

**STONETRUST COMMERCIAL INSURANCE COMPANY AND SUBSIDIARY****CONSOLIDATED BALANCE SHEETS****GAAP BASIS**

|   | <u>03/31/20</u>       | <u>12/31/19</u>       |
|---|-----------------------|-----------------------|
| <b><u>ASSETS</u></b>                                |                       |                       |
| Investments:  |                       |                       |
| Bonds - available-for-sale, at fair value           | \$ 80,034,512         | \$ 81,905,333         |
| Equities - preferred stocks, at fair value          | 1,460,475             | 5,814,206             |
| Equities - common stocks, at fair value             | 41,382,167            | 62,245,239            |
| Other invested assets, at fair value                | -                     | -                     |
| Total investments                                   | <u>122,877,154</u>    | <u>149,964,778</u>    |
| Cash and cash equivalents                           | 24,708,876            | 22,467,487            |
| Premiums receivable                                 | 17,566,553            | 16,437,691            |
| Reinsurance receivables and recoverables            | 4,611,510             | 4,470,207             |
| Deferred policy acquisition costs                   | 1,630,292             | 1,451,953             |
| Deferred tax assets                                 | 3,300,459             | -                     |
| Income taxes receivable                             | -                     | -                     |
| Accrued investment income                           | 964,309               | 857,716               |
| Property, plant and equipment                       | 1,383,152             | 1,212,854             |
| Receivable for securities                           | 11,105                | 1,304                 |
| Other assets  | <u>1,598,583</u>      | <u>1,558,615</u>      |
| Total assets  | <u>\$ 178,651,993</u> | <u>\$ 198,422,605</u> |
| <b><u>LIABILITIES</u></b>                           |                       |                       |
| Losses and loss adjustment expenses                 | \$ 80,953,564         | \$ 78,544,723         |
| Unearned premiums                                   | 21,293,985            | 19,018,957            |
| Advance premiums                                    | 338,948               | 689,460               |
| Ceded reinsurance payable                           | -                     | -                     |
| Insurance related taxes and assessments             | 3,638,750             | 3,577,280             |
| Income taxes payable                                | 755,480               | 215,466               |
| Commissions payable                                 | 1,053,308             | 1,530,510             |
| Deferred tax liability                              | -                     | 2,606,476             |
| Accounts payable and other liabilities              | 667,193               | 2,114,550             |
| Payable for investments purchased                   | -                     | -                     |
| Due to parent                                       | 189,839               | 246,185               |
| Security deposits                                   | 1,229,207             | 1,229,295             |
| Long term debt                                      | <u>3,910,464</u>      | <u>3,909,124</u>      |
| Total liabilities                                   | <u>114,030,738</u>    | <u>113,682,026</u>    |
| <b><u>STOCKHOLDER'S EQUITY</u></b>                  |                       |                       |
| Common stock  | 2,500,000             | 2,500,000             |
| Additional paid-in-capital                          | 32,500,000            | 32,500,000            |
| Retained earnings                                   | 30,260,766            | 48,513,479            |
| Accumulated other comprehensive income (loss) - net | <u>(639,511)</u>      | <u>1,227,100</u>      |
| Total stockholder's equity                          | <u>64,621,255</u>     | <u>84,740,579</u>     |
| Total liabilities and stockholder's equity          | <u>\$ 178,651,993</u> | <u>\$ 198,422,605</u> |

