



**LAO PEOPLE'S DEMOCRATIC REPUBLIC**  
**PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY**

Ministry of Finance

No: 770/MOF  
Vientiane Capital, 21 March 2016

## **Ministerial Guideline on Insurance Business Licensing**

- Pursuant to the Law on Insurance No. 06/NA, dated 21December2011;
- Pursuant to the Prime Minister Decree on Organisation and Function of Ministry of Finance No.80/PM, dated 28February2007.

### **Minister of Finance issues guideline:**

#### **I. General Provisions**

##### **Article 1. Purpose**

This guideline issued for the purposes of providing guidance on insurance business licensing for insurance business operators, agencies and sales agents for the common understanding and harmonized implementation nationwide. This shall allow the insurance business to be managed with legal compliance with an aim to protect the rights and legitimate benefits of the insurers and insured persons, of the state, and of the collective purposes for the social harmony, good order and contributions into the socio-economic development.

##### **Article 2. Insurance business operators**

Insurance business operator is an individual, legal entity, and domestic and foreign organisation who invest in the establishment or participate in insurance business operation such as the establishment of a company, an agency, sales agent who operate business activities according to types and forms scope of insurance business operation stated in Article 19 of the Insurance Law, No. 06/NA dated 21 Dec 2011.

Insurance business operators with permission to establish in Lao PDR shall be a member of Lao Insurance Business Association to play a part in insurance related activities in accordance with laws and regulations and compliance with commitments in international treaties and international agreements that Lao PDR is a member.

### **Article 3.** Insurance business operation

An individual, legal entity, and domestic and foreign organisation with an intention to engage in insurance business in Lao PDR shall follow laws and regulations and application procedure in order to obtain insurance business licensing from the Ministry of Finance, which stated in Article 25 of the Insurance Law.

An individual, legal entity, and domestic and foreign organisation who does not get an approval for insurance business establishment and operation in accordance with the Law on Insurance and this guideline will not have the rights to operate such business. In addition, an individual, legal entity and organisation are not allowed to purchase insurance, use services or engage in insurance agreement with an operator who does not have a lawful insurance business operating license from Ministry of Finance.

### **Article 4.** Insurance Business Operation as an Agent

An insurance agent is an individual or legal entity operating insurance business, representing in sale services and implementing duties in accordance with contractual conditions as being agreed by any insurance companies, who shall seek permission on insurance agent with the Department of State Enterprise Management and Insurance, following the tax registration with the taxation sector. An insurance agent does not receive a monthly salary from an insurance company but not the commission fee as being agreed with the company. Both the company and agent shall properly fulfil the state obligations and comply with the Lao PDR's laws and regulations.

### **Article 5.** Insurance Business Operation as a Broker

An insurance broker is an individual or legal entity with independency and competency in doing so, similar to the case of an insurance agent. The broker can perform duties for insurance companies locally and receive commission fees as being agreed with the company. The broker shall obtain permission from MOF as being elaborated in this Guideline prior to the performance.

An insurance broker has a duty to represent a client in entering a transaction with a company. The broker shall be liable for the individual business in terms of paying tax and complying with laws and relevant regulations.

### **Article 6.** Permission Issued For Insurance Agent/Broker

An insurance company with an intention to set up an insurance agent or broker shall consolidate a name list and fill application as stipulated in Art. 9, par. 9.3 and 9.4 of this Guideline, then submit to the Department of State Enterprise Management and Insurance-MOF for considering the issuance of permission.

## **II. Insurance business operating license Procedure**

### **Article 7. Insurance business operating license Issuance**

An individual, legal entity, and domestic and foreign organisation who have an intention to operate insurance business in Lao PDR can apply by submitting all applications as determined by regulations, the Insurance Law and this Guideline to the insurance supervision under MOF.

The duration for considering the insurance business operating license is fifteen working days upon the date of receiving the applications. The insurance supervision-MOF will then issue the one-year temporary insurance business license for the purpose of business monitoring. Upon the monitoring, if it is found that the company fulfils all requirements as mentioned in Art. 20 of Insurance Law and other Lao PDR's laws and regulations, MOF will issue the permanent insurance business operating license.

An individual agent/broker for any insurance business operators shall obtain a certificate issued by MOF and validated by the operator where he/she is representing. An individual agent/broker with sale services shall show the ID card to an insured person whenever there is an insurance sale service.

