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KINGSTONE COMPANIES, INC.

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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, 2014

❑ **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	**36-2476480**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
15 Joys Lane, Kingston, New York	**12401**
(Address of principal executive offices)	(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
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 o 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 o 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 x No o

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 x No o

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. x
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 o
Non-accelerated o(Do not check if a smaller reporting company)	Smaller reporting company ☑

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

As of June 30, 2014, the aggregate market value of the registrant’s common stock held by non-affiliates of the registrant was $34,205,648 based on the closing sale price as reported on the NASDAQ Capital Market. As of March 16, 2015, there were 7,335,888 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE
None

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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 benefits or other consequences of our plans or strategies, projected or anticipated benefits from acquisitions to be made by us, or projections involving anticipated revenues, earnings or other aspects of our operating results. The words "may," "will," "expect," "believe," "anticipate," "project," "plan," "intend," "estimate," and "continue," and their opposites and similar expressions are intended to identify forward-looking statements. We caution you that these statements are not guarantees of future performance or events and are subject to a number of uncertainties, risks and other influences, many of which are beyond our control, that may influence the accuracy of the statements and the projections upon which the statements are based. Factors which may affect our results include, but are not limited to, the risks and uncertainties discussed in Item 7 of 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 small businesses and individuals in New York State through our wholly-owned subsidiary, Kingstone Insurance Company ("KICO"). KICO is a licensed property and casualty insurance company in the State of New York and the Commonwealth of Pennsylvania; however, KICO writes substantially all of its business in New York. Payments, Inc., our wholly-owned subsidiary, is a licensed premium finance company in the State of New York and receives fees for placing contracts with a third party licensed premium finance company.

Recent Developments

Developments During 2014

•Reduced Reliance on Quota Share Reinsurance

In May 2014, KICO notified its personal lines reinsurers of its election to reduce the ceding percentage for its personal lines quota share reinsurance treaty from 75% to 55% effective July 1, 2014. It was this ability of KICO to retain a higher portion of its premiums that was a prime factor in proceeding with the December 2013 underwritten public offering.

Effective July 1, 2014, KICO non-renewed its commercial lines reinsurance treaty (excluding commercial auto), which consists of small business and artisans risks. KICO had previously ceded 25% of commercial lines written premiums to quota share reinsurers.

•Increased Rate of Dividends Declared

In August 2014, we increased the quarterly dividends on our common stock from $.04 per share to $.05 per share.

Dividends of $.04 per share were declared on each of February 19, 2014 and May 13, 2014 and were paid on March 14, 2014 and June 13, 2014, respectively. Dividends of $.05 per share were declared on each of August 12, 2014 and November 12, 2014 and were paid on September 15, 2014 and December 12, 2014, respectively.

Developments During 2013

•Public Offering

On December 13, 2013, we completed an underwritten public offering of 3,450,000 shares of our common stock, including 450,000 shares issued pursuant to the underwriter's 30-day over-allotment option, at a public offering price of $5.95 per share. The aggregate net proceeds were approximately $18,804,000, after deducting underwriting discounts and commissions, and other offering expenses.

We used the net proceeds of the offering to contribute capital to our insurance subsidiary, KICO, to support growth, including possible product expansion, and to repay indebtedness. A registration statement relating to these securities was filed with the SEC and became effective on December 9, 2013.

• *KICO Appointment of its First Chief Actuary*

On December 16, 2013, KICO hired Benjamin Walden, FCAS, MAAA, as its first in-house actuary. Mr. Walden was appointed KICO's Vice President and Chief Actuary. In January 2015, Mr. Walden was elected Senior Vice President of KICO.

(b) <u>Business</u>

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 often are subject to legal interpretation by courts, often involving legislative actions 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 years and even decades 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, fees charged to reinstate a policy after it has been cancelled for non-payment, and fees for placing premium finance contracts with a third party licensed premium finance company. 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). 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 litigation 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 under GAAP is calculated by adding the ratio of incurred loss and LAE to earned premiums (the "loss and LAE ratio") and 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. However, after considering investment income and investment gains or losses, insurance companies operating at a combined ratio of greater than 100% can be profitable.

General; Strategy

We are a property and casualty insurance holding company whose principal operating subsidiary is Kingstone Insurance Company, referred to as 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, referred to collectively as producers. We are licensed to write insurance policies in New York and Pennsylvania.

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 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 prefer to place profitable business with us because we provide excellent, consistent service to our producers, policyholders and claimants coupled with competitive rates and commission levels and a consistent market presence. We also offer a wide array of personal and commercial lines policies, which we believe differentiates 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 limiting our risk of loss and preserving our capital. We seek to generate underwriting income by writing profitable insurance policies and by managing our other underwriting and operating expenses. We are pursuing profitable growth by 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 attractive to our producers and policyholders.

For the year ended December 31, 2014, our gross written premiums totaled $76.3 million, an increase of 26.1% from the $60.5 million in gross written premium for the year ended December 31, 2013.

Product Lines

Our product lines include the following:

Personal lines - Our largest line of business is personal lines, consisting of homeowners, dwelling fire, 3-4 family dwelling package, condominium, renters, equipment breakdown and service line endorsements, and personal umbrella policies. Personal lines policies accounted for 74.5% of our gross written premiums for the year ended December 31, 2014.

Commercial liability - We offer business owners policies which consist primarily of small business retail risks without a residential exposure. We also write artisan's liability policies and special multi-peril property and liability policies. Commercial lines policies accounted for 14.4% of our gross written premiums for the year ended December 31, 2014.

Commercial automobile - We previously provided commercial auto liability and physical damage coverage primarily for light vehicles owned by small businesses, contractors and artisans. Due to the poor performance of this line, effective October 1, 2014, we decided to no longer accept applications for new commercial auto coverage. In February 2015, a decision was made to no longer offer renewals to our existing commercial auto policies, beginning with those that expire on or after May 1, 2015. Commercial automobile policies accounted for 4.0% of our gross written premiums for the year ended December 31, 2014.

Livery physical damage - We write for-hire vehicle-physical-damage only policies for livery and car service vehicles and taxicabs. These policies accounted for 6.6% of our gross written premiums for the year ended December 31, 2014.

Other - We write canine legal liability policies and also have a small participation in mandatory state joint underwriting associations. This subset of our business accounted for 0.3% of our gross written premiums for the year ended December 31, 2014.

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 128 years. We have consistently increased the volume of profitable business that we write by introducing new insurance products, increasing the volume of business that we write with our producers and developing new producer relationships. KICO has earned an underwriting profit in nine of the past ten years, including in 2012 when our financial results were adversely impacted by Superstorm Sandy. The extensive heritage of our insurance company subsidiary and our commitment to the New York market 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 last three performance surveys conducted by the Professional Insurance Agents of New York and New Jersey ("PIA") of its membership (2010, 2012, and 2014), KICO was rated as the top performing insurance company in New York for 2010 and 2012, and ranked number six in 2014 (of 55 insurance companies rated by PIA members).

We also 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 line. We have had a consistent presence in the New York market for over 100 years 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 offering and our consistent market presence provides a foundation for 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 property reports, driving records, the creditworthiness of the insured, and information collected from physical inspections to determine appropriate rates. We utilize certain targeted policy exclusions to reduce our exposure to risks that can create severe losses. We also seek to avoid severe losses by writing policies with lower liability limits when possible.

Our underwriting procedures, premium rates and policy terms support the underwriting profitability of our personal lines policies. We have implemented premium surcharges for certain coastal properties and increased deductibles for hurricane losses to provide an appropriate premium rate for the risk of loss. We also limit the business that we write in certain coastal counties and within close proximity to coastlines to manage our exposure to catastrophic weather events. Through the use of catastrophe modeling and related software tools, we assess individual policies to avoid geographic concentration of insured properties and to manage our aggregate exposure to loss.

Our underwriting expertise and risk management practices enable us to profitably write personal and commercial lines business in our markets. We believe that the consistency and the reliable availability of our insurance products is important to 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 significantly grow our premium volume while maintaining regulatory capital and other financial ratios generally within or below the expected ranges 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 in the future could positively impact our A.M. Best financial strength rating and increase our overall net underwriting profits.

Experienced Management Team

Our management team has significant expertise in underwriting, agency management, claims management and insurance regulatory matters. Barry Goldstein, our Chairman and Chief Executive Officer, has extensive experience in the insurance industry and managing public companies. He has served in his current capacity since 2001 and previously served as president of an insurance agency in Pennsylvania. John Reiersen, Executive Vice President of KICO, has almost 50 years of industry and regulatory experience and previously served as Chief Examiner in the Property and Casualty Insurance Bureau of the New York State Insurance Department, now known as the New York State Department of Financial Services. Our underwriting and claims managers have extensive experience in the insurance industry with an average of 31 years of experience, including over 10 years with KICO on average.

Scalable, Low-Cost Operations

We focus on keeping expenses to the minimum level required to properly underwrite our business and to effectively process claims. While the majority of our business is written in downstate New York, our Kingston, New York location provides a significantly lower cost operating environment. We also take a proactive approach to settling outstanding claims rather than engaging in protracted litigation, which results in substantially lower loss adjustment expenses.

We have made investments to develop online application raters and inquiry systems for many of our personal lines and commercial products. This has resulted in increased business submissions from our producers due to the greater ease of placing business with us. We plan to expand these online capabilities to all lines of business. Our ability to control the growth of our operating and other expenses while growing revenue 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 be conservative in the approach to risks that we write. We monitor results on a regular basis and all of our producers are reviewed by management on a quarterly basis. We utilize certain targeted policy exclusions to reduce our exposure to risks that can create severe losses. We also seek to avoid severe losses by writing policies with lower liability limits.

We believe our rates are competitive with other carriers' rates in our markets. We believe that 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 select producers who understand and appreciate the conservative, consistent path we have chosen. We carefully underwrite all of our business utilizing the CLUE industry claims database, motor vehicle reports, credit reports, physical inspection of risks and other underwriting software. 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 New York City and Long Island and are cognizant of our exposure to hurricanes. We have mitigated this risk by adding mandatory hurricane deductibles to all policies written in these areas. Our claim and underwriting expertise enables us to profitably write personal lines business in all areas of New York City and Long Island.

Distribution

We generate business through our relationships with over 300 independent producers. We carefully select our producers by evaluating several 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 monitor and evaluate the performance of our producers through periodic reviews of volume, profitability, and quality of business. Our senior executives are actively involved in managing our producer relationships.

Each producer is assigned an underwriter and the producer can call that underwriter directly on any matter. We believe that the close relationship with their underwriter is the principal reason producers place their business with us. Our online application raters and inquiry systems have streamlined the process of placing business with KICO, and we continue to accommodate other means of producer transmissions. Our producers have access to a website portal that contains all of our applications, rating software, policy forms and underwriting guidelines for all lines of business. We send out frequent electronic "Producergrams" 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 New York State. According to the U.S. Census Bureau, New York is the fourth largest state in the country with a current estimated population of approximately 19.7 million. Our market primarily consists of New York City, Long Island and Westchester County, which we collectively define as Downstate New York. We are also licensed to write insurance in the Commonwealth of Pennsylvania, and are in the process of obtaining licenses for four other states.

New York State is the fourth largest property and casualty insurance market in the U.S. with $40.2 billion in direct premiums written and the fourth largest state in the United States with respect to homeowners and dwelling fire insurance written with $6.6 billion in direct premiums written, according to 2013 data compiled by SNL Financial LC (most recent available published data). In 2013, we were the 29th largest writer of homeowners and dwelling fire insurance in the State of New York. Based on this same data, we now have a 0.6% 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. We believe that many national and regional carriers have chosen to limit their rate of premium growth or to decrease their presence in the downstate New York property insurance market due to the high catastrophe risk that exists in the Downstate New York region. Given present market conditions, we believe that we have the opportunity to significantly expand the size of our business in the State of New York.

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 loss expenses associated with a specific reported insured claim, and reserves for losses incurred but not reported ("IBNR") and LAE. 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 may subsequently increase or reduce the case reserves as our claims department deems necessary based upon the development of additional facts about claims.

IBNR reserves - We also estimate and establish reserves for loss and LAE amounts incurred but not yet reported. IBNR reserves are calculated as ultimate losses and LAE less reported losses and LAE. Ultimate losses 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 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 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. As adjustments to these estimates become necessary, such adjustments are reflected in expense for 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 recognize recoveries from salvage and subrogation when received.

We engage an independent external actuarial specialist to opine on our recorded statutory reserves. Our actuary estimates a range of ultimate losses, along with a range and recommended central estimate of IBNR reserve amounts.

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,	
	2014	2013
Balance at beginning of period	$ 34,503,229	$ 30,485,532
Less reinsurance recoverables	(17,363,975)	(18,419,694)
Net balance, beginning of period	17,139,254	12,065,838
Incurred related to:		
Current year	15,268,426	11,765,420
Prior years	1,763,762	1,821,113
Total incurred	17,032,188	13,586,533
Paid related to:		
Current year	6,351,920	3,709,495
Prior years	6,156,365	4,803,622
Total paid	12,508,285	8,513,117
Net balance at end of period	21,663,157	17,139,254
Add reinsurance recoverables	18,249,526	17,363,975
Balance at end of period	$ 39,912,683	$ 34,503,229

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 for business written each year from 2004 through 2014. The table reflects the changes in our loss and loss adjustment expense reserves in subsequent years from the prior loss estimates based on experience as of the end of each succeeding year on a GAAP basis.

The next section of the table sets forth the re-estimates in later years of incurred losses, including payments for the years indicated. The next section of the table shows by year, the cumulative amounts of loss and loss adjustment expense payments, net of amounts recoverable from reinsurers, as of the end of each succeeding year. For example, with respect to the net loss reserves of $4,370,000 as of December 31, 2006, by December 31, 2008 (two years later), $3,303,000 had actually been paid in settlement of the claims that relate to liabilities as of December 31, 2006.

The "cumulative redundancy (deficiency)" represents, as of December 31, 2014, 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.

(in thousands of $)	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Reserve for loss and loss adjustment expenses, net of reinsurance recoverables	3,141	3,074	4,370	4,799	5,823	6,001	7,280	8,520	12,065	17,139	21,663
Net reserve estimated as of One year later	5,122	3,627	4,844	5,430	6,119	6,235	7,483	9,261	13,886	18,903	
Two years later	5,698	4,315	5,591	5,867	6,609	6,393	8,289	11,022	16,875		
Three years later	6,356	5,101	5,792	6,433	6,729	6,486	9,170	12,968			
Four years later	6,985	5,094	6,260	6,569	6,711	7,182	10,128				
Five years later	7,049	5,540	6,343	6,683	7,261	7,766					
Six years later	7,476	5,616	6,429	7,245	7,727						
Seven years later	7,561	5,678	6,886	7,721							
Eight years later	7,637	6,140	7,318								
Nine years later	8,093	6,560									
Ten years later	8,485										
Net cumulative deficiency	(5,344)	(3,486)	(2,948)	(2,922)	(1,904)	(1,765)	(2,848)	(4,448)	(4,810)	(1,764)	

(in thousands of $)	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Cumulative amount of reserve paid, net of reinsurance recoverable											
One year later	3,347	1,106	2,018	1,855	2,533	2,307	3,201	3,237	4,804	6,156	
Two years later	4,291	2,321	3,303	3,339	3,974	3,992	4,947	5,661	8,833		
Three years later	4,965	3,321	4,036	4,339	5,054	4,659	6,199	8,221			
Four years later	5,598	3,705	4,471	5,146	5,373	5,238	7,737				
Five years later	5,840	3,988	5,079	5,424	5,717	5,997					
Six years later	6,101	4,484	5,305	5,738	6,224						
Seven years later	6,557	4,595	5,594	6,247							
Eight years later	6,654	4,880	5,966								
Nine years later	6,933	5,246									
Ten years later	7,294										
Net reserve - December 31,	3,141	3,074	4,370	4,799	5,823	6,001	7,280	8,520	12,065	17,139	21,663
Reinsurance Recoverable	7,610	7,283	6,523	6,693	9,766	10,512	10,432	9,960	18,420	17,364	18,250
Gross reserves - December 31,	10,751	10,357	10,893	11,492	15,589	16,513	17,712	18,480	30,485	34,503	39,913
Net re-estimated reserve	8,485	6,560	7,318	7,721	7,727	7,766	10,128	12,968	16,875	18,903	
Re-estimated reinsurance recoverable	11,183	11,357	11,529	11,468	13,184	13,092	13,560	13,984	26,917	19,207	
Gross re-estimated reserve	19,668	17,917	18,847	19,189	20,911	20,858	23,688	26,952	43,792	38,110	
Gross cumulative redundancy	(8,917)	(7,560)	(7,954)	(7,697)	(5,322)	(4,345)	(5,976)	(8,472)	(13,307)	(3,607)	

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 achieve a target ratio of net premiums written to policyholders' surplus and to expand our underwriting capacity. 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 management determined ratio. The business written under a reinsurance quota share obligates a reinsurer to assume the risks involved, and gives the reinsurer the profit (or loss) associated with such. 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. Our participation in reinsurance arrangements does not relieve us from our obligations to policyholders.

Our quota share reinsurance treaties in effect for the year ended December 31, 2014 for our personal lines business, which primarily consists of homeowners' policies, were covered under the July 1, 2013/June 30, 2014 and July 1, 2014/June 30, 2015 treaty years. Our personal lines quota share treaty that covered the July 1, 2013/June 30, 2014 treaty year is a two year treaty expiring on June 30, 2015. Effective as of July 1, 2014, we had the option to increase the quota share percentage from 75% to a maximum of 85% or decrease the quota share percentage from 75% to a minimum of 55% by giving no less than 30 days advance notice. On May 12, 2014, we notified the personal lines reinsurers of our election to reduce the ceding percentage in the personal lines quota share treaty from 75% to 55% effective July 1, 2014. Excess of loss contracts provide additional coverage for individual personal lines losses. Our maximum net retention under the quota share and excess of loss treaties for any one personal lines policy is $360,000.

Our quota share reinsurance treaty in effect for the year ended December 31, 2014 for our commercial lines business was covered under the July 1, 2013/June 30, 2014 treaty year. We did not renew our expiring 25% commercial lines quota share reinsurance treaty on July 1, 2014. Excess of loss contracts provide coverage for individual commercial lines losses. Our maximum net retention under excess of loss treaties for any one commercial general liability policy is $400,000. Commercial auto policies are covered by an excess of loss reinsurance contract that provides coverage for individual losses in excess of $300,000.

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.

The maximum potential ceding commission rate paid under the current personal lines quota share treaty, based on the sliding scale of commission rates, is 57% at an ultimate loss ratio of 25% or less. The minimum provisional ceding commission rate is 40% at an ultimate loss ratio of 48% or greater.

In 2014, we purchased catastrophe reinsurance to provide coverage of up to $141 million for losses associated with a single event. Insurance exposure models prepared for us generally indicate that the catastrophe reinsurance treaties provide coverage in excess of our estimated probable maximum loss associated with a single one-in-145 year storm event. Losses on personal lines policies are subject to the 55% quota share treaty, which results in a net retention by us of $1.8 million of exposure per catastrophe occurrence. Effective July 1, 2014, our catastrophe reinsurance also covers losses caused by severe winter weather during any consecutive 28 day period. Catastrophe coverage is limited on an annual basis to two times the per occurrence amounts.

Investments

Our investment portfolio, including cash and cash equivalents, and short term investments, as of December 31, 2014 and 2013, is summarized in the table below by type of investment.

	December 31, 2014			December 31, 2013		
Category	**Carrying Value**		**% of Portfolio**	**Carrying Value**		**% of Portfolio**
Cash and cash equivalents	$	9,906,878	13.4%	$	19,922,506	34.6%
Held to maturity						
U.S. Treasury securities and obligations of U.S. government corporations and agencies		606,353	0.8%		606,138	1.1%
Political subdivisions of states, territories and possessions		1,413,303	1.9%		208,697	0.4%
Corporate and other bonds Industrial and miscellaneous		3,109,079	4.2%		1,584,647	2.8%
Available for sale						
U.S. Treasury securities and obligations of U.S. government corporations and agencies		-	0.0%		-	0.0%
Political subdivisions of states, territories and possessions		14,244,438	19.2%		7,068,207	12.3%
Corporate and other bonds Industrial and miscellaneous		36,876,421	49.7%		21,367,815	37.1%
Preferred stocks		3,126,280	4.2%		2,587,728	4.5%
Common stocks		4,891,449	6.6%		4,208,945	7.3%
Total	$	74,174,201	100.0%	$	57,554,683	100.0%

The table below summarizes the credit quality of our fixed-maturity securities available-for-sale as of December 31, 2014 and 2013 as rated by Standard and Poor's (or if unavailable from Standard and Poors, then Moody's or Fitch):

	December 31, 2014			December 31, 2013		
	Fair Market Value		**Percentage of Fair Market Value**	**Fair Market Value**		**Percentage of Fair Market Value**
Rating						
AAA	$	2,779,539	5.5%	$	2,075,010	7.3%
AA		9,826,545	19.2%		4,566,384	16.1%
A		13,954,036	27.3%		7,680,343	27.0%
BBB		24,560,739	48.0%		14,114,285	49.6%
Total	$	51,120,859	100.0%	$	28,436,022	100.0%

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

Ratings

We currently have a Demotech rating of A (Excellent) which generally qualifies our policies for banks and finance companies. Many insurance buyers, agents and brokers 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 from which they are considering purchasing insurance. In 2009, KICO applied for its initial A.M. Best rating, and was assigned a letter rating of "B" (Fair) by A.M. Best in 2010. Our rating was upgraded to B+ (Good) in 2011, and such rating remained in effect in 2012 through 2014. KICO is beginning the process of undergoing its annual review from A.M. Best, which may result in a change to its rating. 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. A.M. Best 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. An A.M. Best rating could create additional demand from producers requiring a carrier to have an A.M. Best rating.

Severe Winter Weather

Our predominant market, downstate New York, suffered severe weather in January and February 2014. We include severe winter weather in our definition of catastrophe. The catastrophe component of 2014 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, weight of snow and ice, and other water related structural damage as a result of excess snow and below normal temperatures for an extended period of time. The effects of severe winter weather increased our net loss ratio by 2.9 percentage points in 2014.

The computation to determine contingent ceding commission revenue includes direct catastrophe losses and loss adjustment expenses incurred from severe winter weather. Such losses increased our ceded loss ratio in our July 1, 2013/June 30, 2014 personal lines quota share treaties which reduced our contingent ceding commission revenue by $0.5 million for the year ended December 31, 2014. The effects of severe winter weather increased our net underwriting expense ratio by 1.6 percentage points in 2014.

Premium Financing

Customers who purchase insurance policies are often unable to pay the premium in a lump sum or are unable to afford the payment plan offered and, therefore, require extended payment terms. Premium finance involves making a loan to the customer that is secured by the unearned portion of the insurance premiums being financed and held by the insurance carrier. Our wholly owned subsidiary, Payments Inc. ("Payments"), is licensed as a premium finance agency in the state of New York.

Prior to February 1, 2008, Payments Inc. provided premium financing in connection with the obtaining of insurance policies. Effective February 1, 2008, Payments Inc. sold its outstanding premium finance loan portfolio. The purchaser of the portfolio (the "Purchaser") agreed that, during the five year period ended February 1, 2013 (which period was extended to February 1, 2015), it would purchase, assume and service all eligible premium finance contracts originated by Payments in the state of New York (the "Agreement"). In connection with such purchases, Payments was entitled to receive a fee generally equal to a percentage of the amount financed. On July 17, 2014, the Purchaser terminated the Agreement effective February 1, 2015. Following such termination, Payments will be entitled to receive the fees for an additional two years with regard to contracts for policies from our producers. Our premium financing business currently consists of the placement fees that Payments will earn from placing contracts. Placement fees earned from placing contracts constituted approximately 0.5% and 0.7% of our revenues from operations during the years ended December 31, 2014 and 2013, respectively.

The regulatory framework under which our premium finance procedures are established is generally set forth in the premium finance statutes of the state in which we operate. Among other restrictions, the interest rate that may be charged to the insured for financing their premiums is limited by these state statutes. See "Government Regulation" below.

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 "Department") 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 non-disapproval by the Department.

Change of Control

The insurance holding company laws of the state of New York require approval by the Department of 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 Department (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 in some instances and regulate unfair trade and claims practices.

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

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 state insurance department. The state insurance department 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.

In the aftermath of Superstorm Sandy, the New York State Department of Financial Services ("DFS") adopted various emergency regulations that affect insurance companies that operate in the state of New York. Included among the regulations is mandatory participation in non-binding mediation proceedings funded by the insurer. Further, in February 2013, the state of New York announced that the DFS commenced an investigation into the claims practices of three insurance companies, including KICO, in connection with Superstorm Sandy claims. The DFS stated that the three insurers had a much larger than average consumer complaint rate with regard to Superstorm Sandy claims and indicated that the three insurers were being investigated for (i) failure to send adjusters in a timely manner; (ii) failure to process claims in a timely manner; and (iii) inability of homeowners to contact insurance company representatives. KICO received a letter from the DFS seeking information and data with regard to the foregoing. KICO provided information and data to the DFS in connection with its investigation. KICO has not received a response from the DFS since a meeting held on May 23, 2013 and believes that such matter will not have any effect on the Company's financial position or results of operations.

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 have in the past been or at the present 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 December 2010, the NAIC adopted amendments to the Model Insurance Holding Company System Regulation Act and Regulation (the “Amended Model Act and Regulation”) to introduce the concept of “enterprise risk” within an insurance company holding system. Enterprise risk is defined as any activity, circumstance, event or series of events involving one or more affiliates of an insurer that, if not remedied promptly, is likely to have a material adverse effect upon the financial condition or the liquidity of the insurer or its insurance holding company system as a whole. If and when adopted by a particular state, the Amended Model Act and Regulation would impose more extensive informational requirements on us in order to protect the licensed insurance companies from enterprise risk, including requiring us to prepare an annual enterprise risk report that identifies the material risks within the insurance company holding system that could pose enterprise risk to the licensed insurer. In addition, the Amended Model Act and Regulation requires any controlling person of a domestic insurer seeking to divest its controlling interest to file a notice of its proposed divestiture, which may be subject to approval by the insurance commissioner. The Amended Model Act and Regulation must be adopted by the individual states, and specifically states in which we are licensed, for the new requirements to apply to us. The NAIC has made certain sections of the amendments part of its accreditation standards for state solvency regulation, which may motivate more states to adopt the amendments promptly. Additional requirements are also expected. For example, the NAIC has adopted the Risk Management and Own Risk and Solvency Assessment (“ORSA”) Model Act, which, when adopted by the states, will require insurers to perform a risk and solvency assessment and, upon request of a state, file an ORSA Summary Report with the state. The ORSA Summary Report will be required in 2015, subject to the various dates of adoption by states, and will describe our process for assessing our own solvency.

