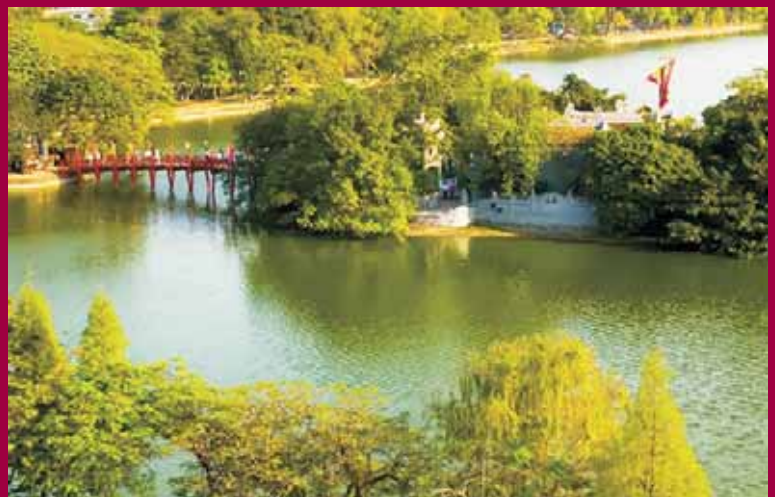


Annual Report 2009



VIETNAM NATIONAL REINSURANCE CORPORATION

Annual Report
2009



VIETNAM NATIONAL REINSURANCE CORPORATION

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Message from Chairman



Economic and industrial background

Amid a turbulent financial and investment landscape in 2009, the Vietnamese economy managed to walk its way out of the crisis thanks to flexible and timely economic policies by the government. From a low of 3.1 per cent growth in the first quarter due to global financial crisis and rampant inflation, economic growth exceeded all expectations to reach 5.32 per cent year-on-year. However, special attention still should be paid to the quality of growth as the economy still focused on pushing growth through expanding new investments rather than improving the quality and competitiveness of production.

Driven by the economic recovery, the insurance market recorded another year of steady growth with gross premium volume increasing 20 per cent to VND25,510 billion, in which non-life premium posted an increase of 24.7 per cent to VND13,661 billion. However, the loss picture continued to prove worrying due to increasing extreme weather patterns with two typhoons Ketsana and Miranea causing heavy insured losses as well as devastating damages to people's life.

Business performance

Given the very challenging loss situation and investment conditions prevalent during the year, Vinare produced an underwriting profit in 2009, continued to have a sound and liquid asset base, and is thus well-positioned to take advantage of the opportunities that arose together with economic recovery.

Although the gross premium written posted a modest increase of 2.41 per cent against 2008, this could be regarded as a satisfactory result as it was 8 per cent higher than the target set by the Board of Management for the year. As competition in the non-life market remained very challenging, we suffered a heavy reduction in aviation business which affected the



overall revenue. However, the net premium written grew 8 per cent over the previous year to VND338 billion although there were no big adjustments to the retention policy.

We have continued focusing on our risk management policy and maintained our strict underwriting policy in controlling risks and exposure. We also seek to further enhance our core value by providing advice and assistance to primary insurers in all aspects.

However, as natural calamities and events triggered an unusually high level of claims and losses, particularly in Property and Engineering business, the net claims incurred of the financial year 2009 rose 5.7 per cent against 2008, which had already been a year of heavy losses.

Investment activities remained stable with a portfolio heavily focused on bank deposits and government bonds and produced returns of VND224.5 billion, an increase of 5.93 per cent year-on-year.

We ended the year with a strong bottom line as pre-tax profit rose 13.5 per cent to VND232.7 billion, thanks to the strength of our financial capability and prudent risk management efforts.



2010 prospects

It is predicted that 2010 will be another tough year for Vietnamese economy in the context of having just overcome crisis and recession. GDP for the year is planned at 6.5% and the non-life market is expected to maintain growth rate of more than 20%, according to the Insurance Regulation and Supervision Administration. However, Vinare's main sources of business, i.e. the risks which need to be reinsured in overseas markets, will only rise about 12 -15%. There will still be harsh competition for both insurance and reinsurance business.

Therefore, we set the target for gross written premium at VND1,120 billion and continue to follow a cautious underwriting policy by strictly controlling risks and exposures to ensure safety and efficiency.

Investment activities will also follow the principle of Safety Efficiency Sustainability on the basis of securing a safe, sustainable and efficient investment portfolio. Investment returns is planned to increase 5.6% compared with 2009 to VND231 bn. Pre-tax profit is projected to rise 5% in comparison with the previous year to VND245 bn and dividend payment is projected at 18%.



In an effort to realise the above-mentioned targets, we will continue to carry out the strategic cooperation agreement already signed between VINARE and Swiss Re in such areas as improving the product capability, management capability, and financial strength, as well as building a modern IT system and improving investment capability. Besides that, we will continue to provide consultancy and support and give priority to reinsurance for new established companies in order to develop a strong client base.



Business strategy for 2010 - 2015

At the present moment, we remain to be the sole reinsurer in the Vietnamese insurance market, also acting as a reinsurance business exchange center for the local market and lying in the Top 500 local enterprises. With more than 15 years of development, we have had an established position in the international insurance - reinsurance market, having close relationship in business, information and technology exchange with big and reputable insurers, reinsurers and brokers worldwide. We have also built up the foundation for investment activities following the principle of safety, sustainability and supporting the core business. We have had a cost-efficient, flexible and small structure with an experienced and qualified professional team. It is our business and corporate culture that helps us to become a long-term and trustworthy partner in the local insurance market.

As for the development prospect in the coming time, we are of the opinion that Vietnamese economy will

continue to develop in a stable political environment which will create the foundation and opportunities for development. The insurance market will continue to attract the interest of investors because of vast potential in both life and non-life sectors. The investment environment is still a promising destination for investors at present as well as in the future. The legal framework for insurance/reinsurance business will continue to be improved towards a healthy and sustainable development for the insurance market.

Our vision for the five years ahead is ***“to become a leading reinsurer in Vietnam and the region and a professional investor; to act as a center for reinsurance business exchange of the local market; to provide the clients with value added services; to focus on profitability and profit optimization that can meet shareholders' expectation and to be an enterprise with high responsibility to the community.”***



Members of VINARE's Board of Management

On behalf of the Board of Management, I once again take the opportunity to thank our clients and partners for their continued support, our shareholders for their commitment and inspiration, and our management and staff for their tremendous dedication and hard work.

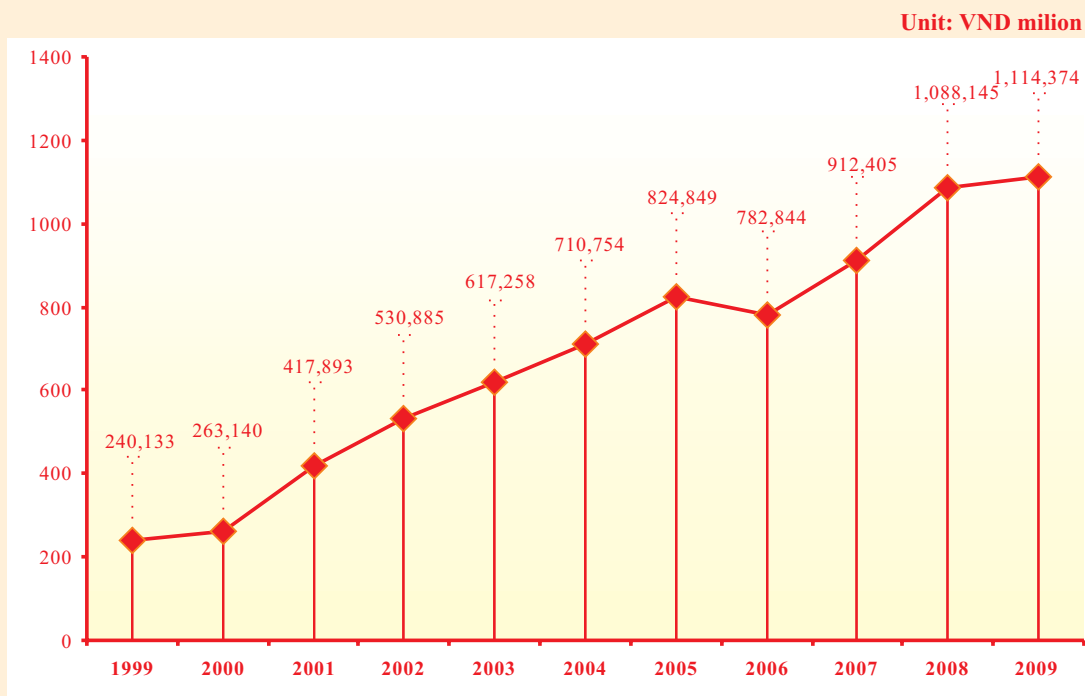
In return, we reaffirm our commitment to exert all efforts and dedication to continue the fulfillment of corporate mandate to promote national interest, generate profit and create added value for our shareholders.■

