

THE GOVERNMENT

No. 23/2018/ND-CP

THE SOCIALIST REPUBLIC OF VIETNAM

Independence - Freedom - Happiness

Hanoi, February 23, 2018

DECREE

ON COMPULSORY FIRE AND EXPLOSION INSURANCE

Pursuant to the Law on Government Organization dated June 19, 2015;

Pursuant to the Law on Insurance Business dated December 09, 2000 and the Law on amendments to some articles of the Law on Insurance Business dated November 24, 2010;

Pursuant to the Law on Fire Prevention and Fighting dated June 29, 2001 and the Law on amendments to some articles of the Law on Fire Prevention and Fighting dated November 22, 2013;

At the request of the Minister of Finance;

The Government hereby promulgates a Decree on compulsory fire and explosion insurance.

Chapter I

GENERAL PROVISIONS

Article 1. Scope

This Decree provides for compulsory fire and explosion insurance:

1. Conditions for sale or purchase of compulsory insurance, insurance premiums; minimum sum insured.
2. Transfer, management and use of revenue from sale of fire and explosion insurance for fire prevention and fighting purposes.
3. Responsibilities of relevant Ministries and authorities, and insurance enterprises for compulsory fire and explosion insurance.

Article 2. Regulated entities

This Decree applies to:

1. Organizations and individuals having facilities facing fire hazard (hereinafter referred to as “insured facilities”) specified in the Appendix II enclosed with the Government’s Decree No. 79/2014/ND-CP and amendments thereto (if any).
2. Non-life insurance enterprises, branches of foreign non-life insurance enterprises in Vietnam (hereinafter referred to as “insurer”).
3. Other organizations and individuals related to compulsory fire and explosion insurance.

Article 3. Rules for participation in compulsory fire and explosion insurance

1. Organizations and individuals specified in Clause 1, Article 2 of this Decree (hereinafter referred to as “the policyholder”) must purchase compulsory fire and explosion insurance from insurers that sell fire and explosion insurance in accordance with regulations of law.
2. The conditions for purchase and sale of insurance, insurance premiums and minimum sum insured are specified in this Decree.

In addition to compulsory fire and explosion insurance specified in this Decree, the policyholder and the insurer may agree on additional insurance conditions or increase in the sum insured and insurance premiums. In this case, the insurer shall separate the compulsory fire and explosion insurance in the insurance contract.

3. The insurer may refuse to sell compulsory fire and explosion insurance in the following cases:
 - a) The facility has not undergone fire safety inspection in accordance with regulations of law.
 - b) The facility does not have a record on fire safety inspection by the fire department or the record expires 01 year from the date on which it is made to the date on which compulsory fire and explosion insurance is purchased.
 - c) The facility is temporarily suspended or suspended due to violations of fire safety regulations.
4. The policyholder may include the expenses for purchase of compulsory fire fighting and prevention in the prices of products and services (applicable to manufacturing and trading facilities) or in recurrent expenditures (applicable to state administrative authorities, public service providers, socio-political organizations and other organizations).
5. Organizations and individuals that are not required to purchase compulsory fire and explosion insurance in accordance with regulations of this Decree should purchase fire and explosion insurance under a contract with the insurer and in accordance with regulations of law.

Chapter II

SPECIFIC PROVISIONS

Section 1: CONDITIONS FOR SALE OR PURCHASE OF COMPULSORY INSURANCE, INSURANCE PREMIUMS; MINIMUM SUM ASSURED

Article 4. Insured property

1. Insured property is the property of the insured facility, including:

- a) Houses, works and properties on houses and works; machines, equipment.
- b) Goods and supplies (including materials, finished goods, semi-finished goods).

2. The insured property and its location must be specified in the insurance contract and insurance certificate.

Article 5. Minimum sum insured

1. The minimum sum insured is the market value of the properties specified in Clause 1, Article 4 of this Decree on the inception date.

2. In case of failure to determine the market value of the properties, the sum insured shall be agreed upon by the parties as follows:

- a) For the properties specified in Point a, Clause 1, Article 4 of this Decree, the sum insured is the remaining value or the replacement value of the properties on the inception date.
- b) For the properties specified in Point b, Clause 1, Article 4 of this Decree, the sum insured is the monetary value of the properties according to valid vouchers or relevant documents.

