

**United States Securities and Exchange Commission
Washington, D.C. 20549
FORM 10-K**

(Mark One)

- ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**
- 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)

36-2476480
(I.R.S. Employer Identification No.)

15 Joys Lane, Kingston, New York
(Address of principal executive offices)

12401
(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:	
<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock	NASDAQ

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

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 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 (Do not check if a smaller reporting company) Smaller reporting company

Emerging growth company

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 June 30, 2017, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was \$149,176,821 based on the closing sale price as reported on the NASDAQ Capital Market. As of March 12, 2018, there were 10,684,329 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE
None

Forward-Looking Statements	2
PART I	
Item 1. Business.	3
Item 1A. Risk Factors.	21
Item 1B. Unresolved Staff Comments.	21
Item 2. Properties.	21
Item 3. Legal Proceedings.	21
Item 4. Mine Safety Disclosures.	21
PART II	
Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.	22
Item 6. Selected Financial Data.	23
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.	24
Item 7A. Quantitative and Qualitative Disclosures About Market Risk.	63
Item 8. Financial Statements and Supplementary Data.	63
Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.	63
Item 9A. Controls and Procedures.	63
Item 9B. Other Information.	66
PART III	
Item 10. Directors, Executive Officers and Corporate Governance.	66
Item 11. Executive Compensation.	71
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.	74
Item 13. Certain Relationships and Related Transactions, and Director Independence.	76
Item 14. Principal Accountant Fees and Services.	77
PART IV	
Item 15. Exhibits and Financial Statement Schedules.	78
Item 16. Form 10-K Summary.	80
Signatures	81

PART I

Forward-Looking Statements

This Annual Report contains forward-looking statements as that term is defined in the federal securities laws. The events described in forward-looking statements contained in this Annual Report may not occur. Generally these statements relate to business plans or strategies, projected or anticipated results or other consequences of our plans or strategies, projected or anticipated results from acquisitions to be made by us, or projections involving anticipated revenues, earnings, costs 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, which 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 this Annual Report 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.

ITEM 1. BUSINESS.**(a) Business Development****General**

As used in this Annual Report on Form 10-K (the “Annual Report”), references to the “Company”, “we”, “us”, or “our” refer to Kingstone Companies, Inc. (“Kingstone”) and its subsidiaries.

We offer property and casualty insurance products to individuals and small businesses through our wholly owned subsidiary, Kingstone Insurance Company (“KICO”). KICO is a licensed property and casualty insurance company in New York, New Jersey, Connecticut, Massachusetts, Pennsylvania, Rhode Island and Texas. KICO is currently offering its property and casualty insurance products in New York, New Jersey, Rhode Island and Pennsylvania. Although in 2017 KICO wrote 98.5% of its direct written premiums in New York, we believe that New Jersey, Rhode Island and other states will represent an increasing portion of the total over the next several years.

Recent Developments***Developments During 2017***

- *Public Offering of Common Stock*

In January and February 2017, we sold a total of 2,692,500 newly issued shares of common stock in an underwritten public offering at a public offering price of \$12.00 per share. We received net proceeds from the public offering of approximately \$30,137,000 after deducting underwriting discounts and commissions, and other offering expenses. Concurrently, selling shareholders sold a total of 700,000 shares of our common stock. On March 1, 2017, we used \$23,000,000 of the net proceeds from the offering to contribute capital to KICO in support of our ratings upgrade plan and anticipated growth, including geographic and product expansion.

- *A.M. Best Rating*

In April 2017, A.M. Best upgraded our financial strength rating from B++ (Good) to A- (Excellent). This upgrade means that KICO has achieved its long-standing goal of becoming an A-rated carrier. The upgrade has resulted in increased growth from existing agents and additional opportunities with new agents and in new markets.

- *Expanded Licensing; New Jersey, Rhode Island and Massachusetts Expansion*

In 2017, KICO expanded its ability to write property and casualty insurance by obtaining a license to write insurance policies in Massachusetts. Also in 2017, KICO’s homeowners insurance products were launched in New Jersey and Rhode Island. We began writing New Jersey homeowners business in May and Rhode Island homeowners business in December. We anticipate to start writing business in Massachusetts in 2018.

- *Increased Rate of Dividends Declared*

In May 2017, we increased the quarterly dividends on our common stock from \$.0625 per share to \$.08 per share.

A dividend of \$.0625 per share was declared on February 7, 2017 and was paid on March 15, 2017. Dividends of \$.08 per share were declared on May 10, 2017, August 9, 2017 and November 8, 2017 and were paid on June 15, 2017, September 15, 2017, and December 15, 2017, respectively.

- *Reduced Reliance on Quota Share Reinsurance*

Effective July 1, 2017, KICO reduced the ceding percentage for its personal lines quota share reinsurance treaty from 40% to 20%. The reduction of the quota share ceding percentage allows KICO to retain a higher portion of its premiums and resultant expected profits.

- *Increased Catastrophe Reinsurance Coverage*

Effective July 1, 2017, KICO increased the top limit of its catastrophe reinsurance coverage to \$320,000,000, which equates to more than a 1-in-250 year storm event according to the primary industry catastrophe model that we follow.

- *Member of the Federal Home Loan Bank of New York (“FHLBNY”),*

In July 2017, KICO became a member of the Federal Home Loan Bank of New York (“FHLBNY”), which provides additional access to liquidity. Members have access to a variety of flexible, low cost funding through FHLBNY’s credit products, enabling members to customize advances. Advances are to be fully collateralized; eligible collateral to pledge includes residential and commercial mortgage backed securities, along with U.S. Treasury and agency securities.

- *Public Debt offering*

On December 19, 2017, we issued \$30,000,000 of our 5.50% Senior Unsecured Notes due December 30, 2022, in an underwritten public offering. The net proceeds to us were approximately \$29,122,000. On December 20, 2017, we used \$25,000,000 of the net proceeds from the debt offering to contribute capital to KICO, to support additional growth. The remainder of the net proceeds will be used for general corporate purposes. Interest will be payable semi-annually in arrears on June 30 and December 30 of each year, beginning on June 30 2018 at the rate of 5.50% per year from December 19, 2017.

Developments During 2016

- *Expanded Licensing to Additional State; New Jersey Rate Approval*

In 2016, KICO expanded its ability to write property and casualty insurance by obtaining a license to write insurance policies in Rhode Island. Also in 2016, KICO’s homeowners insurance rate, rule, and policy form filing was approved by the New Jersey Department of Banking and Insurance.

- *A.M. Best Rating*

In 2016, A.M. Best revised the outlook to positive from stable for the issuer credit rating (“ICR”) of KICO. A.M. Best also affirmed KICO’s financial strength rating of B++ (Good) and ICR of “bbb”, and affirmed our ICR of “bb”.

- *Increased Catastrophe Reinsurance Coverage*

Effective July 1, 2016, KICO increased the top limit of its catastrophe reinsurance coverage to \$252,000,000, which at that time equated to more than a 1-in-250 year storm event according to the primary industry catastrophe model that we follow.

- *Continued Quarterly Dividends*

Dividends of \$.0625 per share were declared on each of February 8, 2016, May 12, 2016, August 11, 2016 and November 10, 2016 and were paid on March 15, 2016, June 15, 2016, September 15, 2016 and December 15, 2016, respectively.

- *Private Placement of Common Stock*

In April 2016, we sold 595,238 newly issued shares of common stock to RenaissanceRe Ventures Ltd., a subsidiary of RenaissanceRe Holdings Ltd. (“RenaissanceRe”), for a purchase price of \$8.40 per share. We received \$4,808,000 in net proceeds from the sale. RenaissanceRe is a global provider of catastrophe and specialty reinsurance and insurance.

(b) Business

Property and Casualty Insurance

Overview

Generally, property and casualty insurance companies write insurance policies in exchange for premiums paid by their customers (the “insureds”). An insurance policy is a contract between the insurance company and its insureds where the insurance company agrees to pay for losses suffered by the insured that are covered under the contract. Such contracts are subject to legal interpretation by courts, sometimes involving legislative rulings and/or arbitration. Property insurance generally covers the financial consequences of accidental losses to the insured’s property, such as a home and the personal property in it, or a business’ building, inventory and equipment. Casualty insurance (often referred to as liability insurance) generally covers the financial consequences related to the legal liability of an individual or an organization resulting from negligent acts and omissions causing bodily injury and/or property damage to a third party. Claims for property coverage generally are reported and settled in a relatively short period of time, whereas those for casualty coverage can take many years to settle.

We generate revenues from earned premiums, ceding commissions from quota share reinsurance, net investment income generated from our investment portfolio, and net realized gains and losses on investment securities. We also receive installment fee income and fees charged to reinstate a policy after it has been cancelled for non-payment. Earned premiums represent premiums received from insureds, which are recognized as revenue over the period of time that insurance coverage is provided (i.e., ratably over the life of the policy). All of our policies are 12 month policies; therefore a significant period of time can elapse between the receipt of insurance premiums and the payment of insurance claims. During this time, KICO invests the premiums, earns investment income and generates net realized and unrealized investment gains and losses on investments.

Insurance companies incur a significant amount of their total expenses from policyholder losses, which are commonly referred to as claims. In settling policyholder losses, various loss adjustment expenses (“LAE”) are incurred such as insurance adjusters’ fees and legal expenses. In addition, insurance companies incur policy acquisition expenses, such as commissions paid to producers and premium taxes, and other expenses related to the underwriting process, including their employees’ compensation and benefits.

The key measure of relative underwriting performance for an insurance company is the combined ratio. An insurance company’s combined ratio is calculated by taking the ratio of incurred loss and LAE to earned premiums (the “loss and LAE ratio”) and adding it to the ratio of policy acquisition and other underwriting expenses to earned premiums (the “expense ratio”). A combined ratio under 100% indicates that an insurance company is generating an underwriting profit prior to the impact of investment income. After considering investment income and investment gains or losses, insurance companies operating at a combined ratio of greater than 100% can also be profitable.

General; Strategy

We are a property and casualty insurance holding company whose principal operating subsidiary is Kingstone Insurance Company (“KICO”), domiciled in the State of New York. We are a multi-line regional property and casualty insurance company writing business exclusively through independent retail and wholesale agents and brokers (“producers”). We are licensed to write insurance policies in New York, New Jersey, Connecticut, Massachusetts, Pennsylvania, Rhode Island and Texas.

We seek to deliver an attractive return on capital and to provide consistent earnings growth through underwriting profits and income from our investment portfolio. Our goal is to allocate capital efficiently to those lines of business that generate sustainable underwriting profits and to avoid lines of business for which an underwriting profit is not likely. Our strategy is to be the preferred multi-line property and casualty insurance company for selected producers in the geographic markets in which we operate. We believe producers place profitable business with us because we provide excellent, consistent service to policyholders and claimants and provide a consistent market with stable and competitive rate and commission structures. We offer a wide array of personal and commercial lines products, which further differentiate us from other insurance companies that also distribute through our selected producers.

Our principal objectives are to increase the volume of profitable business that we write while managing risk through prudent use of reinsurance in order to preserve and grow our capital base. We seek to generate underwriting income by writing profitable insurance policies and by effectively managing our other underwriting and operating expenses. We are pursuing profitable growth by selectively expanding the geographic regions in which we operate, increasing the volume of business that we write with existing producers, developing new selected producer relationships, and introducing niche insurance products that are relevant to our producers and policyholders.

For the year ended December 31, 2017, our gross written premiums totaled \$121.6 million, an increase of 17.8% from the \$103.2 million in gross written premium for the year ended December 31, 2016.

Product Lines

Our product lines include the following:

Personal lines - Our largest line of business is personal lines, consisting of homeowners and dwelling fire multi-peril, cooperative/condominiums, renters, and personal umbrella policies. Personal lines policies accounted for 78.9% of our gross written premiums for the year ended December 31, 2017.

Commercial liability - We offer businessowners policies which consist primarily of small business retail, service and office risks without a residential exposure. We also write artisan's liability policies for small independent contractors with seven or fewer employees. In addition, we write special multi-peril policies for larger and more specialized risks businessowners risks, including those with limited residential exposures. Further, we write commercial umbrella policies above our supporting commercial lines policies. Commercial lines policies accounted for 12.0% of our gross written premiums for the year ended December 31, 2017.

Livery physical damage - We write for-hire vehicle physical damage only policies for livery and car service vehicles and taxicabs, primarily based in New York City. These policies insure only the physical damage portion of insurance for such vehicles, with no liability coverage included. These policies accounted for 8.8% of our gross written premiums for the year ended December 31, 2017.

Other - We write canine legal liability policies and also have a small participation in mandatory state joint underwriting associations. These policies accounted for 0.3% of our gross written premiums for the year ended December 31, 2017.

Our Competitive Strengths

History of Growing Our Profitable Operations

Our insurance company subsidiary, KICO, has been in operation in the State of New York for over 130 years. We have consistently increased the amount of profitable business that we write by introducing new insurance products, increasing the volume of business that we write with our selected producers and developing new producer relationships. KICO has earned an underwriting profit in each of the past ten years, including in 2012 and 2013 when our financial results were adversely impacted by Superstorm Sandy. The extensive heritage of our insurance company subsidiary and our commitment to the markets in which we operate is a competitive advantage with producers and policyholders.

Strong Producer Relationships

Within our selected producers' offices, we compete with other property and casualty insurance carriers available to those producers. We carefully select the producers that distribute our insurance policies and continuously monitor and evaluate their performance. We believe our insurance producers value their relationships with us because we provide excellent, consistent personal service coupled with competitive rates and commission levels. We have consistently been rated by insurance producers as above average in the important areas of underwriting, claims handling and service. In the biennial performance surveys conducted by the Professional Insurance Agents of New York and New Jersey of its membership since 2010, KICO was rated as one of the top performing insurance companies in New York, twice ranking as the top rated carrier among all those surveyed. Our relationship with selected producers was further strengthened by the A.M. Best upgrade to a financial strength rating of A- (Excellent) in April 2017. This has allowed us to provide many producers with an A- rated carrier option that was not previously available to them in the markets where we operate.

We offer our selected producers the ability to write a wide array of personal lines and commercial lines policies, including some which are unique to us. Many of our producers write multiple lines of business with us which provides an advantage over those competitors who are focused on a single product. We provide a multi-policy discount on homeowners policies in order to attract and retain more of this multi-line business. We have had a consistent presence in the New York market and we believe that producers value the longevity of our relationship with them. We believe that the excellent service we provide to our selected producers, our broad product offerings, and our consistent prices and financial stability provide a strong foundation for continued profitable growth.

Sophisticated Underwriting and Risk Management Practices

We believe that we have a significant underwriting advantage due to our local market presence and expertise. Our underwriting process evaluates and screens out certain risks based on property reports, individual insurance scoring, information collected from physical property inspections, and driving records. We maintain certain policy exclusions that reduce our exposure to risks that can create severe losses. We target a more preferred risk profile in order to reduce adverse selection from risks seeking the lowest premiums and minimal coverage levels.

Our underwriting procedures, premium rates and policy terms support the underwriting profitability of our personal lines policies. We apply premium surcharges for certain coastal properties and maintain deductibles for hurricane-prone exposures in order to provide an appropriate premium rate for the risk of loss. We manage coastal risk exposure through the use of individual catastrophe risk scoring and through prudent use of reinsurance.

Our underwriting expertise and risk management practices enable us to profitably write personal and commercial lines business in our markets without the need for frequent rate adjustments, in contrast to many of our competitors. We believe that the consistency in rates and the reliable availability of our insurance products are important factors in maintaining our selected producer relationships.

Effective Utilization of Reinsurance

Our reinsurance treaties allow us to limit our exposure to the financial impact of catastrophe losses and to reduce our net liability on individual risks. Our reinsurance program is structured to enable us to grow our premium volume while maintaining regulatory capital and other financial ratios within thresholds used for regulatory oversight purposes.

Our reinsurance program also provides income as a result of ceding commissions earned pursuant to the quota share reinsurance contracts. The income we earn from ceding commissions typically exceeds our fixed operating costs, which consist of other underwriting expenses. Quota share reinsurance treaties transfer a portion of the profit (or loss) associated with the subject insurance policies to the reinsurers. We believe that a prudent reduction in our reliance on quota share reinsurance could increase our overall net underwriting profits.

Experienced Management Team

Our management team has significant expertise in underwriting, agency management and claims management. Barry Goldstein, our Chairman and Chief Executive Officer, has extensive experience in the insurance industry and managing public companies, serving in his current capacity since 2001. Benjamin Walden, Executive Vice President and Chief Actuary of KICO, has 28 years of experience with both large and small insurance carriers and has also worked for actuarial consulting firms. Throughout his career, he has specialized in many of the markets that are a primary focus for KICO. Our underwriting and claims managers have extensive experience in the insurance industry averaging over of 28 years of experience in the markets we serve.

Scalable, Low-Cost Operations

We focus on keeping expenses low, but invest in tools and processes that improve the efficiency and effectiveness of underwriting risks and processing claims. We evaluate the costs and benefits of each new tool or process in order to achieve optimal results. While the majority of our policies are written for risks in downstate New York, our Kingston, New York location provides a lower cost operating environment. We also take a proactive approach to settling outstanding claims rather than engaging in protracted litigation, which results in more favorable claim outcomes and reduced reserve uncertainty.

We have made investments to develop online application and quoting systems for many of our personal lines and commercial products. Since 2015, we have leveraged a paperless workflow management and document storage tool in order to improve efficiency and reduce costs. In late 2017, we introduced an online payment portal that provides the ability for insureds to make payments and to view policy information for all of our products in one location. We now have a dedicated customer service unit located in our Kingston office that has significantly improved the speed at which we respond to our customers. We have enhanced our website to improve our handling of underwriting, claims, and billing related questions. Our ability to control the growth of our operating and other expenses while expanding our operations and growing revenue at a higher rate is a key component of our business model and is important to our future financial success.

Underwriting and Claims Management Philosophy

Our underwriting philosophy is to target niche risk segments for which we have detailed expertise and can take advantage of market conditions. We monitor results on a regular basis and all of our selected producers are reviewed by management on at least a quarterly basis.

We believe that our rates are competitive with other carriers' rates in our markets. We believe that rate consistency and the reliable availability of our insurance products is important to our producers. We do not seek to grow by competing based solely upon price. We seek to develop long-term relationships with our selected producers who understand and appreciate the consistent path we have chosen. We carefully underwrite our business utilizing the Comprehensive Loss Underwriting Exchange industry claims database, insurance scoring reports, physical inspection of risks and other individual risk underwriting tools. In the event that a material misrepresentation is discovered in the underwriting application, the policy is voided. If a material misrepresentation is discovered after a claim is presented, we deny the claim. We write homeowners and dwelling fire business in coastal markets and are cognizant of our exposure to hurricanes. We have mitigated this risk through appropriate catastrophe reinsurance and application of mandatory hurricane deductibles. Our claims and underwriting expertise in these markets enables us to profitably write personal lines business in all the territories in which we write.

Distribution

We generate business through our relationships with over 400 independent producers. We carefully select our producers by evaluating numerous factors such as their need for our products, premium production potential, loss history with other insurance companies that they represent, product and market knowledge, and the size of the agency. We only distribute through independent agents and have never sought to distribute our products direct to the consumer. We will not appoint any agency owned or controlled by another carrier that distributes its products direct to the consumer. We monitor and evaluate the performance of our producers through periodic reviews of volume and profitability. Our senior executives are actively involved in managing our producer relationships.

Each producer is assigned to a personal and commercial lines underwriter and the producer can call that underwriter directly on any matter. We believe that the close relationship with their underwriters is a principal reason producers place their business with us. Our producers have access to a KICO website portal that provides them the ability to quote risks for various products and to review policy forms and underwriting guidelines for all lines of business. We send out frequent "Producer Grams" in order to inform our producers of updates at KICO. In addition, we have an active Producer Council and have at least one annual meeting with all of our producers.

Competition; Market

The insurance industry is highly competitive. We constantly assess and project the market conditions and prices for our products, but we cannot fully know our profitability until all claims have been reported and settled.

Our policyholders are located primarily in the downstate regions of New York State, but we are actively growing into nearby markets, and introduced homeowners products in New Jersey and Rhode Island during 2017. In addition, we are licensed to write insurance policies in Connecticut, Massachusetts, Pennsylvania, and Texas. We anticipate launching a homeowners product in Massachusetts in 2018. These new homeowners markets align well with the niche markets that have generated profitable results in New York, and we believe that our market expertise can be effectively utilized in these new markets.

In 2016, KICO was the 18th largest writer of homeowners and dwelling fire insurance in the State of New York, according to data compiled by SNL Financial LC. Based on the same data, in 2016, we had a 1.0% market share for this combined group of personal lines property business. We compete with large national carriers as well as regional and local carriers in the property and casualty marketplace in New York and other states. We believe that many national and regional carriers have chosen to limit their rate of premium growth or to decrease their presence in northeastern states due to the relatively high coastal population and associated catastrophe risk that exists in the region.

Given present market conditions, we believe that we have the opportunity to significantly expand the size of our personal and commercial lines business in New York and other northeastern states in which we are licensed.

Loss and Loss Adjustment Expense Reserves

We are required to establish reserves for incurred losses that are unpaid, including reserves for claims and loss adjustment expenses (“LAE”), which represent the expenses of settling and adjusting those claims. These reserves are balance sheet liabilities representing estimates of future amounts required to pay losses and loss expenses for claims that have occurred at or before the balance sheet date, whether already known to us or not yet reported. We establish these reserves after considering all information known to us as of the date they are recorded.

Loss reserves fall into two categories: case reserves for reported losses and LAE associated with specific reported claims, and reserves for losses and LAE that are incurred but not reported (“IBNR”). We establish these two categories of loss reserves as follows:

Reserves for reported losses - When a claim is received, we establish a case reserve for the estimated amount of its ultimate settlement and its estimated loss expenses. We establish case reserves based upon the known facts about each claim at the time the claim is reported and we may subsequently increase or reduce the case reserves as additional facts and information about each claim develops.

IBNR reserves - We also estimate and establish reserves for loss and LAE amounts incurred but not yet reported (“IBNR”). IBNR reserves are calculated in bulk as an estimate of ultimate losses and LAE less reported losses and LAE. There are two types of IBNR; the first is a provision for claims that have occurred but are not yet reported or known. We refer to this as ‘Pure’ IBNR, and due to the fact that we write primarily quickly reported property lines of business, this type of IBNR does not make up a large portion of KICO’s total IBNR. The second type of IBNR is a provision for expected future development on known claims, from the evaluation date until the time claims are settled and closed. We refer to this as ‘Case Development’ IBNR and it makes up the majority of the IBNR that KICO records. Ultimate losses driving the determination of appropriate IBNR levels are projected by using generally accepted actuarial techniques.

The liability for loss and LAE represents our best estimate of the ultimate cost of all reported and unreported losses that are unpaid as of the balance sheet evaluation date. The liability for loss and LAE is estimated on an undiscounted basis, using individual case-basis valuations, statistical analyses and various actuarial procedures. The projection of future claim payment and reporting is based on an analysis of our historical experience, supplemented by analyses of industry loss data. We believe that the reserves for loss and LAE are adequate to cover the ultimate cost of losses and claims to date. However, because of the uncertainty from various sources, including changes in claims settlement patterns and handling procedures, litigation trends, judicial decisions, and economic conditions, actual loss experience may not conform to the assumptions used in determining the estimated amounts for such liabilities at the balance sheet date. As adjustments to these estimates become necessary, such adjustments are reflected in the period in which the estimates are changed. Because of the nature of the business historically written, we believe that we have limited exposure to asbestos and environmental claim liabilities.

We engage an independent external actuarial specialist (the ‘Appointed Actuary’) to opine on our recorded statutory reserves. The Appointed Actuary estimates a range of ultimate losses, along with a range and recommended central estimate of IBNR reserve amounts. Our carried IBNR reserves are based on an internal actuarial analysis and reflect management’s best estimate of unpaid loss and LAE liabilities, and fall within the range of those determined as reasonable by the Appointed Actuary.

Reconciliation of Loss and Loss Adjustment Expenses

The table below shows the reconciliation of loss and LAE on a gross and net basis, reflecting changes in losses incurred and paid losses:

	Years ended December 31,	
	2017	2016
Balance at beginning of period	\$ 41,736,719	\$ 39,876,500
Less reinsurance recoverables	(15,776,880)	(16,706,364)
Net balance, beginning of period	25,959,839	23,170,136
Incurred related to:		
Current year	34,246,081	27,853,010
Prior years	(60,544)	(63,349)
Total incurred	34,185,537	27,789,661
Paid related to:		
Current year	18,194,860	16,496,648
Prior years	9,899,802	8,503,310
Total paid	28,094,662	24,999,958
Net balance at end of period	32,050,714	25,959,839
Add reinsurance recoverables	16,748,908	15,776,880
Balance at end of period	\$ 48,799,622	\$ 41,736,719

Our claims reserving practices are designed to set reserves that, in the aggregate, are adequate to pay all claims at their ultimate settlement value.

Loss and Loss Adjustment Expenses Development

The table below shows the net loss development of reserves held as of each calendar year-end from 2007 through 2017.

The first section of the table reflects the changes in our loss and LAE reserves after each subsequent calendar year of development. The table displays the re-estimated values of incurred losses and LAE at each succeeding calendar year-end, including payments made during the years indicated. The second section of the table shows by year the cumulative amounts of loss and LAE payments, net of amounts recoverable from reinsurers, as of the end of each succeeding year. For example, with respect to the net loss and LAE reserves of \$6,001,000 as of December 31, 2009, by December 31, 2011 (two years later), \$3,992,000 had actually been paid in settlement of the claims that relate to liabilities as of December 31, 2009.

The “cumulative redundancy (deficiency)” represents, as of December 31, 2017, the difference between the latest re-estimated liability and the amounts as originally estimated. A redundancy means that the original estimate was higher than the current estimate. A deficiency means that the current estimate is higher than the original estimate. Estimates for the liabilities in place as of more recent evaluation dates have developed more favorably than those from older evaluation points, especially as a percentage of the starting estimate.

(in thousands of \$)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Reserve for loss and loss adjustment expenses, net of reinsurance recoverables	4,799	5,823	6,001	7,280	8,520	12,065	17,139	21,663	23,170	25,960	32,051
Net reserve estimated as of											
One year later	5,430	6,119	6,235	7,483	9,261	13,886	18,903	21,200	23,107	25,899	
Two years later	5,867	6,609	6,393	8,289	11,022	16,875	18,332	21,501	24,413		
Three years later	6,433	6,729	6,486	9,170	12,968	16,624	18,687	22,576			
Four years later	6,569	6,711	7,182	10,128	12,552	16,767	19,386				
Five years later	6,683	7,261	7,766	9,925	12,440	16,985					
Six years later	7,245	7,727	7,602	9,932	12,367						
Seven years later	7,721	7,554	7,615	9,779							
Eight years later	7,568	7,511	7,455								
Nine years later	7,527	7,330									
Ten years later	7,347										
Net cumulative redundancy (deficiency)	(2,548)	(1,507)	(1,454)	(2,499)	(3,847)	(4,920)	(2,247)	(913)	(1,243)	61	

(in thousands of \$)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Cumulative amount of reserve paid, net of reinsurance recoverable through											
One year later	1,855	2,533	2,307	3,201	3,237	4,804	6,156	8,500	8,503	9,900	
Two years later	3,339	3,974	3,992	4,947	5,661	8,833	10,629	12,853	14,456		
Three years later	4,339	5,054	4,659	6,199	8,221	11,873	13,571	16,564			
Four years later	5,146	5,373	5,238	7,737	10,100	13,785	16,166				
Five years later	5,424	5,717	5,997	8,585	10,903	15,479					
Six years later	5,738	6,224	6,562	8,941	11,417						
Seven years later	6,247	6,718	6,749	9,275							
Eight years later	6,740	6,853	7,022								
Nine years later	6,875	7,103									
Ten years later	7,123										
Net reserve - December 31,	4,799	5,823	6,001	7,280	8,520	12,065	17,139	21,663	23,170	25,960	32,051
* Reinsurance Recoverable	6,693	9,766	10,512	10,432	9,960	18,420	17,364	18,250	16,707	15,777	16,749
* Gross reserves - December 31,	11,492	15,589	16,513	17,712	18,480	30,485	34,503	39,913	39,877	41,737	48,800
Net re-estimated reserve	7,347	7,330	7,455	9,779	12,367	16,985	19,386	22,576	24,413	25,899	
Re-estimated reinsurance recoverable	10,896	12,589	12,642	13,280	13,881	28,337	20,740	20,280	17,663	16,221	
Gross re-estimated reserve	18,243	19,919	20,097	23,059	26,248	45,322	40,126	42,856	42,076	42,120	
Gross cumulative redundancy (deficiency)	(6,751)	(4,330)	(3,584)	(5,347)	(7,768)	(14,837)	(5,623)	(2,943)	(2,199)	(383)	

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Factors That May Affect Future Results and Financial Condition” in Item 7 of this Annual Report.

Reinsurance

We purchase reinsurance to reduce our net liability on individual risks, to protect against possible catastrophes, to remain within a target ratio of net premiums written to policyholders’ surplus, and to expand our underwriting capacity. Participation in reinsurance arrangements does not relieve us from our obligations to policyholders. Our reinsurance program is structured to reflect our obligations and goals.

Reinsurance via quota share allows for a carrier to write business without increasing its underwriting leverage above a ratio determined by management. The business written under a quota share reinsurance structure obligates a reinsurer to assume some portion of the risks involved, and gives the reinsurer the profit (or loss) associated with such in exchange for a ceding commission. We have determined it to be in the best interests of our shareholders to prudently reduce our reliance on quota share reinsurance. This will result in higher earned premiums and a reduction in ceding commission revenue in future years, but will allow us to retain more net income from our profitable business.

Our quota share reinsurance treaties in effect for the year ended December 31, 2017 for our personal lines business, which primarily consists of homeowners policies, were covered under the July 1, 2016/June 30, 2017 treaty year (“2016/2017 Treaty”) and July 1, 2017/June 30, 2018 treaty year (“2017/2019 Treaty”) (two year treaty). The expired 2016/2017 Treaty was at a 40% quota share percentage and the current 2017/2019 Treaty is at a 20% quota share percentage.

Excess of loss contracts provide coverage for individual loss occurrences exceeding a certain threshold. The quota share reinsurance treaties inure to the benefit of our excess of loss treaties, as the maximum net retention on any single risk occurrence is first limited through the excess of loss treaty, and then that loss is shared again through the quota share reinsurance treaty. Our maximum net retention under the quota share and excess of loss treaties for any one personal lines occurrence for dates of loss on or after July 1, 2017 is \$800,000. Commercial lines policies are not subject to a quota share reinsurance treaty. Our maximum net retention under the excess of loss treaties for any one commercial general liability occurrence for dates of loss on or after July 1, 2017 is \$750,000.

We earn ceding commission revenue under the quota share reinsurance treaties based on a provisional commission rate on all premiums ceded to the reinsurers as adjusted by a sliding scale based on the ultimate treaty year loss ratios on the policies reinsured under each agreement. The sliding scale provides minimum and maximum ceding commission rates in relation to specified ultimate loss ratios.

Under the 2017/2019 Treaty and 2016/2017 Treaty, KICO is receiving a higher upfront fixed provisional rate than in prior years’ treaties. In exchange for the higher provisional rate, KICO has a reduced opportunity to earn sliding scale contingent commissions.

The 2017/2019 Treaty and the 2016/2017 Treaty are on a “net” of catastrophe reinsurance basis, as opposed to the “gross” arrangement that existed in prior treaties. Under a “net” arrangement, all catastrophe reinsurance coverage is purchased directly by us. Since we pay for all of the catastrophe coverage, none of the losses covered under a catastrophic event will be included in the quota share ceded amounts, drastically reducing the adverse impact that a catastrophic event can have on ceding commissions.

In 2017, we purchased catastrophe reinsurance to provide coverage of up to \$320,000,000 for losses associated with a single event. One of the most commonly used catastrophe forecasting models prepared for us indicates that the catastrophe reinsurance treaties provide coverage in excess of our estimated probable maximum loss associated with a single more than one-in-250 year storm event. The direct retention for any single catastrophe event is \$5,000,000. Effective July 1, 2017 losses on personal lines policies are subject to the 20% quota share treaty, which results in a net retention by us of \$4,000,000 of exposure per catastrophe occurrence. Effective July 1, 2017, we have reinstatement premium protection on the first \$145,000,000 layer of catastrophe coverage in excess of \$5,000,000. This protects us from having to pay an additional premium to reinstate catastrophe coverage for an event up to this level.

Investments

Our investment portfolio, including cash and cash equivalents, and short term investments, as of December 31, 2017 and 2016, is summarized in the table below by type of investment.

Category	December 31, 2017		December 31, 2016	
	Carrying Value	% of Portfolio	Carrying Value	% of Portfolio
Cash and cash equivalents	\$ 48,381,633	25.8%	\$ 12,044,520	11.2%
Held to maturity				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	729,466	0.4%	606,427	0.6%
Political subdivisions of states, territories and possessions	998,984	0.5%	1,349,916	1.3%
Corporate and other bonds				
Industrial and miscellaneous	3,141,358	1.7%	3,138,559	2.9%
Available for sale				
Political subdivisions of states, territories and possessions	11,315,443	6.0%	8,205,888	7.6%
Corporate and other bonds				
Industrial and miscellaneous	88,141,465	47.0%	53,685,189	49.9%
Residential mortgage backed securities	20,531,348	10.9%	18,537,751	17.2%
Preferred stocks	7,000,941	3.7%	5,685,001	5.3%
Common stocks	7,285,257	3.9%	4,302,685	4.0%
Total	\$ 187,525,895	100.0%	\$ 107,555,936	100.0%

The table below summarizes the credit quality of our fixed-maturity securities available-for-sale as of December 31, 2017 and 2016 as rated by Standard and Poor's (or if unavailable from Standard and Poor's, then Moody's or Fitch):

Rating	December 31, 2017		December 31, 2016	
	Fair Market Value	Percentage of Fair Market Value	Fair Market Value	Percentage of Fair Market Value
U.S. Treasury securities	\$ -	0.0%	\$ -	0.0%
Corporate and municipal bonds				
AAA	1,358,143	1.1%	1,801,106	2.2%
AA	11,319,057	9.4%	7,236,457	
A	17,199,631	14.3%	13,944,784	17.3%
BBB	68,704,768	57.3%	38,908,731	48.4%
BB	875,310	0.7%	-	0.0%
Total corporate and municipal bonds	99,456,909	82.8%	61,891,078	76.9%
Residential mortgage backed securities				
AAA	2,013,010	1.7%	-	0.0%
AA	11,021,144	9.2%	14,143,828	17.7%
A	3,902,768	3.3%	173,973	0.2%
CCC	1,420,296	1.2%	513,369	0.6%
CC	120,742	0.1%	-	0.0%
C	28,963	0.0%	112,136	0.1%
D	1,659,479	1.4%	3,594,444	4.5%
Non rated	364,945	0.3%	-	0.0%
Total residential mortgage backed securities	20,531,347	17.2%	18,537,750	23.1%
Total	\$ 119,988,256	100.0%	\$ 80,428,828	100.0%

Additional financial information regarding our investments is presented under the subheading "Investments" in Item 7 of this Annual Report.

Ratings

Many insurance buyers, agents, brokers and secured lenders use the ratings assigned by A.M. Best and other agencies to assist them in assessing the financial strength and overall quality of the companies with which they do business and from which they are considering purchasing insurance or in determining the financial strength of the company that provides insurance with respect to the collateral they hold. A.M. Best financial strength ratings are derived from an in-depth evaluation of an insurance company's balance sheet strengths, operating performances and business profiles. A.M. Best evaluates, among other factors, the company's capitalization, underwriting leverage, financial leverage, asset leverage, capital structure, quality and appropriateness of reinsurance, adequacy of reserves, quality and diversification of assets, liquidity, profitability, spread of risk, revenue composition, market position, management, market risk and event risk. A.M. Best financial strength ratings are intended to provide an independent opinion of an insurer's ability to meet its obligations to policyholders and are not an evaluation directed at investors.

In November 2016, we commenced a plan of action to upgrade KICO's A. M. Best rating. In April 2017, A.M. Best upgraded the Financial Strength Rating (FSR) of KICO to A- (Excellent) from B++ (Good). The A.M. Best financial strength rating of A- (Excellent) has created significant additional demand from our existing producers, particularly for our New York homeowners business where we compete against many carriers that are not A- rated by A.M. Best. Other ratings assigned to KICO and Kingstone by A.M Best and Kroll Bond Rating Agency are as follows:

	KICO	Kingstone Companies
A.M. Best Long-Term issuer credit rating (ICR)	a- (stable outlook)	bbb- (stable outlook)
A.M. Best Long-Term issue credit rating (IR)		
\$30.0 million, 5.50% senior unsecured notes due Dec. 30, 2022	n/a	bbb- (stable outlook)
Kroll Bond Rating Agency insurance financial strength rating (IFSR)	A- (stable outlook)	n/a
Kroll Bond Rating Agency issuer rating	n/a	BBB- (stable outlook)
\$30.0 million, 5.50% senior unsecured notes due Dec. 30, 2022	n/a	BBB- (stable outlook)

KICO also has a Demotech financial stability rating of A (Exceptional) which generally makes its policies acceptable to mortgage lenders that require homeowners to purchase insurance from highly rated carriers.

Severe Winter Weather

Our predominant market, downstate New York, suffered severe weather during the winter of 2016. We include severe winter weather in our definition of catastrophe. The catastrophe component of the 2016 severe winter was determined by the number of claims in excess of our threshold of average claims from severe winter weather. These claims were primarily from losses due to frozen pipes and related water damage resulting from abnormally low temperatures for an extended period. The effects of severe winter weather increased our net loss ratio by 2.3 percentage points in 2016. However, the relatively mild winter of 2017 resulted in no catastrophe impact.

The computation to determine contingent ceding commission revenue includes direct catastrophe losses and loss adjustment expenses incurred from severe winter weather. Catastrophe losses for 2016 had no impact on our contingent ceding commission revenue since the ultimate loss ratio used to determine these commissions was not affected by the 2016 severe winter weather.

Government Regulation

Holding Company Regulation

We, as the parent of KICO, are subject to the insurance holding company laws of the state of New York. These laws generally require an insurance company to register with the New York State Department of Financial Services (the "DFS") and to furnish annually financial and other information about the operations of companies within our holding company system. Generally under these laws, all material transactions among companies in the holding company system to which KICO is a party must be fair and reasonable and, if material or of a specified category, require prior notice and approval or acknowledgement (absence of disapproval) by the DFS.

Change of Control

The insurance holding company laws of the state of New York require approval by the DFS for any change of control of an insurer. “Control” is generally defined as the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of the company, whether through the ownership of voting securities, by contract or otherwise. Control is generally presumed to exist through the direct or indirect ownership of 10% or more of the voting securities of a domestic insurance company or any entity that controls a domestic insurance company. Any future transactions that would constitute a change of control of KICO, including a change of control of Kingstone Companies, Inc., would generally require the party acquiring control to obtain the approval of the DFS (and in any other state in which KICO may operate). Obtaining these approvals may result in the material delay of, or deter, any such transaction. These laws may discourage potential acquisition proposals and may delay, deter or prevent a change of control of Kingstone Companies, Inc., including through transactions, and in particular unsolicited transactions, that some or all of our stockholders might consider to be desirable.

State Insurance Regulation

Insurance companies are subject to regulation and supervision by the department of insurance in the state in which they are domiciled and, to a lesser extent, other states in which they conduct business. The primary purpose of such regulatory powers is to protect individual policyholders. State insurance authorities have broad regulatory, supervisory and administrative powers, including, among other things, the power to grant and revoke licenses to transact business, set the standards of solvency to be met and maintained, determine the nature of, and limitations on, investments and dividends, approve policy forms and rates, and in some instances to regulate unfair trade and claims practices.

KICO is required to file detailed financial statements and other reports with the insurance regulatory authorities in the states in which it is licensed to transact business. These financial statements are subject to periodic examination by the insurance regulators.

In addition, many states have laws and regulations that limit an insurer’s ability to withdraw from a particular market. For example, states may limit an insurer’s ability to cancel or not renew policies. Furthermore, certain states prohibit an insurer from withdrawing from one or more lines of business written in the state, except pursuant to a plan that is approved by the insurance regulatory authority. The state regulator may disapprove a plan that may lead to market disruption. Laws and regulations, including those in New York, that limit cancellation and non-renewal and that subject program withdrawals to prior approval requirements may restrict the ability of KICO to exit unprofitable markets. Such laws did not affect KICO’s ability to withdraw from the commercial auto market in New York State in 2015.

Federal and State Legislative and Regulatory Changes

From time to time, various regulatory and legislative changes have been proposed in the insurance industry. Among the proposals that either have been or are being considered are the possible introduction of Federal regulation in addition to, or in lieu of, the current system of state regulation of insurers, and proposals in various state legislatures (some of which proposals have been enacted) to conform portions of their insurance laws and regulations to various model acts adopted by the National Association of Insurance Commissioners (the “NAIC”).

In 2017, the DFS implemented new comprehensive cybersecurity regulations which became effective on March 1, 2017 with transitional implementation periods. When fully implemented, the regulations require covered entities, including KICO, to establish a cybersecurity policy, a chief information security officer, oversight over third party service providers, penetration and vulnerability assessments, secure systems to maintain an audit trail, risk assessments to include access privileges to nonpublic information, use of multi-factor authentication, and an incident response plan, among other provisions. Commencing February 15, 2018, and annually thereafter, KICO must certify compliance to the DFS with the applicable cybersecurity regulatory provisions.

In 2010 the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) became law. It established a Federal Insurance Office (the “FIO”) within the U.S. Department of the Treasury. The FIO is initially charged with monitoring all aspects of the insurance industry (other than health insurance, certain long-term care insurance and crop insurance), gathering data, and conducting a study on methods to modernize and improve the insurance regulatory system in the United States. In December 2013, the FIO issued a report (as required under the Dodd-Frank Act) entitled “How to Modernize and Improve the System of Insurance Regulation in the United States” (the “Report”), which stated that, given the “uneven” progress the states have made with several near-term state reforms, should the states fail to accomplish the necessary modernization reforms in the near term, “Congress should strongly consider direct federal involvement.” The FIO continues to support the current state-based regulatory regime, but will consider federal regulation should the states fail to take steps to greater uniformity (e.g., federal licensing of insurers). In 2017, the new President indicated that the provisions of this law should be reviewed. In its September 2017 Annual Report on the Insurance Industry, FIO provided a survey of Insurance Industry Financial Overview, Domestic Regulatory and Market Developments, and U.S. Competitiveness in Global Markets.

State Regulatory Examinations

As part of their regulatory oversight process, state regulatory authorities conduct periodic detailed examinations of the financial reporting of insurance companies domiciled in their states, generally once every three to five years. Examinations are generally carried out in cooperation with the insurance regulators of other states under guidelines promulgated by the NAIC. The New York DFS commenced its examination of KICO in 2016 as of December 31, 2015. The examination was completed in 2017 and had no material adverse findings.

Risk-Based Capital Regulations

State regulatory authorities impose risk-based capital (“RBC”) requirements on insurance enterprises. The RBC Model serves as a benchmark for the regulation of insurance companies. RBC provides for targeted surplus levels based on formulas, which specify various weighting factors that are applied to financial balances or various levels of activity based on the perceived degree of risk, and are set forth in the RBC requirements. Such formulas focus on four general types of risk: (a) the risk with respect to the company’s assets (asset or default risk); (b) the risk of default on amounts due from reinsurers, policyholders, or other creditors (credit risk); (c) the risk of underestimating liabilities from business already written or inadequately pricing business to be written in the coming year (underwriting risk); and (d) the risk associated with items such as excessive premium growth, contingent liabilities, and other items not reflected on the balance sheet (off-balance sheet risk). The amount determined under such formulas is called the authorized control level RBC (“ACL”).

The RBC guidelines define specific capital levels based on a company's ACL that are determined by the ratio of the company's total adjusted capital ("TAC") to its ACL. TAC is equal to statutory capital, plus or minus certain other specified adjustments. KICO's TAC is far above the ACL and is in compliance with New York's RBC requirements as of December 31, 2017.

Dividend Limitations

Our ability to receive dividends from KICO is restricted by the state laws and insurance regulations of New York. These restrictions are related to surplus and net investment income. Dividends are restricted to the lesser of 10% of surplus or 100% of investment income (on a statutory accounting basis) for the trailing 36 months, less dividends by KICO paid during such period.

Insurance Regulatory Information System Ratios

The Insurance Regulatory Information System ("IRIS") was developed by the NAIC and is intended primarily to assist state insurance regulators in meeting their statutory mandates to oversee the financial condition of insurance companies operating in their respective states. IRIS identifies thirteen industry ratios and specifies "usual values" for each ratio. Departure from the usual values on four or more of the ratios can lead to inquiries from individual state insurance commissioners as to certain aspects of an insurer's business.

As of December 31, 2017, as a result of its growth and the \$23 million and \$25 million contributions of capital we made to KICO in March 2017 and December 2017, respectively, KICO had two ratios outside the usual range due to changes in net premiums written and gross change in surplus.

Accounting Principles

Statutory accounting principles ("SAP") are a basis of accounting developed by the NAIC. They are used to prepare the statutory financial statements of insurance companies and to assist insurance regulators in monitoring and regulating the solvency of insurance companies. SAP is primarily concerned with measuring an insurer's policyholder surplus. Accordingly, statutory accounting focuses on valuing assets and liabilities of insurers at financial reporting dates in accordance with appropriate insurance law and regulatory provisions applicable in each insurer's domiciliary state.

Generally accepted accounting principles ("GAAP") are concerned with a company's solvency, but are also concerned with other financial measurements, principally income and cash flows. Accordingly, GAAP gives more consideration to appropriate matching of revenue and expenses and accounting for management's stewardship of assets than does SAP. As a direct result, different types and amounts of assets and liabilities will be reflected in financial statements prepared in accordance with GAAP as compared to SAP.

Statutory accounting practices established by the NAIC and adopted in part by New York insurance regulators determine, among other things, the amount of statutory surplus and statutory net income of KICO and thus determine, in part, the amount of funds that are available to Kingstone Companies, Inc. from which to pay dividends.

Legal Structure

We were incorporated in 1961 and assumed the name DCAP Group, Inc. in 1999. On July 1, 2009, we changed our name to Kingstone Companies, Inc.

Offices

Our principal executive offices are located at 15 Joys Lane, Kingston, New York 12401, and our telephone number is (845) 802-7900. Our insurance underwriting business is located principally at 15 Joys Lane, Kingston, New York 12401. Our insurance underwriting business maintains an executive office located at 70 East Sunrise Highway, Valley Stream, New York 11581. Our website is www.kingstonecompanies.com. Our internet website and the information contained therein or connected thereto are not intended to be incorporated by reference into this Annual Report.

Employees

As of December 31, 2017, we had 97 employees all of whom are located in New York. None of our employees are covered by a collective bargaining agreement. We believe that our relationship with our employees is good.

ITEM 1A. RISK FACTORS.

Not applicable to first year accelerated filers. See, however, “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Factors That May Affect Future Results and Financial Condition” in Item 7 of this Annual Report.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

Not applicable.

ITEM 2. PROPERTIES.

Our principal executive offices are currently located at 15 Joys Lane, Kingston, New York 12401. Our insurance underwriting business is located principally at 15 Joys Lane, Kingston, New York 12401. Our insurance underwriting business also maintains an executive office located at 70 East Sunrise Highway, Valley Stream, New York 11581, at which we lease 4,985 square feet of space.

We own the building at which our insurance underwriting business principally operates, free of mortgage.

ITEM 3. LEGAL PROCEEDINGS.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II**ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.****Market Information**

Our common stock is quoted on The NASDAQ Capital Market under the symbol “KINS.”

Set forth below are the high and low sales prices for our common stock for the periods indicated, as reported on The NASDAQ Capital Market.

	High	Low
2017 Calendar Year		
First Quarter	\$ 15.90	\$ 11.80
Second Quarter	16.50	14.00
Third Quarter	16.55	13.96
Fourth Quarter	19.60	15.10

	High	Low
2016 Calendar Year		
First Quarter	\$ 9.25	\$ 7.21
Second Quarter	9.62	8.21
Third Quarter	9.39	8.45
Fourth Quarter	14.15	9.25

Holdings

As of March 12, 2018, there were approximately 251 record holders of our common stock.

Dividends

Holders of our common stock are entitled to dividends when, as and if declared by our Board of Directors out of funds legally available. Since September 2011 and through December 31, 2017, we have paid quarterly dividends as follows:

Payment Date	Dividend Per Share
September 2011 – June 2012	\$.03
September 2012 – June 2014	\$.04
September 2014 – September 2015	\$.05
December 2015 – March 2017	\$.0625
June 2017 – December 2017	\$.08

On February 2, 2018 our Board of Directors declared a dividend \$.10 per share payable in cash on March 15, 2018 to stockholders of record as February 28, 2018.

Future dividend policy will be subject to the discretion of our Board of Directors and will be contingent upon future earnings, if any, our financial condition, capital requirements, general business conditions, and other factors. Therefore, we can give no assurance that future dividends of any kind will continue to be paid to holders of our common stock.

Our ability to pay dividends depends, in part, upon on the ability of KICO to pay dividends to us. KICO, as an insurance subsidiary, is subject to significant regulatory restrictions limiting its ability to declare and pay dividends. These restrictions are related to surplus and net investment income. Without the prior approval of the DFS, dividends are restricted to the lesser of 10% of surplus or 100% of investment income (on a statutory accounting basis) for the trailing 36 months, less dividends paid by KICO during such period. As of December 31, 2017, the maximum distribution that KICO could pay without prior regulatory approval was approximately \$3,324,000, which is based on investment income for the trailing 36 months, net of dividends paid by KICO during such period. See “Business – Government Regulation” and “Management’s Discussion and Analysis of Financial Condition and Results of Operation – Liquidity” in Items 1 and 7, respectively, of this Annual Report.

We declared and paid dividends on our common stock as follows:

	2017	2016
Common stock dividends declared and paid	\$ 3,214,471	\$ 1,941,271

Recent Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

There were no purchases of common stock made by us or any “affiliated purchaser” during the quarter ended December 31, 2017.

ITEM 6. SELECTED FINANCIAL DATA.

Not applicable.

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**Overview**

We offer property and casualty insurance products to individuals and small businesses through our wholly owned subsidiary, Kingstone Insurance Company (“KICO”). KICO’s insureds are located primarily in downstate New York, consisting of New York City, Long Island and Westchester County. We are also licensed in the States of New Jersey, Connecticut, Pennsylvania, Rhode Island, Massachusetts and Texas. We are currently offering our property and casualty insurance products in New York, New Jersey, Rhode Island and Pennsylvania. Although New Jersey and Rhode Island are now growing expansion markets for us, 98.5% of KICO’s direct written premiums for the year ended December 31, 2017 were written in the State of New York. In February 2018, a homeowners rate, rule, and form filing was made with the State of Massachusetts. KICO anticipates writing business there in 2018.

