



Lanka Rating Agency

Rating Report

Sanasa Life Insurance Company PLC

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Rating History

Dissemination Date	Long Term Rating	Outlook	Action	Rating Watch
06-Jan-2026	BB (ifs)	Negative	Downgrade	-
03-Jul-2025	BBB- (ifs)	Negative	Downgrade	-
07-Aug-2023	BBB (ifs)	Positive	Initial	-

Rating Rationale and Key Rating Drivers

The Lanka Rating Agency downgraded the Insurance Financial Strength (IFS) Rating of Sanasa Life Insurance Company PLC ("SLC" or "the Company") to "BB" with a "Negative Outlook" in 2025 due to weakening fundamentals and regulatory issues.

The rating has been further downgraded as these issues have exacerbated, impacting financial and business profile of the Company. SLC continues to face pressure on Gross Premium Written (GPW) and underwriting profitability as the Insurance Regulatory Commission of Sri Lanka (IRCSL) discontinued one of the Company's products, Divijaya/Plan 25 product. This has resulted in material decline in capitalization and risk-absorption capacity of the Company, making it non-compliant with minimum regulatory requirement. The capital erosion has been significant, with the Capital Adequacy Ratio (CAR) falling from ~169% in CY24 to ~63% by 3QCY25, and ~56% in October-25, well below the regulatory minimum of 120%. Following findings relating to solvency breaches, reporting deficiencies, and non-compliance in product governance, IRCSL has temporarily suspended the Company's license to operate its long-term insurance business from 5th December 2025 to 30th January 2026, constraining new business generation and heightening regulatory risk. Profitability remains weak, with underwriting losses, elevated claims-related outflows, and rising expense ratios reflected in 3QCY25 financial performance. The GPW of the Company was LKR ~5.2bn in 3QCY25 while the Company recorded net loss of LKR ~14.9mn due to higher claims and expenses. The investment income stood at LKR ~317.6mn for the period. SLC has total assets of LKR ~5.9bn as of Sep 25, with investments amounting to LKR ~4.3bn.

The management has submitted a capital-restoration plan, yet to be approved by the IRCSL, comprising equity infusion of LKR ~500mn, operating expense reduction and disposal of certain assets, and issuance of subordinated debt (LKR ~500mn), the plan is yet to be approved by the regulator and timely execution of the plan remains to be seen. The Negative Outlook reflects uncertainty regarding the restoration of license and approval of the proposed plan by the regulator.

Going forward, the rating is contingent upon restoration of the license, successful and timely implementation of capital infusion plan, and complying to minimum regulatory requirements. Any further deterioration in key performance indicators or continued license suspension will have negative impact on the rating.

Disclosure

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



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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 the Companies Act No. 07 of 2007. The Company was listed on the Colombo Stock Exchange (CSE) 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 savings products to Sanasa societies and rural communities through a network of ~145 branches across Sri Lanka. The Company holds a ~53% ownership stake in Sanasa General Insurance.

Ownership

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

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

Business Acumen Sanasa Societies, established on cooperative principles, are community-focused entities that prioritize the interests of their members. As shareholders of SLC, they promote community ownership and offer sectoral insights, supporting the Company's governance and strategic decision-making.

Financial Strength Although Sanasa Societies and other shareholders hold equity in SLC, they do not bear direct financial responsibility for the Company's operations. Their limited willingness to provide timely capital restricts SLC's financial flexibility and could affect its future growth prospects.

Governance

Board Structure SLC maintains a well-defined organizational structure, with ultimate authority vested in the Chairperson and the Board of Directors (BoDs). This structure ensures clear lines of decision-making and provides formal oversight of the Company's operations and strategic initiatives.

Members' Profile Prof. Aminda Methsila Perera, appointed to the Board on 20 June 2023 and as Pro Tem Chairman in December 2024, is the Head of the Department (HoD) of Accountancy at Wayamba University of Sri Lanka and serves as a Non-Executive Director (NED) of the State Mortgage and Investment Bank, with prior board experience at People's Bank, the Civil Aviation Authority, and other state institutions, supported by multiple doctoral and postgraduate academic qualifications.

Board Effectiveness The Board has established nine sub-committees to support governance and oversight. However, several shortcomings were identified, prompting a board overhaul. The Company is focused on strengthening its control environment in line with regulator directives, with improvements in governance and adherence to best practices being critical going forward.

