THE MINISTRY OF FINANCE -------	SOCIALIST REPUBLIC OF VIETNAM Independent - Freedom – Happiness ---------------
No. 50/2017/TT-BTC	*Hanoi, May 15, 2017*

CIRCULAR

ON GUIDELINES FOR THE GOVERNMENT'S DECREE NO. 73/2016/ND-CP DATED JULY 1, 2016 ON DETAILS OF THE IMPLEMENTATION OF THE LAW ON INSURANCE BUSINESS AND THE LAW ON AMENDMENTS TO CERTAIN ARTICLES OF THE LAW ON INSURANCE BUSINESS

Pursuant to the Law on insurance business No. 24/2000/QH10 dated December 09, 2000;

Pursuant to the Law on amendments to certain articles of the Law on insurance business No. 61/2010/QH12 dated November 24, 2010;

Pursuant to the Government's Decree No. 73/2016/NĐ-CP dated July 1, 2016 on details of the implementation of the Law on insurance business and the Law on amendments to certain articles of the Law on insurance business;

Pursuant to the Government's Decree No. 215/2013/ND-CP dated December 23, 2013 defining the functions, tasks, entitlements and organizational structure of the Ministry of Finance;

At the request of Director of the Department of Insurance Management and Supervision,

The Minister of Finance promulgates a Circular on guidelines for the Government's Decree No. 73/2016/ND-CP dated July 1, 2016 on details of the implementation of the Law on insurance business and the Law on amendments to certain articles of the Law on insurance business.

Chapter I

GENERAL PROVISIONS

Article 1. Scope

This Circular provide guidelines for the Government's Decree No. 73/2016/ND-CP dated July 1, 2016 on details of the implementation of the Law on insurance business and the Law on amendments to certain articles of the Law on insurance business (hereinafter referred to as Decree No. 73/2016/ND-CP), with regard to operation of insurance enterprises, branches of foreign non-life insurers, insurance broker enterprises; financial regulations for insurance enterprises, branches of foreign non-life insurers, insurance broker enterprises; insurance agents and insurance agent training facilities; reporting and information disclosure made by insurance enterprises, branches of foreign non-life insurers, insurance broker enterprises, representative offices and forms; establishment and operation of Solvency Control Committee.

Article 2. Regulated entities

This Circular applies to enterprises providing life insurance, non-life insurance, health insurance and reinsurance (hereinafter referred to as insurers), branches of foreign non-life insurance enterprises (hereinafter referred to as foreign branches), insurance broker enterprises, representative offices of insurance enterprises, foreign insurance broker enterprises and other entities involved in insurance business activities.

Chapter II

OPERATION OF INSURANCE ENTERPRISES, FOREIGN BRANCHES AND INSURANCE BROKER ENTERPRISES

Section 1. INSURANCE BUSINESS ACTIVITIES

Article 3. General principles of insurance business

1. Insurers/foreign branches must provide information about their products/services truthfully, publicly, and transparently to avoid misleading clients about these products/services.

2. Before entering into an insurance policy with a client, the insurer/foreign branch must find out essential information about the client, consider its financial situation and capacity, maintain financial resources, solvency ratio and risk management system; undertake not to discriminate subjects insured with the same risks on the grounds of insurance conditions and insurance premiums.

3. Brochures of insurers/foreign branches must be clear and contain basic information of rules and terms of insurance products that these insurers/foreign branches are permitted to provide, clarify insurance benefit and waiver of insurance liabilities. The insurer/foreign branch must update its brochures, sales materials and other materials during the duration they are in use.

4. When entering into an insurance policy, the insurer/foreign branch must provide the policyholder with sufficient information on insurance policy, and explanation for insurance rules and terms.

The policyholder must provide sufficient information on the subject insured for the insurer/foreign branch.

5. If the insurer/foreign branch sell life insurance or health insurance directly to the policyholder without paying insurance commission to insurance agents or insurance brokers, it may reduce insurance premium charged for the policyholder. The maximum reduction rate may not exceed the insurance commission rate as prescribed in Article 5 and Article 8 hereof. The insurer/foreign branch must formulate procedures for reduction and amount thereof as a fair basis for clients. Director General or Director of the insurer/foreign branch shall endorse the said procedures and communicate it in writing to the Ministry of Finance before initiation.

6. If non-life insurers, health insurers, and/or foreign branches co-insure a subject insured, the insurance policy must clarify the leading insurer/foreign branch, coinsurance percentages between insurers/foreign branches. Coinsures shall jointly assume liabilities for commitments in the insurance policy.

Article 4. Principles of life insurance business

Apart from those general principles prescribed in Article 3 hereof, a life insurer must satisfy the following principles:

1. For sales materials provided for a policyholder:

a) Obtain consent of actuary in terms of assumptions to be used for pre-calculation before providing them for the policyholder;

b) In case of products with cash surrender value, the sales materials must present conditions for receiving the cash surrender value and benefits and a sum of money to be received by the policyholder upon receipt of cash surrender value, and clarify if the benefits are secured or non-secured.

2. Clarify and request specific information from the policyholder, the insured; receive and store information provided by the policyholder or the policyholder’s authorized person in the request for insurance.

3. Analyze the need and financial capacity of the policyholder so as to advise him/her/it on suitable lines of insurance.

4. When giving an application for insurance, the life insurer must notify the policyholder in writing of the following:

a) Period, terms of payment of insurance premiums, payment method (if any);

b) Name, contact address of individual or entity affiliated to the insurer that is in charge of handling of complaints or dispute in connection with the engagement, performance, and termination of insurance policy filed by clients;

c) Policyholder's responsibility for providing sufficient, truthful, and precise information; changes subject to prompt notices to insurer;

d) Insurance benefit; waivers of insurance liabilities and other noticeable cases;

dd) The engagement of supplementary policies enclosed with primary insurance policy does not constitute a mandatory condition for sustaining validity of the primary insurance policy;

e) In case of insurance products with cash surrender value, the life insurance policy must specify the time at which cash surrender value is available;

g) The insurer is entitled to deduct amount of unpaid debts from cash surrender value and insurance benefit in conformity with the insurance policy.

Article 5. Insurance agent commissions

1. Insurers/foreign branches shall pay insurance commissions to insurance agents after the insurance agents have performed one or multiple tasks of insurance agents' operation as prescribed in Article 85 of the Law on Insurance Business for the insurers/foreign branches.

2. Foreign insurers/foreign branches shall, pursuant to Clause 3 of this Clause, their conditions and nature, formulate regulations on expenditures on insurance agent commissions to be applied consistently and publicly in the foreign insurers/foreign branches.

3. Maximum insurance agent commissions on a basic of collected amount of insurance premium equivalent to an insurance policy by insurers/foreign branches as follows (except for cases prescribed in Point 3.4 of this Clause):

3.1. Maximum insurance commissions for insurance policies of non-life insurance:

No.	Lines of insurance	Maximum commission (%)
I	**VOLUNTARY INSURANCE**	
1	Property insurance and casualty insurance	5
2	Insurance of cargo to be delivered by road, water, inland water, railway and airway	10
3	Hull insurance and insurance of ship owner's civil liabilities for seagoing ships	5
4	Hull insurance and insurance of ship owner's civil liabilities (except for seagoing ships)	15
5	Liability insurance	5
6	Aviation insurance	0,5
7	Motor vehicle insurance	10
8	Fire voluntary insurance	10
9	Credit and financial risk insurance	10
10	Business loss insurance	10
11	Agricultural insurance	20
12	Guarantee insurance	10

II	**COMPULSORY INSURANCE**	
1	Civil liability insurance covered for car's owner	5
2	Civil liability insurance covered for motorcycles' or moped's owner	20
3	Professional liability insurance covered for legal consultancy activities	5
4	Professional liability insurance covered for insurance brokers	5
5	Fire insurance	5
6	Construction insurance	5
7	Professional liability insurance covered for construction consultancy	5
8	Insurance for employees working at site	5

- In case of all-inclusive insurance policies, insurance commissions shall equal to total amount of commissions paid for each practice mentioned in these policies.

3.2. Maximum insurance commissions for insurance policies of life insurance line:

a) For personal life insurance policies:

Maximum insurance commissions applicable to lines of insurance as follows:

Lines of insurance	**Maximum commission (%)**			
	Installment payment			Lump-sum payment
	First year	Second year	Following year	
1. Term life insurance	40	20	15	15
2. Permanent life insurance				
- With a term of equal to or less than 10 years	15	10	5	5
- With a term of more than 10 years	20	10	5	5
3. Endowment insurance:				
- With a term of equal to or less than 10 years	25	7	5	5
- With a term of more than 10 years	40	10	10	7
4. Whole life insurance	30	20	15	10
5. Annuity	25	10	7	7

b) For group life insurance policies: Maximum commission rates accounts for 50% of equivalent rates applicable to personal life insurance policies of the same line.

c) Combination of individual lines of insurance: Life insurers shall calculate insurance commissions according to total amount of commissions of individual lines of insurance or insurance practices of primary insurance policy.

3.3. Maximum commission rate for insurance policies of health insurance line is 20%.

3.4. Regarding other lines of insurance, apart from practices prescribed in Point 3.1, Point 3.2 and Point 3.3 of this Clause, available guiding documents shall prevail.

Article 6. Endorsement of life and or health insurance products, approval for registration of motor vehicle insurance products

The endorsement of life and or health insurance products, approval for registration of motor vehicle insurance products shall be carried out in accordance with Article 40 of Decree No. 73/2016/ND-CP and the following principles:

1. The Ministry of Finance shall verify if applications for endorsement or registration of insurance products are sufficient and valid and whether insurance rules and terms are consistent with applicable law. In case of insurance products being established according to model insurance rules and terms, the Ministry of Finance shall only verify if application for endorsement of insurance products are valid.

2. The Ministry of Finance shall verify technical specifications of insurance products with the endorsement by actuaries of reserves (for life insurers, health insurers), and endorsement of reserving actuaries and solvency ratio (for non-life insurers, reinsurers and foreign branches).

3. With regard to a motor vehicle insurance product, apart from Clause 1 and Clause 2 of this Article, the Ministry of Finance shall verify if the products is conformable with net premium announced by the Ministry of Finance, in particular:

a) Net premium refers to an amount of premium that secures obligations undertaken with the policyholder, equivalent to essential insurance conditions and responsibilities of non-life insurers, foreign branches; net premium is determined according to statistics of non-life insurers, foreign branches on motor vehicle insurance products;

b) Net premium excludes VAT, contributions from non-life insurers, foreign branches to enhance management and supervision of insurance market, compulsory reserves as per the law, expenditures on insurance commissions, other expenses associated with insurance business, administration expenses and expected profits.

4. Within 6 months from the effective date of this Circular, non-life insurers, foreign branches shall review and register rules, terms, and schedule of premiums of insurance products in motor vehicle line of insurance with the Ministry of Finance as prescribed in Clause 2 Article 40 of Decree No. 73/2016/ND-CP and Clause 1, Clause 2, Clause 3 of this Article.

5. non-life insurers, foreign branches are not required to endorse health insurance products that are launched before October 1, 2012. In case of any change to these insurance products, non-life insurers, foreign branches shall apply for prior endorsement to the Ministry of Finance as prescribed in Article 40 of Decree No. 73/2016/ND-CP.

Section 2. INSURANCE BROKERAGE

Article 7. Operational principles of insurance brokers

1. Each insurance broker must come to an arrangement in writing with clients when providing insurance brokerage services. The arrangement must specify content of insurance brokerage activities, duration, rights and obligations of each party.

2. If an insurance broker is authorized to collect insurance premiums, pay indemnities or make insurance payout by an insurer/foreign branch, the authorization shall be made in accordance with the principles below:

a) The authorization must be made in writing, clarifying time limit and scope of authorization, rights and obligations of each party.

b) If the insurance broker is authorized to collect insurance premiums:

- The policyholder’s liability for insurance premiums shall be considered fulfilled if insurance premiums have paid in full to the insurance broker as specified in the insurance policy;

- Upon the policyholder’s payment of insurance premiums, the insurance broker shall transfer the said amount of insurance premium to the insurer/foreign branch within the term as agreed between the insurer/foreign branch and the insurance broker, which does not exceed 30 days from the date on which the amount of insurance premiums is received.

c) If the insurance broker is authorized to make insurance payout or pay indemnities.

