



Lanka Rating Agency

## Rating Report

### Sanasa Life Insurance Company PLC

#### Report Contents

1. Rating Analysis
2. Financial Information
3. Rating Scale
4. Regulatory and Supplementary Disclosure

#### Rating History

Dissemination Date	Long Term Rating	Outlook	Action	Rating Watch
03-Jul-2025	BBB- (ifs)	Negative	Downgrade	-
07-Aug-2023	BBB (ifs)	Positive	Initial	-

#### Rating Rationale and Key Rating Drivers

The rating reflects Sanasa Life Insurance Company PLC ("SLC" or "the Company") weakening fundamentals, marked by a declining market share, compromised profitability, and deterioration of capital resulting in reduced capital adequacy and risk absorption capacity. The Company has been subject to certain regulatory directives, such as to reconstitute its board and management team to improve its corporate governance practices including appointment of new Chairperson of the Board. The regulator has also instructed the Company to discontinue one of its leading insurance selling products and apply for a new product with better features and enhanced regulatory requirements. This has significantly impacted the business and financial profile of the Company. As of 1QCY25, SLC's market share declined to ~2.3% (CY24: ~3.6%). This reduction is primarily attributable to a strategic shift in the product mix, with the Company transitioning away from their main insurance selling product towards more traditional life insurance offerings. Consequently, the Company reported a ~38% decline in Gross Written Premiums (GWP), amounting to LKR~1.2bn in 1QCY25, compared to LKR~1.9bn in 1QCY24. During the same period, SLC paid net claims totaling LKR~636.6mn (CY24: LKR~3,792.3mn; CY23: LKR~2,438.4mn), driven primarily by an increase in surrender claims. This led to a rise in the combined ratio to ~106.6% in 1QCY25 (CY24: ~97.1%), indicating underwriting losses as SLC reported a net loss of LKR~5.9mn in 1QCY25. The Company's Gross Written Premium (GWP) increased by ~30.2% to LKR~6.6bn in CY24 (CY23: LKR~5.1bn). Despite this growth, the Company reported a net loss of LKR~80.6mn in CY24, primarily attributable to higher net claims and benefits, increased contract liabilities, and elevated operating expenses. The Company's capital position remains under pressure with the Capital Adequacy Ratio (CAR) declining to ~120%, barely meeting the regulatory minimum requirement of 120% CAR, in 1QCY25 (CY24 CAR: ~169%). It is significantly below the industry average of ~330% and depicts immediate need of capital infusion.

The assigned 'Negative Outlook' reflects expected decline in key performance indicators due to portfolio mix, ongoing regulatory concerns, and revamp of corporate governance and operational frameworks.

The rating is contingent upon SLC's ability to improve its business and financial profile by regaining market share, reverse losses trend and fortify its capital position. Any further deterioration in these key indicators would result in further downgrade of rating. Meanwhile, strengthening risk management practices, operational controls and compliance with regulatory requirements will have a positive impact on the rating.

#### Disclosure

<b>Name of Rated Entity</b>	Sanasa Life Insurance Company PLC
<b>Type of Relationship</b>	Solicited
<b>Purpose of the Rating</b>	IFS Rating
<b>Applicable Criteria</b>	Methodology   Life Insurance Rating(Aug-24)
<b>Related Research</b>	Sector Study   Life Insurance(Nov-24)
<b>Rating Analysts</b>	Imran Iqbal   imran@lra.com.lk   +94 114 500099



### Profile

**Legal Structure** Sanasa Life Insurance Company PLC ("SLC" or "the Company") was incorporated as a public limited company under the Companies Act No. 17 of 1982 and re-registered in 2008 under Act No. 07 of 2007. It was listed on the Colombo Stock Exchange in 2021.

**Background** SLC originated as the All Lanka Mutual Assurance Organization in 1991 and was reconstituted as Seemasahitha Sanasa Rakshana Samagama in 2006. It obtained life and general insurance licenses in 2003 and 2005, respectively. In 2019, operations were segregated, with Sanasa Life continuing life insurance and its subsidiary, Sanasa General, handling general insurance.

**Operations** SLC primarily offers life insurance and saving products to Sanasa societies and rural communities through a wide network of 183 branches across Sri Lanka. SLC owns 53% of Sanasa General Insurance.

