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INSURANCE MARKET REPORT

LAOS: NON-LIFE (P&C)

Country Map



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Map of the Area



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Market Developments

- In the last five years the insurance market in Laos has undergone a major expansion in the number of licensed companies from seven at the end of 2014 to 22 in the first quarter of 2019, (with approval of a further two licences pending).
- The regulator is aware that current insurance legislation is incomplete in some respects and it is currently preparing unspecified amendments aimed at upgrading existing insurance legislation in line with international regulatory standards: it is not known precisely when these amendments will be finalised and passed into law. The regulator is not currently prepared to disclose the detail of the amendments that it intends to propose.
- The regulator licensed five insurance brokers in 2018 and 2019. Previously there were no locally licensed brokers.
- The USD 6.7bn railway link being built between China and Laos is expected to be fully operational in 2021. It is certain to provide a significant boost to local economic development and growth, promoting enhanced trade and tourism between the two countries and more broadly within the ASEAN free trade area: these represent crucial advances for the land-locked and relatively poor and underdeveloped country of Laos. Current evidence exists of strong Chinese investment in industrial and commercial development (including hotels and tourism facilities) in Laos.
- Late on 23 July 2018 a major catastrophe occurred in the southern Attapeu province when a saddle dam collapsed, causing major floods with a reported outflow of five billion cubic metres of river water into villages and the surrounding countryside. Reports in September 2018 indicated that the catastrophe caused at least 40 fatalities, at least 98 missing persons, some 6,600 displaced persons and thousands of damaged homes. Recently available information from the local insurer dealing with this catastrophe indicates that the USD 50mn limit of liability in the relevant construction insurance policy is likely to be fully exhausted once all claims by third parties are settled.

The Future

The growth prospects in this small market over the next five years appear to be good but they are likely to be accompanied by intensifying market competition, evidence of which is already present, following reports that average property and construction insurance rates declined by about 10% to 20% per annum in 2017 and 2018 with significant encouragement from a soft reinsurance market.

Key Facts

Growth in the non-life and life markets is shown below. No PA and healthcare statistics are available in respect of 2015 to 2017.



New statistical information may have been included in the appendices.

- The rate of exchange used in this report is LAK 8,518.42 : USD 1. Further details are provided within the Currency and Exchange Control subsection in the Politics and the Economy section of this report.
- Laos has a land area of 91,429 sq miles (236,800 sq km), approximately the same size as the UK. It is approximately 600 miles (960 km) long and its widest point is in the north-west. The population was reported to be 6.96 million in 2018.
- The Siamese ceded Laos to the French in 1893 in a treaty bringing the country into the Union of Indo-China. After occupation by the Japanese in World War 2, the French first recolonised and then withdrew from the country. Internal struggles followed between royalists and communists backed by North Vietnam. Laos is now a one-party state controlled by the Lao People's Revolutionary Party (LPRP).
- Approximately 70% of the country consists of mountains, highlands and plateaux. The eastern frontier touches the Annamite Chain, a range of mountains that runs from Tibet to Vietnam, slicing the watersheds of the main east-flowing rivers that discharge their waters into the South China Sea. The Dangret ranges and the cataracts at Khone in the south hinder communications with Cambodia. Only in the west, where the Mekong River forms a buffer with Thailand's Khorat Plateau, is access beyond the country's borders relatively easy.
- The constitution states that Laos is a democratic republic. At present, however, it is a one-party state under the control of the Lao People's Revolutionary Party (LPRP). The president is Bounnhang Vorachit, who was appointed in January 2016 following the LPRP tenth party congress. The prime minister is Thongloun Sisoulith, who was appointed in the aftermath of the March 2016 elections.
- Real GDP is expected to expand by 6.80% in 2019 and 6.74% in 2020, with moderation driven by a weaker external environment. Due to stronger domestic demand, adverse weather and a modest recovery in commodities prices, inflation was expected to rise to 2.30% in 2019 and 2.90% in 2020.

Key Facts

- Official statistics from the Insurance Management Authority (the regulator) for 2017 show that total non-life insurance market premium income reduced by 15.26% as compared to 2016 partially due to reductions in property and construction insurance premium. 2017 also saw a reduction in the number and value of major locally insured construction projects (as the government sought to control public debt and expenditure), with consequent depressive effects on premium income growth. There were also indications of restraint in consumer spending in 2017 which resulted in a comparatively low rate of growth in the motor account and shrinkage in the miscellaneous and MAT accounts.
- In the last five years the insurance market in Laos has undergone a major expansion in the number of licensed companies from seven at the end of 2014 to 22 in the first quarter of 2019, (with approval of a further two licences pending).
- Non-admitted insurance is not permitted because the *Ministerial Instruction on implementing the Law on Insurance* dated 19 February 2014 stipulates that "all individuals' and legal entities' businesses, properties and assets situated within the country shall be insured by a locally licensed insurer". Exceptions are marine cargo imports under CIF conditions of trade, or exports sold FOB or C and F and insurances which are related to foreign direct investment or intergovernmental agreement; where the non-admitted provisions of the law are specifically exempted with government consent.
- The insurance market regulator is the Ministry of Finance, which in 2014 established a separate division known as the Insurance Management Authority.
- Motor third party liability is the only class subject to a statutory tariff.
- The *Law on Insurance No 06/NA* of December 2011 permits subsidiaries of foreign-owned companies and joint venture companies between Lao and foreign interests. The principal regulations relating to these companies are identical to those applying to local Lao insurers. Branches of foreign companies are not permitted.
- Local distribution is mainly through in-house agents and direct. The regulator licensed five insurance brokers in 2018 and 2019. Previously there were no locally licensed brokers. Anecdotal evidence suggests that about 50% of non-life premium volume emanates from international brokers outside the country.
- The main natural peril exposure in Laos is flooding along the Mekong River, but underwriters are free to avoid the risks, or to cover them with sizeable deductibles. Vientiane, situated on the banks of the Mekong, is protected by more than 11 miles (17 km) of riverbank defences.
- The *Ministerial Instruction on implementing the Law on Insurance* lists three principal classes of in-force and prospective compulsory insurance of which two items are not yet fully specified or implemented. By separate legislation, accidents at work are covered by a social security system managed by the Social Security Organisation (SSO) made compulsory in 2013 (for all employers and employees) including foreigners but excluding the self-employed. The scheme covers both occupational accidents and diseases.

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)	6.76	6.86	6.96	7.06	7.16
Total GDP (USD mn)	15,805.71	16,759.09	17,929.88	19,458.55	21,171.39
Real GDP growth (%)	7.02	6.89	6.78	6.80	6.74
Inflation (%)	1.60	0.83	2.04	2.60	2.90

Source: IMF and IHS Markit

History

Early History

- 1353 The Lao kingdom of Lane Xang (meaning the Land of a Thousand Elephants) emerged under Fa Ngoum, a Lao prince who grew up in the Khmer court of Angkor in what is now Cambodia. Theravada Hinayanist Buddhism was introduced.
- 1637 Souigna Vongsa was elected to the throne and ruled for 57 years. The country was able to establish secure borders by means of treaties.
- 1769 The northern provinces were annexed by the Burmese, and those of the lower Mekong by the Siamese nine years later. Vientiane was temporarily lost.
- 1827 A failed rebellion against the Siamese led by King Chao Anou led to the sacking and destruction of Vientiane.
- 1893 Laos was formally ceded by the Siamese to France in a treaty bringing Laos into the Union of Indo-China. The Mekong River was made the border between Laos and Burma, effectively designating Laos as a buffer state between the British and French-controlled areas.

20th/21st Century

- 1941 Indo-China was invaded and occupied by the Japanese.
- 1945 The surrender of the Japanese encouraged the Lao Issara (Free Lao) movement to press for independence from the French. France refused to recognise the declaration of independence by Prince Phetsarath in September 1945 and re-imposed its rule. King Sisavang Vong was crowned constitutional head of France's new protectorate in 1946. The Lao Issara government fled and, with the support of Ho Chi Minh's guerrilla movement in Vietnam, a government in exile under Prince Phetsarath was set up in Bangkok.
- 1953 Increasing nationalist pressure eventually resulted in France agreeing to grant Laos formal independence within the French Union in July 1949 and full sovereignty in 1953 after France's defeat by the Viet Minh at Dien Bien Phu in northern Vietnam. Laos was granted full independence as a constitutional monarchy with Sisavang Vong as king.
- 1958 The communist-inspired Pathet Lao (Lao Nation) party was expelled from the coalition with the royalist government in Vientiane, and resumed guerrilla activities in the northern provinces with the assistance of the North Vietnamese.
- 1961 The *Geneva Agreement* guaranteed Lao neutrality, but communist guerrillas from North Vietnam continued to infiltrate into the south using the Ho Chi Minh trail passing through Lao and Cambodian territory.

General Country Information

- 1964 American bombing of the Ho Chi Minh trail began and resulted in covert operations directed against the North Vietnamese from Lao territory by the US Central Intelligence Agency (CIA). At the same time the civil war between the American-backed royalists and the Pathet Lao forces assisted by the North Vietnamese intensified.
- 1975 The American withdrawal from Vietnam led to the flight of the government and victory for the Pathet Lao guerrillas who, once in power, were renamed the Lao People's Revolutionary Party (LPRP). A policy of nationalisation and agricultural collectivisation was introduced. Tens of thousands were imprisoned or dispatched to re-education camps. The deposed king, Savong Vatthana, and other members of the royal family perished and large numbers of Lao fled to Thailand as refugees.
- 1986 The government introduced the New Economic Mechanism (NEM) which implemented a move from a centrally planned to a market-driven economy.
- 1989 A series of economic reforms were agreed with the World Bank and the IMF. These included fiscal and monetary reform, the privatisation of state-controlled companies, and the promotion of private enterprise and foreign investment.
- 1991 A new constitution was adopted. Elections were held for the new National Assembly.
- 1997 Laos was admitted to the Association of Southeast Asian Nations (ASEAN).
- 2001 The IMF approved a three-year USD 40mn loan to be used to reduce poverty through increased macroeconomic stability.
- 2009 In June President Barack Obama declared that the US no longer considered Laos to be a Marxist-Leninist country, which allowed funding for Laotian companies from the US Export-Import Bank.
- 2013 In February Laos joined the World Trade Organization as it further integrated itself into the global economic system.
- 2014 A plane crash in Xieng Khouang province killed several senior members of the politburo including the deputy prime minister and the minister for public safety, prompting a reshuffle in the senior leadership.
- 2016 Deputy Prime Minister Thongloun Sisoulith became prime minister in April following a party congress in January. Bounnhang Vorachit, the General Secretary of the LPRP, was appointed president.
- 2018 In July, the collapse of a section of the Xepian-Xe Nam Noy dam near the Cambodian border killed at least 40 people, although non-official reports suggested that over a thousand people were missing.

Geographic Description

Country Name

The Lao People's Democratic Republic (Lao PDR or LPDR).

The country is known internationally as Laos, which is a misnomer as the people and the language are both called Lao. The additional "s" was introduced by the French when they were the colonial power.

Frontiers and Coastline

Known as "the land in between", Laos is landlocked. It is bordered by China to the north, Vietnam to the east, Cambodia to the south and Thailand and Myanmar to the west.

General Country Information

Land Area

Laos has a land area of 91,429 sq miles (236,800 sq km), approximately the same size as the UK. It is approximately 600 miles (960 km) long and its widest point is in the north-west.

Administration

Laos is divided into 17 provinces for the purposes of local government. These are further divided into districts, which in turn are divided into villages.

Topography

Approximately 70% of the country consists of mountains, highlands and plateaux. The eastern frontier touches the Annamite Chain, a range of mountains that runs from Tibet to Vietnam, slicing the watersheds of the main east-flowing rivers that discharge their waters into the South China Sea. The Dangret ranges and the cataracts at Khone in the south hinder communications with Cambodia. Only in the west, where the Mekong River forms a buffer with Thailand's Khorat Plateau, is access beyond the country's borders relatively easy.

The mountainous northern terrain is noted for its dense jungles, narrow valleys and steep gorges, making it one of the most impassable and least explored areas in the whole of south-east Asia. Tran Ninh Plateau in the east is an infertile limestone plain of rolling hills and grassland best known for the Plain of Jars. Phou Bia, the country's highest peak at 9,186 feet (2,800 metres), lies to the south on the edge of the plateau. One of the most fertile areas, the Bolovens Plateau, is in the south.

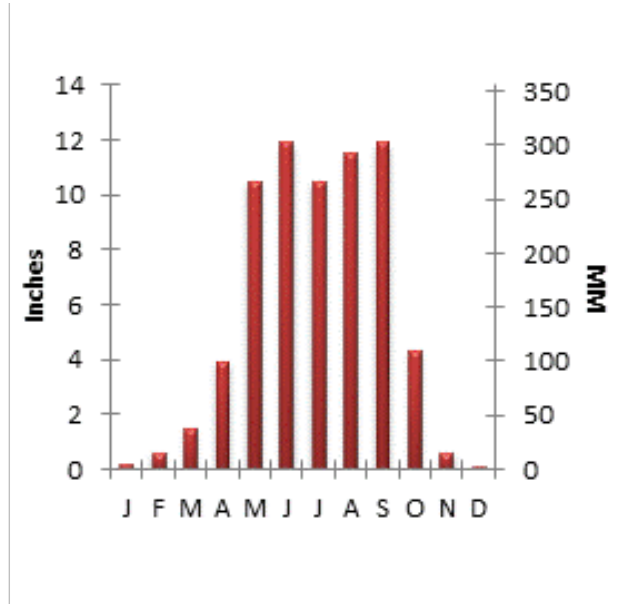
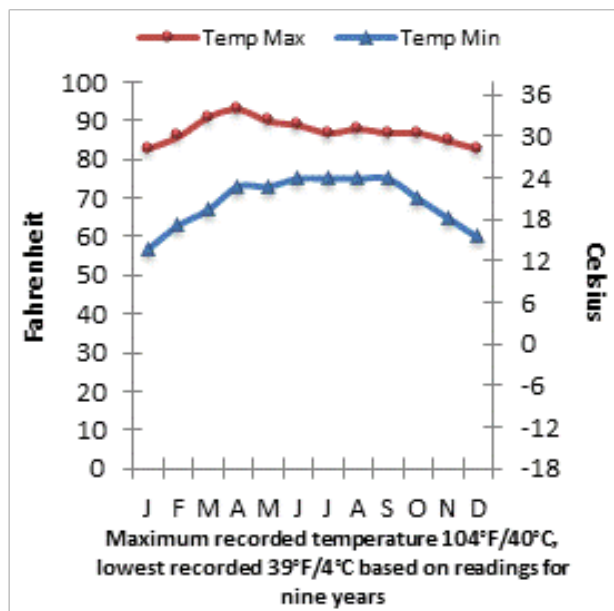
Climate

Temperatures are tropical to subtropical, varying with altitude, latitude and the monsoon. There are two distinct seasons but there is considerable variation between districts according to latitude and elevation. During the dry season, which runs from November to April, less than two inches (five centimetres) of rain per month falls on the Vientiane plain, which receives an average rainfall of as much as 11.8 in (30 cm) per month from May to October. Average annual rainfall varies across the country from 49.21 in (125 cm) at Louangphrabang to 98.43 in (250 cm) on the Bolovens Plateau. Temperatures can drop as low as freezing point, particularly in December and January, in Xieng Khuang province.

Average temperatures and rainfall for Vientiane, 17°58'N, 102°36'E at 531 ft (162 m) are shown in the graph below.

Vientiane

General Country Information



Population and Demographic Trends

Population

In 2018, the population was estimated to 6.96 million, trending slightly below official estimates.

In 2018 the World Bank estimated that 35.0% of Laotians lived in urban areas, while the majority, 65.0%, lived in rural areas. The trend towards urbanisation is advancing, although many Laotian cities remain smaller and less hectic than their regional counterparts.

Urban living standards are not much higher than those in rural areas and many people live at or around the basic subsistence level. Despite being a major regional energy exporter, domestic consumers face regular shortages. Literacy rates, especially for women in rural areas, are low by regional standards.

According to the 2015 census ethnically the population was 53.2% Lao, 11.0% Khmou and 9.2% Hmong. The remaining 26.6% was made up of various smaller ethnic groups such as Thai, Makong, Katang, Akha, Lue, Triang, Oy and Brao.

Total population figures are shown below.

Year	Population (mn)
2018	6.96
2017	6.86
2016	6.76
2010	6.25
2000	5.33
1990	4.26
1980	3.26
1970	2.69
1960	2.12

General Country Information

Source: United Nations and IMF

Projected total population figures are shown below.

Year	Population (mn)
2050	9.16
2040	8.73
2030	8.05
2020	7.16

Source: United Nations

Birth and death rates per '000 are shown below.

Year	Birth rate	Death rate	Rate of natural increase
2015 to 2020	23.2	6.6	16.6
2010 to 2015	25.5	7.0	18.4
2005 to 2010	27.9	7.8	20.1
2000 to 2005	29.7	9.0	20.7
1995 to 2000	34.7	10.7	24.0
1990 to 1995	41.5	12.8	28.7
1985 to 1990	43.2	14.5	28.7
1980 to 1985	42.9	16.1	26.8
1975 to 1980	42.7	17.0	25.7

Source: United Nations

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

Year	Infant mortality rate
2015 to 2020	40.0
2010 to 2015	47.3
2005 to 2010	56.7
2000 to 2005	69.2
1995 to 2000	82.4
1990 to 1995	95.7
1985 to 1990	108.4
1980 to 1985	122.0
1975 to 1980	130.3

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 (%)	42.2	44.4	44.3	43.4	36.3	33.7	29.4	20.1
15 to 59 (%)	52.7	49.9	50.1	51.2	58.1	60.2	63.0	63.8
60 and above (%)	5.1	5.7	5.6	5.4	5.6	6.1	7.6	16.1

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

General Country Information

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 (%)	3.1	3.5	3.5	3.6	3.7	3.9	4.8	10.6
80 and above (%)	0.2	0.3	0.4	0.4	0.5	0.5	0.6	1.5

Source: United Nations

Life Expectancy

Life expectancy at birth is shown below.

Year	Males	Females
2015 to 2020	65.6	68.7
2010 to 2015	63.9	66.8
2005 to 2010	61.8	64.5
2000 to 2005	59.0	61.7
1995 to 2000	56.1	58.9
1990 to 1995	53.5	56.2
1985 to 1990	51.2	53.6
1980 to 1985	48.6	51.1
1975 to 1980	47.1	49.7

Source: United Nations

Life expectancy at various ages is shown below.

Present age	2015 - 2020	
	Males	Females
At Birth	65.6	68.7
5	64.3	67.0
10	59.6	62.3
20	50.2	52.8
30	41.1	43.6
40	32.1	34.5
50	23.6	25.8
60	16.0	17.7
70	9.8	10.9
80	5.4	5.9
90	2.8	3.1
100+	1.6	1.8

Source: United Nations

Major Causes of Death

The following table shows estimates of the leading causes of death as a percentage of all deaths in 2016 (last available data).

General Country Information

Cause of death	Percentage
Cardiovascular diseases	26.99
Infectious and parasitic diseases	14.37
Malignant neoplasms	11.58
External causes	8.94
Neonatal conditions	8.69
Respiratory infections	6.70
Respiratory diseases	5.21
Digestive diseases	4.26
Diabetes mellitus	3.59
Neurological conditions	2.62
Other causes	7.06
Total	100.00

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

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 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 Laotian death registration data is classified as unavailable or unusable.

Language

The official language is Lao. The most commonly used languages for international business are Thai, French and English.

Religion

According to the 2015 census (last available information), 64.7% of the population were Theravada Hinayanist Buddhists, 1.7% were Christians. The beliefs of the remaining 32% are based on spirit worship and animism, which are prevalent among the hill tribes in remote areas.

Largest Cities

Capital

Vientiane - population 655,754 (2018 UN estimate). The capital is situated on the banks of the Mekong, approximately halfway down the southern border with Thailand. It is the seat of government and the main commercial and industrial centre. From the early 2020s its importance is likely to grow following the scheduled completion of a high speed rail line connecting the city to China and the wider region.

Textiles and furniture manufacturing are the major industries.

Its architecture is a mixture of traditional style, French colonial and utilitarian concrete with some modern buildings. Many of the colonial-style buildings are being renovated while the structures dating from the 1960s and 1970s are increasingly run down.

General Country Information

Other Major Areas/Cities

The population figures given below are 2015 Census figures (last available data).

Pakse - population 77,860. Founded as a French administrative town in the south of Laos, Pakse is an important commercial centre and transport link with a bridge over the Mekong.

Savannakhet - population 125,622. Officially named Kaysone Phomvihane after the former president, Savannakhet is located in central Laos. The city is an important link with Thailand to which it is connected by the so-called "Friendship Bridge".

Luang Prabang - population 90,313. Located in north/central Laos, Luang Prabang is the former royal capital, a major religious centre, and more recently a tourist attraction because of its natural beauty and scenery, Buddhist temples and monks.

Government Structure

Constitution

The 1991 constitution states that Laos is a democratic republic. At present, however, it is a one-party state under the control of the Lao People's Revolutionary Party (LPRP). The constitution was amended in 2015 to allow for the election of provincial level councils.

Executive/Legislature

The president, who is the head of state, is elected by the National Assembly to serve a five-year term. With approval from the National Assembly the president appoints the prime minister and Council of Ministers, who also serve five-year terms. The Council of Ministers is the highest executive body and oversees the work of the 12 ministries of state.

The legislature is the 132-member unicameral National Assembly which meets twice a year to pass legislation proposed by the Council of Ministers. There is little debate over the content of measures put to the National Assembly but the process of developing legislation is largely consultative. The main policy-making body is the politburo of the Lao People's Revolutionary Party (LPRP).

Electoral System

All candidates for the National Assembly elections have to be approved by the Lao Front for National Reconstruction, an umbrella group dominated by the Lao People's Revolutionary Party (LPRP) but which includes representatives of the trade unions, peasants' associations, and religious and business groups. Members of the National Assembly are elected for a maximum five-year term.

The last legislative elections were held in March 2016 and the next are due in March 2021.

Local Government

Administration of the 17 provinces is the responsibility of the Lao People's Revolutionary Party (LPRP). Orders come from the central committee through a series of peoples' revolutionary committees at the province, district and village level. In practice there is little devolution of power.

Elections to the 360 seats on local people's councils are held every five years. The last were held in March 2016 and the next are due in 2021.

Current Political Situation

Present Government

The president is Bounnhang Vorachit, who was appointed in 2016 following the tenth party congress of the Lao People's Revolutionary Party (LPRP). The party congress takes place every five years and the next one is due in 2021.

The prime minister is Thongloun Sisoulith, who was appointed in the aftermath of the March 2016 elections. Mr Sisoulith, a former foreign minister and deputy prime minister, replaced former General Thongsing Thammavong.

Laos is a one-party state. At the last election in 2016, all but four of those elected were party members. The remaining four were elected as non-party independents, but were thoroughly vetted by the Lao People's Revolutionary Party (LPRP). The 2016 election recorded an official turnout of 97.6%.

Political Situation

The Lao People's Revolutionary Party (LPRP), which has held power since 1975, remains committed to one-party rule. The party does not face visible threats but experienced a leadership transition at its tenth party congress in 2016 in which Prime Minister Thongsing Thammavong was replaced by former Foreign Minister Thongloun Sisoulith. The next party congress is in 2021.

Mr Thammavong's tenure had been marked by a slowing of the reform process launched by previous Prime Minister Bouasone Bouphavanh, who allowed independent candidates to stand in elections in 2002 and 2006 elections and permitted the establishment of independent civic organisations for the first time. Mr Bouphavanh also attempted to curtail corruption and end the ambiguity in authority between the civil government and the military. A campaign against unofficial logging and mining camps, which are often operated by the military, and a move to return military courts to civilian control, may have increased opposition from senior military figures and within the party elite. As a result, at the 2011 party conference, Mr Bouphavanh lost his position on the politburo and the central committee and was replaced by Mr Thammavong, reputed to be closer to the military.

Mr Sisoulith's elevation did herald a shift in policy towards political and economic reform. His role as foreign minister during an improvement in relations with western powers including the US suggests he was selected to steer Laos through a modest reorientation of foreign policy. This has included efforts to establish economic relations more widely to reduce Laos' traditional economic reliance on China and using platforms such as its 2016 leadership of the Association of South-East Asian Nations (ASEAN) to establish more multi-vectored relations. The concurrent election of 78 year old Bounnhang Vorachit as president during the 2016 party congress suggests the LPRP remains under a period of control by an older and more established cohort, opening the prospect of a generational handover at the 2021 congress.

As it seeks to improve international relations both within and beyond Asia, Laos is eager to avoid drawing attention to its human rights record, which could dissuade external investors. The government is aware, however, of the threat of social unrest in response to land appropriation for the establishment of new factories, plantations and mines and large scale Chinese-funded infrastructure projects amid high economic growth. This is a particularly contentious issue in a country so reliant on small-scale farming, where mountainous terrain limits the area for feasible agriculture. The exposure of a major land concession to Chinese investors in mid-2015 without consultation prompted widespread public anger, and displacement related to large infrastructure projects has reportedly deepened local grievances. In 2018, a failure of the Xepian-Xe Nam Noy dam displaced thousands of people, and further incidents could embolden criticism of such projects. There is also considerable public frustration concerning overt corruption within the government. Heavy official control of public access to information protects the party's legitimacy, but this is increasingly challenged by a perception of widening inequality and social media.

Politics and the Economy

Sporadic conflict continues in the mountains between the Laotian army and ethnic Hmong tribes. This is a legacy of the Vietnam War, when the American government hired the Hmong to fight in the "secret war" against the communist Pathet Lao. Political violence become rarer in recent years, although small scale attacks on government forces and Chinese contractors occasionally occur. Analysts believe these to be related to organised crime or local grievances regarding Chinese infrastructure projects, however.

International Relations

Laotian foreign relations are centred on promoting regional integration while maintaining traditionally close links with China and Vietnam. Historically Laos has been involved in border conflicts: these have become rarer, and disputes with its neighbours are limited to concerns about drug trafficking and the downstream consequences of Laotian hydroelectric development of the Mekong river basin. In its effort to continue developing its economy through foreign investment, Laos has established Special Economic Zones (SEZs) that have attracted funding and multinational companies from Vietnam, Thailand, China, South Korea and Japan.

Laos' most important foreign relationship is with its neighbouring communist ally, Vietnam. The country is the single biggest investor in Laos, with USD 5.3bn of investment flowing to the country in 2016, while trade approached USD 2bn in 2015. Vietnam also provides training to the Laotian military and civil service. The relationship periodically comes under strain due to Vietnam's unease with Laotian hydroelectric dams on the Mekong River and how this would affect water flow downriver in Vietnam. In an April 2018 report, the Mekong River Commission Council projected major declines in fish stocks, declining soil fertility and ultimately reduced economic growth. In the medium term, however, the election of senior party members, with strong ties to Vietnam, at the tenth Lao People's Revolutionary Party (LPRP) congress in 2016, should see the two countries continue to deepen their relationship.

Laos' relationship with China has become important as their economic and financial connections have grown since 2010. Since 2000, Chinese investment in Laos has reached USD 5.5bn and the Chinese Development Bank was instrumental in the drafting of Laos' five-year development plan for 2012 to 2016. Aid and financing flows have increased under the auspices of China's Belt and Road initiative, as Laos has sought to leverage its potential as a transit route between China and the wider Mekong river region, designated as the China-Indochina Peninsula Economic Corridor (CIPEC). In 2015 (last available data), it was estimated that China was involved in over 835 projects in Laos including infrastructure, construction and mining. Laos is supportive of Chinese efforts to expand trade through the Association of South East Asian Nations (ASEAN) and commerce has thrived since the establishment of the bloc's free trade zone in 2010. Chinese agencies are permitted to operate in Laos and sometimes appear on the Mekong in an anti-piracy capacity.