We derive substantially all of our revenue from KICO, which includes revenues from earned premiums, ceding commissions from quota share reinsurance, net investment income generated from its portfolio, and net realized gains and losses on investment securities. All of KICO’s insurance policies are for a one year period. Earned premiums represent premiums received from insureds, which are recognized as revenue over the period of time that insurance coverage is provided (i.e., ratably over the one year life of the policy). A significant period of time normally elapses between the receipt of insurance premiums and the payment of insurance claims. During this time, KICO invests the premiums, earns investment income and generates net realized and unrealized investment gains and losses on investments.

Our expenses include the insurance underwriting expenses of KICO and other operating expenses. Insurance companies incur a significant amount of their total expenses from losses incurred, which are commonly referred to as claims. In settling these claims, various loss adjustment expenses (“LAE”) are incurred such as insurance adjusters’ fees and legal expenses. In addition, insurance companies incur policy acquisition costs. Policy acquisition costs include commissions paid to producers, premium taxes, and other expenses related to the underwriting process, including employees’ compensation and benefits.

Other operating expenses include our corporate expenses as a holding company. These expenses include legal and auditing fees, executive employment costs, and other costs directly associated with being a public company.

Principal Revenue and Expense Items

Net premiums earned. Net premiums earned is the earned portion of our written premiums, less that portion of premium that is ceded to third party reinsurers under reinsurance agreements. The amount ceded under these reinsurance agreements is based on a contractual formula contained in the individual reinsurance agreement. Insurance premiums are earned on a pro rata basis over the term of the policy. At the end of each reporting period, premiums written that are not earned are classified as unearned premiums and are earned in subsequent periods over the remaining term of the policy. Our insurance policies have a term of one year. Accordingly, for a one-year policy written on July 1, 2017, we would earn half of the premiums in 2017 and the other half in 2018.

Ceding commission revenue. Commissions on reinsurance premiums ceded are earned in a manner consistent with the recognition of the direct acquisition costs of the underlying insurance policies, generally on a pro-rata basis over the terms of the policies reinsured.

Net investment income and net realized gains (losses) on investments. We invest in cash and cash equivalents, short-term investments, fixed-maturity and equity securities. Our net investment income includes interest and dividends earned on our invested assets, less investment expenses. Net realized gains and losses on our investments are reported separately from our net investment income. Net realized gains occur when our investment securities are sold for more than their costs or amortized costs, as applicable. Net realized losses occur when our investment securities are sold for less than their costs or amortized costs, as applicable, or are written down as a result of other-than-temporary impairment. We classify equity securities as available-for-sale and our fixed-maturity securities as either available-for-sale or held-to-maturity. Net unrealized gains (losses) on those securities classified as available-for-sale are reported separately within accumulated other comprehensive income on our balance sheet.

Other income. We recognize installment fee income and fees charged to reinstate a policy after it has been cancelled for non-payment.

Loss and loss adjustment expenses incurred. Loss and LAE incurred represent our largest expense item, and for any given reporting period include estimates of future claim payments, changes in those estimates from prior reporting periods and costs associated with investigating, defending and servicing claims. These expenses fluctuate based on the amount and types of risks we insure. We record loss and LAE related to estimates of future claim payments based on case-by-case valuations, statistical analyses and actuarial procedures. We seek to establish all reserves at the most likely ultimate liability based on our historical claims experience. It is typical for certain claims to take several years to settle and we revise our estimates as we receive additional information on such claims. Our ability to estimate loss and LAE accurately at the time of pricing our insurance policies is a critical factor affecting our profitability.

Commission expenses and other underwriting expenses. Other underwriting expenses include policy acquisition costs and other expenses related to the underwriting of policies. Policy acquisition costs represent the costs of originating new insurance policies that vary with, and are primarily related to, the production of insurance policies (principally commissions, premium taxes and certain underwriting salaries). Policy acquisition costs are deferred and recognized as expense as the related premiums are earned. Other underwriting expenses represent general and administrative expenses of our insurance business and are comprised of other costs associated with our insurance activities such as regulatory fees, telecommunication and technology costs, occupancy costs, employment costs, and legal and auditing fees.

Other operating expenses. Other operating expenses include the corporate expenses of our holding company, Kingstone Companies, Inc. These expenses include executive employment costs, legal and auditing fees, and other costs directly associated with being a public company.

Stock-based compensation. Non-cash equity compensation includes the fair value of stock grants issued to our directors, officers and employees, and amortization of stock options issued to the same.

Depreciation and amortization. Depreciation and amortization includes the amortization of intangibles related to the acquisition of KICO, depreciation of the real estate used in KICO's operations, as well as depreciation of capital expenditures for information technology projects, office equipment and furniture.

Interest expense. Interest expense represents amounts we incur on our outstanding indebtedness at the applicable interest rates. Interest expense also includes amortization of debt discount and issuance costs.

Income tax expense. We incur federal income tax expense on our consolidated operations as well as state income tax expense for our non-insurance underwriting subsidiaries.

Product Lines

Our product lines include the following:

Personal lines: Our largest line of business is personal lines, consisting of homeowners and dwelling fire multi-peril, cooperative/condominium, renters, and personal umbrella policies.

Commercial liability: We offer businessowners policies, which consist primarily of small business retail, service, and office risks without a residential exposure. We also write artisan's liability policies for small independent contractors with seven or fewer employees. In addition, we write special multi-peril policies for larger and more specialized businessowners risks, including those with limited residential exposures. Further, we offer commercial umbrella policies written above our supporting commercial lines policies.

Livery physical damage: We write for-hire vehicle physical damage only policies for livery and car service vehicles and taxicabs. These policies insure only the physical damage portion of insurance for such vehicles, with no liability coverage included.

Other: We write canine legal liability policies and also have a small participation in mandatory state joint underwriting associations.

Key Measures

We utilize the following key measures in analyzing the results of our insurance underwriting business:

Net loss ratio: The net loss ratio is a measure of the underwriting profitability of an insurance company's business. Expressed as a percentage, this is the ratio of net losses and loss adjustment expenses ("LAE") incurred to net premiums earned.

Net underwriting expense ratio: The net underwriting expense ratio is a measure of an insurance company's operational efficiency in administering its business. Expressed as a percentage, this is the ratio of the sum of acquisition costs (the most significant being commissions paid to our producers) and other underwriting expenses less ceding commission revenue less other income to net premiums earned.

Net combined ratio: The net combined ratio is a measure of an insurance company's overall underwriting profit. This is the sum of the net loss and net underwriting expense ratios. If the net combined ratio is at or above 100 percent, an insurance company cannot be profitable without investment income, and may not be profitable if investment income is insufficient.

Underwriting income: Underwriting income is net pre-tax income attributable to our insurance underwriting business before investment activity. It excludes net investment income, net realized gains from investments, and depreciation and amortization (net premiums earned less expenses included in combined ratio). Underwriting income is a measure of an insurance company's overall operating profitability before items such as investment income, depreciation and amortization, interest expense and income taxes.

Critical Accounting Policies and Estimates

Our consolidated financial statements include the accounts of Kingstone Companies, Inc. and all majority-owned and controlled subsidiaries. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires our management to make estimates and assumptions in certain circumstances that affect amounts reported in our consolidated financial statements and related notes. In preparing these consolidated financial statements, our management has utilized information including our past history, industry standards, and the current economic environment, among other factors, in forming its estimates and judgments of certain amounts included in the consolidated financial statements, giving due consideration to materiality. It is possible that the ultimate outcome as anticipated by our management in formulating estimates inherent in these financial statements might not materialize. However, application of the critical accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. In addition, other companies may utilize different estimates, which may impact comparability of our results of operations to those of companies in similar businesses.

We believe that the most critical accounting policies relate to the reporting of reserves for loss and LAE, including losses that have occurred but have not been reported prior to the reporting date, amounts recoverable from third party reinsurers, deferred ceding commission revenue, deferred policy acquisition costs, deferred income taxes, the impairment of investment securities, intangible assets and the valuation of stock-based compensation. See Note 2 (Accounting Policies and Basis of Presentation) of the Notes to Consolidated Financial Statements following Item 15 of this Annual Report.

Consolidated Results of Operations

The following table summarizes the changes in the results of our operations for the periods indicated:

(\$ in thousands)	Year ended December 31,			
	2017	2016	Change	Percent
Revenues				
Direct written premiums	\$ 121,575	\$ 103,192	\$ 18,383	17.8%
Assumed written premiums	23	29	(6)	(20.7)%
	<u>121,598</u>	<u>103,221</u>	<u>18,377</u>	<u>17.8%</u>
Ceded written premiums				
Ceded to quota share treaties in force during the period	23,623	26,377	(2,754)	(10.4)%
Return of premiums previously ceded to prior quota share treaties (1)	(7,140)	-	(7,140)	na
Ceded to quota share treaties	16,483	26,377	(9,894)	(37.5)%
Ceded to excess of loss treaties	1,209	1,389	(180)	(13.0)%
Ceded to catastrophe treaties	11,037	9,529	1,508	15.8%
Total ceded written premiums	<u>28,729</u>	<u>37,295</u>	<u>(8,566)</u>	<u>(23.0)%</u>
Net written premiums	<u>92,869</u>	<u>65,926</u>	<u>26,943</u>	<u>40.9%</u>
Change in unearned premiums				
Direct and assumed	(10,653)	(6,104)	(4,549)	74.5%
Ceded to quota share treaties	(4,865)	1,586	(6,451)	(406.7)%
Change in net unearned premiums	<u>(15,518)</u>	<u>(4,518)</u>	<u>(11,000)</u>	<u>243.5%</u>
Premiums earned				
Direct and assumed	110,945	97,116	13,829	14.2%
Ceded to quota share treaties	(33,594)	(35,708)	2,114	(5.9)%
Net premiums earned	<u>77,351</u>	<u>61,408</u>	<u>15,943</u>	<u>26.0%</u>
Ceding commission revenue	9,933	11,268	(1,335)	(11.8)%
Net investment income	4,133	3,116	1,017	32.6%
Net realized gains on investments	84	529	(445)	(84.1)%
Other income	1,268	1,115	153	13.7%
Total revenues	<u>92,769</u>	<u>77,436</u>	<u>15,333</u>	<u>19.8%</u>

(1) Effective July 1, 2017, we decreased the quota share ceding rate in our personal lines quota share treaty from 40% to 20%. The Cut-off of this treaty on July 1, 2017 resulted in a \$7,140,000 return of unearned premiums from our reinsurers that were previously ceded under the expiring personal lines quota share treaty.

(\$ in thousands)	Year ended December 31,			
	2017	2016	Change	Percent
Total revenues (continued)	92,769	77,436	15,333	19.8%
Expenses				
Loss and loss adjustment expenses				
Direct and assumed:				
Loss and loss adjustment expenses excluding the effect of catastrophes	48,253	37,249	11,004	29.5%
Losses from catastrophes (1)	-	2,337	(2,337)	(100.0)
Total direct and assumed loss and loss adjustment expenses	48,253	39,586	8,667	21.9%
Ceded loss and loss adjustment expenses:				
Loss and loss adjustment expenses excluding the effect of catastrophes	14,067	10,862	3,205	29.5%
Losses from catastrophes (1)	-	935	(935)	(100.0)
Total ceded loss and loss adjustment expenses	14,067	11,797	2,270	19.2%
Net loss and loss adjustment expenses:				
Loss and loss adjustment expenses excluding the effect of catastrophes	34,186	26,387	7,799	29.6%
Losses from catastrophes (1)	-	1,402	(1,402)	(100.0)
Net loss and loss adjustment expenses	34,186	27,789	6,397	23.0%
Commission expense	21,182	18,327	2,855	15.6%
Other underwriting expenses	18,116	14,867	3,249	21.9%
Other operating expenses	3,513	1,910	1,603	83.9%
Depreciation and amortization	1,403	1,125	278	24.7%
Interest expense	60	-	60	na
Total expenses	78,460	64,018	14,442	22.6%
Income from operations before taxes	14,309	13,418	891	6.6%
Provision for income tax	4,323	4,518	(195)	(4.3)
Net income	\$ 9,986	\$ 8,900	\$ 1,086	12.2%

(1) The year ended December 31, 2016, includes the effects of severe winter weather (which we define as a catastrophe). We define a “catastrophe” as an event or series of related events that involve multiple first party policyholders, or an event or series of events that produce a number of claims in excess of a preset, per-event threshold of average claims in a specific area, occurring within a certain amount of time constituting the event or series of events. Catastrophes are caused by various natural events including high winds, excessive rain, winter storms, severe winter weather, tornadoes, hailstorms, wildfires, tropical storms, and hurricanes.

Key ratios:	Year ended December 31,			
	2017	2016	Percentage Point Change	Percent Change
Net loss ratio	44.2%	45.3%	(1.1)	(2.4)
Net underwriting expense ratio	36.4%	33.9%	2.5	7.4%
Net combined ratio	80.6%	79.2%	1.4	1.8%

Direct Written Premiums

Direct written premiums during the year ended December 31, 2017 (“2017”) were \$121,575,000 compared to \$103,192,000 during the year ended December 31, 2016 (“2016”). The increase of \$18,383,000, or 17.8%, was primarily due to an increase in policies in-force during 2017 as compared to 2016. We wrote more new policies as a result of continued demand for our products in the markets that we serve. We believe that a portion of our growth in new policies is attributable to our upgraded A.M. Best rating of A- Excellent that we received in April 2017. In 2017, we started writing homeowners policies in New Jersey and Rhode Island. We refer to our New York business as our “Core” business and the business outside of New York as our “Expansion” business. Direct written premiums from our Expansion business were \$1,800,000 in 2017. Policies in-force increased by 17.2% as of December 31, 2017 compared to December 31, 2016.

Net Written Premiums and Net Premiums Earned

The following table describes the quota share reinsurance ceding rates in effect during 2017 and 2016. For purposes of the discussion herein, the change in quota share ceding rates on July 1, 2017 will be referred to as “the Cut-off”. This table should be referred to in conjunction with the discussions for net written premiums, net premiums earned, ceding commission revenue and net loss and loss adjustment expenses that follow.

	Year ended December 31, 2017		Year ended December 31, 2016	
	January 1, to June 30, ("2016/2017 Treaty")	July 1, to December 31, ("2017/2019 Treaty")	January 1, to June 30, ("2015/2016 Treaty")	July 1, to December 31, ("2016/2017 Treaty")
Quota share reinsurance rates				
Personal lines	40%	20%	40%	40%

See “Reinsurance” below for changes to our personal lines quota share treaty effective July 1, 2017.

Net written premiums increased \$26,943,000, or 40.9%, to \$92,869,000 in 2017 from \$65,926,000 in 2016. Net written premiums include direct and assumed premiums, less the amount of written premiums ceded under our reinsurance treaties (quota share, excess of loss, and catastrophe). Our personal lines business is currently subject to a quota share treaty. A reduction to the quota share percentage or elimination of a quota share treaty will reduce our ceded written premiums, which will result in a corresponding increase to our net written premiums.

Change in quota share ceding rate

Effective July 1, 2017, we decreased the quota share ceding rate in our personal lines quota share treaty from 40% to 20%. The Cut-off of this treaty on July 1, 2017 resulted in a \$7,140,000 return of unearned premiums from our reinsurers that were previously ceded under the expiring personal lines quota share treaty. We did not change our quota share ceding rate on July 1, 2016, and accordingly, there was no return of unearned premiums from our reinsurers (in contrast with what occurred on July 1, 2017), thus magnifying the percentage increase in net written premiums in 2017. The table below shows the effect of the \$7,140,000 return of ceded premiums on net written premiums for 2017:

(\$ in thousands)	Year ended December 31,			
	2017	2016	Change	Percent
Net written premiums	\$ 92,869	\$ 65,926	\$ 26,943	40.9%
Return of premiums previously ceded to prior quota share treaties	7,140	-	7,140	na
Net written premiums without the effect of the July 1, 2017 Cut-off	\$ 85,729	\$ 65,926	\$ 19,803	30.0%

Without the \$7,140,000 effect of the Cut-off in 2017, net written premiums increased by \$19,803,000, or 30.0%, in 2017 compared to 2016.

Excess of loss reinsurance treaties

An increase in written premiums will also increase the premiums ceded under our excess of loss treaties, which incrementally reduces our net written premiums, all else being equal. However, in 2017, our ceded excess of loss reinsurance premiums decreased by \$180,000 over the comparable ceded premiums for 2016. The decrease was due to more favorable reinsurance rates in 2017, partially offset by an increase in premiums subject to excess of loss reinsurance.

Catastrophe reinsurance treaty

Most of the premiums written under our personal lines are also subject to our catastrophe treaty. An increase in our personal lines business gives rise to more property exposure, which increases our exposure to catastrophe risk; therefore, our premiums for catastrophe insurance will increase. This results in an increase in premiums ceded under our catastrophe treaty, which reduces net written premiums. In 2017, our catastrophe reinsurance premiums increased by \$1,508,000 over the comparable ceded premiums for 2016. The increase was due to an increase in our catastrophe coverage and an increase in premiums subject to catastrophe reinsurance, partially offset by more favorable reinsurance rates in 2017

Our ceded catastrophe premiums are paid based on the total direct written premiums subject to the catastrophe reinsurance treaty.

Net premiums earned

Net premiums earned increased \$15,943,000, or 26.0%, to \$77,351,000 in 2017 from \$61,408,000 in 2016. The increase was due to the increase in written premiums discussed above and our retaining more earned premiums effective July 1, 2017, as a result of the reduction of the quota share percentage in our personal lines quota share treaty. The decrease in our quota share ceding percentage from the July 1, 2017 Cut-off gave us a \$7,140,000 return of premiums previously ceded, which led to an increase in our net premiums earned during the period after the Cut-off. Due to our Expansion business beginning in 2017, net premiums earned from this business were only \$344,000 in 2017.

Ceding Commission Revenue

The following table details the quota share provisional ceding commission rates in effect during 2017 and 2016. This table should be referred to in conjunction with the discussion for ceding commission revenue that follows.

	Year ended December 31, 2017		Year ended December 31, 2016	
	January 1,	July 1,	January 1,	July 1,
	to	to	to	to
	June 30, ("2016/2017 Treaty")	December 31, ("2017/2019 Treaty")	June 30, ("2015/2016 Treaty")	December 31, ("2016/2017 Treaty")
Provisional ceding commission rate on quota share treaty				
Personal lines	52%	53%	55%	52%

The following table summarizes the changes in the components of ceding commission revenue (in thousands) for the periods indicated:

(\$ in thousands)	Year ended December 31,			
	2017	2016	Change	Percent
Provisional ceding commissions earned	\$ 10,677	\$ 12,769	\$ (2,092)	(16.4)
Contingent ceding commissions earned	(744)	(1,501)	757	50.4%
Total ceding commission revenue	\$ 9,933	\$ 11,268	\$ (1,335)	(11.8)

Ceding commission revenue was \$9,933,000 in 2017 compared to \$11,268,000 in 2016. The decrease of \$1,335,000, or 11.8%, was due to a decrease in provisional ceding commissions earned, partially offset by an increase in contingent ceding commissions earned.

Provisional Ceding Commissions Earned

We receive a provisional ceding commission based on ceded written premiums. In 2017 our provisional ceding rate was 52% from January 1, 2017 through June 30, 2017 under the 2016/2017 Treaty and was increased to 53% effective July 1, 2017 under the 2017/2019 Treaty. In 2016 our provisional ceding rate was 55% from January 1, 2016 through June 30, 2016 under the 2015/2016 Treaty and was decreased to 52% effective July 1, 2016 under the 2016/2017 Treaty. The \$2,092,000 decrease in provisional ceding commissions earned is primarily due to the decrease in quota share ceding rate effective July 1, 2017 to 20%, from the 40% rate in effect from January 1, 2016 through June 30, 2017; thus there was less ceded premiums beginning July 1, 2017 available to earn ceding commissions than there was in 2016. The decrease was partially offset by an increase in personal lines direct written premiums subject to the quota share and by the increase in our provisional ceding commission rate as discussed above.

Contingent Ceding Commissions Earned

We receive a contingent ceding commission based on a sliding scale in relation to the losses incurred under our quota share treaties. The lower the ceded loss ratio, the more contingent commission we receive. The amount of contingent ceding commissions we are eligible to receive under the personal lines quota share treaties detailed in the table above that were in effect during 2017 are subject to change based on losses incurred from claims with accident dates beginning July 1, 2016. The amount of contingent ceding commissions we are eligible to receive under our prior years' quota share treaties is subject to change based on losses incurred related to claims with accident dates before July 1, 2016.

The 2017/2019 Treaty, 2016/2017 Treaty and 2015/2016 Treaty structure limits the amount of contingent ceding commissions that we can receive by setting the provisional commission rate higher than the rates we received in prior years. As a result of the higher upfront provisional ceding commissions that we receive, there is only a limited opportunity to earn contingent ceding commissions under these treaties. Under our current "net" treaty structure, catastrophe losses in excess of the \$5,000,000 retention will fall outside of the quota share treaty and such losses will not have an impact on contingent ceding commissions. See "Reinsurance" below for changes to our personal lines quota share treaty effective July 1, 2017.

Net Investment Income

Net investment income was \$4,133,000 in 2017 compared to \$3,116,000 in 2016. The increase of \$1,017,000, or 32.6%, was due to an increase in average invested assets in 2017. The average yield on invested assets was 3.66% as of December 31, 2017 compared to 3.99% as of December 31, 2016. The pre-tax equivalent yield on invested assets was 3.70% and 4.26% as of December 31, 2017 and 2016, respectively.

Cash and invested assets were \$187,526,000 as of December 31, 2017, compared to \$107,556,000 as of December 31, 2016. The \$79,970,000 increase in cash and invested assets resulted primarily from the net proceeds of approximately \$30,137,000 that we received in January and February 2017 from our public offering, approximately \$29,122,000 that we received in December 2017 from our debt offering and operating cash flows of approximately \$28,000,000, partially offset by dividends paid of approximately \$2,800,000.

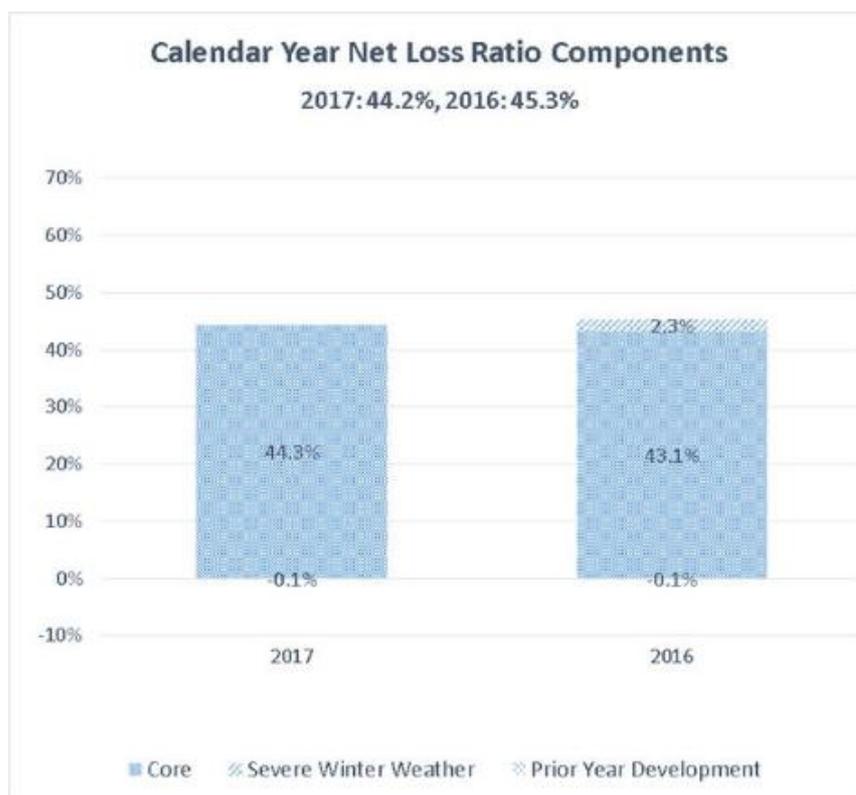
Other Income

Other income was \$1,268,000 in 2017 compared to \$1,115,000 in 2016. The increase of \$153,000, or 13.7%, was primarily due to an increase in installment and other fees earned in our insurance underwriting business.

Net Loss and LAE

Net loss and LAE was \$34,186,000 in 2017 compared to \$27,789,000 in 2016. The net loss ratio was 44.2% in 2017 compared to 45.3% in 2016, a decrease of 1.1 percentage points.

The following graphs summarize the changes in the components of net loss ratio for the periods indicated:



During 2017, the net loss ratio decreased compared to 2016 due to a combination of several factors. First, there was a reduction in the impact of severe winter weather, defined as the losses incurred above those expected in an average winter. In 2017 we recorded no impact from severe winter weather, compared to 2.3 points in 2016, or a decrease of 2.3 points. Partially offsetting this impact, the core loss ratio excluding the impact of severe winter weather and prior year development increased to 44.3% in 2017 from 43.1% in 2016, or an increase of 1.2 points. In addition, we recorded 0.1 points of favorable prior year loss development in 2017 which was the same as the 0.1 point favorable prior year development impact recorded in 2016. The increase in the core net loss ratio is driven by increased claim severity in both personal and commercial lines. Personal lines was impacted by an increased frequency of large fire claims compared to 2016. See table below under “Additional Financial Information” summarizing net loss ratios by line of business.

Commission Expense

Commission expense was \$21,182,000 in 2017 or 19.1 % of direct earned premiums. Commission expense was \$18,327,000 in 2016 or 18.9% of direct earned premiums. The increase of \$2,855,000 is due to the increase in direct written premiums in 2017 as compared to 2016.

Other Underwriting Expenses

Other underwriting expenses were \$18,116,000 in 2017 compared to \$14,867,000 in 2016. The increase of \$3,249,000, or 21.9%, was primarily due to expenses related to growth in direct written premiums. These expenses can vary directly or indirectly as a percentage of written premiums. Expenses that vary directly with written premiums include underwriting expenses, software usage fees, and state premium taxes. Some expenses such as salaries, related employment costs, professional fees, and data services are indirectly related to written premiums. Such expenses are not proportional to written premiums and for our Expansion business these expenses are incurred in advance of policies written (“Expansion Expenses”). Expansion Expenses were \$1,044,000 in 2017 compared to \$476,000 in 2016. The increase of \$568,000 includes the costs of salaries and employment costs, professional fees, IT and data services specifically attributable to the expansion into new states.

Core salaries and employment costs were \$7,385,000 in 2017 compared to \$6,788,000 in 2016. The increase of \$597,000, or 8.8%, was less than the 17.8% increase in total direct written premiums, which is not yet materially affected by our Expansion business. The increase in employment costs was due to hiring of additional staff to service our current level of business and anticipated growth in volume as well as annual rate increases in salaries. Growth related to our Expansion business creates a lag in net premiums earned compared to direct written premiums for that business. This lag in net premiums earned along with the reduction to quota share rates distorts net underwriting expense ratio comparisons between periods. Therefore, we believe that reviewing the ratio of Core other underwriting expenses to Core net premiums earned offers a more consistent comparison between periods and is a more accurate indicator of our overall other underwriting expense efficiency. The following table breaks out the Core and Expansion components of our underwriting expense ratio for the periods indicated:

	Year ended December 31,		\$ or Point Change
	2017	2016	
Net premiums earned			
Core	\$ 77,007	\$ 61,408	\$ 15,599
Expansion	344	-	344
Total	\$ 77,351	\$ 61,408	\$ 15,943
Other underwriting expenses			
Core	\$ 17,072	\$ 14,391	\$ 2,681
Expansion	1,044	476	568
Total	\$ 18,116	\$ 14,867	\$ 3,249
Other underwriting expenses as a percentage of net premiums earned			
Core	22.2%	23.4%	-1.3%
Expansion	303.5%	na	na
Total	23.4%	24.2%	-0.8%

The ratio of Core other underwriting expenses to Core net premiums earned was 22.2% in 2017 compared to 23.4% in 2016, a decrease of 1.3 percentage points.

Our net underwriting expense ratio in 2017 was 36.4% compared with 33.9% in 2016. The following table shows the individual components of our net underwriting expense ratio for the periods indicated:

	Year ended		Percentage Point Change
	December 31,		
	2017	2016	
Ceding commission revenue - provisional	(13.8)	(20.8)	7.0
Ceding commission revenue - contingent	1.0	2.4	(1.4)
Other income	(1.6)	(1.8)	0.2
Acquisition costs and other underwriting expenses:			
Commission expense	27.4	29.9	(2.5)
	13.0	9.7	3.3
Other underwriting expenses			
Core			
Employment costs	9.5	11.1	(1.6)
Other Core Expenses	12.6	12.3	0.3
Total Core Expenses	22.1	23.4	(1.3)
Expansion Expenses	1.3	0.8	0.5
Total other underwriting expenses	23.4	24.2	(0.8)
Net underwriting expense ratio	36.4%	33.9%	2.5

The decrease in our other underwriting expense ratio excluding the impact of ceding commission revenue and commission expense was driven by a decline in the impact from employment costs attributable to our growing Core business, partially offset by the impact from increased costs related to Core and Expansion business.

The overall increase of 2.5 percentage points in the net underwriting expense ratio was impacted by the change in our quota share ceding rates and its impact on provisional ceding commission revenue as a result of the additional retention resulting from the Cut-off to our quota share treaties on July 1, 2017. The increase to the net underwriting expense ratio was impacted more by reductions in the reinsurance ceding commission revenue components than it was to changes in the commission expense and other underwriting expense components, each of which declined as a ratio to net premiums earned.

Other Operating Expenses

Other operating expenses, related to the expenses of our holding company, were \$3,513,000 in 2017 compared to \$1,910,000 in 2016. The increase in 2017 of \$1,603,000, or 83.9%, was primarily due to increases in executive bonus compensation, executive compensation due to annual rate increases and hiring of additional staff, and equity compensation. The increase in executive bonus compensation includes \$945,000 of accrued long-term bonus compensation pursuant to the three year employment agreement effective January 1, 2017 with our Chief Executive Officer. In 2016 there was no long-term bonus compensation plan in place. The bonus is a one-time payment computed at the end of three year period, and the amount accrued in 2017 will only be paid if the three year computation meets the required terms of profitability.

Depreciation and Amortization

Depreciation and amortization was \$1,403,000 in 2017 compared to \$1,125,000 in 2016. The increase of \$278,000, or 24.7%, in depreciation and amortization was primarily due to depreciation of our new system platform for handling business being written in Expansion states. The increase was also impacted by newly purchased assets used to upgrade our systems infrastructure and improvements to the Kingston, New York home office building from which we operate.

Interest Expense

Interest expense in 2017 was \$60,000 and -0- in 2016. We incurred interest expense in connection with our \$30.0 million issuance of long-term debt in December 2017.

Income Tax Expense

Income tax expense in 2017 was \$4,323,000, which resulted in an effective tax rate of 30.2%. Income tax expense in 2016 was \$4,518,000, which resulted in an effective tax rate of 33.7%. Income before taxes was \$14,309,000 in 2017 compared to \$13,418,000 in 2016. On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "Act"), was enacted by the U.S. federal government. The Act provides for significant changes to corporate taxation including the decrease of the corporate tax rate to 21%. We have accounted for the 2017 material impacts of the Act by re-measuring our net deferred tax liabilities at the new 21% enacted tax rate. The impact of the change in tax rate was a decrease in net deferred income tax liabilities of \$405,000 with a corresponding increase in deferred income tax benefit, resulting in reduction of our effective tax rate by 2.8 percentage points in 2017.

Net Income

Net income was \$9,986,000 in 2017 compared to \$8,900,000 in 2016. The increase in net income of \$1,086,000, or 12.2%, was due to the circumstances described above that caused the increase in our net premiums earned, net investment income and other income and a decrease in our net loss ratio, partially offset by a decrease in ceding commission revenue and net realized gains on sales of investments, and increases in other underwriting expenses related to premium growth, other operating expenses, depreciation and amortization, and interest expense.

Additional Financial Information

We operate our business as one segment, property and casualty insurance. Within this segment, we offer a wide array of property and casualty policies to our producers. The following table summarizes gross and net premiums written, net premiums earned, and loss and loss adjustment expenses by major product type, which were determined based primarily on similar economic characteristics and risks of loss.

	Year ended	
	December 31,	
	2017	2016
Gross premiums written:		
Personal lines	\$ 95,993,591	\$ 79,256,251
Commercial lines	14,632,300	12,759,351
Livery physical damage	10,727,707	10,955,785
Other(1)	244,427	249,130
Total	<u>\$ 121,598,025</u>	<u>\$ 103,220,517</u>
Net premiums written:		
Personal lines		
Excluding the effect of quota share adjustments on July 1	\$ 61,756,415	\$ 43,485,866
Return of premiums previously ceded to prior quota share treaties prior quota share treaties	7,140,088	-
Personal lines (2)	68,896,503	43,485,866
Commercial lines	13,038,640	11,413,717
Livery physical damage	10,727,707	10,955,785
Other(1)	206,026	70,819
Total	<u>\$ 92,868,876</u>	<u>\$ 65,926,187</u>
Net premiums earned:		
Personal lines (2)	\$ 53,556,294	\$ 40,325,585
Commercial lines	12,163,104	11,120,890
Livery physical damage	11,441,168	9,783,792
Other(1)	190,457	177,639
Total	<u>\$ 77,351,023</u>	<u>\$ 61,407,906</u>
Net loss and loss adjustment expenses:		
Personal lines	\$ 20,866,628	\$ 16,116,325
Commercial lines	6,368,927	5,408,168
Livery physical damage	4,870,947	4,777,308
Other(1)	(14,686)	(304,404)
Unallocated loss adjustment expenses	2,093,721	1,792,264
Total	<u>\$ 34,185,537</u>	<u>\$ 27,789,661</u>
Net loss ratio:		
Personal lines	39.0%	40.0%
Commercial lines	52.4%	48.6%
Livery physical damage	42.6%	48.8%
Other(1)	-7.7%	-171.4%
Total	44.2%	45.3%

(1) "Other" includes, among other things, premiums and loss and loss adjustment expenses from commercial auto and our participation in a mandatory state joint underwriting association.

(2) See discussions above with regard to "Net Written Premiums and Net Premiums Earned", as to change in quota share ceding rate effective July 1, 2017.

Insurance Underwriting Business on a Standalone Basis

Our insurance underwriting business reported on a standalone basis for the years ended December 31, 2017 and 2016 follows:

	Year ended December 31,	
	2017	2016
Revenues		
Net premiums earned	\$ 77,351,023	\$ 61,407,906
Ceding commission revenue	9,933,133	11,268,241
Net investment income	4,132,586	3,115,583
Net realized gain on investments	84,313	529,448
Other income	1,210,897	1,102,352
Total revenues	92,711,952	77,423,530
Expenses		
Loss and loss adjustment expenses	34,185,537	27,789,661
Commission expense	21,182,254	18,327,190
Other underwriting expenses	18,115,614	14,866,646
Depreciation and amortization	1,402,928	1,123,763
Total expenses	74,886,333	62,107,260
Income from operations	17,825,619	15,316,270
Income tax expense	5,764,191	5,208,772
Net income	\$ 12,061,428	\$ 10,107,498
Key Measures:		
Net loss ratio	44.2%	45.3%
Net underwriting expense ratio	36.4%	33.9%
Net combined ratio	80.6%	79.2%
Reconciliation of net underwriting expense ratio:		
Acquisition costs and other underwriting expenses	\$ 39,297,868	\$ 33,193,836
Less: Ceding commission revenue	(9,933,133)	(11,268,241)
Less: Other income	(1,210,897)	(1,102,352)
Net underwriting expenses	\$ 28,153,838	\$ 20,823,243
Net premiums earned	\$ 77,351,023	\$ 61,407,906
Net Underwriting Expense Ratio	36.4%	33.9%

An analysis of our direct, assumed and ceded earned premiums, loss and loss adjustment expenses, and loss ratios is shown below:

	Direct	Assumed	Ceded	Net
Year ended December 31, 2017				
Written premiums	\$ 121,575,178	\$ 22,847	\$ (28,729,149)	\$ 92,868,876
Change in unearned premiums	(10,662,744)	9,456	(4,864,565)	(15,517,853)
Earned premiums	<u>\$ 110,912,434</u>	<u>\$ 32,303</u>	<u>\$ (33,593,714)</u>	<u>\$ 77,351,023</u>
Loss and loss adjustment expenses excluding the effect of catastrophes	\$ 48,222,147	\$ 30,417	\$ (14,067,027)	\$ 34,185,537
Catastrophe loss	-	-	-	-
Loss and loss adjustment expenses	<u>\$ 48,222,147</u>	<u>\$ 30,417</u>	<u>\$ (14,067,027)</u>	<u>\$ 34,185,537</u>
Loss ratio excluding the effect of catastrophes	43.5%	94.2%	41.9%	44.2%
Catastrophe loss	0.0%	0.0%	0.0%	0.0%
Loss ratio	<u>43.5%</u>	<u>94.2%</u>	<u>41.9%</u>	<u>44.2%</u>
Year ended December 31, 2016				
Written premiums	\$ 103,191,995	\$ 28,522	\$ (37,294,330)	\$ 65,926,187
Change in unearned premiums	(6,110,225)	6,091	1,585,853	(4,518,281)
Earned premiums	<u>\$ 97,081,770</u>	<u>\$ 34,613</u>	<u>\$ (35,708,477)</u>	<u>\$ 61,407,906</u>
Loss and loss adjustment expenses excluding the effect of catastrophes	\$ 37,193,657	\$ 55,257	\$ (10,861,730)	\$ 26,387,184
Catastrophe loss	2,337,461	-	(934,984)	1,402,477
Loss and loss adjustment expenses	<u>\$ 39,531,118</u>	<u>\$ 55,257</u>	<u>\$ (11,796,714)</u>	<u>\$ 27,789,661</u>
Loss ratio excluding the effect of catastrophes	38.3%	159.6%	30.4%	43.0%
Catastrophe loss	2.4%	0.0%	2.6%	2.3%
Loss ratio	<u>40.7%</u>	<u>159.6%</u>	<u>33.0%</u>	<u>45.3%</u>

The key measures for our insurance underwriting business for the years ended December 31, 2017 and 2016 are as follows:

	Year ended	
	December 31,	
	2017	2016
Net premiums earned	\$ 77,351,023	\$ 61,407,906
Ceding commission revenue	9,933,133	11,268,241
Other income	1,210,897	1,102,352
Loss and loss adjustment expenses (1)	34,185,537	27,789,661
Acquisition costs and other underwriting expenses:		
Commission expense	21,182,254	18,327,190
Other underwriting expenses	18,115,614	14,866,646
Total acquisition costs and other underwriting expenses	39,297,868	33,193,836
Underwriting income	\$ 15,011,648	\$ 12,795,002
Key Measures:		
Net loss ratio excluding the effect of catastrophes	44.2%	43.0%
Effect of catastrophe loss on net loss ratio (1) (2)	0.0%	2.3%
Net loss ratio	44.2%	45.3%
Net underwriting expense ratio excluding the effect of catastrophes	36.4%	33.9%
Effect of catastrophe loss on net underwriting expense ratio (2)	0.0%	0.0%
Net underwriting expense ratio	36.4%	33.9%
Net combined ratio excluding the effect of catastrophes	80.6%	76.9%
Effect of catastrophe loss on net combined ratio (1) (2)	0.0%	2.3%
Net combined ratio	80.6%	79.2%
Reconciliation of net underwriting expense ratio:		
Acquisition costs and other underwriting expenses	\$ 39,297,868	\$ 33,193,836
Less: Ceding commission revenue	(9,933,133)	(11,268,241)
Less: Other income	(1,210,897)	(1,102,352)
	\$ 28,153,838	\$ 20,823,243
Net earned premium	\$ 77,351,023	\$ 61,407,906
Net Underwriting Expense Ratio	36.4%	33.9%

(1) For the year ended December 31, 2016, includes the sum of net catastrophe losses and loss adjustment expenses of \$1,402,477 resulting from severe winter weather.

(2) For the year ended December 31, 2016, the effect of catastrophe loss from severe winter weather on our net combined ratio includes the direct effects of loss and loss adjustment expenses and there were no indirect effects in other underwriting expenses.

Investments**Portfolio Summary**

The following table presents a breakdown of the amortized cost, aggregate fair value and unrealized gains and losses by investment type as of December 31, 2017 and 2016:

Available-for-Sale Securities

Category	December 31, 2017					
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses		Fair Value	% of Fair Value
			Less than 12 Months	More than 12 Months		
Political subdivisions of States, Territories and Possessions	\$ 11,096,122	\$ 250,135	\$ (30,814)	\$ -	\$ 11,315,443	8.4%
Corporate and other bonds						
Industrial and miscellaneous	87,562,631	1,189,207	(269,857)	(340,516)	88,141,465	65.7%
Residential mortgage and other asset backed securities (1)	20,463,353	305,499	(48,482)	(189,022)	20,531,348	15.3%
Total fixed-maturity securities	119,122,106	1,744,841	(349,153)	(529,538)	119,988,256	89.4%
Equity Securities	13,761,841	902,117	(242,518)	(135,242)	14,286,198	10.6%
Total	<u>\$132,883,947</u>	<u>\$ 2,646,958</u>	<u>\$ (591,671)</u>	<u>\$ (664,780)</u>	<u>\$134,274,454</u>	<u>100.0%</u>

(1) In 2017, KICO placed certain residential mortgage backed securities as eligible collateral in a designated custodian account related to its relationship with the Federal Home Loan Bank of New York ("FHLBNY"). The eligible collateral would be pledged to FHLBNY if KICO draws an advance from FHLBNY. As of December 31, 2017, the fair value of the eligible investments was \$6,702,538. KICO will retain all rights regarding all securities if pledged as collateral. As of December 31, 2017, there were no outstanding advances.

Category	December 31, 2016					
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses		Fair Value	% of Fair Value
			Less than 12 Months	More than 12 Months		
Political subdivisions of States, Territories and Possessions	\$ 8,053,449	\$ 199,028	\$ (46,589)	\$ -	\$ 8,205,888	9.1%
Corporate and other bonds						
Industrial and miscellaneous	53,728,395	600,519	(638,113)	(5,612)	53,685,189	59.4%
Residential mortgage backed securities	18,814,784	70,682	(309,273)	(38,442)	18,537,751	20.5%
Total fixed-maturity securities	80,596,628	870,229	(993,975)	(44,054)	80,428,828	89.0%
Equity Securities	9,709,385	701,641	(255,301)	(168,039)	9,987,686	11.0%
Total	<u>\$ 90,306,013</u>	<u>\$ 1,571,870</u>	<u>\$ (1,249,276)</u>	<u>\$ (212,093)</u>	<u>\$ 90,416,514</u>	<u>100.0%</u>

Held-to-Maturity Securities

Category	December 31, 2017					
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses		Fair Value	% of Fair Value
			Less than 12 Months	More than 12 Months		
U.S. Treasury securities	\$ 729,466	\$ 147,573	\$ (1,729)	\$ -	\$ 875,310	17.0%
Political subdivisions of States, Territories and Possessions	998,984	50,366	-	-	1,049,350	20.4%
Corporate and other bonds						
Industrial and miscellaneous	3,141,358	90,358	-	(6,300)	3,225,416	62.6%
Total	\$ 4,869,808	\$ 288,297	\$ (1,729)	\$ (6,300)	\$ 5,150,076	100.0%

Category	December 31, 2016					
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses		Fair Value	% of Fair Value
			Less than 12 Months	More than 12 Months		
U.S. Treasury securities	\$ 606,427	\$ 147,612	\$ -	\$ -	\$ 754,039	14.2%
Political subdivisions of States, Territories and Possessions	1,349,916	37,321	-	-	1,387,237	26.2%
Corporate and other bonds						
Industrial and miscellaneous	3,138,559	72,784	(7,619)	(46,881)	3,156,843	59.6%
Total	\$ 5,094,902	\$ 257,717	\$ (7,619)	\$ (46,881)	\$ 5,298,119	100.0%

Held-to-maturity U.S. Treasury securities are held in trust pursuant to various states' minimum fund requirements.

A summary of the amortized cost and fair value of our investments in held-to-maturity securities by contractual maturity as of December 31, 2017 and 2016 is shown below:

Remaining Time to Maturity	December 31, 2017		December 31, 2016	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	Less than one year	\$ -	\$ -	\$ -
One to five years	2,546,459	2,601,898	650,000	642,455
Five to ten years	1,716,884	1,794,139	3,838,475	3,901,625
More than ten years	606,465	754,039	606,427	754,039
Total	\$ 4,869,808	\$ 5,150,076	\$ 5,094,902	\$ 5,298,119

Credit Rating of Fixed-Maturity Securities

The table below summarizes the credit quality of our available-for-sale fixed-maturity securities as of December 31, 2017 and 2016 as rated by Standard and Poor's (or, if unavailable from Standard and Poor's, then Moody's or Fitch):

Rating	December 31, 2017		December 31, 2016	
	Fair Market Value	Percentage of Fair Market Value	Fair Market Value	Percentage of Fair Market Value
U.S. Treasury securities	\$ -	0.0%	\$ -	0.0%
Corporate and municipal bonds				
AAA	1,358,143	1.1%	1,801,106	2.2%
AA	11,319,057	9.4%	7,236,457	9.0%
A	17,199,631	14.3%	13,944,784	17.3%
BBB	68,704,768	57.3%	38,908,731	48.4%
BB	875,310	0.7%	-	0.0%
Total corporate and municipal bonds	99,456,909	82.8%	61,891,078	76.9%
Residential mortgage backed securities				
AAA	2,013,010	1.7%	-	0.0%
AA	11,021,144	9.2%	14,143,828	17.7%
A	3,902,768	3.3%	173,973	0.2%
CCC	1,420,296	1.2%	513,369	0.6%
CC	120,742	0.1%	-	0.0%
C	28,963	0.0%	112,136	0.1%
D	1,659,479	1.4%	3,594,444	4.5%
Non rated	364,945	0.3%	-	0.0%
Total residential mortgage backed securities	20,531,347	17.2%	18,537,750	23.1%
Total	\$ 119,988,256	100.0%	\$ 80,428,828	100.0%

The table below details the average yield by type of fixed-maturity security as of December 31, 2017 and 2016:

Category	December 31, 2017	December 31, 2016
U.S. Treasury securities and obligations of U.S. government corporations and agencies	3.32%	3.44%
Political subdivisions of States, Territories and Possessions	3.49%	3.87%
Corporate and other bonds		
Industrial and miscellaneous	3.98%	3.86%
Residential mortgage backed securities	1.83%	3.83%
Total	3.58%	3.85%

The table below lists the weighted average maturity and effective duration in years on our fixed-maturity securities as of December 31, 2017 and 2016:

	December 31, 2017	December 31, 2016
Weighted average effective maturity	5.7	5.0
Weighted average final maturity	7.8	8.3
Effective duration	4.9	4.4

Fair Value Consideration

As disclosed in Note 4 to the Consolidated Financial Statements, with respect to “Fair Value Measurements,” we define fair value as the price that would be received to sell an asset or paid to transfer a liability in a transaction involving identical or comparable assets or liabilities between market participants (an “exit price”). The fair value hierarchy distinguishes between inputs based on market data from independent sources (“observable inputs”) and a reporting entity’s internal assumptions based upon the best information available when external market data is limited or unavailable (“unobservable inputs”). The fair value hierarchy prioritizes fair value measurements into three levels based on the nature of the inputs. Quoted prices in active markets for identical assets have the highest priority (“Level 1”), followed by observable inputs other than quoted prices including prices for similar but not identical assets or liabilities (“Level 2”), and unobservable inputs, including the reporting entity’s estimates of the assumption that market participants would use, having the lowest priority (“Level 3”). As of December 31, 2017 and December 31, 2016, 73% and 65%, respectively, of the investment portfolio recorded at fair value was priced based upon quoted market prices.

As more fully described in Note 3 to our Consolidated Financial Statements, “Investments—Impairment Review,” we completed a detailed review of all our securities in a continuous loss position as of December 31, 2017 and December 31, 2016. In December, 2017, we disposed of one of our held-to-maturity debt securities that was previously included in OTTI; the bond was issued by the Commonwealth of Puerto Rico (“PR”). In July 2016, PR defaulted on its interest payment to bondholders. Due to the credit deterioration of PR, we recorded our first credit loss component of OTTI on this investment as of June 30, 2016. As of December 31, 2016, the full amount of the write-down was recognized as a credit component of OTTI in the amount of \$69,911. In September 2017, Hurricane Maria significantly affected Puerto Rico. The impact of this event further contributed to the credit deterioration of PR and, as a result, we recorded an additional credit loss component of OTTI on this investment for the amount of \$50,000 during the quarter ended September 30, 2017. The total of the two OTTI write-downs of this investment as of December 31, 2017 was \$119,911. We determined that none of the other unrealized losses were deemed to be OTTI for our portfolio of fixed-maturity investments and equity securities for the years ended December 31, 2017 and 2016. Significant factors influencing our determination that unrealized losses were temporary included the magnitude of the unrealized losses in relation to each security’s cost, the nature of the investment and management’s intent and ability to retain the investment for a period of time sufficient to allow for an anticipated recovery of fair value to our cost basis.

The table below summarizes the gross unrealized losses of our fixed-maturity securities available-for-sale and equity securities by length of time the security has continuously been in an unrealized loss position as of December 31, 2017 and 2016:

Category	December 31, 2017							
	Less than 12 months			12 months or more			Total	
	Fair Value	Unrealized Losses	No. of Positions Held	Fair Value	Unrealized Losses	No. of Positions Held	Aggregate Fair Value	Unrealized Losses
Fixed-Maturity Securities:								
Political subdivisions of States, Territories and Possessions	\$ 1,549,839	\$ (30,814)	4	\$ -	\$ -	-	\$ 1,549,839	\$ (30,814)
Corporate and other bonds industrial and miscellaneous	15,036,462	(269,857)	20	9,113,924	(340,516)	17	24,150,386	(610,373)
Residential mortgage and other asset backed securities	6,956,371	(48,482)	6	7,867,572	(189,022)	15	14,823,943	(237,504)
Total fixed-maturity securities	\$ 23,542,672	\$ (349,153)	30	\$ 16,981,496	\$ (529,538)	32	\$ 40,524,168	\$ (878,691)
Equity Securities:								
Preferred stocks	\$ 1,605,217	\$ (20,313)	5	\$ 1,776,675	\$ (120,712)	3	\$ 3,381,892	\$ (141,025)
Common stocks and exchange traded mutual funds	1,446,375	(222,205)	4	124,900	(14,530)	1	1,571,275	(236,735)
Total equity securities	\$ 3,051,592	\$ (242,518)	9	\$ 1,901,575	\$ (135,242)	4	\$ 4,953,167	\$ (377,760)
Total	\$ 26,594,264	\$ (591,671)	39	\$ 18,883,071	\$ (664,780)	36	\$ 45,477,335	\$ (1,256,451)

Category	December 31, 2016							
	Less than 12 months			12 months or more			Total	
	Fair Value	Unrealized Losses	No. of Positions Held	Fair Value	Unrealized Losses	No. of Positions Held	Aggregate Fair Value	Unrealized Losses
Fixed-Maturity Securities:								
Political subdivisions of States, Territories and Possessions	\$ 1,067,574	\$ (46,589)	3	\$ -	\$ -	-	\$ 1,067,574	\$ (46,589)
Corporate and other bonds industrial and miscellaneous	19,859,293	(638,113)	34	239,970	(5,612)	1	20,099,263	(643,725)
Residential mortgage backed securities	15,918,090	(309,273)	30	675,316	(38,442)	6	16,593,406	(347,715)
Total fixed-maturity securities	\$ 36,844,957	\$ (993,975)	67	\$ 915,286	\$ (44,054)	7	\$ 37,760,243	\$ (1,038,029)
Equity Securities:								
Preferred stocks	\$ 3,759,850	\$ (241,333)	8	\$ 660,750	\$ (70,571)	1	\$ 4,420,600	\$ (311,904)
Common stocks and exchange traded mutual funds	288,075	(13,968)	1	424,550	(97,468)	1	712,625	(111,436)
Total equity securities	\$ 4,047,925	\$ (255,301)	9	\$ 1,085,300	\$ (168,039)	2	\$ 5,133,225	\$ (423,340)
Total	\$ 40,892,882	\$ (1,249,276)	76	\$ 2,000,586	\$ (212,093)	9	\$ 42,893,468	\$ (1,461,369)

There were 75 securities at December 31, 2017 that accounted for the gross unrealized loss, none of which were deemed by us to be other than temporarily impaired. There were 85 securities at December 31, 2016 that accounted for the gross unrealized loss, none of which were deemed by us to be other than temporarily impaired. Significant factors influencing our determination that unrealized losses were temporary included the magnitude of the unrealized losses in relation to each security's cost, the nature of the investment and management's intent not to sell these securities and it being not more likely than not that we will be required to sell these investments before anticipated recovery of fair value to our cost basis.

