SOMERSET REINSURANCE

Financial Condition Report

31 December 2024

Content

1. EXECUTIVE SUMMARY

This document is the Financial Condition Report of Somerset Reinsurance Ltd. (the "Company" or "Somerset Re") for the year ended 31st December 2024. This report was produced in accordance with the requirements set out in the Insurance (Public Disclosure) Rules 2015 and in the Insurance (Group Supervision) Rules 2011 (collectively the "Rules"). Set out below is a summary of the key information provided in this report:

- **Business –** The Company was incorporated in Bermuda on 18th September 2014 and licensed as a Class E insurer by the Bermuda Monetary Authority ("BMA") on 12th December 2014 to write Long-Term (life) Reinsurance. The Company is an Irish tax resident company and seeks to reinsure asset-intensive life and annuity business including whole life, interest-sensitive life, paid-up life and universal life, fixed deferred and equity-indexed deferred annuities, immediate annuities, structured settlements and pension businesses, which are expected to have predictable product liability cash flows. Other business that may be considered, to a limited degree, includes stand-alone mortality risk and financial and capital relief reinsurance coverages (together referred to as Structured Reinsurance Solutions). Our focus is on writing reinsurance business, integrating our actuarial, investments, structuring and capital markets expertise to deliver reinsurance and capital management solutions for companies that look to manage risk levels and capital requirements.
- **Performance –** To date, the Company has successfully executed 20 transactions, bringing total long term insurance liabilities (EBS BEL) to $15.1 billion as of 31st December 2024. In 2024 Somerset Re maintained its A- rating with AM Best, with "positive" outlook and it's A rating with Kroll Bond Rating Agency (KBRA) with a "stable" outlook. Its BBB+ rating with Standard & Poor's (S&P), was upgraded to "positive" outlook from "stable".
- **Governance structure –** The Board of Directors ("Board") is committed to establishing and maintaining a sound corporate governance and risk management framework having regard to principles of corporate discipline, accountability, responsibility, compliance and oversight. Throughout the course of 2024 the Company has continued to enhance its governance and enterprise risk management frameworks to ensure these remain appropriate given the Company's size and complexity. Key changes include the separation of the Board's Investments Risk and Capital Committee into the Investments Committee and Risk and Capital Committee, with the existing Independent Non Executive Director ("INED") chair remaining the chair of the Risk and Capital Committee and a new INED added to the composition of the Board and as Chair of the Investments Committee.
- **Risk profile –** The Company manages a range of risks typical to life insurers/reinsurers, including strategy, financial, investment, asset liability management, insurance and operational risk. To this end, the Board has formalized a risk appetite framework and risk reporting mechanisms to clearly articulate the Company's interest to take, mitigate or avoid risk, using quantitative and qualitative factors which align to the strategic objectives set out in the business plan.

- **Solvency –** The Company assesses its regulatory capital in line with the BMA's Economic Balance Sheet regime, hence, the results shown in this report are in line with that basis. The Company remains well capitalized.
- **Capital management –** The Company's Bermuda Solvency Capital Requirement ("BSCR") ratio for the year ending 2024 is 228% (2023: 253%).
- **Subsequent event –** No subsequent events to report.

2. BUSINESS AND PERFORMANCE

a. Name of Insurer

Somerset Reinsurance Ltd.

b. Supervisors

Insurance Supervisor

Bermuda Monetary Authority
BMA House
43 Victoria Street, Hamilton
Bermuda

c. Approved Auditor

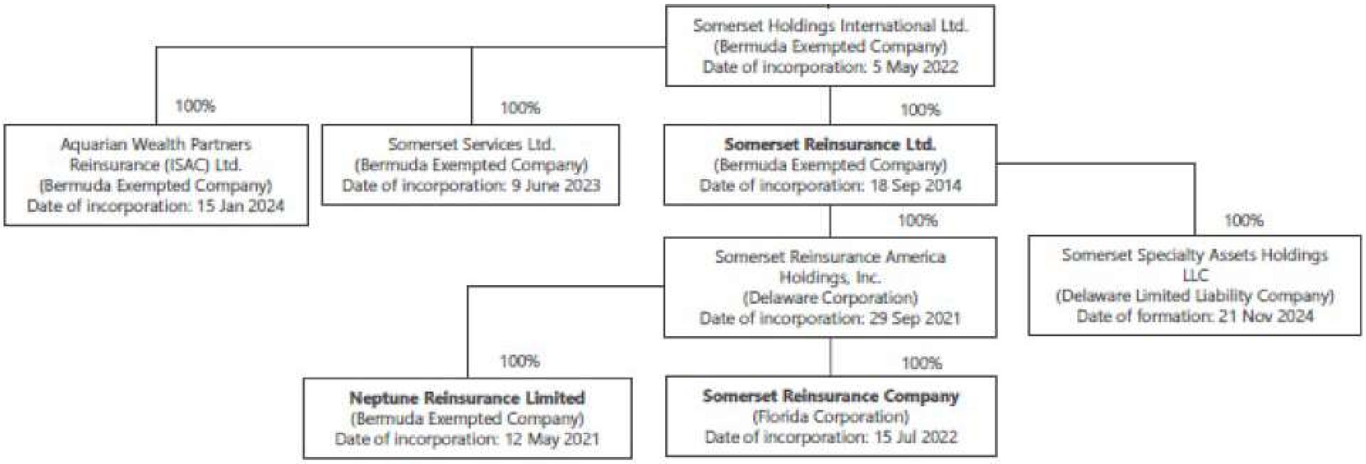
Statutory Reporting	IFRS Reporting
Deloitte Ltd.	Deloitte Ltd.
20 Church Street	20 Church Street
Hamilton HM 08	Hamilton HM 08
Bermuda	Bermuda

d. Ownership Details

The Company is privately owned by institutional and individual high net worth investors.

e. Group Structure

The Company is a reinsurance company incorporated under the laws of Bermuda and is licensed and regulated by the BMA. The group structure chart at 31st December 2024 is as shown below:



The Company focuses on writing reinsurance business only, integrating actuarial and capital markets expertise to deliver reinsurance and capital management solutions for companies that look to improve capital efficiency. Somerset Re blends strong capital markets, investments and insurance skills with a disciplined risk management process. The Company holds a Financial Strength Rating of A- with a Positive Outlook with AM Best, BBB+ with S&P with a Positive Outlook and an A rating with a Stable Outlook with KBRA.