- The insurer/foreign branch still be held accountable to the insured or beneficiary for the sum insured that it is liable for;

- The insurance broker must pay the sum insured to the insured or beneficiary within 5 working days from the date on which the sum insured is received from the insurer/foreign branch and not exceeding the time limit for making insurance payout or paying indemnities as prescribed by law.

d) The insurance broker may perform authorized tasks prescribed in Point b, Point c of this Clause only if these authorized tasks connect with the insurance policy arranged by itself. The insurance broker is not entitled to receive remuneration from insurer/foreign branch for authorized tasks prescribed in Point b, Point c of this Clause.

3. An insurance broker is permitted to cooperate with other insurance brokers legally operating in Vietnam in performing direct insurance brokerage. The cooperation shall be made in writing, clarifying obligations, rights, and distribution of brokerage commission rates to parties.

4. The cooperation in reinsurance brokerage is prescribed in applicable law and international practice.

Article 8. Insurance brokerage commissions

1. Insurance brokers may earn insurance brokerage commissions from insurance premiums.

2. The insurance brokerage commission rate and payment of insurance brokerage commission are determined according to the written arrangement between the insurer/foreign branch and insurance broker.

Upon the policyholder’s payment of insurance premiums, the insurer/foreign branch shall make payment of insurance brokerage commission from insurance premium within the term as agreed, which does not exceed 30 days from the date on which the amount of insurance premiums is received.

3. In any cases, the insurance brokerage commission may not exceed 15% of insurance premium that insurer/foreign branch has collected from each lines of insurance in an insurance policy arranged by the insurance broker.

4. Reinsurance brokerage commission shall be agreed by parties in accordance with international practice.

Section 3. REINSURANCE ACTIVITIES

Article 9. Management of reinsurance program

1. Approving reinsurance program:> Member assembly

a) With a view to ensure safety and effectiveness of reinsurance business, Board of Directors (Board of members, President) or Director General (Director) of the insurer, Director of foreign branch shall approve the reinsurance program in accordance with the financial situation, scope of business of the insurer or branch and applicable law; examine, evaluate, and adjust reinsurance program annually and upon any variation of the market.

b) The reinsurance program contains at least the following:

- Determining risk tolerance levels for insurer/foreign branch;

- Determining amount of retention in conformity with the tolerated risk, retention limits for a unit of risk and maximum coverage from reinsurer;

- Determining forms and methods of reinsurance deemed appropriate to management of accepted risks;

- Methods, standards, and procedures for choosing ceding enterprise, including methods of evaluating level of risks and financial safety of ceding enterprise;

- List of expected reinsurers, taking account of reinsurers’ diversification and rating;

- Methods of using deposits of reinsurers (if any);

- Managing accumulation risks incurring in/with sectors, geographical regions and particular products;

- Methods of controlling reinsurance program, including reporting and internal control system.

2. Implementation of reinsurance program:

According to the approved reinsurance program, Director General (Director) of insurer, Director of foreign branch shall promulgate procedures and internal guidelines for reinsurance business, including:

a) Determining automatic limit of liability to be insured under the treaty reinsurance for each type of insurance;

b) Formulate standards for facultattive reinsurance;

c) Collating rules and terms of insurance policy with terms of reinsurance agreement to ensure that every risk is reinsured.

3. The insurer/foreign branch must keep regular updates of the list of reinsurers, enclosed with details of level of risks, willingness to pay indemnities in proportion to covered liability; required deposit equivalent to level of risks and rating of each reinsurer (if any).

Article 10. Retention

1. Each insurer/foreign branch must calculate the retention suitable for each type of insurance and risks; retention per risk or per individual loss; The retention of insurers/foreign branches are prescribed in Clause 2, Clause 3 Article 42 of Decree No. 73/2016/ND-CP.

2. When calculating the retention, the insurer/foreign branch must consider the following factors:

a) Regulations of law on solvency ratio;

b) Underwriting capacity;

c) Financial situation;

d) Risk tolerance levels for insurer/foreign branch;

dd) Coverage of great risks and catastrophic risks;

e) Balance of financial performance;

g) Components of a list of insurance policies;

h) Domestic and international reinsurance market development.

Article 11. Cession

1. The cession of insurer/foreign branch is prescribed in Article 42, 43 of Decree No. 73/2016/ND-CP and Clause 2, Clause 3 and Clause 4 of this Article.

2. Cession nominated by the insured prescribed in Clause 3 Article 42 of Decree No. 73/2016/ND-CP refers to one of the following cases:

a) The insured nominates one or certain reinsurer(s) and requests the insurer to share the insurance to the said reinsurer(s);

b) The insured nominates one or certain insurance broker(s) and requests the insurer to cede the insurance through the said insurance broker(s).

In case of cession nominated by the insured, the foreign reinsurer must comply with Article 43 of Decree No. 73/2016/ND-CP.

3. In case of finite reinsurance, after concluding a reinsurance agreement, the insurer/foreign branch shall give a notice bearing signature of its legal representative in terms of main contents

of the reinsurance agreement, purposes thereof, undertakings to adhere to regulations of law on insurance business and accounting system to be applicable.

4. No discrimination against Vietnamese insurers/foreign branches or foreign insurers/foreign branches with regard to cession matter is allowed.

Section 4. INTERNAL CONTROL AND INTERNAL AUDIT

Article 12. Internal control

1. An insurer/foreign branch or insurance broker may, subject to its scope, extent, scale, and particular field, decide to establish an internal control department/division at its own discretion or appoint employees in charge of internal control.

2. The insurer/foreign branch or insurance broker must formulate and issue professional process as prescribed in Clause 1, Article 36 of Decree No. 73/2016/ND-CP. The professional process must meet the following requirements to serve the internal control:

a) The professional process has clear and transparent decentralization and authorization in terms of duties and entitlement of each individual, division and cooperation regime in insurer/foreign branch or insurance broker in every task to be performed;

b) The professional process determines specific responsibilities falling on each individual and division in every task to be performed.

3. The internal control process of insurer/foreign branch or insurance broker must be issued in writing by a competent authority as prescribed in Charter of organization and operation (for insurer or insurance broker) or Regulations on organization and operation (for foreign branch). The formulation and initiation of internal control process must satisfy the following requirements:

a) Facilitate cross inspection between individual and divisions participating in the same professional process;

b) The process is notified to all employees who will then be aware of the importance and effectively participate in internal control activities;

c) Heads of divisions, professional units, relevant individuals must regularly review and evaluate if the internal control system maintains its efficiency and effectiveness; all defects of this system must be notified promptly to superior agencies; material defects likely causing damage or posing risks must be notified immediately to Director General (Director), President of the Board of Directors (President of the Member assembly, the company's President), the Control Board;

d) Heads of divisions, professional units of insurers/foreign branches, insurance brokers shall report and evaluate internal control results in their divisions/units or within their competence; take actions against or propose actions against shortcomings or deficiencies (if any) to superior agencies on regular or ad-hoc basis upon request of the superior agencies.

Article 13. Internal audit

1. Insurers/foreign branches and insurance brokers shall, according to their scale, scope, and particular operation, actively carry out internal audit as prescribed in Article 36 of Decree No. 73/2016/ND-CP and regulations of law on internal audit.

2. Contents, procedures and basic principles of internal audit are prescribed in regulations of law on internal audit.

Chapter III

FINANCIAL STRUCTURE OF INSURERS, FOREIGN BRANCHES AND INSURANCE BROKERS

Section 1. FINANCIAL MANAGEMENT

Article 14. Financial management of insurers, foreign branches and insurance brokers

Insurers, foreign branches and insurance brokers shall carry out financial management in accordance with Article 81 of Decree No. 73/2016/ND-CP and the following regulations:

1. Formulate regulations on autonomous management and supervision, including regulations on finance, investment, internal control and audit and relevant procedures

a) Comply with applicable law on finance for insurers/foreign branches, insurance brokers;

b) Control, restrict and prevent financial risks from incurring in insurers/foreign branches and insurance brokers; ensure that terms of investment assets equivalent to capacity, liabilities and particular risks of insurer/foreign branch;

c) Clarify responsibility of managerial and operational personnel of insurer/foreign branch, insurance broker and relevant personnel and agents.

2. Implement regulations on autonomous management and supervision, inspection on regular or ad hoc basis, supervise the implementation of these regulations in the insurer/foreign branch, or insurance broker.

3. The regulations on autonomous management and supervision, inspection on regular or ad hoc basis and reports on violations must be kept in form of documents to serve the inspection, management, and supervision of insurer/foreign branch, or insurance broker.

4. Board of Directors (Board of members, President), Director General (Director) of insurer, Director of foreign branch shall be held accountable for fiscal matters at requests of regulatory agencies as per the law.

Article 15. Duties of appointed actuary in life insurers and health insurers

1. With a view to ensuring business financial safety, each life insurer or health insurer must employ appointed actuary meeting requirements prescribed in Article 31 of Decree No. 73/2016/ND-CP to fulfill the following duties:

a) Calculate insurance premiums and participate in formulating rules and terms of insurance products; certify insurance premiums being formulated according to statistics, guarantee economic- and technical-related feasibility of products and solvency ratio of the insurer; assess annual difference between presumptive premiums and actual premiums of each product;

b) Calculate technical reserve to be set aside as per the law;

c) Participate in separating and allocating annual surplus of policyholder fund on the basis of fairness, reasonability, and observance of the law. At the end of the fiscal year, the appointed actuary shall prepare a written report on financial performance, including a separate section of separating the fund for profit sharing, proposing profits to be shared for each policyholder subject to decision of the insurer's competent entity (only applicable to life insurer);

d) Make monthly evaluation of solvency ratio of life insurers, health insurers and include it in the report on solvency ratio to be sent to the Ministry of Finance as per the law;

dd) Send quarterly or annual report to Board of Directors (Board of members, President), Director General (Director) on financial situation, forecasted financial situation; investment development, which clarify potential risks and proposals for investment assets, investment period of each type of collateral, equivalence between period of investment assets and liabilities undertaken in the insurance policy;

e) Send an ad-hoc report to General Director (Director), Board of Directors (Board of members, President) on any irregular matter possibly affecting negatively to the insurer's financial situation and propose remedial measures. In case of possibility of affecting seriously to the insurer’s solvency ratio, the appointed actuary must give a report to the Ministry of Finance;

g) Assess reinsurance program and reinsurance agreements before submit them to General Director (Director), Board of Directors (Board of members, President) for approval;

h) Fulfill other duties to ensure the insurer’s financial safety.

2. Annually, within 90 days from the end of the fiscal year, appointed actuaries shall send prescribed reports to Ministry of Finance using form No. 13-NT (for life insurers), and form No. 10-SK (for health insurers) issued herewith.

Article 16. Duties of reserving actuaries of non-life insurers, reinsurers and foreign branches

1. With a view to ensuring business financial safety, each non-life insurer, reinsurer, or foreign branch must employ reserving actuary meeting requirements prescribed in Article 32 of Decree No. 73/2016/ND-CP to fulfill the following duties:

a) Calculate insurance premiums and participate in formulating rules and terms of insurance or reinsurance products; certify insurance premiums being formulated according to statistics, guarantee economic- and technical-related feasibility of products and solvency ratio of the non-life insurer, reinsurer, or foreign branch; assess annual difference between presumptive premiums and actual premiums of each product;

b) Calculate technical reserve to be set aside as per the law;

c) Separating owner’s equity resources and insurance premium resources as per the law;

d) Assess the payment of indemnities made by non-life insurers, reinsurers, and foreign branches;

dd) Make monthly evaluation of solvency ratio of non-life insurers, reinsurers, foreign branches and include it in the report on solvency ratio to be sent to the Ministry of Finance as per the law;

e) Send an ad-hoc report to General Director (Director), Board of Directors (Board of members, President) on any irregular matter possibly affecting negatively to the financial situation of the non-life insurers, reinsurers, or foreign branches. In case of possibility of affecting seriously to the insurer’s solvency ratio, the reserving actuary must give a report to the Ministry of Finance;

g) Assess reinsurance program and reinsurance agreements before submit them to General Director (Director), Board of Directors (Board of members, President) for approval;

h) Fulfill other duties to ensure the insurer’s financial safety.

