

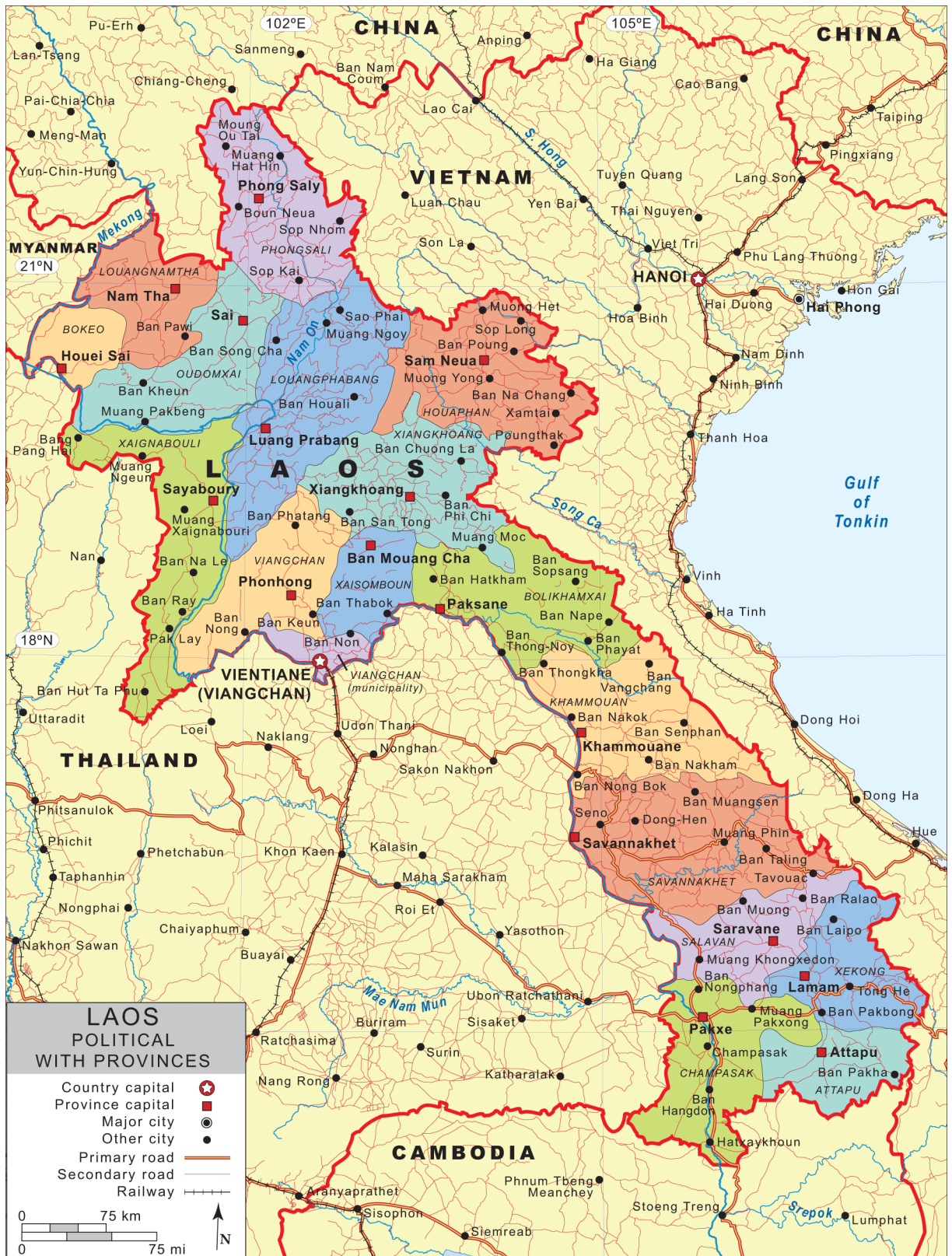


- Country Map
- Map of the Area
- Market Developments
- Key Facts
- General Country Information
- Politics and the Economy
- Supervision and Control
- Taxation
- Insurance Market Overview
- Reinsurance
- Distribution Channels
- Social Security
- Healthcare
- Pension and Employee Benefits
- Individual Life Assurance

# INSURANCE MARKET REPORT

# LAOS: LIFE & BENEFITS

# Country Map



© Copyright 2008 by World Trade Press. All Rights Reserved.

# Map of the Area



© Copyright 2008 by World Trade Press. All Rights Reserved.

## 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 licenses 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. It is not thought that any of the recently licensed brokers transact life insurance in any meaningful respect.
- 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. It is possible that there may be a number of life insurance claims arising from this incident.

## 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 1991 constitution states that Laos is a democratic republic. At present, however, it is a one-party state under the control of the LPRP. The president is Bounnhang Vorachit, who was appointed in January 2016 following the LPRP's 10th party congress. The prime minister is Thongloun Sisoulith, who was appointed in the aftermath of the March 2016 elections.
- Projected GDP growth in Laos was 6.89% in 2017 and 6.78% in 2018, following annual growth rates in excess of 7% in the preceding five years. Inflation has been relatively subdued, being projected to be 0.83% in 2017 and 2.04% in 2018.

## Key Facts

---

- Total life insurance market gross premium income in 2017 was LAK 32.23bn. The 2016 to 2017 growth rate of the market life account was 48.60%. No market-wide statistics segregating PA and health business are available for 2015 to 2017.
- 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 licenses pending). In May 2019 there were nine licensed composite companies and four licensed life companies.
- Life and health non-admitted insurance is not permitted because the *Ministerial Instruction on implementing the Law on Insurance No 539/MOF* dated 19 February 2014 stipulates that "All individual and legal entity businesses, properties and assets in Lao PDR shall be insured with an insurer in Lao PDR".
- The insurance market regulator is the Ministry of Finance, which in 2014 established a separate division known as the Insurance Management Authority.
- *Law on Insurance No 06/NA* dated 21 December 2011 permits limited liability 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 limited liability insurers. Branches of foreign companies are not permitted.
- Local distribution is mainly through in-house agents and direct, although transacting business through banks is growing in respect of life insurance. The regulator licensed five insurance brokers in 2018 and 2019. Previously there were no locally licensed brokers. Most life insurers in Laos tend to operate through specific partner banks or micro finance organisations rather than seeking to generate business on a broader market-wide basis.
- The Ministry of Labour and Social Welfare supervises the social security scheme. The National Social Security Fund collects contributions and administers the payment of benefits. The scheme covers all civil servants, employees of private and state-owned enterprises, and police and military personnel. The system excludes work injury, occupational disease and unemployment in respect of the self-employed. 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 (excluding the self-employed). This 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.

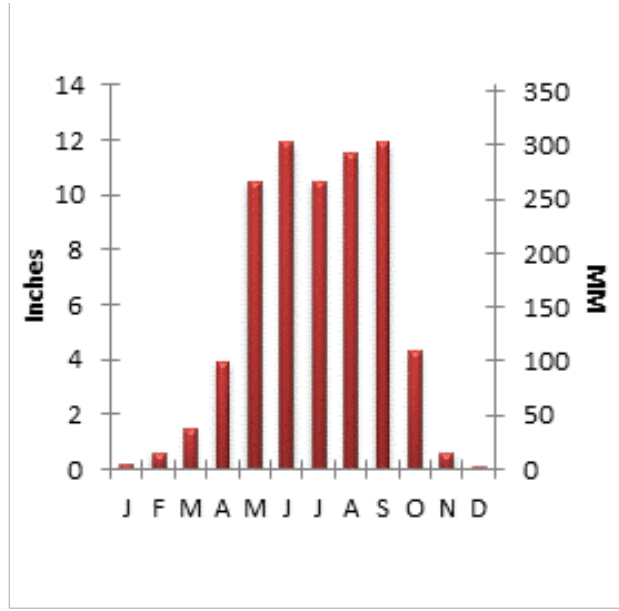
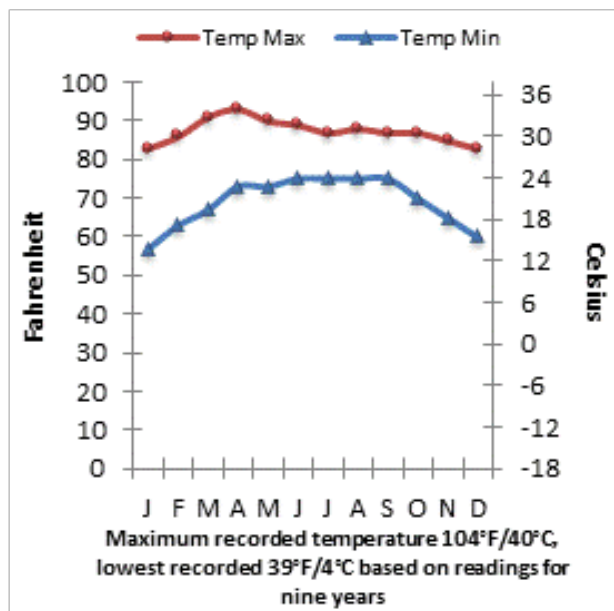
## Climate

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
<b>Total</b>	<b>100.00</b>

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.

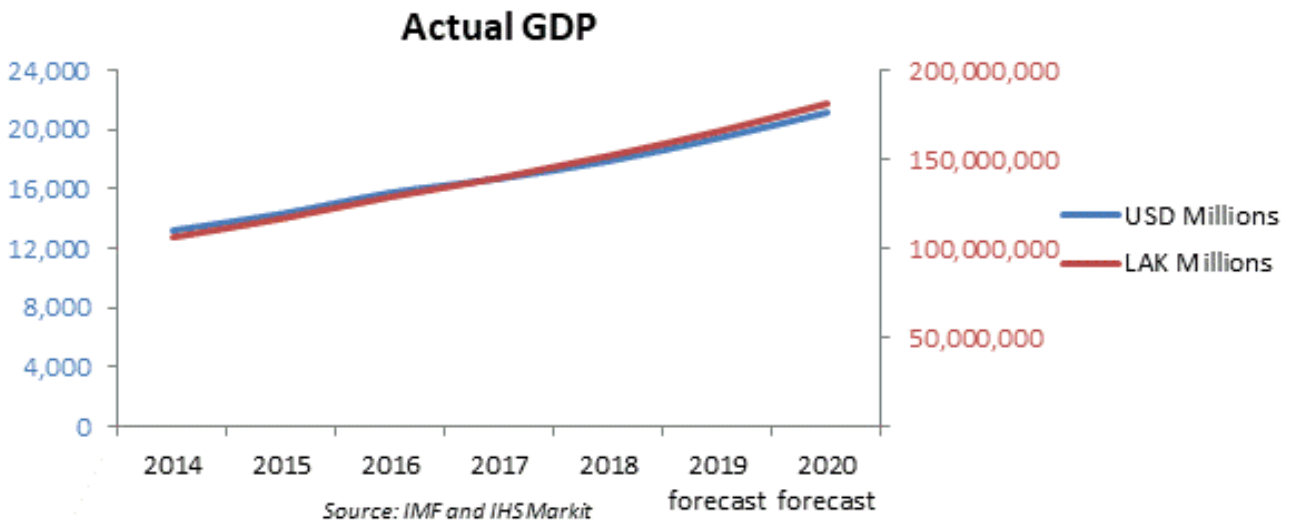
While Laos received praise from the International Monetary Fund (IMF) in previous years for its tight fiscal stance, the organisation has expressed concern over rising debt accrued to finance large infrastructure projects. In 2016, external public debt reached an estimated 68% of GDP, prompting the World 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.

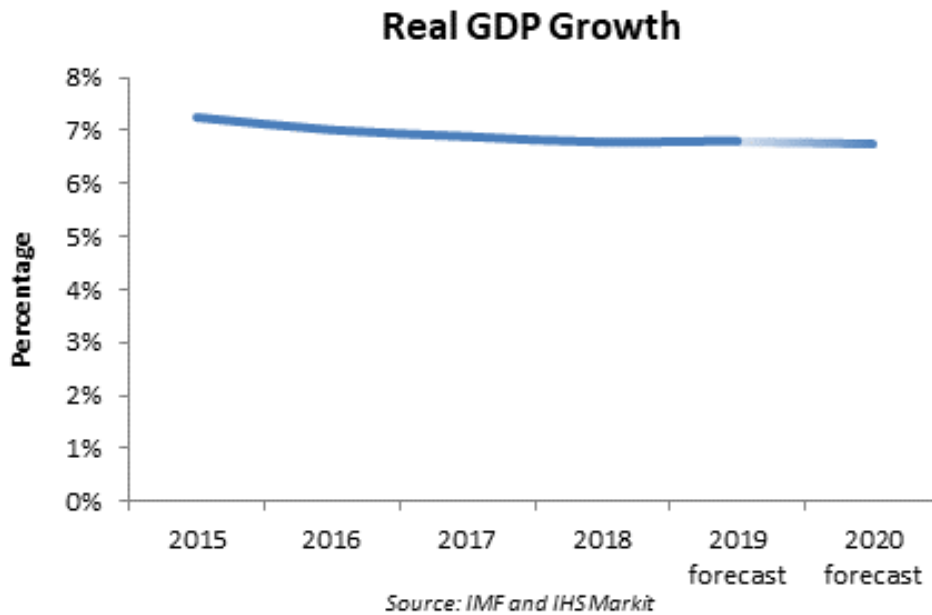
When this report was being prepared Laos did not possess a sovereign debt rating from major credit rating agencies. In June 2018, IHS Market rated Laotian sovereign debt as B- with a stable outlook, reflecting a very high payments risk.

