STONETRUST COMMERCIAL INSURANCE COMPANY AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Postlethwaite & Netterville

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DECEMBER 31, 2021 AND 2020

C O N T E N T S

Postlethwaite & Netterville

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A Professional Accounting Corporation

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Stonetrust Commercial Insurance Company and Subsidiary

Opinion

We have audited the accompanying consolidated financial statements of Stonetrust Commercial Insurance Company and Subsidiary (the Company), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, the related consolidated statements of operations and comprehensive income, changes in stockholder's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Stonetrust Commercial Insurance Company and Subsidiary as of December 31, 2021 and 2020, and the consolidated results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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Auditors’ Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Company’s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern for a reasonable period of time.

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Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information about short-duration insurance contracts on pages 28 and 29 be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Postlethwaite & Netterville

Baton Rouge, Louisiana
March 17, 2022

STONETRUST COMMERCIAL INSURANCE COMPANY AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
Fixed income securities - available for sale:		
Bonds - at fair value	$ 56,579,498	$ 67,174,179
Equity securities:		
Preferred stocks - at fair value	1,148,400	-
Common stocks - at fair value	96,495,101	59,831,806
Derivatives - at fair value	4,179,000	2,965,000
Total investments	158,401,999	129,970,985
Cash and cash equivalents	79,776,289	63,017,512
Receivable for securities	-	3,704,688
Premium receivable	15,143,697	14,981,236
Reinsurance receivables and recoverables	3,541,570	4,518,352
Deferred policy acquisition costs	1,497,427	1,487,159
Income taxes receivable	790,472	345,084
Accrued investment income	682,160	1,056,256
Property, equipment and leasehold improvements	1,382,254	1,891,620
Other	1,607,284	977,453
Total assets	$ 262,823,152	$ 221,950,345
LIABILITIES		
Losses and loss adjustment expenses	$ 74,875,388	$ 81,201,025
Unearned premiums	19,144,998	18,918,876
Payable for securities	-	488,490
Derivatives	4,953,044	1,394,412
Advanced premiums	847,871	738,216
Insurance related taxes and assessments	3,207,713	3,343,052
Commission payable	1,193,982	1,424,956
Deferred tax liabilities	8,843,159	5,089,749
Income taxes payable	698,298	29,570
Accounts payable and other liabilities	2,822,944	2,532,611
Due to parent company	347,265	299,937
Security deposits	993,964	1,232,696
Note payable	3,919,846	3,914,485
Total liabilities	121,848,472	120,608,075
STOCKHOLDER'S EQUITY		
Common stock, $0.625 par value; 40,000,000 shares authorized and 4,000,000 outstanding	2,500,000	2,500,000
Additional paid-in-capital	32,500,000	32,500,000
Retained earnings	104,224,087	61,792,946
Accumulated other comprehensive income - net	1,750,593	4,549,324
Total stockholder's equity	140,974,680	101,342,270
Total liabilities and stockholder's equity	$ 262,823,152	$ 221,950,345

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

STONETRUST COMMERCIAL INSURANCE COMPANY AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
REVENUES		
Net premiums earned	$ 44,777,401	$ 42,732,998
Net investment income	8,405,400	5,732,196
Net realized capital gains	9,117,456	1,817,804
Net holding gains on equity securities	21,778,935	6,559,820
Other income	209,316	918,219
Total revenues	84,288,508	57,761,037
EXPENSES AND LOSSES		
Losses and loss adjustment expenses	11,214,434	18,748,010
Underwriting and operating expenses	18,441,121	18,178,299
Bad debt expense	220,115	156,135
Interest expense	231,410	262,038
Total expenses and losses	30,107,080	37,344,482
INCOME BEFORE INCOME TAXES	54,181,428	20,416,555
Income tax expense	11,750,287	4,137,088
NET INCOME	42,431,141	16,279,467
OTHER COMPREHENSIVE (LOSS) INCOME		
Unrealized holding gains arising during the period	2,492,687	10,505,026
Reclassification adjustment for realized gains included in net income	(6,097,672)	(6,285,120)
Change in derivative instrument	62,287	(14,559)
Other comprehensive (loss) income before taxes	(3,542,698)	4,205,347
Income tax benefit (expense) related to other comprehensive (loss) income	743,967	(883,123)
Other comprehensive (loss) income	(2,798,731)	3,322,224
COMPREHENSIVE INCOME	$ 39,632,410	$ 19,601,691

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

STONETRUST COMMERCIAL INSURANCE COMPANY AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance, December 31, 2019	$ 2,500,000	$ 32,500,000	$ 48,513,479	$ 1,227,100	$ 84,740,579
Net income	-	-	16,279,467	-	16,279,467
Dividends paid to stockholder's	-	-	(3,000,000)	-	(3,000,000)
Other comprehensive income - net	-	-	-	3,322,224	3,322,224
Balance, December 31, 2020	$ 2,500,000	$ 32,500,000	$ 61,792,946	$ 4,549,324	$ 101,342,270
Net income	-	-	42,431,141	-	42,431,141
Other comprehensive loss - net	-	-	-	(2,798,731)	(2,798,731)
Balance, December 31, 2021	$ 2,500,000	$ 32,500,000	$ 104,224,087	$ 1,750,593	$ 140,974,680