2. Annually, within 90 days from the end of the fiscal year, reserving actuaries shall send prescribed reports to Ministry of Finance using form No. 13-NT issued herewith.

Section 2. TECHNICAL RESERVE

Article 17. Technical reserves for non-life insurance

1. Non-life insurers, foreign branches, and non-life reinsurers must set aside technical reserves in accordance with retention prescribed in Article 53 of Decree No. 73/2016/ND-CP with certification of the appointed reserving actuary.

Retention that insurer/foreign branch are liable to make shall be determined as follows:

Retention = liability of direct insurance + liability of reinsurance assumed – liability of reinsurance ceded

Where:

- For liability of direct insurance: The technical reserve is calculated according to methods of setting aside prescribed in Point 3.1 Clause 3 of this Article according to direct insurance premium (less any refund or reduction) and prescribed in Point 3.2 Clause 3 of this Article according to the indemnity of direct insurance.

- For liability of reinsurance assumed: The technical reserve is calculated according to methods of setting aside prescribed in Point 3.1 Clause 3 of this Article according to the premium for reinsurance assumed (less any refund or reduction) and prescribed in Point 3.2 Clause 3 of this Article according to the indemnity of reinsurance assumed.

- For liability of reinsurance ceded: The technical reserve is calculated according to methods of setting aside prescribed in Point 3.1 Clause 3 of this Article according to the premium for reinsurance ceded (less any refund or reduction) and prescribed in Point 3.2 Clause 3 of this Article according to the indemnity of reinsurance ceded.

2. Non-life insurers, foreign branches, non-life reinsurers are entitled to choose methods of setting aside reserves at their own discretion in accordance with Clause 3 of this Article and request the Ministry of Finance to give endorsement as prescribed in Article 58 of Decree No. 73/2016/ND-CP before application.

For reserve of unearned premium and indemnities, if non-life insurers, foreign branches, or reinsurers apply methods of setting aside other than those prescribed in Clause 3 of this Article, the new methods must be proved that they give results of technical reserve more accurately and sufficiently and receive endorsement from the Ministry of Finance before application.

3. Methods of setting aside technical reserves:

3.1. Unearned premium reserve:

a) According to rate of total insurance premium:

Insurance policies and reinsurance agreements with terms of less than or equal to 1 year:

- For line of insurance of cargo delivered by road, water, inland water, railway and airway: Unearned premium reserve accounts for 25% of total insurance premium in the fiscal year of above lines of insurance.

- For other lines of insurance: Unearned premium reserve accounts for 50% of total insurance premium in the fiscal year of above lines of insurance.

b) According to coefficients of insurance policy period:

- 1/8th method: a method assuming that insurance premiums of insurance policies and reinsurance agreements that are made in a quarter of a non-life insurer, foreign branch or reinsurer are distributed equally to months of the quarter, in other words, all of insurance policies and reinsurance agreements in a certain quarter are presumptively effective in the middle of such quarter. Formula of unearned premium reserve:

$$\text{Unearned premiums reserve} = \text{Insurance premium} \times \text{Rate of unearned insurance premium}$$

For example: Unearned premium reserve on December 31, 2016 is calculated as follows:

With regard to an insurance policy and reinsurance agreement with 1-year term and remaining unexpired on December 31, 2016:

Expiry time		Rate of unearned insurance premium
Year	Quarter	
2017	I	1/8
	II	3/8
	III	5/8
	IV	7/8

With regard to an insurance policy and reinsurance agreement with over-1-year term: Rate of unearned insurance premium equals the rate mentioned in the table with denominator equivalent to the term of insurance policy (expressed as years) multiplied by (x) 8. Unearned premium reserve on December 31, 2016 for an insurance policy with 2-year-term and remaining unexpired on December 31, 2016 is calculated as follows:

Expiry time	Rate of unearned

Year	Quarter	insurance premium
2017	I	1/16
	II	3/16
	III	5/16
	IV	7/16
2018	I	9/16
	II	11/16
	III	13/16
	IV	15/16

- 1/24th method: a method assuming that insurance premiums of insurance policies and reinsurance agreements that are made in a month of a non-life insurer, foreign branch or reinsurer are distributed equally to months of the month, in other words, all of insurance policies and reinsurance agreements in a certain month are presumptively effective in the middle of such month. Formula of unearned premium reserve:

Unearned premium reserve = Insurance premium x Rate of unearned premium reserve

For example: Unearned premium reserve on December 31, 2016 is calculated as follows:

With regard to an insurance policy and reinsurance agreement with 1-year term and remaining unexpired on December 31, 2016:

Expiry time		Rate of unearned insurance premium
Year	Month	
2017	1	1/24
	2	3/24
	3	5/24
	4	7/24
	5	9/24
	6	11/24
	7	13/24
	8	15/24
	9	17/24
	10	19/24
	11	21/24
	12	23/24

With regard to insurance policies and reinsurance agreements with over-1-year term: Rate of unearned insurance premium equals the rate mentioned in the table with denominator equivalent to the term of insurance policy (expressed as years) multiplied by (x) 24. Unearned premium reserve on December 31, 2016 for an insurance policy or reinsurance agreement with 2-year-term and remaining unexpired on December 31, 2016 is calculated as follows:

Expiry time		Rate of unearned insurance premium
Year	Month	

2017	1	1/48
	2	3/48
	3	5/48
	4	7/48
	5	9/48
	6	11/48
	7	13/48
	8	15/48
	9	17/48
	10	19/48
	11	21/48
	12	23/48
2018	1	25/48
	2	27/48
	3	29/48
	4	31/48
	5	33/48
	6	35/48
	7	37/48
	8	39/48
	9	41/48
	10	43/48
	11	45/48
	12	47/48

- Daily method: a method that may applies to calculate unearned premium reserve for insurance policies and reinsurance agreements with all kinds of term according to the general formula below:

3.2. Claims reserve:

$$\text{Unearned premiums reserve} = \frac{\text{Insurance premium x Number of unexpired days of insurance policy or reinsurance agreement}}{\text{Total days of insurance policy or reinsurance agreement}}$$

a) Setting aside claims reserve: For the purpose of this method, the non-life insurer, foreign branch, or reinsurer must establish 2 types of reserves:

- Claims reserve for covered losses that have occurred but have not been resolved at the end of the fiscal year: to be set aside for each line of insurance according to estimates of indemnities for single covered loss have been reported or claimed to the non-life insurer, foreign branch, or reinsurer but not yet resolved at the end of the fiscal year.

- Claims reserve for covered losses that have occurred but have not been reported or claimed shall be set aside according to the following formula

$$\text{Claims reserve for covered losses that have occurred but have not been reported or claimed of the current fiscal year} = \frac{\text{Total indemnities for losses that have occurred but have not been reported or claimed of last three consecutive fiscal years}}{\text{Total indemnities of last three consecutive fiscal years}} \times \text{Indemnity of current fiscal year} \times \frac{\text{Net revenue earned from insurance business of current fiscal year}}{\text{Net revenue earned from insurance business of last fiscal year}} \times \frac{\text{Average deferred time of claims of current fiscal year}}{\text{Average deferred time of claims of last fiscal year}}$$

Where:

Indemnity that has occurred in a fiscal year includes indemnity that has been paid in the year plus (+) increase/decrease in claims reserve for covered losses but have not been resolved at the end of fiscal year.

Average deferred time of claims refers to average time that starts from the occurrence of loss and finishes when the non-life insurer, foreign branch, or reinsurer receives the report of loss or claim (expressed as days).

If the non-life insurer, foreign branch, or reinsurer has insufficient statistics to set aside indemnities for covered losses but have not been reported or claimed according to the prescribed formula, it must set aside 3% to 5% of insurance premium for each line of insurance.

b) Setting aside reserve based on claims occurrence ratio:

A method used to set aside claim reserve for each line of insurance according to past claims occurrence data to calculate claims occurrence ratio so as to predict anticipated indemnities payable by the non-life insurer, foreign branch, or reinsurer. To apply this method, the non-life insurer, foreign branch, or reinsurer must analyze past data to ensure that annual payment of indemnities stick to stable rules without any irregulars.

For example: Reserve for claims based on claims occurrence ratio of a line of insurance on December 31, 2016 is calculated as follows:

- Step 1: Release statistics on payments of indemnities that have been paid by December 31, 2016 classified by years of losses and years of payment as follows (for illustration purposes only):

Unit: VND million

Year of losses	Year of payment							
	1	2	3	4	5	6	7	8
2009	5,445	3,157	2,450	1,412	600	352	431	185
2010	5,847	3,486	1,366	848	1,045	1,054	369	
2011	5,981	4,854	1,948	2,554	1,680	489		
2012	7,835	4,453	3,888	3,335	2,088			
2013	9,763	6,517	3,563	3,984				
2014	10,745	6,184	4,549					

2015	14,137	8,116						
2016	15,162							

From the above table (2009):

Amount of payments of indemnities that have been paid in 2009 (the first year of payment) for losses occurred in 2009 is VND 5,445 million.

Amount of payments of indemnities that have been paid in 2010 (the second year of payment) for losses occurred in 2009 is VND 3,157 million.

Amount of payments of indemnities that have been paid in 2011 (the third year of payment) for losses occurred in 2009 is VND 2,450 million.

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The statistics on indemnities that have been paid in subsequent years for the losses occurred in 2009 shall be released similarly until no indemnity has occurred longer. In this example, after 2016 (the eight year of payment), there is no indemnity for the losses occurred in 2009.

The statistics on indemnities for losses occurred from 2010 to 2016 shall be released similarly to those in 2009. The number of past years of which statistics need to be released depends on length of time starting from the occurrence of loss and finishing when the loss has been indemnified. Generally, liability lines of insurance have past years of which statistics on indemnities need to be released more than other lines of insurance.

- Step 2: Convert the above table into a table of cumulative indemnities, in which cumulative indemnity of a year is total indemnity that has been paid in such year and previous years.

Unit: VND million

Year of losses	Year of payment							
	1	2	3	4	5	6	7	8
2009	5,445	8,602	11,052	12,464	13,064	13,416	13,847	14,032
2010	5,847	9,333	10,699	11,547	12,592	13,646	14,015	
2011	5,981	10,835	12,783	15,337	17,017	17,506		
2012	7,835	12,288	16,176	19,511	21,599			
2013	9,763	16,280	19,843	23,827				
2014	10,745	16,929	21,478					
2015	14,137	22,253						
2016	15,162							

From the above table (2009):

Amount of cumulative indemnities that have been paid in 2011 (the first year of payment) for losses occurred in 2009 is VND 5,445 million.

Amount of cumulative indemnities in 2010 (the second year of payment) for losses occurred in 2009 is 3,157 + 5,445 = VND 8,602 million.

Amount of cumulative indemnities in 2011 (the third year of payment) for losses occurred in 2009 is 2,450 + 8,602 = VND 11.052 million.

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- Step 3: Calculate claims occurrence ratio over years by dividing cumulative indemnity of a year by that of the previous year

Year of losses	Claims occurrence ratio						
	2/1	3/2	4/3	5/4	6/5	7/6	8/7
2009	1.580	1.285	1.128	1.048	1.027	1.032	1.013
2010	1.596	1.146	1.079	1.090	1.084	1.027	
2011	1.812	1.180	1.200	1.110	1.029		
2012	1.568	1.316	1.206	1.107			
2013	1.668	1.219	1.201				
2014	1.576	1.269					
2015	1.574						
Average claims occurrence ratio	1.625	1.236	1.163	1.089	1.047	1.030	1.013

Then, calculate average claims occurrence ratio of the first year to second year, of the second year to third year, of the third year to forth year, etc by calculating mean value of claims occurrence ratio of each column.