## **Gross Domestic Product**

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



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.

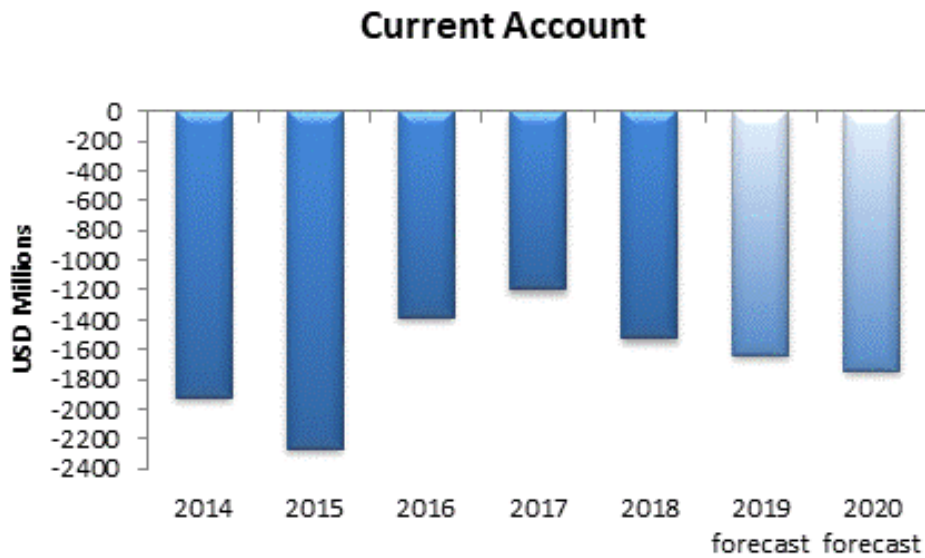
# Politics and the Economy

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

Source: IMF

## Current Account Balance

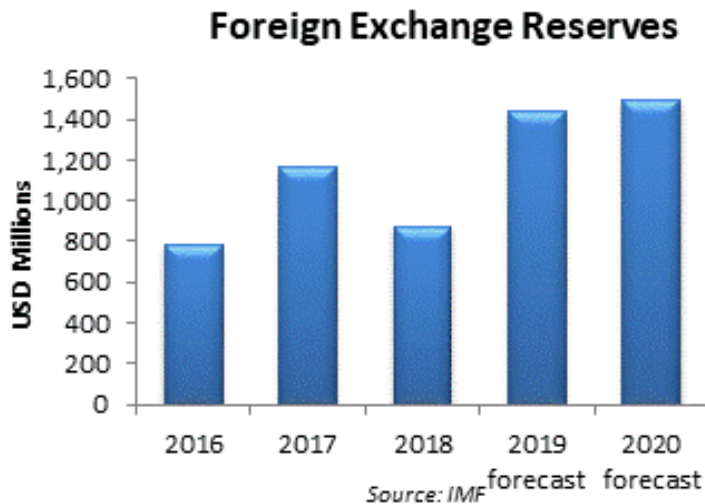
The current account balance in US dollars (USD) is shown below.



Source: IMF and IHSMarkit

## Foreign Exchange Reserves

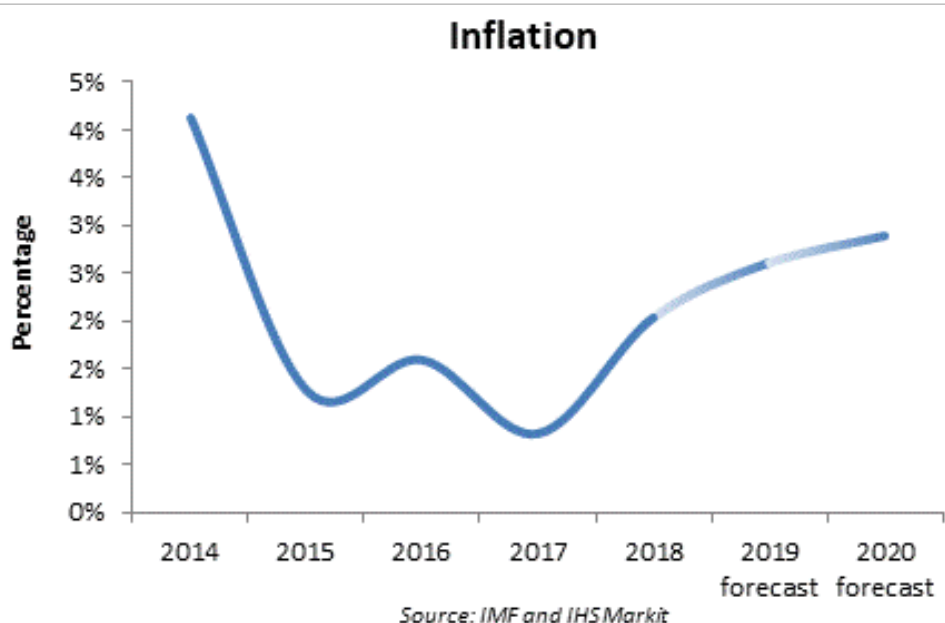
Foreign exchange reserves, excluding gold, are quoted in US dollars (USD) below.



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
<b>Total</b>	<b>100.00</b>

*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
<b>Average</b>	<b>2,407,000</b>	<b>283.39</b>
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
<b>Total</b>	<b>100.00</b>	<b>3,681.35</b>

*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
<b>Total</b>	<b>100.00</b>	<b>3,681.35</b>

*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
<b>Total</b>	<b>100.00</b>	<b>5,100.00</b>

*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
<b>Total</b>	<b>100.00</b>	<b>5,100.00</b>

## Currency and Exchange Control

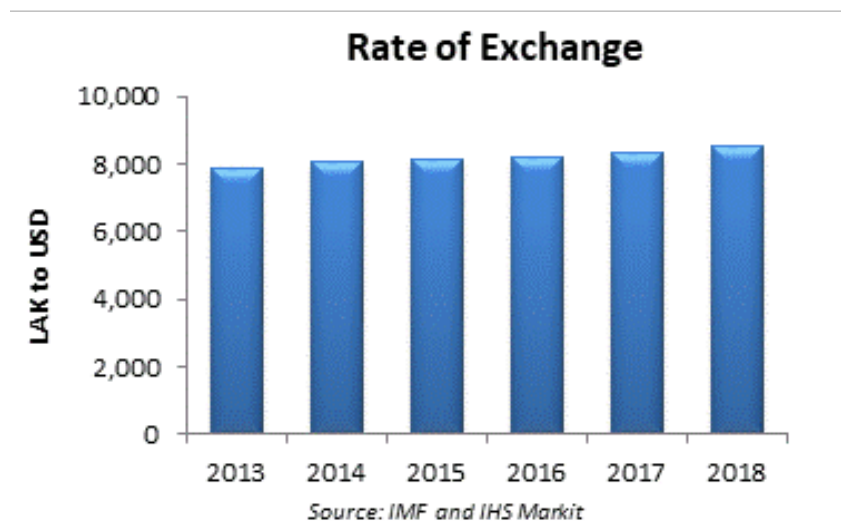
### Currency and Exchange Rate

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

### Life 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. The life insurance market in Laos is very small when compared to the non-life market. Most life insurers in Laos tend to operate through specific partner banks or micro finance organisations rather than seeking to generate business on a broader market-wide basis.

*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 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>	20 March 2012	Replaced <i>Insurance Law No 11/90/SPA</i> dated 29 November 1990 and is the principal insurance legislation in Laos, dealing with both life and non-life insurance business.
<i>Ministerial Instruction on implementing the Law on Insurance No 539/MOF</i>	19 February 2014	Contained supplementary implementing regulations to <i>Law on Insurance No 06/NA</i> .
<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 Association of Southeast Asia Nations (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 limitation on the proportion of foreign investors investing in a company.

## Life Insurance - Legislative Update

There have been no recent changes in insurance legislation.

## Life Insurance - 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.

## Social Security Legislation

### Legislative Overview

The *Social Security Law No 34* dated 26 July 2013 governs the social security scheme. The Ministry of Labour and Social Welfare supervises the scheme and the National Social Security Fund collects contributions and administers the payment of benefits. The *Social Security Law No 34* merged funds for the private sector and civil servants, although separate benefit rules still apply.

The law requires all employers and employees to contribute to the scheme, while the self-employed may join a separate voluntary scheme; the law also introduced unemployment benefits. Implementation of the law commenced in 2014.

### Current Legislation

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

Legislation	Date	Purpose
<i>Labour Act No 06/NA, dated 27 December 2006</i>	2006	This legislation is the primary labour law and repealed the previous labour act, <i>Act No 002/NA, dated of 14 March 1994</i> . <i>Chapter 8</i> deals with basic issues relative to occupational injuries and diseases.
<i>Social Security Law No 34</i>	26 July 2013	Governs the social security scheme providing health, maternity, workers' compensation, sickness, old age, survivor, disability and unemployment benefits. The scheme commenced operating from October 2014 following <i>Ministerial Instructions on implementing the Social Security Law, No 2751/MLSW</i> dated 24 July 2015.

## Social Security - Legislative Update

There have been no recent changes in legislation.

## Social Security - Projected Legislation

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

## Pensions Legislation

There is no legislation on private pensions, although annuity contracts and benefits are mentioned in *Law on Insurance No 06/NA*.

Pensions are catered for in the SSO scheme and are paid on attaining normal pensionable age (60 for males, 55 for females), or early retirement following injury or illness arising out of or in connection with a contract of employment.

## Pensions - Legislative Update

There is no private pensions legislation.

## Pensions - Projected Legislation

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

## Healthcare Legislation

### Legislative Overview

Public healthcare in Laos is governed by *Law on Healthcare No 09/NA* dated 9 November 2005, which effectively enshrines free healthcare to all citizens regardless of age, gender, race, religion or socio-economic status. It does recognise, however, a two-tier system of both public and private healthcare clinics and hospitals.

# Supervision and Control

Private medical insurance (PMI) is regulated under *Law on Insurance No 06/NA* and *Ministerial Instruction on implementing the Law on Insurance No 539/MOF* dated 19 February 2014. In *Law on Insurance No 06/NA* health insurance is classified as a non-life class of business. 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.

## Current Legislation

The main legislation and related items affecting healthcare and PMI are set out in chronological order in the table below.

Legislation	Effective Date	Purpose
<i>Law on Healthcare No 09/NA</i>	9 November 2005	Governs public healthcare, enshrining free healthcare to all citizens.
<i>Social Security Law No 34</i>	26 July 2013	Governs the social security scheme including healthcare benefits. The scheme commenced operating from October 2014 following <i>Ministerial Instructions on implementing the Social Security Law No 2751/MLSW</i> dated 24 July 2015.
<i>Law on Insurance No 06/NA</i>	20 March 2012	Determines the principles, regulations and measures regarding the organisation, operation, management, monitoring and inspection of insurance activities in Laos.
<i>Ministerial Instruction on implementing the Law on Insurance No 539/MOF</i>	19 February 2014	Amplifies some of the basic provisions of <i>Law on Insurance No 06/NA</i> in the form of implementing regulations.

## Healthcare - Legislative Update

There has been no new legislation that might affect healthcare or private medical insurance.

## Healthcare - 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.



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

## Compulsory Insurances

There are no compulsory life or health insurances in Laos.

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

## Statutory Tariffs

There are no statutory tariffs for life or health insurances in Laos.

## Supervision

### Life Insurance Supervisory Authority

As per *Law on Insurance No 06/NA* and the subsequent *Ministerial Instruction on implementing the Law on Insurance No 539/MOF* 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 funded by central government: insurers are not required to contribute to its costs.

