United States Securities and Exchange Commission
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

( ) **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE TRANSITION PERIOD FROM ____________ TO __________

Commission File Number **0-1665**

KINGSTONE COMPANIES, INC.

(Exact name of registrant as specified in its charter)

Delaware	**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 __ No X

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

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 __

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 __

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

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

Large accelerated filer __ Accelerated filer X

Non-accelerated __ (Do not check if a smaller reporting company) Smaller reporting company __

Emerging growth company__

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

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

DOCUMENTS INCORPORATED BY REFERENCE
None

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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 results or other consequences of our plans or strategies, projected or anticipated results from acquisitions to be made by us, or projections involving anticipated revenues, earnings, costs or other aspects of our operating results. The words “may,” “will,” “expect,” “believe,” “anticipate,” “project,” “plan,” “intend,” “estimate,” and “continue,” and their opposites and similar expressions are intended to identify forward-looking statements. We caution you that these statements are not guarantees of future performance or events and are subject to a number of uncertainties, risks and other influences, many of which are beyond our control, which may influence the accuracy of the statements and the projections upon which the statements are based. Factors which may affect our results include, but are not limited to, the risks and uncertainties discussed in Item 7 of this Annual Report under “Factors That May Affect Future Results and Financial Condition”.

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

ITEM 1. BUSINESS.

(a) Business Development

General

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

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

Recent Developments

Developments During 2017

- *Public Offering of Common Stock*

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

- *A.M. Best Rating*

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

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

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

- *Increased Rate of Dividends Declared*

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

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

- *Reduced Reliance on Quota Share Reinsurance*

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

- *Increased Catastrophe Reinsurance Coverage*

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

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

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

- *Public Debt offering*

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

Developments During 2016

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

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

- *A.M. Best Rating*

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

- *Increased Catastrophe Reinsurance Coverage*

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

- *Continued Quarterly Dividends*

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

- *Private Placement of Common Stock*

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

(b) <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 are subject to legal interpretation by courts, sometimes involving legislative rulings and/or arbitration. Property insurance generally covers the financial consequences of accidental losses to the insured's property, such as a home and the personal property in it, or a business' building, inventory and equipment. Casualty insurance (often referred to as liability insurance) generally covers the financial consequences related to the legal liability of an individual or an organization resulting from negligent acts and omissions causing bodily injury and/or property damage to a third party. Claims for property coverage generally are reported and settled in a relatively short period of time, whereas those for casualty coverage can take many years to settle.

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

elapse between the receipt of insurance premiums and the payment of insurance claims. During this time, KICO invests the premiums, earns investment income and generates net realized and unrealized investment gains and losses on investments.

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

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

General; Strategy

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

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

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

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

Product Lines

Our product lines include the following:

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

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

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

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

Our Competitive Strengths

History of Growing Our Profitable Operations

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

Strong Producer Relationships

Within our selected producers' offices, we compete with other property and casualty insurance carriers available to those producers. We carefully select the producers that distribute our insurance policies and continuously monitor and evaluate their performance. We believe our insurance producers value their relationships with us because we provide excellent, consistent personal service coupled with competitive rates and commission levels. We have consistently been rated by insurance producers as above average in the important areas of underwriting, claims handling and service. In the biennial performance surveys conducted by the Professional Insurance Agents of New York and New Jersey of its membership since 2010, KICO was rated as one of the top performing insurance companies in New York, twice ranking as the top rated carrier among all those surveyed. Our relationship with selected producers was further strengthened by the A.M. Best upgrade to a financial strength rating of A- (Excellent) in April 2017. This

has allowed us to provide many producers with an A- rated carrier option that was not previously available to them in the markets where we operate.

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

Sophisticated Underwriting and Risk Management Practices

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

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

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

Effective Utilization of Reinsurance

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

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

Experienced Management Team

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

Scalable, Low-Cost Operations

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

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

Underwriting and Claims Management Philosophy

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

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

Distribution

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

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

Competition; Market

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

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

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

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

Loss and Loss Adjustment Expense Reserves

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

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

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

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

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

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

Reconciliation of Loss and Loss Adjustment Expenses

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

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

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

Loss and Loss Adjustment Expenses Development

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

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

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

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

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

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

Reinsurance

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

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

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

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

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

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

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

In 2017, we purchased catastrophe reinsurance to provide coverage of up to $320,000,000 for losses associated with a single event. One of the most commonly used catastrophe forecasting models prepared for us indicates that the catastrophe reinsurance treaties provide coverage in excess of our estimated probable maximum loss associated with a single more than one-in-250 year storm event. The direct

retention for any single catastrophe event is $5,000,000. Effective July 1, 2017 losses on personal lines policies are subject to the 20% quota share treaty, which results in a net retention by us of $4,000,000 of exposure per catastrophe occurrence. Effective July 1, 2017, we have reinstatement premium protection on the first $145,000,000 layer of catastrophe coverage in excess of $5,000,000. This protects us from having to pay an additional premium to reinstate catastrophe coverage for an event up to this level.

