



STONETRUST[®]

WORKERS' COMPENSATION

ANNUAL REPORT - MAY 2021



STONETRUSTINSURANCE.COM



Agency Partners,

I am pleased to report to you that 2020 exceeded our expectations for profitability and capitalization despite the challenges presented by the pandemic. In fact, our underwriting and investment income surpassed the milestones that were achieved in 2019, ***which now makes 2020 the most profitable year in Stonetrust's 28-year history!*** We know that our success is only possible because of our great relationships with you and your teams. To highlight our appreciation for our agency partners, we have included a feature article in this year's letter about the Wimberly Agency, which is one of the first agencies to contract with Stonetrust more than 28 years ago.

At year-end 2020, our written premium was \$44.3 million with coverage offered in eight states to more than 4,500 policyholders. With your help, we wrote \$10.5 million in new business premium, exceeding our goal of \$10 million. In fact, we exceeded new business premium targets in three states last year including - Louisiana, Missouri, and Oklahoma. Our underwriting combined ratio was an outstanding 86.5%, with overall net income of \$11.2 million. Ending surplus was \$100.7 million, which represents a total increase in surplus of more than \$16 million from the prior year. I am also pleased to report net investment income of \$5.7 million with total net admitted assets of \$207.9 million at year-end. Although overall market conditions continue to be very challenging, we have done a great job of maintaining our underwriting discipline and managing our claims extremely well.

As you can see from the attached press release dated May 20, 2021, A. M. Best has improved Stonetrust's outlook to Positive from Stable and affirmed our Financial Strength Rating of B ++ (Good). Best also increased the Financial Size Category (FSC) to VIII, acknowledging our surplus growth in excess of \$100 million. This represents the third time that A. M. Best has noted improvement in our Financial Strength Rating (FSR) since 2018. With this year's outlook improvement to Positive, we have now achieved all of the FSR requirements needed for A. M. Best to consider assigning Stonetrust an overall Financial Rating of A minus. We are very proud of this recognition and excited to know that we are now just one step away from achieving our goal of becoming an A rated workers' compensation company.

So far in 2021, we have continued our focus on technology upgrades, operational improvements, and market expansion. We are in the final stages of completing a comprehensive conversion of our policy administration and claims management systems, which will greatly enhance the Stonetrust customer experience by providing policyholders and agents with more real-time access to policy payment and claim information. Even though our original plan was delayed, I am excited to report that we will begin writing business in Alabama and Kansas this year, which will initiate a three-year expansion plan that will add six additional states by 2024. And to assist you with writing even more Stonetrust business, we will launch Stonetrust Premier Casualty in September of this year. This new company will offer you the preferred pricing that you need to write those accounts that qualify for and require the most competitive rates.

On behalf of the Stonetrust Board of Directors, our owner Francis Chou, and our wonderful Stonetrust employees, I want to again thank you for your partnership with Stonetrust and your commitment to our success. We are extremely excited about the future and look forward to writing more workers' compensation business with you.

