

ROYAL MONETARY AUTHORITY OF BHUTAN

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**RULES AND REGULATIONS FOR LICENSING OF INSURANCE COMPANIES IN
BHUTAN 2018**

PART 1 – PRELIMINARY

1. These Rules and Regulations are issued in pursuant to Section 202 of the Financial Services Act of Bhutan 2011, and shall be read in conjunction with the additional requirements under the Financial Services Act 2011 and Rules and Regulations for Insurance and Reinsurance Companies in Bhutan 2018.

Title, Commencement and Application

2.1 These Rules and Regulations shall:

- i. be called the Rules and Regulations for Licensing of Insurance Companies in Bhutan 2018; and
- ii. come into force with effect from 18th July 2018.

2.2 These Rules & Regulations shall be applicable to any person desirous to set up direct insurance business in Bhutan.

Interpretation and Amendment

3.1 The power to interpret any provision of these Rules & Regulations is vested with the Authority which, if warranted, may issue such instruction and clarification from time to time as may be necessary to give effect and implement these Rules and Regulations.

3.2 These Rules & Regulations may be amended in part or in whole from time to time, by the Authority.

Rules of Construction

4. In these Rules and Regulations, unless the context indicates otherwise, the singular shall include plural and the masculine gender shall include the feminine gender hereafter.

Suppression

5. The Regulations for Establishment of Insurance Business in Bhutan is hereby superseded with the adoption and enforcement of Rules and Regulations for the licensing of insurance companies in Bhutan 2018.

PART 2-LICENSING REQUIREMENT

License Application

6.1 In accordance with the Financial Services Act of Bhutan 2011, an applicant seeking for a license to conduct an insurance business is hereby required to comply with these Rules and Regulations and submit the documents required therein.

6.2 An application for a license to conduct an insurance business shall be submitted in writing to the Authority and shall contain the following documents along with a non-refundable application fee of Nu. 100,000 in the form of cheque in favor of the Authority:

- i. Letter of Application (Annexure I);
- ii. Licensing Application Form (Annexure II);
- iii. Biographical Report (Annexure III);
- iv. Feasibility report including but not limited to a business plan for next three years, setting out the business objectives and types of activities envisaged for the proposed company, description of insurance products, distribution channel, IT system, proposed investment details;
- v. A copy of draft Article of Incorporation (final Article of Incorporation to be submitted upon incorporation of the company); and
- vi. In the event that the proposed company is a Subsidiary of a Parent Company, a brief history and outline of their operations, substantial shareholders and Directors, audited financial accounts for the past three years and the Board/Annual General Meeting resolution on the establishment of the proposed company.

6.3 An applicant shall clearly specify the type of an insurance business in the Letter of Application and License Application Form.

6.4 Incomplete application in all respects and not conforming to the instructions specified in the Annexure II and III of these Rules and Regulations shall be given up to sixty (60) days to complete the application in all respects and to rectify the errors, if any. In case of non-submission within the above-specified period, the application shall be rendered invalid.

6.5 Insurance Company shall be a company incorporated under the Companies Act of Bhutan 2016.

Capital Requirement

7.1 Minimum paid up capital for each line of direct insurance business shall be Nu.300 million. However, the initial minimum paid up capital for a new insurance company shall be Nu.200 million, which shall be raised to Nu.300 million within three years from the date of commencement of its operation.

7.2 In pursuant to Section 255 of the Financial Services Act of Bhutan 2011, an insurer shall, in respect of the insurance business carried out in Bhutan, deposit and keep deposited with the Authority in cash, 10 percent of minimum paid up capital as statutory deposit.

7.3 The promoters' contribution of the initial paid up capital shall have a lock-in-period of five years from the date of licensing of Insurance Company.

Restrictions on share ownership

7.4 In line with Section 50 of the Financial Services Act 2011, no person shall hold more than the following percentage of interest in the shares of an Insurance Company:

- i. In case of an individual, 20 percent;
- ii. In the case of a company not being a financial institution, 30 percent; and
- iii. In the case of a company being a financial institution, 5 percent.

7.5 For the purpose of Section 7.4:

- i. Individual is a natural person and includes spouse, dependent children or other dependents of a person being of the same household; and
- ii. Company means a parent company, its subsidiaries and affiliates, and it shall also include their significant owners.

7.6 Insurance Company shall float 40 percent of its shares to the general public through the initial public offer within one year after the issuance of license.

7.7 The ownership restrictions specified under the section 7.4 above shall not apply where shares are held directly or indirectly by the Royal Government of Bhutan (Ministry of Finance) or if it is a wholly owned Subsidiary of a Parent Company, which shall be permitted to own 100 percent of an Insurance Company.

