UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

# FORM 10-K

**(Mark one)**

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2021**
**OR**

☐ **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 Number)** |

**15 Joys Lane**
**Kingston, NY 12401**
**(Address of principal executive offices)**

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

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock, $0.01 par value per share | KINS | Nasdaq Capital Market |

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

**None**
(Title of each class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

**Note** – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.
SEC 1673 (04-20)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

| | | | |
|---|---|---|---|
| Large accelerated filer | ☐ | Accelerated filer | ☐ |

| | | | |
|---|---|---|---|
| Non-accelerated Filer | ☒ | Smaller reporting company | ☒ |
| | | Emerging growth company | ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report ☐

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

As of June 30, 2021, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was $72,052,633 based on the closing sale price as reported on the Nasdaq Capital Market.

**Note.**—If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided that the assumptions are set forth in this Form.

APPLICABLE ONLY TO REGISTRANTS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☐ No ☐

(APPLICABLE ONLY TO CORPORATE REGISTRANTS)

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. As of March 21, 2022, there were 10,637,474 shares of common stock outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

None

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# PART I

## Forward-Looking Statements

This Annual Report on Form 10-K (the "Annual Report") contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. 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 cause actual results and outcomes to differ materially from those contained in the forward-looking statements include, but are not limited to, the risks and uncertainties discussed in Part I Item 1A ("Risk Factors") 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 except as required by law.

## ITEM 1. BUSINESS.

### (a) Business Development

### General

As used in this 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 through our wholly owned subsidiary, Kingstone Insurance Company ("KICO"), domiciled in the state of New York. KICO is a licensed property and casualty insurance company in New York, New Jersey, Connecticut, Massachusetts, Pennsylvania, Rhode Island, Maine, and New Hampshire. KICO is currently offering its property and casualty insurance products in New York, New Jersey, Rhode Island, Massachusetts and Connecticut.

In addition, through our subsidiary, Cosi Agency, Inc. ("Cosi"), a multi-state licensed general agency, we access alternative distribution channels. See "Distribution" below for a discussion of our distribution channels. Cosi receives commission revenue from KICO for the policies it places with others and pays commissions to these agencies. Cosi retains the profit between the commission revenue received and the commission expense paid. Net Cosi revenue is deducted against commission expense and Cosi related expenses are included in other operating expenses. Cosi related operating expenses are not included in our stand-alone insurance underwriting business and, accordingly, its expenses are not included in the calculation of our combined ratio as described below.

### Recent Developments

***Developments During 2021***

- *Quota Share Reinsurance*

Effective December 31, 2021, KICO entered into a 30% quota share reinsurance treaty for its personal lines business, which primarily consists of homeowners' and dwelling fire policies, covering the period from December 31, 2021 through January 1, 2023.

- *Catastrophe Reinsurance Coverage*

Effective July 1, 2021, KICO increased the top limit of its catastrophe reinsurance coverage from $485,000,000 to $500,000,000, which, at the time, equated to more than a 1-in-130 year storm event according to the primary industry catastrophe model that we follow.

Additionally, effective October 20, 2021, KICO purchased stub coverage to reduce its retention from a catastrophe to $5 million covering the period October 20, 2021 through December 31, 2021.

- *A.M. Best Rating*

In August 2021, A.M. Best downgraded KICO's financial strength rating from B++ (Good) to B+ (Good) and Long-Term Issuer Credit Rating (ICR) from "bbb" (Good) to "bbb-" (Good) due to a revision of operating performance to adequate from strong which reflects volatility from underwriting results caused by weather-related losses and loss reserve strengthening. The outlook for each of these credit ratings was revised from "negative" to "stable".

***Developments During 2020***

- *Quota Share Reinsurance*

Effective December 30, 2020, KICO terminated the 25% quota share reinsurance treaty for its personal lines business, which primarily consisted of homeowners' and dwelling fire policies, covering the period December 15, 2019 through December 30, 2020.

- *Catastrophe Reinsurance Coverage*

Effective July 1, 2020, KICO decreased the top limit of its catastrophe reinsurance coverage from $610,000,000 to $485,000,000, which, at the time, equated to more than a 1-in-130 year storm event according to the primary industry catastrophe model that we follow.

- *A.M. Best Rating*

In July 2020, A.M. Best downgraded KICO's financial strength rating from A- (excellent) to B++ (Good) as a result of KICO's revision to its catastrophe reinsurance program effective July 1, 2020 as described above.

## (b) Business

## Property and Casualty Insurance

***Overview***

Property and casualty insurance companies provide 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 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 owner's building, inventory and equipment. Casualty insurance (also 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 that cause 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 may 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 collect a variety of policy fees including installment fees, reinstatement fees, and non-sufficient fund fees related to situations involving extended premium payment plans. Earned premiums represent premiums received from insureds, which are recognized as revenue over the period of time that 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 claims. During this time, KICO invests the premiums, earning investment income and generating net realized and unrealized gains and losses on associated investments.

Insurance companies incur a significant amount of their total expenses from insured losses, which are commonly referred to as claims. In settling insured 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, 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.

***Business; Strategy***

We are a multi-line regional property and casualty insurance company writing business exclusively through retail and wholesale agents and brokers ("producers") appointed by our wholly owned subsidiary, KICO. We are licensed to write insurance policies in New York, New Jersey, Connecticut, Maine, Massachusetts, New Hampshire, Pennsylvania and Rhode Island. We are actively writing business in New York, New Jersey, Rhode Island, Massachusetts and Connecticut.

Additionally, through our subsidiary, Cosi, a multi-state licensed general agency, we access alternative distribution channels. See "Distribution" below for a discussion of our distribution channels.

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 insureds and claimants. Producers also value our financial stability coupled with competitive rate and commission structures.

Our principal objectives are to grow profitably while managing risk through prudent use of reinsurance in order to strengthen our capital base. We generate underwriting income through adequate pricing of insurance policies and by effectively managing our other underwriting and operating expenses. We are pursuing profitable growth through existing producers in existing markets, by developing new geographic markets and producer relationships, and by introducing niche products that are relevant to our producers and insureds.
For the year ended December 31, 2021, our gross written premiums totaled $181.7 million, an increase of 7.3% from the $169.3 million in gross written premiums for the year ended December 31, 2020.

***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 94.6% of our gross written premiums for the year ended December 31, 2021.

*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 5.3% of our gross written premiums for the year ended December 31, 2021.

Other - We write canine legal liability policies and have a small participation in mandatory state joint underwriting associations. These policies accounted for 0.1% of our gross written premiums for the year ended December 31, 2021.

***Our Competitive Strengths***

*History of Growing Our Profitable Operations*

KICO has been in operation in the State of New York for over 130 years. We have consistently grown the amount of profitable business that we write by introducing new products, increasing volume written with our selected producers in existing markets, and developing new producer relationships and markets. KICO has earned an underwriting profit in seven 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 insureds.

*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.

We offer our selected producers access to a variety of personal lines and specialty products, including some that are unique to us. 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 our producers value the longevity of the relationship. We believe that the excellent service provided 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 a significant underwriting advantage exists due to our local market presence and expertise. Our underwriting process evaluates and screens out certain risks based on property reports, individual insurance scoring, and 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 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 for the risk of loss. We manage coastal risk exposure through use of individual catastrophe risk scoring and prudent use of reinsurance.

*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 from ceding commissions earned pursuant to quota share reinsurance contracts. The income we earn from ceding commissions subsidizes 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.

*Scalable, Low-Cost Operations*

We focus on efficiently managing our expenses, and invest in tools and processes that improve the 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 low-cost operating environment.

We continue to invest in improving our online application and quoting systems for our personal lines products. We have leveraged a paperless workflow management and document storage tool that has improved efficiency and reduced costs. We provide an online payment portal that allows insureds to make payments and to view policy information for all of our products in one location. Our ability to control the growth of operating and other expenses while expanding our operations and growing revenue is a key component of our business model and is important to our financial success.

In 2020, we implemented the Kingstone 2.0 program which is an effort to modernize our systems. In 2020 we implemented our new claims system, filed our new homeowners program in New York, and filed our new condo/tenant and dwelling fire programs in New York, introduced a new interface for our select producers and started the conversion to our new policy management system.

***Underwriting and Claims Management Philosophy***

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

We believe that our rates are appropriately competitive with other carriers in our target markets. 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 path we have chosen. We carefully underwrite our business utilizing industry claims databases, insurance scoring reports, physical inspection of risks and other individual risk underwriting tools. 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 hurricane deductibles. We handle claims fairly while ensuring that coverage provisions and exclusions are properly applied. Our claims and underwriting expertise supports our ability to grow our profitable business.

***Distribution***

We generate business through our relationships with over 600 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 agency size. We only distribute through agents and have never sought to distribute our 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 staff underwriter and the producer can call that underwriter directly on any matter. We believe that the close relationship and personal service received from 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, made up of 11 active producers, to advise us on market developments; and we have at least one annual meeting with all of our producers.

During 2019, we initiated an alternative distribution program through Cosi. The goal of this program is to enhance our personal lines distribution channel to include nationally recognized name-brand carriers along with nationwide call center and digital insurance agencies.

***Competition; Market***

The insurance industry is highly competitive. We constantly assess and make projections of market conditions and appropriate 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 other Northeast markets, including New Jersey and Rhode Island during 2017 followed by Massachusetts in 2018 and Connecticut in 2019. In addition, we are licensed to write insurance policies in Maine, New Hampshire and Pennsylvania. These 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 new markets.

In 2020, KICO was the 15th largest writer of homeowners insurance in the State of New York, according to data compiled by SNL Financial LLC. Based on the same data, in 2020, we had a 1.6% market share for this 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 continue expanding the size of our personal lines business in New York, New Jersey, and other northeastern states in which we are licensed.

***Loss and Loss Adjustment Expense Reserves***

We are required to establish reserves for unpaid losses, including reserves for claims 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 it is received and we may subsequently adjust case reserves as additional facts and information about the claim develops.

*IBNR reserves* - We also estimate reserves for loss and LAE amounts incurred but not 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-based valuations, statistical analyses, and various actuarial procedures. The projection of future claim payments and reporting patterns 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 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, they 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.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Principal Revenue and Expense Items" in Item 7 of this Annual Report and Note 2 and Note 11 in the accompanying Consolidated Financial Statements for additional information and details regarding loss and LAE reserves.

*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, | |
|---|---|---|
| | **2021** | **2020** |
| Balance at beginning of period | $ 82,801,228 | $ 80,498,611 |
| Less reinsurance recoverables | (20,154,251) | (15,728,224) |
| Net balance, beginning of period | 62,646,977 | 64,770,387 |
| | | |
| Incurred related to: | | |
| Current year | 101,987,855 | 66,389,907 |
| Prior years | (15,259) | 41,165 |
| Total incurred | 101,972,596 | 66,431,072 |
| | | |
| Paid related to: | | |
| Current year | 60,171,695 | 41,100,578 |
| Prior years | 20,136,812 | 27,453,904 |
| Total paid | 80,308,507 | 68,554,482 |
| | | |
| Net balance at end of period | 84,311,066 | 62,646,977 |
| Add reinsurance recoverables | 10,637,679 | 20,154,251 |
| Balance at end of period | $ 94,948,745 | $ 82,801,228 |

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 2012 through 2021.

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. An example with respect to the net loss and LAE reserves of $8,520,000 as of December 31, 2011 is as follows. By December 31, 2013 (two years later), $5,661,000 had actually been paid in settlement of the claims that relate to liabilities as of December 31, 2011. The re-estimated ultimate reserves for those claims as of December 31, 2012 (two years later) had grown to $11,022,000.

The "cumulative redundancy (deficiency)" represents, as of December 31, 2021, the difference between the latest re-estimated liability and the amounts as originally estimated. A redundancy means that the original estimate was higher than the current estimate. A deficiency means that the current estimate is higher than the original estimate.

| (in thousands of $) | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Reserve for loss and loss adjustment expenses, net of reinsurance recoverables | 8,520 | 12,065 | 17,139 | 21,663 | 23,170 | 25,960 | 32,051 | 40,526 | 64,770 | 62,647 | 84,311 |
| Net reserve estimated as of | | | | | | | | | | | |
| One year later | 9,261 | 13,886 | 18,903 | 21,200 | 23,107 | 25,899 | 33,203 | 51,664 | 64,811 | 62,632 | |
| Two years later | 11,022 | 16,875 | 18,332 | 21,501 | 24,413 | 26,970 | 42,723 | 55,145 | 65,113 | | |
| Three years later | 12,968 | 16,624 | 18,687 | 22,576 | 25,509 | 33,298 | 43,780 | 56,346 | | | |
| Four years later | 12,552 | 16,767 | 19,386 | 23,243 | 28,638 | 33,342 | 43,973 | | | | |
| Five years later | 12,440 | 16,985 | 19,449 | 25,442 | 28,506 | 33,120 | | | | | |
| Six years later | 12,367 | 16,959 | 20,265 | 25,353 | 28,849 | | | | | | |
| Seven years later | 12,307 | 17,198 | 20,069 | 25,445 | | | | | | | |
| Eight years later | 12,317 | 17,089 | 20,129 | | | | | | | | |
| Nine years later | 12,325 | 17,101 | | | | | | | | | |
| Ten years later | 12,326 | | | | | | | | | | |
| Net cumulative redundancy (deficiency) | (3,806) | (5,036) | (2,990) | (3,782) | (5,679) | (7,160) | (11,922) | (15,820) | (343) | 15 | |

| (in thousands of $) | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Cumulative amount of reserve paid, net of reinsurance recoverable through | | | | | | | | | | | |
| One year later | 3,237 | 4,804 | 6,156 | 8,500 | 8,503 | 9,900 | 15,795 | 23,075 | 27,454 | 20,137 | |
| Two years later | 5,661 | 8,833 | 10,629 | 12,853 | 14,456 | 17,187 | 26,168 | 35,924 | 35,142 | | |
| Three years later | 8,221 | 11,873 | 13,571 | 16,564 | 19,533 | 23,484 | 32,704 | 40,264 | | | |
| Four years later | 10,100 | 13,785 | 16,166 | 19,838 | 22,816 | 27,203 | 35,510 | | | | |
| Five years later | 10,903 | 15,479 | 17,262 | 21,976 | 25,210 | 28,833 | | | | | |
| Six years later | 11,417 | 15,882 | 18,265 | 23,280 | 26,298 | | | | | | |
| Seven years later | 11,725 | 16,152 | 18,954 | 24,146 | | | | | | | |
| Eight years later | 11,864 | 16,516 | 19,511 | | | | | | | | |
| Nine years later | 12,205 | 16,667 | | | | | | | | | |
| Ten years later | 12,212 | | | | | | | | | | |
| | | | | | | | | | | | |
| Net reserve - December 31, | 8,520 | 12,065 | 17,139 | 21,663 | 23,170 | 25,960 | 32,051 | 40,526 | 64,770 | 62,647 | 84,311 |
| * Reinsurance Recoverable | 9,960 | 18,420 | 17,364 | 18,250 | 16,707 | 15,777 | 16,749 | 15,671 | 15,728 | 20,154 | 10,638 |
| * Gross reserves - December 31, | 18,480 | 30,485 | 34,503 | 39,913 | 39,877 | 41,737 | 48,800 | 56,197 | 80,499 | 82,801 | 94,949 |
| | | | | | | | | | | | |
| Net re-estimated reserve | 12,326 | 17,101 | 20,129 | 25,445 | 28,849 | 33,120 | 43,973 | 56,346 | 65,113 | 62,632 | |
| Re-estimated reinsurance recoverable | 13,573 | 28,330 | 22,400 | 23,585 | 21,600 | 21,031 | 21,009 | 19,337 | 15,698 | 18,814 | |
| Gross re-estimated reserve | 25,899 | 45,431 | 42,529 | 49,030 | 50,449 | 54,151 | 64,982 | 75,683 | 80,811 | 81,446 | |
| | | | | | | | | | | | |
| Gross cumulative redundancy (deficiency) | (7,419) | (14,946) | (8,026) | (9,117) | (10,572) | (12,414) | (16,182) | (19,486) | (312) | 1,355 | |

*(Components may not sum to totals due to rounding)*

***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 a carrier to write business without increasing its underwriting leverage above a level 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.

Effective December 31, 2021, we entered into a quota share reinsurance treaty for our personal lines business, which primarily consists of homeowners' and dwelling fire policies, covering the period from December 31, 2021 through January 1, 2023 ("2021/2023 Treaty"). Effective December 15, 2019, we entered into a quota share reinsurance treaty for our personal lines business, which primarily consists of homeowners' policies, which covered the period from December 15, 2019 through December 30, 2020 ("2019/2020 Treaty"). Effective December 31, 2020, the 2019/2020 Treaty expired on a cut-off basis; this treaty was not renewed. In addition to the 2019/2020 Treaty, our personal lines quota share reinsurance treaty in effect for the year ended December 31, 2020 also included the run-off of the personal lines quota share treaty ("2018/2019 Treaty") that expired on June 30, 2019. The run-off covered the period from July 1, 2019 through June 30, 2020 ("2019/2020 Run-off").

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 December 31, 2020 through December 30, 2021 was $1,000,000. Effective December 31, 2021 through January 1, 2023, our maximum net retention under the 2021/2023 Treaty decreased to $700,000. Effective January 1, 2022, we entered into an underlying excess of loss reinsurance treaty covering the period from January 1, 2022 through January 1, 2023. The treaty provides 50% reinsurance coverage for losses, other than from a named storm, of $400,000 in excess of $600,000. Our maximum net retention for any one personal lines occurrence is further reduced from $700,000 to $500,000. 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, 2020 is $750,000.

We earned 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 provided minimum and maximum ceding commission rates in relation to specified ultimate loss ratios. Under the 2021/2023 Treaty, KICO will receive a fixed provisional rate with no adjustment for sliding scale contingent commissions Under the 2019/2020 Treaty, KICO received a fixed provisional rate with no adjustment for sliding scale contingent commissions.

The 2021/2023 Treaty and 2019/2020 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 2021, we purchased catastrophe reinsurance to provide coverage of up to $500,000,000 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-130 year storm event. The direct retention for any single catastrophe event is $10,000,000. Effective October 18, 2021, we entered into a stub catastrophe reinsurance treaty ("Stub Treaty") covering the period from October 18, 2021 through December 31, 2021. The Stub Treaty provided reinsurance coverage for catastrophe losses of $5,000,000 in excess of $5,000,000. The Stub Treaty reduced direct retention to $5,000,000 during the period it was in effect. Effective December 31, 2021 through January 1, 2023, losses on personal lines policies are subject to the 2021/2023 Treaty, which will cover 26% of catastrophe losses and will result in a net retention by us of $7,400,000 of exposure per catastrophe occurrence. For the period December 15, 2019 through December 30, 2020 losses on personal lines policies were subject to the 25% quota share treaty, which resulted in a net retention by us of $8,125,000 of exposure per catastrophe occurrence. Effective July 1, 2020, we have reinstatement premium protection on the first $70,000,000 layer of catastrophe coverage in excess of $10,000,000. This protects us from having to pay an additional premium to reinstate catastrophe coverage for an event up to this level.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Principal Revenue and Expense Items" in Item 7 of this Annual Report and Note 2 and Note 11 in the accompanying Consolidated Financial Statements for additional information.

***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.

KICO has a financial strength rating from A.M. Best of B+ (Good). 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) | bbb- (stable outlook) | bb- (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 | bb- (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.

***Catastrophe Losses***

In 2021 we had catastrophe losses, which are defined as losses from an event for which a catastrophe bulletin and related serial number has been issued by the Property Claims Services (PCS) unit of the Insurance Services Office (ISO). PCS catastrophe bulletins are issued for events that cause more than $25 million in total insured losses and affect a significant number of policyholders and insurers. Our predominant market, downstate New York, was affected by several events during 2021, including three named storms. The remnants of Hurricane Ida, included as one of the named storms, increased our loss ratio by 7.1 percentage points. The effects of this catastrophe and other catastrophes during the year increased our net loss ratio by 10.3 percentage points in 2021. Our predominant market, downstate New York, was affected by several events, including one large event, Tropical Storm Isaias, during 2020. The effects of this catastrophe and other minor catastrophes during the year increased our net loss ratio by 10.7 percentage points in 2020.

**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 reject 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 liability market in New York State in 2019 and 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 these 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. 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. KICO must annually certify compliance to the DFS with the applicable cybersecurity regulatory provisions. Annual certifications are due April 15. Recently, the DFS has provided additional guidance on ransomware, and potential cyber-attacks from Russia's invasion of Ukraine.

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", 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 its September 2021 Annual Report on the Insurance Industry (the "Report"), the FIO provided an overview of its statutory responsibilities and its role. The Report then summarized the FIO's key activities since those described in its 2021 Annual Report on the Insurance Industry. The Report observed that, in 2020, the property/casualty sector direct premium written was $717 billion, a one percent growth over 2019 levels, despite economic challenges of the COVID-19 pandemic. In addition to reviewing the financial status of the property/casualty industry, the Report includes Topical Updates and FIO activities, providing pandemic-related updates (including remote operations, policyholder relief, insurer relief, business interruption issues, and federal pandemic risk insurance proposals), climate change, mitigation and resilience (the Report notes the DFS's September 2020 expectation guidance, and its March 2021, Proposed Guidance for New York Domestic Insurers on Managing Financial Risks form Climate Change) and Cyber Risks, Ransomware, and Cyber Insurance.

On December 22, 2017, a budget reconciliation act commonly referred to as the Tax Cuts and Jobs Act (TCJA) was signed into law. Overall, the reduction of the U.S. corporate tax rate to 21 percent generally lowers the effective tax rates of insurance companies operating in the United States.

On December 20, 2020, the Terrorism Risk Insurance Program Reauthorization Act of 2019 (TRIPRA of 2019) was enacted and is now scheduled to expire on December 31, 2027. The Terrorism Risk Insurance Program serves as a federal "backstop" for insurance claims related to acts of terrorism.

On November 15, 2021, the DFS issued its final Guidance for New York Domestic Insurers On Managing the Financial Risks from Climate Change.

In 2021, the NYS Governor signed into law, effective January 28, 2022, legislation seeking to prevent homeowner insurers from discriminating solely on the basis of breed of dog. Legislation has been introduced to further clarify the scope of the new law.

***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 DFS commenced its examination of KICO in 2019 as of December 31, 2018. The examination was completed on April 30, 2020.

***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 above the ACL and is in compliance with New York's RBC requirements as of December 31, 2021.

***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, 2021, KICO had one ratio outside the usual range.

***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 results of operations 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.

**Employees**

As of December 31, 2021, we had 91 employees. None of our employees are covered by a collective bargaining agreement. We believe that our relationship with our employees is good.

**Availability of Information**

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), are filed with the U.S. Securities and Exchange Commission (the "SEC"). Such reports and other information filed by us with the SEC are available free of charge at the investor relations section of our website at www.kingstonecompanies.com as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the SEC. Copies are also available, without charge, by writing to Kingstone Companies, Inc., Investor Relations, 15 Joys Lane, Kingstone, New York 12401. The SEC also maintains a website, www.sec.gov, which contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The inclusion of our website address in this Annual Report does not include or incorporate by reference the information on our website into this Annual Report.

## ITEM 1A. RISK FACTORS.

### 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***

***The impact of COVID-19 and related risks could materially affect our results of operations, financial position and/or liquidity.***

Beginning in March 2020, the global pandemic related to the novel coronavirus COVID-19 began to impact the global economy and our results of operations. Because of the size and breadth of this pandemic, all of the direct and indirect consequences of COVID-19 are not yet known and may not emerge for some time. Risks presented by the ongoing effects of COVID-19 include, among others, the following:

*Revenues.* We expect that the impact of COVID-19 on general economic activity will negatively impact our premium volumes. We began to experience this impact in March 2020; however, it became less severe in 2021 as we observed an increase in premium volume in our livery physical damage line of business, which experienced the greatest impact from the pandemic.

*Investments.* The disruption in the financial markets related to COVID-19 has contributed to net investment losses, primarily due to the impact of changes in fair value on our equity investments and in our fixed-income investment portfolio. Our corporate fixed income portfolio may be adversely impacted by ratings downgrades, increased bankruptcies and credit spread widening in distressed industries. In addition, in recent years, many state and local governments have been operating under deficits or projected deficits. These deficits may be exacerbated by the costs of responding to COVID-19 and reduced tax revenues due to adverse economic conditions. The severity and duration of these deficits could have an adverse impact on the collectability and valuation of our municipal bond portfolio. Our investment portfolio also includes mortgage-backed securities which could be adversely impacted by declines in real estate valuations and/or financial market disruption. Further disruptions in global financial markets could adversely impact our net investment income in future periods.

*Adverse Legislative and/or Regulatory Action.* Federal, state and local government actions to address and contain the impact of COVID-19 may adversely affect us. For example, we may be subject to legislative and/or regulatory action that seeks to retroactively mandate coverage for losses which our insurance policies were not designed or priced to cover. Currently, in some states there is proposed legislation to require insurers to cover business interruption claims irrespective of terms, exclusions or other conditions included in the policies that would otherwise preclude coverage. Regulatory restrictions or requirements could also impact pricing, risk selection and our rights and obligations with respect to our policies and insureds, including our ability to cancel or non-renew policies and our right to collect premiums.

*Operational Disruptions and Heightened Cybersecurity Risks.* Our operations could be disrupted if key members of our senior management or a significant percentage of our workforce or the workforce of our producers are unable to continue to work because of illness, government directives or otherwise. In addition, the interruption of our or their system capabilities could result in a deterioration of our ability to write and process new and renewal business, provide customer service, pay claims in a timely manner or perform other necessary business functions. Having shifted to remote working arrangements, we also face a heightened risk of cybersecurity attacks or data security incidents and are more dependent on internet and telecommunications access and capabilities.

*Reinsurance Risks.* 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, including the effect of COVID-19 on the reinsurance market, have impacted and may continue to 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.

***Major public health issues could have an adverse effect on our business and operating results.***

Major public health issues, including a large-scale pandemic, such as the novel coronavirus COVID-19, may have a material adverse effect on our workforce and business operations and cause disruptions in commerce and reduced economic activity. Some of the assets in our investment portfolio may be adversely affected by declines in the equity markets, changes in interest rates, reduced liquidity and economic activity caused by a large-scale pandemic. Accordingly, a large-scale pandemic could have a material adverse effect on our revenue, liquidity and operating results.

***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 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 currently have catastrophe reinsurance coverage with regard to losses of up to $500,000,000 ($490,000,000 in excess of $10,000,000). Effective December 31, 2021, $10,000,000 of losses in a catastrophe are subject to a quota share reinsurance treaty, which covers 26% of catastrophe losses such that we retain $7,400,000 of risk per catastrophe occurrence. With respect to any additional catastrophe losses of up to $490,000,000, 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.

***Recent decline in the financial strength rating assigned to our insurance subsidiary by A.M. Best will impact our revenues and earnings.***

Financial strength ratings are an important factor influencing the competitive position of insurance companies. The objective of the rating agencies' rating systems is to provide an opinion as to an insurer's financial strength and ability to meet ongoing obligations to its policyholders. The ratings of Kingstone Insurance Company ("KICO"), our insurance subsidiary, reflect the rating agencies' opinion as to its financial strength and are not evaluations directed to investors in our securities, nor are they recommendations to buy, sell or hold our securities.

Our ratings are subject to periodic review by, and may be revised downward or revoked at the sole discretion of, the rating agencies. Our ability to write business, particularly commercial liability lines, is influenced by our financial strength rating from A.M. Best. On August 6, 2021, A.M. Best lowered the financial strength rating of KICO from "B++" (Good). to "B+" (Good). The outlook of A.M. Best's credit rating is stable. A.M. Best indicated that the ratings downgrade of KICO reflects its balance sheet strength, which A.M. Best categorizes as adequate, as well as its adequate operating performance, limited business profile and appropriate enterprise risk management. It stated that the ratings action was driven by a revision in KICO's operating performance, which reflects volatility from underwriting results caused by weather-related losses and loss reserve strengthening.

Management believes that A.M. Best's financial strength rating is more significant with regard to commercial liability insurance, as opposed to personal lines business. Since we have discontinued our commercial lines business, we believe that A.M. Best's rating action will not result in a material decrease in the amount of business that KICO will be able to write. However, the A.M Best ratings downgrade has resulted in a material decrease in the business of our subsidiary, Cosi, a multi-state licensed general agency that had partnered with name-brand carriers which require an A.M. Best "A-" rating from its partners.

***Adverse capital and credit market conditions may significantly affect our ability to meet liquidity needs, including with regard to our indebtedness due on December 30, 2022, or our ability to obtain credit on acceptable terms.***

Our $30,000,000 in aggregate principal amount of 5.5% Senior Unsecured Notes are due on December 30, 2022. 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. 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 believe that our plan to satisfy our debt obligation by December 30, 2022, as discussed in Note 2 to our Consolidated Financial Statements included in this Annual Report, is probable of being implemented.

***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 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 in the absence of any change to a 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 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.***

Approximately 80% 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 costlier 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 relatively 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. For the year ended December 31, 2021, thirty brokers provided a total of 36.1% of our total gross premiums written. 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, 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, 2021, the maximum permissible distribution that KICO could pay without prior regulatory approval was approximately $3,448,000. Since our $30,000,000 in aggregate principal amount of 5.5% Senior Unsecured Notes are due on December 30, 2022 (the “Notes”), the distributions by KICO to us will be insufficient to pay the amount due pursuant to the Notes. 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 may be, and the principal of the Notes at their maturity will be, limited by these regulatory constraints.

***We will not be able to generate sufficient cash from operations to service the balloon principal payment of 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. With regard to the Notes, the cash flows from operating activities will be insufficient for us to pay the principal, payable under the Notes and we will implement management's plan to refinance or satisfy the Notes to alleviate such risks.

***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, Chief Executive Officer and Executive Chairman, and Meryl Golden, our Chief Operating Officer and KICO's President. The loss of Mr. Goldstein or Ms. Golden 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 prevailing in the market for qualified personnel. Mr. Goldstein and we are parties to an amended and restated employment agreement which expires on December 31, 2022. Ms. Golden and we are parties to an amended and restated employment agreement which expires on December 31, 2022.

***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 to purchase 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.

***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 ("Nasdaq"). 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 effective registration statements on Form S-8 under the Securities Act of 1933, as amended (the "Securities Act"), covering an aggregate of 1,400,000 shares of our common stock issuable under our 2014 Equity Participation Plan (the "2014 Plan"). In addition, we have an effective registration statement on Form S-8 under the Securities Act covering an aggregate of 750,000 shares of our common stock, issuable pursuant to our Employee Stock Purchase Plan (the "ESPP").

As of December 31, 2021, options to purchase 107,201 shares of our common stock, and 628,531 shares subject to unvested restricted stock grants, were outstanding under the 2014 Plan and 440,774 shares were reserved for issuance thereunder. As of December 31, 2021, there were no shares purchased pursuant to the ESPP. 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 our 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, by 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 21, 2022, our executive officers and directors beneficially owned 1,046,510 shares of our common stock, representing 9.8% 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 1B. UNRESOLVED STAFF COMMENTS.

None.

## 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. Our licensed general agency, Cosi, maintained an office located at 70 East Sunrise Highway, Valley Stream, New York 11581, at which it leased 2,323 square feet of space. Effective January 31, 2022, Cosi terminated its lease pursuant to a mutual agreement with its landlord.

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."

**Holders**

As of March 21, 2022, there were 186 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. We have paid a cash dividend in each quarter since September 2011.

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, 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, 2021, the maximum distribution that KICO could pay without prior regulatory approval was approximately $3,448,000, 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.

**Recent Sales of Unregistered Securities**

None.

**Issuer Purchases of Equity Securities**

None.

## ITEM 6. RESERVED.

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

### Overview

We offer property and casualty insurance products to individuals 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, although we are actively writing business in New Jersey, Rhode Island, Connecticut and Massachusetts. We are licensed in the States of New York, New Jersey, Rhode Island, Connecticut, Massachusetts, Pennsylvania, Maine, and New Hampshire. For the year ended December 31, 2021, 79.5% of KICO's direct written premiums came from the New York policies.

