



INSURANCE INDUSTRY & RICB

- Three insurance companies in the country.
- Two Non-life insurance and one reinsurance company.
- One life insurance company.
- One insurance Broker.
- Regulated by RMA.
- Non-existence of Insurance Act.
- Rules and Regulation for Insurance and Reinsurance Companies in Bhutan issued in July 2018.



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Royal Insurance Corporation of Bhutan Limited



Royal Insurance Corporation of Bhutan Limited

- Established in 1975.
- Listed on the stock exchange.
- Composite insurance company (Life & Non-life).
- Monopoly in Life Insurance and holds 80% of the non-life market share.
- Reinsurance Company from 2013.
- Other social security services like PPF and Annuity
- Engage in lending business similar to the banks.



Experience in Bond market

- Issued four series of Corporate Bonds.
- 2009: Nu. 500 million, 5 Years @ 9.00% coupon rate.
- 2010: Nu. 1.00 billion, 5 Years @ 9.00% coupon rate.
- 2014: Nu. 1.00 billion, 7 Years @ 9.50% coupon rate.
- 2015: Nu. 1.50 billion, 7 Years @ 9.50% coupon rate.
- All bonds issued to fund lending activity.
- Major investors are institutions.
- Coupon rates are determined based on Term Deposit rate.



How we see Government Bonds

1. Investment Avenue

- Investment avenues limited to Loans and Term Deposits.
- Exposed to market risk when already exposed to insurance risk.
- Insurance fund requires diversification.
- No particular regulation requiring to invest in Govt. Bonds.
- Regulatory solvency requirement for insurance fund recommends diversification.
- Capital charge on the assets for investment in bonds are lower.



How we see Government Bonds

- Trend of reducing lending rates (from 17% to 13%).
- Slow economic growth and experiencing increased NPA.
- Business strategies are changing for making investment.
- Insurance fund of Nu. 14.38 billion invested in loans.
- Annual increase in insurance fund would be Nu. 1.60 billion.
- Government Bond would provide as a risk free investment avenue.



How we see Government Bonds

2. Risk free Interest rate indicator.

- Lending rate determined based on MLR and cost of funds.
- Lending rates had changed significantly in recent years.
- Bond coupon would serve as benchmark interest rate.
- Proxy to policy rates

3. Country Rating

- Would indicate the macro economic performance.
- Company rating affected due to lack of Country rating.
- Would also help in fair valuation of Loan assets.



How we see Government Bonds

4. Alternative for Liquidity

- Explored to buy back the Bonds.
- Exposed to insurance risk, requires immediate liquidity.
- Currently the secondary market is inactive.
- Should be able to pledge the Bonds as securities.



KPIs for post-issue evaluation

1. Regular payment of coupon on time.
2. Assurance on the redemption funds and may be disclosure.
3. Transparency on investment of the funds.
4. Demand on the secondary market.
5. Periodic Rating review of the Bonds.
6. Honoring the terms of the Bonds.



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THANK YOU