Politics and the Economy

Laos maintains good communications with Thailand, which is the main purchaser of Laotian hydroelectricity, and the countries have increased security cooperation against drug trafficking. Although trade and border disputes occasionally occur, Laos and Thailand are linguistically and culturally much closer to each other than to their other neighbours.

Laos' relationship with the US has improved in recent years after the country removed Laos from its list of Marxist-Leninist countries in 2009 and provided funding to assist in finding and disposing of unexploded Vietnam War-era ordinance. Barack Obama became the first ever US president to visit Laos in 2016.

Laos is a member of the UN, ASEAN, the World Bank, the IMF and the World Trade Organization. The US normalised trade relations with Laos in 2004. In 2016 Laos assumed the chairmanship of the Association of South-East Asian Nations (ASEAN), and hosted the annual ASEAN conference in Vientiane.

Economy

Economic Performance

Laos is a very poor country that remains reliant on international aid; the UN estimated that 22.7% lived on less than USD 1.90 per day in 2012 (last available data). Decades of conflict followed by collectivisation kept Laos at a very low level of economic development. Recent government policy, however, has supported a cautious move towards economic reform backed by the World Bank and the IMF which has contributed to growth rates, on average, of 7% per annum in the last decade. The economy is dependent on subsistence agriculture, mineral extraction, and electricity exports generated by hydropower. According to World Bank data, between 2013 and 2017 foreign direct investment (FDI) averaged 7.0% of GDP.

In 2018, a series of shocks slowed the economy below the average annual real GDP growth rate of 7% of the previous decade. From July through September, widespread and severe flooding affected all provinces and caused damage and losses totalling KAP 3.2trn (USD 372.9mn), equal to 2.1% of GDP. The agricultural sector was most affected by lost crops and damaged rural infrastructure, reducing growth in crop production and exports. The sector has also faced low international prices for rubber in recent years. Manufacturing output benefitted from the establishment of 12 Special Economic Zones (SEZs), mostly near the border with Thailand, increasing output of electronics and other assembled goods for exports by multinational companies. Large infrastructure projects, notably the construction of hydroelectric dams and a high speed railway from Vientiane to the Chinese city of Kunming, support headline growth but pressured the current account and government finances.

The government continues to prioritise the attraction of foreign investment into traditional areas such as mining and hydropower, but also into infrastructure projects, such as the planned high-speed rail link, and new manufacturing industries. It has therefore acted to streamline previously complex business procedures, such as land registration and credit access, and improve vital infrastructure such as electricity provision. Challenges to operating in the Laotian market remain, however, especially the issue of endemic corruption, which resulted in Laos ranking 132 out of 180 in Transparency International's 2018 Corruption Perceptions Index. Since 2016, government has publicised an anti-corruption campaign and legislation, although no senior members of the ruling Lao People's Revolutionary Party (LPRP) had been prosecuted and the country's performance in the index declined from 2016 through 2018.

While Laos received praise from the International Monetary Fund (IMF) in previous years for its tight fiscal stance, the organisation has expressed concern over rising debt accrued to finance large infrastructure projects. In 2016, external public debt reached an estimated 68% of GDP, prompting the World Bank and IMF to reclassify Laos' risk of external debt distress to high. The fiscal balance is also regularly undermined by corruption depressing revenues. In 2014, reports that an estimated USD 586mn had gone missing through a series of schemes involving infrastructure projects prompted a reduction in the government's revenue target, which itself was subsequently missed. In 2018 the government introduced a Public Debt Management Law that mandates tighter borrowing and administrative reforms.

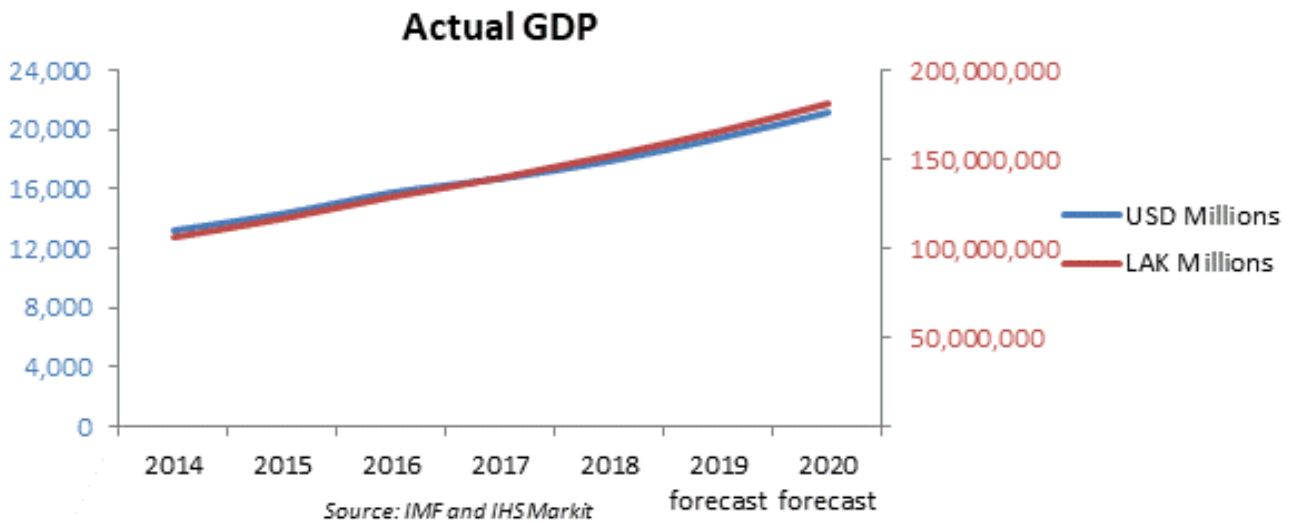
Despite large investment projects and deepening integration with the growing local region, uncertainty regarding global trade and slowing economic activity in China present downside risks to growth. Real GDP is expected to expand by 6.80% in 2019 and 6.74% in 2020, with moderation driven by a weaker external environment. Due to stronger domestic demand, adverse weather and a modest recovery in commodities prices, inflation was expected to rise to 2.30% in 2019 and 2.90% in 2020.

When this report was being prepared Laos did not possess a sovereign debt rating from major credit rating agencies. In June 2018, IHS Market rated Laotian sovereign debt as B- with a stable outlook, reflecting a very high payments risk.

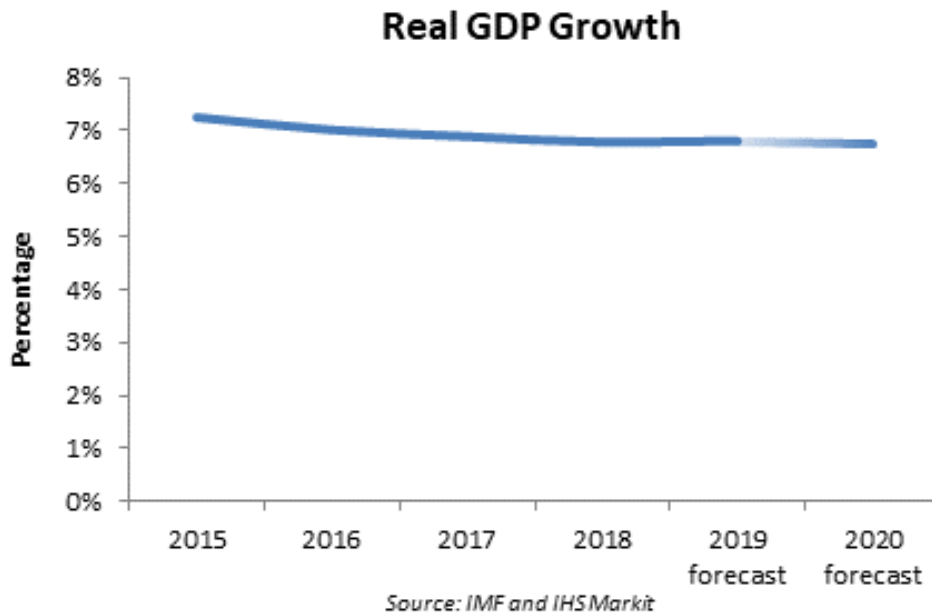
Gross Domestic Product

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

Politics and the Economy



Growth in real GDP in local currency is shown below.



The main contributors to GDP are shown below.

Industry	2017
	Percentage of total
Services	48.01
Agriculture	19.48
Manufacturing	26.23
Industry	6.28

Source: United Nations

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

Politics and the Economy

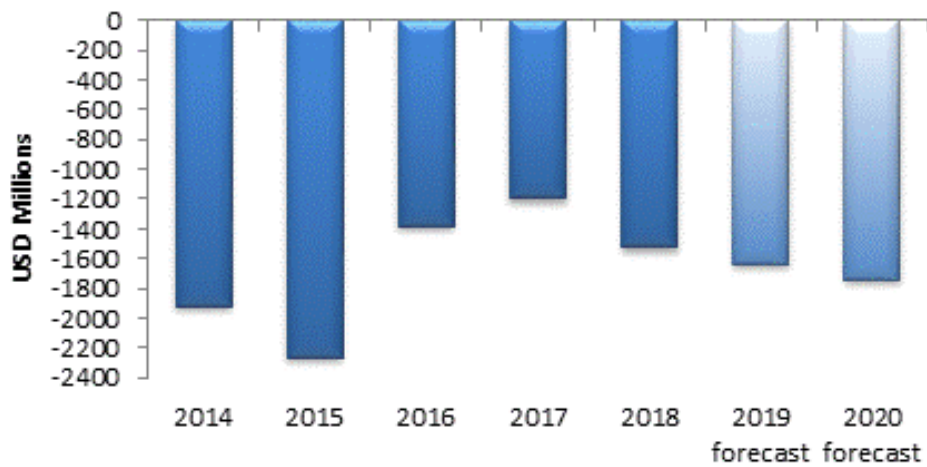
Country	2018
	GDP per capita
Thailand	6,593.82
Vietnam	2,343.13
Laos	2,338.69
Cambodia	1,382.92

Source: IMF

Current Account Balance

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

Current Account

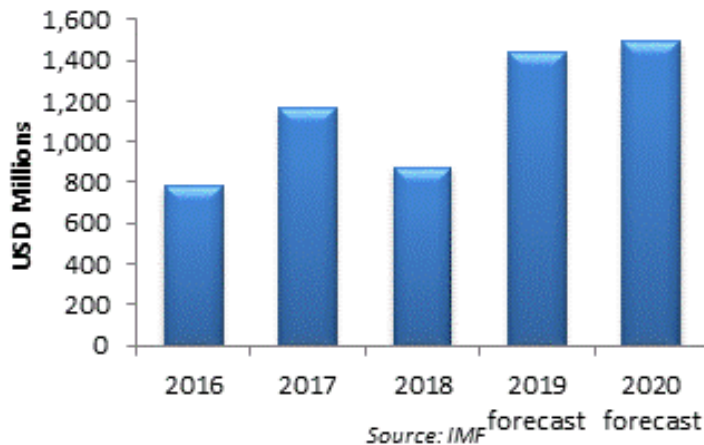


Source: IMF and IHSMarkit

Foreign Exchange Reserves

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

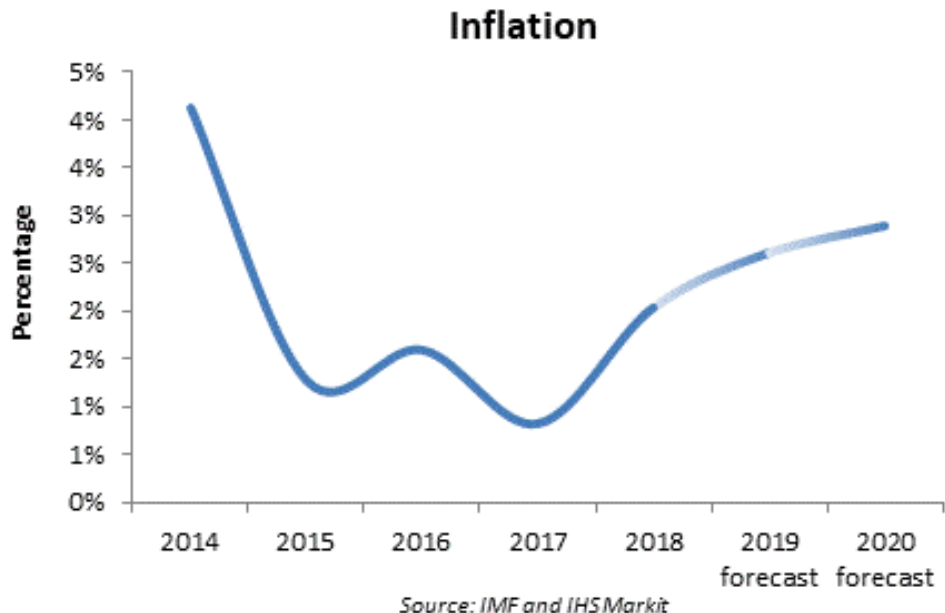
Foreign Exchange Reserves



Source: IMF

Inflation

Annual consumer price inflation is shown below.



Interest Rates

Key interest rates are shown below.

Investment type	2012	2013	2014	2015	2016
Lending rate	22.30	23.20	19.20	18.20	16.50

Source: EIU

Employment

In 2017 (last available data), according to official statistics the labour force totalled 1.94 million people. The unemployment rate was 9.4%, rising to 18.2% for those aged 18 to 24. The labour force participation rate was 40.8%. In that year, 83% of employment was classified as informal. The distribution of the employed population by industry in 2017 is shown below.

Industry	Percentage
Agriculture, forestry and fishing	35.80
Trade and repair	21.38
Public administration, defence and compulsory social security	10.14
Manufacturing	9.10
Education	5.52
Construction	5.39
Accommodation and catering	2.66
Transportation and storage	2.53
Other services	1.56
Healthcare and social work	1.43
Financial intermediation	0.71
Administrative and support	0.71

Politics and the Economy

Industry	Percentage
Utilities	0.65
Arts, entertainment and recreation	0.58
Mining and quarrying	0.52
Information and communication	0.52
Water supply and sanitation	0.39
Professional, scientific and technical services	0.26
Household employment	0.06
Extraterritorial organisations	0.06
Real estate	0.00
Total	100.00

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

Source: Axco Global Statistics / Industry Associations and Regulatory Bodies

Earnings

According to official statistics, the average gross monthly income for paid employees was KAP 2.48mn (USD 292.10) in 2017 (last available data), compared to KAP 2.41mn (USD 283.39) for rural employees.

The average monthly income from employment by industry in 2017 is shown below.

Industry	KAP	USD
Extraterritorial organisations	13,925,000	1,639.47
Professional, scientific and technical services	8,561,000	1,007.93
Mining and quarrying	4,534,000	533.81
Construction	3,773,000	444.22
Utilities	3,082,000	362.86
Financial intermediation	3,066,000	360.98
Information and communication	2,891,000	340.37
Administration and support	2,866,000	337.43
Water supply and sanitation	2,688,000	316.47
Education	2,535,000	298.46
Average	2,407,000	283.39
Public administration, defence and compulsory social security	2,370,000	279.03
Transportation and storage	2,256,000	265.61
Trade and repair	2,255,000	265.49
Arts, entertainment and recreation	2,206,000	259.72
Real estate	2,199,000	258.90
Healthcare and social work	2,124,000	250.07
Accommodation and catering	2,105,000	247.83
Manufacturing	1,967,000	231.59
Agriculture, forestry and fishing	1,666,000	196.15
Other services	1,589,000	187.08
Household employment	1,450,000	170.72

Politics and the Economy

Source: Axco Global Statistics / Industry Associations and Regulatory Bodies

The monthly minimum wage for was raised in May 2018 from LAK 900,000 (USD 110) to LAK 1.1mn (USD 130). Employers are also required to pay a meal allowance of LAK 50,000 (USD 6) per day.

In 2012 (last available data), the UN reported that 22.7% of Laos' 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	6.4
Cambodia	2.2
Vietnam	2.0

Source: United Nations

Key Industries

Agriculture and forestry

Agriculture dominates the economy, although its share is dropping: in 2017 it represented 19.5% of GDP and 35.8% of employment. Most farming is at subsistence level and the main crop is rice, which is vulnerable to widespread loss from autumn floods, which occurred in 2011 and 2018. There has been some diversification into cash crops such as coffee, although the quality is too variable for this to be a high-value crop. Other crops include maize, sugar cane, tobacco, peanuts, cotton and tea. The raising of livestock also remains important.

Laos is an important source of forest products, although concerns over sustainability have impeded the growth of logging. In 2016, the government announced a moratorium on logs and sawn wood exports, although illegal logging and smuggling remains a major concern: many of the logs are exported to Vietnam or Cambodia. Between 1940 and 2000 forested areas of Laos dropped from 70% to 41% due to excessive and illegal logging. The government aimed to increase the area of coverage to 70% by 2020.

Hydroelectricity

Politics and the Economy

Laos is the biggest energy exporter in the region due to its extensive hydropower resources from tributaries of the Mekong river. Most exports are consumed by Thailand and Vietnam. The government believes that only 8% of Laos' energy capacity has been tapped and aims to increase capacity to 28,000 MW by 2020. Laos' ambitions to become the "battery of South-East Asia" have advanced rapidly, and by 2018 there were 49 hydroelectric power plants, with another 51 under development. New projects have attracted funding from China, Japan, South Korea and the World Bank.

The ongoing development of three dams on the Mekong river itself has been the most controversial aspect of the Laotian government's development plans. These are due to allow Laos to dramatically increase exports to Thailand, but there is significant opposition from Thailand, Cambodia and Vietnam. These neighbours are concerned that the dams will not only pollute the waters of the Mekong with further sediment, but will also affect the downstream flow of water, which is vital for agriculture and fishing. A Vietnamese study estimated that annual losses to Vietnam and Cambodia's fishery and farming industries from the projects would amount to more than USD 760mn and USD 450mn respectively. Safety and environmental concerns have continually been raised about the dams. In July 2018, the collapse of a section of the Xepian-Xe Nam Noy dam killed at least 40 people, although non-official reports suggest that over a thousand people remained missing in the subsequent flooding.

Manufacturing

Manufacturing is concentrated around Vientiane and comprises textiles and garments, woodworking, food processing and motorcycle assembly: there is almost no heavy industry. Most industrial investment is from Thai entrepreneurs attracted by the low wages. Leading growth sectors are garment manufacturing, food processing, chemicals, wood products and low-technology assembling.

The government plans to increase exports including minerals, processed timber, silk, cotton, garments, wooden-rattan products and electricity.

Better connections to its ASEAN neighbours and membership of the World Trade Organization are encouraging the development of more manufacturing in Laos. In recent years, Chinese, French, Japanese, Malaysian, South Korean and US companies have all announced plans to establish factories in Laos ranging from electronics to optical products.

The main markets for Lao products are Thailand and the EU. Laotian exports enter the EU duty-free due to Laos' status in the Quota-Free Generalised Preferential Scheme.

Tourism

Politics and the Economy

Tourism is a major source of foreign currency. According to data from the World Travel & Tourism Council (WTTC) in 2018 tourism contributed 3.9% of GDP and directly supported 110,000 jobs. International arrivals have fallen in recent years below official targets, however, as the industry is hampered both by poor road and hotel infrastructure, expensive flights and a lack of adequately skilled local workers. Currently, the majority of visitors come from neighbouring countries.

Transport and Infrastructure

Laos is undertaking large investments in its undeveloped transport systems. Currently the only stretch of rail track in Laos is a 2.2 mile (3.5 km) route running from Vientiane into Thailand where passengers have to change to the Thai national rail service. Construction of a high-speed railway from Vientiane to Kunming in Yunnan province that will connect with a Thai line running from Bangkok to the Laotian capital, began in 2015. More than 60% of the high speed line requires bridges and tunnels due to the mountainous terrain. This project is 70% funded by China, which has also provided a USD 800mn loan to Laos through the China Export Import Bank for the project. Laos is also benefiting from Cambodia's decision to allow Laotian exports to third countries through Cambodia, while Laos has a 50-year concession to operate the Vung Ang seaport in Vietnam.

Transport links with Thailand have continued to grow. A dry port project in Vientiane, built to serve an expanded railway, has received Thai investment.

Mining

The country's natural resources include precious metals such as gold and silver as well as copper, zinc and coal. Investment in mining has declined in recent year due to the maturation of the two copper and gold mines that constitute most of the country's production, Phu Kham and Sepon, which are projected to be exhausted by the early 2020s. Efforts to limit informal mining of precious metals are constrained by the Laotian military's reported role in the activity.

Construction

At the start of 2019, there were 16 cement factories under construction or operation, with a capacity of 6.8mn tonnes of cement a year. Although recent increases in capacity have been encouraged by large infrastructure projects, production suffers from domestic energy shortages. Laos also possesses sizeable potash deposits.

Exports and Imports

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

Politics and the Economy

Commodity	2017	
	Percentage	USD bn
Electric current	17.31	637.00
Cork and wood	14.95	550.07
Non-ferrous metals	14.44	531.46
Metalliferous ores and metal scrap	12.67	466.27
Other	40.63	1,496.55
Total	100.00	3,681.35

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

Source: IHS Markit

The most important export destinations are shown below.

Destination	2017	
	Percentage	USD bn
Thailand	41.29	1,520.08
China	29.72	1,094.21
Viet Nam	10.67	392.77
India	4.09	150.64
Other	14.22	523.64
Total	100.00	3,681.35

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 bn
Road vehicles	13.17	670.38
Petroleum, petroleum products	11.73	597.07
Electrical machinery, apparatus and appliances	9.53	485.24
Manufactures of metal	5.93	301.95
Other	59.65	3,045.37
Total	100.00	5,100.00

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

Source: IHS Markit

The most important sources of imports are shown below.

Source	2017	
	Percentage	USD bn
Thailand	59.84	3,051.63
China	20.80	1,060.57
Viet Nam	9.51	485.22
Japan	1.77	90.52
Other	8.08	412.05
Total	100.00	5,100.00

Currency and Exchange Control

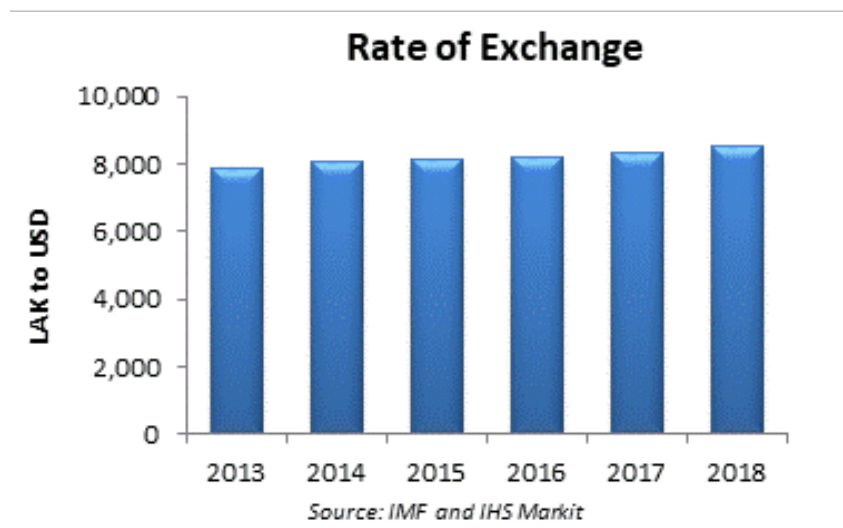
Currency and Exchange Rate

The currency is the new kip, which is abbreviated to LAK in this report.

The guiding document for the foreign exchange system in the 1990s was the prime ministerial *Decree 53*, which could be interpreted as opening the door to full current account convertibility, leading to the adoption in 1988 of a managed float under which small, regular adjustments were made to the official rate.

Between 1990 and 1995 the exchange rate fluctuated around LAK 720 : USD 1; following the introduction of tightened financial policies in September 1995 the official exchange rate was abolished and a managed float formally adopted. The commercial bank exchange rate, with strong official guidance, depreciated the rate close to LAK 930 : 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 local currency, the Lao kip (LAK), is not negotiable outside Laos. Insurance policies are most usually issued in LAK. Local insurance transactions, with the exception of compulsory motor third party liability can, if required, be denominated in US dollars for risks such as large property and construction projects, aviation and marine cargo. There is nothing in the legislation stipulating the use of specific currencies.

Legislation

Insurance Legislation

Legislative Overview

Years of conflict followed by collectivisation historically kept Laos at a very low level of economic development. Recent government policy, however, has supported a cautious move towards economic reform backed by the World Bank and the IMF. In this environment it is not surprising that historically the promotion of the insurance market by the government was not an issue of high priority but it grew significantly in importance as from 2012.

Insurance Law No 11/90/SPA dated 29 November 1990 was the first insurance legislation promulgated in Laos. This law was repealed and replaced by the *Law on Insurance No 06/NA* of 21 December 2011 and subsequent supplementary implementing regulations contained in the *Ministerial Instruction on implementing the Law on Insurance* dated 19 February 2014.

The *Law on Insurance No 06/NA* made new and positive statements about the importance of insurance and the insurance market in the context of government policy and it specifically encourages foreign as well as local investors to participate in local insurance operations.

The significant actual and prospective growth in the number of licensed insurers in Laos has been presenting key challenges at insurance market regulatory level. The regulator enumerates its current principal challenges as follows: strengthening consumer protection; ensuring fair competition in the market; recruitment and adequate training of human resources at regulatory level; development of insurance awareness and penetration in the country; developing and ensuring consistent application of international insurance regulatory and accounting standards; developing advanced data systems for the collection and analysis of insurer returns and statistics and enhancing the development of microinsurance possibly via separate dedicated legislation and regulatory rules and guidelines.

It is aware that current insurance legislation is incomplete in some respects and it is currently preparing unspecified amendments aimed at upgrading existing insurance legislation in line with international regulatory standards: it is not known precisely when these amendments will be finalised and passed into law.

Current Legislation

The principal current legislation and related items affecting the non-life insurance industry are set out in chronological order in the table below.

Legislation	Effective Date	Purpose
<i>Law on Insurance No 06/NA</i>	2012	Replaced <i>Insurance Law No 11/90/SPA of 1990</i> . It is the principal insurance legislation in Laos.
<i>Ministerial Instruction on implementing the Law on Insurance No 539/MOF</i>	19 February 2014	Contained supplementary implementing regulations to the <i>Law on Insurance No 06/NA</i> .

Legislation	Effective Date	Purpose
<i>Law on Accounting No 47/NA</i>	13 July 2014	This law was part of a mandatory legislative reform process in the run-up to the establishment of the ASEAN Economic Community (AEC). As a result Lao accounting standards (LAS) are now aligned with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS).
<i>Law on Investment Promotion No 14/NA</i>	17 November 2016	Confirmed no limitations on the proportion of foreign investors investing in an insurance company.

Legislative Process

Legislation is developed by ministries as required in relation to their areas of responsibility and any relevant planning processes. The completed legislation is agreed by the Council of Ministers and must be approved by the National Assembly before it can be passed into law. The president then signs a promulgation decree enacting the new legislation.

Article 115 of the Law on Insurance No 06/NA specifies that the Ministry of Finance (MOF) has the responsibility to propagate and disseminate laws and regulations in accordance with its role and responsibilities.

Statutory Tariffs

Compulsory third party motor liability is the only class subject to a statutory tariff. Compulsory third party rates have not changed since 2009 and are fixed by the MOF.

Compulsory Insurances

List of Compulsory Insurances

- Motor third party bodily injury and property damage.
- Motor vehicle insurance for transit transportation operators and road transport transit vehicles whenever crossing the Laos border from or to one or several countries in the ASEAN region.
- Locally valid motor vehicle insurance in respect of the vehicle and its transported goods for any type of motorised vehicle crossing the border into Laos.
- Professional liability for insurance brokers.
- Workers' compensation (state scheme) covering accidents at work and occupational diseases.

Supplementary Information on Compulsory Insurances

Third party motor insurance has been compulsory since the implementation of *Insurance Law No 11/90/SPA of 1990* but the authorities continue to have little control over compliance policing and up to 70% of motorists (including motorcyclists, the vast majority of vehicle owners) are reported not to have the cover.

