KINGSTONE COMPANIES, INC.
Form 10-K
March 25, 2015

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

(Mark One)

x ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

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

FOR THE TRANSITION PERIOD
FROM
TO

Commission File Number 0-1665

KINGSTONE COMPANIES, INC.
(Exact name of registrant as specified in its charter)

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

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

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

Title of each class	Name of each exchange on which registered
Common Stock	NASDAQ

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the

Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer"" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer o
Non-accelerated o(Do not check if a smaller reporting company)	Smaller reporting company x

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

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

DOCUMENTS INCORPORATED BY REFERENCE
None

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PART I

Forward-Looking Statements

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

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

ITEM 1. BUSINESS.

(a) Business Development

General

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

We offer property and casualty insurance products to small businesses and individuals in New York State through our wholly-owned subsidiary, Kingstone Insurance Company ("KICO"). KICO is a licensed property and casualty insurance company in the State of New York and the Commonwealth of Pennsylvania; however, KICO writes substantially all of its business in New York. Payments, Inc., our wholly-owned subsidiary, is a licensed premium finance company in the State of New York and receives fees for placing contracts with a third party licensed premium finance company.

Recent Developments

Developments During 2014

Reduced Reliance on Quota Share Reinsurance

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

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

Increased Rate of Dividends Declared

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

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

Developments During 2013

Public Offering

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

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

KICO Appointment of its First Chief Actuary

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

(b) Business

Property and Casualty Insurance

Overview

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

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

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

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

General; Strategy

We are a property and casualty insurance holding company whose principal operating subsidiary is Kingstone Insurance Company, referred to as KICO, domiciled in the State of New York. We are a multi-line regional property and casualty insurance company writing business exclusively through independent retail and wholesale agents and brokers, referred to collectively as producers. We are licensed to write insurance policies in New York and Pennsylvania.

We seek to deliver an attractive return on capital and to provide consistent earnings growth through underwriting profits and income from our investment portfolio. Our strategy is to be the preferred multi-line property and casualty insurance company for selected producers in the geographic markets in which we operate. We believe producers prefer to place profitable business with us because we provide excellent, consistent service to our producers, policyholders and claimants coupled with competitive rates and commission levels and a consistent market presence. We also offer a wide array of personal and commercial lines policies, which we believe differentiates us from other insurance companies that also distribute through our selected producers.

Our principal objectives are to increase the volume of profitable business that we write while limiting our risk of loss and preserving our capital. We seek to generate underwriting income by writing profitable insurance policies and by managing our other underwriting and operating expenses. We are pursuing profitable growth by expanding the geographic regions in which we operate, increasing the volume of business that we write with existing producers, developing new selected producer relationships, and introducing niche insurance products that are attractive to our producers and policyholders.

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

Product Lines

Our product lines include the following:

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

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

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

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

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

Our Competitive Strengths

History of Growing Our Profitable Operations

Our insurance company subsidiary, KICO, has been in operation in the State of New York for 128 years. We have consistently increased the volume of profitable business that we write by introducing new insurance products, increasing the volume of business that we write with our producers and developing new producer relationships. KICO has earned an underwriting profit in nine of the past ten years, including in 2012 when our financial results were adversely impacted by Superstorm Sandy. The extensive heritage of our insurance company subsidiary and our commitment to the New York market is a competitive advantage with producers and policyholders.

Strong Producer Relationships

Within our selected producers' offices, we compete with other property and casualty insurance carriers available to those producers. We carefully select the producers that distribute our insurance policies and continuously monitor and evaluate their performance. We believe our insurance producers value their relationships with us because we provide excellent, consistent personal service coupled with competitive rates and commission levels. We have consistently been rated by insurance producers as above average in the important areas of underwriting, claims handling and service. In the last three performance surveys conducted by the Professional Insurance Agents of New York and New Jersey ("PIA") of its membership (2010, 2012, and 2014), KICO was rated as the top performing insurance company in New York for 2010 and 2012, and ranked number six in 2014 (of 55 insurance companies rated by PIA members).

We also offer our selected producers the ability to write a wide array of personal lines and commercial lines policies, including some which are unique to us. Many of our producers write multiple lines of business with us which provides an advantage over those competitors who are focused on a single product line. We have had a consistent presence in the New York market for over 100 years and we believe that producers value the longevity of our relationship with them. We believe that the excellent service we provide to our selected producers, our broad product offering and our consistent market presence provides a foundation for profitable growth.

Sophisticated Underwriting and Risk Management Practices

We believe that we have a significant underwriting advantage due to our local market presence and expertise. Our underwriting process evaluates property reports, driving records, the creditworthiness of the insured, and information collected from physical inspections to determine appropriate rates. We utilize certain targeted policy exclusions to reduce our exposure to risks that can create severe losses. We also seek to avoid severe losses by writing policies with lower liability limits when possible.

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

Our underwriting expertise and risk management practices enable us to profitably write personal and commercial lines business in our markets. We believe that the consistency and the reliable availability of our insurance products is important to our selected producer relationships.

