INSURANCE MARKET REPORT

# VIETNAM: LIFE & BENEFITS



LIFE & BENEFITS

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

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**Update April 2020**

It has been reported that state-owned Vietcombank has entered into a 15-year distribution agreement with Hong Kong based FWD Group. The latter agreed simultaneously to purchase Vietcombank-Cardif Life Insurance (VCLI), a life insurance joint venture between Vietcombank and BNP Paribas Cardif. VCLI will be integrated into FWD's existing life insurance business in Vietnam.

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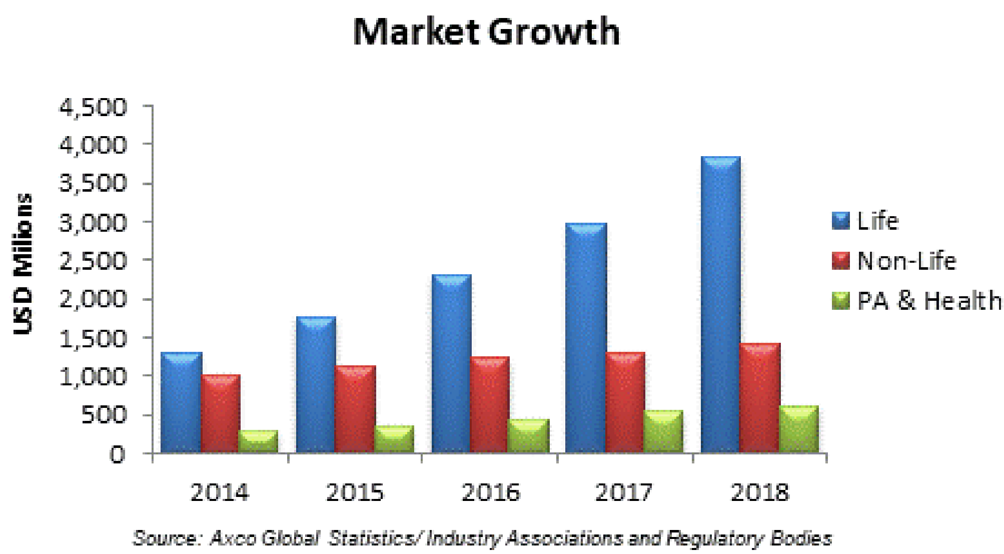
- The Prime Minister issued *Decision No 242/QD-TTg* of 28 February 2019 approving an insurance business restructuring plan up to 2025, based on proposals by the Ministry of Finance (MOF). Insurance market supervision is to be based upon a change from a compliance- based model to a risk-based model by 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* supplementing a number of articles of *Law on Insurance Business No 24/2000/QH-10* was approved by the National Assembly and due to come into force 1 November 2019: this law addresses insurance auxiliary services for the first time, mandating the compulsory purchase of professional indemnity insurance for specified insurance auxiliary service professions appropriate to the type of service, but without specifying coverage limits.
- *Circular No 01/2019/TT-BTC*, amending *Circular No 50/2017/TT-BTC*, was published 2 January 2019, effective 16 February; among other things it revised the calculation of the maximum technical interest rate used in life insurance reserving. Due to the recent low rates in Vietnam, insurers have had to hold higher reserves and, in many cases, make capital injections. The effect of this amendment, increasing the maximum technical interest rate, is the alleviation of the pressure on insurers' balance.
- The ASEAN Trade in Services Agreement (ATISA), which will replace the ASEAN Framework Agreement on Services (AFAS), was signed by Association of Southeast Asian Nations (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 only be partially liberalised.
- Prime Minister's *Decision No 25/2019/QD-TTg,* issued 13 August 2019, removed life insurance from the list of essential goods and services subject to the standard contracts and general trading conditions registration requirements prescribed under *Decision No 351* of 2015. Accordingly, life insurers will no longer be required to register their products with the Ministry of Industry and Trade (MOIT), but will continue to have to comply with the insurance market regulator's registration procedures outlined in *Article 39* of *Decree No 73/2016/ND-CP*.

## Market Developments

- Bancassurance appears to have been growing very significantly in popularity of late as a means of distribution: it was reported in 2019 that some banks have annual triple digit growth rates of life insurance sales in 2018 and that in the first half year of 2018 the number of life insurance contracts concluded via bancassurance grew by 89% to reach nearly 857,000 policies.

# 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 23,054.38 : 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); the population is estimated to have reached 96.49 million in 2018.
- Following almost 100 years of colonial rule, Ho Chi Minh, leader of the Vietnam (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 coastal plains. Central Vietnam is divided into a narrow coastal strip, broad plateau and the Annamite Mountain Chain separating 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 2017 actual growth in GDP was 6.81% and is projected to have been 7.08% in 2018, with estimates of 6.5% for 2019 and 6.52% for 2020. The actual rate of inflation was 3.52% in 2017 with a projection of 3.54% for 2018 with estimates of 3.01% and 3.75% for 2019 and 2020 respectively.

# Key Facts

- Total life market gross premium income in 2018, including PA and healthcare written as riders to life contracts (not separated in the statistics), amounted to VND 86.49trn (USD 3.83bn), an increase of 30.61% compared to 2017. Total PA and health market gross premium income written in the non-life market in 2018 was VND 13.94trn (USD 616.56mn), an increase of 13.93% over 2017.
- Membership of the Social Insurance Fund (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; Vietnamese workers working abroad under labour contracts are covered. The self-employed are not mandatorily covered but may participate on a voluntary basis.
- Regulation of the insurance market including (re)insurance companies, agents and brokers is carried out by the Insurance Supervisory and Authority Department (the regulator) of the Ministry of Finance.
- In 2018 the market comprised 29 non-life companies, 18 life insurers and two reinsurance companies. The life market is dominated by foreign insurers: Bao Viet Life Insurance Corporation and Prudential Vietnam Assurance plc were the market leaders in 2018. Health insurance (other than riders to life policies) is treated by the regulator as a separate class of business requiring a specific licence, transacted by non-life insurers.
- All insurers wishing to do business in Vietnam must be licensed by the regulator; 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. Cross-border trading rules do not apply to foreign nationals, who may buy non-admitted insurance and remit funds accordingly.
- Life and health business in Vietnam is sold principally through agents and insurer direct sales teams. Group life business is transacted by brokers either in isolation or within employee benefit packages, although the volume is small being rated at 0.41% of total broker turnover in the market in 2017. Bancassurance appears, however, to have been growing very significantly in popularity of late as a means of distribution; it was reported in 2019 that some banks have annual triple digit growth rates of life insurance sales in 2018 and that in the first half year of 2018 the number of life insurance contracts concluded via bancassurance grew by 89% to reach nearly 857,000 policies.

# 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.

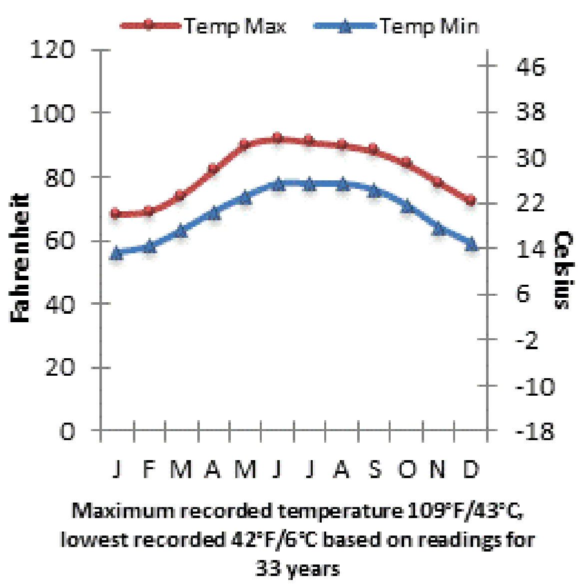
In the south the seasons come later and in Central Vietnam rainfall is heaviest between September and January when the coast is subject to tropical storms.

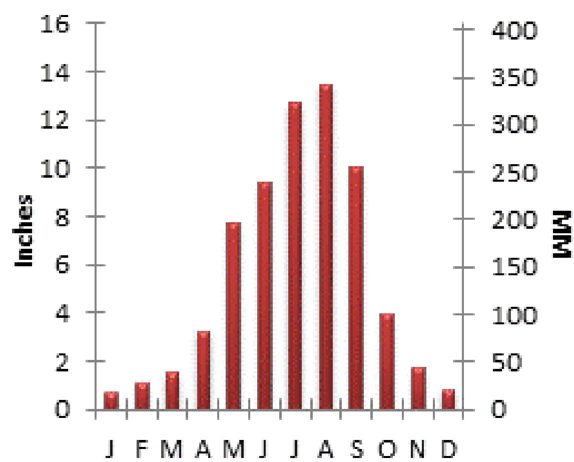
Average annual precipitation in Hanoi is 72 inches (1,830 millimetres) with areas in the Annamite Mountains exceeding 160 inches (4,060 mm). Average temperature ranges in Hanoi are from 63ºF (17ºC) in January to 84ºF (29ºC) in June.

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.

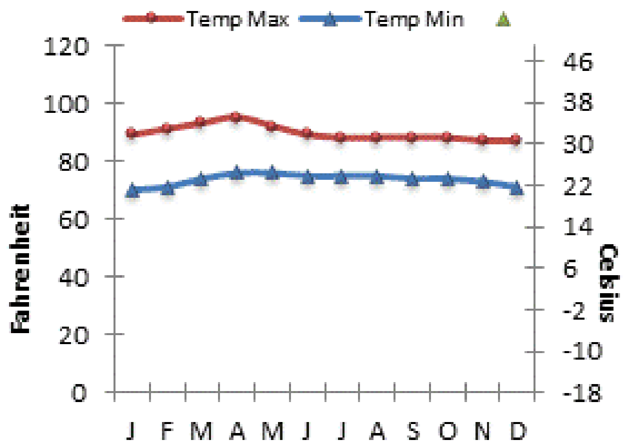
**Hanoi**



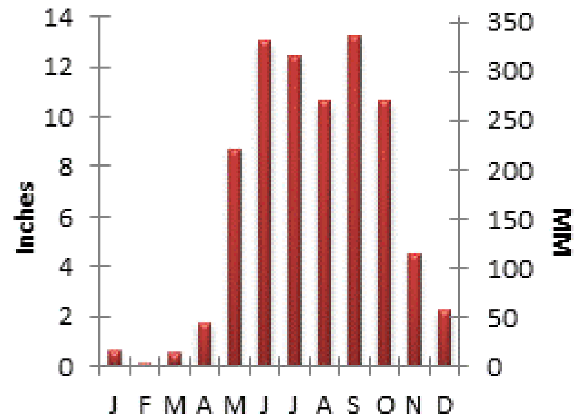




**Ho Chi Minh City**

# 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.

## 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.

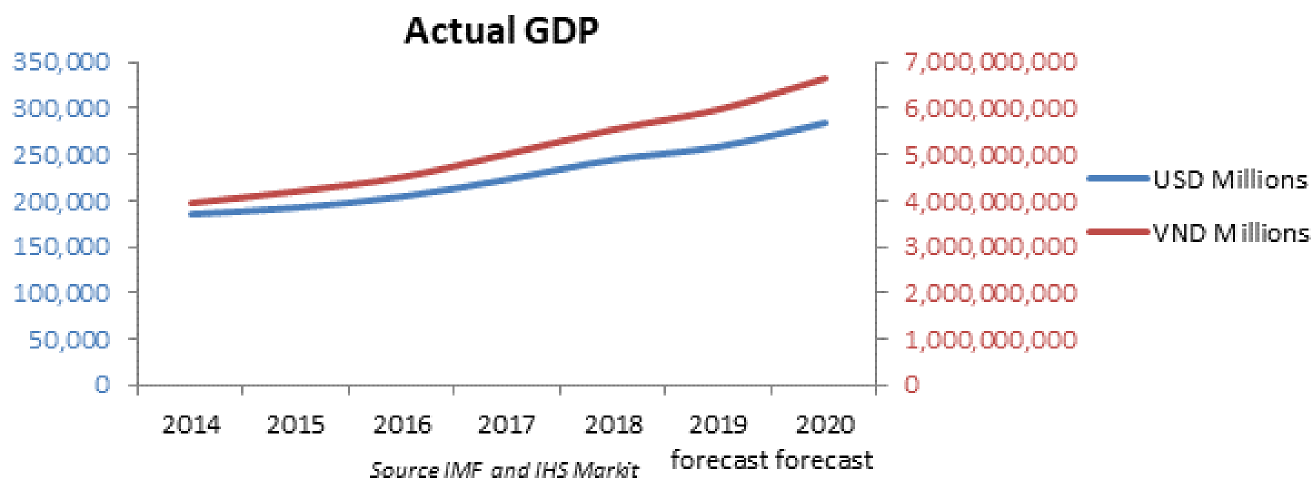
The government has pursued gradual fiscal consolidation in order to prevent a breach of the statutory debt limit of 65% of GDP, largely by cutting recurrent expenditure and public investment and reducing growth in guarantees to SOEs. In 2018, stronger revenues supported a reduction of the deficit to 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.

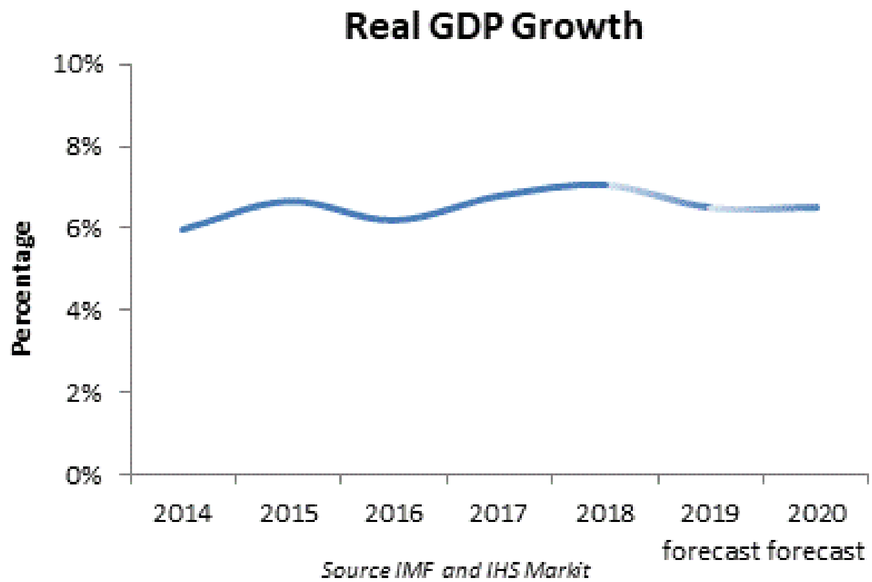
In April 2019, S & P Global Ratings reported that Vietnam's sovereign debt was rated "BB" with a stable outlook.

### 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*

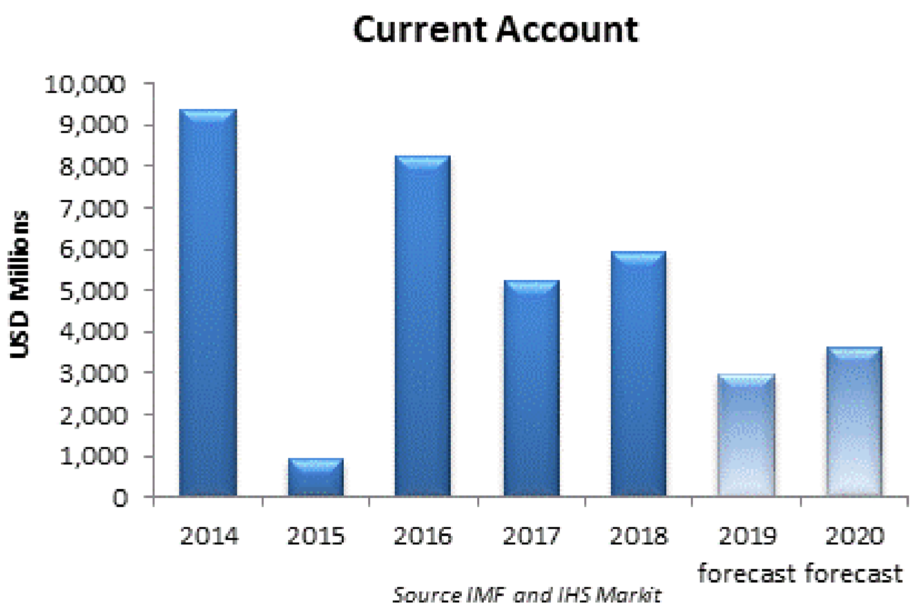
GDP per capita in US dollars (USD) and in comparable economies is shown below.

| 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*

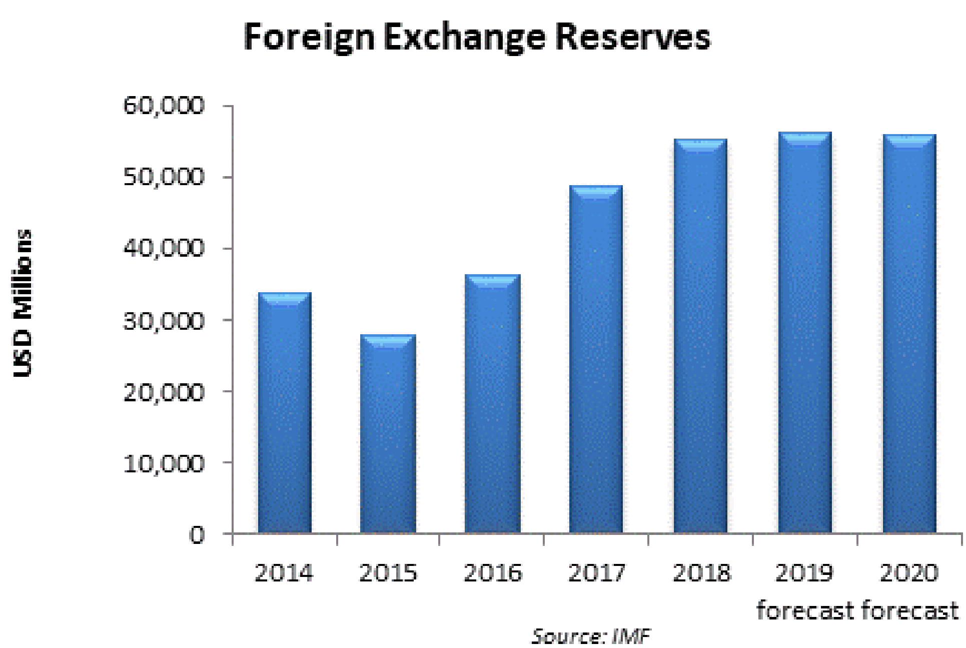
## Current Account Balance

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



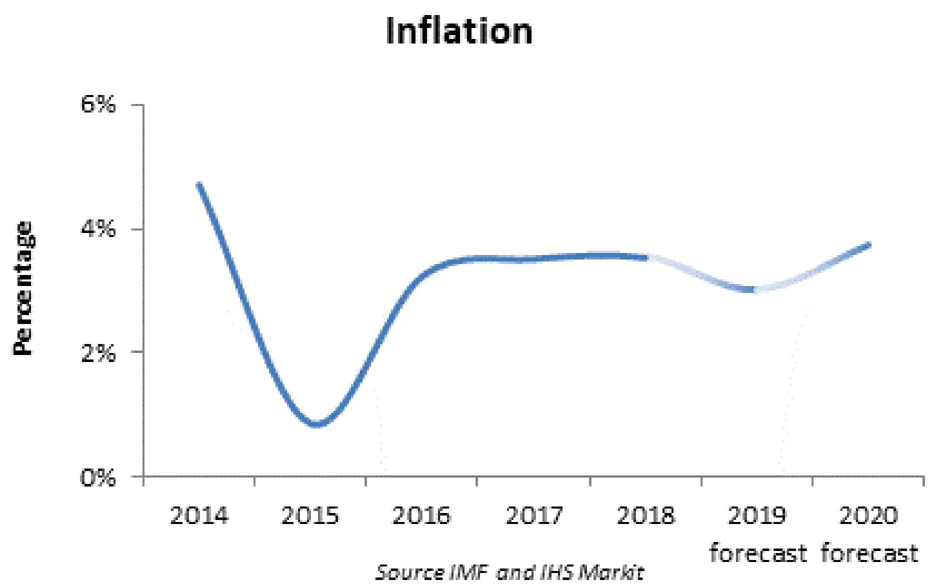

### Foreign Exchange Reserves

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




### Inflation

Annual consumer price inflation is shown below.



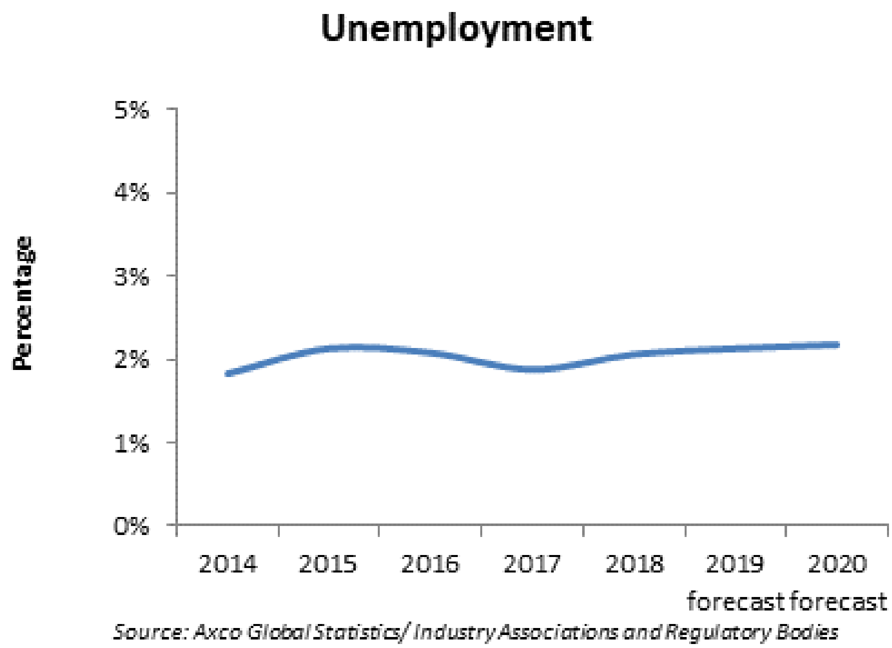

## Interest Rates

| 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.*

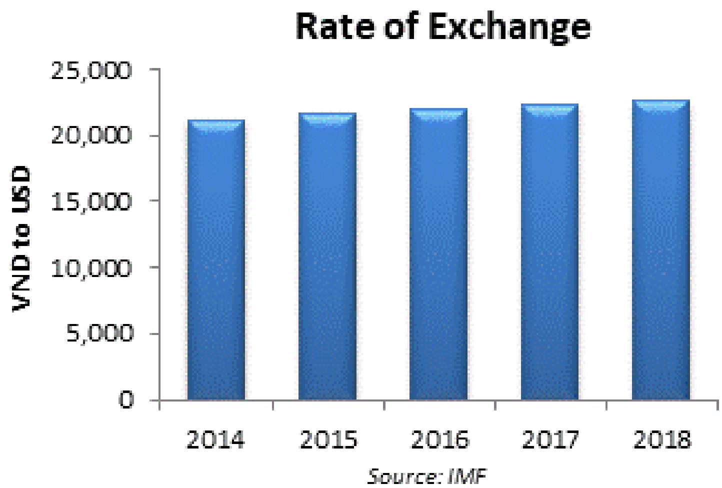
*Source: IMF*

# 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

## Life 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, repealing the 1993 *Decree No 100/CP*, the first insurance law issued after reunification.