Article 6. Insurance coverage and insurance exclusions

1. Insurance coverage

The insurer shall indemnify for any damage to the policyholder specified in Clause 1, Article 4 of this Decree, which arises from fire and explosion risk, except those specified in Clause 2 of this Article.

2. Insurance exclusions

a) For the insured facilities mentioned in Clause 1, Article 2 of this Decree (except nuclear facilities), the insurer shall not be liable to indemnify in the following cases:

- Earthquakes, volcanic eruptions or other convulsions of nature.
- Damage occasioned by unexpected political, security or social order and safety events.

- Damage occasioned by burning or explosion of properties according to regulations of a competent authority.
 - Damage occasioned by property's own fermentation or natural heating; property's undergoing any process involving the application of heat.
 - Damage occasioned by direct hit of lightning strike without causing fire or explosion.
 - Fire and explosion caused by nuclear weapon materials.
 - Damage to any electrical machine, apparatus, or any portion of the electrical installation occasioned by over-running, excessive pressure, short circuiting, self heating, arcing or leakage of electricity arising from whatever cause, lightning included.
 - Damage occasioned by malicious act of the insured or by deliberate violation of fire safety regulations and direct cause of fire or explosion.
 - Damage to data, software and computer programs.
 - Damage occasioned by the burning of forests, bush, prairie or the clearing of lands by fire.
- b) For the nuclear facilities, the insurer and the policyholder shall reach an agreement on insurance exclusions with the reinsurer's approval.

Article 7. Insurance premiums and deductible

1. Insurance premiums

The insurance premiums specified in Section I, Appendix II enclosed with this Decree shall be applied to the insured facilities specified in Clause 1, Article 2 of this Decree. To be specific:

a) If the total sum insured on a single facility (except nuclear facilities) is less than VND 1,000 billion, the insurance premiums are provided in Clause 1, Section I, Appendix II hereof.

The insurer and the policyholder may increase the insurance premiums applied to each insured facility according to its risk level and regulations of law.

b) If the total sum insured on a single facility (except nuclear facilities) is VND 1,000 billion or over or the insured facility is a nuclear facility, the insurer and the policyholder shall reach an agreement on the insurance premiums in accordance with regulations of law and with the reinsurer's approval.

2. Deductible

A deductible is the amount of money a policyholder must pay upon the occurrence of each insured event, specified in Section II, Appendix II hereof. To be specific:

a) If the total sum insured on a single facility (except nuclear facilities) is less than VND 1,000 billion, the deductible is provided in Clause 1, Section I, Appendix II hereof.

The insurer and the policyholder shall enter into an insurance contract specifying the deductible applied to each insured facility according to its risk level and history of losses.

b) If the total sum insured on a single facility (except nuclear facilities) is VND 1,000 billion or over or the insured facility is a nuclear facility, the insurer and the policyholder shall reach an agreement on the deductible with the reinsurer's approval.

Article 8. Insurance indemnity

1. Rules for insurance indemnity

The insurer shall consider providing insurance indemnity in accordance with regulations of the Law on Insurance Business and the following rules:

a) The indemnity for the damaged property shall not exceed sum insured for such property (already specified in the insurance contract and insurance certificate), minus (-) the deductible specified in Clause 2, Article 7 of this Decree.

b) Up to 10% of the indemnity shall be deducted in case the insured facility fails to implement all the recommendations specified in the record on fire safety inspection by the fire department on schedule, resulting in increased damage upon occurrence of fire or explosion.

c) The insurer shall not be liable for additional amounts due to insurance scam as prescribed by the Criminal Code.

2. Claim applications

A claim application includes the following documents:

a) A policyholder's claim letter.

b) Documents concerning the insured property, including: insurance contract and insurance certificate.

c) A copy of the record on fire safety inspection by the fire department at the time nearest to the time an insured event occurs.

d) An assessment record of the insurer or the person authorized by the insurer.

dd) A copy of the competent authority's conclusion or notice of the cause of the fire or explosion or proof of the cause of the fire or explosion.

e) List of damage and documentary evidences for damage.

The policyholder shall collect and send the documents specified in Points a, b, c, dd and e, Clause 2 of this Article to the insurer. The policyholder shall collect the document specified in Point d, Clause 2 of this Article.

