

**STONETRUST COMMERCIAL INSURANCE COMPANY AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS**

**(STATUTORY BASIS)**

**DECEMBER 31, 2019 AND 2018**



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## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
Stonetrust Commercial Insurance Company and Subsidiary

We have audited the accompanying consolidated statutory-basis financial statements of Stonetrust Commercial Insurance Company and its wholly-owned subsidiary, Stonetrust Premier Casualty Insurance Company (collectively, the Company), which comprise the statements of admitted assets, liabilities, and capital and surplus - statutory basis as of December 31, 2019 and 2018, the related statutory-basis statements of operations, changes in capital and surplus and cash flows for the years then ended, and the related notes to the consolidated statutory-basis financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated statutory-basis financial statements in conformity with accounting practices prescribed or permitted by the State of Nebraska Department of Insurance. Management is also responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of the consolidated statutory-basis financial statements that are free from material misstatement, whether due to error or fraud.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated statutory-basis financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated statutory-basis financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated statutory-basis financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated statutory-basis financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated statutory-basis financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinions. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated statutory-basis financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



### Basis for Adverse Opinion on U.S. General Accepted Accounting Principles

As described in Note 1, the accompanying consolidated statutory-basis financial statements are prepared by the Company in conformity with the accounting practices prescribed or permitted by the State of Nebraska Department of Insurance, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the consolidated statutory-basis financial statements of the variances between the statutory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, are also described in Note 1.

### Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. General Accepted Accounting Principles paragraph, the consolidated statutory-basis financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Stonetrust Commercial Insurance Company as of December 31, 2019 and 2018, or the results of their consolidated operations or their consolidated cash flows for the years then ended.

### Opinion on Statutory Basis of Accounting

In our opinion, the consolidated statutory-basis financial statements referred to in the first paragraph present fairly, in all material respects, the admitted assets, liabilities and capital and surplus – statutory basis of Stonetrust Commercial Insurance Company and Subsidiary as of December 31, 2019 and 2018, and the results of their consolidated operations and their consolidated cash flows for the years then ended, in accordance with accounting practices prescribed or permitted by the State of Nebraska Department of Insurance described in Note 1.

A handwritten signature in black ink that reads 'Postlethwaite &amp; Netterville' in a cursive script.

Baton Rouge, Louisiana  
March 20, 2020

**STONETRUST COMMERCIAL INSURANCE COMPANY AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF ADMITTED ASSETS, LIABILITIES, CAPITAL AND SURPLUS**

**(Statutory Basis)**

**DECEMBER 31, 2019 AND 2018**

**ADMITTED ASSETS**

	<u>2019</u>	<u>2018</u>
Cash and invested assets:		
Investments in bonds	\$ 80,025,119	\$ 55,352,237
Investments in common stocks	62,245,239	47,064,978
Investments in preferred stocks	5,664,088	9,194,139
Other invested assets	-	443,600
Receivable for securities	1,304	4,852,374
Cash and cash equivalents	<u>22,467,487</u>	<u>32,806,465</u>
Total cash and invested assets	170,403,237	149,713,793
Investment income due and accrued	857,716	971,272
Premiums due and uncollected	1,069,629	1,221,375
Deferred premiums	15,191,423	15,703,042
Federal income tax recoverable	-	1,123,754
Deferred tax asset	-	177,704
Guaranty funds receivable or on deposit	140,152	168,373
Other assets	<u>1,005,066</u>	<u>1,197,036</u>
<b>Total Admitted Assets</b>	<b><u>\$ 188,667,223</u></b>	<b><u>\$ 170,276,349</u></b>

The accompanying notes are an integral part of these consolidated financial statements.

**LIABILITIES, CAPITAL AND SURPLUS**

	2019	2018
<b>Liabilities:</b>		
Unpaid losses and loss adjustment expenses	\$ 74,074,516	\$ 73,101,560
Commissions payable	1,530,510	1,501,762
Other expenses, excluding taxes, licenses and fees	1,980,555	1,778,806
Taxes, licenses and fees, excluding federal income taxes	3,577,280	4,031,922
Income taxes payable	215,466	-
Deferred tax liability	1,583,784	-
Unearned premiums	19,018,957	19,117,928
Advance premiums	689,460	778,259
Ceded reinsurance premiums payable	-	44,235
Remittances and items not allocated	40,507	21,792
Payable to parent, subsidiaries and affiliates	246,185	239,214
Policyholder security deposits	1,229,295	1,371,260
Amounts payable under loss portfolio transfer	34,453	13,936
Total liabilities	104,220,968	102,000,674
<b>Capital and surplus:</b>		
Common stock, \$0.625 and \$2,500 par value with 40,000,000 and 10,000 shares authorized and 4,000,000 and 1,000 issued and outstanding at December 31, 2019 and 2018, respectively	2,500,000	2,500,000
Paid-in	32,500,000	32,500,000
Surplus note	4,000,000	4,000,000
Special surplus funds	(488,546)	(610,682)
Unassigned surplus	45,934,801	29,886,357
Total capital and surplus	84,446,255	68,275,675
<b>Total Liabilities, Capital and Surplus</b>	<b>\$ 188,667,223</b>	<b>\$ 170,276,349</b>

**STONETRUST COMMERCIAL INSURANCE COMPANY AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN CAPITAL AND SURPLUS**

**(Statutory Basis)**

**YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Underwriting income:		
Premiums earned - net	\$ 43,753,081	\$ 47,026,342
Losses incurred	(19,031,995)	(20,966,854)
Loss adjustment expenses incurred	(4,681,112)	(6,527,042)
Other underwriting expenses incurred	<u>(15,344,278)</u>	<u>(17,782,078)</u>
Net underwriting gain	<u>4,695,696</u>	<u>1,750,368</u>
Investment income:		
Net investment income	3,916,272	2,636,747
Net realized capital gains (net of capital gains tax of \$355,472 and \$146,298 for 2019 and 2018, respectively)	<u>(210,029)</u>	<u>846,574</u>
Net investment gain	<u>3,706,243</u>	<u>3,483,321</u>
Other income (expense):		
Bad debt expense, net of recoveries	(264,488)	(350,926)
Miscellaneous income	224,713	259,658
Total other expense, net	<u>(39,775)</u>	<u>(91,268)</u>
Income before federal income taxes	8,362,164	5,142,421
Federal income tax expense	<u>1,983,748</u>	<u>605,076</u>
Net income	<u>\$ 6,378,416</u>	<u>\$ 4,537,345</u>
Changes in capital and surplus:		
Balance, beginning of year	\$ 68,275,675	\$ 72,060,094
Net income	6,378,416	4,537,345
Other changes:		
Loss on sale of real estate - sale/leaseback transaction	-	(610,682)
Change in net deferred income tax	680,381	(294,409)
Change in non-admitted assets	(74,290)	720,572
Change in net unrealized capital gains	<u>9,186,073</u>	<u>(8,137,245)</u>
Balance, end of year	<u>\$ 84,446,255</u>	<u>\$ 68,275,675</u>

The accompanying notes are an integral part of these consolidated financial statements.



**STONETRUST COMMERCIAL INSURANCE COMPANY AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(Statutory Basis)**

**YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Operating activities:		
Premiums collected, net of reinsurance premiums paid	\$ 43,649,322	\$ 47,241,961
Net investment income	4,088,234	2,490,676
Miscellaneous income	224,713	(91,268)
Benefit and loss related payments	(18,882,972)	(20,478,523)
Commissions and other underwriting expenses paid	(18,865,661)	(21,900,800)
Federal income taxes paid	(1,000,000)	(1,400,000)
Net cash provided by operating activities	<u>9,213,636</u>	<u>5,862,046</u>
Investing activities:		
Proceeds from sales, maturities, and prepayments of bonds	10,675,177	5,183,290
Proceeds from sales of equity securities	21,390,847	23,062,698
Investment in real estate - net	-	4,493,034
Loss on exchange of short-term investment	(199,194)	-
Cost of other invested assets acquired	(1,122,211)	(475,743)
Cost of bonds acquired	(35,704,993)	(14,107,398)
Cost of equity securities acquired	(14,306,984)	(15,341,687)
Net cash (used in) provided by investing activities	<u>(19,267,358)</u>	<u>2,814,194</u>
Financing activities:		
Other cash (applied) provided	(285,256)	431,288
Net cash (used in) provided by financing activities	<u>(285,256)</u>	<u>431,288</u>
Change in cash and cash equivalents	(10,338,978)	9,107,528
Cash and cash equivalents, beginning of year	<u>32,806,465</u>	<u>23,698,937</u>
Cash and cash equivalents, end of year	<u>\$ 22,467,487</u>	<u>\$ 32,806,465</u>

The accompanying notes are an integral part of these consolidated financial statements.

# **STONETRUST COMMERCIAL INSURANCE COMPANY AND SUBSIDIARY**

## **NOTES TO CONSOLIDATED STATUTORY BASIS FINANCIAL STATEMENTS**

### **1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Stonetrust Commercial Insurance Company (Company), formerly known as Amicus Mutual Insurance Company (Amicus), was formed in March 2000, as a Louisiana-domiciled mutual insurance company. Amicus received its Certificate of Authority effective June 30, 2000, to write workers' compensation business in Louisiana. Operations began July 1, 2000, as the successor to Louisiana Associated Commercial Employers Self Insurers Fund (LACE-SIF).

Effective January 1, 2006, after a vote of approval by its members, Amicus converted from a mutual insurance company to a stock insurance company wholly owned by a mutual insurance holding company parent (Stonetrust Commercial Mutual Insurance Holding Company). Pursuant to the conversion, Stonetrust Commercial Mutual Insurance Holding Company was owned by the Company's policyholders. In addition, effective January 1, 2006, Amicus Mutual Insurance Company's name was changed to Stonetrust Commercial Insurance Company. The Company provides workers' compensation coverage primarily to employers within the states of Arkansas, Louisiana, Mississippi, Missouri, Nebraska, Oklahoma, Tennessee and Texas. However, the Company is licensed to write workers' compensation coverage in a total of 28 states.

Effective December 31, 2014, Stonetrust Commercial Mutual Insurance Holding Company entered into a sponsored demutualization transaction and was renamed Stonetrust Holding Company and converted to a stock company. Immediately following the demutualization, Stonetrust Holding Company and its subsidiaries, were acquired by Dhando Holdings Corporation.

Effective December 31, 2016, Stonetrust Holding Company merged into the Company.

Effective January 1, 2018, all issued and outstanding shares of the Company were purchased by Wintaai Ltd., an Ontario, Canada corporation.

During 2018, the Company formed a wholly-owned insurance company subsidiary named Stonetrust Premier Casualty Insurance Company (Premier). The articles of incorporation were filed with and were approved by the Nebraska Department of Insurance effective November 30, 2018. Premier was capitalized during 2019 with a \$5.5 million capital contribution made by the Company. As of December 31, 2019, Premier held certificates of authority to write workers' compensation coverage in Arkansas, Mississippi and Nebraska but had not begun to write policies.

For 2019, the accompanying consolidated statutory basis financial statements of Stonetrust Commercial Insurance Company and Subsidiary include the accounts of Stonetrust Commercial Insurance Company (Commercial) and its wholly owned subsidiary Stonetrust Premier Casualty Insurance Company (Premier), (collectively referred to hereafter as the Company). For 2018, these financial statements include the accounts of Stonetrust Commercial Insurance Company and Stonetrust Realty, LLC. Stonetrust Realty, LLC ceased operations on December 31, 2018 and has since been dissolved.

#### **Loss Portfolio Transfer**

Under the terms of a Loss Portfolio Transfer (LPT) agreement, the Company acquired the outstanding amounts due under the claim reserves of LACE-SIF for all loss years as valued by LACE-SIF's independent actuary as of December 31, 2000. In addition, the transfer agreement moved all loss-related liabilities (such as the liability for assessments by the Second Injury Fund and the Office of Workers' Compensation) and placed the Company into the place of LACE-SIF to settle all claims and estimated excess policy recoveries. Estimated amounts remaining to be paid under the LPT as of December 31, 2019 and 2018, totaled \$34,453 and \$13,936, respectively.

## **STONETRUST COMMERCIAL INSURANCE COMPANY AND SUBSIDIARY**

### **NOTES TO CONSOLIDATED STATUTORY BASIS FINANCIAL STATEMENTS**

#### **Basis of Presentation**

The accompanying consolidated statutory-basis financial statements have been prepared on the basis of accounting principles prescribed or permitted by the State of Nebraska Department of Insurance (the Department), which adopted the practices as set forth in the National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures* manual (the Manual). Pursuant to a letter of approval, the Department granted permission to the Company to file these audited statutory-basis financial statements on a consolidated basis, along with supplemental consolidating schedules. Intercompany accounts and transactions have been eliminated in consolidation. These statutory principles differ in some respects from accounting principles generally accepted in the United States of America (US GAAP), the more significant differences being:

- (1) Costs associated with acquiring business (policy acquisition costs) are charged to operations as incurred instead of being deferred and amortized over the premium paying period or term of the policies;
- (2) Certain assets designated as "non-admitted" assets are excluded from the statement of admitted assets and liabilities and charged to surplus;
- (3) Deferred income taxes are computed based on a prescribed formula and limitations instead of expected future taxes and do not include state income taxes. Changes in deferred income taxes are reported as adjustments to surplus;
- (4) Insurance operations are reported net of reinsurance transactions and balances. Reserves for losses and loss adjustment expenses ceded to reinsurers have been reported as reductions of the related reserves rather than as assets, as would be required under US GAAP;
- (5) Investments in bonds are reported at amortized cost or fair value based on their NAIC rating; for US GAAP, such fixed-maturity investments would be designated at purchase as held-to-maturity, trading, or available-for-sale. Held-to-maturity investments would be reported at amortized cost, and the remaining fixed-maturity investments would be reported at fair value, with unrealized holding gains and losses reported in operations for those designated as trading and as a separate component of stockholder's equity for those designated as available-for-sale;
- (6) Preferred stocks are stated at cost, lower of cost or amortized cost or fair values depending on the NAIC rating and the underlying characteristics of the securities, while under US GAAP preferred stocks are carried at their estimated fair values;
- (7) Investments in common stocks are reported at fair value, as determined by the NAIC's Securities Valuation Office or other independent pricing sources and the related net unrealized gains and losses are reported in unassigned surplus. Under US GAAP, common stock are reported at fair value with the change in unrealized gains and losses reported directly through earnings;
- (8) Under NAIC SAP, an impairment of securities which is deemed to be other-than-temporary is recorded through earnings for the difference between amortized cost and fair value. Under US GAAP impairments on securities due to credit losses are recorded as other-than-temporary impairments (OTTI) through earnings when a security is deemed impaired. Other declines in fair value related to factors other than credit are recorded as other comprehensive income, which is a separate component of stockholders' equity.

## **STONETRUST COMMERCIAL INSURANCE COMPANY AND SUBSIDIARY**

### **NOTES TO CONSOLIDATED STATUTORY BASIS FINANCIAL STATEMENTS**

- (9) The Company's investment in its' wholly-owned subsidiary, Stonetrust Realty, LLC, is recorded in these statements in accordance with SSAP No. 40R, which requires that the operations of a wholly-owned, single-member LLC, which holds only one real estate asset, to be reflected in the operations of its parent. Accordingly, all of the subsidiary's assets and liabilities have been consolidated into these financial statements along with the operations being reflected as a component of net investment income. US GAAP requires either consolidation or equity method reporting with operations being reflected in the statement of operations;
- (10) Guaranty fund assessments recoverable through expected future premium tax credits are reported as admitted assets instead of expensed when an obligation is probable as required by US GAAP;
- (11) Surplus notes are reported as surplus instead of reported as a liability as required by US GAAP;
- (12) Cash, cash equivalents and short-term investments represent cash balances and investments with initial maturities of one year or less. Under US GAAP, the corresponding caption of cash, cash equivalents and short-term investments includes cash balances and investments with remaining maturities of three months or less when purchased;
- (13) Comprehensive income and its components are not presented in the statutory financial statements as is required by US GAAP;
- (14) Certain derivative instruments are carried at amortized cost, whereas under US GAAP all derivatives would be carried at fair value;
- (15) The statutory statements of cash flows do not conform to the presentation required by US GAAP, including the presentation of the changes in cash, cash equivalents and short-term investments instead of cash and cash equivalents.
- (16) Under certain conditions, the gain or loss on the sale of real estate that is accompanied by a leaseback of all or any part of the property is recognized directly to special surplus funds and subsequently amortized to unassigned funds (surplus) over the lease term. Under U.S. GAAP, a gain on the sale of real estate accompanied by a leaseback is generally deferred and amortized into income over the lease term; losses on the sale of assets subject to a leaseback are generally recognized in earnings at the time of sale.