Effective Utilization of Reinsurance

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

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

Experienced Management Team

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

Scalable, Low-Cost Operations

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

We have made investments to develop online application raters and inquiry systems for many of our personal lines and commercial products. This has resulted in increased business submissions from our producers due to the greater ease of placing business with us. We plan to expand these online capabilities to all lines of business. Our ability to control the growth of our operating and other expenses while growing revenue is a key component of our business model and is important to our future financial success.

Underwriting and Claims Management Philosophy

Our underwriting philosophy is to be conservative in the approach to risks that we write. We monitor results on a regular basis and all of our producers are reviewed by management on a quarterly basis. We utilize certain targeted policy exclusions to reduce our exposure to risks that can create severe losses. We also seek to avoid severe losses by writing policies with lower liability limits.

We believe our rates are competitive with other carriers' rates in our markets. We believe that consistency and the reliable availability of our insurance products is important to our producers. We do not seek to grow by competing based solely upon price. We seek to develop long-term relationships with our select producers who understand and appreciate the conservative, consistent path we have chosen. We carefully underwrite all of our business utilizing the CLUE industry claims database, motor vehicle reports, credit reports, physical inspection of risks and other underwriting software. In the event that a material misrepresentation is discovered in the underwriting application, the policy is voided. If a material misrepresentation is discovered after a claim is presented, we deny the claim. We write homeowners and dwelling fire business in New York City and Long Island and are cognizant of our exposure to hurricanes. We have mitigated this risk by adding mandatory hurricane deductibles to all policies written in these areas. Our claim and underwriting expertise enables us to profitably write personal lines business in all areas of New York City and Long Island.

Distribution

We generate business through our relationships with over 300 independent producers. We carefully select our producers by evaluating several factors such as their need for our products, premium production potential, loss history with other insurance companies that they represent, product and market knowledge, and the size of the agency. We monitor and evaluate the performance of our producers through periodic reviews of volume, profitability, and quality of business. Our senior executives are actively involved in managing our producer relationships.

Each producer is assigned an underwriter and the producer can call that underwriter directly on any matter. We believe that the close relationship with their underwriter is the principal reason producers place their business with us. Our online application raters and inquiry systems have streamlined the process of placing business with KICO, and we continue to accommodate other means of producer transmissions. Our producers have access to a website portal that contains all of our applications, rating software, policy forms and underwriting guidelines for all lines of business. We send out frequent electronic "Producergrams" in order to inform our producers of updates at KICO. In addition we have an active Producer Council and have at least one annual meeting with all of our producers.

Competition; Market

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

Our policyholders are located primarily in New York State. According to the U.S. Census Bureau, New York is the fourth largest state in the country with a current estimated population of approximately 19.7 million. Our market primarily consists of New York City, Long Island and Westchester County, which we collectively define as Downstate New York. We are also licensed to write insurance in the Commonwealth of Pennsylvania, and are in the process of obtaining licenses for four other states.

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

Loss and Loss Adjustment Expense Reserves

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

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

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

IBNR reserves - We also estimate and establish reserves for loss and LAE amounts incurred but not yet reported. IBNR reserves are calculated as ultimate losses and LAE less reported losses and LAE. Ultimate losses are projected by using generally accepted actuarial techniques.

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

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

Reconciliation of Loss and Loss Adjustment Expenses

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

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

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

Loss and Loss Adjustment Expenses Development

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

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

The “cumulative redundancy (deficiency)” represents, as of December 31, 2014, the difference between the latest re-estimated liability and the amounts as originally estimated. A redundancy means that the original estimate was higher than the current estimate. A deficiency means that the current estimate is higher than the original estimate.

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

(in thousands of $)	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Cumulative amount of reserve paid, net of reinsurance recoverable											
One year later	3,347	1,106	2,018	1,855	2,533	2,307	3,201	3,237	4,804	6,156	
Two years later	4,291	2,321	3,303	3,339	3,974	3,992	4,947	5,661	8,833		
Three years later	4,965	3,321	4,036	4,339	5,054	4,659	6,199	8,221			
	5,598	3,705	4,471	5,146	5,373	5,238	7,737				

Four years later											
Five years later	5,840	3,988	5,079	5,424	5,717	5,997					
Six years later	6,101	4,484	5,305	5,738	6,224						
Seven years later	6,557	4,595	5,594	6,247							
Eight years later	6,654	4,880	5,966								
Nine years later	6,933	5,246									
Ten years later	7,294										
Net reserve - December 31,	3,141	3,074	4,370	4,799	5,823	6,001	7,280	8,520	12,065	17,139	21,663
Reinsurance Recoverable	7,610	7,283	6,523	6,693	9,766	10,512	10,432	9,960	18,420	17,364	18,250
Gross reserves - December 31,	10,751	10,357	10,893	11,492	15,589	16,513	17,712	18,480	30,485	34,503	39,913
Net re-estimated reserve	8,485	6,560	7,318	7,721	7,727	7,766	10,128	12,968	16,875	18,903	
Re-estimated reinsurance recoverable	11,183	11,357	11,529	11,468	13,184	13,092	13,560	13,984	26,917	19,207	
Gross re-estimated reserve	19,668	17,917	18,847	19,189	20,911	20,858	23,688	26,952	43,792	38,110	
Gross cumulative redundancy	(8,917)	(7,560)	(7,954)	(7,697)	(5,322)	(4,345)	(5,976)	(8,472)	(13,307)	(3,607)	