Financial Transparency The auditor, Ernst & Young, issued a qualified opinion on the CY24 financial statements. The qualification arose from the absence of actuarial confirmation supporting a deduction in estimating the Unearned Premium Reserve for the Motor segment, which reflects negatively on the Company's financial and accounting practices.

Management

Organizational Structure SLC has a well-defined organizational structure, with ultimate authority vested in the Chairperson and the BoDs.

Management Team Mr. Nuwanpriya Gunawardena was appointed Chief Executive Officer (CEO) on December 6, 2024, following the previous CEO's departure in line with regulator recommendations. He has over 15 years of experience in Information Technology, 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, overseen by the Board's Risk Management Committee, to manage day-to-day operations. It is reviewing its processes and controls to enhance operational efficiency and strengthen internal oversight.

Claim Management System SLC's claims are initiated through email or document submission, reviewed by a dedicated team, and primarily settled via bank transfers. The process incorporates checks to ensure timely settlement, although it is not fully online and remains susceptible to manual interventions.

Investment Management Function SLC's investment policy focuses on achieving returns while managing risk in accordance with IRCSL regulations. Oversight is provided by the Board's Investment Committee and ALCO, with internal audits ensuring compliance, transparency, and prudent investment practices.

Risk Management Framework SLC follows a structured risk management process, updating its risk register quarterly. The Board Risk Management Committee, comprising three directors, reviews key risks, although the overall risk management framework remains in the process of development.

Business Risk

Industry Dynamics The insurance industry comprises 28 companies, including 14 in life insurance, 12 in general insurance, and 2 composite insurers. The life insurance sector's GWP grew by ~19% in 3QCY25 (LKR~283.6 bn) compared to 3QCY24 (LKR~237 bn). PBT declined to LKR~17.2 bn from LKR~18.3 bn due to slower profitability growth. The industry CAR stood at 335% in 3QCY25 (3QCY24: ~338%), indicating strong capitalization.

Relative Position SLC is a relatively small player in the life insurance sector. Its market share declined to ~1.83% in 3QCY25 (CY24: ~1.47%) due to lower gross written premiums.

Persistency The customer retention rate declined to ~61.2% in 9MCY25 from ~65% in CY24. This downward trend may reflect emerging challenges in customer engagement, product competitiveness, and service quality.

Revenue The Company reported gross written premiums of LKR ~5.2 bn in 3QCY25, reflecting an ~8% decline from LKR ~5.6 bn in 3QCY24 (CY24: LKR ~6.5 bn). Net written premiums decreased to LKR ~5.1 bn in 3QCY25 from LKR ~5.6 bn in 3QCY24 (CY24: LKR ~6.4 bn).

Profitability SLC reported a net loss of LKR ~14.9 mn in 3QCY25, compared with a higher loss of LKR ~471.3 mn in 3QCY24 (CY24: net loss of LKR ~80 mn). Despite the improvement, profitability remained under pressure, primarily due to a ~161% increase in premiums ceded to reinsurers in 3QCY25.

Investment Performance The Company's investment portfolio grew by ~13% to LKR 4.36 bn in 3QY25 (3QCY24: LKR 3.87bn), representing ~74% of total assets (3QCY25: ~73%). This included investments of LKR ~1,265mn in government securities.

Sustainability The Company's solvency margin declined to ~56% in October 2025 (June 2025: ~107%), prompting a Capital Infusion Plan involving equity injection, asset sales, expense reduction, and debenture issuance, targeting a CAR of ~190% by 2QCY26.

Financial Risk

Claim Efficiency In 3QCY25, the Company's net insurance claims amounted to LKR ~3.65 bn, up from LKR ~3.3 bn in 3QCY24. The claims ratio increased to ~71.5% (3QCY24: ~59.5%, CY24: ~58.4%) in 3QCY25, while the combined ratio rose to ~107% (CY24: ~97.1%, CY23: ~83.8%).

Re-Insurance The Company's reinsurance program is diversified across each plan category. The financial positions and credit ratings of all reinsurers comply with IRCSL guidelines.

Cashflows & Coverages The Company's net cash from operating activities declined to a negative LKR ~26mn in 3QCY25 (3QCY24: LKR ~640mn), while net cash from investing activities improved to LKR ~20mn (3QCY24: -LKR ~453 mn) due to maturities of financial investments.

