



Construction insurance to be made compulsory

Project owners and contractors would have to purchase **insurance** for their construction works, according to a draft decree on compulsory construction insurance recently unveiled.

According to the draft, which is prepared by the Ministry of Finance, compulsory construction insurance would be required for national important projects, large-scale complicated construction works, works and work items likely affecting community safety or the environment, and works subject to special technical requirements.



Contractors providing construction survey and design for construction works of grade II and higher grades would be obliged to buy professional liability insurance, while construction contractors would have to purchase insurance for their construction workers.

The insurance compensation for a damage occurring to a construction work would equal the full value of the work and must not be less than the contractual value. Meanwhile, the insurance compensation for a worker who dies of a construction site accident would be VND 100 million.

The draft goes on to set conditions for construction insurers and reinsurers.

Specifically, a non-life insurance firm wishing to sell compulsory construction insurance must possess an equity of at least VND 300 billion and have been licensed to provide asset and damage insurance.

As for reinsurers, their equity must at least equal the legal capital, while their solvency margin must not be lower than the minimum solvency margin as regulated.

Particularly, foreign reinsurers must be rated at least “BBB+” by Standard & Poor’s or Fitch, “B++” by A.M.Best, “Baa” by Moody’s or get equivalent ratings in the fiscal year right preceding the year of entry into reinsurance contracts.

Source: vietnamlawmagazine