



SOMERSET

REINSURANCE

Consolidated Financial Statements
for the year ended 31 December 2021

Somerset Reinsurance Ltd.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder and Board of Directors of Somerset Reinsurance Ltd.

Opinion

We have audited the consolidated financial statements of Somerset Reinsurance Ltd. and its subsidiary (the "Company"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statements of profit or (loss), comprehensive income or (loss), changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Bermuda and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
29 March 2022

Somerset Reinsurance Ltd.
Consolidated Statement of Profit or (Loss)
For the years ended 31 December 2021 and 2020:

In USD thousands	Notes	2021	2020
Revenue			
Premiums		53,021	56,257
Other insurance income	9.1	24,334	14,615
Net investment income	9.2	184,852	115,195
Investment related gains/(losses)	9.3	(100,935)	120,505
Total revenue		161,272	306,572
Expenses			
Benefits and claims	11.4	169,093	132,248
Acquisition costs	9.4	943	41,940
Other insurance expenses	9.5	19,310	5,309
General and administrative expenses		20,240	20,931
Total expenses		209,586	200,428
Profit or (Loss) before income tax		(48,314)	106,144
Income tax (benefit)/expense	13	(5,425)	13,277
Net profit or (loss)		(42,889)	92,867

See accompanying notes to the financial statements.

Somerset Reinsurance Ltd.

Consolidated Statement of Comprehensive Income or (Loss)

For the years ended 31 December 2021 and 2020:

In USD thousands	Notes	2021	2020
Net profit or (loss)		(42,889)	92,867
Other comprehensive income or (loss)			
Items that may be reclassified subsequently to profit or (loss)			
Fixed income securities - AFS - unrealised investment gains or (losses)		(30,899)	33,601
Deferred Tax - Fixed income securities - AFS - unrealised investment gain or (loss)		3,862	(6,558)
DAC Shadow adjustments - fixed income securities - AFS		6,646	(7,919)
Deferred Tax - DAC Shadow adjustments - fixed income securities - AFS		(831)	1,596
Net other comprehensive income or (loss)		(21,222)	20,720
Total net comprehensive income or (loss)		(64,111)	113,587

See accompanying notes to the financial statements.

Somerset Reinsurance Ltd.
Consolidated Statement of Financial Position
as at 31 December 2021 and 2020:

In USD thousands	Notes	2021	2020
Assets			
Cash and cash equivalents		124,969	123,401
Restricted cash and cash equivalents		60,490	33,442
Reinsurance receivables		4,071	9,070
Fixed income securities – AFS at fair value (amortized cost: 2021 - \$866,788 and 2020 - \$859,085)	6	888,283	911,480
Fixed income securities – FVTPL (amortized cost: 2021 - \$3,743 and 2020 - \$122,464)	6	3,883	122,999
Investments in unconsolidated affiliate entities – FVTPL	6,8	360,524	319,139
Funds withheld	10.1	3,526,363	3,437,896
Deferred acquisition costs	11.5	65,279	55,727
Policy loans		53,587	48,575
Other Assets	10.2	20,885	19,668
Total assets		5,108,334	5,081,397
Liabilities and equity			
Liabilities			
Reinsurance payables		77,696	42,621
Unearned revenue liability	11.6	136,046	124,359
Liabilities for life and health policy benefits	11.1	261,838	272,146
Liabilities for future policy benefits	11.2	4,032,672	3,856,051
Other liabilities	10.3	24,594	140,850
Total liabilities		4,532,846	4,436,027
Equity			
Common shares	14	250	44,415
Additional paid in capital	14	408,368	364,203
Warrants		–	1,997
Other capital reserves		–	3,459
Accumulated other comprehensive income		13,509	34,731
Retained earnings		153,361	196,565
Total equity		575,488	645,370
Total liabilities and equity		5,108,334	5,081,397

See accompanying notes to the financial statements.

Somerset Reinsurance Ltd.
Consolidated Statement of Cash Flows
For the years ended 31 December 2021 and 2020:

In USD thousands	2021	2020
Cash flows from operating activities		
Net profit/(losses)	(42,889)	92,867
Adjustments to reconcile net profit to net cash provided by operating activities:		
Adjustment for option issuance	(2,355)	3,123
Adjustment for share awards issuance	(2,165)	1,904
Adjustment for depreciation and amortization	998	407
Net realized gains on disposal of investments	2,238	3,621
Net unrealized losses on investments	(67,963)	(36,452)
Amortization of investments	4,780	1,495
Changes in:		
Restricted cash and cash equivalents	(27,048)	(11,159)
Reinsurance receivables	4,999	(462)
Funds withheld	40,623	(598,798)
Deferred acquisition costs, net of shadow accounting	(2,568)	126
Policy loans	(5,012)	3,932
Other assets	(1,932)	(5,822)
Liabilities for life and health policy benefits	(16,032)	(16,581)
Liabilities for future policy benefits	71,348	614,177
Deferred revenue liability, net of shadow accounting	(4,650)	81,837
Reinsurance payables	32,981	15,844
Other liabilities	(112,975)	113,881
Total net cash flows (used in) / from operating activities	(127,622)	263,940
Cash flows from/(used in) investing activities		
Maturities and sales of fixed income securities - AFS	277,300	101,966
Purchases of fixed income securities - AFS	(293,811)	(214,270)
Maturities and sales of fixed income securities - FVTPL	117,395	47,859
Purchases of fixed income securities - FVTPL	(3,630)	(165,718)
Redemptions of investments in unconsolidated affiliate entities - FVTPL	50,000	18,000
Purchases of investments in unconsolidated affiliate entities - FVTPL	(80,000)	(75,000)
Purchase of intangible assets	(283)	(120)
Borrowings from unconsolidated affiliate entity	63,719	146,429
Total net cash flows from/(used in) investing activities	130,690	(140,854)

See accompanying notes to the financial statements.

Somerset Reinsurance Ltd.

Consolidated Statement of Cash Flows

For the years ended 31 December 2021 and 2020:

In USD thousands	2021	2020
Cash flows from/(used in) financing activities		
Repurchase of shares/options	(1,500)	(488)
Issuance of shares/options	–	200
Total net cash flows used in financing activities	(1,500)	(288)
Total change in cash and cash equivalents		
Cash and cash equivalents as at beginning of year	123,401	603
Total change in cash and cash equivalents	1,568	122,798
Cash and cash equivalents as at end of year	124,969	123,401
Components of cash and cash equivalents		
Cash at banks and in hand	1,030	493
Cash equivalents	123,939	122,908
Total cash and cash equivalents as at end of year	124,969	123,401

The Group paid income taxes for Irish tax in the amount of \$13,799 during the year (2020: \$11,827).

The Group has received and paid interest on trust and general assets during the year in the amount of \$32,509 and \$2,142 respectively (2020: \$21,554 and \$4,048 respectively). This excludes interest received on funds withheld assets.

The Group has non-cash transactions related to the new reinsurance deals in the amount of \$129,090 (2020: \$1,600,970) from receipt of assets (securities).

See accompanying notes to the financial statements.

Somerset Reinsurance Ltd.

Consolidated Statement of Changes in Equity

For the years ended 31 December 2021 and 2020:

In USD thousands	Notes	Common shares	Share premium	Other capital reserves	Warrants	Accumulated other comprehensive income	Retained earnings	Total shareholders' equity
Balance as at 31 December 2020		44,415	364,203	3,459	1,997	34,731	196,565	645,370
Option issuance	12	–	–	725	–	–	–	725
Transfer to SRHL	12	–	–	(3,863)	(1,997)	–	–	(5,860)
Group Reorganization	14	(44,165)	44,165	315	–	–	(315)	–
Common share/award issuance	12,14	38	–	387	–	–	–	425
Common share/award repurchase/ Forfeit	12,14	(38)	–	(1,023)	–	–	–	(1,061)
Net profit or (loss)		–	–	–	–	–	(42,889)	(42,889)
Other comprehensive income or (loss)		–	–	–	–	(21,222)	–	(21,222)
Balance as at 31 December 2021		250	408,368	–	–	13,509	153,361	575,488

In USD thousands	Notes	Common shares	Share premium	Other capital reserves	Warrants	Accumulated other comprehensive income	Retained earnings	Total shareholders' equity
Balance as at 31 December 2019		44,336	362,624	1,879	1,997	14,011	103,698	528,545
Option issuance	12	–	–	4,669	–	–	–	4,669
Option exercise/ repurchase	12	–	–	(3,836)	–	–	–	(3,836)
Common share/award issuance	12,14	119	2,078	2,557	–	–	–	4,754
Common share/award repurchase	12,14	(40)	(499)	(1,810)	–	–	–	(2,349)
Net profit		–	–	–	–	–	92,867	92,867
Other comprehensive income		–	–	–	–	20,720	–	20,720
Balance as at 31 December 2020		44,415	364,203	3,459	1,997	34,731	196,565	645,370

See accompanying notes to the financial statements.

Somerset Reinsurance Ltd.

Consolidated Notes to the Financial Statements

1. Group information

Somerset Reinsurance Ltd. (“the Group”) is a private limited Group registered in Bermuda and was incorporated on 18 September 2014. The Group received its Class E reinsurance license on 12 December 2014 from the Bermuda Monetary Authority (BMA). The address of the registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. During the second quarter of 2021, the ownership structure of Somerset Reinsurance Ltd. (“Somerset Re”) was reorganized by way of the interposition of a new holding company named Somerset Reinsurance Holdings Ltd. (“SRHL”) between Somerset Re and its then current members (the “Shareholders”) triggering a change of the direct ownership of Somerset Re, which resulted in SRHL holding all of the issued and outstanding common shares of Somerset Re (the “Reorganization”). The Reorganization was effected by way of a merger between Somerset Re and a newly formed wholly owned subsidiary of SRHL named Somerset Merger Company Ltd. (“Merger Company”) pursuant to section 104H of the Companies Act 1981 of Bermuda (the “Merger”). On 24 May 2021, Merger Company merged with and into Somerset Re with Somerset Re being the surviving company following the Merger. As a result of the Merger, SRHL became the sole member and parent company of Somerset Re and the Shareholders became members of SRHL. In connection with the Merger, the Memorandum of Association of Somerset Re was altered to reflect a reduction of the authorized share capital of Somerset Re from US\$104,000,000 divided into 100,000,000 common shares of par value US\$1.00 each and 4,000,000 preference shares par value US\$1.00 each to US\$250,000 divided into 250,000 common shares of par value US\$1.00 each

On 29 September 2021, Somerset Reinsurance America Holdings, Inc. (“SRAH”) was formed in Delaware, USA. The legal registered office address is 850 New Burton Road, Suite 201, Dover, Kent County, Delaware, USA 19904. SRAH is a wholly owned subsidiary of the Group.