*Law on Insurance No 06/NA* sets out the broad rights and responsibilities of the MOF in relation to insurance supervision and 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 state audit authority.

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

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

# Supervision and Control

---

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

## Pensions Supervisory Authority

The Social Security Organisation (SSO) administers the pension element of the social security scheme.

There is no legislation regarding private pensions; however, the responsibility for regulation of the private insurance sector lies with Insurance Management Authority (the regulator). Annuities are mentioned in certain places in the legislation but in an unspecific manner.

## Healthcare Insurance Supervisory Authority

The supervision of PMI is carried out by the regulator. Supervision is inclusive in *Law on Insurance No 06/NA* and the subsequent *Ministerial Instruction on implementing the Law on Insurance*.

## Statutory Returns

*Law on Accounting No 47/NA* dated 26 December 2013 came into effect 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). Laos accounting standards (LAS) are aligned with IAS and IFRS.

As per *Article 99* of *Law on Insurance No 06/NA*, insurers and brokers shall comply with financial report regulations as specified in the current *Law on Accounting No 47/NA* dated 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, although the *Ministerial Instruction on implementing the Law on Insurance* 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 PDR, 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

# Supervision and Control

---

- 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. 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 *Law on Insurance No 06/NA* and *Ministerial Instruction on implementing the Law on Insurance*
- not carried out in a timely manner measures provided for in the improvement plan of the company
- seriously violated existing in force insurance laws and regulations
- 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 legislative provision for a policyholders' protection fund in the event of company insolvency.

## Consumer Dispute Resolution

*Part XI of 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, which are:

- amicable negotiation
- mediation
- administrative dispute resolution
- settlement by the Center 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* 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* provides that such disputes may be referred, according to the *Law on the Resolution of Economic Disputes Law No 44/PO* dated 19 May 2005 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 no specific exceptions in relation to life, pensions, PA and PMI.

### Legislation

The legal provisions setting out the requirement for insurers to be authorised are contained in *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 in Laos 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 the *Ministerial Instruction on implementing the Law on Insurance* dated 19 February 2014 which stipulates that "All individual and legal entity's businesses, properties and assets in Lao PDR shall be insured with an insurer licensed in Lao PDR.". It is confirmed by the regulator that this description would cover PA and PMI insurances, as well as life and pensions business.

## Freedom to provide services (FOS)

In February 2013 Laos joined the World Trade Organization (WTO) and is therefore a signatory to the General Agreement on Trade in Services (GATS), forming part of the trade liberalisation arena of the WTO. The AEC was established 1 January 2016 calling for FOS, including insurance, as well as freedom of movement of labour, amongst all members of the ASEAN community. For the time being life, pensions and PMI business in Laos are not affected by ASEAN regulations.

## Insurers

There are no known exceptions to the non-admitted rules as related to life, PMI or PA insurances.

## Local Risk Definition

*Ministerial Instruction on implementing the Law on Insurance* dated 19 February 2014 stipulates that "All individual and legal entity's businesses, properties and assets in Lao PDR shall be insured with an insurer licensed in Lao PDR.". This is purported to mean that the non-admitted regulations apply to life, pensions, PA and PMI risks situated in Laos.

## Exchange Controls

There are no foreign exchange controls: USD are freely available to remit overseas, for whatever purpose. The LAK is not convertible outside Laos.

## Tax

Premiums paid overseas may be tax deductible for the buyer and regarded as a legitimate business expense for corporate buyers where an exemption from the non-admitted regulations has been granted by the regulator or is agreed as part of a foreign direct investment or intergovernmental contractual agreement in respect of specific projects.

Under local personal income tax rules, certain life and PMI benefits are not taxable, although the rules are silent regarding policies bought outside Laos. By virtue of *Law on Insurance No 06/NA* personal income tax is not payable on:

- income following death or permanent disability arising out of an individual insurance contract
- PMI and PA insurance annuities
- benefits received from endowment insurance.

# Supervision and Control

---

As there is a general prohibition on placing life, pensions, PA or PMI on a non-admitted basis it is assumed that relevant benefits may be not be exempt from taxation. In any event claims payments from overseas would have to be reported to the Bank of Laos PDR, which may investigate and might impose penalties.

## Insurer Responsibilities

This aspect is not relevant since all non-admitted placements of life, pensions, PA and PMI are considered to be prohibited by the insurance-related legislation.

## Premium Taxes

Premium taxes are not an issue as non-admitted is not permitted; for information on premium taxes see the Taxation section of this report.

## Buyers

Local insurance buyers cannot place their locally situated insurance business with non-admitted insurers abroad by reason of the non-admitted regulations contained in *Law on Insurance No 06/NA* and *Ministerial Instruction on implementing the Law on Insurance*.

## Intermediaries

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

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

## Market Practice

The local market for life and pension products is very limited. The few high net-worth individuals who might be aware of life and pensions products may have offshore funds from which premiums may be paid and to which claims payments may be credited, undetected by local authorities in Laos.

Some PMI has always been sold offshore to expatriates, individuals or companies, if required, usually in anticipation of taking up residence under a contract of employment or other posting and on a reimbursement basis. Treatment of all but minor conditions, and any operations is generally sourced in Thailand, Singapore or the country of domicile. The local health market, however, is expanding and becoming more sophisticated: cashless payment systems are in operation and there is no legislative prohibition on claims payments made abroad by insurers in respect of treatment for serious conditions or operations.

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. 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 to 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. It is assumed that the five newly established and licensed local brokers will follow this practice.

The AEC was due to become effective from 1 January 2016. It calls for FOS, 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 and not to life, PA or PMI.

## Fines/Penalties

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

## Company Registration and Operating Requirements

### Establishing A Local Company

*Article 20 of 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 the following basic requirements:

- 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 Law on Insurance No 06/NA*
- professional insurance management experience
- competent personnel with certificates or diplomas in insurance

# Supervision and Control

---

- 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:

- 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
- 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 *Law on Insurance No 06/NA* and *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 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* 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 as well as a foreign company joint venture with a local partner.



## Types of Licence

Two separate licences are required to transact both life and non-life insurance business in a composite company. According to *Ministerial Instruction on implementing the Law on Insurance* composite insurers who 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 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:

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

Allianz General Laos (AGL) splits its 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 includes life, PA, health, travel and workers' compensation. AGL is thought to be the only company in the market classifying its business in this manner.

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

Life insurance categories are defined in *Law on Insurance No 06/NA* as:

- whole life
- endowment
- mixed life (undefined)
- annuity
- term life
- any additional category approved by the MOF.

Health is a non-life class of business and cannot be written in a life policy.

## Capital Requirements

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

# Supervision and Control

---

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 at all times in respect of life and non-life business, respectively and separately.

## Solvency Margins

*Article 93 of 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 the calculation of the solvency margin are:

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

Intangible assets cannot be included in the solvency margin calculation.

One-third of the minimum registered capital of LAK 16bn is also 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, registered minimum capitals 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.

Currently it is not thought that any aspects of EU Solvency II are being considered in Laos.

## Reserve Requirements

The *Ministerial Instruction* 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 of same. Reserves must be adjusted on a monthly basis.

# Supervision and Control

---

Technical reserves are held on a net of reinsurance basis: there are no legislative requirements for reinsurer deposit of same.

There is no mention in the insurance-related legislation of actuarial input in relation to technical reserves or to mathematical reserves for life insurance.

## Investment Regulations

*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 at all times for non-life and life business separately. It is assumed that the investment categories quoted in *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 PDR 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 same.

In the case of companies accepting both life and non-life business, two separate security deposits are required for life and non-life business respectively. Insurers have the general right to utilise the security deposit in order to pay debts upon cessation of operations.

## Policy Terms and Conditions

*Law on Insurance No 06/NA* specifies two types of insurance (life and non-life).

It also defines three types of insurance contract

- personal insurance (being life, PMI and PA)
- property insurance
- civil liability insurance.

Each contract, that is, the policy document, shall contain:

- names and surnames, addresses of contracting parties
- object of insurance
- types of risks insured

# Supervision and Control

---

- 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.

An insurance certificate is defined as a contractual document delivered by the insurer determining 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.

There is no statutory obligation to submit policy wordings in respect of voluntary insurances to the regulator either before use or upon application for a licence.

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

Policies are usually expressed in LAK, although there is no statutory obligation in this regard.

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.

An insurance contract shall be 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.

# Supervision and Control

---

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.

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

*Law on Insurance No 06/NA* contains specific definitions of life, PA and PMI, also stipulating that, if a proposer for life insurance notifies an incorrect age of an insured person (and if this is outside the insurable age range) the insurer shall have the right to rescind the contract and to deduct all legitimated related expenses from the due rebate of premiums already paid by the buyer. In the case where a proposer for life insurance notifies an incorrect age of an insured person (and if this is within the insurable age range) the insurer has the right to require the payment of additional premium.

*Law on Insurance No 06/NA* provides that where a contract of life insurance provides for premium payments in periods exceeding three months, the outstanding premium shall be regarded as a debt and the insurer may deduct unpaid outstanding premium from the amount of benefit provided for in the contract of insurance. Where premium is paid in instalments and where the insured has paid a number of instalments within a period of two years or less subsequent to inception, but is unable to pay further instalments within a grace period of two months, the insurer can suspend the contract and may deduct from the agreed benefit any outstanding unpaid premiums. Where the same situation occurs in respect of a contract where the insured has regularly paid the due instalment premiums for a period exceeding two years, the insurer may suspend the contract and pay a surrender value, unless otherwise agreed by the parties to the contract. In all cases of suspension caused by failure to pay instalment premiums with a grace period the parties may agree to reinstate the contract within a period of two years from its suspension where the insured has fully settled all outstanding premiums.

*Article 57 of Law on Insurance No 06/NA* sets out permissible exclusions or reasons for avoiding a life insurance contract:

- suicide in the first two years subsequent to the date of payment of the first instalment premium or from the date of reinstatement of a suspended contract: in such circumstances the insurer must pay to the purchaser of the insurance a surrender value or refund in full of premiums already paid: where the purchaser is deceased the amount of refund shall be determined by the laws of inheritance
- where the insured person dies or is permanently disabled due to intentional act of the buyer of the insurance or a beneficiary: if the intentional act is committed by one beneficiary the rights of other beneficiaries are not affected.

# Supervision and Control

---

There is nothing in the law to prevent loans being taken against the policy proceeds, although there is no specific framework for the calculation of surrender values.

There are no statutory cooling-off periods.

Life premiums are exempt from value added tax (VAT). Life insurers do not have to take any particular action to ensure that their policies qualify for this benefit.

## Legal System

### Introduction

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 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.

The legal system is centralised with a written constitution: government policy is to make increased legal resources available to the poor in rural communities. The law is administered at village level as well as at district, provincial and central government levels.

Individuals in Laos are not litigious; this continues to be the case, despite an improving life style and 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. Local observers suggest that this may be because the judiciary at higher levels is not especially trusted as (rightly or wrongly) it is perceived by many to be politically controlled.

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

### Alternative Dispute Resolution

*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, which are:

- amicable negotiation
- mediation
- administrative dispute resolution
- settlement by the Center for Economic Dispute Resolution
- filing of a claim or litigation to the People's Court

# Supervision and Control

---

- 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* 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 judgement 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 No 44/PO* dated 19 May 2005 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.

## Court Cases

As far as is known there have been no known court cases with specific reference to life insurance.

## 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 life and health (but including PA)	Value added tax (VAT) or "business turnover tax"	10	Insured
All classes excluding health	Policy registration fee	LAK 10,000, to LAK 50,000 lump sum per policy, dependent on premium	Insured

Source: Market sources

By virtue of *Law on Insurance No 06/NA* dated 21 December 2011, premiums for life and private medical insurance/PMI (but not PA) are exempt from the 10% value added tax (VAT) currently charged on other premiums.

Market sources confirm that there is no supervisory levy.

## Legislative Update

There has been no new legislation that might affect taxation.

## Withholding Taxes on Premiums Paid Overseas

There are no withholding taxes on premiums (insurance and reinsurance) paid overseas.

## 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 generating 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. Insurers' reserves are deductible for tax purposes.

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

## Personal Taxation

The following table shows the latest personal tax rates.

Taxable income band	Tax rate (%)
0 to 1,000,000	0
1,000,001 to 3,000,000	5
3,000,001 to 6,000,000	10
6,000,001 to 12,000,000	12
12,000,001 to 24,000,000	15
24,000,001 to 40,000,000	20
40,000,001 and above	24



By virtue of the *Law on Insurance No 06/NA* personal income tax is not payable on:

- income following death or permanent disability arising out of an individual insurance contract
- PMI and PA insurance annuities
- benefits received from endowment insurance.

