ISSUERDIRECT

SECURITIES & EXCHANGE COMMISSION EDGAR FILING

KINGSTONE COMPANIES, INC.

Form: 8-K

Date Filed: 2019-11-12

Corporate Issuer CIK: 33992

© Copyright 2019, Issuer Direct Corporation. All Right Reserved. Distribution of this document is strictly prohibited, subject to the terms of use.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

_____

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report November 11, 2019
(Date of earliest event reported)

KINGSTONE COMPANIES, INC.
(Exact Name of Registrant as Specified in Charter)

Delaware	0-1665	36-2476480
(State or Other Jurisdiction of Incorporation)	(Commission File No.)	(IRS Employer Identification Number)

15 Joys Lane, Kingston, NY	12401
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: (845) 802-7900

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value per share	KINS	Nasdaq Capital Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02. Results of Operations and Financial Condition.

On November 11, 2019, Kingstone Companies, Inc. (the "Company") issued a press release (the "Press Release") announcing its financial results for the fiscal period ended September 30, 2019. The Press Release also announced that the Company's Board of Directors has declared a $0.0625 per share quarterly dividend payable on December 13, 2019 to stockholders of record as of the close of business on November 29, 2019. A copy of the Press Release is furnished as Exhibit 99.1 hereto.

The information furnished with this Item 2.02, including Exhibit 99.1, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to liabilities of that section, nor shall it be deemed incorporated by reference into any other filing under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act, except as expressly set forth by specific reference in such filing.

Item 7.01. Regulation FD Disclosure.

Attached as Exhibit 99.2 is additional financial information about the Company (the " Additional Financial Information").

The information furnished with this Item 7.01, including Exhibit 99.2, shall not be deemed as "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference into any other filing under the Securities Act or the Exchange Act, except as expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits .

(d) Exhibits.

99.1 Press release, dated November 11, 2019, issued by Kingstone Companies, Inc.

99.2 Additional Financial Information for Q3 2019.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

KINGSTONE COMPANIES, INC.

Dated: November 11, 2019

By: /s/ Barry B. Goldstein

Barry B. Goldstein
President and CEO

Exhibit 99.1

FOR IMMEDIATE RELEASE

Kingstone Announces 2019 Third Quarter Financial Results

New Management Team Shifts Focus from Growth to Profitability Improvements

Company to Host Conference Call on November 12, 2019 at 8:30 a.m. ET

Kingston, NY — November 11, 2019 – Kingstone Companies, Inc. (Nasdaq: KINS) (the "Company" or "Kingstone"), a Northeast regional property and casualty insurance holding company, today announced its financial results for the quarter ended September 30, 2019.

Financial and Operational Highlights

2019 Third Quarter

(All results are compared to prior year period unless otherwise noted)

- Direct written premiums[1] increased 18.7%; personal lines grew by 26.0%
- Net premiums earned increased 24.3% to $34.2 million
- Net investment income increased 15.9% to $1.9 million
- Underlying Net loss ratio excluding Commercial Lines[1] of 51.4% compared to 45.9%
- Net combined ratio of 109.9% compared to 86.0%.
- Net loss of $1.7 million or $0.16 per diluted share
- Net operating loss[1] of $2.5 million or $0.23 per diluted share
- Book value per share of $8.04

[1] These measures are not based on accounting principles generally accepted in the United States ("GAAP") and are defined and reconciled to the most directly comparable GAAP measures in Form 8-K Exhibit 99.2 "Additional Financial Information for Q3 2019" (also available at www.kingstonecompanies.com).

Quarterly Dividend of $0.0625 per share

The Company announced that its Board of Directors declared a quarterly dividend of $0.0625 per share payable on December 13, 2019 to stockholders of record at the close of business on November 29, 2019.

Management Commentary

Barry Goldstein, Kingstone's Chief Executive Officer, elaborated on the results for the quarter:

"Our third quarter financial outcome was disappointing, driven by a comprehensive internal and external reserve review process and making the necessary adjustments to address those reviews. During Q3, we announced our exit from commercial lines and the runoff is well underway, with the last commercial liability policies scheduled to come off our books by September 30, 2020.

We've added highly experienced professionals to our claims team and are reducing our reliance on outsourcing of key claims processes by instead bringing key functions in house. Bill O'Brien, our new VP of Claims, along with his team, has now reviewed every open claim and re-set all commercial liability case reserves as needed. We called in a leading outside actuarial consulting firm, to get an independent mid-year assessment of our reserve position. As a result, we raised our reserves, primarily in commercial liability. Ben Walden, our in-house Chief Actuary, also raised his current year loss picks to take into account our exit from commercial lines and our re-stated view of ultimate liability claim severity.

Investor confidence has been shaken, and it is my job in returning as CEO to optimize allocation of capital in order to deliver the profitable results that have long been our trademark. We will then let the numbers speak for themselves. Only when we do that will we earn back the confidence of investors, but this will take time. When I was asked to return as CEO, I asked that my employment agreement be extended. This was done and my current contract ends December 31, 2022. I am confident that before that agreement is concluded we will again be viewed as one of the industry's top performers.