Financial Highlights

As of 31st December 1999 to 2009

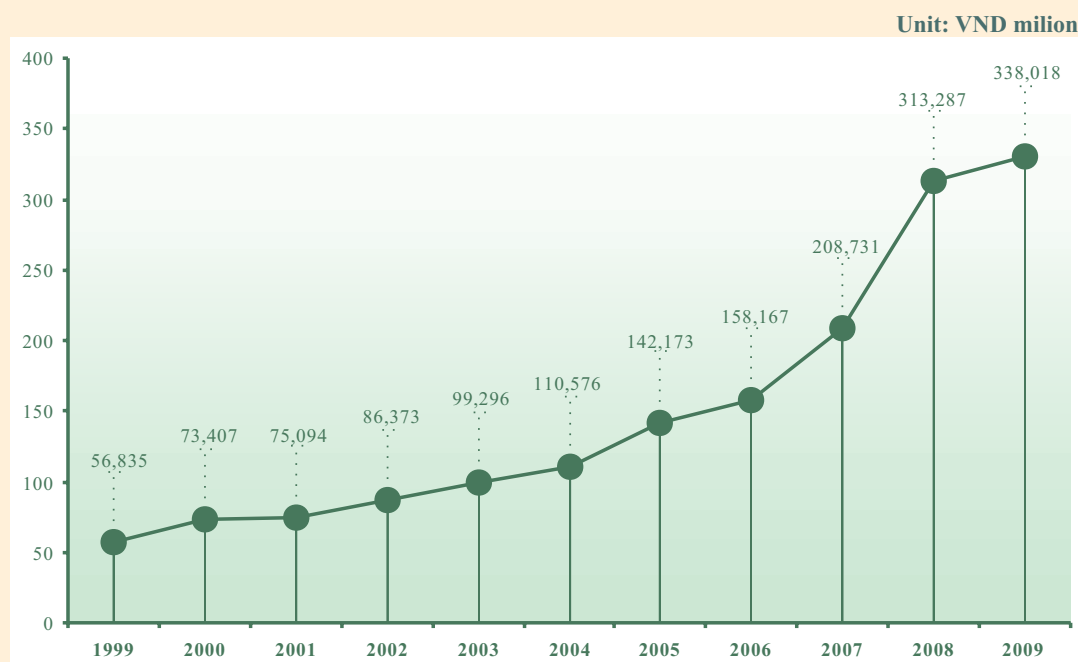


Gross Written Premiums



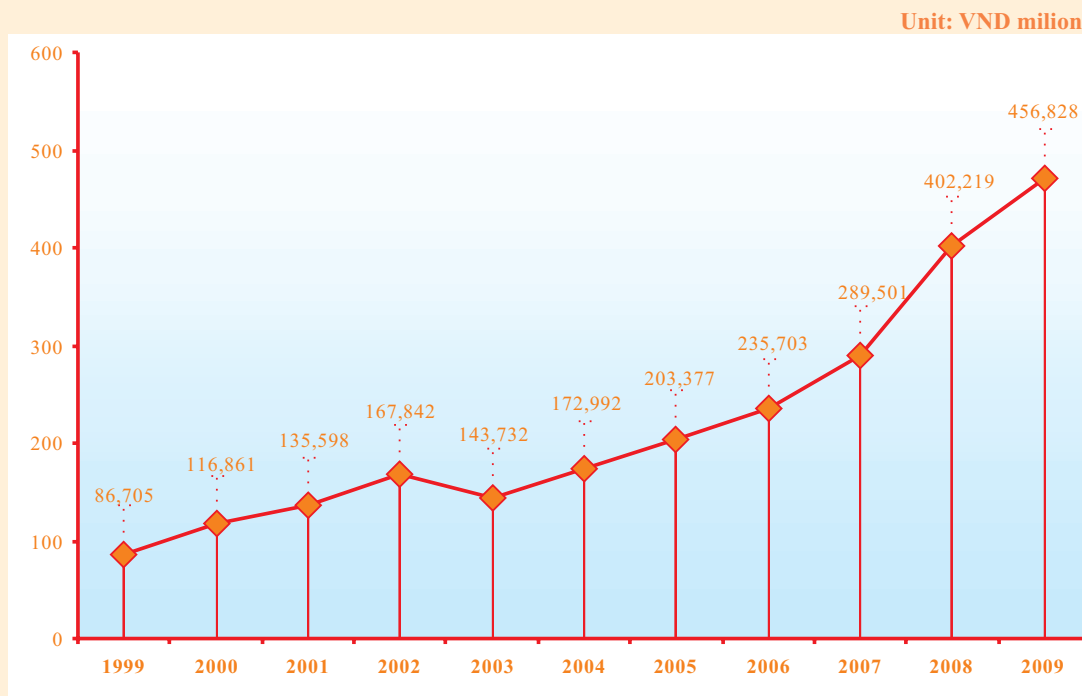
Note: Gross written premiums do not include premiums refunded

Net Written Premiums

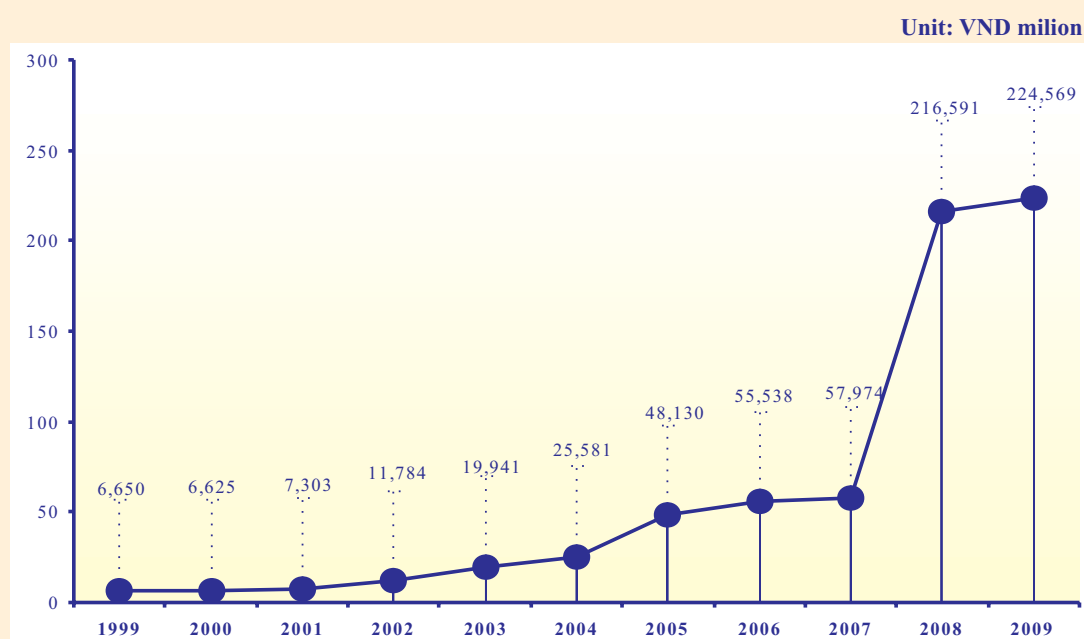


Note: Net written premiums equal gross written premiums after deductions

Technical Reserves



Investment Income



Notes: Investment income in 2009 equal revenue from financial activities plus other incomes and do not include gain from exchange difference revaluation at year end as in previous years

