

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

FORM 10-Q

(Mark one)

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

For the quarterly period ended September 30, 2024

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

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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of November 13, 2024, there were 12,349,132 shares of the registrant's common stock outstanding.

KINGSTONE COMPANIES, INC.
INDEX

	PAGE
PART I — FINANCIAL INFORMATION	4
Item 1 — Financial Statements	4
Condensed Consolidated Balance Sheets at September 30, 2024 (Unaudited) and December 31, 2023	4
Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) for the three months and nine months ended September 30, 2024 (Unaudited) and 2023 (Unaudited)	5
Condensed Consolidated Statements of Stockholders' Equity for the three months and nine months ended September 30, 2024 (Unaudited) and 2023 (Unaudited)	6-8
Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2024 (Unaudited) and 2023 (Unaudited)	9
Notes to Condensed Consolidated Financial Statements (Unaudited)	10
Item 2 — Management's Discussion and Analysis of Financial Condition and Results of Operations	44
Item 3 — Quantitative and Qualitative Disclosures About Market Risk	85
Item 4 — Controls and Procedures	85
PART II — OTHER INFORMATION	87
Item 1 — Legal Proceedings	87
Item 1A — Risk Factors	87
Item 2 — Unregistered Sales of Equity Securities and Use of Proceeds	87
Item 3 — Defaults Upon Senior Securities	87
Item 4 — Mine Safety Disclosures	87
Item 5 — Other Information	87
Item 6 — Exhibits	88
Signatures	89

Forward-Looking Statements

This Quarterly 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 Quarterly 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 our Annual Report on Form 10-K for the year ended December 31, 2023, Part I, Item 2 of this Quarterly Report and Part II, Item 1A of this Quarterly Report.

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.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

	September 30, 2024	December 31, 2023
	(unaudited)	
Assets		
Fixed-maturity securities, held-to-maturity, at amortized cost (fair value of \$ 6,278,968 at September 30, 2024 and \$ 6,106,148 at December 31, 2023)	\$ 7,048,662	\$ 7,052,541
Fixed-maturity securities, available-for-sale, at fair value (amortized cost of \$ 176,904,251 at September 30, 2024 and \$ 164,460,942 at December 31, 2023)	165,458,345	148,920,797
Equity securities, at fair value (cost of \$ 13,527,554 at September 30, 2024 and \$ 17,986,783 at December 31, 2023)	11,280,228	14,762,340
Other investments	4,299,178	3,897,150
Total investments	188,086,413	174,632,828
Cash and cash equivalents	33,760,798	8,976,998
Premiums receivable, net	17,601,417	13,604,808
Reinsurance receivables, net	65,746,827	75,593,912
Deferred policy acquisition costs	21,852,365	19,802,564
Intangible assets	500,000	500,000
Property and equipment, net	9,299,163	9,395,697
Deferred income taxes, net	6,002,833	10,551,819
Other assets	4,144,585	4,574,584
Total assets	\$ 346,994,401	\$ 317,633,210
Liabilities		
Loss and loss adjustment expense reserves	\$ 116,842,451	\$ 121,817,862
Unearned premiums	119,974,779	105,621,538
Advance premiums	5,307,223	3,797,590
Reinsurance balances payable	9,866,555	12,837,140
Deferred ceding commission revenue	10,286,093	9,460,865
Accounts payable, accrued expenses and other liabilities	7,749,981	4,350,546
Debt, net (current \$ 856,605 and long-term \$ 16,440,982 at September 30, 2024, current \$ 19,580,109 and long-term \$ 5,663,421 at December 31, 2023)	17,297,587	25,243,530
Total liabilities	287,324,669	283,129,071
Commitments and Contingencies (Note 11)		
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 13,818,950 shares at September 30, 2024 and 12,248,313 shares at December 31, 2023 ; outstanding 12,312,296 shares at September 30, 2024 and 10,776,907 shares at December 31, 2023	138,190	122,483
Capital in excess of par	84,334,037	75,338,010
Accumulated other comprehensive loss	(9,040,113)	(12,274,563)
Accumulated deficit	(10,194,549)	(23,114,310)
Stockholders' Equity before treasury stock	65,237,565	40,071,620
Treasury stock, at cost, 1,506,654 shares at September 30, 2024 and 1,471,406 at December 31, 2023	(5,567,833)	(5,567,481)
Total stockholders' equity	59,669,732	34,504,139
Total liabilities and stockholders' equity	\$ 346,994,401	\$ 317,633,210

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) (Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenues				
Net premiums earned	\$ 33,407,194	\$ 27,938,318	\$ 92,530,708	\$ 85,701,467
Ceding commission revenue	4,741,676	5,536,327	13,870,748	16,393,944
Net investment income	1,649,673	1,444,360	4,917,129	4,437,208
Net gains (losses) on investments	826,522	(824,370)	1,319,307	597,643
Other income	146,663	142,036	401,128	454,160
Total revenues	40,771,728	34,236,671	113,039,020	107,584,422
Expenses				
Loss and loss adjustment expenses	13,027,597	21,932,453	45,125,492	66,552,565
Commission expense	9,004,254	8,210,430	25,088,546	25,221,374
Other underwriting expenses	6,894,590	6,318,625	18,675,720	19,873,882
Other operating expenses	1,241,572	441,963	2,820,620	1,868,011
Depreciation and amortization	619,056	741,059	1,835,503	2,327,691
Interest expense	900,583	988,699	2,884,181	3,004,564
Total expenses	31,687,652	38,633,229	96,430,062	118,848,087
Income (loss) from operations before taxes	9,084,076	(4,396,558)	16,608,958	(11,263,665)
Income tax expense (benefit)	2,105,931	(858,987)	3,689,197	(2,149,367)
Net income (loss)	6,978,145	(3,537,571)	12,919,761	(9,114,298)
Other comprehensive income (loss), net of tax				
Gross change in unrealized gains (losses) on available-for-sale-securities	4,533,334	(2,821,785)	4,082,771	(1,486,887)
Reclassification adjustment for net realized losses included in net income (loss)	3,939	4,181	11,468	17,201
Net change in unrealized gains (losses), on available-for-sale-securities	4,537,273	(2,817,604)	4,094,239	(1,469,686)
Income tax (expense) benefit related to items of other comprehensive income (loss)	(952,827)	591,697	(859,789)	308,635
Other comprehensive income (loss), net of tax	3,584,446	(2,225,907)	3,234,450	(1,161,051)
Comprehensive income (loss)	\$ 10,562,591	\$ (5,763,478)	\$ 16,154,211	\$ (10,275,349)
Earnings (loss) per common share:				
Basic	\$ 0.61	\$ (0.33)	\$ 1.16	\$ (0.85)
Diluted	\$ 0.55	\$ (0.33)	\$ 1.05	\$ (0.85)
Weighted average common shares outstanding				
Basic	11,404,360	10,756,156	11,142,043	10,754,709
Diluted	12,581,128	10,756,156	12,249,576	10,754,709

See accompanying notes to condensed consolidated financial statements.

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Stockholders' Equity (Unaudited)
Three months ended September 30, 2024 and 2023

	Preferred Stock		Common Stock		Capital in Excess of Par	Accumulated Other Comprehensive Loss	Accumulated Deficit	Treasury Stock		Total
	Shares	Amount	Shares	Amount				Shares	Amount	
Balance, July 1, 2023				122,275	74,946,685		((
	-	\$ -	12,227,562	\$	\$	\$ (14,893,572)	\$	1,471,406	\$	\$
Stock-based compensation	-	-	-	-	207,123	-	-	-	-	207,123
Net loss	-	-	-	-	-	-	(3,537,571)	-	-	(3,537,571)
Change in unrealized losses on available-for-sale securities, net of tax	-	-	-	-	-	(2,225,907)	-	-	-	(2,225,907)
Balance, September 30, 2023				122,275	75,153,808		((
	-	\$ -	12,227,562	\$	\$	\$ (17,119,479)	\$	1,471,406	\$	\$
Balance, July 1, 2024				125,361	76,042,147		((
	-	\$ -	12,536,129	\$	\$	\$ (12,624,559)	\$	1,471,406	\$	\$
Stock-based compensation	-	-	-	-	359,170	-	-	-	-	359,170
Vesting of restricted stock awards	-	-	211,391	2,114	(2,114)	-	-	-	-	-
Shares deducted from restricted stock awards for payment of withholding taxes	-	-	(106,687)	(1,067)	(951,644)	-	-	-	-	(952,711)
Exercise of stock options	-	-	37,959	380	(28)	-	-	35,248	(352)	-
Exercise of warrants	-	-	60,557	606	(606)	-	-	-	-	-
Issuance of common stock, net of offering costs of \$ 259,825	-	-	1,079,601	10,796	8,887,112	-	-	-	-	8,897,908
Net income	-	-	-	-	-	-	6,978,145	-	-	6,978,145
Change in unrealized gains on available-for-sale securities, net of tax	-	-	-	-	-	3,584,446	-	-	-	3,584,446
Balance, September 30, 2024				138,190	84,334,037		((
	-	\$ -	13,818,950	\$	\$	\$ (9,040,113)	\$	1,506,654	\$	\$

See accompanying notes to condensed consolidated financial statements.

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Stockholders' Equity (Unaudited)
Nine months ended September 30, 2024 and 2023

	Preferred Stock		Common Stock		Capital in Excess of Par	Accumulated Other Comprehensive Loss	Accumulated Deficit	Treasury Stock		Total
	Shares	Amount	Shares	Amount				Shares	Amount	
Balance, January 1, 2023				121,715	74,519,590		(16,945,964)		5,567,481	36,169,432
	-	\$ -	12,171,512	\$	\$	\$ (15,958,428)	\$	1,471,406	\$	\$
Stock-based compensation	-	-	-	-	636,178	-	-	-	-	636,178
Vesting of restricted stock awards	-	-	56,977	569	(569)	-	-	-	-	-
Shares deducted from restricted stock awards for payment of withholding taxes	-	-	(927)	(9)	(1,391)	-	-	-	-	(1,400)
Net loss	-	-	-	-	-	-	(9,114,298)	-	-	(9,114,298)
Change in unrealized losses on available-for-sale securities, net of tax	-	-	-	-	-	(1,161,051)	-	-	-	(1,161,051)
Balance, September 30, 2023				122,275	75,153,808		(26,060,262)		5,567,481	26,528,861
	-	\$ -	12,227,562	\$	\$	\$ (17,119,479)	\$	1,471,406	\$	\$
Balance, January 1, 2024				122,483	75,338,010		(23,114,310)		5,567,481	34,504,139
	-	\$ -	12,248,313	\$	\$	\$ (12,274,563)	\$	1,471,406	\$	\$
Stock-based compensation	-	-	-	-	906,375	-	-	-	-	906,375
Vesting of restricted stock awards	-	-	446,044	4,460	(4,460)	-	-	-	-	-
Shares deducted from restricted stock awards for payment of withholding taxes	-	-	(109,633)	(1,096)	(959,995)	-	-	-	-	(961,091)
Exercise of stock options	-	-	37,959	380	(28)	-	-	35,248	(352)	-
Exercise of warrants	-	-	60,557	606	(606)	-	-	-	-	-
Issuance of common stock, net of offering costs of \$ 360,670	-	-	1,135,710	11,357	9,054,741	-	-	-	-	9,066,098
Net income	-	-	-	-	-	-	12,919,761	-	-	12,919,761
Change in unrealized gains on available-for-sale securities, net of tax	-	-	-	-	-	3,234,450	-	-	-	3,234,450
Balance, September 30, 2024				138,190	84,334,037		(10,194,549)		5,567,833	59,669,732
	-	\$ -	13,818,950	\$	\$	\$ (9,040,113)	\$	1,506,654	\$	\$

See accompanying notes to condensed consolidated financial statements.

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows (Unaudited)

<i>Nine Months ended September 30,</i>	2024	2023
Cash flows from operating activities:		
Net income (loss)	\$ 12,919,761	\$ (9,114,298)
Adjustments to reconcile net income (loss) to net cash flows provided by (used in) operating activities:		
Net realized losses on investments	59,838	17,201
Net unrealized gains on equity investments	(977,117)	(173,178)
Net unrealized gains on other investments	(402,028)	(441,666)
Depreciation and amortization	1,835,503	2,327,691
Allowance for credit losses	85,273	59,099
Accretion of bond discount, net	(560,649)	118,280
Amortization of discount and issuance costs on debt	819,930	890,758
Loss on extinguishment of debt	296,553	—
Stock-based compensation	906,375	636,178
Deferred income tax expense (benefit)	3,689,197	(2,149,367)
Decrease (increase) in operating assets:		
Premiums receivable, net	(4,081,882)	495,036
Reinsurance receivables, net	9,847,085	(17,792,865)
Deferred policy acquisition costs	(2,049,801)	3,287,131
Other assets	429,999	(144,475)
Increase (decrease) in operating liabilities:		
Loss and loss adjustment expense reserves	(4,975,411)	3,335,434
Unearned premiums	14,353,241	(4,331,227)
Advance premiums	1,509,633	3,449,195
Reinsurance balances payable	(2,970,585)	7,201,518
Deferred ceding commission revenue	825,228	(1,226,518)
Accounts payable, accrued expenses and other liabilities	3,399,435	(2,198,271)
Net cash flows provided by (used in) operating activities	34,959,578	(15,754,344)
Cash flows from investing activities:		
Purchase - fixed-maturity securities available-for-sale	(125,744,401)	(13,167,937)
Redemption - fixed-maturity securities held-to-maturity	-	750,000
Sale and maturity - fixed-maturity securities available-for-sale	113,854,152	33,453,349
Sale - equity securities	4,410,859	99,917
Acquisition of property and equipment	(1,738,969)	(1,380,256)
Net cash flows (used in) provided by investing activities	(9,218,359)	19,755,073
Cash flows from financing activities:		
Principal payments on equipment financing	(859,045)	(810,289)
Principal payment on 2022 Notes	(5,000,000) -	-
Principal payment on 2024 Notes	(3,000,000) -	-
Issue costs on 2024 and 2022 Notes	(203,381)	(14,299)
Net proceeds from issuance of common stock	9,066,098	-
Withholding taxes paid on vested restricted stock awards	(961,091)	(1,400)
Net cash flows used in financing activities	(957,419)	(825,988)
Increase in cash and cash equivalents	\$ 24,783,800	\$ 3,174,741
Cash and cash equivalents, beginning of period	8,976,998	11,958,228
Cash and cash equivalents, end of period	\$ 33,760,798	\$ 15,132,969

Supplemental disclosures of cash flow information:

Cash paid for income taxes	\$	-	\$	-
Cash paid for interest	\$	1,695,141	\$	1,628,357

Supplemental schedule of non-cash investing and financing activities:

Other comprehensive income (loss), net of tax	\$	3,234,450	\$	(1,161,051)
---	----	-----------	----	---------------

See accompanying notes to condensed consolidated financial statements.

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 - Nature of Business and Basis of Presentation

Kingstone Companies, Inc. (referred to herein as "Kingstone" or the "Company" or, on a standalone basis for the parent company only, the "Holding Company"), through its wholly-owned subsidiary, Kingstone Insurance Company ("KICO"), underwrites property and casualty insurance exclusively. KICO is a New York domiciled carrier writing business through retail and wholesale agents and brokers. KICO is actively writing personal lines and commercial auto insurance in New York, and in 2023 was the 15th largest writer of homeowners insurance in New York. KICO is also licensed in the states of New Jersey, Rhode Island, Massachusetts, Connecticut, Pennsylvania, New Hampshire, and Maine. For the three months ended September 30, 2024 and 2023, 96.3 % and 88.5 %, respectively, of KICO's direct written premiums came from the New York policies. For the nine months ended September 30, 2024 and 2023, 95.6 % and 88.1 %, respectively, of KICO's direct written premiums came from the New York policies. Kingstone, through its wholly owned subsidiary, Cosi Agency, Inc. ("Cosi"), a multi-state licensed general agency, receives commission revenue from KICO for the policies it places with others and pays commissions to these agencies.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). The principles for condensed interim financial information do not require the inclusion of all the information and footnotes required by GAAP for complete financial statements. Therefore, these condensed consolidated financial statements should be read in conjunction with the consolidated financial statements as of and for the year ended December 31, 2023 and notes thereto included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") on April 1, 2024. The accompanying condensed consolidated financial statements have not been audited by an independent registered public accounting firm in accordance with standards of the Public Company Accounting Oversight Board (United States) but, in the opinion of management, such financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the Company's financial position and results of operations. The results of operations for the three months and nine months ended September 30, 2024 may not be indicative of the results that may be expected for the year ending December 31, 2024.

Components of ceded premiums written within prior year net earned premiums in Note 6 were reclassified to conform with an elected change in the prior year presentation during the quarter ended September 30, 2023, by recording ceded written premiums for the 12 months of the contract term at inception, rather than monthly over the contract term, providing a full disclosure of the premiums ceded. The reclassification had no effect on the Company's previously reported financial condition, results of operations or cash flows.

Note 2 – Accounting Policies

Basis of Presentation; Going Concern

See Note 2 to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2023 for further information.

The accompanying consolidated financial statements have been prepared in accordance with GAAP, assuming that the Company will continue as a going concern for a period of one year from the issuance date of the financial statements. The Company's \$ 19,950,000 12.0 % Senior Notes (the "2022 Notes") were due on December 30, 2024. The Company's continuation as a going concern was dependent on its ability to obtain financing and/or other funds to satisfy such obligation. The 2022 Notes were refinanced on September 12, 2024, under a note exchange agreement with a refinanced balance of \$ 14,950,000 as of September 12, 2024 and a maturity date of June 30, 2026. (see Note 7 - Debt).

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 condensed 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 loss adjustment expense ("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 loss and LAE recoverable under reinsurance contracts and other receivables or payable 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 condensed consolidated financial statements.

Principles of Consolidation

The condensed 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.

Recent Accounting Pronouncements

In December 2023, the Financial Accounting Standards Board (the "FASB") issued ASU No. 2023-09, Improvements to Income Tax Disclosures ("ASU 2023-09"), which requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid. The standard is intended to benefit investors by providing more detailed income tax disclosures that would be useful in making capital allocation decisions. ASU-2023-09 is effective for public companies with annual periods beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact of ASU 2023-09 on its disclosures.

In November 2023, the FASB issued ASU No. 2023-07, Improvements to Reportable Segment Disclosures ("ASU 2023-07"), which introduces improvements to the information that a public entity discloses about its reportable segments and addresses investor requests for more information about reportable segment expenses. ASU 2023-07 does not change the current guidance related to the identification of operating segments, the determination of reportable segments, or the aggregation criteria. Rather, the new guidance introduces additional disclosure requirements and expands those requirements to entities with a single reportable segment, not just entities with multiple reportable segments. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. The Company is currently evaluating the impact of ASU 2023-07 on its disclosures.

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 gross unrealized gains and losses on investments in fixed-maturity securities classified as available-for-sale for which an allowance for credit losses has not been recorded, as of September 30, 2024 and December 31, 2023 are summarized as follows:

	September 30, 2024					
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses		Estimated Fair Value	Net Unrealized Losses
Category			Less than 12 Months	More than 12 Months		
Fixed-Maturity Securities:						
U.S. Treasury securities and obligations of U.S. government corporations and agencies (1)	\$ 5,999,188	\$ -	\$ -	\$ (2,128)	\$ 5,997,060	\$ (2,128)
Political subdivisions of States, Territories and Possessions	16,499,862	-	-	(2,610,572)	13,889,290	(2,610,572)
Corporate and other bonds industrial and miscellaneous	107,655,225	31,957	(49,276)	(3,854,059)	103,783,847	(3,871,378)
Residential mortgage and other asset backed securities (2)	46,749,976	135,681	(136)	(5,097,373)	41,788,148	(4,961,828)
Total fixed-maturity securities	\$ 176,904,251	\$ 167,638	\$ (49,412)	\$ (11,564,132)	\$ 165,458,345	\$ (11,445,906)

	December 31, 2023					
Category	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses		Estimated Fair Value	Net Unrealized Losses
			Less than 12 Months	More than 12 Months		
Fixed-Maturity Securities:						
U.S. Treasury securities and obligations of U.S. government corporations and agencies (1)	\$ 20,954,764	\$ 1,799	\$ (17,373)	\$ -	\$ 20,939,190	\$ (15,574)
Political subdivisions of States, Territories and Possessions	16,607,713	-	-	(3,209,161)	13,398,552	(3,209,161)
Corporate and other bonds industrial and miscellaneous	75,993,042	-	-	(5,885,296)	70,107,746	(5,885,296)
Residential mortgage and other asset backed securities (2)	50,905,423	113,761	(2,144)	(6,541,731)	44,475,309	(6,430,114)
Total fixed-maturity securities	\$ 164,460,942	\$ 115,560	\$ (19,517)	\$ (15,636,188)	\$ 148,920,797	\$ (15,540,145)

(1) In October 2022, KICO placed certain U.S. Treasury securities to fulfill the required collateral for a sale-leaseback transaction in a designated custodian account (see Note 7 – Debt - “Equipment Financing”). As of September 30, 2024 and December 31, 2023, the amount of required collateral was approximately \$ 5,731,000 and \$ 6,999,000 , respectively. As of September 30, 2024 and December 31, 2023, the estimated fair value of the U.S. Treasury securities used as eligible collateral was approximately \$ 5,997,000 and \$ 11,960,000 , respectively.

(2) KICO has 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 7 – Debt – “Federal Home Loan Bank”). The eligible collateral would be pledged to FHLBNY if KICO draws an advance from the FHLBNY credit line. As of September 30, 2024 and December 31, 2023, the estimated fair value of the eligible investments was approximately \$ 10,944,000 and \$ 11,412,000 , respectively. KICO will retain all rights regarding all securities if pledged as collateral. As of September 30, 2024 and December 31, 2023 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 September 30, 2024 and December 31, 2023 is shown below:

Remaining Time to Maturity	September 30, 2024		December 31, 2023	
	Cost or Amortized Cost	Estimated Fair Value	Cost or Amortized Cost	Estimated Fair Value
Less than one year	\$ 22,025,067	\$ 21,941,045	\$ 34,729,120	\$ 34,461,172
One to five years	60,622,550	59,664,158	31,803,338	30,416,618
Five to ten years	34,666,169	31,548,462	31,596,410	27,330,377
More than 10 years	12,840,489	10,516,532	15,426,651	12,237,321
Residential mortgage and other asset backed securities	46,749,976	41,788,148	50,905,423	44,475,309
Total	<u>\$ 176,904,251</u>	<u>\$ 165,458,345</u>	<u>\$ 164,460,942</u>	<u>\$ 148,920,797</u>

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

There was no allowance for credit losses on fixed-maturity securities as of September 30, 2024 and December 31, 2023, respectively.

Equity Securities

The cost and estimated fair value of, and gross unrealized gains and losses on, investments in equity securities as of September 30, 2024 and December 31, 2023 are as follows:

Category	September 30, 2024			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Equity Securities:				
Preferred stocks	\$ 9,750,322	\$ -	\$ (1,639,894)	\$ 8,110,428
Fixed income exchange traded funds	3,711,232	-	(607,432)	3,103,800
FHLBNY common stock	66,000	-	-	66,000
Total	<u>\$ 13,527,554</u>	<u>\$ —</u>	<u>\$ (2,247,326)</u>	<u>\$ 11,280,228</u>

Category	December 31, 2023			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Equity Securities:				
Preferred stocks	\$ 13,583,942	\$ -	\$ (2,870,027)	\$ 10,713,915
Fixed income exchange traded funds	3,711,232		(669,232)	3,042,000
Mutual funds	622,209	314,816	-	937,025
FHLBNY common stock	69,400	-	-	69,400
Total	<u>\$ 17,986,783</u>	<u>\$ 314,816</u>	<u>\$ (3,539,259)</u>	<u>\$ 14,762,340</u>

Other Investments

The cost and estimated fair value of, and gross gains on, the Company's other investments as of September 30, 2024 and December 31, 2023 are as follows:

Category	September 30, 2024			December 31, 2023		
	Cost	Gross Gains	Estimated Fair Value	Cost	Gross Gains	Estimated Fair Value
Other Investments:						
Hedge fund	\$ 1,987,040	\$ 2,312,138	\$ 4,299,178	\$ 1,987,040	\$ 1,910,110	\$ 3,897,150

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 September 30, 2024 and December 31, 2023 are summarized as follows:

	September 30, 2024					
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses		Estimated Fair Value	Net Unrealized Gains/ (Losses)
Category			Less than 12 Months	More than 12 Months		
Held-to-Maturity Securities:						
U.S. Treasury securities	\$ 1,229,091	\$ 20,900	\$ (4,474)	\$ (9,604)	\$ 1,235,913	\$ 6,822
Political subdivisions of States, Territories and Possessions	499,581	269	-	-	499,850	269
Exchange traded debt	304,111	-	-	(63,411)	240,700	(63,411)
Corporate and other bonds industrial and miscellaneous	5,015,879	-	-	(713,374)	4,302,505	(713,374)
Total	\$ 7,048,662	\$ 21,169	\$ (4,474)	\$ (786,389)	\$ 6,278,968	\$ (769,694)

	December 31, 2023					
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses		Estimated Fair Value	Net Unrealized Gains/ (Losses)
Category			Less than 12 Months	More than 12 Months		
Held-to-Maturity Securities:						
U.S. Treasury securities	\$ 1,228,860	\$ 15,045	\$ (6,914)	\$ (18,163)	\$ 1,218,828	\$ (10,032)
Political subdivisions of States, Territories and Possessions	499,170	890	-	-	500,060	890
Exchange traded debt	304,111	-	-	(70,111)	234,000	(70,111)
Corporate and other bonds industrial and miscellaneous	5,020,400	-	-	(867,140)	4,153,260	(867,140)
Total	\$ 7,052,541	\$ 15,935	\$ (6,914)	\$ (955,414)	\$ 6,106,148	\$ (946,393)

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

A summary of the amortized cost and estimated fair value of the Company's investments in held-to-maturity securities by contractual maturity as of September 30, 2024 and December 31, 2023 is shown below:

Remaining Time to Maturity	September 30, 2024		December 31, 2023	
	Cost or Amortized Cost	Estimated Fair Value	Cost or Amortized Cost	Estimated Fair Value
Less than one year	\$ 499,581	\$ 499,850	\$ -	\$ -
One to five years	622,309	608,231	1,121,288	1,097,101
Five to ten years	1,424,371	1,350,945	1,414,911	1,270,770
More than 10 years	4,502,401	3,819,942	4,516,342	3,738,277
Total	<u>\$ 7,048,662</u>	<u>\$ 6,278,968</u>	<u>\$ 7,052,541</u>	<u>\$ 6,106,148</u>

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

There was no allowance for credit losses on held-to-maturity fixed-maturity securities as of September 30, 2024 and December 31, 2023, respectively.

