

KINGSTONE COMPANIES, INC.
Form 10-Q
August 11, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
(Mark one)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2016
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 0-1665

KINGSTONE COMPANIES, INC.
(Exact name of registrant as specified in its charter)

Delaware(State or other jurisdiction of incorporation or organization)
15 Joys Lane
Kingston, NY 12401
(Address of principal executive offices)

36-2476480(I.R.S. Employer Identification Number)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	Accelerated filer	Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company
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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of August 11, 2016 there were 7,910,375 shares of the registrant's common stock outstanding.

KINGSTONE COMPANIES, INC.
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Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements as that term is defined in the federal securities laws. The events described in forward-looking statements contained in this Quarterly Report may not occur. Generally, these statements relate to business plans or strategies, projected or anticipated benefits or other consequences of our plans or strategies, projected or anticipated benefits from acquisitions to be made by us, or projections involving anticipated revenues, earnings or other aspects of our operating results. The words "may," "will," "expect," "believe," "anticipate," "project," "plan," "intend," "estimate," and "continue," and their opposites and similar expressions are intended to identify forward-looking statements. We caution you that these statements are not guarantees of future performance or events and are subject to a number of uncertainties, risks and other influences, many of which are beyond our control that may influence the accuracy of the statements and the projections upon which the statements are based. Factors which may affect our results include, but are not limited to, the risks and uncertainties discussed in Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2015 under "Factors That May Affect Future Results and Financial Condition."

Any one or more of these uncertainties, risks and other influences could materially affect our results of operations and whether forward-looking statements made by us ultimately prove to be accurate. Our actual results, performance and achievements could differ materially from those expressed or implied in these forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements, whether from new information, future events or otherwise.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

	June 30,	December 31,
	2016	2015
	(unaudited)	
Assets		
Fixed-maturity securities, held-to-maturity, at amortized cost (fair value of \$5,446,841 at June 30, 2016 and \$5,241,095 at December 31, 2015)	\$5,072,253	\$5,138,872
Fixed-maturity securities, available-for-sale, at fair value (amortized cost of \$71,215,531 at June 30, 2016 and \$62,221,129 at December 31, 2015)	73,398,463	62,502,064
Equity securities, available-for-sale, at fair value (cost of \$10,417,835 at June 30, 2016 and \$8,751,537 at December 31, 2015)	10,962,617	9,204,270
Total investments	89,433,333	76,845,206
Cash and cash equivalents	14,638,274	13,551,372
Premiums receivable, net	11,250,184	10,621,655
Reinsurance receivables, net	35,354,444	31,270,235
Deferred policy acquisition costs	11,548,056	10,835,306
Intangible assets, net	1,520,000	1,757,816
Property and equipment, net	3,143,656	3,152,266
Other assets	1,042,165	1,095,894
Total assets	\$167,930,112	\$149,129,750
Liabilities		
Loss and loss adjustment expense reserves	\$44,335,224	\$39,876,500
Unearned premiums	51,460,250	48,890,241
Advance premiums	1,789,122	1,199,376
Reinsurance balances payable	3,905,776	1,688,922
Deferred ceding commission revenue	6,662,989	6,435,068
Accounts payable, accrued expenses and other liabilities	4,021,433	4,826,603
Income taxes payable	739,615	263,622
Deferred income taxes	1,224,607	672,190
Total liabilities	114,139,016	103,852,522
Commitments and Contingencies		
Stockholders' Equity		

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Preferred stock, \$.01 par value; authorized 2,500,000 shares	-	-
Common stock, \$.01 par value; authorized 20,000,000 shares; issued 8,884,844 shares at June 30, 2016 and 8,289,606 at December 31, 2015; outstanding 7,910,375 shares at June 30, 2016 and 7,328,637 shares at December 31, 2015	88,848	82,896
Capital in excess of par	37,861,030	32,987,082
Accumulated other comprehensive income	1,800,290	484,220
Retained earnings	16,036,390	13,605,225
	55,786,558	47,159,423
Treasury stock, at cost, 974,469 shares at June 30, 2016 and 960,969 shares at December 31, 2015	(1,995,462)	(1,882,195)
Total stockholders' equity	53,791,096	45,277,228
Total liabilities and stockholders' equity	\$167,930,112	\$149,129,750

See accompanying notes to condensed consolidated financial statements.

KINGSTONE COMPANIES, INC. AND
SUBSIDIARIESCondensed Consolidated Statements of Income and
Comprehensive Income (Unaudited)

For the Three Months Ended For the Six Months Ended

June 30, June 30,

2016 2015 2016 2015

Revenues

Net premiums earned	\$15,010,875	\$10,865,715	\$29,542,550	\$21,251,514
Ceding commission revenue	2,569,025	3,655,522	5,339,362	6,744,926
Net investment income	764,070	625,972	1,577,127	1,200,628
Net realized gains (losses) on investments	283,432	2,263	363,868	(65,231)
Other income	284,508	393,040	533,855	1,024,231
Total revenues	18,911,910	15,542,512	37,356,762	30,156,068

Expenses

Loss and loss adjustment expenses	5,786,836	4,770,813	15,270,691	11,834,030
Commission expense	4,526,208	3,600,164	8,796,274	7,012,491
Other underwriting expenses	3,596,134	2,961,663	6,942,575	5,960,818
Other operating expenses	432,696	377,843	761,935	706,341
Depreciation and amortization	289,173	246,572	573,001	482,234
Total expenses	14,631,047	11,957,055	32,344,476	25,995,914

Income from operations before taxes	4,280,863	3,585,457	5,012,286	4,160,154
Income tax expense	1,438,602	1,206,275	1,628,993	1,398,473
Net income	2,842,261	2,379,182	3,383,293	2,761,681

Other comprehensive income (loss), net of tax

Gross change in unrealized gains (losses) on available-for-sale-securities	873,850	(1,313,096)	2,357,914	(607,522)
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Reclassification adjustment for (gains) losses
included in net income

	(283,432)	(2,263)	(363,868)	65,231
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Net change in unrealized gains (losses)	590,418	(1,315,359)	1,994,046	(542,291)
Income tax (expense) benefit related to items of other comprehensive income (loss)	(200,742)	447,222	(677,976)	184,379
Other comprehensive income (loss), net of tax	389,676	(868,137)	1,316,070	(357,912)
Comprehensive income	\$3,231,937	\$1,511,045	\$4,699,363	\$2,403,769
Earnings per common share:				
Basic	\$0.36	\$0.32	\$0.45	\$0.38
Diluted	\$0.36	\$0.32	\$0.44	\$0.38
Weighted average common shares outstanding				