The Board gave me the support I asked for, which resulted in the hiring of Meryl Golden as Chief Operating Officer. I've known Meryl for twenty years and she is the perfect person to shape Kingstone's future. She began work in late September. At the outset, she and I agreed that the focus for the Company must be squarely on profitability, not growth. We've already started the process of seeking to improve Kingstone's profitability. Effective as of November 1st, new Homeowners policies in New York are being written at higher rate levels. They reflect a recently approved territorial base rate increase amounting to an overall 8.9% change. Policies renewing on or after December 15th will see the rate increase then. It will take a full year for this change to flow through and affect all policies. Since premiums then earn out over a 12 month policy term, it will take time for the higher rates to fully impact our income statement. Thus, while we'll see some green shoots in the next few quarters, the real benefits will take more time to show themselves, having larger impacts in late 2020 and early 2021. We have several other rate changes in various stages of implementation that should further improve profitability.

We've already begun to tighten our underwriting standards and to eliminate those types of risks that don't warrant deploying capital to support. We are expanding mandatory hurricane deductibles to all states where we offer coverage, and this will help to reduce our catastrophe reinsurance costs."

Ben Walden, EVP and Chief Actuary, detailed the reserving actions for the quarter:

"This quarter, our financial results were significantly affected by further adjustments to commercial liability claim reserves. During the quarter, an outside actuarial review of reserve levels and liability claims handling was completed. We have taken immediate actions as a direct result of that review. This review was the culmination of several quarters of detailed internal and external reviews that also affected results for the first two quarters of the year. In the third quarter, we increased ultimate loss projections for prior years by another $5 million, bringing the year-to-date prior year loss development to just over $11 million. Insurance loss reserving is an inherently judgmental process. It is dependent on individual opinions regarding specific information available at a given point in time. Recent reviews of our claims reserving process by multiple parties have led to the additional increase in reserves taken this quarter. As noted, we have taken several key actions to address the emerging claims issues. We are confident that the actions we've taken place us in a stronger position to move forward and focus on continued profitable growth. When viewed over a five year period, prior year loss development including the adjustments made this year averages less than 3 points annually. Excluding the commercial lines business now in runoff, prior year loss development over the last five years remains favorable, with no impact on the combined ratio over that period."

Financial Highlights Table

($ in thousands except per share data)	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	% Change	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018	% Change
Direct written premiums[1]	$ 46,023	$ 38,785	18.7%	$ 128,333	$ 107,175	19.7%
Net written premiums[1]	$ 40,438	$ 36,102	12.0%	$ 107,420	$ 87,767	22.4%
Net premiums earned	$ 34,220	$ 27,534	24.3%	$ 95,017	$ 74,476	27.6%
Total ceding commission revenue	$ 1,030	$ 1,045	-1.4%	$ 2,983	$ 4,431	-32.7%
Net investment income	$ 1,857	$ 1,602	15.9%	$ 5,200	$ 4,543	14.5%
U.S. GAAP Net income (loss)	$ (1,725)	$ 3,934	-143.9%	$ (7,421)	$ 3,973	-286.8%
U.S. GAAP Diluted earnings (loss) per share	$ (0.16)	$ 0.36	-144.4%	$ (0.69)	$ 0.37	-286.5%
Comprehensive income (loss)	$ (642)	$ 3,836	-116.7%	$ (95)	$ 692	-113.7%
Net operating income (loss)[1]	$ (2,513)	$ 3,656	-168.7%	$ (10,353)	$ 4,193	-346.9%
Net operating income (loss) diluted earnings (loss)1 per share	$ (0.23)	$ 0.34	-167.6%	$ (0.96)	$ 0.39	-346.2%
Return on average equity (annualized)	-7.9%	12.5%	-20.4 pts	-11.3%	0.1%	-11.4 pts
Net loss ratio	72.4%	48.3%	24.1 pts	75.3%	56.0%	19.3 pts
Net underwriting expense ratio	37.5%	37.7%	-0.2 pts	37.8%	38.1%	-0.3 pts
Net combined ratio	109.9%	86.0%	23.9 pts	113.1%	94.1%	19.0 pts
Effect of catastrophes and prior year loss development on net combined ratio[1]	16 pts	1 pts	15 pts	19.1 pts	9 pts	10.1 pts
Net combined ratio excluding effect of catastrophes and prior year loss development[1]	93.9%	85.0%	8.9 pts	94.0%	85.1%	8.9 pts

[1] These measures are not based on GAAP and are defined and reconciled to the most directly comparable GAAP measures in Form 8-K Exhibit 99.2 “Additional Financial Information for Q3 2019” (also available at www.kingstonecompanies.com).