Investment Income

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

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Income:				
Fixed-maturity securities	\$ 1,172,023	\$ 1,245,353	\$ 3,511,243	\$ 3,982,573
Equity securities	144,950	187,018	467,588	540,788
Cash and cash equivalents	385,809	98,763	1,074,000	171,015
Other	-	-	39,227	-
Total	1,702,782	1,531,134	5,092,058	4,694,376
Expenses:				
Investment expenses	53,109	86,774	174,929	257,168
Net investment income	<u>\$ 1,649,673</u>	<u>\$ 1,444,360</u>	<u>\$ 4,917,129</u>	<u>\$ 4,437,208</u>

Redemptions of fixed-maturity securities held-to-maturity were \$ — and \$ 750,000 for the nine months ended September 30, 2024 and 2023.

Proceeds from the sale or maturity of fixed-maturity securities available-for-sale were \$ 113,854,152 and \$ 33,453,349 for the nine months ended September 30, 2024 and 2023, respectively.

Proceeds from the sale of equity securities were \$ 4,410,859 and \$ 99,917 for the nine months ended September 30, 2024 and 2023, respectively.

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

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Realized Gains (Losses)				
Fixed-maturity securities:				
Gross realized gains	\$ 157	\$ 263	\$ 962	\$ 1,207
Gross realized losses	(4,096)	(4,444)	(12,430)	(18,408)
	(3,939)	(4,181)	(11,468)	(17,201)
Equity securities:				
Gross realized gains	369,877	-	374,997	-
Gross realized losses	-	-	(423,367)	-
	369,877	-	(48,370)	-
Net realized gains (losses)	365,938	(4,181)	(59,838)	(17,201)
Unrealized Gains (Losses)				
Equity Securities:				
Gross gains	669,059	-	1,291,933	173,178
Gross losses	(314,816)	(483,967)	(314,816)	-
	354,243	(483,967)	977,117	173,178
Other Investments:				
Gross gains	106,341	-	402,028	441,666
Gross losses	-	(336,222)	-	-
	106,341	(336,222)	402,028	441,666
Net unrealized gains (losses)	460,584	(820,189)	1,379,145	614,844
Net gains (losses) on investments	\$ 826,522	\$ (824,370)	\$ 1,319,307	\$ 597,643

Allowance for Credit Loss

For available-for-sale fixed maturity securities, a credit loss exists if the present value of cash flows expected to be collected is less than the amortized cost basis. The allowance for credit losses related to available-for-sale fixed maturity securities is the difference between the present value of cash flows expected to be collected and the amortized cost basis, limited by the amount that the fair value is less than the amortized cost basis. The Company considers all available evidence when determining whether an investment requires a credit loss write-down or allowance to be recorded, which is recognized in net loss through an allowance for credit losses. Any remaining decline in fair value represents the noncredit portion of the impairment, which is recognized in other comprehensive income (loss).

The Company did not identify any available-for-sale securities as of September 30, 2024 and December 31, 2023 which presented a risk of loss due to credit deterioration of the security.

As of September 30, 2024 and December 31, 2023, there were 142 and 140 fixed-maturity securities, respectively, that accounted for the gross unrealized losses. The Company determined that none of the unrealized losses were deemed to be

credit losses for its portfolio of investments for the nine months ended September 30, 2024 and 2023. Significant factors influencing the Company's determination that unrealized losses were temporary included credit quality considerations, the magnitude of the unrealized losses in relation to each security's cost, the nature of the investment and interest rate environment factors, 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.

The Company held available-for-sale securities with unrealized losses representing declines that were considered temporary at September 30, 2024 as follows:

Category	September 30, 2024							
	Less than 12 months			12 months or more			Total	
	Estimated Fair Value	Unrealized Losses	No. of Positions Held	Estimated Fair Value	Unrealized Losses	No. of Positions Held	Estimated Fair Value	Unrealized Losses
Available-for-Sale Securities:								
U.S. Treasury securities and obligations of U.S. government corporations and agencies	\$ -	\$ -	-	\$ 5,997,060	(2,128)	1	\$ 5,997,060	\$ (2,128)
Political subdivisions of States, Territories and Possessions	-	-	-	13,889,291	(2,610,572)	12	13,889,291	(2,610,572)
Corporate and other bonds industrial and miscellaneous	17,557,547	(49,276)	18	63,278,931	(3,854,059)	74	80,836,478	(3,903,335)
Residential mortgage and other asset backed securities	8,405	(136)	1	37,008,025	(5,097,373)	36	37,016,430	(5,097,509)
Total fixed-maturity securities	\$ 17,565,952	\$ (49,412)	19	\$ 120,173,307	\$ (11,564,132)	123	\$ 137,739,259	\$ (11,613,544)

The Company held available-for-sale securities with unrealized losses representing declines that were considered temporary at December 31, 2023 as follows:

Category	December 31, 2023							
	Less than 12 months			12 months or more			Total	
	Estimated	Unrealized	No. of	Estimated	Unrealized	No. of	Estimated	Unrealized
	Fair Value	Losses	Positions Held	Fair Value	Losses	Positions Held	Fair Value	Losses
Available-for-Sale Securities:								
U.S. Treasury securities and obligations of U.S. government corporations and agencies	\$ 5,974,440	\$ (17,373)	1	\$ -	-	-	\$ 5,974,440	\$ (17,373)
Political subdivisions of States, Territories and Possessions	-	-	-	13,398,552	(3,209,161)	13	13,398,552	(3,209,161)
Corporate and other bonds industrial and miscellaneous	-	-	-	70,107,746	(5,885,296)	85	70,107,746	(5,885,296)
Residential mortgage and other asset backed securities	88,988	(2,144)	4	38,675,604	(6,541,731)	37	38,764,592	(6,543,875)
Total fixed-maturity securities	<u>\$ 6,063,428</u>	<u>\$ (19,517)</u>	<u>5</u>	<u>\$ 122,181,902</u>	<u>\$ (15,636,188)</u>	<u>135</u>	<u>\$ 128,245,330</u>	<u>\$ (15,655,705)</u>

Note 4 - Fair Value Measurements

The following table presents information about the Company's investments that are measured at fair value on a recurring basis at September 30, 2024 and December 31, 2023 indicating the level of the fair value hierarchy of the valuation inputs the Company utilized to determine such fair value:

	September 30, 2024			
	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	\$ 5,997,060	\$ -	\$ -	\$ 5,997,060
Political subdivisions of States, Territories and Possessions	-	13,889,290	-	13,889,290
Corporate and other bonds industrial and miscellaneous	103,783,847	-	-	103,783,847
Residential mortgage and other asset backed securities	-	41,788,148	-	41,788,148
Total fixed maturities	109,780,907	55,677,438	-	165,458,345
Equity securities	11,280,228	-	-	11,280,228
Total investments, at fair value	<u>\$ 121,061,135</u>	<u>\$ 55,677,438</u>	<u>\$ -</u>	<u>\$ 176,738,573</u>
	December 31, 2023			
	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	\$ 20,939,190	\$ -	\$ -	\$ 20,939,190
Political subdivisions of States, Territories and Possessions	-	13,398,552	-	13,398,552
Corporate and other bonds industrial and miscellaneous	70,107,746	-	-	70,107,746
Residential mortgage and other asset backed securities	-	44,475,309	-	44,475,309
Total fixed maturities	91,046,936	57,873,861	-	148,920,797
Equity securities	14,762,340	-	-	14,762,340
Total investments, at fair value	<u>\$ 105,809,276</u>	<u>\$ 57,873,861</u>	<u>\$ -</u>	<u>\$ 163,683,137</u>

The following table sets forth the Company's investment in a hedge fund measured at Net Asset Value ("NAV") per share as of September 30, 2024 and December 31, 2023. 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	September 30, 2024	December 31, 2023
Other Investments		
Hedge fund	\$ 4,299,178	\$ 3,897,150

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 condensed consolidated statements of operations and comprehensive income (loss) within net gains on investments.

The estimated fair value and the level of the fair value hierarchy of the Company's 2024 Notes and 2022 Notes as of September 30, 2024 and December 31, 2023 not measured at fair value is as follows:

	September 30, 2024			
	Level 1	Level 2	Level 3	Total
Debt				
13.75 % Senior Notes due 2026	\$ -	\$ 11,200,181	\$ -	\$ 11,200,181

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Debt				
12.0 % Senior Notes due 2024	\$ -	\$ 17,812,500	\$ -	\$ 17,812,500

Note 5 - Fair Value of Financial Instruments and Real Estate

The estimated fair values of the Company's financial instruments and real estate, including their fair value level as of September 30, 2024 and December 31, 2023 are as follows:

	September 30, 2024		December 31, 2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Fixed-maturity securities held-to- maturity, Level 1	\$ 7,048,662	\$ 6,278,968	\$ 7,052,541	\$ 6,106,148
Fixed-maturity securities available-for-sale, Level 1	\$ 109,780,907	\$ 109,780,907	\$ 91,046,936	\$ 91,046,936
Fixed-maturity securities available-for-sale, Level 2	\$ 55,677,438	\$ 55,677,438	\$ 57,873,861	\$ 57,873,861
Cash and cash equivalents, Level 1	\$ 33,760,798	\$ 33,760,798	\$ 8,976,998	\$ 8,976,998
Premiums receivable, net, Level 1	\$ 17,601,417	\$ 17,601,417	\$ 13,604,808	\$ 13,604,808
Reinsurance receivables, net, Level 3	\$ 65,746,827	\$ 65,746,827	\$ 75,593,912	\$ 75,593,912
Real estate, net of accumulated depreciation, Level 3	\$ 1,941,671	\$ 3,540,000	\$ 1,992,529	\$ 3,540,000
Reinsurance balances payable, Level 3	\$ 9,866,555	\$ 9,866,555	\$ 12,837,140	\$ 12,837,140

Note 6 – Property and Casualty Insurance Activity
Premiums Earned

Premiums written, ceded and earned are as follows:

	Direct	Assumed	Ceded	Net
Nine months ended September 30, 2024				
Premiums written	\$ 169,446,603	\$ -	\$ (69,381,336)	\$ 100,065,267
Change in unearned premiums	(14,353,242)	-	6,818,683	(7,534,559)
Premiums earned	<u>\$ 155,093,361</u>	<u>\$ -</u>	<u>\$ (62,562,653)</u>	<u>\$ 92,530,708</u>
Nine months ended September 30, 2023				
Premiums written	\$ 147,236,636	\$ -	\$ (75,963,569)	\$ 71,273,067
Change in unearned premiums	4,331,226	-	10,097,174	14,428,400
Premiums earned	<u>\$ 151,567,862</u>	<u>\$ -</u>	<u>\$ (65,866,395)</u>	<u>\$ 85,701,467</u>
Three months ended September 30, 2024				
Premiums written	\$ 66,626,664	\$ -	\$ (46,081,473)	\$ 20,545,191
Change in unearned premiums	(12,540,101)	-	25,402,104	12,862,003
Premiums earned	<u>\$ 54,086,563</u>	<u>\$ -</u>	<u>\$ (20,679,369)</u>	<u>\$ 33,407,194</u>
Three months ended September 30, 2023				
Premiums written	\$ 51,992,246	\$ -	\$ (48,316,946)	\$ 3,675,300
Change in unearned premiums	(1,246,657)	-	25,509,675	24,263,018
Premiums earned	<u>\$ 50,745,589</u>	<u>\$ -</u>	<u>\$ (22,807,271)</u>	<u>\$ 27,938,318</u>

Premium receipts in advance of the policy effective date are recorded as advance premiums. The balance of advance premiums as of September 30, 2024 and December 31, 2023 was \$ 5,307,223 and \$ 3,797,590 , respectively.

Loss and Loss Adjustment Expense Reserves

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

	Nine months ended September 30,	
	2024	2023
Balance at beginning of period	\$ 121,817,862	\$ 118,339,513
Less reinsurance recoverables	(33,288,650)	(27,659,500)
Net balance, beginning of period	88,529,212	90,680,013
Incurred related to:		
Current year	46,762,530	66,568,985
Prior years	(1,637,038)	(16,420)
Total incurred	45,125,492	66,552,565
Paid related to:		
Current year	24,507,023	37,932,760
Prior years	21,353,578	29,928,162
Total paid	45,860,601	67,860,922
Net balance at end of period	87,794,103	89,371,656
Add reinsurance recoverables	29,048,348	32,303,291
Balance at end of period	\$ 116,842,451	\$ 121,674,947

Incurred losses and LAE are presented net of reinsurance recoveries under reinsurance contracts of \$ 13,744,230 and \$ 34,019,370 for the nine months ended September 30, 2024 and 2023, respectively.

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 nine months ended September 30, 2024 and 2023 was \$ 1,637,038 favorable and \$ 16,420 favorable, respectively. Management, on a quarterly basis, performs a review of open liability claims to assess carried case and incurred but not reported ("IBNR") reserve levels, giving consideration to both Company and industry trends.

Loss and LAE Reserves

The reserving process for loss and LAE reserves provides for the Company's best estimate at a particular point in time of the ultimate unpaid cost of all losses and LAE incurred, including settlement and administration of losses, and is based on facts and circumstances then known including losses that have occurred but that have not yet been reported. The process relies on standard actuarial reserving methodologies, judgments relative to estimates of ultimate 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.

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 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 September 30, 2021 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.

The following is information about incurred and paid claims development as of September 30, 2024, net of reinsurance, as well as the cumulative reported claims by accident year and total IBNR reserves as of September 30, 2024 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, 2015 to December 31, 2023 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 September 30, 2024		
Accident Year	For the Years Ended December 31,										IBNR	Cumulative	
	2015	2016	2017	2018	2019	2020	2021	2022	2023	Nine Months Ended September 30, 2024		Number of Reported Claims by Accident Year	
(Unaudited 2015 - 2023)										(Unaudited)			
2015	\$ 22,340	\$ 21,994	\$ 22,148	\$ 22,491	\$ 23,386	\$ 23,291	\$ 23,528	\$ 23,533	\$ 23,428	\$ 23,506	\$ 300		2,559
2016		26,062	24,941	24,789	27,887	27,966	27,417	27,352	27,271	27,281	121		2,882
2017			31,605	32,169	35,304	36,160	36,532	36,502	36,819	37,201	246		3,401
2018				54,455	56,351	58,441	59,404	61,237	61,145	61,381	930		4,237
2019					75,092	72,368	71,544	71,964	73,310	73,900	1,436		4,507
2020						63,083	62,833	63,217	63,562	63,677	1,078		5,892
2021							96,425	96,673	96,134	96,365	3,056		5,827
2022								79,835	78,759	78,931	5,312		4,706
2023									78,978	74,170	12,761		4,068
2024										42,089	11,852		2,396
Total										\$ 578,500			

All Lines of Business
(in thousands)

	Cumulative Paid Loss and Allocated Loss Adjustment Expenses, Net of Reinsurance										Nine Months Ended September 30, 2024
	For the Years Ended December 31,										
Accident Year	2015	2016	2017	2018	2019	2020	2021	2022	2023		
	(Unaudited 2015 - 2023)										
2015	\$ 12,295	\$ 16,181	\$ 18,266	\$ 19,984	\$ 21,067	\$ 22,104	\$ 22,318	\$ 22,473	\$ 22,519	\$ 22,539	
2016		15,364	19,001	21,106	23,974	25,234	25,750	26,382	26,854	26,806	
2017			16,704	24,820	28,693	31,393	32,529	33,522	34,683	34,990	
2018				32,383	44,516	50,553	52,025	54,424	56,199	56,867	
2019					40,933	54,897	58,055	60,374	63,932	65,602	
2020						39,045	50,719	53,432	56,523	59,081	
2021							56,282	77,756	82,317	84,987	
2022								45,856	65,732	67,834	
2023									46,280	56,139	
2024										21,671	
									Total	\$ 496,516	
Net liability for unpaid loss and allocated loss adjustment expenses for the accident years presented										\$ 81,985	
All outstanding liabilities before 2015, net of reinsurance										976	
Liabilities for loss and allocated loss adjustment expenses, net of reinsurance										\$ 82,960	

(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 loss development tables to the loss and LAE reserves in the condensed 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 September 30, 2024
Liabilities for allocated loss and loss adjustment expenses, net of reinsurance	\$ 82,960
Total reinsurance recoverable on unpaid losses	29,048
Unallocated loss adjustment expenses	4,834
Total gross liability for loss and LAE reserves	<u>\$ 116,842</u>

Reinsurance

Effective December 31, 2021, the Company entered into a 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 ("2021/2023 Treaty"). Upon the expiration of the 2021/2023 Treaty on January 1, 2023, the Company entered into a new 30 % quota share reinsurance treaty for its personal lines business, covering the period from January 1, 2023 through January 1, 2024 ("2023/2024 Treaty"). Upon the expiration of the 2023/2024 Treaty on January 1, 2024, the

Company entered into a new 27 % quota share reinsurance treaty for its personal lines business, covering the period from January 1, 2024 through January 1, 2025 ("2024/2025 Treaty").

The Company's excess of loss and catastrophe reinsurance treaties expired on June 30, 2024 and the Company entered into new excess of loss and catastrophe reinsurance treaties effective July 1, 2024. Effective January 1, 2022, the Company entered into an underlying excess of loss reinsurance treaty ("Underlying XOL Treaty") covering the period from January 1, 2022 through January 1, 2023. The treaty provided 50 % reinsurance coverage for losses of \$ 400,000 in excess of \$ 600,000 . Losses from named storms are excluded from the treaty. Effective January 1, 2023, the Underlying XOL Treaty was renewed covering the period from January 1, 2023 through January 1, 2024. Effective January 1, 2024, the Underlying XOL Treaty was renewed covering the period from January 1, 2024 through January 1, 2025. Material terms for reinsurance treaties in effect for the treaty years shown below are as follows:

Line of Business	Treaty Period						
	2024/2025 Treaty			2023/2024 Treaty		2021/2023 Treaty	
	January 2,	July 1,	January 1,	July 1,	January 1,	July 1,	December 31,
	2025	2024	2024	2023	2023	2022	2021
	to	to	to	to	to	to	to
	June 30,	January 1,	June 30,	January 1	June 30,	January 1,	June 30,
	2025	2025	2024	2024	2023	2023	2022

Personal Lines:

Homeowners, dwelling fire and canine legal liability							
Quota share treaty: Percent ceded (7)	(6)	27 %	27 %	30 %	30 %	30 %	30 %
Risk retained on initial \$1,000,000 of losses (5)							
(6) (7)	\$ 1,000,000	\$ 730,000	\$ 730,000	\$ 700,000	\$ 700,000	\$ 700,000	\$ 700,000
Losses per occurrence subject to quota share reinsurance coverage	(6)	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Expiration date	(6)	January 1, 2025	January 1, 2025	January 1, 2024	January 1, 2024	January 1, 2023	January 1, 2023
Excess of loss coverage and facultative facility coverage (1) (5) (6)	\$ 8,000,000	\$ 8,400,000	\$ 8,400,000	\$ 8,400,000	\$ 8,400,000	\$ 8,400,000	\$ 8,400,000
	in excess of	in excess of	in excess of	in excess of	in excess of	in excess of	in excess of
	\$ 1,000,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000
Total reinsurance coverage per occurrence (5)							
(6)	\$ 8,000,000	\$ 8,470,000	\$ 8,470,000	\$ 8,500,000	\$ 8,500,000	\$ 8,500,000	\$ 8,500,000
Losses per occurrence subject to reinsurance coverage (6)	\$ 9,000,000	\$ 9,000,000	\$ 9,000,000	\$ 9,000,000	\$ 9,000,000	\$ 9,000,000	\$ 9,000,000
Expiration date (6)	June 30, 2025	June 30, 2025	June 30, 2024	June 30, 2024	June 30, 2023	June 30, 2023	June 30, 2022

Catastrophe Reinsurance:

Initial loss subject to personal lines quota share treaty (6)	(6)	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000
Risk retained per catastrophe occurrence (6) (7)							
(8) (9)	5,000,000	4,750,000	\$ 9,500,000	\$ 8,750,000	\$ 8,750,000	\$ 7,400,000	\$ 7,400,000
Catastrophe loss coverage in excess of quota share coverage (2) (6)	\$ 275,000,000	\$ 275,000,000	\$ 315,000,000	\$ 315,000,000	\$ 335,000,000	\$ 335,000,000	\$ 490,000,000
Reinstatement premium protection (3) (4)	Yes	Yes	Yes	Yes	Yes	Yes	Yes

- (1) For personal lines, includes the addition of an automatic facultative facility allowing KICO to obtain homeowners single risk coverage up to \$ 9,000,000 in total insured value, which covers direct losses from \$ 3,500,000 to \$ 9,000,000 through June 30, 2025.
- (2) 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.
- (3) For the period July 1, 2022 through June 30, 2023, reinstatement premium protection for \$ 12,500,000 of catastrophe coverage in excess of \$ 10,000,000 . For the period July 1, 2023 through June 30, 2024, reinstatement premium protection for \$ 50,000,000 of catastrophe coverage in excess of \$ 10,000,000 .

- (4) For the period July 1, 2024 through June 30, 2025 (expiration date of the catastrophe reinsurance treaty), reinstatement premium protection for \$ 10,500,000 of catastrophe coverage in excess of \$ 10,000,000 .
- (5) For the period January 1, 2022 through January 1, 2025, Underlying XOL Treaty provides 50 % reinsurance coverage for losses of \$ 400,000 in excess of \$ 600,000 . Excludes losses from named storms. Reduces retention to \$ 500,000 from \$ 700,000 under the 2021/2023 Treaty and 2023/2024 Treaty. Reduces retention to \$ 530,000 from \$ 730,000 under the 2024/2025 Treaty. After the expiration of the Underlying XOL Treaty and 2024/2025 Treaty on January 1, 2025, retention will be \$ 1,000,000 .
- (6) Personal lines quota share (homeowners, dwelling fire and canine liability) and underlying excess of loss reinsurance will expire on January 1, 2025, with none of these coverages to be in effect during the period from January 2, 2025 through June 30, 2025. Reinsurance coverage in effect from January 2, 2025 through June 30, 2025 is only for excess of loss and catastrophe reinsurance treaties.
- (7) For the 2021/2023 Treaty, 4 % of the 30 % total of losses ceded under this treaty are excluded from a named catastrophe event. For the 2023/2024 Treaty, 17.5 % of the 30 % total of losses ceded under this treaty are excluded from a named catastrophe event. For the 2024/2025 Treaty, 22 % of the 27 % total of losses ceded under this treaty are excluded from a named catastrophe event.
- (8) Plus losses in excess of catastrophe coverage.
- (9) For the period October 1, 2024 through April 30, 2025, additional catastrophe reinsurance treaty will provide coverage for winter storm losses of \$ 4,500,000 in excess of \$ 5,500,000 . Retention for winter storms under this treaty is \$ 4,800,000 .

Line of Business	Treaty Year		
	July 1, 2024 to June 30, 2025	July 1, 2023 to June 30, 2024	July 1, 2022 to June 30, 2023
<u>Personal Lines:</u>			
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 %	95 %
Risk retained	\$ 300,000	\$ 300,000	\$ 300,000
Total reinsurance coverage per occurrence	\$ 4,700,000	\$ 4,700,000	\$ 4,700,000
Losses per occurrence subject to quota share reinsurance coverage	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000
Expiration date	June 30, 2025	June 30, 2024	June 30, 2023

Commercial Lines (1)

- (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.

Ceding Commission Revenue

The Company earned ceding commission revenue under the 2024/2025 Treaty for the nine months ended September 30, 2024, and under the 2023/2024 Treaty for the nine months ended September 30, 2023, based on a fixed provisional

commission rate at which provisional ceding commissions are earned. The Company earned ceding commission revenue under its quota share reinsurance agreements that expired prior to the 2021/2023 Treaty based on: (i) a fixed provisional commission rate at which provisional ceding commissions were earned, and (ii) under certain of the quota share reinsurance agreements, 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 increase when the estimated ultimate loss ratio decreases and, conversely, the commission rate and contingent ceding commissions earned decrease when the estimated ultimate loss ratio increases.

Ceding commission revenue consists of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Provisional ceding commissions earned	\$ 4,742,557	\$ 4,992,312	\$ 13,859,795	\$ 15,733,145
Contingent ceding commissions earned	(881)	544,015	10,953	660,799
	<u>\$ 4,741,676</u>	<u>\$ 5,536,327</u>	<u>\$ 13,870,748</u>	<u>\$ 16,393,944</u>

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 September 30, 2024 and December 31, 2023, net contingent ceding commissions payable to reinsurers under all treaties was approximately \$ 724,000 and \$ 3,302,000 , respectively, which is recorded in reinsurance balances payable on the accompanying condensed consolidated balance sheets.

Expected Credit Losses – Uncollectible Reinsurance

The Company reviews reinsurance receivables which relate to both amounts already billed on ceded paid losses as well as ceded reserves that will be billed when losses are paid in the future. The Company has not recorded an allowance for uncollectible reinsurance as there is no perceived credit risk. The principal credit quality indicator used in the valuation of the allowance on reinsurance receivables is the financial strength rating of the reinsurer sourced from major rating agencies. Changes in the allowance are presented as a component of other underwriting expenses on the condensed consolidated statements of operations and comprehensive income (loss).

Note 7 – Debt

Federal Home Loan Bank

In July 2017, KICO became a member of, and invested in, the FHLBNY. KICO is required to maintain an investment in the 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 September 30, 2024 and December 31, 2023, 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. On July 6, 2023, A.M. Best withdrew KICO's ratings as KICO requested to no longer participate in A.M. Best's interactive rating process. As a result of the withdrawal of A.M. Best ratings, KICO is currently only able to borrow on an overnight basis. If KICO has sufficient available collateral (as discussed below), based on KICO's net admitted assets, the maximum allowable advance as of September 30, 2024 and December 31, 2023 was approximately \$ 12,907,000 and \$ 12,813,000 , respectively. Available collateral as of September 30, 2024 and December 31, 2023 was approximately \$ 10,944,000 and \$ 11,412,000 , respectively. Advances are limited to 85% of the amount of available collateral. There were no borrowings under this facility during the nine months ended September 30, 2024 and 2023.

Debt

Debt as of September 30, 2024 and December 31, 2023 consists of the following:

	September 30, 2024	December 31, 2023
13.75 % Senior Notes due 2026, net	\$ 11,339,350	\$ —
12.0 % Senior Notes due 2024, net	—	18,426,247
Equipment financing	5,958,237	6,817,283
Balance at end of period	<u>\$ 17,297,587</u>	<u>\$ 25,243,530</u>

Exchange Agreements

On December 9, 2022, the Company entered into a Note and Warrant Exchange Agreement (the “2022 Exchange Agreement”) with several holders (the “2022 Exchanging Noteholders”) of the Company’s outstanding 5.50 % Senior Notes due 2022 (the “2017 Notes”). On the date of the 2022 Exchange Agreement, the 2022 Exchanging Noteholders held 2017 Notes in the aggregate principal amount of \$ 21,545,000 of the \$ 30,000,000 aggregate principal amount of the 2017 Notes then outstanding. Pursuant to the 2022 Exchange Agreement, on December 15, 2022, the 2022 Exchanging Noteholders exchanged their respective 2017 Notes for the following: (i) new 12.0 % Senior Notes due December 30, 2024 of the Company in the aggregate principal amount of \$ 19,950,000 (the “2022 Notes”); (ii) cash in the aggregate amount of \$ 1,595,000 , together with accrued interest on the 2017 Notes; and (iii) three-year warrants for the purchase of an aggregate of 969,525 shares of Common Stock of the Company, exercisable until December 30, 2025 at an exercise price of \$ 1.00 per share (the “Warrants”). The remaining \$ 8,455,000 principal amount of the 2017 Notes, together with accrued interest thereon, was paid on the maturity date of the 2017 Notes of December 30, 2022.

