



LAO PEOPLE'S DEMOCRATIC REPUBLIC  
PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY

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President's Office

No. 101/PO

**DECREE**  
*of the*  
**PRESIDENT**  
*of the*  
**LAO PEOPLE'S DEMOCRATIC REPUBLIC**

**On the Promulgation of the Insurance Law**

Pursuant to the Resolution of the Meeting of the People's Representatives on 2 December 1975 on the Appointment of the President of the State;

Pursuant to the Law on the People's Supreme Assembly of the Lao People's Democratic Republic, No. 04/SPA dated 19 April 1988; and

Pursuant to the Resolution of the fifth session of the second People's Supreme Assembly on the adoption of the Insurance Law No 11/90/SPA dated 18 December 1990.

**The President of the Lao People's Democratic Republic  
Decrees That:**

**Article 1.** The Insurance Law is hereby promulgated.

**Article 2.** This decree shall enter into force on the date it is signed.

Vientiane, 24 December 1990

Acting President of the Lao People's  
Democratic Republic

*[Seal and Signature]*

Phoumy VONGVICHIT



LAO PEOPLE'S DEMOCRATIC REPUBLIC  
PEACE INDEPENDENCE UNITY DEMOCRACY PROSPERITY

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People's Supreme Assembly

No. 11/90/PSA  
18 December, 1990

## **INSURANCE LAW**

### **Part I General Principles**

#### **Article 1. Function of the Insurance Law**

The Insurance Law has the function of promoting and preserving the socio-economic basis of the Lao People's Democratic Republic, regulating insurance relationships, ensuring the exercise of rights and the performance of duties between enterprises conducting insurance business and insured individuals or legal entities, enhancing the responsibilities of enterprises conducting insurance business in implementing the laws of the State and to ensure State inspections of insurance business undertakings.

#### **Article 2. The Conduct of Insurance**

The conduct of insurance is a contract where one party, referred to as the insured, agrees to pay insurance premiums for the purpose of receiving indemnification<sup>1</sup> for himself or for a third person in the event of loss, and the other party, referred to as the insurer, who insures against risks by providing the indemnity.

#### **Article 3. Persons Involved in an Insurance Contract**

Persons involved in an insurance contract are: the insurer, [and] the insured or the signatory of the insurance and the beneficiary.

An insurer is an enterprise authorised by the State to conduct insurance business.

An insured is a person who receives life or property insurance from an insurance enterprise.

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<sup>1</sup> The literal translation of this term is "compensation for damage".

An insurance signatory is a person who signs<sup>2</sup> the insurance contract [and] agrees to pay insurance premiums for the purpose of insuring [his] life or property (in this case, he is the same person as the insured person) or [the life or property] of a third person.

A beneficiary is a person who receives insurance payments or indemnities as stipulated in the insurance contract when losses occur.

#### **Article 4. Scope of Application of the Insurance Law**

This Insurance Law applies to the following insurance enterprises:

1. Insurance enterprises which enter into contracts the performance of which depend on the life span of the insured;
2. Insurance enterprises in all sectors which have collected insurance premiums and [which] guarantee the payment of indemnities in the event losses occur;
3. Insurance enterprises that mobilise funds<sup>3</sup> by making specific binding contracts.

#### **Article 5. Forms of Insurance Companies**

An insurance enterprise is a legal entity which conducts the insurance business or mobilises funds.

Only insurance enterprises in the form of a partnership [and<sup>4</sup>] branches of foreign insurance companies have the right to conduct the business stipulated in Article 4 of this law.

Enterprises stipulated in point 2 of Article 4 of this law shall have not the right to conduct the business stipulated in points 1 and 3 of Article 4 of this law, unless [they have] received authorisation from the competent government organisation.

#### **Article 6. Types of Insurance**

Insurance activities are classified into the following types:

1. Insurance Against Damage to Property;

An insurance relating to property is an insurance against damage to property that occurs in production, business and in life such as: factory or

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<sup>2</sup> The literal translation of this phrase is “the person who is showing his face”, which means that he is the person who is actually present but he may be signing either for his own benefit or for the benefit of a third person.

<sup>3</sup> The term “mobilise funds” appears to connote endowment or savings policies.

<sup>4</sup> The intended meaning here is “or”.

house fires, theft, and others, for which the insurer must indemnify the insured.

2. Civil Liability Insurance;

A civil liability insurance is an insurance against civil damage for which the insurer must indemnify or compensate on behalf of the insured.

3. Personal Insurance and Mobilisation of Funds;

Personal insurance and mobilisation of funds is an insurance against damage occurring as a result of death or health problems in respect of which an insurance payment is received in the event [the insured or beneficiary] continues to live, as stipulated in the insurance policy.