2019 Third Quarter Financial Review

Net Income (Loss):

There was a net loss of $1.73 million during the three-month period ended September 30, 2019, compared to net income of $3.93 million in the prior year period. The decrease in net income can be attributed primarily to a 24.1 point increase in net loss ratio driven by adverse prior year development in our Commercial Lines business, which also led to higher loss ratios for the current year on liability lines. The increased loss ratios were also impacted by higher claim severity in our Personal Lines business as described in the Net Loss Ratio section below.

Earnings per share (“EPS”):

Kingstone reported a (loss) of $(0.16) per diluted share for the three months ended September 30, 2019, compared to EPS of $0.36 per diluted share for the three months ended September 30, 2018. EPS for the three-month periods ended September 30, 2019 and 2018 was based on 10.78 million and 10.79 million weighted average diluted shares outstanding, respectively.

Direct Written Premiums, Net Written Premiums and Net Premiums Earned (See Definitions and Non-GAAP Measures below):

Direct written premiums for the third quarter of 2019 were $46.0 million, an increase of 18.7% from $38.8 million in the prior year period. The increase is primarily attributable to a 17.7% increase in the total number of policies in-force as of September 30, 2019 as compared to September 30, 2018.

We refer to our New York business as "Core" [1] and the business in other states as "Expansion" [1]. "Expansion Direct Written Premiums" [1] for the third quarter of 2019 were $7.4 million, an increase of $4.5 million from the $2.9 million written in the prior year period.

Net written premiums increased 12.0% to $40.4 million during the three-month period ended September 30, 2019 from $36.1 million in the prior year period. The increase was due to continued growth in policies in force.

Net premiums earned for the quarter ended September 30, 2019 increased 24.3% to $34.2 million, compared to $27.5 million for the quarter ended September 30, 2018. The increase was also attributable to growth in policies in force.

Net Loss Ratio and Underlying Net Loss Ratio excluding Commercial Lines[1]:
For the quarter ended September 30, 2019, the Company's net loss ratio was 72.4%, compared to 48.3% in the prior period. The 24.1 point increase in the third quarter 2019 net loss ratio was primarily driven by additional prior year loss development related to commercial liability claims as detailed below, as well as increased fire claim activity and higher overall claim severity for personal lines business.

Prior year loss development for the quarter impacted the loss ratio by 14.7 points, compared to 0.4 points of favorable impact in the prior period. During the quarter, a detailed actuarial review of reserve levels was completed by a leading outside actuarial consulting firm. This review included an analysis of individual case reserves for a sampling of liability claims open at June 2019, as well as a full review of overall loss development through that point. As a result of this review, it was determined that further adjustments to ultimate loss projections for prior accident years were required, particularly for commercial liability business. During the quarter, $5.1 million of additional prior year loss development was recorded, with $4.4 million of that amount attributable to commercial lines business. In July 2019, the Company announced that it will exit commercial lines, and all policies are expected to be off the books by the end of September 2020. Excluding commercial lines, the impact of prior year development for the quarter was 2.0 points. In addition, the overall impact from catastrophe losses during the third quarter was 1.3 points. Excluding the impact of prior year loss development and catastrophe losses, the underlying net loss ratio excluding commercial lines was 51.4%, compared to 45.9% for the prior period. The underlying net loss ratio[1] increased due to the re-estimation of current accident year loss ratios for other liability lines, and due to increased fire claim activity and higher overall claim severity for personal lines business.

Net Other Underwriting Expense Ratio:
For the quarter ended September 30, 2019, the net underwriting expense ratio was 37.5% as compared to 37.7% in the prior year period, a decrease of 0.2 percentage points.

Net Combined Ratio:
Kingstone's net combined ratio was 109.9% for the three-month period ended September 30, 2019, compared to 86.0% for the prior year period. The increase was driven by the increase in loss ratio as outlined above.

---

[1] These measures are not based on GAAP and are defined and reconciled to the most directly comparable GAAP measures in Form 8-K Exhibit 99.2 "Additional Financial Information for Q2 2019" (also available at www.kingstonecompanies.com).

Balance Sheet / Investment Portfolio

Kingstone's cash and investment holdings were $221.6 million at September 30, 2019 compared to $196.6 million at September 30, 2018. The Company's investment holdings are comprised primarily of investment grade corporate, mortgage-backed and municipal securities, with fixed income investments representing approximately 86.8% of total investments at September 30, 2019 and 87.3% at September 30, 2018. The Company's effective duration on its fixed-income portfolio is 4.3 years.

Net investment income increased 15.9% to $1.86 million for the third quarter of 2019 from $1.60 million in the prior year period. The increase was largely due to an increase in invested assets.

Accumulated Other Comprehensive Income/Loss (AOCI), net of tax

As of September 30, 2019, AOCI was $4.44 million compared to $(2.59) million at September 30, 2018.

Book Value

The Company's book value per share at September 30, 2019 was $8.04, a decrease of 5.9% compared to $8.54 at September 30, 2018.

