

Ha Noi, 15 February 2012

DECISION

ON STRATEGY FOR DEVELOPMENT OF VIETNAM'S INSURANCE MARKET IN THE PERIOD 2011 – 2020

THE PRIME MINISTER

Pursuant to the *Law on Organization of the Government* dated 25 December 2001;

Pursuant to Decree 118-2008-ND-CP of the Government dated 27 November 2008 on functions, duties, powers and organizational structure of the Ministry of Finance;

Having considered the proposal of the Minister of Finance in Submission 110-TTr-BTC dated 31 October 2011;

DECIDES

Article 1

The strategy for development of Vietnam's insurance market in the period 2011 to 2020 (hereinafter abbreviated to *the Strategy*) comprises the following main particulars:

I. Objectives of the Strategy:

1. Overall objectives:

To develop the insurance market in conformity with the developmental direction of socio-economics and national finance in each period; and to ensure that international undertakings [in treaties] of which Vietnam is a member are fulfilled. To strengthen market safety, sustainability and effectiveness and the ability of the market to satisfy the diverse insurance requirements of organizations and individuals; to contribute to economic stability and to ensure social welfare; to adopt international insurance business practice and standards, and to gradually narrow the developmental gap as compared with other countries in the region.

2. Specific objectives:

(a) To formulate a system of regimes and policies on insurance business which are complete, transparent, fair and comprehensive in order to facilitate market development and ensure Vietnam fulfill its international undertakings.

(b) To raise the safety of the system of insurance enterprises ["*insurers*"] and to raise the operational efficiency and competitiveness of insurers. To develop insurers with strong financial capability so that their managerial and executive staff satisfy international standards, operate effectively, and are strongly competitive in the domestic and regional markets.

(c) To encourage and assist enterprises to diversify their insurance products, ensuring they satisfy the diverse insurance requirements of organizations and individuals. To facilitate all organizations and individuals, especially low-income earners, to purchase insurance cover.

(d) To diversify and professionalize insurance distribution channels, creating an effective bridge between insurers and clients.

(e) To arrange professional, modern and effective administration and supervision of the market, to increase the role of the State administrative authority for insurance business as a member of South- East Asia Insurance Supervision Forums and of the International Association of Insurance Supervisors [IAIS]; and step by step, to complete compliance with insurance managerial and supervisory standards issued by the IAIS.

II. A number of specific criteria and the roadmap for implementing them:

1. Total revenue of the insurance industry to year 2015 should be 2% to 3% GDP, and to year 2020 should be 3 - 4% GDP.

2. The size of insurance reserve funds to ensure payment of insurance indemnity and compensation to clients up to year 2015 should increase two times as compared to that of year 2010, and by year 2020 should increase 4.5 times as compared to that of year 2010.

3. Total capital sources raised by insurers for [to provide to] the economy up to year 2015 should increase 1.7

times compared to that of year 2010, and up to year 2020 should increase 3.5 times compared to that of 2010, equivalent to 3 - 4% GDP.

4. The contribution [taxes] to the State budget from the insurance industry up to year 2015 should increase two times as compared to that of year 2010, and by year 2020 should increase four times as compared to that of year 2010.

5. The State administrative authority for insurance business should endeavour by year 2015 to comply with 50% of the principles on insurance management and supervision issued by the IAIS; and by year 2020 should comply with all such principles.

III. Basic solutions:

1. Completion of the system of legal instruments regulating insurance business:

(a) From now until Year 2015:

To amend, supplement and replace or to issue new legal instruments guiding the Year 2000 *Law on Insurance Business* as amended by the Year 2010 Law, aimed at simplifying and reducing administrative procedures; and to make these legal instruments consistent with the developmental status of the insurance market and with international standards on insurance management and supervision, ensuring publicity, transparency and equality for all entities participating in the market and ensuring Vietnam fulfils its international undertakings in the insurance sector.

To amend provisions in the system of legal instruments regulating insurance business which overlap with other laws, in order to ensure a comprehensive and uniform system of legal instruments.

To conduct research in order to amend and supplement current tax policies aimed at assisting development of the insurance market, focusing on policies which encourage insurance products serving objectives of development of the economy and social welfare such as insurance for the agriculture, forestry and fisheries sector and insurance for poor people.

(b) For the period 2016 – 2020:

To comprehensively amend the Year 2000 *Law on Insurance Business* as amended by the Year 2010 Law, together with their implementing guidelines, in order to create a new system of legal instruments with a wider and all-inclusive application to insurance business activities in association with the financial services market.

2. Raising safety of the system, operational efficiency and competitiveness of insurers:

(a) From now until Year 2015:

To restructure insurers by strengthening the organizational and operational model of weak insurers, and gradually raise the quality of corporate governance by insurers in accordance with international practice and standards.

To co-ordinate with other administrative authorities for financial services to create long-term financial investment tools [instruments] for insurers and to manage and supervise insurers which are subsidiaries of finance/banking Groups.

To avoid a situation where the insurance industry is enclosed and partitioned off, by perfecting the system of legal instruments to ensure publicity, transparency and fairness [equality] during supply of insurance services as between specialized insurers and other insurers, to ensure implementation of principles requiring tendering and competitiveness in the insurance sector; to supervise and strictly deal with any indications of administrative interference during the signing of insurance contracts; to diversify ownership and continue to reduce capital contribution ratios of State Groups and State companies in specialized insurance enterprises, aimed at preventing enclosures and monopolies during insurance business activities.