Liquidity and Capital Resources

Cash Flows

The primary sources of cash flow are from our insurance underwriting subsidiary, KICO, and include direct premiums written, ceding commissions from our quota share reinsurers, loss recovery payments from our reinsurers, investment income and proceeds from the sale or maturity of investments. Funds are used by KICO for ceded premium payments to reinsurers, which are paid on a net basis after subtracting losses paid on reinsured claims and reinsurance commissions. KICO also uses funds for loss payments and loss adjustment expenses on our net business, commissions to producers, salaries and other underwriting expenses as well as to purchase investments and fixed assets.

On January 31, 2017, we closed on an underwritten public offering of 2,500,000 shares of our common stock. On February 14, 2017, we closed on the underwriters' purchase option for an additional 192,500 shares of our common stock. The public offering price for the 2,692,500 shares sold was \$12.00 per share. The aggregate net proceeds to us were approximately \$30,137,000. On March 1, 2017, we used \$23,000,000 of the net proceeds of the offering to contribute capital to KICO, to support its ratings upgrade plan and additional growth. The remainder of the net proceeds will be used for general corporate purposes.

On December 19, 2017, we issued \$30 million of our 5.50% Senior Unsecured Notes due December 30, 2022 pursuant to an underwritten public offering. The net proceeds to us were approximately \$29,121,000. On December 20, 2017, we used \$25,000,000 of the net proceeds from the debt offering to contribute capital to KICO, to support additional growth. The remainder of the net proceeds will be used for general corporate purposes. Interest will be payable semi-annually in arrears on June 30 and December 30 of each year, beginning on June 30 2018 at the rate of 5.50% per year from December 19, 2017.

For the year ended December 31, 2017, the primary source of cash flow for our holding company were the proceeds from the public offerings discussed above and the dividends received from KICO, subject to statutory restrictions. For the year ended December 31, 2017, KICO paid dividends of \$2,900,000 to us.

KICO is a member of the Federal Home Loan Bank of New York (“FHLBNY”), which provides additional access to liquidity. Members have access to a variety of flexible, low cost funding through FHLBNY’s credit products, enabling members to customize advances. Advances are to be fully collateralized; eligible collateral to pledge to FHLBNY includes residential and commercial mortgage backed securities, along with U.S. Treasury and agency securities. See Note 3 to our Consolidated Financial Statements, – “Investments”, for eligible collateral held in a designated custodian account available for future advances. Advances are limited to 5% of KICO’s net admitted assets as of December 31, 2017 and are due and payable within one year of borrowing. The maximum allowable advance as of December 31, 2017 was approximately \$9,849,000. Advances are limited to the amount of available collateral, which was approximately \$6,703,000 as of December 31, 2017. There were no borrowings under this facility during the year ended December 31, 2017.

If the aforementioned sources of cash flow currently available are insufficient to cover our holding company cash requirements, we will seek to obtain additional financing.

Our reconciliation of net income to net cash provided by operations is generally influenced by the collection of premiums in advance of paid losses, the timing of reinsurance, issuing company settlements and loss payments.

Cash flow and liquidity are categorized into three sources: (1) operating activities; (2) investing activities; and (3) financing activities, which are shown in the following table:

<i>Years Ended December 31,</i>	2017	2016
Cash flows provided by (used in):		
Operating activities	\$ 28,046,140	\$ 15,201,025
Investing activities	(47,626,330)	(19,515,843)
Financing activities	55,917,303	2,807,966
Net increase (decrease) in cash and cash equivalents	36,337,113	(1,506,852)
Cash and cash equivalents, beginning of period	12,044,520	13,551,372
Cash and cash equivalents, end of period	\$ 48,381,633	\$ 12,044,520

Net cash provided by operating activities was \$28,046,000 in 2017 as compared to \$15,201,000 provided in 2016. The \$12,845,000 increase in cash flows provided by operating activities in 2017 was primarily a result of an increase in cash arising from net fluctuations in assets and liabilities relating to operating activities of KICO as affected by the growth in its operations which are described above, and by an increase in net income (adjusted for non-cash items) of \$2,369,000.

Net cash used in investing activities was \$47,626,000 in 2017 compared to \$19,516,000 used in 2016. The \$28,110,000 increase in cash used in investing activities is the result of a \$14,028,000 increase in acquisitions of invested assets, a \$9,584,000 decrease in sales or maturities of invested assets and a \$2,248,000 increase in the amount of fixed asset acquisitions in 2017.

Net cash provided by financing activities was \$55,917,000 in 2017 compared to \$2,808,000 provided in 2016. The \$53,109,000 increase in net cash provided by financing activities is the result of the \$30,137,000 net proceeds we received from the public offering of our common stock in January/February 2017 and the \$29,122,000 net proceeds we received from the issuance of long-term debt pursuant to the public offering in December 2017, offset partially by the \$4,808,000 net proceeds we received from the private placement of our common stock in April 2016 and a \$1,273,000 increase in dividends paid due to an increase in the shares outstanding and dividend paid per share.

Reinsurance

The following table provides summary information with respect to each reinsurer that accounted for more than 10% of our reinsurance recoverables on paid and unpaid losses and loss adjustment expenses as of December 31, 2017:

(\$ in thousands)	A.M. Best Rating	Amount Recoverable as of December 31, 2017	%
Maiden Reinsurance Company	A-	\$ 9,128	47.3%
Swiss Reinsurance America Corporation	A+	4,899	25.4%
		<u>14,027</u>	<u>72.7%</u>
Others		5,255	27.3%
Total		<u>\$ 19,282</u>	<u>100.0%</u>

Reinsurance recoverable from Maiden Reinsurance Company and Motors Insurance Corporation (included in Others) are secured pursuant to collateralized trust agreements. Assets held in the two trusts are not included in our invested assets and investment income earned on these assets is credited to the two reinsurers respectively.

Our quota share reinsurance treaties are on a July 1 through June 30 fiscal year basis; therefore, for year to date fiscal periods after June 30, two separate treaties will be included in such periods.

Our quota share reinsurance treaty in effect for 2017 for our personal lines business, which primarily consists of homeowners policies, was covered under the 2016/2017 Treaty and the 2017/2019 Treaty. Our quota share reinsurance treaty in effect for 2016 for our personal lines business, which primarily consists of homeowners policies, was covered under the 2015/2016 Treaty and 2016/2017 Treaty.

In March 2017, we bound our personal lines quota share reinsurance treaty effective July 1, 2017. The treaty provides for a reduction in the quota share ceding rate to 20%, from the 40% in the 2016/2017 Treaty, and an increase in the provisional ceding commission rate to 53%, from the 52% in the 2016/2017 Treaty. The new treaty covers a two year period from July 1, 2017 through June 30, 2019 ("2017/2019 Treaty").

Our 2015/2016 Treaty, 2016/2017 Treaty, and 2017/2019 Treaty provide for the following material terms:

Line of Business	Treaty Year		
	July 1, 2017 to June 30, 2018	July 1, 2016 to June 30, 2017	July 1, 2015 to June 30, 2016
Personal Lines:			
Homeowners, dwelling fire and canine legal liability			
Quota share treaty:			
Percent ceded	20%	40%	40%
Risk retained	\$ 800,000	\$ 500,000	\$ 450,000
Losses per occurrence subject to quota share reinsurance coverage	\$ 1,000,000	\$ 833,333	\$ 750,000
Excess of loss coverage and facultative facility above quota share coverage (1)	\$ 9,000,000	\$ 3,666,667	\$ 3,750,000
	in excess of	in excess of	in excess of
	\$ 1,000,000	\$ 833,333	\$ 750,000
Total reinsurance coverage per occurrence	\$ 9,200,000	\$ 4,000,000	\$ 4,050,000
Losses per occurrence subject to reinsurance coverage	\$ 10,000,000	\$ 4,500,000	\$ 4,500,000
Expiration date	June 30, 2019	June 30, 2017	June 30, 2016
Personal Umbrella			
Quota share treaty:			
Percent ceded - first \$1,000,000 of coverage	90%	90%	90%
Percent ceded - excess of \$1,000,000 dollars of coverage	100%	100%	100%
Risk retained	\$ 100,000	\$ 100,000	\$ 100,000
Total reinsurance coverage per occurrence	\$ 4,900,000	\$ 4,900,000	\$ 2,900,000
Losses per occurrence subject to quota share reinsurance coverage	\$ 5,000,000	\$ 5,000,000	\$ 3,000,000
Expiration date	June 30, 2018	June 30, 2017	June 30, 2016
Commercial Lines:			
General liability commercial policies, except for commercial auto			
Quota share treaty:			
Percent ceded	None	None	None
Risk retained	\$ 750,000	\$ 500,000	\$ 425,000
Losses per occurrence subject to quota share reinsurance coverage	None	None	None
Excess of loss coverage above quota share coverage	\$ 3,750,000	\$ 4,000,000	\$ 4,075,000
	in excess of	in excess of	in excess of
	\$ 750,000	\$ 500,000	\$ 425,000
Total reinsurance coverage per occurrence	\$ 3,750,000	\$ 4,000,000	\$ 4,075,000
Losses per occurrence subject to reinsurance coverage	\$ 4,500,000	\$ 4,500,000	\$ 4,500,000
Commercial Umbrella			
Quota share treaty:			
Percent ceded - first \$1,000,000 of coverage	90%	90%	
Percent ceded - excess of \$1,000,000 of coverage	100%	100%	
Risk retained	\$ 100,000	\$ 100,000	
Total reinsurance coverage per occurrence	\$ 4,900,000	\$ 4,900,000	
Losses per occurrence subject to quota share reinsurance coverage	\$ 5,000,000	\$ 5,000,000	
Expiration date	June 30, 2018	June 30, 2017	
Commercial Auto:			
Risk retained			\$ 300,000
Excess of loss coverage in excess of risk retained			\$ 1,700,000
			in excess of
			\$ 300,000
Catastrophe Reinsurance:			
Initial loss subject to personal lines quota share treaty	\$ 5,000,000	\$ 5,000,000	\$ 4,000,000
Risk retained per catastrophe occurrence (2)	\$ 4,000,000	\$ 3,000,000	\$ 2,400,000
Catastrophe loss coverage in excess of quota share coverage (3) (4)	\$ 315,000,000	\$ 247,000,000	\$ 176,000,000
Severe winter weather aggregate (4)	No	No	Yes
Reinstatement premium protection (5)	Yes	Yes	Yes

- (1) For personal lines, the 2017/2019 Treaty includes the addition of an automatic facultative facility allowing KICO to obtain homeowners single risk coverage up to \$10,000,000 in total insured value, which covers direct losses from \$3,500,000 to \$10,000,000.
- (2) Plus losses in excess of catastrophe coverage.
- (3) Catastrophe coverage is limited on an annual basis to two times the per occurrence amounts. Effective July 1, 2016, the duration of a catastrophe occurrence from windstorm, hail, tornado, hurricane and cyclone was extended to 168 consecutive hours from 120 consecutive hours.
- (4) From July 1, 2015 through June 30, 2016, catastrophe treaty also covered losses caused by severe winter weather during any consecutive 28 day period.
- (5) Effective July 1, 2015, reinstatement premium protection for \$16,000,000 of catastrophe coverage in excess of \$4,000,000. Effective July 1, 2016, reinstatement premium protection for \$20,000,000 of catastrophe coverage in excess of \$5,000,000. Effective July 1, 2017, reinstatement premium protection for \$145,000,000 of catastrophe coverage in excess of \$5,000,000.

The single maximum risks per occurrence to which we are subject under the new treaties effective July 1, 2017 are as follows:

Treaty	July 1, 2017 - June 30, 2018	
	Range of Loss	Risk Retained
Personal Lines (1)	Initial \$1,000,000	\$800,000
	\$1,000,000 - \$10,000,000	None(2)
	Over \$10,000,000	100%
Personal Umbrella	Initial \$1,000,000	\$100,000
	\$1,000,000 - \$5,000,000	None
	Over \$5,000,000	100%
Commercial Lines	Initial \$750,000	\$750,000
	\$750,000 - \$4,500,000	None(3)
	Over \$4,500,000	100%
Commercial Umbrella	Initial \$1,000,000	\$100,000
	\$1,000,000 - \$5,000,000	None
	Over \$5,000,000	100%
Catastrophe (4)	Initial \$5,000,000	\$4,000,000
	\$5,000,000 - \$320,000,000	None
	Over \$320,000,000	100%

- (1) Two year treaty with expiration date of June 30, 2019.
- (2) Covered by excess of loss treaties up to \$3,500,000 and by facultative facility from \$3,500,000 to \$10,000,000.
- (3) Covered by excess of loss treaties.
- (4) Catastrophe coverage is limited on an annual basis to two times the per occurrence amounts.

The single maximum risks per occurrence to which we are subject under the treaties that expired on June 30, 2017 and 2016 are as follows:

Treaty	July 1, 2016 - June 30, 2017		July 1, 2015 - June 30, 2016	
	Range of Loss	Risk Retained	Range of Loss	Risk Retained
Personal Lines	Initial \$833,333	\$500,000	Initial \$750,000	\$450,000
	\$833,333 - \$4,500,000	None(1)	\$750,000 - \$4,500,000	None(1)
	Over \$4,500,000	100%	Over \$4,500,000	100%
Personal Umbrella	Initial \$1,000,000	\$100,000	Initial \$1,000,000	\$100,000
	\$1,000,000 - \$5,000,000	None	\$1,000,000 - \$3,000,000	None
	Over \$5,000,000	100%	Over \$3,000,000	100%
Commercial Lines	Initial \$500,000	\$500,000	Initial \$425,000	\$425,000
	\$500,000 - \$4,500,000	None(1)	\$425,000 - \$4,500,000	None(1)
	Over \$4,500,000	100%	Over \$4,500,000	100%
Commercial Umbrella	Initial \$1,000,000	\$100,000		
	\$1,000,000 - \$5,000,000	None		
	Over \$5,000,000	100%		
Catastrophe (2)	Initial \$5,000,000	\$3,000,000	Initial \$4,000,000	\$2,400,000
	\$5,000,000 - \$252,000,000	None	\$4,000,000 - \$180,000,000	None
	Over \$252,000,000	100%	Over \$180,000,000	100%

(1) Covered by excess of loss treaties.

(2) Catastrophe coverage is limited on an annual basis to two times the per occurrence amounts.

Inflation

Premiums are established before we know the amount of losses and loss adjustment expenses or the extent to which inflation may affect such amounts. We attempt to anticipate the potential impact of inflation in establishing our reserves, especially as it relates to medical and hospital rates where historical inflation rates have exceeded the general level of inflation. Inflation in excess of the levels we have assumed could cause loss and loss adjustment expenses to be higher than we anticipated, which would require us to increase reserves and reduce earnings.

Fluctuations in rates of inflation also influence interest rates, which in turn impact the market value of our investment portfolio and yields on new investments. Operating expenses, including salaries and benefits, generally are impacted by inflation.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, or liquidity that are material to investors.

Factors That May Affect Future Results and Financial Condition

Based upon the following factors, as well as other factors affecting our operating results and financial condition, past financial performance should not be considered to be a reliable indicator of future performance, and investors should not use historical trends to anticipate results or trends in future periods. These factors, among others, may affect the accuracy of certain forward-looking statements contained in this Annual Report.

Risks Related to Our Business

As a property and casualty insurer, we may face significant losses from catastrophes and severe weather events.

Because of the exposure of our property and casualty business to catastrophic events (such as Superstorm Sandy) and other severe weather events, our operating results and financial condition may vary significantly from one period to the next. Catastrophes can be caused by various natural and man-made disasters, including earthquakes, wildfires, tornadoes, hurricanes, severe winter weather, storms and certain types of terrorism. We have catastrophe reinsurance coverage with regard to losses of up to \$320,000,000. The initial \$5,000,000 of losses in a catastrophe are subject to a 20% quota share reinsurance treaty, such that we retain \$4,000,000 of risk per catastrophe occurrence. With respect to any additional catastrophe losses of up to \$315,000,000, we are 100% reinsured under our catastrophe reinsurance program. Catastrophe coverage is limited on an annual basis to two times the per occurrence amounts. We may incur catastrophe losses in excess of: (i) those that we project would be incurred, (ii) those that external modeling firms estimate would be incurred, (iii) the average expected level used in pricing or (iv) our current reinsurance coverage limits. Despite our catastrophe management programs, we are exposed to catastrophes that could have a material adverse effect on our operating results and financial condition. Our liquidity could be constrained by a catastrophe, or multiple catastrophes, which may result in extraordinary losses or a downgrade of our financial strength ratings. In addition, the reinsurance losses that are incurred in connection with a catastrophe could have an adverse impact on the terms and conditions of future reinsurance treaties.

In addition, we are subject to claims arising from non-catastrophic weather events such as hurricanes, tropical storms, severe winter weather, rain, hail and high winds. The incidence and severity of weather conditions are largely unpredictable. There is generally an increase in the frequency and severity of claims when severe weather conditions occur.

Unanticipated increases in the severity or frequency of claims may adversely affect our operating results and financial condition.

Changes in the severity or frequency of claims may affect our profitability. Changes in homeowners claim severity are driven by inflation in the construction industry, in building materials and home furnishings, and by other economic and environmental factors, including increased demand for services and supplies in areas affected by catastrophes. Changes in bodily injury claim severity are driven primarily by inflation in the medical sector of the economy and by litigation costs. Changes in auto physical damage claim severity are driven primarily by inflation in auto repair costs, prices of auto parts and used car prices. However, changes in the level of the severity of claims are not limited to the effects of inflation and demand surge in these various sectors of the economy. Increases in claim severity can arise from unexpected events that are inherently difficult to predict, such as a change in the law or an inability to enforce exclusions and limitations contained in our policies. Although we pursue various loss management initiatives to mitigate future increases in claim severity, there can be no assurances that these initiatives will successfully identify or reduce the effect of future increases in claim severity, and a significant increase in claim frequency could have an adverse effect on our operating results and financial condition.

A downgrade in our financial strength rating from A.M. Best may have a material adverse effect on our competitive position, the marketability of our product offerings, and our liquidity, operating results and financial condition.

In April 2017, A.M. Best upgraded the financial strength rating of KICO to A- (Excellent) from B++ (Good). Financial strength ratings are important factors in establishing the competitive position of insurance companies and generally have an effect on an insurance company's business. Many insurance buyers, agents, brokers and secured lenders use the ratings assigned by A.M. Best and other agencies to assist them in assessing the financial strength and overall quality of the companies with which they do business or from which they are considering purchasing insurance or in determining the financial strength of the company that provides insurance with respect to the collateral they hold. A.M. Best ratings are derived from an in-depth evaluation of an insurance company's balance sheet strengths, operating performances and business profiles. A.M. Best evaluates, among other factors, the company's capitalization, underwriting leverage, financial leverage, asset leverage, capital structure, quality and appropriateness of reinsurance, adequacy of reserves, quality and diversification of assets, liquidity, profitability, spread of risk, revenue composition, market position, management, market risk and event risk. On an ongoing basis, rating agencies such as A.M. Best review the financial performance and condition of insurers and can downgrade or change the outlook on an insurer's ratings due to, for example, a change in an insurer's statutory capital, a reduced confidence in management or a host of other considerations that may or may not be under the insurer's control. All ratings are subject to continuous review; therefore, the retention of these ratings cannot be assured. A downgrade in our financial strength rating from A.M. Best could have a material adverse effect on our competitiveness, the marketability of our product offerings and our ability to grow in the marketplace.

Adverse capital and credit market conditions may significantly affect our ability to meet liquidity needs or our ability to obtain credit on acceptable terms.

The capital and credit markets can experience periods of volatility and disruption. In some cases, markets have exerted downward pressure on the availability of liquidity and credit capacity. In the event that we need access to additional capital to support our operating expenses, make payments on our outstanding and any future indebtedness, pay for capital expenditures, or increase the amount of insurance that we seek to underwrite or to otherwise grow our business, our ability to obtain such capital may be limited and the cost of any such capital may be significant. Our access to additional financing will depend on a variety of factors, such as market conditions, the general availability of credit, the overall availability of credit to our industry, our credit ratings and credit capacity as well as lenders' perception of our long or short-term financial prospects. Similarly, our access to funds may be impaired if regulatory authorities or rating agencies take negative actions against us. If a combination of these factors occurs, our internal sources of liquidity may prove to be insufficient and, in such case, we may not be able to successfully obtain additional financing on favorable terms.

We are exposed to significant financial and capital markets risk which may adversely affect our results of operations, financial condition and liquidity, and our net investment income can vary from period to period.

We are exposed to significant financial and capital markets risk, including changes in interest rates, equity prices, market volatility, general economic conditions, the performance of the economy in general, the performance of the specific obligors included in our portfolio, and other factors outside our control. Our exposure to interest rate risk relates primarily to the market price and cash flow variability associated with changes in interest rates. Our investment portfolio contains interest rate sensitive instruments, such as fixed income securities, which may be adversely affected by changes in interest rates from governmental monetary policies, domestic and international economic and political conditions and other factors beyond our control. A rise in interest rates would increase the net unrealized loss position of our investment portfolio, which would be offset by our ability to earn higher rates of return on funds reinvested. Conversely, a decline in interest rates would decrease the net unrealized loss position of our investment portfolio, which would be offset by lower rates of return on funds reinvested.

In addition, market volatility can make it difficult to value certain of our securities if trading becomes less frequent. As such, valuations may include assumptions or estimates that may have significant period to period changes which could have a material adverse effect on our consolidated results of operations or financial condition. If significant, continued volatility, changes in interest rates, changes in defaults, a lack of pricing transparency, market liquidity and declines in equity prices, individually or in tandem, could have a material adverse effect on our results of operations, financial condition or cash flows through realized losses, impairments, and changes in unrealized positions.

Reinsurance may be unavailable at current levels and prices, which may limit our ability to write new business or maintain our financial strength rating from A.M. Best.

We purchase reinsurance to reduce our net liability on individual risks, to protect against possible catastrophes, to remain within a target ratio of net premiums written to policyholders' surplus and to expand our underwriting capacity. Participation in reinsurance arrangements does not relieve us from our obligations to policyholders. Our personal lines catastrophe reinsurance program was designed, utilizing our risk management methodology, to address our exposure to catastrophes. Market conditions beyond our control impact the availability and cost of the reinsurance we purchase. No assurances can be given that reinsurance will remain continuously available to us to the same extent and on the same terms and rates as currently available. For example, our ability to afford reinsurance to reduce our catastrophe risk may be dependent upon our ability to adjust premium rates for its cost, and there are no assurances that the terms and rates for our current reinsurance program will continue to be available in the future. If we are unable to maintain our current level of reinsurance or purchase new reinsurance protection in amounts that we consider sufficient and at prices that we consider acceptable, we will have to either accept an increase in our exposure risk, reduce our insurance writings or seek other alternatives. Our ability to maintain our financial strength rating from A.M. Best depends, in part, on our ability to purchase a sufficient level of catastrophe reinsurance.

Reinsurance subjects us to the credit risk of our reinsurers, which may have a material adverse effect on our operating results and financial condition.

The collectability of reinsurance recoverables is subject to uncertainty arising from a number of factors, including changes in market conditions, whether insured losses meet the qualifying conditions of the reinsurance contract and whether reinsurers, or their affiliates, have the financial capacity and willingness to make payments under the terms of a reinsurance treaty or contract. Since we are primarily liable to an insured for the full amount of insurance coverage, our inability to collect a material recovery from a reinsurer could have a material adverse effect on our operating results and financial condition.

Applicable insurance laws regarding the change of control of our company may impede potential acquisitions that our shareholders might consider to be desirable.

We are subject to statutes and regulations of the state of New York which generally require that any person or entity desiring to acquire direct or indirect control of KICO, our insurance company subsidiary, obtain prior regulatory approval. In addition, a change of control of Kingstone Companies, Inc. would require such approval. These laws may discourage potential acquisition proposals and may delay, deter or prevent a change of control of our company, including through transactions, and in particular unsolicited transactions. Some of our shareholders might consider such transactions to be desirable. Similar regulations may apply in other states in which we may operate.

The insurance industry is subject to extensive regulation that may affect our operating costs and limit the growth of our business, and changes within this regulatory environment may adversely affect our operating costs and limit the growth of our business.

We are subject to extensive laws and regulations. State insurance regulators are charged with protecting policyholders and have broad regulatory, supervisory and administrative powers over our business practices. These include, among other things, the power to grant and revoke licenses to transact business and the power to regulate and approve underwriting practices and rate changes, which may delay the implementation of premium rate changes, prevent us from making changes we believe are necessary to match rate to risk or delay or prevent our entry into new states. In addition, many states have laws and regulations that limit an insurer's ability to cancel or not renew policies and that prohibit an insurer from withdrawing from one or more lines of business written in the state, except pursuant to a plan that is approved by state regulatory authorities. Laws and regulations that limit cancellation and non-renewal and that subject program withdrawals to prior approval requirements may restrict our ability to exit unprofitable markets.

Because the laws and regulations under which we operate are administered and enforced by a number of different governmental authorities, including state insurance regulators, state securities administrators and the SEC, each of which exercises a degree of interpretive latitude, we are subject to the risk that compliance with any particular regulator's or enforcement authority's interpretation of a legal issue may not result in compliance with another's interpretation of the same issue, particularly when compliance is judged in hindsight. In addition, there is risk that any particular regulator's or enforcement authority's interpretation of a legal issue may change over time to our detriment, or that changes in the overall legal and regulatory environment may, even absent any particular regulator's or enforcement authority's interpretation of a legal issue changing, cause us to change our views regarding the actions we need to take from a legal risk management perspective, thereby necessitating changes to our practices that may, in some cases, limit our ability to grow and/or to improve the profitability of our business.

While the United States federal government does not directly regulate the insurance industry, federal legislation and administrative policies can affect us. Congress and various federal agencies periodically discuss proposals that would provide for a federal charter for insurance companies. We cannot predict whether any such laws will be enacted or the effect that such laws would have on our business. Moreover, there can be no assurance that changes will not be made to current laws, rules and regulations, or that any other laws, rules or regulations will not be adopted in the future, that could adversely affect our business and financial condition.

We may not be able to maintain the requisite amount of risk-based capital, which may adversely affect our profitability and our ability to compete in the property and casualty insurance markets.

The DFS imposes risk-based capital requirements on insurance companies to ensure that insurance companies maintain appropriate levels of surplus to support their overall business operations and to protect customers against adverse developments, after taking into account default, credit, underwriting and off-balance sheet risks. If the amount of our capital falls below certain thresholds, we may face restrictions with respect to soliciting new business and/or keeping existing business. Similar regulations apply in other states in which we may operate.

Changing climate conditions may adversely affect our financial condition, profitability or cash flows.

We recognize the scientific view that the world is getting warmer. Climate change, to the extent it produces rising temperatures and changes in weather patterns, could impact the frequency and/or severity of weather events and affect the affordability and availability of homeowners insurance.

Our operating results and financial condition may be adversely affected by the cyclical nature of the property and casualty business.

The property and casualty market is cyclical and has experienced periods characterized by relatively high levels of price competition, less restrictive underwriting standards and relatively low premium rates, followed by periods of relatively lower levels of competition, more selective underwriting standards and relatively high premium rates. A downturn in the profitability cycle of the property and casualty business could have a material adverse effect on our operating results and financial condition.

Because substantially all of our revenue is currently derived from sources located in New York, our business may be adversely affected by conditions in such state.

Substantially all of our revenue is currently derived from sources located in the state of New York and, accordingly, is affected by the prevailing regulatory, economic, demographic, competitive and other conditions in the state. Changes in any of these conditions could make it more costly or difficult for us to conduct our business. Adverse regulatory developments in New York, which could include fundamental changes to the design or implementation of the insurance regulatory framework, could have a material adverse effect on our results of operations and financial condition.

We are highly dependent on a small number of insurance brokers for a large portion of our revenues.

We market our insurance products primarily through insurance brokers. A large percentage of our gross premiums written are sourced through a limited number of brokers. There are 20 brokers, which provided a total of 36.5% of our gross premiums written for the year ended December 31, 2017. The nature of our dependency on these brokers relates to the high volume of business they consistently refer to us. Our relationship with these brokers is based on the quality of the underwriting and claims services we provide to our clients and on our financial strength ratings. Any deterioration in these factors could result in these brokers advising clients to place their risks with other insurers rather than with us. A loss of all or a substantial portion of the business provided by one or more of these brokers could have a material adverse effect on our financial condition and results of operations.

Actual claims incurred may exceed current reserves established for claims, which may adversely affect our operating results and financial condition.

Recorded claim reserves for our business are based on our best estimates of losses after considering known facts and interpretations of circumstances. Internal and external factors are considered. Internal factors include, but are not limited to, actual claims paid, pending levels of unpaid claims, product mix and contractual terms. External factors include, but are not limited to, changes in the law, court decisions, changes in regulatory requirements and economic conditions. Because reserves are estimates of the unpaid portion of losses that have occurred, the establishment of appropriate reserves, including reserves for catastrophes, is an inherently uncertain and complex process. The ultimate cost of losses may vary materially from recorded reserves, and such variance may adversely affect our operating results and financial condition.

As a holding company, we are dependent on the results of operations of our subsidiary, KICO; there are restrictions on the payment of dividends by KICO.

We are a holding company and a legal entity separate and distinct from our operating subsidiary, KICO. As a holding company with limited operations of our own, currently the principal sources of our funds are dividends and other payments from KICO. Consequently, we must rely on KICO for our ability to repay debts (including \$30,000,000 in aggregate principal amount of 5.5% Senior Unsecured Notes due December 30, 2022 (the "Notes")), pay expenses and pay cash dividends to our shareholders.

State insurance laws limit the ability of KICO to pay dividends and require KICO to maintain specified minimum levels of statutory capital and surplus. Maximum allowable dividends by KICO to us are restricted to the lesser of 10% of surplus or 100% of net investment income (on a statutory accounting basis) for the trailing 36 months, less dividends paid by KICO during such period. As of December 31, 2017, the maximum permissible distribution that KICO could pay without prior regulatory approval was approximately \$3,324,000. The aggregate maximum amount of dividends permitted by law to be paid by an insurance company does not necessarily define an insurance company's actual ability to pay dividends. The actual ability to pay dividends may be further constrained by business and regulatory considerations, such as the impact of dividends on surplus, by our competitive position and by the amount of premiums that we can write. State insurance regulators have broad discretion to limit the payment of dividends by insurance companies. Our ability to pay interest on the Notes as it comes due and the principal of the Notes at their maturity may be limited by these regulatory constraints.

We may not be able to generate sufficient cash to service our debt obligations, including the Notes.

Our ability to make payments on and to refinance our indebtedness, including the Notes, will depend on our financial and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We may be unable to maintain a level of cash flows from operating activities available to us sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness, including the Notes.

Our future results are dependent in part on our ability to successfully operate in an insurance industry that is highly competitive.

The insurance industry is highly competitive. Many of our competitors have well-established national reputations, substantially more capital and significantly greater marketing and management resources. Because of the competitive nature of the insurance industry, including competition for customers, agents and brokers, there can be no assurance that we will continue to effectively compete with our industry rivals, or that competitive pressures will not have a material adverse effect on our ability to grow our business and to maintain profitable operating results or financial condition.

If we lose key personnel or are unable to recruit qualified personnel, our ability to implement our business strategies could be delayed or hindered.

Our future success will depend, in part, upon the efforts of Barry Goldstein, our President and Chief Executive Officer, and Benjamin Walden, Executive Vice President and Chief Actuary of KICO. The loss of Mr. Goldstein, Mr. Walden or other key personnel could prevent us from fully implementing our business strategies and could materially and adversely affect our business, financial condition and results of operations. As we continue to grow, we will need to recruit and retain additional qualified management personnel, but we may not be able to do so. Our ability to recruit and retain such personnel will depend upon a number of factors, such as our results of operations and prospects and the level of competition then prevailing in the market for qualified personnel. Mr. Goldstein is a party to an employment agreement with us that expires on December 31, 2019. Mr. Walden is not a party to an employment agreement with KICO.

Difficult conditions in the economy generally could adversely affect our business and operating results.

As with most businesses, we believe that difficult conditions in the economy could have an adverse effect on our business and operating results. General economic conditions also could adversely affect us in the form of consumer behavior, which may include decreased demand for our products. As consumers become more cost conscious, they may choose lower levels of insurance.

Changes in accounting standards issued by the Financial Accounting Standards Board or other standard-setting bodies may adversely affect our reported results of operations and financial condition.

Our financial statements are subject to the application of generally accepted accounting principles, which are periodically revised, interpreted and/or expanded. Accordingly, we are required to adopt new guidance or interpretations, which may have a material adverse effect on our results of operations and financial condition that is either unexpected or has a greater impact than expected.

Our business could be adversely affected by a security breach or other attack involving our computer systems or those of one or more of our vendors.

Our business requires that we develop and maintain computer systems to run our operations and to store a significant volume of confidential data. Some of these systems rely on third-party vendors, through either a connection to, or an integration with, those third-parties' systems. In the course of our operations, we acquire the personal confidential information of our customers and employees. We also store our intellectual property, trade secrets, and other sensitive business and financial information.

All of these systems are subject to "cyber attacks" by sophisticated third parties with substantial computing resources and capabilities, and to unauthorized or illegitimate actions by employees, consultants, agents and other persons with legitimate access to our systems. Such attacks or actions may include attempts to:

- steal, corrupt, or destroy data, including our intellectual property, financial data or the personal information of our customers or employees
- misappropriate funds
- disrupt or shut down our systems
- deny customers, agents, brokers, or others access to our systems, or
- infect our systems with viruses or malware.

While we can take defensive measures, there can be no assurance that we will be successful in preventing attacks or detecting and stopping them once they have begun. Our business could be significantly damaged by a security breach, data loss or corruption, or cyber attack. In addition to the potentially high costs of investigating and stopping such an event and implementing necessary fixes, we could incur substantial liability if confidential customer or employee information is stolen. In addition, such an event could cause a significant disruption of our ability to conduct our insurance operations. We have a cyber insurance policy to protect against the monetary impact of some of these risks. However, the occurrence of a security breach, data loss or corruption, or cyber-attack, if sufficiently severe, could have a material adverse effect on our business results.

We rely on our information technology and telecommunication systems, and the failure of these systems could materially and adversely affect our business.

Our business is highly dependent upon the successful and uninterrupted functioning of our information technology and telecommunications systems. We rely on these systems to support our operations. The failure of these systems could interrupt our operations and result in a material adverse effect on our business.

We have incurred, and will continue to incur, increased costs as a result of being an SEC reporting company.

The Sarbanes-Oxley Act of 2002, as well as a variety of related rules implemented by the SEC, have required changes in corporate governance practices and generally increased the disclosure requirements of public companies. As a reporting company, we incur significant legal, accounting and other expenses in connection with our public disclosure and other obligations. Based upon SEC regulations currently in effect, we are required to establish, evaluate and report on our internal control over financial reporting. We believe that compliance with the myriad of rules and regulations applicable to reporting companies and related compliance issues will require a significant amount of time and attention from our management.

Risks Related to Our Common Stock

Our stock price may fluctuate significantly and be highly volatile and this may make it difficult for shareholders to resell shares of our common stock at the volume, prices and times they find attractive.

The market price of our common stock could be subject to significant fluctuations and be highly volatile, which may make it difficult for shareholders to resell shares of our common stock at the volume, prices and times they find attractive. There are many factors that will impact our stock price and trading volume, including, but not limited to, the factors listed above under “Risks Related to Our Business.”

Stock markets, in general, have experienced in recent years, and continue to experience, significant price and volume volatility, and the market price of our common stock may continue to be subject to similar market fluctuations that may be unrelated to our operating performance and prospects. Increased market volatility and fluctuations could result in a substantial decline in the market price of our common stock.

The trading volume in our common stock has been limited. As a result, shareholders may not experience liquidity in their investment in our common stock, thereby potentially limiting their ability to resell their shares at the volume, times and prices they find attractive.

Our common stock is currently traded on The NASDAQ Capital Market. Our common stock has substantially less liquidity than the average trading market for many other publicly traded insurance and other companies. An active trading market for our common stock may not develop or, if developed, may not be sustained. Such stocks can be more volatile than stocks trading in an active public market. Therefore, shareholders have reduced liquidity and may not be able to sell their shares at the volume, prices and times that they desire.

There may be future issuances or resales of our common stock which may materially and adversely affect the market price of our common stock.

Subject to any required state insurance regulatory approvals, we are not restricted from issuing additional shares of our common stock in the future, including securities convertible into, or exchangeable or exercisable for, shares of our common stock. Our issuance of additional shares of common stock in the future will dilute the ownership interests of our then existing shareholders.

We have an effective registration on Form S-3 under the Securities Act registering for resale 595,238 shares of our common stock and effective registration statements on Form S-8 under the Securities Act registering an aggregate of 700,000 shares of our common stock issuable under our 2005 Equity Participation Plan and an aggregate of 700,000 shares of our common stock issuable under our 2014 Equity Participation Plan. Options to purchase 163,150 shares of our common stock are outstanding under the 2005 plan. Options to purchase 90,000 shares of our common stock are outstanding under the 2014 plan and 550,352 shares are reserved for issuance thereunder. We have also registered up to \$39,290,000 of our securities pursuant to registration statements on Form S-3, which we may sell from time to time in one or more offerings. The shares subject to the registration statements on Form S-3 will be freely tradeable in the public market. In addition, the shares issuable pursuant to the registration statements on Form S-8 will be freely tradable in the public market, except for shares held by affiliates.

The sale of a substantial number of shares of our common stock or securities convertible into, or exchangeable or exercisable for, shares of our common stock, whether directly by us or selling shareholders in future offerings or by our existing shareholders in the secondary market, the perception that such issuances or resales could occur or the availability for future issuances or resale of shares of our common stock or securities convertible into, or exchangeable or exercisable for, shares of our common stock could materially and adversely affect the market price of our common stock and our ability to raise capital through future offerings of equity or equity-related securities on attractive terms or at all.

In addition, our board of directors is authorized to designate and issue preferred stock without further shareholder approval, and we may issue other equity and equity-related securities that are senior to our common stock in the future for a number of reasons, including, without limitation, to support operations and growth, to maintain our capital ratios, and to comply with any future changes in regulatory standards.

Our executive officers and directors own a substantial number of shares of our common stock. This will enable them to significantly influence the vote on all matters submitted to a vote of our shareholders.

As of March 12, 2018, our executive officers and directors beneficially owned 1,078,051 shares of our common stock (including options to purchase 193,500 shares of our common stock and 1,390 shares of our common stock issuable upon the vesting of restricted stock within 60 days), representing 9.9% of the outstanding shares of our common stock.

Accordingly, our executive officers and directors, through their beneficial ownership of our common stock, will be able to significantly influence the vote on all matters submitted to a vote of our shareholders, including the election of directors, amendments to our restated certificate of incorporation or amended and restated bylaws, mergers or other business combination transactions and certain sales of assets outside the usual and regular course of business. The interests of our executive officers and directors may not coincide with the interests of our other shareholders, and they could take actions that advance their own interests to the detriment of our other shareholders.

Anti-takeover provisions and the regulations to which we may be subject may make it more difficult for a third party to acquire control of us, even if the change in control would be beneficial to our shareholders.

We are a holding company incorporated in Delaware. Anti-takeover provisions in Delaware law and our restated certificate of incorporation and bylaws, as well as regulatory approvals required under state insurance laws, could make it more difficult for a third party to acquire control of us and may prevent shareholders from receiving a premium for their shares of common stock. Our certificate of incorporation provides that our board of directors may issue up to 2,500,000 shares of preferred stock, in one or more series, without shareholder approval and with such terms, preferences, rights and privileges as the board of directors may deem appropriate. These provisions, the control of our executive officers and directors over the election of our directors, and other factors may hinder or prevent a change in control, even if the change in control would be beneficial to, or sought by, our shareholders.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable to first year accelerated filers.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The financial statements required by this Item 8 are included in this Annual Report following Item 16 hereof. As a first year accelerated filer, we are not required to provide supplementary financial information.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

We maintain a system of disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) that are designed to assure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures are: (i) effective in recording, processing, summarizing, and reporting information on a timely basis that we are required to disclose in the reports that we file or submit under the Exchange Act; and (ii) effective in ensuring that information that we are required to disclose in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. Internal control over financial reporting is a process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, and effected by the board of directors, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP including those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP and that receipts and expenditures are being made only in accordance with authorizations of our management and directors, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2017 based on the framework in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the evaluation of the effectiveness of our internal control over financial reporting management concluded that our internal control over financial reporting was effective as of December 31, 2017. The independent registered public accounting firm of the Company also reported on the effectiveness of the Company's internal control over financial reporting as of December 31, 2017. Management's report and the independent registered public accounting firm's report are included under Item 8 of this Report under the captions entitled "Management's Report on Internal Control Over Financial Reporting" and "Report of Independent Registered Public Accounting Firm."

There was no change in our internal control over financial reporting during our most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Report of the Independent Registered Public Accounting Firm:

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Shareholders and Board of Directors of
Kingstone Companies, Inc. and Subsidiaries

Opinion on Internal Control over Financial Reporting

We have audited Kingstone Companies, Inc. and Subsidiaries' (the "Company") internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets as of December 31, 2017 and 2016 and the related consolidated statements of income and comprehensive income, stockholders' equity, and cash flows for the years then ended of the Company and our report dated March 15, 2018 expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Marcum LLP

/s/ Marcum LLP

Hartford, CT
March 15, 2018

ITEM 9B. OTHER INFORMATION.

None.

PART III**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.*****Executive Officers and Directors***

The following table sets forth the positions and offices presently held by each of our current directors and executive officers and their ages:

Name	Age	Positions and Offices Held
Barry B. Goldstein	64	President, Chairman of the Board, Chief Executive Officer and Director
Dale A. Thatcher	56	Chief Operating Officer and Director
Victor J. Brodsky	60	Chief Financial Officer and Treasurer
Benjamin Walden	50	Executive Vice President and Chief Actuary, Kingstone Insurance Company
Floyd R. Tupper	63	Secretary and Director
Jay M. Haft	82	Director
William L. Yankus	58	Director
Carla A. D'Andre	62	Director

Barry B. Goldstein

Mr. Goldstein has served as our President, Chief Executive Officer, Chairman of the Board, and a director since March 2001. He served as our Chief Financial Officer from March 2001 to November 2007 and as our Treasurer from May 2001 to August 2013. Since January 2006, Mr. Goldstein has served as Chairman of the Board of Kingstone Insurance Company ("KICO") (formerly known as Commercial Mutual Insurance Company), a New York property and casualty insurer, as well as Chairman of its Executive Committee. Mr. Goldstein has served as Chief Investment Officer of KICO since August 2008 and as its President and Chief Executive Officer since January 2012. He was Treasurer of KICO from March 2010 through September 2010. Effective July 1, 2009, we acquired a 100% equity interest in KICO. From 1997 to 2004, Mr. Goldstein served as President of AIA Acquisition Corp., which operated insurance agencies in Pennsylvania and which sold substantially all of its assets to us in 2003. Mr. Goldstein received his B.A. and M.B.A. from State University of New York at Buffalo. We believe that Mr. Goldstein's extensive experience in the insurance industry, including his executive-level service with KICO since 2006, give him the qualifications and skills to serve as one of our directors.

Dale A. Thatcher

Mr. Thatcher was elected our Chief Operating Officer and KICO's President in March 2018. Mr. Thatcher is the founder of Atherstone Partners, a consulting practice in insurance and investments. Prior to starting Atherstone, Mr. Thatcher was Executive Vice President and Chief Financial Officer for Selective Insurance Group, Inc. and previously Chief Accounting Officer for the Ohio Casualty Group. He is a certified public accountant (inactive), a chartered property and casualty underwriter and a chartered life underwriter. Mr. Thatcher has served as one of our directors since August 2017 and currently serves as Co-Chair of our Finance Committee. He is an alumnus of the University of Cincinnati and Harvard University. We believe that Mr. Thatcher's executive-level experience in the insurance industry gives him the qualifications and skills to serve as one of our directors.

Victor J. Brodsky

Mr. Brodsky has served as our Chief Financial Officer since August 2009 and as our Treasurer since August 2013. He served as our Chief Accounting Officer from August 2007 through July 2009, as our Principal Financial Officer for Securities and Exchange Commission ("SEC") reporting purposes from November 2007 through July 2009 and as our Secretary from December 2008 to August 2013. In addition, Mr. Brodsky has served as a director of KICO since February 2008, as Chief Financial Officer of KICO since September 2010 and as Executive Vice President of KICO since February 2017. He also served as Senior Vice President of KICO from January 2012 to February 2017 and as Treasurer of KICO from September 2010 through December 2011. Mr. Brodsky served from May 2008 through March 15, 2010 as Vice President of Financial Reporting and Principal Financial Officer for SEC reporting purposes of Vertical Branding Inc. Mr. Brodsky served as Chief Financial Officer of Vertical Branding from March 1998 through May 2008 and as a director of Vertical Branding from May 2002 through November 2005. He served as its Secretary from November 2005 through May 2008 and from April 2009 to March 15, 2010. A receiver was appointed for the business of Vertical Branding in February 2010. Prior to joining Vertical Branding, Mr. Brodsky spent 16 years at the CPA firm of Michael & Adest in New York. Mr. Brodsky earned a Bachelor of Business Administration degree from Hofstra University, with a major in accounting, and is a licensed CPA in New York.

Benjamin Walden

Mr. Walden has served as Executive Vice President of KICO since February 2017 and as Chief Actuary of KICO since December 2013. From January 2015 to February 2017, he served as Senior Vice President of KICO and from December 2013 to January 2015, he served as Vice President of KICO. From February 2010 to November 2013, Mr. Walden served as Chief Actuary for Interboro Insurance Company, a personal lines carrier. From July 2008 to February 2010, Mr. Walden was President of Assigned Risk Consulting, Inc., an independent actuarial consulting firm. From October 2001 to April 2009, he served as Vice President and Chief Actuary of AutoOne Insurance, an assigned risk automobile servicing carrier. Mr. Walden was also an actuarial consultant at Milliman, Inc., an independent provider of actuarial and consulting services, from January 1998 to October 2001. Mr. Walden has been a Fellow of the Casualty Actuarial Society since 1999 and holds a Bachelor of Science Degree in Mathematics from Villanova University.

Floyd R. Tupper

Mr. Tupper is a certified public accountant in New York City. For over 30 years, Mr. Tupper has counseled high-net worth individuals by creating tax planning strategies to achieve their goals as well as those of their families. He has also helped small businesses by developing business strategies to meet their current and future needs. He began his career in public accounting with Ernst & Young LLP prior to becoming self-employed. Mr. Tupper holds an M.B.A. in Taxation from the New York University Stern School of Business and a B.S. from New York University. Mr. Tupper has served as a director of KICO, and Chairman of its Audit Committee, since 2006. He also serves as a member of its Investment Committee. From 1990 until 2010, Mr. Tupper served as a Trustee of The Acorn School in New York City. He was also a member of the school's Executive Committee and served as its Treasurer from 1990 to 2010. Mr. Tupper is a member of the American Institute of Certified Public Accountants and the New York State Society of Certified Public Accountants. He has served as one of our directors and Chairman of our Audit Committee since June 2014 and as our Secretary since June 2015. We believe that Mr. Tupper's accounting experience, as well as his service on the Board of KICO since 2006 (including his service as Chairman of its Audit Committee), give him the qualifications and skills to serve as one of our directors.

Jay M. Haft

Mr. Haft served for more than 15 years as a personal advisor to Victor Vekselberg, a Russian entrepreneur with considerable interests in oil, aluminum, utilities and other industries. Mr. Haft is a partner at Columbus Nova, the U.S.-based investment and operating arm of Mr. Vekselberg's Renova Group of companies. Mr. Haft is also a strategic and financial consultant for growth stage companies. He is active in international corporate finance and mergers and acquisitions as well as in the representation of emerging growth companies. Mr. Haft has extensive experience in the Russian market, in which he has worked on growth strategies for companies looking to internationalize their business assets and enter international capital markets. He has been a founder, consultant and/or director of numerous public and private corporations, and served as Chairman of the Board of Dusa Pharmaceuticals, Inc. Mr. Haft serves on the Board of The Link of Times Foundation and The Mariinski Foundation and is an advisor to Montezemolo & Partners. He has been instrumental in strategic planning and fundraising for a variety of Internet and high-tech, leading edge medical technology and marketing companies over the years. Mr. Haft served as counsel to Reed Smith, an international law firm. Mr. Haft is a past member of the Florida Commission for Government Accountability to the People, a past national trustee and Treasurer of the Miami City Ballet, and a past Board member of the Concert Association of Florida. He is also a past trustee of Florida International University Foundation and previously served on the advisory board of the Wolfsonian Museum and Florida International University Law School. Mr. Haft served as our Vice Chairman of the Board from February 1999 until March 2001. From October 1989 to February 1999, he served as our Chairman of the Board and he has served as one of our directors since 1989 (serving as Chairman of our Nominating and Corporate Governance Committee since 2010). Mr. Haft received B.A. and LL.B. degrees from Yale University. We believe that Mr. Haft's corporate finance, business consultation, legal and executive-level experience, as well as his service on the Board of KICO since 2009, give him the qualifications and skills to serve as one of our directors.