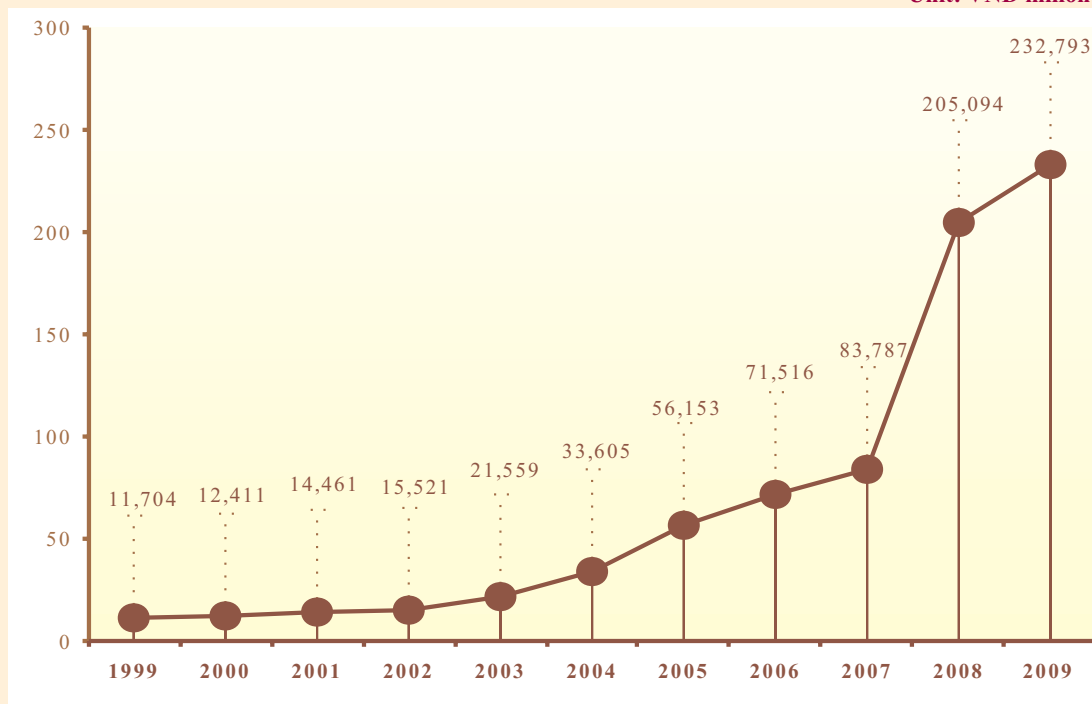
Total assets

Unit: VND million

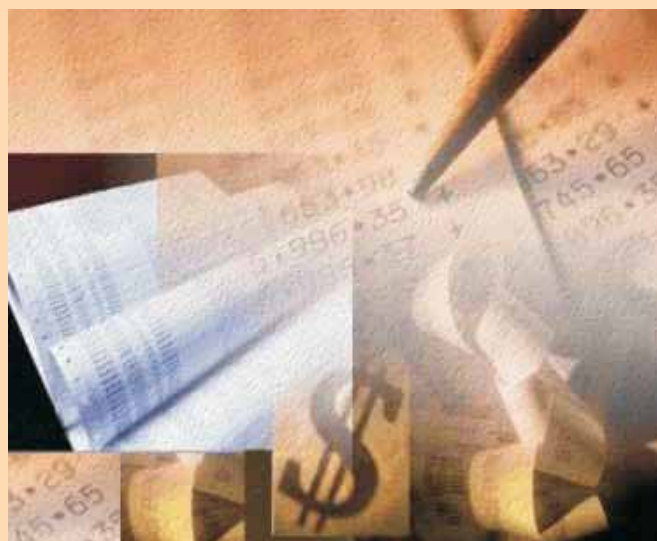


Pre-tax profit

Unit: VND million



Financial Review



Balance sheet

As at 31 December 2009

Unit: VND

ASSETS	Codes	Notes	3111212009	31112/2008
A. CURRENT ASSETS AND SHORT-TERM INVESTMENTS	100		2,145,385,152,139	1,895,644,003,711
I. Cash and cash equivalents	110	5	544,802,365,721	426,025,983,308
1. Cash	111		42,165,736,954	56,585,983,308
2. Cash equivalents	112		502,636,628,767	369,440,000,000
II. Short-term financial investments	120	6	978,898,115,349	933,812,439,650
1. Short-term investments	121		987,070,637,349	952,197,123,800
2. Provision of diminution in value of short-term investments	128		(8,172,522,000)	(18,384,684,150)
III. Accounts receivable	130		621,465,878,192	535,588,704,710
1. Trade receivables	13 I		624,691,830,518	538,357,243,735
- Receivables from inward reinsurance			333,523,481,922	272,973,320,798
- Receivables from outward reinsurance			175,753,270,420	133,439,701,671
- Other receivables		7	115,415,078,176	131,944,221,266
2. Provision of doubtful debts	139		(3,225,952,326)	(2,768,539,025)
IV. Inventories	140		42,544,234	30,652,371
1. Inventories	141		42,544,234	30,652,371
V. Other current assets	150		176,248,643	186,223,672
1. V AT deductibles	152		80,869,824	66,232,843
2. Advances	158		95,378,819	119,990,829
B. FIXED ASSETS AND LONG-TERM INVESTMENTS	200		902,578,944,127	828,251,410,597
I. Fixed assets	210		48,857,595,269	50,883,763,864
1. Tangible fixed assets	211	8	34,217,373,296	35,267,527,093
- Cost	212		54,237,441,354	52,763,769,130
- Accumulated depreciation	213		(20,020,068,058)	(17,496,242,037)
2. Intangible fixed assets	217		14,640,221,973	15,616,236,771
- Cost	218		19,520,295,963	19,520,295,963
- Accumulated amortisation	219		(4,880,073,990)	(3,904,059,192)
II. Construction in progress	230		55,045,878	55,045,878
III. Long-term investments	220	6	847,666,302,980	775,047,490,812
1. Investment in subsidiaries	221		18,000,000,000	-
2. Interest in joint ventures	222		94,233,499,999	38,420,000,000
3. Other long-term investments	228		735,432,802,981	736,627,490,812
IV. Long-term deposits	240		6,000,000,000	2,265,110,043
1. Insurance deposits	241		6,000,000,000	2,265,110,043
TOTAL ASSETS			3,047,964,096,266	2,723,895,414,308

Audited by Deloitte Vietnam Company Ltd

As at 31 December 2009

Unit: VND

RESOURCES	Codes	Notes	31/12/2009	31/12/2008
A. LIABILITIES	300		1,058,592,512,894	813,124,671,759
I. Current liabilities	310		590,678,169,999	408,211,035,014
1. Trade accounts payable	313		546,400,669,767	392,160,201,415
- Payables to inward reinsurance activities			175,517,008,388	131,775,609,220
- Payables to outward reinsurance activities			365,396,358,971	248,844,241,006
- Payables for goods, services			-	11,381,200
- Other payables			5,487,302,408	11,528,969,989
2. Prepayments from customers	314		1,040,668,439	1,291,963,659
3. Taxes and amounts payable to the State budget	315	9	38,496,581,106	8,556,933,289
4. Payables to employees	316		3,182,666,713	5,043,572,053
5. Other current payables	318	10	1,557,583,974	1,158,364,598
II. Long-term liabilities	330		467,914,342,895	404,913,636,745
1. Long-term trade accounts payables		11	456,828,037,217	402,219,667,339
- Premium reserve	331		153,472,672,653	137,223,918,213
- Claim reserve	333		207,056,763,690	178,837,698,951
- Catastrophe reserve	334		96,298,600,874	86,158,050,175
2. Provision for severance allowance	341		1,135,358,699	784,977,463
3. Long-term deposit received	342		2,173,952,085	1,720,074,536
4. Deferred tax liabilities	343		243,286,229	188,917,407
5. Provision for long-term payables	337		7,533,708,665	-
B. RESOURCES	400	13	1,989,371,583,372	1,910,770,742,549
I. Resources and funds	410		1,985,521,450,298	1,907,306,770,230
1. Operating capital	411		672,184,400,000	672,184,400,000
2. Capital Surplus	412		1,104,116,030,642	1,104,116,030,642
3. Foreign exchange differences	413		8,009,310,605	-
4. Investment and development funds	414		10,458,867,357	6,562,880,582
5. Financial reserve funds	415		52,294,336,782	32,814,402,909
6. Compulsory reserve funds	416		26,147,168,392	16,407,201,455
7. Retained earnings	417		112,311,336,520	75,221,854,642
In which: Gain from exchange differences revaluation at the year end			8,433,141,804	8,433,141,804
II. Other resources and funds	420		3,850,133,074	3,463,972,319
1. Bonus and welfare funds	422		3,850,133,074	3,463,972,319
TOTAL RESOURCES			3,047,964,096,266	2,723,895,414,308

Audited by Deloitte Vietnam Company Ltd

As at 31 December 2009

Unit: VND

OFF-BALANCE SHEET ITEMS	Currency	31/12/2009	31/12/2008
1. Foreign currencies			
United States Dollar	USD	7,396,530.88	5,667,538.45
Australian Dollar	AUD	86,258.60	86,147.05
Japanese Yen	JPY	3,100,277.00	3,101,729.00
Singapore Dollar	SGD	751.01	390.90
British Pound	GBP	16,657.92	28,253.54
Euro	EUR	45,918.70	35,372.76
2. Existing depreciation fund	VND	26,802,748,086	23,302,907,267

Income statement

For the year ended 31 December 2009

Unit: VND

ITEMS	Codes	Notes	2009	2008
1. Gross written premium	2		1,126,515,668,142	1,095,228,624,390
2. Deductions	3		788,497,311,511	781,941,714,545
<i>Retroceded premium</i>	4		776,355,960,943	774,858,638,244
<i>Refunded premium</i>	5		12,141,350,568	7,083,076,301
3. (Increase) in premium provision	8		(16,248,754,440)	(45,385,040,917)
4. Retrocession commission	9		122,361,697,519	121,482,623,381
5. Other receipts from insurance business	10		28,484,987,303	22,709,075,574
6. Net income from insurance business	14		472,616,287,013	412,093,567,883
7. Payment for inward reinsurance claims	16		444,016,187,077	480,540,187,139
8. Deductions	17		289,857,189,275	365,949,649,854
<i>Recoverables from outward reinsurance</i>	18		289,857,189,275	365,949,649,854
9. Net claim payment	21		154,158,997,802	114,590,537,285
10. Increase in claim reserve	23		28,219,064,739	57,934,210,091
11. Allocation to catastrophe reserve	24		10,140,550,699	9,398,607,295
12. Other expenses for insurance business	25		228,523,528,497	207,625,239,924
- Other expenses for inward reinsurance	34		227,933,280,806	207,112,655,636
+ Commission	35		205,640,989,909	181,251,688,319
+ Others	38		22,292,290,897	25,860,967,317
- Other expenses for outward reinsurance	39		590,247,691	512,584,288
13. Provision for withholding tax			7,533,708,665	-
14. Total direct costs for insurance business	41		428,575,850,402	389,548,594,595
15. Gross profit from insurance business	42		44,040,436,611	22,544,973,288
16. Administration expenses	44		29,915,653,706	34,042,791,390
17. Net profit from insurance business	45		14,124,782,905	(11,497,818,102)
18. Revenue from financial activities	46		211,000,955,213	223,669,363,281
19. Expenses for financial activities	47		2,276,607,022	18,369,277,386
20. Profit from financial activities	51		208,724,348,191	205,300,085,895
21. Other incomes	52		13,569,024,992	11,291,870,398
22. Other expenses	53		3,624,825,346	-
23. Profit from other activities	54		9,944,199,646	11,291,870,398
24. Accounting profit	55		232,793,330,742	205,094,138,191
25. Adjustments to taxable profit	56		(15,995,483,950)	(31,263,704,873)
<i>In which: + Non-taxable profit</i>			(17,173,876,181)	(32,261,972,731)
<i>+ Undeductible expenses</i>			1,178,392,231	998,267,858
26. Taxable profit	59		216,797,846,792	173,830,433,318
27. Corporate income tax payable	60	12	37,939,623,189	45,467,973,376
28. Deferred corporate income tax income/ (expense)	61		(54,368,822)	(75,214,532)
29. Profit after tax (62=59-60-56+61)	62		194,799,338,731	159,550,950,283
<i>In which: Gain from exchange difference revaluation at year end</i>			-	4,709,211,672
30. Earnings per share	63	14	2,898	2,352

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Major shareholders

The total number of shares of the Corporation is 67,218,440. The par value per share is VND 10,000.

