

STONETRUST COMMERCIAL INSURANCE COMPANY AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

GAAP BASIS

| | <u>06/30/22</u> | <u>12/31/21</u> |
|---|-----------------------|-----------------------|
| <u>ASSETS</u> | | |
| Investments: | | |
| Bonds, at fair value | \$ 39,790,344 | \$ 56,579,498 |
| Derivatives, at fair value | 1,236,500 | 4,179,000 |
| Preferred stocks, at fair value | 834,300 | 1,148,400 |
| Common stocks, at fair value | 81,888,394 | 96,495,101 |
| Total investments | <u>123,749,538</u> | <u>158,401,999</u> |
| Cash and cash equivalents | 91,712,016 | 79,776,289 |
| Premiums receivable | 16,907,565 | 15,143,697 |
| Reinsurance receivables and recoverables | 2,865,197 | 3,541,570 |
| Deferred policy acquisition costs | 1,679,525 | 1,497,427 |
| Income taxes receivable - federal | 2,082,496 | 790,472 |
| Accrued investment income | 562,007 | 682,160 |
| Property, plant and equipment | 1,201,304 | 1,382,254 |
| Other assets | <u>1,940,291</u> | <u>1,607,284</u> |
| Total assets | <u>\$ 242,699,939</u> | <u>\$ 262,823,152</u> |
| <u>LIABILITIES</u> | | |
| Losses and loss adjustment expenses | \$ 72,131,847 | \$ 74,875,388 |
| Unearned premiums | 21,545,292 | 19,144,998 |
| Advance premiums | 530,798 | 847,871 |
| Ceded reinsurance payable | 76,017 | 40,982 |
| Insurance related taxes and assessments | 3,139,164 | 3,207,713 |
| Income taxes payable - state | 298,148 | 698,298 |
| Commissions payable | 992,831 | 1,193,982 |
| Deferred tax liability | 3,638,965 | 8,843,159 |
| Accounts payable and other liabilities | 1,756,767 | 2,781,962 |
| Due to parent | 279,580 | 347,265 |
| Security deposits | 1,066,856 | 993,964 |
| Derivatives - at fair value | 3,839,113 | 4,953,044 |
| Notes payable | 3,925,207 | 3,919,846 |
| Total liabilities | <u>113,220,585</u> | <u>121,848,472</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 | 97,101,579 | 104,224,087 |
| Accumulated other comprehensive income (loss) - net | (2,622,225) | 1,750,593 |
| Total stockholder's equity | <u>129,479,354</u> | <u>140,974,680</u> |
| Total liabilities and stockholder's equity | <u>\$ 242,699,939</u> | <u>\$ 262,823,152</u> |

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STONETRUST COMMERCIAL INSURANCE COMPANY AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

GAAP BASIS

| | <u>Six Months Ended June 30, 2022</u> | <u>Year Ended December 31, 2021</u> |
|---|--|--|
| <u>REVENUES</u> | | |
| Net premiums earned | \$ 23,330,307 | \$ 44,777,401 |
| Net investment income | 1,696,980 | 8,405,400 |
| Net realized gains on securities: | | |
| Net realized gains (losses) on securities | (906,496) | 9,117,456 |
| Net holding gains (losses) | (17,054,696) | 21,778,935 |
| Other income | 107,856 | 209,316 |
| Total revenues | <u>7,173,951</u> | <u>84,288,508</u> |
| <u>EXPENSES</u> | | |
| Losses and loss adjustment expenses | 7,063,263 | 11,214,434 |
| Underwriting and operating expenses | 9,195,979 | 18,441,121 |
| Bad debt expense | 236,639 | 220,115 |
| Interest expense | 91,360 | 231,410 |
| Total expenses | <u>16,587,241</u> | <u>30,107,080</u> |
| <u>INCOME (LOSS) BEFORE INCOME TAXES</u> | (9,413,290) | 54,181,428 |
| Income tax expense | <u>(2,290,782)</u> | <u>11,750,287</u> |
| <u>NET INCOME (LOSS)</u> | <u>(7,122,508)</u> | <u>42,431,141</u> |
| <u>OTHER COMPREHENSIVE INCOME (LOSS) - NET</u> | | |
| Urealized holding gains/(losses) arising during the period | (6,059,365) | 2,492,687 |
| Reclassification adjustment for (gain)/loss included in net income | 524,153 | (6,097,672) |
| Change in derivative instrument | - | 62,287 |
| Other comprehensive income/(loss) before taxes | <u>(5,535,212)</u> | <u>(3,542,698)</u> |
| Income tax (expense)/benefit related to other comprehensive income/(loss) | 1,162,394 | 743,967 |
| Other comprehensive income/(loss) net of taxes | <u>(4,372,818)</u> | <u>(2,798,731)</u> |
| <u>COMPREHENSIVE INCOME (LOSS)</u> | <u>\$ (11,495,326)</u> | <u>\$ 39,632,410</u> |

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, 2020 | \$ 2,500,000 | \$ 32,500,000 | \$ 61,792,946 | \$ 4,549,324 | \$ 101,342,270 |
| Net income | - | - | 42,431,141 | - | 42,431,141 |
| Other comprehensive income - net | - | - | - | (2,798,731) | (2,798,731) |
| Balance, December 31, 2021 | \$ 2,500,000 | \$ 32,500,000 | \$ 104,224,087 | \$ 1,750,593 | \$ 140,974,680 |
| Net income | - | - | (7,122,508) | - | (7,122,508) |
| Other comprehensive income - net | - | - | - | (4,372,818) | (4,372,818) |
| Balance, June 30, 2022 | <u>\$ 2,500,000</u> | <u>\$ 32,500,000</u> | <u>\$ 97,101,579</u> | <u>\$ (2,622,225)</u> | <u>\$ 129,479,354</u> |
| | - | - | - | - | - |