Material Weakness

While the Company is still completing its assessment of the effectiveness of its internal control over financial reporting as of September 30, 2019, in its upcoming Quarterly Report on Form 10-Q for the period ended September 30, 2019, it expects to report a material weakness in internal control. The weakness relates to the establishment of case reserve levels. As of the date of this release, there have been no misstatements identified in the financial statements as a result of this weakness, and the Company expects to timely file its Form 10-Q tomorrow.

Remediation efforts have begun; the material weakness will not be considered remediated until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. The Company will seek to complete the remediation of this material weakness by December 31, 2019.

FOR ADDITIONAL INFORMATION PLEASE VISIT OUR WEBSITE AT WWW.KINGSTONECOMPANIES.COM.

Conference Call Details

Management will discuss the Company's operations and financial results in a conference call on Tuesday, November 12, 2019, at 8:30 a.m. ET.

The dial-in numbers are:
(877) 407-3105 (U.S.)
(201) 493-6794 (International)

Accompanying Webcast

The call will be simultaneously webcast over the Internet via the Kingstone website or by clicking on the conference call link:

Kingstone Companies Q3 2019 Earnings Call Webcast

The webcast will be archived and accessible for approximately 30 days.

Definitions and Non-GAAP Measures

Direct written premiums represent the total premiums charged on policies issued by the Company during the respective fiscal period. **Net premiums written** are direct written premiums less premiums ceded to reinsurers. Net premiums earned, the GAAP measure most comparable to direct written premiums and net premiums written, are net premiums written that are pro-rata earned during the fiscal period presented. All of the Company's policies are written for a twelve-month period. Management uses direct written premiums and net premiums written, along with other measures, to gauge the Company's performance and evaluate results.

Core direct written premiums - represents the total premiums charged on policies issued by the Company during the respective fiscal period from its business located in New York.

Expansion direct written premiums - represents the total premiums charged on policies issued by the Company during the respective fiscal period from its business located in other states (i.e., outside New York).

Net operating income (loss) - is net income (loss) exclusive of realized investment gains, net of tax. Net income (loss) is the GAAP measure most closely comparable to net operating income.

Management uses net operating income along with other measures to gauge the Company's performance and evaluate results, which can be skewed when including realized investment gains, and may vary significantly between periods. Net operating income is provided as supplemental information, not as a substitute for net income and does not reflect the Company's overall profitability.

Underlying net loss ratio - is a non-GAAP ratio, which is computed as the difference between GAAP net loss ratio and the effect of catastrophes and prior year loss development on the net loss ratio.

Underlying net loss ratio excluding Commercial Lines - is a non-GAAP ratio, which is computed as the difference between GAAP net loss ratio excluding commercial lines and the effect of catastrophes and prior year loss development on the net loss ratio excluding commercial lines.

Net combined ratio excluding effect of catastrophes and prior year loss development - is a non-GAAP ratio, which is computed as the difference between GAAP net combined ratio and the effect of catastrophes and prior year loss development on the net combined ratio.

We believe that these ratios are useful to investors and they are used by management to reveal the trends in our business that may be obscured by catastrophe losses and prior year loss development. Catastrophe losses cause our loss ratios to vary significantly between periods as a result of their incidence of occurrence and magnitude, and can have a significant impact on the net loss ratio and net combined ratio. Prior year loss development can cause our loss ratio to vary significantly between periods and separating this information allows us to better compare the results for the current accident period over time. We believe these measures are useful for investors to evaluate these components separately and in the aggregate when reviewing our underwriting performance. We also provide them to facilitate a comparison to our outlook on the underlying net loss ratio excluding commercial lines and net combined ratio excluding the effect of catastrophes and prior year loss development. The most directly comparable GAAP measures are the net loss ratio and net combined ratio. The underlying net loss ratio excluding commercial lines and net combined ratio excluding the effect of catastrophes and prior year loss development should not be considered a substitute for the net loss ratio and net combined ratio and do not reflect the Company's net loss ratio and net combined ratio.

About Kingstone Companies, Inc.

Kingstone is a northeast regional property and casualty insurance holding company whose principal operating subsidiary is Kingstone Insurance Company ("KICO"). KICO is a multi-line carrier writing business through retail and wholesale agents and brokers. KICO offers primarily personal lines insurance products, as well as Physical Damage Only coverage to taxi, limousine, and transportation network vehicle owners in New York State. Actively writing in New York, New Jersey, Rhode Island, Massachusetts, and Connecticut, Kingstone is also licensed in Pennsylvania, New Hampshire and Maine.

Forward-Looking Statement

Statements in this press release may contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, may be forward-looking statements. These statements are based on management's current expectations and are subject to uncertainty and changes in circumstances. These statements involve risks and uncertainties that could cause actual results to differ materially from those included in forward-looking statements due to a variety of factors. For more details on factors that could affect expectations, see Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2018 under "Factors That May Affect Future Results and Financial Condition." Kingstone undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

CONTACT:
Kingstone Companies, Inc.
Amanda M. Goldstein
Investor Relations Director
(516) 960-1319

Additional Financial Information for Q3 2019

Definitions and Non-GAAP Measures

Direct written premiums represent the total premiums charged on policies issued by the Company during the respective fiscal period. **Net premiums written** are direct written premiums less premiums ceded to reinsurers. Net premiums earned, the GAAP measure most comparable to direct written premiums and net premiums written, are net premiums written that are pro-rata earned during the fiscal period presented. All of the Company's policies are written for a twelve-month period. Management uses direct written premiums and net premiums written, along with other measures, to gauge the Company's performance and evaluate results.

