



Additional Financial Information for Q1 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 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, 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 209 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 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 March 31, 2020 was \$7.13, a decrease of 8.4% compared to \$7.78 at March 31, 2019.

	31-Mar-20	31-Dec-19	30-Sep-19	30-Jun-19	31-Mar-19
Book Value Per Share	\$ 7.13	\$ 8.17	\$ 8.04	\$ 8.14	\$ 7.78
% Decrease from specified period to 3/31/20		-12.7%	-11.3%	-12.4%	-8.4%

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

	For the Three Months Ended March 31,			
	2020	2019	\$ Change	% Change
(000's except percentages)				
Direct and Net Written Premiums Reconciliation:				
Direct written premiums	\$ 36,697	\$ 37,489	\$ (792)	(2.1) %
Assumed written premiums	-	-	-	- %
Ceded written premiums	(13,506)	(7,128)	(6,378)	89.5 %
Net written premiums	23,191	30,361	(7,170)	(23.6) %
Change in unearned premiums	3,750	(765)	4,515	(590.2) %
Net premiums earned	<u>\$ 26,941</u>	<u>\$ 29,596</u>	<u>\$(2,655)</u>	<u>(9.0) %</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 March 31,			
	2020	2019	\$ Change	% Change
(000's except percentages)				
Core and Expansion Direct Written Premiums Reconciliation:				
Core direct written premiums	\$30,362	\$34,257	\$(3,895)	(11.4) %
Expansion direct written premiums	6,335	3,232	3,103	96.0 %
Direct written premiums	<u>\$36,697</u>	<u>\$37,489</u>	<u>\$(792)</u>	<u>(2.1) %</u>

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

	<u>Three Months Ended March 31, 2020</u>		<u>Three Months Ended March 31, 2019</u>	
	Amount	Diluted earnings (loss) per common share	Amount	Diluted earnings (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	<u>\$ (5,444)</u>	<u>\$ (0.50)</u>	<u>\$ (7,335)</u>	<u>\$ (0.68)</u>
Net realized (gain) loss on investments	6,444		(2,035)	
Less tax (expense) benefit on net realized (gain) loss	<u>1,353</u>		<u>(427)</u>	
Net realized (gain) loss on investments, net of taxes	<u>5,091</u>	<u>\$ 0.47</u>	<u>(1,608)</u>	<u>\$ (0.15)</u>
Net operating loss	<u>\$ (353)</u>	<u>\$ (0.03)</u>	<u>\$ (8,943)</u>	<u>\$ (0.83)</u>
Weighted average diluted shares outstanding	<u>10,807,841</u>		<u>10,757,843</u>	
Operating Return on Average Common Equity (Annualized for Quarterly Periods) Reconciliation:				
Net loss	<u>\$ (5,444)</u>		<u>\$ (7,335)</u>	
Average common equity	\$ 82,542		\$ 86,220	
Return on average common equity (annualized for quarterly periods)	-26.4%		-34.0%	
Net realized (gain) loss on investments, net of taxes	\$ 5,091		\$ (1,608)	
Average common equity	\$ 82,542		\$ 86,220	
Effect of net realized (gain) losses on investments, net of taxes, on return on average common equity (annualized for quarterly periods)	24.7%		-7.5%	
Net operating loss	<u>\$ (353)</u>		<u>\$ (8,943)</u>	
Average common equity	\$ 82,542		\$ 86,220	
Operating return on average common equity (annualized for quarterly periods)	-1.7%		-41.5%	

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 March 31,		
	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	\$ 14,431	\$ 16,453	\$ (2,022) -12.3%
Commercial lines net loss	2,272	6,669	(4,397) -65.9%
Catastrophe losses excluding commercial lines	198	4,849	(4,651) -95.9%
Prior year loss development excluding commercial lines	(515)	1,163	(1,678) -144.3%
Net loss	\$ 16,386	\$ 29,134	\$ (12,748) -43.8%
Net premiums earned			
Net premiums earned excluding commercial lines	25,256	25,997	(741) -2.9%
Commercial lines net premiums earned	1,685	3,599	(1,914) -53.2%
Net premiums earned	\$ 26,941	\$ 29,596	\$ (2,655) -9.0%
Underlying net loss ratio excluding commercial lines	57.1%	63.3%	(6.2) pts
Net loss ratio	60.8%	98.4%	(37.6) 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 March 31,		
	2020	2019	Percentage Point Change
Net Combined Ratio Excluding Catastrophes and Prior Year Loss Development Reconciliation:			
Net Combined Ratio Excluding Catastrophes and Prior Year Loss Development	99.9%	104.5%	(4.6) pts
Effect of catastrophe losses and prior year development			
Catastrophe losses	0.7%	17.1%	(16.4) pts
Prior year development	-0.5%	15.3%	(15.8) pts
Effect of catastrophe losses and prior year development on net loss and loss adjustment expenses	0.2%	32.4%	(32.2) pts
Net underwriting expense ratio	0.0%	0.0%	- pts
Total effect of catastrophe losses and prior year development	0.2%	32.4%	(32.2) pts
Net combined ratio	100.1%	136.9%	(36.8) pts

