

SECURITIES & EXCHANGE COMMISSION EDGAR FILING

KINGSTONE COMPANIES, INC.

Form: 8-K

Date Filed: 2020-11-06

Corporate Issuer CIK: 33992

**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 6, 2020
(Date of earliest event reported)

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

Delaware (State or Other Jurisdiction of Incorporation)	000-1665 (Commission File No.)	36-2476480 (IRS Employer Identification Number)
15 Joys Lane, Kingston, New York (Address of Principal Executive Offices)		12401 (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 6, 2020 Kingstone Companies, Inc. (the "Company") issued a press release (the "Press Release") announcing its financial results for the fiscal period ended September 30, 2020. The Press Release also announced that the Company's Board of Directors has declared a \$0.04 per share quarterly dividend payable on December 15, 2020 to stockholders of record at the close of business on November 30, 2020. 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 6, 2020, issued by Kingstone Companies, Inc.

[99.2](#) Additional Financial Information for Q3 2020.

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 6, 2020

By: /s/ Barry B. Goldstein
Barry B. Goldstein
President and CEO

Exhibit 99.1

FOR IMMEDIATE RELEASE

Kingstone Announces 2020 Third Quarter Financial Results

Company to Host Conference Call on November 9, 2020 at 8:30 a.m. ET

Kingston, NY — November 6, 2020 – 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, 2020.

Financial and Operational Highlights

2020 Third Quarter

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

- Catastrophes, primarily Tropical Storm Isaias, added 31.5% to net loss ratio for the quarter; Net combined ratio excluding the impact of catastrophes ¹ was 80.4%
- Direct written premiums¹ from personal lines grew by 6.4%; Direct written premiums¹ including commercial liability lines in run off decreased by 0.6%
- Net loss ratio excluding commercial lines in run off and catastrophe losses ¹ of 42.1% compared to 53.5%
- Net operating income (loss) exclusive of catastrophe losses¹ per diluted share of \$0.54 compared to \$(.19)
- Book value per share of \$8.37 down \$0.03 from Q2 after \$0.64 per share impact from catastrophes ¹

Quarterly Dividend of \$0.04 per share

The Company announced that its Board of Directors declared a quarterly dividend of \$0.04 per share payable on December 15, 2020 to stockholders of record at the close of business on November 30, 2020.

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 2020” (also available at www.kingstonecompanies.com).

Management Commentary

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

"Our third quarter's results demonstrate the progress we've made and the resilience of our company. As we announced on October 7th, losses and loss adjustment expenses incurred attributable to Tropical Storm Isaias were sizeable and the most since Superstorm Sandy in 2012. It led to a full catastrophe retention (\$8.125 million pre-tax) being absorbed by Kingstone in the third quarter. Isaias drove our quarterly combined ratio to a very poor 111.9%. Peel back the onion just one layer and you'll find that, by itself, Isaias' loss and loss adjustment expense added 29.5 points to the combined ratio.

Apart from catastrophes, we posted an excellent combined ratio of 80.4%. Increased rates are being rolled on and earned in. Our exit from commercial liability lines is complete; our final policy ran off at the end of September. No longer will these highly volatile lines adversely impact our company. Our focus on profitability is yielding the anticipated results.

Meryl Golden, Kingstone's Chief Operating Officer, continued:

"Relative to Isaias, I am happy to report that almost 90% of these claims are now closed and feel really good about the efforts of our claims organization in achieving this outcome.

"We are pleased with our x-catastrophe results this quarter and the improvement we are seeing over the prior year. We are also in a good place from a reserving perspective. The reserve strengthening we took last year was appropriate, with our reserves being solidly in the middle of our outside actuary's mid-year review, which was recently completed. The runoff of commercial liability claims continues to be favorable, and we recorded our fourth straight quarter of stable prior year loss development.

I am also happy to share that Kingstone 2.0, our effort to modernize the Company, continues to progress well. In Q3 we implemented our new claims system and filed our new Homeowners program in NY. In Q4, we will file our new Condo/Tenant and Dwelling Fire programs in NY, introduce a new interface for our Select Producers and start the conversion to our new policy management system. We have been able to make these investments without an increase in expenses, after adjusting for the Quota Share. We are excited to see the impact on Company performance of these initiatives."