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

STONETRUST COMMERCIAL INSURANCE COMPANY AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 42,431,141	$ 16,279,467
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	509,366	375,873
Net accretion of discount on investment securities	(3,445,547)	(2,442,555)
Amortization of debt issuance costs	5,361	5,361
Bad debt expense	220,115	156,135
Deferred income tax	4,497,377	1,600,150
Net realized and unrealized capital gains	(30,896,391)	(8,377,624)
Changes in operating assets and liabilities:		
Premiums receivable	(382,575)	1,300,321
Reinsurance receivables and recoverables	976,782	(48,145)
Deferred policy acquisition costs	(10,268)	(35,206)
Income taxes receivable	223,340	(530,980)
Accrued investment income	374,096	(198,540)
Other assets	(629,831)	581,162
Losses and loss adjustment expenses	(6,325,637)	2,656,302
Unearned and advance premiums	335,777	(51,325)
Insurance related taxes and assessments	(135,339)	(234,228)
Commissions and other liabilities	(132,045)	417,388
Net cash provided by operating activities	7,615,722	11,453,556
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments available-for-sale	(27,586,477)	(30,434,906)
Proceeds from sales, maturities and prepayments of investments available-for-sale	47,824,081	54,410,256
Proceeds from (purchases) of derivatives - net	1,762,208	(536,088)
Purchases of equity securities	(22,377,915)	(32,822,523)
Proceeds from sales of equity securities	9,521,158	42,534,369
Purchases of property, plant and equipment	-	(1,054,639)
Net cash provided by investing activities	9,143,055	32,096,469
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to stockholders	-	(3,000,000)
Net cash used in financing activities	-	(3,000,000)
NET CHANGE IN CASH AND CASH EQUIVALENTS	16,758,777	40,550,025
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	63,017,512	22,467,487
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 79,776,289	$ 63,017,512

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Stonetrust Commercial Insurance Company provides workers' compensation coverage primarily to employers within the states of Arkansas, Louisiana, Mississippi, Missouri, Nebraska, Oklahoma, Tennessee and Texas. However, it is licensed to write workers' compensation coverage in a total of 28 states.

During 2018, Stonetrust Commercial Insurance Company formed Stonetrust Premier Casualty Insurance Company as a wholly-owned subsidiary. During 2019 Premier was capitalized with a $5.5 million capital contribution made by its parent. As of December 31, 2021, it held certificates of authority to write workers' compensation coverage in the states of Arkansas, Louisiana, Mississippi, Missouri, Nebraska, Oklahoma, Tennessee and Texas but had not begun to write policies until January 1, 2022.

Effective January 1, 2018, all issued and outstanding shares of the Stonetrust Commercial Insurance Company and Stonetrust Premier Casualty Insurance Company were purchased by Wintaai Holdings, Ltd., an Ontario, Canada corporation.

Principles of Consolidation and Basis of Accounting

The accompanying consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles (US GAAP) using the accrual basis of accounting. The accompanying consolidated 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). All intercompany accounts and transactions among the consolidated companies have been eliminated.

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, 2021 and 2020, totaled $25,763 and $26,563, respectively.

Use of Estimates

The preparation of consolidated financial statements in conformity with US GAAP 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 consolidated 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.

Investments

The Company's equity investments, except those accounted for under the equity method of accounting, that have readily determinable fair values are measured at fair value with changes in fair values recognized in net income. Equity investments that do not have readily determinable fair values are remeasured at fair value either upon the occurrence of an observable price change or upon identification of impairment. A qualitative assessment for impairment is made for equity investments without readily determinable fair values.

The Company classifies its investments in debt securities as available-for-sale or held-to-maturity based upon its intent and ability to hold the investment, and the nature of the securities purchased. The classification is made at the acquisition date of the security and reassessed each year. Debt securities for which the Company classifies as held-to-maturity are reported at amortized cost, adjusted for amortization of premiums or discounts and other-than-temporary declines in fair value. Debt securities classified as available-for-sale are reported at estimated fair value, adjusted for other-than-temporary declines in fair value, with unrealized gains and losses reported as a separate component of stockholder's equity. Realized gains and losses are determined on the specific identification method.

Management evaluates securities for other-than-temporary impairment (OTTI) on a continuous basis. The accounting guidance on OTTI specifies that 1) if an entity does not have the intent to sell a debt security prior to recovery and 2) it is more likely than not that it will not have to sell the debt security prior to recovery, the security would not be considered other-than-temporarily impaired unless there is a credit loss. When an entity does not intend to sell the security and it is more likely than not that the entity will not have to sell the security before recovery of its cost basis, it will recognize the credit component of an OTTI of a debt security in earnings and the remaining portion in other comprehensive income. The credit loss component recognized in earnings is identified as the amount of principal cash flows not expected to be received over the remaining term of the security as projected based on cash flow projections.

Derivatives

The Company accounts for its derivatives in accordance with FASB ASC 815: *Derivatives and Hedging*. Accordingly, the Company's derivatives, assets and liabilities, are carried at fair value. See Note 4 for additional information.

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 premiums receivable was $1,473,391 and $1,184,735 at December 31, 2021 and 2020, 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 consolidated balance sheets 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 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, 2021 and 2020, the Company recorded an allowance for doubtful accounts of $511,057 and $449,370, respectively. The potential for additional loss is not believed to be material to the Company's financial position.

Deferred Policy Acquisition Costs

Deferred policy acquisition costs represent the costs of writing business that vary with, and are primarily related to, the successful production of insurance business (principally commissions and premium taxes). Policy acquisition costs are deferred and recognized as expense as related premiums are earned. Amortization of deferred policy acquisition costs is included in other underwriting expenses in the consolidated statements of 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.

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.

Property, Equipment, Furniture, Fixtures and Leasehold Improvements

Property, equipment, furniture, fixtures and leasehold improvements acquired are stated at cost less accumulated depreciation. Depreciation is computed by the use of straight-line methods over the estimated useful lives of the respective assets or in the case of leasehold improvements, over the life of the related lease, which range from three to seven years.