On 5 November 2024 Somerset Reinsurance Holdings Limited merged with Somerset Reinsurance Limited, with Somerset Reinsurance Limited being the surviving company following the merger, leaving Somerset Holdings International Limited as the sole holding company. On 30 December 2024 Neptune Reinsurance Limited, licensed and regulated by the BMA, was acquired as a subsidiary of Somerset Reinsurance America Holdings Incorporated.

f. Insurance Business Written by Business Segment and by Geographical Region

The Company's current treaty reinsurance coverage is all placed from the United States and is Long-Term (life) business. This includes both life and annuity business. Gross premiums with respect to the life business written were $10bil in 2024. The majority of Somerset Re's existing business written consists of life business accounting for roughly 58% of the Company's total insurance provisions, with the remaining business largely consisting of deferred annuities.

g. Performance of Investments, Material Income and Expenses Incurred

<u>Performance of Investments for the Reporting Period</u>

i. <u>Overview</u>

The Company invests in a combination of high quality diversified fixed income securities (fixed income bonds, mortgage-backed securities and asset-backed securities) and a diversified alternative investment portfolio. The Company's diversified alternative investment portfolio is expected to be uncorrelated with the fixed income market. The investment thesis for the combined approach seeks to reduce overall systemic market risk.

ii. Performance

2024 investment highlights are as follows:

($000)	**YE2024**	**YE2023**
Investment Assets (total)	**2,059,993**	**850,136**
Corporate Bond Securities	830,568	591,249
Asset Backed Securities	916,104	104,706
Commercial Mortgage Backed Securities	128,393	66,018
Other Equities	63,848	46,371
Municipal Securities	46,902	31,007
Residential Mortgage Backed Securities	36,254	5,031
Private Loans	5,195	3,855
Preferred Shares	3,721	-
US Government and Government Agency	27,349	1,899
Non-US Government and Supranationals	1,659	-
Funds Held Assets	**14,144,736**	**4,946,443**
Multi-Strategy	**-**	**207,641**

During 2024 the investment portfolio grew in alignment with new business written, with that growth split between assets held directly on Somerset's balance sheet and growth in funds withheld assets. Total investment income inclusive of funds withheld assets and net of liability interest accretion resulted in $15mm in P&L impact in 2024 ($37mm in 2023). This reduction was driven in part by losses incurred during the exit of the Multi-Strategy investment.

Material Income and Expenses for the Reporting Period

The Company's main revenue sources are insurance revenues, net investment income and finance income. The Company's major expenses arise from insurance service expenses, namely incurred claims and expenses.

($000)	YE2024	YE2023
Insurance Revenues	408,149	168,460
Insurance Service Expenses	(292,777)	(127,096)
Net Investment Income	3,128	22,398
Net Insurance Finance Income / (Expenses)	12,186	14,478
Other Income / (Expenses)	(6,672)	(6,744)
Income Tax Expense	(15,234)	(7,727)
Net Profit (Loss)	**108,780**	**63,769**

h. Any Other Material Information

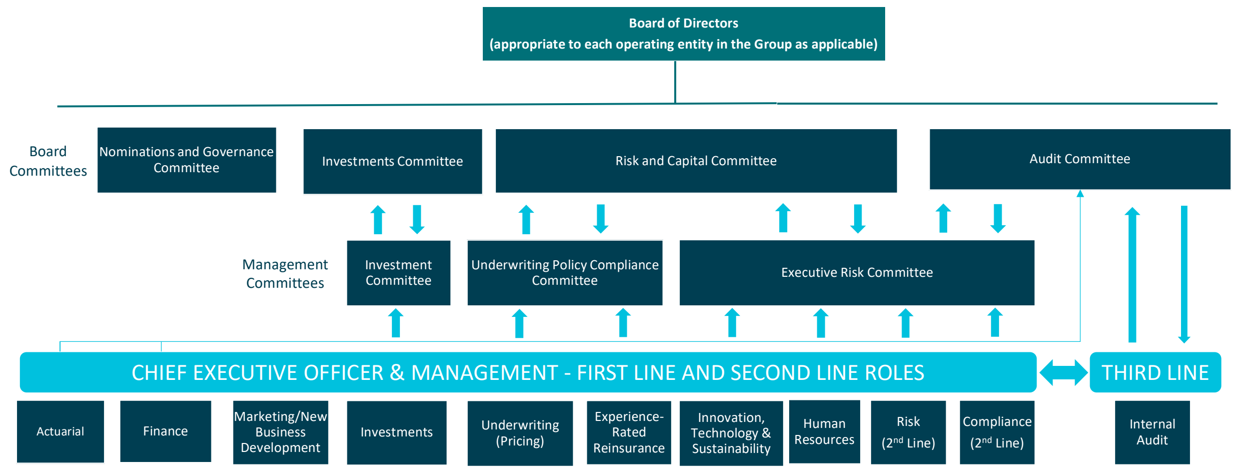
No other material information to report.

3. GOVERNANCE STRUCTURE

Roles, responsibilities and accountabilities for decision making are structured so that the Company manages and controls risks in line with the Three Lines of Defense principles, with supervision of these activities by the Board or its committees, thereby achieving effective segregation of duties. In particular:

- The first line of defense is responsible for the execution of the Board's strategy and for taking business and management decisions.
- The second line of defense has responsibility for oversight and focuses on monitoring, challenging and providing insight to business functions using risk management tools and procedures. The Risk and Compliance functions reside within the second line of defense and are led by the Chief Risk Officer and the Head of Compliance, respectively. Both report to the Executive Risk Committee and the Board.
- The third line of defense is provided by Internal Audit, an independent assurance function that evaluates and opines on the adequacy and effectiveness of both first- and second line risk management approaches and tracks remediation progress. The Internal Audit Leader reports directly to the Chair of the Audit Committee and has unfettered access to the Board.

Set out below is a visual representation of the Company's Three Lines of Defense framework described above.