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

Reinsurance

We purchase reinsurance to reduce our net liability on individual risks, to protect against possible catastrophes, to achieve a target ratio of net premiums written to policyholders' surplus and to expand our underwriting capacity. Our reinsurance program is structured to reflect our obligations and goals. Reinsurance via quota share allows for a carrier to write business without increasing its underwriting leverage above a management determined ratio. The business written under a reinsurance quota share obligates a reinsurer to assume the risks involved, and gives the reinsurer the profit (or loss) associated with such. We have determined it to be in the best interests of our shareholders to prudently reduce our reliance on quota share reinsurance. This will result in higher earned premiums and a reduction in ceding commission revenue in future years. Our participation in reinsurance arrangements does not relieve us from our obligations to policyholders.

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

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

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

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

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

Investments

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

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

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

	December 31, 2014			December 31, 2013		
	Fair Market Value	Percentage of Fair Market Value		Fair Market Value	Percentage of Fair Market Value	
Rating						
AAA	$2,779,539	5.5	%	$2,075,010	7.3	%

AA	9,826,545	19.2	%	4,566,384	16.1	%
A	13,954,036	27.3	%	7,680,343	27.0	%
BBB	24,560,739	48.0	%	14,114,285	49.6	%
Total	$51,120,859	100.0	%	$28,436,022	100.0	%

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

Ratings

We currently have a Demotech rating of A (Excellent) which generally qualifies our policies for banks and finance companies. Many insurance buyers, agents and brokers use the ratings assigned by A.M. Best and other agencies to assist them in assessing the financial strength and overall quality of the companies from which they are considering purchasing insurance. In 2009, KICO applied for its initial A.M. Best rating, and was assigned a letter rating of "B" (Fair) by A.M. Best in 2010. Our rating was upgraded to B+ (Good) in 2011, and such rating remained in effect in 2012 through 2014. KICO is beginning the process of undergoing its annual review from A.M. Best, which may result in a change to its rating. A.M. Best ratings are derived from an in-depth evaluation of an insurance company's balance sheet strengths, operating performances and business profiles. A.M. Best evaluates, among other factors, the company's capitalization, underwriting leverage, financial leverage, asset leverage, capital structure, quality and appropriateness of reinsurance, adequacy of reserves, quality and diversification of assets, liquidity, profitability, spread of risk, revenue composition, market position, management, market risk and event risk. A.M. Best ratings are intended to provide an independent opinion of an insurer's ability to meet its obligations to policyholders and are not an evaluation directed at investors. An A.M. Best rating could create additional demand from producers requiring a carrier to have an A.M. Best rating.

Severe Winter Weather

Our predominant market, downstate New York, suffered severe weather in January and February 2014. We include severe winter weather in our definition of catastrophe. The catastrophe component of 2014 severe winter was determined by the number of claims in excess of our threshold of average claims from severe winter weather. These claims were primarily from losses due to frozen pipes, weight of snow and ice, and other water related structural damage as a result of excess snow and below normal temperatures for an extended period of time. The effects of severe winter weather increased our net loss ratio by 2.9 percentage points in 2014.

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

Premium Financing

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

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

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

Government Regulation

Holding Company Regulation

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

Change of Control

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

State Insurance Regulation

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

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

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

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

Federal and State Legislative and Regulatory Changes

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

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

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

On July 21, 2010, the President signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") that established a Federal Insurance Office (the "FIO") within the U.S. Department of the Treasury. The FIO is initially charged with monitoring all aspects of the insurance industry (other than health insurance, certain long-term care insurance and crop insurance), gathering data, and conducting a study on methods to modernize and improve the insurance regulatory system in the United States. On December 12, 2013, the FIO issued a report (as required under the Dodd-Frank Act) entitled "How to Modernize and Improve the System of Insurance Regulation in the United States" (the "Report"), which stated that, given the "uneven" progress the states have made with several near-term state reforms, should the states fail to accomplish the necessary modernization reforms in the near term, "Congress should strongly consider direct federal involvement." The FIO continues to support the current state-based regulatory regime, but will consider federal regulation should the states fail to take steps to greater uniformity (e.g., federal licensing of insurers).

State Insurance Department Examinations

As part of their regulatory oversight process, state insurance departments conduct periodic detailed examinations of the financial reporting of insurance companies domiciled in their states, generally once every three to five years. Examinations are generally carried out in cooperation with the insurance departments of other states under guidelines promulgated by the NAIC.

Risk-Based Capital Regulations

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

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

Dividend Limitations

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

Insurance Regulatory Information System Ratios

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

As of December 31, 2014, as a result of its growth, the $15 million contribution of capital we made to KICO in December 2013 and an increase in longer tailed liability reserves, KICO had four ratios outside the usual range due to reliance on quota share reinsurance, investment yield, gross change in surplus and two-year reserve development.