Maintenance and repairs are charged to expense as incurred, while the cost of additions and improvements which extend the useful like of a particular asset are capitalized. When an item is retired or otherwise disposed of, the cost is removed from the asset account and the related depreciation allowance is adjusted with the difference being charged or credited to operations.

Income Taxes

The Company files a consolidated federal income tax return that includes Stonetrust Commercial Insurance Company and its wholly owned subsidiary, Stonetrust Premier Casualty Insurance Company. 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.

Income tax provisions are based on the asset and liability method, which recognizes deferred income taxes for differences between the tax bases of assets and liabilities and their reported amounts in the consolidated financial statements. These temporary differences are related primarily to policy acquisition costs, unearned and advance premiums and loss reserves. Deferred taxes are also recognized for operating losses that are available to offset future taxable income. Valuation allowances are established to reduce deferred tax assets to the amount expected to be realized.

Under accounting guidance related to accounting for uncertainty in income taxes, deferred tax assets are recognized if it is more-likely-than-not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more-likely-than-not means a likelihood of more than 50 percent. The terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment. Deferred tax assets are reduced by a valuation allowance, if based on the weight of evidence available, it is more-likely-than-not that some portion or all of the deferred tax asset will not be realized.

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, 2021 and 2020, the Company has an accrued liability recorded for unpaid compensated absences of $148,461 and $154,790, respectively.

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

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits with financial institutions, money market funds and short-term liquid investments with original maturities of ninety days or less and are stated at amortized cost.

Comprehensive Income (Loss)

Comprehensive income (loss) is defined as the change in the equity of a business enterprise during a period of transactions and other events and circumstances, except those resulting from investment by owners and distributions to owners. Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale debt securities, and derivative instruments, are reported as a separate component of the stockholder's equity section in the balance sheet, such items, along with net income, are components of comprehensive income (loss).

Recently Issued Accounting Guidance Not Yet Adopted

The FASB issued ASU 2015-02, *Leases* (Topic 842), on February 25, 2016. It is effective for periods beginning after December 15, 2021 for nonpublic entities. Early application is permitted. The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases. All leases create an asset and a liability for the lessee in accordance with FASB Concepts Statement No. 6, *Elements of Financial Statements*, and, therefore recognition of those lease assets and lease liabilities represents an improvement over previous US GAAP, which did not require lease assets and lease liabilities to be recognized for most leases. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. Lessor accounting remains substantially unchanged with the exception that no leases entered into after the effective date will be classified as leveraged leases. For example, the vast majority of operating leases should remain classified as operating leases, and lessors should continue to recognize lease income for those leases on a generally straight-line basis over the lease term. This guidance is not expected to have a material impact on the Company's consolidated financial statements.

2. INVESTMENTS

The amortized cost, gross unrealized gains, gross unrealized losses, and estimated fair value of investment securities as of December 31, 2021 and 2020, were as follows:

	December 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury securities and obligations of U.S. Government Corporations and Agencies	$ 5,795,961	$ 21,499	$ (21,173)	$ 5,796,287
State and political subdivisions	954,581	-	(3,979)	950,602
Industrial and miscellaneous	47,613,015	2,272,025	(52,431)	49,832,609
Mortgage-backed securities	-	-	-	-
Total bonds	54,363,557	2,293,524	(77,583)	56,579,498
Common stocks	47,408,483	49,608,731	(522,113)	96,495,101
Preferred stocks	1,122,795	25,605	-	1,148,400
Derivatives	1,696,424	2,482,576	-	4,179,000
Total	$ 104,591,259	$ 54,410,436	$ (599,696)	$ 158,401,999

	December 31, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury securities and obligations of U.S. Government Corporations and Agencies	$ 11,656,903	$ 169,283	$ (82)	$ 11,826,104
State and political subdivisions	1,998,554	10,603	(6,757)	2,002,400
Industrial and miscellaneous	46,665,175	5,852,854	(150,703)	52,367,326
Mortgage-backed securities	1,032,622	6,614	(60,887)	978,349
Total bonds	61,353,254	6,039,354	(218,429)	67,174,179
Common stocks	33,785,346	26,848,599	(802,139)	59,831,806
Preferred stocks	1,772,290	1,192,710	-	2,965,000
Total	$ 96,910,890	$ 34,080,663	$ (1,020,568)	$ 129,970,985

Information pertaining to investment securities with gross unrealized losses at December 31, 2021 and 2020, aggregated by investment category and length of time that individual securities have been in a continuous loss position follows:

	December 31, 2021			
	Less Than 12 Months		Over 12 Months	
	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury securities and obligations of U.S. Government corporations and Agencies	$ (21,173)	$ 3,065,492	$ -	$ -
State and political subdivisions	(1,150)	636,499	(2,829)	314,103
Industrial and miscellaneous	(52,431)	1,947,600	-	-
Total bonds	(74,754)	5,649,591	(2,829)	314,103
Common stocks	(471,332)	3,912,452	(50,781)	1,547,173
Total	$ (546,086)	$ 9,562,043	$ (53,610)	$ 1,861,276

	December 31, 2020			
	Less Than 12 Months		Over 12 Months	
	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury securities and obligations of U.S. Government corporations and Agencies	$ (82)	$ 399,484	$ -	$ -
State and political subdivisions	(6,757)	1,091,021	-	-
Industrial and miscellaneous	(126,708)	6,031,935	(23,995)	2,400,475
Mortgage-backed securities	(9,522)	193,108	(51,365)	714,359
Total bonds	(143,069)	7,715,548	(75,360)	3,114,834
Common stocks	(301,211)	9,434,750	(500,928)	1,097,026
Total	$ (444,280)	$ 17,150,298	$ (576,288)	$ 4,211,860

The amortized cost of bonds and notes, including short-term bonds and bonds classified as cash equivalents has been increased by net accretion income of $3,446,151 and $2,444,045 during the year’s ended December 31, 2021 and 2020, respectively.

