

Law No. 24-2000-QH10

NATIONAL ASSEMBLY
SOCIALIST REPUBLIC OF VIETNAM
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(From 14 November to 9 December 2000)

LAW ON INSURANCE BUSINESS

In order to protect the legitimate rights and interests of organizations and individuals participating in insurance; to promote insurance business activity; to maintain and promote stable socio-economic development and stability in the lives of the people; and in order to strengthen State administration of insurance business activity;

Pursuant to the 1992 *Constitution of the Socialist Republic of Vietnam*;

This Law regulates insurance business.

Chapter I
GENERAL PROVISIONS

Article 1 **Governing Scope**

1. This Law regulates the organization and operation of insurance business, and stipulates the rights and obligations of organizations and individuals participating in insurance.
2. This Law does not apply to social insurance, medical insurance, deposit insurance and other types of insurance not of a business nature which the State operates.

Article 2 **Applicability of the Law on Insurance, related laws, international treaties and international practice**

1. The organization and conduct of insurance business within the territory of the Socialist Republic of Vietnam must abide by the provisions of this Law and the other provisions of relevant laws.
2. In the case of any difference between an international treaty which the Socialist Republic of Vietnam has signed or to which it is a participant and the provisions of this Law, the provisions of that international treaty shall apply.

3. The parties participating in insurance may agree on the applicability of international practice if it is not contrary to the law of Vietnam.

Article 3 Definitions

In this Law the following terms shall be construed as follows:

1. "*Insurance business*" means activity of an insurance enterprise with the objective of profit, in which the insurance enterprise¹ accepts risks of an insured person on the basis of the purchaser of insurance paying a premium in order for the insurance enterprise to pay insurance proceeds to the beneficiary of the insurance or to indemnify the insured person on the occurrence of the insured event.
2. "*Reinsurance business*" means activity of an insurance enterprise with the objective of profit, in which the insurance enterprise receives part of the premium of another insurance enterprise in order to undertake to indemnify the liability for which insurance has already been accepted.
3. "*Insurance agency activity*" means the activity of introducing and offering insurance, arranging the entering into of insurance contracts and other tasks aimed at implementing insurance contracts pursuant to authority from an insurance enterprise.
4. "*Insurance broking activity*" means the supply of information and consultancy to a purchaser of insurance regarding insurance products, insurance conditions, premium levels, insurance enterprises and all work related to the negotiation, arrangement and implementation of insurance contracts at the request of a purchaser of insurance.
5. "*Insurance enterprise*" means an enterprise established, organized and operating in accordance with the provisions of this Law and the other provisions of relevant laws in order to conduct insurance business and reinsurance business.
6. "*Purchaser of insurance*" means the organization or individual entering into a contract of insurance with an insurance enterprise and paying a premium. The purchaser of insurance may be the insured person and at the same time the beneficiary of the insurance.
7. "*Insured person*" means the organization or individual whose property, civil liability or life is insured in accordance with an insurance contract. The insured person may at the same time be the beneficiary of the insurance.
8. "*Beneficiary*" means the organization or individual whom the purchaser of insurance appoints to receive the insurance proceeds under a contract of personal insurance.

9. "*Insurable interest*" means a right of ownership, right of possession, right of use, or property right; [or] the right and obligation to rear and maintain the subject matter insured.
10. "*Insured event*" means an objective event agreed by the parties or stipulated by law, upon the occurrence of which the insurance enterprise must pay the insurance proceeds to the beneficiary of the insurance or indemnify the insured person.
11. "*Insurance premium*" means an amount of money which the purchaser of insurance must pay to the insurance enterprise within the time-limit and by the method agreed by the parties in the insurance contract.
12. "*Life insurance*" means the types of insurance products for cases where an insured person lives or dies.
13. "*Endowment insurance*" means an insurance product for cases where the insured person lives up to a certain time, and in which the insurance enterprise must pay the insurance proceeds to the beneficiary if the insured person is still living at the time agreed in the insurance contract.
14. "*Death benefit insurance*" means an insurance product for cases where the insured person dies during a certain time, in which the insurance enterprise must pay the insurance proceeds to the beneficiary if the insured person dies during the period agreed in the insurance contract.
15. "*Combined insurance*" means an insurance product combining endowment insurance and death benefit insurance.
16. "*Whole life insurance*" means an insurance product for cases where the insured person dies at any time whatsoever throughout the course of that person's life.
17. "*Periodical payments insurance*" means an insurance product for cases where the insured person lives up to a certain time, after which time the insurance enterprise must pay periodically insurance proceeds to the beneficiary as agreed in the insurance contract.
18. "*Non-life insurance*" means the types of insurance products being property insurance, civil liability insurance and other insurance products which are not life insurance.

Article 4 State assurances in insurance business

1. The State shall protect the legitimate rights and interests of organizations and individuals participating in insurance and of insurance business enterprises.

2. The State shall invest capital and other resources so that State insurance business enterprises shall develop and play a dominant role in the insurance market.
3. The State's policies are to develop the Vietnamese insurance market and to give preference to insurance products which serve the aims of socio-economic development, especially the program for the development of agriculture, forestry and fisheries.

Article 5 International co-operation in the insurance business sector

1. The State shall uniformly administer international co-operation in the insurance sector and has policies to develop it in the direction of multilateralism and diversification, on the basis of respect for independence, sovereignty, equality and mutual benefit; to encourage foreign insurance enterprises and insurance brokering enterprises to attract foreign investors to invest in Vietnam and to reinvest profits earned from insurance business activities to serve the tasks of socio-economic development in Vietnam; and to facilitate the intensification of foreign co-operation by insurance enterprises and insurance brokering enterprises, aimed at increasing the effectiveness of insurance business.

Article 6 Fundamental principles in insurance activity

1. Organizations and individuals which have insurance requirements may only participate in insurance at an insurance enterprise operating in Vietnam.
2. An insurance enterprise must satisfy financial requirements in order to fulfil its undertakings to a purchaser of insurance.

Article 7 Types of insurance products

1. Life insurance shall comprise:
 - (a) Whole life insurance;
 - (b) Endowment insurance;
 - (c) Death benefit insurance;
 - (d) Combined insurance;
 - (dd) Periodical payments insurance;
 - (e) Other life insurance products as regulated by the Government.
2. Non-life insurance shall comprise:
 - (a) Personal accident and health care insurance;
 - (b) Property insurance and loss and damage insurance;
 - (c) Goods transit insurance by road, sea, river, rail and air;
 - (d) Aviation insurance;
 - (dd) Motor vehicle insurance;

- (e) Fire and explosion insurance;
- (g) Marine hull and P@I;
- (h) General liability insurance;
- (i) Credit and financial risks insurance;
- (k) Business loss and damage insurance;
- (l) Agriculture insurance;
- (m) Other non-life insurance products as regulated by the Government.

3. The Ministry of Finance shall provide a detailed list of insurance products.

Article 8 Compulsory insurance

1. Compulsory insurance is the type of insurance for which the law stipulates the insurance conditions, the levels of premium, and the minimum insurance proceeds which organizations and individuals participating in insurance and insurance enterprises are obliged to fulfil.

Compulsory insurance shall only apply to a number of types of insurance aimed at protecting the public interest and social security.

2. Compulsory insurance shall include:

- (a) Motor vehicle owners' civil liability insurance; aviation carriers' insurance for civil liability to passengers;
- (b) Professional liability insurance for legal consultancy activities;
- (c) Professional liability insurance for insurance broking enterprises;
- (d) Fire and explosion insurance.

3. Depending on the requirements of socio-economic development from time to time, the Government shall submit to the Standing Committee of the National Assembly regulations on other types of compulsory insurance.

Article 9 Reinsurance

1. Insurance enterprises may reinsure with other insurance enterprises including with insurance enterprises overseas.

2. In the case of reinsurance with insurance enterprises overseas, an insurance enterprise must reinsure part of the liability for which insurance has been accepted with an enterprise conducting reinsurance in Vietnam in accordance with the regulations of the Government.

Article 10 Co-operation and competition in insurance business

1. Insurance enterprises, insurance agents and insurance broking enterprises may engage in lawful co-operation and competition in insurance business.
2. The following conduct is strictly forbidden:
 - (a) Providing false information about, and false advertising of the contents and scope of activities and insurance conditions causing damage to the legitimate rights and interests of purchasers of insurance;
 - (b) Competing for clients in the form of obstructing, enticing, paying a ransom to, or threatening staff or clients of other insurance enterprises, insurance agents and insurance broking enterprises;
 - (c) Conducting unlawful promotions;
 - (dd) Engaging in any other unlawful competition.

