



STONETRUST[®]

WORKERS' COMPENSATION

RELIABILITY. EVERY STEP OF THE WAY.



ANNUAL REPORT

FINANCIAL YEAR 2023

AUGUST 15, 2024



Dear Agency Partners,

I am pleased to provide our annual report on the financial results and progress achieved in 2023 by Stonetrust Commercial Insurance Company.

We are extremely thankful to have enjoyed an unprecedented run of financial success and profitable growth for many years now. On a national level, the workers' compensation industry continues a strong trend of profitability driven primarily by successive years of declining claim frequency and lower claim costs. The accelerated use and integration of technology, data, and artificial intelligence by insurance companies is creating both new opportunities and new challenges for everyone. All of this is impacting workers' compensation insurance and has contributed to an extremely competitive market environment where agents have many choices. Understanding how your business is being impacted by change and recognizing your challenges is critical for us to achieve our goal to be your "First Choice" workers' compensation carrier. Because we know that you have many options, we greatly appreciate the commitment that you've made to Stonetrust and understand that we're only successful because of the strong partnerships that we've established with you. In this year's report, we're extremely pleased to feature one of our longest-tenured partners in Oklahoma, One General Agency and its president, Jenny Dotter. Jenny and her team were instrumental in helping Stonetrust to get established in Oklahoma and have contributed greatly to our overall success and evolution. I'm sure that you will enjoy reading about OGA's incredible journey and achievements.

Even though competition is fierce and rates continue to decline, I'm proud to report that we still underwrote almost \$12 million in new business premium last year. While this was just below our targeted goal, it helped us to achieve almost 6% of total premium growth. We finished the year with total written premiums of \$52.4 million and total net earned premiums of \$51.7 million. Our net underwriting gain was \$11.1 million, and we achieved a net investment gain of \$2.5 million. Total net income for the year was \$9.4 million and our surplus grew to \$149.5 million – which was an almost \$17 million increase in surplus from the prior year. Total assets for the company increased from \$230.8 million at the end of 2022 to \$253.4 million. The financial results achieved in 2023 contributed to a strong trend of underwriting profitability and above average investment gains achieved every year since 2015. We have also continued to outperform all the major indexes with our value-based investment strategy while maintaining solid liquidity and risk leverage ratios.

Overall, 2023 was another extraordinarily successful year for Stonetrust that could not have been achieved without your partnership, loyalty, and commitment. Our trend of strong financial results is highlighted by our [July 2024 AM Best evaluation](#) (see page 4) affirming our Financial Strength Rating of A- (Excellent) and our Long-Term Issuer Credit Rating of "a-" (Excellent). We were also extremely pleased that AM Best revised and improved our outlooks ratings from "Stable" to "Positive." In the evaluation summary, Best assesses our balance sheet strength as very strong and notes that our operating performance has consistently outperformed many of our competitor companies in the last ten years. The summary also highlights our robust underwriting earnings and steady investment income.

Although market conditions continue to be challenging and technology will continue to cause change and disruption, we will continue to work hard to be a great partner for you. We sincerely appreciate your steadfast loyalty and dedication to Stonetrust. Because of your commitment, we're off to another solid start this year and we look forward to delivering excellent results again in 2024!

Thank you for your continued support.

A handwritten signature in black ink that reads "Michael G. Dileo". The signature is written in a cursive, flowing style.