## **Part II**

### **Authorisation to Conduct Insurance Business and State Audits**

#### **Chapter 1**

#### **Authorisation to Conduct Insurance Business**

##### **Article 7. Request to Conduct Insurance Business**

Individuals or legal entities who request to conduct an insurance business must complete a full set of documents as stipulated in the Decree of the Council of Ministers<sup>5</sup>.

A request to conduct an insurance business must be submitted to the Minister of Economy, Planning and Finance. The Minister of Economy, Planning and Finance, must consider and make a decision on the request within three months from the date of receipt of the request.

##### **Article 8. Organisations which have the Right to Authorise the Conduct of Insurance Business**

An individual or legal entity which has the intention to conduct insurance business as referred to in Article 4 of this law may start conducting its business upon authorisation from the Minister of Economy, Planning and Finance.

The Minister of Economy, Planning and Finance has the right to authorise the person who has requested to conduct insurance business of one or more types<sup>6</sup>. An insurance enterprise has the right to conduct only the type of insurance business which it has been authorised to operate.

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<sup>5</sup> The “Council of Ministers” is the name by which the Prime Minister’s Office used to be known.

<sup>6</sup> The literal translation of this term is “sectors”.

If necessary due to circumstances of the insurance market, the Minister of Economy, Planning, and Finance has the right to restrict or suspend the issuance of additional licenses for insurance business of one, some or all types.

The issuance, modification, restrictions, suspensions or withdrawals of insurance licenses must be made in the form of a decision of the Minister of Economy, Planning, and Finance.

## **Chapter 2 State Audit**

### **Article 9. Purpose of a State Audit**

A State audit of insurance enterprises is for the purpose of protecting the interests of the insured or the signatory of the insurance contract and beneficiaries under insurance and fund mobilisation contracts.

### **Article 10. Submission and<sup>7</sup> Inspection of Documents**

Before using documents regarding general conditions of an insurance policy or offer, insurance application forms, advertisement leaflets and brochures which will be distributed or disseminated to the public or given to insurance contract holders or to their own members, insurance enterprises of all types must first submit such documents to the Minister of Economy, Planning and Finance for approval.

If there are modifications or amendments to the articles of association, insurance enterprises of all types must inform the Minister of Economy, Planning, and Finance within fifteen days from the date the general meeting<sup>8</sup> of enterprise has voted for [and] adopted it.

Insurance enterprises of all types must inform the Minister of Economy, Planning and Finance regarding the basis for calculation and insurance premiums which they propose to apply.

If an insurance enterprise decides to modify certain details relating to insurance premiums, contract conditions, the professional organisation [of the enterprise], competition<sup>9</sup> or their financial management, the directors of the enterprise must notify such decision to the Minister of Economy, Planning, and Finance before applying [such modification].

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<sup>7</sup> The literal translation of this term is “or”. However, it is used in this context to mean “and”.

<sup>8</sup> The literal translation is “general meeting” but the intended meaning is a full meeting such as an Annual General Meeting.

<sup>9</sup> The translators have chosen to use a literal translation here. There is an implication, in the literal language, that the competition is unfair.

The Minister of Economy, Planning and Finance has the right to demand modification of insurance premium rates, [and] all documents to be used in the insurance business or in mobilising funds from the public, including information which will be disseminated.

**Article 11. Inspectors**

Inspectors are sworn [civil] servants assigned to perform duties in accordance with conditions stipulated in a specific decision of the Minister of Economy, Planning and Finance and are assigned to regularly monitor insurance enterprises.

Inspectors have the right, at all times to perform on-site inspections of all activities of insurance enterprises, [and] inspectors must maintain confidentiality regarding the business that they become aware of during the performance of their duties.

Inspectors have the right to inspect all books of accounts, general ledgers, contracts, letters, memoranda, accounting documents or other documents relating to situations and past activities of insurance enterprises, and inspect cash reserves and valuable assets.

Inspectors must prepare reports summarising their inspections, confirming the true [circumstances] which they have found and report to the Minister of Economy, Planning, and Finance in order to obtain instructions on the method of resolution [of problems] as deemed necessary.

In conducting inspections, inspectors must comply with regulations relating to financial and accounting inspections.

**Article 12. Duties of Insurance Enterprises relating to Inspections**

Insurance enterprises of all types, individuals or legal entities which have been assigned the right by an insurance enterprise to enter into or administer a contract, [and] individuals or legal entities which practice the profession of insurance intermediaries must be inspected by inspectors.

Insurance enterprises must facilitate inspectors in the performance of their duties in their types of insurance activities or their branches in inspecting all general ledgers and documents mentioned in Article 11 of this law and must make available competent staff to supply information required by the inspectors.