Sincerely,



Michael G. Dileo, CPCU
President and Chief Executive Officer

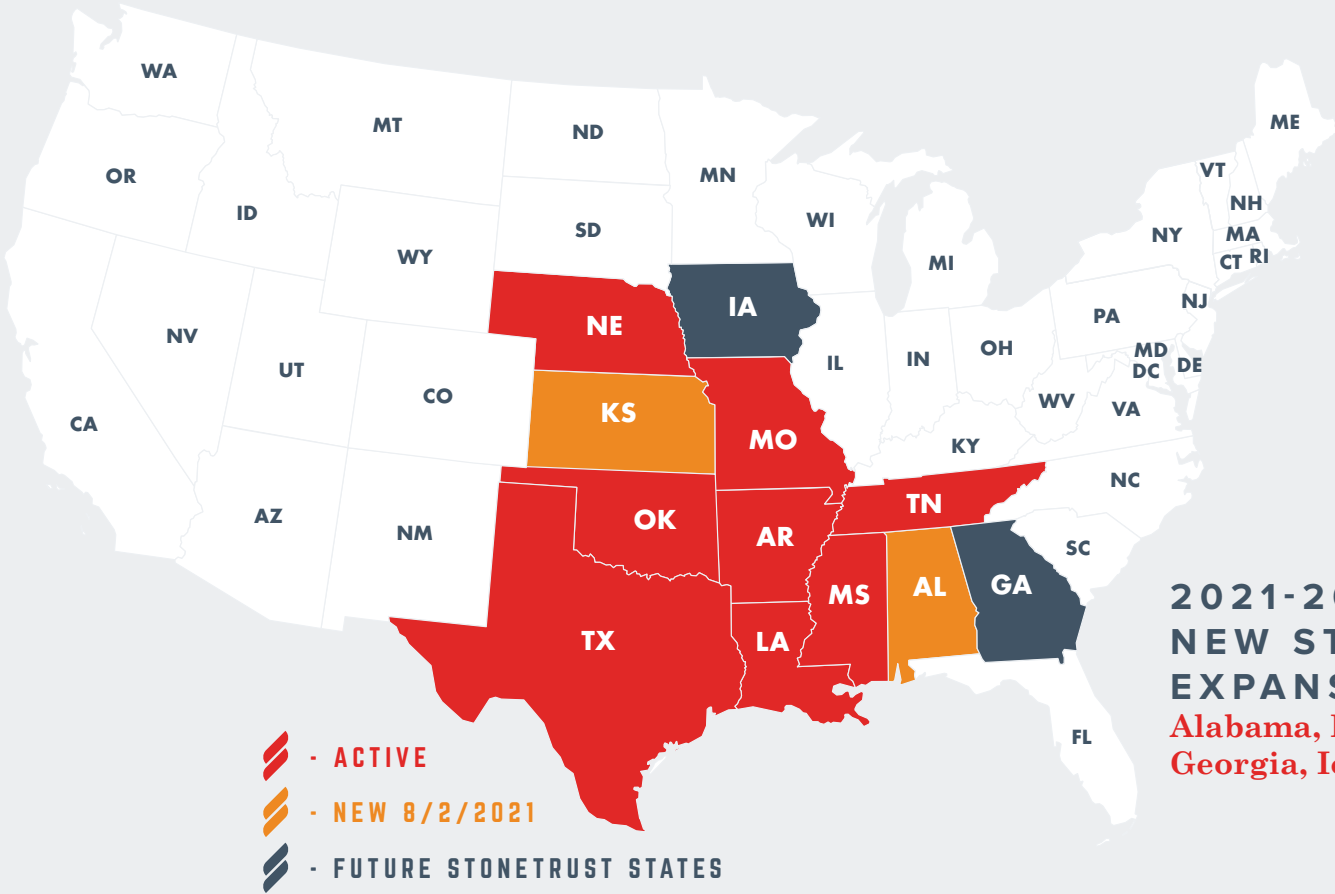

FINANCIAL REPORT 2020

STATEMENT OF INCOME (\$000)	12/31/2020	12/31/2019
Net Premiums Earned	42,733	43,753
Losses Incurred	14,473	19,032
Loss Adjustment Expenses Incurred	4,275	4,681
Other Underwriting Expenses Incurred	18,202	15,291
Net Underwriting Gain (Loss)	5,783	4,749
Net Investment Gain (Loss)	7,964	3,674
Other Income	(15)	(40)
Income Tax Expense	2,480	1,988
Net Income (Loss)	11,252	6,395
CAPITAL AND SURPLUS ACCOUNT (\$000)	12/31/2020	12/31/2019
Surplus as regards Policyholders, Dec. 31 prior year	84,446	68,276
Net Income (Loss)	11,252	6,395
Change in Non-Admitted Assets	(214)	(74)
Change in net unrealized gains and losses	5,350	9,170
Other Changes in Capital and Surplus Account	(3,108)	679
Total Surplus	97,726	84,446
ASSETS (\$000)	12/31/2020	12/31/2019
Bonds	59,729	79,099
Common Stocks	65,263	67,729
Preferred Stocks	-	5,664
Real Estate	-	-
Cash and Short-Term Investments	59,074	17,917
Other Invested Assets	2,965	-
Receivables for Securities	3,705	1
Total Invested Assets	190,736	170,410
Premiums and Considerations	14,951	16,261
Net Deferred Tax Asset	-	-
Other Assets	2,300	1,794
Total Assets	207,987	188,465
LIABILITIES AND POLICYHOLDERS' SURPLUS (\$000)	12/31/2020	12/31/2019
Unpaid Loss and Loss Adjustment Expenses	76,872	74,075
Unearned and Advance Premiums	19,657	19,708
Taxes, Licenses and Fees (Ex. Income Tax)	3,370	3,576
Net deferred tax liability	3,128	1,584
Commissions Payable	1,425	1,531
Other Liabilities	5,809	3,545
Total Liabilities	110,261	104,019
Total Policyholders' Surplus	97,726	84,446
Total Liabilities and Policyholders' Surplus	207,987	188,465