Section 2: TRANSFER, MANAGEMENT AND USE OF REVENUE FROM SALE OF COMPULSORY FIRE AND EXPLOSION INSURANCE FOR FIRE PREVENTION AND FIGHTING PURPOSES

Article 9. Transfer of revenue from compulsory fire and explosion insurance for fire prevention and fighting purposes

1. In a fiscal year, the insurer that provides compulsory fire and explosion insurance shall transfer 1% of the total premiums for compulsory fire and explosion insurance that are collected from its original insurance contracts in the previous fiscal year.

2. The amount specified in Clause 1 of this Article shall be transferred to the Fire and Rescue Police Department's account opened at the State Treasury by the Ministry of Public Security. To be specific:

a) Transfer 50% of the total amount specified in Clause 1 of this Article before June 30.

b) Transfer the remaining amount specified in Clause 1 of this Article before December 31.

Article 10. Management and use of revenue from sale of compulsory fire and explosion insurance

1. Revenue from sale of compulsory fire and explosion insurance must be managed and used in a transparent manner and for the right purposes according to regulations of this Decree and relevant regulations of law.

2. The Ministry of Public Security shall make and submit an annual estimate of revenue from sale of compulsory fire and explosion insurance for fire prevention and fighting purposes to the Ministry of Finance in accordance with regulations of law.

3. The revenue from sale of compulsory fire and explosion insurance for fire prevention and fighting purposes shall be used as follows:

a) Provide assistance in firefighting equipment for the fire police. The assistance shall not exceed 40% of the insurer's collected premiums for compulsory fire and explosion insurance in the fiscal year.

b) Provide assistance in dissemination of law and knowledge about fire prevention; fire fighting and compulsory fire and explosion insurance. The assistance shall not exceed 30% of the insurer's collected premiums for compulsory fire and explosion insurance in the fiscal year.

c) Provide assistance for fire departments in the following activities: fire investigation; provision of professional training and inspection of fire safety; supervision of participation in compulsory fire and explosion insurance by the insured facilities. The assistance shall not exceed 20% of the insurer's collected premiums for compulsory fire and explosion insurance in the fiscal year.

d) Provide assistance in rewarding organizations and individuals directly engaging and cooperating in fire prevention and fighting. The assistance shall not exceed 10% of the insurer's collected premiums for compulsory fire and explosion insurance in the fiscal year.

4. The collected premiums for compulsory fire and explosion insurance for fire prevention and fighting purposes that remain after completing the tasks specified in Clause 3 of this Article shall be carried over the succeeding year.

Section 3: RESPONSIBILITIES OF RELEVANT MINISTRIES AND AUTHORITIES AND INSURERS FOR PARTICIPATION IN COMPULSORY FIRE AND EXPLOSION INSURANCE

Article 11. Responsibilities of the Ministry of Finance

1. Disseminate the law on compulsory fire and explosion insurance.
2. Inspect and supervise insurers providing compulsory fire and explosion insurance in accordance with regulations of this Decree.
3. Take actions against violations of the law on compulsory fire and explosion insurance that are committed by insurers.

Article 12. Responsibilities of the Ministry of Public Security

1. Cooperate with the Ministry of Finance in disseminating the law on compulsory fire and explosion insurance.
2. Inspect and take actions against violations of the law on compulsory fire and explosion insurance at insured facilities.
3. Publish the list of insured facilities (except the facilities related to national defense, security and state secrets) by December 31 on its website.

Article 13. Responsibilities of Ministries, ministerial agencies and Governmental agencies

Ministries, ministerial agencies and Governmental agencies shall, within their competence, cooperate in inspecting, providing guidance on and implement policies on compulsory fire and explosion insurance in accordance with regulations of this Decree.

Article 14. Responsibilities of the People's Committees of provinces and central-affiliated cities

The People's Committees of provinces and central-affiliated cities shall disseminate the Decree and cooperate with the Ministry of Finance and Ministry of Public Security in implementing policies on compulsory fire and explosion insurance and adopting measures for preventing damage inflicted by fire and explosion.