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;
- 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, 2021 or 2020.

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, 2021 and 2020, the Company recorded no impairment charges related to debt securities.

The amortized cost and estimated fair values of investment securities at December 31, 2021, 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	$ 6,054,540	$ 3,204,322
Due after 1 year through 5 years	23,224,825	27,384,945
Due after 5 years through 10 years	24,733,507	25,492,731
Due after 10 years through 20 years	-	-
Due after 20 years	350,685	497,500
	54,363,557	56,579,498
Mortgage-backed securities	-	-
	$ 54,363,557	$ 56,579,498

In accordance with regulatory provisions, the Company has pledged bonds with a fair value of $ 4,709,126 and $4,672,134 to various regulatory agencies at December 31, 2021 and 2020, respectively. Additionally, at December 31, 2021 and 2020, the Company has pledged bonds with a fair value of $0 and $310,278, respectively, as collateral as required by the Company's counterparty in relation to the interest rate swap transaction described in Note 16.

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

	2021	2020
Interest on bonds	$ 6,250,443	$ 5,467,892
Dividends on equity securities	3,351,582	833,229
Interest on short-term investments, cash, and other	442,669	697,455
	10,044,694	6,998,576
Less: investment expenses	(1,639,294)	(1,266,380)
Net investment income	$ 8,405,400	$ 5,732,196

Proceeds from sales, maturities and prepayments of bonds and common and preferred stocks were $62,987,295 and $96,944,625 for the years ended December 31, 2021 and 2020, respectively.

The table below presents an analysis of realized gains (losses) recognized during the years ended December 31, 2021 and 2020:

	2021	2020
Realized gains:		
Bonds	$ 6,148,241	$ 6,291,888
Preferred stocks	-	40,281
Common stocks	2,879,938	3,874,181
Derivatives	2,417,107	689,323
	11,445,286	10,895,673
Realized losses:		
Debt securities	(50,569)	(6,768)
Preferred stocks	-	(139,245)
Common stocks	(502,274)	(8,279,148)
Derivatives	(1,774,987)	(652,708)
	(2,327,830)	(9,077,869)
Net realized capital gains	$ 9,117,456	$ 1,817,804

3. FAIR VALUE MEASUREMENTS

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. US GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date. Fair value is best determined based upon quoted market prices. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. US GAAP also establishes a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. These levels are as follows:

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

- 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.

Fair Value of Financial Assets and Liabilities Measured at Fair Value on Report Date

The following tables provide information as of December 31, 2021 and 2020, about the Company's financial assets measured and carried at fair value at the reporting date:

	December 31, 2021				
	Level 1	Level 2	Level 3	Net Asset Value (NAV)	Total
Assets at Fair Value:					
Bonds	$ -	$ 56,579,498	$ -	$ -	$ 56,579,498
Common stocks	91,261,004	-	1,547,173	3,686,924	96,495,101
Preferred stocks	-	1,148,400	-	-	1,148,400
Derivatives	4,179,000	-	-	-	4,179,000
	$ 95,440,004	$ 57,727,898	$ 1,547,173	$ 3,686,924	$ 158,401,999
Liabilities at Fair Value:					
Derivatives	$ (4,953,044)	$ -	$ -	$ -	$ (4,953,044)

	December 31, 2020				
	Level 1	Level 2	Level 3	Net Asset Value (NAV)	Total
Assets at Fair Value:					
Bonds	$ -	$ 67,174,179	$ -	$ -	$ 67,174,179
Common stocks	55,870,091	-	1,097,026	2,864,689	59,831,806
Derivatives	2,965,000	-	-	-	2,965,000
	$ 58,835,091	$ 67,174,179	$ 1,097,026	$ 2,864,689	$ 129,970,985
Liabilities at Fair Value:					
Derivatives	$ (1,332,125)	$ -	$ (62,287)	$ -	$ (1,394,412)

With the exception of two investments, ownership in a private foreign mutual fund (Fund) and ownership of a privately traded common stock, at December 31, 2021 and 2020, all of the Company's investments in common and preferred stocks and derivatives (other than the company's interest rate swap in 2020) are exchange-listed and are actively traded. Unadjusted quoted prices for these securities are provided 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 as a practical expedient 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. At December 31, 2021 and 2020, the Company has no unfunded commitments related to this investment and there are no significant restrictions on the Company's ability to redeem its equity interest.

The Company's available-for-sale debt securities are carried at estimated fair value and 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. These securities are considered Level 2.

The Company's interest rate swap owned at December 31, 2020, is measured through a model used by the primary lender. The fair value of this instrument is estimated by using a discounted cash flow model and therefore, falls in the Level 3 category. Additionally, the Company's investment in the privately traded common stock is valued by an independent third-party using inputs which meet Level 3 criteria.