Core direct written premiums - represents the total premiums charged on policies issued by the Company during the respective fiscal period from its business located in New York.

Expansion direct written premiums - represents the total premiums charged on policies issued by the Company during the respective fiscal period from its business located in other states (i.e., outside New York).

Net operating income (loss) - is net income (loss) exclusive of realized investment gains, net of tax. Net income (loss) is the GAAP measure most closely comparable to net operating income (loss).

Management uses net operating income along with other measures to gauge the Company's performance and evaluate results, which can be skewed when including realized investment gains, and may vary significantly between periods. Net operating income is provided as supplemental information, not as a substitute for net income and does not reflect the Company's overall profitability.

Underlying net loss ratio - is a non-GAAP ratio, which is computed as the difference between GAAP net loss ratio and the effect of catastrophes and prior year loss development on the net loss ratio.

Underlying net loss ratio excluding Commercial Lines - is a non-GAAP ratio, which is computed as the difference between GAAP net loss ratio excluding commercial lines and the effect of catastrophes and prior year loss development on the net loss ratio excluding commercial lines.

Net combined ratio excluding effect of catastrophes and prior year loss development - is a non-GAAP ratio, which is computed as the difference between GAAP net combined ratio and the effect of catastrophes and prior year loss development on the net combined ratio.

We believe that these ratios are useful to investors and they are used by management to reveal the trends in our business that may be obscured by catastrophe losses and prior year loss development. Catastrophe losses cause our loss ratios to vary significantly between periods as a result of their incidence of occurrence and magnitude, and can have a significant impact on the net loss ratio and net combined ratio. Prior year loss development can cause our loss ratio to vary significantly between periods and separating this information allows us to better compare the results for the current accident period over time. We believe these measures are useful for investors to evaluate these components separately and in the aggregate when reviewing our underwriting performance. We also provide them to facilitate a comparison to our outlook on the underlying net loss ratio excluding commercial lines and net combined ratio excluding the effect of catastrophes and prior year loss development. The most directly comparable GAAP measures are the net loss ratio and net combined ratio. The underlying net loss ratio excluding commercial lines and net combined ratio excluding the effect of catastrophes and prior year loss development should not be considered a substitute for the net loss ratio and net combined ratio and do not reflect the Company's net loss ratio and net combined ratio.

Book Value Per Share

The Company's book value per share at September 30, 2019 was $8.04, a decrease of 5.9% compared to $8.54 at September 30, 2018.

	30-Sep-19	30-Jun-19	31-Mar-19	31-Dec-18	30-Sep-18
Book Value Per Share	$ 8.04	$ 8.14	$ 7.78	$ 8.25	$ 8.54
% Decrease or Increase from specified period to 9/30/19		*-1.2%*	*3.3%*	*-2.5%*	*-5.9%*

The table below reconciles the direct written premiums and net written premiums to net premiums earned for the periods indicated:

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2019	2018	$ Change	% Change	2019	2018	$ Change	% Change
(000's except percentages)								
Direct and Net Written Premiums Reconciliation:								
Direct written premiums	$ 46,023	$ 38,785	$ 7,238	18.7%	$ 128,333	$ 107,175	$ 21,158	19.7%
Assumed written premiums	1	-	1	na%	1	1	-	-%
Ceded written premiums	(5,586)	(2,683)	(2,903)	108.2%	(20,914)	(19,409)	(1,505)	7.8%
Net written premiums	40,438	36,102	4,336	12.0%	107,420	87,767	19,653	22.4%
Change in unearned premiums	(6,218)	(8,568)	2,350	(27.4)%	(12,403)	(13,291)	888	(6.7)%
Net premiums earned	**$ 34,220**	**$ 27,534**	**$ 6,686**	**24.3%**	**$ 95,017**	**$ 74,476**	**$ 20,541**	**27.6%**

The table below details the breakdown of the direct written premiums between Core direct written premiums and Expansion direct written premiums for the periods indicated:

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2019	2018	$ Change	% Change	2019	2018	$ Change	% Change
(000's except percentages)								
Core and Expansion Direct Written Premiums Reconciliation:								
Core direct written premiums	$ 38,652	$ 35,930	$ 2,722	7.6%	$ 111,433	$ 101,256	$ 10,177	10.1%
Expansion direct written premiums	7,371	2,855	4,516	158.2%	16,900	5,919	10,981	185.5%
Direct written premiums	$ 46,023	$ 38,785	$ 7,238	18.7%	$ 128,333	$ 107,175	$ 21,158	19.7%