A comparison of US GAAP and statutory net income and total equity of the Company as of and for the years ended December 31, 2019 and 2018 is as follows:

	<u>US GAAP</u>	<u>Statutory</u>
Net income:		
Year ended December 31, 2019	<u>\$ 15,229,613</u>	<u>\$ 6,378,416</u>
Year ended December 31, 2018	<u>\$ 3,754,943</u>	<u>\$ 4,537,345</u>
Total equity/capital and surplus:		
December 31, 2019	<u>\$ 84,740,579</u>	<u>\$ 84,446,255</u>
December 31, 2018	<u>\$ 66,139,551</u>	<u>\$ 68,275,675</u>

### **Investments**

Bonds that are designated as highest quality or high quality (NAIC designations 1 and 2) are generally stated at amortized cost and any premium or discount is amortized or accreted to income using the effective interest method.

# **STONETRUST COMMERCIAL INSURANCE COMPANY AND SUBSIDIARY**

## **NOTES TO CONSOLIDATED STATUTORY BASIS FINANCIAL STATEMENTS**

All other debt securities (NAIC designations 3 thru 6) are reported at the lower of amortized cost or fair value.

Mortgage-backed securities are valued at amortized cost using the effective interest method including anticipated prepayments. The retrospective adjustment method is used to value all such securities, except principal-only and interest-only securities which are valued using the prospective method.

Common stocks are reported at fair value under NAIC guidelines. The change in the fair value along with any adjustment for income taxes is recorded as a change in net unrealized capital gains and losses, a component of unassigned surplus. Preferred stocks are stated at cost, at the lower of cost or amortized cost, or at fair values under NAIC guidelines, depending on the assigned NAIC rating and the underlying characteristics of the security.

Short-term investments include all investments whose maturities, at the time of acquisition, are one year or less and are stated at amortized cost, which approximates fair value.

Investment income consists primarily of interest and dividend income. Interest income is recognized on the accrual basis and dividends are recorded as earned at the ex-dividend date. Accrual of income is suspended for bonds that are in default or when the receipt of interest payments is in doubt. Realized capital gains and losses are determined under the specific identification basis and are recorded in earnings.

Management evaluates securities for other-than temporary impairment on at least a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to 1) the length and the extent to which the estimated fair value has been less than amortized cost, 2) the financial condition and near-term prospects of the issuer, and 3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery of the estimated fair value.

### **Premiums**

Premiums are recognized as earned over the premium paying period of the related workers' compensation policies. Unearned premiums are established to cover the unexpired portion of premiums written. Premiums are billed and collected according to policy terms predominantly in the form of installments during the policy period. Workers' compensation premiums are determined based upon the payroll of the insured, the applicable premium rates and, where applicable, an experience-based modification factor, debits, credits, and discounts applied by the Company's underwriters based upon individual risk characteristics. Audits of policyholders' records are conducted after policy expiration to make a final determination of applicable premiums. Included in deferred premiums receivable was \$1,806,691 and \$2,079,835 at December 31, 2019 and 2018, respectively, for estimated additional amounts of premiums to be billed to the Company's policyholders.

Premiums collected in advance of the next succeeding policy year are deferred from income recognition and are recorded as a liability on the Company's statement of admitted assets, liabilities, capital, and surplus under the caption "advance premiums".

Premium receivables consist of amounts due in the normal course of collection from policyholders located within the states the company serves. Receivables for premiums are not secured, other than by security deposits received by the Company. The Company treats all premium receivables that are more than ninety (90) days past due as a non-admitted asset and charges this amount directly against surplus. The portion of premium that is unbilled and will be earned in the future are reported as deferred premiums.

The Company routinely assesses the collectability of its receivables. At December 31, 2019 and 2018, the Company recorded an allowance for doubtful accounts of \$473,740 and \$357,263, respectively. The potential for additional loss is not believed to be material to the Company's consolidated financial position.

## **STONETRUST COMMERCIAL INSURANCE COMPANY AND SUBSIDIARY**

### **NOTES TO CONSOLIDATED STATUTORY BASIS FINANCIAL STATEMENTS**

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles prescribed or permitted by the State of Nebraska Department of Insurance requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

The most significant estimates susceptible to change are those used in determining the reserves for losses and loss adjustment expenses. Although considerable variability is inherent in these estimates, management believes that the reserves are adequate. The estimates are continually reviewed and adjusted as necessary. Such adjustments are reflected in current operations.

#### **Losses and Loss Adjustment Expenses Incurred and Payable**

Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported (IBNR). Such liabilities are necessarily based on assumptions and estimates, and, while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liabilities are continually reviewed, and any adjustments are reflected in the period determined. The Company does not discount its liabilities for unpaid losses and loss adjustment expenses.

#### **Electronic Data Processing Equipment and Software**

Electronic data processing equipment and software is stated at cost less accumulated depreciation adjusted for non-admitted limitations. Major additions and betterments are charged to the property accounts, while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are expensed currently. When property is retired or otherwise disposed of, the cost of the property is removed from the asset account, accumulated depreciation is charged with an amount equivalent to the depreciation provided, and the difference, after taking into account salvage, if any, is charged or credited to income.

Depreciation is computed using the straight-line method over the appropriate recovery periods (three to five years for software and three years for hardware).

#### **Income Taxes**

Federal income tax returns include Commercial and its' wholly-owned subsidiary, Premier. Current federal income tax expense (benefit) is computed on a separate return basis and provides that members shall make payments or receive reimbursements to the extent their income (loss) contributes to or reduces consolidated federal income tax expense.

Deferred taxes are recognized to the extent there are differences between the statutory and tax bases of assets and liabilities. Deferred taxes are also recognized for carry-forward items including net operating loss carryovers, capital loss carryovers, charitable contribution carryovers and certain other credits. NAIC SAP requires that temporary differences and carry-forward items be identified and measured. Deductible temporary differences and carry-forward amounts that generate tax benefits when they reverse or are utilized are tax affected in determining the deferred tax asset (DTA). Taxable temporary differences include items that will generate tax expense when they reverse and are tax affected in determining the deferred tax liability (DTL).

# **STONETRUST COMMERCIAL INSURANCE COMPANY AND SUBSIDIARY**

## **NOTES TO CONSOLIDATED STATUTORY BASIS FINANCIAL STATEMENTS**

In the determination of the amount of the DTA that can be recognized and admitted, the amount of the income tax benefit from current year losses and credits that can be carried back to prior years is first determined. NAIC SAP then requires that DTAs be limited to an amount that is expected to be realized in the future based on a qualitative analysis of the Company's temporary differences, past financial history and future earnings projections. The amount of the admitted DTA is further limited to the amount of deductible temporary differences and carry-forward amounts that are expected to be realized within three years from the reporting date. The admitted DTA is also offset by the amount of the DTL. The resulting net DTA or DTL is then reflected on the statement of admitted assets, liabilities and capital and surplus.

The Company follows the provisions of Statement on Statutory Accounting Principles (SSAP) No. 101, "*Income Taxes—A Replacement of SSAP No. 10R and SSAP No. 10*" that reduces the recognition threshold used in determining a tax contingency related to uncertain tax positions from "probable" to "more likely than not." The amount of the contingency reserve shall be management's best estimate of the amount of the original tax benefit that could be reversed upon audit, unless the best estimate is greater than 50% of the original tax benefit, in which case the reserve shall equal the entire tax benefit. Additionally, the standard revised the criteria and limitations under which the Company recognizes and admits net deferred tax assets for temporary differences which arise between statutory accounting principles and income tax law.

A loss contingency for an uncertain tax position is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. The Company has not recognized any uncertain tax positions.

### **Postemployment Benefits and Compensated Absences**

The Company does not offer postemployment benefits other than the payment of earned and unused accrued paid time off upon employment termination. At December 31, 2019 and 2018, the Company has an accrued liability recorded for unpaid compensated absences of \$176,275 and \$289,195, respectively.

### **Derivative Instruments**

The Company accounts for its derivatives in accordance with SSAP No. 86 "*Derivatives*". Instruments that meet the criteria to be considered an effective hedge are valued and reported in a manner consistent with the hedged asset or liability.

### **Concentration of Credit Risk**

The Company provides workers' compensation insurance primarily to employers and individuals within the states it serves. The Company extends credit to policyholders using practices common to the insurance industry.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash deposits, investment securities, reinsurance recoverables and receivables, and balances due from agents and insureds. The Company invests in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in values of investment securities will change in the near term and those changes could be significant. Management continually evaluates its investment portfolio to manage concentrations in individual securities, issuers of securities, and types of securities, industries, and geographic regions. The Company generally limits its exposure to credit risk from balances on deposit in financial institutions

# STONETRUST COMMERCIAL INSURANCE COMPANY AND SUBSIDIARY

## NOTES TO CONSOLIDATED STATUTORY BASIS FINANCIAL STATEMENTS

in excess of the federally insured limits. Management believes the credit risk associated with these deposits is minimal.

### Cash, Cash Equivalents and Short-Term Investments

For purposes of the statutory-basis statement of cash flows, the Company considers cash balances and short-term investments with original maturities of less than one year to be cash equivalents.

### Reinsurance

The Company seeks to reduce the loss that may arise from catastrophes or other events that cause unfavorable underwriting results by reinsuring certain levels of risk in various areas of exposure with reinsurers. All reinsurance contracts in place transfer underwriting risks to the reinsurers.

## 2. INVESTMENTS

The amortized cost, gross unrealized gains, gross unrealized losses, and estimated fair value of investment securities as of December 31, 2019 and 2018, were as follows:

	<b>December 31, 2019</b>				
	Admitted Assets	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury securities and obligations of U.S. Government					
Corporations and Agencies	\$ 35,013,036	\$ 35,013,036	\$ 46,471	\$ (205)	\$ 35,059,302
State and political subdivisions	3,377,264	3,377,264	24,528	-	3,401,792
Industrial and miscellaneous	40,367,442	40,646,639	1,883,797	(279,196)	42,251,240
Mortgage-backed securities	1,267,377	1,267,377	4,029	(78,407)	1,192,999
Total bonds	80,025,119	80,304,316	1,958,825	(357,808)	81,905,333
Common stocks	62,245,239	41,901,543	20,489,574	(145,878)	62,245,239
Preferred stocks	5,664,088	5,611,088	214,613	(11,495)	5,814,206
Total	\$ 147,934,446	\$ 127,816,947	\$ 22,663,012	\$ (515,181)	\$ 149,964,778
	<b>December 31, 2018</b>				
	Admitted Assets	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury securities and obligations of U.S. Government					
Corporations and Agencies	\$ 1,515,735	\$ 1,515,735	\$ 2,448	\$ (6,092)	\$ 1,512,091
State and political subdivisions	4,935,889	4,935,889	24,290	(4,544)	4,955,635
Industrial and miscellaneous	47,458,637	49,019,097	41,235	(2,622,836)	46,437,496
Mortgage-backed securities	1,441,976	1,441,976	1,656	(138,716)	1,304,916
Total bonds	55,352,237	56,912,697	69,629	(2,772,188)	54,210,138
Common stocks	47,064,978	36,838,002	10,996,398	(769,422)	47,064,978
Preferred stocks	9,194,139	9,371,098	24,573	(182,226)	9,213,445
Other invested asset	443,600	475,743	-	(32,143)	443,600
Total	\$ 112,054,954	\$ 103,597,540	\$ 11,090,600	\$ (3,755,979)	\$ 110,932,161

Information pertaining to investment securities with gross unrealized losses at December 31, 2019 and 2018, aggregated by investment category and length of time that individual securities have been in a continuous loss is as follows:



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**NOTES TO CONSOLIDATED STATUTORY BASIS FINANCIAL STATEMENTS**

	<b>December 31, 2019</b>			
	<b>Less Than 12 Months</b>		<b>Over 12 Months</b>	
	<b>Gross Unrealized</b>	<b>Estimated Fair</b>	<b>Gross Unrealized</b>	<b>Estimated Fair</b>
	<b>Losses</b>	<b>Value</b>	<b>Losses</b>	<b>Value</b>
U.S. Treasury securities and obligations of U.S. Government corporations and Agencies	\$ (205)	\$ 798,240	\$ -	\$ -
State and political subdivisions	-	-	-	-
Industrial and miscellaneous	(141,510)	2,164,500	(137,686)	2,298,591
Mortgage-backed securities	(32,205)	273,989	(46,202)	844,942
Total bonds	<u>(173,920)</u>	<u>3,236,729</u>	<u>(183,888)</u>	<u>3,143,533</u>
Common stocks	(27,721)	536,606	(118,157)	1,117,511
Preferred stocks	(11,495)	858,229	-	-
Total	<u>\$ (213,136)</u>	<u>\$ 4,631,564</u>	<u>\$ (302,045)</u>	<u>\$ 4,261,044</u>

	<b>December 31, 2018</b>			
	<b>Less Than 12 Months</b>		<b>Over 12 Months</b>	
	<b>Gross Unrealized</b>	<b>Estimated Fair</b>	<b>Gross Unrealized</b>	<b>Estimated Fair</b>
	<b>Losses</b>	<b>Value</b>	<b>Losses</b>	<b>Value</b>
U.S. Treasury securities and obligations of U.S. Government corporations and Agencies	\$ -	\$ -	\$ (6,092)	\$ 918,265
State and political subdivisions	(4,438)	2,552,071	(106)	399,944
Industrial and miscellaneous	(1,811,986)	23,418,090	(810,850)	16,267,702
Mortgage-backed securities	(2,382)	366,681	(136,334)	887,869
Total bonds	<u>(1,818,806)</u>	<u>26,336,842</u>	<u>(953,382)</u>	<u>18,473,780</u>
Common stocks	(769,422)	7,795,339	-	-
Other invested assets	(32,143)	443,600	-	-
Preferred stocks	(182,226)	5,766,827	-	-
Total	<u>\$ (2,802,597)</u>	<u>\$ 40,342,608</u>	<u>\$ (953,382)</u>	<u>\$ 18,473,780</u>

The amortized cost of bonds and notes has been reduced by net amortization expense of \$44,464 and \$289,361, respectively, during the years ended December 31, 2019 and 2018.

The assessment of other-than-temporary impairment is performed periodically. Factors considered in determining whether a loss is temporary include the following:

- The length of time and the extent to which fair value has been below cost;
- The severity of the impairment;
- The cause of the impairment and the financial condition and near-term prospects of the issuer;
- Activity in the market of the issuer which may indicate adverse credit conditions; and
- The Company's ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery.

The Company's review for impairment generally entails the following:

- Identification and evaluation of investments that have indications of possible impairment;
- Analysis of individual investments that have fair values less than amortized cost, including consideration of the length of time the investment has been in an unrealized loss position and the expected recovery period;

## STONETRUST COMMERCIAL INSURANCE COMPANY AND SUBSIDIARY

### NOTES TO CONSOLIDATED STATUTORY BASIS FINANCIAL STATEMENTS

- Discussion of evidential matter, including an evaluation of factors or triggers that could cause individual investments to qualify as having other-than-temporary impairment and those that would not support other-than-temporary impairment; and
- Documentation of the results of these analyses.

For equity securities, management considers the various factors described above, including its intent and ability to hold the equity security for a period of time sufficient for recovery to amortized cost. Where management lacks the intent or ability, the security's decline in fair value is deemed to be other-than-temporary and is recorded in earnings. No other-than-temporary impairment adjustments in equity securities were recorded during the years ended December 31, 2019 or 2018.