Michael G. Dileo, CPCU
President and Chief Executive Officer

FINANCIAL REPORT

STATEMENT OF INCOME (\$000)	12/31/2023	12/31/2022
Net Premiums Earned	51,756	48,074
Losses Incurred	15,804	6,141
Loss Adjustment Expenses Incurred	4,305	4,586
Other Underwriting Expenses Incurred	20,541	19,305
Net Underwriting Gain	11,106	18,042
Net Investment Gain	2,542	1,746
Other Income	(317)	38
Income Tax Expense	3,929	4,488
NET INCOME	9,402	15,338
CAPITAL AND SURPLUS ACCOUNT (\$000)	12/31/2023	12/31/2022
Surplus as regards Policyholders, Dec. 31 prior year	132,841	140,802
Net Income	9,402	15,338
Dividends Paid	(10,044)	-
Change in Net Unrealized Gains and Losses	16,878	(20,122)
Repayment of Surplus Note	-	(4,000)
Other Changes	447	823
TOTAL SURPLUS	149,524	132,841
ASSETS (\$000)	12/31/2023	12/31/2022
Bonds	59,372	65,468
Common Stocks	78,577	64,299
Preferred Stocks	-	-
Collateral Loan	30,000	30,000
Cash and Short-Term Investments	60,264	48,166
Other Invested Assets	-	-
Receivables for Securities	1,718	3,105
TOTAL INVESTED ASSETS	229,931	211,038
Premiums and Considerations	18,626	17,128
Investment Income Due	577	561
Income Tax Receivable	1,612	303
Other Assets	2,670	1,789
TOTAL ASSETS	253,416	230,819
LIABILITIES AND POLICYHOLDERS' SURPLUS (\$000)	12/31/2023	12/31/2022
Unpaid Loss and Loss Adjustment Expenses	64,605	64,250
Unearned and Advance Premiums	22,546	22,009
Taxes, Licenses and Fees (Excluding Fed Income Taxes)	4,164	3,772
Net Deferred Tax Liability	6,410	2,081
Commissions Payable	1,496	1,375
Other Liabilities	4,671	4,491
TOTAL LIABILITIES	103,892	97,978
TOTAL POLICYHOLDERS' SURPLUS	149,524	132,841
TOTAL LIABILITIES AND POLICYHOLDERS' SURPLUS	253,416	230,819

AM BEST REVISES OUTLOOKS TO POSITIVE FOR MEMBERS OF STONETRUST INSURANCE GROUP



FOR IMMEDIATE RELEASE

OLDWICK - JULY 25, 2024 12:01 PM (EDT)

AM Best has revised the outlooks to positive from stable and affirmed the Financial Strength Rating of A- (Excellent) and the Long-Term Issuer Credit Ratings of “a-” (Excellent) of Stonetrust Commercial Insurance Company and Stonetrust Premier Casualty Insurance Company. The companies are domiciled in Omaha, NE and are collectively known as Stonetrust Insurance Group (Stonetrust). The ratings reflect Stonetrust’s balance sheet strength, which AM Best assesses as very strong, as well as its adequate operating performance, limited business profile and appropriate enterprise risk management (ERM).