*Decree No 73/2016/ND-CP*, effective 1 July 2016, amended *Law on Insurance Business No 24/2000/QH-10* of 9 December 2000, repealing and replacing 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 (MOF). 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 insurance market in order to support the transition to a risk-based supervision (RBS) model. In this context *Law No 42/2019/QH14,* which amended *Law on Insurance Business* was passed in June 2019 and is due to come into force 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 | Amended *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 policyholder protection fund (PPF) 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. |

## Life Insurance - 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. 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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*Circular No 01/2019/TT-BTC*, amending *Circular No 50/2017/TT-BTC*, was published 2 January 2019, effective 16 February. Among other things, it increased the maximum technical interest rate used in life insurance reserving. Due to the low rates in Vietnam, insurers have had to hold higher reserves and, in many cases, make capital injections. The effect of this amendment is the alleviation of the pressure on insurers' balance sheets.

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 MOF. 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 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, 15% between 2021 and 2025
- achieve an average ratio of insurance premium revenue to GDP of 3% by 2020, increasing to 3.5% by 2025
- 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 developed for the entire insurance market in order to support supervision and control risk and fraud.

Since 2015, under *Decision No 351,* life insurers have been required to register their products with the Ministry of Industry and Trade (MOIT). Prime Minister's *Decision No 25/2019/QD-TTg,* issued 13 August 2019, has removed this requirement from 1 October 2019. Insurers will continue to have to comply with product registration procedures outlined under *Decree No 73/2016/ND-CP,* specifying that life and health insurance products are subject to approval by the Insurance Supervisory and Authority Department of MOF before use.

*Law No 42/2019/QH14,* amending *Law on Insurance Business,* was passed in June 2019 and is due to come into force 1 November 2019; this law addresses insurance auxiliary services for the first time, including:

- insurance consultancy services
- insurance risk assessment services
- actuarial services (described as insurance calculation)
- insurance loss assessment services
- 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
- 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.

## Life Insurance - 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 MOF. 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 will simplify administration procedures. It will also convert the Insurance Research and Training Centre of MOF into a new Insurance Development Institute with a remit of professional development, rating, reserving and matters of policy for the Vietnamese insurance sector.

## Social Security Legislation

### Legislative Overview

# Supervision and Control

The main social security law is *Law on Social Insurance, Law No 58/2014/QH13,* repealing *Law on Social Insurance No 71/2006/QH11.* Relatively regular amendments are made to social security laws, generally in order to expand the scope of cover. Benefits are generally modest by Western standards but considered by many to be reasonably adequate for the majority of the local population.

Membership of the Social Insurance Fund (SIF) is mandatory for public and private sector 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.

It was reported in early 2017 that about half of all Vietnamese workers opt for early retirement, placing a significant strain on SIF. Under proposals advanced by the Ministry of Labour Invalids and Social Affairs (MOLISA) the current retirement age (60 or men, 55 for women), will be progressively increased from 1 January 2021 to reach 62 for men, 60 for women.

**Current Legislation**

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

| Legislation | Effective Date | Purpose |
|---|---|---|
| *Law No 10/2012/QH13 (New Labour Law)* | 1 May 2013 | Replaced previous labour law regulations, requiring that employers make a severance payment to terminated employees who had been working for the employer for at least 12 months. |
| *Law on Social Insurance, Law No 58/2014/QH13* | 1 January 2016 (some provisions took effect from 2018) | The principal law on social security, repealing *Law on Social Insurance No 71/2006/QH11,* extending the scope of application of social security to include employees with definite term contracts of one to three months and foreign workers working legally in Vietnam. |
| *Law on Occupational Safety and Health, Law No 84/2015/QH13* | 1 July 2016 | Amended *Law on Social Insurance,* clarifying and broadening the definitions of labour accidents (to specifically include accidents occurring during breaks and rest time at work, accidents occurring outside the workplace or outside working hours when on assignment from the employer, and accidents occurring when travelling between the employee's residence and workplace within a reasonable space of time and on a reasonable route), obliging employers to participate in compulsory social insurance by contributing 1% of payroll to SIF. |

## Social Security - Legislative Update

There has been no recent legislation that might affect social security.

## Social Security - Projected Legislation

Changing demographics are obliging the government to consider recasting retirement ages for men and women. Under proposals advanced by MOLISA the current retirement ages of 60 for men, 55 for women, will be progressively increased from 1 January 2021 to reach 62 for men, 60 for women.

## Pensions Legislation

### Legislative Overview

Social security legislation covers state pension provision. Until 2013 there was no separate legislation related to private pensions. *Circular No 115/2013/TT-BC* introduced a framework for voluntary private pensions, effective 15 October 2013, including:

- operating requirements for pension providers
- minimum standards for pension funds and insurance
- rules relating to the investment of funds.

### Current Legislation

The main legislation governing pensions is in the table below.

| Legislation | Effective Date | Purpose |
|---|---|---|
| *Circular No 115/2013/TT-BC* | 15 October 2013 | Introduced a framework for voluntary private pensions including operating requirements for pension providers, minimum standards for pension funds and insurance, and rules relating to the investment of funds. |

## Pensions - Legislative Update

There have been no recent changes in legislation.

## Pensions - Projected Legislation

No projected legislation affecting pensions was known of when this report was in preparation.

## Healthcare Legislation

### Legislative Overview

# Supervision and Control

A social health insurance (SHI) programme was first established in Vietnam in 1992: over three-quarters of the population now benefit from state SHI; the government aims to increase coverage to 90% by 2020. The prime minster affirmed in 2016 that state health insurance is compulsory, and the right and obligation of all citizens. The *Law on Health Insurance No 25/2008/QH12* is the primary legislation governing state health insurance.

The Ministry of Health (MOH) is responsible for the provision of state healthcare.

The main law governing private medical insurance (PMI) is *Law on Insurance Business No 24/2000/QH-10* of 9 December 2000: its implementing regulations are contained in *Decree No 73/2016/ND-CP.*

**Current Legislation**

The main legislation and related items governing healthcare 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, including PMI. |
| *Law on Health Insurance No 25/2008/QH12* | 1 July 2009 | The primary legislation governing state health insurance. |
| *Decree No 73/2016/ND-CP* | 1 July 2016 | Amended *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 for the financial management regulations for insurance enterprises, foreign branches and insurance broker enterprises, and restated the regulations regarding the PPF originally established by *Law No 61/2010/QH12* of 24 November 2010. |

| Legislation | Effective Date | Purpose |
| --- | --- | --- |
| *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. |

## Healthcare - Legislative Update

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 MOF. 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 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, 15% between 2021 and 2025
- achieve an average ratio of insurance premium revenue to GDP of 3% by 2020, increasing to 3.5% by 2025
- 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 developed for the entire insurance market in order to support supervision, and control risk and fraud.

## Healthcare - Projected Legislation

The Prime Minister issued *Decision No 242/QD-TTg* of 28 February 2019 approving an insurance business restructuring plan up to 2025, based on proposals by MOF. 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 will simplify administration procedures. It will also convert the Insurance Research and Training Centre of MOF into a new Insurance Development Institute with a remit of professional development, rating, reserving and matters of policy for the Vietnamese insurance sector.

## Legislative Process

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

There is increasing consultation between 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.

### Compulsory Insurances

There are no compulsory life or PMI.

Social insurances provided by the state are reported on separately in the Social Security and Healthcare sections of this report.

### Statutory Tariffs

There are no statutory tariffs for life or PMI.

## Supervision

### Life Insurance Supervisory Authority

The Insurance Supervisory and Authority (ISA) Department (the regulator) of Ministry of Finance (MOF) supervises the insurance market, including (re)insurance companies, agents and brokers; loss adjusters are not regulated.

*Decision No 1313/QD-BTC* of MOF of 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 MOF 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 whilst the General Director of ISA is Phung Ngoc Khanh.

MOF is responsible for the supervision of all "banks, non-bank financial institutions and financial services" including the life and health insurance industries; it considers all new insurance and insurance-related licensing applications.

There is no levy to finance insurance regulatory activities (financed by the state).

### Pensions Supervisory Authority

The Social Insurance Agency (SIA) administers pension benefits, provided for in the *Law on Social Insurance, Law No 58/2014/QH13*.

The regulator is responsible for supervision of the private pension regime.

### Healthcare Insurance Supervisory Authority

The Ministry of Health provides general supervision of the state healthcare system. Contributions and benefits (and entitlement) are managed by the Social Insurance Agency (SIA).

Supervision of the PMI market is the responsibility of the regulator.

PMI is written by non-life companies: life insurers may (subject to a specific licence) carry out PA and health insurance business which is incidental to their life insurance operations.

### Statutory Returns

The fiscal year runs from 1 January to 31 December: 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 in 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 *a*ssessment 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.

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

*Circular No 50/2017/TT-BTC*, effective 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; however, annual audited financial statements must now be published on the company's website and in newspapers in three consecutive issues along with the opinion of the auditor.

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
- to present a solvency restoration plan.

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

- increase of owner 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 will 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 permitted to pay the contribution in two equal instalments at 30 June and 31 December of the contribution year. Contributions shall be made to PPF until such time as it is equal to 5% of total assets of non-life insurers, branches of foreign companies and health insurers, 3% of the total assets of all licensed life insurance companies.

*Circular No 50/2017/TT-BTC,* effective 1 July 2017, sets out regulations under *Decree No 73/2016/ND-CP,* providing 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 MOF 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 or 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 the 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 but this does not happen very frequently. 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, although 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, *Law No 55/2010/QH12* of 17 June 2010, effective 1 January 2011, 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 consumer association (Vietnam Standards and Consumers Association - VINASTAS), but no ombudsman, although consideration has been given to setting up such a service. *Law No 59/2010/QH12* on the protection of consumer interests was passed on 17 November 2010, including 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 consumer 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. The provisions on cross-border services do not apply to life or health business, however.

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Non-admitted life and health insurance is not permitted in Vietnam as the law provides that insurance must be purchased from locally authorised insurers.

**Legislation**

The legal provisions setting out the requirement for insurers to be authorised are contained in *Article 3, Paragraph 1* of *Decree No 73/2016/ND-CP,* effective 1 July 2016, specifying that "Organizations and individuals aspiring to conduct business in insurance, reinsurance and insurance brokerage in Vietnam must possess a licence for establishment and operation (Referred to as the License) 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". As per *Article 90.4* of *Decree No 73/2016/ND-CP* the provisions on cross-border trading do not apply to life or health business.

The legal provisions setting out the requirement for risks to be insured with locally authorised companies are contained in *Article 3, Paragraph 2* of *Decree No 73/2016/ND-CP,* specifying that "Organizations and individuals desiring to purchase insurance shall choose insurance enterprises in 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 *Section 2* and *Section 3* of this Decree".

**Freedom to provide services FOS) under General Agreement on Trade in Services (GATS)**

As a member of the World Trade Organization (WTO), Vietnam is a signatory to GATS, forming part of the trade liberalisation arena of the WTO. Current regulations provide for the limited placement of non-admitted insurance applying to foreign-owned enterprises with more than a 49% shareholding as well as to foreign individuals. The provisions on cross-border services do not apply to life or health business, however.

**ASEAN Trade in Services Agreement (ATISA)**

Vietnam is a member of the Association of Southeast 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 and enhancing the participation in global value chains.

ATISA, which will replace ASEAN Framework Agreement on Services (AFAS), was signed by ASEAN member states (including Vietnam) in April 2019, providing 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

The legal provisions setting out the requirements for risks to be insured with locally authorised companies can be found under subheading Summary within this section of the report.

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.

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

**Local Risk Definition**

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

**Exchange Controls**

Currency exchange control is not an issue for non-admitted placements as the relevant legislation (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 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 the insurances are placed.

**Insurer Responsibilities**

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

**Premium Taxes**

There are no premium taxes applicable to life and health insurance.

## Buyers

Buyers are not permitted to purchase life or health insurance from non-admitted providers. As per *Article 90.4* of *Decree No 73/2016/ND-CP* provisions on cross-border trading do not apply to life or health business.

## Intermediaries

Intermediaries have to be authorised to transact 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, specifying that "Organizations and individuals desiring to purchase insurance shall choose insurance enterprises in 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 Section 2 and Section 3 of this Decree". As per *Article 90.4* of *Decree No 73/2016/ND-CP* the provisions on cross-border trading do not apply to life or health business.

## Market Practice

Insurers, brokers and foreign-invested commercial enterprises have complied in the past with the non-admitted regulations.

*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
- reduce the volume of foreign currency transfers
- improve the speed of settlement of local claims involving reinsurance.

Most senior expatriates are said to purchase life and health insurance overseas on a non-admitted basis, frequently as part of their contract conditions, although some buy life insurance locally.

Local private healthcare providers do not generally refuse to treat non-admitted policyholders (but may require cash payment for services in respect of which the policyholder may obtain subsequent reimbursement). Some private health facilities have specific arrangements with international health insurance providers, in which event (subject to the terms of specific arrangements) a health insurance card may be acceptable.

### 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.

## Company Registration and Operating Requirements

### Establishing A Local Company

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

*Decree No 73/2016/ND-CP* deals with 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
- foreign insurance broker enterprises
- funds for the protection of insureds.

It may be noted that locally licensed non-life insurers and branches of foreign companies can be authorised to transact health business.

*Decree No 73/2016/ND-CP* sets out in great detail the documentary submission requirements 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 MOF application form
- the draft charter of the company as per *Article 25* of *Law No 60/2005/QH-11*, the *Law on Enterprises*
- 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.

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 86.75mn).

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 whilst 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 24 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 (including health) companies.

The establishment of representative offices is also permitted although their activities are limited to acting as a liaison office with no powers to underwrite or issue insurance contracts locally.

The licensing requirements for foreign insurers are similar to those for local insurers, although 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

Health insurance was recognised by the regulator as a separate class of insurance business in 2010.

As per *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 PA and health insurance business 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.

According to *Article 7* of the *Law on Insurance Business No 24/2000/QH-10* of 9 December 2000, life insurance is deemed to include:

- whole life
- pure endowment
- term
- endowment
- annuity
- such other classes of life as may be prescribed by the government.

### Capital Requirements

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

1. the provision of non-life insurance and health insurance except under points 2 and 3 below - VND 300bn (USD 13.01mn)
2. the provision of non-life and health insurance and provision of either aviation or satellite insurance - VND 350bn (USD 15.18mn)
3. the provision of non-life and health insurance and provision of aviation and satellite insurance - VND 400bn (USD 17.35mn)

4. the provision of health insurance only - VND 300bn (USD 13.01mn)
5. 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. branches of foreign non-life insurance companies in respect of the provision of non-life and health insurance, and provision of either aviation or satellite insurance - VND 250bn (USD 10.84mn)
7. branches of foreign non-life insurance companies in respect of the provision of non-life and health insurance, and provision of aviation and satellite insurance - VND 300bn (USD 13.01mn)
8. reinsurance companies in respect of the provision of both non-life and health reinsurance - VND 400bn (USD 17.35mn)
9. reinsurance companies in respect of the provision of life reinsurance or both life and health reinsurance - VND 700bn (USD 30.36mn)
10. reinsurance companies in respect of the provision of life reinsurance, non-life reinsurance and health reinsurance (composite) - VND 1.1trn (USD 47.71mn).

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, inclusive of health insurance written as a non-life class of business:

- 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.

Where health business is written by a life (re)insurer the calculation of solvency is on a combined life and health basis.

Life and health (as a life class of business) minimum solvency margins are:

- in respect of unit-linked contracts 1.5% of technical reserves plus 0.3% of sums insured
- for universal life insurance 4% of the operational reserve plus 0.3% of the insured amount at risk
- in respect of other life and health insurance contracts with a term of less than five years 4% of technical reserves plus 0.1% of risk sums insured

- in respect of other life and health insurance contracts with a term of more than five years 4% of technical reserves plus 0.3% of risk sums insured.

*Circular No 50/2017/TT-BTC,* effective1 July 2017, sets out regulations under *Decree No 73/2016/ND-CP*. *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 is likely to bring about changes to the solvency margin regulatory regime.

## Reserve Requirements

Reserve requirements are set out in *Articles 53* to *58* of *Decree No 73/2016/ND-CP,* stating 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.

*Circular No 01/2019/TT-BTC*, amending *Circular No 50/2017/TT-BTC*, was published 2 January 2019, effective 16 February. Among other things it revised the calculation of the maximum technical interest rate used in life insurance reserving. Due to the recent low rates in Vietnam, insurers have had to hold higher reserves and, in many cases, make capital injections. The effect of this amendment, increasing the maximum technical interest rate, is the alleviation of the pressure on insurer balance sheets.

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 is likely to bring about changes to the reserving regulatory regime.

**Life insurance**

Life insurers are required to establish reserves for each insurance contract according to liabilities incurred. Reserves must be actuarially certified and should include:

- mathematical
- unearned premium (UPR)+
- outstanding loss
- profit-sharing
- interest rate commitment
- equalisation.

*Circular No 50/2017/TT-BTC*, effective 1 July 2017, sets out regulations under *Decree No 73/2016/ND-CP*. *Article 18* of the circular relates to the setting of technical reserves for 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.

**Health insurance**

Prescribed health insurance technical reserves applying to insurers, branches of foreign companies and reinsurers transacting health business are:

- mathematical
- UPR
- outstanding loss
- equalisation.

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

*Circular No 50/2017/TT-BTC,* effective 1 July 2017, sets out regulations under *Decree No 73/2016/ND-CP.* Reserving for health insurance is dealt with under *Article 19* of the circular.

## Investment Regulations

The principles and rules for investment by (re)insurers 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 :

- owner equity
- idle funds from technical reserves
- 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* (*Law on Enterprises*) except depositing money in shareholders (members) which are credit institutions.

Insurers may not make investments exceeding 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 5% of total technical reserves and must be deposited in credit institutions operating in Vietnam.

*Article 62.1* of *Decree No 73/2016/ND-CP* lists the following as permitted investment categories in respect of the idle fund from technical reserves for life and health insurers:

- 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 50% of idle funds in purchasing stocks, corporate bonds, fund certificates or investing in other enterprises
- a maximum of 20% of idle funds on the purchase of real estate in accordance with *Law No 66/2014/QH13* (*Law on Real Estate Trading*)
- a maximum of 20% of idle funds on the purchase of holdings in other enterprises.

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

## Policy Terms and Conditions

In relation to life and health insurance *Article 39* of *Decree No 73/2016/ND-CP* provides that local insurers and foreign branches are under an obligation to file with the regulator policy wordings, terms and conditions, and premium rate schedules, as well as formulae, methods and explanations, of pricing, and reserving. Submissions of material to the regulator in respect of life and health insurance products must also include brochures, sales material and forms that purchasers must complete and sign; there are no timescales awaiting regulator decisions. Prime Minister's *Decision No 25/2019/QD-TTg,* issued 13 August 2019, removed life insurance from the list of essential goods and services subject to the standard contracts and general trading conditions registration requirements prescribed under *Decision No 351* of 2015. Accordingly, life insurers will no longer be required to register their products with the MOIT, but will continue to have to comply with the insurance market regulator's registration procedures outlined in *Article 39* of *Decree No 73/2016/ND-CP*.

Policies are written mainly in the Vietnamese language and issued in VND; all life insurance policies must be written in VND.

A number of common exclusions are found in the policy wordings used by most companies, such as:

- suicide
- deliberate or intentionally caused death or self-injury
- the insured being sentenced to death
- HIV/Aids.

In accordance with the terms of *Section V*, *Article 4.4* of *Circular No 155/2007/TT-BTC*, surrender values are available under policies subject to regular premium payments after they have been in force for two years and two years' premiums have been paid, unless otherwise agreed in the policy. The surrender value of a universal life policy will be determined as the value of the contract in the life fund on the day of cancellation less the cancellation fee. For a unit-linked contract the basis is the purchase price of a unit on the next valuation day immediately after the date of cancellation, less the cancellation fee.

*Circular No 50/2017/TT-BTC,* effective 1 July 2017, sets out regulations under *Decree No 73/2016/ND-CP.* The circular contains requirements for the proposal and issuance of a life policy as well as for the insurer to specify in the policy at the outset the time when a surrender value will be available. *Circular No 50/2017/TT-BTC* replaced *Circular No 194/2014/TT-BTC.*

Legislation provides that from February 2015 specific guidelines apply to the payment of non-life and health premiums plus that non-life and health insurers may only agree to customers owing premiums if they have secured assets or there is a guarantee in existence for the payment of premiums.

The policyholder may take a loan against the policy as soon as it acquires a surrender value. The loan is limited in size to 80% of the surrender value (including accumulated dividends), repayable with interest calculated at a rate determined by the company from time to time. Policy loans are subject to a minimum specified by the company, usually in the range of VND 2mn (USD 86.75) to VND 3mn (USD 130.13).

Premium payments may be made annually, semi-annually, quarterly and monthly, premium loadings applying to all except annual payments. A number of companies concentrate on annual premiums, with less than 10% of premiums payable monthly, while others freely accept monthly premium payments. The banking system is underdeveloped: there are as yet no facilities such as direct debits and standing orders. Only about 69% of the population is currently reported to have a current bank account.

It is understood that there is a statutory cooling-off period of about three weeks during which the insured may change his or her mind and cancel the insurance. Legislation issued in 2010 established a three-day cooling-off period for policies sold on a door-to-door basis.

## Legal System

### Introduction

The *Civil Code 2005* was introduced in 2006, replacing the *Civil Code 1996.* The 2005 code, along with statute, now forms the basis of Vietnam's legal system: it retained six of the seven parts of the original code, amending 314 of the 838 articles. The code covers civil, commercial, business and labour relations including the rights to intellectual property and technology transfer, personal rights and the right to take legal action.

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

The court system has three levels:

- district courts
- provincial courts
- 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, acting as a court of appeal for cases referred from the district courts plus 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 to a five-year term by the National Assembly. Below the central office are local offices of supervision and control, ensuring observance of the law by local government bodies and all citizens.

Jurisdiction in a civil case may rest where the defendant is located or where the dispute arises; in certain instances a plaintiff may select the court in which to commence a civil case. If a party to a dispute is a foreigner the dispute will be heard by a provincial court.