The change in carrying values associated with Level 3 financial instruments for the years ended December 31, 2021 and 2020 are as follows:

Only Level 3 Financial Instruments - December 31, 2021

	Balance at January 1, 2021	Purchases	Redemptions	Realized Gain/(Loss)	Unrealized Gain/(Loss)	Transfers In & Out	Balance at December 31, 2021
EXCO Stock	$ 1,097,026	$ -	$ -	$ -	$ 450,147	$ -	$ 1,547,173
Interest Rate Swap	(62,287)		-	-	62,287	-	-
	$ 1,034,739	$ -	$ -	$ -	$ 512,434	$ -	$ 1,547,173

Only Level 3 Financial Instruments - December 31, 2020

	Balance at January 1, 2020	Purchases	Redemptions	Realized Gain/(Loss)	Unrealized Gain/(Loss)	Transfers In & Out	Balance at December 31, 2020
EXCO Stock	$ 1,612,194	$ -	$ -	$ -	$ (515,168)	$ -	$ 1,097,026
Interest Rate Swap	(47,728)		-	-	(14,559)	-	(62,287)
	$ 1,564,466	$ -	$ -	$ -	$ (529,727)	$ -	$ 1,034,739

4. DERIVATIVES

The Company takes positions from time to time in derivative financial instruments to hedge against interest rate risk, to generate additional investment income and to reduce the common stock leverage recognized on the Company's balance sheet. Following are details on the derivatives by the Company.

Interest rate swap:

Effective December 15, 2011, the Company entered into an interest rate swap agreement with a $4,000,000 notional amount to hedge the floating interest rate on the Company's note payable (See Note 16) which expired on September 15, 2021. The Company had designated the swap as a highly effective hedge. Accordingly, the Company has recorded a derivative liability for the estimated fair value of the swap of $0 and $62,287 at December 31, 2021 and 2020, respectively.

Written covered call options:

During the years ended December 31, 2021 and 2020, the Company wrote (sold) covered call options on several equity positions held in its common stock portfolio in order to generate additional investment income. These written covered call options give the option holder (purchaser) the right, in return for a premium, to purchase the underlying security from the writer at a specified exercise price at any time during the term of the option contract. When the Company writes a covered call option, the premium received from the purchaser is initially recorded as a derivative liability. The liability is subsequently carried at fair value and with any adjustments being recorded through earnings.

Purchased call and put options:

During the years ended December 31, 2021 and 2020, the Company purchased call options on several equity securities giving it the right to purchase the underlying securities at a specified price at any time during the term of the option contract. The Company purchases these call options in order to obtain the right to participate in increases in the underlying securities value without leveraging its balance sheet by actually owning the security. The premium paid for these options is initially recorded as a derivative asset. The asset is subsequently carried at fair value with any adjustments being recorded through earnings. Additionally, during 2021, the Company purchased and sold put options in an equity security.

Transactions in option contracts for the years ending December 31, 2021 and 2020 were as follows:

	2021		2020	
	# of Contracts	Premium	# of Contracts	Premium
Call Options Written				
Options outstanding - beginning of year	$ 6,990	$ 1,199,586	$ -	$ -
Options written	11,950	2,670,341	23,478	2,318,507
Options purchased	(6,956)	(1,029,268)	(6,850)	(429,597)
Options exercised	(140)	(295,362)	(7,438)	(503,298)
Options expired	(4,500)	(301,488)	(2,200)	(186,026)
Options oustanding - end of year	$ 7,344	$ 2,243,809	$ 6,990	$ 1,199,586
	# of Contracts	Premium	# of Contracts	Premium
Call Options Purchased				
Options outstanding - beginning of year	$ (2,350)	$ (1,772,290)	$ -	$ -
Options purchased	(260)	(987,575)	(2,350)	(1,772,290)
Options sold	860	1,063,441	-	-
Options oustanding - end of year	$ (1,750)	$ (1,696,424)	$ (2,350)	$ (1,772,290)
	# of Contracts	Premium	# of Contracts	Premium
Put Options Purchased				
Options outstanding - beginning of year	$ -	$ -	$ -	$ -
Options purchased	100	972,005	-	-
Options sold	(100)	(972,005)	-	-
Options oustanding - end of year	$ -	$ -	$ -	$ -

The following table sets forth the fair value of the Company’s derivative instruments on the balance sheet which are not accounted for as hedging instruments:

Derivatives Not Accounted for as Hedging Instruments	Balance Sheet Location	Fair Value as of December 31, 2021	Fair Value as of December 31, 2020
Call options written	Derivatives - liability	$ (4,953,044)	$ (1,332,125)
Call options purchased	Derivatives - asset	$ 4,179,000	$ 2,965,000

The following table sets forth the effect of the Company's derivative instruments which are not accounted for as hedging instruments on the statement of operations:

		2021	
Derivatives Not Accounted for as Hedging Instruments	Location of Gains/(Losses) on Derivatives Recognized in Income	Net Realized Gains/(Losses) on Derivatives Recognized in Income	Change in Unrealized Gains/(Losses) on Derivatives Recognized in Income
Call options written	Net realized capital gains	$ (685,761)	$ -
Call options written	Net holding gains on equity securities	-	(2,576,697)
Call options purchased	Net realized capital gains	1,162,067	-
Call options purchased	Net holding gains on equity securities	-	1,289,866
Put options purchased	Net realized capital gains	165,814	-
		$ 642,120	$ (1,286,831)

		2020	
Derivatives Not Accounted for as Hedging Instruments	Location of Gains/(Losses) on Derivatives Recognized in Income	Net Realized Gains/(Losses) on Derivatives Recognized in Income	Change in Unrealized Gains/(Losses) on Derivatives Recognized in Income
Call options written	Net realized capital gains	$ 36,615	$ -
Call options written	Net holding gains on equity securities	-	(132,538)
Call options purchased	Net holding gains on equity securities	-	1,192,710
		$ 36,615	$ 1,060,172

5. CASH AND CASH EQUIVALENTS

At December 31, 2021 and 2020, cash, and cash equivalents consisted of the following:

	2021	2020
Demand deposits in financial institutions	$ 79,776,289	$ 21,008,027
Money market funds	-	10,000
Short-term investments	-	41,999,485
Total	$ 79,776,289	$ 63,017,512

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.

