

# Vietnam's insurance market rebounds: what foreign investors need to know

Vietnam's insurance sector, supported by favourable demographics and low insurance penetration, has long been an attractive destination for foreign investment. Although the market faced a temporary setback in recent years—driven by regulatory tightening and weaker consumer confidence—it is now recovering. M&A activity has picked up across both life and non-life segments, with investors showing renewed interest in control transactions and bank-insurer joint ventures. With sentiment improving and the regulatory framework more settled, the sector is well positioned for its next phase of growth.

This *Insight* outlines Vietnam's regulatory framework for foreign investment in the insurance sector, and highlights key practical M&A issues under the Law on Insurance Business 2022 and its guiding regulations (*LIB 2022*).<sup>1</sup>

## Legal framework for foreign investment in insurance

### 100% foreign ownership permitted in all segments

- **Insurance segments:** Vietnam's insurance market comprises three segments: life, non-life and health. Life and non-life insurers cannot cross-sell each other's products, but both can offer health insurance.
- **No foreign ownership limit:** Foreign investors can own up to 100% of an insurance company.
- **No single-presence restriction:** Foreign investors can hold stakes in multiple insurance companies.

## Conditions for foreign investment in the insurance sector

In the insurance sector, foreign investors must satisfy stringent entry conditions, which continue to shape how transactions are structured. These requirements are particularly challenging for non insurer financial investors seeking majority stakes, who often need to adopt more flexible or creative approaches to meet upfront qualification thresholds.

### General conditions

Any investor of an insurance company must:<sup>2</sup>

- be an institutional investor with legal status, and operating lawfully;<sup>3</sup> and
- fund the investment with its own capital—borrowing or using entrusted capital is not permitted.

### Qualified Shareholder Conditions

Insurance companies are required to have qualified shareholders (the **Qualified Shareholders**) who satisfy stringent conditions regarding financial capacity and experience, as explained below (the **Qualified Shareholder Conditions**).

An insurance company can be structured as a limited liability company (**LLC**) or a joint stock company (**JSC**). All shareholders of an LLC must be Qualified Shareholders while a JSC is only required to have two Qualified Shareholders, each holding at least a 10% stake, and the remaining stake can be owned by non-Qualified Shareholders.

The Qualified Shareholder Conditions vary between foreign and domestic investors, with foreign investors facing tighter conditions.

<sup>1</sup> (1) Law No. 08/2022/QH15 on Insurance Business promulgated by the National Assembly of Vietnam on 16 June 2022 (as amended by Law No. 139/2025/QH15 dated 10 December 2025), (2) Decree No. 46/2023/ND-CP promulgated by the Government on 1 July 2023, and (3) Circular 67/2023/TT-BTC promulgated by the Minister of Finance on 2 November 2023, all effective from 1 January 2023.

<sup>2</sup> If the investor is a Vietnamese insurance company, it must be profitable for the three consecutive years before the investment and satisfy the capital adequacy required by law.

<sup>3</sup> Except that individuals can own up to 10% in a JSC insurer.

## Qualified Shareholder Conditions

Qualified Shareholder Conditions apply to:

- **LLC**: all shareholders.
- **JSC**: at least two shareholders, each holding at least a 10% stake.

Foreign investor	Domestic investor <sup>4</sup>
<ul style="list-style-type: none"><li>▪ Total assets of at least <b>US\$2 billion</b> at the end of the year preceding the investment.</li><li>▪ Either:<ul style="list-style-type: none"><li>▪ <b>licensed</b> in its home country <b>for the same insurance segment</b>; or</li><li>▪ has a <b>licensed subsidiary in the same insurance segment</b>,</li></ul></li><li>▪ in each case, having <b>at least seven consecutive years' experience</b> before the investment.</li><li>▪ <b>No breach of insurance law</b> in its home country for <b>three consecutive years</b> before the investment.</li><li>▪ Has a commitment to provide financial, technical, governance, and operational support to the insurance company.</li></ul>	<ul style="list-style-type: none"><li>▪ Total assets of at least <b>VND2 trillion (c. US\$76 million)</b> at the end of the preceding year.</li></ul>

## 10% shareholder conditions

Irrespective of whether the investor is a Qualified Shareholder or non-Qualified Shareholder, any investor seeking to hold a 10% or more stake in an insurance company must satisfy the following conditions:

- be **profitable** for the **three consecutive years** before the investment;
- have **sufficient equity capital** to finance its investment after deducting any statutory minimum capital required for its other businesses (such as banking or securities operations); and
- for (i) a **foreign investor**, or (ii) a **Vietnamese investor being a credit institution, insurance company, or securities company**, have been authorised by the competent authority to make the investment.

