

Somerset Holdings International Ltd.

Holding Company			
Action: Affirmed	Type	Rating	Outlook
Somerset Holdings International Ltd.	Issuer	BBB+	Stable
Operating Companies			
Action: Affirmed	Type	Rating	Outlook
Somerset Reinsurance Ltd.	IFSR	A	Stable
Somerset Reinsurance Company	IFSR	A	Stable

Methodology

[Insurer & Insurance Holding Company Global Rating Methodology](#)

[ESG Global Rating Methodology](#)

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Rating Summary:

The ratings reflect Somerset's well capitalized balance sheet, robust profitability profile, comprehensive ERM framework, high credit quality investment portfolio, strong asset-liability matching, balanced reserve mix, seasoned management team and ample access to capital. Somerset Re's year-end 2024 capital position was strong with a 228% BSCR coverage ratio and \$1.2 billion of liquidity on its balance sheet. In 2024, Somerset Re reported robust IFRS-17 insurance service and combined (insurance-plus-investment) margins of 28.3% and 32.0%, respectively, supported by favorable claims experience and sizeable Contractual Service Margin (CSM) amortization. Somerset's increase in gross balance sheet leverage to 13.6x (2023: 13.1x) was in line with its strategic growth targets and supported by its capital and liquidity positions. The modest decrease in ROE to 12.6% (2023: 13.4%) reflected the timing of equity deployment from a material capital contribution from Aquarian early in 2024. KBRA expects Somerset Re to maintain strong margins as the company continues to scale. KBRA believes that ERM is maturing in line with the growth of the company and regulatory requirements.

As of year-end 2024, KBRA considers Somerset's investment portfolio to be of high credit quality. Approximately 94% of fixed-income market value was in investment grade securities. KBRA also considers investment risk to be moderate. Interest-rate risk was meaningful given the 8-year duration, but convexity was low, and Treasury/agency holdings provided additional

rate-hedging. Credit risk was well dispersed across sectors and securitized positions were largely in senior tranches. Liquidity risk was low-to-moderate as public bonds dominated, although private-credit investments introduced some funding lock-up. Overall, KBRA believes that the investment portfolio profile at the end of 2024 was consistent with a conservative, income-focused life-reinsurer, carrying measured spread and reinvestment risk.

Somerset's ALM position as of December 31, 2024, was 0.6 years short on a dollar-weighted Key Rate Duration basis, underscoring tight asset liability matching. Somerset targets a well-balanced split between annuity and life liabilities to maintain a well-diversified balance sheet. As of December 31, 2024, \$15.2 billion of gross liabilities was comprised of 54% life, 43% annuities, 1% longevity and 2% asset only.

Somerset Re has an experienced management team with proven ability and a track record of completing complex reinsurance transactions. The team has deep experience in life and annuity (re)insurance as well as extensive experience in other complementary areas of financial services.

Balancing these strengths are single-sponsor dependency and execution risk. Over the medium term, until Somerset reaches further scale and can consistently generate capital internally to meet its business plan, Somerset remains reliant on Aquarian for growth capital, underscoring a single sponsor dependency that could limit financial flexibility. As Somerset scales its business while maintaining its solvency and liquidity targets, meets Bermuda's enhanced CP2 requirements, and integrates its operations into the broader Aquarian Insurance Holdings platform, it faces execution risk. KBRA believes that Somerset's strong and evolving ERM infrastructure should help management mitigate the downside to the challenges that lie ahead.

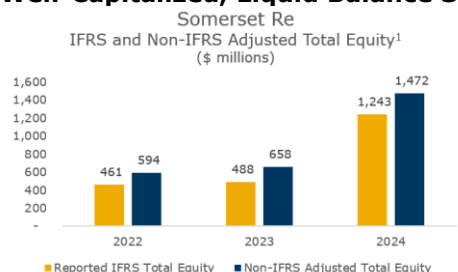
Outlook

The Stable Outlook reflects KBRA's expectation that capital metrics will remain adequate and that ERM enhancements will keep pace with growth/regulatory requirements. The Stable Outlook also reflects KBRA's expectation that Somerset Re will execute its growth plan within stated risk appetites/tolerances and maintain capital and liquidity buffers at or near current levels.