In addition, through our subsidiary, Cosi Agency, Inc. ("Cosi"), a multi-state licensed general agency, we access alternative distribution channels. Cosi receives commission revenue from KICO for the policies it places with others and pays commissions to these agencies. Cosi retains the profit between the commission revenue received and the commission expense paid ("Net Cosi Revenue"). Commission expense is reduced by Net Cosi Revenue and Cosi-related operating expenses are included in other operating expenses. Cosi-related operating expenses are not included in our stand-alone insurance underwriting business and, accordingly, Cosi's expenses are not included in the calculation of our combined ratio as described below.

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 written for a one-year term. 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 can elapse from the receipt of insurance premiums to 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 holding company earns investment income from its cash holdings and may also generate net realized and unrealized investment gains and losses on future investments.

Our expenses include the insurance underwriting expenses of KICO and other operating expenses. Insurance companies incur a significant amount of their total expenses from losses incurred by policyholders, which are 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 and operating expenses of Cosi. These corporate expenses include legal and auditing fees, executive employment costs, and other costs directly associated with being a public company. Cosi operating expenses primarily include employment, occupancy and consulting costs.

### 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, 2021, we would earn half of the premiums in 2021 and the other half in 2022.

***Ceding commission revenue:*** Commissions on reinsurance premiums ceded to quota share treaties 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 gains (losses) on investments:*** We invest in cash and cash equivalents, short-term investments, fixed-maturity and equity securities, and other investments. 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 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 while our equity securities and other investments report changes in fair value through earnings. See Note 2 in the accompanying consolidated financial statements for further discussion over our accounting policies following Item 16 of this Annual Report.

***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., and operating expenses of Cosi. These expenses include executive employment costs, legal and auditing fees, and other costs directly associated with being a public company. Cosi operating expenses primarily include employment costs, occupancy costs and consulting costs.

***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 statement of operations as well as state income tax expense for our non-insurance underwriting subsidiaries.

**Product Lines**

Our product lines include the following:

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

***Commercial liability:*** Through July 2019, we offered businessowners policies, which consist primarily of small business retail, service, and office risks, with limited property exposures. We also wrote artisan's liability policies for small independent contractors with smaller sized workforces. In addition, we wrote special multi-peril policies for larger and more specialized businessowners risks, including those with limited residential exposures. Further, we offered commercial umbrella policies written above our supporting commercial lines policies.

In May 2019, due to the poor performance of this line we placed a moratorium on new commercial lines and new commercial umbrella submissions while we further reviewed this business. In July 2019, due to the continuing poor performance of these lines, we made the decision to no longer underwrite commercial lines or commercial umbrella risks. In-force policies as of July 31, 2019 for these lines were non-renewed at the end of their annual terms. As of December 31, 2021 and 2020, there were no commercial liability policies in-force. As of December 31, 2021, these expired policies represent approximately 20.2% of loss and LAE reserves net of reinsurance recoverables. See discussion below under "Additional Financial Information".

***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 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 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 GAAP 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, and other factors, in forming its estimates and judgments of certain amounts included in the consolidated financial statements, giving due consideration to materiality. It is possible that the ultimate outcome as anticipated by our management in formulating its estimates in these financial statements may not materialize. 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 similar companies.

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 income taxes, the impairment of investment securities, and the valuation of stock-based compensation. See Note 2 to the Consolidated Financial Statements following Item 16 of this Annual Report.

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**Consolidated Results of Operations**

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

| | Years ended December 31, | | | |
|---|---|---|---|---|
| **($ in thousands)** | **2021** | **2020** | **Change** | **Percent** |
| **Revenues** | | | | |
| Direct written premiums | $ 181,665 | $ 169,318 | $ 12,347 | 7.3% |
| Assumed written premiums | - | - | - | na% |
| | 181,665 | 169,318 | 12,347 | 7.3% |
| Ceded written premiums | | | | |
| Ceded to quota share treaties in force during the period | 578 | 33,250 | (32,672) | (98.3)% |
| Unearned premiums ceded to new quota share treaty (1) | 22,932 | - | 22,932 | na% |
| Return of premiums previously ceded to prior quota share treaties (1) | - | (17,440) | 17,440 | na% |
| Ceded to quota share treaties | 23,510 | 15,810 | 7,700 | 48.7% |
| Ceded to excess of loss treaties | 2,613 | 2,007 | 606 | 30.2% |
| Ceded to catastrophe treaties | 26,787 | 24,438 | 2,349 | 9.6% |
| Total ceded written premiums | 52,910 | 42,255 | 10,655 | 25.2% |
| | | | | |
| Net written premiums | 128,755 | 127,063 | 1,692 | 1.3% |
| | | | | |
| Change in unearned premiums | | | | |
| Direct and assumed | (7,750) | 374 | (8,124) | na% |
| Ceded to quota share treaties | 22,877 | (19,356) | 42,233 | na% |
| Change in net unearned premiums | 15,127 | (18,982) | 34,109 | na% |
| | | | | |
| Premiums earned | | | | |
| Direct and assumed | 173,915 | 169,692 | 4,223 | 2.5% |
| Ceded to reinsurance treaties | (30,033) | (61,611) | 31,578 | 51.3% |
| Net premiums earned | 143,882 | 108,081 | 35,801 | 33.1% |
| | | | | |
| Ceding commission revenue | 90 | 14,202 | (14,112) | (99.4)% |
| Net investment income | 6,621 | 6,506 | 115 | 1.8% |
| Net gains on investments | 9,787 | 1,591 | 8,196 | 515.1% |
| Other income | 851 | 990 | (139) | (14.0)% |
| Total revenues | 161,231 | 131,370 | 29,861 | 22.7% |
| **Expenses** | | | | |
| Loss and loss adjustment expenses | | | | |
| Direct and assumed: | | | | |
| Loss and loss adjustment expenses excluding the effect of catastrophes | 87,308 | 72,842 | 14,466 | 19.9% |
| Losses from catastrophes (2) | 15,632 | 4,683 | 10,949 | 233.8% |
| Total direct and assumed loss and loss adjustment expenses | 102,940 | 77,525 | 25,415 | 32.8% |
| | | | | |
| Ceded loss and loss adjustment expenses: | | | | |
| Loss and loss adjustment expenses excluding the effect of catastrophes | 155 | 18,013 | (17,858) | (99.1)% |
| Losses from catastrophes (2) | 813 | 1,206 | (393) | (32.6)% |
| Total ceded loss and loss adjustment expenses | 968 | 19,219 | (18,251) | (95.0)% |
| | | | | |
| Net loss and loss adjustment expenses: | | | | |
| Loss and loss adjustment expenses excluding the effect of catastrophes | 87,153 | 54,829 | 32,324 | 59.0% |
| Losses from catastrophes (2) | 14,819 | 3,477 | 11,342 | 326.2% |
| Net loss and loss adjustment expenses | 101,973 | 58,306 | 43,666 | 74.9% |
| | | | | |
| Commission expense | 33,114 | 31,828 | 1,286 | 4.0% |
| Other underwriting expenses | 26,254 | 25,425 | 829 | 3.3% |
| Other operating expenses | 4,183 | 4,283 | (100) | (2.3)% |
| Depreciation and amortization | 3,290 | 2,865 | 425 | 14.8% |
| Interest expense | 1,826 | 1,826 | - | - % |
| Total expenses | 170,640 | 124,533 | 46,106 | 37.0% |
| | | | | |
| Loss before taxes | (9,409) | 6,837 | (16,246) | 237.6% |
| Income tax benefit | (2,031) | (2,260) | 229 | 10.1% |
| **Net (loss) income** | $ (7,378) | $ 9,097 | $ (16,475) | na% |

*(Columns in the table above may not sum to totals due to rounding)*

(1) Effective December 31, 2020, our personal lines 25% quota share treaty expired on a cut-off basis. Effective December 31, 2021, we entered into a 30% quota share treaty.

(2) The years ended December 31, 2021 and 2020 include catastrophe losses, which are defined as losses from an event for which a catastrophe bulletin and related serial number has been issued by the Property Claims Services (PCS) unit of the Insurance Services Office (ISO). PCS catastrophe bulletins are issued for events that cause more than $25 million in total insured losses and affect a significant number of policyholders and insurers.

| | Years ended December 31, | | | |
|---|---|---|---|---|
| | 2021 | 2020 | Percentage Point Change | Percent Change |
| **Key ratios:** | | | | |
| Net loss ratio | 70.9% | 61.5% | 9.4 | 15.3% |
| Net underwriting expense ratio | 40.6% | 38.9% | 1.7 | 4.4% |
| Net combined ratio | 111.5% | 100.4% | 11.1 | 11.1% |

Direct Written Premiums

Direct written premiums during the year ended December 31, 2021 (“Year Ended 2021”) were $181,665,000 compared to $169,318,000 during the year ended December 31, 2020 (“Year Ended 2020”). The increase of $12,347,000, or 7.3%, was primarily due an increase in premiums from our personal lines business. Direct written premiums from our personal lines business for Year Ended 2021 were $171,720,000, an increase of $9,536,000, or 5.9%, from $162,184,000 in Year Ended 2020. Direct written premiums from our livery physical damage business for Year Ended 2021 were $9,717,000, an increase of $2,661,000, or 37.7%, from $7,056,000 in Year Ended 2020. The increase in livery physical damage direct written premiums was due to the declining effect of the COVID-19 pandemic in our geographic area.

Beginning in 2017 we started writing homeowners policies in New Jersey. Through 2019 we expanded to Rhode Island, Massachusetts and Connecticut. 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 $37,276,000 in Year Ended 2021 compared to $33,914,000 in Year Ended 2020. Direct written premiums from our Core business were $144,385,000 in Year Ended 2021 compared to $135,455,000 in Year Ended 2020.

Net Written Premiums and Net Premiums Earned

Effective December 31, 2021, we entered into a quota share reinsurance treaty for our personal lines business covering the period from December 31, 2021 through January 1, 2023 (“2021/2023 Treaty”).Effective December 15, 2019, we entered into a quota share reinsurance treaty for our personal lines business covering the period from December 15, 2019 through December 30, 2020 (“2019/2020 Treaty”). Effective December 31, 2020, the 2019/2020 Treaty expired on a cut off basis; this treaty was not renewed. In addition to the 2019/2020 Treaty, our personal lines quota share reinsurance treaty in effect for Year Ended 2020 also included the run-off of the personal lines quota share treaty (“2018/2019 Treaty”) that expired on June 30, 2019. The run-off covered the period from July 1, 2019 through June 30, 2020 (“2019/2020 Run-Off”). The following table describes the quota share reinsurance ceding rates in effect during Year Ended 2021 and Year Ended 2020. 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.

| | Years ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| **Quota share reinsurance rates** | | |
| Personal lines | | |
| 2021/2023 Treaty | 30% (1) | n/a |
| 2019/2020 Treaty | n/a | 25% (2) |
| 2018/2019 Treaty | n/a | 10% (3) |

(1) The 2021/2023 Treaty is effective December 31, 2021 with a quota share reinsurance rate of 30%.

(2) The 2019/2020 Treaty was effective from December 15, 2019 through December 30, 2020 with a quota share reinsurance rate of 25%.

(3) The 2018/2019 Treaty expired on a run-off basis from July 1, 2019 through June 30, 2020.

Net written premiums increased $1,692,000, or 1.3%, to $128,755,000 in Year Ended 2021 from $127,063,000 in Year Ended 2020. 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). In Year Ended 2021, our premiums ceded under quota share treaties decreased by $32,672,000 in comparison to ceded premiums in Year Ended 2020 (see table above). Our personal lines business was subject to the 2019/2020 Treaty from December 15, 2019 through December 30, 2020. Our personal lines business was subject to the 2018/2019 Treaty through June 30, 2019. Following June 30, 2019, any earned premium and associated claims for policies still in force continued to be ceded under the 10% quota share rate until such policies expired (run-off) over the next year. The 2019/2020 run-off period was from July 1, 2019 through June 30, 2020 and there was no return of unearned premiums under this arrangement.

*Excess of loss reinsurance treaties*

An increase in written premiums will increase the premiums ceded under our excess of loss treaties. In Year Ended 2021, our ceded excess of loss reinsurance premiums increased by $606,000 over the comparable ceded premiums for Year Ended 2020. The increase was due to an increase in subject premiums and increase in rate.

*Catastrophe reinsurance treaty*

Most of the premiums written under our personal lines policies are also subject to our catastrophe treaties. An increase in our personal lines business gives rise to more property exposure, which increases our exposure to catastrophe risk; therefore, our premiums ceded under catastrophe treaties will increase. This results in an increase in premiums ceded under our catastrophe treaties provided that reinsurance rates are stable or are increasing. In Year Ended 2021, our premiums ceded under catastrophe treaties increased by $2,349,000 over the comparable ceded premiums in Year Ended 2020. The change was due to an increase in reinsurance rates effective July 1, 2020, partially offset by a decrease in our limit effective July 1, 2020. Through June 30, 2020, our ceded catastrophe premiums were paid based on the total direct written premiums subject to the catastrophe reinsurance treaty. Effective July 1, 2020, and continuing through June 30, 2021, our ceded catastrophe premiums were paid based on the total insured value of our risks calculated as of August 31, 2020. Effective July 1, 2021, and continuing through June 30, 2022, our ceded catastrophe premiums will be paid based on the total insured value of our risks as of August 31, 2021.

*Net premiums earned*

Net premiums earned increased $35,801,000, or 33.1%, to $143,882,000 in Year Ended 2021 from $108,081,000 in Year Ended 2020. The increase was due to the expiration of both the 2019/2020 Treaty on December 30, 2020 on a cut-off basis and the 2019/2020 Run-Off as of June 30, 2020.

Ceding Commission Revenue

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

| | Years ended December 31, | | | |
|---|---|---|---|---|
| **($ in thousands)** | **2021** | **2020** | **Change** | **Percent** |
| Provisional ceding commissions earned | $ 234 | $ 14,119 | $ (13,885) | (98.3)% |
| Contingent ceding commissions earned | (144) | 83 | (227) | n/a% |
| Total ceding commission revenue | $ 90 | $ 14,202 | $ (14,112) | (99.4)% |

Ceding commission revenue was $90,000 in Year Ended 2021 compared to $14,202,000 in Year Ended 2020. The decrease of $14,112,000 was due to a decrease in both provisional ceding commissions earned and contingent ceding commissions earned. See below for a discussion of provisional ceding commissions earned and contingent ceding commissions earned.

*Provisional Ceding Commissions Earned*

Through December 30, 2020, we received a provisional ceding commission based on ceded written premiums. The $13,885,000 decrease in provisional ceding commissions earned was due to the expiration of both the 2019/2020 Treaty on December 30, 2020 on a cut-off basis and the 2019/2020 Run-Off as of June 30, 2020.

*Contingent Ceding Commissions Earned*

The structure of the 2019/2020 Treaty and 2019/2020 Run-Off called for a fixed provisional ceding commission and there was not an opportunity to earn additional contingent ceding commissions under those treaties. 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, 2017. Under our prior years' quota share treaties, we received 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.

*Net Investment Income*

Net investment income was $6,621,000 in Year Ended 2021compared to $6,506,000 in Year Ended 2020, an increase of $115,000, or 1.8%. The average yield on invested assets was 3.25% as of December 31, 2021 compared to 3.39% as of December 31, 2020.

Cash and invested assets were $237,885,000 as of December 31, 2021 compared to $222,314,000 as of December 31, 2020. The $15,571,000 increase in cash and invested assets was primarily attributable to an increase in operating cash flows for the Year Ended 2021.

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Net Gains on Investments

Net gains on investments were $9,787,000 in Year Ended 2021 compared to $1,591,000 in Year Ended 2020. Unrealized gains on our equity securities and other investments in Year Ended 2021 were $2,469,000, compared to $758,000 in Year Ended 2020. Realized gains on sales of investments were $7,317,000 in Year Ended 2021 compared to $832,000 in Year Ended 2020.

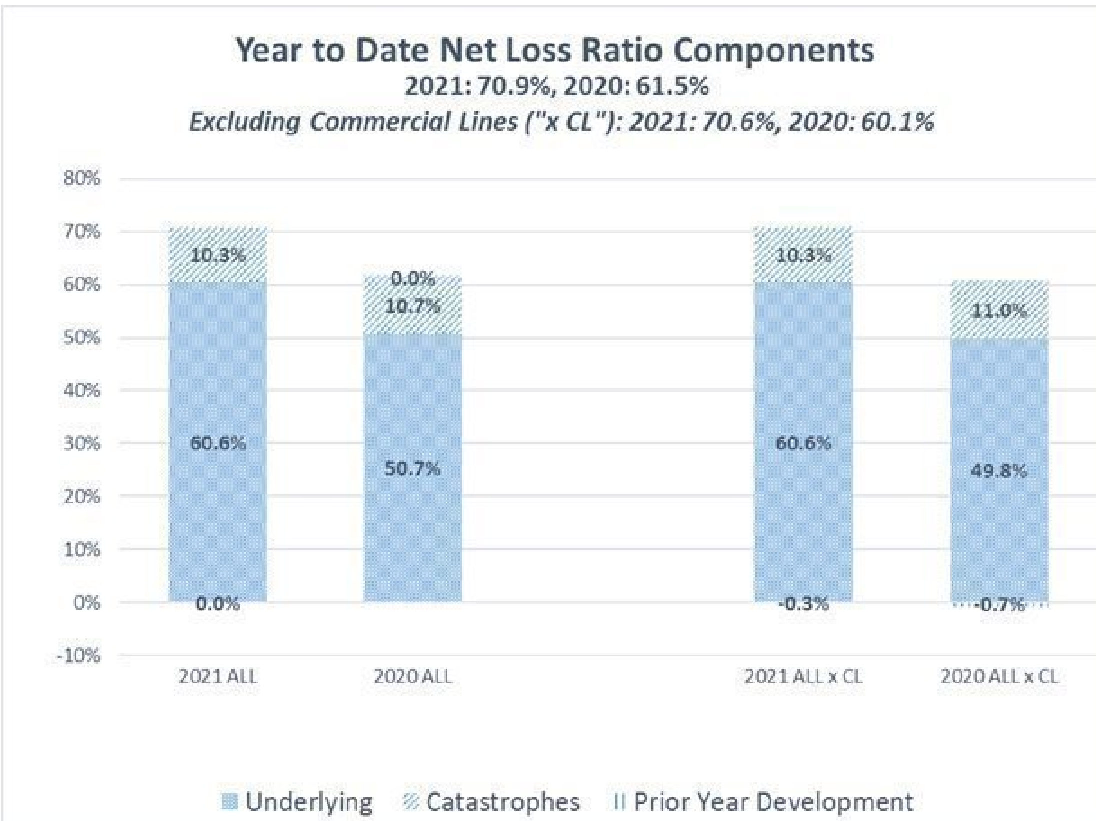
Other Income

Other income was $851,000 in Year Ended 2021 compared to $990,000 in Year Ended 2020. The decrease of $139,000, or 14.0%, was primarily due to not having any active commercial lines policies in 2021 to generate fees.

Net Loss and LAE

Net loss and LAE was $101,973,000 in Year Ended 2021 compared to $66,431,000 in Year Ended 2020. The net loss ratio was 70.9% in Year Ended 2021 compared to 61.5% in Year Ended 2020, an increase of 9.4 percentage points.

The following graph summarizes the changes in the components of net loss ratio for the periods indicated, along with the comparable components excluding commercial lines business:




*(Percent components may not sum to totals due to rounding)*

The loss ratio during Year Ended 2021 was higher than Year Ended 2020 due to an elevated frequency of liability claims, as well as a higher impact from large fire losses and water damage claims. The elevated reported liability claim frequency began in early 2021 for both Homeowners and Dwelling Fire lines. Liability frequency has improved since June 2021 for Homeowners, our largest line of business. Dwelling Fire Liability frequency was still higher than the historical average in the fourth quarter but has improved compared to the first three quarters of the year. The high liability frequency is suspected to be related to the COVID-19 pandemic and is expected to return to a more typical level as people return to work. The impact of water damage claims during Year Ended 2021 was higher than the prior year, driven by a few large losses that emerged in the fourth quarter.

The impact of catastrophe losses was high for Year Ended 2021. The winter was mild, but there were seven catastrophe events during the second half of 2021, including three named storms, Elsa, Henri and Ida. Ida was one of the largest catastrophe events in the company's history, resulting in over 1,500 reported claims. The estimated net impact of Ida is $10,300,000, or a 7.1-point impact on the Year Ended 2021 loss ratio. The total impact of all catastrophe events on the loss ratio was 10.3 points for Year Ended 2021. This compares to a 10.7-point impact from catastrophe events for Year Ended 2020, which also had a mild winter but was heavily impacted by Tropical Storm Isaias in the third quarter.

Prior year development was stable during Year Ended 2021. There was an overall favorable development of $15,000, which had a marginal impact on the loss ratio.

See table below under "Additional Financial Information" summarizing net loss ratios by line of business.

Commission Expense

Commission expense was $33,114,000 in Year Ended 2021 or 19.0% of direct earned premiums. Commission expense was $31,828,000 in Year Ended 2020 or 18.8% of direct earned premiums. The increase of $1,286,000 was primarily due to increases in both the annual contingent commissions and direct earned premiums in Year Ended 2021 as compared to Year Ended 2020.

Other Underwriting Expenses

Other underwriting expenses were $26,254,000 in Year Ended 2021 compared to $25,425,000 in Year Ended 2020. The modest increase of $829,000, or 3.3%, was primarily due to an initiative to reduce expenses with the use of technology.

Our largest single component of other underwriting expenses is salaries and employment costs, with costs of $10,189,000 in Year Ended 2021 compared to $10,830,000 in Year Ended 2020. The decrease of $641,000, or 5.9%, compares favorably with the 7.3% increase in direct written premiums. The decrease in employment costs was attributable to staff reductions.

Our net underwriting expense ratio in Year Ended 2021 was 40.6% compared to 38.9% in Year Ended 2020. The following table shows the individual components of our net underwriting expense ratio for the periods indicated:

| | Years ended December 31, | | Percentage |
|---|---|---|---|
| | 2021 | 2020 | Point Change |
| Other underwriting expenses | | | |
| Employment costs | 7.1% | 10.0% | (2.9) |
| Underwriting fees (inspections/surveys) | 1.3 | 2.6 | (1.3) |
| IT expenses | 3.2 | 2.6 | 0.6 |
| Profesional fees | 1.2 | 1.0 | 0.2 |
| Other expenses | 5.5 | 7.4 | (1.9) |
| Total other underwriting expenses | 18.3 | 23.6 | (5.3) |
| | | | |
| Commission expense | 23.0 | 29.4 | (6.4) |
| | | | |
| Ceding commission revenue | | | |
| Provisional | (0.2) | (13.1) | 12.9 |
| Contingent | 0.1 | (0.1) | 0.2 |
| Total ceding commission revenue | (0.1) | (13.2) | 13.1 |
| | | | |
| Other income | (0.6) | (0.9) | 0.3 |
| | | | |
| Net underwriting expense ratio | 40.6% | 38.9% | 1.7 |

The overall 13.1 percentage point decrease in the benefit from ceding commissions in Year Ended 2021 was driven by the reduction in provisional ceding commission revenue due to the expiration of the 2019/2020 Treaty on December 30, 2020. The components of our net underwriting expense ratio related to other underwriting expenses and commissions decreased in all categories except for IT expenses and professional fees. The components that decreased, did so due to more retention, given the reduction of ceded premiums after the expiration of the 2019/2020 Treaty on December 30, 2020. IT expenses and professional fees increased in Year Ended 2021 due to our Kingstone 2.0 effort to modernize systems and create a more sophisticated suite of products for our customers.

Other Operating Expenses

Other operating expenses, related to the expenses of our holding company and Cosi, were $4,183,000 for Year Ended 2021 compared to $4,283,000 for Year Ended 2020. The following table shows a breakdown of the significant components of other operating expenses for the periods indicated:

| ($ in thousands) | Years ended December 31, 2021 | Years ended December 31, 2020 | Change | Percent |
|---|---|---|---|---|
| Other operating expenses | | | | |
| Employement costs | $ 795 | $ 757 | $ 38 | 5.0% |
| Bonuses | - | 15 | (15) | (100.0) |
| Equity compensation | 1,905 | 1,770 | 135 | 7.6 |
| Professional | 348 | 629 | (281) | (44.7) |
| Directors fees | 327 | 365 | (38) | (10.4) |
| Insurance | 212 | 240 | (28) | (11.7) |
| Other expenses | 597 | 507 | 89 | 17.6 |
| Total other operating expenses | $ 4,183 | $ 4,283 | $ (100) | (2.3)% |

*(Columns in the table above may not sum to totals due to rounding)*

The decrease in Year Ended 2021 of $100,000, or 2.3%, as compared to Year Ended 2020 was primarily due to a decrease in professional fees. This aforementioned decrease was partially offset by an increase in employment costs due to an increase in equity compensation, and compensation paid pursuant to a relinquishment agreement with Dale A. Thatcher, our former Chef Executive Officer (see Note 17 to the consolidated financial statements).

Depreciation and Amortization

Depreciation and amortization was $3,290,000 in Year Ended 2021 compared to $2,865,000 in Year Ended 2020. The increase of $425,000, or 14.8%, in depreciation and amortization was primarily due to depreciation of new system platforms for policy and claims management and newly purchased assets used to upgrade our other systems.

Interest Expense

Interest expense in Year Ended 2021 and Year Ended 2020 was $1,826,000. We incurred interest expense in connection with our $30.0 million issuance of long-term debt in December 2017.

Income Tax Benefit

Income tax benefit in Year Ended 2021 was $2,031,000, which resulted in an effective tax expense rate of 21.6%. Income tax benefit in Year Ended 2020 was $2,260,000, which resulted in an effective tax expense rate of 175.5%. Loss before taxes was $9,409,000 in Year Ended 2021 compared to loss before taxes of $1,288,000 in Year Ended 2020. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law, allowing for a five year carryback of 2020 and 2019 NOLs. We elected on our 2020 and 2019 federal income tax returns to carry back the entire annual 2020 NOL of $5,715,000 to tax year 2015 and to carry back the 2019 NOL of $9,737,000 to tax years 2014 and 2015. The corporate tax rate in 2014 and 2015 was 34%, compared to the corporate tax rate of 21% in 2019 and 2020. The $2,029,000 tax benefit of carrying back these NOLs to 2014 and 2015 was recognized in Year Ended 2020.

Net (Loss) Income

Net loss was $7,378,000 in Year Ended 2021 compared to net income of $972,000 in Year Ended 2020. The decrease in net income of $8,350,000 was due to the circumstances described above.

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**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.

| | Years ended December 31, | |
|---|---|---|
| | **2021** | **2020** |
| **Gross premiums written:** | | |
| Personal lines | $ 171,719,993 | $ 162,184,437 |
| Livery physical damage | 9,716,658 | 7,055,668 |
| Other(1) | 229,383 | 245,842 |
| Total without commercial lines | 181,666,034 | 169,485,947 |
| Commercial lines (in run-off effective July 2019)(2) | (856) | (168,043) |
| Total gross premiums written | $ 181,665,178 | $ 169,317,904 |
| | | |
| **Net premiums written:** | | |
| Personal lines(3) | $ 118,842,870 | $ 120,362,688 |
| Livery physical damage | 9,716,658 | 7,055,668 |
| Other(1) | 196,812 | 218,853 |
| Total without commercial lines | 128,756,340 | 127,637,209 |
| Commercial lines (in run-off effective July 2019)(2) | (856) | (574,688) |
| Total net premiums written | $ 128,755,484 | $ 127,062,521 |
| | | |
| **Net premiums earned:** | | |
| Personal lines(3) | $ 135,738,484 | $ 96,463,184 |
| Livery physical damage | 7,909,791 | 8,706,984 |
| Other(1) | 234,300 | 198,853 |
| Total without commercial lines | 143,882,575 | 105,369,021 |
| Commercial lines (in run-off effective July 2019)(2) | (856) | 2,711,608 |
| Total net premiums earned | $ 143,881,719 | $ 108,080,629 |
| | | |
| **Net loss and loss adjustment expenses(4):** | | |
| Personal lines | $ 92,475,850 | $ 56,312,702 |
| Livery physical damage | 4,235,255 | 2,641,801 |
| Other(1) | 1,368,343 | 27,425 |
| Unallocated loss adjustment expenses | 3,696,380 | 4,304,095 |
| Total without commercial lines | 101,775,828 | 63,286,023 |
| Commercial lines (in run-off effective July 2019)(2) | 196,768 | 3,145,049 |
| Total net loss and loss adjustment expenses | $ 101,972,596 | $ 66,431,072 |
| | | |
| **Net loss ratio(4):** | | |
| Personal lines | 68.1% | 58.4% |
| Livery physical damage | 53.5% | 30.3% |
| Other(1) | 584.0% | 13.8% |
| Total without commercial lines | 70.7% | 60.1% |
| | | |
| Commercial lines (in run-off effective July 2019)(2) | -22986.9% | 116.0% |
| Total | 70.9% | 61.5% |

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

(2) In July 2019, we decided that we will no longer underwrite Commercial Liability risks. See discussions above regarding the discontinuation of this line of business.

(3) See discussions above with regard to "Net Written Premiums and Net Premiums Earned", as to changes in quota share ceding rates effective December 31, 2021 and 2020, December 15, 2019 and July 1, 2019.

(4) See discussions above with regard to "Net Loss and LAE", as to catastrophe losses in the years ended December 31, 2021 and 2020.