## Investment procedures and approvals

The Ministry of Finance (the **MOF**) oversees insurance company licensing procedures.

## Pre-approvals

Investors and the insurance company must obtain:

- **MOF approval** for (i) any primary share subscription or (ii) any secondary acquisition that results in a shareholder holding or ceasing to hold a 10% stake; and
- **merger control clearance** from the Vietnam Competition Commission if it is a control acquisition and meets any reportable threshold.<sup>5</sup>

## Post acquisition

After transaction completion, the insurance company must report the transaction result to the MOF, and obtain an amended establishment licence reflecting the updated charter capital (if applicable) and shareholders. If the deal fails to complete, the insurer must report to the MOF.

## Investment by foreign non-insurer financial investors

Historically, only reputable foreign insurers qualified as Qualified Shareholders, as the rules required the investor to be a licensed insurance company with demonstrable experience. This excluded many private equity and other types of financial investors. Although large financial institutions may meet the asset and profitability thresholds, the insurance experience requirement has remained the key barrier.

However, there are some potential options for foreign non-insurers to acquire control in a Vietnamese insurance company

- **Option 1—use an insurance subsidiary**: foreign non-insurers, such as private equity or financial investors, could potentially satisfy the insurance experience requirement through an insurance subsidiary within their portfolios, provided the investing vehicle still meets the US\$2 billion total assets threshold. This is a recent change in the LIB 2022 and is yet to be tested in practice.
- **Option 2—invest in a JSC that already has two Qualified Shareholders**: foreign non-Qualified Shareholders can invest in a JSC that already has two Qualified Shareholders, each holding at least a 10% stake. There are precedents in the non-life sector, while it is less common in the life sector. Technically, in this structure, the remaining 80% stake can be owned by the foreign non-Qualified Shareholder.
- **Option 3—partner with 'domestic' Qualified Shareholders**: if there is no readily available JSC target with existing Qualified Shareholders, as in Option 2, foreign investors could potentially structure their investment as follows:
  - If the target is an LLC, it can be converted into an JSC (please note, though, that such conversion is not common in practice, except in the context of state equitisation; and
  - foreign investors may then partner with two Qualified Shareholders, each holding at least a 10% stake, and then acquire the remaining up-to-80% stake.

<sup>4</sup> A domestic investor is a Vietnam incorporated entity (and can be 100% owned by foreign investors).

<sup>5</sup> Please refer to Allens' merger filing guide for more information: [Vietnam merger control guide](#)

It may be easier to find Qualified Shareholders within Vietnamese companies, as they are subject to less stringent conditions than offshore foreign investors (eg only US\$76 million of assets, and no requirement to be a licensed insurer). Technically, a wholly foreign-owned company incorporated in Vietnam can be such a 'domestic investor', though this has not been tested in practice.

In practice, control acquisitions by non insurer financial investors remains uncommon, primarily due to:

- **Commercial challenges:** retaining two Qualified Shareholders in an insurer controlled by a financial investor is often commercially challenging, particularly when these Qualified Shareholders are also the sellers.
- **Policy considerations:** regulators remain cautious about granting control to non strategic investors—especially private equity funds with shorter investment horizons—given concerns about sector expertise, operational capability and long term commitment in a highly regulated industry.
- **Competitive disadvantage:** these regulatory constraints and the need for more complex structuring often place non insurer financial investors at a disadvantage in competitive M&A processes.

## Key considerations for legal due diligence in insurance M&A

Below are some key issues to consider when conducting legal due diligence on an insurance company in Vietnam.

### General operational compliance

Given insurance is a highly regulated sector, due diligence of an insurance company includes review of various compliance requirements such as:

- **Financial standards**—investors must verify compliance with financial standards including minimum capital, statutory reserves, allocation and segregation of the equity fund and policyholders' fund. Verification of these standards requires close coordination with financial and actuarial advisors.
- **Internal procedures**—insurance companies must establish and maintain compliance with various internal procedures governing product development and pricing, underwriting, claims settlement, reinsurance and internal controls.
- **Management qualifications**—key management positions must meet minimum qualification and experience requirements. Regulated roles include general director, chief actuary, chief accountant, and the heads of risk, compliance, internal audit and technical departments. The general director and chief actuary must be registered with the MOF.
- **Reporting obligations**—insurance companies must periodically submit to the MOF reports covering fund operations, business performance, contract status, reserves, investments, solvency, distribution channels and any unusual developments.
- **Limitations on investment activities**—insurers are subject to restrictions on their funding sources and the asset classes they may invest in. From 1 January 2028, investment in real estate businesses will no longer be permitted. As real estate investments were previously allowed, insurers currently holding such investments may need to divest before the 2028 deadline.

### Product registration

Insurance companies can design their own products, subject to MOF oversight.