The purpose of the Group is to conduct life and annuity reinsurance business and to perform services related thereto.

On 25 March 2022 the Board of Directors approved the financial statements and authorized them for issue.

1.1. Basis for preparation

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. This involves a higher degree of judgement or complexity in areas where assumptions and estimates are significant to the financial statements. These estimates and judgements are disclosed in Note 3.

The financial statements have been prepared on a historical cost basis, except for the following items which are stated at their fair value: fixed income securities – available for sale (AFS), fixed income securities – fair value through profit or loss (FVTPL), investments in unconsolidated affiliate entities – FVTPL and derivatives embedded within funds withheld, while the liabilities for life and health policy benefits and liabilities for future policy benefits that are estimates.

Where IFRS is silent, as it is in respect of the measurement of insurance products, the IFRS framework allows reference to another comprehensive body of accounting principles. In such instances, the Group determines appropriate measurement bases, to provide the most useful information to users of the financial statements, using their judgment and with reference to U.S. GAAP.

Somerset Reinsurance Ltd.

Consolidated Notes to the Financial Statements

Impact of COVID-19 on Significant Judgments, Estimates and Assumptions

Beginning in January 2020, the outbreak of a virus known as COVID-19 and ensuing global pandemic have resulted in travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and significant market uncertainty. In the first quarter of 2020, global financial markets experienced material and rapid declines and significant volatility; however, following March 31, 2020, the markets have experienced recoveries. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 pandemic continues to be unknown at this time, as is the efficacy of the government and central bank interventions. The results of the Group reflect management's judgments regarding the impact of prevailing market conditions related to global credit, equities and foreign exchange, as well as prevailing health and mortality experience.

2. Significant accounting policies

The following are the significant accounting policies applied by the Group in preparing its financial statements:

2.1. Functional currency

The Group's financial statements are presented in United States (US) Dollars, which is the Group's functional currency. All amounts, including amounts presented in the notes (except Note 12) have been rounded to the nearest thousand, unless otherwise indicated.

Foreign currency transactions

Transactions in foreign currencies are initially recorded by the Group at their respective functional currency spot rate, at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange ruling at the reporting date. Foreign exchange differences arising on monetary items are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

2.2. Revenue recognition

Classification

Insurance contracts are those contracts that transfer significant insurance risk at the inception of the contract. Contracts that do not transfer significant insurance risk are accounted for as investment contracts. Insurance risk is transferred when a reinsurer agrees to compensate an insurer if a specified uncertain future event adversely affects the insurer.

Gross premiums

Gross recurring premiums on life insurance contracts are recognized as revenue when payable by the ceding company. For single premium business, revenue is recognized on the date on which the reinsurance contract is received.

Premiums ceded

Premiums ceded on life insurance contracts are recognized as an expense on the date of when premiums are payable to the reinsurer. Premiums include any adjustment arising in the accounting period in respect of reinsurance contracts entered into in prior accounting periods.

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Fees and commissions income

Insurance and investment contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognized as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognized over those future periods.

The Group recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods or services and the standard establishes a five-step model to account for revenue arising from contracts with customers.

2.3. Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group is taxed.

Under current Bermuda law, the Group is not required to pay any taxes in Bermuda on either income or capital gains. The Group has received an assurance from the Minister of Finance of Bermuda under The Exempted Undertakings Tax Protection Act, 1966 of Bermuda that in the event of any such taxes being imposed the Group will be exempted from taxation until the year 2035.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax assets and liabilities are recognized for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Where the Group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority, the corresponding asset and liabilities are presented on a net basis.

2.4. Indirect taxes

Indirect taxes are included in general and administrative expenses.

Somerset Reinsurance Ltd.

Consolidated Notes to the Financial Statements

2.5. Financial instruments – financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available for sale financial assets. The Group determines the classification of its financial assets at initial recognition. All financial assets are recognized initially at fair value plus transaction costs, except those classified as at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset. The amortization of premiums and accretion of discounts is computed using the effective interest method and is recognized in profit or loss as an adjustment of yield. Interest Income is recognized on an accrual basis.

The Group has currently classified its financial instruments as financial assets at fair value through profit or loss, loans and receivables, and available for sale. Cash and cash equivalents are measured at their corresponding notional amount.

IFRS 17, insurance contracts, which reorganizes the recognition and measurement of insurance contracts, was published in May 2017. These new rules will not be mandatory until 2023. This gives the possibility of postponing the first-time application of IFRS 9 until 2023 but requires evidence on the basis of the financial statements as at 31 December 2015 that most of the Group's activity is in insurance. Insurance Business is considered "predominant" if at the time of measurement more than 90% of total liabilities were related to insurance business. Besides liabilities that fall within the scope of IFRS 4, these also include liabilities from investment contracts measured at fair value and other liabilities resulting from insurance business. The Group's liabilities related to insurance business accounted for a share of around 91% of total liabilities at 31 December 2015. In the meantime, there have been no changes to the Group's business activities that would necessitate a reassessment.

Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through comprehensive income, provided that the contractual cash flows are "solely payments of principal and interest on the principal amount outstanding" (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation of the early termination of the contract. The Group has applied the temporary deferral for the application of IFRS 9.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets at fair value through profit or loss (held for trading) include fixed income securities that are classified as, and investments in unconsolidated affiliate entities that are designated as, fair value through profit or loss upon initial recognition. The fixed income securities are part of a portfolio that are held and traded by the Group for the purpose of short-term profit taking. The investments in unconsolidated affiliate entities are managed and their performance is evaluated on a fair value basis in accordance with the Group's investment strategy.

After initial measurement, financial assets at fair value through profit or loss are subsequently measured at fair value, with unrealized gains or losses recognized in the statement of profit or loss.

Where the Group holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding fair value through profit or loss investments is reported as net investment income using the effective interest rate ("EIR"). When the asset is derecognized, the gain or loss is recognized in the statement of profit or loss.

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When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables depends on the nature of the asset.

Available for sale financial assets (AFS)

Available for sale financial investments include equity and debt securities. Equity investments classified as available for sale are those that are neither classified as held to maturity nor designated at fair value through profit or loss (held for trading). Debt securities in this category are those that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available for sale financial assets are subsequently measured at fair value, with unrealized gains or losses recognized in other comprehensive income (equity).

Where the Group holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. Interest earned while holding available for sale investments is reported as net investment income using the effective interest rate ("EIR"). Dividends earned whilst holding available for sale investments are recognized in the statement of profit or loss and included in net investment income when the right of the payment has been established. When the asset is derecognized, the cumulative gain or loss is recognized in investment related gains/(losses), or if determined to be impaired, the cumulative loss is recognized in the statement of profit or loss and removed from the available for sale reserve.

In the case where the Group is unable to trade these financial assets due to inactive markets and management's intention significantly changes to do so in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and management has the intention and ability to hold these assets for the foreseeable future or until maturity. The reclassification to held-to-maturity is permitted only when the entity has the ability and intention to hold the financial asset until maturity.

For a financial asset reclassified out of the available for sale category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Available for sale fixed income securities include \$882,283 (2020 - \$911,480) of securities that are held in trust as part of reinsurance agreements to secure the statutory reserves and liabilities of the ceding party.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments. The Group currently has no investments in loans. All receivables are recognized at fair value at initial recognition. Subsequent to initial recognition, they are measured at amortized cost using the effective interest rate method.

Impairment

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the

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Consolidated Notes to the Financial Statements

group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulties, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or another financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset have expired or substantially all risks and rewards of ownership have been transferred or the risks and rewards have neither been transferred nor retained, but control of the asset has been transferred.

2.6. Derivatives

The Group may choose to enter into forward contracts, futures, forward rate agreements, currency and interest rate swaps, options and other derivative financial instruments for hedging risk exposures or for trading purposes. The notional amounts or contract volumes of derivatives, which are used to express the volume of instruments outstanding and to provide a basis for comparison with other financial instruments, do not, except for certain foreign exchange contracts, represent the amounts that are effectively exchanged by the parties and, therefore, do not measure the Group's exposure to credit risk. The amounts exchanged are calculated on the basis of the notional amounts or contract volumes and other terms of the derivatives that relate to interest or exchange rates, securities prices and the volatility of these rates and prices.

All derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Gains and losses arising on remeasurement to fair value are recognized immediately in profit or loss.

Derivatives embedded in other financial instruments or in insurance contracts which are not closely related to the host contract are separated and measured at fair value in the statement of financial position. Changes in the fair value are included in investment related gains/(losses) in the statement of profit or loss.

2.7. Financial instrument - financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings (carried at amortized cost using the effective interest method), or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, carried at amortized cost (this includes directly attributable transaction costs).

Subsequent measurement

The Group has recognized the following financial liabilities in the statement of financial position:

- Other liabilities
- Reinsurance payables
- Liabilities for future policy benefits

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All of the above-mentioned financial instruments are measured at their corresponding notional amounts. Other liabilities and reinsurance payables are short-term payables with no stated interest rate at invoice amounts and the effect of discounting them is considered immaterial.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

2.8. Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is a current enforceable legal right to offset the recognized amounts and an intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. The Group presents the reinsurance receivable, reinsurance payable on a per treaty basis and investment in unconsolidated affiliate entity – FVTPL on a net basis. In addition, the Separate Account assets and Separate Account liabilities discussed in Note 2.13 are presented on a net basis.

2.9. Fair value hierarchy of financial instruments

For reporting purposes, a fair value hierarchy is established that categorizes the inputs to valuation techniques used to measure fair value into level 1, 2 or 3. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1 inputs) and the lowest priority to unobservable inputs (level 3 inputs).

The fair value of assets or liabilities included in level 1 is based on unadjusted quoted prices in active markets for identical assets or liabilities. The fair value of assets or liabilities that are not traded in an active market is determined using valuation techniques. If all significant inputs to these valuation techniques are observable (directly and indirectly) in the market, the assets or liabilities are included in level 2.