Key Credit Considerations

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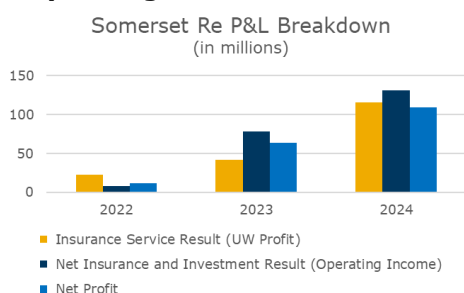
Well-Capitalized, Liquid Balance Sheet with Strong Risk-Adjusted Capitalization



Somerset Re's year-end 2024 solvency position was strong with a 228% BSCR coverage ratio (2023:253%). Over the medium term, solvency headwinds will be chiefly execution-related. KBRA believes that management will continue to manage its BSCR coverage ratio within its stated target range as the company continues to scale. While IFRS provides an economic view of equity, KBRA also looks at non-IFRS adjusted total equity, which removes the impact of AOCI, to reflect Somerset Re's tight asset liability matching and material sources of liquidity. At year-end 2024 Somerset Re had \$1.24 billion of liquidity on its balance-sheet.

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Very Strong 2024 Results with Substantial Future Embedded Profitability



For 2024, Somerset Re reported very strong insurance service and combined (insurance-plus-investment) margins of 28.3% and 32.0%, respectively, supported by favorable claims experience and sizeable Contractual Service Margin (CSM) amortization. The ratio of Somerset Re's contractual service margin to equity was 0.916x (up from 0.761x at the end of 2023), signaling a sizeable amount of embedded future profit that should translate into sustained earnings as it is released over time. KBRA views Somerset Re's 2024 results favorably as they reflect a well-capitalized, growing IFRS-17/IFRS-9 life reinsurer with strengthening core profitability and robust future earnings already

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embedded in liabilities.

Sound Governance Structure and Comprehensive ERM Framework that are Maturing in line with the Growth of the Company and Enhanced Regulatory Requirements

Somerset Re's ERM framework is built on a Three-Lines-of-Defense model overseen by Board-level Risk & Capital (RCC) and Executive Risk (ERC) Committees, underpinned by a tiered Risk Appetite Framework whose primary goals are capital preservation, liquidity maintenance and earnings stability. Risk dashboards track 32 risk types with Red/Amber/Green (RAG) assessments. Key risk-management accomplishments in 2024 included: (1) a strongly scored risk-culture survey, (2) successful onboarding of \$10.3 billion of diversified liabilities without compromising capital or liquidity, and (3) deployment of enhanced dashboards and stress testing to better inform capital decisions. Management's 2025 focus is on deepening analytical capability via a modelling center of excellence, integrating new BMA CP2 governance requirements, expanding bank/LOC facilities to improve sources of liquidity, and refining Key Risk Indicators—initiatives that KBRA believes should buttress Somerset Re's risk discipline as its balance sheet scales further.

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High Credit Quality Investment Portfolio with Moderate Investment Risk and Strong ALM

As of yearend 2024, 94.7% of the total investment portfolio was investment grade, with the remainder consisting of small positions in HY fixed income securities, equities and alternatives. Accordingly, KBRA considers Somerset Re's investment portfolio to be of high credit quality. KBRA also considers investment risk to be moderate. Interest-rate risk was meaningful given the 8-year duration, but convexity was low, and US Treasury/agency holdings provided additional rate-hedging. Credit risk was well dispersed across sectors and ratings, with limited non-investment grade exposure and securitized positions largely in senior tranches. Liquidity risk was low-to-moderate as public bonds dominated, though the private-credit investments introduced some funding lock-up. Overall, KBRA believes that the portfolio profile at the end of 2024 was consistent with a conservative, income-focused life-reinsurer, carrying measured spread and reinvestment risk without venturing into speculative territory. With respect to Somerset Re's ALM position as of December 31, 2024, the company was 0.6 years short on a dollar-weighted Key Rate Duration basis, underscoring tight asset liability matching.

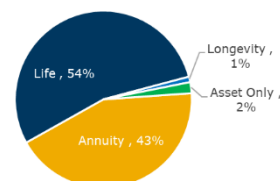
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Balanced Liability Mix

Somerset Re targets a well-balanced split between annuity and life liabilities to maintain a well-diversified balance sheet. As of December 31, 2024, \$15.2 billion of gross liabilities were comprised of 54% life, 43% annuities, 1% longevity and 2% asset only. Improved diversification in 2024 was driven by the assumption of ULSG and COLI/BOLI liabilities under new treaties. Currently all liabilities emanate from the US.