6. PROPERTY, EQUIPMENT, FURNITURE, FIXTURES AND LEASEHOLD IMPROVEMENTS

Property and equipment consisted of the following at December 31:

	2021	2020
Information systems	$ 6,036,446	$ 6,036,446
Office and computer equipment	149,179	149,179
Furniture and fixtures	227,790	227,790
Leasehold improvements	760,436	760,436
Less: accumulated depreciation	(5,791,597)	(5,282,231)
Net depreciable assets	$ 1,382,254	$ 1,891,620

Depreciation expense was $509,366 and $375,873 for 2021 and 2020, respectively.

7. UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

Unpaid losses and loss adjustment expenses at December 31, 2021 and 2020, consisted of the following:

	2021	2020
Unpaid losses	$ 65,364,093	$ 71,195,558
Unpaid loss adjustment expenses	9,511,295	10,005,467
Total	$ 74,875,388	$ 81,201,025

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

	2021	2020
Reserves for loss and LAE - gross - at January 1	$ 81,201,025	$ 78,544,723
Amounts recoverable from reinsurers on unpaid losses	4,329,171	4,470,207
Reserve for loss and LAE - net at Janaury 1	76,871,854	74,074,516
Net incurred related to:		
Current year	26,886,863	25,811,638
Prior years	(15,672,429)	(7,063,628)
Total incurred	11,214,434	18,748,010
Net paid related to:		
Current year	6,697,409	6,216,539
Prior years	10,055,061	9,734,133
Total paid	16,752,470	15,950,672
Reserves for loss and LAE - net - at December 31	71,333,818	76,871,854
Amounts recoverable from reinsurers on unpaid losses	3,541,570	4,329,171
Reserve for loss and LAE - gross at December 31	$ 74,875,388	$ 81,201,025

The estimated cost of loss and loss adjustment expenses (LAE) attributable to insured events of prior years decreased by $15,672,429 and $7,063,628 during 2021 and 2020, 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 $5,030,000 and $5,250,000 at December 31, 2021 and 2020, respectively. The Company estimates that is contingently liable for approximately $2,525,000 at December 31, 2021, should the insurers of these annuities fail to perform under the terms of the annuities.

8. SHORT-DURATION CONTRACTS

The Company's reserves for loss and loss adjustment expenses represent the estimated cost of all reported and unreported loss and loss adjustment expenses incurred and unpaid at any given point in time based on known facts and circumstances. In establishing its reserves, the Company does not use loss discounting, which would involve recognizing the time value of money and offsetting estimates of future payments by future expected investment income. The Company estimates its reserves for loss and loss adjustment expenses using case by case valuations and actuarial analysis. The allocated loss adjustment expenses included in this disclosure are also referred to as DCC expenses.

The Company utilizes a combination of generally accepted and standard actuarial methods including paid and incurred loss development factor approaches, expected loss ratio methods and other paid and incurred approaches to estimate its reserves for loss and loss adjustment expenses. Embedded within these actuarial methods are loss development assumptions selected by either a review of the Company's specific loss development history, industry loss development characteristics, or a combination of both depending on the maturity of the loss experience to date.

Loss development factors are a key assumption underlying many of the actuarial methods utilized. Loss development factors are the ratio of losses at successive evaluations for a defined group of claims (e.g., accident year, accident quarter, etc.). Loss development factors may be dependent on a number of elements, including frequency and severity of claims, length of time to achieve ultimate settlement of claims, case reserving practices, projected inflation of medical costs and wages, judicial determinations and existing laws and regulations. The predictive ability of loss development factors is dependent on consistent underwriting, claims handling, and inflation, among other factors, and predictable legislatively and judicially imposed legal requirements.

The Company does not have any material changes to the actuarial methodologies utilized since year-end 2020 to disclose. The Company only writes workers' compensation coverage. The incurred claims information below also includes the cumulative number of claims reported in each accident year. The number of claims reported are aggregated on a per claimant basis and are included to help measure claim frequency.

The following is information about the incurred and paid claims for the year ended December 31, 2021, net of reinsurance, as well as cumulative claim frequency and the total of incurred but not reported liabilities plus expected development on reported claims included within the net incurred claims amounts.

Workers' Compensation
Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance
(Amounts in Thousands, Except Claim Counts)
As of December 31, 2021

Accident Year	Incurred claims and allocated claim adjustment expenses, net of reinsurance	Cumulative Paid	Incurred but not reported plus expected development on reported claims	Cumulative number of claims reported
2012	$22,314	$21,163	$949	1,291
2013	30,467	28,687	1,378	1,489
2014	31,383	28,890	2,365	1,544
2015	28,302	24,613	3,022	1,284
2016	23,988	22,448	1,516	1,133
2017	26,563	19,923	6,005	1,057
2018	23,832	15,199	8,003	1,009
2019	22,704	11,865	9,887	867
2020	23,156	11,303	7,994	859
2021	23,871	4,949	10,825	853
	$256,580	$189,040		
	All outstanding liabilities before 2012, net of reinsurance	2,043		
	Liabilities for claims and allocated claims adjustment expenses, net of reinsurance	$69,583		

The following table presents the reconciliation of net incurred and paid claims development tables above to the liability for losses and loss adjustment expenses as of December 31, 2021.