- Step 4: Use the average claims occurrence ratio obtained from the step 3 to estimate the cumulative indemnity of each year for losses occurred from 2009 to 2016 (bold figures in the table below):

Unit: VND million

Year of losses	Year of payment							
	1	2	3	4	5	6	7	8
2009	5,445	8,602	11,052	12,464	13,064	13,416	13,847	14,032
2010	5,847	9,333	10,699	11,547	12,592	13,646	14,015	**14,197**
2011	5,981	10,835	12,783	15,337	17,017	17,506	**18,031**	**18,266**
2012	7,835	12,288	16,176	19,511	21,599	**22,614**	**23,293**	**23,595**
2013	9,763	16,280	19,843	23,827	**25,948**	**27,167**	**27,982**	**28,346**
2014	10,745	16,929	21,478	**24,979**	**27,202**	**28,481**	**29,335**	**29,716**
2015	14,137	22,253	**27,505**	**31,988**	**34,835**	**36,472**	**37,566**	**38,055**
2016	15,162	**24,638**	**30,453**	**35,417**	**38,569**	**40,382**	**41,593**	**42,134**

From the above table (2016):

Amount of cumulative indemnities in 2017 (the second year of payment) for losses occurred in 2016 is VND 15,162 million x 1.625 = VND 24,638 million (1.625 is the average claims occurrence ratio of the first year to second year).

Amount of cumulative indemnities in 2018 (the third year of payment) for losses occurred in 2016 is VND 24,638 million x 1.236 = VND 30,453 million (1.236 is the average claims occurrence ratio of the second year to third year).

Amount of cumulative indemnities in 2019 (the fourth year of payment) for losses occurred in 2016 is VND 30,453 million x 1.163 = VND 35,417 million (1.163 is the average claims occurrence ratio of the second year to forth year).

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Amount of cumulative indemnities of each year for losses occurred in 2015, 2014,…, 2009 is calculated similarly to that of 2016.

- Step 5: Estimate claims reserve:

Estimate of claims reserve until December 31, 2016 is total amount estimated for losses occurred from 2019 to 2016 minus (-) total amount estimated for losses occurred until December 31, 2016, where:

Total amount estimated for losses occurred from 2019 to 2016 is the amount of cumulative indemnity of the eight year of payment in the above table.

Total amount of indemnities that have been paid to losses occurred in 2009, 2010,…, 2016 until December 31, 2016 is the amount of cumulative indemnity along the diagonal of the above table.

Unit: VND million

Year of losses	Year of payment								Estimate of claim reserve until December 31, 2016		
	1	2	3	4	5	6	7	8	Total amount estimated for indemnities	Total amount of indemnities paid until December 31, 2016	Estimated claims reserve
2009								14,032	14,032	14,032	0
2010							14,015	14,197	14,197	14,015	182
2011						17,506		18,266	18,266	17,506	760
2012					21,599			23,595	23,595	21,599	1,996
2013				23,827				28,346	28,346	23,827	4,519
2014			21,478					29,716	29,716	21,478	8,238
2015		22,253						38,055	38,055	22,253	15,802
2016	15,162							42,134	42,134	15,162	26,972
TOTAL									**208,341**	**149,872**	**58,469**

From the above statistics, estimated claims reserve until December 31, 2016 is VND 58,469 million.

3.3. Claims reserve for large loss fluctuations:

a) Set aside claims reserve for large loss fluctuations:

- Annually, the non-life insurer, foreign branch, or reinsurer must set aside claims reserve for large loss fluctuations, whether or not it is used in the fiscal year.

- Annual maximum reserve accounts for 1% to 3% of the retention according to each line of insurance.

- The reserve shall be set aside until it reaches 100% of retention in the fiscal year (excluding health insurance) of the non-life insurer, foreign branch, or non-life reinsurer.

b) Use claims reserve for large loss fluctuations:

- Claims reserve for large loss fluctuations is used for lines of insurance with large loss fluctuations.

A line of insurance is considered to have large loss fluctuations when the paid premiums in the fiscal year, minus amounts extracted to create the unearned premiums reserve and unsettled claims reserve, does not suffice to indemnify for liabilities that the insurer or foreign branch retains.

- Maximum amount allowed from claims reserve for large loss fluctuations is calculated as follows:

Amount allowed from claims reserve for large loss fluctuations of current fiscal year	=	Indemnity required for retention of current fiscal year	-	| Total retained insurance premium of current fiscal year	-	Unearned premium reserve in proportion to required retention to be set aside of current fiscal year	-	Unearned premium reserve in proportion to required retention for unsettled claim to be set aside of current fiscal year |

4. Within 3 months from the effective date of this Circular, non-life insurers, non-life reinsurers, and foreign branches shall review and adjust methods of setting aside technical reserve in accordance with this Circular, and request the Ministry of Finance to give endorsement as prescribed in Article 58 of Decree No. 73/2016/ND-CP and bring it into application from fiscal year 2017.

Article 18. Technical reserves for non-life insurance

1. Non-life insurers, foreign branches, and non-life reinsurers must set aside technical reserves in accordance with retention prescribed in Article 54 of Decree No. 73/2016/ND-CP respectively with each type of product with certification of reserving actuary.

2. Non-life insurers, foreign branches, non-life reinsurers are entitled to choose methods of and basis for setting aside reserves at their own discretion in accordance with Clause 3 of this Article or other methods and bases deemed more sufficiently and precisely, and then request the Ministry of Finance to give endorsement as prescribed in Article 58 of Decree No. 73/2016/ND-CP before application.

3. Methods of and basis for setting aside technical reserves for life insurance

3.1. Mathematical reserve:

a) For term life insurance, permanent life insurance, endowment insurance, whole life insurance, annuity:

The life insurer, life reinsurer may choose the method of setting aside mathematical reserve for insurance policies with terms more than 1 year to cover potential liabilities namely: gross premium valuation, net premium valuation, zillmerisation or other methods in conformity with international practice.

In any cases, mathematical reserve must give results not less than those obtained from the following method and basis:

- Method of setting aside:

+ Insurance policies with a term of less than or equal to 5 years: net premium valuation.

+ Insurance policies with a term of more than 5 years:

● For term life insurance, permanent life insurance, endowment insurance, whole life insurance, and annuity: The zillmerisation adjusts 3% of sum insured. The net premium to be adjusted may not account for more than 90% of insurance premium that has been earned.

● For term life insurance: Net premium valuation with adjustment of 12-month full preliminary term.

- Basis for setting aside:

+ Commissioners Standard Ordinary (CSO) mortality table 1980 and other technical basis in conformity with insurance benefit that the insurer has committed to provide for clients with insurance products endorsed by the Ministry of Finance. In any case, mortality rate and risks rates to be used in setting aside of reserve may not be less than those to be used for calculating insurance premiums by the insurer.

+ Maximum technical interest rate may not exceed 70% of average interest rate of Government bonds with a term of more than 10 years which have been issued in the latest 6 months before the reserve has been set aside. The technical interest rate to be used for setting aside reserve may not exceed the average investment rate of the past 4 consecutive quarters of the insurer and interest rate on premiums of each insurance product.

The mathematical reserve shall be deemed as zero if it is a negative value.

b) Regarding universal life insurance , unit-linked insurance, voluntary retirement insurance, mathematical reserve includes:

- Insurance loss reserve: is the greater value between the unearned premiums reserve or cash flow reserve to cover future expenses within the duration of the insurance policy.

In which, the unearned premium reserve equals to 100% of insurance premium earned in the term of universal life insurance, unit-linked insurance, or voluntary retirement insurance.

- Technical reserve for the part of universal insurance (to be applied to universal insurance product) is calculated according to one of the following methods:

+ Total cash surrender value of universal life insurance policies, or:

+ Total account value of universal life insurance policies.

The insurer shall evaluate and decide on the method of setting aside technical reserve for the part of universal insurance to cover liabilities under the insurance contract.

- Technical reserve for the part of unit-linked insurance (to be applied to unit-linked insurance product) is total of the following:

+ Total units of policyholder on the date of valuation multiplied by (x) price of unit on the date of valuation;

+ Total insurance premium earned from the policyholder on the date of valuation less fees charged for the policyholder, which has been reserved but not used for purchasing units.

- Technical reserve for retirement insurance (to be applied to retirement insurance product) is total retirement insurance accounts at the time of setting aside.

- Reserve for other insurance benefits other than those in terms of insurance risks and investment benefit.

3.2. Unearned premiums reserve: is calculated according to gross premium valuation using methods prescribed in Point 3.1 Clause 3 Article 17 of this Circular regarding insurance policies with a term of less than or equal to 1 year.

3.3. Claim reserve:

a) Claims reserve for claims for covered losses that have not been resolved at the end of the fiscal year: to be set aside for individual claim with the reserve calculated according to statistics on sum insured payable for single claim that has been reported or filed to the life insurer, life reinsurer but have not been settled at the end of fiscal year.

b) Claims reserve for covered losses that have occurred but have not been reported or claimed: only applicable to insurance policies with a term of less than or equal to 1 year:

3.4. Profit sharing reserve includes:

a) Reserve for published profit

- With regard to cash profit sharing:

Profit sharing reserve	=	Total published profit to be shared to policyholder in the fiscal year	+	Total accumulated published profit to be shared to policyholder in the previous fiscal year but have been not paid

- With regard to profit sharing contracts in form of accumulated dividends:

Profit sharing reserve	=	Total current published accumulated dividends to be shared to policyholder until the applicable fiscal year

The basis for setting aside profit sharing reserve is similar to that for setting aside mathematical reserve. Appointed actuaries must undertake that the setting aside of profit sharing reserve satisfies undertakings mentioned in the insurance policies and regulations of law.

b) Reserve for unpublished profit

Reserve for unpublished profit is current value of the profit to be additionally distributed to the policyholder in accordance with Clause 2 Article 76 of Decree No. 73/2016/ND-CP, which is considered as asset of the policyholder fund eligible for profit sharing less fund’s debt, sources from owners and profits that have distributed in the current year. The reserve must be set aside in such a manner that:

- Annual reserve may not exceed 10% of total surplus of the policyholder fund eligible for profit sharing in such year;

- Total reserve for unpublished profit at any time may not exceed 0.5% multiplied by (x) average remaining time of policies eligible for profit sharing multiplied by (x) total liability of policyholder fund eligible for profit sharing at such time.

3.5. Interest rate commitment reserve: In case of investment market fluctuations or investment earnings from insurance premiums lower than the commitment interest rate, the insurer shall set aside the interest rate commitment reserve. The reserve equals to the difference between the investment earnings from insurance premium and commitment interest rate of the insurer to clients as agreed in the insurance policy.

3.6. Equalization reserve:

- Life insurers: Each life insurer must set aside 1% of its pre-tax profit annually for reserve until this reserve reaches 5% of insurance premium earned in the fiscal year.

- Life reinsurers: Each life insurer must set aside 1% of its pre-tax profit annually for reserve until this reserve reaches 5% of reinsurance premium earned in the fiscal year.

4. Life insurers, life reinsurers must make regular assessment of methods and basis for setting aside technical reserve to ensure sufficient reserve for committed liability.

In case of adjustments to method of setting aside technical reserve, life insurers or life reinsurers shall comply with Article 58 of Decree No. 73/2016/ND-CP. In case of changing basis for setting aside technical reserve (except for decrease in technical interest rate in accordance with Sub-point a, Point 3.1, Clause 3 of this Article), life insurers or life reinsurers must submit a request for adjustment to the Ministry of Finance for approval before its application, enclosing with documents proving the basis for setting aside technical reserve in accordance with Clause 3 of this Article.

5. Within 3 months from the effective date of this Circular, life insurers, life reinsurers, and foreign branches shall review and adjust methods of setting aside technical reserve in accordance with this Circular, and request the Ministry of Finance to give endorsement as prescribed in Article 58 of Decree No. 73/2016/ND-CP and bring it into application from fiscal year of 2017.