### Ownership

**Ownership Structure** The single largest shareholder of SLC is Senthilvel Holdings (Pvt.) Limited (SHPL), holding ~19.1% of the Company's shares. Over 500 Sanasa societies, operating across 20 districts, collectively hold ~64.9% shareholding.

**Stability** SHPL is a private limited liability company incorporated in 2017, wholly owned by Dr. Thirugnanasambandar Senthilvel. SHPL operates as a specialized investment vehicle, primarily engaged in investing in listed equities and generating income from such investments.

**Business Acumen** Sanasa societies, founded on cooperative principles, are community-focused entities committed to serving their members. As shareholders of SLC, they promote community ownership and contribute valuable sectoral insight to the Company.

**Financial Strength** Despite holding shareholding in SLC, Sanasa societies and other shareholders are not contractually obligated to support the Company's financial obligations. The shareholders planned a rights issue in 2024, which was later not pursued.

### Governance

**Board Structure** The Board comprises, with effect from 01/06/2025, five Non-Executive/Independent Directors and four Non-Executive/Non-Independent Directors, including the Chairperson. The Board has recently been reconstituted, including appointment of a new Chairperson, amidst regulatory directives to improve corporate governance framework and related matters.

**Members' Profile** The Pro-term Chairperson, Prof. Aminda Methsila Perera, is an Independent Director appointed to the Board in June 2023 and assumed the role of Pro-term Chairperson in December 2024. He currently serves as the Head of Accountancy at Wayamba University and holds two PhDs. The other board members have expertise in areas such as banking, investments and Sanasa societies.

**Board Effectiveness** The Board has established nine sub-committees to support governance and oversight. However, several shortcomings were discovered resulting in overhaul of the board. The Company is focusing on improving its overall control environment based in regulators directives. Improving governance framework and adhering to best practices is critical for the Company, going forward.

**Financial Transparency** A qualified opinion on the financial statements of CY24 was given by the Auditor Ernst & Young. The qualified audit opinion was issued due to the absence of actuarial confirmation supporting a deduction applied in estimating the Unearned Premium Reserve for the Motor Segment. This does not reflect well on the financial and accountancy practices of the Company.

### Management

**Organizational Structure** SLC has a well-defined organizational structure, with ultimate authority vested with the Chairperson and the Board of Directors.

**Management Team** Mr. Nuwanpriya Gunawardena was appointed as the Chief Executive Officer on December 6, 2024, after the previous CEO stepped down following regulator's recommendations. Mr. Gunawardena brings over 15 years of experience in Information Technology. He is a member of the Chartered Institute for IT (UK) and holds an MBA from London Metropolitan University. He leads an experienced management team.

**Effectiveness** The Company has established nine management committees, all overseen by the Risk Management Committee of the board, to run its day to day operations. The Company is reviewing its processes and controls to improve operational efficiency and control.

**Claim Management System** SLC's claims are initiated via email or document submission, reviewed by a dedicated team, and settled mostly through bank transfers. The process ensures checks and faster turnaround, though it's not yet fully online and remains exposed to interventions.

**Investment Management Function** SLC's investment policy prioritizes returns while managing risk, under IRCSL rules. Oversight is provided by the Board's Investment Committee, and ALCO, with internal audits ensuring compliance, transparency, and responsible investment practices.

**Risk Management Framework** SLC follows a structured risk management process and updates its risk register on a quarterly basis. While the Board Risk Management Committee, comprising three directors, is tasked with reviewing key risks, the overall risk management framework is still evolving.

### Business Risk

**Industry Dynamics** The Insurance industry consists of 28 companies with 14 companies engaged in life insurance, 12 companies engaged in general insurance and 2 are composite companies. The Life Insurance industry's GPW grew by ~21.4% in 1QCY25 on YoY basis (CY24: LKR~183.9bn, CY23: LKR~152.8bn). The PBT decreased to LKR~4.9bn in 1QCY25 from LKR~6.4bn in 1QCY24 (CY24: LKR~32.5bn, CY23: LKR~30.6bn) due to lower investment income. Industry CAR was 329% as of 1QCY25 (CY24: ~338%), exhibiting strong capitalization.