On August 30, 2024, the Company entered into a Note Exchange Agreement (the “2024 Exchange Agreement”) with the holders (the “2024 Exchanging Noteholders”) of the Company’s outstanding 2022 Notes in the aggregate principal amount of \$ 19,950,000 . Pursuant to the 2024 Exchange Agreement, on September 12, 2024, the 2024 Exchanging Noteholders exchanged their respective 2022 Notes for the following: (i) new 13.75 % Senior Notes due June 30, 2026 of the Company in the aggregate principal amount of \$ 14,950,000 (the “2024 Notes”); and (ii) cash in the aggregate amount of \$ 5,000,000 , together with accrued interest on the 2022 Notes. See “2024 Notes” below for a discussion of a change in the expiration date of the Warrants.

The Company analyzed the 2024 Exchange Agreement under ASC 470–50 Debt—Modifications and Extinguishments. The Company determined that extinguishment accounting was applicable, as the present value of the cash flows of the 2024 Notes differed by more than 10% from the 2022 Notes, making it a substantial change in terms. As a result, the 2022 Notes have been derecognized and the 2024 Notes recorded at fair value. No gain or loss was recognized on the 2024 Exchange. Unamortized debt issue costs of \$ 296,533 related to extinguished debt were expensed at the time the 2022 Notes were extinguished and recorded as loss on extinguishment of debt in the condensed consolidated statements of operations and comprehensive income (loss) within other operating expenses. Fees paid to third parties of \$ 203,381 have been capitalized and are being amortized as debt issuance costs associated with the 2024 Notes.

2024 Notes

As discussed above, on September 12, 2024, the Company issued the 2024 Notes in the aggregate principal amount of \$ 14,950,000 pursuant to the 2024 Exchange Agreement. Interest is payable semi-annually in arrears on June 30 and December 30 of each year at the rate of 13.75 % per annum. Pursuant to the 2024 Exchange Agreement, the expiration date of the Warrants to purchase 969,525 shares of Common Stock of the Company was extended to June 30, 2026 from

December 30, 2025 (see Note 8 – Stockholders' Equity) and transaction costs were \$ 203,381 , for an effective yield of 14.35 % per annum. The balance of the 2024 Notes as of September 30, 2024 and December 31, 2023 is as follows:

	September 30, 2024	December 31, 2023
13.75 % Senior Notes due 2026	\$ 11,950,000	\$ —
Warrants	(411,999)	—
Issuance costs	(198,651)	—
2024 Notes, net	<u>\$ 11,339,350</u>	<u>\$ —</u>

The 2024 Exchange Agreement provides for mandatory prepayments of principal. The 2024 Exchange Agreement provides for a first mandatory pro rata partial prepayment of principal on the 2024 Notes in the aggregate amount of \$ 3,000,000 on June 30, 2025, less the principal amount of any optional prepayments of the 2024 Note made prior to June 30, 2025, pursuant to the 2024 Exchange Agreement. The Company made optional prepayments of \$ 3,000,000 on September 30, 2024 and \$ 2,000,000 on November 13, 2024 (see Subsequent Events - Note 13), and accordingly, has satisfied its obligation to make the mandatory prepayment of principal of \$ 3,000,000 due on June 30, 2025. The 2024 Exchange Agreement provides for a second mandatory pro rata partial prepayment of principal on the 2024 Notes in the aggregate amount of \$ 3,000,000 on December 30, 2025, less the principal amount of (i) any optional prepayments of the 2024 Notes made from June 30, 2025 to December 29, 2025 pursuant to the 2024 Note Exchange Agreement and (ii) any optional prepayments of the 2024 Notes in excess of \$ 3,000,000 made prior to June 30, 2025 pursuant to 2024 Note Exchange Agreement. Based on the November 13, 2024 optional prepayment of principal of \$ 2,000,000 , the Company's mandatory prepayment of principal obligation on December 30, 2025 has been reduced to \$ 1,000,000 . Each prepayment of principal shall also include accrued and unpaid interest thereon.

The 2024 Notes are unsecured obligations of the Company and are not the obligations of or guaranteed by any of the Company's subsidiaries. The 2024 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 2024 Notes. The Notes rank equally in right of payment to all of the Company's existing and future senior indebtedness, but are effectively subordinated to any secured indebtedness to the extent of the value of the collateral securing such secured indebtedness. In addition, the 2024 Notes are structurally subordinated to the indebtedness and other obligations of the Company's subsidiaries.

The 2024 Notes are redeemable, at the Company's option, in whole or in part, at any time or in part from time to time, on and after September 12, 2024, upon not less than fifteen (15) and not more than sixty (60) days' notice, equal to 100.0 % of the principal amount of the 2024 Notes, plus, in each case, accrued and unpaid interest, if any, to the date of redemption subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

As of the end of each calendar quarter, commencing with the calendar quarter ending September 30, 2024, the Company is subject to a leverage maintenance test ("Leverage Maintenance Test"), which requires that the Total Consolidated Indebtedness (as defined below) of the Company not be greater than 30 % of Total Consolidated Capitalization (as defined below). As of September 30, 2024 and December 31, 2023, the ratio as defined under the Leverage Maintenance Test was 14.8 % and 29.9 %, respectively. "Total Consolidated Indebtedness" is the aggregate principal amount (or accreted value in the case of any Indebtedness issued with more than de minimis original issue discount) of all outstanding long-term debt of the Company except for the sale-leaseback transaction described below under "Equipment Financing", any refinancing or any future sale-leaseback transaction. "Total Consolidated Capitalization" is the amount equal to the sum of (x) Total Consolidated Indebtedness outstanding as of such date and (y) the total consolidated shareholders' equity of the Company, excluding accumulated other comprehensive (loss) income, as recorded on the Company's consolidated balance sheet.

2022 Notes

As discussed above, on December 15, 2022, the Company issued the 2022 Notes in the aggregate principal amount of \$ 19,950,000 pursuant to the 2022 Exchange Agreement. Interest was payable semi-annually in arrears on June 30 and December 30 of each year, which commenced on June 30, 2023 at the rate of 12.0 % per annum. Warrants were issued with a fair value of \$ 993,200 (see Note 8 – Stockholders' Equity) and transaction costs were \$ 1,758,112 , for an effective yield

of 13.92 % per annum. As discussed above, the 2022 Notes were satisfied pursuant to the 2024 Exchange Agreement. The balance of the 2022 Notes as of September 30, 2024 and December 31, 2023 is as follows:

	September 30, 2024	December 31, 2023
12.0 % Senior Notes due 2024	\$ —	\$ 19,950,000
Warrants	—	(653,123)
Issuance costs	—	(870,630)
2022 Notes, net	\$ —	\$ 18,426,247

The 2022 Exchange Agreement provided for a mandatory redemption of the 2022 Notes on December 30, 2023, in an amount such that the aggregate principal amount of the 2022 Notes to be redeemed plus accrued and unpaid interest thereon was to be equal to the amount by which the maximum Ordinary Dividend Paying Capacity of KICO (as defined below) measured as of December 15, 2023 exceeded the Company's Holding Company Expenses (as defined below) for the calendar year ended December 31, 2023. "Ordinary Dividend Paying Capacity" means the sum, as measured on December 15, 2023, of (i) the maximum allowable amount of dividends that KICO is permitted to pay without seeking any regulatory approval in accordance with New York insurance regulations based on its statutory annual and quarterly financial statements filed with the National Association of Insurance Commissioners as of and for the thirty-six (36) month period ended September 30, 2023 plus (ii) any dividends paid by KICO to the Company during the period beginning January 1, 2023 and ending September 30, 2023. "Holding Company Expenses" means the sum of (i) cash interest expense paid during the calendar year ended December 31, 2023 on the 2022 Notes, intercompany loans and any other indebtedness of the holding company on a stand-alone basis and (ii) other cash operating expenses, including taxes, paid by the holding company during the calendar year ended December 31, 2023. The amount of other operating expenses paid in cash in the preceding clause (ii) shall not exceed \$ 2.5 million. Holding Company Expenses was determined based on the actual Holding Company Expenses for the nine months ended September 30, 2023, and an estimate of Holding Company Expenses for the three months ended December 30, 2023. The Ordinary Dividend Paying Capacity of KICO as defined above as of December 31, 2023 was zero and, accordingly, the Company was not required to make a mandatory redemption of the 2022 Notes on December 30, 2023.

The 2022 Notes were unsecured obligations of the Company and were not the obligations of or guaranteed by any of the Company's subsidiaries. The 2022 Notes ranked 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 2022 Notes. The 2022 Notes ranked equally in right of payment to all of the Company's existing and future senior indebtedness, but were effectively subordinated to any secured indebtedness to the extent of the value of the collateral securing such secured indebtedness. In addition, the 2022 Notes were structurally subordinated to the indebtedness and other obligations of the Company's subsidiaries.

The 2022 Notes were redeemable, at the Company's option, in whole or in part, at any time or in part from time to time, on and after December 30, 2022, upon not less than fifteen (15) and not more than sixty (60) days' notice, at the following redemption prices ("Redemption Prices") (expressed as percentages of the principal amount thereof) if redeemed during the respective period set forth below, plus, in each case, accrued and unpaid interest, if any, to the date of redemption (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date):

Period:	Percentage
December 30, 2022 to December 29, 2023	102.00 %
December 30, 2023 to September 29, 2024	101.00 %
September 30, 2024 to December 29, 2024	100.00 %

As of the end of each calendar quarter, commencing with the calendar quarter ending December 31, 2022, the Company was subject to a leverage maintenance test ("Leverage Maintenance Test"), which required that the Total Consolidated Indebtedness of the Company not be greater than 30 % of Total Consolidated Capitalization. As of December 31, 2023, the ratio as defined under the Leverage Maintenance Test was 29.9 %.

Equipment Financing

On October 27, 2022, KICO entered into a sale-leaseback transaction, whereby KICO sold \$ 8,096,824 of fixed assets to a bank. Under GAAP, the sale-leaseback transaction is recorded as equipment financing ("Financing"). The provisions of the Financing require KICO to pay a monthly payment of principal and interest at the rate of 5.86 % per annum totaling \$ 126,877 for a term of 60 months, which commenced on October 27, 2022. The terms of the Financing provide buyout options to KICO at the end of the 60 month term, which are as follows:

- At the end of the lease, KICO may purchase the fixed assets for a purchase price of \$ 2,024,206 , which is 25 % of the original fixed asset cost of \$ 8,096,824 ; or
- KICO may renew the lease for 16 months at the same rental rate, which totals \$ 2,030,036 .

A provision of the Financing requires KICO to pledge collateral for the lease obligation. As of September 30, 2024 and December 31, 2023, the amount of required collateral was approximately \$ 5,731,000 and \$ 6,999,000 , respectively. As of September 30, 2024, the fair value of KICO's pledged collateral was approximately \$ 5,997,000 in United States Treasury securities. As of December 31, 2023, the fair value of KICO's pledged collateral was approximately \$ 11,960,000 in United States Treasury securities.

Future contractual payment obligations under the Financing as of September 30, 2024 are as follows:

For the Years Ending December 31,	Total
Remainder of 2024	\$ 294,816
2025	1,223,293
2026	1,296,901
2027	1,119,021
	3,934,031
2027 purchase price	2,024,206
Total	\$ 5,958,237

Note 8 – Stockholders' Equity

Dividends Declared and Paid

On November 11, 2022, the Company's Board of Directors determined to suspend regular quarterly dividends. Future dividend policy will be subject to the discretion of the Company's Board of Directors.

2014 Equity Participation Plan

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 . On August 9, 2023, the Company's stockholders approved an amendment to the 2014 Plan to increase the maximum number of shares of Common Stock of the Company that are authorized to be issued pursuant to the 2014 Plan to 1,900,000 . The 2014 Plan terminated on August 12, 2024 and no further awards may be granted under the 2014 Plan after such date.

2024 Equity Participation Plan

Effective August 7, 2024, the Company adopted the 2024 Equity Participation Plan (the "2024 Plan"). pursuant to which a maximum of 1,000,000 shares of Common Stock of the Company are authorized to be issued pursuant to the grant of incentive stock options, non-statutory stock options, stock appreciation rights, and stock bonus awards. Incentive stock options granted under the 2024 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 2024 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 2024 Plan, subject to the provisions of the 2024 Plan. The 2024 Plan terminates on May 10, 2034 and no further awards may be granted under the 2024 Plan after such date.

As of September 30, 2024, there were no grants issued under the 2024 Plan.

Stock Options

The results of operations for the three months ended September 30, 2024 and 2023 include stock-based compensation expense for stock options totaling approximately \$ 53,000 and \$- 0 -, respectively. The results of operations for the nine months ended September 30, 2024 and 2023 include stock-based compensation expense for stock options totaling approximately \$ 159,000 and \$- 0 -, respectively, which is included in other operating expenses on the accompanying condensed consolidated statements of operations and comprehensive income (loss). Stock-based compensation expense related to stock options for the nine months ended September 30, 2024 is net of estimated forfeitures of approximately 12 %. Such amounts have been included in the condensed consolidated statements of operations and comprehensive income (loss) within other operating expenses.

The weighted average estimated fair value of stock options granted during the nine months ended September 30, 2024 was \$ 1.24 per share. No options were granted during the nine months ended September 30, 2023. The fair value of stock options at the grant date was estimated using the Black-Scholes option-pricing model. 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.

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

	Nine months ended September 30,	
	2024	2023
Dividend Yield	0.00 %	n/a
Volatility	74.72 %	n/a
Risk-Free Interest Rate	4.17 %	n/a
Expected Life	3.50 years	n/a

A summary of stock option activity under the Company's 2014 Plan for the nine months ended September 30, 2024 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, 2024	107,201	\$ 8.31	0.94	\$ -
Granted	318,750	\$ 2.25	4.34	\$ 2,199,375
Exercised	(50,000)	\$ 8.72	-	\$ 25,000
Expired/Forfeited	(46,250)	\$ 2.25	4.67	\$ 112,238
Outstanding at September 30, 2024	329,701	\$ 3.24	3.56	\$ 1,948,716
Vested and Exercisable at September 30, 2024	57,201	\$ 7.95	0.32	\$ 68,466

The aggregate intrinsic value of options outstanding and options exercisable at September 30, 2024 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 \$ 9.15 closing price of the Company's Common Stock on September 30, 2024. The total intrinsic value of options when forfeited are determined as of the date of forfeiture. The total intrinsic value of options when expired are determined as of the date of expiration.

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").

The Company received 35,248 shares from the exercise of options under a Share Exchange for the purchase of 37,269 shares of Common Stock during the three and nine months ended September 30, 2024. Such shares received under the Share Exchange have been included in the condensed consolidated balance sheets within treasury stock. The remaining 12,731 options exercised during the three and nine months ended September 30, 2024 were Net Exercises, resulting in the issuance of 690 shares of Common Stock. No options were exercised during the three and nine months ended September 30, 2023.

As of September 30, 2024, the estimated fair value of unamortized compensation cost related to 272,500 unvested stock option awards was approximately \$ 132,000 . Unamortized compensation cost as of September 30, 2024 is expected to be recognized over a remaining weighted-average vesting period of 2.27 years.

Restricted Stock Awards

A summary of the restricted Common Stock activity under the 2014 Plan for nine months ended September 30, 2024 is as follows:

Restricted Stock Awards	Shares	Weighted Average Grant Date Fair Value per Share	Aggregate Fair Value
Balance at January 1, 2024	550,581	\$ 3.82	\$ 2,103,219
Granted	178,459	\$ 2.33	\$ 416,211
Vested	(446,044)	\$ 4.16	\$ (1,855,543)
Forfeited	(2,000)	\$ 4.80	\$ (9,600)
Balance at September 30, 2024	280,996	\$ 2.33	\$ 654,721

Fair value was calculated using the closing price of the Company's Common Stock on the grant date. For the three months ended September 30, 2024 and 2023, stock-based compensation for these grants was approximately \$ 306,000 and \$ 207,000 , respectively, which is included in other operating expenses on the accompanying condensed consolidated statements of operations and comprehensive income (loss). For the nine months ended September 30, 2024 and 2023, stock-based compensation for these grants was approximately \$ 747,000 and \$ 636,000 , respectively, which is included in other operating expenses on the accompanying condensed 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.

Warrants

In connection with the 2022 Exchange Agreement (see Note 7 – Debt – “Exchange Agreements”), as additional consideration, on December 15, 2022, the Company issued warrants (the “Warrants”) to the 2022 Exchanging Noteholders to purchase 969,525 shares of Common Stock. Pursuant to the 2024 Exchange Agreement, the expiration date of the Warrants was extended to June 30, 2026 from December 30, 2025. The fair value of the Warrants, using the Black-Scholes valuation formula, was \$ 993,200 , which has been capitalized as a deferred financing cost of the 2022 Notes and the 2024 Notes. The fair value of the Warrants is being amortized over the life of the Warrants, which is 36.5 months through September 12, 2024 and effective as of such date, the unamortized balance is being amortized over the extended life of the Warrants, which is now 21.5 months.

In accordance with ASC 815-40-35 - Derivatives and Hedging – Subsequent Measurement, the effect of a modification or an exchange shall be measured as the difference between the fair value of the modified or exchanged instrument and the fair value of that instrument immediately before it is modified or exchanged. The Company calculated the respective fair values and determined the difference was immaterial.

The Warrants are exercisable through June 30, 2026 at an exercise price of \$ 1.00 per share. Holders of the Warrants may exercise their outstanding Warrants in cash, or, 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 Warrants being exercised (“Net Exercise”).

During the three and nine months ended September 30, 2024, Holders exercised 67,500 Warrants under Net Exercises, resulting in the issuance of 60,557 shares of Common Stock. No Warrants were exercised during the three and nine months ended September 30, 2023. As of September 30, 2024, Warrants for the purchase of an aggregate of 902,025 shares of Common Stock were outstanding.

No warrants were granted during the nine months ended September 30, 2024 and 2023.

Shelf Registration

On April 5, 2024, the Company filed a shelf registration statement on Form S-3 with the SEC under the Securities Act of 1933, as amended, with regard to the registration of \$ 50,000,000 of its equity and debt securities (the “Shelf Registration Statement”). The Shelf Registration Statement was declared effective by the SEC on April 22, 2024. Any offering made

pursuant to the Shelf Registration Statement may only be made by means of a prospectus, including a prospectus supplement, forming a part of the effective Shelf Registration Statement, relating to the offering.

At-the-Market Offering

In May 2024, the Company entered into a Sales Agreement with Janney Montgomery Scott LLC (the "Sales Agent") under which the Company currently has the ability to issue and sell shares of its Common Stock, from time to time, through the Sales Agent, pursuant to the Shelf Registration Statement, up to an aggregate offering price of approximately \$ 16,400,000 in what is commonly referred to as an "at-the-market" ("ATM") program. During the three months ended September 30, 2024, the Company sold 1,079,601 shares of its Common Stock at a weighted average price of \$ 8.48 per share and raised \$ 8,897,908 in net proceeds under the ATM program. During the nine months ended September 30, 2024, the Company sold 1,135,710 shares of its Common Stock at a weighted average price of \$ 8.30 per share and raised \$ 9,066,098 in net proceeds under the ATM program. As of September 30, 2024, the Company had remaining capacity to sell up to an additional \$ 6,973,231 of Common Stock under the ATM program.

Note 9 – 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.

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:

	September 30, 2024	December 31, 2023
Deferred tax asset:		
Net operating loss carryovers (1)	\$ 2,793,622	\$ 5,283,016
Claims reserve discount	1,207,972	1,204,334
Unearned premium	3,122,458	2,742,603
Deferred ceding commission revenue	2,160,080	1,986,782
Net unrealized losses on securities	2,090,726	3,357,463
Other	276,461	1,153,903
Total deferred tax assets	11,651,319	15,728,101
Deferred tax liability:		
Investment in KICO (2)	759,543	759,543
Deferred acquisition costs	4,588,997	4,158,538
Intangibles	105,000	105,000
Depreciation and amortization	194,946	153,201
Total deferred tax liabilities	5,648,486	5,176,282
Net deferred income tax asset	\$ 6,002,833	\$ 10,551,819

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

Type of NOL	September 30, 2024	December 31, 2023	Expiration
Federal only, NOL from 2022-2023	\$ 2,793,622	\$ 5,283,016	None
State only (A)	2,989,431	2,560,372	December 2027 - December 2044
Valuation allowance	(2,989,431)	(2,560,372)	
State only, net of valuation allowance	-	-	
Total deferred tax asset from net operating loss carryovers	<u>\$ 2,793,622</u>	<u>\$ 5,283,016</u>	

- (A) Kingstone generates operating losses for state purposes and has prior year NOLs available. The state NOL as of September 30, 2024 and December 31, 2023 was approximately \$ 45,991,249 and \$ 39,390,000 , 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 condensed consolidated statements of operations and comprehensive income (loss) 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 2044.

- (2) Deferred tax liability – Investment in KICO

On July 1, 2009, the Company completed the acquisition of 100 % of the issued and outstanding common stock of KICO (formerly known as Commercial Mutual Insurance Company ("CMIC")) pursuant to the conversion of CMIC from an advance premium cooperative to a stock property and casualty insurance company. Pursuant to the plan of conversion, the Company acquired a 100 % equity interest in KICO, in consideration for the exchange of \$ 3,750,000 principal amount of surplus notes of CMIC. In addition, the Company forgave all accrued and unpaid interest on the surplus notes as of the date of conversion. As of the date of acquisition, unpaid accrued interest on the surplus notes along with the accretion of the discount on the original purchase of the surplus notes totaled \$ 2,921,319 (together "Untaxed Interest"). As of the date of acquisition, the deferred tax liability on the Untaxed Interest was \$ 1,169,000 . A temporary difference with an indefinite life exists when the parent 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.

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

The Company had no material unrecognized tax benefit and no adjustments to liabilities or operations were required. There were no interest or penalties related to income taxes that have been accrued or recognized as of and for the nine months ended September 30, 2024 and 2023. If any had been recognized these would have been reported in income tax expense.

Generally, taxing authorities may examine the Company's tax returns for the three years from the date of filing. The Company's tax returns for the years ended December 31, 2021 through December 31, 2023 remain subject to examination.

Note 10 – Earnings (Loss) Per Common Share

Basic net earnings (loss) per common share is computed by dividing net income (loss) by the weighted-average number of shares of Common Stock outstanding. Diluted earnings (loss) per common share reflects, in periods in which it has a dilutive effect, the impact of common shares issuable upon exercise of stock options and warrants as well as non-vested restricted stock awards. The computation of diluted earnings (loss) per common share excludes those options and warrants with an exercise price in excess of the average market price of the Company's Common Stock during the periods presented. For the three months and nine months ended September 30, 2024, there were - 0 - and 61,270 options with an exercise price in excess of the average market price of the Company's Common Stock during the periods. For the three months and nine months ended September 30, 2024, there were no warrants with an exercise price in excess of the average market price of the Company's Common Stock during the periods.

The computation of diluted earnings (loss) per common share excludes outstanding options, warrants and non-vested restricted stock awards in periods where the exercise of such options and warrants or vesting of such restricted stock awards would be anti-dilutive. For the three months and nine months ended September 30, 2023, no options, warrants or restricted stock awards were included in the computation of diluted 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 loss per common share has not been adjusted for the effect of such options, warrants and non-vested restricted stock awards.

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

	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Weighted average number of shares outstanding	11,404,360	10,756,156	11,142,043	10,754,709
Effect of dilutive securities, common share equivalents:				
Stock options	182,607	-	159,900	-
Warrants	752,619	-	731,520	-
Restricted stock awards	241,542	-	216,113	-
Weighted average number of shares outstanding, used for computing diluted earnings (loss) per share	<u>12,581,128</u>	<u>10,756,156</u>	<u>12,249,576</u>	<u>10,754,709</u>

Note 11 - 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 Lease

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.

The Company was a party to a non-cancellable operating lease, dated March 27, 2015, for its office facility for KICO located in Valley Stream, New York, which expired on March 31, 2024. The lease was not renewed.

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

Lease cost	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Operating lease	\$ -	\$ 41,342	\$ 41,342	\$ 124,026
Total lease cost	\$ -	\$ 41,342	\$ 41,342	\$ 124,026
Other information on operating leases				
Cash payments included in the measurement of lease liability reported in operating cash flows	\$ -	\$ 49,145	\$ 49,145	\$ 96,629
Discount rate	-	5.50 %	5.50 %	5.50 %
Remaining lease term in years	-	0.50	-	0.50

Rent expense for the three months ended September 30, 2024 and 2023 amounted to \$-0- and \$ 41,342, respectively, and is included in the accompanying condensed consolidated statements of operations and comprehensive income (loss) within other underwriting expenses. Rent expense for the nine months ended September 30, 2024 and 2023 amounted to \$ 41,342 and \$ 124,026, respectively, and is included in the accompanying condensed consolidated statements of operations and comprehensive income (loss) within other underwriting expenses.

Employment Agreements

Meryl Golden, President and Chief Executive Officer; formerly Chief Operating Officer

Employment Agreement effective as of January 1, 2021

On September 16, 2019, the Company and Meryl Golden entered into an employment agreement (the "Golden Employment Agreement") pursuant to which Ms. Golden served as the Company's Chief Operating Officer. Ms. Golden also served 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 expired on December 31, 2022.

Pursuant to the Golden Employment Agreement, Ms. Golden was entitled to receive an annual salary of \$ 500,000. The Golden Employment Agreement also provided 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 vested 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. Pursuant to the Golden Employment Agreement, as amended, in each of January 2021 and January 2022, Ms. Golden was granted 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. Pursuant to the 2014 Plan, Ms. Golden's outstanding stock options and restricted stock awards will vest in the event of a change in control of the Company.

Employment Agreement effective as of January 1, 2023

On June 27, 2022, the Company and Ms. Golden entered into a second amended and restated employment agreement which took effect as of January 1, 2023, and expires on December 31, 2024 (the "Second Amended Golden Employment Agreement").

Pursuant to the Second Amended Golden Employment Agreement, Ms. Golden is entitled to receive an annual base salary of \$ 500,000 and an annual bonus equal to 3 % 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 1.25 times her base salary. In addition, pursuant to the Second Amended Golden Employment Agreement, Ms. Golden was granted, under the terms of the 2014 Plan, during each of January 2023 and January 2024, 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 2023, Ms. Golden was granted 101,111 shares of restricted stock pursuant to this provision. The 2023 grant will vest with respect to one-half of the award on the

first anniversary of the grant date and one-half of the award on December 31, 2024, based on the continued provision of services through such dates. In January 2024, Ms. Golden was granted 64,085 shares of restricted stock pursuant to this provision. The 2024 grant will vest on January 2, 2025, based on the continued provision of services through such date. Further, pursuant to the Second Amended Golden Employment Agreement, Ms. Golden would be entitled to receive, under certain circumstances, a payment equal to 1.5 times her then annual base salary and her accrued bonus in the event of the termination of her employment within 18 months following a change of control of the Company.

