



Lanka Rating Agency

Rating Report

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Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
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Rating Rationale and Key Rating Drivers

The rating of the debenture highlights the unsecured senior structure, where the debenture will rank after all the claims of the secured creditors and preferential claims under any statutes governing the Company, but in pari passu to the claims of unsecured creditors of the Company. Consequently, the debt instrument is rated equivalent to the entity rating. Sanasa Life Insurance Company PLC (herein referred to as "SLC" or "the Company") operates with a large customer base as a provider of microinsurance to the Sanasa Societies as well as individual and corporate customers. SLC mainly focuses on providing insurance services to members of SANASA societies island-wide and individual and corporate of whom the majority are in the rural sector. The rating factors in SLC's robust Gross Written Premium (GWP) growth of ~131% in CY22 to LKR~2,568mln from LKR~1,111mln in CY21, respectively, vis-à-vis the industry average growth of ~8.5% in the same period. SLC's GWP mostly consists of society income. The Company has also reached out to new customer segments outside Sanasa. Consequently, the market share of the company increased to ~2% in CY22 from ~1% in CY21. Also, the Company has recorded net underwriting surpluses throughout the years supported by premium growth. The net underwriting surpluses increased from LKR~764mln in CY21 to LKR~1,100mln in CY22. The claims ratio of the Company, however, climbed to ~51% in CY22 as compared to ~24% in CY21. Increase in market share along with reducing claim ratio remains crucial. The investment book of the Company stood at LKR~1,695mln in CY22, vis-à-vis LKR~1,794mln in CY21; investment strategy reflects inclination towards government securities, as investments in government securities have increased rapidly in CY22 with a share of ~33% of the total portfolio. Going forward, effective investment & liquidity management would be a key monitoring factor for the rating. SLC's capital adequacy is deemed average; it was maintained above the minimum of ~120% and stood at ~257% in CY22. Sustenance of adequate capital amid increasing business volumes would remain critical.

The rating is dependent upon sustained improvement in the business and financial risk profile of the Company. The strong solvency profile of the Company, indicated through its ample reserves, places comfort in the rating. An improvement in investment performance and capital generation would be considered positive for the ratings and vice versa.

Disclosure

Name of Rated Entity	
Type of Relationship	Solicited
Purpose of the Rating	Rating
Applicable Criteria	Methodology Debt Instrument Rating(Jun-22)
Related Research	Sector Study Life Insurance(Jun-22)
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Profile Sanasa Life Insurance Company PLC (“SLC” or “the Company”) is registered under the name of Seemasahitha Sanasa Rakshana Samagama as a public limited liability company in 2006, and was incorporated in Sri Lanka under companies act No 17 of 1982 and re-registered under the companies act No 07 of 2007 in 2008. SLC got listed on Colombo Stock Exchange in 2021. In 1989, several surveys were conducted by “Forum of Development – FOD”. As a result a mutual organization named All Lanka Mutual Assurance Organisation (ALMAO) was inaugurated in 1991. ALMAO was re-named as Seemasahitha Sanasa Rakshana Samagama in 2006. Sanasa obtained the license to operate as a long-term insurance provider in 2003 and to provide General Insurance in 2005. In 2019, these two business were segregated and Seemasahitha Sanasa Rakshana Samagama, re-named as Sanasa Life Insurance Company Limited, continued to provide life insurance business, and a separate company, Sanasa General Insurance Company Limited was incorporated as a subsidiary of SLC to carry on general insurance business. SLC operates with a large customer base as provider of micro insurance to the Sanasa Societies as well individual and corporate customers. SLC has 172 branches island-wide across 9 provinces. Sanasa societies currently include 8,000 primary societies. SLC owns 3 subsidiaries “Sanasa General Insurance company Limited (60%), Sanasa Media Networks (Pvt) Ltd (91%) and Sanasa Greenmart (Pvt) Ltd (64%) as well as an Associate named Sanasa Security Services (Pvt) Limited (49%).

Ownership The largest shareholding of the company is with Senthilvel Holdings (Pvt) Ltd with an ownership of 19%. Sanasa Societies hold 52% which comprises 500+ individual societies in 20 districts. Senthilvel Holdings (Pvt) Ltd which is a private limited liability company incorporated in 2017 which is owned by Dr. Thiruganasambandar Senthilvel who also a member of Board of SLC. The principal activity of the company is to act as a specialized investment vehicle to undertake listed equities and earn income from investments. Sanasa societies are people-oriented service organisations based on a cooperative philosophy to identify the need and wants of the people and resolve their problems. Having society members in the shareholding structure, it implies that, Industry specific working knowledge and the deep understanding of the society system are in place. Sanasa Societies and other shareholders are not responsible for the finance aspect of the SLC and they are not willing to provide timely and comprehensive capital support.