In 2013, New York, where KICO is domiciled, adopted its version of the Amended Model Act and Regulation. The statute requires a holding company that directly or indirectly controls an insurer to adopt a formal enterprise risk management function and file an enterprise risk report with the DFS by April 30 of each year commencing in 2014. In 2014, the DFS promulgated the implementing regulations. The report must identify the material risks within the holding company system that could pose enterprise risk to the insurer. In addition, any holding company seeking to divest its controlling interest in a domestic insurer is required to file with the DFS a notice of its proposed divestiture at least thirty days prior to cessation of control. Also in 2014 the DFS also promulgated two amendments to its holding company regulation affecting the transactions between the insurer and any person in the holding company system and requiring additional information in applications for control. In 2015, the DFS indicated that it will initiate new targeted cybersecurity assessments for insurance companies.

On July 21, 2010, the President signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) that 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. On December 12, 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).

State Insurance Department Examinations

As part of their regulatory oversight process, state insurance departments 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 departments of other states under guidelines promulgated by the NAIC.

Risk-Based Capital Regulations

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 ("ACLC").

The RBC guidelines define specific capital levels based on a company's ACLC that are determined by the ratio of the company's total adjusted capital ("TAC") to its ACLC. TAC is equal to statutory capital, plus or minus certain other specified adjustments. KICO was in compliance with New York's RBC requirements as of December 31, 2014.

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 paid during such period.

Insurance Regulatory Information System Ratios

The Insurance Regulatory Information System, or IRIS, was developed by the NAIC and is intended primarily to assist state insurance departments in executing 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, 2014, as a result of its growth, the $15 million contribution of capital we made to KICO in December 2013 and an increase in longer tailed liability reserves, KICO had four ratios outside the usual range due to reliance on quota share reinsurance, investment yield, gross change in surplus and two-year reserve development.

Accounting Principles

Statutory accounting principles ("SAP") are a basis of accounting developed to assist insurance regulators in monitoring and regulating the solvency of insurance companies. SAP is primarily concerned with measuring an insurer's surplus to policyholders. 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") is concerned with a company's solvency, but is 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 assets and liabilities and different 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 the 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 pay dividends to Kingstone Companies, Inc.

Premium Financing

Our premium finance subsidiary, Payments Inc., is regulated in New York by the Department of Financial Services. The regulations, which generally are designed to protect the interests of policyholders who elect to finance their insurance premiums, involve the following:

- regulating the interest rates, fees and service charges that may be charged;
- imposing minimum capital requirements for our premium finance subsidiary or requiring surety bonds in addition to or as an alternative to such capital requirements;
- governing the form and content of our financing agreements;
- prescribing minimum notice and cure periods before we may cancel a customer’s policy for non-payment under the terms of the financing agreement;
- prescribing timing and notice procedures for collecting unearned premium from the insurance company, applying the unearned premium to our customer’s premium finance account, and, if applicable, returning any refund due to our customer;
- requiring our premium finance company to qualify for and obtain a license and to renew the license each year;
- conducting periodic financial and market conduct examinations and investigations of our premium finance company and its operations;
- requiring prior notice to the regulating agency of any change of control of our premium finance company.

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 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, 2014, we had 66 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. 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. Our insurance underwriting business is located principally at 15 Joys Lane, Kingston, New York.

We own the building from 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
2014 Calendar Year		
First Quarter	$ 7.90	$ 6.66
Second Quarter	7.24	5.66
Third Quarter	8.24	6.53
Fourth Quarter	8.97	7.44

	High	Low
2013 Calendar Year		
First Quarter	$ 5.76	$ 4.69
Second Quarter	5.71	5.11
Third Quarter	5.35	5.01
Fourth Quarter	7.43	4.59

Holders

As of March 10, 2015, there were approximately 315 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. During 2014, we paid quarterly dividends of $0.04 per share on March 14, 2014 and June 13, 2014, and $.05 per share on September 15, 2014 and December 12, 2014. During 2013, we paid quarterly dividends of $0.04 per share on March 15, 2013, June 14, 2013, September 13, 2013 and December 13, 2013. 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. 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 dividends on our common stock as follows:

	2014	2013
Common stock dividends declared	$ 1,312,625	$ 612,401

Recent Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

The following table set forth certain information with respect to purchases of common stock made by us or any "affiliated purchaser" during the quarter ended December 31, 2014:

Period	Total Number of Shares Purchased(1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Be Purchased Under the Plans or Programs
10/1/14 – 10/31/14	2,400	$ 8.15	-	-
11/1/14 – 11/30/14	-	-	-	-
12/1/14 – 12/31/14	1,300	$ 7.99	-	-
Total	3,700	$ 8.09	-	-

(1) Shares purchased by "affiliated purchasers."

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 small businesses and individuals in New York State through our 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 derive 99% 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 by policyholders, which are commonly referred to as claims. In settling these claims for losses, various loss adjustment expenses ("LAE") are incurred such as insurance adjusters' fees and litigation 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, 2013, we would earn half of the premiums in 2013 and the other half in 2014.

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. We also recognize premium finance fee income on loans financed by a third party finance company.

Loss and loss adjustment expenses incurred. Loss and loss adjustment expenses ("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.

Non-cash equity 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 incurred on our former indebtedness at the then-applicable interest rates.

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, dwelling fire, 3-4 family dwelling package, condominium, renters, equipment breakdown and service line endorsements, and personal umbrella policies.

Commercial liability. We offer business owners policies which consist primarily of small business retail risks without a residential exposure. We also write artisan's liability policies and special multi-peril property and liability policies.

Commercial automobile. We had previously provided physical damage and liability coverage for light vehicles owned by small contractors and artisans. Due to the poor performance of this line, effective October 1, 2014, we decided to no longer accept new commercial auto policies. In February 2015, we decided to longer offer renewals to our existing commercial auto policies beginning with those effective May 1, 2015.

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

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 financial statements, our management has utilized information available 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 its 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 (in thousands) for the periods indicated:

($ in thousands)	Year ended December 31, 2014	2013	Change	Percent
Revenues				
Direct written premiums	$ 76,255	$ 60,449	$ 15,806	26.1%
Assumed written premiums	49	46	3	6.5%
	76,304	60,495	15,809	26.1%
Ceded written premiums				
Ceded to quota share treaties in force during the period	35,887	34,378	1,509	4.4%
Return of premiums previously ceded to prior quota share treaties	(6,597)	(764)	(5,833)	763.6%
Ceded to quota share treaties	29,290	33,614	(4,324)	(12.9) %
Ceded to excess of loss treaties	1,039	540	499	92.4%
Ceded to catastrophe treaties	2,611	1,006	1,605	159.5%
Catastrophe reinstatement (1)	70	496	(426)	(85.9) %
Total ceded written premiums	33,010	35,656	(2,646)	(7.4) %
Net written premiums	43,294	24,839	18,455	74.3%
Change in net unearned premiums	(10,666)	(2,614)	(8,052)	308.0%
Net premiums earned	32,628	22,225	10,403	46.8%
Ceding commission revenue				
Excluding the effect of catastrophes	14,427	13,520	907	6.7%
Effect of catastrophes (1)	(517)	(1,847)	1,330	(72.0) %
Total ceding commission revenue	13,910	11,673	2,237	19.2%
Net investment income	1,800	1,170	630	53.8%
Net realized gain on investments	707	576	131	22.7%
Other income	1,006	922	84	9.1%
Total revenues	50,051	36,566	13,485	36.9%
Expenses				
Loss and loss adjustment expenses				
Direct and assumed:				
Loss and loss adjustment expenses excluding the effect of catastrophes	28,146	30,529	(2,383)	(7.8) %
Losses from catastrophes (1)	3,764	225	3,539	1,572.9%
Total direct and assumed loss and loss adjustment expenses	31,910	30,754	1,156	3.8%
Ceded loss and loss adjustment expenses:				
Loss and loss adjustment expenses excluding the effect of catastrophes	12,055	16,978	(4,923)	(29.0) %
Losses from catastrophes (1)	2,823	189	2,634	1,393.7%
Total ceded loss and loss adjustment expenses	14,878	17,167	(2,289)	(13.3) %
Net loss and loss adjustment expenses:				
Loss and loss adjustment expenses excluding the effect of catastrophes	16,091	13,551	2,540	18.7%
Losses from catastrophes (1)	941	36	905	2,513.9%
Net loss and loss adjustment expenses	17,032	13,587	3,445	25.4%
Commission expense	12,125	9,363	2,762	29.5%
Other underwriting expenses	10,656	9,019	1,637	18.2%
Other operating expenses	1,487	1,099	388	35.3%
Depreciation and amortization	875	646	229	35.4%
Interest expense	-	76	(76)	(100.0) %
Total expenses	42,176	33,790	8,385	24.8%
Income from operations before taxes	7,875	2,776	5,100	183.7%
Provision for income tax	2,547	764	1,783	233.4%
Net income	$ 5,328	$ 2,012	$ 3,317	164.9%

(1) For the year ended December 31, 2014, includes the effects of severe winter weather (which we define as a catastrophe), which occurred in January and February 2014. For the year ended December 31, 2013, includes the effects of Superstorm Sandy (which we define as a catastrophe), which occurred on October 29, 2012. 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.

	Year ended December 31,			
	2014	2013	Point Change	Percent Change
Key ratios:				
Net loss ratio	52.2%	61.1%	-8.9%	(14.6) %
Net underwriting expense ratio	24.9%	27.5%	-2.6%	(9.5) %
Net combined ratio	77.1%	88.6%	-11.5%	(13.0) %

Direct Written Premiums

Direct written premiums during the year ended December 31, 2014 ("2014") were $76,255,000 compared to $60,449,000 during the year ended December 31, 2013 ("2013"). The increase of $15,806,000, or 26.1%, was primarily due to an increase in policies in-force during 2014 as compared to 2013. We wrote more new policies as a result of continued demand for our products in the markets that we serve. Policies in-force increased by 22.0% as of December 31, 2014 compared to December 31, 2013. In addition to the increase in policies in-force, the average premium per policy increased.

Our growth rate in direct premiums written was dampened somewhat due to the suspension, effective October 1, 2014, of the writing of new policies in our commercial auto line of business due to a history of poor underwriting results. Our direct written premiums in our other lines of business grew by 31.3% in 2014 compared to 2013. The increase in direct written premiums in 2014 over 2013 was also affected by New York State regulations enacted to protect victims of Superstorm Sandy, which prohibited us from cancelling policies or non-renewing existing policies beginning in the fourth quarter of 2012 and extending through various dates during the quarter ended March 31, 2013 (the "Moratorium Period"). After the expiration of the Moratorium Period in 2013, the additional cancellations and non-renewal of existing policies reduced our direct written premiums in 2013.

Net Written Premiums and Net Premiums Earned

The following table describes the quota share reinsurance rates in effect during 2014 and 2013. For purposes of the discussion herein, the change in quota share rates on July 1 of each year 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, 2014		Year ended December 31, 2013	
	January 1, to June 30, ("2013/2014 Treaties")	July 1, to December 31, ("2014/2015 Treaty")	January 1, to June 30, ("2012/2013 Treaties")	July 1, to December 31, ("2013/2014 Treaties")
Quota share				
Personal lines	75%	55%	75%	75%
Commercial lines	25%	none	40%	25%

Net written premiums increased $18,455,000, or 74.3%, to $43,294,000 in 2014 from $24,839,000 in 2013. 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 subject to a quota share treaty and our commercial lines business was subject to a quota share treaty through June 30, 2014. 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. Effective July 1, 2014, we terminated our commercial lines quota share treaty. The previous commercial lines quota share treaty effective July 1, 2013 had a quota share percentage of 25%. Also, effective July 1, 2014, we decreased the quota share percentage in our personal lines quota share treaty from 75% to 55%. The Cut-off of these treaties on July 1, 2014 results in the return of unearned premiums from our reinsurers that were previously ceded under the expiring quota share treaties. In 2014 and 2013, our ceded catastrophe premiums include an additional $70,000 and $496,000, respectively, of reinstatement premiums for catastrophe coverage as a result of Superstorm Sandy.

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. An increase in written premiums will also increase the premiums ceded under our excess of loss treaties, which will also reduce our net written premiums. In 2014, our catastrophe and excess of loss reinsurance premiums increased by $1,605,000 and $499,000, respectively, over the premiums in 2013.

Net premiums earned increased $10,403,000, or 46.8%, to $32,628,000 in 2014 from $22,225,000 in 2013. The increase was primarily due to us retaining more earned premiums as result of the reduction of the quota share percentage in our personal lines quota share treaty and the elimination of the commercial lines treaty on July 1, 2014. The decreases in our quota share percentages from the July 1, 2014 Cut-offs gave us a return of premiums previously ceded, which increased our net premiums earned during the period. In addition, as premiums written earn ratably over a twelve month period, net premiums earned in 2014 will increase from the higher net written premiums for the twelve months ended December 31, 2014 compared to the twelve months ended December 31, 2013. The increase in net premiums earned was also due to a reduction of $426,000 in reinstatement premiums paid in 2014 compared to what was paid in 2013 for catastrophe coverage as a result of Superstorm Sandy.

Ceding Commission Revenue

The following table describes the quota share provisional ceding commission rates in effect during 2014 and 2013. This table should be referred to in conjunction with the discussion for ceding commission revenue that follows.

	Year ended December 31, 2014		Year ended December 31, 2013	
	January 1, to June 30, ("2013/2014 Treaties")	July 1, to December 31, ("2014/2015 Treaty")	January 1, to June 30, ("2012/2013 Treaties")	July 1, to December 31, ("2013/2014 Treaties")
Quota share				
Personal lines	40%	40%	35%	40%
Commercial lines	36%	none	36%	36%

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

	Year ended December 31,			
($ in thousands)	2014	2013	Change	Percent
Provisional ceding commissions earned	$ 12,457	$ 11,007	$ 1,450	13.2%
Contingent ceding commissions earned				
Contingent ceding commissions earned excluding the effect of catastrophes	1,971	2,513	(542)	(21.6) %
Effect of catastrophes on ceding commisions earned	(517)	(1,847)	1,330	(72.0) %
Contingent ceding commissions earned	1,454	666	788	118.3%
Total ceding commission revenue	$ 13,911	$ 11,673	$ 2,238	19.2%

Ceding commission revenue was $13,911,000 in 2014 compared to $11,673,000 in 2013. The increase of $2,238,000, or 19.2%, was due to an increase in both provisional ceding commissions earned and contingent ceding commissions earned. We receive a provisional ceding commission based on ceded written premiums and 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 commissions we are eligible to receive is reduced by the amount of provisional commissions previously received. Effective July 1, 2013, our provisional ceding commission rate on our personal lines treaty increased to 40% from 35%, which reduced the amount of contingent ceding commissions we can ultimately receive. The amount of contingent commissions we are eligible to receive under our current personal lines quota share treaty, effective July 1, 2014, is subject to change based on losses incurred from claims incurred beginning July 1, 2014. The amount of contingent commissions we are eligible to receive under our prior years' quota share treaties is subject to change based on losses incurred related to claims occurring before July 1, 2014 under those treaties. We did not renew our commercial lines quota share treaty upon its expiration on June 30, 2014.

Provisional Ceding Commissions Earned

The $1,450,000 increase in provisional ceding commissions earned is due to: (1) an increase in the amount of ceded premiums written and earned in our personal lines business and (2) an increase in our personal lines provisional ceding commission rate to 40% from 35% effective July 1, 2013, which affects all of 2014 but only the last six months of 2013. The increase in provisional ceding commissions earned was partially offset by a decrease in the amount of premiums ceded as a result of the July 1, 2014 Cut-offs. Under the July 1, 2014 Cut-offs, our quota share percentages were reduced in our personal lines from 75% to 55% and in our commercial lines from 25% to 0%. Under the July 1, 2013 Cut-off, our quota share percentage in our commercial lines was reduced from 40% to 25%.

Contingent Ceding Commissions Earned

The term of our personal lines reinsurance quota share treaty covers the period from July 1, 2013 to June 30, 2015 (“2013/2015 Treaty”). The 2013/2015 Treaty provides for contingent ceding commissions based on a sliding scale whereby we are entitled to receive between 40% - 57% of the ceded earned premiums; the lower the ceded loss ratio, the higher the percentage we were entitled to receive. In 2014, the computation to arrive at contingent ceding commission revenue under the 2013/2015 Treaty includes catastrophe losses and LAE incurred from severe winter weather during January and February 2014 (see discussion of “Net Loss and LAE” below). Such losses increased our ceded loss ratio in our 2013/2015 Treaty, which reduced our contingent ceding commission revenue in accordance with the sliding scale discussed above in 2014 by $517,000. See “Reinsurance” below for changes to our personal lines quota share treaty effective July 1, 2014.

The term of our previous personal lines reinsurance quota share treaty covered the period from July 1, 2012 to June 30, 2013 (“2012/2013 Treaty”). The 2012/2013 Treaty provided for contingent ceding commissions based on a sliding scale whereby we were entitled to receive between 31% - 52% of the ceded earned premiums; the lower the ceded loss ratio, the higher the percentage we were entitled to receive. In 2013, the computation to arrive at contingent ceding commission revenue under the 2012/2013 Treaty includes direct catastrophe losses and LAE incurred from Superstorm Sandy on October 29, 2012. Such losses increased our ceded loss ratio in our 2012/2013 Treaty, which reduced our contingent ceding commission revenue in accordance with the sliding scale discussed above in 2013 by $1,847,000.

The $788,000 increase in contingent ceding commissions earned, after the impact of catastrophes, is due to a decrease in catastrophe losses and LAE incurred under our quota share reinsurance treaties in 2014 as compared to 2013 and an increase in ceded premiums earned under our personal lines quota share treaty due to growth in direct written premiums subject to that treaty. The increases in contingent ceding commissions earned were partially offset by: (1) the increase in our personal lines provisional ceding commission rate to 40% from 35% effective July 1, 2013, with the greater provisional ceding commission rate resulting in reduced ceded premiums applicable to contingent commissions that we can ultimately receive, (2) the decrease in our personal lines quota share percentage to 55% from 75% effective July 1, 2014, the decrease in our commercial lines quota share percentage to 0% from 25% effective July 1, 2014, and the decrease in our commercial lines quota share percentage to 25% from 40% effective July 1, 2013, with lower quota share percentages resulting in less contingent commissions that we can ultimately receive, and (3) an increase in losses incurred under our previous commercial lines quota share treaties from claims in the prior treaty years, which increased our ceded loss ratio, resulting in a reduction to contingent ceding commissions previously earned.

Net Investment Income

Net investment income was $1,800,000 in 2014 compared to $1,170,000 in 2013. The increase of $630,000, or 53.8%, was due to an increase in average invested assets in 2014. The increase in cash and invested assets resulted primarily from the net proceeds of $18,804,000 that we received on December 13, 2013 from our public offering and increased operating cash flows. The tax equivalent investment yield, excluding cash, was 4.67% and 5.28% at December 31, 2014 and 2013, respectively.

Net Loss and LAE

Net loss and LAE was $17,032,000 in 2014 compared to $13,587,000 in 2013. The net loss ratio was 52.2% in 2014 compared to 61.1% in 2013, a decrease of 8.9 percentage points. The decrease of 8.9 percentage points in our net loss ratio for 2014 as compared to 2013 was due to favorable results for our personal lines business, a shift in the mix of business away from higher loss ratio lines of business such as commercial auto, and a reduction in prior year loss reserve development as a percentage of net earned premiums. The decreases in our quota share rates from the July 1, 2014 Cut-offs gave us a return of premiums previously ceded, which gave rise to an increase in net premiums earned during the period as those premiums are earned. The personal lines Cut-off allows us to retain more of the underwriting results for that line of business. This had a favorable effect on the overall loss ratio since the net earned premium distribution by line has shifted more towards the personal lines business, which after the Cut-off on July 1, 2014, carried a lower loss ratio than it did after July 1, 2013.The decrease in our net loss ratio was partially offset by net catastrophe losses of $941,000 in our personal lines business related to severe winter weather, which occurred in January and February 2014. Such losses, which increased our net loss ratio by 4.3 percentage points, were 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, weight of snow and ice, and other water related structural damage as a result of excess snow and below normal temperatures for an extended period of time. Despite the catastrophe losses in 2014 discussed above, the net loss ratio in our personal lines business decreased to 38.1% in 2014 from 45.2% in 2013 due to lack of severe weather beyond the first quarter of 2014. Other factors that negatively impacted our net loss ratio were an increase in losses for our longer-tailed commercial auto and commercial lines of business. In 2014 we incurred adverse loss development from prior accident years in both of these lines of business that impacted our net loss ratio for the period. See discussion below “Commercial Auto Line of Business” and table below under “Additional Financial Information” summarizing net loss ratios by line of business.

Commercial Auto Line of Business

Effective October 1, 2014 we decided to no longer accept applications for new commercial auto coverage. The action was taken following a series of underwriting and pricing measures which were intended to improve the profitability of this line of business. The actions taken did not yield the hoped for results. In February 2015, we decided to no longer offer renewals to our existing commercial auto policies beginning with those that expire on or after May 1, 2015. As of December 31, 2014, we had 730 commercial auto policies in force, which represented 1.6% of our policies in force. As of December 31, 2013, we had 1,161 commercial auto policies in force, which represented 3.2% of our policies in force.

Commission Expense

Commission expense was $12,125,000 in 2014 or 17.8% of direct earned premiums. Commission expense was $9,363,000 in 2013 or 17.3% of direct earned premiums. The increase of $2,762,000, or 29.5%, is due to the increase in direct written premiums in 2014 as compared to 2013 and an increase in contingent commissions as a result of the increase in direct written premiums, an enhancement to our contingent commissions program in 2014 and the decrease in our direct loss ratios on which contingent commissions are based.

Other Underwriting Expenses

Other underwriting expenses were $10,656,000 in 2014 compared to $9,019,000 in 2013. The increase of $1,637,000, or 18.2%, in other underwriting expenses was primarily due to: (1) expenses directly related to the increase in direct written premiums, (2) regulatory fees and assessments indirectly related to direct written premiums, (3) additional salaries along with related other employment costs due to the hiring of additional staff needed to service our growth in direct written premiums and rate increases in annual salaries, and (4) profit sharing compensation due to higher profitability in 2014 compared to 2013, offset by a decrease in the reserve for bad debts and expenses allocated from underwriting pools. The reserve for bad debts was higher in 2013 due to the delayed collection of premiums as a result of DFS regulation regarding Superstorm Sandy. Other underwriting expenses as a percentage of direct written premiums decreased to 14.0% in 2014 from 14.9% in 2013. Other underwriting expenses as a percentage of direct premiums earned decreased to 15.6% in 2014 from 16.7% in 2013.

Our net underwriting expense ratio in 2014 was 24.9% compared with 27.5% in 2013. The decrease of 2.6 percentage points, or 9.5%, was due to: (1) the increase in net premiums earned as a result of the changes to our quota share treaties on July 1, 2014 and (2) a decrease in the effect that catastrophes had on contingent ceding commission revenue.

Other Operating Expenses

Other operating expenses, related to the expenses of our holding company, were $1,487,000 in 2014 compared to $1,099,000 in 2013. The increase in 2014 of $388,000, or 35.3%, was primarily due to higher accrued executive bonuses in 2014 compared to 2013, and a bonus paid along with options granted to our chief executive officer in 2014 pursuant to his amended employment agreement, partially offset by a decrease in professional fees.

Depreciation and Amortization

Depreciation and amortization was $875,000 in 2014 compared to $646,000 in 2013. The increase of $229,000, or 35.4%, in depreciation and amortization was primarily due to depreciation on newly purchased assets used to upgrade our systems infrastructure and the building from which we operate.

Interest Expense

Interest expense was $-0- in 2014 compared to $76,000 in 2013. The $76,000 decrease in interest expense, or 100%, was due to the $747,000 redemption of outstanding notes and $210,000 repayment of the outstanding balance on our credit line from the proceeds of our public offering in December 2013.

Income Tax Expense

Income tax expense in 2014 was $2,547,000, which resulted in an effective tax rate of 32.3%. Income tax expense in 2013 was $764,000, which resulted in an effective tax rate of 27.5%. Income before taxes was $7,875,000 in 2014 compared to $2,776,000 in 2013. The increase in the effective tax rate by 4.8 percentage points in 2014 is a result of the amount and the effect of permanent differences and tax true-ups having a lesser effect in 2014 compared to 2013 due to the greater income before taxes in 2014.

Net Income

Net income was $5,328,000 in 2014 compared to $2,012,000 in 2013. The increase in net income of $3,317,000, or 164.9%, was due to the circumstances described above that caused the increase in our net premiums earned, provisional ceding commissions, and net investment income, and decrease in our net loss ratio, partially offset by an increase in commission expense, other underwriting expenses related to premium growth and other operating expenses.

