



Lanka Rating Agency

## Rating Report

### Sanasa Life Insurance Company PLC - LKR 200mn Senior Unsecured Debenture

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#### Rating History

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

#### Rating Rationale and Key Rating Drivers

Sanasa Life Insurance Company PLC (“SLC” or “the Company”) has issued LKR~200mn Senior Unsecured Redeemable Debentures. The assigned rating reflects the debenture’s senior unsecured structure, which ranks below secured creditors and statutory preferential claims, but pari passu with other unsecured obligations of the Company. Consequently, the debenture is rated in line with the Company’s entity rating. The entity rating reflects SLC’s weakening fundamentals, characterized by declining market share, compromised profitability, and capital deterioration, leading to reduced capital adequacy and risk absorption capacity. The Company has faced regulatory directives to reconstitute its board and management, including the appointment of a new Chairperson, to strengthen corporate governance. Additionally, the regulator directed SLC to discontinue their main insurance selling product and develop a revised offering with enhanced regulatory compliance. These developments have materially impacted the Company’s business and financial profile. As of 1QCY25, SLC’s market share declined to ~2.3% (CY24: ~3.6%), primarily due to a strategic shift from their main insurance selling product, investment-linked to traditional life insurance products. This transition resulted in a ~38% drop in Gross Written Premiums (GWP) to LKR~1.2bn in 1QCY25 (1QCY24: LKR~1.9bn). During the same period, the Company paid net claims of LKR~636.6mn (CY24: LKR~3,792.3mn; CY23: LKR~2,438.4mn), raising the combined ratio to ~106.6% (CY24: ~97.1%) and leading to an underwriting loss. While CY24 GWP grew by ~30.2% to LKR~6.6bn (CY23: LKR5.1~bn), the Company reported a net loss of LKR~80.6mn (1QCY25: Loss of LKR~5.9mn), reflecting higher claims, increased contract liabilities, and elevated operating expenses. The Capital Adequacy Ratio (CAR) fell to ~120% in 1QCY25 (CY24: ~169%), just meeting the regulatory minimum and remaining well below the industry average of ~330%, signaling constrained capital buffers and the need for immediate capital injection. 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 - LKR 200mn Senior Unsecured Debenture
<b>Type of Relationship</b>	Solicited
<b>Purpose of the Rating</b>	Debt Instrument Rating
<b>Applicable Criteria</b>	Methodology   Debt Instrument 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** 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. 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. 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** 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. 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. 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. 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** The Board comprises four 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. The 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. 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. 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** SLC has a well-defined organizational structure, with ultimate authority vested with the Chairperson and the Board of Directors. 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. 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. 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. 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. 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** 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. 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. 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. 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. 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. 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). The regulator has instructed the Company to discontinue one of its leading savings product and apply for a new product with better features and enhanced AML/KYC requirements. This has significantly impacted the business and financial profile of the Company.

**Financial Risk** 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. 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. 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. 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.

### Instrument Rating Considerations

**About The Instrument** SLC raised LKR~200mn rated, senior, unsecured, redeemable debentures at a par value of LKR 100/-. The debentures has two types, namely Type A (75%) and Type B (25%). Type A Debenture coupons are paid semi-annually at the fixed rate of 9.05% p.a. (AER – 9.25%) and Type B Debenture coupons are paid semi-annually at a fixed rate of 9.28% p.a. (AER – 9.50%).

**Relative Seniority/Subordination Of Instrument** The claims of the Debenture Holders shall in the event of winding up of the Company rank after all the claims of secured creditors and preferential claims under any statutes governing the Company but pari passu to the claims of unsecured creditors of the Company and shall rank in priority to and over claims under any subordinated debt of the Company and the claims and rights of the shareholder/s of the Company.

**Credit Enhancement** It is an unsecured debt instrument and the debenture is not underwritten. Repayment of the Principal Sum and payment of interest on the Debentures are not secured by a charge on any assets of the Issuer.



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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

## 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 Definition
AAA	<b>Highest credit quality.</b> Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments
AA+	
AA	<b>Very high credit quality.</b> 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.
AA-	
A+	
A	<b>High credit quality.</b> 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.
A-	
BBB+	
BBB	<b>Good credit quality.</b> 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.
BBB-	
BB+	<b>Moderate risk.</b> 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.
BB	
BB-	
B+	
B	<b>High credit risk.</b> 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.
B-	
CCC	<b>Very high credit risk.</b> 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.
CC	
C	
D	Obligations are currently in default.