William L. Yankus

Mr. Yankus brings to the Board over 30 years' experience in the insurance industry. Since September 2015, Mr. Yankus has provided insurance-related consulting services through Pheasant Hill Advisors, LLC. From 2011 to 2015, he was Managing Director – Investment Banking at Stern Agee where he focused on small and mid-sized insurers. Mr. Yankus served as Managing Director-Insurance Research at Fox-Pitt, Kelton from 1993 to 2009 and then as Head of Insurance Research at its successor, Macquerie, from 2009 to 2010. Mr. Yankus served as Vice President, Insurance Research at Conning & Company from 1985 to 1993. He is a chartered financial analyst and a member of The CFA Institute and the American Institute of Financial Analysts. Mr. Yankus has served as one of our directors since March 2016 and Chairman of our Compensation Committee since April 2017. He received his B.A. degree in Economics and Accounting from The College of the Holy Cross. We believe that Mr. Yankus' executive level experience in the insurance industry gives him the qualifications and skills to serve as one of our directors.

Carla A. D'Andre

Ms. D'Andre has more than 40 years of experience in the insurance industry. Since 2009, Ms. D'Andre has been Chairman, CEO and President of D'Andre Insurance Group, Inc., which she co-founded. D'Andre Insurance Group, Inc. is the parent of two independent insurance agencies. Prior to co-founding D'Andre Insurance Group, Ms. D'Andre held executive-level roles at several companies in the insurance industry, including Executive Vice President, Head – Global Corporate Practice and Member – Partner's Council at Willis Group Holdings plc, a multinational risk advisor, insurance brokerage and reinsurance brokerage company; Managing Director and Strategic Account Manager at AON Risk Services, a global provider of risk management solutions; Chief Operating Officer at XL Capital's insurance and technology start-up firm, Inquis Logic Inc.; Member of Senior Management and Managing Director of Swiss Re New Markets and Director of Alternative Markets at Swiss ReAmerica, affiliates of Swiss Reinsurance Company Ltd, a global reinsurance company; Senior Vice President of Sedgwick North America, an insurance brokerage firm; and Vice President of Johnson & Higgins, an insurance brokerage firm. Ms. D'Andre serves in senior capacities in several insurance industry groups, including as Chair of The Institutes CPCU Society Risk Management Interest Group, Committee Director of The Institutes CPCU Reinsurance Interest Group, and a member of the Executive Advisory Council of St. John's University School of Risk Management, Insurance and Actuarial Science. She has served as one of our directors since May 2017 and currently serves as Co-Chair of our Finance Committee. Ms. D'Andre has an M.B.A. from Pace University's Lubin School of Business and a B.B.A. from St. John's University's School of Risk Management, Insurance and Actuarial Science. We believe that Ms. D'Andre's extensive experience in multiple capacities in the insurance industry gives her the qualifications and skills to serve as one of our directors.

Family Relationships

There are no family relationships among any of our executive officers and directors.

Term of Office

Each director will hold office until the next annual meeting of stockholders and until his successor is elected and qualified or until his earlier resignation or removal. Each executive officer will hold office until the initial meeting of the Board of Directors following the next annual meeting of stockholders and until his successor is elected and qualified or until his earlier resignation or removal.

Audit Committee

The Audit Committee of the Board of Directors is responsible for overseeing our accounting and financial reporting processes and the audits of our financial statements. The members of the Audit Committee are Messrs. Tupper, Haft and Yankus.

Audit Committee Financial Expert

Our Board of Directors has determined that Mr. Tupper is an “audit committee financial expert,” as that is defined in Item 407(d)(5) of Regulation S-K. Mr. Tupper is an “independent director” based on the definition of independence in Listing Rule 5605(a)(2) of The NASDAQ Stock Market.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16 of the Exchange Act requires that reports of beneficial ownership of common shares and changes in such ownership be filed with the Securities and Exchange Commission by Section 16 “reporting persons,” including directors, certain officers, holders of more than 10% of the outstanding common shares and certain trusts of which reporting persons are trustees. We are required to disclose in this Annual Report each reporting person whom we know to have failed to file any required reports under Section 16 on a timely basis during the fiscal year ended December 31, 2017. To our knowledge, based solely on a review of copies of Forms 3, 4 and 5 filed with the Securities and Exchange Commission and written representations that no other reports were required, during the fiscal year ended December 31, 2017, our officers, directors and 10% stockholders complied with all Section 16(a) filing requirements applicable to them, except that Mr. Walden filed one Form 4 late reporting one transaction.

Code of Ethics; Officer and Director Trading Restrictions Policy

Our Board of Directors has adopted a Code of Ethics for our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. Our Board of Directors has also adopted an Officer and Director Trading Restrictions Policy for our officers and directors as well as the officers and directors of KICO. Copies of the Code of Ethics and Officer and Director Trading Restrictions Policy are posted on our website, www.kingstonecompanies.com. We intend to satisfy the disclosure requirement under Item 5.05(c) of Form 8-K regarding an amendment to, or a waiver from, our Code of Ethics or Officer and Director Trading Restrictions Policy by posting such information on our website, www.kingstonecompanies.com.

ITEM 11. EXECUTIVE COMPENSATION.**Summary Compensation Table**

The following table sets forth certain information concerning the compensation for the fiscal years ended December 31, 2017 and 2016 for certain executive officers, including our Chief Executive Officer:

Name and Principal Position	Year	Salary	Bonus	Stock Awards(1)	Option Awards(1)	Non-Equity Incentive Plan Compensation	All Other Compensation	Total
Barry B. Goldstein Chief Executive Officer	2017	\$ 630,000	\$ -	\$ -	\$ -	\$ 1,670,111(3)	\$ 24,152	\$ 2,324,263
	2016	\$ 575,000	\$ 200,000	\$ -	\$ -	\$ 653,221(4)	\$ 36,723	\$ 1,464,944
Victor J. Brodsky Chief Financial Officer	2017	\$ 320,000	\$ 30,000	\$ 149,500	\$ -	\$ 49,832(5)	\$ 24,500	\$ 573,832
	2016	\$ 294,420	\$ 34,553	\$ -	\$ -	\$ 36,295(6)	\$ 20,592	\$ 385,860
Benjamin Walden Executive Vice President and Chief Actuary, Kingstone Insurance Company	2017	\$ 270,000	\$ 18,000	\$ 89,700	\$ -	\$ 41,981(5)	\$ 14,215	\$ 433,896
	2016	\$ 246,800	\$ 12,000	\$ -	\$ 28,180(2)	\$ 42,623(6)	\$ 12,391	\$ 341,994

(1) Amounts reflect the aggregate grant date fair value of grants made in each respective fiscal year computed in accordance with stock-based accounting rules (FASB ASC Topic 718-Stock Compensation), excluding the effect of estimated forfeitures. Assumptions used in the calculations of these amounts are included in Note 12 to our Consolidated Financial Statements included in this Annual Report.

(2) During 2016, Mr. Walden was granted an option under the 2014 Plan for the purchase of 10,000 common shares at an exercise price of \$7.85 per share. Such option is exercisable to the extent of 2,500 shares as of the date of grant and each of the first, second and third anniversaries of the date of grant.

(3) Represents bonus compensation of \$660,446 accrued pursuant to Mr. Goldstein's employment agreement and paid in 2018, \$945,000 of long-term bonus compensation accrued pursuant to Mr. Goldstein's employment agreement and payable in 2020 if incentive goals are maintained through December 31, 2019, and \$64,655 accrued pursuant to the KICO employee profit sharing plan and paid in 2018.

(4) Represents bonus compensation of \$583,127 accrued pursuant to Mr. Goldstein's employment agreement and paid in 2017, and \$70,094 accrued pursuant to the KICO employee profit sharing plan and paid in 2017.

(5) Represents amounts accrued pursuant to the KICO employee profit sharing plans for 2017 and paid in 2018.

(6) Represents amounts accrued pursuant to the KICO employee profit sharing plan for 2016 and paid in 2017.

Employment Contracts

Mr. Goldstein is employed as our President, Chairman of the Board and Chief Executive Officer pursuant to an employment agreement, dated January 20, 2017 (the “Goldstein Employment Agreement”), that expires on December 31, 2019. Pursuant to the Goldstein Employment Agreement, effective January 1, 2017, Mr. Goldstein is entitled to receive an annual base salary of \$630,000 (an increase from \$575,000 per annum in effect through December 31, 2016) and an annual bonus equal to 6% of the Company’s consolidated income from operations before taxes, exclusive of our consolidated net investment income (loss) and net realized gains (losses) on investments (consistent with the bonus payable to Mr. Goldstein through December 31, 2016). In addition, pursuant to the Goldstein Employment Agreement, Mr. Goldstein is entitled to a long-term compensation payment (“LTC”) of between \$945,000 and \$2,835,000 in the event our adjusted book value per share (as defined in the Goldstein Employment Agreement) has increased by at least an average of 8% per annum as of December 31, 2019 as compared to December 31, 2016 (with the maximum LTC payment being due if the average per annum increase is at least 14%). In consideration of certain accomplishments during the three year period ended December 31, 2016, we also paid Mr. Goldstein a bonus in the amount of \$200,000. See “Termination of Employment and Change-in-Control Arrangements.”

On March 14, 2018, we and Dale A. Thatcher, one of our directors, entered into an employment agreement (the “Thatcher Employment Agreement”) pursuant to which Mr. Thatcher will serve as our Chief Operating Officer. Mr. Thatcher is also to serve as KICO’s President. The Thatcher Employment Agreement is effective as of March 15, 2018 and expires on December 31, 2018. Pursuant to the Thatcher Employment Agreement, Mr. Thatcher is entitled to receive a base salary of \$500,000 per annum and a minimum bonus equal to 15% of his base salary. Concurrently with the execution of the Thatcher Employment Agreement, we granted to Mr. Thatcher 35,715 shares of restricted Common Stock under the 2014 Plan. The shares granted will vest in three equal installments on each of the three annual anniversaries following the grant date, subject to the terms of the restricted stock grant agreement between Mr. Thatcher and us.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

The following table sets forth certain information concerning unexercised options held by the above named executive officers as of December 31, 2017.

Name	Option Awards				Stock Awards			
	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price	Option Expiration Date	Number of Shares of Stock That Have Not Vested	Market Value of Shares of Stock That Have Not Vested	Equity Incentive Plan Awards: Number of Unearned Shares That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares That Have Not Vested
Barry B. Goldstein	250,000	-	\$ 6.73	8/12/19	-	\$ -	-	\$ -
Victor J. Brodsky	20,000	-	\$ 5.09	8/29/18	7,220	\$ 135,736	-	\$ -
Benjamin Walden	4,000	-	\$ 6.60	12/16/18	4,330	\$ 81,404	-	\$ -
	5,000	5,000(1)	\$ 7.85	3/11/21	-	\$ -	-	\$ -

(1) Such options are exercisable to the extent of 2,500 shares on each of March 11, 2018 and 2019.

Termination of Employment and Change-in-Control Arrangements

Pursuant to the Goldstein Employment Agreement, in the event that Mr. Goldstein's employment is terminated by us without cause or he resigns for good reason (each as defined in the Goldstein Employment Agreement), Mr. Goldstein would be entitled to receive his base salary, the 6% bonus and the LTC payment for the remainder of the term. In addition, in such event, Mr. Goldstein's vested options would remain exercisable until the first anniversary of the termination date.

Mr. Goldstein would be entitled, under certain circumstances, to a payment equal to one and one-half times his then annual salary and the target LTC payment of \$1,890,000 in the event of the termination of his employment following a change of control of the Company. Under such circumstances, Mr. Goldstein's outstanding options would become exercisable and would remain exercisable until the first anniversary of the termination date.

Compensation of Directors

The following table sets forth certain information concerning the compensation of our directors for the fiscal year ended December 31, 2017:

DIRECTOR COMPENSATION

Name	Fees Earned or Paid in Cash	Stock Awards(4)	Option Awards	Total
Jay M. Haft	\$ 50,000	\$ 26,700	\$ -	\$ 76,700
Jack D. Seibald(1)	\$ 17,167	\$ -	\$ -	\$ 17,167
Floyd R. Tupper	\$ 51,500	\$ 26,700	\$ -	\$ 78,200
William L. Yankus	\$ 50,750	\$ 26,700	\$ -	\$ 77,450
Carla A. D'Andre(2)	\$ 31,250	\$ 17,625	\$ -	\$ 48,875
Dale A. Thatcher(3)	\$ 19,464	\$ 12,124	\$ -	\$ 31,587

(1) Mr. Seibald resigned as a director in April 2017.

(2) Ms. D'Andre was appointed a director in May 2017.

(3) Mr. Thatcher was appointed a director in August 2017.

(4) Amounts reflect the aggregate grant date fair value of grants made in the fiscal year computed in accordance with stock-based accounting rules (FASB ASC Topic 718-Stock Compensation), excluding the effect of estimated forfeitures. Assumptions used in the calculations of these amounts are included in Note 12 to our Consolidated Financial Statements included in this Annual Report.

Our non-employee directors are currently entitled to receive annual compensation for their services as directors as follows:

- \$50,000 (including \$6,000 for services as a director of KICO)
- an additional \$11,000 for services as committee chair (and \$1,500 for services as KICO committee chair)
- 2,000 shares of our common stock which vest in one-third increments over a three year period (the initial grant of shares having been made in January 2016)

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Security Ownership

The following table sets forth certain information as of March 12, 2018 regarding the beneficial ownership of our shares of common stock by (i) each person who we believe to be the beneficial owner of more than 5% of our outstanding shares of common stock, (ii) each present director, (iii) each person listed in the Summary Compensation Table under “Executive Compensation,” and (iv) all of our present executive officers and directors as a group.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Approximate Percent of Class
Barry B. Goldstein 15 Joys Lane Kingston, New York	887,198 (1)(2)	8.2%
Jay M. Haft 69 Beaver Dam Road Salisbury, Connecticut	88,424 (1)	*
Floyd R. Tupper 220 East 57 th Street New York, New York	51,612 (1)(3)	*
Victor J. Brodsky 15 Joys Lane Kingston, New York	29,316 (1)(4)	*
Benjamin Walden 15 Joys Lane Kingston, New York	19,834 (1)(5)	*
William L. Yankus 10 Pheasant Hill Road Farmington, Connecticut	1,667 (1)(6)	*
Carla A. D’Andre 3561 Avocado Avenue Miami, Florida	- (1)	-

Dale A. Thatcher 212 Third Street Milford, PA	- (1)	-
RenaissanceRe Ventures Ltd. Renaissance Other Investments Holding II Ltd. RenaissanceRe Holdings Ltd. Renaissance House 12 Crow Lane Pembroke HM19 Bermuda	595,238 (7)	5.6%
All executive officers and directors as a group (7 persons)	1,078,051 (1)(2)(3)(4)(5)(6)	9.9%

* Less than 1%.

- (1) Based upon Schedule 13D filed under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and/or other information that is publicly available.
- (2) Includes (i) 183,500 shares issuable upon the exercise of options that are currently exercisable and (ii) 73,168 shares owned by Mr. Goldstein’s wife. The inclusion of the shares owned by Mr. Goldstein’s wife shall not be construed as an admission that Mr. Goldstein is, for purposes of Section 13(d) or 13(g) of the Exchange Act, the beneficial owner of such shares.
- (3) Includes 31,460 shares owned by Mr. Tupper’s wife. The inclusion of the shares owned by Mr. Tupper’s wife shall not be construed as an admission that Mr. Tupper is, for purposes of Section 13(d) or 13(g) of the Exchange Act, the beneficial owner of such shares.
- (4) Includes 556 shares issuable upon the vesting of restricted stock within 60 days.
- (5) Includes 10,000 shares issuable upon the exercise of options that are exercisable currently or within 60 days and (ii) 334 shares issuable upon the vesting of restricted stock within 60 days.
- (6) Includes 500 shares issuable upon the vesting of restricted stock within 60 days.
- (7) Pursuant to Schedule 13G, as amended, RenaissanceRe Ventures Ltd. (“RenaissanceRe Ventures”), a wholly owned subsidiary of Renaissance Other Investments Holdings II Ltd. (“ROIHL II”), a wholly owned subsidiary of RenaissanceRe Holdings Ltd. (“RenaissanceRe Holdings”), have shared voting and dispositive power over the 595,238 shares. RenaissanceRe Ventures, ROIHL II and RenaissanceRe Holdings each may be deemed to beneficially own the 595,238 shares.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth information as of December 31, 2017 with respect to compensation plans (including individual compensation arrangements) under which our common shares are authorized for issuance, aggregated as follows:

- All compensation plans previously approved by security holders; and
- All compensation plans not previously approved by security holders.

EQUITY COMPENSATION PLAN INFORMATION

	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	341,150	\$ 6.69	550,352
Equity compensation plans not approved by security holders			
Total	341,150	\$ 6.69	550,352

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.***Director Independence******Board of Directors***

Our Board of Directors is currently comprised of Barry B. Goldstein, Jay M. Haft, Floyd R. Tupper, William L. Yankus, Carla A. D'Andre and Dale A. Thatcher. Each of Messrs. Haft, Tupper, and Yankus and Ms. D'Andre is currently an "independent director" based on the definition of independence in Listing Rule 5605(a)(2) of The NASDAQ Stock Market.

Audit Committee

The members of our Board's Audit Committee currently are Messrs. Tupper, Haft and Yankus, each of whom is an "independent director" based on the definition of independence in Listing Rule 5605(a)(2) of The NASDAQ Stock Market and Rule 10A-3(b)(1) under the Exchange Act.

Nominating and Corporate Governance Committee

The members of our Board's Nominating and Corporate Governance Committee currently are Mr. Haft and Ms. D'Andre, each of whom is an "independent director" based on the definition of independence in Listing Rule 5605(a)(2) of The NASDAQ Stock Market.

Compensation Committee

The members of our Board's Compensation Committee currently are Messrs. Yankus, Haft and Tupper and Ms. D'Andre, each of whom is an "independent director" based on the definition of independence in Listing Rule 5605(a)(2) of The NASDAQ Stock Market.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The following is a summary of the fees billed to us by Marcum LLP, our independent auditors, for professional services rendered for the fiscal year ended December 31, 2017 and 2016.

Fee Category	Fiscal 2017 Fees	Fiscal 2016 Fees
Audit Fees(1)	\$ 392,214	\$ 210,451
Audit-Related Fees(2)	\$ -	\$ 2,060
Tax Fees(3)	\$ -	\$ -
All Other Fees(4)	\$ -	\$ -
	<u>\$ 392,214</u>	<u>\$ 212,511</u>

- (1) Audit Fees consist of fees billed for services rendered for the audit of our consolidated financial statements and review of our condensed consolidated financial statements included in our quarterly reports on Form 10-Q, services rendered in connection with the filing of Forms S-3 and services provided in connection with other statutory or regulatory filings.
- (2) Audit-Related Fees consist of aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under "Audit Fees."
- (3) Tax Fees consist of fees billed by our independent auditors for professional services related to tax advice.
- (4) All Other Fees consist of aggregate fees billed for products and services provided by our independent auditors, other than those disclosed above.

The Audit Committee is responsible for the appointment, compensation and oversight of the work of the independent auditors and approves in advance any services to be performed by the independent auditors, whether audit-related or not. The Audit Committee reviews each proposed engagement to determine whether the provision of services is compatible with maintaining the independence of the independent auditors. Substantially all of the fees shown above were pre-approved by the Audit Committee.

PART IV**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.**

Exhibit Number	Description of Exhibit
3(a)	Restated Certificate of Incorporation, as amended (1)
3(b)	By-laws, as amended (2)
4(a)	Indenture, dated as of December 9, 2017, between Kingstone Companies, Inc. and Wilmington Trust, National Association (3)
4(b)	First Supplemental Indenture, dated as of December 19, 2017, between Kingstone Companies, Inc. and Wilmington Trust, National Association (3)
4(c)	Form of Global Note representing \$30,000,000 aggregate principal amount of 5.50% Senior Unsecured Notes due 2022 (3)
10(a)	2005 Equity Participation Plan (4)
10(b)	2014 Equity Participation Plan (5)
10(c)	Employment Agreement, dated as of January 20, 2017, between Kingstone Companies, Inc. and Barry B. Goldstein (6)
10(d)	Employment Agreement, dated as of April 28, 2017, between Kingstone Insurance Company and Barry B. Goldstein
10(e)	Stock Option Agreement, dated as of August 12, 2014, between Kingstone Companies, Inc. and Barry B. Goldstein (2005 Equity Participation Plan) (5)
10(f)	Stock Option Agreement, dated as of August 12, 2014, between Kingstone Companies, Inc. and Barry B. Goldstein (2014 Equity Participation Plan) (5)
10(g)	Purchase Agreement, dated April 18, 2016, by and between Kingstone Companies, Inc. and RenaissanceRe Ventures Ltd. (7)
10(h)	Underwriting Agreement, dated January 25, 2017, among Kingstone Companies, Inc., the selling stockholders named therein and Sandler O'Neill & Partners, L.P., as representative of the underwriters named therein (8)
10(i)	Underwriting Agreement, dated December 14, 2017, between Kingstone Companies, Inc. and Sandler O'Neill & Partners, L.P. (9)
10(j)	Employment Agreement, dated March 14, 2018, between Kingstone Companies, Inc. and Dale A. Thatcher

10 (k)	Stock Grant Agreement dated as of March 14, 2018, between Kingstone Companies, Inc. and Dale A. Thatcher
10 (l)	Employment Agreement, dated March 14, 2018, between Kingstone Insurance Company and Dale A. Thatcher
14(a)	Code of Ethics (4)
14(b)	Officer and Director Trading Restrictions Policy (4)
21	Subsidiaries (10)
23	Consent of Marcum LLP
31(a)	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31(b)	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	101.SCH XBRL Taxonomy Extension Schema.
101.CAL	101.CAL XBRL Taxonomy Extension Calculation Linkbase.
101.DEF	101.DEF XBRL Taxonomy Extension Definition Linkbase.
101.LAB	101.LAB XBRL Taxonomy Extension Label Linkbase.
101.PRE	101.PRE XBRL Taxonomy Extension Presentation Linkbase.

-
- (1) Denotes document filed as an exhibit to our Quarterly Report on Form 10-Q for the period ended March 31, 2014 and incorporated herein by reference.
 - (2) Denotes document filed as an exhibit to our Current Report on Form 8-K for an event dated November 5, 2009 and incorporated herein by reference.
 - (3) Denotes document filed as an exhibit to our Current Report on Form 8-K for an event dated December 19, 2017 and incorporated herein by reference.
 - (4) Denotes document filed as an exhibit to our Annual Report on Form 10-K for the fiscal year ended December 31, 2014 and incorporated herein by reference.
 - (5) Denotes document filed as an exhibit to our Current Report on Form 8-K for an event dated August 12, 2014 and incorporated herein by reference.

- (6) Denotes document filed as an exhibit to our Current Report on Form 8-K for an event dated January 20, 2017 and incorporated herein by reference.
- (7) Denotes document filed as an exhibit to our Current Report on Form 8-K for an event dated April 18, 2016 and incorporated herein by reference.
- (8) Denotes document filed as an exhibit to our Current Report on Form 8-K for an event dated January 25, 2017 and incorporated herein by reference.
- (9) Denotes document filed as an exhibit to our Current Report on Form 8-K for an event dated December 14, 2017 and incorporated herein by reference.
- (10) Denotes document filed as an exhibit to our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 and incorporated herein by reference.

ITEM 16. FORM 10-K SUMMARY.

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

KINGSTONE COMPANIES, INC.

Dated: March 15, 2018

By: /s/ Barry B. GoldsteinBarry B. Goldstein
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Capacity</u>	<u>Date</u>
<u>/s/ Barry B. Goldstein</u> Barry B. Goldstein	President, Chairman of the Board, Chief Executive Officer, Treasurer and Director (Principal Executive Officer)	March 15, 2018
<u>/s/ Victor J. Brodsky</u> Victor J. Brodsky	Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	March 15, 2018
<u>/s/ Jay M. Haft</u> Jay M. Haft	Director	March 15, 2018
<u>/s/ Floyd R. Tupper</u> Floyd R. Tupper	Director	March 15, 2018
<u>/s/ Dale Thatcher</u> Dale Thatcher	Director	March 15, 2018
<u>/s/ William L. Yankus</u> William L. Yankus	Director	March 15, 2018
<u>/s/ Carla D'Andre</u> Carla D'Andre	Director	March 15, 2018

Index to Consolidated Financial Statements

	Page
Reports of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets as of December 31, 2017 and 2016	F-3
Consolidated Statements of Income and Comprehensive Income for the years ended December 31, 2017 and 2016	F-4
Consolidated Statements of Stockholders' Equity for the years ended December 31, 2017 and 2016	F-5
Consolidated Statements of Cash Flows for the years ended December 31, 2017 and 2016	F-6
Notes to Consolidated Financial Statements	F-7

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
Kingstone Companies, Inc. and Subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Kingstone Companies, Inc. and Subsidiaries (the "Company") as of December 31, 2017 and 2016, the related consolidated statements of income and comprehensive income, stockholders' equity and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2017, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 15, 2018, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Marcum LLP

/s/ Marcum LLP

Hartford, CT
March 15, 2018

We have served as the Company's auditor since 2012.

Consolidated Balance Sheets

	December 31, 2017	December 31, 2016
Assets		
Fixed-maturity securities, held-to-maturity, at amortized cost (fair value of \$5,150,076 at December 31, 2017 and \$5,298,119 at December 31, 2016)	\$ 4,869,808	\$ 5,094,902
Fixed-maturity securities, available-for-sale, at fair value (amortized cost of \$119,122,106 at December 31, 2017 and \$80,596,628 at December 31, 2016)	119,988,256	80,428,828
Equity securities, available-for-sale, at fair value (cost of \$13,761,841 at December 31, 2017 and \$9,709,385 at December 31, 2016)	14,286,198	9,987,686
Total investments	139,144,262	95,511,416
Cash and cash equivalents	48,381,633	12,044,520
Investment subscription receivable	2,000,000	-
Premiums receivable, net	13,217,698	11,649,398
Reinsurance receivables, net	28,519,130	32,197,765
Deferred policy acquisition costs	14,847,236	12,239,781
Intangible assets, net	1,010,000	1,350,000
Property and equipment, net	4,772,577	3,011,373
Other assets	2,655,527	1,442,209
Total assets	\$ 254,548,063	\$ 169,446,462
Liabilities		
Loss and loss adjustment expense reserves	\$ 48,799,622	\$ 41,736,719
Unearned premiums	65,647,663	54,994,375
Advance premiums	1,477,693	1,421,560
Reinsurance balances payable	2,563,966	2,146,017
Deferred ceding commission revenue	4,266,412	6,851,841
Accounts payable, accrued expenses and other liabilities	7,487,654	5,448,448
Deferred income taxes	600,342	166,949
Long-term debt, net	29,126,965	-
Total liabilities	159,970,317	112,765,909
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 11,618,646 shares at December 31, 2017 and 8,896,335 at December 31, 2016; outstanding 10,631,837 shares at December 31, 2017 and 7,921,866 shares at December 31, 2016	116,186	88,963
Capital in excess of par	68,380,390	37,950,401
Accumulated other comprehensive income	1,100,647	72,931
Retained earnings	27,152,822	20,563,720
	96,750,045	58,676,015
Treasury stock, at cost, 986,809 shares at December 31, 2017 and 974,469 shares at December 31, 2016	(2,172,299)	(1,995,462)
Total stockholders' equity	94,577,746	56,680,553
Total liabilities and stockholders' equity	\$ 254,548,063	\$ 169,446,462

See accompanying notes to these consolidated financial statements.

Consolidated Statements of Income and Comprehensive Income

<i>Years ended December 31,</i>	2017	2016
Revenues		
Net premiums earned	\$ 77,351,023	\$ 61,407,906
Ceding commission revenue	9,933,133	11,268,241
Net investment income	4,132,586	3,115,583
Net realized gains on sales of investments	84,313	529,448
Other income	1,268,255	1,115,486
Total revenues	<u>92,769,310</u>	<u>77,436,664</u>
Expenses		
Loss and loss adjustment expenses	34,185,537	27,789,661
Commission expense	21,182,254	18,327,190
Other underwriting expenses	18,115,614	14,866,646
Other operating expenses	3,512,927	1,909,779
Depreciation and amortization	1,402,928	1,124,921
Interest expense	60,335	-
Total expenses	<u>78,459,595</u>	<u>64,018,197</u>
Income from operations before taxes	14,309,715	13,418,467
Income tax expense	4,323,230	4,518,701
Net income	<u>9,986,485</u>	<u>8,899,766</u>
Other comprehensive income (loss), net of tax		
Gross change in unrealized gains (losses) on available-for-sale-securities	1,364,319	(93,718)
Reclassification adjustment for gains included in net income	(84,313)	(529,448)
Net change in unrealized gains (losses)	1,280,006	(623,166)
Income tax (expense) benefit related to items of other comprehensive income (loss)	(435,202)	211,877
Other comprehensive income (loss), net of tax	<u>844,804</u>	<u>(411,289)</u>
Comprehensive income	<u>\$ 10,831,289</u>	<u>\$ 8,488,477</u>
Earnings per common share:		
Basic	\$ 0.96	\$ 1.15
Diluted	\$ 0.94	\$ 1.14
Weighted average common shares outstanding		
Basic	10,388,440	7,736,594
Diluted	10,581,577	7,807,263
Dividends declared and paid per common share	<u>\$ 0.3025</u>	<u>\$ 0.2500</u>

See accompanying notes to these consolidated financial statements.

Consolidated Statements of Stockholders' Equity

Years ended December 31, 2017 and 2016

	Preferred Stock		Common Stock		Capital in Excess of Par	Accumulated Other Comprehensive Retained		Treasury Stock		Total
	Shares	Amount	Shares	Amount		Income	Earnings	Shares	Amount	
Balance, January 1, 2016	-	\$ -	8,289,606	\$ 82,896	\$2,987,082	\$ 484,220	\$3,605,225	960,969	\$1,882,195	\$45,277,228
Proceeds from private placement, net of closing costs of \$192,369	-	-	595,238	5,952	4,801,679	-	-	-	-	4,807,631
Stock-based compensation	-	-	-	-	106,882	-	-	-	-	106,882
Excess tax benefit from exercise										
of stock options	-	-	-	-	563	-	-	-	-	563
Exercise of stock options	-	-	11,491	115	54,195	-	-	-	-	54,310
Acquisition of treasury stock	-	-	-	-	-	-	-	13,500	(113,267)	(113,267)
Dividends	-	-	-	-	-	-	(1,941,271)	-	-	(1,941,271)
Net income	-	-	-	-	-	-	8,899,766	-	-	8,899,766
Change in unrealized gains on available-										
for-sale securities, net of tax	-	-	-	-	-	(411,289)	-	-	-	(411,289)
Balance, December 31, 2016	-	-	8,896,335	88,963	37,950,401	72,931	20,563,720	974,469	(1,995,462)	56,680,553
Proceeds from public offering, net of offering costs of \$2,173,000	-	-	2,692,500	26,925	30,109,774	-	-	-	-	30,136,699
Stock-based compensation	-	-	-	-	270,231	-	-	-	-	270,231
Vesting of restricted stock awards	-	-	12,311	123	(123)	-	-	-	-	-
Shares deducted from restricted stock awards for payment of withholding taxes	-	-	(1,730)	(18)	(27,627)	-	-	-	-	(27,645)
Exercise of stock options	-	-	19,230	193	77,734	-	-	-	-	77,927
Acquisition of treasury stock	-	-	-	-	-	-	-	12,340	(176,837)	(176,837)
Dividends	-	-	-	-	-	-	(3,214,471)	-	-	(3,214,471)
Net income	-	-	-	-	-	-	9,986,485	-	-	9,986,485
Change in unrealized gains on available-										
for-sale securities, net of tax	-	-	-	-	-	844,804	-	-	-	844,804
Reclassify stranded tax effects from accumulated other comprehensive income to retained earnings	-	-	-	-	-	182,912	(182,912)	-	-	-
Balance, December 31, 2017	-	\$ -	11,618,646	\$ 116,186	\$8,380,390	\$1,100,647	\$7,152,822	986,809	\$2,172,299	\$94,577,746

See accompanying notes to these consolidated financial statements.

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

<i>Years ended December 31,</i>	2017	2016
Cash flows from operating activities:		
Net income	\$ 9,986,485	\$ 8,899,766
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Net realized gains on sale of investments	(84,313)	(529,448)
Depreciation and amortization	1,402,928	1,124,921
Amortization of bond premium, net	548,846	449,632
Amortization of discount and issuance costs on long-term debt	5,335	-
Stock-based compensation	270,231	106,882
Excess tax benefit from exercise of stock options	-	(563)
Deferred income tax expense	(1,809)	(293,364)
(Increase) decrease in operating assets:		
Premiums receivable, net	(1,568,300)	(1,027,743)
Reinsurance receivables, net	3,678,635	(927,530)
Deferred policy acquisition costs	(2,607,455)	(1,404,475)
Other assets	(1,228,493)	(615,681)
Increase (decrease) in operating liabilities:		
Loss and loss adjustment expense reserves	7,062,903	1,860,219
Unearned premiums	10,653,288	6,104,134
Advance premiums	56,133	222,184
Reinsurance balances payable	417,949	457,095
Deferred ceding commission revenue	(2,585,429)	416,773
Accounts payable, accrued expenses and other liabilities	2,039,206	358,223
Net cash flows provided by operating activities	28,046,140	15,201,025
Cash flows from investing activities:		
Purchase - fixed-maturity securities held-to-maturity	(121,271)	-
Purchase - fixed-maturity securities available-for-sale	(50,396,228)	(36,551,218)
Purchase - equity securities available-for-sale	(7,526,326)	(7,464,764)
Sale and redemption - fixed-maturity securities held-to-maturity	247,500	-
Sale or maturity - fixed-maturity securities available-for-sale	11,132,000	17,752,130
Sale - equity securities available-for-sale	3,862,127	7,073,773
Investment subscription receivable	(2,000,000)	-
Acquisition of fixed assets	(2,824,132)	(576,212)
Other investing activities	-	250,448
Net cash flows used in investing activities	(47,626,330)	(19,515,843)
Cash flows from financing activities:		
Net proceeds from issuance of common stock	30,136,699	4,807,631
Net proceeds from issuance of long-term debt	29,121,630	-
Proceeds from exercise of stock options	77,927	54,310
Excess tax benefit from exercise of stock options	-	563
Withholding taxes paid on vested restricted stock awards	(27,645)	-
Purchase of treasury stock	(176,837)	(113,267)
Dividends paid	(3,214,471)	(1,941,271)
Net cash flows provided by financing activities	55,917,303	2,807,966
Increase (decrease) in cash and cash equivalents	\$ 36,337,113	\$ (1,506,852)
Cash and cash equivalents, beginning of period	12,044,520	13,551,372
Cash and cash equivalents, end of period	\$ 48,381,633	\$ 12,044,520
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	\$ 5,773,000	\$ 6,028,671

See accompanying notes to these consolidated financial statements.

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Note 1 - Nature of Business

Kingstone Companies, Inc. (referred to herein as "Kingstone" or the "Company"), through its wholly owned subsidiary, Kingstone Insurance Company ("KICO"), underwrites property and casualty insurance to small businesses and individuals exclusively through independent agents and brokers. KICO is a licensed insurance company in the States of New York, New Jersey, Connecticut, Pennsylvania, Rhode Island, Massachusetts and Texas. KICO is currently offering its property and casualty insurance products in New York, New Jersey, Rhode Island and Pennsylvania. Although New Jersey and Rhode Island are now growing expansion markets for the Company, 98.5% of KICO's direct written premiums for the year ended December 31, 2017 were written in the State of New York. In February 2018, a homeowners rate, rule, and form filing was made with the State of Massachusetts. KICO anticipates writing business there in 2018.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Principles of Consolidation

The consolidated financial statements consist of Kingstone and its wholly owned subsidiaries: KICO and its wholly owned subsidiaries, CMIC Properties, Inc. ("Properties") and 15 Joys Lane, LLC ("15 Joys Lane"), which together own the land and building from which KICO operates. All significant inter-company account balances and transactions have been eliminated in consolidation.

Revenue Recognition

Net Premiums Earned

Insurance policies issued by the Company are short-duration contracts. Accordingly, premium revenues, net of premiums ceded to reinsurers, are recognized as earned in proportion to the amount of insurance protection provided, on a pro-rata basis over the terms of the underlying policies. Unearned premiums represent premiums applicable to the unexpired portions of in-force insurance contracts at the end of each year.

Ceding Commission Revenue

Commissions on reinsurance premiums ceded are earned in a manner consistent with the recognition of the costs of the reinsurance, generally on a pro-rata basis over the terms of the policies reinsured. Unearned amounts are recorded as deferred ceding commission revenue. Certain reinsurance agreements contain provisions whereby the ceding commission rates vary based on the loss experience under the agreements. The Company records ceding commission revenue based on its current estimate of subject losses. The Company records adjustments to the ceding commission revenue in the period that changes in the estimated losses are determined.

Loss and Loss Adjustment Expenses (“LAE”) Reserves

The liability for loss and LAE represents management’s best estimate of the ultimate cost of all reported and unreported losses that are unpaid as of the balance sheet date. The liability for losses and LAE is estimated on an undiscounted basis, using individual case-basis valuations, statistical analyses and various actuarial reserving methodologies. The projection of future claim payment and reporting is based on an analysis of the Company’s historical experience, supplemented by analyses of industry loss data. Management believes that the reserves for loss and LAE are adequate to cover the ultimate cost of losses and claims to date; however, because of the uncertainty from various sources, including changes in reporting patterns, claims settlement patterns, judicial decisions, legislation, and economic conditions, actual loss experience may not conform to the assumptions used in determining the estimated amounts for such liability at the balance sheet date. Adjustments to these estimates are reflected in expense for the period in which the estimates are changed. Because of the nature of the business historically written, management believes that the Company has limited exposure to environmental claim liabilities.

Reinsurance

In the normal course of business, the Company seeks to reduce the loss that may arise from catastrophes or other events that cause unfavorable underwriting results. This is done by reinsuring certain levels of risk in various areas of exposure with a panel of financially secure reinsurance carriers.

Reinsurance receivables represents management’s best estimate of paid and unpaid loss and LAE recoverable from reinsurers, and ceded losses receivable and unearned ceded premiums under reinsurance agreements. Ceded losses receivable are estimated using techniques and assumptions consistent with those used in estimating the liability for loss and LAE. Management believes that reinsurance receivables as recorded represent its best estimate of such amounts; however, as changes in the estimated ultimate liability for loss and LAE are determined, the estimated ultimate amount receivable from the reinsurers will also change. Accordingly, the ultimate receivable could be significantly in excess of or less than the amount recorded in the consolidated financial statements. Adjustments to these estimates are reflected in the period in which the estimates are changed. Loss and LAE incurred as presented in the consolidated statement of income and comprehensive income are net of reinsurance recoveries.

Management has evaluated its reinsurance arrangements and determined that significant insurance risk is transferred to the reinsurers. Reinsurance agreements have been determined to be short-duration prospective contracts and, accordingly, the costs of the reinsurance are recognized over the life of the contract in a manner consistent with the earning of premiums on the underlying policies subject to the reinsurance contract.

Management estimates uncollectible amounts receivable from reinsurers based on an assessment of factors including the creditworthiness of the reinsurers and the adequacy of collateral obtained, where applicable. There was no allowance for uncollectible reinsurance as of December 31, 2017 and 2016. The Company did not expense any uncollectible reinsurance for the years ended December 31, 2017 and 2016. Significant uncertainties are inherent in the assessment of the creditworthiness of reinsurers and estimates of any uncollectible amounts due from reinsurers. Any change in the ability of the Company’s reinsurers to meet their contractual obligations could have a material adverse effect on the consolidated financial statements as well as KICO’s ability to meet its regulatory capital and surplus requirements.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The Company maintains its cash balances at several financial institutions.

Investments

The Company classifies its fixed-maturity securities as either held-to-maturity or available-for-sale and its equity securities as available-for-sale. The Company may sell its available-for-sale securities in response to changes in interest rates, risk/reward characteristics, liquidity needs or other factors. Fixed-maturity securities that the Company has the specific intent and ability to hold until maturity are classified as such and carried at amortized cost.

Available-for-sale securities are reported at their estimated fair values based on quoted market prices from a recognized pricing service, with unrealized gains and losses, net of tax effects, reported as a separate component of accumulated other comprehensive income in the consolidated statements of stockholders' equity. Realized gains and losses are determined on the specific identification method and recognized in the consolidated statements of income and comprehensive income.

Investment income is accrued to the date of the consolidated financial statements and includes amortization of premium and accretion of discount on fixed-maturities. Interest is recognized when earned, while dividends are recognized when declared. Due and accrued investment income was approximately \$1,136,000 and \$694,000 as of December 31, 2017 and 2016, respectively, and is included in other assets on the accompanying consolidated balance sheets.

Premiums Receivable

Premiums receivable are presented net of an allowance for doubtful accounts of approximately \$291,000 and \$212,000 as of December 31, 2017 and 2016, respectively. The allowance for uncollectible amounts is based on an analysis of amounts receivable giving consideration to historical loss experience and current economic conditions and reflects an amount that, in management's judgment, is adequate. Uncollectible premiums receivable balances of approximately \$138,000 and \$98,000 were written off for the years ended December 31, 2017 and 2016, respectively.

Deferred Policy Acquisition Costs

Deferred policy acquisition costs represent the costs of writing business that vary with, and are primarily related to, the successful production of insurance business (principally commissions, premium taxes and certain underwriting salaries). Policy acquisition costs are deferred and recognized as expense as related premiums are earned.

Intangible Assets

The Company has recorded acquired identifiable intangible assets. The cost of a group of assets acquired in a transaction is allocated to the individual assets including identifiable intangible assets based on their relative fair values. Identifiable intangible assets with a finite useful life are amortized over the period that the asset is expected to contribute directly or indirectly to the future cash flows of the Company. Intangible assets with an indefinite life are not amortized, however are subject to impairment testing if events or changes in circumstances indicate that it is more likely than not the asset is impaired. All identifiable intangible assets are tested for recoverability whenever events or changes in circumstances indicate that a carrying amount may not be recoverable. No impairment losses from intangible assets were recognized for the years ended December 31, 2017 and 2016.

Property and Equipment

Building and building improvements, furniture, computer equipment, and software are reported at cost less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. The Company estimates the useful life for computer equipment, computer software, automobile, furniture and other equipment is three years, and building and building improvements is 39 years.

The Company reviews its real estate assets used as its headquarters to evaluate the necessity of recording impairment losses for market changes due to declines in the fair value of the property. In evaluating potential impairment, management considers the current estimated fair value compared to the carrying value of the asset. At December 31, 2017 and 2016, the fair value of the real estate assets is estimated to be in excess of the carrying value.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and for operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company files a consolidated tax return with its subsidiaries. At December 31, 2017, the Company had no material unrecognized tax benefits and no adjustments to liabilities or operations were required.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 was enacted (see Note 15 - Income Taxes).

Assessments

Insurance related assessments are accrued in the period in which they have been incurred. A typical obligating event would be the issuance of an insurance policy or the occurrence of a claim. The Company is subject to a variety of assessments.

Concentration and Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk are primarily cash and cash equivalents, investments, and premium and reinsurance receivables. Investments are diversified through many industries and geographic regions based upon KICO's Investment Committee's guidelines, which employs a variety of investment strategies. The Company believes that no significant concentration of credit risk exists with respect to investments. At times, cash may be uninsured or in deposit accounts that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. The Company has not experienced any losses in such accounts and management believes the Company is not exposed to any significant credit risk. Cash equivalents are not insured by the FDIC.

As of December 31, 2017 and 2016, the Company's cash equivalents were as follows:

	December 31, 2017	December 31, 2016
Collateralized bank repurchase agreement (1)	\$ 10,249,985	\$ 6,268,647
Money market funds	35,874,700	3,121,155
Total	<u>\$ 46,124,685</u>	<u>\$ 9,389,802</u>

(1) The Company has a security interest in certain of the bank's holdings of direct obligations of the United States or one or more agencies thereof. The collateral is held in a hold-in-custody arrangement with a third party who maintains physical possession of the collateral on behalf of the bank.

At December 31, 2017, the outstanding premiums receivable balance is generally diversified due to the large number of individual insureds comprising the Company's customer base. The Company's customer base is concentrated in the New York City metropolitan area. The Company also has receivables from its reinsurers.

Reinsurance contracts do not relieve the Company of its obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Company. The Company periodically evaluates the financial condition of its reinsurers to minimize its exposure to significant losses from reinsurer insolvencies. See Note 7 for reinsurance recoverables on unpaid and paid losses by reinsurer. Management's policy is to review all outstanding receivables quarterly as well as the bad debt write-offs experienced in the past and establish an allowance for doubtful accounts, if deemed necessary.

Direct premiums earned from lines of business in excess of 10% of the total subject the Company to concentration risk for the years ended December 31, 2017 and 2016 as follows:

	Years ended December 31,	
	2017	2016
Personal Lines	77.2%	76.8%
Commercial Lines	12.2%	12.8%
Livery physical damage	10.3%	10.1%
Total premiums earned subject to concentration	99.7%	99.7%
Premiums earned not subject to concentration	0.3%	0.3%
Total premiums earned	<u>100.0%</u>	<u>100.0%</u>

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The actual results could differ from these estimates and assumptions, which include the reserves for losses and loss adjustment expenses, are subject to estimation errors due to the inherent uncertainty in projecting ultimate claim amounts that will be reported and settled over a period of many years. In addition, estimates and assumptions associated with receivables under reinsurance contracts related to contingent ceding commission revenue require judgments by management. On an on-going basis, management reevaluates its assumptions and the methods for calculating these estimates. Actual results may differ significantly from the estimates and assumptions used in preparing the consolidated financial statements.

Earnings per share

Basic earnings per common share is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding. Diluted earnings per common share reflect, in periods in which they have a dilutive effect, the impact of common shares issuable upon the exercise of stock options. The computation of diluted earnings per share excludes those options with an exercise price in excess of the average market price of the Company's common shares during the periods presented.

Advertising Costs

Advertising costs are charged to operations when the advertising is initiated. Advertising costs are included in other underwriting expenses in the accompanying consolidated statements of income and comprehensive income, and were approximately \$202,000 and \$169,000 for the years ended December 31, 2017 and 2016, respectively.

Stock-based Compensation

Stock-based compensation expense in 2017 and 2016 is the estimated fair value of restricted stock awards and options granted, amortized on a straight-line basis over the requisite service period for the entire portion of the award less an estimate for anticipated forfeitures. The Company uses the "simplified" method to estimate the expected term of the options because the Company's historical share option exercise experience does not provide a reasonable basis upon which to estimate expected term.

Compensated Absences

Employees of the Company are entitled to paid vacations, sick days, and other time off depending on job classification, length of service and other factors. It is impracticable to estimate the amount of compensation of future absences and, accordingly, no liability has been recorded in the accompanying consolidated financial statements. The Company's policy is to recognize the cost of compensated absences when paid to employees.

Comprehensive Income

Comprehensive income refers to revenue, expenses, gains and losses that are included in comprehensive income but are excluded from net income as these amounts are recorded directly as an adjustment to stockholders' equity, primarily from changes in unrealized gains and losses on available-for-sale securities.

Accounting Changes

Effective January 1, 2017, the Company has adopted the provisions of Accounting Standards Update (“ASU”) 2016-09 – Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting, which requires recognition of all income tax effects from share-based payments arising on or after January 1, 2017 (the Company’s adoption date) in income tax expense. As a result, the Company realized windfall tax benefits in the period of adoption of approximately \$5,000, which was recognized as a discrete period income tax benefit as required by this ASU. This benefit had no effect on the Company’s effective tax rate for the year ended December 31, 2017.

In February 2018, the Financial Accounting Standards Board (“FASB”) issued ASU 2018-02 - Income Statement – Reporting Comprehensive Income (Topic 220) – Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (“AOCI”) (“ASU 2018-02”). The deferred income tax liability for unrealized gains on available-for-sale securities that were re-measured due to the reduction in corporate income tax rates under the Tax Cuts and Jobs Act of 2017 (the “Act”) resulted in a stranded tax effect within AOCI. This is due to the effect of the tax rate change being recorded through continuing operations as required under Accounting Standards Codification 740 (“ASC 740”). The revised ASU allows for the reclassification of the stranded tax effects as a result of the Act from AOCI to retained earnings and requires certain other disclosures. The Company chose to early adopt the provisions of ASU 2018-02 and recorded a one-time reclassification of \$182,912 from AOCI to retained earnings for the stranded tax effects resulting from the newly enacted corporate tax rate. The amount of the reclassification was the difference between the historical corporate tax rate and the newly enacted 21% corporate tax rate (see Consolidated Statement of Stockholders’ Equity).

Recent Accounting Pronouncements

In May 2014, FASB issued ASU 2014-09 – Revenue from Contracts with Customers (Topic 606) (“ASU 2014-09”). The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. ASU 2014-09, as amended by ASU 2015-14, ASU 2016-08, ASU 2016-10 and ASU 2016-20, is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. The Company adopted the new revenue standard on January 1, 2018 using the modified retrospective approach. The standard excludes from its scope the accounting for insurance contracts, financial instruments, and certain other agreements that are governed under other GAAP guidance. Accordingly, the adoption of ASU 2014-09 did not have a material effect on the Company’s consolidated financial statements.

In January 2016, FASB issued ASU 2016-01 – Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities (“ASU 2016-01”). The updated accounting guidance requires changes to the reporting model for financial instruments. ASU 2016-01 addresses certain aspects of recognition, measurement, presentation and disclosure of financial instruments. Most significantly, ASU 2016-01 requires companies to measure equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) at fair value with changes in fair value recognized in net income. ASU 2016-01 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years.

Adopting ASU 2016-01 will have no impact on the Company's total Stockholders' Equity as of January 1, 2018, but will result in an increase to Retained Earnings of approximately \$414,000, with a corresponding reduction to AOCI. Subsequent to adoption, ASU 2016-01 is expected to cause increased volatility in the Company's Consolidated Statements of Income and Comprehensive Income.

In February 2016, FASB issued ASU 2016-02 – Leases (Topic 842) (“ASU 2016-02”). Under this ASU, lessees will recognize a right-of-use-asset and corresponding liability on the balance sheet for all leases, except for leases covering a period of fewer than 12 months. The liability is to be measured as the present value of the future minimum lease payments taking into account renewal options if applicable plus initial incremental direct costs such as commissions. The minimum payments are discounted using the rate implicit in the lease or, if not known, the lessee's incremental borrowing rate. The lessee's income statement treatment for leases will vary depending on the nature of what is being leased. A financing type lease is present when, among other matters, the asset is being leased for a substantial portion of its economic life or has an end-of-term title transfer or a bargain purchase option as in today's practice. The payment of the liability set up for such leases will be apportioned between interest and principal; the right-of use asset will be generally amortized on a straight-line basis. If the lease does not qualify as a financing type lease, it will be accounted for on the income statement as rent on a straight-line basis. The guidance will be effective for the Company for interim and annual reporting periods beginning after December 15, 2018. The Company will apply the guidance using a modified retrospective approach. Early application is permitted. The Company is evaluating whether the adoption of ASU 2016-02 will have a significant impact on its consolidated results of operations, financial position or cash flows.

In June 2016, FASB issued ASU 2016-13 - Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (“ASU 2016-13”). The revised accounting guidance requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts and requires enhanced disclosures related to the significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization's portfolio. In addition, ASU 2016-13 amends the accounting for credit losses of available-for-sale debt securities and purchased financial assets with credit deterioration. ASU 2016-13 will be effective on January 1, 2020. The Company is currently evaluating the effect the updated guidance will have on its consolidated financial statements.

