

# NEW REGULATIONS ON COMPULSORY INSURANCE IN CONSTRUCTION INVESTMENT

MAI PHUONG

In order to concretize the Law amending and supplementing a number of articles of the Law on Construction 2020 (**Amended Construction Law 2020**), on March 10, 2022, the Government issued Decree 20/2022/ND-CP amending Decree 119/2015/ND-CP on compulsory insurance in construction investment (**Decree 20**). Decree 20 will take effect from July 1, 2022 with some notable new contents as follows:

*First*, Decree 20 has supplemented the obligation of construction contractors to purchase compulsory insurance in construction investment activities. In addition to compulsory insurance for construction workers on construction site, contractors will be responsible for purchasing compulsory civil liability insurance for third parties. Previously, being listed as a type of insurance in construction investment activities, civil liability insurance for third parties was only recognized as an "encouraged" insurance by the Law on Construction 2014, not an obligatory one.

*Second*, Decree 20 has also supplemented a number of specific provisions related to the obligation to purchase compulsory civil liability insurance for third parties, which are similar to those of other compulsory insurances, including:

(i) The insurance coverage will be agreed upon by the insurance company and the contractor in the insurance contract, including the sums prescribed by law that the contractor is responsible for paying the third party for non-contractual damage to health, life, property directly incurred during the construction, and related legal costs (if any).

(ii) Minimum insurance reimbursement:

- For damage to health, life: the minimum insurance reimbursement is VND 100 million for one person per case and there is no limit to the number of loss cases.

- For property damage and related legal costs (if any), the minimum insurance reimbursement is determined as follows:

- For constructions valued at less than VND 1,000 billion, the minimum insurance reimbursement is 10% of the construction value for the entire insurance period and there is no limit to the number of loss cases.
- For constructions valued at VND 1,000 billion or more, the minimum insurance reimbursement is VND 100 billion for the entire insurance period and there is no limit to the number of loss cases.

(iii) The insurance period is a specific time frame, from the commencing date to the termination date of the construction period, which is based on the construction contract and stated in the insurance contract.

*Third*, in terms of validity, compulsory insurance contracts and civil liability insurance contracts for third parties in construction investment activities signed before July 1, 2022 will continue to be implemented in accordance with the applicable regulations at the time of signing. In case of amending and/or supplementing the contents of civil liability insurance for third parties in the insurance contracts, organizations and individuals need to apply the provisions of Decree 20.



## Comments and recommendations

The amendment and supplementation of regulations on compulsory insurance in construction investment in Decree 20 is reasonable in terms of both legal basis and practical requirements. Accordingly, the supplementation of the contractor's obligation to engage in compulsory civil liability insurance for third parties will create the consistency among related legal documents. Specifically, this responsibility has been recognized in the Amended Construction Law 2020 and Decree 37/2015/ND-CP providing details for construction contracts.

Moreover, Decree 20 will also provide a transparent legal basis to facilitate organizations and individuals to engage in compulsory civil liability insurance for third parties in construction investment, ensuring rapid and complete loss recovery for effective construction, easing the concerns of investors and contractors during the construction. Therefore, organizations and enterprises involved in construction investment activities are advised to update provisions of Decree 20 to ensure the compliance with the compulsory civil liability insurance obligation for third parties.