The Board provides overall oversight and direction to the implementation of the Company's enterprise risk management framework. To assist in exercising its responsibilities, the Board has established an Investments Committee, Risk and Capital Committee, Audit Committee and a Nomination and Governance Committee. Each committee is comprised primarily of non-executive directors and the respective chairs are responsible for the effective operation of the committees and the fulfilment of their mandates as formally defined in the respective committee charters.

Management committees, including the Executive Risk Committee, Investment Committee and Underwriting Policy Compliance Committee, are the bodies through which the Chief Executive Officer (CEO) works with his executive team to implement the Board's strategy. The roles and responsibilities of each committee are described in their respective charters, which are regularly reviewed to ensure they remain appropriate. In summary:

- **Investments Committee** – The primary purpose of the Investment Committee of the Board is to oversee the governance of investment strategy and performance.
- **Risk and Capital Committee** – The primary purpose of the Risk and Capital Committee of the Board is to identify and oversee the governance of significant risks and capital adequacy throughout the Company and the establishment and ongoing monitoring of the Company's risk profile, risk capacity and risk appetite.
- **Audit Committee** – assists the Board in its oversight of the integrity of the Company's financial statements and financial reporting process, the Company's compliance with legal and regulatory requirements, the system of internal controls, the audit process, the performance of the Company's Internal Audit Leader and the performance, qualification and independence of the Company's independent auditors.
- **Nomination and Governance Committee** – assists the Board in its oversight of the Company's corporate governance processes, and in ensuring the Company has suitable directors and executive management to oversee and implement the business strategy of the Company.
- **Executive Risk Committee** – this executive committee is responsible for reviewing the Company's risk assessment results, evaluating compliance with

risk limits and preferences, and regularly discussing improvements to the Company's enterprise risk management framework.

- **(Executive) Investment Committee** – this executive committee is responsible for evaluating the current and prospective investment risk and return profiles, including portfolio liquidity and capital at risk exposures.
- **Underwriting Policy Compliance Committee** – this executive committee is responsible for reviewing management recommendations regarding all new reinsurance agreements and determining whether such recommendations are in compliance with the Company's risk policy and underwriting guidelines and procedures.

a. Board and Senior Executive

i. Board and Senior Executive Structure, Role, Responsibilities.

The Board meets at least quarterly to execute its oversight responsibilities. This includes establishing the Company's risk appetite and decision-making relating to certain matters which are considered of strategic importance. In line with the vision and with the assistance of the committees and senior management in the corporate strategic planning exercise, the Board establishes the corporate/business strategy and objectives with the interest of all stakeholders including shareholders in mind. The Board in particular considers the relevant legal, regulatory and supervisory requirements within which the Company operates. The strategy and objectives provide the business with sufficient guidelines for formulating goals for each unit, designing policies and procedures and for acquiring and allocating the resources needed to attain those objectives. As of the filing date for this Financial Condition Report the Board consists of eight (8) directors.

The Board has delegated responsibility for day-to-day management of the Company in accordance with the strategy, objectives and policies set by the Board to the CEO. Other members of senior management which include the Chief Financial Officer, Chief Investment Officer, Chief Risk Officer, Chief Corporate Actuary, Chief Underwriting Officer, and Head of New Business Development assist the CEO in the exercise of his functions.

ii. Remuneration Policy

The Company's management remuneration policy provides for a fixed base salary along with an annual discretionary and performance-based bonus which varies in accordance with both the Company's and individual's performance. Additionally, senior management have received stock options and restricted shares to align executive remuneration with the interests of its common shareholders.

Non-executive Board members receive fees as remuneration for their work as directors and do not receive bonuses or stock options.

The CEO and Chief Financial Officer, working with external independent consultants, conduct periodic industry reviews of compensation policy and levels and reviews results with the Nomination and Governance Committee to ensure remuneration is appropriate and in line with the desired risk profile and the performance of the Company.

iii. **Pension or Early Retirement Schemes for Members, Board and Senior Employees**

The Company provides all employees with pension benefits. Bermuda employees, excluding US taxpayers, participate in a defined contribution plan. US taxpayers participate in a 401(k) plan. The Company does not have any early retirement schemes. There is no pension plan for non-executive Board members.

iv. **Material Transactions with Shareholder Controllers, Persons who Exercise Significant Influence, the Board or Senior Executive**

On 30th December 2022, by virtue of his interest as the ultimate controller of Aquarian, Rudrabhishek Sahay became a significant shareholder controller of the Company. He is also non-executive Chairman of the Board of the Company.

b. Fitness and Proprietary Requirements

i. **Fit and Proper Process in assessing the Board and Senior Executive**

Among its responsibilities, the Nomination and Governance Committee is responsible to identify and recommend director nominees and to ensure the Board and its committees are fit and proper to perform their duties. The process for reviewing a potential candidate's fitness and propriety includes an assessment of his / her (1) honesty, integrity and reputation; and (2) financial soundness. Any new director or member of executive management must be appointed only with approval by the Board, in line with the provisions in the Company's Bye-laws.

Function and business unit heads are authorized to hire middle management and other staff to ensure there is sufficient expertise to achieve their respective objectives and responsibilities.

ii. **Professional Qualifications, Skills and Expertise of the Board and Senior Executives**

The qualifications, skills, and expertise of the Board and senior executives are outlined below:

Board

Rudrabhishek Sahay – Non-Executive Chairman

Mr. Sahay is the Founder and Managing Partner of Aquarian. Previously, Mr. Sahay was Co-Founder, Senior Partner, and an owner of 54 Madison Partners LLC. Before 54 Madison, he was a Senior Partner of Cain Hoy Enterprises, a private investment company, where he focused on real estate investments. Before Cain Hoy, Mr. Sahay was a founding member of the Principal Investment group at Guggenheim Partners, LLC ("Guggenheim Partners"), a diversified financial services firm with over $270 billion in assets under management. In this capacity, Mr. Sahay completed over $3 billion in private equity transactions, almost all in the insurance industry. Mr. Sahay was involved with the creation, acquisition or oversight of six different insurance companies, managing in excess of $100 billion in assets. He was also involved with identifying and structuring investments for the insurance company balance sheets to maximize capital efficiency.

