND 1.1trn (USD 47.75mn).

Assessment of owner's equity must be carried out on a quarterly basis. If in any quarter the owner's equity does not meet regulatory requirements insurance enterprises have to carry out the necessary procedures to supplement the capital within six months from the end of the quarter.

Solvency Margins

Decree No 73/2016/ND-CP defines the solvency margin as being the difference between the value of assets and liabilities of the insurer or branch of a foreign insurer at the time of determination of the solvency margin.

Minimum solvency margins as per *Article 64* of *Decree No 73/2016/ND-CP* are the higher of the following for non-life insurers, branches of foreign insurers and non-life reinsurers:

- 25% of total net premiums retained at the time of determination of the solvency margin

and

- 12.5% of total original gross written premiums, plus any inwards reinsurance premiums at the time of determination of the solvency margin.

Health insurance when written as a non-life class is inclusive in these calculations.

Article 66 of the decree states that an insurer or branch of a foreign insurer is deemed to be at risk of insolvency when its solvency margin falls below the required minimum. *Decree No 73/2016/ND-CP* also deals with the restoration of solvency. For details refer to the section headed Insolvency Regulation under Supervision in Supervision and Control.

Circular No 50/2017/TT-BTC, which came into force on 1 July 2017, sets out regulations under *Decree No 73/2016/ND-CP* relating to the solvency margin. *Article 20 (2.1)* of the circular defines admissible assets for the purpose of determining the solvency margin.

The prime minister's *Decision No 242/QD-TTg* approving an insurance business restructuring plan makes it clear that a new insurance law will be developed, presented to parliament and brought into force by 2020. This law will, inter alia, introduce a risk-based regulatory regime in line with recognised international standards and aimed at integration with the latter. This development will bring about changes to the solvency margin regulatory regime and is likely to give rise to the introduction of actuarial validation of non-life insurance solvency and reserves.

Reserve Requirements

Reserve requirements are set out in *Articles 53* to *58* of *Decree No 73/2016/ND-CP.* The decree states that the regulator will provide detailed guidance on the amount of required technical reserves and the methods and bases for calculation of same for each line of business. Insurers are not permitted to change the bases of calculation in a fiscal year. Any insurer wishing to change the basis of its technical reserving from its previous practice must submit an application to the regulator to do so with full supporting documents explaining the rationale for any change.

Prescribed non-life insurance technical reserves applying to insurers, branches of foreign companies and non-life reinsurers are as follows:

- unearned premium reserves
- outstanding loss reserves

- equalisation reserves.

Separate rules apply for health insurance technical reserves.

Circular No 50/2017/TT-BTC, which came into force on 1 July 2017, sets out regulations under *Decree No 73/2016/ND-CP. Article 17* of the circular relates to the setting of technical reserves for non-life (re)insurance business, as well as the methods and bases for calculation of the same for each line of business. It also requires all licensed non-life insurers, reinsurers and foreign branches to employ a reserving actuary and lists their statutory duties. Reserving for health insurance is dealt with under *Article 19* of the circular.

Technical reserve deposits are not retained from reinsurers in respect of reinsurance treaties.

The prime minister's *Decision No 242/QD-TTg* approving an insurance business restructuring plan makes it clear that a new insurance law will be developed, presented to parliament and brought into force by 2020. This law will, inter alia, introduce a risk-based regulatory regime in line with recognised international standards and aimed at integration with the latter. This development will bring about changes to the solvency margin regulatory regime and is likely to give rise to the introduction of actuarial validation of non-life insurance reserves.

Investment Regulations

The principles and rules for investment by insurers, reinsurers and foreign branches are contained in *Articles 59* to *62* of *Decree No 73/2016/ND-CP.*

Article 59 defines the funds available for investment by insurers, branches of foreign companies and brokers as the owners' equity, idle funds from technical reserves and other legitimate finances as per the law.

The decree prohibits insurers from investing in shareholders (members) or related entities in any manner according to *Law No 68/2014/QH13* (the *Law on Enterprises*) except depositing money in shareholders (members) which are credit institutions.

Insurers may not make investments which exceed 30% of total investment funds in conglomerate enterprises or a group of cross-holding enterprises, except by depositing money in credit institutions or outward investments in respect of an enterprise abroad or on establishing an overseas branch (*Article 59*).

Article 61 of *Decree No 73/2016/ND-CP* defines "idle fund from technical reserves" as being total technical reserves minus regular finances for claims payments in an accounting period. So-called regular finances in an accounting period must not be lower than 25% of total technical reserves and must be deposited in credit institutions operating in Vietnam.

Article 62 of *Decree No 73/2016/ND-CP* lists the following as permitted investment categories in respect of the idle fund from technical reserves for non-life insurers, branches of foreign companies and non-life reinsurers:

- unrestricted purchases of government bonds, treasury bills, treasury bonds, national development bonds, local government bonds and government guaranteed bonds
- unrestricted deposits of funds in credit institutions
- a maximum of 35% of idle funds in purchasing stocks, corporate bonds, fund certificates or investing in other enterprises
- a maximum of 10% of idle funds on the purchase of real estate in accordance with *Law No 66/2014/QH13* (the *Law on Real Estate Business*).

Article 62 of *Decree No 73/2016/ND-CP* also notes that non-life insurers and branches of foreign companies can only invest in certificates of investment funds, the portfolio of investment assets of which are permissible as per *Article 98* of *Law on Insurance Business No 24/2000/QH-10* of 9 December 2000.

Investment regulations for non-life reinsurers are identical to those applying to non-life insurers.

Retentions

Decree No 73/2016/ND-CP aimed to improve the average retention level of the local insurance market so as to reduce reliance on foreign reinsurers, to reduce the volume of foreign currency transfers and to enhance the rapidity of local claims settlements in cases involving reinsurance.

Decree No 73 provides that:

- the maximum liability per single risk or loss that a locally licensed insurer may retain is limited to 10% of that company's owner capital
- the maximum permitted percentage of reinsurance is 90% of the local insurer's liability if the reinsurer is designated by the insured.

The stipulation regarding the maximum permitted percentage of reinsurance is intended to end the practice of fronting in the market related to cases where a major insured entity or multinational company directs reinsurance of between 90% and 100% to its preferred reinsurance market(s), including captives.

Insurance Premium or Policy Taxes and Charges

The taxes and charges applicable to non-life business are shown below.

Insurance class	Description of tax or charge	% (unless otherwise stated)	To be paid by
All non-life classes*	VAT	10.00	Insured
Compulsory fire and explosion insurance under property and energy policies	Fire Prevention Charge	1.00	Insurer**
Motor obligatory third party	Motor Guarantee Fund	Up to 2.00	Insurer**
All classes	Policyholders' protection fund	Variable	Insurer

*Note: * except health, student insurance and other insurance services related to humans, livestock insurance, crop insurance and other agricultural insurance services, insurance for ships, boats and other equipment and gears necessary for fishing and all reinsurance.*
*** Paid to the authorities by the insurer as a deduction from the total collected premium.*
Source: Market sources

Decree No 23/2018/ND-CP regulating compulsory fire and explosion insurance for 19 categories of high-risk establishments, published on 23 February 2018 replaced *Decree No 130-2006-ND-CP* and *Decree No 35-2003-ND-CP* when it came into force on 15 April 2018. The decree reduced the fire prevention charge payable on compulsory fire and explosion insurance policies from 5% to 1%.

The latest VAT regulations related to insurance and reinsurance are set out in *Law No 31/2013/QH13* dated 19 June 2013 (entitled *on amending and supplementing some articles of the law on value added tax*) and in *Circular 219/2013/TT-BTC* which sets out related implementation guidelines in respect of *Law No 31/2013/QH13*. The VAT exemptions listed in the table are as per the official English translation of *Circular 219/2013/TT-BTC*. In the non-life insurance context "insurance services related to humans" is assumed to be PA business. The VAT legislation in its entirety applies to insurance enterprises, insurance brokerage enterprises and reinsurance enterprises, organisations operating as insurance agents and other insurance organisations that meet the conditions prescribed in the *Law on Insurance Business No 24/2000/QH10* of 9 December 2000 and subsequent decrees, decisions and circulars. Reinsurance premiums are not subject to VAT.

The fund for the protection of the insured to compensate policyholders in the event of the insolvency of an insurer was originally established by *Law No 61/2010/QH-12* of 24 November 2010. The regulations regarding this fund are stated in *Articles 103* to *109* of *Decree No 73/2016/ND-CP*. Companies are charged no more than 0.3% of net retained premium income in the year immediately preceding the year of contribution, and are permitted to pay the contribution in two equal instalments at 30 June and 31 December of the contribution year. Contributions shall be made to the policyholders' protection fund until such time as it is equal to 5% of total assets of non-life insurers, branches of foreign companies and health insurers and 3% of the total assets of all licensed life insurance companies.

There is no stamp duty related to insurance transactions and there is no levy to finance the activities of the insurance market regulator.

Legislative Update

There has been no recent new legislation that might affect taxation.

Withholding Taxes on Premiums Paid Overseas

Premiums for non-admitted insurance are subject to VAT at the standard rate of 10%.

As per *Decree No 122* of 27 December 2011 the rate of withholding tax on ceded reinsurance premiums is 0.1%.

VAT

A VAT system applicable to the supply of goods and services is in operation. VAT at the rate of 10% is applied to non-life insurance as indicated in the table under the heading, Insurance Premium or Policy Taxes and Charges. VAT is also applicable to motor repairs and other claims costs.

The latest VAT regulations related to insurance and reinsurance are set out in *Law No 31/2013/QH13* dated 19 June 2013 (entitled *on amending and supplementing some articles of the law on value added tax*) and in *Circular 219/2013/TT-BTC* which sets out related implementation guidelines in respect of *Law No 31/2013/QH13*.

Corporation Tax

In accordance with the *Business Income Tax Law*, EIT (corporation tax) is chargeable on insurance and reinsurance companies' profits at the standard rate of 20% as from 1 January 2016. The law applies to both foreign and domestic insurers. The Ministry of Finance provides specific guidance on the calculation of deductible expenses for EIT purposes: reserves calculated in accordance with the insurance law are fully tax deductible.

Circular No 50/2017/TT-BTC, which took effect on 1 July 2017, replaced *Circular No 125/2012/TT-BTC*: it contains definitions of revenue and expenditure of insurance business for insurers, reinsurers, branches and brokers.

Captives

Current tax legislation is silent on the use of offshore captives. The insurance market has not yet developed to the point where the formation of captives by companies operating in Vietnam might be worth considering.

Summary and Trends

Vietnam is a country in transition, progressively opening to outside influences. It became a member of the World Trade Organization (WTO) in 2007 and the application process became the catalyst for change in all sectors of society as the country brought its social and legislative framework more into line with international models.

Vietnamese culture is not litigious and most people have little or no idea of their legal rights or how to pursue them: in many instances disputes are referred to the local People's Committee, the executive arm of local government. Awareness of formal judicial institutions such as the courts and supporting organisations such as legal aid centres and mediation groups is low and tends to decline in proportion to income levels. As a general rule, the more serious the incident, the greater the chance that legal action will be taken. This may be because a culture of conflict avoidance means that, if a claim against a third party is pursued, it is more likely to be settled out of court than to go through the legal process. No significant increase in claims against third parties or in court action was reported following the implementation of the *Law No 59/2010/QH12* (the *Consumer Protection Law*) which took effect from 1 July 2011, replacing the *Ordinance of 1999 on the Protection of Consumers' Rights*.

In almost all cases an out-of-court settlement is reached. When insurance is involved, the insurer, the third party and frequently the broker may all take part in the negotiations. Once an agreement has been made, it is registered with the police as being in full and final settlement of all injuries and damages arising out of the incident. Anecdotal evidence suggests that average run-off periods in motor liability insurance are very short at between one and three months.

Basis of Legal System

The judicial system is broadly based on Communist legal theory and French civil law.

The Vietnamese legal system comprises the constitution and the body of codes, decrees, laws, ordinances, decisions, circulars and directives. Laws are passed only by the National Assembly and ordinances are issued only by the Standing Committee of the National Assembly. The government issues decrees, decisions, directives and circulars; decisions and regulations are issued by individual ministries.

The 2005 *Civil Code,* introduced in 2006 to replace the 1996 *Civil Code*, forms the basis of Vietnam's legal system: it retained six of the seven parts of the original code and amended 314 of the 838 articles. The code and its statues cover civil, commercial, business and labour relations including the rights to intellectual property and technology transfer, personal rights and the right to take legal action.

Decree No 73/2016/ND-CP, in effect from 1 July 2016, amended the *Law on Insurance Business No 24/2000/QH-10* of 9 December 2000 and repealed and replaced four of its implementing decrees. It accompanied new enterprise and investment laws which came into force simultaneously. It consolidated the legal framework of corporate establishment and financial/investment regimes related to locally licensed insurers, brokers, agents and insurance related entities.

An aspect of Vietnamese legal practice is that it does not distinguish between civil and criminal liability. As a result contractors and factory managers who are responsible for causing death through negligence are more likely to be imprisoned than sued for damages in civil law.

A revised *Consumer Protection Law (Law No 59/2010/QH12)* was passed on 17 November 2010 and took effect on 1 July 2011. The law effectively introduces the concept of strict liability on those manufacturing, importing or marketing goods for injury or damage caused by the product: the only exception is when the defect in the product was not verifiable by scientific or trading standards at the time the product was manufactured, imported or sold. *Law No 59/2010/QH12* also obliges manufacturers or importers to take immediate steps to stop supplying defective goods, to recall the product, announce the withdrawal in the media, and to advise the authorities of the completion of the recall when it is finalised. The law provides that an "uninterrupted service contract", defined as one in force for more than three months, must be approved by the Ministry of Industry and Trade and the sale of the product may be stopped by the ministry at any time if it is thought to be unfair to the consumer.

The *Civil Code* provides that the statute of limitations shall be the time limit specified by law. To the extent that subordinate legislation refers to specific time periods to apply to specific circumstances, the time period in such subordinate legislation prevails. Therefore, a three-year period of limitation from the occurrence of the insured event as specified in *Article 31* of the *Law on Insurance Business No 24/2000/QH10* of 9 December 2000 applies to legal proceedings involving insurance contracts.

For tort claims a period of one year applies, for civil contracts a period of two years counted from the date when the interests of an individual or entity were infringed unless otherwise provided by law. Disputes in connection with movable or immovable property have a period of limitation of 10 years and 30 years respectively.

Litigiousness

Many Vietnamese are not aware of their legal rights. They are not litigious, and their culture favours resolution of disputes, both between individuals and involving business matters, through discussion and negotiation.

Incentives paid to court officials are alleged to have an influence on the outcome of some court cases.

Access to the Courts

Court fees and costs may appear to be low in comparison with some other countries but are considered high by most of the local population. Costs range from VND 200,000 (USD 8.68) for civil cases in the courts of first instance when the value of the property in dispute is VND 4mn (USD 173.63) or less, to VND 112mn (USD 4,862) plus 0.1% of the value of the property in disputes where the value exceeds VND 4bn (USD 173,633). In cases involving fatalities, no charge is made to the victim's relatives.

Access to the legal system is also hampered by a lack of knowledge (especially among the poor) and there is a general lack of confidence in the legal process and institutions.

While lawyers' fees are beyond the means of most Vietnamese, legal aid centres (of which there are more than 60 in the cities and provinces) provide free legal advice to the poor. In addition, in the case of work-related claims, trade union support is available.

Lawyers' fees are fixed by the government but unofficial arrangements are said to be common and some "no win, no fee" arrangements and other additional payments have been seen in recent years. The amount charged depends on the sums involved and the complexity of the case but the average is said to be about 25% of the amount awarded. Lawyers are free to advertise their services.

Court Procedure

The court system has three levels: the district courts, the provincial courts and the Supreme People's Court. Each administrative district has a District People's Court which is the court of first instance for criminal cases and civil, labour, economic and administrative disputes. Most cases at the first instance are settled by a professional judge aided by two lay assessors, all of whom are elected by and accountable to local government. Each province has a Provincial People's Court which acts as a court of appeal for cases referred from the district courts and also as a court of first instance for serious crimes. Cases are heard by three judges. The Supreme People's Court is the highest appellate court in the country: its members are elected by the National Assembly for five-year terms.

The Supreme People's Office of Supervision and Control or Procuracy is responsible for the uniform implementation of the law. The office is headed by a procurator-general who is appointed for a five-year term by the National Assembly. Below the central office are local offices of supervision and control which ensure observance of the law by local government bodies and by all citizens.

Jurisdiction in a civil case may depend upon where the defendant is located or where the dispute arises and in certain instances a plaintiff may select the court in which to commence the case. If a party to a dispute is a foreign national the dispute will be heard by a provincial court.

Pre-hearing conciliation is compulsory in civil proceedings and is conducted by the court. If conciliation fails, the court then proceeds with a preliminary public hearing. There is no time limit for a trial. Disputes will be tried by a hearing panel including a judge and two jurors.

The judicial process is swift: most cases go through the system in six to 12 months and sometimes less if all the documentation is in order.

There is still a preference for claims to be settled out of court: this can be by direct negotiation between the parties, by arbitration or by the intervention of the People's Committee. Recourse to litigation tends to be avoided whenever possible. A commercial arbitration law, *No 55/2010/QH12* of 17 June 2010, came into effect on 1 January 2011. The law was designed to facilitate the use of arbitration as a rapid and more effective means of dispute settlement utilising the seven arbitration centres that exist throughout the country.

Awards in the courts are assessed by judges, assisted in the District People's Court by two lay assessors. Awards may also be made by the People's Committees, arbitrators and local mediation groups.

Judges continue to be appointed by the government and are vetted for political reliability. There is a general perception in the insurance market that the courts are subject to political pressure and may sometimes be subject to corruption.

Assessment of Compensation

The award of damages is governed by the *Civil Code* and *Resolution 01/2004/NQ-HDTP* of 28 April 2004. Damages in cases involving injury include: compensation for medical expenses; compensation paid to a carer during the recovery process; loss of or reduction in income; expenses for long-term care; and pain and suffering. Awards for pain and suffering are capped at 30 times minimum monthly salary. Death awards will take account of some of these factors, where relevant, and also burial expenses. The average starting point for a death claim is about 20 times monthly salary. Award amounts may also be influenced by factors such as the age of the victim, the degree of disability, his or her occupation, salary, dependants and future prospects. Awards may also be made for damage to honour, dignity and reputation.

There is no set method of assessment, resulting in award amounts which may seem arbitrary. In the case of motor vehicle accidents, the minimum third party limit may simply be applied without any other calculation being made. There are no limits or thresholds and no structured settlements in the market. Court awards are very low by western standards and also by those of more developed Asian countries. The average payment for a death resulting from a motor vehicle accident is about VND 30mn (USD 1,302) and the approximate maximum is VND 50mn (USD 2,170).

On appeal, cases are viewed on their merits: awards are not routinely upheld, overturned or modified.

The courts have the power to apply interest to the amount of the award and costs but this is not common. Payment of awards is enforced by the Office of Judgment Enforcement which has wide powers including the freezing of the defendant's bank accounts, the seizure of his or her property and the withdrawal of sums from bank accounts. In practice, however, significant problems may be experienced relative to the enforcement of judgments. An element of costs is generally included in the award made to the successful party in the litigation, not necessarily for 100% of the costs incurred but only those items that the court considers justifiable, typically involving recovery of 100% of the court costs but not lawyer's fees.

Punitive and exemplary damages are not recognised in Vietnam.

Historical Development

History

Pre-1976	Before reunification, a number of insurance companies operated in South Vietnam. In the north there was no commercial insurance market. In 1963 the state-owned Bao Viet was established in the north, principally to cover marine cargo risks.
1993	*Decree No 100/CP* was issued heralding the development of an insurance market.
	Aon became the first international licensed broker in Vietnam.
1994	The state-owned Vietnam National Reinsurance Corporation (VINARE) was established.
	Bao Minh was established, bringing to an end the monopoly of Bao Viet.
1996	The Ministry of Finance signed an order converting Bao Viet into the Vietnam Insurance Corporation, which was licensed as a composite insurer.
	Bao Viet and Tokyo Marine and Nichido Fire established Vietnam International Assurance Company, the first joint venture involving a foreign insurer.
2000	The *Law on Insurance Business No 24/2000/QH-10* was approved at the eighth session of the 10th legislature and came into effect on 1 April 2001.
2001	Groupama became the first 100% foreign-owned insurer in Vietnam.
2006	The part-privatisation of the state insurers Bao Viet, Bao Minh, Petrovietnam Insurance and VINARE was completed.
2007	Vietnam became the 150th member of the World Trade Organization. Steps were taken to open up the market to foreign players.
	ASEAN set in motion an ambitious plan to create an EU-type of single market in goods, services and capital. As a member of ASEAN, Vietnam is committed to comply with liberalisation objectives in respect of direct non-life insurance, reinsurance and retrocession and insurance intermediation.
2011	PVI Reinsurance Corporation was established as the second domestic reinsurer in the market.
2012	HSBC sold its stake in Bao Viet's life and non-life operations to Sumitomo Life Insurance Co.
2016	*Decree No 73/2016/ND-CP*, in effect from 1 July 2016, amended the *Law on Insurance Business No 24/2000/QH-10* of 9 December 2000 and repealed and replaced four of its implementing decrees.
2017	*Circular No 50/2017/TT-BTC,* which came into force on 1 July, contained numerous implementing regulations under *Decree No 73/2016/ND-CP.*

The Market Today

Summary and Trends

The Vietnamese non-life insurance market is characterised by extensive regulations prescribing compulsory insurance. Curiously, however, in relation to most cases of mandatory professional indemnity cover, no specific limits are imposed. Nevertheless, the compulsory insurance feature has had the effect of boosting overall non-life market premium volume across a wide range of lines of business, although non-life insurance penetration remains low compared with many regional countries. Vietnam is regarded by many as a destination of interest for foreign investment, due mainly to its history of consistently high rates of GDP growth. In 2018 actual growth in GDP was 7.08%, with estimates of 6.50% for 2019 and 6.52% for 2020. The actual rate of inflation was 3.54% in 2018 with estimates of 3.01% and 3.75% for 2019 and 2020.

There is still considerable room for expansion of the non-life market. In 2018 this market (excluding PA and healthcare business) is reported to have grown by 9.66%. In 2018 non-life personal accident and healthcare gross premium income was VND 13.94trn (USD 616.56mn), the year-on-year growth rate being 13.99%. The principal drivers of non-life premium growth in recent years have been growth in GDP and associated industrial and commercial activity, the introduction of new forms of compulsory insurance and the expansion of existing forms of compulsory insurance as well as the growth of a middle class which is able and willing to protect its assets by way of personal insurance.

Motor business is the largest individual class of non-life insurance business (including health business written by non-life companies), representing in 2018 some 31.30% of total market premium. Personal accident and health insurance written by non-life insurers was the second largest line of business with a 2018 market share of 30.20%. Property business accounted for 23.40% of the non-life market, with MAT accounting for 11.60%.

Tariffs are imposed in some classes of business, including property (for risks with sums insured below VND 1trn (USD 43.41mn)), construction related insurances with total contract values below VND 700bn (USD 30.39mn) and most compulsory liability insurance classes (including motor third party and the majority of professional indemnity classes). Tariffs in Vietnam are respected by insurers.

The property tariff was revised following a spate of large claims in 2018: rates for certain high risk occupations were increased by between 20% and 30%, whereas rates for lower risk occupations were variously reduced, maintained, or increased by between 10% and 20%. According to local opinion the overall effect of these tariff changes was to increase average property insurance rates by about 10% to 15% for risks with sums insured below VND 1trn (USD 43.41mn). In relation to property risks with sums insured exceeding VND 1trn (USD 43.41mn) the market has reported a modest average increase in rates due to overall hardening of the reinsurance market in Asia generally.

The prime minister issued *Decision No 242* dated 28 February 2019 approving an insurance business restructuring plan up to 2025, based on proposals by the Ministry of Finance. The plan aims to strengthen the financial capacity of insurers and improve their competitiveness both regionally and locally. The plan's stated objectives for the insurance market are as follows:

- to achieve an average annual growth rate of total assets, total investment amounts, total operational reserves, total equity capital and total revenue of the insurance market of 20% by 2020 and 15% between 2021 and 2025
- to achieve an average ratio of insurance premium revenue to GDP of 3% by 2020, increasing to 3.5% by 2025
- to diversify insurance products and adopt modern technologies for all insurance business operations.

According to the plan, insurance market supervision will be based upon a change in approach from a compliance-based model to a risk-based model by 2020, following the introduction of a new insurance law. The law aims to enhance transparency and corporate governance while modernising the market in line with international best practice. Administrative procedures will be simplified and a uniform information data system will be developed for the entire insurance market in order to support supervision and control risk and fraud.

The plan also proposes to convert the Insurance Research and Training Centre of the Ministry of Finance into a new Insurance Development Institute with a remit of professional development, rating, reserving, and matters of policy for the Vietnamese insurance sector. Market players have been advised to take the plan into account when planning their business strategies.

Market Size

Vietnam is currently ranked as the 46th largest insurance market in the world and the 54th largest non-life (P&C) market: it is currently the world's 44th largest PA and health insurance market.

The total market size in 2018 was broken down as follows:

	Life	Non-Life	Personal Accident & Health	Total Market
Premium in VND mn	86,488,077.81	32,207,152.54	13,935,436.80	**132,630,667.15**
Premium in USD mn	3,826.56	1,424.97	616.56	**5,868.08**
% of total market	65.21	24.28	10.51	**100.00**

Note: 2018 figures are preliminary.
Due to rounding some totals may not equal the breakdown above.
Source: Axco Global Statistics / Industry Associations and Regulatory Bodies
New statistical information may have been included in the appendices.

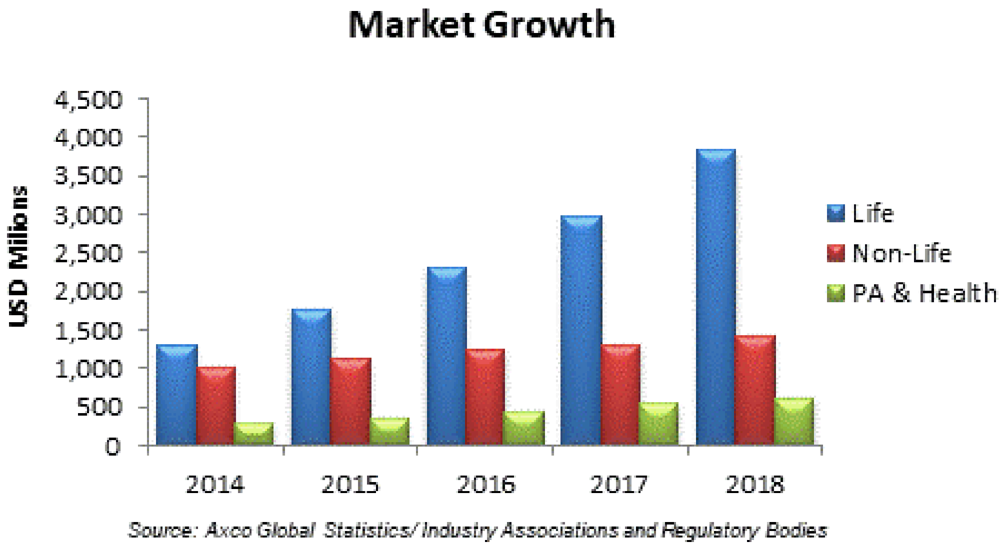
The following table compares the annual growth rates of non-life premium income in local currency with the nominal GDP growth and inflation rates over the last available five years.

	2014	2015	2016	2017	2018
Premium growth (%)	11.36	16.79	15.60	12.83	10.93
Nominal GDP growth (%)	9.87	6.48	7.39	11.18	10.57
Inflation rate (%)	4.71	0.88	3.24	3.52	3.54

Source: Axco Global Statistics / Industry Associations and Regulatory Bodies
New statistical information may have been included in the appendices.

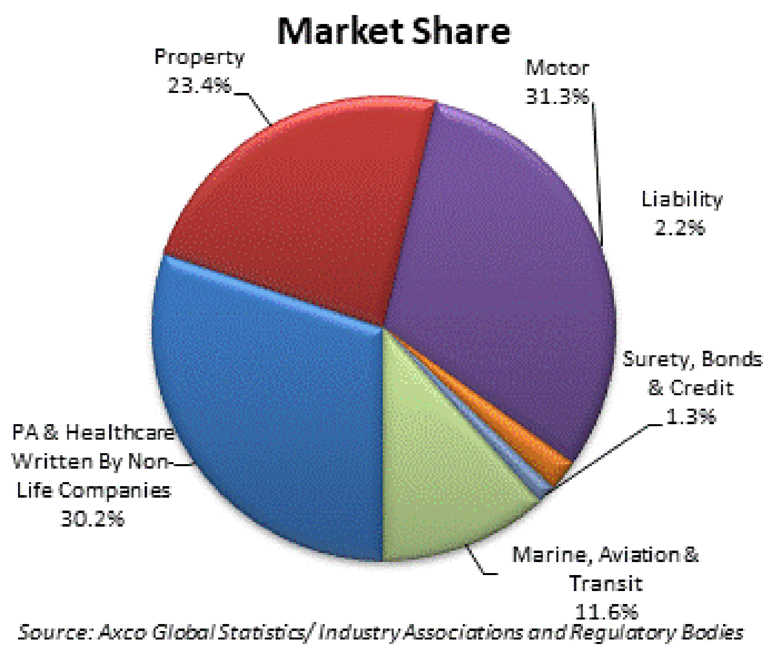
In years 2014 to 2016 non-life premium growth exceeded nominal GDP growth whereas in 2017 and 2018 the relationship was close.

Growth in the non-life, life, and PA and healthcare markets is shown below.



New statistical information may have been included in the appendices.

The division of the market in 2018 is shown below.



Note: due to rounding the breakdown above may not equal 100%.
New statistical information may have been included in the appendices.

Market Penetration

Market premium as a percentage of GDP and expenditure on a per capita basis expressed in USD are shown below for the year 2018; comparisons are made with China, Malaysia and Thailand.

	Life including riders		Non-life (P&C)		Personal Accident & Healthcare*		Total	
	%	per capita	%	per capita	%	per capita	%	per capita
Vietnam	**1.56**	**39.66**	**0.58**	**14.77**	**0.25**	**6.39**	**2.40**	**60.81**
China	2.28	221.36	1.18	115.04	0.72	69.68	**4.18**	**406.08**
Malaysia**	2.75	273.67	1.14	113.38	0.17	16.43	**4.05**	**403.48**
Thailand	4.26	279.53	1.30	85.54	0.31	20.53	**5.87**	**385.61**

*Note: * PA & Healthcare data represents PA & Healthcare business other than life riders, whether written by life, non-life or specialist healthcare insurers. Details of the split of such business (where available) are included in Appendix 1.*
*** Figures refer to 2017.*
Due to rounding some totals may not equal the breakdown above.
Source: Axco Global Statistics / Industry Associations and Regulatory Bodies

This table clearly indicates that non-life and health insurance penetration in Vietnam lags significantly behind comparable countries which is one of the reasons why the market is potentially attractive to new entrants.