**Relative Position** SLC's is a relatively small player in the Life Insurance sector. Its market share has reduced to ~2.3% in 1QCY25 (CY24: ~3.6%) due to lower GPW.

**Persistence** The customer retention rate declined to ~65% in 3MCY25 and CY24. This downward trend may indicate emerging challenges related to customer engagement, product competitiveness and service quality.

**Revenue** The Company reported ~38% decline in GWP, amounting to LKR~1.2bn in 1QCY25 on YoY basis (CY24: LKR~6.6bn). This reduction is primarily attributable to a strategic shift in the product mix, with the Company transitioning away from investment-linked products towards more traditional life insurance offerings.

**Profitability** The Company posted loss of LKR~80.6mn in CY24, primarily attributable to higher net claims and benefits, increased contract liabilities, and elevated operating expenses. The pressure on profitability persists as the Company SLC reported a net loss of LKR~5.9mn in 1QCY25 due to underwriting losses.

**Investment Performance** SLC's investment portfolio increased by~27% to LKR~4.2bn in CY24 (1QCY25: LKR~4.3bn). Investment income rose to LKR~648mn in CY24 as compared to LKR~436mn in CY23 (1QCY25: LKR~98mn).

**Sustainability** The regulator has instructed the Company to discontinue one of its leading best-selling insurance product and apply for a new product with better features and enhanced regulatory requirements. This has significantly impacted the business and financial profile of the Company.

### Financial Risk

**Claim Efficiency** Net benefits and claims paid have increased by ~55.5% to LKR~3.8bn in CY24 (3MCY25: LKR~636.6mn) mainly due to increase in surrender claims. The claims ratio increased to ~58.5% in CY24 from ~48.7% in CY23 (3MCY25: ~56.4%), while the combined ratio increased to ~97.1% in CY24 (CY23: ~83.8%). The combined ratio further increased to ~106.7% 3MCY25 resulting in underwriting losses.

**Re-Insurance** The reinsurance program of the Company is diversified under each plan category. Financial position and credit ratings of all reinsurers are in line with the IRCSL guidelines.

**Cashflows & Coverages** The liquidity position is deemed strong as SLC has LKR ~3.4bn in liquid investments as of 1QCY25 (CY24: LKR~3.4bn), while the Company's net cash generated from operations was reported at LKR~510.2mn in CY24 (3MCY25: Negative of LKR~128.3mn). The Company's liquid asset to GPW ratio was ~51.5% in CY24.

**Capital Adequacy** The Company's capital position has deteriorated with CAR declining to ~120% in 1QCY25, barely meeting the regulatory minimum requirement of 120%, (CY24 CAR: ~169%). It is significantly below the industry average of ~330% and depicts immediate need to augment capital.



Lanka Rating Agency

Sanasa Life Insurance PLC  
Listed Public Limited

Mar-25	Dec-24	Dec-23	Dec-22
3M	12M	12M	12M

## A BALANCE SHEET

1 Investments	4,260	4,249	3,299	2,351
2 Insurance Related Assets	69	47	37	38
3 Other Assets	529	586	431	365
4 Fixed Assets	552	562	524	265
<b>Total Assets</b>	<b>5,410</b>	<b>5,445</b>	<b>4,290</b>	<b>3,020</b>
5 Underwriting Provisions	2,609	2,600	1,627	1,203
6 Insurance Related Liabilities	164	190	133	75
7 Other Liabilities	195	293	168	129
8 Borrowings	559	475	392	307
<b>Total Liabilities</b>	<b>3,528</b>	<b>3,557</b>	<b>2,320</b>	<b>1,714</b>
<b>Equity</b>	<b>1,882</b>	<b>1,888</b>	<b>1,970</b>	<b>1,306</b>

## B INCOME STATEMENT

1 Gross Premium Written	1,174	6,577	5,050	2,568
2 Net Insurance Premium	1,130	6,485	5,007	2,529
3 Underwriting Expenses	(713)	(4,051)	(2,629)	(1,428)
<b>Underwriting Results</b>	<b>416</b>	<b>2,434</b>	<b>2,377</b>	<b>1,100</b>
4 Management Expenses	(492)	(2,246)	(1,566)	(903)
5 Investment Income	98	648	436	38
6 Other Income / (Expense)	(13)	44	(40)	79
7 Net Change in Reserve for Policyholders' Liabilities	(9)	(973)	(424)	(213)
<b>Profit Before Tax</b>	<b>0</b>	<b>(92)</b>	<b>784</b>	<b>103</b>
8 Taxes	(6)	11	(17)	(7)
<b>Profit After Tax</b>	<b>(6)</b>	<b>(81)</b>	<b>767</b>	<b>96</b>