Effective as of October 1, 2023, Ms. Golden was appointed to the position of President and Chief Executive Officer of the Company to succeed Mr. Goldstein.

Employment Agreement to be effective as of January 1, 2025

On April 15, 2024, the Company and Ms. Golden entered into a third amended and restated employment agreement (the "Third Amended Golden Employment Agreement"). The Third Amended Golden Employment Agreement is effective as of January 1, 2025 and extends the expiration date of the Second Amended Golden Employment Agreement currently in effect for Ms. Golden from December 31, 2024 to December 31, 2026. Pursuant to the Third Amended Golden Employment Agreement, Ms. Golden will be entitled to receive an annual base salary of \$ 550,000 (increased from \$ 500,000 currently in effect) and an annual bonus equal to 3 % 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 1.25 times her base annual salary (the same as currently in effect). Pursuant to the Third Amended Golden Employment Agreement (and as provided for in the Second Amended Golden Employment Agreement), in the event that Ms. Golden's employment is terminated by the Company without cause or she resigns for good reason (each as defined in the Third Amended Golden Employment Agreement), Ms. Golden would be entitled to receive her base salary and the 3 % bonus for the remainder of the term. Ms. Golden would be entitled, under certain circumstances, to a payment equal to 1.5 times her then annual salary and her accrued 3 % bonus in the event of the termination of her employment following a change of control of the Company (also as is provided for in the Second Amended Golden Employment Agreement). Pursuant to the Third Amended Golden Employment Agreement, Ms. Golden will be entitled to receive, under certain circumstances, a grant, during each of January 2025 and January 2026, of 40,000 shares of restricted stock. The 2025 grant will become vested with respect to one-half of the award on the first anniversary of the grant date and one-half on December 31, 2026. The 2026 grant will become vested on the first anniversary of the grant date. The above grants are generally consistent with the grants provided for in the Second Amended Golden Employment Agreement. In the event that the Company is precluded from making a grant to Ms. Golden in either 2025 or 2026, she would instead be entitled to a cash bonus of \$ 136,500 for such year.

Barry Goldstein, formerly Executive Chairman of the Board, President and Chief Executive Officer (retired effective September 10, 2024)

Upon Mr. Goldstein's retirement on September 10, 2024, the balance of his previously unvested shares became fully vested.

Note 12 – Employee Benefit Plans

Bonus Plans

Employee Bonus Plan

For the three months ended September 30, 2024, the Company accrued approximately \$ 873,000 related to an employee bonus plan, of which \$ 199,000 is allocated and recorded in loss and LAE, and \$ 674,000 is recorded in other underwriting expenses on the accompanying condensed consolidated statements of operations and comprehensive income (loss). For the nine months ended September 30, 2024 the Company accrued approximately \$ 1,457,000 related to an employee bonus plan, of which \$ 332,000 is allocated and recorded in loss and LAE, and \$ 1,125,000 is recorded in other underwriting expenses on the accompanying condensed consolidated statements of operations and comprehensive income (loss). For the three months and nine months ended September 30, 2023 the Company did not accrue for, or pay, bonuses related to an employee bonus plan.

Executive Bonus Plan

For the three months ended September 30, 2024, the Company accrued approximately \$ 205,000 for a bonus pursuant to the Second Amended Golden Employment Agreement, of which \$ 290,000 is recorded in other underwriting expenses, and \$(85,000) is recorded in other operating expenses on the accompanying condensed consolidated statements of operations and comprehensive income (loss). For the nine months ended September 30, 2024, the Company accrued approximately \$ 322,000 for a bonus pursuant to the Second Amended Golden Employment Agreement, of which \$ 290,000 is recorded in other underwriting expenses, and \$ 32,000 is recorded in other operating expenses on the accompanying condensed consolidated statements of operations and comprehensive income (loss). For the three months and nine months ended September 30, 2023 the Company did not accrue for, or pay, bonuses related to the Second Amended Golden Employment Agreement.

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 \$ 74,000 and \$ 90,000 , respectively, of expense for the three months ended September 30, 2024 and 2023, related to the 401(k) Plan, which is recorded in other underwriting expenses on the accompanying condensed consolidated statements of operations and comprehensive income (loss). The Company incurred approximately \$ 212,000 and \$ 249,000 , respectively, of expense for the nine months ended September 30, 2024 and 2023, related to the 401(k) Plan, which is recorded in other underwriting expenses on the accompanying condensed consolidated statements of operations and comprehensive income (loss).

Deferred Compensation Plan

On June 18, 2018, the Company adopted the Kingstone Companies, Inc. Deferred Compensation Plan (the "Deferred Compensation Plan"). Effective December 22, 2022, the Company terminated the Deferred Compensation Plan. The assets of the Deferred Compensation Plan were liquidated in September 2024, by making payments to Participants in full satisfaction of their interest in the Deferred Compensation Plan.

The deferred compensation liability as of September 30, 2024 and December 31, 2023 amounted to \$ 0 and \$ 937,025 , respectively, and is recorded in accounts payable, accrued expenses and other liabilities in the accompanying consolidated balance sheets.

Note 13 – Subsequent Events

The Company has evaluated events that occurred subsequent to September 30, 2024 through the date these condensed consolidated financial statements were issued for matters that required disclosure or adjustment in these condensed consolidated financial statements.

Reinsurance

Effective October 1, 2024, the Company entered into an additional catastrophe reinsurance treaty covering winter storms. The treaty covers winter storm losses of \$ 5,500,000 in excess of \$ 4,500,000 from October 1, 2024 through April 30, 2025. See Note 6 – Property and Casualty Insurance Activity - "Reinsurance".

Debt - 2024 Notes

On November 13, 2024, the Company made an optional prepayment of \$ 2,000,000 on the 2024 Notes. See Note 7 – Debt.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

We offer property and casualty insurance products through our wholly-owned subsidiary, Kingstone Insurance Company ("KICO"). KICO is a New York domiciled carrier writing business through retail and wholesale agents and brokers. KICO is actively writing personal lines and commercial auto insurance in New York, and in 2023 was the 15th largest writer of homeowners insurance in New York. KICO is also licensed in the states of New Jersey, Rhode Island, Massachusetts, Connecticut, Pennsylvania, New Hampshire, and Maine. For the three months ended September 30, 2024 and 2023 respectively, 96.3% and 88.5% of KICO's direct written premiums came from the New York policies. For the nine months ended September 30, 2024 and 2023 respectively, 95.6% and 88.1% of KICO's direct written premiums came from the New York policies. We refer to our New York business as our "Core" business and the business outside of New York as our "non-Core" business.

In addition, our subsidiary, Cosi Agency, Inc. ("Cosi"), a multi-state licensed general agency, 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. Cosi-related operating expenses are minimal and are included in other operating expenses.

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.

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

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 these lines 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 September 30, 2024 and December 31, 2023, there were no commercial liability policies in-force. As of September 30, 2024, these expired policies represent approximately 14.9% 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 GAAP and Non-GAAP Measures

We utilize the following key GAAP and non-GAAP measures in analyzing the results of our insurance underwriting business. See "Non-GAAP Financial Measures" for a reconciliation of the below non-GAAP measures to the most directly comparable GAAP measure:

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.

Underlying loss ratio: The underlying loss ratio is a non-GAAP ratio, which is computed as the difference between GAAP net loss ratio and the effect of prior year loss reserve development and catastrophes losses. Management believes that this ratio is useful to investors, and it is used by management to reveal the trends in our business that may be obscured by prior year loss reserve development and catastrophe losses. Catastrophe losses cause our loss ratios to vary significantly between periods as a result of their incidence of occurrence and magnitude and can have a significant impact on the net loss ratio. Management believes that this measure is useful for investors to evaluate this component separately when reviewing our underwriting performance. The most directly comparable GAAP measure is the net loss ratio. The underlying loss ratio should not be considered a substitute for the net loss ratio and does not reflect our net loss ratio.

Net loss ratio excluding the effect of catastrophes: Net loss ratio excluding the effect of catastrophes is a non-GAAP ratio, which is computed as the difference between GAAP net loss ratio and the effect of catastrophes on the net loss ratio. Management believes that this ratio is useful to investors, and it is used by management to reveal the trends in our business that may be obscured by catastrophe losses. Catastrophe losses cause our net loss ratios to vary significantly between periods as a result of their incidence of occurrence and magnitude and can have a significant impact on the net loss ratio. Management believes that this measure is useful for investors to evaluate this component separately when reviewing our underwriting performance. The most directly comparable GAAP measure is the net loss ratio. The net loss ratio excluding the effect of catastrophes should not be considered a substitute for the net loss ratio and does not reflect our net loss ratio.

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 underwriting expense ratio excluding the effect of catastrophes: Net underwriting expense ratio excluding the effect of catastrophes is a non-GAAP ratio, which is computed as the difference between GAAP net underwriting expense ratio and the effect of catastrophes on the net underwriting expense ratio. Management believes that this ratio is useful to investors, and it is used by management to reveal the trends in our business that may be obscured by catastrophe losses. Catastrophe losses cause our net underwriting expense ratios to vary significantly between periods as a result of their incidence of occurrence and magnitude and can have a significant impact on the underwriting expense ratio. Management believes that this measure is useful for investors to evaluate this component separately when reviewing our underwriting performance. The most directly comparable GAAP measure is the net underwriting expense ratio. The net underwriting expense ratio excluding the effect of catastrophes should not be considered a substitute for the net underwriting expense ratio and does not reflect our net underwriting expense ratio.

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.

Net combined ratio excluding the effect of catastrophes: Net combined ratio excluding the effect of catastrophes is a non-GAAP ratio, which is computed as the difference between GAAP combined ratio and the effect of catastrophes on the net combined ratio. Management believes that this ratio is useful to investors, and it is used by management to reveal

the trends in our business that may be obscured by catastrophe losses. Catastrophe losses cause our net combined ratios to vary significantly between periods as a result of their incidence of occurrence and magnitude and can have a significant impact on the net combined ratio. Management believes that this measure is useful for investors to evaluate this component separately when reviewing our underwriting performance. The most directly comparable GAAP measure is the net combined ratio. The net combined ratio excluding the effect of catastrophes should not be considered a substitute for the net combined ratio and does not reflect our net combined ratio.

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.

Net income (loss) from insurance underwriting business on a standalone basis : Net income (loss) from insurance underwriting business on a standalone basis is a non-GAAP measure, which is computed as GAAP net income (loss) without the effect of holding company operations on GAAP net income (loss). Management believes that this measure is useful to investors, and it is used by management to reveal the trends in our insurance underwriting business that may be obscured by holding company operations. Holding company operations cause our GAAP net income (loss) to vary significantly between periods as a result of their magnitude and can have a significant impact on GAAP net income (loss). Management believes that this measure is useful for investors to evaluate this component separately when reviewing our underwriting performance. The most directly comparable GAAP measure is GAAP net income (loss). Net income (loss) from insurance underwriting business on a standalone basis should not be considered a substitute for GAAP net income (loss) and does not reflect our GAAP net income (loss).

Critical Accounting Estimates

Our condensed 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 condensed consolidated financial statements and related notes. In preparing these condensed 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 condensed 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.

See below a description of these critical accounting estimates. Also see Note 2 to the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2023.

Loss and Loss Adjustment Expense Reserves

Property and casualty loss and loss adjustment expense ("LAE") reserves are established to provide for the estimated cost of settling both reported ("case") and incurred but not reported ("IBNR") claims and claims adjusting expenses. The liability for these reserves is estimated on an undiscounted basis, using individual case-basis valuations and paid claims, pending claims, statistical analyses and various actuarial reserving methodologies. Due to the inherent uncertainty of the reserve process, actual loss costs could vary significantly compared to estimated loss costs. The below table provides detail of our reserves as of September 30, 2024 and December 31, 2023:

(\$ in thousands)	As of September 30, 2024			As of December 31, 2023		
	Gross	Ceded	Net	Gross	Ceded	Net
Case loss	\$ 54,648	\$ 13,755	\$ 40,893	\$ 67,108	\$ 19,538	\$ 47,570
Case LAE	6,189	1,214	4,975	5,726	1,121	4,605
IBNR loss	40,895	11,483	29,412	37,262	10,665	26,597
IBNR LAE	15,110	2,597	12,513	11,722	1,965	9,757
Total	\$ 116,842	\$ 29,049	\$ 87,794	\$ 121,818	\$ 33,289	\$ 88,529

(Components may not sum due to rounding)

Case Reserves – Reserves for reported losses are based on an estimate of ultimate loss costs of an individual claim derived from individual case-basis valuations, actual claims paid, pending claims, statistical analyses and various actuarial reserving methodologies.

IBNR Reserves – IBNR reserves are estimates of claims that have occurred but as to which we have not yet been notified to establish the case reserve. IBNR is determined using historical information aggregated by line of insurance and adjusted to current conditions.

Reinsurance

We purchase reinsurance to manage our underwriting risk on certain policies. Reinsurance receivables represent management's best estimate of loss and LAE recoverable from reinsurers. Reinsurance receivables are estimated using the same methodologies as loss and LAE reserves. Changes in the methods and assumptions used could result in significant variances between actual and estimated losses.

Deferred Income Taxes

Our effective tax rate is based on GAAP income at statutory tax rates, adjusted for non-taxable and non-deductible items, and tax credits. Changes in estimates used in preparing the condensed consolidated statements of operations and comprehensive income (loss) could result in significant changes to our deferred tax asset or liability.

Deferred tax assets or liabilities are recognized for estimated future tax consequences which result in differences between the financial statement carrying amounts of assets and liabilities and their respective tax basis. These assets and liabilities are carried at the enacted tax rates expected to apply when the asset or liability is expected to be recovered or settled. Changes in estimates and assumptions in the condensed consolidated statements of operations and comprehensive income (loss), or changes in the enacted tax rate, could result in significant variances between our carried deferred tax and tax recognized on the recovery or settlement of the asset or liability.

Investments

Bonds are classified as held-to-maturity ("HTM") or available-for-sale ("AFS"), and stocks are generally classified as AFS. Investments classified as HTM are carried at amortized cost, which requires very little judgement. Investments classified as AFS are generally carried at fair value with an unrealized gain/loss recorded in income. Actual results could vary significantly from the fair values recognized in the condensed consolidated statements of operations and comprehensive income (loss).

Kingstone 2.0 (completed), Kingstone 3.0 (underway), and Change in Market Dynamics (underway)

Beginning in the fourth quarter of 2019, a series of strategic initiatives, coined “Kingstone 2.0”, were commenced to modernize our company. The pillars of the new strategy were as follows:

1. Strengthened the management team by adding highly qualified professionals with deep domain experience and diverse backgrounds;
2. Reduced expenses and increased efficiency by embracing technology, including converting to a new policy management system, retiring multiple legacy systems and starting up a new claims system, among other technology initiatives;
3. Developed and implemented a new, more highly segmented product suite (Kingstone Select) which better matches rate to risk using advanced analytics and an abundance of data; and
4. Better managed our catastrophe exposure in order to reduce loss cost and the growth rate of our probable maximum loss (“PML”) in order to mitigate the impact of the then emerging “hard market” in catastrophe reinsurance.

We announced the substantive completion of Kingstone 2.0 in late 2022 and embarked on a new strategy to optimize our in-force business, which we coined as “Kingstone 3.0”. The four pillars of this strategy entail:

1. Aggressively reducing the non-Core book of business, which has had a disproportionately negative impact on underwriting results, by stopping new business, culling the agent base, reducing commissions, or other means, subject to regulatory constraints. We have been aggressively reducing policy count. Our request to withdraw from the state of New Jersey was acknowledged in October 2023 and all remaining policies will be non-renewed over a two year period starting January 1, 2024. As of September 30, 2024, our non-Core policy count was down by 58.8% compared to September 30, 2023;
2. Adjusting pricing to stay ahead of loss trends, including inflation, by filing the maximum annual rate change that can be supported in each state and product and ensuring all policyholders are insured to value. Inflation has been a dominant headwind that is showing signs of stabilizing. We have been cognizant that inflation's impact on loss costs places added pressure on premiums and, as such, we have been more frequent and aggressive with our rate change requests. Similarly, home replacement values reflect that same inflationary pressure. In September 2023, we completed our first cycle of valuation adjustments, making sure that all homes were insured to value. As a result, we have seen a rise in premiums attributable to the heightened replacement costs. All policies are renewed at the most current replacement cost. Overall average written premium for our legacy Core homeowners policies for the last 12 months, reflecting both rate and replacement cost changes, increased by 24.5%;
3. Tightly managing reinsurance requirements and costs, using risk selection and other underwriting capabilities to manage the growth rate of our PML. We needed to contain our exposure to spiking reinsurance pricing. We did so and were able to reduce the required limit to be purchased while maintaining our same risk tolerance. We used all the tools available to us to limit new business that was deemed to be too expensive and at the same time re-underwrote the book to cull those risks which presented the greatest risk; and
4. Continuing expense reduction focus with a goal of reducing the net underwriting expense ratio to 29% by year-end 2024. For the year ended December 31, 2023, we achieved our goal of 33%, with a net underwriting expense ratio of 32.9%. For the nine months ended September 30, 2024, the net underwriting expense ratio was 31.9%, a reduction of 1.1 points compared to the nine months ended September 30, 2023 but higher than our goal due to a higher accrual for employee bonuses and contingent commissions for producers to reflect greater profitability than originally projected.

We believe that the above actions taken resulted in our return to profitability for the three months and nine months ended September 30, 2024, will continue to have the intended effect and will continue through the remainder 2024 to result in a return to annual profitability.

On August 2, 2024, two large competitors announced a plan to wind down their personal lines operations in New York State and to non-renew or mid-term cancel their entire book of business before year end 2024. The policyholders of such competitors will need to find alternative coverage. In the quarter ended September 30, 2024, we are seeing a sizable increase in our policies in force and direct written premiums from these non-renewed and cancelled policies. We refer to this new business as a Change in Market Dynamics.

See the tables below for our Core and non-Core business for policies in force as of September 30, 2024 and 2023 and direct written premiums for the three months and nine months ended September 30, 2024 and 2023. For the three months ended September 30, 2024, our Core direct written premiums increased by 39.4% compared to the three months ended September 30, 2023, while Core policies in force increased by 1.2% as of September 30, 2024 as compared to September 30, 2023. For the same periods, our non-Core policies in force decreased by 58.8% and non-Core direct written premiums also decreased by 58.8%.

For the nine months ended September 30, 2024, our Core direct written premiums increased by 25.0% compared to the nine months ended September 30, 2023, while Core policies in force increased by 1.2% as of September 30, 2024 as compared to September 30, 2023. For the same periods, our non-Core policies in force decreased by 58.8% and non-Core direct written premiums decreased by 58.0%.

	As of September 30,			
	2024	2023	Change	Percent
Policies In Force, as of end of Period				
Core	69,347	68,498	849	1.2 %
Non-Core	5,540	13,457	(7,917)	(58.8) %
Total policies in force	74,887	81,955	(7,068)	(8.6) %

(000's except percentages)	Three months ended September 30,				Nine months ended September 30,			
	2024	2023	Change	Percent	2024	2023	Change	Percent
Direct written premiums								
Core	\$ 64,170	\$ 46,026	\$ 18,144	39.4 %	\$ 162,063	\$ 129,665	\$ 32,398	25.0 %
Non-Core	2,457	5,966	(3,509)	(58.8) %	7,384	17,572	(10,188)	(58.0) %
Total direct written premiums	\$ 66,627	\$ 51,992	\$ 14,635	28.1 %	\$ 169,447	\$ 147,237	\$ 22,210	15.1 %

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

See the tables below comparing the quarterly trends and changes from our Core and non-Core business for policies in force and direct written premiums from December 31, 2023 through September 30, 2024. For the three months ended September 30, 2024, our Core direct written premiums increased by 25.1% compared to the three months ended June 30, 2024, while Core policies in force increased by 3.6% as of September 30, 2024. For the same period, our non-Core direct written premiums increased by 12.2% compared to the three months ended June 30, 2024, while non-Core policies in force decreased by 24.2% as of September 30, 2024.

(000's except percentages)	September 30, 2024	Sequential Change	June 30, 2024	Sequential Change	December 31, 2023
Policies In Force, as of end of Period					
Core	69,347	3.6 %	66,934	-0.9 %	67,575
Non-Core	5,540	-24.2 %	7,306	-32.5 %	10,823
Total policies in force	74,887	0.9 %	74,240	-5.3 %	78,398

(000's except percentages)	Three months ended				
	September 30, 2024	Sequential Change	June 30, 2024	Sequential Change	December 31, 2023
Direct written premiums					
Core	\$ 64,170	25.1 %	\$ 51,306	9.1 %	\$ 47,027
Non-Core	2,457	12.2 %	2,190	-63.0 %	5,911
Total direct written premiums	\$ 66,627	24.5 %	\$ 53,495	1.1 %	\$ 52,938

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

Consolidated Results of Operations

Nine Months Ended September 30, 2024 Compared to Nine Months Ended September 30, 2023

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

(\$ in thousands)	Nine months ended September 30,			
	2024	2023	Change	Percent
Revenues				
Direct written premiums	\$ 169,447	\$ 147,237	\$ 22,210	15.1 %
Assumed written premiums	-	-	-	na%
	169,447	147,237	22,210	15.1 %
Ceded written premiums				
Ceded to quota share treaties (1)	35,209	38,832	(3,623)	(9.3) %
Ceded to excess of loss treaties	4,491	3,861	630	16.3 %
Ceded to catastrophe treaties	29,682	33,271	(3,589)	(10.8) %
Total ceded written premiums	69,381	75,964	(6,582)	(8.7) %
Net written premiums	100,065	71,273	28,792	40.4 %
Change in unearned premiums				
Direct and assumed	(14,353)	4,331	(18,684)	na%
Ceded to reinsurance treaties (1)	6,819	10,097	(3,278)	(32.5) %
Change in net unearned premiums	(7,535)	14,428	(21,963)	152.2 %
Premiums earned				
Direct and assumed	155,094	151,568	3,526	2.3 %
Ceded to reinsurance treaties	(62,562)	(65,866)	3,304	5.0 %
Net premiums earned	92,531	85,701	6,830	8.0 %
Ceding commission revenue (1)	13,871	16,394	(2,523)	(15.4) %
Net investment income	4,917	4,437	480	10.8 %
Net gains on investments	1,319	598	721	120.6 %
Other income	401	454	(53)	(11.7) %
Total revenues	113,039	107,584	5,455	5.1 %
Expenses				
Loss and loss adjustment expenses				
Direct and assumed:				
Loss and loss adjustment expenses excluding the effect of catastrophes	55,481	89,826	(34,345)	(38.2) %
Losses from catastrophes (2)	3,389	10,746	(7,357)	(68.5) %
Total direct and assumed loss and loss adjustment expenses	58,870	100,572	(41,702)	(41.5) %
Ceded loss and loss adjustment expenses:				
Loss and loss adjustment expenses excluding the effect of catastrophes	12,809	30,558	(17,749)	(58.1) %
Losses from catastrophes (2)	935	3,461	(2,526)	(73.0) %
Total ceded loss and loss adjustment expenses	13,744	34,019	(20,275)	(59.6) %
Net loss and loss adjustment expenses:				
Loss and loss adjustment expenses excluding the effect of catastrophes	42,672	59,268	(16,596)	(28.0) %
Losses from catastrophes (2)	2,454	7,285	(4,831)	(66.3) %
Net loss and loss adjustment expenses	45,125	66,553	(21,428)	(32.2) %
Commission expense	25,089	25,221	(132)	(0.5) %
Other underwriting expenses	18,676	19,874	(1,198)	(6.0) %
Other operating expenses	2,821	1,868	953	51.0 %
Depreciation and amortization	1,836	2,328	(492)	(21.1) %
Interest expense	2,884	3,005	(121)	(4.0) %
Total expenses	96,430	118,848	(22,418)	(18.9) %
Income (loss) before taxes	16,609	(11,264)	27,873	na%
Income tax expense (benefit)	3,689	(2,149)	5,838	na%
Net income (loss)	\$ 12,920	\$ (9,114)	\$ 22,034	na%

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

- (1) For the nine months ended September 30, 2023, our personal lines business was subject to a 30% quota share treaty, expiring on January 1, 2024, which included a runoff of an 8.5% portion through the remainder of 2023. Effective January 1, 2024, we entered into a 27% personal lines quota share treaty, which includes a runoff of a 3.0% portion through the end of 2024.
- (2) The nine months ended September 30, 2024 and 2023 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.

	Nine months ended September 30,			
	2024	2023	Percentage Point Change	Percent Change
Key ratios:				
Net loss ratio	48.8 %	77.7 %	(28.9)	(37.2)%
Net underwriting expense ratio	31.9 %	33.0 %	(1.1)	(3.3)%
Net combined ratio	80.7 %	110.7 %	(30.0)	(27.1)%

Direct Written Premiums

Direct written premiums during the nine months ended September 30, 2024 ("Nine Months 2024") were \$169,447,000 compared to \$147,237,000 during the nine months ended September 30, 2023 ("Nine Months 2023"). The increase of \$22,210,000, or 15.1%, was primarily due to an increase in premiums from our personal lines business.

Direct written premiums from our personal lines business for Nine Months 2024 were \$159,213,000, an increase of \$22,612,000, or 16.6%, from \$136,601,000 in Nine Months 2023. The 16.6% increase in premiums from our personal lines business was primarily due to the increase in premiums associated with our Core business of 25.0% offsetting a 58.0% decrease in our non-Core business. The increase in our Core business premiums and the decrease in our non-Core business premiums is in accordance with both our Kingstone 2.0 and Kingstone 3.0 strategic plans. Beginning in the quarter ended September 30, 2024, the Change in Market Dynamics became a major factor to the increase in direct written premiums from our personal line business.

Direct written premiums from our livery physical damage business for Nine Months 2024 were \$10,166,000, a decrease of \$393,000, or 3.7%, from \$10,559,000 in Nine Months 2023. The decrease in livery physical damage direct written premiums was due to an underwriting restriction in place to exclude certain electric vehicles until the approval of adequate rate for the risk was received, which happened in July 2024. The decrease was offset by an increase in the values of the autos insured.

Direct written premiums from our Core business were \$162,063,000 in Nine Months 2024 compared to \$129,665,000 in Nine Months 2023, an increase of \$32,398,000, or 25.0%. The increase in direct written premiums from our Core business was due to rate increases and an increase in policies in force. Policies in force from our Core business increased by 1.2% in Nine Months 2024 compared to Nine Months 2023. Direct written premiums from our non-Core business were \$7,384,000 in Nine Months 2024, as compared to \$17,572,000 in Nine Months 2023, a decrease of \$10,188,000, or 58.0%. The decrease in direct written premiums from our non-Core business is a result of our decision to aggressively reduce the book of business in these states. Policies in force from our non-Core business decreased by 58.8% in Nine Months 2024 compared to Nine Months 2023. The increase in our Core business and the decrease in our non-Core business is consistent with a key pillar of our Kingstone 3.0 strategy to reduce our non-Core business due to profitability concerns.