For debt securities that are not deemed to be credit impaired, management performs additional analysis to assess whether it intends to sell or more likely than not would be required to sell the investment before the expected recovery of the amortized cost basis. In most cases, management has asserted that it has no intent to sell and that it believes it is more likely than not that it will not be required to sell the investments before recovery of its amortized cost basis.

For debt securities, a critical component of the evaluation for other-than-temporary impairments is the identification of credit impaired securities where management does not expect to receive cash flows sufficient to recover the entire amortized cost basis of the security. During the years ended December 31, 2019 and 2018, the Company recorded an impairment charge of \$0 and \$159,698, respectively, related to certain debt securities.

The amortized cost and estimated fair values of investment securities at December 31, 2019, by contractual maturity are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Fair Value
Due in 1 year or less	\$ 2,415,508	\$ 2,425,493
Due after 1 year through 5 years	59,962,029	60,465,767
Due after 5 years through 10 years	16,599,797	17,759,491
Due after 10 years through 20 years	-	-
Due after 20 years	59,605	61,583
	<u>79,036,939</u>	<u>80,712,334</u>
Mortgage-backed securities	1,267,377	1,192,999
	<u>\$ 80,304,316</u>	<u>\$ 81,905,333</u>

In accordance with regulatory provisions, the Company has pledged bonds with a statement value of \$4,616,723 and \$3,940,344 to various regulatory agencies at December 31, 2019 and 2018, respectively. Additionally, at December 31, 2019 and 2018, the Company has pledged bonds with a carrying value of \$234,775 and \$256,962, respectively, as collateral as required by the Company's counterparty in relation to the interest rate swap transaction described in Note 14.

Components of net investment income were as follows for each of the years ended December 31:

# **STONETRUST COMMERCIAL INSURANCE COMPANY AND SUBSIDIARY**

## **NOTES TO CONSOLIDATED STATUTORY BASIS FINANCIAL STATEMENTS**

	<u>2019</u>	<u>2018</u>
Interest on bonds	\$ 2,854,111	\$ 2,364,276
Dividends on equity securities	2,139,798	1,461,294
Rental income	-	559,130
Interest on short-term investments, cash, and other	242,970	153,076
	<u>5,236,879</u>	<u>4,537,776</u>
Less: investment expenses	(1,063,380)	(1,490,018)
Less: depreciation expense	-	(151,665)
Less: interest on surplus note and interest rate swap	(257,227)	(259,346)
Net investment income	<u>\$ 3,916,272</u>	<u>\$ 2,636,747</u>

Proceeds received from sales, maturities and prepayments of bonds and common and preferred stocks were \$32,066,024 and \$28,245,988 for the years ended December 31, 2019 and 2018, respectively. The Company realized capital gains of \$145,443 in 2019 and \$1,152,570 in 2018, in relation to sales and exchanges of investment securities.

During 2014, the Company formed Stonetrust Realty LLC for the purpose of holding real estate. The Company's investment in its wholly-owned subsidiary, Stonetrust Realty LLC is recorded in these statements in accordance with SSAP No. 40R, which requires that the operations of a wholly-owned, single member LLC which holds only one real estate asset, to be reflected in the operations of its parent. Accordingly, all of the assets and liabilities have been consolidated into these financial statements along with the operations being reflected as a component of net investment income.

The Company sold its investment in real estate effective December 31, 2018 to an unrelated third party. The sale resulted in the Company realizing a capital loss of \$610,682. This transaction meets the definition of a sale lease-back transaction contained in SSAP No. 22 *Leases*. In accordance with SSAP No. 22, the Company has recorded the loss directly through policyholder surplus and has included it in "special surplus funds". This amount will be amortized out of "special surplus funds" and into unassigned surplus over the life of the lease in accordance with SSAP No. 22. The amount amortized during 2019 was \$122,136.

### **3. FAIR VALUE MEASUREMENTS**

Included in the statutory-basis financial statements are certain financial instruments carried at estimated fair value. Other financial instruments are periodically measured at fair value, such as when impaired, or, for certain bonds and preferred stock when carried at the lower of cost or estimated fair value.

The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties; that is, other than in a forced or liquidation sale. The fair value of a liability is the amount at which that liability could be incurred or settled in a current transaction between willing parties, that is, other than in a forced or liquidation sale.

Certain of the Company's investment securities are carried at estimated fair value and have been classified, for disclosure purposes, based on a hierarchy defined by SSAP No. 100, *Fair Value Measurements*. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). Classification is based on the lowest level input that is significant to its measurement. The levels of the fair value hierarchy are as follows:

- Level 1 – inputs are based upon adjusted quoted prices for identical instruments traded in active markets.

## **STONETRUST COMMERCIAL INSURANCE COMPANY AND SUBSIDIARY**

### **NOTES TO CONSOLIDATED STATUTORY BASIS FINANCIAL STATEMENTS**

- Level 2 – inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of assets or liabilities.
- Level 3 – inputs are generally unobservable and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

#### **Financial Assets Measured at Fair Value at the Reporting Date**

The following tables provide information as of December 31, 2019 and 2018, about the Company’s financial assets measured and carried at fair value at the reporting date:

	<b>December 31, 2019</b>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Net Asset Value (NAV)</u>	<u>Total</u>
Bonds	\$ -	\$ 4,463,091	\$ -	\$ -	\$ 4,463,091
Common stocks	57,938,732	-	1,612,194	2,694,313	62,245,239
Preferred stocks	2,328,059	-	-	-	2,328,059
	<u>\$60,266,791</u>	<u>\$ 4,463,091</u>	<u>\$1,612,194</u>	<u>\$ 2,694,313</u>	<u>\$69,036,389</u>

  

	<b>December 31, 2018</b>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Net Asset Value (NAV)</u>	<u>Total</u>
Bonds	\$ -	\$23,964,559	\$ -	\$ -	\$23,964,559
Common stocks	46,560,146	-	-	504,832	47,064,978
Preferred stocks	6,223,943	-	-	-	6,223,943
	<u>\$52,784,089</u>	<u>\$23,964,559</u>	<u>\$ -</u>	<u>\$ 504,832</u>	<u>\$77,253,480</u>

With the exception of two investments, ownership in a private foreign mutual fund and ownership in a privately traded common stock, at December 31, 2019 and 2018, all of the Company’s investments in common and preferred stocks are exchange-listed and are actively traded. Unadjusted quoted prices for these securities are provided to the Company principally by independent pricing services that meet Level 1 criteria. The Company’s investment in the private foreign mutual fund, which is classified as a common stock, is valued using net asset value of the Fund as there is no readily determinable fair value, there is no actively traded market and purchases and redemptions are made using the net asset value. The Company’s investment in the privately traded common stock is valued by an independent third-party valuation using inputs that meet Level 3 criteria.

#### **Fair Value of Financial Instruments**

The following tables present estimate fair values of the Company’s financial instruments and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2019 and 2018.

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**NOTES TO CONSOLIDATED STATUTORY BASIS FINANCIAL STATEMENTS**

**December 31, 2019**

	<u>Admitted Assets</u>	<u>Aggregate Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>N.A.V.</u>
<b>Assets:</b>						
Cash and short-term investments	\$ 22,467,487	\$ 22,467,487	\$ 22,467,487	\$ -	\$ -	\$ -
Bonds	\$ 80,025,119	\$ 81,905,333	\$ -	\$ 81,905,333	\$ -	\$ -
Common stocks	\$ 62,245,239	\$ 62,245,239	\$ 57,938,732	\$ -	\$ 1,612,194	\$ 2,694,313
Preferred stocks	\$ 5,664,088	\$ 5,814,206	\$ 5,814,206	\$ -	\$ -	\$ -
<b>Liabilities:</b>						
Derivative instrument	\$ -	\$ (47,728)	\$ -	\$ -	\$ (47,728)	\$ -

**December 31, 2018**

	<u>Admitted Assets</u>	<u>Aggregate Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>N.A.V.</u>
<b>Assets:</b>						
Cash and short-term investments	\$ 32,806,465	\$ 32,806,465	\$ 32,806,465	\$ -	\$ -	\$ -
Bonds	\$ 55,352,237	\$ 54,210,138	\$ -	\$ 54,210,138	\$ -	\$ -
Common stocks	\$ 47,064,978	\$ 47,064,978	\$ 46,560,146	\$ -	\$ -	\$ 504,832
Preferred stocks	\$ 9,194,139	\$ 9,213,445	\$ 9,213,445	\$ -	\$ -	\$ -
Other invested assets	\$ 443,600	\$ 443,600	\$ -	\$ -	\$ 443,600	\$ -
Derivative instrument	\$ -	\$ 20,378	\$ -	\$ -	\$ 20,378	\$ -

The following methods were used to estimate the fair value of financial instruments:

*Cash and Short-Term Investments* - the carrying amount approximates fair value.

*Bonds* - the fair values are obtained from independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows.

*Common and Preferred Stocks* - the fair values generally represent quoted market prices for the securities with the exception of an investment in a private foreign mutual fund which is valued using net asset value and an investment in a privately traded common stock which is valued using a independent third party valuation.

*Derivative Instrument* – the interest rate swap is valued using a discounted cash flow model.

*Other Invested Asset* – the fair value was obtained from an independent third party’s evaluation which used, among other variables, the “Income Approach” and the “Net Asset Recovery Approach”.

**STONETRUST COMMERCIAL INSURANCE COMPANY AND SUBSIDIARY**

**NOTES TO CONSOLIDATED STATUTORY BASIS FINANCIAL STATEMENTS**

**4. CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS**

As of December 31, 2019 and 2018, cash, cash equivalents and short-term investments consisted of the following:

	<u>2019</u>	<u>2018</u>
Demand deposits in banks	\$ 22,457,412	\$ 32,796,418
Money market funds	10,075	10,047
Total	<u>\$ 22,467,487</u>	<u>\$ 32,806,465</u>

All demand deposits are insured by the Federal Deposit Insurance Corporation up to \$250,000. The money market funds are not insured by the Federal Deposit Insurance Corporation. However, these funds are backed by the underlying securities.

**5. ELECTRONIC DATA PROCESSING SYSTEMS, FURNITURE AND EQUIPMENT AND OTHER ASSETS**

Other assets consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Information systems	\$ 6,329,630	\$ 5,771,630
Computer hardware	335,662	335,662
Less: accumulated depreciation	<u>(5,452,438)</u>	<u>(4,894,126)</u>
	1,212,854	1,213,166
Less: non-admitted amount	<u>(1,212,854)</u>	<u>(1,213,166)</u>
Admitted EDP equipment and software	-	-
Amounts due from the Louisiana Second Injury Fund	800,720	1,171,010
Other miscellaneous assets	<u>204,346</u>	<u>26,026</u>
Total - Other Assets	<u>\$ 1,005,066</u>	<u>\$ 1,197,036</u>

Furniture and equipment consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Office equipment	\$ 108,589	\$ 108,589
Less: accumulated depreciation	<u>(108,589)</u>	<u>(108,589)</u>
Total	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense was \$558,312 and \$676,508 for 2019 and 2018, respectively.

**6. LIABILITY FOR UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES**

Unpaid losses and loss adjustment expenses at December 31, 2018 and 2017 consist of the following:

	<u>2019</u>	<u>2018</u>
Unpaid Losses	\$ 64,747,099	\$ 64,598,076
Unpaid loss adjustment expenses	<u>9,327,417</u>	<u>8,503,484</u>
Total	<u>\$ 74,074,516</u>	<u>\$ 73,101,560</u>

# **STONETRUST COMMERCIAL INSURANCE COMPANY AND SUBSIDIARY**

## **NOTES TO CONSOLIDATED STATUTORY BASIS FINANCIAL STATEMENTS**

Activity in the liability for unpaid losses and loss adjustment expenses (LAE) is summarized as follows at December 31:

	<u>2019</u>	<u>2018</u>
Reserves for loss and LAE - gross - at January 1	\$ 76,579,928	\$ 72,790,531
Amounts recoverable from reinsurers on unpaid losses	<u>3,478,368</u>	<u>2,557,160</u>
Reserve for Loss and LAE - net at January 1	<u>73,101,560</u>	<u>70,233,371</u>
Net incurred related to:		
Current year	27,238,886	29,999,167
Prior years	<u>(3,525,779)</u>	<u>(2,505,271)</u>
Total incurred	<u>23,713,107</u>	<u>27,493,896</u>
Net paid related to:		
Current year	6,542,412	7,325,363
Prior years	<u>16,197,739</u>	<u>17,300,344</u>
Total paid	<u>22,740,151</u>	<u>24,625,707</u>
Reserves for Loss and LAE - net - at December 31	74,074,516	73,101,560
Amounts recoverable from reinsurers on unpaid losses	<u>4,470,207</u>	<u>3,478,368</u>
Reserve for Loss and LAE - gross at December 31	<u>\$ 78,544,723</u>	<u>\$ 76,579,928</u>

The estimated cost of loss and loss adjustment expenses (LAE) attributable to insured events of prior years decreased by \$3,525,779 and \$2,505,271 during 2019 and 2018, respectively. Increases or decreases of this nature occur as the result of claim settlements during the current year and as additional information is received regarding individual claims, causing changes from the original estimates of the cost of these claims. Recent loss development trends are also taken into account in evaluating the overall adequacy of unpaid losses and LAE.

The Company has purchased annuities from life insurers under which claimants are payees under structured settlement agreements. These annuities have been used to reduce unpaid losses by approximately \$4,658,519 and \$4,561,595 at December 31, 2019 and 2018, respectively. The Company estimates that it is contingently liable for \$2,520,687 should the issuers of these annuities fail to perform under the terms of the annuities.

### **7. REINSURANCE ACTIVITY**

In the normal course of business, the Company cedes insurance business to unrelated third parties in order to limit its maximum loss, to provide greater diversification of risk and to minimize exposures on larger risks. A summary of the Company's reinsurance programs for the last ten years is as follows:

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Period Covered	Company Retention	Annual Aggregate Deductible	Excess Per Loss Occurrence Coverage
1/01/10 - 12/31/10	1,000,000	-	\$99,000,000 in excess of \$1,000,000
1/01/11 - 12/31/11	1,000,000	-	\$49,000,000 in excess of \$1,000,000
1/01/12 - 12/31/12	1,000,000	-	\$29,000,000 in excess of \$1,000,000
1/01/13 - 12/31/13	750,000	-	\$29,250,000 in excess of \$750,000
1/01/14 - 12/31/14	750,000	-	\$39,250,000 in excess of \$750,000
1/01/15 - 12/31/15	750,000	500,000	\$39,250,000 in excess of \$750,000
1/01/16 - 12/31/16	2,000,000	-	\$38,000,000 in excess of \$2,000,000
1/01/17 - 12/31/17	2,000,000	-	\$38,000,000 in excess of \$2,000,000
1/01/18 - 12/31/18	750,000	500,000	\$39,250,000 in excess of \$750,000
1/01/19 - 12/31/19	750,000	500,000	\$39,250,000 in excess of \$750,000

The reinsurance contracts do not relieve the Company from its obligations to policyholders. The Company remains liable to the extent a reinsurer is unable to meet its obligations. The Company evaluates the financial condition of its reinsurers to minimize its exposure to significant losses from reinsurer insolvencies. Amounts recoverable from reinsurers are based upon assumptions consistent with those used in establishing the liabilities related to the underlying reinsured policies and are continuously reviewed. At December 31, 2019 and 2018, the Company has \$4,470,207 and \$3,478,368, respectively, of reinsurance recoverables based on its actuarially determined ultimate loss and loss adjustment expenses payable. At December 31, 2019 and 2018, the Company had no amounts due from reinsurers for claims actually paid.