To make an overall assessment of and to classify the quality of insurance market personnel, and to clarify the criteria and conditions required for each [managerial] position; to issue regulations aimed at standardization of the necessary quality for personnel working in the industry; and to strengthen the work of training in order to satisfy the standards which are issued.

(b) For the period 2016 – 2020:

To formulate regimes and policies aimed at strengthening management and operation of insurers, based on three basic requirements: capital adequacy, risk control and disclosure of information as follows:

To issue strict regulations on legal capital requirements and prudential requirements applicable to insurers.

To issue regulations on risk control by insurers, comprising regulations on risk control, the role and responsibilities of insurers, and a system on the necessary information and records which must be provided to serve administrative work.

To issue strict regulations on insurers publicising and providing transparent information [Rules on publicity and transparency of information to be provided by insurers], including the frequency of doing so, the types of information which must be made public, and the degree of detail which must be provided in information which is made public.

3. Encouragement and assistance for enterprises to develop and diversify their insurance products:

(a) From now until Year 2015:

To standardize the conditions and procedures for ratifying products, particularly investment-linked [unit-linked] insurance products, aimed at increasing their attractiveness and competitiveness with other alternative financial products. To make an assessment of implementation of the test program of types of insurance assisted by the State (agricultural insurance and export credit insurance) and to propose further solutions for consistent with reality.

To check, amend and supplement the compulsory insurance regime stipulated in the *Law on Insurance Business* (namely civil liability insurance for motor vehicle insurance, and compulsory fire and explosion insurance) to ensure their consistency with economic conditions and developmental status of the economy.

(b) For the period 2016 – 2020:

To research and issue a new compulsory insurance regime to serve the objectives of social welfare and the policy of assisting low-income earners to purchase insurance cover; to assist development of insurance products provided for the community and for social welfare; to formulate a regime on co-ordination during supply of services as among various insurers in respect of special types of insurance such as atomic energy insurance.

4. Diversifying and professionalizing insurance distribution channels:

(a) From now until Year 2015:

To formulate regulations which standardize the quality required of personnel [for qualification to act as] insurance brokers, and to standardize training programs and broker's certificates for consistency with the special characteristics of those insurance products which are arranged via brokers. To research and issue regulations on compulsory professional indemnity insurance for brokers.

To strengthen the insurance agency system by close control of examinations for grant of certificates of [completion of insurance agents'] training; to formulate and apply training programs and agent's certificates in accordance with the complexity of each insurance product on which agents advise clients.

(b) For the period 2016 – 2020:

To research and issue policies encouraging the development of other distribution channels consistent with international practice and the actual conditions in Vietnam, such as channels for distributing insurance via banks, via the internet and so forth.

5. Strengthening the effectiveness of State administration of insurance business:

(a) For the period 2011 – 2015:

To strengthen work being checks and inspections and dealing with breaches of law.

To research, amend and supplement the system of criteria for supervising insurers to make such criteria consistent with international insurance managerial and supervisory standards and with the special characteristics of Vietnam's insurance market.

To develop manpower for the work of State administration of insurance business by clarifying the functions and responsibilities of each position and ensuring that there are sufficient managerial and supervisory staff for the number of insurers which are operating. To formulate a system for attracting the requisite staff and experts with experience to work in the sector of State administration of insurance business, particularly expert staff such as actuaries.

(b) For the period 2016 – 2020:

To strengthen managerial and supervisory tools and methods by regulating operational criteria required of insurers, and to formulate a system which will automatically analyse data and provide early warnings on any dangerous situation of an insurer.

To modernise IT infrastructure to satisfy the requirements for management and supervision, including connection of an IT system between the State administrative authority for insurance business on the one hand, and insurers and brokers on the other hand, comprising specialized managerial and supervisory software and a website of the State administrative authority for insurance business. To formulate a system on general

statistical data on the insurance market, concentrating on insurance products which are in the nature of community service such as civil liability insurance for motor vehicle insurance and so forth.

6. Promotion of international co-operation and international integration in the insurance sector:

(a) To formulate a roadmap on integration in the insurance business sector and on the basis of that roadmap to fix the objectives, orientation principles and solutions for WTO integration, ASEAN integration and [accession to] bilateral trade treaties.

(b) To actively participate in South-East Asian Forums of insurance administrators and the International Association of Insurance Supervisors; to formulate regimes and policies and to prepare the facilities necessary for managerial and supervisory standards which the IAIS issues, and to benefit from the existence of bilateral co-operation with insurance authorities of other countries via training programs, memoranda of understanding, senior staff training, and professional seminars.

(c) To encourage insurers to continue investigating investment in off-shore insurance markets in order to extend their business opportunities, concentrating on markets with top potential and effectiveness.

Article 2 *Responsibilities of ministries, branches and other relevant agencies in organizing implementation of this Strategy*

1. The Minister of Finance shall preside over co-ordination with ministries, ministerial equivalent bodies, Government bodies and provincial peoples' committees to arrange implementation of this Decision.

2. Ministers, heads of ministerial equivalent bodies and Government bodies, and chairmen of provinces and cities under central authority are responsible to co-ordinate with the Ministry of Finance in implementing this Decision, ensuring implementation is uniform and comprehensive and serves planning on socio-economic development of the [insurance] industry and of localities.

Article 3

This Decision shall be of full force and effect as from the date of signing.

Article 4

Ministers, heads of ministerial equivalent bodies and Government bodies, and chairmen of provinces and cities under central authority are responsible for implementation of this Decision.

THE PRIME MINISTER

(Signed and Sealed)

NGUYEN TAN DUNG