Somerset Re Gross Liability Diversification
as of December 31, 2024



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Seasoned Management Team

Somerset Re has an experienced management team with proven ability and a track record of completing complex reinsurance transactions. The team has deep experience in life and annuity (re)insurance as well as extensive experience in other complementary areas of financial services. The elevation of the CEO, CFO and CIO to oversight roles across Aquarian Insurance Holdings is viewed positively by KBRA as it speaks to their expertise but leaves these individuals closely aligned to Somerset Re as it currently is the largest component of Aquarian Insurance Holdings. The re-hiring of Danish Iqbal in the CEO spot and the promotion of John Neal to CIO should bring stability to the transition.

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Ample Access to Capital to Execute Business Plan

Until Somerset Re reaches scale and can internally generate the capital it needs to support its business plan, Aquarian is the cornerstone for Somerset Re's access to additional capital for growth. Through March 31, 2025, Aquarian has contributed ~\$800 million in growth capital to Somerset Re. Over the forecast period, Somerset Re remains reliant on Aquarian for growth capital, underscoring a single-sponsor dependency that could limit financial flexibility.

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Execution Risk

Somerset Re remains exposed to execution risk as it seeks to scale its business while maintaining solvency and liquidity targets, meeting Bermuda's enhanced CP2 requirements and integrating its operations into the broader Aquarian Insurance Holdings platform. Somerset Re's strong and evolving ERM infrastructure should help management mitigate the downside to the challenges that lie ahead.

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Rating Sensitivities

- Sustained double-digit ROE
- Combined margin consistently above benchmarks
- Continued development of the group's US platform
- Material synergies from the Aquarian Insurance Holdings platform

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- Adverse change in risk profile
- Sustained BSCR coverage ratio below company target
- Material drop in liquidity without credible remediation
- Sustained drop in combined margin below benchmarks
- Diminished support from Aquarian and/or elevated leverage at Somerset Holdings

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Recent Developments

2024 Results

In 2024, Somerset Re reported \$108.8 million net profit, a 71% increase over 2023, despite volatile financial markets during the second half of the year. The core driver was stronger underwriting income. Somerset Re's insurance service result widened to \$115.4 million as insurance revenue more than doubled to \$408.1 million as a result of several sizable flow-and-block deals assumed during the year. The combined release of contractual service margin (CSM) and risk-adjustment added \$116 million to revenue. Somerset Re's insurance-service margin widened by 3.7 percentage points year-on-year, reflective of expense growth lagging top-line growth and translating into a stronger underwriting profit for the company. Net investment income was modest at \$3.1 million, reflecting mark-to-market losses on FVTPL assets (-\$35.7 million) that largely offset higher recurring yield, yet still delivered a positive contribution. The \$705 million capital contribution in early 2024 materially bolstered solvency and enabled the scale-up of the business that underpinned top-line growth. Taken together, disciplined underwriting, continued CSM release and tight expense control more than offset investment headwinds, setting a solid base for future earnings accretion.

Organization Structure

In November 2024, Somerset Reinsurance Holdings Ltd. merged with Somerset Reinsurance Ltd. with Somerset Reinsurance Ltd. being the surviving entity. Also in December 2024, Somerset Reinsurance America Holdings, Inc. acquired 100% of the equity in Somerset Life Reinsurance Limited, a Class C long-term Bermuda insurer, previously known as Neptune Re, from Aquarian Neptune Holdings LLC. Somerset Life Re has made a 953(d) election with the US Internal Revenue Service and will be used to allow the Somerset Re group of companies to reach a broader client base and provide more robust reinsurance programs.

Governance Structure

During 2024, Curtis Dickens, former Finance Minister of the Government of Bermuda, was appointed as an independent non-executive director to the boards of Somerset Holdings International, Somerset Re, and Somerset Services Ltd. He also was appointed chair of the Somerset Re Investment Committee.