Investments

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

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

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

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

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

Ratings

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

In November 2016, we commenced a plan of action to upgrade KICO's A. M. Best rating. In April 2017, A.M. Best upgraded the Financial Strength Rating (FSR) of KICO to A- (Excellent) from B++

(Good). The A.M. Best financial strength rating of A- (Excellent) has created significant additional demand from our existing producers, particularly for our New York homeowners business where we compete against many carriers that are not A- rated by A.M. Best. Other ratings assigned to KICO and Kingstone by A.M. Best and Kroll Bond Rating Agency are as follows:

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

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

Severe Winter Weather

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

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

Government Regulation

Holding Company Regulation

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

Change of Control

The insurance holding company laws of the state of New York require approval by the DFS for any change of control of an insurer. "Control" is generally defined as the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of the company, whether through the

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

State Insurance Regulation

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

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

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

Federal and State Legislative and Regulatory Changes

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

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

DFS with the applicable cybersecurity regulatory provisions.

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

State Regulatory Examinations

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

Risk-Based Capital Regulations

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

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

Dividend Limitations

Our ability to receive dividends from KICO is restricted by the state laws and insurance regulations of New York. These restrictions are related to surplus and net investment income. Dividends are restricted

to the lesser of 10% of surplus or 100% of investment income (on a statutory accounting basis) for the trailing 36 months, less dividends by KICO paid during such period.

Insurance Regulatory Information System Ratios

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

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

Accounting Principles

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

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

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

Legal Structure

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

Offices

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

Employees

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

ITEM 1A. RISK FACTORS.

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

ITEM 1B. UNRESOLVED STAFF COMMENTS.

Not applicable.

ITEM 2. PROPERTIES.

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

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

ITEM 3. LEGAL PROCEEDINGS.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market Information

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

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

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

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

Holders

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

Dividends

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

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

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

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

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

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

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

Recent Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

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

ITEM 6. SELECTED FINANCIAL DATA.

Not applicable.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Overview

We offer property and casualty insurance products to individuals and small businesses through our wholly owned subsidiary, Kingstone Insurance Company ("KICO"). KICO's insureds are located primarily in downstate New York, consisting of New York City, Long Island and Westchester County. We are also licensed in the States of New Jersey, Connecticut, Pennsylvania, Rhode Island, Massachusetts and Texas. We are currently offering our property and casualty insurance products in New York, New Jersey, Rhode Island and Pennsylvania. Although New Jersey and Rhode Island are now growing expansion markets for us, 98.5% of KICO's direct written premiums for the year ended December 31, 2017 were written in the

State of New York. In February 2018, a homeowners rate, rule, and form filing was made with the State of Massachusetts. KICO anticipates writing business there in 2018.

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

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

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

Principal Revenue and Expense Items

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

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

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

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

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

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

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

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

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

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

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

Product Lines

Our product lines include the following:

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

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

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

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

Key Measures

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

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

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

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

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

Critical Accounting Policies and Estimates

Our consolidated financial statements include the accounts of Kingstone Companies, Inc. and all majority-owned and controlled subsidiaries. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires our management to make estimates and assumptions in certain circumstances that affect amounts reported in our consolidated financial statements and related notes. In preparing these consolidated financial statements, our management has utilized information including our past history, industry standards, and the current economic environment, among other factors, in forming its estimates and judgments of certain amounts included in the consolidated financial statements, giving due consideration to materiality. It is possible that the ultimate

outcome as anticipated by our management in formulating estimates inherent in these financial statements might not materialize. However, application of the critical accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. In addition, other companies may utilize different estimates, which may impact comparability of our results of operations to those of companies in similar businesses.