### **PART III**

## **Lao Insurance Companies and Branches of Foreign Insurance Companies, Insurance Intermediaries, Financial Regime, Accounting, and Statistics**

### **Chapter 1**

## **Lao Insurance Companies and Branches of Foreign Insurance Companies**

### **Article 13. Lao Insurance Companies and Branches of Foreign Insurance Companies**

A Lao insurance company is an insurance company which has been authorised to be established in the Lao People's Democratic Republic jointly between Lao individuals or legal entities, or through a joint venture between Lao individuals or legal entities and foreign individuals or legal entities and is registered in conformity with Lao laws.

A branch of a foreign insurance company is an organisation of a foreign insurance company which has been authorised by the Lao government to conduct insurance business in the Lao People's Democratic Republic and which is registered in conformity with Lao laws.

### **Article 14. Standards of Founders<sup>10</sup> of an Insurance Company**

An individual will not be authorised to establish, direct, administer, manage and conduct settlements for insurance enterprises [,] if that individual has committed a criminal act of theft, embezzlement, misappropriation, issues a cheque [on an account] without money, [has] committed an offense affecting State credit-worthiness, and<sup>11</sup> concealed the things<sup>12</sup> obtained in committing the offenses referred to above[,] and crimes.<sup>13</sup>

### **Article 15. Restrictions to the Personal Interests of Members of Boards of Directors and Executive Officers**

Members of boards of directors and executive officers of insurance companies are prohibited from directly or indirectly [and] abusively taking or maintaining a personal interest in the insurance enterprise, the insurance market, in making contracts, in commercial or financial operations undertaken jointly with the insurance company, unless they have obtained approval from the company's general meeting. The annual report submitted to the general meeting must report on the conduct of activities authorised by the general

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<sup>10</sup> The word "founder" here has a different meaning from "founder" in the Business Law. Here, there is no objective of differentiating "founders" from shareholders. In this use, the meaning is "the people who have the right to establish an insurance company".

<sup>11</sup> The literal translation of this term is "and" but the probable meaning here is "or".

<sup>12</sup> The word "thing" should be read in a general way.

<sup>13</sup> This term refers to offenses which are punishable with imprisonment of a period from five years up to capital punishment, as defined in Article 7 of the Penal Law.

meeting of the enterprise. Reports relating to the conduct of such activities must be included in the auditor's report.

**Article 16. Criteria of a Person to whom General Rights of Insurance Companies may be Granted**

A person to whom general rights of insurance companies may be granted, must have a notification of offence<sup>14</sup> and a certificate authorising him to directly manage the branch of the insurance company.

A person who has been granted general rights must maintain accounts specific to each type of insurance business which he conducts in the Lao People's Democratic Republic.

**Article 17. Determination of Capital Requirements for a Partnership Company**

A partnership company must have enterprise capital to undertake insurance activities in an amount not less than the amount specified in the decree of the Council of Ministers. Any insurance company document which will be disseminated to the public must clearly state the capital of such enterprise.

**Article 18. Security Deposits of a Lao Insurance Company and of a Branch of a Foreign Insurance Company**

A Lao insurance company and a branch of a foreign insurance company which conduct insurance business in the Lao People's Democratic Republic must deposit a guarantee into a bank established in the territory of the Lao People's Democratic Republic in an amount stipulated in the Decree of the Council of Ministers.

A Lao insurance company or a branch of a foreign insurance company may deposit guarantees in Kip or in foreign currency, government bonds or government-guaranteed bonds. If interest has accrued from the guarantee in the bank, the company or a branch of a company has the right to use [such interest].

If reserves for technical purposes<sup>15</sup> or deposits in a savings account corresponding to such reserves are insufficient, approval will be given to use the deposit referred to above to specifically indemnify the insured or beneficiaries under such insurance contract.

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<sup>14</sup> This term refers to a document issued by a competent authority to certify that the individual has not committed any offenses.

<sup>15</sup> Readers may wish to refer to Chapter 3 of this law for an explanation of this term.

If an insurance company ceases [its operations] or is being liquidated<sup>16</sup>, the guarantee deposited in the bank must be returned to the company within 30 days from the date the Minister of Economy, Planning and Finance issues a notice. The notice must indicate the performance of the company's obligations or the transfer of existing assets and various obligations to an enterprise whose establishment has been authorised.

#### **Article 19. Methods for Increasing Efficiency of an Insurance Enterprise**

If it is found that an insurance enterprise is in the situation which may not enable it to fulfill its obligations or perform its duties in accordance with the rules, the Minister of Economy, Planning and Finance has the right to order and request that the relevant enterprise submit its re-organisation plans for approval. Such plans must project all specific measures to improve the efficiency of the enterprise.

The submission of the enterprise re-organisation plan must take place within thirty days from the date of the receipt of the order.

If any insurance enterprise violates rules regarding reserves for technical purposes, the Minister of Economy, Planning and Finance has the right to suspend the unlimited use of the relevant insurance enterprise's assets located in the territory of the Lao People's Democratic Republic.