Article 19. Technical reserves for health insurance

1. Health insurers, foreign branches, and health reinsurers must set aside technical reserves in accordance with retention prescribed in Article 55 of Decree No. 73/2016/ND-CP with certification of actuary (regarding life insurers or health insurers) or reserving actuary (non-life insurers, foreign branches, or reinsurers).

2. Insurers, foreign branches are entitled to choose methods of and basis for setting aside reserves at their own discretion (including liability of direct insurance and liability of reinsurance assumed) in accordance with Clause 3 of this Article or other methods and bases deemed more sufficiently and precisely, and then request the Ministry of Finance to give endorsement as prescribed in Article 58 of Decree No. 73/2016/ND-CP before application.

3. Types of technical reserve of health insurance:

3.1. Mathematical reserve:

Mathematical reserve applies to insurance policies with a term of more than 1 year to cover liability upon occurrence of insured event. Mathematical reserve is set aside as follows:

a) Regarding health insurance policies (other than insurance policies prescribed in sub-point b of this Point): Insurers/foreign branches may decide on method of setting aside at their own discretion: gross premium valuation, net premium valuation, policy period-based method according to gross premium valuation basis or other methods in conformity with international practice.

In any case, the insurer/foreign branch must ensure that the reserve to be set aside is not lower than that of the $1/8^{th}$ method prescribed in the first dash, sub-point b, Point 3.1, Clause 3 of Article 17 hereof according to the gross premium valuation.

b) Regarding health insurance policies provided by a non-life insurer or foreign branch which only cover death or total permanent disability. it may set aside mathematical reserve by one of the following methods:

- Net premium valuation and the basis prescribed in the second dash, sub-point a, Point 3.1, Clause 3, Article 18 of this Circular.

- Daily reserve prescribed in Point 3.1, Clause 3, Article 17 of this Circular according to gross premium valuation.

3.2. Unearned premiums reserve: is calculated according to methods prescribed in Point 3.1 Clause 3 Article 17 of this Circular regarding insurance policies with a term of less than or equal to 1 year.

3.3. Claim reserve:

b) Claims reserve: compensate for covered losses that have occurred but have not been resolved at the end of the fiscal year: to be set aside for individual claim with the reserve calculated according to statistics on sum insured payable for single claim that has been reported or filed but have not been settled at the end of fiscal year.

b) Claims reserve for covered losses that have occurred but have not been reported: is calculated according to methods prescribed in sub-point a, Point 3.2, Clause 3, Article 17 of this Circular;

3.4. Equalization reserve:

- Health insurers: Each life insurer must set aside 1% of its pre-tax profit annually for reserve until this reserve reaches 5% of insurance premium earned in the fiscal year.

- Non-life insurers, foreign branches, and health reinsurers: Annual reserve is prescribed in the second dash, sub-point a, Point 3.3, Clause 3, Article 17 of this Circular.

This reserve is used to pay indemnities in case of large fluctuations in risk rate leading the fact that total retained insurance premium in the fiscal year after setting aside mathematical reserve, unearned premium reserve and claim reserve that have been not claimed is not sufficient to pay indemnities under liability of the non-life insurer, foreign branch, or reinsurer. Maximum amount allowed is calculated as follows:

$$\text{Amount allowed of current fiscal year} = \text{Indemnity liability for retention of current fiscal year} - \left| \text{Total retained insurance premium of current fiscal year} - \text{Unearned premium reserve in proportion to required retention to be set aside of current fiscal year} - \text{Unearned premium reserve in proportion to required retention for unsettled claim to be set aside of current fiscal year} \right|$$

4. Within 3 months from the effective date of this Circular, the health insurer, or health reinsurer, foreign branch shall review and adjust methods of setting aside technical reserve in accordance with this Circular, and request the Ministry of Finance to give endorsement as prescribed in Article 58 of Decree No. 73/2016/ND-CP and bring it into application from fiscal year of 2017.

Section 3. SOLVENCY MARGIN

Article 20. Solvency margin

1. The solvency margin of an insurer or foreign branch is the difference between the value of assets and liabilities of the insurer or foreign branch upon the determination of the solvency margin.

2. Liquidity of assets upon determination of the solvency margin is determined as follows:

2.1. Assets of which value is wholly accepted for accounting purpose:

a) Sums of money, including cash, deposits at credit institutions, cash in transit, certificates of deposit, Government bonds, treasury bills, treasury bonds, state bonds, local government bonds, and Government- guaranteed bonds;

b) Assets equivalent to insurance policies of investment-linked insurance, voluntary retirement insurance;

c) Reinsurance assets (other than those equivalent to reinsurance claims reserve of reinsurance agreements not in accordance with regulations of law on cession);

d) Advances of cash surrender value.

2.2. Assets of which value is partially deducted for accounting purpose less reserves and accumulated depreciation as per the law (if any):

a) Investment assets (other than those prescribed in sub-point g, Point 2.3, Clause 2 of this Article):

- Secured corporate bonds: deducting 1% of value,

- Non-secured corporate bonds: deducting 3% of value;

- Listed stocks, fund certificates: deducting 15% of value,

- Unlisted stocks: deducting 20% of value,

- Investment in real estate for use: deducting 8% of value,

- Investment in real estate for lease: deducting 15% of value,

- Stake in other enterprises (other than stakes used for the establishment of insurers from owner’s equity): deducting 20% of value.

b) Accounts receivable:

- Direct insurance premium receivable that is 90 days to under 1 year overdue: deducting 30% of value;

- Direct insurance premium receivable that is under 1 year to less than 2 years overdue less respective reserves for doubtful debts as per the law: deducting 50% of value;

- Account receivable relating to assumption or cession of reinsurance (after deducting from accounts receivable from or accounts payable to a reinsurer or ceding company in the same period) that is 90 days to under 1 year overdue: deducting 30%. If the difference between accounts receivable and liabilities is negative (-): deducting 0%;

- Account receivable relating to assumption or cession of reinsurance (after deducting from accounts receivable from or accounts payable to a reinsurer or ceding company in the same period) that is under 1 year to less than 2 years overdue: deducting 50%. If the difference between accounts receivable and liabilities is negative (-): deducting 0%;

c) Tangible fixed assets, intangible fixed assets being computer software, land use rights and inventories: deducting 25% of value,

d) Other assets: deducting 15% of value.

2.3. Assets of which value is wholly deducted for accounting less reserves and accumulated depreciation as per the law (if any):

a) Stakes used for the establishment of insurers from owner’s equity;

b) Irrecoverable debts as per the law;

c) Intangible fixed assets other than computer software, land use rights;

d) Prepaid costs, advances (other advances of cash surrender value), equipment and stationery, and intra-company receivables;

dd) Direct insurance premium receivable that is at least 2 years overdue;

e) Account receivable relating to assumption or cession of reinsurance (after deducting from accounts receivable from or accounts payable to a reinsurer or ceding company in the same period) that is at least 2 years overdue;

g) Investments in shareholders (members) or entities related to shareholders (members) in any manner according to the Enterprise Law, except depositing money in credit institutions;

h) Outward portfolio investments that have not recovered within 1 year from the date on which the decision on revocation of certificate of registration for outward portfolio investment comes into force;

i) Investments in assets in excess of limits prescribed by law;

k) Reinsurance assets equivalent to reinsurance claims reserve of reinsurance agreements not in accordance with regulations of law on cession of insurance.

Section 4. REVENUE AND EXPENSE

Article 21. Rules for determining revenue of insurers and foreign branches

The revenues of an insurer/foreign branch consists of amounts receivable as prescribed in Article 68 of Decree No. 73/2016/ND-CP, which are determined according to the following rules:

1. The revenue from insurance business:

1.1. The insurer/foreign branch shall include direct insurance premium in revenues upon incurring liability of insurance to a policyholder, in particular:

a) If insurance premiums are paid in full to the insurance policy entered into by the insurer/foreign branch and the policyholder.

b) There is evidence for the insurance policy entered into by the insurer/branch and the policyholder and insurance premiums that are paid in full.

c) When the insurance policy has been concluded, the non-life insurer or foreign branch has come to an agreement with the policyholder on premium payment period (including extension period). The premium payment period must be specified in the insurance policy, in particular:

- In case of lump-sum payment: The premium payment period may not exceed 30 days from the beginning date of the insurance period. If the policy period lasts under 30 days, the premium payment period may not exceed the policy period.

The non-life insurer, foreign branch shall include the insurance premiums that the policyholder is obliged to pay as mentioned in the insurance policy upon the commencement of the policy period.

- In case of installment payment: The premium payment period of the first payment term may not exceed 30 days from the commencement of the policy period as specified in the insurance policy. Following payment terms are mentioned in the insurance policy entered into between the insurer and the policyholder. The insurer and the policyholder may not change the premium payment period throughout the performance of the insurance policy. In any case, the premium payment period may not exceed the policy period as mentioned in the insurance policy.

The non-life insurer or foreign branch includes insurance premium of the first payment term upon the commencement of policy period as specified in the insurance policy and only includes insurance premiums of the following payment terms upon the respective payments of sufficient insurance premiums as mentioned in the insurance policy.

- If the policyholder fails to pay insurance premium in full within the premium payment period and the non-life insurer or foreign branch and the policyholder has not come into an agreement on premium debts as prescribed in sub-point d, Point 1.1 of this Clause, the insurance policy shall terminate upon expiration of the premium payment period. The policyholder is obliged to pay insurance premiums in full until the expiration of the insurance policy (except for human insurance policy). The non-life insurer or foreign branch is entitled to earn revenues from insurance premiums equivalent to the period over which the insurance policy covers liabilities.

- In case of coverage for cargo owned by clients who have multiple shipments covered in a year or coverage for clients who have multiple tours covered in a year, if the non-life insurer or foreign branch and the policyholder has concluded an open cover insurance in terms of method of purchase of insurance and method of payment, premium payment period of an insurance policy of which insurance period commences in this month shall expire no later than the 25th of the next month.

d) When the insurance policy has been concluded and non-life insurer or foreign branch has come into an agreement with the policyholder on the insurance premium debts, these debts are specified in the insurance policy and available only when they are secured by collateral or bank guarantee.

- In case of secured debts, the non-life insurer or foreign branch and the policyholder shall comply with regulations of law on secured transactions.

- In case of debts secured by bank guarantee, the entity providing guarantee for insurance premium payment shall provide such guarantee service and a guarantee contract.

dd) When the insurance policy has been concluded and the life insurer or health insurer has come to an agreement on installment payment with the policyholder as specified in the insurance policy, the life insurer or health insurer shall record the insurance premium(s) that are due in respective premium payment term(s) as a revenue(s), and not record the insurance premium(s) that are not due as a revenue(s) as specified in the insurance policy.

1.2. In case of coinsurance, the insurer/foreign branch shall record direct insurance premiums distributed according to the coinsurance percentage as revenues.

1.3. In case of purchase of reinsurance, the insurer/foreign branch or reinsurer shall record premium for reinsurance assumed and other amounts receivable from assumption of reinsurance as revenues according to a certified document on payment of reinsurance.

1.4. In case of cession of insurance, the insurer/foreign branch or reinsurer shall record premium for reinsurance ceded, ceding commission and other amounts receivable from the cession of insurance in the same quarterly accounting period in which the direct insurance premium or premium for reinsurance ceded is accounted respectively.

1.5. Other amounts receivable: the insurer/foreign branch shall record amounts receivable as an income upon occurrence of transactions with evidence for payment, regardless of collected or uncollected amounts..

1.6. Amounts payable recorded as decrease in income the insurer/foreign branch shall record amounts payable as a decrease in income upon occurrence of transactions with evidence for payment, regardless of paid or unpaid amounts..

2. Revenue from financial activities: In accordance with corporate accounting system in terms of revenue from financial activities.

3. Earnings from other activities: In accordance with corporate accounting system in terms of revenue from other activities.