Mr. Sahay was also the Co-Head of Guggenheim Partners' Growth Equity platform and was a founding member of Guggenheim Partners' Real Estate Private Equity business, where he completed nearly $1 billion in real estate development and financing. Prior to joining Guggenheim Partners, Mr. Sahay worked with H.I.G. Capital ("H.I.G."), a private investment firm with over $35 billion in assets under management. While at H.I.G., Mr. Sahay was responsible for transaction execution, portfolio management and deal origination. At H.I.G., he served as a member of the Board of Directors of Stant USA, a diversified Tier 1 automotive parts manufacturer of cooling and fuel systems.

In addition, Mr. Sahay worked with former Secretary of State Madeleine Albright to evaluate emerging market investments through her private investment fund, Albright Capital Management LLC. Mr. Sahay was also an investment professional at Jupiter Partners LLC, a middle-market private equity firm investing in leading businesses in the consumer, specialty retail, business services and healthcare sectors. At Jupiter Partners LLC, Mr. Sahay served on the Board of Directors of H-G Holdings, Inc., an outsourced travel and expense processor that was sold to Concur Technologies in 2007. He has also served as a consultant for the Boston Consulting Group, where he was involved in numerous domestic and international engagements with Fortune 100 clients.

Mr. Sahay is also a founding investor of Salus Finance LLC, a healthcare expense management platform.

Mr. Sahay received an M.B.A., with honors, from The Wharton School of the University of Pennsylvania and an A.B., cum laude, from Harvard University.

Jeffrey Burt – Executive Director and Chief Executive Officer

Mr. Burt, Chief Executive Officer provides the vision and strategic direction for the Somerset Re organization. Prior to joining Somerset, Jeff was President of Hannover Life Reassurance Company of America and a member of the company’s Strategic Council. He joined the company in 2003 and led the company’s Financial Solutions business. Under his leadership, Hannover Re became an industry leader in the provision of structured reinsurance solutions, having closed over 100 transactions. Jeff guided the ongoing expansion of Hannover Re, with the founding in 2014 of Hannover Life Reassurance Company of America (Bermuda) Ltd., and in 2018 of its structured reinsurance affiliate Kubera Insurance (SAC) Ltd. He served as President and CEO of both companies. Prior to Hannover, Jeff held a number of actuarial roles at Penn Mutual Life.

Jeff earned a Bachelor's Degree in Actuarial Science from Lebanon Valley College. He is a Fellow of the Society of Actuaries and Member of the American Academy of Actuaries.

Stephen Robb – Executive Director and Chief Financial Officer

As Chief Financial Officer, Mr. Robb is responsible for Somerset Re's financial, risk and capital management, as well as for its financial reporting functions. Stephen was previously EVP and Chief Financial Officer for AXA XL, the P&C and specialty risk division of AXA. In this role, he was responsible for all financial and actuarial matters, as well as the investment function of the company, and led a team of over 1,000 employees. In addition, he managed all Tax activities and Global Treasury functions to include capital, cash, FX, collateral, and liquidity management.

Stephen joined XL as VP SEC Reporting in 2004 and progressively moved into positions of increasing responsibilities to include SVP Accounting Policy, Chief Accounting Officer and Group Controller, before being named CFO in March 2017. Prior, he was with PricewaterhouseCoopers in Bermuda as Senior Manager and Insurance Industry Group Leader, where he specialized in financial services, particularly insurance and reinsurance companies, with major clients to include ACE, Montpelier Re, Everest Re and White Mountains. Prior he was Manager and then Supervisor in their Insurance Group, and began his career with then Pricewaterhouse in Montreal 1994 as Senior Accountant.

Stephen graduated with a Bachelor of Science Degree in Neuroscience from McGill University.

Curtis Dickinson – Non-Executive Director and Investments Committee Chair

The Honorable Curtis L. Dickinson JP, MP currently sits as a Member of Parliament in Bermuda's Legislature. He was appointed Minister of Finance on 1 November 2018 and served in that role until his resignation on 14 February 2022. Curtis has over 25 years' experience as an investment and commercial banker in the United States, the United Kingdom and Bermuda. Immediately prior to his ministerial appointment, Curtis served as Executive Vice President and Group Head of Private Banking at the Bank of N.T. Butterfield & Son Limited. During his tenure at Butterfield, he was also responsible for Butterfield's global Treasury function and its Bermuda based Wealth Management business. While at Butterfield, he also led the bank's $200 million preference shares offering to Bermuda investors, the proceeds of which were used to partially recapitalize the bank during the sub-prime crisis. Additionally, he led the formation of a strategic relationship with The Carlyle Group for the development and distribution of fund-of-funds vehicles for investment by Butterfield private clients into Carlyle funds. Prior to his return to Bermuda in 2006, he held senior roles with Donaldson Lufkin & Jenrette Securities Corporation, Credit Suisse First Boston Corporation, and Wells Fargo Securities, raising capital for companies in the media and emerging telecommunications, consumer and retail industries. His history of public service in Bermuda includes leading the Board of Education and the Bermuda Hospitals

Board and serving as a director on the boards of the Bermuda Economic Development Corporation and the Bermuda Land Development Company.

Curtis holds a Master of Business Administration degree from Columbia University's Graduate School of Business and a Bachelor of Arts degree in Finance from Morehouse College.

Enda Murphy – Non-Executive Director and Risk and Capital Committee Chair

Mr. Murphy is an Insurance Consultant and non-executive director. After 35 years in the Industry Enda retired from RGA as Executive Vice President in 2017 where he was Managing Director of its European operations, and COO of its international business. In that role Enda gained an understanding and familiarization with most forms of life, annuity and asset intensive structured reinsurance contracts on a global basis. As executive director of many of the group's global subsidiaries, Enda was approved by several international Regulators and gained a deep understandings of business development strategies. Audit, Risk, and Investment issues. Prior to joining RGA, Enda was founding Managing Director of De Laga Landen Re (part of the Rabo Bank group) and Canada Life Reinsurance where he developed the business targeting European and North American markets using subsidiaries in Ireland, Bermuda and Barbados. Previously Enda was Financial Controller of Canada Life Ireland where he was a founding Director of Canada Life Europe selling life insurance from Ireland into the German market.