Accounting Principles

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

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

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

Premium Financing

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

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

Legal Structure

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

Offices

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

Employees

As of December 31, 2014, we had 66 employees all of whom are located in New York. None of our employees are covered by a collective bargaining agreement. We believe that our relationship with our employees is good.

ITEM 1A. RISK FACTORS.

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

ITEM 1B. UNRESOLVED STAFF COMMENTS.

Not applicable.

ITEM 2. PROPERTIES.

Our principal executive offices are currently located at 15 Joys Lane, Kingston, New York. Our insurance underwriting business is located principally at 15 Joys Lane, Kingston, New York.

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

ITEM 3. LEGAL PROCEEDINGS.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

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

Market Information

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

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

	High	Low
2014 Calendar Year		
First Quarter	$7.90	$6.66
Second Quarter	7.24	5.66
Third Quarter	8.24	6.53
Fourth Quarter	8.97	7.44
	High	Low
2013 Calendar Year		
First Quarter	$5.76	$4.69
Second Quarter	5.71	5.11
Third Quarter	5.35	5.01
Fourth Quarter	7.43	4.59

Holders

As of March 10, 2015, there were approximately 315 record holders of our common stock.

Dividends

Holders of our common stock are entitled to dividends when, as and if declared by our Board of Directors out of funds legally available. During 2014, we paid quarterly dividends of $0.04 per share on March 14, 2014 and June 13, 2014, and $.05 per share on September 15, 2014 and December 12, 2014. During 2013, we paid quarterly dividends of $0.04 per share on March 15, 2013, June 14, 2013, September 13, 2013 and December 13, 2013. Future dividend policy will be subject to the discretion of our Board of Directors and will be contingent upon future earnings, if any, our financial condition, capital requirements, general business conditions, and other factors. Therefore, we can give no assurance that future dividends of any kind will continue to be paid to holders of our common stock.

Our ability to pay dividends depends, in part, upon on the ability of KICO to pay dividends to us. KICO, as an insurance subsidiary is subject to significant regulatory restrictions limiting its ability to declare and pay dividends. See "Business – Government Regulation" and "Management's Discussion and Analysis of Financial Condition and Results of Operation – Liquidity" in Items 1 and 7, respectively, of this Annual Report.

We declared dividends on our common stock as follows:

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

Recent Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

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

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

(1) Shares purchased by "affiliated purchasers."

ITEM 6. SELECTED FINANCIAL DATA.

Not applicable.

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

Overview

We offer property and casualty insurance products to small businesses and individuals in New York State through our subsidiary, Kingstone Insurance Company ("KICO"). KICO's insureds are located primarily in downstate New York, consisting of New York City, Long Island and Westchester County.

We derive 99% of our revenue from KICO, which includes revenues from earned premiums, ceding commissions from quota share reinsurance, net investment income generated from its portfolio, and net realized gains and losses on investment securities. All of KICO's insurance policies are for a one year period. Earned premiums represent premiums received from insureds, which are recognized as revenue over the period of time that insurance coverage is provided (i.e., ratably over the one year life of the policy). A significant period of time normally elapses between the receipt of insurance premiums and the payment of insurance claims. During this time, KICO invests the premiums, earns investment income and generates net realized and unrealized investment gains and losses on investments.

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

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

Principal Revenue and Expense Items

Net premiums earned. Net premiums earned is the earned portion of our written premiums, less that portion of premium that is ceded to third party reinsurers under reinsurance agreements. The amount ceded under these reinsurance agreements is based on a contractual formula contained in the individual reinsurance agreement. Insurance premiums are earned on a pro rata basis over the term of the policy. At the end of each reporting period, premiums written that are not earned are classified as unearned premiums and are earned in subsequent periods over the remaining term of the policy. Our insurance policies have a term of one year. Accordingly, for a one-year policy written on July 1, 2013, we would earn half of the premiums in 2013 and the other half in 2014.

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

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

Other income. We recognize installment fee income and fees charged to reinstate a policy after it has been cancelled for non-payment. We also recognize premium finance fee income on loans financed by a third party finance company.

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

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

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

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

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

Interest expense. Interest expense represents amounts we incurred on our former indebtedness at the then-applicable interest rates.

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

Product Lines

Our product lines include the following:

Personal lines. Our largest line of business is personal lines, consisting of homeowners, dwelling fire, 3-4 family dwelling package, condominium, renters, equipment breakdown and service line endorsements, and personal umbrella policies.