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

Consolidated Results of Operations

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

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

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

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

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

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

Direct Written Premiums

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

Net Written Premiums and Net Premiums Earned

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

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

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

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

Change in quota share ceding rate

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

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

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

Excess of loss reinsurance treaties

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

Catastrophe reinsurance treaty

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

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

Net premiums earned

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

Ceding Commission Revenue

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

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

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

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

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

Provisional Ceding Commissions Earned

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

Contingent Ceding Commissions Earned

We receive a contingent ceding commission based on a sliding scale in relation to the losses incurred under our quota share treaties. The lower the ceded loss ratio, the more contingent commission we receive. The amount of contingent ceding commissions we are eligible to receive under the personal lines quota share treaties detailed in the table above that were in effect during 2017 are subject to change based

on losses incurred from claims with accident dates beginning July 1, 2016. The amount of contingent ceding commissions we are eligible to receive under our prior years' quota share treaties is subject to change based on losses incurred related to claims with accident dates before July 1, 2016.

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

Net Investment Income

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

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

Other Income

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

Net Loss and LAE

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

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

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

Commission Expense

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

Other Underwriting Expenses

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

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

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

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

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

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

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

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

Other Operating Expenses

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

Depreciation and Amortization

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

Interest Expense

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

Income Tax Expense

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

Net Income

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

Additional Financial Information

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

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

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

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

Insurance Underwriting Business on a Standalone Basis

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

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

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

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

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

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

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

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

Investments

Portfolio Summary

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

Available-for-Sale Securities

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

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

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

Held-to-Maturity Securities

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

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

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

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

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

Credit Rating of Fixed-Maturity Securities

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

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

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

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

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

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

Fair Value Consideration

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

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

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

	December 31, 2017							
	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	$ 1,549,839	$ (30,814)	4	$ -	$ -	-	$ 1,549,839	$ (30,814)
Corporate and other bonds industrial and miscellaneous	15,036,462	(269,857)	20	9,113,924	(340,516)	17	24,150,386	(610,373)
Residential mortgage and other asset backed securities	6,956,371	(48,482)	6	7,867,572	(189,022)	15	14,823,943	(237,504)
Total fixed-maturity securities	$ 23,542,672	$ (349,153)	30	$16,981,496	$ (529,538)	32	$40,524,168	$ (878,691)
Equity Securities:								
Preferred stocks	$ 1,605,217	$ (20,313)	5	$ 1,776,675	$ (120,712)	3	$ 3,381,892	$ (141,025)
Common stocks and exchange traded mutual funds	1,446,375	(222,205)	4	124,900	(14,530)	1	1,571,275	(236,735)
Total equity securities	$ 3,051,592	$ (242,518)	9	$ 1,901,575	$ (135,242)	4	$ 4,953,167	$ (377,760)
Total	$ 26,594,264	$ (591,671)	39	$18,883,071	$ (664,780)	36	$45,477,335	$ (1,256,451)

	December 31, 2016							
	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	$ 1,067,574	$ (46,589)	3	$ -	$ -	-	$ 1,067,574	$ (46,589)
Corporate and other bonds industrial and miscellaneous	19,859,293	(638,113)	34	239,970	(5,612)	1	20,099,263	(643,725)
Residential mortgage backed securities	15,918,090	(309,273)	30	675,316	(38,442)	6	16,593,406	(347,715)
Total fixed-maturity securities	$36,844,957	$ (993,975)	67	$ 915,286	$ (44,054)	7	$37,760,243	$(1,038,029)
Equity Securities:								
Preferred stocks	$ 3,759,850	$ (241,333)	8	$ 660,750	$ (70,571)	1	$ 4,420,600	$ (311,904)
Common stocks and exchange traded mutual funds	288,075	(13,968)	1	424,550	(97,468)	1	712,625	(111,436)
Total equity securities	$ 4,047,925	$ (255,301)	9	$1,085,300	$ (168,039)	2	$ 5,133,225	$ (423,340)
Total	$40,892,882	$(1,249,276)	76	$2,000,586	$ (212,093)	9	$42,893,468	$(1,461,369)

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

Liquidity and Capital Resources

Cash Flows

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

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

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

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

KICO is a member of the Federal Home Loan Bank of New York ("FHLBNY"), which provides additional access to liquidity. Members have access to a variety of flexible, low cost funding through FHLBNY's credit products, enabling members to customize advances. Advances are to be fully collateralized; eligible collateral to pledge to FHLBNY includes residential and commercial mortgage backed securities, along with U.S. Treasury and agency securities. See Note 3 to our Consolidated Financial Statements, – "Investments", for eligible

collateral held in a designated custodian account available for future advances. Advances are limited to 5% of KICO's net admitted assets as of December 31, 2017 and are due and payable within one year of borrowing. The maximum allowable advance as of December 31, 2017 was approximately $9,849,000. Advances are limited to the amount of available collateral, which was approximately $6,703,000 as of December 31, 2017. There were no borrowings under this facility during the year ended December 31, 2017.