The effects of reinsurance on premiums written and earned for 2019 and 2018 are as follows:

	2019		2018	
	Written	Earned	Written	Earned
Direct	\$ 45,117,865	\$ 45,178,477	\$ 48,225,119	\$ 48,525,527
Assumed - assigned risk pools	764,899	803,258	953,586	925,150
Ceded	(2,228,654)	(2,228,654)	(2,424,335)	(2,424,335)
Net	\$ 43,654,110	\$ 43,753,081	\$ 46,754,370	\$ 47,026,342

At December 31, 2019 and 2018, the Company has no unsecured aggregate reinsurance recoverables for unpaid losses and loss adjustment expenses from authorized reinsurers that exceed 3% of policyholders' surplus.

**8. COMMITMENTS AND CONTINGENCIES**

Losses and loss adjustment expenses payable consist of case-based estimates of the likely loss exposure to the Company from all known and open claims, including incurred but not reported (IBNR) attributable to open years. Such estimates are made by the Company and an actuarial study prepared for the Company by its internal actuary. These estimates are continually revised as additional information becomes available.

Management believes the provision for losses and loss adjustment expenses payable at December 31, 2019 is adequate to cover the ultimate liabilities. However, it is more than reasonably possible that a change in these estimates will occur in the near term and that the amount ultimately paid may prove to be more or less than the current estimates of liability and that difference may be significant.



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### **NOTES TO CONSOLIDATED STATUTORY BASIS FINANCIAL STATEMENTS**

Lawsuits arise against the Company in the normal course of business. Contingent liabilities arising from litigation and other matters are not considered material in relation to the financial position of the Company.

The Company is subject to guaranty fund and other assessments in the states in which it writes business. In the case of premium based assessments, accrual of the assessment is made at the time the related premiums are written. In the case of loss-based assessments, accrual of the assessment is made at the time the related loss is incurred. Currently, the Company is not aware of any pending guaranty fund assessments or recent insolvencies which would require it to record a liability for guaranty fund assessments in any of the states the Company conducts business. However, insurance company insolvencies in states where the Company writes business may result in guaranty fund assessments on future premiums. At December 31, 2019 and 2018, the Company has an asset of \$140,152 and \$168,373, respectively, for guaranty fund assessments paid in past years which are available as premium tax offsets over the next five years.

The Company has accrued a liability for loss-based assessments of \$3,286,908 and \$3,348,913 at December 31, 2019 and 2018, respectively. The amounts recorded represent management's best estimates based on past and present assessment rate information and an estimate of the applicable assessable base. This liability is included in taxes, licenses and fees payable.

#### **9. POLICYHOLDER SECURITY DEPOSITS**

Policyholder security deposits are \$1,229,295 and \$1,371,260 as of December 31, 2019 and 2018, respectively. Policyholder security deposits are additional funds available to satisfy policyholder obligations to the Company, if necessary, and are non-interest bearing and refundable upon termination from the Company after all expenses are settled for the policyholder.

#### **10. RELATED PARTY TRANSACTIONS**

The Company, through investment management agreements, contracted with its ultimate parent, Chou Associates Management Inc., to receive investment management services. For the years ended December 31, 2019 and 2018, the Company incurred \$1,017,504 and \$1,000,470, respectively, in fees under these agreements. At December 31, 2019 and 2018, the Company owed Chou Associates Management Inc. \$246,185 and \$239,214, respectively, in relation to these agreements.

#### **11. INCOME TAXES**

The components of deferred tax assets and liabilities as of December 31, 2019 and 2018 are as follows:

**STONETRUST COMMERCIAL INSURANCE COMPANY AND SUBSIDIARY**

**NOTES TO CONSOLIDATED STATUTORY BASIS FINANCIAL STATEMENTS**

	<u>2019</u>	<u>2018</u>	<u>Total Change</u>	<u>Change in Net Deferred Income Taxes</u>
Deferred tax assets:				
Discounting of unpaid Losses and LAE	\$ 2,232,193	\$ 2,268,464	\$ (36,271)	\$ (36,271)
Cost basis differences for invested assets	362,358	-	362,358	362,358
Other-than-temporary impairment loss	-	33,537	(33,537)	(33,537)
Allowance for doubtful accounts	99,485	75,025	24,460	24,460
Non-admitted assets	97,400	88,903	8,497	8,497
Fixed assets	120,292	40,301	79,991	79,991
Surplus note issuance costs	19,084	20,210	(1,126)	(1,126)
Unearned and advance premium	827,753	835,640	(7,887)	(7,887)
Accrued compensated absences	37,018	60,731	(23,713)	(23,713)
Gross deferred tax assets	<u>3,795,583</u>	<u>3,422,811</u>	<u>372,772</u>	<u>372,772</u>
Less: valuation allowance	-	-	-	-
Less: non-admitted deferred tax assets	-	-	-	-
Gross admitted deferred tax assets	<u>3,795,583</u>	<u>3,422,811</u>	<u>372,772</u>	<u>372,772</u>
Deferred tax liabilities:				
Surplus note interest	2,374	2,374	-	-
Accrued dividends	11,502	22,124	(10,622)	(10,622)
Guaranty fund receivable	29,432	35,358	(5,926)	(5,926)
Unrealized capital gains	4,224,675	1,782,806	2,441,869	-
Loss reserves transition adjustment	1,111,384	1,402,445	(291,061)	(291,061)
Gross deferred tax liabilities	<u>5,379,367</u>	<u>3,245,107</u>	<u>2,134,260</u>	<u>(307,609)</u>
Net deferred tax (liabilities) assets	<u>\$ (1,583,784)</u>	<u>\$ 177,704</u>	<u>\$ (1,761,488)</u>	<u>\$ 680,381</u>

The admission calculation components, with paragraph references to SSAP No. 101 are as follows at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
11.a. Federal income taxes recoverable through loss carryback	\$ 1,853,396	\$ 764,944
11.b.i. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	667,978	1,786,745
11.b.ii. Adjusted gross deferred tax assets allowed per limitation threshold	N/A	N/A
Admitted pursuant to 11.b.	<u>667,978</u>	<u>1,786,745</u>
11.c. Remaining adjusted gross deferred tax assets offsetting existing deferred tax liabilities	1,274,209	871,122
Total admitted pursuant to paragraphs 11.a, 11.b, and 11.c above	<u>\$ 3,795,583</u>	<u>\$ 3,422,811</u>

At December 31, 2019 and 2018, the ratio used to determine the applicable period used in paragraph 11.b.i above and the amount of adjusted capital and surplus used to determine the percentage threshold limitation in paragraph 11.b.ii above are as follows:

**STONETRUST COMMERCIAL INSURANCE COMPANY AND SUBSIDIARY**

**NOTES TO CONSOLIDATED STATUTORY BASIS FINANCIAL STATEMENTS**

	<u>2019</u>	<u>2018</u>
Ratio percentage used to determine recovery period and threshold limitaion amount	862.3%	752.9%
Amount of adjusted capital and surplus used to determine recovery period and threshold limitaion in paragraph 11.b.ii. above	<u>\$ 84,446,255</u>	<u>\$ 68,097,971</u>

Federal income tax expense differs from the amount computed by applying the statutory federal income tax rate to earnings for the following reasons:

	<u>2019</u>		<u>2018</u>	
Income before income taxes and capital gains tax	<u>\$ 8,717,636</u>	<u>100%</u>	<u>\$ 5,288,719</u>	<u>100%</u>
Federal income taxes:				
Computed at statutory rate	1,830,704	21.0%	1,110,631	21.0%
Non-admitted assets	(8,431)	-0.1%	123,487	2.3%
Tax-exempt interest and proration	9,447	0.1%	8,147	0.2%
Dividends received deduction	(85,223)	-1.0%	(87,701)	-1.7%
Non-deductible expenses	41,201	0.5%	17,340	0.3%
Effect of foreign tax credit	(115,211)	-1.3%	-	0.0%
Sale/leaseback loss ran through surplus	-	0.0%	(128,243)	-2.4%
Other	(13,648)	-0.2%	2,122	0.0%
Total statutory income taxes	<u>\$ 1,658,839</u>	<u>19.0%</u>	<u>\$ 1,045,783</u>	<u>19.8%</u>
Federal income tax expense	\$ 1,983,748	22.8%	\$ 605,076	11.4%
Realized capital gains tax	355,472	4.1%	146,298	2.8%
Change in net deferred income taxes	<u>(680,381)</u>	<u>-7.8%</u>	<u>294,409</u>	<u>5.6%</u>
Total statutory income taxes	<u>\$ 1,658,839</u>	<u>19.0%</u>	<u>\$ 1,045,783</u>	<u>19.8%</u>

At December 31, 2019, the Company and its subsidiary have \$3,104,164 of tax expense generated in 2019 and 2018 that is available for recoupment in the event of future net losses.

At December 31, 2019, the Company had no protective tax deposits on deposit with the Internal Revenue Service under Section 6603 of the Internal Revenue Code.

**12. CAPITAL AND SURPLUS, DIVIDEND RESTRICTIONS AND DIVIDENDS PAYABLE**

During 2016, the Company re-domesticated to the State of Nebraska. As a condition of the re-domestication, the Nebraska Department of Insurance (the Department) and the Company agreed to certain restrictions and responsibilities being placed on the Company going forward. In accordance with this agreement, the Company may not pay any dividends or other distributions to its' shareholder without the prior approval of the Department. The Company is also required to maintain a minimum risk-based capital (RBC) ratio of 350% and is required to maintain an "RBC Maintenance Agreement" with its ultimate parent, Chou Associates Management Inc, whereby it would agree to inject capital into the Company if the RBC ratio dropped below the required threshold. Additionally, the Company is required to have all related party agreements approved by the Department prior to implementation and is required to submit certain information on a monthly and quarterly basis to the Department.

## **STONETRUST COMMERCIAL INSURANCE COMPANY AND SUBSIDIARY**

### **NOTES TO CONSOLIDATED STATUTORY BASIS FINANCIAL STATEMENTS**

In addition to the RBC requirement discussed above, the Department also imposes minimum risk-based capital requirements which were developed by the NAIC. The formulas for determining the amount of risk-based capital specify various weighting factors that are applied to financial balances or various levels of activity based on the perceived degree of risk. Regulatory compliance is determined by a ratio of the enterprise's regulatory total adjusted capital, also defined by the NAIC. Enterprises below specific trigger points or ratios are classified within certain levels, each of which requires specified corrective action. At December 31, 2019 and 2018, the Company's calculation indicated that it exceeded the minimum risk-based capital requirements.

Under statutory accounting practices, certain assets are designated as non-admitted assets and are not included in the accompanying statement of admitted assets and liabilities and capital and surplus. Changes in non-admitted assets are charged directly to surplus. Non-admitted assets at December 31, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Premium receivables	\$ 357,308	\$ 291,023
Other invested assets	-	32,143
EDP equipment and software	1,212,854	1,213,166
Prepaid expenses	463,808	423,349
Deposit with NCCI	89,741	89,740
Total	<u>\$ 2,123,711</u>	<u>\$ 2,049,421</u>

The portion of unassigned surplus represented by cumulative unrealized gains at December 31, 2019 was \$20,117,498 less applicable deferred taxes of \$4,224,675, for a net balance of \$15,892,823.

#### **13. SURPLUS NOTE**

On December 14, 2006, the Company issued a surplus note in the amount of \$4,000,000 in exchange for cash. The note was underwritten by FTN Financial Capital Markets and is administered by Wilmington Trust Company as registrar/paying agent. Each payment of principal and interest may be made only with the prior approval of the Nebraska Insurance Department and only to the extent the Company has sufficient policyholders' surplus to make such payment. In the event of a liquidation proceeding, holders of indebtedness, policy claims and prior claims would have greater priority under both the Liquidation Act and terms of the note and, accordingly, would have the right to be paid in full before any payments of interest and principal are made to note holders.

The terms of the surplus note are as follows:

Date Issued:	December 14, 2006
Interest Rate:	3-month LIBOR + 4.0%
Par Value of Note:	\$4,000,000
Carrying Value of Note:	\$4,000,000
Principal/Interest Paid During	
Current Year:	\$262,100
Total Principal/Interest Paid:	\$3,393,741
Unapproved Principal/Interest:	\$11,307
Date of Maturity:	December 15, 2036

The unapproved interest of \$11,307 shown above represents interest from December 16, 2019 through December 31, 2019 which will be paid with the first interest payment due on March 15, 2020 once approval has been sought and received from the Nebraska Department of Insurance. This interest expense has not been accrued in the

# **STONETRUST COMMERCIAL INSURANCE COMPANY AND SUBSIDIARY**

## **NOTES TO CONSOLIDATED STATUTORY BASIS FINANCIAL STATEMENTS**

accompanying financial statements since SAP requires that approval of interest payments be obtained by the Nebraska Department of Insurance before the expense is recognized.

### **14. DERIVATIVE INSTRUMENTS**

Effective December 15, 2011, the Company entered into an interest rate swap agreement with a \$4,000,000 notional amount with FTN Financial Capital Markets to hedge the floating interest rate on the surplus note. In accordance with SSAP No. 86, *Accounting for Derivative Instruments and Hedging Activities*, the Company has designated the swap as a highly effective hedge of the cash flows of the surplus note and therefore records the value of the swap at amortized cost consistent with how the Company records the surplus note. The Company had zero initial cost, to enter into the swap, which calls for the Company to pay fixed interest of 6.36% while the counterparty pays LIBOR plus 4.00% until September 15, 2021. The carrying value of the swap was zero at December 31, 2019 and 2018, respectively. If the interest rate swap agreement was required to be recorded at estimated fair value at December 31, 2019 and 2018, a liability of \$47,728 and an asset of \$20,378, respectively, would result. If the swap is terminated prior to maturity, proceeds are exchanged equal to the fair value of the contract.

### **15. LEASES**

The Company leases office equipment under various non-cancelable operating agreements that expire through 2025 and incurred expense of \$42,419 and \$42,452 in 2019 and 2018, respectively, related to these leases.

Additionally, through an inter-company lease agreement, the Company leased office space from its wholly-owned subsidiary, Stonetrust Realty, LLC during 2018. The Company incurred \$172,016 of rental expense in 2018 in relation to this lease. Stonetrust Realty LLC sold the office building effective December 31, 2018 to an unrelated third party. Because of the sale, the Company's inter-company lease was terminated, and a new lease was executed effective January 1, 2019 (See Note 2). The Company incurred \$233,967 of rental expense in 2019 in relation to its new lease.

At December 31, 2019, the minimum aggregate lease commitments are as follows:

<b><u>Years ending December 31,</u></b>	<b><u>Amount</u></b>
2020	\$ 218,514
2021	216,148
2022	211,415
2023	201,743
2024	11,713
Thereafter	2,927
Total	<u><u>\$ 862,460</u></u>

### **16. EMPLOYEES' SAVINGS PLAN**

The Company sponsors a defined contribution 401(k) plan, which covers all employees who are at least 21 years of age and has six months of service with the Company. The Company contributes 3% of eligible employee's compensation into the plan and has the option to contribute additional amounts if so decided. For the plan years ended December 31, 2019 and 2018, the Company contributed \$327,098 and \$328,301, respectively, to the plan.

## **STONETRUST COMMERCIAL INSURANCE COMPANY AND SUBSIDIARY**

### **NOTES TO CONSOLIDATED STATUTORY BASIS FINANCIAL STATEMENTS**

#### **17. STOCK SPLIT**

Effective May 7<sup>th</sup>, 2019, with the approval of the Nebraska Department of Insurance, Stonetrust Commercial Insurance Company performed a 4,000 to 1 stock split. Accordingly, at December 31, 2019, the Company had 40,000,000 shares of common stock with a par value of \$0.625 per share authorized, and 4,000,000 shares issued and outstanding.

#### **18. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 20, 2020, and determined that the following matter required additional disclosure in the financial statements. No other subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

In March, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic, which continues to spread throughout the United States. The COVID-19 pandemic has negatively impacted the global economy and created significant volatility and disruption of financial markets. The extent of the impact of the COVID-19 pandemic on the Company's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and the impact on policyholders, employees and vendors, all of which are uncertain and cannot be predicted. The extent to which the COVID-19 pandemic may impact financial markets and the Company's financial condition or results of operations cannot be reasonably estimated at this time.