Financial Highlights Table

(\$ in thousands except per share data)	Three Months Ended			Nine Months Ended		
	September 30,			September 30,		
	2020	2019	% Change	2020	2019	% Change
Direct written premiums ¹	\$ 45,742	\$ 46,023	-0.6%	\$ 125,090	\$ 128,333	-2.5%
Net written premiums ¹	\$ 29,994	\$ 40,438	-25.8%	\$ 81,276	\$ 107,420	-24.3%
Net premiums earned	\$ 27,521	\$ 34,220	-19.6%	\$ 81,100	\$ 95,017	-14.6%
Total ceding commission revenue	\$ 3,449	\$ 1,030	234.9%	\$ 10,760	\$ 2,983	260.7%
Net investment income	\$ 1,494	\$ 1,857	-19.5%	\$ 4,772	\$ 5,200	-8.2%
Net gains (losses) on investments	\$ 2,108	\$ 998	111.2%	\$ (1,639)	\$ 3,712	NA
U.S. GAAP Net loss	\$ (1,228)	\$ (1,725)	28.8%	\$ (2,064)	\$ (7,421)	72.2%
U.S. GAAP Diluted loss per share	\$ (0.12)	\$ (0.16)	25.0%	\$ (0.19)	\$ (0.69)	72.5%
Comprehensive (loss) income	\$ (302)	\$ (642)	53.0%	\$ 2,185	\$ (95)	NA
Net operating loss ¹	\$ (2,893)	\$ (2,513)	-15.1%	\$ (769)	\$ (10,353)	92.6%
Net operating loss diluted loss ¹ per share	\$ (0.27)	\$ (0.23)	-17.4%	\$ (0.07)	\$ (0.96)	92.7%
Return on average equity (annualized)	-5.5%	-7.9%	2.4 pts	-3.1%	-11.3%	8.2 pts
Operating return on average equity (annualized) ¹	-12.9%	-11.5%	-1.4 pts	-1.2%	-15.7%	14.5 pts
Net loss ratio	73.1%	72.4%	0.7 pts	60.8%	75.3%	-14.5 pts
Net underwriting expense ratio	38.8%	37.4%	1.4 pts	38.9%	37.8%	1.1 pts
Net combined ratio	111.9%	109.8%	2.1 pts	99.7%	113.1%	-13.4 pts
Effect of catastrophes and prior year loss development on net combined ratio	31.5 pts	1.3 pts	30.2 pts	12.8 pts	7.3 pts	5.5 pts
Net combined ratio excluding effect of catastrophes and prior year loss development ¹	80.4%	108.5%	-28.1 pts	86.9%	105.8%	-18.9 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 Q2-2020" (also available at www.kingstonecompanies.com)

2020 Third Quarter Financial Review

Net Loss:

There was a net loss of \$1.2 million during the three-month period ended September 30, 2020, compared to net loss of \$1.7 million in the prior year period. The decrease in net loss in the latest three-month period can be attributed to the increase in ceding commissions due to the inception of a 25% personal lines quota share on December 15, 2019 and the dramatic positive swing in financial markets that have been reversing the unrealized losses from the first quarter resulting from the impact of the Covid-19 pandemic, offset by the decrease in net premiums earned due to the inception of 25% personal lines quota share. The net loss ratio for the latest three-month period increased by 0.7 points compared to the prior three month period, as described in the 'Net Loss Ratio and Underlying Net Loss Ratio Excluding Commercial Lines' section below.

Earnings (Loss) per share ("EPS"):

Kingstone reported a loss of \$0.12 per diluted share for the three months ended September 30, 2020, compared to loss of \$0.16 per diluted share for the three months ended September 30, 2019. EPS for the three-month periods ended September 30, 2020 and 2019 was based on 10.67 million and 10.78 million weighted average diluted shares outstanding, respectively.

Direct Written Premiums¹, Net Written Premiums¹ and Net Premiums Earned (See Definitions and Non-GAAP Measures below):

Direct written premiums¹ for the third quarter of 2020 were \$45.7 million, a decrease of \$0.3 million, or 0.6%, from \$46.0 million in the prior year period. The increase in premiums from personal lines was offset by a \$2.0 million decrease in premiums from our commercial lines business as result of our decision in July 2019 to no longer underwrite this line of business, and a decrease in premiums from livery physical damage due to a decline in business from the Covid-19 pandemic. Direct written premiums from our personal lines business for the third quarter of 2020 were \$43.6 million, an increase of \$2.6 million, or 6.4%, from \$41.0 million in the prior year period.

We refer to our New York business as “Core”¹ and the business in other states as “Expansion”¹. Expansion direct written premiums¹ for the third quarter of 2020 were \$9.2 million, an increase of \$1.8 million from the \$7.4 million written in the prior year period.

Net written premiums¹ decreased 25.8% to \$30.0 million during the three-month period ended September 30, 2020 from \$40.4 million in the prior year period. The decrease in the third quarter was attributable to the inception of a 25% personal lines quota share on December 15, 2019 and the decrease in commercial lines premiums which are not subject to a quota share treaty.

Net premiums earned for the quarter ended September 30, 2020 decreased 19.6% to \$27.5 million, compared to \$34.2 million for the quarter ended September 30, 2019. The decrease was attributable to the inception of a 25% personal lines quota share on December 15, 2019 and the decrease in commercial lines premiums which are not subject to a quota share treaty. The 10% personal lines quota share was in run-off for the quarter ended September 30, 2019.

Net Loss Ratio and Underlying Net Loss Ratio Excluding Commercial Lines¹:

For the quarter ended September 30, 2020 (“Three Months 2020”), the net loss ratio increased 0.7 points, from 72.4% for the quarter ended September 30, 2019 (“Three Months 2019”) to 73.1% in Three Months 2020. The net loss ratio increased due to the impact of catastrophe events, primarily related to Tropical Storm Isaias on August 4, 2020. Partially offsetting the increased catastrophe losses, there was a large reduction in the impact of prior year loss development compared the same period in the prior year.

The impact of catastrophe losses was significant in Three Months 2020 when compared to Three Months 2019. In the Three Months 2020, Tropical Storm Isaias resulted in over 1,700 reported claims and direct losses exceeded our catastrophe reinsurance retention of \$10 million. After quota share reinsurance, the net impact of Isaias is \$8.125 million, or a 29.5 point impact on the quarterly loss ratio. There were several smaller catastrophe events during the quarter, and in total the impact of catastrophe events on the loss ratio was 31.5 points for the quarter. This compares to a 1.3 point impact from catastrophe events in Three Months 2019, or an increase in the impact from catastrophe events of 30.2 points compared to the prior period.