Pre-hearing conciliation is compulsory in civil proceedings and 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, with most cases going through the system in six to 12 months, sometimes less.

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 grass roots mediation groups.

*Article 163* of *Civil Code 2005* provides that the statute of limitations shall be the time limit specified by law. To the extent that subordinate legislation refers to 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 the *Law on Insurance Business No 24/2000/QH10* (*Article 31*) applies to legal proceedings involving insurance contracts.

## Alternative Dispute Resolution

Insurers are required to supply policyholders with clear procedures to be followed in the event of a dispute about the insurance. A dissatisfied policyholder should first try to resolve the problem directly with the insurance company. If that fails, he or she may refer the matter to the regulator but this does not happen very frequently. If the regulator intervenes, its decision will usually be accepted by the 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.

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

A commercial arbitration law, *Law No 55/2010/QH12* of 17 June 2010, effective 1 January 2011, designed to facilitate the use of arbitration as a rapid and more effective means of dispute settlement using the seven arbitration centres throughout the country.

There is a consumer association (VINASTAS) but no ombudsman, although consideration is being given to setting up such an office. On 17 November 2010 *Law No 59/2010/QH12* on the protection of consumer interests was passed. Market sources report that it is still rare for parties suffering a loss to approach the consumer association for advice and assistance.

### Court Cases

There have been no court cases relevant to life or health insurance in recent years.

## Insurance Premium or Policy Taxes and Charges

Life and private medical insurance (PMI) policies are exempt from all policy taxes and charges.

Insurers do not pay towards funding the services of the regulatory authority.

In respect of the policyholder protection fund (PPF), companies are charged no more than 0.3% of net retained premium income, until such time as the fund reaches 5% of non-life insurer total assets, 3% for life insurers.

## Legislative Update

There have been no recent changes.

## Withholding Taxes on Premiums Paid Overseas

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

## Corporation Tax

In accordance with the *Corporate Income Tax Law No 14/2018/QH12*, EIT (corporation tax) is chargeable on (re)insurance company 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 (MOF) 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*, effective 1 July 2017, replaced *Circular No 125/2012/TT-BTC*: it contains definitions of revenue and expenditure of insurance business for (re)insurers, branches and brokers.

By *Decree No 65/2013/ND-CP* corporate tax incentives were established for voluntary pension funds. In this respect, employer contributions up to VND 1mn (USD 43.38) per employee per month are deductible from corporate income tax. Pension benefits from employer contributions are, however, subject to personal income tax plus an initial 10% withholding tax when received at normal retirement age (60 for men, 55 for women).

Market sources state that reserves are treated as deductible.

## Personal Taxation

Personal income tax applies to:

- Vietnamese citizens living in Vietnam or working overseas if they are in receipt of income in Vietnam (non-resident people are taxed only on income derived in Vietnam)
- other individuals residing indefinitely in Vietnam
- foreigners working in Vietnam and in receipt of income, taxed on their worldwide earnings.

Taxable income comprises both regular and irregular income: there are different scales of rates for each. Regular income includes salary and allowances, director fees, consultancy fees and brokering commission. Irregular income includes lottery and promotions winnings, and income from the transfer of technology. Since the introduction of the new personal income tax law Vietnamese and foreigners have been taxed at the same rates; there are different scales for residents and non-residents.

Fringe benefits are taxable with the exception of training fees, school fees paid to Vietnamese schools in respect of expatriate children and annual leave air fares. Employer-provided accommodation is taxed on the lower of the actual rental paid and 15% of gross earnings.

The following table shows the latest personal tax rates:

| Taxable income band (VND mn) | Tax rate (%) |
|---|---|
| 0 to 60 | 5 |
| Above 60 to 120 | 10 |
| Above 120 to 216 | 15 |
| Above 216 to 384 | 20 |
| Above 384 to 624 | 25 |
| Above 624 to 960 | 30 |
| Above 960 | 35 |

*Source: Axco Global Statistics / Industry Associations and Regulatory Bodies*

Different rates are applied to irregular income.

Tax deductible items include contributions to the obligatory social, health and unemployment insurance schemes, donations to some charities, a personal allowance of VND 9mn (USD 390.38) per month and a dependant's allowance of VND 3.6mn (USD 156.15) per month. The dependant's allowance is not automatic: application must be made for it.

*Circular No 78/2011/TT-BTC* of the MOF, dated 8 June 2011, clarified that medical expenses incurred by an employee as a result of a serious illness to themselves or to parents, spouses or children, paid by domestic and foreign companies or other organisations in Vietnam, do not constitute taxable income for the employee. There is a cap on the tax free payment equal to the amount of the hospital fees less any amount paid in respect of the fees under a PMI policy.

By *Decree No 65/2013/ND-CP* personal tax incentives and regulations were established for voluntary pension funds. By *Circular No 115/2013/TT-BTC* current income tax regulations relating to voluntary pensions are:

- employee contributions up to VND 12mn (USD 520.51) per year are tax deductible
- pension benefits from employer contributions subject to income tax and an initial 10% withholding tax when received at normal retirement age (60 for men, 55 for women)
- benefits from employee contributions, funeral coverage, death and total permanent disability (TPD) are exempt from income tax.

## 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 with a capital of VND 40bn (USD 3.65mn). |
| | Bao Minh was established, bringing to an end the monopoly of Bao Viet. |
| 1996 | The Ministry of Finance (MOF) signed an order converting Bao Viet into the Vietnam Insurance Corporation, licensed as a composite insurer. |
| | Bao Viet and Tokio Marine & Nichido Fire established Vietnam International Assurance Co, the first joint venture involving a foreign insurer. |
| 2000 | *Law of Insurance Business No 24/2000/QH-10* was approved at the eighth session of the 10th legislature, effective 1 April 2001. |
| 2001 | Groupama became the first 100% owned foreign 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 (WTO). Steps were taken to open up the market to foreign players. |
| | HSBC took a stake in the Bao Viet holding company, including its life operation. |
| 2011 | PVI Reinsurance Corporation was established as the second domestic reinsurer in the market. |
| 2012 | HSBC sold its 18% stake in Bao Viet's life and non-life operations to Sumitomo Life Insurance Co. |
| | PVI Group started a joint venture life company with Sun Life of Canada. |
| 2013 | New rules governing private pensions and related tax incentives were introduced. |
| 2016 | *Decree No 73/2016/ND-CP,* effective 1 July 2016, amended *Law on Insurance Business No 24/2000/QH-10* of 9 December 2000, repealing and replacing four of its implementing decrees. |
| 2017 | *Circular No 50/2017/TT-BTC,* effective 1 July, contained numerous implementing regulations under *Decree No 73/2016/ND-CP*. |

## The Market Today

### Summary and Trends - Life Insurance

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 2017 actual growth in GDP was 6.81% and is projected to have been 7.08% in 2018, with estimates of 6.5% for 2019 and 6.52% for 2020. The actual rate of inflation was 3.52% in 2017 with a projection of 3.54% for 2018 with estimates of 3.01% and 3.75% for 2019 and 2020 respectively.

The Prime Minister issued *Decision No 242/QD-TTg,* approving an insurance business restructuring plan up to 2025, based on proposals by the MOF. 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 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, 15% between 2021 and 2025
- achieve an average ratio of insurance premium revenue to GDP of 3% by 2020, increasing to 3.5% by 2025
- 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 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 MOF 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.

Growth in the life insurance market continues be very dynamic, significantly outpacing growth rates in non-life insurance. In 2017 and 2018 respectively gross premium income in the life insurance market grew by 31.14% and 30.61%.

The product mix of the life insurance market premium is mainly made up of savings business, that is, endowment and universal life.

An approximate 2018 breakdown by sub-class of in force life business broken down by percentage of the total all subclasses sums insured is:

- term life - 2%
- endowment - 11%
- whole life - less than 1%
- universal life - 49%
- annuities - less than 1%
- unit-linked - 2%
- pensions - less than 1%
- health insurance riders - less than 1%
- group life - less than 1%
- PA riders - 36%.

The market share table under subheading Market Size indicates the gross premium split of the main sub-classes of life business in 2017.

New business sums insured in 2018 show a similar pattern with universal life accounting for 49% of the total. It will be observed that whole life, annuities, pensions and group life business accounted for very small percentages of total in force sums insured.

Both foreign and domestic companies purchase group life cover as an employee benefit, sold mainly through brokers; the highest demand is from foreign companies.

It is reported in the market that universal life predominates over unit-linked insurance principally because agents still consider unit-linked to be a complex product, preferring to sell endowment and universal life products which are easier to explain to the customer. In any event it is estimated that individual life business is still sourced mainly through agents with the balance emanating from bancassurance and direct acquisition.

Bancassurance appears to have been growing very significantly in popularity of late as a means of life insurance distribution. It was reported in 2019 that some banks have annual triple digit growth rates of life insurance sales in 2018 and that in the first half year of 2018 the number of life insurance contracts concluded via bancassurance grew by 89% to reach nearly 857,000 policies. These statistics, whilst showing dramatic growth in bancassurance penetration, should be considered against a background of comparatively low life insurance premiums per head in Vietnam and a generally underdeveloped rate of life insurance penetration in the country. For this reason, market commentators are enthusiastic regarding the future development potential of the life insurance market with Swiss Re estimating the sales potential of the market to be as high as USD 700bn. Reports suggest that a number of bancassurance relationships have recently changed or been expanded and that further changes are in the pipeline (see subheading Bancassurance in this section for further details).

It was reported in October 2019 that changes are taking place in relation to the banking partners of several of the major life insurers in the market. In October 2019 both Prudential Vietnam Assurance plc and Manulife (Vietnam) Ltd announced agreements with new banking partners. Manulife has concluded a new partnership with Asia Commercial Joint Stock Bank (ACB) whilst Prudential announced that it has formed a new bancassurance partnership with Shinhan Bank, increasing the total number of its bancassurance partnerships to seven. It is reported that VietinBank (which in April 2017 became a wholly-owned subsidiary of Aviva and concluded an 18-year exclusive bancassurance agreement with the latter) is likely to be looking for a new insurance partner, in view of the fact that Aviva has announced that it intends to sell its Vietnamese life insurance business. It is also thought that Bank of Investment and Development of Vietnam (BIDV) Bank is considering the sale of its stake in BIDV MetLife which would be likely to lead to a change in the current bancassurance relationship.

All investment funds in respect of life insurance savings products in Vietnam must be placed in local markets.

## Summary and Trends - Pensions

The state-administered social security retirement pension scheme has been estimated to cover only a minority (about 25%) of the working population. The government, although keen to make progress in relation to state pension provision, accepts that poverty issues in Vietnam are likely to continue to hold back genuinely universal provision for a long time to come. Consideration is being given to extension of the official retirement age in order to moderate the financial effects of a fast ageing population. Under proposals advanced by the Ministry of Labour Invalids and Social Affairs (MOLISA) the current retirement ages of 60 for men, 55 for women, will be progressively increased from 1 January 2021 to reach 62 for men, 60 for women.

*Circular No 115/2013/TT-BC* introduced a framework for voluntary private pensions, effective 15 October 2013, including operating requirements for pension providers, minimum standards for pension funds and insurance and rules related to the investment of funds.

*Circular No 115/2013/TT-BTC* provided guidance on the law on personal income tax whilst *Decree No 65/2013/ND-CP* established personal and corporate tax incentives for voluntary pension funds. Reports from the market suggest that tax treatment has been inconsistent and that this is one of the reasons why the development of the pensions market has been disappointing. Pensions business accounted for less than 1% of total in force sums insured in 2018, 0.56% of total life market gross premium income in 2017.

Since 15 October 2013 (when *Circular No 115/2013/TT-PC* came into force) some insurers (including several of the market leaders) have launched voluntary individual and group pension products compliant with the new regulations. Most providers appear to be offering pensions for the minimum 15 years stipulated by *Circular No 115/2013/TT-PC*. It would appear that Prudential is currently the market leader in individual and group pensions business.

Co-operation between insurers offering private pension products, and securities firms and fund managers is already showing signs of development into a more integrated form of overall financial services industry. A number of the leading life insurers (such as Prudential and Manulife) have already established asset and fund management operations capable of integrally handling the technical and consumer demands of a potentially expanding private pensions industry.

## Summary and Trends - Healthcare

Health insurance was recognised by the regulator as a separate class of insurance business in 2010.

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 PA and health insurance business incidental to its life insurance operations.

The private insurance market health account is classified in the regulator's statistics as a separate class of non-life business. In 2017 and 2018 respectively, year-on-year growth was 26.72% and 13.93%. Statistics do not reveal the volume of health-related premiums generated from riders to life insurance policies.

Anecdotal evidence suggests very strongly that the significant growth in market health insurance premiums has arisen from dissatisfaction with the quality of the state health system which, although not allegedly defective from the technical medical standards point of view, is said to be slow in providing services and overburdened by bureaucracy. It is reported that many people qualified to access the state healthcare system tend to bypass primary healthcare services entirely due to their known poor quality in favour of direct access to more costly hospital services.

Overall this situation has lent itself to strong development of group health insurance business, increasingly perceived by employers to be a critically important employee benefit. As a result group business is currently estimated to be the source of at least 80% of total health insurance market premium income.

The average rate of medical cost inflation in Vietnam is currently high, estimated by a prominent local insurer to be 20% to 22% in 2018, projected to be in the region of 18% in 2019. This estimate is broadly supported by indications from a major broker's report on 2019 global medical trends, indicating gross medical cost inflation in Vietnam of about 23% and net annual medical cost inflation trends of 18%.

Reports from the market suggest that in order to avoid heavy premium increases to deal with the inflationary cost trends, insurers are increasingly opting to reduce annual per person per year limits in group policies in order to maintain broadly stable premium rates.

## Market Size

Vietnam is currently ranked as the 46th largest insurance market in the world (behind Philippines, ahead of Greece) and the 38th largest life insurance market (behind Philippines, ahead of United Arab Emirates/UAE): it is currently the world's 44th largest PA and health insurance market (behind Finland, ahead of Malaysia).

The total market size in 2018 was broken down as:

| | 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 life premium income in VND with the nominal GDP growth and inflation rates over the last available five years:

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| Premium growth (%) | 17.14 | 40.04 | 31.95 | 31.15 | 30.59 |
| 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.*

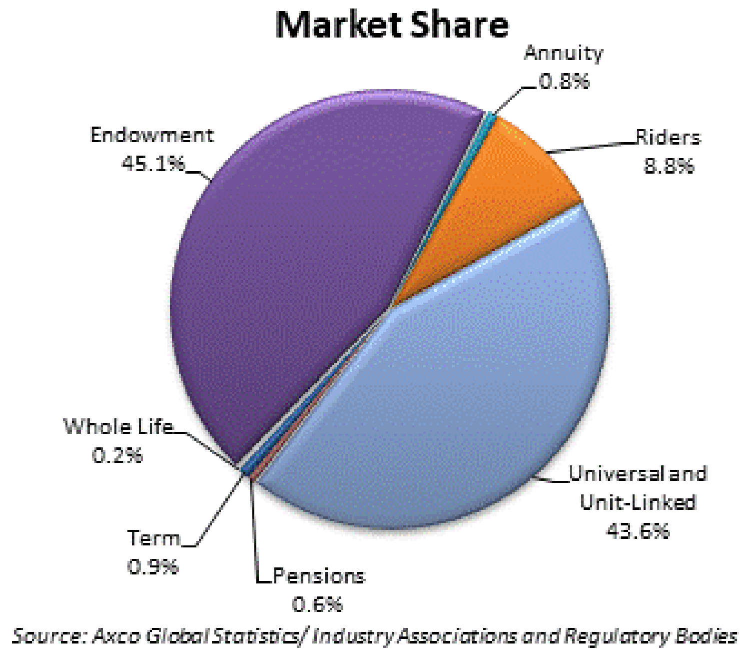
The life market grew at an exceptional pace in from 2015 to 2018. Rapid GDP growth rates has encouraged increasingly large sectors of the population to purchase savings policies (mainly endowment and universal life).

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


*Source: Axco Global Statistics/ Industry Associations and Regulatory Bodies*

*New statistical information may have been included in the appendices.*

The division of the market in 2016 is shown below.




*New statistical information may have been included in the appendices.*

## Sums Assured

The following table shows in force sums assured for the life market over the last available five years, together with growth rates:

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| Sums assured (VND mn) | 605,092,390.00 | 1,078,243,000.00 | 1,168,132,000.00 | 1,606,263,000.00 | 2,177,505,000.00 |
| Growth (%) | 8.57 | 78.19 | 8.34 | 37.51 | 35.56 |

*Source: Axco Global Statistics / Industry Associations and Regulatory Bodies*

## New Premiums Written

New premiums (in VND mn) for the life market over the last five available years are shown below.

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| New premiums written (VND mn) | 7,209,329 | 8,155,000 | 12,175,000 | 17,498,000 | 22,552,000 |

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

## 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 | 2.41 | 266.01 | 1.09 | 120.25 | 0.17 | 18.33 | **3.66** | **404.59** |
| 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.*
*Due to rounding some totals may not equal the breakdown above.*
*Source: Axco Global Statistics / Industry Associations and Regulatory Bodies*

It will be observed that, in spite of healthy growth in recent years in both the life and health insurance markets in Vietnam, the country still lags behind its neighbours in terms of life and health penetration. Whilst this is a negative aspect per se it should be understood that this phenomenon is one reason why many in the world insurance industry regard Vietnam as a market with outstanding life insurance penetration potential in future years.

## Market Participants

### Summary and Trends

As at 31 December 2018 there were 18 life insurers operating in the country, out of which two companies, Prudential and Bao Viet Life Insurance Corporation, had a combined market share of 47.11% in 2018.

There are no 100% locally-owned life insurers. There is one company with majority local shareholding interests (Bao Viet). Otherwise the market is comprised of foreign-owned insurers, most of whom are part of large international or regional insurance or financial services groups, either branches or joint ventures. Companies from Japan, Taiwan, Singapore, UK, France, Canada and the US are represented.

Four insurance companies, including insurance-related holding companies, are listed on the Ho Chi Minh City Stock Exchange (HOSE).

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.

### Privatisation/Deregulation

The life insurance market has experienced greater foreign involvement than the non-life market: there are more 100% foreign-owned insurers in the life market than in the non-life market; foreign insurers generally dominate the life market.

The part-privatisation process was completed by 2007, when the former wholly state-owned companies (Bao Viet, Bao Minh and PVI) were partially privatised.

The following are examples of partnerships between Vietnamese and foreign interests.

- Sumitomo Life (Bao Viet)
- AXA Insurance (Bao Minh)
- MetLife (Joint venture with BIDV).

In January 2017 Sun Life acquired the remaining 25% of the charter capital that it did not already own from PVI and became a wholly foreign-owned company named Sun Life Vietnam Insurance Co Ltd.

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 Life Insurance Companies

The state still retains a share in Bao Viet Life, part-privatised in 2007.

## 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 Insurance Corporation | Bao Viet Insurance Corporation | Bao Viet Fund, Bao Viet Bank, Bao Viet Securities (BVSC), Bao Viet Invest |
| | | BV Tokio Marine (Joint venture) | |
| Bao Minh | n/a | Bao Minh Insurance Corporation | United Insurance Co (UIC), Bao Minh Securities Corporation JSC, Bao Minh Fund Management Co JSC |
| Petrolimex | | Petrolimex Joint Stock Insurance Co (PJICO) | n/a |
| BIDV Bank | BIDV MetLife | BIC Insurance Corporation | n/a |
| Chubb | Chubb Life Insurance Vietnam | Chubb General Insurance Co | n/a |
| Prudential Plc | Prudential Vietnam | n/a | Prudential Vietnam Finance Co Ltd, Eastsprings Investment Fund Management Co |
| Manulife | Manulife (Vietnam) | n/a | Manulife Asset Management (Vietnam) Co Ltd |
| VietinBank | VietinBank Insurance Co | VietinBank Insurance Co | VietinBank Securities JSC, VietinBank Fund Management Co Ltd, VietinBank Debt and Asset Management Co Ltd, Indovina Joint Venture Bank, VietinBank Leasing Co Ltd |

*Source: Market sources*

Brief descriptions of the leading five life insurance companies are outlined below.

### Bao Viet Life Insurance Corporation

Bao Viet Life is part of the Bao Viet Group which also includes BV Tokio Marine, Bao Viet Fund (joint venture), Bao Viet Bank, Bao Viet Securities (BVSC) and Bao Viet Invest. Bao Viet Life Insurance Corporation was established in 1965 and was the sole licensee in the life insurance market until the beginning of 1999 when Manulife acquired a licence. Formerly wholly state-owned, it was part-privatised in 2007, when HSBC Insurance (Asia-Pacific) Holdings acquired a 10% stake in the company (increasing to 18% in 2009). HSBC's shareholding was subsequently acquired in its entirety by Sumitomo Life in 2012.

In 2018 Bao Viet Life was ranked at number one in the local life insurance market with a market share of 24.87%.

**Prudential**

Prudential Vietnam (wholly-owned by Prudential Plc) was granted a licence to undertake life insurance in Vietnam in 1999. In 2018 the company had a life market share of 22.24%, the second largest life company. In addition to its main offices in Ho Chi Minh City and Hanoi it became in 2009 the first foreign company in the insurance market to establish a footprint in all 63 provinces of Vietnam. In 2008 it was also the first company in the market to launch a unit-linked product. Prudential also owns Prudential Vietnam Finance Co Ltd and Eastsprings Investment Fund Management Co. Prudential sells a pension product complying with MOF *Circular No 115/2013/TT-BC.*

**Dai-ichi Life Insurance**

Bao Minh sold its life insurance arm to Dai-ichi Life in 2007. In 2018 Dai-ichi Life was ranked at number three in the life insurance market with a market share of 13.3%. The company reported in 2018 that it had more than 1,300 staff and 92,000 financial consultants. On 3 October 2018 the company gained regulatory approval for its eighth capital increase to nearly VND 7.7bn (USD 340,677).

