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A.M. Best Assigns Ratings to Kingstone Insurance Company

OLDWICK, N.J., May 6, 2010—A.M. Best Co. has assigned a financial strength rating of B (Fair) and an issuer credit rating (ICR) of “bb+” to **Kingstone Insurance Company** (Kingstone) (Kingston, NY). Concurrently, A.M. Best has assigned an ICR of “b+” to **Kingstone Companies, Inc.** [NASDAQ: KINS], the publicly traded holding company for Kingstone. The outlook for all ratings is stable.

The ratings and outlook reflect Kingstone’s unfavorable calendar year loss reserve development on older years, elevated ceded leverage ratio and single-state concentration of risk, which exposes it to weather-related events as well as to market, regulatory and judicial issues.

The company’s adverse calendar year loss reserve development derives primarily from lead paint claims originating from earlier accident years related to the company’s participation in the New York Mutual Underwriters Pool. Participation in this pool has ceased, and the outstanding claims are now adequately reserved. Accident year development in more recent years, however, has been favorable. Although the company’s ceded leverage ratio historically has been elevated, this measure has been decreasing in recent years. While the company’s single-state concentration exposes it to weather-related events, catastrophe exposure is partially mitigated through the use of hurricane deductibles, visual risk inspections and distance-from-shore restrictions.

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Partially offsetting these negative rating factors are Kingstone's adequate capitalization, favorable operating performance, low net underwriting and investment leverage ratios and its local market knowledge in the state of New York. The company's favorable operating performance is reflected in its five-year average double-digit pre-tax returns on revenue and surplus, generated by positive net underwriting income and favorable investment income. Despite significant premium growth prior to 2009, Kingstone's net written premium leverage ratio has decreased somewhat since 2007, as has its net leverage ratio. In 2009, surplus once again grew by double digits, while net written premium declined due primarily to a decrease in the company's for-hire vehicle physical damage premiums. Kingstone's ceded leverage ratio, however, exceeds that of the commercial automobile composite, due primarily to its use of quota share reinsurance. The company discontinued its commercial automobile quota share reinsurance in 2010, which will result in a lower ceded leverage ratio.

For Best's Credit Ratings, an overview of the rating process and rating methodologies, please visit www.ambest.com/ratings.

The principal methodologies used in determining these ratings, including any additional methodologies and factors that may have been considered, can be found at www.ambest.com/ratings/methodology.

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