Market Participants

Summary and Trends

In 2018 there were 29 licensed non-life companies in Vietnam.

The five largest companies controlled 58.39% of the non-life market in 2018 including the majority of available government controlled and connected insurance business.

Eight of the companies are 100% foreign-owned, while others have minority foreign interests. It is reported that some of the foreign companies supply significant local reinsurance (principally facultative) capacity to the market as well as operating in the direct insurance market.

There is one branch of a foreign non-life insurer, this being SGI Hanoi, a branch of Seoul Guarantee Insurance Company of Korea which transacts surety business.

Privatisation/Deregulation

The part-privatisation process was completed by 2007, when the former wholly state-owned companies (Bao Viet, Bao Minh, PVI) were partially privatised. PVI has a strategic partnership with Talanx HDI-Gerling Industrie Versicherung AG.

Vietnam National Reinsurance Corporation (VINARE) is also partially privatised. The major shareholder remains the state in the form of the State Capital Investment Corporation (SCIC): Swiss Re is the second largest shareholder and a strategic partner.

State Insurance Companies

The state retains a 100% shareholding in one non-life company Vietinbank Insurance Company. The state has shareholdings of less than 100% in VINARE, Bao Viet, Bao Minh, BIC Insurance Corporation and PVI Insurance Corporation. It also has indirect shareholdings in several other companies.

The South Korean insurer, Hyundai Marine & Fire Insurance signed a stock purchase agreement to acquire a 25% stake in VietinBank Insurance (VBI) and this purchase was confirmed in June 2019 in a ceremony at which a share purchase certificate was handed over. This is a good example of the growth in interest by foreign investors in the Vietnamese insurance market.

Market Structure

The following table shows the largest groups in Vietnam and their member companies.

Group	Member companies		
	Life insurers	Non-life insurers	Significant other group companies
Bao Viet Holdings	Bao Viet Life Corporation	Bao Viet Insurance Corporation	Bao Viet Fund, Bao Viet Bank, Bao Viet Securities, Bao Viet Invest
		BV Tokio Marine (Joint venture)	
Bao Minh		Bao Minh Insurance Corporation	United Insurance Corporation (UIC), Bao Minh Securities Corporation JSC, Bao Minh Fund Management Co JSC
Petrolimex		PJICO	n/a
BIDV Bank	BIDV-Metlife	BIC Insurance Corporation	n/a
Chubb	Chubb Life Insurance Vietnam	Chubb General Insurance Company	n/a
Prudential Plc	Prudential Vietnam		Prudential Vietnam Finance Company, Eastsprings Investment Fund Management Company
Manulife	Manulife Vietnam		Manulife Asset Management (Vietnam) Company Ltd
Vietinbank	Vietinbank Aviva Life Insurance Company (Joint Venture)	Vietinbank Insurance Co	VietinBank Securities JSC, VietinBank Fund Management Co Ltd, VietinBank Debt and Asset Management Company Ltd, Indovina Joint Venture Bank, Vietin Bank Leasing Company Ltd

Source: Market sources

It will be seen from the table that there has been some movement in Vietnam towards the formation of broader financial services groups involving not only insurance but also financial services, such as securities and fund/asset management service providers.

The most significant participants in Vietnam's non-life market are Bao Viet and PVI which had a combined non-life market share of 35.8% in 2018.

The following are brief descriptions of the four leading companies.

Bao Viet

Bao Viet Insurance Corporation, owned by Bao Viet Holdings, was the largest non-life company in the market in 2018 with a market share of 21.12%. The state has the largest shareholding in the holding company. It operates in more than 60 provinces throughout the country. It writes all classes of non-life business and holds a dominant position in many classes of business. Bao Viet Holdings also owns a life insurance operation (Bao Viet Life Corporation).

PVI

PVI is a wholly owned subsidiary of Petrovietnam. It was established in 1996 and was part-privatised at the end of 2006. Although it writes most classes of non-life business, it specialises in marine, engineering and especially energy insurances, a segment in which it has gained a good reputation internationally. It was the second largest non-life insurer in 2018 with a market share of 14.73%.

Post and Telecommunications Joint Stock Insurance Corporation (PTI)

PTI is ranked as the third largest non-life insurer in the market with a 2018 market share of 8.92%. The company was reported to have been growing very rapidly in 2018. It has 47 member companies with more than 13,000 agents nationwide. Its largest shareholder is Dongbu Insurance Company of Korea.

Bao Minh

Previously wholly state-owned Bao Minh was partially privatised in 2004. The state still holds a 50.7% shareholding in the company which writes only non-life insurance. Its non-life market share in 2018 was 7.60%. AXA SA is a strategic shareholding partner with a reported shareholding of 16.6%.

Foreign Companies

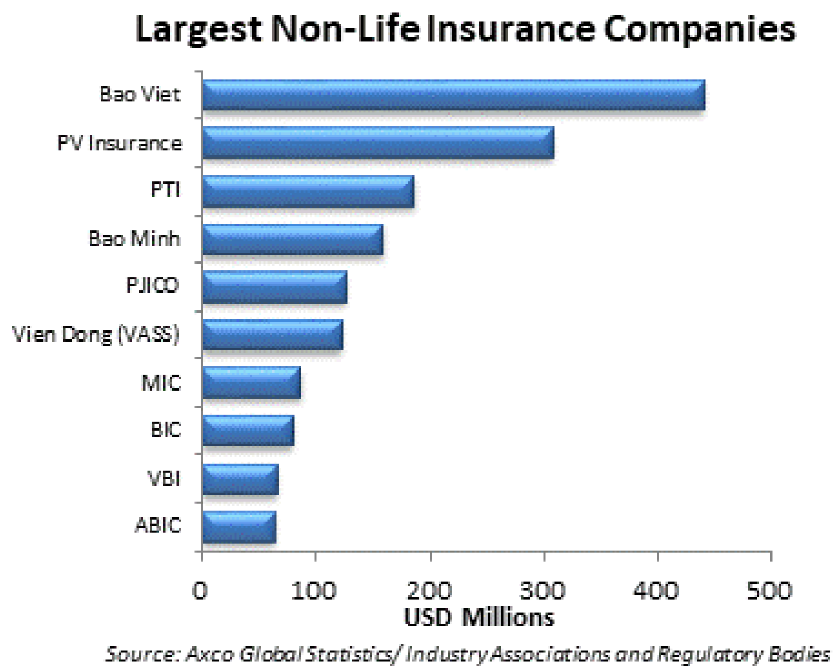
By virtue of *Decree No 73/2016/ND-CP* the law permits the establishment in Vietnam of 100% foreign-owned subsidiary insurance companies, joint ventures between Vietnamese and foreign interests and the establishment by foreign companies of non-life branches in Vietnam.

The establishment of representative offices is also permitted but with very limited activities essentially operating as a liaison office with no powers to underwrite or issue insurance contracts locally.

Foreign companies collectively have a minority share of the non-life market, in contrast to the life market in which foreign companies are the leading players.

Lloyd's underwriters are not licensed to write insurance in or from Vietnam except in relation to international transportation and to provide insurance to foreign-owned companies and foreign individuals working in Vietnam.

The leading non-life insurance companies in 2018 ranked by premium income are shown below.



New statistical information may have been included in the appendices.

Market Concentration

The aggregate market share (%) of the top five and top 10 non-life companies over the last available five years is shown below.

Market segment	2014	2015	2016	2017	2018
Top 5 companies	65.21	62.08	59.07	57.59	58.40
Top 10 companies	81.15	81.44	79.37	78.56	78.38

Source: Axco Global Statistics / Industry Associations and Regulatory Bodies
New statistical information may have been included in the appendices.

Over the last five years there has been a gradual erosion of the market shares of the top five and top 10 non-life companies as new companies (mainly foreign and joint venture companies) have entered the market.

Company Changes

The South Korean insurer, Hyundai Marine & Fire Insurance signed a stock purchase agreement to acquire a 25% stake in VietinBank Insurance (VBI) and this purchase was confirmed in June 2019 in a ceremony at which a share purchase certificate was handed over.

Total Assets

Total assets for the non-life market over the last available five years are shown below.

	2013	2014	2015	2016	2017
Total assets (VND mn)	37,294,210.00	55,583,429.00	59,128,206.00	66,541,887.00	75,520,712.00
Growth (%)	5.64	49.04	6.38	12.54	13.49

Source: Axco Global Statistics / Industry Associations and Regulatory Bodies

Technical Reserves

Technical reserves for the non-life market over the last available five years are shown below.

	2013	2014	2015	2016	2017
Technical reserves (VND mn)	12,089,919.00	13,309,111.00	15,684,728.00	18,473,141.00	19,906,581.00
% of gross written premium	49.30	48.74	49.18	50.11	47.86

Source: Axco Global Statistics / Industry Associations and Regulatory Bodies

Expense Ratios

No details of expense ratios are published. Comments by the regulator regarding solvency suggest that some companies (most probably the smaller companies) suffer from high expense ratios.

Decree No 73/2016/ND-CP governs revenues and expenses of insurers and foreign branches. In this context licensed insurers and foreign branches are permitted to spend up to 2% of premiums collected in each fiscal year on prevention and loss reduction. Non-life insurers and foreign branches are permitted to spend up to 50% of insurance commissions in any one fiscal year on agent commendation and financial aid.

Profitability

No information is published on the overall profitability of the market but unofficial local sources indicate that results continue to be positive. Generally speaking, loss ratios in all classes of non-life business as per official statistics appear to be relatively good but this state of affairs may be partially due to inadequate loss reserve provisioning and it does not take account of high expense ratios which are clearly a significant burden for the smaller operators.

Retentions

The following table shows the retention ratios (net written premiums against gross written premiums) by major class over the last available five years.

Line of business	2013	2014	2015	2016	2017
Property	35.71	36.98	35.95	37.26	37.38
Motor	99.16	99.60	96.96	90.67	87.53
Liability	67.52	64.32	77.15	62.19	58.57
Surety, bonds and credit	26.07	25.69	46.15	27.98	48.57
Marine, aviation and transit	46.20	46.90	51.67	53.41	54.86
Personal accident and healthcare	95.12	98.22	98.08	98.08	92.17
Total non-life market	**68.62**	**70.27**	**72.72**	**73.53**	**72.31**

Source: Axco Global Statistics / Industry Associations and Regulatory Bodies

The table indicates that generally there have been few significant changes in market retentions in the property class in the five years up to and including 2017, although other classes have seen some movement.

Decree No 73/2016/ND-CP aims to improve the average retention level of the local insurance market so as to reduce reliance on foreign reinsurers, to reduce the volume of foreign currency transfers and to enhance the rapidity of local claims settlements in cases involving reinsurance. According to the Association of Vietnamese Insurers (AVI) the volume of overseas reinsurance placed in 2015 was equivalent to about one-third of the country's total gross insurance premium volume.

Pools

There are no pools in the Vietnamese insurance market.

Insurance Association

The Association of Vietnamese Insurers (AVI) was established under *Decree No 23/1999/QD-BCTCBCP* and inaugurated in December 1999. It is located in Hanoi.

The AVI's principal objectives are to:

- mediate on behalf of its members with the supervisory authorities on legislation and other matters affecting the industry with particular emphasis on the strategic development of the Vietnamese insurance industry
- organise forums for the dissemination of laws and policies, and make recommendations to improve insurance legislation and related issues
- develop rules governing the co-ordination of activities of its members including self-regulation
- collect, collate and publish statistics relating to insurance business
- assess the results of and develop plans for the insurance industry
- assist in the co-ordination of training for staff and agents by conducting and arranging workshops and seminars
- develop public relation programmes to promote the industry to the general public.

The AVI is also responsible for the policyholders' protection fund.

The association has two standing committees (legal and financial): there are no regular meetings of members.

There is regular liaison and co-operation between the regulator's office and the AVI.

Local Reinsurance Market

Summary and Trends

There are two local reinsurance companies:

- Vietnam National Reinsurance Corporation (VINARE)
- PVI Reinsurance Joint Stock Corporation (PVIRe).

VINARE was partially privatised in 2006 and 2007 and obtained a stock market listing in 2006. The principal shareholder is the state in the form of the State Capital Investment Corporation (SCIC): Swiss Re is the second largest shareholder and a strategic partner.

PVIRe was established in 2011 and became a joint stock corporation in 2013. The company is majority owned by PVI Holdings, which forms part of the state-owned Petrovietnam group (Petrovietnam has a controlling interest in PVI). It is reported that about 50% of PVI's business emanates from insurance entities within the Petrovietnam group.

Both local reinsurers write some overseas business. It is known that about 30% of VINARE's gross premium volume is sourced from outside Vietnam, being mainly a mix of proportional and non-proportional treaty business with companies in other Asian countries of which Korea is the largest.

Direct insurers also offer facultative capacity to the local market and locally licensed foreign insurers are reported to play a significant role in this respect. It is reported that few locally licensed direct writing insurance companies accept treaty business from the local market, however.

Decree No 73/2016/ND-CP, in effect from 1 July 2016, contains provisions on reinsurance which aim to improve the average retention level of the local insurance market, reduce reliance on foreign reinsurers and improve the speed of settlements of local claims involving reinsurance.

Circular No 50/2017/TT-BTC, which came into force on 1 July 2017, set out regulations under *Decree No 73/2016/ND-CP.* The circular requires insurers' annual reinsurance programmes to be approved by the board of directors or the director general and lists the factors to be considered while setting up the programme. The circular does not permit discrimination between Vietnamese and foreign reinsurers.

Vietnamese insurers tend to apply a traditional approach to reinsurance coverage, deploying mainly proportional treaties in respect of property, construction and marine business. Generally the proportional treaty market is reported to be unbalanced.

Some companies have working cover excess of loss protection and virtually all have catastrophe excess of loss coverage in property classes. Facultative reinsurance (mainly proportional) is deployed in respect of large property, construction and marine risks.

The market is also serviced by overseas professional reinsurers and Swiss Re is reported to be the largest foreign professional reinsurer operating in the market. The majority of companies use brokers for the placement of non-proportional and facultative coverage and many also use brokers to place proportional treaty business. The reinsurance programmes of subsidiaries and branches of foreign companies tend to be mainly directed towards in-house group arrangements.

Local Reinsurance Company Operating Requirements

The *Law on Insurance Business* specifies that "insurance enterprise" means an enterprise which is "established, organised and active under the provisions of this law and other applicable laws and regulations to conduct insurance business and reinsurance business". Reinsurers are treated in the same way as insurance companies and all provisions established in legislation for insurers also include reinsurers.

It should be noted that locally licensed reinsurance companies are permitted to operate on a composite basis as long as the requisite licensing requirements are met whereas insurers are not permitted to operate on a composite basis. Further information can be found under the Company Registration and Operating Requirements subsection in the Supervision and Control section of this report.

According to *Decree No 73/2016/ND-CP* the following are the minimum legal capital requirements for reinsurance companies:

- for reinsurance companies in respect of the provision of both non-life and health reinsurance - VND 400bn (USD 17.36mn)
- for reinsurance companies in respect of the provision of life reinsurance or both life and health reinsurance - VND 700bn (USD 30.39mn)
- for reinsurance companies in respect of the provision of life reinsurance, non-life reinsurance and health reinsurance (composite) - VND 1.10trn (USD 47.75mn).

Decree No 73/2016/ND-CP also aims to improve the average retention level of the local insurance market so as to reduce reliance on foreign reinsurers, reduce the volume of foreign currency transfers and to improve the speed of settlements of claims involving reinsurance.

Decree No 73/2016/ND-CP provides that:

- the maximum liability per single risk or loss that a locally licensed insurer may retain is limited to 10% of that company's owner capital
- the maximum permitted percentage of reinsurance is 90% of the local insurer's liability if the reinsurer is designated by the insured.

The stipulation regarding the maximum permitted percentage of reinsurance aims to end the practice of fronting in the market related to cases where a major insured entity or multinational company directs reinsurance of between 90% and 100% to its preferred reinsurance market(s), including captives.

Decree No 73/2016/ND-CP also states that in relation to non-life insurance business operational reserves are required for all insurers which accept health insurance and reinsurance business (unspecified previously in respect of these classes of business).

Circular No 50/2017/TT-BTC, which came into force on 1 July 2017, sets out regulations under *Decree No 73/2016/ND-CP* relating to the solvency margin. *Article 20 (2.1)* of the circular defines admissible assets for the purpose of determining the solvency margin.

State Reinsurance Company

VINARE was 100% state-owned until 2004. The major shareholder is the state in the form of the State Capital Investment Corporation (SCIC): Swiss Re is the second largest shareholder and a strategic partner.

The state also holds an interest through Petrovietnam in PVI Re.

There are no compulsory cessions to either company.

Local Reinsurance Companies

Local reinsurers and their premium income are shown below.

Company	Premium income (VND mn) 2017
VINARE	1,651,472.00
PVI Re	1,278,110.00

Source: Axco Global Statistics / Industry Associations and Regulatory Bodies

VINARE was partially privatised in 2006 and 2007 and obtained a stock market listing in 2006. The major shareholder is the state in the form of the State Capital Investment Corporation (SCIC): Swiss Re is the second largest shareholder and a strategic partner.

PVIRe was established in 2011 and became a joint stock corporation in 2013. The company is majority owned by PVI Holdings, which forms part of the state-owned Petrovietnam group (Petrovietnam has a controlling interest in PVI).

Reinsurance Written by Direct Companies

Direct insurers are permitted to accept inwards reinsurance. There are no current relevant statistics showing traded business volumes, either local or regional. Direct insurers offer facultative capacity to the local market and locally licensed foreign insurers are reported to play a significant role in this respect. It is reported that few locally licensed direct writing insurance companies accept treaty business from the local market, however.

International Reinsurance (Inwards)

Both local reinsurers write some overseas business. It is known that 30% of VINARE's gross premium volume is sourced from outside Vietnam, being mainly a mix of proportional and non-proportional treaties with companies in other Asian countries. No indications are available of international reinsurance written by PVIRe. It is thought that no local direct insurers write international reinsurance business.

Company Changes

There have been no recent company changes.

Local Reinsurance Arrangements

Summary and Trends

The Vietnamese market is generally traditional in its reinsurance arrangements. As yet there has been no major movement towards non-proportional reinsurances to replace proportional covers but it is reported that the larger companies are placing some working excess of loss covers, especially in respect of marine cargo business. Proportional treaties still predominate in most classes, however, with the exception of motor.

Aggregate event limits are in place in most proportional property and construction proportional treaties.

Motor is generally retained for net account with excess of loss protection.

There are no pooling arrangements for any class.

Whilst all direct insurance transactions in Vietnam must be completed in the local currency, this does not apply to reinsurance, where the majority by volume of treaty and facultative reinsurance business is placed overseas. Thus most reinsurance treaties and limits are expressed in USD.

Decree No 73/2016/ND-CP, in effect from 1 July 2016, contains a provision that limits reinsurance to 90% of the local insurer's liability if the reinsurer is designated by the insured. This stipulation is intended to end the practice of fronting in the market related to cases where a major insured entity or multinational company directs reinsurance of between 90% and 100% to its preferred reinsurance market(s), including captives.

Circular No 50/2017/TT-BTC, which came into force on 1 July 2017, sets out regulations under *Decree No 73/2016/ND-CP.* The circular requires insurers' annual reinsurance programmes to be approved by the board of directors or the director general and lists the factors to be considered while setting up the programme. The circular does not permit discrimination between Vietnamese and foreign reinsurers.

At present there is no reported local interest in financial reinsurance or alternative risk transfer (ART), although such arrangements may apply in the case of foreign companies licensed to operate in the market. *Circular No 50/2017/TT-BTC,* which came into force on 1 July 2017 setting out regulations under *Decree No 73/2016/ND-CP* mentions finite risk reinsurance.

Regulatory Considerations

Decree No 73/2016/ND-CP provides that:

- the maximum liability per single risk or loss that a locally licensed insurer may retain is limited to 10% of that company's owner capital
- the maximum permitted percentage of reinsurance is 90% of the local insurer's liability if the reinsurer is designated by the insured.

The stipulation regarding the maximum permitted percentage of reinsurance aimed to end the practice of fronting in the market related to cases where a major insured entity or multinational company directs reinsurance of between 90% and 100% to its preferred reinsurance market(s), including captives.

Article 42 of *Decree No 73/2016/ND-CP* specifies that a licensed insurer or branch of a foreign company may transfer part but not all of its liability from an insurance contract to one (or various) domestic and foreign insurance companies and branches of foreign companies licensed in Vietnam. When reinsurance is ceded to locally licensed insurers and locally licensed branches of foreign companies the latter have to evaluate such offerings with regard to their solvency and are not permitted to transact any further reinsurance on the reinsured subject matter.

Circular No 50/2017/TT-BTC, which came into force on 1 July 2017, sets out regulations under *Decree No 73/2016/ND-CP.* It specifies that the insurer's board of directors or the director general shall approve the annual reinsurance programme while considering eight specified aspects, including risk tolerance and retention. The determination of standards relating to treaty limits and facultative reinsurance form part and parcel of this exercise. Reinsurers must calculate and establish annual retentions per risk and per event by class of business with reference to eight criteria listed in the circular.

In relation to reinsurance cessions, the insured may nominate its preferred reinsurers or reinsurance brokers and request the insurer to cede specified business to such reinsurers or through preferred intermediaries. With reference to finite reinsurance the insurer must give notice of the main contents of the reinsurance agreement and its purpose, the applicable accounting standards and an undertaking to adhere to regulations on insurance business.

The circular does not permit discrimination between Vietnamese and foreign reinsurers.

A withholding tax of 0.1% applies on all payments made to overseas reinsurers.

Under many Vietnamese tax treaties with foreign countries, the profits of foreign reinsurers derived from reinsurance in Vietnam may be exempt from corporation tax if a notification file is presented to local tax authorities.

Technical reserve deposits are not retained from reinsurers in respect of proportional treaties.

Currency exchange control is not an issue for reinsurance as long as payments abroad (mainly in USD) are supported by relevant documentation.

Many foreign brokers are involved in the handling of both treaty covers and large risks, but it is not necessary for them to be registered or licensed with the regulator.

Non-admitted

Insurance companies are free to place their reinsurance wherever they wish. There is no requirement for overseas reinsurers or for foreign reinsurance brokers handling reinsurance business emanating from Vietnam to be registered with the regulator.

Article 43 of *Decree No 73/2016/ND-CP,* titled *Requirements of Foreign Reinsurance Enterprises*, specifies that:

- foreign reinsurers must operate legally and fulfil the requirements for solvency that operate in the home country
- major reinsurers and all foreign reinsurers accepting 10% or more in any reinsurance contract must be rated at least "BBB" by Standard and Poor's or Fitch, "B++" by AM Best, "Baa1" by Moody's or equivalent in the previous financial year
- when reinsurance is ceded to overseas parent companies or to companies within the same group that have no credit rating, written confirmation of the overseas reinsurer's solvency in the prior fiscal year from that company's regulator must be provided to the local regulator.

Reinsurance Statistics

Premiums ceded by non-life insurers over the last available five years are shown below.

	2013	2014	2015	2016	2017
Ceded premiums (VND mn)	7,695,260.00	8,188,000.00	8,700,000.00	9,758,000.00	11,516,000.00
% of gross written premiums	31.38	29.73	27.28	26.47	27.69

Source: Axco Global Statistics / Industry Associations and Regulatory Bodies

The following table shows the reinsurance ratios (premiums ceded against gross written premiums) by major class over the last available five years.

Line of business	2013	2014	2015	2016	2017
Property	64.29	63.02	64.05	62.74	62.62
Motor	0.84	0.40	3.04	9.33	12.47
Liability	32.48	35.68	22.85	37.81	41.43
Surety, bonds and credit	73.93	74.31	53.85	72.02	51.43
Marine, aviation and transit	53.80	53.10	48.33	46.59	45.14
Personal accident and healthcare	4.88	1.78	1.92	1.92	7.83
Total non-life market	**31.38**	**29.73**	**27.28**	**26.47**	**27.69**

Source: Axco Global Statistics / Industry Associations and Regulatory Bodies

Retentions

The following table shows the retention ratios (net written premiums against gross written premiums) by major class over the last available five years.

Line of business	2013	2014	2015	2016	2017
Property	35.71	36.98	35.95	37.26	37.38
Motor	99.16	99.60	96.96	90.67	87.53
Liability	67.52	64.32	77.15	62.19	58.57
Surety, bonds and credit	26.07	25.69	46.15	27.98	48.57
Marine, aviation and transit	46.20	46.90	51.67	53.41	54.86
Personal accident and healthcare	95.12	98.22	98.08	98.08	92.17
Total non-life market	**68.62**	**70.27**	**72.72**	**73.53**	**72.31**

Source: Axco Global Statistics / Industry Associations and Regulatory Bodies

Local Risk Sharing

Both of the local reinsurance companies major in treaty and facultative reinsurance sourced from the local market. Direct insurers also offer facultative capacity to the local market and locally licensed foreign insurers are reported to play a significant role in this respect. It is reported that few locally licensed direct writing insurance companies accept treaty business from the local market, however.

Historically, market practice was to avoid coinsurance, with companies preferring to write 100% of any risk and to place reinsurance on a facultative basis. Coinsurance has become more common, however, especially in respect of risks in the CAR and energy sectors, since prevailing very low premium rating levels in the market have discouraged overseas facultative reinsurers from participation. These trends have not been discouraged by brokers and have been augmented by some clients who expressly request that their business be shared among several insurers.

It is common for local and overseas reinsurers to impose a limit of about 50% of the normal treaty capacity for risks accepted as a follow line in coinsurance in order to limit or control their exposure.

There are no local market pools.

Treaty Reinsurance

Reports indicate that proportional treaty reinsurance treaty terms and conditions available to Vietnamese insurers firmed somewhat in 2019, mainly due to large property losses in 2018.

The market comprises both large and small companies so that it is difficult to generalise about market practices. The following comprises general guidelines to typical practice.

Property

Companies generally have one or maximum two surplus treaties with a total capacity of about USD 40mn to USD 50mn for the larger companies and USD 20mn to USD 25mn for smaller companies. Generally surplus treaties are comprised of maximum 20 to 25 lines of cover.

Retentions may be protected by working excess of loss cover. Companies also arrange catastrophe excess of loss cover for net account providing total cover of up to USD 5mn and more in some cases. Absolute net per risk retentions generally range from USD 200,000 to USD 500,000.

Limits expressed as PMLs are confined to the major companies and are not common: standard practice in the market is to base limits on sums insured.

Engineering

This class is typically reinsured by a surplus treaty with the largest gross capacities ranging from USD 60mn to USD 100mn and the average about USD 20mn. Net retentions may range from USD 500,000 to USD 5mn. Most companies have catastrophe excess of loss covers with limits of up to USD 50mn. Combined property and engineering catastrophe excess of loss treaties are reported to be relatively common.

Marine

Some companies have proportional treaty arrangements (quota share and/or surplus), but the use of excess of loss reinsurance is reported to be growing with a typical single limit of about USD 8mn to USD 10mn. The average net retention for marine business is reported to be about USD 200,000 to USD 300,000. VINARE is active in the marine hull reinsurance sector.

Miscellaneous accident

This class of business is generally reinsured on a surplus treaty basis, with retentions and limits that vary according to the type of business included. Typical treaties cover a range of classes including theft, liability, professional indemnity, personal accident and workers' compensation. Cover is arranged up to a maximum of about USD 10mn in the case of the major foreign players (less for smaller domestic companies) and retentions are up to a maximum of USD 500,000. Some companies purchase excess of loss coverage with limits of about USD 4.5mn in excess of USD 500,000.

Motor

Motor business is mainly reinsured on an excess of loss basis with deductibles of USD 50,000 to USD 100,000. Some quota share treaties (20% to 30% quota ceded) do exist, mainly to provide balance sheet relief.

Aviation

A very small volume is retained locally with the bulk of exposure being placed in the international market. There are no local reinsurance treaties and all business is placed on a facultative basis.

General practices

Technical reserve deposits are not retained from reinsurers in respect of proportional treaties.

It is thought that there are no reinsurance arrangements on a multi-year basis.

Not all companies buy working excess of loss cover but there is a trend towards greater interest. Non-proportional treaties may comprise a single arrangement including working and catastrophe excess of loss coverage.

Facultative Reinsurance

Facultative reinsurance is arranged mainly for large engineering and property risks but it is also used for marine hull and cargo, aviation insurances, and to a lesser extent large casualty risks.

The erosion of rates in recent years has made it more difficult to place facultative reinsurance in international and regional markets, with the result that an increasing volume of coinsurance and facultative reinsurance is said to be placed with other local direct insurers. Market capacity is such that most local risks may be absorbed, with the exception of the major energy risks.

The majority of facultative placements by local insurers are on a proportional basis.

Decree No 73/2016/ND-CP aims to improve the average retention level of the local insurance market so as to reduce reliance on foreign reinsurers, to reduce the volume of foreign currency transfers and to enhance the rapidity of local claims settlements in cases involving reinsurance.

Catastrophe Reinsurance

Most but not all companies have catastrophe reinsurance for property business, to include their engineering portfolios. Though the majority have bought the cover to protect against accumulation losses, some of the large companies purchase catastrophe cover specifically for the typhoon risk. Some buy the cover for non-marine risks only while others buy cover for their whole book of non-life business.

Treaties have a maximum limit of about USD 15mn to USD 20mn. Most are combined working and catastrophe excess of loss covers though some companies have separate treaties for each. Deductibles tend to average between USD 200,000 and USD 500,000.

Rates are fixed by the international reinsurers using their own catastrophe models.

Working covers usually provide two to three 100% paying reinstatements. Catastrophe treaties normally provide for one reinstatement at 100% additional premium. There are no multi-year catastrophe programmes.

Catastrophe reinsurance is thought to be almost entirely placed in the international market.

Alternative Risk Transfer

Circular No 50/2017/TT-BTC, which came into force on 1 July 2017, sets out regulations under *Decree No 73/2016/ND-CP.* Under the circular, the insurer must give notice of the main contents of every finite reinsurance agreement and its purpose, the applicable accounting standards and an undertaking to adhere to regulations on insurance business. The circular does not permit discrimination between Vietnamese and foreign reinsurers. It is thought that the use of finite risk coverage is mainly confined to foreign companies operating in Vietnam.

Treaty Reinsurance Commission

Treaty reinsurance commission levels by class are shown in the table below.

Line of business	Commission (%)
Non-marine proportional treaty	25.0 to 32.5
Marine proportional treaty	25.0 to 30.0

Source: Market sources

In some cases there may also be a profit commission of 15% to 20%, with 5% management expenses deduction, carried forward for three years.

Facultative Reinsurance Commission

Facultative reinsurance commission levels by class are shown in the table below.

