STONETRUST COMMERCIAL INSURANCE COMPANY AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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C O N T E N T S

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Stonetrust Commercial Insurance Company and Subsidiary

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Stonetrust Commercial Insurance Company and Subsidiary (the Company), which comprise the consolidated balance sheet as of December 31, 2023, the related consolidated statements of operations and comprehensive income (loss), changes in stockholders' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Stonetrust Commercial Insurance Company and Subsidiary as of December 31, 2023, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The consolidated financial statements of the Company for the year ended December 31, 2022, were audited by other auditors who expressed an unmodified opinion on those consolidated financial statements on March 17, 2023.

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.

Auditors' Responsibilities 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.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information about short-duration insurance contracts on pages 30 and 31 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.

EisnerAmper LLP

EISNERAMPER LLP
Baton Rouge, Louisiana
March 14, 2024

STONETRUST COMMERCIAL INSURANCE COMPANY AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
Fixed income securities - available for sale:		
at fair value	$ 59,103,101	$ 64,773,715
Equity securities - at fair value:		
Common stocks	78,577,087	64,299,088
Collateral loan with related party	30,000,000	30,000,000
Total investments	167,680,188	159,072,803
Cash and cash equivalents	60,263,813	47,166,323
Receivable for securities	1,717,923	3,104,795
Premium receivable	18,625,946	17,127,612
Reinsurance receivables and recoverables	3,149,293	3,133,057
Deferred policy acquisition costs	1,615,189	1,587,060
Income taxes receivable	1,611,568	302,771
Accrued investment income	1,206,756	1,153,866
Property, equipment and leasehold improvements	737,038	1,046,549
Right of use asset - leases	1,072,901	1,167,022
Other	1,929,992	1,264,048
Total assets	$ 259,610,607	$ 236,125,906
LIABILITIES		
Losses and loss adjustment expenses	$ 67,754,762	$ 67,382,990
Unearned premiums	21,630,123	20,957,604
Derivatives	355,910	26,399
Advanced premiums	915,919	1,051,614
Insurance related taxes and assessments	3,216,130	3,190,510
Commission payable	1,495,792	1,375,316
Deferred tax liabilities	6,774,516	2,255,113
Income taxes payable	947,267	581,083
Accounts payable and other liabilities	2,940,992	3,202,533
Lease liability	1,085,764	1,175,818
Due to parent company	353,894	271,969
Security deposits	1,021,064	990,297
Total liabilities	108,492,133	102,461,246
STOCKHOLDERS' 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	117,202,672	100,861,437
Accumulated other comprehensive income (loss) - net	(1,084,198)	(2,196,777)
Total stockholders' equity	151,118,474	133,664,660
Total liabilities and stockholders' equity	$ 259,610,607	$ 236,125,906

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 (LOSS)
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
REVENUES		
Net premiums earned	$ 51,756,323	$ 48,074,432
Net investment income	7,028,077	3,687,714
Net realized capital losses	(5,686,185)	(1,198,335)
Net holding gains (losses) on equity securities	21,382,003	(24,436,148)
Other income	238,707	222,079
Total revenues	74,718,925	26,349,742
EXPENSES AND LOSSES		
Losses and loss adjustment expenses	20,108,535	10,726,678
Underwriting and operating expenses	20,129,538	19,330,550
Bad debt expense	603,781	211,760
Interest expense	-	143,472
Total expenses and losses	40,841,854	30,412,460
INCOME (LOSS) BEFORE INCOME TAXES	33,877,071	(4,062,718)
Income tax expense (benefit)	7,491,389	(700,068)
NET INCOME (LOSS)	26,385,682	(3,362,650)
OTHER COMPREHENSIVE INCOME (LOSS)		
Unrealized holding gains (losses) arising during the period	(786,294)	(6,496,776)
Reclassification adjustment for realized gains (losses) included in net income	2,194,622	1,500,106
Other comprehensive income (loss) before income taxes	1,408,328	(4,996,670)
Income tax benefit related to other comprehensive (loss)	(295,749)	1,049,300
Other comprehensive income (loss)	1,112,579	(3,947,370)
COMPREHENSIVE INCOME (LOSS)	$ 27,498,261	$ (7,310,020)

