

LEGAL ALERT

Laos
24 August 2017

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Insurance Market in Laos

INSURANCE MARKET IN LAOS

The insurance sector plays an important role in driving and sustaining the continuous growth of domestic and cross border businesses in Laos.

The Lao government and applicable Lao Insurance Law permit both domestic and foreign investors to invest in the insurance business. Notwithstanding the presence of a few insurance companies that are really active in the market, presently the insurance sector in Laos is still small and uncompetitive.

Nevertheless, there is still a good climate of investment in the insurance business in Laos. Under the existing legal framework, there is no equity restriction on foreign ownership of insurance businesses in Laos.

In this article, we discuss the key issues relating to the insurance business in Laos.

Legal framework

In Laos, the insurance business (both life and non-life) and related activities are mainly governed by the following legislation:

- The Law on Insurance No. 06/NA dated 21 December 2011, as amended (“[Amended Insurance Law](#)”)[1];
- The Law on Investment Promotion No. 14/NA dated 17 November 2016, as amended (“[Amended Investment Promotion Law](#)”); and
- The Instruction on the Implementation of Insurance Law No. 539/MOF dated 19 February 2014 (“[Instruction No. 539](#)”).

Capitalisation

Subject to the Amended Insurance Law and Instruction No. 539, an insurance company (either life or non-life) established under the laws of Laos must have a registered capital of not less than LAK16 billion (approximately USD2 million) which must be maintained throughout its entire operation.

Further, such insurance company is required to pay at least 80% of its registered capital into Laos within 90 days after the issuance of Investment License by the Ministry of Planning and Investment (“[MPI](#)”), and to maintain such amount with the Bank of Lao PDR or one of the commercial banks in Laos. The remainder must be fully paid within 1 year after the Investment License is issued.

In addition to the above, 1/3 of its registered capital must be maintained in a blocked bank account with the Bank of Lao PDR or one of the commercial banks in Laos in order to deposit guarantees. A written notification must be then made to the Ministry of Finance (“[MOF](#)”).

Establishment of Insurance Company

According to the Amended Insurance Law and the Amended Investment Promotion Law, any person who wishes to operate an insurance business in Laos (either life or non-life) is first required to obtain an Investment License issued by the MPI. It takes approximately 65 working days from



the submission date of a complete application and all required supporting documents to the One-Stop Service Office of the MPI.

After the Investment License has been issued by the MPI, such insurance company will still be unable to operate its insurance business until an Insurance Operating License is granted by the MOF. The processing time to obtain such Insurance Operating License is about 45 working days from the date of the MOF's receipt of a complete application.

[No limitation to foreign ownership](#)

Pursuant to the Amended Insurance Law and Amended Investment Promotion Law, there is no prohibition on foreign investors from investing in an insurance business (both life and non-life). There is also no limitation on the proportion of foreign investors investing in the insurance business (both life and non-life). In other words, an insurance company incorporated under the laws of Laos can either be a 100% foreign-owned company or a joint venture between a foreigner and a local citizen.

Additionally, a foreign investor is not prohibited from engaging in an insurance business by way of capital participation or acquisition of another existing insurance company in Laos if prior approval of the relevant authorities, including but not limited to the MOF, is obtained.

[1] To address its key concerns, the Amended Insurance Law is being amended and is expected to be implemented in year 2018.

If you have any questions or require additional information, please contact [Aparat Sanpibul](#) or the ZICO Law partner you usually deal with.

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