**Insurance Underwriting Business on a Standalone Basis**

Our insurance underwriting business reported on a standalone basis for the years ended December 31, 2021 and 2020 follows:

| | Years ended December 31, 2021 | Years ended December 31, 2020 |
|---|---|---|
| **Revenues** | | |
| Net premiums earned | $ 143,881,719 | $ 108,080,629 |
| Ceding commission revenue | 89,681 | 14,202,353 |
| Net investment income | 6,621,392 | 6,504,983 |
| Net gains on investments | 9,627,948 | 1,549,099 |
| Other income | 849,155 | 970,595 |
| Total revenues | 161,069,895 | 131,307,659 |
| | | |
| **Expenses** | | |
| Loss and loss adjustment expenses | 101,972,596 | 66,431,072 |
| Commission expense | 33,114,103 | 31,828,174 |
| Other underwriting expenses | 26,254,143 | 25,424,779 |
| Depreciation and amortization | 3,150,489 | 2,732,128 |
| Total expenses | 164,491,331 | 126,416,153 |
| | | |
| Loss (income) from operations | (3,421,436) | 4,891,506 |
| Income tax (benefit) expense | (877,002) | 200,339 |
| **Net (loss) income** | $ (2,544,434) | $ 4,691,167 |
| | | |
| **Key Measures:** | | |
| Net loss ratio | 70.9% | 61.5% |
| Net underwriting expense ratio | 40.6% | 38.9% |
| Net combined ratio | 111.5% | 100.4% |
| | | |
| Reconciliation of net underwriting expense ratio: | | |
| Acquisition costs and other underwriting expenses | $ 59,368,246 | $ 57,252,953 |
| Less: Ceding commission revenue | (89,681) | (14,202,353) |
| Less: Other income | (849,155) | (970,595) |
| Net underwriting expenses | $ 58,429,410 | $ 42,080,005 |
| | | |
| Net premiums earned | $ 143,881,719 | $ 108,080,629 |
| | | |
| Net Underwriting Expense Ratio | 40.6% | 38.9% |

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, 2021** | | | | |
| Written premiums | $ 181,665,178 | $ - | $ (52,909,694) | $ 128,755,484 |
| Change in unearned premiums | (7,750,334) | - | 22,876,569 | 15,126,235 |
| Earned premiums | $ 173,914,844 | $ - | $ (30,033,125) | $ 143,881,719 |
| | | | | |
| Loss and loss adjustment expenses excluding the effect of catastrophes | $ 87,308,372 | $ - | $ (155,322) | $ 87,153,050 |
| Catastrophe loss | 15,632,444 | - | (812,898) | 14,819,546 |
| Loss and loss adjustment expenses | $ 102,940,816 | $ - | $ (968,220) | $ 101,972,596 |
| | | | | |
| Loss ratio excluding the effect of catastrophes | 50.2% | 0.0% | 0.5% | 60.6% |
| Catastrophe loss | 9.0% | 0.0% | 2.7% | 10.3% |
| Loss ratio | 59.2% | 0.0% | 3.2% | 70.9% |
| | | | | |
| **Year ended December 31, 2020** | | | | |
| Written premiums | $ 169,317,904 | $ - | $ (42,255,383) | $ 127,062,521 |
| Change in unearned premiums | 373,966 | - | (19,355,858) | (18,981,892) |
| Earned premiums | $ 169,691,870 | $ - | $ (61,611,241) | $ 108,080,629 |
| | | | | |
| Loss and loss adjustment expenses excluding the effect of catastrophes | $ 72,841,957 | $ - | $ (18,012,645) | $ 54,829,312 |
| Catastrophe loss | 21,540,120 | - | (9,938,360) | 11,601,760 |
| Loss and loss adjustment expenses | $ 94,382,077 | $ - | $ (27,951,005) | $ 66,431,072 |
| | | | | |
| Loss ratio excluding the effect of catastrophes | 42.9% | 0.0% | 29.2% | 50.8% |
| Catastrophe loss | 12.7% | 0.0% | 16.2% | 10.7% |
| Loss ratio | 55.6% | 0.0% | 45.4% | 61.5% |

The key measures for our insurance underwriting business for the years ended December 31, 2021 and 2020 are as follows:

| | Years ended December 31, 2021 | Years ended December 31, 2020 |
|---|---|---|
| Net premiums earned | $ 143,881,719 | $ 108,080,629 |
| Ceding commission revenue | 89,681 | 14,202,353 |
| Other income | 849,155 | 970,595 |
| | | |
| Loss and loss adjustment expenses (1) | 101,972,596 | 66,431,072 |
| | | |
| Acquisition costs and other underwriting expenses: | | |
| Commission expense | 33,114,103 | 31,828,174 |
| Other underwriting expenses | 26,254,143 | 25,424,779 |
| Total acquisition costs and other underwriting expenses | 59,368,246 | 57,252,953 |
| | | |
| Underwriting loss | $ (16,520,287) | $ (430,448) |
| | | |
| Key Measures: | | |
| Net loss ratio excluding the effect of catastrophes | 60.6% | 50.8% |
| Effect of catastrophe loss on net loss ratio (1) | 10.3% | 10.7% |
| Net loss ratio | 70.9% | 61.5% |
| | | |
| Net underwriting expense ratio excluding the effect of catastrophes | 40.6% | 38.9% |
| Effect of catastrophe loss on net underwriting expense ratio | 0.0% | 0.0% |
| Net underwriting expense ratio | 40.6% | 38.9% |
| | | |
| Net combined ratio excluding the effect of catastrophes | 101.2% | 89.7% |
| Effect of catastrophe loss on net combined ratio (1) | 10.3% | 10.7% |
| Net combined ratio | 111.5% | 100.4% |
| | | |
| Reconciliation of net underwriting expense ratio: | | |
| Acquisition costs and other underwriting expenses | $ 59,368,246 | $ 57,252,953 |
| Less: Ceding commission revenue | (89,681) | (14,202,353) |
| Less: Other income | (849,155) | (970,595) |
| | $ 58,429,410 | $ 42,080,005 |
| | | |
| Net earned premium | $ 143,881,719 | $ 108,080,629 |
| | | |
| Net Underwriting Expense Ratio | 40.6% | 38.9% |

(1) For the years ended December 31, 2021 and 2020, includes the sum of net catastrophe losses and loss adjustment expenses of $14,819,546 and $11,601,760, respectively.

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**Investments**

***Portfolio Summary***

The following table presents a breakdown of the amortized cost, aggregate estimated fair value and unrealized gains and losses by investment type as of December 31, 2021 and 2020:

Available-for-Sale Securities

| | December 31, 2021 | | | | | |
|---|---|---|---|---|---|---|
| | | | Gross Unrealized Losses | | | |
| Category | Cost or Amortized Cost | Gross Unrealized Gains | Less than 12 Months | More than 12 Months | Estimated Fair Value | % of Estimated Fair Value |
| Political subdivisions of States, Territories and Possessions | $ 17,236,750 | $ 246,748 | $ (197,984) | $ - | $ 17,285,514 | 10.9% |
| Corporate and other bonds Industrial and miscellaneous | 80,534,769 | 2,603,411 | (126,926) | - | 83,011,254 | 52.5% |
| Residential mortgage and other asset backed securities (1) | 58,036,959 | 355,985 | (489,258) | (120,344) | 57,783,342 | 36.6% |
| Total fixed-maturity securities | $ 155,808,478 | $ 3,206,144 | $ (814,168) | $ (120,344) | $ 158,080,110 | 100.0% |

| | December 31, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | | | Gross Unrealized Losses | | | |
| Category | Cost or Amortized Cost | Gross Unrealized Gains | Less than 12 Months | More than 12 Months | Estimated Fair Value | % of Estimated Fair Value |
| U.S. Treasury securities and obligations of U.S. government corporations and agencies | $ 3,020,710 | $ 29,190 | $ - | $ - | $ 3,049,900 | 1.9% |
| Political subdivisions of States, Territories and Possessions | 5,287,561 | 355,541 | - | - | 5,643,102 | 3.6% |
| Corporate and other bonds Industrial and miscellaneous | 108,573,422 | 11,634,123 | (13,216) | - | 120,194,329 | 76.3% |
| Residential mortgage and other asset backed securities (1) | 28,163,891 | 617,368 | (7,371) | (111,947) | 28,661,941 | 18.2% |
| Total fixed-maturity securities | $ 145,045,584 | $ 12,636,222 | $ (20,587) | $ (111,947) | $ 157,549,272 | 100.0% |

(1) As of December 31, 2020, KICO placed certain residential mortgage backed securities as eligible collateral in a designated custodian account related to its membership in the Federal Home Loan Bank of New York ("FHLBNY") see Note 9, in the accompanying consolidated financial statements following Item 16 of this Annual Report). As of December 31, 2021 KICO did not have any securities pledged to FHLBNY. The eligible collateral would be pledged to FHLBNY if KICO drew an advance from the FHLBNY credit line. As of December 31, 2020, the estimated fair value of the eligible investments was approximately $11,391,000. KICO will retain all rights regarding all securities if pledged as collateral. As of December 31, 2020, there was no outstanding balance on the FHLBNY credit line.

Equity Securities

The following table presents a breakdown of the cost, estimated fair value, and gross gains and losses of investments in equity securities as of December 31, 2021 and 2020:

| | December 31, 2021 | | | | |
|---|---|---|---|---|---|
| Category | Cost | Gross Gains | Gross Losses | Estimated Fair Value | % of Estimated Fair Value |
| **Equity Securities:** | | | | | |
| Preferred stocks | $ 22,019,509 | $ 1,007,009 | $ (184,617) | $ 22,841,901 | 57.6% |
| Common stocks and exchange traded mutual funds | 15,451,160 | 1,573,653 | (179,712) | 16,845,101 | 42.4% |
| Total | $ 37,470,669 | $ 2,580,662 | $ (364,329) | $ 39,687,002 | 100.0% |

| | December 31, 2020 | | | | |
|---|---|---|---|---|---|
| | | Gross | Gross | Estimated Fair | % of Estimated |

| Category | Cost | Gains | Losses | Value | Fair Value |
|---|---|---|---|---|---|
| **Equity Securities:** | | | | | |
| Preferred stocks | $ 18,097,942 | $ 853,277 | $ (426,942) | $ 18,524,277 | 53.8% |
| Common stocks and exchange traded mutual funds | 14,473,224 | 1,820,512 | (404,700) | 15,889,036 | 46.2% |
| Total | $ 32,571,166 | $ 2,673,789 | $ (831,642) | $ 34,413,313 | 100.0% |

Other Investments

Pursuant to the definition of "Fair Value Measurement," set forth in the Accounting Standards Codification 820 "Fair Value Measurement" ("ASC 820"), an entity is permitted, as a practical expedient, to estimate the fair value of an investment within the scope of ASC 820 using the net asset value ("NAV") per share (or its equivalent) of the investment. The following table presents a breakdown of the cost, estimated fair value, and gross gain of our other investments as of December 31, 2021 and 2020:

| | December 31, 2021 | | | December 31, 2020 | | |
|---|---|---|---|---|---|---|
| Category | Cost | Gross Gains | Estimated Fair Value | Cost | Gross Gains | Estimated Fair Value |
| **Other Investments:** | | | | | | |
| Hedge fund | $ 3,999,381 | $ 3,562,034 | $ 7,561,415 | $ 1,999,381 | $ 1,369,245 | $ 3,368,626 |
| Real estate limited partnership | - | - | - | 150,000 | - | 150,000 |
| Total | $ 3,999,381 | $ 3,562,034 | $ 7,561,415 | $ 2,149,381 | $ 1,369,245 | $ 3,518,626 |

Held-to-Maturity Securities

The following table presents a breakdown of the amortized cost, aggregate estimated fair value and unrealized gains and losses by investment type as of December 31, 2021 and 2020:

| | December 31, 2021 | | | | | |
|---|---|---|---|---|---|---|
| | | | Gross Unrealized Losses | | | |
| Category | Cost or Amortized Cost | Gross Unrealized Gains | Less than 12 Months | More than 12 Months | Estimated Fair Value | % of Estimated Fair Value |
| **Held-to-Maturity Securities:** | | | | | | |
| U.S. Treasury securities | $ 729,642 | $ 209,633 | $ - | $ - | $ 939,275 | 10.7% |
| Political subdivisions of States, Territories and Possessions | 998,239 | 22,856 | - | - | 1,021,095 | 11.7% |
| Exchange traded debt | 304,111 | 85 | (13,921) | | 290,275 | 3.3% |
| Corporate and other bonds Industrial and miscellaneous | 6,234,342 | 280,951 | (12,779) | - | 6,502,514 | 74.3% |
| Total | $ 8,266,334 | $ 513,525 | $ (26,700) | $ - | $ 8,753,159 | 100.0% |

| | December 31, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | | | Gross Unrealized Losses | | | |
| Category | Cost or Amortized Cost | Gross Unrealized Gains | Less than 12 Months | More than 12 Months | Estimated Fair Value | % of Estimated Fair Value |
| U.S. Treasury securities | $ 729,595 | $ 319,714 | $ - | $ - | $ 1,049,309 | 12.8% |
| Political subdivisions of States, Territories and Possessions | 998,428 | 50,917 | - | - | 1,049,345 | 12.8% |
| Corporate and other bonds Industrial and miscellaneous | 5,640,792 | 455,378 | - | - | 6,096,170 | 74.4% |
| Total | $ 7,368,815 | $ 826,009 | $ - | $ - | $ 8,194,824 | 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 estimated fair value of our investments in held-to-maturity securities by contractual maturity as of December 31, 2021 and 2020 is shown below:

| | December 31, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| **Remaining Time to Maturity** | **Amortized Cost** | **Estimated Fair Value** | **Amortized Cost** | **Estimated Fair Value** |
| Less than one year | $ 994,712 | $ 1,008,180 | $ - | $ - |
| One to five years | 1,205,829 | 1,290,465 | 2,598,193 | 2,777,936 |
| Five to ten years | 1,513,942 | 1,648,808 | 1,502,603 | 1,727,316 |
| More than 10 years | 4,551,851 | 4,805,706 | 3,268,019 | 3,689,572 |
| Total | $ 8,266,334 | $ 8,753,159 | $ 7,368,815 | $ 8,194,824 |

***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, 2021 and 2020 as rated by Standard and Poor's (or, if unavailable from Standard and Poor's, then Moody's or Fitch):

| | December 31, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| | **Estimated Fair Value** | **Percentage of Estimated Fair Value** | **Estimated Fair Value** | **Percentage of Estimated Fair Value** |
| **Rating** | | | | |
| U.S. Treasury securities | $ - | 0.0% | $ 3,049,900 | 1.9% |
| Corporate and municipal bonds | | | | |
| AAA | 1,321,809 | 0.8% | 1,453,924 | 0.9% |
| AA | 11,532,572 | 7.3% | 3,572,164 | 2.3% |
| A | 36,693,911 | 23.2% | 23,989,619 | 15.2% |
| BBB | 47,844,195 | 30.3% | 95,814,824 | 60.9% |
| Non rated | 1,026,001 | 0.6% | 1,006,901 | 0.6% |
| Total corporate and municipal bonds | 98,418,488 | 62.2% | 125,837,432 | 79.9% |
| Residential mortgage backed securities | | | | |
| AAA | 17,350,192 | 11.0% | 5,467,075 | 3.5% |
| AA | 34,241,907 | 21.7% | 18,865,749 | 12.0% |
| A | 4,053,981 | 2.6% | 2,451,635 | 1.6% |
| BBB | 24,254 | 0.0% | 50,276 | 0.0% |
| CCC | 664,628 | 0.4% | 960,042 | 0.6% |
| CC | 125,412 | 0.1% | 62,029 | 0.0% |
| C | - | 0.0% | 15,161 | 0.0% |
| D | 55,306 | 0.0% | 119,144 | 0.1% |
| Non rated | 3,145,942 | 2.0% | 670,829 | 0.4% |
| Total residential mortgage backed securities | 59,661,622 | 37.8% | 28,661,940 | 18.2% |
| **Total** | $ 158,080,110 | 100.0% | $ 157,549,272 | 100.0% |

The table below details the average yield by type of fixed-maturity security as of December 31, 2021 and 2020:

| Category | December 31, 2021 | December 31, 2020 |
|---|---|---|
| U.S. Treasury securities and obligations of U.S. government corporations and agencies | 3.06% | 2.59% |
| Political subdivisions of States, Territories and Possessions | 2.77% | 3.05% |
| Corporate and other bonds Industrial and miscellaneous | 3.23% | 3.52% |
| Residential mortgage backed securities | 2.77% | 1.18% |
| Total | 2.92% | 3.07% |

The table below lists the weighted average maturity and effective duration in years on our fixed-maturity securities as of December 31, 2021 and 2020:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Weighted average effective maturity | 5.7 | 5.2 |
| Weighted average final maturity | 10.2 | 6.6 |
| Effective duration | 4.8 | 4.7 |

***Fair Value Consideration***

As disclosed in Note 4 to the condensed 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, 2021 and December 31, 2020, 62% and 81%, respectively, of the investment portfolio recorded at fair value was priced based upon quoted market prices.

The table below summarizes the gross unrealized losses of our fixed-maturity securities available-for-sale by length of time the security has continuously been in an unrealized loss position as of December 31, 2021 and 2020:

| | December 31, 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Less than 12 months | | | 12 months or more | | | Total | |
| Category | Estimated Fair Value | Unrealized Losses | No. of Positions Held | Estimated Fair Value | Unrealized Losses | No. of Positions Held | Estimated Fair Value | Unrealized Losses |
| **Fixed-Maturity Securities:** | | | | | | | | |
| U.S. Treasury securities and obligations of U.S. government corporations and agencies | $ - | $ - | - | $ - | $ - | - | $ - | $ - |
| Political subdivisions of States, Territories and Possessions | 6,768,123 | (197,984) | 5 | - | - | - | 6,768,123 | (197,984) |
| Corporate and other bonds industrial and miscellaneous | 17,593,707 | (126,926) | 15 | - | - | - | 17,593,707 | (126,926) |
| Residential mortgage and other asset backed securities | 45,399,451 | (489,258) | 26 | 2,923,182 | (120,344) | 2 | 48,322,633 | (609,602) |
| Total fixed-maturity securities | $ 69,761,281 | $ (814,168) | 46 | $ 2,923,182 | $ (120,344) | 2 | $ 72,684,463 | $ (934,512) |

| | December 31, 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Less than 12 months | | | 12 months or more | | | Total | |
| **Category** | **Estimated Fair Value** | **Unrealized Losses** | **No. of Positions Held** | **Estimated Fair Value** | **Unrealized Losses** | **No. of Positions Held** | **Estimated Fair Value** | **Unrealized Losses** |
| **Fixed-Maturity Securities:** | | | | | | | | |
| U.S. Treasury securities and obligations of U.S. government corporations and agencies | $ - | $ - | - | $ - | $ - | - | $ - | $ - |
| Political subdivisions of States, Territories and Possessions | - | - | - | - | - | - | - | - |
| Corporate and other bonds industrial and miscellaneous | 1,006,901 | (13,216) | 1 | - | - | - | 1,006,901 | (13,216) |
| Residential mortgage and other asset backed securities | 6,137,522 | (7,371) | 5 | 3,735,732 | (111,947) | 10 | 9,873,254 | (119,318) |
| Total fixed-maturity securities | $ 7,144,423 | $ (20,587) | 6 | $ 3,735,732 | $ (111,947) | 10 | $ 10,880,155 | $ (132,534) |

There were 48 securities at December 31, 2021 that accounted for the gross unrealized loss, none of which were deemed by us to be other than temporarily impaired. There were 16 securities at December 31, 2020 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.

For the year ended December 31, 2021, the primary source of cash flow for our holding company was the dividends received from KICO, subject to statutory restrictions. For the year ended December 31, 2021, KICO paid dividends of $3,500,000 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. KICO currently does not have any securities pledged to FHLBNY; as such, there were no borrowings under this facility during the years ended December 31, 2021 and 2020.

On December 19, 2017, we issued $30 million of our 5.50% Senior Unsecured Notes due December 30, 2022. As of December 31, 2021, invested assets and cash in our holding company was approximately $1,108,000. If the aforementioned sources of cash flow currently available are insufficient to cover our holding company debt service and other cash requirements, we will seek to obtain additional financing.See Notes 2 and 9 to our Consolidated Financial Statements included in this Annual Report for a discussion of our plans in this regard.

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,* | 2021 | 2020 |
|---|---|---|
| Cash flows provided by (used in): | | |
| Operating activities | $ 24,346,237 | $(10,234,626) |
| Investing activities | (15,947,862) | 581,293 |
| Financing activities | (3,571,519) | (3,274,410) |
| **Net increase (decrease) in cash and cash equivalents** | 4,826,856 | (12,927,743) |
| Cash and cash equivalents, beginning of period | 19,463,742 | 32,391,485 |
| **Cash and cash equivalents, end of period** | $ 24,290,598 | $ 19,463,742 |

Net cash provided by operating activities was $24,346,000 in Year Ended 2021 as compared to $10,235,000 used in operating activities in Year Ended 2020. The $34,581,000 increase in cash flows provided by operating activities in Year Ended 2021 was primarily the result of an increase in cash arising from net fluctuations in assets and liabilities, partially offset by our net loss (adjusted for non-cash items) of $21,618,000. The net fluctuations in assets and liabilities are related to operating activities of KICO as affected by growth or declines in its operations, changes to its personal lines quota share, payments on claims, and other changes, which are described above.

Net cash used in investing activities was $15,948,000 in Year Ended 2021 compared to $581,000 provided by investing activities in Year Ended 2020. The $16,529,000 increase in net cash used in investing activities was the result of a $72,048,000 increase in the acquisition of invested assets, partially offset by a $56,691,000 increase in disposals of invested assets in Year Ended 2021.

Net cash used in financing activities was $3,572,000 in Year Ended 2021 compared to $3,274,000 used in Year Ended 2020. The $298,000 increase in net cash used in financing activities was attributable to a $488,000 increase in purchases of treasury stock offset by a $263,000 reduction in dividends paid in Year Ended 2021 compared to Year Ended 2020.

**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, 2021:

| **($ in thousands)** | **A.M. Best Rating** | **Amount Recoverable as of December 31, 2021** | **%** |
|---|---|---|---|
| Cavello Bay Reinsurance Ltd | A- | $ 5,379 | 31.4% |
| Swiss Reinsurance America Corporation | A+ | 4,700 | 27.4% |
| Hannover Rueck SE | A+ | 3,650 | 21.3% |
| | | 13,729 | 80.1% |
| Others | | 3,405 | 19.9% |
| Total | | $ 17,134 | 100.0% |

Reinsurance recoverable from Cavello Bay Reinsurance Limited is secured pursuant to a collateralized trust agreement. Assets held in the trust are not included in our invested assets and investment income earned on this asset is credited to the reinsurer.

Effective December 31, 2021, we entered into a quota share reinsurance treaty for our personal lines business, which primarily consisted of homeowners' and dwelling fire policies, covering the period from December 31, 2021 through January 1, 2023 ("2021/2023 Treaty"). Effective December 15, 2019, we entered into a quota share reinsurance treaty for our personal lines business covering the period from December 15, 2019 through December 30, 2020 ("2019/2020 Treaty"). Effective December 31, 2020, the 2019/2020 Treaty expired on a cut off basis; this treaty was not renewed. In addition to the 2019/2020 Treaty, our personal lines quota share reinsurance treaty in effect for Year Ended 2020 also included the run-off of the personal lines quota share treaty ("2018/2019 Treaty") that expired on June 30, 2019. The run-off covered the period from July 1, 2019 through June 30, 2020 ("2019/2020 Run-off").

We entered into new excess of loss and catastrophe reinsurance treaties effective July 1, 2021. Effective October 18, 2021, we entered into a stub catastrophe reinsurance treaty covering the period from October 18, 2021 through December 31, 2021. The treaty provides reinsurance coverage for catastrophe losses of $5,000,000 in excess of $5,000,000. Effective January 1, 2022, we entered into an underlying excess of loss reinsurance treaty covering the period from January 1, 2022 through January 1, 2023. The treaty provides 50% reinsurance coverage for losses of $400,000 in excess of $600,000. Losses from named storms are excluded from the treaty. Material terms for our reinsurance treaties in effect for the treaty years shown below are as follows:

| | Treaty Year | | | | | |
|---|---|---|---|---|---|---|
| | (2021/2023 Treaty) | | | | (2019/2020 Treaty) | |
| Line of Business | July 1, 2022 to January 1, 2023 | December 31, 2021 to June 30, 2022 | July 1, 2021 to December 30, 2021 | December 31, 2020 to June 30, 2021 | July 1, 2020 to December 30, 2020 | December 15, 2019 to June 30, 2020 |
| Personal Lines: | | | | | | |
| Homeowners, dwelling fire and and canine legal liability | | | | | | |
| Quota share treaty: | | | | | | |
| Percent ceded | 30% | 30% | None(7) | None(7) | 25% | 25% |
| Risk retained on intial $1,000,000 of losses (7) (9) | $ 700,000 | $ 700,000 | $ 1,000,000 | $ 1,000,000 | $ 750,000 | $ 750,000 |
| Losses per occurrence subject to quota share reinsurance coverage | $ 1,000,000 | $ 1,000,000 | None(7) | None(7) | $ 1,000,000 | $ 1,000,000 |
| Expiration date | January 1, 2023 | January 1, 2023 | NA(7) | NA(7) | December 30, 2020 | December 30, 2020 |
| Excess of loss coverage and facultative facility coverage (1) (9) (10) | $ 400,000 | $ 8,400,000 | $ 8,000,000 | $ 8,000,000 | $ 8,000,000 | $ 9,000,000 |
| | in excess of $ 600,000 | in excess of $ 600,000 | in excess of $ 1,000,000 | in excess of $ 1,000,000 | in excess of $ 1,000,000 | in excess of $ 1,000,000 |
| Total reinsurance coverage per occurrence (7) (9) (10) | $ 500,000 | $ 8,500,000 | $ 8,000,000 | $ 8,000,000 | $ 8,250,000 | $ 9,250,000 |
| Losses per occurrence subject to reinsurance coverage (7) (10) | $ 1,000,000 | $ 9,000,000 | $ 9,000,000 | $ 9,000,000 | $ 9,000,000 | $ 10,000,000 |
| Expiration date | (10) | June 30, 2022 | June 30, 2022 | June 30, 2021 | June 30, 2021 | June 30, 2020 |
| Catastrophe Reinsurance: | | | | | | |
| Initial loss subject to personal lines quota share treaty | 10,000,000 | 10,000,000 | None(7) | None(7) | 7,500,000 | 7,500,000 |
| Risk retained per catastrophe occurrence (2) (7) (11) | None(10) | $ 7,400,000 | $ 10,000,000 | $ 10,000,000 | $ 8,125,000 | $ 5,625,000 |
| Catastrophe loss coverage in excess of quota share coverage (3) (7) | None(10) | $ 490,000,000 | $ 490,000,000 | $ 475,000,000 | $ 475,000,000 | $ 602,500,000 |
| Catastrophe stub coverage for the period from October 18, 2021 through December 31, 2021 (8) | NA | NA | $ 5,000,000 | NA | NA | NA |
| | | | in excess of $ 5,000,000 | | | |
| Reinstatement premium protection (4) (5) (6) (10) | Yes | Yes | Yes | Yes | Yes | Yes |

(1) For personal lines, includes the addition of an automatic facultative facility ("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 through June 30, 2020. For the period July 1, 2020 through June 30, 2022, the Facultative Facility covers direct losses from $3,500,000 to $9,000,000.

(2) Plus losses in excess of catastrophe coverage. For the period July 1, 2020 through December 30, 2020, there was no reinsurance coverage for the $2,500,000 gap between quota share limit of $7,500,000 and first $10,000,000 layer of catastrophe coverage (see note (7) below).

(3) Catastrophe coverage is limited on an annual basis to two times the per occurrence amounts. Duration of 168 consecutive hours for a catastrophe occurrence from windstorm, hail, tornado, hurricane and cyclone.

(4) For the period July 1, 2019 through June 30, 2020, reinstatement premium protection for $292,500,000 of catastrophe coverage in excess of $7,500,000.

(5) For the period July 1, 2020 through June 30, 2021, reinstatement premium protection for $70,000,000 of catastrophe coverage in excess of $10,000,000.

(6) For the period July 1, 2021 through June 30, 2022, reinstatement premium protection for $70,000,000 of catastrophe coverage in excess of $10,000,000.

(7) The personal lines quota share (homeowners, dwelling fire and canine legal liability) expired on December 30, 2020; reinsurance coverage from December 31, 2020 through December 30, 2021 is only for excess of loss and catastrophe reinsurance.

(8) Excludes freeze and freeze related claims.

(9) For the period January 1, 2022 through January 1, 2023, underlying excess of loss treaty provides 50% reinsurance coverage for losses of $400,000 in excess of $600,000. Reduces retention to $500,000 from $700,000 under the 2021/2023 Treaty. Excludes losses from named storms.

(10) Excess of loss and catastrophe reinsurance treaties will expire on June 30, 2022; reinsurance coverage in effect from July 1, 2022 through January 1, 2023 is only for personal lines quota share (homeowners, dwelling fire and canine legal liability) and underlying excess of loss reinsurance.

(11) For the 2021/2023 Treaty, 4% of the 30% total of losses ceded under this treaty are excluded from a named catastrophe event.

| | Treaty Year | | |
|---|---|---|---|
| **Line of Business** | **July 1, 2021 to June 30, 2022** | **July 1, 2020 to June 30, 2021** | **July 1, 2019 to June 30, 2020** |
| Personal Lines: | | | |
| 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 | 95% | 95% | 100% |
| Risk retained | $ 300,000 | $ 300,000 | $ 100,000 |
| Total reinsurance coverage per occurrence | $ 4,700,000 | $ 4,700,000 | $ 4,900,000 |
| Losses per occurrence subject to quota share reinsurance coverage | $ 5,000,000 | $ 5,000,000 | $ 5,000,000 |
| Expiration date | June 30, 2022 | June 30, 2021 | June 30, 2020 |
| | | | |
| Commercial Lines (1): | | | |
| General liability commercial policies | | | |
| Quota share treaty | | None | None |
| Risk retained | | $ 750,000 | $ 750,000 |
| Excess of loss coverage above risk retained | | $ 3,750,000 | $ 3,750,000 |
| | | in excess of | in excess of |
| | | $ 750,000 | $ 750,000 |
| Total reinsurance coverage per occurrence | | $ 3,750,000 | $ 3,750,000 |
| Losses per occurrence subject to reinsurance coverage | | $ 4,500,000 | $ 4,500,000 |
| | | | |
| Commercial Umbrella | | | |
| Quota share treaty | | None | None |

(1) Coverage on all commercial lines policies expired in September 2020; reinsurance coverage is based on treaties in effect on the date of loss.

**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.

**Outlook**

The impacts of COVID-19 and related economic conditions on our results are highly uncertain and outside our control. The scope, duration and magnitude of the direct and indirect effects of COVID-19 are evolving rapidly and in ways that are difficult or impossible to anticipate. The impact of COVID-19 on our results for the year ended December 31, 2021 may not be indicative of its impact on our future results. For additional information on the risks posed by COVID-19, see "The impact of COVID-19 and related risks could materially affect our results of operations, financial position and/or liquidity" included in Part I, Item 1A— "Risk Factors" in this Annual Report.

Our net premiums earned may be impacted by a number of factors. Net premiums earned are a function of net written premium volume. Net written premiums comprise both renewal business and new business and are recognized as earned premium over the term of the underlying policies. Net written premiums from both renewal and new business are impacted by competitive market conditions as well as general economic conditions. As a result of COVID-19, economic conditions in the United States rapidly deteriorated. The decreased levels of economic activity have negatively impacted, and may continue to negatively impact, premium volumes generated by new business. We began to experience this impact in March 2020 and it became more significant in the second and third quarters of 2020. While we are now seeing a reversal of this impact, it may resume in the future, but the degree of any new impact will depend on the extent and duration of any economic contraction and could be material. We have also made underwriting changes to emphasize profitability over growth and have culled out the type of risks that do not generate an acceptable level of return. This action has led, and may continue to lead, to a slowdown in premium growth, particularly in new business.

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

This item is not applicable to smaller reporting companies.

**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 smaller reporting company, we are not required to provide supplementary financial information.

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

None.

## ITEM 9A. CONTROLS AND PROCEDURES.

**Evaluation of Disclosure Controls and Procedures**

***Changes in Internal Control over Financial Reporting***

Except for the steps taken to remediate the material weakness identified below, there have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fourth fiscal quarter to which this report relates that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

***Management's Annual Report on Internal Control over Financial Reporting***

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. Under the supervision and with the participation of management, including our Chief Executive Officer and Principal Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2021.

*Inherent Limitation on Effectiveness of Controls*

Internal control over financial reporting is a process designed by, or under the supervision of, our Chief Executive Officer and Principal 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.

## ITEM 9B. OTHER INFORMATION.

None.

## ITEM 9C. DISCLOSURES REGARDING FOREIGN JURISDITIONS THAT PREVENT INSPECTIONS.

Not applicable.

# 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 | 69 | Chief Executive Officer, President, Executive Chairman of the Board and Director |
| Meryl S. Golden | 62 | Chief Operating Officer and Director |
| Sarah (Minlei) Chen | 39 | Chief Actuary, Kingstone Insurance Company |
| Floyd R. Tupper | 67 | Secretary and Director |
| William L. Yankus | 62 | Director |
| Carla A. D'Andre | 66 | Director |
| Timothy P. McFadden | 59 | Director |

*Barry B. Goldstein*

Mr. Goldstein has served as our Chief Executive Officer and President, as well as Chief Executive Officer and President of Kingstone Insurance Company, our wholly-owned New York property and casualty insurer ("KICO"), since July 2019. He previously served as our Chief Executive Officer, President and Chairman of the Board from March 2001 through December 31, 2018 and as Chief Executive Officer and President of KICO from January 2012 through December 31, 2018. Mr. Goldstein has served as our Executive Chairman of the Board since January 1, 2019 and as one of our directors 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 KICO. He has served as Chairman of its Executive Committee since October 2019 (having previously served in such capacity from 2006 to 2018). Mr. Goldstein has served as Chief Investment Officer of KICO since August 2008. He was Treasurer of KICO from March 2010 through September 2010. Effective July 1, 2009, we acquired a 100% equity interest in KICO. Mr. Goldstein is a certified public accountant (inactive). Mr. Goldstein received his B.A. degree 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.

*Meryl S. Golden*

Ms. Golden has served as our Chief Operating Officer since September 2019 and as one of our directors since March 2020. She has also served as Chief Operating Officer, a director and a member of the Executive Committee of KICO since September 2019 and as its President since October, 2021. Ms. Golden has over 25 years of experience in the insurance industry. She served as Northeast General Manager of Progressive Insurance from 2000 to 2004 (having served as Connecticut General Manager at Progressive from 1996 to 2000). Ms. Golden was Senior Vice President/General Manager at Liberty Mutual from 2005 to 2007. From 2007 to 2009, she was a Management Committee advisor to Bridgewater Associates, a hedge fund. Ms. Golden served as General Manager of North America for Earnix, a banking and insurance software company, from 2010 to 2018 and was Sales Manager, Insurance Solutions for Arity, a mobility and data analytics company founded by Allstate, from 2018 until September 2019. Ms. Golden received her B.S. degree in Accounting from the Wharton School of the University of Pennsylvania and her M.B.A. in Marketing and Finance from the University of Chicago. We believe that Ms. Golden's executive level experience in the insurance industry gives her the qualifications and skills to serve as one of our directors.