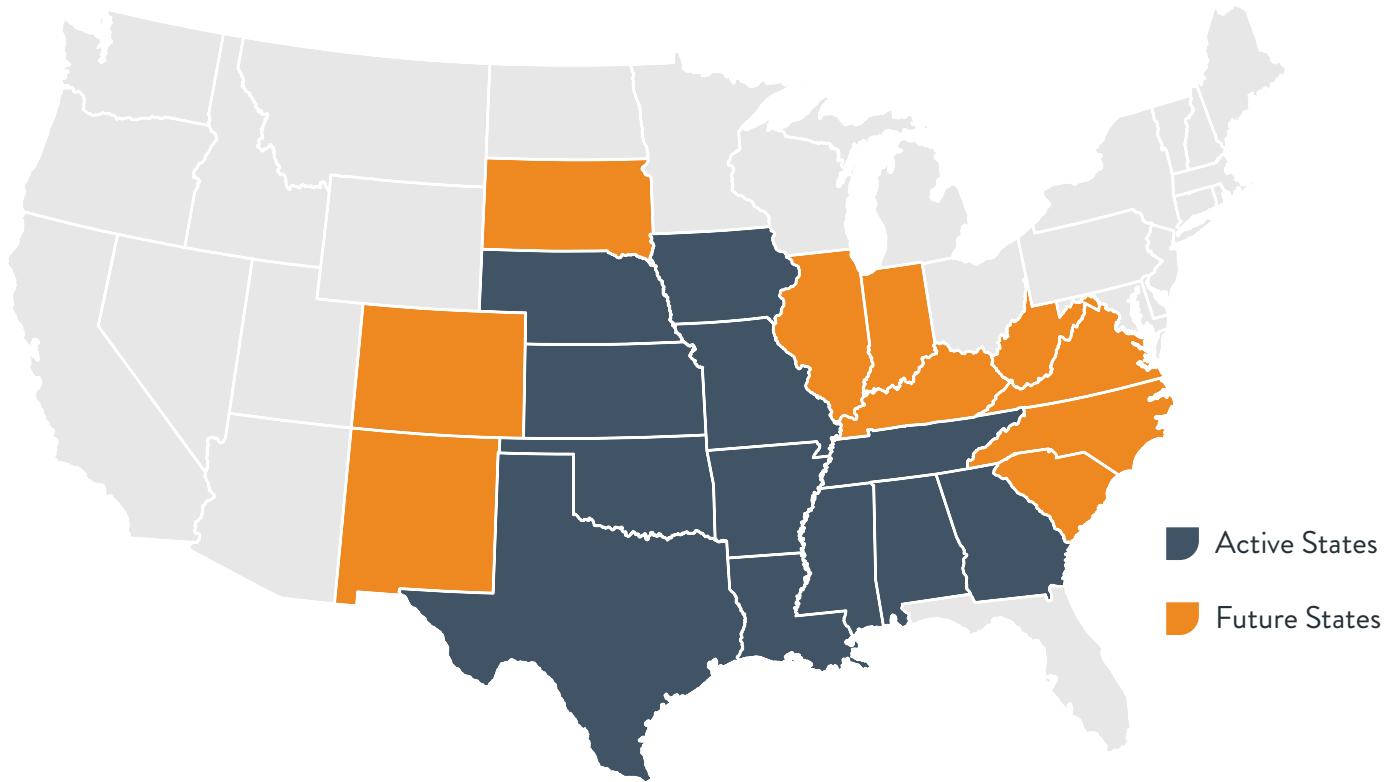
The revised outlooks to positive from stable reflect favorable trends in Stonetrust’s operating performance that have outperformed the workers’ compensation composite in key metrics on a five- and 10-year basis. The group has generated more robust underwriting earnings recently, enhanced by steady net investment income, contributing to material growth in the group’s surplus position, in most of the past five years. While the degree of outperformance has been influenced by outsized reserve releases, underlying performance tracks with the strongly assessed composite peer averages. Loss reserve releases are expected to taper and normalize, though prospective results are expected to remain within the strong range and continue to outpace composite averages. Return on invested assets further outpaces the composite, while investment yields are comparable.

Stonetrust’s overall balance sheet strength assessment considers the maintenance of the strongest level of risk-adjusted capitalization, as measured by Best’s Capital Adequacy Ratio (BCAR), comparatively low underwriting leverage, strong liquidity metrics and consistently favorable loss reserve development. AM Best assesses the group’s business profile as limited based on its workers’ compensation book of business, operating primarily in Louisiana and several other states. Stonetrust’s ERM program is appropriate for its size and complexity, which prudently contemplates scenarios that would cause fluctuations in capital.