The following table reconciles net operating loss and diluted operating loss 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			
	2020		2019	
	Amount	Diluted earnings (loss) per common share	Amount	Diluted earnings (loss) per common share
(000's except per common share amounts)				
Net Operating Loss and Diluted Operating Loss per Share Exclusive of Catastrophes and Prior Year Loss Development Financial Impact:				
Net operating loss	<u>\$ (353)</u>	<u>\$ (0.03)</u>	<u>\$ (8,943)</u>	<u>\$ (0.83)</u>
Catastrophe and prior year loss development financial impact				
Total expenses	<u>71</u>		<u>9,541</u>	
Income from operations before taxes	<u>71</u>		<u>9,541</u>	
Income tax expense	<u>15</u>		<u>2,004</u>	
Total catastrophe and prior year loss development financial impact	<u>56</u>	<u>\$ 0.01</u>	<u>7,537</u>	<u>\$ 0.70</u>
Net operating loss exclusive of catastrophes and prior year loss development financial impact	<u><u>\$ (297)</u></u>	<u><u>\$ (0.02)</u></u>	<u><u>\$ (1,406)</u></u>	<u><u>\$ (0.13)</u></u>
Weighted average diluted shares outstanding	<u>10,804,841</u>		<u>10,757,843</u>	

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 March 31,	
	2020	2019
Gross premiums written:		
Personal lines (3)	\$ 34,434,836	\$ 30,098,969
Livery physical damage	2,314,401	2,730,086
Other(1)	74,855	73,071
Total without commercial lines	36,824,092	32,902,126
Commercial lines (in run-off effective July 2019)(2)	(127,163)	4,586,388
Total gross premiums written	<u>\$ 36,696,929</u>	<u>\$ 37,488,514</u>
Net premiums written:		
Personal lines(3)	\$ 21,211,481	\$ 23,503,863
Livery physical damage	2,314,401	2,730,086
Other(1)	58,579	66,295
Total without commercial lines	23,584,461	26,300,244
Commercial lines (in run-off effective July 2019)(2)	(393,787)	4,060,361
Total net premiums written	<u>\$ 23,190,674</u>	<u>\$ 30,360,605</u>
Net premiums earned:		
Personal lines(3)	\$ 22,599,634	\$ 23,420,874
Livery physical damage	2,606,579	2,517,682
Other(1)	50,149	58,017
Total without commercial lines	25,256,362	25,996,573
Commercial lines (in run-off effective July 2019)(2)	1,685,088	3,599,316
Total net premiums earned	<u>\$ 26,941,450</u>	<u>\$ 29,595,889</u>
Net loss and loss adjustment expenses(4):		
Personal lines	\$ 12,514,568	\$ 20,402,544
Livery physical damage	780,570	1,217,303
Other(1)	48,797	150,504
Unallocated loss adjustment expenses	769,812	694,650
Total without commercial lines	14,113,747	22,465,001
Commercial lines (in run-off effective July 2019)(2)	2,272,074	6,669,223
Total net loss and loss adjustment expenses	<u>\$ 16,385,821</u>	<u>\$ 29,134,224</u>
Net loss ratio(4):		
Personal lines	55.4%	87.1%
Livery physical damage	29.9%	48.4%
Other(1)	97.3%	259.4%
Total without commercial lines	55.9%	86.4%
Commercial lines (in run-off effective July 2019)(2)	134.8%	185.3%
Total	60.8%	98.4%

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 May 7, 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".