7.8 The investment by a foreign Insurance Company (joint venture) in the Insurance Company shall not exceed 26 percent of the paid up capital of Insurance Company.

7.9 Insurance Company shall not, directly or indirectly, without written approval from the Authority, own shares in a company in excess of 20 percent of its capital fund. The Authority shall, at no point of time permit an Insurance Company to invest in a company

in excess of 25 percent of its capital fund.

Grant of License

8. The Authority shall grant a license to an applicant, only if the Authority amongst others is satisfied that:
- i. The managerial capacity of the applicant is adequate to conduct the proposed operations;
 - ii. The applicant will conduct its business in an honest and transparent manner and with the professional skills appropriate to the nature and scale of its proposed activities;
 - iii. The applicant will conduct its business in a sound and prudent manner so as not to jeopardize performance of financial obligations; and
 - iv. The applicant will maintain adequate accounting and other records of its business with adequate systems of control.
 - v. After consideration of the documents and detailed assessments, the Authority if satisfied may issue an "In-Principle Approval". This approval shall be valid for maximum period of six months. During this period, the applicant shall take all necessary preliminary measures specified therein. The issue of "In-Principle Approval" does not bind the Authority to issue a license to conduct business.
 - vi. Insurance Company in respect of which an "In-Principle Approval" has been given shall not commence business before the issuance of a license. Every advertisement, notice, etc. issued prior to the issue of the license shall specify that it has not been issued a license to carry out an insurance business.
 - vii. An applicant upon complying with the conditions specified in the "In-Principle Approval" may request the Authority to issue a license. The Authority being satisfied may issue a license to an applicant to carry out an insurance business.
 - viii. Insurance Company shall commence business within three months of issuance of a license.
 - ix. A license issued by the Authority is non-transferable and shall be valid for a period of one year.
 - x. Insurance Company shall pay an annual non-refundable license renewal fee of Ngultrum fifty thousand (Nu.50,000) before the end of the calendar year.

PART 3- DEFINITIONS

1. Unless a contrary intention appears from the context, the following words and expressions shall mean:

- i. "Act" means the Financial Services Act of Bhutan 2011
- ii. "Authority" means the Royal Monetary Authority of Bhutan established under the Royal Monetary Authority Act of Bhutan 2010.
- iii. "Insurance Company" shall mean General Insurance Company or Life Insurance Company licensed by the RMA to operate as Insurance Company in Bhutan.
- iv. "Independent Director" shall mean as defined in the Financial Services Act 2011.
- v. Lock-in-period shall mean freeze on the shares of the promoters to ensure that the promoters hold shares in the company after the IPO for certain period of time.

Letter of Application

Date:

Hon'ble Governor
Royal Monetary Authority of Bhutan
Thimphu, Bhutan

Subject: **Application to Establish an Insurance Business in Bhutan**

Dear Sir/Madam,

In accordance with Chapter 3 of the Financial Services Act of Bhutan, 2011, we would like to apply for a license to establish an insurance business in Bhutan. The documents required by the Royal Monetary Authority are enclosed herewith. We look forward to receiving your approval for the establishment of the proposed business.

Sincerely yours,

Signature:

Name:

Address:

Telephone number:

Fax No.:

Email:

(Encl: documents/information pertaining to the application)

ROYAL MONETARY AUTHORITY OF BHUTAN

LICENSING APPLICATION FORM

5.1.1 (Please ensure that this form is filled properly. In case of any clarifications, please feel free to call or visit Department of Financial Regulation and Supervision of the Authority).

In accordance to the Financial Services Act of Bhutan 2011, an application form is required to be submitted by the applicant to the Authority for a license to conduct insurance business.

1. Name of the Applicant:

2. Address:

Phone No :
 Fax No :
 E-mail address :

3. Please indicate which of the following activities the applicant intends to provide or seek to be licensed:

a. Life Insurance (***State the Classes of insurance business to be licensed***)

b. General Insurance (***State the Classes of insurance business to be licensed***)

5. Details of Promoters (*use additional sheets if necessary*)

(a) Provide list of promoters with shareholding of the proposed company:

Name	No. of shares	Value of shares (In Nu.)	% of total Shares

(b) If some promoters mentioned in 5(a) are natural persons, state their name, nationality and citizenship id card number and present address:

Name	Nationality	Citizenship ID card no.	Present address

(c) If some promoters mentioned in 5(a) are legal entities, state their name, registration/license no., nature of business and information on shareholders with 10% or more ownership (provide in separate sheet, if any). A copy of latest audited financial statements is required to be submitted with the application.