Supervision and Control

There is currently no scheme to compensate victims of uninsured vehicle accidents but the *Ministerial Instruction on implementing the Law on Insurance* sets out the provisions under which an "Insurance Fund for Road Victims" is to be established: the fund will be financed by mandatory contributions calculated as a percentage and/or a fixed amount levied on all motor premiums of licensed insurers, plus a percentage of all traffic offence fines and penalties. Contribution rates, limits, management of the fund, procedures and various parties' rights are yet to be specified by the minister of finance. This fund has not yet been established.

Pending this development the ministerial instruction provides that the advance payment for the cost of treatment of the injured victim(s) of a road or motor vehicle accident involving an insured vehicle, without consideration of liability (ie on a no-fault basis) shall be as follows:

- an amount not exceeding LAK 1.8mn (USD 211.31) per injured person
- an amount not exceeding LAK 3mn (USD 352.18) per fatality
- the maximum payment by the insurer per accident shall not exceed LAK 10mn (USD 1,174).

The *Ministerial Instruction on implementing the Law on Insurance* specifies that:

- transit transportation operators and road transport transit vehicles whenever crossing the Laos border from or to one or several countries in the ASEAN region shall hold insurance coverage from the ASEAN (blue card) community as defined in *Protocol 5* establishing the ASEAN compulsory insurance scheme
- locally valid motor vehicle insurance shall be in place in respect of any type of motorised vehicle and its transported goods crossing the border into Laos
- an insurer or agent of an insurer duly licensed to operate in Laos is eligible to sell cross-border transport insurance in respect of vehicles which are duly registered in Laos according to the relevant vehicle registration regulations
- the National Bureau of Insurance and its agents are empowered to sell ASEAN blue card insurance coverage in respect of cross-border transport vehicles registered in Laos or ASEAN which are proceeding out of and into Laos.

The regulator confirmed in 2017 that the National Bureau of Insurance is in place and has started operations.

The *Ministerial Instruction on implementing the Law on Insurance* lists three principal classes of in-force and prospective compulsory insurance of which two items are not yet wholly specified:

- third party liability for all motor vehicles registered or operating in Lao PDR
- third party liability for activities and properties
- other risks to be determined by the regulator.

In 2017 the regulator confirmed that it does not currently propose to introduce new forms of compulsory insurance for risks other than some third party liability categories. This position continues to pertain.

Supervision and Control

Article 85 of the *Law on Insurance No 06/NA*, reinforced by the *Ministerial Instruction on implementing the Law on Insurance* requires insurance brokers to purchase professional indemnity insurance from an authorised insurer in Laos, but does not specify the minimum limit of indemnity.

Accidents at work, including accidents whilst commuting to and from the normal workplace, are covered under a state scheme administered by the National Social Security Organisation as per *Law no 24/PR of the President of the Republic promulgating Act No 22/NA* of 14 March 1994. The scheme covers both accidents at work and occupational diseases.

Changes in Legislation

Legislative Update

There have been no recent changes in insurance legislation.

Projected Legislation

The regulator is aware that current insurance legislation is incomplete in some respects and it is currently preparing unspecified amendments aimed at upgrading existing insurance legislation in line with international regulatory standards: it is not known precisely when these amendments will be finalised and passed into law. The regulator is not currently prepared to disclose the detail of the amendments that it intends to propose.

Supervision

Insurance Supervisory Authority

As per the *Law on Insurance No 06/NA* of 21 December 2011, and the subsequent *Ministerial Instruction on implementing the Law on Insurance* dated 19 February 2014 the Ministry of Finance (MOF) established the Insurance Management Authority which was granted responsibility for insurance market supervision. The regulator's office is a division within the MOF and is funded by central government: insurers are not required to contribute to its costs. The regulator is variably described in the *Law on Insurance No 06/NA* as the MOF and as the Insurance Management Authority and can be considered for the purposes of interpretation of the legislation to be one and the same (ie the regulator) in relation to insurance market supervision.

The *Law on Insurance No 06/NA* sets out the broad rights and responsibilities of the MOF in relation to insurance supervision and it specifies that the latter is responsible for internal inspections of books and records but also that external inspections shall be carried out by the National Assembly, the state inspection authority, the anti-corruption authority and the state audit authority.

The *Ministerial Instruction on implementing the Law on Insurance* specifies that the regulator shall have the role (and responsibility) of supervising the insurance market and its role shall include:

- identifying by SWOT analysis strengths and weaknesses in the local insurance industry which may pose a systemic risk to the insurance or financial system

Supervision and Control

- co-ordinating and identifying the national insurance prudential policy relating to international insurance, including representing Laos in international and regional insurance supervision associations
- assisting the minister of finance in negotiating international agreements relating to insurance
- responsibility for monitoring and evaluating insurance penetration in respect of communities and consumers including multi-ethnic groups and the low and middle income population.

Laos and Myanmar are the only countries in ASEAN which are not currently members of the International Association of Insurance Supervisors (IAIS).

Statutory Returns

The *Law on Accounting No 47/NA* of 26 December 2013 came into effect on 13 July 2014. This law was intended to improve accounting standards and is part of a mandatory legislative reform process in the run-up to the establishment of the ASEAN Economic Community (AEC). Lao accounting standards (LAS) are aligned with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS).

As per *Article 99* of the *Law on Insurance No 06/NA*, insurers and brokers shall comply with financial report regulations as specified in the current *Law on Accounting 47/NA* of 26 December 2013. The *Ministerial Instruction on implementing the Law on Insurance* specifies that accounts shall be sub-divided by class of business and that the accounting process shall be completely and precisely recorded as well as transparent and easy to audit. Statistics shall in each period comply with the principles, regulations and formats designed by the regulator.

The *Ministerial Instruction on implementing the Law on Insurance* requires insurers to report to the regulator their income statements and balance sheets, indication of any changes in capital and other statistics at monthly, quarterly, half-yearly and annual intervals. Insurers must publish their annual reports in a manner easily accessible to the general public, but the ministerial instruction is not specific about the means of publication.

Virtually all regulatory statistical data collection and analysis is currently conducted manually: an issue which has led to the relatively slow production of annual statistics and limited availability of key data.

Insolvency Regulation

The *Ministerial Instruction on implementing the Law on Insurance* requires insurers to maintain at the Bank of Laos, or any commercial bank licensed in Laos that has financial stability, a security deposit of one-third of the registered capital, details of which have to be reported to the regulator. Separate security deposits are required for life and non-life operations, respectively. Insurers have the right to utilise the security deposit in order to pay debts upon cessation of operations, whether:

- voluntary
- arising from a violation of laws and regulations
- in the case of bankruptcy.

Supervision and Control

In the case of such termination of operations the security deposit must be reclaimed within 30 days after receiving a notice to terminate the business. Should the termination of operations arise from a violation of laws and regulations or bankruptcy the insurer cannot reclaim the security deposit until it has developed a plan to repay its debts and has settled all debts to insureds and beneficiaries. The insurer is entitled to consolidate interest earned on the security deposit as an integral part of it.

An insurance business licence shall be withdrawn in the event that the licensee:

- has not fulfilled the requirements of the *Law on Insurance No 06/NA* and the *Ministerial Instruction on implementing the Law on Insurance*
- has not carried out in a timely manner measures provided for in the improvement plan of the company
- has seriously violated existing in-force insurance laws and regulations
- has not commenced business operations following receipt of a licence.

In the case of a foreign insurer if the licence of such insurer has been withdrawn in the home country, its licence to operate in Laos shall be simultaneously withdrawn.

A withdrawal or suspension of a licence must be presented to the insurer in a letter explaining the reasons. The withdrawal or suspension of an insurer's licence automatically entails withdrawal of its agents' licences. There is an appeal procedure to the MOF against withdrawal or suspension of a licence.

There is no provision under the insurance laws for a policyholders' protection fund in the event of company insolvency.

Consumer Dispute Resolution

Part XI of the Law on Insurance No 06/NA, Articles 106 to 113, specifically deals with consumer dispute resolution.

Article 106 lists in order of preference the acceptable means by which any dispute may be settled. It is, however, left to the parties to agree which particular route to take. These are:

- amicable negotiation
- mediation
- administrative dispute resolution
- settlement by the Committee for Economic Dispute Resolution
- filing of a claim or litigation to the People's Court
- international dispute settlement (related to an international case) in accordance with the treaties and conventions to which Laos is a signatory.

Supervision and Control

According to the *Ministerial Instruction on implementing the Law on Insurance* a party to an insurance dispute may refer it to the regulator which shall establish an insurance appeals settlement committee to resolve such disputes. In case of rejection of a case by the insurance appeals settlement committee either party to the dispute may refer it to the People's Court within 30 days from receipt of rejection from the insurance appeals settlement committee.

In relation to the resolution of disputes through mediation or arbitration the *Ministerial Instruction on implementing the Law on Insurance* provides that such disputes may be referred, according to the *Law on the Resolution of Economic Disputes* to the mediation and arbitration services of the Center for Economic Dispute Resolution, private mediation processes, domestic private arbitration services, ad hoc arbitration or (where applicable) international arbitration wherever appropriate.

There is no ombudsman, either for insurance specifically or financial services in general.

Adequate consumer protection is regarded by the regulator as a priority.

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

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

Legislation

The legal provisions setting out the requirement for insurers to be authorised are contained in *Article 37* of the *Law on Insurance No 06/NA*, which provides for mandatory licensing of insurers (both domestic and foreign individuals and organisations) to carry out insurance business in Laos. The law does not specifically state any sanctions or penalties for transacting insurance business without a valid licence but it is considered that this would be deemed to be a serious offence.

Supervision and Control

The legal provisions setting out the requirement for risks to be insured with locally authorised companies are contained in *Article 3* of the *Ministerial Instruction on implementing the Law on Insurance* dated 19 February 2014 which stipulates that "all individuals' and legal entities' businesses, properties and assets situated within the country shall be insured by a locally licensed insurer".

Freedom to provide services

In February 2013 Laos joined the World Trade Organization and is therefore a signatory to the General Agreement on Trade in Services (GATS), which forms part of the trade liberalisation arena of the WTO. The Asian Economic Community (AEC), which became effective from 1 January 2016, calls for freedom of services, including insurance, as well as freedom of movement of labour, amongst all members of the ASEAN community. For the time being in respect of insurance it would appear that freedom of services only applies to marine and transit business: the situation in Laos is that marine cargo business under certain conditions of trade can be insured on a non-admitted basis (see Insurers in this section).

Insurers

The following insurances are exceptions to the general prohibition on non-admitted placements:

- marine cargo imports under CIF conditions of trade, or exports sold FOB or C and F
- insurances which are related to foreign direct investment or intergovernmental agreement; where the provisions of *Article 37* of the *Law on Insurance No 06/NA* are specifically exempted with government consent as part of the overall contract conditions.

Local Risk Definition

Article 3 of the *Ministerial Instruction on implementing the Law on Insurance* dated 19 February 2014 stipulates that "all individuals' and legal entities' businesses, properties and assets situated within the country shall be insured by a locally licensed insurer". This is purported to mean that the non-admitted regulations apply to risks situated in Laos in respect of businesses, properties and assets.

Exchange Controls

There are no foreign exchange controls, and US dollars are freely available to remit overseas, for whatever purpose.

The Lao currency is not convertible outside Laos.

Tax

Supervision and Control

Premiums paid overseas are tax deductible for the buyer and regarded as a legitimate business expense where insurance is specifically exempted from the non-admitted regulations (see Insurers in this section).

Insurer Responsibilities

The law is silent regarding insurer responsibilities in respect of non-admitted placements.

Multinationals

There does not appear to be any legislation relating specifically to multinational insurance programmes or multinational insurers and such insurances and insurers are subject to the same rules as all other insurances and insurers.

DIC/DIL

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

Premium Taxes

All premium taxes are set out in the Taxation section of this report. These taxes are payable by the insured.

Buyers

Insurance buyers cannot place their business with non-admitted insurers abroad by reason of the non-admitted regulations contained in the *Law on Insurance No 06/NA* and the *Ministerial Instruction on implementing the Law on Insurance* dated 19 February 2014.

Insurances for nominated enterprises and for projects can be arranged in the country of origin of either the financiers/promoters and/or main contractor with a government approved exemption to the non-admitted regulations appearing in the original contract. Non-admitted policies would be considered locally invalid and unenforceable locally unless the insurer has received specific dispensation from a government ministry that insurance may be placed with an unauthorised insurer.

It is possible that claims payments from overseas insurers could be treated as income and liable to corporation tax or income tax for individuals, but as far as is known this has never been tested.

Intermediaries

Intermediaries (brokers or agents) are required to be authorised to do insurance business.

Supervision and Control

The regulator recently licensed five insurance brokers. Previously no brokers were licensed locally.

Intermediaries are not permitted to place business with non-admitted insurers.

Market Practice

Given the recent influx of newly licensed insurers into the market it is likely that the majority of foreign insurable interests in the market can be accommodated locally.

Foreign interests can gain exemption through government ministries from the non-admitted regulations subsequent to which insurances can be placed in their home domiciles. Chinese interests especially are thought to make use of this facility, as the leading provider of foreign direct investment, dependent upon the size and importance to the local economy and national interest of the investment. There are no regulations mandating initial approaches to the local market and evidence of declinatures from this source, before permission is granted to place insurances or reinsurances outside the country.

It is reported in the local insurance market that the authorities are increasingly less inclined than in the past to grant exemptions from the regulations, principally due to the growth in recent years in the number of licensed insurers in the market, but this does not mean that the possibility of future exemptions can be excluded altogether. The factors principally affecting the granting of exemptions are the size of the investment, availability of local and foreign finance and relevant local and foreign political considerations.

Meanwhile non-domiciled/non-resident brokers are increasingly using local insurers to front (with a small retention or without any local retention) on the basis of reinsurance coverage arranged by the same brokers outside the market, in order to obviate the need for application for an exemption from the non-admitted insurance regulations. Some five locally domiciled insurance brokers have recently been granted licences by the regulator.

The Asian Economic Community (AEC) calls for freedom of services, including insurance, as well as freedom of movement of labour, amongst all members of the ASEAN community, but the inevitably complex issues of integration are taking time to resolve so that implementation is currently uneven as between individual countries. For the time being freedom of services in respect of insurance only applies in Laos to marine and transit business.

Fines/Penalties

The *Law on Insurance No 06/NA* and the *Ministerial Instruction on implementing the Law on Insurance* mention violations of the law, whether by insurers or insureds, but fines are not specified, only disciplinary actions, education, warnings or criminal proceedings.

Fronting

The *Law on Insurance No 06/NA* includes a section on reinsurance. It does not mention fronting. Ceded reinsurance is currently defined in the *Law on Insurance No 06/NA* as "ceding to one or more (re)insurers a part of the liability insured".

Supervision and Control

The *Ministerial Instruction on implementing the Law on Insurance* dated 19 February 2014 indicates that where a primary reinsurance contract is reinsured on a facultative basis the insured shall be so notified at the time when the contract of insurance is signed. Insurers are obliged by the same instruction to provide the regulator on a monthly and annual basis with a list of reinsurance contracts showing the amount(s) of ceded premium. It is assumed therefore that the regulator has the means to detect from such data any breaches of the non-admitted regulations.

There are no rules regarding minimum retentions for fronting business, but local retentions are restricted by the *Law on Insurance No 06/NA* to a maximum of LAK 1.6bn (USD 187,828) and are negotiable on a case-by-case basis up to this amount. The law is silent on DIC/DIL umbrella arrangements offshore, and local policies to fit into such arrangements tend to be on internationally accepted policy wordings.

Fronting commission would be between 5% and 10%, depending on premium volume per case. The use of cut-through clauses is dependent on individual arrangements.

Company Registration and Operating Requirements

Establishing A Local Company

Article 20 of the *Law on Insurance No 06/NA* sets out the requirements for establishing a local company. Individual and legal entities wishing to establish an insurance business (including insurance companies) shall fulfil basic requirements as follows:

- a good previous track record
- fulfilment of the registered capital(s) and security deposit(s), separately for life and non-life business, required by *Articles 21* and *24* of the *Law on Insurance No 06/NA*
- professional insurance management experience
- competent personnel with certificates or diplomas in insurance
- has never been imprisoned as a result of economic crime offences
- has suitable premises for operating the insurance business.

In addition to the above, an application to establish a joint venture insurance business must also include the following:

- charter and licence for establishment and operation of insurance business of the partner
- joint venture agreement (if a joint venture) agreeing to the establishment of the company
- balance sheet and annual financial report for the last three years of the partners certified by independent auditor
- letter of appointment of the local managing director in Lao PDR
- full name(s) and CV(s) of the joint venture partners

Supervision and Control

- the first five-year plan.

Certified copies are required of documents related to professional skills and financial sources.

The Ministry of Planning and Investment has the right to issue an investment licence for the operation of an insurance business in accordance with the *Law(s) on Investment Promotion* (latest version is the *Law on Investment Promotion No 14/NA*). After receiving the application the Ministry of Planning and Investment passes on the application to the Ministry of Finance (MOF) for consideration and to provide technical recommendations. A decision regarding the application for an operating licence shall be given within 45 working days following receipt of the fully documented application. A fee is payable on application but the amount is not specified in the legislation. The Ministry of Planning and Investment has the right to withdraw an investment licence in the event that the licensee:

- has not fulfilled the requirements of the *Law on Insurance No 06/NA* and the *Ministerial Instruction on implementing the Law on Insurance*
- has not carried out in a timely manner measures provided for in the improvement plan of the company
- has seriously violated existing in-force insurance laws and regulations
- has not commenced business operations following receipt of a licence.

Types of Insurance Organisation

Only joint stock companies are allowed to transact insurance and reinsurance business in Laos, whether they are wholly locally owned companies, joint venture limited liability companies with local partners or wholly owned subsidiaries of overseas companies. Branches of overseas companies are not permitted. Representative offices are catered for in the legislation but they are not allowed to transact business in Laos.

There are no restrictions on bank/insurer cross-holdings.

Foreign Ownership

The *Law on Investment Promotion No 14/NA* dated 17 November 2016 confirmed that there are no restrictions on foreign investment in an insurance operation (including insurance companies), meaning that up to 100% foreign ownership is permitted.

Types of Licence

Two separate licences are required to transact both life and non-life insurance business in a composite company. According to the *Ministerial Instruction on implementing the Law on Insurance* dated 19 February 2014 composite insurers which have received licences to transact life and non-life business shall utilise the specific life and non-life licences separately. The *Ministerial Instruction on implementing the Law on Insurance* indicates that in the case of a composite company transacting both life and non-life business there is a requirement to hold two separate minimum registered minimum capitals of LAK 16bn (USD 1.88mn) for life and non-life business, respectively and two security deposits (for life and non-life business, respectively), each security deposit being one-third of the registered capital.

Insurers have the right to utilise the security deposit in order to pay debts upon cessation of operations, whether:

Supervision and Control

- voluntary
- arising from a violation of laws and regulations
- in the case of bankruptcy.

Several companies (but by no means all) split their insurance business for the purposes of internal reporting into personal insurances and corporate insurances along the lines of the French model. The personal insurance category may include (inter alia) life, PA, health, travel, workers' compensation and other forms of individual personal insurances. AGL is an example of a leading company operating on this basis.

The *Ministerial Instruction on implementing the Law on Insurance* indicates 12 individual classes of non-life insurance (including state asset insurance, health insurance and accident insurance). Therefore PA and health insurance are considered by the regulator to be non-life classes of business.

Capital Requirements

There is no differentiation between local, foreign or joint venture companies in terms of minimum capitalisation, which is set at LAK 16bn (USD 1.88mn) for life operations and LAK 16bn (USD 1.88mn) for non-life business operations, respectively. Composite companies require two separate licences, two separate minimum capitals of LAK 16bn (USD 1.88mn) each and two separate security deposits if they wish to transact life and non-life business in the same company.

The registered capital in excess of the security deposit(s) can be in the form of liquid assets and equipment used in business operations, provided that the market value of the registered capital and security deposit(s) shall not be less than LAK 16bn (USD 1.88mn) at all times in respect of life and non-life business, respectively and separately.

Solvency Margins

Article 93 of the Law on Insurance No 06/NA specifies the elements for calculation of a solvency margin without specifying any minimum or appropriate margins. The article merely states that insurers must possess evidence of appropriate solvency.

The items for calculation of the solvency margin are:

- corporate capital and investment capital
- reserve fund that is not related to honouring obligations
- carried-forward profit from the current year after deduction of losses
- surplus arising from periodic valuation of assets.

Intangible assets cannot be included in the solvency margin calculation.

Supervision and Control

One-third of the minimum registered capital of LAK 16bn (USD 1.88mn) is to be kept in a tied bank account in Laos. In the case of companies accepting both life and non-life business two separate licences and security deposits are required for life and non-life business, respectively.

Insurers have the right to utilise the security deposit(s) in order to pay debts upon cessation of operations, whether:

- voluntary
- arising from a violation of laws and regulations
- in the case of bankruptcy.

In the case of such termination of operations the security deposit must be reclaimed within 30 days after receiving a notice to terminate the business. Should the termination of operations arise from a violation of laws and regulations or bankruptcy the insurer cannot reclaim the security deposit until it has developed a plan to repay its debts and has settled all debts to insureds and beneficiaries.

Reserve Requirements

The *Ministerial Instruction on implementing the Law on Insurance* provides for an unearned premium reserve of 40% of net premium, excluding short-term contracts of less than 31 days. It also stipulates an outstanding claims reserve without providing any definitions. Reserves must be adjusted on a monthly basis.

Technical reserves are held on a net of reinsurance basis and there are no legislative requirements for deposits by reinsurers of their share.

Investment Regulations

The *Ministerial Instruction on implementing the Law on Insurance* specifies how reserve funds may be invested, in not more than:

- 100% cash, in a deposit in a current or savings account of a commercial bank, or in Lao PDR government bonds
- 20% in corporate equities
- 30% in real estate assets
- 30% in corporate bonds.

The registered capital in excess of the security deposit(s) can be in the form of liquid assets and equipment used in business operations, provided that the market value of the registered capital and security deposit(s) shall not be less than LAK 16bn (USD 1.88mn) at all times for non-life and life business, separately. It is assumed that the investment categories quoted in the *Ministerial Instruction on implementing the Law on Insurance* do not apply to security deposits (as the latter have to be placed in blocked deposit accounts at the Bank of Laos or any commercial bank licensed in Laos that has financial stability). The insurer is entitled to consolidate interest earned on the security deposit(s) as an integral part of the deposits.

Retentions

The *Ministerial Instruction on implementing the Law on Insurance* limits companies' net retention on any one risk to LAK 1.6bn (USD 187,828).

Insurance Premium or Policy Taxes and Charges

The taxes and charges applicable are shown below.

Insurance class	Description of tax or charge	% (unless otherwise stated)	To be paid by
All classes excluding health (but including PA/travel) although some activities may be exempt	Value added tax	10	Insured
All classes	Policy registration fee	LAK 10,000 (USD 1.2) to LAK 50,000 (USD 6.1) lump sum per policy, dependent on premium	Insured

Source: Market sources

Legislative Update

There has been no new legislation that might affect taxation.

Withholding Taxes on Premiums Paid Overseas

There is no withholding tax in Laos.

VAT

VAT, or business turnover tax, is payable on insurance and reinsurance premiums at a rate of 10% by the insured: the insurer acts as the collecting agent for the government. Entities subject to VAT are those that derive a minimum annual business turnover of LAK 400mn (USD 46,957).

VAT is also applicable to claims payments and motor repairs (parts and labour) and is reclaimable by registered VAT payers.

Corporation Tax

Laos does not distinguish between residents and non-residents for corporate tax purposes. Entities owned by Laotian citizens or foreign individuals or entities are subject to corporate taxation in Laos if they generate income in Laos or if they have a place of business in Laos which generates income in another country.

The standard rate of corporation tax is 24%; however, a temporary reduction of 5% applies to companies registered on the stock exchange for the first four years from the date of registration.

Small and medium size enterprises having an annual revenue of less than LAK 12mn (USD 1,409) which are not registered for VAT are subject to a lump sum tax.

Captives

The legislation does not favour the creation or use of captives and there are no captives in Laos.

Summary and Trends

Individuals in Laos are not litigious, and this continues to be the case, despite an improving life style and a growing middle class.

The court system has three tiers: city, provincial and community. Disputes, especially those involving compensation for damage or injury, are normally settled at the lowest level possible.

The civil and commercial codes have not yet been implemented; dispute resolution is dealt with under company law where applicable.

Article 106 of Law on Insurance No 06/NA lists in order of preference the acceptable means by which any dispute or claim may be settled. It is, however, left to the parties to agree which particular route to take. The alternatives are:

- amicable negotiation
- mediation
- administrative dispute resolution
- settlement by the Committee for Economic Dispute Resolution
- filing of a claim or litigation to the People's Court
- international dispute settlement (related to an international case) in accordance with the treaties and conventions to which Laos is a signatory.

According to the *Ministerial Instruction on implementing the Law on Insurance* a party to an insurance dispute may refer it to the regulator which shall establish an insurance appeals settlement committee to resolve such disputes. This committee shall be comprised of the head of the Insurance Management Authority (or his/her representative) acting as chairman, officials of the MOF and the Insurance Management Authority as well as representatives of the insurance company and policyholder(s). The aggrieved parties shall present all supporting documents and evidence to this committee within 30 days from the date that the dispute arose. The committee shall within 45 days of the hearing finalise its judgment and notify it to the parties to the dispute. Absence of response by the committee within this deadline shall be construed as rejection of the merits of the appeal.

In case of rejection of a case by the insurance appeals settlement committee either party to the dispute may refer it to the People's Court within 30 days from receipt of rejection from the insurance appeals settlement committee.

In relation to the resolution of disputes through mediation or arbitration the *Ministerial Instruction on implementing the Law on Insurance* provides that such disputes may be referred, according to the *Law on the Resolution of Economic Disputes*, to the mediation and arbitration services of the Center for Economic Dispute Resolution, private mediation processes, domestic private arbitration services, ad hoc arbitration or (where applicable) international arbitration wherever appropriate.

There is no ombudsman, either for insurance specifically or financial services in general.

Basis of Legal System

The legal system is codified. The law is administered at village, district, provincial and central government level: it is intended to insert municipal laws between those at district and provincial level.

The *Law on Insurance No 06/NA* allows three years from the date of a dispute in which to make a claim under an insurance contract. As per *Article 30* of the *Law of Contracts* this period of limitation may not apply where there are justifiable reasons. Under the law an expert is appointed to verify the facts of the case.

Litigiousness

It is rare for individuals to take formal legal action. One leading insurer estimates between 1% and 2% of third party claims end up in court, for bodily injury only. Increasingly, however, the population is becoming aware of what might be available from insurers in the event of injury or death.

Access to the Courts

One of the aims of the 1991 constitution was to "enable the rights of the people to be guaranteed by an efficient administration of the law". In June 1998 a National Commission for Constitution Review was established to assess the impact of the new constitution and to propose possible amendments, including access to justice. Proposals were formalised in March 2003 and agreed by the National Assembly and the government launched a mass education programme throughout the country to teach people about their relationship with the law.

Village mediation units are intended to assist the poorest people to access justice at the level most relevant to their lives, but even this can be beyond their means. There is still a tendency to rely on traditional remedies unless a foreigner is involved, and anecdotal evidence suggests that much more needs to be done to familiarise the public with the legal system.

Court Procedure

The court structure is on three levels: lower, appeal and supreme. Court procedures are slow, and most cases are settled out of court by negotiation. The judiciary appears to be independent of outside influences, although public perception is mixed.

In relation to the resolution of disputes through mediation or arbitration the *Ministerial Instruction on implementing the Law on Insurance* provides that such disputes may be referred, according to the *Law on the Resolution of Economic Disputes* to the mediation and arbitration services of the Center for Economic Dispute Resolution, private mediation processes, domestic private arbitration services, ad hoc arbitration or (where applicable) international arbitration wherever appropriate.