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

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

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

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

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

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

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

Reinsurance

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

($ in thousands)	A.M. Best Rating	Amount Recoverable as of December 31, 2017	%
Maiden Reinsurace Company	A-	$ 9,128	47.3%
Swiss Reinsurance America Corporation	A+	4,899	25.4%
		14,027	72.7%
Others		5,255	27.3%
Total		$ 19,282	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 are on a July 1 through June 30 fiscal year basis; therefore, for year to date fiscal periods after June 30, two separate treaties will be included in such periods.

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

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

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

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

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

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

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

(1) Two year treaty with expiration date of June 30, 2019.

(2) Covered by excess of loss treaties up to $3,500,000 and by facultative facility from $3,500,000 to $10,000,000.

(3) Covered by excess of loss treaties.

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

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

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

(1) Covered by excess of loss treaties.

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

Inflation

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

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

Off-Balance Sheet Arrangements

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

Factors That May Affect Future Results and Financial Condition

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

Risks Related to Our Business

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

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

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

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

Changes in the severity or frequency of claims may affect our profitability. Changes in homeowners claim severity are driven by inflation in the construction industry, in building materials and home furnishings, and by other economic and environmental factors, including increased demand for services and supplies in areas affected by catastrophes. Changes in bodily injury claim severity are driven primarily by inflation in the medical sector of the economy and by litigation costs. Changes in auto physical damage claim severity are driven primarily by inflation in auto repair costs, prices of auto parts and used car prices. However, changes in the level of the severity of claims are not limited to the effects of inflation and demand surge in these

various sectors of the economy. Increases in claim severity can arise from unexpected events that are inherently difficult to predict, such as a change in the law or an inability to enforce exclusions and limitations contained in our policies. Although we pursue various loss management initiatives to mitigate future increases in claim severity, there can be no assurances that these initiatives will successfully identify or reduce the effect of future increases in claim severity, and a significant increase in claim frequency could have an adverse effect on our operating results and financial condition.

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

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

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

The capital and credit markets can experience periods of volatility and disruption. In some cases, markets have exerted downward pressure on the availability of liquidity and credit capacity. In the event that we need access to additional capital to support our operating expenses, make payments on our outstanding and any future indebtedness, pay for capital expenditures, or increase the amount of insurance that we seek to underwrite or to otherwise grow our business, our ability to obtain such capital may be limited and the cost of any such capital may be significant. Our access to additional financing will depend on a variety of factors, such as market conditions, the general availability of credit, the overall availability of credit to our industry, our credit ratings and credit capacity as well as lenders' perception of our long or short-term financial prospects. Similarly, our access to funds may be impaired if regulatory authorities or rating agencies take negative actions against us. If a combination of these factors occurs, our internal

sources of liquidity may prove to be insufficient and, in such case, we may not be able to successfully obtain additional financing on favorable terms.

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

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

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

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

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

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

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

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

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

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

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

Because the laws and regulations under which we operate are administered and enforced by a number of different governmental authorities, including state insurance regulators, state securities administrators and the SEC, each of which exercises a degree of interpretive latitude, we are subject to the risk that compliance with any particular regulator's or enforcement authority's interpretation of a legal issue may not result in compliance with another's interpretation of the same issue, particularly when compliance is judged in hindsight. In addition, there is risk that any particular regulator's or enforcement authority's interpretation of a legal issue may change over time to our detriment, or that changes in the overall legal and regulatory environment may, even absent any particular regulator's or enforcement authority's interpretation

of a legal issue changing, cause us to change our views regarding the actions we need to take from a legal risk management perspective, thereby necessitating changes to our practices that may, in some cases, limit our ability to grow and/or to improve the profitability of our business.

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

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

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

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

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

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

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

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

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

regulatory framework, could have a material adverse effect on our results of operations and financial condition.