#### **Article 20. Transfer of Insurance Contract Fund**

An insurance enterprise has the right to transfer all or part of the insurance contract funds along with its rights and duties to one or more insurance enterprises with prior authorisation from the Minister of Economy, Planning and Finance.

The request to transfer the insurance contract funds must be notified to creditors through public notices so that they can provide comments within three months. If it is found that the transfer of insurance contract funds conforms to the interests of the insured and creditors who are Lao, the Minister of Economy, Planning and Finance will issue a decision to transfer as requested.

#### **Article 21. Withdrawal of License**

An insurance business license which has been issued to an insurance enterprise may be withdrawn from for certain types of insurance activities or all types of insurance activities at any time if such enterprise:

- Fails to comply with the prescribed conditions; or
- Fails to apply measures stipulated in the re-organisation plan in due time; or

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<sup>16</sup> The literal translation of this phrase is "liquidation of liabilities and assets".

- Seriously violates regulations which prescribe existing obligations that are in force.

If a license has been withdrawn from a foreign insurance enterprise by a competent authority of the enterprise's head office, the Minister of Economy, Planning and Finance must withdraw the license issued to such branch of enterprise established in the Lao People's Democratic Republic.

All decisions to withdraw the license or to suspend operations must be supported by clear reasons and be notified to the relevant enterprise.

The withdrawal of license by the Minister of Economy, Planning and Finance must be made in the form of a decision and must be disseminated.

#### **Article 22. Appeal against a Decision to Withdraw a License**

Insurance enterprises have the right to appeal against a decision to withdraw an insurance business license issued by the Minister of Economy, Planning, and Finance to the Council of Ministers within fifteen days from the date they have become aware of the decision to withdraw the license.

The Council of Ministers must consider and give an opinion regarding such appeal no later than thirty days from the date it has received the appeal.

#### **Article 23. Liquidation**

A decision to withdraw the entire insurance business license issued by the Minister of Economy, Planning and Finance results in the dissolution of the relevant Lao insurance company or [results in] the commencement of the liquidation of a branch of a foreign insurance company from the date the decision became effective.

If an enterprise has appealed against the decision to withdraw a license, [the commencement date of liquidation<sup>17</sup>] will be the date of issue of the decree of the Council of Ministers.

#### **Article 24. Conduct of Liquidation**

Liquidation is conducted by a liquidation committee established by the President of the Council of Ministers upon recommendation of the Minister of Economy, Planning and Finance.

The liquidation committee shall include one or more representatives from the Insurance Department and other technical staff as necessary.

In the liquidation, distributions must conform with priorities of creditors and in accordance with the Civil Law.

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<sup>17</sup> Until a decree in response to the appeal is issued by the Council of Ministers, the dissolution or commencement of liquidation cannot begin.

## **Chapter 2**

### **Insurance Intermediaries**

#### **Article 25. Insurance Offers**

An offer or acceptance of an offer [ relating to] the signing of an insurance contract by an individual or legal entity or the verbal or written explanation of the conditions of insurance to a [potential] signatory of an insurance [contract] are considered as insurance offers.

#### **Article 26. Insurance Intermediaries**

Insurance businesses of all types can be offered to the public provided that such offers are made through the following insurance intermediaries:

1. Insurance representatives;
2. Legally authorised insurance brokers and insurance brokerage enterprises;
3. Staff of an insurance company, persons authorised by insurance companies, [and] staff of insurance agents and of insurance brokers or insurance brokerage enterprises who have been properly assigned to perform the task and who have performed such tasks under the responsibility and for the interests of the grantor [of such rights] or of the company.

Insurance companies, insurance agents, insurance brokers, or insurance brokerage enterprises must hold civil liability for damage which has occurred due to a wrongful act, negligence or lack of attention on the part of their staff or grantees [of rights].

#### **Article 27. Professional Standards**

Individuals who will undertake the practice of the profession of insurance intermediaries as stipulated in Article 26 above, must meet the following standards:

1. Be not less than 18 years of age and be a Lao national;
2. Have not committed any offense stipulated in Article 14 of this law;
3. Have a good professional knowledge and competence in this profession.

### **Chapter 3 Financial Regime**

#### **Article 28. Obligations under the Regulations**

Insurance enterprises have the duty under regulations to [maintain] at all times evidence of the value of the following:

Insurance enterprises must have, at any time, evidence certifying the value of their [financial] ability to meet their obligations under the regulations as follows:

1. The reserves for technical purposes must be sufficient to enable full performance of contractual obligations towards the insured or the beneficiaries under the insurance contract;
2. Liabilities must correspond with other priority debts.