Assessment of Compensation

There is currently no scheme to compensate victims of uninsured vehicle accidents but the *Ministerial Instruction on implementing the Law on Insurance* sets out the provisions under which an "Insurance Fund for Road Victims" is to be established: the fund will be financed by mandatory contributions calculated as a percentage and/or a fixed amount levied on all motor premiums of licensed insurers, plus a percentage of all traffic offence fines and penalties. Contribution rates, limits, management of the fund, procedures and various parties' rights are yet to be specified by the minister of finance. This fund had not yet been established as at the date of preparation of this report.

Pending the establishment of the Insurance Fund for Road Victims the ministerial instruction provides that the advance payment for the cost of treatment of the injured victim(s) of a road or motor vehicle accident involving an insured vehicle, without consideration of liability (ie on a no-fault basis) shall be as follows:

- an amount not exceeding LAK 1.8mn (USD 211.31) per injured person
- an amount not exceeding LAK 3mn (USD 352.18) per fatality
- the maximum payment by the insurer per accident shall not exceed LAK 10mn (USD 1,174).

One company reports that between 1% and 2% of motor third party liability claims are taken to court, the larger ones being as a result of dissatisfaction with the "village elder" negotiation system, and a growing awareness of what an injury is worth. Awards for death have reached levels between LAK 100mn (USD 11,739) and LAK 200mn (USD 23,479), either awarded in court or negotiated out of court. Serious injury claims can cost 20% more than fatal accident claims subject to expert witness testimony or reports, and dependent on age and possible future loss of earnings and future cost of care. The relatively low average cost of motor third party liability claims is the result of the majority being settled within the no-fault liability limits.

Difficulties can occur in respect of recoveries by way of subrogation due to low penetration levels of motor third party and public liability insurance.

Both the incidence of claims and the average cost of claims for third party motor bodily injury are gradually increasing as the number of registered vehicles rises and the population becomes aware of potential compensation.

Legal costs in public liability policies are not subject to a separate policy limit and are usually inclusive in the limit of indemnity. No interest is levied on late or delayed payment.

Legal System

Late on 23 July 2018 a major catastrophe occurred in the southern Attapeu province when a saddle dam under construction in the Xe-Pian Xe Nam Noy hydroelectric project collapsed, causing major floods with a reported outflow of five billion cubic metres of river water into villages and the surrounding countryside. Reports in September 2018 indicated that the catastrophe caused at least 40 fatalities, at least 98 missing persons, some 6,600 displaced persons and thousands of damaged homes. Recently available information from the local insurer dealing with this catastrophe indicates that the USD 50mn limit of liability in the relevant construction insurance policy is likely to be fully exhausted once all claims by third parties are settled, including material damage claims. Any losses exceeding the USD 50mn limit of liability will have to be settled by the Xe-Pian Xe Nam Noy Power Company.

Historical Development

History

- 1958 The first insurance legislation since independence, the *Law on Insurance and Similar Companies (Ordinance Loi sur les Assurances et Entreprises Analogues)*, was passed. There were six insurers active in the market, two domestic, Societe Franco-Lao Elephant Insurance and Chanhsoth Assurance, and four foreign, Le Secours, La Preservatrice, La Societe Generale d'Assurance and American International Underwriters. The last two were represented by local agents.
- 1975 The victory of the Pathet Lao in the civil war resulted in the closure of all insurance companies. Insurance was declared unnecessary as the state would bear all insurable risks.
- 1990 Liberalisation of the economy prompted the Ministry of Finance (MOF) to seek French government assistance in drafting an insurance law, which became effective in December.
- 1991 Assurances Generales du Laos (AGL), a joint venture company owned 20% by the MOF and 80% by Assurances Generales de France (AGF) began to operate as the monopoly insurer in the market.
- 1997 The shareholding structure of AGL changed: AGF reduced its holding to 51% and the MOF increased its interest which reached 49% by 1 April 2000.
- 2001 On 1 June the Laos Social Security Organisation started operating as provided for in the *Decree on Social Security System for Enterprise Employees* issued in 1999 by the Ministry of Labour and Social Welfare. The organisation deals with social security, pensions, life assurance and workers' compensation.
- 2008 Tokojaya (now known as Toko) Assurance, PCT Insurance and Lao-Viet Insurance (LVI) all entered the insurance market offering non-life products, including health.
- 2010 Mitsui Sumitomo Insurance Group (MSIG) and Champa, owned by the Vietnamese Post and Telecommunications Service, commenced writing non-life business, taking the number of companies in the market to six.
- 2011 Assurance Generales du Laos changed its name to Allianz General Laos, and Champa changed its name to Lan Xang Assurance.
- 2012 *Law on Insurance No 06/NA* passed into law in March 2012.
- 2014 The *Ministerial Instruction on implementing the Law on Insurance* became effective in February.
- 2017 The regulator reported in September that 18 insurance companies had obtained operating licences with six licences pending.
- 2018 Late on 23 July 2018 a major catastrophe occurred in the southern Attapeu province when a saddle dam under construction in the Xe-Pian Xe Nam Noy hydroelectric project collapsed, causing major floods with a reported outflow of five billion cubic metres of river water into villages and the surrounding countryside. Reports in September 2018 indicated that the catastrophe caused at least 40 fatalities, at least 98 missing persons, some 6,600 displaced persons and thousands of damaged homes.
- 2019 The regulator reported that 22 insurers had been granted operating licences, with two non-life licences pending. Five insurance brokers in the insurance market were also licensed in 2018 and 2019: these were the first brokers to be licensed in the market.

The Market Today

Summary and Trends

According to the regulator market gross non-life premium income reduced by 15.26% in 2017. The principal reasons for the shrinkage in gross non-life premium income were as follows.

Insurance Market Overview

- Premium rate reductions of between 10% and 20% in industrial/commercial property business in a highly competitive market in relation to which all major risks are subject to substantial reinsurance support.
- Evidence also suggests a trend of premium rate reduction in the heavily reinsured construction account in 2017. In addition 2017 also saw a reduction in the number and value of major locally insured construction projects (as the government sought to control public debt and expenditure), with consequent depressive effects on premium income growth.
- Indications of a slowdown in consumer spending in 2017 which resulted in a comparatively low rate of growth in the motor account and shrinkage in the miscellaneous and MAT accounts, as compared to 2016.

It should be noted that no separate statistics are available in respect of the PA/healthcare account.

In the last five years the insurance market in Laos has undergone a major expansion in the number of licensed companies from seven at the end of 2014 to 22 in the first quarter of 2019, (with approval of a further two non-life insurer licenses pending). There are a number of locally licensed insurers owned by local interests and growing foreign interest in insurance company establishment in Laos emanates mainly from neighbouring Asian countries, notably from China, Thailand, Vietnam and Singapore.

Projected GDP growth in Laos was 7.00% in 2017 and 6.88% in 2018, following annual growth rates in excess of 7% in the preceding five years. Forecast GDP growth trends indicate some prospective future reductions in GDP growth: the forecasts for 2019 are 6.80% and 6.74% in 2020. Inflation has been relatively subdued, being projected to be 1.90% in 2017 and 3.00% in 2018. Due, however, to stronger domestic demand, adverse weather and a modest recovery in commodities prices, inflation is expected to rise to 2.30% in 2019 and 2.90% in 2020.

The Lao government announced in 2019 that it expects foreign direct investment (FDI) in the country to rise to more than USD 2.7bn, equivalent to more than 14% of GDP.

Important economic and infrastructural developments are underway in Laos. The USD 6.7bn railway link being built between China and Laos (in which the Lao government has a 30% stake financed from borrowing from the Export-Import Bank of China) is expected to be fully operational in 2021. It is certain to provide a significant medium term boost to local economic development and growth, promoting enhanced trade and tourism between the two countries and more broadly within the ASEAN free trade area: these represent crucial advances for the land-locked and relatively poor and underdeveloped country of Laos. Current evidence exists of growing Chinese investment in industrial and commercial development (including hotels and tourism facilities) in Laos and this trend is expected to be continuous in the next three years at the minimum. It is therefore anticipated that coincident enhanced interest in the Lao insurance market by Chinese and other regional investors is likely to emerge in the medium term.

Insurance Market Overview

It is reported in the local insurance market that the authorities are increasingly less inclined than in the past to grant exemptions from the non-admitted insurance regulations, principally due to the growth in recent years in the number of licensed insurers in the market. Meanwhile non-domiciled/non-resident brokers are increasingly using local insurers to front (with a small retention or without any local retention) on the basis of reinsurance coverage arranged by the same brokers outside the market, in order to obviate the need for application for an exemption from the non-admitted insurance regulations.

After a period of many years in which foreign broking interests wholly dominated major project and property insurances it is interesting to note that in 2018 and 2019, the regulator licensed some five new local brokers. One of these, Lao Pakan Insurance Brokers has obtained an insurance and reinsurance broking licence and intends to be active in international treaty and facultative reinsurance placement, focusing particularly on the liability sector and aiming to introduce new products in this respect. The other newly licensed brokers, according to anecdotal reports, are likely to focus on small and medium size insurance broking in the local market.

The growth prospects in this small market over the next five years appear to be good, but they are likely to be accompanied by intensifying market competition, evidence of which is already present. The level of competition in most classes of business (with the exception of motor) will be determined largely by the international reinsurance market, as *Ministerial Instruction on implementing the Law on Insurance* limits insurers net retention on any one risk to a comparatively low LAK 1.6bn (USD 187,828).

Market Size

Laos is currently ranked as the 155th largest insurance market (all classes of business) in the world and the non-life market is ranked at 143.

The total market size in 2017 was broken down as follows:

	Life	Non-Life	Total Market
Premium in LAK mn	32,229.20	474,383.24	506,612.44
Premium in USD mn	3.86	56.80	60.66
% of total market	6.36	93.64	100.00

Note: 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.

No PA and healthcare statistics are available for 2017. PA and PMI are treated as non-life classes of business by the regulations.

Insurance Market Overview

It will be observed that non-life business dominated the market in 2017, as has been the case in the past.

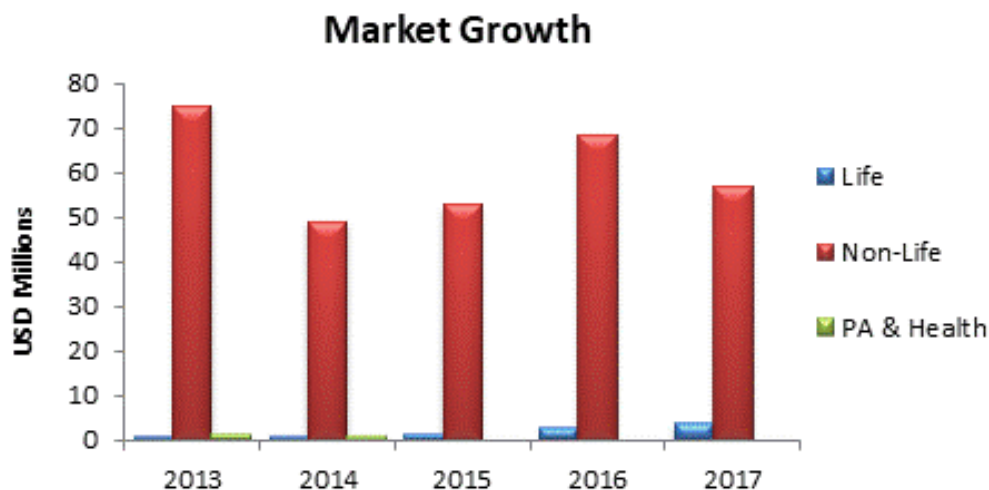
The following table compares the annual growth rates of non-life premium income in local currency with the nominal GDP growth and inflation rates over the last available five years.

	2013	2014	2015	2016	2017
Premium growth (%)	17.93	(32.87)	6.97	29.91	(15.26)
Nominal GDP growth (%)	15.02	13.77	9.79	10.26	8.26
Inflation rate (%)	6.37	4.13	1.28	1.60	0.83

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

It will be seen that non-life premium growth does not consistently reflect nominal GDP growth. The principal reason for this phenomenon is the uneven incidence of insurances of large one-off construction projects from time to time.

Growth in the non-life, life, and personal accident (PA) and healthcare markets is shown below. No statistics are available in respect of PA and PMI for years 2015 to 2017.

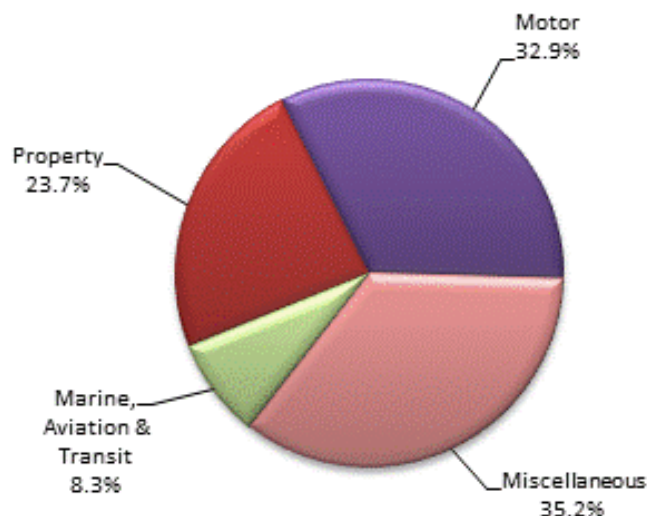


Source: Axco Global Statistics / Industry Associations and Regulatory Bodies

New statistical information may have been included in the appendices.

The division of the market in 2017 is shown below.

Market Share



Source: Axco Global Statistics / Industry Associations and Regulatory Bodies

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

The large miscellaneous item includes business other than property, motor and MAT which is not segregated into sub-classes by the regulator. The miscellaneous class includes construction business.

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 2017; comparisons are made with Cambodia, Thailand and Vietnam.

	Life including riders		Non-life (P&C)		Personal Accident & Healthcare*		Total	
	%	per capita	%	per capita	%	per capita	%	per capita
Laos	0.02	0.56	0.34	8.28	n/a	n/a	0.36	8.85
Cambodia	0.30	4.16	0.26	3.62	0.08	1.09	0.64	8.87
Thailand	3.87	254.93	1.17	77.31	0.28	18.59	5.32	350.82
Vietnam	1.32	30.98	0.59	13.74	0.24	5.72	2.15	50.45

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

Market Participants

Summary and Trends

Only joint stock companies are allowed to transact insurance and reinsurance business in Laos, whether they are wholly locally owned companies, joint ventures with local partners or wholly owned subsidiaries of overseas companies. Branches of overseas companies are not permitted. Representative offices are catered for in the legislation but they are not allowed to actively transact business in Laos.

Insurance Market Overview

All the operating companies are limited joint stock companies as per the law, of which two (AGL and MSIG) have the Lao government as minority shareholder. The other companies are either wholly locally owned or are joint ventures with foreign partners or are wholly owned subsidiaries of foreign companies.

In the last five years the insurance market in Laos has undergone a major expansion in the number of licensed companies from seven at the end of 2014 to 22 in the first quarter of 2019, (with approval of a further two licences pending). There are currently nine composites and nine purely non-life insurers present in the market. Both pending licences are in respect of non-life only.

Privatisation/Deregulation

As far as is known the state has no plans to divest its current holdings in AGL and MSIG.

State Insurance Companies

There is no state insurance company but the government maintains an interest in the sector, with a 49% shareholding in AGL and MSIG.

Market Structure

The market is dominated by two companies, Assurances Generales du Laos (AGL) and Lao Viet Insurance Joint Venture Co Ltd, which collectively held a non-life market share of 74.07% in 2017.

Allianz General Laos (AGL) is the former monopoly insurer in the market and remains the market leader in property and construction business with particular appeal to foreign commercial, contracting and infrastructure investors as a local insurance carrier for large projects, because of its expertise and parent company reputation. It is reported that about 50% of all local non-life premium income emanates from brokers situated outside Laos and this is a major source of non-life business acquisition for AGL. AGL is 51% owned by Allianz Finance 2 Luxembourg SARL and 49% owned by the state. The company was formerly known as Assurances Generales du Laos, its previous foreign ownership having been held by Assurances Generales de France (AGF) which was acquired by Allianz in 1998. The company had a non-life market share of 54.54% in 2017. It is a composite insurer.

Lao Viet Insurance Joint Venture Co Ltd is purely a non-life insurer, having a non-life market share of 19.53% in 2017. It is a joint venture between Banque pour le Commerce Extérieur Lao (BCEL) and BIDV Insurance Corporation which is headquartered in Hanoi, Vietnam. The company writes all classes of non-life insurance business and inwards reinsurance.

Other notable licensed non-life and composite insurers (all of which had market shares of less than 8% in 2017), include:

- **Lane Xang Assurance Public Company Ltd** (2017 market share 7.17%)
- **MSIG Insurance (Lao) Co Ltd** (2017 market share 6.90%)
- **Tokojaya Lao Assurance Co Ltd** (2017 market share 6.72%)

Insurance Market Overview

- **Dhipaya Insurance Co Ltd** (2017 market share 4.18%).

In March 2018 Fortis Insurance Cambodia Plc took over Tokojaya Lao Insurance Company.

Lloyd's is not a licensed insurer in Laos.

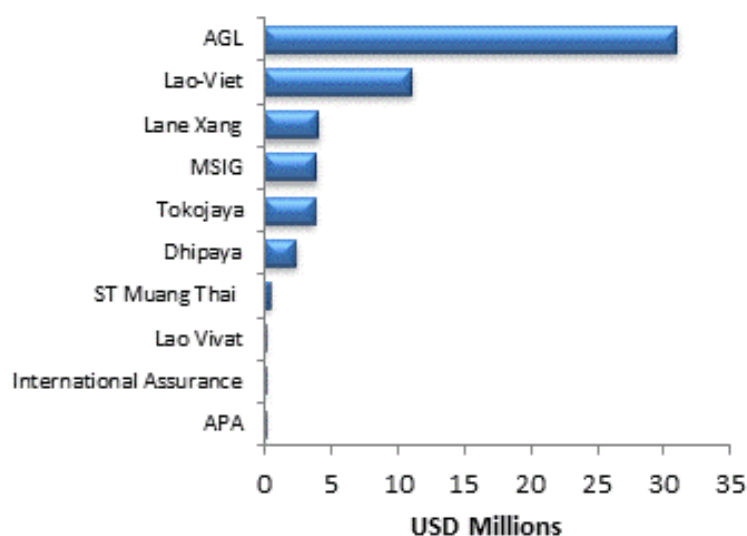
The following table shows the largest groups and their member companies:

Group	Member companies		
	Life insurers	Non-life insurers	Significant other group companies
Allianz Insurance Group	Allianz General Laos	Allianz General Laos	
Banque pour le Commerce Exterieur Lao (BCEL)		LVI	BCEL branch network
Lao-Viet Development Bank (LVDB)		LVI	LVDB branch network
Lao Development Bank (LDB)		Lan Xang Ins Co Ltd	LDB branch network
ST-Muang Thai	ST Muang Thai	ST Muangthai	St Group / ST Bank
Prudential Plc	Prudential Life Assurance (Lao) Co Ltd		Prudential Plc subsidiaries worldwide and in Asia

Source: Market sources

The leading non-life insurance companies in 2017 ranked by premium income are shown below.

Largest Non-Life Insurance Companies



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 non-life company and top three non-life companies over the last available five years is shown below.

Insurance Market Overview

Market segment	2013	2014	2015	2016	2017
Top company	72.89	55.08	57.36	63.96	54.54
Top 3 companies	91.75	87.42	90.93	82.60	81.24

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

The top company is AGL. Its predominance has been diminishing principally due to the entry and progressive establishment of other companies in the market but it gained an increased market share in 2016 compared to 2015, it is thought due principally to a substantial volume of new construction business.

Company Changes

In March 2018 Fortis Insurance Cambodia Plc took over Tokojaya Lao Insurance Company. The aim of Fortis Insurance is to help to increase insurance penetration in Laos in a similar fashion to this company's historic achievements in Cambodia.

Total Assets

Total assets for the life and non-life markets over the last available three years are shown below.

	2015	2016	2017
Total assets (LAK mn)	978,517.10	1,132,196.45	1,029,904.37
Growth (%)	n/a	15.71	(9.03)

Source: Axco Global Statistics / Industry Associations and Regulatory Bodies

Technical Reserves

No information is published enabling the calculation of the quantum of technical reserves.

Expense Ratios

The following table shows the expense ratio (total expenses and commissions against gross written premiums) for the life and non-life markets over the last available three years.

	2015	2016	2017
Expense ratio (%)	14.69	16.71	20.97

Source: Axco Global Statistics / Industry Associations and Regulatory Bodies

Rising expense ratios in 2016 and 2017 were primarily due to the entry of new companies with small initial gross premium volumes and significant establishment expenses.

Profitability

The regulator's indications show that in 2017 (with all of AGL's business treated as non-life), the non-life market's non-life net gain from operations, before capital gains and losses, corporate taxes, dividends to shareholders and other allocations was the equivalent of 18.43% of gross premium income.

Retentions

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

Insurance Market Overview

Line of business	2015	2016	2017
Property	7.48	6.67	7.71
Motor	96.81	82.64	86.62
Marine, aviation and transit	1.87	8.48	6.86
Total non-life market	40.62	31.92	38.41

Source: Axco Global Statistics / Industry Associations and Regulatory Bodies

It will be observed that property and MAT retentions remain low due partially to the *Ministerial Instruction on implementing the Law on Insurance* which limits companies' net retentions on any one risk to LAK 1.6bn (USD 187,828). It is clear from the figures that the vast majority of motor business is reinsured on a non-proportional basis.

Pools

There are no insurance pools in Laos.

Insurance Association

The *Ministerial Instruction on implementing the Law on Insurance* provided for the establishment of an Insurance Association, which was tasked to gather together insurers for the purpose of facilitating insurance business operations whilst implementing its rights and obligations as defined in *Chapter VII* of the *Decree on the Organisation and Operation of the Lao National Chamber of Commerce* dated 20 November 2009. Subject to the proposed by-laws the *Ministerial Instruction on implementing the Law on Insurance* supported the admission of foreign companies operating in the local market.

It was confirmed in October 2017 that the establishment of an Insurance Association has been completed.

Local Reinsurance Market

Summary and Trends

There is no local reinsurance market. Locally licensed insurers are free to reinsure in international markets. The market is served by regional reinsurance centres, such as Hong Kong, Singapore, Kuala Lumpur and Bangkok, in addition to international markets, especially London, for specialist classes such as aviation. All the large international reinsurers operate in Laos as treaty or facultative reinsurance underwriters.

The *Law on Insurance No 06/NA* includes definitions of reinsurance.

The *Ministerial Instruction on implementing the Law on Insurance* limits companies' net retention on any one risk to LAK 1.6bn (USD 187,828).

There is very little local exchange of facultative reinsurance.

Foreign interests working in Laos can gain exemption from the non-admitted insurance regulations through government ministries, subsequent to which insurances can be placed in the home domicile. There are no regulations mandating initial approaches to the local market and evidence of declinatures from this source, before permission is granted to place insurances or reinsurances outside the country.

It is reported in the local insurance market that the authorities are increasingly less inclined than in the past to grant exemptions from the regulations, principally due to the growth in recent years in the number of licensed insurers in the market, but this does not mean that the possibility of future exemptions to the non-admitted regulations can be excluded altogether. The factors principally affecting the granting of exemptions are the size of the investment, availability of local finance and FDI as well as relevant local and foreign political considerations.

Meanwhile non-domiciled/non-resident brokers are increasingly using local insurers to front (with a small retention or without any local retention) on the basis of reinsurance coverage arranged by the same brokers outside the market, in order to obviate the need for application for an exemption from the non-admitted insurance regulations.

After a period of many years in which foreign broking interests wholly dominated major project and property insurances it is interesting to note that in 2018 and 2019, the regulator licensed some five new local brokers. One of these, Lao Pakan Insurance Brokers has obtained an insurance and reinsurance broking licence and intends to be active in international treaty and facultative reinsurance placement, focusing particularly on the liability sector and aiming to introduce new products in this respect. The other four newly licensed brokers, according to anecdotal reports, are likely to focus on small and medium size insurance broking.

There are no compulsory cessions.

Local Reinsurance Company Operating Requirements

The *Law on Insurance No 06/NA* includes a section on reinsurance. It does not mention fronting.

Reinsurance

Ceded reinsurance is currently defined in the *Law on Insurance No 06/NA* as "ceding to one or more (re)insurers a part of the liability insured".

The *Ministerial Instruction on implementing the Law on Insurance* dated 19 February 2014 indicates that where a primary reinsurance contract is reinsured on a facultative basis the insured shall be so notified at the time when the contract of insurance is signed. Insurers are obliged by the same ministerial instruction to provide the regulator on a monthly and annual basis with a list of reinsurance contracts showing the amount(s) of ceded premium. It is assumed that the regulator would be able to detect from such data any breaches of the non-admitted regulations.

There are no rules regarding minimum retentions for fronting business, but local retentions are restricted by the *Law on Insurance No 06/NA* to a maximum of LAK 1.6bn (USD 187,828) and are negotiable on a case-by-case basis up to this amount.

In the absence of anything contained in the *Law on Insurance No 06/NA* of 21 December 2011 to the contrary, local reinsurance company establishment and operating requirements would be the same as for direct companies, with a minimum registered capital of LAK 16bn (USD 1.88mn) maintained at all times for life and non-life business separately, together with security deposits (for non-life and life business separately), reserve funds for UPR and outstanding claims.

In view of the small size of the local market the current likelihood of a reinsurer being locally established and licensed is remote.

State Reinsurance Company

There is no state reinsurer in Laos.

Local Reinsurance Companies

There are no local reinsurance companies in Laos and no representatives of overseas reinsurers.

No separate licence is required by direct insurers to write reinsurance as long as the reinsurance pertains to the class(es) for which the direct licence has been issued.

Reinsurance Written by Direct Companies

Very little reinsurance business is shared between companies. Normally any surplus to treaty capacity is placed in the facultative market outside Laos, either direct or by reinsurance brokers, depending on the client and/or class of business.

International Reinsurance (Inwards)

As far as is known no local company writes inwards facultative business from outside Laos.

Company Changes

There have been no recent company changes related to reinsurance.

Local Reinsurance Arrangements

Summary and Trends

At this stage of its development, the Lao market is relatively unsophisticated and the classes of business underwritten principally require traditional proportional reinsurance treaty support. Proportional treaties are arranged on a quota share and/or surplus basis for property, engineering/CAR, cargo and motor hull, and either on an excess of loss or proportional basis for liability. Motor reinsurance is mainly conducted on an excess of loss basis, although the odd proportional quota share treaty arrangement may exist.

The maximum net retention for any class is fixed by the *Law on Insurance No 06/NA* and reinforced by the subsequent *Ministerial Instruction on implementing the Law on Insurance* at LAK 1.6bn (USD 187,828) and most companies scale down net retentions for occupation and construction type in respect of property risks, and generally for lesser amounts for other classes. Gross limits vary from company to company, although for companies such as AGL and MSIG parent company capacity is available to accommodate most risks in the country with external facultative reinsurance support, where required.

The maximum net retention limit is kept under review by the regulator.

Subsequent to the November 2011 flooding in neighbouring Thailand, January 2012 treaty renewals saw the imposition of aggregate limits in respect of reinsurance emanating from Laos for proportional treaties and 10% inner limits for specific policies. In addition local monitoring of aggregate flood accumulations was required by reinsurers for the first time.

Regulatory Considerations

Local insurers are free to reinsure with any company, local or foreign, as per the *Law on Insurance No 06/NA*. Where reinsurance is on a facultative basis the *Ministerial Instruction on implementing the Law on Insurance* specifies that the insured shall be notified at the same time as the original insurance contract is agreed and signed.

Insurers must provide to the regulator on a monthly and annual basis a list of all their reinsurance contracts, showing ceded premiums and the name and domicile of the lead reinsurer.

