

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

| | <u>9/30/19</u> | <u>12/31/18</u> |
|---|-----------------------|-----------------------|
| <u>ASSETS</u> | | |
| Investments: | | |
| Bonds - available-for-sale, at fair value | \$ 49,131,177 | \$ 54,210,138 |
| Equities - preferred stocks, at fair value | 8,501,535 | 9,213,445 |
| Equities - common stocks, at fair value | 62,177,061 | 47,064,978 |
| Other invested assets, at fair value | - | 443,600 |
| Total investments | <u>119,809,773</u> | <u>110,932,161</u> |
| Cash and cash equivalents | 43,264,474 | 32,806,465 |
| Premiums receivable | 17,698,715 | 17,007,457 |
| Reinsurance receivables and recoverables | 4,515,471 | 3,478,368 |
| Deferred policy acquisition costs | 1,762,499 | 1,626,141 |
| Deferred tax assets | - | - |
| Income taxes receivable | - | 1,123,754 |
| Accrued investment income | 743,297 | 971,272 |
| Property, plant and equipment | 1,106,523 | 1,213,166 |
| Receivable for securities | 15,468 | 4,852,374 |
| Other assets | <u>1,519,653</u> | <u>1,730,503</u> |
| Total assets | <u>\$ 190,435,873</u> | <u>\$ 175,741,661</u> |
| <u>LIABILITIES</u> | | |
| Losses and loss adjustment expenses | \$ 78,048,478 | \$ 76,579,928 |
| Unearned premiums | 20,688,115 | 19,117,928 |
| Advance premiums | 231,537 | 778,259 |
| Ceded reinsurance payable | - | 44,235 |
| Insurance related taxes and assessments | 4,075,334 | 4,031,922 |
| Income taxes payable | 50,272 | - |
| Commissions payable | 1,312,716 | 1,501,762 |
| Deferred tax liability | 1,187,782 | 207,998 |
| Accounts payable and other liabilities | 1,347,614 | 1,825,841 |
| Payable for investments purchased | - | - |
| Due to parent | 255,522 | 239,214 |
| Security deposits | 1,252,324 | 1,371,260 |
| Long term debt | <u>3,907,783</u> | <u>3,903,763</u> |
| Total liabilities | <u>112,357,477</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 | 43,626,273 | 25,329,101 |
| Accumulated other comprehensive income (loss) - net | <u>(547,877)</u> | <u>5,810,450</u> |
| Total stockholder's equity | <u>78,078,396</u> | <u>66,139,551</u> |
| Total liabilities and stockholder's equity | <u>\$ 190,435,873</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

| | Nine Months Ended September 30, 2019 | Year Ended December 31, 2018 |
|---|---|---|
| <u>REVENUES</u> | | |
| Net premiums earned | \$ 33,176,935 | \$ 47,026,342 |
| Net investment income | 3,441,558 | 2,917,159 |
| Net realized gains (losses) on securities: | | |
| Net realized gains (losses) on securities | 5,665,757 | 541,888 |
| Net impairment losses recognized in earnings | (328,954) | (159,698) |
| Rental income | - | 387,114 |
| Other income | 168,711 | 259,658 |
| Total revenues | <u>42,124,007</u> | <u>50,972,463</u> |
| <u>EXPENSES</u> | | |
| Losses and loss adjustment expenses | 18,509,592 | 27,493,896 |
| Underwriting and operating expenses | 10,640,936 | 18,204,748 |
| Bad debt expense | 157,921 | 332,084 |
| Interest expense | 211,570 | 264,708 |
| Total expenses | <u>29,520,019</u> | <u>46,295,436</u> |
| <u>INCOME (LOSS) BEFORE INCOME TAXES</u> | 12,603,988 | 4,677,027 |
| Income tax expense | <u>2,261,581</u> | <u>922,084</u> |
| <u>NET INCOME (LOSS)</u> | <u>10,342,407</u> | <u>3,754,943</u> |
| <u>OTHER COMPREHENSIVE INCOME (LOSS) - NET</u> | | |
| Unrealized holding gains/(losses) arising during the period | 2,024,660 | (11,281,194) |
| Reclassification adjustment for (gain)/loss included in net income | 67,560 | (382,190) |
| Change in derivative instrument | (71,412) | 50,382 |
| Other comprehensive income/(loss) before taxes | <u>2,020,808</u> | <u>(11,613,002)</u> |
| Income tax (expense)/benefit related to other comprehensive income/(loss) | (424,370) | 2,438,731 |
| Other comprehensive income/(loss) net of taxes | <u>1,596,438</u> | <u>(9,174,271)</u> |
| <u>COMPREHENSIVE INCOME (LOSS)</u> | <u>\$ 11,938,845</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 | - | - | 10,342,407 | - | 10,342,407 |
| Other comprehensive income - net | - | - | - | 1,596,438 | 1,596,438 |
| Balance, September 30, 2019 | <u>\$ 2,500,000</u> | <u>\$ 32,500,000</u> | <u>\$ 43,626,273</u> | <u>\$ (547,877)</u> | <u>\$ 78,078,396</u> |
| | - | - | - | - | - |

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