Management Structure

Certain Somerset leaders, notably Jeff Burt, Steve Robb and Clark Jeffries, have been elevated to an Aquarian group oversight role while maintaining ongoing oversight of Somerset. Effective April 30, 2025, Danish Iqbal rejoined Somerset Re as CEO to take over from Jeff Burt. John Neal is taking over as CIO from Clark Jeffries. Bermuda operations are transitioning to a services company model (Somerset Services Ltd.) to ensure consistency of all elements of operations, policy and governance across Somerset Re, Somerset Life Re and Aquarian Wealth Partners Reinsurance (ISAC) Ltd.

Insurance Entity Financials

Somerset Reinsurance Ltd. (Consolidated IFRS)			
USD thousands	2024	2023	2022
Balance Sheet			
Total Assets	2,797,701	1,434,314	1,463,162
Non-IFRS Adjusted Total Assets ¹	16,942,437	6,380,757	5,398,390
Total Liabilities	1,555,068	946,095	1,001,685
Contractual Service Margin (CSM)	1,138,750	371,487	326,405
Non-IFRS Adjusted Total Liabilities ²	15,699,804	5,892,538	4,936,913
Total Equity	1,242,633	488,219	461,477
Δ in Total Equity	154.5%	5.8%	na
AOCI	(229,750)	(169,971)	(132,944)
Non-IFRS Adjusted Total Equity ³	1,472,383	658,190	594,421
Δ in Non-IFRS Adjusted Total Equity	123.7%	10.7%	na
BSCR Coverage Ratio	228%	253%	356%
Profitability			
Insurance Revenue	408,149	168,460	51,436
Insurance Service Result	115,372	41,364	22,297
Net Insurance and Investment Result	130,686	78,240	7,991
Net Profit (Loss)	108,781	63,769	11,589
Key IFRS Metrics			
Insurance Service Margin	28.3%	24.6%	43.3%
Insurance-plus-Investment Margin	32.0%	46.4%	15.5%
Return on Average Equity	12.6%	13.4%	2.5%
Gross Balance Sheet Leverage	13.6x	13.1x	11.7x
CSM to Equity Ratio	0.916x	0.761x	0.707x
¹ Non-IFRS Adjusted Total Assets includes Assets Withheld & Policy Loans which are Contra-Liabilities under IFRS-17			
² Non-IFRS Adjusted Total Liabilities excludes the Assets Withheld & Policy Loans Contra-Liabilities.			
³ Non-IFRS Adjusted Total Equity excludes AOCI and represents Somerset Re's adjusted book value.			
Source: Audited Financial Statements; Financial Condition Reports, Company			

Somerset Re adopted IFRS-17/IFRS-9 effective January 1, 2023. Comparisons for 2022 in the table above were restated for the impacts of IFRS 9 and 17.

Somerset Re's financial statement presents a consolidated view of the results of the group's operations, including that of its wholly owned subsidiary, Somerset Reinsurance Company. Accordingly, KBRA's IFSR rating is determined at the lead operating company level and has been extended to Somerset Re's subsidiary as KBRA deemed the subsidiary "core" to the group.



Stress Testing

Under the Bermuda Monetary Authority (BMA) regime for Class E long-term insurers, companies are required to run a standard suite of regulator-prescribed stress scenarios each year as part of the Capital and Solvency Return. These BMA-mandated stresses quantify impacts on the BSCR coverage ratio under various severe but plausible stresses across a broad array of financial markets and underwriting scenarios. KBRA reviewed these results as part of its surveillance of Somerset Re's IFSR rating.

KBRA also reviewed the results of Somerset Re's stress testing under its own solvency framework which differs from the BSCR framework due to fundamental differences between the accounting regimes used by each model and the construct of the models themselves.

In addition, KBRA applied its own stress test to Somerset Re's fixed income portfolio to reflect the impact that ratings defaults and migrations might have on the company during a period of general widening of credit spreads.

KBRA believes that Somerset Re can withstand a variety of stresses to its business at a level consistent with its current rating.

Insurance Holding Company (IHC) Issuer Credit Ratings

Somerset Holdings International's primary source of cash is from dividends from its lead operating company, Somerset Re. Somerset Holdings International currently has no debt in its capital structure. Accordingly, the holding company has no financial leverage and, therefore, no current need for cash from Somerset Re to service debt. KBRA notes that Somerset Re currently has \$181.0 million ordinary dividend capacity. Based on KBRA's assessment of structural subordination, Bermuda's more flexible framework for dividends, financial flexibility and other external factors, Somerset Holdings' issuer rating reflect a two-notch differential from Somerset Re's IFSR.

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