#### **Article 29. Life Insurance and Fund Mobilisation**

Reserves for technical purposes relating to activities of life insurance and of fund mobilisation are as follows:

1. The reserve fund based on calculation [which refers to] the difference between the present value of contractual obligations agreed between an insurance enterprise and the insured (the method for calculation is based on the table stating the computation of life insurance payments<sup>18</sup> and the interest rate);
2. The reserve fund for distribution of profits.

#### **Article 30. Insurance Reserves for Damages**

Reserves for technical purposes relating to insurance activities against damage are as follows:

1. Reserves for current insurance against risks [which refers to] reserves to insure against risks [and] general expenses relating to each contract for which a premium has already been paid [,] during the period between the date of entry into the accounts and the date for the determination of a new insurance premium;
2. Reserves against damage for which payment has not yet been made [which refers to] the assessment of the amount of payment which is owing but has not yet been made ; [and]
3. Reserves for increased risks and reserves for adjusting risks.

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<sup>18</sup> The literal translation of this term is “death rates”.

**Article 31. Priorities of the Insured and [of] Beneficiaries under the Contract**

Insured persons and beneficiaries under insurance contracts have special priority over movable assets of insurance enterprises which are included in the reserves for technical purposes. Such priority is ranked immediately after staff salaries and State debts.<sup>19</sup>

Movable assets of insurance enterprises which are included in the reserves for technical purposes are a special priority of the insured and of the beneficiaries under the insurance contract. Such priority is ranked immediately after staff salaries and State debts.

Fixed assets of insurance enterprises which are included in the reserves for technical purposes upon a request of the Minister of the Ministry of Economy, Planning and Finance are a security for payment to priority creditors and must be registered in accordance with the laws.

**Article 32. Ability to Pay Debts**

All insurance enterprises must have evidence to demonstrate their ability to pay debts.

The ability to pay debts includes:

1. Enterprise capital or establishment capital;
2. Reserves which do not relate to any obligations;
3. Profit carried forward and annual income after deduction of losses;
4. The excess value which results from a lower evaluation of the assets [,] upon the approval of the Minister of the Ministry of Economy, Planning and Finance based on a proposal and provision of evidence by the insurance enterprise;
5. Intangible assets shall not be calculated for the purpose of determining the ability to pay debts.

The ability to pay debts must be in an amount equal to twenty percent of actual insurance premiums.

**Chapter 4**  
**Accounting and Statistics**

**Article 33. Auditors**

Insurance enterprises must be audited by one or more auditors.

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<sup>19</sup> The structure of this sentence has been changed for readability.

**Article 34. Specific Accounting Plans**

All insurance enterprises must maintain accounts in the form specified in the Law on Enterprise Accounting.

Accounts must be kept for each year of operation and for each type of insurance. The posting of entries into the accounts of the insurance enterprise must be supported by documents and an annual inspection of assets. In order to serve as a basis for annual posting of the assets into the accounts, a balance sheet must be made for each account and sub-account. Such balance sheets must be able to summarize all postings shown in the general ledger.

**Article 35. Accounting Reports**

Each year, insurance enterprises must make an annual report of the preceding year and submit it to the Minister of the Ministry of Economy, Planning and Finance no later than 30 June. The report must provide details regarding business operations as well as the financial<sup>20</sup> status of each insurance sector in order to enable inspection of the operations of the enterprise.

**Article 36. Books of Accounts of Insurance Enterprises**

Insurance enterprises must maintain the following books of accounts:

1. One bound daily journal [entries] arranged according to date, without blank spaces, without gaps, [and] without any writing beyond margins;
2. One general ledger;
3. One book of quarterly trial balances;
4. One book of annual balance sheets;
5. One or several cash books;
6. One book to monitor bank savings.

A certificate of movable assets, fixed assets and loans must be posted into specific accounts and must be recorded in a book of record of activities for the purpose of regular monitoring.

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<sup>20</sup> The literal translation of this term is “accounting”.

**PART IV**  
**Rules Relating to Insurance Contracts**

**Chapter 1**  
**Purpose of Implementation of Insurance Contracts and Rules Relating to Making Insurance Policies**

**Article 37. Purpose of Implementation of an Insurance Contract**

Insurance contracts relating to individuals located in or residing in, risks incurring in and assets located or registered in, the Lao People's Democratic Republic may only be made with companies that are licensed to conduct insurance business in the Lao People's Democratic Republic.

All insurance contracts made in violation of the provisions of this Article shall be void and unenforceable. However, the contract will remain effective for bona fides insured and beneficiaries.

**Article 38. The Making of an Insurance Policy**

Insurance offers do not yet constitute a binding obligation between an insured and an insurer. Only an insurance policy or a memorandum of insurance will create binding obligations between the insured and the insurer.

An insurance policy is a document which determines the general conditions of an insurance contract, an insurance contract will be effective only if the parties have accepted the general conditions as evidenced by the insurance policy issued by the insurance company.