Although reinsurers do not have to be registered locally to operate within Laos or conform to any minimum security rating, *Article 71* of the *Law on Insurance No 06/NA* stipulates that reinsurance shall be carried out according to the following requirements:

- it shall be suitable to the business operating conditions of the reinsurer
- it shall be technically feasible and within the scope of business operation of the reinsurer
- the reinsurer(s) shall be reliable and reputable by Lao standards in regional and international markets, shall be financially sustainable and shall have the relevant expertise.

Reinsurance

Article 71 of the Law on Insurance No 06/NA provides that if on examination the regulator considers that any contract of reinsurance does not satisfy all of these requirements it may issue a written notice to the insurer directing cancellation, revision or prohibition of such reinsurance.

Insurer's technical reserves are held on a net of reinsurance basis and there are no legislative requirements for reinsurer deposits.

According to Article 72 of the Law on Insurance No 06/NA the presence of reinsurance does not relieve the direct insurer of its primary obligations under a contract of insurance. It is not permitted to require the purchaser of insurance to pay premiums directly to a reinsurer or to require reinsurers to pay compensation directly to the original purchaser of insurance, unless otherwise agreed.

Non-admitted

Non-admitted reinsurers do not have to be locally registered to do business in Laos.

Insurers can take credit for accounting and solvency margin purposes for reinsurance either admitted or non-admitted.

Reinsurance Statistics

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

	2015	2016	2017
Ceded premiums (LAK mn)	261,182.12	386,078.21	35,600.78
% of gross written premiums	59.38	68.08	61.59

Source: Axco Global Statistics / Industry Associations and Regulatory Bodies

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

Line of business	2015	2016	2017
Property	92.52	93.33	92.29
Motor	3.19	17.36	13.38
Marine, aviation and transit	98.13	91.52	93.14
Total non-life market	59.38	68.08	61.59

Source: Axco Global Statistics / Industry Associations and Regulatory Bodies

Retentions

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

Reinsurance

Line of business	2015	2016	2017
Property	7.48	6.67	7.71
Motor	96.81	82.64	86.62
Marine, aviation and transit	1.87	8.48	6.86
Total non-life market	40.62	31.92	38.41

Source: Axco Global Statistics / Industry Associations and Regulatory Bodies

It will be observed that property and MAT retentions remain low due partially to the *Ministerial Instruction on implementing the Law on Insurance* which limits companies' net retentions on any one risk to LAK 1.6bn (USD 187,828). It is clear from the figures that the vast majority of motor business is reinsured on a non-proportional basis.

Local Risk Sharing

Authorised insurers rarely share risks either by way of facultative reinsurance or through coinsurance.

There are no insurance pools.

Treaty Reinsurance

Proportional treaties are arranged on a quota share and/or surplus basis for property, engineering/CAR, cargo and motor hull, and either on an excess of loss or proportional basis for liability. Due to low compulsory motor third party limits motor business may be entirely retained for net account. Otherwise motor reinsurance is mainly conducted on an excess of loss basis (although the odd proportional quota share treaty arrangement may exist).

In 2017 the market retention ratio for motor was 86.62%. For other classes of business it was less than 10%. The maximum net retention for any class of business is fixed by the *Ministerial Instruction on implementing the Law on Insurance* at LAK 1.6bn (USD 187,828). Treaty limits are usually expressed in USD.

Maximum net and treaty property capacity, dependent on individual company arrangements, does not generally exceed USD 15mn to USD 20mn. Subsequent to the November 2011 flooding in neighbouring Thailand, January 2012 treaty renewals saw the imposition of aggregate limits in respect of property reinsurance emanating from Laos for proportional treaties and 10% inner limits for specific policies. In addition local tracking of aggregate flood accumulations was required for the first time.

Treaty reinsurance is generally placed in-house where the foreign shareholder has group capacity or alternatively in the professional reinsurance market (based regionally or internationally). Most treaty reinsurance, outside internal group arrangements is placed by reinsurance brokers.

Facultative Reinsurance

There is little local exchange of facultative reinsurance. Facultative reinsurance is usually sought from treaty reinsurers or in the regional and international reinsurance markets for risks surplus to automatic treaty capacity in classes such as property/pecuniary, CAR/engineering, MAT, high value private and commercial motor vehicles.

Non-domiciled/non-resident brokers are increasingly using local insurers to front (with a small retention or without any local retention) on the basis of reinsurance coverage arranged by the same brokers outside the market, in order to obviate the need for application for an exemption from the non-admitted insurance regulations.

After a period of many years in which foreign broking interests wholly dominated major project and property insurances it is interesting to note that in 2018 and 2019, the regulator licensed some five new local brokers. One of these, Lao Pakan Insurance Brokers has obtained an insurance and reinsurance broking licence and intends to be active in international treaty and facultative reinsurance placement, focusing particularly on the liability sector and aiming to introduce new products in this respect. The other four newly licensed brokers, according to anecdotal reports, are likely to focus on small and medium size insurance broking.

The *Ministerial Instruction on implementing the Law on Insurance* dated 19 February 2014 indicates that where a primary reinsurance contract is reinsured on a facultative basis the insured shall be so notified at the time when the contract of insurance is signed.

Catastrophe Reinsurance

The only major potential catastrophic exposure in Laos is flood. Such cover is heavily restricted or not granted by insurers in relation to exposed areas near the Mekong River.

The November 2011 flooding in neighbouring Thailand resulted in reinsurers imposing treaty accumulation limits on surplus and quota share arrangements from the 1 January 2012 renewal. They also imposed 10% inner limits on specific policies, even though no losses were suffered in Laos. In addition local monitoring of aggregate flood accumulations was required by reinsurers for the first time.

If flood coverage is granted for an international client under a major programme, high deductibles would apply and the risk would be substantially or wholly reinsured.

Where property catastrophe cover is bought it would generally extend to upper limits of between USD 250,000 and USD 1mn, dependent upon underlying exposures.

Alternative Risk Transfer

Alternative risk transfer is not a feature of the Lao market.

Treaty Reinsurance Commission

Treaty commissions vary between companies, dependent upon the premium to exposure balance of the subject portfolio and the markets in which covers are placed.

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

Reinsurance

Line of business	Commission (%)
Property QS and surplus	30 to 45
Misc accident and PA	25 to 35
CAR/EAR	25 to 35

Source: Market sources

Facultative Reinsurance Commission

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

Line of business	Commission (%)
All	20 to 30

Source: Market sources

Distribution

Insurers tend to use directly the in-house reinsurance facilities of the group to which they belong or place reinsurance directly with regional and international reinsurers or employ reinsurance brokers from outside Laos, depending on the cover required and class of business involved.

Distribution Channels

Summary and Trends

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

	2017	2018	2019
Direct (%)	29	29	30
Broker (%)	0	0	1
Agent* (%)	67	66	64
Bancassurance (%)	3	4	5
Internet (%)	1	1	1

Due to rounding the breakdown above may not equal 100%.

Source: Market sources

There are no official statistics and the indications in the table are purely estimates.

After a period of many years in which foreign broking interests wholly dominated major project and property insurances (especially major construction project business) it is interesting to note that in 2018 and 2019, the regulator licensed some five new local brokers. One of these, Lao Pakan Insurance Brokers has obtained an insurance and reinsurance broking licence and intends to be active in international treaty and facultative reinsurance placement, focusing particularly on the liability sector and aiming to introduce new products in this respect. The other four newly licensed brokers, according to anecdotal reports, are likely to focus on small and medium size insurance broking in the local market.

The newly licensed brokers are as follows:

- Individual Enterprise My Service
- Lao Pakan Insurance and Reinsurance Brokers Company Ltd
- Mavita Consultancy Sole Co
- Unity Broker Lao Co Ltd
- Munglao Investment Broker.

It should be noted that the table above only takes account of locally licensed brokers within the Brokers category. In 2019 the five recently licensed local brokers were in various stages of development, for the most part, setting up their initial operations. It is not possible at this stage to estimate what market share these brokers will have in the future and for the time being it has been rated as minimal in respect of 2019. In relation to international brokers introducing business in Laos (not considered in the table), anecdotal evidence suggests that about 50% of non-life premium volume emanates currently from this source.

Tied agents generate most sales and agents include banks acting as introductory agents. Banks generally introduce non-life insurers to clients, but they do not participate in the transaction and act as commission agents, being classed as agents in the table.

Distribution Channels

The *Law on Insurance No 06/NA* defines the roles, rights and responsibilities of intermediaries, separately for brokers and agents.

The deployment of agents as the mainstream method of distribution generally reflects the traditions of the country's French colonial past.

A number of insurers are increasingly turning to banks to distribute their personal lines products, such as homeowners' and motor, in order to achieve cost efficiency in this market, which is characterised by a relatively small population with a land area approximately the same size as the UK.

The law acknowledges that brokers and agents should be paid a commission by the insurer but does not set any minima or maxima for any class of business.

Article 85 of the law requires that a broker must have professional indemnity insurance, but no minimum amount is stated.

Direct Handling

Direct handling and in-house agency production are used for personal lines and other covers for homeowners and small businesses, for which package policies in pre-rated formats are increasingly being used. In-house sales teams tend to be salaried with a modest production bonus.

A number of locally licensed insurers have local shareholders with industrial or commercial interests and they transact this business on a direct basis.

E-Commerce

The internet is not yet generally used as a sales medium in Laos.

The number of internet users in December 2018 was 2,500,000, that is, an estimated 35.4% of the population. Although internet penetration has been relatively low historically it has grown at a very rapid rate in the last three years, with fast development of mobile phone technology. It is reported that the proliferation of mobile banking apps has tended to reduce footfall of customers in banks.

Most but not all insurers have websites providing information and inviting enquiries, but little non-life business is actively transacted on the internet except for odd cases of companies selling travel insurance.

There is electronic signature legislation entitled the *Law on Electronic Transactions* which was passed and came into force in 2012.

Other Direct Marketing

Face to face selling has been by far the dominant means of selling insurance in Laos. There are no other direct marketing initiatives. Some insurers have helplines available for 24 hours every day for services and claims.

Distribution Channels

Outside the major cities the postal system cannot be relied on and most contact with clients is by mobile phone, especially for renewals.

Television and press advertising is popular, and roadside hoardings are also extensively used.

Bancassurance

According to the Bank of Laos, there are currently 43 licensed commercial banks in Laos, with a mixture of state-owned, joint venture and private banks alongside subsidiaries and branches of foreign banks and one specialised bank.

Some have agreements with a panel of insurers, but others work only with their associated insurance interests for example:

- Lao Viet Bank and Lao Viet Insurance Joint Venture Co Ltd (LVI)
- Phongsavanh Bank and APA Insurance (part of Phongsavanh group)
- ST bank and ST Muang Thai Insurance Co Ltd
- Joint Development Bank and Vientiane Insurance Co Ltd.

There is little or no non-life bancassurance in Laos as such. Banks generally introduce non-life insurers to clients, but they do not participate in the transaction and act as commission agents.

Microfinance is becoming popular, and Aceda Bank is the major local player.

Agencies

Insurance agents must be authorised and comply with the criteria laid down in *Article 77 of the Law on Insurance No 06/NA* as follows:

- be over 18 years of age with capacity in civil law to conclude transactions and agreements
- be a Lao citizen permanently residing in Laos
- have never been imprisoned as a result of an intentional criminal act
- have a certificate of training as an insurance agent delivered by a licensed insurer
- be in good health.

It is mandatory for insurers to submit to the regulator a full and updated list of all their insurance agents. Agents are required to place a security deposit (amount not specified in the regulations) with the insurer which shall be paid back on termination of the agency contract.

Training for agents is for a minimum 30 hours and must cover the products and service sold by the insurer, business and sales processes, administration and accounting, the applicable legislation and the principles of ethics which govern the work of agents.

Distribution Channels

The deployment of agents as the mainstream method of distribution generally reflects the traditions of the country's French colonial past. *Article 78* of the *Law on Insurance No 06/NA* lists the rights and responsibilities of agents and *Article 79* lists the mandatory contents of the agency contract. *Article 76* allows for agents to be corporate or individuals.

Banks are considered as agents and have agency contracts covering all products, including PA and health.

An important aspect of the law is to be found in *Article 80* of the *Law on Insurance No 06/NA* which stipulates that if an agent is in breach of the terms of the agency contract the insurer shall be liable to the insured for errors or omissions committed by the agent but the agent shall be liable to indemnify the insurer for any amount paid by the insurer to the insured arising from a breach of the terms of the agency contract. Nevertheless the insurer is primarily liable for the acts of its agents and a breach of the terms of the agency contract does not affect or diminish the direct liability of the insurer for the acts of its agent(s).

A payment of premium to an agent is deemed to be a payment to the insurer.

Insurance Brokers

After a period of many years in which foreign broking interests wholly dominated major project and property insurances (especially major construction project business) it is interesting to note that in 2018 and 2019, the regulator licensed some five new local brokers. One of these, Lao Pakan Insurance Brokers has obtained an insurance and reinsurance broking licence and intends to be active in international treaty and facultative reinsurance placement, focusing particularly on the liability sector and aiming to introduce new products in this respect. The other four newly licensed brokers, according to anecdotal reports, are likely to focus on small and medium size insurance non-life broking in the local market.

In 2019 the five recently licensed local brokers were in various stages of development, for the most part, setting up their initial operations. It is not possible at this stage to estimate what market share these brokers will have in the future and for the time being it has been rated as minimal in respect of 2019. In relation to international brokers introducing business in Laos anecdotal evidence suggests that about 50% of non-life premium volume emanates currently from this source.

The newly licensed brokers are as follows:

- Individual Enterprise My Service
- Lao Pakan Insurance and Reinsurance Brokers Company Ltd
- Mavita Consultancy Sole Co
- Unity Broker Lao Co Ltd
- Munglao Investment Broker.

Distribution Channels

The *Law on Insurance No 6/NA* provides a legal framework for the licensing, establishment and operation of insurance brokers.

The licence application procedure is the same for an insurance company as defined in the *Law on Insurance No 6/NA*. Minimum capital is unspecified in the law, however, the legislation stipulates that brokers shall have professional liability insurance (limit of cover not yet specified).

Article 83 of the *Law on Insurance No 6/NA* defines the scope of broker operations as follows:

- to provide information to the insurance purchaser on type of insurance, terms and conditions, insurance premiums and licensed insurers
- to provide consultancy services to purchasers of insurance on estimating risks, selecting types of insurance and terms of condition of same, advising on premiums and licensed insurers
- to negotiate and enter into insurance contract(s) between insurer and policyholder
- to carry out other activities related to the implementation of an insurance contract at the request of the purchaser of insurance.

Article 84 defines the rights and obligations of an insurance broker as follows:

Rights

- to receive agreed insurance brokerage commission included in the insurance premium
- insurance broker activities are protected under the laws and regulations of the country.

Obligations

- to provide opinions on insurance business operations to the regulator
- to operate insurance broker activities honestly
- not to disclose or supply information damaging to the lawful rights and interests of purchasers of insurance
- to pay compensation to the purchaser of insurance for damage caused by insurance broking activities.

Intermediaries' Commissions

Typical intermediaries' commission levels by class are shown in the table below.

Line of business	Commission (%)
Fire/property	17 to 22
Motor	12 to 15
Cargo	12 to 15
Engineering/CAR	5 to 12
Other classes	12 to 15

In respect of programmes for very large risks placed by international brokers where the local insurer keeps a very small retention commissions are in a range of 15% to 18% of gross premium. Where the business is entirely fronted with no local retention, typical fronting fees range from 2% to 5% of gross premium.

Consumer Protection

There is as yet no statutory or voluntary code of conduct for selling non-life products or complaint and grievance handling in respect of intermediaries.

Part XI of the Law on Insurance No 06/NA, Articles 106 to 113, specifically deals with consumer dispute resolution.

Article 106 lists in order of preference the acceptable means by which any dispute may be settled. It is, however, left to the parties to agree which particular route to take. These are:

- amicable negotiation
- mediation
- administrative dispute resolution
- settlement by the Committee for Economic Dispute Resolution
- filing of a claim or litigation to the People's Court
- international dispute settlement (related to an international case) in accordance with the treaties and conventions to which Laos is a signatory.

According to the *Ministerial Instruction on implementing the Law on Insurance* a party to an insurance dispute may refer it to the regulator which shall establish an insurance appeals settlement committee to resolve such disputes. In case of rejection of a case by the insurance appeals settlement committee either party to the dispute may refer it to the People's Court within 30 days from receipt of rejection by the insurance appeals settlement committee.

In relation to the resolution of disputes through mediation or arbitration the *Ministerial Instruction on implementing the Law on Insurance* provides that such disputes may be referred, according to the *Law on the Resolution of Economic Disputes* to the mediation and arbitration services of the Center for Economic Dispute Resolution, private mediation processes, domestic private arbitration services, ad hoc arbitration or (where applicable) international arbitration wherever appropriate.

There is no ombudsman, either for insurance specifically or financial services in general.

Adequate consumer protection is regarded by the regulator as a priority.

Company Changes

In 2018 and 2019 the regulator licensed five local brokers, whereas previously there were none.

The newly licensed brokers are as follows:

Distribution Channels

- Individual Enterprise My Service
- Lao Pakan Insurance and Reinsurance Brokers Company Ltd
- Mavita Consultancy Sole Co
- Unity Broker Lao Co Ltd
- Munglao Investment Broker.

Multinationals

Local Multinationals

There are no local multinationals domiciled in Laos.

Foreign Multinationals

Foreign-owned retail, restaurant and hotel chains have interests in Laos. In addition Japanese manufacturers have invested in production facilities in purpose-built special economic zones abutting the Thai border, for component manufacture for the electronics industry.

Large hydropower projects may be managed by multinational companies although the country's electricity generation, transmission and distribution assets are all owned by the state company Electricite du Laos. The large mining operations are generally foreign-owned, mainly by Chinese and Australian interests.

Given the recent influx of newly licensed insurers into the market it is likely that the majority of foreign insurable interests in the market can be accommodated locally.

Foreign interests can, however, gain exemption through government ministries from the non-admitted regulations subsequent to which insurances can be placed in their home domiciles. Chinese interests especially are thought to make use of this facility, as the leading provider of foreign direct investment, dependent upon the size and importance to the local economy and national interest in the investment. There are no regulations mandating initial approaches to the local market and evidence of declinatures from this source, before permission is granted to place insurances or reinsurances outside the country.

It is reported in the local insurance market that the authorities are increasingly less inclined than in the past to grant exemptions from the regulations, principally due to the growth in recent years in the number of licensed insurers in the market, but this does not mean that the possibility of future exemptions can be excluded altogether. The factors principally affecting the granting of exemptions are the size of the investment, availability of local and foreign finance and relevant local and foreign political considerations.

In the meanwhile non-domiciled/non-resident brokers are increasingly using local insurers to front (with a small retention or without any local retention) on the basis of reinsurance coverage arranged by the same brokers outside the market, in order to obviate the need for application for an exemption from the non-admitted insurance regulations.

Multinationals, Captives, ART and Risk Management

After a period of many years in which foreign broking interests wholly dominated major project and property insurances (especially major construction project business) it is interesting to note that in 2018 and 2019, the regulator licensed some five new local brokers. One of these, Lao Pagan Insurance Brokers has obtained an insurance and reinsurance broking licence and intends to be active in international treaty and facultative reinsurance placement, focusing particularly on the liability sector and aiming to introduce new products in this respect. The other four newly licensed brokers, according to anecdotal reports, are likely to focus on small and medium size insurance broking in the local market.

The *Law on Insurance No 06/NA* includes a section on reinsurance. It does not mention fronting. The *Ministerial Instruction on implementing the Law on Insurance* dated 19 February 2014 indicates that where a primary reinsurance contract is reinsured on a facultative basis the insured shall be so notified at the time when the contract of insurance is signed.

Captives

Summary and Trends

Some foreign captive insurers are thought to be active in the reinsurance of risks in Laos.

Local Legislation

There is no specific legislation relating to captive insurers in Laos.

The insurance law is silent on captive insurance.

Locally Domiciled Captives

No captive insurers are domiciled in Laos.

Local Captive Owners

There are no local captive owners in Laos.

A.R.T. & Risk Management

Summary and Trends

At present, no ART or financial risk management products are used in Laos.

Supervision

There is no stipulation in *Law on Insurance No 06/NA*, unlike the previous law, to submit product and pricing details to the regulator in respect of voluntary insurance products as part of a licence application or on an ongoing basis.

Policy Wordings

According to the *Law on Insurance No 06/NA* each and every policy document shall contain the following:

- names and surnames, addresses of contracting parties
- object of insurance
- types of risks insured
- effective date of insurance
- sum insured
- insurance premium and payment methods
- methods and requirements for claim notification
- duration of validity and guarantee
- a statement of what would lead to the invalidity of the insurance contract, loss of rights and termination of a contract prior to its expiration
- methods of dispute resolution.

Policy documents are worded in the Lao language, but can be drawn up in an additional language.

The *Law on Insurance No 06/NA* defines the insurance certificate as a contractual document delivered by the insurer that determines the general conditions of the insurance contract. The latter shall only be enforceable when the general conditions are agreed by all parties and the buyer of insurance has paid the premium evidenced by the insurance certificate. Insurance certificates shall be easy to read and issued in the Lao language and in addition can be drawn up in an additional language. When changes or additions are required to the content of the insurance certificate the parties shall agree an additional contract.

All types of insurance contract shall determine the period of coverage but can be extended by mutual agreement of the contracting parties. Amendments to insurance contracts are subject to mutual agreement of the contracting parties but will only be effective when the insurer has recorded the amendment in the contractual document or has issued an additional contractual document.

The *Law on Insurance No 06/NA* contains regulations relative to the transfer of insurance contracts which, if occurring, must be submitted to the regulator for approval.

Insurance Policies

Companies have developed their own wordings for personal lines and SME packages, in both Lao and English.

As far as is known there are no non-standard exclusions.

Local Insurance Law

The *Law on Insurance No 06/NA* specifies the right of subrogation in *Article 66* and the principle of average in *Article 67*. The same law also deals in *Article 68* with a contract of property insurance insured above market value, stipulating that if the policyholder unintentionally overstates the market value of an insured property the insurer must return to the policyholder the premium related to the amount of overstatement of the sum insured. Upon the happening of a loss, the insurer will be obligated only to indemnify the market value of the insured property.

In relation to dual insurance (defined as a purchaser of insurance entering into insurance contracts with two or more insurers in order to cover a single subject matter on the same conditions and in respect of the same insured event) *Article 69* of the *Law on Insurance No 06/NA* specifies loss contribution by each policy on the basis of the ratio that the agreed sum insured in each policy bears to the total sum insured under all policies entered into by the policyholder, always provided that the sum of indemnity payable by all insurers shall not exceed the value of the actual property damage.

Compulsory motor third party liability is based upon a primary no-fault system, and insurers are legally obliged to settle motor claims in a timely manner.

The law does not require the insurer to provide additional limits for legal costs in addition to the usual limits of indemnity.

Jurisdiction is always Lao unless specified otherwise in the certificate and policy wording. In the event of a court case or other dispute, the court would give the Lao version of the policy precedence.

Policy Issue

There is no requirement for policies to be issued within a certain time-scale. Certificates of insurance are issued for compulsory third party motor insurance.

The insured is not required by law to sign the policy, only the proposal form, which is part of the contract.

Policy Currency

Insurance policies are most usually issued in LAK. Local insurance transactions (covering all forms of insurance with the exception of compulsory motor third party liability) can, however, be denominated in USD. USD would most commonly be used as the policy currency in respect of large property and construction risks, aviation insurance and marine cargo business. There is nothing in the legislation stipulating the use of specific currencies.

Premium Payment and Terms

There are no stipulated premium payment conditions or credit periods in currently in-force legislation, but local collection is mandatory.

The *Law on Insurance No 06/NA* defines the insurance certificate as a contractual document delivered by the insurer that determines the general conditions of the insurance contract. The latter shall only be enforceable when the general conditions are agreed by all parties and the buyer of insurance has paid the premium evidenced by the insurance certificate.

In practice, companies give up to 90 days' credit to major corporate customers, 30 days to agents and normally only seven days for individual buyers. As five brokers were only very recently licensed in Laos (the first brokers in the market), credit periods for same do not appear to have been established yet. For compulsory motor liability, cash for cover is normal practice.

Cancellation and Renewal

The *Law on Insurance No 06/NA* stipulates that an insurance contract shall be null and void when:

- it expires without extension
- either contracting party violates the contract or does not fulfil its requirements
- the contracting parties voluntarily and mutually agree to cancellation of the contract
- the buyer has intentionally lied or hidden the property or person insured
- a court makes a decision that a contract is void
- the insurer is declared bankrupt.

The insurer is responsible for providing all information related to an insurance contract and to explain the terms and conditions to the buyer. The latter shall be responsible for supplying all information and clarification related to the contract as required by the insurer and the insurer must retain such information on a confidential basis. The insurer may suspend or cancel the contract and collection of the relevant premium if the buyer:

- intentionally submits false information
- does not provide the information required in respect of the policy document.

If an insurer intentionally provides false information the purchaser may suspend or cancel the insurance contract and the insurer shall be liable to the insured for compensatory damages.

All policies carry a cancellation clause allowing for a pro rata or short-term refund, with varying notice periods, between seven and 30 days.

Insurance Policies

There is no tacit renewal, and a policy will lapse at expiry date if no instructions to renew have been received from the insured. Given the inadequacies of the Lao postal system, renewals, especially for personal lines, rely heavily on mobile phone or personal contact.

There are no days of grace given at renewal.

Types of Policy

For large commercial and industrial risks, especially those falling under an international programme, or projects, international all risk-type wordings or broker manuscript wordings are used.

Companies have packages for motor (including the compulsory element), homeowner buildings and contents risks, and for SMEs, both commercial and small industrial, but on a fire and named perils basis, with or without burglary. An optional liability section is available with relatively small limits.

Average

Average clauses are standard in property and business interruption classes, and the principle is enshrined in *Article 67 of the Law on Insurance No 06/NA*.

Pro rata average is the norm, although an 80% or 85% waiver is common in policies for larger commercial and industrial clients in all risks or broker manuscript wordings.

Inflation

Adjustment clauses to take account of inflationary increases are used by the market.

Earthquake and Other Geological Hazards

Exposure

Laos is seismically stable although the western part of the country bordering Myanmar is exposed to the active Burmese Arc. Insurance companies and surveyors who have been consulted about the earthquake exposure take the view that the risk is negligible. The western part of the country is sparsely populated.

Accumulations and PMLs

Underwriters do not track extraneous peril accumulations, including earthquake. It is reported that few local companies buy catastrophe reinsurance protection and those that do so aim mainly at protecting the net account against the flood risk.

Limits and Scope of Cover

Where earthquake is covered under an all risks policy, the full sum insured is granted, with no inner limits or first loss cover. A small deductible would apply.

Cover is rarely bought in fire and allied peril policies. SME and homeowner packages generally include the cover.

Rating and Deductibles

Earthquake cover can be granted under a Fire and Perils policy, for a typical additional premium of 25% of the Fire rate with a deductible up to USD 100.

The risk is inclusive in IAR policies and is not subject to separate rating. Typical deductibles are USD 100 to USD 5,000 or 10% of the loss whichever is the larger.

Loss History

No loss history has been recorded which has caused any significant insured damage.

The following table shows the most recent earthquakes.

Date	Location	Magnitude (Richter)	Deaths
5 March 2017	Hongsa Xayaboulay province	4.9	None reported
22 April 2016	Phongsali, Phongsali	4.5	n/a
26 May 2015	Muang, Phonsavan, Xiangkhoang,	4.5	n/a
23 February 2011	Sainyabuli Xayaboulay province	4.6	66
1 November 2007	Ban Houakhoua, Bokeo	4.7	n/a
16 May 2007	Ban Houakhoua, Bokeo	6.3	278
21 December 1996	Ban Houayxay, Bokeo	4.7	n/a
28 September 1996	Phonsavan, Xiangkhoang	4.8	n/a
5 March 2017	Hongsa Xayaboulay province	4.9	None reported
22 April 2016	Phongsali, Phongsali	4.5	n/a

Utilities

Few of the remote areas have electricity, and telephone coverage is limited. There are a number of hydro-electric power generation schemes, but most of the facilities are situated in the central areas of the country, well away from the Burmese Arc.