The following table reconciles net operating income (loss) to net income (loss) for the periods indicated:

	Three Months Ended September 30, 2019		Three Months Ended September 30, 2018		Nine Months Ended September 30, 2019		Nine Months Ended September 30, 2018	
	Amount	Diluted earnings per common share	Amount	Diluted earnings per common share	Amount	Diluted earnings per common share	Amount	Diluted earnings per common share
(000's except per common share amounts and percentages)								
Net Operating Income and Diluted Earnings per Common Share Reconciliation:								
Net income (loss)	**$ (1,725)**	**$ (0.16)**	**$ 3,934**	**$ 0.36**	**$ (7,421)**	**$ (0.69)**	**$ 3,973**	**$ 0.37**
Net realized (gain) loss on investments	(998)		(352)		(3,712)		278	
Less tax (expense) benefit on net realized (gain) loss	(210)		(74)		(780)		58	
Net realized (gain) loss on investments, net of taxes	(788)	**$ (0.07)**	(278)	**$ (0.02)**	(2,932)	**$ (0.27)**	220	**$ 0.02**
Net operating income (loss)	**$ (2,513)**	**$ (0.23)**	**$ 3,656**	**$ 0.34**	**$ (10,353)**	**$ (0.96)**	**$ 4,193**	**$ 0.39**
Weighted average diluted shares outstanding	10,779,641		10,791,123		10,769,817		10,780,590	

The following table reconciles the Underlying net loss ratio excluding Commercial Lines to the net loss ratio for the periods indicated:

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2019	2018	Change		2019	2018	Change	
Underlying Net Loss Ratio Excluding Commercial lines Reconciliation:								
Net loss and loss adjustment expenses ("Net loss")								
Underlying Net Loss Ratio Excluding Commercial lines	**$ 15,653**	**$ 11,008**	**$ 4,645**	**42.2%**	**$ 44,069**	**$ 29,701**	**$ 14,368**	**48.4%**
Commercial lines net loss	8,023	2,264	5,759	254.4%	18,459	5,514	12,945	234.8%
Catastrophe losses excluding commercial lines	492	375	117	31.2%	6,783	6,061	722	11.9%
Prior year loss development excluding commercial lines	613	(350)	963	na	2,277	463	1,814	391.8%
Net loss	**24,781**	**13,297**	**11,484**	**86.4%**	**71,588**	**41,739**	**29,849**	**71.5%**
Net premiums earned								
Net premiums earned excluding commercial lines	30,475	23,992	6,483	27.0%	83,981	64,280	19,701	30.6%
Commercial lines net premiums earned	3,745	3,542	203	5.7%	11,036	10,196	840	8.2%
Net premiums earned	**34,220**	**27,534**	**6,686**	**24.3%**	**95,017**	**74,476**	**20,541**	**27.6%**
Underlying net loss ratio excluding commercial lines	**51.4%**	**45.9%**	**5.5**	**pts**	**52.5%**	**46.2%**	**6.3**	**pts**
Net loss ratio	**72.4%**	**48.3%**	**24.1**	**pts**	**75.3%**	**56.0%**	**19.3**	**pts**

The following table reconciles the net combined ratio excluding catastrophes and prior year loss development to the net combined ratio for the periods indicated:

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2019	2018	Percentage Point Change		2019	2018	Percentage Point Change	
Net Combined Ratio Excluding Catastrophes and Prior Year Development Reconciliation:								
Net Combined Ratio Excluding Catastrophes and Prior Year Development	**93.9%**	**85.0%**	**8.9**	**pts**	**94.0%**	**85.1%**	**8.9**	**pts**
Effect of catastrophe losses and prior year development								
Catastrophe losses	1.3%	1.4%	(0.1)	pts	7.3%	8.2%	(0.9)	pts
Prior year development	14.7%	-0.4%	15.1	pts	11.8%	0.2%	11.6	pts
Effect of catastrophe losses and prior year development on net loss and loss adjustment expenses	16.0%	1.0%	15.0	pts	19.1%	8.4%	10.7	pts
Net underwriting expense ratio	0.0%	0.0%	-	pts	0.0%	0.6%	(0.6)	pts
Total effect of catastrophe losses and prior year development	16.0%	1.0%	15.0	pts	19.1%	9.0%	10.1	pts
Net combined ratio	**109.9%**	**86.0%**	**23.9**	**pts**	**113.1%**	**94.1%**	**19.0**	**pts**

The following table reconciles net operating income (loss) and diluted operating earnings (loss) per share exclusive of catastrophe and prior year loss development financial impact to net operating income (loss) and diluted operating earnings (loss) per share for the periods indicated:

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2019		2018		2019		2018	
	Amount	Diluted earnings per common share	Amount	Diluted earnings per common share	Amount	Diluted earnings per common share	Amount	Diluted earnings per common share
(000's except per common share amounts)								
Net Operating Income and Diluted Operating Earnings per Share Exclusive of Catastrophe and Prior Year Loss Development Financial Impact:								
Net operating income (loss)	**$ (2,513)**	**$ (0.23)**	**$ 3,656**	**$ 0.34**	**$ (10,353)**	**$ (0.96)**	**$ 4,193**	**$ 0.39**
Catastrophe and prior year loss development financial impact								
Ceding commission revenue	-		-		-		459	
Total expenses	5,515		289		18,133		6,247	
Income from operations before taxes	5,515		289		18,133		6,706	
Income tax expense	302		25		1,365		1,119	
Total catastrophe and prior year loss development financial impact	5,213	**$ 0.48**	264	**$ 0.02**	16,768	**$ 1.56**	5,587	**$ 0.52**
Net operating income (loss) exclusive of catastrophe and prior year loss development financial impact	**$ 2,700**	**$ 0.25**	**$ 3,920**	**$ 0.36**	**$ 6,415**	**$ 0.60**	**$ 9,780**	**$ 0.91**
Weighted average diluted shares outstanding	10,779,641		10,791,123		10,769,817		10,780,590	

The following table summarizes gross and net written premiums, net premiums earned, net loss and loss adjustment expenses and net loss ratio by major product type, which were determined based primarily on similar economic characteristics and risks of loss.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019	2018	2019	2018
Gross premiums written:				
Personal lines	$ 40,996,459	$ 32,544,609	$ 109,143,415	$ 87,022,189
Livery physical damage	2,590,434	2,363,844	8,199,269	7,142,413
Other(1)	401,073	69,486	535,950	186,285
Total without commercial lines	43,987,966	34,977,939	117,878,634	94,350,887
Commercial lines (in run-off effective July 2019)(2)	2,036,185	3,807,533	10,455,421	12,825,369
Total gross premiums written	$ 46,024,151	$ 38,785,472	$ 128,334,055	$ 107,176,256
Net premiums written:				
Personal lines(3)	$ 35,442,970	$ 30,352,772	$ 89,287,063	$ 69,016,575
Livery physical damage	2,590,434	2,363,844	8,199,269	7,142,413
Other(1)	400,317	73,449	522,596	169,709
Total without commercial lines	38,433,721	32,790,065	98,008,928	76,328,697
Commercial lines (in run-off effective July 2019)(2)	2,004,152	3,311,707	9,411,053	11,438,135
Total net premiums written	$ 40,437,873	$ 36,101,772	$ 107,419,981	$ 87,766,832
Net premiums earned:				
Personal lines(3)	$ 27,487,526	$ 21,537,581	$ 75,737,374	$ 56,809,219
Livery physical damage	2,712,283	2,398,005	7,850,822	7,320,065
Other(1)	275,324	56,091	392,745	150,942
Total without commercial lines	30,475,133	23,991,677	83,980,941	64,280,226
Commercial lines (in run-off effective July 2019)(2)	3,744,877	3,542,230	11,036,237	10,195,912
Total net premiums earned	$ 34,220,010	$ 27,533,907	$ 95,017,178	$ 74,476,138
Net loss and loss adjustment expenses(4):				
Personal lines	$ 14,389,168	$ 9,652,796	$ 46,666,275	$ 31,096,528
Livery physical damage	1,395,630	894,874	3,816,390	3,160,670
Other(1)	246,811	(63,570)	573,376	313,408
Unallocated loss adjustment expenses	726,778	548,819	2,072,570	1,654,466
Total without commercial lines	16,758,387	11,032,919	53,128,611	36,225,072
Commercial lines (in run-off effective July 2019)(2)	8,022,931	2,263,789	18,459,239	5,514,051
Total net loss and loss adjustment expenses	$ 24,781,318	$ 13,296,708	$ 71,587,850	$ 41,739,123
Net loss ratio(4):				
Personal lines	52.3%	44.8%	61.6%	54.7%
Livery physical damage	51.5%	37.3%	48.6%	43.2%
Other(1)	89.6%	-113.3%	146.0%	207.6%
Total without commercial lines	55.0%	46.0%	63.3%	56.4%
Commercial lines (in run-off effective July 2019)(2)	214.2%	63.9%	167.3%	54.1%
Total	72.4%	48.3%	75.3%	56.0%

1. “Other” includes, among other things, premiums and loss and loss adjustment expenses from our participation in a mandatory state joint underwriting association and loss and loss adjustment expenses from commercial auto.
2. In July 2019, the Company decided that it will no longer underwrite Commercial Liability risks. See discussions above regarding the discontinuation of this line of business.
3. See discussions above with regard to “Net Written Premiums and Net Premiums Earned”.
4. See discussions above with regard to “Net Loss Ratio and Underlying Net Loss Ratio Excluding Commercial Lines”.

Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) (Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenues				
Net premiums earned	$ 34,220,010	$ 27,533,907	$ 95,017,178	$ 74,476,138
Ceding commission revenue	1,029,582	1,044,529	2,982,960	4,430,855
Net investment income	1,856,553	1,602,371	5,200,034	4,543,226
Net gains (losses) on investments	998,162	352,025	3,712,180	(277,835)
Other income	495,696	353,077	1,191,569	961,581
Total revenues	38,600,003	30,885,909	108,103,921	84,133,965
Expenses				
Loss and loss adjustment expenses	24,781,318	13,296,708	71,587,850	41,739,123
Commission expense	7,779,344	6,594,323	21,931,933	18,411,460
Other underwriting expenses	6,430,734	5,193,679	17,983,174	15,301,168
Other operating expenses	705,710	683,309	2,774,350	1,773,983
Depreciation and amortization	646,201	440,383	1,876,202	1,273,975
Interest expense	456,545	456,545	1,369,635	1,365,052
Total expenses	40,799,852	26,664,947	117,523,144	79,864,761
(Loss) income before taxes	(2,199,849)	4,220,962	(9,419,223)	4,269,204
Income tax (benefit) expense	(474,687)	287,232	(1,998,251)	296,111
Net (loss) income	(1,725,162)	3,933,730	(7,420,972)	3,973,093
Other comprehensive income (loss), net of tax				
Gross change in unrealized gains (losses) on available-for-sale-securities	1,323,626	(242,453)	9,191,817	(4,591,699)
Reclassification adjustment for losses included in net income	46,841	131,978	81,636	451,877
Net change in unrealized gains (losses)	1,370,467	(110,475)	9,273,453	(4,139,822)
Income tax (expense) benefit related to items of other comprehensive income (loss)	(287,798)	12,416	(1,947,424)	858,377
Other comprehensive income (loss), net of tax	1,082,669	(98,059)	7,326,029	(3,281,445)
Comprehensive (loss) income	$ (642,493)	$ 3,835,671	$ (94,943)	$ 691,648
(Loss) Earnings per common share:				
Basic	$ (0.16)	$ 0.37	$ (0.69)	$ 0.37
Diluted	$ (0.16)	$ 0.36	$ (0.69)	$ 0.37
Weighted average common shares outstanding				
Basic	10,779,641	10,681,329	10,769,817	10,672,084
Diluted	10,779,641	10,791,123	10,769,817	10,780,590
Dividends declared and paid per common share	$ 0.0625	$ 0.1000	$ 0.2625	$ 0.3000

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

	September 30, 2019 (unaudited)	December 31, 2018
Assets		
Fixed-maturity securities, held-to-maturity, at amortized cost (fair value of $4,127,384 at September 30, 2019 and $4,426,416 at December 31, 2018)	$ 3,825,505	$ 4,222,855
Fixed-maturity securities, available-for-sale, at fair value (amortized cost of $160,601,004 at September 30, 2019 and $155,431,261 at December 31, 2018)	166,220,711	151,777,516
Equity securities, at fair value (cost of $22,070,565 at September 30, 2019 and $18,305,986 at December 31, 2018)	23,499,199	16,572,616
Other investments	2,425,904	1,855,225
Total investments	195,971,319	174,428,212
Cash and cash equivalents	25,639,050	21,138,403
Premiums receivable, net	14,352,521	13,961,599
Reinsurance receivables, net	26,580,449	26,367,115
Deferred policy acquisition costs	20,491,568	17,907,737
Intangible assets, net	500,000	670,000
Property and equipment, net	7,582,210	6,056,929
Deferred income taxes, net	540,295	354,233
Other assets	6,762,909	5,867,850
Total assets	$ 298,420,321	$ 266,752,078
Liabilities		
Loss and loss adjustment expense reserves	$ 77,409,423	$ 56,197,106
Unearned premiums	90,068,683	79,032,131
Advance premiums	3,737,491	2,107,629
Reinsurance balances payable	809,836	1,933,376
Deferred ceding commission revenue	1,828,872	2,686,677
Accounts payable, accrued expenses and other liabilities	8,403,012	6,819,231
Income taxes payable	-	15,035
Long-term debt, net	29,427,386	29,295,251
Total liabilities	211,684,703	178,086,436
Commitments and Contingencies		
Stockholders' Equity		
Preferred stock, $.01 par value; authorized 2,500,000 shares	-	-
Common stock, $.01 par value; authorized 20,000,000 shares; issued 11,811,011 shares at September 30, 2019 and 11,775,148 at December 31, 2018; outstanding 10,783,572 shares at September 30, 2019 and 10,747,709 shares at December 31, 2018	118,110	117,751
Capital in excess of par	68,755,776	67,763,940
Accumulated other comprehensive income (loss)	4,441,716	(2,884,313)
Retained earnings	16,132,568	26,380,816
	89,448,170	91,378,194
Treasury stock, at cost, 1,027,439 shares at September 30, 2019 and at December 31, 2018	(2,712,552)	(2,712,552)
Total stockholders' equity	86,735,618	88,665,642
Total liabilities and stockholders' equity	$ 298,420,321	$ 266,752,078