Article 22. Rules for determining expenditures of insurers and foreign branches

Expenditures of an insurer/foreign branch consist of payables and extracts in a period as prescribed in Article 69 of Decree No. 73/2016/ND-CP. The insurer/foreign branch shall include expenditures the following rules:

1. Expenditures are paid as per the law with adequate invoices, vouchers, or documentary evidence.

2. The insurer/foreign branch is entitled to spend a maximum amount of 2% of insurance premiums collected in a fiscal year on prevention and reduction of losses as prescribed in Clause 2, Article 46 of Decree No. 73/2016/ND-CP.

3. The non-life insurer or foreign branch spends a maximum amount of 50% of insurance commission of insurance policies in the fiscal year on agent commendation and agent financial aid.

Article 23. Rules for determining revenue of insurance brokers

Revenue of insurance brokers is prescribed in Article 71 of Decree No. 73/2016/ND-CP. Insurance brokers shall determine revenues according to the following rules:

1. Revenue from insurance brokerage:

a) Broker’s commissions: The insurance broker shall record broker's commissions as revenues equivalent to insurance premiums and the time of recording revenues of insurer/foreign branch as prescribed in Point 1.1, Point 1.2, and Point 1.3 of Clause 1, Article 21 of this Circular.

For amounts payable recorded as a decrease in income namely broker’s commission decrease, refund of broker’s commission: record as a decrease in income upon occurrence of transactions with evidence for payment, regardless of paid or unpaid amounts.

b) Receivables from activities defined in Clause 1, Clause 2 and Clause 4, Article 90 of the Law on insurance business: In accordance with corporate accounting system in terms of revenue from service activities.

2. Revenue from financial activities: In accordance with corporate accounting system in terms of revenue from financial activities.

3. Earnings from other activities: In accordance with corporate accounting system in terms of revenue from other activities.

Article 24. Rules for determining expenditures of insurance brokers

Expenditures of an insurance broker consist of payables and extracts in a period as prescribed in Article 72 of Decree No. 73/2016/ND-CP. Expenditures of insurance broker incurring a period must be enclosed with valid invoices or vouchers as per the law.

Section 5. SEPARATING EQUITY FUND AND POLICYHOLDER FUND

Article 25. Separating equity fund and policyholder fund of life insurers

1. Life insurers must separate and individually record the owner’s equity and the premiums earned from insurance policyholders (referred to as the equity fund and the policyholder fund).

2. Depending on operation of the life insurer and relevant provisions, policyholder fund may be further separated. The life insurer must register rules for separating fund with the Ministry of Finance as prescribed in Article 70 of Decree No. 73/2016/ND-CP.

3. The separating and recording assets, sources of funds, revenues, expenditures and financial performance of each fund must ensure the following rules:

a) Transactions in terms of assets, sources of funds, revenues, expenditures associated with a certain fund shall be recorded for such fund,

b) Assets acquired from a policyholder fund are used to fulfill responsibility and expenditures on business transactions of such policyholder fund. The insurer may not use assets of the policyholder fund to cover fines for its violation of law, breaches of insurance policies, or advertisements not related to insurance products or for charity;

c) Appointed actuary of a life insurer must undertake that transactions relating to multiple funds shall be aggregated and distributed to each fund in a fair and reasonable basis. At the end of year, the appointed actuary shall re-adjust distribute rates of transactions relating to these funds in accordance with Article 26 of this Circular and actual operation of the life insurer.

4. Legal representative, appointed actuary, and chief accountant of life insurer shall take responsibility for separating funds, preciseness of data of policyholder fund and equity fund.

5. Annually, the life insurer shall send a report on separating and maintaining equity fund and policyholder fund using form No. 08-NT issued herewith with certification of independent audit.

Article 26. Rules for distributing transactions in terms of assets, sources of funds, revenues, and expenditures relating to multiple funds of life insurers

1. Assets acquired from policyholder fund and equity fund shall be determined as follows:

a) Assets of policyholder fund include assets acquired from technical reserve and those corresponding to amounts payable to be distributed to policyholder fund (except for amounts payable among funds);

b) Assets of equity fund include those acquired from equity fund and fixed assets, capital outstanding work.

2. Sources obtained from policyholder fund and equity fund shall be determined as follows:

a) Sources of policyholder fund include:

- Technical reserve, other than equalization reserve;

- Liabilities of policyholder fund or policyholder fund according to corresponding distribution criteria.

b) Sources of equity fund include

- Sources of equity fund;

- Liabilities of policyholder fund or policyholder fund according to corresponding distribution criteria;

- Equalization reserve.

3. Revenues of policyholder fund include:

a) The revenue from insurance business;

b) The revenue from investment in assets of policyholder fund;

c) Other income of policyholder fund or policyholder fund according to corresponding distribution criteria.

4. Revenues of equity fund include:

a) The revenue from investment in assets of equity fund;

b) Other income of policyholder fund or policyholder fund according to corresponding distribution criteria.

5. Expenditures of policyholder fund:

a) Expenditures on insurance payout, technical reserve (except for equalization reserve), commissions to be paid for each policyholder fund;

b) Expenditures on loss assessment, agent management, prevention and reduction of losses, risk assessment of subject insured, and wages;

c) The expenditure on investment in assets of policyholder fund;

d) Other expenditures directly relating to policyholder fund or expenditures allocated to policyholder fund;

dd) Expenditure on contribution to the Fund for protection of the insured;

e) Shared expenditures allocated to policyholder fund;

g) Other payments and extracts as per the law.

6. Expenditures of equity fund include:

a) Expenditures on shared activities allocated to equity fund according to corresponding allocation criteria, including expenses associated with wages, wage-related pay, advertisements, taxes, fixed asset depreciation, office lease, stationery and other expenses;

b) The expenditure on equalization reserve;

c) The expenditure on investment in assets of equity fund;

d) Other expenditures on policyholder fund or policyholder fund according to corresponding distribution criteria.

7. Allocation criteria for expenditures on shared activities

7.1. Allocation criteria for expenditures on shared activities between policyholder fund and equity fund:

a) Administration expenses: to be allocated to policyholder fund and equity fund according to statistics on duration over which the expenses are paid for each fund;

b) Expenses of financial activities: to be allocated according to the rate of each fund’s investment assets.

7.2. Allocation criteria for expenditures on shared activities between policyholder funds:

a) Administration expenses: to be allocated between policyholder fund according to the rates of total revenues of each policyholder fund;

b) Expenses of financial activities: to be allocated according to the rate of each policyholder fund’s investment assets;

c) Selling expenses to be allocated according to the rate of revenues earned from new policies of each policyholder fund;

d) Overhead costs:

- Expenses associated with assessment of policy issuance to be allocated according to revenues earned from new policies;

- Expenses associated with assessment of insurance payout to be allocated according to direct insurance payout.

7.3. If a life insurer uses criteria for allocation of shared expenses other than those prescribed in Point 7.1 and Point 7.2 of this Clause, these criteria must be used on the basis of fairness between funds and in conformity with the life insurer's reality.

Article 27. Transfer of assets and deficit make-up of policyholder fund of life insurers

1. If the policyholder fund has been in deficit (amount of assets is smaller than that of liabilities), the life insurer must provide additional amount from the equity fund to the policyholder fund to make up the deficit. When the policyholder fund has been in surplus (amount of assets is greater than that of liabilities), the life insurer is refunded partly or wholly the above additional amount without interest, provided that the refund does not constitute another deficit in such policyholder fund.

2. The life insurer may not transfer assets, sources of funds from the policyholder fund to equity fund, except for refund of the amount of contribution to the fund's establishment or the amount used for make up the deficit as prescribed in Clause 1 of this Article.

3. If the life insurer maintains multiple policyholder funds, it may not transfer assets, sources of funds between policyholder fund, except for allocation of premiums of investment-linked insurance or retirement insurance products. The life insurer may not use surplus of a policyholder fund to make up a deficit of another policyholder fund.

4. The life insurer must keep written records of every transaction relating to the amount of equity fund which is used for making up deficit of the policyholder fund and refund from policyholder fund to equity fund. These transactions must be presented on the periodical fund separating reports with certification of the appointed actuary and chief accountant of the life insurer.

Article 28. Separating sources of owner's equity and sources of insurance premiums of non-life insurers, health insurers, foreign branches

1. Non-life insurers, health insurers, or foreign branches must separate sources of owner's equity and sources of insurance premiums earned from policyholders according to the following rules:

a) Keep separate records of revenues from and expenditures on insurance business according to each line of insurance;

b) Keep separate records of assets acquired from owner's equity and assets acquired from idle funds from technical reserve;

c) Revenues from and expenditures on an activity of a non-life insurer, health insurer, or foreign branch shall be recorded for such activity. Shared revenues and expenditures shall be allocated reasonably and consistently.

2. Board of Directors (Board of members, President) of non-life insurer or health insurer, Director of foreign branch shall formulate rules for allocation of revenues and expenditures as prescribed in Point c, Clause 1 of this Article and go through the formalities of registration with the Ministry of Finance as prescribed in Clause 2, Article 70 of Decree No. 73/2016/ND-CP. Board of Directors (Board of members, President) of non-life insurer or health insurer, Director of foreign branch shall supervise the implementation of the said rules upon the Ministry of Finance's approval.

3. The non-life insurer, health insurer, or foreign branch shall send quarterly reports to the Ministry of Finance as prescribed in Clause 1 of this Article.

4. The legal representative, chief accountant, and appointed actuary of the non-life insurer, health insurer, or foreign branch shall comply with Clause 1 of this Article and take responsible for the data's preciseness.

Chapter IV

INSURANCE AGENTS AND INSURANCE AGENT TRAINING FACILITIES

Article 29. Operational principles of insurance agents

Insurance agents must meet requirements prescribed in Article 86 of the Law on Insurance Business, Clause 10, and Article 1 of Law on amendments to the Law on Insurance Business, Article 86 of Decree No. 73/2016/ND-CP and comply with rules for insurance agent operation as prescribed in Article 83 of Decree No. 73/2016/ND-CP.

Article 30. Training and issuance of insurance agent certificates

1. An insurance agent training facility must satisfy requirements prescribed in Clause 1, Article 87 of Decree No. 73/2016/ND-CP.

2. The training program must comply with Article 88 of Decree No. 73/2016/ND-CP. The insurance agent training facility must submit an application for approval for training program to the Ministry of Finance using the form prescribed in Appendix 12 issued herewith.

3. Department of Insurance Management and Supervision affiliated to the Ministry of Finance shall administer tests, prepare test paper/questions and approve for test results in accordance with law on insurance business.

4. According to test results approved by the Department of Insurance Management and Supervision affiliated to the Ministry of Finance, the insurance agent training facility shall grant insurance agent certificates using specimen prescribed in Appendix 13 issued herewith.

5. With regard to insurance products subject to specific guiding documents, the test on and issuance of insurance agent certificates shall comply with these documents.

Chapter V

REPORTING AND PUBLISHING BY INSURERS/FOREIGN BRANCHES, INSURANCE BROKERS, REPRESENTATIVE OFFICES AND FORMS

Article 31. Responsibilities for making and sending statements/reports

1. Insurers, foreign branches and insurance brokers shall be responsible for making and sending financial statements, statistical and technical reports as prescribed in Article 80 of Decree No. 73/2016/ND-CP and guidelines prescribed in Article 32, Article 33 of this Circular.

2. Insurers, foreign branches, insurance brokers shall take responsibility for the accuracy and truthfulness of their financial statements, statistical and technical reports.

Article 32. Contents of reports

1. Financial statements:

a) Insurers/foreign branches, insurance brokers shall make financial statements and comply with regulations on financial statements, making and sending to competent authorities as per the applicable law;

b) Insurers/foreign branches, insurance brokers shall make and send quarterly and annual financial statements to the Ministry of Finance enclosed with their soft copies;

c) An annual financial statement consists of: balance sheet, income statement, cash flow statement and description of financial statement as per the law on accounting bearing certification of an independent audit organization lawfully operating in Vietnam. The certification of the independent audit organization shall contain the following material fiscal matters:

- For insurers and foreign branches: Assumption and cession of reinsurance, technical reserve, solvency ratio, commissions, revenues, expenditures, profits and profit sharing, investments from owner’s equity, investments from technical reserve, fixed assets and depreciation, accounts receivable, liabilities, owner’s equity, expenses associated with outstanding capital work; separating funds and allocating surplus of policyholder fund in case of life insurers; separating sources of owner’s equity and sources of insurance premiums in case of non-life insurers, health insurers, and foreign branches.

