

## Sanima Life Insurance Company Limited

### Ratings

Facilities	Amount (Rs. Million)	Rating	Rating Action
<b>Issuer Rating</b>	<b>NA</b>	<b>CARE-NP BBB- (Is)</b> <b>[Triple B Minus (Issuer)]</b> (Credit watch with Developing Implications)	<b>Placed on credit watch with developing implications</b>

CARE Ratings Nepal Limited (CRNL) has placed the issuer rating of 'CARE-NP BBB- (Is)' assigned to Sanima Life Insurance Company Limited (SLI) on credit watch with developing implications. Issuers with this rating are considered to have moderate degree of safety regarding timely servicing of financial obligations, in Nepal. Such issuers carry moderate credit risk

### Detailed Rationale & Key Rating Drivers

The rating assigned to SLI has been placed on credit watch with developing implications factoring in the ongoing merger process of SLI with Reliance Life Insurance Limited (RLI). CRNL will resolve the rating watch after completion of the merger process.

The rating continues to derive strength from SLI's strong promoter group, experienced board and management team, moderate financial risk profile backed by increasing scale of operations, albeit with slightly increased combined ratio (sum of loss, commission and expense ratio) in FY22 (Unaudited, refers to the twelve-month period ended mid-July 2022). Furthermore, the rating also factors in good asset quality of investment book and adequate reinsurance arrangement along with growing geographical coverage through increasing branch network.

The rating, however, continues to be constrained by SLI's short track record of operations along with modest market share in a highly competitive industry landscape. The rating also factors in modest solvency profile and exposure to regulatory risk.

*Going forward, the ability of the company to continue its growth momentum while diversifying the policy segments and maintaining quality of the investment portfolio and minimum regulatory solvency profile will be key rating sensitivities. The company's ability to timely complete the proposed merger, utilize the available relaxations provided by the regulatory body on merger and generate the post-merger synergy will be a key monitorable aspect.*

### Key Updates

The financial risk profile of SLI at the end of FY22 was marked by growth in premium and profitability, albeit offset to some extent by increasing combined ratio. During FY22, the company's gross premium written (GPW) increased by 19.53% over FY21 to Rs. 2,369 supported by branches expansion in FY20 and FY21 coupled with increasing insurance awareness in the country, particularly amid covid-19 pandemic. SLI has wide geographical coverage through its 118 branches and sub-branches (including Head Office) as on mid-June 2022, thus providing advantage to business growth in terms of marketing, branding and reach to customers. Among 19 life-insurance companies (of which 10 were licensed and started operations in FY17), SLI shared 1.71% of total GPW in FY22. However, underwriting result slightly moderated to Rs. 1,021 Mn (Rs. 1,068 Mn during FY21) during FY22 amid increasing claims. Despite the moderation in underwriting result, Profit Before Tax (PBT) has increased to Rs. 159 Mn in FY22 from Rs. 62 Mn in FY21 on account of increase in investment income in FY22 backed by increase in investment portfolio.

SLI's policy continuation rate was 86% as on mid-July 2021, thus showing moderate persistency ratio of the insurance business. The loss ratio (claim ratio) of SLI increased to 19.13% in FY22 compared to 5.46% in FY21, on account of increase in death claims and partial maturity claims on money back policies. Combined ratio thus increased to 55.44% during FY22 from 45.20% during FY21 amid increase in loss (claims) ratio.

SLI had an investment portfolio of around Rs. 5,312 Mn at the end of FY22 which increased from Rs. 3,337 Mn in FY21, recording a growth of 59.18%. SLI's solvency ratio stood at 1.42x during FY20 (1.54x without including cost of bonus) as compared to 1.36x during FY19 (1.44x without including cost of bonus) against the minimum requirement of 1.50x.

### About the Company

Sanima Life Insurance Company Limited (SLI) is a life insurance company registered at Office of Company Registrar under the Company Act 2006 on November 29, 2007 and has obtained license from Insurance Board on August 23, 2017 and is promoted by Non-Resident Nepalese (NRNs). The capital structure of the company comprises of paid up capital of Rs. 2 Bn as on mid-July 2022 out of which Rs. 1.40 Bn is paid up capital from the promoter group and the remaining has been raised from public through IPO.

Brief financial performance of Sanima Life Insurance Company Limited (SLI) during last 3 years is given below:

Particulars	(Rs. In Million)		
	FY19 (A)	FY20 (A)	FY21 (UA)
Total Gross Premium	444	844	1,982
Net Premium Earned	400	823	1,949
Income from Investment	171	186	248
Profit before tax (PBT)	60	78	62
Profit after Tax (PAT)	61	122	8
Investments	2,292	3,337	4,913
Investment yield (%)	11.07	9.21	8.77
Return on Total Assets (%)	3.50	5.38	0.23
Solvency ratio (times)	1.36	1.44	NA

A: Audited; UA: Unaudited

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#### About CARE Ratings:

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