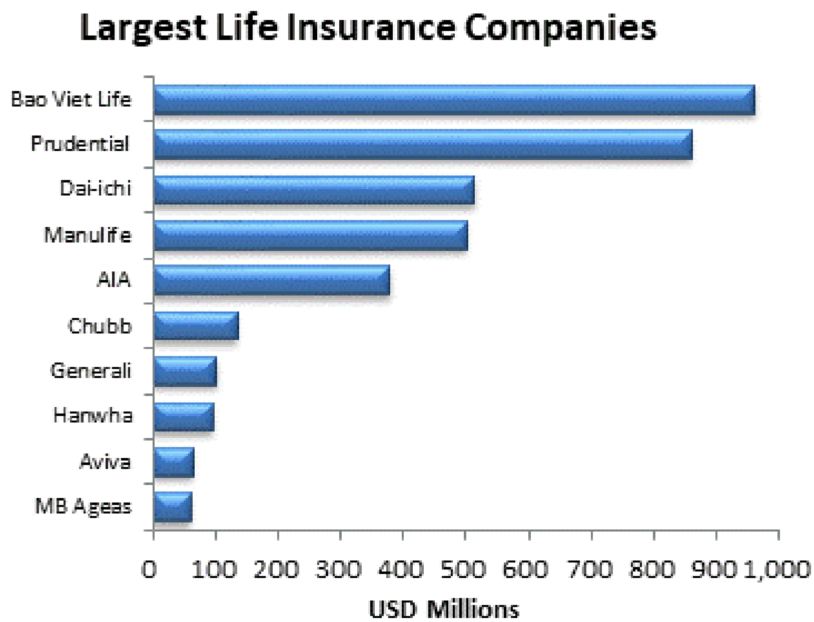
**Manulife (Vietnam) Ltd**

Manulife was the first insurer in Vietnam licensed as a 100% foreign-owned insurance company (in 1999). It is wholly-owned by the Canadian parent company and also owns Manulife Asset Management (Vietnam) Co Ltd. In 2018 Manulife was ranked at number three in the life insurance market, with a market share of 12.96%. The company has been a pioneer of microinsurance in Vietnam and was also one of the first companies in the market to launch corporate and individual pension products in compliance with MOF *Circular No 115/2013/TT-BC*.

**AIA**

AIA was the first US-owned life insurer to obtain an operating licence in Vietnam. In 2018 the company was ranked at number five in the life insurance market with a market share of 9.82%. The company markets a wide range of life insurance, also entering the pensions market as a result of MOF *Circular No 115/2013/TT-BC*.

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



*Source: Axco Global Statistics/ Industry Associations and Regulatory Bodies*

*New statistical information may have been included in the appendices.*

## Market Concentration

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

| Market segment | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| Top 3 companies | 71.71 | 67.51 | 65.57 | 63.13 | 60.40 |
| Top 5 companies | 88.25 | 85.93 | 85.39 | 84.80 | 83.18 |

*Source: Axco Global Statistics / Industry Associations and Regulatory Bodies*

As the number of participants in the life insurance market grew from 11 in 2009 to 15 in 2014, and 18 in 2016, the collective market shares of the top three and five life insurers progressively declined over the five years up to and including 2018.

## Company Changes

==============================================================================

**Update April 2020**

It has been reported that state-owned Vietcombank has entered into a 15-year distribution agreement with Hong Kong based FWD Group. The latter agreed simultaneously to purchase Vietcombank-Cardif Life Insurance (VCLI), a life insurance joint venture between Vietcombank and BNP Paribas Cardif. VCLI will be integrated into FWD's existing life insurance business in Vietnam.

==============================================================================

Aviva has announced that it intends to sell its Vietnamese life insurance business; no further subsequent developments in this respect have yet been announced.

## Total Assets

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

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| Total assets (VND mn) | 96,561,894.00 | 116,023,978.00 | 143,249,497.00 | 181,704,793.00 | 240,779,139.00 |
| Growth (%) | 22.61 | 20.16 | 23.47 | 26.84 | 32.51 |

*Source: Axco Global Statistics / Industry Associations and Regulatory Bodies*

## Investments

The following table shows the invested assets (VND mn) by life companies in different investments for the last available five years:

| Type of investment | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| Government bonds | 54,055,326 | 64,923,453 | 89,394,000 | 110,182,000 | 132,867,000 |
| Deposits | 21,689,819 | 26,562,834 | 23,829,000 | 33,732,000 | 50,910,000 |
| Corporate shares, unsecured corporate bonds | 3,546,667 | 4,402,047 | 5,462,000 | 7,644,000 | 13,222,000 |
| Loans | 5,389,027 | 5,813,644 | 6,596,000 | 6,769,000 | 7,022,000 |
| Secured corporate bonds | 1,960,281 | 823,193 | 955,000 | 1,848,000 | 3,393,000 |
| Investment trusts | 215,194 | 70,194 | 160,000 | 931,000 | 6,000 |
| Capital contribution | 293,861 | 392,286 | 348,000 | 357,000 | 446,000 |
| Real estate | n/a | 43,845 | n/a | n/a | n/a |
| Others | (13,059) | 228,717 | 1,064,000 | 759,000 | 337,000 |
| **Total** | **87,137,116** | **103,260,213** | **127,808,000** | **162,222,000** | **208,202,000** |

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

*Source: Axco Global Statistics / Industry Associations and Regulatory Bodies*

The investment mix of the life market over the five-year period in the table largely reflects the impact of investment regulations, with government bonds and deposits predominating; there is an unusually small amount of equity investment.

## Expense Ratios

No information is published about the life insurance market acquisition and administration costs.

It is clear from anecdotal comment that expense ratios vary in the market and there is no commonly accepted average. Acquisition costs tend to average about 6% to 9% of gross premium income.

## Profitability

No information is published about life market profitability.

## Retentions

The following table shows the retention ratios (net written premiums as a percentage of gross written premiums) for the life market over the last available five years:

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| Retention ratio (%) | 99.22 | 99.11 | 99.04 | 98.96 | 98.55 |

*Source: Axco Global Statistics / Industry Associations and Regulatory Bodies*

The table indicates that very little life business in Vietnam is reinsured. Only mortality risks are reinsured. Market sources indicate that there is some surplus and quota share reinsurance, the former being mainly used for standard lives, the latter for substandard lives. Average life sums insured in the Vietnamese market are low, only requiring reinsurance very occasionally.

## Insurance Associations

The Association of Vietnamese Insurers (AVI) was established under *Decree No 23/1999/QD-BCTCBCP* and inaugurated in December 1999, 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, making 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 policyholder protection fund (PPF).

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 AVI.

## Investment Environment

### Summary and Trends

There have been no recent significant changes in the investment patterns of the life insurance market. The market is governed by strict investment regulations (please refer to subheading Company Registration and Operating Requirements under heading Investment Regulations) which in practice mean that the majority of life insurance company investments are placed in government bonds and deposits. Vietnamese insurers are very restricted in relation to overseas investments. In relation to diversity of investments, however, it can be postulated that in relation to the particular needs of the market, the current situation is adequate.

*Article 62.1* of *Decree No 73/2016/ND-CP* lists the following as permitted investment categories in respect of the idle fund from technical reserves for life and health insurers:

- 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 50% of idle funds in purchasing stocks, corporate bonds, fund certificates or investing in other enterprises
- a maximum of 20% of idle funds on the purchase of real estate in accordance with *Law No 66/2014/QH13,Law on Real Estate Trading*
- a maximum of 20% of idle funds on the purchase of holdings in other enterprises.

Life insurance policies are written only in VND.

At present there are numerous investment funds in the country, an increasing number of which involve foreign capital: all are closed funds, comprising a mixture of equity, bonds and mixed funds. The main fund managers are Dragon Capital and VinaCapital Investment Management; rules for open-ended funds were issued in 2012.

Among insurers the fund market has been led by Prudential and Manulife. In accordance with the provisions of the WTO accession agreement, 100% foreign-owned funds have been allowed to operate from the beginning of 2012.

## Stock Market

The State Securities Commission (SSC) is responsible for capital market development, issue and enforcement of regulations, and licensing of participants. There are currently two stock exchanges in HOSE, established in 1998, and Hanoi Stock Exchange (HNX) established in 2009. Respectively, the two stock exchanges accounted for total capitalisation of USD 132bn (that is, USD 124bn (HOSE) and USD 8bn (HNX) as at January 2019). A plan to merge the two exchanges was abandoned in late 2018 over a dispute as to where the planned single exchange was to be situated, in favour of a strategy according to which the two exchanges will continue to operate independently under the control and ownership of a new company, Vietnam Stock Exchange, which will be situated in Hanoi. As at January 2019 377 companies were listed on HOSE and 376 on HNX.

The following table shows the year-end local stock market index for the latest five years available:

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| Index value | 533.37 | 567.67 | 664.87 | 984.24 | 892.54 |

*Source: Axco Global Statistics / Industry Associations and Regulatory Bodies*

The exposure of the life insurance market to the stock market is reported to be relatively minor (please refer to subheading Market Participants under heading Investments).

## Bonds

The Vietnamese government issues bonds for terms of one, two, three, five, seven, 10, 15, 20 and 25 years, the majority of which are purchased by banks and commercial organisations. Yields currently vary from 2.205% to 4.605%, dependent upon the maturity duration.

All bonds are traded on HNX, but may be traded only through securities companies and commercial banks.

Bonds are typically issued in auctions and generally held to maturity.

Apart from government bonds, municipal bonds have been issued since 2003 by six provinces and cities.

The commercial bond market has been growing rapidly, partially driven by new rules relaxing regulations in respect of private issues. In the first half year of 2019 the growth of issues in this market was reported to be 34%. The main issuers are reported to be banks (approximately 42% of total issues) and real estate companies (approximately 30%). Buyers of privately-issued bonds are required to be obliged to keep such bonds for one year before being able to sell them.

*Decree No 73/2016/ND-CP* contained a regulation that insurers may invest in local authority bonds and fund certificates.

## Interest Rates

Key interest rates are shown below.

| | 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*

### Other Investments

In addition to bank deposits and bonds, life insurers also invest in:

- shares
- real estate
- policy loans
- bank guarantee loans
- investment trusts.

### Direct Investments

Individual investors tend to prefer land, property and gold. Banks are generally distrusted; little is held by individuals on deposit.

According to the latest available information in 2017, there were approximately 47 onshore mutual funds and some 40 offshore funds available to Vietnamese investors. Mutual funds can be of the closed-end or open-end variety; rules for open-ended funds were issued in 2012. Insurers do not generally regard mutual funds as significant competitors. The main fund managers are Dragon Capital and VinaCapital Investment Management.

## Local Reinsurance Market

### Summary and Trends

There are two local reinsurance companies:

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

VINARE was partially privatised in 2006 and 2007 and obtained a stock market listing in 2006. The principal 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. VINARE writes both life and non-life reinsurance business, including private medical insurance (PMI) reinsurance. Life reinsurance represents less than 1% of VINARE's total inwards gross premium income.

PVIRe was established in 2011 and became a joint stock corporation in 2013. The company is majority-owned by PVI Holdings, forming part of the state-owned PetroVietnam group (PetroVietnam has a controlling interest in PVI); PVI does not currently transact life reinsurance business.

Swiss Re is widely reported to be the largest overseas reinsurer active in the life market.

It is believed that no inwards life or PMI reinsurance from outside the country is written by the Vietnamese market.

In view of low average life insurance sums assured, statistics indicate that virtually all local life insurance business is retained.

*Decree No 73/2016/ND-CP*, effective 1 July 2016, contains provisions on reinsurance aiming to:

- improve the average retention level of the local insurance market
- reducing reliance on foreign reinsurers
- improving the speed of settlements of local claims involving reinsurance.

*Circular No 50/2017/TT-BTC,* effective 1 July 2017, sets out regulations under *Decree No 73/2016/ND-CP,* requiring insurer annual reinsurance programmes to be approved by the board of directors (BOD) or director general, listing the factors to be considered while setting up the programme. The circular does not permit discrimination between Vietnamese and foreign reinsurers.

### Local Reinsurance Operating Requirements

*Law on Insurance Business No 24/2000/QH-10* specifies that "….insurance enterprise…." means an enterprise which is "….established, organized and operating in accordance with the provisions of this Law and the other provision of relevant laws in order to conduct insurance business and reinsurance business". Reinsurers are treated in the same way as insurance companies: all provisions established in legislation for insurers also include reinsurers. Further information is available in the Company Registration and Operating Requirements subsection in the Supervision and Control section of this report.

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.

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

- both non-life and health reinsurance - VND 400bn (USD 17.35mn)
- life reinsurance or both life and PMI reinsurance - VND 700bn (USD 30.36mn)
- life reinsurance, non-life reinsurance and PMI reinsurance (composite) - VND 1.10trn (USD 47.71mn).

*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
- 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
- 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.

*Circular No 50/2017/TT-BTC,* effective 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

VINARE was 100% state-owned until 2004: the major shareholder remains the state in the form of SCIC; Swiss Re is the second largest shareholder and a strategic partner.

The state also holds an interest in PVIRe through PetroVietnam.

There are no compulsory cessions to either company.

## Local Reinsurance Companies

There are two local reinsurance companies:

- VINARE

- PVIRe.

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, obtaining a stock market listing in 2006. The major shareholder is the state in the form of SCIC; Swiss Re is the second largest shareholder and a strategic partner. VINARE writes a very small volume of life reinsurance.

PVIRe was established in 2011, becoming a joint stock corporation in 2013. The company is majority-owned by PVI Holdings, forming part of the state-owned PetroVietnam group (PetroVietnam has a controlling interest in PVI); PVIRe does not currently write life reinsurance.

### Company Changes

There have been no recent company changes.

## Local Reinsurance Arrangements

### Summary and Trends

Reinsurance of life reinsurance in the last five years have been minimal; only mortality risks are reinsured. Market sources indicate that there is some surplus and quota share reinsurance, the former being mainly used for standard lives, the latter for substandard lives. Average life sums insured in the Vietnamese market are low, only requiring reinsurance very occasionally.

In addition to providing reinsurance support if necessary, foreign reinsurers also offer rating advice and training facilities to some local insurers. Most of the market leaders, however, are all large international groups using in-house group reinsurance facilities, although market statistics make it clear that such support is rarely required.

*Circular No 50/2017/TT-BTC,* effective 1 July 2017, sets out regulations under *Decree No 73/2016/ND-CP.* The circular requires insurer annual reinsurance programmes to be approved by the BOD or director general, listing the factors to be considered while setting up the programme. The circular does not permit discrimination between Vietnamese and foreign reinsurers.

### 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
- 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.

*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 as well as 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,* effective 1 July 2017, sets out regulations under *Decree No 73/2016/ND-CP,* specifying that the insurer's BOD 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.

Some foreign brokers are involved in the handling of both treaty covers and large risks, although 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 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 Financial Services LLC (S&P)/Fitch Ratings, B++ by A. M. Best Co, Inc, Baa1 by Moody's Corporation or the equivalent in the previous financial year
- when reinsurance is ceded to overseas parent companies or 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 life insurers over the last available five years are shown below.

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| Ceded premiums (VND mn) | 183,000.00 | 253,000.00 | 366,000.00 | 524,000.00 | 958,000.00 |
| % of gross written premiums | 0.78 | 0.93 | 0.96 | 1.04 | 1.45 |

*Source: Axco Global Statistics / Industry Associations and Regulatory Bodies*

## Retentions

The following table shows the retention ratios (net written premiums as a percentage of gross written premiums) for the life market over the last available five years:

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| Retention ratio (%) | 99.22 | 99.11 | 99.04 | 98.96 | 98.55 |

*Source: Axco Global Statistics / Industry Associations and Regulatory Bodies*

The table indicates that very little life business in Vietnam is reinsured.

## Treaty Reinsurance

Only mortality risks are reinsured: market sources indicate that there is some surplus and quota share reinsurance, the former being mainly used for standard lives, the latter for substandard lives. Average life sums insured in the Vietnamese market are low, only requiring reinsurance very occasionally.

No specific information is available regarding commission rates for life treaty reinsurance business: these vary on a case by case basis.

Market sources stated that unearned premium and outstanding claims reserves are not withheld under treaties.

### Facultative Reinsurance

It is likely that life facultative reinsurance is nil or extremely small, given the low sums assured prevailing.

No specific information is available regarding commission rates for life facultative reinsurance business: these vary on a case by case basis.

### Other Types of Reinsurance

At present there is no reported local interest in financial reinsurance or alternative risk transfer (ART), although such (global) arrangements may apply in the case of foreign companies licensed to operate in the market.

*Circular No 50/2017/TT-BTC,* effective 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.

### Distribution

Distribution may be through brokers or direct.

# Distribution Channels

## Summary and Trends

In Vietnam individual life insurance business is sold principally through agents, although bancassurance has also been exhibiting very rapid growth.

The regulator reported that in 2017 there were 321,774 individual life agents and 768 agency firms employing 320,106 life agents, making a grand total of 641,880 life agents.

The number of individual agents increased by 23% in 2017 and the number of agency firms by 50% as compared to 2016.

Life agents are not allowed to sell non-life products and vice versa.

Group life business is transacted by brokers either in isolation or within employee benefit packages, although the volume is small being rated at 0.41% of total broker turnover in the market in 2017.

Bancassurance appears to have been growing very significantly in popularity of late as a means of life insurance distribution. It was reported in 2019 that some banks have annual triple digit growth rates of life insurance sales in 2018 and that in the first half year of 2018 the number of life insurance contracts concluded via bancassurance grew by 89% to reach nearly 857,000 policies. These statistics, whilst showing dramatic growth in bancassurance penetration, should be considered against a background of comparatively low life insurance premiums per head in Vietnam and a generally underdeveloped rate of life insurance penetration in the country. For this reason, market commentators are enthusiastic regarding the future development potential of the life insurance market with Swiss Re estimating the sales potential of the market to be as high as USD 700bn. Reports suggest that a number of bancassurance relationships have recently changed or been expanded and that further changes are in the pipeline (see subheading Bancassurance in this section for further details).

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

| | 2017 | 2018 | 2019 |
|---|---|---|---|
| Broker (%) | 3 | 3 | 3 |
| Agent (%) | 84 | 82 | 81 |
| Bancassurance (%) | 13 | 15 | 16 |

*Source: Market sources*

*Circular No 50/2017/TT-BTC* dealt 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 revise7d maximum commissions payable to insurance agents. *Circular No 50/2017/TT-BTC* replaced *Circular No 194/2014/TT-BTC.*

## Direct Marketing

There are no direct marketing organisations in the market: the lack of infrastructure means that there is little likelihood of their appearance in the foreseeable future; there are no statutory restrictions on direct marketing.

Telesales are not a significant feature of the market.

Insurers may advertise in the press and on billboards, to a lesser extent on television and radio.

*Law No 59/2010/QH12* of 17 November 2010 on the protection of consumer interests and its implementing decree, *Decree No 99/2011/ND-CP*, both require businesses selling goods and services by telemarketing to provide certain information to the consumer such as the contact details of the seller, payment method and delivery costs. Door-to-door sales are also regulated by the decree, establishing a three-day cooling-off period during which the consumer may withdraw from the sale.

*Circular No 50/2017/TT-BTC,* effective 1 July 2017, sets out regulations under *Decree No 73/2016/ND-CP.* The circular contains a proviso that, in respect of life and health insurance business sold directly to the policyholder, the insurer is entitled to reduce the premium by the commission rate that would have been payable had the business been accepted through a licensed intermediary.

## E-Commerce

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

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. In general, however, legislation regulating the e-commerce sector is thought to be lax and incomplete.

The development of e-commerce is further hampered because only about 59% of the population has a personal bank account and only 3% a credit card. 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.

Most insurance companies have websites, used as vehicles for corporate information. Clients may also report claims and access their policy information through the internet. Most insurer websites simply have a form to complete in order to request a contact from the insurance company.

## Bancassurance

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**Update April 2020**

It has been reported that state-owned Vietcombank has entered into a 15-year distribution agreement with Hong Kong based FWD Group. The latter agreed simultaneously to purchase Vietcombank-Cardif Life Insurance (VCLI), a life insurance joint venture between Vietcombank and BNP Paribas Cardif. VCLI will be integrated into FWD's existing life insurance business in Vietnam.

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Bancassurance appears to have been growing very significantly in popularity of late as a means of life insurance distribution. It was reported in 2019 that some banks have annual triple digit growth rates of life insurance sales in 2018 and that in the first half year of 2018 the number of life insurance contracts concluded via bancassurance grew by 89% to reach nearly 857,000 policies. These statistics, whilst showing dramatic growth in bancassurance penetration, should be considered against a background of comparatively low life insurance premiums per head in Vietnam and a generally underdeveloped rate of life insurance penetration in the country. For this reason, market commentators are enthusiastic regarding the future development potential of the life insurance market with Swiss Re estimating the sales potential of the market to be as high as USD 700bn. Reports suggest that a number of bancassurance relationships have recently changed or been expanded and that further changes are in the pipeline (see subheading Bancassurance in this section for further details).

Market sources state that typical products sold are mainly life savings.

*Joint Circular 86/2014/TTLT-BTC-NHNNVN* issued by the regulator and State Bank of Vietnam came into effect 1 September 2014, specifically to regulate agency activities provided by banks and credit institutions to life insurers.

There are no legal restrictions on the cross-ownership of banks and insurers: several banks have shareholdings in insurance companies. Also, there are no restrictions on banks conducting insurance business or linking credit with insurance. Just a few examples of current links between banks and insurers are:

- Bao Viet Life Insurance and Bao Viet Bank
- Vietcombank and Petrolimex Joint Stock Insurance Company (PJICO)
- BIDV MetLife and Bank for Investment and Development of Vietnam (BIDV)
- Manulife (Vietnam) Ltd and Saigon Commercial Joint Stock Bank (SCB) and other banks
- Prudential Vietnam Assurance plc and seven major banks
- Dai-ichi Life Insurance Co of Vietnam Ltd and Saigon Hanoi Commercial Joint Stock Bank (SHB).

It was reported in October 2019 that changes are taking place in relation to the banking partners of several of the major life insurers in the market. In October 2019 both Prudential and Manulife announced agreements with new banking partners. Manulife has concluded a new partnership with ACB whilst Prudential announced that it has formed a new bancassurance partnership with Shinhan Bank, increasing the total number of its bancassurance partnerships to seven. It is reported that VietinBank (which in April 2017 became a wholly-owned subsidiary of Aviva and concluded an 18-year exclusive bancassurance agreement with the latter) is likely to be looking for a new insurance partner, in view of the fact that Aviva has announced that it intends to sell its Vietnamese life insurance business. It is also thought that BIDV Bank is considering the sale of its stake in BIDV MetLife which would be likely to lead to a change in the current bancassurance relationship.

In some cases, a bank will co-operate with more than one insurer (Prudential, for instance, has seven bancassurance partners): 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 is modest. This has been encouraging insurance companies both to augment the training of bank staff and also to use their own sales staff to support 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; no action has been taken by the regulator to control this practice.

## Direct Sales Force

Most of the local companies operate with direct sales forces, the members of which work to targets and are paid a salary plus, in some cases, a share of commissions on the business generated by them as well as bonuses. Bao Viet, Manulife and Prudential have especially large forces, used to target low cost and high volume sales.

Generally direct sales forces sell all types of life and personal pension products.

## Agencies

In Vietnam individual life insurance business is sold principally through agents, even though the recent development of bancassurance has been very significant. The regulator reported that in 2017 there were 321,774 individual life agents and 768 agency firms, employing 320,106 life agents, making a grand total of 641,880 life agents.

The number of individual agents increased by 23% in 2017 and the number of agency firms by 50% as compared to 2016.