Power is distributed on a national grid system, powered by coal-fired generators, but also tapping into power generated from hydro schemes whereby a fixed percentage produced is reserved for local use.

Disaster Planning

The military would be mobilised to bring emergency relief in the event of a serious earthquake. Relief agencies could be faced with logistical challenges, however, because of the difficulty of reaching remote areas. In the event of a serious earthquake causing loss of life and damage to property, local efforts could be supplemented by assistance from international organisations such as the International Red Cross and others.

The National Disaster Management Office was set up in 1999 under the auspices of the Ministry of Labour and Social Welfare. It acts as the secretariat for the National Disaster Management Committee, which is responsible for planning and deployment of resources for all disasters, not only for flooding as was the original intention.

Windstorm

Exposure

There is no substantial exposure to windstorm in Laos. The country does not feel the full effects of tropical storms or typhoons in the same way as Vietnam because of the protection afforded by the mountain chain running down their common border. It does have some exposure to winds associated with tropical storms, and certain areas suffer from localised windstorm activity, as Vientiane did in February 2015, causing minimal insured damage and no loss of life.

Accumulations and PMLs

Underwriters do not track extraneous peril accumulations, including windstorm. It is reported that few local companies buy catastrophe reinsurance protection and those that do so aim mainly at protecting the net account against the flood risk.

Limits and Scope of Cover

Where covered under an all risks policy the full sum insured is given with no inner limits: first loss cover is not granted. A small deductible would apply. Otherwise cover is rarely bought under a fire and allied perils policy. SME and homeowner packages usually include the cover.

Rating and Deductibles

Separate ratings do not apply for IAR policies or, in general, multi-risk packages. If requested as an additional peril in a Fire policy, a minimal additional premium would apply, with a small excess.

Natural Hazards

Loss History

Past losses have caused little or no serious insured damage.

Some sources suggest that the frequency and severity of storms in Laos have been exacerbated by climate change.

The following table shows the most recent severe windstorms causing deaths or known damage, all of which were accompanied by floods.

Date	Location	Event type/name	Economic loss (LAK mn)	Economic loss (USD mn)	Insured loss (LAK mn)	Insured loss (USD mn)	Deaths
February 2015	Vientiane	Windstorm/floods	13,800	2	25	0.3	n/a
August 2013	Oudomxay province	Windstorm/floods	190,000	24	n/a	n/a	31
29 Sept 2009	Five provinces in Laos	Ketsana windstorm and floods	493,900	58	n/a	n/a	28

Source: Market sources

Flood

Exposure

Although Laos is not severely affected by major natural disasters compared to other countries in the region, their frequency and this small nation's inability to cope with and recover from cumulative losses are major challenges.

Regular flooding occurs during the monsoon season each year and is welcomed by farmers as it deposits silt on their land. From time to time, however, large areas of paddy may be flooded, threatening the loss of the rice crop.

The flood defences of Vientiane have not been fully tested, but businesses in the capital and its surrounding municipality have so far remained unaffected by flooding.

All the major cities and settlements (including the capital Vientiane) are located on or near the banks of the Mekong River.

Natural Hazards

The flood exposure in the country is not a major concern to insurers or their reinsurers as few properties are insured against flood, and insurers are able to avoid giving cover in exposed areas. Cover is given on larger industrial or commercial complexes, especially those under international programmes, but these risks are not generally exposed to the peril and are situated away from exposed areas and/or have their own defences.

Late on 23 July 2018 a major catastrophe occurred in the southern Attapeu province when a saddle dam under construction in the Xe-Pian Xe Nam Noy hydroelectric project collapsed, causing major floods with a reported outflow of five billion cubic metres of river water into villages and the surrounding countryside. Reports in September 2018 indicated that the catastrophe caused at least 40 fatalities, at least 98 missing persons, some 6,600 displaced persons and thousands of damaged homes. Recently available information from the local insurer dealing with this catastrophe indicates that the USD 50mn limit of liability in the relevant construction insurance policy is likely to be fully exhausted once all claims by third parties are settled, including material damage claims. Any losses exceeding the USD 50mn limit of liability will have to be settled by the Xe-Pian Xe Nam Noy Power Company. It should be noted that this event arose from a specific cause and was not therefore a natural flood catastrophe.

Accumulations and PMLs

Some companies track exposures, especially those which purchase catastrophe reinsurance cover (which not all do).

Limits and Scope of Cover

Flood cover is not granted under fire and allied perils policies.

Where flood is covered under an all risks policy, a sub-limit may apply (typically 50% of the fire sum insured). A large deductible in excess of USD 1,000 will also apply depending on location, exposure and loss history. Otherwise cover is rarely bought, and underwriters are able to avoid giving cover if it is requested

Rating and Deductibles

Rating and deductibles would depend on the flood exposure, following a survey. An overall rating applies to all risks covers and individual peril rates are not identified.

Loss History

Past losses have caused little or no serious insured damage as underwriters are able to avoid granting flood cover in cases where there is potential hazard.

The following table shows the most recent floods and windstorms. This table does not include the 2018 Pian Xe Nam Noy hydroelectric project loss, as it was caused by a dam collapse and not by a natural climatic event.

Natural Hazards

Date	Location	Event type/name	Economic loss (LAK mn)	Economic loss (USD mn)	Insured loss (LAK mn)	Insured loss (USD)	Deaths
6 August 2017	Oudomxay province	Flash floods	n/a	n/a	n/a	n/a	2 reported
February 2015	Vientiane	Windstorm/floods	13,800	2	25	0.3	n/a
August 2013	Oudomxay province	Windstorm/floods	190,000	24	n/a	n/a	31
29 Sept 2009	Five provinces in Laos	Ketsana windstorm and floods	752,000	94	n/a	n/a	28

Source: Market sources

The National Disaster Management Office was set up in 1999 under the auspices of the Ministry of Labour and Social Welfare. It acts as the secretariat for the National Disaster Management Committee, which is responsible for planning and deployment of resources for all disasters, not only flooding.

The serious flooding in neighbouring Thailand in 2011 had no insured loss impact on Laos. Damage occurred in remote areas where virtually nothing was insured. No agricultural insurance is purchased, and industrial farming and forestry tend also not to be insured.

Bushfire

Exposure

There is no bushfire exposure in Laos and no recorded loss history.

Subsidence

Exposure

The subsidence exposure in Laos is minimal, except in close proximity to rivers when flooding occurs, and banks are undermined. There is no recorded loss history, except as a direct result of flood, but no insured losses have been suffered.

Cover is neither requested nor given.

Hail

Exposure

There is no exposure to hail in Laos.

Summary and Trends

Statistics from the regulator indicate that the market property account generated total gross premium income in 2017 of LAK 112.21bn (USD 13.17mn). Total property insurance market premium income reduced in 2017 by 30.12%. With significant growth in the number of insurers licensed in the market in recent years competition for industrial and commercial property business has been intensifying. Average industrial and commercial property insurance rates are reported to have declined by between 10% and 20% per annum in 2017 and 2018 with encouragement from a soft reinsurance market. 2017 is also reported to have witnessed the beginnings of a slowdown in consumer spending which continued into 2018. The government also found itself constrained by high debt ratios to keep public spending under tight control. In 2016, external public debt reached an estimated 68% of GDP, prompting the World Bank and IMF to reclassify Laos' risk of external debt distress to high.

General indications are that industrial and commercial property business makes up at least 95% of the market property premium income with simple risk business comprising up to 5%.

The market retention in this class of business is very low as the maximum net retention for any class of business (including property insurance) is fixed by the *Ministerial Instruction on implementing the Law on Insurance* at a comparatively modest LAK 1.6bn (USD 187,828).

Statistics

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



Source: Axco Global Statistics / Industry Associations and Regulatory Bodies

New statistical information may have been included in the appendices

Major Insurers

The leading property insurers and their market shares are shown below for the latest available year.

Company	Market share 2016 (%)
AGL	95.71
Tokojava	2.28
Dhipaya	0.82
Lao-Viet	0.57
MISG	0.53

Source: Axco Global Statistics / Industry Associations and Regulatory Bodies

Construction and Prevention

Building Regulations

Building regulations in Laos are relatively comprehensive, although reported not to be particularly easy to access.

Building permits require several stages of verification and approval. Mandatory inspections by the Department of Housing and Urban Planning/DHUP (which is part of the Ministry of Public Works and Transport) are reported to be consistently carried out during construction and at final completion. It may be noted that the main contractor appears to bear primary liability for any faults in construction and that liability insurance in this respect is not currently a mandatory requirement.

Registered architects and engineers are qualified to approve building permits and to validate adherence to building regulations during construction.

Built Environment

Most insured properties are in Vientiane and its surrounding province, whilst tourist areas of Luang Prabang in the north and Sihanoukville in the south are fast developing.

The majority of commercial properties in Vientiane are brick and cement-clad Chinese shophouses, or colonial-style buildings with a French influence. In older parts of Vientiane and in outlying towns it is usual to find shophouses built of timber.

Most hotels and apartment buildings in Vientiane have been constructed with modern non-combustible materials, either as new builds on cleared urban sites or by remodelling traditional buildings for residential or commercial purposes. Vientiane now boasts modern, multi-storey reinforced concrete shopping malls and hotels, built to international standards.

Few of the older buildings have anything but rudimentary emergency fire-fighting equipment, such as hand extinguishers. Sprinklers are rare, even in modern buildings, but fire alarms and hose reels with dry risers may be found.

The quality of industrial buildings is variable and there is a large amount of unregulated small-scale industrial activity. Manufacturing processes such as garment factories or sheet metal working may be carried on in commercial shophouses without proper regard for safety precautions or separation from living accommodation.

There is little zoning of industrial risks, but new garment factories financed by Thai and other overseas investors are built to British or Australian standards, and may be pre-fabricated in Australia. Factories tend to have fire separations of 10 to 15 metres. Property in Vientiane is well spread out and there are no major concentrations. No severe or catastrophic fires have been reported, other than in mostly uninsured multi-tenanted market-type risks, which are gradually being replaced after fire damage by multi-storey reinforced concrete structures.

Building Cost Index

There is no official building cost index in Laos.

Fire Brigades

There are two fire brigades in Vientiane and one at the airport. One brigade is operated by the Ministry of Interior and was originally equipped by the Japanese government with modern engines. The other brigade is run by the municipality and has obsolete Russian equipment.

Both brigades are under-funded and may suffer from lack of fuel and maintenance, or alternatively may have equipment which is not fit for purpose.

There are fire hydrants around Vientiane and bowsers are available. The few buildings above six storeys high are all modern hotels equipped with dry risers.

Outside Vientiane, each provincial capital has its own fire brigade, but they are likely to be less well equipped and are also under-funded.

There is no shortage of water, only the means to access it when and where it is required. Mains pressure is more than adequate.

The increasing traffic volumes in Vientiane could cause delays in rush-hours, but out of the city, there is little congestion.

Physical Risk Management

Risk management is not developed in this market. The major companies carry out loss prevention surveys, and when necessary post-loss surveys.

There is no local association of risk managers.

Risk Quality

Awareness of risk is low and rudimentary at best, to the extent that there may be no fire protection available in certain buildings or only very basic fire-extinguishing apparatus. Improving risk awareness continues to be a challenge in this undeveloped market.

Property

Few of the older buildings have anything but rudimentary emergency fire-fighting equipment, such as hand extinguishers. Sprinklers are rare, even in modern hotels, although fire alarms and hose reels with dry risers may be found.

Moral hazard is not seen as a major problem.

Social Hazards

Burglary

There is little commercial theft in Laos, and experience remains good. What few losses are incurred mostly involve private dwellings

There are no market statistics relative to burglary business.

Arson

Arson is not considered by local underwriters to be a major problem in Laos.

Strikes, Riots and Civil Commotions

There is little risk of strikes, riots and civil commotion in urban areas.

Bandits and guerrillas may be active in more remote parts of the country, but do not constitute any form of organised opposition to the government and are unlikely to foment civil unrest in the metropolitan areas where most insured risks are situated.

Terrorism

Terrorism is not considered to be a major threat in Laos. There have been a few bombing incidents in recent years, mostly in Vientiane related to business or domestic disputes.

All insurance policies have a terrorism exclusion.

Cover is rarely requested and only for buildings with major sums insured. Separate facultative reinsurance is generally sourced in international markets.

Householder/Homeowner

Summary and Trends

Domestic retail banks are increasingly lending to potential homeowners to buy or build their own homes, which has led to an increase in demand for buildings, and less so, contents insurance. Previously, only expatriates tended to buy this class of cover (for contents).

New housing stock tends to be concrete and/or brick with tiled roofs: the traditional wooden homes on stilts are rarely insured. Owner occupation is rising gradually, but from a very low base, while it is estimated that no more than 20% of occupiers insure for either buildings or contents. High rates of interest for mortgages (currently reported to be in the region of 16%) tend to discourage borrowing for property purchase.

Families may also occupy shophouses. These would be insured with an SME package rather than a homeowners' package.

Insurers have courted the banks to gain access to their borrowers as potential clients. This business cannot really be classed as bancassurance, however, as bank staff do not generally have any involvement with the actual insurance transaction: introductory commissions are paid to banks. Nevertheless, acquisition through banks is reported to be the principal source of home insurance distribution. Anecdotal reports indicate that an increasing proliferation of mobile banking applications for mobile telephones and tablets is having a tendency to reduce footfall of customers in bank premises.

Package wordings for buildings and/or contents continue to be upgraded in terms of cover available and ease of sale. These have varying degrees of cover, with or without theft, but include a limited form of liability cover for family liability and damage to neighbouring property.

Statistics

Please refer to the graph showing the entire property market under Statistics in the first part of the Property section of this report .

Limits and Scope of Cover

Most companies offer four packages, with increasing premium for wider cover. Typically the four options offered are as follows:

- fire, lightning and explosion, family liability, neighbours' liability
- as above, plus water damage
- as above, plus glass and electrical damage
- as above, plus burglary.

"Water damage" not only includes bursting and overflowing of water tanks, apparatus and pipes from within the building, but also earthquake, hurricane, cyclone or windstorm, and rainwater entering the building resulting from covered perils.

"Burglary" cover is theft following violent and forcible entry or exit, plus damage to buildings as a result thereof. Jewellery and valuables may be covered up to a maximum 30% of the contents sum insured.

Property

New replacement cover is offered by some companies. Otherwise buildings cover in package products is on a replacement basis with application of average (unless the sum insured is equivalent to 75% or more of replacement value at the time of the loss).

Rating and Deductibles

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

Homeowners' risk rate movements	
2018	92
2017	94
2016	95
2015	96
2014	97

Source: Market sources

Simple risk premium rates have fallen modestly in recent years as market competition has intensified.

Loss Experience

Little or no insured losses were suffered as a result of the serious flooding in 2009, 2011, 2013 or 2015. The account is generally reported to be consistently profitable.

Reinsurance

Property business tends to be placed in proportional treaties, usually surplus, sometimes with an accompanying quota share arrangement, leaving an ultimate net retention of up to LAK 1.6bn (USD 187,828) as per the requirements of the law. Limits are usually expressed in USD.

Maximum net and treaty property capacity, dependent on individual company arrangements, does not generally exceed USD 15mn to USD 20mn. Facultative reinsurance for higher values may be sought from treaty reinsurers and can also be sourced in regional markets.

Subsequent to the November 2011 flooding in neighbouring Thailand, January 2012 treaty renewals saw the imposition of aggregate limits in respect of property reinsurance emanating from Laos for proportional treaties and 10% inner limits for specific policies. In addition local tracking of aggregate flood accumulations was required for the first time.

Treaty reinsurance is generally placed in-house where the foreign shareholder has group capacity or alternatively in the professional reinsurance market (based regionally or internationally). Most treaty reinsurance, outside internal group arrangements, is placed by reinsurance brokers.

The only potential catastrophic exposure in Laos is flood. Such cover is heavily restricted or not granted by insurers in relation to exposed areas near the Mekong River. Catastrophe reinsurance for flood is not considered necessary by some insurers and may not be purchased at all by some companies.

Major Insurers

There are no statistics specific to simple risk property business.

See Major Insurers in the initial part of the Property section, which provides official statistics in respect of leading insurers for the entire property account.

Distribution

Distribution via banks acting as agents is reported to be the most important distribution channel, but agents also are involved in this sector. As local insurance brokers are in their infancy no indications are as yet available as to their involvement in distribution of simple risk insurances.

Industrial and Commercial

Summary and Trends

Many of the largest risks, such as industrial projects, mining complexes and hydroelectric generators owned or operated by foreign interests tend to be heavily reinsured in international markets and in some cases the direct insurance policy may be placed in a foreign market where exemption from the non-admitted insurance regulations has been granted by the regulator. It is reported in the local insurance market, however, that the authorities are increasingly less inclined than in the past to grant exemptions from the non-admitted insurance regulations, principally due to the growth in recent years in the number of licensed insurers in the market, but this does not mean that the possibility of future exemptions can be excluded altogether. The factors principally affecting the granting of exemptions are the size of the investment, availability of local and foreign finance and relevant local and foreign political considerations. In the meanwhile non-domiciled/non-resident brokers are increasingly using local insurers to front (with a small retention or without any local retention) on the basis of reinsurance coverage arranged by the same brokers outside the market, in order to obviate the need for application for an exemption from the non-admitted insurance regulations.

Property business in respect of small and medium-size risks has significant room for future growth. SME industrial and commercial companies are undoubtedly becoming more aware of the importance of property insurance: such businesses are often family-owned and managed.

Larger commercial risks such as hotels are most likely to be insured on all risks policies.

Statistics

Please see Statistics in the initial part of the Property section.

Limits and Scope of Cover

The larger property risks, especially those controlled by foreign interests, have all risks packages, some including machinery breakdown and business interruption. ABI, Allianz or (rarely) manuscript wordings are used. Liability risks are usually placed separately.

SME-type risks can be covered by packages with varying levels of cover. Typical maximum cover will include:

- fire
- family liability (where applicable)
- liability to neighbours
- water damage
- glass breakage
- electrical damage
- burglary.

Some companies offer more basic packages, not including burglary, glass breakage and electrical damage.

Flood is written sparingly, always subject to survey with excesses if applicable, and can be avoided altogether at underwriter discretion. Requests for flood damage, if not connected with international business, are treated with restraint as selection against insurers is presumed.

There are no non-standard exclusions.

New for old or reinstatement covers are available for smaller risks. Large commercial covers as part of international programmes would have reinstatement conditions and possibly 80% or 85% average conditions.

Business Interruption

Business interruption is rarely insured, except for international risks, or foreign-connected businesses where it usually follows the ABI wording. The indigenous Lao business community (as well as agents) have difficulties in understanding the concept of this class and it is therefore rarely sold to this section of the local community. The standard of book-keeping and accounting systems adopted by local businesses can also make it difficult to adjust claims in accordance with policy conditions.

Excesses of seven days are the norm, on a conventional gross profit, difference basis wording. The period of cover is usually 12 months with a maximum of 18 months.

BI is not normally offered in SME packages.

Rating and Deductibles

With significant growth in the number of insurers licensed in the market in recent years competition for industrial and commercial property business has been intensifying. Average industrial and commercial property insurance rates are reported to have declined by between 10% and 20% per annum in 2017 and 2018 with encouragement from a soft reinsurance market. Amid recent reports of some firming of the reinsurance market in the Asian region, however, it remains to be seen how durable the soft reinsurance market in Asia will turn out to be in the next three years.

The following table shows indicative rating levels which are subject to increasing downward pressure:

Property

Property type	Rate (%)
Class 1 office or hotel	0.80 to 1.00
Non-hazardous manufacturer	1.20 to 2.00
Sawmill class 3 construction	Up to 25.0

Source: Market Sources

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

Industrial and commercial risk rate movements	
2018	67
2017	74
2016	82
2015	85
2014	90

Source: Market sources

Major Risks

Major property risks are shown below.

Insured	Occupancy
Lao Brewery	Beer brewery
Nam Theun II	Hydroelectric dam
Lan Xang minerals	Gold and copper mining
Triolao	Garment export company
Hongsa Power	Coal power plant
Various	10 hydroelectric power plants

Source: Market sources

Loss Experience and Largest Losses

Flooding in 2009, 2013 and 2015 caused significant economic losses but no major insured damage.

Other major losses that have occurred in the last five years are shown in the table below. There were no major reported losses in 2018 or 2019 to date.

Date of loss	Name of insured	Occupancy	Description of loss	Property damage (LAK mn)	Property damage (USD mn)
July 2017	Chinese market	Individual insureds in market (300 shops destroyed)	Conflagration	10,639.7	1.3
2016	Triolao	Garment export company	Fire	32,717.1	4.0
6 March 2014	Central Market	Individual insureds in market	Conflagration	110,000.0	13.7

Source: Market sources

Major Insurers

There are no statistics specific to commercial and industrial risk property business.

Property

See Major Insurers in the initial part of the Property section which provides official statistics in respect of leading insurers for the entire property account.

Reinsurance

Proportional treaties are arranged on a quota share and/or surplus basis for property business.

The maximum net retention for any class of business is fixed by the *Ministerial Instruction on implementing the Law on Insurance* at LAK 1.6bn (USD 187,828)). Treaty limits are usually expressed in USD. In 2015 and 2016 the market retention in the property account as a percentage of gross premium income was, respectively, 7.48% and 6.67%, that is, very low.

Maximum net and treaty property capacity, dependent on individual company arrangements, does not generally exceed USD 15mn to USD 20mn.

Treaty reinsurance is generally placed in-house where the foreign shareholder has group capacity or alternatively in the professional reinsurance market (based regionally or internationally). Most treaty reinsurance, outside internal group arrangements, is placed by reinsurance brokers.

The market has significant recourse to facultative reinsurance in respect of large and very large risks. Non-domiciled/non-resident brokers are increasingly using local insurers to front (with a small retention or without any local retention) on the basis of reinsurance coverage arranged by the same brokers outside the market, in order to obviate the need for application for an exemption from the non-admitted insurance regulations.

Distribution

The main distribution channels for this class are direct or through agents. Distribution through banks acting as agents is an important source in respect of small business packages.

As local insurance brokers are in their infancy no indications are as yet available as to their involvement in distribution of industrial and commercial risk insurances.

Agriculture

Summary and Trends

Historically there has been no local market for agricultural risks as there was no demand from the indigenous subsistence-level farming community. The government is promoting agribusiness and aqua-culture in the country areas, but has not suggested that it should subsidise any related insurance cover.

There has recently been an increase in overseas and local investment in rubber, eucalyptus, tea and coffee plantations. Local banks support this development and generally demand cover on a limited fire and perils basis, including flood and typhoon.

Hail

There is no exposure to hail in Laos.

Construction and Erection all Risks

Summary and Trends

Separate statistics are not available for construction and EAR insurance, these being confirmed by the regulator to be included within the Miscellaneous category (see Appendix 1 to this report). The regulator is not able to provide a split between the construction and EAR content and other classes of non-life business within the Miscellaneous category.

Because of the one-off nature of major construction projects related insurance can cause market premium income from this source to vary significantly from one year to the next.

The construction and EAR sector has little effect on market net profitability due to very small retentions. Precise gross loss ratios for construction and EAR business in isolation are not known because the Miscellaneous category comprises several classes of business.

Important economic and infrastructural developments are underway in Laos. The USD 6.7bn railway link being built between China and Laos (in which the Lao government has a 30% stake financed from borrowing from the Export-Import Bank of China) is expected to be fully operational in 2021. It is certain to provide a significant boost to local economic development and growth, promoting enhanced trade and tourism between the two countries and more broadly within the ASEAN free trade area: these represent crucial advances for the land-locked and relatively poor and underdeveloped country of Laos. Current evidence exists of strong Chinese investment in industrial and commercial construction projects (including hotels, shopping malls and tourism facilities) in Laos and this trend is expected to be continuous in the next two years at the minimum. It is therefore anticipated that enhanced interest in the Lao insurance market by Chinese and other regional investors is likely to emerge in the near and medium term future. It is known that the construction insurances in respect of the railway link being built between China and Laos are placed in non-admitted markets by inter- government agreement.

Foreign interests can gain exemption through government ministries from the non-admitted regulations subsequent to which insurances can be placed in their home domiciles, but it is reported in the local insurance market that the authorities are increasingly less inclined to grant exemptions from the regulations, principally due to the growth in recent years in the number of licensed insurers in the market. This does not mean, however, that the possibility of future exemptions can be excluded altogether: the factors principally affecting the granting of exemptions are the size of the investment, availability of local and foreign finance and relevant local and foreign political considerations.

In the meanwhile non-domiciled/non-resident brokers are increasingly using local insurers to front (with a small retention or without any local retention) for major construction project business on the basis of reinsurance coverage arranged by the same brokers outside the market, in order to obviate the need for application for an exemption from the non-admitted insurance regulations.

Construction and Machinery Breakdown

The *Ministerial Instruction on implementing the Law on Insurance* lists the principal classes of in-force and prospective compulsory insurance including third party liability for activities and properties, as determined by the regulator. "Activities" are likely to include construction sites because the ministerial instruction lists construction sites as risks requiring compulsory third party liability insurance, without any further amplification as yet.

Late on 23 July 2018 a major catastrophe occurred in the southern Attapeu province when a saddle dam under construction in the Xe-Pian Xe Nam Noy hydroelectric project collapsed, causing major floods with a reported outflow of five billion cubic metres of river water into villages and the surrounding countryside. Reports in September 2018 indicated that the catastrophe caused at least 40 fatalities, at least 98 missing persons, some 6,600 displaced persons and thousands of damaged homes. The direct construction insurance policy in respect of the project was placed with Assurances Generales du Laos which is owned 49% by the Ministry of Finance, and 51% by Allianz Finance 2 Luxembourg SARL. The reinsurance programme was supervised by Allianz and placed with A rated security in the international market. Recently available information indicates that the USD 50mn limit of liability in the relevant construction insurance policy is likely to be fully exhausted once all claims by third parties are settled, including material damage claims. Any losses exceeding the USD 50mn limit of liability will have to be settled by the Xe-Pian Xe Nam Noy Power Company.

Statistics

No entire market statistics are available in respect of construction and EAR business, since these classes are included under a Miscellaneous heading which includes other classes of business not specifically classified. See Appendix 1 of this report for statistics related to Miscellaneous business.

Hazard

The main hazard relating to construction risks is the annual monsoon season from May to October. This can cause project delays due to floods and subsidence.

Building Contract Conditions

Building regulations in Laos are relatively comprehensive, although reported not to be particularly easy to access.

Building permits require several stages of verification and approval. Mandatory inspections by the Department of Housing and Urban Planning (which is part of the Ministry of Public Works and Transport) are reported to be consistently carried out during construction and at finality. It may be noted that the main contractor appears to bear primary liability for any faults in construction and that insurance is not currently a mandatory requirement.

Registered architects and engineers are qualified to approve building permits and to validate adherence to building regulations during construction.

Building contract conditions may be those of the international contractors' own countries where maintaining insurance is a condition of the construction contract. Some major projects are on a build/operate/transfer basis.

Limits and Scope of Cover

CAR and EAR are always written as a separate class, including the liability aspect. For large projects, such as those funded by overseas governments or other FDI sources, Munich Re-based wordings are generally used. Smaller covers placed in the local market would also have the same basic Munich Re wording. It is rare for any project to be insured on other than a full contract value basis, with allowances for temporary works and removal of debris.

Project cargo is normally insured under separate contracts.

Open covers for local contractors are not generally issued by the market but are not uncommon for foreign contractors working routinely in Laos.

As far as is known, there are no non-standard exclusions, either for projects or local business.

Contractors' plant and equipment is only covered for projects. Locally owned equipment for small contractors can disappear very easily, and underwriters avoid granting cover if possible.

Terrorism has sometimes been requested in the past and reinsured separately into specialist markets.