In August 2016, FASB issued ASU 2016-15 - Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (“ASU 2016-15”). The revised ASU provides accounting guidance for eight specific cash flow issues. FASB issued the standard to clarify areas where GAAP has been either unclear or lacking in specific guidance. ASU 2016-15 will be effective for the Company for interim and annual reporting periods beginning after December 15, 2018. Early adoption is permitted, including adoption in an interim period. The Company is currently evaluating the effect the updated guidance will have on its consolidated statement of cash flows.

In May 2017, the FASB issued ASU 2017-09, Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting (“ASU 2017-09”). ASU 2017-09 clarifies when to account for a change to the terms or conditions of a share-based payment award as a modification. Under the new guidance, modification accounting is required only if the fair value, the vesting conditions, or the classification of the award (as equity or liability) changes as a result of the change in terms or conditions. The amendment should be applied on a prospective basis. The effective date of ASU 2017-09 is for interim and annual reporting periods, beginning after December 15, 2017. The ASU has not yet been adopted; however, it will not have a material impact on the Company's consolidated financial position, cash flows or results of operations.

The Company has determined that all other recently issued accounting pronouncements will not have a material impact on its consolidated financial position, results of operations and cash flows, or do not apply to its operations.

Note 3 - Investments

Available-for-Sale Securities

The amortized cost and fair value of investments in available-for-sale fixed-maturity securities and equity securities as of December 31, 2017 and December 31, 2016 are summarized as follows:

December 31, 2017

Category	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses		Fair Value	Net Unrealized Gains/ (Losses)
			Less than 12 Months	More than 12 Months		
Fixed-Maturity Securities:						
Political subdivisions of States, Territories and Possessions	\$ 11,096,122	\$ 250,135	\$ (30,814)	\$ -	\$ 11,315,443	\$ 219,321
Corporate and other bonds						
Industrial and miscellaneous	87,562,631	1,189,207	(269,857)	(340,516)	88,141,465	578,834
Residential mortgage and other asset backed securities (1)	20,463,353	305,499	(48,482)	(189,022)	20,531,348	67,995
Total fixed-maturity securities	119,122,106	1,744,841	(349,153)	(529,538)	119,988,256	866,150
Equity Securities:						
Preferred stocks	7,081,099	60,867	(20,313)	(120,712)	7,000,941	(80,158)
Common stocks and exchange traded mutual funds	6,680,742	841,250	(222,205)	(14,530)	7,285,257	604,515
Total equity securities	13,761,841	902,117	(242,518)	(135,242)	14,286,198	524,357
Total	\$132,883,947	\$ 2,646,958	\$ (591,671)	\$ (664,780)	\$134,274,454	\$ 1,390,507

(1) In 2017, KICO placed certain residential mortgage backed securities as eligible collateral in a designated custodian account related to its relationship with the Federal Home Loan Bank of New York ("FHLB NY") (see Note 9). The eligible collateral would be pledged to FHLB NY if KICO draws an advance from FHLB NY. As of December 31, 2017, the fair value of the eligible investments was approximately \$6,703,000. KICO will retain all rights regarding all securities if pledged as collateral. As of December 31, 2017, there were no outstanding advances.

December 31, 2016

Category	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses		Fair Value	Net Unrealized Gains/ (Losses)
			Less than 12 Months	More than 12 Months		
Fixed-Maturity Securities:						
Political subdivisions of States, Territories and Possessions	\$ 8,053,449	\$ 199,028	\$ (46,589)	\$ -	\$ 8,205,888	\$ 152,439
Corporate and other bonds Industrial and miscellaneous	53,728,395	600,519	(638,113)	(5,612)	53,685,189	(43,206)
Residential mortgage backed securities	18,814,784	70,682	(309,273)	(38,442)	18,537,751	(277,033)
Total fixed-maturity securities	80,596,628	870,229	(993,975)	(44,054)	80,428,828	(167,800)
Equity Securities:						
Preferred stocks	5,986,588	10,317	(241,333)	(70,571)	5,685,001	(301,587)
Common stocks and exchange traded mutual funds	3,722,797	691,324	(13,968)	(97,468)	4,302,685	579,888
Total equity securities	9,709,385	701,641	(255,301)	(168,039)	9,987,686	278,301
Total	\$ 90,306,013	\$ 1,571,870	\$ (1,249,276)	\$ (212,093)	\$ 90,416,514	\$ 110,501

A summary of the amortized cost and fair value of the Company's investments in available-for-sale fixed-maturity securities by contractual maturity as of December 31, 2017 and 2016 is shown below:

The actual maturities may differ from contractual maturities because certain borrowers have the right to call or prepay obligations with or without penalties.

Remaining Time to Maturity	December 31, 2017		December 31, 2016	
	Amortized	Fair Value	Amortized	Fair Value
	Cost		Cost	
Less than one year	\$ 2,585,479	\$ 2,595,938	\$ 1,752,501	\$ 1,765,795
One to five years	31,716,345	32,065,197	29,541,568	29,913,308
Five to ten years	62,702,945	63,129,543	30,487,775	30,211,974
More than ten years	1,653,984	1,666,230	-	-
Residential mortgage and other asset backed securities	20,463,353	20,531,348	18,814,784	18,537,751
Total	\$ 119,122,106	\$ 119,988,256	\$ 80,596,628	\$ 80,428,828

Held-to-Maturity Securities

The amortized cost and fair value of investments in held-to-maturity fixed-maturity securities as of December 31, 2017 and 2016 are summarized as follows:

Category	December 31, 2017					
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses		Fair Value	Net Unrealized Gains
			Less than 12 Months	More than 12 Months		
U.S. Treasury securities	\$ 729,466	\$ 147,573	\$ (1,729)	\$ -	\$ 875,310	\$ 145,844
Political subdivisions of States, Territories and Possessions	998,984	50,366	-	-	1,049,350	50,366
Corporate and other bonds						
Industrial and miscellaneous	3,141,358	90,358	-	(6,300)	3,225,416	84,058
Total	<u>\$ 4,869,808</u>	<u>\$ 288,297</u>	<u>\$ (1,729)</u>	<u>\$ (6,300)</u>	<u>\$ 5,150,076</u>	<u>\$ 280,268</u>
Category	December 31, 2016					
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses		Fair Value	Net Unrealized Gains
			Less than 12 Months	More than 12 Months		
U.S. Treasury securities	\$ 606,427	\$ 147,612	\$ -	\$ -	\$ 754,039	\$ 147,612
Political subdivisions of States, Territories and Possessions	1,349,916	37,321	-	-	1,387,237	37,321
Corporate and other bonds						
Industrial and miscellaneous	3,138,559	72,784	(7,619)	(46,881)	3,156,843	18,284
Total	<u>\$ 5,094,902</u>	<u>\$ 257,717</u>	<u>\$ (7,619)</u>	<u>\$ (46,881)</u>	<u>\$ 5,298,119</u>	<u>\$ 203,217</u>

Held-to-maturity U.S. Treasury securities are held in trust pursuant to various states' minimum fund requirements.

A summary of the amortized cost and fair value of the Company's investments in held-to-maturity securities by contractual maturity as of December 31, 2017 and 2016 is shown below:

Remaining Time to Maturity	December 31, 2017		December 31, 2016	
	Amortized		Amortized	
	Cost	Fair Value	Cost	Fair Value
Less than one year	\$ -	\$ -	\$ -	\$ -
One to five years	2,546,459	2,601,898	650,000	642,455
Five to ten years	1,716,884	1,794,139	3,838,475	3,901,625
More than ten years	606,465	754,039	606,427	754,039
Total	\$ 4,869,808	\$ 5,150,076	\$ 5,094,902	\$ 5,298,119

Investment Income

Major categories of the Company's net investment income are summarized as follows:

	Year ended December 31,	
	2017	2016
Income:		
Fixed-maturity securities	\$ 3,664,577	\$ 2,668,148
Equity securities	564,071	557,919
Cash and cash equivalents	56,075	19,047
Other	-	794
Total	4,284,723	3,245,908
Expenses:		
Investment expenses	152,137	130,325
Net investment income	\$ 4,132,586	\$ 3,115,583

Proceeds from the sale and redemption of fixed-maturity securities held-to-maturity for the year ended December 31, 2017 includes one redemption of \$200,000 and one sale of \$47,500. The sale was to dispose of a bond issued by the Commonwealth of Puerto Rico that was deemed to have a permanent credit impairment by the Company (see Impairment Review Below). There were no proceeds from the sale and redemption of fixed-maturity securities held-to-maturity for the year ended December 31, 2016.

Proceeds from the sale and maturity of fixed-maturity securities available-for-sale were \$11,132,000 and \$17,752,130 for the years ended December 31, 2017 and 2016, respectively.

Proceeds from the sale of equity securities available-for-sale were \$3,862,127 and \$7,073,773 for the years ended December 31, 2017 and 2016, respectively.

The Company's net realized gains on sales of investments are summarized as follows:

	Year ended December 31,	
	2017	2016
Fixed-maturity securities:		
Gross realized gains	\$ 70,478	\$ 354,071
Gross realized losses (1)	(309,247)	(302,087)
	(238,769)	51,984
Equity securities:		
Gross realized gains	636,880	637,249
Gross realized losses	(263,798)	(89,874)
	373,082	547,375
Other-than-temporary impairment losses:		
Fixed-maturity securities	(50,000)	(69,911)
	(50,000)	(69,911)
Net realized gains	\$ 84,313	\$ 529,448

- (1) Gross realized losses for the year ended December 31, 2017 includes \$59,916 loss from the sale of a fixed-maturity security held-to-maturity issued by the Commonwealth of Puerto Rico (see impairment review below) and \$747 of loss from the redemption of a fixed-maturity security held-to-maturity.

Impairment Review

Impairment of investment securities results in a charge to operations when a market decline below cost is deemed to be other-than-temporary. The Company regularly reviews its fixed-maturity securities and equity securities portfolios to evaluate the necessity of recording impairment losses for other-than-temporary declines in the fair value of investments. In evaluating potential impairment, GAAP specifies (i) if the Company does not have the intent to sell a debt security prior to recovery and (ii) it is more likely than not that it will not have to sell the debt security prior to recovery, the security would not be considered other-than-temporarily impaired unless there is a credit loss. When the Company does not intend to sell the security and it is more likely than not that the Company will not have to sell the security before recovery of its cost basis, it will recognize the credit component of an other-than-temporary impairment ("OTTI") of a debt security in earnings and the remaining portion in other comprehensive income. The credit loss component recognized in earnings is identified as the amount of principal cash flows not expected to be received over the remaining term of the security as projected based on cash flow projections. For held-to-maturity debt securities, the amount of OTTI recorded in other comprehensive income for the noncredit portion of a previous OTTI is amortized prospectively over the remaining life of the security on the basis of timing of future estimated cash flows of the security.

OTTI losses are recorded in the consolidated statements of income and comprehensive income as net realized losses on investments and result in a permanent reduction of the cost basis of the underlying investment. The determination of OTTI is a subjective process and different judgments and assumptions could affect the timing of loss realization. At December 31, 2017 and 2016, there were 75 and 85 securities, respectively, that accounted for the gross unrealized loss. In December 2017, the Company disposed of one of its held-to-maturity debt securities that was previously included in OTTI, the bond was issued by the Commonwealth of Puerto Rico ("PR"). In July 2016, PR defaulted on its interest payment to bondholders. Due to the credit deterioration of PR, the Company recorded its first credit loss component of OTTI on this investment as of June 30, 2016. As of December 31, 2016, the full amount of the write-down was recognized as a credit component of OTTI in the amount of \$69,911. In September 2017, Hurricane Maria significantly affected Puerto Rico. The impact of this event further contributed to the credit deterioration of PR and, as a result, the Company recorded an additional credit loss component of OTTI on this investment for the amount of \$50,000 during the quarter ended September 30, 2017. The total of the two OTTI write-downs of this investment through December 31, 2017 was \$119,911. The Company determined that none of the other unrealized losses were deemed to be OTTI for its portfolio of fixed-maturity investments and equity securities for the years ended December 31, 2017 and 2016. Significant factors influencing the Company's determination that unrealized losses were temporary included the magnitude of the unrealized losses in relation to each security's cost, the nature of the investment and management's intent and ability to retain the investment for a period of time sufficient to allow for an anticipated recovery of fair value to the Company's cost basis.

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

The Company held available-for-sale securities with unrealized losses representing declines that were considered temporary at December 31, 2017 and 2016 as follows:

Category	December 31, 2017							
	Less than 12 months			12 months or more			Total	
	Fair Value	Unrealized Losses	No. of Positions Held	Fair Value	Unrealized Losses	No. of Positions Held	Aggregate Fair Value	Unrealized Losses
Fixed-Maturity Securities:								
Political subdivisions of States, Territories and Possessions	\$ 1,549,839	\$ (30,814)	4	\$ -	\$ -	-	\$ 1,549,839	\$ (30,814)
Corporate and other bonds industrial and miscellaneous	15,036,462	(269,857)	20	9,113,924	(340,516)	17	24,150,386	(610,373)
Residential mortgage and other asset backed securities	6,956,371	(48,482)	6	7,867,572	(189,022)	15	14,823,943	(237,504)
Total fixed-maturity securities	\$ 23,542,672	\$ (349,153)	30	\$ 16,981,496	\$ (529,538)	32	\$ 40,524,168	\$ (878,691)
Equity Securities:								
Preferred stocks	\$ 1,605,217	\$ (20,313)	5	\$ 1,776,675	\$ (120,712)	3	\$ 3,381,892	\$ (141,025)
Common stocks and exchange traded mutual funds	1,446,375	(222,205)	4	124,900	(14,530)	1	1,571,275	(236,735)
Total equity securities	\$ 3,051,592	\$ (242,518)	9	\$ 1,901,575	\$ (135,242)	4	\$ 4,953,167	\$ (377,760)
Total	\$ 26,594,264	\$ (591,671)	39	\$ 18,883,071	\$ (664,780)	36	\$ 45,477,335	\$ (1,256,451)

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Category	December 31, 2016							
	Less than 12 months			12 months or more			Total	
	Fair Value	Unrealized Losses	No. of Positions Held	Fair Value	Unrealized Losses	No. of Positions Held	Aggregate Fair Value	Unrealized Losses
Fixed-Maturity Securities:								
Political subdivisions of States, Territories and Possessions	\$ 1,067,574	\$ (46,589)	3	\$ -	\$ -	-	\$ 1,067,574	\$ (46,589)
Corporate and other bonds industrial and miscellaneous	19,859,293	(638,113)	34	239,970	(5,612)	1	20,099,263	(643,725)
Residential mortgage backed securities	15,918,090	(309,273)	30	675,316	(38,442)	6	16,593,406	(347,715)
Total fixed-maturity securities	\$ 36,844,957	\$ (993,975)	67	\$ 915,286	\$ (44,054)	7	\$ 37,760,243	\$ (1,038,029)
Equity Securities:								
Preferred stocks	\$ 3,759,850	\$ (241,333)	8	\$ 660,750	\$ (70,571)	1	\$ 4,420,600	\$ (311,904)
Common stocks and exchange traded mutual funds	288,075	(13,968)	1	424,550	(97,468)	1	712,625	(111,436)
Total equity securities	\$ 4,047,925	\$ (255,301)	9	\$ 1,085,300	\$ (168,039)	2	\$ 5,133,225	\$ (423,340)
Total	\$ 40,892,882	\$ (1,249,276)	76	\$ 2,000,586	\$ (212,093)	9	\$ 42,893,468	\$ (1,461,369)

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Note 4 - Fair Value Measurements

Fair value is the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The valuation technique used by the Company to fair value its financial instruments is the market approach, which uses prices and other relevant information generated by market transactions involving identical or comparable assets.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets or liabilities fall within different levels of the hierarchy, the classification is based on the lowest level input that is significant to the fair value measurement of the asset or liability. Classification of assets and liabilities within the hierarchy considers the markets in which the assets and liabilities are traded, including during period of market disruption, and the reliability and transparency of the assumptions used to determine fair value. The hierarchy requires the use of observable market data when available. The levels of the hierarchy and those investments included in each are as follows:

Level 1—Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets. Included are those investments traded on an active exchange, such as the NASDAQ Global Select Market, U.S. Treasury securities and obligations of U.S. government agencies, together with corporate debt securities that are generally investment grade.

Level 2—Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and market-corroborated inputs. Municipal and corporate bonds, and residential mortgage-backed securities, that are traded in less active markets are classified as Level 2. These securities are valued using market price quotations for recently executed transactions.

Level 3—Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement. Material assumptions and factors considered in pricing investment securities and other assets may include appraisals, projected cash flows, market clearing activity or liquidity circumstances in the security or similar securities that may have occurred since the prior pricing period.

The availability of observable inputs varies and is affected by a wide variety of factors. When the valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires significantly more judgment. The degree of judgment exercised by management in determining fair value is greatest for investments categorized as Level 3. For investments in this category, the Company considers prices and inputs that are current as of the measurement date. In periods of market dislocation, as characterized by current market conditions, the ability to observe prices and inputs may be reduced for many instruments. This condition could cause a security to be reclassified between levels.

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

The Company's investments measured at fair value on a recurring basis are allocated among pricing input levels at December 31, 2017 and 2016 as follows:

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Fixed-maturity securities available-for-sale				
Political subdivisions of States, Territories and Possessions	\$ -	\$ 11,315,443	\$ -	\$ 11,315,443
Corporate and other bonds industrial and miscellaneous	83,597,300	4,544,165	-	88,141,465
Residential mortgage backed securities	-	20,531,348	-	20,531,348
Total fixed maturities	83,597,300	36,390,956	-	119,988,256
Equity securities	14,286,198	-	-	14,286,198
Total investments	\$ 97,883,498	\$ 36,390,956	\$ -	\$ 134,274,454

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Fixed-maturity securities available-for-sale				
Political subdivisions of States, Territories and Possessions	\$ -	\$ 8,205,888	\$ -	\$ 8,205,888
Corporate and other bonds industrial and miscellaneous	48,356,317	5,328,872	-	53,685,189
Residential mortgage backed securities	-	18,537,751	-	18,537,751
Total fixed maturities	48,356,317	32,072,511	-	80,428,828
Equity securities	9,987,686	-	-	9,987,686
Total investments	\$ 58,344,003	\$ 32,072,511	\$ -	\$ 90,416,514

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Note 5 - Fair Value of Financial Instruments and Real Estate

The Company uses the following methods and assumptions in estimating the fair value of financial instruments:

Equity securities and fixed income securities available-for-sale: Fair value disclosures for these investments are included in “Note 3 - Investments.”

Cash and cash equivalents: The carrying values of cash and cash equivalents approximate their fair values because of the short-term nature of these instruments.

Premiums receivable, reinsurance receivables, and investment subscription receivable: The carrying values reported in the accompanying consolidated balance sheets for these financial instruments approximate their fair values due to the short-term nature of the assets.

Real estate: The fair value of the land and building included in property and equipment, which is used in the Company’s operations, approximates the carrying value. The fair value was based on an appraisal prepared using the sales comparison approach, and accordingly the real estate is a Level 3 asset under the fair value hierarchy.

Reinsurance balances payable: The carrying value reported in the consolidated balance sheets for these financial instruments approximates fair value.

Long-term debt: The carrying value reported in the 2017 consolidated balance sheet for these financial instruments approximates fair value.

The estimated fair values of the Company’s financial instruments as of December 31, 2017 and 2016 are as follows:

	December 31, 2017		December 31, 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Fixed-maturity securities-held-to maturity	\$ 4,869,808	\$ 5,150,076	\$ 5,094,902	\$ 5,298,119
Cash and cash equivalents	\$ 48,381,633	\$ 48,381,633	\$ 12,044,520	\$ 12,044,520
Investment subscription receivable	\$ 2,000,000	\$ 2,000,000	\$ -	\$ -
Premiums receivable, net	\$ 13,217,698	\$ 13,217,698	\$ 11,649,398	\$ 11,649,398
Reinsurance receivables, net	\$ 28,519,130	\$ 28,519,130	\$ 32,197,765	\$ 32,197,765
Real estate, net of accumulated depreciation	\$ 2,261,829	\$ 2,705,000	\$ 1,659,405	\$ 1,925,000
Reinsurance balances payable	\$ 2,563,966	\$ 2,563,966	\$ 2,146,017	\$ 2,146,017
Long-term debt, net	\$ 29,126,965	\$ 29,126,965	\$ -	\$ -

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Note 6 - Intangibles

Intangible assets consist of finite and indefinite life assets. Finite life intangible assets include customer and producer relationships and other identifiable intangibles. The insurance company license is considered an indefinite life intangible asset subject to annual impairment testing. The remaining weighted average amortization period of identified intangible assets of finite useful life is approximately 1.5 years as of December 31, 2017.

The components of intangible assets and their useful lives, accumulated amortization, and net carrying value as of December 31, 2017 and 2016 are summarized as follows:

	Useful Life (in yrs)	December 31, 2017			December 31, 2016		
		Gross Carrying Value	Accumulated Amortization	Net Carrying Amount	Gross Carrying Value	Accumulated Amortization	Net Carrying Amount
Insurance license	-	\$ 500,000	\$ -	\$ 500,000	\$ 500,000	\$ -	\$ 500,000
Customer relationships	10	3,400,000	2,890,000	510,000	3,400,000	2,550,000	850,000
Other identifiable intangibles	7	950,000	950,000	-	950,000	950,000	-
Total		\$ 4,850,000	\$ 3,840,000	\$ 1,010,000	\$ 4,850,000	\$ 3,500,000	\$ 1,350,000

Intangible asset impairment testing and amortization

The Company performs an analysis annually as of December 31, or sooner if there are indicators that the asset may be impaired, to identify potential impairment of intangible assets with both finite and indefinite lives and measures the amount of any impairment loss that may need to be recognized. Intangible asset impairment testing requires an evaluation of the estimated fair value of each identified intangible asset to its carrying value. An impairment charge would be recorded if the estimated fair value is less than the carrying amount of the intangible asset. No impairments have been identified in the years ended December 31, 2017 and 2016.

The Company recorded amortization expense related to intangibles of \$340,000 and \$407,816, respectively, for the years ended December 31, 2017 and 2016. The estimated aggregate amortization expense for the remaining life of finite life intangibles is as follows:

2018	\$ 340,000
2019	170,000
	<u>\$ 510,000</u>

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Note 7 - Reinsurance

The Company's quota share reinsurance treaties are on a July 1 through June 30 fiscal year basis; therefore, for year to date fiscal periods after June 30, two separate treaties will be included in such periods.

The Company's quota share reinsurance treaties in effect for the year ended December 31, 2017 for its personal lines business, which primarily consists of homeowners' policies, were covered under the July 1, 2016/June 30, 2017 treaty year ("2016/2017 Treaty") and July 1, 2017/June 30, 2018 treaty year ("2017/2019 Treaty") (two year treaty as described below). The Company's quota share reinsurance treaties in effect for the year ended December 31, 2016 were covered under the July 1, 2015/June 30, 2016 treaty year ("2015/2016 Treaty") and the 2016/2017 Treaty.

In March 2017, the Company bound its personal lines quota share reinsurance treaty effective July 1, 2017. The treaty provides for a reduction in the quota share ceding rate to 20%, from 40% in the 2016/2017 Treaty, and an increase in the provisional ceding commission rate to 53%, from 52% in the 2016/2017 Treaty. The 2017/2019 Treaty covers a two year period from July 1, 2017 through June 30, 2019.

The Company's 2015/2016 Treaty, 2016/2017 Treaty, and 2017/2019 Treaty provide for the following material terms:

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Line of Business	Treaty Year		
	July 1, 2017 to June 30, 2018	July 1, 2016 to June 30, 2017	July 1, 2015 to June 30, 2016
Personal Lines:			
Homeowners, dwelling fire and canine legal liability			
Quota share treaty:			
Percent ceded	20%	40%	40%
Risk retained	\$ 800,000	\$ 500,000	\$ 450,000
Losses per occurrence subject to quota share reinsurance coverage	\$ 1,000,000	\$ 833,333	\$ 750,000
Excess of loss coverage and facultative facility above quota share coverage (1)	\$ 9,000,000	\$ 3,666,667	\$ 3,750,000
	in excess of	in excess of	in excess of
	\$ 1,000,000	\$ 833,333	\$ 750,000
Total reinsurance coverage per occurrence	\$ 9,200,000	\$ 4,000,000	\$ 4,050,000
Losses per occurrence subject to reinsurance coverage	\$ 10,000,000	\$ 4,500,000	\$ 4,500,000
Expiration date	June 30, 2019	June 30, 2017	June 30, 2016
Personal Umbrella			
Quota share treaty:			
Percent ceded - first \$1,000,000 of coverage	90%	90%	90%
Percent ceded - excess of \$1,000,000 dollars of coverage	100%	100%	100%
Risk retained	\$ 100,000	\$ 100,000	\$ 100,000
Total reinsurance coverage per occurrence	\$ 4,900,000	\$ 4,900,000	\$ 2,900,000
Losses per occurrence subject to quota share reinsurance coverage	\$ 5,000,000	\$ 5,000,000	\$ 3,000,000
Expiration date	June 30, 2018	June 30, 2017	June 30, 2016
Commercial Lines:			
General liability commercial policies, except for commercial auto			
Quota share treaty:			
Percent ceded	None	None	None
Risk retained	\$ 750,000	\$ 500,000	\$ 425,000
Losses per occurrence subject to quota share reinsurance coverage	None	None	None
Excess of loss coverage above quota share coverage	\$ 3,750,000	\$ 4,000,000	\$ 4,075,000
	in excess of	in excess of	in excess of
	\$ 750,000	\$ 500,000	\$ 425,000
Total reinsurance coverage per occurrence	\$ 3,750,000	\$ 4,000,000	\$ 4,075,000
Losses per occurrence subject to reinsurance coverage	\$ 4,500,000	\$ 4,500,000	\$ 4,500,000
Commercial Umbrella			
Quota share treaty:			
Percent ceded - first \$1,000,000 of coverage	90%	90%	
Percent ceded - excess of \$1,000,000 of coverage	100%	100%	
Risk retained	\$ 100,000	\$ 100,000	
Total reinsurance coverage per occurrence	\$ 4,900,000	\$ 4,900,000	
Losses per occurrence subject to quota share reinsurance coverage	\$ 5,000,000	\$ 5,000,000	
Expiration date	June 30, 2018	June 30, 2017	
Commercial Auto:			
Risk retained			\$ 300,000
Excess of loss coverage in excess of risk retained			\$ 1,700,000
			in excess of
			\$ 300,000
Catastrophe Reinsurance:			
Initial loss subject to personal lines quota share treaty	\$ 5,000,000	\$ 5,000,000	\$ 4,000,000
Risk retained per catastrophe occurrence (2)	\$ 4,000,000	\$ 3,000,000	\$ 2,400,000
Catastrophe loss coverage in excess of quota share coverage (3) (4)	\$ 315,000,000	\$ 247,000,000	\$ 176,000,000
Severe winter weather aggregate (4)	No	No	Yes
Reinstatement premium protection (5)	Yes	Yes	Yes

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

1. For personal lines, the 2017/2019 Treaty includes the addition of an automatic facultative facility allowing KICO to obtain homeowners single risk coverage up to \$10,000,000 in total insured value, which covers direct losses from \$3,500,000 to \$10,000,000.
2. Plus losses in excess of catastrophe coverage.
3. Catastrophe coverage is limited on an annual basis to two times the per occurrence amounts. Effective July 1, 2016, the duration of a catastrophe occurrence from windstorm, hail, tornado, hurricane and cyclone was extended to 168 consecutive hours from 120 consecutive hours.
4. From July 1, 2015 through June 30, 2016, the catastrophe treaty also covered losses caused by severe winter weather during any consecutive 28 day period.
5. Effective July 1, 2015, reinstatement premium protection for \$16,000,000 of catastrophe coverage in excess of \$4,000,000. Effective July 1, 2016, reinstatement premium protection for \$20,000,000 of catastrophe coverage in excess of \$5,000,000.

Effective July 1, 2017, reinstatement premium protection for \$145,000,000 of catastrophe coverage in excess of \$5,000,000.

The single maximum risks per occurrence to which the Company is subject under the new treaties effective July 1, 2017 are as follows:

Treaty	July 1, 2017 - June 30, 2018	
	Range of Loss	Risk Retained
Personal Lines (1)	Initial \$1,000,000	\$800,000
	\$1,000,000 - \$10,000,000	None(2)
	Over \$10,000,000	100%
Personal Umbrella	Initial \$1,000,000	\$100,000
	\$1,000,000 - \$5,000,000	None
	Over \$5,000,000	100%
Commercial Lines	Initial \$750,000	\$750,000
	\$750,000 - \$4,500,000	None(3)
	Over \$4,500,000	100%
Commercial Umbrella	Initial \$1,000,000	\$100,000
	\$1,000,000 - \$5,000,000	None
	Over \$5,000,000	100%
Catastrophe (4)	Initial \$5,000,000	\$4,000,000
	\$5,000,000 - \$320,000,000	None
	Over \$320,000,000	100%

- (1) Two year treaty with expiration date of June 30, 2019.
- (2) Covered by excess of loss treaties up to \$3,500,000 and by facultative facility from \$3,500,000 to \$10,000,000.
- (3) Covered by excess of loss treaties.
- (4) Catastrophe coverage is limited on an annual basis to two times the per occurrence amounts.

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

The single maximum risks per occurrence to which the Company is subject under the treaties that expired on June 30, 2017 and 2016 are as follows:

Treaty	July 1, 2016 - June 30, 2017		July 1, 2015 - June 30, 2016	
	Range of Loss	Risk Retained	Range of Loss	Risk Retained
Personal Lines	Initial \$833,333	\$500,000	Initial \$750,000	\$450,000
	\$833,333 - \$4,500,000	None(1)	\$750,000 - \$4,500,000	None(1)
	Over \$4,500,000	100%	Over \$4,500,000	100%
Personal Umbrella	Initial \$1,000,000	\$100,000	Initial \$1,000,000	\$100,000
	\$1,000,000 - \$5,000,000	None	\$1,000,000 - \$3,000,000	None
	Over \$5,000,000	100%	Over \$3,000,000	100%
Commercial Lines	Initial \$500,000	\$500,000	Initial \$425,000	\$425,000
	\$500,000 - \$4,500,000	None(1)	\$425,000 - \$4,500,000	None(1)
	Over \$4,500,000	100%	Over \$4,500,000	100%
Commercial Umbrella	Initial \$1,000,000	\$100,000		
	\$1,000,000 - \$5,000,000	None		
	Over \$5,000,000	100%		
Catastrophe (2)	Initial \$5,000,000	\$3,000,000	Initial \$4,000,000	\$2,400,000
	\$5,000,000 - \$252,000,000	None	\$4,000,000 - \$180,000,000	None
	Over \$252,000,000	100%	Over \$180,000,000	100%

(1) Covered by excess of loss treaties.

(2) Catastrophe coverage is limited on an annual basis to two times the per occurrence amounts.

The Company's reinsurance program is structured to enable the Company to significantly grow its premium volume while maintaining regulatory capital and other financial ratios generally within or below the expected ranges used for regulatory oversight purposes. The reinsurance program also provides income as a result of ceding commissions earned pursuant to the quota share reinsurance contracts. The Company's participation in reinsurance arrangements does not relieve the Company of its obligations to policyholders.

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Approximate reinsurance recoverables on unpaid and paid losses by reinsurer at December 31, 2017 and 2016 are as follows:

(\$ in thousands)	Unpaid Losses	Paid Losses	Total	Security
December 31, 2017				
Maiden Reinsurance Company	\$ 8,160	\$ 968	\$ 9,128	\$ 10,583 (1)
Swiss Reinsurance America Corporation	4,299	600	4,899	-
SCOR Reinsurance Company	851	209	1,060	-
Allied World Assurance Company	1,649	188	1,837	-
Others	1,789	568	2,357	205 (2)
Total	\$ 16,748	\$ 2,533	\$ 19,281	\$ 10,788
December 31, 2016				
Maiden Reinsurance Company	\$ 7,640	\$ 985	\$ 8,625	\$ 13,113 (1)
Swiss Reinsurance America Corporation	4,310	671	4,981	-
SCOR Reinsurance Company	1,440	152	1,592	-
Allied World Assurance Company	392	300	692	-
Others	1,995	211	2,206	164 (3)
Total	\$ 15,777	\$ 2,319	\$ 18,096	\$ 13,277

(1) Secured pursuant to collateralized trust agreements.

(2) Represents \$202,000 secured pursuant to collateralized trust agreement and \$3,000 guaranteed by an irrevocable letter of credit.

(3) Represents \$161,000 secured pursuant to collateralized trust agreement and \$3,000 guaranteed by an irrevocable letter of credit

Assets held in the trusts referred to in footnotes (1) to (3) in the table above are not included in the Company's invested assets and investment income earned on these assets is credited to the two reinsurers respectively. In addition to reinsurance recoverables on unpaid and paid losses, reinsurance receivables in the accompanying consolidated balance sheets as of December 31, 2017 and 2016 include unearned ceded premiums of \$9,237,180 and \$14,101,745, respectively.

Ceding Commission Revenue

The Company earns ceding commission revenue under its quota share reinsurance agreements based on: (i) a fixed provisional commission rate at which provisional ceding commissions are earned, and (ii) a sliding scale of commission rates and ultimate treaty year loss ratios on the policies reinsured under each of these agreements based upon which contingent ceding commissions are earned. The sliding scale includes minimum and maximum commission rates in relation to specified ultimate loss ratios. The commission rate and contingent ceding commissions earned increases when the estimated ultimate loss ratio decreases and, conversely, the commission rate and contingent ceding commissions earned decreases when the estimated ultimate loss ratio increases.

The Company's estimated ultimate treaty year loss ratios ("Loss Ratio(s)") for treaties in effect for the year ended December 31, 2017 are attributable to contracts for the 2017/2019 Treaty and the 2016/2017 Treaty. The Company's estimated ultimate treaty year Loss Ratios for treaties in effect for the year ended December 31, 2016 are attributable to contracts for the 2016/2017 Treaty and the 2015/2016 Treaty.

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Treaties in effect for the year ended December 31, 2017

Under the 2017/2019 Treaty, the Company receives, and under the 2016/2017 Treaty, the Company received, an upfront fixed provisional rate that is subject to a sliding scale contingent adjustment based upon Loss Ratio. Under this arrangement, the Company earns and earned provisional ceding commissions that are subject to later adjustment dependent on changes to the estimated Loss Ratio for the 2017/2019 Treaty and 2016/2017 Treaty. The Company's Loss Ratios for the period July 1, 2017 through December 31, 2017 attributable to the 2017/2019 Treaty, and from July 1, 2016 through December 31, 2017 attributable to the 2016/2017 Treaty, were consistent with the contractual Loss Ratio at which the provisional ceding commissions were earned and therefore no additional contingent commission was recorded for the year ended December 31, 2017 with respect to these treaties.

Treaties in effect for the year ended December 31, 2016

Under the 2016/2017 Treaty and the 2015/2016 Treaty, the Company received an upfront fixed provisional rate that was subject to a sliding scale contingent rate adjustment based on Loss Ratio. Under this arrangement, the Company earned provisional ceding commissions that were subject to later adjustment dependent on changes to the estimated Loss Ratio for the 2016/2017 Treaty and 2015/2016 Treaty. The Company's Loss Ratio for the period July 1, 2016 through December 31, 2016 attributable to the 2016/2017 Treaty, were consistent with the contractual Loss Ratio at which provisional ceding commissions were earned and therefore no additional contingent commission was recorded for the year ended December 31, 2016 with respect to this treaty. The Company's Loss Ratio for the period July 1, 2015 through December 31, 2016 attributable to the 2015/2016 Treaty were higher than the contractual Loss Ratio at which provisional ceding commissions were earned. Accordingly, for the year ended December 31, 2016, the Company's contingent ceding commission earned was reduced as a result of the estimated Loss Ratio for the 2015/2016 Treaty.

In addition to the treaties that were in effect for the years ended December 31, 2017 and 2016, the Loss Ratios from prior years' treaties are subject to change as loss reserves from those periods increase or decrease, resulting in an increase or decrease in the commission rate and contingent ceding commissions earned.

Ceding commissions earned consists of the following:

	Years ended December 31,	
	2017	2016
Provisional ceding commissions earned	\$ 10,677,214	\$ 12,769,404
Contingent ceding commissions earned	(744,081)	(1,501,163)
	<u>\$ 9,933,133</u>	<u>\$ 11,268,241</u>

Provisional ceding commissions are settled monthly. Balances due from reinsurers for contingent ceding commissions on quota share treaties are settled annually based on the Loss Ratio of each treaty year that ends on June 30. As discussed above, the Loss Ratios from prior years' treaties are subject to change as incurred losses from those periods develop, resulting in an increase or decrease in the commission rate and contingent ceding commissions earned. As of December 31, 2017 and 2016, net contingent ceding commissions payable to reinsurers under all treaties was approximately \$1,850,000 and \$773,000, respectively.

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Note 8 - Deferred Policy Acquisition Costs and Deferred Ceding Commission Revenue

Deferred policy acquisition costs incurred and policy-related ceding commission revenue are deferred and amortized to income on property and casualty insurance business as follows:

	Year ended December 31,	
	2017	2016
Net deferred policy acquisition costs, net of ceding commission revenue, beginning of year	\$ 5,387,940	\$ 4,400,238
Cost incurred and deferred:		
Commissions and brokerage	23,093,880	19,566,982
Other underwriting and policy acquisition costs	6,669,904	5,470,285
Ceding commission revenue	(8,091,785)	(13,186,177)
Net deferred policy acquisition costs	21,671,999	11,851,090
Return of deferred ceding commission revenue due to reduction of quota share	(3,648,859)	-
Amortization	(12,830,256)	(10,863,388)
	5,192,884	987,702
Net deferred policy acquisition costs, net of ceding commission revenue, end of year	\$ 10,580,824	\$ 5,387,940

Ending balances for deferred policy acquisition costs and deferred ceding commission revenue as of December 31, 2017 and 2016 follows:

	December 31,	
	2017	2016
Deferred policy acquisition costs	\$ 14,847,236	\$ 12,239,781
Deferred ceding commission revenue	(4,266,412)	(6,851,841)
Balance at end of period	\$ 10,580,824	\$ 5,387,940

Note 9 – Debt

Short-term Debt

In July 2017, KICO became a member of, and invested in, the Federal Home Loan Bank of New York (“FHLBNY”). The aggregate investment of dividend bearing common stock was \$22,500 as of December 31, 2017. Members have access to a variety of flexible, low cost funding through FHLBNY’s credit products, enabling members to customize advances. Advances are to be fully collateralized; eligible collateral to pledge to FHLBNY includes residential and commercial mortgage backed securities, along with U.S. Treasury and agency securities. See Note 3 – Investments for eligible collateral held in a designated custodian account available for future advances. Advances are limited to 5% of KICO’s net admitted assets as of December 31 of the previous year and are due and payable within one year of borrowing. The maximum allowable advance was approximately \$9,849,000 as of December 31, 2017. Advances are limited to the amount of available collateral, which was approximately \$6,703,000 as of December 31, 2017. There were no borrowings under this facility during the period ended December 31, 2017.

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Long-term Debt

On December 19, 2017, the Company issued \$30 million of its 5.50% Senior Unsecured Notes due December 30, 2022 (the “Notes”) in an underwritten public offering. Interest will be payable semi-annually in arrears on June 30 and December 30 of each year, beginning on June 30 2018 at the rate of 5.50% per year from December 19, 2017. The net proceeds of the issuance were \$29,121,630, net of discount of \$163,200 and transaction costs of \$715,170, for an effective yield of 5.67%. The balance of long-term debt as of December 31, 2017 is as follows:

5.50% Senior Unsecured Notes	\$ 30,000,000
Discount	(162,209)
Issuance costs	(710,826)
Long-term debt, net	<u>\$ 29,126,965</u>

The Notes are unsecured obligations of the Company and are not the obligations of or guaranteed by any of the Company's subsidiaries. The Notes rank senior in right of payment to any of the Company's existing and future indebtedness that is by its terms expressly subordinated or junior in right of payment to the Notes. The Notes rank equally in right of payment to all of the Company's existing and future senior indebtedness, but will be effectively subordinated to any secured indebtedness to the extent of the value of the collateral securing such secured indebtedness. In addition, the Notes will be structurally subordinated to the indebtedness and other obligations of the Company's subsidiaries. The Company may redeem the Notes, at any time in whole or from time to time in part, at the redemption price equal to the greater of: (i) 100% of the principal amount of the Notes to be redeemed; and (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the Notes to be redeemed that would be due if the Notes matured on the applicable redemption date (exclusive of interest accrued to the applicable redemption date) discounted to the redemption date on a semi-annual basis at the Treasury Rate, plus 50 basis points.

On December 20, 2017, the Company used \$25,000,000 of the net proceeds from the offering to contribute capital to KICO, to support additional growth. The remainder of the net proceeds will be used for general corporate purposes. A registration statement relating to the debt issued in the offering was filed with the Securities Exchange Commission (the “SEC”) and became effective on November 28, 2017.

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Note 10 - Property and Equipment

The components of property and equipment are summarized as follows:

	Cost	Accumulated Depreciation	Net
December 31, 2017			
Building	\$ 2,146,950	\$ (460,819)	\$ 1,686,131
Land	575,698	-	575,698
Furniture office equipment	707,524	(493,558)	213,966
Computer equipment and software	4,657,174	(2,360,392)	2,296,782
Automobile	20,298	(20,298)	-
Total	\$ 8,107,644	\$ (3,335,067)	\$ 4,772,577
December 31, 2016			
Building	\$ 1,887,347	\$ (381,039)	\$ 1,506,308
Land	153,097	-	153,097
Furniture office equipment	620,440	(388,853)	231,587
Computer equipment and software	2,602,330	(1,481,949)	1,120,381
Automobile	81,394	(81,394)	-
Total	\$ 5,344,608	\$ (2,333,235)	\$ 3,011,373

Depreciation expense for the years ended December 31, 2017 and 2016 was \$1,062,928 and \$717,105, respectively.

Note 11 - Property and Casualty Insurance Activity

Premiums written, ceded and earned are as follows:

	Direct	Assumed	Ceded	Net
Year ended December 31, 2017				
Premiums written	\$ 121,575,178	\$ 22,847	\$ (28,729,149)	\$ 92,868,876
Change in unearned premiums	(10,662,744)	9,456	(4,864,565)	(15,517,853)
Premiums earned	\$ 110,912,434	\$ 32,303	\$ (33,593,714)	\$ 77,351,023
Year ended December 31, 2016				
Premiums written	\$ 103,191,995	\$ 28,522	\$ (37,294,330)	\$ 65,926,187
Change in unearned premiums	(6,110,225)	6,091	1,585,853	(4,518,281)
Premiums earned	\$ 97,081,770	\$ 34,613	\$ (35,708,477)	\$ 61,407,906

Premium receipts in advance of the policy effective date are recorded as advance premiums. The balance of advance premiums as of December 31, 2017 and 2016 was \$1,477,693 and \$1,421,560, respectively.

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

The components of the liability for loss and LAE expenses and related reinsurance receivables as of December 31, 2017 and 2016 are as follows:

	Gross Liability	Reinsurance Receivables
December 31, 2017		
Case-basis reserves	\$ 30,499,592	\$ 11,987,693
Loss adjustment expenses	8,635,199	1,990,506
IBNR reserves	9,664,831	2,770,709
Recoverable on unpaid losses		16,748,908
Recoverable on paid losses	-	2,533,042
Total loss and loss adjustment expenses	<u>\$ 48,799,622</u>	<u>19,281,950</u>
Unearned premiums		9,237,180
Total reinsurance receivables		<u>\$ 28,519,130</u>
December 31, 2016		
Case-basis reserves	\$ 25,000,733	\$ 10,804,341
Loss adjustment expenses	7,752,617	1,893,094
IBNR reserves	8,983,369	3,079,445
Recoverable on unpaid losses		15,776,880
Recoverable on paid losses	-	2,319,140
Total loss and loss adjustment expenses	<u>\$ 41,736,719</u>	<u>18,096,020</u>
Unearned premiums		14,101,745
Total reinsurance receivables		<u>\$ 32,197,765</u>

The following table provides a reconciliation of the beginning and ending balances for unpaid losses and LAE:

	Years ended December 31,	
	2017	2016
Balance at beginning of period	\$ 41,736,719	\$ 39,876,500
Less reinsurance recoverables	(15,776,880)	(16,706,364)
Net balance, beginning of period	<u>25,959,839</u>	<u>23,170,136</u>
Incurred related to:		
Current year	34,246,081	27,853,010
Prior years	(60,544)	(63,349)
Total incurred	<u>34,185,537</u>	<u>27,789,661</u>
Paid related to:		
Current year	18,194,860	16,496,648
Prior years	9,899,802	8,503,310
Total paid	<u>28,094,662</u>	<u>24,999,958</u>
Net balance at end of period	32,050,714	25,959,839
Add reinsurance recoverables	16,748,908	15,776,880
Balance at end of period	<u>\$ 48,799,622</u>	<u>\$ 41,736,719</u>

Incurred losses and LAE are net of reinsurance recoveries under reinsurance contracts of \$14,067,027 and \$11,796,714 for the years ended December 31, 2017 and 2016, respectively.

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Prior year incurred loss and LAE development results from changes in ultimate loss and LAE estimates by line of business and accident year. Prior year loss and LAE development incurred during the years ended December 31, 2017 and 2016 was favorable \$(60,544) and favorable \$(63,349), respectively. The Company's management continually monitors claims activity to assess the appropriateness of carried case and incurred but not reported ("IBNR") reserves, giving consideration to Company and industry trends.

Loss and LAE reserves

The reserving process for loss and LAE reserves provides for the Company's best estimate at a particular point in time of the ultimate unpaid cost of all losses and LAE incurred, including settlement and administration of losses, and is based on facts and circumstances then known including losses that have occurred but that have not yet been reported. The process relies on standard actuarial reserving methodologies, judgments relative to estimates of ultimate claims severity and frequency, the length of time before losses will develop to their ultimate level ("tail" factors), and the likelihood of changes in the law or other external factors that are beyond the Company's control. Several actuarial reserving methodologies are used to estimate required loss reserves. The process produces carried reserves set by management based upon the actuaries' best estimate and is the cumulative combination of the best estimates made by line of business, accident year, and loss and LAE. The amount of loss and LAE reserves for individual reported claims (the "case reserve") is determined by the claims department and changes over time as new information is gathered. Such information includes a review of coverage applicability, comparative liability on the part of the insured, injury severity, property damage, replacement cost estimates, and any other information considered pertinent to estimating the exposure presented by the claim. The amounts of loss and LAE reserves for unreported claims and development on known claims (IBNR reserves) are determined using historical information aggregated by line of insurance as adjusted to current conditions. Since this process produces loss reserves set by management based upon the actuaries' best estimate, there is no explicit or implicit provision for uncertainty in the carried loss reserves.

Due to the inherent uncertainty associated with the reserving process, the ultimate liability may differ, perhaps substantially, from the original estimate. Such estimates are regularly reviewed and updated and any resulting adjustments are included in the current year's results. Reserves are closely monitored and are recomputed periodically using the most recent information on reported claims and a variety of statistical techniques. On at least a quarterly basis, the Company reviews by line of business existing reserves, new claims, changes to existing case reserves and paid losses with respect to the current and prior years. Several methods are used, varying by line of business and accident year, in order to select the estimated year-end loss reserves. These methods include the following:

Paid Loss Development – historical patterns of paid loss development are used to project future paid loss emergence in order to estimate required reserves.

Incurred Loss Development – historical patterns of incurred loss development, reflecting both paid losses and changes in case reserves, are used to project future incurred loss emergence in order to estimate required reserves.

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Paid Bornhuetter-Ferguson (“BF”) – an estimated loss ratio for a particular accident year is determined, and is weighted against the portion of the accident year claims that have been paid, based on historical paid loss development patterns. The estimate of required reserves assumes that the remaining unpaid portion of a particular accident year will pay out at a rate consistent with the estimated loss ratio for that year. This method can be useful for situations where an unusually high or low amount of paid losses exists at the early stages of the claims development process.

Incurred Bornhuetter-Ferguson (“BF”) - an estimated loss ratio for a particular accident year is determined, and is weighted against the portion of the accident year claims that have been reported, based on historical incurred loss development patterns. The estimate of required reserves assumes that the remaining unreported portion of a particular accident year will pay out at a rate consistent with the estimated loss ratio for that year. This method can be useful for situations where an unusually high or low amount of reported losses exists at the early stages of the claims development process.

Incremental Claim-Based Methods – historical patterns of incremental incurred losses and paid LAE during various stages of development are reviewed and assumptions are made regarding average loss and LAE development applied to remaining claims inventory. Such methods more properly reflect changes in the speed of claims closure and the relative adequacy of case reserve levels at various stages of development. These methods also provide a more accurate estimate of IBNR for lines of business with relatively few remaining open claims but for which significant recent settlement activity has occurred.

Management’s best estimate of required reserves is generally based on an average of the methods above, with appropriate weighting of the various methods based on the line of business and accident year being projected. In some cases, additional methods or historical data from industry sources are employed to supplement the projections derived from the methods listed above.

Two key assumptions that materially affect the estimate of loss reserves are the loss ratio estimate for the current accident year used in the BF methods described above, and the loss development factor selections used in the loss development methods described above. The loss ratio estimates used in the BF methods are selected after reviewing historical accident year loss ratios adjusted for rate changes, trend, and mix of business.

The Company is not aware of any claims trends that have emerged or that would cause future adverse development that have not already been considered in existing case reserves and in its current loss development factors.

In New York State, lawsuits for negligence are subject to certain limitations and must be commenced within three years from the date of the accident or are otherwise barred. Accordingly, the Company’s exposure to unreported claims (‘pure’ IBNR) for accident dates of December 31, 2014 and prior is limited although there remains the possibility of adverse development on reported claims (‘case development’ IBNR).

The following is information about incurred and paid claims development as of December 31, 2017, net of reinsurance, as well as the cumulative reported claims by accident year and total IBNR reserves as of December 31, 2017 included in the net incurred loss and allocated expense amounts. The historical information regarding incurred and paid claims development for the years ended December 31, 2008 to December 31, 2016 is presented as supplementary unaudited information.

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Reported claim counts are measured on an occurrence or per event basis. A single claim occurrence could result in more than one loss type or claimant; however, the Company counts claims at the occurrence level as a single claim regardless of the number of claimants or claim features involved.