Prior year development was slightly favorable in Three Months 2020, with a 0.4 point favorable impact to the overall loss ratio. This was the fourth consecutive quarter of stable prior year loss development. The favorable loss development for Three Months 2020 compares to 14.7 points of unfavorable impact in Three Months 2019. Prior year loss development in Three Months 2019 was driven by the completion of reserve adjustments for commercial lines business, which is now in runoff. As of the end of Three Months 2020, there were 189 open commercial lines claims, down from 205 claims that were open at June 30, 2020. The impact of prior year development was 15.1 points more favorable in Three Months 2020 compared to the prior year period.

The underlying loss ratio (loss ratio excluding the impact of catastrophes and prior year development) ¹ was 42.0% for Three Months 2020, a decrease of 14.4 points from the 56.4% underlying loss ratio recorded for Three Months 2019. The improvement was primarily due to reduced claim severity in personal lines, driven by a much lower impact from large fire claims in Three Months 2020 compared to the prior period. Claim frequency in the livery physical damage line also continued to show significant improvement over the prior year period. The impact of commercial lines on the overall loss ratio continues to decline due to a smaller open claims inventory and a smaller proportion of net earned premium attributable to commercial lines. Excluding commercial lines, the underlying loss ratio improved 8.9 points, from 51.4% for Three Months 2019 to 42.5% for Three Months 2020.

Net Other Underwriting Expense Ratio:

For the quarter ended September 30, 2020, the net underwriting expense ratio was 38.8% as compared to 37.4% in the prior year period, an increase of 1.4 percentage points. The 1.4 percentage point increase in the net underwriting expense ratio is attributable to the effect that the 25% personal lines quota share treaty and the elimination of the commercial lines business had on decreasing net premiums earned.

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 2020" (also available at www.kingstonecompanies.com).

Balance Sheet / Investment Portfolio

Kingstone's cash and investment holdings were \$220.7 million at September 30, 2020 compared to \$221.6 million at September 30, 2019. The Company's investment holdings are comprised primarily of investment grade corporate, mortgage-backed and municipal securities, with fixed income investments representing approximately 83.5% of total investments at September 30, 2020 and 86.8% at September 30, 2019. The Company's effective duration on its fixed-income portfolio is 4.7 years.

Net investment income decreased 19.5% to \$1.49 million for the third quarter of 2020 from \$1.86 million in the prior year period.

Accumulated Other Comprehensive Income (AOCI)

As of September 30, 2020, AOCI was \$9.02 million compared to \$4.44 million at September 30, 2019.

Book Value

The Company's book value per share at September 30, 2020 was \$8.37, an increase of 4.1% compared to \$8.04 at September 30, 2019.

Conference Call Details

Management will discuss the Company's operations and financial results in a conference call on Monday, November 9, 2020, 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: [Third Quarter 2020 Earnings Conference Call](#)

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 (losses), net of tax. Net income (loss) is the GAAP measure most closely comparable to net operating income (loss).

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

Operating return on average common equity - is net operating income (loss) divided by average common equity. Return on average common equity is the GAAP measure most closely comparable to operating return on average common equity.

Management uses net operating income (loss) and operating return on average common equity, along with other measures, to gauge the Company's performance and evaluate results, which can be skewed when including realized investment gains (losses), which may vary significantly between periods. Net operating income (loss) and operating return on average common equity are provided as supplemental information, are not a substitute for net income (loss) or return on average common equity and do not reflect the Company's overall profitability or return on average common equity.

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 and the loss ratio that relates to commercial lines, catastrophes, and prior year loss development.

Net loss ratio excluding commercial lines - is a non-GAAP ratio, which is computed as the difference between GAAP net loss ratio and the loss ratio that relates to commercial lines.

Net loss ratio excluding commercial lines in run-off and catastrophes - is a non-GAAP ratio, which is computed as the difference between GAAP net loss ratio and the loss ratio that relates to commercial lines in run-off and catastrophes.

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.

Net combined ratio excluding effect of catastrophes - is a non-GAAP ratio, which is computed as the difference between GAAP net combined ratio and the effect of catastrophes 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, as well as the loss ratio that relates to commercial lines which is in run off. 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. Due to our decision in July 2019 to no longer underwrite commercial lines, excluding the loss ratio related to such line of business allows us to compare our loss ratio with regard to our ongoing lines of business. 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, 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 exclusive of catastrophes – is a non-GAAP ratio which is computed as the difference between GAAP book value per share and the effect of catastrophes on book value per share.

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 New York domiciled carrier writing business through retail and wholesale agents and brokers. KICO offers primarily personal lines insurance products in New York, New Jersey, Rhode Island, Massachusetts, and Connecticut. Kingstone is also licensed in Pennsylvania, New Hampshire and Maine.

Forward-Looking Statements

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, 2019 under "Factors That May Affect Future Results and Financial Condition" and Part II, Item 1A of our Quarterly Report on Form 10-Q for the period ended September 30, 2020, to be filed with the Securities and Exchange Commission. 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 2020

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 (losses), net of tax. Net income (loss) is the GAAP measure most closely comparable to net operating income (loss).

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

Operating return on average common equity - is net operating income (loss) divided by average common equity. Return on average common equity is the GAAP measure most closely comparable to operating return on average common equity.