Scale	Short-term Rating Definition
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.



\*The correlation shown is indicative and, in certain cases, may not hold.

**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) PACRA 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.

**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.

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

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

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## Regulatory and Supplementary Disclosure

Nature of Instrument	Size of Issue (LKR)	Tenor	Security	Quantum of Security	Nature of Assets	Trustee	Book Value of Assets as at Y24 (LKR)
Rated, Senior, Unsecured, Redeemable Debentures	200 Mn	Type A - 5 Years & Type B-10 years					Rs. 202,836,762

Name of Issuer	Sanasa Life Insurance Company PLC
Issue Date	01.05.2021
Maturity	Type A- 2026, Type B - 2031
Coupon Basis	By annually
Repayment	At maturity
Option	

Due Date Principal	Opening Principal	Principal Repayment	Coupon Due Date	Fixed Rate	Coupon	Principal Outstanding as at 31.12.2024		
	LKR				2024.12.21	LKR		
Type					Fixed			
<b>A 5 Year need interest rate of 9.05% p.a.</b>								
Liyanage Malani Kusumalatha Perera	5,000,000.00	-	05-May-2025, 05-NOV-2025, 05-May-2026,	9.05%	70,471.31		5,070,471.31	
Kuliyapitiya Sanasa	40,000,000.00	-		9.05%	563,770.49		40,563,770.49	
Tishan Subaninghe	1,000,000.00	-		9.05%	14,094.26		1,014,094.26	
Minhentiya Sanasa Soceity Limited	10,000,000.00	-		9.05%	140,942.62		10,140,942.62	
Ahugoda Sanasa	5,000,000.00	-		9.05%	70,471.31		5,070,471.31	
kamburupitiya UrbanTCCS	3,000,000.00	-		9.05%	42,282.79		3,042,282.79	
Federation of Thrift and Credit Co OP Soceity	10,000,000.00	-		9.05%	140,942.62		10,140,942.62	
Ms.H.S.Hetharachchi	5,000,000.00	-		9.05%	70,471.31		5,070,471.31	
Mr N M Weekakkody	10,000,000.00	-		9.05%	140,942.62		10,140,942.62	
Mrs S N Rathnaweerage	10,000,000.00	-		9.05%	140,942.62		10,140,942.62	
Sanasa Development Bank	50,000,000.00	-		9.05%	704,713.11		50,704,713.11	
Mr W P S Peiris	1,000,000.00	-		9.05%	14,094.26		1,014,094.26	
<b>B 10 Year- Fined interest rate of 9.28% p.a.</b>								
Henpitamulla Sanasa Soceity Limited	1,000,000.00	-	05-May-2025, 05-NOV-2025, 05-May-2026, 05-NOV-2026, 05-May-2027, 05-NOV-2027, 05-May-2028, 05-NOV-2028, 05-May-2029, 05-NOV-2029, 05-May-2030, 05-NOV-2030, 05-May-2031,	9.28%	14,452.46		1,014,452.46	
Midigama Prajawaruna Sanasa soceity	1,500,000.00	-		9.28%	21,678.69		1,521,678.69	
Undurugoda Co Op Thrift & Credit Co Op Soceity	15,000,000.00	-		9.28%	216,786.89		15,216,786.89	
Bonukgamuwa Thrift And Credit Co Op Soceity	1,500,000.00	-		9.28%	21,678.69		1,521,678.69	
Mr.P.C.Weerakkody	5,000,000.00	-		9.28%	72,262.29		5,072,262.29	
K.K.Weerakkody	5,000,000.00	-		9.28%	72,262.30		5,072,262.30	
Mrs W M L D Wijethunga	2,500,000.00	-		9.28%	36,131.15		2,536,131.15	
Mr R M L W Rajapakshe	1,500,000.00	-		9.28%	21,678.69		1,521,678.69	
Mr D M Tharanga Weerakkody	5,000,000.00	-		9.28%	72,262.29		5,072,262.29	
Mr D T Weerakkody	2,000,000.00	-		9.28%	28,904.92		2,028,904.92	
Sanasa General Insurance Company PLC	5,000,000.00	-		9.28%	72,262.30		5,072,262.30	
Sanasa General Insurance Company PLC	3,000,000.00	-		9.28%	43,357.38		3,043,357.38	
Business Development coop society Ltd	1,000,000.00	-		9.28%	14,452.46		1,014,452.46	
Ms DPS Kiriwadeniya	1,000,000.00	-		9.28%	14,452.46		1,014,452.46	

202,836,762.29