Line of business	Commission (%)
Non-marine proportional facultative	20 to 30
Marine proportional facultative	20 to 30

Source: Market sources

Distribution

Local retail brokers are permitted to handle reinsurance provided that they have capital of VND 4bn (USD 173,633) for reinsurance broking or VND 8bn (USD 347,266) for insurance and reinsurance broking (combined).

The majority of companies use brokers for the placement of non-proportional and facultative coverage and many also use brokers to place proportional treaty business. The reinsurance programmes of subsidiaries and branches of foreign companies tend to be mainly directed towards in-house group arrangements.

VINARE reports that its local business acquisition mix is approximately 70% direct and 30% through brokers, but its overseas business is acquired 100% through brokers.

There is one specialist reinsurance broker in the market (Aon Benfield), which is thought to be the market leader in this field.

Summary and Trends

There are no published official indications of distribution mix in Vietnam.

The table below shows the estimated percentage of non-life premium written through various distribution channels for the last available three years.

	2017	2018	2019
Direct (%)	24	24	23
Broker (%)	26	26	26
Agent (%)	46	45	45
Bancassurance (%)	3	4	5
Internet (%)	1	1	1

Note: due to rounding the breakdown above may not equal 100%.
Source: Market sources

There were 14 insurance brokers licensed by the regulator in 2019. There is one specialist reinsurance broker (Aon Benfield, based in Hanoi). Brokers are reported to be trying to expand their market share by making inroads into the SME market and they also focus on international joint venture companies, or foreign direct investment (FDI) business linked to their multinational client base.

Agents have always played a significant role in the non-life insurance distribution system in Vietnam in both the personal and the small commercial lines sectors and in the interface between state-owned companies and their insurers. Agents also remain an effective and popular form of motor and personal lines distribution. The latest available statistics published by the regulator indicated that in 2017 there were 75,978 individual non-life agents and 38,988 agents working for 1,755 agency firms, making a total of 114,966 non-life agents in all.

A percentage of market premium volume is placed direct (currently estimated at 23%) and indeed some local companies were established for that purpose with shareholders providing significant business volumes.

Internet sales and e-commerce are generally limited in relation to premium volume generated.

Bancassurance is a growing non-life distribution channel mainly relating to distribution of personal lines insurances, such as PA and travel. Bancassurance distribution of life insurance products has witnessed dramatic increases in 2018 and 2019, in some cases tripling premium volume from this source, but it is reported that the importance of bancassurance in the non-life sector is more modest.

Circular No 50/2017/TT-BTC deals with operational principles for insurance brokers, including the practical effects of contractual arrangements made by brokers and insurers in relation to collecting premiums and making claims payments. It also set out revised maximum commissions payable to insurance agents.

Direct Handling

Most local companies operate with direct sales forces whose members work to targets and are paid a salary plus (in some cases) a share of commissions on the business they generate. Senior management and underwriting staff may also be used as sales staff to generate business and some companies adopt a more aggressive approach than others. These employee-agents may place business only with the company which employs them. Some company branch offices can issue policies and settle claims while some operate only as points of sale: their role is determined by management policy.

A significant amount of government business is placed directly with the local insurers. Most of PVI's energy business is placed directly with the company as its parent company is the state-owned monopoly handling oil and gas exploration and production.

E-Commerce

On 1 March 2006 a new *Law on Electronic Transactions* took effect covering, among other issues, the use of electronic signatures and electronic signature authentication services. *Circular No 37/2009/TT-BTTTT* of 14 December 2009 issued the regulations on the licensing and registering of organisations supplying a digital signature authentication service.

The development of e-commerce is further hampered because only about 30.8% of the population (according to World Bank 2018 estimates) has a personal bank account. Reports indicate, however, that banks are making increasing efforts to expand their retail customer base, following a history when they have concentrated heavily on accounts for corporate customers where most profits are generated.

Internet penetration has grown very rapidly in recent years, being estimated at approximately 70.3% of the population as at December 2018. Most access is through smart phones and tablets: these are considered by some observers to be a potentially effective new advertising and distribution channel for insurers.

There are no legal constraints on selling non-life insurance via the internet. One of the leading companies in this respect is Liberty Insurance which offers proposal and quotation services for a wide range of non-life personal lines products online, including motor, personal lines, private medical insurance and ancillary products.

In *Decree No 73/2016/ND-CP* the sale of insurance products via "electronic transactions" was added to permitted distribution channels.

Other Direct Marketing

There are no dedicated direct writers in the market and little likelihood of their appearance in the foreseeable future. Telesales is not a significant feature.

Insurers advertise in the press and on billboards and to a lesser extent on television and radio. They may also advertise on flyers sent to consumers' homes or distributed through banks, hospitals and so on, but this is not a common practice among the non-life companies. Most direct marketing in the non-life sector has been of motor and travel policies.

The larger companies operate call-centres offering a range of client services including claims reporting, policy information and renewal details in addition to a towing service and contacts with garage and medical services networks.

Bancassurance

Bancassurance is a growing non-life distribution channel mainly relating to distribution of personal lines insurances, such as personal accident and travel. Bancassurance distribution of life insurance products witnessed dramatic increases in 2018 and 2019, in some cases tripling premium volume from this source, but it is reported that the importance of bancassurance in the non-life sector is much more modest.

In the non-life classes, banks sell motor, homeowner's insurance, and PA and travel cover. Some banks have made some attempts to move into the commercial insurance sector, but only by referring potential clients to their associated insurance companies. Though banks have historically not yet taken a particularly active role in selling non-life insurance, this is likely to change in the future as they seek to offer a complete service to their clients and also to develop new sources of income.

There are no legal restrictions on the cross-ownership of banks and insurers and several banks have shareholdings in insurance companies. Also, there are no restrictions on banks conducting insurance business or linking credit with insurance, but so far synergies between banks and insurers are not being exploited to any very significant degree. Examples of links between banks and insurers are:

- Bao Viet Insurance and Bao Viet Bank
- Vietcombank and Petrolimex Joint Stock Insurance Company
- Bank for Investment and Development of Vietnam (BIDV) and BIC Insurance Company
- Incombank and Incombank Asia Joint Venture Insurance Company
- Sacombank and Vien Dong Joint Stock Assurance Company
- Asia Commercial Bank and Bao Long Insurance Company
- Standard Chartered Bank and Mitsui Sumitomo Insurance Company Vietnam (MSIG).

In some cases, a bank will co-operate with more than one insurer and it is not uncommon to see the sales desks of different insurers in bank branches. Insurance companies sometimes place their own staff in banks as sales agents but more often they rely on bank staff to market their products or act as referral agents. Although bank employees are supposed to have some insurance training (especially if they are selling the products of foreign insurers) in practice their knowledge tends to be limited. This is encouraging insurance companies both to improve training of bank staff and also to use their own sales staff to support the bank employees.

Banks may demand that customers purchase insurance cover for a loan but they cannot specify that it is bought from an insurer with which they are associated. In practice, however, the rates offered and the convenience of one-stop shopping means that most loan-related policies are purchased from the banks' associated insurers.

Agencies

Agents have always played a significant role in the non-life insurance distribution system in Vietnam in both the personal and the small commercial lines sectors and in the interface between state-owned companies and their insurers. Agents also remain an effective and popular form of motor and personal lines distribution.

The latest available statistics published by the regulator indicated that in 2017 there were 75,978 individual non-life agents and 38,988 agents working for 1,755 agency firms, making a total of 114,966 non-life agents in all. The number of life insurance agents is around six times larger than the number of non-life agents.

Most agents are reported to work part-time and the turnover of agents is reported to be high.

Decree No 73/2016/ND-CP set out the operational principles of insurance agencies (*Article 83*), rights and duties of insurance enterprises and foreign branches with regard to insurance agencies (*Article 84*) and rights and duties of insurance agents (*Article 85*).

Articles 87 to *89* of the decree set out training requirements for insurance agents and stipulate that training programmes require approval by the regulator.

Decree No 73/2016/ND-CP also provides that any individual who has not acted as an insurance agent for three years must apply for a new insurance agent's certificate in order to operate as an insurance agent thereafter.

Circular No 50/2017/TT-BTC details regulations pertaining to the training of insurance agents and the issuance of agent's certificates. The training programme must comply with *Article 88* of *Decree No 73/2016/ND-CP.* The regulator may issue agents certificates based on the results of examinations administered at approved training facilities.

New regulations relating to the certification of insurance agents were issued in *Circular No 125/2018/TT-BTC* which came into force on 1 March 2019. The regulations set out the procedures for the holding of tests for insurance agent certificates and the conditions for the granting and withdrawal of the certificates. The new circular also provides a new sample insurance agent certificate which replaces the one in *Circular No 50/2017/TT-BTC*.

Insurance Brokers

There were 14 insurance brokers licensed by the regulator in 2019 of which five were international brokers, namely:

- Aon Vietnam Co Ltd
- Willis Towers Watson Vietnam
- Marsh Vietnam Insurance Broking Company Ltd
- Jardine Lloyd Thompson Co Ltd
- Toyota-Tsusho Insurance Broker.

There is one specialist reinsurance broker (Aon Benfield, based in Hanoi).

It is reported that Jardine Lloyd Thompson will cease to operate in Vietnam towards the end of 2019, following finalisation of its acquisition by Marsh in April 2019.

Brokers are reported to be trying to expand their market share by making inroads into the SME market and they also focus on international joint venture companies, or foreign direct investment (FDI) business linked to their multinational client base.

There is no insurance brokers' association in Vietnam.

The regulations governing the appointment and operation of brokers are found in the *Law on Insurance Business No 24/2000* and *Decree No 73/2016/ND-CP.* The primary requirements for setting up a broker are similar to those for setting up an insurance company and are set out under the heading Establishing a Local Company in the Company Registration and Operating Requirements section of this report, within Supervision and Control.

Decree No 73/2016/ND-CP sets out requirements for the establishment of local and foreign brokers. Capital requirements are VND 4bn (USD 173,633) for insurance broking or reinsurance broking (separately) or VND 8bn (USD 347,266) for insurance and reinsurance broking (combined). Investors in broking operations must comply with broadly the same eligibility and financing requirements and restrictions as apply to insurers.

Circular No 50/2017/TT-BTC deals with operational principles for insurance brokers, including the practical effects of contractual arrangements made by brokers and insurers in relation to collecting premiums and making claims payments. The insurer must pay the broker agreed commission within 30 days from the date when premium is paid. Licensed insurance brokers are now required to publish annual audited financial statements including the opinion of the auditor on their websites and in newspapers in three consecutive issues.

Article 8 of the *Law on Insurance Business No 24/2000/QH10* of 9 December 2000 requires brokers to have professional indemnity insurance although the law is silent on the amount of cover actually required.

Intermediaries' Commissions

Circular No 50/2017/TT-BTC sets out the maximum commissions payable to agents as per the following tables. It replaced *Circular No 124/2012/TT-BTC.*

Voluntary insurance

Line of business	Maximum commission (%)
Property and casualty	5.0
Cargo by road, water, inland waterway, railway and air	10.0
Hull and liability for sea-going ships	5.0
Liability	5.0
Aviation	0.5
Motor vehicle (voluntary)	10.0
Fire (voluntary)	10.0
Credit and financial risk	10.0
Business loss	10.0
Agricultural insurance	20.0
Guarantee business	10.0

Compulsory insurance

Line of business	Maximum commission (%)
Motor third party (cars)	5.0
Motor third party (motor cycles, mopeds)	20.0
PI for legal consultancy activities	5.0
PI insurance brokers	5.0
Mandatory fire and explosion	5.0
Construction insurance	5.0
PI for construction consultancy	5.0
Insurance for employees working at site	5.0

Note: in the case of package policies total commission shall not exceed the sum of individual maximum commissions per class of business.
Source: Axco Global Statistics / Industry Associations and Regulatory Bodies

The maximum commission payable for health business is 20%.

There is no change to the maximum commission payable to brokers which is 15%. The insurer must pay the broker agreed commission within 30 days from the date when premium is paid. Insurers are not permitted to make any additional payments to their non-life intermediaries.

Consumer Protection

There are no statutory or voluntary codes of conduct in the market.

Following concerns about company practices relating to the recruitment of agents, the regulator issued several circulars and regulations aimed at protecting consumers. These are restated in *Decree No 73/2016/ND-CP,* which sets out rights and duties of insurance agents (*Article 85*). *Articles 87* to *89* of the decree set out their training requirements and stipulate that training programmes require approval by the regulator.

Decree No 73/2016/ND-CP also provides that any individual who has not acted as an insurance agent for three years must apply for a new insurance agent's certificate in order to operate as an insurance agent thereafter.

There is a policyholders' protection fund originally established by *Law No 61/2010/QH12* of 24 November 2010 to compensate policyholders in the event of the insolvency of an insurer. The regulations regarding this fund were restated in *Articles 103* to *109* of *Decree No 73/2016/ND-CP.*

The international brokers adhere to the norms laid down by their parent organisations, and have compliance personnel in place.

Company Changes

It is reported that Jardine Lloyd Thompson will cease to operate in Vietnam towards the end of 2019, following finalisation of its acquisition by Marsh in April 2019.

Multinationals

Local Multinationals

Only a few local companies such as Vietnam Airlines, Trung Nguyen Coffee and FPT Corporation (a telecommunications company) operate on an international basis. Many domestic Vietnamese insurers have access to an international network facilitating the placement of global programmes following strategic reciprocal arrangements with foreign insurers. The foreign insurers present in the market are subsidiaries of companies with extensive foreign networks that can also support international programmes.

There is no standard way of handling the insurances of the few Vietnamese multinationals. In most cases, however, programmes are designed centrally by the broker and main insurer and local policies are issued and reinsured back to the holding company in Vietnam, while obligatory insurances and personal lines covers are placed and retained locally. DIC/DIL policies are issued centrally if local policies fail to provide the desired cover. Premiums are paid locally to locally licensed insurers.

Decree No 73/2016/ND-CP aims to improve the average retention level of the local insurance market so as to reduce reliance on foreign reinsurers, to reduce the volume of foreign currency transfers and to enhance the rapidity of local claims settlements in cases involving reinsurance. *Decree No 73/2016/ND-CP* provides that:

- the maximum liability per single risk or loss that a locally licensed insurer may retain is limited to 10% of that company's owner capital
- the maximum permitted percentage of reinsurance is 90% of the local insurer's liability if the reinsurer is designated by the insured.

The stipulation regarding the maximum permitted percentage of reinsurance was intended to end the practice of fronting in the market related to cases where a major insured entity or multinational company directs reinsurance of between 90% and 100% to its preferred reinsurance market(s), including captives.

Foreign Multinationals

Enterprises that are incorporated in Vietnam, having 49% of their charter capital held by foreign investors and which recruit foreign employees working in Vietnam, are permitted to use cross-border insurance services.

Under *Article 90* of *Decree No 73/2016/ND-CP*, "services of reinsurance, international maritime insurance, international aviation insurance, international reinsurance brokerage, consultancy, computation, risk assessment and claims settlement shall be governed by current laws and best practices". Accordingly none of these services are subject to the non-admitted regulations. According to market sources, there are no restrictions on international marine and aviation cargo business (including inland transits in Vietnam as part of an international voyage), however, cross-border insurance regulations apply to international rail and road cargo.

Decree No 73/2016/ND-CP limits the permitted percentage of reinsurance to 90% of the local insurer's liability if the reinsurer is designated by the insured. The stipulation regarding the maximum permitted percentage of reinsurance was intended to end the practice of fronting in the market related to cases where a major insured entity or multinational company directs reinsurance of between 90% and 100% to its preferred reinsurance market(s), including captives.

Obligatory insurances and personal lines covers are generally placed and retained locally.

The local market does not generally favour global wordings so local wordings (which in any case are principally based on international wordings) and local market rates are used. When necessary, DIC/DIL covers are issued but it is possible that the regulator will start to monitor this practice in future as there is clear determination on its part to put a definitive stop to fronting and the wholesale transfer of liabilities to overseas programmes.

Bao Viet and Bao Minh are the principal local companies handling multinational business, and they are amenable to ceding to global underwriters, reinsurers and/or captives within the scope of prevailing regulations. PV Insurance Corporation manages multinational programmes for oil and gas interests.

Captives

Summary and Trends

There are no captives in Vietnam. No local companies own or rent a captive as they have not yet reached the critical mass necessary to justify it.

Local Legislation

There is no specific local legislation in respect of captives.

Locally Domiciled Captives

There are no locally domiciled captives.

Local Captive Owners

There are no local captive owners. The nearest such arrangement would be PVI which is 67% owned by Petro Vietnam (33% by the Talanx group), and which controls all the Petrovietnam business and its reinsurances, mostly offshore.

The Korean electronics group, Samsung, has a subsidiary insurance group, a subsidiary of which is in Vietnam, handling all the local insurance requirements of its two manufacturing plants, including employee benefits.

A.R.T. & Risk Management

Summary and Trends

Circular No 50/2017/TT-BTC, which came into force on 1 July 2017, sets out regulations under *Decree No 73/2016/ND-CP.* Under the circular, the insurer must give notice of the main contents of every finite reinsurance agreement and its purpose, the applicable accounting standards and an undertaking to adhere to regulations on insurance business. The circular does not permit discrimination between Vietnamese and foreign reinsurers. It is thought that the use of finite risk coverage is mainly confined to foreign companies operating in Vietnam.

Supervision

Article 39 of *Decree No 73/2016/ND-CP* states that apart from compulsory insurances, vehicle and health insurance products, locally licensed non-life insurers and branches of foreign insurers can formulate the conditions and rates of non-life products at their own discretion.

In relation to health and vehicle insurance products *Decree No 73/2016/ND-CP* provides that insurers must file with the regulator policy wordings, terms and conditions and premium rate schedules, as well as formulae, methods and explanations of pricing and reserving. These submissions must also include brochures, sales material and forms that purchasers must complete and sign. The regulator is responsible for setting the pure (risk) premiums, relating to basic vehicle insurance covers, which must form the basis of insurers' pricing. These products may not be sold until written approval has been received from the regulator.

Policy Wordings

Uniform wordings are used for most compulsory covers.

There is little difference in local policy conditions in most classes as they tend to follow international wordings in order to facilitate reinsurance placement. Broker manuscript wordings may also be used but the use of same does not appear to very common and is less frequent than is standard practice in a number of other Asian countries. There are no non-standard exclusions in common use in the market.

The law is silent on the language to be used in insurance contracts: the only requirement is that the wording must be transparent and clear. In practice, while most policies are issued in Vietnamese, a variety of policy languages is used. Policies for foreign-invested companies tend to be in English and the English wording may be the version that prevails in a court of law.

Local Insurance Law

The *Law on Insurance Business No 24/2000/QH-10* recognises the principles of non-disclosure, insurable interest, innocent misrepresentation, subrogation and arbitration. There is no statutory cooling-off period for policyholders except in the case of door-to-door sales where the law sets a three-day cooling-off period.

There is no legal requirement to provide additional limits for legal costs in addition to the usual limits of indemnity and there is no standard approach to legal costs. Some companies provide cover for costs in addition to the policy limit; others consider costs to be included in the limit of indemnity. If costs are insured separately, an additional premium may apply. For classes such as products liability, professional indemnity and D&O), they are usually integral within the limit of indemnity.

It is usual in most classes for jurisdiction to be Vietnam, but exceptions are made for classes such as financial risks and product liability, where worldwide excluding or including the US and Canada jurisdiction may be granted subject to reinsurance support.

Policy Issue

There is no requirement for a policy to be issued within a certain time period although the *Law on Insurance Business No 24/2000/QH-10* specifies that insurers are obliged to issue the policy "immediately after entering into the contract". In practice policies are issued within 30 days following inception so that the requisite premium can be debited.

Certificates of insurance are required to be issued only for mandatory compulsory insurance classes. Otherwise the issue of certificates is optional.

There is no stated legal requirement for the insured to sign the insurance contract although some local companies request it.

Policy Currency

All direct policies (with a few exceptions) must be issued in local currency (VND) according to directions issued by the State Bank of Vietnam in the *Ordinance on Foreign Exchange Control* of 13 December 2005 and in *Decree No 160* of 2006.

These regulations do not extend to reinsurance where the use of foreign currency is permitted, the predominant such contract currency being US dollars. Foreign exchange control is not a problem as long as applications are supported by reinsurance contracts and invoices for the requisite amount.

Premium Payment and Terms

The *Law on Insurance Business No 24/2000/QH-10* stipulates that cover will begin from the moment that the contract is completed or there is evidence of acceptance of cover by the insurer and the insured has paid the premium, unless otherwise agreed. Market practice is to demand cash for cover unless otherwise agreed but standard practice is payment after 30 days in the case of corporate business or when up to 30 days is agreed by the parties. The broker must transfer the premium to the insurer within 30 days of its receipt. Payment to the broker is considered to be payment to the insurance company.

The option of premium payment by instalments is available for major corporate customers. Standard practice is to require payment of the first instalment within 30 days.

Following the reinforcement of the provisions of the *Ordinance on Foreign Exchange Control* of 13 December 2005 and *Decree No 160* of 2006 premiums may no longer be collected in a foreign currency as all transactions, with a few exceptions, must be carried out in VND.

Circular No 50/2017/TT-BTC, which took effect on 1 July 2017, deals with the payment of premiums.

Cancellation and Renewal

Cancellation provisions depend on the individual policy conditions and vary by class of business but as a general rule the insured may cancel the policy at any time by notifying the insurer in writing; the insurer is required to give notice in writing to the insured with seven, 15 or 30 days' notice.

There is no tacit renewal of policies. Renewal notices are issued by companies prior to the expiry of each period of insurance, and the onus is on the client to request renewal. Failure to do so results in the policy being lapsed. In some cases an automatic renewal clause may be applied, holding covered for 30 days to allow time for the premium payment.

There are no long-term agreements and no multi-year policies are available in the market.

Types of Policy

A wide range of policy types is issued in the market including:

- compulsory wordings for 19 classes of fire risk for fire and explosion cover, and motor third party liability
- standard fire and named perils
- industrial all risks/CAR
- package policies for homes and SMEs
- individual or multi-class liability wordings, and financial liability wordings
- broker manuscript wordings, which are used mainly in the energy sector.

Although insurers report an increasing demand for package covers for SMEs, some still prefer to take basic fire and perils cover. State-owned risks are also frequently insured on a fire and perils basis.

The most common IAR wording is based on the ABI form, but some companies use the Australian form. Manuscript wordings are not generally used but some brokers use their own endorsements where possible.

Other than the compulsory wordings, most policies tend to follow internationally accepted terms and conditions, translated into Vietnamese if required. The larger local companies have over the years adapted reinsurers' wordings for local use, and the foreign companies have imported and/or adapted their own group wordings from other territories.

For public liability business Australian and US wordings are the most common: the extent of jurisdiction is stated in the schedule. The latter can be local only, worldwide (including US and Canada) or worldwide (excluding US and Canada).

Average

Property policies including CAR and machinery breakdown covers contain the standard condition of average, and the application of average is recognised in the insurance law. As far as is known, the average clause is not deleted from a property insurance policy but a coinsurance clause is sometimes applied ensuring the non-application of average provided that the sum insured represents an agreed percentage, typically 80% to 85% of the value at risk.

Inflation

Policies issued in Vietnam do not generally contain inflation protection clauses though some property covers may contain a 10% or 20% escalation clause or an automatic increase clause for fixed assets.

Earthquake and Other Geological Hazards

Exposure

Vietnam comprises four main tectonic units: from the north of the country to the Red River (part of the south China platform); from the Red River to the Tra Bong fault (the north Vietnam folded system); from the Tra Bong fault to the Hau River fault; and from the Hau River fault to the southern border. Each unit is separated from its neighbour by a deep fault. Most of the faults are strike-slip faults and the deep fault running from north-west to south-east is particularly active.

The main vulnerable areas are the north of the country including Hanoi, which lies on the Red River fault, the central coastal area and south-eastern continental shelf. State-funded seismic research shows 30 areas exposed to the hazard of an earthquake of 5.5 or more on the Richter scale, the most at risk being Son La, Song Ma-Fumaytun, Dong Trieu and the Red River/Chay River area. The report indicates that since 1900 there have been two scale 8.0 or more earthquakes, 17 scale 7.0 or more and 115 scale 6.0 or greater, suggesting that the earthquake risk is not as modest as is frequently assumed.

Despite the fact that many earthquakes of magnitude 7.0 or higher have occurred, earthquake has never been recognised by insurers as a major hazard in Vietnam. This is because the mountainous north-west region, which is the area of greatest exposure, is sparsely populated and there is no industry of any consequence, so the risk of loss or damage to property is minimal. Local insurers report that there were no major earthquakes causing significant insured damage from 2017 to 2019.

Historic data suggests that the Vietnamese coastline has been exposed to tsunamis in the past and seismologists agree that the potential for similar events in the future is real. A tsunami with a height of more than 1.5 metres could be generated by a 7.5 magnitude earthquake south of Hainan Island on the Central Vietnam shelf and one of more than four metres could be caused by an 8.5 magnitude earthquake at the Manila Trench. Such events would cause serious economic and insured losses as most of Vietnam's major population centres are on the coast.

Until 2006, no earthquake building codes were in use in Vietnam and, according to the general construction code, zones prone to earthquakes measuring less than 4.7 did not require earthquake proofing. This code took no account of the high-rise construction in Ho Chi Minh City, or the fact that the soil in the south is principally alluvium, clay and mud. The Ministry of Construction introduced regulations covering earthquake-resistant construction of which the principal legislation is the *Vietnamese Construction Code and Standards for Dwelling Houses and Structures in Earthquake Zones* of 2006.

Accumulations and PMLs

Exposures are minor due to the low penetration of insurance across the country. There are some accumulations of high value individual risks such as the oil refinery, ports and the bigger industrial complexes, especially where foreign interests are involved.

Reinsurers request information on accumulations and this is reported to them either quarterly or annually. The data is collated using the Munich Re zoning map. There is no requirement to report earthquake accumulations to the regulator.

Zonal return periods of 50 years for intensities V to VII are used by the market.

Most local companies do not work on a PML basis, instead ceding risks to their treaties based on sum insured.

VINARE and Catalytics Pte Ltd have jointly developed and calibrated a natural catastrophe model for Vietnam covering flood, typhoon and earthquake perils.

Limits and Scope of Cover

No separate earthquake policies are issued. There is little perceived risk and the cover is included automatically in the industrial all risks policy and other package policies and offered as an extension to the standard fire policy. In such cases earthquake cover is generally given without charge. Almost all policies include the risk. The standard cover is for earthquake or volcanic eruption, including flood and overflow of the sea occasioned thereby. Fire following earthquake is also covered. No first loss policies for earthquake are issued; insurance is generally arranged on a full sum insured basis though a sub-limit is occasionally applied.

No state or market pool or catastrophe fund exists but VINARE has suggested the creation of a compulsory natural perils catastrophe pool to which all insurance companies would contribute in order to create a fund out of which payments would be made in the event of a catastrophe: no recent progress has been made in this respect.

Rating and Deductibles

No separate rate is charged for earthquake, which is simply included in the additional perils cover. The overall rate for perils cover is about 10% of the normal fire rate for the risk but some companies are known to give the cover free of charge if the perceived hazard is low. If separate earthquake cover is given, it is almost always included at no additional cost.

It used to be usual to apply a deductible of at least VND 43mn (USD 1,867) for earthquake but some insurers give the cover without deductible for risks in areas considered to be non-hazardous.

Loss History

The last major earthquake to hit the country was the Tuan Giao event of 1983 when a tremor of magnitude 6.0 and intensity VI affected Hanoi, Hoa Binh and Haiphong in the north. No information on the extent of damage is available, and there were no reports of insured damage.

In 2001 an earthquake of 5.3 on the Richter scale in Dien Bien Phu, caused economic losses of around VND 190bn (USD 8.25mn).

Local insurers report that there were no major earthquakes causing significant insured damage from 2017 to 2019.

Utilities

Currently there are no underground gas pipe networks supplying residential property but a few exist in industrial areas. These are fitted with automatic cut-off valves. There are a number of hydro schemes, and electricity is supplied by overhead cables.

There are many dams throughout the country, including in the most hazardous areas of the north where the massive Son La dam became operational in 2011. Concern has been expressed locally at its construction in such a seismically sensitive area as, if it were to collapse in an earthquake, a huge flood wave would be sent down the River Da threatening the Hoa Binh dam further downstream and even Hanoi, almost 186 miles (300 km) away. This scenario is generally dismissed as "unlikely" and "alarmist" as, following a study in 2004 of the seismic hazard in the area, the dam and power plant were constructed to withstand tremors measuring up to 9.0 on the Richter scale.

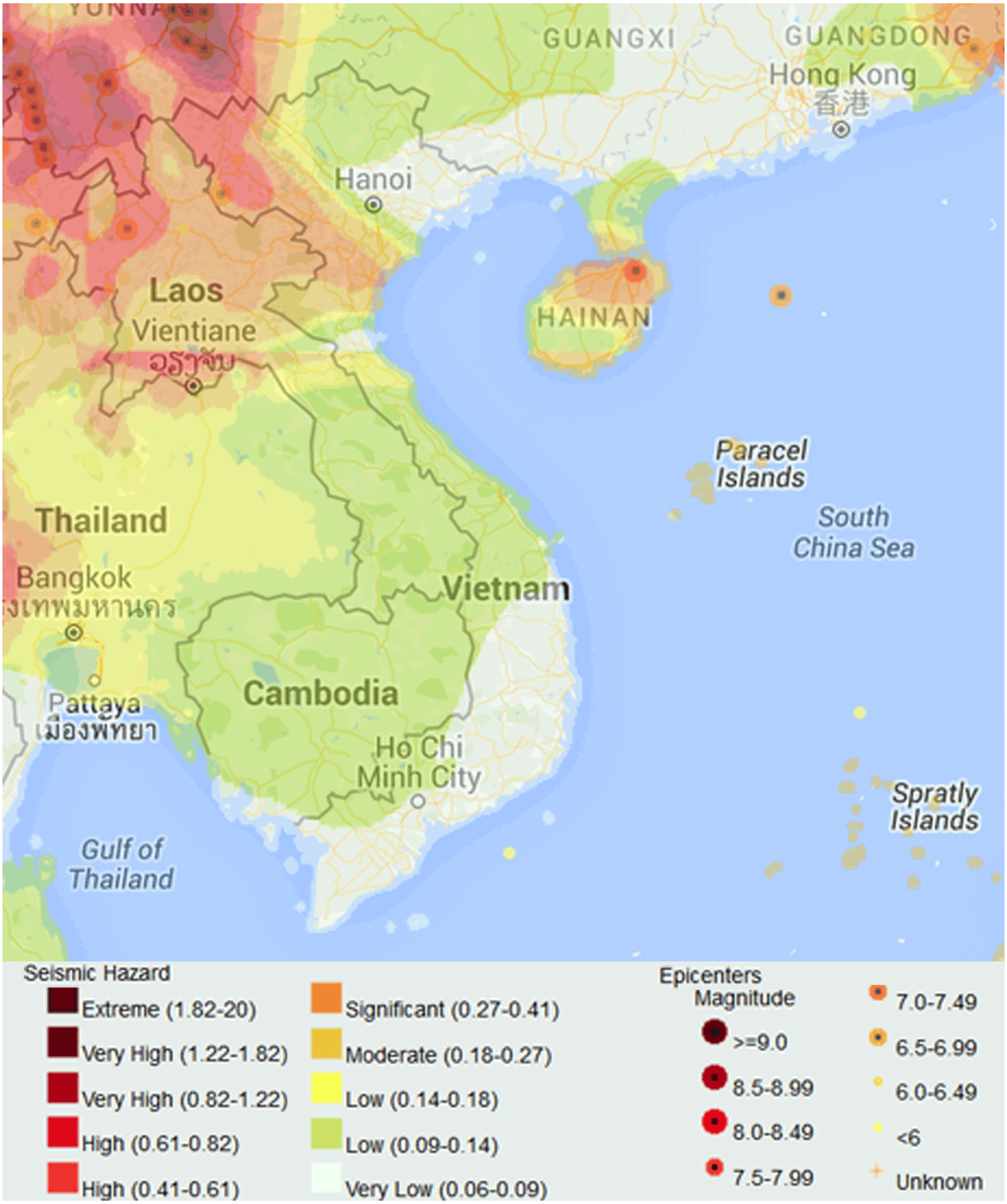
Disaster Planning

Vietnam has a large number of committees for flood, storm control and disaster (CSFC) preparedness at national, city, provincial and district levels, and within relevant ministries. Each village also has a CSFC officer. The committees' role is to prepare for the storm season, give instructions to the populace as the season approaches and co-ordinate the relief in the aftermath of a disaster.