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

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

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

Key Measures

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

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

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

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

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

Critical Accounting Policies and Estimates

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

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

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Consolidated Results of Operations

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

	Year ended December 31,			
($ in thousands)	2014	2013	Change	Percent
Revenues				
Direct written premiums	$ 76,255	$ 60,449	$ 15,806	26.1 %
Assumed written premiums	49	46	3	6.5 %
	76,304	60,495	15,809	26.1 %
Ceded written premiums				
Ceded to quota share treaties in force during the period	35,887	34,378	1,509	4.4 %
Return of premiums previously ceded to prior quota share treaties	(6,597)	(764)	(5,833)	763.6 %
Ceded to quota share treaties	29,290	33,614	(4,324)	(12.9) %
Ceded to excess of loss treaties	1,039	540	499	92.4 %
Ceded to catastrophe treaties	2,611	1,006	1,605	159.5 %
Catastrophe reinstatement (1)	70	496	(426)	(85.9) %
Total ceded written premiums	33,010	35,656	(2,646)	(7.4) %
Net written premiums	43,294	24,839	18,455	74.3 %
Change in net unearned premiums	(10,666)	(2,614)	(8,052)	308.0 %
Net premiums earned	32,628	22,225	10,403	46.8 %
Ceding commission revenue				
Excluding the effect of catastrophes	14,427	13,520	907	6.7 %
Effect of catastrophes (1)	(517)	(1,847)	1,330	(72.0) %
Total ceding commission revenue	13,910	11,673	2,237	19.2 %
Net investment income	1,800	1,170	630	53.8 %
Net realized gain on investments	707	576	131	22.7 %
Other income	1,006	922	84	9.1 %
Total revenues	50,051	36,566	13,485	36.9 %
Expenses				
Loss and loss adjustment expenses				
Direct and assumed:				
Loss and loss adjustment expenses excluding the effect of catastrophes	28,146	30,529	(2,383)	(7.8) %
Losses from catastrophes (1)	3,764	225	3,539	1,572.9 %
Total direct and assumed loss and loss adjustment expenses	31,910	30,754	1,156	3.8 %
Ceded loss and loss adjustment expenses:				
	12,055	16,978	(4,923)	(29.0) %

Loss and loss adjustment expenses excluding the effect of catastrophes				
Losses from catastrophes (1)	2,823	189	2,634	1,393.7 %
Total ceded loss and loss adjustment expenses	14,878	17,167	(2,289)	(13.3) %
Net loss and loss adjustment expenses:				
Loss and loss adjustment expenses excluding the effect of catastrophes	16,091	13,551	2,540	18.7 %
Losses from catastrophes (1)	941	36	905	2,513.9 %
Net loss and loss adjustment expenses	17,032	13,587	3,445	25.4 %
Commission expense	12,125	9,363	2,762	29.5 %
Other underwriting expenses	10,656	9,019	1,637	18.2 %
Other operating expenses	1,487	1,099	388	35.3 %
Depreciation and amortization	875	646	229	35.4 %
Interest expense	-	76	(76)	(100.0) %
Total expenses	42,176	33,790	8,385	24.8 %
Income from operations before taxes	7,875	2,776	5,100	183.7 %
Provision for income tax	2,547	764	1,783	233.4 %
Net income	$ 5,328	$ 2,012	$ 3,317	164.9 %

(1) For the year ended December 31, 2014, includes the effects of severe winter weather (which we define as a catastrophe), which occurred in January and February 2014. For the year ended December 31, 2013, includes the effects of Superstorm Sandy (which we define as a catastrophe), which occurred on October 29, 2012. We define a "catastrophe" as an event or series of related events that involve multiple first party policyholders, or an event or series of events that produce a number of claims in excess of a preset, per-event threshold of average claims in a specific area, occurring within a certain amount of time constituting the event or series of events. Catastrophes are caused by various natural events including high winds, excessive rain, winter storms, severe winter weather, tornadoes, hailstorms, wildfires, tropical storms, and hurricanes.

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

Direct Written Premiums

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

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

Net Written Premiums and Net Premiums Earned

The following table describes the quota share reinsurance rates in effect during 2014 and 2013. For purposes of the discussion herein, the change in quota share rates on July 1 of each year will be referred to as “the Cut-off”. This table should be referred to in conjunction with the discussions for net written premiums, net premiums earned, ceding commission revenue and net loss and loss adjustment expenses that follow.

	Year ended December 31, 2014		Year ended December 31, 2013	
	January 1, to June 30, ("2013/2014 Treaties")	July 1, to December 31, ("2014/2015 Treaty")	January 1, to June 30, ("2012/2013 Treaties")	July 1, to December 31, ("2013/2014 Treaties")
Quota share				
Personal lines	75 %	55 %	75 %	75 %
Commercial lines	25 %	none	40 %	25 %

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

Most of the premiums written under our personal lines are also subject to our catastrophe treaty. An increase in our personal lines business gives rise to more property exposure, which increases our exposure to catastrophe risk; therefore, our premiums for catastrophe insurance will increase. This results in an increase in premiums ceded under our catastrophe treaty, which reduces net written premiums. An increase in written premiums will also increase the premiums ceded under our excess of loss treaties, which will also reduce our net written premiums. In 2014, our catastrophe and excess of loss reinsurance premiums increased by $1,605,000 and $499,000, respectively, over the premiums in 2013.