Article 11 Right to participate in socio-professional associations regarding insurance business

Insurance enterprises, insurance agents and insurance broking enterprises may participate in socio-professional organizations regarding insurance business with the aim of developing the insurance market and protecting the legitimate rights and interests of their members in accordance with the law.

**Chapter II
INSURANCE CONTRACTS**

**Section I
GENERAL PROVISIONS ON INSURANCE CONTRACTS**

Article 12 Insurance contracts

1. An insurance contract means an agreement between a purchaser of insurance and an insurance enterprise, pursuant to which the purchaser of insurance must pay a premium and the insurance enterprise must pay insurance proceeds to the beneficiary or indemnify the insured person on the occurrence of the insured event.
2. The types of insurance contracts shall comprise:
 - (a) Contracts of personal insurance;
 - (b) Contracts of property insurance;
 - (c) Contracts of civil liability insurance.
3. Marine contracts of insurance shall apply in accordance with the provisions of the Maritime Code; with respect to issues not covered by the Maritime Code, the provisions of this Law shall apply.

4. The provisions of the Civil Code and the other provisions of relevant laws shall apply to issues concerning insurance contracts which are not covered by this Chapter.

Article 13 Contents of insurance contracts

1. An insurance contract must contain the following items:
 - (a) The names and addresses of the insurance enterprise, of the purchaser of insurance, and of the insured person or beneficiary.
 - (b) The subject matter insured;
 - (c) The sum insured, and the value of the property insured in the case of property insurance;
 - (d) The scope of the insurance, the insurance conditions, and the insurance provisions;
 - (dd) The exclusion clauses;
 - (e) The duration of the insurance;
 - (g) The premium rate and the method of paying the premium;
 - (h) The time-limit for, and the method of payment of the insurance proceeds or indemnity;
 - (i) Provisions on dispute resolution;
 - (k) The day, month and year of entering into the contract.
2. In addition to the items stipulated in clause 1 of this article, an insurance contract may contain other items agreed by the parties.

Article 14 Forms of insurance contracts

A contract of insurance must be created in writing.

Proof of entering a contract of insurance means a certificate of insurance, an insurance policy, a telegram, telex, fax and other forms stipulated by which the law.

Article 15 Point of time when insurance liability arises

Insurance liability shall arise when an insurance contract has been entered into, or when there is proof that the insurance enterprise has agreed to insure and the purchaser of insurance has paid the premium, unless there is some other agreement in the insurance contract.

Article 16 Exclusion clauses

1. Exclusion clauses specify the circumstances in which an insurance enterprise need not indemnify or pay the insurance proceeds on the occurrence of the insured event.

2. Exclusion clauses must be set out clearly in the insurance contract. An insurance enterprise must explain [*the exclusion clauses*] clearly to the purchaser of insurance when a contract is entered into.
3. Exclusion clauses shall not be applied in the following circumstances:
 - (a) The purchaser of insurance unintentionally breaches the law;
 - (b) The purchaser of insurance has a legitimate reason for late notification to the insurance enterprise of the occurrence of the insured event.

Article 17 Rights and obligations of insurance enterprises

1. An insurance enterprise shall have the right:
 - (a) To collect the premium in accordance with the agreement in the insurance contract;
 - (b) To require the purchaser of insurance to provide complete and truthful information relating to entering into and implementing the insurance contract;
 - (c) To unilaterally suspend implementation of the insurance contract in accordance with the provisions of clause 2 of article 19, clause 2 of article 20, clause 2 of article 35 and clause 3 of article 50 of this Law;
 - (d) To refuse to pay insurance proceeds to the beneficiary or to refuse to indemnify the person insured in circumstances outside the scope of the insured liability or in circumstances where liability is excluded as agreed in the insurance contract;
 - (dd) To require the purchaser of insurance to take measures to avoid and minimize loss and damage in accordance with the provisions of this Law and the other provisions of relevant laws;
 - (e) To require a third party to reimburse the sum insured which the insurance enterprise has paid to indemnify the insured person, caused by the third party in the cases of property and civil liability;
 - (g) Other rights as stipulated by law.
2. An insurance enterprise shall have the obligation:
 - (a) To explain to the purchaser of insurance the insurance conditions, the insurance provisions, and the rights and obligations of the purchaser of insurance;
 - (b) To issue to the purchaser of insurance a certificate of insurance or the insurance policy after entering into the insurance contract;
 - (c) To pay insurance proceeds in a timely manner to the beneficiary or to indemnify the insured person on the occurrence of the insured event;
 - (d) To provide a written explanation of the reasons for refusal to pay insurance proceeds or indemnity;
 - (dd) To co-ordinate with the purchaser of insurance to resolve the claims of a third party for compensation for loss and damage within the insured liability on the occurrence of the insured event;
 - (e) Other obligations as stipulated by law.

Article 18 Rights and obligations of purchasers of insurance

1. A purchaser of insurance shall have the right:
 - (a) To choose an insurance enterprise operating in Vietnam in order to purchase insurance;
 - (b) To require the insurance enterprise to explain the insurance conditions and the insurance provisions, and to issue a certificate of insurance or the insurance policy;
 - (c) To unilaterally suspend implementation of the insurance contract in accordance with the provisions of clause 3 of article 19 and clause 1 of article 20 of this Law;
 - (d) To require the insurance enterprise to pay the insurance proceeds to the beneficiary or to indemnify the insured person as agreed in the insurance contract on the occurrence of the insured event;
 - (dd) To assign the insurance contract as agreed in the insurance contract or as stipulated by law;
 - (e) Other rights as stipulated by law.
2. A purchaser of insurance shall have the obligation:
 - (a) To pay the premium in full and on time and in accordance with the method agreed in the insurance contract;
 - (b) To declare fully and truthfully all the details relating to the insurance contract at the request of the insurance enterprise;
 - (c) To notify circumstances which might increase the risks or which might result in further liability on the part of the insurance enterprise during the period of implementation of the contract of insurance at the request of the insurance enterprise;
 - (d) To notify the insurance enterprise of the occurrence of the insured event as agreed in the insurance contract;
 - (dd) To take measures to avoid and minimize any loss and damage in accordance with this Law and the other provisions of relevant laws;
 - (e) To implement other obligations as stipulated by law.

Article 19 Responsibility to provide information

1. When entering into an insurance contract, an insurance enterprise shall be responsible to provide complete information relating to the insurance contract, and to explain to the purchaser of insurance the insurance conditions and provisions; and the purchaser of insurance shall be responsible to provide to the insurance enterprise complete information relating to the subject matter insured. Both parties shall be responsible for the accuracy and truthfulness of such information. An insurance enterprise shall be responsible to keep confidential the information provided by a purchaser of insurance.

2. An insurance enterprise shall have the right to unilaterally suspend the implementation of an insurance contract and to collect the premium up until the time of suspension of implementation of the insurance contract, when the purchaser of insurance commits one of the following actions:
 - (a) Intentionally provides false information with the aim of entering into a contract of insurance in order for insurance proceeds or indemnity to be paid;
 - (b) Fails to fulfil obligations to provide information to the insurance enterprise in accordance with clause 2(c) of article 18 of this Law.
3. In a case where an insurance enterprise intentionally provides false information with the aim of entering into a contract of insurance, the purchaser of insurance shall have the right to unilaterally suspend the implementation of the insurance contract; and the insurance enterprise must indemnify the purchaser of insurance for any loss and damage arising from the provision of false information.

Article 20 Changes in the level of the insured risks

1. When there is a change in the factors providing the basis for the calculation of the premium, leading to a reduction in the insured risks, the purchaser of insurance shall have the right to require the insurance enterprise to reduce the premium for the remaining duration of the insurance contract. If the insurance enterprise does not agree to reduce the premium, the purchaser of insurance shall have the right to unilaterally suspend the implementation of the insurance contract, but must immediately forward written notice to the insurance enterprise.
2. When there is a change in the factors providing the basis for the calculation of the premium, leading to an increase in the insured risks, the insurance enterprise shall have the right to recalculate the insurance premium for the remaining duration of the insurance contract. If the purchaser of insurance does not agree to an increased premium, the insurance enterprise shall have the right to unilaterally suspend the implementation of the insurance contract, but must immediately forward written notice to the purchaser of insurance.

Article 21 Interpretation of contracts of insurance

If an insurance contract contains unclear provisions, those provisions shall be interpreted in favour of the purchaser of insurance.

Article 22 Invalid insurance contracts

1. An insurance contract shall be invalid in the following circumstances:
 - (a) The purchaser of insurance does not have an insurable interest;
 - (b) At the time of entering into the insurance contract, the subject matter insured no longer existed;

- (c) At the time of entering into the insurance contract, the purchaser of insurance knew that the insured event had already occurred;
 - (d) The purchaser of insurance or the insurance enterprise was guilty of trickery when entering into the contract of insurance;
 - (dd) Other circumstances as stipulated by law.
2. Invalid contracts of insurance shall be dealt with in accordance with the provisions of the Civil Code and the other provisions of relevant laws.