	December 31, 2021 (in $000's)
Net liability for unpaid losses and allocated loss adjustment expenses	$ 69,583
Reinsurance recoverable on unpaid losses and loss adjustment expenses	3,542
Liability for unallocated loss adjustment expenses	1,750
Gross liability for unpaid losses and loss adjustment expenses	$ 74,875

9. 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:

Period Covered	Company Retention	Annual Aggregate Deductible	Excess Per Loss Occurrence Coverage
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	750,000	$39,250,000 in excess of $750,000
1/01/20 - 12/31/20	750,000	1,000,000	$39,250,000 in excess of $750,000
1/01/21 - 12/31/21	750,000	1,000,000	$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. As of December 31, 2021 and 2020, the Company has $3,541,570 and $4,329,171, respectively, of reinsurance recoverables based on its actuarially determined ultimate loss and loss adjustment expenses payable. As of December 31, 2021 and 2020, amounts due from reinsurers for claims actually paid were $0 and $189,181, respectively.

The effects of reinsurance on premiums written and earned for 2021 and 2020 are as follows:

	2021		2020	
	Written	Earned	Written	Earned
Direct	$ 46,739,143	$ 46,515,445	$ 44,259,758	$ 44,311,657
Assumed - assigned risk pools	693,882	691,458	592,287	640,469
Ceded	(2,429,502)	(2,429,502)	(2,219,128)	(2,219,128)
Net	$ 45,003,523	$ 44,777,401	$ 42,632,917	$ 42,732,998

10. DEFERRED POLICY ACQUISITION COSTS

Deferred policy acquisition costs represent those costs that are incremental and directly related to the successful acquisition of new or renewal of existing policies. These costs are deferred and expensed over the life of the related policies. Major categories of the Company's deferred policy acquisition costs are as follows:

	December 31,	
	2021	2020
Agents' commissions	$ 829,021	$ 819,218
Premium related taxes and assessments	668,406	667,941
	$ 1,497,427	$ 1,487,159

The following summarizes the activity in the deferred policy acquisition costs:

	December 31, 2021	December 31, 2020
Balance, beginning of year	$ 1,487,159	$ 1,451,953
Policy acquisition costs deferred	5,464,314	5,404,218
Amortization during the year	(5,454,046)	(5,369,012)
Balance, end of year	$ 1,497,427	$ 1,487,159

11. 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, 2021 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.

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.

The Company has accrued a liability for loss-based assessments of $2,971,982 and $3,100,168 at December 31, 2021 and 2020, 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.

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.

12. POLICYHOLDER SECURITY DEPOSITS

Policyholder security deposits are $993,964 and $1,232,696 as of December 31, 2021 and 2020, 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.

13. 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, 2021 and 2020, the Company incurred $1,311,159 and $972,911, respectively, in fees under these agreements.

During 2020, the Company entered into a services agreement with its ultimate parent, Chou Associates Management Inc., whereby the Company pays a fixed amount per month for certain services provided to the Company. The Company recognized expense of $215,004 and $85,106 in 2021 and 2020, respectively, in relation to this agreement.

At December 31, 2021 and 2020, the Company owed Chou Associates Management Inc. $347,265 and $299,937 respectively, in relation to these agreements.

During 2020, the Company declared and paid $3,000,000 of dividends to its stockholders. Of the $3,000,000, $2,992,050 was paid to Wintaai Holdings Ltd, the Company's direct parent. No dividends were declared or paid in 2021.

14. INCOME TAXES

The components of deferred tax assets and liabilities as of December 31, 2021 and 2020 are as follows:

	2021	2020
Deferred tax assets:		
Discounting of unpaid losses and LAE	$ 2,123,465	$ 2,339,519
Unearned and advance premium	839,701	825,598
Allowance for doubtful accounts	107,322	94,368
Accrued compensated absences	31,177	32,506
Reserve for state income tax	98,902	-
Cost basis differences for invested assets	16,624	7,474
Gross deferred tax assets	3,217,191	3,299,465
Less: valuation allowance	-	-
Gross deferred tax assets	3,217,191	3,299,465
Deferred tax liabilities:		
Property and equipment	273,651	249,051
Deferred policy acquisition costs	314,460	312,303
Unrealized capital gains	10,731,316	6,901,707
Loss reserves transition adjustment	740,923	926,153
Gross deferred tax liabilities	12,060,350	8,389,214
Net deferred tax (liabilities)	$ (8,843,159)	$ (5,089,749)

US GAAP requires the Company to evaluate the recoverability of its deferred tax assets and establish a valuation allowance, if necessary, to reduce the deferred tax asset to an amount that is more likely than not to be realized (a likelihood of more than 50%). In making this evaluation, the Company is required to consider all available evidence, both positive and negative, including objectively verifiable evidence of taxable income in the immediate ensuing years. At December 31, 2021 and 2020, no valuation allowance was recorded.

