Asia Pacific Insurance - Vietnam

Investing in Insurtech Start-ups

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# Are there any limitations or criteria on the type of start-up that an insurer can invest in? Does the start-up need to be registered with any authority?

There are no specific limitations or criteria on the type of start-ups that an insurer can invest in. However, there are restrictions or caps on the insurer's capital sources to be used for investment and how much an insurer can invest in other entities (including start-up) in general.

In addition, if the start-up requires the establishment of an IT/technology-related company, it will be subject to the requirement for company registration with relevant Department of Planning and Investment and other licensing procedures, depending on the nature of the business involved.

# What are the available options in terms of investments that an insurer can make in an insurtech start-up?

The insurer can invest in an insurtech start-up by buying shares or corporate bonds or contributing equity capital to the start-up.

# What are the restrictions on investing in an onshore insurtech start-up?

For the forms of buying shares or corporate bond:

In the case of a life or health insurer or reinsurer, the maximum ratio of its total investment value in all other entities (including startup) is 50% of its idle capital from reserves for insurance operations.

In the case of a non-life/general insurer or reinsurer, the maximum ratio of its investment value in all other entities (including startup) is 35% of its idle capital from reserves for insurance operations.

For the form of contributing capital (equity ownership) to the start-up:

In the case of a life or health insurer or reinsurer, the maximum ratio of its total capital contribution (equity ownership) value to all other entities (including start-up) is 20% of its idle capital from reserves for insurance operations.

in the case of a non-life/general insurer or reinsurer, the maximum ratio of its capital contribution (equity ownership) value to all other entities (including start-up) is 35% of its idle capital from reserves for insurance operations.

# What are the restrictions on investing in an offshore insurtech start-up? Is approval required from the regulators?

The insurer can establish or contribute capital to establish an offshore insurer or an offshore branch of the insurer. However, the law remains unclear as to whether the insurer can invest in an offshore insurtech start-up.

In any case, an offshore investment by an insurer will be subject to a specific approval by the Ministry of Finance. The law provides for a time limit of 21 days that the authority is required to issue the approval or denial from the date of its receipt of a sufficient and valid application dossier, but this process takes a longer time in reality.

# Is an insurer permitted to grant loans to an insurtech start-up? Under what conditions?

Yes, provided that the insurer has satisfied the relevant requirements under the Law on Credit Institutions and the regulations of the State Bank of Vietnam.

# What type of corporate approvals is required for an insurer to invest in an insurtech start-up?

Investments in insurtech start-ups must be subject to the charter of the insurer and, depending on the legal form of the insurer, approved by the board of directors (or the equivalent body) or the general meeting of shareholders of the insurer.

# Are there any general minority shareholder protection mechanisms in your jurisdiction?

In a joint stock insurer, a shareholder or a group of shareholders holding 10% or more of the total ordinary shares for a consecutive period of six months or more, or holding a smaller percentage as stipulated in the charter of the company, has the following rights:

Nominate candidates to the board of management and the supervision board/board of controllers.

Review and make an extract of the book of minutes and resolutions of the board of management, mid-year and annual financial statements and reports of the supervision board.

Request the convening of a general meeting of shareholders.

Request the supervision board to inspect each issue relating to the management and administration of the operation of the company and other rights in accordance with the charter of the company.

In a limited liability insurer, any capital contributing member or a group of members holding 10% or more of the charter capital or a smaller percentage as stipulated in the charter of the insurer will have the following rights:

Request a meeting of the members' council.

Inspect, review, or consult transaction monitoring records, books of account and annual financial statements.

Inspect, review, consult or copy the register of members, minutes of meetings and resolutions of the members’ council and other files of the company.

Request a court to cancel a resolution of the members' council within 90 days from the date of closing of a meeting of the members' council if the sequence, procedures and conditions of such meeting or the contents of such resolution are inconsistent with or do not comply with the law and the charter of the insurer. Where any capital contributing member of the limited liability insurer holds more than 90% of the charter capital and the charter of the company does not stipulate a smaller percentage, the other group of members automatically has the abovementioned rights.

# Are there any restrictions on the insurer in terms of appointing its own staff or management to join the insurtech start-up's board of directors or management team?

There are no restrictions on the insurer as regard appointing its staff or management to join the insurtech start-up's board of directors or management team. Restrictions of Vietnamese law exist for the appointment from a local insurer to another local insurer only.

# Are there any restrictions on entering into a service contract with the insurtech start-up upon completion of the investment? (a) Any connected party transaction restrictions? (b) Any prerequisite approvals required from the regulators or from internal committees?

Yes, subject to the charter of the insurer and the charter of the start-up, internal approvals from the board of members (or the board of directors or equivalent body) of either or both parties may be required.

The investment in the insurtech start-up must be in accordance with the insurer's internal investment regime/regulation, and subject to such regime, internal approval by the investment committee or the board of members (or equivalent body) may be required.

# Are there any regulatory requirements on the disclosure of the transactions and connected transactions thereafter between the insurer and the insurtech start-up?

If the insurer and the insurtech start-up are related parties, the parties' signatories must notify and send draft contracts or key terms of such contracts to the board and/or the general meeting of shareholders for approval before execution.

In addition, the general requirements related to transfer pricing issue, anti-money laundering and other general compliance requirements may apply.

# To what extent can the insurer provide operational support to the insurtech start-up?

The insurer can provide operational support to the insurtech start-up. No specific restrictions or licensing and/or approval requirements from governmental authorities are required. However, such support or services must be within the licensed scope of the insurer's activities if the insurer will charge for the supporting services.

# What type of remuneration is permitted for the insurer to offer to the insurtech start-up?

No specific restriction on the form of remuneration offered to the insurtech start-up exists. However, the insurer must be able to allocate such remuneration properly to one of the permitted types of expenses provided by the law for an insurer. Otherwise, such remuneration may not be recognized as deductible expenses for local tax purposes.

# How can the insurtech start-up transfer the intellectual property rights for its

Intellectual property rights are transferred through a written assignment agreement. The assignment of any trademarks, patents, industrial designs or integrated circuit layout designs that have been filed or protected in Vietnam must be recorded with the local competent authorities.

# Are there any laws governing the collection, usage, storage, disclosure and transfer of personal data between the insurer and the insurtech start-up?

Vietnam does not have a single comprehensive law that addresses the protection of personal data. Relevant provisions are contained in the Civil Code, the IT Law, the Consumer Protection Law, the Penal Code, the Telecommunications Law and the Cyber Security Law and the Cyber Information Security Law, though these matters are addressed in fairly general terms, while implementing regulations contain more specific provisions. As a general principle, these laws protect information pertaining or belonging to individuals (to a lesser degree, organizations) that can serve to personally identify that individual. The collection, usage, storage, disclosure and transfer of personal data between the insurer and the insurtech start-up must be compliant with Vietnamese privacy-related laws.

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