If one or more significant inputs to these valuation techniques are not observable in the market, the assets or liabilities are included in level 3. Such inputs may include information that is derived through extrapolation which is not substantiated by observable market data or that reflects the Group's assumptions about what market participants would use in pricing the asset or liability.

An analysis of fair values of financial instruments is provided in Note 6.

2.10. Cash and cash equivalents

Cash and cash equivalents in the statement of financial position are comprised of cash on hand, cash at banks, cash in transit and short-term deposits with an original maturity of three months or less.

Restricted cash and cash equivalents consist of cash and cash equivalents held in trust as part of the reinsurance agreement to secure all statutory reserves and liabilities of the ceding party. Restricted cash and cash equivalents are reported as a separate line item on the statement of financial position. Changes in the restricted cash and cash equivalents balance are reported in operating activities within the statement of cash flows.

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2.11. Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit or loss net of any reimbursement.

The amounts recognized as a provision represent the best estimate of the expenditure required to settle the obligations.

2.12. Employee benefit liabilities

The Group's pension schemes are classified as defined contribution plans under IFRS.

2.13. Insurance contract liabilities

Liabilities for life and health policy benefits contracts

Life and health insurance liabilities are recognized when reinsurance contracts are entered into and premiums are charged. These liabilities are measured by using the net premium method. The liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees and investment income from assets backing such liabilities, which are directly related to the contract, less the discounted value of the expected premiums that would be received to meet the future cash outflows based on the valuation assumptions used. The liability is either based on current assumptions or calculated using the assumptions established at the time the reinsurance contract was issued, in which case, a margin for risk and adverse deviation is generally included. A separate reserve for longevity may be established and included in the measurement of the liability.

Furthermore, the liability for life insurance contracts comprises the provision for unearned premiums and premium deficiency, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Group. Adjustments to the liabilities at each reporting date are recorded in the statement of profit or loss in Benefits and Claims. Profits originated from margins for adverse deviations on run-off contracts are recognized in the statement of profit or loss over the life of the contract, whereas losses are fully recognized in the statement of profit or loss during the first year of run-off. The liability is derecognized when the contract expires, is discharged or cancelled.

At each reporting date, an assessment is made of whether the recognized life insurance liabilities are adequate, net of related Deferred Acquisition Costs (DAC), by using an existing liability adequacy test in accordance with IFRS. The net liability value is adjusted to the extent that it is insufficient to meet expected future benefits and expenses. In performing the adequacy test, current best estimates of future contractual cash flows are used. Discounted cash flows are the primary valuation method used. To the extent that the test involves discounting of cash flows, the interest rate applied may be based on management's expectation of current market interest rates. Any inadequacy is recorded in the statement of profit or loss, initially by impairing DAC and, subsequently, by establishing an additional insurance liability for the remaining loss. In subsequent periods, the liability for a block of business that has failed the adequacy test is based on the assumptions that are established at the time of the loss recognition. The assumptions do not include a margin for adverse deviation. Impairment losses resulting from liability adequacy testing can be reversed in future years if the impairment no longer exists, as allowed under IFRS.

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Liabilities for future policy benefits

Universal life-type policies and investment contracts include fixed indexed and traditional fixed annuities in the accumulation phase, universal life insurance, and immediate annuities. The Group carries liabilities for fixed annuities, fixed index annuities, and universal life insurance at the estimated balances without reduction for potential surrender or withdrawal charges. Liabilities for immediate annuities risk are calculated at the present value of future liability cash flows and policy maintenance expenses discounted at contractual interest rates.

Deposits and withdrawals are recorded directly as an adjustment to the liability in the statement of financial position and are not recognized as gross premium in the statement of profit or loss. Expenses and cost of insurance charges are recorded both as an adjustment to the liability in the statement of financial position and as other insurance income in the statement of profit or loss.

The liability is derecognized when the contract expires, is discharged or cancelled. For a contract that can be cancelled by the policyholder, the fair value of the contract cannot be less than the surrender value.

Benefits, claims and expenses recognition

Gross benefits and claims for life insurance contracts include the cost of all claims arising during the year, including internal and external claims handling costs that are directly related to the processing and settlement of claims. Changes in the gross valuation of insurance are also included. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

Separate account exposure

The Group entered in a Modified Coinsurance ("ModCo") treaty where the Group assumed Separate Account assets and Separate Account liabilities of 1,105,002 (2020: \$1,004,667) on a ModCo basis. The underlying individual variable annuities and group variable annuities covered in this treaty are transferrable from Separate Account to General Account or vice versa at participants' discretion among investment funds. All net realized and unrealized capital gains in the Separate Accounts, which reflect investment performance of the funds in which they invest, accrue directly to participants (net of administrative and other Separate Account charges) and are not reflected in the Group's Statement of Financial Position. Under the ModCo structure both the assets and liabilities remain on the ceding company's Statement of Financial Position. The Group is not exposed to insurance, investing, nor administrative risk, the Group did not recognize any assets or liabilities related to the separate accounts on a net settlement basis. The Group shares in certain fees earned by the ceding company with respect to the Separate Accounts. Separate Account fees in 2021 \$10,005 (2020: \$Nil) are included in the Statement of Profit or Loss.

2.14. Deferred acquisition costs (DAC) and unearned revenue liabilities (URL)

Direct and indirect costs incurred and income earned during the financial period arising from the assumption of reinsurance contracts are deferred to the extent that these costs are recoverable out of future premiums or profit. All other acquisition costs and deferred revenue are recognized as an expense when incurred and as an income when earned, respectively.

Subsequent to initial recognition, DAC and URL for life and annuity reinsurance are generally amortized over the expected life of the contracts as a constant percentage of expected premiums or as a constant percentage of gross margins. In certain situations where this information is not available, another suitable basis for amortization is selected such as a ratio to reserves or revenues. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization pattern and are treated as a change in an accounting estimate.

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When DAC/URL is amortized in proportion to gross profits or gross margins on the acquired contracts, realized gains/losses including the change in fair value of the embedded derivative in the reinsurance contracts are taken into account as well as gains/losses recognized in other comprehensive income (unrealized gains/losses). If these gains/losses were to be realized, the gross profits or gross margins used to amortize DAC/URL would be affected. Therefore, an adjustment relating to these unrealized gains/losses is recognized in profit or loss/Other Comprehensive Income (OCI) (“shadow accounting”) and is also reflected in the amount of DAC/URL in the statement of financial position.

An impairment review of DAC is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognized in the statement of profit or loss.

DAC and URL are derecognized when the related contracts are either settled or disposed of.

2.15. Accrued income and prepaid expenses

Accrued income and prepaid expenses include revenues relating to the current financial period, but which are receivable in a subsequent financial period and payments made during the financial period but relating to a subsequent financial period.

2.16. Deferred income and accrued expenses

Deferred income is received but related to a subsequent financial period. Accrued expenses consist of charges relating to the current financial period, but which are payable in a subsequent financial period.

2.17. Share awards and option-based compensation plan

The Group operates cash-settled, option-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognized in the statement of profit or loss with a corresponding increase in a liability over the vesting period. As the fair value of the services received cannot reliably be measured, the value is measured by reference to the fair value of the option instruments granted.

The Group granted restricted common share awards to certain employees. The award is governed by the Share Grant and Restriction Agreement. The fair value of the employee services received in exchange for the grant of the award is recognized in the statement of profit or loss with a corresponding increase in a liability over the vesting period.

At each subsequent reporting date until vesting, the entity calculates a best estimate of the cumulative charge to profit or loss at that date.

2.18. Warrants

The Group has accounted for certain warrant contracts issued to certain shareholders in conjunction with the share offerings of the Group at fair value through equity. These warrants entitle the warrant holder to purchase one share per warrant.

2.19. Reinsurance receivables and payables

Reinsurance receivables and payables are recognized when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest rate method.

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2.20. Policy loans

Policy loans are carried at outstanding balance, including principal and accrued interest. Policy loans are secured by the underlying cash surrender value of the corresponding contracts.

2.21. Funds withheld

Funds withheld represents a receivable for amounts contractually withheld by ceding companies in accordance with reinsurance agreements where the Group acts as reinsurer. The receivable represents the fair market value of assets that are held in custodial accounts that are legally segregated from the ceding companies' general accounts and are managed by the Group. The assets are typically fixed income asset types consistent with those held in trust for coinsurance reinsurance arrangements. In the event of a ceding company's insolvency, the Group would need to assert a claim on the assets supporting the reserve liabilities. However, the Group has the ability to offset amounts owed to the ceding company. Interest generally accrues on these assets based upon the investment earnings on the underlying investments. The Group is subject to the investment performance and has all economic rights and obligations on the funds withheld assets in a fashion similar to invested assets held directly by the Group. The underlying agreements contain embedded derivatives as discussed in derivatives.

2.22. Property and equipment

Property and equipment are carried at cost less accumulated depreciation. This is included in Other assets on the statement of financial position. Depreciation is principally calculated using the straight-line method to allocate their cost to their residual values over the asset's estimated useful life as follows:

Furniture and fixtures eight years; office equipment eight years; computer equipment three years and leasehold improvements three years. The asset's residual value and useful life is reviewed, and adjusted if appropriate, at each statement of financial position date.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the statement of profit or loss during the financial period in which they are incurred. Realized gains or losses on disposals are determined by comparing proceeds with the carrying amount and are included in profit or loss. Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

2.23. Intangible assets

Intangible assets consist of acquired computer software licenses and related development costs, as well as right-of-use assets relating to lease contracts. This is included in Other assets on the statement of financial position.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on a straight-line basis for the expected useful life of five years.

Development costs that are directly associated with these identifiable software products controlled by the Group and that will generate future economic benefits are capitalized. Computer software development costs recognized as assets are amortized using the straight-line method over their useful lives (five years).

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The principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees are required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

At inception, the right-of-use asset relating to the lease contract is recognized at the lower of the present value of the minimum lease payments or fair value and is depreciated over its estimated useful life. The corresponding lease obligations are recorded as Other liabilities in the statement of financial position.

2.24. Reclassification of prior year presentation

Certain prior year amounts have been reclassified for consistency within the current year presentation. These reclassifications have no effect on the reported results of operation.

3. Significant accounting estimates and judgments

The preparation of the Group's financial statements requires management to make significant judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures in the notes. Although some uncertainty is inherent in these judgements and estimates, management believes that the amounts recorded are reasonable. The basis for determining amounts is management's best knowledge regarding the items concerned at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The following are key assumptions as they could have a material impact on the carrying amounts of assets and liabilities. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Valuation of Fixed Income securities

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.