**SUPPLEMENTARY INFORMATION**

**INDEPENDENT AUDITORS' REPORT**  
**ON SUPPLEMENTARY INFORMATION**

To the Board of Directors  
Stonetrust Commercial Insurance Company and Subsidiary

We have audited the consolidated statutory-basis financial statements of Stonetrust Commercial Insurance Company and Subsidiary (the Company) as of and for the year ended December 31, 2019, and have issued our report thereon which is on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the consolidated statutory-basis financial statements taken as a whole. The consolidating information on pages 29 through 31 is presented for additional analysis of the consolidated statutory-basis financial statements rather than to present the statutory-basis financial position, results of operations, and cash flows for the individual companies. The accompanying supplemental investment risk interrogatories, summary investment schedule, and property and casualty interrogatories are presented to comply with the National Association of Insurance Commissioners' *Annual Statement Instructions* and the National Association of Insurance Commissioners' *Accounting Practices and Procedures Manual* and for purposes of additional analysis and are not a required part of the consolidated statutory-basis financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated statutory-basis financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated statutory-basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated statutory-basis financial statements or to the consolidated statutory-basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated statutory-basis financial statements taken as a whole.

This report is intended solely for the information and use of the Company and state insurance departments to whose jurisdiction the Company is subject and is not intended to be and should not be used by anyone other than these specified parties.



Baton Rouge, Louisiana  
March 20, 2020



**STONETRUST COMMERCIAL INSURANCE COMPANY AND SUBSIDIARY**

**CONSOLIDATING STATEMENTS OF ADMITTED ASSETS, LIABILITIES, AND CAPITAL AND SURPLUS**

(Statutory Basis)

**DECEMBER 31, 2019**

**ADMITTED ASSETS**

	<u>Stonetrust Commerical</u>	<u>Stonetrust Premier</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
Investments in bonds	\$ 79,098,749	\$ 926,370	\$ -	\$ 80,025,119
Investments in common stocks	67,729,066	-	(5,483,827)	62,245,239
Investments in preferred stocks	5,664,088	-	-	5,664,088
Cash and cash equivalents	17,917,142	4,550,345	-	22,467,487
Receivables for securities	1,304	-	-	1,304
Cash and invested assets	<u>170,410,349</u>	<u>5,476,715</u>	<u>(5,483,827)</u>	<u>170,403,237</u>
Investment income due and accrued	852,947	4,769	-	857,716
Premiums due and uncollected	1,069,629	-	-	1,069,629
Deferred premiums	15,191,423	-	-	15,191,423
Guaranty funds receivable or on deposit	140,152	-	-	140,152
Other assets	<u>1,005,066</u>	<u>-</u>	<u>-</u>	<u>1,005,066</u>
<b>Total Admitted Assets</b>	<b><u>\$ 188,669,566</u></b>	<b><u>\$ 5,481,484</u></b>	<b><u>\$ (5,483,827)</u></b>	<b><u>\$ 188,667,223</u></b>

**LIABILITIES AND CAPITAL AND SURPLUS**

<u>Liabilities</u>				
Unpaid losses and loss adjustment expenses	\$ 74,074,516	\$ -	\$ -	\$ 74,074,516
Commissions payable	1,530,510	-	-	1,530,510
Other expenses, excluding taxes, licenses and fees	1,979,955	600	-	1,980,555
Taxes, licenses and fees, excluding federal income taxes	3,576,480	800	-	3,577,280
Income taxes payable	219,765	(4,299)	-	215,466
Deferred tax liability	1,583,784	-	-	1,583,784
Unearned premiums	19,018,957	-	-	19,018,957
Advance premiums	689,460	-	-	689,460
Remittances and items not allocated	40,507	-	-	40,507
Payable to parent, subsidiaries and affiliates	245,629	556	-	246,185
Policyholder security deposits	1,229,295	-	-	1,229,295
Amounts payable under loss portfolio transfer	34,453	-	-	34,453
Total liabilities	<u>104,223,311</u>	<u>(2,343)</u>	<u>-</u>	<u>104,220,968</u>
<u>Capital and Surplus</u>				
Common stock, \$0.625 par value; 40,000,000 shares authorized and 4,000,000 outstanding	2,500,000	2,500,000	(2,500,000)	2,500,000
Paid-in	32,500,000	3,000,000	(3,000,000)	32,500,000
Surplus note	4,000,000	-	-	4,000,000
Special surplus funds	(488,546)	-	-	(488,546)
Unassigned surplus	45,934,801	(16,173)	16,173	45,934,801
Total capital and surplus	<u>84,446,255</u>	<u>5,483,827</u>	<u>(5,483,827)</u>	<u>84,446,255</u>
<b>Total Liabilities and Capital and Surplus</b>	<b><u>\$ 188,669,566</u></b>	<b><u>\$ 5,481,484</u></b>	<b><u>\$ (5,483,827)</u></b>	<b><u>\$ 188,667,223</u></b>

See independent auditors' report on supplementary information.

**STONETRUST COMMERCIAL INSURANCE COMPANY AND SUBSIDIARY**

**CONSOLIDATING STATEMENTS OF OPERATIONS AND CHANGES IN CAPITAL AND SURPLUS**

**(Statutory Basis)**

**YEAR ENDED DECEMBER 31, 2019**

	<u>Stonetrust Commerical</u>	<u>Stonetrust Premier</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
<b><u>UNDERWRITING INCOME</u></b>				
Premiums earned, net	\$ 43,753,081	\$ -	\$ -	\$ 43,753,081
Losses incurred	(19,031,995)	-	-	(19,031,995)
Investments in common stocks	(4,681,112)	-	-	(4,681,112)
Other underwriting expenses incurred	(15,291,262)	(53,016)	-	(15,344,278)
Net underwriting gain (loss)	<u>4,748,712</u>	<u>(53,016)</u>	<u>-</u>	<u>4,695,696</u>
<b><u>INVESTMENT INCOME</u></b>				
Net investment income	3,883,728	32,544	-	3,916,272
Net realized capital gain (net of capital gains tax of \$355,472)	(210,029)	-	-	(210,029)
Net investment gain	<u>3,673,699</u>	<u>32,544</u>	<u>-</u>	<u>3,706,243</u>
<b><u>OTHER INCOME (EXPENSE)</u></b>				
Bad debt expense, net of recoveries	(264,488)	-	-	(264,488)
Miscellaneous income	224,713	-	-	224,713
<b><u>INCOME (LOSS) BEFORE FEDERAL INCOME TAXES</u></b>				
	8,382,636	(20,472)	-	8,362,164
Federal income tax expense (benefit)	1,988,047	(4,299)	-	1,983,748
<b><u>NET INCOME (LOSS)</u></b>				
	<u>\$ 6,394,589</u>	<u>\$ (16,173)</u>	<u>\$ -</u>	<u>\$ 6,378,416</u>
<b><u>CHANGES IN CAPITAL AND SURPLUS</u></b>				
Balance, beginning of year	\$ 68,275,675	\$ -	\$ -	\$ 68,275,675
Net income	6,394,589	(16,173)	-	6,378,416
Capital contribution from parent	-	5,500,000	(5,500,000)	-
Other changes:				
Change in net deferred income tax	680,381	-	-	680,381
Change in non-admitted assets	(74,290)	-	-	(74,290)
Change in net unrealized capital gains	9,169,900	-	16,173	9,186,073
Balance, end of year	<u>\$ 84,446,255</u>	<u>\$ 5,483,827</u>	<u>\$ (5,483,827)</u>	<u>\$ 84,446,255</u>

See independent auditors' report on supplementary information.

**STONETRUST COMMERCIAL INSURANCE COMPANY AND SUBSIDIARY**

**CONSOLIDATING STATEMENTS OF CASH FLOWS**

**(Statutory Basis)**

**YEAR ENDED DECEMBER 31, 2019**

	<b><u>Stonetrust Commerical</u></b>	<b><u>Stonetrust Premier</u></b>	<b><u>Eliminations</u></b>	<b><u>Consolidated Total</u></b>
<b><u>OPERATING ACTIVITIES</u></b>				
Premiums collected (net of reinsurance premiums paid)	\$ 43,649,322	\$ -	\$ -	\$ 43,649,322
Net investment income	4,059,526	28,708	-	4,088,234
Investments in common stocks	224,713	-	-	224,713
Benefit and loss related payments	(18,882,972)	-	-	(18,882,972)
Commissions and other underwriting expenses paid	(18,813,489)	(52,172)	-	(18,865,661)
Federal income taxes paid	(1,000,000)	-	-	(1,000,000)
<b>Net cash provided by (used in) operating activities</b>	<b>9,237,100</b>	<b>(23,464)</b>	<b>-</b>	<b>9,213,636</b>
<b><u>INVESTING ACTIVITIES</u></b>				
Proceeds from sales, maturities, and prepayments of bonds	10,675,177	-	-	10,675,177
Proceeds from sales of equity securities	21,390,847	-	-	21,390,847
Loss on exchange of short-term investment	(199,194)	-	-	(199,194)
Cost of other invested assets acquired	(1,122,211)	-	-	(1,122,211)
Cost of bonds acquired	(34,778,802)	(926,191)	-	(35,704,993)
Cost of equity securities acquired	(19,806,984)	-	5,500,000	(14,306,984)
<b>Net cash used in investing activities</b>	<b>(23,841,167)</b>	<b>(926,191)</b>	<b>5,500,000</b>	<b>(19,267,358)</b>
<b><u>FINANCING ACTIVITIES</u></b>				
Capital contribution received	-	5,500,000	(5,500,000)	-
Other cash applied	(285,256)	-	-	(285,256)
<b>Net cash used in financing activities</b>	<b>(285,256)</b>	<b>5,500,000</b>	<b>(5,500,000)</b>	<b>(285,256)</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(14,889,323)</b>	<b>4,550,345</b>	<b>-</b>	<b>(10,338,978)</b>
<b>CASH AND CASH EQUIVALENTS BEGINNING</b>	<b>32,806,465</b>	<b>-</b>	<b>-</b>	<b>32,806,465</b>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<b>\$ 17,917,142</b>	<b>\$ 4,550,345</b>	<b>\$ -</b>	<b>\$ 22,467,487</b>

See independent auditors' report on supplementary information.



## SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For the year ended December 31, 2019

(To be filed by April 1)

Of Stonetrust Commercial Insurance Company

Address (City, State, Zip Code): Omaha NE 68154

NAIC Group Code.....4949

NAIC Company Code.....11042

Employer's ID Number.....72-1478054

The Investment Risks Interrogatories are to be filed by April 1. They are also to be included with the Audited Statutory Financial Statements.

Answer the following interrogatories by reporting the applicable U.S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

1. Reporting entity's total admitted assets as reported on Page 2 of this annual statement. \$.....188,465,220

2. Ten largest exposures to a single issuer/borrower/investment.

	1	2	3	4
	<u>Issuer</u>	<u>Description of Exposure</u>	<u>Amount</u>	<u>Percentage of Total Admitted Assets</u>
2.01	Exor N.V.....	Equity.....	\$.....7,021,637	.....3.7 %
2.02	Fiat Chrysler Automobiles N.V.....	Bonds, Equity.....	\$.....6,740,192	.....3.6 %
2.03	Lamar Advertising Company.....	Equity.....	\$.....5,356,671	.....2.8 %
2.04	Alphabet Inc.....	Equity.....	\$.....5,123,461	.....2.7 %
2.05	CNH Industrial N.V.....	Bonds.....	\$.....4,905,457	.....2.6 %
2.06	Cleco Corporate Holdings LLC.....	Bonds.....	\$.....4,765,860	.....2.5 %
2.07	Iberiabank Corporation.....	Equity, Preferred Stock.....	\$.....4,603,343	.....2.4 %
2.08	CenturyLink Inc.....	Bonds.....	\$.....3,859,335	.....2.0 %
2.09	Moody's Corporation.....	Equity.....	\$.....3,774,582	.....2.0 %
2.10	Pershing Square Holdings, Ltd.....	Bonds.....	\$.....3,754,422	.....2.0 %

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC designation.

		1	2
<u>Bonds</u>			
3.01	NAIC 1.....	\$.....38,671,699	.....20.5 %
3.02	NAIC 2.....	\$.....20,489,873	.....10.9 %
3.03	NAIC 3.....	\$.....9,012,784	.....4.8 %
3.04	NAIC 4.....	\$.....8,898,783	.....4.7 %
3.05	NAIC 5.....	\$.....2,025,610	.....1.1 %
3.06	NAIC 6.....	\$.....	.....0.0 %
<u>Preferred Stocks</u>			
3.07	P/RP-1.....	\$.....	.....0.0 %
3.08	P/RP-2.....	\$.....3,843,883	.....2.0 %
3.09	P/RP-3.....	\$.....	.....0.0 %
3.10	P/RP-4.....	\$.....489,266	.....0.3 %
3.11	P/RP-5.....	\$.....1,330,939	.....0.7 %
3.12	P/RP-6.....	\$.....	.....0.0 %

4. Assets held in foreign investments:

4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets? Yes [ ] No [X]

If response to 4.01 above is yes, responses are not required for interrogatories 5-10.

4.02	Total admitted assets held in foreign investments	\$.....30,538,273	.....16.2 %
4.03	Foreign-currency-denominated investments	\$.....	.....0.0 %
4.04	Insurance liabilities denominated in that same foreign currency	\$.....	.....0.0 %

5. Aggregate foreign investment exposure categorized by NAIC sovereign designation:

		1	2
5.01	Countries designated NAIC 1.....	\$.....30,538,273	.....16.2 %
5.02	Countries designated NAIC 2.....	\$.....	.....0.0 %
5.03	Countries designated NAIC 3 or below.....	\$.....	.....0.0 %

6. Largest foreign investment exposures by country, categorized by the country's NAIC sovereign designation:

		1	2
Countries designated NAIC 1:			
6.01	Country 1: United Kingdom.....	\$.....15,983,444	.....8.5 %
6.02	Country 2: Netherlands.....	\$.....7,021,638	.....3.7 %
Countries designated NAIC 2:			
6.03	Country 1: .....	\$.....	.....0.0 %
6.04	Country 2: .....	\$.....	.....0.0 %
Countries designated NAIC 3 or below:			
6.05	Country 1: .....	\$.....	.....0.0 %
6.06	Country 2: .....	\$.....	.....0.0 %