*Sarah (Minlei) Chen*

Ms. Chen has served as KICO's Chief Actuary since November 2020. From January 2018 to October 2020, she was Actuarial Manager/Senior Pricing Manager and Actuary for Homesite Insurance, a property and casualty insurance company. Ms. Chen served as Actuarial Manager of Plymouth Rock Assurance, an auto and home insurer, from November 2013 to January 2018. Ms. Chen received a B.S. degree in Mathematics from Tsinghua University and an M.S. degree in Applied Mathematics from Brown 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. degree from New York University. Mr. Tupper served as a director of KICO from 2006 to 2018 and has served as Chairman of its Audit Committee since 2006. 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 (including his service as Chairman of its Audit Committee), 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 completed the CFA program in 1989 and passed the CT uniform CPA exam in 1984. Mr. Yankus has served as one of our directors since March 2016, Chairman of our Compensation Committee since April 2017 and Chairman of our Investment Committee since February 2020. 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. In January 2019 she was elected by her peers to a three-year term as a member of The Institutes' CPCU Society Leadership Council. She also serves as 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 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. degree 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.

*Timothy P. McFadden*

Mr. McFadden has more than 30 years of experience in the insurance industry. Since 2012, Mr. McFadden has served as CEO and President of State Farm Indemnity Auto Insurance Company and Senior Vice President of State Farm Insurance, Eastern Market Area. Since 2015, he has also served as CEO and President of State Farm Florida Fire Company. Mr. McFadden served as Senior Vice President of State Farm Insurance Companies, Southern Zone from 2008 to 2011 and Senior Vice President of State Farm Insurance Companies, Southern & Mid Atlantic Zones from 2011 to 2013. Prior to joining the insurance industry, he was a Captain in the United States Army. Mr. McFadden is a member of Stetson University's College of Law Board of Overseers. He formerly served as a member of the Board of State Farm Indemnity Auto Insurance Company, Local Initiatives Support Corporation, American College Ethics Board, State Farm Florida Fire Company, Top Layer Reinsurance and Florida Council of 100. Mr. McFadden received his B.S. degree from the United States Military Academy at West Point and his J.D. from Stetson College of Law. He also completed the General Management Program at Harvard Business School and received his Chartered Life Underwriter Designation from The American College of Financial Services. Mr. McFadden has served as one of our directors and Chair of our Nominating and Corporate Governance Committee since August 2018. We believe that Mr. McFadden's executive level experience in the insurance industry gives him the qualifications and skills to serve as one of our directors.

***Family Relationships***

There are no family relationships among any of our executive officers and directors; however, see Item 13 ("Certain Relationships and Related Transactions, and Director Independence - Other") of this Annual Report.

***Term of Office***

Each director will hold office until the next annual meeting of stockholders and until his or her successor is elected and qualified or until his or her 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 or her successor is elected and qualified or until his or her 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, Yankus and McFadden.

***Audit Committee Financial Expert***

Our Board of Directors has determined that Mr. Tupper qualifies as an "audit committee financial expert," as that term 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.

***Delinquent Section 16(a) Reports***

Section 16 of the Exchange Act requires that reports of beneficial ownership of common stock and changes in such ownership be filed with the SEC by Section 16 "reporting persons," including directors, certain officers, holders of more than 10% of the outstanding common stock 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, 2021. To our knowledge, based solely on a review of copies of Forms 3, 4 and 5 filed with the SEC and written representations that no other reports were required, during the fiscal year ended December 31, 2021, our officers, directors and 10% stockholders complied with all Section 16(a) filing requirements applicable to them, except that Richard Swartz, our Chief Accounting Officer, filed one Form 4 late, reporting one transaction, and Sarah (Minlei) Chen, KICO's Chief Actuary, 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, 2021 and 2020 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 | 2021 | $ 500,000 | $ - | $ 1,386,500(2) | $ - | $ - | $ 34,935(6) | $ 1,921,435 |
| Chief Executive Officer; Executive Chairman of the Board | 2020 | $ 500,000 | $ - | $ 1,386,500(3) | $ - | $ - | $ 32,609(7) | $ 1,919,109 |
| Meryl S. Golden | 2021 | $ 500,000 | $ - | $ 211,020(4) | $ - | $ - | $ 23,600(8) | $ 734,620 |
| Chief Operating Officer; President, Kingstone Insurance Company | 2020 | $ 500,000 | $ 73,646 | $ - | $ - | $ - | $ 23,400(9) | $ 597,046 |
| Sarah (Minlei) Chen | 2021 | $ 267,515 | $ 40,000 | $ 36,520(5) | $ - | $ - | $ 6,588(10) | $ 350,623 |
| Chief Actuary, Kingstone Insurance Company | | | | | | | | |

(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) In January 2021, Mr. Goldstein was granted an aggregate of 251,769 shares of restricted common stock under the 2014 Plan. Such grant vested to the extent of 125,885 shares as of the first anniversary of the date of grant and vests to the extent of 125,884 shares as of December 31, 2022. See "Termination of Employment and Change-in-Control Arrangements – Barry B. Goldstein" below for a discussion of certain provisions relating to the restricted stock granted to Mr. Goldstein.

(3) In January 2020, Mr. Goldstein was granted an aggregate of 174,622 shares of restricted common stock under the 2014 Plan. Such grant vested to the extent of 58,208 shares as of the first anniversary of the date of grant and vests to the extent of 58,207 shares as of each of the second anniversary of the date of grant and December 31, 2022. See "Termination of Employment and Change-in-Control Arrangements – Barry B. Goldstein" below for a discussion of certain provisions relating to the restricted stock granted to Mr. Goldstein.

(4) In January 2021, Ms. Golden was granted 30,000 shares of restricted common stock under the 2014 Plan. Such grant vested to the extent of 10,000 shares as of the first anniversary of the date of grant and vests to the extent of 10,000 shares as of each of the second and third anniversaries of the date of grant. See "Termination of Employment and Change-in-Control Arrangements – Meryl Golden" below for a discussion of certain provisions relating to the restricted stock granted to Ms. Golden.

(5) In January 2021, Ms. Chen was granted 3,572 shares of restricted common stock under our 2014 Plan. Such grant vested to the extent of 1,191 shares as of the first anniversary of the date of grant and vests to the extent of 1,191 and 1,190 shares as of the second and third anniversaries of the date of grant, respectively. In addition, in December 2021, Ms. Chen was granted 2,400 shares of restricted stock under our 2014 Plan. Such grant vests to the extent of 800 shares as of each of the first, second and third anniversaries of the date of grant.

(6) Represents employer matching contributions under our deferred compensation plan of $11,335, employer matching contributions under our defined contribution plan of $11,600 and a car allowance of $12,000.

(7) Represents employer matching contributions under our deferred compensation plan of $11,909, employer matching contributions under our defined contribution plan of $8,700 and a car allowance of $12,000.

(8) Represents employer matching contributions under our defined contribution plan of $11,600 and a car allowance of $12,000.

(9) Represents employer matching contributions under our defined contribution plan of $11,400 and a car allowance of $12,000.

(10) Represents employer matching contributions under our defined contribution plan.

***Employment Contracts***

*Barry B. Goldstein*

On October 14, 2019, we entered into a second amended and restated employment agreement with Mr. Goldstein which took effect as of January 1, 2020 and expires on December 31, 2022 (the "Second Amended and Restated Goldstein Employment Agreement").

Pursuant to the Second Amended and Restated Goldstein Employment Agreement, Mr. Goldstein is entitled to receive an annual base salary of $500,000 and an annual bonus equal to 6% of our consolidated income from operations before taxes, exclusive of our consolidated net investment income (loss), net unrealized gains (losses) on equity securities and net realized gains (losses) on investments, up to a maximum of 2.5 times his base salary. In addition, pursuant to the Second Amended and Restated Goldstein Employment Agreement, Mr. Goldstein is entitled to receive a long-term compensation ("LTC") payment of between $945,000 and $2,835,000 based on a specified minimum increase in our adjusted book value per share (as defined in the Second Amended and Restated Goldstein Employment Agreement) as of December 31, 2022 as compared to December 31, 2019 (with the maximum LTC payment being due if the average per annum increase is at least 14%).

Pursuant to the Second Amended and Restated Goldstein Employment Agreement, Mr. Goldstein received a grant, under the terms of the 2014 Plan, during January 2020, of a number of shares of restricted stock determined by dividing $1,250,000 by the fair market value of our common stock on the date of grant. The January 2020 grant vested with respect to one-third of the award on each of the first and second anniversaries of the grant date and will vest with respect to one-third of the award on December 31, 2022 based on the continued provision of services through such date. Also pursuant to the Second Amended and Restated Goldstein Employment Agreement, Mr. Goldstein received a grant, under the terms of the 2014 Plan, during January 2021, of a number of shares of restricted stock determined by dividing $1,500,000 by the fair market value of our common stock on the date of grant. The January 2021 grant vested with respect to one-half of the award on the first anniversary of the grant date and will vest with respect to one-half of the award on December 31, 2022 based on the continued provision of services such date. Further, pursuant to the Second Amended and Restated Goldstein Employment Agreement, Mr. Goldstein received in 2020, 2021 and 2022 a grant, under the terms of the 2014 Plan, of a number of shares of restricted stock determined by dividing $136,500 by the fair market value of our common stock on the date of grant. The 2020 grant vested with respect to one-third of the award on each of the first and second anniversaries of the grant date and will vest with respect to one-third of the award on December 31, 2022 based on the continued provision of services through such date. The 2021 grant vested with respect to one-half of the award on the first anniversary of the grant date and will vest with respect to one-half of the award on December 31, 2022 based on the continued provision of services through such date. The 2022 grant will vest on December 31, 2022 based on the continued provision of services through such date.

See "Termination of Employment and Change-in-Control Arrangements – Barry B. Goldstein" below for a discussion of the provisions of the Second Amended and Restated Goldstein Employment Agreement with regard to payments due in the event of the termination of Mr. Goldstein's employment.

*Meryl S. Golden*

We and Ms. Golden are parties to an employment agreement dated as of August 27, 2019 (as amended, the "Golden Employment Agreement"). Pursuant to the Golden Employment Agreement, which expires on December 31, 2022, Ms. Golden serves as our Chief Operating Officer and is entitled to receive an annual base salary of $500,000. In addition, pursuant to the Golden Employment Agreement and the 2014 Plan, in September 2019, Ms. Golden was granted an option to purchase 50,000 shares of common stock which has vested to the extent of 12,500 shares on each of the date of grant and each of the first and second anniversaries of the date of grant and will vest to the extent of 12,500 shares on the third anniversary of the date of grant. Further, pursuant to the Golden Employment Agreement and the 2014 Plan, in each of January 2021 and January 2022, Ms. Golden was granted 30,000 shares of restricted stock. Each such grant vests to the extent of 10,000 shares on each of the first, second and third anniversaries of the date of grant.

See "Termination of Employment and Change-in-Control Arrangements – Meryl S. Golden" below for a discussion of the provisions of the Golden Employment Agreement with regard to payments due in the event of the termination of Ms. Golden's employment.

**OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END**

The following table sets forth certain information concerning exercisable and unexercisable stock options and unvested stock grants held by the above Named Executive Officers as of December 31, 2021:

| | 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 | - | - | - | - | 368,183(1) | $ 1,840,915 | - | $ - |
| Meryl S. Golden | 37,500 | 12,500(2) | $ 8.72 | 9/25/24 | 32,400(3) | $ 162,000 | - | $ - |
| Sarah (Minlei) Chen | - | - | - | - | 8,836(4) | $ 44,180 | - | $ - |

(1) Such shares vested to the extent of 58,207 shares on January 3, 2022 and 125,885 shares on January 4, 2022 and will vest to the extent of 184,091 shares on December 31, 2022.

(2) Such option is exercisable on September 25, 2022.

(3) Such shares vested to the extent of 10,000 shares on January 4, 2022 and will vest to the extent of 10,000 shares on each of January 4, 2023 and 2024 and 800 shares on each of December 13, 2022, 2023 and 2024.

(4) Such shares vested to the extent of 1,191 shares on January 28, 2022 and will vest to the extent of 1,432 shares on each of November 2, 2022 and 2023, 1,191 shares on January 28, 2023, 1,190 shares on January 28, 2024 and 800 shares on each of December 13, 2022, 2023 and 2024.

**Termination of Employment and** ***Change-in-Control Arrangements***

*Barry B. Goldstein*

Pursuant to the Second Amended and Restated 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 Second Amended and Restated Goldstein Employment Agreement), Mr. Goldstein would be entitled to receive his annual base salary, bonus and LTC payment for the remainder of the term. In addition, in the event of Mr. Goldstein's death, his estate would be entitled to receive his annual base salary, accrued bonus and accrued LTC payment through the date of death. Further, in the event that Mr. Goldstein's employment is terminated by us without cause or he resigns for good reason, or, in the event of the termination of Mr. Goldstein's employment due to disability or death, Mr. Goldstein's granted but unvested restricted stock awards will vest.

Mr. Goldstein would be entitled to receive, under certain circumstances, a payment equal to 3.82 times his then annual base salary, the target LTC payment of $1,890,000 and his accrued bonus in the event of the termination of his employment within eighteen months following a change of control of our company.

*Meryl S. Golden*

Pursuant to the Golden Employment Agreement, in the event that Ms. Golden's employment is terminated by us without cause or she resigns for good reason (each as defined in the Golden Employment Agreement), Ms. Golden would be entitled to receive her annual base salary for the remainder of the term or for twelve months, whichever is sooner. In addition, pursuant to the 2014 Plan, in the event of a termination of employment due to the death or disability of Ms. Golden or following a change of control of our company, the option and stock grants scheduled to vest on the next vesting date following such event shall vest under certain circumstance notwithstanding such event. Further, in the event that Ms. Golden's employment is terminated by us without cause or she resigns for good reason, Ms. Golden's granted but unvested restricted stock awards will vest.

Ms. Golden would be entitled to receive, under certain circumstances, a payment equal to 1.5 times her then annual base salary in the event of the termination of her employment within eighteen months following a change in control of our company.

***Compensation of Directors***

The following table sets forth certain information concerning the compensation of our non-employee directors for the fiscal year ended December 31, 2021:

**DIRECTOR COMPENSATION**

| Name | Fees Earned or Paid in Cash | Stock Awards(1) | Option Awards | Total |
|---|---|---|---|---|
| William L. Yankus | $ 83,000 | $ 40,000 | $ - | $ 123,000 |
| Floyd R. Tupper | $ 88,000 | $ 40,000 | $ - | $ 128,000 |
| Carla A. D'Andre | $ 78,000 | $ 40,000 | $ - | $ 118,000 |
| Timothy P. McFadden | $ 78,000 | $ 40,000 | $ - | $ 118,000 |

(1) 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. The aggregate number of unvested restricted stock awards outstanding as of fiscal year end for each non-employee director is as follows:

| Name | Unvested Restricted Stock Awards (#) |
|---|---|
| Floyd R. Tupper | 6,154 |
| William L. Yankus | 6,154 |
| Carla A. D'Andre | 6,154 |
| Timothy P. McFadden | 6,154 |

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

- $63,000;
- an additional $25,000 for service as audit committee chair, an additional $20,000 for service as compensation committee chair, an additional $10,000 for service as investment committee chair, and an additional $15,000 for service as chair of other committees; and
- $40,000 of our common stock determined by the closing stock price on the first business day of the year, which vest on the first anniversary of the grant date.

## 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 21, 2022 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 Named Executive Officer 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<br>15 Joys Lane<br>Kingston, New York | 832,076(1) | 7.8% |
| Floyd R. Tupper | 79,576(2) | * |
| Meryl S. Golden | 47,500(3) | * |
| William L. Yankus | 29,945 | * |
| Carla A. D’Andre | 28,095(4) | * |
| Timothy P. McFadden | 27,740 | * |
| Sarah (Minlei) Chen | 1,578 | * |
| The TCW Group, Inc.<br>on behalf of the TCW Business Unit<br>865 South Figueroa Street<br>Los Angeles, California | 743,903(5) | 7.0% |
| Michael Doak<br>Griffin Highline Capital LLC<br>4514 Cole Avenue<br>Dallas, Texas | 595,238(6) | 5.6% |
| Punch & Associates<br>Investment Management, Inc.<br>7701 France Avenue South, Suite 300<br>Edina, Minnesota | 584,000 | 5.5% |
| All executive officers and directors as a group (6 persons) | 1,046,510(1)(2)(3)(4) | 9.8% |

* Less than 1%.

(1) The information regarding Mr. Goldstein is based solely on publicly available information filed with the SEC. Includes (i) 73,168 shares of common stock owned by Mr. Goldstein's wife and (ii) 15,000 shares held in a retirement trust for the benefit of Mr. Goldstein. Mr. Goldstein has sole voting and dispositive power over 758,908 shares of common stock and shared voting and dispositive power over 73,168 shares of common stock. The inclusion of the shares owned by Mr. Goldstein's wife and the retirement trust 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.

(2) Includes (i) 32,395 shares owned by Mr. Tupper's wife (ii) 6,675 shares held in a retirement trust for the benefit of Mr. Tupper and (iii) 810 shares held in a retirement trust for the benefit of Mr. Tupper's wife. Mr. Tupper has sole voting and dispositive power over 46,371 shares of common stock and shared voting and dispositive power over 33,205 shares of common stock. The inclusion of the shares owned by Mr. Tupper's wife and the retirement trusts for the benefit of Mr. Tupper and his 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.

(3) Includes 37,500 shares issuable upon the exercise of options that are exercisable currently.

(4) Includes (i) 1,400 shares held in a retirement trust for the benefit of Ms. D'Andre and (ii) 10,000 shares held in a retirement trust for the benefit of Ms. D'Andre's husband. Ms. D'Andre has sole voting and dispositive power over 18,095 shares of common stock and shared voting and dispositive power over 10,000 shares of common stock. The inclusion of the shares owned by the retirement trust for the benefit of Ms. D'Andre's husband shall not be construed as an admission that Ms. D'Andre is, for purposes of Section 13(d) or 13(g) of the Exchange Act, the beneficial owner of such shares.

(5) The information regarding The TCW Group, Inc. on behalf of the TCW Business Unit is based solely on Amendment No. 2 to Schedule 13G filed by such reporting person with the SEC on February 9, 2022 (the "TCW 13G/A"). According to the TCW 13G/A, such reporting person has shared voting and dispositive power over the 743,903 shares of common stock.

(6) The information regarding Michael Doak ("Doak") and Griffin Highline Capital LLC ("Griffin") is based solely on Amendment No. 1 to Schedule 13D filed by such reporting persons with the SEC on January 19, 2022 (the "Doak/Griffin 13D/A"). According to the Doak/Griffin 13D/A, each of Doak and Griffin has shared voting and dispositive power over the 595,238 shares of common stock.

***Securities Authorized for Issuance Under Equity Compensation Plans***

The following table sets forth information as of December 31, 2021 with respect to compensation plans (including individual compensation arrangements) under which our common stock is 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 | 107,201 | $ 8.31 | 1,069,305(1) |
| Equity compensation plans not approved by security holders | - | - | - |
| Total | 107,201 | $ 8.31 | 1,069,305 |

(1) Includes 628,531 shares reserved for issuance pursuant to unvested restricted stock grants.

## 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, Floyd R. Tupper, William L. Yankus, Carla A. D’Andre, Timothy P. McFadden and Meryl S. Golden. Our board of directors has determined that each of Messrs. Tupper, Yankus and McFadden and Ms. D’Andre is independent under applicable Nasdaq listing standards and federal securities rules and regulations.

*Audit Committee*

The members of our Board’s Audit Committee currently are Messrs. Tupper, Yankus and McFadden, each of whom is independent under applicable Nasdaq listing standards and federal securities rules and regulations on independence of Audit Committee members.

*Nominating and Corporate Governance Committee*

The members of our Board’s Nominating and Corporate Governance Committee currently are Messrs. McFadden and Tupper and Ms. D’Andre, each of whom is independent under applicable Nasdaq listing standards and federal securities rules and regulations on independence.

*Compensation Committee*

The members of our Board’s Compensation Committee currently are Messrs. Yankus and Tupper and Ms. D’Andre, each of whom is independent under applicable Nasdaq listing standards and federal securities rules and regulations on independence.

***Victor Brodsky***

In connection with the cessation of employment of Victor Brodsky as our Chief Financial Officer effective September 30, 2020 (the “Brodsky Separation Date”), we entered into an Agreement and General Release (the “Brodsky Separation Agreement”) with Mr. Brodsky. Pursuant to the Brodsky Separation Agreement, we agreed to provide the following payments and benefits to Mr. Brodsky in full satisfaction of all payments and benefits and other amounts due to him upon his cessation of employment: (i) $155,969 (representing five months of base salary); (ii) continuing group health coverage commencing on October 1, 2020 and ending no later than February 28, 2021; and (iii) continued vesting of all granted but unvested stock and option awards as if Mr. Brodsky had remained in our employ.

***Benjamin Walden***

In connection with the cessation of employment of Benjamin Walden as Executive Vice President and Chief of Actuary of KICO effective September 30, 2020 (the “Walden Separation Date”), we entered into an Agreement and General Release (the “Walden Separation Agreement”) with Mr. Walden. Pursuant to the Walden Separation Agreement, we agreed to provide the following payments and benefits to Mr. Walden in full satisfaction of all payments and benefits and other amounts due to him upon his cessation of employment: (i) an amount equal to the base salary he would have received had he remained employed through November 30, 2020 (with an extension thereof to December 31, 2020 under certain circumstances); (ii) continuing group health coverage commencing on the Walden Separation Date and ending no later than December 31, 2020; and (iii) the grant to Mr. Walden of an option to purchase 19,207 shares of common stock, which option vests two years from the date of grant.

***Other***

The daughter of Barry Goldstein, Amanda Rofsky, is employed as our Investor Relations Director and serves as Vice President of Cosi Agency, Inc., one of our subsidiaries. For the fiscal year ended December 31, 2021, she earned $166,188 in compensation.

***Related Party Transactions***

Due to the infrequency of related party transactions, we have not formally adopted procedures for the review of, or standards for approval of, such transactions; however, our Board of Directors (or a designated committee thereof) will review related party transactions on a case-by-case basis.

## 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 years ended December 31, 2021 and 2020.

| **Fee Category** | **Fiscal 2021 Fees** | **Fiscal 2020 Fees** |
|---|---|---|
| Audit Fees(1) | $ 308,350 | $ 241,535 |
| Tax Fees(2) | $ - | $ - |
| Audit-Related Fees(3) | $ - | $ - |
| All Other Fees(4) | $ - | $ - |
| | $ 308,350 | $ 241,535 |

(1) Audit Fees consist of fees billed for services rendered for the audit of our consolidated financial statements and review of our condensed consolidated financial statements included in our Quarterly Reports on Form 10-Q, services rendered in connection with the filing of Form S-8, and services provided in connection with other statutory or regulatory filings.

(2) Marcum did not provide any tax services during the fiscal year.

(3) Marcum did not provide any “Audit-Related” services during the fiscal year.

(4) Marcum did not provide any other services during the fiscal year.

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 (incorporated by reference to Exhibit 3(a) to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2014 filed on May 15, 2014). |
| 3(b) | By-laws, as amended (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on November 9, 2009). |
| 4(a) | Indenture, dated as of December 19, 2017, between Kingstone Companies, Inc. and Wilmington Trust, National Association (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on December 20, 2017). |
| 4(b) | First Supplemental Indenture, dated as of December 19, 2017, between Kingstone Companies, Inc. and Wilmington Trust, National Association (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on December 20, 2017). |
| 4(c) | Form of Global Note representing $30,000,000 aggregate principal amount of 5.50% Senior Unsecured Notes due 2022 (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed on December 20, 2017). |
| 10(a) | Amended and Restated 2014 Equity Participation Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 1, 2020). |
| 10(b) | Second Amended and Restated Employment Agreement, dated October 14, 2019, by and between Kingstone Companies, Inc. and Barry B. Goldstein (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 18, 2019). |
| 10(c) | Stock Grant Agreement, dated as of January 3, 2020, between Kingstone Companies, Inc. and Barry B. Goldstein (157,431 shares) (incorporated by reference to Exhibit 10(c) to the Company's Annual Report on Form 10-K for the year ended December 31, 2019 filed on March 16, 2020). |
| 10(d) | Stock Grant Agreement, dated as of January 3, 2020, between Kingstone Companies, Inc. and Barry B. Goldstein (17,191 shares) (incorporated by reference to Exhibit 10(d) to the Company's Annual Report on Form 10-K for the year ended December 31, 2019 filed on March 16, 2020). |
| 10(e) | Stock Grant Agreement, dated as of January 4, 2021, between Kingstone Companies, Inc. and Barry B. Goldstein (230,769 shares).* |
| 10(f) | Stock Grant Agreement, dated as of January 4, 2021, between Kingstone Companies, Inc. and Barry B. Goldstein (21,000 shares).* |

| | |
|---|---|
| 10(g) | Stock Grant Agreement, dated as of January 3, 2022, between Kingstone Companies, Inc. and Barry B. Goldstein.* |
| 10(h) | Employment Agreement, dated as of August 27, 2019, by and between Kingstone Companies, Inc. and Meryl S. Golden (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed on September 17, 2019). |
| 10(i) | Stock Grant Agreement, dated as of January 4, 2021, between Kingstone Companies, Inc. and Meryl S. Golden.* |
| 10(j) | Stock Grant Agreement, dated as of January 3, 2022, between Kingstone Companies, Inc. and Meryl S. Golden.* |
| 10(k) | Deferred Compensation Plan, dated as of June 18, 2018 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 20, 2018). |
| 21 | Subsidiaries (incorporated by reference to Exhibit 21 to the Company's Annual Report on Form 10-K for the year ended December 31, 2016 filed on March 16, 2017). |
| 23 | Consent of Marcum LLP.* |
| 31(a) | Rule 13a-14(a)/15d-14(a) Certification of Chief 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 Principal 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.* |

*Filed herewith
**Furnished herewith

**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: April 1, 2022

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<br>Barry B. Goldstein | Chief Executive Officer, President and Executive Chairman of the Board | April 1, 2022 |
| s/ Richard Swartz<br>Richard Swartz | Chief Accounting Officer (Principal Financial Officer and Principal Accounting Officer) | April 1, 2022 |
| /s/ Meryl S. Golden<br>Meryl S. Golden | Chief Operating Officer and Director | April 1, 2022 |
| /s/ Floyd R. Tupper<br>Floyd R. Tupper | Director | April 1, 2022 |
| /s/ William L. Yankus<br>William L. Yankus | Director | April 1, 2022 |
| /s/ Carla A. D’Andre<br>Carla A. D’Andre | Director | April 1, 2022 |
| /s/ Timothy P. McFadden<br>Timothy P. McFadden | Director | April 1, 2022 |

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of
**Kingstone Companies, Inc.**

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Kingstone Companies, Inc. (the "Company") as of December 31, 2021 and 2020, the related consolidated statements of operations and comprehensive income (loss), stockholders' equity and cash flows for each of the two years in the period ended December 31, 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

**Critical Audit Matter**

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

**Evaluation of the Estimate of Loss and Loss Adjustment Expense (“LAE”) Reserves**

As discussed in Notes 2 and 11 to the financial statements, the loss and LAE reserves represent the Company’s estimate of the ultimate liability for unpaid losses. These reserves are based on facts and circumstances then known and include provisions for claims that have been reported and claims that have been incurred but not reported (“IBNR”). The projection of future claim payments and reporting is based on analyses of the Company’s historical experience, supplemented by analyses of industry loss data. At December 31, 2021, the Company’s loss and LAE reserves balance was approximately $94.9 million.

Due to the significance of the reserves to the Company’s financial statements and the inherent judgment necessary to estimate reserves, we determined that the liability for loss and LAE reserves was a critical audit matter, which required significant auditor judgment and specialized skill and knowledge.

**How the Critical Audit Matter Was Addressed in the Audit**

The primary procedures we performed to address the Company’s loss and LAE reserves included, but were not limited to, testing the Company’s reserving process, including the actuarial analyses and the determination of the Company’s estimate of the loss and LAE reserves as follows:

- Utilizing consulting actuarial professionals with specialized skills and knowledge to analyze the appropriateness of the methodologies utilized by the Company to estimate reserves and to determine the reasonableness of the gross and net loss and LAE reserves recorded by the Company as of December 31, 2021.

- Having consulting actuarial professionals also analyze the approach, methodology, assumptions, and ultimate losses and LAE documented in the actuarial reports prepared by the independent actuarial firm engaged by the Company.

- Analyzing the consistency of the Company’s recorded reserves relative to the central estimates of the reserve range determined by the Company’s independent actuarial firm at December 31, 2021 in comparison to December 31, 2020.

- Performing hindsight analysis to determine the completeness and accuracy of reserves recorded in the prior year and performing analytical procedures on current year reserves.

- Analyzing the 2021 quarterly actuarial reports prepared by the Company’s Chief Actuary.

- Analyzing the 2021 quarterly reports on claims quality assurance prepared by the Company’s external claims consultant and the December 31, 2021 reports on unpaid claim liabilities prepared by the independent actuarial firm engaged by the Company.

- Testing the claims handling process, including the establishment of individual case reserves and the settlement of claims.

- Verifying the accuracy and completeness of the data provided to the independent actuarial firm engaged by the Company for the purpose of preparing the actuarial report at December 31, 2021.