### **Article 8. Insurance business operating license Procedure**

MPI issues an Investment License on Insurance for an insurance company upon the technical considerations by MOF. Regarding the Insurance Business License, MOF shall provide in accordance with Art. 9 of this Guideline

An insurer as a foreign investment shall have rights in the form of joint-venture or 100% FDI with consistency to the international conventions and treaties that Lao PDR is a member.

The Insurance Business License is issued specifically for each insurance type as stipulated in Art. 8 of Insurance Law. In case of an insurance business operator with permission to establish and running the business but without separating the license, there shall be separation for the specific insurance business in order to make it consistent to the provisions of this Guideline.

An individual with an intention to do business as an agent/broker for any insurance companies shall submit business license applications to MOF. Upon obtaining the license from MOF, there shall be application submitting to MOIC for the issuance of Enterprise License based on the relevant laws and regulations.

## **Article 9. Criteria for insurance business operating license**

An Individual and a legal entity who intend to request for insurance business operating license shall meet criteria provided in the article 20 of the Insurance Law as following:

### **9.1. Criteria for obtaining business operating license**

Criteria shall be met by an applicant as provided below:

- 9.1.1. Must be an insurance company with the Investment License issued by MPI;
- 9.1.2. An applicant for establishment of insurance company must have a name and good business operating background, never be judged by a court to limit freedom by violating economic legislation intentionally and not on the black list, terrorist or international criminal list;
- 9.1.3. Must have an office or headquarter that is suitable for insurance business operation;
- 9.1.4. Minimum capital of 16 billion kip. During the whole business operation, an insurance company must maintain capital of each stakeholder in the level not less than capital provided in the Article21 of the Insurance Law No. 06/NA dated 21 Dec 2011;
- 9.1.5. Must have deposits in a bank that has high financial creditability in Lao PDR and then inform MOF and shall follow the conditions below:
  - (1) For insurance business operator of each type shall have deposits for risk guarantee 1/3 of total registered capital of each type of insurance; Account opening, money withdrawal and account closing shall have two collective signatures by the insurance company and Department of State Enterprise Management and Insurance; Prior to the withdrawal, Art. 94 of Insurance Law shall be complied with agreement by Department of State Enterprise Management and Insurance-MOF;
  - (2) Must inform a bank that the insurance supervisory has a direct authority to check account balance at any point in time;
  - (3) Withdrawal or using deposits for risk guarantee shall obtain an approval from MOF before withdrawing and using such deposits.
- 9.1.6. Must have names and background information of managing directors who are assigned for each position and have employees or human resources who have knowledge and technical skills and have certification or a degree on insurance;

9.1.7. Must determine a clear insurance business plan including below one-year, two to five years and more than five years, short/medium and long-term plan with the following details:

- (1) Plan on expanding branches in Vientiane Capital City and provinces;
- (2) Insurance plan including risk management for the company and reinsurance;
- (3) Financial plan (assets, liabilities, revenue, expenditure and profit/loss);
- (4) Employment plan and human resources development;
- (5) Joint venture with foreigners plan (if any).

9.1.8. Never have a license being terminated within 5 years prior the submission of insurance business operating license application.

## 9.2. Criteria for foreign investors

Apart from the criteria provided in 6.1 of this guideline, additional criteria applied to foreign investors as follows:

- 9.2.1. Have at least 5 year experience of doing insurance business;
- 9.2.2. Have an approval to establish a representative office of insurance company in accordance with laws in Lao PDR;
- 9.2.3. A copy of an approval letter for establishment and operation of insurance business from insurance authority where the headquarter office located.

## 9.3. Criteria for insurance agencies

Who will be an agency must meet conditions provided:

(1) For individuals:

- Must be Lao citizen, located and live in Lao PDR;
- More than 18 years old;
- Have good manners;
- Never received a decision to limit freedom by a court because of intentionally break economic laws except 5 years after out of jail prior the submission of a licensing application;
- Never regarded as a person with bankruptcy;
- Must have certificate in insurance, pass exams or trainings related to insurance;
- Never have an agency license being terminated within 5 years prior the submission of a licensing application;

(2) For legal entities:

- are entities that have a business registration in accordance with laws of Lao PDR;
- Have an office and official organisation structure;
- Have skilled and knowledgeable employees, with certification letter or certificate on insurance;
- Must have minimum registered capital of 50 million kip;
- Have skilled managing directors, technical experience, specialty in insurance and have good business operation background;
- Have a contract as an agency with an insurance company that they represent;
- Never have an agency license being terminated within 5 years prior the submission of a licensing application.