There is also a disaster management unit, which is a joint project between the UN and government agencies. The unit would help co-ordinate post disaster emergency assistance and appeals.

In the event of an emergency the civil defence and military would be called in to help. The international federation of the Red Cross and the Red Crescent are also active participants in emergency situations.

CatNet(R) Earthquake Map



Source: Swiss Re CatNet® www.swissre.com/catnet
Map data ©2015 Google

Windstorm

Exposure

Vietnam is exposed to typhoons and tropical storms moving from the East Sea (China Sea) which are a regular occurrence between the months of July and November (typhoon season) each year. The whole coastal region is susceptible to storms but the main areas affected are the region between Hanoi and Haiphong in the north, Da Nang in the centre and the area of Vung Tau in the south of the country. These storms are usually accompanied by extensive flooding and it is not unusual for rail and road links to be cut and flight schedules to be disrupted.

Many reinsurers have incorporated aggregate limits into their property proportional treaties. Despite this, the local insurance market does not seem particularly concerned about the potential for future loss.

It is understood that the construction code contains regulations relating to windstorm-resistant construction.

Accumulations and PMLs

Little or no specific windstorm monitoring is performed in the market but reinsurers request accumulation statistics including natural perils exposures on a Cresta zone basis or following reinsurers' zoning maps. Ceding companies must report their aggregate exposures each quarter.

VINARE and Catalytics Pte Ltd have jointly developed and calibrated a natural catastrophe model for Vietnam covering flood, typhoon and earthquake perils.

Local insurers do not work to return periods and all windstorm cessions have to be made on a sum insured basis.

Reinsurers impose natural peril annual aggregate limits in proportional treaties.

Limits and Scope of Cover

It is common for property policies to include cover against windstorm damage either under a fire and full perils policy, or by automatic inclusion in a property all risks package: thus almost all policies carry the cover.

Two standard covers are available as an extension under the market fire policy, as noted below.

1. Storm and tempest excluding damage caused by:

   the escape of water from the normal confines of any natural or artificial water course or lake reservoir canal or dam or any water tanks apparatus or pipes

- inundation from the sea whether resulting from storm or otherwise

- frost, subsidence or landslip, to awnings, blinds, signs or other outdoor fixtures and fittings, gates and fences and moveable property in the open; to premises in course of construction, alteration or repair except when all outside doors, windows and other openings are complete and protected against storm or tempest; and by water or rain other than by water or rain entering the building through openings made in its fabric by the direct force of the storm or tempest.

•Storm, tempest and flood excluding damage caused by frost, subsidence or landslip

- to awnings, blinds, signs or other outdoor fixtures and fittings, gates and fences and moveable property in the open
- to premises in course of construction, alteration or repair except when all outside doors, windows and other openings are complete and protected against storm or tempest
- by rain except rain entering the building through openings made in its fabric by direct force of the storm or tempest
- resulting from the escape of water from any tank apparatus or pipe.

Insurers do not normally survey risks for windstorm cover, but they would pay special attention if cover was requested on a risk in the most exposed areas of the country and might arrange a survey in those circumstances or at least increase their rates and deductibles. In extreme situations cover might be declined.

Rating and Deductibles

There are generally no separate rates charged for windstorm which is simply included in the additional perils cover or the overall policy rate. The overall rate for perils cover is about 10% of the fire rate but companies have been known to give the cover free of charge if the perceived hazard is low. A higher rate might be charged for risks situated in the areas of severe exposure but competition is making selective underwriting less common than was the case historically.

Deductibles for perils of nature range from the local equivalent of USD 2,000 for small cases to USD 10,000 and more for large ones.

Loss History

The year 2017 witnessed two exceptional typhoon events causing major destruction and numerous fatalities. Typhoon Doksuri which took place in September 2017 was considered to be the most powerful storm to have hit central Vietnam in the past decade. Typhoon Damrey which occurred later in 2017 was considered by local authorities to have been the strongest storm event to have affected southern Vietnam in the last 16 years.

There were no windstorms causing significant insured damage in 2018 and none as at the date of preparation of this report in 2019.

The following table shows the most recent major windstorms.

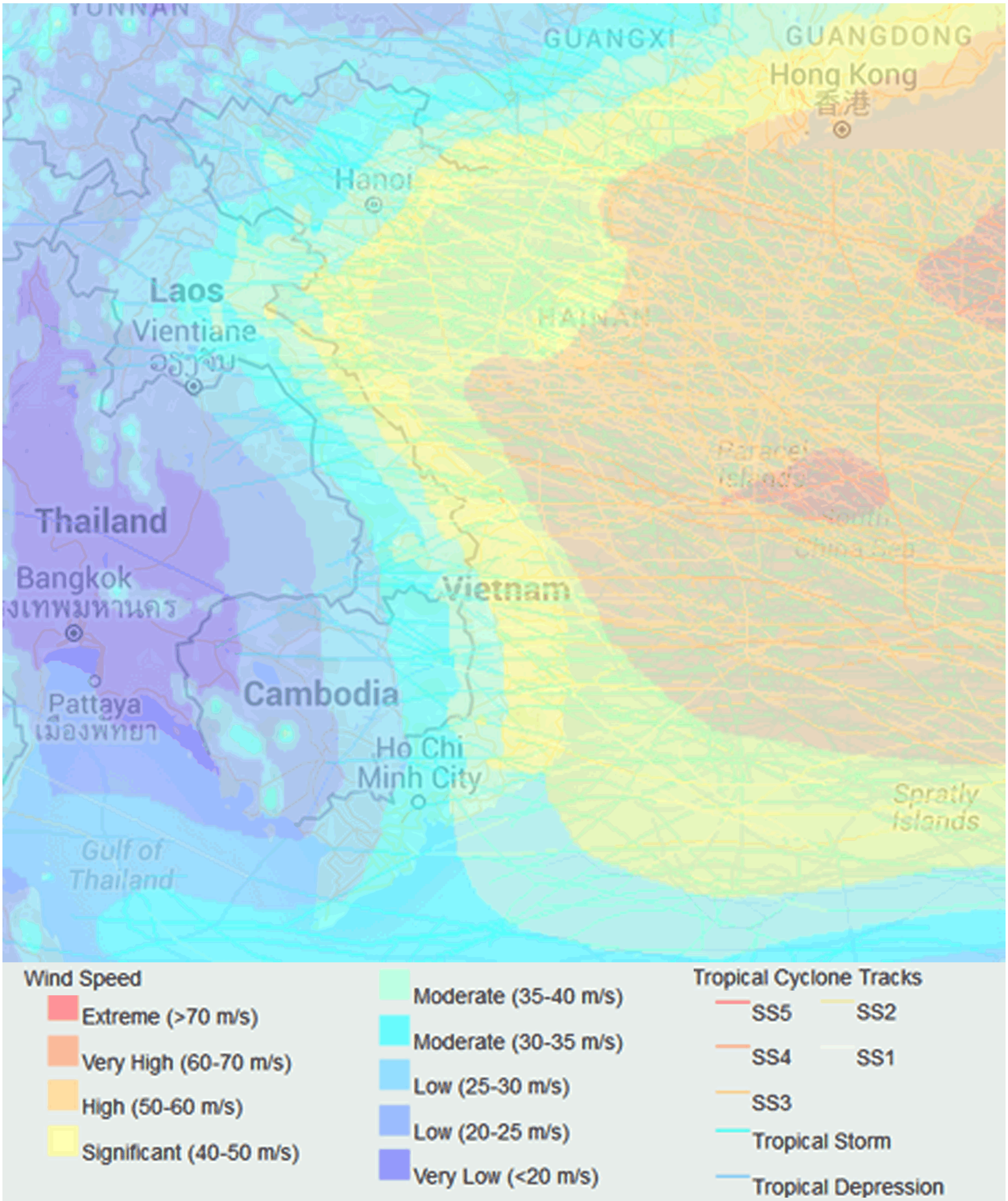
Natural Hazards

Date	Location	Event type/name	Economic loss (VND mn)	Economic loss (USD mn)	Insured loss (VND mn)	Insured loss (USD mn)	Deaths
November 2017	Khanh Hoa province and the south-central region	Damrey	748,000	33	n/a	n/a	106
September 2017	Central Vietnam	Doksuri	16,250,000	726	n/a	n/a	9*
July 2016	Northern Vietnam	Tropical Storm Mirinae	6,340	289	171	8	7
June 2015	Hanoi	n/a	n/a	n/a	n/a	n/a	2
July 2014	Provinces of Haiphong, Thai Bin and Nam Dinh	Rammasun	130,000	6	n/a	n/a	27
September 2013	Ha Thin to Thua Tien provinces	Wutip	11,000,000	520	n/a	n/a	5
October 2012	Vietnam	Son-Tinh	6,900,000	330	n/a	n/a	8
August 2012	Vietnam	Kai-Tak	n/a	n/a	n/a	n/a	27
August 2010	Vietnam	Mindulle	820,000	40	n/a	n/a	10
July 2010	Vietnam	Conson	503,000	30	n/a	n/a	2
November 2009	Vietnam	Mirinae	4,800,000	280	140,000*	8*	123
September 2009	Vietnam	Ketsana	10,020,000	590	120,000*	7*	163
September 2008	Vietnam	Hagupit	n/a	n/a	n/a	n/a	43
October 2007	Vietnam	Lekima	2,110,000	130	n/a	n/a	86
December 2006	Vietnam	Durian	7,300,000	460	n/a	n/a	95
Sept/ October 2006	Vietnam	Xangsane	8,000,000	500	144,000*	9*	39

*Note: * estimates*

Source: Market sources

CatNet(R) Windstorm Map



Source: Swiss Re CatNet® www.swissre.com/catnet
Map data ©2015 Google

Natural Hazards

Flood

Exposure

Flood from both rivers and the sea resulting from typhoons and tropical storms is Vietnam's most severe natural perils exposure. While flooding of the Mekong and its tributaries benefits agriculture by depositing silt on the surrounding farmland, widespread flooding caused by storms can have a devastating impact on ordinary life and the economy. Flooding has become more frequent and more severe in recent years, and at least one flood as a result of typhoon is now expected every year.

Areas of greatest exposure are:

- the central highlands and coastal areas from Binh Thuan to Thanh Hoa
- the Mekong delta south of Ho Chi Minh City, in particular the districts of Tien Giang, Ben Tre, Dong Thap, An Giang, Can Tho, Kien Giang, Soc Trang, Bac Lieu and Ca Mau in Binh Duong province
- Hanoi, Hai Phong and Ha Long in the north. Hanoi in particular has problems with inundation due to inadequate drainage, despite attempted improvements by dredging.

Floods have not been the cause of many insured losses because areas susceptible to flooding do not contain much industrial or commercial development.

As a result of its historical propensity to flooding, Vietnam has taken measures to try to limit its effects. These include river bed clearance, dam construction, increased channel capacity for flood diversion, and monitoring and repair of dykes. The country has nearly 4,970 miles (8,000 km) of dykes including 3,730 miles (6,000 km) of river dykes and 1,240 miles (2,000 km) of sea dykes. In addition, there are 3,000 under-dyke sluices and 310 miles (500 km) of embankments.

In February 2010 the government announced that it would undertake the construction of a flood drainage corridor along the Red River. The project which was commenced in 2013 was estimated to cost about VND 100trn (USD 4.34bn). It involved the relocation of about 15,000 households along the river and another 6,000 along its tributaries. It is being implemented in two phases: the first was from 2010 to 2015 and the second from 2016 to 2020. The building of the flood corridor is considered to be essential for the protection of Hanoi.

In 2010 legislation was issued to permit the authorities to fine any organisations or individuals guilty of violating flood prevention regulations, including the illegal exploitation of forests or land and encroaching on protected areas. According to the government, the action was taken to increase the public's awareness of flood prevention.

Accumulations and PMLs

The main areas of accumulation are Hanoi and Haiphong in the north, where most heavy industry and state-run enterprises are located. Most foreign-invested businesses are located in purpose-built industrial processing zones in the south around Ho Chi Minh City. These zones are well laid-out, well drained and in general free from flooding.

Companies are required to monitor their accumulations and report them to their reinsurers at quarterly intervals. Monitoring is done using either Cresta zones or reinsurers' zoning maps.

Local companies do not work on a PML basis, ceding to their treaties on the basis of sums insured.

VINARE and Catalytics Pte Ltd have jointly developed and calibrated a natural catastrophe model for Vietnam covering flood, typhoon and earthquake perils.

Reinsurers impose natural peril annual aggregate limits in proportional treaties.

Limits and Scope of Cover

The normal cover, if not included in an all risks wording, is:

- storm, tempest and flood excluding damage caused by frost, subsidence or landslip:

  to awnings, blinds, signs or other outdoor fixtures and fittings, gates and fences and moveable property in the open
- to premises in course of construction, alteration or repair except when all outside doors, windows and other openings are complete and protected against storm or tempest
- by rain except rain entering the building through openings made in its fabric by direct force of the storm or tempest
- resulting from the escape of water from any tank apparatus or pipe.

Flood is automatically covered under package policies and most fire policies are extended to include full perils cover. The flood prone areas are well defined by the insurance industry, but companies will grant cover in these areas provided they are satisfied the risk exposure is manageable. If the risk is perceived as higher than normal, an increased rate or higher deductible will usually be applied though prudent underwriting is said to have given way to commercial considerations in recent years. It is usual for large risks and risks in high-risk areas to be surveyed when flood cover is requested and for risk improvement recommendations to be made. In extreme cases risks may be avoided.

Rating and Deductibles

No separate rates are charged for flood which is simply included in the additional perils cover granted as a package of risks. The overall rate for perils cover is about 10% of the fire rate but some companies are known to give the cover free of charge if the perceived hazard is low. A higher rate might be charged for risks situated in the areas of severe exposure but competition is making selective underwriting less common. If separate cover for flood is given, the rate tends to be about 0.01% to 0.05% depending upon the risk situation.

Deductibles range from the local equivalent of USD 2,000 to USD 10,000 and more.

Loss History

Flooding is a common occurrence in Vietnam and normally follows as a result of typhoon or tropical storm activity. It is not possible to precisely separate storm from flood damage and therefore loss details are generally identical to those reported under the heading of Windstorm.

The year 2017 witnessed two exceptional typhoons causing major destruction and numerous fatalities. Typhoon Doksuri which took place in September 2017 was considered to be the most powerful storm to have hit central Vietnam in the past decade. Typhoon Damrey which occurred later in 2017 was considered by local authorities to have been the strongest storm event to have affected southern Vietnam in the last 16 years.

There were no floods causing significant insured damage in 2018 and none as at the date of preparation of this report in 2019.

The following table shows the most recent floods.

Date	Location	Event type/name	Economic loss (VND mn)	Economic loss (USD mn)	Insured loss (VND mn)	Insured loss (USD mn)	Deaths
November 2017	Khanh Hoa province and the south-central region	Typhoon Damrey	748,000	33	n/a	n/a	106
September 2017	Central Vietnam	Typhoon Doksuri	16,250,000	726	n/a	n/a	9*
July 2016	Northern Vietnam	Tropical Storm Mirinae	6,340	289	171	8	7
July 2015	Northern provinces	n/a	n/a	n/a	n/a	n/a	At least 17
August 2014	Lai Chau province	Flash floods	n/a	n/a	n/a	n/a	6*
July 2014	Provinces of Haiphong, Thai Bin and Nam Dinh	Typhoon Rammasun	130,000	6	n/a	n/a	27
November 2013	Six central provinces (BinhDinh the worst affected)	Tropical storm Podul	n/a	n/a	n/a	n/a	18*
August 2012	Northern provinces	Typhoon Kai Tak	n/a	n/a	n/a	n/a	27*
November 2011	Central and south Vietnam	n/a	2,800,000	135	n/a	n/a	105
October 2010	Ha Tinh and QuangBinh	n/a	n/a	n/a	n/a	n/a	138
November 2009	Central and south Vietnam	Typhoon Mirinae	4,800,000	280	140,000*	8*	123
September 2009	Central provinces	Typhoon Ketsana	10,020,000	590	120,000*	7*	163
September 2008	Northern Vietnam	Hagupit	n/a	n/a	n/a	n/a	43
October 2007	Central provinces	Lekima	2,110,000	130	n/a	n/a	86

Date	Location	Event type/name	Economic loss (VND mn)	Economic loss (USD mn)	Insured loss (VND mn)	Insured loss (USD mn)	Deaths
Sept/ October 2006	Vietnam	Xangsane	8,000,000	500	144,000*	9*	39
December 2005	Quang Nam and NinhThuan provinces	n/a	n/a	n/a	n/a	n/a	11
October 2005	Central provinces	n/a	n/a	n/a	n/a	n/a	67
September 2005	Mekong Delta	n/a	245,813	15	n/a	n/a	69

*Note: * estimates*

Source: Market sources

Insured losses tend to be minimal as there is little industry in the most affected areas but the insured losses from Typhoon Xangsane in October 2006 amounted to USD 9mn. Insured losses from Ketsana have been estimated at USD 7mn and from Mirinae at USD 8mn. The estimated insured loss from Tropical Storm Mirinae in 2016 is also USD 8mn.

Bushfire

Exposure

The incidence of bushfires resulting from forest fires is increasing. At present, bushfire does not cause underwriters concern as most industrial and commercial risks are located well away from forested areas.

There have been no known major losses, and insurers do not track exposures.

Subsidence

Exposure

Subsidence is not covered by the standard fire or all risks policy.

Hail

Exposure

Hailstorms are relatively rare in Vietnam.

Accumulations and PMLs

Insurers do not track accumulations.

Limits and Scope of Cover

Because hailstorms are very rare standard homeowners and commercial/industrial fire and perils policies do not routinely cover damage caused by hail. Hail damage is generally covered in industrial all risks (IAR) policies, excluding damage to moveable property in the open and to fences and gates.

Rating and Deductibles

No extra charge is levied in respect of hail cover in IAR policies as (apart from the exclusions noted in Limits and Scope of Cover) it is not an excluded peril.

Loss History

In March 2013 such a storm lasting 20 minutes hit the Lao Cai province in the north of the country. The hail stones were reported to be extremely large, from eight to 10 cm in diameter. It is reported that some houses were destroyed or severely damaged and crops were also affected. No deaths were reported. The area where the storm hit is rural and there is reported to have been little or no insured damage.

In April 2016 hailstorms were reported to have killed one person and injured two in the northern province of Ha Giang.

CRESTA

The Catastrophe Risk Evaluating and Standardising Target Accumulations (Cresta) organisation is an independent body that was established in 1977. It is responsible for the technical management of natural hazard coverage and sets out a uniform global system for transferring aggregated exposure data among insurers, reinsurers and brokers to facilitate accumulation control and risk modelling. Cresta fixes country-specific zones for reporting exposure data, promotes a standard template for exchanging that data and offers a mapping service. Its standards are used throughout the insurance industry.

With effect from 24 November 2009, Cresta introduced interactive zoning list and map viewer tools. The map viewer replaced PDF maps, which are still available in the Cresta archive but are no longer updated. Access to Cresta services is available through www.cresta.org.

All information reproduced here appears courtesy of Cresta.

Summary and Trends

Market premium volume in the property sector increased by 9.32% in 2017 and by 13.25% in 2018. Property business is the third largest individual class of non-life insurance business, representing a market share of 23.43% in 2018.

Competition for commercial and industrial property business is reported to be intense and premium rates for routine risks are reported to be among the lowest in the ASEAN countries. It is reported that rates in respect of larger risks requiring overseas facultative reinsurance are noticeably higher than is the case when risks are of a size where they can be wholly accommodated in the local market with the benefit of coinsurance or local facultative reinsurance.

Decree No 23/2018/ND-CP regulating compulsory fire and explosion insurance for 19 categories of high-risk establishment, published on 23 February 2018 replaced *Decrees Nos 130-2006-ND-CP* and *35-2003-ND-CP* when it came into force on 15 April 2018. The decree prescribes premium rates for such high-risk establishments with sums insured less than VND 1trn (USD 43.41mn) as well as limits and deductibles. For risks having sums insured greater than VND 1trn (USD 43.41mn) and risks falling outside the definition of high-risk establishments premium rates are not mandated and it is in these sectors where competition for business is very intense.

The property tariff was revised following a spate of large claims in 2018: rates for certain high-risk occupations (such as textiles, shoe manufacture, chemicals, plastics, woodworking and furniture production) were increased by between 20% and 30%, whereas rates for lower risk occupations were variously reduced, maintained, or increased by between 10% and 20%. According to local opinion the overall effect of these tariff changes was to increase average property insurance rates by about 10% to 15% for risks with sums insured below VND 1trn (USD 43.41mn). In relation to property risks with sums insured exceeding VND 1trn (USD 43.41mn) the market has reported a modest average increase in rates due to overall hardening of the reinsurance market in Asia.

Reinsurers impose natural peril annual aggregate limits in proportional treaties.

Statistics

Direct written premiums and loss ratios (direct paid claims to direct written premiums) for the last available five years are shown below.

Source: Axco Global Statistics/ Industry Associations and Regulatory Bodies

New statistical information may have been included in the appendices.

Major Insurers

The leading property insurers and their market shares are shown below.

Company	Market share 2018 (%)
PVI	27.32
Bao Viet	10.20
Bao Minh	8.43
Samsung Vina	7.22
BIC	5.79

Source: Axco Global Statistics / Industry Associations and Regulatory Bodies

The business covered by this table includes:

- fire and explosion
- property and casualty
- business interruption
- agricultural business.

Construction and Prevention

Building Regulations

Building regulations applying to all types of construction in Vietnam have been in place for many years. The most recent changes were made when the *Construction Law No 16/2003/QH-11* and allied regulations were introduced. Despite the provision for government inspectors in the legislation, enforcement has not always been stringent, with the result that the quality of some construction is not up to adequate standards.

All plans for new buildings must be seen and approved by the Ministry of Construction and, after completion, they must be inspected by the local fire service inspectors who are responsible for issuing a licence for the designated usage.

Construction regulations exist covering the standards to be applied to ensure that constructions are resistant to earthquake, windstorm and flood. The principal legislation relating to earthquake-resistant construction is the *Vietnamese Construction Code and Standards for Dwelling Houses and Structures in Earthquake Zones* of 2006. Many foreign-invested projects are built to international codes, including NFPA sprinkler and hydrant standards, far exceeding the minimum local requirements.

Built Environment

The built environment of the major cities is a mixture of old and new with modern skyscrapers co-existing with flimsy constructions. Since Vietnam started to open up in 1990, Ho Chi Minh City has been transformed from a collection of colonial houses and commercial buildings to a modern city with wide, sweeping avenues.

New commercial buildings are of massive construction with non-combustible materials, typically steel-framed brick or concrete structures with steel-truss roofs, although few are protected by sprinkler systems. Hotels and major retail complexes have internal hydrant systems. Industrial zones are well laid-out, and factory units are built of non-combustible materials and are well separated. New apartment complexes are of modern non-combustible construction, well designed and with internal hydrant systems.

Large areas of all the cities, however, still contain concentrations of poor quality buildings with a high proportion of wood: these present a serious conflagration risk.

Problems tend to occur when buildings get older as housekeeping is not yet developed and the deterioration of electrical wiring gives rise to a large number of fires.

Building Cost Index

No recent indications are available for building costs.

Fire Brigades

The public fire brigade operates on a full-time, professional basis. The service, however, suffers from a lack of funding and of modern and appropriate equipment.

The brigades may not have breathing apparatus and would have extreme difficulty in tackling a fire in a high-rise building. This was evident in 2002 when a fire engulfed the International Trade Centre in Ho Chi Minh City, reportedly killing over 200 people. City authorities admitted later that fire-fighters had no protective clothing, rescue apparatus or any ladder that could reach beyond the sixth floor. Since this incident, the fire services in major cities have been holding regular fire practices involving the evacuation of buildings, and equipment has been upgraded.

Water supply is a problem in some cities but the situation is said to be improving. Although the cities have fire hydrants, they are thought to be insufficient in number and water pressure may not always be adequate, especially outside the major cities.

Fire engines on call may be delayed during rush hour as there is no practice of giving way to them to facilitate their passage.

The new industrial zones are well laid out and often have their own fire brigade services with hydrants and an ample supply of water. These brigades are often more effective than the brigades in the major cities.

Some high-rise buildings have dry risers installed and it is now common to find these in new buildings.

The tallest building in Ho Chi Min City is Landmark 81, completed in 2008 at a height of 1,513 ft (461.2 metres). In Hanoi the tallest building is Landmark 72 which has 72 storeys and rises to a height of 1,102 ft (336 m).

Physical Risk Management

A number of foreign-invested companies impose their group's risk management philosophy and conduct training programmes for their staff. Otherwise, awareness of risk is low and loss prevention is minimal in most local factories and office premises. The situation is changing, however, especially as the local fire inspectors point out many factors following the occurrence of a fire. The insurance market has arranged conferences on risk management to raise awareness.

There is no local risk management association.

Risk Quality

There are a large number of high-risk activities in Vietnam, including woodworking and textile risks, most of which operate out of old and hazardous premises.

Fire regulations exist but observance is inconsistent. Modern office complexes are generally fitted with sprinkler systems.

All types of extinguishers are found but many small businesses do not have them and their correct and timely servicing is not guaranteed. Traditional shophouse risks (those having an office, shop or manufacturing unit on the ground floor and living accommodation above) rarely have any form of fire protection.

Most local businesses are not receptive to risk improvement recommendations if there is a cost involved unless it is a condition of obtaining cover or guarantees a rate reduction.

Insurers do not consider moral hazard to be a major problem.

Social Hazards

Burglary

Burglary is not seen as a major problem in the market and the incidence of theft from both private dwellings and industrial premises is reported to be low. Most incidents involve commercial premises, especially in the south of the country, and there are few large-scale, organised thefts. Petty and/or opportunistic crime remains, where the main interest is cash and high-value, easily transportable, easily disposable goods. Target risks are banks and jewellers' shops, shopping malls and stores selling mobile phones and electronic goods. Crime against the person is usually cash-oriented.

Burglary, that is theft following violent and forcible entry and/or exit, is included automatically in property all risks packages, homeowners' policies and SME package policies, and may also be given as an extension to the fire policy. Stand-alone theft policies are not the norm, though cover is available on that basis if required.

Theft is not rated separately in package policies. Rates are relatively low, with the average rate for a standard commercial risk being 0.7‰ to 1.0‰ and for a hotel 0.7‰ to 1.5‰. Deductibles may be fixed amounts, up to the local equivalent of USD 1,000 or a percentage of the loss amount, usually 10%, with a minimum of USD 500 or USD 1,000.

Statistics are not available for burglary alone as premiums and claims are incorporated in the casualty portfolio. Results are said to be good, with few losses and no serious claims.

Arson

Arson is not viewed as a major problem in the market although claims managers and loss adjusters report that cases do occur.

Strikes, Riots and Civil Commotions

Property all risk contracts and package policies include cover against strikes, riots and civil commotion (SRCC), and it has become common to include the cover automatically in the special perils extension to fire policies. The standard cover includes malicious damage caused by riot or by striking or locked out workers, if not included in an all risks wording. Rates for risks with sums insured less than VND 1trn (USD 43.41mn) are prescribed by tariff. An excess of about USD 1,000 is generally applied.

In early May 2014, following China positioning an oil-rig in the South China Sea near the Paracel Islands (an act seen as illegal by the Vietnamese), rioting took place in various industrial and commercial areas in Binh Duong Province, but it was mistakenly directed at Taiwanese business interests. Damage was considered to be serious (affecting up to 1,000 businesses) and resulted in some temporary closures. Of the 33 Taiwan-owned enterprises in Ho Chi Minh City which suffered loss and disruption following anti-China riots 21 resumed operations subsequently and were reportedly not seeking compensation from government agencies. Only 13 of the companies were insured, of which nine are reported to have made insurance claims totalling VND 3.8bn (USD 179,686).

Following rioting in 2014 reinsurers imposed within treaties a maximum limit of USD 5mn on SRCC coverage.

Terrorism

There is no relevant local legislation and no market pool.

The threat of terrorism is regarded as low and cover is seldom requested, except by hotels, especially those in US ownership. The risk is excluded from all reinsurance treaties but some companies offer the cover by stand-alone policy up to their retention level. Otherwise reinsurance is sought from outside the market in respect of which premium rates are reported to have been decreasing by up to 25% in the last five years. The standard deductible for a commercial risk would be about USD 1,000 or more.

For cases where higher limits are required, coinsurance is arranged locally among those companies willing to provide cover or reinsurance is arranged in the international market. It is reported that facultative reinsurance political violence cover capacity in the region is of the order of USD 100mn, but higher amounts can be obtained in international markets.

Householder/Homeowner

Summary and Trends

There is little demand from individuals for insurance on their homes and contents. Although foreigners take the cover, the Vietnamese do not unless they are obliged to do so. When cover is requested, the foreign community prefers a homeowners' comprehensive-type cover, whilst the local population goes for the cheapest option, or the minimum cover required by a lending bank, usually fire plus additional perils. Most local insurers now offer a package policy but fire and named perils policies are reported to be much more common. A large percentage of the policies simply give cover on the building; contents policies are not common.

The mortgage market is at an early stage of development, and one of the largest insurers estimates that less than 5% of homes have any form of mortgage. The Vietnamese in general prefer to borrow from family to build homes. There is no freehold land, thus to build a home requires a 50-year occupation permit from the government, with no right to open-ended ownership.