## C RATIO ANALYSIS

<b>1 Profitability</b>				
Loss Ratio (Net Insurance Claims / Net Insurance Premium )	56.4%	58.5%	48.7%	51.5%
Combined Ratio (Loss Ratio + Expense Ratio)	106.7%	97.1%	83.8%	92.2%
<b>2 Investment Performance</b>				
Investment Income / Operating Profit	435.4%	77.5%	35.0%	16.3%
<b>3 Liquidity</b>				
(Liquid Assets - Borrowings) / Outstanding Claims	85.50	58.21	47.57	81.50
<b>4 Capital Adequacy</b>				
Liquid Investments / Equity	1.80	1.79	1.26	1.49

## Insurer Financial Strength Rating

Insurer Financial Strength rating reflects forward-looking opinion on relative ability of the insurance company to meet policyholders and contractual obligations.

Scale	Definition
AAA (ifs)	<b>Exceptionally Strong.</b> Exceptionally strong capacity to meet policyholder and contract obligations. Risk factors are minimal and the impact of any adverse business and economic factors is expected to be extremely small.
AA+ (ifs) AA (ifs) AA- (ifs)	<b>Very Strong.</b> Very strong capacity to meet policyholder and contract obligations. Risk factors are modest, and the impact of any adverse business and economic factors is expected to be very small.
A+ (ifs) A (ifs) A- (ifs)	<b>Strong.</b> Strong capacity to meet policyholder and contract obligations. Risk factors are moderate, and the impact of any adverse business and economic factors is expected to be small.
BBB+ (ifs) BBB (ifs) BBB- (ifs)	<b>Good.</b> Good capacity to meet policyholder and contract obligations. Although risk factors are somewhat high, and the impact of any adverse business and economic factors is expected to be manageable.
BB+ (ifs) BB (ifs) BB- (ifs)	<b>Modest.</b> Modest capacity to meet policyholder and contract obligations. Though positive factors are present, risk factors are relatively high, and the impact of any adverse business and economic factors is expected to be significant.
B+ (ifs) B (ifs) B- (ifs)	<b>Weak.</b> Weak capacity to meet policyholder and contract obligations. Risk factors are high, and the impact of any adverse business and economic factors is expected to be very significant.
CCC (ifs) CC (ifs) C (ifs)	<b>Very Weak.</b> Very weak with a very poor capacity to meet policyholder and contract obligations. 'CCC': Risk factors are extremely high, and the impact of any adverse business and economic factors is expected to be insurmountable. 'CC': Some form of insolvency or liquidity impairment appears probable. 'C': Issuer's very weak capacity.
D (ifs)	<b>Distressed.</b> Extremely weak capacity with limited liquid assets to meet policyholders and contractual obligations, or subjected to some form of regulatory intervention and declared insolvent by the regulator.

## Rating Modifiers | Rating Actions

<b>Outlook (Stable, Positive, Negative, Developing)</b> Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business / financial conditions. It is not necessarily a precursor to a rating change. 'Stable' outlook means a rating is not likely to change. 'Positive' means it may be raised. 'Negative' means it may be lowered. Where the trends have conflicting elements, the outlook may be described as 'Developing'.	<b>Rating Watch</b> Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany rating outlook of the respective opinion.	<b>Suspension</b> It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.	<b>Withdrawn</b> A rating is withdrawn on a) termination of rating mandate, b) the debt instrument is redeemed, c) the rating remains suspended for six months, d) the entity/issuer defaults., or/and e) LRA finds it impractical to surveil the opinion due to lack of requisite information.	<b>Harmonization</b> A change in rating due to revision in applicable methodology or underlying scale.
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**Surveillance.** Surveillance on a publicly disseminated rating opinion is carried out on an ongoing basis till it is formally suspended or withdrawn. A comprehensive surveillance of rating opinion is carried out at least once every six months. However, a rating opinion may be reviewed in the intervening period if it is necessitated by any material happening. Rating actions may include "maintain", "upgrade", or "downgrade".