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,	
	2014	2013
Gross premiums written:		
Personal lines	$ 56,808,940	$ 43,668,704
Commercial lines	10,967,008	9,128,898
Commercial auto	3,222,033	4,838,894
Livery physical damage	5,034,260	2,504,094
Other(1)	272,041	354,233
Total	$ 76,304,282	$ 60,494,823
Net premiums written:		
Personal lines		
Excluding the effect of quota share adjustments on July 1	$ 19,817,259	$ 10,723,294
Return of premiums previously ceded to prior quota share treaties	5,159,646	-
Total Personal lines	24,976,905	10,723,294
Commercial lines		
Excluding the effect of quota share adjustments on July 1	8,516,227	5,835,451
Return of premiums previously ceded to prior quota share treaties	1,437,345	763,928
Total Commercial lines	9,953,572	6,599,379
Commercial auto	3,134,657	4,752,169
Livery physical damage	5,034,260	2,504,094
Other(1)	195,468	259,827
Total	$ 43,294,862	$ 24,838,763
Net premiums earned:		
Personal lines	$ 16,670,947	$ 9,112,104
Commercial lines	8,292,960	5,661,318
Commercial auto	3,932,349	5,203,433
Livery physical damage	3,494,711	1,993,659
Other(1)	237,517	254,653
Total	$ 32,628,484	$ 22,225,167
Net loss and loss adjustment expenses:		
Personal lines	$ 6,345,559	$ 4,117,696
Commercial lines	4,332,021	1,586,786
Commercial auto	3,438,957	5,776,363
Livery physical damage	1,295,746	950,736
Other(1)	516,042	249,718
Unallocated loss adjustment expenses	1,103,863	905,234
Total	$ 17,032,188	$ 13,586,533
Net loss ratio:		
Personal lines	38.1%	45.2%
Commercial lines	52.2%	28.0%
Commercial auto	87.5%	111.0%
Livery physical damage	37.1%	47.7%
Other(1)	217.3%	98.1%
Total	52.2%	61.1%

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

Insurance Underwriting Business on a Standalone Basis

Our insurance underwriting business reported on a standalone basis for the years ended December 31, 2014 and 2013 follows:

	Year ended December 31,	
	2014	2013
Revenues		
Net premiums earned	$ 32,628,484	$ 22,225,167
Ceding commission revenue	13,910,111	11,673,103
Net investment income	1,799,768	1,170,051
Net realized gain on investments	707,027	575,792
Other income	749,369	592,865
Total revenues	49,794,759	36,236,978
Expenses		
Loss and loss adjustment expenses	17,032,188	13,586,533
Commission expense	12,125,328	9,362,793
Other underwriting expenses	10,656,265	9,018,685
Depreciation and amortization	871,520	643,096
Total expenses	40,685,301	32,611,107
Income from operations	9,109,458	3,625,871
Income tax expense	2,918,109	1,075,475
Net income	$ 6,191,349	$ 2,550,396
Key Measures:		
Net loss ratio	52.2%	61.1%
Net underwriting expense ratio	24.9%	27.5%
Net combined ratio	77.1%	88.6%
Reconciliation of net underwriting expense ratio:		
Acquisition costs and other underwriting expenses	$ 22,781,593	$ 18,381,478
Less: Ceding commission revenue	(13,910,111)	(11,673,103)
Less: Other income	(749,369)	(592,865)
Net underwriting expenses	$ 8,122,113	$ 6,115,510
Net premiums earned	$ 32,628,484	$ 22,225,167
Net Underwriting Expense Ratio	24.9%	27.5%

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, 2014				
Written premiums	$ 76,255,426	$ 48,856	$ (33,009,420)	$ 43,294,862
Unearned premiums	(8,119,029)	(3,398)	(2,543,951)	(10,666,378)
Earned premiums	$ 68,136,397	$ 45,458	$ (35,553,371)	$ 32,628,484
Loss and loss adjustment expenses exluding the effect of catastrophes	$ 28,075,577	$ 71,054	$ (12,055,470)	$ 16,091,161
Catastrophe loss	3,764,108	-	(2,823,081)	941,027
Loss and loss adjustment expenses	$ 31,839,685	$ 71,054	$ (14,878,551)	$ 17,032,188
Loss ratio excluding the effect of catastrophes	41.2 %	156.3 %	33.9 %	49.3 %
Catastrophe loss	5.5 %	0.0 %	7.9 %	2.9 %
Loss ratio	46.7 %	156.3 %	41.8 %	52.2 %
Year ended December 31, 2013				
Written premiums	$ 60,449,077	$ 45,746	$ (35,656,060)	$ 24,838,763
Unearned premiums	(6,341,750)	18,499	3,709,655	(2,613,596)
Earned premiums	$ 54,107,327	$ 64,245	$ (31,946,405)	$ 22,225,167
Loss and loss adjustment expenses exluding the effect of catastrophes	$ 30,471,599	$ 57,017	$ (16,978,316)	$ 13,550,300
Catastrophe loss	225,324	-	(189,091)	36,233
Loss and loss adjustment expenses	$ 30,696,923	$ 57,017	$ (17,167,407)	$ 13,586,533
Loss ratio excluding the effect of catastrophes	56.3 %	88.7 %	53.1 %	61.0 %
Catastrophe loss	0.4 %	0.0 %	0.6 %	0.1 %
Loss ratio	56.7 %	88.7 %	53.7 %	61.1 %

The key measures for our insurance underwriting business for the years ended December 31, 2014 and 2013 are as follows:

	Year ended December 31, 2014	Year ended December 31, 2013
Net premiums earned	$ 32,628,484	$ 22,225,167
Ceding commission revenue (1)	13,910,111	11,673,103
Other income	749,369	592,865
Loss and loss adjustment expenses (2)	17,032,188	13,586,533
Acquistion costs and other underwriting expenses:		
Commission expense	12,125,328	9,362,793
Other underwriting expenses	10,656,265	9,018,685
Total acquistion costs and other underwriting expenses	22,781,593	18,381,478
Underwriting income	$ 7,474,183	$ 2,523,124
Key Measures:		
Net loss ratio excluding the effect of catastrophes	49.3%	61.0%
Effect of catastrophe loss on net loss ratio (2) (3)	2.9%	0.1%
Net loss ratio	52.2%	61.1%
Net underwriting expense ratio excluding the effect of catastrophes	23.3%	19.2%
Effect of catastrophe loss on net underwriting expense ratio (1) (2) (3)	1.6%	8.3%
Net underwriting expense ratio	24.9%	27.5%
Net combined ratio excluding the effect of catastrophes	72.6%	80.2%
Effect of catastrophe loss on net combined ratio (1) (2) (3)	4.5%	8.4%
Net combined ratio	77.1%	88.6%
Reconciliation of net underwriting expense ratio:		
Acquisition costs and other underwriting expenses	$ 22,781,593	$ 18,381,478
Less: Ceding commission revenue (1)	(13,910,111)	(11,673,103)
Less: Other income	(749,369)	(592,865)
	$ 8,122,113	$ 6,115,510

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(1) For the year ended December 31, 2014, the effect of severe winter weather, defined as a catastrophe, which occurred in January and February 2014, reduced contingent ceding commission revenue by $517,269. For the year ended December 31, 2013, the effect of Superstorm Sandy, which occurred on October 29, 2012, reduced contingent ceding commission revenue by $1,846,882.

(2) For the year ended December 31, 2014, includes the sum of net catastrophe losses and loss adjustment expenses of $941,027 resulting from severe winter weather, which occurred in January and February 2014.

(3) For the year ended December 31, 2014, the effect of catastrophe loss from severe winter weather on our net combined ratio only includes the direct effects of loss and loss adjustment expenses and ceding commission revenue and does not include the indirect effects of a $163,673 decrease in other underwriting expenses. For the year ended December 31, 2013, the effect of catastrophe loss from Superstorm Sandy on our net loss ratio and net combined ratio only includes the direct effects of loss and loss adjustment expenses and ceding commission revenue and does not include $494,688 of reinstatement premiums for catastrophe coverage or the indirect effect of a $356,670 decrease 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, 2014 and 2013:

Available for Sale Securities

	December 31, 2014					
	Cost or	Gross	Gross Unrealized Losses		Aggregate	% of
	Amortized	Unrealized	Less than 12	More than 12	Fair	Fair
Category	Cost	Gains	Months	Months	Value	Value
Political subdivisions of States,						
Territories and Possessions	$ 13,862,141	$ 412,490	$ (23,813)	$ (6,379)	$ 14,244,439	24.1%
Corporate and other bonds						
Industrial and miscellaneous	36,221,300	803,440	(118,092)	(30,228)	36,876,420	62.4%
Total fixed-maturity securities	50,083,441	1,215,930	(141,905)	(36,607)	51,120,859	86.5%
Equity Securities	7,621,309	464,130	(2,647)	(65,063)	8,017,729	13.5%
Total	$ 57,704,750	$ 1,680,060	$ (144,552)	$ (101,670)	$ 59,138,588	100.0%

	December 31, 2013					
	Cost or	Gross	Gross Unrealized Losses		Aggregate	% of
	Amortized	Unrealized	Less than 12	More than 12	Fair	Fair
Category	Cost	Gains	Months	Months	Value	Value
Political subdivisions of States,						
Territories and Possessions	$ 7,000,222	$ 162,617	$ (49,491)	$ (45,140)	$ 7,068,208	20.1%
Corporate and other bonds						
Industrial and miscellaneous	21,079,680	569,138	(179,810)	(101,194)	21,367,814	60.6%
Total fixed-maturity securities	28,079,902	731,755	(229,301)	(146,334)	28,436,022	80.7%
Equity Securities	6,690,338	473,109	(290,310)	(76,464)	6,796,673	19.3%
Total	$ 34,770,240	$ 1,204,864	$ (519,611)	$ (222,798)	$ 35,232,695	100.0%

Held to Maturity Securities

Category	December 31, 2014 Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses Less than 12 Months	More than 12 Months	Fair Value	% of Fair Value
U.S. Treasury securities	$ 606,353	$ 183,200	$ -	$ -	$ 789,553	16.0%
Political subdivisions of States, Territories and Possessions	1,413,303	37,734	-	(200,665)	1,049,707	21.2%
Corporate and other bonds Industrial and miscellaneous	3,109,079	45,385	(52,921)	-	3,101,543	62.8%
Total	$ 5,128,735	$ 266,319	$ (52,921)	$ (200,665)	$ 4,940,803	100.0%

Category	December 31, 2013 Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses Less than 12 Months	More than 12 Months	Fair Value	% of Fair Value
U.S. Treasury securities	$ 606,138	$ 46,915	$ -	$ -	$ 653,053	26.9%
Political subdivisions of States, Territories and Possessions	208,697	-	(25,359)	-	183,338	7.6%
Corporate and other bonds Industrial and miscellaneous	1,584,647	4,223	-	-	1,588,870	65.5%
Total	$ 2,399,482	$ 51,138	$ (25,359)	$ -	$ 2,425,261	100.0%

U.S. Treasury securities included in held to maturity securities are held in trust pursuant to the New York State Department of Financial Services' minimum funds requirement.

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, 2014 and 2013 is shown below:

Remaining Time to Maturity	December 31, 2014 Amortized Cost	Fair Value	December 31, 2013 Amortized Cost	Fair Value
Less than one year	$ -	$ -	$ -	$ -
One to five years	-	-	-	-
Five to ten years	3,522,927	3,563,401	1,793,344	1,772,208
More than 10 years	1,605,808	1,831,653	606,138	653,053
Total	$ 5,128,735	$ 5,395,054	$ 2,399,482	$ 2,425,261

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, 2014 and 2013 as rated by Standard and Poor's (or, if unavailable from Standard and Poor's, then Moody's or Fitch):

	December 31, 2014		December 31, 2013	
	Fair Market Value	Percentage of Fair Market Value	Fair Market Value	Percentage of Fair Market Value
Rating				
AAA	$ 2,779,539	5.5 %	$ 2,075,010	7.3 %
AA	9,826,545	19.2 %	4,566,384	16.1 %
A	13,954,036	27.3 %	7,680,343	27.0 %
BBB	24,560,739	48.0 %	14,114,285	49.6 %
Total	$ 51,120,859	100.0 %	$ 28,436,022	100.0 %

The table below details the average yield by type of fixed-maturity security as of December 31, 2014 and 2013:

Category	December 31, 2014	December 31, 2013
U.S. Treasury securities and obligations of U.S. government corporations and agencies	3.29%	3.98%
Political subdivisions of States, Territories and Possessions	3.77%	4.34%
Corporate and other bonds Industrial and miscellaneous	4.20%	4.69%
Total	4.06%	4.59%

The table below lists the weighted average maturity and effective duration in years on our fixed-maturity securities as of December 31, 2014 and 2013:

	December 31, 2014	December 31, 2013
Weighted average effective maturity	6.5	6.8
Weighted average final maturity	7.3	7.4
Effective duration	5.7	5.8

Fair Value Consideration

As disclosed in Note 4 to the Consolidated Financial Statements, with respect to "Fair Value Measurements," we define fair value under GAAP guidance 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"). This GAAP guidance establishes a fair value hierarchy that 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 in GAAP 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, 2014 and 2013, 63% and 78%, 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, 2014 and 2013, and concluded that the unrealized losses in these asset classes are temporary in nature and the result of a decrease in value due to technical spread widening and broader market sentiment, rather than fundamental collateral deterioration.

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, 2014 and 2013:

	December 31, 2014							
	Less than 12 months			12 months or more			Total	
Category	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	$ 3,013,648	$ (23,813)	9	$ 126,658	$ (6,379)	1	$ 3,140,306	$ (30,192)
Corporate and other bonds industrial and miscellaneous	6,325,579	(118,092)	15	714,640	(30,228)	2	7,040,219	(148,320)
Total fixed-maturity securities	$ 9,339,227	$ (141,905)	24	$ 841,298	$ (36,607)	3	$ 10,180,525	$ (178,512)
Equity Securities:								
Preferred stocks	$ 656,325	$ (2,647)	1	$ 1,448,376	$ (62,886)	6	$ 2,104,701	$ (65,533)
Common stocks	-	-	-	267,000	(2,177)	1	267,000	(2,177)
Total equity securities	$ 656,325	$ (2,647)	1	$ 1,715,376	$ (65,063)	7	$ 2,371,701	$ (67,710)
Total	$ 9,995,552	$ (144,552)	25	$ 2,556,674	$ (101,670)	10	$ 12,552,226	$ (246,222)

Category	December 31, 2013							
	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	$ 2,015,437	$ (49,491)	6	$ 415,866	$ (45,140)	2	$ 2,431,303	$ (94,631)
Corporate and other bonds industrial and miscellaneous	6,447,605	(179,810)	24	1,430,377	(101,194)	5	7,877,982	(281,004)
Total fixed-maturity securities	$ 8,463,042	$ (229,301)	30	$ 1,846,243	$ (146,334)	7	$ 10,309,285	$ (375,635)
Equity Securities:								
Preferred stocks	$ 1,835,958	$ (251,525)	8	$ 444,100	$ (62,551)	2	$ 2,280,058	$ (314,076)
Common stocks	879,525	(38,785)	4	145,625	(13,913)	1	1,025,150	(52,698)
Total equity securities	$ 2,715,483	$ (290,310)	12	$ 589,725	$ (76,464)	3	$ 3,305,208	$ (366,774)
Total	$ 11,178,525	$ (519,611)	42	$ 2,435,968	$ (222,798)	10	$ 13,614,493	$ (742,409)

There were 35 securities at December 31, 2014 that accounted for the gross unrealized loss, none of which were deemed by us to be other than temporarily impaired. There were 52 securities at December 31, 2013 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.

The primary sources of cash flow for our holding company operations are in connection with the fee income we receive from the premium finance loans (as more fully described in Note 19 to our Consolidated Financial Statements). We also receive cash dividends from KICO, subject to statutory restrictions. For the year ended December 31, 2014, KICO paid dividends of $1,500,000 to us.

On December 13, 2013, we completed an underwritten public offering of 3,450,000 shares of our common stock, including 450,000 shares issued pursuant to the underwriter's 30-day over-allotment option, at a public offering price of $5.95 per share. The aggregate net proceeds we received were $18,804,000, after deducting underwriting discounts and commissions and other offering expenses. We used the net proceeds of the offering to contribute $15,000,000 of capital to our insurance subsidiary, KICO, to support its growth, including possible product expansion, to repay the $747,000 outstanding balance of our notes and to repay the $210,000 outstanding balance on our credit line. A registration statement relating to these securities was filed with the SEC and became effective on December 9, 2013.

We have an agreement with a bank for a $600,000 line of credit to be used for general corporate needs. The principal balance is payable on demand, and must be reduced to zero for a minimum of 30 consecutive days during each year of the term of the credit line. There were no borrowings on the credit line during the year ended December 31, 2014, and the outstanding principal balance was $-0- as of December 31, 2014.

If the aforementioned is 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:

Years Ended December 31,	2014	2013
Cash flows provided by (used in):		
Operating activities	$ 17,332,972	$ 7,383,537
Investing activities	(25,998,677)	(6,577,871)
Financing activities	(1,349,923)	16,876,828
Net (decrease) increase in cash and cash equivalents	(10,015,628)	17,682,494
Cash and cash equivalents, beginning of period	19,922,506	2,240,012
Cash and cash equivalents, end of period	$ 9,906,878	$ 19,922,506

Net cash provided by operating activities was $17,333,000 in 2014 as compared to $7,384,000 provided in 2013. The $9,949,000 increase in cash flows provided by operating activities in 2014 was primarily a result of an increase in net income (adjusted for non-cash items) of $4,420,000 and the net fluctuations in assets and liabilities of $5,666,000 relating to operating activities of KICO as affected by the growth in its operations which are described above.

Net cash used in investing activities was $25,999,000 in 2014 compared to $6,578,000 used in 2013. The $19,421,000 increase in cash flows used in investing activities was the result of a $23,073,000 increase in acquisitions of invested assets, offset by a $4,074,000 increase in sales of invested assets.

Net cash used in financing activities was $1,350,000 in 2014 compared to $16,877,000 provided in 2013. The $18,227,000 decrease in cash flows used in financing activities was a result of the net proceeds of $18,804,000 from our public offering on December 13, 2013 and the $700,000 increase in dividends paid due additional shares outstanding in 2014 and the increase in dividend rate, offset by net repayments of $1,197,000 of debt in 2013 compared to no net borrowings in 2014.

Reinsurance

The following table summarizes 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, 2014:

($ in thousands)	A.M. Best Rating	Amount Recoverable as of December 31, 2014	%
Maiden Reinsurance Company	A-	$ 8,544	43.3%
SCOR Reinsurance Company	A	3,037	15.4%
Swiss Reinsurance America Corporation	A+	4,011	20.3%
		15,592	79.0%
Others		4,127	21.0%
Total		$ 19,719	100.0%

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 in effect for the year ended December 31, 2014 for our personal lines business, which primarily consists of homeowners' policies, were covered under the July 1, 2013/June 30, 2014 and July 1, 2014/June 30, 2015 treaty years. Our quota share reinsurance treaty in effect for the year ended December 31, 2014 for our commercial lines business was covered under the July 1, 2013/June 30, 2014 treaty year. We did not renew our expiring commercial lines quota share reinsurance treaty on July 1, 2014. Our quota share reinsurance treaties in effect for the year ended December 31, 2013 for both our personal lines business and commercial lines business were covered under the July 1, 2012/June 30, 2013 and July 1, 2013/June 30, 2014 treaty years. Our personal lines quota share treaty that covered the July 1, 2013/June 30, 2014 treaty year is a two year treaty expiring on June 30, 2015. Effective as of July 1, 2014, we had the option to increase the quota share percentage from 75% to a maximum of 85% or decrease the quota share percentage from 75% to a minimum of 55% by giving no less than 30 days advance notice. On May 12, 2014, we notified the personal lines reinsurers of our election to reduce the ceding percentage in the personal lines quota share treaty from 75% to 55% effective July 1, 2014. In addition to the change in the personal lines quota share treaty discussed above, we entered into new annual treaties with different terms effective July 1, 2014. Our treaties for the July 1, 2012/June 30, 2013, July 1, 2013/ June 30, 2014 and July 1, 2014/June 30, 2015 treaty years provide for the following material terms:

	Treaty Year		
Line of Busines	**July 1, 2014 to June 30, 2015**	**July 1, 2013 to June 30, 2014**	**July 1, 2012 to June 30, 2013**
Personal Lines:			
Homeowners, dwelling fire and canine legal liability			
Quota share treaty:			
Percent ceded	55%	75%	75%
Risk retained	$ 360,000	$ 300,000	$ 250,000
Losses per occurrence subject to quota share reinsurance coverage	$ 800,000	$ 1,200,000	$ 1,000,000
Excess of loss coverage above quota share coverage	$ 3,200,000	$ 1,700,000	$ 1,900,000
	in excess of	in excess of	in excess of
	$ 800,000	$ 1,200,000	$ 1,000,000
Total reinsurance coverage per occurrence	$ 3,640,000	$ 2,600,000	$ 2,650,000
Losses per occurrence subject to reinsurance coverage	$ 4,000,000	$ 2,900,000	$ 2,900,000
Expiration date	June 30, 2015	June 30, 2015	June 30, 2013
Personal Umbrella			
Quota share treaty:			
Percent ceded - first million dollars of coverage	90%	90%	90%
Percent ceded - excess of one million dollars of coverage	100%	100%	100%
Risk retained	$ 100,000	$ 100,000	$ 100,000
Total reinsurance coverage per occurrence	$ 2,900,000	$ 1,900,000	$ 1,900,000
Losses per occurrence subject to quota share reinsurance coverage	$ 3,000,000	$ 2,000,000	$ 2,000,000
Expiration date	June 30, 2015	June 30, 2014	June 30, 2013
Commercial Lines:			
General liability commercial policies, except for commercial auto			
Quota share treaty:			
Percent ceded (terminated effective July 1, 2014)	None	25%	40%
Risk retained	$ 400,000	$ 300,000	$ 300,000
Losses per occurrence subject to quota share reinsurance coverage	None	$ 400,000	$ 500,000
Excess of loss coverage above quota share coverage	$ 3,600,000	$ 2,500,000	$ 2,400,000
	in excess of	in excess of	in excess of
	$ 400,000	$ 400,000	$ 500,000
Total reinsurance coverage per occurrence	$ 3,600,000	$ 2,600,000	$ 2,600,000
Losses per occurrence subject to reinsurance coverage	$ 4,000,000	$ 2,900,000	$ 2,900,000
Commercial Auto:			
Risk retained	$ 300,000	$ 300,000	$ 250,000
Excess of loss coverage in excess of risk retained	$ 1,700,000	$ 1,700,000	$ 1,750,000
	in excess of	in excess of	in excess of
	$ 300,000	$ 300,000	$ 250,000
Catastrophe Reinsurance:			
Initial loss subject to personal lines quota share treaty	$ 4,000,000	$ 4,000,000	$ 3,000,000
Risk retained per catastrophe occurrence (1)	$ 1,800,000	$ 1,000,000	$ 750,000
Catastrophe loss coverage in excess of quota share coverage (2) (3)	$ 137,000,000	$ 86,000,000	$ 70,000,000

(1) Plus losses in excess of catastrophe coverage.

(2) Effective July 1, 2014, our catastrophe treaty also covers losses caused by severe winter weather during any consecutive 28 day period.

(3) Catastrophe coverage is limited on an annual basis to two times the per occurrence amounts. Effective July 1, 2014, the duration of a catastrophe occurrence from windstorm, hail, tornado, hurricane
and cyclone has been extended to 96 consecutive hours from 72 consecutive hours.

The single maximum risks per occurrence to which we are subject to under the treaties that expired on June 30, 2014 and the new treaties effective July 1, 2014 are as follows:

	July 1, 2014 - June 30, 2015			July 1, 2013 - June 30, 2014		
Treaty	Extent of Loss	Risk Retained		Extent of Loss	Risk Retained	
Personal Lines	Initial $800,000	$ 360,000		Initial $1,200,000	$ 300,000	
	$ 800,000 -			$ 1,200,000 -		
	$ 4,000,000	None(1)		$ 2,900,000	None(1)	
	Over $4,000,000	100	%	Over $2,900,000	100	%
Personal Umbrella	Initial $1,000,000	$ 100,000		Initial $1,000,000	$ 100,000	
	$ 1,000,000 -			$ 1,000,000 -		
	$ 3,000,000	None(1)		$ 2,000,000	None(1)	
	Over $3,000,000	100	%	Over $2,000,000	100	%
Commercial Lines	Initial $400,000	$ 400,000		Initial $400,000	$ 300,000	
	$ 400,000 -			$ 400,000 -		
	$ 4,000,000	None(1)		$ 2,900,000	None(1)	
	Over $4,000,000	100	%	Over $2,900,000	100	%
Commercial Auto	Initial $300,000	$ 300,000		Initial $300,000	$ 300,000	
	$ 300,000 -			$ 300,000 -		
	$ 2,000,000	None(1)		$ 2,000,000	None(1)	
	Over $2,000,000	100	%	Over $2,000,000	100	%
Catastrophe (2)	Initial $4,000,000	$ 1,800,000		Initial $4,000,000	$ 1,000,000	
	$ 4,000,000 -			$ 4,000,000 -		
	$ 141,000,000	None		$ 90,000,000	None	
	Over $141,000,000	100	%	Over $90,000,000	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, liquidity, capital expenditures or capital resources that is 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. In addition, such factors, among others, may affect the accuracy of certain forward-looking statements contained in this Annual Report.

<u>Risks Related to Our Business</u>

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), 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 $141,000,000. The initial $4,000,000 of losses in a catastrophe are subject to a 55% quota share reinsurance treaty, such that we retain $1,800,000 of risk per catastrophe occurrence. With respect to any additional catastrophe losses of up to $137,000,000, 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 in 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 litigation. 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.

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

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 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. KICO currently has an A.M. Best financial strength rating of B+ (Good). 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. KICO currently has a Demotech financial stability rating of A (Excellent), which generally permits lenders to accept our policies. All ratings are subject to continuous review; therefore, the retention of these ratings cannot be assured. A downgrade in any of these ratings 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 have been experiencing extreme volatility and disruption. In some cases, the markets have exerted downward pressure on the availability of liquidity and credit capacity. In the event that we need access to additional capital to pay our operating expenses, make payments on our indebtedness, pay for capital expenditures or increase the amount of insurance that we seek to underwrite or 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, 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.

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 develop or seek other alternatives.

We intend to prudently reduce our reliance on quota share reinsurance; this would lead to greater exposure to net insurance losses.

We have determined it to be in the best interests of our shareholders to prudently reduce our reliance on quota share reinsurance. Any such reduction would result in higher earned premiums and a reduction in ceding commission revenue in future years. Such approach would also lead to increased exposure to net insurance losses.

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, that some of our shareholders might consider to be desirable. Similar regulations may apply in other states in which we may operate.

The insurance industry is subject to extensive restrictive regulation that may affect our operating costs and limit the growth of our business, and changes within this regulatory environment may, too, 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, including, 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 or prevent us from making changes we believe are necessary to match rate to risk. 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 the state insurance department. 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 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 New York State Department of Financial Services 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 this minimum, we may face restrictions with respect to soliciting new business and/or keeping existing business. Similar regulations will 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 or severity of weather events and wildfires and 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 such 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. These brokers provided a total of 31.8% of our gross premiums written for the year ended December 31, 2014. 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.

Recent regulatory action taken by the New York State Department of Financial Services following Superstorm Sandy may affect our operations and business.

In the aftermath of Superstorm Sandy, the New York State Department of Financial Services (the “DFS”) has adopted various regulations that affect insurance companies that operate in the state of New York. Included among the regulations are accelerated claims investigation and settlement requirements and mandatory participation in non-binding mediation proceedings funded by the insurer. In addition, in February 2013, the state of New York announced that the DFS has commenced an investigation into the claims practices of three insurance companies, including KICO, in connection with Superstorm Sandy claims. The DFS stated that the three insurers had a much larger than average consumer complaint rate with regard to Superstorm Sandy claims and indicated that the three insurers were being investigated for (i) failure to send adjusters in a timely manner; (ii) failure to process claims in a timely manner; and (iii) inability of homeowners to contact insurance company representatives. KICO received a letter from the DFS seeking information and data with regard to the foregoing. KICO provided information and data to the DFS and has cooperated with the DFS in connection with its investigation. KICO has not received a response from the DFS since a meeting held on May 23, 2013 and believes that such matter will not have any effect on our financial position or results of operations. In settling insurance claims, including those related to Superstorm Sandy, if KICO were to pay for losses not covered by the insurance policy, such as those based on water and sewer back up claims, it could face disclaimers of coverage from its reinsurers with regard to the amounts paid.

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.

Regulations requiring us to underwrite business and participate in loss sharing arrangements may adversely affect our operating results and financial condition.

The state of New York has enacted laws that require a property liability insurer conducting business in such state to participate in assigned risk plans, reinsurance facilities and joint underwriting associations or require the insurer to offer coverage to all consumers, often restricting an insurer's ability to charge the price it might otherwise charge. In these markets, we may be compelled to underwrite significant amounts of business at lower than desired rates, possibly leading to an unacceptable return on equity, which may adversely affect our operating results and financial condition.

As a holding company, we are dependent on the results of operations of our subsidiaries; 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 subsidiaries, KICO and Payments, Inc. As a holding company with limited operations of our own, the principal sources of our funds are dividends and other payments from KICO and Payments, Inc. Consequently, we must rely on KICO and Payments, Inc. for our ability to repay debts, pay expenses and pay cash dividends to our shareholders.

