

STONETRUST COMMERCIAL INSURANCE COMPANY AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

GAAP BASIS

	<u>09/30/20</u>	<u>12/31/19</u>
<u>ASSETS</u>		
Investments:		
Bonds - available-for-sale, at fair value	\$ 102,196,603	\$ 81,905,333
Derivatives - options, at fair value	1,626,000	-
Equities - preferred stocks, at fair value	-	5,814,206
Equities - common stocks, at fair value	44,918,585	62,245,239
Total investments	<u>148,741,188</u>	<u>149,964,778</u>
Cash and cash equivalents	33,269,122	22,467,487
Premiums receivable	17,182,042	16,437,691
Reinsurance receivables and recoverables	4,894,507	4,470,207
Deferred policy acquisition costs	1,635,189	1,451,953
Income taxes receivable	875,189	-
Accrued investment income	960,730	857,716
Property, plant and equipment	2,216,265	1,212,854
Receivable for securities	-	1,304
Other assets	1,195,492	1,558,615
Total assets	<u>\$ 210,969,724</u>	<u>\$ 198,422,605</u>
<u>LIABILITIES</u>		
Losses and loss adjustment expenses	\$ 83,868,158	\$ 78,544,723
Unearned premiums	21,337,249	19,018,957
Advance premiums	282,850	689,460
Insurance related taxes and assessments	3,910,331	3,577,280
Income taxes payable	-	215,466
Commissions payable	1,283,754	1,530,510
Deferred tax liability	2,284,737	2,606,476
Accounts payable and other liabilities	1,558,719	2,114,550
Payable for investments purchased	1,770,470	-
Due to parent	283,245	246,185
Security deposits	1,238,275	1,229,295
Derivatives - options - at fair value	513,750	-
Notes payable	4,623,602	3,909,124
Total liabilities	<u>122,955,140</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	48,703,256	48,513,479
Accumulated other comprehensive income (loss) - net	4,311,328	1,227,100
Total stockholder's equity	<u>88,014,584</u>	<u>84,740,579</u>
Total liabilities and stockholder's equity	<u>\$ 210,969,724</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>Nine Months Ended September 30, 2020</u>	<u>Year Ended December 31, 2019</u>
<u>REVENUES</u>		
Net premiums earned	\$ 32,602,136	\$ 43,753,081
Net investment income	4,257,158	4,173,499
Net realized gains (losses) on securities:		
Net realized gains on securities	1,893,975	145,443
Net holding gains (losses)	(6,200,514)	10,477,489
Other income	148,110	224,713
Total revenues	<u>32,700,865</u>	<u>58,774,225</u>
<u>EXPENSES</u>		
Losses and loss adjustment expenses	15,055,214	23,713,107
Underwriting and operating expenses	13,141,744	15,495,606
Bad debt expense	302,755	237,174
Interest expense	193,627	257,227
Total expenses	<u>28,693,340</u>	<u>39,703,114</u>
<u>INCOME (LOSS) BEFORE INCOME TAXES</u>	4,007,525	19,071,111
Income tax (benefit) expense	<u>817,748</u>	<u>3,841,498</u>
<u>NET INCOME (LOSS)</u>	<u>3,189,777</u>	<u>15,229,613</u>
<u>OTHER COMPREHENSIVE INCOME (LOSS) - NET</u>		
Urealized holding gains/(losses) arising during the period	5,833,545	4,481,163
Reclassification adjustment for (gain)/loss included in net income	(1,893,975)	(145,443)
Change in derivative instrument	(35,484)	(68,106)
Other comprehensive income/(loss) before taxes	<u>3,904,086</u>	<u>4,267,614</u>
Income tax (expense)/benefit related to other comprehensive income/(loss)	(819,858)	(896,199)
Other comprehensive income/(loss) net of taxes	<u>3,084,228</u>	<u>3,371,415</u>
<u>COMPREHENSIVE INCOME (LOSS)</u>	<u>\$ 6,274,005</u>	<u>\$ 18,601,028</u>

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

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	-	-	3,189,777	-	3,189,777
Dividends paid	-	-	(3,000,000)	-	(3,000,000)
Other comprehensive income - net	-	-	-	3,084,228	3,084,228
Balance, September 30, 2020	<u>\$ 2,500,000</u>	<u>\$ 32,500,000</u>	<u>\$ 48,703,256</u>	<u>\$ 4,311,328</u>	<u>\$ 88,014,584</u>
	-	-	-	-	-

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