/s/ Marcum LLP

Marcum LLP
Hartford, CT
April 1, 2022

We have served as the Company’s auditor since 2012**.**

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES

**Consolidated Balance Sheets**

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| **Assets** | | |
| Fixed-maturity securities, held-to-maturity, at amortized cost (fair value of $8,753,159 at December 31, 2021 and $8,194,824 at December 31, 2020) | $ 8,266,334 | $ 7,368,815 |
| Fixed-maturity securities, available-for-sale, at fair value (amortized cost of $155,808,478 at December 31, 2021 and $145,045,584 at December 31, 2020) | 158,080,110 | 157,549,272 |
| Equity securities, at fair value (cost of $37,470,669 at December 31, 2021 and $32,571,166 at December 31, 2020) | 39,687,002 | 34,413,313 |
| Other investments | 7,561,415 | 3,518,626 |
| Total investments | 213,594,861 | 202,850,026 |
| Cash and cash equivalents | 24,290,598 | 19,463,742 |
| Premiums receivable, net | 12,318,336 | 11,819,639 |
| Reinsurance receivables, net | 40,292,438 | 45,460,729 |
| Deferred policy acquisition costs | 22,238,987 | 20,142,515 |
| Intangible assets | 500,000 | 500,000 |
| Property and equipment, net | 9,291,597 | 8,083,123 |
| Deferred income taxes, net | 192,253 | - |
| Other assets | 8,593,205 | 9,262,493 |
| **Total assets** | $ 331,312,275 | $ 317,582,267 |
| **Liabilities** | | |
| Loss and loss adjustment expense reserves | $ 94,948,745 | $ 82,801,228 |
| Unearned premiums | 97,759,607 | 90,009,272 |
| Advance premiums | 2,693,466 | 2,660,354 |
| Reinsurance balances payable | 12,961,568 | 6,979,735 |
| Deferred ceding commission revenue | 9,748,508 | 93,519 |
| Accounts payable, accrued expenses and other liabilities | 7,704,396 | 8,433,233 |
| Deferred income taxes, net | - | 4,156,913 |
| Debt, net | 29,823,791 | 29,647,611 |
| **Total liabilities** | 255,640,081 | 224,781,865 |
| **Commitments and Contingencies (Note 17)** | | |
| **Stockholders' Equity** | | |
| Preferred stock, $0.01 par value; authorized 2,500,000 shares | - | - |
| Common stock, $0.01 par value; authorized 20,000,000 shares; issued 11,955,660 shares at December 31, 2021 and 11,871,307 shares at December 31, 2020; outstanding 10,484,254 shares at December 31, 2021 and 10,616,815 shares at December 31, 2020 | 119,557 | 118,713 |
| Capital in excess of par | 72,467,483 | 70,769,165 |
| Accumulated other comprehensive income | 1,796,739 | 9,880,062 |
| Retained earnings | 6,855,896 | 15,928,345 |
| | 81,239,675 | 96,696,285 |
| Treasury stock, at cost, 1,471,406 shares at December 31, 2021 and 1,254,492 shares at December 31, 2020 | (5,567,481) | (3,895,883) |
| **Total stockholders' equity** | 75,672,194 | 92,800,402 |
| **Total liabilities and stockholders' equity** | $ 331,312,275 | $ 317,582,267 |

*See accompanying notes to these consolidated financial statements.*

**Consolidated Statements of Operations and Comprehensive Income (Loss)**

| *Years ended December 31,* | 2021 | 2020 |
|---|---|---|
| **Revenues** | | |
| Net premiums earned | $ 143,881,719 | $ 108,080,629 |
| Ceding commission revenue | 89,681 | 14,202,353 |
| Net investment income | 6,621,392 | 6,505,603 |
| Net gains on investments | 9,786,955 | 1,590,616 |
| Other income | 851,494 | 990,550 |
| Total revenues | 161,231,241 | 131,369,751 |
| **Expenses** | | |
| Loss and loss adjustment expenses | 101,972,596 | 66,431,072 |
| Commission expense | 33,114,103 | 31,828,174 |
| Other underwriting expenses | 26,254,143 | 25,424,779 |
| Other operating expenses | 4,183,211 | 4,282,773 |
| Depreciation and amortization | 3,290,445 | 2,864,583 |
| Interest expense | 1,826,180 | 1,826,180 |
| Total expenses | 170,640,678 | 132,657,561 |
| Loss from operations before taxes | (9,409,437) | (1,287,810) |
| Income tax benefit | (2,031,136) | (2,260,200) |
| **Net (loss) income** | (7,378,301) | 972,390 |
| **Other comprehensive (loss) income, net of tax** | | |
| Gross change in unrealized (losses) gains on available-for-sale-securities | (5,111,234) | 7,148,205 |
| Reclassification adjustment for gains included in net income | (5,120,822) | (678,343) |
| Net change in unrealized (losses) gains | (10,232,056) | 6,469,862 |
| Income tax benefit (expense) related to items of other comprehensive (loss) income | 2,148,733 | (1,358,670) |
| **Other comprehensive (loss) income, net of tax** | (8,083,323) | 5,111,192 |
| **Comprehensive (loss) income** | $ (15,461,624) | $ 6,083,582 |
| **Earnings (loss) per common share:** | | |
| Basic | $ (0.70) | $ 0.09 |
| Diluted | $ (0.70) | $ 0.09 |
| **Weighted average common shares outstanding** | | |
| Basic | 10,587,912 | 10,721,342 |
| Diluted | 10,587,912 | 10,730,737 |
| **Dividends declared and paid per common share** | $ 0.1600 | $ 0.1825 |

*See accompanying notes to these consolidated financial statements.*

**KINGSTONE COMPANIES, INC. AND SUBSIDIARIES**

**Consolidated Statements of Stockholders' Equity**

*Years ended December 31, 2021 and 2020*

| | Preferred Stock | | Common Stock | | Capital in Excess of Par | Accumulated Other Comprehensive Income (Loss) | Retained Earnings | Treasury Stock | | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | | | | Shares | Amount | |
| Balance, January 1, 2020 | - | $ - | 11,824,889 | $118,248 | $69,133,918 | $ 4,768,870 | $16,913,097 | 1,027,439 | $(2,712,552) | 88,221,581 |
| Stock-based compensation | - | - | - | - | 1,769,649 | - | - | - | - | 1,769,649 |
| Vesting of restricted stock awards | - | - | 67,686 | 676 | (676) | - | - | - | - | - |
| Shares deducted from restricted stock awards for payment of withholding taxes | - | - | (21,268) | (211) | (133,726) | - | - | - | - | (133,937) |
| Acquisition of treasury stock | - | - | - | - | - | - | - | 227,053 | (1,183,331) | (1,183,331) |
| Dividends | - | - | - | - | - | - | (1,957,142) | - | - | (1,957,142) |
| Net income | - | - | - | - | - | - | 972,390 | - | - | 972,390 |
| Change in unrealized gains on available-for-sale securities, net of tax | - | - | - | - | - | 5,111,192 | - | - | - | 5,111,192 |
| Balance, December 31, 2020 | - | - | 11,871,307 | 118,713 | 70,769,165 | 9,880,062 | 15,928,345 | 1,254,492 | (3,895,883) | 92,800,402 |
| Stock-based compensation | - | - | - | - | 1,904,935 | - | - | - | - | 1,904,935 |
| Vesting of restricted stock awards | - | - | 114,432 | 1,144 | (1,144) | - | - | - | - | - |
| Shares deducted from restricted stock awards for payment of withholding taxes | - | - | (30,079) | (300) | (205,473) | - | - | - | - | (205,773) |
| Acquisition of treasury stock | - | - | - | - | - | - | - | 216,914 | (1,671,598) | (1,671,598) |
| Dividends | - | - | - | - | - | - | (1,694,148) | - | - | (1,694,148) |
| Net loss | - | - | - | - | - | - | (7,378,301) | - | - | (7,378,301) |
| Change in unrealized losses on available-for-sale securities, net of tax | - | - | - | - | - | (8,083,323) | - | - | - | (8,083,323) |
| Balance, December 31, 2021 | - | $ - | 11,955,660 | $119,557 | $72,467,483 | $ 1,796,739 | $ 6,855,896 | 1,471,406 | $(5,567,481) | $75,672,194 |

*See accompanying notes to these consolidated financial statements.*

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES

**Consolidated Statements of Cash Flows**

| *Years ended December 31,* | 2021 | 2020 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net (loss) income | $ (7,378,301) | $ 972,390 |
| Adjustments to reconcile net (loss) income to net cash flows provided by operating activities: | | |
| Net gains on investments | (7,234,028) | (832,418) |
| Net unrealized (gains) losses on equity investments | (276,340) | 175,515 |
| Net unrealized gains on other investments | (2,276,587) | (933,713) |
| Depreciation and amortization | 3,290,445 | 2,864,583 |
| Bad debt expense | 160,369 | 128,585 |
| Amortization of bond premium, net | 260,343 | 614,307 |
| Amortization of discount and issuance costs on debt | 176,180 | 176,180 |
| Stock-based compensation | 1,904,935 | 1,769,649 |
| Deferred income tax (benefit) expense | (2,200,433) | 3,109,295 |
| Decrease (increase) in operating assets: | | |
| Premiums receivable, net | (659,066) | 758,187 |
| Reinsurance receivables, net | 5,168,291 | (4,710,191) |
| Deferred policy acquisition costs | (2,096,472) | 491,863 |
| Other assets | 667,952 | (2,286,399) |
| Increase (decrease) in operating liabilities: | | |
| Loss and loss adjustment expense reserves | 12,147,517 | 2,302,617 |
| Unearned premiums | 7,750,335 | (373,966) |
| Advance premiums | 33,112 | (531,158) |
| Reinsurance balances payable | 5,981,833 | (4,734,989) |
| Deferred ceding commission revenue | 9,654,989 | (7,641,879) |
| Accounts payable, accrued expenses and other liabilities | (728,837) | (1,553,084) |
| **Net cash flows provided by (used in) operating activities** | 24,346,237 | (10,234,626) |
| | | |
| **Cash flows from investing activities:** | | |
| Purchase - fixed-maturity securities held-to-maturity | (3,175,686) | (4,041,750) |
| Purchase - fixed-maturity securities available-for-sale | (91,210,388) | (18,524,314) |
| Purchase - equity securities | (19,195,630) | (20,967,535) |
| Purchase - other investments | (2,000,000) | - |
| Sale and redemption - fixed-maturity securities held-to-maturity | 2,217,428 | 500,000 |
| Sale and maturity - fixed-maturity securities available-for-sale | 85,347,589 | 35,845,934 |
| Sale - equity securities | 16,333,946 | 11,096,028 |
| Sale - real estate partnership | 233,798 | - |
| Acquisition of property and equipment | (4,498,919) | (3,327,070) |
| **Net cash flows (used in) provided by investing activities** | (15,947,862) | 581,293 |
| | | |
| **Cash flows from financing activities:** | | |
| Withholding taxes paid on vested retricted stock awards | (205,773) | (133,937) |
| Purchase of treasury stock | (1,671,598) | (1,183,331) |
| Dividends paid | (1,694,148) | (1,957,142) |
| **Net cash flows used in financing activities** | (3,571,519) | (3,274,410) |
| | | |
| Increase (decrease) in cash and cash equivalents | $ 4,826,856 | $ (12,927,743) |
| Cash and cash equivalents, beginning of period | 19,463,742 | 32,391,485 |
| **Cash and cash equivalents, end of period** | $ 24,290,598 | $ 19,463,742 |
| | | |
| **Supplemental disclosures of cash flow information:** | | |
| Cash paid for income taxes | $ - | $ 382,437 |
| Cash paid for interest | $ 1,650,000 | $ 1,650,000 |

*See accompanying notes to these consolidated financial statements.*

**KINGSTONE COMPANIES, INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

**Note 1 - Nature of Business**

Kingstone Companies, Inc. (referred to herein as "Kingstone" or the “Company”), through its wholly owned subsidiary, Kingstone Insurance Company (“KICO”), underwrites property and casualty insurance exclusively through retail and wholesale agents and brokers. KICO is a licensed insurance company in the States of New York, New Jersey, Rhode Island, Massachusetts, Pennsylvania, Connecticut, Maine and New Hampshire. KICO is currently offering its property and casualty insurance products in New York, New Jersey, Rhode Island, Massachusetts, and Connecticut. Although New Jersey, Rhode Island, Massachusetts and Connecticut continue to be growing markets for the Company, 79.5% and 80.0% of KICO’s direct written premiums for the years ended December 31, 2021 and 2020, respectively, came from the New York policies. Kingstone, through its wholly owned subsidiary, Cosi Agency, Inc. (“Cosi”), a multi-state licensed general agency, accesses alternate forms of distribution outside of the independent agent and broker network, through which KICO currently distributes its various products.

**Note 2 – Summary of Significant Accounting Policies**

Basis of Presentation: Going Concern

The Company’s $30,000,000 5.5% Senior Unsecured Notes (the “Notes”) are due on December 30, 2022. The Company’s continuation as a going concern is dependent on its ability to obtain financing and/or other funds to satisfy such obligation. Management believes that KICO’s insurance operations would be able to continue in the unlikely event that financing is not obtained.

In accordance with ASU 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40) (“ASC 205-40”), the Company has the responsibility to evaluate whether conditions and/or events raise substantial doubt about its ability to meet its future financial obligations as they become due within one year after the date that the financial statements are issued. This evaluation requires management to perform two steps. First, management must evaluate whether there are conditions and events that raise substantial doubt about the entity’s ability to continue as a going concern. Second, if management concludes that substantial doubt is raised, management is required to consider whether it has plans in place to alleviate that doubt. Disclosures in the notes to the consolidated financial statements are required if management concludes that substantial doubt exists or that its plans alleviate the substantial doubt that was raised.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) assuming that the Company will continue as a going concern. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result should the Company be unable to continue as a going concern.

Management’s Plan Related to Going Concern

In order to continue as a going concern, the Company will need to obtain financing and/or other funds to satisfy its debt obligation on December 30, 2022. Management plans to refinance the Notes with a new issue of investment grade debt securities of similar or longer maturity that would result in net proceeds equal to or greater than the principal amount of the Notes. In connection therewith, the Company has engaged an investment banker to serve as exclusive placement agent for a proposed offering by the Company of its securities (including debt, equity and/or preferred securities). The engagement letter indicates that the offering would be of such size as to generate proceeds to the Company of no less than $30,000,000. The Company also will receive dividends paid to it by KICO, its insurance subsidiary, that could be utilized to repay the Notes. Without the prior approval of the New York State Department of Financial Services, 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 to the Company during such period. As of December 31, 2021, the maximum distribution that KICO could pay the Company without prior regulatory approval was approximately $3,448,000. Further, the Company plans to use available invested assets and cash to repay the Notes. As of December 31, 2021, invested assets and cash was approximately $1,108,000.

The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plan described above. The Company believes that its plan is probable of being implemented and that such plan would alleviate any adverse conditions.

Principles of Consolidation

The consolidated financial statements include the accounts of Kingstone and its wholly owned subsidiaries: (1) KICO and its wholly owned subsidiaries, CMIC Properties, Inc. (“Properties”) and 15 Joys Lane, LLC (“15 Joys Lane”), which together own the land and building from which KICO operates, and (2) Cosi. All significant inter-company account balances and transactions have been eliminated in consolidation.

Revenue Recognition

*Net Premiums Earned*

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

*Ceding Commission Revenue*

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

Loss and Loss Adjustment Expenses (“LAE”) Reserves

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

Reinsurance

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

Reinsurance receivables represents management’s best estimate of paid and unpaid loss and LAE recoverable from reinsurers, and ceded losses receivable and unearned ceded premiums under reinsurance agreements. Ceded losses receivable are estimated using techniques and assumptions consistent with those used in estimating the liability for loss and LAE. Management believes that reinsurance receivables as recorded represent its best estimate of such amounts; however, as changes in the estimated ultimate liability for loss and LAE are determined, the estimated ultimate amount receivable from the reinsurers will also change. Accordingly, the ultimate receivable could be significantly in excess of or less than the amount recorded in the consolidated financial statements. Adjustments to these estimates are reflected in the period in which the estimates are changed. Loss and LAE incurred as presented in the consolidated statements of operations and comprehensive income are net of reinsurance recoveries.
Management has evaluated its reinsurance arrangements and determined that significant insurance risk is transferred to the reinsurers. Reinsurance agreements have been determined to be short-duration prospective contracts and, accordingly, the costs of the reinsurance are recognized over the life of the contract in a manner consistent with the earning of premiums on the underlying policies subject to the reinsurance contract.

Management estimates uncollectible amounts receivable from reinsurers based on an assessment of factors including the creditworthiness of the reinsurers and the adequacy of collateral obtained, where applicable. There was no allowance for uncollectible reinsurance as of December 31, 2021 and 2020. The Company did not expense any uncollectible reinsurance for the years ended December 31, 2021 and 2020. Significant uncertainties are inherent in the assessment of the creditworthiness of reinsurers and estimates of any uncollectible amounts due from reinsurers. Any change in the ability of the Company’s reinsurers to meet their contractual obligations could have a material adverse effect on the consolidated financial statements as well as KICO’s ability to meet its regulatory capital and surplus requirements.

**KINGSTONE COMPANIES, INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

Cash and Cash Equivalents

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

Investments

The Company classifies its fixed-maturity securities as either held-to-maturity or available-for-sale. Fixed-maturity securities that the Company has the specific intent and ability to hold until maturity are classified as such and carried at amortized cost. Available-for-sale securities are reported at their estimated fair values based on quoted market prices from recognized pricing services, with unrealized gains and losses, net of tax effects, reported as a separate component of accumulated other comprehensive income. Realized gains and losses are determined on the specific identification method and reported in net income (loss) in the consolidated statements of operations and comprehensive income.

Equity securities are reported at their estimated fair values based on quoted market prices from recognized pricing services, with unrealized gains and losses reported in net income (loss). Other investments are reported at their estimated fair values using the net asset value ("NAV") per share (or its equivalent) of the instrument with unrealized gains and losses reported in net income (loss). See Note 3, Investments for additional discussion.

The Company may sell its available-for-sale securities, equity securities, and other investments in response to changes in interest rates, risk/reward characteristics, liquidity needs or other factors. Investment income is accrued to the balance sheet dates of the consolidated financial statements and includes amortization of premium and accretion of discount on fixed-maturity securities. Interest is recognized when earned, while dividends are recognized when declared. Due and accrued investment income totaled approximately $1,861,000 and $1,880,000 as of December 31, 2021 and 2020, respectively, and is included in other assets on the accompanying consolidated balance sheets.

Premiums Receivable

Premiums receivable include balances due currently or in the future and are presented net of an allowance for doubtful accounts of approximately $233,000 and $390,000 as of December 31, 2021 and 2020, respectively. The allowance for uncollectible amounts is based on an analysis of amounts receivable giving consideration to historical loss experience and current economic conditions and reflects an amount that, in management's judgment, is adequate. Uncollectible premiums receivable balances of approximately $160,000 and $129,000 were written off for the years ended December 31, 2021 and 2020, respectively.

Deferred Policy Acquisition Costs

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

Intangible Assets

The Company has recorded acquired identifiable intangible assets. The cost of a group of assets acquired in a transaction is allocated to the individual assets including identifiable intangible assets based on their fair values. Identifiable intangible assets with a finite useful life are amortized over the period that the asset is expected to contribute directly or indirectly to the future cash flows of the Company. Intangible assets with an indefinite life are not amortized, but are subject to impairment testing if events or changes in circumstances indicate that it is more likely than not the asset is impaired. All identifiable intangible assets are tested for recoverability whenever events or changes in circumstances indicate that a carrying amount may not be recoverable. No impairment losses from intangible assets were recognized for the years ended December 31, 2021 and 2020.

Property and Equipment

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

The Company reviews its real estate assets used as its headquarters to evaluate the necessity of recording impairment losses for market changes due to declines in the estimated fair value of the property. In evaluating potential impairment, management considers the current estimated fair value compared to the carrying value of the asset. At December 31, 2021 and 2020, the fair value of the real estate assets is estimated to be in excess of the carrying value.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax basis and for operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income (loss) in the period that includes the enactment date. The Company files a consolidated tax return with its subsidiaries. At December 31, 2021 and 2020, the Company had no material unrecognized tax benefits and no adjustments to liabilities or operations were required.

Insurance Related Assessments

Liabilities for insurance-related assessments are accrued when an assessment is probable, when it can be reasonably estimated and when the event obligating the entity to pay an imposed or probable assessment has occurred. Liabilities for insurance-related assessments are not discounted and are included as part of Accounts Payable, Accrued Expenses and Other liabilities on the accompanying Consolidated Balance Sheets. At December 31, 2021 and 2020, the liability balances were approximately $274,000 and $841,000, respectively

Concentration, Credit Risk and Market Risk

Financial instruments that potentially subject the Company to concentrations of credit risk are primarily cash and cash equivalents, investments, and premium and reinsurance receivables. At times, cash may be uninsured or in deposit accounts that exceed Federal Deposit Insurance Corporation ("FDIC") insurance limits. The Company has not experienced any losses on such accounts and management believes the Company is not exposed to any significant credit risk.

Stressed conditions, volatility and disruptions in capital markets or financial asset classes can have an adverse effect on the Company, in part because the Company has a large investment portfolio supporting the Company's insurance liabilities, which are sensitive to changing market factors. These market factors, which include interest rates, credit spread, equity prices, and the volatility and strength of the capital markets, all affect the business and economic environment and, ultimately, the profitability of the Company's business. The Company manages its investments to limit credit and other market risks by diversifying its portfolio among various security types and industry sectors based on KICO's investment committee guidelines, which employ a variety of investment strategies.

As of December 31, 2021 and 2020, the Company's cash equivalents were as follows:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Collateralized bank repurchase agreement (1) | $ 142,258 | $ 2,228,779 |
| Money market funds | 992,347 | 17,272,985 |
| Total | $ 1,134,605 | $ 19,501,764 |

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

At December 31, 2021, the outstanding premiums receivable balance is generally diversified due to the large number of individual insureds comprising the Company's customer base.

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

**KINGSTONE COMPANIES, INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

Direct premiums earned from lines of business in excess of 10% of the total subject the Company to concentration risk for the years ended December 31, 2021 and 2020 as follows:

| | Years ended December 31, | |
|---|---|---|
| | **2021** | **2020** |
| Personal Lines | 95.3% | 92.9% |
| Premiums earned not subject to concentration (1) | 4.7% | 7.1% |
| Total premiums earned | 100.0% | 100.0% |

(1) For the years ended December 31, 2021 and 2020, premiums earned not subject to concentration is comprised of one and two different lines of business, respectively.

Use of Estimates

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

Earnings per share

Basic earnings per common share is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding. Diluted earnings per common share reflects, in periods in which they have a dilutive effect, the impact of common shares issuable upon the exercise of stock options as well as non-vested restricted stock awards. The computation of diluted earnings per share excludes those options with an exercise price in excess of the average market price of the Company’s common shares during the periods presented. Additionally, the computation of diluted earnings per share excludes unvested restricted stock awards as calculated using the treasury stock method.

Advertising Costs

Advertising costs are charged to operations as incurred. Advertising costs are included in other underwriting expenses in the accompanying consolidated statements of operations and comprehensive income (loss) and were approximately $110,000 and $132,000 for the years ended December 31, 2021 and 2020, respectively.

Stock-based Compensation

Stock-based compensation expense in 2021 and 2020 is the estimated fair value of restricted stock awards and options granted, amortized on a straight-line basis over the requisite service period for the entire portion of the award less an estimate for anticipated forfeitures. The Company uses the “simplified” method to estimate the expected term of the options because the Company’s historical share option exercise experience does not provide a reasonable basis upon which to estimate expected term.

**KINGSTONE COMPANIES, INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

Compensated Absences

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

Leases

The Company records operating leases in accordance with ASU 2016-02 – Leases (Topic 842) ("ASU 2016-02"). Under this ASU, the Company recognized a right-of-use-asset and corresponding liability on the balance sheet for all leases, except for leases covering a period of fewer than 12 months. The liability has been measured at the present value of the future minimum lease payments taking into account renewal options if applicable plus initial incremental direct costs such as commissions. The minimum payments are discounted using the Company's incremental borrowing rate. The right-of-use asset is amortized as rent expense on a straight-line basis.

Comprehensive Income (Loss)

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

Accounting Changes

In December 2019, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2019-12, Income Taxes - Simplifying the Accounting for Income Taxes ("ASU 2019-12"). Among other items, the amendments in ASU 2019-12 simplified the accounting treatment of tax law changes and year-to-date losses in interim periods. An entity generally recognizes the effects of a change in tax law in the period of enactment; however, there is an exception for tax laws with delayed effective dates. Under previous guidance, an entity may not adjust its annual effective tax rate for a tax law change until the period in which the law is effective. This exception was removed under ASU 2019-12, thereby providing that all effects of a tax law change are recognized in the period of enactment, including adjustment of the estimated annual effective tax rate. Regarding year-to-date losses in interim periods, an entity is required to estimate its annual effective tax rate for the full fiscal year at the end of each interim period and use that rate to calculate its income taxes on a year-to-date basis. However, previous guidance provides an exception that when a loss in an interim period exceeds the anticipated loss for the year, the income tax benefit is limited to the amount that would be recognized if the year-to-date loss were the anticipated loss for the full year. ASU 2019-12 removed this exception and provides that in this situation, an entity would compute its income tax benefit at each interim period based on its estimated annual effective tax rate. The Company adopted ASU 2019-12 effective January 1, 2021 and the Company did not have a material impact on its consolidated financial statements.

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The Company has determined that it was not subject to any other new accounting pronouncements that became effective during the year ended December 31, 2021.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13 - Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (“ASU 2016-13”). The revised accounting guidance requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts and requires enhanced disclosures related to the significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization’s portfolio. In addition, ASU 2016-13 amends the accounting for credit losses of available-for-sale debt securities and purchased financial assets with credit deterioration. ASU 2016-13 will be effective for the Company on January 1, 2023. The Company is currently evaluating the effect the updated guidance will have on its consolidated financial statements.

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

**Note 3 - Investments**

Fixed-Maturity Securities

The amortized cost, estimated fair value, and unrealized gains and losses on investments in fixed-maturity securities classified as available-for-sale as of December 31, 2021 and 2020 are summarized as follows:

| | December 31, 2021 | | | | | |
|---|---|---|---|---|---|---|
| | | | Gross Unrealized Losses | | | |
| **Category** | **Cost or Amortized Cost** | **Gross Unrealized Gains** | **Less than 12 Months** | **More than 12 Months** | **Estimated Fair Value** | **Net Unrealized Gains/ (Losses)** |
| **Fixed-Maturity Securities:** | | | | | | |
| Political subdivisions of States, Territories and Possessions | $ 17,236,750 | $ 246,748 | $ (197,984) | $ - | $ 17,285,514 | $ 48,764 |
| Corporate and other bonds Industrial and miscellaneous | 80,534,769 | 2,603,411 | (126,926) | - | 83,011,254 | 2,476,485 |
| Residential mortgage and other asset backed securities (1) | 58,036,959 | 355,985 | (489,258) | (120,344) | 57,783,342 | (253,617) |
| Total fixed-maturity securities | $ 155,808,478 | $ 3,206,144 | $ (814,168) | $ (120,344) | $ 158,080,110 | $ 2,271,632 |

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| | December 31, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | | | Gross Unrealized Losses | | | |
| **Category** | **Cost or Amortized Cost** | **Gross Unrealized Gains** | **Less than 12 Months** | **More than 12 Months** | **Estimated Fair Value** | **Net Unrealized Gains** |
| **Fixed-Maturity Securities:** | | | | | | |
| U.S. Treasury securities and obligations of U.S. government corporations and agencies | $ 3,020,710 | $ 29,190 | $ - | $ - | $ 3,049,900 | $ 29,190 |
| Political subdivisions of States, Territories and Possessions | 5,287,561 | 355,541 | - | - | 5,643,102 | 355,541 |
| Corporate and other bonds Industrial and miscellaneous | 108,573,422 | 11,634,123 | (13,216) | - | 120,194,329 | 11,620,907 |
| Residential mortgage and other asset backed securities (1) | 28,163,891 | 617,368 | (7,371) | (111,947) | $ 28,661,941 | 498,050 |
| Total | $ 145,045,584 | $ 12,636,222 | $ (20,587) | $ (111,947) | $ 157,549,272 | $ 12,503,688 |

(1) As of December 31, 2020, KICO placed certain residential mortgage backed securities as eligible collateral in a designated custodian account related to its membership in the Federal Home Loan Bank of New York ("FHLBNY") (See Note 9). As of December 31, 2021 KICO did not have any securities pledged to FHLBNY. The eligible collateral would be pledged to FHLBNY if KICO draws an advance from the FHLBNY credit line. As of December 31, 2020, the estimated fair value of the eligible investments was approximately $11,391,000. KICO will retain all rights regarding all securities if pledged as collateral. As of December 31, 2020, there was no outstanding balance on the FHLBNY credit line.

A summary of the amortized cost and estimated fair value of the Company's investments in available-for-sale fixed-maturity securities by contractual maturity as of December 31, 2021 and 2020 is shown below:

| | December 31, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| **Remaining Time to Maturity** | **Amortized Cost** | **Estimated Fair Value** | **Amortized Cost** | **Estimated Fair Value** |
| Less than one year | $ 1,153,099 | $ 1,156,636 | $ 8,559,005 | $ 8,668,064 |
| One to five years | 43,007,110 | 44,914,759 | 44,137,567 | 47,745,430 |
| Five to ten years | 26,808,853 | 27,332,581 | 55,508,712 | 63,159,775 |
| More than 10 years | 26,802,457 | 26,892,792 | 8,676,409 | 9,314,062 |
| Residential mortgage and other asset backed securities | 58,036,959 | 57,783,342 | 28,163,891 | 28,661,941 |
| Total | $ 155,808,478 | $ 158,080,110 | $ 145,045,584 | $ 157,549,272 |

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

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Equity Securities

The cost and estimated fair value of, and gross unrealized gains and losses on, investments in equity securities as of December 31, 2021 and 2020 are as follows:

| | December 31, 2021 | | | |
|---|---|---|---|---|
| **Category** | **Cost** | **Gross Gains** | **Gross Losses** | **Estimated Fair Value** |
| **Equity Securities:** | | | | |
| Preferred stocks | $ 22,019,509 | $ 1,007,009 | $ (184,617) | $ 22,841,901 |
| Common stocks, mutual funds, and exchange traded funds | 15,451,160 | 1,573,653 | (179,712) | 16,845,101 |
| Total | $ 37,470,669 | $ 2,580,662 | $ (364,329) | $ 39,687,002 |

| | December 31, 2020 | | | |
|---|---|---|---|---|
| **Category** | **Cost** | **Gross Gains** | **Gross Losses** | **Estimated Fair Value** |
| **Equity Securities:** | | | | |
| Preferred stocks | $ 18,097,942 | $ 853,277 | $ (426,942) | $ 18,524,277 |
| Common stocks, mutual funds, and exchange traded funds | 14,473,224 | 1,820,512 | (404,700) | 15,889,036 |
| Total | $ 32,571,166 | $ 2,673,789 | $ (831,642) | $ 34,413,313 |

Other Investments

The cost and estimated fair value of, and gross unrealized gains on, the Company's other investments as of December 31, 2021 and 2020 are as follows:

| | December 31, 2021 | | | December 31, 2020 | | |
|---|---|---|---|---|---|---|
| **Category** | **Cost** | **Gross Gains** | **Estimated Fair Value** | **Cost** | **Gross Gains** | **Estimated Fair Value** |
| **Other Investments:** | | | | | | |
| Hedge fund | $ 3,999,381 | $ 3,562,034 | $ 7,561,415 | $ 1,999,381 | $ 1,369,245 | $ 3,368,626 |
| Real estate limited partnership | - | - | - | 150,000 | - | 150,000 |
| Total | $ 3,999,381 | $ 3,562,034 | $ 7,561,415 | $ 2,149,381 | $ 1,369,245 | $ 3,518,626 |

**KINGSTONE COMPANIES, INC. AND SUBSIDIARIES**
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Held-to-Maturity Securities

The cost or amortized cost and estimated fair value of, and unrealized gross gains and losses on, investments in held-to-maturity fixed-maturity securities as of December 31, 2021 and 2020 are summarized as follows:

| | December 31, 2021 | | | | | |
|---|---|---|---|---|---|---|
| | | | Gross Unrealized Losses | | | |
| Category | Cost or Amortized Cost | Gross Unrealized Gains | Less than 12 Months | More than 12 Months | Estimated Fair Value | Net Unrealized Gains/ (Losses) |
| **Held-to-Maturity Securities:** | | | | | | |
| U.S. Treasury securities | $ 729,642 | $ 209,633 | $ - | $ - | $ 939,275 | $ 209,633 |
| Political subdivisions of States, Territories and Possessions | 998,239 | 22,856 | - | - | 1,021,095 | 22,856 |
| Exchange traded debt | 304,111 | 85 | (13,921) | | 290,275 | (13,836) |
| Corporate and other bonds | | | | | | |
| Industrial and miscellaneous | 6,234,342 | 280,951 | (12,779) | - | 6,502,514 | 268,172 |
| Total | $ 8,266,334 | $ 513,525 | $ (26,700) | $ - | $ 8,753,159 | $ 486,825 |

| | December 31, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | | | Gross Unrealized Losses | | | |
| Category | Cost or Amortized Cost | Gross Unrealized Gains | Less than 12 Months | More than 12 Months | Estimated Fair Value | Net Unrealized Gains |
| **Held-to-Maturity Securities:** | | | | | | |
| U.S. Treasury securities | $ 729,595 | $ 319,714 | $ - | $ - | $ 1,049,309 | $ 319,714 |
| Political subdivisions of States, Territories and Possessions | 998,428 | 50,917 | - | - | 1,049,345 | 50,917 |
| Corporate and other bonds Industrial and miscellaneous | 5,640,792 | 455,378 | - | - | 6,096,170 | 455,378 |
| Total | $ 7,368,815 | $ 826,009 | $ - | $ - | $ 8,194,824 | $ 826,009 |

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

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A summary of the amortized cost and the estimated fair value of the Company's investments in held-to-maturity securities by contractual maturity as of December 31, 2021 and 2020 is shown below:

| | December 31, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| **Remaining Time to Maturity** | **Amortized Cost** | **Estimated Fair Value** | **Amortized Cost** | **Estimated Fair Value** |
| Less than one year | $ 994,712 | $ 1,008,180 | $ - | $ - |
| One to five years | 1,205,829 | 1,290,465 | 2,598,193 | 2,777,936 |
| Five to ten years | 1,513,942 | 1,648,808 | 1,502,603 | 1,727,316 |
| More than 10 years | 4,551,851 | 4,805,706 | 3,268,019 | 3,689,572 |
| Total | $ 8,266,334 | $ 8,753,159 | $ 7,368,815 | $ 8,194,824 |

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

Investment Income

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

| | Years ended December 31, | |
|---|---|---|
| | **2021** | **2020** |
| **Income:** | | |
| Fixed-maturity securities | $ 5,446,795 | $ 5,533,047 |
| Equity securities | 1,529,020 | 1,159,507 |
| Cash and cash equivalents | 11,511 | 91,603 |
| Total | 6,987,326 | 6,784,157 |
| **Expenses:** | | |
| Investment expenses | 365,934 | 278,554 |
| Net investment income | $ 6,621,392 | $ 6,505,603 |

Proceeds from the sale and redemption of fixed-maturity securities held-to-maturity were $2,217,428 and $500,000 for the years ended December 31, 2021 and 2020, respectively.