The insurance policy must be made in writing, easily readable and in the Lao language. If necessary, it can also be made in a foreign language.

Additions or modifications to the wording of an existing insurance policy must be made by the parties in the form of an additional contract.

When an insurance contract has been suspended in accordance with Article 43 of this law, if there is a request to continue, modify or renew [the insurance], sent to the insurer by registered mail or by letter requiring acknowledgment of receipt, [and] if the insurer has not rejected such request within 15 days from the date of receipt of request, [such request] shall be deemed approved.

Apart from these rules, the making of an insurance contract must also comply with Article 5 of the Contract Law.

**Article 39. Duration of an Insurance Policy**

An insurance policy must have a duration. An insurance contract proposed by an insurance company in accordance with point 2 of Article 4 of

this law must be made for one year and each renewal of this contract must not exceed one year.

If an insurance contract has expired and has been renewed automatically any party may terminate such contract by giving 3 months notice to the other party in writing, or by registered mail, or by a letter requiring a signature as acknowledgment of receipt.

#### **Article 40. Key Content of Insurance Policies**

The key content of insurance policies consists of:

1. Name and surname [and]address of the parties;
2. Insured individual or property;
3. Type of insured risk;
4. Commencement date for insurance against risks;
5. Amount of coverage;
6. Insurance premiums and methods of payment;
7. Methods and conditions relating to the notification of occurrence of damage;
8. Duration of the insurance contract and of the insurance;
9. Wording indicating when an insurance contract is invalid, [and] when each party loses or possesses the right to terminate the insurance contract before its expiration<sup>21</sup>.

#### **Article 41. Insured Risks**

The insurer must be responsible for loss or damage incurred to the object of the insurance due to accidents or due to the wrong-doing of the insured, unless the insurance policy has stated otherwise. The insurer will not be responsible for loss or damage incurred as a result of an intentional act of the insured.

The insurer must be responsible for loss or damage for which the insured holds civil liability regardless of the gravity of such wrong-doing [committed by the insured].

#### **Article 42. Obligations of the Insured Person**

The insured person has the obligation to:

1. Pay insurance premiums;
2. Correctly disclose all facts known to him in order to help accurately assess the risks which will be borne by the insurer during the making of the insurance contract;

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<sup>21</sup> The translators have chosen to render the words as literally as possible and believe that this term means “the condition upon which parties may terminate the insurance contract before its expiration”.

3. Disclose to the insurer facts which may cause the increase of risk as provided in the insurance policy;
4. Immediately notify to the insurer all losses or damage which have been insured as [such losses or damage] become known and within 5 days at the latest. In case of insurance against theft, notification must be given within 36 hours.

The parties may agree to extend the period of such notification in the contract. The insured person will not lose his rights under the insurance contract if he cannot notify [the insurer] of the incurred losses or damage due to accidents or force majeure.

#### **Article 43. Insurance Premiums**

If insurance premiums are not paid in due time, the validity of the insurance policy will be suspended after a period of twenty days from the day the insurer has sent a notice of warning to the insured.

The insurer may terminate the insurance policy or file a claim with the court requesting the insured to implement the contract after a period of 10 days from the day the insurance policy has been suspended.

The provisions of this Article do not apply to the insurance policies made by insurance companies as stipulated in points 1 and 3 of Article 4 of this law.

#### **Article 44. Concealment or False Declaration**

If the insured conceals [information] or makes a false declaration resulting in a change to the object of the risk or resulting in an incorrectly low assessment of the risk by the insurer [,] the insurance contract will be void.

#### **Article 45. Failure to Make a Declaration**

The failure [to make a declaration] or an incorrect declaration by the insured person will not cause the contract to be void if the insurer has no evidence to prove that the insured person lacks bona fides.

If the lack of bona fides is revealed before the occurrence of damage, the insurer has the right to continue the contract by increasing the insurance premiums if so agreed by the insured person or has the right to terminate the contract and return the insurance premiums paid for the period during which the insurance contract was not valid, to the insured person, after the period of 10 days from the day notice has been sent to the insured by registered mail or by letter requiring a signature as acknowledgment of receipt, has expired.

If the lack of bona fides is revealed after the occurrence of damage, insurance indemnities payable to the insured person will be reduced according to the proportionate difference between the insurance premiums paid, and the

insurance premiums payable, had declaration been made correctly and completely.

Parties may agree not to use the rules relating to the reduction of insurance indemnities in accordance with such proportional calculations.

**Article 46. Invalid Wording in an Insurance Policy**

Wording in an insurance policy which makes the insured person lose his rights because of violations of laws and regulations will be invalid, except if the violation of laws and regulations pertain to crimes<sup>22</sup> or [pertain] to major offences<sup>23</sup> which have been intentionally committed.