## Historical Development

### History

- 1958 The first insurance legislation since independence, *Law on Insurance and Similar Companies*, was passed. There were six insurers active in the market, two domestic, Societe Franco-Lao Elephant Insurance and Chansoth 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 Economy, Planning and 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: reducing its holding to 51%, the MoF increasing its interest, reaching 49% by 1 April 2000.
- 2001 On 1 June the Social Security Organisation (SSO) started operating as provided for in *Decree No 207/PM on Social Security System for Enterprise Employees* issued in 1999 by the Ministry of Labour and Social Welfare, dealing with social security, pensions, life assurance and workers' compensation.
- 2007 Lao HMO, based in California, was authorised to offer health maintenance organisation (HMO) facilities to the local population and businesses (although not registered as an insurer under *Insurance Law No 11/90/PSA*).  
AGL started to offer four kinds of fixed premium term/fixed benefit life assurance contracts.
- 2008 to 2010 Five new insurers entered the Laotian non-life market, three of which offered PA and private medical insurance (PMI) products, including limited term cover for death from any cause.
- 2011 Assurance Generales du Laos changed its name to Allianz General Laos (still AGL). Champa changed its name to Lan Xang Assurance Public Co.  
AGL withdrew three of the four fixed-term guaranteed bonus endowment products it had been offering. It kept one, offering three years' cover for a single premium payment.
- 2014 *Ministerial Instruction on implementing the Law on Insurance No 539/MOF* became effective 19 February. AGL ceased selling endowment insurance.
- 2016 By May a total of 15 insurer operating licences had been granted.
- 2017 The regulator reported in September that 18 insurance companies had obtained operating licences with six licences pending.
- 2019 The regulator reported that 22 insurers had been granted operating licenses, with two non-life licenses 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 - Life Insurance

Total life insurance market gross premium income in 2017 was LAK 32.23bn. The 2016 to 2017 growth rate of the market life account was 48.60%.

# Insurance Market Overview

---

Life insurance categories are defined in the *Law on Insurance No 06/NA* dated 21 December 2011 as follows:

- whole life
- endowment
- mixed life (undefined)
- annuity
- term life
- any additional category approved by the MOF.

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 licenses pending). There are a number of insurers owned by local interests and growing foreign interest in insurance company establishment in Laos emanates mainly from neighbouring Asian countries, notably from Thailand, Vietnam Singapore and China.

The life insurance market in Laos is very small when compared to the non-life market. This is not surprising in this relatively poor country which does not have a long tradition of protection or saving by way of life insurance and which favours family support for elderly relatives. Most life insurers in Laos tend to operate through specific partner banks or micro finance organisations rather than seeking to generate business on a broader market-wide basis. The regulator appears to be less concerned currently about life insurance development than it is in relation to non-life. This is also not surprising because rapid economic development by way of infrastructural development and expansion in this land-locked country is a top government priority.

Reports from the regulator indicate that in May 2019 there were nine licensed composite companies in the market and four licensed life insurers.

No breakdown is available from the regulator of individual and group life insurance market premium income.

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. It is possible that there may be a number of life insurance claims arising from this incident.

## Summary and Trends - Pensions

There is no pensions market, corporate or personal, although the law mentions annuities without being specific in this respect.

The only pensions available are through the social security formal scheme operated by the SSO.

# Insurance Market Overview

## Summary and Trends - Healthcare

PMI is classified by the regulator as non-life business: therefore it can be written by a company with a non-life licence with no requirement for a life insurance licence.

PMI is one of the most competitive areas of the Lao insurance market; most non-life insurers write it. No segregated statistical information in relation to PA/PMI business is available: this class of business is integrated within a non-life miscellaneous category.

In the absence of statistics AGL is thought to be the market leader: it can offer group life contracts in conjunction with group health. Generally the market as a whole avoids individual or family business, on the assumption there will be anti-selection.

Given the rather basic medical facilities available in Laos, some companies offer cover for foreign treatment, either with a pre-agreed protocol and costing for procedures with a cashless payment system or an increased self-insurance contribution. Most foreign treatment is sourced in the ASEAN countries, mainly Thailand, Vietnam and Singapore.

## Market Size

Laos is currently ranked as the 155th largest insurance market (all classes of business) in the world and the life market is ranked at 153. In the absence of published official statistics relative to 2015 to 2017 no recent ranking is available relative to the PA/health market.

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	<b>506,612.44</b>
Premium in USD mn	3.86	56.8	<b>60.66</b>
% of total market	6.36	93.64	<b>100.00</b>

*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.*

The following table compares the annual growth rates of 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 (%)	(9.17)	12.53	36.40	101.52	48.60
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.*

# Insurance Market Overview

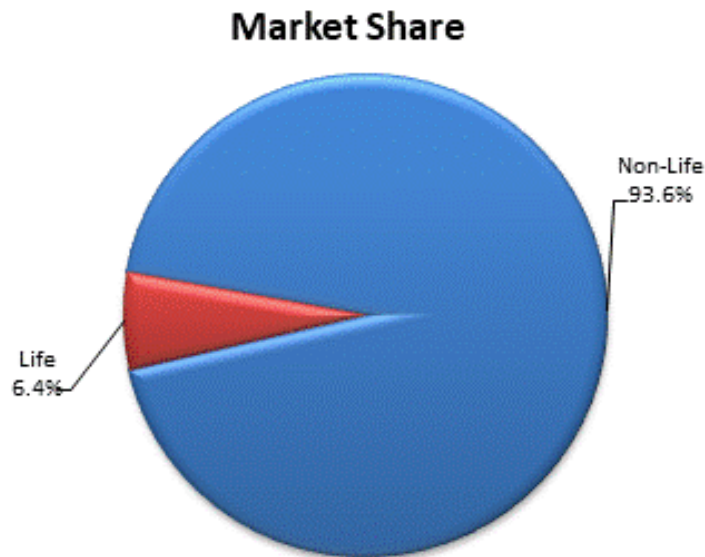
There has been little correlation between life gross premium growth and nominal GDP growth. The life market is in its infancy and grew much faster than nominal GDP from 2015 onwards.

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 division of the market in 2017 is shown below.



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.*

## Sums Assured

No statistics are published.

# Insurance Market Overview

## New Premiums Written

There are no available statistics.

## 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	4.40	254.93	1.33	77.31	0.32	18.59	6.05	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*

The very low level of life insurance penetration in Laos is evident in this table; however, the upside is that there is a lot of potential for improved penetration in the future.

## 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 although they are not allowed to actively transact business in Laos.

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 licenses pending). There are a number of insurers owned by local interests and growing foreign interest in insurance company establishment in Laos emanates mainly from neighbouring Asian countries, notably from Thailand, Vietnam Singapore and China. In 2019 there were nine licensed composite companies and four licensed life insurance companies.

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

### Privatisation/Deregulation

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

# Insurance Market Overview

---

## State Life Insurance Companies

There are no state life companies in Laos. The MOF holds a 49% stake in AGL (a composite).

## Market Structure

In May 2019 there were nine licensed composite companies and four licensed life companies.

Below are the principal companies writing life insurance business in 2017, either within a composite company or on a stand-alone basis.

**HPC Insurance Co Ltd** is reported to specialise in life microinsurance and is the largest dedicated life insurance company in the market with a 46.32% market share in 2017. The regulator reported that the gross premium growth rate of this company in 2017 was 75.63%, and this high growth rate contributed significantly to the life market's growth rate. The success of HPC in attracting new business is anecdotally ascribed to its penetration in rural areas where it is reported to have been giving many group presentations to the inhabitants of villages. HPC sells whole life insurance only with three simple options and low monthly premiums.

**AGL** is a composite company and the longest established in the market, having enjoyed a 16-year monopoly until 2007. The company ceased writing guaranteed return endowment insurance as from 2013. The only current life insurance products offered by AGL are group and individual term life. AGL splits its 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 includes life, PA, health, travel and workers compensation. AGL is thought to be the only company in the market classifying its business in this manner. In 2017 AGL had a 25.52% share of the life market having recorded a growth rate of 12.83% compared to 2016. The gross premium income includes an element of run-off from the discontinued endowment insurance portfolio.

# Insurance Market Overview

**Prudential Life Assurance (Lao) Co Ltd** is a wholly-owned subsidiary of Prudential Plc Group. It started operations in May 2016. Prudential has a number of other operations in the Asian countries and is the leading life insurer in Vietnam: therefore its related products, systems and distribution experience and expertise in Asia is extensive. At present Prudential sells one individual life product in Laos providing life insurance protection combined with savings for term options of 10, 12 and 15 years. Prudential markets its product principally through ACLEDA Bank and has a highly trained sales team to develop new business through this channel. In 2017 Prudential had a life market share of 14.37%, having recorded growth in gross premium income compared to 2016 (when its operations did not cover a full 12 months) of 315.39%. The company subsequently reported that its growth rate in 2018 (as compared to 2017) was about 5%. One specific problem was noted which is that the company indicates that the increasing use of mobile banking applications has been reducing footfall in its major banking partner's premises to the detriment of life insurance sales (which are carried out exclusively within bank's premises). Prudential is therefore currently reviewing its operational strategies with a view to considering adding other banks to its distribution network giving consideration to the sale of new products and investigating alternative distribution methodology. The company only transacts life (including permanent total disability/PTD coverage) and has no reported intention of participation in the non-life insurance market.

**TKI Life Insurance Company**, established in Laos in 2016, is a sister company of TKI General Insurance Company. The company is owned by the local TKI group which has diverse interests in power and lining, property development, infrastructure and roads and air conditioning. In 2017 TKI Life had a life market share of 0.02%.

Other than AGL three other composite companies write modest volumes of life insurance business as follows:

- **Dhipaya Insurance Company Ltd** (2017 life market share 8.57%) distributes its life insurance products through Agriculture Promotion Bank
- **Phongsavanh Insurance Company** (2017 life market share 3.43%).

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

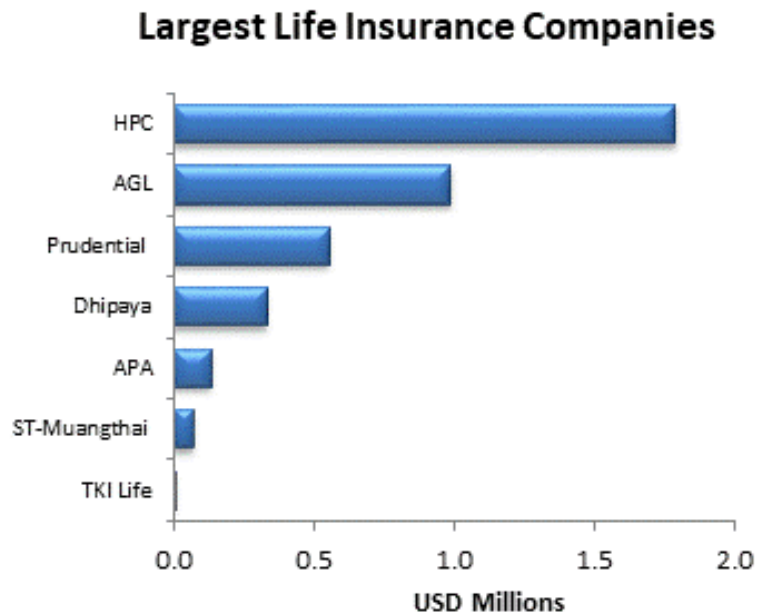
Group	Member companies		
	Life insurers	Non-life insurers	Significant other group companies
Allianz Insurance Group	Allianz General Laos	Allianz General Laos	
Banque pour le Commerce Exterieur Lao (BCEL)	n/a	Lao-Viet Insurance Co (LVI)	BCEL branch network
Lao-Viet Development Bank (LVDB)	n/a	LVI	LVDB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

Source: Market sources



# Insurance Market Overview

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



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

## Market Concentration

In 2017 the largest company in the life insurance market was HPC with a 46.32% market share. AGL was the second largest company with a 25.52% share and Prudential was third with a 14.37% share. The other four companies all had market shares of less than 13.8%

## 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. Tokojaya Lao Insurance Company did not write life insurance but it did transact PMI.

## 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*

## Investments

The following table shows the invested assets (LAK mn) by life and non-life companies in different investments for the last available three years.