Net Written Premiums and Net Premiums Earned

Net written premiums increased \$28,792,000, or 40.4%, to \$100,065,000 in Nine Months 2024 from \$71,273,000 in Nine Months 2023. Net written premiums include direct premiums, less the amount of written premiums ceded under our reinsurance treaties (quota share, excess of loss, and catastrophe). The increase in Nine Months 2024 is primarily due

to the additional premiums from the Change in Market Dynamics, changes to our personal lines quota share reinsurance treaty, and a decrease in catastrophe reinsurance premiums. See quota share reinsurance treaties discussion below.

Quota share reinsurance treaties

On January 1, 2023, we entered into a new 30% quota share reinsurance treaty for our personal lines business, covering the period from January 1, 2023 through January 1, 2024 ("2023/2024 Treaty"). Upon expiration of the 2023/2024 Treaty on January 1, 2024, we entered into a new 27% quota share reinsurance treaty for our personal lines business, covering the period from January 1, 2024 through January 1, 2025 ("2024/2025 Treaty"). Our personal lines business was subject to the 2024/2025 Treaty in Nine Months 2024, and the 2023/2024 Treaty in Nine Months 2023. In Nine Months 2024, our premiums ceded under quota share treaties decreased by \$3,623,000 in comparison to premiums ceded under quota share treaties in Nine Months 2023 (see table above). The decrease in Nine Months 2024 was attributable to the decrease in quota share ceding percentage rates, offset by an increase in direct written premiums subject to the 2024/2025 Treaty compared to direct written premiums subject to the 2023/2024 Treaty.

Excess of loss reinsurance treaties

An increase in written premiums will increase the premiums ceded under our excess of loss treaties. In Nine Months 2024, our ceded excess of loss reinsurance premiums increased by \$630,000 over the comparable ceded excess of loss premiums for Nine Months 2023. The increase was due to an increase in subject premiums and the heightened cost of coverage obtained. Effective January 1, 2023, we entered into an underlying excess of loss reinsurance treaty (the "Underlying XOL Treaty") covering the period from January 1, 2023 through January 1, 2024. The Underlying XOL Treaty provided 50% reinsurance coverage for losses of \$400,000 in excess of \$600,000. Losses from named storms were excluded from the Underlying XOL Treaty. Effective January 1, 2024, the Underlying XOL Treaty was renewed covering the period from January 1, 2024 through January 1, 2025.

Catastrophe reinsurance treaties

Most of the premiums written under our personal lines policies are also subject to our catastrophe reinsurance treaties. An increase in our personal lines business historically gave rise to more property exposure, which increased our exposure to catastrophe risk; therefore, our premiums ceded under catastrophe treaties would increase. An increase in our personal lines business historically resulted in an increase in premiums ceded under our catastrophe treaties if reinsurance rates are stable or are increasing. Under Kingstone 2.0 and 3.0 we had a decrease in policies in force, resulting in a decrease in catastrophe exposure, and a decrease in catastrophe premiums. On July 1, 2024 and 2023, we recorded our catastrophe premiums written for the entire treaty period covering July 1 through June 30, resulting in the entire annual premium written being recorded in the third quarter. Our catastrophe premiums were \$29,682,000 in Nine Months 2024, compared to \$33,271,000 in Nine Months 2023, a decrease of \$3,589,000, or 10.8%.

Net premiums earned

Net premiums earned increased \$6,830,000, or 8.0%, to \$92,531,000 in Nine Months 2024 from \$85,701,000 in Nine Months 2023. The increase was due to the three percentage point reduction in quota share rates discussed above, the run-off of a portion of the 2021-2023 Treaty, which increased the premiums ceded and reduced the net premiums earned in Nine Months 2023, the increase in premiums from the Change in Market Dynamics in Nine Months 2024, and a decrease in catastrophe premium rates after June 30, 2024 reflected in ceded catastrophe premiums earned, which increased the amount of growth in net premiums earned. offset by an increase in catastrophe premium rates through June 30, 2024, reflected in ceded catastrophe premiums earned, which reduced the amount of growth in net premiums earned during the first six months of 2024.

Ceding Commission Revenue

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

(\$ in thousands)	Nine months ended September 30,			
	2024	2023	Change	Percent
Provisional ceding commissions earned	\$ 13,860	\$ 15,733	\$ (1,873)	(11.9)%
Contingent ceding commissions earned	11	661	(650)	(98.3)%
Total ceding commission revenue	<u>\$ 13,871</u>	<u>\$ 16,394</u>	<u>\$ (2,523)</u>	(15.4)%

Ceding commission revenue was \$13,871,000 in Nine Months 2024 compared to \$16,394,000 in Nine Months 2023. The decrease of \$2,523,000 is explained below in the discussion of provisional ceding commissions earned and contingent ceding commissions earned.

Provisional Ceding Commissions Earned

In Nine Months 2024, we earned provisional ceding commissions of \$13,860,000 from personal lines earned premiums ceded under the 2024/2025 Treaty, and in Nine Months 2023, we earned provisional ceding commissions of \$15,733,000 from personal lines earned premiums ceded under the 2023/2024 Treaty. The decrease of \$1,873,000 in provisional ceding commissions earned was due to the decrease in premiums ceded under these treaties during Nine Months 2024 compared to Nine Months 2023, offset by an increase in ceding commission rates under the 2024/2025 Treaty.

Contingent Ceding Commissions Earned

The structure of the 2024/2025 Treaty and the 2023/2024 Treaty calls for a fixed provisional ceding commission with no opportunity to earn additional contingent ceding commissions. 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 received.

Net Investment Income

Net investment income was \$4,917,000 in Nine Months 2024 compared to \$4,437,000 in Nine Months 2023, an increase of \$480,000, or 10.8%. The average yield on non-cash invested assets was 3.50% as of September 30, 2024 compared to 3.73% as of September 30, 2023.

Cash and invested assets were \$221,847,000 as of September 30, 2024 compared to \$172,095,000 as of September 30, 2023, an increase of \$49,752,000.

Net Gains on Investments

Net gains on investments were \$1,319,000 in Nine Months 2024 compared to net gains of \$598,000 in Nine Months 2023. Unrealized gains on our equity securities and other investments in Nine Months 2024 were \$1,379,000, compared to unrealized gains of \$615,000 in Nine Months 2023. Net realized (losses) on sales of investments were \$(60,000) in Nine Months 2024 compared to net realized (losses) of \$(17,000) in Nine Months 2023.

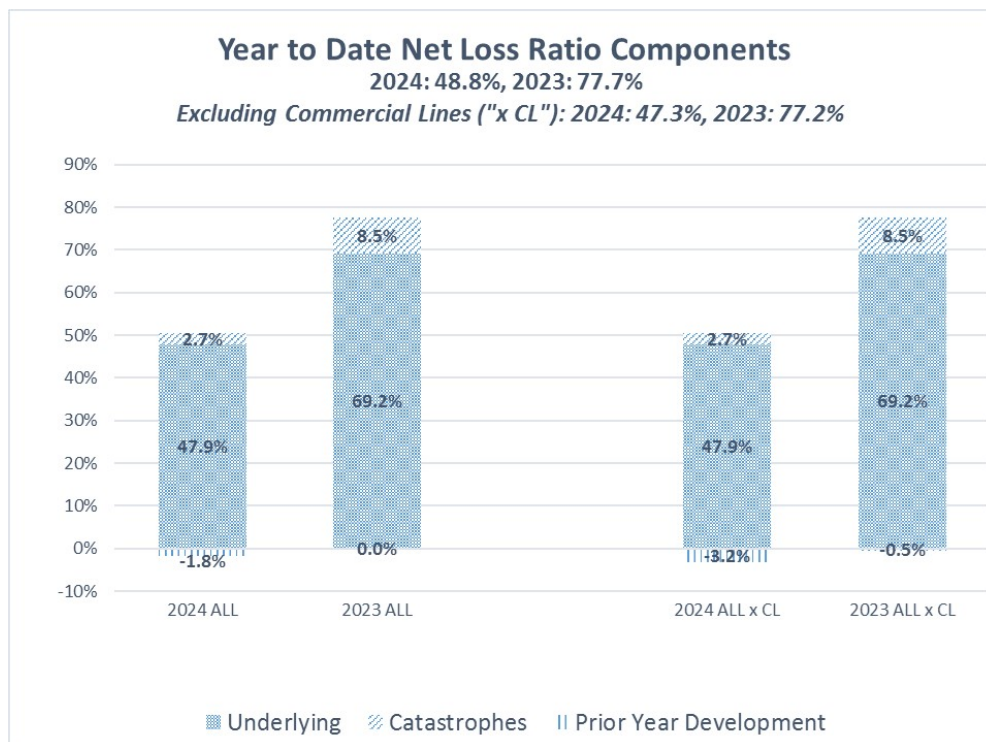
Other Income

Other income was \$401,000 in Nine Months 2024 compared to \$454,000 in Nine Months 2023, a decrease of \$53,000, or 11.7%.

Net Loss and LAE

Net loss and LAE was \$45,125,000 for Nine Months 2024 compared to \$66,553,000 for Nine Months 2023. The net loss ratio was 48.8% in Nine Months 2024 compared to 77.7% in Nine Months 2023, a decrease of 28.9 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 net loss ratio for Nine Months 2024 improved significantly compared to Nine Months 2023. For Nine Months 2024, the catastrophe impact, prior year development, and underlying loss ratio(1) (loss ratio excluding the impact of catastrophe and prior year development) were all lower than for Nine Months 2023.

There were sixteen newly designated catastrophe events for Nine Months 2024. The estimated total net catastrophe impact for Nine Months 2024 was \$2,454,000, which contributed 2.7 points to the loss ratio. By comparison, the catastrophe impact for Nine Months 2023 was 8.5 points. Losses from winter-related catastrophe claims were minimal during Nine Months 2024, whereas the previous year was impacted by a major winter event in February 2023.

The underlying loss ratio(1) was 47.9% for Nine Months 2024, a decrease of 21.3 points from the 69.2% underlying loss ratio(1) recorded for Nine Months 2023. Overall personal lines non-catastrophe frequency for Nine Months 2024 was lower than the same period in 2023, which is believed to be the result of better risk selection in the Company's Select product as well as the Company's active efforts to manage less profitable segments. Overall non-catastrophe severity for Nine Months 2024 also improved compared to Nine Months 2023, primarily driven by the reduction in the non-Core business and a reduced impact from large losses.

There was favorable prior year development of \$1,637,000 during Nine Months 2024, which translates to a 1.8 point decrease to the net loss ratio. By comparison, the impact of prior year development for Nine Months 2023 was a decrease of less than 0.1 points.

(1) Underlying loss ratio is a non-GAAP ratio, which is computed as the difference between GAAP net loss ratio and the effect of prior year loss reserve development and catastrophes losses. See "Non-GAAP Financial Measures" for the reconciliation of underlying loss ratio to the GAAP measure of net loss ratio.

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

Commission Expense

Commission expense was \$25,089,000 in Nine Months 2024 or 16.2% of direct earned premiums. Commission expense was \$25,221,000 in Nine Months 2023 or 16.6% of direct earned premiums. The decrease of \$132,000 was primarily due to a reduction in commission rates on our legacy policies in accordance with our Kingstone 3.0 strategy as well as the lower commission rate paid on Select products as compared to legacy products. The decrease was offset by an accrual of \$2,126,000 for estimated contingent commissions based on the profitability of the business.

Other Underwriting Expenses

Other underwriting expenses were \$18,676,000, or 12.0% of direct earned premiums, in Nine Months 2024 compared to \$19,874,000, or 13.1% of direct earned premiums, in Nine Months 2023. The decrease of \$1,198,000, or 6.0%, was primarily due to a \$365,000 gain on the commutations of prior years' quota share reinsurance treaties from a group of reinsurers, decreases in salaries and employment costs as described below, and a decrease in policy management system fees. The decreases were partially offset by the impact of high inflation.

Our largest single component of other underwriting expenses is salaries and employment costs, with costs of \$9,595,000 in Nine Months 2024 compared to \$8,692,000 in Nine Months 2023. The increase of \$903,000, or 10.4%, is favorable when compared to the 15.1% increase in direct written premiums. The increase in salaries and employment costs was due to \$1,125,000 accrued under our employee bonus plans due to the profitable underwriting insurance operations in Nine Months 2024 compared to a loss in Nine Months 2023, and \$290,000 accrued under our executive bonus plan pursuant to the employment agreement of our Chief Executive Officer. The increases related to bonuses were offset by a reduction in our staff in June and July of 2023 as we have been reducing our non-Core business. The decrease from the reduction in staff was partially offset in the periods following Nine Months 2023, as we began to strengthen our professional team by investing in the hiring of higher-level and higher compensated managers and staff needed to manage the business consistent with our Kingstone 2.0 and Kingstone 3.0 strategies. In addition, we are now hiring additional staff to handle the new business from the Change in Market Dynamics.

Our net underwriting expense ratio in Nine Months 2024 was 31.9% compared to 33.0% in Nine Months 2023. The following table shows the individual components of our net underwriting expense ratio for the periods indicated:

	Nine months ended September 30,		Percentage Point Change
	2024	2023	
Other underwriting expenses			
Employment costs	10.4 %	10.1 %	0.3
Underwriting fees (inspections/surveys)	1.4	1.6	(0.2)
IT expenses	2.2	3.0	(0.8)
Professional fees	0.8	1.0	(0.2)
Other expenses	5.4	7.3	(1.9)
Total other underwriting expenses	20.2	23.0	(2.8)
Commission expense	27.1	29.4	(2.3)
Ceding commission revenue			
Provisional	(15.0)	(18.4)	3.4
Contingent	-	(0.8)	0.8
Total ceding commission revenue	(15.0)	(19.2)	4.2
Other income	(0.4)	(0.5)	0.1
Net underwriting expense ratio	31.9 %	33.0 %	(1.1)

(Components may not sum to totals due to rounding)

Other Operating Expenses

Other operating expenses, related to the expenses of our holding company and Cosi, were \$2,821,000 for Nine Months 2024 compared to \$1,868,000 for Nine Months 2023. The following table shows a breakdown of the significant components of other operating expenses for the periods indicated:

(\$ in thousands)	Nine months ended September 30,		Change	Percent
	2024	2023		
Other operating expenses				
Employment costs	\$ 285	\$ 235	\$ 50	21.3 %
Executive bonus	32	-	32	na
Equity compensation	906	636	270	42.5
Equity compensation - liability	150	-	150	na
Professional	287	223	64	28.7
Directors fees	251	206	45	21.8
Insurance	149	139	10	7.2
Loss on extinguishment of debt	297	-	297	na
Other expenses	464	429	35	8.2
Total other operating expenses	\$ 2,821	\$ 1,868	\$ 953	51.0 %

(Components may not sum to totals due to rounding)

The increase in Nine Months 2024 of \$953,000, or 51.0%, as compared to Nine Months 2023 was primarily due to an increase in equity compensation and loss on extinguishment of debt. The increase in equity compensation is due to accelerated vesting in September 2024 as a result of the retirement of our executive chairman, and an equity compensation liability accrual for our senior leadership team pursuant to our employee bonus plan. The \$297,000 loss on extinguishment of debt loss is due to writing off the balance of unamortized debt issue costs from the 2022 Notes at the time of the 2024 Exchange Agreement as disclosed in Note 7 to the condensed consolidated financial statements.

Depreciation and Amortization

Depreciation and amortization was \$1,836,000 in Nine Months 2024 compared to \$2,328,000 in Nine Months 2023. The decrease of \$492,000, or 21.1%, in depreciation and amortization was primarily due to the completion and deployment of our customized policy management software as planned for in Kingstone 2.0, which allowed us to consolidate multiple legacy systems into one efficient system and retire those older more costly and less reliable systems. Depreciation on older assets that were retired, which had a shorter useful life, is greater than the depreciation on newly acquired assets which have a longer useful life.

Interest Expense

Interest expense in Nine Months 2024 was \$2,884,000 compared to \$3,005,000 in Nine Months 2023, a decrease of \$121,000 or 4.0%. In Nine Months 2024 and Nine Months 2023, as disclosed in Note 7 to the condensed consolidated financial statements, we incurred interest expense in connection with the 2022 Notes and 2024 Notes. The 2022 Notes provided for interest at the rate of 12% per annum. In September 2024, in accordance with the 2024 Exchange Agreement, we paid \$5,000,000 of principal on the 2022 Notes, reducing the principal balance to \$14,950,000 from \$19,950,000. Under the 2024 Exchange Agreement, the balance of the 2022 Notes were exchanged for the 2024 Notes, which provide for interest at the rate of 13.75% per annum. In September 2024 we paid an additional principal amount of \$3,000,000 reducing the balance of the 2024 Notes to \$11,950,000 at September 30, 2024. On November 13, 2024, we made an optional prepayment of \$2,000,000 on the 2024 Notes, further reducing the balance to \$9,950,000. In addition, we also incur interest expense on the 2022 equipment financing.

Income Tax Expense (Benefit)

Income tax expense in Nine Months 2024 was \$3,689,000, which resulted in an effective tax rate of 22.2%. Income tax (benefit) in Nine Months 2023 was \$(2,149,000), which resulted in an effective tax rate of 19.1%. Income before taxes was \$16,609,000 in Nine Months 2024 compared to a (loss) before taxes of \$(11,264,000) in Nine Months 2023. The difference in effective tax rate is due to the effect of permanent differences in Nine Months 2024 compared to Nine Months 2023.

Net Income (Loss)

Net income was \$12,920,000 in Nine Months 2024 compared to a net (loss) of \$(9,114,000) in Nine Months 2023. The increase from net loss to net income of \$23,034,000 was due to the circumstances described above.

Three Months Ended September 30, 2024 Compared to Three Months Ended September 30, 2023

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

(\$ in thousands)	Three months ended September 30,			
	2024	2023	Change	Percent
Revenues				
Direct written premiums	\$ 66,627	\$ 51,992	\$ 14,635	28.1 %
Assumed written premiums	-	-	-	na%
	66,627	51,992	14,635	28.1 %
Ceded written premiums				
Ceded to quota share treaties (1)	14,168	12,210	1,958	16.0 %
Ceded to excess of loss treaties	1,726	1,726	-	— %
Ceded to catastrophe treaties	30,188	34,381	(4,193)	(12.2)%
Total ceded written premiums	46,081	48,317	(2,236)	(4.6)%
Net written premiums	20,545	3,675	16,870	459.0 %
Change in unearned premiums				
Direct and assumed	(12,540)	(1,247)	(11,293)	(906)%
Ceded to reinsurance treaties (1)	25,402	25,510	(108)	(0.4)%
Change in net unearned premiums	12,862	24,263	(11,401)	(47.0)%
Premiums earned				
Direct and assumed	54,087	50,745	3,342	6.6 %
Ceded to reinsurance treaties	(20,679)	(22,807)	2,128	9.3 %
Net premiums earned	33,407	27,938	5,469	19.6 %
Ceding commission revenue (1)	4,742	5,536	(794)	(14.3)%
Net investment income	1,650	1,444	206	14.3 %
Net gains (losses) on investments	827	(824)	1,651	na%
Other income	147	142	5	3.5 %
Total revenues	40,772	34,237	6,535	19.1 %
Expenses				
Loss and loss adjustment expenses				
Direct and assumed:				
Loss and loss adjustment expenses excluding the effect of catastrophes	16,212	29,570	(13,358)	(45.2)%
Losses from catastrophes (2)	740	2,871	(2,131)	(74.2)%
Total direct and assumed loss and loss adjustment expenses	16,952	32,441	(15,489)	(47.7)%
Ceded loss and loss adjustment expenses:				
Loss and loss adjustment expenses excluding the effect of catastrophes	3,766	9,797	(6,031)	(61.6)%
Losses from catastrophes (2)	158	712	(554)	(77.8)%
Total ceded loss and loss adjustment expenses	3,924	10,509	(6,585)	(62.7)%
Net loss and loss adjustment expenses:				
Loss and loss adjustment expenses excluding the effect of catastrophes	12,445	19,773	(7,328)	(37.1)%
Losses from catastrophes (2)	582	2,159	(1,577)	(73.0)%
Net loss and loss adjustment expenses	13,028	21,932	(8,904)	(40.6)%
Commission expense	9,004	8,210	794	9.7 %
Other underwriting expenses	6,895	6,319	576	9.1 %
Other operating expenses	1,242	442	800	181.0 %
Depreciation and amortization	619	741	(122)	(16.5)%
Interest expense	900	989	(89)	(9.0)%
Total expenses	31,688	38,633	(6,945)	(18.0)%
Income (loss) before taxes	9,084	(4,397)	13,481	na%
Income tax expense (benefit)	2,106	(859)	2,965	na%
Net income (loss)	\$ 6,978	\$ (3,538)	\$ 10,516	na%

- (1) For the three months ended September 30, 2023, our personal lines business was subject to a 30% quota share treaty, expiring on January 1, 2024, which included a runoff of an 8.5% portion through the remainder of 2023. Effective January 1, 2024, we entered into a 27% personal lines quota share treaty, which includes a runoff of a 3.0% portion through the end of 2024.
- (2) The three months ended September 30, 2024 and 2023 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.

	Three months ended September 30,			
	2024	2023	Percentage Point Change	Percent Change
Key ratios:				
Net loss ratio	39.0 %	78.5 %	(39.5)	(50.3)%
Net underwriting expense ratio	33.0 %	31.7 %	1.3	4.1 %
Net combined ratio	72.0 %	110.2 %	(38.2)	(34.7)%

Direct Written Premiums

Direct written premiums during the three months ended September 30, 2024 ("Three Months 2024") were \$66,627,000 compared to \$51,992,000 during the three months ended September 30, 2023 ("Three Months 2023"). The increase of \$14,635,000, or 28.1%, was primarily due to an increase in premiums from our personal lines business.

Direct written premiums from our personal lines business for Three Months 2024 were \$63,336,000, an increase of \$14,917,000, or 30.8%, from \$48,419,000 in Three Months 2023. The 30.8% increase in premiums from our personal lines business was primarily due to the increase in premiums associated with our Core business of 39.4% offsetting a 58.8% decrease in our non-Core business. The increase in our Core business premiums and the decrease in our non-Core business premiums is in accordance with both our Kingstone 2.0 and Kingstone 3.0 strategic plans. Beginning in Three Months 2024, the Change in Market Dynamics became a major factor to the increase in direct written premiums from our personal line business.

Direct written premiums from our livery physical damage business for Three Months 2024 were \$3,266,000, a decrease of \$278,000, or 7.8%, from \$3,544,000 in Three Months 2023. The decrease in livery physical damage direct written premiums was due to an underwriting restriction in place to exclude certain electric vehicles until the approval of adequate rate for the risk was received, which happened in July 2024. The decrease was offset by an increase in the values of the autos insured.

Direct written premiums from our Core business were \$64,170,000 in Three Months 2024 compared to \$46,026,000 in Three Months 2023, an increase of \$18,144,000, or 39.4%. The increase in direct written premiums from our Core business was due to rate increases and an increase in policies in force. Policies in force from our Core business increased by 1.2% in Three Months 2024 compared to Three Months 2023. Direct written premiums from our non-Core business were \$2,457,000 in Three Months 2024 as compared to \$5,966,000 in Three Months 2023, a decrease of \$3,509,000, or 58.8%. The decrease in direct written premiums from our non-Core business is a result of our decision to aggressively reduce the book of business in these states. Policies in force from our non-Core business decreased by 58.8% in Three Months 2024 compared to Three Months 2023. The increase in our Core business and the decrease in our non-Core business is consistent with a key pillar of our Kingstone 3.0 strategy to reduce our non-Core business due to profitability concerns.

Net Written Premiums and Net Premiums Earned

Net written premiums increased \$16,870,000, or 459.0%, to \$20,545,000 in Three Months 2024 from \$3,675,000 in Three Months 2023. Net written premiums include direct premiums, less the amount of written premiums ceded under our reinsurance treaties (quota share, excess of loss, and catastrophe). The increase in Three Months 2024 is primarily due to the additional premiums from the Change in Market Dynamics, changes to our personal lines quota share reinsurance treaty, and a decrease in catastrophe reinsurance premiums. See quota share reinsurance treaties discussion below.

Quota share reinsurance treaties

On January 1, 2023, we entered into a new 30% quota share reinsurance treaty for our personal lines business, covering the period from January 1, 2023 through January 1, 2024 ("2023/2024 Treaty"). Upon expiration of the 2023/2024 Treaty on January 1, 2024, we entered into a new 27% quota share reinsurance treaty for our personal lines business, covering the period from January 1, 2024 through January 1, 2025 ("2024/2025 Treaty"). Our personal lines business was subject to the 2024/2025 Treaty in Three Months 2024, and the 2023/2024 Treaty in Three Months 2023. In Three Months 2024, our premiums ceded under quota share treaties increased by \$1,958,000 in comparison to premiums ceded under quota share treaties in Three Months 2023 (see table above). The increase in Three Months 2024 was attributable to the increase in direct written premiums subject to the 2024/2025 Treaty compared to direct written premiums subject to the 2023/2024 Treaty. The increase in ceded premiums related to the increase in direct written premiums was offset by the decrease in quota share ceding percentage rates.

Excess of loss reinsurance treaties

An increase in written premiums will increase the premiums ceded under our excess of loss treaties. In Three Months 2024, our ceded excess of loss reinsurance premiums remained flat over the comparable ceded excess of loss premiums for Three Months 2023. Effective January 1, 2023, we entered into an underlying excess of loss reinsurance treaty (the "Underlying XOL Treaty") covering the period from January 1, 2023 through January 1, 2024. The Underlying XOL Treaty provided 50% reinsurance coverage for losses of \$400,000 in excess of \$600,000. Losses from named storms were excluded from the Underlying XOL Treaty. Effective January 1, 2024, the Underlying XOL Treaty was renewed covering the period from January 1, 2024 through January 1, 2025.

Catastrophe reinsurance treaties

Most of the premiums written under our personal lines policies are also subject to our catastrophe reinsurance treaties. An increase in our personal lines business historically gave rise to more property exposure, which increased our exposure to catastrophe risk; therefore, our premiums ceded under catastrophe treaties would increase. An increase in our personal lines business historically resulted in an increase in premiums ceded under our catastrophe treaties if reinsurance rates are stable or are increasing. Under Kingstone 2.0 and 3.0 we had a decrease in policies in force, resulting in a decrease in catastrophe exposure, and a decrease in catastrophe premiums. On July 1, 2024 and 2023, we recorded our catastrophe premiums written for the entire treaty period covering July 1 through June 30, resulting in the entire annual premium written being recorded in the third quarter. Our catastrophe premiums were \$30,188,000 in Three Months 2024, compared to \$34,381,000 in Three Months 2023, a decrease of \$4,193,000, or 12.2%.

Net premiums earned

Net premiums earned increased \$5,469,000, or 19.6%, to \$33,407,000 in Three Months 2024 from \$27,938,000 in Three Months 2023. The increase was due to the three percentage point reduction in quota share rates discussed above, the run-off of a portion of the 2021-2023 Treaty, which increased the premiums ceded and reduced the net premiums earned in Three Months 2023, the increase in premiums from the Change in Market Dynamics in Three Months 2024, and a decrease in catastrophe premium rates, reflected in ceded catastrophe premiums earned, which increased the amount of growth in net premiums earned.