Article 15. Responsibilities of insurers

1. Prepare and submit reports on compulsory fire and explosion insurance to the Ministry of Finance according to the following regulations:

a) Insurer's reports:

The insurer shall prepare and submit quarterly and annual reports (both electronic and physical copies) to the Ministry of Finance by using the form specified in Appendix III and Appendix IV hereof. To be specific:

- Submit quarterly reports within 30 days from the end of the quarter.
- Submit annual report within 90 days from the end of the year.

b) Reports on transfer of revenue from compulsory fire and explosion insurance for fire prevention and fighting purposes

The insurer shall prepare and submit reports (both electronic and physical copies) to the Ministry of Finance by using the form specified in Appendix V hereof. To be specific:

- Submit biennial reports by July 31.
- Submit annual report by January 31 of the succeeding fiscal year.

c) In addition to the reports specified in Points a and b of this Clause, the insurer shall prepare and submit unscheduled reports at the request of the Ministry of Finance.

2. Annually, the insurer shall transfer 1% of the total premiums for compulsory fire and explosion insurance that are collected from its original insurance contracts for fire prevention and fighting purposes in the previous fiscal year as prescribed in Article 9 of this Decree.

Chapter III

IMPLEMENTATION CLAUSE

Article 16. Transition clause

The compulsory fire and explosion insurance contract signed before the effective date of this Decree shall continue to be executed in accordance with regulations of law on the inception date.

Article 17. Effect

1. This Decree comes into force from April 15, 2018.
2. This Decree replaces the Government's Decree No. 130/2006/ND-CP dated November 08, 2006 on regulations on compulsory fire and explosion insurance and Article 2 of the Government's Decree No. 46/2012/ND-CP dated May 22, 2012 on amendments to some articles of the Decree No. 35/2003/ND-CP dated April 04, 2003 on guidelines for some articles of the Law on Fire Prevention and Fighting and the Government's Decree No. 130/2006/ND-CP dated November 08, 2006 on regulations on compulsory fire and explosion insurance.
3. The Joint Circular No. 214/2013/TTLT-BTC-BCA dated December 31, 2013 of the Ministry of Finance and Ministry of Public Security on guidelines for some articles of the Decree No. 130/2006/ND-CP dated November 08, 2006 and Decree No. 46/2012/ND-CP dated May 22, 2012 on regulations on compulsory fire and explosion insurance is null and void.
4. The Circular No. 220/2010/TT-BTC dated December 30, 2010 of the Ministry of Finance providing guidance on compliance with regulations on compulsory fire and explosion insurance is null and void.

Article 18. Responsibility for implementation

Ministers, heads of ministerial agencies, heads of Governmental agencies, People's Committees of provinces and central-affiliated cities and regulated entities of this Decree are responsible for implementation of this Decree./.

**ON BEHALF OF THE GOVERNMENT
THE PRIME MINISTER**

Nguyen Xuan Phuc

APPENDIX II

PREMIUMS AND DEDUCTIBLES
(Enclosed with the Government's Decree No. 23/2018/ND-CP dated February 23, 2018)

I. INSURANCE PREMIUMS (VAT EXCLUDED)

1. For the insured facilities (except nuclear facilities) listed in the Appendix II enclosed with the Government's Decree No. 79/2014/ND-CP and amendments thereto (if any) the total sum insured on which is less than VND 1,000 billion, the insurance premiums equal (=) the minimum sum insured multiplied (x) by insurance rate. According to the level of risk of each insured facility, the insurer and the policyholder shall reach an agreement on the insurance premium, which shall not be lower than the following rates:

No.	List of insured facilities	Category	Insurance premium/year (%)
1	Institutes, universities, junior colleges, post-secondary schools, vocational schools, high schools and education centers; nursery schools, kindergartens	A	0.05
2	Hospitals, sanatoria and other health facilities	A	0.05
3	Convention centers, theatres, cultural houses, cinemas, circuses; indoor sports facilities; stadiums; discotheque, crowded entertaining establishments; other public works		
3.1	Discotheques, crowded entertaining establishments	B	0.4
3.2	Cinemas; indoor sports facilities; stadiums	A	0.15
3.3	Convention centers, theatres, cultural houses, circuses; other public works	A	0.1
4	Museums, libraries, exhibition halls, archives; historical relics, cultural works, fair houses		
4.1	Museums, libraries, archives; historical relics, cultural works	A	0.075
4.2	Exhibition halls; fair houses	A	0.12
5	Indoor markets, semi-indoor markets; shopping malls, supermarkets, groceries		
5.1	Shopping malls	A	0.06
5.2	Supermarkets, groceries	A	0.08
5.3	Indoor markets, semi-indoor markets	B	0.5
6	Radio/television broadcasting facilities; post and telecommunications facilities	A	0.075
7	Control centers	A	0.07
8	Airports, seaports, inland waterways ports; car stations; parking lots; parking garage; railway passenger station; goods station		
8.1	Seaports, inland waterways ports, car stations; parking lots; railway passenger station	A	0.1