Life agents are not allowed to sell non-life products and vice versa; market sources state that typical products sold are mainly life savings but that there are no financial requirements.

*Articles 83* to *86 of Decree No 73/2016/ND-CP* set out the following regulations appertaining to insurance agencies for the:

- operational principles of insurance agencies (*Article 83*)
- rights and duties of insurance enterprises and foreign branches with regard to insurance agencies (*Article 84*)
- rights and duties of insurance agents (*Article 85*).

*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 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 1 March 2019. The regulations set out the procedures for the holding of tests for insurance agent certificates, and conditions for the granting and withdrawal of the certificates. The new circular also provides a new sample insurance agent certificate replacing the one in *Circular No 50/2017/TT-BTC*.

### Insurance Brokers

Group life business is transacted by brokers either in isolation or within employee benefit packages, but the volume is small being rated at 0.41% of total broker turnover in the market in 2017.

There were 14 insurance brokers licensed by the regulator in 2019 of which some were international brokers such as:

- Aon Vietnam Ltd
- Willis Towers Watson Vietnam Insurance Broker Co Ltd
- Marsh.

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 expanding their market share slightly by making some inroads into the small and medium-sized enterprise (SME) group life and health market: they also focus on international joint venture companies, or foreign direct investment (FDI) business linked to their multinational client base.

There is no insurance broker association in Vietnam.

The primary regulations governing the appointment and operation of brokers are to be found in the *Law on Insurance Business No 24/2000/QH-10* and *Decree No 73/2016/ND-CP.* The requirements for setting up a broker are similar to those for setting up an insurance company, set out under subheading 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 173,503) for insurance broking or reinsurance broking (separately) or VND 8bn (USD 347,066) for (re)insurance 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.

### Employee Benefit and/or Actuarial Consultants

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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. 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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*Law No 42/2019/QH14,* amending *Law on Insurance Business,* was passed in June 2019 and is due to come into force 1 November 2019; this law addresses insurance auxiliary services for the first time, 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* 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.

The employee benefits consultants Marsh Vietnam Ltd, Mercer and Willis Towers Watson Vietnam are all represented in the market.

Aon also specialises in group employee benefit consultancy to support its property and casualty portfolio.

A number of life companies use foreign actuarial consultants.

## Specialist Independent Financial Advisers

There are no specialist independent financial advisers (IFAs) in Vietnam; a number of wealth management consultants operate in the country, giving investment advice to expatriates.

## Other Distribution Channels

Microinsurance has been sold through the Women's Union and Farmers' Union; there are no specific microinsurance regulations.

## Consumer Protection

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

*Articles 83* to *86* of *Decree No 73/2016/ND-CP* set out the following regulations appertaining to insurance agencies for the:

- operational principles of insurance agencies (*Article 83*)
- rights and duties of insurance enterprises and foreign branches with regard to insurance agencies (*Article 84*)
- rights and duties of insurance agents (*Article 85*).

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/QH12* of 24 November 2010. The regulations regarding this fund were restated 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 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 policyholder protection fund (PPF) until such time as it is equal to 5% of total assets of non-life insurers, branches of foreign companies and health insurers, 3% of the total assets of all licensed life insurance companies.

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

## Expatriates

Most expatriates in executive positions have life and health insurance cover as part of their employment package. Some may take additional cover locally although, as expatriates are not catered for specifically by life companies in Vietnam, if they require further insurance they are more likely to make their own arrangements at home or through broker contacts offshore.

## Intermediaries' Commissions

*Circular No 50/2017/TT-BTC* sets out the maximum percentage commissions payable to agents for personal life insurance policies as per the following table (replacing *Circular No 124/2012/TT-BTC):*

| Line of business | By instalment | By instalment | By instalment | By lump sum payment |
|---|---|---|---|---|
| | 1st year | 2nd year | Following year | |
| **Term life** | 40 | 20 | 15 | 15 |
| **Permanent life** | | | | |
| Term of less than 10 years | 15 | 10 | 5 | 5 |
| Term of more than 10 years | 20 | 10 | 5 | 5 |
| **Endowment insurance** | | | | |
| Term equal to or less than 10 years | 25 | 7 | 5 | 5 |
| Term of more than 10 years | 40 | 10 | 10 | 7 |
| **Whole life** | 30 | 20 | 15 | 10 |
| **Annuity** | 25 | 10 | 7 | 7 |

*Note: for group life maximum commission is 50% of rates in table for the same line of business.*

*For a combination of individual lines of business insurers shall calculate commissions according to the total amount of commissions per individual line of business or according to the practices of the primary insurance policy.*

*Source: Axco Global Statistics / Industry Associations and Regulatory Bodies*

The maximum commission payable for health business is 20% for agents for both individual and group policies, 15% for brokers.

There is no change to the commission payable to brokers: the insurer must pay the broker agreed commission within 30 days from the date when premium is paid.

Brokers do not generally work on a fee basis; churning is not a major issue in the market.

### 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.

## Summary and Trends

The main social security law is *Law on Social Insurance, Law No 58/2014/QH13* of 1 January 2016*,* repealing *Law on Social Insurance No 71/2006/QH11.* Relatively regular amendments are made to social security laws, generally in order to expand the scope of cover. Benefits are generally modest by Western standards but considered by many to be reasonably adequate for the majority of the local population. The social insurance system and Social Insurance Fund (SIF) are managed and administered by the Social Insurance Agency (SIA).

It was reported in early 2017 that about half of all Vietnamese workers opt for early retirement, placing a significant strain on SIF. Under proposals advanced by the Ministry of Labour Invalids and Social Affairs (MOLISA) the current retirement ages of 60 for men, 55 for women, will be increased from 1 January 2021 to progressively reach 62 for men, 60 for women.

Membership of the 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.

Vietnamese workers working abroad under labour contracts are covered. The self-employed and citizens without mandatory coverage are not mandatorily covered but may participate on a voluntary basis.

The *Law on Social Insurance* also dealt with:

- coverage of salary for the purposes of contribution and benefit calculation (which before 1 January 2016 was limited to basic salary only) was from 1 January 2016 related to salary and allowances stated in the labour contract and from January 2018 to salary, allowances and other supplemental payments
- employers are obligated from 1 January 2016 to publicly announce at the work place every six months (or at the request of employees and the trade union) information regarding social insurance payments for employees and to publicly announce at the work place on an annual basis information received from the SIA.

The minimum wage for civil servants, used as a reference to calculate minimum contributions and benefit payments, was increased from VND 1.39mn (USD 60.29) per month to VND 1.49mn (USD 64.63) per month as from 1 July 2019. The latest regional monthly minimum wages for private sector employees for 2019 are for region:

- 1 VND 4.18mn (USD 181.31)
- 2 VND 3.71mn (USD 160.92)
- 3 VND 3.25mn (USD 140.97)
- 4 VND 2.92mn (USD 126.66).

*Decree No 85/2015/ND-CP* set out new obligations towards female employees, effective 15 November 2015.

*Decree No 88/2015/ND-CP,* issued on 7 October 2015, effective 25 November 2015, amended administrative penalties for violations of *Law No 10/2012/QH13 (New Labour Law).*

A social health insurance (SHI) programme was first established in Vietnam in 1992: over three-quarters of the population now benefit from state SHI; the government aims to increase coverage to 90% by 2025. The prime minster affirmed in 2016 that state health insurance is compulsory, and the right and obligation of all citizens.

The *Law on Health Insurance No 25/2008/QH12* is the primary legislation governing state health insurance, modified by *Law No 42/2014/QH13* amending the law on health insurance, further amended by *Law No 46/2014/QH11* amending and supplementing some provisions of the *Law on Health Insurance*. *Law No 46/2014/QH11,* effective as from 1 January 2015.

*Law No 46/2014/QH11* stipulates the payment of reimbursement levels of health treatment at state facilities for employees who have paid the full contributions.

The state health insurance system is under the control of the SIA.

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*

Both of these tables illustrate the potentially significant increasing longevity of the population, obviously having implications for social security financing in the years to 2050.

## Social Security Financing

Social security is financed from contributions made by employers and employees on a pay-as-you-go (PAYG) basis based on monthly payroll. Since 1 January 2008 voluntary contributions from workers not covered by the compulsory scheme have also been permitted. Employers are responsible for deducting contributions from employee salaries, paying these and their own contributions to the SIA which administers the scheme.

## Scope of Cover

The principal benefits are:

- retirement pension
- allowances for work-related accidents and occupational diseases
- sickness benefits
- maternity benefits
- medical benefits
- survivor benefits
- unemployment insurance.

Membership of the 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
- 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 applying to Vietnamese nationals will be applied to eligible foreign workers.

## Expatriates

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 applying to Vietnamese nationals will be applied to eligible foreign workers.

Vietnamese citizens working abroad temporarily are also covered by the social security scheme: with effect from 1 January 2015 employees assigned to work or study overseas are exempt from health insurance contributions; the period of overseas absence is included in the employee's contribution period until resumption of work in Vietnam.

## Privatisation

There are no current plans to privatise social security insurance: however, private pension provision received a potential boost with Ministry of Finance (MOF) *Circular No 115/2013/TT-BC* introducing a framework for voluntary private pensions, effective 15 October 2013 with tax relief incentives for employers and contributors.

## Contributions

The following table shows the split of total contributions payable for the different types of benefit funds:

| Type of benefit fund | Employee (%) | Employer (%) | Total (%) | Self-employed (%) |
|---|---|---|---|---|
| Pension and work injury | 8.0 | 14.5 | **22.5** | 22.0 |
| Medical | 1.5 | 3.0 | **4.5** | 4.5 |
| Unemployment | 1.0 | 1.0 | **2.0** | n/a |
| **Total (%)** | **10.5** | **18.5** | **29.0** | **26.5** |

*Source: Axco Global Statistics / Industry Associations and Regulatory Bodies*

Membership of the 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
- 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.

The self-employed and citizens without mandatory coverage are not mandatorily covered but may participate on a voluntary basis.

*Law No 58/2014/QH13* specifies that coverage of salary for the purposes of contribution and benefit calculation (which before 1 January 2016 was limited to basic salary only) was from 1 January 2016 related to salary and allowances stated in the labour contract, and from January 2018 to salary, allowances and other supplemental payments.

The minimum wage for civil servants, used as a reference to calculate minimum contributions and benefit payments, was increased from VND 1.39mn (USD 60.29) per month to VND 1.49mn (USD 64.63) per month as from 1 July 2019. The latest regional monthly minimum wages for private sector employees for 2019 are for region

- 1 VND 4.18mn (USD 181.31)
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- 4 VND 2.92mn (USD 126.66).

## Old Age Pension

**Old age pension (social insurance)**

The basic old age pension is payable when a worker reaches the normal retirement age of 60 for men, 55 for women, provided that they have made social insurance contributions for 20 years or more. As from 1 January 2016 women civil servants living in communes, towns or wardships may retire at 55 with 15 years of contributions.

The retirement age can be brought forward to 55 for men (50 for coal miners), 50 for women, with at least 20 years of contributions who have been engaged in arduous or hazardous occupations or in certain geographic regions.

As from 1 January 2016 early retirement at 50 for men, 45 for woman, is permitted for those who have who have an assessed degree of disability of at least 81% and with at least 20 years of contributions. Retirement can be taken at any age with at least 20 years of contributions if the insured has contracted HIV/aids in the workplace.

Special early retirement conditions apply to military and police personnel.

To qualify for a pension employment must cease.

A worker's pension entitlement is calculated as follows: 45% of the insured's average earnings is paid for the first 15 years of contributions for women (16 for men in 2018, rising progressively until reaching 20 years of contributions in 2022) plus 2% of the insured's covered average monthly earnings for each year of contributions exceeding 15 years.

The pension is reduced by 2% of the insured's covered average monthly earnings for each year the pension is taken before normal pensionable age due to reduced working capacity.

Average earnings for private sector employees are based upon the whole contribution period. Average earnings for civil servants are based upon the last five, six, eight or 10 years of contributions, dependent upon when the insured started contributing.

The minimum benefit is the monthly minimum wage for civil servants (currently VND 1.49mn/USD 64.63). The maximum old age pension is 75% of the insured's average earnings.

Pension benefits are adjusted according to changes in the cost of living and economic growth.

**Old age grant**

An old age grant is payable at 60 (men), 55 (women), to people:

- with less than 20 years of contributions who are not eligible for an old age pension (and less than 15 years for women civil servants living in communes, wards or townships)
- at any age with less than 15 years of contributions and an assessed degree of disability of at least 61%
- to those emigrating permanently with less than 20 years of contributions after 12 months leave with no paid contributions after 12 months of leave and with no paid contributions during the leave period
- at any age if diagnosed with certain diseases or demobilised army or police personnel who are ineligible for an old age pension.

A lump sum is paid of 1.5 times the insured's covered average annual earnings in the last five years of contributions before 2014 plus twice the insured's average monthly earnings in the last five years for contributions made since 2014.

**Old age social pension (social assistance)**

An old age social pension is granted to people aged 60 to 79 who are needy and living alone without any family support or people 80 or more who are not receiving a social insurance pension.

If aged 60 to 79 VND 405,000 (USD 17.57) per month is paid or VND 540,000 (USD 23.42) if older than 80. If older than 60 with a reduced working capacity of at least 81% VND 675,000 (USD 29.28) is paid, VND 1.08mn (USD 46.85) if 60 or older, needy and with an assessed reduced working capacity of at least 81%, or 60 or older and living in extremely difficult circumstances.

**Early retirement**

It was reported in early 2017 that about half of all Vietnamese workers opt for early retirement, placing a significant strain on SIF. Under proposals advanced by MOLISA the current retirement ages of 60 for men, 55 for women, will be increased from 1 January 2021 to progressively reach 62 for men, 60 for women.

## Survivors' Benefits

**Survivor benefits**

Qualification criteria for survivor benefits are:

- the deceased must have had at least 15 years of contributions or
- was receiving or was entitled to an old age pension or
- was a disability pensioner with an assessed degree of disability of at least 61%.

The benefit is paid to a maximum of four survivors.

Eligible survivors include:

- a widower aged 60 or older
- a widow aged 55 or older with an income less than the minimum wage for civil servants: (currently VND 1.49mn/USD 64.63): no age limit if disabled with a reduced working capacity of at least 81%)
- children younger than 18: no age limit if disabled with a reduced working capacity of at least 81%
- a father (60 or older) or mother (55 or older) with an income less than the minimum wage for civil servants
- a father-in-law (60 or older) or mother-in-law (55 or older) with an income less than the minimum wage for civil servants (no limit with an assessed reduced working capacity of at least 81%).

Survivor benefits are 50% of the monthly minimum wage for civil servants (currently VND 1.49mn/USD 64.63 per month) for each eligible dependent survivor; 70% if the survivor has no other means of support.

**Survivor grant**

A survivor grant is payable if the deceased had less than 15 years of contributions.

A lump sum is paid of 1.5 times the insured's covered average annual earnings in the last five years of contributions before 2014 plus twice the insured's average monthly earnings in the last five years for contributions made since 2014.

**Funeral grant (social insurance and social assistance)**

A funeral grant (social insurance) of 10 times the legal minimum wage is paid to civil servants.

A lump sum funeral grant (social assistance) of VND 5.4mn (USD 234.23) is payable to the person who pays for the funeral if the deceased received the old age or disability pension or had at least 12 months of contributions.

## Permanent Disability Benefit

Social insurance does not generally cater for non-work-related disabilities, except in relation to qualification for an old age pension for early retirement, also in relation to qualification in respect of survivor benefits (please refer to subheadings Old Age Pension and Survivor Benefits for details).

A social assistance disability allowance of VND 405,000 (USD 17.57) per month is paid with an assessed reduced working capacity of 61% but less than 81%, VND 810,000 (USD 35.13) with an assessed reduced working capacity of at least 81% and living in extremely difficult circumstances, VND 540,000 (USD 23.42) for an assessed reduced working capacity of at least 61%, VND 405,000 (USD 17.57) per month with an assessed reduced working capacity of at least 61% and pregnant or raising a child under age three and VND 540,000 (USD 23.42) per month with an assessed reduced working capacity of at least 61%, pregnant or raising a child under age three or with an assessed reduced working capacity of at least 61%, not pregnant but raising at least two children younger than three.

There is caregiver monthly support of VND 405,000 (USD 17.57) if caring for one person, VND 810,000 (USD 35.13) if caring for at least two people.

### Short-Term Sickness Benefit

As from 1 January 2018 employees working under labour contracts with a term of on7e month or more are entitled to cash sickness and maternity benefits. Part-time workers in communes, wards and townships and foreign citizens working legally in Vietnam, are equally entitled to the same benefits. Entitled employees include:

- private and public sector employees
- household workers
- employees in agriculture, fishing and salt production
- civil servants+
- employees of co-operatives and trade unions
- police officers
- military personnel.

Certain military personnel and people working abroad under fixed term contracts are excluded. The cash sickness and maternity benefits scheme does not apply to self-employed people.

From 1 January 2015 all Vietnamese citizens were entitled to contribute to and benefit from the medical insurance scheme. Insured people's contributions are 1.5% of monthly earnings, the minimum being based on the monthly legal minimum wage for civil servants (VND 1.49mn/USD 64.63) and the maximum 20 times the monthly legal minimum wage for civil servants. Employers pay contributions of 3% of the monthly payroll with the minimum being based on the monthly legal minimum wage for civil servants, the maximum 20 times the monthly legal minimum wage for civil servants.

In respect of government employees there is a subsidy scheme paying contributions for certain groups of insured people, such as children younger than age six, needy people and people with disabilities. The calculation basis is the monthly legal minimum wage for civil servants (VND 1.49mn/USD 64.63) and the maximum 20 times the monthly legal minimum wage for civil servants.

There is no minimum qualifying period for entitlement to cash sickness and maternity benefits: however, the incapacity must not be due to work-related accident or sickness, nor can it be self-inflicted or related to drug or alcohol abuse. The sickness benefit is also paid to an insured parent caring for a sick child under age seven.

Medical benefits are provided for non-occupational injury or illness. The voluntarily insured must have at least 30 days of contributions in order to qualify for standard medical services, for specialised medical services the required contribution period varies according to membership groups and types of services.

Short-term sickness benefits are calculated as:

- 75% of the insured's earnings in the month preceding sick leave is paid for up to 30 days in a calendar year with less than 15 years of contributions
- with 15 to 30 years of contributions, sick leave of 75% of the insured's earnings in the month preceding sick leave is paid for up to 40 days
- with more than 30 years of contributions, sick leave of 75% of the insured's earnings in the month preceding sick leave is paid for up to 60 days.

If the insured is engaged in an arduous or hazardous occupation, or is working in certain regions:

- 75% of the insured's earnings in the month preceding sick leave is paid for up to 40 days in a calendar year with less than 15 years of contributions
- with 15 to 30 years of contributions, sick leave of 75% of the insured's earnings in the month preceding sick leave is paid for up to 50 days
- with more than 30 years of contributions, sick leave of 75% of the insured's earnings in the month preceding sick leave is paid for up to 70 days.

The benefit level may be extended up to 180 days per calendar year for prolonged hospitalisation due to a specified illness and at a reduced rate thereafter; the maximum duration of paid sick leave for specified illnesses is the total contribution period.

In respect of convalescence and rehabilitation following sickness 30% of the minimum monthly wage for civil servants is paid for between five, seven or 10 days in a calendar year. To care for a sick child, 75% of the insured's earnings is paid to insured workers for up to 20 days in a calendar year.

Short-term sickness benefits are adjusted according to changes in the cost of living and economic growth.

### Occupational Accident and Disease

Membership of the 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
- 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.

The self-employed are not covered.

There has been no recent new legislation that might affect workers' compensation, although certain provisions of the *Law on Social Insurance, Law No 58/2014/QH13* (effective 1 January 2016) took effect from 2018:

- from 1 January 2018 the scope of application of social insurance was extended to:

  employees with definite term contracts of one to three months
- foreign workers working legally in Vietnam

•coverage of salary for the purposes of contribution and benefit calculation (which before 1 January 2016 was limited to basic salary only) was from 1 January 2016 related to salary and allowances stated in the labour contract and from January 2018 to salary, allowances and other supplemental payments.

*Law No 58/2014/QH13* on occupational accidents and disease, effective 1 July 2016, represents a consolidation of previous laws and regulations relative to occupational safety and hygiene, applying to individuals not working under a labour contract as well as to employees; it clarified and broadened the definitions of labour accidents to include accidents occurring:

- during breaks and rest time at work
- outside the workplace or outside working hours when on assignment by the employer
- when travelling between the employee's residence and workplace within a reasonable space of time and on a reasonable route.

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 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 64.63 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 64.63) 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, 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

- widow(er)s with no age limit if disabled with a loss of working capacity of 81% or more
- children younger than age 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.

## Unemployment

Coverage is in respect of Vietnamese citizens who are public and private sector employees with a seasonal, job specific, fixed term or permanent contract, certain military personnel and household businesses; the self-employed are not covered for unemployment insurance.

Qualifying conditions are that the insured must:

- have paid at least 12 months of contributions in the previous 24 months
- be registered as unemployed
- not have found a job within 15 days of registration.

The benefit is suspended if two suitable job placements are refused for no plausible reason. In order to qualify seasonal workers must have at least 12 months of contribution during the last 36 months

Benefits are paid for three months at 60% of average earnings in the six months before unemployment with 12 to 36 months of contributions plus one month for each additional month of contributions up to 12 months; there is a waiting period of 15 days.

Minimum earnings used to calculate contributions are the minimum wage for civil servants. The maximum monthly earnings used to calculate contributions for private sector employees are five times the regional minimum wage and the maximum monthly benefit for civil servants is five times the legal monthly minimum wage for civil servants.

The minimum wage for civil servants, used as a reference to calculate minimum contributions and benefit payments, is VND 1.49mn (USD 64.63) per month as from 1 July 2019.

Other benefits for the registered unemployed include vocational training and job placement support.

### Other Benefits

*Law on Social Insurance No 71/2006/QH11* introduced maternity benefits from 1 January 2009, later repealed and replaced by *Law on Social Insurance, Law No 58/2014/QH13,* effective 1 January 2016.

Coverage is in respect of public and private sector employees with contracts of at least one month including:

- household workers
- employees in agriculture, fishing and salt production
- civil servants
- employees of co-operatives and unions
- police and military personnel.

Coverage was extended from 1 January 2018 to part-time workers in communes, wards and townships and to foreign workers working legally in Vietnam.

The insured must have a least six months of contributions in the last 12 months before childbirth. The benefit is also paid for the adoption of a child younger than age six months, for an abortion, miscarriage or still birth, or to a surrogate and intended mother.

Maternity benefit is 100% of the insured's average monthly earnings in the last six months. The benefit is paid for five one-day leave periods (or two-day leave periods in special cases) for prenatal care. The benefit is also paid during maternity leave for six months, including for an adopted baby younger than age six months. For multiple births an extra month of leave is paid for the second and subsequent child. From 1 January 2016 the benefit is paid to a surrogate mother until she gives the new-born to the intended mother: the benefit is paid to the latter from the time that she receives the child until it is aged six months.