A large percentage of homes are owner-occupied but many are of poor construction and, although insurers are prepared to offer cover in most cases, for many homeowners the rates are too high. There is little competition for the business and rates in this segment have suffered less pressure than those in the commercial and industrial sectors.

Decree No 23/2018/ND-CP regulating compulsory fire and explosion insurance for 19 categories of high-risk establishment, published on 23 February 2018 came into force on 15 April 2018. Under the decree apartment buildings within high-risk establishments must be covered by fire and explosion insurance.

Statistics

There are no statistics for householder/homeowner business. Local underwriters indicate that the homeowners' package represents only a tiny percentage of the total property portfolio and, although home insurances on a fire and perils basis are more common, that segment is also insignificant when compared with industrial and commercial business.

Limits and Scope of Cover

The scope of comprehensive cover is fairly standard and generally follows the UK and Australian homeowner policy forms.

Cover available is as follows:

- section 1: fire and named perils, on contents, including loss of rent cover (additional perils being explosion, lightning, storm, flood, falling trees/poles, earthquake, theft, malicious damage, water damage, SRCC and impact)
- section 2: as above, for buildings
- section 3: personal accident for the occupier and family
- section 4: liability, including tenant's, owner's and general public liability, up to VND 2.08bn (USD 90,289).

Optional extensions to householders' comprehensive policies are available in respect of workers' compensation for domestic staff, theft by domestic staff, personal assault after drawing cash from an ATM, accidental breakage, electrical damage to domestic appliances and accidental loss or damage to items away from the home, and additional commuting expenses as a result of theft of insured's motor-bike (a preferred means of local travel). Legal expense cover is inclusive in the third party liability limit.

The alternative cover generally taken by local homeowners comprises fire, theft and a full range of named perils including earthquake, windstorm and flood.

The basis of cover is typically reinstatement for the building. New for old coverage is available from most companies for contents less than five years old: otherwise settlement is on an indemnity basis.

Rating and Deductibles
Underwriting factors include the nature of the dwelling, type of construction and protections offered. Most insurers do not segregate rates by geographical region.

Due to the competitive nature of the business premium rates are not quoted on company websites but cover examples may be provided. Otherwise proposers are simply invited to apply for cover either direct or through an agent.

Deductibles range from the local equivalent of USD 100 to USD 500 but in some cases a single policy deductible as low as USD 50 may be charged.

Householders' premium rates are reported to have been stable since 2017. The following table gives an indication of rate movements for homeowners' risk premiums in recent years, with 2012=100 being the base year.

Homeowners' risk rate movements	
2019	95
2018	95
2017	95
2016	96
2015	96

Source: Market sources

Loss Experience
No statistics are available in connection with loss experience but companies report that experience has been very good and the class is profitable. Theft and water damage are thought to be the main causes of loss.

Reinsurance
Most risks are retained for net account, which is normally protected by a catastrophe excess of loss programme. Some quota share treaties exist in the market to which simple risks would be ceded.

Major Insurers
No statistics are available, but all companies would have a personal package of some sort, some more sophisticated than others. There is no clear leader as such.

Distribution
The two main channels are in-house agents and banks, which direct loan clients to their associated company. All insurers have websites detailing cover and proposers are invited to submit details for quotations, or to contact an authorised agent.

Industrial and Commercial

Summary and Trends
Local insurers still identify three distinct market segments as noted below.

- Government business remains almost exclusively in the hands of the major local insurers despite the fact that foreign companies may write the business. It may take a long time for the foreign companies to break into the segment, however, as the local companies have the appropriate contacts in state enterprises. Competition for government business is reported to be very strong.
- Local commercial and manufacturing concerns are insured mainly by the local insurers. Many of the smaller businesses, especially the family-owned companies, have no insurance but signs of change are being seen as banks and other lenders are demanding evidence of insurance cover from their clients. Foreign insurers are becoming more involved in the SME segment, and some now operate successfully in it.
- Foreign-invested businesses are required to be insured in accordance with the provisions of the *Law on Foreign Investment* and insurance must be sought in Vietnam in accordance with the terms of the *Law on Insurance Business.* This has provided a flow of business to the foreign-invested insurers, as most of this segment is controlled by the overseas interests via international programmes. If the programme insurer is not represented locally, local insurers have been increasingly willing to become involved.

Both all risks package policies and fire and perils policies are issued in the market. Most foreign-invested companies continue to take all risks cover while local companies, including state-owned risks, have traditionally been insured under fire and perils policies. Market sources agree that the penetration of industrial all risks cover is increasing, however, driven particularly by foreign consumers and brokers.

Decree No 23/2018/ND-CP regulating compulsory fire and explosion insurance for 19 categories of high-risk establishment, published on 23 February 2018 replaced previous rulings on the same subject (*Decrees Nos 130-2006-ND-CP* and *35-2003-ND-CP)* when it came into force on 15 April 2018. The 19 categories of establishment listed in the decree are divided into 26 sub-categories. Assets which must be covered by fire and explosion insurance under the decree include:

- housing, buildings and associated assets as well as machinery and equipment
- all types of goods and supplies including raw materials and finished/semi-finished products.

The decree also prescribes premium rates for establishments with sums insured less than VND 1trn (USD 43.41mn) as well as limits and deductibles. For risks having sums insured greater than VND 1trn (USD 43.41mn) and risks falling outside the definition of high-risk establishments premium rates are not mandated. The property tariff was revised following a spate of large claims in 2018: rates for certain high-risk occupations (such as textiles, shoe manufacture, chemicals, plastics, woodworking and furniture production) were increased by between 20% and 50%, whereas rates for lower risk occupations were variously reduced, maintained, or increased by between 10% and 20%. According to local opinion the overall effect of these tariff changes was to increase average property insurance rates by about 10% to 15% for risks with sums insured below VND 1trn (USD 43.41mn). In relation to property risks with sums insured exceeding VND 1trn (USD 43.41mn) the market has reported a modest average increase in rates due to overall hardening of the reinsurance market in Asia.

Market premium volume in the property sector increased by 9.32% in 2017 and by 13.25% in 2018. Property business is the third largest individual class of non-life insurance business, representing a market share of 23.43% in 2018.

Reinsurers impose natural peril annual aggregate limits in proportional treaties.

Coinsurance is the most widely favoured form of risk spreading in respect of commercial and industrial business.

Statistics

Separate figures for industrial and commercial property are not available but it can be assumed that this makes up a high percentage of the property account.

Gross written premiums and loss ratios in respect of the entire property account for the last available five years can be found under Statistics at the beginning of the Property section of this report.

Limits and Scope of Cover

A typical industrial risk may be covered either by an all risks policy or by a standard fire and named perils insurance.

Foreign-invested and large companies are most likely to be covered by all risks packages while most local and small and medium-sized companies typically have fire and additional perils cover. State-owned risks, including some large risks, are generally insured under named perils policies as the state normally prefers minimum cover. In July 2015 it was revealed by the director general of the Insurance Supervisory Authority Department of the Ministry of Finance that less than one per cent of state agencies, organisations and units buy catastrophe insurance to cover the assets under their management.

It is becoming more common for package policies to be issued in place of the traditional covers. The most common IAR wording is based on the ABI form, but some companies use the Australian form. Manuscript wordings are not generally used but some brokers use their own endorsements where possible.

In addition to the standard fire, perils and theft cover, property all risks covers may include machinery breakdown, electronic equipment, loss of profits, fidelity guarantee, goods in transit and cash in safe/in transit, with sub-limits. Policies do not always include machinery breakdown though it can be added by endorsement. All risks property policies seldom include loss of profits which is generally insured under a separate policy, and such policies never include liability coverage which is granted only separately. Options to IAR policies are normally covered by separate individual endorsements deleting specific exclusions in the standard policy.

Most policies are issued on a reinstatement value basis for the building cover and on either an indemnity basis or a new for old basis for contents. New for old is more common among foreign insureds and indemnity among local enterprises.

The standard fire policy, including fire, lightning and explosion of gas used for domestic purposes, is also available and in common use. A full range of perils including earthquake, storm, flood, theft and strikes, riots and civil commotion, malicious damage, and impact is offered, frequently for a token additional premium.

A few commercial package policies exist, usually generic forms that can be adapted for any type of business, with cover including fire, additional perils, loss of profits (frequently on a daily basis), fidelity, theft, personal accident, money, machinery breakdown, etc. The small commercial package may also include an element of general third party liability cover and even product liability, both for modest limits.

Decree No 23/2018/ND-CP regulating compulsory fire and explosion insurance for 19 principal categories of high-risk establishment, published on 23 February 2018, replaced rulings on the same subject when it came into force on 15 April 2018. It prescribes premium rates for establishments to be covered with sums insured under VND 1trn (USD 43.41mn) as well as limits, deductibles and minimum sums insured. The insurer and insured are required to agree specific exclusions for mandatory insurance of nuclear facilities, dependent upon reinsurers' agreement. A full list of exclusions, including fire resulting from earthquakes or volcanic eruptions, is contained in *Decree No 23.*

There are no non-standard exclusions in any of the standard or package policies. Exclusions are the normal nuclear and war risks, subsidence and landslide; earthquake cover is included in the policy cover. Terrorism may be either included in an all risk package, added back for an additional premium, or a separate policy issued.

Business Interruption

Business interruption is a relatively new cover in the market and is requested almost exclusively by foreign-invested clients. There is little active marketing of the product by brokers or insurers. As a result demand is not reported to be growing significantly. Cover is included in some IAR policies as an optional extra, as well as most commercial package policies. Some stand-alone policies are issued along with named perils covers.

In most instances the standard ABI gross profit, difference basis wording is used. Periods of indemnity vary from six to 18 months, with 12 months being the most usual, at a rate of 90% to 100% of the underlying material damage rate for a 12-month period.

Suppliers' and customers' extensions are both given (generally on a blanket basis as usually requested by brokers) though named suppliers and customers cover is becoming more common as some companies resist this trend. A sub-limit is applied, generally of about the local equivalent of USD 200,000, but it may be as low as 10% (in most cases) or as high as 100% (in a few instances) of the policy sum insured.

Denial of access (usually with a one kilometre limit and a financial sub-limit) and the public utilities extension are also regularly requested by brokers and granted by insurers. In the case of the public utilities clause, a 24-hour deductible generally applies and it is not usual for sub-limits to be imposed.

Time deductibles are common, usually of 48 or 72 hours.

Penetration is reported to be in a range of 10% to 15% of the potential market.

Rating and Deductibles

Decree No 23/2018/ND-CP regulating compulsory fire and explosion insurance for 19 categories of high-risk establishments, published on 23 February 2018, replaced previous rulings on the same subject when it came into force on 15 April 2018. *Decree No 23/2018/ND-CP* prescribes premium rates for establishments with sums insured less than VND 1trn (USD 43.41mn) as well as limits and deductibles. For risks having sums insured greater than VND 1trn (USD 43.41mn) and risks falling outside the definition of high-risk establishments premium rates are not mandated.

The property tariff was revised following a spate of large claims in 2018: rates for certain high risk occupations (such as textiles, shoe manufacture, chemicals, plastics, woodworking and furniture production) were increased by between 20% and 30%, whereas rates for lower risk occupations were variously reduced, maintained, or increased by between 10% and 20%. According to local opinion the overall effect of these tariff changes was to increase average property insurance rates by about 10% to 15% for risks with sums insured below VND 1trn (USD 43.41mn). In relation to property risks with sums insured exceeding VND 1trn (USD 43.41mn) the market has reported a modest average increase in rates due to overall hardening of the reinsurance market in Asia.

The decree also divides such high-risk establishments with sums insured less than VND 1trn (USD 43.41mn) into two categories for rating purposes and prescribes deductibles based on category as well as maximum deductibles based on sum insured.

The market for high-risk establishments with sums insured exceeding VND 1trn (USD 43.41mn) and risks falling outside the definition of high-risk establishments is not subject to a tariff.

The following table shows indicative current rating levels for fire and allied perils cover.

Property type	Rate (‰)
Modern office block (sprinklered)	0.30 to 0.50
Modern office block (non-sprinklered)	0.60 to 0.80
Hotel (sprinklered)	0.30 to 0.50
Hotel (non-sprinklered)	0.60 to 0.80
Garment factory	2.00 or above
Furniture factory	5.00 or above

Source: Market sources

All risks cover is generally subject to a deductible of at least USD 500 but it may be higher according to the risk insured. Deductibles for Category 5 and 6 IAR risks are 10% of the loss or a flat amount of minimum USD 1,000.

The following table gives an indication of rate movements for industrial and commercial risk premiums in recent years, with 2012=100 being the base year.

Industrial and commercial risk rate movements	
2019	99
2018	90
2017	82
2016	85
2015	92

Source: Market sources

Major Risks

There are no clearly defined conflagration zones; buildings in likely conflagration areas are often not insured. Apart from high value office and hotel complexes in the major cities, the main concentrations of risk are in the south of the country where manufacturing industry is situated. Ph My, south of Ho Chi Minh City, is the centre for the oil and gas industry and has a number of power plants supplying the industry. There are also a number of industrial parks in Ho Chi Minh City. Petrochemical installations and power plants located throughout the country are also major risks. Crude oil is found offshore and exploration is by drilling rig. With a prospectively rapidly growing population, Vietnam has significant future needs for power supply. Several new coal fired power plants have been commissioned, each typically costing in the region of USD 2.4bn. Thermal and gas power plants are also under construction.

The local market can handle most risks, especially as coinsurance is being used more and more since rates tend to be such that it is difficult to attract international market support.

Loss Experience and Largest Losses

Major losses that have occurred in the last five years are shown in the table below.

Date of loss	Name of insured	Occupancy	Description of loss	Property damage (VND mn)	Property damage (USD mn)
11 April 2019	Western Pacific	Storage	Fire	100,000 (est)	4 (est)
1 April 2019	Vietnam Mei Sheng Textiles Ltd	Textiles	Fire	64,000 (est)	3 (est)
1 February 2019	Mekong Flour Mill	Flour production	Fire	40,000 (est)	2 (est)
13 November 2018	Hansae TG	Textiles	Fire	29,044 (est)	1 (est)
13 October 2018	Van Loi Food Processing	Food production	Fire	32,000 (est)	1 (est)
1 October 2018	International art creation	Wooden furniture	Fire	24,480 (est)	1 (est)
14 June 2018	Yakjin Vietnam Ltd	Textiles	Fire	350,000 (est)	15 (est)
29 April 2018	Kangna Vietnam Ltd	Textiles	Fire	153,694	7 (est)
22 April 2018	Showa Auto Parts Vietnam	Auto parts manufacture	Fire	63,390 (est)	3 (est)
5 April 2018	CT TNHH RK Resourse	Wood fabrication	Fire	108,490 (est)	5 (est)
4 April 2018	Texhong	Textiles	Fire	200,000 (est)	9 (est)
25 March 2018	Vina Korea	Textiles	Fire	160,000 (est)	7 (est)
28 January 2018	FTN Vietnam	Textiles	Fire	45,204 (est)	2 (est)
22 January 2018	Meiko Electric	Electronic device production	Fire	361,170	16
15 January 2018	Shing Mark Vina	Wood production	Fire	57,000 (est)	3 (est)
8 January 2018	Nha may Giay SG My Xuan	Paper	Fire	120,000 (est)	5 (est)
28 November 2017	KCC Ha Noi	Paint	Fire	45,955	2
4 November 2017	Huyndai Vinashin	Shipbuilding	Storm	289,847	13
4 November 2017	Kahtoco	Warehouse	Storm	120,500	5
30 October 2017	Fu Yuan	Wood industry	Fire	78,337	4
16 September 2017	CT Det Thanh Cong	Textiles	Fire	45,000	2
15 September 2017	Formosa Steel	Steel	Storm	279,775	13
31 August 2017	CT TNHH Huaxing VN	Light manufacturing	Fire	120,000	5
27 August 2017	Paldo Vina	Noodle production	Fire	100,000	5
23 March 2017	Kwong Lung Meko	Feather manufacture	Fire	410,000	18
2 February .2017	THACO	Auto manufacture	Fire	350,000	16
11 January 2017	Suzuki VN	Motorcycle assembly	Fire	87,000	4
28 July 2016	Smart Shir	Textiles	Fire	100,000	5
8 April 2016	Perstima Vietnam	Tin plate	Fire	47,250	2
13 March 2016	Dorco Vina	Shaving materials	Fire	180,000	8
Early 2014	Mobase Vietnam	Computer and mobile phone parts supplier to Samsung	Fire	420,000	20
10 October 2013	Jining Tzuan Company	Furniture manufacture	Fire following explosion	n/a	n/a
2 September 2013	MEIKO electronics	Electronics	Fire	720,000	34
21 August 2013	Pu Yuen	Leather shoe manufacturer	Fire	260,000	12
20 April 2013	Phuong Nam	Packing	Fire	30,000	1
6 April 2013	Ha Phong	Textiles	Fire	46,000	2
9 January 2013	Alexander Theodore	Wooden furniture factory	n/a	150,000	7

Source: Market sources

In 2018 some 13 large property losses in excess of USD 1mn were reported, making this an exceptionally heavy year. The property tariff was revised following a spate of large claims in 2018: rates for certain high-risk occupations (such as textiles, shoe manufacture, chemicals, plastics, woodworking and furniture production) were increased by between 20% and 50%, whereas rates for lower risk occupations were variously reduced, maintained, or increased by between 10% and 20%. According to local opinion the overall effect of these tariff changes was to increase average property insurance rates by about 10% to 15% for risks with sums insured below VND 1trn (USD 43.41mn). In relation to property risks with sums insured exceeding VND 1trn (USD 43.41mn) the market has reported a modest average increase in rates due to overall hardening of the reinsurance market in Asia.

Major Insurers

The leading property insurers and their market shares are shown below.

Company	Market share 2018 (%)
PVI	27.32
Bao Viet	10.20
Bao Minh	8.43
Samsung Vina	7.22
BIC	5.79

Source: Axco Global Statistics / Industry Associations and Regulatory Bodies

The business covered by this table includes: fire and explosion; property and casualty; business interruption; and agricultural business.

Reinsurance

Companies generally have one or maximum two surplus treaties with a total capacity of about USD 40mn to USD 50mn for the larger companies and USD 20mn to USD 25mn for smaller companies. Generally surplus treaties are comprised of maximum 20 to 25 lines of cover.

Retentions may be protected by working excess of loss cover. Companies also arrange catastrophe excess of loss cover for net account providing total cover of up to USD 5mn and more in some cases. Absolute net per risk retentions generally range from USD 200,000 to USD 500,000.

Limits expressed as PMLs are confined to the major companies and are not common: standard practice in the market is to base limits on sums insured.

Distribution

Small industrial and commercial risks are introduced by agents while insurance for the larger risks is either arranged directly with insurance companies or through brokers. Insurance companies may also have their own direct sales teams to service corporate clients.

Agriculture

Summary and Trends

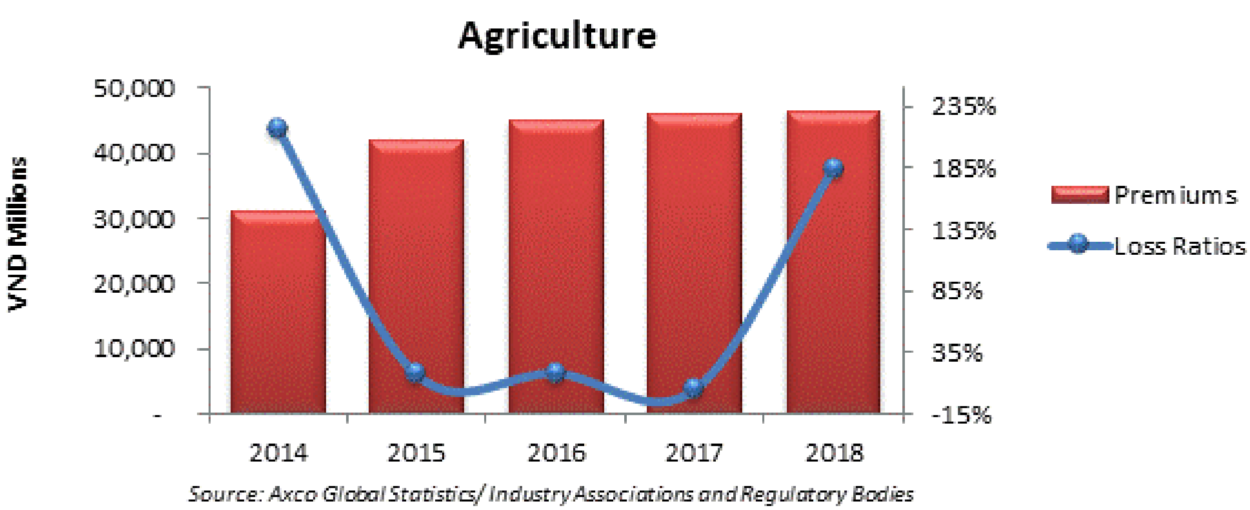
This class of business was given a boost in 2011 with the government's pilot scheme, paying for 100%, 80% or 60% of premiums, dependent on farming family income levels. Unfortunately underwriters and reinsurers all made significant underwriting losses and the scheme ceased at the end of 2013 after its three-year trial period.

The market premium income fell significantly in 2014 when the government's pilot scheme came to an end without renewal. It is reported that the Ministry of Finance (MoF) and the Ministry of Agriculture and Rural Development (MARD) made subsequent recommendations to the government regarding the continuation of subsidies for farmers but since then no further progress has been made.

A few private insurers have continued to write the business since the end of 2013.

Statistics

Direct written premiums and loss ratios (direct paid claims to direct written premiums) for the last available five years are shown below.



New statistical information may have been included in the appendices.

Following the end of the government scheme in 2013 loss ratios fell dramatically but were again high in 2018 in a small and unbalanced market.

Limits and Scope of Cover

The pilot programme covered rice, livestock and aquaculture farming against storm, flood, drought, cold, frost, tsunami and other perils. It also provided cover against named pests and diseases and epidemics specific to rice, livestock and aquaculture. The rice insurance scheme was index based but the livestock and aquaculture schemes were indemnity based.

Rating and Deductibles

There is no information available about rating and deductibles for this class.

Loss Experience

The 2012 experience of the three-year pilot scheme was highly unprofitable, as was 2013. Since 2013 loss ratios and premium volume have both been modest, although the loss ratio was high again in 2018 in a small and unbalanced market.

Major Insurers

The leading agriculture insurers and their market shares are shown below.

Company	Market share 2018 (%)
PVI	51.43
Bao Viet	28.20
Bao Minh	12.35
BIC	3.12
ABIC	2.62

Source: Axco Global Statistics / Industry Associations and Regulatory Bodies

Three companies dominate this small market currently with a combined market share of 91.98%.

Reinsurance

VINARE was appointed reinsurer for the pilot scheme: it is not known whether there were retrocession arrangements.

Hail

Hail coverage in respect of crops is not available.

Glass

Glass is not recognised as a separate class in Vietnam.

Construction and Erection all Risks

Summary and Trends

Construction activity in Vietnam in 2018 was reported to be approximately split 50% infrastructure and 50% others. The main geographical areas of construction are Hanoi and Ho Chi Min City. The construction sector in Vietnam is reported to have grown by 8.5% in 2018.

Generally the construction insurance market remains extremely competitive and any new business is usually fiercely contested. Projects financed by the state are insured by one of the leading companies which have state shareholding participation.

Under *Decree No 119/2015/ND-CP,* effective from 10 February 2016, insurance for contractors and investors in certain construction works became mandatory. Construction projects which must be insured include those having an impact on the environment or public safety and those with complex construction conditions. Mandatory covers for projects covered by the decree include damage to the construction works during the construction period. The minimum sum insured in respect of mandatory construction works insurance may not be less than the total value of the construction project, including additional or adjusted prices, if any. The insurance period is also specifically defined. A premium tariff is provided in an appendix to *Circular No 329/2016/TT-BC* for total contract values of less than VND 700bn (USD 30.39mn). This tariff specifies additional premiums chargeable by province in respect of cover for flood, storm, subsidence and earthquake, deductibles ranging from VND 40 (a nominal amount in USD) to VND 500 (USD 0.02) as per a stated table or 5% of the total loss (whichever is the higher) and premium rates per mille for a large range of activities (classified as civil works, industrial works including energy projects and chemical projects, light industrial works, infrastructural construction, traffic infrastructure and agricultural/rural development works). Premium rates under the tariff applying to total contract values of less than VND 700bn (USD 30.39mn) were increased in 2018 by a reported average of between 5% and 10%.

Circular No 329/2016/TT-BC dated 16 December 2016 provided further guidelines in respect of mandatory construction insurance as per *Decree No 119/2015/ND-CP* in respect of policy wordings, premium schedules and the financial and reporting regimes related to compulsory insurance for construction activities. *Decree No 119/2015/ND-CP* and *Circular No 329/2016/TT-BC* relate to:

- investors and contractors (if the construction works insurance premium is included in the contract value)
- construction works consultants
- construction contractors
- non-life insurers, branches of foreign non-life insurers, ceding companies
- other relevant enterprises.

Also covered in *Circular No 329/2016/TT-BC* are mandatory insurance regulations (in respect of construction projects covered by *Decree No 119/2015/ND-CP*) related to:

- professional indemnity insurance for consultants providing expert advice on survey and design of grade II construction works or higher, (which specify, inter alia, the bases of minimum sums insured)

- regulations relating to mandatory workers' compensation for construction workers in respect of workplace accidents and industrial disease (up to VND 100mn (USD 4,341) per employee)
- regulations related to public liability insurance in respect of covered construction sites. A premium tariff is included in this respect with rates specified as a percentage of the value of construction works banded into five ranges of value. Deductibles for third party liability insurance in respect of construction projects covered by *Decree No 119/2015/ND-CP* are specified as being 1% of the contract value or VND 100mn (USD 4,341), whichever is higher.

Circular No 329/2016/TT-BC also deals with the principles of loss assessment and indemnity and claims applications in respect of mandatory contract works insurance.

Statistics

Statistics in respect of construction insurance are not currently available.

Hazard

The major hazards for contract works are related to natural perils, in particular typhoons and tropical storms: these can cause widespread flooding which, in turn, provokes landslip and subsidence. The exposure is particularly severe in the centre of the country, and frequent losses are sustained to road projects from landslides and foundations being washed away.

Vibration and weakening and removal of support require close attention from underwriters when project sites are adjacent to existing buildings or close to public thoroughfares.

Theft of tools and materials from project sites occurs but is not a major issue.

Building Contract Conditions

No uniform building contract conditions are in use in the market: large projects are generally subject to FIDIC (the International Federation of Consulting Engineers) terms and conditions. The insurance is most likely to be arranged by the principal or otherwise by the main contractor. If arranged by the principal, the insurance company would work only with the principal, and only the principal could make a claim against the insurer, receive a payment under the policy or decide to whom it should be paid. The standard period of maintenance is 12 months for residential projects and 18 or 24 months for large contracts. The period for infrastructure projects may reach five years.

Foreign-funded projects may require advance loss of profits insurance, but otherwise the cover is not generally found in the market. There is little demand for decennial cover although one company can write it. Some latent defects cover has been requested by Japanese principals.

Limits and Scope of Cover

A local Vietnamese policy is used to write CAR business, closely based on the Munich Re form, and the package includes:

- Section 1a - project works
- Section 1b - contractor's plant and machinery

- Section 2 - third party liability
- Section 3 - delay in start up
- Section 4 - marine cargo.

In the case of erection risks, Munich Re's standard policy wording for contract works (machinery), translated into Vietnamese, is used. The Munich Re guidelines for the class are also in general use in the market.

Brokers do not stray far from the Munich Re policy conditions. The scope of cover varies for individual contracts, and the terms and conditions for the larger infrastructure projects are influenced by the international market.

It is not common for open cover policies to be issued for smaller projects but a few are in place, especially for lift contractors and air-conditioning installers. Policies, which are subject to monthly declarations, usually have a minimum and deposit premium payable at inception and a premium adjustment at the end of the period based on the actual work carried out.

Standard CAR policy exclusions are:

- war and terrorism
- radioactive contamination and nuclear reaction
- any act of default on the part of the insured or their representatives
- any partial or total cessation of work exceeding four weeks which has not been notified to insurers.

Contractors' plant and equipment may be insured under the same policy as the contract works but it is usual for a separate annual policy to be issued.

Contractors' Liability

The labour code makes employers responsible for work-related injuries resulting in death or permanent disability of employees. An employer is also liable for the payment of the salary and medical expenses incurred by an employee who contracts an occupational disease or is injured as a result of a work-related accident, from the point at which first-aid emergency treatment is applied until the employee is fully recovered. When workers' compensation insurance is issued, (a relatively rare occurrence) the policy limit is usually between VND 50mn (USD 2,170) and VND 100mn (USD 4,341) per employee. When employers' liability cover is taken, it is arranged as a separate policy.

Public liability limits vary greatly in accordance with the size of the project. They may be linked to contract value, typically a maximum of 50%, or set as a flat figure that may be as low as the equivalent of USD 50,000 or as high as USD 10mn. Usually, the limit is in the region of USD 500,000 to USD 1mn.

Under *Decree No 119/2015/ND-CP,* effective from February 2016, insurance for contractors and investors in certain construction works is mandatory. Construction projects which must be insured include those having an impact on the environment or public safety and those with complex construction conditions. *Circular No 329/2016/TT-BC* dated 16 December 2016 provided further guidelines in respect of mandatory construction insurance as per *Decree No 119/2015/ND-CP* in respect of policy wordings, premium schedules and the financial and reporting regimes related to compulsory insurance for construction activities.

Circular No 329/2016/TT-BC relates to:

- investors and contractors (if the construction works insurance premium is included in the contract value)
- construction works consultants
- construction contractors
- non-life insurers, branches of foreign non-life insurers, ceding companies
- other relevant enterprises.

Circular No 329/2016/TT-BC issued regulations related to:

- professional indemnity insurance for consultants (which specify, inter alia, the bases of minimum sums insured)
- mandatory workers' compensation for construction workers up to VND 100mn (USD 4,341) per employee; workers' compensation premium rates are specified in *Circular No 329/2016/TT-BC,* as well as a schedule of benefits in respect of death and various categories of personal injury
- mandatory third party liability insurance. A premium tariff is included in this respect with rates specified as a percentage of the value of construction works banded into five ranges of value. Deductibles for third party liability insurance in respect of construction projects covered by *Decree No 119/2015/ND-CP* are specified as being 1% of the contract value or VND 100mn (USD 4,341), whichever is higher.

Rating and Deductibles

Under *Decree No 119/2015/ND-CP,* effective from 10 February 2016, insurance for contractors and investors in certain construction works is mandatory. Construction projects which must be insured include those having an impact on the environment or public safety and those with complex construction conditions. *Circular No 329/2016/TT-BC* dated 16 December 2016 provided guidelines in respect of premium schedules.

Otherwise there are no mandatory tariffs.

Loss History

There have been no reported losses exceeding USD 10mn in the last five years.

Major Insurers

The leading insurer is thought to be PVI.