Name	Registration/License no.	Nature of business

6. Capital Structure of the company:-

- Amount of Authorized Capital and No. of Shares:
- Amount of Paid Up Capital and No. of Shares

7. DECLARATION

I, the undersigned, solemnly declare that the above information given in this application form on behalf of the Applicant Company are true, complete and correct to the best of my knowledge and belief and can be verified at anytime.

Should RMA come across any inconsistencies on the information provided, I hereby agree to fully abide by the penalties empowered under the Financial Services Act of Bhutan 2011. Further, I would like to pledge that if granted a license to conduct the business, the company will not violate any laws and regulation of the Authority.

Name..... Position held.....

Signed..... Date.....
(Affix legal Stamp)

Witness:

Name :
Citizenship ID No :
Current address :
:
:
Signature :
Date :

BIOGRAPHICAL REPORT

1. Full Name:
2. Date of Birth:
3. Citizenship Identity Card No. (*Please attach a copy*):
4. Passport Number (*For foreigners*) (*please attach a copy*):
 - Country of Issue:
 - Right-to-work in Bhutan: Yes () No ()

5. Present Address:

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Occupation :.....
 Institution/Organization :.....
 Telephone no. :.....
 Email address :.....

6. Permanent Address:

Village :.....
 Gewog :.....
 Dzongkhag/District :.....

7. Marital Status: Single () Married () Divorced () Separated ()

If married,

Spouse's Name:.....

Occupation :.....

Spouse's Citizenship ID/Passport Number:.....

Country of Issue:.....

8. Father's Name:..... Mother's Name:.....

Occupation:..... Occupation:.....

Address:..... Address:.....

9. Education

Name & Address of School	Date of Attendance	Major Area of Study	Degree Granted & Date Awarded
Undergraduate			

Graduate			
Masters/Professional			

10. Employment Record (past 5 positions)

Use additional sheets, if necessary and account for all gaps in employment.

Name & Address of Employer	Dates of Employment	Position Held & Duties	Immediate Superior	Reason for Leaving

11. Do you have a license to practice any profession? Yes () No ()

If yes, give details:

- (a) Nature of license:.....
- (b) Nature of Business:.....
- (c) License number:.....
- (d) Issuing Authority:.....
- (e) Percentage of shareholding:.....

12.

Do you have any financial interest in any financial institution under the supervision of any Government authority?	Yes ()	No ()
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If "Yes", give the name of the institution, address, and percentage of ownership. (<i>A copy of share certificate to be attached</i>)	
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13.

Source of fund for capital contribution (<i>applicable to promoters</i>)	
a. Own Cash (<i>If yes, please provide the amount</i>)	Yes () No ()
b. Borrowings from a Financial Institution (<i>If yes, give name of institution and amount borrowed</i>)	Yes () No ()
c. Other sources (<i>If yes, give details including amount</i>)	Yes () No ()

14. Latest Income Tax clearance (Attach tax clearance certificate)

15. Please tick whichever is relevant for the following questions below:

a. Were you ever convicted for any violations of the law?	Yes () No ()
b. Are any arrests, indictments, criminal information or other criminal proceedings now pending against you? Please submit a copy of security clearance certificate.	
c. Do you have more than 5 years experience in any financial services/finance/accounting? If yes, please submit all the supporting documents.	Yes () No ()
d. Have you been censured by any financial regulator or professional bodies? If yes, please submit the supporting documents.	Yes () No ()
e. Have you or has any partnership of which you were a principal officer or major shareholder ever been declared bankrupt?	Yes () No ()

f. Are any of your loan account with financial institutions classified as non-performing during last 24 months? Please submit a copy of credit information report.	Yes () No ()
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16 DECLARATION

I certify that I am aware that it is an offence under the Article 138 of the Financial Services Act 2011 to provide the Authority any information, which is false or misleading in a material particular in connection with an application.

I certify that the information given in form above is complete and accurate to the best of my knowledge, information and belief and that there are no other facts relevant to this application of which the Authority should be aware.

I undertake to inform the Authority of any changes material to the application which arises while the authority is considering the application within 7 days of each change.

I also undertake that as long as I continue to be a Director/Shareholder of the insurance company, I will notify the Authority of any material changes to, or affecting the completeness or accuracy of, the information given above as soon as possible, but in any event no later than 10 days from the day the changes come to my attention.

Further, I would like to pledge that as long as I continue to be a Director/Shareholder of the insurance company, I will not violate any laws and regulations of the Authority.

Name..... Position held.....

Signed..... Date.....

(Affix legal Stamp)

Witness:

Name :
Citizenship ID No :
Current address :
:
Signature :
Date :