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. Maximum permissible dividends 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 during the preceding 24 months of the current 12 month period. As of December 31, 2014, the maximum permissible distribution that KICO could pay without prior regulatory approval was approximately $2,608,000.

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 business, 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. The loss of Mr. Goldstein 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, 2016.

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

Some economists continue to project significant negative macroeconomic trends, including relatively high and sustained unemployment, reduced consumer spending, and substantial increases in delinquencies on consumer debt, including defaults on home mortgages. Moreover, recent disruptions in the financial markets, particularly the reduced availability of credit and tightened lending requirements, have impacted the ability of borrowers to refinance loans at more affordable rates. 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 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.

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.

The enactment of tort reform could adversely affect our business

Legislation concerning tort reform is from time to time considered in the United States Congress. Among the provisions considered for inclusion in such legislation are limitations on damage awards, including punitive damages. Enactment of these or similar provisions by Congress or by the states in which we operate could result in a reduction in the demand for liability insurance policies or a decrease in the limits of such policies, thereby reducing our revenues. We cannot predict whether any such legislation will be enacted or, if enacted, the form such legislation will take, nor can we predict the effect, if any, such legislation would have on our business or results of operations.

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 is currently thinly traded and 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. Thinly traded stocks can be more volatile than stock trading in an active public market. Therefore, shareholders have very little 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 659,100 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. Options to purchase 321,365 shares of our common stock are outstanding under the 2005 plan and 1,135 shares are reserved for issuance thereunder. We plan to file a registration statement on Form S-8 under the Securities Act to register the 700,000 shares issuable under our 2014 Equity Participation Plan. Options to purchase 50,000 shares of our common stock are outstanding, and 650,000 shares are reserved for issuance, under the 2014 plan, subject to shareholder approval of the plan. The shares subject to the registration statement 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 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 16, 2015, our executive officers and directors beneficially owned 2,284,128 shares of our common stock (including options to purchase 112,500 shares of our common stock), representing 31% 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.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements required by this Item 8 are included in this Annual Report following Item 15 hereof. As a smaller reporting company, 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 disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) 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.

As required by Exchange Act Rule 13a-15(b), as of the end of the period covered by this Annual Report, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2014.

This Annual Report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to rules of the SEC that permit us to provide only management's report in this Annual Report.

Internal Control over Financial Reporting

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 US 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 US 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 based on the framework in *Internal Control – Integrated Framework* 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, 2014.

Changes in Internal Control Over Financial Reporting

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.

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	62	President, Chairman of the Board, Chief Executive Officer and Director
Victor J. Brodsky	57	Chief Financial Officer and Treasurer
John D. Reiersen	72	Executive Vice President, Kingstone Insurance Company
Benjamin Walden	47	Senior Vice President and Chief Actuary, Kingstone Insurance Company
Michael R. Feinsod	44	Secretary and Director
Jay M. Haft	79	Director
Jack D. Seibald	54	Director
Floyd R. Tupper	60	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 April 1997 to December 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 May 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 service as Chairman of the Board of KICO since 2006 and as its Chief Investment Officer since 2008, give 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 Senior Vice President of KICO since January 2012. He also served 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.

John D. Reiersen

Mr. Reiersen served as President of KICO from 1999 to 2011 and as its Chief Executive Officer from 2001 to 2011. Since January 2012, Mr. Reiersen has served as Executive Vice President of KICO. Mr. Reiersen served for 25 years with the New York State Insurance Department ending his tenure there as Chief Examiner in the Property and Casualty Insurance Bureau. At the Insurance Department, he was instrumental in the enactment of numerous statutes and regulations, including the automobile no-fault program, the photo inspection law, the Insurance Information and Enforcement System program and many other cost-containment measures. Mr. Reiersen was also instrumental in the enactment of many rules in the New York Automobile Insurance Plan. He served as President of the Eagle Insurance Group from 1990 to 2000. Mr. Reiersen served as Chairman of the New York Insurance Association and has served and continues to serve on many insurance industry association boards and committees. He holds the professional designations of Chartered Property and Casualty Underwriter, Certified Financial Examiner and Certified Insurance Examiner. Mr. Reiersen is a graduate of Brooklyn College and holds a Bachelor of Science Degree in Accounting.

Benjamin Walden

Mr. Walden has served as Senior Vice President of KICO since January 2015 and as Chief Actuary of KICO since December 2013. 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 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.

Michael R. Feinsod

Mr. Feinsod is Managing Member of Infinity Capital, LLC, an investment management company he founded in 1999.Since August 2014, he has served as Executive Chairman of the Board of Advanced Cannabis Corporation.From 2006 through 2013, he served in various executive positions at Ameritrans Capital Corporation, a business development company. Mr. Feinsod served as a director of Ameritrans Capital from December 2005 until July 2013 and served as a director of its subsidiary, Elk Associates Funding Corporation, from December 2005 until April, 2013. In April, 2013, in connection with a settlement agreement, the United States Small Business Administration was appointed as the receiver of Elk Associates Funding Corporation for the purpose of marshaling and liquidating all of its assets and satisfying the claims of creditors therefrom. Mr. Feinsod served as an investment analyst and portfolio manager at Mark Boyar & Company, Inc., a broker-dealer. He is admitted to practice law in New York and served as an associate in the Corporate Law Department of Paul, Hastings, Janofsky & Walker LLP. Mr. Feinsod holds a J.D. from Fordham University School of Law and a B.A. from George Washington University. He has served as one of our directors since October 2008 and as our Secretary since August 2013. We believe that Mr. Feinsod's corporate finance, legal and executive-level experience, as well as his service on the Board of KICO since July 2009, give him the qualifications and skills to serve as one of our directors.

Jay M. Haft

Mr. Haft is currently a personal advisor to Victor Vekselberg, a Russian entrepreneur with considerable interests in oil, aluminum, utilities and other industries. Mr. Haft is also 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 Neurotrope, Inc., SpA, the United States-Russian Business Counsel and The Link of Times 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 is counsel to Reed Smith, an international law firm, as well as several other law and accounting firms. 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. 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 July 2009, give him the qualifications and skills to serve as one of our directors.

Jack D. Seibald

Mr. Seibald is a Founder and Managing Member of Concept Capital Markets, LLC ("Concept Capital") and serves Concept Capital in a variety of areas, including business and client development and legal and compliance matters. Mr. Seibald also serves as a Managing Member of Concept Capital Holdings, LLC, the parent of Concept Capital, of Concept Capital Administration, LLC, which provides administrative services to Concept Capital and its affiliates, and as a member of the Board of Managers of ConceptONE, LLC, which provides portfolio and risk analytics and reporting services as well as regulatory reporting to investment managers. Mr. Seibald has been affiliated with Concept Capital and its predecessors since 1995 and has extensive experience in equity research, investment management and prime brokerage services dating back to 1983. From 1997 to 2005, Mr. Seibald was also a Managing Member of Whiteford Advisors, LLC, an investment management firm, where as co-founder he co-managed several pools of funds. He began his career at Oppenheimer & Co. as an equity analyst covering the retailing industry and has also been affiliated with Salomon Brothers and Morgan Stanley & Co. in similar positions. Mr. Seibald also operated The Seibald Report, Inc., an independent research firm specializing in the retailing sector. He holds an M.B.A. from Hofstra University and a B.A. from George Washington University. Mr. Seibald has served as one of our directors since 2004. In January 2008, the Financial Industry Regulatory Authority ("FINRA") imposed a $100,000 fine and 20-day suspension on Mr. Seibald in connection with the settlement of a FINRA action against Sanders Morris Harris Inc. and Mr. Seibald, among others. FINRA had found that Mr. Seibald had improperly received compensation from a profit pool derived, in part, from commissions on trading by a hedge fund for which he served as a manager. We believe that Mr. Seibald's corporate finance and executive-level experience, as well as his service on the Board of KICO since 2006 (including his service as Chairman of its Investments Committee), give him the qualifications and skills to serve as one of our directors.

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 since June 2014. 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.

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, Feinsod, Haft and Seibald.

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, 2014. 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, 2014, our officers, directors and 10% stockholders complied with all Section 16(a) filing requirements applicable to them.

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, 2014 and 2013 for certain executive officers, including our Chief Executive Officer:

Name and Principal Position	Year	Salary	Bonus	Option Awards	Non-Equity Incentive Plan Compensation	All Other Compensation	Total
Barry B. Goldstein							
Chief Executive	2014	$ 512,500	$ 62,500	$ 320,026	$ 453,853(1)	$ 36,319	$ 1,385,198
Officer	2013	$ 450,000	$ 100,000	$ -	$ 120,750(2)	$ 35,857	$ 706,607
Victor J. Brodsky							
Chief Financial	2014	$ 269,600	$ 10,000	$ -	$ 32,248(4)	$ 19,691	$ 331,539
Officer	2013	$ 249,600	$ 28,000(3)	$ 27,672	$ 18,405(5)	$ 17,603	$ 341,280
Benjamin Walden							
Vice President and	2014	$ 210,000	$ -	$ -	$ 36,160(4)	$ 7,431	$ 253,591
Chief Actuary, Kingstone	2013						
Insurance Company (6)	(7)	$ 4,038	$ -	$ 18,582	$ 770(5)	$ -	$ 23,390

(1) Represents bonus compensation of $385,825 accrued pursuant to Mr. Goldstein's employment agreement and paid in 2015, and $49,331 accrued pursuant to the KICO employee profit sharing plan and paid in 2015.

(2) Represents bonus compensation of $67,429 accrued pursuant to Mr. Goldstein's employment agreement and paid in 2014, and $53,321 accrued pursuant to the KICO employee profit sharing plan and paid in 2014.

(3) Represents bonus compensation of $8,000 for 2012 paid in 2013 and $20,000 accrued in 2013 and paid in 2014.

(4) Represents amounts accrued pursuant to the KICO employee profit sharing plan for 2014 and paid in 2015.

(5) Represents amounts accrued pursuant to the KICO employee profit sharing plan for 2013 and paid in 2014.

(6) Mr. Walden was elected Senior Vice President of KICO in January 2015.

(7) Mr. Walden joined KICO on December 16, 2013.

Employment Contracts

Mr. Goldstein is employed as our President, Chairman of the Board and Chief Executive Officer pursuant to an employment agreement, dated October 16, 2007, as amended (the "Goldstein Employment Agreement"), that expires on December 31, 2016. Pursuant to the Goldstein Employment Agreement, effective July 1, 2014, Mr. Goldstein is entitled to receive an annual base salary of $575,000 ("Base Salary"). Mr. Goldstein's annual base salary had been $350,000 from January 1, 2004 through December 31, 2009, $375,000 from January 1, 2010 through December 31, 2011 and $450,000 from January 1, 2012 through June 30, 2014. Effective July 1, 2014, Mr. Goldstein is entitled to receive an annual bonus equal to 6% of our consolidated income from operations before taxes, net of our consolidated net investment income and net realized gains on sales of investments. Through June 30, 2014, Mr. Goldstein was entitled to receive an annual bonus of up to 6% of our consolidated net income. In consideration of Mr. Goldstein entering into an amendment to his employment agreement in August 2014, we paid him a bonus in the amount of $62,500. He is also 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. A portion of the Base Salary amount payable to Mr. Goldstein is contractually shared with KICO and the bonus payable to him by us is subject to reduction on a dollar-for-dollar basis to the extent of any bonus paid to him by KICO. Since August 2008, Mr. Goldstein has served as Chief Investment Officer of KICO. Since January 2012, he has also served as President and Chief Executive Officer of KICO. See "Termination of Employment and Change-in-Control Arrangements."

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

	Option Awards			
Name	**Number of Securities Underlying Unexercised Options Exercisable**	**Number of Securities Underlying Unexercised Options Unexercisable**	**Option Exercise Price**	**Option Expiration Date**
Barry B. Goldstein	120,000	-	$ 2.50	03/24/15
	62,500	137,500(1)	$ 6.73	08/12/19
Victor J. Brodsky	10,000	10,000(2)	$ 5.09	08/29/18
Benjamin Walden	5,000	5,000(3)	$ 6.60	12/16/18

(1) Such options are exercisable to the extent of 62,500 shares effective as of each of August 12, 2015 and 2016 and 12,500 shares effective as of August 12, 2017. In addition, Mr. Goldstein holds an option for the purchase of 50,000 shares which is exercisable as of August 12, 2017 at an exercise price of $6.73 per share, subject to shareholder approval of our 2014 Equity Participation Plan. The option expires on August 12, 2019.

(2) Such options are exercisable to the extent of 5,000 shares effective as of each of August 29, 2015 and 2016.

(3) Such options are exercisable to the extent of 2,500 shares effective as of each of December 16, 2015 and 2016.

Termination of Employment and Change-in-Control Arrangements

Pursuant to the Goldstein Employment Agreement and as provided for in his prior employment agreement which expired on April 1, 2007, Mr. Goldstein would be entitled, under certain circumstances, to a payment equal to one and one-half times his then annual salary in the event of the termination of his employment following a change of control of Kingstone Companies, Inc. Under such circumstances, Mr. Goldstein's outstanding options would become exercisable and would remain exercisable until the first anniversary of the termination date. In addition, in the event Mr. Goldstein's employment is terminated by us without cause or he resigns with good reason (each as defined in the Goldstein Employment Agreement), Mr. Goldstein would be entitled to receive his base salary and bonuses from us for the remainder of the term, and his outstanding options would become exercisable and would remain exercisable until the first anniversary of the termination date. In addition, in the event Mr. Goldstein's employment with KICO is terminated by KICO with or without cause, he would be entitled to receive a lump sum payment from KICO equal to six months base salary.

Compensation of Directors

The following table sets forth certain information concerning the compensation of our directors for the fiscal year ended December 31, 2014:

DIRECTOR COMPENSATION

Name	Fees Earned or Paid in Cash	Stock Awards	Option Awards	Total
Michael R. Feinsod	$ 41,625	-	-	$ 41,625
Jay M. Haft	$ 42,000	-	-	$ 42,000
David A. Lyons (1)	$ 27,750	-	-	$ 27,750
Jack D. Seibald	$ 44,000	-	-	$ 44,000
Floyd R. Tupper (2)	$ 22,231	-	-	$ 22,231

(1) Mr. Lyons resigned as a director in June 2014.

(2) Mr. Tupper was elected a director in June 2014.

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

- $32,000 per annum (including $5,000 per annum for service as a director of KICO)
- an additional $6,000 per annum for committee chair (and $1,500 per annum for KICO committee chair)
- $750 per Board meeting attended ($375 if telephonic)
- $500 per committee meeting attended ($250 if telephonic)

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 16, 2015 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	1,099,524 (1)(2)	14.8%
Michael R. Feinsod c/o Infinity Capital 200 South Service Road Roslyn, New York	463,775 (1)(3)	6.3%
Jack D. Seibald 1336 Boxwood Drive West Hewlett Harbor, New York	408,147 (1)(4)	5.6%
Jay M. Haft 69 Beaver Dam Road Salisbury, Connecticut	170,275 (1)(5)	2.3%
Floyd R. Tupper 220 East 57th Street New York, New York	94,475 (1)(6)	1.3%
Victor J. Brodsky 15 Joys Lane Kingston, New York	21,408 (1)(7)	*
Benjamin Walden 11 Mill Pond Lane Centerport, New York	5,000 (1)(8)	*
Ronin Capital, LLC 350 N. Orleans Street, Suite 2N Chicago, Illinois	634,100 (9)	8.6%

Eidelman Virant Capital, Inc. 8000 Maryland Avenue, Suite 380 St. Louis, Missouri	492,227 (9)	6.7%
Wedbush Opportunity Capital, LLC Wedbush Opportunity Partners, LP 1000 Wilshire Boulevard Los Angeles, California	468,203 (9)(10)	6.4%
All executive officers and directors as a group (8 persons)	2,284,128 (1)(2)(3)(4)(5)(6)(7)(8)(11)	30.7%

* 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) 35,000 shares held in retirement trusts for the benefit of Mr. Goldstein, (ii) 92,500 shares issuable upon the exercise of currently exercisable options and (iii) 144,161 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 446,780 shares owned by Infinity Capital Partners, L.P. ("Partners"). Each of (i) Infinity Capital, LLC ("Capital"), as the general partner of Partners, (ii) Infinity Management, LLC ("Management"), as the Investment Manager of Partners, and (iii) Michael Feinsod, as the Managing Member of Capital and Management, the General Partner and Investment Manager, respectively, of Partners, may be deemed to be the beneficial owners of the shares held by Partners. Pursuant to Schedule 13D, as amended, filed under the Exchange Act, by Partners, Capital, Management and Mr. Feinsod, each has sole voting and dispositive power over the shares. Also includes 10,000 shares held in a retirement trust for the benefit of Mr. Feinsod.

(4) Pursuant to Schedule 13D filed under the Exchange Act, includes (i) 113,000 shares owned jointly by Mr. Seibald and his wife, Stephanie Seibald; (ii) 174,824 shares held in a retirement trust for the benefit of Mr. Seibald; and (iii) 100,000 shares owned by SDS Partners I, Ltd. for which Mr. Seibald serves as a general partner. Mr. Seibald has sole voting and dispositive power over 195,147 shares and shared voting and dispositive power over 213,000 shares. The inclusion of shares that Mr. Seibald does not directly own shall not be deemed an admission that Mr. Seibald is, for purposes of Section 13(d) of the Exchange Act, the beneficial owner of such shares.

(5) Includes 576 shares held in a retirement trust for the benefit of Mr. Haft.

(6) Includes (i) 26,592 shares held in a retirement trust for the benefit of Mr. Tupper and (ii) 43,200 shares owned by Mr. Tupper's wife or a retirement trust for her benefit. The inclusion of the shares owned by Mr. Tupper's wife and the retirement trust for her benefit 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.

(7) Includes 10,000 shares issuable upon the exercise of currently exercisable options.

(8) Represents shares issuable upon the exercise of currently exercisable options.

(9) Based upon Schedule 13G, as amended, filed under the Exchange Act.

(10) Pursuant to Schedule 13G: (i) Wedbush Opportunity Partners, L.P. (the "Fund") and Wedbush Opportunity Capital, LLC (the "General Partner"), as the general partner of the Fund, each have sole voting and dispositive power over the 468,203 shares; (ii) the 468,203 shares are held directly by the Fund for the benefit of the Fund's investors; (iii) the 468,203 shares may be deemed to be indirectly beneficially owned by the General Partner, as the general partner of the Fund, and Jeremy Q. Zhu, as a Managing Director of the General Partner and lead member of the General Partner's investment team that manages the Fund's portfolio; and (iv) the General Partner and Jeremy Zhu disclaim beneficial ownership of the shares owned by the Fund, except to the extent of any pecuniary interest therein.

(11) Includes 5,000 shares issuable upon the exercise of currently exercisable options.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth information as of December 31, 2014 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	421,250	$ 5.16	1,135
Equity compensation plans not approved by security holders	50,000	$ 6.73	650,000
Total	471,250		651,135

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, Michael R. Feinsod, Jay M. Haft, Jack D. Seibald and Floyd R. Tupper. Each of Messrs. Feinsod, Haft, Seibald and Tupper 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, Feinsod, Haft and Seibald, 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 Messrs. Haft, Feinsod, Seibald and Tupper, 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. Seibald, Feinsod, Haft and Tupper, 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, 2014 and 2013.

Fee Category	Fiscal 2014 Fees	Fiscal 2013 Fees
Audit Fees(1)	$ 192,318	$ 254,128
Audit-Related Fees(2)	$ -	$ 1,660
Tax Fees(3)	$ 43,085	$ 40,359
All Other Fees(4)	$ -	$ -
	$ 235,403	$ 296,147

(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 Form S-1 (and the related prospectus) Form S-8 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 preparation of our U.S. federal and state income tax returns, representation for the examination of our 2011 and 2012 federal tax returns, and 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)
10(a)	2005 Equity Participation Plan
10(b)	2014 Equity Participation Plan (3)
10(c)	Employment Agreement, dated as of October 16, 2007, between DCAP Group, Inc. and Barry B. Goldstein (4)
10(d)	Amendment No. 1, dated as of August 25, 2008, to Employment Agreement between DCAP Group, Inc. and Barry B. Goldstein (5)
10(e)	Amendment No. 2, dated as of March 24, 2010, to Employment Agreement between Kingstone Companies, Inc. (formerly DCAP Group, Inc.) and Barry B. Goldstein (6)
10(f)	Amendment No. 3, dated as of May 10, 2011, to Employment Agreement between Kingstone Companies, Inc. (formerly DCAP Group, Inc.) and Barry B. Goldstein (7)
10(g)	Amendment No. 4, dated as of April 16, 2012, to Employment Agreement between Kingstone Companies, Inc. (formerly DCAP Group, Inc.) and Barry B. Goldstein (8)
10(h)	Amendment No. 5, dated as of August 12, 2014, to Employment Agreement between Kingstone Companies, Inc. (formerly DCAP Group, Inc.) and Barry B. Goldstein (3)
10(i)	Employment Agreement, dated as of May 10, 2011, between Kingstone Insurance Company and Barry B. Goldstein (7)
10(j)	Amendment No. 1, dated as of May 14, 2012, to Employment Agreement between Kingstone Insurance Company and Barry B. Goldstein (9)
10(k)	Employment Contract, dated as of September 13, 2006, between Commercial Mutual Insurance Company and Successor Companies and John D. Reiersen (10)
10(l)	Amendment No. 1, dated as of January 25, 2008, to Employment Contract between Commercial Mutual Insurance Company and Successor Companies and John D. Reiersen (10)
10(m)	Amendment No. 2, dated as of July 18, 2008, to Employment Contract between Commercial Mutual Insurance Company and Successor Companies and John D. Reiersen (10)

10(n)	Amendment No. 3, dated as of February 28, 2011, to Employment Contract between Kingstone Insurance Company (as successor in interest to Commercial Mutual Insurance Company) and John D. Reiersen (11)
10(o)	Amendment No. 4, dated as of October 14, 2013, to Employment Contract between Kingstone Insurance Company (as successor in interest to Commercial Mutual Insurance Company) and John D. Reiersen (12)
10(p)	Stock Option Agreement, dated as of August 12, 2014, between Kingstone Companies, Inc. and Barry B. Goldstein (2005 Equity Participation Plan) (3)
10(q)	Stock Option Agreement, dated as of August 12, 2014, between Kingstone Companies, Inc. and Barry B. Goldstein (2014 Equity Participation Plan) (3)
14(a)	Code of Ethics
14(b)	Officer and Director Trading Restrictions Policy
21	Subsidiaries (9)
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 August 12, 2014 and incorporated herein by reference.

(4) Denotes document filed as an exhibit to our Current Report on Form 8-K for an event dated October 16, 2007 and incorporated herein by reference.

(5) Denotes document filed as an exhibit to our Quarterly Report on Form 10-Q for the period ended September 30, 2008 and incorporated herein by reference.

(6) Denotes document filed as an exhibit to our Current Report on Form 8-K for an event dated March 24, 2010 and incorporated herein by reference.

(7) Denotes document filed as an exhibit to our Current Report on Form 8-K for an event dated May 10, 2011 and incorporated herein by reference.

(8) Denotes document filed as an exhibit to our Current Report on Form 8-K for an event dated April 16, 2012 and incorporated herein by reference.

(9) Denotes document filed as an exhibit to our Annual Report on Form 10-K for the fiscal year ended December 31, 2012 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, 2009 and incorporated herein by reference.

(11) Denotes document filed as an exhibit to our Current Report on Form 8-K for an event dated February 28, 2011 and incorporated herein by reference.

(12) Denotes document filed as an exhibit to our Registration Statement on Form S-1 filed with the Securities and Exchange Commission on October 15, 2013 and incorporated herein by reference.

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 25, 2015

By: /s/ Barry B. Goldstein
Barry 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.

Signature	Title	Date
/s/ Barry B. Goldstein Barry B. Goldstein	President, Chairman of the Board, Chief Executive Officer, Treasurer and Director (Principal Executive Officer)	March 25, 2015
/s/ Victor J. Brodsky Victor J. Brodsky	Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	March 25, 2015
/s/ Michael R. Feinsod Michael R. Feinsod	Director and Secretary	March 25, 2015
/s/ Jay M. Haft Jay M. Haft	Director	March 25, 2015
/s/ Floyd R. Tupper Floyd R. Tupper	Director	March 25, 2015
/s/ Jack D. Seibald Jack D. Seibald	Director	March 25, 2015

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Kingstone Companies, Inc. and Subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of income and comprehensive income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kingstone Companies, Inc. and Subsidiaries, as of December 31, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Marcum LLP

Marcum LLP
Melville, NY
March 25, 2015

Consolidated Balance Sheets

	December 31, 2014	December 31, 2013
Assets		
Fixed-maturity securities, held-to-maturity, at amortized cost (fair value of $5,395,054 at December 31, 2014 and $2,425,261 at December 31, 2013)	$ 5,128,735	$ 2,399,482
Fixed-maturity securities, available-for-sale, at fair value (amortized cost of $50,083,441 at December 31, 2014 and $28,079,902 at December 31, 2013)	51,120,859	28,436,022
Equity securities, available-for-sale, at fair value (cost of $7,621,309 at December 31, 2014 and $6,690,338 at December 31, 2013)	8,017,729	6,796,673
Total investments	64,267,323	37,632,177
Cash and cash equivalents	9,906,878	19,922,506
Premiums receivable, net of provision for uncollectible amounts	8,946,899	7,590,074
Receivables - reinsurance contracts	1,301,549	974,989
Reinsurance receivables, net of provision for uncollectible amounts	35,575,276	37,560,825
Deferred policy acquisition costs	8,985,981	6,860,263
Intangible assets, net	2,233,530	2,709,244
Property and equipment, net of accumulated depreciation	2,448,042	2,038,755
Other assets	1,330,944	1,494,989
Total assets	$ 134,996,422	$ 116,783,822
Liabilities		
Loss and loss adjustment expense reserves	$ 39,912,683	$ 34,503,229
Unearned premiums	40,458,041	32,335,614
Advance premiums	1,006,582	776,099
Reinsurance balances payable	2,096,363	2,566,729
Deferred ceding commission revenue	5,956,540	6,984,166
Accounts payable, accrued expenses and other liabilities	3,928,137	3,215,487
Deferred income taxes	1,137,180	693,087
Total liabilities	94,495,526	81,074,411
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 8,235,095 shares at December 31, 2014 and 8,186,031 shares at December 31, 2013; outstanding 7,308,757 shares at December 31, 2014 and 7,266,573 shares at December 31, 2013	82,351	81,860
Capital in excess of par	32,873,383	32,692,568
Accumulated other comprehensive income	946,332	305,219
Retained earnings	8,203,003	4,187,209
	42,105,069	37,266,856
Treasury stock, at cost, 926,338 shares at December 31, 2014 and 919,458 shares at December 31, 2013	(1,604,173)	(1,557,445)
Total stockholders' equity	40,500,896	35,709,411
Total liabilities and stockholders' equity	$ 134,996,422	$ 116,783,822

See accompanying notes to these consolidated financial statements.