Article 23 Termination of insurance contracts

In addition to the circumstances for termination of contracts under the provisions of the Civil Code, an insurance contract shall be terminated in the following circumstances:

1. The purchaser of insurance does not have an insurable interest;
2. The purchaser of insurance does not pay the premium in full or does not pay it on time as agreed in the insurance contract, except for cases where the parties otherwise agree;
3. The purchaser of insurance does not pay the premium in full within the grace period as agreed in the insurance contract.

Article 24 Legal consequences of termination of insurance contracts

1. In a case of termination of an insurance contract pursuant to the provisions in clause 1 of article 23 of this Law, an insurance enterprise must refund the purchaser of insurance that part of the paid premium which corresponds to the remaining duration of the insurance contract, after deducting legitimate expenses relating to the insurance contract.
2. In a case of termination of an insurance contract pursuant to the provisions in clause 2 of article 23 of this Law, the purchaser of insurance must still pay the full amount of the premium up until the date of termination of the insurance contract. This provision shall not apply to contracts of personal insurance.
3. In a case of termination of an insurance contract pursuant to the provisions in clause 3 of article 23 of this Law, an insurance enterprise shall remain liable to indemnify the insured person on the occurrence of the insured event within the duration of the grace period; and the purchaser of insurance must still pay the full amount of the premium up until the end of the grace period as agreed in the insurance contract. This provision shall not apply to contracts of personal insurance.

4. The legal consequences of the termination of an insurance contract in other cases shall be implemented in accordance with the provisions of the Civil Code and the other provisions of relevant laws.

Article 25 Amendments and additions to insurance contracts

1. The purchaser of insurance and the insurance enterprise may agree on amendments and additions to insurance premiums, conditions and provisions, unless otherwise stipulated by the law.
2. Any amendments and additions to an insurance contract must be implemented in writing.

Article 26 Assignment of insurance contracts

1. A purchaser of insurance may assign the insurance contract as agreed in the insurance contract.
2. The assignment of an insurance contract shall be valid only where the purchaser of insurance provides a written notice of assignment to the insurance enterprise and the latter provides its consent in writing, except where the assignment is implemented in accordance with international practice.

Article 27 Liability on reinsurance

1. An insurance enterprise shall be solely liable to the purchaser of insurance pursuant to the insurance contract, including cases where it reinsures liability.
2. An enterprise which has assumed reinsurance may not call on the purchaser of insurance to directly pay a premium to it, unless the insurance contract provides otherwise.
3. A purchaser of insurance may not require the reinsuring enterprise to pay the insurance proceeds or indemnify him/her/it, unless the insurance contract provides otherwise.

Article 28 Time-limit for requesting payment of insurance proceeds or indemnity

1. The time-limit for requesting payment of insurance proceeds or indemnity under an insurance contract shall be one year as from the date of occurrence of the insured event. The duration of an event of force majeure or any other objective obstruction shall not be included when calculating the time-limit for requesting payment of insurance proceeds or indemnity.
2. In the case where a purchaser of insurance proves he/she/it did not know the date

of occurrence of the insured event, the time-limit stipulated in clause 1 of this article shall run from the date the purchaser of insurance knew of the occurrence of such insured event.

3. In the case where a third party claims indemnity from the purchaser of insurance for loss and damage which is covered under the terms of the insurance contract, the time-limit stipulated in clause 1 of this Article shall run from the date of the third party's claim.

Article 29 Time-limit for payment of insurance proceeds or indemnity

On the occurrence of an insured event, the insurance enterprise must pay the insurance proceeds or indemnity within the time-limit stipulated in the insurance contract; if the insurance contract does not contain any such provision, the insurance enterprise must pay the insurance proceeds or indemnity within fifteen (15) days from the date of receipt of a complete and proper application requesting payment of the insurance proceeds or indemnity.

Article 30 Limitation period for initiating legal proceedings

The limitation period for instituting legal proceedings shall be two (2) years from the date of occurrence of the insured event.

Section 2

CONTRACTS OF PERSONAL INSURANCE

Article 31 Subject matter of contracts of personal insurance

1. The subject matter of a contract of personal insurance shall be the longevity, life, and health of people, and personal accidents.
2. A purchaser of insurance may only purchase insurance for the following persons:
 - (a) The purchaser himself/herself;
 - (b) The spouse, child or parents of the purchaser;
 - (c) Siblings of the purchaser, or persons in a relationship of adoption, care or foster;
 - (d) Other people where the purchaser of insurance has an insurable interest.

Article 32 Sum insured

A purchaser of insurance and the insurance enterprise shall agree in the insurance contract on the sum insured or the method for determining it.

Article 33 Basis for payment of insurance proceeds in personal accident and health care insurance

1. In personal accident insurance, the insurance enterprise must pay insurance proceeds to the beneficiary within the range of the sum insured, based on the actual disability of the person insured and as agreed in the insurance contract.
2. In health care insurance, the insurance enterprise must pay insurance proceeds to the insured person within the range of the sum insured, based on the insured person's costs of medical examination, treatment and convalescence brought about as a result of an illness or accident and as agreed in the insurance contract.

Article 34 Notification of age in life insurance

1. A purchaser of insurance shall be obliged to notify the true age of the insured person at the time of entering into the insurance contract, as the basis for calculating the premium.
2. In a case where a purchaser of insurance notifies an incorrect age of the insured person, and the true age of the insured person is in fact outside the insurable range, the insurance enterprise shall have the right to rescind the insurance contract and to refund the amount of premium already paid to the purchaser of insurance after deducting all related legitimate fees. In cases where a contract of life insurance has been in effect for two or more years, the insurance enterprise must pay to the purchaser of insurance the residual value of the insurance contract.
3. In a case where the purchaser of insurance notifies an incorrect age of the insured person resulting in a reduced premium being payable, and the true age of the insured person is in fact within the insurable range, the insurance enterprise shall have the right:
 - (a) To require the purchaser of insurance to pay an additional premium to correspond with the [correct] amount of premium agreed in the insurance contract;
 - (b) To reduce the sum insured under the contract of insurance to correspond to the amount of premium actually paid.
4. In a case where a purchaser of insurance notifies an incorrect age of the insured person resulting in an increased premium being payable, but the true age of the insured person is in fact within the insurable range, the insurance enterprise must refund the purchaser of insurance the excess premium paid, or increase the sum insured under the insurance contract to correspond to the amount of premium actually paid.

Article 35 Payment of life insurance premiums

1. A purchaser of insurance may pay the premium in a lump sum or by

instalments at the times and by the methods agreed in the insurance contract.

2. In a case where premium is payable by instalments and the purchaser of insurance has already paid some instalments but is unable to pay the following instalments, after a period of sixty (60) days from the date of any grace period, the insurance enterprise shall have the right to unilaterally suspend implementation of the contract, and the purchaser of insurance shall not have the right to demand repayment of premium paid where premiums have been paid for less than two years, unless otherwise agreed by the parties in the insurance contract.
3. In a case where the purchaser of insurance has already paid premium for two or more years and the insurance enterprise unilaterally suspends implementation of the contract under the provisions in clause 2 of this article, the insurance enterprise must pay the residual value of the insurance contract to the purchaser of insurance, unless otherwise agreed by the parties in the insurance contract.
4. The parties may agree to recover the effectiveness of an insurance contract which has been unilaterally suspended under the provisions in clause 2 of this article, within a period of two (2) years from the date of suspension and where the purchaser of insurance has paid the outstanding premium.

Article 36 Proceedings may not be issued claiming payment of premium

In personal insurance, if a purchaser of insurance fails to pay the premium or fails to pay it in full, the insurance enterprise may not institute proceedings to require the purchaser of insurance to pay the premiums.

Article 37 Claims for re-imburement may not be made against third parties

In a case where the death, injury or illness of an insured person was caused directly or indirectly by the conduct of a third person, the insurance enterprise shall still be obliged to pay the insurance proceeds and shall not have the right to demand re-imburement of the money it has paid to the beneficiary from a third party. Third parties shall be responsible to indemnify insured persons as stipulated by law.

Article 38 Entering into a contract of personal insurance covering the death of another

1. When a purchaser of insurance enters into a contract of personal insurance covering the death of another, such other person must provide a written agreement in which the sum insured and the beneficiary are clearly indicated.

A purchaser of insurance must agree in writing to any case of a change of

beneficiary.

2. A contract of personal insurance may not be entered into covering the death of the following:
 - (a) A person under 18 years of age, unless the parents or the guardian of that person agree in writing;
 - (b) A person suffering from a psychological disorder.