By background and training, Enda is a Chartered Accountant and studied Business and Economics at Trinity College Dublin followed by internship at PWC. He is a former Director of DIMA (the Dublin Insurance Managers Association).

Joan Collins – Non-Executive Director and Nomination and Governance Committee Chair

Ms. Collins is an independent non-executive Director and has extensive life reinsurance experience. She previously held the position of Chief Executive Officer and Executive Director at Achmea Reinsurance Ireland Limited 2011-2013 and prior to that was responsible for business development and underwriting.

She graduated with honours from the University of Limerick with a BA in Insurance and European Studies and has a MBA from Smurfit Business School, University College Dublin. She is an Associate of the Chartered Insurance Institute and holds a Diploma in Company Direction from the Institute of Directors.

Tom Barry – Non-Executive Director and Audit Committee Chair

Mr. Barry is an actuary and former CEO of Canada Life in Ireland. He is now a non-executive director and has served on the boards of life insurance, reinsurance and asset management companies. He has a deep understanding and knowledge of all aspects of life insurance, particularly risk management, product pricing and finance. During his long career with Canada Life, he also served at different times as CFO, chief actuary and as Chairman of the German subsidiary. He is currently Chairman of the Europe and Asia subsidiary of a large P&C insurer and Chair of Risk with the Irish subsidiary of an European life insurer. Other roles during his career included Secretary of the Society of Actuaries in Ireland and President of the Irish Insurance Federation.

Mr. Barry studied Mathematics at University College Dublin and University of Texas at Austin. He also completed the General Manager Program at Harvard.

Zachary Anshutz – Non-Executive Director

Zac Anshutz is the General Counsel and Head of Regulatory Affairs for Aquarian Insurance Holdings. Prior to joining Aquarian, Mr. Anshutz served as AVP Compliance Distribution for Sammons Financial Group. He also served as Chief Risk Officer for two insurance distribution entities, Advisors Excel and Signal Advisors. Prior to entering the private sector, he served in various roles for the Kansas Insurance Department over a 10-year period, including General Counsel and Assistant Commissioner under the Honorable Sandy Praeger.

Mr. Anshutz graduated cum laude from Emporia State University with a Bachelor of Science degree in Political Science and a law degree from Washburn University School of Law.

<u>Senior Executives</u>

Jeffrey Burt – Chief Executive Officer

See biography in Board section.

Stephen Robb – Chief Financial Officer

See biography in Board section.

Clark Jeffries – Chief Investment Officer

Mr. Jeffries serves as Chief Investment Officer, overseeing Somerset's investment strategies and asset portfolios. Clark joined Somerset Re from Bank of America where he was a Managing Director in the Financial Institutions Group within the Investment Banking Division. Clark was responsible for leading a variety of the firm's relationships in the insurance and insurance services sectors and advised clients on many industry defining merger & acquisition and financing transactions.

Prior to joining Bank of America Clark was a Vice President in the Financial Institutions Group of Citi.

Clark majored in Finance at the University of Texas at Austin, graduating with a Bachelor of Business Administration with Honors.

Riley LaTour – Chief Risk Officer
Mr. LaTour is Chief Risk Officer for Somerset Re, responsible for the firm's risk management strategies and operations.

Riley was most recently Head of Risk Analytics for Somerset Re, leading quantitative risk assessments and supporting the CRO in managing and executing the risk management strategy. Prior to joining Somerset Re, Riley was a member of the risk management teams at Kemper Corporation and Securian Financial Group, contributing to the development, implementation and maintenance of effective risk management frameworks.

Riley is both a Fellow and a Chartered Enterprise Risk Analyst of the Society of Actuaries. He majored in Actuarial Science at the University of Wisconsin – Eau Claire, graduating with a Bachelor of Science with Honors.

Logan Blake – Chief Corporate Actuary
Mr. Blake is Chief Corporate Actuary for Somerset Re, responsible for valuation and reporting under IFRS and Bermuda EBS.

Prior to joining Somerset, Logan was Director of Pricing and Financial Reporting Athene where he oversaw US GAAP reporting, underwriting, and business development for their Bermuda reinsurance business. He has been part of the life insurance industry since 2005 and has extensive experience with valuation and product development for a broad range of products in the US market.

Logan is a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries. He graduated with a Bachelor of Art degree in Economics from Indiana University.

Thomas Porter – Chief Underwriting Officer
Mr. Porter is Chief Underwriting Officer for Somerset Re, responsible for overseeing the firm's underwriting and pricing activities.

Prior to joining Somerset, Thomas was Head of Financial Reporting & Valuation at Hannover Re in Orlando, and prior to that Lead Pricing & Structuring Actuary for Hannover Re's financial solutions structured reinsurance, captive, and derivative transactions. Thomas has been in the reinsurance industry since 2005 and has focused on bringing tailored, efficient, and optimized solutions providing benefits to capital, liquidity, earnings, and solvency.

Thomas is a Fellow of the Society of Actuaries and a member of the American Academy of Actuaries. Thomas graduated with a Bachelor of Science degree in Actuarial Science from Florida State University.

Manisha Dias – Head of New Business Development

Mrs. Dias is the Head of New Business Development for Somerset Re, responsible for leading all commercial activity for the business globally and overseeing policy for underwriting and pricing.

Prior to joining Somerset, Manisha was Head of Partnerships at SCOR Global Life Reinsurance in Charlotte. She co-founded the Partnerships business, which encompassed the development of proprietary and digitally-enabled Life product offerings, and led various teams through the growth of the business in the U.S. market. Manisha was previously at SCOR in Toronto, responsible for new business development and cultivating an innovation footprint for the Canadian market. Prior to SCOR, she held a number of traditional and non-traditional actuarial roles globally across Canada, US and Asia at John Hancock and Manulife.

Manisha has an Honors bachelor's degree in Actuarial Science with Finance from the University of Waterloo. She is also a Fellow of the Society of Actuaries, Fellow of the Canadian Institute of Actuaries, Chartered Enterprise Risk Analyst, and a Strategic Partner Leadership Professional.

c. Risk Management and Solvency Self-Assessment

i. **Risk Management Process and Procedures to Identify, Measure, Manage and Report on Risk Exposures**

The Risk Management Framework at the Company is grounded on four process steps:

- Risk identification;
- Risk measurement and management;
- Risk monitoring; and
- Risk reporting.

