

STONETRUST COMMERCIAL INSURANCE COMPANY AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

GAAP BASIS

	<u>06/30/20</u>	<u>12/31/19</u>
<u>ASSETS</u>		
Investments:		
Bonds - available-for-sale, at fair value	\$ 67,174,253	\$ 81,905,333
Equities - preferred stocks, at fair value	1,701,719	5,814,206
Equities - common stocks, at fair value	<u>69,946,767</u>	<u>62,245,239</u>
Total investments	138,822,739	149,964,778
Cash and cash equivalents	28,293,631	22,467,487
Premiums receivable	17,185,699	16,437,691
Reinsurance receivables and recoverables	4,754,240	4,470,207
Deferred policy acquisition costs	1,594,522	1,451,953
Accrued investment income	1,035,491	857,716
Property, plant and equipment	1,704,390	1,212,854
Receivable for securities	5,088,547	1,304
Other assets	<u>1,382,939</u>	<u>1,558,615</u>
Total assets	<u>\$ 199,862,198</u>	<u>\$ 198,422,605</u>
<u>LIABILITIES</u>		
Losses and loss adjustment expenses	\$ 82,776,060	\$ 78,544,723
Unearned premiums	20,815,777	19,018,957
Advance premiums	575,402	689,460
Insurance related taxes and assessments	3,671,869	3,577,280
Income taxes payable	2,157,850	215,466
Commissions payable	1,322,628	1,530,510
Deferred tax liability	96,747	2,606,476
Accounts payable and other liabilities	1,331,973	2,114,550
Due to parent	440,200	246,185
Security deposits	1,223,753	1,229,295
Notes payable	<u>4,622,262</u>	<u>3,909,124</u>
Total liabilities	<u>119,034,521</u>	<u>113,682,026</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	41,639,223	48,513,479
Accumulated other comprehensive income (loss) - net	<u>4,188,454</u>	<u>1,227,100</u>
Total stockholder's equity	<u>80,827,677</u>	<u>84,740,579</u>
Total liabilities and stockholder's equity	<u>\$ 199,862,198</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

	<u>Six Months Ended June 30, 2020</u>	<u>Year Ended December 31, 2019</u>
<u>REVENUES</u>		
Net premiums earned	\$ 21,895,636	\$ 43,753,081
Net investment income	2,722,817	4,173,499
Net realized gains (losses) on securities:		
Net realized gains on securities	6,316,276	145,443
Net holding gains (losses) recognized on equity securities	(15,709,397)	10,477,489
Other income	92,508	224,713
Total revenues	<u>15,317,840</u>	<u>58,774,225</u>
<u>EXPENSES</u>		
Losses and loss adjustment expenses	11,136,201	23,713,107
Underwriting and operating expenses	8,742,451	15,495,606
Bad debt expense	239,372	237,174
Interest expense	128,613	257,227
Total expenses	<u>20,246,637</u>	<u>39,703,114</u>
<u>INCOME (LOSS) BEFORE INCOME TAXES</u>	(4,928,797)	19,071,111
Income tax (benefit) expense	<u>(1,054,541)</u>	<u>3,841,498</u>
<u>NET INCOME (LOSS)</u>	<u>(3,874,256)</u>	<u>15,229,613</u>
<u>OTHER COMPREHENSIVE INCOME (LOSS) - NET</u>		
Unrealized holding gains/(losses) arising during the period	10,120,953	4,481,163
Reclassification adjustment for (gain)/loss included in net income	(6,316,276)	(145,443)
Change in derivative instrument	(56,127)	(68,106)
Other comprehensive income/(loss) before taxes	<u>3,748,550</u>	<u>4,267,614</u>
Income tax (expense)/benefit related to other comprehensive income/(loss)	(787,196)	(896,199)
Other comprehensive income/(loss) net of taxes	<u>2,961,354</u>	<u>3,371,415</u>
<u>COMPREHENSIVE INCOME (LOSS)</u>	<u>\$ (912,902)</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 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, 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	-	-	15,229,613	-	15,229,613
Other comprehensive income - net	-	-	-	3,371,415	3,371,415
Balance, December 31, 2019	\$ 2,500,000	\$ 32,500,000	\$ 48,513,479	\$ 1,227,100	\$ 84,740,579
Net income	-	-	(3,874,256)	-	(3,874,256)
Dividends paid	-	-	(3,000,000)	-	(3,000,000)
Other comprehensive income - net	-	-	-	2,961,354	2,961,354
Balance, June 30, 2020	<u>\$ 2,500,000</u>	<u>\$ 32,500,000</u>	<u>\$ 41,639,223</u>	<u>\$ 4,188,454</u>	<u>\$ 80,827,677</u>
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