Valuation of liabilities for life and health policy benefits

The liability for life and health policy benefits is either based on current assumptions or on assumptions established at the inception of the reinsurance contract, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows.

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The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Group bases mortality and morbidity on standard industry American mortality tables which reflect historical experiences, adjusted when appropriate to reflect the Group's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences and trends. For those contracts that insure risk related to longevity, prudent allowance is made for expected future mortality improvements.

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns, as well as expectations about future economic and financial developments.

Assumptions on future expenses are based on current expense levels, adjusted for expected expense inflation, if appropriate.

Lapse and surrender rates, rider elections and annuitization rates are based on the historical experience.

Deferred acquisition costs/unearned revenue liability

Certain acquisition costs related to the sale of new policies are recorded as DAC, likewise, if the assets transferred exceed the GAAP reserve a URL balance is established. These balances are amortized to the statement of profit or loss over time. If the assumptions relating to future profitability of these policies are not realized, the amortization of these costs could be accelerated, and this may also require additional impairment write-offs to the statement of profit or loss.

Valuation of funds withheld embedded derivative

The embedded derivative included in funds withheld consists of the difference in the book value and the fair value of the assets from which the host contract is derived. The fair value of the underlying assets is determined as discussed in Fair value of financial assets determined using valuation techniques in Note 6.

Taxes

For current tax, uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

Deferred tax assets (including unused tax losses and unused tax credits) are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits.

4. Adoption of new and revised Standards

Standards and interpretation issued and effective in current year

In the current year, the Group has applied the below amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

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IFRS 9/IAS 39 IFRS 7 IFRS 4 IFRS 16 Interest Rate Benchmark Reform (Phase 2)

The IASB has undertaken a two-phase project to consider what reliefs to give from the effects of Interbank Offered Rates ('IBOR') reform. The Phase 1 amendments, issued in September 2019, provided temporary reliefs from applying specific hedge accounting requirements to relationships affected by uncertainties arising as a result of IBOR reform ('the Phase 1 reliefs'). The Phase 2 amendments that were issued on 27 August 2020 address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform:

- Changes to designations and hedge documentation: When the Phase 1 reliefs cease to apply, entities are required to amend the hedge documentation to reflect changes that are required by IBOR reform by the end of the reporting period during which the changes are made. Such amendments do not constitute a discontinuation.
- Amounts accumulated in the cash flow hedge reserve: When amending the description of a hedged item in the hedge documentation, the amounts accumulated in the cash flow hedge reserve are deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.
- Retrospective effectiveness test (IAS 39 only): For the purposes of assessing the retrospective effectiveness of a hedge relationship on a cumulative basis, an entity may, on an individual hedge basis, reset to zero the cumulative fair value changes of the hedged item and hedging instrument when ceasing to apply the retrospective effectiveness assessment relief provided by the Phase 1 amendments.
- Groups of items: When amending the hedge relationships for groups of items, hedged items are allocated to sub-groups based on the benchmark rate being hedged, and the benchmark rate for each sub-group is designated as the hedged risk.
- Risk components – separately identifiable requirement: An alternative benchmark rate designated as a non-contractually specified risk component, that is not separately identifiable at the date when it is designated, is deemed to have met the requirements at that date if the entity reasonably expects that it will meet the requirements within a period of 24 months from the date of first designation. The 24-month period will apply to each alternative benchmark rate separately. The risk component will, however, be required to be reliably measurable.

Additional IFRS 7 disclosures related to IBOR reform - The amendments require disclosure of: (i) how the entity is managing the transition to alternative benchmark rates, its progress and the risks arising from the transition; (ii) quantitative information about derivatives and non-derivatives that have yet to transition, disaggregated by significant interest rate benchmark; and (iii) a description of any changes to the risk management strategy as a result of IBOR reform.

The Group does not use any IBOR hedging tools, however the Group pays loan interest to its affiliate entities at an interest rate of benchmark plus 0.5%. The benchmark changed from LIBOR to SOFR at 1 January 2021. (Note 8)

Amendments to IAS 1 and IAS 8 Definition of material

The Group has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

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Standards and interpretations issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces IFRS 4 Insurance Contracts.

In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies for measurement purposes, IFRS 17 provides a comprehensive model (the general model) for insurance contracts,

supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short-duration contracts which typically applies to certain non-life insurance contracts.

The main features of the new accounting model for insurance contracts are, as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows);
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognized in profit or loss over the service period (i.e., coverage period);
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognized in profit or loss over the remaining contractual service period;
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice;
- The recognition of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period;
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in profit or loss, but are recognized directly on the Statement of financial position;
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense;

Extensive disclosures to provide information on the recognized amounts from insurance contracts and the nature and extent of risks arising from these contracts.

Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

IFRS 17 has been deferred an additional year and is effective for annual reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, on or before the date it first applies.

The Group plans to adopt the new standard on the required effective date. The Group expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the Group and is likely to have a significant impact on profit and total equity together with presentation and disclosure. The Group is still evaluating the impact of the standard.

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5. Risk management, policies and procedures

The Group's core business is to reinsure portfolios of life insurance and annuity policies. The reinsurance of life insurance and annuity policies represents a mid-term to long-term promise to the ceding companies. To fulfill its future payment obligations to the ceding companies, the Group must be financially sound over an extended period of time. The ability to remain financially sound and strong depends on a number of risk factors. The Group's identified risks can be categorized into financial, insurance and operational risks. All of these risk categories can impact the financial stability of the Group.

Risks must be identified, assessed, managed and monitored. Roles, responsibilities and accountabilities for decision making are structured in line with the Three Lines of Defense principles, with supervision of these activities by the Board or its delegates or designees, thereby achieving effective segregation of duties. In particular:

- The first line of defense resides with the functional leaders (i.e. the Chief Investment Officer (CIO), the Chief Actuary (CA), the Chief Underwriting Officer (CUO) and the Chief Financial Officer (CFO));
- The second line of defense resides with the Chief Risk Officer (CRO) and the Risk and Asset/Liability Management (RALM) Committee for the Executive Management oversight function; and
- The third line of defense resides with the Group's Internal Audit function.

Within Executive Management, risk appetite and key risk management decisions reside with the RALM Committee. Members of the RALM include the CEO, CIO, CUO, CA, CFO and the CRO.

Quarterly, the RALM committee meets to assess risk levels with all risk owners and identify and assess key controls and related control owners, as well as defining the proper key risk levels for all areas.

The supervisory responsibility relating to oversight of risk management by the Executive Management is a Board of Directors oversight function, which includes the activities of the Investment, Risk and Capital Committee (IRCC) and Audit Committee (AC). The Audit Committee is assisted in its supervisory responsibilities by the Group's internal audit function and the Group's compliance function.

The CRO, oversees and assures effective monitoring and control of all identified risks in the business. Among the CRO responsibilities are the development, maintenance and proper utilization of the Group's risk management framework. Additionally, a major responsibility of the CRO is to supervise all limits / tolerances, report any breaches, and follow up with the respective stakeholders on remedial actions.

5.1. Financial risk management objectives and policies

The Group is exposed to financial risk through its financial assets, financial liabilities and other liabilities. In particular, the key financial risk is that the financial assets are not sufficient to fund the obligations arising from financial, insurance and other liabilities.

5.2. Credit risk

The Group is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due.

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The credit rating of the counterparties as at 31 December 2021 were as follows:

In USD thousands	AAA	AA	A	BBB	Below BBB	Not rated	2021 Total
Cash and cash equivalents	123,921	16	261	768	—	3	124,969
Restricted cash and cash equivalents	60,490	—	—	—	—	—	60,490
Reinsurance receivables	—	1,220	2,463	—	388	—	4,071
Fixed income securities - AFS	53,268	120,178	358,556	352,971	3,310	—	888,283
Fixed income securities - FVTPL	450	—	—	819	1,238	1,376	3,883
Investments in unconsolidated affiliate entities - FVTPL	—	—	—	—	—	360,524	360,524
Funds withheld	262,026	305,587	1,209,967	1,669,289	70,098	9,396	3,526,363
Other assets	184	1,654	2,727	3,319	60	4,860	12,804
Total exposure to credit risks	500,339	428,655	1,573,974	2,027,166	75,094	376,159	4,981,387

The Group did not recognize any impairment losses for the year ended December 31, 2021 (2020: \$Nil).

The credit rating of the counterparties as at 31 December 2020 were as follows:

In USD thousands	AAA	AA	A	BBB	Below BBB	Not rated	2020 Total
Cash and cash equivalents	122,887	161	94	259	—	—	123,401
Restricted cash and cash equivalents	33,442	—	—	—	—	—	33,442
Reinsurance receivables	—	6,695	2,375	—	—	—	9,070
Fixed income securities - AFS	109,669	84,891	356,735	356,215	3,970	—	911,480
Fixed income securities - FVTPL	115,247	—	1,019	776	4,761	1,196	122,999
Investments in unconsolidated affiliate entities - FVTPL	—	—	—	—	—	319,139	319,139
Funds withheld	670,718	225,385	921,124	1,473,169	142,188	5,312	3,437,896
Other assets	976	200	2,767	2,999	125	10,417	17,484
Total exposure to credit risks	1,052,939	317,332	1,284,114	1,833,418	151,044	336,064	4,974,911

The 2020 comparative figures were restated to reflect updated credit rating methodology used by the Group. In prior years, securities required at least 2 ratings from third party credit rating agencies. If the security was only rated by 1 third party credit rating agency, then the Group would reflect the security as Not Rated. The methodology was updated in the current year so that securities with 1 rating will reflect that rating as opposed to Not Rated.

Fixed income securities – AFS, Fixed income securities – FVTPL and Funds withheld: the Group's practice is to use third party independent credit ratings where available. Securities for which management was unable to obtain an independent credit rating are shown as Not Rated.

Reinsurance receivable: the above-mentioned credit rating is based on Standard & Poor's short-term local currency rating of the counterparty.