Contractors' Liability

Limits of liability depend on the size of the contract but would typically be USD 1mn to USD 5mn and rarely up to USD 10mn, especially since the contract sites are likely to be in remote and sparsely populated areas of the country. Major projects can, however, carry limits of indemnity as high as USD 50mn, as was the case in respect of the Xe-Pian Xe Nam Noy hydroelectric project. For smaller purely local contractors' business, the limit usually equates to 25% of the contract value up to a maximum of USD 2.5mn.

Environmental pollution could be a problem: sudden and accidental cover can be obtained in this respect.

Rating and Deductibles

Market reports indicate that construction premium rates were reducing in 2018 and 2019 in a highly competitive environment. Rates for all major projects are quoted from outside the market and depend on project details, underwriting considerations and coverage so that generalisations are not particularly helpful. It is reported, however, that rates quoted by the Chinese market are lower than those quoted by major insurer and reinsurers such as Allianz and Munich Re.

Deductibles would normally be specially applied to flood risks and may be as much as USD 500,000 for large projects, with a USD 10,000 to USD 20,000 excess for other perils, but as little as USD 1,000 for smaller commercial or industrial sites.

Construction and Machinery Breakdown

Loss History

Late on 23 July 2018 a major catastrophe occurred in the southern Attapeu province when a saddle dam under construction in the Xe-Pian Xe Nam Noy hydroelectric project collapsed, causing major floods with a reported outflow of five billion cubic metres of river water into villages and the surrounding countryside. Reports in September 2018 indicated that the catastrophe caused at least 40 fatalities, at least 98 missing persons, some 6,600 displaced persons and thousands of damaged homes. The direct construction insurance policy in respect of the project was placed with Assurances Generales du Laos which is owned 49% by the Ministry of Finance, and 51% by Allianz Finance 2 Luxembourg SARL. The reinsurance programme was supervised by Allianz and placed with A rated security in the international market. Recently available information indicates that the USD 50mn limit of liability in the relevant construction insurance policy is likely to be fully exhausted once all claims by third parties are settled, including material damage claims. Any losses exceeding the USD 50mn limit of liability will have to be settled by the Xe-Pian Xe Nam Noy Power Company.

Major Insurers

AGL is thought to remain the predominant insurer due to its previous experience and reputation. This company is generally favoured by all but Chinese foreign interests.

In the absence of precise figures solely related to construction and EAR business it is not possible to indicate percentage market shares of the leading.

Reinsurance

Proportional treaties for engineering and construction business are arranged on a quota share and/or surplus basis. Treaty limits are usually expressed in USD.

Maximum net and treaty property capacity, dependent on individual company arrangements, does not generally exceed USD 15mn. Facultative reinsurance features routinely in respect of all major projects.

The market's retention is thought to be small. The *Ministerial Instruction on implementing the Law on Insurance* limits companies' net retention on any one risk to LAK 1.6bn (USD 187,828).

Treaty reinsurance is generally placed in-house where the foreign shareholder has group capacity or alternatively in the professional reinsurance market (based regionally or internationally). Most treaty reinsurance, outside internal group arrangements is placed by reinsurance brokers domiciled outside the country.

Non-domiciled/non-resident brokers are increasingly using local insurers to front (with a small retention or without any local retention) for major construction project business on the basis of reinsurance coverage arranged by the same brokers outside the market, in order to obviate the need for application for an exemption from the non-admitted insurance regulations.

Construction and Machinery Breakdown

It is interesting to note that in 2018 and 2019, the regulator licensed some five new local brokers. One of these, Lao Pakan Insurance Brokers has obtained an insurance and reinsurance broking licence and intends to be active in international treaty and facultative reinsurance placement, focusing particularly on the liability sector and aiming to introduce new products in this respect. The other four newly licensed brokers, according to anecdotal reports, are likely to focus on small and medium size insurance broking in the local market.

Distribution

Distribution can either be direct through financing sources or contractors/developers nominated by such partners or through non-domiciled/non-resident brokers nominated to arrange placement. Business from the Lao government is often conducted on a direct basis.

Building Cost Index

There is no building cost index in Laos.

Principal Contractors

There are some local civil building contractors such as Lao Road and Bridge Construction Co, Kahamphaysana Construction and Road No 8 Construction. The major projects are, however, normally awarded to a foreign contractor, who would sub-contract a proportion of the work and manage the project. A major project can also be managed by the ultimate operator. Major projects often involve the import of and deployment of foreign skilled labour.

Machinery Breakdown

Summary and Trends

Machinery breakdown is reported to be a small class of business: no specific statistics are available. It is common practice to include breakdown coverage in IAR policies using, most often, ABI or Allianz wordings. This is the predominant practice for hotel or commercial office risks requiring cover for lifts, escalators, freezers and air-conditioning plant. In such cases the machinery coverage content of IAR policies is part and parcel of the statistics relative to property insurance business.

Reinsurance is likely to be substantial in respect of pure machinery breakdown business.

Statistics

There are no separate statistics for this class.

Limits and Scope of Cover

Standard wordings from international markets are used, most commonly the ABI or Allianz all risks wordings. Generally where machinery breakdown cover is granted within the coverage parameters of an IAR policy it is sub-limited to be between 25% and 50% of the principal sum insured.

Rating and Deductibles

No information is available on rating or deductibles. The cover is usually included in an ABI all risks wording, with little or no additional premium, and nominal excesses, but is generally sub-limited to between 25% and 50% of the principal sum insured.

Construction and Machinery Breakdown

Loss History

There have been no notable losses on the account. Attritional losses on contractors' plant and machinery can be a problem as the equipment may be second-hand and poorly maintained.

Major Insurers

AGL is thought to be the market leader and this is supported by all anecdotal evidence.

Reinsurance

All companies' automatic facilities extend to accommodate this class. Limits and retentions vary from one company to another.

Distribution

Local business is written direct.

Statutory Inspection Requirements

There are no known statutory inspection requirements in Laos.

Extended Warranty

This class of business is not written in Laos.

Summary and Trends

According to the regulator the market motor insurance account grew in 2017, as compared to 2016, by a modest 1.42%. The low growth rate in 2017 is generally attributed by the local market to the beginnings of a slowdown in consumer spending which intensified in 2018.

Despite the compulsory nature of motor third party liability cover for all motorised road-going vehicles, it is estimated that less than 40% of vehicles have such cover. Most of the uninsured vehicles are motorcycles, of which the majority are thought not to comply with statutory obligations. Most comprehensive cover purchase is reported to relate to new or nearly new second-hand vehicles purchased on credit where insurance is a condition of obtaining a bank loan. Leasing has also been gaining in popularity where the vehicle is insured by the leasing company as part of a full maintenance contract.

It is evident that vehicle numbers of all varieties are increasing year on year, but there are no statistics available to show the proportion of vehicles insured. There is a fixed penalty of LAK 30,000 (USD 3.52) for non-insurance but this is a fraction of the annual motor insurance premium and is not adequately policed.

There have been no changes to the minimum limits or premium tariff introduced by the *Minister of Finance Agreement No 288/MOF* of 4 February 2009, which covered property damage and passenger liability.

Voluntary/additional third party and own damage cover is bought, primarily by foreign companies, embassies, NGOs and expatriates and owners of new or relatively new vehicles purchased on credit. A development in the market, aimed at making motor insurance more affordable, has been to introduce flexible own damage policies where the sum insured is lower than actual vehicle value, typically starting from a minimum sum insured of LAK 40mn (USD 4,696) with a minimum premium per day of LAK 10,000 (USD 1.17) or LAK 3.65mn (USD 428.48) per year. Third party cover is included in flexible policies, as well as own damage caused by accident, collision, fire, glass breakage, overturning and theft. AGL was the first company to introduce this type of policy but it has been copied subsequently by several other insurers.

With the high rate of non-insurance, subrogation under the no-fault system is a problem for underwriters. There are no claim-sharing agreements.

Legislative Update

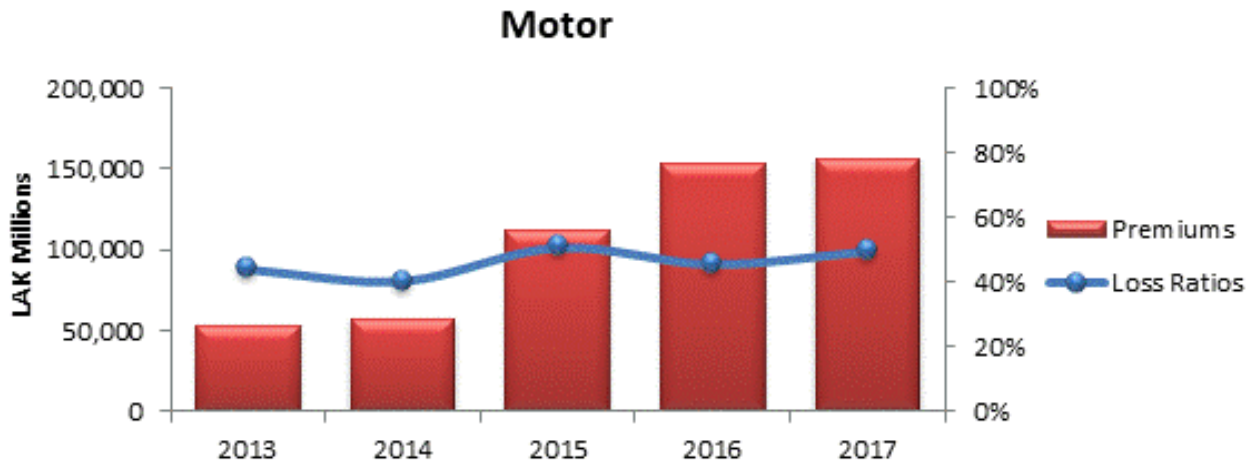
The regulator confirmed in September 2017 that the National Bureau of Insurance has been established and is operational.

Projected Legislation

The Insurance Fund for Road Victims provided for in *Ministerial Instruction on implementing the Law on Insurance* effective from 2014 has not yet been established. It is not known when this provision in the law will be finally activated.

Statistics

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



Source: Axco Global Statistics / Industry Associations and Regulatory Bodies

New statistical information may have been included in the appendices

It should be noted that figures for years 2013 to 2014 were sourced from AGL and only referred to that company's motor account, whereas figures for 2015 and 2016 were total market statistics sourced from the regulator. For this reason the apparent steep increase in gross premium income from 2015 onwards cannot be realistically compared to previous years.

Statutory Third Party Limits

Compulsory motor third party insurance limits are as follows:

- bodily injury, maximum any one accident - LAK 101.4mn (USD 11,904)
- death or total permanent disability, maximum per victim - LAK 12.0mn (USD 1,409)
- medical expenses maximum any one person - LAK 1.8mn (USD 211.31)
- property damage, maximum any one accident - LAK 5.2mn (USD 610.44).

Partial permanent disablement is calculated as a percentage of the full total permanent disablement allowance based upon a continental scale.

Compulsory cover applies to all registered motor vehicles with no exceptions. It is estimated that less than 40% of vehicles have such cover, however.

There are no alternative mechanisms for covering statutory minimum third party motor insurance liabilities.

Other Regulatory Considerations

Tariff rates for minimum compulsory third party liability cover are fixed by the MOF (see Rating and Deductibles).

Agreement No 288/MOF requires window stickers and a certificate of insurance as evidence of compulsory cover. Police have wide "stop and check" powers, but despite this and the fine for non-compliance, non-insurance is a major problem.

There is currently no scheme to compensate victims of uninsured vehicle accidents but the *Ministerial Instruction on implementing the Law on Insurance* sets out the provisions under which an "Insurance Fund for Road Victims" is to be established: the fund will be financed by mandatory contributions calculated as a percentage and/or a fixed amount levied on all motor premiums of licensed insurers, plus a percentage of all traffic offence fines and penalties. Contribution rates, limits, management of the fund, procedures and various parties' rights are yet to be specified by the minister of finance. It is not known when this provision in the law will be finally activated.

Pending the establishment of the Insurance Fund for Road Victims the ministerial instruction provided that the advance payment for the cost of treatment of the injured victim(s) of a road or motor vehicle accident involving an insured vehicle, without consideration of liability (ie on a no-fault basis) shall be as follows:

- an amount not exceeding LAK 1.8mn (USD 211.31) per injured person
- an amount not exceeding LAK 3mn (USD 352.18) per fatality
- the maximum payment by the insurer per accident shall not exceed LAK 10mn (USD 1,174).

There is no bad risk pool.

International Motor

A memorandum of understanding was signed in September 2009 between Laos and the governments of Thailand, Vietnam and Cambodia, designed to ease the flow of international traffic and the minimum insurance requirements, under ASEAN Protocol 5. The "Blue Card" scheme implementing the system has still to be properly instituted for all four countries, however, because, inter alia, of problems with IT infrastructure.

The memorandum is worded such that minimum statutory cover in each country is provided by a licensed company in that country. AGL and Toko maintain offices on the Friendship Bridge between Laos and Thailand and issue certificates to incoming Thai vehicles, on Lao policies at short-term rates. There are several legitimate border crossings, however, not all of which are guarded, and this can result in non-insurance of incoming traffic.

The *Ministerial Instruction on implementing the Law on Insurance* specified that:

- transit transportation operators and road transport transit vehicles whenever crossing the Laos border from or to one or several countries in the ASEAN region shall hold insurance coverage from the ASEAN (blue card) community as defined in Protocol 5 establishing the ASEAN compulsory insurance scheme
- locally valid motor vehicle insurance shall be in place in respect of any type of motorised vehicle and its transported goods crossing the border into Laos
- an insurer or agent of an insurer duly licensed to operate in Laos is eligible to sell cross-border transport insurance in respect of vehicles which are duly registered in Laos according to the relevant vehicle registration regulations
- the National Bureau of Insurance and its agents are empowered to sell ASEAN blue card insurance coverage in respect of cross-border transport vehicles registered in Laos or ASEAN which are proceeding out of and into Laos.

The regulator confirmed in September 2017 that the National Bureau of Insurance has been established and is operational.

Limits and Scope of Cover

In addition to compulsory third party, the market offers additional liability cover for higher limits, and own damage. The "complementary" cover, or comprehensive, includes compulsory liability, thus only one policy needs to be issued, unlike some other jurisdictions in the region where separate policies are required for compulsory and voluntary covers.

Companies offer variations of voluntary additional liability coverage as part of complementary cover options up to:

- LAK 750mn (USD 88,044) any one accident for bodily injury
- LAK 40mn (USD 4,696) any one victim, death or total permanent disablement
- LAK 8mn (USD 939.14) medical expenses
- LAK 50mn (USD 5,870) property damage
- LAK 150mn (USD 17,609) legal defence and recourse costs
- LAK 160mn (USD 18,783) own damage with a LAK 600,000 (USD 70.44) excess
- LAK 40mn (USD 4,696) personal accident for driver.

Motor

Voluntary/additional third party and own damage cover is bought primarily by foreign companies, embassies, NGOs and expatriates and owners of new or relatively new vehicles purchased on credit. A recent development in the market, aimed at making motor insurance more affordable, has been to introduce flexible own damage policies where the sum insured is lower than actual value, typically starting from a minimum sum insured of LAK 40mn (USD 4,696) with a minimum premium per day of LAK 10,000 (USD 1.17) or LAK 3.65mn (USD 428.48) per year. Third party cover is included in flexible policies, as well as own damage caused by accident, collision, fire, glass breakage, overturning and theft. Vehicles eligible for flexible own damage cover can be between one and 10 years old. The insured can opt to have his or her vehicle repaired at any garage of the insured's choice. No claims discounts are granted of 10% after one year with no claims, 20% after two years and 30% after three years. AGL was the first company to introduce this type of policy but it has been copied subsequently by several other insurers.

The market does not guarantee a replacement new vehicle if the insured vehicle is written off in the first year of insurance after purchase from new. Depreciation is applied to any total loss by up to 20% in the first year and 10% per year thereafter, even though import tax applies to new vehicles of up to 25% of imported invoice value. GAP cover is not available.

Insurers are beginning to put together networks of repair workshops across the country, although as yet none are pre-authorized to start work on a damaged vehicle, even within a small repair cost limit. There are no premium discounts for insureds to attend network garages rather than ones of their choice. All repair work is pre-surveyed and a price negotiated before repair authority is given.

Extended warranty for new or second-hand vehicles is not a feature of the market.

Terrorism is a general exclusion.

Rating and Deductibles

Tariff rates for minimum compulsory third party liability cover are as follows as fixed by the MOF:

- motorcycles of less than 50cc - LAK 137,600 (USD 16.15)
- motorcycles from 50cc to 124cc - LAK 182,645 (USD 21.44)
- motorcycles of 125cc or more - LAK 212,675 (USD 24.97)
- three-wheelers or tuk-tuks - LAK 295,450 (USD 34.68)
- private cars less than 2,000cc - LAK 288,520 (USD 33.87)
- private cars 2,000cc or more - LAK 307,000 (USD 36.04)
- commercial vehicles less than 2,000cc - LAK 497,575 (USD 58.41)
- commercial vehicles 2,000cc or more - LAK 557,635 (USD 65.46).

Motor

One company uses an application with variables according to make/model or vehicle type, value, location, age of driver, deductible etc: the system is based on a rate per cent on value rather than on points.

Deductibles for standard own damage policies are normally around LAK 600,000 (USD 70.44) or up to 20% of car value/sum insured if insured thus and not in a package, all with a range of possible premium discounts.

Gross premium levels across the market are difficult to compare as packages as described above all have variations on a theme, with differing limits. Pure AD rates range from 3.5% to 4.2% on vehicle value, if separately insured and not in packages. Discounts are allowed for varying levels of deductible, such as 25% for 5% of total value or 10% of the claim.

Competition is intensifying in terms of introductory discounts (as much as 25% overall) and commissions. Standard commission is 12% but can go up to 15%.

The following table gives an indication of rate movements for compulsory minimum motor third party premiums in recent years, with 2012=100 being the base year.

Motor third party rate movements	
2018	100
2017	100
2016	100
2015	100
2014	100

Source: Market sources

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

Motor hull rate movements	
2018	87
2017	89
2016	90
2015	92
2014	92

Source: Market sources

No Claims Discount System

No claims discounts for full value policies are calculated using a cumulative scale of 5% off the preceding year's rates, with 10% off in the second year up to a maximum overall discount of 50% or 55%, depending on the underwriter.

In flexible own damage policies no claims discounts are granted of 10% after one year with no claims, 20% after two years and 30% after three years.

A malus system also operates with 10% loadings per annum after a claim in any year.

There is no protection mechanism for NCDs, by way of additional annual premium.

Loss Experience and Trends in Court Awards

Loss ratios for motor business were reported by the regulator to have been 50.87% in 2015, 45.66% in 2016 and 49.66% in 2017. The business is written by all licensed insurers in the market having licences to transact it.

The table below shows road accident statistics for the last available five years.

	2012	2013	2014	2015	2016
Number of accidents	6,146	5,931	5,635	n/a	5,616
Number of fatalities	888	910	1,052	n/a	1,371
Number of injured	10,191	9,750	9,241	n/a	4,569

Source: Axco Global Statistics / Industry Associations and Regulatory Bodies

Claims frequency and average costs are both reported to have been increasing, the former in line with the ever-increasing volume of traffic, although different companies report different experiences. The cost of imported spare parts is also increasing as most are priced originally in foreign currencies.

An average motor third party liability claims cost of circa LAK 2.8mn (USD 328.70) to LAK 3mn (USD 352.18) is generally reported with consistent indications that the vast majority of claims relate to bodily injury of motorcyclists and/or pillion passengers.

One company reports that between 1% and 2% of motor third party liability claims are taken to court, the larger ones being as a result of dissatisfaction with the previous "village elder" negotiation system, and a growing awareness of what an injury is now worth. Awards for death have reached to levels between LAK 100mn (USD 11,739) and LAK 120mn (USD 14,087), either awarded in court or negotiated out of court. Serious injury claims can cost 20% more than fatal accident claims subject to expert witness testimony or reports, and dependent on age and possible future loss of earnings and future cost of care. The relatively low average cost of motor third party liability claims is the result of the majority being settled within the no-fault liability limits. Difficulties can occur in respect of recoveries by way of subrogation due to low penetration levels of motor third party and public liability insurance.

No interest is levied on late or delayed payment.

Theft is not seen as a problem, except for motorcycles, which are rarely covered for theft.

Major Insurers

The leading motor insurers and their market shares are shown below for the latest available year.

Company	Market share 2016 (%)
AGL	39.54
Lan Xang	21.90
Lao-Viet	14.82
Dhipaya	11.22
Tokojava	8.49

Source: Axco Global Statistics / Industry Associations and Regulatory Bodies

Reinsurance

Limits for compulsory motor liability are sufficiently low for the business to be generally retained for net account but high-value vehicles may require facultative coverage. Net retentions are generally protected by excess of loss covers but the odd quota share treaty may exist.

Distribution

Traditionally distribution has been by agency networks, especially for compulsory business, with agents authorised to issue cover notes and collect premiums.

The situation has changed somewhat since retail banks have begun to offer vehicle finance: these banks now have commission-based introductory relationships with one or several insurers. Not all banks, however, insist on comprehensive cover, as the finance arrangement makes the borrower the owner immediately, with the bank not retaining a lien on the collateral.

Internet penetration is very low, especially in the countryside, and e-commerce is not seen as a short or medium-term alternative to other distribution systems, including sales through banks.

Car dealerships also introduce business.

Vehicle Statistics

The table below shows the number of vehicles by type and growth for the last available five years.

Type of vehicle	2012	2013	2014	2015	2016
Motorcycle	1,005,047	1,111,894	1,218,379	1,317,781	1,413,990
Pick-up	147,497	162,586	185,081	204,328	225,060
Car	35,514	43,860	51,284	58,871	65,699
Truck	33,346	38,480	44,293	48,734	52,443
Van	37,729	50,035	52,136	47,552	49,061
Jeep	17,153	19,961	22,515	26,669	30,223
Three wheel	8,588	8,601	8,737	8,761	8,879
Bus	3,430	3,865	4,120	4,448	4,665
Total	1,288,304	1,439,282	1,586,545	1,717,144	1,850,020
Growth (%)	26.69	11.72	10.23	8.23	7.74

Source: Axco Global Statistics / Industry Associations and Regulatory Bodies

Motor Fleets and Commercial Vehicles

Fleets, normally of commercial vehicles, are rated in two basic ways:

Motor

- on an individual vehicle basis as per internal tariffs, with a fleet discount depending on the number of vehicles, generally up to 20%
- fleet-rated, based on loss experience, with a minimum 65% loss ratio factored in, plus acquisition costs, inflation and profit.

Compulsory third party insurance rates for commercial vehicles can be found under Rating and Deductibles in this section.

Workers' Compensation and Employers' Liability

Summary and Trends

Workers' compensation (WC) insurance is not written as such, but rather as group occupational personal accident. While the group PA account has shown a healthy rate of growth, its development has been linked to the numbers of construction projects being carried out and new factories being set up with foreign investment.

Accidents at work, including accidents whilst commuting to and from the normal workplace, are covered under a state scheme administered by the National Social Security Organisation as per *Law no 24/PR of the President of the Republic promulgating Act No 22/NA* of 14 March 1994. The scheme covers both accidents at work and occupational diseases.

The Social Security Office (SSO) runs the scheme for accidents at work and occupational disease. *Social Security Law 34 of 26 July 2013* (implemented in 2014) made membership and contributions obligatory in respect of all private sector and state-owned enterprises as well as for police and military personnel and merged the public sector scheme with the private sector scheme. The workers' compensation part of *Social Security Law 34* does not apply to self-employed persons.

Employers' liability cover is sometimes requested by local entities of international insurance buyers or other foreign interests and NGOs, but a separate policy is not usually issued. An extension may be granted to the general third party policy, by deleting the relevant exclusion and charging an additional premium. Where requested employers' liability coverage can be extended on an extra-territorial basis in respect of employees of the insured on temporary duty outside Laos.

Statistics

The Social Security Organisation (SSO) runs the scheme for accidents at work and occupational disease but does not publish statistical information.

There are no segmented private insurance market statistics for employers' liability business which is included in the regulator's statistics relative to Miscellaneous business.

Regulatory Considerations

Social security covers all civil servants, employees of private and state-owned enterprises and police and military personnel.

Employees do not contribute towards the state fund in respect of workers' compensation. Government and employer contributions in respect of work injury are 0.5% of the employee's monthly insurable earnings, with a maximum of LAK 4.5mn (USD 528.27) per month and a minimum of the minimum wage, currently LAK 900,000 (USD 105.65).

Legislative Update

There have been no changes in legislation affecting workers' compensation and employers' liability recently.

Projected Legislation

No projected legislation affecting workers' compensation and employers' liability was known of when this report was in preparation.

Workers' Compensation and Employers' Liability

Expatriates

Expatriates are included in the social security scheme at whatever level. Locals working abroad are not covered by Laos social security. It remains normal practice for private sector insurances to be purchased by the employer for foreign workers, including 24-hour personal accident, health and hospitalisation, and employers' liability.

Limits of Indemnity

State scheme

Under the state workers' compensation scheme the qualifying conditions are that members must have paid one month of contributions and have:

- an assessed degree of disability of at least 41% in order to be eligible to claim a disability pension
- an assessed degree of disability of less than 41% in order to be eligible to claim a disability lump sum
- an assessed degree of disability of at least 80% in order to claim a caregiver's benefit.

In order to qualify for medical benefits members must have paid at least one month of contributions.

Details of the state workers' compensation scheme benefits are provided below.

- Temporary disability benefits, being 70% of the insured's average monthly earnings paid for up to six months and 60% of same if extended for a further six months. If the insured is unable to work after 12 months he or she will be assessed for permanent disability.
- The permanent disability pension is payable monthly in qualifying cases as a percentage of the assessed loss of earning capacity multiplied by the insured's average monthly earnings before the onset of the disability, but the disability pension is reduced by 50% if the insured is still employed. The SSO's medical committee assesses the insured's disability and reviews it on an ongoing basis every three years.
- In qualifying cases the disability lump sum benefit is paid of 12 times the insured's average monthly earnings in the last six months prior to the onset of disability multiplied by the insured's assessed loss of earning capacity.
- The caregiver's benefit is equal to 70% of the insured's disability pension.

Benefits are reviewed on an annual basis in accordance with changes in earnings of all insured persons.

Private group PA insurance

Typical basic limits in the private group PA insurance market for various choices of cover for death/PTD are between USD 2,500 and USD 7,500, with small daily allowances of between USD 1 and USD 3.50, and medical expenses between USD 200 and USD 800.

Workers' Compensation and Employers' Liability

Employers' liability

This can normally be acquired by deleting the relevant exclusion in a public liability policy and can cover both accidents and occupational disease. Where requested employers' liability coverage can be extended on an extra-territorial basis in respect of employees of the insured on temporary duty outside Laos.

Scope of Cover

Private group insurance options (bought as a top-up to the state scheme) are structured either as a 24/7 worldwide group personal accident and sickness cover, or a pure occupational accident/sickness cover (including commuting to and from work) with an optional choice of levels of benefit. The daily allowance for temporary total disablement is payable for a maximum of 350 days from the 16th day after cessation of work, although cover is available from the seventh day, for 51 weeks.

Rating

Four rating classifications are normally used as follows:

- Class 1 - clerical
- Class 2 - light manual, such as drivers, cooks and gardeners
- Class 3 - manual work with mechanical tools
- Class 4 - hazardous work with mechanical tools.

Indicative per capita annual premiums for 24/7 worldwide group personal accident and sickness cover would be between USD 55 and USD 106. Discounts of between 5% and 30% are available depending on the number employed/insured.

Indicative per capita annual premiums for occupational accidents (including commuting to and from work) would be between USD 35 and USD 90.

Loss Experience

Loss experience is said to be good.

Major Insurers

The leading insurers are thought to be AGL, Toko and LVI.

Reinsurance

Limits for this private group PA are low and business is normally retained for net account.

Distribution

Business comes mainly from the agency network.

