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Vietnam Issues New Decree on Compulsory Fire and Explosion Insurance

On 23 February 2018, the Vietnamese government issued Decree No. 23/2018/ND-CP (“Decree No. 23”) to replace Decree No. 130/2006/ND-CP and several articles of Decree No. 46/2012/ND-CP on the requirement for possession of compulsory fire and explosion insurances. Decree No. 23, which came into effect on 15 April 2018, has, in fact, revised many regulations relating to the possession of a compulsory fire and explosion insurance. Below are some key highlights of this Decree:

1. Decree No. 23 provides a list of assets that are subject to the requirement of a compulsory fire and explosion insurance. Such assets include:
 - a. housing and buildings, and assets associated with such housing and buildings;
 - b. machinery and equipment; and
 - c. all types of goods and supplies (comprising raw materials, semi-finished goods and supplies as well as finished products).
2. Decree No. 23 contains a new mode of determining the minimum insured amount of assets covered by the compulsory fire and explosion insurance, in case the monetary value of such asset cannot be ascertained at market price. In this respect, subject to the categories of such assets, the minimum insured amount of the asset shall be the monetary value of the assets:
 - a. in accordance with their residual or replacement value; and
 - b. based on valid invoices, source vouchers or relevant data.
3. Under previous legislation, insurers and policy-holders may agree to adjust the insurance premiums within a band of 25%. Under Decree No. 23 however, a few new regulation on insurance premiums were introduced as follows:
 - a. barring nuclear generation stations, insurers and policy-holders may agree on the rates of premiums of establishments having a total insured sum of less than VND1000 billion within a single location. Such premiums must not, however, be less than the minimum rates prescribed under Annex II of Decree No. 23; and
 - b. for the cases that do not fall within item (a) above, the insurer and policy-holder may mutually agree on the insurance premium rates.
4. The rates of mandatory contribution within a fiscal year has been reduced under Decree No. 23. Under Decree No. 23, the compulsory contribution rate within a fiscal year is 1% of the total premiums for compulsory fire and explosion insurance assets that insurers have actually collected from their original insurance policies with their clients in the preceding fiscal year.

If you have any questions or require any additional information, please contact **Trang Hoang**, or the ZICO Law partner you usually deal with.

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