Article 39 Circumstances in which insurance proceeds shall not be paid

1. An insurance enterprise shall not be obliged to pay insurance proceeds in the following cases:
 - (a) The insured person commits suicide within a period of two (2) years from the date of payment of the first premium instalment or from the date the insurance contract continues to take effect;
 - (b) The insured person dies or is permanently disabled due to the intentional fault of the purchaser of insurance or of the beneficiary;
 - (c) The insured person dies due to the execution of a death sentence.
2. In any case where one of the beneficiaries intentionally causes the death or permanent disablement of the insured person, the insurance enterprise shall still be liable to pay insurance proceeds to the other beneficiaries as agreed in the insurance contract.
3. In any case covered by clause (1) of this Article, the insurance enterprise must pay to the purchaser of insurance the residual value of the insurance contract or must refund the whole of the premiums already paid after deduction of all related legitimate fees. If the purchaser of insurance is deceased, the amount of the refund shall be determined in accordance with the laws on inheritance.

Section III CONTRACTS OF PROPERTY INSURANCE

Article 40 Subject matter of contracts of property insurance

The subject matter of a contract of property insurance shall be property, including actual things, money, valuable papers which have a monetary value and property rights.

Article 41 Sum insured

The sum insured means the sum of money for which the purchaser of insurance requests insurance for such property.

Article 42 Insurance contract on the basis of value

1. A contract of property insurance on the basis of value means an insurance contract in which the sum insured is greater than the market value of the insured property at the time of entering into the contract of insurance. An insurance enterprise and a purchaser of insurance may not enter into a contract of property insurance on the basis of value.
2. In a case where a contract of property insurance on the basis of value is entered into due to the unintentional fault of the purchaser of insurance, the insurance enterprise must refund the purchaser of insurance the amount of paid premium corresponding to the insured sum which exceeds the market value of the insured property, after deducting legitimate related expenses. On the occurrence of the insured event, the insurance enterprise shall only be responsible to indemnify for loss and damage not exceeding the market value of the insured property.

Article 43 Underinsured contract of property insurance

1. An underinsured contract of property insurance means a contract in which the sum insured is less than the market value of the insured property at the time of entering into the contract of insurance.
2. In a case where an underinsured contract of property insurance is entered into, the insurance enterprise shall only be responsible to indemnify on the ratio between the sum insured and the market value of the insured property at the date the contract was entered into.

Article 44 Double insurance

1. Double insurance contracts means the situation where the purchaser of insurance enters into an insurance contract with two or more insurance enterprises in order to insure together one subject matter, on the same conditions and for the same insured event.
2. In a case where the parties enter into double insurance contracts, on the occurrence of the insured event, each insurance enterprise shall only be responsible to indemnify in accordance with the ratio of the agreed sum insured on the total sums insured of all the contracts of insurance which the purchaser of insurance has entered into. The total sum of indemnity payable by all the insurance enterprises shall not exceed the value of the actual property loss.

Article 45 Losses suffered through natural depreciation or due to the fundamental nature of the property

An insurance enterprise shall not be liable in a case where the insured property is lost or damaged due to natural depreciation or due to the fundamental nature of the property,

unless the insurance contract otherwise provides.

Article 46 Basis of indemnity

1. The amount of indemnity which an insurance enterprise must pay to the insured person shall be fixed on the basis of the market price of the insured property at the point of time and the place where the loss is suffered, and on the actual level of loss and damage, unless the insurance contract otherwise provides. The cost of determining the market value and the level of loss and damage shall be borne by the insurance enterprise.
2. The amount of indemnity which an insurance enterprise shall pay to the insured person shall not exceed the amount of the sum insured, unless the insurance contract otherwise provides.
3. In addition to the amount of indemnity, an insurance enterprise must also pay to the insured person the necessary and legitimate expenses of [*taking measures to*] avoid and minimize loss and damage, and costs arising which the insured person must bear in order to implement instructions from the insurance enterprise.

Article 47 Forms of indemnity

1. The purchaser of insurance and the insurance enterprise may agree on one of the following forms of indemnity:
 - (a) Repairing the damaged property;
 - (b) Replacing the damaged property by other property;
 - (c) Paying compensation in money.
2. If the purchaser of insurance and the insurance enterprise fail to agree on the form of indemnity, compensation in money shall be paid.
3. In the case of payment of compensation under clauses 1(b) and (c) of this article, the insurance enterprise shall have the right to take back the damaged property after it has been replaced, or to pay total indemnity in accordance with the market price of the property.

Article 48 Loss assessment

1. On the occurrence of the insured event, the insurance enterprise or the person authorized by it may conduct a loss assessment to determine the causes and extent of the loss and damage. The insurance enterprise shall bear the costs of the assessment.
2. If the parties do not reach agreement on the causes and extent of the loss and

damage, they may seek consensus from an independent assessor unless the insurance contract otherwise provides. If the two parties do not agree on the appointment of an independent assessor, one of the parties may request a Court at the place where the loss and damage occurred or at the place where the insured person resides, to appoint an independent assessor. The conclusion of the independent assessor shall be binding on both parties.

Article 49 Right of subrogation

1. Where the fault of a third party causes loss and damage to an insured person and the insurance enterprise has already indemnified the insured person, the insured person must authorize the insurance enterprise to claim recovery of such sum from the third party.
2. If the insured person refuses to authorize the insurance enterprise, does not maintain the status quo, or abandons the right to make a third party claim, then the insurance enterprise shall have the right to deduct an amount of compensation depending on the level of fault of the insured person.
3. An insurance enterprise may not make a claim against the parents, spouse or siblings of an insured person to reimburse the sum paid to the insured person, unless those persons intentionally caused the loss and damage.

Article 50 Provisions on security

1. An insured person must implement all the regulations on fire prevention, fire fighting, employees' safety and hygiene, and the other relevant provisions of the law aimed at ensuring security of the subject matter insured.
2. An insurance enterprise shall have the right to carry out inspections of the security conditions for the subject matter insured, or to provide recommendations [*and/or*] to require the insured person to take measures for risk management.
3. In a case where an insured person does not take measures to ensure the security of the subject matter insured, the insurance enterprise shall have the right to fix a time-limit for the insured person to take such measures; if at the expiry of that time-limit the measures for ensuring security have not been taken, the insurance enterprise shall have the right to increase the premium or to unilaterally suspend implementation of the insurance contract.
4. An insurance enterprise may take preventive measures to ensure the security of the insured property when it has agreement from the purchaser of insurance or from the authorized State body.

Article 51 No renunciation of insured property

On the occurrence of loss, an insured person may not renounce the insured property, unless otherwise stipulated by the law or unless the parties otherwise agree.

Section 4

CONTRACTS OF CIVIL LIABILITY INSURANCE

Article 52 Subject matter of contracts of civil liability insurance

The subject matter of a contract of civil liability insurance shall be the civil liability of the insured person to a third party as stipulated by the law.

Article 53 Liability of insurance enterprises

1. Liability of an insurance enterprise only arises if a third party makes a claim against an insured person for indemnity for loss and damage caused by the insured's fault during the duration of the insurance.
2. A third party shall not have the right to directly require an insurance enterprise to indemnify the third party, unless otherwise specified by the law.

Article 54 Sum insured

The sum insured shall be the amount the insurance enterprise must pay to the insured person as agreed in the insurance contract.

Article 55 Limit of insurance liability

1. Within the scope of the sum insured, an insurance enterprise must pay to the insured person those items which under the law the insured person is liable to pay in compensation to the third party.
2. In addition to paying indemnity monies under clause 1 of this article, an insurance enterprise must also pay the costs of resolving disputes on liability to the third party, and interest paid to a third party by the insured person for late payment of indemnity on the instructions of the insurance enterprise.
3. The total amount of indemnity payable by an insurance enterprise under the provisions of clauses 1 and 2 of this article shall not exceed the sum insured, unless otherwise agreed in the insurance contract.
4. In a case where an insured person must pay a guarantee sum or security deposit to ensure property is not seized or in order to avoid the institution of proceedings, then at the request of the insured person an insurance enterprise must fulfil such guarantee or make such security payment within the scope of the sum insured.

Article 56 Right to represent the insured person

An insurance enterprise may act on behalf of the insured person in negotiations with a third party on the level of loss and damage, unless otherwise agreed in the insurance contract.

Article 57 Methods of paying indemnity

Depending on the request of the insured person, an insurance enterprise may pay indemnity directly to the insured person or to the third party who incurred the loss and damage.