7. Aggregate unhedged foreign currency exposure..... \$.....0.0 %

8.	Aggregate unhedged foreign currency exposure categorized by NAIC sovereign designation:	1	2	
8.01	Countries designated NAIC 1.....	\$.....	.....	0.0 %
8.02	Countries designated NAIC 2.....	\$.....	.....	0.0 %
8.03	Countries designated NAIC 3 or below.....	\$.....	.....	0.0 %
9.	Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign designation:			
	Countries designated NAIC 1:	1	2	
9.01	Country 1: .....	\$.....	.....	0.0 %
9.02	Country 2: .....	\$.....	.....	0.0 %
	Countries designated NAIC 2:			
9.03	Country 1: .....	\$.....	.....	0.0 %
9.04	Country 2: .....	\$.....	.....	0.0 %
	Countries designated NAIC 3 or below:			
9.05	Country 1: .....	\$.....	.....	0.0 %
9.06	Country 2: .....	\$.....	.....	0.0 %
10.	Ten largest non-sovereign (i.e. non-governmental) foreign issues:			
	1	2	3	4
	<u>Issuer</u>	<u>NAIC Designation</u>		
10.01	Exor N.V.....	Equity.....	\$.....7,021,637	.....3.7 %
10.02	Fiat Chrysler Automobiles N.V.....	3FE,Equity.....	\$.....6,740,192	.....3.6 %
10.03	CNH Industrial N.V.....	2FE.....	\$.....4,905,457	.....2.6 %
10.04	Seagate HDD Cayman.....	2FE.....	\$.....3,056,581	.....1.6 %
10.05	BAOBAB Global Fund Ltd.....	Equity.....	\$.....2,694,313	.....1.4 %
10.06	Assured Guaranty Ltd.....	Equity.....	\$.....2,451,000	.....1.3 %
10.07	Global Ship Lease Inc.....	4FE.....	\$.....1,643,483	.....0.9 %
10.08	ENDO.....	5FE.....	\$.....1,083,750	.....0.6 %
10.09	Mallinckrodt.....	5Z.....	\$.....941,860	.....0.5 %
10.10	.....	.....	\$.....	.....0.0 %
11.	Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:			
11.01	Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets?			Yes [ X ] No [ ]
	If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11.			
11.02	Total admitted assets held in Canadian Investments.....	\$.....	.....	0.0 %
11.03	Canadian currency-denominated investments.....	\$.....	.....	0.0 %
11.04	Canadian-denominated insurance liabilities.....	\$.....	.....	0.0 %
11.05	Unhedged Canadian currency exposure.....	\$.....	.....	0.0 %
12.	Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions.			
12.01	Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets?			Yes [ X ] No [ ]
	If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.			
	1	2	3	
12.02	Aggregate statement value of investments with contractual sales restrictions.....	\$.....	.....	0.0 %
	Largest three investments with contractual sales restrictions:			
12.03	.....	\$.....	.....	0.0 %
12.04	.....	\$.....	.....	0.0 %
12.05	.....	\$.....	.....	0.0 %
13.	Amounts and percentages of admitted assets held in the ten largest equity interests:			
13.01	Are assets held in equity interest less than 2.5% of the reporting entity's total admitted assets?			Yes [ ] No [ X ]
	If response to 13.01 above is yes, responses are not required for the remainder of Interrogatory 13.			
	1	2	3	
	<u>Name of Issuer</u>			
13.02	Exor N.V.....	\$.....7,021,637	.....	3.7 %
13.03	Fiat Chrysler Automobiles N.V.....	\$.....6,263,640	.....	3.3 %
13.04	Lamar Advertising Company.....	\$.....5,356,671	.....	2.8 %
13.05	Alphabet Inc.....	\$.....5,123,461	.....	2.7 %
13.06	Iberiabank Corporation.....	\$.....4,603,343	.....	2.4 %
13.07	Moody's Corporation.....	\$.....3,774,582	.....	2.0 %
13.08	Southwest Airlines.....	\$.....3,344,007	.....	1.8 %
13.09	Apple Inc.....	\$.....3,230,150	.....	1.7 %
13.10	BAOBAB Global Fund Ltd.....	\$.....2,694,313	.....	1.4 %
13.11	Wells Fargo.....	\$.....2,690,000	.....	1.4 %
14.	Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:			
14.01	Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets?			Yes [ X ] No [ ]
	If response to 14.01 above is yes, responses are not required for the remainder of Interrogatory 14.			
	1	2	3	
14.02	Aggregate statement value of investments held in nonaffiliated, privately placed equities.....	\$.....	.....	0.0 %
	Largest three investments held in nonaffiliated, privately placed equities:			
14.03	.....	\$.....	.....	0.0 %
14.04	.....	\$.....	.....	0.0 %
14.05	.....	\$.....	.....	0.0 %

Ten Largest Fund Managers

	1	2	3	4
	<u>Fund Manager</u>	<u>Total Invested</u>	<u>Diversified</u>	<u>Non-Diversified</u>
14.06	.....	\$.....	\$.....	\$.....
14.07	.....	\$.....	\$.....	\$.....
14.08	.....	\$.....	\$.....	\$.....
14.09	.....	\$.....	\$.....	\$.....
14.10	.....	\$.....	\$.....	\$.....
14.11	.....	\$.....	\$.....	\$.....
14.12	.....	\$.....	\$.....	\$.....
14.13	.....	\$.....	\$.....	\$.....
14.14	.....	\$.....	\$.....	\$.....
14.15	.....	\$.....	\$.....	\$.....

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? Yes [ X ] No [ ]  
 If response to 15.01 above is yes, responses are not required for the remainder of Interrogatory 15.

	1	2	3
15.02	Aggregate statement value of investments held in general partnership interests.....	\$.....	.....0.0 %
Largest three investments in general partnership interests:			
15.03	.....	\$.....	.....0.0 %
15.04	.....	\$.....	.....0.0 %
15.05	.....	\$.....	.....0.0 %

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? Yes [ X ] No [ ]  
 If response to 16.01 above is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

	1	2	3
	<u>Type (Residential, Commercial, Agricultural)</u>		
16.02	.....	\$.....	.....0.0 %
16.03	.....	\$.....	.....0.0 %
16.04	.....	\$.....	.....0.0 %
16.05	.....	\$.....	.....0.0 %
16.06	.....	\$.....	.....0.0 %
16.07	.....	\$.....	.....0.0 %
16.08	.....	\$.....	.....0.0 %
16.09	.....	\$.....	.....0.0 %
16.10	.....	\$.....	.....0.0 %
16.11	.....	\$.....	.....0.0 %

Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:

	<u>Loans</u>
16.12	Construction loans..... \$..... 0.0 %
16.13	Mortgage loans over 90 days past due..... \$..... 0.0 %
16.14	Mortgage loans in the process of foreclosure..... \$..... 0.0 %
16.15	Mortgage loans foreclosed..... \$..... 0.0 %
16.16	Restructured mortgage loans..... \$..... 0.0 %

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:

	<u>Loan-to-Value</u>	<u>Residential</u>		<u>Commercial</u>		<u>Agricultural</u>	
		1	2	3	4	5	6
17.01	above 95%.....	\$.....	.....0.0 %	\$.....	.....0.0 %	\$.....	.....0.0 %
17.02	91% to 95%.....	\$.....	.....0.0 %	\$.....	.....0.0 %	\$.....	.....0.0 %
17.03	81% to 90%.....	\$.....	.....0.0 %	\$.....	.....0.0 %	\$.....	.....0.0 %
17.04	71% to 80%.....	\$.....	.....0.0 %	\$.....	.....0.0 %	\$.....	.....0.0 %
17.05	below 70%.....	\$.....	.....0.0 %	\$.....	.....0.0 %	\$.....	.....0.0 %

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:

18.01 Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets? Yes [ X ] No [ ]  
 If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.

Largest five investments in any one parcel or group of contiguous parcels of real estate:

	<u>Description</u>	2	3
18.02	.....	\$.....	.....0.0 %
18.03	.....	\$.....	.....0.0 %
18.04	.....	\$.....	.....0.0 %
18.05	.....	\$.....	.....0.0 %
18.06	.....	\$.....	.....0.0 %

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans.

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's admitted assets? Yes [ X ] No [ ]

If response to 19.01 is yes, responses are not required for the remainder of Interrogatory 19.

	1	2	3
19.02 Aggregate statement value of investments held in mezzanine real estate loans		\$.....	.....0.0 %
Largest three investments held in mezzanine real estate loans:			
19.03 .....		\$.....	.....0.0 %
19.04 .....		\$.....	.....0.0 %
19.05 .....		\$.....	.....0.0 %

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

	<u>At Year-End</u>		<u>At End of Each Quarter</u>		
	1	2	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>
	1	2	3	4	5
20.01 Securities lending agreements (do not include assets held as collateral for such transactions).....	\$.....	.....0.0 %	\$.....	\$.....	\$.....
20.02 Repurchase agreements.....	\$.....	.....0.0 %	\$.....	\$.....	\$.....
20.03 Reverse repurchase agreements.....	\$.....	.....0.0 %	\$.....	\$.....	\$.....
20.04 Dollar repurchase agreements.....	\$.....	.....0.0 %	\$.....	\$.....	\$.....
20.05 Dollar reverse repurchase agreements.....	\$.....	.....0.0 %	\$.....	\$.....	\$.....

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps and floors:

	<u>Owned</u>		<u>Written</u>	
	1	2	3	4
	21.01 Hedging.....	\$.....	.....0.0 %	\$.....
21.02 Income generation.....	\$.....	.....0.0 %	\$.....	.....0.0 %
21.03 Other.....	\$.....	.....0.0 %	\$.....	.....0.0 %

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

	<u>At Year-End</u>		<u>At End of Each Quarter</u>		
	1	2	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>
	1	2	3	4	5
22.01 Hedging.....	\$.....	.....0.0 %	\$.....	\$.....	\$.....
22.02 Income generation.....	\$.....	.....0.0 %	\$.....	\$.....	\$.....
22.03 Replications.....	\$.....	.....0.0 %	\$.....	\$.....	\$.....
22.04 Other.....	\$.....	.....0.0 %	\$.....	\$.....	\$.....

23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:

	<u>At Year-End</u>		<u>At End of Each Quarter</u>		
	1	2	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>
	1	2	3	4	5
23.01 Hedging.....	\$.....	.....0.0 %	\$.....	\$.....	\$.....
23.02 Income generation.....	\$.....	.....0.0 %	\$.....	\$.....	\$.....
23.03 Replications.....	\$.....	.....0.0 %	\$.....	\$.....	\$.....
23.04 Other.....	\$.....	.....0.0 %	\$.....	\$.....	\$.....



**SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES**

For the year ended December 31, 2019

(To be filed by April 1)

Of Stonetrust Premier Casualty Insurance Company

Address (City, State, Zip Code): Omaha NE 68154

NAIC Group Code.....4949

NAIC Company Code.....16577

Employer's ID Number.....83-3066112

The Investment Risks Interrogatories are to be filed by April 1. They are also to be included with the Audited Statutory Financial Statements.

Answer the following interrogatories by reporting the applicable U.S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

1. Reporting entity's total admitted assets as reported on Page 2 of this annual statement. \$.....5,485,783

2. Ten largest exposures to a single issuer/borrower/investment.

	1	2	3	4
	<u>Issuer</u>	<u>Description of Exposure</u>	<u>Amount</u>	<u>Percentage of Total Admitted Assets</u>
2.01	.....	.....	\$.....	0.0 %
2.02	.....	.....	\$.....	0.0 %
2.03	.....	.....	\$.....	0.0 %
2.04	.....	.....	\$.....	0.0 %
2.05	.....	.....	\$.....	0.0 %
2.06	.....	.....	\$.....	0.0 %
2.07	.....	.....	\$.....	0.0 %
2.08	.....	.....	\$.....	0.0 %
2.09	.....	.....	\$.....	0.0 %
2.10	.....	.....	\$.....	0.0 %

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC designation.

		1	2
<u>Bonds</u>			
3.01	NAIC 1.....	\$.....926,370	.....16.9 %
3.02	NAIC 2.....	\$.....	.....0.0 %
3.03	NAIC 3.....	\$.....	.....0.0 %
3.04	NAIC 4.....	\$.....	.....0.0 %
3.05	NAIC 5.....	\$.....	.....0.0 %
3.06	NAIC 6.....	\$.....	.....0.0 %
<u>Preferred Stocks</u>		3	4
3.07	P/RP-1.....	\$.....	.....0.0 %
3.08	P/RP-2.....	\$.....	.....0.0 %
3.09	P/RP-3.....	\$.....	.....0.0 %
3.10	P/RP-4.....	\$.....	.....0.0 %
3.11	P/RP-5.....	\$.....	.....0.0 %
3.12	P/RP-6.....	\$.....	.....0.0 %

4. Assets held in foreign investments:

4.01	Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets?		Yes [ X ] No [ ]
If response to 4.01 above is yes, responses are not required for interrogatories 5-10.			
4.02	Total admitted assets held in foreign investments	\$.....	.....0.0 %
4.03	Foreign-currency-denominated investments	\$.....	.....0.0 %
4.04	Insurance liabilities denominated in that same foreign currency	\$.....	.....0.0 %

5. Aggregate foreign investment exposure categorized by NAIC sovereign designation:

	1	2
5.01	Countries designated NAIC 1.....	\$.....0.0 %
5.02	Countries designated NAIC 2.....	\$.....0.0 %
5.03	Countries designated NAIC 3 or below.....	\$.....0.0 %

6. Largest foreign investment exposures by country, categorized by the country's NAIC sovereign designation:

		1	2
Countries designated NAIC 1:			
6.01	Country 1: .....	\$.....	.....0.0 %
6.02	Country 2: .....	\$.....	.....0.0 %
Countries designated NAIC 2:			
6.03	Country 1: .....	\$.....	.....0.0 %
6.04	Country 2: .....	\$.....	.....0.0 %
Countries designated NAIC 3 or below:			
6.05	Country 1: .....	\$.....	.....0.0 %
6.06	Country 2: .....	\$.....	.....0.0 %

7. Aggregate unhedged foreign currency exposure..... \$.....0.0 %



8.	Aggregate unhedged foreign currency exposure categorized by NAIC sovereign designation:	1	2		
8.01	Countries designated NAIC 1.....	\$.....	.....	0.0 %	
8.02	Countries designated NAIC 2.....	\$.....	.....	0.0 %	
8.03	Countries designated NAIC 3 or below.....	\$.....	.....	0.0 %	
9.	Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign designation:				
	Countries designated NAIC 1:	1	2		
9.01	Country 1: .....	\$.....	.....	0.0 %	
9.02	Country 2: .....	\$.....	.....	0.0 %	
	Countries designated NAIC 2:				
9.03	Country 1: .....	\$.....	.....	0.0 %	
9.04	Country 2: .....	\$.....	.....	0.0 %	
	Countries designated NAIC 3 or below:				
9.05	Country 1: .....	\$.....	.....	0.0 %	
9.06	Country 2: .....	\$.....	.....	0.0 %	
10.	Ten largest non-sovereign (i.e. non-governmental) foreign issues:				
	1	2			
	<u>Issuer</u>	<u>NAIC Designation</u>	3	4	
10.01	.....	.....	\$.....	.....	0.0 %
10.02	.....	.....	\$.....	.....	0.0 %
10.03	.....	.....	\$.....	.....	0.0 %
10.04	.....	.....	\$.....	.....	0.0 %
10.05	.....	.....	\$.....	.....	0.0 %
10.06	.....	.....	\$.....	.....	0.0 %
10.07	.....	.....	\$.....	.....	0.0 %
10.08	.....	.....	\$.....	.....	0.0 %
10.09	.....	.....	\$.....	.....	0.0 %
10.10	.....	.....	\$.....	.....	0.0 %
11.	Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:				
11.01	Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets?			Yes [ X ] No [ ]	
	If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11.				
11.02	Total admitted assets held in Canadian Investments.....	\$.....	.....	0.0 %	
11.03	Canadian currency-denominated investments.....	\$.....	.....	0.0 %	
11.04	Canadian-denominated insurance liabilities.....	\$.....	.....	0.0 %	
11.05	Unhedged Canadian currency exposure.....	\$.....	.....	0.0 %	
12.	Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions.				
12.01	Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets?			Yes [ X ] No [ ]	
	If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.				
	1	2	3		
12.02	Aggregate statement value of investments with contractual sales restrictions.....	\$.....	.....	0.0 %	
	Largest three investments with contractual sales restrictions:				
12.03	.....	\$.....	.....	0.0 %	
12.04	.....	\$.....	.....	0.0 %	
12.05	.....	\$.....	.....	0.0 %	
13.	Amounts and percentages of admitted assets held in the ten largest equity interests:				
13.01	Are assets held in equity interest less than 2.5% of the reporting entity's total admitted assets?			Yes [ X ] No [ ]	
	If response to 13.01 above is yes, responses are not required for the remainder of Interrogatory 13.				
	1	2	3		
	<u>Name of Issuer</u>				
13.02	.....	\$.....	.....	0.0 %	
13.03	.....	\$.....	.....	0.0 %	
13.04	.....	\$.....	.....	0.0 %	
13.05	.....	\$.....	.....	0.0 %	
13.06	.....	\$.....	.....	0.0 %	
13.07	.....	\$.....	.....	0.0 %	
13.08	.....	\$.....	.....	0.0 %	
13.09	.....	\$.....	.....	0.0 %	
13.10	.....	\$.....	.....	0.0 %	
13.11	.....	\$.....	.....	0.0 %	
14.	Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:				
14.01	Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets?			Yes [ X ] No [ ]	
	If response to 14.01 above is yes, responses are not required for the remainder of Interrogatory 14.				
	1	2	3		
14.02	Aggregate statement value of investments held in nonaffiliated, privately placed equities.....	\$.....	.....	0.0 %	
	Largest three investments held in nonaffiliated, privately placed equities:				
14.03	.....	\$.....	.....	0.0 %	
14.04	.....	\$.....	.....	0.0 %	
14.05	.....	\$.....	.....	0.0 %	

Ten Largest Fund Managers

	1	2	3	4
	<u>Fund Manager</u>	<u>Total Invested</u>	<u>Diversified</u>	<u>Non-Diversified</u>
14.06	.....	\$.....	\$.....	\$.....
14.07	.....	\$.....	\$.....	\$.....
14.08	.....	\$.....	\$.....	\$.....
14.09	.....	\$.....	\$.....	\$.....
14.10	.....	\$.....	\$.....	\$.....
14.11	.....	\$.....	\$.....	\$.....
14.12	.....	\$.....	\$.....	\$.....
14.13	.....	\$.....	\$.....	\$.....
14.14	.....	\$.....	\$.....	\$.....
14.15	.....	\$.....	\$.....	\$.....