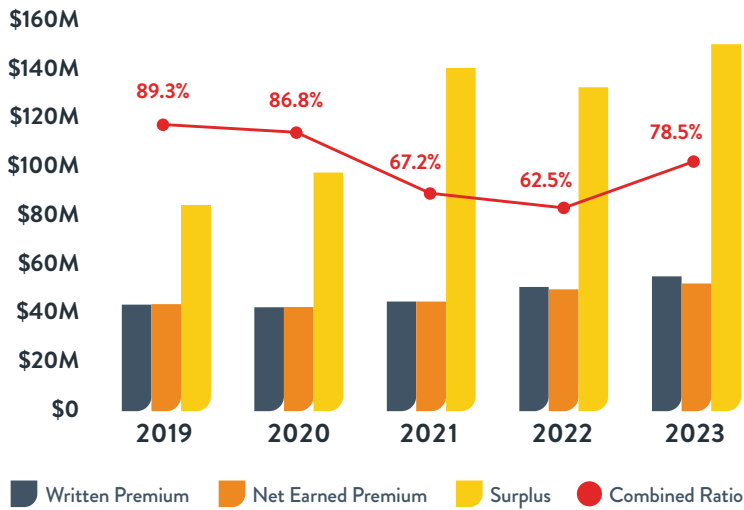
CORPORATE TIMELINE

- 1993** LACE-SIF (LA Associated Commercial Employers Self-Insured Fund) is formed
- 2000** LACE-SIF converts to a mutual insurance company and changes its name to Amicus Mutual
- 2006** Amicus Mutual converts to a stock insurance company and changes its name to Stonetrust Commercial Insurance Company
- 2007** Stonetrust expands into Arkansas, Mississippi, Oklahoma, and Texas
- 2014** Stonetrust demutualizes into a privately owned non-stock insurance company
- 2016** Stonetrust re-domesticates to Nebraska
- 2017** Stonetrust begins writing business in Nebraska
- 2018** Stonetrust is purchased by Francis Chou (Wintaai Holdings)
Stonetrust expands into Missouri & Tennessee
- 2021** Stonetrust expands into Alabama and Kansas—its 9th and 10th states
- 2022** AM Best upgrades Stonetrust’s Financial Strength Rating (FSR) to **A- Excellent**
Stonetrust expands into Georgia and Iowa—its 11th and 12th states
- 2023** Stonetrust celebrates its 30th anniversary
AM Best affirms Stonetrust’s **A- Excellent** rating
- 2024** AM Best affirms Stonetrust’s **A- Excellent** rating and upgrades the outlooks to **Positive** (from Stable)

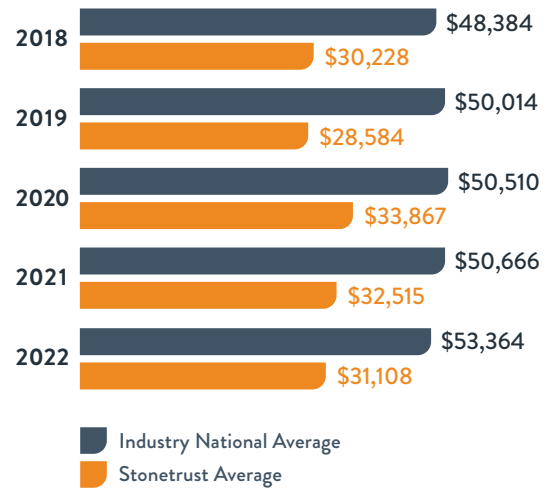
STONETRUST MARKETS



5 YEAR FINANCIAL SUMMARY



AVERAGE LOST TIME CLAIM COST BY ACCIDENT YEAR



MEET

JENNIFER DOTTER

OWNER OF

ONE GENERAL AGENCY



One General Agency (OGA) is a Managing General Agency and Surplus Lines Broker serving the specialty needs of independent insurance agents since 1951. Local, family-owned and operated, and centered on strong relationships and trust, the company is led by President & CEO, Jennifer Dotter who took over in 2008.

OGA provides markets for commercial transportation, property and liability, garage, oil & gas, personal lines, professional lines, and workers' compensation to agency partners through top-rated admitted and non-admitted insurance carriers. OGA is dedicated to helping its partners succeed and operates with the mentality of continuous innovation, education, and growth to offer support and stability in a rapidly changing marketplace.

OGA began its relationship with Stonetrust in 2010 when the companies partnered to introduce workers'

compensation to clients in Oklahoma. "OGA and Stonetrust have grown together over the years," said Jennifer Dotter. "I think that has a great deal to do with the core values and dedication to customer service that both companies share."

We asked Jennifer to expand upon her partnership with Stonetrust and also share a little bit about her background and approach to business.