**Chapter III
INSURANCE ENTERPRISES**

**Section 1
ISSUANCE OF LICENCES FOR ESTABLISHMENT AND OPERATION**

Article 58 Establishment and operation of insurance enterprises

1. Insurance enterprises shall be established and shall operate pursuant to the provisions of this Law and the other provisions of relevant laws.

Article 59 Types of insurance enterprises

1. The types of insurance enterprises shall comprise:
 - (a) State owned insurance enterprises;
 - (b) Shareholding insurance companies;
 - (c) Mutual insurance organizations;
 - (d) Joint venture insurance enterprises;
 - (dd) 100% foreign invested joint venture insurance enterprises.

Article 60 Areas of operation of insurance enterprises

1. The areas of operation of insurance enterprises shall comprise:
 - (a) Insurance business, reinsurance business;
 - (b) Risk management, prevention and limitation of loss;
 - (c) Loss assessment;
 - (d) Loss assessment agency, agency for consideration and resolution of indemnity, and agency for third party recovery claims;
 - (dd) Management of funds and investments;
 - (e) Other operations in accordance with the law.

2. Insurance enterprises shall not be permitted to simultaneously conduct life and non-life insurance business, unless a life insurance business enterprise conducts personal accident and health care insurance as a supplement to life insurance.

Article 61 Areas of reinsurance business

Reinsurance business shall comprise:

1. Ceding to one or more other insurance enterprises, part of the liability insured.
2. Accepting to insure again a part or all of the liability which another insurance enterprise has insured.

Article 62 Power to issue licences for establishment and operation

1. The Ministry of Finance shall issue licences for the establishment and operation of insurance enterprises in accordance with this Law and the other provisions of relevant laws.
2. The issuance of licences for the establishment and operation of insurance enterprises must comply with master planning and specific plans for the developmental orientation of the Vietnamese insurance and financial markets.

Article 63 Conditions to be [*complied with in order to be*] issued with licences for establishment and operation

The conditions to be issued with a licence for establishment and operation shall comprise:

1. There is an amount of paid-up charter capital not less than the level of legal capital required by the regulations of the Government;
2. There is an application requesting issuance of a licence for establishment and operation in accordance with article 64 of this Law;
3. The form of the enterprise and its charter comply with the provisions of this Law and the other provisions of relevant laws.
4. The people in management and operation have managerial skills, and expertise and professional qualifications in insurance.

Article 64 Application files for the issuance of licences for establishment and operation

An application file for the issuance of a licence for establishment and operation shall comprise:

1. An application requesting issuance of a licence for establishment and operation;
2. A draft charter of the enterprise;
3. An operational plan for the first five years, clearly specifying the methods for establishment of an insurance reserve, the reinsurance programme, the investment capital, business efficiency, the insurance enterprise's liquidity and the economic benefits of establishing the enterprise.
4. A list of, and the CVs of, the managers and operators, including certificates proving their skills and their expert and professional qualifications;
5. The level of capital contribution, a capital contribution plan and a list of organizations and individuals contributing 10% or more of charter capital; the financial status of, and other information related to, those organizations and individuals;
6. The insurance regulations, conditions, scale of premiums and commissions for each type of insurance product it is proposed to provide.

Article 65 Time-limit for issuance of licences

Within sixty (60) days of the date of receipt of a complete application file for the issuance of a licence for establishment and operation, the Ministry of Finance must issue or refuse to issue a licence. In a case of refusal, the Ministry of Finance must provide written notice stating clearly its reasons.

A licence for establishment and operation shall also be the business registration certificate.

Article 66 Fees for the issuance of licences

Insurance enterprises must pay fees for the issuance of licences for establishment and operation as stipulated by law.

Article 67 Announcement of areas of operation

After being issued with a licence for establishment and operation, an insurance enterprise must announce the areas of its business operation as stipulated by law.

Article 68 Revocation of licences for establishment and operation

1. An insurance enterprise may have its licence for establishment and operation withdrawn on the occurrence of one of the following events:

- (a) The application file requesting issuance of a licence for establishment and operation contains information which was deliberately false;
 - (b) It has not begun operation after 12 months from the date of issuance of the licence for establishment and operation;
 - (c) It is dissolved pursuant to the provisions of article 82 of this Law;
 - (d) It divides, splits, consolidates, merges, becomes bankrupt or converts its form as an enterprise;
 - (dd) It operates contrary to its objectives or not in accordance with the items stipulated in its licence for establishment and operation;
 - (e) It fails to ensure the financial requirements for implementing its undertakings to purchasers of insurance.
2. In a case of revocation of a licence for establishment and operation pursuant to the provisions in clauses 1(a), (b), (c), (dd) and (e) of this article, an insurance enterprise must immediately suspend the entering into of new insurance contracts, but shall still remain liable to pay insurance proceeds to beneficiaries or to indemnify insured persons and must fulfil insurance contracts entered into prior to the date of revocation of its licence for establishment and operation.

In a case of revocation of a licence for establishment and operation pursuant to the provisions in clause 1(d) of this article, the rights and obligations of the parties shall be implemented as stipulated by law.

3. The Ministry of Finance shall announce on the mass media any decision to revoke the licence for establishment and operation of an insurance enterprise.

Article 69 Changes which must be agreed

1. An insurance enterprise must have written agreement from the Ministry of Finance when it changes any one of the following items:
- (a) The name of the enterprise;
 - (b) The charter capital;
 - (c) It opens a branch or representative office or terminates their operation;
 - (d) It changes the place of its head office, branch or representative office;
 - (dd) It changes the area, scope or duration of operations;
 - (e) It transfers shares or a capital contribution share amounting to 10% or more of the charter capital;
 - (g) It changes the chairman of the board of management or the general director (director);
 - (h) It divides, splits, consolidates, merges, dissolves or converts its form as an enterprise.
2. Within thirty (30) days from the date the Ministry of Finance has agreed to any change set out in clause 1 of this article, the insurance enterprise must

publicly announce the items changed as stipulated by law.

Section 2

MUTUAL INSURANCE ORGANIZATIONS

Article 70 Mutual insurance organizations

A mutual insurance organization means an organization with legal entity status which is established in order to conduct insurance business aimed at reciprocal assistance as between the members. The members of a mutual insurance organization are both the owners and the purchasers of insurance.

Article 71 Members of a mutual insurance organization

1. Vietnamese organizations and citizens of 18 years or over with full capacity for civil acts, operating in the same sector or profession, and who all have insurance requirements, shall have the right to participate in the establishment of a mutual insurance organization in the capacity of founding members.
2. Only those organizations and individuals who enter into an insurance contract with a mutual insurance organization may become members of the mutual insurance organization.

Article 72 Limit to the liability of mutual insurance organizations

A mutual insurance organization shall only be liable for debts and other property obligations to the extent of its own assets.

Article 73 Establishment, organization and operation of mutual insurance organizations

The Government shall provide regulations on the establishment, organization and operation of mutual insurance organizations.

Section 3

ASSIGNMENT OF INSURANCE CONTRACTS

Article 74 Assignment of insurance contracts

1. The assignment of the whole portfolio of insurance contracts within one or a number of insurance products between insurance enterprises shall be carried out in the following circumstances:
 - (a) An insurance enterprise is in danger of becoming insolvent;
 - (b) An insurance enterprise divides, splits, consolidates, merges or dissolves;

- (c) Pursuant to an agreement between insurance enterprises.
2. In a case of an insurance enterprise in danger of becoming insolvent, or on dissolution where agreement cannot be reached on the assignment of its insurance contracts to another insurance enterprise, the Ministry of Finance shall appoint an insurance enterprise to accept the assignment.

Article 75 Conditions for assignment of insurance contracts

The assignment of insurance contracts shall be carried out on the following conditions:

1. The insurance enterprise accepting the assignment is in business operation for the same type of insurance product as that being assigned;
2. The rights and obligations attaching to the insurance contracts which are being assigned do not change up until the expiry of duration of those insurance contracts;
3. The assignment of the whole set of insurance contracts must include the assignment of the funds and insurance reserves relating to the whole set of insurance contracts being assigned.

Article 76 Procedure for assignment of insurance contracts

The assignment of insurance contracts shall be carried out pursuant to the following procedure:

1. An insurance enterprise wishing to assign insurance contracts must forward an application requesting such an assignment to the Ministry of Finance, stating clearly the reasons for the assignment, and enclosing an assignment plan and attaching the contracts to be assigned.
2. Within thirty (30) days of the Ministry of Finance providing its consent to the assignment, the assigning insurance enterprise must make a public announcement about the assignment and must notify the purchasers of insurance in writing.

Section 4

RECOVERY OF SOLVENCY, DISSOLUTION AND BANKRUPTCY OF INSURANCE ENTERPRISES

Article 77 Liquidity

1. An insurance enterprise must constantly maintain liquidity during the whole course of its insurance business operation.