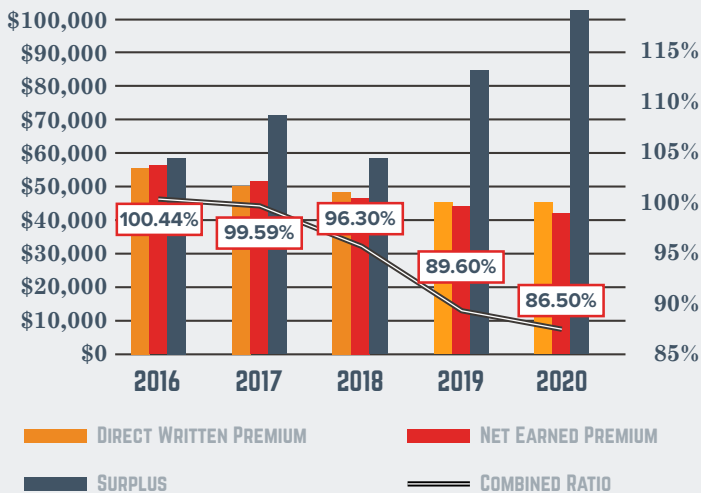


STONETRUST SEEKS TO DEVELOP A WORKING RELATIONSHIP WITH EACH POLICYHOLDER AND PRODUCER TO ACHIEVE OUR MUTUAL GOAL OF WORKPLACE SAFETY AND CLAIMS COST CONTAINMENT.

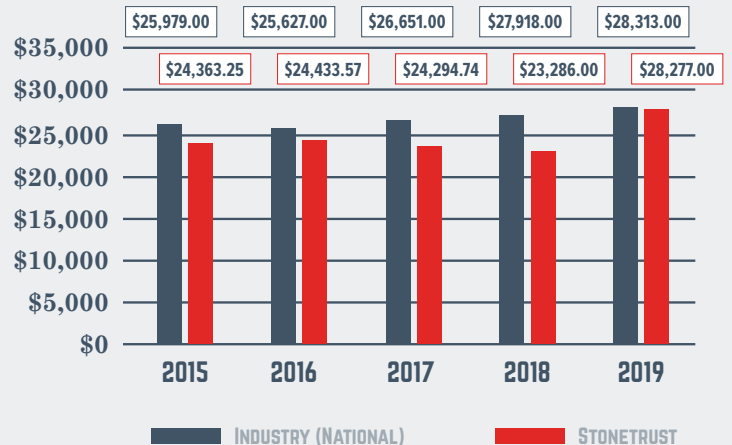
STONETRUST COVERAGE TERRITORY



5 YEAR FINANCIAL SUMMARY



STONETRUST AVERAGE MEDICAL CLAIM COSTS BY ACCIDENT YEAR





Meet Matt Wimberly, *President/CEO of the Wimberly Agency*

Matt grew up in the insurance industry and has over 20 years of experience as an independent agent. Matt loves to hunt, play guitar and spend time outdoors with his kids, Max (8) and Marian (7).

As a 3rd generation agent, Matt believes that the best way to help his clients is by educating them, and not just try to sell them a random product they may not even need.

According to Matt, *“A good agent is needed now more than ever. With people having the ability to purchase insurance themselves, the general public does not have the experience or education to always know which product is right for them, or how to avoid buying things they don’t need.”*



What are three critical things an agent must accomplish in order to achieve success for his clients:

“I think number one is trying to get the best value possible for clients. Number two is providing clients with the comfort of knowing that they are covered. Number three is being available to clients as close to 24/7 as possible.”

How does forming strong relationships within the industry help you better serve your clients?

“At the end of the day we are our relationships. Strong relationships with companies are critical in best matching clients to those companies. It is also nice to have someone who is a business partner and friend you can go to with questions or concerns.”

What are you most proud of at this point in your professional journey?

“By the numbers I was destined to fail by now, but instead, and with the help of a strong team, we have doubled in premium size and expanded offices. This growth has been very rewarding on many levels.”

What do you feel sets you apart from the competition, or what makes what you do, or how you do it unique or special?

“It’s all about my team. We are different. My team is what makes us different. We are continuously learning and growing. We change daily and are always trying to improve. Building a team of people with similar mindsets is key to accomplishing your goals.”

When did you begin working with Stonetrust, and how did that relationship begin?

“My father was a close friend of Glen Grigsby and he was instrumental in getting Stonetrust started, so, we have pretty much been with Stonetrust from the beginning.”

How has your partnership with Stonetrust strengthened over the years, and how it has helped you and your clients achieve success?

“Stonetrust has always been very hands-on with a dedicated underwriting team. They are willing to work with you and we have a very trusting relationship. We have grown together over the years, and so has our mutual respect and trust for one another.”

Stonetrust helps to make sure that my clients are getting exactly what they need for the right price.



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