- For insurance brokers: Revenues, expenditures, profits and profit sharing, investments, fixed assets and depreciation, amounts receivable, liabilities, owner’s equity, expenses associated with outstanding capital work.

2. Technical reports: Insurers/foreign branches, insurance brokers shall make and send monthly, quarterly and annual technical reports to the Ministry of Finance enclosed with their soft copies as follows:

a) Regarding non-life insurers and foreign branches:

- Monthly income statement: Form No. 1-PNT

- Quarterly or annual revenues from insurance premium report: Form No. 2-PNT

- Quarterly or annual economic indicator report: Form No. 3-PNT

- Quarterly or annual indemnity report: Form No. 4-PNT

- Quarterly or annual technical reserve report:

+ Detailed technical reserve report: Form No. 5A-PNT

+ Consolidated technical reserve report: Form No. 5B-PNT

- Quarterly or annual statements of investment activities:

+ Statement of investment activities from owner’s equity: Form No. 6A-PNT

+ Statement of investment activities from technical reserve: Form No. 6B-PNT

- Quarterly or annual solvency ratio report: Form No. 7-PNT

- Annual ASEAN report: Form No. 8-PNT

- Quarterly or annual report on provision of cross border insurance services: Form No. 9-PNT

- Quarterly or annual report on separate records of revenues from and expenditures on insurance business according to each line of insurance: Form No. 10-PNT

- Quarterly or annual statement of income from motor vehicle insurance: Form No. 11-PNT

b) Regarding reinsurers:

- Quarterly or annual revenues from reinsurance report: Form No. 1-PNT

- Quarterly or annual report on indemnities and insurance payout of reinsurers: Form No. 2-PNT

- Quarterly or annual technical reserve report: using the form applicable to non-life insurers (in case of non-life reinsurance and health reinsurance) or using the form applicable to life insurers (in case of life reinsurance)

- Quarterly or annual statements of investment activities:

+ Statement of investment activities from owner’s equity: Form No. 6A-PNT

+ Statement of investment activities from technical reserve: using the form applicable to non-life insurers (in case of non-life reinsurance and health reinsurance) or using the form applicable to life insurers (in case of life reinsurance)

- Quarterly or annual solvency ratio report: Form No. 3-PNT

c) Regarding life insurers:

- Monthly income statement: Form No. 1-NT

- Quarterly or annual report on number of policies and life sum insured: Form No. 2-NT

- Quarterly or annual report on cancellation, termination and maturity of insurance policies and payment of life insurance benefit: Form No. 3-NT

- Quarterly or annual technical reserve report:

+ Report on mathematical reserve of life insurance: Form No. 4A-NT

+ Report on unearned premium reserve of life insurance: Form No. 4B-NT

+ Report on claims reserve: Form No. 4C-NT

+ Report on profit distribution reserve: Form No. 4D-NT

+ Report on interest rate commitment reserve: Form No. 4E-NT

+ Report on equalization reserve: Form No. 4G-NT

- Quarterly or annual statements of investment activities: Form No. 5-NT

- Monthly, quarterly or annual solvency ratio report: Form No. 6-NT

- Annual ASEAN report: Form No. 7-NT

- Report on fund separating and profit sharing: Form No. 8-NT

- Report on scope of distribution channel: Form No. 9-NT

- Report on revenues by distribution channel: Form No. 10-NT

- Report on branches, representative office, customer care centers: Form No. 11-NT

d) Regarding health insurers:

- Monthly income statement: Form No. 1-SK

- Quarterly or annual report on number of policies and sum insured: Form No. 2-SK

- Quarterly or annual report on termination of health insurance policies: Form No. 3-SK

- Quarterly or annual technical reserve report:

+ Report on mathematical reserve of health insurance: Form No. 4A-SK

+ Report on unearned premium reserve of health insurance: Form No. 4B-SK

+ Report on claims reserve: Form No. 4C-SK

+ Report on equalization reserve: Form No. 4D-SK

- Quarterly or annual statements of investment activities: Form No. 5-SK

- Monthly, quarterly or annual solvency ratio report: Form No. 6-SK

- Annual ASEAN report: Form No. 7-SK

- Report on separate records of revenues from and expenditures on insurance business according to each line of insurance: Form No. 8-SK

dd) For insurance brokers:

- Monthly, quarterly, or annual report on insurance brokerage: Form No. 1-MGBH and form No. 2-MGBH

- Quarterly or annual report on provision of cross border insurance services: Form No. 3-MGBH

- Statement of investment activities from owner’s equity: Form No. 6A-PNT

3. Report on agents: Prior to the 15th of the first month of the following quarter, each insurer/foreign branch shall notify the Ministry of Finance and Association of Vietnamese Insurers of a list of agents violating regulations on agent practices or violating regulations of law that are subject to termination of agent contracts by insurers/foreign branches using form No. 1-DLBH issued herewith, and then Association of Vietnamese Insurers announce the list to other insurers/foreign branches.

4. Report on contribution to the Fund for protection of the insured: Before every May 15, the insurer/foreign branch shall send a report using form No. 1-QPPF issued herewith.

5. Report on insurance products: Within the first 15 days of a month, the insurer/foreign branch shall send a report on list of new products provided in previous month (if any) to the Ministry of Finance.

- Non-life insurers and foreign branches: Form No. 12-PNT

- Life insurers: Form No. 12PNT

- Health insurers: Form No. 9-SK

6. Apart from financial statements, statistical reports, technical reports prescribed in Clause 1, Clause 2, and Clause 3 of this Article, the Ministry of Finance may require insurers/foreign branches, insurance brokers to send additional reports on their operation and financial situation for the purposes of statistics and market analysis.

Article 33. Time limit for reports

1. Monthly reports: insurers/foreign branches, and insurance brokers must make and send a monthly report to the Ministry of Finance within 15 days from the end of the month.

2. Quarterly reports: insurers/foreign branches, and insurance brokers must make and send a quarter report to the Ministry of Finance within 30 days after the end of the quarter.

3. Annual reports: insurers/foreign branches, and insurance brokers must make and send an annual report to the Ministry of Finance within 90 days after the end of the fiscal year.

Article 34. Reports on operation of representative offices

Representative offices of a foreign insurer in Vietnam must send periodical reports on their operation to the Ministry of Finance as prescribed in Article 102 of Decree No. 73/2016/ND-CP and the regulations below:

1. Each representative office of a foreign insurer in Vietnam must send biannual and annual reports on their operation to the Ministry of Finance. The first biannual report must be sent before July 30 and the annual report must be sent before March 1 of the subsequent year.

2. The report prescribed in Clause 1 of this Article must contain the following:

a) Organizational structure of representative office, personnel, number of Vietnamese and foreign employees working at;

b) Key activities of the representative office in the reporting period include:

- Act as a bureau of communication;

- Market research;

- Facilitate investment projects of the foreign insurer or foreign insurance broker;

- Expedite and monitor the implementation of projects in Vietnam, which are sponsored by the foreign insurer or foreign insurance broker;

- Other activities as per the law.

c) Orientations in the future.

3. Apart from the aforementioned periodical reports, in exceptional circumstances, the Ministry of Finance may request the representative office to send a report or provide documents or representation of its operation.

Article 35. Publishing information

Annually, insurers, foreign branches and insurance brokers shall publish information in accordance with Article 82 of Decree No. 73/2016/ND-CP and the following regulations:

1. Financial situation:

a) Publish financial statements that have been audited enclosed with opinions of the independent audit organizations on their website;

b) Publish the details below on newspaper in 3 consecutive issues: Annual report (form No. 1-CBTT) and financial statement summary (form No. 2-CBTT). The published information shall enclose with opinions of the independent audit organization;

c) Apart from the forms of publishing prescribed in Point a and Point b of this Clause, the insurer/foreign branch, or insurance broker may, at its own discretion, publish in the form of publications, written notices to regulatory agencies; press conference; on central or local radio and television stations;

d) The publishing of information prescribed in Point a and Point b of this Clause must be carried out within 120 days from the end of the fiscal year. Within 10 days from the date on which the date of publishing information prescribed in Point b of this Clause, the insurer/foreign branch or insurance broker must send original copies and photocopies of published information to the Ministry of Finance;

dd) The information must be published promptly and precisely as per the law. Any change of the published information must go through formalities prescribed in Points a, b and d of this Clause accompanied with explanation;

e) Public companies shall publish information as prescribed in law on securities and this Circular.

2. Information on insurance products:

Within the first 15 days of a month, the insurer/foreign branch shall publish a list of products permitted to provide in previous month (if any) , including: Rules, terms, premium schedules, insurance request forms and documents related to the making and implementation of insurance policies on the websites of the Ministry of Finance, the Association of Vietnamese Insurers, insurance enterprises and foreign branches.

Article 36. Forms

1. Application form for issuance of establishment and operation license submitted by insurers/foreign branches, insurance brokers prescribed in Appendix 1 issued herewith.

2. Specimen of establishment and operation license prescribed in Appendix 2 issued herewith.

3. Application form for change of name; change of charter capital (granted capital); opening or shutdown of branch/representative office; conversion of representative office to branch; relocation of headquarters, branch, representative office; change of contents, scope and duration of operation; appointment or replacement of President, Director General, appointed actuary, reserving actuary and solvency ratio submitted by insurer/foreign branch or insurance broker prescribed in Appendix 3 issued herewith.

4. Application form for division, acquisition, consolidation, or conversion submitted by insurer/foreign branch or insurance broker prescribed in Appendix 4 issued herewith.

5. Application form for transfer of shares (stakes) submitted by insurers/foreign branches, insurance brokers prescribed in Appendix 5 issued herewith.

6. Application form for outward investment submitted by insurers/foreign branches, insurance brokers prescribed in Appendix 6 issued herewith.

7. Specimen license for changes prescribed in Appendix 7 issued herewith.

8. Application form for endorsement or adjustments to allocation of surplus of life insurer prescribed in Appendix 8 issued herewith.

9. Application form for endorsement or adjustments to insurance products of insurer/foreign branch prescribed in Appendix 9 issued herewith.

10. Application form for application or adjustments to rules for separating funds of insurer/foreign branch prescribed in Appendix 10 issued herewith.

11. Application form for application or adjustments to methods of setting aside technical reserve of insurer/foreign branch prescribed in Appendix 11 issued herewith.

12. Application form for registration of insurance agency training program prescribed in Appendix 12 issued herewith.

13. Specimen of insurance agent certificate prescribed in Appendix 13 issued herewith.

14. Application form for issuance of representative office license, extension/shutdown of representative office prescribed in Appendix 14 issued herewith.

15. Specimen of license for representative office operating in Vietnam prescribed in Appendix 15 issued herewith.

16. Application form for amendments to license for representative office prescribed in Appendix 16 issued herewith.

17. Template of notice of replacement of representative office head, personnel, or relocation of representative office prescribed in Appendix 17 issued herewith.

18. Specimen of license for relocation of representative office operating in Vietnam prescribed in Appendix 18 issued herewith.

19. Application form for using fund for protection of policyholders prescribed in Appendix 19 issued herewith.

20. Template of plan for restoration of solvency ratio prescribed in Appendix 20 issued herewith.

Chapter VI

ESTABLISHMENT AND OPERATION OF SOLVENCY CONTROL COMMITTEE

Section 1. ESTABLISHMENT OF SOLVENCY CONTROL COMMITTEE

Article 37. Establishment of Solvency Control Committee

1. If insurers and foreign branches fail to restore solvency upon the request of the Ministry of Finance as per Clause 2 of this Article, they shall be put under special control.

2. Ministry of Finance shall issue a decision on establishment of the Solvency Control Committee with the aim of adopting measures for solvency restoration as per Article 80 of the Law on insurance business.