2. An insurance enterprise shall be deemed to be liquid when it has fully established the insurance reserves under article 96 of this Law and has a liquidity margin not less than the minimum liquidity margin stipulated by the Government.

3. The liquidity margin of an insurance enterprise means the difference between the value of its assets and its debts payable.

Article 78 Reporting danger of insolvency

1. An insurance enterprise is in danger of insolvency when its liquidity margin is less than the minimum liquidity margin stipulated by the Government.

2. In a case of danger of insolvency, an insurance enterprise must immediately report to the Ministry of Finance its current financial status, the reasons which lead to the danger of insolvency, and measures for recovery.

Article 79 Responsibilities of an insurance enterprise in danger of insolvency

When there is a danger of insolvency, an insurance enterprise must take the following measures:

1. Create a plan for recovery of solvency, reinforce its organization and operation, report to the Ministry of Finance and implement the plan agreed to by the Ministry of Finance.

2. Abide by the requirements of the Ministry of Finance on recovery of solvency.

Article 80 Control of an insurance enterprise in danger of insolvency

1. In a case where an insurance enterprise fails to recover solvency under the agreed plan, the Ministry of Finance shall issue a decision establishing a Solvency Inspection Committee to take measures to recover the enterprise's solvency.

2. The Solvency Inspection Committee shall have the following duties and powers:

(a) Direct and supervise the implementation of the measures to recover solvency pursuant to the agreed plan;

(b) Notify the State authorized offices of the measures to be applied to recover solvency, so that they can co-ordinate their implementation;

(c) Limit the scope and areas of operation of the insurance enterprise;

(d) Suspend any operations which may lead to the insurance enterprise's insolvency;

(dd) Require the insurance enterprise to assign the whole set of insurance contracts within one or a number of insurance products to another insurance enterprise;

(e) Temporarily suspend the right to manage and operate, and require the insurance enterprise to replace the members of the board of management, the general director (director) and the deputy general director (deputy director) if it considers

- it necessary;
- (g) Require the board of management and the general director (director) to be relieved of their posts, and to suspend the work of any people who are in breach of the law or who do not comply with the agreed plan for recovery of solvency;
 - (h) Recommend that the Ministry of Finance continue the measures for recovery of solvency or terminate them;
 - (i) Report to the Ministry of Finance on the application and results of the measures for recovery of solvency.
3. The Solvency Inspection Committee must bear responsibility for its decisions as stipulated by law, during the process of applying measures for the recovery of the insurance enterprise's solvency.
4. An insurance enterprise shall be responsible to fulfil the requests and implement the decisions of the Solvency Inspection Committee.

Article 81 Ending the application of measures to recover solvency

1. The application of measures to recover solvency shall end in the following circumstances:
- (a) The expiry of the period for the application of measures to recover solvency;
 - (b) The operation of the insurance enterprise returns to normal;
 - (c) Prior to the expiry of the period for the application of measures to recover solvency, the insurance enterprise merges or consolidates;
 - (d) The insurance enterprise falls into a state of bankruptcy.
2. The ending of the application of measures to recover solvency shall be implemented in accordance with a decision of the Minister of Finance, which decision shall be notified to the offices concerned.

Article 82 Dissolution of insurance enterprises

1. An insurance enterprise shall be dissolved in the following circumstances:
- (a) It voluntarily requests dissolution if it has the ability to pay its debts;
 - (b) The term of its operation as provided in its licence for establishment and operation expires and there is no decision on extension;
 - (c) Its licence for establishment and operation is revoked under clauses 1(a), (b), (dd) and (e) of article 68 of this Law;
 - d) In other circumstances as provided by the relevant laws.
2. The Ministry of Finance must provide written agreement to the dissolution of an insurance enterprise.

Article 83 Bankruptcy of an insurance enterprise

In a case where an insurance enterprise does not have the ability to pay its debts as they fall due and after taking measures to recover solvency it still lacks the financial ability to pay its debts, its bankruptcy shall be implemented in accordance with the laws on the bankruptcy of enterprises.

Chapter IV **INSURANCE AGENTS, INSURANCE BROKING ENTERPRISES**

Section 1 **INSURANCE AGENTS**

Article 84 Insurance agents

Insurance agent means an organization or individual to whom an insurance enterprise delegates powers on the basis of a contract of insurance agency to carry out insurance agency activity in accordance with the provisions of this Law and the other provisions of relevant laws.

Article 85 Areas of insurance agency operation

An insurance enterprise may authorize an insurance agent to carry out the following activities:

1. To introduce and offer insurance for sale;
2. To arrange the entering into of insurance contracts;
3. To collect premiums;
4. To process claims for indemnity, and to pay insurance proceeds on the occurrence of insured events;
5. To carry out other work relating to the fulfilment of insurance contracts.

Article 86 Conditions for operation by insurance agents

1. Individuals conducting insurance agency activities must satisfy the following conditions:
 - (a) Be a Vietnamese citizen permanently residing in Vietnam;
 - (b) Be 18 years or over with full civil legal capacity status;
 - (c) Have a certificate of training as an insurance agent issued by an insurance enterprise or by the Vietnam Insurance Association.

2. Organizations conducting insurance agency activities must satisfy the following conditions:
 - (a) Be a legally established and operating organization;
 - (b) Staff in the agency organization directly carrying out insurance agency activities must satisfy the conditions in clause 1 of this article.

3. Any person who is currently subject to investigation for a criminal offence, subject to a criminal penalty, or has had his/her right to practice a profession cancelled pursuant to the provisions of the criminal law, shall not be permitted to enter into a contract of insurance agency.

Article 87 Contents of a contract of insurance agency

A contract of insurance agency must contain the following essential items:

1. The name and address of the insurance agent;
2. The name and address of the insurance enterprise;
3. The rights and obligations of the insurance enterprise and of the insurance agent;
4. The areas and scope of operation of the insurance agent;
5. The insurance agency commission;
6. The duration of the contract;
7. The principles for dispute resolution.

Article 88 Liability of insurance agents

In a case where an insurance agent breaches the provisions of his/her/its contract of insurance agency causing loss and damage to the legitimate interests of insured persons, the insurance enterprise shall remain liable for the insurance contracts which the insurance agent arranged to be entered into; and the insurance agent shall be liable to recompense the insurance enterprise for the items the latter pays as indemnity to insured persons.

Section 2 INSURANCE BROKING ENTERPRISES

Article 89 Insurance broking enterprises

Insurance broking enterprise means an enterprise conducting the activity of insurance broking in accordance with the provisions of this Law and the other provisions of relevant laws.

Article 90 Areas of operation of insurance broking enterprises

The areas of operation of insurance broking enterprises shall include:

1. The provision of information to purchasers of insurance on types of insurance, their conditions, provisions, and on premiums and on insurance enterprises;
2. Consultancy to purchasers of insurance on estimating risks, choosing types of insurance, insurance conditions and provisions, and on premiums and on insurance enterprises;
3. Negotiating and arranging the entering into of insurance contracts between insurance enterprises and purchasers of insurance;
4. Implementing other work related to the fulfilment of insurance contracts at the request of purchasers of insurance.

Article 91 Rights and obligations of insurance broking enterprises

1. Insurance broking enterprises shall be entitled to insurance brokerage commission. Insurance brokerage commission shall be included in premiums.
2. Insurance broking enterprises shall have the obligation:
 - (a) To conduct broking honestly;
 - (b) Not to disclose or supply information causing loss and damage to the legitimate rights and interests of purchasers of insurance;
 - (c) To pay compensation to purchasers of insurance for loss and damage caused by insurance broking activities.

Article 92 Professional indemnity insurance

An insurance broking enterprise must purchase professional indemnity cover for its broking operation at an insurance enterprise operating in Vietnam.

Article 93 Issuance of licences for establishment and operation

The issuance of licences for the establishment and operation of insurance broking enterprises shall be implemented in accordance with the provisions in articles 62 and 63, clauses 1, 2, 3 and 4 of article 64, and articles 65, 66, 67, 68 and 69 of this Law.

Chapter V

FINANCIAL, ACCOUNTING, AND FINANCIAL REPORTING REQUIREMENTS

Article 94 Legal capital, charter capital

1. The Government shall regulate the required level of legal capital of an insurance enterprise and of an insurance broking enterprise.
2. Throughout the course of their operation, insurance enterprises and insurance broking enterprises must continually maintain their paid up charter capital at a level not less than their legal capital.

Article 95 Security deposits

1. Insurance enterprises must use a part of their charter capital to pay a security deposit into a commercial bank operating in Vietnam.
2. The Government shall provide regulations on the amount of the security deposit and on the ways in which it can be used.