Consolidated Statements of Income and Comprehensive Income

Years ended December 31,	2014	2013
Revenues		
Net premiums earned	$ 32,628,484	$ 22,225,167
Ceding commission revenue	13,910,111	11,673,103
Net investment income	1,799,768	1,170,051
Net realized gains on sales of investments	707,027	575,792
Other income	1,006,102	922,072
Total revenues	50,051,492	36,566,185
Expenses		
Loss and loss adjustment expenses	17,032,188	13,586,533
Commission expense	12,125,328	9,362,793
Other underwriting expenses	10,656,265	9,018,685
Other operating expenses	1,487,345	1,099,370
Depreciation and amortization	874,907	646,483
Interest expense	-	75,734
Total expenses	42,176,033	33,789,598
Income from operations before taxes	7,875,459	2,776,587
Income tax expense	2,547,040	764,269
Net income	5,328,419	2,012,318
Other comprehensive income (loss), net of tax		
Gross change in unrealized gains (losses)on available-for-sale-securities	1,678,410	(1,664,443)
Reclassification adjustment for gains included in net income	(707,027)	575,792
Net change in unrealized unrealized gains (losses)	971,383	(1,088,651)
Income tax (expense) benefit related to items of other comprehensive income (loss)	(330,270)	370,141
Other comprehensive income (loss), net of tax	641,113	(718,510)
Comprehensive income	$ 5,969,532	$ 1,293,808
Earnings per common share:		
Basic	$ 0.73	$ 0.51
Diluted	$ 0.72	$ 0.50
Weighted average common shares outstanding		
Basic	7,287,657	3,975,115
Diluted	7,356,962	4,059,724
Dividends declared and paid per common share	$ 0.18	$ 0.16

See accompanying notes to these consolidated financial statements.

Consolidated Statement of Stockholders' Equity

Years ended ended December 31, 2014 and 2013

	Preferred Stock		Common Stock		Capital in Excess	Accumulated Other Comprehensive	Retained	Treasury Stock		
	Shares	Amount	Shares	Amount	of Par	Income (Loss)	Earnings	Shares	Amount	Total
Balance, January 1, 2013	-	$ -	4,730,357	$ 47,304	$ 13,851,036	$ 1,023,729	$ 2,787,292	889,458	$ (1,427,545)	$ 16,281,816
Proceeds from public offering, net of offering costs of $1,723,121	-	-	3,450,000	34,500	18,769,879	-	-	-	-	18,804,379
Stock-based compensation	-	-	-	-	59,959	-	-	-	-	59,959
Exercise of stock options	-	-	5,674	56	11,694	-	-	-	-	11,750
Acquisition of treasury stock	-	-	-	-	-	-	-	30,000	(129,900)	(129,900)
Dividends	-	-	-	-	-	-	(612,401)	-	-	(612,401)
Net income	-	-	-	-	-	-	2,012,318	-	-	2,012,318
Change in unrealized gains on available-for-sale securities, net of tax	-	-	-	-	-	(718,510)	-	-	-	(718,510)
Balance, December 31, 2013	-	-	8,186,031	81,860	32,692,568	305,219	4,187,209	919,458	(1,557,445)	35,709,411
Stock-based compensation	-	-	-	-	171,876	-	-	-	-	171,876
Shares deducted from exercise of stock options for payment of withholding taxes	-	-	(17,165)	(172)	(133,246)	-	-	-	-	(133,418)
Excess tax benefit from exercise of stock options	-	-	-	-	136,971	-	-	-	-	136,971
Exercise of stock options	-	-	66,229	663	5,214	-	-	-	-	5,877
Acquisition of treasury stock	-	-	-	-	-	-	-	6,880	(46,728)	(46,728)
Dividends	-	-	-	-	-	-	(1,312,625)	-	-	(1,312,625)
Net income	-	-	-	-	-	-	5,328,419	-	-	5,328,419
Change in unrealized gains on available- for-sale securities, net of tax	-	-	-	-	-	641,113	-	-	-	641,113
Balance, December 31, 2014	-	$ -	8,235,095	$ 82,351	$ 32,873,383	$ 946,332	$ 8,203,003	926,338	$ (1,604,173)	$ 40,500,896

See accompanying notes to these consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31,	2014	2013
Cash flows provided by operating activities:		
Net income	$ 5,328,419	$ 2,012,318
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Net realized gains on sale of investments	(707,027)	(575,792)
Depreciation and amortization	874,907	646,483
Amortization of bond premium, net	260,996	203,851
Stock-based compensation	171,876	59,959
Excess tax benefit from exercise of stock options	(136,971)	-
Deferred income tax expense	113,823	(724,053)
(Increase) decrease in operating assets:		
Premiums receivable, net	(1,356,825)	176,751
Receivables - reinsurance contracts	(326,560)	(974,989)
Reinsurance receivables, net	1,985,549	1,341,957
Deferred policy acquisition costs	(2,125,718)	(1,290,385)
Other assets	273,481	358,414
Increase (decrease) in operating liabilities:		
Loss and loss adjustment expense reserves	5,409,454	4,017,697
Unearned premiums	8,122,427	6,323,251
Advance premiums	230,483	165,227
Reinsurance balances payable	(470,366)	746,202
Advance payments from catastrophe reinsurers	-	(7,358,391)
Deferred ceding commission revenue	(1,027,626)	2,107,136
Accounts payable, accrued expenses and other liabilities	712,650	147,901
Net cash flows provided by operating activities	17,332,972	7,383,537
Cash flows used in investing activities:		
Purchase - fixed-maturity securities held-to-maturity	(2,715,540)	(1,791,702)
Purchase - fixed-maturity securities available-for-sale	(28,826,537)	(9,124,949)
Purchase - equity securities available-for-sale	(8,520,581)	(6,073,138)
Sale or maturity - fixed-maturity securities available-for-sale	6,823,015	5,850,770
Sale - equity securities available-for-sale	7,970,324	4,868,193
Recovery of loss from failed bank	51,587	-
Other investing activities	(780,945)	(307,045)
Net cash flows used in investing activities	(25,998,677)	(6,577,871)
Cash flows (used in) provided by financing activities:		
Net proceeds from issuance of common stock	-	18,804,379
Proceeds from line of credit	-	310,000
Principal payments on line of credit	-	(760,000)
Principal payments on notes payable (includes $378,000 to related parties)	-	(747,000)
Proceeds from exercise of stock options	5,877	11,750
Withholding taxes paid on net exercise of stock options	(133,418)	-
Excess tax benefit from exercise of stock options	136,971	-
Purchase of treasury stock	(46,728)	(129,900)
Dividends paid	(1,312,625)	(612,401)
Net cash flows (used in) provided by financing activities	(1,349,923)	16,876,828

See accompanying notes to these consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31,		2014		2013
(Decrease) increase in cash and cash equivalents	$	(10,015,628)	$	17,682,494
Cash and cash equivalents, beginning of period		19,922,506		2,240,012
Cash and cash equivalents, end of period	$	9,906,878	$	19,922,506
Supplemental disclosures of cash flow information:				
Cash paid for income taxes	$	2,555,400	$	2,174,000
Cash paid for interest	$	-	$	108,839
Supplemental schedule of non-cash investing and financing activities:				
Value of shares deducted from exercise of stock options for payment of withholding taxes	$	133,418	$	-

See accompanying notes to these consolidated financial statements.

Note 1 - Nature of Business

Kingstone Companies, Inc. (referred to herein as "Kingstone" or the “Company”), through its 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 State of New York and the Commonwealth of Pennsylvania; however, KICO writes substantially all of its business in New York. Kingstone, through its subsidiary, Payments, Inc., a licensed premium finance company in the State of New York, receives fees for placing contracts with a third party licensed premium finance company (see Note 19 – Premium Finance Placement Fees).

Note 2 – Accounting Policies and 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. Subsidiaries include: (1) 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, and (2) Payments Inc. All significant inter-company 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.

Premium Finance Placement Fees

Premium finance placement fees are earned in the period when the contracts are placed with the third party premium finance company. Premium finance placement fees are included in “Other income” in the accompanying consolidated statements of income and comprehensive income (see Note 19 – Premium Finance Placement Fees).

Liability for Loss and Loss Adjustment Expenses ("LAE")

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 procedures. 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. As adjustments to these estimates become necessary, such adjustments are reflected in expense for the period in which the estimates are changed. Because of the nature of the business historically written, the Company's management believes that the Company has limited exposure to environmental claim liabilities. The Company recognizes recoveries from salvage and subrogation when received.

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 by reinsuring certain levels of risk in various areas of exposure with other insurance enterprises or reinsurers.

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 indicated in the consolidated financial statements. As adjustments to these estimates become necessary, such adjustments are reflected in current operations. Loss and LAE incurred as presented in the consolidated statement of income and comprehensive income are net of reinsurance recoveries.

The Company accounts for reinsurance in accordance with GAAP guidance for accounting and reporting for reinsurance of short-duration contracts. 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.

In preparing the consolidated financial statements, 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, 2014 and 2013. The Company did not expense any uncollectible reinsurance for the years ended December 31, 2014 and 2013. 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 detrimental impact on the consolidated financial statements and KICO's ability to meet their regulatory capital and surplus requirements.

Cash and Cash Equivalents

Cash and cash equivalents are presented at cost, which approximates fair value. 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. The Federal Deposit Insurance Corporation ("FDIC") secures accounts up to $250,000 at these institutions.

Investments

The Company accounts for its investments in accordance with GAAP guidance for investments in debt and equity securities, which requires that fixed-maturity and equity securities that have readily determined fair values be segregated into categories based upon the Company's intention for those securities.

In accordance with this guidance, the Company has classified 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 stockholders' equity. Realized gains and losses are determined on the specific identification method and recognized in the statement 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. As of December 31, 2014 and 2013, due and accrued investment income was $644,061 and $414,210, respectively, and is included in other assets on the accompanying consolidated balance sheets.

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 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 management 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 management 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. As of December 31, 2014 and 2013, none of the Company's investments were deemed to be OTTI.

Fair Value

The fair value hierarchy in GAAP prioritizes fair value measurements into three levels based on the nature of the inputs. Quoted prices in active markets for identical assets or liabilities 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 assumptions that market participants would use, having the lowest priority ("Level 3").

For investments in active markets, the Company uses quoted market prices to determine fair value. In circumstances where quoted market prices are unavailable, the Company utilizes fair value estimates based upon other observable inputs including matrix pricing, benchmark interest rates, market comparables and other relevant inputs. The Company's process to validate the market prices obtained from the outside pricing sources include, but are not limited to, periodic evaluation of model pricing methodologies and analytical reviews of certain prices.

Premiums Receivable

Premiums receivable are presented net of an allowance for doubtful accounts of approximately $127,000 and $145,000 as of December 31, 2014 and 2013, 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 $146,000 and $88,000 were written off for the years ended December 31, 2014 and 2013, 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. In accounting for such assets, the Company follows GAAP guidance for 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, but are subject to annual impairment testing. All identifiable intangible assets are tested for recoverability whenever events or changes in circumstances indicate that a carrying amount may not be recoverable. Based on the results of the Company's annual impairment testing, no impairment losses from intangible assets were recognized for the years ended December 31, 2014 and 2013.

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. 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. The Company follows the relevant provisions of GAAP concerning uncertainties in income taxes and through December 31, 2014, the Company had no material unrecognized tax benefits and no adjustments to liabilities or operations were required.

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 different investment strategies. The Company believes that no significant concentration of credit risk exists with respect to investments. As of December 31, 2014 and 2013, the Company had cash deposits in excess of the FDIC secured limit of $250,000 per account at financial institutions of approximately $6,041,000 and $3,046,000, respectively. Cash equivalents are not insured by the FDIC.

As of December 31, 2014 and 2013, the Company had deposits of cash equivalents as follows:

	December 31, 2014	December 31, 2013
Collateralized bank repurchase agreement (1)	$ 1,130,154	$ 17,280,027
Money market fund	4,288,876	953,504
Total	$ 5,419,030	$ 18,233,531

(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, 2014, the outstanding premiums receivable balance is generally diversified due to the number of insureds comprising the Company's customer base, which is largely concentrated in the area of New York City and adjacent Long Island. The Company also has receivables from its reinsurers. Reinsurance contracts do not relieve the Company from 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 at period end 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 that subject the Company to concentration risk for the years ended December 31, 2014 and 2013 are as follows:

	Years ended December 31,	
	2014	2013
Personal Lines	73.3%	70.0%
Commercial Lines	15.3%	16.0%
Total premiums earned subject to concentration	88.6%	86.0%
Premiums earned not subject to concentration	11.4%	14.0%
Total premiums earned	100.0%	100.0%

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. Such estimates and assumptions, which include the reserves for losses and loss adjustment expenses, are subject to considerable estimation error due to the inherent uncertainty in projecting ultimate claim amounts that will be reported and settled over a period of several years. In addition, estimates and assumptions associated with receivables under reinsurance contracts related to contingent ceding commission revenue require considerable judgment by management. On an on-going basis, management reevaluates its assumptions and the methods of calculating its 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 exercise of stock options. The computation of diluted earnings per share excludes those 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 first takes place. Included in other underwriting expenses in the accompanying consolidated statements of income and comprehensive income are advertising costs approximating $71,000 and $55,000 for the years ended December 31, 2014 and 2013, respectively.

Stock-based Compensation

The Company records compensation expense associated with stock options and other equity-based compensation in accordance with guidance established by GAAP. Stock-based compensation expense in 2014 and 2013 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.

Comprehensive Income

Comprehensive income refers to revenue, expenses, gains and losses that under GAAP 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/losses on available-for-sale securities.

Recent Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity" ("ASU 2014-08"). ASU 2014-08 revised guidance to only allow disposals of components of an entity that represent a strategic shift (e.g., disposal of a major geographical area, a major line of business, a major equity method investment, or other major parts of an entity) and that have a major effect on a reporting entity's operations and financial results to be reported as discontinued operations. The revised guidance also requires expanded disclosure in the financial statements for discontinued operations as well as for disposals of significant components of an entity that do not qualify for discontinued operations presentation. ASU 2014-08 is effective for interim and annual reporting periods beginning after December 15, 2014. The Company is evaluating whether the adoption of ASU 2014-08 will have a significant impact on its consolidated results of operations, financial position or cash flows.

In May 2014, the FASB issued guidance to change the recognition of revenue from contracts with customers. 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. The guidance will be effective for the Company for reporting periods beginning after December 15, 2016. The Company will apply the guidance using a modified retrospective approach. The Company does not expect these amendments to have a material effect on its consolidated results of operations, financial position or cash flows.

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, 2014 and December 31, 2013 are summarized as follows:

	December 31, 2014					
			Gross Unrealized Losses			
Category	Cost or Amortized Cost	Gross Unrealized Gains	Less than 12 Months	More than 12 Months	Fair Value	Net Unrealized Gains/ (Losses)
Fixed-Maturity Securities:						
Political subdivisions of States, Territories and Possessions	$ 13,862,141	$ 412,490	$ (23,813)	$ (6,379)	$ 14,244,439	$ 382,298
Corporate and other bonds Industrial and miscellaneous	36,221,300	803,440	(118,092)	(30,228)	36,876,420	655,120
Total fixed-maturity securities	50,083,441	1,215,930	(141,905)	(36,607)	51,120,859	1,037,418
Equity Securities:						
Preferred stocks	3,172,632	19,180	(2,647)	(62,886)	3,126,280	(46,352)
Common stocks	4,448,677	444,950	-	(2,177)	4,891,449	442,772
Total equity securities	7,621,309	464,130	(2,647)	(65,063)	8,017,729	396,420
Total	$ 57,704,750	$ 1,680,060	$ (144,552)	$ (101,670)	$ 59,138,588	$ 1,433,838

	December 31, 2013					
			Gross Unrealized Losses			
Category	Cost or Amortized Cost	Gross Unrealized Gains	Less than 12 Months	More than 12 Months	Fair Value	Net Unrealized Gains/ (Losses)
Fixed-Maturity Securities:						
Political subdivisions of States, Territories and Possessions	$ 7,000,222	$ 162,616	$ (49,491)	$ (45,140)	$ 7,068,207	$ 67,985
Corporate and other bonds						
Industrial and miscellaneous	21,079,680	569,139	(179,810)	(101,194)	21,367,815	288,135
Total fixed-maturity securities	28,079,902	731,755	(229,301)	(146,334)	28,436,022	356,120
Equity Securities:						
Preferred stocks	2,899,301	2,503	(251,525)	(62,551)	2,587,728	(311,573)
Common stocks	3,791,037	470,606	(38,785)	(13,913)	4,208,945	417,908
Total equity securities	6,690,338	473,109	(290,310)	(76,464)	6,796,673	106,335
Total	$ 34,770,240	$ 1,204,864	$ (519,611)	$ (222,798)	$ 35,232,695	$ 462,455

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, 2014 and 2013 is shown below:

	December 31, 2014		December 31, 2013	
Remaining Time to Maturity	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Less than one year	$ 482,833	$ 487,507	$ 758,281	$ 768,954
One to five years	11,640,381	11,943,127	9,025,386	9,466,973
Five to ten years	32,283,921	32,865,231	14,070,003	14,114,271
More than 10 years	5,676,306	5,824,994	4,226,232	4,085,824
Total	$ 50,083,441	$ 51,120,859	$ 28,079,902	$ 28,436,022

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

Held-to-Maturity Securities

The amortized cost and fair value of investments in held-to-maturity fixed-maturity securities as of December 31, 2014 and 2013 are summarized as follows:

	December 31, 2014					
			Gross Unrealized Losses			
Category	Cost or Amortized Cost	Gross Unrealized Gains	Less than 12 Months	More than 12 Months	Fair Value	Net Unrealized Gains/ (Losses)
U.S. Treasury securities	$ 606,353	$ 183,200	$ -	$ -	$ 789,553	$ 183,200
Political subdivisions of States, Territories and Possessions	1,413,303	49,981	-	(12,247)	1,451,037	37,734
Corporate and other bonds Industrial and miscellaneous	3,109,079	98,306	(52,921)	-	3,154,464	45,385
Total	$ 5,128,735	$ 331,487	$ (52,921)	$ (12,247)	$ 5,395,054	$ 266,319

	December 31, 2013					
			Gross Unrealized Losses			
Category	Cost or Amortized Cost	Gross Unrealized Gains	Less than 12 Months	More than 12 Months	Fair Value	Net Unrealized Gains/ (Losses)
U.S. Treasury securities	$ 606,138	$ 46,915	$ -	$ -	$ 653,053	$ 46,915
Political subdivisions of States, Territories and Possessions	208,697	-	(25,359)	-	183,338	(25,359)
Corporate and other bonds Industrial and miscellaneous	1,584,647	4,223	-	-	1,588,870	4,223
Total	$ 2,399,482	$ 51,138	$ (25,359)	$ -	$ 2,425,261	$ 25,779

Held-to-maturity securities U.S. Treasury securities are held in trust pursuant to the New York State Department of Financial Services' minimum funds requirement.

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, 2014 and 2013 is shown below:

	December 31, 2014		December 31, 2013	
Remaining Time to Maturity	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**
Less than one year	$ -	$ -	$ -	$ -
One to five years	-	-	-	-
Five to ten years	3,522,927	3,563,401	1,793,344	1,772,208
More than 10 years	1,605,808	1,831,653	606,138	653,053
Total	$ 5,128,735	$ 5,395,054	$ 2,399,482	$ 2,425,261

Investment Income

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

	Year ended December 31,	
	2014	**2013**
Income:		
Fixed-maturity securities	$ 1,665,534	$ 1,018,857
Equity securities	483,175	390,818
Cash and cash equivalents	23,750	41
Other	(481)	16,507
Total	2,171,978	1,426,223
Expenses:		
Investment expenses	372,210	256,172
Net investment income	$ 1,799,768	$ 1,170,051

Proceeds from the sale and maturity of fixed-maturity securities were $6,823,015 and $5,850,770 for the years ended December 31, 2014 and 2013, respectively.

Proceeds from the sale of equity securities were $7,970,324 and $4,868,193 for the years ended December 31, 2014 and 2013, respectively.

The Company's net realized gains and losses on investments are summarized as follows:

	Year ended December 31, 2014	Year ended December 31, 2013
Fixed-maturity securities:		
Gross realized gains	$ 323,455	$ 237,886
Gross realized losses	(48,729)	(73,910)
	274,726	163,976
Equity securities:		
Gross realized gains	497,023	551,912
Gross realized losses	(116,309)	(140,096)
	380,714	411,816
Cash and short term investments (1)	51,587	-
Net realized gains	$ 707,027	$ 575,792

(1) Realized gain on cash and short term investments is a partial recovery from the FDIC of an amount previously written off in 2009 due to the failure of Waterfield Bank.

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, 2014, there were 35 securities that accounted for the gross unrealized loss. The Company determined that none of the unrealized losses were deemed to be OTTI for its portfolio of fixed-maturity investments and equity securities for the years ended December 31, 2014 and 2013. 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.

The Company held securities with unrealized losses representing declines that were considered temporary at December 31, 2014 and 2013 as follows:

	December 31, 2014							
	Less than 12 months			12 months or more			Total	
Category	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	$ 3,013,648	$ (23,813)	9	$ 126,658	$ (6,379)	1	$ 3,140,306	$ (30,192)
Corporate and other bonds industrial and miscellaneous	6,325,579	(118,092)	15	714,640	(30,228)	2	7,040,219	(148,320)
Total fixed-maturity securities	$ 9,339,227	$ (141,905)	24	$ 841,298	$ (36,607)	3	$ 10,180,525	$ (178,512)
Equity Securities:								
Preferred stocks	$ 656,325	$ (2,647)	1	$ 1,448,376	$ (62,886)	6	$ 2,104,701	$ (65,533)
Common stocks	-	-	-	267,000	(2,177)	1	267,000	(2,177)
Total equity securities	$ 656,325	$ (2,647)	1	$ 1,715,376	$ (65,063)	7	$ 2,371,701	$ (67,710)
Total	$ 9,995,552	$ (144,552)	25	$ 2,556,674	$ (101,670)	10	$ 12,552,226	$ (246,222)

	December 31, 2013							
	Less than 12 months			12 months or more			Total	
Category	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	$ 2,015,437	$ (49,491)	6	$ 415,866	$ (45,140)	2	$ 2,431,303	$ (94,631)
Corporate and other bonds industrial and miscellaneous	6,447,605	(179,810)	24	1,430,377	(101,194)	5	7,877,982	(281,004)
Total fixed-maturity securities	$ 8,463,042	$ (229,301)	30	$ 1,846,243	$ (146,334)	7	$ 10,309,285	$ (375,635)
Equity Securities:								
Preferred stocks	$ 1,835,958	$ (251,525)	8	$ 444,100	$ (62,551)	2	$ 2,280,058	$ (314,076)
Common stocks	879,525	(38,785)	4	145,625	(13,913)	1	1,025,150	(52,698)
Total equity securities	$ 2,715,483	$ (290,310)	12	$ 589,725	$ (76,464)	3	$ 3,305,208	$ (366,774)
Total	$ 11,178,525	$ (519,611)	42	$ 2,435,968	$ (222,798)	10	$ 13,614,493	$ (742,409)

Note 4 - Fair Value Measurements

The Company follows GAAP guidance regarding fair value measurements. The valuation technique used to fair value the financial instruments is the market approach which uses prices and other relevant information generated by market transactions involving identical or comparable assets.

This guidance establishes a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. 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 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 observability of prices and inputs may be reduced for many instruments. This condition could cause a security to be reclassified between levels.

The Company's investments are allocated among pricing input levels at December 31, 2014 and 2013 as follows:

	December 31, 2014			
($ in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Fixed-maturity investments available for sale				
Political subdivisions of States, Territories and Possessions	$ -	$ 14,244,439	$ -	$ 14,244,439
Corporate and other bonds industrial and miscellaneous	29,257,850	7,618,570	-	36,876,420
Total fixed maturities	29,257,850	21,863,009	-	51,120,859
Equity investments	8,017,729	-	-	8,017,729
Total investments	$ 37,275,579	$ 21,863,009	$ -	$ 59,138,588

	December 31, 2013			
($ in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Fixed-maturity investments available for sale				
Political subdivisions of States, Territories and Possessions	$ -	$ 7,068,207	$ -	$ 7,068,207
Corporate and other bonds industrial and miscellaneous	20,731,952	636,863	-	21,368,815
Total fixed maturities	20,731,952	7,705,070	-	28,437,022
Equity investments	6,796,673	-	-	6,796,673
Total investments	$ 27,528,625	$ 7,705,070	$ -	$ 35,233,695

Note 5 - Fair Value of Financial Instruments

GAAP requires all entities to disclose the fair value of financial instruments, both assets and liabilities recognized and not recognized in the balance sheet, for which it is practicable to estimate fair value. The Company uses the following methods and assumptions in estimating its fair value disclosures for 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: 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.

The estimated fair values of the Company's financial instruments are as follows:

	December 31, 2014		December 31, 2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Fixed-maturity securitied-held-to maturity	$ 5,128,735	$ 5,395,054	$ 2,399,482	$ 2,425,261
Cash and cash equivalents	$ 9,906,878	$ 9,906,878	$ 19,922,506	$ 19,922,506
Premiums receivable	$ 8,946,899	$ 8,946,899	$ 7,590,074	$ 7,590,074
Receivables - reinsurance contracts	$ 1,301,549	$ 1,301,549	$ 974,989	$ 974,989
Reinsurance receivables	$ 35,575,276	$ 35,575,276	$ 37,560,825	$ 37,560,825
Real estate, net of accumulated depreciation	$ 1,762,345	$ 1,816,122	$ 1,777,942	$ 1,816,122
Reinsurance balances payable	$ 2,096,363	$ 2,096,363	$ 2,566,729	$ 2,566,729

Note 6 - Intangibles

Intangible assets consist of finite and indefinite life assets. Finite life intangible assets include customer and producer relationships andother identifiable intangibles. Insurance company license is considered an indefinite life intangible asset subject to annual impairment testing. The weighted average amortization period of identified intangible assets of finite useful life is approximately 4.1 years as of December 31, 2014.

The components of intangible assets and their useful lives, accumulated amortization, and net carrying value as of December 31, 2014 and 2013 are summarized as follows:

		December 31, 2014			December 31, 2013		
	Useful Life (in yrs)	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	1,870,000	1,530,000	3,400,000	1,530,000	1,870,000
Other identifiable intangibles	7	950,000	746,470	203,530	950,000	610,756	339,244
Total		$ 4,850,000	$ 2,616,470	$ 2,233,530	$ 4,850,000	$ 2,140,756	$ 2,709,244

Intangible asset impairment testing and amortization

The Company performs an analysis annually as of December 31 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, 2014 and 2013.