All Lines of Business

(in thousands, except reported claims data)

Accident Year	Incurred Loss and Allocated Loss Adjustment Expenses, Net of Reinsurance										As of	
	For the Years Ended December 31,										December 31, 2017	
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	IBNR	Cumulative Number of Reported Claims by Accident Year
	(Unaudited 2008 - 2016)											
2008	\$4,505	\$4,329	\$4,223	\$4,189	\$4,068	\$4,055	\$4,056	\$4,040	\$4,038	\$4,034	\$-	1,133
2009		4,403	4,254	4,287	4,384	4,511	4,609	4,616	4,667	4,690	6	1,136
2010			5,598	5,707	6,429	6,623	6,912	6,853	6,838	6,840	(0)	1,616
2011				7,603	7,678	8,618	9,440	9,198	9,066	9,144	6	1,913
2012					9,539	9,344	10,278	10,382	10,582	10,790	33	4,702(1)
2013						10,728	9,745	9,424	9,621	10,061	271	1,558
2014							14,193	14,260	14,218	14,564	552	2,125
2015								22,340	21,994	22,148	1,278	2,525
2016									26,062	24,941	2,571	2,841
2017										31,605	6,024	3,128
										Total		\$138,817

(1) Reported claims for accident year 2012 includes 3,406 claims from Superstorm Sandy.

All Lines of Business

(in thousands)

Accident Year	Cumulative Paid Loss and Allocated Loss Adjustment Expenses, Net of Reinsurance										
	For the Years Ended December 31,										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
	(Unaudited 2008 - 2016)										
2008	\$2,406	\$3,346	\$3,730	\$3,969	\$4,003	\$4,029	\$4,028	\$4,031	\$4,031	\$4,031	
2009		2,298	3,068	3,607	3,920	4,134	4,362	4,424	4,468	4,487	
2010			2,566	3,947	4,972	5,602	6,323	6,576	6,720	6,772	
2011				3,740	5,117	6,228	7,170	8,139	8,540	8,702	
2012					3,950	5,770	7,127	8,196	9,187	10,236	
2013						3,405	5,303	6,633	7,591	8,407	
2014							5,710	9,429	10,738	11,770	
2015								12,295	16,181	18,266	
2016									15,364	19,001	
2017										16,704	
										Total	\$108,376
	Net liability for unpaid loss and allocated loss adjustment expenses for the accident years presented										\$30,441
	All outstanding liabilities before 2008, net of reinsurance										225
	Liabilities for loss and allocated loss adjustment expenses, net of reinsurance										<u>\$30,666</u>

Reported claim counts are measured on an occurrence or per event basis. A single claim occurrence could result in more than one loss type or claimant; however, the Company counts claims at the occurrence level as a single claim regardless of the number of claimants or claim features involved.

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

The reconciliation of the net incurred and paid claims development tables to the liability for loss and LAE reserves in the consolidated balance sheet is as follows:

<i>(in thousands)</i>	As of December 31, 2017
Liabilities for loss and loss adjustment expenses, net of reinsurance	\$ 30,666
Total reinsurance recoverable on unpaid losses	16,749
Unallocated loss adjustment expenses	1,385
Total gross liability for loss and LAE reserves	\$ 48,800

The following is supplementary unaudited information about average historical claims duration as of December 31, 2017:

Years	Average Annual Percentage Payout of Incurred Loss and Allocated Loss Adjustment Expenses by Age, Net of Reinsurance									
	1	2	3	4	5	6	7	8	9	10
All Lines of Business	46.7%	18.7%	11.5%	8.4%	7.3%	4.7%	1.3%	0.6%	0.2%	0.0%

The percentages in the above table do not add up to 100% because the percentages represent averages across all accident years at each development stage.

Note 12 – Stockholders’ Equity

Public Offering of Common Stock

On January 31, 2017, the Company closed on an underwritten public offering of 2,500,000 shares of its Common Stock. On February 14, 2017, the Company closed on the underwriters’ purchase option for an additional 192,500 shares of its Common Stock. The public offering price for the 2,692,500 shares sold was \$12.00 per share. The aggregate net proceeds to the Company were approximately \$30,137,000, after deducting underwriting discounts and commissions and other offering expenses in the aggregate amount of approximately \$2,173,000.

On March 1, 2017, the Company used \$23,000,000 of the net proceeds from the offering to contribute capital to its insurance subsidiary, KICO, to support its ratings upgrade plan and additional growth. The remainder of the net proceeds will be used for general corporate purposes. A shelf registration statement relating to the shares sold in the offering was filed with the SEC and became effective on January 19, 2017.

Private Placement of Common Stock

In April 2016, the Company sold 595,238 newly issued shares of its Common Stock to RenaissanceRe Ventures Ltd., a subsidiary of RenaissanceRe Holdings Ltd. (NYSE:RNR) (“RenaissanceRe”), in a private placement. RenaissanceRe is a global provider of catastrophe and specialty reinsurance and insurance.

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

The new shares of Common Stock were sold to RenaissanceRe at a price of \$8.40 per share. The Company received net proceeds of approximately \$4,808,000 from the private placement. In June 2016, the Company invested \$3,000,000 of the proceeds in KICO as additional surplus to support its continued growth. The Company intends to use the remaining net proceeds of the offering for general corporate purposes.

Dividend Declared

Dividends declared and paid on Common Stock were \$3,214,471 and \$1,941,271 for the years ended December 31, 2017 and 2016, respectively. The Company's Board of Directors approved a quarterly dividend on February 2, 2018 of \$0.10 per share payable in cash on March 15, 2018 to stockholders of record as of February 28, 2018 (see Note 19 - Subsequent Events).

Stock Options

Pursuant to the Company's 2005 Equity Participation Plan (the "2005 Plan"), which provides for the issuance of incentive stock options, non-statutory stock options and restricted stock, a maximum of 700,000 shares of the Company's Common Stock are permitted to be issued pursuant to options granted and restricted stock issued. Effective August 12, 2014, the Company adopted the 2014 Equity Participation Plan (the "2014 Plan") pursuant to which, a maximum of 700,000 shares of Common Stock of the Company are authorized to be issued pursuant to the grant of incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock and stock bonuses. The stockholders approved the 2014 Plan on August 11, 2015. Incentive stock options granted under the 2014 Plan and 2005 Plan expire no later than ten years from the date of grant (except no later than five years for a grant to a 10% stockholder). The Board of Directors or the Stock Option Committee determines the expiration date with respect to non-statutory stock options and the vesting provisions for restricted stock granted under the 2014 Plan and 2005 Plan.

The results of operations for the years ended December 31, 2017 and 2016 include stock-based compensation expense totaling \$38,025 and \$106,882, respectively. Stock-based compensation expense related to stock options is net of estimated forfeitures of 17% for the years ended December 31, 2017 and 2016. Such amounts have been included in the consolidated statements of income and comprehensive income within other operating expenses.

Stock-based compensation expense in 2017 and 2016 is the estimated fair value of options granted amortized on a straight-line basis over the requisite service period for the entire portion of the award less an estimate for anticipated forfeitures. The Company uses the "simplified" method to estimate the expected term of the options because the Company's historical share option exercise experience does not provide a reasonable basis upon which to estimate expected term. No options were granted during the year ended December 31, 2017. The weighted average estimated fair value of stock options granted during the year ended December 31, 2016 was \$1.87 per share. The fair value of stock options at the grant date was estimated using the Black-Scholes option-pricing model.

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

The following weighted average assumptions were used for grants during the following periods:

	Years ended December 31,	
	2017	2016
Dividend Yield	n/a	2.74% - 3.18%
Volatility	n/a	31.61% - 31.81%
Risk-Free Interest Rate	n/a	1.01% - 1.11%
Expected Life	n/a	3.25 years

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because our stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of our stock options.

A summary of stock option activity under the Company's 2014 Plan and 2005 Plan for the year ended December 31, 2017 is as follows:

Stock Options	Number of Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2017	362,750	\$ 6.62	2.61	\$ 2,586,748
Granted	-	\$ -	-	\$ -
Exercised	(21,600)	\$ 5.48	-	\$ 221,012
Forfeited	-	\$ -	-	\$ -
Outstanding at December 31, 2017	341,150	\$ 6.69	1.67	\$ 4,131,028
Vested and Exercisable at December 31, 2017	321,150	\$ 6.59	1.53	\$ 3,921,553

The aggregate intrinsic value of options outstanding and options exercisable at December 31, 2017 is calculated as the difference between the exercise price of the underlying options and the market price of the Company's Common Stock for the options that had exercise prices that were lower than the \$18.80 closing price of the Company's Common Stock on December 31, 2017. The total intrinsic value of options exercised in the year ended December 31, 2017 was \$221,012, determined as of the date of exercise.

Participants in the 2005 and 2014 Plans may exercise their outstanding vested options, in whole or in part, by having the Company reduce the number of shares otherwise issuable by a number of shares having a fair market value equal to the exercise price of the option being exercised ("Net Exercise"). The Company received cash proceeds of \$77,927 from the exercise of options for the purchase of 13,750 shares of Common Stock during the year ended December 31, 2017. The remaining 7,850 options exercised during the year ended December 31, 2017 were Net Exercises, resulting in the issuance of 5,840 shares of Common Stock. The Company received cash proceeds of \$54,310 from the exercise of options for the purchase of 11,000 shares of Common Stock during the year ended December 31, 2016. The remaining 1,000 options exercised during the year ended December 31, 2016 were Net Exercises.

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

As of December 31, 2017, the fair value of unamortized compensation cost related to unvested stock option awards was approximately \$7,000. Unamortized compensation cost as of December 31, 2017 is expected to be recognized over a remaining weighted-average vesting period of 0.68 years.

As of December 31, 2017, there were 550,352 shares reserved for grants under the 2014 Plan.

Restricted Stock Awards

A summary of the restricted common stock activity under the Company's 2014 Plan for the year ended December 31, 2017 is as follows:

Restricted Stock Awards	Shares	Weighted Average Grant Date Fair Value per Share	Aggregate Fair Value
Balance at January 1, 2017	7,500	\$ 8.67	\$ 64,995
Granted	55,481	\$ 14.80	\$ 821,164
Vested	(12,311)	\$ 13.70	\$ 178,651
Forfeited	(3,333)	\$ 11.51	\$ 38,377
Balance at December 31, 2017	47,337	\$ 14.35	\$ 679,180

Fair value was calculated using the closing price of the Company's Common Stock on the grant date. For the year ended December 31, 2017, stock-based compensation for these grants was approximately \$232,000, which is included in other operating expenses on the accompanying consolidated statements of income and comprehensive income. These amounts reflect the Company's accounting expense and do not correspond to the actual value that will be recognized by the directors, executives and employees.

Note 13 - Statutory Financial Information and Accounting Policies

For regulatory purposes, KICO prepares its statutory basis financial statements in accordance with Statements of Statutory Accounting Principles ("statutory basis" or "SAP") as promulgated by the National Association of Insurance Commissioners (the "NAIC") and the prescribed or permitted practices of the New York State Department of Financial Services (the "DFS"). The more significant SAP variances from GAAP are as follows:

- Policy acquisition costs are charged to operations in the year such costs are incurred, rather than being deferred and amortized as premiums are earned over the terms of the policies.
- Ceding commission revenues are earned when ceded premiums are written except for ceding commission revenues in excess of anticipated acquisition costs, which are deferred and amortized as ceded premiums are earned. GAAP requires that all ceding commission revenues be earned as the underlying ceded premiums are earned over the term of the reinsurance agreements.

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

- Certain assets including certain receivables, a portion of the net deferred tax asset, prepaid expenses and furniture and equipment are not admitted.
- Investments in fixed-maturity securities are valued at NAIC value for statutory financial purposes, which is primarily amortized cost. GAAP requires certain investments in fixed-maturity securities classified as available for sale, to be reported at fair value.
- Certain amounts related to ceded reinsurance are reported on a net basis within the statutory basis financial statements. GAAP requires these amounts to be shown gross.
- For SAP purposes, changes in deferred income taxes relating to temporary differences between net income for financial reporting purposes and taxable income are recognized as a separate component of gains and losses in surplus rather than included in income tax expense or benefit as required under GAAP.

State insurance laws restrict the ability of KICO to declare dividends. These restrictions are related to surplus and net investment income. Dividends are restricted to the lesser of 10% of surplus or 100% of investment income (on a statutory accounting basis) for the trailing 36 months, net of dividends paid by KICO during such period. State insurance regulators require insurance companies to maintain specified levels of statutory capital and surplus. Generally, dividends may only be paid out of unassigned surplus, and the amount of an insurer's unassigned surplus following payment of any dividends must be reasonable in relation to the insurer's outstanding liabilities and adequate to meet its financial needs. For the years ended December 31, 2017 and 2016, KICO paid dividends to Kingstone of \$2,900,000 and \$1,950,000, respectively. On February 22, 2018, KICO's Board of Directors approved a cash dividend of \$800,000 to Kingstone, which was paid on February 23, 2018. For the years ended December 31, 2017 and 2016, KICO had statutory basis net income of \$7,907,743 and \$9,212,126, respectively. At December 31, 2017 and 2016, KICO had reported statutory basis surplus as regards policyholders of \$101,290,282 and \$49,962,415, respectively, as filed with the DFS.

Note 14 - Risk Based Capital

State insurance departments impose risk-based capital ("RBC") requirements on insurance enterprises. The RBC Model serves as a benchmark for the regulation of insurance companies by state insurance regulators. RBC provides for targeted surplus levels based on formulas, which specify various weighting factors that are applied to financial balances or various levels of activity based on the perceived degree of risk, and are set forth in the RBC requirements. Such formulas focus on four general types of risk: (a) the risk with respect to the company's assets (asset or default risk); (b) the risk of default on amounts due from reinsurers, policyholders, or other creditors (credit risk); (c) the risk of underestimating liabilities from business already written or inadequately pricing business to be written in the coming year (underwriting risk); and, (d) the risk associated with items such as excessive premium growth, contingent liabilities, and other items not reflected on the balance sheet (off-balance sheet risk). The amount determined under such formulas is called the authorized control level RBC ("ACL").

The RBC guidelines define specific capital levels based on a company's ACL that are determined by the ratio of the company's total adjusted capital ("TAC") to its ACL. TAC is equal to statutory capital, plus or minus certain other specified adjustments. The Company's TAC is far above the ACL for each of the last two years and is in compliance with RBC requirements as of December 31, 2017 and 2016.

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Note 15 – Income Taxes

The Company files a consolidated U.S. federal income tax return that includes all wholly owned subsidiaries. State tax returns are filed on a consolidated or separate return basis depending on applicable laws. The Company records adjustments related to prior years' taxes during the period when they are identified, generally when the tax returns are filed. The effect of these adjustments on the current and prior periods (during which the differences originated) is evaluated based upon quantitative and qualitative factors and are considered in relation to the consolidated financial statements taken as a whole for the respective periods.

The provision for income taxes is comprised of the following:

<i>Years ended December 31,</i>	2017		2016	
Current federal income tax expense	\$	4,317,686	\$	4,824,655
Current state income tax expense (benefit)		7,353		(12,590)
Deferred federal and state income tax benefit		(1,809)		(293,364)
Provision for income taxes	\$	4,323,230	\$	4,518,701

A reconciliation of the federal statutory rate to the Company's effective tax rate is as follows:

<i>Years ended December 31,</i>	2017		2016		
Computed expected tax expense	\$	5,008,400	35.0%	\$ 4,696,463	35.0%
Change in enacted tax rates on net deferred tax liabilities		(405,218)	(2.8)	-	-
State taxes, net of Federal benefit		(101,858)	(0.7)	(71,428)	(0.5)
State valuation allowance		124,486	0.9	85,714	0.6
Benefit of lower tax brackets		(100,000)	(0.7)	(100,000)	(0.7)
Permanent differences					
Dividends received deduction		(138,197)	(1.0)	(136,690)	(1.0)
Non-taxable investment income		(85,684)	(0.6)	(110,784)	(0.8)
Stock-based compensation		(25,821)	(0.2)		
Other permanent differences		46,962	0.3	48,139	0.3
Prior year tax matters		4,172	-	123,976	0.9
Other		(4,012)	-	(16,689)	(0.1)
Total tax	\$	4,323,230	30.2%	\$ 4,518,701	33.7%

Deferred tax assets and liabilities are determined using the enacted tax rates applicable to the period the temporary differences are expected to be recovered. Accordingly, the current period income tax provision can be affected by the enactment of new tax rates. The net deferred income taxes on the balance sheets reflect temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and income tax purposes, tax effected at a various rates depending on whether the temporary differences are subject to federal taxes, state taxes, or both.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "Act"), was enacted by the U.S. federal government. The Act provides for significant changes to corporate taxation including the decrease of the corporate tax rate to 21%. The Company has accounted for the material impacts of the Act by re-measuring its deferred tax assets/(liabilities) at the 21% enacted tax rate as of December 31, 2017.

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Deferred income tax liability for unrealized gains on available-for-sale securities that were re-measured due to the Act resulted in a stranded tax effect within Accumulated Other Comprehensive Income (“AOCI”). This is due to the effect of the tax rate change being recorded through continuing operations as required under Accounting Standards Codification 740. On February 14, 2018, Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update 2018-02, Income Statement – Reporting Comprehensive Income (Topic 220) – Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (“ASU 2018-02”), which allows for the reclassification of the stranded tax effects as a result of the Act from AOCI to retained earnings and requires certain other disclosures. The Company chose to early adopt the provisions of ASU 2018-02 and recorded a one-time reclassification of \$182,912 from AOCI to retained earnings for the stranded tax effects resulting from the newly enacted corporate tax rate. The amount of the reclassification was the difference between the historical corporate tax rate and the newly enacted 21% corporate tax rate (see Consolidated Statement of Consolidated Stockholders’ Equity).

The impact of the change in tax rate was a decrease in net deferred income tax liabilities of \$405,218 with a corresponding increase in deferred income tax benefit. Additionally, the Company re-measured the deferred tax effects of unrealized gains recorded in AOCI of \$182,912 through a reclassification between AOCI and retained earnings. The Company’s net deferred income tax liability for the year ended December 31, 2016 remains at the previously enacted tax rate.

Upon completion of the 2017 U.S. income tax return in 2018 the Company may identify additional re-measurement adjustments to its recorded deferred tax liabilities and the one-time transition tax. The Company will continue to assess its provision for income taxes as future guidance is issued, but do not currently anticipate significant revisions will be necessary. Any such revisions will be treated in accordance with the measurement period guidance outlined in Staff Accounting Bulletin No. 118.

Significant components of the Company’s deferred tax assets and liabilities are as follows:

	December 31, 2017	December 31, 2016
Deferred tax asset:		
Net operating loss carryovers (1)	\$ 103,655	\$ 131,626
Claims reserve discount	300,005	417,349
Unearned premium	2,431,301	2,877,365
Deferred ceding commission revenue	895,947	2,329,626
Other	382,522	188,675
Total deferred tax assets	4,113,430	5,944,641
Deferred tax liability:		
Investment in KICO (2)	759,543	1,169,000
Deferred acquisition costs	3,117,920	4,161,526
Intangibles	212,100	459,000
Depreciation and amortization	328,735	265,671
Net unrealized appreciation of securities - available for sale	295,474	56,393
Total deferred tax liabilities	4,713,772	6,111,590
Net deferred income tax liability	\$ (600,342)	\$ (166,949)

(1) The deferred tax assets from net operating loss carryovers are as follows:

Type of NOL	2017	2016	Expiration
State only (A)	\$ 824,996	\$ 655,719	December 31, 2037
Valuation allowance	(725,541)	(534,293)	
State only, net of valuation allowance	99,455	121,426	
Amount subject to Annual Limitation, federal only (B)	4,200	10,200	December 31, 2019
Total deferred tax asset from net operating loss carryovers	\$ 103,655	\$ 131,626	

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

(A) Kingstone generates operating losses for state purposes and has prior year NOLs available. The state NOL as of December 31, 2017 and 2016 was approximately \$12,692,000 and \$10,088,000, respectively. KICO, the Company's insurance underwriting subsidiary, is not subject to state income taxes. KICO's state tax obligations are paid through a gross premiums tax, which is included in the consolidated statements of income and comprehensive income within other underwriting expenses. Kingstone has recorded a valuation allowance due to the uncertainty of generating enough state taxable income to utilize 100% of the available state NOLs over their remaining lives, which expire between 2027 and 2037.

(B) The Company has an NOL of \$20,000 that is subject to Internal Revenue Code Section 382, which places a limitation on the utilization of the federal net operating loss to approximately \$10,000 per year ("Annual Limitation") as a result of a greater than 50% ownership change of the Company in 1999. The losses subject to the Annual Limitation will be available for future years, expiring through December 31, 2019.

(2) Deferred tax liability - investment in KICO

On July 1, 2009, the Company completed the acquisition of 100% of the issued and outstanding common stock of KICO (formerly known as Commercial Mutual Insurance Company ("CMIC")) pursuant to the conversion of CMIC from an advance premium cooperative to a stock property and casualty insurance company. Pursuant to the plan of conversion, the Company acquired a 100% equity interest in KICO, in consideration for the exchange of \$3,750,000 principal amount of surplus notes of CMIC. In addition, the Company forgave all accrued and unpaid interest on the surplus notes as of the date of conversion. As of the date of acquisition, unpaid accrued interest on the surplus notes along with the accretion of the discount on the original purchase of the surplus notes totaled \$2,921,319 (together "Untaxed Interest"). As of the date of acquisition, the deferred tax liability on the Untaxed Interest was \$1,169,000. Under GAAP guidance for business combinations, a temporary difference with an indefinite life exists when the parent has a lower carrying value of its subsidiary for income tax purposes. The Company is required to maintain its deferred tax liability related to this temporary difference until the stock of KICO is sold, or the assets of KICO are sold or KICO and the parent are merged.

The table below reconciles the changes in net deferred income tax liability to the deferred income tax provision for the year ended December 31, 2017:

Change in net deferred income tax liabilities	\$ 433,393
Deferred tax expense allocated to other comprehensive income	435,202
Deferred income tax benefit	<u>\$ (1,809)</u>

In assessing the valuation of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. No valuation allowance against deferred tax assets has been established, except for NOL limitations, as the Company believes it is more likely than not the deferred tax assets will be realized based on the historical taxable income of KICO, or by offset to deferred tax liabilities.

The Company had no material unrecognized tax benefit and no adjustments to liabilities or operations were required. There were no material interest or penalties related to income taxes that have been accrued or recognized as of and for the years ended December 31, 2017 and 2016. If any had been recognized these would be reported in income tax expense.

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Generally, taxing authorities may examine the Company's tax returns for the three years from the date of filing. The Company's tax returns for the years ended December 31, 2014 through December 31, 2016 remain subject to examination. In March 2018, the Company received a notice that its federal income tax return for the year ended December 31, 2016 was selected for examination by the Internal Revenue Service.

Note 16 - Employee Benefit Plans

Employee Profit Sharing Plan

The Company maintains a discretionary employee profit sharing plan (the "Profit Sharing Plan") available to full-time employees who are employed as of December 31. For the years ended December 31, 2017 and 2016, the Profit Sharing Plan called for a bonus to be paid based on a formula that is tied to the annual GAAP combined ratio ("Combined Ratio"). The maximum the bonus can be is 25% of eligible wages at a Combined Ratio of 70%. The bonus decreases by 1% for each percentage point increase in the Combined Ratio. There is a minimum bonus of 5% at a Combined Ratio of 90% and above. The bonus is allocated 35% to the employees' 401(k) account and 65% as cash through payroll. The Company incurred approximately \$989,000 and \$897,000 of expense for the years ended December 31, 2017 and 2016, respectively, related to the Profit Sharing Plan.

401(k) Plan

The Company maintains a salary reduction plan under Section 401(k) of the Internal Revenue Code (the "401(k) Plan") for its qualified employees. The Company matches 100% of each participant's contribution up to 4% of the participant's eligible contribution. The Company, at its discretion, may allocate an amount for additional contributions ("Additional Contributions") to the 401(k) Plan included in the Profit Sharing Plan as discussed above. The Company incurred approximately \$545,000 and \$483,000 of expense for the years ended December 31, 2017 and 2016, respectively, related to the 401(k) Plan. For the years ended December 31, 2017 and 2016, Additional Contributions totaled approximately \$342,000 and \$309,000, respectively.

Note 17 - Commitments and Contingencies

Litigation

From time to time, the Company is involved in various legal proceedings in the ordinary course of business. For example, to the extent a claim asserted by a third party in a lawsuit against one of the Company's insureds covered by a particular policy, the Company may have a duty to defend the insured party against the claim. These claims may relate to bodily injury, property damage or other compensable injuries as set forth in the policy. Such proceedings are considered in estimating the liability for loss and LAE expenses. The Company is not subject to any other pending legal proceedings that management believes are likely to have a material adverse effect on the financial statements.

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Office Lease

The Company is a party to a non-cancellable operating lease, dated March 27, 2015, for its office facility for KICO located in Valley Stream, New York. In June 2016, the Company entered into a lease modification agreement. The original lease had a term of seven years and nine months. The lease modification increased the space occupied by KICO and extended the lease term to seven years and nine months to be measured from the additional premises commencement date. The additional premises commencement date was September 19, 2016, and additional rent was payable beginning March 19, 2017. The original lease commencement date was July 1, 2015 and rent commencement began January 1, 2016.

In addition to the base rental costs, occupancy lease agreements generally provide for rent escalations resulting from increased assessments from real estate taxes and other charges. Rent expense under the lease is recognized on a straight-line basis over the lease term. At December 31, 2017, cumulative rent expense exceeded cumulative rent payments by \$90,582. This difference is recorded as deferred rent and is included in accounts payable, accrued expenses and other liabilities in the accompanying consolidated balance sheets.

As of December 31, 2017, aggregate future minimum rental commitments under this agreement are as follows:

For the Year Ending December 31,	Total
2018	\$ 164,117
2019	169,861
2020	175,806
2021	181,959
2022	188,328
Thereafter	244,064
Total	\$ 1,124,135

Rent expense for the years ended December 31, 2017 and 2016 amounted to \$165,368 and \$119,720, respectively, and is included in the consolidated statements of income and comprehensive income within other underwriting expenses.

Employment Agreements – Chief Executive Officer*Agreement in effect for the year ended December 31, 2016*

Effective August 12, 2014, the Company entered into an amendment to its employment agreement with Barry Goldstein, its President, Chairman of the Board and Chief Executive Officer (as amended, the “Prior Goldstein Employment Agreement”), pursuant to which the term of the employment agreement was extended from December 31, 2014 to December 31, 2016 and, effective July 1, 2014 and continuing through the term of the agreement, Mr. Goldstein’s annual base salary was increased to \$575,000 and his bonus was revised to equal 6% of the Company’s consolidated income from operations before taxes, net of the Company’s consolidated net investment income and net realized gains on sales of investments. In addition, in consideration of Mr. Goldstein entering into the amendment, the Company paid him a bonus in the amount of \$62,500.

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Concurrently with the amendment, the Company granted to Mr. Goldstein, pursuant to the 2005 Plan, a five year option for the purchase of 200,000 shares of common stock at an exercise price of \$6.73 per share, exercisable to the extent of 62,500 shares on the date of grant and each of the initial two anniversary dates of the grant and 12,500 shares on the third anniversary date of the grant. In addition, the Company granted to Mr. Goldstein, pursuant to the 2014 Plan, a five year option for the purchase of 50,000 shares of common stock at an exercise price of \$6.73 per share, exercisable on the third anniversary of the date of the grant. The 50,000 share option grant was subject to stockholder approval of the 2014 Plan. The stockholders approved the 2014 Plan on August 11, 2015. Pursuant to the stock option agreements with Mr. Goldstein, the Company agreed that, under certain circumstances following a change of control of the Company, and the termination of his employment, or in the event Mr. Goldstein's employment with the Company was terminated by the Company without cause or he resigned with good reason (each as defined in his employment agreement), all of the options granted to Mr. Goldstein would have become exercisable and would have remained exercisable until the first anniversary of the termination date.

Pursuant to the Prior Goldstein Employment Agreement, the Company also agreed that, under certain circumstances following a change of control of Kingstone Companies, Inc. and the termination of his employment, Mr. Goldstein would have been entitled to a payout equal to one and one-half times his then annual salary. In the event of termination of Mr. Goldstein's employment by the Company without cause or he resigned with good reason (as each term is defined in the Prior Goldstein Employment Agreement), Mr. Goldstein would have been entitled to receive his base salary and bonuses from the Company for the remainder of the term, and his outstanding options would have become exercisable and would have remained exercisable until the first anniversary of the termination date. In addition, in the event Mr. Goldstein's employment with KICO was terminated by KICO with or without cause, he would have been entitled to receive a lump sum payment from KICO equal to six months base salary.

The Prior Goldstein Employment Agreement expired on December 31, 2016 and in January 2017, Mr. Goldstein entered into a new employment agreement with the Company as discussed below.

Agreement in effect as of January 1, 2017

On January 20, 2017, the Company and Mr. Goldstein, entered into a new employment agreement (the "2017 Goldstein Employment Agreement"). The 2017 Goldstein Employment Agreement is effective as of January 1, 2017 and expires on December 31, 2019.

Pursuant to the 2017 Goldstein Employment Agreement, Mr. Goldstein is entitled to receive an annual base salary of \$630,000 (an increase from \$575,000 per annum in effect through December 31, 2016) and an annual bonus equal to 6% of the Company's consolidated income from operations before taxes, exclusive of the Company's consolidated net investment income (loss) and net realized gains (losses) on investments (consistent with the bonus payable to Mr. Goldstein through December 31, 2016). In addition, pursuant to the 2017 Goldstein Employment Agreement, Mr. Goldstein is entitled to a long-term compensation payment ("LTC") of between \$945,000 and \$2,835,000 in the event the Company's adjusted book value per share (as defined in the 2017 Goldstein Employment Agreement) has increased by at least an average of 8% per annum as of December 31, 2019 as compared to December 31, 2016 (with the maximum LTC payment being due if the average per annum increase is at least 14%). Accrued LTC compensation of \$945,000 for the year ended December 31, 2017 is included in other operating expenses on the accompanying consolidated statements of income and comprehensive income.

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Further, pursuant to the 2017 Goldstein Employment Agreement, in the event that Mr. Goldstein's employment is terminated by the Company without cause or he resigns for good reason (each as defined in the 2017 Goldstein Employment Agreement), Mr. Goldstein would be entitled to receive his base salary, the 6% bonus and the LTC payment for the remainder of the term. Mr. Goldstein would be entitled, under certain circumstances, to a payment equal to one and one-half times his then annual salary and the target LTC payment of \$1,890,000 in the event of the termination of his employment following a change of control of the Company.

In consideration of certain accomplishments during the three year period ended December 31, 2016, the Company also paid Mr. Goldstein a bonus in the amount of \$200,000.

Approval Required for Transactions with Subsidiary

On July 1, 2009, Kingstone completed the acquisition of 100% of the issued and outstanding common stock of KICO (formerly known as Commercial Mutual Insurance Company ("CMIC")) pursuant to the conversion of CMIC from an advance premium cooperative to a stock property and casualty insurance company. Pursuant to the plan of conversion, Kingstone acquired a 100% equity interest in KICO. In connection with the plan of conversion of CMIC, the Company has agreed with the DFS that any intercompany transaction between itself and KICO must be filed with the DFS 30 days prior to implementation.

Note 18 - Earnings Per Common Share

Basic net earnings per common share is computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding. Diluted earnings per common share reflect, in periods in which they have a dilutive effect, the impact of common shares issuable upon exercise of stock options. The computation of diluted earnings per common share excludes those options with an exercise price in excess of the average market price of the Company's common shares during the periods presented.

The computation of diluted earnings per common share excludes outstanding options in periods where the exercise of such options would be anti-dilutive. For the years ended December 31, 2017 and 2016, the inclusion of -0- and 7,715 options, respectively, in the computation of diluted earnings per common share would have been anti-dilutive for the periods and, as a result, the weighted average number of common shares used in the calculation of diluted earnings per common share has not been adjusted for the effect of such options.

The reconciliation of the weighted average number of common shares used in the calculation of basic and diluted earnings per common share follows:

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	Year ended	
	December 31,	
	2017	2016
Weighted average number of shares outstanding	10,388,440	7,736,594
Effect of dilutive securities, common share equivalents:		
Stock options	188,983	-
Restricted stock awards	4,154	70,669
Weighted average number of shares outstanding, used for computing diluted earnings per share	10,581,577	7,807,263

Note 19 - Subsequent Events

The Company has evaluated events that occurred subsequent to December 31, 2017 through March 15, 2018, the date these consolidated financial statements were issued for matters that required disclosure or adjustment in these consolidated financial statements.

Dividends Declared and Paid

On February 2, 2018, the Company's Board of Directors approved a dividend of \$.10 per share, or \$1,068,377, payable in cash on March 15, 2018 to stockholders of record as of February 28, 2018.

Employment Agreement

On March 14, 2018, the Company and Dale A. Thatcher, a director of the Company, entered into an employment agreement (the "Thatcher Employment Agreement") pursuant to which Mr. Thatcher will serve as the Company's Chief Operating Officer. Mr. Thatcher is also to serve as KICO's President. The Thatcher Employment Agreement is effective as of March 15, 2018 and expires on December 31, 2018.

Pursuant to the Thatcher Employment Agreement, Mr. Thatcher is entitled to receive a base salary of \$500,000 per annum and a minimum bonus equal to 15% of his base salary. Concurrently with the execution of the Thatcher Employment Agreement, the Company granted to Mr. Thatcher 35,715 shares of restricted Common Stock under the 2014 Plan. The shares granted will vest in three equal installments on each of the three annual anniversaries following the grant date, subject to the terms of the restricted stock grant agreement between the Company and Mr. Thatcher.

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Note 20 – Quarterly Financial Data (Unaudited)

The following is a summary of unaudited quarterly results of operations for the years ended December 31, 2017 and 2016:

	2017				
	March 31,	June 30,	September 30,	December 31,	Total
Net premiums earned	\$ 16,369,748	\$ 16,953,727	\$ 21,514,408	\$ 22,513,140	\$ 77,351,023
Ceding commission revenue	3,184,452	3,305,938	1,717,610	1,725,133	9,933,133
Net investment income	857,800	1,026,004	1,033,307	1,215,475	4,132,586
Net realized gain (loss) on sale of investments	(54,506)	130,423	20,998	(12,602)	84,313
Total revenues	20,647,194	21,724,251	24,614,653	25,783,212	92,769,310
Loss and loss adjustment expenses	8,292,996	7,454,922	7,073,323	11,364,296	34,185,537
Commission expense and other underwriting expenses	9,101,395	9,301,182	9,975,938	10,919,353	39,297,868
Net income	1,470,580	2,510,392	4,073,921	1,931,592	9,986,485
Basic earnings per share	\$ 0.15	\$ 0.24	\$ 0.38	\$ 0.18	\$ 0.96
Diluted earnings per share	\$ 0.15	\$ 0.23	\$ 0.38	\$ 0.18	\$ 0.94

	2016				
	March 31,	June 30,	September 30,	December 31,	Total
Net premiums earned	\$ 14,531,675	\$ 15,010,875	\$ 15,646,181	\$ 16,219,175	\$ 61,407,906
Ceding commission revenue	2,770,337	2,569,025	2,934,928	2,993,951	11,268,241
Net investment income	813,057	764,070	709,072	829,384	3,115,583
Net realized gain (loss) on sale of investments	80,436	283,432	241,035	(75,455)	529,448
Total revenues	18,444,852	18,911,910	19,828,397	20,251,505	77,436,664
Loss and loss adjustment expenses	9,483,855	5,786,836	5,134,854	7,384,116	27,789,661
Commission expense and other underwriting expenses	7,616,507	8,122,342	8,642,964	8,812,023	33,193,836
Net income	541,032	2,842,261	3,460,626	2,055,847	8,899,766
Basic earnings per share	\$ 0.07	\$ 0.36	\$ 0.44	\$ 0.26	\$ 1.15
Diluted earnings per share	\$ 0.07	\$ 0.36	\$ 0.43	\$ 0.26	\$ 1.14

Due to changes in number of shares outstanding from quarter to quarter, the total earnings per share of the four quarters may not necessarily equal the earnings per share for the year.

EMPLOYMENT AGREEMENT, dated April 28, 2017, by and between **KINGSTONE INSURANCE COMPANY**, a New York stock property and casualty insurance company (the “Company”), and **BARRY B. GOLDSTEIN** (the “Employee”).

RECITALS

WHEREAS, the Company and the Employee are parties to an Employment Agreement, dated as of May 10, 2011, as amended (the “Existing Employment Agreement”), which sets forth the terms and conditions upon which the Employee is employed by the Company and upon which the Company will compensate the Employee for his services through December 31, 2016.

WHEREAS, the Company and the Employee desire to enter into a new employment agreement which will set forth the terms and conditions upon which the Employee shall be employed by the Company and upon which the Company shall compensate the Employee for his services effective as of January 1, 2017.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants hereinafter set forth, the parties hereto hereby agree as follows:

1. EMPLOYMENT; TERM

1.1 The Company will employ the Employee in its business, and the Employee will work for the Company therein, as its President, Chairman of the Board, Chief Executive Officer and Chief Investment Officer for a term commencing as of January 1, 2017 (the “Effective Date”) and terminating on December 31, 2019 (the “Expiration Date”), subject to earlier termination as hereinafter provided (the employment period, as earlier terminated as provided for herein, being referred to as the “Term”).

1.2 Upon the expiration of the Term or the termination of the Employee’s employment with the Company for any reason whatsoever, whether during or following the Term, he shall be deemed to have resigned all of his positions as an employee, officer and director of the Company and of each and every subsidiary thereof.

2. DUTIES

2.1 During the Term, the Employee shall serve as the Company’s President, Chairman of the Board, Chief Executive Officer and Chief Investment Officer and shall perform duties of an executive character consisting of administrative and managerial responsibilities on behalf of the Company of the type and nature heretofore assigned to the Employee and such further duties of an executive character as shall, from time to time, be delegated or assigned to him by the Board of Directors of the Company (the “Board”) consistent with the Employee’s position.

3. DEVOTION OF TIME

3.1 During the Term, the Employee shall expend all of his working time for the Company, shall devote his best efforts, energy and skill to the services of the Company and the promotion of its interests and shall not take part in activities detrimental to the best interests of the Company. Notwithstanding the foregoing, during the term of the Employment Agreement between Kingstone Companies, Inc. (“KINS”) and the Employee, dated as of January 20, 2017 (the “KINS Employment Agreement”), the Employee shall be entitled to devote such time as is necessary to the fulfillment of his duties and responsibilities as President, Chief Executive Officer and Chairman of the Board of KINS.

3.2 The Employee shall be permitted to engage in the following activities: (a) charity, social or civic work, (b) tend to personal financial and legal affairs, (c) engage in any other business or business-related activity, and (d) subject to the prior written consent of the Company (following Board approval), serve on the Board of Directors of, or advisor to, other business organizations, in each case (i.e., (a) through (d) above), provided that such activities do not interfere or conflict with his full-time services to the Company.

4. COMPENSATION

4.1 For all services to be rendered by the Employee during the Term, and in consideration of the Employee’s representations and covenants set forth in this Agreement, the Employee shall be entitled to receive from the Company compensation as set forth in Sections 4.2 and 4.3 below.

4.2 During the Term, the Employee shall be entitled to receive a salary at the following rates (the “Base Salary”): (a) through June 30, 2017, the Employee’s Base Salary shall continue to be four hundred five thousand one hundred sixty-eight dollars and ninety-two cents (\$405,168.92) per annum; and (b) effective as of each of July 1, 2017, 2018 and 2019, the Employee’s Base Salary per annum shall be increased by five percent (5%). The Employee shall be entitled to increases in the Base Salary and other potential additional compensation as may be determined from time to time by the Board in its sole discretion. All amounts due hereunder shall be payable in accordance with the Company’s standard payroll practices.

4.3 For each fiscal year during the Term, the Employee shall also be entitled to receive from the Company a bonus (the “Bonus”) pursuant to and in accordance with the terms and conditions of the Company’s employee profit sharing plan.

5. REIMBURSEMENT OF EXPENSES

5.1 The Company shall pay directly, or reimburse the Employee for, all reasonable and necessary expenses and disbursements incurred by the Employee for and on behalf of the Company in the performance of his duties during the Term.

5.2 The Employee shall submit to the Company, not less than once in each calendar month, reports of such expenses and disbursements in a form normally used by the Company, and receipts with respect thereto, and the Company's obligations under Section 5.1 hereof shall be subject to compliance therewith. The Company acknowledges that the Employee has complied with his obligations under this Section 5.2 through December 31, 2016.

6. DISABILITY; INSURANCE

6.1 If, during the Term, the Employee, in the opinion of a majority of all of the members of the Board (excluding the Employee if he is a member), as confirmed by competent medical evidence, shall become physically or mentally incapacitated to perform his duties for the Company hereunder ("Disabled") for a continuous period, then for the first twelve (12) months of such period he shall receive his full salary (subject to the following sentence, the "Salary Continuation Period"). In no event, however, shall the Employee be entitled to receive any payments under this Section 6.1 beyond the expiration or termination date of this Agreement. Effective with the date of his resumption of full employment, the Employee shall be re-entitled to receive his full salary. If such illness or other incapacity shall endure for a continuous period of at least twelve (12) months or for at least two hundred fifty (250) business days during any eighteen (18) month period, the Company shall have the right, by written notice, to terminate the Employee's employment hereunder as of a date (not less than thirty (30) days after the date of the sending of such notice) to be specified in such notice. The Employee agrees to submit himself for appropriate medical examination to a physician of the Company's designation as necessary for purposes of this Section 6.1.

6.2 The obligations of the Company under this Article 6 may be satisfied, in whole or in part, by payments to the Employee under a disability insurance policy provided by the Company and/or KINS.

6.3 Notwithstanding the foregoing, in the event that, at the time of any apparent incapacity, the Company has in effect a disability policy with respect to the Employee, the Employee shall be considered Disabled for purposes of Section 6.1 only if he is considered disabled for purposes of the policy.

6.4 In the event of the termination of the Employee's employment based upon him becoming Disabled, as liquidated damages, the Employee shall be entitled to receive the Bonus compensation to which he is entitled until the expiration of the Salary Continuation Period pursuant to Section 4.3 hereof (i.e., the Termination Date shall be considered the last day of the Salary Continuation Period). The amount to be paid to the Employee pursuant to this Section 6.4 shall constitute the sole and exclusive remedy of the Employee, and the Employee shall not be entitled to any other or further compensation, rights or benefits hereunder or otherwise, including pursuant to Article 11.

7. RESTRICTIVE COVENANTS

7.1 (a) The services of the Employee are unique and extraordinary and essential to the business of the Company, especially since the Employee shall have access to the Company's customer lists, producer lists, trade secrets and other privileged and confidential information essential to the Company's business. Therefore, the Employee agrees that, if the term of his employment hereunder shall expire or his employment shall at any time terminate for any reason whatsoever, with or without Cause (as hereinafter defined) and with or without Good Reason (as hereinafter defined), the Employee will not at any time during the Restrictive Covenant Period (as hereinafter defined), without the prior written consent of the Company, directly or indirectly, whether individually or as a principal, officer, employee, partner, shareholder, member, manager, director, agent of, or consultant or independent contractor to, any person, corporation, limited liability company, partnership, limited partnership or other entity (collectively, "Person"):

(i) within any state in which the Company has a license to operate on the date on which the Employee ceases to be employed by the Company (the "Cessation Date"), engage or participate in a business which, as of the Cessation Date, is similar to or competitive with, directly or indirectly, a business in which the Company is then engaged ("Competitive Business"), and shall not make any investments in any such Competitive Business, except that the foregoing shall not restrict the Employee from acquiring up to one percent (1%) of the outstanding voting stock of any Competitive Business whose securities are listed on a stock exchange or Nasdaq;

(ii) cause or seek to persuade any director, officer, employee, customer, client, account, agent, producer, reinsurer or supplier of, or consultant or independent contractor to, the Company, or others with whom the Company has a business relationship (collectively, "Business Associates"), to discontinue or materially modify the status, employment or relationship of such Person with the Company, or to become employed in any activity similar to or competitive with the activities of the Company; provided, however, that nothing in this section shall restrict the Employee's ability to cause or seek to persuade his daughter, Amanda Goldstein, to alter her relationship with the Company;

(iii) cause or seek to persuade any prospective customer, client, account or other Business Associate of the Company (which at or about the Cessation Date was then actively being solicited by the Company) to determine not to enter into a business relationship with the Company or to materially modify its contemplated business relationship;

(iv) hire, retain or associate in a business relationship with, directly or indirectly, any director, officer or employee of the Company;

(v) solicit or cause or authorize to be solicited, or accept, for or on behalf of him or any third party, any business from, or the entering into of a business relationship with, (A) others who are, or were within one (1) year prior to the Cessation Date, a customer, client, account or other Business Associate of the Company, or (B) any prospective customer, client, account or other Business Associate of the Company which at or about the Cessation Date was then actively being solicited by the Company; or

The foregoing restrictions set forth in this Section 7.1(a) shall apply likewise during the Term.

(vi) For purposes hereof, the term "Restrictive Covenant Period" shall mean the eighteen (18) month period commencing with the Cessation Date; provided, however, that, in the event that the Employee's employment is terminated by the Company without Cause or by the Employee for Good Reason, the term "Restrictive Covenant Period" shall mean the shorter of (i) the twelve (12) month period commencing with the Cessation Date and (ii) the period commencing with the Cessation Date and ending on the Expiration Date.

7.2 The Employee agrees to disclose promptly in writing to the Board all ideas, processes, methods, devices, business concepts, inventions, improvements, discoveries, know-how and other creative achievements (hereinafter referred to collectively as "discoveries"), whether or not the same or any part thereof is capable of being patented, trademarked, copyrighted, or otherwise protected, which the Employee, while employed by the Company, conceives, makes, develops, acquires or reduces to practice, whether acting alone or with others and whether during or after usual working hours, and which are related to the Company's business or interests, or are used or usable by the Company, or arise out of or in connection with the duties performed by the Employee. The Employee hereby transfers and assigns to the Company all right, title and interest in and to such discoveries (whether conceived, made, developed, acquired or reduced to practice on or prior to the Effective Date or during his employment with the Company), including any and all domestic and foreign copyrights and patent and trademark rights therein and any renewals thereof. On request of the Company, the Employee will, without any additional compensation, from time to time during, and after the expiration or termination of, the Term, execute such further instruments (including, without limitation, applications for copyrights, patents, trademarks and assignments thereof) and do all such other acts and things as may be deemed necessary or desirable by the Company to protect and/or enforce its right in respect of such discoveries. All expenses of filing or prosecuting any patent, trademark or copyright application shall be borne by the Company, but the Employee shall cooperate, at the Company's expense, in filing and/or prosecuting any such application.

7.3 (a) The Employee represents that he has been informed that it is the policy of the Company to maintain as secret all confidential information relating to the Company, including, without limitation, any and all knowledge or information with respect to secret or confidential methods, processes, plans, materials, customer, producer and reinsurer lists or data, or with respect to any other confidential or secret aspect of the Company's activities, and further acknowledges that such confidential information is of great value to the Company. The Employee recognizes that, by reason of his employment with the Company, he has acquired and will acquire confidential information as aforesaid. The Employee confirms that it is reasonably necessary to protect the Company's goodwill, and, accordingly, hereby agrees that he will not, directly or indirectly (except where authorized by the Board), at any time during the Term or thereafter divulge to any Person, or use, or cause or authorize any Person to use, any such confidential information.

(b) The Employee agrees that he will not, at any time, remove from the Company's premises any drawings, notebooks, software, data or other confidential information relating to the business and procedures heretofore or hereafter acquired, developed and/or used by the Company, except where necessary in the fulfillment of his duties hereunder.

(c) The Employee agrees that, upon the expiration or termination of this Agreement or the termination of his employment with the Company for any reason whatsoever, he shall promptly deliver to the Company any and all drawings, notebooks, software, data and other documents and material, including all copies thereof, in his possession or under his control relating to any confidential information or discoveries, or which is otherwise the property of the Company.

(d) For purposes hereof, the term "confidential information" shall mean all information given to the Employee, directly or indirectly, by the Company and all other information relating to the Company otherwise acquired by the Employee during the course of his employment with the Company (whether on or prior to the Effective Date or hereafter), other than information which (i) was in the public domain at the time furnished to, or acquired by, the Employee, or (ii) thereafter enters the public domain other than through disclosure, directly or indirectly, by the Employee or others in violation of an agreement of confidentiality or nondisclosure.

7.1 For purposes of this Article 7, the term "Company" shall mean and include the Company and any and all subsidiaries and affiliated entities of the Company in existence from time to time.

7.2 In connection with his agreement to the restrictions set forth in this Article 7, the Employee acknowledges the benefits accorded to him pursuant to the provisions of this Agreement, including, without limitation, the agreement on the part of the Company to employ the Employee during the Term (subject to the terms and conditions hereof). The Employee also acknowledges and agrees that the covenants set forth in this Article 7 are reasonable and necessary in order to protect and maintain the proprietary and other legitimate business interests of the Company and that the enforcement thereof would not prevent the Employee from earning a livelihood.

8. VACATIONS; LEAVE

8.1 The Employee shall be entitled to an aggregate of four (4) weeks vacation time for each twelve (12) month period during the Term, the time and duration thereof to be determined by mutual agreement between the Employee and the Board. Any vacation time not used by the end of the Term shall be forfeited without compensation. In addition, the Employee shall not be entitled to carry over or use any vacation time that is unused as of the end of any twelve (12) month period during the Term. Further, the Employee shall be entitled to the number of sick, personal, family and other days off during each twelve (12) month period of the Term as set forth in the Company's employee handbook. The Employee understands and agrees that the vacation time and sick, personal, family and other days off for him are not in addition to these provided for in the KINS Employment Agreement and shall be reduced by any such time and days taken as an employee of KINS. The Company acknowledges that the Employee has complied with his obligations under this Section 8.1 through December 31, 2016.

9. PARTICIPATION IN EMPLOYEE BENEFIT PLANS; STOCK OPTIONS

9.1 The Employee shall be accorded the right to participate in and receive benefits under and in accordance with the provisions of any pension, profit sharing, insurance, medical and dental insurance or reimbursement (with spousal coverage) or other plan or program of the Company or KICO, either in existence as of the Effective Date or thereafter adopted for the benefit generally of its executive employees. Additionally, in the event of termination of the Employee's employment by the Company without Cause, or by the Employee for Good Reason, the Company or KINS shall continue to provide to the Employee health, dental, and vision insurance coverage at no cost to the Employee (with spousal coverage) until the Expiration Date or such time as the Employee becomes eligible for similar coverage, whichever is sooner.

9.2 In the event the Company elects to discontinue any existing life insurance policy maintained on the Employee, or any other term life insurance policy purchased by it during the Term, prior to any such discontinuance and/or in the event the Employee's employment with the Company ceases for any reason, the Employee shall be offered the opportunity to have such policy transferred to him without cost, it being understood that the Employee shall be responsible for the payment of any and all premiums thereafter due.

10. SERVICE AS OFFICER AND DIRECTOR

10.1 During the Term, the Employee shall, if elected or appointed, serve as (a) an officer of the Company and/or any subsidiaries of the Company in existence or hereafter created or acquired and (b) a director of the Company and/or any such subsidiaries of the Company in existence or hereafter created or acquired, in each case without any additional compensation for such services, except that the Employee is entitled to receive a fee for serving as a director of the Company in the amount of \$6,500 per annum. In the event the Company has in effect during the Term a director and officer liability insurance policy, the Company will include the Employee therein as a named insured.