Article 96 Insurance reserves

1. Insurance reserve means the financial account which an insurance enterprise must establish with the objective of paying out its insurance liabilities determined in advance and arising from the insurance contracts which it has entered into.
2. Insurance reserves must be established for each type of insurance product and must be equivalent to that part of liability retained by the insurance enterprise.
3. The Government shall provide specific regulations on the level of deductions to establish reserves, and the method of establishing a reserve for each type of insurance product.

Article 97 Reserve funds

1. Insurance enterprises and insurance broking enterprises must establish a compulsory reserve fund in order to supplement their charter capital and ensure their solvency. The compulsory reserve fund shall be established annually at 5% of the after-tax profits. The Government shall stipulate the maximum level of this fund.
2. In addition to the compulsory reserve fund stipulated in clause 1 of this article, insurance enterprises and insurance broking enterprises may establish other reserves funds from their after-tax profit in a fiscal year in accordance with the provisions in their charters.

Article 98 Capital investments

1. The investment of capital sources by insurance enterprises must ensure safety and effectiveness, and the ability to make the regular disbursements required by the undertakings in insurance contracts.
2. Insurance enterprises may only use their temporarily idle capital sources to make investments in Vietnam in the following sectors:
 - (a) The purchase of Government bonds;
 - (b) The purchase of shares and bonds of enterprises;
 - (c) Real estate business;
 - (d) Capital contribution in other enterprises;
 - (dd) Lending under the Law on Credit Institutions;
 - (e) Deposits with credit institutions.
2. The Government shall stipulate specific lists of investments for the sectors prescribed in clause 2 of this article and the ratios of idle capital permitted to be invested in each investment list, aimed at ensuring that insurance enterprises continually maintain their liquidity.

Article 99 Income and expenses

Income and expenses of insurance enterprises and insurance broking enterprises shall be implemented in accordance with the law.

The Ministry of Finance shall provide guidelines for, and shall inspect the implementation of the financial regime for insurance enterprises and insurance broking enterprises.

Article 100 Financial year

The financial year of insurance enterprises and of insurance broking enterprises shall commence on 1 January and end on 31 December of the same year, Gregorian calendar. The first financial year of insurance enterprises and of insurance broking enterprises shall commence on the date they are issued with their licences for establishment and operation and end on the last day of that year.

Article 101 Accounting regime

Insurance enterprises and insurance broking enterprises must implement the accounting regime applicable to insurance business in accordance with the laws on accounting.

Article 102 Auditing

Annual financial statements of insurance enterprises and insurance broking enterprises must be certified by an independent auditing organization.

Article 103 Financial reporting

1. Insurance enterprises and insurance broking enterprises must implement the financial reporting regime stipulated by the laws on accounting, and they must periodically report their professional operations as stipulated in the regulations of the Ministry of Finance.
2. In addition to periodical reports, insurance enterprises and insurance broking enterprises must also submit reports to the Ministry of Finance in the following circumstances:
 - (a) On the occurrence of any unusual event in the enterprise's business operation;
 - (b) When they fail to meet the financial requirements as stipulated in order to fulfil their undertakings to purchasers of insurance.

Article 104 Publishing of financial reports

After the end of the financial year, insurance enterprises and insurance broking enterprises must publish their financial reports in accordance with the law.

Chapter VI
INSURANCE ENTERPRISES AND INSURANCE BROKING ENTERPRISES
WITH FOREIGN OWNED CAPITAL

Article 105 Forms of operation

1. Foreign insurance enterprises and foreign insurance broking enterprises shall be permitted to operate in Vietnam in the following forms:
 - (a) Joint venture insurance enterprises and joint venture insurance broking enterprises;
 - (b) 100% foreign invested insurance enterprises and 100% foreign invested insurance broking enterprises.
2. Foreign insurance enterprises and foreign insurance broking enterprises shall be permitted to establish representative offices in Vietnam. Representative offices shall not be permitted to conduct insurance business in Vietnam.

Article 106 Conditions to be issued with licences for establishment and operation

The conditions for a licence for establishment and operation to be issued to an insurance enterprise or insurance broking enterprise with foreign owned capital shall comprise:

1. The conditions stipulated in article 63 of this Law;

2. The foreign insurance enterprise or the foreign insurance broking enterprise is currently legally operating and has normal financial standing;
3. The foreign insurance enterprise or the foreign insurance broking enterprise is licensed by the authorized office of its country to conduct insurance business or to conduct insurance broking in the sectors in which it proposes to operate in Vietnam.

Article 107 Conditions to be issued with a licence for establishment of a representative office in Vietnam

The conditions for a licence for establishment of a representative office in Vietnam of a foreign insurance enterprise or insurance broking enterprise shall comprise:

1. The foreign insurance enterprise or insurance broking enterprise has been operating for five years;
2. The foreign insurance enterprise or insurance broking enterprise has a co-operative relationship with Vietnamese bodies and organizations.

Article 108 Power to issue licences

The Ministry of Finance shall issue licences for the establishment and operation of insurance enterprises and insurance broking enterprises with foreign owned capital; and shall issue licences for the establishment of representative offices of foreign insurance enterprises and foreign insurance broking enterprises in Vietnam.

Article 109 Application files for the issuance of licences for establishment and operation

1. In addition to the items stipulated in article 64 of this Law, an application file for the issuance of a licence for the establishment and operation of a joint venture insurance enterprise or a joint venture insurance broking enterprise shall comprise:
 - (a) The charter and the licence for the establishment and operation of the parties to the joint venture;
 - (b) The joint venture contract;
 - (c) A summarised list of the property of, and the annual reports for the past three consecutive years of the parties to the joint venture, certified by independent auditors with regard to operational status.
2. In addition to the items stipulated in article 64 of this Law, an application file for the issuance of a licence for the establishment and operation of an insurance enterprise or an insurance broking enterprise with foreign owned capital shall

comprise:

- (a) The charter and the licence for the establishment and operation of the insurance enterprise or insurance broking enterprise with foreign owned capital;
- (b) Power of attorney to the general director (director) in Vietnam;
- (c) A summarised list of the property of, and the annual reports for the past three consecutive years of the foreign insurance enterprise or the foreign insurance broking enterprise in the place where it has its head office, certified by independent auditors with regard to operational status.

Article 110 Application files for the issuance of licences for establishment of a representative office

An application file for the issuance of a licence to establish a representative office of a foreign insurance enterprise or a foreign insurance broking enterprise in Vietnam shall comprise:

- 1. An application to open a representative office;
- 2. The licence for the establishment and operation of the foreign insurance enterprise or foreign insurance broking enterprise in the place where it has its head office;
- 3. A summarised list of the property of, and the annual reports for the past three consecutive years of the foreign insurance enterprise or foreign insurance broking enterprise, certified by independent auditors with regard to operational status;
- 4. The full name and CV of the head of the representative office in Vietnam;
- 5. A letter of introduction on the co-operative activities of the foreign insurance enterprise or foreign insurance broking enterprise, with Vietnamese bodies and organizations.

Article 111 Time-limit for issuance of licences, fees for issuance of licences, and announcement of areas of operation

The time-limit for issuance of licences, the fees for issuance of licences, and announcements of areas of operation with respect to insurance enterprises and insurance broking enterprises with foreign owned capital; and with respect to representative offices of foreign insurance enterprises and foreign insurance broking enterprises, shall be implemented as stipulated in articles 65, 66 and 67 of this Law.

Article 112 Revocation of licences

- 1. In addition to the provisions in article 68 of this Law, an insurance enterprise or an insurance broking enterprise with foreign owned capital may have its

licence for establishment and operation withdrawn when its [*equivalent*] licence is withdrawn at the place where it has its head office.

2. A representative office of a foreign insurance enterprise or a foreign insurance broking enterprise may have its licence for establishment and operation withdrawn when its [*equivalent*] licence is withdrawn at the place where it has its head office.

Article 113 Changes which must be agreed

The changes in an insurance enterprise or an insurance broking enterprise with foreign owned capital which must be agreed, shall be implemented as stipulated in article 69 of this Law.

Article 114 Areas of operation

The areas of operation of insurance enterprises and insurance broking enterprises with foreign owned capital; and of representative offices of foreign insurance enterprises and foreign insurance broking enterprises, must comply with the provisions of this Law and the other provisions of relevant laws.

Article 115 Capital, reserve funds, and income and expenses of insurance enterprises and insurance broking enterprises with foreign owned capital

1. The Government shall regulate the required level of legal capital of insurance enterprises and insurance broking enterprises with foreign owned capital.

2. The establishment of compulsory reserve funds and of other reserve funds by enterprises and insurance broking enterprises with foreign owned capital shall be implemented as stipulated in article 97 of this Law.