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

STONETRUST COMMERCIAL INSURANCE COMPANY AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Total
Balance, December 31, 2021	$ 2,500,000	$ 32,500,000	$ 104,224,087	$ 1,750,593	$ 140,974,680
Net loss	-	-	(3,362,650)	-	(3,362,650)
Other comprehensive loss - net	-	-	-	(3,947,370)	(3,947,370)
Balance, December 31, 2022	$ 2,500,000	$ 32,500,000	$ 100,861,437	$ (2,196,777)	$ 133,664,660
Net income	-		26,385,682	-	26,385,682
Dividends paid	-	-	(10,044,447)	-	(10,044,447)
Other comprehensive income - net	-	-	-	1,112,579	1,112,579
Balance, December 31, 2023	$ 2,500,000	$ 32,500,000	$ 117,202,672	$ (1,084,198)	$ 151,118,474

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, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ 26,385,682	$ (3,362,650)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	309,511	335,705
Net accretion of discount on investment securities	(749,510)	(297,437)
Amortization of debt issuance costs	-	80,154
Bad debt expense	603,781	211,760
Deferred income tax	4,223,654	(5,538,746)
Net realized and unrealized capital losses (gains)	(15,695,818)	25,634,483
Changes in operating assets and liabilities:		
Premiums receivable	(2,102,115)	(2,195,675)
Reinsurance receivables and recoverables	(16,236)	408,513
Deferred policy acquisition costs	(28,129)	(89,634)
Income taxes receivable	(942,613)	370,486
Accrued investment income	(52,890)	(471,706)
Other assets	(665,944)	343,236
Losses and loss adjustment expenses	371,772	(7,492,398)
Unearned and advance premiums	536,824	2,016,349
Insurance related taxes and assessments	25,620	(17,203)
Lease liability - net	4,067	8,796
Commissions and other liabilities	(28,373)	481,960
Net cash provided by operating activities	12,179,283	10,425,993
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments available-for-sale	(11,185,746)	(42,143,912)
Proceeds from sales, maturities and prepayments of investments available-for-sale	18,206,449	26,590,288
Proceeds from derivatives - net	1,372,123	2,346,574
Purchases of equity securities	(4,019,373)	(8,225,998)
Proceeds from sales of equity securities	6,589,201	12,397,089
Investment in collateral loan	-	(30,000,000)
Net cash provided by (used in) investing activities	10,962,654	(39,035,959)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(10,044,447)	-
Principal payments on debt	-	(4,000,000)
Net cash used in financing activities	(10,044,447)	(4,000,000)
NET CHANGE IN CASH AND CASH EQUIVALENTS	13,097,490	(32,609,966)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	47,166,323	79,776,289
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 60,263,813	$ 47,166,323

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

STONETRUST COMMERCIAL INSURANCE COMPANY AND SUBSIDIARY

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 Alabama, Arkansas, Georgia, Kansas, Iowa, Louisiana, Mississippi, Missouri, Nebraska, Oklahoma, Tennessee and Texas. It is also licensed to write workers' compensation coverage in a total of 18 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. It has 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.

On January 1, 2018, all issued and outstanding shares of the Company were purchased by Wintaai Holdings, Ltd., an Ontario, Canada corporation. Effective December 31, 2022, the outstanding shares of the Company owned by Wintaai Holdings, Ltd, were contributed to its wholly owned subsidiary, Wintaai America Inc., a Delaware corporation. At that time, Wintaai America Inc. became the Company's direct parent with a 99.6% ownership stake.

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, 2023 and 2022, totaled $27,290 and $26,458, 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

On January 1, 2023, the Company adopted ASU 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASC 326).* This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities, and some off-balance sheet credit exposures such as unfunded commitments to extend credit. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses. In addition, CECL made changes to the accounting for available-for-sale debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available-for-sale debt securities if management does not intend to sell and does not believe that it is more likely than not, they will be required to sell. The Company adopted CECL effective January 1, 2023, using the retrospective approach for all financial assets measured at amortized cost and available-for-sale securities, which had no material impact on the Company's financial statements.

Under ASC 326, for available-for-sale debt securities in an unrealized loss position, a credit loss is recognized in earnings when it is anticipated that the amortized cost will not be recovered. When either 1) the Company has the intent to sell the security; or 2) it is more likely than not that the Company will be required to sell the security before recovery, the reduction of amortized costs and the loss recognized in earnings is the difference between the security's amortized cost and the estimated fair value. If neither of these conditions exist, the difference between the amortized cost of the security and the present value of the projected future cash flows expected to be collected is recognized as a credit loss by establishing an allowance for credit loss (ACL) with a corresponding charge to earnings, limited by the amount that the fair value is less than the amortized cost. If the estimated fair value is less than the present value of projected future cash flows expected to be collected, this portion of the decline in value related to noncredit loss factors is recorded in other comprehensive income.

