PRESS RELEASE

TRUST MICRO INSURANCE LIMITED

July 2026

Rating

Instruments/ Facilities	Amount (NPR Mn)	Rating	Rating Action
Issuer Rating	NA	IRN BB- (Is)	Reaffirmed and removed from watch with negative implications

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has reaffirmed the issuer rating of IRN BB-(Is) [Double B Minus (Issuer)] and removed the ratings from watch with negative implications. Issuers with this rating are considered to have the moderate risk of default regarding timely servicing of financial obligations.

Detailed Rationale

The reaffirmation of rating assigned to Trust Micro Insurance Limited (TMIL) along with removal from 'Watch with Negative Implications' rating reflects improved visibility into the company's capacity to absorb losses arising from major riots in September 2025 both in terms of liquidity and balance sheet strength. As of July 15, 2026, the company reported gross claims around NPR 7.15 Mn from 11 claims with a retention of around ~30-35% with management estimating finalized cost to company at around NPR 1.97 Mn (excluding reinsurer's share) following final valuation by valuators and surveyors. The claim payment is expected to be supported by healthy liquidity position of the company as evident in adequate solvency margin of 1.98x as of mid-July 2025 as against regulatory requirement of 1.3x which is further expected to improve with infusion of ~NPR 225 Mn in form of Initial Public Offering (IPO). The existing reinsurance arrangements, together with sufficient on-balance sheet liquidity, are expected to enable the company to meet its obligations without major strain, although profitability is likely to be affected in FY26. Likewise, the rating continues to factor in experienced and resourceful promoters alongside well diverse and experienced management personnel. Additionally, the rating draws comfort from TMIL's reinsurance arrangements, which provide a buffer against large claims, as well as its expanding distribution footprint, comprising 33 branches, including sub-branches and extension counters. The rating also draws further support from TMIL's expanding and robust investment profile with healthy investment yield.

However, the rating is mainly constrained by limited track record of operations (since March 2024) and presence of the company in highly fragmented and competitive non-life insurance sector. TMIL is exposed to a regulatory risk given the highly regulated insurance sector alongside the intense competition given three other micro non-life companies and existing 14 larger general non-life insurers providing similar micro-products as part of its comprehensive portfolio. The rating also remains constrained by concentration of TMIL's portfolio towards motor segment (~>90% of GPW contribution in FY25 and Q3FY26) coupled with a relatively narrow product offering with only 13 policy types offered. The rating also remains constrained by heavy administration cost (relative to its scale) and modest profitability metrics (ROA of ~0.5-1%). Furthermore, regulatory restrictions imposed by the Nepal Insurance Authority (NIA), particularly the cap on sum assured at NPR 5.00 Mn per policy, are expected to limit growth prospects in the near term.

Going forward, TMIL's ability to scale up operations amidst a challenging regulatory environment and intense industry competition, while maintaining adequate solvency and capital buffers, will be a key rating sensitivity. Additionally, sustaining profitability through prudent underwriting and expense management, as well as diversifying its investment portfolio, particularly in light of the anticipated lower interest rate environment driven by excess liquidity in the Nepalese economy will also be key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced and well diverse management personnel
The company's ownership is entirely promoter-held, with major shareholders including Saphari Investment Pvt. Ltd. and Wipro Fincorp Pvt. Ltd., each holding ~21.43%, while Regency Fincorp Pvt. Ltd. holds ~15.42% stake and Shine Resunga Development Bank Ltd. holds a 10% stake. The ownership is further diversified among individual promoters such as Mr. Janardan Dev Pant (~3.52%) and Mr. Jagat Bahadur Pokhrel (~2.19%). The promoters are supported by a qualified and experienced management team, led by CEO Mr. Ujjwal Dhungana, who brings over 36 years of experience in the insurance industry. He is supported by Deputy CEO Mr. Bishowjan Thapa Shrestha, with over 15 years of experience in banking and insurance, and CFO Ms. Laxmi Poudel, with around 10 years of experience. The collective expertise of the leadership team is expected to support TMIL's operational growth and strengthen its business profile over long run.

Healthy Solvency and adequate geographical coverage
TMIL has demonstrated steady expansion of its branch network in line with its strategic objectives to broaden its insured client base, enhance risk diversification, and maintain a balanced claims ratio. As of FY25, the company operated 15 branches including a Head Office, Province Office, Branch Office, and 16 Sub-Branches supported by 15 extension counters bringing the total number of operational outlets to 33, underscoring its commitment to strengthening geographic coverage and improving service accessibility. The rating also incorporates TMIL's adequate solvency profile of ~1.98x in FY25 against ~1.96x in FY24 (against regulatory requirement of 1.5x), which is expected to improve following a planned equity infusion of around NPR 225 Mn through an Initial Public Offering (IPO).