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

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

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

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

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

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

State insurance laws limit the ability of KICO to pay dividends and require KICO to maintain specified minimum levels of statutory capital and surplus. Maximum allowable dividends by KICO to us are restricted to the lesser of 10% of surplus or 100% of net investment income (on a statutory accounting basis) for the trailing 36 months, less dividends paid by KICO during such period. As of December 31, 2017, the maximum permissible distribution that KICO could pay without prior regulatory approval was approximately $3,324,000. The aggregate maximum amount of dividends permitted by law to be paid by an insurance company does not necessarily define an insurance company's actual ability to pay dividends. The actual ability to pay dividends may be further constrained by business and regulatory considerations, such as the

impact of dividends on surplus, by our competitive position and by the amount of premiums that we can write. State insurance regulators have broad discretion to limit the payment of dividends by insurance companies. Our ability to pay interest on the Notes as it comes due and the principal of the Notes at their maturity may be limited by these regulatory constraints.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our business is highly dependent upon the successful and uninterrupted functioning of our information technology and telecommunications systems. We rely on these systems to

support our operations. The failure of these systems could interrupt our operations and result in a material adverse effect on our business.

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

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

Risks Related to Our Common Stock

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

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

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

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

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

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

Subject to any required state insurance regulatory approvals, we are not restricted from issuing additional shares of our common stock in the future, including securities convertible into,

or exchangeable or exercisable for, shares of our common stock. Our issuance of additional shares of common stock in the future will dilute the ownership interests of our then existing shareholders.

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

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

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

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

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

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

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

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

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

Not applicable to first year accelerated filers.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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

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

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

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

Management's Annual Report on Internal Control over Financial Reporting

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

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

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

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

Report of the Independent Registered Public Accounting Firm:

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

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

Opinion on Internal Control over Financial Reporting

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

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

Basis for Opinion

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

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

Definition and Limitations of Internal Control over Financial Reporting

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

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

Marcum LLP

/S/ Marcum LLP

Hartford, CT
March 15, 2018

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Executive Officers and Directors

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

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

Barry B. Goldstein

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

Dale A. Thatcher

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

Victor J. Brodsky

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

Benjamin Walden

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

Floyd R. Tupper

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

Jay M. Haft

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

William L. Yankus

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

Carla A. D'Andre

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

Family Relationships

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

Term of Office

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

Audit Committee

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

Audit Committee Financial Expert

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

Section 16(a) Beneficial Ownership Reporting Compliance

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

Code of Ethics; Officer and Director Trading Restrictions Policy

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

ITEM 11. EXECUTIVE COMPENSATION.

Summary Compensation Table

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

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

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

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

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

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

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

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

Employment Contracts

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

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

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

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

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

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

Termination of Employment and Change-in-Control Arrangements

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

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

Compensation of Directors

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

DIRECTOR COMPENSATION

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

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

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

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

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

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

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

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

Security Ownership

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

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Approximate Percent of Class
Barry B. Goldstein 15 Joys Lane Kingston, New York	887,198 (1) (2)	8.2%
Jay M. Haft 69 Beaver Dam Road Salisbury, Connecticut	88,424 (1)	*
Floyd R. Tupper 220 East 57th Street New York, New York	51,612 (1) (3)	*
Victor J. Brodsky 15 Joys Lane Kingston, New York	29,316 (1) (4)	*
Benjamin Walden 15 Joys Lane Kingston, New York	19,834 (1) (5)	*
William L. Yankus 10 Pheasant Hill Road Farmington, Connecticut	1,667 (1) (6)	*
Carla A. D'Andre 3561 Avocado Avenue Miami, Florida	- (1)	-
Dale A. Thatcher 212 Third Street Milford, PA	- (1)	-

RenaissanceRe Ventures Ltd. Renaissance Other Investments Holding II Ltd. RenaissanceRe Holdings Ltd. Renaissance House 12 Crow Lane Pembrooke HM19 Bermuda	595,238 (7)	5.6%
All executive officers and directors as a group (7 persons)	1,078,051 (1) (2) (3) (4) (5) (6)	9.9%

* Less than 1%.

(1) Based upon Schedule 13D filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and/or other information that is publicly available.

(2) Includes (i) 183,500 shares issuable upon the exercise of options that are currently exercisable and (ii) 73,168 shares owned by Mr. Goldstein's wife. The inclusion of the shares owned by Mr. Goldstein's wife shall not be construed as an admission that Mr. Goldstein is, for purposes of Section 13(d) or 13(g) of the Exchange Act, the beneficial owner of such shares.