The Company's equity investments, including exchange-traded and mutual funds, that have readily determinable fair values are measured at fair value with changes in fair values recognized in earnings. 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, including collateral loans, are reported at amortized cost, adjusted for amortization of premiums or discounts and an allowance for credit losses. Debt securities classified as available-for-sale are reported at estimated fair value, adjusted for an ACL, with unrealized gains and losses reported as accumulated other comprehensive income, a separate component of stockholders' equity. Realized gains and losses and provisions for credit losses of available-for-sale securities are determined on the specific identification method.

Management evaluates all investments in an unrealized loss position on a quarterly basis, and more frequently when economic or market conditions warrant such evaluation. If the Company has the intent to sell the security, or it is more likely than not that the Company will be required to sell the security, the security is written down to fair value, and the entire loss is recorded in earnings. If either of the above criteria is not met, the Company evaluates whether the decline in fair value of available-for-sale debt securities is the result of credit losses or other factors. In making the assessment, the Company may consider various factors including the extent to which fair value is less than amortized cost, performance on any underlying collateral, downgrades in the ratings of the security by a rating agency, the failure of the issuer to make scheduled interest or principal payments and adverse conditions specifically related to the security. If the assessment indicates that a credit loss exists, the present value of cash flows expected to be collected is compared to the amortized cost basis of the security and any excess is recorded as an ACL, limited to the amount that the fair value is less than the amortized cost basis. Any amount of unrealized loss that has not been recorded through an ACL is recognized in other comprehensive income.

Changes in the ACL are recorded as provision for (or reversal of) credit losses as a component of realized losses. Losses are charged against the ACL when management believes an available-for-sale security is confirmed to be uncollectible or when either of the criteria regarding intent or requirement to sell is met. At December 31, 2023, there was no allowance for credit losses related to the Company's investment portfolio.

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 $2,276,730 and $1,748,879 at December 31, 2023 and 2022, 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 premium 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, 2023 and 2022, the Company recorded an allowance for doubtful accounts of $479,740 and $508,770, 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 premiums, 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, 2023 and 2022, the Company has an accrued liability recorded for unpaid compensated absences of $107,748 and $150,091, 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).

Leases

As of January 1, 2022, the Company adopted FASB Accounting Standards Update (ASU) 2016-02, Leases (Topic 842), and all related amendments which requires the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet.

The Company determines if an arrangement is a lease at the inception of the contract. For leases with terms greater than twelve months, right-of-use assets and lease liabilities are recognized at the contract commencement date based on the present value of lease payments over the lease term. Right-of-use assets represent the Company's right to use the underlying asset for the lease term. Lease liabilities present the Company's obligation to make lease payments arising from these contracts. The Company uses a risk-free rate, which is derived from information available at the least commencement date, in determining the present value of lease payments. Lease terms may include options to extend or terminate the lease when it is reasonably certain that such options will be exercised.

Lease agreements may include rental escalation clauses or renewal options that are factored into management's determination of lease payments, when appropriate. The estimated useful life of right-of-use assets is limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise. The Company's lease agreements generally do not contain any material residual value guarantees, restrictions, or covenants.

The Company has elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and are applying this practical expedient to all relevant asset classes.

2. INVESTMENTS

The amortized cost, gross unrealized gains, gross unrealized losses, and estimated fair value of investment securities as of December 31, 2023 and 2022, were as follows:

	December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury securities and obligations of U.S. Government Corporations and Agencies	$ 28,450,318	$ -	$ (142,146)	$ 28,308,172
State and political subdivisions	885,700	-	(4,074)	881,626
Industrial and miscellaneous	31,139,485	224,974	(1,451,156)	29,913,303
Total bonds	60,475,503	224,974	(1,597,376)	59,103,101
Common stocks	33,235,964	45,352,465	(11,342)	78,577,087
Collateral loan	30,000,000	-	-	30,000,000
Total	$ 123,711,467	$ 45,577,439	$ (1,608,718)	$ 167,680,188

The Company considers all debt securities to be available-for-sale and recognized no allowance for credit losses at December 31, 2023.

	December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury securities and obligations of U.S. Government Corporations and Agencies	$ 35,391,160	$ 55,841	$ (185,769)	$ 35,261,232
State and political subdivisions	920,170	-	(26,871)	893,299
Industrial and miscellaneous	31,243,116	367,528	(2,991,460)	28,619,184
Total bonds	67,554,446	423,369	(3,204,100)	64,773,715
Common stocks	42,089,512	26,463,649	(4,254,073)	64,299,088
Collateral loan	30,000,000	-	-	30,000,000
Total	$ 139,643,958	$ 26,887,018	$ (7,458,173)	$ 159,072,803

During 2022, the Company invested in a note receivable in the amount of $30,000,000 from a related party which is secured by the pledge of a surplus note issued by an insurance company (See Note 13). The note bears interest at 9.0% and matures on October 14, 2032. The payment of interest and principal is subject to regulatory approval. The collateral loan is carried at its cost basis and recognized no allowance for credit losses. See Note 3 regarding limitations on the fair value of the note receivable.