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? Yes [ X ] No [ ]  
 If response to 15.01 above is yes, responses are not required for the remainder of Interrogatory 15.

	1	2	3
15.02	Aggregate statement value of investments held in general partnership interests.....	\$.....	.....0.0 %
Largest three investments in general partnership interests:			
15.03	.....	\$.....	.....0.0 %
15.04	.....	\$.....	.....0.0 %
15.05	.....	\$.....	.....0.0 %

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? Yes [ X ] No [ ]  
 If response to 16.01 above is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

	1	2	3
	<u>Type (Residential, Commercial, Agricultural)</u>		
16.02	.....	\$.....	.....0.0 %
16.03	.....	\$.....	.....0.0 %
16.04	.....	\$.....	.....0.0 %
16.05	.....	\$.....	.....0.0 %
16.06	.....	\$.....	.....0.0 %
16.07	.....	\$.....	.....0.0 %
16.08	.....	\$.....	.....0.0 %
16.09	.....	\$.....	.....0.0 %
16.10	.....	\$.....	.....0.0 %
16.11	.....	\$.....	.....0.0 %

Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:

	<u>Loans</u>
16.12	Construction loans..... \$..... 0.0 %
16.13	Mortgage loans over 90 days past due..... \$..... 0.0 %
16.14	Mortgage loans in the process of foreclosure..... \$..... 0.0 %
16.15	Mortgage loans foreclosed..... \$..... 0.0 %
16.16	Restructured mortgage loans..... \$..... 0.0 %

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:

	<u>Loan-to-Value</u>	<u>Residential</u>		<u>Commercial</u>		<u>Agricultural</u>	
		1	2	3	4	5	6
17.01	above 95%.....	\$.....	.....0.0 %	\$.....	.....0.0 %	\$.....	.....0.0 %
17.02	91% to 95%.....	\$.....	.....0.0 %	\$.....	.....0.0 %	\$.....	.....0.0 %
17.03	81% to 90%.....	\$.....	.....0.0 %	\$.....	.....0.0 %	\$.....	.....0.0 %
17.04	71% to 80%.....	\$.....	.....0.0 %	\$.....	.....0.0 %	\$.....	.....0.0 %
17.05	below 70%.....	\$.....	.....0.0 %	\$.....	.....0.0 %	\$.....	.....0.0 %

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:

18.01 Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets? Yes [ X ] No [ ]  
 If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.

Largest five investments in any one parcel or group of contiguous parcels of real estate:

	<u>Description</u>	2	3
18.02	.....	\$.....	.....0.0 %
18.03	.....	\$.....	.....0.0 %
18.04	.....	\$.....	.....0.0 %
18.05	.....	\$.....	.....0.0 %
18.06	.....	\$.....	.....0.0 %

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans.

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's admitted assets? Yes [ X ] No [ ]

If response to 19.01 is yes, responses are not required for the remainder of Interrogatory 19.

	1	2	3
19.02 Aggregate statement value of investments held in mezzanine real estate loans		\$.....	.....0.0 %
Largest three investments held in mezzanine real estate loans:			
19.03 .....		\$.....	.....0.0 %
19.04 .....		\$.....	.....0.0 %
19.05 .....		\$.....	.....0.0 %

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

	<u>At Year-End</u>		<u>At End of Each Quarter</u>		
	1	2	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>
	1	2	3	4	5
20.01 Securities lending agreements (do not include assets held as collateral for such transactions).....	\$.....	.....0.0 %	\$.....	\$.....	\$.....
20.02 Repurchase agreements.....	\$.....	.....0.0 %	\$.....	\$.....	\$.....
20.03 Reverse repurchase agreements.....	\$.....	.....0.0 %	\$.....	\$.....	\$.....
20.04 Dollar repurchase agreements.....	\$.....	.....0.0 %	\$.....	\$.....	\$.....
20.05 Dollar reverse repurchase agreements.....	\$.....	.....0.0 %	\$.....	\$.....	\$.....

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps and floors:

	<u>Owned</u>		<u>Written</u>	
	1	2	3	4
	21.01 Hedging.....	\$.....	.....0.0 %	\$.....
21.02 Income generation.....	\$.....	.....0.0 %	\$.....	.....0.0 %
21.03 Other.....	\$.....	.....0.0 %	\$.....	.....0.0 %

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

	<u>At Year-End</u>		<u>At End of Each Quarter</u>		
	1	2	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>
	1	2	3	4	5
22.01 Hedging.....	\$.....	.....0.0 %	\$.....	\$.....	\$.....
22.02 Income generation.....	\$.....	.....0.0 %	\$.....	\$.....	\$.....
22.03 Replications.....	\$.....	.....0.0 %	\$.....	\$.....	\$.....
22.04 Other.....	\$.....	.....0.0 %	\$.....	\$.....	\$.....

23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:

	<u>At Year-End</u>		<u>At End of Each Quarter</u>		
	1	2	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>
	1	2	3	4	5
23.01 Hedging.....	\$.....	.....0.0 %	\$.....	\$.....	\$.....
23.02 Income generation.....	\$.....	.....0.0 %	\$.....	\$.....	\$.....
23.03 Replications.....	\$.....	.....0.0 %	\$.....	\$.....	\$.....
23.04 Other.....	\$.....	.....0.0 %	\$.....	\$.....	\$.....

**SUMMARY INVESTMENT SCHEDULE**

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement			
	1 Amount	2 Percentage of Column 1 Line 13	3 Amount	4 Securities Lending Reinvested Collateral Amount	5 Total (Col. 3 + 4) Amount	6 Percentage of Column 5 Line 13
1. Long-Term Bonds (Schedule D, Part 1):						
1.01 U.S. Governments.....	34,638,560	20.3	34,638,560		34,638,560	20.3
1.02 All Other Governments.....		0.0			0	0.0
1.03 U.S. States, Territories and Possessions, etc., Guaranteed.....		0.0			0	0.0
1.04 U.S. Political Subdivisions of States, Territories and Possessions, Guaranteed.....	1,258,036	0.7	1,258,036		1,258,036	0.7
1.05 U.S. Special Revenue and Special Assessment Obligations, etc., Non-Guaranteed.....	2,834,707	1.7	2,834,707		2,834,707	1.7
1.06 Industrial and Miscellaneous.....	40,367,446	23.7	40,367,446		40,367,446	23.7
1.07 Hybrid Securities.....		0.0			0	0.0
1.08 Parent, Subsidiaries and Affiliates.....		0.0			0	0.0
1.09 SVO Identified Funds.....		0.0			0	0.0
1.10 Unaffiliated Bank Loans.....		0.0			0	0.0
1.11 Total Long-Term Bonds.....	79,098,749	46.4	79,098,749	0	79,098,749	46.4
2. Preferred Stocks (Schedule D, Part 2, Section 1):						
2.01 Industrial and Misc. (Unaffiliated).....	5,664,088	3.3	5,664,088		5,664,088	3.3
2.02 Parent, Subsidiaries and Affiliates.....		0.0			0	0.0
2.03 Total Preferred Stock.....	5,664,088	3.3	5,664,088	0	5,664,088	3.3
3. Common Stocks (Schedule D, Part 2, Section 2):						
3.01 Industrial and Miscellaneous Publicly Traded (Unaffiliated).....	57,938,732	34.0	57,938,732		57,938,732	34.0
3.02 Industrial and Miscellaneous Other (Unaffiliated).....	1,612,194	0.9	1,612,194		1,612,194	0.9
3.03 Parent, Subsidiaries and Affiliates Publicly Traded.....		0.0			0	0.0
3.04 Parent, Subsidiaries and Affiliates Other.....	5,483,827	3.2	5,483,827		5,483,827	3.2
3.05 Mutual Funds.....	2,694,313	1.6	2,694,313		2,694,313	1.6
3.06 Unit Investment Trusts.....		0.0			0	0.0
3.07 Closed-End Funds.....		0.0			0	0.0
3.08 Total Common Stocks.....	67,729,066	39.7	67,729,066	0	67,729,066	39.7
4. Mortgage Loans Schedule B):						
4.01 Farm Mortgages.....		0.0			0	0.0
4.02 Residential Mortgages.....		0.0			0	0.0
4.03 Commercial Mortgages.....		0.0			0	0.0
4.04 Mezzanine Real Estate Loans.....		0.0			0	0.0
4.05 Total Mortgage Loans.....	0	0.0	0	0	0	0.0
5. Real Estate (Schedule A):						
5.01 Properties Occupied by Company.....		0.0			0	0.0
5.02 Properties Held for Production of Income.....		0.0			0	0.0
5.03 Properties Held for Sale.....		0.0			0	0.0
5.04 Total Real Estate.....	0	0.0	0	0	0	0.0
6. Cash, Cash Equivalents, and Short-Term Investments::						
6.01 Cash (Schedule E, Part 1).....	17,907,067	10.5	17,907,067		17,907,067	10.5
6.02 Cash Equivalents (Schedule E, Part 2).....	10,075	0.0	10,075		10,075	0.0
6.03 Short-Term Investments (Schedule DA).....		0.0			0	0.0
6.04 Total Cash, Cash Equivalents, and Short-Term Investments.....	17,917,142	10.5	17,917,142	0	17,917,142	10.5
7. Contract Loans.....		0.0			0	0.0
8. Derivatives (Schedule DB).....		0.0			0	0.0
9. Other Invested Assets (Schedule BA).....		0.0			0	0.0
10. Receivables for Securities.....	1,304	0.0	1,304		1,304	0.0
11. Securities Lending (Schedule DL, Part 1).....		0.0		XXX	XXX	XXX
12. Other Invested Assets (Page 2, Line 11).....		0.0			0	0.0
13. Total Invested Assets.....	170,410,349	100.0	170,410,349	0	170,410,349	100.0

**SUMMARY INVESTMENT SCHEDULE**

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement			
	1 Amount	2 Percentage of Column 1 Line 13	3 Amount	4 Securities Lending Reinvested Collateral Amount	5 Total (Col. 3 + 4) Amount	6 Percentage of Column 5 Line 13
1. Long-Term Bonds (Schedule D, Part 1):						
1.01 U.S. Governments.....	926,370	16.9	926,370		926,370	16.9
1.02 All Other Governments.....		0.0			0	0.0
1.03 U.S. States, Territories and Possessions, etc., Guaranteed.....		0.0			0	0.0
1.04 U.S. Political Subdivisions of States, Territories and Possessions, Guaranteed.....		0.0			0	0.0
1.05 U.S. Special Revenue and Special Assessment Obligations, etc., Non-Guaranteed.....		0.0			0	0.0
1.06 Industrial and Miscellaneous.....		0.0			0	0.0
1.07 Hybrid Securities.....		0.0			0	0.0
1.08 Parent, Subsidiaries and Affiliates.....		0.0			0	0.0
1.09 SVO Identified Funds.....		0.0			0	0.0
1.10 Unaffiliated Bank Loans.....		0.0			0	0.0
1.11 Total Long-Term Bonds.....	926,370	16.9	926,370	0	926,370	16.9
2. Preferred Stocks (Schedule D, Part 2, Section 1):						
2.01 Industrial and Misc. (Unaffiliated).....		0.0			0	0.0
2.02 Parent, Subsidiaries and Affiliates.....		0.0			0	0.0
2.03 Total Preferred Stock.....	0	0.0	0	0	0	0.0
3. Common Stocks (Schedule D, Part 2, Section 2):						
3.01 Industrial and Miscellaneous Publicly Traded (Unaffiliated).....		0.0			0	0.0
3.02 Industrial and Miscellaneous Other (Unaffiliated).....		0.0			0	0.0
3.03 Parent, Subsidiaries and Affiliates Publicly Traded.....		0.0			0	0.0
3.04 Parent, Subsidiaries and Affiliates Other.....		0.0			0	0.0
3.05 Mutual Funds.....		0.0			0	0.0
3.06 Unit Investment Trusts.....		0.0			0	0.0
3.07 Closed-End Funds.....		0.0			0	0.0
3.08 Total Common Stocks.....	0	0.0	0	0	0	0.0
4. Mortgage Loans Schedule B):						
4.01 Farm Mortgages.....		0.0			0	0.0
4.02 Residential Mortgages.....		0.0			0	0.0
4.03 Commercial Mortgages.....		0.0			0	0.0
4.04 Mezzanine Real Estate Loans.....		0.0			0	0.0
4.05 Total Mortgage Loans.....	0	0.0	0	0	0	0.0
5. Real Estate (Schedule A):						
5.01 Properties Occupied by Company.....		0.0			0	0.0
5.02 Properties Held for Production of Income.....		0.0			0	0.0
5.03 Properties Held for Sale.....		0.0			0	0.0
5.04 Total Real Estate.....	0	0.0	0	0	0	0.0
6. Cash, Cash Equivalents, and Short-Term Investments::						
6.01 Cash (Schedule E, Part 1).....	4,550,345	83.1	4,550,345		4,550,345	83.1
6.02 Cash Equivalents (Schedule E, Part 2).....		0.0			0	0.0
6.03 Short-Term Investments (Schedule DA).....		0.0			0	0.0
6.04 Total Cash, Cash Equivalents, and Short-Term Investments.....	4,550,345	83.1	4,550,345	0	4,550,345	83.1
7. Contract Loans.....		0.0			0	0.0
8. Derivatives (Schedule DB).....		0.0			0	0.0
9. Other Invested Assets (Schedule BA).....		0.0			0	0.0
10. Receivables for Securities.....		0.0			0	0.0
11. Securities Lending (Schedule DL, Part 1).....		0.0		XXX	XXX	XXX
12. Other Invested Assets (Page 2, Line 11).....		0.0			0	0.0
13. Total Invested Assets.....	5,476,715	100.0	5,476,715	0	5,476,715	100.0