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES

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

<i>Three months ended March 31,</i>	2020	2019
Revenues		
Net premiums earned	\$ 26,941,450	\$ 29,595,889
Ceding commission revenue	3,831,099	1,277,683
Net investment income	1,665,844	1,623,712
Net (losses) gains on investments	(6,444,418)	2,035,363
Other income	629,619	365,901
Total revenues	<u>26,623,594</u>	<u>34,898,548</u>
Expenses		
Loss and loss adjustment expenses	16,385,821	29,134,224
Commission expense	7,899,191	6,853,416
Other underwriting expenses	6,761,792	6,135,991
Other operating expenses	1,563,620	971,172
Depreciation and amortization	687,094	602,332
Interest expense	456,545	456,545
Total expenses	<u>33,754,063</u>	<u>44,153,680</u>
(Loss) before taxes	(7,130,469)	(9,255,132)
Income tax (benefit)	<u>(1,686,266)</u>	<u>(1,919,942)</u>
Net (loss)	<u>(5,444,203)</u>	<u>(7,335,190)</u>
Other comprehensive income (loss), net of tax		
Gross change in unrealized (losses) gains on available-for-sale-securities	(6,727,489)	4,188,716
Reclassification adjustment for (gains) losses included in net (loss)	<u>(102,222)</u>	<u>22,431</u>
Net change in unrealized (losses) gains	(6,829,711)	4,211,147
Income tax benefit (expense) related to items of other comprehensive income (loss)	<u>1,434,240</u>	<u>(884,341)</u>
Other comprehensive (loss) income, net of tax	<u>(5,395,471)</u>	<u>3,326,806</u>
Comprehensive (loss)	<u>\$ (10,839,674)</u>	<u>\$ (4,008,384)</u>
Earnings (Loss) per common share:		
Basic	<u>\$ (0.50)</u>	<u>\$ (0.68)</u>
Diluted	<u>\$ (0.50)</u>	<u>\$ (0.68)</u>
Weighted average common shares outstanding		
Basic	<u>10,807,841</u>	<u>10,757,843</u>
Diluted	<u>10,807,841</u>	<u>10,757,843</u>
Dividends declared and paid per common share	<u>\$ 0.0625</u>	<u>\$ 0.1000</u>

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

	March 31, 2020	December 31, 2019
	(unaudited)	
Assets		
Fixed-maturity securities, held-to-maturity, at amortized cost (fair value of \$4,136,710 at March 31, 2020 and \$4,124,767 at December 31, 2019)	\$ 3,826,404	\$ 3,825,952
Fixed-maturity securities, available-for-sale, at fair value (amortized cost of \$152,675,779 at March 31, 2020 and \$162,202,355 at December 31, 2019)	151,879,894	168,236,181
Equity securities, at fair value (cost of \$22,430,037 at March 31, 2020 and \$22,624,668 at December 31, 2019)	18,368,893	24,661,382
Other investments	1,987,522	2,584,913
Total investments	176,062,713	199,308,428
Cash and cash equivalents	25,586,789	32,391,485
Premiums receivable, net	11,913,123	12,706,411
Reinsurance receivables, net	42,709,055	40,750,538
Deferred policy acquisition costs	19,571,888	20,634,378
Intangible assets, net	500,000	500,000
Property and equipment, net	7,365,654	7,620,636
Deferred income taxes	1,347,699	311,052
Other assets	7,477,334	6,979,884
Total assets	\$ 292,534,255	\$ 321,202,812
Liabilities		
Loss and loss adjustment expense reserves	\$ 77,851,099	\$ 80,498,611
Unearned premiums	84,478,538	90,383,238
Advance premiums	3,143,879	3,191,512
Reinsurance balances payable	5,337,287	11,714,724
Deferred ceding commission revenue	6,935,401	7,735,398
Accounts payable, accrued expenses and other liabilities	8,409,856	9,986,317
Long-term debt, net	29,515,476	29,471,431
Total liabilities	215,671,536	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 11,851,266 shares at March 31, 2020 and 11,824,889 at December 31, 2019; outstanding 10,781,393 shares at March 31, 2020 and 10,797,450 shares at December 31, 2019	118,512	118,248
Capital in excess of par	69,533,150	69,133,918
Accumulated other comprehensive income	(626,601)	4,768,870
Retained earnings	10,792,934	16,913,097
	79,817,995	90,934,133
Treasury stock, at cost, 1,069,873 shares at March 31, 2020 and 1,027,439 shares at December 31, 2019	(2,955,276)	(2,712,552)
Total stockholders' equity	76,862,719	88,221,581
Total liabilities and stockholders' equity	\$ 292,534,255	\$ 321,202,812