Reinsurance

This class is typically reinsured by a surplus treaty with the largest gross capacities ranging from USD 60mn to USD 100mn and the average about USD 20mn. Net retentions may range from USD 1mn to USD 5mn. Most companies have catastrophe excess of loss covers with limits of up to USD 50mn. Combined property and engineering catastrophe excess of loss treaties are reported to be relatively common.

Distribution

Projects relating to oil and gas, or those involving Japanese contractors, are usually handled directly with insurance companies.

State-sponsored projects are placed either directly, by a tender mechanism, while most foreign-invested construction projects are arranged by brokers.

Building Cost Index

No recent indications are available for building costs.

Principal Contractors

Contractors specialise in different categories of work as shown below:

- cement projects - Kumagi Gumi
- hydro power and power generation - EDF (Electricite de France), Alstom and ABB
- roads - Vietnamese contractors
- tunnelling work - Song Da Corporation.

Local contractors include:

- Song Da Construction Corporation
- Hanoi Construction Corporation (Hancorp)
- Song Hong Construction Corporation
- Bach Dang Construction Corporation
- Central Construction Corporation.

Machinery Breakdown

Summary and Trends

While there is some demand for electronic equipment insurance, there is little for machinery breakdown cover. The number of requests received from brokers to include the cover under industrial all risks policies is increasing and this is now common practice. Insurers are frequently requested to grant the cover as an add-on, free of charge in IAR policies. Almost all the demand comes from foreign-invested companies in the manufacturing sector, as well as hotels and shopping malls with elevators and/or escalators.

It is common in the market to arrange local coinsurance or reinsurance to avoid the need for foreign reinsurance involvement. Most insurances, especially policies for SMEs, cover all machinery, insurers preferring to avoid the possibility of selection against them. Cover for selected machines only may be, however, granted for some energy risks such as power plants.

Statistics

No recent statistics showing machinery breakdown business are available.

Limits and Scope of Cover

Machinery breakdown may be covered as part of an industrial all risks insurance or other package policy, attached by endorsement to a named perils policy or issued as a separate policy. Cover under package policies is the most common, occasionally for full value but usually with a sub-limit of about USD 500,000. Business interruption may be included as a separate section of the machinery breakdown policy or, more usually, insured under a separate policy, but there is little or no demand for the cover. The policy, when issued separately, includes mechanical but not chemical explosion and excludes third party liability and natural perils with the exception of storm. The standard market wording is that of Munich Re.

Computer equipment is covered under an electronic equipment policy which excludes damage caused by earthquake, typhoon and loss by theft and failure of public supply but covers loss or damage occasioned by fire.

The standard boiler and pressure vessel policy in use covers damage other than by fire caused by and solely due to explosion or collapse, including also third party cover. Exclusions include defects due to wear and tear, and failure of individual water tubes in boilers, locomotive or other multi-tubular types, in superheaters or in economisers.

Construction plant and machinery is insurable on a new, replacement value basis but if the values insured are less than the actual new replacement cost, average is applied. Standard exclusions include wear, tear and deterioration, mechanical and electrical breakdown, loss or damage resulting from immersion in tidal waters, loss in transit and loss or damage resulting from wilful acts or neglect.

Rating and Deductibles

Cover for textile machinery is available at 0.10% to 0.25%, subject to deductible of 5% of each and every loss with a minimum of VND 2.08mn (USD 90.29). The average rate for most types of machinery is 0.09%. The rate for the insurance of a steam boiler is 0.25% to 0.30%.

Lower rates are applied when the risks are included in a package policy, or no charge at all is made.

Loss History

Loss ratios for this class are reported to have been consistently good.

Major Insurers

No statistics are available showing rankings of machinery breakdown insurers.

Reinsurance

Reinsurance falls under construction reinsurance arrangements. See Construction and Erection All Risks - Reinsurance for indications.

Distribution

Distribution is mainly through brokers, whilst small amounts of business are placed directly with insurers, depending on the client.

Statutory Inspection Requirements

There is a government body responsible for inspecting boilers and machinery. After inspection, a certificate is issued valid for three, six or 12 months depending on the age and condition of the machinery, after which it is re-inspected.

Extended Warranty

There is no market for extended warranty in respect of brown or white goods in Vietnam.

Summary and Trends

Motor was the largest class of non-life insurance in 2018, accounting for 31.26% of total non-life income. Gross premium volume grew by 10.12% in 2017 and by 8.38% in 2018. Premium rating levels have remained relatively stable in the last three years up to and including 2018 but there is heavy competition in the market for business.

Rating methodology remains unsophisticated, based on value/cc capacity, with little or no vehicle classification or segmentation. Hire cars are rated as company cars, and commercial vehicles are rated on a separate scale.

Most registered vehicles are motor-cycles (mainly mopeds and scooters) and this mode of transport remains the vehicle of choice, basically due to cost. General opinion regarding compulsory third party insurance regulations is that compliance among motor cyclists is in the region of 80%. The wearing of crash helmets is obligatory. Private car insurance penetration rates are reported to be higher, at 90% or more: new cars bought with finance have to be insured on a comprehensive basis. Motor cyclists are not obliged to display proof of insurance on their machines whereas car owners are obliged to put an insurance certificate in the windscreen. Compliance with this latter requirement appears to be inconsistent.

Legislative Update

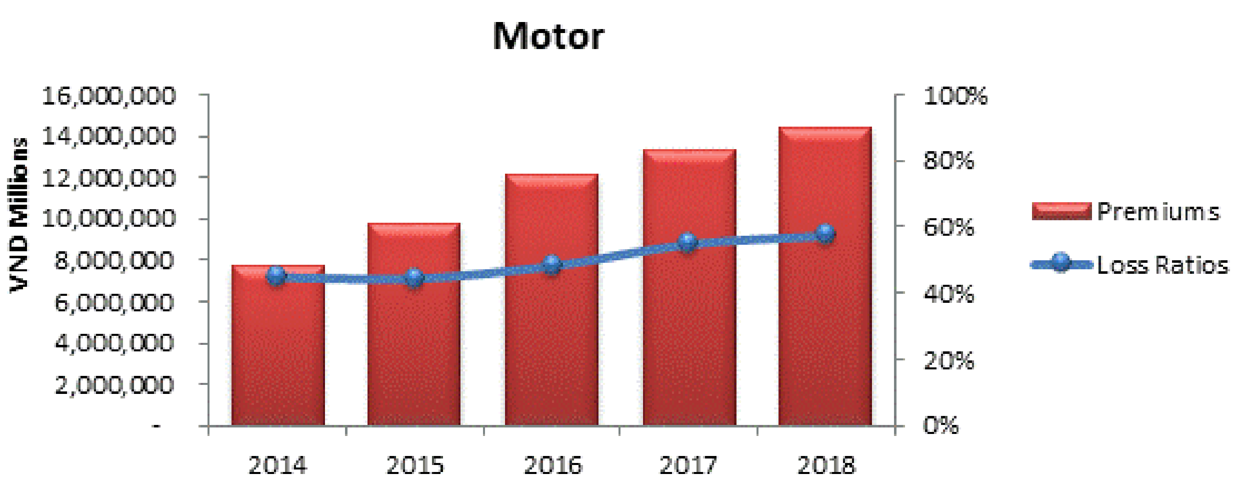
There has been no recent new legislation that might affect motor insurance.

Projected Legislation

No projected legislation affecting motor insurance was known of when this report was in preparation.

Statistics

Direct written premiums and loss ratios (direct paid claims to direct written premiums) for the last available five years are shown below.



Source: Axco Global Statistics/ Industry Associations and Regulatory Bodies

Statutory Third Party Limits

According to *Circular No 22/2016/TT/BTC* dated 16 February 2016 the currently applicable minimum limits for motor third party insurance causing death, bodily injury and property damage are as follows:

- death and bodily injury resulting from a motor accident (all vehicles including two-wheelers, tricycles, motor bikes and the like) - VND 100mn (USD 4,341) per person, per occurrence
- property damage caused by two wheelers, tricycles, motor bikes and the like - VND 50mn (USD 2,170) per occurrence
- property damage caused by cars, tractors, vehicles for agricultural or forestry use, military vehicles used for national security and defence (including trailers and semi-trailers pulled by motor cars or tractors) - VND 100mn (USD 4,341) per occurrence.

Compliance with the mandatory third party insurance regulations is not universal, but opinion is divided as to the percentages of non-insurance.

The obligation to insure applies to "motor vehicle owners who join traffic in the territory of the Socialist Republic of Vietnam". The law applies to all motorised vehicles and no exceptions are listed.

Vehicle registration takes place when a car is new and upon change of ownership. To register a vehicle requires proof of ownership and of insurance. There is no annual renewal of vehicle registration but renewal is required on change of ownership. The fine for not insuring a vehicle or motorcycle is about USD 10 but minimum third party mandatory insurance for motor cycles can be bought for around USD 2.5 to USD 3.

Decree No 73/2016/ND-CP provides that non-life insurers are under an obligation to file with the regulator policy wordings, terms and conditions and premium rate schedules in respect of all vehicle insurance products. Insurers must also submit formulae, methods and explanations of pricing and reserving along with brochures, sales material and forms that purchasers must complete and sign. The regulator is responsible for setting the pure (risk) premiums, relating to basic vehicle insurance covers, which must form the basis of insurers' pricing. The products may not be sold until written approval has been received from the regulator. This requirement is continuous and applies to all new vehicle insurance products.

If no third party insurance is purchased personal liability still applies in the case of an accident.

There is no mechanism within the legislation for self-insurance.

Other Regulatory Considerations

Whatever traffic legislation is imposed, it seems to be ignored by most road users, especially motorcyclists. Changes to the law in 2008 increased the maximum permitted speed limits applicable to different types of vehicles and made the wearing of crash helmets obligatory for motorcycle riders on all public highways. In November 2011 new measures were announced to improve traffic congestion and reduce accidents, including stricter driving tests, more drink-driving controls and stiffer penalties for police officers who take bribes from motorists. The police attempt to enforce the law but it is still widely ignored by many road users.

Vietnam has no bad risks pool and companies are obliged to offer the minimum obligatory third party cover to anyone requesting it. Such is the appetite for business that even someone with a poor claims record would have little difficulty in finding an insurance company prepared to offer the desired cover.

Decision 23/2007 established a guarantee fund to compensate the victims of uninsured or hit-and-run drivers, which was implemented by *Decree No 103/2008/ND-CP*. All motor insurers writing obligatory third party insurance are required to make an annual contribution of up to 2% of their compulsory third party premiums to the fund, which is managed by the AVI. The fund is also used to pay for road safety campaigns and for road improvements such as new traffic signals and slip roads.

International Motor

The Association of South East Asian Nations (ASEAN) has implemented a Blue Card system, similar to Europe's Green Card. *Protocol 5* of the *ASEAN Scheme of Compulsory Motor Vehicle Insurance* aims to provide for the commercial vehicles of member countries to travel anywhere within the area on their local insurances in order to facilitate the transport of goods from one country to another. The participating countries are Brunei, Cambodia, Indonesia, Myanmar, Philippines, Singapore, Thailand and Vietnam.

The protocol also outlines the procedure for national bureaux to be established in each country to administer the scheme. The ASEAN insurance regulators are responsible for reviewing, co-ordinating and supervising all aspects relating to the implementation of the protocol.

All private cars and other similar vehicles not carrying commercial goods from countries outside the ASEAN group must be insured locally on entering Vietnam.

Foreign vehicles from other countries wishing to enter Vietnam may extend their local policies prior to departure or buy insurance on arrival there.

Limits and Scope of Cover

The following types of cover are available:

- obligatory third party only cover

- obligatory plus additional voluntary third party cover in excess of the compulsory limits; this is issued along with the obligatory cover as a single policy - most foreigners and some Vietnamese drivers buy higher limits, which may be freely chosen or selected from options; for example, a choice of VND 200mn (USD 8,682) or VND 300mn (USD 13,022) for bodily injury and property damage respectively. Some foreigners opt to buy cover for higher limits between VND 500mn (USD 21,704) and VND 1bn (USD 43,408)
- comprehensive cover comprising third party cover and damage to the insured vehicle caused by collision, fire, explosion, storm, flood, lightning, hail and theft (total loss only for theft) may also be purchased: this is issued as a separate policy.

Further options that can be added include driver and passenger personal accident, accidents caused by goods carried and personal effects cover. Legal expense cover is included in the policy limit.

Terrorism cover is not offered under the motor policy.

The mix of minimum third party only cover, third party only (compulsory plus voluntary) and fully comprehensive insurance varies from one company to another. No statistics are available giving sub-class premium income breakdowns in the market of the various forms of cover.

Comprehensive cover is not generally given for motorcycles.

No unlimited third party cover is available in the market.

There is no market, as far as is known, for extended motor vehicle warranties.

Rating and Deductibles

Decree No 73/2016/ND-CP provides that non-life insurers are under an obligation to file with the regulator policy wordings, terms and conditions and premium rate schedules in respect of all vehicle insurance products, as well as formulae, methods and explanations of pricing and reserving. The regulator is responsible for setting the pure (risk) premiums, relating to basic vehicle insurance covers, which must form the basis of insurers' pricing. The products may not be sold until written approval has been received from the regulator. This requirement is continuous and applies to all new vehicle insurance products.

Circular No 50/2017/TT-BTC which contained numerous implementing regulations under *Decree No 73/2016/ND-CP* dealing with the conduct and regulatory oversight of insurance business transacted by licensed insurers, foreign branches and brokers applies to all classes of non-life insurance, including motor. *Circular No 50/2017/TT-BTC,* which took effect on 1 July 2017, replaced *Circular No 125/2012/TT-BTC.*

The minimum statutory third party liability cover is subject to a fixed tariff premium, the latest version of which is as follows:

Type of vehicle	Annual premium	
	VND	USD
Two-wheeler motor vehicles		
Under 50cc	55,000	2
From 50cc	60,000	3
Three-wheeler motor vehicles	290,000	13
Private Cars		
less than 6 seats:	437,000	19
6 to 11 seats	794,000	35
12 to 24 seats	1,270,000	55
above 24 seats	1,825,000	79
Pick-up	933,000	41
Passenger carrying vehicles		
10 seats	1,512,000	66
20 seats	3,191,000	139
Above 25 seats	4,813,000 + 30,000 per additional seat	209 + 1 per additional seat
Trucks		
Under 3 tonnes	853,000	37
3 to 8 tonnes	1,660,000	72
8 to 15 tonnes	2,746,000	119
Above 15 tonnes	3,200,000	139

Source: Market sources

Taxis are charged at 170% of the commercial vehicle seating capacity rate in Section 4 of the rating schedule. Buses are rated according to seating capacity.

Rates for voluntary covers are flexible and generally set by the insurers on the basis of the experience by type of vehicle (motorcycle, car, truck) in the portfolio in the previous three years. Some use is now being made of market segmentation and differentiated rating but typically the only distinction made for rating purposes is between old and new vehicles. As per regulations all premium rates should be actuarially calculated (other than compulsory third party insurance rates).

Passenger cover may be charged as a rate on sum insured. Partial theft cover is frequently given to foreign-owned vehicles at an additional rate of 0.5%. Own damage cover is not generally offered for motorcycles. Theft cover is not normally given.

The market approach to deductibles differs. Foreign insurers generally apply a low deductible, sometimes as low as USD 10 for private cars, while local insurers apply a franchise, typically of about VND 500,000 (USD 21.70). Voluntary deductibles and franchises in excess of those mentioned are possible, giving entitlement to a premium discount: two times the deductible attracts a 5% discount and four times the deductible attracts a 10% discount. Few take advantage of these, preferring to keep the policy deductible or franchises as low as possible.

The following table gives an indication of rate movements for motor third party premiums in recent years, with 2012=100 being the base year.

Motor third party rate movements	
2019	100
2018	100
2017	100
2016	100
2015	100

Source: Market sources

The following table gives an indication of rate movements for motor hull premiums in recent years, with 2012=100 being the base year.

Motor hull rate movements	
2019	95
2018	95
2017	95
2016	96
2015	97

Source: Market sources

No Claims Discount System

Practice differs by company: a no claims discount (NCD) is offered by some companies after a minimum of two years' accident free insurance.

Companies generally offer an additional discount of 5% to 10% to clients placing all their insurances with the company, as well as introductory discounts to attract new business.

Rating scales including NCDs have to be approved by the regulator as per *Decree No 73/2016/ND-CP.*

Loss Experience and Trends in Court Awards

The table below shows road accident statistics for the last available five years.

	2014	2015	2016	2017	2018
Number of accidents	25,685	22,850	21,431	20,084	18,736
Number of fatalities	9,101	8,728	8,644	8,281	8,248
Number of injured	24,863	21,072	19,100	17,040	14,798

Source: Axco Global Statistics / Industry Associations and Regulatory Bodies

The World Health Organization (WHO) estimates that traffic accidents are the leading cause of death for the population aged between 15 and 49 years. Many of Vietnam's roads (especially in rural areas) are in poor condition. Nevertheless the road accident statistics indicate a strong continuing trend of reduction in motor accidents in the five years from 2014 to 2018 and fatalities and injuries have been decreasing significantly in similar fashion.

Helmet use is compulsory for all motor cycle riders, including passengers, which appears to have been having a positive effect, and policing has become more stringent than in the past. Theft claims are not a problem for motorcycles, as cover is rarely given.

In relation to death and bodily injury claims the award of damages is governed by the *Civil Code* and *Resolution 01/2004/NQ-HDTP* of 28 April 2004. Damages in cases involving injury include: compensation for medical expenses; compensation paid to a carer during the recovery process; loss of or reduction in income; expenses for long-term care; and pain and suffering. Awards for pain and suffering are capped at 30 times minimum monthly salary. Death awards will take account of some of these factors and also of burial expenses: the average starting point for a death claim is about 20 times monthly salary. Award amounts may also be influenced by factors such as the age of the victim, the degree of disability, his or her occupation and salary, dependants, prospects, and so on. Awards may also be made for damage to honour, dignity and reputation.

There is no set method of assessment, resulting in award amounts which may seem arbitrary. In the case of motor vehicle accidents, the minimum third party limit may simply be applied without any other calculation being made. There are no limits or thresholds and no structured settlements in the market. Court awards are very low by western standards and also by those of more developed Asian countries. The average payment for a death resulting from a motor vehicle accident is about VND 30mn (USD 1,302) and the approximate maximum is VND 50mn (USD 2,170).

On appeal, cases are viewed on their merits: awards are not routinely upheld, overturned or modified.

The courts have the power to apply interest to the amount of the award and costs but this is not common. Payment of awards is enforced by the Office of Judgment Enforcement which has wide powers including the freezing of the defendant's bank accounts, the seizure of his or her property and the withdrawal of sums from bank accounts. In practice, however, significant problems may be experienced relative to the enforcement of judgments. An element of costs is generally included in the award made to the successful party in the litigation, not necessarily for 100% of the costs incurred but only those items that the court considers justifiable, typically involving recovery of 100% of the court costs but not lawyer's fees.

Many insurers operate with a system of approved repairers. In this case it is normal practice to offer different policies, one which requires that the vehicle be repaired by a repair shop approved by the insurer and another (which is more expensive) which permits a free choice of repair shop.

The largest and most expensive element in vehicle repair is that of spare parts, as most must be imported. Second-hand and unbranded spares may be used, with the agreement of the insured, especially when delays are likely to occur in importing originals. Labour costs, though low, have been increasing more or less in line with inflation.

There are no knock-for-knock or claims-sharing agreements in the market.

Major Insurers

The leading motor insurers and their market shares are shown below.

Company	Market share 2018 (%)
PVI	26.05
Bao Viet	13.88
Bao Minh	10.00
BIC	7.36
ABIC	6.22

Source: Axco Global Statistics / Industry Associations and Regulatory Bodies

Reinsurance

Motor business is mainly reinsured on an excess of loss basis with deductibles of USD 50,000 to USD 100,000. Some quota share treaties (20% to 30% quota ceded) do exist, mainly to provide balance sheet relief.

Distribution

Business is estimated to be split about 50/50 between direct business and the agency networks of companies.

Vehicle Statistics

Overall new vehicle sales in 2018 grew by 5.8%. Growth of domestically manufactured vehicles grew by 10.6% in 2018, whereas imported vehicle sales reduced by 6.2%.

Motor Fleets and Commercial Vehicles

Vietnam is not a major fleet market but there are fleets belonging to petrochemical companies, tourist vehicle fleets and airline fleets as well as taxis and buses. Fleets are mainly owned and self-managed though leasing is becoming more common. The quality of management is said to vary greatly but, as a general rule, the larger the company, the more likely it is that its fleet will be well managed. Fleet management is best among the foreign-invested companies.

Fleets are generally rated on an individual vehicle basis and a discount is applied in accordance with the number of vehicles insured. Most are insured on a fully comprehensive basis. Discounts may be allowed for fleet size, for instance, 5% for a fleet of 10 to 20 vehicles, 10% for 11 to 20 vehicles, 15% for 51 to 100 vehicles and 20% for more than 100 vehicles. The number of vehicles necessary to be considered a fleet varies from company to company.

Some companies apply group no claims discounts related to loss ratios.

An additional discount of 10% is given by some insurers when there are at least 30 vehicles in the fleet and all are new. The premium may be further discounted to take account of the value of the client or simply to obtain or retain the business.

Market experience on fleets appears to be mixed though there is general agreement that results for taxi fleets have been very poor.

The major fleet insurers are reported to be Bao Viet, PVI and Bao Minh.

Summary and Trends

The *Social Insurance Law No 71/2006/QH11* was repealed and replaced by the *Law on Social Insurance, Law No 58/2014/QH13*. Further amendments were made by the *Law on Occupational Safety and Health (Law No 84/2015/QH13)* which replaced the provisions of *Law No 58/2014/QH13* on occupational accidents and disease.

Membership of the State Insurance Fund for Occupational Accidents and Diseases (SIF) is mandatory for public and private sector employees with a minimum contract period of one month, including household workers, employees in agriculture, fishing and salt production, civil servants, employees of co-operatives and unions, police and military personnel, part-time workers in communes, wards and townships and certain foreign national employees. As from 1 December 2018 foreign nationals may be covered under the social security programme: employers will pay the contributions of such employees until 2022 when the same contribution rates that apply to Vietnamese nationals will be applied to eligible foreign workers. Employers of covered workers are obligated to pay 1% of the monthly salary payroll as contribution to the fund.

No statistical indications are published specifically related to private sector workers' compensation and employers' liability insurance. There is no significant demand for private sector workers' compensation insurance (since the state social insurance scheme covers most workers other than the self-employed and workers with contracts of less than one month), but it is reported that a few companies purchase workers' compensation insurance in the private insurance market because of problems which can be caused by documentary requirements imposed under the state scheme and the likelihood of consequent settlement delays. Where private workers' compensation is purchased it is reported to routinely cover occupational diseases (as defined in the *Labour Law*). Cover in such policies is also extended to countries outside Vietnam in respect of employees temporarily seconded overseas. Compensation under workers' compensation policies purchased in the private insurance market is usually more generous than that provided by the state scheme: its extent depends on the chosen total sum insured.

Demand for employers' liability (EL) cover is reported to be low. If EL cover is bought, it is generally included in a general third party liability cover as an endorsement and separately rated on the agreed limit any one loss/any one year. In EL policies, occupational disease is not excluded. Extensions in EL coverage for employees working outside Vietnam are available in the market.

Some companies buy group personal accident cover as an employee benefit. The presence of private group personal accident, private workers' compensation and employers' liability insurance does not affect state social insurance benefits related to workers' compensation.

Statistics

Premium and loss figures are included in miscellaneous casualty and cannot be separately identified.

Workers' Compensation and Employers' Liability

Regulatory Considerations

Membership of the Social Insurance Fund is mandatory for public and private sector employees with a minimum contract period of one month, including household workers, employees in agriculture, fishing and salt production, civil servants, employees of co-operatives and unions, police and military personnel, part-time workers in communes, wards and townships and certain foreign national employees. As from 1 December 2018 foreign nationals may be covered under the social security programme: employers will pay the contributions of such employees until 2022 when the same contribution rates that apply to Vietnamese nationals will be applied to eligible foreign workers. Employers of covered workers are obligated to pay 1% of the monthly salary payroll as contribution to the fund.

The employers' liability cover, which operates in the event of negligence on the part of the employer, protects against the potential common law liability. Benefit levels are fixed by the client.

The law does not require certificates of insurance to be issued.

Legislative Update

There has been no recent new legislation that might affect workers' compensation and employers' liability insurance.

Projected Legislation

The possibility of further clarifications is provided for in the *Law on Occupational Safety and Health* (*Law No 84/2015/QH13*).

Expatriates

From 1 January 2018 certain foreign workers legally employed in Vietnam are covered by *Law No 84/2015/QH13.* Employers will pay the foreign workers' contributions until 2022, after which the same contribution rates which apply to Vietnamese workers will apply.

Vietnamese workers working abroad under labour contracts are also covered. Where private workers' compensation is purchased, it is extended to countries outside Vietnam in respect of employees temporarily seconded overseas.

Extensions in EL coverage for employees working outside Vietnam are available in the market.

Limits of Indemnity

State benefits

There is no minimum qualifying period for entitlement to work injury benefits.

Temporary Disability

The employer pays 100% of the employee's wages from the first day of treatment until the latter has recovered, is discharged from hospital or is assessed with a permanent degree of disability. A Ministry of Health Board determines if the employee has recovered and assesses in relevant cases the permanent degree of disability.

Permanent Disability

For an assessed loss of working capacity of 31%, 30% of the minimum wage for civil servants (currently VND 1.49mn (USD 64.68) per month) is paid. An additional 2% of the minimum wage for civil servants is paid for each additional 1% of loss of working capacity, plus 0.5% of salary in the month when the disability commenced for the first year of contributions, plus 0.3% of salary for each additional year of contributions.

Where required an attendance allowance of the minimum wage for civil servants (VND 1.49mn (USD 64.68)) is paid in addition to permanent disability benefit.

A disability grant is payable of five times the minimum wage for civil servants for an assessed loss of working capacity of 5% plus an additional 50% of the minimum wage for civil servants for each additional 1% loss of working capacity and 50% of the insured's last monthly earnings for the first year of contributions, plus 30% of salary for each additional year of contributions.

For convalescence and rehabilitation following a work injury or occupational disease, 25% (at home) or 40% (in a nursing home) of the minimum wage for civil servants is paid.

Survivor Benefits

With regard to survivor benefits, 50% of the minimum wage for civil servants is payable to each eligible survivor up to a maximum of four and 70% if the survivor has no guardian. The benefit is paid if the death was caused by a work injury or occupational disease, or if the deceased was a work injury beneficiary with at least 61% of working capacity at the time of death.

Eligible survivors include:

- a widower aged 60 or older
- a widow aged 55 or older with no income or an income less than the minimum wage for civil servants
- widows or widowers with no age limit if disabled with a loss of working capacity of 81% or more

- children younger than 18 including those conceived before the time of death
- no age limit for children if disabled with a loss of working capacity of 81% or more
- a father or father-in-law aged 60 or older with an income of less than the minimum wage for civil servants
- a mother or mother-in law aged 55 or older with an income of less than the minimum wage for civil servants.

If there are no eligible survivors a survivor grant is payable to survivors who did not qualify for a survivor pension if the deceased received or was entitled to receive an old-age or disability pension.

A survivor grant is payable if the deceased had less than 15 years of contributions.

A funeral grant is payable to the person who pays for the funeral if the deceased received an old-age or disability pension or had at least 12 months of contributions.

Private insurance

There is no significant demand for private sector workers' compensation insurance (since the state social insurance scheme covers most workers other than the self-employed and workers with contracts of less than one month), but it is reported that a few companies purchase workers' compensation insurance in the private insurance market because of problems which can be caused by documentary requirements imposed under the state scheme and the likelihood of consequent settlement delays. Where private workers' compensation is purchased it is reported to routinely cover occupational diseases (as defined in the *Labour Law*). Cover in such policies is also extended to countries outside Vietnam in respect of employees temporarily seconded overseas. Compensation under workers' compensation policies purchased in the private insurance market is usually more generous than that provided by the state scheme: its extent depends on the chosen total sum insured.

For employers' liability, which is taken mainly by foreign-invested companies, the normal limit is USD 1mn any one occurrence and USD 2mn or USD 3mn in the aggregate, but has been known to reach USD 10mn any one loss and in the aggregate, especially for the larger employers where there is a large accumulation risk.

Scope of Cover

The *Law on Occupational Safety and Health* (*Law No 84/2015/QH13*) establishes that qualified employees are entitled to the protection of the work accident regime at the workplace and during working hours, outside the workplace and beyond working hours when on assignment for their employer, and on journeys to and from workplace and residence within a reasonable time and on a reasonable route. Qualified employees are public and private sector employees with a minimum contract period of one month, including household workers, employees in agriculture, fishing and salt production, civil servants, employees of co-operatives and unions and police and military personnel. The self-employed are not covered.

Rating

Rating of a private sector workers' compensation policy is a function of the chosen total sum insured.

An employers' liability extension to a GTPL policy could cost 0.1% of the chosen limit. There are no deductibles.

Loss Experience

There are no loss statistics for employers' liability business but it is said that results are more or less acceptable for most activities, except mining, construction and the chemical industry.

According to the Department of Work Safety under the Ministry of Labour, Invalids and Social Affairs (MOLISA) the construction industry is currently causing the highest number of fatal incidents, making up more than 20% of all fatal work accidents.

Major Insurers

Most companies write employers' liability business although this is a small class.

Reinsurance

The business falls under proportional or non-proportional protections in respect of the liability account.

Distribution

Clients requiring private insurance sector workers' compensation insurance and employers' liability coverage would normally approach brokers.

Liability

General Third Party

Summary and Trends

Vietnam is not a litigious society: indeed, there is a long tradition of non-confrontation. Most people, especially low-income groups and the less well educated, have little or no idea of their legal rights or knowledge of how to pursue them. There is little awareness, especially in rural areas, of formal judicial institutions such as the courts and supporting organisations such as legal aid centres and local mediation groups. The situation is changing, however, as foreign investment grows, especially in the cities.

In this context, there is still relatively low demand for public liability insurance. Insurance is seen primarily or even exclusively as a means of asset protection and liability cover would be considered an unnecessary expense by many firms. Interest has been historically limited to hotels and other businesses with foreign interests and potential exposure but is gradually expanding to the local private sector.

Cover is generally included in SME packages.

Legislative Update

There have been no recent changes in legislation.

Projected Legislation

No projected legislation affecting general third party liability was known of when this report was in preparation.

Statistics

Direct written premiums and loss ratios (direct paid claims to direct written premiums) for the last available five years are shown below.

New statistical information may have been included in the appendices.

The statistics in the graph relate to the whole liability account.

Limits and Scope of Cover

Policy wordings for public liability are on an occurrence basis. Although pollution is excluded from the standard policy, sudden and accidental cover may be added back by agreement.

For public liability business Australian and US wordings are the most common: the extent of jurisdiction is stated in the schedule. The latter can be local only, worldwide (including US and Canada) or worldwide (excluding US and Canada).