# Insurance Market Overview

Type of investment	2015	2016	2017
Cash and receivables	194,510.86	262,893.75	380,875.14
Other Investments	92,388.44	125,192.46	75,372.98
Real estates	11,437.95	32,191.32	24,806.49
Investment property	n/a	26,154.48	665.64
Government bonds	6,683.75	6,682.24	5.78
Stocks and securities	2,743.52	2,713.26	2.55
Loans	1,042.36	1,203.54	1.02
<b>Total</b>	<b>308,806.88</b>	<b>457,031.06</b>	<b>481,729.60</b>

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

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

The following table shows the invested assets, net investment income and investment yields by life and non-life companies over the last available three years.

	2015	2016	2017
Invested assets (LAK mn)	308,806.88	457,031.06	481,729.60
Net investment income (LAK mn)	19,333.48	20,578.30	19,632.45
Investment yield (%)	6.26	4.50	4.08

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

The following table shows the invested assets (LAK mn) by life and non-life companies in different investments for the last available three years.

Type of investment	2015	2016	2017
Cash and receivables	194,510.86	262,893.75	380,875.14
Other Investments	92,388.44	125,192.46	75,372.98
Real estate	11,437.95	32,191.32	24,806.49
Investment property	n/a	26,154.48	665.64
Government bonds	6,683.75	6,682.24	5.78
Stocks and securities	2,743.52	2,713.26	2.55
Loans	1,042.36	1,203.54	1.02
<b>Total</b>	<b>308,806.88</b>	<b>457,031.06</b>	<b>481,729.60</b>

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

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

## 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 (%)	14.75	17.14	21.99

*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 a combination of 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 life market's net loss from operations, before capital gains and losses, corporate taxes, dividends to shareholders and other allocations was the equivalent of 122% of gross premium income.

## Retentions

Little information is available, except that the life market retention ratio for 2017 was 99.12%.

## Insurance Associations

The *Ministerial Instruction on implementing the Law on Insurance No 539/MOF* dated 19 February 2014 provided for the establishment of an Insurance Association 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.

## Investment Environment

### Summary and Trends

The investment environment in Laos is still limited especially for life insurers. Companies may have savings accounts, buy property, subscribe to corporate or government bonds, or invest in the stock market, as per the *Ministerial Instruction on implementing the Law on Insurance*. The latter also specifies how reserve funds may be invested.

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 at all times for non-life and life business separately. It is assumed that the investment categories quoted in the *Ministerial Instruction* do not apply to security deposits (as the latter have to be placed in blocked deposit accounts at the Bank of Laos PDR 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 same.

Government bonds are rarely if ever issued, normally only to foreign investors in overseas markets. Furthermore the Lao Securities Exchange (LSX), which officially opened in 2010 (and commenced trading in January 2011) trades currently in the equities of 10 companies. Insurance company funds are as yet insufficient to be placed in long-term property investments: currently all companies lease their premises. There is no corporate bond market.

Most insurance company investment is in bank deposits, either in LAK or USD.

There is no developed local mutual fund industry.

# Insurance Market Overview

## Stock Market

There are currently the following 10 listed companies:

- BCEL
- Electricite du Laos (EDL)
- Lao World Public Company (LWPC)
- Petroleum Trading Lao Public Company (PTL)
- Souvanny Home Center Public Company (SVNN)
- Phousy Construction and Development Public Company (PCD)
- Lao Cement Public Company (LCC)
- Mahathuen Leasing Public Company
- Lao Agrotech Public Company
- Vientiane Center Lao Public Company.

Four of these companies are partially government-owned but have conducted initial public offering (IPOs) in order to sell shares to the public. Foreign firms and individuals are permitted to invest in quoted companies although there are caps on such holdings in BCEL and EDL.

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

	2014	2015	2016	2017	2018
Index value	1,397.69	1,116.53	1,014.55	998.39	836.45

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

The index fell to lowest value in the last five years in 2017 and 2018. 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. The government faced pressure throughout 2018 as a result of the high level of public debt.

## Bonds

There is no corporate bond market.

In 2019 Lao government debt was estimated at 53.34% of GDP. Most debt is sourced from abroad and is denominated mainly in USD and Thai Bahts (THB). The government is committed to reducing public debt through a combination of increased fiscal consolidation with an emphasis on increasing revenue collection, tighter control of public spending and improved management of public debt.

## Interest Rates

The latest available key interest rates are shown below.

# Insurance Market Overview

---

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

Source: IMF

## Other Investments

The only other significant investment vehicle in Laos is property.

## Direct Investments

Private individuals can invest in property, hard currency or precious metals.

There is no developed local mutual fund industry.

## Local Reinsurance Market

### Summary and Trends

There is no local reinsurance market. In relation to life and benefits business, locally licensed insurers are free to reinsure in international markets.

The *Law on Insurance No 06/NA* dated 21 December 2011 includes definitions of reinsurance and life business.

### Local Reinsurance Operating Requirements

In the amended version of the draft *Law on Insurance No 06/NA* (which originally stated "part or whole of the risk may be reinsured") ceded reinsurance is currently defined as "ceding to one or more other insurers a part of the liability insured;".

In the absence of anything contained in the *Law on Insurance No 06/NA* 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 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 unearned premium reserves (UPR) and outstanding claims. The likelihood of a reinsurer being established in a small market like Laos is remote, given the very small size of the local insurance market and the power and influence of other potentially much more attractive domiciles in the ASEAN countries, such as Singapore.

### State Reinsurance

There is no state reinsurance company in Laos.

### Local Reinsurance Companies

There are no local reinsurance companies in Laos.

### Company Changes

There have been no recent company changes.

## Local Reinsurance Arrangements

### Summary and Trends

Life insurance, and PA and private medical insurance (PMI) insurance tend to be virtually wholly retained for net account due to the low per person and annual limits.

### 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 No 539/MOF* dated 19 February 2014 specifies that the insured shall be notified of the reinsurance cover at the same time as the original insurance contract is agreed and signed.

# Reinsurance

---

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.

Reinsurers do not have to be registered locally to operate within Laos or conform to any minimum security rating; however, *Article 71 of 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, be financially sustainable and have the relevant expertise.

*Article 71 of 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 technical reserves are held on a net of reinsurance basis and there are no legislative requirements for reinsurer deposit of same.

According to *Article 72 of 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 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.

## Reinsurance Statistics

According to the regulator the ceded life insurance premium of the life insurance market in 2017 was LAK 212,415,000 (USD 24,990), representing 0.88% of total gross market premium income.

## Retentions

Little information is available, except that the life market retention ratio for 2017 was 99.12%.

## Treaty Reinsurance

AGL buys protection from a group company in the Singapore market; nothing else is known about local life treaty reinsurance. The very low ceded premium volume in the market suggests that reinsurance by most other companies is either nil or minimal.

## Facultative Reinsurance

Facultative reinsurance is not an issue as gross facilities are adequate.

# Reinsurance

---

## **Other Types of Reinsurance**

The catastrophe exposure on company PA and health accounts is generally reinsured. As AGL is the only company writing significant volumes of group life business it has a need for some catastrophe reinsurance.

## **Distribution**

Companies generally place life reinsurance treaties direct and sometimes with an associated company. No information is currently available about the role of brokers in relation to life reinsurance.



# Distribution Channels

## Summary and Trends

The table below shows the estimated percentage of life insurance premium income written through various distribution channels.

	2016	2017	2018
Direct (%)	20	18	18
Agent (%)	80*	82*	82*

Notes: \* includes banks acting as agents.

Source: Market sources

There are no official statistics; the indications in the table are purely guesstimates.

Life insurance companies in Laos appear to distribute individual business through in-house sales agents or via banks. Prudential Life Assurance (Lao) Co Ltd considers that individual life policy distribution via one or more banks is the most efficient distribution solution in the Lao market, characterised by a small population (estimated at 6.96 million in 2018) in a country which is similar in size to the UK. In relation to business conducted through its main partner, ACLEDA Bank, Prudential provides full selling and technical support via its in-house staff. HPC Insurance Laos Co Ltd, which specialises in life microinsurance is reported to have extensive penetration in rural areas distributes through sales agents

Prudential Insurance reports that the rapid development of mobile banking applications in the last three years has been tending to reduce customer footfall in bank premises with negative effects on sales of life insurance. Prudential is therefore considering widening its distribution network to include other banks or alternative forms of distribution.

The *Law on Insurance No 06/NA* dated 21 December 2011 defines the role and responsibilities of intermediaries, separately for brokers and agents.

## Direct Marketing

Face-to-face selling has been an important means of selling life business in Laos. There are no other direct marketing initiatives. Some insurers have helplines available for 24 hours every day for services and claims, but no call centres for sales.

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

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

## E-Commerce

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

# Distribution Channels

---

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.

There is electronic signature legislation entitled the *Law on Electronic Transactions No 20/NA* dated 7 December 2012 which was passed and came into force in 2012.

## Bancassurance

There is little bancassurance in Laos as such. Banks introduce business to insurers but do not participate in the transaction, merely acting as commission agents.

Microfinance is becoming popular: ACLEDA Bank is the major local player. Personal insurance protection is available, although this is not provided by an authorised insurer but by the bank. Microinsurance is not separately defined in the current insurance legislation.

According to the Bank of Laos, that 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 banks have agreements with a panel of insurers, but most composites work mainly or only with their associated insurance interests for example:

- Phongsavanh Bank and APA Insurance (part of Phongsavanh group), mainly selling loan protection insurance
- ST bank and ST Muang Thai Insurance Co Ltd
- Joint Development Bank and Vientiane Insurance Co Ltd
- Agricultural Promotion Bank of Laos (state-owned) and Dhipaya Insurance Co.

## Direct Sales Force

Some companies sell via direct sales forces, although no detailed information is available in this respect.

It was reported in 2015 that the HPC, a life microinsurance specialist had more than 26,000 customers and 500 sales outlets in Laos and was aiming in 2016 to have 30,000 customers and 1,000 sales outlets. It is thought that the majority of the sales outlets act as agents but some may deal directly with customers in major cities and towns.

AGL uses its direct sales force and agents to sell its life products which consist mainly of group business.

## Agencies

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

## Distribution Channels

---

- be over age 18 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) with the insurer, which shall be paid back on termination of the agency contract.

Market sources state that there are no financial requirements.

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 governing the work of agents.

The deployment of agents as the mainstream method of distribution generally reflects the traditions of the country's French colonial past. *Article 78 of Law on Insurance No 06/NA* lists the rights and responsibilities of agents whilst *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 private medical insurance (PMI).

An important aspect of the law is to be found in *Article 80 of 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 and omissions (E&O) committed by the agent but that 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: a breach of the terms of the agency contract does not waive the direct responsibility 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 it is interesting to note that in 2018 and 2019, the regulator licensed five new local brokers. One of these, Lao Pakan Insurance Brokers has obtained an insurance and reinsurance broking license and intends to be active in international treaty and facultative reinsurance placement. 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. Interest in life insurance by the newly licensed brokers is reported to be likely to be nil or minimal, except possibly in group life business.

The newly licensed brokers are as follows:

# Distribution Channels

---

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

*Law on Insurance No 06/NA* provides a legal framework for the licensing, establishment and operation of insurance brokers.

Minimum capital is not specified in the law: however, the legislation stipulates that brokers shall have professional liability insurance (limit of cover not yet specified).

## **Employee Benefit and/or Actuarial Consultants**

There are no such organisations in Laos, although consultants do exist to assist expatriates new to Laos in terms of personal requirements, including personal insurances.

Most major international accounting firms are represented, however, and can advise on the personal and corporate tax benefits of life assurance and associated products, employee benefits and the like.

## **Specialist Independent Financial Advisers**

There are no such firms in Laos.

## **Other Distribution Channels**

No other distribution methods are utilised.

## **Consumer Protection**

There are as yet no statutory or voluntary codes of conduct for selling life (or non-life) products.

## **Expatriates**

Expatriates generally purchase life insurance outside Laos, to access a wider choice of both providers and products. Employee benefits for expatriates tend to be purchased prior to appointment either from an international carrier or from a carrier in the country of domicile.

## **Intermediaries' Commissions**

There are no regulations controlling commission levels.

No details are currently available of commissions payable in respect of individual life business transacted by banks which are generally considered to be confidential.

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

# Distribution Channels

---

Line of business	First year commission (%)	Renewal commission (%)
Term life business	Up to 12	Variable
Health	Up to 10	not applicable

Source: Market sources

## Company Changes

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

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.

## Summary and Trends

Social security amounts are shown in local currency. The rate of exchange used elsewhere in this report is LAK 8,518.42 USD 1.

The *Social Security Law No 34* dated 26 July 2013 governs the social security scheme. The Ministry of Labour and Social Welfare supervises the scheme and the National Social Security Fund (NSSF) collects contributions and administers the payment of benefits. *Social Security Law No 34* merged funds for the private sector and civil servants, although separate benefit rules still apply. The law requires all employers and employees to contribute to the scheme, while the self-employed may join a separate voluntary scheme; the law also introduced unemployment benefits. Implementation of the law commenced in 2014.