Ceding Commission Revenue

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

(\$ in thousands)	Three months ended September 30,			
	2024	2023	Change	Percent
Provisional ceding commissions earned	\$ 4,743	\$ 4,992	\$ (249)	(5.0)%
Contingent ceding commissions earned	(1)	544	(545)	na%
Total ceding commission revenue	<u>\$ 4,742</u>	<u>\$ 5,536</u>	<u>\$ (794)</u>	(14.3)%

Ceding commission revenue was \$4,742,000 in Three Months 2024 compared to \$5,536,000 in Three Months 2023. The decrease of \$794,000 is explained below in the discussion of provisional ceding commissions earned and contingent ceding commissions earned.

Provisional Ceding Commissions Earned

In Three Months 2024, we earned provisional ceding commissions of \$4,743,000 from personal lines earned premiums ceded under the 2024/2025 Treaty, and in Three Months 2023, we earned provisional ceding commissions of 4,992,000 from personal lines earned premiums ceded under the 2023/2024 Treaty. The decrease of \$249,000 in provisional ceding commissions earned was due to the decrease in premiums ceded under these treaties during Three Months 2024 compared to Three Months 2023, offset by an increase in ceding commission rates under the 2024/2025 Treaty.

Contingent Ceding Commissions Earned

The structure of the 2024/2025 Treaty and the 2023/2024 Treaty calls for a fixed provisional ceding commission with no opportunity to earn additional contingent ceding commissions. 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 received.

Net Investment Income

Net investment income was \$4,917,000 in Three Months 2024 compared to \$4,437,000 in Three Months 2023, an increase of \$480,000, or 10.8%. The average yield on non-cash invested assets was 3.50% as of September 30, 2024 compared to 3.73% as of September 30, 2023.

Cash and invested assets were \$221,847,000 as of September 30, 2024 compared to \$172,095,000 as of September 30, 2023, an increase of \$49,752,000.

Net Gains on Investments

Net gains on investments were \$827,000 in Three Months 2024 compared to net (losses) of \$(824,000) in Three Months 2023. Unrealized gains on our equity securities and other investments in Three Months 2024 were \$461,000, compared to unrealized (losses) of \$(820,000) in Three Months 2023. Net realized gains on sales of investments were \$366,000 in Three Months 2024 compared to net realized (losses) of \$(4,000) in Three Months 2023.

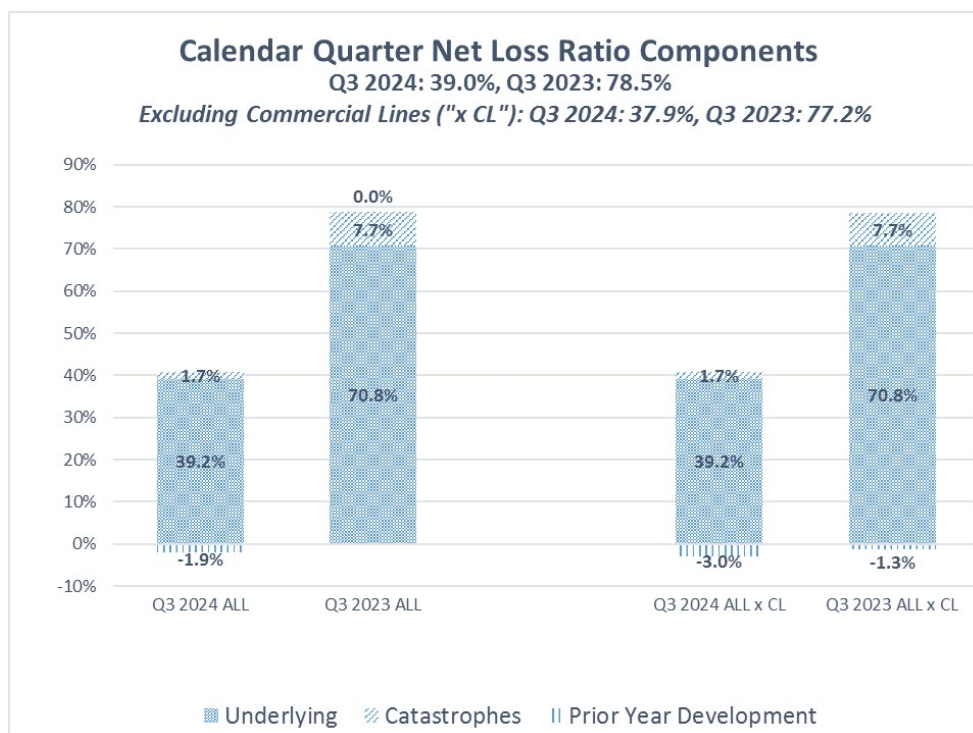
Other Income

Other income was \$147,000 in Three Months 2024 compared to \$142,000 in Three Months 2023, a decrease of \$5,000, or 3.5%.

Net Loss and LAE

Net loss and LAE was \$13,028,000 for Three Months 2024 compared to \$21,932,000 for Three Months 2023. The net loss ratio was 39.0% in Three Months 2024 compared to 78.5% in Three Months 2023, a decrease of 39.5 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 net loss ratio for Three Months 2024 improved significantly compared to Three Months 2023. For Three Months 2024, the catastrophe impact, prior year development, and underlying loss ratio (1) (loss ratio excluding the impact of catastrophe and prior year development) were all lower than Three Months 2023.

There were six newly designated catastrophe events for Three Months 2024, and the total loss ratio impact was immaterial. The estimated total net catastrophe impact for the calendar quarter was \$582,000, which contributed 1.7 points to the net loss ratio. By comparison, the catastrophe impact for Three Months 2023 was 7.7 points.

The underlying loss ratio(1) was 39.2% for Three Months 2024, a decrease of 31.6 points from the 70.8% underlying loss ratio(1) recorded for Three Months 2023. Overall personal lines non-catastrophe frequency for Three Months 2024 was lower than the same period in 2023, which is believed to be the result of better risk selection in the Company's Select product rollout as well as the Company's active efforts to manage less profitable segments. Overall non-catastrophe severity for Three Months 2024 was also improved compared to Three Months 2023, primarily driven by the reduction in non-Core business and a reduced impact from large losses.

There was favorable prior year development of \$641,000 during Three Months 2024, which translates to a 1.9-point decrease to the loss ratio. By comparison, the impact of prior year development for Three Months 2023 was an increase of less than 0.1 points.

(1) Underlying loss ratio is a non-GAAP ratio, which is computed as the difference between GAAP net loss ratio and the effect of prior year loss reserve development and catastrophes losses. See "Non-GAAP Financial Measures" for the reconciliation of underlying loss ratio to the GAAP measure of net loss ratio.

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

Commission Expense

Commission expense was \$9,004,000 in Three Months 2024 or 16.6% of direct earned premiums. Commission expense was \$8,210,000 in Three Months 2023 or 16.2% of direct earned premiums. The increase of \$794,000 was primarily due to an accrual of \$1,278,000 for an estimated contingent commission based on the profitability of the business. The increase was offset by a reduction in commission rates on our legacy policies in accordance with our Kingstone 3.0 strategy as well as the lower commission rate paid on Select products as compared to legacy products.

Other Underwriting Expenses

Other underwriting expenses were \$6,895,000, or 12.7% of direct earned premiums, in Three Months 2024 compared to \$6,319,000, or 12.5% of direct earned premiums, in Three Months 2023. The increase of \$576,000, or 9.1%, was primarily due to employee and executive bonuses as described below, partially offset by a decrease in policy management system fee, and a decrease in other IT costs. In addition, other operating expenses were impacted by inflation. Our largest single component of other underwriting expenses is salaries and employment costs, with costs excluding employee bonuses of \$2,893,000 in Three Months 2024 compared to \$2,817,000 in Three Months Ended 2023. The increase of \$76,000, or 2.7%, is favorable when compared to the 28.1% increase in direct written premiums. In Three Months 2024, employee bonuses accruals were \$674,000 accrued under our employee bonus plan due to the profitable underwriting insurance operations in Three Months 2024 compared to a loss in Three Months 2023, and \$290,000 accrued under our executive bonus plan pursuant to the employment agreement with our Chief Executive Officer.

Our net underwriting expense ratio in Three Months 2024 was 33.0% compared to 31.7% in Three Months 2023. The following table shows the individual components of our net underwriting expense ratio for the periods indicated:

	Three months ended September 30,		Percentage Point Change
	2024	2023	
Other underwriting expenses			
Employment costs	11.5 %	10.1 %	1.4
Underwriting fees (inspections/surveys)	1.3	1.5	(0.2)
IT expenses	2.2	2.9	(0.7)
Professional fees	0.6	1.1	(0.5)
Other expenses	5.0	7.0	(2.0)
Total other underwriting expenses	20.6	22.6	(2.0)
Commission expense	27.0	29.4	(2.4)
Ceding commission revenue			
Provisional	(14.2)	(17.9)	3.7
Contingent	-	(1.9)	1.9
Total ceding commission revenue	(14.2)	(19.8)	5.6
Other income	(0.4)	(0.5)	0.1
Net underwriting expense ratio	33.0 %	31.7 %	1.3

(Components may not sum to totals due to rounding)

Other Operating Expenses

Other operating expenses, related to the expenses of our holding company and Cosi, were \$1,242,000 for Three Months 2024 compared to \$442,000 for Three Months 2023. The following table shows a breakdown of the significant components of other operating expenses for the periods indicated:

(\$ in thousands)	Three months ended September 30,		Change	Percent
	2024	2023		
Other operating expenses				
Employment costs	\$ 62	\$ 36	\$ 26	72.2 %
Executive bonus	(85)	-	(85)	na
Equity compensation	359	207	152	73.4
Equity compensation - liability	150	—	150	na
Professional	131	(9)	140	na
Directors fees	101	69	32	46.4
Insurance	47	53	(6)	(11.3)
Loss on extinguishment of debt	297	—	297	na
Other expenses	180	86	94	109.3
Total other operating expenses	<u>\$ 1,242</u>	<u>\$ 442</u>	<u>\$ 800</u>	<u>181.0 %</u>

(Components may not sum to totals due to rounding)

The increase in Three Months 2024 of \$800,000, or 181.0%, as compared to Three Months 2023 was primarily due to an increase in equity compensation and loss on extinguishment of debt. The increase in equity compensation is due to accelerated vesting in September 2024 as a result of the retirement of our executive chairman, and an equity compensation liability accrual for our senior leadership team pursuant to our employee bonus plan. The \$297,000 loss on extinguishment of debt loss is due to writing off the balance of unamortized debt issue costs from the 2022 Notes at the time of the 2024 Exchange Agreement as disclosed in Note 7 to the condensed consolidated financial statements. These increases were partially offset by a decrease in executive bonus. A bonus is accrued pursuant to the employment agreement of our Chief Executive Officer. The negative executive bonus of \$85,000 is due to a \$117,000 reallocation of the bonus to other underwriting expenses accrued through June 30, 2024. The net accrual of \$32,000 is a result of the profitable operations before taxes in Three Months 2024 compared to a loss in Three Months 2023.

Depreciation and Amortization

Depreciation and amortization was \$619,000 in Three Months 2024 compared to \$741,000 in Three Months 2023. The decrease of \$122,000, or 16.5%, in depreciation and amortization was primarily due to the completion and deployment of our customized policy management software as planned for in Kingstone 2.0, now allowing us to consolidate multiple legacy systems into one efficient system and retire those older more costly and less reliable systems. Depreciation on older assets that were retired, which had a shorter useful life, is greater than the depreciation on newly acquired assets which have a longer useful life.

Interest Expense

Interest expense in Three Months 2024 was \$900,000 compared to \$989,000 in Three Months 2023, a decrease of \$89,000 or 9.0%. In Three Months 2024 and Three Months 2023, as disclosed in Note 7 to the condensed consolidated financial statements, we incurred interest expense in connection with the 2022 Notes and the 2024 Notes. The 2022 Notes provided for interest at the rate of 12% per annum. In September 2024, in accordance with 2024 Exchange Agreement, we paid \$5,000,000 of principal on the 2022 Notes, reducing the principal balance to \$14,950,000 from \$19,950,000. Under the 2024 Exchange Agreement, the balance of the 2022 Notes were exchanged for the 2024 Notes, which provide for

interest at the rate of 13.75% per annum. In September 2024 we paid an additional principal amount of \$3,000,000 reducing the balance of the 2024 Notes to \$11,950,000 at September 30, 2024. On November 13, 2024, we made an optional prepayment of \$2,000,000 on the 2024 Notes, further reducing the balance to \$9,950,000. In addition, we also incur interest expense on the 2022 equipment financing.

Income Tax Expense (Benefit)

Income tax expense in Three Months 2024 was \$2,106,000, which resulted in an effective tax rate of 23.2%. Income tax (benefit) in Three Months 2023 was \$(859,000), which resulted in an effective tax rate of 19.5%. Income before taxes was \$9,084,000 in Three Months 2024 compared to a loss before taxes of \$4,397,000 in Three Months 2023. The difference in effective tax rate is due to the effect of permanent differences in Three Months 2024 compared to Three Months 2023.

Net Income (Loss)

Net income was \$6,978,000 in Three Months 2024 compared to a net loss of \$3,538,000 in Three Months 2023. The increase from net loss to net income of \$10,516,000 was due to the circumstances described above.

Additional Financial Information

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Gross premiums written:				
Personal lines	\$ 63,336,355	\$ 48,418,956	\$ 159,213,386	\$ 136,601,070
Livery physical damage	3,265,709	3,543,810	10,165,891	10,559,310
Other(1)	24,600	29,480	67,326	76,256
Total gross premiums written	\$ 66,626,664	\$ 51,992,246	\$ 169,446,603	\$ 147,236,636
Net premiums written:				
Personal lines	\$ 17,261,087	\$ 110,328	\$ 89,848,898	\$ 60,662,578
Livery physical damage	3,265,709	3,543,810	10,165,891	10,559,310
Other(1)	18,395	21,162	50,478	51,179
Total net premiums written	\$ 20,545,191	\$ 3,675,300	\$ 100,065,267	\$ 71,273,067
Net premiums earned:				
Personal lines	\$ 29,801,629	\$ 24,346,521	\$ 81,558,589	\$ 75,441,482
Livery physical damage	3,587,808	3,571,160	10,916,903	10,192,773
Other(1)	17,757	20,637	55,216	67,212
Total net premiums earned	\$ 33,407,194	\$ 27,938,318	\$ 92,530,708	\$ 85,701,467
Net loss and loss adjustment expenses(3):				
Personal lines	\$ 9,806,057	\$ 19,132,159	\$ 35,548,883	\$ 59,627,739
Livery physical damage	1,546,732	1,720,620	4,715,035	3,999,787
Other(1)	(10,938)	(13,757)	(40,133)	137,886
Unallocated loss adjustment expenses	1,396,211	732,061	3,858,810	2,453,114
Total without commercial lines in run-off	12,738,062	21,571,083	44,082,595	66,218,526
Commercial lines (in run-off effective July 2019)(2)	289,535	363,370	1,042,897	334,039
Total net loss and loss adjustment expenses	\$ 13,027,597	\$ 21,934,453	\$ 45,125,492	\$ 66,552,565
Net loss ratio(3):				
Personal lines	32.9 %	78.6 %	43.6 %	79.0 %
Livery physical damage	43.1 %	48.2 %	43.2 %	39.2 %
Other(1)	-61.6 %	(66.7 %)	-72.7 %	205.2 %
Total without commercial lines in run-off	38.1 %	77.2 %	47.6 %	77.3 %
Commercial lines (in run-off effective July 2019)(2)	na	na	na	na
Total	39.0 %	78.5 %	48.8 %	77.7 %

- (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 discussion above with regard to "Net Loss and LAE", as to catastrophe losses in the three months and nine months ended September 30, 2024 and 2023.

Insurance Underwriting Business on a Standalone Basis(1)

Our insurance underwriting business reported on a standalone basis(1) for the periods indicated is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenues				
Net premiums earned	\$ 33,407,194	\$ 27,938,318	\$ 92,530,708	\$ 85,701,467
Ceding commission revenue	4,741,676	5,536,327	13,870,748	16,393,944
Net investment income	1,649,673	1,444,360	4,917,129	4,437,208
Net gains (losses) on investments	855,778	(799,348)	1,264,246	531,277
Other income	139,490	141,711	392,468	449,782
Total revenues	40,793,811	34,261,368	112,975,299	107,513,678
Expenses				
Loss and loss adjustment expenses	13,027,597	21,932,453	45,125,492	66,552,565
Commission expense	9,004,254	8,210,430	25,088,546	25,221,374
Other underwriting expenses	6,894,590	6,318,625	18,675,720	19,873,882
Depreciation and amortization	619,056	741,059	1,835,503	2,327,691
Interest expense	90,090	106,580	282,849	331,606
Total expenses	29,635,587	37,309,147	91,008,110	114,307,118
Income (loss) from operations	11,158,224	(3,047,779)	21,967,189	(6,793,440)
Income tax expense (benefit)	2,322,229	(585,797)	4,602,922	(1,246,788)
Net income (loss) from insurance underwriting business on a standalone basis(1)	\$ 8,835,995	\$ (2,461,982)	\$ 17,364,267	\$ (5,546,652)
Key Measures:				
Net loss ratio	39.0 %	78.5 %	48.8 %	77.7 %
Net underwriting expense ratio	33.0 %	31.7 %	31.9 %	33.0 %
Net combined ratio	72.0 %	110.2 %	80.7 %	110.7 %
Reconciliation of net underwriting expense ratio:				
Acquisition costs and other				
underwriting expenses	\$ 15,898,844	\$ 14,529,055	\$ 43,764,266	\$ 45,095,256
Less: Ceding commission revenue	(4,741,676)	(5,536,327)	(13,870,748)	(16,393,944)
Less: Other income	(139,490)	(141,711)	(392,468)	(449,782)
Net underwriting expenses	\$ 11,017,678	\$ 8,851,017	\$ 29,501,050	\$ 28,251,530
Net premiums earned	\$ 33,407,194	\$ 27,938,318	\$ 92,530,708	\$ 85,701,467
Net Underwriting Expense Ratio	33.0 %	31.7 %	31.9 %	33.0 %

(1) Net income (loss) from insurance underwriting business on a standalone basis is a non-GAAP measure, which is computed as GAAP net income (loss) without the effect of holding company operations on GAAP net income (loss). See "Non-GAAP Financial Measures" for the reconciliation of net income (loss) from insurance underwriting business on a standalone basis to the GAAP measure of net income (loss).

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
Nine months ended September 30, 2024				
Written premiums	\$ 169,446,603	\$ -	\$ (69,381,336)	\$ 100,065,267
Change in unearned premiums	(14,353,242)	-	6,818,683	(7,534,559)
Earned premiums	<u>\$ 155,093,361</u>	<u>\$ -</u>	<u>\$ (62,562,653)</u>	<u>\$ 92,530,708</u>
Loss and loss adjustment expenses excluding				
the effect of catastrophes	\$ 55,480,785	\$ -	\$ (12,809,452)	\$ 42,671,333
Catastrophe loss	<u>3,388,937</u>	<u>-</u>	<u>(934,778)</u>	<u>2,454,159</u>
Loss and loss adjustment expenses	<u>\$ 58,869,722</u>	<u>\$ -</u>	<u>\$ (13,744,230)</u>	<u>\$ 45,125,492</u>
Loss ratio excluding the effect of catastrophes(2)				
	35.8 %	0.0 %	20.5 %	46.1 %
Catastrophe loss	<u>2.2 %</u>	<u>0.0 %</u>	<u>1.5 %</u>	<u>2.7 %</u>
Loss ratio	<u>38.0 %</u>	<u>0.0 %</u>	<u>22.0 %</u>	<u>48.8 %</u>
Nine months ended September 30, 2023				
Written premiums	\$ 147,236,636	\$ -	\$ (75,963,569)	\$ 71,273,067
Change in unearned premiums	4,331,226	-	10,097,174	14,428,400
Earned premiums	<u>\$ 151,567,862</u>	<u>\$ -</u>	<u>\$ (65,866,395)</u>	<u>\$ 85,701,467</u>
Loss and loss adjustment expenses excluding				
the effect of catastrophes	\$ 89,825,751	\$ -	\$ (30,558,103)	\$ 59,267,648
Catastrophe loss	<u>10,746,184</u>	<u>-</u>	<u>(3,461,267)</u>	<u>7,284,917</u>
Loss and loss adjustment expenses	<u>\$ 100,571,935</u>	<u>\$ -</u>	<u>\$ (34,019,370)</u>	<u>\$ 66,552,565</u>
Loss ratio excluding the effect of catastrophes(2)				
	59.3 %	0.0 %	46.4 %	69.2 %
Catastrophe loss	<u>7.1 %</u>	<u>0.0 %</u>	<u>5.3 %</u>	<u>8.5 %</u>
Loss ratio	<u>66.4 %</u>	<u>0.0 %</u>	<u>51.6 %</u>	<u>77.7 %</u>
Three months ended September 30, 2024				
Written premiums	\$ 66,626,664	\$ -	\$ (46,081,473)	\$ 20,545,191
Change in unearned premiums	(12,540,101)	-	25,402,104	12,862,003
Earned premiums	<u>\$ 54,086,563</u>	<u>\$ -</u>	<u>\$ (20,679,369)</u>	<u>\$ 33,407,194</u>
Loss and loss adjustment expenses excluding				
the effect of catastrophes	\$ 16,211,617	\$ -	\$ (3,766,144)	\$ 12,445,473
Catastrophe loss	<u>740,127</u>	<u>-</u>	<u>(158,003)</u>	<u>582,124</u>
Loss and loss adjustment expenses	<u>\$ 16,951,744</u>	<u>\$ -</u>	<u>\$ (3,924,147)</u>	<u>\$ 13,027,597</u>
Loss ratio excluding the effect of catastrophes(2)				
	30.0 %	0.0 %	18.2 %	37.3 %
Catastrophe loss	<u>1.4 %</u>	<u>0.0 %</u>	<u>0.8 %</u>	<u>1.7 %</u>
Loss ratio	<u>31.3 %</u>	<u>0.0 %</u>	<u>19.0 %</u>	<u>39.0 %</u>
Three months ended September 30, 2023				
Written premiums	\$ 51,992,246	\$ -	\$ (48,316,946)	\$ 3,675,300
Change in unearned premiums	(1,246,657)	-	25,509,675	24,263,018
Earned premiums	<u>\$ 50,745,589</u>	<u>\$ -</u>	<u>\$ (22,807,271)</u>	<u>\$ 27,938,318</u>
Loss and loss adjustment expenses excluding				
the effect of catastrophes	\$ 29,569,767	\$ -	\$ (9,796,769)	\$ 19,772,998
Catastrophe loss	<u>2,871,300</u>	<u>-</u>	<u>(711,845)</u>	<u>2,159,455</u>
Loss and loss adjustment expenses	<u>\$ 32,441,067</u>	<u>\$ -</u>	<u>\$ (10,508,614)</u>	<u>\$ 21,932,453</u>
Loss ratio excluding the effect of catastrophes(2)				
	58.3 %	0.0 %	43.0 %	70.8 %
Catastrophe loss	<u>5.7 %</u>	<u>0.0 %</u>	<u>3.1 %</u>	<u>7.7 %</u>
Loss ratio	<u>63.9 %</u>	<u>0.0 %</u>	<u>46.1 %</u>	<u>78.5 %</u>

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

The key measures for our insurance underwriting business for the periods indicated are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net premiums earned	\$ 33,407,194	\$ 27,938,318	\$ 92,530,708	\$ 85,701,467
Ceding commission revenue	4,741,676	5,536,327	13,870,748	16,393,944
Other income	139,490	141,711	392,468	449,782
Loss and loss adjustment expenses(1)	13,027,597	21,932,453	45,125,492	66,552,565
Acquisition costs and other underwriting expenses:				
Commission expense	9,004,254	8,210,430	25,088,546	25,221,374
Other underwriting expenses	6,894,590	6,318,625	18,675,720	19,873,882
Total acquisition costs and other underwriting expenses	15,898,844	14,529,055	43,764,266	45,095,256
Underwriting income (loss)	\$ 9,361,919	\$ (2,845,152)	\$ 17,904,166	\$ (9,102,628)
Key Measures:				
Net loss ratio excluding the effect of catastrophes(2)	37.3 %	70.8 %	46.1 %	69.2 %
Effect of catastrophe loss on net loss ratio(1)(2)	1.7 %	7.7 %	2.7 %	8.5 %
Net loss ratio	39.0 %	78.5 %	48.8 %	77.7 %
Net underwriting expense ratio excluding the effect of catastrophes(2)	33.0 %	31.7 %	31.9 %	33.0 %
Effect of catastrophe loss on net underwriting expense ratio(2)	0.0 %	0.0 %	0.0 %	0.0 %
Net underwriting expense ratio	33.0 %	31.7 %	31.9 %	33.0 %
Net combined ratio excluding the effect of catastrophes(2)	70.3 %	102.5 %	78.0 %	102.2 %
Effect of catastrophe loss on net combined ratio(1)(2)	1.7 %	7.7 %	2.7 %	8.5 %
Net combined ratio	72.0 %	110.2 %	80.7 %	110.7 %
Reconciliation of net underwriting expense ratio:				
Acquisition costs and other underwriting expenses	\$ 15,898,844	\$ 14,529,055	\$ 43,764,266	\$ 45,095,256
Less: Ceding commission revenue	(4,741,676)	(5,536,327)	(13,870,748)	(16,393,944)
Less: Other income	(139,490)	(141,711)	(392,468)	(449,782)
	\$ 11,017,678	\$ 8,851,017	\$ 29,501,050	\$ 28,251,530
Net earned premium	\$ 33,407,194	\$ 27,938,318	\$ 92,530,708	\$ 85,701,467
Net Underwriting Expense Ratio	33.0 %	31.7 %	31.9 %	33.0 %

- (1) For the three months ended September 30, 2024 and 2023, includes the sum of net catastrophe losses and loss adjustment expenses of \$582,124 and \$2,159,455, respectively. For the nine months ended September 30, 2024 and 2023, includes the sum of net catastrophe losses and loss adjustment expenses of \$2,454,159 and \$7,284,917, respectively.
- (2) Net loss ratio excluding the effect of catastrophes is a non-GAAP ratio, which is computed as the difference between GAAP net loss ratio and the effect of catastrophes on the net loss ratio. See "Non-GAAP Financial Measures" for the reconciliation of net loss ratio excluding the effect of catastrophes to the GAAP measure of net loss ratio. Net underwriting expense ratio excluding the effect of catastrophes is a non-GAAP ratio, which is computed as the difference between GAAP net underwriting expense ratio and the effect of catastrophes on the net underwriting expense ratio. See "Non-GAAP Financial Measures" for the reconciliation of net underwriting expense ratio excluding the effect of catastrophes to the GAAP measure of net underwriting expense ratio. Net combined ratio excluding the effect of catastrophes is a non-GAAP ratio, which is computed as the difference between GAAP net combined ratio and the effect of catastrophes on the net combined ratio. See "Non-GAAP Financial Measures" for the reconciliation of net combined ratio excluding the effect of catastrophes to the GAAP measure of net combined ratio.