Management uses net operating income (loss) and operating return on average common equity, along with other measures, to gauge the Company's performance and evaluate results, which can be skewed when including realized investment gains (losses), which may vary significantly between periods. Net operating income (loss) and operating return on average common equity are provided as supplemental information, are not a substitute for net income (loss) or return on average common equity and do not reflect the Company's overall profitability or return on average common equity.

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 and the loss ratio that relates to commercial lines, catastrophes, and prior year loss development.

Net loss ratio excluding commercial lines - is a non-GAAP ratio, which is computed as the difference between GAAP net loss ratio and the loss ratio that relates to commercial lines.

Net loss ratio excluding commercial lines in run-off and catastrophes - is a non-GAAP ratio, which is computed as the difference between GAAP net loss ratio and the loss ratio that relates to commercial lines in run-off and catastrophes.

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.

Net combined ratio excluding effect of catastrophes - is a non-GAAP ratio, which is computed as the difference between GAAP net combined ratio and the effect of catastrophes 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, as well as the loss ratio that relates to commercial lines which is in run off. 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. Due to our decision in July 2019 to no longer underwrite commercial lines, excluding the loss ratio related to such line of business allows us to compare our loss ratio with regard to our ongoing lines of business. 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, 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 exclusive of catastrophes – is a non-GAAP ratio which is computed as the difference between GAAP book value per share and the effect of catastrophes on book value per share.

Book Value Per Share

The Company's book value per share at September 30, 2020 was \$8.40, an increase of 4.1% compared to \$8.04 at September 30, 2019.

	<u>30-Sep-20</u>	<u>30-Jun-20</u>	<u>31-Mar-20</u>	<u>31-Dec-19</u>	<u>c30-Sep-19</u>
Book Value Per Share	\$ 8.37	\$ 8.40	\$ 7.13	\$ 8.17	\$ 8.04
<i>% Increase from specified period to 9/30/20</i>		-0.4%	17.4%	2.4%	4.1%

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

	For the Three Months Ended				For the Nine Months Ended			
	September 30,				September 30,			
	2020	2019	\$ Change	% Change	2020	2019	\$ Change	% Change
(000's except percentages)								
Direct and Net Written Premiums Reconciliation:								
Direct written premiums	\$ 45,742	\$ 46,023	\$ (281)	(0.6)%	\$ 125,090	\$ 128,333	\$ (3,243)	(2.5)%
Assumed written premiums	-	1	(1)	-%	-	1	(1)	-%
Ceded written premiums	(15,748)	(5,586)	(10,162)	(181.9)%	(43,814)	(20,914)	(22,900)	(109.5)%
Net written premiums	29,994	40,438	(10,444)	(25.8)%	81,276	107,420	(26,144)	(24.3)%
Change in unearned premiums	(2,473)	(6,218)	3,745	60.2%	(176)	(12,403)	12,227	98.6%
Net premiums earned	<u>\$ 27,521</u>	<u>\$ 34,220</u>	<u>\$ (6,699)</u>	<u>(19.6)%</u>	<u>\$ 81,100</u>	<u>\$ 95,017</u>	<u>\$ (13,917)</u>	<u>(14.6)%</u>

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

	For the Three Months Ended				For the Nine Months Ended			
	September 30,				September 30,			
	2020	2019	\$ Change	% Change	2020	2019	\$ Change	% Change
(000's except percentages)								
Core and Expansion Direct Written Premiums Reconciliation:								
Core direct written premiums	\$ 36,545	\$ 38,652	\$ (2,107)	(5.5)%	\$ 100,797	\$ 111,433	\$ (10,636)	(9.5)%
Expansion direct written premiums	9,197	7,371	1,826	24.8%	24,293	16,900	7,393	43.7%
Direct written premiums	<u>\$ 45,742</u>	<u>\$ 46,023</u>	<u>\$ (281)</u>	<u>(0.6)%</u>	<u>\$ 125,090</u>	<u>\$ 128,333</u>	<u>\$ (3,243)</u>	<u>(2.5)%</u>

The following table reconciles net operating income (loss) to net income (loss) and operating return on average common equity to return on average common equity for the periods indicated:

	Three Months Ended September 30, 2020		Three Months Ended September 30, 2019		Nine Months Ended September 30, 2020		Nine Months Ended September 30, 2019	
	Amount	Diluted loss per common share	Amount	Diluted loss per common share	Amount	Diluted loss per common share	Amount	Diluted loss per common share
(000's except per common share amounts and percentages)								
Net Operating Loss and Diluted Loss per Common Share Reconciliation:								
Net loss	\$ (1,228)	\$ (0.12)	\$ (1,725)	\$ (0.16)	\$ (2,064)	\$ (0.19)	\$ (7,421)	\$ (0.69)
Net realized (gain) loss on investments	(2,108)		(998)		1,639		(3,712)	
Less tax (expense) benefit on net realized (gain) loss	(443)		(210)		344		(780)	
Net realized (gain) loss on investments, net of taxes	(1,665)	\$ (0.16)	(788)	\$ (0.07)	1,295	\$ 0.12	(2,932)	\$ (0.27)
Net operating loss	\$ (2,893)	\$ (0.27)	\$ (2,513)	\$ (0.23)	\$ (769)	\$ (0.07)	\$ (10,353)	\$ (0.96)
Weighted average diluted shares outstanding	10,673,077		10,779,641		10,737,853		10,769,817	
Operating Return on Average Common Equity (Annualized) Reconciliation:								
Net loss	\$ (1,228)		\$ (1,725)		\$ (2,064)		\$ (7,421)	
Average common equity	\$ 89,467		\$ 87,203		\$ 88,768		\$ 87,701	
Return on average common equity (annualized)	-5.5%		-7.9%		-3.1%		-11.3%	
Net realized (gain) loss on investments, net of taxes	\$ (1,665)		\$ (788)		\$ 1,295		\$ (2,932)	
Average common equity	\$ 89,467		\$ 87,203		\$ 88,768		\$ 87,701	
Effect of net realized (gain) loss on investments, net of taxes, on return on average common equity (annualized)	-7.4%		-3.6%		1.9%		-4.5%	
Net operating loss	\$ (2,893)		\$ (2,513)		\$ (769)		\$ (10,353)	
Average common equity	\$ 89,467		\$ 87,203		\$ 88,768		\$ 87,701	
Operating return on average common equity (annualized)	-12.9%		-11.5%		-1.2%		-15.7%	