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## Regulatory and Supplementary Disclosure

(Rules applicable to Credit Rating Agencies, No. 19 of 2021 - issued on 15th March 2022)

### Rating Team Statements

(1) Credit Rating Agency means a body corporate engaged in the business of assessing and evaluating the credit-worthiness of any issuer or a specific issue of securities. <https://www.sec.gov.lk/credit-rating-agency/>

### Conflict of Interest

(2) i. LRA will disclose to the Commission all other business activities it is engaged in at the time of applying for its licence and inform the Commission in writing prior to engaging in any other business activity after obtaining a licence from the Commission. (Section 34 – Rules applicable to Credit Rating Agencies)

(2) ii. LRA will not engage in any other business which in the view of the Commission creates a conflict of interest unless prior written approval of the Commission is obtained. (Section 35 – Rules applicable to Credit Rating Agencies)

(2) iii. In the conduct of any such other business activity, the LRA will ensure that proper processes are in place to have a clear demarcation of the different functions pertaining to such businesses. (Section 36 – Rules applicable to Credit Rating Agencies)

### Restrictions

(3) (i) LRA will not be outsource any part of its work, which has a direct bearing on the function of rating. (Section 24 – Rules applicable to Credit Rating Agencies)

(3) (ii) LRA will enter into a written agreement with the party to whom any work is outsourced. Such agreement contains an undertaking from the party to whom any work is outsourced that they shall comply with the laws, rules, and directives that the LRA is bound to follow. (Section 25 – Rules applicable to Credit Rating Agencies)

(4) The LRA will not appoint any individual as a member of the rating committee who:

(a) has a business development function of the Credit Rating Agency; or

(b) who initiates or participates in discussions regarding fees or payments with any Client of the LRA. (Section 28 – Rules applicable to Credit Rating Agencies)

### Conduct of Business

(5) Prior to the commencement of a rating or during such process the LRA will not promise, assure or guarantee to a Client that a particular rating will be assigned. (Section 39 – Rules applicable to Credit Rating Agencies)

(6) LRA performs a rigorous and formal periodic review of all its methodologies. Such methodologies will be made available to the Commission for perusal, upon request. (Section 41 – Rules applicable to Credit Rating Agencies)

### Independence & Conflict of interest

(7) LRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on LRA's opinions or other analytical processes. In all instances, LRA is committed to preserving the objectivity, integrity, and independence of its ratings.

(8) LRA will not engage in any other business which in the view of the Commission creates a conflict of interest unless prior written approval of the Commission is obtained. (Section 35 – Rules applicable to Credit Rating Agencies)

(9) LRA will structure its rating teams and processes to promote continuity, consistency and avoid bias in the rating process. (Section 47 – Rules applicable to Credit Rating Agencies)

### Monitoring and review

(10) For purposes of transparency the LRA will publish sufficient information about an entity/security rated, frequency of default and whether a rating grade assigned has changed over time. The definitions and computation methods for the default rates stated in the default studies shall also be disclosed. (Section 44 – Rules applicable to Credit Rating Agencies)

LRA maintain the following records pertaining to Clients:

(a) all internal records to support its credit rating opinions;

(b) all particulars relating to Clients at its office which shall include the name and registered address and contact numbers of such Client, names and addresses of their directors as at the date of rating, its issued share capital and the nature of business; and

(c) a written record of all complaints received from Clients and action taken thereon by the LRA. (Section 48 – Rules applicable to Credit Rating Agencies)

(11) LRA maintains confidentiality of all non-public information entrusted to it by Clients at all times including such Client's identity and transactions carried out for such Client unless and to the extent such disclosure is required by law, or unless authorised by the Client to disclose such information. (Section 50 – Rules applicable to Credit Rating Agencies)

(12) LRA does not destroy, conceal or alter any records, property or books relating to the business of the Credit Rating Agency which are in its possession or under its control with the intention of defeating, preventing, delaying or obstructing the carrying out of any examination (Section 53 – Rules applicable to Credit Rating Agencies)

### Probability of Default

(13) LRA's Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e., probability).

### Proprietary Information

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