Lanka Rating Agency

Rating Report

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

Report Contents

Rating History

Dissemination Date	Long Term Rating	Outlook	Action	Rating Watch
06-Jan-2026	BB	Negative	Downgrade	-
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") issued LKR~200mn Senior Unsecured Redeemable Debentures in 2021. 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.

Following the downgrade of the Company's Insurance Financial Strength (IFS) rating, driven by further deterioration in fundamentals and heightened regulatory concerns, the rating of the Debt Instrument has also been downgraded, reflecting the weakened credit profile of the issuer. 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 expense. 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 deposal 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 - LKR 200mn Senior Unsecured Debenture
Type of Relationship	Solicited
Purpose of the Rating	Debt Instrument Rating
Applicable Criteria	
Related Research	Sector Study | Life Insurance(Nov-24)
Rating Analysts	Imran Iqbal | imran@lra.com.lk | +94 114 500099

Issuer Profile

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 the Companies Act No. 07 of 2007. The Company was listed on the Colombo Stock Exchange (CSE) in 2021. SLC originated as the All Lanka Mutual Assurance Organisation 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 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 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. 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. 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. 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 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. 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. 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. 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 SLC has a well-defined organizational structure, with ultimate authority vested in the Chairperson and the BoDs. 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. 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. 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. 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. 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 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. 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. 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. 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). 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. 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. 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 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%). The Company's reinsurance program is diversified across each plan category. The financial positions and credit ratings of all reinsurers comply with IRCSL guidelines. 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. 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%.

Instrument Rating Considerations

About The Instrument SLC raised LKR~200mn rated, senior, unsecured, redeemable debentures at a par value of LKR 100/- in 2021. The debentures have two types, namely Type A (75%) for 5 years and Type B (25%) for 10 years. 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.

Lanka Rating Agency Limited

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)	Rating Watch	Suspension	Withdrawn	Harmonization
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’.	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.	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.	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.	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. Rating actions may include "maintain", "upgrade", or "downgrade".

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 Company

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	
A 5 Year need interest rate of 9.05% pa.						
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
Fedaration 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 10 Year- Fined interest rate of 9.28% p.a.		-				
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
Borukgamuwa 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 Incurance Company PLC	5,000,000.00	-		9.28%	72,262.30	5,072,262.30
Sanasa General IncuranceCompany 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 Kiriwandeniya	1,000,000.00	-		9.28%	14,452.46	1,014,452.46
						202,836,762.29