Federal income tax expense differs from the amount computed by applying the statutory federal income tax rate of 21% for the years ended December 31, 2021 and 2020, respectively, to earnings for the following reasons:

	2021		2020	
Income before income taxes	$ 54,181,428	100.0%	$ 20,416,555	100.0%
Federal and state income taxes:				
Computed at statutory rate	$ 11,378,100	21.0%	$ 4,287,477	21.0%
Tax-exempt interest and proration	30,328	0.1%	11,273	0.1%
Dividends received deduction	(123,635)	-0.2%	(60,740)	-0.3%
Non-deductible expenses	29,892	0.1%	11,459	0.1%
Loan forgiveness	-	0.0%	(150,058)	-0.7%
Effect of foreign tax credit taken	(114,954)	-0.2%	-	0.0%
State income taxes	551,671	1.0%	37,764	0.2%
Other	(1,115)	0.0%	(87)	0.0%
Total	$ 11,750,287	21.7%	$ 4,137,088	20.3%
Income tax expense:				
Current	$ 7,252,910	13.4%	$ 2,536,938	12.4%
Deferred	4,497,377	8.3%	1,600,150	7.8%
Total	$ 11,750,287	21.7%	$ 4,137,088	20.3%

15. EQUITY AND STATUTORY RESULTS

A comparison of US GAAP and Statutory basis net income and total equity is as follows:

	US GAAP	Statutory
Net income:		
Year ended December 31, 2021	$ 42,431,141	$ 25,340,321
Year ended December 31, 2020	$ 16,279,467	$ 11,199,726
Total equity/capital and surplus:		
December 31, 2021	$ 140,974,680	$ 140,802,393
December 31, 2020	$ 101,342,270	$ 97,725,894

16. NOTE PAYABLE

On December 14, 2006, the Company issued a surplus note (note payable) 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 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
Date of Maturity:	December 15, 2036

Notes payable consisted of the following:

	December 31, 2021	December 31, 2020
Note payable	$ 4,000,000	$ 4,000,000
Less: deferred loan costs	(80,154)	(85,515)
	$ 3,919,846	$ 3,914,485

On April 28, 2020, the Company received loan proceeds in the amount of $710,458 from the Small Business Administration (SBA) through the Paycheck Protection Program (PPP) as established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act passed by Congress in March 2020. Under the provisions of the program, each borrower is able to apply for forgiveness for all or a portion of the PPP loan based on the use of the loan proceeds in accordance with the terms of the CARES Act. In December 2020, the Company received notice that the loan, along with accrued interest, was fully forgiven by the SBA. The extinguishment of the liability has been recognized as a component of other income in 2020.

17. LEASES

The Company leases office equipment under various non-cancelable operating agreements that expire through 2026 and incurred expense of $46,808 and $40,644 in 2021 and 2020, respectively, related to these agreements.

Additionally, the Company leases office space under a non-cancelable operating agreement lease. The Company incurred $149,765 and $173,558 of rental expense in 2021 and 2020, respectively, in relation to this lease. The lease is for a five year period with an option to renew for an additional five years and expires on August 31, 2025.

At December 31, 2021, the minimum aggregate lease commitments are as follows:

Years ending December 31,	Amount
2022	$ 182,120
2023	175,247
2024	167,734
2025	111,927
2026	3,617
Total	$ 640,645

18. 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, 2021 and 2020, the Company contributed $374,052 and $370,737, respectively, to the plan.

19. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 17, 2022, and determined that no matter required additional disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

STONETRUST COMMERCIAL INSURANCE COMPANY AND SUBSIDIARY
SHORT-DURATION CONTRACTS
REQUIRED SUPPLEMENTARY INFORMATION

Workers' Compensation

Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance

(Amounts in Thousands, Except Claim Counts)

	For The Years Ended December 31,										As of December 31, 2021	
Accident Year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total of Incurred but not reported plus expected development on reported claims**	**Cumulative number of reported claims**
2012	19,406	19,983	21,278	22,747	22,735	22,976	22,972	22,765	22,595	22,314	$949	1,291
2013		30,893	29,503	30,638	30,596	30,832	31,184	30,726	30,722	30,467	1,378	1,489
2014			34,805	36,049	35,981	35,896	34,871	33,840	32,633	31,383	2,365	1,544
2015				34,874	34,538	33,775	31,613	30,592	29,562	28,302	3,022	1,284
2016					32,270	31,681	31,653	31,220	29,191	23,988	1,516	1,133
2017						30,124	30,390	29,920	28,843	26,563	6,005	1,057
2018							27,162	26,816	26,107	23,832	8,003	1,009
2019								24,979	24,746	22,704	9,887	867
2020									23,410	23,156	7,994	859
2021										23,871	10,825	853
									Total	$256,580		

Workers' Compensation

Cumulative Paid Claims & Allocated Claim Adjustment Expenses, Net of Reinsurance

(Amounts in Thousands)

	For The Years Ended December 31,									
Accident Year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
2012	4,304	11,985	16,194	18,574	20,140	20,492	20,568	21,075	21,120	21,163
2013		7,083	17,684	22,287	25,949	27,387	28,043	28,102	28,638	28,687
2014			8,928	19,609	25,900	27,544	28,329	28,757	29,133	28,890
2015				7,448	16,844	20,978	23,126	24,364	24,687	24,613
2016					6,538	15,870	20,202	22,024	22,204	22,448
2017						7,041	15,344	18,654	19,921	19,923
2018							5,630	13,332	14,457	15,199
2019								4,981	9,974	11,865
2020									4,615	11,303
2021										4,949
									Total	$189,040
All outstanding liabilities before 2012, net of reinsurance										2,043
Liabilities for claims and allocated claims adjustment expenses, net of reinsurance										$69,583

STONETRUST COMMERCIAL INSURANCE COMPANY AND SUBSIDIARY
SHORT-DURATION CONTRACTS
REQUIRED SUPPLEMENTARY INFORMATION

Average Annual Percentage Payout of Incurred Loss and Allocated Claim Adjustment Expense By Age, Net of Reinsurance									
Years	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
Workers' Compensation	21.7%	29.7%	13.2%	9.7%	7.3%	6.7%	1.1%	3.3%	1.2%