The following table reconciles the underlying net loss ratio excluding commercial lines to the net loss ratio for the periods presented:

	For the Three Months Ended September 30,			For the Nine Months Ended September 30,				
	2020	2019	Change	2020	2019	Change		
Underlying Net Loss Ratio Excluding Commercial lines Reconciliation:								
Net loss and loss adjustment expenses ("Net loss")								
Underlying Net Loss Excluding Commercial lines								
Commercial lines net loss	\$ 11,597	\$ 15,653	\$ (4,056)	-25.9%	\$ 36,928	\$ 44,069	\$ (7,141)	-16.2%
Commercial lines net loss	(44)	8,023	(8,067)	-100.5%	2,863	18,459	(15,596)	-84.5%
Catastrophe losses excluding commercial lines	8,665	492	8,173	1661.2%	10,375	6,783	3,592	53.0%
Prior year loss development excluding commercial lines	(100)	613	(713)	-116.3%	(849)	2,277	(3,126)	-137.3%
Net loss	\$ 20,118	\$ 24,781	\$ (4,663)	-18.8%	\$ 49,317	\$ 71,588	\$ (22,271)	-31.1%
Net premiums earned								
Net premiums earned excluding commercial lines								
Commercial lines net premiums earned	27,285	30,475	(3,190)	-10.5%	78,387	83,981	(5,594)	-6.7%
Commercial lines net premiums earned	236	3,745	(3,509)	-93.7%	2,712	11,036	(8,324)	-75.4%
Net premiums earned	\$ 27,521	\$ 34,220	\$ (6,699)	-19.6%	\$ 81,099	\$ 95,017	\$ (13,918)	-14.6%
Underlying net loss ratio excluding commercial lines								
	<u>42.5%</u>	<u>51.4%</u>	<u>(8.9)</u>	pts	<u>47.1%</u>	<u>52.5%</u>	<u>(5.4)</u>	pts
Net loss ratio	<u>73.1%</u>	<u>72.4%</u>	<u>0.7</u>	pts	<u>60.8%</u>	<u>75.3%</u>	<u>(14.5)</u>	pts

The following table reconciles the net loss ratio excluding commercial lines in run-off and catastrophe losses to the net loss ratio for the periods presented:

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2020	2019	Change		2020	2019	Change	
Net Loss Ratio Excluding Commercial Lines in Run-off and Catastrophe Losses Reconciliation:								
Net loss and loss adjustment expenses ("Net loss")								
Net Loss Ratio Excluding Commercial Lines in Run-off and Catastrophe Losses								
Commercial lines net loss	\$ 11,497	\$ 16,312	\$ (4,815)	-29.5%	\$ 36,079	\$ 46,182	\$ (10,103)	-21.9%
Commercial lines net loss	(44)	8,023	(8,067)	-100.5%	2,863	18,459	(15,596)	-84.5%
Catastrophe losses	8,665	446	8,219	1842.8%	10,375	6,947	3,428	49.3%
Net loss	\$ 20,118	\$ 24,781	\$ (4,663)	-18.8%	\$ 49,317	\$ 71,588	\$ (22,271)	-31.1%
Net premiums earned								
Net premiums earned excluding commercial lines in run-off								
Commercial lines net premiums earned	27,285	30,475	(3,190)	-10.5%	78,387	83,981	(5,594)	-6.7%
Commercial lines net premiums earned	236	3,745	(3,509)	-93.7%	2,712	11,036	(8,324)	-75.4%
Net premiums earned	\$ 27,521	\$ 34,220	\$ (6,699)	-19.6%	\$ 81,099	\$ 95,017	\$ (13,918)	-14.6%
Net Loss Ratio Excluding Commercial Lines in Run-off and Catastrophe Losses								
	<u>42.1%</u>	<u>53.5%</u>	<u>(11.4)</u>	pts	<u>46.0%</u>	<u>55.0%</u>	<u>(9.0)</u>	pts
Net loss ratio	<u>73.1%</u>	<u>72.4%</u>	<u>0.7</u>	pts	<u>60.8%</u>	<u>75.3%</u>	<u>(14.5)</u>	pts

The following table reconciles the net loss ratio excluding commercial lines to the net loss ratio for the periods presented:

	For the Three Months Ended September 30,			For the Nine Months Ended September 30,				
	2020	2019	Change	2020	2019	Change		
Net Loss Ratio Excluding Commercial Lines Reconciliation:								
Net loss and loss adjustment expenses ("Net loss")								
Net Loss Excluding Commercial								
Lines	\$ 20,162	\$ 16,758	\$ 3,404	20.3%	\$ 46,454	\$ 53,129	\$ (6,675)	-12.6%
Commercial lines net loss	(44)	8,023	(8,067)	-100.5%	2,863	18,459	(15,596)	-84.5%
Net loss	\$ 20,118	\$ 24,781	\$ (4,663)	-18.8%	\$ 49,317	\$ 71,588	\$ (22,271)	-31.1%
Net premiums earned								
Net premiums earned excluding commercial lines								
	27,285	30,475	(3,190)	-10.5%	78,387	83,981	(5,594)	-6.7%
Commercial lines net premiums earned	236	3,745	(3,509)	-93.7%	2,712	11,036	(8,324)	-75.4%
Net premiums earned	\$ 27,521	\$ 34,220	\$ (6,699)	-19.6%	\$ 81,099	\$ 95,017	\$ (13,918)	-14.6%
Net loss ratio excluding commercial lines	73.9%	55.0%	18.9	pts	59.3%	63.3%	(4.0)	pts
Net loss ratio	73.1%	72.4%	0.7	pts	60.8%	75.3%	(14.5)	pts

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

	For the Three Months Ended September 30,			For the Nine Months Ended September 30,		
	2020	2019	Percentage Point Change	2020	2019	Percentage Point Change
Net Combined Ratio Excluding Catastrophes and Prior Year Development Reconciliation:						
Net Combined Ratio Excluding Catastrophes and Prior Year Development	80.8%	93.7%	(12.9) pts	87.2%	94.0%	(6.8) pts
Effect of catastrophe losses and prior year development						
Catastrophe losses	31.5%	1.3%	30.2 pts	12.8%	7.3%	5.5 pts
Prior year development	-0.4%	14.8%	(15.2) pts	-0.3%	11.8%	(12.1) pts
Effect of catastrophe losses and prior year development on net loss and loss adjustment expenses	31.1%	16.1%	15.0 pts	12.5%	19.1%	(6.6) pts
Net underwriting expense ratio	0.0%	0.0%	- pts	0.0%	0.0%	- pts
Total effect of catastrophe losses and prior year development	31.1%	16.1%	15.0 pts	12.5%	19.1%	(6.6) pts
Net combined ratio	111.9%	109.8%	2.1 pts	99.7%	113.1%	(13.4) pts

The following table reconciles the net combined ratio excluding catastrophes to the net combined ratio for the periods presented:

	For the Three Months Ended September 30,			For the Nine Months Ended September 30,		
	2020	2019	Percentage Point Change	2020	2019	Percentage Point Change
Net Combined Ratio Excluding Catastrophes Reconciliation:						
Net Combined Ratio Excluding Catastrophes	80.4%	108.5%	(28.1) pts	86.9%	105.8%	(18.9) pts
Catastrophe losses	31.5%	1.3%	30.2 pts	12.8%	7.3%	5.5 pts
Net combined ratio	111.9%	109.8%	2.1 pts	99.7%	113.1%	(13.4) pts

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

	For the Three Months Ended				For the Nine Months Ended			
	September 30,		September 30,		September 30,		September 30,	
	2020	2019	2020	2019	2020	2019	2020	2019
	Amount	Diluted (loss) earnings per common share	Amount	Diluted (loss) earnings per common share	Amount	Diluted (loss) earnings per common share	Amount	Diluted (loss) earnings per common share
(000's except per common share amounts)								
Net Operating and Diluted Operating Earnings per Share Exclusive of Catastrophes and Prior Year Loss Development Financial Impact:								
Net operating loss	\$ (2,893)	\$ (0.27)	\$ (2,513)	\$ (0.23)	\$ (769)	\$ (0.07)	\$ (10,353)	\$ (0.96)
Catastrophe and prior year loss development financial impact								
Ceding commission revenue	-		-		-		-	
Total expenses	8,559		5,515		10,095		18,133	
Income from operations before taxes	8,559		5,515		10,095		18,133	
Income tax expense	1,797		1,158		2,120		3,808	
Total catastrophe and prior year loss development financial impact	6,762	\$ 0.63	4,357	\$ 0.40	7,975	\$ 0.74	14,325	\$ 1.33
Net operating income exclusive of catastrophes and prior year loss development financial impact	\$ 3,869	\$ 0.36	\$ 1,844	\$ 0.17	\$ 7,206	\$ 0.67	\$ 3,972	\$ 0.37
Weighted average diluted shares outstanding	10,673,077		10,779,641		10,737,853		10,769,817	

The following table reconciles net operating income (loss) and diluted operating earnings (loss) per share exclusive of catastrophe losses to net operating income (loss) and diluted operating earnings (loss) per share for the periods presented:

	For the Three Months Ended				For the Nine Months Ended			
	September 30,		September 30,		September 30,		September 30,	
	2020		2019		2020		2019	
	Amount	Diluted (loss) earnings per common share	Amount	Diluted loss per common share	Amount	Diluted (loss) earnings per common share	Amount	Diluted loss per common share
(000's except per common share amounts)								
Net Operating and Diluted Operating Earnings per Share Exclusive of Catastrophe Losses:								
Net operating loss	\$ (2,893)	\$ (0.27)	\$ (2,513)	\$ (0.23)	\$ (769)	\$ (0.07)	\$ (10,353)	\$ (0.96)
Catastrophe losses	8,665	\$ 0.81	446	\$ 0.04	10,375	\$ 0.97	6,947	\$ 0.65
Net operating income (loss) exclusive of catastrophe losses	<u>\$ 5,772</u>	<u>\$ 0.54</u>	<u>\$ (2,067)</u>	<u>\$ (0.19)</u>	<u>\$ 9,606</u>	<u>\$ 0.90</u>	<u>\$ (3,406)</u>	<u>\$ (0.31)</u>
Weighted average diluted shares outstanding	10,673,077		10,779,641		10,737,853		10,769,817	

The following table reconciles book value per exclusive of catastrophes to book value per share for the periods presented:

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2020		2019		2020		2019	
	Amount	Book value per common share out-standing	Amount	Book value per common share out-standing	Amount	Book value per common share out-standing	Amount	Book value per common share out-standing
(000's except per common share amounts)								
Book Value per Share Exclusive of Catastrophes:								
Stockholders' Equity	\$ 89,313	\$ 8.37	\$ 86,736	\$ 8.04	\$ 89,313	\$ 8.37	\$ 86,736	\$ 8.04
Catastrophe losses	8,665		446		10,375		6,947	
Income tax expense	1,820		94		2,179		1,459	
Catastrophe losses, net of income tax	<u>6,845</u>	<u>\$ 0.64</u>	<u>352</u>	<u>\$ 0.03</u>	<u>8,196</u>	<u>\$ 0.77</u>	<u>5,488</u>	<u>\$ 0.51</u>
Stockholders' equity exclusive of catastrophes	\$ 96,158	\$ 9.01	\$ 87,088	\$ 8.07	\$ 97,509	\$ 9.14	\$ 92,224	\$ 8.55
Common shares outstanding	10,675,198		10,783,572		10,675,198		10,783,572	

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		For the Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Gross premiums written:				
Personal lines(3)	\$ 43,640,603	\$ 40,996,459	\$ 119,598,207	\$ 109,143,415
Livery physical damage	2,045,746	2,590,434	5,466,552	8,199,269
Other(1)	62,664	401,073	192,395	535,950
Total without commercial lines	45,749,013	43,987,966	125,257,154	117,878,634
Commercial lines (in run-off effective July 2019)(2)	(6,848)	2,036,185	(167,583)	10,455,421
Total gross premiums written	\$ 45,742,165	\$ 46,024,151	\$ 125,089,571	\$ 128,334,055
Net premiums written:				
Personal lines(3)	\$ 27,916,850	\$ 35,442,970	\$ 76,231,996	\$ 89,287,063
Livery physical damage	2,045,746	2,590,434	5,466,552	8,199,269
Other(1)	50,626	410,317	151,784	522,596
Total without commercial lines	30,013,222	38,443,721	81,850,332	98,008,928
Commercial lines (in run-off effective July 2019)(2)	(18,271)	2,004,152	(574,228)	9,411,053
Total net premiums written	\$ 29,994,951	\$ 40,447,873	\$ 81,276,104	\$ 107,419,981
Net premiums earned:				
Personal lines(3)	\$ 25,220,883	\$ 27,487,526	\$ 71,434,757	\$ 75,737,374
Livery physical damage	2,014,458	2,712,283	6,803,475	7,850,822
Other(1)	49,939	275,324	149,087	392,745
Total without commercial lines	27,285,280	30,475,133	78,387,319	83,980,941
Commercial lines (in run-off effective July 2019)(2)	235,801	3,744,877	2,712,068	11,036,237
Total net premiums earned	\$ 27,521,081	\$ 34,220,010	\$ 81,099,387	\$ 95,017,178
Net loss and loss adjustment expenses(4):				
Personal lines	\$ 18,657,325	\$ 14,389,168	\$ 41,810,950	\$ 46,666,275
Livery physical damage	648,520	1,395,630	1,798,210	3,816,390
Other(1)	29,104	246,811	5,465	573,376
Unallocated loss adjustment expenses	827,031	726,778	2,839,359	2,072,570
Total without commercial lines	20,161,980	16,758,387	46,453,984	53,128,611
Commercial lines (in run-off effective July 2019)(2)	(44,005)	8,022,931	2,863,443	18,459,239
Total net loss and loss adjustment expenses	\$ 20,117,975	\$ 24,781,318	\$ 49,317,427	\$ 71,587,850
Net loss ratio(4):				
Personal lines	74.0%	52.3%	58.5%	61.6%
Livery physical damage	32.2%	51.5%	26.4%	48.6%
Other(1)	58.3%	89.6%	3.7%	146.0%
Total without commercial lines	73.9%	55.0%	59.3%	63.3%
Commercial lines (in run-off effective July 2019)(2)	-18.7%	214.2%	105.6%	167.3%
Total	73.1%	72.4%	60.8%	75.3%