11. EARLIER TERMINATION

11.1 The Employee's employment hereunder (a) shall automatically terminate upon his death, (b) may terminate at any time during the Term at the option of the Company upon written notice to the Employee for Cause or without Cause, (c) may terminate at any time during the Term at the option of the Employee upon written notice to the Company for Good Reason or without Good Reason and (d) may terminate at the option of the Company in the event the Employee becomes Disabled, as provided for in Article 6.

11.2 As used in this Agreement, "Cause" shall mean (a) the Employee's commission of any act in the performance of his duties constituting common law fraud, a felony or other gross malfeasance of duty, (b) the Employee's commission of any act involving moral turpitude which reasonably may have a material adverse effect on the Company and its subsidiaries taken as a whole ("Material Adverse Effect"), (c) any misrepresentation by the Employee (including, without limitation, a breach of any representation set forth in Section 13.1 hereof) which reasonably may have a Material Adverse Effect, (d) any breach of any material covenant on the Employee's part herein set forth (which breach, if curable, is not cured by the Employee within thirty (30) days of the Employee's receipt of written notice thereof from the Company), or (e) the Employee's engagement in other intentional or grossly negligent misconduct which may reasonably have a Material Adverse Effect. The parties agree that the term "Material Adverse Effect" includes the loss or suspension of any license for the Company or KINS to operate or any disqualification or suspension for the Employee to serve as an officer or director thereof under applicable law.

11.3 As used in this Agreement, "Good Reason" shall mean (a) any breach of any material covenant on the Company's part (which breach, if curable, is not cured by the Company within thirty (30) days of the Company's receipt of written notice thereof from the Employee), (b) a material diminution in the Employee's duties and responsibilities (other than following an event constituting Cause) in his capacity as President, Chairman of the Board, Chief Executive Officer and Chief Investment Officer of the Company, (c) a change in the Employee's current reporting structure (other than following an event constituting Cause), (d) a decrease in the compensation payable to the Employee from the compensation payable pursuant to this Agreement, or (e) the relocation of the location of the Company's principal offices at which the Employee is to provide his services to a location that is more than thirty (30) miles from Valley Stream, New York (it being understood and agreed, however, that the Employee shall be required to travel to Kingston, New York as often as is reasonably required for him to perform his duties as President, Chief Executive Officer, Chairman of the Board and Chief Investment Officer of the Company).

11.4 In the event of the termination of the Employee's employment by the Company for Cause or by the Employee without Good Reason, the Company shall have no further obligations to the Employee, and the Employee shall be entitled to no further compensation from the Company, except for any pro-rata amounts due to the Employee at such date of termination, as provided for in Section 4.2 hereof, and except, in the case of a termination of employment by the Employee without Good Reason, for any Bonus amount for the completed fiscal year immediately preceding the date of termination, as provided in Section 4.3 hereof. As an illustration of the foregoing, in the event of a termination of employment by the Employee without Good Reason on March 1, the Employee would be entitled to receive the amount payable to him pursuant to Section 4.2 hereof to March 1 and the amount, if any, payable to him pursuant to Section 4.3 hereof for the immediately preceding fiscal year ended December 31. In the event of the termination of the Employee's employment by the Company for Cause or by the Employee without Good Reason, the amount to be paid to the Employee pursuant to this Section 11.4 shall constitute the sole and exclusive remedy of the Employee, and the Employee shall not be entitled to any other or further compensation, rights or benefits hereunder or otherwise.

11.5 In the event of the termination of the Employee's employment by the Company without Cause or by the Employee for Good Reason, as liquidated damages, the Employee shall be entitled to receive (a) the compensation to which he would have been entitled until the expiration of the Term pursuant to Section 4.2 hereof and (b) the Bonus compensation to which he is entitled to receive through the expiration of the Term pursuant to Section 4.3 hereof. The compensation payable pursuant to (a) above shall be payable to the Employee in accordance with the Company's standard payroll practices as if his employment had continued. The amount to be paid to the Employee pursuant to this Section 11.5 shall constitute the sole and exclusive remedy of the Employee, and the Employee shall not be entitled to any other or further compensation, rights or benefits hereunder or otherwise.

11.6 In order to protect the Employee against the possible consequences and uncertainties of a Change of Control of the Company and thereby induce the Employee to remain in the employ of the Company, the Company agrees that:

(a) If, during the Term, the Employee's employment is terminated within eighteen (18) months subsequent to a Change of Control by the Company other than for Cause or by the Employee for Good Reason, the Company shall pay to the Employee an amount in cash equal to one and one-half (1.5) times the Base Salary (the "Change of Control Payment"). The Change of Control Payment shall be payable in one lump sum payment within ten (10) days following the date of termination of employment. In addition, in such event, the Company (or KINS) shall continue to pay for the Employee's health insurance premiums, including spousal coverage, for the remainder of the Term. The Change of Control Payment shall be in lieu of the amount payable to the Employee pursuant to Section 11.5 hereof; provided, however, that the Employee may elect to receive the amount payable pursuant to Section 11.5 hereof in lieu of the amount payable pursuant to this Section 11.6. The amount to be paid to the Employee pursuant to this Section 11.6 shall constitute the sole and exclusive remedy of the Employee, and the Employee shall not be entitled to any other or further compensation, rights or benefits hereunder or otherwise.

(b) As used in this Section 11.6, a "Change of Control" shall be deemed to have occurred if:

(i) any "person" or "group of persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "1934 Act") (other than the Employee or any "group of persons" that includes the Employee), becomes the "beneficial owner" (as defined in Rule 13d-3 promulgated under the 1934 Act), directly or indirectly, of securities of KINS representing more than thirty-three and one-third percent (33-1/3%) of the then outstanding securities of KINS having the right to vote on the election of directors ("Voting Securities"), except that there shall be excluded from the calculation any Voting Securities acquired from KINS with respect to which the Employee gave his approval as a member of the Board of Directors of KINS (the "KINS Board"); or

(ii) any person or group of persons (other than persons whose Voting Securities of KINS would be excluded under clause (i) above) becomes the beneficial owner, directly or indirectly, of securities representing a majority of the then outstanding securities of the Company having the right to vote on the election of directors; or

(iii) when individuals who, as of the date hereof, constitute the KINS Board (the "Incumbent KINS Board") cease for any reason to constitute at least a majority of the KINS Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the stockholders of KINS, was approved by a vote of at least a majority of the directors then comprising the Incumbent KINS Board shall be considered as though such individual were a member of the Incumbent KINS Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the KINS Board; or

(iv) KINS consummates (A) a reorganization, merger or consolidation of KINS, with respect to which in each case all or substantially all of the Persons who were the beneficial owners of the Voting Securities of KINS immediately prior to such reorganization, merger or consolidation do not, following such reorganization, merger or consolidation, beneficially own, directly and indirectly, more than 50% of the then combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the corporation or other Person resulting from such reorganization, merger or consolidation; or

(v) the Company consummates a reorganization, merger or consolidation of the Company, with respect to which in each case KINS does not, following such reorganization, merger or consolidation, beneficially own, directly or indirectly, more than 50% of the then combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the corporation or other Person resulting from such reorganization, merger or consolidation; or

(vi) the Company or KINS consummates the sale or other disposition of all or substantially all of the assets of the Company or KINS.

Notwithstanding the foregoing, no transaction or event shall constitute a Change of Control hereunder unless such transaction or event also constitutes a change in ownership or effective control of the Company or KINS within the meaning of Treasury Regulation Section 1.409A-3(i)(5)(v) or (vi)(A)(2).

11.1 In the event of the death of the Employee during the Term, as liquidated damages, the Employee's estate (the "Estate") shall be entitled to receive (a) the Base Salary to which the Employee is entitled until the date of death of the Employee pursuant to Section 4.2; and (b) the Bonus compensation to which the Employee is entitled through the date of death (i.e., the Termination Date shall be considered the date of death). The amount to be paid to the Estate pursuant to this Section 11.7 shall constitute the sole and exclusive remedy of the Estate and any beneficiaries thereof, and neither the Estate nor any beneficiaries thereof shall be entitled to any other or further compensation, rights or benefits hereunder or otherwise, including pursuant to Article 11.

11.2 The termination or expiration of this Agreement shall not affect the continuing operation and effect of Article 7 hereof, which shall continue in full force and effect according to its terms. In addition, the termination or expiration of this Agreement will not result in a termination or waiver of any rights and remedies that the Company may have under this Agreement and applicable law.

12. INJUNCTIVE RELIEF; REMEDIES

12.1 The Employee acknowledges and agrees that, in the event he shall violate or threaten to violate any of the restrictions of Article 3 or 7 hereof, the Company will be without an adequate remedy at law and will therefore be entitled to enforce such restrictions by temporary or permanent injunctive or mandatory relief in any court of competent jurisdiction without the necessity of proving monetary damages.

12.2 The Employee agrees further that the Company shall have the following additional rights and remedies:

(i) the right and remedy to require the Employee to account for and pay over to the Company all monies and other consideration derived or received by him as the result of any transactions determined by an arbitrator or a court of competent jurisdiction to be a breach of any of the provisions of Section 7.1, and the Employee hereby agrees to account for and pay over such monies and other consideration to the Company; and

(ii) the right to recover attorneys' fees incurred in any action or proceeding in which it seeks to enforce its rights under Article 7 hereof and is successful on any grounds; provided, however, that, in the event the Employee is the prevailing party in any such action or proceeding, the Company will pay to the Employee all reasonable attorneys' fees and costs incurred by the Employee in defending such action or proceeding.

12.3 Each of the rights and remedies enumerated above shall be independent of the other, and shall be severally enforceable, and all of such rights and remedies shall be in addition to, and not in lieu of, any other rights and remedies available to the Company under law or in equity.

12.4 The parties hereto intend to and hereby confer jurisdiction to enforce the covenants contained in Section 7.1 upon the courts of any jurisdiction within the geographical scope of such covenants (a "Jurisdiction"). In the event that the courts of any one or more of such Jurisdictions shall hold such covenants unenforceable by reason of the breadth of their scope or otherwise, it is the intention of the parties hereto that such determination not bar or in any way affect the Company's right to the relief provided above in the courts of any other Jurisdiction, as to breaches of such covenants in such other respective Jurisdictions, the above covenants as they relate to each Jurisdiction being, for this purpose, severable into diverse and independent covenants.

13. NO RESTRICTIONS

13.1 The Employee hereby represents that neither the execution of this Agreement nor his performance hereunder will (a) violate, conflict with or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under the terms, conditions or provisions of any contract, agreement or other instrument or obligation to which the Employee is a party, or by which he may be bound, or (b) violate any order, judgment, writ, injunction or decree applicable to the Employee. In the event of a breach hereof, in addition to the Company's right to terminate this Agreement, the Employee shall indemnify the Company and hold it harmless from and against any and all claims, losses, liabilities, costs and expenses (including reasonable attorneys' fees) incurred or suffered in connection with or as a result of the Company's entering into this Agreement or employing the Employee hereunder.

14. ARBITRATION

14.1 Except with regard to Section 12.1 hereof and any other matters that are not a proper subject of arbitration, all disputes between the parties hereto concerning the performance, breach, construction or interpretation of this Agreement or any portion thereof, or in any manner arising out of this Agreement or the performance thereof, shall be submitted to binding arbitration, in accordance with the rules of the American Arbitration Association. The arbitration proceeding shall take place at a mutually agreeable location in Nassau County, New York or such other location as agreed to by the parties.

14.2 The award rendered by the arbitrator shall be final, binding and conclusive, shall be specifically enforceable, and judgment may be entered upon it in accordance with applicable law in an appropriate court in the State of New York, with no right of appeal therefrom.

14.3 Each party shall pay its or his own expenses of arbitration, and the expenses of the arbitrator and the arbitration proceeding shall be equally shared; provided, however, that, if, in the opinion of the arbitrator (or a majority of the arbitrators if more than one), any claim or defense was unreasonable, the arbitrator(s) may assess, as part of their award, all or any part of the arbitration expenses of the other party (including reasonable attorneys' fees) and of the arbitrator(s) and the arbitration proceeding against the party raising such unreasonable claim or defense; provided, further, that, if the arbitration proceeding relates to the issue of Cause for termination of employment, (a) if, in the opinion of the arbitrator (or a majority of the arbitrators if more than one), Cause existed, the arbitrator(s) shall assess, as part of their award, all of the arbitration expenses of the Company (including reasonable attorneys' fees) and of the arbitrator(s) and the arbitration proceeding against the Employee or (b) if, in the opinion of the arbitrator (or a majority of the arbitrators if more than one), Cause did not exist, the arbitrator(s) shall assess, as part of their award, all of the arbitration expenses of the Employee (including reasonable attorneys' fees) and of the arbitrator(s) and the arbitration proceeding against the Company.

15. CODE SECTIONS 409A, 280G AND 4999.

15.1 The intent of the parties is that payments and benefits under this Agreement comply with Section 409A of the Code (together with the regulations and guidance promulgated thereunder, "Code Section 409A"), and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. To the extent that any provision hereof is modified in order to comply with Code Section 409A, such modification shall be made in good faith and shall, to the maximum extent reasonably possible, maintain the original intent and economic benefit to the parties hereto of the applicable provision without violating the provisions of Code Section 409A. In no event whatsoever shall the Company be liable for any additional tax, interest or penalty that may be imposed on the Employee by Code Section 409A as a result of the Company's compliance with the terms of this Agreement.

15.2 A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits constituting deferred compensation under Code Section 409A upon or following a termination of employment unless such termination of employment is also a "separation from service" within the meaning of Code Section 409A and, for purposes of any such provision of this Agreement, references to a termination of employment or like terms shall mean "separation from service." If the Employee is deemed on the date of termination to be a "specified employee" within the meaning of that term under Code Section 409A(a)(2)(B), then with regard to any payment or the provision of any benefit that is considered deferred compensation under Code Section 409A payable on account of a "separation from service," such payment or benefit shall be made or provided at the date which is the earlier of (i) the expiration of the six (6) month period measured from the date of such "separation from service" of the Employee, and (ii) the date of the Employee's death (the "Delay Period"). Upon the expiration of the Delay Period, all payments and benefits delayed pursuant to this Section 15.2 (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to the Employee in a lump sum, and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified herein.

15.3 All expenses or other reimbursements under this Agreement shall be made on or prior to the last day of the taxable year following the taxable year in which such expenses were incurred by the Employee (provided that if any such reimbursements constitute taxable income to the Employee, such reimbursements shall be paid no later than March 15th of the calendar year following the calendar year in which the expenses to be reimbursed were incurred), and no such reimbursement or expenses eligible for reimbursement in any taxable year shall in any way affect the expenses eligible for reimbursement in any other taxable year.

15.4 For purposes of Code Section 409A, the Employee's right to receive any installment payments pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments. Whenever a payment under this Agreement specifies a payment period with reference to a number of days (e.g., "payment shall be made within sixty (60) days"), the actual date of payment within the specified period shall be within the sole discretion of the Company.

15.5 In no event shall any payment under this Agreement that constitutes “deferred compensation” for purposes of Code Section 409A be offset by any other payment pursuant to this Agreement or otherwise.

15.6 Notwithstanding any other provisions of this Agreement to the contrary, in the event that any payments or benefits received or to be received by the Employee in connection with the Employee’s employment with the Company (or termination thereof) would subject the Employee to the excise tax imposed under Section 280G or 4999 of the Code (the “Excise Tax”), and, if the net-after tax amount (taking into account all applicable taxes payable by the Employee, including any Excise Tax) that the Employee would receive with respect to such payments or benefits does not exceed the net-after tax amount the Employee would receive if the amount of such payment and benefits were reduced to the maximum amount which could otherwise be payable to the Employee without the imposition of the Excise Tax, then, to the extent necessary to eliminate the imposition of the Excise Tax, (i) such cash payments and benefits shall first be reduced (if necessary, to zero) and (ii) all other non-cash payments and benefits shall next be reduced. The determination of whether any reduction in such payments or benefits to be provided under this Agreement or otherwise is required pursuant to the preceding sentence will be made at the expense of the Company by independent accountants or benefits consultants selected by the Company, and the Employee shall have the right to review such determination.

16. **ASSIGNMENT**

16.1 This Agreement, as it relates to the employment of the Employee, is a personal contract and the rights and interests of the Employee hereunder may not be sold, transferred, assigned, pledged or hypothecated.

17. **NOTICES**

17.1 Any notice required or permitted to be given pursuant to this Agreement shall be deemed to have been duly given when delivered by hand or sent by certified or registered mail, return receipt requested and postage prepaid, overnight mail or courier, e-mail, or fax as follows:

If to the Employee:

P.O. Box 450
Hewlett, New York 11557
bgoldstein@kingstonecompanies.com
Fax Number: (516) 374-4484

with a copy to:

Dentons US LLP
1201 Avenue of the Americas
New York, New York 10020-1089
Attention: Brian S. Cousin, Esq.
Brian.Cousin@Dentons.com
Fax Number: (212) 768-6800

If to the Company:

c/o Victor Brodsky
Chairman, Compensation Committee
15 Joys Lane
Kingston, New York 12401
vbrodsky@kingstonecompanies.com
Fax Number: (845) 853-1890

with a copy to:

Certilman Balin Adler & Hyman, LLP
90 Merrick Avenue
East Meadow, New York 11554
Attention: Fred Skolnik, Esq.
fskolnik@certilmanbalin.com
Fax Number: (516) 296-7111

or at such other address as any party shall designate by notice to the other party given in accordance with this Section 17.1.

18. GOVERNING LAW

18.1 This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of New York applicable to agreements made and to be performed entirely in New York without regard to conflicts of laws principles.

19. WAIVER OF BREACH; PARTIAL INVALIDITY

19.1 The waiver by either party of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach. If any provision, or part thereof, of this Agreement shall be held to be invalid or unenforceable, such invalidity or unenforceability shall attach only to such provision and not in any way affect or render invalid or unenforceable any other provisions of this Agreement, and this Agreement shall be carried out as if such invalid or unenforceable provision, or part thereof, had been reformed, and any court of competent jurisdiction or arbitrators, as the case may be, are authorized to so reform such invalid or unenforceable provision, or part thereof, so that it would be valid, legal and enforceable to the fullest extent permitted by applicable law.

20. ENTIRE AGREEMENT; AMENDMENT

20.1 This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and there are no representations, warranties or commitments except as set forth herein. This Agreement supersedes all prior agreements, understandings, negotiations and discussions, whether written or oral, of the parties hereto relating to the subject matter hereof, including the Existing Employment Agreement, with regard to the Employee's employment with the Company effective as of January 1, 2017. This Agreement may be amended, and any provision hereof waived, only by a writing executed by the party sought to be charged. No amendment or waiver on the part of the Company shall be valid unless approved by its Board.

21. COUNTERPARTS

21.1 This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which taken together shall constitute one and the same instrument.

22. FACSIMILE AND EMAIL SIGNATURES

22.1 Signatures hereon which are transmitted via facsimile or email shall be deemed original signatures.

23. EXPENSES

23.1 In addition to the right to indemnification conferred in Article X of the By-Laws of the Company, as amended (the "By-Laws"), the Employee shall have the right to have his expenses (including reasonable attorneys' fees) incurred in defending any action or proceeding as to which the Employee is entitled to be indemnified in advance of its final disposition advanced and paid promptly as set forth below upon incurring such expenses; provided, however, that an advancement of expenses incurred by the Employee shall be made only upon delivery to the Company of an undertaking by the Employee to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal that the Employee is not entitled to be indemnified for such expenses under the By-Laws. The Company shall make advance payments of such expenses (including reasonable attorneys' fees) incurred within thirty (30) days of the Employee's presentation of an invoice for such expenses.

24. CONSTRUCTION

24.1 All references in this Agreement to "includes" and "including" shall be construed to include the words "without limitation."

25. REPRESENTATION BY COUNSEL; INTERPRETATION

25.1 The Employee acknowledges that he has been represented by counsel, or has been afforded the opportunity to be represented by counsel, in connection with this Agreement. Accordingly, any rule of law or any legal decision that would require the interpretation of any claimed ambiguities in this Agreement against the party that drafted it has no application and is expressly waived by the Employee. The provisions of this Agreement shall be interpreted in a reasonable manner to give effect to the intent of the parties hereto.

26. HEADINGS

26.1 The headings and captions under articles and sections of this Agreement are for convenience of reference only and do not in any way modify, interpret or construe the intent of the parties or affect any of the provisions of this Agreement.

[Remainder of page intentionally left blank. Signature page follows.]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the day and year above written.

KINGSTONE INSURANCE COMPANY

By:
Victor J. Brodsky
Chief Financial Officer

Barry B. Goldstein

EMPLOYMENT AGREEMENT, dated March 14, 2018, by and between **KINGSTONE COMPANIES, INC.**, a Delaware corporation (the “Company”), and **DALE A. THATCHER** (the “Employee” or the “Executive”).

RECITALS

WHEREAS, the Company and the Employee desire to enter into an employment agreement which will set forth the terms and conditions upon which the Employee shall be employed by the Company and upon which the Company shall compensate the Employee for his services.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants hereinafter set forth, the parties hereto hereby agree as follows:

1. **EMPLOYMENT; TERM**

1.1. The Company will employ the Employee in its business, and the Employee will work for the Company therein, as its Chief Operating Officer for a term commencing as of March 15, 2018 (the “Effective Date”) and terminating on December 31, 2018 (the “Expiration Date”), subject to earlier termination as hereinafter provided (the employment period, as earlier terminated as provided for herein, being referred to as the “Term”).

1.2. Upon the expiration of the Term or the termination of the Employee’s employment with the Company for any reason whatsoever, whether during or following the Term, he shall be deemed to have resigned all of his positions as an employee, officer and director of the Company and of each and every subsidiary thereof.

2. **DUTIES**

2.1. During the Term, the Employee shall serve as the Company’s Chief Operating Officer and shall have and perform executive, administrative, and managerial duties customary for such a position, and such further duties of an executive character as shall, from time to time, be delegated or assigned to him by the Board of Directors of the Company (the “Board”) or the Chief Executive Officer of the Company (the “CEO”) consistent with the Employee’s position.

3. **DEVOTION OF TIME**

3.1. During the Term, the Employee shall expend substantially all of his working time for the Company, shall devote his best efforts, energy and skill to the services of the Company and the promotion of its interests and shall not take part in activities detrimental to the best interests of the Company. Notwithstanding the foregoing, during the term of the Employment Agreement between Kingstone Insurance Company (“KICO”) and the Employee of even date (the “KICO Employment Agreement”), the Employee shall be entitled to devote such time as is necessary to the fulfillment of his duties and responsibilities as President of KICO, it being understood and agreed that such permitted activity is subject to the reduction in Base Salary (as hereinafter defined) provided for in Section 4.2 hereof.

3.2. The Employee shall be permitted to engage in the following activities: (a) charity, social or civic work, (b) tend to personal financial and legal affairs, (c) serve on the Board of Directors of Service King, Inc., and (d) subject to the prior written consent of the Company (following Board approval), serve on the Board of Directors of, or advisor to, other business organizations, in each case (i.e., (a) through (d) above), provided that such activities do not interfere or conflict with his full-time services to the Company.

4. **COMPENSATION**

4.1. For all services to be rendered by the Employee during the Term, and in consideration of the Employee’s representations and covenants set forth in this Agreement, the Employee shall be entitled to receive from the Company compensation as set forth in Section 4.2 below.

4.2. During the Term, the Employee shall be entitled to receive a salary at the rate of five hundred thousand dollars (\$500,000) per annum (the “Base Salary”); provided, however, the Base Salary shall be reduced on a dollar-for-dollar basis to the extent of the salary payable by KICO to the Employee pursuant to the KICO Employment Agreement.

5. REIMBURSEMENT OF EXPENSES

5.1. Subject to Section 5.3 hereof, the Company shall pay directly, or reimburse the Employee for, all reasonable and necessary expenses and disbursements incurred by the Employee for and on behalf of the Company in the performance of his duties during the Term.

5.2. The Employee shall periodically submit to the Company reports of such expenses and disbursements in a form and at a frequency normally used by the Company, and receipts with respect thereto, and the Company's obligations under Section 5.1 hereof shall be subject to compliance therewith

5.3. During the Term, the Employee shall be entitled to receive a monthly automobile allowance of one thousand dollars (\$1,000) for any and all expenses related to the Employee's automobile (i.e., lease payments, insurance, gas, tolls, parking and the like). Except for reimbursement of directly related automobile expenses (i.e., parking and tolls) incurred by the Employee while fulfilling his duties and responsibilities to the Company, but which are outside of the Employee's normal day to day commuting usage of his automobile, the Employee will not be entitled to any additional or alternative reimbursement for any other automobile related expenses.

6. DISABILITY; INSURANCE

6.1. If, during the Term, the Employee, in the opinion of a majority of all of the members of the Board (excluding the Employee if he is a member), as confirmed by competent medical evidence, shall become physically or mentally incapacitated to perform his duties for the Company hereunder ("Disabled") for a continuous period, then for the first three (3) months of such period he shall receive his full salary (subject to the following sentence, the "Salary Continuation Period"). In no event, however, shall the Employee be entitled to receive any payments under this Section 6.1 beyond the expiration or termination date of this Agreement. Effective with the date of his resumption of full employment, the Employee shall be re-entitled to receive his full salary. If such illness or other incapacity shall endure for a continuous period of at least three (3) months or for at least sixty (60) business days during any six (6) month period, the Company shall have the right, by written notice, to terminate the Employee's employment hereunder as of a date (not less than thirty (30) days after the date of the sending of such notice) to be specified in such notice. The Employee agrees to submit himself for appropriate medical examination to a physician of the Company's designation as necessary for purposes of this Section 6.1.

6.2. The obligations of the Company under this Article 6 may be satisfied, in whole or in part, by payments to the Employee under a disability insurance policy provided by the Company and/or KICO.

6.3. Notwithstanding the foregoing, in the event that, at the time of any apparent incapacity, the Company has in effect a disability policy with respect to the Employee, the Employee shall be considered Disabled for purposes of Section 6.1 only if he is considered disabled for purposes of the policy.

7. RESTRICTIVE COVENANTS

7.1. (a) The services of the Employee are unique and extraordinary and essential to the business of the Company, especially since the Employee shall have access to the Company's customer lists, producer lists, trade secrets and other privileged and confidential information essential to the Company's business. Therefore, the Employee agrees that, if the term of his employment hereunder shall expire or his employment shall at any time terminate for any reason whatsoever, with or without Cause (as hereinafter defined) and with or without Good Reason (as hereinafter defined), the Employee will not at any time during the Restrictive Covenant Period (as hereinafter defined), without the prior written consent of the Company, directly or indirectly, whether individually or as a principal, officer, employee, partner, shareholder, member, manager, director, agent of, or consultant or independent contractor to, any person, corporation, limited liability company, partnership, limited partnership or other entity (collectively, "Person"):

(i) cause or seek to persuade any director, officer, employee, customer, client, account, agent, producer, reinsurer or supplier of, or consultant or independent contractor to, the Company, or others with whom the Company has a business relationship (collectively, "Business Associates"), to discontinue or materially modify the status, employment or relationship of such Person with the Company;

(ii) cause or seek to persuade any prospective customer, client, account or other Business Associate of the Company (which at or about the Cessation Date was then actively being solicited by the Company) to determine not to enter into a business relationship with the Company or to materially modify its contemplated business relationship; or

(iii) hire, retain or associate in a business relationship with, directly or indirectly, any director, officer or employee of the Company.

The foregoing restrictions set forth in this Section 7.1(a) shall apply likewise during the Term.

(b) For purposes hereof, the term "Restrictive Covenant Period" shall mean the eighteen (18) month period commencing with the Cessation Date; provided, however, that, except with respect to clause (iii) of paragraph (a) hereof, in the event that the Employee's employment is terminated by the Company without Cause or by the Employee for Good Reason, the term "Restrictive Covenant Period" shall mean the period commencing with the Cessation Date and ending on the Expiration Date.

7.2. The Employee agrees to timely disclose to the Board and the CEO all material ideas, processes, methods, devices, business concepts, inventions, improvements, discoveries, know-how and other creative achievements, whether or not the same or any part thereof is capable of being patented, trademarked, copyrighted, or otherwise protected, which the Employee, while employed by the Company, conceives, makes, develops, acquires or reduces to practice, whether acting alone or with others and whether during or after usual working hours, and which are related to the Company's business or interests, or are used or usable by the Company, or arise out of or in connection with the duties performed by the Employee (hereinafter referred to collectively as "Discoveries"). The Employee hereby transfers and assigns to the Company all right, title and interest in and to such Discoveries, including any and all domestic and foreign copyrights and patent and trademark rights therein and any renewals thereof. On request of the Company, the Employee will, without any additional compensation, from time to time during, and after the expiration or termination of, the Term, execute such further instruments (including, without limitation, applications for copyrights, patents, trademarks and assignments thereof) and do all such other acts and things as may be deemed necessary or desirable by the Company to protect and/or enforce its right in respect of such Discoveries. All expenses of filing or prosecuting any patent, trademark or copyright application shall be borne by the Company, but the Employee shall cooperate, at the Company's expense, in filing and/or prosecuting any such application.

7.3. (a) The Employee represents that he has been informed that it is the policy of the Company to maintain as confidential all confidential and/or proprietary information relating to the Company, including, without limitation, any and all knowledge or information with respect to confidential methods, processes, plans, materials, customer, producer and reinsurer lists or data, or with respect to any other confidential or secret aspect of the Company's activities, and further acknowledges that such confidential information is of great value to the Company. The Employee recognizes that, by reason of his employment with the Company, he has acquired and will acquire confidential information as aforesaid. The Employee confirms that it is reasonably necessary to protect the Company's goodwill, and, accordingly, hereby agrees that he will not, directly or indirectly (except where authorized by the Board), at any time during the Term or thereafter divulge to any Person, or use, or cause or authorize any Person to use, any such confidential information.

(b) The Employee agrees that he will not, at any time, remove from the Company's premises any drawings, notebooks, software, data or other confidential information relating to the business and procedures heretofore or hereafter acquired, developed and/or used by the Company, except where necessary in the fulfillment of his duties hereunder.

(c) The Employee agrees that, upon the expiration or termination of this Agreement or the termination of his employment with the Company for any reason whatsoever, he shall promptly deliver to the Company any and all drawings, notebooks, software, data and other documents and material, including all copies thereof, in his possession or under his control relating to any confidential information or discoveries, or which is otherwise the property of the Company.

(d) For purposes hereof, the term "confidential information" shall mean all information given to the Employee, directly or indirectly, by the Company and all other information relating to the Company otherwise acquired by the Employee during the course of his employment with the Company (whether on or prior to the Effective Date or hereafter), other than information which (i) was in the public domain at the time furnished to, or acquired by, the Employee, or (ii) thereafter enters the public domain other than through disclosure, directly or indirectly, by the Employee or others in violation of an agreement of confidentiality or nondisclosure.

7.4. For purposes of this Article 7, the term "Company" shall mean and include the Company and any and all subsidiaries and affiliated entities of the Company in existence from time to time.

7.5. In connection with his agreement to the restrictions set forth in this Article 7, the Employee acknowledges the benefits accorded to him pursuant to the provisions of this Agreement, including, without limitation, the agreement on the part of the Company to employ the Employee during the Term (subject to the terms and conditions hereof). The Employee also acknowledges and agrees that the covenants set forth in this Article 7 are reasonable and necessary in order to protect and maintain the proprietary and other legitimate business interests of the Company and that the enforcement thereof would not prevent the Employee from earning a livelihood.

7.6. Notwithstanding any other provision of this Article 7 to the contrary, the Executive may disclose confidential or proprietary information of the Company and its subsidiaries as follows: (a) disclosures to directors, officers, key employees, independent accountants and counsel of the Company and its subsidiaries as may be necessary or appropriate in the performance of the Executive's duties hereunder, (b) disclosures that do not have a material adverse effect on the business or operations of the Company and its subsidiaries taken as a whole, (c) disclosures that the Executive is required to make by law or by any court, arbitrator or administrative or legislative body (including any committee thereof) with apparent jurisdiction to order the Executive to disclose or make accessible any information, (d) disclosures with respect to any other litigation, arbitration or mediation involving this Agreement, and (e) disclosures of any such confidential or proprietary information that is, at the time of such disclosure, generally known to and available for use by the public and not by the Executive's wrongful act or omission.

7.7. If Executive believes that he may be required to disclose any such confidential or proprietary information pursuant to applicable law, court order or subpoena, he shall immediately notify the Company in writing by overnight delivery, directed to the CEO, of any such perceived requirement so that the Company may seek an appropriate protective order or other appropriate remedy or waive compliance with this confidentiality requirement. Executive shall also reasonably cooperate with the Company to obtain such a protective order or other remedy.

7.8. Notwithstanding any other provision of this Article 7 to the contrary, the Executive upon leaving the employ of the Company shall be entitled to retain (i) papers and other materials of a personal nature, including but not limited to, photographs, correspondence, personal diaries, personal contact lists, calendars and personal files, except to the extent business-related information is set forth therein, (ii) information showing his compensation or relating to his reimbursement of expenses, (iii) information that he reasonably believes may be needed for tax purposes, and (iv) copies of plans, programs and agreements relating to his employment, or termination thereof, with the Company.

7.9. This Agreement does not prohibit Executive from making any disclosure required by law, communicating with, making a report to, or otherwise participating in any investigation or proceeding that may be conducted by the Company's designated legal, compliance or human resources personnel, the Securities and Exchange Commission ("SEC") and/or its Office of the Whistleblower, the Equal Employment Opportunity Commission ("EEOC"), the Occupational Safety and Health Administration ("OSHA"), the National Labor Relations Board ("NLRB"), or other federal, state or local government agencies or entities. Executive is not prohibited from disclosing this Agreement or its contents, or from providing documents or other information, to the SEC and/or the Office of the Whistleblower, EEOC, OSHA, NLRB or any other such federal, state or local governmental entity. Executive does not need to provide notice to or obtain the prior authorization of Company's CEO or General Counsel to make any such report or disclosure and Executive is not required to notify the Company that Executive has made such reports or disclosures.

7.10. Notice Under Defend Trade Secrets Act: Notwithstanding the requirements contained in this Agreement, in accordance with the Defend Trade Secrets Act, Executive will not be held criminally or civilly liable under any federal or state trade secret law if Executive discloses a Trade Secret in confidence to federal, state or local government officials, to Executive's attorney solely for the purpose of reporting or investigating a suspected violation of law, or in a sealed complaint or other document filed in a lawsuit or other proceeding. Further, if Executive files a lawsuit alleging retaliation by the Company for reporting a suspected violation of law, Executive may disclose the Trade Secret to his attorney and use the Trade Secret information in the court proceeding if Executive: (i) files the document containing the Trade Secret in a sealed court document; and (ii) does not disclose the Trade Secret, except pursuant to court order. However, if Executive engages in conduct otherwise prohibited by law, such as, but not limited to, accessing Trade Secrets unlawfully or by unauthorized means, no immunity shall apply and the Company reserves the right to pursue all available remedies.

7.11. Notwithstanding anything to the contrary in this Agreement, Executive has the right to:

(a) Report, respond to or cooperate with an investigation into possible violations of state or federal laws or regulations involving a governmental agency or entity including the Congress, the Department of Justice, the SEC and/or its Office of the Whistleblower (www.sec.gov/whistleblower); Office of the Whistleblower Hotline (202) 551-4790, the EEOC, the OSHA, the NLRB, and any other such federal, state or local agency. This includes reporting violations of the federal securities laws or regulations;

(b) Make disclosures that are protected by federal, state or local whistleblower laws;

(c) Cooperate in an investigation, respond to an inquiry, or provide testimony before the SEC or any other federal, state or local regulatory or law enforcement authority; and

(d) Make reports or disclosures to law enforcement or regulatory authorities without authorization from the Company, without notifying the Company that a report or disclosure will be or was made, and without revealing the substance of the report or disclosure to the Company.

Executive will not be retaliated against for reporting to the Company or to any governmental agency or entity, including the SEC, information that Executive reasonably believes relates to a possible violation of securities laws or for reporting misconduct. Retaliation under such circumstances is prohibited by law.

7.12 This Agreement does not prevent, interfere with or limit Executive's ability to file a charge or complaint with, report conduct to, provide information to or participate in any investigation or proceeding conducted by the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administrative, the Securities and Exchange Commission or any other federal, state or local government agency or commission. Executive agrees that, if such a charge or complaint is made, or investigation or proceeding is initiated against the Company, Executive will not accept, be entitled to, receive, or recover any monetary damages or any other form of relief or remedy to the fullest extent permitted by law EXCEPT THAT THIS AGREEMENT DOES NOT WAIVE OR LIMIT EXECUTIVE'S RIGHT TO RECEIVE A MONETARY AWARD FOR INFORMATION PROVIDED TO THE SEC AS AN SEC WHISTLEBLOWER OR TO RECEIVE A MONETARY AWARD FROM ANY OTHER FEDERAL OR STATE AGENCY PURSUANT TO A SIMILAR WHISTLEBLOWER PROGRAM.

8. VACATIONS; LEAVE

8.1. The Employee shall be entitled to an aggregate of five (5) weeks vacation time during the Term, the time and duration thereof to be determined by mutual agreement between the Employee and the CEO. Any vacation time not used by the end of the Term shall be forfeited without compensation. In addition, the Employee shall not be entitled to carry over or use any vacation time that is unused as of the end of the Term. Further, the Employee shall be entitled to the number of sick, personal, family and other days off during the Term as set forth in KICO's employee handbook.

9. PARTICIPATION IN EMPLOYEE BENEFIT PLANS; RESTRICTED STOCK GRANT

9.1. The Employee shall be accorded the right to participate in and receive benefits under and in accordance with the provisions of any pension, profit sharing, insurance, medical and dental insurance or reimbursement (with family coverage) or other plan or program of the Company or KICO, either in existence as of the Effective Date or thereafter adopted for the benefit generally of its executive employees. Additionally, in the event of termination of the Employee's employment by the Company without Cause, or by the Employee for Good Reason, the Company or KICO shall continue to provide to the Employee health, dental, and vision insurance coverage at no cost to the Employee (with family coverage) until the Expiration Date or such time as the Employee becomes eligible for similar coverage, whichever is sooner.

9.2. In the event the Company elects to discontinue any term life insurance policy purchased by it during the Term with respect to the Employee, prior to any such discontinuance and/or in the event the Employee's employment with the Company ceases for any reason, the Employee shall be offered the opportunity to have such policy transferred to him without cost, it being understood that the Employee shall be responsible for the payment of any and all premiums thereafter due.

9.3. Concurrently herewith, pursuant to the Company's 2014 Equity Participation Plan and a Stock Grant Agreement of even date between the Company and the Employee, the Company is granting to the Employee thirty-five thousand seven hundred fifteen (35,715) shares of restricted common stock of the Company, such shares to vest in three (3) equal annual installments commencing one (1) year from the date of the grant, subject to the provisions of the Stock Grant Agreement.

10. SERVICE AS OFFICER AND DIRECTOR

10.1. During the Term, the Employee shall, if elected or appointed, serve as (a) an officer of the Company and/or any subsidiaries of the Company in existence or hereafter created or acquired and (b) a director of the Company and/or any such subsidiaries of the Company in existence or hereafter created or acquired, in each case without any additional compensation for such services. During the Term the Company shall maintain in effect a directors and officers liability insurance policy of not less than \$10 million in coverage limits, and the Company will include the Employee therein as a named insured.

11. EARLIER TERMINATION

11.1. The Employee's employment hereunder (a) shall automatically terminate upon his death, (b) may terminate at any time during the Term at the option of the Company upon written notice to the Employee for Cause or without Cause, (c) may terminate at any time during the Term at the option of the Employee upon written notice to the Company for Good Reason or without Good Reason and (d) may terminate at the option of the Company in the event the Employee becomes Disabled, as provided for in Article 6.

11.2. As used in this Agreement, "Cause" shall mean (a) the Employee's conviction by a court of competent jurisdiction of the commission of any act in the performance of his duties constituting common law fraud or a felony, (b) the Employee's commission of any act involving moral turpitude which the Company's Board of Directors reasonably believes may have a material adverse effect on the Company and its subsidiaries taken as a whole ("Material Adverse Effect"), (c) any misrepresentation by the Employee (including, without limitation, a breach of any representation set forth in Section 13.1 hereof) which the Company's Board of Directors reasonably believes may have a Material Adverse Effect, (d) any breach of any material covenant on the Employee's part herein set forth (which breach, if curable, is not cured by the Employee within thirty (30) days of the Employee's receipt of written notice thereof from the Company), or (e) the Employee's engagement in gross negligence or willful misconduct which the Company's Board of Directors reasonably believes may have a Material Adverse Effect. The parties agree that the term "Material Adverse Effect" includes the loss or suspension of any license for the Company or KICO to operate or any disqualification or suspension for the Employee to serve as an officer or director thereof under applicable law. No act or failure to act by the Executive shall be considered "Cause" if the Executive's act or failure to act was based on authority or express direction given by the CEO or the advice of counsel for the Company.

11.3. As used in this Agreement, "Good Reason" shall mean (a) any breach of any material obligation on the Company's part (which breach, if curable, is not cured by the Company within thirty (30) days of the Company's receipt of written notice thereof from the Employee), (b) a material diminution in the Employee's duties and responsibilities (other than following an event constituting Cause) in his capacity as Chief Operating Officer of the Company, (c) a change in the Employee's current reporting structure (other than following an event constituting Cause), or (d) a decrease in the compensation payable to the Employee from the compensation payable pursuant to this Agreement.

11.4. In the event of the termination of the Employee's employment by the Company for Cause or by the Employee without Good Reason, the Company shall have no further obligations to the Employee, and the Employee shall be entitled to no further compensation from the Company, except for any pro-rata amounts due to the Employee at such date of termination, as provided for in Section 4.2 hereof. In the event of the termination of the Employee's employment by the Company for Cause or by the Employee without Good Reason, the amount to be paid to the Employee pursuant to this Section 11.4 shall constitute the sole and exclusive remedy of the Employee, and the Employee shall not be entitled to any other or further compensation, rights or benefits hereunder or otherwise.

11.5. In the event of the termination of the Employee's employment by the Company without Cause or by the Employee for Good Reason, as liquidated damages, the Employee shall be entitled to receive the compensation to which he would have been entitled until the expiration of the Term pursuant to Section 4.2. The compensation payable pursuant to this Section 11.5 shall be payable to the Employee in accordance with the Company's standard payroll practices as if his employment had continued. The amount to be paid to the Employee pursuant to this Section 11.5 shall constitute the sole and exclusive remedy of the Employee, and the Employee shall not be entitled to any other or further compensation, rights or benefits hereunder or otherwise other than as provided in the concurrently executed Stock Grant Agreement.

11.6. In order to protect the Employee against the possible consequences and uncertainties of a Change of Control of the Company and thereby induce the Employee to remain in the employ of the Company, the Company agrees that:

(a) If, during the Term, the Employee's employment is terminated within eighteen (18) months subsequent to a Change of Control by the Company other than for Cause or by the Employee for Good Reason, the Company shall pay to the Employee an amount in cash equal to one and one-half (1.5) times the Base Salary (as reduced pursuant to Section 4.2) (the "Change of Control Payment"). The Change of Control Payment shall be payable in one lump sum payment within ten (10) days following the date of termination of employment. In addition, in such event, the Company shall continue to pay for the Employee's health insurance premiums, including family coverage, for the remainder of the Term. The Change of Control Payment shall be in lieu of the amount payable to the Employee pursuant to Section 11.5 hereof. The amount to be paid to the Employee pursuant to this Section 11.6 shall constitute the sole and exclusive remedy of the Employee, and the Employee shall not be entitled to any other or further compensation, rights or benefits hereunder or otherwise other than as provided in the concurrently executed Stock Grant Agreement.

(b) As used in this Section 11.6, a "Change of Control" shall be deemed to have occurred if:

(i) any "person" or "group of persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "1934 Act") (other than the Employee or any "group of persons" that includes the Employee), becomes the "beneficial owner" (as defined in Rule 13d-3 promulgated under the 1934 Act), directly or indirectly, of securities of the Company representing more than twenty-five percent (25%) of the Company's then outstanding securities having the right to vote on the election of directors ("Voting Securities");

(ii) when individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) the Company consummates (A) a reorganization, merger or consolidation of the Company, with respect to which in each case all or substantially all of the Persons who were the beneficial owners of the Voting Securities of the Company immediately prior to such reorganization, merger or consolidation do not, following such reorganization, merger or consolidation, beneficially own, directly and indirectly, more than 50% of the then combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the corporation or other Person resulting from such reorganization, merger or consolidation, or (B) the sale or other disposition of all or substantially all of the assets of the Company.

Notwithstanding the foregoing, no transaction or event shall constitute a Change of Control hereunder unless such transaction or event also constitutes a change in ownership or effective control of the Company within the meaning of Treasury Regulation Section 1.409A-3(i)(5)(v) or (vi)(A)(2).

11.7. In the event of the death of the Employee during the Term, as liquidated damages, the Employee's estate (the "Estate") shall be entitled to receive the Base Salary to which the Employee is entitled until the date of death of the Employee pursuant to Section 4.2. The amount to be paid to the Estate pursuant to this Section 11.7 shall constitute the sole and exclusive remedy of the Estate and any beneficiaries thereof, and neither the Estate nor any beneficiaries thereof shall be entitled to any other or further compensation, rights or benefits hereunder or otherwise, including pursuant to this Article 11 other than as provided in the concurrently executed Stock Grant Agreement.

11.8. The termination or expiration of this Agreement shall not affect the continuing operation and effect of Article 7 hereof, which shall continue in full force and effect according to its terms. In addition, the termination or expiration of this Agreement will not result in a termination or waiver of any rights and remedies that the Company may have under this Agreement and applicable law.

12. INJUNCTIVE RELIEF; REMEDIES

12.1. The Employee acknowledges and agrees that, in the event he shall violate or threaten to violate any of the restrictions of Article 3 or 7 hereof, the Company will be without an adequate remedy at law and will therefore be entitled to enforce such restrictions by temporary or permanent injunctive or mandatory relief in any court of competent jurisdiction without the necessity of proving monetary damages.

12.2. The Employee agrees further that the Company shall have the following additional rights and remedies:

(i) the right and remedy to require the Employee to account for and pay over to the Company all monies and other consideration derived or received by him as the result of any transactions determined by an arbitrator or a court of competent jurisdiction to be a breach of any of the provisions of Section 7.1, and the Employee hereby agrees to account for and pay over such monies and other consideration to the Company; and

(ii) the right to recover attorneys' fees incurred in any action or proceeding in which it seeks to enforce its rights under Article 7 hereof and is successful on any grounds; provided, however, that, in the event the Employee is the prevailing party in any such action or proceeding, the Company will pay to the Employee all reasonable attorneys' fees and costs incurred by the Employee in defending such action or proceeding.

12.3. Each of the rights and remedies enumerated above shall be independent of the other, and shall be severally enforceable, and all of such rights and remedies shall be in addition to, and not in lieu of, any other rights and remedies available to the Company under law or in equity.

13. NO RESTRICTIONS

13.1. The Employee hereby represents that neither the execution of this Agreement nor his performance hereunder will (a) violate, conflict with or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under the terms, conditions or provisions of any contract, agreement or other instrument or obligation to which the Employee is a party, or by which he may be bound, or (b) violate any order, judgment, writ, injunction or decree applicable to the Employee. In the event of a breach hereof, in addition to the Company's right to terminate this Agreement, the Employee shall indemnify the Company and hold it harmless from and against any and all claims, losses, liabilities, costs and expenses (including reasonable attorneys' fees) incurred or suffered in connection with or as a result of the Company's entering into this Agreement or employing the Employee hereunder.

14. ARBITRATION

14.1. Except with regard to Section 12.1 hereof and any other matters that are not a proper subject of arbitration, all disputes between the parties hereto concerning the performance, breach, construction or interpretation of this Agreement or any portion thereof, or in any manner arising out of this Agreement or the performance thereof, shall be submitted to binding arbitration, in accordance with the rules of the American Arbitration Association. The arbitration proceeding shall take place at a mutually agreeable location in Nassau County, New York or such other location as agreed to by the parties.

14.2. The award rendered by the arbitrator shall be final, binding and conclusive, shall be specifically enforceable, and judgment may be entered upon it in accordance with applicable law in an appropriate court in the State of New York, with no right of appeal therefrom.

14.3. Each party shall pay its or his own expenses of arbitration, and the expenses of the arbitrator and the arbitration proceeding shall be equally shared; provided, however, that, if, in the opinion of the arbitrator (or a majority of the arbitrators if more than one), any claim or defense was unreasonable, the arbitrator(s) may assess, as part of their award, all or any part of the arbitration expenses of the other party (including reasonable attorneys' fees) and of the arbitrator(s) and the arbitration proceeding against the party raising such unreasonable claim or defense; provided, further, that, if the arbitration proceeding relates to the issue of Cause for termination of employment, (a) if, in the opinion of the arbitrator (or a majority of the arbitrators if more than one), Cause existed, the arbitrator(s) shall assess, as part of their award, all of the arbitration expenses of the Company (including reasonable attorneys' fees) and of the arbitrator(s) and the arbitration proceeding against the Employee or (b) if, in the opinion of the arbitrator (or a majority of the arbitrators if more than one), Cause did not exist, the arbitrator(s) shall assess, as part of their award, all of the arbitration expenses of the Employee (including reasonable attorneys' fees) and of the arbitrator(s) and the arbitration proceeding against the Company.

15. CODE SECTIONS 409A, 280G AND 4999.

15.1. The intent of the parties is that payments and benefits under this Agreement comply with Section 409A of the Code (together with the regulations and guidance promulgated thereunder, "Code Section 409A"), and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. To the extent that any provision hereof is modified in order to comply with Code Section 409A, such modification shall be made in good faith and shall, to the maximum extent reasonably possible, maintain the original intent and economic benefit to the parties hereto of the applicable provision without violating the provisions of Code Section 409A. In no event whatsoever shall the Company be liable for any additional tax, interest or penalty that may be imposed on the Employee by Code Section 409A as a result of the Company's compliance with the terms of this Agreement.

15.2. A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits constituting deferred compensation under Code Section 409A upon or following a termination of employment unless such termination of employment is also a “separation from service” within the meaning of Code Section 409A and, for purposes of any such provision of this Agreement, references to a termination of employment or like terms shall mean “separation from service.” If the Employee is deemed on the date of termination to be a “specified employee” within the meaning of that term under Code Section 409A(a)(2)(B), then with regard to any payment or the provision of any benefit that is considered deferred compensation under Code Section 409A payable on account of a “separation from service,” such payment or benefit shall be made or provided at the date which is the earlier of (i) the expiration of the six (6) month period measured from the date of such “separation from service” of the Employee, and (ii) the date of the Employee’s death (the “Delay Period”). Upon the expiration of the Delay Period, all payments and benefits delayed pursuant to this Section 15.2 (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to the Employee in a lump sum, and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified herein.

15.3. All expenses or other reimbursements under this Agreement shall be made on or prior to the last day of the taxable year following the taxable year in which such expenses were incurred by the Employee (provided that if any such reimbursements constitute taxable income to the Employee, such reimbursements shall be paid no later than March 15th of the calendar year following the calendar year in which the expenses to be reimbursed were incurred), and no such reimbursement or expenses eligible for reimbursement in any taxable year shall in any way affect the expenses eligible for reimbursement in any other taxable year.