Figures for membership of the social security system remain low compared to total population numbers. The latest available information from 2015 indicates that in that year the number of members stood at about 66,800, plus their dependants. It is reported that many small enterprises have not joined the social security scheme and that even some large employers have either not joined or have dropped out of the scheme, preferring to make other arrangements for their workers. The current number of employers which are members of the scheme is not known.

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%.

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

The extended family is still a relevant factor in this country, including routine care of the elderly within the family unit. The state has comparatively little exposure to the costs of an ageing population compared to typical Western countries.

## Social Security Financing

The government does not make any general contributions to social security funds, but as an employer it contributes 6% of the payroll for civil servants and military and police personnel.

Funding as a percentage of GDP is thought to be very low, although there are no available official statistics.

## Scope of Cover

Social security covers all civil servants, employees of private and state-owned enterprises, and police and military personnel. Separate benefit rules still apply for civil servants, police and military personnel as was the case prior to the coming into force of the *Social Security Law No 34*.

Contributions apply to five funds providing coverage for employed persons, these being:

- old age, disability and survivor
- cash sickness and maternity benefits
- public health insurance
- work injury
- unemployment

and to three funds for the self-employed, that is:

- old age, disability and survivor
- cash sickness and maternity benefits
- public health insurance.

## Expatriates

Expatriates are included in the social security scheme at whatever level. Locals working abroad are not covered by social security at home.

## Privatisation

Privatisation of the schemes has not been considered nor is it anticipated.

## Contributions

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

	Employee (%)	Employer (%)	Total (%)	Self employed
Old age, disability and survivor	2.50	2.50	<b>5.00</b>	5.00
Cash sickness and maternity benefits	1.25	1.25	<b>2.50</b>	2.50
Public health insurance	0.75	0.75	<b>1.50</b>	1.50
Work injury	n/a	0.50	<b>0.50</b>	n/a
Unemployment	1.00	1.00	<b>2.00</b>	n/a
<b>Total</b>	<b>5.50</b>	<b>6.00</b>	<b>11.50</b>	<b>9.00</b>

Source: Axco Global Statistics / Industry Associations and Regulatory

The minimum monthly earnings used to calculate contributions in all cases, including the self-employed, are the national minimum wage (currently LAK 1.1mn per month) with a maximum of LAK 4.5mn per month.

## Old Age Pension

Pensions are paid at age 60 for men, 55 for women after 15 years of contribution or 25 years for civil servants, police and military personnel. The pension eligibility payment age is reduced by five years for men and women, respectively, after employment in hazardous or arduous working conditions. The pension is equal to the insured's total pension points earned in each year multiplied by the average insured earnings of all insured persons in the calendar year multiplied by 2%. The number of pension points in each year equals the insured's average earnings divided by the same year's average insured earnings for all insured persons. Pension points are credited in years when other benefits are received. Pension benefits are adjusted at least once a year according to the average insured earnings of all insured persons. Separate rules apply to pension entitlement for civil servants, police and military personnel.

For those with less than 15 years of contribution an old age lump sum benefit is paid at 60 for men, 55 for women, of 1.5 times the insured's average earnings in the last six months multiplied by the number of years of contribution.

## Survivors' Benefits

### Survivor pensions

Survivor pensions are paid to spouses, orphans and parents where the deceased had at least five years of contributions. Eligible survivors include a widow (aged 55 or older), a non-working widower (60 or older), orphans up to 18 (no limit if disabled and without working capacity), a dependent father 60 or older) or mother (55 or older) without any income. The widow(er) pension ceases upon marriage or employment.

Spouse pensions are 30% of the deceased's insured last monthly earnings, or the old age or disability pension that the deceased received or was entitled to receive.

Orphan pensions are 20% of the deceased's insured's last monthly earnings, or the old age or disability pension that the deceased received or was entitled to receive. The maximum combined total orphan pensions are 60% of the deceased's last insured monthly earnings, or the old age or disability pension that the deceased received or was entitled to receive.

Parent pensions are 30% of the deceased's insured last monthly earnings, or the old age or disability pension that the deceased received or was entitled to receive. The maximum combined total parents' pensions are 50% of the deceased's insured last monthly earnings, or the old age or disability pension that the deceased received or was entitled to receive.



The maximum total survivors benefit is 80% of the deceased's last monthly earnings, or the old age or disability pension that the deceased received or was entitled to receive.

## **Survivor lump sum benefit**

In cases where the deceased had at least three months of contributions a survivor lump sum benefit is paid based on the length of the deceased's contribution period calculated at five times the average insured monthly earnings for the first three to 12 months of contribution: for every one to two years of contributions beyond the first year an additional month of the deceased's average monthly earnings is paid.

## **Permanent Disability Benefit**

Disability pensions are paid to those who have at least 12 months of contributions in the last 24 months and an assessed degree of disability of at least 41%; the Medical Committee of the NSSF assesses the degree of disability. The disability pension is equal to 90% of the insured's average earnings in the last six months prior to the onset of disability multiplied by the assessed percentage of disability. If the insured is still employed the disability pension is reduced to 25%.

A disability lump sum payment is made to those who have at least 12 months in the last 24 months of contributions and an assessed degree of disability of less than 41%. The Medical Committee of the NSSF assesses the degree of disability. The disability lump sum is equal to 10 times the insured's average earnings in the last six months prior to the onset of disability multiplied by the assessed degree of disability.

Caregivers benefit is paid for an assessed degree of disability of at least 80%, this being 70% of the insured's disability pension.

Benefits are adjusted at least once a year according to changes in the average earnings of all insured persons.

## **Short-Term Sickness Benefit**

Under the SSO scheme insured members with at least three months of contributions in the last six months who provide a hospital-issued medical certificate from the hospital with which they are registered are paid 70% of average monthly earnings in the last six months for up to six months whilst a further 60% of average monthly earnings in the last six months is paid if a further six months extension is granted. If the insured is still unable to work after 12 months he or she will be assessed for permanent disability.

## **Occupational Accident and Disease**

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.

# Social Security

---

The Social Security Office (SSO) runs the scheme for accidents at work. *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.

Benefits provided by the SSO work injury scheme comprise medical treatment and rehabilitation, temporary disability benefit, caregiver benefit, permanent disability benefit and survivor benefits in the case of death of the insured member. Full hospitalisation benefit is limited to six months: for longer periods the insured is subject to a co-payment.

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.

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.

## Unemployment

The SSO provides for unemployment benefits as per *Social Security Law No 34*. The employer and employee contribution rates are stated in the table to be found in the Contributions subsection. The self-employed cannot access unemployment benefits and make no contributions in this respect.

# Social Security

---

To qualify for unemployment benefit the insured member must have at least 12 months of contributions in the last 24 months, be involuntarily unemployed and must be registered as unemployed for at least 30 days. Vocational training is available to the unemployed who are in need of same.

Benefits of 60% of the insured's average earnings in the six months preceding unemployment are payable as follows with:

- less than three years of paid contributions unemployment benefit is paid for up to three months
- more than three years up to five of paid contributions unemployment benefit is paid for up to six months
- six or more years up to 11 of paid contributions unemployment benefit is paid for up to nine months
- 12 years or more of paid contributions unemployment benefit is paid for up to 12 months.

## Other Benefits

SSO maternity benefits are in the following two forms:

- 80% of the insured's average monthly earnings in the six months before the insured stops working is paid for 105 days (120 for twins)
- a birth grant of 60% of the insured's average monthly earnings in the six months before childbirth is paid.

## Taxation

Employer contributions are tax deductible as a business expense. All employee contributions are deductible from the personal income tax calculation; benefits are not taxed.

## Overall Healthcare

### Summary and Trends

Access to healthcare is considered a luxury by many. For centuries people have relied on traditional medicine, acupuncture and herbal cures, which can be effective. The global pharmaceutical industry has shown considerable interest in Lao traditional medicines and the skills of the healers who use them.

No recent statistics were available from the regulator relative to PMI in 2015 and 2017 PMI business is consolidated within a non-life Miscellaneous category, which also includes (inter alia) construction, liability and other classes of general accident business. The PMI market is targeted at middle and upper class Laotians and expatriates.

Most, but not all non-life companies, underwrite PMI which is estimated to be comprised mainly of group business (80% to 90%) with the remainder being individual business. PMI business is not written as life policy riders, although companies having composite licences are thought to be in an optimum position to cross-sell PMI and life insurance to corporate clients. It would appear that Allianz General Laos (AGL) is still the market leader in PMI business although there are no statistics to confirm this.

There is usually no policy exclusion for hospitalisation outside Laos. Policies are designed to be adequate to pay hospital fees in Thailand or other neighbouring countries on a reimbursement basis. Reimbursed claims under policies written in LAK are settled in LAK regardless of where treatment has been received.

The trend is to issue scheme members with cards so that fee settlement is cashless and seamless for the Lao hospital network, both in Vientiane and elsewhere, and outside Laos. AGL has extended the range of its scheme to selected hospitals in Thailand, where it is managed by an outsourced assistance company, subject to pre-agreed protocols.

### Health Indicators

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

	2011	2012	2013	2014	2015
Total healthcare cost per capita in USD	27.51	32.99	44.13	46.37	52.99
Total healthcare cost per capita in USD on PPP* basis	89.53	104.27	128.57	140.94	165.83
Total healthcare spending as % of GDP	2.16	2.25	2.66	2.57	2.81
Public healthcare spending as a % of total healthcare spending	18.87	21.03	29.70	29.75	35.21
Private healthcare spending as % of total healthcare spending	53.53	51.94	51.31	53.46	47.83

	2011	2012	2013	2014	2015
External healthcare spending as % of total healthcare spending**	27.60	27.02	19.00	16.79	16.96
Private prepaid plans as % of private healthcare spending	1.47	1.45	1.89	1.89	n/a
Physicians (per 100,000 population)	n/a	n/a	43.41	47.66	62.01
Hospital beds (per 100,000 population)	129.85	149.72	107.66	105.42	117.77

Note: \* PPP is purchasing power parity.

\*\* External healthcare spending is development aid and direct foreign transfer.

Source: Axco Global Statistics / Industry Associations and Regulatory Bodies

There are no recent statistics showing the major causes of sickness and disease.

## Healthcare Philosophy

The principle objectives of healthcare philosophy in Laos are:

- increasing access to primary healthcare
- reducing health inequities
- prevent and control infectious diseases and other health events
- moving towards a system of universal healthcare coverage.

The incidence of Aids is relatively low equal to between 10,000 and 14,000 adults and children in 2017.

The main causes of premature mortality and morbidity are communicable diseases.

The Ministry of Health is still very reliant on external donor support and technical assistance from international bodies.

## State Healthcare

### Legislation

Public healthcare in Laos is governed by *Law on Healthcare No 09/NA* dated 9 November 2005 which effectively enshrines free healthcare to all citizens regardless of age, gender, race, religion or socio-economic status. It does recognise, however, a two-tier system of both public and private healthcare clinics and hospitals.

State healthcare is the responsibility of the Ministry of Health.

PMI is regulated under *Law on Insurance No 06/NA* dated 21 December 2011 and *Ministerial Instruction on implementing the Law on Insurance No 539/MOF* dated 19 February 2014. In *Law on Insurance No 06/NA* health insurance is classified as a non-life class of business. 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.

## Coverage

The 2013 social security scheme administered by the Social Security Organisation (SSO) provides (inter alia) healthcare medical benefits coverage for all civil servants, employees of private and state-owned enterprises, and police and military personnel who are registered contributing members. The SSO has contracted with some nine hospitals in seven provinces to provide medical treatment and care. A few treatments are not covered by the scheme, including chemotherapy and open heart surgery.

Membership of the SSO scheme is reported to be low compared to total population. Almost all of those outside the scheme have no access to state primary healthcare without paying charges out-of-pocket (which the vast majority cannot afford). The government's aim is that more than 70% of the population will be covered by social health insurance by 2020.

Patients registered as members of SSO receive medical services from nominated hospitals. Members of SSO have to choose on registration the hospital that they want to attend for medical treatment and that hospital keeps the relevant patient's files. The member can apply to change his or her preferred hospital; if this is agreed by the SSO the files will be transferred from the original chosen hospital to the new one. After resigning from a work contract medical benefits are continued for three months.

Contributing members of this scheme and their families (that is, spouses and children up to age 18) are entitled to receive benefits. There is a qualifying period of three months of continuous contributions in the last six months.