A female employee can return to work before the end of maternity leave, receiving both wages and maternity care if she returns to work four months after giving birth, is cleared by a health professional as being fit to return to work and has advance agreement from her employer.

For convalescence and rehabilitation after maternity leave 30% of the monthly minimum wage is paid for five, seven or 10 days per year.

Benefits are adjusted according to changes in the cost of living index and economic growth.

Paternity leave is paid as from 1 January 2016 of 100% of the insured's average monthly earnings in the last six months for five days (14 in certain circumstances) after the mother has given birth. If the mother dies during childbirth up to six months of unused maternity leave passes to the father.

A birth grant of two months of the minimum wage for civil servants is paid for each child born or for each adopted child younger than age six months. When only the father is covered by social insurance the latter is entitled to a lump sum allowance of two times the minimum wage for civil servants for each child in the month of birth.

## Taxation

Statutory social insurance contributions are tax deductible for the employer and employee; the contributions paid by the employer do not constitute a taxable benefit to the employee.

Benefits paid under the social insurance scheme and the severance allowance payable in accordance with *Law No 10/2012/QH13 (New Labour Law)*are not subject to income tax.

## Overall Healthcare

### Summary and Trends

A social health insurance (SHI) programme was first established in Vietnam in 1992: over three-quarters of the population now benefit from state social health insurance (SHI); the government aims to increase coverage to 90% by 2020. The prime minster affirmed in 2016 that state health insurance is compulsory and is the right and obligation of all citizens. The *Law on Health Insurance No 25/2008/QH12* is the primary legislation governing state health insurance.

The main law governing private medical insurance (PMI) is *Law on Insurance Business No 24/2000/QH-10* of 9 December 2000: its implementing regulations are contained in *Decree No 73/2016/ND-CP.*

Policy formulation and technical direction is provided by the Ministry of Health (MOH), which also supervises several specialised institutes and manages a variety of national preventive programmes, mostly funded by international aid agencies. At the provincial level, health activities are directed by the Provincial Health Service, at district level, District Health Center and at commune level by the Commune Health Center (CHC), which is the foundation of the primary healthcare system in Vietnam. CHCs were set up to provide both preventive and curative care facilities but are used almost exclusively for preventive care: private providers are preferred for curative care.

The private insurance market health account is classified in the regulator's statistics as a separate class of non-life business. In 2017 and 2018 respectively, year-on-year growth was 26.72% and 13.93%. Statistics do not reveal the volume of health-related premiums generated from riders to life insurance policies.

Anecdotal evidence suggests very strongly that the significant growth in market health insurance premiums has arisen from dissatisfaction with the quality of the state health system which, although not allegedly defective from the medical standards point of view, is said to be slow in providing services and overburdened by bureaucracy. Overall this situation has lent itself to strong development of group health insurance business, increasingly perceived by employers to be a critically important employee benefit. As a result group business is currently estimated to be the source of at least 80% of total health insurance market premium income.

Insurance companies may not simultaneously carry out life and non-life business, and must hold separate licences for non-life, life and PMI business respectively.

Most of the major health insurers in Vietnam have agreements with hospitals in other Asian countries, such as Singapore, Malaysia, Thailand and Cambodia.

The average rate of private medical cost inflation in Vietnam is currently high, estimated by a prominent local insurer to be 20% to 22% in 2018 and projected to be in the region of 18% in 2019. This estimate is broadly supported by indications from a major broker's report on 2019 global medical trends, indicating gross medical cost inflation in Vietnam of about 23% and net annual medical cost inflation trends of 18%.

Reports from the market suggest that in order to avoid heavy premium increases to deal with the inflationary cost trends, insurers are increasingly opting to reduce annual per person per year limits in group policies in order to maintain broadly stable premium rates.

### Health Indicators

Health indicators for the latest five years available are shown below.

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|
| Total healthcare cost per capita in USD | 87.31 | 111.59 | 119.23 | 116.36 | 116.74 |
| Total healthcare cost per capita in USD on PPP* basis | 266.91 | 318.05 | 331.29 | 320.73 | 334.32 |
| Total healthcare spending as % of GDP | 5.76 | 6.48 | 6.37 | 5.78 | 5.65 |
| Public healthcare spending as a % of total healthcare spending | 42.72 | 43.27 | 46.84 | 41.96 | 41.81 |
| Private healthcare spending as % of total healthcare spending | 40.02 | 41.32 | 47.57 | 46.68 | 47.47 |
| External healthcare spending as % of total healthcare spending** | 2.12 | 2.09 | 2.37 | 3.19 | 2.16 |
| Physicians (per 100,000 population) | n/a | 73.00 | 76.00 | 79.00 | 80.00 |
| Hospital beds (per 100,000 population) | n/a | 249.00 | 250.00 | 263.00 | 271.00 |

*Note: * PPP is purchasing power parity.*
*** External healthcare spending is development aid and direct foreign transfer.*
*Source: Axco Global Statistics / Industry Associations and Regulatory Bodies*

There are no statistics indicating the leading causes of sickness.

### Healthcare Philosophy

As per the government's master plan to develop the national healthcare network, Vietnam is aiming by 2025 to extend state healthcare coverage to reach 95% of the population. Current estimates suggest that 89% of the population (about 84.5 million people) are members of the SHI programme.

The government actively promotes the purchase of PMI, especially by employers, encouraging, where possible, private healthcare providers to offer their services to the public sector; public hospitals can offer private treatment facilities.

## State Healthcare

### Legislation

A SHI programme was first established in Vietnam in 1992: over three-quarters of the population now benefits from state SHI. The government aims to increase coverage to 90% by 2025. The prime minster affirmed in 2016 that state health insurance is compulsory and the right and obligation of all citizens. The *Law on Health Insurance No 25/2008/QH12* is the primary legislation governing state health insurance.

# Healthcare

The Ministry of Health (MOH) is responsible for the provision of state healthcare.

The main law governing PMI is *Law on Insurance Business No 24/2000/QH-10* of 9 December 2000; its implementing regulations are contained in *Decree No 73/2016/ND-CP.*

## Coverage

The health service comprises the following three tiers:

- compulsory health insurance scheme providing outpatient and inpatient treatment for all workers and pensioners covered by SHI, funded principally by contributions deducted from salary
- voluntary health insurance providing similar treatment to that offered by the compulsory scheme, targeting sectors such as the self-employed, informal workers, students and schoolchildren
- free health insurance scheme funded by government subsidy covering relatives of military officers, people over age 90, war veterans and their mothers, some ethnic minorities and the indigent.

The state provides subsidies, pays full contributions for certain groups of insured people such as children aged less than six, and partially pays contributions for the near poor and students.

The compulsory scheme provides outpatient and inpatient services, including:

- medical consultation, diagnosis and treatment
- rehabilitation
- maternity expenses
- X-rays and laboratory tests
- functional tests
- medicines and appliances listed by MOH
- transfusions
- surgery
- hospital accommodation.

Excluded are:

- treatment for various infectious diseases
- convalescence in sanatoria
- simple medical check-ups
- family planning
- pre natal tests for non-treatment purposes
- aesthetic procedures

- treatment of squint and short-sightedness
- medical treatment of self-inflicted injuries.

People living in certain communes in mountainous and remote areas and people with low income are exempt from making co-payments.

The scheme covers all members of the compulsory SHI, including pensioners and other recipients of monthly benefits. Current legislation provides free medical care for some although other insureds may be required to make co-payments amounting to up to 20% of the expense of the treatment.

All insured people must register with a primary healthcare provider.

If a condition is complex and cannot be treated by the primary provider, patients are referred to a higher level for treatment. In practice the care provided at the lowest levels (commune and district) has been deficient whilst those living in rural areas prefer to go straight to a provincial or city hospital, resulting in delays and overcrowding.

A digital system of state health cards (similar in size to a debit or credit card) is being introduced under which people with such cards can access health checks and treatment at any facility within their own district without having to obtain referral documents. Under MOH *Circular 40/2015/TT-BYT* city/provincial health departments and city/provincial offices of SIA have the responsibility to monitor the number of health cards issued in each province. In January 2018 it was estimated that more than 76 million people held state health cards.

## Expatriates

From 1 January 2018 expatriate employees working in Vietnam (including employees working in Vietnam under work permits, practising licences or certificates issued by competent Vietnamese authorities) may pay social security contributions under *Law on Social Insurance No 58/2014/QH13*.

Expatriates who pay social security contributions are entitled to the same state health treatment as Vietnamese citizens.

Vietnamese citizens working abroad temporarily are also covered by the social security scheme. With effect from 1 January 2015 employees assigned to work or study overseas are exempt from health insurance contributions; however, the period of overseas absence is included in the employee's contribution period until resumption of work in Vietnam.

## Health Service Financing

Healthcare spending as a percentage of GDP and public spending as a percentage of total health spending for the latest five years available are shown below.

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|
| Total healthcare spending as % of GDP | 5.76 | 6.48 | 6.37 | 5.78 | 5.65 |
| Public healthcare spending as a % of total healthcare spending | 42.72 | 43.27 | 46.84 | 41.96 | 41.81 |

*Source: Axco Global Statistics / Industry Associations and Regulatory Bodies*

A breakdown of medical expenditure on a per capita basis is shown below.

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|
| Total expenditure per capita in USD on PPP* basis | 266.91 | 318.05 | 331.29 | 320.73 | 334.32 |
| Growth (%) | 5.56 | 19.16 | 4.16 | (3.19) | 4.24 |

*Note: * PPP is purchasing power parity.*

*Source: Axco Global Statistics / Industry Associations and Regulatory Bodies*

# Private Healthcare

## Private Healthcare Facilities

It is reported (latest available information) that in 2017 there were 516 private clinics, and 88 private hospitals and other facilities. Many private hospitals and other facilities are small, with less than 100 beds. Most private healthcare facilities are in urban areas, especially Hanoi and Ho Chi Minh City, although private polyclinics, dentists and doctors are available throughout the country. Vietnam is seen by medical experts in some other Asian countries as a potentially lucrative market for private healthcare facility development due to its increasing wealth and a fast growing middle and upper class: interest in setting up private health operations in the country has been shown by private companies from Thailand, Singapore, Malaysia and Indonesia; MOH is keen to promote such potential investment.

It is possible to obtain private treatment within the state healthcare system. Some public hospitals offer "service beds" providing a better service for higher fees: demand for these far outstrips supply. The salaries paid to medical personnel are low: doctors working within the state sector may supplement their income by offering private treatment outside their official working hours. Insurers suggest that the private facilities now available are sufficient to support the nascent PMI industry although this may become more difficult as demand for both insurance and treatment grows. A significant increase in the number of doctors and medical institutions will be required to meet future patient demand. Many people entitled to private treatment still use public health facilities, especially for treatment of critical illnesses such as major heart surgery.

Non-admitted cover in Vietnam is prevalent among the expatriate community: hospitals that expatriates utilise may charge more for treatment in any event whether admitted or non-admitted cover is available. It is reported that some major international insurance providers have agreements with private hospitals in Vietnam, meaning that, as long as pre-authorisation is obtained, treatment can be provided at such hospitals on the basis of an international health card. Otherwise treatment would have to be paid for in cash and subsequent reimbursement sought. Most of the major health insurers in Vietnam have agreements with hospitals in other Asian countries, such as Singapore, Malaysia, Thailand and Cambodia.

### Private Healthcare Costs

The average rate of private medical cost inflation in Vietnam is currently high, estimated by a prominent local insurer to be 20% to 22% in 2018 and projected to be in the region of 18% in 2019. This estimate is broadly supported by indications from a major broker's report on 2019 global medical trends, indicating gross medical cost inflation in Vietnam of about 23% and net annual medical cost inflation trends of 18%.

An indication of current private healthcare costs in one of the top private hospitals in Ho Chi Minh City is given below: the figures show the approximate maximum that would be charged for the quoted procedures:

- appendectomy - USD 2,000 to USD 6,000
- knee/hip replacement - in a local state hospital approximately USD 7,500/USD 10,000 to USD 15,000 in a private hospital
- major operation such as open heart surgery - in a local state hospital approximately USD 20,000 to USD 35,000
- cost per day in a private room - in a local state hospital USD 60 per day/in a private hospital USD 70 to USD 300 depending on whether it is a single, double or VIP room.

Large operations such as major heart surgery would normally be carried out at a public hospital. Some public hospitals offer "service beds" providing a better service for higher fees: demand for these far outstrips supply.

A private local general practitioner (GP) visit would be likely to cost between USD 20 and USD 50.

### Statistics

Healthcare financing for the last five available years is shown below.

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|
| Public healthcare spending as a % of total healthcare spending | 42.72 | 43.27 | 46.84 | 41.96 | 41.81 |
| Private healthcare spending as a % of total healthcare spending | 40.02 | 41.32 | 47.57 | 46.68 | 47.47 |
| External healthcare spending as % of total healthcare spending* | 2.12 | 2.09 | 2.37 | 3.19 | 2.16 |

*Note: * External healthcare spending is development aid and direct foreign transfer.*
*Source: Axco Global Statistics / Industry Associations and Regulatory Bodies*

## Private Medical Insurance (PMI)

### Summary and Trends

PMI was recognised by the regulator as a separate class of insurance business in 2010.

The private insurance market health account is classified in the regulator's statistics as a separate class of non-life business. In 2017 and 2018 respectively, year-on-year growth was 26.72% and 13.93%.

Anecdotal evidence suggests very strongly that the significant growth in market health insurance premiums has arisen from dissatisfaction with the quality of the state health system which, although not allegedly defective from the medical standards point of view, is said to be slow in providing services and overburdened by bureaucracy. It is reported that many people qualified to access the state healthcare system tend to bypass primary healthcare services entirely due to their known poor quality in favour of direct access to more costly hospital services.

Overall this situation has lent itself to strong development of group health insurance business, increasingly perceived by employers to be a critically important employee benefit. As a result group business is currently estimated to be the source of at least 80% of total health insurance market premium income.

Market sources state that most employee schemes are insured.

## Legislation

A SHI programme was first established in Vietnam in 1992: over three-quarters of the population now benefit from state SHI; the government aims to increase coverage to 90% by 2020. The prime minster affirmed in 2016 that state health insurance is compulsory and is the right and obligation of all citizens. The *Law on Health Insurance No 25/2008/QH12* is the primary legislation governing state health insurance.

The main law governing PMI is *Law on Insurance Business No 24/2000/QH-10* of 9 December 2000; its implementing regulations are contained in *Decree No 73/2016/ND-CP.*

## Healthcare Insurance Supervisory Authority

MOH provides general supervision of the state healthcare system. Contributions and benefits (and entitlement) are managed by the Social Insurance Authority (SIA).

Supervision of the PMI market is the responsibility of the insurance market regulator.

PMI is written by non-life companies: life insurers may (subject to a specific licence) carry out PA and health insurance business which is incidental to their life insurance operations.

## Taxation

Statutory social insurance contributions towards healthcare are tax deductible for the employer and employee: the contributions paid by the employer do not constitute a taxable benefit to the employee.

PMI premiums paid by the insured or an employer are not tax deductible.

*Circular No 78/2011/TT-BTC* of the Ministry of Finance (MOF), of 8 June 2011, clarified that medical expenses incurred by an employee as a result of a serious illness to themselves or parents, spouses or children, paid by domestic and foreign companies and other organisations in Vietnam, do not constitute taxable income for the employee. There is a cap on the tax free payment equal to the amount of the hospital fees less any amount paid in respect of the fees under a PMI policy.

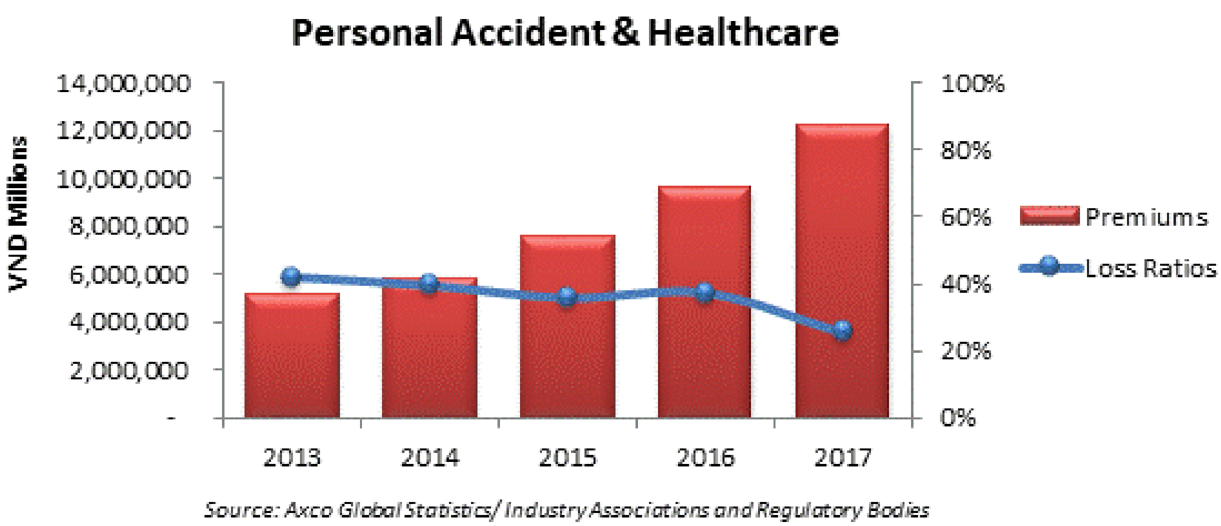
Benefits paid under SHI and benefits payable under PMI schemes are not subject to income tax.

### Expatriates

Most expatriates in senior positions are provided with free private medical treatment under the terms of their contract: in many cases a local group insurance policy is in place. Non-admitted cover in Vietnam is also prevalent among the expatriate community; the hospitals that expatriate utilise will charge more for treatment in any event whether admitted or non-admitted cover is available. It is reported that some major international insurance providers have agreements with private hospitals in Vietnam meaning that, as long as pre-authorisation is obtained, treatment can be provided at such hospitals on the basis of an international health card. Otherwise treatment would have to be paid for in cash and subsequent reimbursement sought.

### 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.*

No separate statistics are available for health and PA.

### PMI Providers

Most, if not all, non-life companies write PMI, either individual/family and/or group business. Life companies write PMI only as riders to either individual or group life insurance products.

## General PMI Coverage

Local policies are not intended to cover gaps in the state system or provide top-up cover but to take its place.

Companies generally broadly offer premium and standard health insurance policies; details outlined below are illustrative examples, using preferred providers.

**Premium health insurance coverage**

This type of coverage is most suitable for groups in medium-sized and large companies.

Typical coverage is:

- related to both illnesses and accidents
- medical examination and treatment in Vietnam or overseas (some companies limit territorial scope)
- 24-hour global medical assistance
- free annual check-up (and in some cases vaccinations)
- no limits on hospital services or number of days' hospitalisation
- full cover for surgical expenses, oncology treatment, local ambulance services, organ transplant and home nursing
- emergency medical repatriation and evacuation in Vietnam or overseas
- no waiting periods for specific diseases
- no limits on the annual number of doctor visits or cost of same
- optional flexible coverage in respect of inpatient and outpatient care, maternity and dental treatment.

**Standard health insurance coverage**

This type of coverage is most suitable for small companies and families; features are:

- cover related to both illnesses and accidents
- full cover for surgical expenses, oncology treatment, local ambulance services, organ transplant and home nursing in Vietnam
- no waiting periods for specific diseases
- no limits on the annual number of doctor visits or cost of same.

The main policy exclusions include:

- accidents occurring under the influence of alcohol or other stimulants, self-medication and self-inflicted injuries
- HIV-related costs (other than described in the plan)
- syphilis
- gonorrhoea
- tuberculosis (TB)
- severe acute respiratory syndrome (SARS)
- avian flu (H5N1)
- war
- travelling by air other than as a fare-paying passenger in a scheduled airline
- natural disasters
- professional sports activities
- risks or expenses arising outside Vietnam.

Others comprise:

- aesthetic procedures
- sleep disorders
- birth control
- fertility
- abortions
- sexual disorders
- sex-change operations.

Pre-existing conditions (PECs) are excluded under individual policies; group policies may cover PECs on payment of an additional premium.

Dental treatment coverage is an option in both individual and group policies, but generally not offered without the general outpatient treatment option being taken-up. Routine dental treatment coverage is offered immediately although there may be a waiting period, typically of nine months, before major dental service treatment is covered plus a waiting period of 12 months before coverage for crowns, bridges and dentures is given.

Maternity cover is an option in individual and group policies with a typical waiting period of 12 months. Maternity coverage is typically for pre natal and post natal services, including all hospital and professional fees up to 30 days after birth care. There can be an additional separate monetary limit of typically VND 44mn (USD 1,909) for new-born baby care due to medical reasons.

Although no specific deductibles are mentioned, conditions state that reasonable and customary charges will apply to any benefit payment.

The standard individual or family PMI coverage sum insured varies widely from USD 3,000 to USD 50,000 per person per year.

### Group PMI

Most PMI business is group business (more than 80% of the total market premium income relates to group business); there are also a few affinity group schemes.

There is little difference between individual and group covers although more favourable treatment may be given to group policies, in terms of discounted premiums, as well as in relation to PECs. For example, groups of a certain minimum number, usually more than 50 members, may be written on a medical history disregarded basis. Otherwise typically quoted discounts for groups are:

- five to 10 members - 10%
- 11 to 30 members - 15%
- 31 to 50 members - 20%.

Group policies are usually tailored to meet the client's needs whereas individual policies are usually generic.

Usually group covers are offered to all employees although different limits may apply for different categories, typically management, other white-collar workers and manual workers. Many group covers include only the workers but may be extended to cover dependants as an optional extra.

Typical main policy limits (varying significantly in size) would be subject to an overall annual limit for all coverage ranging from VND 2.2bn (USD 95,427) to VND 22bn (USD 954, 265) and are:

- hospital services (including surgical fees, surgical appliances, diagnostics, nursing and hospital charges) are covered in full up to unused annual policy limit
- dental coverage (if offered) - typically VND 33mn (USD 1,432)
- maternity care - VND 50mn (USD 2,169) to VND 110mn (USD 4,771).

Reports from the market suggest that in order to avoid heavy premium increases to deal with the inflationary cost trends, insurers are increasingly opting to reduce annual per person per year limits in group policies to USD 500,000 maximum or less in order to maintain broadly stable premium rates.

### Individual PMI

Individual covers are estimated to make up less than 20% of the PMI market as most people pay for treatment themselves, have cover purchased for them by their employers or rely upon the compulsory state health insurance administered by the SIA. According to insurers, however, demand for individual cover is increasing.

Individual policies normally exclude PECs. Dental and maternity care coverage is optional (please refer to subheading General PMI Coverage).