Shareholders	Capital contribution ratio	Capital contribution as at 31/12/2009
State Capital Investment Corporation	40.36%	271,313,000,000
Swiss Re	25.00%	168,046,100,000
Other shareholders	34.64%	232,825,300,000
Total	100%	672,184,400,000

Investment in subsidiary:

60 per cent interest in Vinare Invest Company with historical amount of VND18,000,000,000. Vinare Invest Company officially came into operation on 01/10/2009 and registered with Hanoi Tax Department for its first financial year from 01/10/2009 to 31/12/2010. Therefore, the Corporation will consolidate the subsidiary's financial statements into the Corporation's financial statements for the year ending 31/12/2010.

Investment in joint-venture:

50 per cent interest in Samsung Vina Insurance Joint-venture Company with the first principal amount of USD 2,500,000 (equivalent to VND38,420,000) and the second principal of VND55,813,499,999.

Equity contribution in other institutions:

	Portion (%)	31/12/2009	31/12/2008
Contribution to PJICO	8.76	29,867,910,000	29,867,910,000
Contribution to PTI	7.06	27,832,000,000	27,832,000,000
Contribution to Sai Gon – Ha Long Hotel	6.00	6,000,000,000	6,000,000,000
Contribution to Global Insurance Company	5.87	17,600,000,000	17,600,000,000
Contribution to Bao Tin Insurance Company	10.00	8,000,000,000	8,000,000,000
Contribution to Agribank Insurance Company	8.42	32,000,000,000	32,000,000,000
Contribution to Dai Nam Securities Company	4.90	2,450,000,000	1,900,000,000
Contribution to HKI Insurance Company	10.00	30,000,000,000	30,000,000,000
Contribution to Tien Phong bank	10.00	125,000,000,000	125,000,000,000
		278,749,910,000	278,199,910,000

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Business Review 2009



Property

Property business recorded an impressive growth rate of 36 per cent in terms of gross premiums written to VND251.9 billion, driven by the stable growth of 17 per cent of the local property insurance market as a whole. The high increase in Vinare's premium volume could also be attributed to the steady increase in treaty business from big clients like Baoviet and Baominh. In addition, business written from overseas markets also posted strong growth during the year.

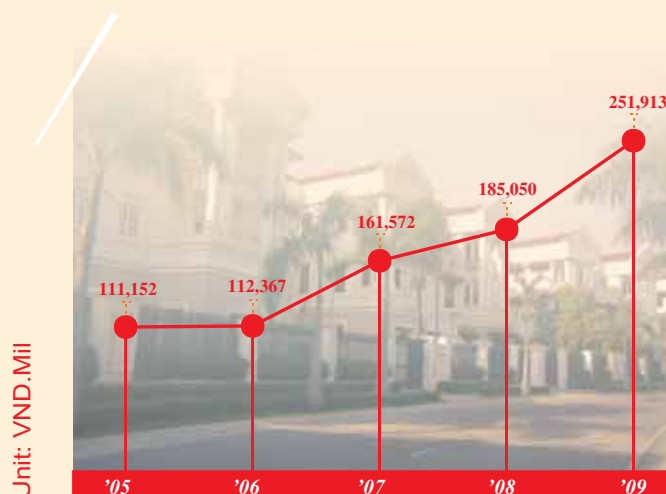
However, loss ratio surged to 75.7 per cent of net premiums written which was the highest ever recorded so far. This was in line with the loss picture of the whole market which was also at record high level with a series of large incidents causing damages amounting up to millions of US dollars such as the fire at New Toyo Paper Factory (estimated cost USD6 million), the fire at Hoa Viet Store (estimated cost USD3.8 million), the fire at Hyosung Textile Factory (estimated cost USD5 million).

The most popular cause of most of the fires was power failures. However, it must be noted that poor compliance with the regulations on fire prevention at most of the involved sites, inadequate and poor fire fighting equipments and inefficient operational safety rules were the main factors that contributed to the sudden increase in the quantity as well as severity of losses in 2009.

Apart from the increase of fire losses, natural disasters were also the causes of serious losses in 2009. Last year, there were several big storms affecting Vietnam causing economic damages of tens of billions dong and hundreds of deaths and missings, particularly Ketsana and Miranae.

Typhoon Ketsana hit the Central provinces at the end of September 2009 causing extremely serious damages to this region. The typhoon affected 14 provinces and cities, causing economic loss of over 14,000 billion dongs, killing 163 people and 17 were considered missing. The typhoon was considered one of the strongest landing in the Central provinces since 1969 up to now and caused the most serious flood within 45 years in this region.

Subsequently, from late October to early November, the same provinces in the Central



region continued to suffer from heavy consequences of typhoon Miranae with total estimated damages of around VND5,000 billion, killing more than 122 people and destroying many public works, houses and crops.

With damages caused by the two above typhoons, 2009 could be regarded as the year with the heaviest losses due to natural disasters for the property market. According to the insufficient statistics, total estimated losses of these two storms have reached nearly USD20 million, doubling that of the two storms Xangsane and Durian in 2006.

In the meantime, not many positive changes could be recognized in underwriting and competition. Although the average premium rate did not decrease sharply, competition remained fierce, especially for big accounts. A worrying fact in the past two years is the hard competition even for highly-exposed risks such as paper, footwear, garment and textile. This situation arose as from 2008 and became quite worrying in 2009. Many policies have rates going down to as far as 0.04% and the average premium rate for this category of risk is now below 0.1%.

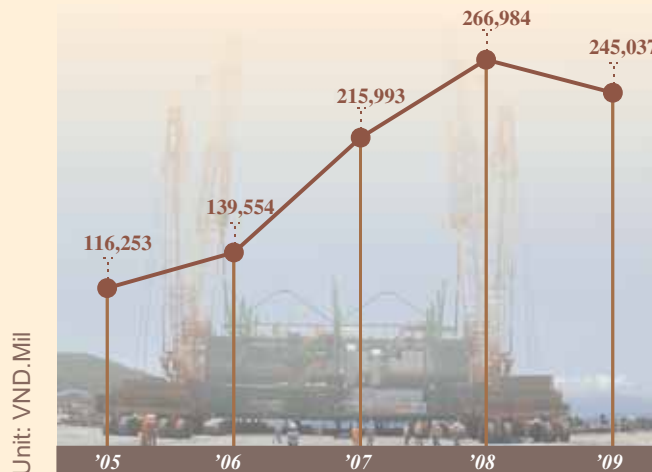
The fierce competition once again poses the question of risk quality control and risk management in the market. At present, risk survey is mostly carried out for risks with high sum insured (except for some foreign-invested insurance companies). It should be noted, however, that most of the risks are of small and medium size. Recent losses have proven that these risks have the highest exposures due to bad quality, inefficient fire equipments and the nature of business.■

Engineering

Engineering business for the first time posted a negative growth in 2009 with premium volume just equalling 91.8 per cent of 2008, at VND245 billion. The global economic recession and difficult situation in Vietnam clearly affected the business results of Engineering sector in 2009.

The number of large and new projects decreased sharply against 2008. The number of large projects (with sum insured from USD50 million upward) only equalled to 72% of the figure in 2008. Moreover, one third of these projects were carried forward from the previous years.

There was an increasing number of extended policies (with or even without pro-rata premium) because the investors and contractors did not have adequate



financial capacity to fulfill the work. A clear evidence of a downturn in the Engineering market was that many new projects could not find necessary financing sources to start. In addition, premium return, policy cancellation and reduction of sum insured are becoming more and more popular.

Loss situation in the market also tends to be more complicated and unpredictable in recent years. Both the frequency and severity of loss is getting higher (the ten big losses in the first eleven months of 2008 have total reserves equaling to just 65% of the same figure in 2009). The nature and causes of the losses are very complicated and difficult to determine for the following reasons. Economic development has resulted in higher concentration of engineering risks after 20 years of development. Complicated risks requiring high technology such as construction of tunnels, dykes and oil refinery plants started to be written in Vietnam.