Proceeds from the sale and maturity of fixed-maturity securities available-for-sale were $85,347,589 and $35,845,934 for the years ended December 31, 2021 and 2020, respectively.

Proceeds from the sale of equity securities were $16,333,946 and $11,096,028 for the years ended December 31, 2021 and 2020, respectively.

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The Company's net gains (losses) on investments are summarized as follows:

| | Years ended December 31, 2021 | Years ended December 31, 2020 |
|---|---|---|
| **Realized Gains (Losses)** | | |
| **Fixed-maturity securities:** | | |
| Gross realized gains | $ 5,189,810 | $ 1,108,159 |
| Gross realized losses | (90,111) | (327,890) |
| | 5,099,699 | 780,269 |
| **Equity securities:** | | |
| Gross realized gains | 2,415,136 | 832,394 |
| Gross realized losses | (280,807) | (780,245) |
| | 2,134,329 | 52,149 |
| **Other Investments:** | | |
| Gross realized gains | 83,798 | - |
| Gross realized losses | - | - |
| | 83,798 | - |
| Net realized gains | 7,317,826 | 832,418 |
| **Unrealized Gains (Losses)** | | |
| **Equity Securities:** | | |
| Gross gains | 276,340 | 41,517 |
| Gross losses | - | (217,032) |
| | 276,340 | (175,515) |
| **Other Investments:** | | |
| Gross gains | 2,192,789 | 933,713 |
| Gross losses | - | - |
| | 2,192,789 | 933,713 |
| Net unrealized gains | 2,469,129 | 758,198 |
| Net gains on investments | $ 9,786,955 | $ 1,590,616 |

Impairment Review

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

OTTI losses are recorded in the consolidated statements of operations and comprehensive income (loss) as net realized losses on investments and result in a permanent reduction of the cost basis of the underlying investment. The determination of OTTI is a subjective process and different judgments and assumptions could affect the timing of loss realization. At December 31, 2021 and December 31, 2020, there were 48 and 16 fixed-maturity securities, respectively, that accounted for the gross unrealized losses. The Company determined that none of the unrealized losses were deemed to be OTTI for its portfolio of investments for the years ended December 31, 2021 and 2020. Significant factors influencing the Company's determination that unrealized losses were temporary included the magnitude of the unrealized losses in relation to each security's cost, the nature of the investment and management's intent and ability to hold the investment for a period of time sufficient to allow for an anticipated recovery of estimated fair value to the Company's cost basis.

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The Company held available-for-sale securities with unrealized losses representing declines that were considered temporary at December 31, 2021 and 2020 as follows:

| | December 31, 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Less than 12 months | | | 12 months or more | | | Total | |
| Category | Estimated Fair Value | Unrealized Losses | No. of Positions Held | Estimated Fair Value | Unrealized Losses | No. of Positions Held | Estimated Fair Value | Unrealized Losses |
| **Fixed-Maturity Securities:** | | | | | | | | |
| U.S. Treasury securities and obligations of U.S. government corporations and agencies | $ - | $ - | - | $ - | $ - | - | $ - | $ - |
| Political subdivisions of States, Territories and Possessions | 6,768,123 | (197,984) | 5 | - | - | - | 6,768,123 | (197,984) |
| Corporate and other bonds industrial and miscellaneous | 17,593,707 | (126,926) | 15 | - | - | - | 17,593,707 | (126,926) |
| Residential mortgage and other asset backed securities | 45,399,451 | (489,258) | 26 | 2,923,182 | (120,344) | 2 | 48,322,633 | (609,602) |
| Total fixed-maturity securities | $ 69,761,281 | $ (814,168) | 46 | $ 2,923,182 | $ (120,344) | 2 | $ 72,684,463 | $ (934,512) |

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| | December 31, 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Less than 12 months | | | 12 months or more | | | Total | |
| Category | Estimated Fair Value | Unrealized Losses | No. of Positions Held | Estimated Fair Value | Unrealized Losses | No. of Positions Held | Estimated Fair Value | Unrealized Losses |
| **Fixed-Maturity Securities:** | | | | | | | | |
| U.S. Treasury securities and obligations of U.S. government corporations and agencies | $ - | $ - | - | $ - | $ - | - | $ - | $ - |
| Political subdivisions of States, Territories and Possessions | - | - | - | - | - | - | - | - |
| Corporate and other bonds industrial and miscellaneous | 1,006,901 | (13,216) | 1 | - | - | - | 1,006,901 | (13,216) |
| Residential mortgage and other asset backed securities | 6,137,522 | (7,371) | 5 | 3,735,732 | (111,947) | 10 | 9,873,254 | (119,318) |
| Total fixed-maturity securities | $ 7,144,423 | $ (20,587) | 6 | $ 3,735,732 | $ (111,947) | 10 | $ 10,880,155 | $ (132,534) |

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**Note 4 - Fair Value Measurements**

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

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

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

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

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

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

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The following table presents information about the Company's investments that are measured at fair value on a recurring basis at December 31, 2021 and 2020 indicating the fair value hierarchy of the valuation inputs the Company utilized to determine such fair value:

| | December 31, 2021 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Fixed-maturity securities available-for-sale** | | | | |
| U.S. Treasury securities and obligations of U.S. government corporations and agencies | $ - | $ - | $ - | $ - |
| Political subdivisions of States, Territories and Possessions | - | 17,285,514 | - | 17,285,514 |
| Corporate and other bonds industrial and miscellaneous | 82,500,779 | 510,475 | - | 83,011,254 |
| Residential mortgage and other asset backed securities | - | 57,783,342 | - | 57,783,342 |
| Total fixed maturities | 82,500,779 | 75,579,331 | - | 158,080,110 |
| **Equity securities** | 39,687,002 | - | - | 39,687,002 |
| Total investments | $ 122,187,781 | $ 75,579,331 | $ - | $ 197,767,112 |

| | December 31, 2020 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Fixed-maturity securities available-for-sale** | | | | |
| U.S. Treasury securities and obligations of U.S. government corporations and agencies | $ 3,049,900 | $ - | $ - | $ 3,049,900 |
| Political subdivisions of States, Territories and Possessions | - | 5,643,102 | - | 5,643,102 |
| Corporate and other bonds industrial and miscellaneous | 118,123,890 | 2,070,439 | - | 120,194,329 |
| Residential mortgage and other asset backed securities | - | 28,661,941 | - | 28,661,941 |
| Total fixed maturities | 121,173,790 | 36,375,482 | - | 157,549,272 |
| **Equity securities** | 34,413,313 | - | - | 34,413,313 |
| Total investments | $ 155,587,103 | $ 36,375,482 | $ - | $ 191,962,585 |

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The following table sets forth the Company's investment in a hedge fund measured at Net Asset Value ("NAV") per share as of December 31, 2021 and 2020. The Company measures this investment at fair value on a recurring basis. Fair value using NAV per share is as follows as of the dates indicated:

| Category | December 31, 2021 | December 31, 2020 |
|---|---|---|
| **Other Investments:** | | |
| Hedge fund | $ 7,561,415 | $ 3,368,626 |
| Real estate limited partnership | - | 150,000 |
| Total | $ 7,561,415 | $ 3,518,626 |

The hedge fund investment is generally redeemable with at least 45 days prior written notice. The hedge fund investment is accounted for as a limited partnership by the Company. Income is earned based upon the Company's allocated share of the partnership's changes in unrealized gains and losses to its partners. Such amounts have been recorded in the accompanying consolidated statements of operations and comprehensive (loss) income within net gains (losses) on investments.

The estimated fair value and the level of the fair value hierarchy of the Company's debt as of December 31, 2021 and 2020, which is not measured at fair value is as follows:

| | December 31, 2021 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Debt** | | | | |
| Senior Notes due 2022 | $ - | $ 28,436,019 | $ - | $ 28,436,019 |

| | December 31, 2020 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Debt** | | | | |
| Senior Notes due 2022 | $ - | $ 27,272,727 | $ - | $ 27,272,727 |

The fair value of debt is estimated based on observable market prices when available. When observable market prices are not available, the fair values of debt are based on observable market prices of comparable instruments adjusted for differences between the observed instruments and the instruments being valued or is estimated using discounted cash flow analyses, based on current incremental borrowing rates for similar types of borrowing arrangements.

**Note 5 - Fair Value of Financial Instruments and Real Estate**

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

***Equity securities, available-for-sale fixed income securities, and other investments:*** Fair value disclosures for these investments are included in "Note 3 - Investments" and "Note 4 – Fair Value Measurements".

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

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

***Real estate:*** The estimated fair value was based on an appraisal prepared using the sales comparison approach, and accordingly the real estate is a Level 3 asset under the fair value hierarchy.

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

The estimated fair values of the Company's financial instruments and real estate as of December 31, 2021 and 2020 are as follows:

| | December 31, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| | Carrying Value | Estimated Fair Value | Carrying Value | Estimated Fair Value |
| Fixed-maturity securities-held-to maturity | $ 8,266,334 | $ 8,753,159 | $ 7,368,815 | $ 8,194,824 |
| Cash and cash equivalents | $ 24,290,598 | $ 24,290,598 | $ 19,463,742 | $ 19,463,742 |
| Premiums receivable, net | $ 12,318,336 | $ 12,318,336 | $ 11,819,639 | $ 11,819,639 |
| Reinsurance receivables, net | $ 40,292,438 | $ 40,292,438 | $ 45,460,729 | $ 45,460,729 |
| Real estate, net of accumulated depreciation | $ 2,144,464 | $ 2,144,464 | $ 2,219,999 | $ 2,705,000 |
| Reinsurance balances payable | $ 12,961,568 | $ 12,961,568 | $ 6,979,735 | $ 6,979,735 |

**Note 6 - Intangible Assets**

Intangible assets consist of finite and indefinite life assets. Finite life intangible assets include customer and producer relationships and other identifiable intangibles. KICO's insurance company license is considered an indefinite life intangible asset subject to annual impairment testing. All identified intangible assets of finite useful life were fully amortized as of December 31, 2021 and 2020.

The components of intangible assets and their useful lives, accumulated amortization, and net carrying value as of December 31, 2021 and 2020 are summarized as follows:

| | Useful Life (in yrs) | Gross Carrying Value | Accumulated Amortization | Net Carrying Amount |
|---|---|---|---|---|
| Insurance license | - | $ 500,000 | $ - | $ 500,000 |
| Customer relationships | 10 | 3,400,000 | 3,400,000 | - |
| Other identifiable intangibles | 7 | 950,000 | 950,000 | - |
| Total | | $ 4,850,000 | $ 4,350,000 | $ 500,000 |

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Intangible asset impairment testing and amortization

The Company performs an analysis annually as of December 31, or sooner if there are indicators that the asset may be impaired, to identify potential impairment of intangible assets and measures the amount of any impairment loss that may need to be recognized. Intangible asset impairment testing requires an evaluation of the estimated fair value of each identified intangible asset to its carrying value. An impairment charge would be recorded if the estimated fair value is less than the carrying amount of the intangible asset. No impairments have been identified for the years ended December 31, 2021 and 2020.

The Company recorded no amortization expense related to intangible assets for the years ended December 31, 2021 and 2020, respectively.

## Note 7 - Reinsurance

Effective December 31, 2021, the Company entered into a quota share reinsurance treaty for its personal lines business, which primarily consisted of homeowners' and dwelling fire policies, covering the period from December 31, 2021 through January 1, 2023 ("2021/2023 Treaty"). Effective December 15, 2019, the Company entered into a quota share reinsurance treaty for its personal lines business, which primarily consisted of homeowners' policies, covering the period from December 15, 2019 through December 30, 2020 ("2019/2020 Treaty"). Effective December 31, 2020, the 2019/2020 Treaty expired on a cut off basis; this treaty was not renewed.

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The Company entered into new excess of loss and catastrophe reinsurance treaties effective July 1, 2021. Effective October 18, 2021, the Company entered into a stub catastrophe reinsurance treaty covering the period from October 18, 2021 through December 31, 2021. The treaty provides reinsurance coverage for catastrophe losses of $5,000,000 in excess of $5,000,000. Effective January 1, 2022, the Company entered into an underlying excess of loss reinsurance treaty covering the period from January 1, 2022 through January 1, 2023. The treaty provides 50% reinsurance coverage for losses of $400,000 in excess of $600,000. Losses from named storms are excluded from the treaty. Material terms for reinsurance treaties in effect for the treaty years shown below are as follows:

| | Treaty Year | | | | | |
|---|---|---|---|---|---|---|
| | (2021/2023 Treaty) | | | | (2019/2020 Treaty) | |
| **Line of Business** | **July 1, 2022 to January 1, 2023** | **December 31, 2021 to June 30, 2022** | **July 1, 2021 to December 30, 2021** | **December 31, 2020 to June 30, 2021** | **July 1, 2020 to December 30, 2020** | **December 15, 2019 to Jume 30, 2020** |
| Personal Lines: | | | | | | |
| Homeowners, dwelling fire and and canine legal liability | | | | | | |
| Quota share treaty: | | | | | | |
| Percent ceded | 30% | 30% | None(7) | None(7) | 25% | 25% |
| Risk retained on intial $1,000,000 of losses (7) (9) | $ 700,000 | $ 700,000 | $ 1,000,000 | $ 1,000,000 | $ 750,000 | $ 750,000 |
| Losses per occurrence subject to quota share reinsurance coverage | $ 1,000,000 | $ 1,000,000 | None(7) | None(7) | $ 1,000,000 | $ 1,000,000 |
| Expiration date | January 1, 2023 | January 1, 2023 | NA(7) | NA(7) | December 30, 2020 | December 30, 2020 |
| Excess of loss coverage and facultative facility coverage (1) (9) (10) | $ 400,000 in excess of $ 600,000 | $ 8,400,000 in excess of $ 600,000 | $ 8,000,000 in excess of $ 1,000,000 | $ 8,000,000 in excess of $ 1,000,000 | $ 8,000,000 in excess of $ 1,000,000 | $ 9,000,000 in excess of $ 1,000,000 |
| Total reinsurance coverage per occurrence (7) (9) (10) | $ 500,000 | $ 8,500,000 | $ 8,000,000 | $ 8,000,000 | $ 8,250,000 | $ 9,250,000 |
| Losses per occurrence subject to reinsurance coverage (7) (10) | $ 1,000,000 | $ 9,000,000 | $ 9,000,000 | $ 9,000,000 | $ 9,000,000 | $ 10,000,000 |
| Expiration date | (10) | June 30, 2022 | June 30, 2022 | June 30, 2021 | June 30, 2021 | June 30, 2020 |
| Catastrophe Reinsurance: | | | | | | |
| Initial loss subject to personal lines quota share treaty | 10,000,000 | 10,000,000 | None(7) | None(7) | 7,500,000 | 7,500,000 |
| Risk retained per catastrophe occurrence (2) (7) (11) | None(10) | $ 7,400,000 | $ 10,000,000 | $ 10,000,000 | $ 8,125,000 | $ 5,625,000 |
| Catastrophe loss coverage in excess of quota share coverage (3) (7) | None(10) | $ 490,000,000 | $ 490,000,000 | $ 475,000,000 | $ 475,000,000 | $ 602,500,000 |
| Catastrophe stub coverage for the period from October 18, 2021 through December 31, 2021 (8) | NA | NA | $ 5,000,000 in excess of $ 5,000,000 | NA | NA | NA |
| Reinstatement premium protection (4) (5) (6) (10) | Yes | Yes | Yes | Yes | Yes | Yes |

(1) For personal lines, includes the addition of an automatic facultative facility ("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 through June 30, 2020. For the period July 1, 2020 through June 30, 2022, the Facultative Facility covers direct losses from $3,500,000 to $9,000,000.

(2) Plus losses in excess of catastrophe coverage. For the period July 1, 2020 through December 30, 2020, there was no reinsurance coverage for the $2,500,000 gap between quota share limit of $7,500,000 and first $10,000,000 layer of catastrophe coverage (see note (7) below).

(3) Catastrophe coverage is limited on an annual basis to two times the per occurrence amounts. Duration of 168 consecutive hours for a catastrophe occurrence from windstorm, hail, tornado, hurricane and cyclone.

(4) For the period July 1, 2019 through June 30, 2020, reinstatement premium protection for $292,500,000 of catastrophe coverage in excess of $7,500,000.

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(5) For the period July 1, 2020 through June 30, 2021, reinstatement premium protection for $70,000,000 of catastrophe coverage in excess of $10,000,000.

(6) For the period July 1, 2021 through June 30, 2022, reinstatement premium protection for $70,000,000 of catastrophe coverage in excess of $10,000,000.

(7) The personal lines quota share (homeowners, dwelling fire and canine legal liability) expired on December 30, 2020; reinsurance coverage from December 31, 2020 through December 30, 2021 is only for excess of loss and catastrophe reinsurance.

(8) Excludes freeze and freeze related claims.

(9) For the period January 1, 2022 through January 1, 2023, underlying excess of loss treaty provides 50% reinsurance coverage for losses of $400,000 in excess of $600,000. Reduces retention to $500,000 from $700,000 under the 2021/2023 Treaty. Excludes losses from named storms.

(10) Excess of loss and catastrophe reinsurance treaties will expire on June 30, 2022; reinsurance coverage in effect from July 1, 2022 through January 1, 2023 is only for personal lines quota share (homeowners, dwelling fire and canine legal liability) and underlying excess of loss reinsurance.

(11) For the 2021/2023 Treaty, 4% of the 30% total of losses ceded under this treaty are excluded from a named catastrophe event.

| | Treaty Year | | |
|---|---|---|---|
| **Line of Business** | **July 1, 2021 to June 30, 2022** | **July 1, 2020 to June 30, 2021** | **July 1, 2019 to June 30, 2020** |
| Personal Lines: | | | |
| 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 | 95% | 95% | 100% |
| Risk retained | $ 300,000 | $ 300,000 | $ 100,000 |
| Total reinsurance coverage per occurrence | $ 4,700,000 | $ 4,700,000 | $ 4,900,000 |
| Losses per occurrence subject to quota share reinsurance coverage | $ 5,000,000 | $ 5,000,000 | $ 5,000,000 |
| Expiration date | June 30, 2022 | June 30, 2021 | June 30, 2020 |
| | | | |
| Commercial Lines (1): | | | |
| General liability commercial policies | | | |
| Quota share treaty | | None | None |
| Risk retained | | $ 750,000 | $ 750,000 |
| Excess of loss coverage above risk retained | | $ 3,750,000 | $ 3,750,000 |
| | | in excess of | in excess of |
| | | $ 750,000 | $ 750,000 |
| Total reinsurance coverage per occurrence | | $ 3,750,000 | $ 3,750,000 |
| Losses per occurrence subject to reinsurance coverage | | $ 4,500,000 | $ 4,500,000 |
| | | | |
| Commercial Umbrella | | | |
| Quota share treaty | | None | None |

(1) Coverage on all commercial lines policies expired in September 2020; reinsurance coverage is based on treaties in effect on the date of loss.

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

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Approximate reinsurance recoverables on unpaid and paid losses by reinsurer at December 31, 2021 and 2020 are as follows:

| ($ in thousands) | Unpaid Losses | Paid Losses | Total | Security |
|---|---|---|---|---|
| **December 31, 2021** | | | | |
| Cavello Bay Reinsurance Limited (1) | $ 2,134 | $ 3,245 | $ 5,379 | $ 10,086(2) |
| Swiss Reinsurance America Corporation | 4,069 | 631 | 4,700 | - |
| Hanover Rueck SE | 2,474 | 1,176 | 3,650 | - |
| Allied World Assurance Company | 1,098 | 29 | 1,127 | - |
| Others | 863 | 1,415 | 2,278 | 791(3) |
| Total | $ 10,638 | $ 6,496 | $ 17,134 | $ 10,877 |
| | | | | |
| **December 31, 2020** | | | | |
| Cavello Bay Reinsurance Limited (1) | $ 2,850 | $ 3,405 | $ 6,255 | $ 10,086(2) |
| Swiss Reinsurance America Corporation | 7,778 | 5,840 | 13,618 | - |
| Hanover Rueck SE | 4,909 | 2,897 | 7,806 | - |
| Allied World Assurance Company | 2,019 | 1,761 | 3,780 | - |
| Others | 2,598 | 884 | 3,482 | 732(3) |
| Total | $ 20,154 | $ 14,788 | $ 34,941 | $ 10,818 |

*(Columns in the tables above may not sum to totals due to rounding)*

(1) On December 27, 2018, Enstar Group Limited announced that one of its wholly owned subsidiaries, Cavello Bay Reinsurance Limited, acquired Maiden Reinsurance North America, Inc.

(2) Secured pursuant to collateralized trust agreements.

(3) As of December 31, 2021 and 2020, represents $791,000 and $732,000, respectively, guaranteed by irrevocable letters of credit.

Assets held in the trusts referred to in footnote (2) in the table above are not included in the Company's invested assets and investment income earned on these assets is credited to the reinsurers respectively. In addition to reinsurance recoverables on unpaid and paid losses, reinsurance receivables in the accompanying consolidated balance sheets as of December 31, 2021 and 2020 include unearned ceded premiums of approximately $23,159,000 and $282,000, respectively.

Ceding Commission Revenue

The Company will earn ceding commission revenue under the 2021/2023 Treaty based on a fixed provisional commission rate at which provisional ceding commissions will be earned. The Company earned ceding commission revenue under its expired quota share reinsurance agreements based on: (i) a fixed provisional commission rate at which provisional ceding commissions were earned, and (ii) a continuing sliding scale of commission rates and ultimate treaty year loss ratios on the policies reinsured under each of these agreements based upon which contingent ceding commissions are earned. The sliding scale includes minimum and maximum commission rates in relation to specified ultimate loss ratios. The commission rate and contingent ceding commissions earned increases when the estimated ultimate loss ratio decreases and, conversely, the commission rate and contingent ceding commissions earned decreases when the estimated ultimate loss ratio increases.

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The Company's estimated ultimate treaty year loss ratios (the "Loss Ratio(s)") for treaties in effect during the year ended December 31, 2020 are attributable to contracts under the 2019/2020 Treaty. There was no quota share treaty in effect during the period from January 1, 2021 through December 30, 2021. In addition to the treaty that was in effect during the year ended December 31, 2020, the Loss Ratios from prior years' treaties are subject to change as incurred losses from those periods increase or decrease, resulting in an increase or decrease in the commission rate and contingent ceding commissions earned.

Ceding commission revenue consists of the following:

| | Year ended December 31, | |
|---|---|---|
| | **2021** | **2020** |
| Provisional ceding commissions earned | $ 233,990 | $ 14,119,180 |
| Contingent ceding commissions earned | (144,309) | 83,173 |
| | $ 89,681 | $ 14,202,353 |

Provisional ceding commissions are settled monthly. Balances due from reinsurers for contingent ceding commissions on quota share treaties are settled periodically based on the Loss Ratio of each treaty year that ends on June 30, for the expired treaties that were subject to contingent commissions. As discussed above, the Loss Ratios from prior years' treaties are subject to change as incurred losses from those periods develop, resulting in an increase or decrease in the commission rate and contingent ceding commissions earned. As of December 31, 2021 and 2020, net contingent ceding commissions payable to reinsurers under all treaties was approximately $2,881,000 and $2,604,000, respectively, which is recorded in reinsurance balances payable on the accompanying consolidated balance sheets.

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

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

| | Years ended December 31, 2021 | Years ended December 31, 2020 |
|---|---|---|
| Net deferred policy acquisition costs, net of deferred ceding commission revenue, beginning of year | $ 20,048,996 | $ 12,898,980 |
| Cost incurred and deferred: | | |
| Commissions and brokerage | 35,128,938 | 32,279,848 |
| Other underwriting and policy acquisition costs | 8,841,557 | 8,526,003 |
| Ceding commission revenue | (7,257,909) | (13,680,042) |
| Net deferred policy acquisition costs | 36,712,586 | 27,125,809 |
| Return of deferred ceding commission revenue due to termination of quota share | - | 7,202,741 |
| Additional deferred ceding commission revenue due to inception of quota share | (9,686,577) | - |
| Amortization | (34,584,526) | (27,178,534) |
| | (7,558,517) | 7,150,016 |
| Net deferred policy acquisition costs, net of deferred ceding commission revenue, end of year | $ 12,490,479 | $ 20,048,996 |

Deferred policy acquisition costs and deferred ceding commission revenue as of December 31, 2021 and 2020 are as follows:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Deferred policy acquisition costs | $ 22,238,987 | $ 20,142,515 |
| Deferred ceding commission revenue | (9,748,508) | (93,519) |
| Balance at end of period | $ 12,490,479 | $ 20,048,996 |

**Note 9 – Debt**

Federal Home Loan Bank

In July 2017, KICO became a member of, and invested in, the Federal Home Loan Bank of New York ("FHLBNY"). KICO is required to maintain an investment in capital stock of FHLBNY. Based on redemption provisions of FHLBNY, the stock has no quoted market value and is carried at cost. At its discretion, FHLBNY may declare dividends on the stock. Management reviews for impairment based on the ultimate recoverability of the cost basis in the stock. At December 31, 2021 and December 31, 2020, no impairment has been recognized. FHLBNY members have access to a variety of flexible, low cost funding through FHLBNY's credit products, enabling members to customize advances, which are to be fully collateralized. Eligible collateral to pledge to FHLBNY includes residential and commercial mortgage backed securities, along with U.S. Treasury and agency securities. See Note 3 – Investments for eligible collateral held in a designated custodian account available for future advances. Advances are limited to 5% of KICO's net admitted assets as of the previous quarter and are due and payable within one year of borrowing. KICO is currently able to borrow on an overnight basis. If KICO has collateral, the maximum allowable advance as of December 31, 2021 and 2020 was approximately $13,419,000 and $1,206,600 respectively. Advances are limited to 85% of the amount of available collateral, which as of December 31, 2021 and 2020 was $-0- and approximately $9,682,000, respectively. There were no borrowings under this facility during the years ended December 31, 2021 and 2020.

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Debt

On December 19, 2017, the Company issued $30 million of its 5.50% Senior Unsecured Notes due December 30, 2022 (the "Notes") in an underwritten public offering. Interest is payable semi-annually in arrears on June 30 and December 30 of each year, which began on June 30, 2018 at the rate of 5.50% per annum. The net proceeds of the issuance were $29,121,630, net of discount of $163,200 and transaction costs of $715,170, for an effective yield of 5.67% per annum. The balance of debt as of December 31, 2021 and 2020 is as follows:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| 5.50% Senior Unsecured Notes | $ 30,000,000 | $ 30,000,000 |
| Discount | (32,442) | (64,883) |
| Issuance costs | (143,767) | (287,506) |
| Debt, net | $ 29,823,791 | $ 29,647,611 |

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

Due to the Make Whole Call, management intends to retire the Notes at or close to the scheduled maturity date in December 2022. Management plans to refinance the Notes with a new issue of debt of similar or longer maturity that would result in net proceeds equal to or greater than the principal amount of the current issue. In connection therewith, the Company has engaged an investment banker to serve as exclusive placement agent for a proposed offering by the Company of its securities (including debt, equity and/or preferred securities). The engagement letter indicates that the offering would be of such size as to generate proceeds to the Company of no less than $30,000,000. The Company also plans to use dividends paid to it by KICO, its insurance subsidiary, to repay the Notes. Without the prior approval of the New York State Department of Financial Services, 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 to the Company during such period. As of December 31, 2021, the maximum distribution that KICO could pay the Company without prior regulatory approval was approximately $3,448,000. Further, the Company plans to use available invested assets and cash to repay the Notes. As of December 31, 2021, invested assets and cash was approximately $1,108,000.

The Company used an aggregate $28,256,335 of the net proceeds from the offering to contribute capital to KICO in order to support additional growth. The remainder of the net proceeds was used for general corporate purposes. A registration statement relating to the debt issued in the offering was filed with the SEC, which became effective on November 28, 2017.

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**Note 10 - Property and Equipment**

The components of property and equipment are summarized as follows:

| | Cost | Accumulated Depreciation | Net |
|---|---|---|---|
| **December 31, 2021** | | | |
| Building | $ 2,344,188 | $ (855,558) | $ 1,488,630 |
| Land | 652,437 | - | 652,437 |
| Furniture office equipment | 802,325 | (797,618) | 4,707 |
| Leasehold improvements | 18,996 | (5,650) | 13,346 |
| Computer equipment and software | 18,686,373 | (11,601,776) | 7,084,597 |
| Automobile | 99,352 | (51,473) | 47,879 |
| Total | $ 22,603,671 | $ (13,312,074) | $ 9,291,597 |
| **December 31, 2020** | | | |
| Building | $ 2,344,188 | $ (760,302) | $ 1,583,886 |
| Land | 652,437 | - | 652,437 |
| Furniture office equipment | 802,325 | (715,819) | 86,506 |
| Leasehold improvements | 18,996 | (2,712) | 16,284 |
| Computer equipment and software | 14,187,456 | (8,491,325) | 5,696,131 |
| Automobile | 99,352 | (51,473) | 47,879 |
| Total | $ 18,104,754 | $ (10,021,631) | $ 8,083,123 |

Depreciation expense for the years ended December 31, 2021 and 2020 was $3,290,445 and $2,864,583, respectively.

**Note 11 - Property and Casualty Insurance Activity**

Premiums written, ceded and earned are as follows:

| | Direct | Assumed | Ceded | Net |
|---|---|---|---|---|
| **Year ended December 31, 2021** | | | | |
| Premiums written | $ 181,665,178 | $ - | $ (52,909,694) | $ 128,755,484 |
| Change in unearned premiums | (7,750,334) | - | 22,876,569 | 15,126,235 |
| Premiums earned | $ 173,914,844 | $ - | $ (30,033,125) | $ 143,881,719 |
| **Year ended December 31, 2020** | | | | |
| Premiums written | $ 169,317,904 | $ - | $ (42,255,383) | $ 127,062,521 |
| Change in unearned premiums | 373,966 | - | (19,355,858) | $ (18,981,892) |
| Premiums earned | $ 169,691,870 | $ - | $ (61,611,241) | $ 108,080,629 |

Premium receipts in advance of the policy effective date are recorded as advance premiums. The balance of advance premiums as of December 31, 2021 and 2020 was $2,693,466 and $2,660,354, respectively.

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The components of the liability for loss and LAE expenses and related reinsurance receivables as of December 31, 2021 and 2020 are as follows:

| | Gross Liability | Reinsurance Receivables |
|---|---|---|
| **December 31, 2021** | | |
| Case-basis reserves | $ 54,761,591 | $ 7,839,767 |
| Loss adjustment expenses | 14,795,659 | 1,072,847 |
| IBNR reserves | 25,391,495 | 1,725,065 |
| Recoverable on unpaid losses | | 10,637,679 |
| Recoverable on paid losses | - | 6,496,059 |
| Total loss and loss adjustment expenses | $ 94,948,745 | 17,133,738 |
| Unearned premiums | | 23,158,700 |
| Receivables - reinsurance contracts | | - |
| Total reinsurance receivables | | $ 40,292,438 |
| **December 31, 2020** | | |
| Case-basis reserves | $ 47,657,198 | $ 15,432,347 |
| Loss adjustment expenses | 13,610,284 | 1,882,419 |
| IBNR reserves | 21,533,746 | 2,839,486 |
| Recoverable on unpaid losses | | 20,154,252 |
| Recoverable on paid losses | - | 14,787,037 |
| Total loss and loss adjustment expenses | $ 82,801,228 | 34,941,289 |
| Unearned premiums | | 282,131 |
| Receivables - reinsurance contracts | | 10,237,309 |
| Total reinsurance receivables | | $ 45,460,729 |

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

| | Years ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| Balance at beginning of period | $ 82,801,228 | $ 80,498,611 |
| Less reinsurance recoverables | (20,154,251) | (15,728,224) |
| Net balance, beginning of period | 62,646,977 | 64,770,387 |
| Incurred related to: | | |
| Current year | 101,987,855 | 66,389,907 |
| Prior years | (15,259) | 41,165 |
| Total incurred | 101,972,596 | 66,431,072 |
| Paid related to: | | |
| Current year | 60,171,695 | 41,100,578 |
| Prior years | 20,136,812 | 27,453,904 |
| Total paid | 80,308,507 | 68,554,482 |
| Net balance at end of period | 84,311,066 | 62,646,977 |
| Add reinsurance recoverables | 10,637,679 | 20,154,251 |
| Balance at end of period | $ 94,948,745 | $ 82,801,228 |

Incurred losses and LAE are net of reinsurance recoveries under reinsurance contracts of $968,220 and $27,951,005 for the years ended December 31, 2021 and 2020, respectively.