Governance The overall control of the Company vests in the Eight Board of Directors, Except the MD, others are non-executive Directors. Out of 8 directors, 6 of them are elected as representative of Sanasa Movement and balance are Independent. Dr. H J S K Wickremaratne served as an independent Director and was appointed to the board in 2017. He was appointed as the Chairman of the Company in June 2022 and retired with effect from 08th April 2023. Mr. I K Kiriwadeniya has been appointed to the Board of Directors as the Managing Director with effect from 01/01/2023. He represents the board at a strategic level and not involving in the operational decisions. The board has seven sub-committees in place. Nomination Committee, Human Resources & Remuneration Committee, Investment Committee, Audit Committee, Research & Business development Committee, Risk Management Committee and Related party transaction Committee.

Management SLC operates through a well-defined organizational structure. The highest level of authority remains with the Chairman and BOD. The CEO, Mr Ivan Nicholas who has over 3 years of experience at SLC and directly reports to the BOD. The Management Team is headed by COO, Mr N Gunawardena. There are nine management committees in place, which are directed by Risk Management Committee. SLC has a separate claims department which is headed by AGM which is a central claim-processing to handles all claims in all branches. These claims are completed within two days but escalated if there are any issues with documentation, which could take longer. SLC has an investment policy statement laying down the guidelines for investment. Investment Committee comprises one Independent Non-Executive Director and Two Non-Independent Non-Executive Directors. Asset Liability Management Committee (ALCO) is responsible for managing the solvency margin requirement as prescribed by the IRCSL. SLC has adopted a risk management framework to identify and evaluate potential risk in Insurance, Financial and Operational risk. SLC's board is assisted by the Risk Management Committee consisting of one Independent Non-Executive Director and two Non – Independent Non-Executive directors

Business Risk The industry consists of 28 insurance companies with 14 companies are engaged in life insurance, 12 companies are engaged in general insurance business and 2 are composite companies. The industry GPW grew by 8.51% in CY22 compared to the previous year (CY22: LKR 135Bn, CY21: LKR 124Bn). The PBT amounted to LKR 23,439Mn from LKR 23,130Mn in CY21. Industry Capital Adequacy Ratio is 303% and Capital to Total Asset is 0.21. Ceylinco Life is the largest state insurance company in Sri Lanka with a market share of 21% in CY22. Softlogic Life is the second largest in the Life Segment with a market of 17.62% in CY 21. SLC has captured only 2% market share. GPW has improved by 57% in CY22 to ~LKR 2,568.6Mn (CY21: LKR 1,111.9Mn) and LKR 959.4Mn in 3MCY23. GPW mostly consists of society income. NPW grew by 57% to LKR 2,528.5Mn in CY22 compared to a growth of 62% witnessed in CY21. In 3MCY23 it was LKR 948.7Mn. SLC reported a net profit of LKR 86Mn in 3MCY23 and LKR 102.5 Mn in CY22. In CY21 it was LKR 139.7Mn. SLC's underwriting results showed a favorable performance of LKR 479Mn in 3MCY23 and LKR 1,100 Mn in CY22 compared to the CY21 which was LKR 764Mn. The company's investment portfolio has dropped to LKR 1,695Mn as at CY22 from LKR 1,794.7Mn as at CY21. The company's investment portfolio consists of government securities with a share of 33% in CY22.

Financial Risk SLC's claims ratio has increased to 51% in CY22 compared to 24% in CY21. It was 45% in 3MCY23. Net claim settlements increased to LKR 1,302 Mn in CY22 to the CY21 which was LKR 264Mn. The increase was driven by the increase in Maturity claims amounted to 64% of total claims. The reinsurance program of the company is diversified to several reinsurers under each plan category. Financial position & the credit ratings of all the reinsurers are in line with the IRCSL guidelines. The Company's liquid position is deemed strong. Net cash generated from operating activities in the year was positive at LKR 176Mn in CY22 and net cash generated from investing activities also reported a positive outcome of LKR 77Mn in CY22. The CAR was maintained above the minimum of 120% and stood at 257% in CY22. It was improved from 169% in CY21. TAC of LKR 2.216Mn was reported in CY22 against the require minimum amount of LKR 500Mn and in CY21 it was LKR 790.7Mn.

Instrument Rating Considerations

About The Instrument SLC has raised a debenture of LKR 200Mn rated, senior, unsecured, redeemable debenture at a par value of LKR 100/-. The debenture has two types, namely Type A (75%) and Type B (25%).