The climate condition of the region in general and Vietnam in particular is getting complicated and unpredictable. Vietnam is hit by more and more storms. Ketsana is the first one causing insured losses of about VND100 billion for the Engineering sector only. 2009 loss data showed that nearly 50% of the big losses of the year were caused by typhoon Ketsana. This was an unusual sign because there had been no catastrophe losses in the past.■

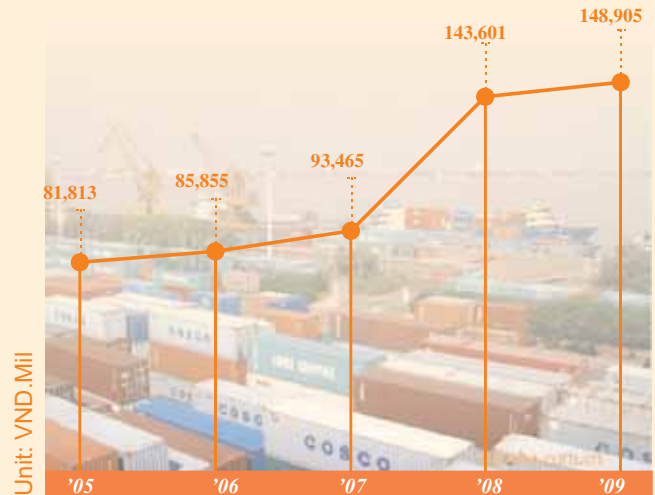


Marine Cargo

As a consequence of the global financial crisis and economic recession, export turnover in 2009 fell 9.7 per cent to USD56.6 billion whilst import turnover decreased 14.7 per cent to USD68.8 billion compared with the same figures in 2008. The situation of export and import business was reflected in the premium volume of Marine Cargo market which decreased 2.1% compared with that in 2008. Against such a background, Vinare's Marine Cargo reinsurance premium only increased 3.7 per cent against the previous year.

Competition remains fierce by way of reducing premium, deductibles and other preferential agreements. Some types of cargo such as cattle-feed, fertilizer, iron and steel, which have been notified as high exposures, are still under hard competition because of the large revenue they bring about.

However, some aggressive competitors in the market who have suffered from heavy losses begin to tighten terms and conditions or increase premium or even step back from writing the



business. The collection of additional premium for old ships is a good way to increase revenue and somehow reflects the degree of exposures that the insurance companies may have when insuring for the cargo carried by old ships.





The loss ratio (including reserve for outstanding and incurred but not reported losses) jumped from 42.2 per cent in 2008 to 63.3 per cent in 2009. Cargo losses remained in worrying situation as in previous years. Following are some typical cargo losses in 2009:

1. M/v BINH DINH RIVER sinking on 08 January 2009 in Indonesia caused loss to the whole batch of cargo insured by PVI with the value amounting to USD2.93 million. Although the ship and cargo were later found on an island in Indonesia, due to unfavorable topography for rescue and salvage whereas the insured cargo was specialized machinery which had been soaked in water for a long time, PVI agreed to pay a negotiated amount of USD2.203 million with the consultation of professional loss adjusters.

2. M/v DANOOSH collided and inclined in Singapore on 23 April 2009, which caused heavy damage to some batches of corn imported from India to Vietnam. The total value of the cargo onboard the ship at the time of accident was nearly USD5 million, some of which were insured by Bao Viet, PJICO, ABIC and Bao Tin. The others had no cover when the ship met with accident. The parties agreed to abandon the cargo for the ship to deal with.

3. M/v BULK ENERGY (foreign-owned), which did not reach Hai Phong port as expected, might cause damage to two batches of Indian rice bran insured by PJICO with the value amounting to USD1.3 million. Besides, there were two other small batches insured by ABIC and Bao Viet.

4. The total loss of lumber cargo with the insured value of USD1,021,650 USD on board m/v Sea Chart I which sunk on the way from Myanmar to

Vietnam on 23 August 2009. Insurer Bao Long is working with the parties concerned to handle this loss.

The two typhoons Miranae and Ketsana, which hit the Central Vietnam at the end of September and at the beginning of November, also caused some severe cargo losses. Following are some of these big losses:

1. M/v LUCKY DRAGON (Chinese) sank in Port Danang together with the batch of rolled sheet which was insured by Bao Long with the value of USD1.8 million on 03 November 2009 due to Miranae. The cargo owner declared to abandon the cargo and claimed for total loss because the rescued cargo could not be used for production purpose any more.

2. The sinking of barge Bongaya 93 on 03 November 2009 in Quy Nhon due to typhoon Miranae caused damage to the whole remaining cargo on the barge (after partially unloading) with the cost of over USD300,000. Bao Long has made advanced payment to support the cargo owner to rescue the cargo.

3. The sinking of m/v THANH MINH 27 in Son Tra, Da Nang on 28 September 2009 due to typhoon Ketsana, which caused loss to 3,165 fish fat barrels insured by GIC. The insurance company paid total loss compensation of VND6.73 billion.

4. M/v Vinashin Inco 27 grounded together with the cargo worth USD1.66 million in Vung Ang due to typhoon Ketsana on 29 September 2009. The related parties jointly rescued and took the cargo to the final destination port (Hai Phong). ■

Marine Hull

Premium income from Marine Hull continued the pace of growth last year to reach VND93.6 billion, representing an increase of 44.9 per cent. The main reason for this encouraging development was that several shipowners who had committed ship purchase from previous years or were financially strong enough despite the crisis still continued to put new vessels into operation. Some new vessel names can be listed here like PVT ATHENA (USD53 million), VINALINES QUEEN (USD23.6 million), PVT EAGLE (USD23.25 million), LUCKY STAR (USD20.4 million), or TC PHOENIX (USD20 million), etc. Total hull premium volume of the market increased around 20% compared with 2008.

2009 was really a very difficult year for the shipping industry. Continued with the impact of financial crisis in 2008, ship prices kept falling sharply, and it was very difficult to keep the bottom line in black. Some ship owners even wanted to sell their vessels (at very low price) to reduce their burden. Most vessels are now operated at a loss because there is no or not enough cargo to fill up the holds, and low freight charges makes it impossible to cover for expenses.

In 2009, there were over 20 new shipbuilding policies whilst the existing ones were extended because the yards have not handed over the ships to the buyers (uncompleted).

Generally, competition was not so severe for renewal policies as the loss record has already been very bad and the rate was already very low given the related exposures. In addition, the financial crisis has caused many shipowners to have to delay premium payment to their insurers.

In terms of losses, due to difficulties in the shipping business, some ship owners can not secure proper equipments and living condition for the crew like in previous years, so in case of accidents, they



immediately leave the ships without any efforts to prevent or reduce the losses. There were a series of damages like broken main engine or equipments, or collisions...in the early months of the year. During the first six months of 2009, there was only one sinking accident of m/v for Thao Linh No.02 on 22 March 2009 with sum insured of VND35 billion, which was considered a big loss and still in the handling process.

On 30 August 2009, m/v HODASCO 15 insured by Bao Viet with the sum of USD4.75 billion was reported sinking in Singapore, however it was then towed back to Vietnam for repair. The two typhoons, Ketsana and Miranea, also caused heavy damages, especially to Dung Quat Ship Yard where the storm surge flooded its dock and submerged the engine of a 105,000 DWT vessel under construction. Following are some other losses caused by Ketsana and Miranea:

Grounding of m/v Dong Hoa on 02 November 2009 in Dung Quat harbour area. The vessel has been rescued and taken for repair with total expense of about VND1 billion. However, due to high repair expenses, at the request of policy holder, Bao Viet made a total loss payment of USD1 million.

M/v Vinashin Inco 27 was hit by Ketsana and grounded in Vung Ang on 29 September 2009. The ship owner then declared general average.

M/v Song Dao 07 declared missing due to Ketsana and claim payment may reach the whole sum insured of VND8.9 billion (insured by ABIC).

All the other remaining losses caused by Ketsana may add up to VND20 billion. ■

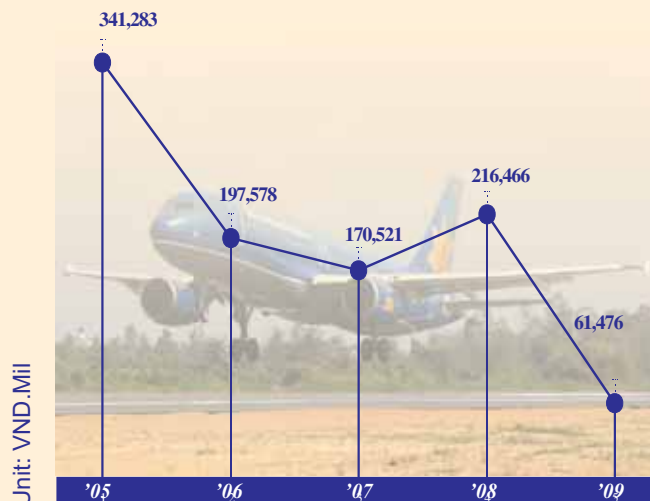
Aviation

Due to some significant changes in the local aviation insurance market with the introduction of Vietnam Airlines captive company as a new player, Vinare's premium income from aviation business fell sharply to VND61.4 billion, which was equal to 28.4 per cent of 2008 figure. The net claims payment also fell to just 36.9 per cent of net premium income compared to 113.8 per cent in the previous year.

The total premium volume of Vietnam aviation market reached USD24.4 million in 2009 including \$17.427 million from Vietnam Airlines. The premium volume of the aviation market fell sharply from the high of \$38.8 million in 2008 because VINASAT satellite was only covered for in-orbit operation with the premium of \$2.434 million in 2009.