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

Ceding Commission Revenue

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

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

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

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

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

Provisional Ceding Commissions Earned

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

Contingent Ceding Commissions Earned

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

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

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

Net Investment Income

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

Net Loss and LAE

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

Commercial Auto Line of Business

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

Commission Expense

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

Other Underwriting Expenses

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

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

Other Operating Expenses

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

Depreciation and Amortization

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

Interest Expense

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

Income Tax Expense

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

Net Income

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

Additional Financial Information

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

	Year Ended December 31,	
	2014	2013
Gross premiums written:		
Personal lines	$ 56,808,940	$43,668,704
Commercial lines	10,967,008	9,128,898
Commercial auto	3,222,033	4,838,894
Livery physical damage	5,034,260	2,504,094
Other(1)	272,041	354,233
Total	$ 76,304,282	$60,494,823
Net premiums written:		
Personal lines		
Excluding the effect of quota share		
adjustments on July 1	$ 19,817,259	$10,723,294
Return of premiums previously ceded to		
prior quota share treaties	5,159,646	-
Total Personal lines	24,976,905	10,723,294
Commercial lines		
Excluding the effect of quota share		
adjustments on July 1	8,516,227	5,835,451
Return of premiums previously ceded to		
prior quota share treaties	1,437,345	763,928
Total Commercial lines	9,953,572	6,599,379
Commercial auto	3,134,657	4,752,169
Livery physical damage	5,034,260	2,504,094
Other(1)	195,468	259,827
Total	$ 43,294,862	$24,838,763
Net premiums earned:		
Personal lines	$16,670,947	$9,112,104
Commercial lines	8,292,960	5,661,318
Commercial auto	3,932,349	5,203,433
Livery physical damage	3,494,711	1,993,659
Other(1)	237,517	254,653
Total	$ 32,628,484	$22,225,167
Net loss and loss adjustment expenses:		
Personal lines	$ 6,345,559	$4,117,696

Commercial lines	4,332,021	1,586,786
Commercial auto	3,438,957	5,776,363
Livery physical damage	1,295,746	950,736
Other(1)	516,042	249,718
Unallocated loss adjustment expenses	1,103,863	905,234
Total	$ 17,032,188	$13,586,533

Net loss ratio:		
Personal lines	38.1 %	45.2 %
Commercial lines	52.2 %	28.0 %
Commercial auto	87.5 %	111.0 %
Livery physical damage	37.1 %	47.7 %
Other(1)	217.3 %	98.1 %
Total	52.2 %	61.1 %

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

Insurance Underwriting Business on a Standalone Basis

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

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

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

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

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

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

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

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

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

Investments

Portfolio Summary

The following table presents a breakdown of the amortized cost, aggregate fair value and unrealized gains and losses by investment type as of December 31, 2014 and 2013:

Available for Sale Securities

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

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

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Held to Maturity Securities

December 31, 2014

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

December 31, 2013

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

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

A summary of the amortized cost and fair value of the Company's investments in held-to-maturity securities by contractual maturity as of December 31, 2014 and 2013 is shown below:

	December 31, 2014	December 31, 2013

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

Credit Rating of Fixed-Maturity Securities

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

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

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

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

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

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

Fair Value Consideration

As disclosed in Note 4 to the Consolidated Financial Statements, with respect to "Fair Value Measurements," we define fair value under GAAP guidance as the price that would be received to sell an asset or paid to transfer a liability in a transaction involving identical or comparable assets or liabilities between market participants (an "exit price"). This GAAP guidance establishes a fair value hierarchy that distinguishes between inputs based on market data from independent sources ("observable inputs") and a reporting entity's internal assumptions based upon the best information available when external market data is limited or unavailable ("unobservable inputs"). The fair value hierarchy in GAAP prioritizes fair value measurements into three levels based on the nature of the inputs. Quoted prices in active markets for identical assets have the highest priority ("Level 1"), followed by observable inputs other than quoted prices including prices for similar but not identical assets or liabilities ("Level 2"), and unobservable inputs, including the reporting entity's estimates of the assumption that market participants would use, having the lowest priority ("Level 3"). As of December 31, 2014 and 2013, 63% and 78%, respectively, of the investment portfolio recorded at fair value was priced based upon quoted market prices.

As more fully described in Note 3 to our Consolidated Financial Statements, "Investments—Impairment Review," we completed a detailed review of all our securities in a continuous loss position as of December 31, 2014 and 2013, and concluded that the unrealized losses in these asset classes are temporary in nature and the result of a decrease in value due to technical spread widening and broader market sentiment, rather than fundamental collateral deterioration.