Information pertaining to investment securities with gross unrealized losses at December 31, 2023 and 2022, aggregated by investment category and length of time that individual securities have been in a continuous loss position follows:

	December 31, 2023			
	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	$ (60,318)	$ 24,892,456	$ (81,828)	$ 3,415,716
State and political subdivisions	-	-	(4,074)	881,626
Industrial and miscellaneous	(577,644)	8,460,627	(873,512)	16,465,160
Total bonds	(637,962)	33,353,083	(959,414)	20,762,502
Common stocks	(11,342)	990,584	-	-
Total	$ (649,304)	$ 34,343,667	$ (959,414)	$ 20,762,502

	December 31, 2022			
	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	$ (18,648)	$ 2,386,270	$ (167,121)	$ 2,921,061
State and political subdivisions	-	-	(26,871)	893,299
Industrial and miscellaneous	(2,644,884)	20,930,505	(346,576)	1,653,460
Total bonds	(2,663,532)	23,316,775	(540,568)	5,467,820
Common stocks	(1,772,898)	5,704,372	(2,481,175)	1,487,700
Total	$ (4,436,430)	$ 29,021,147	$ (3,021,743)	$ 6,955,520

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 $749,510 and $297,437 during the years ended December 31, 2023 and 2022, respectively.

For equity securities, management periodically considers the various factors including its intent and ability to hold the equity security for a period of time sufficient for recovery to amortized cost. Where management lacks intent or ability, the security's decline in fair value is deemed to be impaired and is recorded in earnings. No impairment adjustments in equity securities were recorded during the years ended December 31, 2023 or 2022.

For debt securities, the Company reached the conclusion that the unrealized losses as of December 31, 2023, did not require an ACL in accordance with credit loss guidance adopted under ASC 326. The Company's determination was based on its review of the nature of the investments (including credit quality of the obligor in conjunction with payment history) and the severity of the fair value decline, together with an assessment of the Company's intent and ability to hold these securities for a period sufficient to allow for a recovery in value. The Company also considered the duration of the fair value decline in its review of the unrealized losses prior to the adoption of ASC 326. The decline in fair value was primarily due to changes in financial market conditions, including interest rates. During the year ended December 31, 2023, the Company included a charge of $693,917 in realized losses attributed to an available-for-sale debt security in a loss position which the Company no longer intended to hold until recovery. The Company also recognized an impairment loss of $173,436 during the year ended December 31, 2022 under the incurred loss methodology related to available-for-sale debt securities.

The amortized cost and estimated fair values of bonds at December 31, 2023, 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	$ 24,788,379	$ 24,657,780
Due after 1 year through 5 years	23,896,373	23,029,066
Due after 5 years through 10 years	11,790,751	11,416,255
Due after 10 years through 20 years	-	-
Due after 20 years	-	-
	$ 60,475,503	$ 59,103,101

In accordance with regulatory provisions, the Company has pledged bonds with a fair value of $2,972,268 and $3,155,867 to various regulatory agencies at December 31, 2023 and 2022, respectively.

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

	2023	**2022**
Interest on bonds	$ 3,658,089	$ 2,243,643
Interest on cash & cash equivalents	1,244,662	578,677
Interest on collateral loan	2,737,500	592,500
Dividends on equity securities	988,832	1,617,739
	8,629,083	5,032,559
Less: investment expenses	(1,601,006)	(1,344,845)
Net investment income	$ 7,028,077	$ 3,687,714

Proceeds from sales, maturities and prepayments of bonds, common stocks and preferred stocks were $24,795,650 and $38,987,377 for the years ended December 31, 2023 and 2022, respectively.

The table below presents an analysis of realized gains (losses) recognized during the years ended December 31, 2023 and 2022:

	2023	2022
Realized gains:		
Debt securities	$ 148,558	$ 791,539
Common stocks	552,879	3,968,493
Derivatives	2,792,156	2,920,095
	3,493,593	7,680,127
Realized losses:		
Debt securities	(2,343,179)	(2,291,645)
Preferred stocks	-	(339,238)
Common stocks	(6,836,599)	(5,157,205)
Derivatives	-	(1,090,374)
	(9,179,778)	(8,878,462)
Net realized capital (losses)	$(5,686,185)	$(1,198,335)

The Company does not have any unfunded investment commitments or off-balance-sheet credit exposures at December 31, 2023 or associated ACL.