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5.3. Concentration risk

Concentration of risk arises from financial instruments that have similar characteristics and are affected similarly by changes in economic or other conditions. The Group has its cash and restricted cash deposited at banks whose short-term local currency ratings are A-1 to A-2 or equivalent according to third-party credit ratings. The Group's fixed income and funds withheld investments are held by custodians whose short-term local currency ratings are A-1 to A-2 or equivalent according to third party currency ratings. The Group's maximum permitted combined holding of a fixed income or funds withheld investment cannot exceed the limits set out in the Group's investment management framework, which provides maximum issuer and maximum sector exposures on an aggregated basis in order to manage concentration risk.

5.4. Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is not exposed to any significant currency risk. Any current exposure relates primarily to an insignificant portion of operating expenses as some of them are denominated in non-USD currencies. The Group's functional currency is USD.

Any changes caused by foreign currency on financial instruments would be recorded in the Group's profit or loss and therefore also in the retained earnings (which includes the profit/loss of the current reporting period). The amount of impact due to changes caused by foreign currency is minimal because financial instruments denominated in foreign currency are immaterial to the financial statements.

5.5 Liquidity risk

Liquidity risk is the risk that not enough cash resources may be available to pay obligations when due. The Group's liquidity risk management approach consists of 1) monitoring the duration of the assets and liabilities and realigning the investment portfolios as needed; 2) monitoring collateral requirements on a monthly basis against available cash and, 3) maintaining a significant portion of liquid assets in the investment portfolios. The Group is currently exposed to liquidity risk on its obligations to its creditors and cedants. Exposure to liquidity risk is based on the earliest time the Group could be contractually required to repay any outstanding amounts. The assets contractual terms may not be consistent with duration.

The below tables show a liquidity shortfall in the 1-5 years bucket, however the tables are completed with the final legal maturities of assets. In the case of prepaying structured securities, the legal maturities can be far greater than the actual weighted average lives of the securities. This would cause the below analysis to skew asset maturities long. The Group matches asset duration and liability duration and is comfortable that no material liquidity shortfall exists in the 1-5 years bucket.

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Exposure to liquidity risk as at 31 December 2021:

In USD thousands	Carrying amount	Up to 1 year	1–5 years	5–10 years	>10 years
Financial liabilities					
Liabilities for life and health policy benefits	261,838	15,166	56,595	61,339	128,738
Liabilities for future policy benefits	4,032,672	263,618	833,375	836,481	2,099,198
Reinsurance payables	77,696	4,501	16,794	18,201	38,200
Other liabilities	15,579	15,579	–	–	–
Total financial liabilities	4,387,785	298,864	906,764	916,021	2,266,136
Financial assets					
Cash and cash equivalents	124,969	124,969	–	–	–
Restricted cash and cash equivalents	60,490	60,490	–	–	–
Reinsurance receivables	4,071	4,071	–	–	–
Fixed income securities – AFS	888,283	16,628	81,193	323,944	466,518
Fixed income securities – FVTPL	3,883	–	–	757	3,126
Investments in unconsolidated affiliate entities – FVTPL	360,524	360,524	–	–	–
Funds withheld	3,526,363	99,435	232,622	876,665	2,317,641
Policy loans	53,587	3,104	11,583	12,554	26,346
Other assets	12,804	12,804	–	–	–
Total financial assets	5,034,974	682,025	325,398	1,213,920	2,813,631
Net gap (surplus)	(647,189)				

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Exposure to liquidity risk as at 31 December 2020:

In USD thousands	Carrying amount	Cash flows			
		Up to 1 year	1–5 years	5–10 years	>10 years
Financial liabilities					
Liabilities for life and health policy benefits	272,146	43,036	136,425	45,376	47,309
Liabilities for future policy benefits	3,856,051	199,525	1,236,943	793,625	1,625,958
Reinsurance payables	42,621	6,741	21,366	7,106	7,408
Other liabilities	116,433	116,433	–	–	–
Total financial liabilities	4,287,251	365,735	1,394,734	846,107	1,680,675
Financial assets					
Cash and cash equivalents	123,401	123,401	–	–	–
Restricted cash and cash equivalents	33,442	33,442	–	–	–
Reinsurance receivables	9,070	9,070	–	–	–
Fixed income securities – AFS	911,480	7,281	92,830	389,691	421,678
Fixed income securities – FVTPL	122,999	–	1,379	2,515	119,105
Investments in unconsolidated affiliate entities – FVTPL	319,139	319,139	–	–	–
Funds withheld	3,437,896	127,796	600,552	947,208	1,762,340
Policy loans	48,575	7,681	24,350	8,099	8,445
Other assets	17,482	17,482	–	–	–
Total financial assets	5,023,484	645,292	719,111	1,347,513	2,311,568
Net gap (surplus)	(736,233)				

5.6. Market risk

The sensitivity analysis shows the effect of capital market events on the value of financial instruments and the corresponding impact on profit or loss and equity.

Market risk – interest rates

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

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The Group's interest risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments within the Group's fixed income investment portfolio. Interest on floating rate instruments is re-priced at intervals of less than one year. Interest on fixed interest rate instruments are priced at inception of the financial instrument and is fixed until maturity.

To manage interest rate risk, the Group adheres to a duration match between its liabilities and its overall asset portfolio to minimize economic risk due to yield curve changes, reinvestment risk, liquidity concerns and capital adequacy requirements. The difference in the weighted average of the asset and liability duration is 0.1 years (2020 - 2.61 years). Under current accounting guidance the change in economic value of the liabilities which the Group's invested assets are backing is not captured on a periodic basis and as such the movements in valuation of fixed income securities and the funds withheld portfolio will impact reported financial results without the benefit of the inverse economic impact on the related financial liabilities.

Market risk – Net asset value (NAV)

The following table demonstrates the sensitivity to a reasonably possible change in the NAV of the Investments in unconsolidated affiliate entities, with all other variables held constant, on the Group's profit before tax and the Group's equity due to changes in the NAV.

2021				
In USD thousands	Change in NAV	Impact on pre-tax profit/loss	Impact on equity	Total change in market value
	NAV 5% higher	38,652	38,652	38,652
	NAV 5% lower	(38,652)	(38,652)	(38,652)
	NAV 10% higher	77,304	77,304	77,304
	NAV 10% lower	(77,304)	(77,304)	(77,304)

2020				
In USD thousands	Change in NAV	Impact on pre-tax profit/loss	Impact on equity	Total change in market value
	NAV 5% higher	33,397	33,397	33,397
	NAV 5% lower	(33,397)	(33,397)	(33,397)
	NAV 10% higher	66,794	66,794	66,794
	NAV 10% lower	(66,794)	(66,794)	(66,794)

Market risk – Fair value prices

The following table demonstrates the sensitivity to a reasonably possible change in the prices of the fixed income investment portfolio for investments classified as AFS and FVTPL, with all other variables held constant, on the Group's profit before tax and the Group's equity due to changes in the prices.

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2021				
In USD thousands	Change in price	Impact on pre-tax profit and loss	Impact on equity	Total change in market value
	Price 5% higher	194	44,608	44,608
	Price 5% lower	(194)	(44,608)	(44,608)
	Price 10% higher	388	89,217	89,217
	Price 10% lower	(388)	(89,217)	(89,217)
2020				
In USD thousands	Change in price	Impact on pre-tax profit and loss	Impact on equity	Total change in market value
	Price 5% higher	6,150	51,724	51,724
	Price 5% lower	(6,150)	(51,724)	(51,724)
	Price 10% higher	12,300	103,448	103,448
	Price 10% lower	(12,300)	(103,448)	(103,448)

Market risk – derivative embedded in funds withheld

The Funds withheld balance is also sensitive to a reasonably possible change in the prices of the fixed income investment portfolio underlying that balance. The change in value of those securities impacts the Group's financial statements through the change in the valuation of the embedded derivative included in that balance. The valuation of the embedded derivative is based on valuation estimates using valuation methodologies as described in Note 3 to these financial Statements.

The following table demonstrates the sensitivity to a reasonably possible change in the prices of the fixed income investment portfolio underlying the funds withheld balance, with all other variables held constant on the Group's profit before tax and the Group's equity, due to changes in the prices.

2021				
In USD thousands	Change in price	Impact on pre-tax profit and loss	Impact on equity	Total change in market value
	Price 5% higher	176,318	176,318	176,318
	Price 5% lower	(176,318)	(176,318)	(176,318)
	Price 10% higher	352,636	352,636	352,636
	Price 10% lower	(352,636)	(352,636)	(352,636)

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				2020
In USD thousands	Change in Price	Impact on pre-tax profit and loss	Impact on Equity	Total Change in market value
	Price 5% higher	171,895	171,895	171,895
	Price 5% lower	(171,895)	(171,895)	(171,895)
	Price 10% higher	343,790	343,790	343,790
	Price 10% lower	(343,790)	(343,790)	(343,790)

5.7. Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount and timing of the resulting claim. For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using actuarial techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Group has developed its reinsurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. Factors that increase insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered

Frequency and severity of claims

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics or widespread changes in lifestyles such as eating, smoking and exercise habits, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity.

At present, these risks do not vary significantly in relation to the geographical location of the risk reinsured by the Group. However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

The Group manages risks through its underwriting strategy. The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits.

Sensitivities

The following analysis is performed for reasonably possible movements in lapse and mortality assumptions respectively, with all other assumptions held constant for the subsequent year. The projected impact on pre-tax income and reserve for the future 12-month period beginning 31 December and comparative amounts are shown in the tables below:

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In USD thousands	Change in Lapse Rate	2021		2020	
		Increase/ (decrease) on Liabilities	Increase/ (decrease) on pre- tax profit & loss	Increase/ (decrease) on Liabilities	Increase/ (decrease) on pre- tax profit & loss
Insurance Contracts	Rate 25% higher	(28,978)	(2,122)	(29,321)	(868)
	Rate 25% lower	23,191	1,790	27,612	641

In USD thousands	Change in Mortality Rate	2021		2020	
		Increase/ (decrease) on Liabilities	Increase/ (decrease) on pre- tax profit & loss	Increase/ (decrease) on Liabilities	Increase/ (decrease) on pre- tax profit & loss
Insurance Contracts	Rate 25% higher	(6,515)	(923)	(10,762)	(1,872)
	Rate 25% lower	5,820	877	10,025	1,769

6. Fair value measurement

The Group classifies fixed income securities as either available for sale (AFS) or fair value through profit or loss (FVTPL) depending upon management's intent for the portfolio. Changes to the fair value of FVTPL securities are reflected in the statement of profit or loss. Changes to the fair value of AFS securities are reflected as other comprehensive income within the statement of comprehensive income.