The local aviation market currently has four airlines supplying domestic flights namely Vietnam Airlines, Vasco, Jetstar Pacific Airlines and Indochina Airlines. However, Indochina Airlines is encountering serious problems and has to halt its operation. Two other private airlines which have been licensed, Vietjet Air and Mekong Air, are expected to start operation soon.

Total estimated losses reached \$6.5 million in 2009, most of which belonged to Vietnam Airlines. The Servicer Flight Corporation (SFC) had an incident with Super Puma aircraft with a total loss of



USD240,000. The actual payment was USD40,000 after deductible. The other operators had no losses at all.

The costs of losses in 2009 fell considerably compared to 2008 because in 2008 there was an incident involving Vietnam Airlines' Boeing 777 in Japan on July 29, 2008. The estimated cost of the incident at this point of time is USD24.5 million (decreasing \$5 million compared with initial estimate), including USD2.7 million payment for loss of use. Total losses in 2008 amounted to \$28.7 million, in which USD22.5 million has been paid. ■



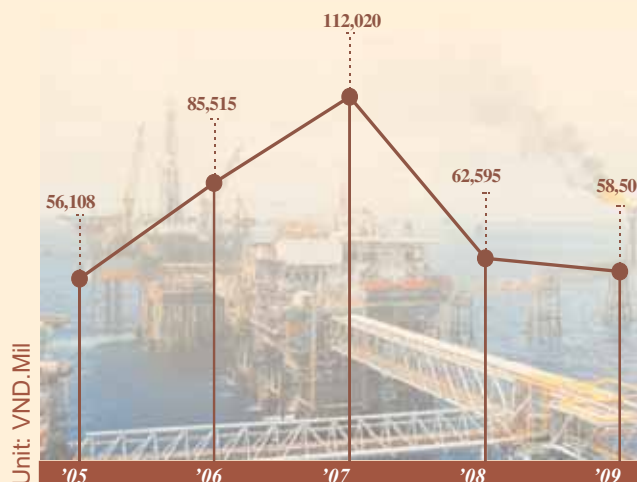
Energy

Energy reinsurance business continued to fell from the previous year but the pace was slowed down to just 6.5 per cent compare with 43 per cent of 2008. This was in line with the international market which was characterised by rising capacity and softening cycle in addition to the prolonged effect of the downturn in previous years.

As far as the underwriting year 2009 is concerned, the total premium volume of the Energy market hit USD37.5 million, rising 5% over the last year. Besides the annual renewed policies, there were a lot of offshore exploration activities across both the Northern and the Southern continental shelves.

For example, PVE, CNOOC and Santos drilled three wells in the Red River sediment basin, Pearl Energy drilled one well at lot 06/94 in the Nam Con Son sediment basin off the Southern coast of Vietnam, ONGC drilled three wells at lots 127 and 128 along the Eastern coast of Vietnam and to the Northeast of Ho Chi Minh City.

In addition, some of the development projects started



to be implemented such as TOPAZ of Petronas Calligari, Dragon-Tortoise of PVGAS and White Rhinoceros of Hoang Long - Hoan Vu Operator. The premium volume of these offshore construction projects accounted for 27 percent of the market premium in underwriting year 2009.

2009 also witnessed a sudden rise in energy losses with 4 loss occurrences which fell equally into 2008 and 2009 underwriting year with the biggest reserves ever from 1994 upto now, at USD50.5 million (after deductible).

Compared to the same period of last year, the number of losses decreased by five occurrences however; claim reserves increased by \$36.5 million.

All the losses in 2009 were related well control insurance. The first one was an incident in the redrilling process at well CACHO2X of Con Son Operator on 12th January 2009 with claim reserve of USD11.5 million. The second one was an incident at the production well RD - 3P of KNOC on 8th August 2009 with claim reserve of USD20 million, followed by a blowout and equipment congestion at well DH - 13 P of PVEP on 8th September 2009 with USD19 million of claim reserve.

As of end 2009, total claim reserves of outstanding losses since 2001 amounted to USD65 million, which was 3.8 times higher than last year. The average loss ratio from 1995 up to now is 43%.■



Protection & Indemnity

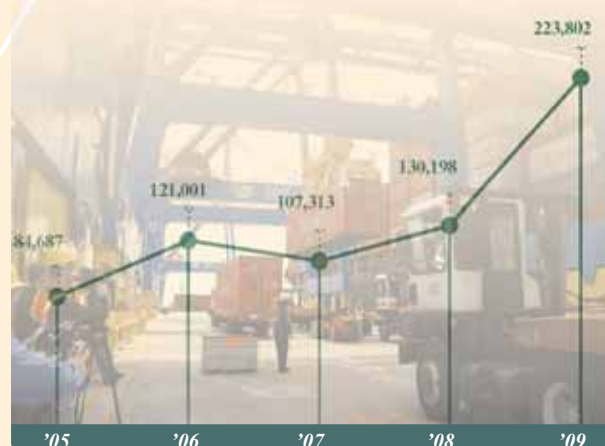
The gross premiums written from P&I business enjoyed a significant increase of 71.9 per cent to VND223.8 billion. This was the result of the premium increase imposed by most P&I clubs earlier in the year as well as the additional calls for underwriting year 2006 - 2007

Closing the renewal season 2010, the WOE maintained a minimum 5% increase across all the fleets irrespective of their loss record. The fleets which enters with the Steamship also had the highest increase of 5%. For those fleets which had bad and very bad loss record, the clubs proposed relatively big increase in rates, but thanks to the negotiation efforts by the local insurers, the increase was not so high in the end. The highest increase was 20% for WOE, 25% for GARD and 35% for LSSO.

The claims situation in 2009 was improved compared with the previous years, which is also an important factor affecting the renewal season in 2010. The claim ratio of Vinare fell to 40.7 per cent in comparison with 66.8 per cent in the previous year. Following are some big losses during the year:

- Damaged soya bean cargo on board m/v VSP Diamond at Haifa (5 January 2009), which has been claimed for USD259,261 and is still under negotiation.
- M/v VINASHIN SUN colliding with a fishing

Unit: VND.Mil



ship off the coast of Island Matsu, China (8 April 2009). The fishing ship required a LOU worth over USD1.7 million. The case is still being handled by related parties.

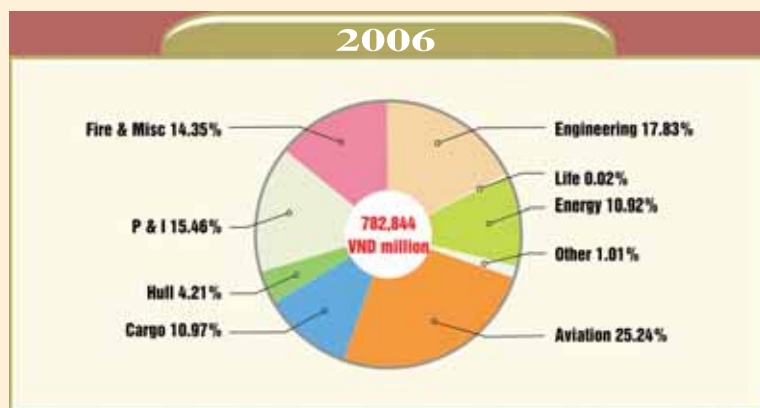
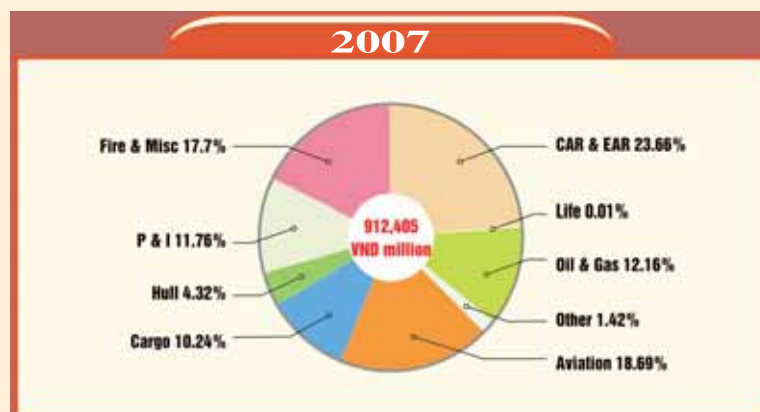
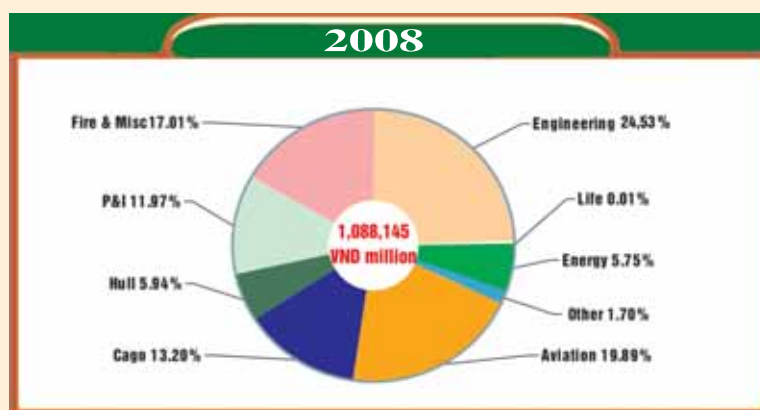
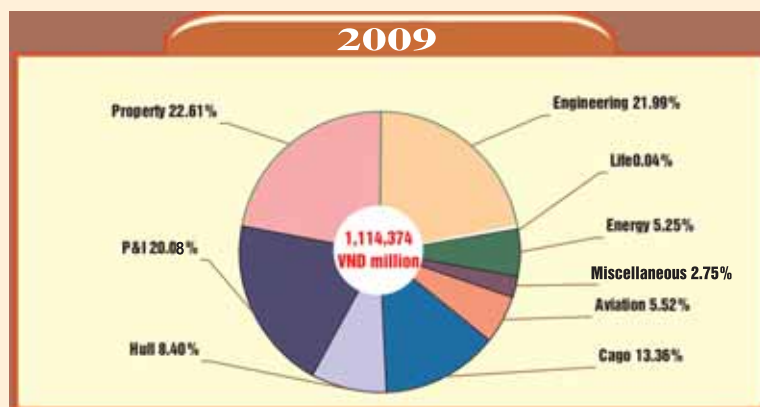
- M/v VINASHIN ORIENT colliding with m/v AROSA in Hai Phong (7 June 2009). AROSA is demanding a LOU worth USD450,000.
- M/v VSP Titan colliding with Tugboat, Fender and Jetty in Yanbu (5 July 2009) and the port authority has required a LOU worth USD933,000.
- M/v SHC Pioneer colliding with m/v Elegance in Singapore (7 August 2009), a LOU has been issued for USD931,000. ■