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, 2023 and 2022, about the Company's financial assets measured and carried at fair value at the reporting date:

	December 31, 2023				
	Level 1	Level 2	Level 3	Net Asset Value (NAV)	Total
Assets at Fair Value:					
Bonds	$ -	$ 59,103,101	$ -	$ -	$ 59,103,101
Common stocks	71,167,560	-	2,248,069	5,161,458	78,577,087
	$ 71,167,560	$ 59,103,101	$ 2,248,069	$ 5,161,458	$ 137,680,188
Liabilities at Fair Value:					
Derivatives	$ (355,910)	$ -	$ -	$ -	$ (355,910)

	December 31, 2022				
	Level 1	Level 2	Level 3	Net Asset Value (NAV)	Total
Assets at Fair Value:					
Bonds	$ -	$ 64,773,715	$ -	$ -	$ 64,773,715
Common stocks	57,718,795	-	2,811,587	3,768,706	64,299,088
	$ 57,718,795	$ 64,773,715	$ 2,811,587	$ 3,768,706	$ 129,072,803
Liabilities at Fair Value:					
Derivatives	$ (26,399)	$ -	$ -	$ -	$ (26,399)

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, 2023 and 2022, all of the Company's investments in common stocks and derivatives 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, 2023 and 2022, 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 investment in 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, 2023 and 2022 are as follows:

Only Level 3 Financial Instruments - December 31, 2023

	Balance at January 1, 2023	Purchases	Redemptions	Realized Gain/(Loss)	Unrealized Gain/(Loss)	Transfers In & Out	Balance at December 31, 2023
Common Stock	$ 2,811,587	$ -	$ -	$ -	$ (563,518)	$ -	$ 2,248,069
	$ 2,811,587	$ -	$ -	$ -	$ (563,518)	$ -	$ 2,248,069

Only Level 3 Financial Instruments - December 31, 2022

	Balance at January 1, 2022	Purchases	Redemptions	Realized Gain/(Loss)	Unrealized Gain/(Loss)	Transfers In & Out	Balance at December 31, 2022
Common Stock	$ 1,547,173	$ -	$ -	$ -	$ 1,264,414	$ -	$ 2,811,587
	$ 1,547,173	$ -	$ -	$ -	$ 1,264,414	$ -	$ 2,811,587

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.

Written covered call options:

During the years ended December 31, 2023 and 2022, 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 with any adjustments being recorded through earnings.

Purchased call and put options:

During the year ended December 31, 2022, 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 adjustments being recorded through earnings.

Transactions in option contracts for the years ending December 31, 2023 and 2022 were as follows:

	2023		2022	
	# of Contracts	Premium	# of Contracts	Premium
Call Options Written				
Options outstanding - beginning of year	10,909	$ 2,266,242	7,344	$ 2,243,809
Options written	4,934	1,372,123	14,154	2,942,528
Options purchased	-	-	-	-
Options exercised	(125)	(102,189)	(6,850)	(2,174,822)
Options expired	(11,015)	(2,689,967)	(3,739)	(745,273)
Options oustanding - end of year	4,703	$ 846,209	10,909	$ 2,266,242

	# of Contracts	Premium	# of Contracts	Premium
Call Options Purchased				
Options outstanding - beginning of year	-	$ -	(1,750)	$ (1,696,424)
Options purchased	-	-	(2,075)	(1,421,985)
Options exercised	-	-	1,600	1,202,004
Options sold	-	-	2,225	1,916,405
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, 2023	Fair Value as of December 31, 2022
Call options written	Derivatives - liability	$ (355,910)	$ (26,399)

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:

		2023	
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	$ 2,792,156	$ -
Call options written	Net holding gains on equity securities	-	(1,749,544)
		$ 2,792,156	$ (1,749,544)

		2022	
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	$ 2,920,095	$ -
Call options written	Net holding gains on equity securities	-	4,949,078
Call options purchased	Net realized capital (loss)	(1,090,374)	-
Call options purchased	Net holding (losses) on equity securities	-	(2,482,576)
		$ 1,829,721	$ 2,466,502

5. CASH AND CASH EQUIVALENTS

At December 31, 2023 and 2022, cash, and cash equivalents consisted of the following:

	2023	2022
Demand deposits in financial institutions	$ 60,263,813	$ 47,166,323
Total	$ 60,263,813	$ 47,166,323

All demand deposits are insured by the Federal Deposit Insurance Corporation up to $250,000.