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

LKR mln

Sanasa Life Insurance PLC
Listed Public Limited

Mar-23	Dec-22	Dec-21	Dec-20
3M	12M	12M	12M

A BALANCE SHEET

1 Investments	2,683	2,448	2,320	1,923
2 Insurance Related Assets	29	38	34	56
3 Other Assets	483	365	135	168
4 Fixed Assets	209	169	179	161
Total Assets	3,404	3,020	2,668	2,307
5 Underwriting Provisions	1,438	1,203	990	935
6 Insurance Related Liabilities	75	75	101	48
7 Other Liabilities	180	152	105	175
8 Borrowings	325	284	276	57
Total Liabilities	2,018	1,714	1,472	1,215
Equity	1,386	1,306	1,196	1,092

B INCOME STATEMENT

1 Gross Premium Written	959	2,568	1,112	694
2 Net Insurance Premium	949	2,529	1,083	669
3 Underwriting Expenses	(469)	(1,428)	(374)	(173)
Underwriting Results	479	1,100	709	496
4 Management Expenses	(239)	(1,094)	(696)	(547)
5 Investment Income	81	227	166	118
6 Other Income / (Expense)	0	81	16	11
7 Net Change in Reserve for Policyholders' Liabilities	(235)	(213)	(55)	(34)
Profit Before Tax	86	103	140	45
8 Taxes	(6)	(7)	(37)	(19)
Profit After Tax	80	96	103	26

C RATIO ANALYSIS

1 Profitability				
Loss Ratio (Net Insurance Claims / Net Insurance Premium)	44.9%	51.5%	24.4%	15.7%
Combined Ratio (Loss Ratio + Expense Ratio)	74.7%	99.7%	98.8%	107.6%
2 Investment Performance				
Investment Income / Operating Profit	25.1%	97.2%	92.5%	174.5%
3 Liquidity				
(Liquid Assets - Borrowings) / Outstanding Claims	70.80	77.62	25.66	108.49
4 Capital Adequacy				
Liquid Investments / Equity	1.44	1.41	1.36	1.17

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.

Long-term Rating	
Scale	Definition
AAA	Highest credit quality. Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments
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.
AA-	
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.
A-	
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.
BBB-	
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.
BB	
BB-	
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.
B-	
CCC	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.
CC	
C	
D	Obligations are currently in default.

Short-term Rating	
Scale	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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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/index.php/credit-rating-agency/>)

2) Conflict of Interest

i. LRA shall 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 33- Draft Rules Credit Rating Agency - 2021)

Restrictions

(3) LRA is not entitled to outsource any part of its work, which has a direct bearing on the act of rating. However, if any other function other than the core function of rating is to be outsourced, such fact shall be brought to the attention of the Client and be included in the Credit Rating Agreement entered into with the Client. (Section 22- Draft Rules Credit Rating Agency - 2021)

(4) LRA cannot appoint any individual as a member of the Rating Committee who has a business development function of the Credit Rating Agency, or who initiates or participates in discussions regarding fees or payments with any Client of Credit Rating Agency. (Section 26- Draft Rules Credit Rating Agency -2021)

Conduct of Business

(5) Prior to the commencement of a rating, LRA does not promise, assure or guarantee to a client that a particular rating will be assigned.

(6) LRA performs a rigorous and formal periodic review of all its methodologies. Such methodologies shall be made available to the Commission for perusal, upon request. (Section 39- Draft Rules Credit Rating Agency -2021)

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 does not engage in any other business activity which in the view of the Commission creates a conflict of interest unless prior written approval of the Commission is obtained (Section 33- Draft Rules Credit Rating Agency -2021)

(9) LRA structures its rating teams and processes to promote continuity, consistency and avoid bias in the rating process. (Section 45 - Draft Rules Credit Rating Agency -2021)

Monitoring and review

(10) For purposes of transparency, LRA publishes 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 are also be disclosed. (Section 42- Draft Rules Credit Rating Agency -2021) LRA monitors below factors specifically, (a) all internal records to support our credit rating opinions; (b) all particulars relating to Clients at our office which shall include the name and registered address and contact numbers of such Client's, names and addresses of their Directors as at the date of rating, its issued share capital and the nature of business; and (c) a comprehensive written record of all complaints received from Clients and action taken thereon by LRA.

(11) LRA ensures confidentiality of all information at all times relating to Clients including such Client's identity and transactions carried out for such Client unless and to the extent such disclosure is required by law. (Section 48 - Draft Rules Credit Rating Agency -2021)

(12) LRA does not destroy, conceal or alter any records, property or books relating to the business of the LRA 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 51 - Draft Rules Credit Rating Agency - 2021).

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

(14) All information contained herein is considered proprietary by LRA. Hence, none of the information in this document can be copied or, otherwise reproduced, stored or disseminated in whole or in part in any form or by any means whatsoever by any person without LRA's prior written consent

Regulatory and Supplementary Disclosure

Nature of Instrument	Size of Issue (LKR)	Tenor	Security	Quantum of Security	Nature of Assets	Trustee	Book Value of Assets (LKR mln)
Rated, Senior, Unsecured, Redeemable Debentures	Rs. 200,000,000	Type A - 5 Years Type B- 10 Years					

Name of Issuer	Sanasa Life Insurance Company PLC
Issue Date	01.05.2021
Maturity	01.05.2031
Option	Redeemable

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