5

Business Mix





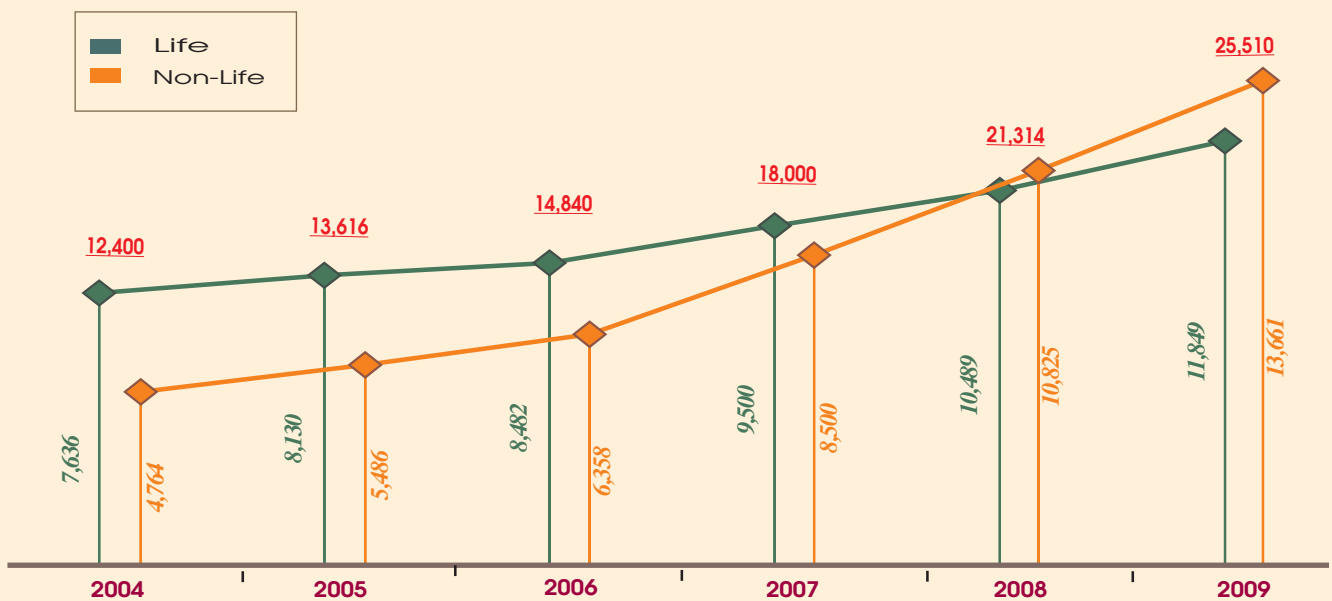
6

Insurance market maintained steady growth despite recession



Despite the global financial crisis and domestic economic recession, Vietnamese insurance industry still recorded another successful year with positive growth rate. Gross premium volume was estimated at VND25,510 billion, in which the non-life sector was estimated at VND13,661 billion (increasing 24.7% in comparison with 2008), and the life sector was estimated at VND11,849 billion (increasing 15% in comparison with 2008).

MARKET PREMIUMS WRITTEN 2004 - 2009 (VND bn)



Non-life insurance

By the end of 2009, there were 28 players in non-life sector, with Thai Son Insurance Company being the latest one to receive licence from the Ministry of Finance. As the economy still faced a lot of difficulties in 2009, the growth rate of the non-life sector was lower than the previous year (29%), but still stayed firm at 24.7%.

Some big players still maintained steady growth like Bao Viet Vietnam (8.5%), Petro Vietnam Insurance (PVI) (31%), Post and Telecommunication Insurance (PTI) (30%). Bao Viet Vietnam continued to take the lead with 30.4% market share, followed by PVI with 20.6%, Bao Minh Insurance with 17.1% and Petrolimex Insurance (PJICO) with 9.7%. Some major lines still recorded steady growth like Property at 17%, Engineering at 14% and Marine Hull at 20%.

Competition through undercutting premium, reducing deductible, broadening terms and conditions still happened without any reduction, especially with Marine Cargo, Fire, CAR and EAR, and motor insurance. There was an increasingly popular trend for sub-standard risks, which could not be placed overseas, being shared among local players.



The loss toll of 2009 continued its worsening trend, especially for Property, Engineering and Marine Hull. Property suffered the worst year ever in terms of losses and claims with several large fire incidents such as New Toyo Paper Company, Hoa Viet Warehouse, Coffee Warehouse of Thai Hoa Lam Company, Hyosung Textile Company, etc. Engineering insurance also saw many large losses such as Dung Quat Refinery, and several Hydro Power Projects like Huoi Quang, An Diem II, as well as Posco Port in Danang, etc. because of risk accumulation after a long time of quick development.

There was a significant increase in catastrophes in 2009 relative to 2008, with the two typhoons Ketsana (at the end of September) and Miranae (at the end of October) causing devastating consequences and severe insured losses.

Life insurance

Although the economy in general and the financial banking market in particular experienced fluctuation in 2009, this turned out to be a good year for life insurance companies. At the beginning of 2009, whilst the commercial banks reduced the interest rate, the real estate market was in stagnation and the stock market faced a severe downturn, life insurers still secured policy dividends of 5 - 8% for their clients during the effective contractual period. Therefore, everybody could see the advantages of life insurance in the period of crisis.

Insurers have introduced several new products that can satisfy various demands of different classes such as traditional life insurance, universal linked insurance, microinsurance, insurance with large sum insured, and insurance with small sum insured, etc. Especially, Universal life product seems to be attractive for many customers of the middle-income class.



All the above factors helped life insurance to overcome the economic recession and continue to develop strongly. Gross premium volume of life insurance in 2009 increased 15% to VND11,849 billion. Prudential still took the lead with sales revenue of VND4,730 billion, followed by Bao Viet Life, VND3,718 billion and Manulife, VND1,257 billion. The total number of insurance contracts in force was 4,259,744 for traditional products.

Moreover, life insurers also took initiative to expand their business network like Korea Life Vietnam which has established their nation-wide representative offices all over the country by the end of 2009, or Dai-ichi Life which has opened more than 50 offices in big cities.

In fact, although each life insurance company has its own marketing and PR policy, they all aim at providing the best products to clients. Therefore, it is predicted that in 2010 life insurers will strongly focus on accomplishing their systems and providing customers services at the best standards. Besides, there will be a boom in introducing new products to the market in 2010.



Bancassurance development

Bancassurance, as a new channel to approach customers, has received special concern of many life insurance companies, especially for individual product range. Life insurers are the pioneers in this area, for instance Prudential, or Prevoir, etc. who have established relationship with several large banks. Some non-life insurers also followed this trend like Bao Viet Vietnam, BIDV Insurance Company (BIC), Liberty, etc.

In comparison with the strong development of bancassurance worldwide, in Vietnam it is still regarded as a potential channel although most of the insurance companies have recognized its big potential. The efficiency of this channel cannot be denied, especially for insurers having support from their banking shareholders. However, there still remains a disadvantage which is that not all banking staff are interested in introducing insurance products to their clients. Whereas the management of banks has signed bancassurance agreement, there is no binding regime as to how many insurance products a banking staff must sell in a certain period of time.

According to some economic experts, in 2010 and the following years, bancassurance will continue to grow faster than traditional channels like agency, brokers, or direct sales.

2010 prospect

It is predicted that in 2010 GDP will grow at 6.5%, FDI will rise 10% and committed ODA will reach a record level of USD8 billion, and the demand for investment of the society will increase positively.

Infrastructure development, new business establishment or expansion, development of new sectors and transportation are key driving factors for the insurance market. Besides that, the insurers will introduce several new products such as export credit, microinsurance, agricultural insurance and liability insurance. The stable development of the stock market and the property market will facilitate universal and unit-linked life products to increase. It is predicted that non-life market will continue to grow more than 20%, and life market more than 10%.