9.4. Criteria for brokers

9.4.1 Criteria for an individual broker:

- Must have an approval for becoming a broker in accordance with laws and regulations;
- Have a name and good background, never received a decision to limit freedom by a court because of intentionally break economic laws;
- Must have certificate in insurance, pass exams or trainings related to insurance;
- Have a contract as a broker with an insurance company;
- Never have a broker license being terminated within 5 years prior the submission of a licensing application.

9.4.2 Criteria for legal entities:

- Must have an approval for becoming a broker in accordance with laws and regulations;
- Must have certificate in insurance, pass exams or trainings related to insurance;
- Must have minimum registered capital of 50 million kip;
- Must have deposits similar to insurance company of 1/3 of total registered capital;

- Have a contract a broker with an insurance company;
- Never have a broken license being terminated within 5 years prior the submission of a licensing application.

#### **Article 10. Licensing fees**

Insurance business operators shall pay for licensing fees provided in Article 23 of the Insurance Law No. 06/NA dated 21 Dec 2011 according to each type and form of license via the provision into state budgetary by Department of State Enterprise Management and Insurance as provided below:

##### **10.1. Licensing fees:**

10.1.1. Life insurance operating license	10.000.000 kip
10.1.2. Non-life insurance operating license	10.000.000 kip
10.1.3. Agency license for an individual	1.000.000 kip
10.1.4. Agency license for a legal entity	2.000.000 kip
10.1.5. Agency/Broker ID card or certification letter for an individual	300.000 kip

##### **10.2. Renew licensing fees:**

10.2.1. Renew life insurance operating license	2.000.000 kip
10.2.2. Renew non-life insurance operating license	2.000.000kip
10.2.3. Renew agency license for an individual	1.000.000kip
10.2.4. Renew agency license for a legal entity	500.000 kip
10.2.5. Review agency/broker ID card or certification letter for an individual	200.000 kip

Renew license fees is to be paid annually based on calendar; license and renewed license are valid for 1 year from 1 January to 31 December of every year, when license is expired, a license must be renewed and fees must be paid at MOF within the first three months of the following year, not later than every 30 March. A person with new endorsement within the year must pay the fees in full in accordance with the amount provided above.

#### **Article 11. Obligation Fulfilment**

Individuals, legal entities and domestic and foreign organisations who invest or participate in insurance business in Lao PDR such as: enterprises, companies, agencies, brokers and representative offices who participate and operate business shall follow

financial system, accounting, summarising-reporting and strictly implement customs and tax commitments and other fees, and according to the Insurance Law and other related laws.

## **Article 12. Fine**

Insurance business operators, agencies and brokers that violate this guideline will pay a fine based on cases provided:

12.1. After obtaining Investment License, within three months must apply for business operating license from MOF. If it is over 3 months, there will be a fine of 20 million kip if over the period three months.

12.2.1 If there is a delay in submission for renewing the business operating license, agencies and brokers licenses there will be a fine imposed:

- If there is the delay of three months, there will be subject to the fine of one-time more expensive than the usual licensing fee amounts depending on each type;
- If there is the delay of more than three months but within six months, there will be subject to the fine of five-time more expensive than the usual licensing fee amounts depending on each type;
- If there is the delay of six months, there will be subject to the fine of ten-time more expensive than the usual licensing fee amounts depending on each type of license along with the order to suspend the business operation and to compensate the civil remedies caused by the violation;

12.2.2.If there is false information, incorrect documents or omission of information during the licensing application process or renew of insurance business license there will be a fine of 10 times of licensing fees according to each type of license and will be punish according to laws;

12.2.3.If there is a temporary stop operating business without a written notification to related authorities and MOF within one year, when returning to operate business, a customs and tax commitments to government must be paid with a fine of 5 times of licensing fees according to each type of license. If over one year, business operation will be terminated and will never get considered for a license as well as any damaged incurred to others from stop operating business will be responsible by business operators;



12.2.4.If leasing insurance business operating license to others there will be a fine of 20.000.000 kip along with other legal liabilities.

### **III. Incentives for good conduct and measures against violation**

#### **Article 13. Incentives for good conduct**

Individuals or legal entities, both public and private, domestic/foreign investors with the outstanding performance in enforcing the Insurance Law and other progress in terms of effectiveness in insurance business and properly fulfilling of obligations/full payments contributing into the socio-economic development shall be admired or subject to other incentives in accordance with laws and regulations upon the propose by the insurance supervisory authorities.