They historically had greater flexibility in product design and pricing, provided that the products were registered with the MOF.<sup>6</sup>

The LIB 2022 introduces stricter requirements regarding the methodologies for calculating insurance premiums. From 1 July 2025, any product that does not comply with the new methodologies cannot be sold. In practice, this will likely require insurers to redesign and re register products, as it is difficult to confirm whether existing products fully meet the new methodologies.

### Distribution channels

Vietnam's insurance market has faced significant concerns around agent misconduct—particularly in the bancassurance channel, which grew rapidly between 2018 and 2022.<sup>7</sup> High upfront commissions paid to banks drove aggressive sales practices, resulting in mis-selling, commission-driven behaviour and a decline in customer trust.

In response, regulators have imposed stricter controls on distribution channels, with insurers now subject to tighter oversight of bancassurance and agent activities.

### Single representation

Individual agents can represent only one insurer within each insurance segment—life, non-life or health. Institutional agents may represent multiple insurers, provided they obtain consent from their existing insurer partner.

### Limitations on agency payments

Agency payments are subject to several restrictions, with the last three introduced by the LIB 2022:

- **Commission cap:** commissions payable to agents are subject to prescribed caps, ranging from 5% to 40% of the actual collected premium of each policy.
- **Catch-all cap:** the LIB 2022 introduces a catch-all cap on 'the total bonus, support fee, and any other benefits payable to the insurance agents'. The cap is calculated annually, based on the total collected premiums (for life products) and the total commissions (for non life and health products) of the relevant year. This cap limits the high upfront fees that were common in the past. However, it remains unclear whether upfront fees already paid will be affected.
- **Cap on cost of insurance products:** under the new premium calculation rules, total cost and profit assumptions used in pricing a product premium must not exceed prescribed limits (55% to 60% of the total product premium, depending on product type). As agency payments form part of product costs, insurers must now factor these into the product design stage.

<sup>6</sup> Life products, health products and specific non-life product (ie motorcycle insurance) must be registered. Other non-life products are not required to be registered.

<sup>7</sup> This period was marked by a series of exclusive bancassurance deals at substantially high upfront fees. Notable transactions include: (i) Vietcombank's 15-year deal with FWD (2019, upfront fee ~USD400 million); (ii) Asia Commercial Bank's 15-year deal with Sun Life (2020, upfront fee ~USD350 million); and (iii) Lien Viet Post Bank's 15-year deal with Dai-ichi Life (2022). Linklaters and Allens acted in all three transactions

- **Quantitative requirement:** all agency payments must (i) be related directly to agency activities and expressly set out in the agency contract, and (ii) be tied to quantitative performance criteria linked to the agent's sales results.

These new requirements have materially affected the remuneration model that banks traditionally used as agents, prompting widespread reassessment and renegotiation of bancassurance agreements. Some insurers and banks are also facing practical challenges in classifying certain agreed payments under the new framework.

Market reports indicate that several Vietnamese banks are beginning to shift away from traditional bancassurance partnerships, and instead establish their own insurance subsidiaries to gain greater control over distribution and revenue flows.<sup>8</sup> This trend has contributed to the recent increased M&A activity in the life insurance sector.

### Insurers' responsibilities for agents' sales conduct

Insurers may appoint agents to distribute their products, but they remain responsible for ensuring those agents comply with sales and advisory requirements. Agent non compliance can lead to administrative penalties for the insurer. If a breach causes loss to a policyholder, the insurer must compensate the policyholder first and may then seek reimbursement from the agent.

<sup>8</sup> [Banks bet on wholly owned life insurance.](#)

Key requirements governing agents' sales conduct include:

- **Dedicated function:** credit institutions acting as agents must maintain a dedicated agency function, including a designated department, a separate transaction counter, and a minimum number of licensed and trained staff for insurance agency activities.
- **Blackout period:** credit institutions are prohibited from advising or selling insurance products during the 60-day period before and after loan disbursement. Insurance purchase cannot be a condition for accessing the institution's own products or services.
- **Sale of investment-linked products:** agents must provide accurate information, and clearly explain both the benefits and risks of investment-linked products. They must record their advice at policy issuance, and obtain from policyholders explicit acknowledgement confirming their understanding and voluntary purchase.

## Conclusion

Vietnam's insurance market is undergoing significant transformation. Recent regulatory reforms are reshaping how insurers operate, although implementation is still occurring and further guidance from authorities is expected.

Despite this evolving regulatory landscape, M&A activity is gaining renewed momentum, particularly in the life insurance segment, as investors respond to improving market sentiment and clearer long term fundamentals.

If you would like to discuss investment opportunities in the Vietnam insurance sector, please contact the Allens team.

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