Investments

Portfolio Summary

Fixed-Maturity Securities

The following table presents a breakdown of the amortized cost, estimated fair value, and gross unrealized gains and losses of our investments in fixed-maturity securities classified as available-for-sale for which an allowance for credit loss has not been recorded, as of September 30, 2024 and December 31, 2023:

Category	September 30, 2024					
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses		Estimated Fair Value	% of Estimated Fair Value
			Less than 12 Months	More than 12 Months		
U.S. Treasury securities and obligations of U.S. government corporations and agencies (1)	\$ 5,999,188	\$ -	\$ -	\$ (2,128)	\$ 5,997,060	3.6 %
Political subdivisions of States, Territories and Possessions	16,499,862	-	-	(2,610,572)	13,889,290	8.4 %
Corporate and other bonds Industrial and miscellaneous	107,655,225	31,957	(49,276)	(3,854,059)	103,783,847	62.7 %
Residential mortgage and other asset backed securities (2)	46,749,976	135,681	(136)	(5,097,373)	41,788,148	25.3 %
Total fixed-maturity securities	<u>\$ 176,904,251</u>	<u>\$ 167,638</u>	<u>\$ (49,412)</u>	<u>\$ (11,564,132)</u>	<u>\$ 165,458,345</u>	<u>100.0 %</u>

Category	December 31, 2023					
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses		Estimated Fair Value	% of Estimated Fair Value
			Less than 12 Months	More than 12 Months		
U.S. Treasury securities and obligations of U.S. government corporations and agencies (1)	\$ 20,954,764	\$ 1,799	\$ (17,373)	\$ -	\$ 20,939,190	14.1 %
Political subdivisions of States, Territories and Possessions	16,607,713	-	-	(3,209,161)	13,398,552	9.0 %
Corporate and other bonds Industrial and miscellaneous	75,993,042	-	-	(5,885,296)	70,107,746	47.1 %
Residential mortgage and other asset backed securities (2)	50,905,423	113,761	(2,144)	(6,541,731)	44,475,309	29.9 %
Total fixed-maturity securities	<u>\$ 164,460,942</u>	<u>\$ 115,560</u>	<u>\$ (19,517)</u>	<u>\$ (15,636,188)</u>	<u>\$ 148,920,797</u>	<u>100.0 %</u>

- (1) In October 2022, KICO placed certain U.S. Treasury securities to fulfill the required collateral for a sale leaseback transaction in a designated custodian account (see Note 9 – Debt - “Equipment Financing”). As of September 30, 2024 and December 31, 2023, the amount of required collateral was approximately \$5,731,000 and \$6,999,000, respectively. As of September 30, 2024 and December 31, 2023, the estimated fair value of the U.S. Treasury securities used as eligible collateral was approximately \$5,997,000 and \$11,960,000, respectively.
- (2) KICO has 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 7 – Debt – “Federal Home Loan Bank”). The eligible collateral would be pledged to FHLBNY if KICO draws an advance from the FHLBNY credit line. As of September 30, 2024, the estimated fair value of the eligible investments was approximately \$10,944,000. KICO will retain all rights regarding all securities if pledged as collateral. As of September 30, 2024 and December 31, 2023 there was no outstanding balance on the FHLBNY credit line.

Equity Securities

The following table presents a breakdown of the cost and estimated fair value of, and gross gains and losses on, investments in equity securities as of September 30, 2024 and December 31, 2023:

Category	September 30, 2024				
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	% of Estimated Fair Value
Equity Securities:					
Preferred stocks	\$ 9,750,322	\$ -	\$ (1,639,894)	\$ 8,110,428	71.9 %
Fixed income exchange traded funds	3,711,232	-	(607,432)	3,103,800	27.5 %
FHLBNY common stock	66,000	-	-	66,000	0.6 %
Total	<u>\$ 13,527,554</u>	<u>\$ -</u>	<u>\$ (2,247,326)</u>	<u>\$ 11,280,228</u>	<u>100.0 %</u>

Category	December 31, 2023				
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	% of Estimated Fair Value
Equity Securities:					
Preferred stocks	\$ 13,583,942	\$ -	\$ (2,870,027)	\$ 10,713,915	72.6 %
Fixed income exchange traded funds	3,711,232	-	(669,232)	3,042,000	20.6 %
Mutual funds	622,209	314,816	-	937,025	6.3 %
FHLBNY common stock	69,400	-	-	69,400	0.5 %
Total	<u>\$ 17,986,783</u>	<u>\$ 314,816</u>	<u>\$ (3,539,259)</u>	<u>\$ 14,762,340</u>	<u>100.0 %</u>

Other Investments

The following table presents a breakdown of the cost and estimated fair value of, and gross gains on our other investments as of September 30, 2024 and December 31, 2023:

Category	September 30, 2024			December 31, 2023		
	Cost	Gross Gains	Estimated Fair Value	Cost	Gross Gains	Estimated Fair Value
Other Investments:						
Hedge fund	<u>\$ 1,987,040</u>	<u>\$ 2,312,138</u>	<u>\$ 4,299,178</u>	<u>\$ 1,987,040</u>	<u>\$ 1,910,110</u>	<u>\$ 3,897,150</u>

Held-to-Maturity Securities

The following table presents a breakdown of the amortized cost and estimated fair value of, and gross unrealized gains and losses on, investments in held-to-maturity securities as of September 30, 2024 and December 31, 2023:

	September 30, 2024					
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses		Estimated Fair Value	% of Estimated Fair Value
Category			Less than 12 Months	More than 12 Months		
Held-to-Maturity Securities:						
U.S. Treasury securities	\$ 1,229,091	\$ 20,900	\$ (4,474)	\$ (9,604)	\$ 1,235,913	19.7 %
Political subdivisions of States, Territories and Possessions	499,581	269	—	-	499,850	8.0 %
Exchange traded debt	304,111	-	-	(63,411)	240,700	3.8 %
Corporate and other bonds						
Industrial and miscellaneous	5,015,879	-	-	(713,374)	4,302,505	68.5 %
Total	\$ 7,048,662	\$ 21,169	\$ (4,474)	\$ (786,389)	\$ 6,278,968	100.0 %

	December 31, 2023					
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses		Estimated Fair Value	% of Estimated Fair Value
Category			Less than 12 Months	More than 12 Months		
Held-to-Maturity Securities:						
U.S. Treasury securities	\$ 1,228,860	\$ 15,045	\$ (6,914)	\$ (18,163)	\$ 1,218,828	20.0 %
Political subdivisions of States, Territories and Possessions	499,170	890	-	-	500,060	8.2 %
Exchange traded debt	304,111	-	-	(70,111)	234,000	3.8 %
Corporate and other bonds Industrial and miscellaneous	5,020,400	-	-	(867,140)	4,153,260	68.0 %
Total	\$ 7,052,541	\$ 15,935	\$ (6,914)	\$ (955,414)	\$ 6,106,148	100.0 %

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

A summary of the amortized cost and fair value of our investments in held-to-maturity securities by contractual maturity as of September 30, 2024 and December 31, 2023 is shown below:

Remaining Time to Maturity	September 30, 2024		December 31, 2023	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Less than one year	\$ 499,581	\$ 499,850	\$ -	\$ -
One to five years	622,309	608,231	1,121,288	1,097,101
Five to ten years	1,424,371	1,350,945	1,414,911	1,270,770
More than 10 years	4,502,401	3,819,942	4,516,342	3,738,277
Total	\$ 7,048,662	\$ 6,278,968	\$ 7,052,541	\$ 6,106,148

Credit Rating of Fixed-Maturity Securities

The table below summarizes the credit quality of our available-for-sale fixed-maturity securities as of September 30, 2024 and December 31, 2023 as rated by Standard & Poor's (or, if unavailable from Standard & Poor's, then Moody's, Fitch, or Kroll):

	September 30, 2024		December 31, 2023	
	Estimated Fair Value	Percentage of Estimated Fair Value	Estimated Fair Value	Percentage of Estimated Fair Value
Rating				
U.S. Treasury securities	\$ 5,997,060	3.6 %	\$ 20,939,190	14.1 %
Corporate and municipal bonds				
AAA	3,577,215	2.2 %	1,836,736	1.2 %
AA	16,723,941	10.1 %	9,872,346	6.6 %
A	55,558,070	33.6 %	33,228,327	22.3 %
BBB+	22,256,467	13.5 %	15,042,200	10.1 %
BBB	14,726,451	8.9 %	21,826,125	14.7 %
BBB-	3,841,222	2.3 %	-	0.0 %
BB	989,770	0.6 %	-	0.0 %
Total corporate and municipal bonds	117,673,136	71.2 %	81,805,734	54.9 %
Residential mortgage backed, asset backed, and other collateralized obligations				
AAA	14,323,188	8.7 %	12,766,471	8.6 %
AA	19,581,579	11.8 %	22,102,169	14.8 %
A	7,051,089	4.3 %	6,390,752	4.3 %
BBB+	-	0.0 %	15,168	0.0 %
CCC	390,239	0.2 %	413,601	0.3 %
CC	82,524	— %	91,390	0.1 %
Non rated	359,530	0.2 %	4,396,322	3.0 %
Total residential mortgage backed, asset backed, and other collateralized obligations	41,788,149	25.2 %	46,175,873	31.1 %
Total	\$ 165,458,345	100.0 %	\$ 148,920,797	100.0 %

The table below summarizes the average yield by type of fixed-maturity security as of September 30, 2024 and December 31, 2023:

Category	September 30, 2024	December 31, 2023
U.S. Treasury securities and obligations of U.S. government corporations and agencies	5.00 %	4.95 %
Political subdivisions of States, Territories and Possessions	3.21 %	3.35 %
Corporate and other bonds Industrial and miscellaneous	3.66 %	3.62 %
Residential mortgage backed securities	2.49 %	2.90 %
Total	3.39 %	3.58 %

The table below lists the weighted average maturity and effective duration in years on our fixed-maturity securities as of September 30, 2024 and December 31, 2023:

	September 30, 2024	December 31, 2023
Weighted average effective maturity	6.9	7.8
Weighted average final maturity	10.3	11.9
Effective duration	3.7	4.1

Fair Value Consideration

Fair value is 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 September 30, 2024 and December 31, 2023, 68% and 65%, 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 and equity securities by length of time the security has continuously been in an unrealized loss position as of September 30, 2024 and December 31, 2023:

Category	September 30, 2024							
	Less than 12 months			12 months or more			Total	
	Estimated	Unrealized	No. of	Estimated	Unrealized	No. of	Estimated	Unrealized
	Fair Value	Losses	Positions Held	Fair Value	Losses	Positions Held	Fair Value	Losses
Available-for-Sale Securities:								
U.S. Treasury securities and obligations of U.S. government corporations and agencies	\$ -	\$ -	-	\$ 5,997,060	\$ (2,128)	1	\$ 5,997,060	\$ (2,128)
Political subdivisions of States, Territories and Possessions	-	-	-	13,889,291	(2,610,572)	12	13,889,291	(2,610,572)
Corporate and other bonds industrial and miscellaneous	17,557,547	(49,276)	18	63,278,931	(3,854,059)	74	80,836,478	(3,903,335)
Residential mortgage and other asset backed securities	8,405	(136)	1	37,008,025	(5,097,373)	36	37,016,430	(5,097,509)
Total fixed-maturity securities	\$ 17,565,952	\$ (49,412)	19	\$ 120,173,307	\$ (11,564,132)	123	\$ 137,739,259	\$ (11,613,544)
Category	December 31, 2023							
	Less than 12 months			12 months or more			Total	
	Estimated	Unrealized	No. of	Estimated	Unrealized	No. of	Estimated	Unrealized
	Fair Value	Losses	Positions Held	Fair Value	Losses	Positions Held	Fair Value	Losses
Available-for-Sale Securities:								
U.S. Treasury securities and obligations of U.S. government corporations and agencies	\$ 5,974,440	\$ (17,373)	1	\$ -	\$ -	-	\$ 5,974,440	\$ (17,373)
Political subdivisions of States, Territories and Possessions	-	-	-	13,398,552	(3,209,161)	13	13,398,552	(3,209,161)
Corporate and other bonds industrial and miscellaneous	-	-	-	70,107,746	(5,885,296)	85	70,107,746	(5,885,296)
Residential mortgage and other asset backed securities	88,988	(2,144)	4	38,675,604	(6,541,731)	37	38,764,592	(6,543,875)
Total fixed-maturity securities	\$ 6,063,428	\$ (19,517)	5	\$ 122,181,902	\$ (15,636,188)	135	\$ 128,245,330	\$ (15,655,705)

There were 142 securities at September 30, 2024 that accounted for the gross unrealized loss of our fixed-maturity securities available-for-sale, none of which were deemed to be credit losses by us. There were 140 securities at

December 31, 2023 that accounted for the gross unrealized loss of our fixed-maturity securities available-for-sale, none of which were deemed to be credit losses by us. Significant factors influencing our determination that unrealized losses were temporary included credit quality considerations, the magnitude of the unrealized losses in relation to each security's cost, the nature of the investment and interest rate environment factors, management's intent not to sell these securities and it being not more likely than not that we will be required to sell these investments before anticipated recovery of fair value to our cost basis.

Liquidity and Capital Resources

Cash Flows

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

The primary source of cash flow for our holding company are dividends and distributions received from KICO, which are subject to statutory restrictions. For the nine months ended September 30, 2024, KICO did not pay any dividends to us. Through June 30, 2024, the end of the previous quarter, KICO had a negative adjusted unassigned surplus. Based on that, KICO was not be able to pay any distributions to us without prior regulatory approval. In December 2023, KICO received regulatory approval to pay us a \$2,300,000 distribution from paid in capital. KICO paid us the \$2,300,000 distribution in the second quarter of 2024. In August 2024, KICO received regulatory approval to pay us a \$5,000,000 distribution from paid in capital. KICO paid us the \$5,000,000 distribution in the third quarter of 2024. As of September 30, 2024, KICO has eligible unassigned surplus of \$6,221,687 and is able to pay dividends.

KICO is a member of the FHLBNY, which provides additional access to liquidity. Members have access to a variety of flexible, low-cost funding through FHLBNY's credit products, enabling members to customize advances. Advances are to be fully collateralized; eligible collateral to pledge to FHLBNY includes residential and commercial mortgage-backed securities, along with U.S. Treasury and agency securities. See Note 3 – Investments to our condensed consolidated financial statements 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 end of the previous quarter, which is June 30, 2024. On July 6, 2023, A.M. Best withdrew KICO's ratings as KICO requested to no longer participate in A.M. Best's interactive rating process. As a result of the withdrawal of A.M. Best ratings, KICO is currently only able to borrow on an overnight basis. The maximum allowable advance as of September 30, 2024, based on the net admitted assets as of June 30, 2024, was approximately \$12,907,000. Available collateral as of September 30, 2024 was approximately \$10,944,000. Advances are limited to 85% of the amount of available collateral. There were no borrowings under this facility during Nine Months 2024.

On April 5, 2024, we filed a shelf registration (the "Shelf Registration") statement on Form S-3 with the SEC under the Securities Act of 1933, as amended, with regard to the registration of \$50,000,000 of our equity and debt securities (the "Shelf Registration Statement"). The Shelf Registration Statement was declared effective by the SEC on April 22, 2024. Any offering made pursuant to the Shelf Registration Statement may only be made by means of a prospectus, including a prospectus supplement, forming a part of the effective Shelf Registration Statement, relating to the offering.

In May 2024, we entered into a Sales Agreement with Janney Montgomery Scott LLC (the "Sales Agent") under which we currently have the ability to issue and sell shares of our Common Stock, from time to time, through the Sales Agent, pursuant to the Shelf Registration Statement, up to an aggregate offering price of approximately \$16,400,000 in what is commonly referred to as an "at-the-market" ("ATM") program. During the three months ended September 30, 2024, we sold 1,079,601 shares of our Common Stock at a weighted average price of \$8.48 per share and raised \$8,897,908 in net proceeds under the ATM program. As of September 30, 2024, we had remaining capacity to sell up to an additional \$6,973,231 of our Common Stock under the ATM program.

On September 12, 2024, we issued the 2024 Notes in the aggregate principal amount of \$14,950,000 pursuant to the 2024 Exchange Agreement. Interest is payable semi-annually in arrears on June 30 and December 30 of each year at the rate of 13.75% per annum. The maturity date of the 2024 Notes is June 30, 2026. As of September 30, 2024, the balance of

the 2024 Notes was \$11,950,000. On November 13, 2024, we made an optional prepayment of \$2,000,000 on the 2024 Notes reducing the outstanding balance to \$9,950,000.

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.

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

<i>Nine Months ended September 30,</i>	2024	2023
Cash flows provided by (used in):		
Operating activities	\$ 34,959,578	\$ (15,754,344)
Investing activities	(9,218,359)	19,755,073
Financing activities	(957,419)	(825,988)
Net increase in cash and cash equivalents	24,783,800	3,174,741
Cash and cash equivalents, beginning of period	8,976,998	11,958,228
Cash and cash equivalents, end of period	\$ 33,760,798	\$ 15,132,969

Net cash provided by operating activities was \$34,960,000 in Nine Months 2024 as compared to \$15,754,000 used in operating activities in Nine Months 2023. The \$50,714,000 increase in cash flows provided by operating activities in Nine Months 2024 as compared to Nine Months 2023 was primarily the result of an increase in net income from net loss (adjusted for non-cash items) of \$26,502,000 and in cash provided arising from net fluctuations in operating assets and liabilities. The net fluctuations in assets and liabilities are related to operating activities of KICO as affected by growth or declines in its operations, payments on claims and other changes, which are described above.

Net cash used in investing activities was \$9,218,000 in Nine Months 2024 compared to \$19,755,000 provided by investing activities in Nine Months 2023 resulting in a \$28,973,000 increase in net cash used in investing activities. In Nine Months 2024, we had net cash used by our investment portfolio of \$7,479,000, compared to \$21,135,000 provided in Nine Months 2023.

Net cash used in financing activities was \$957,000 in Nine Months 2024 compared to \$826,000 used in Nine Months 2023. Net cash used in financing activities are primarily principal payments of \$5,000,000 on our 2022 Notes, \$3,000,000 on our 2024 Notes, and \$859,000 on our equipment financing debt in connection with KICO's sale-leaseback transaction. In addition, we paid \$961,000 for withholding taxes on vested restricted stock awards. The principal payments on the 2024 Notes were made by using a portion of the \$9,066,000 net proceeds from our ATM offering.

Reinsurance

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"). Upon the expiration of the 2021/2023 Treaty on January 1, 2023, we entered into a new quota share reinsurance treaty for our personal lines business, covering the period from January 1, 2023 through January 1, 2024 ("2023/2024 Treaty"). Upon the expiration of the 2023/2024 Treaty on January 1, 2024, we entered into a new 27% quota share reinsurance treaty for our personal lines business, covering the period from January 1, 2024 through January 1, 2025 ("2024/2025 Treaty").

Our excess of loss and catastrophe reinsurance treaties expired on June 30, 2024 and we entered into new excess of loss and catastrophe reinsurance treaties effective July 1, 2024 (as discussed below). Effective January 1, 2022, we entered into an underlying excess of loss reinsurance treaty ("Underlying XOL Treaty") covering the period from January 1, 2022 through January 1, 2023. The Underlying XOL Treaty provided 50% reinsurance coverage for losses of \$400,000 in excess of \$600,000. Losses from named storms are excluded from the Underlying XOL Treaty. Effective January 1, 2023, the Underlying XOL Treaty was renewed covering the period from January 1, 2023 through January 1, 2024. Effective January 1, 2024, the Underlying XOL Treaty was renewed covering the period from January 1, 2024 through January 1, 2025. Effective July 1, 2024, we purchased \$275,000,000 of catastrophe reinsurance in excess of \$5,000,000, compared to \$315,000,000 of catastrophe reinsurance in excess of \$10,000,000 in the expiring treaty. Our ability to reduce

[Table of Contents](#)

the top limit of our catastrophe reinsurance was due to our tightened underwriting as discussed above and curtailing new business growth through June 30, 2024, which reduced our probable maximum loss. Effective July 1, 2024, we renewed our excess of loss treaty with the same terms as the expiring treaty. Material terms for our reinsurance treaties in effect for the treaty years shown below are as follows:

Line of Business	Treaty Period						
	2024/2025 Treaty			2023/2024 Treaty		2021/2023 Treaty	
	January 2, 2025 to June 30, 2025	July 1, 2024 to January 1, 2025	January 1, 2024 to June 30, 2024	July 1, 2023 to January 1, 2024	January 1, 2023 to June 30, 2023	July 1, 2022 to January 1, 2023	December 31, 2021 to June 30, 2022

Personal Lines:

Homeowners, dwelling fire and canine legal

liability Quota share treaty:

Percent ceded (7)	(6)	27 %	27 %	30 %	30 %	30 %	30 %
-------------------	-----	------	------	------	------	------	------

Risk retained on initial \$1,000,000 of losses																
(5) (6) (7)	\$	1,000,000	\$	730,000	\$	730,000	\$	700,000	\$	700,000	\$	700,000	\$	700,000		
Losses per occurrence subject to quota																
share reinsurance coverage	(6)	\$	1,000,000	\$	1,000,000	\$	1,000,000	\$	1,000,000	\$	1,000,000	\$	1,000,000	\$	1,000,000	
Expiration date	(6)	January 1, 2025	January 1, 2025	January 1, 2024	January 1, 2024	January 1, 2023	January 1, 2023	January 1, 2023	January 1, 2023	January 1, 2023	January 1, 2023	January 1, 2023	January 1, 2023	January 1, 2023	January 1, 2023	
Excess of loss coverage and facultative																
facility coverage (1) (5) (6)	\$	8,000,000	\$	8,400,000	\$	8,400,000	\$	8,400,000	\$	8,400,000	\$	8,400,000	\$	8,400,000	\$	8,400,000
	in excess of	in excess of	in excess of	in excess of	in excess of	in excess of	in excess of	in excess of	in excess of	in excess of	in excess of	in excess of	in excess of	in excess of	in excess of	in excess of
	\$	1,000,000	\$	600,000	\$	600,000	\$	600,000	\$	600,000	\$	600,000	\$	600,000	\$	600,000
Total reinsurance coverage per occurrence																
(5) (6)	\$	8,000,000	\$	8,470,000	\$	8,470,000	\$	8,500,000	\$	8,500,000	\$	8,500,000	\$	8,500,000	\$	8,500,000
Losses per occurrence subject to																
reinsurance coverage (6)	\$	9,000,000	\$	9,000,000	\$	9,000,000	\$	9,000,000	\$	9,000,000	\$	9,000,000	\$	9,000,000	\$	9,000,000
Expiration date (6)	June 30, 2025	June 30, 2025	June 30, 2024	June 30, 2024	June 30, 2024	June 30, 2024	June 30, 2023	June 30, 2023	June 30, 2023	June 30, 2023	June 30, 2023	June 30, 2023	June 30, 2023	June 30, 2023	June 30, 2022	June 30, 2022

Catastrophe Reinsurance:

Initial loss subject to personal lines quota share treaty (6)									
(6)	\$	10,000,000	\$	10,000,000	\$	10,000,000	\$	10,000,000	
Risk retained per catastrophe occurrence (6)									
(7) (8) (9)	5,000,000	4,750,000	\$	9,500,000	\$	8,750,000	\$	7,400,000	
Catastrophe loss coverage in excess of quota share coverage (2) (6)									
\$	275,000,000	\$	275,000,000	\$	315,000,000	\$	335,000,000	\$	490,000,000
Reinstatement premium protection (3) (4)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	

- (1) For personal lines, includes the addition of an automatic facultative facility allowing KICO to obtain homeowners single risk coverage up to \$9,000,000 in total insured value, which covers direct losses from \$3,500,000 to \$9,000,000 through June 30, 2025.
- (2) 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.
- (3) For the period July 1, 2022 through June 30, 2023, reinstatement premium protection for \$12,500,000 of catastrophe coverage in excess of \$10,000,000. For the period July 1, 2023 through June 30, 2024, reinstatement premium protection for \$50,000,000 of catastrophe coverage in excess of \$10,000,000.
- (4) For the period July 1, 2024 through June 30, 2025 (expiration date of the catastrophe reinsurance treaty), reinstatement premium protection for \$10,500,000 of catastrophe coverage in excess of \$10,000,000.
- (5) For the period January 1, 2022 through January 1, 2025, Underlying XOL Treaty provides 50% reinsurance coverage for losses of \$400,000 in excess of \$600,000. Excludes losses from named storms. Reduces retention to \$500,000 from \$700,000 under the 2021/2023 Treaty and 2023/2024 Treaty. Reduces retention to \$530,000

from \$730,000 under the 2024/2025 Treaty. After the expiration of the Underlying XOL Treaty and 2024/2025 Treaty on January 1, 2025, retention will be \$1,000,000.

- (6) Personal lines quota share (homeowners, dwelling fire and canine liability) and underlying excess of loss reinsurance will expire on January 1, 2025, with none of these coverages to be in effect during the period from January 2, 2025 through June 30, 2025. Reinsurance coverage in effect from January 2, 2025 through June 30, 2025 is only for excess of loss and catastrophe reinsurance treaties.
- (7) For the 2021/2023 Treaty, 4% of the 30% total of losses ceded under this treaty are excluded from a named catastrophe event. For the 2023/2024 Treaty, 17.5% of the 30% total of losses ceded under this treaty are excluded from a named catastrophe event. For the 2024/2025 Treaty, 22% of the 27% total of losses ceded under this treaty are excluded from a named catastrophe event.
- (8) Plus losses in excess of catastrophe coverage
- (9) For the period October 1, 2024 through April 30, 2025, additional catastrophe reinsurance treaty will provide coverage for winter storm losses of \$4,500,000 in excess of \$5,500,000. Retention for winter storms under this treaty is \$4,800,000.

Line of Business	Treaty Year		
	July 1, 2024 to June 30, 2025	July 1, 2023 to June 30, 2024	July 1, 2022 to June 30, 2023
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 %	95 %
Risk retained	\$ 300,000	\$ 300,000	\$ 300,000
Total reinsurance coverage per occurrence	\$ 4,700,000	\$ 4,700,000	\$ 4,700,000
Losses per occurrence subject to quota share reinsurance coverage	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000
Expiration date	June 30, 2025	June 30, 2024	June 30, 2023

Commercial Lines (1)

- (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.

While the rate of inflation has moderated in 2024, Three Months 2024 and Nine Months 2024 still include the continuing effects of prior years' economic inflation, which resulted in a sustained increase in interest rates, a widening of credit spreads, lower public equity valuations, and significant financial market volatility. The higher interest rates and widening of credit spreads reduced the value of our fixed income securities in prior quarters. In Three Months 2024 and Nine Months 2024, the volatility surrounding lowered interest rates and inflation increased our stockholders' equity. For Three Months 2024 and Nine Months 2024, the continuing effects of prior economic inflation impacted our loss and loss

adjustment expenses as well; should these inflationary trends continue in the near-term, it would in all likelihood negatively impact our results of operations.