**Chapter 2  
Statute of Limitation and Competent Court**

**Article 47. Limitation Period**

A claim relating to insurance contracts may take place within 3 years from the day the event has occurred.

The limitation period will be suspended in accordance with the provisions of Article 35 of the Law on Contract or where there are valid reasons and where an expert has been assigned to prove the truth after the occurrence of damage.

**Article 48. Competent Court for the Adjudication of Disputes**

The competent court for the adjudication of disputes between the insured and the insurer is the court of the place of domicile of the insured<sup>24</sup>. In the case of an insurance relating to damage to immovable property, [the competent court] will be the court where such property is located. In case of an insurance against accidents [the competent] court will be the court where such accident took place.

**Chapter 3  
Insurance Against Damage of Property**

**Article 49. Rules Relating to Insurance Indemnities**

An insurance contract against damage of property is a contract for the compensation for damage through insurance indemnification. The amount of

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<sup>22</sup> This term refers to offenses which are punishable with imprisonment of a period from five years up to the death penalty, as defined in Article 7 of the Penal Law.

<sup>23</sup> Readers may wish to refer to Article 7 of the Penal Law for an understanding of “major offences”.

<sup>24</sup> The literal translation of this phrase is “where he is”.

insurance indemnities paid by the insurer to the insured must not exceed the value of the insured property at the time the damage occurred.

**Article 50. Insurance which is Lower than the Value of the Property.**

When damage occurs, if the insured property is assessed to be higher than the value of the insurance, the insured must take responsibility himself for the excess part unless otherwise agreed upon in the insurance policy.

**Article 51. Loss of Insured Property**

If insured property is fully lost due to a reason not mentioned in the insurance policy, the insurance will be terminated and the insurer must return the insurance premiums for the remaining duration of the insurance contract to the insured.

**Article 52. Taking Over the Rights of the Insured**

The insurer who has already paid insurance indemnities has the right to take over the right of the insured and file a claim for reimbursement of money equal to the insurance indemnities paid, from a third person who is the cause for the damage.

The insurer does not have the right to file a claim for reimbursement if the person who is the cause of the damage is a relative by a vertical line<sup>25</sup>, is a person who has been assigned to work on behalf of the [insured], is an employee of the insured and<sup>26</sup> a person who is permanently living in the house of the insured, except if such persons have intentionally caused damage.

**Chapter 4  
Personal Insurance**

**Article 53. Specific Rules for Personal Insurance**

In [personal insurance]<sup>27</sup> policies, [which refers to] life insurance or insurance against accidents which cause death or affect health, insurance indemnities must be stipulated in the insurance policies.

In cases of personal insurance, when the insurer has paid insurance indemnities, [he] will not have the right to take over the rights of the signatory or the beneficiary of the insurance contract in order to file a claim to request compensation for indemnities paid, from a third person who caused the damage.

**Article 54. Life Insurance**

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<sup>25</sup> The term refers to persons related by blood rather than through marriage.

<sup>26</sup> The literal word is “and” but the probable meaning is “or”.

<sup>27</sup> In the context, this must be a reference to a “personal” insurance policy but the Lao text is not so qualified.

A person has the right to make a life insurance for himself or a third person if such person has agreed in writing and must stipulate the insurance indemnities.

It is forbidden to take a life insurance on children of less than 15 years old, on people having lost their rights, on persons showing signs of mental incompetence or undergoing medical treatment in a psychiatric hospital.

#### **Article 55. Contents of Personal Insurance Contracts**

In addition to the contents<sup>28</sup> required for making an insurance policy of all types, an insurance contract<sup>29</sup> or life insurance policy must indicate the following content:

1. Name and surname, date of birth of one or several persons who will receive the life insurance;
2. Name and surname of the beneficiary, if any;
3. Facts or wording giving the right to receive insurance indemnities;
4. Circumstances leading to the reduction of the insurance indemnities, if agreed upon in the insurance contract.

#### **Article 56. Suicide and Murder**

Life insurance will not be enforceable if the insured commits suicide, but the insurer still has to pay to the person who is entitled to receive [indemnities] an amount equal to the amount in the reserves based on the computation formula.

If the insurance policy provides that the insurer will pay insurance indemnities to the insured in case the insured commits suicide, the insurance contract will be enforceable only if two years have elapsed since the insurance contract was made.

The insurance contract will not be enforceable if the beneficiary has intentionally caused the death of the insured.

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<sup>28</sup> This is a literal translation. The intention is to refer to “those matters that must be included”. See Article 11 of the Contract Law for a similar use of “contents”.

## **Chapter 5** **Insurance of Civil Liabilities**

### **Article 57. Responsibility Regardless of Wrong-doing**

The principles mentioned in Part IV shall be applied to victims of land traffic accidents caused by motorized vehicles and trailers or semi trailers, except for trains that move along their tracks.