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 discussion with regard to "Direct Written Premiums, Net Written Premiums and Net Premiums Earned" in the Company's Form 8-K Exhibit 99.1 – Press Release dated November 6, 2020 (also available at www.kingstonecompanies.com).
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		For the Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Revenues				
Net premiums earned	\$ 27,521,081	\$ 34,220,010	\$ 81,099,387	\$ 95,017,178
Ceding commission revenue	3,448,774	1,029,582	10,760,087	2,982,960
Net investment income	1,494,086	1,856,553	4,771,936	5,200,034
Net gains (losses) on investments	2,107,876	998,162	(1,638,674)	3,712,180
Other income	250,654	343,391	772,672	998,927
Total revenues	<u>34,822,471</u>	<u>38,447,698</u>	<u>95,765,408</u>	<u>107,911,279</u>
Expenses				
Loss and loss adjustment expenses	20,117,975	24,781,318	49,317,427	71,587,850
Commission expense	8,036,298	7,722,825	23,652,765	21,866,420
Other underwriting expenses	6,346,846	6,430,734	19,434,110	17,983,174
Other operating expenses	1,038,453	609,924	3,364,483	2,647,221
Depreciation and amortization	710,181	646,201	2,070,435	1,876,202
Interest expense	456,545	456,545	1,369,635	1,369,635
Total expenses	<u>36,706,298</u>	<u>40,647,547</u>	<u>99,208,855</u>	<u>117,330,502</u>
Loss from operations before income taxes	(1,883,827)	(2,199,849)	(3,443,447)	(9,419,223)
Income tax benefit	(655,971)	(474,687)	(1,379,578)	(1,998,251)
Net loss	<u>(1,227,856)</u>	<u>(1,725,162)</u>	<u>(2,063,869)</u>	<u>(7,420,972)</u>
Other comprehensive income, net of tax				
Gross change in unrealized gains on available-for-sale-securities	1,778,478	1,323,626	5,938,600	9,191,817
Reclassification adjustment for (gains) losses included in net loss	(606,969)	46,841	(560,696)	81,636
Net change in unrealized gains	1,171,509	1,370,467	5,377,904	9,273,453
Income tax benefit related to items of other comprehensive income	(246,017)	(287,798)	(1,129,359)	(1,947,424)
Other comprehensive income, net of tax	<u>925,492</u>	<u>1,082,669</u>	<u>4,248,545</u>	<u>7,326,029</u>
Comprehensive (loss) income	<u>\$ (302,364)</u>	<u>\$ (642,493)</u>	<u>\$ 2,184,676</u>	<u>\$ (94,943)</u>
Loss per common share:				
Basic	<u>\$ (0.12)</u>	<u>\$ (0.16)</u>	<u>\$ (0.19)</u>	<u>\$ (0.69)</u>
Diluted	<u>\$ (0.12)</u>	<u>\$ (0.16)</u>	<u>\$ (0.19)</u>	<u>\$ (0.69)</u>
Weighted average common shares outstanding				
Basic	<u>10,673,077</u>	<u>10,779,641</u>	<u>10,737,853</u>	<u>10,769,817</u>
Diluted	<u>10,673,077</u>	<u>10,779,641</u>	<u>10,737,853</u>	<u>10,769,817</u>
Dividends declared and paid per common share	<u>\$ 0.0400</u>	<u>\$ 0.0625</u>	<u>\$ 0.1425</u>	<u>\$ 0.2625</u>

Condensed Consolidated Balance Sheets

	September 30, 2020 (unaudited)	December 31, 2019
Assets		
Fixed-maturity securities, held-to-maturity, at amortized cost (fair value of \$7,899,304 at September 30, 2020 and \$4,124,767 at December 31, 2019)	\$ 7,369,608	\$ 3,825,952
Fixed-maturity securities, available-for-sale, at fair value (amortized cost of \$145,126,859 at September 30, 2020 and \$162,202,355 at December 31, 2019)	156,538,589	168,236,181
Equity securities, at fair value (cost of \$30,300,839 at September 30, 2020 and \$22,624,668 at December 31, 2019)	29,623,267	24,661,382
Other investments	2,829,078	2,584,913
Total investments	196,360,542	199,308,428
Cash and cash equivalents	24,388,103	32,391,485
Premiums receivable, net	13,883,708	12,706,411
Reinsurance receivables, net	55,529,408	40,750,538
Deferred policy acquisition costs	19,916,325	20,634,378
Intangible assets, net	500,000	500,000
Property and equipment, net	7,788,633	7,620,636
Deferred income taxes, net	-	311,052
Other assets	8,992,936	6,979,884
Total assets	\$ 327,359,655	\$ 321,202,812
Liabilities		
Loss and loss adjustment expense reserves	\$ 84,979,024	\$ 80,498,611
Unearned premiums	88,167,636	90,383,238
Advance premiums	4,919,256	3,191,512
Reinsurance balances payable	10,062,649	11,714,724
Deferred ceding commission revenue	7,207,142	7,735,398
Accounts payable, accrued expenses and other liabilities	11,134,175	9,986,317
Deferred income taxes, net	1,972,782	-
Long-term debt, net	29,603,566	29,471,431
Total liabilities	238,046,230	232,981,231
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 11,871,307 shares		
at September 30, 2020 and 11,824,889 at December 31, 2019; outstanding		
10,675,198 shares at September 30, 2020 and 10,797,450 shares at December 31, 2019	118,713	118,248
Capital in excess of par	70,372,799	69,133,918
Accumulated other comprehensive income	9,017,415	4,768,870
Retained earnings	13,318,838	16,913,097
	92,827,765	90,934,133
Treasury stock, at cost, 1,196,109 shares at September 30, 2020 and 1,027,439 shares at December 31, 2019	(3,514,340)	(2,712,552)
Total stockholders' equity	89,313,425	88,221,581
Total liabilities and stockholders' equity	\$ 327,359,655	\$ 321,202,812