Off-Balance Sheet Arrangements

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

Outlook

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. We have 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.

On August 2, 2024, two large competitors announced a plan to wind down their personal lines operations in New York State and to non-renew or mid-term cancel their entire book of business before year end 2024. The policyholders of such competitors will need to find alternative coverage. Our producers have been placing a sizable number of these policies with KICO. As such, we anticipate the sizeable increase in our policies in force and direct written premium to continue for the remainder of the year. See "Forward-Looking Statements" before Part I, Item 1.

Non-GAAP Financial Measures

Non-GAAP financial measures should be considered in addition to, and not as a substitute for or superior to, financial measures presented in accordance with GAAP.

The following table reconciles the underlying loss ratio, the net loss ratio excluding the effect of catastrophes and the catastrophe loss ratio to the net loss ratio for the periods presented:

	Three months ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Underlying Loss Ratio	39.2 %	70.8 %	47.9 %	69.2 %
Effect of prior year reserve development	(1.9 %)	0.0 %	(1.8 %)	0.0 %
Net loss ratio excluding the effect of catastrophes	37.3 %	70.8 %	46.1 %	69.2 %
Effect of catastrophes	1.7 %	7.7 %	2.7 %	8.5 %
GAAP net loss ratio	39.0 %	78.5 %	48.8 %	77.7 %

The following table reconciles net income (loss) from insurance underwriting business on a standalone basis to GAAP net income (loss) for the periods presented:

	Three months ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income (loss) from insurance underwriting business on a standalone basis	\$ 8,835,995	\$ (2,461,982)	\$ 17,364,267	\$ (5,546,652)
Holding company operations	(1,857,850)	(1,075,589)	(4,444,506)	(3,567,646)
GAAP net income (loss)	\$ 6,978,145	\$ (3,537,571)	\$ 12,919,761	\$ (9,114,298)

The following table reconciles the net loss ratio excluding the effect of catastrophes, net underwriting expense ratio excluding the effect of catastrophes, and net combined ratio excluding the effect of catastrophes to GAAP net loss ratio, GAAP net underwriting expense ratio, and GAAP net combined ratio for the periods presented:

	Three months ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net loss ratio excluding the effect of catastrophes	37.3 %	70.8 %	46.1 %	69.2 %
Effect of catastrophes	1.7 %	7.7 %	2.7 %	8.5 %
GAAP net loss ratio	39.0 %	78.5 %	48.8 %	77.7 %
Net underwriting expense ratio excluding the effect of catastrophes	33.0 %	31.7 %	31.9 %	33.0 %
Effect of catastrophes	0.0 %	0.0 %	0.0 %	0.0 %
GAAP net underwriting expense ratio	33.0 %	31.7 %	31.9 %	33.0 %
Net combined ratio excluding the effect of catastrophes	70.3 %	102.5 %	78.0 %	102.2 %
Effect of catastrophes	1.7 %	7.7 %	2.7 %	8.5 %
GAAP net combined ratio	72.0 %	110.2 %	80.7 %	110.7 %

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

This item is not applicable to smaller reporting companies.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain a system of disclosure controls and procedures as defined in Rule 13a-15(e) under the Exchange Act that are designed to assure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 2024, our disclosure controls and procedures were: (i) effective in recording, processing, summarizing, and reporting information on a timely basis that we are required to disclose in the reports that we file or submit under the Exchange Act, and (ii) effective in ensuring that information that we are required to disclose in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As required by Exchange Act Rule 13a-15(b), as of the end of the period covered by this Quarterly Report, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2024.

Changes in Internal Control over Financial Reporting

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 our most recently completed fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors.

For a discussion of the Company's potential risks and uncertainties, see Part I, Item 1A— "Risk Factors" and Part II, Item 7— "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's 2023 Annual Report filed with the SEC, and Part I, Item 2 —"Management's Discussion and Analysis of Financial Condition and Results of Operations" herein, in each case as updated by the Company's periodic filings with the SEC. There have been no material changes to the risk factors disclosed in Part I, Item 1A of the Company's 2023 Annual Report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

- (a) None.
- (b) Not applicable.
- (c) None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

[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](#)

[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 Chief Financial Officer as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)

[32+](#) [Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)

101.INS XBRL Instance Document

101.SCH 101.SCH XBRL Taxonomy Extension Schema.

101.CAL 101.CAL XBRL Taxonomy Extension Calculation Linkbase.

101.DEF 101.DEF XBRL Taxonomy Extension Definition Linkbase.

101.LAB 101.LAB XBRL Taxonomy Extension Label Linkbase.

101.PRE 101.PRE XBRL Taxonomy Extension Presentation Linkbase.

+ This exhibit will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. Such exhibit shall not be deemed incorporated into any filing under the Securities Act of 1933, as amended, or the Securities Act of 1934, as amended.

SIGNATURES

Pursuant to the requirements 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: November 14, 2024

By: /s/ Meryl Golden
Meryl Golden
Chief Executive Officer

Dated: November 14, 2024

By: /s/ Jennifer Gravelle
Jennifer Gravelle
Chief Financial Officer

Effective as of 08/28/24

KINGSTONE COMPANIES, INC.

BY-LAWS

ARTICLE I

OFFICES

Section 1. The principal office of the corporation in the State of Delaware shall be in the City of Wilmington, County of New Castle.

Section 2. The corporation may also have offices at such other places both within and without the State of Delaware as the board of directors may from time to time determine or the business of the corporation may require.

ARTICLE II

MEETINGS OF STOCKHOLDERS

Section 1. All meetings of the stockholders shall be held at such time and place as may be fixed from time to time by the board of directors of the corporation.

Section 2. Annual meetings of stockholders shall be held for the election of directors of the corporation. At such annual meeting, the stockholders shall elect a board of directors by a plurality vote (as provided in Section 10 of this Article II), and shall transact such other business as may properly be brought before the meeting. To be properly brought before an annual meeting, business must be (a) specified in the notice of meeting (or any supplement thereto) given by, at the direction of or upon authority granted by the board of directors, (b) otherwise brought before the meeting by, at the direction of or upon authority granted by the board of directors, or (c) subject to Section 12 hereof, otherwise properly brought before the meeting by a stockholder. For business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the secretary of the corporation. To be timely, a stockholder's notice must be received at the principal executive offices of the corporation not less than 60 days nor more than 90 days prior to the date which is one year from the date of the mailing of the corporation's notice regarding the availability of proxy materials for the prior year's annual meeting of stockholders. If during the prior year the corporation did not hold an annual meeting, or if the date of the meeting for which a stockholder intends to submit a proposal has changed more than 30 days from the date of the meeting in the prior year, then such notice must be received a reasonable time before the corporation mails the notice regarding the availability of proxy materials for the current year.

A stockholder's notice to the secretary must set forth as to each matter the stockholder proposes to bring before the annual meeting (a) a brief description of the business

desired to be brought before the annual meeting, and the reasons for conducting such business at the annual meeting, (b) the name and address, as they appear on the corporation's books, of the stockholder proposing such business, (c) the class and number of shares of the corporation which are beneficially owned by the stockholder, and (d) any material interest of the stockholder in such business. Notwithstanding anything in the By-Laws to the contrary, but subject to Section 12 hereof, no business shall be conducted at an annual meeting except in accordance with the procedures set forth in this Section 2. The chairman of an annual meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this Section 2, and, if he should so determine, he shall so declare to the meeting, and any such business not properly brought before the meeting shall not be transacted.

Section 3. Written notice of the annual meeting shall be given to each stockholder entitled to vote thereat not less than ten nor more than sixty days before the date of the meeting.

Section 4. The officer who has charge of the stock ledger of the corporation shall prepare and make, at least ten days before every election of directors, a complete list of the stockholders entitled to vote at said election, arranged in alphabetical order, showing the address and number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, during ordinary business hours, for a period of at least ten days prior to the election, either at a place within the city, town or village where the election is to be held and which place shall be specified in the notice of the meeting, or, if not specified, at the place where said meeting is to be held, and the list shall be produced and kept at the time and place of election during the whole time thereof, and subject to the inspection of any stockholder who may be present.

Section 5. Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the certificate of incorporation, shall be called by the secretary of the corporation at the request in writing of a majority of the entire board of directors. Such request shall state the purpose or purposes of the proposed meeting.

Section 6. Written notice of a special meeting of stockholders, stating the time, place and purposes thereof, shall be given to each stockholder entitled to vote thereat, not less ten nor more than sixty days before the date fixed for the meeting.

Section 7. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

Section 8. The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the certificate of incorporation. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. In

addition, whether or not a quorum is then present, the Chairman of the Board of the corporation shall have the power and authority to adjourn any meeting of stockholders at any time prior to or during such meeting for any reason without notice other than announcement at the meeting. At any such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified.

Section 9. When a quorum is present at any meeting, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which, by express provision of a statute, the by-laws or the certificate of incorporation, a different vote is required in which case such express provision shall govern and control the decision of such question.

Section 10. Except as provided in the certificate of incorporation, each stockholder shall at every meeting of the stockholders be entitled to one vote in person or by proxy for each share of the capital stock having voting power held by such stockholder, but no proxy shall be voted on after three years from its date, unless the proxy provides for a longer period. At all elections of directors of the corporation, each stockholder having voting power shall be entitled to exercise the right of cumulative voting as provided in the certificate of incorporation.

Section 11. Whenever the vote of stockholders at a meeting thereof is required or permitted to be taken in connection with any corporate action by any provisions of the statutes or of the certificate of incorporation, the meeting and vote of stockholders may be dispensed with, if all the stockholders who would have been entitled to vote upon the action if such meeting were held shall consent in writing to such corporate action being taken unless such action has been authorized by the board of directors, in which event such action may be taken by the written consent of the holders of not less than a majority of the shares of capital stock entitled to vote upon such action.

Section 12. Only persons who are nominated in accordance with the procedures set forth in this Section 12 shall be qualified for election as directors. Nominations of persons for election to the board of directors of the corporation may be made at a meeting of stockholders by or at the direction of the board of directors or by any stockholder of the corporation entitled to vote for the election of directors at the meeting who complies with the procedures set forth in this Section 12. In order for persons nominated to the board of directors, other than those persons nominated by or at the direction of the board of directors, to be qualified to serve on the board of directors, such nomination shall be made pursuant to timely notice in writing to the secretary of the corporation. To be timely, a stockholder's notice must be received at the principal executive offices of the corporation not less than 60 days nor more than 90 days prior to the meeting; provided, however, that, in the event that less than 70 days' notice of the date of the meeting is given to stockholders and public disclosure of the meeting date, pursuant to a press release, is either not made or is made less than 70 days prior to the meeting date, then notice by the stockholder to be timely must be so received not later than the close of business on the tenth day following the earlier of (a) the day on which such notice of the date of the meeting was mailed to stockholders or (b) the day on which such public disclosure was made.

A stockholder's notice to the secretary must set forth (a) as to each person whom the stockholder proposes to nominate for election or re-election as a director (i) the name, age, business address and residence address of such person, (ii) the principal occupation or employment of such person, (iii) the class and number of shares of the corporation which are beneficially owned by such person and (iv) any other information relating to such person that is required to be disclosed in solicitation of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended from time to time (including, without limitation, such documentation as is required by Regulation 14A to confirm that such person is a bona fide nominee); and (b) as to the stockholder giving the notice (i) the name and address, as they appear on the corporation's books, of such stockholder and (ii) the class and number of shares of the corporation which are beneficially owned by such stockholder. At the request of the board of directors, any person nominated by the board of directors for election as a director shall furnish to the secretary of the corporation that information required to be set forth in a stockholder's notice of nomination which pertains to the nominee. No person shall be qualified for election as a director of the corporation unless nominated in accordance with the procedures set forth in this Section 12. The chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with procedures prescribed by the By-Laws, and, if he should so determine, he shall so declare to the meeting, and the defective nomination shall be disregarded.

ARTICLE III

DIRECTORS

Section 1. The number of directors which shall constitute the whole board shall be fixed from time to time by the board of directors of the corporation. The directors shall be elected at the annual meeting of the stockholders, except as provided in Section 2 of this Article, and each director elected shall hold office until his successor is elected and qualified. Directors need not be stockholders.

In the event that, during any period beginning with the adjournment of a particular annual meeting of the stockholders of the corporation and ending with the commencement of the following annual meeting of the stockholders of the corporation, a director shall be absent from (due to his failure to be present in person or by conference telephone) seven (7) meetings of the board of directors of the corporation, then, effective with the missed seventh (7th) meeting, he shall thereupon be deemed to have resigned as a director unless the board of directors shall determine, in its sole discretion, that one or more of the absences was excusable. With regard to any such meeting of the board of directors held for the purpose of determining whether one or more absences was excusable (among possible other purposes), unless the chairman of the board or the president determines otherwise, the subject individual shall not be entitled to notice thereof and shall not be entitled to attend. In the event that the board of directors determines that an absence from a particular meeting or meetings was excusable, then, for purposes hereof only, the director shall be deemed to have attended the particular meeting(s). The provisions of this paragraph shall apply to meetings missed after November 24, 2004.

Section 2. Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, though less than a quorum, and the directors so chosen shall hold office until the next annual election and until their successors are duly elected and shall qualify, unless sooner displaced.

Section 3. The business of the corporation shall be managed by its board of directors which may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute or by the certificate of incorporation or by these by-laws directed or required to be exercised or done by the stockholders.

MEETINGS OF THE BOARD OF DIRECTORS

Section 4. The board of directors of the corporation may hold meetings, both regular and special, either within or without the State of Delaware.

Section 5. The first meeting of each newly elected board of directors shall be held immediately following the close of the annual meeting of stockholders at the place of the holding of said annual meeting. No notice of any such meeting shall be necessary to the newly elected directors in order legally to constitute the meeting, provided a quorum shall be present. In the event such meeting is not held at such time and place, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the board of directors, or as shall be specified in a written waiver signed by all of the directors.

Section 6. Regular meetings of the board of directors may be held without notice at such time and at such place as shall from time to time be determined by the board.

Section 7. Special meetings of the board of directors may be called by the chairman of the board or the president on one (1) day's notice to each director, either personally, by overnight mail, by telegram, by e-mail, by telecopier or by telephone. For purposes hereof, one (1) day's notice shall be satisfied by the delivery of such notice as shall result in the director receiving notice by 5:00 p.m., New York City time, on the day immediately preceding the date of the meeting (provided that the time of the meeting is no earlier than 8:00 a.m., New York City time).

Section 8. At all meetings of the board, a majority of the directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the board of directors; provided, however, that, in the event the number of directors in office is less than four, any action to be taken by the Board of Directors shall require the affirmative vote of all of the directors then in office, except as may be otherwise specifically provided by statute or by the certificate of incorporation. If a quorum shall not be present at any meeting of the board of directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 9. Unless otherwise restricted by the certificate of incorporation or these by-laws, any action required or permitted to be taken at any meeting of the board of directors may be taken without a meeting, if prior to such action a written consent thereto is signed by all members of the board and such written consent is filed with the minutes of proceedings of the board.

COMMITTEES OF DIRECTORS

Section 10. The board of directors, by resolution adopted by a majority of the entire board, may designate from among its members an executive committee and other committees, which committees shall serve at the pleasure of the board of directors. The board of directors may designate one or more directors as alternate members of any such committee, who may replace any absent member or members of such committee. The board of directors, by resolution adopted by a majority of the entire board, may remove a member of any such committee with or without cause. To the extent provided in said resolution and to the extent permitted by the laws of the State of Delaware, each such committee shall have and may exercise the powers of the board of directors.

Section 11. Each committee shall keep regular minutes of its meetings and report the same to the board of directors when required.

Section 12. Each committee may hold meetings, both regular and special, either within or without the State of Delaware.

Section 13. Regular meetings of each committee may be held without notice at such time and at such place as shall from time to time be determined by such committee.

Section 14. Special meetings of a committee may be called by the chairman of the committee on one (1) day's notice to each committee member, either personally, by overnight mail, by telegram, by e-mail, by telecopier or by telephone. For purposes hereof, one (1) day's notice shall be satisfied by the delivery of such notice as shall result in the committee member receiving notice by 5:00 p.m., New York City time, on the day immediately preceding the date of the meeting (provided that the time of the meeting is no earlier than 8:00 a.m., New York City time).

Section 15. At all meetings of a committee, a majority of the committee members shall constitute a quorum for the transaction of business and the act of a majority of the committee members present at any meeting at which there is a quorum shall be the act of the committee. If a quorum shall not be present at any meeting of a committee, the committee members present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 16. Unless otherwise restricted by the certificate of incorporation or these by-laws, any action required or permitted to be taken at any meeting of a committee may be taken without a meeting, if prior to such action a written consent thereto is signed by all members of

such committee, and such written consent is filed with the minutes of proceedings of the committee.

COMPENSATION OF DIRECTORS

Section 17. The directors may be paid their expenses, if any, of attendance at each meeting of the board of directors and may be paid a fixed sum for attendance at each meeting of the board of directors and such salary or other compensation as directors, as the board by resolution may determine. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

ARTICLE IV

NOTICES

Section 1. Notices to directors and stockholders shall be sent as permitted by applicable law and these by-laws.

Section 2. Whenever any notice is required to be given under the provisions of the statutes or of the certificate of incorporation or of these by-laws, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated herein, shall be deemed equivalent thereto.

ARTICLE V

OFFICERS

Section 1. The officers of the corporation shall be chosen by the board of directors and shall be a chairman of the board, a president, a secretary and a treasurer. The board of directors may also choose one or more vice-presidents, assistant secretaries and assistant treasurers. Two or more offices may be held by the same person.

Section 2. The board of directors, at its first meeting after each annual meeting of stockholders, shall choose a chairman of the board, a president, a secretary and a treasurer, none of whom need be a member of the board.

Section 3. The board of directors may appoint such other officers and agents as it shall deem necessary who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the board.

Section 4. The salaries of all officers of the corporation shall be fixed by the board of directors.

Section 5. The officers of the corporation shall hold office until their successors are chosen and qualify. Any officer elected or appointed by the board of directors may be removed at any time by the affirmative vote of a majority of the entire board of directors. Any vacancy occurring in any office of the corporation shall be filled by the board of directors.

CHAIRMAN OF THE BOARD

Section 6. The chairman of the board of directors, if an executive of the corporation, shall have general supervision and control over the finances of the corporation, subject to the control of the board of directors and the chief executive officer of the corporation, if any, and shall see that all orders and resolutions of the board are carried into effect; shall preside at all meetings of the board of directors and stockholders; shall be ex-officio a member of all standing committees; and shall perform such other duties as from time to time may be assigned to him or her by the board of directors.

A non-executive chairman of the board of directors shall have general supervision over the board of directors and its activities; shall provide overall leadership to the board of directors; shall preside at all meetings of the board of directors and stockholders; shall be ex-officio a member of all standing committees; and shall perform such other duties as from time to time may be assigned to him or her by the board of directors.

PRESIDENT

Section 7. The president shall have general supervision and control over the day-to-day business and management of the corporation, subject to the control of the board of directors, and shall see that all orders and resolutions of the board are carried into effect. In the absence of an executive chairman of the board of directors and a chief executive officer of the corporation, the president shall have general supervision and control over the finances of the corporation, subject to the control of the board of directors.

VICE-PRESIDENTS

Section 8. The vice-president, or if there shall be more than one, the vice-presidents in the order determined by the board of directors, shall, in the absence or disability of the president, perform the duties and exercise the powers of the president and shall perform such other duties and have such other powers as the board of directors may from time to time prescribe.

SECRETARY AND ASSISTANT SECRETARIES

Section 9. The secretary shall attend all meetings of the board of directors and all meetings of the stockholders and record all the proceedings of the meetings of the corporation and of the board of directors in a book to be kept for that purpose and shall perform like duties for the standing committees when required. He shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the board of directors, and shall perform such other duties as may be prescribed by the board of directors, under whose supervision he

shall be. He shall keep in safe custody the seal of the corporation and, when authorized by the board of directors, affix the same to any instrument requiring it and, when so affixed, it shall be attested by his signature or by the signature of an assistant secretary.

Section 10. The assistant secretary, or if there be more than one, the assistant secretaries in the order determined by the board of directors, shall, in the absence or disability of the secretary, perform the duties and exercise the powers of the secretary and shall perform such other duties and have such other powers as the board of directors may from time to time prescribe.

TREASURER AND ASSISTANT TREASURERS

Section 11. The treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books and belongings to the corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the board of directors.

Section 12. He shall disburse the funds of the corporation as may be ordered by the board of directors, taking proper vouchers for such disbursements, and shall render to the president and the board of directors, at its regular meetings, or when the board of directors so requires, an account of all his transactions as treasurer and of the financial condition of the corporation.

Section 13. If required by the board of directors, he shall give the corporation a bond (which shall be renewed every six years) in such sum and with such surety or sureties as shall be satisfactory to the board of directors for the faithful performance of the duties of his office and for the restoration to the corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the corporation.

Section 14. The assistant treasurer, or if there shall be more than one, the assistant treasurers in the order determined by the board of directors, shall, in the absence or disability of the treasurer, perform the duties and exercise the powers of the treasurer and shall perform such other duties and have such other powers as the board of directors may from time to time prescribe.

ARTICLE VI

CERTIFICATES OF STOCK

Section 1. Shares of the capital stock of the corporation may be certificated or uncertificated, as provided under the General Corporation Law of the State of Delaware. Each stockholder, upon written request to the transfer agent or registrar of the corporation, shall be entitled to a certificate of the capital stock of the corporation in such form as may from time to time be prescribed by the board of directors. Such certificate shall bear the corporation's seal

and shall be signed by the chairman of the board or the president or a vice president and by the treasurer or an assistant treasurer or the secretary or an assistant secretary. The corporation's seal and the signatures by corporation officers may be facsimiles if the certificate is manually countersigned by an authorized person on behalf of a transfer agent or registrar other than the corporation or its employee. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed on such certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if such officer, transfer agent or registrar were such officer, transfer agent or registrar at the time of its issue. Every certificate for shares of stock which are subject to any restriction on transfer and every certificate issued when the corporation is authorized to issue more than one class or series of stock shall contain such legend with respect thereto as is required by law. The corporation shall be permitted to issue fractional shares.

TRANSFERS

Section 2. Stock of the corporation shall be transferable in the manner prescribed by applicable law and in these By-Laws. Transfers of stock shall be made on the books of the corporation, and in the case of certificated shares of stock, only by the person named in the certificate or by such person's attorney lawfully constituted in writing and upon the surrender of the certificate therefor, properly endorsed for transfer and payment of all necessary transfer taxes; or, in the case of uncertificated shares of stock, upon receipt of proper transfer instructions from the registered holder of the shares or by such person's attorney lawfully constituted in writing, and upon payment of all necessary transfer taxes and compliance with appropriate procedures for transferring shares in uncertificated form; provided, however, that such surrender and endorsement, compliance or payment of taxes shall not be required in any case in which the officers of the corporation shall determine to waive such requirement. With respect to certificated shares of stock, every certificate exchanged, returned or surrendered to the corporation shall be marked "Cancelled," with the date of cancellation, by the secretary or assistant secretary of the corporation or the transfer agent thereof. No transfer of stock shall be valid as against the corporation for any purpose until it shall have been entered in the stock records of the corporation by an entry showing from and to whom transferred.

LOST CERTIFICATES

Section 3. In case of the alleged loss, destruction or mutilation of a certificate of stock, a duplicate certificate may be issued in place thereof, upon such terms as the board of directors may prescribe, provided, however, that if such shares have ceased to be certificated, a new certificate shall be issued only upon written request to the transfer agent or registrar of the corporation.

CLOSING OF TRANSFER BOOKS; RECORD DATE

Section 4. The board of directors may close the stock transfer books of the corporation for a period not exceeding 50 days preceding the date of any meeting of stockholders or the date for payment of any dividend or the date for the allotment of rights or the date when any change

or conversion or exchange of capital stock shall go into effect or for a period of not exceeding 50 days in connection with obtaining the consent of stockholders for any purpose. In lieu of closing the stock transfer books as aforesaid, the board of directors may fix in advance a date, which date shall not be more than 60 nor less than ten days preceding the date of any meeting of stockholders, or the date for the payment of any dividend, or the date for the allotment of rights, or the date when any change or conversion or exchange of capital stock shall go into effect, or a date in connection with obtaining such consent, as a record date for the determination of the stockholders entitled to notice of, and to vote at, any such meeting, and any adjournment thereof, or entitled to receive payment of any such dividend, or to any such allotment of rights, or to exercise the rights in respect of any such change, conversion or exchange of capital stock, or to give such consent, and in such case such stockholders and only such stockholders as shall be stockholders of record on the date so fixed shall be entitled to such notice of, and to vote at, such meeting and any adjournment thereof, or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights, or to give such consent, as the case may be, notwithstanding any transfer of any stock on the books of the corporation after any such record date fixed as aforesaid.

REGISTERED STOCKHOLDERS

Section 5. The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE VII

GENERAL PROVISIONS

DIVIDENDS

Section 1. Dividends upon the capital stock of the corporation, subject to the provisions of the certificate of incorporation, if any, may be declared by the board of directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the certificate of incorporation.

Section 2. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the directors shall think conducive to the interest of the corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

ANNUAL STATEMENT

Section 3. The board of directors shall present at each annual meeting, and at any special meeting of the stockholders when called for by vote of the stockholders, a full and clear statement of the business and condition of the corporation.

CHECKS

Section 4. All checks or demand for money and notes of the corporation shall be signed by such officer or officers or such other person or persons as the board of directors may from time to time designate.

FISCAL YEAR

Section 5. The fiscal year of the corporation shall be fixed by resolution of the board of directors.

SEAL

Section 6. The corporate seal shall have inscribed thereon the name of the corporation, the year of its organization and the words "Corporate Seal, Delaware". The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

INDEMNIFICATION

Section 7. The corporation shall to the full extent permitted by Section 145 of the Delaware General Corporation Law, as amended from time to time, indemnify all persons whom it may indemnify pursuant thereto. The indemnifications authorized hereby shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under or through any agreement, vote of stockholders or disinterested directors or otherwise, both as to action in the official capacity of those seeking indemnification and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such persons. The corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under the provisions of Section 145.

ARTICLE VIII

AMENDMENTS

Section 1. These by-laws may be altered or repealed (a) at any regular meeting of the stockholders or of the board of directors, (b) at any special meeting of the stockholders or of the

board of directors if notice of such alteration or repeal be contained in the notice of such special meeting or (c) by unanimous written consent of the stockholders or board of directors.

CERTIFICATION

I, Meryl Golden, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: November 14, 2024

/s/ Meryl Golden

Meryl Golden

Chief Executive Officer

CERTIFICATION

I, Jennifer Gravelle, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: November 14, 2024

/s/ Jennifer Gravelle

Jennifer Gravelle
Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
AND CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned hereby certify, pursuant to, and as required by, 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Kingstone Companies, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2024 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 Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 14, 2024

/s/ Meryl Golden

Meryl Golden

Chief Executive Officer

/s/ Jennifer Gravelle

Jennifer Gravelle

Chief Financial Officer