

September 2023



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## NEW GUIDANCE ABOUT LAW ON INSURANCE

The Vietnamese State has recently issued Decree No. 46/2023/ND-CP (“**Decree 46**”) guiding certain articles under Law on Insurance No. 08/2022/QH15. Decree 46 basically came into effect on 1 July 2023, save for certain provisions governing the capital and finance issues, and replaced Decree No. 73/2016/ND-CP as well as other relevant Decrees.

Decree 46, in addition to enhancing provisions governing the conditions, licensing procedures and corporate governance issues, provides for certain notable articles.

### Insurance database

Decree 46 has emphasized the importance to build a database specifically for insurance services industry. The database will collect information on companies engaging in insurance business, insured parties, beneficiaries, insurance agents,

insurance certificates, and administrative violations. The companies engaging in insurance business as well as the Ministry of Finance will provide as well as update such information periodically or on an ad hoc basis.

### Increase in the minimum charter capital

Decree 46 has generally increased the minimum charter capital applicable to certain insurance services. The minimum charter capital ranges from 750 - 1,300 billion VND, 400 - 500 VND billion and 500 - 1,400 billion VND applicable to life-insurance business, non-life insurance business and re-insurance business respectively, depending on the specific insurance activities falling within the scope of the respective business. Meanwhile, as for health insurance, it is 400 billion VND. As for insurance brokerage, it ranges from 5 - 10 billion VND.

## Legal Updates

Companies engaging in insurance or re-insurance business, which were established before the effective date of Decree 46, must comply with the requirement on minimum charter capital before 1 January 2028.

### Stricter control over bancassurance

Recently, bancassurance has become more popular in the financial as well as insurance services industries, helping insurance companies to enhance the customer services as well as increase sales through the banks' distribution channels. However, the bancassurance model itself has certain risks which draw the attention of the Vietnamese government recently. Basically, bancassurance may not be prohibited under Decree 46 but shall be subject to certain requirements. In brief, as for banks engaging in insurance agency services, they are required to (i) establish a specific team dedicated for insurance agency services with head and staff having proper qualifications and certificates, (ii) at each branch and transaction office, allocate a separate space for insurance agency services and maintain the minimum qualified staff, (iii) ensure the proper IT system and adopt proper policies on supervision and quality control.

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