The Group's holdings in the unconsolidated affiliate entities are valued using the net asset values (NAVs) as an approximation to the fair value per the underlying audited financial statements. The Group holds embedded derivatives which are required to be separated from their host contracts and reported as derivatives. Host contracts include reinsurance agreements structured on a funds withheld basis. Included in the Investment related gains/(losses) is the change in fair value of the embedded derivatives (Note 9.3).

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In USD thousands	Level 1	Level 2	Level 3	Total
				2021
Financial assets				
AFS Securities				
Corporate Bond Securities	–	709,910	–	709,910
Commercial Mortgage Backed Securities	–	81,428	–	81,428
Asset Backed Securities	–	43,241	6,000	49,241
Municipal Securities	–	37,834	–	37,834
Residential Mortgage Backed Securities	–	7,190	–	7,190
Non-US Government & Supranationals	–	2,680	–	2,680
Total AFS Securities	–	882,283	6,000	888,283
FVTPL Securities				
Commercial Mortgage Backed Securities	–	1,117	572	1,689
Corporate Bond Securities	–	1,375	–	1,375
Municipal Securities	–	819	–	819
Total FVTPL Securities	–	3,311	572	3,883
Investments in unconsolidated affiliate entities - FVTPL	–	360,524	–	360,524
Derivative embedded in funds withheld	412	56,940	(1,709)	55,643
Total financial assets	412	1,303,058	4,863	1,308,333
				2020
Financial assets				
AFS Securities				
Corporate Bond Securities	–	753,559	–	753,559
Commercial Mortgage Backed Securities	–	39,524	–	39,524
Asset Backed Securities	–	45,425	–	45,425
Municipal Securities	–	32,206	–	32,206
Residential Mortgage Backed Securities	–	7,431	–	7,431
US Government and Government Agency	33,335	–	–	33,335
Total AFS Securities	33,335	878,145	–	911,480
FVTPL Securities				
Corporate Bond Securities	–	5,434	–	5,434
Commercial Mortgage Backed Securities	–	585	–	585
Municipal Securities	–	1,168	–	1,168
Residential Mortgage Backed Securities	–	1,243	–	1,243
US Government and Government Agency	114,569	–	–	114,569
Total FVTPL Securities	114,569	8,430	–	122,999
Investments in unconsolidated affiliate entities - FVTPL	–	319,139	–	319,139
Derivative embedded in funds withheld	–	211,340	–	211,340
Total financial assets	147,904	1,417,054	–	1,564,958

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For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Group has not transferred any assets or liabilities between level 1 and level 2. Transfers from level 2 to level 3 are shown in the table below.

The following table presents the Level 3 Assets of the Group as at December 31, 2021 (2020: \$Nil).

In USD thousands	Fixed income securities – AFS	Fixed income securities – FVTPL	Total level 3 assets
Balance, beginning of period	–	–	–
Purchases	6,000	–	6,000
Sales	–	–	–
Total gains/losses			
Included in net profit	–	–	–
Included in OCI	–	–	–
Transfers into level 3	–	572	572
Net transfers out of level 3	–	–	–
Balance, end of period	6,000	572	6,572
Total gains/(losses) for the year included in Investment related gains/(losses) related to investments held at December 31, 2021	–	(21)	(21)

The Group considers prices for actively traded securities to be derived based on quoted prices in an active market for identical assets, which are level 1 inputs in the fair value hierarchy. Most securities are valued using prices supplied by pricing services. The Group considers prices for other securities that may not be as actively traded which are priced via pricing services, or with reference to interest rates and yield curves, to be derived based on inputs that are observable for the asset, either directly or indirectly, which are level 2 inputs in the fair value hierarchy.

US government and government agency securities include US treasuries. US treasury prices are from quoted (unadjusted) market prices in active markets, therefore, classified as level 1.

The following sections outline the valuation techniques and significant inputs used in the fair value measurement of financial instruments categorized within level 2 of the fair value hierarchy.

Corporate bond securities consist primarily of investment-grade debt of a wide variety of corporate issuers and industries. The fair values of these securities are determined using the spread above the risk-free yield curve, reported trades, broker/dealer quotes, benchmark yields, and industry and market indicators. These are considered observable market inputs and, therefore, the fair value of these securities is classified within level 2.

Residential and commercial mortgage-backed securities include both agency and non-agency originated securities. Agency originated securities include securities issued by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and other U.S. government agencies. The significant inputs used to determine the fair value of these securities includes the spread above the risk-free yield curve, reported trades, benchmark yields, broker/dealer

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quotes, prepayment speeds, and default rates. These are considered observable market inputs and, therefore the fair values of these securities are classified within level 2.

Investments in unconsolidated affiliate entities classified as level 2 assets comprise of funds that are based on net asset values (NAV) substantiated by observable market data such as recent transactions or valuation techniques that reflect the market participant's assumptions.

Level 3 unobservable inputs for the year ended December 31, 2021

The following table presents the unobservable inputs that the Group used in the pricing of level 3 assets at year end, as well as a description of how changes in those unobservable inputs could affect the net profit or loss of the Group:

Type of asset	Fair Value	Valuation technique	Significant unobservable input	Input value	Impact of changes to significant unobservable input
Asset Back Securities – Collateralized Fund Obligation	6,000	Discounted cash flow model	Discount Rate	4% - 6%	An increase to the discount rate would result in a decrease in the fair value of the asset. A decrease to the discount rate would result in an increase in the fair value of the asset.
Commercial Mortgage Backed Securities	572	Discounted cash flow model	Discount Rate	5% - 10%	An increase to the discount rate would result in a decrease in the fair value of the asset. A decrease to the discount rate would result in an increase in the fair value of the asset.

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Solely Payments of Principal and Interest (SPPI)

As a result of the application of the temporary deferral of IFRS 9, the Group is not required to classify its financial assets as assets with SPPI and other financial assets. The disclosures have been prepared below to demonstrate the expected impact of applying IFRS 9 to the Group's current financial assets.

In USD thousands	Fair Value		Change in FV
	2021		2021
		Income	OCI
SPPI - Fixed income - AFS at fair value	875,761		(30,421)
SPPI - Fixed income - FVTPL at fair value	3,883	246	–
Other - Fixed income - AFS at fair value	12,522	–	(478)
Other - Fixed income - FVTPL at fair value	–	–	–
Other -Investments in unconsolidated affiliate entities – FVTPL	360,524	69,161	–
Other - Funds withheld	3,526,363	11,409	–
Total	4,779,053	80,816	(30,899)

In USD thousands	Fair Value		Change in FV
	2020		2020
		Income	OCI
SPPI - Fixed income - AFS at fair value	911,480	–	33,601
SPPI - Fixed income - FVTPL at fair value	122,999	550	–
Other - Fixed income - AFS at fair value	–	–	–
Other - Fixed income - FVTPL at fair value	–	–	–
Other -Investments in unconsolidated affiliate entities – FVTPL	319,139	35,902	–
Other - Funds withheld	3,437,896	102,068	–
Total	4,791,514	138,520	33,601

In USD thousands	AAA	AA	A	BBB	Below BBB	Not rated	2021
							Total
SPPI - Fixed income - AFS at fair value	53,268	120,178	346,034	352,971	3,310	–	875,761
SPPI - Fixed income - FVTPL at fair value	450	–	–	819	1,238	1,376	3,883
Total exposure to credit risks	53,718	120,178	346,034	353,790	4,548	1,376	879,644

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In USD thousands	AAA	AA	A	BBB	Below BBB	Not rated	2020 Total
SPPI - Fixed income - AFS at fair value	109,669	84,891	356,735	356,215	3,970	–	911,480
SPPI - Fixed income - FVTPL at fair value	115,247	–	1,019	776	4,761	1,196	122,999
Total exposure to credit risks	224,916	84,891	357,754	356,991	8,731	1,196	1,034,479

7. Fair value of financial instruments carried at notional amounts

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are carried in the financial statements at their notional amounts.

Fair Values

In USD thousands	Carrying amount 2021	Fair value 2021
Financial assets		
Cash and cash equivalents	124,969	124,969
Restricted cash and cash equivalents	60,490	60,490
Reinsurance receivables	4,071	4,071
Policy loans	53,587	53,587
Other assets	6,047	6,047
Total	249,164	249,164

In USD thousands	Carrying amount 2021	Fair value 2021
Financial liabilities		
Reinsurance payables	77,696	77,696
Liabilities for life and health policy benefits	261,838	287,403
Liabilities for future policy benefits	4,032,672	3,856,674
Other liabilities	15,579	15,579
Total	4,387,785	4,237,352

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Fair Values

In USD thousands	Carrying amount	Fair value
	2020	2020
Financial assets		
Cash and cash equivalents	123,401	123,401
Restricted cash and cash equivalents	33,442	33,442
Reinsurance receivables	9,070	9,070
Policy loans	48,575	48,575
Other assets	11,040	11,040
Total	225,528	225,528

In USD thousands	Carrying amount	Fair value
	2020	2020
Financial liabilities		
Reinsurance payables	42,621	42,621
Liabilities for life and health policy benefits	272,146	316,057
Liabilities for future policy benefits	3,856,051	4,000,828
Other liabilities	116,433	116,433
Total	4,287,251	4,475,939

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- The Group's cash and cash equivalents consists of cash on hand, cash at banks, cash in transit and short-term deposits with an original maturity of three months or less and are recognized at their notional amount.
- All receivables and payables approximate their fair values and are recognized at their notional amounts as they are short-term instruments and the effect of discounting them is considered immaterial.
- The carrying and fair value of liabilities for future policy benefits includes fixed indexed annuities, universal life, and traditional fixed annuities without mortality or morbidity risks. The valuation of these investment contracts is based on the account value. The estimated fair value is determined using current market risk-free interest rates, adding a spread to reflect the current risk profile of the Group's asset portfolio. Liabilities for future policy benefits include \$16,946 (2020: \$11,826) of non-modeled pay-out liabilities which are assumed to be carried at fair value.
- The carrying and fair value of liabilities for life and health policy benefits includes traditional life insurance. The valuation of these insurance contracts is based on discounted cash flow methodologies using significant unobservable inputs. The estimated fair value is determined using current market risk-free interest rates, adding a spread to reflect the current risk profile of the Group's asset portfolio. Liabilities for life and health policy benefits includes \$19,677 (2020: \$30,937) of non-modeled liabilities (IBNR, Policy loans, and Experience refunds) which are assumed to be carried at fair value.