- **Risk identification** – On at least an annual basis the Risk function meets individually with each of the senior executives to identify risks. Additionally, employees have a responsibility to identify risks in their area, engage to ensure they are appropriately assessed, and ensure controls are put in place to manage the risks within our risk appetite. The risks identified are documented and maintained in the Risk Register.
- **Risk measurement and management** – In order to manage its risk exposure in line with the limits defined in the Risk Appetite Framework (RAF), the Company adopts quantitative methods to measure its exposure to risk with use of stress and scenario testing to determine the potential impact that an

increase in risk exposure may have on its capital, earnings and liquidity position. For those risks where additional capital or liquidity is not considered effective mitigation, the Company manages its exposure through the implementation of risk management processes and procedures to ensure appropriate controls and tailored management activities.

- **Risk monitoring** – Monitoring of risk exposure against set appetite and tolerance limits is performed on a regular basis. Risks that have progressed beyond the approved risk appetite level are managed in line with their risk assessment and escalated to the appropriate governance forum. This ensures visibility on key mitigating actions being implemented to bring the risk exposure within appetite is provided at the right levels.
- **Risk reporting** – a mix of monthly, quarterly and annual reporting is developed to monitor the Company's risk profile proportionately to the materiality of the risks being faced.

ii. Risk Management and Solvency Self-Assessment Systems

The Company's risk management framework is implemented and integrated into its operations through the systems, processes, procedures, and controls developed and documented by management. Management information arising from the risk management process is used to complete Solvency Self-Assessments of the quantity and quality of capital required to support the Company's business goals given the amount of risk the Company has taken on (or plans to take on) and environmental factors. The Solvency Self-Assessment is reviewed at least quarterly and when major transactions are considered to ensure that the Company's capital adequacy and liquidity resources are sufficient based on the risks to the Company that arise from its operations. The Company uses a combination of proprietary and third-party (vendor) models to determine the adequacy of capital.

iii. Relationship Between Solvency Self-Assessment, Solvency Needs & Capital, and Risk Management

The Solvency self-assessment process is a fundamental part of the Company's risk management framework which provides the overall framework for the identification, measurement, monitoring and reporting of risks. The process starts with the setting of the Company's risk appetite statements and tolerances, which are reviewed and updated at least annually as part of the business planning process. Risks are then identified and prioritized in line with the Company's risk appetite and their relative materiality to the business plan.

As the Company implements the business plan, the Risk function works collaboratively with other functional areas to perform quantitative and qualitative analysis of the most material risks to plan, reporting risk exposures against appetite at least quarterly to the Executive Risk Committee and the Risk and Capital Committee of the Board.

The Company's solvency self-assessment report (the "CISSA report") is the final output of the solvency self-assessment process, which provides a comprehensive description of risk management activities that occurred throughout the year and key expected developments going forward. Given the solvency self-assessment process is an ongoing process, the CISSA report is then used as an input to the risk appetite setting and business planning processes.

iv. **Solvency Self-Assessment Approval Process**

The development of the CISSA report is led by the Risk function in consultation with the relevant risk owners. Elements of the CISSA are reviewed and discussed in each meeting of the Executive Risk Committee and the Risk and Capital Committee. The CISSA report is reviewed by the Executive Risk Committee and the Risk and Capital Committee before being presented to the Board for approval.

d. Internal Controls

i. **Internal Control System**

The Company has systems, processes and procedures to ensure that data and reporting is reliable, organizational policies are adhered to, and adequate security measures are implemented. If any findings are found, they are documented and presented to the Audit Committee who monitors progress on remediation plans.

ii. **Compliance Function**

The Head of Compliance has responsibility to monitor regulatory changes in the relevant jurisdictions and compliance with applicable existing laws, including regulatory reporting and public disclosure requirements. The Head of Compliance monitors compliance with the Company's policies and procedures and adherence to the Company's Code of Business Conduct and Ethics.

e. Internal Audit

The Internal Audit Leader has the responsibility to develop and execute the Company's annual risk-based audit plan. The Company currently utilizes a third-party service provider to access subject matter experts and additional auditor resources on an as-needed basis.

f. Actuarial Function

The Company's Chief Corporate Actuary, who also serves as the Approved Actuary, is responsible for setting, monitoring and adjusting actuarial reserves, including technical provisions which comprise both the best estimate liabilities (or reserves) and a risk margin. Any significant items affecting the technical provision are highlighted to the senior management team as well as the Board as part of the quarterly review of the BSCR.

g. Outsourcing

Outsourcing risk has three major components: selection risk, contracting risk and delivery risk. Selection risk addresses the choice of the best fit provider. To manage selection risks, the Company evaluates several alternative vendors, reviewing their capabilities, fitness to the business, reputation in the marketplace and all-in costs, in line with the Company's due diligence process with risk assessment set out in its Outsourcing Risk Policy. Contracting risk is mitigated by evaluating the terms of the agreements, the specified services and related performance levels to be delivered, the ownership of records and processes, remedies for underperformance, exit strategies and length of the contracts, and security and backups. Delivery risk is controlled by the ongoing monitoring of the services, independent reconciliation of results with other sources where possible, periodic on-site visits and internal and external audit reviews. Outsourced services are also reviewed regularly by management and the Board to determine whether they are appropriate or should be brought in-house.

h. Other Material Information

No other material information to report.

4. COMPANY RISK PROFILE

a. Material Risks the Insurer is Exposed to During the Reporting Period

Key to proper risk management is the identification of all possible detriments to regulatory and rating agency risk-based capital (herein referred to as "capital", "capital adequacy" or "capital at risk"), as well as negative impacts to financial strength and shareholder returns.

In particular, the key risks impacting the Company's ability to meet its strategic objectives are categorized below:

Risk Type	Risk description
Strategy Risk	The risk that the strategic plan is flawed or ineffective implementation not meeting business objectives, or lack of responsiveness to industry changes.
Financial Risk	The risk from ineffective liquidity or capital management to meet business objectives, or from budgeting and financial reporting errors.
Investment Risk	The risk from the quality of asset portfolio leading to increased capital requirements and financial loss.
Asset Liability Management Risk	The risk due to asset liabilities mismatch, or the business does not have sufficient liquid financial resources available to meet its obligations as they fall due.
Insurance Risk	The risk due to uncertainty associated with misestimation of insurance liabilities for new or existing business.