Limits of indemnity vary in accordance with the type of risk but are generally in a range from USD 500,000 to USD 1mn with exceptional cases of USD 2mn to USD 5mn.

There is no legal requirement to provide additional limits for legal costs in addition to the usual limits of indemnity and there is no standard approach to legal costs. Some companies provide cover for costs in addition to the policy limit; others consider costs to be included in the limit of indemnity. If legal costs are insured separately, an additional premium may apply.

Rating and Deductibles

Premiums for general liability are modest as there is relatively little demand for coverage, ranging generally from USD 400 to USD 800.

The policy deductible is negotiable but usually about 5% of the limit, with a minimum of the equivalent of USD 500. Premium discounts are granted for higher deductibles.

Loss Experience

Most claims involve small amounts; the loss ratio has been lower than 20% in each of the past five years up to and including 2018.

Major Insurers

The leading general third party liability insurers and their market shares are shown below.

Company	Market share 2018 (%)
PVI	18.74
Bao Viet	15.06
PJICO	8.51
AIG	7.69
MSIG	7.38

Source: Axco Global Statistics / Industry Associations and Regulatory Bodies

Reinsurance

This class of business is generally reinsured on a surplus treaty basis, with retentions and limits that vary according to the type of business included. Typical treaties cover a range of classes including theft, liability, professional indemnity, personal accident and workers' compensation. Cover is arranged up to a maximum of about USD 10mn in the case of the major foreign players (less for smaller domestic companies) and retentions are up to a maximum of USD 500,000. Some companies purchase excess of loss coverage with limits of about USD 4.5mn in excess of USD 500,000.

Some facultative reinsurance is required from time to time for large risks such as luxury hotels, with limits of USD 10mn, and for cases with US/Canada jurisdiction.

Distribution

The normal distribution channels for stand-alone insurance are either direct or through brokers. Agents are not often involved in large risks.

Agents and brokers are involved, however, in SME package policies many of which automatically include public as well as product liability.

Product Liability

Summary and Trends

The class remains largely underdeveloped and there is little demand even from those who might be aware of the cover. Vietnamese culture is not litigious and individuals have little consciousness of their legal rights. Demand comes mainly from foreign-invested companies which are specifically export-driven, rather than exposed to the local market. Even large Vietnamese companies are unlikely to show any interest in the insurance unless obliged by contract to carry it, most usually for exports.

Most policies issued are connected with exports of primary foodstuffs, such as rice and coffee, often as a result of contract conditions, but Vietnam's expanding trade with the United States is driving demand from many different sectors. Underwriters also report an increase in interest from the food industry, including companies involved in the preparation and sale of cooked foodstuffs.

The entry into effect of the consumer protection *Law No 59/2010/QH12*, which tightens the legislation on the marketing of defective products, was expected to raise awareness of consumer rights and lead to more litigation when damage or injury is caused, but underwriters report only very modest repercussions.

Stand-alone covers policies are either issued on Australian combined general liability and products form, or the Munich Re wording.

Legislative Update

There have been no recent changes in legislation.

Projected Legislation

No projected legislation affecting product liability was known of when this report was in preparation.

Statistics
No separate statistics are available for product liability.

Limits and Scope of Cover
Product liability is almost always given in the market as a stand-alone policy. The cover includes exports if required and most demand is for export-related business where insurance is demanded by the buyer. The limits of indemnity may be a single sum per occurrence and in the aggregate or a sum per occurrence and two or three times that figure in the aggregate. When combined with general liability cover, a single overall limit or separate limits may apply. The norm is up to the equivalent of USD 5mn up to USD 20mn any one occurrence.

Jurisdiction may be worldwide excluding the US and Canada though requests for full worldwide cover are said to occur quite frequently. Local companies are generally required to refer enquiries to their treaty reinsurers if worldwide jurisdiction including the US and Canada is requested, as most reinsurance treaties exclude it. Worldwide jurisdiction is available from some of the foreign insurers, and US-related foreign companies are known to provide reinsurance support occasionally to local companies for US/Canada jurisdiction.

Cover is usually on a claims-made basis but policies on an occurrence basis are also available. Local legislation does not stipulate any retroactive cover or extended reporting periods in claims-made contracts.

The standard maximum extended reporting cover varies between three and six months in relation to (rare) cases where reinsurance is not required. Where reinsurance is required, however, reinsurers determine the availability, if any, of retroactive cover as well as the duration of extended reporting periods. The issue of all major product liability policies is entirely dependent upon reinsurance availability, however, and is therefore subject to terms and conditions imposed by reinsurers. The granting of retroactive cover is rare: it is dependent upon proof of previous insurance, subject to reinsurers' terms and conditions.

Rating and Deductibles
The class is rated locally except for those cases requiring reinsurance support. It is usually rated on turnover and annually adjusted at 0.1%, unless the turnover is very small or the product is seen as non-hazardous, when a flat premium rather than a rate is generally applied.

Loss Experience
There are no separate statistics for product liability but insurers report that claims are minor and results for the business are good. Many local claims involve food poisoning, although no serious events have been reported.

Major Insurers
The business is written by all non-life companies in the market. AIG, Chubb, QBE and Bao Viet are reported to be among the most active insurers.

Reinsurance

Reinsurance of product liability business is usually combined with the public liability protection. As exports to the US and Canada are frequently excluded from treaty cover, a significant amount of facultative reinsurance is also placed.

Distribution

Almost all of the business is placed through brokers.

Territorial Limits

Exports may be insured and most of the policies issued refer to export-related business. Jurisdiction is limited whenever possible to worldwide excluding the US and Canada, but requests for full worldwide jurisdiction are reported to be frequent. Cover is available from foreign insurers in the market for exports to the US and Canada with US/Canada jurisdiction, but domestic insurers must either approach their treaty reinsurers for reinsurance support or buy facultative reinsurance locally.

Special Risks

Risks include pharmaceuticals and manufacturers and distributors of animal feed. There are no special policy forms locally for such risks, which are usually excluded from treaties and placed in the facultative reinsurance market. Policy wordings specific to the risks are generally supplied by reinsurers.

Product Guarantee, Recall and Malicious Product Tamper

There is no cover in the market for product guarantee or malicious product tamper.

Product recall is available either as a stand-alone policy or as an endorsement to the product liability policy, with a sub-limit. Cover is given only for recall expenses, storage and destruction.

Professional Indemnity

Summary and Trends

There is little demand for non-compulsory professional indemnity cover as the risk of claims or litigation is very low. There are, however, a significant number of professions subject to compulsory insurance (see Professions in this section). None of the compulsory classes of professional liability business are subject to specific minimum limits of indemnity.

Demand for non-compulsory insurance comes principally from large enterprises, particularly those with foreign connections.

It is anecdotally reported that compulsory medical practice is probably the largest sub-class of professional indemnity business and it appears that this is the class where most claims occur.

Under *Decree No 119/2015/ND-CP* effective from 10 February 2016 and *Circular No 329/2016/TT-BC* dated 16 December 2016 insurance for contractors and investors in certain construction works is mandatory. Construction projects which must be insured include those having an impact on the environment or public safety and those with complex construction conditions. *Circular No 329/2016/TT-BC* relates inter alia to professional indemnity insurance for consultants providing expert advice on survey and design of grade II construction works or higher.

Legislative Update

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Update April 2020

Decree No 80/2019/ND-CP came into effect on 1 November 2019. It contained the implementing regulations to *Law No 42/2019/QH14* on insurance auxiliary services (which include insurance consultancy services, insurance risk assessment services, actuarial services, insurance loss assessment services and insurance indemnity settlement support.). Under the decree, professional liability insurance is mandatory for local and cross-border providers of insurance auxiliary services.

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Law No 42/2019/QH14 amending the *Law on Insurance Business* was passed in June 2019 and is due to come into force on 1 November 2019. This law addresses insurance auxiliary services for the first time. These include insurance consultancy services, insurance risk assessment services, actuarial services (described as insurance calculation), insurance loss assessment services and insurance indemnity settlement support. *Law No 42/2019/QH14* sets out regulations for the provision of these services, including rules of establishment, appointment of duly qualified personnel, maintenance of confidentiality of customer information and compulsory purchase of professional indemnity insurance appropriate to the regulated service(s). Insurance auxiliary service providers will be granted one year from 1 November 2019 to comply with the new regulations.

Projected Legislation

No projected legislation affecting professional indemnity was known of when this report was in preparation.

Statistics

No separate statistics are available for professional indemnity insurance.

Limits and Scope of Cover

Policy wordings are similar to those in use in the UK and US markets, and limits may go up to USD 10mn or USD 20mn though the most common limit is USD 1mn. The limits of indemnity may be a single sum per occurrence and in the aggregate or a sum per occurrence and two or three times that figure in the aggregate. The legislation and regulations establishing compulsory insurances for individual professions do not specify minimum limits, allowing insureds to select very low limits if they wish. Limits for engineers and architects range between USD 1mn and USD 10mn according to contract requirements, but a few annual covers are sold to these professions. The most common limit for medical malpractice cover is USD 5mn, but limits in individual cases can be higher or lower.

Cover is on a claims-made basis and a local jurisdiction clause usually applies, but foreign jurisdiction, generally worldwide excluding the US and Canada, may be arranged for an additional premium. There are also a few cases of worldwide cover, including the US and Canada. When local jurisdiction is fixed, as the courts have no legal expertise to handle PI claims, the policy may contain an arbitration clause that allows arbitration to be carried out in Singapore or Hong Kong. Punitive damages are not recognised in Vietnamese law but it is understood that a few policies have been extended to include them where they are not prohibited.

Local legislation does not stipulate any retroactive cover or extended reporting periods in claims-made contracts. The standard maximum extended reporting cover is between three and six months in relation to cases where reinsurance is not required. Where reinsurance is required, however, reinsurers will determine the availability, if any, of retroactive cover as well as the duration of extended reporting periods. The granting of retroactive cover is rare: it is dependent upon proof of previous insurance, subject to reinsurers' terms and conditions.

There is no legal requirement to provide additional limits for legal costs in addition to the usual limits of indemnity and there is no standard approach to legal costs. Some companies provide cover for costs in addition to the policy limit; others consider costs to be included in the limit of indemnity. If legal costs are insured separately, an additional premium may apply.

Rating and Deductibles

PI is generally rated with the assistance of reinsurers.

All compulsory PI insurances are understood to be subject to statutory tariffs with the exception of insurance related to:

- securities companies
- fund management companies
- independent auditors
- notaries.

For a limit of USD 1mn for a legal practice, or others like accountants, auditors, engineers, architects, securities companies and fund managers annual premiums are in the range of USD 5,000 to USD 20,000. If the practice is small, the premium may be as low as USD 2,000 to USD 3,000. A deductible of USD 2,000 to USD 5,000 generally applies.

Loss Experience

It is reported that historically there have been some relatively large (circa USD 250,000) medical malpractice claims involving hospitals. Press reports also suggest that claims against doctors and hospitals are becoming more frequent and usually settled out of court.

Otherwise claims experience appears to be generally benign.

Major Insurers

AIG, ACE and QBE are the main market leaders. Bao Viet and Bao Minh are reported to specialise in coverage for engineers and architects.

Reinsurance

PI business may be placed in a miscellaneous accident surplus treaty, where it is generally subject to low limits, or reinsured facultatively on a case by case basis.

Distribution

Distribution is almost exclusively through brokers though a small volume of business is placed direct, through agents and through banks.

Professions

The various laws and regulations imposing compulsory PI insurance are as follows:

- PI for lawyers - *Law on Insurance Business No 24/2000/QH-10* dated 9 December 2000
- PI for insurance brokers - *Law on Insurance Business No 24/2000/QH-10*
- PI for providers of insurance auxiliary services, including insurance consultancy services, insurance risk assessment services, actuarial services (described as insurance calculation), insurance loss assessment services and insurance indemnity settlement support - *Law No 42/2019/QH14* amending the *Law on Insurance Business* (in force from 1 November 2019).
- PI for architects - *Law on Construction No 50/2014/QH-13* dated 18 June 2014
- PI for engineers - *Law on Construction No 50/2014/QH-13* dated 18 June 2014
- PI for securities companies - *Law on Securities No 70/2006/QH-11* dated 29 June 2006
- PI for notaries public - *Law on Notary No 53/2014/QH-13* dated 20 June 2014
- PI for independent auditors - *Law on Independent Audit No 67/2011/QH-12* dated 29 March 2011
- PI for fund management companies - *Circular 212/2012/TT-BTC* dated 5 December 2012
- PI for contractors supervising the execution of building works - *Decree 48/2010/ND-CP* dated 7 May 2010 on *Construction Contract*
- PI for doctors and medical practitioners - *Law on Medial Examination and Treatment No 40/2009/QH-12* dated 23 November 2009
- PI for organisations and individuals performing tasks involving radiation - *Circular 13/2012/TT-BTC* dated 7 February 2012.

All compulsory PI insurances are understood to be subject to statutory tariffs with the exception of insurance related to:

- securities companies
- fund management companies

- independent auditors
- notaries.

No specific minimum limits of liability are imposed in respect of any of the various professions subject to compulsory PI insurance. Generally limits vary between the VND equivalent of USD 500,000 and USD 10mn.

Under *Decree No 119/2015/ND-CP* effective from 10 February 2016, insurance for contractors and investors in certain construction works has become mandatory. Construction projects which must be insured include those having an impact on the environment or public safety and those with complex construction conditions. Mandatory covers include professional indemnity insurance for consultants providing expert advice on survey and design of grade II construction works or higher.

Directors' and Officers' Liability

Summary and Trends

Current demand is largely from the financial services sector, including banking and is usually bought on a package basis including professional indemnity and crime.

Brokers sell the products of interested insurers to clients who require the cover to comply with their own internal corporate governance rules, or to foreign joint ventures. This is particularly the case where local non-executive directors are involved, and the company pays the premium for all such directors, usually as a pre-condition for their services.

Growth in the directors' and officers' liability (D&O) market is currently reported to be modest.

Company Law

The main piece of legislation that governs D&O cover in Vietnam is the *Enterprise Law No 60/2005/QH-11* and its regulations issued by *Decree No 139/2007/ND-CP*.

Legal liability falls on all managers of enterprises, defined as "the owner or director of a private enterprise, unlimited liability partner of a partnership, chairman of the members' council, chairman of a company, a member of the board of management, director or general director and other managerial positions as stipulated in the charter of a company".

Local law does not restrict the right of companies to indemnify their directors or to pay the premium of the policy covering their directors. D&O coverage is not treated as an employee benefit for tax purposes.

Limits and Scope of Cover

The policy form commonly used is based on the London market wording. The policy offers an indemnity to directors and officers for legal costs and damages and expenses incurred arising from claims brought against them personally due to wrongful acts. Cover is granted to all directors and officers, executive and non-executive, present, future and past without any time restriction. The policy also covers spouses and heirs of the directors and officers.

The basic cover includes:

- Side A cover - directors' and officers' personal liability, providing indemnity to the individual when no reimbursement is provided for by the company's constitution
- Side B cover - company reimbursement, giving indemnity to the company when it has reimbursed an individual in accordance with the company's constitution.

Side C cover is also available and may be added if requested at an additional premium.

Both entity and non-entity employment practices indemnity are included; prospectus indemnity may be covered but it is usually necessary to add it by endorsement at an additional premium. New acquisitions made by the insured enterprise are included automatically in the policy provided that the company's net asset value is not increased by more than 20% or 25%, and effective control is obtained. Cover on the insured enterprise ceases on the sale of all or part of the company if control of the company is lost.

The main exclusions are fines, penalties or exemplary damages, dishonest or fraudulent acts, insured versus insured actions (in the US only), major shareholder exclusion, pollution (though related defence costs may be covered) and bodily injury, sickness or disease.

The financial institutions package available for PI, D&O and crime covers follows the same pattern and exclusions and possible extensions, often based on a US wording. The normal limits of indemnity are USD 1mn to USD 2mn per occurrence and in the aggregate, although there are requests for USD 5mn to USD 10mn.

Cover is on a claims-made basis. Local legislation does not establish any extended reporting or discovery period but it is market practice to give up to 12 months without charge. Longer periods may be purchased for an additional premium, subject to availability of reinsurance and at terms and conditions imposed by reinsurers.

Rating and Deductibles

In most cases rating, terms and conditions are provided by regional underwriters in Singapore or Australia, who provide facultative cover surplus to a small local retention. A deductible of USD 10,000 to USD 25,000 applies to Side B cover only.

All business is re-rated at renewal on a rating matrix, completed with an updated proposal.

Loss Experience

There have been incidents of claims being made against company directors and officers for malpractice but with no D&O insurance in place to cover them: some cases involving bankers occurred in 2008. All claims are handled out of court in the utmost secrecy.

Major Insurers

Chubb, AIG and QBE are reported to be the main players.

Reinsurance

It is not thought that any locally owned company has automatic reinsurance capacity for D&O.

Facultative reinsurance is the general norm for this class of business. Retentions are generally low.

Distribution

This class of business is exclusively dealt with through the broker market.

Pollution and Environmental Liability

Summary and Trends

Vietnam is in the early stages of industrialisation, and consciousness of pollution and environmental liability has not yet developed to any great extent. Many factors are raising issues of concern about the environment: slash and burn agriculture and uncontrolled logging are contributing to deforestation and degradation of the soil; groundwater pollution, especially from arsenic, is widespread and increasing populations, heavy traffic and badly regulated industrialisation have been degrading the environment in the major cities. Hanoi and Ho Chi Minh City are commonly considered to be two of the most seriously air polluted cities in the world. In 2014 levels of air pollution in Ho Chi Min city were reported to be 44% above permissible levels and in Hanoi and the north of the country the situation was even more grave at 68% above permissible levels.

Generally speaking, foreign-invested companies, especially multinationals, are aware of pollution and environmental risks but Vietnamese businesses tend to be uninterested in environmental matters and many are responsible for water and air pollution. While legislation exists to combat environmental impairment, action against polluters is discouraged because local governments tend to be judged by the degree of economic growth achieved in their regions. The central government Ministry of Natural Resources and Environment encourages local action against polluters, however, and polluting industries may be fined or even closed down. There are also private environmental organisations such as the Vietnam Green Building Council and increasing attention is being paid to them.

The Mekong river, which flows through Ho Chi Min City is visibly highly polluted: a significant degree of this pollution is reported to be due to polluters in China.

The main local legislation dealing with protection of the environment are the *Petroleum Law (1993)*, the *Law on Environmental Protection (1993)*, the *Mineral Law (1996)* the *Decree on Sanctions for Administrative Violations of the Law on Environmental Protection (1996)* and the *Law on Water Resource (1998)*.

Decree No 117/2009 on sanctions for administrative violations in respect of environmental protection was issued to replace *Decree No 81/2006* and raise awareness about environmental protection among businesses and the public. Under the decree, organisations or individuals who breach environmental laws will receive a warning or be fined up to VND 500mn (USD 21,704). The decree also establishes that enterprises discharging untreated waste water into the environment will be subject to a fine and possibly the revocation of their licence to operate until they take corrective measures. Businesses importing waste will also face penalties of up to VND 500mn (USD 21,704) and have their licences revoked for six to 12 months. Polluting factories or enterprises may have their activities suspended.

Laws and regulations aimed at specific sectors of industry and agriculture are also issued on a regular basis by provincial authorities.

Legislative Update

There have been no recent changes in legislation.

Projected Legislation

No projected legislation affecting pollution and environmental liability was known of when this report was in preparation.

Statistics

No separate statistics are available for pollution and environmental impairment insurance.

Limits and Scope of Cover

The standard public liability policy excludes all pollution cover but sudden and accidental cover may be added back for an additional premium or frequently at no additional cost. A sub-limit may be applied.

Gradual pollution cover is reported to be bought by the oil and gas industry, for both onshore and offshore operations, downstream and upstream. Limits are thought to be between USD 10mn and USD 20mn. Annual inspections are carried out by reinsurers' engineers.

Rating and Deductibles

Pollution from sudden and unforeseen events is normally added back for no charge or a modest additional premium.

Loss Experience

There have been some high profile cases involving pollution damage but it is reported that thus far few claims have been paid.

Major Insurers

All insurers are prepared to grant sudden and accidental cover through an exclusion buy-back.

PVI is reported to sell gradual pollution cover to Petrovietnam and its subsidiaries with substantial reinsurance support.

Reinsurance

General third party liability risks, including sudden and accidental pollution cover, may be included in the miscellaneous casualty surplus treaty facilities or retained for net account and protected by excess of loss arrangements.

Gradual pollution risks are reinsured in the facultative reinsurance market on a case by case basis.

Distribution

Most requests for pollution cover are handled by brokers, although the oil and gas industry tends to deal directly with its insurers.

Exposure
There is a risk of pollution to rivers and surrounding farmland from industry, particularly the manufacture of chemicals and textiles and dyeing processes. Huge volumes of waste are generated by fish-farming, which is polluting the Mekong Delta and other areas. Oil industry activities are creating a risk of pollution from the spillage or seepage of oil in fishing grounds.

Most international manufacturing concerns with potentially hazardous processes safeguard against spillage and the escape of toxic waste. Many locally owned and managed factories, however, dispose of untreated waste without due regard to the impact on rivers and surrounding areas.

One of the biggest sources of ground and water pollution is human waste that is treated inadequately.

Financial and Professional Risks

Summary and Trends
Most financial and professional risks are limited to financial institutions packages, bankers' blanket bonds and money insurance. In a number of cases, money is included in property all risks packages but it may also be insured on a stand-alone basis. Cover is often purchased for cash in transit and money on premises, in and out of safes. Fidelity cover is also available.

Many of the newer exposures such as e-commerce, cyber risks and intellectual property are not yet required in the market though there have been some cases of contingency insurances such as hole-in-one cover, and a few enquiries have been received for mergers and acquisitions insurance, which is viewed by several companies as a prospective growth area in future.

It is understood that some banks, airlines and financial institutions buy cyber risk coverage and there is growing awareness in the market, especially after Vietnam Airlines suffered an attack in 2016 when it is reported that the personal details of 400,000 were accessed by hackers.

Scope of Cover and Rating
If enquiries are received, cover will normally be arranged on a case by case basis, with conditions and rates supplied by facultative reinsurers.

Fidelity guarantee risks are normally insured as stand-alone cover but may also be included in a property package policy with a sub-limit. Current rates are in the vicinity of 1% to 2% of the limit and the policy is generally subject to a deductible of up to VND 104mn (USD 4,514).

Major Insurers
Cover is generally arranged by direct insurers through the international reinsurance market.

Summary and Trends

Both domestic and export trade credit are written in the market.

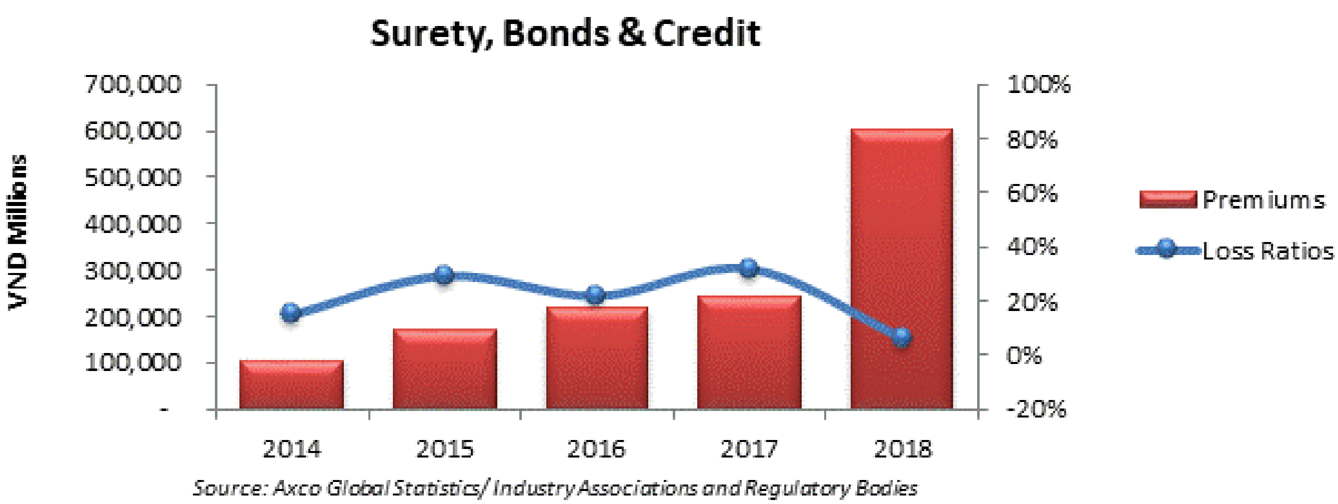
There are a number of local insurers in the market which represent foreign specialist credit insurers, the principal ones being:

- Bao Viet and Atradius
- PVI and Euler Hermes
- Bao Minh, Export-Import Commercial Joint Stock Bank and COFACE.

Major locally licensed foreign companies active in the credit market include AIG, Chubb and QBE.

Statistics

Direct written premiums and loss ratios (direct paid claims to direct written premiums) for the last available five years are shown below.



New statistical information may have been included in the appendices.

The figures for 2018 in the graph above include financial lines business whereas previous years do not. It is thought that this is the main reason for the apparent major growth in the account in 2018.

Construction/Other Bonds

Both insurers and banks write bond business, which is restricted to bid, advance payment, performance and maintenance guarantee bonds for the construction industry: these are described below. Only a very small volume of business is written by insurers, and recent experience is reported to have been poor.

Bid bonds are usually issued for 5% or 10% of the total contract price for a period of three months at a rate ranging between 2% and 5% of the bond amount.

Advance payment bonds can be for amounts up to about VND 42bn (USD 1.82mn) and the rate charged is about 4% to 5%.

Performance bonds typically have limits of up to USD 1mn. The rate is about 2.5% to 3% of the limit.

Maintenance guarantee bonds typically have a limit of about VND 6bn (USD 260,450) and a rate of about 3% to 4%.

A deductible is applicable in all cases, commonly 10% of the loss, with a minimum of USD 10,000. Collateral, usually in the form of a bank guarantee for 75% of the value of the bond, is demanded by insurers. The collateral deposits demanded by banks are higher than those taken by insurers.

There are no automatic reinsurance arrangements: most risks are coinsured or reinsured locally.

Export Credit

Export credit insurance is written in the market by the Vietnam Development Bank and the specialist credit insurers represented locally, which are licensed to write both the commercial and political risk.

The normal export credit insurance offered in the market is issued on a whole turnover basis though some specific account cover and catastrophe cover is available for favoured clients. Both commercial and political risks are covered for up to 90% or 95%, with cover limited to short-term only, normally 90 days maximum.

Domestic Trade Credit

Domestic trade credit is offered for commercial risks. It is taken up mainly by multinationals, on a short-term (less than 120 or 180 days) basis, generally but not always for whole accounts.

Mortgage Indemnity Insurance

No mortgage indemnity insurance is written in Vietnam.

Summary and Trends

The national fleet of seagoing propelled merchant ships of 100 gross tons and above, (excluding inland waterway vessels, fishing vessels, military vessels, yachts, and offshore fixed/mobile platforms and barges) comprised 1,863 vessels in 2018.

There is a specialist energy market for onshore and offshore development risks, and upstream and downstream property and liability risks, controlled by PVI, a subsidiary of the PetroVietnam group and the monopoly holder for all oil and gas business in and out of Vietnam in respect of production, refining and sales.

All marine, aviation and transit (MAT) business, except marine cargo is largely supported by international reinsurance capacity and rates, terms and conditions.

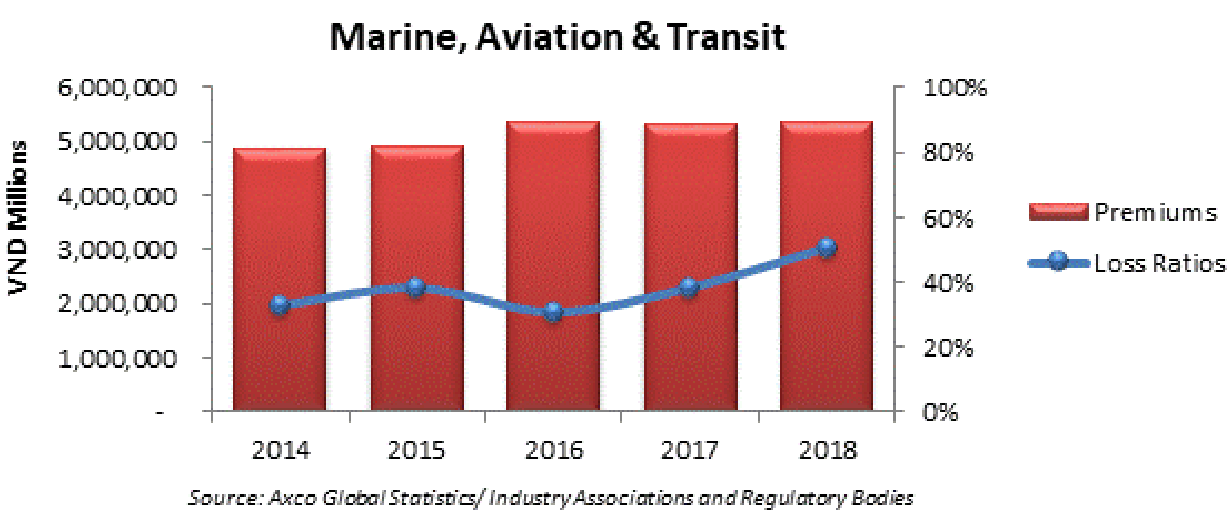
Under *Article 90* of *Decree No 73/2016/ND-CP:*

"Services of reinsurance, international maritime insurance, international aviation insurance, international reinsurance brokerage, consultancy, computation, risk assessment and claims settlement shall be governed by current laws and best practices".

Accordingly none of these services are subject to the non-admitted regulations. According to market sources, there are no restrictions on international marine and aviation cargo business (including inland transits within Vietnam as part of an international voyage), however, cross-border insurance regulations apply to international rail and road cargo.

Statistics

Direct written premiums and loss ratios (direct paid claims to direct written premiums) for the last available five years are shown below.



New statistical information may have been included in the appendices.