(3) Includes 31,460 shares owned by Mr. Tupper's wife. The inclusion of the shares owned by Mr. Tupper's wife shall not be construed as an admission that Mr. Tupper is, for purposes of Section 13(d) or 13(g) of the Exchange Act, the beneficial owner of such shares.

(4) Includes 556 shares issuable upon the vesting of restricted stock within 60 days.

(5) Includes 10,000 shares issuable upon the exercise of options that are exercisable currently or within 60 days and (ii) 334 shares issuable upon the vesting of restricted stock within 60 days.

(6) Includes 500 shares issuable upon the vesting of restricted stock within 60 days.

(7) Pursuant to Schedule 13G, as amended, RenaissanceRe Ventures Ltd. ("RenaissanceRe Ventures"), a wholly owned subsidiary of Renaissance Other Investments Holdings II Ltd. ("ROIHL II"), a wholly owned subsidiary of RenaissanceRe Holdings Ltd. ("RenaissanceRe Holdings"), have shared voting and dispositive power over the 595,238 shares. RenaissanceRe Ventures, ROIHL II and RenaissanceRe Holdings each may be deemed to beneficially own the 595,238 shares.

Securities Authorized for Issuance Under Equity Compensation Plans

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

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

EQUITY COMPENSATION PLAN INFORMATION

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

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Director Independence

Board of Directors

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

Audit Committee

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

Nominating and Corporate Governance Committee

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

Compensation Committee

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

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

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

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

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(1) Audit Fees consist of fees billed for services rendered for the audit of our consolidated financial statements and review of our condensed consolidated financial statements included in our quarterly reports on Form 10-Q, services rendered in connection with the filing of Forms S-3 and services provided in connection with other statutory or regulatory filings.

(2) Audit-Related Fees consist of aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under “Audit Fees.”

(3) Tax Fees consist of fees billed by our independent auditors for professional services related to tax advice.

(4) All Other Fees consist of aggregate fees billed for products and services provided by our independent auditors, other than those disclosed above.

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

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

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

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

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(1) Denotes document filed as an exhibit to our Quarterly Report on Form 10-Q for the period ended March 31, 2014 and incorporated herein by reference.

(2) Denotes document filed as an exhibit to our Current Report on Form 8-K for an event dated November 5, 2009 and incorporated herein by reference.

(3) Denotes document filed as an exhibit to our Current Report on Form 8-K for an event dated December 19, 2017 and incorporated herein by reference.

(4) Denotes document filed as an exhibit to our Annual Report on Form 10-K for the fiscal year ended December 31, 2014 and incorporated herein by reference.

(5) Denotes document filed as an exhibit to our Current Report on Form 8-K for an event dated August 12, 2014 and incorporated herein by reference.

(6) Denotes document filed as an exhibit to our Current Report on Form 8-K for an event dated January 20, 2017 and incorporated herein by reference.

(7) Denotes document filed as an exhibit to our Current Report on Form 8-K for an event dated April 18, 2016 and incorporated herein by reference.

(8) Denotes document filed as an exhibit to our Current Report on Form 8-K for an event dated January 25, 2017 and incorporated herein by reference.

(9) Denotes document filed as an exhibit to our Current Report on Form 8-K for an event dated December 14, 2017 and incorporated herein by reference.

(10) Denotes document filed as an exhibit to our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 and incorporated herein by reference.

ITEM 16. FORM 10-K SUMMARY.

Not applicable.

SIGNATURES

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

KINGSTONE COMPANIES, INC.

Dated: March 15, 2018

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

CERTIFICATION

I, Barry B. Goldstein, certify that:

1. I have reviewed this Annual Report on Form 10-K of Kingstone Companies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 15, 2018

/s/ Barry B. Goldstein

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Barry B. Goldstein
Chief Executive Officer

CERTIFICATION

I, Victor Brodsky, certify that:

1. I have reviewed this Annual Report on Form 10-K of Kingstone Companies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 15, 2018

/s/ Victor Brodsky

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Victor Brodsky
Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

AND CHIEF FINANCIAL OFFICER

PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned hereby certify, pursuant to, and as required by, 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of Kingstone Companies, Inc. (the "Company") on Form 10-K for the year ended December 31, 2017 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in such Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 15, 2018

/s/ Barry B. Goldstein

Barry B. Goldstein
Chief Executive Officer

/s/ Victor Brodsky

Victor Brodsky
Chief Financial Officer