Adequate reinsurance agreement coupled with lower retention ratio
TMIL has established reinsurance arrangements with Nepal Reinsurance Company Limited (NRIC) and Himalayan Reinsurance Limited (HRL), ceding 4% of each claim amount to both reinsurers as direct cession in FY25. Additionally, TMIL has entered into a whole account quota share treaty with HRL, under which 60% of the business excluding direct cessions, the motor portfolio, and policies covering specific perils, is ceded on each policy across all applicable classes as prescribed by the NIA. In addition to it, TMIL's reinsurance cession remains relatively low at ~36% in FY25 and ~40% in Q3FY26, which reduces the capital strain during periods of heavy claims. This conservative reinsurance burden is particularly advantageous for a nascent organization like TMIL, as it helps prevent undue stress on its capital base, reserves and operating profile.

Moderate investment profile
TMIL's investment portfolio remains moderate with investment of ~NPR 574 Mn as of mid-April 2026, increasing from ~NPR 488 Mn in FY24 and ~NPR 544 Mn in FY25. The portfolio remains largely short-term and liquidity-focused, reflecting a cautious investment approach suitable for the company's limited operating history and variable claims experience typical of micro insurance. While FY24 investments were exclusively in short-term fixed deposits with commercial banks, the portfolio saw modest diversification in FY25 and Q3FY26 with allocations to development banks, finance companies and towards long-term instruments, including shares and debentures, contributing to diversified investment profile. However, investment yields moderated to ~6.63% in Q3FY26 from ~8% in FY25 and ~12% in FY24 amid declining interest rates driven by excess liquidity in the Nepalese financial system. The profitability and performance of these investments over long term remains key rating monitorable.

Key Rating Weaknesses

Modest albeit improving operating profile given limited track record of operations
TMIL is one of the four general micro non-life insurers who received license in FY23 and commenced commercial operations in March 2024. As such, it has a relatively short operating track record of

around two and a half years. Given its limited track record of operations, TMIL operates at a smaller scale, though it has expanded in recent period. TMIL's scale of operations has expanded significantly, resulting in a notable improvement in market position despite continued pressure on profitability. Gross premium earned (GPE) increased to ~NPR 214 Mn in FY25 and ~NPR 172 Mn in Q3FY26 from ~NPR 33 Mn in FY24, while net premium earned (NPE) rose to ~NPR 43 Mn in FY25 and ~NPR 68 Mn in Q3FY26 from ~NPR 1 Mn in FY24, supported by higher retention and business growth. Consequently, the company's GPW and NPE market shares improved to ~24% and ~25%, respectively, by Q3FY26 from ~13% and 5% in FY24. However, profitability remained constrained by elevated management expenses and a higher claim ratio (primarily due to increased IBNR provisions), resulting in a combined ratio of 192% in FY25, albeit improving to ~135% in Q3FY26. Accordingly, TMIL continued to report underwriting losses of ~NPR 40 Mn in FY25 and ~NPR 24 Mn in Q3FY26. Furthermore, lower investment yields amid excess liquidity and reduced commission income owing to lower risk cessation partially offset the benefits of business growth, leading to subdued profitability, with PAT of ~NPR 1 Mn in FY25 and ~NPR 2 Mn in Q3FY26 (FY24: ~NPR 6 Mn). The ability of company to scale up its operation while upholding key metrics and profitability indicators will remain crucial.

Significant concentration of portfolio towards motor sector
TMIL's business portfolio remains significantly concentrated in the motor segment, which contributed ~90% of the GPW and ~93% of the NPE in FY25 (~93% of the GPW and ~97% of the NPE in FY24). The contribution from other lines of business remains negligible, indicating a limited diversification beyond motor insurance. This concentration exposes the company to segment-specific risks, wherein any adverse developments such as a decline in motor vehicle sales, regulatory changes, or catastrophic events could materially impact its financial performance. The lack of product diversification is a key credit weakness and constrains the company's overall risk profile.