Risk Type	Risk description
Operational Risk	The risk on business operation from inadequate or failed internal processes, people or systems, or from external events.

b. Risk Mitigation in the Organization

The Company controls risk through a variety of ways, but ultimately risks are reported and monitored centrally by the Chief Risk Officer, the chair of the Executive Risk Committee. The Risk function verifies that risks are either kept within agreed limits or temporary breaches for unique situations are appropriately escalated to the Executive Risk Committee and either approved or cured. Further, the Executive Risk Committee reviews the enterprise risk management framework and ensures the controls in place for managing the risk exposures are operating as intended. Through periodic reporting, the Board monitors the effectiveness of the enterprise risk management framework.

Additionally, the Company maintains a strong solvency capital position relative to its risk profile.

c. Material Risk Concentrations

The Company has policies governing risk concentrations in relation to counterparties, credit quality and sectors. These risks are addressed in the Company's investment management policies and are monitored by both the Investment Committee and the Executive Risk Committee. Aside from highly rated sovereigns and associated sponsored agencies, the Company has a policy that prohibits exposure exceeding pre-defined thresholds to any one issuer in its fixed income portfolio (dependent on the type and quality of issuer, in any case not to exceed 1.25% in most cases). The Company manages credit risk exposure by limiting aggregate below investment grade assets to 12% of the entire fixed income portfolio. The fixed income portfolio in aggregate targets an A- rating and must maintain a minimum average credit rating of BBB+ at all times. The Company also has asset class and industry sector limits.

The Company's Underwriting Guidelines govern underwriting risk and is monitored by the Underwriting Policy Compliance Committee and the Board.

From an operational perspective, the Company aims to maintain a diversified portfolio and client mix as it continues to deliver against the business plan approved by the Board.

d. Investment in Assets in Accordance with the Prudent Person Principles of the Code of Conduct

The Company's investment portfolio is managed by the Investments function in accordance with the Company's Investment Management Framework ("the Framework") and its Asset Liability Management Policy that clearly defines the investment strategy, concentration and allocation limits. The Framework requires, among other guidelines, that the portfolio(s) backing reserves is invested in a manner expected to be reflective of the Company's risk tolerances and liquidity requirements to ensure that policyholder claims can be paid on a timely basis. The guidelines, as set out in the Framework are reviewed on at least an annual basis to determine if any significant deviations have occurred as a result of financial markets activity and whether changes are warranted as a result of changes to the Company's risk appetite and tolerances. Performance measurements and investment risks with key risk indicator metrics are reported in the quarterly investment and risk dashboard. Stress and scenario testing are performed at least on a quarterly basis incorporating investment, liabilities and policyholder behavior risks.

The investment process represents a disciplined, experienced approach that balances yield of investments relative to yield of liabilities, total return, and capital at risk. Our asset selection process uses a top-down approach towards strategic asset allocation (SAA). SAA is combined with a bottom-up approach that adds value through specific security selection to ensure that both assets and liabilities are properly aligned and priced.

e. Stress Testing and Sensitivity Analysis to Assess Material Risks

The Company periodically performs various stress tests to determine the adequacy of capital/liquidity and ensure rating agency and regulatory requirements can be met. The tests performed relate to the quantifiable risk identified in section 4a.

Based on these results, the management of the Company believes that it has sufficient capital and liquidity to comply with the contractual obligations of the organization and regulatory requirements.

f. Any Other Material Information

No additional material information to report.

5. SOLVENCY VALUATION

a. Valuation Bases, Assumptions and Methods to Derive the Value of Each Asset Class

The Company uses valuation principles outlined by the BMA as revised from time to time. The economic valuation principles outlined in this document are to measure assets and liabilities on a fair value basis (which is the value that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between open market participants at the measurement date). The fair value principles used for the assets are as follows:

- Cash and Cash Equivalents – includes cash time deposits and investments maturing within three months. The fair value of these holdings is determined by using mark to market valuation or quoted market prices in active markets for similar assets with adjustments to reflect differences if mark to market valuation is not possible, or mark to model valuation otherwise.
- Fixed Income Securities – are valued in accordance with mark to market principles where possible or quoted market prices in active markets for similar assets with adjustments to reflect differences if mark to market valuation is not possible. For fixed income securities that are not actively traded and for which similar assets are also not

actively traded, the Company uses pricing services to prepare inputs to assist the Company with mark to model valuations.

- Accounts Receivable and Premium Receivable – are recorded at fair value and balances due in more than one year have been discounted at the relevant risk-free rate.
- Alternative assets – The Group obtains pricing information from a range of pricing services and brokers. Where the fair values of securities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of discounted cash flow models and/or mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values. The judgments include considerations of liquidity risk, credit risk, and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. The valuation techniques include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and, if applicable, enterprise valuation and may include a number of assumptions relating to variables such as credit risk and interest rates. Changes in assumptions relating to these variables could positively or negatively impact the reported fair value of these instruments.
- Derivative instruments – are valued at quoted market prices. In the absence of an active market, prices are based on observable market inputs.

b. Valuation Bases, Assumptions and Methods to Derive the Value of Technical Provisions

Insurance technical provisions comprise the sum of a best estimate liability, or reserve, and a risk margin. The best estimate reserve is determined as the highest asset requirement needed under the scenario-based approach to fund cash flows developed for each scenario. The risk margin, which reflects the uncertainty contained inherent in the underlying cash flows, is calculated using the cost of capital approach and a risk-free discount rate term structure. The discount rate term structures are prescribed by the BMA for each reporting period. There is limited level of uncertainty regarding the liability cash flows, due to the nature of the underlying business. There is some degree of uncertainty regarding the determination of assets needed to support the liability cash flows. The best estimate insurance reserves also include provisions for incurred but unreported claims. At 31st December 2024, the total Technical Provisions amounted to $15.3 billion comprising the following:

($millions)	**2024**	**2023**
Best Estimate Reserve for Unreported Claims	2	3
Best Estimate Reserves - Life	8,755	1,304
Best Estimate Reserves – Annuity	6,359	4,366
Risk Margin	204	27

c. Description of Recoverables from Reinsurance Contracts

Recoverables from reinsurance contracts are based on principles similar to the gross best estimate and include reinstatement premiums required to be paid to the reinsurer, and expenses in relation to the management and administration of reinsurance claims.

d. Valuation Bases, Assumptions and Methods to Derive the Value of Other Liabilities

All other liabilities are valued on an IFRS basis and settlements not expected to be settled within a year, are discounted using the prescribed discount rates provided by the BMA as at 31st December 2024. Loans and Notes Payable are valued on an IFRS basis and Derivative Instruments are valued at quoted market prices. In the absence of an active market, prices are based on observable market inputs.

e. Any Other Material Information

No additional material information to report.