General Third Party

Summary and Trends

The general third-party liability account is currently mainly confined to foreign clients, construction projects and risks such as hotels and guest houses, particularly those catering to foreign visitors. The Lao tourist authority advises hoteliers on insurance before an occupation permit is issued, but there is no statutory requirement to insure inn-keeper's liability.

The liability account as a whole is under-developed and negligible in terms of premium volumes and scope of cover offered. Some cover is included in homeowners' and small commercial business packages, offering family liability and liability to neighbours' property, each for small limits.

Article 12 of the Law on Insurance No 06/NA of 21 December 2011 lists a selection of risks which must buy compulsory insurance (presumed to be public liability insurance for the most part) with locally licensed insurers in Laos, as follows:

- hotels and guesthouses
- places of entertainment
- restaurants
- markets
- construction sites
- warehouses, including chemical, fuel and explosive substances warehouses
- factories
- transportation of goods and passengers by land, air and inland navigation.

The law states that detailed regulations in this respect will be issued subsequently but this has not yet occurred.

The *Ministerial Instruction on implementing the Law on Insurance* lists two principal classes of in-force and prospective compulsory general third party liability insurance, neither of which have yet been fully specified:

- third party liability for activities and properties
- other risks to be determined by the regulator.

In 2017 the Ministry of Finance confirmed that it does not currently propose to introduce new compulsory insurance requirements for risks other than third party liability.

Legislative Update

There has been no recent legislation.

Projected Legislation

Further clarification of compulsory insurances is still awaited.

Statistics

There are no segregated market statistics relative to liability business, the latter class of business being integrated in the Miscellaneous category (see Appendix No 1 to this report).

Limits and Scope of Cover

A range of third party liability wordings is available from all non-life insurers.

Cover is usually provided with a policy limit any one loss/any one year of insurance on a losses occurring basis. Limits are small by international standards: the normal premises risks limit would be between USD 1mn and USD 2mn, with projects up to USD 10mn, although known large projects have carried limits of USD 50mn. Cover for tourist hotels in Vientiane could be for as little as USD 10,000, although hotels of international standard would seek up to USD 3mn or more.

Punitive damages are not a feature of this market.

Jurisdiction can be for Laos only or worldwide, excluding or including US/Canada. In the latter case fronting would be necessary.

There is no legal requirement to insure legal costs separately and these are normally included in the policy liability limit.

Rating and Deductibles

A typical tourist hotel would attract a premium of USD 5 or USD 6 per room for a USD 20,000 limit. It is not market practice to apply deductibles for this class. Otherwise underwriters may apply a rate of around 0.1% on the limit of indemnity.

Packages include limited forms of liability coverage but premium is not usually shown separately.

Large-risk project premiums are dictated by reinsurers.

Loss Experience

No notable losses have been reported.

Major Insurers

AGL is thought to be the market leader, but, as there are no segregated market statistics relative to liability business this assumption is based on anecdotal evidence.

Reinsurance

Reinsurance can be on a quota share basis (combined with other classes of miscellaneous accident business, but is more generally carried out on an excess of loss basis with a typical cedant retention of up to USD 40,000 and an upper limit of up to USD 1mn. The facultative market is used for the larger risks and fronting is commonplace if worldwide jurisdiction including US and Canada is requested.

Distribution

International brokers would generally be involved in advising on requirements in respect of projects and large target risks: packages are sold either direct or by in-house agents.

It is interesting to note that in 2018 and 2019, the regulator licensed some five new local brokers. One of these, Lao Pakan Insurance Brokers has obtained an insurance and reinsurance broking licence and intends to be active in international treaty and facultative reinsurance placement, focusing particularly on the liability sector and aiming to introduce new products in this respect. The other four newly licensed brokers, according to anecdotal reports, are likely to focus on small and medium size insurance broking in the local market.

Product Liability

Summary and Trends

There is little demand for product liability insurance. Laos has a small export industry and little manufacturing apart from garments. Most products are imported.

Virtually the only local buyers are international companies with local subsidiaries or manufacturing/distribution networks, and local policies are issued on programme terms, with worldwide jurisdiction and reinsured back to the programme underwriter, usually on a 100% basis, for example Lao Brewery (Carlsberg) and Shell Lao.

Local insurers have little automatic reinsurance capacity for this class, so most business tends to be fronted or placed in the facultative reinsurance market.

Legislative Update

There has been no new legislation that might affect product liability.

Projected Legislation

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

Statistics

There are no segregated market statistics relative to liability business, the latter class of business being integrated in the Miscellaneous category (see Appendix No 1 to this report).

Limits and Scope of Cover

Little local capacity is available for this class, other than for food and drink extensions for restaurants, guesthouses and hotels. If a local insured were to require cover with Lao jurisdiction a special acceptance might be negotiated with general third party treaty reinsurers. Otherwise facultative reinsurance would be sought with reinsurers setting terms and conditions.

Cover is normally on a claims-made basis. Retroactive cover and extended reporting cover vary on a case by case basis, according to reinsurer guidelines.

Rating and Deductibles

As there are virtually no small risks reinsurer terms and conditions would generally apply.

Loss Experience

There have been no known losses.

Major Insurers

There are no significant local carriers.

Reinsurance

If a local insured were to require cover with Lao jurisdiction only a special acceptance might be negotiated with general third-party treaty reinsurers. Otherwise facultative reinsurance would be sought with reinsurers setting terms and conditions.

Distribution

Distribution is normally direct.

Territorial Limits

Territorial limits often follow externally stipulated conditions.

Special Risks

There are no special risks peculiar to Laos.

Product Guarantee, Recall and Malicious Product Tamper

These classes of business are not written in Laos.

Professional Indemnity

Summary and Trends

There is very little indigenous capacity for this class of business and most cover is available when local underwriters are prepared to negotiate a fronting or semi-fronting arrangement, with reinsurance being placed outside the market.

There is no legal compulsion for local architects to be insured, and the local association of architects does not require cover to be arranged as a pre-condition of membership.

Accountants and auditors, whether local or international, would normally seek PI insurance locally in order to be in compliance with the non-admitted insurance regulations.

The *Law on Insurance No 06/NA* of 21 December 2011 makes it compulsory for licensed insurance brokers to have a professional indemnity policy in force, although no minimum limits are stated.

Legislative Update

There has been no recent legislation.

Projected Legislation

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

Statistics

There are no segregated market statistics relative to liability business, the latter class of business being integrated in the Miscellaneous category (see Appendix No 1 to this report).

Limits and Scope of Cover

Limits of indemnity tend to be low (typically up to USD 1mn) with an appropriate deductible, if imposed.

Cover is normally on a claims-made basis. Retroactive cover and extended reporting cover vary on a case by case basis.

Rating and Deductibles

No information on rating and deductibles is available.

Loss Experience

There have been no reported losses.

Major Insurers

There is very little indigenous capacity for this class of business. No company ranking statistics are available.

Reinsurance

Treaty reinsurance can be on a quota share basis (combined with other classes of miscellaneous accident business), but is more generally carried out on an excess of loss basis with a typical cedant retention of up to USD 40,000 and an upper limit of up to USD 1mn. The facultative market is used for the larger risks and fronting is commonplace for all of the larger risks.

Distribution

Distribution within the local market would generally be direct.

Professions

Architects, engineers, large law firms with international businesses, medical practitioners and other professionals may wish to purchase cover but the general incidence of enquiries is currently reported to be low.

Accountants and auditors, whether local or international, would normally seek PI insurance locally in order to be in compliance with the non-admitted insurance regulations. Current in-force legislation requires insurance brokers to buy cover, although no minimum limit is specified.

Directors' and Officers' Liability

Summary and Trends

There is no local capacity for this class except local insurers acting as fronting offices for overseas capacity to assist international clients represented in Laos who require cover under the terms of their corporate governance protocols. Most banks and some mining companies are known to have directors' and officers' (D&O) cover, but otherwise there is no significant domestic demand for cover.

The newly licensed broker Lao Pakan Insurance and Reinsurance Brokers Co Ltd indicates that it can provide D&O cover with appropriate reinsurance to the local market.

The stock exchange does not require the cover as a prerequisite for listing.

Insurance legislation does not mention this class of business.

Company Law

There do not appear to be any specific legislative obligations in Lao company law which would encourage purchase of D&O cover.

Limits and Scope of Cover

The few covers which are bought are on internationally accepted policy wordings, providing Sides A, B and C cover. Limits vary.

Cover is normally on a claims-made basis. Retroactive cover and extended reporting cover vary on a case by case basis.

Rating and Deductibles

No information on rating and deductibles is available, given that all cover presently written is on international terms and conditions.

Loss Experience

There have been no known losses.

Major Insurers

AGL is thought to be the major local insurer.

Reinsurance

Facultative reinsurance is sought with reinsurers setting terms and conditions.

Distribution

Distribution within the local market is mainly direct. The newly licensed broker Lao Pakan Insurance and Reinsurance Brokers Co Ltd indicates that it can provide D&O cover to local insurers.

Pollution and Environmental Liability

Summary and Trends

As far as is known gradual pollution cover has rarely been sought or granted in the local market.

There are currently no compulsory insurance requirements.

Legislative Update

There has been no new legislation that might affect pollution and environmental liability.

Projected Legislation

No projected legislation affecting pollution and environmental liability was known of when this report was in preparation.

Statistics

There are no statistics for this class.

Loss Experience

There have been no reported losses.

Major Insurers

AGL is thought to be the major local insurer.

Reinsurance

General third party treaty facilities may grant limited extensions to accommodate cover up to modest limits of liability: otherwise cover is placed in the facultative market.

Distribution

Distribution within the local market is mainly direct.

Exposure

The two most serious threats to the environment come from illegal logging, often alleged to be with the connivance of government officials, and from land clearance for hydroelectric dam projects.

Financial and Professional Risks

Summary and Trends

It is believed that some commercial banks purchase financial institutions cover. BBB or financial institutions cover, commercial crime and fidelity Insurance and bullion/cash in transit coverage are available in the local market.

There is little reported interest in cyber coverage but anecdotal reports indicate that modest future demand may emanate from the banking and financial services sectors.

Summary and Trends

There is no demand for any cover under these classes of business, and no local capacity or expertise.

Statistics

There are no separate statistics for this class.

Construction/Other Bonds

If construction or performance bonds are required, especially for foreign-funded projects, these may be bought outside Laos, probably in the country of domicile of the principal or contractor. There is no market in Laos emanating from locally licensed banks and insurers.

Export Credit

There is no market for export credit insurance in Laos. Exports are normally dealt with by letter of credit from a commercial bank, the Banque de Commerce Exterieur du Lao (BCEL) being the largest participant.

Domestic Trade Credit

There is no market in Laos for domestic trade credit insurance.

Mortgage Indemnity Insurance

Mortgage indemnity insurance is not a feature of the Lao market.

Summary and Trends

Laos is landlocked, and thus the development of a marine insurance account has been limited. Cargo premium growth is restricted because most imports are bought CIF, and exports tend to be on C & F or FOB terms of trade at the nearest port, which would be either Ho Chi Minh City in Vietnam or Bangkok in Thailand. Much of the "cargo" account is inland transit to/from shipside by road covered under ICC clauses B or C, rarely A.

There is a small hull and liability account for tourist cruisers on the Mekong at Louangphrabang, for small values and limited passenger liability, but no P&I as such.

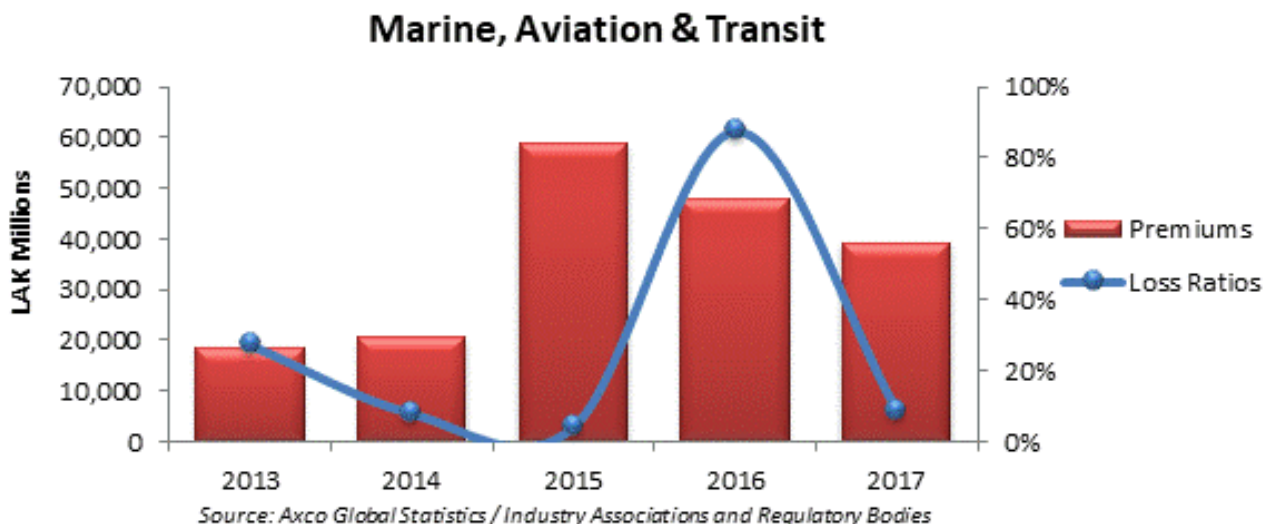
In 2017 total gross MAT premium income reduced by 17.83% in an environment of reduced consumer spending and government policy to keep expenditure as restrained as possible, due to high levels of public debt. In 2016, external public debt reached an estimated 68% of GDP, prompting the World Bank and IMF to reclassify Laos' risk of external debt distress to high.

Article 12 of the Law on Insurance No 06/NA of 21 December 2011 mentions "transportation of goods and passengers on road, water route and airway" as classes of risk which need minimum compulsory liability insurance for goods and passengers, but promised clarification of the regulations has not yet materialised.

The USD 6.7bn railway link being built between China and Laos (in which the Lao government has a 30% stake financed from borrowing from the Export-Import Bank of China) is expected to be fully operational in 2021. It is certain to provide a significant boost to local economic development and growth, promoting enhanced trade and tourism between the two countries and more broadly within the ASEAN free trade area: these represent crucial advances for the land-locked and relatively poor and underdeveloped country of Laos.

Statistics

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



Marine, Aviation and Transit

Statistics in the graph related to years 2013 and 2014 were sourced from AGL and are limited to that company's account only. Statistics for 2015 and 2016 were sourced from the regulator and represent the entire market. It is not known why the market loss ratio in 2016 was unusually high.

Marine Hull

Summary and Trends

There is no deep-water hull account in Laos.

According to the latest available reports there are thought to be 29 river ports along the River Mekong in Laos. The Mekong connects Laos to five countries in Asia: China, Myanmar, Vietnam, Cambodia and Thailand. The most important route for inland transport by river is in the section of the Mekong between Luang Prabang and Houeisai in Laos to Guan Lei in China. In this section the main commodities transported by river are agricultural products, fruit, construction materials (including fuel, sand, rock and steel products) and timber.

The latest Information from the same source indicated that in 2010 a total of about 1,626 vessels were operating on the Mekong river, of which 60% were passenger vessels with 40% carrying freight. Many freight ferries, tugs and barges plying the Mekong mainly are not owned by Lao interests (mostly Vietnamese), and are thus insured elsewhere, if insured at all. It was reported in 2010 that there were 206 vessels with a passenger-carrying capacity of between 50 and 150 seats, 244 with 16 to 50 seats and 215 with less than 15 seats. There were only a few luxury tourist vessels in 2010 and the current precise number of such vessels is not known.

Statistics

There are no separate market statistics for this class.

Marine Hazard

The only hazards on the river are collision and grounding, or extraneous typhoon risks.

Marine Risks

Most vessels are old and generally in a moderate or poor state of repair with the exception of more modern tourist cruise vessels.

Limits and Scope of Cover

ICC time clauses are used.

Rating

Rates are set by regional hull underwriters in Thailand or Singapore, and are up to 2% on hull and machinery. Deductibles of 10% of sum insured are imposed, with a minimum of USD 2,000, on values up to USD 200,000 per vessel.

Loss Experience and Largest Losses

One ferry sank after a collision some years ago. There was no loss of life and the sum insured was small. There have been no recent losses of note.

Marine, Aviation and Transit

Major Insurers

The leading Marine, Aviation & Transit insurers and their market shares are shown below for the latest available year.

Company	Market share 2016 (%)
Lao-Viet	69.55
AGL	24.34
MISG	4.61
Tokojaya	0.84
Dhipaya	0.65

Source: Axco Global Statistics / Industry Associations and Regulatory Bodies

It should be noted that this table covers all MAT classes of business. No specific splits are available between marine hull, marine cargo, transit and aviation business. It is believed that Lao-Viet's share of the market is partially due to its share of aviation business.

Reinsurance

Regional underwriters provide rating guidelines and capacity. No company is thought to have treaty capacity and business is therefore reinsured on a facultative basis.

Distribution

This business is handled direct.

Marine Cargo

Summary and Trends

No market splits are available regarding cargo business.

Cargo premium growth is restricted because most imports are bought CIF, and exports tend to be on C & F or FOB terms of trade at the nearest port, which would be either Ho Chi Minh City in Vietnam or Bangkok in Thailand. Accordingly local underwriters are only asked to cover the land transit up to shipside, but on restricted terms such as ICC B or C clauses.

Garments are the main export, and handicrafts, both wood and fabric. Imports are principally fuel, capital goods and consumer products. The main export market for garments is Europe. Consignments are usually trucked to Bangkok where they are loaded on to ships at the port of Klongtoey. There is also internal traffic along the Mekong River.

Statistics

There are no segregated statistics for the marine cargo market as a whole.

Hazard

The Mekong flows through Laos for some 1,180 miles (1,900 km). Its use as an international transit route from China through Laos, Cambodia and Vietnam to the South China Sea is restricted, however, because of the rapids near the Chinese border in the north and between Savannakhet and Pakse in the south, where water cascades over rocks at the Khone Falls.

According to the latest available reports there are thought to be 29 river ports along the River Mekong in Laos. The Mekong connects Laos to five countries in Asia: China, Myanmar, Vietnam, Cambodia and Thailand. The most important route for inland transport by river is in the section of the Mekong between Luang Prabang and Houeisai in Laos to Guan Lei in China. In this section the main commodities transported by river are agricultural products, fruit, construction materials (including fuel, sand, rock and steel products) and timber.

Low water levels during the dry season can impede river transport. Thus the use of the Mekong and its tributaries is limited mainly to internal traffic between the Golden Triangle (where the borders of Laos, Thailand and Myanmar meet) and Savannakhet.

Road transits to shipside in Klongtoey, Bangkok, present the normal hazards of driving standards in this part of the world, but hi-jacking is not considered to be a major problem. Pilferage and/or damage is rare, both for road and air transits.

Limits and Scope of Cover

The market tends to use the old ICC A/B/C clauses, warehouse to warehouse, or for road transits, up to shipside.

Project cargo is usually insured and reinsured separately.

Stock throughput wordings are not used.

Rating

Land transit rates are between 0.1% and 0.3% of cargo value. Containerised garment exports through Thailand would be charged at between 0.15% and 0.50%, depending on final destination. Airfreight is normally between 0.1% and 0.2% but the volumes are small.

It is reported that premium rates reduced by an average of about 10% in 2017 and 2018 in a highly competitive market environment.

Loss Experience

Loss ratios are reported to have been low.

Major Insurers

All companies write this line.

Reinsurance

Cargo reinsurance tends to be placed in proportional treaties, usually surplus, sometimes with an accompanying quota share arrangement, leaving an ultimate net retention of up to LAK 1.6bn (USD 187,828) as per the requirements of the law. Limits are usually expressed in USD.

Distribution

Business is usually introduced by in-house agents. Banks require ICC A cover to protect their letters of credit and they place this business with several companies.

Marine Liability

Summary and Trends

Liability cover for tourist cruisers and ferries is granted by extending general liability policies, deleting the exclusion for collision. No P&I cover exists for local risks.

Passenger liability is written in the form of group personal accident cover in the name of the owner/operator.

The *Law on Insurance No 06/NA* of 21 December 2011 and subsequent *Ministerial Instruction* specify that the carriage of goods and passengers by road, rail, sea or air requires liability insurance, but the exact nature of the requirements is still not known, nor the minimum limits of indemnity.

Local Market

Few companies write this cover. AGL is thought to be the leading insurer of liability cover for passenger vessels.

Compulsory Covers

There has been no recent legislation.

Pollution

Accidental pollution is covered from a general liability wording, extended to include water-borne vessels.

There is no gradual pollution cover.

Laos is not a signatory to any international conventions regarding water pollution from oil or any other cause.

P&I

There is no P&I cover in Laos. Collision damage liability is granted by extending a general liability policy, and liability to passengers and crew is given by a group personal accident cover in the name of the owner/operator of the vessel, for a typical death/PTD benefit of USD 2,500 per head.

Limits of Liability

The local market norm is up to USD 200,000 maximum for collision liability, or other property damage, effectively the value of the hull and machinery.

Major Insurers

AGL is thought to be the leading insurer.

Energy

Summary and Trends

Laos is rich in mineral resources, but no significant deposits of oil and gas have yet been discovered although some companies have started exploratory drilling in Laos. Exploration liability insurance is thought to be mainly placed locally and fronted. It is reported that there may be prospects of shale oil and gas but as yet exploration is at a preliminary stage.

The principal energy source in Laos is hydropower: at present it is the main driver of the economy through sales of electrical power to neighbouring countries.

Aviation

Summary and Trends

Lao Airlines is the national carrier, providing international flights in the region, but has historically suffered from a spate of accidents, the last being the loss of an ATR 72-600 at Pakse, in the aftermath of Typhoon Nari in October 2013, killing all 49 on board.

Lao Skyways, a private airline, services internal destinations.

There are six main provincial airports in the country and one international airport (Vientiane). The international airport at Vientiane is modest by international standards but is modern and well equipped. It was rebuilt by the Japanese with soft loans provided by the Asia Development Bank, and the facility is managed by Japanese interests. The airport's insurance programme is thought to be placed with MSIG in Laos and reinsured in Japan. The current site is two and a half miles (4 km) from the city centre.

Statistics

There are no separate market statistics for this class.

Airlines

Lao Airlines is the national carrier. It serves destinations in Laos, Cambodia, China, Singapore, Taipei, Thailand, Vietnam and South Korea.

As at August 2017 it has a fleet made up of:

- seven ATR 72

- four Airbus 320-214.

There have been reports that Lao Airlines has been seeking an international foreign airline stakeholder with the government retaining a majority shareholding, but no definite developments have yet taken place.

Lao Skyways, a private airline, services internal destinations. As at August 2017 it had a small fleet of four aircraft and nine helicopters.

General Aviation

There are a few privately owned fixed-wing aircraft, helicopters and hang-gliders.

Space

The Lao government announced that it launched its first telecommunication satellite from China on 21 November 2015. No insurance details are available.

There is no internal local space programme. The local telecoms industry rents satellite capacity from ThaiCom.

Aviation Liabilities

The *Law on Insurance No 06/NA* of 21 December 2011, and subsequent *Ministerial Instruction*, requires the carriage of goods and passengers by air to be covered by liability insurance, although no minimum limits of indemnity are specified. In the meantime passenger liability for Lao Airlines follows international requirements, and is placed in international markets.

Drones are permitted in Laos. Permission and a permit to use a drone are, however, required and permit holders must abide by regulations. There is no evidence that insurance is a mandatory requirement and it is not thought that local insurers currently provide cover, except possibly on request from commercial clients.

Loss Experience

On 16 October 2013, a Lao Airlines ATR 72-600 twin turboprop carrying 44 passengers and 5 crew, crashed into the Mekong River; all 49 on board died. The aircraft was flying from Vientiane to Pakse in Champasak Province in southern Laos, and was attempting to land in bad weather associated with Typhoon Nari. Loss amounts are not known, although AGL paid a total of USD 250,000 for the five crew members killed, under the airline's group PA cover. LVI covered the hull and passenger liability. All covers were placed in London as reinsurances of both AGL and LVI.

In addition, Lao Aviation, now Lao Skyway, suffered two losses in 2009 - the total loss of a helicopter and the loss of a Cessna Caravan valued at USD 700,000. There were no deaths or injuries. Two Cessnas were lost in 2012, one as a result of a crash, the other in a windstorm.

Major Insurers

The leading Marine, Aviation & Transit insurers and their market shares are shown below for the latest available year.

Marine, Aviation and Transit

Company	Market share 2016 (%)
Lao-Viet	69.55
AGL	24.34
MISG	4.61
Tokojaya	0.84
Dhipaya	0.65

Source: Axco Global Statistics / Industry Associations and Regulatory Bodies

It should be noted that this table covers all MAT classes of business. No specific splits are available between marine hull, marine cargo, transit and aviation business. It is believed that Lao-Viet's share of the market is partially due to its share of aviation business. This company is a joint venture between the state-owned Banque pour le Commerce Extérieur Lao (BCEL) and BIDV Insurance Company which is owned by Bank for Investment and Development of Vietnam (BIDV). BCEL finances aircraft purchased by Laos airlines including the arrangement of insurance coverage.

Reinsurance

There is no aviation treaty capacity in Laos.

Aviation business is written locally and subsequently reinsured on a facultative basis with minimal or zero retentions.

Distribution

Business is transacted direct or via banks involved in aircraft financing.

Personal Accident

Summary and Trends

Personal accident is little developed as a class. The few policies that are issued are group contracts written to cover occupational accidents as complementary to the state workers' compensation scheme. All employees (except the self-employed) are covered under the state scheme.

Sales to individuals are said to be negligible.

Statistics

There are no available market statistics. PA business is included within the Miscellaneous figures in Appendix 1.

Limits and Scope of Cover

Typical basic limits for various choices of cover for death/PTD are between USD 2,500 and USD 7,500, with small daily allowances of between USD 1 and USD 3.50, and medical expenses between USD 200 and USD 800.

Rating and Deductibles

Rating varies between companies.

Loss Experience

Experience is said to be good.

Major Insurers

There are no available market statistics. PA business is included within the Miscellaneous category.

Reinsurance

If not wholly retained for net account reinsurance is on a quota share or surplus basis. Some companies may purchase excess of loss cover to protect against unknown accumulations.

Distribution

Business is produced by in-house sales teams or agents.

Creditor Insurance

There are various microfinance organisations operating in Laos, which also provide a form of PPI, both PA/disablement and life cover. The level of individual loans is low, about USD 1,500 maximum, although total balance sheet liabilities are not known.

In commercial bank lending, the borrower may be protected from default through a voluntary PA product.

Travel

Summary and Trends

The class is split into inbound for tourists to Laos and outbound for Lao travellers abroad. Minimum requirements need to be met for travel to the *Schengen Agreement* group of European countries.

Laotians are now beginning to travel more, and travel plans are becoming more sophisticated, with covers specially designed for travel to the Schengen countries, and for student visas to the US.

Group travel insurance may not be purchased outside the market.

Statistics

There are no segregated market statistics for this class of business.

Limits and Scope of Cover

Cover for outbound travel is typically as follows:

- accidental death and total permanent disability
- medical and hospitalisation expenses
- evacuation and repatriation expenses
- additional return flight
- loss of baggage
- compensation for flight delays exceeding 12 hours.

Limits vary between companies but are typically between USD 1,600 and USD 15,000 for death and total permanent disability. Group policy limits are subject to individual negotiation.

Rating and Deductibles

Premiums for one to seven days range from USD 20 to USD 50.

Loss Experience

Loss experience is said to be satisfactory.

Major Insurers

AGL is thought to be the market leader but no official statistics are available.

Reinsurance

Local retentions are restricted by the *Law on Insurance No 06/NA* to a maximum of LAK 1.6bn (USD 187,828) and are negotiable on a case-by-case basis up to this amount. Reinsurance arrangements vary from one company to another.

Personal Accident and Travel

Distribution

Inbound cover is available at all points of entry by air and road.

Some companies sell cover through partner banks. Travel insurance is also sold through agents and travel agents.