3. Income and expenses of insurance enterprises and insurance broking enterprises with foreign owned capital shall be implemented in accordance with the law of Vietnam.

Article 116 Liquidity, security deposits, insurance reserves and capital investments of insurance enterprises with foreign owned capital

1. An insurance enterprise with foreign owned capital must maintain liquidity as stipulated in article 77 of this Law.

2. An insurance enterprise with foreign owned capital must have a security deposit and must establish insurance reserves as stipulated in articles 95 and 96 of this Law.

3. An insurance enterprise with foreign owned capital may make the capital investments stipulated in article 98 of this Law.

Article 117 Accounting regime, auditing, and financial reporting

1. Insurance enterprises and insurance broking enterprises with foreign owned capital must implement the accounting regime, auditing, and financial reporting regime stipulated in articles 101, 102, 103 and 105 of this Law.
2. Within 180 days from the end of the financial year, insurance enterprises and insurance broking enterprises with foreign owned capital; and representative offices of foreign insurance enterprises and foreign insurance broking enterprises, must forward the Ministry of Finance the financial reports of the foreign insurance enterprises and insurance broking enterprises.

Article 118 Remittance of profits and transfer of assets overseas

1. 100% foreign invested insurance enterprises and 100% foreign invested insurance broking enterprises may remit overseas the amount of remaining profits belonging to them after making deductions to establish funds and after fulfilling their financial obligations as stipulated by the law of Vietnam.
2. The foreign party to a joint venture insurance enterprise or insurance broking enterprise may remit overseas the amount of distributed profits after such enterprise has established funds and fulfilled its financial obligations as stipulated by the law of Vietnam.
3. 100% foreign invested insurance enterprises and foreign parties to joint venture insurance enterprises; and 100% foreign invested insurance broking enterprises and foreign parties to joint venture insurance broking enterprises, may remit overseas the amount of their remaining profits after liquidation or termination of their operations in Vietnam.
4. The transfer of monies and assets overseas as provided for in clauses 1, 2 and 3 of this article shall be implemented in accordance with the law of Vietnam.

Article 119 Other provisions

The Government shall provide specific regulations on the contents, scope and location of operations of insurance enterprises and insurance broking enterprises with foreign owned capital; and of representative offices of foreign insurance enterprises and foreign insurance broking enterprises in Vietnam.

Chapter VII
STATE ADMINISTRATION OF INSURANCE BUSINESS

Article 120 Contents of State administration of insurance business

The matters on which the State shall administer insurance business comprise:

1. Promulgation of legal instruments and implementing guidelines on insurance business; creation of strategies, policies, master planning and specific plans for the development of the Vietnamese insurance market;
2. Issuance and revocation of licences for the establishment and operation of insurance enterprises and insurance broking enterprises, and of licences for the establishment of representative offices of foreign insurance enterprises and foreign insurance broking enterprises in Vietnam;
3. Promulgation and ratification of insurance regulations, provisions, premium scales and commissions;
4. Application of necessary measures in order for insurance enterprises to meet their financial requirements and to fulfil their undertakings to purchasers of insurance;
5. Organization of information on the status of the insurance market and market forecasts;
6. [*Arrangement of*] international co-operation in the area of insurance;
7. Consent to insurance enterprises and insurance broking enterprises operating overseas;
8. Administration of the activities of representative offices of foreign insurance enterprises and foreign insurance broking enterprises in Vietnam;
9. Organization of the training and creation of a team of insurance management staff and insurance professional experts;
10. Inspections and checks of insurance business activities; resolution of complaints and denunciations, and dealing with breaches of the law on insurance business.

Article 123 State administration body

1. The Government shall uniformly exercise State administration of insurance business.
2. The Minister of Finance shall be responsible before the Government to implement State administration of insurance business.
3. Ministries, ministerial equivalent bodies and Government offices shall be responsible, within the scope of their duties and powers, for the State administration of insurance business in accordance with the law.

4. People's Committees at all levels, within the scope of their duties and powers, shall implement State administration of insurance business within their respective localities in accordance with the law.

Article 122 Inspections of insurance business activity

1. Inspections of the operations of enterprises conducting insurance business must be carried out strictly in accordance with functions and powers, and must comply with the law.

A financial inspection of any one enterprise may be conducted not more than once per year. The maximum duration of an inspection shall not exceed thirty (30) days, and in special cases that duration may be extended pursuant to a decision of the authorized office at the higher level but the duration of the extension shall not exceed thirty (30) days.

An extraordinary inspection may only be conducted when there is a basis for [*suspicion of*] a breach of the law by an enterprise.

2. There must be a decision from an authorized person when an inspection is conducted; at the end of the inspection there must be minutes recording the conclusions [*reached by*] the inspection. The head of the inspection team shall be responsible for the contents of the minutes and for the conclusion of the inspection.
3. Anyone issuing an inspection decision not strictly in accordance with the law, or taking advantage of an inspection for their own interest or to harass or cause difficulties for the operation of an enterprise shall, depending on the seriousness of the offence, be disciplined or be subject to investigation under the criminal law; and if such breach causes loss and damage, then such person must pay compensation to the enterprise in accordance with the law.

Chapter VIII

RECOMMENDATIONS AND REWARDS, DEALING WITH BREACHES

Article 123 Recommendations and rewards

Organizations and individuals with notable achievements in insurance business, or who uncover conduct in breach of the laws on insurance business shall be recommended and rewarded in accordance with the law.

Article 124 Conduct in breach of the laws on insurance business

Conduct in breach of the laws on insurance business shall include:

1. Insurance business without a licence for establishment and operation, or insurance business not strictly in accordance with the provisions of the licence for establishment and operation;
2. Breach of the provisions on issuance of licences for establishment and operation, on inspections and checks, and on supervision by the State authorized body;
3. Unlawful competition;
4. Coercion to enter into an insurance contract;
5. Breach of the provisions on compulsory insurance;
6. Breach of the obligation of confidentiality of information relating to insurance contracts provided by purchasers of insurance;
7. Provision of false information, data or reports;
8. Conducting business without meeting the financial requirements, or in breach of the provisions on legal capital, reserves, security deposits, and the establishment, administration and use of insurance reserves;
9. Breach of the provisions on capital investments;
10. Other conduct in breach of the laws on insurance business.

Article 125 Dealing with breaches

1. Anyone in breach of the provisions of this Law shall, depending on the seriousness of the breach, be subject to administrative penalties or be subject to criminal investigation; and if they cause loss and damage, they must compensate for it in accordance with the law.
2. Anyone who takes advantage of their position or power to breach the provisions on issuance of licences for establishment and operation, or of licences to establish a representative office of a foreign insurance enterprise or foreign insurance broking enterprise in Vietnam; or to breach the provisions on State administration of insurance business or any other provisions of this Law, shall, depending on the nature and seriousness of the breach, be subject to disciplinary penalties or be subject to criminal investigation; and if they cause loss and damage, they must compensate for it in accordance with the law.

Article 126 Complaints and institution of legal proceedings regarding decisions on administrative breaches

1. Organizations and individuals who are subject to administrative penalties shall have the right to lodge a complaint with the State authorized body or to institute Court proceedings in accordance with the law.
2. Pending [*resolution*] of such complaint or legal proceeding, the organization or individual the subject of the administrative penalty must continue to implement it. Once there is a decision resolving the complaint by a State authorized body or once there is a Court judgement or decision which is legally effective, the matter shall be resolved in accordance with such decision, Court judgement or decision.

Chapter IX IMPLEMENTING PROVISIONS

Article 127 Provision on insurance enterprises, insurance broking enterprises and representative offices which were established and operated prior to the date on which this Law takes effect, and on insurance contracts entered into prior to the date on which this Law takes effect

1. Insurance enterprises and insurance broking enterprises which were established and operated in accordance with a decision on establishment, a decision on operation, an investment licence, or a certificate of satisfaction of standards and conditions for insurance business operation prior to this Law taking effect; and representative offices of foreign insurance enterprises or foreign insurance broking enterprises which operated in accordance with a licence to open a representative office prior to this Law taking effect, need not carry out procedures for re-issuance of a licence.
2. Insurance contracts which were signed prior to the date this Law takes effect shall continue to be implemented in accordance with the law applicable at the time they were entered into.

Article 128 Effect

1. This Law shall be of full force and effect from 1 April 2001.
2. Any previous provisions contrary to this Law are hereby repealed.

Article 129 Implementing guidelines

The Government shall provide detailed regulations and guidelines for the implementation

of this Law.

**The National Assembly of the Socialist Republic of Vietnam passed this Law
at Legislature X, 8th Session, on 9 December 2000.**

**CHAIRMAN OF THE NATIONAL ASSEMBLY
Nong Duc Manh**