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

Property and equipment consisted of the following at December 31:

	2023	2022
Information systems	$ 799,583	$ 799,583
Office and computer equipment	95,947	95,947
Furniture and fixtures	227,790	227,790
Leasehold improvements	760,436	760,436
Less: accumulated depreciation	(1,146,718)	(837,207)
Net depreciable assets	$ 737,038	$ 1,046,549

Depreciation expense was $309,511 and $335,705 for 2023 and 2022, respectively.

7. UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

Unpaid losses and loss adjustment expenses at December 31, 2023 and 2022, consisted of the following:

	2023	2022
Unpaid losses	$ 58,005,779	$ 57,460,663
Unpaid loss adjustment expenses	9,748,983	9,922,327
Total	$ 67,754,762	$ 67,382,990

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

	2023	2022
Reserves for loss and LAE - gross - at January 1	$ 67,382,990	$ 74,875,388
Amounts recoverable from reinsurers on unpaid losses	3,133,057	3,541,570
Reserve for loss and LAE - net at Janaury 1	64,249,933	71,333,818
Net incurred related to:		
Current year	30,527,570	27,768,307
Prior years	(10,419,035)	(17,041,629)
Total incurred	20,108,535	10,726,678
Net paid related to:		
Current year	8,907,229	7,021,413
Prior years	10,845,770	10,789,150
Total paid	19,752,999	17,810,563
Reserves for loss and LAE - net - at December 31	64,605,469	64,249,933
Amounts recoverable from reinsurers on unpaid losses	3,149,293	3,133,057
Reserve for loss and LAE - gross at December 31	$ 67,754,762	$ 67,382,990

The estimated cost of loss and loss adjustment expenses (LAE) attributable to insured events of prior years decreased by $10,419,035 and $17,041,629 during 2023 and 2022, 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 considered 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 $4,800,000 and $4,910,000 at December 31, 2023 and 2022, respectively. The Company is contingently liable for payments 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 2021 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, 2023, 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, 2023

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
2014	$29,977	$28,798	$1,117	1,544
2015	27,158	24,635	2,028	1,284
2016	23,589	22,600	974	1,133
2017	22,095	20,161	1,537	1,057
2018	16,741	15,266	1,216	1,010
2019	15,318	12,495	2,175	868
2020	20,697	14,400	5,891	862
2021	22,378	14,562	6,002	921
2022	23,880	11,221	9,771	936
2023	26,941	6,759	10,623	945
	$228,774	$170,897		
	All outstanding liabilities before 2014, net of reinsurance	$3,979		
	Liabilities for claims and allocated claims adjustment expenses, net of reinsurance	$61,856		

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, 2023.

		December 31, 2023 (in $000's)
Net liability for unpaid losses and allocated loss adjustment expenses	$	61,856
Reinsurance recoverable on unpaid losses and loss adjustment expenses		3,149
Liability for unallocated loss adjustment expenses		2,750
Gross liability for unpaid losses and loss adjustment expenses	$	67,755

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
1/01/14 - 12/31/14	$750,000	-	$39,250,000 xs. $750,000
1/01/15 - 12/31/15	$750,000	$500,000	$39,250,000 xs. $750,000
1/01/16 - 12/31/16	$2,000,000	-	$38,000,000 xs. $2,000,000
1/01/17 - 12/31/17	$2,000,000	-	$38,000,000 xs. $2,000,000
1/01/18 - 12/31/18	$750,000	$500,000	$39,250,000 xs. $750,000
1/01/19 - 12/31/19	$750,000	$750,000	$39,250,000 xs. $750,000
1/01/20 - 12/31/20	$750,000	$1,000,000	$39,250,000 xs. $750,000
1/01/21 - 12/31/21	$750,000	$1,000,000	$39,250,000 xs. $750,000
1/01/22 - 12/31/22	$750,000	$1,000,000	$39,250,000 xs. $750,000
1/01/23 - 12/31/23	$750,000	$1,000,000	$39,250,000 xs. $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, 2023 and 2022, the Company has $3,149,293 and $3,133,057, respectively, of reinsurance recoverables based on its actuarially determined ultimate loss and loss adjustment expenses payable. As of December 31, 2023 and 2022, no amounts were due from reinsurers for claims actually paid.