The table below summarizes the gross unrealized losses of our fixed-maturity securities available-for-sale and equity securities by length of time the security has continuously been in an unrealized loss position as of December 31, 2014 and 2013:

	December 31, 2014							
	Less than 12 months			12 months or more			Total	
Category	Fair Value	Unrealized Losses	No. of Positions Held	Fair Value	Unrealized Losses	No. of Positions Held	Aggregate Fair Value	Unrealized Losses
Fixed-Maturity Securities:								
Political subdivisions of States, Territories and Possessions	$3,013,648	$(23,813)	9	$126,658	$(6,379)	1	$3,140,306	$(30,192)
Corporate and other bonds industrial and miscellaneous	6,325,579	(118,092)	15	714,640	(30,228)	2	7,040,219	(148,320)
Total fixed-maturity securities	$9,339,227	$(141,905)	24	$841,298	$(36,607)	3	$10,180,525	$(178,512)
Equity Securities:								
Preferred stocks	$656,325	$(2,647)	1	$1,448,376	$(62,886)	6	$2,104,701	$(65,533)
Common stocks	-	-	-	267,000	(2,177)	1	267,000	(2,177)
Total equity securities	$656,325	$(2,647)	1	$1,715,376	$(65,063)	7	$2,371,701	$(67,710)

Total	$9,995,552	$(144,552)	25	$2,556,674	$(101,670)	10	$12,552,226	$(246,222)

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	December 31, 2013							
	Less than 12 months			12 months or more			Total	
Category	Fair Value	Unrealized Losses	No. of Positions Held	Fair Value	Unrealized Losses	No. of Positions Held	Aggregate Fair Value	Unrealized Losses
Fixed-Maturity Securities:								
Political subdivisions of States, Territories and Possessions	$2,015,437	$(49,491)	6	$415,866	$(45,140)	2	$2,431,303	$(94,631)
Corporate and other bonds industrial and miscellaneous	6,447,605	(179,810)	24	1,430,377	(101,194)	5	7,877,982	(281,004)
Total fixed-maturity securities	$8,463,042	$(229,301)	30	$1,846,243	$(146,334)	7	$10,309,285	$(375,635)
Equity Securities:								
Preferred stocks	$1,835,958	$(251,525)	8	$444,100	$(62,551)	2	$2,280,058	$(314,076)
Common stocks	879,525	(38,785)	4	145,625	(13,913)	1	1,025,150	(52,698)
Total equity securities	$2,715,483	$(290,310)	12	$589,725	$(76,464)	3	$3,305,208	$(366,774)
Total	$11,178,525	$(519,611)	42	$2,435,968	$(222,798)	10	$13,614,493	$(742,409)

There were 35 securities at December 31, 2014 that accounted for the gross unrealized loss, none of which were deemed by us to be other than temporarily impaired. There were 52 securities at December 31, 2013 that accounted for the gross unrealized loss, none of which were deemed by us to be other than temporarily impaired. Significant factors influencing our determination that unrealized losses were temporary included the magnitude of the unrealized losses in relation to each security's cost, the nature of the investment and management's intent not to sell these securities and it being not more likely than not that we will be required to sell these investments before anticipated recovery of fair value to our cost basis.

Liquidity and Capital Resources

Cash Flows

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

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

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

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

If the aforementioned is insufficient to cover our holding company cash requirements, we will seek to obtain additional financing.

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

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

Years Ended December 31,	2014	2013
Cash flows provided by (used in):		

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

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

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

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

Reinsurance

The following table summarizes each reinsurer that accounted for more than 10% of our reinsurance recoverables on paid and unpaid losses and loss adjustment expenses as of December 31, 2014:

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

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

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

	Treaty Year		
Line of Busines	July 1, 2014 to June 30, 2015	July 1, 2013 to June 30, 2014	July 1, 2012 to June 30, 2013
Personal Lines:			
Homeowners, dwelling fire and canine legal liability			
Quota share treaty:			
Percent ceded	55 %	75 %	75 %
Risk retained	$360,000	$300,000	$250,000
Losses per occurrence subject to quota share reinsurance coverage	$800,000	$1,200,000	$1,000,000
Excess of loss coverage above quota share coverage	$3,200,000 in excess of $800,000	$1,700,000 in excess of $1,200,000	$1,900,000 in excess of $1,000,000
Total reinsurance coverage per occurrence	$3,640,000	$2,600,000	$2,650,000
Losses per occurrence subject to reinsurance coverage	$4,000,000	$2,900,000	$2,900,000
Expiration date	June 30, 2015	June 30, 2015	June 30, 2013
Personal Umbrella			
Quota share treaty:			
Percent ceded - first million dollars of coverage	90 %	90 %	90 %
Percent ceded - excess of one million dollars of coverage	100 %	100 %	100 %
Risk retained	$100,000	$100,000	$100,000
Total reinsurance coverage per occurrence	$2,900,000	$1,900,000	$1,900,000
Losses per occurrence subject to quota share reinsurance coverage	$3,000,000	$2,000,000	$2,000,000
Expiration date	June 30, 2015	June 30, 2014	June 30, 2013
Commercial Lines:			
General liability commercial policies, except for commercial auto			

Quota share treaty:			
Percent ceded (terminated effective July 1, 2014)	None	25 %	40 %
Risk retained	$400,000	$300,000	$300,000
Losses per occurrence subject to quota share reinsurance coverage	None	$400,000	$500,000
Excess of loss coverage above quota share coverage	$3,600,000	$2,500,000	$2,400,000
	in excess of	in excess of	in excess of
	$400,000	$400,000	$500,000
Total reinsurance coverage per occurrence	$3,600,000	$2,600,000	$2,600,000
Losses per occurrence subject to reinsurance coverage	$4,000,000	$2,900,000	$2,900,000
Commercial Auto:			
Risk retained	$300,000	$300,000	$250,000
Excess of loss coverage in excess of risk retained	$1,700,000	$1,700,000	$1,750,000
	in excess of	in excess of	in excess of
	$300,000	$300,000	$250,000
Catastrophe Reinsurance:			
Initial loss subject to personal lines quota share treaty	$4,000,000	$4,000,000	$3,000,000
Risk retained per catastrophe occurrence (1)	$1,800,000	$1,000,000	$750,000
Catastrophe loss coverage in excess of quota share coverage (2) (3)	$137,000,000	$86,000,000	$70,000,000

(1) Plus losses in excess of catastrophe coverage.