Regulatory risks and intense competition
The micro non-life insurance segment in Nepal remains in a nascent stage, with NIA beginning to license dedicated micro non-life insurers only from FY2023–24. Currently, the segment comprises four licensed players, underscoring limited market development and lack of consolidation. Despite initial progress, no micro non-life insurer has yet achieved market leadership, and the long-term ability of these entities to establish a sustainable competitive position remains to be seen. The competitive landscape is further intensified by the presence of 14 conventional non-life insurers, many of which possess strong brand equity, extensive networks, and overlapping micro insurance offerings. These factors present ongoing challenges for newer micro insurers in terms of differentiation and scalability. The insurance sector operates within a dynamic regulatory environment, with frequent changes in tariff structures and risk coverage guidelines issued by the NIA, which shape operational strategies and business models. In this context, newer entrants like TMIL are expected to rely on regulatory support during their formative years, with the nature and continuity of such support being critical to their financial performance, growth trajectory, and profitability. However, constraints remain, including the regulatory cap of NPR 5.00 Mn per policy on sum assured, which may restrict product scalability in the near term. Additionally, compliance with the regulatory minimum capital requirement of NPR 750 Mn is essential; TMIL, with a paid-up capital of NPR 525 Mn as of mid-July 2025, plans to bridge this gap through a proposed public equity issuance.

Analytical Approach: Standalone

Applicable Criteria:
Issuer Rating Methodology & Insurance Company Credit Rating Methodology

Link to past rating rationale:
Trust Micro Insurance Limited: Issuer Rating Assigned
Credit Rating Placed on watch with negative implications

About the Company:
Trust Micro Insurance Limited (TMIL) is one of the four micro non-life insurers operating in Nepal. Its controlling office is situated in Butwal, Rupandehi. The company is involved in providing 13 different types of policies extending across motor, property and miscellaneous sectors. The paid up capital of the company as on Mid-April 2026 stood at NPR 525.00 Mn. The entire shareholding is held by promoters as of date. The major shareholding of TMIL belongs to Saphari Investment Private Limited and Wipro Fincorp Private Limited with each holding 21.43% of shares followed by Regency Fincorp Private Limited holding ~15.42% of shares as of mid-April 2026.

Financial Indicators (Standalone)

Amount in NPR million*	FY2024	FY2025	Q3FY2026
	Audited	Audited	Unaudited
Gross Premium Written (GPW)	33	214	172
Net Premium Written (NPW)	9	77	68
Retention	26%	36%	40%
Net Premium Earned (NPE)	1	43	68
Underwriting Surplus	-29	-40	-24
Net Claims Incurred / NPE (Claims Ratio)	101%	58%	37%
Management Expenses / NPE (Expense Ratio)	2407%	210%	118%
Net Commission Expenses / NPE	-81%	-75%	-20%
Combined Ratio	2427%	192%	134%
Net Investment Income/NPE	3110%	95%	41%
PAT/ Total Asset Base	1.06%	0.16%	0.33%
PAT/ Reported Net Worth	1.16%	0.19%	0.44%
Profit After Tax	6	1	2

** Classification as per Infomerics Nepal Standard*

Analyst Contacts

Mr. Raunak Mulmi
Tel No.+977-1-4583304/4585906
raunak.mulmi@infomericsnepal.com

Mr. Pradosh Aryal
Tel No.+977-1-4583304/4585906
pradosh.aryal@infomericsnepal.com

Relationship Contact

Mr. Rabin Pudasaini
Tel No.+977-1-4583304/4585906
rabin.pudasaini@infomericsnepal.com

About Infomerics Credit Rating Nepal Limited:
Infomerics Credit Rating Nepal Ltd. is Nepal's third Credit Rating Agency licensed by the Securities Board of Nepal (SEBON) on March, 2022. Infomerics Nepal is a subsidiary of Infomerics Valuation and Rating Private Limited (Infomerics India) which is a SEBI registered and RBI accredited Credit Rating Agency licensed in 2015. Infomerics Nepal aims to provide investors with objective analysis and evaluation of credit worthiness of Banks, NBFCs, Large Corporates and Small and Medium Scale Units (SMUS) via its rating and grading services. Thus, it is playing a key role in serving the financial markets by reducing the information asymmetry among varied lenders and investors and facilitating borrowers/issuers to various fundraising opportunities/avenues. Infomerics observes and maintains ethical standards in its activities.

For more information, visit https://infomericsnepal.com/

Infomerics Credit Rating Nepal Limited
Tanka Prasad Marga, Baneshwor Height, Kathmandu
Phone: +977-1-4583304/4585906
Email: info@infomericsnepal.com
Web: www.infomericsnepal.com