The effects of reinsurance on premiums written and earned for 2023 and 2022 are as follows:

	2023		2022	
	Written	Earned	Written	Earned
Direct	$ 54,500,054	$ 53,826,206	$ 51,744,062	$ 49,946,728
Assumed - assigned risk pools	920,341	921,670	797,646	782,374
Ceded	(2,991,553)	(2,991,553)	(2,654,670)	(2,654,670)
Net	$ 52,428,842	$ 51,756,323	$ 49,887,038	$ 48,074,432

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,	
	2023	2022
Agents' commissions	$ 943,639	$ 875,848
Premium related taxes and assessments	671,550	711,212
	$ 1,615,189	$ 1,587,060

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

	December 31,	
	2023	2022
Balance, beginning of year	$ 1,587,060	$ 1,497,427
Policy acquisition costs deferred	5,051,934	5,778,336
Amortization during the year	(5,023,805)	(5,688,703)
Balance, end of year	$ 1,615,189	$ 1,587,060

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, 2023 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. The Company paid $229,029 and $216,796 during the years 2023 and 2022, respectively.

Additionally, the Company has accrued a liability for guaranty fund assessments of $280,802 and $229,029 at December 31, 2023 and 2022, respectively.

The Company has accrued a liability for loss-based assessments of $2,621,262 and $2,590,669 at December 31, 2023 and 2022, 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 insurance related taxes and assessments payable.

12. POLICYHOLDER SECURITY DEPOSITS

Policyholder security deposits are $1,021,064 and $990,297 as of December 31, 2023 and 2022, 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, 2023 and 2022, the Company incurred $1,319,556 and $1,045,127, respectively, in fees under these agreements.

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 in 2023 and 2022 in relation to this agreement.

At December 31, 2023 and 2022, the Company owed Chou Associates Management Inc. $353,894 and $271,969 respectively, in relation to these agreements.

As further described in Note 2, on October 14, 2022, the Company entered into a $30 million secured non-recourse collateral loan from an entity related by common ownership. The Company has recorded accrued investment income of $630,000 and $592,500 at December 31, 2023 and 2022, respectively, due from this related party. Interest income of $2,737,500 and $592,500 has been recognized during the years ended December 31, 2023 and 2022, respectively, related to this loan.

14. INCOME TAXES

The components of deferred tax assets and liabilities as of December 31, 2023 and 2022 are as follows:

	2023	2022
Deferred tax assets:		
Discounting of unpaid losses and LAE	$ 1,753,514	$ 1,780,607
Unearned and advance premium	946,934	924,206
Allowance for doubtful accounts	100,745	106,842
Accrued compensated absences	22,627	31,519
Guaranty fund accrual	58,968	47,223
Lease liability - net of ROU asset	2,701	1,847
Investment writedown	145,723	-
Capital loss carryforward	-	210,667
Reserve for state income tax	230,628	158,635
Cost basis differences for invested assets	148,729	127,713
Gross deferred tax assets	3,410,569	3,389,259
Less: valuation allowance	-	-
Gross deferred tax assets	3,410,569	3,389,259
Deferred tax liabilities:		
Property and equipment	139,037	203,594
Accrued dividends	2	1,378
Deferred policy acquisition costs	339,190	333,283
Unrealized capital gains	9,336,395	4,550,425
Loss reserves transition adjustment	370,461	555,692
Gross deferred tax liabilities	10,185,085	5,644,372
Net deferred tax (liabilities)	$ (6,774,516)	$ (2,255,113)

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, 2023 and 2022, no valuation allowance has been recorded.

Federal income tax expense (benefit) differs from the amount computed by applying the statutory federal income tax rate of 21% for the years ended December 31, 2023 and 2022, respectively, to earnings for the following reasons:

	2023		2022	
Income (loss) before income taxes	$ 33,877,071	100.0%	$ (4,062,718)	100.0%
Federal and state income taxes:				
Computed at statutory rate	$ 7,114,185	21.0%	$ (853,171)	21.0%
Tax-exempt interest - net of proration	(557)	0.0%	(565)	0.0%
Dividends received deduction - net of proration	(33,343)	-0.1%	(91,630)	2.3%
Non-deductible expenses	30,654	0.1%	20,159	-0.5%
Effect of foreign tax credit taken	(73,949)	-0.2%	(56,889)	1.4%
State income taxes	455,323	1.3%	277,278	-6.8%
Other	(924)	0.0%	4,750	-0.1%
Total	$ 7,491,389	22.1%	$ (700,068)	17.2%
Income tax expense (benefit):				
Current - federal	$ 2,691,203	7.9%	$ 4,487,701	-110.5%
Current - state	576,532	1.7%	350,977	-8.6%
Deferred	4,223,654	12.5%	(5,538,746)	136.3%
Total	$ 7,491,389	22.1%	$ (700,068)	17.2%

15. EQUITY AND STATUTORY RESULTS

As a property and casualty insurance company, the Company is also required to prepare financial statements prepared using statutory accounting principles prescribed or permitted by the Nebraska Department of Insurance (statutory basis) which differs in certain respects with US GAAP. A comparison of the Company's consolidated US GAAP and consolidated Statutory basis net income and total equity is as follows:

	US GAAP	Statutory
Net income (loss):		
Year ended December 31, 2023	$ 26,385,682	$ 9,401,511
Year ended December 31, 2022	$ (3,362,650)	$ 15,337,896
Total equity/capital and surplus:		
December 31, 2023	$ 151,118,474	$ 149,523,537
December 31, 2022	$ 133,664,660	$ 132,840,517

The Nebraska Department of Insurance 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, 2023 and 2022, the Company's calculation indicated that it exceeded the minimum risk-based capital requirements.