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8. Interests in unconsolidated affiliate entities

Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. The Group classifies its unconsolidated interests in structured entities at fair value through profit or loss.

The Group is the sole investor in the affiliate structured entities (investment funds) and is required to maintain a minimum investment amount in the structured entities that is subject to various conditions and performance requirements. The Group can partially redeem and/or liquidate its investment in the structured entities on a quarterly basis upon 45 days' prior written notice. The Directors of the structured entity have the authority to suspend redemption requests.

The Group does not control the structured entities as it has no power over activities that significantly drive the structured entities' economic performance (i.e., the Group is not involved in the investment decision process or has any decision rights). These activities are carried out solely by the entity managing the Group's investment and therefore the Group does not consolidate the structured entities. Instead, the "net approach" (net asset value accounting) is applied.

The carrying amount of the Group's investment in the unconsolidated structured entities approximates the fair value that is disclosed in the statement of the financial position. The structured entities do not have any recourse rights to the Group and the Group's maximum exposure to loss is the carrying amount of the structured entities that is disclosed in the statement of financial position.

The Group has loan facility agreements with the unconsolidated affiliate entities as the "Lender" with a maximum borrowing amount of \$1,500,000 but limited to \$463,825 (2020: \$400,763) during the year. The agreements have a maturity date of five years from the date of the agreement, upon which all outstanding balances will be due and payable. The agreements include the right to offset the loan against the investment in the unconsolidated affiliate entities. The Group has only drawn down on one of the loan facilities to 31 December 2021 and 2020.

In USD thousands	Assets	Liabilities	Assets	Liabilities
	2021	2021	2020	2020
Gross Amounts of Recognized Assets and Liabilities on the Statement of Financial Position	773,042	(412,518)	667,939	(348,800)
Gross Amounts Offset on the Statements of Financial Position	(412,518)	412,518	(348,800)	348,800
Net investments in unconsolidated affiliate entities - FVTPL	360,524	-	319,139	-

The interest rate on amounts borrowed is SOFR + 0.5% and interest is due to the Lender at the end of each 90-day period. The interest expense paid to the Lender for the year ended 31 December 2021 is \$2,142 (2020: \$4,048) and the balance owing to the Lender at 31 December 2021 is USD \$179 (2020: \$461).

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9. Details of certain items in the statements of profit or loss

9.1. Other insurance income

In USD thousands	2021	2020
Policy fee income	10,711	9,995
Surrender charges	857	1,040
Interest income on policy loans	2,762	3,580
Separate account fee	10,004	-
Total other insurance income	24,334	14,615

9.2. Net investment income

In USD thousands	2021	2020
Interest income on funds withheld	102,967	70,208
Investment income on investments in unconsolidated affiliate	69,161	37,869
Interest income on fixed income securities - AFS	24,482	15,428
Interest income on fixed income securities - FVTPL	477	870
Other investment income	820	44
Investment related expenses	(13,055)	(9,224)
Net investment income	184,852	115,195

9.3. Investment related gains/(losses)

In USD thousands	2021	2020
Net change in embedded derivative in funds withheld	(158,089)	102,069
Net realized gain on funds withheld	66,531	14,071
Net realized gains/(losses) on fixed income securities - AFS	(3,518)	1,687
Net recognized gains/(losses) on fixed income securities - FVTPL	(5,859)	2,678
Total net gains on available for sale financial instruments	(100,935)	120,505

9.4. Acquisition costs

In USD thousands	2021	2020
Commissions received from ceding company	(157)	(156)
Commissions paid to ceding company	1,812	8,601
Change in deferred acquisition costs	12,152	39,941
Change in unearned revenue liability	(12,978)	(6,566)
Other direct acquisition costs	114	120
Total acquisition costs	943	41,940

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9.5. Other insurance expenses

In USD thousands	2021	2020
Premium taxes and maintenance expenses	18,227	4,024
Policyholder dividends	1,083	1,285
Total other insurance expenses	19,310	5,309

10. Details of certain items in the statements of financial position

10.1. Funds withheld

In USD thousands	2021	2020
Funds withheld	3,470,720	3,226,556
Fair value of embedded derivative in funds withheld	55,643	211,340
Total funds withheld	3,526,363	3,437,896

10.1.1 Funds withheld by sector

The following provides details of the carrying value of assets included in the funds withheld by asset class:

In USD thousands	2021	2020
Cash and cash equivalents	84,522	44,993
Corporate bond securities	2,633,818	2,456,803
Asset Backed Securities	323,637	156,905
Municipal securities	215,765	168,164
Commercial mortgage backed securities	164,655	91,672
Non US government & supranational	29,368	6,658
Preferred shares	27,051	27,687
Residential mortgage backed securities	24,189	419,979
US government and government agency	18,358	65,035
Other Equities	5,000	-
Total funds withheld	3,526,363	3,437,896

10.2. Other assets

In USD thousands	2021	2020
Investments pending settlement	1,192	150
Accrued income and prepayments	8,241	8,045
Other receivables (deferred tax assets 2021: \$6,017 2020: \$856)	10,872	10,890
Property and equipment	27	11
Intangible assets	553	572
Total other assets	20,885	19,668

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10.3. Other Liabilities

In USD thousands	2021	2020
Payroll and employee related expenses	563	1,544
Accrued expenses	9,204	7,691
Lease liabilities	27	96
Corporate tax provisions/(receivable)	(1,552)	11,821
Investments pending settlement	4,310	114,647
Other tax liabilities (deferred tax liabilities 2021: \$1,930; 2020: (\$4,962))	2,013	5,051
Due to related party	10,029	0
Total other liabilities	24,594	140,850

11. Insurance reserves and related capitalized costs

Liabilities for life and health policy benefits

The provision for life policy benefits is calculated using expected future policy lapse rates, mortality, morbidity, investment yield and policy maintenance expense assumptions and any other relevant contingency.

The provisions for adverse deviation recognize uncertainty in establishing these best estimates and allow for possible deterioration in experience. As the best estimate assumption is realized, the provisions for adverse deviation will be released in future income to the extent that they are no longer required to cover adverse experience. The assumptions used in determining the provision for life policy benefits are reviewed regularly, compared to emerging experience and updated when appropriate. The assumptions that are most sensitive to change are investment yields, expenses, policy lapse rates, mortality and morbidity.

11.1 Analysis of liabilities for life and health policy benefits:

In USD thousands	2021	2020
Provision for traditional life policy benefits (including adverse deviation)	259,738	265,500
Incurred but not reported policy benefits	2,100	1,930
Reported claims reserve	-	494
Experience refund reserve	-	4,222
Total liabilities for life and health policy benefits	261,838	272,146

11.2 Analysis of liabilities for future policy benefits:

In USD thousands	2021	2020
Provision for future policy benefits for non-traditional life insurance	120,458	125,211
Provision for future policy benefits for annuities	3,587,113	3,391,898
Provision for deposit liabilities	325,101	338,942
Total liabilities for future policy benefits	4,032,672	3,856,051

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11.3 Analysis of change in liabilities for life and health policy benefits and future policy benefits:

In USD thousands	2021	2020
Balance, beginning of period	4,128,197	1,929,632
Expected changes in traditional life policy liabilities	(23,494)	(4,888)
Expected changes in future policy benefit liabilities	(69,264)	(39,373)
Additions (Release) in traditional life policy liabilities	5,609	(11,598)
Additions (Release) in future policy benefits	267,132	1,915,578
Additions (Release) in deposit liabilities	(13,840)	338,942
Changes in assumptions and refinement of estimates for traditional life policy benefits	(62)	(103)
Changes in assumptions and refinement of estimates for future policy benefits for non-traditional life insurance	232	7
Total liabilities for life and health policy benefits	4,294,510	4,128,197

11.4 Analysis of benefits and claims under insurance contracts:

In USD thousands	2021	2020
Net claims and surrenders paid for traditional life policy benefits	44,015	56,235
Net claims paid for future policy benefits	15,377	16,718
Interest expenses (crediting rate)	107,463	59,243
Changes in reserves	2,238	52
Total benefits and claims under insurance contracts	169,093	132,248

11.5 Analysis of change in deferred acquisition costs:

In USD thousands	2021	2020
Balance, beginning of period	55,727	63,921
Net shadow accounting adjustments	6,984	(8,068)
Costs capitalized under reinsurance contracts written	14,720	39,815
Changes in deferred acquisition costs	(12,152)	(39,941)
Balance, end of period	65,279	55,727

11.6 Analysis of change in unearned revenue liability:

In USD thousands	2021	2020
Balance, beginning of period	124,359	42,753
Additions	25,003	88,402
Amortization	(12,978)	(6,566)
Net shadow accounting adjustments	(338)	(230)
Balance, end of period	136,046	124,359

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12. Share awards and option compensation plans

Amounts in this note are presented in units and US Dollars.

As part of the reorganization (see note 1), all share based compensation in the Group was converted to share based compensation in Somerset Reinsurance Holdings Ltd.

The Group issued the following options to directors and employees (the “Employee Pool”) as adopted by the Board of Directors. The criteria which have to be fulfilled by a beneficiary to be granted options under the plan shall be set by the Board of Directors in its sole discretion. Any option grant to members of the Board of Directors must be approved by the entire Board of Directors.

Each option entitles the beneficiary to acquire one common share of SRHL against payment of the exercise price. Once they have vested, the options are exercisable up to the tenth anniversary of the granting date. The method of settlement of the option is by cash. The Group recognizes the acquisition of the options in SRHL in Due to related party. The Group has no legal or constructive obligation to repurchase the options.

Employee Stock Option Plan

Employee Stock Option Plan in the following groups with different strike prices and vesting conditions attached.

