

## Client Alert

May 2015

### Vietnam's Proposed Amendments to the Regulations on Voluntary Pension Insurance Products Provided by Life Insurers

#### Recent developments

The Ministry of Finance ("**MOF**") recently released the preliminary draft of a circular ("**Draft Circular**") on voluntary pension insurance and the pension fund. The overarching aim is to encourage growth for this type of pension scheme, making voluntary pension products provided by life insurers more attractive to customers in Vietnam. The proposed Circular will amend the current regulations enacted on 20 August 2013, under Circular No. 115.<sup>1</sup>

Circular No. 115 was previously issued as part of a Government initiative to provide an alternative pension scheme to ensure pension benefits for employees. However, two years from when it was issued, few insurance companies and employers have opted to adopt this scheme.

#### Specific amendments proposed by the Draft Circular

##### (a) Amendment to the conditions for insurance agents

Under Circular No. 115, for a life insurer to sell pension insurance products, its agents must have at least six consecutive months of experience as life insurance agents, or six (6) consecutive months working in finance, banking and insurance. The Draft Circular proposes to ease this requirement with the substitution of a new condition of "*being trained to sell voluntary pension insurance products*".

Accordingly, under the Draft Circular, to be permitted to sell pension insurance products, insurance agents will need to satisfy the three following conditions:

- (i) Having an insurance agent certificate, issued by a training organization approved by the MOF;
- (ii) Not having violated the rules on agent occupational ethics of the life insurer whilst practising as an agent; and
- (iii) Having been trained to sell voluntary pension insurance products.

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<sup>1</sup> Circular No. 115/2013/TT-BTC of the MOF dated 20 August 2013 on voluntary pension insurance and pension fund ("**Circular No. 115**").

Should you wish to obtain further information or want to discuss any issues raised in this alert with us, please contact:

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(b) Withdrawal in advance of pension insurance account

Under Circular No. 115, an insured person is entitled to request the life insurer for a withdrawal in advance of a part of, or the whole of the value of a pension insurance account in the following cases:

- (i) The insured person has a reduced working capacity of 61% or more; and
- (ii) The insured person suffers a dangerous disease.

In addition to the above circumstances, the Draft Circular supplements a new case allowing insured persons who lawfully reside in foreign countries to withdraw, fully or partly in advance, their pension insurance account.

(c) Age threshold for eligibility to receive pension insurance

In terms of the age threshold for eligibility to receive pension insurance, the MOF proposes to make this voluntary pension insurance regime more consistent with Vietnamese law on retirement age, as well as the pension regime of compulsory social insurance. Specifically, while Circular No. 115 provides for a standard age of retirement (which is not lower than 60 for men and 55 for women), the Draft Circular supplements an exception “*where provided otherwise by law regarding retirement age*” in order to cover any special circumstances.

Please let us know if you have any comments on these proposed amendments by the MOF, or any other changes you would like to make to Circular No. 115. We can assist you with reviewing and sending your suggested changes to the drafting team of the MOF accordingly.

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