The Company recorded amortization expense related to intangibles of $475,714 for each of the years ended December 31, 2014 and 2013. The estimated aggregate amortization expense for the remaining life of finite life intangibles is as follows:

2015	$	475,714
2016		407,816
2017		340,000
2018		340,000
2019		170,000
	$	1,733,530

Note 7 - Reinsurance

The Company's quota share reinsurance treaties in effect for the year ended December 31, 2014 for its Personal Lines business, which primarily consists of homeowners' policies, were covered under the July 1, 2013/June 30, 2014 and July 1, 2014/June 30, 2015 treaty years. The Company's quota share reinsurance treaty in effect for the year ended December 31, 2014 for its Commercial Lines business was covered under the July 1, 2013/June 30, 2014 treaty year. The Company did not renew its expiring Commercial Lines quota share reinsurance treaty on July 1, 2014. The Company's quota share reinsurance treaties in effect for the year ended December 31, 2013 for both its Personal Lines business and Commercial Lines business were covered under the July 1, 2012/June 30, 2013 and July 1, 2013/June 30, 2014 treaty years. The Company's personal lines quota share treaty that covered the July 1, 2013/June 30, 2014 treaty year is a two year treaty expiring on June 30, 2015. Effective July 1, 2014, the Company had the option to increase the quota share percentage from 75% to a maximum of 85% or decrease the quota share percentage from 75% to a minimum of 55% by giving no less than 30 days advance notice. On May 12, 2014, the Company notified the personal lines reinsurers of its election to reduce the ceding percentage in the personal lines quota share treaty from 75% to 55% effective July 1, 2014. In addition to the change in the personal lines quota share treaty discussed above, the Company entered into new annual treaties with different terms effective July 1, 2014. The Company's treaties for the July 1, 2012/June 30, 2013, July 1, 2013/ June 30, 2014 and July 1, 2014/June 30, 2015 treaty years provide for the following material terms:

	Treaty Year		
Line of Busines	July 1, 2014 to June 30, 2015	July 1, 2013 to June 30, 2014	July 1, 2012 to June 30, 2013
Personal Lines:			
Homeowners, dwelling fire and canine legal liability			
Quota share treaty:			
Percent ceded	55%	75%	75%
Risk retained	$ 360,000	$ 300,000	$ 250,000
Losses per occurrence subject to quota share reinsurance coverage	$ 800,000	$ 1,200,000	$ 1,000,000
Excess of loss coverage above quota share coverage	$ 3,200,000	$ 1,700,000	$ 1,900,000
	in excess of	in excess of	in excess of
	$ 800,000	$ 1,200,000	$ 1,000,000
Total reinsurance coverage per occurrence	$ 3,640,000	$ 2,600,000	$ 2,650,000
Losses per occurrence subject to reinsurance coverage	$ 4,000,000	$ 2,900,000	$ 2,900,000
Expiration date	June 30, 2015	June 30, 2015	June 30, 2013
Personal Umbrella			
Quota share treaty:			
Percent ceded - first million dollars of coverage	90%	90%	90%
Percent ceded - excess of one million dollars of coverage	100%	100%	100%
Risk retained	$ 100,000	$ 100,000	$ 100,000
Total reinsurance coverage per occurrence	$ 2,900,000	$ 1,900,000	$ 1,900,000
Losses per occurrence subject to quota share reinsurance coverage	$ 3,000,000	$ 2,000,000	$ 2,000,000
Expiration date	June 30, 2015	June 30, 2014	June 30, 2013
Commercial Lines:			
General liability commercial policies, except for commercial auto			
Quota share treaty:			
Percent ceded (terminated effective July 1, 2014)	None	25%	40%
Risk retained	$ 400,000	$ 300,000	$ 300,000
Losses per occurrence subject to quota share reinsurance coverage	None	$ 400,000	$ 500,000
Excess of loss coverage above quota share coverage	$ 3,600,000	$ 2,500,000	$ 2,400,000
	in excess of	in excess of	in excess of
	$ 400,000	$ 400,000	$ 500,000
Total reinsurance coverage per occurrence	$ 3,600,000	$ 2,600,000	$ 2,600,000
Losses per occurrence subject to reinsurance coverage	$ 4,000,000	$ 2,900,000	$ 2,900,000
Commercial Auto:			
Risk retained	$ 300,000	$ 300,000	$ 250,000
Excess of loss coverage in excess of risk retained	$ 1,700,000	$ 1,700,000	$ 1,750,000
	in excess of	in excess of	in excess of
	$ 300,000	$ 300,000	$ 250,000
Catastrophe Reinsurance:			
Initial loss subject to personal lines quota share treaty	$ 4,000,000	$ 4,000,000	$ 3,000,000
Risk retained per catastrophe occurrence (1)	$ 1,800,000	$ 1,000,000	$ 750,000
Catastrophe loss coverage in excess of quota share coverage (2) (3)	$ 137,000,000	$ 86,000,000	$ 70,000,000

(1) Plus losses in excess of catastrophe coverage.

(2) Effective July 1, 2014, the Company’s catastrophe treaty also covers losses caused by severe winter weather during any consecutive 28 day period. Effective July 1, 2014, the duration of a catastrophe occurrence from windstorm, hail, tornado, hurricane and cyclone has been extended to 96 consecutive hours from 72 consecutive hours.

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

The single maximum risks per occurrence to which the Company is subject under the treaties that expired on June 30, 2014 and the new treaties effective July 1, 2014 are as follows:

	July 1, 2014 - June 30, 2015		July 1, 2013 - June 30, 2014	
Treaty	Extent of Loss	Risk Retained	Extent of Loss	Risk Retained
Personal Lines	Initial $800,000	$360,000	Initial $1,200,000	$300,000
	$800,000 - $4,000,000	None(1)	$1,200,000 - $2,900,000	None(1)
	Over $4,000,000	100%	Over $2,900,000	100%
Personal Umbrella	Initial $1,000,000	$100,000	Initial $1,000,000	$100,000
	$1,000,000 - $3,000,000	None(1)	$1,000,000 - $2,000,000	None(1)
	Over $3,000,000	100%	Over $2,000,000	100%
Commercial Lines	Initial $400,000	$400,000	Initial $400,000	$300,000
	$400,000 - $4,000,000	None(1)	$400,000 - $2,900,000	None(1)
	Over $4,000,000	100%	Over $2,900,000	100%
Commercial Auto	Initial $300,000	$300,000	Initial $300,000	$300,000
	$300,000 - $2,000,000	None(1)	$300,000 - $2,000,000	None(1)
	Over $2,000,000	100%	Over $2,000,000	100%
Catastrophe (2)	Initial $4,000,000	$1,800,000	Initial $4,000,000	$1,000,000
	$4,000,000 - $141,000,000	None	$4,000,000 - $90,000,000	None
	Over $141,000,000	100%	Over $90,000,000	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.

Approximate reinsurance recoverables on unpaid and paid losses by reinsurer are as follows:

($ in thousands)	Unpaid Losses	Paid Losses	Total	Security
December 31, 2014				
Maiden Reinsurace Company	$ 7,946	$ 598	$ 8,544	$ 12,847(1)
SCOR Reinsurance Company	2,843	194	3,037	-
Swiss Reinsurance America Corporation	3,652	359	4,011	-
Motors Insurance Corporation	931	8	939	500(1)
Sirius American Insurance Company	908	22	930	-
Allied World Assurance Company	651	15	666	-
Others	1,319	273	1,592	110(2)
Total	$ 18,250	$ 1,469	$ 19,719	$ 13,457
December 31, 2013				
Maiden Reinsurace Company	$ 6,929	$ 732	$ 7,661	$ 13,868(1)
SCOR Reinsurance Company	3,318	294	3,612	-
Swiss Reinsurance America Corporation	2,523	454	2,977	-
Motors Insurance Corporation	1,536	48	1,584	792(1)
Sirius American Insurance Company	1,410	44	1,454	-
Allied World Assurance Company	665	39	704	-
Others	983	185	1,168	135(2)
Total	$ 17,364	$ 1,796	$ 19,160	$ 14,795

(1) Secured pursuant to collateralized trust agreements.
(2) Guaranteed by an irrevocable letter of credit.

Assets held in the two trusts referred to in footnote (1) 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 as of December 31, 2014 and 2013 include unearned ceded premiums of $15,856,387 and $18,400,338, 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 for treaties in effect for the year ended December 31, 2014 are attributable to contracts for the July 1, 2014/June 30, 2015 treaty year ("2014/2015 Treaties") and the July 1, 2013/June 30, 2014 treaty year ("2013/2014 Treaties"). The Company's estimated ultimate treaty year loss ratios for treaties in effect for the year ended December 31, 2013 are attributable to contracts for the July 1, 2012/June 30, 2013 treaty year ("2012/2013 Treaties") and the 2013/2014 Treaties.

Treaties in effect for the year ended December 31, 2014

The Company's estimated ultimate loss ratios ("Loss Ratios") for the period July 1, 2014 through December 31, 2014, which are attributable to contracts for the 2014/2015 Treaties were lower than the contractual Loss Ratios at which the provisional ceding commissions are earned. Accordingly, for the six month period ended December 31, 2014, the Company recorded contingent ceding commission earned with respect to the 2014/2015 Treaties.

The Company's estimated ultimate Loss Ratios for the period January 1, 2014 through December 31, 2014 attributable to contracts for the 2013/2014 Treaties were lower than the contractual Loss Ratios at which the provisional ceding commissions are earned. Accordingly, for the year ended December 31, 2014, the Company recorded contingent ceding commission earned with respect to the 2013/2014 Treaties.

Treaties in effect for year ended December 31, 2013

The Company's estimated ultimate Loss Ratios for the period July 1, 2013 through December 31, 2013, which are attributable to contracts for the 2013/2014 Treaties, were lower than the contractual Loss Ratios at which the provisional ceding commissions were earned. Accordingly, for the six month period ended December 31, 2013, the Company's recorded contingent ceding commission earned with respect to the 2013/2014 Treaties.

The Company's estimated ultimate Loss Ratios for the period January 1, 2013 through December 31, 2013 attributable to contracts for the 2012/2013 Treaties were greater than the contractual Loss Ratios at which the provisional ceding commissions were earned. Accordingly, for the year ended December 31, 2013, the Company recorded negative contingent ceding commissions earned with respect to the 2012/2013 Treaties.

In addition to the treaties that were in effect for years ended December 31, 2014 and 2013, the estimated ultimate 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, 2014	Years ended December 31, 2013
Provisional ceding commissions earned	$ 12,456,411	$ 11,007,342
Contingent ceding commissions earned	1,453,700	665,761
	$ 13,910,111	$ 11,673,103

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, for the year ended December 31, 2013, the Company recorded negative contingent ceding commissions earned with respect to the 2012/2013 Treaties, which resulted in ceding commissions payable to reinsurers. There was no net contingent ceding commissions payable to reinsurers as of December 31, 2014 and 2013.

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

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,	
	2014	2013
Net deferred policy acquisition costs net of ceding commission revenue, beginning of year	$ (123,903)	$ 692,848
Cost incurred and deferred:		
Commissions and brokerage	13,612,109	10,500,068
Other underwriting and policy acquisition costs	4,426,614	3,193,910
Ceding commission revenue	(11,428,785)	(13,114,478)
Net deferred policy acquisition costs	6,609,938	579,500
Amortization	(3,456,594)	(1,396,251)
	3,153,344	(816,751)
Net deferred policy acquisition costs net of ceding commission revenue, end of year	$ 3,029,441	$ (123,903)

Ending balances for deferred policy acquisition costs and deferred ceding commission revenue as of December 31, 2014 and 2013 follows:

	December 31,	
	2014	2013
Deferred policy acquisition costs	$ 8,985,981	$ 6,860,263
Deferred ceding commission revenue	(5,956,540)	(6,984,166)
Balance at end of period	$ 3,029,441	$ (123,903)

Note 9 - Property and Equipment

The components of property and equipment are summarized as follows:

	Cost	Accumulated Depreciation	Net
December 31, 2014			
Building	$ 1,887,347	$ (253,624)	$ 1,633,723
Land	153,097	-	153,097
Furniture office equipment	366,392	(151,983)	214,409
Computer equipment and software	1,019,647	(570,955)	448,692
Automobile	81,394	(83,273)	(1,879)
Total	$ 3,507,877	$ (1,059,835)	$ 2,448,042
December 31, 2013			
Building	$ 1,760,435	$ (195,363)	$ 1,565,072
Land	153,097	-	153,097
Furniture	170,505	(79,885)	90,620
Computer equipment and software	533,966	(307,382)	226,584
Automobile	81,394	(78,012)	3,382
Total	$ 2,699,397	$ (660,642)	$ 2,038,755

Depreciation expense for the years ended December 31, 2014 and 2013 was $399,193 and $170,769, respectively.

Note 10 - Property and Casualty Insurance Activity

Premiums written, ceded and earned are as follows:

	Direct	Assumed	Ceded	Net
Year ended December 31, 2014				
Premiums written	$ 76,255,426	$ 48,856	$ (33,009,420)	$ 43,294,862
Change in unearned premiums	(8,119,029)	(3,398)	(2,543,951)	(10,666,378)
Premiums earned	$ 68,136,397	$ 45,458	$ (35,553,371)	$ 32,628,484
Year ended December 31, 2013				
Premiums written	$ 60,449,077	$ 45,746	$ (35,656,060)	$ 24,838,763
Change in unearned premiums	(6,341,750)	18,499	3,709,655	(2,613,596)
Premiums earned	$ 54,107,327	$ 64,245	$ (31,946,405)	$ 22,225,167

Premium receipts in advance of the policy effective date are recorded as advance premiums. The balance of advance premiums as of December 31, 2014 and 2013 was approximately $1,007,000 and $776,000, respectively.

The components of the liability for loss and LAE expenses and related reinsurance receivables as of December 31, 2014 and 2013 are as follows:

	Gross Liability	Reinsurance Receivables
December 31, 2014		
Case-basis reserves	$ 24,064,175	$ 11,930,330
Loss adjustment expenses	5,663,856	1,920,437
IBNR reserves	10,184,652	4,398,759
Recoverable on unpaid losses		18,249,526
Recoverable on paid losses	-	1,469,363
Total loss and loss adjustment expenses	$ 39,912,683	19,718,889
Unearned premiums		15,856,387
Total reinsurance receivables		$ 35,575,276
December 31, 2013		
Case-basis reserves	$ 22,489,240	$ 12,078,399
Loss adjustment expenses	4,200,675	1,226,763
IBNR reserves	7,813,314	4,058,813
Recoverable on unpaid losses		17,363,975
Recoverable on paid losses	-	1,796,512
Total loss and loss adjustment expenses	$ 34,503,229	19,160,487
Unearned premiums		18,400,338
Total reinsurance receivables		$ 37,560,825

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

	Years ended December 31,	
	2014	2013
Balance at beginning of period	$ 34,503,229	$ 30,485,532
Less reinsurance recoverables	(17,363,975)	(18,419,694)
Net balance, beginning of period	17,139,254	12,065,838
Incurred related to:		
Current year	15,268,426	11,765,420
Prior years	1,763,762	1,821,113
Total incurred	17,032,188	13,586,533
Paid related to:		
Current year	6,351,920	3,709,495
Prior years	6,156,365	4,803,622
Total paid	12,508,285	8,513,117
Net balance at end of period	21,663,157	17,139,254
Add reinsurance recoverables	18,249,526	17,363,975
Balance at end of period	$ 39,912,683	$ 34,503,229

Incurred losses and LAE are net of reinsurance recoveries under reinsurance contracts of $14,878,551 and $17,167,407 for the years ended December 31, 2014 and 2013, respectively.

Prior year incurred loss and LAE development is based upon estimates by line of business and accident year. 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 and including losses that have been incurred but not yet been reported. The process includes using actuarial methodologies to assist in establishing these estimates, judgments relative to estimates of future claims severity and frequency, the length of time before losses will develop to their ultimate level and the possible changes in the law and other external factors that are often 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 result of numerous best estimates made by line of business, accident year, and loss and LAE. The amount of loss and LAE reserves for reported claims ("case reserve") is based primarily upon a case-by-case evaluation of coverage, liability, injury severity, 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 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 product line 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.

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.

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 years 2011 and prior is limited although there remains the possibility of adverse development on reported claims ('case development' IBNR).

The Company was previously a one-third participant in a pool arrangement. Effective November 1, 1997, the Company withdrew from its participation in the pool arrangement. Accordingly, the Company will only be participating in losses and allocated loss adjustment expenses that occurred prior to that date.

Commercial Auto Line of Business

Effective October 1, 2014 the Company decided that it will no longer accept applications for new commercial auto policies. The action was taken following a series of underwriting and pricing measures which were intended to improve the profitability of this line of business. The actions taken did not yield the hoped for results. In February 2015, the Company made the decision that it will no longer offer renewals on its existing commercial auto policies beginning with those that expire on or after May 1, 2015. The Company had 730 and 1,161 commercial auto policies in force as of December 31, 2014 and 2013, respectively.

Note 11 – Bank Line of Credit

On December 27, 2011, Kingstone executed a Promissory Note pursuant to a line of credit (together, the "Trustco Agreement") with Trustco Bank ("Lender"). Under the Trustco Agreement, Kingstone may receive advances from Lender not to exceed an unpaid principal balance of $500,000 (the "Credit Limit"). On January 25, 2013, the Credit Limit was increased to $600,000. Advances extended under the Trustco Agreement will bear interest at a floating rate based on the Lender's prime rate, which was 3.75% at December 31, 2014.

Interest only payments are due monthly. The principal balance is payable on demand, and must be reduced to zero for a minimum of thirty consecutive days during each year of the term of the Trustco Agreement. The line of credit is subject annual renewal at the discretion of the Lender. Lender may set off any depository accounts maintained by Kingstone that are held by Lender. Payment of amounts due pursuant to the Trustco Agreement is secured by all of Kingstone's cash and deposit accounts, receivables, inventory and fixed assets, and is guaranteed by Kingstone's subsidiary, Payments, Inc.

The line of credit is used for general corporate purposes.

There were no outstanding balances under the bank line of credit as of December 31, 2014 and 2013. The weighted average interest rate on the amount outstanding during the years ended December 31, 2014 and 2013 was 0% and 3.75%, respectively. There are no other fees in connection with this credit line. Interest expense on the line of credit for the years ended December 31, 2014 and 2013 was approximately $-0- and $7,000, respectively.

Note 12 – Stockholders' Equity

Dividend Declared

Dividends declared and paid on Common Stock were $1,312,625 and $612,401 for the years ended December 31, 2014 and 2013, respectively. The Company's Board of Directors approved a quarterly dividend on February 6, 2015 of $.05 per share payable in cash on March 13, 2015 to stockholders of record as of February 27, 2015 (see Note 20).

Preferred Stock

On August 13, 2013, the Company's stockholders approved an amendment to the Certificate of Incorporation of the Company to increase the number of authorized shares of Preferred Stock from 1,000,000 to 2,500,000. The Board of Directors has the authority to issue shares of Preferred Stock from time to time in a series and to fix, before the issuance of each series, the number of shares in each series and the designation, liquidation preferences, conversion privileges, rights and limitations of each series. There was no preferred stock issued as of December 31, 2014 and 2013.

Common Stock

On August 13, 2013, the Company's stockholders approved an amendment to the Certificate of Incorporation of the Company to increase the number of authorized shares of Common Stock from 10,000,000 to 20,000,000.

On December 13, 2013, the Company closed on an underwritten public offering of 3,450,000 shares of its Common Stock, including 450,000 shares issued pursuant to the underwriter's 30-day over-allotment option, at a public offering price of $5.95 per share. The aggregate net proceeds to the Company was approximately $18,804,000, after deducting underwriting discounts and commissions and other offering expenses of $1,723,000.

The Company used the net proceeds of the offering to contribute capital to its insurance subsidiary, KICO, to support growth, including possible product expansion, and to repay indebtedness. A registration statement relating to these securities was filed with the SEC and became effective on December 9, 2013.

Other Equity Compensation

For the years ended December 31, 2014 and 2013, there was no other equity compensation.

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, subject to shareholder approval on or before August 12, 2015 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. 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, 2014 and 2013 include stock-based stock option compensation expense totaling approximately $172,000 and $60,000, respectively. Stock-based compensation expense related to stock options for the years ended December 31, 2014 and 2013 is net of estimated forfeitures of 20% and 21%, respectively. Such amounts have been included in the consolidated statements of income and comprehensive income within other operating expenses.

Stock-based compensation expense in 2014 and 2013 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. The weighted average estimated fair value of stock options granted during the years ended December 31, 2014 and 2013 were $1.60 and $1.43 per share respectively. The fair value of options at the grant date was estimated using the Black-Scholes option-pricing method. The following weighted average assumptions were used for grants during the years ended December 31, 2014 and 2013:

	Years ended December 31,	
	2014	2013
Dividend Yield	2.97%	2.42% - 3.14%
Volatility	40.53%	45.73% - 46.71%
Risk-Free Interest Rate	0.92%	0.61% - 0.79%
Expected Life	3.25 years	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 the Company's 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 its stock options.

A summary of option activity under the Company's 2005 Plan for the year ended December 31, 2014 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, 2014	321,365	$ 3.36	2.26	$ 1,257,936
Granted (1)	200,000	$ 6.73	-	$ 284,000
Exercised	(100,115)	$ 2.49	-	$ 466,816
Forfeited	-	$ -	-	$ -
Outstanding at December 31, 2014 (1)	421,250	$ 5.16	3.13	$ 1,258,013
Vested and Exercisable at December 31, 2014	232,500	$ 4.22	2.15	$ 912,913

(1) On August 12, 2014, an additional 50,000 options were granted under the 2014 Plan, which is subject to shareholder approval.

The aggregate intrinsic value of options outstanding and options exercisable at December 31, 2014 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 $8.15 closing price of the Company's Common Stock on December 31, 2014. The total intrinsic value of options exercised in year ended December 31, 2014 was $466,816, determined as of the date of exercise.

Participants in the 2014 Plan and 2005 Plan 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 $5,877 from the exercise of options for the purchase of 2,500 shares of Common Stock in the year ended December 31, 2014. The remaining 97,615 options exercised in 2014 were Net Exercises. The Company received cash proceeds of $11,750 from the exercise of options for the purchase of 5,000 shares of Common Stock in the year ended December 31, 2013. The remaining 1,250 options exercised in 2013 were Net Exercises.

As of December 31, 2014 and 2013, the fair value of unamortized compensation cost related to unvested stock option awards was approximately $156,000 and $71,000, respectively. Unamortized compensation cost as of December 31, 2014 is expected to be recognized over a remaining weighted-average vesting period of 1.08 years.

As of December 31, 2014, there were 1,135 shares reserved under the 2005 Plan and 650,000 shares reserved under the 2014 Plan.

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.

- 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 12 quarters. 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, 2014 and 2013, KICO paid dividends of $1,500,000 and $700,000, respectively. On February 26, 2015, KICO's Board of Directors approved a cash dividend of $400,000 to Kingstone, which was paid on February 28, 2015. For the years ended December 31, 2014 and 2013, KICO had statutory basis net income of $3,617,139 and $3,057,740, respectively. At December 31, 2014 and 2013, KICO had reported statutory basis surplus as regards policyholders of $34,425,381 and $31,829,876, 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 (“ACLC”).

The RBC guidelines define specific capital levels based on a company’s ACLC that are determined by the ratio of the company’s total adjusted capital (“TAC”) to its ACLC. TAC is equal to statutory capital, plus or minus certain other specified adjustments. The Company is in compliance with RBC requirements as of December 31, 2014 and 2013.

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 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 financial statements taken as a whole for the respective periods. The Company has evaluated this year’s amounts in relation to the current and prior reporting periods and determined that a restatement of those prior reporting periods is not appropriate.

The provision for income taxes is comprised of the following:

Years ended December 31,	2014	2013
Current federal income tax expense	$ 2,418,621	$ 1,473,370
Current state income tax expense	14,596	14,952
Deferred federal and state income tax expense (benefit)	113,823	(724,053)
Provision for income taxes	$ 2,547,040	$ 764,269

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

Years ended December 31,	2014		2013	
Computed expected tax expense	$ 2,677,656	34.0%	$ 944,040	34.0%
State taxes, net of Federal benefit	(99,356)	(1.3)	(48,411)	(1.8)
State valuation allowance	139,137	1.8	85,821	3.1
Permanent differences				
Dividends received deduction	(114,996)	(1.5)	(91,163)	(3.3)
Non-taxable investment income	(92,283)	(1.2)	(43,905)	(1.5)
Other permanent differences	86,193	1.1	25,709	0.9
Prior year tax matters	(53,556)	(0.7)	(52,145)	(1.9)
Other	4,245	0.1	(55,677)	(2.0)
Total tax	$ 2,547,040	32.3%	$ 764,269	27.5%

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 sheet 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. Significant components of the Company's deferred tax assets and liabilities are as follows:

	December 31, 2014	December 31, 2013
Deferred tax asset:		
Net operating loss carryovers (1)	$ 211,550	$ 246,476
Claims reserve discount	562,941	445,384
Unearned premium	1,741,360	1,000,372
Deferred ceding commission revenue	2,025,224	2,374,616
Other	88,148	17,087
Total deferred tax assets	4,629,223	4,083,935
Deferred tax liability:		
Investment in KICO (2)	1,169,000	1,169,000
Deferred acquisition costs	3,055,234	2,332,489
Intangibles	759,400	921,143
Depreciation and amortization	291,689	197,223
Net unrealized appreciation of securities - available for sale	491,080	157,167
Total deferred tax liabilities	5,766,403	4,777,022
Net deferred income tax liability	$ (1,137,180)	$ (693,087)

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

Type of NOL	December 31, 2014	December 31, 2013	Expiration
State only (A)	$ 567,188	$ 459,989	December 31, 2034
Valuation allowance	(372,638)	(240,713)	
State only, net of valuation allowance	194,550	219,276	
Amount subject to Annual Limitation, federal only (B)	17,000	27,200	December 31, 2019
Total deferred tax asset from net operating loss carryovers	$ 211,550	$ 246,476	

(A) Kingstone generates operating losses for state purposes and has prior year net operating loss carryovers available. The state net operating loss carryover as of December 31, 2014 and December 31, 2013 was approximately $6,834,000 and $5,416,000, 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. A valuation allowance has been recorded due to the uncertainty of generating enough state taxable income to utilize 100% of the available state net operating loss carryovers over their remaining lives, which expire between 2027 and 2034.

(B) The Company has an NOL of $50,000 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 of $1,169,000 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, 2014:

Change in net deferred income tax liabilities	$	444,093
Deferred tax expense allocated to other comprehensive income		330,270
Deferred income tax provision	$	113,823

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 interest or penalties related to income taxes that have been accrued or recognized as of and for the years ended December 31, 2014 and 2013. If any had been recognized these would be reported in income tax expense.

IRS Tax Audit

The tax returns for years ended December 31, 2011 through 2013 are subject to examination, generally for three years after filing.

In March 2014, the Company received a notice that its federal income tax returns for the years ended December 31, 2011 and 2012 were selected for examination by the Internal Revenue Service. On March 31, 2014, the Company was notified that the examination was cancelled.