8.2	Parking garage; goods station	B	0.12
8.3	Airports	A	0.08
9	Apartment buildings, multi-function houses, hotels, guest houses, hostels		
9.1	Apartment buildings equipped with fire sprinkler systems, multi-function houses, hotels, guest houses, hostels	A	0.05
9.2	Apartment buildings equipped without fire sprinkler systems	A	0.1
10	Office buildings of State administrative agencies; institutes, research centers, office buildings of specialized agencies, enterprises, political and social organizations and other organizations	A	0.05
11	Coal mines, flammable-mineral mines; underground traffic works; works in pits for the production, storage and use of flammable/explosive substances	B	0.4
12	Explosives manufacturing facilities; facilities for extraction, processing, production, transport, trade, use and storage of petroleum, petroleum products and gas; facilities for production of other flammable goods	B	0.35
13	Warehouses of weapons, explosives and combat gears; stocks for petroleum and petroleum products; harbors for export and import of explosive materials, petroleum, petroleum products and gas.	B	0.3
14	Petroleum filling stations, gas filling stations	B	0.3
15	Power plants; substation of 110 KV or higher		
15.1	Thermal power stations	A	0.1
15.2	Thermal power stations, wind farms and other power plants	A	0.07
15.3	Substations	A	0.12
16	Shipyards; aircraft maintenance factories	A	0.1
17	Stocks of flammable goods/materials or stocks of non-flammable goods/materials contained in flammable packages; grounds of flammable goods/materials		
17.1	Stocks of flammable goods/materials	B	0.2
17.2	Stocks of non-flammable goods/materials contained in flammable packages	A	0.075
17.3	Grounds of flammable goods/materials	B	0.1
18	Industrial production works with grade A, B, C, D or E risk of fire and explosion that are parts of main production lines		

18.1	a) Industrial production works with grade A, B or C risk of fire and explosion (except wood and footwear production facilities)	B	0.2
	b) Wood production facilities		0.5
	c) Footwear production facilities		0.35
18.2	Industrial production works with grade D or E risk of fire and explosion	A	0.15
19	Facilities and works with items or main parts that if the fire and explosion occurs there, will seriously affect the entire facilities/works or with the items or parts that regularly produces have dangerous fire and explosion substances during their operations in one of the following cases:		
19.1	Combustion air	B	0.167
19.2	Liquid	B	0.2
19.3	Combustible dust or fibers; solid materials, goods and materials that are combustible solid substances	B	0.7
19.4	The substances that can burn, explode or produce flammable substances or explosives when they act together	B	0.6
19.5	The substance that can burn, explode or produce flammable substance or explosive when it acts with water or the oxygen in the air	B	0.5

Note:

Deductibles applied to Category A and Category B facilities are specified in Point b, Clause 1, Section II of this Appendix.

2. If the total sum insured on a single facility (except nuclear facilities) is VND 1,000 billion or over or the insured facility is a nuclear facility, the insurer and the policyholder shall reach an agreement on the premiums with the reinsurer's approval.

II. DEDUCTIBLES

1. For facilities the total sum insured on which is less than VND 1,000 billion:

a) For Category A facilities, the maximum deductible is 1% of the premiums and not lower than the deductible prescribed in Point c of this Clause.

b) For Category B facilities, the maximum deductible is 10% of the premiums and not lower than the deductible prescribed in Point c of this Clause.

c) In any event, the deductible prescribed in Points a and b of this Article shall not be lower than the following values:

Unit: million dong

Insurance premium	Deductible
Not exceeding 2,000	4
Exceeding 2,000 but not exceeding 10,000	10
Exceeding 10,000 but not exceeding 50,000	20
Exceeding 50,000 but not exceeding 100,000	40
Exceeding 100,000 but not exceeding 200,000	60
Exceeding 200,000	100

2. If the total sum insured on a single facility (except nuclear facilities) is VND 1,000 billion or over or the insured facility is a nuclear facility, the insurer and the policyholder shall reach an agreement on the deductible with the reinsurer's approval./.

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