Although 2009 was a very challenging year for insurers in terms of competition and heavy catastrophe claims, and certain short-term challenges in the insurance market remain, there is a strong belief in the insurance industry as having vast long-term potential. ■



7

Economy emerged healthy from recession



Overcoming crisis

The Vietnamese economy experienced two undesirable extremes in just a short time, inflation and deflation. In the first nine months of 2008, hyper inflation reached 22%, whilst for the last three months of the same year, the economy felt into deflation as consumer price index was continuously on the negative side. Coming to the beginning of 2009, the global economic inflation cast its shadow on Vietnam economy with the closedown of many enterprises, rising unemployment, and a sudden fall in export turnover. A lot of pessimistic forecasts had been launched. The Ministry of Labor, War Invalids and Social Affairs estimated that the number of unemployed labors will increase to 400,000. International organizations, like the IMF or WB estimated that GDP growth rate of Vietnam in 2009 would be about 3.5% only.

However, having successfully fought inflation in 2008, Vietnam has overcome the economic recession and taken the economy out of the crisis. In quarter I/2009, GDP growth rate fell to the lowest level in 20 consecutive years, at 3.1%, however, economic growth gradually improved and recorded 4.5% in quarter II, 5.8% in quarter III and 6.6% in quarter IV. Year-on-year economic growth reached 5.32% (in which, industry and construction grew 5.52%; services 6.63%; agriculture and forestry and fishery 1.83%), which was higher than target set by the National Assembly, the consumer price index was also lower than 7%.

Flexible adjustments in Government economic policies

The success in bringing the economy out of the crisis could be attributed to the flexible adjustments of economic policies by the Government, and especially, the economic stimulus package. In order to fight against hyper inflation, the Government had decided to tighten credit, increase compulsory reserves for commercial banks, and issue Government bond to attract idle money in the bank and in the community, as well as reduced public expenditure and increased interest rate. When inflation had been controlled, deflation began in quarter IV/2008 with negative consumer price index in 3 consecutive months and strongly reduced export turnover. The Government had promptly prepared anti-deflation options by executing appropriate monetary, financial, investment and market policy...



On the occasion of the Lunar New Year's Day 2009, the Government granted cash support for poor households to promote consumption, which would later be a driver for production.

Enterprises and companies received a bank loan support of 4% reduction in interest rates. Up to 17/12/2009, commercial banks and financial companies provided loans worth of VND415,216.48 billion with government interest support. This support has helped the enterprises to reduce capital cost by about 30 - 40% and production cost by about 2,5 - 6%. There were 91% of medium and small-scaled enterprises which were able to maintain and develop their business and production.

Thanks to the economic stimulus policy, these enterprises have been able to emerge from difficulties of the crisis, their production has been stabilized and gradually developed. Goldman Sachs said that the stimulus policy of Vietnam has been very successful. The World Bank also said that Vietnam has gradually escaped from the crisis with good result thanks to loosening monetary policy which had positive impact on domestic demands after a tightening period in 2008. The State Bank of Vietnam reduced the prime interest rate to 7% in the period from middle of 2008 to February 2009. This reduction together with the loan interest support has led to growth in bank credit and helped the economic to gradually recover. The Asia Development Bank said "Vietnam economy has overcome the global economic crisis with good result, mainly owing to the quick and strong responses by the Government". In this way, the Government only needed to spend a not very large sum but has brought about positive impact on production and business activities.

Realising the role of domestic market

With the export-oriented policy in place for many years, Vietnam economy has reaped a lot of significant achievements. However, the world financial crisis gave a fatal blow when the export markets were suddenly blocked. Export turnover declined 9.7% in 2009 after 18 years of consecutive due to the protectionism policy of other countries and consumption tightening in almost all Vietnamese major export markets. As a result, local enterprises turned to rediscover the domestic market together with the local consumption stimulus policy of the Government, focusing on the quality of goods and distribution in rural, remote and hinterland areas. The result was beyond expectation: total retail turnover reached VND1197.5 trillion, equivalent to US\$66.1 billion (while export turnover was just USD57 billion approximately). In comparison with 2008, retail turnover increased 18.6% and given the inflation impact, it was still 11% higher, which was twice as much as the GDP growth and 1.5 times higher than in 2008.

This has highlighted the importance of the domestic market as a long-term strategic orientation and not just a temporary recede when export is facing serious difficulty. Goldman Sachs Group remarked that the domestic market and powerful policies by the Vietnamese Government has helped the country to emerge from the crisis in relatively healthy conditions.

Foreign investment attraction also achieved impressive results against the background of the global crisis. According to the Foreign Investment Department, in 2009, there were 1,054 FDI investment projects (including new licences and capital increase licences), valued at USD21.482 billion, which was 30% of the figure of 2008. Although this is a major set back from 2008, the result was already higher than the FDI target set out for 2009 (which was US\$20 billion).

The year 2009 was a difficult one for the global economy and Vietnam was no exception. However, in such a situation, Vietnam is still showing its role as a prospective destination for trade and investment. With ongoing government efforts such as administrative reform, Vietnam can keep on track in the coming year. Apart from administrative reforms, which is one of the major barriers for inducing foreign investment into Vietnam, there are several fields that foreign investors would like the government to improve. Those include the development of infrastructure such as roads, seaports, airports, electricity and education of human resources. Moreover, the government should focus on business environment improvements, developing supporting industries and building up a competitive financial market. Controlling costs such as land rentals and minimum wages are other issues that the government should also take care of.



2010 prospects

Going to 2010, the economy will continue to face difficulties. The slow recovery of the US economy and other developed countries means the slow recovery of demand for imports from emerging markets, like Vietnam and China.

Prices of gold, labelled by some international observers as the barometer of the global financial system, surged to all time highs in the past two months, exceeding \$1,000 - 1,200 per ounce as the US dollar depreciated against most other foreign currencies.

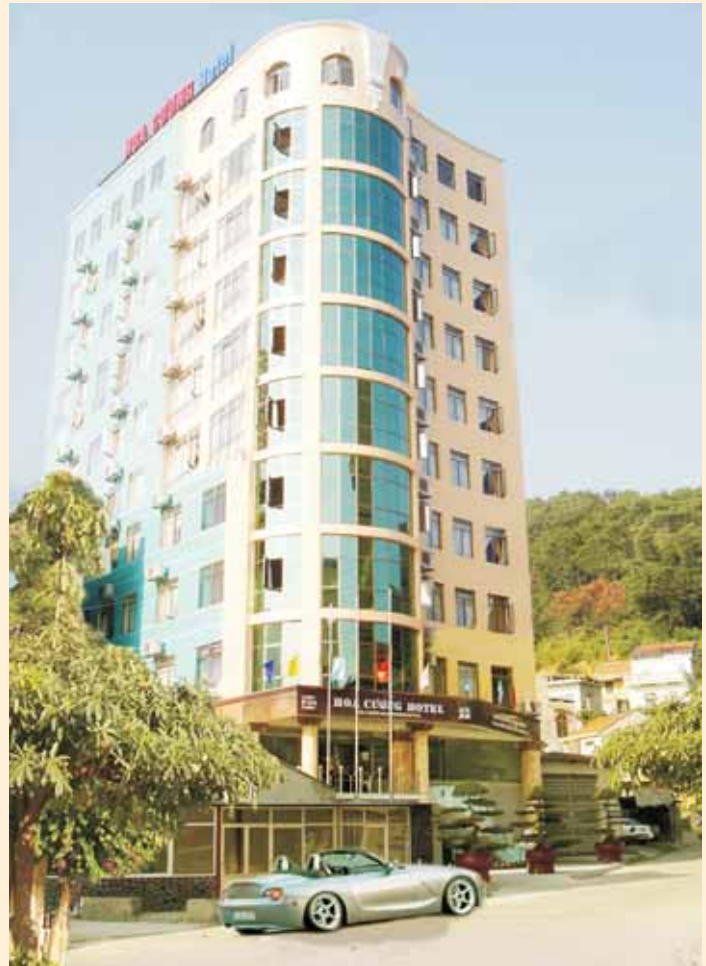
The global economy seems to have moved to the next stage of the financial crisis, which includes a severe crisis of the US dollar due to the US's current account deficit, fiscal deficit and debt monetisation. Thus, the role of the US dollar as a world reserve asset has been seriously threatened. The possibility of China buying gold from the IMR to expand its forex reserves is anticipated.

The emergence of a new international reserve system accommodating the US dollar, gold, special drawing rights of SDR, the monetary unit of the reserve assets of the IMF and some other strong currencies like the euro, yen and Swiss franc might also prompt sudden increase in gold prices. Worries over inflation might ease on the anticipation of a slow global recovery and a possible oversupply of commodities of all nations, especially China.

With such trends born in mind, we can say that forex management is an important policy for central banks and commercial banks worldwide during 2010 - 2011.

In 2010, apart from internal issues, Vietnam won't be able to avoid the impact of these above-mentioned external elements, all of which will challenge its macro economic management.

Against such a complicated background, the Government has set out and is determined to achieve some basic targets as follows:



GDP growth: 6.5%

Export turnover increases over 6% over 2009.

Total investment capital equals to 41% of GDP.

Consumer price index increases less than 7%.

1.6 million jobs to be created, in which, 85,000 employees taken to work abroad.

FDI capital attraction increases 10% to US\$22-25 billion.■





Annual Report 2009

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