The victims must receive compensation for damages incurred from accidents and the fault [of the victims] must not be a ground for avoiding compensation.

The victim will not be compensated for damages incurred from the accident if such [victim] has willingly caused the accident which caused the damages.

### **Article 58. Compensation for Damage**

The insurer that insures land motorized vehicles must make an offer to pay insurance indemnities to the victim not later than six months from the day of the accident.

If the victim is injured or dead, some of the insurance indemnities must be remitted to the spouse as necessary. If the spouse is deceased, [such compensation] must be remitted to the legal heirs within thirty days at the latest.

The insurance indemnities to be remitted to the victims may be estimated if within the period of three months from the day the accident took place, the insurer is still unable to know whether the victims have returned to their normal state or not.

### **Article 59. Vehicle Insurance**

Individuals or legal entities using motorized land vehicles and trailers or semi-trailers in the traffic must insure their vehicles.

The scope of insurance, method of documentation and the value of the use of certificates for the purpose of monitoring vehicle insurance are stipulated in the Decree of the Council of Ministers.

### **Article 60. Forfeiture of Rights due to Intoxication**

In cases of an accident where the insured drove a vehicle under the influence of alcohol or drugs to the extent that he was unable to control the vehicle, the wording of the contract providing for the insurance of the insured will be void even if the insurance contract has not stipulated the forfeiture of rights due to drunkenness or [use] of narcotics.

**Article 61. Issuance and Remittance of Insurance Certificates**

Insurance companies must issue insurance certificates to insured persons for each vehicle without charge.

Taking out insurance and the issuing of insurance certificates may take place only if the user of the vehicle has presented a vehicle technical inspection certificate to the insurance company [,] except for vehicles that are not required to have technical inspection.

Insurance certificates must be kept with the driver or displayed in an easily visible area of the vehicle.

**PART V  
Measures against Offenders**

**Article 62. Unauthorised Conduct of Insurance Business**

A person who has made an offer to the public for the purpose of selling<sup>30</sup> insurance or who has signed insurance contracts on behalf of an insurance company which is not incorporated or which has submitted an application to establish [a business] but has not yet been officially authorised to conduct insurance business will be subject to a fine of 500,000 KIP to 1,000,000 KIP.

A person who has made an offer to the public for the purpose of selling insurance or who has signed insurance contracts relating to a type of insurance the conduct of which has not yet been officially authorised will be subject to a fine of 300,000 KIP to 500,000 KIP.

A person acting as an insurance intermediary and who claims that he has been assigned directly by an insurance company which has the right to conduct insurance business in accordance with the law will be subject to a fine of 50,000 KIP to 100,000 KIP.<sup>31</sup>

A person who has assigned the above insurance work to be performed by others knowing that he himself does not have the rights and duties [to do so] will be subject to a fine of 500,000 KIP to 1,000,000 KIP.

If the above acts contain elements of offences [such offenses] will be penalized under the Penal Law.

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<sup>30</sup> The literal word is “making somebody take”.

<sup>31</sup> The implication in the original Lao text is that the person claiming to be an insurance intermediary has not actually been authorised as one.

**Article 63. Violation of Rules Relating to Standards and Restriction of Interests**

A person who has violated the rules of Article 14 and Article 15 of this law shall be subject to a fine of 500,000 KIP to 1,000,000 KIP.

**Article 64. Presentation and Dissemination of False Documents**

The staff member of an insurance company or insurance intermediary who has presented false documents to the Ministry of Economy, Planning and Finance or other relevant State organisations or who has presented and disseminated such false documents to the public will be subject to a fine of 100,000 KIP to 500,000 KIP.

**Article 65. Failure to Supply Documents**

An insurance company that does not supply documents or forms as stipulated in this law will be subject to a fine of 50,000 KIP to 100,000 KIP.

**Article 66. Violation of the Company's Regulations and Financial Regime**

All violations of the company's regulations and the regulations regarding technical reserves [, ] savings deposits of assets and ability to settle debts will be subject to a fine between 500,000 KIP to 200,000,000 KIP [.] In cases of repeated offenses, withdrawal of business license shall be considered.

**Article 67. Violation of Rules Pertaining to Intermediaries**

A person who has violated the provisions of Articles 25, 26 and 27 of this law shall be subject to a fine of 20,000 KIP to 100,000 KIP.

**Article 68. Violations of Rules Pertaining to Vehicle Insurance**

An individual or legal entity which has violated the provisions of Article 59 of this law will be subject to a fine of 3,000 KIP to 30,000 KIP.

**PART VI**  
**Final Provisions**

**Article 69. Implementation**

The Council of Ministers of the Lao People's Democratic Republic shall issue regulations for the implementation of this law.

Vientiane, 18 December 1990  
The Chairman of the People's  
Supreme Assembly

*[Seal and Signature]*

Nouhak PHOUMSAVANH