SSO pays to its contracted hospitals an advance annual capitation amount according to the number of patients registered for care at that particular hospital.

There is a nationwide shortage in Laos of doctors, nurses, hospitals and equipment. Laos relies upon foreign aid to fund projects for improving the public healthcare system. The latter has been and still is compromised by a lack of funding.

## Expatriates

Expatriates employed by a member company are included in the 2013 social security scheme. Also embassy staff, and staff of non-governmental organisations (NGOs) are included on the same basis.

As an alternative, expatriates would usually buy healthcare insurance elsewhere before residing in Laos and, if necessary, would seek treatment outside Laos in regional centres of excellence such as Bangkok or Singapore. It is known, however, that embassies do insure their staff and expatriates on local terms but with overseas treatment options.

## Health Service Financing

The health service is primarily financed through the social security scheme administered by the SSO. Foreign NGOs provide some care for those outside the schemes, such as the unemployed.

	2011	2012	2013	2014	2015
Total healthcare spending as % of GDP	2.16	2.25	2.66	2.57	2.81
Public healthcare spending as a % of total healthcare spending	18.87	21.03	29.70	29.75	35.21

Source: Axco Global Statistics / Industry Associations and Regulatory Bodies

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

	2011	2012	2013	2014	2015
Total expenditure per capita in USD on PPP* basis	89.53	104.27	128.57	140.94	165.83
Growth (%)	(25.16)	16.46	23.30	9.62	17.66

Note: \* PPP is purchasing power parity.

Source: Axco Global Statistics / Industry Associations and Regulatory Bodies

## Private Healthcare

### Private Healthcare Facilities

The most recent available indications show that there were 17 private hospitals and more than 1,000 private clinics in Laos: the government actively encourages foreign direct investment in this sector. For the most part so-called clinics are not hospitals and provide only simple inpatient and surgical treatment in straightforward cases, most serious conditions being referred to facilities outside Laos in neighbouring countries.

Private facilities in Laos are generally regarded as being of a good standard. Public hospitals will generally accept private patients on a fee-paying basis.

### Private Healthcare Costs

Simple surgical procedures, such as an appendectomy, might cost between USD 500 and USD7. Knee or hip replacement might cost between USD 700 and USD 900, dependent upon the cost of the prosthesis. No major operations are carried out in the private sector in Laos: most are carried out in Thailand. Typical private healthcare (including surgical) costs in Thailand can be found in the relevant Axco report.

Medical cost inflation in Laos is currently estimated by local insurers to be running at 5% to 7% per annum.

### Statistics

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

	2011	2012	2013	2014	2015
Public healthcare spending as a % of total healthcare spending	18.87	21.03	29.70	29.75	35.21
Private healthcare spending as a % of total healthcare spending	53.53	51.94	51.31	53.46	47.83
External healthcare spending as % of total healthcare spending*	27.60	27.02	19.00	16.79	16.96
Private prepaid plans as a % of private healthcare spending	1.47	1.45	1.89	1.89	n/a
Out-of-pocket expenditure as a % of private healthcare spending	83.57	83.82	78.80	78.80	n/a

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

## Private Medical Insurance (PMI)

### Summary and Trends

Most employer group health plans are insured. Most, but not all non-life companies underwrite healthcare insurance which is estimated to be comprised mainly of group business (80% to 90%) with the remainder being individual business. PMI is not written as life policy riders, although companies having composite licences are thought to be in an optimum position to cross-sell group PMI and life insurance to corporate clients.

AGL issues cards to insured members in order ensure that payments for inpatient and outpatient treatment costs are cashless and according to pre-agreed protocols. Other companies tend to operate on a claims reimbursement basis.

State hospitals and some private clinics in Vientiane and in the provinces deal with insurers. Insurers pay agreed fee rates for private patients attending public hospitals (who receive the same treatment as non-insured patients but in private accommodation). A small number of private hospitals are located in Vientiane, but with limited surgical facilities.

### Legislation

Public healthcare in Laos is governed by *Law on Healthcare No 09/NA* which effectively enshrines free healthcare to all citizens regardless of age, gender, race, religion or socio-economic status. It does recognise, however, a two-tier system of both public and private healthcare clinics and hospitals.



PMI is regulated under *Law on Insurance No 06/NA* and *Ministerial Instruction on implementing the Law on Insurance No 539/MOF*. In *Law on Insurance No 06/NA* health insurance is classified as a non-life class of business. 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.

## Healthcare Insurance Supervisory Authority

The supervision of PMI is included under *Law on Insurance No 06/NA* in common with other classes of insurance. No statistics are available from the regulator relative to market health insurance. Health business is consolidated within a non-life Miscellaneous category, which also includes (inter alia) construction, liability and other classes of general accident business. The health insurance market is targeted at middle and upper class Laotians and expatriates.

## Taxation

Health premiums are not subject to the 10% value added tax (VAT) charged on other classes of business. They are tax deductible for corporation tax purposes, treated as a taxable benefit in kind for employees.

Individual and family premiums are tax deductible.

Benefits are not taxed as income.

## Expatriates

Expatriates working in Laos are included within *Social Security Law No 34* dated 26 July 2013. If expatriates are covered under a private sector local group or individual PMI policy it will usually be extended to include repatriation and evacuation costs.

Most expatriates working for multinational companies are provided with free medical and dental treatment for themselves and their families (if accompanied). These benefits are usually funded by their home country head office and also provide for treatment outside Laos.

## Statistics

No recent market statistics are available. Health business is reported integrally by the regulator in a non-life Miscellaneous category and cannot be separately identified.

## PMI Providers

AGL has a membership card scheme for direct payment to the participating provider. Otherwise most companies, writing health insurance business provide individual, family and group medical expenses cover on a reimbursement basis and some provide combined PA and PMI coverage.

## General PMI Coverage

General PMI cover is for total costs and excludes any payments made by any workers' compensation scheme. Individual and family and group plans provide cover at local and nominated overseas facilities in the region, including the cost of drugs.

Otherwise policies may exclude:

- suicide/self-inflicted injury
- passenger in a non-commercial route aircraft or as a pilot or aircrew
- war risks
- cover over age 65
- nuclear risks
- organ transplants
- elective or cosmetic surgery
- sexually-transmitted diseases (STDs)
- HIV/Aids.

The following may be generally covered subject to a typical range of limits stated, ranging from basic to VIP executive coverage:

- hospitalisation cover from LAK 18mn to LAK 140.86mn
- room and board up to 90 days: limits per day LAK 86,000 to LAK 865,000
- intensive care (maximum seven days): limits LAK 173,000 to LAK 1.73mn
- hospital services: limits LAK 1.3mn to LAK 8.65mn
- surgical fees: limits LAK 2.16mn to LAK 21.63mn
- doctor fees (maximum 90 days): limits LAK 52,000 to LAK 216,000
- operating theatre costs: limits LAK 2.16mn to LAK 21.63mn
- anaesthetics: limits LAK 216,000 to LAK 2.16mn
- laboratory tests and X-rays: typical limit LAK 753,000
- accidental medical treatment: limits LAK 346,000 to LAK 2.6mn.

Outpatient costs are limited normally to 30 doctor visits per year.

## Group PMI

Group health insurance is sold to public and private sector enterprises and firms, thought to represent between 80% and 90% of all PMI premium income.

Coverage is generally tailor-made to client preferences but would generally include the cover noted under subsection General PMI Coverage.

Routine dental and maternity care can be included as options in group plans. Pre-existing and chronic conditions are normally excluded except in large groups exceeding about 300 members. All employees are covered, although cover levels might vary at an employer's request. Cover is available for dependants at the discretion of the employer. It is rare for there to be any vision cover.

## Individual PMI

Individual and family cover is not sold actively, given the element of assumed anti-selection.

There is no significant difference in coverage available for groups and individuals/families (see subsection General PMI Coverage).

## PMI Group Rating

Groups are individually rated, with a group discount of up to 10% for groups of over 20 people, 20% for over 50 members.

Most renewals are experience rated. Due to the competitive nature of the present market, all premiums are negotiable; however, as experience, claim patterns and average claim costs become better known and measured, underwriters are able to be more selective.

Cover is granted up to age 60.

## PMI Individual Rating

Rates are divided by age bands.

The table below provides an example range of typical annual premiums (in LAK) from basic cover to VIP coverage, which is the most comprehensive cover available:

Age at inception	Male	Female
16 to 35	From 269,000 to 1.95mn	From 349,000 to 2.54mn
36 to 40	From 322,000 to 2.35mn	From 419,000 to 3.05mn
41 to 45	From 349,000 to 2.54mn	From 454,000 to 3.31mn
46 to 50	From 403,000 to 2.93mn	From 524,000 to 3.81mn
51 to 55	From 430,000 to 3.13mn	From 559,000 to 4.07mn
56 to 60	From 537,000 to 3.91mn	From 698,000 to 5.08mn

*Source: Market sources*

Rates are under competitive pressure.

## Managed Healthcare

Cards are issued by some companies to members to pay for services: pre-authorisation is required only for non-participating providers.

The only third-party administrator (TPA) known of is a Thai claims management operation engaged by one insurer. Otherwise all Lao claims are handled in-house by insurers.

## PMI Claims Experience

There is no information available regarding the main causes of claim or any particular issues with fraud or claims management.

# Healthcare

---

## Major Insurers

AGL is thought to be the leading insurer. As no market statistics are available it is not possible to indicate detailed company rankings.

## Reinsurance

Limits are relatively low, such that most business is generally retained for net account.

## Distribution

Local distribution is through agents or direct with some business being sourced from banks acting as introductory agents.

## Commission

Commission is generally up to 10%.

## Long-Term Care Insurance

### Summary and Trends

There is currently no long-term care market in Laos, given the culture of family care for the elderly.

## Other Healthcare Products

### Hospital Cash Benefit Plans

Hospital cash benefit plans are not written in Laos.

### Critical Illness Insurance

Critical illness insurance is not sold by locally licensed insurers.

### Medical Evacuation Insurance

Medical evacuation insurance is not a feature of the Lao market but may apply to expatriate covers written from outside Laos; no other details are known.

Travel plans for travel outside Laos may include limited coverage.

# Pension and Employee Benefits

---

## State Pensions

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

## Mandatory and/or Company Pensions

### Summary and Trends

There are no known company pension schemes in Laos. The only known scheme is the state scheme described in the Social Security section of this report.

There are no local private pension funds or fund managers and the only cash savings vehicle is bank deposits.

There is no annuity market although *Law on Insurance No 06/NA* dated 21 December 2011 mentions annuities but only in a general and unspecific context.

### Legislation

There is no legislation on private pensions, although annuity contracts and benefits are mentioned in *Law on Insurance No 06/NA*.

Pensions are catered for in the Social Security Organisation (SSO) scheme and paid on attaining normal pensionable age (60 for males, 55 for females), or early retirement following injury or illness arising out of or in connection with a contract of employment.

### Historical Development

There is no history of organisations providing pension schemes other than the state-sponsored schemes.

### Statistics

There are no statistics.

### Taxation

Pension contributions would be likely to be treated in the same way as ordinary life insurance premiums, which are tax deductible, but not subject to value added tax (VAT).

### Pension Fund Investments

There is no financial sector in Laos to support investments on a long-term basis. The pension funds administered by the SSO under the state scheme use bank deposits plus whatever government bonds are available.

## Other Employee Benefits

### Summary and Trends

There are a number of group PA covers in force, although employers do not generally provide employee benefits to any great extent as there is limited competition for staff and it is not a contractual or a cultural obligation. Those employed in the manufacturing industries especially are notoriously transient and seasonal and thus it is difficult to administer anything other than state benefit schemes.

# Pension and Employee Benefits

---

Foreign joint venture manufacturing and commercial enterprises, specifically in the financial services sector, tend to arrange schemes for expatriate staff in their country of domicile, with their other insurances.

Group health insurance is reported to be more popular than group life insurance. As health insurance is a non-life class of business composite companies may have an advantage over life insurers, being able to cross-sell private medical insurance (PMI) and group life insurance to corporate clients.

## Taxation

Employer premium payments on behalf of employees are subject to taxation as a benefit in kind. They are, however, tax deductible for the company as a business expense.

Employee-paid premiums are tax deductible whilst benefits are not taxed.

Benefits claimed by employees under employer-paid schemes are not taxable.

## Survivors' Pensions

There are no known private pension schemes in Laos. Survivor pensions are included in the state schemes.

## Group Life Assurance

Most insurers tend to combine group life with PA and PMI contracts, rather than to write group life in isolation. The group life sum assured would most usually be a fixed amount or amounts by hierarchy chosen by the group insurance buyer. Typical per person group life sum insureds, variable by hierarchy are USD 2,500, USD 5,000, USD 7,500 or USD 10,000. Occasionally sums insured may be a multiple of annual salary, from one year to three years.