15.4. For purposes of Code Section 409A, the Employee’s right to receive any installment payments pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments. Whenever a payment under this Agreement specifies a payment period with reference to a number of days (e.g., “payment shall be made within sixty (60) days”), the actual date of payment within the specified period shall be within the sole discretion of the Company.

15.5. In no event shall any payment under this Agreement that constitutes “deferred compensation” for purposes of Code Section 409A be offset by any other payment pursuant to this Agreement or otherwise.

15.6. Notwithstanding any other provisions of this Agreement to the contrary, in the event that any payments or benefits received or to be received by the Employee in connection with the Employee’s employment with the Company (or termination thereof) would subject the Employee to the excise tax imposed under Section 280G or 4999 of the Code (the “Excise Tax”), and, if the net-after tax amount (taking into account all applicable taxes payable by the Employee, including any Excise Tax) that the Employee would receive with respect to such payments or benefits does not exceed the net-after tax amount the Employee would receive if the amount of such payment and benefits were reduced to the maximum amount which could otherwise be payable to the Employee without the imposition of the Excise Tax, then, to the extent necessary to eliminate the imposition of the Excise Tax, (i) such cash payments and benefits shall first be reduced (if necessary, to zero) and (ii) all other non-cash payments and benefits shall next be reduced. The determination of whether any reduction in such payments or benefits to be provided under this Agreement or otherwise is required pursuant to the preceding sentence will be made at the expense of the Company by independent accountants or benefits consultants selected by the Company, and the Employee shall have the right to review such determination.

16. ASSIGNMENT

16.1. This Agreement, as it relates to the employment of the Employee, is a personal contract and the rights and interests of the Employee hereunder may not be sold, transferred, assigned, pledged or hypothecated.

17. **NOTICES**

17.1. Any notice required or permitted to be given pursuant to this Agreement shall be deemed to have been duly given when delivered by hand or sent by certified or registered mail, return receipt requested and postage prepaid, overnight mail or courier, e-mail, or fax as follows:

If to the Employee:

212 Third Street
Milford, PA 18337
Dale.thatcher@atherstonepartners.com

with a copy to:

Sidley Austin LLP
787 Seventh Avenue
New York, NY 10019
Attention: Eric Hoffman, Esq.
Eric.hoffman@sidley.com
Fax Number: (212) 839-5599

If to the Company:

c/o William Yankus
Chairman, Compensation Committee
10 Pheasant Hill Road
Farmington, Connecticut 06032
wyankus@comcast.net

with a copy to:

Certilman Balin Adler & Hyman, LLP
90 Merrick Avenue
East Meadow, New York 11554
Attention: Fred Skolnik, Esq.
fskolnik@certilmanbalin.com
Fax Number: (516) 296-7111

or at such other address as any party shall designate by notice to the other party given in accordance with this Section 17.1.

18. GOVERNING LAW

18.1. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of New York applicable to agreements made and to be performed entirely in New York without regard to conflicts of laws principles.

19. WAIVER OF BREACH; PARTIAL INVALIDITY

19.1. The waiver by either party of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach. If any provision, or part thereof, of this Agreement shall be held to be invalid or unenforceable, such invalidity or unenforceability shall attach only to such provision and not in any way affect or render invalid or unenforceable any other provisions of this Agreement, and this Agreement shall be carried out as if such invalid or unenforceable provision, or part thereof, had been reformed, and any court of competent jurisdiction or arbitrators, as the case may be, are authorized to so reform such invalid or unenforceable provision, or part thereof, so that it would be valid, legal and enforceable to the fullest extent permitted by applicable law.

20. ENTIRE AGREEMENT; AMENDMENT

20.1. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and there are no representations, warranties or commitments except as set forth herein. This Agreement supersedes all prior agreements, understandings, negotiations and discussions, whether written or oral, of the parties hereto relating to the subject matter hereof. This Agreement may be amended, and any provision hereof waived, only by a writing executed by the party sought to be charged. No amendment or waiver on the part of the Company shall be valid unless approved by its Board.

21. COUNTERPARTS

21.1. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which taken together shall constitute one and the same instrument.

22. FACSIMILE AND EMAIL SIGNATURES

22.1. Signatures hereon which are transmitted via facsimile or email shall be deemed original signatures.

23. EXPENSES

23.1. The Company agrees to pay the reasonable fees and expenses of legal counsel and a compensation consultant incurred by the Employee in connection with the drafting and negotiation of this Agreement; provided, however, that the amount payable pursuant to this Section 23.1 shall not exceed \$5,000.

23.2. In addition to the right to indemnification conferred in Article Thirteenth of the Restated Certificate of Incorporation of the Company, as amended (the "Certificate of Incorporation"), and Article VII, Section 7 of the By-Laws of the Company, as amended (the "By-Laws"), the Employee shall have the right to have his expenses (including reasonable attorneys' fees) incurred in defending any action or proceeding as to which the Employee is entitled to be indemnified in advance of its final disposition advanced and paid promptly as set forth below upon incurring such expenses; provided, however, that an advancement of expenses incurred by the Employee shall be made only upon delivery to the Company of an undertaking by the Employee to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal that the Employee is not entitled to be indemnified for such expenses under the Certificate of Incorporation or the By-Laws. The Company shall make advance payments of such expenses (including reasonable attorneys' fees) incurred within thirty (30) days of the Employee's presentation of an invoice for such expenses.

24. CONSTRUCTION

24.1. All references in this Agreement to “includes” and “including” shall be construed to include the words “without limitation.

25. REPRESENTATION BY COUNSEL; INTERPRETATION

25.1. The Employee acknowledges that he has been represented by counsel in connection with this Agreement. Accordingly, any rule of law or any legal decision that would require the interpretation of any claimed ambiguities in this Agreement against the party that drafted it has no application and is expressly waived by the Employee. The provisions of this Agreement shall be interpreted in a reasonable manner to give effect to the intent of the parties hereto.

26. HEADINGS

26.1. The headings and captions under articles and sections of this Agreement are for convenience of reference only and do not in any way modify, interpret or construe the intent of the parties or affect any of the provisions of this Agreement.

[Remainder of page intentionally left blank. Signature page follows.]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the day and year above written.

KINGSTONE COMPANIES, INC.

By:
Barry B. Goldstein
Chief Executive Officer

Dale A. Thatcher

STOCK GRANT AGREEMENT made as of the 14th day of March, 2018 between **KINGSTONE COMPANIES, INC.**, a Delaware corporation (the “Company”), and **DALE A. THATCHER** (the “Grantee”).

WHEREAS, concurrently herewith, the Grantee is being appointed Chief Operating Officer of the Company and President of its subsidiary, Kingstone Insurance Company (“KICO”);

WHEREAS, concurrently herewith, the Company and the Grantee are entering into an Employment Agreement of even date (the “Employment Agreement”);

WHEREAS, the Compensation Committee of the Board of Directors of the Company has approved the grant to the Grantee of common stock of the Company (“Common Stock”) pursuant to the Company’s 2014 Equity Participation Plan (the “Plan”).

NOW, THEREFORE, in consideration of the foregoing, the Company hereby grants to the Grantee an award of shares of Common Stock upon the following terms and conditions:

1. **DEFINED TERMS.** All terms used, but not otherwise defined, herein shall have the meanings ascribed to them in the Plan or the Employment Agreement.
2. **GRANT.** Subject to the terms and conditions of the Plan and the provisions hereof, the Company hereby agrees to grant to the Grantee, pursuant to Section 16 of the Plan, an award of thirty-five thousand seven hundred fifteen (35,715) shares of Common Stock (the “Shares”), such Shares being issuable on the Vesting Dates (as hereinafter defined) set forth in, and subject to the provisions of, Section 3 hereof.
3. **VESTING OF SHARES.** (a) The Shares shall vest on the Vesting Dates set forth below, provided that the Grantee continues to serve as an employee of the Company and KICO as of the applicable Vesting Date (subject to paragraph (c) hereof):
 - (i) eleven thousand nine hundred five (11,905) of the Shares on the first anniversary of the date hereof (the “First Vesting Date”);
 - (ii) eleven thousand nine hundred five (11,905) of the Shares on the second anniversary of the date hereof (the “Second Vesting Date”); and
 - (iii) eleven thousand nine hundred five (11,905) of the Shares on the third anniversary of the date hereof (the “Third Vesting Date”); each of the First Vesting Date, the Second Vesting Date and the Third Vesting Date is referred to hereinafter as a “Vesting Date”.

(b) In the event that the Grantee does not continue to serve as an employee of the Company or KICO as of a Vesting Date as a result of the termination of the Grantee’s employment for Cause or the Grantee’s Voluntary Resignation (as hereinafter defined) (except in connection with a Change of Control, as provided for in paragraph (c) hereof), the Grantee shall not be entitled to receive any of the Shares issuable on such Vesting Date, and this Agreement shall terminate and be of no further force or effect. For the purposes hereof, the term “Voluntary Resignation” shall mean the Grantee’s resignation of employment (except following a request by the Company that he resign other than based upon Cause).

(c) In the event that (i) the Grantee's employment with the Company and KICO is terminated other than for Cause (whether prior to or following a Change of Control), (ii) the Grantee's employment with the Company and KICO is terminated as a result of the Grantee having become Disabled, (iii) the Grantee dies while an employee of the Company and KICO, (iv) the Company does not offer the Grantee the position of Chief Executive Officer by December 31, 2018 (and Cause does not exist) or (v) the Grantee resigns his employment with the Company and KICO (A) other than pursuant to a Voluntary Resignation or (B) within six (6) months following a Change of Control, the Shares shall vest on the date of termination of employment, the date of death or December 31, 2018, as the case may be (the "Termination Date").

(d) In the event that Shares vest on a Vesting Date or the Termination Date, the certificate representing the portion of the Shares then vested shall be issued by the Company as soon as reasonably practicable thereafter.

(e) The number of Shares issuable to the Grantee is subject to adjustment for any stock splits, reverse stock splits and other recapitalizations that take effect prior to a particular Vesting Date or the Termination Date, as the case may be.

4. **INCORPORATION BY REFERENCE.** The terms and conditions of the Plan are hereby incorporated by reference and made a part hereof.

5. **NOTICES.** Any notice or other communication given hereunder shall be deemed sufficient if in writing and hand delivered or sent by registered or certified mail, return receipt requested, addressed to the Company, 15 Joys Lane, Kingston, New York 12401, Attention: President and to the Grantee at the address indicated below, or, in each case, at such other address notice of which is given in accordance with the foregoing provisions. Notices shall be deemed to have been given on the date of hand delivery or mailing as provided for above, except notices of change of address, which shall be deemed to have been given when received.

6. **BINDING EFFECT.** This Stock Grant Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, successors and assigns.

7. **ENTIRE AGREEMENT.** This Stock Grant Agreement, together with the Plan, contains the entire understanding of the parties hereto with respect to the subject matter hereof and may be modified only by an instrument executed by the party sought to be charged.

8. **GOVERNING LAW.** This Stock Grant Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, excluding choice of law rules thereof.

9. **EXECUTION IN COUNTERPARTS.** This Stock Grant Agreement may be executed in counterparts, each of which shall be deemed to be an original, but both of which together shall constitute one and the same instrument.

10. **FACSIMILE SIGNATURES.** Signatures hereon which are transmitted via facsimile, or other electronic image, shall be deemed original signatures.

11. **INTERPRETATION; HEADINGS.** The provisions of this Stock Grant Agreement shall be interpreted in a reasonable manner to give effect to the intent of the parties hereto. The headings and captions under sections and paragraphs of this Stock Grant Agreement are for convenience of reference only and do not in any way modify, interpret or construe the intent of the parties or affect any of the provisions of this Stock Grant Agreement.

[Remainder of page intentionally left blank; signature page follows]

IN WITNESS WHEREOF, the parties have executed this Stock Grant Agreement as of the day and year first above written.

KINGSTONE COMPANIES, INC.

By:
Barry B. Goldstein, President

Signature of Grantee

Dale A. Thatcher
Name of Grantee

212 Third Street
Milford, PA 18337
Address of Grantee

EMPLOYMENT AGREEMENT, dated March 14, 2018, by and between **KINGSTONE INSURANCE COMPANY**, a New York stock property and casualty insurance company (the “Company”), and **DALE A. THATCHER** (the “Employee” or the “Executive”).

RECITALS

WHEREAS, the Company and the Employee desire to enter into an employment agreement which will set forth the terms and conditions upon which the Employee shall be employed by the Company and upon which the Company shall compensate the Employee for his services.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants hereinafter set forth, the parties hereto hereby agree as follows:

1. EMPLOYMENT; TERM

1.1. The Company will employ the Employee in its business, and the Employee will work for the Company therein, as its President for a term commencing as of March 15, 2018 (the “Effective Date”) and terminating on December 31, 2018 (the “Expiration Date”), subject to earlier termination as hereinafter provided (the employment period, as earlier terminated as provided for herein, being referred to as the “Term”).

1.2. Upon the expiration of the Term or the termination of the Employee’s employment with the Company for any reason whatsoever, whether during or following the Term, he shall be deemed to have resigned all of his positions as an employee, officer and director of the Company and of each and every subsidiary thereof.

2. DUTIES

2.1. During the Term, the Employee shall serve as the Company’s President and shall have and perform executive, administrative, and managerial duties customary for such a position, and such further duties of an executive character as shall, from time to time, be delegated or assigned to him by the Board of Directors of the Company (the “Board”) or the Chief Executive Officer of the Company (the “CEO”) consistent with the Employee’s position.

3. DEVOTION OF TIME

3.1. During the Term, the Employee shall expend substantially all of his working time for the Company, shall devote his best efforts, energy and skill to the services of the Company and the promotion of its interests and shall not take part in activities detrimental to the best interests of the Company. Notwithstanding the foregoing, during the term of the Employment Agreement between Kingstone Companies, Inc. (“KINS”) and the Employee of even date (the “KINS Employment Agreement”), the Employee shall be entitled to devote such time as is necessary to the fulfillment of his duties and responsibilities as Chief Operating Officer of KINS.

3.2. The Employee shall be permitted to engage in the following activities: (a) charity, social or civic work, (b) tend to personal financial and legal affairs, (c) serve on the Board of Directors of Service King, Inc., and (d) subject to the prior written consent of the Company (following Board approval), serve on the Board of Directors of, or advisor to, other business organizations, in each case (i.e., (a) through (d) above), provided that such activities do not interfere or conflict with his full-time services to the Company.

4. COMPENSATION

4.1. For all services to be rendered by the Employee during the Term, and in consideration of the Employee's representations and covenants set forth in this Agreement, the Employee shall be entitled to receive from the Company compensation as set forth in Sections 4.2 and 4.3 below.

4.2. During the Term, the Employee shall be entitled to receive a salary at the rate of three hundred fifty thousand dollars (\$350,000) per annum (the "Base Salary"). The Employee shall be entitled to increases in the Base Salary and other potential additional compensation as may be determined from time to time by the Board in its sole discretion. All amounts dues hereunder shall be payable in accordance with the Company's standard payroll practices.

4.3. During the Term, the Employee shall also be entitled to receive from the Company a bonus (the "Bonus") pursuant to and in accordance with the terms and conditions of the Company's employee profit sharing plan; provided, however, that in no event shall the amount of the Bonus be less than seventy-five thousand dollars (\$75,000) multiplied by a fraction, the numerator of which shall be the number of days during the Term and the denominator of which shall be three hundred sixty-five (365).

5. REIMBURSEMENT OF EXPENSES

5.1. The Company shall pay directly, or reimburse the Employee for, all reasonable and necessary expenses and disbursements incurred by the Employee for and on behalf of the Company in the performance of his duties during the Term.

5.2. The Employee shall periodically submit to the Company reports of such expenses and disbursements in a form and at a frequency normally used by the Company, and receipts with respect thereto, and the Company's obligations under Section 5.1 hereof shall be subject to compliance therewith.

6. DISABILITY; INSURANCE

6.1. If, during the Term, the Employee, in the opinion of a majority of all of the members of the Board (excluding the Employee if he is a member), as confirmed by competent medical evidence, shall become physically or mentally incapacitated to perform his duties for the Company hereunder ("Disabled") for a continuous period, then for the first three (3) months of such period he shall receive his full salary (subject to the following sentence, the "Salary Continuation Period"). In no event, however, shall the Employee be entitled to receive any payments under this Section 6.1 beyond the expiration or termination date of this Agreement. Effective with the date of his resumption of full employment, the Employee shall be re-entitled to receive his full salary. If such illness or other incapacity shall endure for a continuous period of at least three (3) months or for at least sixty (60) business days during any six (6) month period, the Company shall have the right, by written notice, to terminate the Employee's employment hereunder as of a date (not less than thirty (30) days after the date of the sending of such notice) to be specified in such notice. The Employee agrees to submit himself for appropriate medical examination to a physician of the Company's designation as necessary for purposes of this Section 6.1.

6.2. The obligations of the Company under this Article 6 may be satisfied, in whole or in part, by payments to the Employee under a disability insurance policy provided by the Company and/or KINS.

6.3. Notwithstanding the foregoing, in the event that, at the time of any apparent incapacity, the Company has in effect a disability policy with respect to the Employee, the Employee shall be considered Disabled for purposes of Section 6.1 only if he is considered disabled for purposes of the policy.

6.4. In the event of the termination of the Employee's employment based upon him becoming Disabled, as liquidated damages, the Employee shall be entitled to receive the Bonus compensation to which he is entitled until the expiration of the Salary Continuation Period pursuant to Section 4.3 hereof (i.e., the Termination Date shall be considered the last day of the Salary Continuation Period). The amount to be paid to the Employee pursuant to this Section 6.4 shall constitute the sole and exclusive remedy of the Employee, and the Employee shall not be entitled to any other or further compensation, rights or benefits hereunder or otherwise, including pursuant to Article 11.

7. RESTRICTIVE COVENANTS

7.1. (a) The services of the Employee are unique and extraordinary and essential to the business of the Company, especially since the Employee shall have access to the Company's customer lists, producer lists, trade secrets and other privileged and confidential information essential to the Company's business. Therefore, the Employee agrees that, if the term of his employment hereunder shall expire or his employment shall at any time terminate for any reason whatsoever, with or without Cause (as hereinafter defined) and with or without Good Reason (as hereinafter defined), the Employee will not at any time during the Restrictive Covenant Period (as hereinafter defined), without the prior written consent of the Company, directly or indirectly, whether individually or as a principal, officer, employee, partner, shareholder, member, manager, director, agent of, or consultant or independent contractor to, any person, corporation, limited liability company, partnership, limited partnership or other entity (collectively, "Person"):

(i) cause or seek to persuade any director, officer, employee, customer, client, account, agent, producer, reinsurer or supplier of, or consultant or independent contractor to, the Company, or others with whom the Company has a business relationship (collectively, "Business Associates"), to discontinue or materially modify the status, employment or relationship of such Person with the Company;

(ii) cause or seek to persuade any prospective customer, client, account or other Business Associate of the Company (which at or about the Cessation Date was then actively being solicited by the Company) to determine not to enter into a business relationship with the Company or to materially modify its contemplated business relationship; or

(iii) hire, retain or associate in a business relationship with, directly or indirectly, any director, officer or employee of the Company.

The foregoing restrictions set forth in this Section 7.1(a) shall apply likewise during the Term.

(b) For purposes hereof, the term "Restrictive Covenant Period" shall mean the eighteen (18) month period commencing with the Cessation Date; provided, however, that, except with respect to clause (iii) of paragraph (a) hereof, in the event that the Employee's employment is terminated by the Company without Cause or by the Employee for Good Reason, the term "Restrictive Covenant Period" shall mean the period commencing with the Cessation Date and ending on the Expiration Date.

7.2. The Employee agrees to timely disclose to the Board and the CEO all material ideas, processes, methods, devices, business concepts, inventions, improvements, discoveries, know-how and other creative achievements, whether or not the same or any part thereof is capable of being patented, trademarked, copyrighted, or otherwise protected, which the Employee, while employed by the Company, conceives, makes, develops, acquires or reduces to practice, whether acting alone or with others and whether during or after usual working hours, and which are related to the Company's business or interests, or are used or usable by the Company, or arise out of or in connection with the duties performed by the Employee (hereinafter referred to collectively as "Discoveries"). The Employee hereby transfers and assigns to the Company all right, title and interest in and to such Discoveries, including any and all domestic and foreign copyrights and patent and trademark rights therein and any renewals thereof. On request of the Company, the Employee will, without any additional compensation, from time to time during, and after the expiration or termination of, the Term, execute such further instruments (including, without limitation, applications for copyrights, patents, trademarks and assignments thereof) and do all such other acts and things as may be deemed necessary or desirable by the Company to protect and/or enforce its right in respect of such Discoveries. All expenses of filing or prosecuting any patent, trademark or copyright application shall be borne by the Company, but the Employee shall cooperate, at the Company's expense, in filing and/or prosecuting any such application.

7.3. (a) The Employee represents that he has been informed that it is the policy of the Company to maintain as confidential all confidential and/or proprietary information relating to the Company, including, without limitation, any and all knowledge or information with respect to confidential methods, processes, plans, materials, customer, producer and reinsurer lists or data, or with respect to any other confidential or secret aspect of the Company's activities, and further acknowledges that such confidential information is of great value to the Company. The Employee recognizes that, by reason of his employment with the Company, he has acquired and will acquire confidential information as aforesaid. The Employee confirms that it is reasonably necessary to protect the Company's goodwill, and, accordingly, hereby agrees that he will not, directly or indirectly (except where authorized by the Board), at any time during the Term or thereafter divulge to any Person, or use, or cause or authorize any Person to use, any such confidential information.

(b) The Employee agrees that he will not, at any time, remove from the Company's premises any drawings, notebooks, software, data or other confidential information relating to the business and procedures heretofore or hereafter acquired, developed and/or used by the Company, except where necessary in the fulfillment of his duties hereunder.

(c) The Employee agrees that, upon the expiration or termination of this Agreement or the termination of his employment with the Company for any reason whatsoever, he shall promptly deliver to the Company any and all drawings, notebooks, software, data and other documents and material, including all copies thereof, in his possession or under his control relating to any confidential information or discoveries, or which is otherwise the property of the Company.

(d) For purposes hereof, the term "confidential information" shall mean all information given to the Employee, directly or indirectly, by the Company and all other information relating to the Company otherwise acquired by the Employee during the course of his employment with the Company (whether on or prior to the Effective Date or hereafter), other than information which (i) was in the public domain at the time furnished to, or acquired by, the Employee, or (ii) thereafter enters the public domain other than through disclosure, directly or indirectly, by the Employee or others in violation of an agreement of confidentiality or nondisclosure.

7.4. For purposes of this Article 7, the term "Company" shall mean and include the Company and any and all subsidiaries and affiliated entities of the Company in existence from time to time.

7.5. In connection with his agreement to the restrictions set forth in this Article 7, the Employee acknowledges the benefits accorded to him pursuant to the provisions of this Agreement, including, without limitation, the agreement on the part of the Company to employ the Employee during the Term (subject to the terms and conditions hereof). The Employee also acknowledges and agrees that the covenants set forth in this Article 7 are reasonable and necessary in order to protect and maintain the proprietary and other legitimate business interests of the Company and that the enforcement thereof would not prevent the Employee from earning a livelihood.

7.6. Notwithstanding any other provision of this Article 7 to the contrary, the Executive may disclose confidential or proprietary information of the Company and its subsidiaries as follows: (a) disclosures to directors, officers, key employees, independent accountants and counsel of the Company and its subsidiaries as may be necessary or appropriate in the performance of the Executive's duties hereunder, (b) disclosures that do not have a material adverse effect on the business or operations of the Company and its subsidiaries taken as a whole, (c) disclosures that the Executive is required to make by law or by any court, arbitrator or administrative or legislative body (including any committee thereof) with apparent jurisdiction to order the Executive to disclose or make accessible any information, (d) disclosures with respect to any other litigation, arbitration or mediation involving this Agreement, and (e) disclosures of any such confidential or proprietary information that is, at the time of such disclosure, generally known to and available for use by the public and not by the Executive's wrongful act or omission.

7.7. If Executive believes that he may be required to disclose any such confidential or proprietary information pursuant to applicable law, court order or subpoena, he shall immediately notify the Company in writing by overnight delivery, directed to the CEO, of any such perceived requirement so that the Company may seek an appropriate protective order or other appropriate remedy or waive compliance with this confidentiality requirement. Executive shall also reasonably cooperate with the Company to obtain such a protective order or other remedy.

7.8. Notwithstanding any other provision of this Article 7 to the contrary, the Executive upon leaving the employ of the Company shall be entitled to retain (i) papers and other materials of a personal nature, including but not limited to, photographs, correspondence, personal diaries, personal contact lists, calendars and personal files, except to the extent business-related information is set forth therein, (ii) information showing his compensation or relating to his reimbursement of expenses, (iii) information that he reasonably believes may be needed for tax purposes, and (iv) copies of plans, programs and agreements relating to his employment, or termination thereof, with the Company.

7.9. This Agreement does not prohibit Executive from making any disclosure required by law, communicating with, making a report to, or otherwise participating in any investigation or proceeding that may be conducted by the Company's designated legal, compliance or human resources personnel, the Securities and Exchange Commission ("SEC") and/or its Office of the Whistleblower, the Equal Employment Opportunity Commission ("EEOC"), the Occupational Safety and Health Administration ("OSHA"), the National Labor Relations Board ("NLRB"), or other federal, state or local government agencies or entities. Executive is not prohibited from disclosing this Agreement or its contents, or from providing documents or other information, to the SEC and/or the Office of the Whistleblower, EEOC, OSHA, NLRB or any other such federal, state or local governmental entity. Executive does not need to provide notice to or obtain the prior authorization of Company's CEO or General Counsel to make any such report or disclosure and Executive is not required to notify the Company that Executive has made such reports or disclosures.

7.10. Notice Under Defend Trade Secrets Act: Notwithstanding the requirements contained in this Agreement, in accordance with the Defend Trade Secrets Act, Executive will not be held criminally or civilly liable under any federal or state trade secret law if Executive discloses a Trade Secret in confidence to federal, state or local government officials, to Executive's attorney solely for the purpose of reporting or investigating a suspected violation of law, or in a sealed complaint or other document filed in a lawsuit or other proceeding. Further, if Executive files a lawsuit alleging retaliation by the Company for reporting a suspected violation of law, Executive may disclose the Trade Secret to his attorney and use the Trade Secret information in the court proceeding if Executive: (i) files the document containing the Trade Secret in a sealed court document; and (ii) does not disclose the Trade Secret, except pursuant to court order. However, if Executive engages in conduct otherwise prohibited by law, such as, but not limited to, accessing Trade Secrets unlawfully or by unauthorized means, no immunity shall apply and the Company reserves the right to pursue all available remedies.

7.11. Notwithstanding anything to the contrary in this Agreement, Executive has the right to:

(a) Report, respond to or cooperate with an investigation into possible violations of state or federal laws or regulations involving a governmental agency or entity including the Congress, the Department of Justice, the SEC and/or its Office of the Whistleblower (www.sec.gov/whistleblower); Office of the Whistleblower Hotline (202) 551-4790, the EEOC, the OSHA, the NLRB, and any other such federal, state or local agency. This includes reporting violations of the federal securities laws or regulations;

(b) Make disclosures that are protected by federal, state or local whistleblower laws;

(c) Cooperate in an investigation, respond to an inquiry, or provide testimony before the SEC or any other federal, state or local regulatory or law enforcement authority; and

(d) Make reports or disclosures to law enforcement or regulatory authorities without authorization from the Company, without notifying the Company that a report or disclosure will be or was made, and without revealing the substance of the report or disclosure to the Company.

Executive will not be retaliated against for reporting to the Company or to any governmental agency or entity, including the SEC, information that Executive reasonably believes relates to a possible violation of securities laws or for reporting misconduct. Retaliation under such circumstances is prohibited by law.

7.12 This Agreement does not prevent, interfere with or limit Executive's ability to file a charge or complaint with, report conduct to, provide information to or participate in any investigation or proceeding conducted by the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administrative, the Securities and Exchange Commission or any other federal, state or local government agency or commission. Executive agrees that, if such a charge or complaint is made, or investigation or proceeding is initiated against the Company, Executive will not accept, be entitled to, receive, or recover any monetary damages or any other form of relief or remedy to the fullest extent permitted by law EXCEPT THAT THIS AGREEMENT DOES NOT WAIVE OR LIMIT EXECUTIVE'S RIGHT TO RECEIVE A MONETARY AWARD FOR INFORMATION PROVIDED TO THE SEC AS AN SEC WHISTLEBLOWER OR TO RECEIVE A MONETARY AWARD FROM ANY OTHER FEDERAL OR STATE AGENCY PURSUANT TO A SIMILAR WHISTLEBLOWER PROGRAM.

8. VACATIONS; LEAVE

8.1. The Employee shall be entitled to an aggregate of five (5) weeks vacation time during the Term, the time and duration thereof to be determined by mutual agreement between the Employee and the CEO. Any vacation time not used by the end of the Term shall be forfeited without compensation. In addition, the Employee shall not be entitled to carry over or use any vacation time that is unused as of the end of the Term. Further, the Employee shall be entitled to the number of sick, personal, family and other days off during the Term as set forth in the Company's employee handbook. The Employee understands and agrees that the vacation time and sick, personal, family and other days off for him are not in addition to those provided for in the KINS Employment Agreement and shall be reduced by any such time and days taken as an employee of KINS.

9. PARTICIPATION IN EMPLOYEE BENEFIT PLANS

9.1. The Employee shall be accorded the right to participate in and receive benefits under and in accordance with the provisions of any pension, profit sharing, insurance, medical and dental insurance or reimbursement (with family coverage) or other plan or program of the Company or KINS, either in existence as of the Effective Date or thereafter adopted for the benefit generally of its executive employees. Additionally, in the event of termination of the Employee's employment by the Company without Cause, or by the Employee for Good Reason, the Company or KINS shall continue to provide to the Employee health, dental, and vision insurance coverage at no cost to the Employee (with family coverage) until the Expiration Date or such time as the Employee becomes eligible for similar coverage, whichever is sooner.

9.2. In the event the Company elects to discontinue any term life insurance policy purchased by it during the Term with respect to the Employee, prior to any such discontinuance and/or in the event the Employee's employment with the Company ceases for any reason, the Employee shall be offered the opportunity to have such policy transferred to him without cost, it being understood that the Employee shall be responsible for the payment of any and all premiums thereafter due.

10. SERVICE AS OFFICER AND DIRECTOR

10.1. During the Term, the Employee shall, if elected or appointed, serve as (a) an officer of the Company and/or any subsidiaries of the Company in existence or hereafter created or acquired and (b) a director of the Company and/or any such subsidiaries of the Company in existence or hereafter created or acquired, in each case without any additional compensation for such services. During the Term the Company shall maintain in effect a directors and officers liability insurance policy of not less than \$10 million in coverage limits, and the Company will include the Employee therein as a named insured.

11. EARLIER TERMINATION

11.1. The Employee's employment hereunder (a) shall automatically terminate upon his death, (b) may terminate at any time during the Term at the option of the Company upon written notice to the Employee for Cause or without Cause, (c) may terminate at any time during the Term at the option of the Employee upon written notice to the Company for Good Reason or without Good Reason and (d) may terminate at the option of the Company in the event the Employee becomes Disabled, as provided for in Article 6.

11.2. As used in this Agreement, "Cause" shall mean (a) the Employee's conviction by a court of competent jurisdiction of the commission of any act in the performance of his duties constituting common law fraud or a felony, (b) the Employee's commission of any act involving moral turpitude which the Company's Board of Directors reasonably believes may have a material adverse effect on the Company and its subsidiaries taken as a whole ("Material Adverse Effect"), (c) any misrepresentation by the Employee (including, without limitation, a breach of any representation set forth in Section 13.1 hereof) which the Company's Board of Directors reasonably believes may have a Material Adverse Effect, (d) any breach of any material covenant on the Employee's part herein set forth (which breach, if curable, is not cured by the Employee within thirty (30) days of the Employee's receipt of written notice thereof from the Company), or (e) the Employee's engagement in gross negligence or willful misconduct which the Company's Board of Directors reasonably believes may have a Material Adverse Effect. The parties agree that the term "Material Adverse Effect" includes the loss or suspension of any license for the Company or KINS to operate or any disqualification or suspension for the Employee to serve as an officer or director thereof under applicable law. No act or failure to act by the Executive shall be considered "Cause" if the Executive's act or failure to act was based on authority or express direction given by the CEO or the advice of counsel for the Company.

11.3. As used in this Agreement, "Good Reason" shall mean (a) any breach of any material obligation on the Company's part (which breach, if curable, is not cured by the Company within thirty (30) days of the Company's receipt of written notice thereof from the Employee), (b) a material diminution in the Employee's duties and responsibilities (other than following an event constituting Cause) in his capacity as President of the Company, (c) a change in the Employee's current reporting structure (other than following an event constituting Cause), or (d) a decrease in the compensation payable to the Employee from the compensation payable pursuant to this Agreement.

11.4. In the event of the termination of the Employee's employment by the Company for Cause or by the Employee without Good Reason, the Company shall have no further obligations to the Employee, and the Employee shall be entitled to no further compensation from the Company, except for any pro-rata amounts due to the Employee at such date of termination, as provided for in Section 4.2 hereof. In the event of the termination of the Employee's employment by the Company for Cause or by the Employee without Good Reason, the amount to be paid to the Employee pursuant to this Section 11.4 shall constitute the sole and exclusive remedy of the Employee, and the Employee shall not be entitled to any other or further compensation, rights or benefits hereunder or otherwise.

11.5. In the event of the termination of the Employee's employment by the Company without Cause or by the Employee for Good Reason, as liquidated damages, the Employee shall be entitled to receive (a) the compensation to which he would have been entitled until the expiration of the Term pursuant to Section 4.2 hereof and (b) the Bonus compensation to which he is entitled to receive through the expiration of the Term pursuant to Section 4.3 hereof. The compensation payable pursuant to (a) above shall be payable to the Employee in accordance with the Company's standard payroll practices as if his employment had continued. The amount to be paid to the Employee pursuant to this Section 11.5 shall constitute the sole and exclusive remedy of the Employee, and the Employee shall not be entitled to any other or further compensation, rights or benefits hereunder or otherwise.

11.6. In order to protect the Employee against the possible consequences and uncertainties of a Change of Control of the Company and thereby induce the Employee to remain in the employ of the Company, the Company agrees that:

(a) If, during the Term, the Employee's employment is terminated within eighteen (18) months subsequent to a Change of Control by the Company other than for Cause or by the Employee for Good Reason, the Company shall pay to the Employee an amount in cash equal to one and one-half (1.5) times the Base Salary (the "Change of Control Payment"). The Change of Control Payment shall be payable in one lump sum payment within ten (10) days following the date of termination of employment. In addition, in such event, the Company (or KINS) shall continue to pay for the Employee's health insurance premiums, including family coverage, for the remainder of the Term. The Change of Control Payment shall be in lieu of the amount payable to the Employee pursuant to Section 11.5 hereof; provided, however, that the Employee may elect to receive the amount payable pursuant to Section 11.5 hereof in lieu of the amount payable pursuant to this Section 11.6. The amount to be paid to the Employee pursuant to this Section 11.6 shall constitute the sole and exclusive remedy of the Employee, and the Employee shall not be entitled to any other or further compensation, rights or benefits hereunder or otherwise.

(b) As used in this Section 11.6, a "Change of Control" shall be deemed to have occurred if:

(i) any "person" or "group of persons" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "1934 Act") (other than the Employee or any "group of persons" that includes the Employee), becomes the "beneficial owner" (as defined in Rule 13d-3 promulgated under the 1934 Act), directly or indirectly, of securities of KINS representing more than twenty-five percent (25%) of KINS's then outstanding securities having the right to vote on the election of directors ("Voting Securities");

(ii) any person or group of persons (other than persons whose Voting Securities of KINS would be excluded under clause (i) above) becomes the beneficial owner, directly or indirectly, of securities representing a majority of the then outstanding securities of the Company having the right to vote on the election of directors;

(iii) when individuals who, as of the date hereof, constitute the KINS Board (the “Incumbent KINS Board”) cease for any reason to constitute at least a majority of the KINS Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the stockholders of KINS, was approved by a vote of at least a majority of the directors then comprising the Incumbent KINS Board shall be considered as though such individual were a member of the Incumbent KINS Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the KINS Board;

(iv) KINS consummates a reorganization, merger or consolidation of KINS, with respect to which in each case all or substantially all of the Persons who were the beneficial owners of the Voting Securities of KINS immediately prior to such reorganization, merger or consolidation do not, following such reorganization, merger or consolidation, beneficially own, directly and indirectly, more than 50% of the then combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the corporation or other Person resulting from such reorganization, merger or consolidation;

(v) the Company consummates a reorganization, merger or consolidation of the Company, with respect to which in each case KINS does not, following such reorganization, merger or consolidation, beneficially own, directly or indirectly, more than 50% of the then combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the corporation or other Person resulting from such reorganization, merger or consolidation; or

(vi) the Company or KINS consummates the sale or other disposition of all or substantially all of the assets of the Company or KINS.

Notwithstanding the foregoing, no transaction or event shall constitute a Change of Control hereunder unless such transaction or event also constitutes a change in ownership or effective control of the Company or KINS within the meaning of Treasury Regulation Section 1.409A-3(i)(5)(v) or (vi)(A)(2).

11.7. In the event of the death of the Employee during the Term, as liquidated damages, the Employee’s estate (the “Estate”) shall be entitled to receive (a) the Base Salary to which the Employee is entitled until the date of death of the Employee pursuant to Section 4.2; and (b) the Bonus compensation to which the Employee is entitled through the date of death (i.e., the Termination Date shall be considered the date of death). The amount to be paid to the Estate pursuant to this Section 11.7 shall constitute the sole and exclusive remedy of the Estate and any beneficiaries thereof, and neither the Estate nor any beneficiaries thereof shall be entitled to any other or further compensation, rights or benefits hereunder or otherwise, including pursuant to this Article 11.

11.8. The termination or expiration of this Agreement shall not affect the continuing operation and effect of Article 7 hereof, which shall continue in full force and effect according to its terms. In addition, the termination or expiration of this Agreement will not result in a termination or waiver of any rights and remedies that the Company may have under this Agreement and applicable law.

12. INJUNCTIVE RELIEF; REMEDIES

12.1. The Employee acknowledges and agrees that, in the event he shall violate or threaten to violate any of the restrictions of Article 3 or 7 hereof, the Company will be without an adequate remedy at law and will therefore be entitled to enforce such restrictions by temporary or permanent injunctive or mandatory relief in any court of competent jurisdiction without the necessity of proving monetary damages.

12.2. The Employee agrees further that the Company shall have the following additional rights and remedies:

(i) the right and remedy to require the Employee to account for and pay over to the Company all monies and other consideration derived or received by him as the result of any transactions determined by an arbitrator or a court of competent jurisdiction to be a breach of any of the provisions of Section 7.1, and the Employee hereby agrees to account for and pay over such monies and other consideration to the Company; and

(ii) the right to recover attorneys' fees incurred in any action or proceeding in which it seeks to enforce its rights under Article 7 hereof and is successful on any grounds; provided, however, that, in the event the Employee is the prevailing party in any such action or proceeding, the Company will pay to the Employee all reasonable attorneys' fees and costs incurred by the Employee in defending such action or proceeding.

12.3. Each of the rights and remedies enumerated above shall be independent of the other, and shall be severally enforceable, and all of such rights and remedies shall be in addition to, and not in lieu of, any other rights and remedies available to the Company under law or in equity.

13. NO RESTRICTIONS

13.1. The Employee hereby represents that neither the execution of this Agreement nor his performance hereunder will (a) violate, conflict with or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under the terms, conditions or provisions of any contract, agreement or other instrument or obligation to which the Employee is a party, or by which he may be bound, or (b) violate any order, judgment, writ, injunction or decree applicable to the Employee. In the event of a breach hereof, in addition to the Company's right to terminate this Agreement, the Employee shall indemnify the Company and hold it harmless from and against any and all claims, losses, liabilities, costs and expenses (including reasonable attorneys' fees) incurred or suffered in connection with or as a result of the Company's entering into this Agreement or employing the Employee hereunder.

14. ARBITRATION

14.1. Except with regard to Section 12.1 hereof and any other matters that are not a proper subject of arbitration, all disputes between the parties hereto concerning the performance, breach, construction or interpretation of this Agreement or any portion thereof, or in any manner arising out of this Agreement or the performance thereof, shall be submitted to binding arbitration, in accordance with the rules of the American Arbitration Association. The arbitration proceeding shall take place at a mutually agreeable location in Nassau County, New York or such other location as agreed to by the parties.

14.2. The award rendered by the arbitrator shall be final, binding and conclusive, shall be specifically enforceable, and judgment may be entered upon it in accordance with applicable law in an appropriate court in the State of New York, with no right of appeal therefrom.

14.3. Each party shall pay its or his own expenses of arbitration, and the expenses of the arbitrator and the arbitration proceeding shall be equally shared; provided, however, that, if, in the opinion of the arbitrator (or a majority of the arbitrators if more than one), any claim or defense was unreasonable, the arbitrator(s) may assess, as part of their award, all or any part of the arbitration expenses of the other party (including reasonable attorneys' fees) and of the arbitrator(s) and the arbitration proceeding against the party raising such unreasonable claim or defense; provided, further, that, if the arbitration proceeding relates to the issue of Cause for termination of employment, (a) if, in the opinion of the arbitrator (or a majority of the arbitrators if more than one), Cause existed, the arbitrator(s) shall assess, as part of their award, all of the arbitration expenses of the Company (including reasonable attorneys' fees) and of the arbitrator(s) and the arbitration proceeding against the Employee or (b) if, in the opinion of the arbitrator (or a majority of the arbitrators if more than one), Cause did not exist, the arbitrator(s) shall assess, as part of their award, all of the arbitration expenses of the Employee (including reasonable attorneys' fees) and of the arbitrator(s) and the arbitration proceeding against the Company.

15. CODE SECTIONS 409A, 280G AND 4999.

15.1. The intent of the parties is that payments and benefits under this Agreement comply with Section 409A of the Code (together with the regulations and guidance promulgated thereunder, "Code Section 409A"), and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. To the extent that any provision hereof is modified in order to comply with Code Section 409A, such modification shall be made in good faith and shall, to the maximum extent reasonably possible, maintain the original intent and economic benefit to the parties hereto of the applicable provision without violating the provisions of Code Section 409A. In no event whatsoever shall the Company be liable for any additional tax, interest or penalty that may be imposed on the Employee by Code Section 409A as a result of the Company's compliance with the terms of this Agreement.

15.2. A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits constituting deferred compensation under Code Section 409A upon or following a termination of employment unless such termination of employment is also a “separation from service” within the meaning of Code Section 409A and, for purposes of any such provision of this Agreement, references to a termination of employment or like terms shall mean “separation from service.” If the Employee is deemed on the date of termination to be a “specified employee” within the meaning of that term under Code Section 409A(a)(2)(B), then with regard to any payment or the provision of any benefit that is considered deferred compensation under Code Section 409A payable on account of a “separation from service,” such payment or benefit shall be made or provided at the date which is the earlier of (i) the expiration of the six (6) month period measured from the date of such “separation from service” of the Employee, and (ii) the date of the Employee’s death (the “Delay Period”). Upon the expiration of the Delay Period, all payments and benefits delayed pursuant to this Section 15.2 (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to the Employee in a lump sum, and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified herein.

15.3. All expenses or other reimbursements under this Agreement shall be made on or prior to the last day of the taxable year following the taxable year in which such expenses were incurred by the Employee (provided that if any such reimbursements constitute taxable income to the Employee, such reimbursements shall be paid no later than March 15th of the calendar year following the calendar year in which the expenses to be reimbursed were incurred), and no such reimbursement or expenses eligible for reimbursement in any taxable year shall in any way affect the expenses eligible for reimbursement in any other taxable year.

15.4. For purposes of Code Section 409A, the Employee’s right to receive any installment payments pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments. Whenever a payment under this Agreement specifies a payment period with reference to a number of days (e.g., “payment shall be made within sixty (60) days”), the actual date of payment within the specified period shall be within the sole discretion of the Company.

15.5. In no event shall any payment under this Agreement that constitutes “deferred compensation” for purposes of Code Section 409A be offset by any other payment pursuant to this Agreement or otherwise.

15.6. Notwithstanding any other provisions of this Agreement to the contrary, in the event that any payments or benefits received or to be received by the Employee in connection with the Employee’s employment with the Company (or termination thereof) would subject the Employee to the excise tax imposed under Section 280G or 4999 of the Code (the “Excise Tax”), and, if the net-after tax amount (taking into account all applicable taxes payable by the Employee, including any Excise Tax) that the Employee would receive with respect to such payments or benefits does not exceed the net-after tax amount the Employee would receive if the amount of such payment and benefits were reduced to the maximum amount which could otherwise be payable to the Employee without the imposition of the Excise Tax, then, to the extent necessary to eliminate the imposition of the Excise Tax, (i) such cash payments and benefits shall first be reduced (if necessary, to zero) and (ii) all other non-cash payments and benefits shall next be reduced. The determination of whether any reduction in such payments or benefits to be provided under this Agreement or otherwise is required pursuant to the preceding sentence will be made at the expense of the Company by independent accountants or benefits consultants selected by the Company, and the Employee shall have the right to review such determination.

16. ASSIGNMENT

16.1. This Agreement, as it relates to the employment of the Employee, is a personal contract and the rights and interests of the Employee hereunder may not be sold, transferred, assigned, pledged or hypothecated.

17. NOTICES

17.1. Any notice required or permitted to be given pursuant to this Agreement shall be deemed to have been duly given when delivered by hand or sent by certified or registered mail, return receipt requested and postage prepaid, overnight mail or courier, e-mail, or fax as follows:

If to the Employee:

212 Third Street
Milford, PA 18337
Dale.thatcher@atherstonepartners.com

with a copy to:

Sidley Austin LLP
787 Seventh Avenue
New York, NY 10019
Attention: Eric Hoffman, Esq.
Eric.hoffman@sidley.com
Fax Number: (212) 839-5599

If to the Company:

c/o Victor Brodsky
Chairman, Compensation Committee
15 Joys Lane
Kingston, New York 12401
vbrodsky@kingstonecompanies.com
Fax Number: (845) 853-1890

with a copy to:

Certilman Balin Adler & Hyman, LLP
90 Merrick Avenue
East Meadow, New York 11554
Attention: Fred Skolnik, Esq.
fskolnik@certilmanbalin.com
Fax Number: (516) 296-7111

or at such other address as any party shall designate by notice to the other party given in accordance with this Section 17.1.

18. GOVERNING LAW

18.1. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of New York applicable to agreements made and to be performed entirely in New York without regard to conflicts of laws principles.

19. WAIVER OF BREACH; PARTIAL INVALIDITY

19.1. The waiver by either party of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach. If any provision, or part thereof, of this Agreement shall be held to be invalid or unenforceable, such invalidity or unenforceability shall attach only to such provision and not in any way affect or render invalid or unenforceable any other provisions of this Agreement, and this Agreement shall be carried out as if such invalid or unenforceable provision, or part thereof, had been reformed, and any court of competent jurisdiction or arbitrators, as the case may be, are authorized to so reform such invalid or unenforceable provision, or part thereof, so that it would be valid, legal and enforceable to the fullest extent permitted by applicable law.

20. ENTIRE AGREEMENT; AMENDMENT

20.1. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and there are no representations, warranties or commitments except as set forth herein. This Agreement supersedes all prior agreements, understandings, negotiations and discussions, whether written or oral, of the parties hereto relating to the subject matter hereof. This Agreement may be amended, and any provision hereof waived, only by a writing executed by the party sought to be charged. No amendment or waiver on the part of the Company shall be valid unless approved by its Board.

21. COUNTERPARTS

21.1. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which taken together shall constitute one and the same instrument.

22. FACSIMILE AND EMAIL SIGNATURES

22.1. Signatures hereon which are transmitted via facsimile or email shall be deemed original signatures.

23. EXPENSES

23.1. In addition to the right to indemnification conferred in Article X of the By-Laws of the Company, as amended (the "By-Laws"), the Employee shall have the right to have his expenses (including reasonable attorneys' fees) incurred in defending any action or proceeding as to which the Employee is entitled to be indemnified in advance of its final disposition advanced and paid promptly as set forth below upon incurring such expenses; provided, however, that an advancement of expenses incurred by the Employee shall be made only upon delivery to the Company of an undertaking by the Employee to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal that the Employee is not entitled to be indemnified for such expenses under the By-Laws. The Company shall make advance payments of such expenses (including reasonable attorneys' fees) incurred within thirty (30) days of the Employee's presentation of an invoice for such expenses.

24. CONSTRUCTION

24.1. All references in this Agreement to “includes” and “including” shall be construed to include the words “without limitation.”

25. REPRESENTATION BY COUNSEL; INTERPRETATION

25.1. The Employee acknowledges that he has been represented by counsel in connection with this Agreement. Accordingly, any rule of law or any legal decision that would require the interpretation of any claimed ambiguities in this Agreement against the party that drafted it has no application and is expressly waived by the Employee. The provisions of this Agreement shall be interpreted in a reasonable manner to give effect to the intent of the parties hereto.

26. HEADINGS

26.1. The headings and captions under articles and sections of this Agreement are for convenience of reference only and do not in any way modify, interpret or construe the intent of the parties or affect any of the provisions of this Agreement.

[Remainder of page intentionally left blank. Signature page follows.]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the day and year above written.

KINGSTONE INSURANCE COMPANY

By:
Barry B. Goldstein
Chief Executive Officer

Dale A. Thatcher

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in the Registration Statements of Kingstone Companies, Inc. on Form S-3 (No. 333-134102, No. 333-215426 and 333-221615) and Form S-8 (No. 333-132898, No. 333-173351, No. 333-191366 and No. 333-207986) of our report dated March 15, 2018, with respect to our audits of the consolidated financial statements of Kingstone Companies, Inc. and Subsidiaries as of December 31, 2017 and 2016 and for the years then ended, and our report dated March 15, 2018 with respect to our audit of the effectiveness of internal control over financial reporting of Kingstone Companies, Inc. as of December 31, 2017, which reports are included in this Annual Report on Form 10-K of Kingstone Companies, Inc. for the year ended December 31, 2017.

/s/ Marcum LLP

Marcum LLP
Hartford, CT

March 15, 2018

CERTIFICATION

I, Barry B. Goldstein, certify that:

1. I have reviewed this Annual Report on Form 10-K of Kingstone Companies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 15, 2018

/s/ Barry B. Goldstein

Barry B. Goldstein
Chief Executive Officer

CERTIFICATION

I, Victor Brodsky, certify that:

1. I have reviewed this Annual Report on Form 10-K of Kingstone Companies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 15, 2018

/s/ Victor Brodsky

Victor Brodsky
Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
AND CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned hereby certify, pursuant to, and as required by, 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of Kingstone Companies, Inc. (the "Company") on Form 10-K for the year ended December 31, 2017 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in such Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 15, 2018

/s/ Barry B. Goldstein

Barry B. Goldstein
Chief Executive Officer

/s/ Victor Brodsky

Victor Brodsky
Chief Financial Officer