**GENERAL INTERROGATORIES****PART 2 – PROPERTY & CASUALTY INTERROGATORIES**

1.1	Does the reporting entity have any direct Medicare Supplement Insurance in force?			Yes [ ]	No [ X ]
1.2	If yes, indicate premium earned on U.S. business only.	\$			0
1.3	What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?	\$			0
1.31	Reason for excluding:				
1.4	Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.	\$			0
1.5	Indicate total incurred claims on all Medicare Supplement insurance.	\$			0
1.6	Individual policies:				
	Most current three years:				
1.61	Total premium earned	\$			0
1.62	Total incurred claims	\$			0
1.63	Number of covered lives				0
	All years prior to most current three years:				
1.64	Total premium earned	\$			0
1.65	Total incurred claims	\$			0
1.66	Number of covered lives				0
1.7	Group policies:				
	Most current three years:				
1.71	Total premium earned	\$			0
1.72	Total incurred claims	\$			0
1.73	Number of covered lives				0
	All years prior to most current three years:				
1.74	Total premium earned	\$			0
1.75	Total incurred claims	\$			0
1.76	Number of covered lives				0
2.	Health Test:				
			1	2	
			Current Year	Prior Year	
2.1	Premium Numerator	\$	0	0	
2.2	Premium Denominator	\$	43,753,081	47,026,342	
2.3	Premium Ratio (2.1/2.2)		0.0%	0.0%	
2.4	Reserve Numerator	\$	0	0	
2.5	Reserve Denominator	\$	93,093,473	92,219,488	
2.6	Reserve Ratio (2.4/2.5)		0.0%	0.0%	
3.1	Does the reporting entity issue both participating and non-participating policies?				Yes [ ] No [ X ]
3.2	If yes, state the amount of calendar year premiums written on:				
3.21	Participating policies	\$			0
3.22	Non-participating policies	\$			0
4.	FOR MUTUAL REPORTING ENTITIES AND RECIPROCAL EXCHANGES ONLY:				
4.1	Does the reporting entity issue assessable policies?				Yes [ ] No [ ]
4.2	Does the reporting entity issue non-assessable policies?				Yes [ ] No [ ]
4.3	If assessable policies are issued, what is the extent of the contingent liability of the policyholders?				%
4.4	Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums.	\$			0
5.	FOR RECIPROCAL EXCHANGES ONLY:				
5.1	Does the exchange appoint local agents?				Yes [ ] No [ ]
5.2	If yes, is the commission paid:				
5.21	Out of Attorney's-in-fact compensation				Yes [ ] No [ ] N/A [ ]
5.22	As a direct expense of the exchange				Yes [ ] No [ ] N/A [ ]
5.3	What expenses of the exchange are not paid out of the compensation of the Attorney-in-fact?				
5.4	Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions, been deferred?				Yes [ ] No [ ]
5.5	If yes, give full information:				
6.1	What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit of loss? <u>Excess of Loss reinsurance contracts are in-force.</u>				
6.2	Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process: <u>Estimation is based on past and industry experience and by use of a third-party modeling software.</u>				
6.3	What provision has this reporting entity made (such as catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss? <u>The Company does not write property insurance.</u>				
6.4	Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence?				Yes [ X ] No [ ]
6.5	If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to unreinsured catastrophic loss:				
7.1	Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)?				Yes [ ] No [ X ]

**GENERAL INTERROGATORIES****PART 2 – PROPERTY & CASUALTY INTERROGATORIES**

7.2	If yes, indicate the number of reinsurance contracts containing such provisions.	0
7.3	If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)?	Yes [ ] No [ ]
8.1	Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured?	Yes [ ] No [X]
8.2	If yes, give full information	
9.1	Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results: (a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term; (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer; (c) Aggregate stop loss reinsurance coverage; (d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party; (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or (f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity?	Yes [ ] No [X]
9.2	Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where: (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract.	Yes [ ] No [X]
9.3	If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9: (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income; (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and (c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.	
9.4	Except for transactions meeting the requirements of paragraph 37 of SSAP No. 62R, <i>Property and Casualty Reinsurance</i> , has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either: (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP?	Yes [ ] No [X]
9.5	If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.	
9.6	The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria: (a) The entity does not utilize reinsurance; or, (b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or (c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement.	Yes [ ] No [X]
10.	If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done?	Yes [X] No [ ] N/A [ ]
11.1	Has the reporting entity guaranteed policies issued by any other entity and now in force?	Yes [ ] No [X]
11.2	If yes, give full information	
12.1	If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the assets schedule, Page 2, state the amount of corresponding liabilities recorded for: 12.11 Unpaid losses 12.12 Unpaid underwriting expenses (including loss adjustment expenses)	\$ 0 \$ 0
12.2	Of the amount on Line 15.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds?	\$ 0
12.3	If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses?	Yes [ ] No [X] N/A [ ]
12.4	If yes, provide the range of interest rates charged under such notes during the period covered by this statement: 12.41 From 12.42 To	% %
12.5	Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting entity, or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies?	Yes [X] No [ ]
12.6	If yes, state the amount thereof at December 31 of current year: 12.61 Letters of Credit 12.62 Collateral and other funds	\$ 0 \$ 1,229,295
13.1	Largest net aggregate amount insured in any one risk (excluding workers' compensation):	\$ 0
13.2	Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision?	Yes [ ] No [X]
13.3	State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount.	0

**GENERAL INTERROGATORIES****PART 2 – PROPERTY & CASUALTY INTERROGATORIES**

- 14.1 Is the reporting entity a cedant in a multiple cedant reinsurance contract? Yes [ ] No [X]
- 14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:
- 14.3 If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts? Yes [ ] No [ ]
- 14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements? Yes [ ] No [ ]
- 14.5 If the answer to 14.4 is no, please explain:
- 15.1 Has the reporting entity guaranteed any financed premium accounts? Yes [ ] No [X]
- 15.2 If yes, give full information
- 16.1 Does the reporting entity write any warranty business? Yes [ ] No [X]
- If yes, disclose the following information for each of the following types of warranty coverage:
- |                  | 1                      | 2                    | 3                      | 4                       | 5                     |
|------------------|------------------------|----------------------|------------------------|-------------------------|-----------------------|
|                  | Direct Losses Incurred | Direct Losses Unpaid | Direct Written Premium | Direct Premium Unearned | Direct Premium Earned |
| 16.11 Home       | \$ 0                   | \$ 0                 | \$ 0                   | \$ 0                    | \$ 0                  |
| 16.12 Products   | \$ 0                   | \$ 0                 | \$ 0                   | \$ 0                    | \$ 0                  |
| 16.13 Automobile | \$ 0                   | \$ 0                 | \$ 0                   | \$ 0                    | \$ 0                  |
| 16.14 Other*     | \$ 0                   | \$ 0                 | \$ 0                   | \$ 0                    | \$ 0                  |
- \* Disclose type of coverage:
- 17.1 Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F-Part 3 that is exempt from the statutory provision for unauthorized reinsurance? Yes [ ] No [X]
- Incurred but not reported losses on contracts in force prior to July 1, 1984, and not subsequently renewed are exempt from the statutory provision for unauthorized reinsurance. Provide the following information for this exemption:
- |  |      |
|--|------|
| 17.11 Gross amount of unauthorized reinsurance in Schedule F-Part 3 exempt from the statutory provision for unauthorized reinsurance | \$ 0 |
| 17.12 Unfunded portion of Interrogatory 17.11  | \$ 0 |
| 17.13 Paid losses and loss adjustment expenses portion of Interrogatory 17.11  | \$ 0 |
| 17.14 Case reserves portion of Interrogatory 17.11   | \$ 0 |
| 17.15 Incurred but not reported portion of Interrogatory 17.11   | \$ 0 |
| 17.16 Unearned premium portion of Interrogatory 17.11  | \$ 0 |
| 17.17 Contingent commission portion of Interrogatory 17.11   | \$ 0 |
- 18.1 Do you act as a custodian for health savings accounts? Yes [ ] No [X]
- 18.2 If yes, please provide the amount of custodial funds held as of the reporting date. \$ 0
- 18.3 Do you act as an administrator for health savings accounts? Yes [ ] No [X]
- 18.4 If yes, please provide the balance of the funds administered as of the reporting date. \$ 0
19. Is the reporting entity licensed or chartered, registered, qualified, eligible, or writing business in at least 2 states? Yes [X] No [ ]
- 19.1 If no, does the reporting entity assume reinsurance business that covers risks residing in at least one state other than the state of domicile of the reporting entity? Yes [ ] No [ ]



## GENERAL INTERROGATORIES

## PART 2 – PROPERTY &amp; CASUALTY INTERROGATORIES

1.1	Does the reporting entity have any direct Medicare Supplement Insurance in force?			Yes [ ]	No [ X ]
1.2	If yes, indicate premium earned on U.S. business only.	\$			0
1.3	What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?	\$			0
1.31	Reason for excluding:				
1.4	Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.	\$			0
1.5	Indicate total incurred claims on all Medicare Supplement insurance.	\$			0
1.6	Individual policies:				
	Most current three years:				
1.61	Total premium earned	\$			0
1.62	Total incurred claims	\$			0
1.63	Number of covered lives				0
	All years prior to most current three years:				
1.64	Total premium earned	\$			0
1.65	Total incurred claims	\$			0
1.66	Number of covered lives				0
1.7	Group policies:				
	Most current three years:				
1.71	Total premium earned	\$			0
1.72	Total incurred claims	\$			0
1.73	Number of covered lives				0
	All years prior to most current three years:				
1.74	Total premium earned	\$			0
1.75	Total incurred claims	\$			0
1.76	Number of covered lives				0
2.	Health Test:				
			1	2	
			Current Year	Prior Year	
2.1	Premium Numerator	\$	0	\$	0
2.2	Premium Denominator	\$	0	\$	0
2.3	Premium Ratio (2.1/2.2)		0.0%		0.0%
2.4	Reserve Numerator	\$	0	\$	0
2.5	Reserve Denominator	\$	0	\$	0
2.6	Reserve Ratio (2.4/2.5)		0.0%		0.0%
3.1	Does the reporting entity issue both participating and non-participating policies?				Yes [ ] No [ X ]
3.2	If yes, state the amount of calendar year premiums written on:				
3.21	Participating policies	\$			0
3.22	Non-participating policies	\$			0
4.	FOR MUTUAL REPORTING ENTITIES AND RECIPROCAL EXCHANGES ONLY:				
4.1	Does the reporting entity issue assessable policies?				Yes [ ] No [ ]
4.2	Does the reporting entity issue non-assessable policies?				Yes [ ] No [ ]
4.3	If assessable policies are issued, what is the extent of the contingent liability of the policyholders?				%
4.4	Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums.	\$			0
5.	FOR RECIPROCAL EXCHANGES ONLY:				
5.1	Does the exchange appoint local agents?				Yes [ ] No [ ]
5.2	If yes, is the commission paid:				
5.21	Out of Attorney's-in-fact compensation				Yes [ ] No [ ] N/A [ ]
5.22	As a direct expense of the exchange				Yes [ ] No [ ] N/A [ ]
5.3	What expenses of the exchange are not paid out of the compensation of the Attorney-in-fact?				
5.4	Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions, been deferred?				Yes [ ] No [ ]
5.5	If yes, give full information:				
6.1	What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit of loss? <u>The Company has not begun to write business as of 12/31/19. However, prior to writing business, the Company will be entering into a 100% quota-share reinsurance agreement with its parent, Stonetrust Commercial Insurance Company. The agreement is currently under review with the Nebraska DOI.</u>				
6.2	Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process: <u>See 6.1 above. The Company's parent estimates its PML primarily by using a third-party software (RMS) with the help of its reinsurance broker, Willis Re.</u>				
6.3	What provision has this reporting entity made (such as catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss? <u>See 6.1 and 6.2 above. Additionally, the Company's parent has excess of loss reinsurance contracts in place.</u>				
6.4	Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence?				Yes [ X ] No [ ]
6.5	If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to unreinsured catastrophic loss:				

## GENERAL INTERROGATORIES

## PART 2 – PROPERTY &amp; CASUALTY INTERROGATORIES

7.1	Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)?	Yes [ ]	No [X]
7.2	If yes, indicate the number of reinsurance contracts containing such provisions.	0	
7.3	If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)?	Yes [ ]	No [ ]
8.1	Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured?	Yes [ ]	No [X]
8.2	If yes, give full information		
9.1	Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results: (a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term; (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer; (c) Aggregate stop loss reinsurance coverage; (d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party; (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or (f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity?	Yes [ ]	No [X]
9.2	Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where: (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract.	Yes [ ]	No [X]
9.3	If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9: (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income; (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and (c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.		
9.4	Except for transactions meeting the requirements of paragraph 37 of SSAP No. 62R, <i>Property and Casualty Reinsurance</i> , has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either: (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP?	Yes [ ]	No [X]
9.5	If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.		
9.6	The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria: (a) The entity does not utilize reinsurance; or (b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or (c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement.	Yes [X]	No [ ]
10.	If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done?	Yes [ ]	No [ ] N/A [X]
11.1	Has the reporting entity guaranteed policies issued by any other entity and now in force?	Yes [ ]	No [X]
11.2	If yes, give full information		
12.1	If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the assets schedule, Page 2, state the amount of corresponding liabilities recorded for: 12.11 Unpaid losses 12.12 Unpaid underwriting expenses (including loss adjustment expenses)	\$	0
		\$	0
12.2	Of the amount on Line 15.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds?	\$	0
12.3	If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses?	Yes [ ]	No [X] N/A [ ]
12.4	If yes, provide the range of interest rates charged under such notes during the period covered by this statement: 12.41 From 12.42 To		%
			%
12.5	Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting entity, or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies?	Yes [ ]	No [X]
12.6	If yes, state the amount thereof at December 31 of current year: 12.61 Letters of Credit 12.62 Collateral and other funds	\$	0
		\$	0
13.1	Largest net aggregate amount insured in any one risk (excluding workers' compensation):	\$	0
13.2	Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision?	Yes [ ]	No [X]

**GENERAL INTERROGATORIES****PART 2 – PROPERTY & CASUALTY INTERROGATORIES**

- 13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount. 0
- 14.1 Is the reporting entity a cedant in a multiple cedant reinsurance contract? Yes [ ] No [X]
- 14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:
- 14.3 If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts? Yes [ ] No [ ]
- 14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements? Yes [ ] No [ ]
- 14.5 If the answer to 14.4 is no, please explain:
- 15.1 Has the reporting entity guaranteed any financed premium accounts? Yes [ ] No [X]
- 15.2 If yes, give full information
- 16.1 Does the reporting entity write any warranty business? Yes [ ] No [X]  
If yes, disclose the following information for each of the following types of warranty coverage:
- |       |            | 1                         |    | 2                       |    | 3                         |    | 4                          |    | 5                        |
|-------|------------|---------------------------|----|-------------------------|----|---------------------------|----|----------------------------|----|--------------------------|
|       |            | Direct Losses<br>Incurred |    | Direct Losses<br>Unpaid |    | Direct Written<br>Premium |    | Direct Premium<br>Unearned |    | Direct Premium<br>Earned |
| 16.11 | Home       | \$ 0                      | \$ | 0                       | \$ | 0                         | \$ | 0                          | \$ | 0                        |
| 16.12 | Products   | \$ 0                      | \$ | 0                       | \$ | 0                         | \$ | 0                          | \$ | 0                        |
| 16.13 | Automobile | \$ 0                      | \$ | 0                       | \$ | 0                         | \$ | 0                          | \$ | 0                        |
| 16.14 | Other*     | \$ 0                      | \$ | 0                       | \$ | 0                         | \$ | 0                          | \$ | 0                        |
- \* Disclose type of coverage:
- 17.1 Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F-Part 3 that is exempt from the statutory provision for unauthorized reinsurance? Yes [ ] No [X]  
Incurred but not reported losses on contracts in force prior to July 1, 1984, and not subsequently renewed are exempt from the statutory provision for unauthorized reinsurance. Provide the following information for this exemption:
- |       |  |    |   |
|-------|--|----|---|
| 17.11 | Gross amount of unauthorized reinsurance in Schedule F-Part 3 exempt from the statutory provision for unauthorized reinsurance | \$ | 0 |
| 17.12 | Unfunded portion of Interrogatory 17.11  | \$ | 0 |
| 17.13 | Paid losses and loss adjustment expenses portion of Interrogatory 17.11  | \$ | 0 |
| 17.14 | Case reserves portion of Interrogatory 17.11   | \$ | 0 |
| 17.15 | Incurred but not reported portion of Interrogatory 17.11   | \$ | 0 |
| 17.16 | Unearned premium portion of Interrogatory 17.11  | \$ | 0 |
| 17.17 | Contingent commission portion of Interrogatory 17.11   | \$ | 0 |
- 18.1 Do you act as a custodian for health savings accounts? Yes [ ] No [X]
- 18.2 If yes, please provide the amount of custodial funds held as of the reporting date. \$ 0
- 18.3 Do you act as an administrator for health savings accounts? Yes [ ] No [X]
- 18.4 If yes, please provide the balance of the funds administered as of the reporting date. \$ 0
19. Is the reporting entity licensed or chartered, registered, qualified, eligible, or writing business in at least 2 states? Yes [X] No [ ]
- 19.1 If no, does the reporting entity assume reinsurance business that covers risks residing in at least one state other than the state of domicile of the reporting entity? Yes [ ] No [ ]