Marine Hull

Summary and Trends

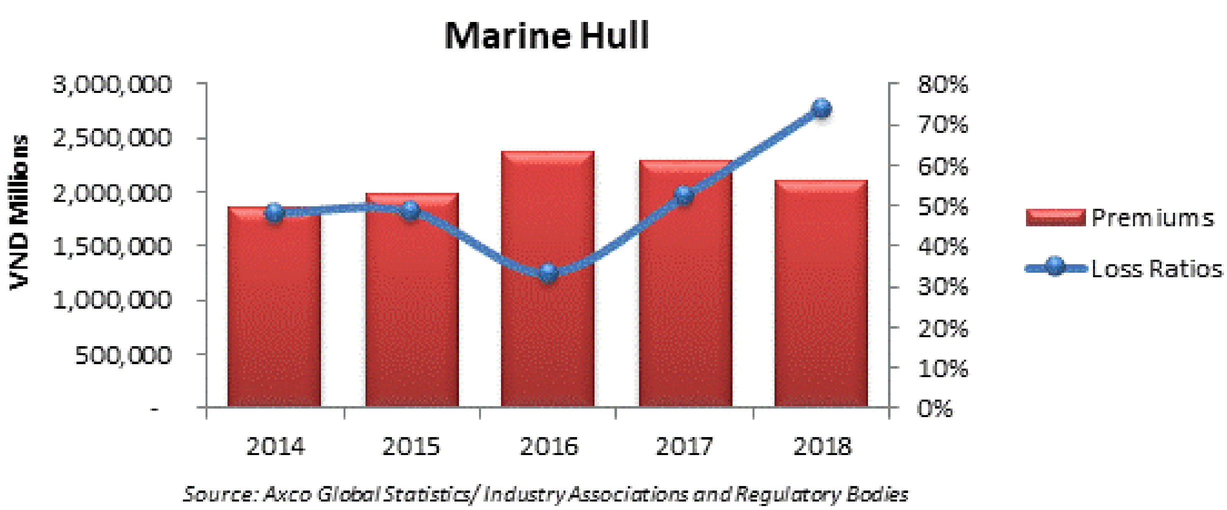
The national fleet of mostly blue water tonnage is (government-owned) Vinalines. Vinalines is regulated, owned and supported by the state and comprises about 70 companies active in shipping, port operations and maritime support.

The brown water fleet comprises coastal steamers, ferries, tugs and barges, floating restaurants and tourist river cruisers, oil-rig servicing vessels and floating cranes. The fishing fleet, composed of both coastal and deep-sea fleets, is based mainly in the south of the country. There are some shipbuilding risks but very few local pleasure craft.

The local insurance market, which has a capacity of about USD 100mn, handles most of the blue water business, all of the brown water and fishing fleet risks and all the pleasure craft. Local market premium rates are reported to be generally lower than international rates.

Statistics

Direct written premiums and loss ratios (direct paid claims to direct written premiums) for the last available five years are shown below.



New statistical information may have been included in the appendices.

The statistics in the table cover marine hull and P&I business.

Marine Hazard

Hazards to shipping include typhoons and tropical storms which can occur from July to November each year, and the lack of pilotage in and around the major ports. The other main hazard is piracy in territorial and international waters in the South China Sea and in the Philippine and Indonesian archipelagos. Commercial vessels have been hijacked at anchor and while underway and then disguised and the cargo diverted to ports in east Asia.

There are no reefs in local waters.

The average age of the ocean-going and coastal-trading merchant fleets is reducing as new vessels replace older ships. Maintenance of the fleets is also said to have improved. The masters and most of the crew of the ocean-going fleets are Vietnamese and the standard of seamanship and crewing is good. There is a maritime training facility, the Vietnam Maritime University, in Haiphong, which was set up by the government in 1956, providing undergraduate and graduate training on navigation, ships' machinery and shipbuilding among other subjects.

Many of the numerous fishing vessels found along the coast and in the river deltas operate without proper navigational equipment. Some coastal vessels are also poorly maintained and operate with inadequate navigational equipment and crews that are not trained.

Marine Risks

The table below shows the number of marine vessels by type for the last available year

Type of marine vessel	2018
General cargo	1,266
Oil tankers	114
Bulk carriers	83
Container ships	38
Others	362
Total	**1,863**

Source: Axco Global Statistics / Industry Associations and Regulatory Bodies

The Vinalines fleet has been undergoing a process of renewal, refurbishment and general upgrading, concentrating on container vessels and specialist tankers. In 2017 Vinaline's fleet was composed of vessels weighing a total of 19,350,447 tons: it forecasts that in 2019 this will be reduced to 8,223,155 tons due to a process of divestment from shipping subsidiaries and downsizing of the existing fleet. Vinalines operates and manages 13 strategic ports.

Petrolimex owns a fleet of ocean-going tankers.

There is a shipbuilding and ship repair industry in Vietnam.

Limits and Scope of Cover

London Institute Hull Time Clauses, ITC Hulls 1983 and ITC Hulls 1995, are used, but for coastal and river vessels local conditions based on these clauses may apply. Fishing vessels are generally insured on local clauses and Norwegian clauses are used for some shipbuilding risks.

It is reported that there are no local packages for the insurance of pleasure craft.

Rating

Rates for the smaller risks such as coastal vessels, barges and ferries are fixed by the local market on the basis of the usual factors (type and age of vessel, management, loss history), and are heavily influenced by competition. Rates and conditions for large vessels, including the ocean-going fleets, are set by reinsurers or fixed locally on the basis of the rates pertaining in the international market though they may be adjusted downwards for commercial reasons.

War risks are placed in local treaties mainly using London market rates.

Loss Experience and Largest Losses

Experience has been relatively poor for the hull and liability market, and results are affected by any singular large loss. Results for fishing vessels are especially poor. There have, however, been no major casualties since the *Vinalines Queen* sank off Luzon (Philippines) in December 2011 while carrying nickel ore from Indonesia to China. The vessel was a total loss amounting to USD 27mn for hull and machinery. Only one of the 23 crew members survived.

Major Insurers

The leading marine hull insurers and their market shares are shown below.

Company	Market share 2018 (%)
PVI	31.28
Bao Viet	25.36
PJICO	14.42
MIC	8.12
Bao Minh	7.66

Source: Axco Global Statistics / Industry Associations and Regulatory Bodies

Reinsurance

Some companies have proportional treaty arrangements (quota share and/or surplus), but the use of excess of loss reinsurance is reported to be growing with a typical single limit of about USD 8mn to USD 10mn. The average net retention for marine business is reported to be about USD 200,000 to USD 300,000.

Local coinsurance or reinsurance is mainly utilised for larger value vessels.

Distribution

A substantial volume is placed directly with the government-linked insurers, given the vessel ownership. Petrolimex has its own in-house insurer (PVI).

Where banks have a financial interest in a vessel, they are known to instruct shipowners where to place the insurance, especially if they have a sister insurer within the group.

Marine Cargo

Summary and Trends

Current reports indicate strong ongoing trends in market competition with premium rate reductions up to 20% in some cases reported in 2018 and 2019.

Under *Article 90* of *Decree No 73/2016/ND-CP:*

"Services of reinsurance, international maritime insurance, international aviation insurance, international reinsurance brokerage, consultancy, computation, risk assessment and claims settlement shall be governed by current laws and best practices".

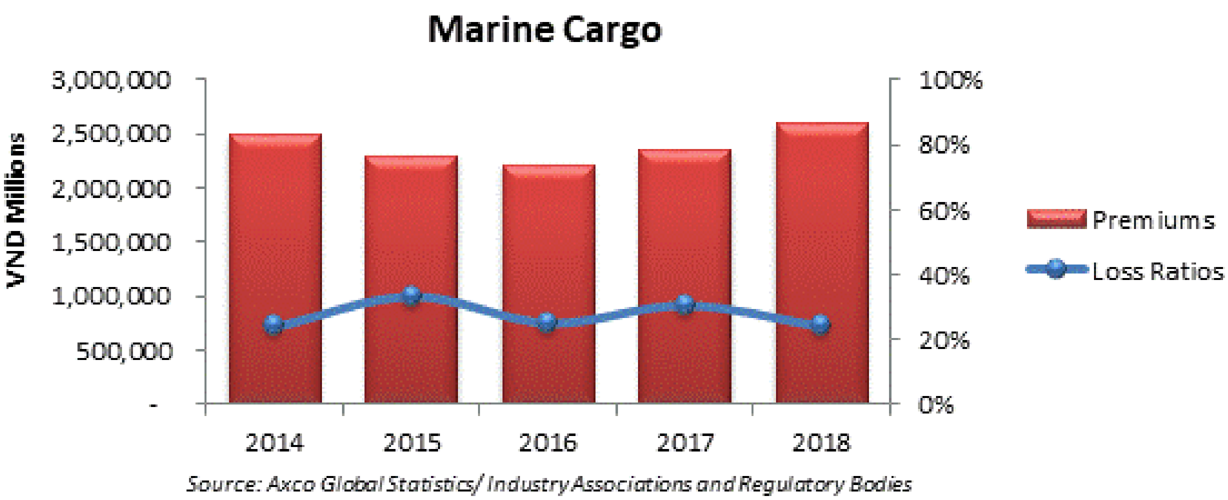
Accordingly none of these services are subject to the non-admitted regulations. According to market sources, there are no restrictions on international marine cargo business (including inland transits within Vietnam as part of an international voyage), however, cross-border insurance regulations apply to international rail and road cargo. Marine cargo exports are frequently transacted on an FOB basis and imports on CIF.

Market capacity and competition for business have both increased in the last five years. Terms of cover are widening, and stock throughput covers have become popular. Underwriters remain concerned regarding unknown accumulations in storage locations outside Vietnam.

The marine cargo market is reported to include a significant volume of inland transit business, by road and rail.

Statistics

Direct written premiums and loss ratios (direct paid claims to direct written premiums) for the last available five years are shown below.



New statistical information may have been included in the appendices.

Hazard

Vietnam has a reported total of 114 ports, all government-owned and operated. Of these, 14 are considered to be key to the economic development of the country. Privatisation of the maritime sector (including seaports) was commenced by the government in 2014, with the ultimate aim of privatising 432 public companies. The state has also expressed its desire to attract more private sector investment in order to construct new seaports, aware that Vietnam lags behind many of the other ASEAN countries in this respect.

The three largest ports in Vietnam are Saigon port, Haiphong port and Da Nang port. Saigon port is congested. On average it takes 21 days to import freight compared to four days in Singapore.

Delays and accumulation of cargoes are reported to occur as most ports do not yet have the necessary infrastructure to accommodate the increased volume of large vessels.

Containerisation has helped to reduce the incidence of damage from rough handling, at least in the south of the country where most container facilities are located. Although thefts are not a major problem, they do occur, even from containers which may arrive at their destinations presenting unbroken seals. There is also some pilferage on inland transits when whole containers are stolen but this is not common. Target goods for theft are high-value electronic goods, designer clothing and mobile telephones.

The main causes of marine cargo losses are bad weather, especially during the typhoon and tropical storm season between July and November each year, rough handling and delays on seafood and other perishable goods. Some shortage in bulk cargoes also occurs.

Limits and Scope of Cover

The market uses mainly the London Institute Cargo Clauses (ICC) in translation although there is also some use of local market wordings based on the institute clauses. Local clauses are used for inland transits.

Cargo is most commonly insured on ICC A (all risks) clauses 1982 and 2009 except for oil shipments which are covered either on Bulk Oil Clauses or ICC C, and frozen food which is insured under the Institute Frozen Food Clauses. ICC C clauses may also be used for poor quality risks. Cover may be given for unexplained losses from containers when there is no evidence of tampering provided that the containers are accompanied by security guards from warehouse to warehouse.

A local carriers' liability act is in operation but there is no legally imposed local limit of liability and shipments are insured on the basis of declared value with liability accepted in full. In practice, insurers seldom try to effect recoveries as the costs far outweigh any recoveries made. The maximum insured limit of liability for carriers' policies, of which there are few in operation, is about VND 10.4bn (USD 451,446).

Some freight forwarders arrange cover for goods in transit and in their custody and control but the premium is high and the insurance is not common. Insurers are said to avoid both carriers' liability and freight forwarders' liability policies whenever possible.

Advance loss of profits insurance may occasionally be requested by financiers on large projects, for example power stations, and on foreign-invested projects. Terms and conditions of cover, which vary according to each project, the type of cargo involved and the project period, come from the international insurance and reinsurance markets.

Rating

Marine cargo market gross premium income is reported to have increased in 2018 and 2019, but premium rates were reported to have fallen on average in a highly competitive market. Therefore, reported increases in market premium income in 2018 and 2019 are assumed to have been due mainly to increased business volume. Current reports indicate strong ongoing trends in market competition with reductions of up to 20% in some cases reported in 2018 and 2019. Currently rates are reported to be in a range from 0.03% to 0.05%.

Inland transit rates are about 0.02% for large accounts and 0.04% for others.

War risks are normally placed in reinsurance treaties at London market rates.

Loss Experience

Large losses in recent years included the loss of an iron and steel cargo in 2012 carried by the vessel *MV Van Don 02*, estimated to have cost circa USD 4mn. As far as is known there have been no major losses since 2012.

Major Insurers

The leading marine cargo insurers and their market shares are shown below.

Company	Market share 2018 (%)
Samsung Vina	15.17
Bao Viet	14.71
PJICO	11.12
PVI	8.46
Bao Minh	7.45

Source: Axco Global Statistics / Industry Associations and Regulatory Bodies

Reinsurance

Some companies have proportional treaty arrangements (quota share and/or surplus), but the use of excess of loss reinsurance is reported to be growing with a typical single limit of about USD 8mn to USD 10mn. The average net retention for marine business is reported to be about USD 200,000 to USD 300,000.

Distribution

Cargo insurance business is mainly placed direct though some inland transits, government contracts and small shipments may be placed through agents. A small amount of business is placed through banks in support of their letters of credit.

Brokers control many international account requirements, whether or not part of a global programme, and would arrange local certificates where necessary via a local insurer.

Marine Liability

Summary and Trends

The marine liability market is small. About 12 or 13 local insurers write the business, effectively fronting for P&I clubs but QBE writes P&I on a fixed premium basis.

The major risks such as port and terminal operators' liability are placed locally and substantially reinsured in the international market. A small volume of carriers' and freight forwarders' liability is also written in the market, but these are not considered desirable risks.

Decree No 73/2016/ND-CP provides that the maximum permitted percentage of reinsurance is 90% of the local insurer's liability if the reinsurer is designated by the insured. The stipulation regarding the maximum permitted percentage of reinsurance was intended to end the practice of fronting in the market related to cases where a major insured entity or multinational company directs reinsurance of between 90% and 100% to its preferred reinsurance market(s), including captives.

Local Market

There are few pleasure craft in the market and the liability covers consist only of some port and terminal operators' liability, carriers' and freight forwarders' liability and some P&I cover for tourist river cruisers operating on the Mekong river.

The policies for ports are covered in the general liability departments of companies.

Compulsory Covers

Decree No 125/2005/ND-CP (dated July 2005) provided for a compulsory regime of civil liability insurance of those who deal with the transport of passengers or flammable or explosive cargoes by inland waterway. This decree authorises the regulator to promulgate regulations on insurance conditions, insurance premiums and minimum limits of indemnity in respect of its provisions related to civil liability. Inland waterways are defined as rivers, streams, docks, canals and lagoons as well as bays, coastal areas and islands within the territorial waters of Vietnam. Insurance certificates and policy wordings in respect of coverage provided for in the decree are as specified by the regulator. The decree provides in its appendices for a long list of statutory damages for death, blindness, untreatable psychosis and injuries giving rise to permanent disability, up to a maximum of VND 30mn (USD 1,302) per victim. The indemnity limits in respect of accidents caused by flammable or explosive cargoes vary by tonnage and use classification.

Vietnam has ratified the *International Convention on Civil Liability for Oil Pollution Damage 1969*, renewed in 1992 (amended in 2000) and referred to as the CLC Convention. There is an associated mandatory requirement to maintain "insurance or other financial guarantee" in respect of oil pollution. The treaty requires owners of ships carrying more than 2,000 tonnes of oil in cargo to maintain "insurance or other financial security" sufficient to cover the maximum liability for one oil spill. Further details can be found in the separate Axco report on International Agreements.

Pollution

Pollution is reported to be generally included in P&I covers up to a limit of about USD 1mn.

P&I

P&I is generally written separately from the hull insurance. The clubs most active in Vietnam are reported to be West of England, the London Steamship Owners, Steamship Mutual and GARD.

Some P&I business for deep-water fishing fleets and some coastal vessels is insured in the local market and retained for net account. QBE offers a P&I cover on a fixed premium basis to a maximum of USD 30mn.

Limits of Liability

The larger ports and terminals have liability cover ranging from USD 5mn to USD 10mn; smaller operations insure for about USD 2mn.

Cover for ocean-going vessels follows the limits of the 1974 convention in accordance with the gross tonnage of the vessel; brown water vessels generally carry insurance for about USD 250,000 to USD 500,000 and the fishing fleet limits range between USD 50,000 and USD 1mn.

Limits for freight forwarders are mostly in the region of USD 200,000.

Major Insurers

The leading P&I insurer in Vietnam is thought to be QBE. The latter does not have a major share of the hull and machinery market.

Energy

Summary and Trends

Vietnam has a large energy sector comprising both upstream and downstream risks. Upstream risks include rigs for oil and gas exploration and recovery and their construction, property and liability insurances and well control; downstream risks include hydro and gas-powered power plants, chemical plants, a refinery, fertiliser plants and the sale and distribution of oil and gas and their derivatives.

The main insurers have specialist energy departments to handle the business, the principal one being PVI, a subsidiary company of the Petrovietnam Oil and Gas Group, enjoying a virtual monopoly. Other local energy insurers include Bao Viet, Chubb, Tokio Marine and PJICO, which accept small amounts as reinsurance.

PVI provides all risks cover including exploration, third party oil and gas risks, drilling platforms, drilling barges, third party liability and property all risks cover for oil and gas lease operators, drilling contractors and gas well service contractors. It also provides cover for energy construction risks.

The terms, conditions and rates are established by reinsurers. The reinsurance in respect of upstream business is ceded principally to Lloyd's while downstream business, comprising pipelines, refineries, and gas and power plants, is placed within Asia, mainly in Singapore and Hong Kong, by facultative reinsurance.

The upstream policy wordings comprise standard London market wordings for platform risks and controlled wells, with different wordings for various stages of exploration and operations. PVI has some automatic capacity in London for offshore risks. Downstream risks are insured under industrial all risks wordings, including business interruption. General third party liability and machinery breakdown are insured separately: general liability is covered under the comprehensive Munich Re policy.

PVI Insurance co-operates with foreign contractors such as BP, Petronas and JVPC (Japan Vietnam Petroleum Corporation) and historically fronted their insurance programmes in Vietnam ceding mainly fronted reinsurance to captives and nominated insurers alike. *Decree No 73/2016/ND-CP,* however, provides that:

- the maximum liability per single risk or loss that a locally licensed insurer may retain is limited to 10% of that company's owner capital
- the maximum permitted percentage of reinsurance is 90% of the local insurer's liability if the reinsurer is designated by the insured.

The stipulation regarding the maximum permitted percentage of reinsurance is intended to end the practice of fronting in the market related to cases where a major insured entity or multinational company directs reinsurance of between 90% and 100% to its preferred reinsurance market(s), including captives.

Aviation

Summary and Trends

The aviation insurance market handles the hull, engine spare parts and third party liability insurances for several civil fleets as well as the local general aviation industry. Business is handled with the support of foreign reinsurers on a facultative basis, mainly from London. No local insurer has any automatic aviation treaty facilities.

Under *Article 90* of *Decree No 73/2016/ND-CP:*

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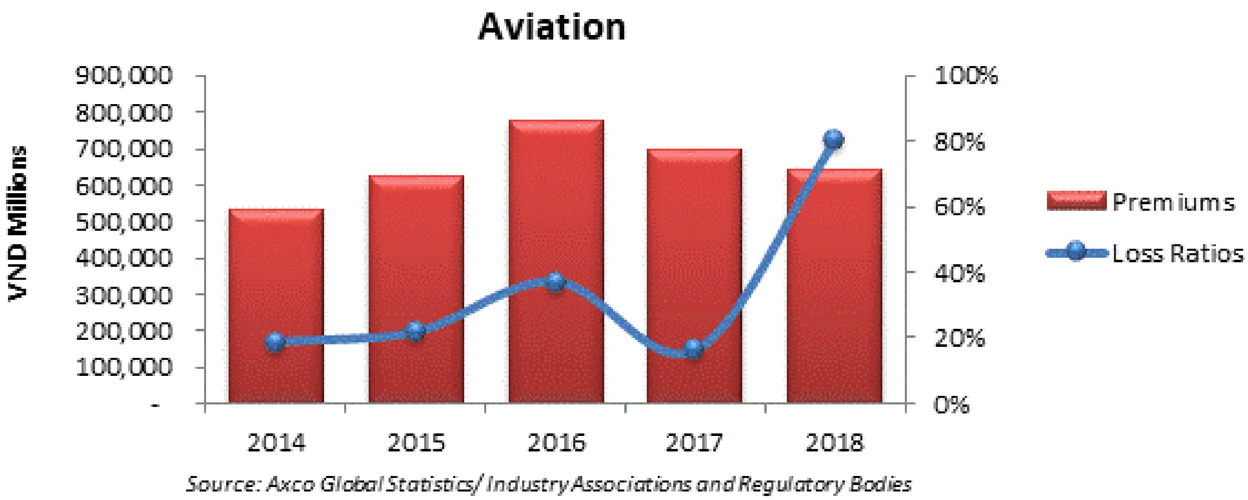
Accordingly none of these services are subject to the non-admitted regulations. According to market sources, there are no restrictions on international aviation cargo business (including inland transits within Vietnam as part of an international voyage).

On 27 September 2018 Vietnam ratified the *Convention for the Unification of Certain Rules for International Carriage by Air, Montreal, 28 May 1999* (MC99) which came into force in Vietnam on 27 November 2018. MC99 updates and modernises the *Warsaw Convention 1929* (WC29) and subsequent *Protocol to Amend the Warsaw Convention of 1929, The Hague, 28 September 1955* (HP55). Vietnam is the 134th party to MC99 and is one of the fastest growing aviation markets in the world. The signing of this convention is likely to further boost aviation activity in the country.

Statistics

Direct written premiums and loss ratios (direct paid claims to direct written premiums) for the last available five years are shown below.



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Airlines

The national carrier is Vietnam Airlines, established as a state enterprise in 1989, which in September 2019 had a modern fleet of 92 aircraft. Vietnam Airlines wholly owns Vietnam Air Services Company (a regional charter airline), 70% of the low cost carrier Jetstar Pacific Airlines and 49% of Cambodia Angkor Air.

Other local carriers include:

- Jetstar Pacific Airlines (Vietnam Airlines own 70% and Quantas 30% - 20 aircraft in 2019)
- VietJet (a joint stock company with 66 aircraft as at August 2019)
- Vietstar was granted a commercial operating licence in July 2019: it plans to operate a fleet of Embraer Legacy 600, Beechcraft King Air B300 and five leased Boeing 737-800s.

General Aviation

The general aviation market mainly comprises Vietnam Air Services Company (VASCO), one charter seaplane company (Hai Au Aviation), one helicopter services company (Vietnam Helicopter Corporation) and a few privately owned light aircraft in the country.

Space

Vietnam's first satellite, Vinasat-1, owned by the Vietnam Post and Telecom Group, was launched in April 2008. The insurance was placed locally with rates and conditions fixed by the London market. Viasat-2 followed in May 2012, and VNREDSAT in May 2013.

Aviation Liabilities

The only compulsory aviation insurances are those set out in the *Warsaw Convention*, incorporated into the *Civil Aviation Law* of 2005, on which the limits purchased are based. Vietnam Airlines is understood to have a third party policy limit of USD 1bn. Its personal accident cover is unlimited.

The civil aviation industry is regulated by the Civil Aviation Administration of Vietnam (CAAV). Vietnam has 11 international civil airports and 12 domestic airports. The three main airports, in Hanoi, Ho Chi Minh City and Da Nang, are understood to have liability cover of about USD 300mn to USD 500mn any one occurrence and in the aggregate, with smaller limits applying to the others in accordance with their size. The cover includes airport and terminal liability plus passengers, cargo, catering and refuelling. Each airport also has a separate policy covering air traffic control for a similar amount.

Risks are rated by the international market but placed locally and substantially reinsured abroad.

Decree No 73/2016/ND-CP provides that:

- the maximum liability per single risk or loss that a locally licensed insurer may retain is limited to 10% of that company's owner capital
- the maximum permitted percentage of reinsurance is 90% of the local insurer's liability if the reinsurer is designated by the insured.

The stipulation regarding the maximum permitted percentage of reinsurance was intended to end the practice of fronting in the market related to cases where a major insured entity or multinational company directs reinsurance of between 90% and 100% to its preferred reinsurance market(s), including captives.

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Loss Experience

There have been no fatal accidents involving Vietnamese carriers in recent years. On 1 March 2011 a Vietnam Airlines Airbus A320 suffered damage when on the ground resulting in a reported claim payment of USD 5.4mn.

Major Insurers

The leading aviation insurers and their market shares are shown below.

Company	Market share 2018 (%)
PVI	40.78
Bao Viet	33.99
MIC	11.48
VNI	7.45
Bao Minh	2.79

Source: Axco Global Statistics / Industry Associations and Regulatory Bodies

Reinsurance

The business tends to be shared around the five local government-linked insurers, either on a coinsurance basis, or facultatively, with net retentions only, as well as possible cessions to VINARE. Surplus capacity over net retentions is bought facultatively from international markets through international brokers, either in London or Singapore.

No local company has any automatic treaty reinsurance capacity.

Distribution

The Vietnam Airlines reinsurance account is understood to be shared between Willis Towers Watson Vietnam and Marsh (previously JLT).

Aon is involved with other aviation business.

Personal Accident

Summary and Trends

The personal accident (PA) portfolio comprises both individual and group policies, and both high value and low value products are offered. The business is written as a stand-alone cover by non-life companies and is included in some other insurance packages, such as the voluntary motor policy in respect of the driver and passengers, the homeowners' policy and the commercial package policy. It is also written by life companies as a rider to life policies.

The market comprises mainly group policies, however, as very little individual business is written. A group is generally defined as 10 or more persons and the cover is taken by families, affinity groups in schools and universities and by employers who use it to supplement state workers' compensation coverage.

Children's and students' personal accident cover is arranged by schools or colleges, which collect premiums from the parents or the students. Schools often act as agents for insurance companies. It is estimated that between 20% and 25% of the personal accident portfolio is made up of such business.

Statistics

Direct written premiums and loss ratios (direct paid claims to direct written premiums) for the last available five years are shown below.

New statistical information may have been included in the appendices.

The regulator does not provide splits of sub-classes in respect of the statistics in this table.

Limits and Scope of Cover

Several types of personal accident cover are offered in the market, including:

- accidents to passengers travelling in motorised vehicles

- 24-hour standard personal accident
- accidents at work
- children's and students' personal accident.

The most popular cover is the 24-hour standard personal accident protection covering death, permanent total and partial disability, and medical expenses, including hospitalisation. Temporary total disability cover is now becoming more readily available as a relatively cheap addition to, rather than total replacement of, employees' compensation (EC) to cover the insured's legal liability to workers for accidents at work. Industrial disease is an optional extra.

Limits tend to be relatively low, typically between USD 5,000 and USD 20,000 for the death benefit but higher limits are available and granted in the market up to USD 100,000 to USD 200,000. As an employee benefit, the capital sum for death and total permanent disablement (normally defined as over 81% disabled as per the continental scale of benefits) is linked to salary, typically 36 times monthly salary. All categories of employee would enjoy the same multiplier, whether expatriate management, middle management, local staff or manual labour.

Some but by no means all companies apply accumulation limits any one loss and any one year of insurance in group covers.

Rating and Deductibles

Most companies still rate in accordance with occupation, although a few do not and it is becoming more common to disregard occupation in order to obtain business. There are normally four classifications of occupation:

- Class I - professional or administrative duties
- Class II - non-manual occupations with some exposure to risk or with a lot of travel involved
- Class III - manual occupations where the risk of injury is heavy
- Class IV - dangerous occupations or works involving special hazards or exposures.

Rates for groups are calculated on an individual basis, and a discount of up to 50% applied according to the number of persons insured. Sex and age are not rating factors.

Loss Experience

Loss ratios cannot be accurately determined from official statistics because of the content of health business in the figures.

Major Insurers

The leading personal accident and health insurers and their market shares are shown below.

Company	Market share 2018 (%)
Bao Viet	25.64
VASS	17.46
PTI	9.24
PVI	7.79
Bao Minh	7.40

Source: Axco Global Statistics / Industry Associations and Regulatory Bodies

VASS Assurance Corporation was founded in 2003 and specialises in personal accident and health business, including dedicated products sold through banks.

Reinsurance

Most companies accept the business for net retention, placing facultative reinsurance when it is required and also catastrophe excess of loss coverage for unknown accumulations. A few include the class on their miscellaneous accident treaties.

Some facultative reinsurance is understood to be placed for high limit policies.

Distribution

Children's and students' personal accident cover is sold through schools acting as agents for insurers. Agents and branches of the larger insurers sell personal accident cover to industrial and commercial clients.

Brokers also handle group personal accident insurance on behalf of their corporate clients.

Creditor Insurance

No creditor insurance is written in the market.

Travel

Summary and Trends

The travel insurance market is reported to be comparatively small but growing. Recent growth has been driven by the demand from EU states for evidence of travel insurance giving at least EUR 30,000 (USD 33,300) medical cover as a precondition for visa issue.

Statistics

No statistics are available for travel insurance.

Limits and Scope of Cover

Cover provided by most companies is either available online, or at least details provided in a downloadable brochure for completion and submission. The extent of cover has broadened and very much mirrors what is available elsewhere in more developed markets in the region. As an example, condensed details are shown below of a typical plan offered by an international insurer which specialises in personal lines, including health and motor.

There are generally three levels of cover and price - classic, executive and premier - each either individual or family (maximum two adults plus unlimited related children up to age 17).

There are three rating areas - ASEAN countries, Asia Pacific and worldwide.

There are six classifications of cover, all with separate sub-limits, totalling 30 items of cover, as follows:

- personal accident - usual death and permanent total disability (PTD) continental scale: limit for PA and PTD - VND 12bn (USD 520,899)
- medical expenses, plus incidental costs: limit VND 1.6bn (USD 69,453)
- medical evacuation/repatriation of mortal remains expenses: no limit
- public liability: limit VND 1.5bn (USD 65,112)
- cancellation, disruption, delay, overbooking, 24-hour assistance
- money, passports, baggage/personal effects, car rental excess, fire cover for home contents while away.

Optional extras include hijack benefit, automatic extension of trip due to delay, and disruption/withdrawal of hotel services following riot or strike at destination hotel.

Rating and Deductibles

Policies are rated according to the geographical area being visited, the length of the trip and the type of plan selected.

No deductibles are specified, only that "reasonable and customary charges will apply to any benefit payment".

Loss Experience

Results are reported to have been good, and insurers indicate that there have been no significant accumulation losses. Claims tend to be small, usually for medical expenses. There are no separate statistics available purely for travel business.

Major Insurers

Most of the foreign insurers and the large domestic companies write the cover on a package basis, in some shape or form, with varying descriptions of cover and pricing.

Reinsurance

Reinsurance is the same as for personal accident business.

Distribution

The class is distributed extensively through travel agents, and increasingly via the internet. Most sites are, however, non-transactional, and direct customers still need to deal with a company on a personal basis.

Given the low premiums, and thus commission, intermediaries tend to avoid this class.