How did you get started in the insurance business?

I started working for my dad at the agency when I graduated high school pulling mail and filing, and I continued working in a variety of positions during college. Back then, it was just a part time job for me and nothing I viewed as a career. I spent a few years in college and a short stint in the military, which I discovered were both not for me. Pretty soon I realized the opportunity I had with the agency and decided to work there full time. It turned out to be a great decision.

What are some important things you've learned about owning and leading an insurance agency?

When I became the owner of the agency, I was 35 years old. My dad had passed away at the young age of 58 after a short battle with cancer. I was fortunate enough to work for a team that really loved my dad and they embraced me and stood by my side helping me grow into the leadership position that I took over. Of course I made mistakes, but I learned a lot about what it takes to be a good leader and one of those things is to surround yourself with a good team that values relationships as much as results and is truly committed to the success of the agency. I value being well thought of and respected by my team. When you care about people and treat them well, they will work hard for you. On a day-to-day basis, these people drive the success of the company.

What do you consider the key factors to your success?

I think that I've never been afraid of taking risks. As the leader of the agency, it's my responsibility to guide us through change and to be innovative. Taking risks is the only way to accomplish these things. For example, the company was very much upside down and not doing well when my dad bought it. He struggled for many years to survive and make payroll. After I was working there for a few years, the paperless environment was becoming more of a reality and I realized we needed to move in that direction. Going paperless was a \$100,000 investment and my dad thought it was crazy, but I convinced him to do it. I had to go to my banker to take out a loan and outline how we were going to pay it back at \$5,000 a month, and grow the agency without additional expenses. We absolutely saw results and it taught me that we need to be able to take calculated risks in the future. This realization was part of what led us to expanding the agency through buying some of our competitors in Oklahoma City and Fayetteville, Arkansas, which has helped us tremendously.

How do you balance your busy family life with the responsibilities you have leading your organization?

As a female business owner with a young family, it can be tricky balancing work and home life. My son Jax is six and my daughter Emma is four and unfortunately, I do miss out on time with them, but I also have some flexibility with my job so I can make sure I'm there for them as much as possible. I'm also thankful for my husband Lance who has a flexible job and we work together to make sure we give our kids the attention they deserve.

How did your agency's relationship with Stonetrust begin, and how has the partnership evolved?

In 2010, my business development director connected with John Rogers who worked at Stonetrust. John was interested in working with wholesalers and the company had just entered the Oklahoma market to sell their work comp products. Stonetrust took a chance on us because it was the first time we offered workers' comp to our clients. We put on our underwriter hats and used our experience and expertise to make sure that what we offered was the right kind of risk and would be a profitable account for them. They realized quickly that we worked really well together, and we've since become almost like a Stonetrust branch office in Oklahoma. It's been a great fourteen year successful and rewarding relationship for both of us!

How has Stonetrust contributed to your agency's success?


Stonetrust allowed us to broaden our offerings and create a line of business that grew quickly and is now extremely profitable. In addition, the ease of working with them has been amazing.

What makes Stonetrust your first-choice workers' compensation carrier?

We started out with just Stonetrust—and while we have developed a few relationships with other companies—we remain loyal to them because they feel like a true business partner. We have a real trust between our offices and their team is top-notch. Our Stonetrust underwriter Sandie Davis is phenomenal. She is very responsive—really available to us 24/7. When our underwriter connects with Sandie it is a recipe for success. We also enjoy seeing Mike Sullivan walk through the door, especially when he has his Ruston red peaches in tow to share with the office.

Where do you see your agency's partnership with Stonetrust five years down the road?

I know you're supposed to have a five-year plan, but that's hard in this changing business. However, I see us continuing to grow and expand our footprint and I think Stonetrust is doing the same. I see our relationship growing alongside them and increasing our profit as we continue to expand. They are good partners who understand that good business is always about the relationship.



800.311.0997

STONETRUSTINSURANCE.COM

5615 CORPORATE BLVD | SUITE 800

BATON ROUGE, LA 70808