Capital Adequacy The Company's capital adequacy weakened, with CAR declining to ~56% in October 2025, below the regulatory minimum of 120% (CY24: ~169%). This is also significantly lower than the industry average of ~335%.



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00-Jan-00	Sep-25	Jun-25	Dec-24	Dec-23
	9M	6M	12M	12M
A BALANCE SHEET				
ASSETS				
Investments	4,684.42	4,448.49	4,249.40	3,298.55
Insurance Related Assets	76.14	65.76	47.49	36.59
Other Assets	504.14	511.33	585.73	431.29
Fixed Assets	601.41	572.24	562.49	523.63
Total Assets	5,866.10	5,597.83	5,445.11	4,290.05
LIABILITIES				
Underwriting Provisions	2,562.00	2,921.47	2,599.94	1,627.41
Insurance Related Liabilities	73.01	30.41	189.94	132.67
Other Liabilities	583.91	201.55	292.79	168.06
Borrowings	774.38	490.61	474.74	392.26
Total Liabilities	3,993.30	3,644.04	3,557.41	2,320.40
Equity	1,872.81	1,953.79	1,887.71	1,969.60
B INCOME STATEMENT				
Gross Premium Written	5,242.21	3,865.02	6,576.53	5,049.65
Net Insurance Premium	5,107.76	3,781.59	6,484.88	5,006.93
Underwriting Expenses	(3,927.82)	(2,788.53)	(4,050.65)	(2,629.46)
Underwriting Results	1,179.94	993.06	2,434.24	2,377.47
Management Expenses	(1,571.17)	(841.22)	(2,245.87)	(1,565.66)
Investment Income	321.53	208.32	648.33	436.46
Other Income / (Expense)	17.00	27.55	44.23	(40.05)
Net Change in Reserve for Policyholders' Liabilities	37.94	(321.53)	(972.53)	(424.33)
Profit Before Tax	(14.76)	66.18	(91.61)	783.89
Taxes	-	-	10.99	(17.14)
Profit After Tax	(14.76)	66.18	(80.61)	766.74
C RATIO ANALYSIS				
Profitability				
Loss Ratio (Net Insurance Claims / Net Insurance Premium)	1	1	1	0
Combined Ratio (Loss Ratio + Expense Ratio)	1.076596315	0.959848431	0.970952811	0.837862773
Investment Performance				
Investment Income / Operating Profit	(5)	1	1	0
Liquidity				
(Liquid Assets - Borrowings) / Outstanding Claims	158	387	59	50
Capital Adequacy				
Liquid Investments / Equity	2	2	2	1



Credit Rating

Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

Scale	Long-Term Rating
AAA	Highest credit quality. Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments
AA+ AA AA-	Very high credit quality. Very low expectation of credit risk. Indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
A+ A A-	High credit quality. Low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be vulnerable to changes in circumstances or in economic conditions.
BBB+ BBB BBB-	Good credit quality. Currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity.
BB+ BB BB-	Moderate risk. Possibility of credit risk developing. There is a possibility of credit risk developing, particularly as a result of adverse economic or business changes over time; however, business or financial alternatives may be available to allow financial commitments to be met.
B+ B B-	High credit risk. A limited margin of safety remains against credit risk. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business and economic environment.
CCC CC C	Very high credit risk. Substantial credit risk "CCC" Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. "CC" Rating indicates that default of some kind appears probable. "C" Ratings signal imminent default.
D	Obligations are currently in default.

Scale	Short-Term Rating
A1+	The highest capacity for timely repayment.
A1	A strong capacity for timely repayment.
A2	A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions.
A3	An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial conditions.
A4	The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions. Liquidity may not be sufficient.

Rating Modifiers | Rating Actions

Outlook (Stable, Positive, Negative, Developing) 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'.	Rating Watch 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.	Suspension 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.	Withdrawn 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.	Harmonization 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".

Note: This scale is applicable to the following methodology(s):

- | | |
|---------------------------------|--------------------------------------|
| a) Broker Entity Rating | e) Holding Company Rating |
| b) Corporate Rating | f) Independent Power Producer Rating |
| c) Debt Instrument Rating | g) Microfinance Institution Rating |
| d) Financial Institution Rating | h) Non-Banking Finance Company |

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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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