### PMI Group Rating

In principle group rates are fixed taking into account the:

- occupation of the insured
- number of people covered
- breadth of the cover chosen
- ages of the group members
- previous claims experience.

In practice rates are heavily influenced by competition: even when an economical rate has been calculated, this would be further discounted in the face of competition, especially if the client's property and casualty business is profitable.

In relation to life and health insurance *Article 39* of Decree No 73/2016/ND-CP provides that local insurers and foreign branches are under an obligation to file with the regulator policy wordings, terms and conditions, and premium rate schedules, as well as formulae, methods and explanations, of pricing, and reserving. Submissions of material to the regulator in respect of life and health insurance products must also include brochures, sales material and forms that purchasers must complete and sign; there are no timescales awaiting regulator decisions. Prime Minister's *Decision No 25/2019/QD-TTg*, issued 13 August 2019, removed life insurance from the list of essential goods and services subject to the standard contracts and general trading conditions registration requirements prescribed under *Decision No 351 of 2015*. Accordingly, life insurers will no longer be required to register their products with the MOIT, but will continue to have to comply with the insurance market regulator's registration procedures outlined in *Article 39* of *Decree No 73/2016/ND-CP*.

Typically quoted discounts for groups are:

- 30 to 50 members - 5%
- 51 to 100 members - 10%
- 101 to 150 members - 15%
- 151 to 200 members - 20%.

For more than 50 members, medical history may be disregarded.

Rates are increasing by between 5% and 10% annually although, in order to keep premiums reasonably stable, per person per year coverage limits are being reduced.

### PMI Individual Rating

The table below provides an example range of annual premiums; there is generally no differential between males and females. Rates (below) quoted range from basic classic cover to premium cover for Vietnam, China, Thailand, Singapore, Taiwan, South Korea, Japan, Malaysia, Indonesia and the Philippines. Rates quoted exclude dental and maternity treatment.

| Age at inception | Annual premiums (VND 000's) |
|---|---|
| 18 to 24 | From 1,481 to 4,151 |
| 30 to 34 | From 1,889 to 5,317 |
| 40 to 44 | From 2,915 to 8,535 |
| 50 to 54 | From 4,676 to 13,059 |

*Source: Market sources*

Dental treatment cover costs about VND 3.35mn (USD 145.31) per year whilst annual individual maternity insurance premiums are about VND 4.88mn (USD 211.67).

### Managed Healthcare

Insurers operate with preferred provider networks with which they have an agreed schedule of fees, although clients are free to go outside the system if they wish. When the preferred provider network is used a direct billing system applies although if clients choose to go outside the system they are obliged to pay cash and recover subsequently from the insurer; private medical insurers do not own their own hospitals.

Plan members are issued with a card although the hospital will usually contact the insurer to check cover prior to administering treatment. Pre-authorisation of benefits is generally required except for emergency and simple treatments.

Itemised bills are carefully examined by the insurance companies to ensure that the items billed are consistent with the treatment prescribed. Some insurers employ their own doctors to check the estimates and invoices from hospitals as well as to investigate any necessary medical details; doubtful items are followed up. As a result of stringent insurer and third party administrator (TPA) checking, fraud is reported to occur only rarely.

Most companies manage their own claims: the deployment of TPAs is rare in the market. Illnesses and sicknesses which have been increasing in frequency in recent years include various forms of cancer: heart disease incidents have been reported to have been decreasing in number and frequency.

Managed healthcare under health maintenance organisation (HMO) schemes does not exist in Vietnam.

### PMI Claims Experience
Some commentators remark that not all companies report incurred claims (only paid claims): the veracity of this cannot be verified. The typical average run-off period in respect of PMI claims is reported to be short, between one and three months.

### Major Insurers
The leading PA and PMI 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*

Market sources stated that there are no particular claims issues.

### Reinsurance
Because of the prevalence of relatively low limits, PMI business is almost all retained for net account although there is evidence of some catastrophe non-proportional treaty coverage.

### Distribution
Individual business is introduced almost exclusively by agents and company in-house production staff, while group business is mainly the preserve of the brokers as the business tends to follow the property and casualty account.

### Commission
The maximum commission rate for agents is 20% for both individual and group covers, 15% for brokers.

## Long-Term Care Insurance

### Summary and Trends
No insurer offers long-term care cover and no market for this form of insurance is likely to develop in the immediate future. There are no long-term care facilities in the community and there is no demand for them as, according to local culture, the elderly are looked after by their families.

## Other Healthcare Products

### Hospital Cash Benefit Plans
Cover is not available as a stand-alone policy and would normally consist of a rider to a life insurance policy.

The most basic form of cover is a simple payment (typically USD 5 although it may go up to USD 10 or even USD 15) for each day spent in hospital up to a maximum of 30 or, less commonly, 60 days per year. Cover may also be arranged for:

- intensive care - payment of the sum assured for each day the life assured is confined in the intensive care unit (ICU) up to a maximum of 30 days
- surgical - payment of a lump sum equivalent to two times the sum assured upon receipt of proof that the life assured has undergone surgery.

It is reported that sales are modest.

## Critical Illness Insurance

Critical illness insurance is available as a rider to life and health policies and as a stand-alone policy. Most is sold as a rider to life and health policies: it is not marketed as an alternative to PMI. One major insurer estimates that between 20% and 30% of its life policies have the cover.

The number of illnesses covered differs from one company to another; the maximum is thought to be in the region of 99. The minimum sum insured is about VND 5mn (USD 216.88) whilst the average sum insured is between VND 100mn (USD 4,337.57) and VND 200mn (USD 8,675.14).

Premium rates, level throughout the whole premium paying period but not guaranteed, vary with age, payment term and gender. The premium payment term may be annual, semi-annual, quarterly or monthly. A waiting period of three to 12 months typically applies with cover available to all lives insured from age 18 to 60 and provided up to 65.

If sold as a rider to a life policy, cover is on an accelerated basis, with the sum assured the same as that of the underlying cover. The benefit works out as an advanced payment of the face amount of the basic life insurance prior to maturity. After payment of major disease benefit, the basic policy may be cancelled or the sum assured reduced accordingly with an appropriate adjustment in premium and non-forfeiture benefits. The full sum assured for critical illness may be taken upon diagnosis of one of the specified diseases.

Critical illness insurance is also available in the market on a non-accelerated (additional) basis under which the life cover and critical illness cover are not linked so that, on payment of the sum insured under the critical illness section, the underlying life policy continues.

The age cap on critical illness policies is reported to be currently up to 75 although entry age is generally limited to a maximum of 60 years.

## Medical Evacuation Insurance

Cover for emergency medical evacuation following accident or illness may be offered as part of the standard PMI cover or optional extension of it. Cover operates in the event of medical treatment not being readily available at the place of the incident in Vietnam. Evacuation costs, including medical care during the transportation, are covered to the nearest appropriate medical facility within the country or abroad, for the purpose of admission to hospital as an inpatient or day patient. The insurer reserves the right to decide whether the insured's medical condition is sufficiently serious to warrant emergency evacuation. Cover may be unlimited or limited, perhaps to about USD 20,000 and USD 50,000 per event and per year of insurance.

Medical evacuation cover is also provided by assistance companies such as International SOS.

## State Pensions

A full account of state pension provision may be found in the Social Security section of this report.

## Mandatory and/or Company Pensions

### Summary and Trends

*Circular No 115/2013/TT-BC* introduced a framework for voluntary private pensions, effective 15 October 2013, including:

- operating requirements for pension providers
- minimum standards for pension funds and insurance
- rules related to the investment of funds.

*Circular No 115/2013/TT-BTC* also provided guidance on the law on personal income tax whilst *Decree No 65/2013/ND-CP* established personal and corporate tax incentives for voluntary pension funds, although it is reported that tax treatment has proved to be inconsistent.

Since 15 October 2013 (when *Circular No 115/2013/TT-PC* came into force) some insurers (including several of the market leaders) have launched voluntary individual and group pension products compliant with the new regulations. Most providers appear to be offering pensions for the minimum 15 years stipulated by *Circular No 115/2013/TT-PC*.

Co-operation between insurers offering private pension products, and securities firms and fund managers is already showing signs of development into a more integrated form of overall financial services industry. A number of the leading life insurers (such as Prudential and Manulife) have already established asset and fund management operations capable of integrally handling the technical and consumer demands of a potentially expanding private pensions industry.

### Legislation

Social security legislation covers state pension provision. Until 2013 there was no separate legislation related to private pensions. *Circular No 115/2013/TT-BC* introduced a framework for voluntary private pensions, effective from 15 October 2013, including:

- operating requirements for pension providers
- minimum standards for pension funds and insurance
- rules related to the investment of funds.

Under the provisions of *Circular No 115/2013/TT-BC* voluntary individual and group pension products are permitted in a variety of forms: such products must provide for:

- a fixed term (minimum 15 years) or life annuity as well as for funeral benefits, death, and total permanent disability (TPD) and permanent partial disability (PPD) benefits
- investment benefits on account balances subject to a minimum guaranteed level of interest

- the right of the insured upon leaving employment, to transfer the value of their pension accounts to an individual contract or group contract of a new employer
- the provision of death, funeral and TPD benefits in addition to pension benefits.

Optionally providers may offer in addition:

- pension increase provisions
- dependant benefits
- unemployment benefits
- hospitalisation benefits
- other benefits as agreed.

In order to be qualified to offer voluntary individual or group pension products providers must hold at least VND 1trn (USD 43.38mn) in capital and maintain a minimum pension fund of at least VND 200mn (USD 8,675).

Pension fund investment may be handled by the insurer or authorised fund managers. Government bonds must comprise at least 40% of total fund investments, while investment in corporate shares and bonds are limited to 20% of total fund investments.

### Historical Development

The company pensions market in Vietnam has little significant history as it only commenced in October 2013 following the implementation of Ministry of Finance (MOF) *Circular No 115/2013/TT-BC.*

Generally it is currently reported that only a very few corporate entities have established pension schemes since the coming into force of *Circular No 115/2013/TT-BC* and *Decree No 65/2013/ND-CP.*

Annuities are reported to be unpopular and are rarely taken-up.

### Statistics

Pensions business accounted for less than 1% of total in force sums insured in 2018 and for 0.56% of total life market gross premium income in 2017.

### Taxation

*Circular No 115/2013/TT-BTC* provided guidance on the law on personal income tax whilst *Decree No 65/2013/ND-CP* established personal and corporate tax incentives for voluntary pension funds. The government was hoping that by introducing a tax incentive regime for such products, workers would increasingly save for retirement and reduce their reliance on the state Social Insurance Fund (SIF); tax incentives are:

- employee contributions up to VND 1mn (USD 43.38) per month are tax deductible
- employer contributions up to VND 1mn (USD 43.38) per employee per month are deductible as a business expense

- pension benefits from employer contributions are subject to income tax and an initial 10% withholding tax when received at normal retirement age (60 for men, 55 for women)
- benefits from employee contributions, funeral coverage, death and TPD are exempt from tax.

Reports from the market suggest that tax treatment has been inconsistent, one of the reasons why the development of the pensions market has been disappointing.

### Pension Fund Investments

It is assumed that the pattern of pension fund investments is similar to the life insurance market with potentially heavy emphasis on government bonds. Government bonds must comprise at least 40% of total fund investments, while investment in corporate shares and bonds are limited to 20% of total fund investments. In any event the private sector pensions market is currently very small.

As per MOF *Circular No 115/2013/TT-BC* investments can be handled by insurance companies or fund managers.

Co-operation between insurers offering private pension products and securities firms and fund managers is already showing signs of development into a more integrated form of overall financial services industry. A number of the leading life insurers (such as Prudential Vietnam Assurance plc and Manulife (Vietnam) Ltd) have already established asset and fund management operations capable of integrally handling the technical and consumer demands of a potentially expanding private life insurance and pensions industry.

### Pension Market Structure

The market for company pensions business began only in 2013 and remains very small.

### Membership

Membership of group pension schemes is voluntary.

### Benefit Basis

All private pensions must be on a defined contribution (DC) basis.

### Benefit Calculation

There are few details in the legislation regarding benefit calculation. Under the provisions of *Circular No 115/2013/TT-BC* voluntary individual and group pension products are permitted in a variety of forms. Such products must provide for:

- a fixed term (minimum 15 years) or life annuity as well as for funeral benefits, death and TPD/PPD benefits.
- investment benefits on account balances subject to a minimum guaranteed level of interest
- the right of the insured upon leaving employment, to transfer the value of their pension accounts to an individual contract or group contract of a new employer
- the provision of death, funeral and TPD benefits in addition to pension benefits.

Market sources stated that indexation is not a feature.

### Premiums and Funding Methods

The legislation provides little significant detail.

### Contributions From Employers and Employees

Contributions may be made by employers and employees, although in view of the tax relief provisions would normally be made by the employer; *Circular No 115/2013/TT-BC* provides for both. Transferability of corporate pensions, although provided for in the 2013 legislation, may not be extensive at present due to the very modest growth of the corporate pensions sector. Reports from the market suggest that tax treatment has been inconsistent, one of the reasons why the development of the corporate pensions market has been disappointing.

### Major Pension Providers

Most of the leading companies offer a pension product in line with the provisions of the relevant legislation.

### Distribution

Distribution is likely to be direct and through brokers.

## Other Employee Benefits

### Summary and Trends

There had previously been no history or practice of employers providing benefits for their employees in Vietnam until the arrival of foreign and foreign-invested companies, which encouraged their introduction. Employers used to buy insurance to cover their potential liability at law for injuries or illnesses suffered by their staff, although now PA and private medical insurance (PMI) policies are routinely extended to grant cover following illness in addition to accident whilst an increasing number of companies are buying healthcare cover for their employees, as demonstrated by consistent growth in the PMI account in the last five years; the latter is dominated by group business.

Group life cover for employees is not yet widespread, which does not augur well for the future of private group pension schemes.

### Taxation

One issue that concerns the market is the question of taxation of benefits. Some clarification regarding the position on taxation of medical benefits was provided by *Circular No 78/2011/TT-BTC* issued by MOF on 8 June 2011, stating that medical expenses incurred by an employee as a result of a serious illness to themselves or to parents, spouses or children, paid by domestic and foreign companies and other organisations in Vietnam, do not constitute taxable income for the employee. There is a cap on the tax free payment equal to the amount of the hospital fees less any amount paid in respect of the fees under a PMI policy.

Reports from the market suggest that tax treatment of personal and corporate pensions has been inconsistent, one of the reasons why the development of the pensions market as a whole has been disappointing.

Premiums paid in respect of group insurance financed by the employer on behalf of employees are allowed as deductions from the calculation of corporate tax, but not for group PMI.

### Survivors' Pensions

Survivor pensions have not yet developed significantly in the context of *Circular No 78/2011/TT-BTC* issued by MOF on 8 June 2011.

### Group Life Assurance

There are no separate statistics for group life business.

There is limited demand for group life cover in Vietnam: only a small number of insurers offer group life cover. In terms of total sums insured group life business accounted for less than 1% of same in 2018.

Both foreign and domestic companies may purchase group life cover as an employee benefit; the majority of demand is from foreign companies.

Group life insurance schemes usually take the form of a collective series of individual policies, to which employers may contribute up to 100% of the premiums, normally sold with two components: term life and PA or disability cover. Sums assured for term life are usually a flat amount with different levels according to seniority while PA/disability limits are linked to salary, typically 30 months' salary. The cover may also be supplemented by an accidental death and disability (AD&D) rider and in some cases a hospital cash benefit plan. Cover, in all but exceptional cases, is restricted to employees, with no supplementary benefits being granted for dependants. The employees or their heirs are the named beneficiaries: policy benefits are paid directly to them. Group universal life policies are also issued with limits of two to five times salary for key employees up to a cap imposed by the company. The average cover requested is for a limit of about USD 10,000 for senior staff, USD 2,000 to USD 5,000 for manual workers, although the limit may be much higher for senior executives. The premium is almost always paid in full by the employer.

There is no profit-sharing although insurers reduce the next year's premium if results are good.

Group life insurance is written by most companies in the market licensed to write this line of business. Distribution is through agents or direct between the company and the insurer: the maximum permitted commission level is fixed by law at 50% of the corresponding commission for the same type of individual insurance policy.

Legislation introduced at the end of 2011 established that life insurance premiums paid by employers in respect of their employees are tax deductible from the company's net profit (subject to corporate taxation).

### Long-Term Disability

Although there is no true long-term disability (LTD) cover as found in Western markets, a form of LTD is offered as a rider to a life and/or PA policy. Accidental TPD or PPD may be covered: the sum assured is usually fixed but can occasionally be a multiple of earnings.

Demand for this type of LTD insurance is limited; all cover is issued as a rider: as far as is known, no stand-alone contracts are available.

For those benefits that do exist, they are typically retained by the insured.

Distribution and commission are determined by the type of life contract to which the rider is attached.

### Medical Benefits

Detailed information on medical benefits is provided within the Private Medical Insurance subsection in the Healthcare section of this report.

### Medical Underwriting Considerations

Healthcare cover is granted on the basis of a proposal form containing a declaration of health. No medical is required either for hospital cash benefit plans or PMI cover unless there are specific concerns, in which case medical attendant reports are requested. Companies perform random testing and an independent medical examination may be asked for, as the medical attendant reports may be unavailable or incomplete. Companies stipulate that independent medical examination reports must be completed according to agreed standards and are careful in selecting the doctors to conduct such examinations.

Group life cover is also granted on the basis of the information and health declaration contained in individual proposal forms from members. Random medical tests are made and tests are arranged for high levels of cover or if underwriting considerations warrant it. Free cover limits (FCLs) vary from VND 50mn (USD 2,169) up to VND 100mn (USD 4,338) up to age 35. The normal age limit for acceptance for group life and benefits is 60 with renewal up to 65. An ECG is commonly requested for sums assured over VND 200mn (USD 8,675) and an HIV test for over VND 500mn (USD 21,688).

Some companies retain the services of medical examiners to assist with underwriting whilst some employ qualified doctors as life underwriters.

The most common policy exclusions are HIV/Aids and suicide but these are not universal; others include:

- accidents resulting from the effects of alcohol or other stimulants, self-medication and self-inflicted injuries
- HIV-related illnesses
- syphilis

- gonorrhoea
- tuberculosis (TB)
- aesthetic procedures
- sleep disorders
- birth control
- fertility
- abortions
- sexual disorders
- sex-change
- severe acute respiratory syndrome (SARS)
- avian flu (H5N1)
- war
- travelling by air other than as a fare-paying passenger in a scheduled airline
- injuries and illness arising out of natural disasters
- professional sports activities
- risks or expenses arising outside Vietnam.

### Savings Plans

As far as can be ascertained there are virtually no employer-sponsored savings plans in the market.

### Additional Employee Benefits

Company cars are issued mostly by state and foreign-invested enterprises but are becoming an increasingly common benefit for managers. A travel allowance may be granted or business travel insurance arranged for staff travelling on business.

A few companies have profit-sharing schemes.

Benefit schemes do not vary by industry although, within schemes, senior managers and expatriates may receive more favourable treatment, by varying levels of benefit according to rank, or executive or manual staff.

PA and PMI policies may be extended to grant cover following illness in addition to accident.

### Flexible Employee Benefit Arrangements

Flexible employee benefit arrangements are not a feature of the employment market in Vietnam.

### Major Employee Benefit Providers

Bao Viet Life Insurance Corporation, Dai-ichi Life Insurance Co of Vietnam Ltd, Generali Vietnam Life Insurance Ltd, AIA (Vietnam) Life Insurance Co Ltd and others write group insurance schemes that are sold as employee benefit packages.

### Distribution

The employee benefit consultants Marsh Vietnam Ltd, Mercer and Willis Towers Watson Vietnam Insurance Brokers Co Ltd are all represented in the market.

Aon also specialises in group employee benefit products to support its property and casualty portfolio.

## Multinational Pooling

### Summary and Trends

The insurance companies representing various multinational pools are shown below.

| Pool name | Local member |
|---|---|
| MAXIS GBN | Bao Viet |
| Generali | Generali Vietnam |
| Zurich | AAA Assurance Corporation |
| Insurope | Bao Viet |
| AIG Global Benefits | Bao Viet |

*Source: Axco Global Statistics / Industry Associations and Regulatory Bodies*

## Individual Pensions

### Summary and Trends

Until October 2013 there was no private individual pensions market in Vietnam.

Private pension provision legislation was introduced by MOF *Circular No 115/2013/TT-BC,* effective 15 October 2013: providing for:

- operating requirements for pension providers
- minimum standards for pension funds and insurance
- rules related to the investment of funds.

Under the provisions of *Circular No 115/2013/TT-BC* voluntary individual and group pension products are permitted in a variety of forms; such products must provide for:

- a fixed term (minimum 15 years) or life annuity as well as for funeral benefits, death and TPD/PPD benefits
- investment benefits on account balances subject to a minimum guaranteed level of interest
- the right of the insured upon leaving employment, to transfer the value of their pension accounts to an individual contract or group contract of a new employer

- the provision of death, funeral and TPD benefits in addition to pension benefits.

Optionally providers may offer in addition:

- pension increase provisions
- dependant benefits
- unemployment benefits
- hospitalisation benefits
- other benefits as agreed.

In order to be qualified to offer voluntary individual or group pension products, providers must hold at least VND 1trn (USD 43.38mn) in capital and maintain a minimum pension fund of at least VND 200mn (USD 8,675).

Pension fund investment may be handled by the insurer or authorised fund managers. Government bonds must comprise at least 40% of total fund investments while investment in corporate shares and bonds are limited to 20% of total fund investments.

The tax relief provided for in *Circular No 115/2013/TT-BTC* and *Decree No 65/2013/ND-CP* applies to voluntary individual pensions as well as voluntary group pensions. Reports from the market suggest that tax treatment has been inconsistent, one of the reasons why the development of the pensions market has been disappointing. Pensions business accounted for less than 1% of total in force sums insured in 2018 and for 0.56% of total life market gross premium income in 2017.

## Individual Pension Products

Historically, ordinary life savings/endowment-type covers have been bought as cash accumulation products with protection until retirement age.

Annuities are reported to be unpopular and rarely taken-up.

A variety of individual pension products is available from the larger life insurance companies compliant with regulations. Endowment assurance or unit-linked/universal life are, however, likely to still remain the vehicle of choice for those wishing to receive a lump sum at maturity as retirement support.

## Taxation

Life insurance premiums are not granted tax relief but the benefits from life policies are tax free at death, maturity and early surrender. Tax relief provided for in *Circular No 115/2013/TT-BTC* and *Decree No 65/2013/ND-CP* applies to voluntary individual pensions as well as to voluntary group pensions. Reports from the market suggest that tax treatment of pensions has been inconsistent, one of the reasons why the development of the market has been disappointing.

## Expatriates

Expatriates are entitled to buy life cover locally if they have been in the country for at least six months although few do so; most arrange cover in their country of origin.