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Prior year incurred loss and LAE development is based upon estimates by line of business and accident year. Prior year loss and LAE development incurred during the years ended December 31, 2021 and 2020 was $15,259 favorable and $41,165 unfavorable, respectively.

Loss and LAE reserves

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

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

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

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

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

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

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

*Frequency / Severity Based Methods* – historical measurements of claim frequency and average paid claim size (severity) are reviewed for more mature accident years where a majority of claims have been reported and/or closed. These historical averages are trended forward to more recent periods in order to estimate ultimate losses for newer accident years that are not yet fully developed. These methods are useful for lines of business with slow and/or volatile loss development patterns, such as liability lines where information pertaining to individual cases may not be completely known for many years. The claim frequency and severity information for older periods can then be used as reasonable measures for developing a range of estimates for more recent immature periods.

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

Three key assumptions that materially affect the estimate of loss reserves are the loss ratio estimate for the current accident year used in the BF methods, the loss development factor selections used in the loss development methods, and the loss severity assumptions used in the frequency / severity method described above. The loss ratio estimates used in the BF methods are selected after reviewing historical accident year loss ratios adjusted for rate changes, trend, and mix of business. The severity assumptions used in the frequency / severity method are determined by reviewing historical average claim severity for older more mature accident periods, trended forward to less mature accident periods.

COVID-19 has introduced additional uncertainty to recent claim trends. The Company reviews the carried reserves levels on a regular basis as additional information becomes available and makes adjustments in the periods in which such adjustments are determined to be necessary. The Company is not aware of any other claim trends that have emerged or that would cause future adverse development that have not already been contemplated in setting current carried reserves levels.

In New York State, lawsuits for negligence are subject to certain limitations and must be commenced within three years from the date of the accident or are otherwise barred. Accordingly, the Company's exposure to unreported claims ("pure" IBNR) for accident dates of December 31, 2018 and prior is limited, although there remains the possibility of adverse development on reported claims ("case development" IBNR). In certain rare circumstances states have retroactively revised a statute of limitations. The Company is not aware of any such effort that would have a material impact on the Company's results.

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The following is information about incurred and paid claims development as of December 31, 2021, net of reinsurance, as well as the cumulative reported claims by accident year and total IBNR reserves as of December 31, 2021 included in the net incurred loss and allocated expense amounts. The historical information regarding incurred and paid claims development for the years ended December 31, 2012 to December 31, 2020 is presented as supplementary unaudited information.

**All Lines of Business**
***(in thousands, except reported claims data)***

| | Incurred Loss and Allocated Loss Adjustment Expenses, Net of Reinsurance | | | | | | | | | | As of December 31, 2021 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | For the Years Ended December 31, | | | | | | | | | | IBNR | Cumulative Number of Reported Claims by Accident Year |
| Accident Year | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | | |
| | (Unaudited 2012 - 2020) | | | | | | | | | | | |
| 2012 | $ 9,539 | $ 9,344 | $ 10,278 | $ 10,382 | $ 10,582 | $ 10,790 | $ 10,791 | $ 11,015 | $ 10,885 | $ 10,881 | $ 10 | 4,704(1) |
| 2013 | | 10,728 | 9,745 | 9,424 | 9,621 | 10,061 | 10,089 | 10,607 | 10,495 | 10,529 | 49 | 1,564 |
| 2014 | | | 14,193 | 14,260 | 14,218 | 14,564 | 15,023 | 16,381 | 16,428 | 16,434 | 35 | 2,138 |
| 2015 | | | | 22,340 | 21,994 | 22,148 | 22,491 | 23,386 | 23,291 | 23,528 | 201 | 2,558 |
| 2016 | | | | | 26,062 | 24,941 | 24,789 | 27,887 | 27,966 | 27,417 | 232 | 2,880 |
| 2017 | | | | | | 31,605 | 32,169 | 35,304 | 36,160 | 36,532 | 424 | 3,397 |
| 2018 | | | | | | | 54,455 | 56,351 | 58,441 | 59,404 | 891 | 4,224 |
| 2019 | | | | | | | | 75,092 | 72,368 | 71,544 | 6,269 | 4,475 |
| 2020 | | | | | | | | | 63,083 | 62,833 | 5,533 | 5,839 |
| 2021 | | | | | | | | | | 96,425 | 16,479 | 5,572 |
| | | | | | | | | | **Total** | $415,527 | | |

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

**All Lines of Business**
***(in thousands)***

| | Cumulative Paid Loss and Allocated Loss Adjustment Expenses, Net of Reinsurance | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | For the Years Ended December 31, | | | | | | | | | |
| Accident Year | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| | (Unaudited 2012 - 2020) | | | | | | | | | |
| 2012 | $ 3,950 | $ 5,770 | $ 7,127 | $ 8,196 | $ 9,187 | $ 10,236 | $ 10,323 | $ 10,428 | $ 10,451 | $ 10,579 |
| 2013 | | 3,405 | 5,303 | 6,633 | 7,591 | 8,407 | 9,056 | 9,717 | 10,016 | 10,392 |
| 2014 | | | 5,710 | 9,429 | 10,738 | 11,770 | 13,819 | 14,901 | 15,491 | 15,770 |
| 2015 | | | | 12,295 | 16,181 | 18,266 | 19,984 | 21,067 | 22,104 | 22,318 |
| 2016 | | | | | 15,364 | 19,001 | 21,106 | 23,974 | 25,234 | 25,750 |
| 2017 | | | | | | 16,704 | 24,820 | 28,693 | 31,393 | 32,529 |
| 2018 | | | | | | | 32,383 | 44,516 | 50,553 | 52,025 |
| 2019 | | | | | | | | 40,933 | 54,897 | 58,055 |
| 2020 | | | | | | | | | 39,045 | 50,719 |
| 2021 | | | | | | | | | | 56,282 |
| | | | | | | | | | **Total** | $ 334,417 |

| | |
|---|---|
| Net liability for unpaid loss and allocated loss adjustment expenses for the accident years presented | $ 81,110 |
| All outstanding liabilities before 2012, net of reinsurance | 108 |
| Liabilities for loss and allocated loss adjustment expenses, net of reinsurance | $ 81,218 |

*(Components may not sum to totals due to rounding)*

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

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

**Reconciliation of the Disclosure of Incurred and Paid Loss Development to the Liability for Loss and LAE Reserves**

| *(in thousands)* | | As of December 31, 2021 |
|---|---|---|
| Liabilities for allocated loss and loss adjustment expenses, net of reinsurance | $ | 81,218 |
| Total reinsurance recoverable on unpaid losses | | 10,638 |
| Unallocated loss adjustment expenses | | 3,093 |
| Total gross liability for loss and LAE reserves | $ | 94,949 |

The following is supplementary unaudited information about average historical claims duration as of December 31, 2021:

**Average Annual Percentage Payout of Incurred Loss and Allocated Loss Adjustment Expenses by Age, Net of Reinsurance**

| Years | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|---|---|---|---|---|---|---|---|---|---|
| All Lines of Business | 49.0% | 18.7% | 9.3% | 7.5% | 6.9% | 5.7% | 2.9% | 1.8% | 1.9% | 1.2% |

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

**Note 12 – Stockholders' Equity**

Dividends Declared

Dividends declared and paid on Common Stock were $1,694,148 and $1,957,142 for the years ended December 31, 2021 and 2020, respectively. The Company announced on February 2, 2022 that its Board of Directors approved a quarterly dividend of $0.04 per share payable in cash on March 15, 2022 to stockholders of record as of February 28, 2022 (see Note 19 - Subsequent Events).

Stock Options

Effective August 12, 2014, the Company adopted the 2014 Equity Participation Plan (the "2014 Plan") pursuant to which a maximum of 700,000 shares of Common Stock of the Company were initially authorized to be issued pursuant to the grant of incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock and stock bonuses. Incentive stock options granted under the 2014 Plan expire no later than ten years from the date of grant (except no later than five years for a grant to a 10% stockholder). Non-statutory stock options granted under the 2014 Plan expire no later than ten years from the date of grant. The Board of Directors or the Compensation Committee determines the vesting provisions for stock awards granted under the 2014 Plan, subject to the provisions of the 2014 Plan. On August 5, 2020, the Company's stockholders approved amendments to the 2014 Plan, including an increase in the maximum number of shares of Common Stock of the Company that are authorized to be issued pursuant to the 2014 Plan to 1,400,000.

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The results of operations for the years ended December 31, 2021 and 2020 include stock-based compensation expense for stock options totaling approximately $55,000 and $68,000, respectively. Stock-based compensation expense related to stock options for the years ended December 31, 2021 and 2020 is net of estimated forfeitures of approximately 16% for both periods. Such amounts have been included in the consolidated statements of operations and comprehensive income (loss) within other operating expenses.

No options were granted during the year ended December 31, 2021. The weighted average estimated fair value of stock options granted during the year ended December 31, 2020 was $1.66 per share. The fair value of stock options at the grant date was estimated using the Black-Scholes option-pricing model.

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

| | Years ended December 31, | |
|---|---|---|
| | **2021** | **2020** |
| Dividend Yield | n/a | 3.14% |
| Volatility | n/a | 37.69% |
| Risk-Free Interest Rate | n/a | 1.40% |
| Expected Life | n/a | 2.75 years |

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

A summary of stock option activity under the Company's 2014 Plan for the year ended December 31, 2021 is as follows:

| **Stock Options** | **Number of Shares** | **Weighted Average Exercise Price per Share** | **Weighted Average Remaining Contractual Term** | **Aggregate Intrinsic Value** |
|---|---|---|---|---|
| Outstanding at January 1, 2021 | 119,966 | $ 8.26 | 3.55 | $ - |
| Granted | - | $ - | - | $ - |
| Exercised | - | $ - | - | $ - |
| Expired/Forfeited | (12,765) | $ 7.86 | - | $ - |
| Outstanding at December 31, 2021 | 107,201 | $ 8.31 | 2.92 | $ - |
| Vested and Exercisable at December 31, 2021 | 37,500 | $ 8.72 | 2.73 | $ - |

The aggregate intrinsic value of options outstanding and options exercisable at December 31, 2021 is calculated as the difference between the exercise price of the underlying options and the market price of the Company's Common Stock for the options that had exercise prices that were lower than the $5.00 closing price of the Company's Common Stock on December 31, 2021. No options were exercised during the year ended December 31, 2021. The total intrinsic value of options forfeited during the year ended December 31, 2021 was $-0-, determined as of the date of forfeiture.

Participants in the 2014 Plan may exercise their outstanding vested options, in whole or in part, by having the Company reduce the number of shares otherwise issuable by a number of shares having a fair market value equal to the exercise price of the option being exercised ("Net Exercise"), or by exchanging a number of shares owned for a period of greater than one year having a fair market value equal to the exercise price of the option being exercised ("Share Exchange").

As of December 31, 2021, the estimated fair value of unamortized compensation cost related to unvested stock option awards was approximately $9,000. Unamortized compensation cost as of December 31, 2021 is expected to be recognized over a remaining weighted-average vesting period of 0.50 years.

As of December 31, 2021, there were 440,774 shares reserved for grants under the 2014 Plan.

Restricted Stock Awards

A summary of the restricted Common Stock activity under the Company's 2014 Plan for the year ended December 31, 2021 is as follows:

| Restricted Stock Awards | Shares | Weighted Average Grant Date Fair Value per Share | Aggregate Fair Value |
|---|---|---|---|
| Balance at January 1, 2021 | 370,964 | $ 9.96 | $ 3,990,999 |
| Granted | 392,435 | $ 8.01 | $ 3,144,323 |
| Vested | (114,432) | $ 9.27 | $ (1,060,727) |
| Forfeited | (20,436) | $ - | $ - |
| Balance at December 31, 2021 | 628,531 | $ 7.01 | $ 6,074,595 |

Fair value was calculated using the closing price of the Company's Common Stock on the grant date. For the years ended December 31, 2021 and 2020, stock-based compensation for these grants was approximately $1,846,000 and $1,703,000, respectively, which is included in other operating expenses on the accompanying consolidated statements of operations and comprehensive income (loss). These amounts reflect the Company's accounting expense and do not correspond to the actual value that will be recognized by the directors, executives and employees.

Employee Stock Purchase Plan

On June 19, 2021, the Company's Board of Directors adopted the Kingstone Companies, Inc. Employee Stock Purchase Plan (the "ESPP"), subject to stockholder approval. Such approval was obtained on August 10, 2021. The purpose of the ESPP is to provide eligible employees of the Company with an opportunity to use payroll deductions to purchase shares of Common Stock of the Company. The maximum number of shares of Common Stock that may be purchased under the ESPP is 750,000, subject to adjustment as provided for in the ESPP. The ESPP was effective August 10, 2021 and expires on August 10, 2031. A maximum of 5,000 shares of Common Stock may be purchased by an employee during any offering period.

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The ESPP currently provides for an offering period from November 1, 2021 through October 31, 2022 (“2021/2022 Offering”). For the years ended December 31, 2021 and 2020, stock-based compensation under the 2021/2022 Offering was approximately $4,000 and $-0-, respectively, which is included in other operating expenses on the accompanying consolidated statements of operations and comprehensive income (loss).

**Note 13 - Statutory Financial Information and Accounting Policies**

For regulatory purposes, KICO prepares its statutory basis financial based on statutory accounting principles prescribed or permitted by the New York State Department of Financial Services (the “DFS”). The DFS requires insurance companies domiciled in New York State to prepare their statutory financial statements in accordance with Statements of Statutory Accounting Principles as promulgated by the National Association of Insurance Commissioners (the “NAIC”), subject to any deviations prescribed or permitted by the DFS. These statutory accounting practices differ substantially from GAAP used by most business entities. The more significant variances from GAAP are as follows:

- Policy acquisition costs are charged to operations in the year such costs are incurred, rather than being deferred and amortized as premiums are earned over the terms of the policies.

- Ceding commission revenues are earned when ceded premiums are written except for ceding commission revenues in excess of anticipated acquisition costs, which are deferred and amortized as ceded premiums are earned. GAAP requires that all ceding commission revenues be earned as the underlying ceded premiums are earned over the term of the reinsurance agreements.

- Certain assets including certain receivables, a portion of the net deferred tax asset, prepaid expenses and furniture and equipment are not admitted.

- Investments in fixed-maturity securities are valued at NAIC value for statutory financial purposes, which is primarily amortized cost. GAAP requires certain investments in fixed-maturity securities classified as available-for-sale, to be reported at fair value.

- Certain amounts related to ceded reinsurance are reported on a net basis within the statutory basis financial statements. GAAP requires these amounts to be shown gross.

- For SAP purposes, changes in deferred income taxes relating to temporary differences between net income for financial reporting purposes and taxable income are recognized as a separate component of gains and losses in surplus rather than included in income tax expense or benefit as required under GAAP.

State insurance laws restrict the ability of KICO to declare dividends. These restrictions are related to surplus and net investment income. Dividends are restricted to the lesser of 10% of surplus or 100% of investment income (on a statutory accounting basis) for the trailing 36 months, net of dividends paid by KICO during such period. State insurance regulators require insurance companies to maintain specified levels of statutory capital and surplus. Generally, dividends may only be paid out of unassigned surplus, and the amount of an insurer’s unassigned surplus following payment of any dividends must be reasonable in relation to the insurer’s outstanding liabilities and adequate to meet its financial needs. For the years ended December 31, 2021 and 2020, KICO paid dividends to Kingstone of $3,500,000 and $6,000,000, respectively. For the years ended December 31, 2021 and 2020, KICO recorded statutory basis net income (loss) of $1,259,672 and $(1,724,180), respectively. At December 31, 2021 and 2020, KICO reported statutory basis surplus as regards policyholders of $84,599,711 and $85,595,339, respectively, as filed with the DFS.

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**Note 14 - Risk Based Capital**

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

The RBC guidelines define specific capital levels based on a company's ACL that are determined by the ratio of the company's total adjusted capital ("TAC") to its ACL. TAC is equal to statutory capital, plus or minus certain other specified adjustments. The Company's TAC was above the ACL for each of the last two years and is in compliance with RBC requirements as of December 31, 2021 and 2020.

**Note 15 – Income Taxes**

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

The provision for income taxes is comprised of the following:

| *Years ended ended December 31,* | **2021** | **2020** |
|---|---|---|
| Current federal income tax expense (benefit) | $ 167,622 | $ (5,366,759) |
| Current state income tax expense (benefit) | 1,675 | (2,736) |
| Deferred federal and state income tax (benefit) expense | (2,200,433) | 3,109,295 |
| Income tax benefit | $ (2,031,136) | $ (2,260,200) |

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

| *Years ended December 31,* | 2021 | | 2020 | |
|---|---|---|---|---|
| Computed expected tax benefit | $ (1,975,982) | 21.0% | $ (270,440) | 21.0% |
| State taxes, net of Federal benefit | (221,879) | 2.4 | (233,752) | 18.2 |
| State valuation allowance | 224,117 | (2.4) | 292,087 | (22.7) |
| Benefit of higher tax brackets in NOL carryback - current year | - | - | (754,829) | 58.6 |
| Benefit of higher tax brackets in NOL carryback - prior year | - | - | (1,274,465) | 99.0 |
| Permanent differences | | | | |
| Dividends received deduction | (152,147) | 1.6 | (118,113) | 9.2 |
| Non-taxable investment income | (75,045) | 0.8 | (55,752) | 4.3 |
| Stock-based compensation | 55,486 | (0.6) | 125,923 | (9.8) |
| Other permanent differences | 56,798 | (0.6) | 46,108 | (3.6) |
| Prior year tax matters | 107,173 | (1.1) | (77,625) | 6.0 |
| Other | (49,657) | 0.5 | 60,658 | (4.7) |
| Income tax benefit, as reported | $ (2,031,136) | 21.6% | $ (2,260,200) | 175.5% |

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

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

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Deferred tax asset: | | |
| Net operating loss carryovers (1) | $ 1,112,318 | $ - |
| Claims reserve discount | 1,186,789 | 838,030 |
| Unearned premium | 3,246,364 | 3,880,275 |
| Deferred ceding commission revenue | 2,047,187 | 19,639 |
| Other | 1,220,898 | 648,691 |
| Total deferred tax assets | 8,813,556 | 5,386,635 |
| Deferred tax liability: | | |
| Investment in KICO (2) | 759,543 | 759,543 |
| Deferred acquisition costs | 4,670,187 | 4,229,928 |
| Intangibles | 105,000 | 105,000 |
| Depreciation and amortization | 1,046,817 | 954,446 |
| Net unrealized gains of securities | 2,039,756 | 3,494,631 |
| Total deferred tax liabilities | 8,621,303 | 9,543,548 |
| Net deferred income tax asset (liability) | $ 192,253 | $ (4,156,913) |

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

| Type of NOL | December 31, 2021 | December 31, 2020 | Expiration |
|---|---|---|---|
| Federal only, current year (A) | 1,112,318 | 1,200,056 | |
| NOL carried back | - | (1,200,056) | |
| Federal only, current year | $ 1,112,318 | $ - | None |
| State only (B) | 2,099,239 | 1,815,546 | December 31, 2041 |
| Valuation allowance | (2,099,239) | (1,815,546) | |
| State only, net of valuation allowance | - | - | |
| Total deferred tax asset from net operating loss carryovers | $ 1,112,318 | $ - | |

(A) On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law, allowing for a five year carryback of 2020 and 2019 NOLs. The Company elected on its 2019 federal income tax return to carry back the 2019 NOL to tax years 2014 and 2015. The Company elected on its 2020 federal income tax return to carry back the 2020 NOL to tax year 2015. The corporate tax rate in 2014 and 2015 was 34%, compared to the corporate tax rate of 21% in 2020 and 2019.

(B) Kingstone generates operating losses for state purposes and has prior year NOLs available. The state NOL as of December 31, 2021 and 2020 was approximately $32,296,000 and $27,931,000, respectively. KICO, the Company's insurance underwriting subsidiary, is not subject to state income taxes. KICO's state tax obligations are paid through a gross premiums tax, which is included in the consolidated statements of operations and comprehensive income within other underwriting expenses. Kingstone has recorded a valuation allowance due to the uncertainty of generating enough state taxable income to utilize 100% of the available state NOLs over their remaining lives, which expire between 2027 and 2041.

(2) Deferred tax liability - investment in KICO

On July 1, 2009, the Company completed the acquisition of 100% of the issued and outstanding common stock of KICO (formerly known as Commercial Mutual Insurance Company ("CMIC")) pursuant to the conversion of CMIC from an advance premium cooperative insurance company to a stock property and casualty insurance company. Pursuant to the plan of conversion, the Company acquired a 100% equity interest in KICO, in consideration for the exchange of $3,750,000 principal amount of surplus notes of CMIC. In addition, the Company forgave all accrued and unpaid interest on the surplus notes as of the date of conversion. As of the date of acquisition, unpaid accrued interest on the surplus notes along with the accretion of the discount on the original purchase of the surplus notes totaled $2,921,319 (collectively the "Untaxed Interest"). As of the date of acquisition, the deferred tax liability on the Untaxed Interest was $1,169,000. Under GAAP guidance for business combinations, a temporary difference with an indefinite life exists when the parent company has a lower carrying value of its subsidiary for income tax purposes. The deferred tax liability was reduced to $759,543 upon the reduction of federal income tax rates as of December 31, 2017. The Company is required to maintain its deferred tax liability of $759,543 related to this temporary difference until the stock of KICO is sold, or the assets of KICO are sold or KICO and the parent are merged.

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The table below reconciles the changes in net deferred income tax assets (liabilities) to the deferred income tax provision for the year ended December 31, 2021:

| | |
|---|---|
| Decrease in net deferred income tax assets | $ (4,349,166) |
| Deferred tax benefit allocated to other comprehensive income | (2,148,733) |
| Deferred income tax benefit | $ (2,200,433) |

In assessing the valuation of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. No valuation

**Note 16 - Employee Benefit Plans**

Employee Bonus Plan

For the year ended December 31, 2021 the Company did not accrue for, or pay, bonuses related to the employee bonus plan. In December of 2020, management approved discretionary bonuses totaling approximately $516,000 of expense for the year ended December 31, 2020, which is primarily recorded in other underwriting expenses on the accompanying 2020 consolidated statements of operations and comprehensive income (loss).

401 (k) Plan

The Company maintains a salary reduction plan under Section 401(k) of the Internal Revenue Code (the “401(k) Plan”) for its qualified employees. The Company matches 100% of each participant’s contribution up to 4% of the participant’s eligible contribution. The Company incurred approximately $249,000 and $309,000 of expense for the years ended December 31, 2021 and 2020, respectively, related to the 401(k) Plan, which is recorded in other operating expenses on the accompanying consolidated statements of operations and comprehensive income (loss).

**KINGSTONE COMPANIES, INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
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Deferred Compensation Plan

On June 18, 2018, the Company adopted the Kingstone Companies, Inc. Deferred Compensation Plan (the "Deferred Compensation Plan"). The Deferred Compensation Plan is offered to a select group (“Participants”), consisting of management and highly compensated employees as a method of recognizing and retaining such Participants. The Deferred Compensation Plan provides for eligible Participants to elect to defer up to 75% of their base compensation and up to 100% of bonuses and other compensation and to have such deferred amounts deemed to be invested in specified investment options. In addition to the Participant deferrals, the Company may choose to make matching contributions to some or all of the Participants in the Deferred Compensation Plan to the extent the Participant did not receive the maximum matching or non-elective contributions permissible under the Company’s 401(k) Plan due to limitations under the Internal Revenue Code or the 401(k) Plan. Participants may elect to receive payment of their account balances in a single cash payment or in annual installments for a period of up to ten years. The deferred compensation liability as of December 31, 2021 and 2020 amounted to $907,914 and $763,789, respectively, and is recorded in accounts payable, accrued expenses and other liabilities in the accompanying consolidated balance sheets. The Company made voluntary contributions of $-0- and $4,473 for the years ended December 31, 2021 and 2020, respectively, which are recorded in other operating expenses in the accompanying consolidated statements of operations and comprehensive income (loss).

**Note 17 - Commitments and Contingencies**

Litigation

From time to time, the Company is involved in various legal proceedings in the ordinary course of business. For example, to the extent a claim is asserted by a third party in a lawsuit against one of the Company’s insureds covered by a particular policy, the Company may have a duty to defend the insured party against the claim. These claims may relate to bodily injury, property damage or other compensable injuries as set forth in the policy. Such proceedings are considered in estimating the liability for loss and LAE expenses.

Office Leases

The Company enters into lease agreements for real estate that is primarily used for office space in the ordinary course of business. These leases are accounted for as operating leases, whereby lease expense is recognized on a straight-line basis over the term of the lease. See Note 2 - Accounting Policies for additional information regarding the accounting for leases.

The Company is a party to a non-cancellable operating lease, dated March 27, 2015, for its office facility for KICO located in Valley Stream, New York expiring March 31, 2024.

On July 8, 2019, the Company entered into a lease agreement for an additional office facility for Cosi located in Valley Stream, New York under a non-cancelable operating lease. The lease has a term of seven years and two months expiring December 31, 2026. During January of 2022, under mutual agreement with the landlord at a cost of $40,000, Cosi terminated its lease effective as of January 31, 2022.

**KINGSTONE COMPANIES, INC. AND SUBSIDIARIES**
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**YEARS ENDED DECEMBER 31, 2021 AND 2020**

Additional information regarding the Company's office operating leases is as follows:

| **Lease cost** | **Year ended December 31, 2021** | **Year ended December 31, 2020** |
|---|---|---|
| Operating lease | $ 247,980 | $ 245,188 |
| Short-term leases | - | - |
| Total lease cost (1) (2) | $ 247,980 | $ 245,188 |
| | | |
| **Other information on operating leases** | | |
| Cash payments included in the measurement of lease liability reported in operating cash flows | $ 264,571 | $ 255,626 |
| Discount rate | 5.50% | 5.50% |
| Remaing lease term in years | | |
| KICO | 2.25 years | 3.25 years |
| Cosi | 5.00 years | 6.00 years |

(1) KICO rent expense is included in the consolidated statements of operations and comprehensive income (loss) within other underwriting expenses.

(2) Cosi rent expense is included in the consolidated statements of operations and comprehensive income (loss) within other operating expenses.

Operating lease right-of-use assets, included in other assets, were $795,327 and $949,434 as of December 31, 2021 and 2020, respectively. Operating lease right-of-use liabilities, included in accounts payable, accrued expenses and other liabilities, were $795,327 and $949,434 as of December 31, 2021 and 2020, respectively.

The following table presents the contractual maturities of the Company's lease liabilities as of December 31, 2021:

| **For the Year Ending December 31,** | **Total** |
|---|---|
| 2022 | $ 273,831 |
| 2023 | 283,415 |
| 2024 | 140,739 |
| 2025 | 94,799 |
| 2026 | 98,117 |
| Total undiscounted lease payments | 890,901 |
| Less: present value adjustment | 102,458 |
| Operating lease liability | $ 788,443 |

Rent expense for the years ended December 31, 2021 and 2020 amounted to $247,980 and $245,188, respectively, and is included in the accompanying consolidated statements of operations and comprehensive income (loss) within other underwriting expenses.

Employment Agreements

*Barry Goldstein, President, Chief Executive Officer and Executive Chairman of the Board*

Rent expense for the years ended December 31, 2021 and 2020 amounted to $247,980 and $245,188, respectively, and is included in the accompanying consolidated statements of operations and comprehensive income (loss) within other underwriting expenses.

**KINGSTONE COMPANIES, INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
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Pursuant to the Amended Employment Agreement, Mr. Goldstein is entitled to receive an annual base salary of $500,000 and an annual bonus equal to 6% of the Company's consolidated income from operations before taxes, exclusive of the Company's consolidated net investment income (loss), net unrealized gains (losses) on equity securities and net realized gains (losses) on investments, up to a maximum of 2.5 times his base salary. In addition, pursuant to the Amended Employment Agreement, Mr. Goldstein is entitled to receive a long-term compensation ("LTC") award of between $945,000 and $2,835,000 based on a specified minimum increase in the Company's adjusted book value per share (as defined in the Amended Employment Agreement) as of December 31, 2022 as compared to December 31, 2019 (with the maximum LTC payment being due if the average per annum increase is at least 14%). Further, pursuant to the Amended Employment Agreement, in the event that Mr. Goldstein's employment is terminated by the Company without cause or he resigns for good reason (each as defined in the Amended 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 the event of Mr. Goldstein's death, his estate would be entitled to receive his base salary, accrued bonus and accrued LTC payment through the date of death. Further, in the event that Mr. Goldstein's employment is terminated by the Company without cause or he resigns for good reason, or, in the event of the termination of Mr. Goldstein's employment due to disability or death, Mr. Goldstein's granted but unvested restricted stock awards will vest. Mr. Goldstein would be entitled, under certain circumstances, to a payment equal to 3.82 times his then annual salary, the target LTC payment of $1,890,000 and his accrued 6% bonus in the event of the termination of his employment within eighteen months following a change of control of the Company.

Pursuant to the Amended Employment Agreement, in January 2020, Mr. Goldstein received a grant of 157,431 shares of restricted stock under the terms of the Company's 2014 Plan determined by dividing $1,250,000 by the fair market value of the Company's Common Stock on the date of grant. This 2020 grant vested with respect to one-third of the award on each of the first and second anniversaries of the grant date and will vest with respect to one-third of the award on December 31, 2022 based on the continued provision of services through such date. Also pursuant to the Amended Employment Agreement, Mr. Goldstein received a grant, under the terms of the 2014 Plan, during January 2021, of 230,769 shares of restricted stock determined by dividing $1,500,000 by the fair market value of the Company's Common Stock on the date of grant. This 2021 grant vested with respect to one-half of the award on the first anniversary of the grant date and will vest with respect to one-half of the award on December 31, 2022 based on the continued provision of services through such date. Further, pursuant to the Amended Employment Agreement, Mr. Goldstein received in 2020, 2021, and 2022, a grant, under the terms of the 2014 Plan, of a number of shares of restricted stock determined by dividing $136,500 by the fair market value of the Company's Common Stock on the date of grant. In January 2020, Mr. Goldstein was granted 17,191 shares of restricted stock pursuant to this provision. This grant vested with respect to one-third of the award on each of the first and second anniversaries of the grant date and will vest with respect to one-third of the award on December 31, 2022 based on the continued provision of services through such date. In January 2021, Mr. Goldstein was granted 21,000 shares of restricted stock pursuant to the provision. This grant vested with respect to one-half of the award on the first anniversary of the grant date and will vest with respect to one-half of the award on December 31, 2022 based on the continued provision of services through such date. The 2022 grant will vest on December 31, 2022 based on the continued provision of services through such date.

*Dale A. Thatcher*

Effective July 19, 2019 (the “Separation Date”), Dale A. Thatcher retired and resigned his positions as Chief Executive Officer and President of the Company and KICO. At such time, he also resigned his positions on the Board of Directors of each of the Company and KICO. Effective upon Mr. Thatcher’s separation from employment, the Board appointed Barry B. Goldstein, former Chief Executive Officer and Executive Chairman of the Board of Directors, to the position of Chief Executive Officer and President of each of the Company and KICO. Mr. Goldstein previously served as Chief Executive Officer and President of the Company from March 2001 through December 31, 2018, and as Chief Executive Officer and President of KICO from January 2012 through December 31, 2018.