ESOP								
	Group 1A	Group 1B	Group 2A	Group 2B	Group 3A	Group 3B	Group 4A	Group 4B
Options Granted	4,099,421	1,299,000	1,366,474	533,000	1,306,474	443,000	150,000	-
Options Forfeited	(1,624,621)	(349,800)	(668,474)	(171,000)	(668,474)	(171,000)	(90,962)	-
Options Exercised	(285,600)	(122,400)	-	-	-	-	-	-
Options Repurchased	-	-	(280,000)	(120,000)	(280,000)	(120,000)	-	-
Options Outstanding	2,189,200	826,800	418,000	242,000	358,000	152,000	59,038	-
Weighted Average Exercise Price - Beginning of period	USD \$10.00		USD \$14.06		USD \$16.06		USD \$10.00	
Weighted Average Exercise Price - Ending of Period	USD \$10.00		USD \$16.11		USD \$20.11		USD \$10.00	
Vesting Period	20% on each anniversary of the Granting Date for five consecutive years.	20% on each anniversary of the Granting Date for five consecutive years.	100% on the third anniversary of the Granting Date.	100% on the third anniversary of the Granting Date.	100% on the third anniversary of the Granting Date.	100% on the third anniversary of the Granting Date.	20% on each anniversary of the Granting Date for five consecutive years.	20% on each anniversary of the Granting Date for five consecutive years.

In 2021 there were no modifications to exercise price. In 2020, there was a modification reducing the exercise price for option groups 2 A/B and 3 A/B were reduced from \$16.11 and \$20.11 respectively to \$12.00 each. This resulted in an increased fair value of \$1,797,000. Option groups 2 and 3 (issued in 2016 and 2017) are exercisable at the statement of financial position date. This was determined using the Enhanced American Model, a binominal model. The significant inputs into the model are as follows:

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Grant Year	2016				2017			
	2 A&B pre adj	2A&B post adj	3A&B pre adj	3A&B post adj	2 A&B pre adj	2A&B post adj	3A&B pre adj	3A&B post adj
Share Price	\$13.00	\$13.00	\$13.00	\$13.00	\$13.00	\$13.00	\$13.00	\$13.00
Expected Volatility	15.98%	15.98%	15.98%	15.98%	15.79%	15.79%	15.79%	15.79%
Risk-Free Interest Rate	1.08%	1.08%	1.08%	1.08%	1.08%	1.08%	1.08%	1.08%
Expected Dividend Yield	0%	0%	0%	0%	0%	0%	0%	0%
Expected Life	3.30	3.30	3.30	3.30	3.48	3.48	3.48	3.48
Post-Vesting Exit Rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

In 2021 there were no options exercised. In 2020, there were 285,600 options exercised from group 1A for a weighted average price of \$10 per option and 122,400 options from group 1B, for a weighted average price of \$10 per option.

In 2021 no options were repurchased. In 2020, the Group repurchased 800,000 vested options for \$1,500,000 as detailed below.

ESOP Group	Quantity	Weighted Average Price
2A	280,000	\$1.875
2B	120,000	\$1.875
3A	280,000	\$1.875
3B	120,000	\$1.875
Total	800,000	

In 2021, there were no forfeitures under ESOP. Forfeitures of options arose in 2020 as follows:

Option Group	Number of Options	Weighted Average Exercise Price
1 A & B	476,000	\$10.00
2 A & B	340,000	\$12.00
3 A & B	340,000	\$12.00
4 A	40,962	\$10.00
Total	1,196,962	

There were no options issued during 2021 related to the ESOP plan (2020: Nil).

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Employee Equity Incentive Plan (EEIP)

The Group issued the following under the Employee Equity Incentive Plan (EEIP) for options and restricted stock.

Stock options under EEIP

	Total
Options Granted	4,375,000
Options Forfeited	250,000
Options Outstanding	4,125,000
Weighted Average Exercise Price - Beginning of period	USD \$12.82
Weighted Average Exercise Price - Ending of Period	USD \$13.09
Vesting Period	20% on each anniversary of the granting date for five consecutive years.

Under this plan, 2,400,000 options were issued in 2021 (2020: 1,975,000) with a weighted average exercise price of \$13.31.

The fair value of the 2021 issued options granted was determined using a Black Scholes model. The significant inputs into the model are as follows:

	Total
Weighted Average Strike Price	\$13.31
Expected Volatility	15.00%
Risk-Free Interest Rate	1.45%
Expected Dividend Yield	0%
Expected Life (years)	6.5

During 2021 250,000 options (2020: Nil) were forfeited at a weighted average exercise price of \$13.00 (2020: Nil) under the EEIP.

The total expense recognized relating to share options in the statement of profit and loss for the year ended 31 December 2021 the expense is \$3,465,092 (2020: \$3,123,000).

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Restricted share grants (RSG)

Restricted Share Grants	Total
RSG Granted	1,030,500
RSG Vested	(69,090)
RSG Forfeited	(502,800)
Total RSG	437,900
Weighted Average Price, Beginning of Period	\$12.24
Weighted Average Price, End of Period	\$13.00
Vesting Period	20% on each anniversary of the Granting Date for five consecutive years.

The Group granted 321,500 (2020: 449,000) restricted stock grants as compensation with a weighted average share price of \$13.00 (2020: \$13.00) per share. The plan details are as noted in the table above.

During 2021, there were 34,800 RSG forfeited (2020: 216,000). These had a weighted average share price of \$13.00 (2020: \$11.67).

RSG holders are entitled to the same dividends and payments as the standard shareholder.

The total expense recognized relating to RSG of \$1,054,764 (2020: \$1,904,000).

13. Income tax (benefit)/expense

The Group recognized income taxes in the Statement of profit or loss on its profits for the reporting period.

In USD thousands	2021	2020
Current income tax expense	(264)	13,268
Deferred income tax expense	(5,161)	9
Total income tax expense	(5,425)	13,277

The actual income tax expense differs from the expected amount as follows:

In USD thousands	2021	2020
Profit before income tax	(48,314)	106,144
Tax rate	12.50%	12.50%
Income tax calculated using the tax rate	-	13,268
Increase/(reduction) in taxes resulting from:		
adjustments for permanent and temporary differences	122	9
recognition of unused tax-loss and tax credits	(5,283)	-
tax recognized for prior year	(264)	-
Income tax expense	(5,425)	13,277

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Deferred tax assets and liabilities

At December 31, 2021, the Group has recognized the following net tax assets and liabilities.

In USD thousands	2021	2020
Deferred tax assets	6,017	856
Deferred tax liabilities	(1,930)	(4,962)
Net deferred taxes	4,087	(4,106)

At 31 December 2021, the Group recognized deferred tax assets resulting from tax loss carry forwards of \$5,283 (2020: \$Nil). These do not expire, and the Group expects to be able to utilize this in future periods.

14. Equity

Share Capital

For all share capital, par value is \$1.00 (one dollar). These are issued and fully paid.

In USD thousands	2021		2020	
	Number	Carrying Value	Number	Carrying Value
Common Shares				
Authorized	250	-	100,000	-
Issued and Outstanding	250	\$250	44,415	\$44,415
Preferred Shares				
Authorized	-	-	4,000	-
Issued and Outstanding	-	-	-	-
Total Shares Issued and Outstanding	250	\$250	48,415	\$44,415
Additional paid in capital		\$408,368		\$364,203
Total Equity		\$408,618		\$364,203

During 2021 the Group reorganization resulted in Somerset Re Ltd. merging with Somerset Merger Company Ltd. this caused a reduction to authorized shares to 250,000 shares wholly owned by Somerset Re Holdings Ltd. The value of the Group equity did not change as a result of this merger. While the shares were reduced to the legal minimum of shares required, the balance of shares previously held was transferred to Share capital/Additional Paid in Capital. These changes are in accordance with the Somerset Merger agreement dated 24 May 2021. No new shares have been issued in 2021 (2020: 119) and none repurchased (2020: 40).

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15. Capital management

The Group's objectives when managing capital are to comply with the regulatory capital requirements, to define and manage economic capital and to fulfill the Group's target on rating agency capital requirements. The Group also actively manages the composition and quality of the capital to continuously optimize its capital structure. The Group is supervised by the Bermuda Monetary Authority (BMA), the regulatory body in Bermuda, which obtained Solvency II equivalence. Under BMA regulations, the Group is licensed as a Class E insurer and the Group has to meet and maintain the relevant solvency margin and an enhanced capital requirement in accordance with the provisions of the Insurance Act, 1978 of Bermuda. As of 31 December 2021 and 2020, the amount of statutory capital and surplus exceeds the minimum solvency margin requirement.

The Bermuda Insurance Act 1978 and Related Regulations limits the maximum amount of annual dividends and distributions that may be paid by the Group. Before reducing by 15 percent or more of its statutory capital, as set out in the prior year's financial statements, the Group shall request the approval of the BMA. In addition, the Bermuda Companies Act 1981 limits the Group's ability to pay dividends and distributions to shareholders if there are reasonable grounds for believing that the Group would be unable to pay its liabilities as they become due, or if the realizable value of its assets would be less than the aggregate of its liabilities, issued share capital and contributed surplus accounts. The Group meets all requirements of the Act and there are no additional restrictions on the distribution of retained earnings.

No dividends have been paid in 2021 (2020 \$Nil).

16. Related party transactions

The Group's founding investor is the managing member of the entity managing the Group's investment in the unconsolidated affiliate entities. The Group has reimbursed the entity managing the Group's investment in the unconsolidated affiliate entities for expenses incurred and paid \$167 (2020: \$424) during the year. The Group paid investment management fees of \$15,387 (2020: \$9,797) and investment performance fees of \$19,357 (2020: \$15,046). At 31 December 2021, the Group has no receivable from the investment manager (2020: \$5,619) and a payable of \$4,310 (2020: Nil).

The Group's transactions with the unconsolidated affiliate entities are disclosed in Note 8.

The Group has related party payables to the Parent included in Note 10.3 relating to LTI.

Key management compensation

Key management consists of the members of the Board of Directors of the Group and the members of the Senior Management Team of the Group. These individuals have the authority and responsibility for planning, directing and controlling the activities of the Group.

In USD thousands	2021	2020
Short-term employee benefits	11,109	10,002
Long-term incentive benefits	4,285	3,024
Directors' fees	449	924
Total key management compensation	15,843	13,950

The Group has defined contribution pension plans for its employees. The expense recognized for these obligations in the reporting period, due to key management was \$308 (2020: \$318).

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17. Contingent liabilities and other financial commitments

At 31 December 2021 the Group had outstanding letter of credit facilities valued at \$124,100 (2020: \$59,100) and has drawn down \$51,175 (2020: \$47,242).

The Group also has committed \$37,500 in 2021, for the purchase of investments (2020: Nil).

Other than the above, the Group is not aware of any guarantees or commitments that have not been adequately presented.

18. Events after the reporting period

The Group is not aware of any material events that were not recorded or disclosed in these financial statements.