Persons who give correct information and report on violation of this guideline, which lead to implementation of measures will receive an admiration and an award of 5% of a total amounts of fine according to each case of violation provided in Article 9 of this guideline.

#### **Article 14. Measures against violation**

Persons who violate this guideline will be re-educated, fined, disciplined, and civil or criminal punished based on the minor or severe cases.

14.1. For employees and officers of insurance authority: in a case of minor violation that will not affect revenue and goodwill of insurance authority such as not perform their duties or perform duties not successful as assigned without sensible reasons and leave duties and not perform tasks according to laws and regulations:

- First violation: being warned, being warned in accordance to the civil servant regulation along with documentation in the civil servant profile;
- Second violation: suspension of promotion, monthly salaries and admirations;
- Third violation: dismissal from the Party's member for one time (if he/she is the Party's member) and deduction of one ranking position of civil servant along with reshuffling to take other duties with lower rank;
- Fourth violation: dismissal from the civil servant without any benefits based on the civil servant regulation and the labour law.

In criminal case such as using position for benefits, threatening, corruptions, which cause damages to other persons, group of people, government and organisations, protecting or

joining with insurance companies that violate laws and regulations, falsifying documents, collecting fees without authorisation, using revenue for personal purposes and not collect it for government budget will subject to prosecution, if such act will lead to damages to others or organisations, such persons will be responsible for compensation that caused by them.

#### 14.2 For business operators, agencies and insurance brokers

In minor violation cases such as: fail to submit annual report, fail to submit renew license application on time or violate this guideline for the first time unintentionally will be warned, re-educated and suggested the rightly implementation.

In criminal cases such: operating insurance business without approved license, using other people's license or allowing others to use your license, using expired license, providing false information, omitting information, falsifying documents, bribing or giving payment, joining with officers of insurance authority to violate laws and regulations, defaming, threatening, using violence against employees and officers who supervise insurance related work will be subject to prosecution and be responsible for compensation of all damages.

#### 14.3 For persons and organisations

In a case of violation of this guideline, there will be a re-education, fine, compensation or criminal record depends on the severity of cases:

Cases on criminal offences such as refusing to provide information, joining to omit information, falsifying documents and supporting violation that related to damages of insurance business operators, bribing or receiving bribery, rewards, performing actions that violate laws and regulations related to insurance, defaming, threatening and using violence against employees and officers or insurance business operators will subject to prosecution and be responsible for compensation of all damages.

Insurers including agencies and insurance brokers who operate insurance business without approved license will receive warning or re-education, business suspension and license termination. In addition, violators have to take responsibility for damages occurred to insurance purchasers and will solve conflict and find resolution of any issues as provided in insurance agreements.

## **15. Termination of license**

Insurance business operating license will be terminated depends on each case when insurers do not follow conditions or violate any prohibitions as below:

15.1 Insurers do not follow conditions or violate any prohibitions provided in Article 26 of the law on Insurance;

15.2 Fail to follow this guideline;

15.3 Make a loss three years consecutively and cannot maintain reserves for risks;

15.4 Companies withdraw deposit 1/3 of registered capital for risks without permission;

12.5 Violate regulations related to implement of effective commitments;

15.6 Concession registration has been terminated, has evoked or expired as provided in article 25, 76 and 77 of the investment Promotion Law.

In a case where an insurance operating license is already terminated, a license of branches under such companies located in Lao PDR will also be terminated.

## **IV. Final Provisions**

### **Article 16. Implementation**

Individuals, legal entities and domestic and foreign organisations that intend to engage in insurance in Lao PDR shall strictly follow the Insurance Law, regulations and procedures under this guideline.

Insurance business operators that obtain an approval to establish and operate insurance business before the adoption of the (amendment) Law on Insurance, the entry into force of this guideline if operators have an intention to continue insurance business shall submit application for continuing insurance business to Ministry of Finance in accordance with this guideline.

After the implementation if it is suitable with realistic circumstances, there must be a report to higher level for immediate solution.

### **Article 17. Effectiveness**

This guideline is effective from the date of signatory. If there is any regulations apart from the constitution and laws that contravene with his guideline shall be null.

Minister of Finance  
Dr. Lien THIKEO