In connection with his separation from employment, each of the Company and KICO entered into an Agreement and General Release (the “Separation Agreement”) with Mr. Thatcher. Pursuant to the Separation Agreement, the Company and KICO provided the following payments and benefits to Mr. Thatcher in full satisfaction of all payments and benefits and other amounts due to him under the terms of the existing employment agreements upon his separation from employment: (i) $381,111 (representing the amount of base salary he would have received had he remained employed through March 31, 2020), (ii) $5,000 in full satisfaction for any bonus payments payable under the existing employment agreements, (iii) continuing group health coverage commencing on the Separation Date and ending on March 31, 2020, and (iv) continued vesting of all stock awards previously granted to Mr. Thatcher in his capacity as an executive officer but which were unvested as of the Separation Date (the “Shares”) (Mr. Thatcher shall not be entitled to any further grants of stock awards after the Separation Date).

Effective January 27, 2021, the Company entered into an agreement (the “Relinquishment Agreement”) with Mr. Thatcher. Pursuant to the Relinquishment Agreement, Mr. Thatcher relinquished his right to receive 14,077 unissued Shares which vested on January 1, 2021, the right to receive 11,905 Shares which were scheduled to vest on March 14, 2021 and the right to receive 14,076 Shares which were scheduled to vest on January 1, 2022 in full consideration of the payment by the Company of an aggregate of $280,406. In addition, the Company and KICO agreed to provide Mr. Thatcher with a severance payment of $20,000 in consideration for a release. Pursuant to the Separation Agreement, Mr. Thatcher agreed that, for a period of three years following the Separation Date, he shall not accept any operating executive role with another property and casualty insurance company.

*Meryl Golden, Chief Operating Officer*

On September 16, 2019, the Company and Meryl Golden entered into an employment agreement (the “Golden Employment Agreement”) pursuant to which Ms. Golden serves as the Company’s Chief Operating Officer. Ms. Golden also serves as KICO’s President and Chief Operating Officer. The Golden Employment Agreement became effective as of September 25, 2019 (amended on December 24, 2020) and now expires on December 31, 2022.

Pursuant to the Golden Employment Agreement, Ms. Golden is entitled to receive an annual salary of $500,000. The Golden Employment also provides for the grant on the effective date of a five year option for the purchase of 50,000 shares of the Company’s Common Stock pursuant to the 2014 Plan. The options granted vest in four equal installments, with the first installment vesting on the grant date, and the remaining installments vesting on the first, second, and third anniversaries of the grant date, subject to the terms of the stock option agreement between the Company and Ms. Golden. In January 2021, pursuant to the Golden Employment Agreement as amended, Ms. Golden was granted 30,000 shares of restricted Common Stock pursuant to the 2014 Plan and received in January 2022 an additional grant of 30,000 shares of restricted Common Stock pursuant to the 2014 Plan. Each such grant will vest in three equal installments on each of the first, second and third anniversaries of the grant date.

**KINGSTONE COMPANIES, INC. AND SUBSIDIARIES**
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COVID-19

The outbreak of the coronavirus, also known as "COVID-19", has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures have had and will continue to have a material adverse impact on global economic conditions as well as on the Company's business activities. The extent to which COVID-19 may impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in the United States and other countries to contain, prevent and treat the disease. These events are highly uncertain and, as such, the Company cannot determine their financial impact at this time. No adjustments have been made to the amounts reported in these consolidated financial statements as a result of this matter.

**Note 18 - Earnings Per Common Share**

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

The computation of diluted earnings (loss) per common share excludes outstanding options in periods where the exercise of such options would be anti-dilutive. For the years ended December 31, 2021 and 2020, no options were included in the computation of diluted earnings (loss) per common share as they would have been anti-dilutive for the relevant periods and, as a result, the weighted average number of shares of Common Stock used in the calculation of diluted earnings per common share has not been adjusted for the effect of such options.

**KINGSTONE COMPANIES, INC. AND SUBSIDIARIES**
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The reconciliation of the weighted average number of common shares used in the calculation of basic and diluted earnings (loss) per common share follows:

| | Years ended December 31, | |
|---|---|---|
| | **2021** | **2020** |
| Weighted average number of shares outstanding | 10,587,912 | 10,721,342 |
| Effect of dilutive securities, common share equivalents: | | |
| Stock options | - | - |
| Restricted stock awards | - | 9,395 |
| Weighted average number of shares outstanding, used for computing diluted earnings per share | 10,587,912 | 10,730,737 |

**Note 19 - Subsequent Events**

The Company has evaluated events that occurred subsequent to December 31, 2021 through April 1, 2022, the date these consolidated financial statements were issued, for matters that required disclosure or adjustment in these consolidated financial statements.

Lease Termination

During January 2022, pursuant to a mutual agreement with the landlord at a cost of $40,000, the Cosi lease was terminated effective as of January 31, 2022 (See Note 17).

Dividends Declared and Paid

On February 2, 2022, the Company announced that its Board of Directors approved a quarterly dividend of $0.04 per share payable in cash on March 15, 2022 to stockholders of record as of the close of business on February 28, 2022 (see Note 12).

**KINGSTONE COMPANIES, INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
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**Note 20 – Quarterly Financial Data (Unaudited)**

The following is a summary of unaudited quarterly results of operations for the years ended December 31, 2021 and 2020:

| | 2021 | | | | |
|---|---|---|---|---|---|
| | March 31, | June 30, | September 30, | December 31, | Total |
| Net premiums earned | $ 34,589,218 | $ 35,436,426 | $ 36,803,251 | $ 37,052,824 | $ 143,881,719 |
| Ceding commission revenue | (1,065) | 45,741 | (7,276) | 52,281 | 89,681 |
| Net investment income | 1,783,196 | 1,678,075 | 1,676,596 | 1,483,525 | 6,621,392 |
| Net gains on investments | 2,960,407 | 2,315,261 | 204,534 | 4,306,753 | 9,786,955 |
| Total revenues | 39,503,202 | 39,600,449 | 38,957,974 | 43,169,616 | 161,231,241 |
| Loss and loss adjustment expenses | 22,560,672 | 20,759,210 | 35,740,235 | 22,912,479 | 101,972,596 |
| Commission expense and other underwriting expenses | 14,690,881 | 14,978,261 | 14,764,678 | 14,934,426 | 59,368,246 |
| Net income (loss) | (311,097) | 1,323,361 | (10,618,265) | 2,227,700 | (7,378,301) |
| Basic earnings (loss) per share | $ (0.03) | $ 0.12 | $ (1.01) | $ 0.21 | $ (0.70) |
| Diluted earnings (loss) per share | $ (0.03) | $ 0.12 | $ (1.01) | $ 0.21 | $ (0.70) |

| | 2020 | | | | |
|---|---|---|---|---|---|
| | March 31, | June 30, | September 30, | December 31, | Total |
| Net premiums earned | $ 26,941,450 | $ 26,636,856 | $ 27,521,081 | $ 26,981,242 | $ 108,080,629 |
| Ceding commission revenue | 3,831,099 | 3,480,214 | 3,448,774 | 3,442,266 | 14,202,353 |
| Net investment income | 1,665,844 | 1,612,006 | 1,494,086 | 1,733,667 | 6,505,603 |
| Net gains (losses) on investments | (6,444,418) | 2,697,868 | 2,107,876 | 3,229,290 | 1,590,616 |
| Total revenues | 26,253,605 | 34,689,332 | 34,822,471 | 35,604,343 | 131,369,751 |
| Loss and loss adjustment expenses | 16,385,821 | 12,813,631 | 20,117,975 | 17,113,645 | 66,431,072 |
| Commission expense and other underwriting expenses | 14,617,718 | 14,086,013 | 14,383,144 | 14,166,078 | 57,252,953 |
| Net income (loss) | (5,444,203) | 4,608,190 | (1,227,856) | 3,036,259 | 972,390 |
| Basic earnings (loss) per share | $ (0.50) | $ 0.43 | $ (0.12) | $ 0.28 | $ 0.09 |
| Diluted earnings (loss) per share | $ (0.50) | $ 0.43 | $ (0.12) | $ 0.28 | $ 0.09 |

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

**EXHIBIT 31(a)**

# 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: April 1, 2022

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

**EXHIBIT 31(b)**

**CERTIFICATION**

I, Richard Swartz, 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: April 1, 2022

/s/ Richard Swartz
Richard Swartz
Principal Financial Officer

**EXHIBIT 32**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

**AND PRINCIPAL 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, 2021 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: April 1, 2022

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

/s/ Richard Swartz
Richard Swartz
Principal Financial Officer

**STOCK GRANT AGREEMENT** made as of the 4th day of January, 2021 between **KINGSTONE COMPANIES, INC.**, a Delaware corporation (the "Company"), and **BARRY B. GOLDSTEIN** (the "Grantee").

**WHEREAS**, the Grantee is the Chief Executive Officer and President of the Company;

**WHEREAS**, the Company and the Grantee are parties to a Second Amended and Restated Employment Agreement dated as of October 14, 2019 (the "Employment Agreement");

**WHEREAS**, pursuant to the Employment Agreement, the Compensation Committee of the Board of Directors of the Company has approved the grant to the Grantee of common stock of the Company ("Common Stock") pursuant to the Company's 2014 Equity Participation Plan, as amended (the "Plan").

**NOW, THEREFORE**, in consideration of the foregoing, the Company hereby grants to the Grantee an award of shares of Common Stock upon the following terms and conditions:

1. **DEFINED TERMS**. All terms used, but not otherwise defined, herein shall have the meanings ascribed to them in the Plan or the Employment Agreement.

2. **GRANT**. Subject to the terms and conditions of the Plan and the provisions hereof, the Company hereby agrees to grant to the Grantee, pursuant to Section 16 of the Plan, an award of two hundred thirty thousand seven hundred sixty-nine (230,769) shares of Common Stock (the "Shares"), such Shares being issuable on the Vesting Dates (as hereinafter defined) set forth in, and subject to the provisions of, Section 3 hereof.

3. **VESTING OF SHARES**. (a) The Shares shall vest on the respective Vesting Dates set forth below, provided that the Grantee continues to serve as an employee, director or consultant of the Company as of the applicable Vesting Date (or sooner as provided for in paragraph (c) hereof), subject to the provisions of the Plan:

(i) one hundred fifteen thousand three hundred eighty-five (115,385) of the Shares on the first anniversary of the date hereof (the "First Vesting Date"); and

(ii) one hundred fifteen thousand three hundred eighty-four (115,384) of the Shares on December 31, 2022 (the "Second Vesting Date"); each of the First Vesting Date and the Second Vesting Date is referred to hereinafter as a "Vesting Date".

(b) Subject to the provisions of the Plan, in the event that the Grantee does not continue to serve as an employee, director or consultant of the Company as of a particular Vesting Date as a result of the termination of the Grantee's employment for Cause or the Grantee's resignation (other than for Good Reason), the Grantee shall not be entitled to receive any of the Shares issuable on such Vesting Date or thereafter, and this Agreement shall terminate and be of no further force or effect.

(c) In the event that, prior to a particular Vesting Date (i) the Grantee's employment with the Company is terminated other than for Cause, (ii) the Grantee's employment with the Company is terminated as a result of the Grantee having become Disabled, (iii) the Grantee dies while an employee of the Company, or (iv) the Grantee resigns his employment with the Company for Good Reason, the Shares that were scheduled to vest on such Vesting Date and thereafter shall instead vest on the date of termination of employment, the date of death or the date of resignation of employment, as the case may be (the "Termination Date").

(d) In the event that Shares vest on a Vesting Date or the Termination Date, as the case may be, the certificate representing the portion of the Shares then vested shall be issued by the Company as soon as reasonably practicable thereafter.

(e) The number of Shares issuable to the Grantee is subject to adjustment for any stock splits, reverse stock splits and other recapitalizations that take effect prior to a particular Vesting Date or the Termination Date, as the case may be.

4. **INCORPORATION BY REFERENCE**. The terms and conditions of the Plan are hereby incorporated by reference and made a part hereof.

5. **NOTICES**. Any notice or other communication given hereunder shall be deemed sufficient if in writing and hand delivered or sent by registered or certified mail, return receipt requested, addressed to the Company, 15 Joys Lane, Kingston, New York 12401, Attention: Chief Operating Officer and to the Grantee at the address indicated below, or, in each case, at such other address notice of which is given in accordance with the foregoing provisions. Notices shall be deemed to have been given on the date of hand delivery or mailing as provided for above, except notices of change of address, which shall be deemed to have been given when received.

6. **BINDING EFFECT**. This Stock Grant Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, successors and assigns.

7. **ENTIRE AGREEMENT**. This Stock Grant Agreement, together with the Plan, contains the entire understanding of the parties hereto with respect to the subject matter hereof and may be modified only by an instrument executed by the party sought to be charged.

8. **GOVERNING LAW**. This Stock Grant Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, excluding choice of law rules thereof.

9. **EXECUTION IN COUNTERPARTS**. This Stock Grant Agreement may be executed in counterparts, each of which shall be deemed to be an original, but both of which together shall constitute one and the same instrument.

10. **SIGNATURES**. Signatures hereon which are transmitted via facsimile, or other electronic image, shall be deemed original signatures.

11. **INTERPRETATION; HEADINGS**. The provisions of this Stock Grant Agreement shall be interpreted in a reasonable manner to give effect to the intent of the parties hereto. The headings and captions under sections and paragraphs of this Stock Grant Agreement are for convenience of reference only and do not in any way modify, interpret or construe the intent of the parties or affect any of the provisions of this Stock Grant Agreement.

**IN WITNESS WHEREOF**, the parties have executed this Stock Grant Agreement as of the day and year first above written.

**KINGSTONE COMPANIES, INC.**

By: ______________________________
Meryl S. Golden
Chief Operating Officer

______________________________
Signature of Grantee

Barry B. Goldstein
Name of Grantee

______________________________
Address of Grantee

**STOCK GRANT AGREEMENT** made as of the 4th day of January, 2021 between **KINGSTONE COMPANIES, INC.,** a Delaware corporation (the "Company"), and **BARRY B. GOLDSTEIN** (the "Grantee").

**WHEREAS**, the Grantee is the Chief Executive Officer and President of the Company;

**WHEREAS**, the Company and the Grantee are parties to a Second Amended and Restated Employment Agreement dated as of October 14, 2019 (the "Employment Agreement");

**WHEREAS**, pursuant to the Employment Agreement, the Compensation Committee of the Board of Directors of the Company has approved the grant to the Grantee of common stock of the Company ("Common Stock") pursuant to the Company's 2014 Equity Participation Plan, as amended (the "Plan").

**NOW, THEREFORE**, in consideration of the foregoing, the Company hereby grants to the Grantee an award of shares of Common Stock upon the following terms and conditions:

1. **DEFINED TERMS**. All terms used, but not otherwise defined, herein shall have the meanings ascribed to them in the Plan or the Employment Agreement.

2. **GRANT**. Subject to the terms and conditions of the Plan and the provisions hereof, the Company hereby agrees to grant to the Grantee, pursuant to Section 16 of the Plan, an award of twenty-one thousand (21,000) shares of Common Stock (the "Shares"), such Shares being issuable on the Vesting Dates (as hereinafter defined) set forth in, and subject to the provisions of, Section 3 hereof.

3. **VESTING OF SHARES**. (a) The Shares shall vest on the respective Vesting Dates set forth below, provided that the Grantee continues to serve as an employee, director or consultant of the Company as of the applicable Vesting Date (or sooner as provided for in paragraph (c) hereof), subject to the provisions of the Plan:

(i) ten thousand five hundred (10,500) of the Shares on the first anniversary of the date hereof (the "First Vesting Date"); and

(ii) ten thousand five hundred (10,500) of the Shares on December 31, 2022 (the "Second Vesting Date"); each of the First Vesting Date and the Second Vesting Date is referred to hereinafter as a "Vesting Date".

(b) Subject to the provisions of the Plan, in the event that the Grantee does not continue to serve as an employee, director or consultant of the Company as of a particular Vesting Date as a result of the termination of the Grantee's employment for Cause or the Grantee's resignation (other than for Good Reason), the Grantee shall not be entitled to receive any of the Shares issuable on such Vesting Date or thereafter, and this Agreement shall terminate and be of no further force or effect.

(c) In the event that, prior to a particular Vesting Date (i) the Grantee's employment with the Company is terminated other than for Cause, (ii) the Grantee's employment with the Company is terminated as a result of the Grantee having become Disabled, (iii) the Grantee dies while an employee of the Company, or (iv) the Grantee resigns his employment with the Company for Good Reason, the Shares that were scheduled to vest on such Vesting Date and thereafter shall instead vest on the date of termination of employment, the date of death or the date of resignation of employment, as the case may be (the "Termination Date").

(d) In the event that Shares vest on a Vesting Date or the Termination Date, as the case may be, the certificate representing the portion of the Shares then vested shall be issued by the Company as soon as reasonably practicable thereafter.

(e) The number of Shares issuable to the Grantee is subject to adjustment for any stock splits, reverse stock splits and other recapitalizations that take effect prior to a particular Vesting Date or the Termination Date, as the case may be.

4. **INCORPORATION BY REFERENCE**. The terms and conditions of the Plan are hereby incorporated by reference and made a part hereof.

5. **NOTICES**. Any notice or other communication given hereunder shall be deemed sufficient if in writing and hand delivered or sent by registered or certified mail, return receipt requested, addressed to the Company, 15 Joys Lane, Kingston, New York 12401, Attention: Chief Operating Officer and to the Grantee at the address indicated below, or, in each case, at such other address notice of which is given in accordance with the foregoing provisions. Notices shall be deemed to have been given on the date of hand delivery or mailing as provided for above, except notices of change of address, which shall be deemed to have been given when received.

6. **BINDING EFFECT**. This Stock Grant Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, successors and assigns.

7. **ENTIRE AGREEMENT**. This Stock Grant Agreement, together with the Plan, contains the entire understanding of the parties hereto with respect to the subject matter hereof and may be modified only by an instrument executed by the party sought to be charged.

8. **GOVERNING LAW**. This Stock Grant Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, excluding choice of law rules thereof.

9. **EXECUTION IN COUNTERPARTS**. This Stock Grant Agreement may be executed in counterparts, each of which shall be deemed to be an original, but both of which together shall constitute one and the same instrument.

10. **SIGNATURES**. Signatures hereon which are transmitted via facsimile, or other electronic image, shall be deemed original signatures.

11. **INTERPRETATION; HEADINGS**. The provisions of this Stock Grant Agreement shall be interpreted in a reasonable manner to give effect to the intent of the parties hereto. The headings and captions under sections and paragraphs of this Stock Grant Agreement are for convenience of reference only and do not in any way modify, interpret or construe the intent of the parties or affect any of the provisions of this Stock Grant Agreement.

**IN WITNESS WHEREOF**, the parties have executed this Stock Grant Agreement as of the day and year first above written.

**KINGSTONE COMPANIES, INC.**

By: ______________________________
Meryl S. Golden
Chief Operating Officer

______________________________
Signature of Grantee

Barry B. Goldstein
Name of Grantee

______________________________
Address of Grantee

**STOCK GRANT AGREEMENT** made as of the 3rd day of January, 2022 between **KINGSTONE COMPANIES, INC.,** a Delaware corporation (the "Company"), and **BARRY B. GOLDSTEIN** (the "Grantee").

**WHEREAS**, the Grantee is the Chief Executive Officer and President of the Company;

**WHEREAS**, the Company and the Grantee are parties to a Second Amended and Restated Employment Agreement dated as of October 14, 2019 (the "Employment Agreement");

**WHEREAS**, pursuant to the Employment Agreement, the Compensation Committee of the Board of Directors of the Company has approved the grant to the Grantee of common stock of the Company ("Common Stock") pursuant to the Company's Amended and Restated 2014 Equity Participation Plan (the "Plan").

**NOW, THEREFORE**, in consideration of the foregoing, the Company hereby grants to the Grantee an award of shares of Common Stock upon the following terms and conditions:

1. **DEFINED TERMS**. All terms used, but not otherwise defined, herein shall have the meanings ascribed to them in the Plan or the Employment Agreement.

2. **GRANT**. Subject to the terms and conditions of the Plan and the provisions hereof, the Company hereby agrees to grant to the Grantee, pursuant to Section 16 of the Plan, an award of twenty-seven thousand three hundred (27,300) shares of Common Stock (the "Shares"), such Shares being issuable on the Vesting Date (as hereinafter defined) set forth in, and subject to the provisions of, Section 3 hereof.

3. **VESTING OF SHARES**. (a) The Shares shall vest on December 31, 2022 (the "Vesting Date") provided that the Grantee continues to serve as an employee, director or consultant of the Company as of the Vesting Date (or sooner as provided for in paragraph (c) hereof), subject to the provisions of the Plan.

(b) Subject to the provisions of the Plan, in the event that the Grantee does not continue to serve as an employee, director or consultant of the Company as of the Vesting Date as a result of the termination of the Grantee's employment for Cause or the Grantee's resignation (other than for Good Reason), the Grantee shall not be entitled to receive any of the Shares issuable on the Vesting Date, and this Agreement shall terminate and be of no further force or effect.

(c) In the event that, prior to the Vesting Date (i) the Grantee's employment with the Company is terminated other than for Cause, (ii) the Grantee's employment with the Company is terminated as a result of the Grantee having become Disabled, (iii) the Grantee dies while an employee of the Company, or (iv) the Grantee resigns his employment with the Company for Good Reason, the Shares that were scheduled to vest on the Vesting Date shall instead vest on the date of termination of employment, the date of death or the date of resignation of employment, as the case may be (the "Termination Date").

(d) In the event that Shares vest on the Vesting Date or the Termination Date, as the case may be, the certificate representing the Shares shall be issued by the Company as soon as reasonably practicable thereafter.

(e) The number of Shares issuable to the Grantee is subject to adjustment for any stock splits, reverse stock splits and other recapitalizations that take effect prior to the Vesting Date or the Termination Date, as the case may be.

4. **INCORPORATION BY REFERENCE**. The terms and conditions of the Plan are hereby incorporated by reference and made a part hereof.

5. **NOTICES**. Any notice or other communication given hereunder shall be deemed sufficient if in writing and hand delivered or sent by registered or certified mail, return receipt requested, addressed to the Company, 15 Joys Lane, Kingston, New York 12401, Attention: Chief Operating Officer and to the Grantee at the address indicated below, or, in each case, at such other address notice of which is given in accordance with the foregoing provisions. Notices shall be deemed to have been given on the date of hand delivery or mailing as provided for above, except notices of change of address, which shall be deemed to have been given when received.

6. **BINDING EFFECT**. This Stock Grant Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, successors and assigns.

7. **ENTIRE AGREEMENT**. This Stock Grant Agreement, together with the Plan, contains the entire understanding of the parties hereto with respect to the subject matter hereof and may be modified only by an instrument executed by the party sought to be charged.

8. **GOVERNING LAW**. This Stock Grant Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, excluding choice of law rules thereof.

9. **EXECUTION IN COUNTERPARTS**. This Stock Grant Agreement may be executed in counterparts, each of which shall be deemed to be an original, but both of which together shall constitute one and the same instrument.

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[***Remainder of page intentionally left blank; signature page follows***]

**IN WITNESS WHEREOF**, the parties have executed this Stock Grant Agreement as of the day and year first above written.

**KINGSTONE COMPANIES, INC.**

By: ______________________________
Meryl S. Golden
Chief Operating Officer

______________________________
Signature of Grantee

Barry B. Goldstein
Name of Grantee

______________________________
Address of Grantee

**STOCK GRANT AGREEMENT** made as of the 4th day of January, 2021 between **KINGSTONE COMPANIES, INC.**, a Delaware corporation (the "Company"), and **MERYL S. GOLDEN** (the "Grantee").

**WHEREAS**, the Grantee is an employee of the Company or a subsidiary thereof;

**WHEREAS**, the Company and the Grantee are parties to an Amended and Restated Employment Agreement dated as of December 24, 2020 (the "Employment Agreement");

**WHEREAS**, pursuant to the Employment Agreement, the Compensation Committee of the Board of Directors of the Company has approved the grant to the Grantee of common stock of the Company ("Common Stock") pursuant to the Company's 2014 Equity Participation Plan, as amended (the "Plan").

**NOW, THEREFORE**, in consideration of the foregoing, the Company hereby grants to the Grantee an award of shares of Common Stock upon the following terms and conditions:

1. **DEFINED TERMS**. All terms used, but not otherwise defined, herein shall have the meanings ascribed to them in the Plan or the Employment Agreement.

2. **GRANT**. Subject to the terms and conditions of the Plan and the provisions hereof, the Company hereby agrees to grant to the Grantee, pursuant to Section 16 of the Plan, an award of thirty thousand (30,000) shares of Common Stock (the "Shares"), such Shares being issuable on the Vesting Dates (as hereinafter defined) set forth in, and subject to the provisions of, Section 3 hereof.

3. **VESTING OF SHARES**. (a) The Shares shall vest on the Vesting Dates set forth below, provided that the Grantee continues to serve as an employee of the Company or a subsidiary thereof as of the applicable Vesting Date (or sooner as provided for in paragraph (c) hereof), subject to the provisions of the Plan:

(i) ten thousand (10,000) of the Shares on the first anniversary of the date hereof (the "First Vesting Date");

(ii) ten thousand (10,000) of the Shares on the second anniversary of the date hereof (the "Second Vesting Date"); and

(iii) ten thousand (10,000) of the Shares on the third anniversary of the date hereof (the "Third Vesting Date"); each of the First Vesting Date, the Second Vesting Date and the Third Vesting Date is referred to hereinafter as a "Vesting Date".

(b) Subject to the provisions of the Plan, in the event that the Grantee does not continue to serve as an employee of the Company or a subsidiary thereof as of a particular Vesting Date as a result of the termination of the Grantee's employment for Cause or the Grantee's resignation (other than for Good Reason), the Grantee shall not be entitled to receive any of the Shares issuable on such Vesting Date or thereafter, and this Agreement shall terminate and be of no further force or effect.

(c) In the event that, prior to a particular Vesting Date (i) the Grantee's employment with the Company is terminated other than for Cause or (ii) the Grantee resigns her employment with the Company for Good Reason, the Shares that were scheduled to vest on such Vesting Date and thereafter shall instead vest on the date of termination of employment or the date of resignation of employment, as the case may be (the "Termination Date").

(d) In the event that Shares vest on a Vesting Date or the Termination Date, as the case may be, the certificate representing the portion of the Shares then vested shall be issued by the Company as soon as reasonably practicable thereafter.

(e) The number of Shares issuable to the Grantee is subject to adjustment for any stock splits, reverse stock splits and other recapitalizations that take effect prior to a particular Vesting Date or the Termination Date, as the case may be.

4. **INCORPORATION BY REFERENCE**. The terms and conditions of the Plan are hereby incorporated by reference and made a part hereof.

5. **NOTICES**. Any notice or other communication given hereunder shall be deemed sufficient if in writing and hand delivered or sent by registered or certified mail, return receipt requested, addressed to the Company, 15 Joys Lane, Kingston, New York 12401, Attention: President and to the Grantee at the address indicated below, or, in each case, at such other address notice of which is given in accordance with the foregoing provisions. Notices shall be deemed to have been given on the date of hand delivery or mailing as provided for above, except notices of change of address, which shall be deemed to have been given when received.

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[***Remainder of page intentionally left blank; signature page follows***]

**IN WITNESS WHEREOF**, the parties have executed this Stock Grant Agreement as of the day and year first above written.

**KINGSTONE COMPANIES, INC.**

By: ______________________________
Barry B. Goldstein, President

______________________________
Signature of Grantee

Meryl S. Golden
Name of Grantee

______________________________
Address of Grantee

**STOCK GRANT AGREEMENT** made as of the 3rd day of January, 2022 between **KINGSTONE COMPANIES, INC.**, a Delaware corporation (the "Company"), and **MERYL S. GOLDEN** (the "Grantee").

**WHEREAS**, the Grantee is an employee of the Company or a subsidiary thereof;

**WHEREAS**, the Company and the Grantee are parties to an Amended and Restated Employment Agreement dated as of December 24, 2020 (the "Employment Agreement");

**WHEREAS**, pursuant to the Employment Agreement, the Compensation Committee of the Board of Directors of the Company has approved the grant to the Grantee of common stock of the Company ("Common Stock") pursuant to the Company's Amended and Restated 2014 Equity Participation Plan (the "Plan").

**NOW, THEREFORE**, in consideration of the foregoing, the Company hereby grants to the Grantee an award of shares of Common Stock upon the following terms and conditions:

1. **DEFINED TERMS**. All terms used, but not otherwise defined, herein shall have the meanings ascribed to them in the Plan or the Employment Agreement.

2. **GRANT**. Subject to the terms and conditions of the Plan and the provisions hereof, the Company hereby agrees to grant to the Grantee, pursuant to Section 16 of the Plan, an award of thirty thousand (30,000) shares of Common Stock (the "Shares"), such Shares being issuable on the Vesting Dates (as hereinafter defined) set forth in, and subject to the provisions of, Section 3 hereof.

3. **VESTING OF SHARES**. (a) The Shares shall vest on the Vesting Dates set forth below, provided that the Grantee continues to serve as an employee of the Company or a subsidiary thereof as of the applicable Vesting Date (or sooner as provided for in paragraph (c) hereof), subject to the provisions of the Plan:

(i) ten thousand (10,000) of the Shares on the first anniversary of the date hereof (the "First Vesting Date");

(ii) ten thousand (10,000) of the Shares on the second anniversary of the date hereof (the "Second Vesting Date"); and

(iii) ten thousand (10,000) of the Shares on the third anniversary of the date hereof (the "Third Vesting Date"); each of the First Vesting Date, the Second Vesting Date and the Third Vesting Date is referred to hereinafter as a "Vesting Date".

(b) Subject to the provisions of the Plan, in the event that the Grantee does not continue to serve as an employee of the Company or a subsidiary thereof as of a particular Vesting Date as a result of the termination of the Grantee's employment for Cause or the Grantee's resignation (other than for Good Reason), the Grantee shall not be entitled to receive any of the Shares issuable on such Vesting Date or thereafter, and this Agreement shall terminate and be of no further force or effect.

(c) In the event that, prior to a particular Vesting Date (i) the Grantee's employment with the Company is terminated other than for Cause or (ii) the Grantee resigns her employment with the Company for Good Reason, the Shares that were scheduled to vest on such Vesting Date and thereafter shall instead vest on the date of termination of employment or the date of resignation of employment, as the case may be (the "Termination Date").

(d) In the event that Shares vest on a Vesting Date or the Termination Date, as the case may be, the certificate representing the portion of the Shares then vested shall be issued by the Company as soon as reasonably practicable thereafter.

(e) The number of Shares issuable to the Grantee is subject to adjustment for any stock splits, reverse stock splits and other recapitalizations that take effect prior to a particular Vesting Date or the Termination Date, as the case may be.

4. **INCORPORATION BY REFERENCE**. The terms and conditions of the Plan are hereby incorporated by reference and made a part hereof.

5. **NOTICES**. Any notice or other communication given hereunder shall be deemed sufficient if in writing and hand delivered or sent by registered or certified mail, return receipt requested, addressed to the Company, 15 Joys Lane, Kingston, New York 12401, Attention: President and to the Grantee at the address indicated below, or, in each case, at such other address notice of which is given in accordance with the foregoing provisions. Notices shall be deemed to have been given on the date of hand delivery or mailing as provided for above, except notices of change of address, which shall be deemed to have been given when received.

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**IN WITNESS WHEREOF**, the parties have executed this Stock Grant Agreement as of the day and year first above written.

**KINGSTONE COMPANIES, INC.**

By ______________________________
Barry B. Goldstein
Chief Executive Officer

______________________________
Signature of Grantee

Meryl S. Golden
Name of Grantee

______________________________
Address of Grantee

**EXHIBIT 23**

**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT**

We consent to the incorporation by reference in the Registration Statements of Kingstone Companies, Inc. on Form S-3 (No. 333-215426 and 333-221615) and Form S-8 (No. 333-207986, No. 333-245013 and No. 333-258877) of our report dated April 1, 2022, with respect to our audits of the consolidated financial statements of Kingstone Companies, Inc. and Subsidiaries as of December 31, 2021 and 2020 and for the years then ended, which report is included in this Annual Report on Form 10-K of Kingstone Companies, Inc. for the year ended December 31, 2021.

/s/ Marcum LLP

Marcum LLP
Hartford, CT

April 1, 2022