Generally the employer pays the premiums, although in some cases, employees may have to fund up to 50% of the premium payment. There are no fixed minimum or maximum limits to group size; however, groups above 10 people qualify for discounts ranging generally from 5% to 20%. Group and individual policies usually only cover the death risk. Group PA covers are separate and cover death and disability from accidental causes on a continental scale.

The group life proposal forms ask questions related to health. Pre-existing and chronic diseases may be excluded for individuals so affected within a group, for instance, cardio-vascular disease over age 40.

Misrepresentation within the proposal may be grounds for declinature of a claim.

Available statistics from the regulator do not distinguish between group and individual life insurance.

## Long-Term Disability

The only long-term disability (LTD) cover available in Laos is that provided under the state "formal scheme", administered by the SSO.

# Pension and Employee Benefits

## Medical Benefits

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

## Medical Underwriting Considerations

Each individual is underwritten in group schemes. There are no free cover limits (FCLs) as such. One insurer would ask for a doctor's certificate of health, including a chest X-ray and blood tests, for a request over LAK 50mn.

## Savings Plans

As far as is known no group savings plans are offered in Laos.

## Additional Employee Benefits

The state social security scheme and the basic products offered by the market are the only employee benefits available.

Group PA schemes ensure that automatic payments are available for work-related accidents, but for employees only: families are not included.

## Flexible Employee Benefit Arrangements

No such schemes exist in Laos.

It is becoming more common to offer expatriates the cash value of add-ons such as housing, car, travel, school fees, medical insurance, pension payments etc, within an annual employment contract.

## Major Employee Benefit Providers

The insurance market is the only provider of a limited range of products.

## Distribution

Most distribution is through agents or in-house sales forces.

## Multinational Pooling

### Summary and Trends

The insurance companies representing various multinational pools are shown below.

Pool name	Local member
Allianz Global Benefits	Allianz General Laos (AGL)

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

## Individual Pensions

### Summary and Trends

There is no demand for and no supply of individual pension arrangements at present.

## Summary and Trends

Total life insurance market gross premium income in 2017 was LAK 32.23bn. The 2016 to 2017 growth rate of the market life account was 48.60%. In relation to life insurance business statistics do not provide a breakdown between individual and group business.

Life insurance categories are defined in the *Law on Insurance No 06/NA* dated 21 December 2011 as follows:

- whole life
- endowment
- mixed life (undefined)
- annuity
- term life
- any additional category approved by the MOF.

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 licenses pending). There are a number of insurers owned by local interests and growing foreign interest in insurance company establishment in Laos emanates mainly from neighbouring Asian countries, notably from Thailand, Vietnam Singapore and China.

The life insurance market in Laos is very small when compared to the non-life market. This is not surprising in this relatively poor country which does not have a long tradition of protection or saving by way of life insurance and which favours family support for elderly relatives. Most life insurers in Laos tend to operate through specific partner banks or micro finance organisations rather than seeking to generate business on a broader market-wide basis. The regulator appears to be less concerned currently about life insurance development than it is in relation to non-life. This is also not surprising because rapid economic development by way of infrastructural development and expansion in this land-locked country is a top government priority.

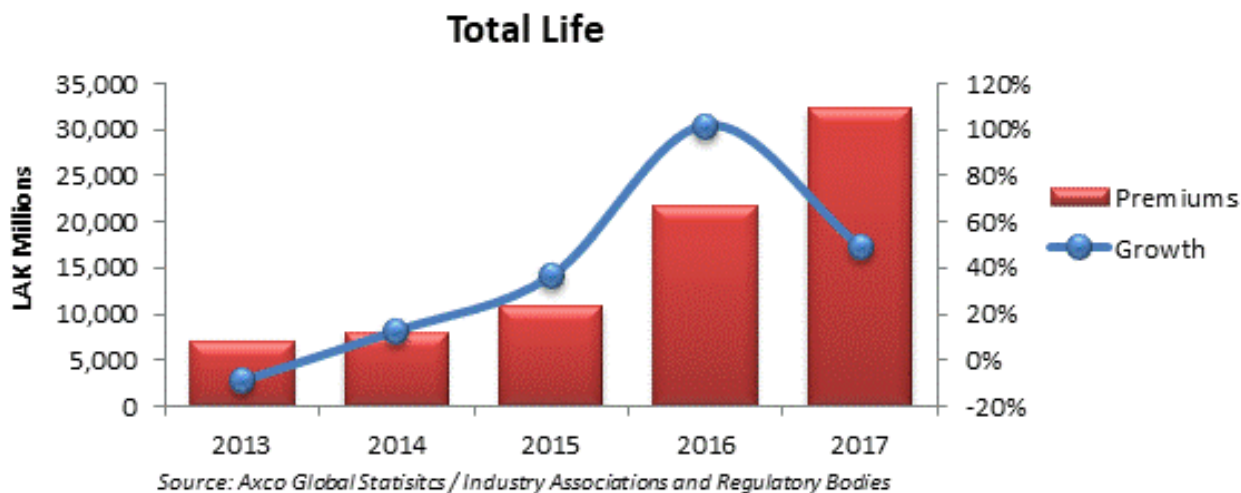
Reports from the regulator indicate that in May 2019 there were nine licensed composite companies in the market and four licensed life insurers.

Life insurance premiums are tax deductible, benefits are not taxed as income. Policies are usually expressed in LAK.

## Statistics

Gross written premiums and growth rates for the last available five years are shown below. The graph relates to total life business: no splits are available between individual and group business.





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

## Taxation

Premiums are not taxed, benefits are not treated as income for personal income tax purposes.

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

## Expatriates

Expatriates are most likely to buy their life insurance outside Laos.

## Premiums

Some companies use modified Thai mortality information being mainly the TMO17 table for ordinary business. Otherwise companies use mortality tables provided by their reinsurers. There are no mortality tables specific to Laos: interest rate assumptions vary.

Preferred lives underwriting is not a feature of this market although rates for females are discounted.

## Bonuses

At present Prudential sells one individual life product in Laos providing life insurance protection combined with savings for term options of 10, 12 and 15 years, promising a maturity benefit of between 105% and 110% of premiums paid at maturity.

No other details are available of the bonus arrangements relative to savings products marketed by other companies (of which there are very few).

## Surrenders and Lapses

There is no available information regarding surrenders and lapses. The legislative regulations regarding surrenders and lapses are described in subsection Policy Terms and Conditions. Group and individual term life policies are generally annually renewable so surrenders are not an issue. Prudential permits surrenders after three years in respect of its combined life and disability protection coverage combined with savings.

There is no market for second-hand (traded) policies.

## Product Summary

Term life, mainly for bank loan protection is sold in the market. Some banks wishing to include term life protection in their loan facilities have agreements with a panel of insurers, but most composites work mainly or only with their associated insurance interests for example:

- Phongsavanh Bank and APA Insurance (part of Phongsavanh group), mainly selling loan protection insurance
- ST bank and ST Muang Thai Insurance Co Ltd
- Joint Development Bank and Vientiane Insurance Co Ltd
- Agricultural Promotion Bank of Laos (state-owned) and Dhipaya Insurance Co.

AGL markets credit life cover which is tailor-made in relation to limits for each banking partner and where the individual lender pays the premium.

Prudential sells endowment products mainly through Acleda Bank. HPC is a life microinsurance specialist with reported high levels of penetration in rural areas through at least 1,000 sales agents.

## Term Life

Cover is available in the market, sometimes as incidental to companies' hospitalisation and accident plans, and also on a stand-alone basis.

Limits up to USD 100,000 are available, but any amount could be considered, subject to financial underwriting limits (normally twice annual salary) and reference to reinsurers.

Any period is catered for, although this rarely extends beyond five years. Cover is generally on a fixed term basis and not decreasing term.

If the life proposed for loan coverage is medically substandard the prevailing strategy is to exclude death from pre-existing and chronic conditions rather than to charge loaded premiums. PA cover may be offered in conjunction with life cover in such cases but it only covers accidental death and disability.

## Critical Illness

Critical illness insurance is not sold by locally licensed insurers.

## Group Credit Life

AGL markets credit life cover which is tailor-made in relation to limits for each banking partner and where the individual lender pays the premium. Medical status in respect of each creditor is individually verified.

## Endowment

The only endowment policy in respect of which details are currently available is that marketed by Prudential. At present Prudential sells one individual life product in Laos providing life and permanent total disability (PTD) insurance protection combined with savings for term options of 10, 12 and 15 years, promising a maturity benefit of between 105% and 110% of premiums paid at maturity. The minimum sum insured is LAK 60mn. Age limits for entry are 18 to 50 for policies with a 10-year duration, 18 to 48 for 12 years and 18 to 45 for 15 years' duration. Other benefits include between 150% and 200% of premiums paid in the case of PTD, between 300% and 400% of premiums paid in the case of PTD due to an accident. The maximum sum insured is USD 25,000. Substandard lives are declined, rather than being subject to additional rating.

## Unit-Linked

Unit-linked business is not sold in Laos and not mentioned in the definitions of various life products in *Law on Insurance No 06/NA* dated 21 December 2011.

## Universal Life

Universal life business is not sold in Laos and is not mentioned in the definitions of various life products in the current insurance law.

## Whole Life

Microinsurance products sold by HPC offer three whole life options:

- graduated capital sums for death dependent upon the survival period following admission for people aged between 60 and 70
- graduated capital sums for death dependent upon the survival period following admission for people aged between 20 and 70
- enhanced graduated capital sums for death dependent upon the survival period following admission for people aged between 20 and 55.

In the first and second options the premium is a flat LAK 50,000 per month and is LAK 200,000 per month in the first option.

The payable capital sum in the first option varies in graduated survival period bands from LAK 500,000 for death within zero to three months after admission to LAK 30mn for death 15 years or more after admission.

# Individual Life Assurance

---

The payable capital sum in the second option varies in graduated survival period bands from LAK 500,000 for death within zero to three months after admission to LAK 70mn for death 15 years or more after admission.

The payable capital sum in the third option varies in graduated survival period bands from LAK 2mn for death within zero to three months after admission to LAK 300mn for death 15 years or more after admission.

None of these products are subject to individual underwriting.

## **Annuities**

Annuities are not available from locally licensed insurers.

The class is mentioned in the current insurance law.

## **Other Policy Types**

Microfinance is available from locally capitalised subsidiaries of international banks, such as ACLEDA Bank, which is active in the region. Life insurance protection is sold along with loans and may be covered in-house by bank subsidiaries or by partner insurers.

HPC's life microinsurance activities are reported under the heading Whole Life.

Microinsurance is not, as yet, subject to specific legislation.

AGL markets a microinsurance group annual term life product, subject to single premium arrangements, charged at 2.1% of the sum insured available up to a maximum of LAK 5mn.

Market sources stated that there are no equity release-type products available.

## **Medical Underwriting**

All AGL proposers over LAK 50mn are required to have a medical examination involving X-ray and blood tests.

Substandard lives may be accepted for PA cover only, in respect of bank loan protection.

## **Financial Underwriting**

The normal limit would be twice annual salary, above which proposals are referred to reinsurers.

## **Other Underwriting Considerations**

There is no differentiation between smokers and non-smokers. Women are offered discounts, rather than an age differential in rating.

## **Major Insurers**

The leading life insurers are HPC Insurance Co Ltd, AGL and Prudential.

# Individual Life Assurance

---

## Distribution

AGL is represented by in-house agents in all provinces. As AGL has by far the largest non-life corporate account in the market it sells group life and PMI insurance to principal corporate customers on a direct basis and individual term life cover. AGL does not sell any individual savings products.

It was reported in 2015 that HPC, a life microinsurance specialist, had more than 26,000 customers and 500 sales outlets in Laos, aiming in 2016 to have 30,000 customers and 1,000 sales outlets. According to the regulator's 2016 statistics it appears that the 2016 expansion aims were exceeded by an appreciable margin.

Other companies sell individual policies principally via banks in order to benefit from an already established nationwide distribution network.

Prudential Insurance reports that the rapid development of mobile banking applications in the last three years has been tending to reduce customer footfall in bank premises with negative effects on sales of life insurance. Prudential is therefore considering widening its distribution network to include other banks or alternative forms of distribution. Prudential's growth rate in recent years has been modest, about 10% in 2017 and 5% in 2018.

## Commission

Agents may be paid up to 12% commission.

## Claims

There are no particular claims issues. Misrepresentation at proposal stage gives the insurer the right to decline claims.