**THESE STATEMENTS ARE UNAUDITED AND ARE FOR MANAGEMENT AND INTERNAL USE ONLY**

**STONETRUST COMMERCIAL INSURANCE COMPANY AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**

**GAAP BASIS**

|   | <b>Three Months<br/>Ended March 31,<br/>2020</b> | <b>Year Ended<br/>December 31,<br/>2019</b> |
|---|--|---|
| <b><u>REVENUES</u></b>  |  |   |
| Net premiums earned   | \$ 10,918,652                                    | \$ 43,753,081                               |
| Net investment income   | 799,319  | 4,173,499                                   |
| Net realized gains (losses) on securities:                                |  |   |
| Net realized gains on securities  | 1,714,114  | 145,443                                     |
| Net holding gains (losses) recognized on equity securities                | (26,360,488)                                     | 10,477,489                                  |
| Net impairment losses recognized in earnings                              | -  | -   |
| Other income  | 52,889   | 224,713                                     |
| Total revenues  | <u>(12,875,514)</u>                              | <u>58,774,225</u>                           |
| <b><u>EXPENSES</u></b>  |  |   |
| Losses and loss adjustment expenses                                       | 5,866,639  | 23,713,107                                  |
| Underwriting and operating expenses                                       | 4,208,792  | 15,495,606                                  |
| Bad debt expense  | 108,194  | 237,174                                     |
| Interest expense  | 64,307   | 257,227                                     |
| Total expenses  | <u>10,247,932</u>                                | <u>39,703,114</u>                           |
| <b><u>INCOME (LOSS) BEFORE INCOME TAXES</u></b>                           | (23,123,446)                                     | 19,071,111                                  |
| Income tax (benefit) expense  | <u>(4,870,733)</u>                               | <u>3,841,498</u>                            |
| <b><u>NET INCOME (LOSS)</u></b>   | <u>(18,252,713)</u>                              | <u>15,229,613</u>                           |
| <b><u>OTHER COMPREHENSIVE INCOME (LOSS) - NET</u></b>                     |  |   |
| Urealized holding gains/(losses) arising during the period                | (582,104)  | 4,481,163                                   |
| Reclassification adjustment for (gain)/loss included in net income        | (1,714,114)                                      | (145,443)                                   |
| Change in derivative instrument   | (66,581)   | (68,106)                                    |
| Other comprehensive income/(loss) before taxes                            | <u>(2,362,799)</u>                               | <u>4,267,614</u>                            |
| Income tax (expense)/benefit related to other comprehensive income/(loss) | 496,188  | (896,199)                                   |
| Other comprehensive income/(loss) net of taxes                            | <u>(1,866,611)</u>                               | <u>3,371,415</u>                            |
| <b><u>COMPREHENSIVE INCOME (LOSS)</u></b>                                 | <u>\$ (20,119,324)</u>                           | <u>\$ 18,601,028</u>                        |

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**STONETRUST COMMERCIAL INSURANCE COMPANY AND SUBSIDIARY**

**CONSOLIDATED STATEMENT OF STOCKHOLDER'S EQUITY**

**GAAP BASIS**

|   | <u>Common<br/>Stock</u> | <u>Additional<br/>Paid-in<br/>Capital</u> | <u>Retained<br/>Earnings</u> | <u>Accumulated<br/>Other<br/>Comprehensive<br/>Income (Loss)</u> | <u>Total</u>         |
|---|-------------------------|---|------------------------------|--|----------------------|
| <b>Balance, December 31, 2018</b>   | \$ 2,500,000            | \$ 32,500,000                             | \$ 25,329,101                | \$ 5,810,450   | \$ 66,139,551        |
| Cumulative effect of change in accounting principle - initial adoption of ASU 2016-01 | -                       | -   | 7,954,765                    | (7,954,765)  | -                    |
| Net income  | -                       | -   | 15,229,613                   | -  | 15,229,613           |
| Other comprehensive income - net  | -                       | -   | -                            | 3,371,415  | 3,371,415            |
| <b>Balance, December 31, 2019</b>   | \$ 2,500,000            | \$ 32,500,000                             | \$ 48,513,479                | \$ 1,227,100   | \$ 84,740,579        |
| Net income  | -                       | -   | (18,252,713)                 | -  | (18,252,713)         |
| Other comprehensive income - net  | -                       | -   | -                            | (1,866,611)  | (1,866,611)          |
| <b>Balance, March 31, 2020</b>  | <u>\$ 2,500,000</u>     | <u>\$ 32,500,000</u>                      | <u>\$ 30,260,766</u>         | <u>\$ (639,511)</u>  | <u>\$ 64,621,255</u> |
|   | -                       | -   | -                            | -  | -                    |

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