Note 16 - Employee Benefit Plans

KICO maintains a salary reduction plan under Section 401(k) of the Internal Revenue Code ("the 401(k) Plan") for its qualified employees. KICO 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. The Company incurred approximately $367,000 and $270,000 of expense for the years ended December 31, 2014 and 2013, respectively, related to the 401(k) Plan. For the years ended December 31, 2014 and 2013, Additional Contributions totaled approximately $229,000 and $156,000, 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.

State Insurance Regulation

In the aftermath of Superstorm Sandy, the DFS adopted various regulations that affect insurance companies that operate in the state of New York. Included among the regulations are accelerated claims investigation and settlement requirements and mandatory participation in non-binding mediation proceedings funded by the insurer. Further, in February 2013, the state of New York announced that the DFS commenced an investigation into the claims practices of three insurance companies, including KICO, in connection with Superstorm Sandy claims. The DFS stated that the three insurers had a much larger than average consumer complaint rate with regard to Superstorm Sandy claims and indicated that the three insurers were being investigated for (i) failure to send adjusters in a timely manner; (ii) failure to process claims in a timely manner; and (iii) inability of homeowners to contact insurance company representatives. KICO received a letter from the DFS seeking information and data with regard to the foregoing. KICO has cooperated with the DFS in connection with its investigation. On March 14, 2013, KICO supplied requested information and met with the DFS on May 23, 2013. KICO has not received a response from the DFS since its meeting on May 23, 2013 and believes that such matter will not have any effect on the Company's financial position or results of operations.

Employment Agreements

Chief Executive Officer (Kingstone)

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 "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.

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 is subject to shareholder approval of the 2014 Plan. 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 is terminated by the Company without cause or he resigns with good reason (each as defined in his employment agreement), all of the options granted to Mr. Goldstein would become exercisable and would remain exercisable until the first anniversary of the termination date.

Pursuant to the 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 be 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 resigns with good reason (as each term is defined in the Goldstein Employment Agreement), Mr. Goldstein would be entitled to receive his base salary and bonuses from the Company for the remainder of the term, and his outstanding options would become exercisable and would remain exercisable until the first anniversary of the termination date. In addition, in the event Mr. Goldstein's employment with KICO is terminated by KICO with or without cause, he would be entitled to receive a lump sum payment from KICO equal to six months base salary.

Executive Vice President (KICO)

John D. Reiersen, KICO's Executive Vice President, is employed pursuant to an employment agreement effective as of November 13, 2006 and amended as of January 25, 2008, February 28, 2011 and October 14, 2013 (together, the "Reiersen Agreement"). The Reiersen Agreement expires on December 31, 2016 and may be terminated by KICO at any time with or without cause upon written notice. In the event of termination by KICO, Mr. Reiersen will be entitled to receive severance in an amount equal to the lesser of $50,000 or the remaining salary payable to him through the term of his agreement. Pursuant to the Reiersen Agreement, Mr. Reiersen's minimum annual salary effective from January 1, 2012 through December 31, 2014 is $100,000. His minimum annual salary effective January 1, 2015 will be $105,000. His minimum salary in both periods is subject to increase based upon the provision of more than 500 hours of service per year on behalf of KICO. Mr. Reiersen also receives additional customary benefits and a $2,000 annual fee for his position as a director of KICO.

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 Department of Financial Services that any intercompany transaction between itself and KICO must be filed with the Department 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 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 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 share excludes outstanding options in periods where the exercise of such options would be anti-dilutive. For the years ended December 31, 2014 and 2013, the inclusion of 63,356 and 27,094 options in the computation of diluted earnings per 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 has not been adjusted for the effect of such options.

The reconciliation of the weighted average number of shares of Common Stock used in the calculation of basic and diluted earnings per common share for the years ended December 31, 2014 and 2013 follows:

	Year ended December 31,	
	2014	2013
Weighted average number of shares outstanding	7,287,657	3,975,115
Effect of dilutive securities, common share equivalents	69,305	84,609
Weighted average number of shares outstanding, used for computing diluted earnings per share	7,356,962	4,059,724

Note 19 – Premium Finance Placement Fees

The Company's wholly owned subsidiary, Payments Inc. ("Payments"), is licensed as a premium finance agency in the state of New York. Prior to February 1, 2008, Payments provided premium financing in connection with the obtaining of insurance policies. Effective February 1, 2008, Payments sold its outstanding premium finance loan portfolio. The purchaser of the portfolio (the "Purchaser") agreed that, during the five year period ended February 1, 2013 (which period was extended to February 1, 2015), it will purchase, assume and service all eligible premium finance contracts originated by Payments in the state of New York (the "Agreement"). In connection with such purchases, Payments will be entitled to receive a fee generally equal to a percentage of the amount financed.

On July 17, 2014, the Purchaser terminated the Agreement effective February 1, 2015. Following any expiration or termination of the obligation of the Purchaser to purchase premium finance contracts, Payments will be entitled to receive the fees for an additional two years with regard to contracts for policies from the Company's producers. The Company's premium financing business currently consists of the placement fees that Payments earns from placing contracts.

Placement fee revenue included in other income and the related direct expenses included in other operating expenses in the consolidated statements of net income and comprehensive income are as follows:

	For the Year Ended December 31,	
	2014	2013
Placement fee revenue	$ 229,738	$ 302,078
Direct expenses	62,610	63,949
Net income before taxes from placement fees	$ 167,128	$ 238,129

Note 20 - Subsequent Events

The Company has evaluated events that occurred subsequent to December 31, 2014 through 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 6, 2015, the Company's Board of Directors approved a dividend of $.05 per share, or $365,505, payable in cash on March 13, 2015 to stockholders of record as of February 27, 2015.

Commercial Auto Line of Business

The Company had previously decided effective October 1, 2014, that it will no longer accept applications for new commercial auto policies. The action was taken following a series of underwriting and pricing measures which were intended to improve the profitability of this line of business. The actions taken did not yield the hoped for results. In February 2015, the Company made the decision that it will no longer offer renewals on its existing commercial auto policies beginning with those that expire on or after May 1, 2015.

Note 21 – Quarterly Financial Data (Unaudited)

The following is a summary of unaudited quarterly results of operations for the years ended December 31, 2014 and 2013:

	2014				
	March 31,	June 30,	September 30,	December 31,	Total
Net premiums earned	$ 5,926,311	$ 6,429,373	$ 9,895,000	$ 10,377,800	$ 32,628,484
Ceding commission revenue	3,381,283	3,706,049	3,278,319	3,544,460	13,910,111
Net investment income	378,788	451,915	463,513	505,552	1,799,768
Net realized gain on sale of investments	188,348	134,602	115,176	268,901	707,027
Total revenues	10,102,287	10,972,847	14,015,734	14,960,624	50,051,492
Loss and loss adjustment expenses	4,324,954	3,007,939	4,538,167	5,161,128	17,032,188
Commission expense and other underwriting expenses	4,864,257	5,432,867	5,951,772	6,532,697	22,781,593
Net income	327,133	1,354,502	1,883,681	1,763,103	5,328,419
Basic earnings per share	$ 0.05	$ 0.19	$ 0.26	$ 0.24	$ 0.73
Diluted earnings per share	$ 0.04	$ 0.18	$ 0.26	$ 0.24	$ 0.72

	2013				
	March 31,	June 30,	September 30,	December 31,	Total
Net premiums earned	$ 4,623,215	$ 4,676,282	$ 6,125,584	$ 6,800,086	$ 22,225,167
Ceding commission revenue	2,293,711	2,334,431	3,611,544	3,433,417	11,673,103
Net investment income	283,287	275,031	294,348	317,385	1,170,051
Net realized gain on sale of investments	105,125	249,893	94,456	126,318	575,792
Total revenues	7,519,328	7,779,462	10,339,137	10,928,258	36,566,185
Loss and loss adjustment expenses	2,469,641	3,241,797	2,439,132	5,435,963	13,586,533
Commission expense and other underwriting expenses	4,329,165	4,010,695	5,174,791	4,866,827	18,381,478
Net income	191,008	68,101	1,662,224	90,985	2,012,318
Basic earnings per share	$ 0.05	$ 0.02	$ 0.44	$ 0.02	$ 0.51
Diluted earnings per share	$ 0.05	$ 0.02	$ 0.43	$ 0.02	$ 0.50

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.

Exhibit 31.1

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 small business issuer 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 25, 2015

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

Exhibit 31.2

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 small business issuer 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 25, 2015

By: /s/ Victor Brodsky
Victor Brodsky
Chief Financial Officer

Exhibit 32.1

**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, 2014 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 25, 2015

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

By: /s/ Victor Brodsky
Victor Brodsky
Chief Financial Officer

Exhibit 10(a)

KINGSTONE COMPANIES, INC.
2005 Equity Participation Plan

1. Purpose of the Plan. The Kingstone Companies, Inc. 2005 Equity Participation Plan (the "Plan") is intended to advance the interests of Kingstone Companies, Inc. (the "Company") by inducing individuals or entities of outstanding ability and potential to join and remain with, or provide consulting or advisory services to, the Company, by encouraging and enabling eligible employees, non-employee Directors, consultants and advisors to acquire proprietary interests in the Company, and by providing the participating employees, non-employee Directors, consultants and advisors with an additional incentive to promote the success of the Company. This is accomplished by providing for the granting of "Options," which term as used herein includes both "Incentive Stock Options" and "Nonstatutory Stock Options," as later defined, and "Restricted Stock" to employees, non-employee Directors, consultants and advisors.

2. Administration. The Plan shall be administered by the Board of Directors of the Company (the "Board" or "Board of Directors") or by a committee (the "Committee") consisting of at least two (2) persons chosen by the Board of Directors. Except as herein specifically provided, the interpretation and construction by the Board of Directors or the Committee of any provision of the Plan or of any Option, or with respect to any Restricted Stock, granted under it shall be final and conclusive. The receipt of Options or Restricted Stock by Directors, or any members of the Committee, shall not preclude their vote on any matters in connection with the administration or interpretation of the Plan.

3. Shares Subject to the Plan The shares subject to Options granted under the Plan, and shares granted as Restricted Stock under the Plan, shall be shares of the Company's common stock, par value $.01 per share (the "Common Stock"), whether authorized but unissued or held in the Company's treasury, or shares purchased from stockholders expressly for use under the Plan. The maximum number of shares of Common Stock which may be issued pursuant to Options or as Restricted Stock granted under the Plan shall not exceed in the aggregate seven hundred thousand (700,000) shares. The Company shall at all times while the Plan is in force reserve such number of shares of Common Stock as will be sufficient to satisfy the requirements of all outstanding Options granted under the Plan. In the event any Option granted under the Plan shall expire or terminate for any reason without having been exercised in full or shall cease for any reason to be exercisable in whole or in part, the unpurchased shares subject thereto shall again be available for Options and grants of Restricted Stock under the Plan. In the event any shares of Restricted Stock are forfeited for any reason, the shares forfeited shall again be available for Options and grants of Restricted Stock under the Plan. In the event shares of Common Stock are delivered to, or withheld by, the Company pursuant to Sections 13(b) or 27 hereof, only the net number of shares issued, i.e., net of the shares so delivered or withheld, shall be considered to have been issued pursuant to the Plan.

4. Participation. The class of individuals that shall be eligible to receive Options ("Optionees") and Restricted Stock ("Grantees") under the Plan shall be (a) with respect to Incentive Stock Options described in Section 6 hereof, all employees of either the Company or any parent or subsidiary corporation of the Company, and (b) with respect to Nonstatutory Stock Options described in Section 7 hereof and Restricted Stock described in Section 17 hereof, all employees, and non-employee Directors of, or consultants and advisors to, either the Company or any parent or subsidiary corporation of the Company; provided, however, neither Nonstatutory Stock Options nor Restricted Stock shall be granted to any such consultant or advisor unless (i) the consultant or advisor is a natural person (or an entity wholly-owned by the consultant or advisor), (ii) bona fide services have been or are to be rendered by such consultant or advisor and (iii) such services are not in connection with the offer or sale of securities in a capital raising transaction and do not directly or indirectly promote or maintain a market for the Company's securities. The Board of Directors or the Committee, in its sole discretion, but subject to the provisions of the Plan, shall determine the employees and non-employee Directors of, and the consultants and advisors to, the Company and its parent and subsidiary corporations to whom Options and Restricted Stock shall be granted, and the number of shares to be covered by each Option and each Restricted Stock grant, taking into account the nature of the employment or services rendered by the individuals or entities being considered, their annual compensation, their present and potential contributions to the success of the Company, and such other factors as the Board of Directors or the Committee may deem relevant. For purposes hereof, a non-employee to whom an offer of employment has been extended shall be considered an employee, provided that the Options granted to such individual shall not be exercisable, and the Restricted Stock granted shall not vest, in whole or in part, for a period of at least one year from the date of grant and in the event the individual does not commence employment with the Company, the Options and/or Restricted Stock granted shall be considered null and void.

5. Stock Option Agreement. Each Option granted under the Plan shall be authorized by the Board of Directors or the Committee, and shall be evidenced by a Stock Option Agreement which shall be executed by the Company and by the individual or entity to whom such Option is granted. The Stock Option Agreement shall specify the number of shares of Common Stock as to which any Option is granted, the period during which the Option is exercisable, the option price per share thereof, and such other terms and provisions as the Board of Directors or the Committee may deem necessary or appropriate.

6. Incentive Stock Options. The Board of Directors or the Committee may grant Options under the Plan which are intended to meet the requirements of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), with respect to "incentive stock options," and which are subject to the following terms and conditions and any other terms and conditions as may at any time be required by Section 422 of the Code (referred to herein as an "Incentive Stock Option"):

(a) No Incentive Stock Option shall be granted to individuals other than employees of the Company or of a parent or subsidiary corporation of the Company.

(b) Each Incentive Stock Option under the Plan must be granted prior to October 11, 2015, which is within ten (10) years from the date the Plan was adopted by the Board of Directors.

(c) The option price of the shares subject to any Incentive Stock Option shall not be less than the fair market value (as defined in subsection (f) of this Section 6) of the Common Stock at the time such Incentive Stock Option is granted; provided, however, if an Incentive Stock Option is granted to an individual who owns, at the time the Incentive Stock Option is granted, more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of a parent or subsidiary corporation of the Company (a "10% Stockholder"), the option price of the shares subject to the Incentive Stock Option shall be at least one hundred ten percent (110%) of the fair market value of the Common Stock at the time such Incentive Stock Option is granted.

(d) No Incentive Stock Option granted under the Plan shall be exercisable after the expiration of ten (10) years from the date of its grant. However, if an Incentive Stock Option is granted to a 10% Stockholder, such Incentive Stock Option shall not be exercisable after the expiration of five (5) years from the date of its grant. Every Incentive Stock Option granted under the Plan shall be subject to earlier termination as expressly provided in Section 12 hereof.

(e) For purposes of determining stock ownership under this Section 6, the attribution rules of Section 424(d) of the Code shall apply.

(f) For purposes of the Plan, fair market value shall be determined by the Board of Directors or the Committee. If the Common Stock is listed on a national securities exchange or The Nasdaq Stock Market (“Nasdaq”) or traded on the Over-the-Counter market, fair market value shall be the closing selling price or, if not available, the closing bid price or, if not available, the high bid price of the Common Stock quoted on such exchange or Nasdaq, or on the Over-the-Counter market, as reported by the exchange, Nasdaq or the OTC Electronic Bulletin Board, or if the Common Stock is not so reported, then by the Pink Sheets, LLC, as the case may be, on the day immediately preceding the day on which the Option is granted (or, if granted after the close of business for trading, then on the day on which the Option is granted), or, if there is no selling or bid price on that day, the closing selling price, closing bid price or high bid price, as the case may be, on the most recent day which precedes that day and for which such prices are available. If there is no selling or bid price for the ninety (90) day period preceding the date of grant of an Option hereunder, fair market value shall be determined in good faith by the Board of Directors or the Committee.

7. Nonstatutory Stock Options. The Board of Directors or the Committee may grant Options under the Plan which are not intended to meet the requirements of Section 422 of the Code, as well as Options which are intended to meet the requirements of Section 422 of the Code but the terms of which provide that they will not be treated as Incentive Stock Options (referred to herein as a "Nonstatutory Stock Option"). Nonstatutory Stock Options shall be subject to the following terms and conditions:

(a) A Nonstatutory Stock Option may be granted to any individual or entity eligible to receive an Option under the Plan pursuant to clause (b) of Section 4 hereof.

(b) The option price of the shares subject to a Nonstatutory Stock Option shall not be less than the fair market value of the Common Stock at the time such Nonstatutory Stock Option is granted.

(c) A Nonstatutory Stock Option granted under the Plan may be of such duration as shall be determined by the Board of Directors or the Committee (subject to earlier termination as expressly provided in Section 12 hereof).

8. Reload Options. The Board of Directors or the Committee may grant Options with a reload feature. A reload feature shall only apply when the option price is paid by delivery of Common Stock (as set forth in Section 13(b)(ii)) or by having the Company reduce the number of shares otherwise issuable to an Optionee (as provided for in the last sentence of Section 13(b)) (a "Net Exercise"). The Stock Option Agreement for the Options containing the reload feature shall provide that the Option holder shall receive, contemporaneously with the payment of the option price in shares of Common Stock or in the event of a Net Exercise, a reload stock option (the "Reload Option") to purchase that number of shares of Common Stock equal to the sum of (i) the number of shares of Common Stock used to exercise the Option (or not issued in the case of a Net Exercise), and (ii) with respect to Nonstatutory Stock Options, the number of shares of Common Stock used to satisfy any tax withholding requirement incident to the exercise of such Nonstatutory Stock Option. The terms of the Plan applicable to the Option shall be equally applicable to the Reload Option with the following exceptions: (i) the option price per share of Common Stock deliverable upon the exercise of the Reload Option, (A) in the case of a Reload Option which is an Incentive Stock Option being granted to a 10% Stockholder, shall be one hundred ten percent (110%) of the fair market value of a share of Common Stock on the date of grant of the Reload Option and (B) in the case of a Reload Option which is an Incentive Stock Option being granted to a person other than a 10% Stockholder or is a Nonstatutory Stock Option, shall be the fair market value of a share of Common Stock on the date of grant of the Reload Option; and (ii) the term of the Reload Option shall be equal to the remaining option term of the Option (including a Reload Option) which gave rise to the Reload Option. The Reload Option shall be evidenced by an appropriate amendment to the Stock Option Agreement for the Option which gave rise to the Reload Option. In the event the exercise price of an Option containing a reload feature is paid by check and not in shares of Common Stock, the reload feature shall have no application with respect to such exercise.

9. Rights of Option Holders. The holder of an Option granted under the Plan shall have none of the rights of a stockholder with respect to the stock covered by his Option until such stock shall be transferred to him upon the exercise of his Option.

10. Alternate Stock Appreciation Rights.

(a) Concurrently with, or subsequent to, the award of any Option to purchase one or more shares of Common Stock, the Board of Directors or the Committee may, in its sole discretion, subject to the provisions of the Plan and such other terms and conditions as the Board of Directors or the Committee may prescribe, award to the Optionee with respect to each share of Common Stock covered by an Option ("Related Option"), a related alternate stock appreciation right ("SAR"), permitting the Optionee to be paid the appreciation on the Related Option in lieu of exercising the Related Option. An SAR granted with respect to an Incentive Stock Option must be granted together with the Related Option. An SAR granted with respect to a Nonstatutory Stock Option may be granted together with, or subsequent to, the grant of such Related Option.

(b) Each SAR granted under the Plan shall be authorized by the Board of Directors or the Committee, and shall be evidenced by an SAR Agreement which shall be executed by the Company and by the individual or entity to whom such SAR is granted. The SAR Agreement shall specify the period during which the SAR is exercisable, and such other terms and provisions not inconsistent with the Plan.

(c) An SAR may be exercised only if and to the extent that its Related Option is eligible to be exercised on the date of exercise of the SAR. To the extent that a holder of an SAR has a current right to exercise, the SAR may be exercised from time to time by delivery by the holder thereof to the Company at its principal office (attention: Secretary) of a written notice of the number of shares with respect to which it is being exercised. Such notice shall be accompanied by the agreements evidencing the SAR and the Related Option. In the event the SAR shall not be exercised in full, the Secretary of the Company shall endorse or cause to be endorsed on the SAR Agreement and the Related Option Agreement the number of shares which have been exercised thereunder and the number of shares that remain exercisable under the SAR and the Related Option and return such SAR and Related Option to the holder thereof.

(d) The amount of payment to which an Optionee shall be entitled upon the exercise of each SAR shall be equal to one hundred percent (100%) of the amount, if any, by which the fair market value of a share of Common Stock on the exercise date exceeds the exercise price per share of the Related Option; provided, however, the Company may, in its sole discretion, withhold from any such cash payment any amount necessary to satisfy the Company's obligation for withholding taxes with respect to such payment.

(e) The amount payable by the Company to an Optionee upon exercise of a SAR may, in the sole determination of the Company, be paid in shares of Common Stock, cash or a combination thereof, as set forth in the SAR Agreement. In the case of a payment in shares, the number of shares of Common Stock to be paid to an Optionee upon such Optionee's exercise of an SAR shall be determined by dividing the amount of payment determined pursuant to Section 10(d) hereof by the fair market value of a share of Common Stock on the exercise date of such SAR. For purposes of the Plan, the exercise date of an SAR shall be the date the Company receives written notification from the Optionee of the exercise of the SAR in accordance with the provisions of Section 10(c) hereof. As soon as practicable after exercise, the Company shall either deliver to the Optionee the amount of cash due such Optionee or a certificate or certificates for such shares of Common Stock. All such shares shall be issued with the rights and restrictions specified herein.

(f) SARs shall terminate or expire upon the same conditions and in the same manner as the Related Options, and as set forth in Section 12 hereof.

(g) The exercise of any SAR shall cancel and terminate the right to purchase an equal number of shares covered by the Related Option.

(h) Upon the exercise or termination of any Related Option, the SAR with respect to such Related Option shall terminate to the extent of the number of shares of Common Stock as to which the Related Option was exercised or terminated.

(i) An SAR granted pursuant to the Plan shall be transferable to the same extent as the Related Option.

(j) All references in this Plan to "Options" shall be deemed to include "SARs" where applicable.

11. Transferability of Options.

(a) No Option granted under the Plan shall be transferable by the individual or entity to whom it was granted other than by will or the laws of descent and distribution, and, during the lifetime of an individual, shall not be exercisable by any other person, but only by him.

(b) Notwithstanding Section 11(a) above, a Nonstatutory Stock Option granted under the Plan may be transferred in whole or in part during an Optionee's lifetime, upon the approval of the Board of Directors or the Committee, to an Optionee's "family members" (as such term is defined in Rule 701(c)(3) of the Securities Act of 1933, as amended, and General Instruction A(1)(a)(5) to Form S-8) through a gift or domestic relations order. The transferred portion of a Nonstatutory Stock Option may only be exercised by the person or entity who acquires a proprietary interest in such option pursuant to the transfer. The terms applicable to the transferred portion shall be the same as those in effect for the Option immediately prior to such transfer and shall be set forth in such documents issued to the transferee as the Board of Directors or the Committee may deem appropriate. As used in this Plan the terms "Optionee" and "holder of an Option" shall refer to the grantee of the Option and not any transferee thereof.

12. Effect of Termination of Employment or Death on Options

(a) Unless otherwise provided in the Stock Option Agreement, if the employment of an employee by, or the services of a non-employee Director for, or consultant or advisor to, the Company or a parent or subsidiary corporation of the Company shall be terminated for Cause (as hereinafter defined) or voluntarily by the employee, non-employee Director, consultant or advisor, then his Option shall expire forthwith. Unless otherwise provided in the Stock Option Agreement, and except as provided in subsections (b) and (c) of this Section 12, if such employment or services shall terminate for any other reason, then such Option may be exercised at any time within three (3) months after such termination, subject to the provisions of subsection (d) of this Section 12. For purposes hereof, "Cause" shall include, without limitation, (i) conviction of, or a plea of nolo contendere to, a felony or other serious crime; (ii) commission of any act involving moral turpitude; (iii) commission of any act of dishonesty involving the Company or the performance of the Optionee's duties; (iv) breach of any fiduciary duty to the Company; (v) any alcohol or substance abuse on the part of the Optionee; (vi) the Optionee's commission of any illegal business practices in connection with the Company's business; (vii) any embezzlement or misappropriation of assets; (viii) any excessive unexcused absences from employment or service; (ix) continued and habitual neglect to perform material stated duties; (x) material breach of any provision of any employment, consulting or advisory agreement between the Optionee and the Company; or (xi) engagement in any other misconduct that is materially injurious to the Company. All references in the above definition of "Cause" to the Company shall be deemed to include any parent or subsidiary thereof. For purposes of the Plan, the retirement of an individual either pursuant to a pension or retirement plan adopted by the Company or at the normal retirement date prescribed from time to time by the Company shall be deemed to be termination of such individual's employment other than voluntarily or for cause. For purposes of this subsection (a), an employee, non-employee Director, consultant or advisor who leaves the employ or services of the Company to become an employee or non-employee Director of, or a consultant or advisor to, a parent or subsidiary corporation of the Company or a corporation (or subsidiary or parent corporation of the corporation) which has assumed the Option of the Company as a result of a corporate reorganization or like event shall not be considered to have terminated his employment or services.

(b) Unless otherwise provided in the Stock Option Agreement, if the holder of an Option under the Plan dies (i) while employed by, or while serving as a non-employee Director for or a consultant or advisor to, the Company or a parent or subsidiary corporation of the Company, or (ii) within three (3) months after the termination of his employment or services other than voluntarily or for Cause, then such Option may, subject to the provisions of subsection (d) of this Section 12, be exercised by the estate of the employee or non-employee Director, consultant or advisor, or by a person who acquired the right to exercise such Option by bequest or inheritance or by reason of the death of such employee or non-employee Director, consultant or advisor, at any time within one (1) year after such death.

(c) Unless otherwise provided in the Stock Option Agreement, if the holder of an Option under the Plan ceases employment or services because of permanent and total disability (within the meaning of Section 22(e)(3) of the Code) ("Permanent Disability") while employed by, or while serving as a non-employee Director for or consultant or advisor to, the Company or a parent or subsidiary corporation of the Company, then such Option may, subject to the provisions of subsection (d) of this Section 12, be exercised at any time within one (1) year after his termination of employment, termination of Directorship or termination of consulting or advisory services, as the case may be, due to the disability.

(d) An Option may not be exercised pursuant to this Section 12 except to the extent that the holder was entitled to exercise the Option at the time of termination of employment, termination of Directorship, termination of consulting or advisory services, or death, and in any event may not be exercised after the expiration of the Option.

(e) For purposes of this Section 12, the employment relationship of an employee of the Company or of a parent or subsidiary corporation of the Company will be treated as continuing intact while he is on military or sick leave or other bona fide leave of absence (such as temporary employment by the Government) if such leave does not exceed ninety (90) days, or, if longer, so long as his right to reemployment is guaranteed either by statute or by contract.

