

STONETRUST COMMERCIAL INSURANCE COMPANY AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

GAAP BASIS

	<u>6/30/19</u>	<u>12/31/18</u>
<u>ASSETS</u>		
Investments:		
Bonds - available-for-sale, at fair value	\$ 52,109,583	\$ 54,210,138
Equities - preferred stocks, at fair value	9,098,162	9,213,445
Equities - common stocks, at fair value	62,738,029	47,064,978
Other invested assets, at fair value	-	443,600
Total investments	<u>123,945,774</u>	<u>110,932,161</u>
Cash and cash equivalents	36,138,209	32,806,465
Premiums receivable	17,856,429	17,007,457
Reinsurance receivables and recoverables	3,899,770	3,478,368
Deferred policy acquisition costs	1,778,114	1,626,141
Deferred tax assets	-	-
Income taxes receivable	168,481	1,123,754
Accrued investment income	826,206	971,272
Property, plant and equipment	1,080,071	1,213,166
Receivable for securities	608,069	4,852,374
Other assets	<u>1,728,584</u>	<u>1,730,503</u>
Total assets	<u>\$ 188,029,707</u>	<u>\$ 175,741,661</u>
<u>LIABILITIES</u>		
Losses and loss adjustment expenses	\$ 77,062,083	\$ 76,579,928
Unearned premiums	20,859,652	19,117,928
Advance premiums	380,199	778,259
Ceded reinsurance payable	-	44,235
Insurance related taxes and assessments	4,208,760	4,031,922
Income taxes payable	-	-
Commissions payable	1,170,458	1,501,762
Deferred tax liability	1,470,082	207,998
Accounts payable and other liabilities	871,856	1,825,841
Payable for investments purchased	-	-
Due to parent	259,588	239,214
Security deposits	1,287,999	1,371,260
Long term debt	<u>3,906,443</u>	<u>3,903,763</u>
Total liabilities	<u>111,477,120</u>	<u>109,602,110</u>
<u>STOCKHOLDER'S EQUITY</u>		
Common stock	2,500,000	2,500,000
Additional paid-in-capital	32,500,000	32,500,000
Retained earnings	41,414,051	25,329,101
Accumulated other comprehensive income (loss) - net	<u>138,536</u>	<u>5,810,450</u>
Total stockholder's equity	<u>76,552,587</u>	<u>66,139,551</u>
Total liabilities and stockholder's equity	<u>\$ 188,029,707</u>	<u>\$ 175,741,661</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

	Six Months Ended June 30, 2019	Year Ended December 31, 2018
<u>REVENUES</u>		
Net premiums earned	\$ 21,995,104	\$ 47,026,342
Net investment income	2,546,671	2,917,159
Net realized gains (losses) on securities:		
Net realized gains (losses) on security disposals	11,692	541,888
Net holding gains (losses) on securities	6,129,362	-
Net impairment losses recognized in earnings	(328,954)	(159,698)
Rental income	-	387,114
Other income	114,149	259,658
Total revenues	<u>30,468,024</u>	<u>50,972,463</u>
<u>EXPENSES</u>		
Losses and loss adjustment expenses	12,338,891	27,493,896
Underwriting and operating expenses	8,151,224	18,204,748
Bad debt expense	73,766	332,084
Interest expense	131,293	264,708
Total expenses	<u>20,695,174</u>	<u>46,295,436</u>
<u>INCOME (LOSS) BEFORE INCOME TAXES</u>	9,772,850	4,677,027
Income tax expense	<u>1,642,665</u>	<u>922,084</u>
<u>NET INCOME (LOSS)</u>	<u>8,130,185</u>	<u>3,754,943</u>
<u>OTHER COMPREHENSIVE INCOME (LOSS) - NET</u>		
Unrealized holding gains/(losses) arising during the period	2,867,066	(11,281,194)
Reclassification adjustment for (gain)/loss included in net income	96,232	(382,190)
Change in derivative instrument	(73,614)	50,382
Other comprehensive income/(loss) before taxes	<u>2,889,684</u>	<u>(11,613,002)</u>
Income tax (expense)/benefit related to other comprehensive income/(loss)	(606,833)	2,438,731
Other comprehensive income/(loss) net of taxes	<u>2,282,851</u>	<u>(9,174,271)</u>
<u>COMPREHENSIVE INCOME (LOSS)</u>	<u>\$ 10,413,036</u>	<u>\$ (5,419,328)</u>

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STONETRUST COMMERCIAL INSURANCE COMPANY AND SUBSIDIARY

CONSOLIDATED STATEMENT OF STOCKHOLDER'S EQUITY

GAAP BASIS

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total</u>
Balance, December 31, 2017	\$ 2,500,000	\$ 32,500,000	\$ 21,574,158	\$ 14,984,721	\$ 71,558,879
Net income	-	-	3,754,943	-	3,754,943
Other comprehensive income - net	-	-	-	(9,174,271)	(9,174,271)
Balance, December 31, 2018	\$ 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	-	-	8,130,185	-	8,130,185
Other comprehensive income - net	-	-	-	2,282,851	2,282,851
Balance, June 30, 2019	<u>\$ 2,500,000</u>	<u>\$ 32,500,000</u>	<u>\$ 41,414,051</u>	<u>\$ 138,536</u>	<u>\$ 76,552,587</u>
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