6. CAPITAL MANAGEMENT

a. Eligible capital

i. Capital Management Policy and Process for Capital Needs, How Capital is Managed and Material Changes During the Reporting Period

The Company seeks to maintain a strong capital base to support the development of its reinsurance business and to meet regulatory requirements and target rating agency capital requirements at all times.

Required capital is calculated as the larger of the BSCR or selected rating agency capital requirements. These requirements help the Board to determine an annual risk budget, which defines the overall risk appetite for the Company and ensures that risk taking is reasonable in relationship to the Company's capitalization.

ii. Eligible Capital Categorized by Tiers in Accordance to the Eligible Capital Rules Used to Meet ECR and MSM Requirements of the Insurance Act

At the end of the reporting period, the Company's Eligible Capital for its Minimum Margin of Solvency (MSM) and Enhanced Capital Requirement (ECR) was categorized as follows:

($000)	**2024**	**2023**
Unconsolidated Eligible Capital to Meet the MSM	**1,232,798**	**484,981**
Tier 1 Consolidated	1,141,511	480,338
Tier 2 Consolidated	11,090	3,542
Tier 3 Consolidated	203,434	67,843
Total Consolidated Eligible Capital to Meet the ECR	**1,356,035**	**551,723**

iii. Confirmation of Eligible Capital That is Subject to Transitional Arrangements

None.

iv. Identification of Any Factors Affecting Encumbrances on the Availability and Transferability of Capital to Meet the ECR

The Company has entered contracts with cedants that require the Company to fully collateralize estimates of its obligations as calculated by the cedant. Assets are held in trust or custody accounts for the benefit for the cedants. These assets are released to the Company upon the payment of the obligations. Interest income arising from these assets accrues to the Company.

v. Identification of Ancillary Capital Instruments Approved by the BMA

None.

vi. Identification of Differences in Shareholder's Equity as Stated in the Financial Statements Versus the Available Capital and Surplus

Other than the impact of employing statutory-based technical provision valuation techniques, significant differences between IFRS shareholder equity and available statutory capital and surplus include the reduction in available statutory capital for goodwill and other intangible assets.

b. Regulatory capital requirements

i. ECR and MSM Requirements at the End of the Reporting Period

At the end of the reporting period, the Company's regulatory capital requirements were assessed as follows:

(Reported in thousand units)

Requirement	2024	2023
Total Capital Eligible to Meet MSM	1,232,798	484,981
Minimum Margin of Solvency	144,478	54,451
Minimum Margin of Solvency Met?	Yes	Yes
Total Capital Eligible to Meet ECR	1,356,035	551,723
Enhanced Capital Requirement (ECR)	595,834	217,805
ECR ratio	228%	253%

ii. Identification of Any Non-Compliance with the MSM and the ECR

The Company was compliant with the MSM and ECR requirement at the end of the reporting period.

iii. A Description of the Amount and Circumstances Surrounding the Non-Compliance, the Remedial Measures and Their Effectiveness

Not applicable.

iv. **<u>Where the Non-Compliance is not Resolved, a Description of the Amount of the Non-Compliance</u>**
Not applicable.

c. Approved Internal Capital Model

i. **<u>Description of the Purpose and Scope of the Business and Risk Areas Where the Internal Model is Used</u>**
Not applicable - the Company has not applied to have its internal capital model approved to determine regulatory capital requirements.

ii. **<u>Where a Partial Internal Model is Used, Description of the Integration with the BSCR Model</u>**
Not applicable.

iii. **<u>Description of Methods Used in the Internal Model to Calculate the ECR</u>**
Not applicable.

iv. **<u>Description of Aggregation Methodologies and Diversification Effects</u>**
Not applicable.

v. **<u>Description of the Main Differences in the Methods and Assumptions Used for the Risk Areas in the Internal Model Versus the BSCR Model</u>**
Not applicable.

vi. **<u>Description of the Nature & Suitability of the Data Used in the Internal Model</u>**
Not applicable.

vii. **<u>Any Other Material Information</u>**
Not applicable.

7. SUBSEQUENT EVENTS

- No subsequent events to report.

8. DECLARATION OF FINANCIAL CONDITION

(Prepared in accordance with section 5 of the Insurance (Public Disclosure) Rules 2015)

For the year ending - December 31, 2024

We, the undersigned Chief Executive Officer and Chief Financial Officer of Somerset Reinsurance Ltd. ("the Company") declare that to the best of our knowledge and belief, the Financial Condition Report or the report on a significant event fairly represents the financial condition of the insurer in all material aspects.

Jeffrey R. Burt

Digitally signed by Jeffrey R. Burt
Date: 2025.04.16 17:48:53 -03'00'

Signed by Jeffrey Burt, Chief Executive Officer

April 16, 2025

Signed by Stephen Robb, Chief Financial Officer

April 16, 2025

8. DECLARATION OF FINANCIAL CONDITION

(Prepared in accordance with section 5 of the Insurance (Public Disclosure) Rules 2015)

For the year ending - December 31, 2024

We, the undersigned Chief Executive Officer and Chief Financial Officer of Somerset Reinsurance Ltd. ("the Company") declare that to the best of our knowledge and belief, the Financial Condition Report or the report on a significant event fairly represents the financial condition of the insurer in all material aspects.

Signed by Jeffrey Burt, Chief Executive Officer

April 16, 2025

Signed by Stephen Robb, Chief Financial Officer

April 16, 2025