# Pension and Employee Benefits

## Statistics

Pensions business accounted for less than 1% of total in force sums insured in 2018 and for 0.56% of total life market gross premium income in 2017.

## Major Providers

Most life insurance companies in the market sell individual endowment, universal life and unit-linked products which can be used to supplement retirement by way of a lump sum or annuity. Annuities are reported to be unpopular and are rarely taken-up.

Since 15 October 2013 (when *Circular No 115/2013/TT-PC* came into force) some insurers (including several of the market leaders) have launched voluntary individual and group pension products compliant with the new regulations: it would appear that Prudential is currently the market leader in individual and group pensions business.

## Distribution

Distribution is reported to be through agents and via bancassurance.

## Summary and Trends

Growth in the life insurance market continues be very dynamic, significantly outpacing growth rates in non-life insurance. In 2017 and 2018 respectively gross premium income in the life insurance market grew by 31.14% and 30.61%.

The product mix of the life insurance market premium is mainly made up of savings business, that is endowment and universal life. Individual life business accounted for about 99% of total market life sums insured in 2018.

An approximate 2018 breakdown by sub-class of in force life business broken down by percentage of the total all subclasses sums insured is:

- term life - 2%
- endowment - 11%
- whole life - less than 1%
- universal life - 49%
- annuities - less than 1%
- unit-linked - 2%
- pensions - less than 1%
- health insurance riders - less than 1%
- group life - less than 1%
- PA riders - 36%.

New business sums insured in 2018 show a similar pattern with universal life accounting for 49% of the total. It will be observed that whole life, annuities, pensions and group life business accounted for very small percentages of total in force sums insured.

These figures exclude private pensions business (please refer to subheading Summary and Trends - Pensions for details).

Universal life predominates over unit-linked insurance principally because agents still consider unit-linked to be a complex product, preferring to sell endowment and universal life products which are easier to explain to the customer. In any event it is estimated that individual life business is sourced predominantly through agents with the balance emanating from bancassurance and direct acquisition.

Bancassurance appears to have been growing very significantly in popularity of late as a means of life insurance distribution. It was reported in 2019 that some banks have annual triple digit growth rates of life insurance sales in 2018 and that in the first half year of 2018 the number of life insurance contracts concluded via bancassurance grew by 89% to reach nearly 857,000 policies. These statistics, whilst showing dramatic growth in bancassurance penetration, should be considered against a background of comparatively low life insurance premiums per head in Vietnam and a generally underdeveloped rate of life insurance penetration in the country. For this reason, market commentators are enthusiastic regarding the future development potential of the life insurance market with Swiss Re estimating the sales potential of the market to be as high as USD 700bn. Reports suggest that a number of bancassurance relationships have recently changed or been expanded and that further changes are in the pipeline (see subheading Bancassurance in this section for further details).

*Circular No 52/2016/TT-BTC* of 21 March 2016 replaced *Decision No 96/2007/QT-BTC* of 23 November 2007 containing revised regulations pertaining to universal life insurance. *Circular 135/2012/TT-BTC* replaced regulations pertaining to unit-linked business in *Decision No 96/2007/QT-BTC* of 23 November 2007.

*Circular No 01/2019/TT-BTC*, amending *Circular No 50/2017/TT-BTC*, was published 2 January 2019, effective 16 February: among other things, it revised the calculation of the maximum technical interest rate used in life insurance reserving. Due to the recent low rates in Vietnam, insurers have had to hold higher reserves and, in many cases, make capital injections. The effect of this amendment, increasing the maximum technical interest rate, is the alleviation of the pressure on insurer balance sheets.

All investment funds in respect of life insurance savings products in Vietnam must be placed in local markets.

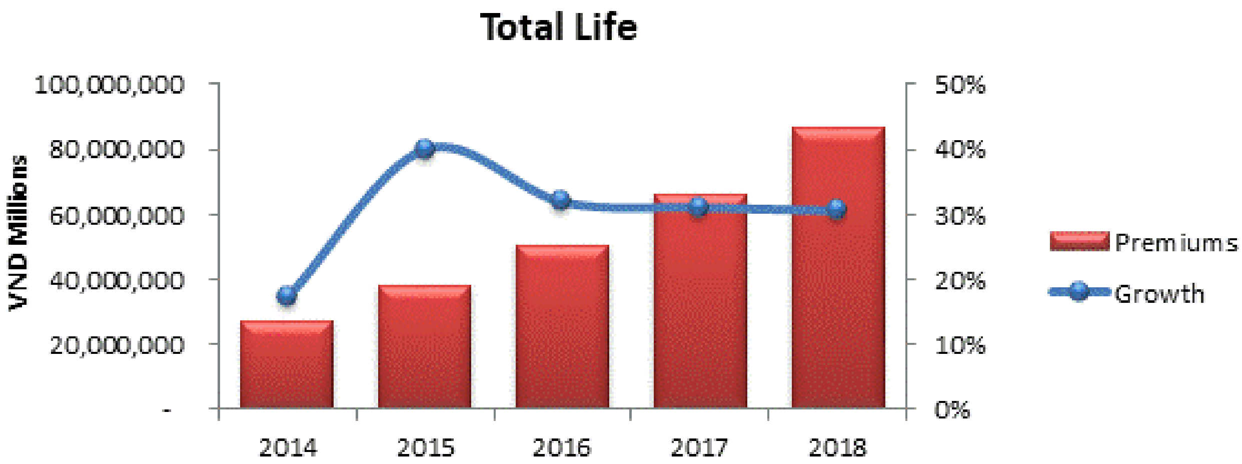
A degree of microinsurance is carried out through organisations such as the Women's Union and Farmers' Union. The premium volume arising from this source is not known, but it is unlikely to constitute a significant percentage of market premium income

There are no 100% locally-owned life insurers: there is one company with majority local shareholding interests (Bao Viet Life Insurance Corporation; otherwise the market is comprised of foreign-owned insurers, most of whom are part of large international or regional insurance or financial services groups, either branches or joint ventures. Companies from Japan, Taiwan, Singapore, UK, France, Canada and the US are represented.

All life insurance policies are written in VND.

### Statistics

Gross written premiums and growth rates for the entire life insurance market in the last available five years are shown below; individual business is thought to represent the majority of gross premium income.




*Source: Axco Global Statistics/ Industry Associations and Regulatory Bodies*

*New statistical information may have been included in the appendices.*

## Taxation

Information on personal income tax rates is provided within the Personal Taxation subsection in the Taxation section of this report.

Individual life insurance premiums are not granted tax relief; however, benefits from life policies are tax free at death, maturity and early surrender.

## Expatriates

Expatriates are entitled to buy life cover locally if they have been in the country for at least six months but few do so; most arrange cover in their country of origin.

## Premiums

Insurers compare each other's rates and covers on a regular basis, adjusting their terms accordingly. Some of the new entrants to the market are offering lower prices in order to gain market share. Premiums have been stable in recent years as pricing assumptions have not changed much although competition is continuously increasing.

Premiums are calculated on age, gender, occupation, type and period of contract as well as amount of sum assured. Premiums for women are at rating levels two or three years less than men of an equivalent age, although locally this differential is not considered sufficient to reflect reality. There is no differentiation in rates between smokers and non-smokers nor any preferred life underwriting.

Mortality tables in use vary although the CS080 table, adjusted for the local market, is standard. Insurers report that, even after the adjustment to reflect local mortality rates, mortality continues to be less than expected: it is estimated that 50% to 70% of the table would be appropriate for current pricing. Companies are free to use any table they wish for pricing but it must be justified to the regulator by the company actuary; there is no Vietnamese mortality table.

*Circular No 01/2019/TT-BTC*, amending *Circular No 50/2017/TT-BTC*, was published 2 January 2019, effective 16 February: among other things, it revised the calculation of the maximum technical interest rate used in life insurance reserving. Due to the recent low rates in Vietnam, insurers have had to hold higher reserves and, in many cases, make capital injections. The effect of this amendment, increasing the maximum technical interest rate, is the alleviation of the pressure on insurer balance sheets.

## Bonuses

Policy fund surpluses should be distributed at least 70% to policyholders; this division was set by legislation issued in 2006 and has applied since then.

Some companies declare an annual reversionary bonus (guaranteed) whilst others declare cash dividends (not guaranteed) and some companies offer loyalty bonuses at five year intervals.

It is anticipated that bonus rates will continue to progressively reduce in future in a potential environment of lower inflation and interest rates.

## Surrenders and Lapses

The following table shows the lapse ratios for the last available five years:

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|
| Lapse ratio (%) | 9.17 | 10.39 | 9.56 | 9.00 | 6.16 |

*Source: Axco Global Statistics / Industry Associations and Regulatory Bodies*

There seems to be no obvious cases of over-selling or agent churning, both activities being more tightly controlled by insurers now following direction from government in *Circular No 50/2017/TT-BTC* of 15 May 2017 which left unchanged guidelines in *Circular Nos 124/2012/TT-BTC* and *125/2012/TT-BTC* focusing on agent selling behaviour and training.

Market sources stated that there is no second-hand (traded) market.

## Product Summary

A range of life products is on offer in Vietnam; historically the most popular were endowment with profit contracts geared to savings for education and retirement. These products are now being progressively surpassed in terms of growth by universal life, expected to be the main driver of the market over the next few years.

Whole life and term assurance products are available.

Companies offer a range of riders which include:

- accidental death and permanent disability
- accidental death and disability (AD&D) weekly indemnity
- waiver of premium
- hospital cash benefit
- critical illness.

Only very small volumes of single premium and annuity business are transacted.

### Term Life

Term insurance policies are available for periods of five, 10, 15 and 20 years: some companies apply a minimum term of five years.

The term life market is small, representing about 2% of total market in force sums insured in 2018.

Guaranteed rates are the norm as variable premiums are not accepted by the consumer. Policies are non-participating: age at entry is from 15 to 60, the maximum age at maturity being 65.

A small amount of decreasing term cover is issued for loans although the mortgage market remains small.

A new term life market, microinsurance, has opened up since 2009. Several companies including Manulife (Vietnam) Ltd and Prudential Vietnam Assurance plc are marketing a low-premium policy in the interior of the country. Prudential, which has a strong presence in the interior through regional offices and agents, makes presentations to the local communes, selling the product through both the Women's Union and Farmers' Union. The policy offered is a term life contract with triple benefit for death by accident and medical cover. For a basic life sum assured of VND 10mn (USD 433.76) the annual premium for a 10-year policy is about VND 400,000 (USD 17.35). Premiums are payable only for the first five years: all premiums paid are returned if the insured survives after the end of the policy period.

### Critical Illness

Critical illness insurance is available as a rider to life and health policies, and as a stand-alone policy. Most is sold as a rider to life and health policies: it is not marketed as an alternative to private medical insurance (PMI). One major insurer estimates that between 20% and 30% of its life policies have the cover.

The number of illnesses covered differs from one company to another; the maximum is thought to be in the region of 99. The minimum sum insured is about VND 5mn (USD 216.88) whilst the average sum insured is between VND 100mn (USD 4,337.57) and VND 200mn (USD 8,675.14).

Premium rates, level throughout the whole premium paying period but not guaranteed, vary with age, payment term and gender. The premium payment term may be annual, semi-annual, quarterly or monthly. A waiting period of three to 12 months typically applies with cover available to all lives insured from age 18 to 60 and provided up to 65.

If sold as a rider to a life policy, cover is on an accelerated basis, with the sum assured the same as that of the underlying cover. The benefit works out as an advanced payment of the face amount of the basic life insurance prior to maturity. After payment of major disease benefit, the basic policy may be cancelled or the sum assured reduced accordingly with an appropriate adjustment in premium and non-forfeiture benefits. The full sum assured for critical illness may be taken upon diagnosis of one of the specified diseases.

Critical illness insurance is also available in the market on a non-accelerated (additional) basis under which the life cover and critical illness cover are not linked so that, on payment of the sum insured under the critical illness section, the underlying life policy continues.

The age cap on critical illness policies is reported to be currently up to 75 although entry age is generally limited to a maximum of 60 years.

### Group Credit Life

There is no group credit life cover as such although credit life cover is sold in the market as individual policies. Cover for a group can thus be arranged by the issue of individual policies that are subsequently packaged for the group. The product, sold mainly through banks, is used to cover outstanding loans for homes, cars and household appliances. Some companies, such as Prudential, give cover through a finance company (a member of the group).

The product is available on a stand-alone basis, usually with cover against death and disability only; a few policies are issued with PA and sickness protection also but cover against unemployment is not given in the market. Cover is granted for up to five years, with the average being two to three.

### Endowment

Although endowment has been losing ground to universal life policies, it is still a popular life cover in the market. The product is well understood by agents, who are accustomed to selling it: the sale of the product places fewer requirements on them than the marketing of unit-linked or universal life (more regulated, requiring some specialised training).

Several types of plan are sold, aimed at medium-term saving, providing a cash sum for education, a wedding or retirement. Most of these are anticipated endowment with profit contracts for periods of 10 to 20 years paying a percentage of the sum assured at the time of the event contemplated, the remainder periodically after that. If the life assured dies before the event the sum assured is payable to the named beneficiaries. Age upon entry is generally set at 0 to 60 with a maximum age at maturity of 99. About 60% of endowment policies are educational plans covering both parents for a sum assured of around VND 100mn (USD 4,338) and a policy period of about 15 years. About 15% of the total are estimated to be retirement plans, many of which are for a 30-year period, with a sum assured of VND 100mn (USD 4,338) to VND 200mn (USD 8,675).

Under 15-year term contracts a cash value (bonus) is generally declared at intervals of three years: encouragement is given to policyholders to reinvest the funds in the policy. In a similar way a cash value (bonus) is declared at intervals of five years for contracts of 20 years' duration. On death or maturity the sum assured and all accumulated bonuses are paid; on the occurrence of total permanent disability (TPD) of the life assured before age 60 the sum assured plus all accumulated bonuses are paid, whereby these payments are made in 10 instalments for 10 years. From age 60 onwards the premium is waived for the rest of the policy term.

The market also offers an endowment contract specifically designed for women as well as pure endowment contracts with premium payments over, for example, a 10-year period for a contract with a currency of 15 to 20 years; income payments are in the form of an annuity at maturity.

A full range of riders, including:

- accidental death and permanent disability
- AD&D weekly indemnity
- waiver of premium
- hospital cash benefit
- critical illness

is offered on all endowment contracts.

An annual reversionary bonus may be paid on with profit covers or, alternatively, a cash dividend.

### Unit-Linked

*Circular No 135/2012/TT-BTC* replaced regulations pertaining to pertaining to unit-linked business in *Decision No 96/2007/QT-BTC* of 23 November 2007.

Open-ended funds, contemplated by the *Law on Securities*, *Law No 70/2006/QH11* of 29 June 2006 were regulated by *Circular No 183/2011/TT-BTC* of 16 December 2011, making their creation possible.

*Circular 135/2012/TT-BTC* establishes that the protection risk element of the policy must comprise:

- for single premium contracts a minimum sum assured equal to VND 50mn (USD 2,169) or 125% of the premium, whichever is greater
- for policies with periodic premium payments the higher of VND 50mn (USD 2,169) or five times the annual premium paid for policies, whichever is greater.

Companies offer a restricted range of riders for unit-linked policies including:

- AD&D
- hospital cash benefit plans
- critical illness cover.

Although the law envisages single premium policies, reports indicate that few have been issued with a more restricted asset mix for investments applying to them.

In order to write the business, insurers are required to set up their own fund management company. At present there are over 30 investment funds in the country, all of which are closed funds, comprising a mixture of equity, bonds and mixed funds; some are local and some are foreign-owned: the foreign-owned funds are the largest. The unit-linked market remains small representing about 2% of in force sums insured in 2018.

## Universal Life

*Circular No 52/2016/TT-BTC* of 21 March 2016 replaced *Decision No 96/2007/QT-BTC* of 23 November 2007 containing revised regulations pertaining to universal life insurance.

*Circular No 52/2016/TT-BTC* stipulates that insurers writing universal life business must have a minimum solvency margin that is 4% of the operational reserve plus 0.3% of the sum at risk and that in any event, insurers must have a solvency margin which is VND 100bn (USD 4.34mn) higher than the minimum solvency margin. Detailed provisions are set out in relation, inter alia, to policy benefits, fees, management of the life fund, insurer responsibilities to disclose information, and solvency and technical reserves.

Universal life is gradually taking over from endowment policies as the preferred savings option in the market: this situation is likely to continue. A standard individual policy is available; there are also group policies and family policies covering the head of the family, to which other family members may be added. Policy wordings follow the standard US market conditions whereby cover and contributions may be changed at each anniversary date. The product is sold to all sectors of the market through a trained agency force.

Policies are available for entry up to age 70 with cover continuing until the life insured is 99. Cover is on the basis of 60% protection, 40% savings plus a guaranteed annual, reversionary bonus is payable with a full range of riders is available.

The universal life market dominates market life insurance activity, making up nearly 50% of total market sums insured in 2018.

### Whole Life
Demand for whole life cover has been reducing, representing some 0.2% of total gross market life insurance premiums in 2017, less than 1% of total market sums insured in 2018.

### Annuities
Information on annuities is provided within the Individual Pensions subsection in the Pension and Employee Benefits section of this report.

### Other Policy Types
No individual long-term care or long-term disability (LTD) policies are available on a stand-alone basis although all companies offer a variety of riders including AD&D. There are no equity release-type products.

### Medical Underwriting
Many companies employ qualified doctors as life underwriters: the greatest care is taken to ensure the quality of the risk accepted. The normal underwriting factors are:

- age
- occupation
- geographic location
- family history
- gender.

On the proposal form the proposer is required to authorise underwriters to approach his or her doctor to request past medical history although records are frequently found to be missing, incomplete or unreliable. When in doubt or if the sum assured requested warrants it, insurers arrange a medical and/or tests with a doctor appointed by them. Random medical checks are also carried out for underwriting purposes.

Insurers are increasingly concerned by the incidence of fraud: it is common for them to re-underwrite at the time of a claim to check that a full and accurate proposal declaration was made.

Insurers may ask whatever questions they wish on the proposal form, often including questions on HIV/Aids.

Non-medical limits vary from company to company, in accordance with sum assured and age at entry.

An HIV test is not generally performed unless the sum assured is at least VND 500mn (USD 21,688) or the insured's lifestyle, occupation, family history or residence suggests that it would be appropriate. Genetic testing is allowed but is very expensive: as insurers would have to pay for the test they usually do not request it.

Companies do not operate a preferred life underwriting system as the statistics available are not yet sufficient to support it.

The table below shows an example of the medical underwriting requirements applied in the market.

| Sum assured (VND mn) | Age | | | | | | |
|---|---|---|---|---|---|---|---|
| | Below 1 | 1 to 13 | 14 to 17 | 18 to 29 | 30 to 45 | 46 to 55 | Above 55 |
| 0 to 75 | A | A | A | A | A | A | B |
| Over 75 to 150 | H | A | C | A | A | C | C |
| Over 150 to 250 | H | A | C | C | C | C | C |
| Over 250 to 500 | H | H | C | C | C | C | C |
| Over 500 to 1,000 | I | I | I | C | C | C | D |
| Over 1,000 to 1,500 | I | I | I | D | D | D | D |
| Over 1,500 to 2,000 | I | I | I | E | E | E | E |
| Over 2,000 to 3,000 | I | I | I | F | F | F | F |
| Over 3,000 | I | I | I | G | J | J | J |

*Source: Market sources*

In the table above, medical requirements vary from none (corresponding to A), to a medical examination with blood test and HIV (C), to a comprehensive series of tests (J) including stress electrocardiogram, abdominal ultrasound, pulmonary function test and a blood profile comprising CPB, HIV, cholesterol, triglycerides, HDL cholesterol, glucose, creatinine, urea, HBsAg, SGOT, SGPT, gamma GT, alkaline phosphatase, albumin and AFP.

### Financial Underwriting

Insurers all take a similar approach to financial underwriting. Firstly a check on the suitability of the sum assured is made against annual income; further checks may be made by looking at:

- occupation
- residential address
- financial situation
- lifestyle
- the school attended by the proposer's children.

## Other Underwriting Considerations

There are no other underwriting considerations relevant to the market.

## Major Insurers

The leading individual life insurers and their market shares are shown below.

| Company | Market share 2016 (%) |
|---|---|
| Prudential | 28.19 |
| Bao Viet Life | 26.36 |
| Manulife | 12.58 |
| Dai-ichi Life | 10.65 |
| AIA | 8.88 |

*Source: Axco Global Statistics / Industry Associations and Regulatory Bodies*

## Distribution

Individual life business is reported to be mainly distributed by agents and via bancassurance.

Bancassurance appears to have been growing very significantly in popularity of late as a means of life insurance distribution. It was reported in 2019 that some banks have annual triple digit growth rates of life insurance sales in 2018 and that in the first half year of 2018 the number of life insurance contracts concluded via bancassurance grew by 89% to reach nearly 857,000 policies. These statistics, whilst showing dramatic growth in bancassurance penetration, should be considered against a background of comparatively low life insurance premiums per head in Vietnam and a generally underdeveloped rate of life insurance penetration in the country. For this reason, market commentators are enthusiastic regarding the future development potential of the life insurance market with Swiss Re estimating the sales potential of the market to be as high as USD 700bn. Reports suggest that a number of bancassurance relationships have recently changed or been expanded and that further changes are in the pipeline (see subheading Bancassurance in this section for further details).

Banks tend to direct loan-related insurance to their associated insurers, although it is prohibited to unduly influence a proposer to buy from any one insurer.

## Commission

*Circular No 50/2017/TT-BTC* sets out the maximum percentage commissions payable to agents for personal life insurance policies as per the following table (replacing *Circular No 124/2012/TT-BTC):*

| Line of business | By instalment | By instalment | By instalment | By lump sum payment |
|---|---|---|---|---|
| | 1st year | 2nd year | Following year | |
| Term life | 40 | 20 | 15 | 15 |
| **Permanent life** | | | | |
| Term of less than 10 years | 15 | 10 | 5 | 5 |
| Term of more than 10 years | 20 | 10 | 5 | 5 |
| **Endowment insurance** | | | | |
| Term equal to or less than 10 years | 25 | 7 | 5 | 5 |
| Term of more than 10 years | 40 | 10 | 10 | 7 |

| Line of business | By instalment | By instalment | By instalment | By lump sum payment |
|---|---|---|---|---|
| **Whole life** | 30 | 20 | 15 | 10 |
| **Annuity** | 25 | 10 | 7 | 7 |

*Note: for group life maximum commission is 50% of rates in table for the same line of business.*
*For a combination of individual lines of business insurers shall calculate commissions according to the total amount of commissions per individual line of business or according to the practices of the primary insurance policy.*
*Source: Axco Global Statistics / Industry Associations and Regulatory Bodies*

## Claims

No statistics are available in relation to claims under individual life policies.