Article 38. Contents of decision on establishment of Solvency Control Committee

The decision on establishment of Solvency Control Committee shall at least contain:

1. Name of insurer/foreign branch subject to solvency ratio control.

2. Full names of members, duties and powers of Solvency Control Committee.

3. Duration over which measures for solvency restoration have adopted.

Article 39. Composition of Solvency Control Committee

1. The Ministry of Finance shall decide composition, number and structure of Solvency Control Committee.

2. Committee members are officials and public employees of the Ministry of Finance. Head of Control Committee is at least the leader of a Department or equivalent affiliated to the Ministry of Finance.

3. Officials and public employees participating in Solvency Control Committee are not those relevant to members of the Board of Directors, Board of members, the Control Board members, controllers, Director General (Director) and shareholders (members) who have held at least 10% of charter capital of the insurer. In case of solvency restoration of a foreign branch, officials and public employees participating in Solvency Control Committee are not those relevant to the company's President, members of the Board of Directors, Board of members, the Control Board members, Director General (Director) and shareholders (members) who have held at least 10% of charter capital of the foreign non-life insurer of which a Vietnamese branch is subject to solvency control (hereinafter referred to as foreign company) and Director of foreign branch.

Article 40. Sending decision on establishment of Solvency Control Committee

The decision on establishment of Solvency Control Committee shall be sent to:

1. The Board of Directors or the Board of members of the insurer subject to solvency control; foreign company.

2. People's Committee of province, Service of Planning and Investment of province where the insurer has been headquartered.

3. Other relevant agencies and organizations decided by the Minister of Finance.

Section 2. DUTIES AND POWERS OF SOLVENCY CONTROL COMMITTEE

Article 41. Duties and powers of Solvency Control Committee

Solvency Control Committee shall perform tasks and exercise powers as prescribed in Clause 2, Article 80 of the Law on Insurance Business as follows:

1. Direct and oversee the adoption of measures for solvency restoration according to an approved plan:

a) Solvency Control Committee requires Board of Directors or Board of members of insurer or foreign company to formulate and send it a solvency restoration plan using the form prescribed in Appendix 20 issued herewith; and then it shall forward the plan to the Ministry of Finance for approval. In case of plan's failure to restore solvency as per the law within the duration over which the measure for solvency restoration has adopted, Solvency Control Committee shall send a report to the Ministry of Finance with an aim of requiring insurer/foreign branch to hire a consultancy that gives advice on another solvency restoration plan. The insurer/foreign branch shall bear all expenses associated with hiring the consultancy that gives advice on the solvency restoration plan.

b) Solvency Control Committee shall oversee the adoption of measures for solvency restoration according to the approved plan. The overseeing shall be conducted as follows:

- Overseeing via reports on periodical or ad-hoc basis sent by insurers/foreign branches;

- Work directly with President of the Board of Directors or President of the Member assembly, General Director (Director) of insurers; Director of foreign branches in exceptional circumstances.

2. Notify relevant regulatory agencies of the adoption of measures for solvency restoration for cooperation purpose.

3. Restrict operation scope and field of insurer/foreign branch:

a) Solvency Control Committee requires the insurer/foreign branch to review and report its operation scope and field that directly affect its solvency restoration.

b) Solvency Control Committee requests the Ministry of Finance to restrict the operation scope and field of insurer/foreign branch as per the law and initiate such restriction upon the Ministry of Finance's approval.

4. Suspend activities leading insurer/foreign branch's insolvency:

a) Solvency Control Committee requires the insurer/foreign branch to review and report activities that likely lead to its insolvency;

b) Solvency Control Committee requests the Ministry of Finance to impose suspension of activities leading to or likely leading to the insurer/foreign branch's insolvency as per the law and initiate such suspension upon the Ministry of Finance's approval.

5. Require insurer/foreign branch to transfer all insurance policies of one or multiple lines of insurance to other insurers/foreign branches:

a) Solvency Control Committee requires the insurer/foreign branch to review and report all insurance policies that remain valid and relevant technical reserve and funds;

b) Subject to specific cases, Solvency Control Committee shall request the Ministry of Finance to require insurer/foreign branch to transfer all insurance policies of one or multiple lines of insurance to other insurers/foreign branches. The insurance policies shall be transferred upon the Ministry of Finance's approval. Procedures for transfer of insurance policies shall comply with regulations of law.

6. Suspend administration rights of members of the Board of Directors or Board of members, Director General, Deputy General Director of insurers and Director, Deputy Director of foreign branches, and requiring insurers and foreign branches to replace those members.

a) As the case may be, Solvency Control Committee shall request the Ministry of Finance to impose suspension of administration rights as per the law, and require insurers to replace members of the Board of Directors or Board of members, Director General, Deputy General Director and foreign branches to replace Director, Deputy Director and initiate the suspension upon the Ministry of Finance's approval;

b) When the insurer replaces a member of the Board of Directors or Board of members, Director General, Deputy General Director or the foreign branch replaces Director, Deputy Director, the procedures for replacement shall comply with regulations of law.

7. Request Board of Directors, Board of members, Director General (Director) to impose dismissal or suspension on those violating the law or failing to adhere to solvency restoration plan that has been approved.

a) Solvency Control Committee is entitled to require Board of Directors, Board of members, General Director (Director) to impose dismissal or suspension on those violating the law or failing to adhere to solvency restoration plan that has been approved upon receipt of decision on those entities issued by competent authorities;

b) If a managerial member of the insurer/foreign branch is dismissed or suspended from his/her position and the insurer/foreign branch intends to appoint another managerial member for replacement, the replacement shall be conducted in conformity with procedures and standards as per the law.

8. Propose the Ministry of Finance to continue or terminate adoption of measures for solvency restoration:

a) Keep adoption of measures for solvency restoration:

- Solvency Control Committee requests the Ministry of Finance to keep adopting measures for solvency restoration to insurer/foreign branch if its owner's equity equals to legal capital or it needs more time to complete the procedures for acquisition, consolidation, conversion, or transfer of insurance policies as per the law;

- According to reality of the insurer/foreign branch, at least 30 days before the expiry date of duration of solvency restoration prescribed in the decision on establishment of Solvency Control Committee, the Solvency Control Committee shall request the Department of Insurance Management and Supervision to consult with relevant units (in necessary cases), and then propose the Ministry of Finance to consider if the adoption of measures for solvency restoration should continue.

b) Termination of adoption of measures for solvency restoration:

- The adoption of measures for solvency restoration of the insurer shall terminate in cases prescribed in Clause 1, Article 81 of the Law on Insurance Business;

- The adoption of measures for solvency restoration of the foreign branch shall terminate in any of the following cases:

+ Expiry of duration over which measures for solvency restoration have adopted;

+ Ordinary operation of foreign branches resumes;

+ The foreign branch has completed the procedures for consolidation, acquisition, or termination before the expiry of solvency restoration duration.

- Solvency Control Committee requests the Department of Insurance Management and Supervision to consult with relevant units (in necessary cases) and then propose the Ministry of Finance to consider if the adoption of measures for solvency restoration should terminate

9. Send reports on adoption of measures for solvency restoration and results thereof to the Department of Insurance Management and Supervision affiliated to the Ministry of Finance:

a) Periodical reports: before every 15^{th}.

b) Ad-hoc reports: upon request of the Ministry of Finance or report on reference to arising matters (if any).

10. Use the Ministry of Finance's seal during its performance of duties.

Article 42. Duties of head, deputy head and members of Solvency Control Committee

1. Duties of Solvency Control Committee head:

a) Perform duties and exercise powers of Solvency Control Committee as prescribed in Article 41 hereof;

b) Assign duties to Solvency Control Committee deputy head and members;

c) Manage and oversee performance of Solvency Control Committee deputy head and members.

2. Duties of Solvency Control Committee deputy head and members:

a) Perform duties as assigned by Solvency Control Committee head;

b) Be held accountable to Solvency Control Committee head for assigned duties.

Section 3. POWERS OF THE MINISTRY OF FINANCE AND RESPONSIBILITIES OF AFFILITATES

Article 43. Powers of the Ministry of Finance in solvency control

1. Decide establishment of Solvency Control Committee.

2. Approve solvency restoration plans at the request of insurers/foreign branches.

3. Approve for requests of Solvency Control Committee in terms of:

a) Restricting operation scope and field of insurer/foreign branch;

b) Suspending activities leading insurer/foreign branch's insolvency;

c) Suspending administration rights of members of the Board of Directors (Board of members), Director General (Director), Deputy General Director (Deputy Director) of insurers and Director, Deputy Director of foreign branches, and requiring insurers and foreign branches to replace those members.

d) Requiring insurer/foreign branch to transfer all insurance policies to other insurers/foreign branches.

4. Decide on continuing or terminating adoption of measures for solvency restoration of insurers/foreign branches.

5. Require Solvency Control Committee to send reports on adoption of solvency restoration as prescribed in Clause 2, Article 80 of the Law on Insurance Business.

6. Other rights as per the law.

Article 44. Responsibilities of affiliates of Ministry of Finance

1. Responsibilities of the Department of Insurance Management and Supervision

a) According to management and overseeing, the Department of Insurance Management and Supervision has responsible for:

- Discovering and reporting the Ministry of Finance when an insurer/foreign branch is at risk of insolvency;

- Request the Ministry of Finance to decide establishment, composition, duties and powers of Solvency Control Committee, duration over which measures for solvency restoration adopt if insurer/foreign branch fails to restore its solvency according to the approved plan as prescribed in Clause 1, Article 80 of the Law on Insurance Business.

b) Act as an advisor for the Ministry of Finance in directing initiation of solvency control of insurers/foreign branches and oversee operation of Solvency Control Committee;

c) Act as a contact to receive reports, proposals and request from insurers/foreign branches; request the Ministry of Finance to decide matters in connection with solvency control of insurers/foreign branches upon request of Solvency Control Committee;

d) Manage and keep records relating to adoption of measures for solvency restoration of insurers/foreign branches as per the law.

dd) Perform duties with respect to state management as per the law.

2. Responsibilities of affiliates of the Ministry of Finance

Affiliates of the Ministry of Finance shall, according to their assigned duties, delegate officials to participate in Solvency Control Committee and offer opinions about matters of insurers/foreign branches at the request of Solvency Control Committee.

Article 45. Responsibilities of relevant agencies, organizations, and individuals

Relevant agencies, organizations, and individuals shall cooperate and provide information at the request of Solvency Control Committee as prescribed in Article 41 of this Circular.

Article 46. Responsibilities of insurers and foreign branches

1. Insurer/foreign branches shall actively initiate measures for solvency restoration and take responsibility therefor as per the law.

2. Comply with decisions and direction of the Ministry of Finance and requests and decision of Solvency Control Committee.

3. Keep managing and controlling operation and ensure their financial safety as per the law.

4. Take responsibility for organization and operation of insurer/foreign branch prior to, during, and after the duration over which measures for solvency restoration have adopted.

5. Perform other tasks upon written requests of the Ministry of Finance.

6. Take legal responsibility for accuracy of information and documents provided for Solvency Control Committee.

7. Other responsibilities as per the law.

Chapter VII

IMPLEMENTATION

Article 47. Entry into force

1. This Circular comes into force as of July 1, 2017.

2. This Circular replaces Circular No. 124/2012/TT-BTC dated July 30, 2012 of the Ministry of Finance on guidelines for the Government's Decree No. 45/2007/ND-CP dated March 27, 2007 on guidelines for the Law on Insurance Business and the Government's Decree No. 123/2011/ND-CP dated December 28, 2011 on guidelines for Law on amendments to the Law on Insurance Business; Circular No. 125/2012/TT-BTC dated July 30, 2012 of the Ministry of Finance on guidelines for financial regulations of insurers, reinsurers, insurance brokers and foreign non-life branches and Circular No. 194/2014/TT-BTC dated December 17, 2014 of the Ministry of Finance on amendments to Circular No. 124/2012/TT-BTC and Circular No. 125/2012/TT-BTC.

3. Difficulties that arise during the implementation of this Circular should be reported to the Ministry of Finance for consideration./.

PP. MINISTER
DEPUTY MINISTER

Tran Xuan Ha

ATTACHED FILE

Annex