13. Exercise of Options.

(a) Unless otherwise provided in the Stock Option Agreement, any Option granted under the Plan shall be exercisable in whole at any time, or in part from time to time, prior to expiration. The Board of Directors or the Committee, in its absolute discretion, may provide in any Stock Option Agreement that the exercise of any Options granted under the Plan shall be subject (i) to such condition or conditions as it may impose, including, but not limited to, a condition that the holder thereof remain in the employ or service of, or continue to provide consulting or advisory services to, the Company or a parent or subsidiary corporation of the Company for such period or periods from the date of grant of the Option as the Board of Directors or the Committee, in its absolute discretion, shall determine; and (ii) to such limitations as it may impose, including, but not limited to, a limitation that the aggregate fair market value (determined at the time the Option is granted) of the Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any employee during any calendar year (under all plans of the Company and its parent and subsidiary corporations) shall not exceed one hundred thousand dollars ($100,000). In addition, in the event that under any Stock Option Agreement the aggregate fair market value (determined at the time the Option is granted) of the Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any employee during any calendar year (under all plans of the Company and its parent and subsidiary corporations) exceeds one hundred thousand dollars ($100,000), the Board of Directors or the Committee may, when shares are transferred upon exercise of such Options, designate those shares which shall be treated as transferred upon exercise of an Incentive Stock Option and those shares which shall be treated as transferred upon exercise of a Nonstatutory Stock Option.

(b) An Option granted under the Plan shall be exercised by the delivery by the holder thereof to the Company at its principal office (attention of the Secretary) of written notice of the number of shares with respect to which the Option is being exercised. Such notice shall be accompanied, or followed within ten (10) days of delivery thereof, by payment of the full option price of such shares, and payment of such option price shall be made by the holder's delivery of (i) his check payable to the order of the Company, or (ii) previously acquired Common Stock, the fair market value of which shall be determined as of the date of exercise (provided that the shares delivered pursuant hereto are acceptable to the Board of Directors or the Committee in its sole discretion) or (iii) if provided for in the Stock Option Agreement, his check payable to the order of the Company in an amount at least equal to the par value of the Common Stock being acquired, together with a promissory note, in form and upon such terms as are acceptable to the Board or the Committee, made payable to the order of the Company in an amount equal to the balance of the exercise price, or (iv) by the holder's delivery of any combination of the foregoing (i), (ii) and (iii). Alternatively, if provided for in the Stock Option Agreement, the holder may elect to have 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.

14. Adjustment Upon Change in Capitalization.

(a) In the event that the outstanding Common Stock is hereafter changed by reason of reorganization, merger, consolidation, recapitalization, reclassification, stock split-up, combination of shares, reverse split, stock dividend or the like, an appropriate adjustment shall be made by the Board of Directors or the Committee in the aggregate number of shares available under the Plan, in the number of shares and option price per share subject to outstanding Options, and in any limitation on exerciseability referred to in Section 13(a)(ii) hereof which is set forth in outstanding Incentive Stock Options. If the Company shall be reorganized, consolidated, or merged with another corporation, subject to the provisions of Section 19 hereof, the holder of an Option shall be entitled to receive upon the exercise of his Option the same number and kind of shares of stock or the same amount of property, cash or securities as he would have been entitled to receive upon the happening of any such corporate event as if he had been, immediately prior to such event, the holder of the number of shares covered by his Option; provided, however, that in such event the Board of Directors or the Committee shall have the discretionary power to take any action necessary or appropriate to prevent any Incentive Stock Option granted hereunder which is intended to be an “incentive stock option” from being disqualified as such under the then existing provisions of the Code or any law amendatory thereof or supplemental thereto; and provided, further, however, that in such event the Board of Directors or the Committee shall have the discretionary power to take any action necessary or appropriate to prevent such adjustment from being deemed or considered as the adoption of a new plan requiring shareholder approval under Section 422 of the Code and the regulations promulgated thereunder.

(b) Any adjustment in the number of shares shall apply proportionately to only the unexercised portion of the Option granted hereunder. If fractions of a share would result from any such adjustment, the adjustment shall be revised to the next lower whole number of shares.

15. Further Conditions of Exercise of Options

(a) Unless prior to the exercise of the Option the shares issuable upon such exercise have been registered with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended, the notice of exercise shall be accompanied by a representation or agreement of the person or estate exercising the Option to the Company to the effect that such shares are being acquired for investment purposes and not with a view to the distribution thereof, and such other documentation as may be required by the Company, unless in the opinion of counsel to the Company such representation, agreement or documentation is not necessary to comply with such Act.

(b) If the Common Stock is listed on any securities exchange, including, without limitation, Nasdaq, the Company shall not be obligated to deliver any Common Stock pursuant to this Plan until it has been listed on each such exchange. In addition, the Company shall not be obligated to deliver any Common Stock pursuant to this Plan until there has been qualification under or compliance with such federal or state laws, rules or regulations as the Company may deem applicable. The Company shall use reasonable efforts to obtain such listing, qualification and compliance.

16. Restricted Stock Grant Agreement. Each Restricted Stock grant under the Plan shall be authorized by the Board of Directors or the Committee, and shall be evidenced by a Restricted Stock Grant Agreement which shall be executed by the Company and by the individual or entity to whom such Restricted Stock is granted. The Restricted Stock Grant Agreement shall specify the number of shares of Restricted Stock granted, the vesting periods and such other terms and provisions as the Board of Directors or the Committee may deem necessary or appropriate.

17. Restricted Stock Grants.

(a) The Board of Directors or the Committee may grant Restricted Stock under the Plan to any individual or entity eligible to receive Restricted Stock pursuant to clause (b) of Section 4 hereof.

(b) In addition to any other applicable provisions hereof and except as may otherwise be specifically provided in a Restricted Stock Grant Agreement, the following restrictions in this Section 17(b) shall apply to grants of Restricted Stock made by the Board or the Committee:

(i) No shares granted pursuant to a grant of Restricted Stock may be sold, transferred, pledged, assigned or otherwise alienated or hypothecated until, and to the extent that, such shares are vested.

(ii) Shares granted pursuant to a grant of Restricted Stock shall vest as determined by the Board or the Committee, as provided for in the Restricted Stock Grant Agreement. The foregoing notwithstanding (but subject to the provisions of (iii) hereof and subject to the discretion of the Board or the Committee), a Grantee shall forfeit all shares not previously vested, if any, at such time as the Grantee is no longer employed by, or serving as a Director of, or rendering consulting or advisory services to, the Company or a parent or subsidiary corporation of the Company. All forfeited shares shall be returned to the Company.

(iii) Notwithstanding the provisions of (ii) hereof, non-vested Restricted Stock shall automatically vest as provided for in Section 19 hereof.

(c) In determining the vesting requirements with respect to a grant of Restricted Stock, the Board or the Committee may impose such restrictions on any shares granted as it may deem advisable including, without limitation, restrictions relating to length of service, corporate performance, attainment of individual or group performance objectives, and federal or state securities laws, and may legend the certificates representing Restricted Stock to give appropriate notice of such restrictions. Any such restrictions shall be specifically set forth in the Restricted Stock Grant Agreement.

(d) Certificates representing shares granted that are subject to restrictions shall be held by the Company or, if the Board or the Committee so specifies, deposited with a third-party custodian or trustee until lapse of all restrictions on the shares. After such lapse, certificates for such shares (or the vested percentage of such shares) shall be delivered by the Company to the Grantee; provided, however, that the Company need not issue fractional shares.

(e) During any applicable period of restriction, the Grantee shall be the record owner of the Restricted Stock and shall be entitled to vote such shares and receive all dividends and other distributions paid with respect to such shares while they are so restricted. However, if any such dividends or distributions are paid in shares of Company stock or cash or other property during an applicable period of restriction, the shares, cash and/or other property deliverable shall be held by the Company or third party custodian or trustee and be subject to the same restrictions as the shares with respect to which they were issued. Moreover, the Board or the Committee may provide in each grant such other restrictions, terms and conditions as it may deem advisable with respect to the treatment and holding of any stock, cash or property that is received in exchange for Restricted Stock granted pursuant to the Plan.

(f) Each Grantee making an election pursuant to Section 83(b) of the Code shall, upon making such election, promptly provide a copy thereof to the Company.

18. Restrictions Upon Shares; Right of First Refusal

(a) No Optionee or Grantee (collectively, "Participant") shall, for value or otherwise, sell, assign, transfer or otherwise dispose of all or any part of the shares issued pursuant to the exercise of an Option or received as Restricted Stock (collectively, the "Shares"), or of any beneficial interest therein (collectively a "Disposition"), except as permitted by and in accordance with the provisions of the Plan. The Company shall not recognize as valid or give effect to any Disposition of any Shares or interest therein upon the books of the Company unless and until the Participant desiring to make such Disposition shall have complied with the provisions of the Plan.

(b) No Participant shall, without the written consent of the Company, pledge, encumber, create a security interest in or lien on, or in any way attempt to otherwise impose or suffer to exist any lien, attachment, levy, execution or encumbrance on the Shares.

(c) If, at any time, a Participant desires to make a Disposition of any of the Shares (the "Offered Shares") to any third-party individual or entity pursuant to a bona fide offer (the "Offer"), he shall give written notice of his intention to do so ("Notice of Intent to Sell") to the Company, which notice shall specify the name(s) of the offeror(s) (the "Proposed Offeror(s)"), the price per share offered for the Offered Shares and all other terms and conditions of the proposed transaction. Thereupon, the Company shall have the option to purchase from the Participant all, but not less than all, the Offered Shares upon the same terms and conditions as set forth in the Offer.

(d) If the Company desires to purchase all of the Offered Shares, it must send a written notice to such effect to the Participant within thirty (30) days following receipt of the Notice of Intent to Sell.

(e) The closing of any purchase and sale of the Offered Shares shall take place sixty (60) days following receipt by the Company of the Notice of Intent to Sell.

(f) If the Company does not elect to purchase all of the Offered Shares within the period set forth in paragraph (d) hereof, no Shares may be purchased by the Company, and the Participant shall thereupon be free to dispose of such Shares to the Proposed Offeror(s) strictly in accordance with the terms of the Offer. If the Offered Shares are not disposed of strictly in accordance with the terms of the Offer within a period of one hundred twenty (120) days after the Participant gives a Notice of Intent to Sell, such Shares may not thereafter be sold without compliance with the provisions hereof.

(g) All certificates representing the Shares shall bear on the face or reverse side thereof the following legend:

"The shares represented by this certificate are subject to the provisions of the Kingstone Companies, Inc. 2005 Equity Participation Plan, a copy of which is on file at the offices of the Company."

(h) The provisions of this Section 18 shall be of no force or effect during such time that the Company is subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), pursuant to Section 13 or 15(d) thereof.

19. Liquidation, Merger or Consolidation. Notwithstanding Section 14(a) hereof, if the Board of Directors approves a plan of complete liquidation or a merger or consolidation (other than a merger or consolidation that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity), at least fifty percent (50%) of the combined voting power of the voting securities of the Company (or such surviving entity) outstanding immediately after such merger or consolidation), the Board of Directors or the Committee may, in its sole discretion, upon written notice to the holder of an Option, provide that the Option must be exercised within twenty (20) days following the date of such notice or it will be terminated. In the event such notice is given, the Option shall become immediately exercisable in full.

20. Effectiveness of the Plan. The Plan was adopted by the Board of Directors on October 11, 2005. The Plan shall be subject to approval on or before October 10, 2006, which is within one (1) year of adoption of the Plan by the Board of Directors, by the affirmative vote of the holders of a majority of the votes of the outstanding shares of capital stock of the Company present in person or represented by proxy at a meeting of stockholders and entitled to vote thereon (or in the case of action by written consent in lieu of a meeting of stockholders, the number of votes required by applicable law to act in lieu of a meeting) ("Stockholder Approval"). In the event such Stockholder Approval is withheld or otherwise not received on or before the latter date, the Plan and, unless otherwise provided in the Stock Option Agreement and/or the Restricted Stock Grant Agreement, all Options and Restricted Stock that may have been granted hereunder shall become null and void.

21. Termination, Modification and Amendment.

(a) The Plan (but not Options previously granted under the Plan) shall terminate on October 10, 2015, which is within ten (10) years from the date of its adoption by the Board of Directors, or sooner as hereinafter provided, and no Option or Restricted Stock shall be granted after termination of the Plan. The foregoing shall not be deemed to limit the vesting period for Options or Restricted Stock granted pursuant to the Plan.

(b) The Plan may from time to time be terminated, modified, or amended if Stockholder Approval of the termination, modification or amendment is obtained.

(c) The Board of Directors may at any time, on or before the termination date referred to in Section 21(a) hereof, without Stockholder Approval, terminate the Plan, or from time to time make such modifications or amendments to the Plan as it may deem advisable; provided, however, that the Board of Directors shall not, without Stockholder Approval, (i) increase (except as otherwise provided by Section 14 hereof) the maximum number of shares as to which Incentive Stock Options may be granted hereunder, change the designation of the employees or class of employees eligible to receive Incentive Stock Options, or make any other change which would prevent any Incentive Stock Option granted hereunder which is intended to be an “incentive stock option” from qualifying as such under the then existing provisions of the Code or any law amendatory thereof or supplemental thereto or (ii) make any other modifications or amendments that require Stockholder Approval pursuant to applicable law, regulation or exchange requirements. In the event Stockholder Approval is not received within one (1) year of adoption by the Board of Directors of the change provided for in (i) or (ii) above, then, unless otherwise provided in the Stock Option Agreement and/or Restricted Stock Grant Agreement (but subject to applicable law), the change and all Options, SARs and Restricted Stock that may have been granted pursuant thereto shall be null and void.

(d) No termination, modification, or amendment of the Plan may, without the consent of the individual or entity to whom any Option or Restricted Stock shall have been granted, adversely affect the rights conferred by such Option or Restricted Stock grant.

22. **Not a Contract of Employment**. Nothing contained in the Plan or in any Stock Option Agreement or Restricted Stock Grant Agreement executed pursuant hereto shall be deemed to confer upon any individual or entity to whom an Option or Restricted Stock is or may be granted hereunder any right to remain in the employ or service of the Company or a parent or subsidiary corporation of the Company or any entitlement to any remuneration or other benefit pursuant to any consulting or advisory arrangement.

23. **Use of Proceeds**. The proceeds from the sale of shares pursuant to Options or Restricted Stock granted under the Plan shall constitute general funds of the Company.

24. **Indemnification of Board of Directors or Committee**. In addition to such other rights of indemnification as they may have, the members of the Board of Directors or the Committee, as the case may be, shall be indemnified by the Company to the extent permitted under applicable law against all costs and expenses reasonably incurred by them in connection with any action, suit, or proceeding to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan or any rights granted thereunder and against all amounts paid by them in settlement thereof or paid by them in satisfaction of a judgment of any such action, suit or proceeding, except a judgment based upon a finding of bad faith. Upon the institution of any such action, suit, or proceeding, the member or members of the Board of Directors or the Committee, as the case may be, shall notify the Company in writing, giving the Company an opportunity at its own cost to defend the same before such member or members undertake to defend the same on his or their own behalf.

25. Captions. The use of captions in the Plan is for convenience. The captions are not intended to provide substantive rights.

26. Disqualifying Dispositions. If Common Stock acquired upon exercise of an Incentive Stock Option granted under the Plan is disposed of within two years following the date of grant of the Incentive Stock Option or one year following the issuance of the Common Stock to the Optionee, or is otherwise disposed of in a manner that results in the Optionee being required to recognize ordinary income, rather than capital gain, from the disposition (a "Disqualifying Disposition"), the holder of the Common Stock shall, immediately prior to such Disqualifying Disposition, notify the Company in writing of the date and terms of such Disqualifying Disposition and provide such other information regarding the Disqualifying Disposition as the Company may reasonably require.

27. Withholding Taxes.

(a) Whenever under the Plan shares of Common Stock are to be delivered to an Optionee upon exercise of a Nonstatutory Stock Option or to a Grantee of Restricted Stock, the Company shall be entitled to require as a condition of delivery that the Optionee or Grantee remit or, at the discretion of the Board or the Committee, agree to remit when due, an amount sufficient to satisfy all current or estimated future Federal, state and local income tax withholding requirements, including, without limitation, the employee's portion of any employment tax requirements relating thereto. At the time of a Disqualifying Disposition, the Optionee shall remit to the Company in cash the amount of any applicable Federal, state and local income tax withholding and the employee's portion of any employment taxes.

(b) The Board of Directors or the Committee may, in its discretion, provide any or all holders of Nonstatutory Stock Options or Grantees of Restricted Stock with the right to use shares of Common Stock in satisfaction of all or part of the withholding taxes to which such holders may become subject in connection with the exercise of their Options or their receipt of Restricted Stock. Such right may be provided to any such holder in either or both of the following formats:

(i) The election to have the Company withhold, from the shares of Common Stock otherwise issuable upon the exercise of such Nonstatutory Stock Option or otherwise deliverable as a result of the vesting of Restricted Stock, a portion of those shares with an aggregate fair market value equal to the percentage of the withholding taxes (not to exceed one hundred percent (100%)) designated by the holder.

(ii) The election to deliver to the Company, at the time the Nonstatutory Stock Option is exercised or Restricted Stock is granted or vested, one or more shares of Common Stock previously acquired by such holder (other than in connection with the Option exercise or Restricted Stock grant triggering the withholding taxes) with an aggregate fair market value equal to the percentage of the withholding taxes (not to exceed one hundred percent (100%)) designated by the holder.

28. Other Provisions. Each Option granted, and each Restricted Stock grant, under the Plan may contain such other terms and conditions not inconsistent with the Plan as may be determined by the Board or the Committee, in its sole discretion. Notwithstanding the foregoing, each Incentive Stock Option granted under the Plan shall include those terms and conditions which are necessary to qualify the Incentive Stock Option as an “incentive stock option” within the meaning of Section 422 of the Code and the regulations thereunder and shall not include any terms and conditions which are inconsistent therewith.

29. <u>Definitions</u>. For purposes of the Plan, the terms "parent corporation" and "subsidiary corporation" shall have the meanings set forth in Sections 424(e) and 424(f) of the Code, respectively, and the masculine shall include the feminine and the neuter as the context requires.

30. <u>Governing Law</u>. The Plan shall be governed by, and all questions arising hereunder shall be determined in accordance with, the laws of the State of New York, excluding choice of law principles thereof.

Exhibit14(a)

KINGSTONE COMPANIES, INC.

Code of Ethics

Introduction

This Code of Ethics (the "Code") embodies the commitment of Kingstone Companies, Inc. and our subsidiaries to conduct our business in accordance with all applicable laws, rules and regulations and the highest ethical standards. All directors, officers and employees of the company (individually, a "Covered Party" and collectively, the "Covered Parties") are expected to adhere to the principles and procedures set forth in this Code. For purposes of Section 406 of the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder, this Code shall be our code of ethics for our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions.

A. Code Compliance and Reporting

The Covered Parties should strive to identify and raise potential issues before they lead to problems, and should ask about the application of this Code whenever in doubt. Any Covered Party who becomes aware of any existing or potential violation of this Code should promptly notify the Audit Committee of our Board of Directors (see Exhibit A attached hereto for contact information) (we refer to such contacts as the "Appropriate Ethics Contact"). We will take such disciplinary or preventive action as we deem appropriate to address any existing or potential violation of this Code brought to our attention.

Any questions relating to how these policies should be interpreted or applied should be addressed to the Appropriate Ethics Contact.

B. Personal Conflicts of Interest

A "personal conflict of interest" occurs when an individual's private interest improperly interferes with the interests of the company. Personal conflicts of interest, whether actual or apparent, are prohibited as a matter of company policy, unless they have been approved or waived by the company. In particular, a Covered Party must never use or attempt to use his or her position at the company to obtain any improper personal benefit for himself or herself, for his or her family members, or for any other person, including loans or guarantees of obligations, from any person or entity.

Service to the company should never be subordinated to personal gain and advantage. Conflicts of interest, whether actual or apparent, should, to the extent possible, be avoided.

Any Covered Party who is aware of a material transaction or relationship that could reasonably be expected to give rise to a conflict of interest should discuss the matter promptly with the Appropriate Ethics Contact.

C. Public Disclosure

It is company policy that the information in our public communications, including our filings made with the United States Securities and Exchange Commission, be full, fair, accurate, timely and understandable. Covered Parties who are involved in the company's disclosure process are responsible for acting in furtherance of this policy. In particular, these individuals are required to maintain familiarity with the disclosure requirements applicable to the company and are prohibited from knowingly misrepresenting, omitting, or causing others to misrepresent or omit, material facts about the company to others, whether within or outside the company, including the company's independent auditors.

D. Compliance with Laws, Rules and Regulations

It is company policy to comply with all applicable laws, rules and regulations. It is the personal responsibility of each Covered Party to adhere to the standards and restrictions imposed by those laws, rules and regulations. If a Covered Party is not aware or familiar with the laws, rules or regulations that apply specifically to our business, they must request that the Appropriate Ethics Contact provide such information.

Generally, it is both illegal and against company policy for any Covered Party who is aware of material nonpublic information relating to the company, any of the company's clients or any other private or governmental issuer of securities to buy or sell any securities of those issuers, or recommend that another person buy, sell or hold the securities of those issuers. Any Covered Party who is uncertain about the legal rules involving his or her purchase or sale of any company securities or any securities in issuers with which he or she is familiar by virtue of his or her work for the company should consult with the Appropriate Ethics Contact before making any such purchase or sale.

E. Amendment, Modification and Waiver

This Code may be amended or modified by our Board of Directors. Waivers of this Code may only be granted by the Board of Directors or a committee of the Board with specific delegated authority. Waivers will be disclosed as required by the Securities Exchange Act of 1934, as amended, and the rules promulgated thereunder and any applicable rules relating to the maintenance of the listing of our securities on any stock exchange.

EXHIBIT A

Appropriate Ethics Contact

Kingstone Companies, Inc. Audit Committee
Kingstone Companies, Inc.
15 Joys Lane
Kingston, NY 12401

Or via Email at: auditcommittee@kingstonecompanies.com

KINGSTONE COMPANIES, INC.

OFFICER AND DIRECTOR TRADING RESTRICTIONS POLICY

Effective March 2, 2015

I. Introduction

The purpose of this Officer and Director Trading Restrictions Policy (the “Policy”) is to promote compliance with applicable securities laws by directors and officers (“Insiders”) of Kingstone Companies, Inc. and its subsidiaries (collectively, the “Company”).

II. Trading Restrictions

A. Material Information

Insiders should not trade when they are in the possession of material nonpublic information. Information is material if there is a substantial likelihood that a reasonable investor would consider it important in deciding whether to buy, hold or sell a security. Any information that could reasonably be expected to affect the price of Company securities is material. Both positive and negative information can be material. Because trading that receives scrutiny will be evaluated after the fact with the benefit of hindsight, questions concerning the materiality of particular information should be resolved in favor of materiality, and trading should be avoided. If there is uncertainty as to whether information is material, the Chief Executive Officer should be contacted before making any decision to trade in Company securities.

B. Event-Specific Blackouts

The Company may on occasion disclose material information by means of a press release, SEC filing on Form 8-K or other means designed to achieve widespread dissemination of the information. All Insiders should anticipate that trading will be blacked out while the Company is in the process of assembling the information to be released and until the information has been released and fully absorbed by the market.

From time to time, an event may occur that is material to the Company and is known by only a few directors, officers or employees of the Company. So long as the event remains material and nonpublic, Insiders who are aware of the event may not trade in Company securities. The existence of an event-specific blackout may or may not be announced to Insiders. If an Insider who is unaware of the event requests permission to trade in Company securities (as outlined below) during an event-specific blackout, the Chief Executive Officer will inform the requesting person of the existence of a blackout period. The Chief Executive Officer, in his discretion, may or may not disclose the reason for the blackout. Any person made aware of the existence of an event-specific blackout should not disclose the existence of the blackout to any other person.

C. Quarterly Blackouts

The Company’s announcement of its quarterly financial results almost always has the potential to have a material effect on the market for Company securities. Therefore, to avoid even the appearance of trading on the basis of material nonpublic information, Insiders may not trade in Company securities during the period beginning fifteen (15) days prior to the end of a fiscal quarter (or, in the case of the last quarter of a fiscal year, during the period beginning thirty (30) days prior to the end of the fiscal year) and ending after the second full business day following the release of the Company’s earnings for that quarter or year.

D. Hardship Exceptions

An Insider who is subject to a quarterly earnings blackout period and who has an unexpected and urgent need to sell Company securities in order to generate cash may, in appropriate circumstances, be permitted to sell Company securities even during the quarterly blackout period. Hardship exceptions may be granted only by the Chief Executive Officer and must be requested by email at least two days in advance of the proposed trade (ten days if the proposed trade is to be made during December). The request must be state the number of shares sought to be sold. A hardship exception may be granted only if the Chief Executive Officer concludes that the Company's earnings information for the applicable quarter does not constitute material nonpublic information and there exists no event-specific blackout at that time. The Chief Executive Officer shall have the right to deny a hardship exception, in whole or in part, for any reason, including due to the concurrent sale or intended sale by one or more other Insiders. The fact that a hardship exception is granted to one or more Insiders shall not be the basis for a hardship exception for any other Insider.

E. Pre-Clearance Requirements for Insiders

All Insiders must obtain prior clearance from the Chief Executive Officer, or his designee, before he, she or a Related Person (as defined below) makes any purchases or sales of Company securities. Each proposed transaction will be evaluated to determine whether it raises insider trading concerns or other concerns under federal or state securities laws and regulations. Any advice will relate solely to the restraints imposed by law and will not constitute advice regarding the investment aspects of any transaction. Clearance of a transaction is valid only for a 48-hour period. If the transaction order is not placed within that 48-hour period, clearance of the transaction must be re-requested. If clearance is denied, the fact of such denial must be kept confidential by the person requesting such clearance. For purposes of this Policy, a Related Person includes an Insider's spouse, minor children and anyone else living in the Insider's household or who does not live in the Insider's household but whose transactions in Company securities are directed by the Insider or are subject to the Insider's influence or control; partnerships in which the Insider is a general partner; trusts of which the Insider is a trustee; and estates of which the Insider is an executor.

F. Pre-Arranged Trading Plan under SEC Rule 10b5-1

Any Insider who wishes to establish or modify a pre-arranged trading plan under SEC Rule 10b5-1 must first obtain approval of the plan or modification from the Chief Executive Officer.

A transaction effected pursuant to an approved pre-arranged trading plan will not require pre-clearance at the time of the transaction; however, Insiders must immediately notify the Chief Executive Officer and the Company's outside counsel when any such transaction has been completed for Section 16 reporting purposes.

Exhibit 23

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) and Form S-8 (No. 333-132898, No. 333-173351 and No. 333-191366) of our report dated March 25, 2015, with respect to our audits of the consolidated financial statements of Kingstone Companies, Inc. and Subsidiaries as of December 31, 2014 and 2013 and for the years then ended, which report is included in this Annual Report on Form 10-K of Kingstone Companies, Inc. for the year ended December 31, 2014.

/s/ Marcum LLP

Marcum LLP
Melville, NY

March 25, 2015