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 surplus note and all outstanding accrued interest were paid in full on September 15, 2022.

17. DIVIDENDS

The Company declared and paid $10,044,447 of dividends to its stockholders during 2023. No dividends were declared or paid during 2022.

Under the insurance regulations of Nebraska, the maximum amount of ordinary dividends the Company may pay to shareholders in a twelve month period is limited to the greater of 10% of the most recent year end policyholders surplus or the net income for that same year excluding realized capital gains. Therefore, the maximum amount of dividends which could be paid in 2024 is approximately $14.9 million.

18. LEASES

The Company's operating leases are primarily for office space and office equipment.

At December 31, 2023 and 2022, the Company's consolidated balance sheet included ROU assets totaling $1,072,901 and $1,167,022 and lease liabilities totaling $1,085,764 and $1,175,818, respectively. Other information related to leases is as follows as of December 31, 2023:

	2023	2022
Operating cash flows from operating leases	$ 178,064	$ 179,447
ROU assets obtained in exchange for lease obligations	$ 69,743	$1,331,636
Amortization of ROU assets	$ 160,074	$ 164,614
Weighted average remaining lease term	6.4 years	7.5 years
Weight average discount rate	1.75%	1.57%

As lessee, operating lease liabilities under non-cancellable leases are as follows:

Years ending December 31,	Amount
2024	$ 182,856
2025	175,455
2026	177,683
2027	173,927
2028	169,768
Thereafter	266,739
Total lease payments	1,146,428
Less: interest	(60,664)
	$ 1,085,764

19. 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 have six months of service with the Company. The Company contributes 3% of eligible employees' compensation into the plan and has the option to contribute additional amounts if so decided. For the plan years ended December 31, 2023 and 2022, the Company contributed $430,134 and $402,983, respectively, to the plan.

20. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 14, 2024, and determined that no items required 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, 2023	
Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total of Incurred but not reported plus expected development on reported claims	Cumulative number of reported claims
2014	34,805	36,049	35,981	35,896	34,871	33,840	32,633	31,383	30,583	29,977	$1,117	1,544
2015		34,874	34,538	33,775	31,613	30,592	29,562	28,302	27,195	27,158	2,028	1,284
2016			32,270	31,681	31,653	31,220	29,191	23,988	23,596	23,589	974	1,133
2017				30,124	30,390	29,920	28,843	26,563	22,614	22,095	1,537	1,057
2018					27,162	26,816	26,107	23,832	18,360	16,741	1,216	1,010
2019						24,979	24,746	22,704	17,738	15,318	2,175	868
2020							23,410	23,156	23,092	20,697	5,891	862
2021								23,871	24,145	22,378	6,002	921
2022									23,978	23,880	9,771	936
2023										26,941	10,623	945
									Total	228,774		

Workers' Compensation
Cumulative Paid Claims & Allocated Claim Adjustment Expenses, Net of Reinsurance
(Amounts in Thousands)

	For The Years Ended December 31,									
Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014	8,928	19,609	25,900	27,544	28,329	28,757	29,133	28,890	28,973	28,798
2015		7,448	16,844	20,978	23,126	24,364	24,687	24,613	24,627	24,635
2016			6,538	15,870	20,202	22,024	22,204	22,448	22,462	22,600
2017				7,041	15,344	18,654	19,921	19,923	20,080	20,161
2018					5,630	13,332	14,457	15,199	15,373	15,266
2019						4,981	9,974	11,865	12,423	12,495
2020							4,615	11,303	13,859	14,400
2021								4,949	11,315	14,562
2022									5,180	11,221
2023										6,759
									Total	170,897
All outstanding liabilities before 2014, net of reinsurance										3,979
Liabilities for claims and allocated claims adjustment expenses, net of reinsurance										$61,856

See independent auditors' report on supplementary information

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	21.8%	26.6%	13.1%	8.8%	9.1%	8.9%	2.3%	2.1%	-0.1%

See independent auditors' report on supplementary information