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

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

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

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

(1) Covered by excess of loss treaties.

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

Inflation

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

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

Off-Balance Sheet Arrangements

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

Factors That May Affect Future Results and Financial Condition

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

Risks Related to Our Business

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

Because of the exposure of our property and casualty business to catastrophic events (such as Superstorm Sandy), our operating results and financial condition may vary significantly from one period to the next. Catastrophes can be caused by various natural and man-made disasters, including earthquakes, wildfires, tornadoes, hurricanes, severe winter weather, storms and certain types of terrorism. We have catastrophe reinsurance coverage with regard to losses of up to $141,000,000. The initial $4,000,000 of losses in a catastrophe are subject to a 55% quota share reinsurance treaty, such that we retain $1,800,000 of risk per catastrophe occurrence. With respect to any additional catastrophe losses of up to $137,000,000, we are 100% reinsured under our catastrophe reinsurance program. Catastrophe coverage is limited on an annual basis to two times the per occurrence amounts. We may incur catastrophe losses in excess of: (i) those that we project would be incurred, (ii) those that external modeling firms estimate would be incurred, (iii) the average expected level used in pricing or (iv) our current reinsurance coverage limits. Despite our catastrophe management programs, we are exposed to catastrophes that could have a material adverse effect on our operating results and financial condition. Our liquidity could be constrained by a catastrophe, or multiple catastrophes, which may result in extraordinary losses or a downgrade of our financial strength ratings. In addition, the reinsurance losses that are incurred in connection with a catastrophe could have an adverse impact on the terms and conditions of future reinsurance treaties.

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

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

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

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

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

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

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

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

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

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

Reinsurance may be unavailable at current levels and prices, which may limit our ability to write new business.

Our personal lines catastrophe reinsurance program was designed, utilizing our risk management methodology, to address our exposure to catastrophes. Market conditions beyond our control impact the availability and cost of the reinsurance we purchase. No assurances can be given that reinsurance will remain continuously available to us to the same extent and on the same terms and rates as currently available. For example, our ability to afford reinsurance to reduce our catastrophe risk may be dependent upon our ability to adjust premium rates for its cost, and there are no assurances that the terms and rates for our current reinsurance program will continue to be available in the future. If we are unable to maintain our current level of reinsurance or purchase new reinsurance protection in amounts that we consider sufficient and at prices that we consider acceptable, we will have to either accept an increase in our exposure risk, reduce our insurance writings or develop or seek other alternatives.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We market our insurance products primarily through insurance brokers. A large percentage of our gross premiums written are sourced through a limited number of brokers. These brokers provided a total of 31.8% of our gross premiums written for the year ended December 31, 2014. The nature of our dependency on these brokers relates to the high volume of business they consistently refer to us. Our relationship with these brokers is based on the quality of the underwriting and claims services we provide to our clients and on our financial strength ratings. Any deterioration in these factors could result in these brokers advising clients to place their risks with other insurers rather than with us. A loss of all or a substantial portion of the business provided by one or more of these brokers could have a material adverse effect on our financial condition and results of operations.

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

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

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

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

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

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

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

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

Our ability to receive dividends from KICO is restricted by the state laws and insurance regulations of New York. These restrictions are related to surplus and net investment income. Maximum permissible dividends are restricted to the lesser of 10% of surplus or 100% of net investment income (on a statutory accounting basis) for the trailing 36 months, less dividends paid during the preceding 24 months of the current 12 month period. As of December 31, 2014, the maximum permissible distribution that KICO could pay without prior regulatory approval was approximately $2,608,000.

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

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

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

Our future success will depend, in part, upon the efforts of Barry Goldstein, our President and Chief Executive Officer. The loss of Mr. Goldstein or other key personnel could prevent us from fully implementing our business strategies and could materially and adversely affect our business, financial condition and results of operations. As we continue to grow, we will need to recruit and retain additional qualified management personnel, but we may not be able to do so. Our ability to recruit and retain such personnel will depend upon a number of factors, such as our results of operations and prospects and the level of competition then prevailing in the market for qualified personnel. Mr. Goldstein is a party to an employment agreement with us that expires on December 31, 2016.

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

Some economists continue to project significant negative macroeconomic trends, including relatively high and sustained unemployment, reduced consumer spending, and substantial increases in delinquencies on consumer debt, including defaults on home mortgages. Moreover, recent disruptions in the financial markets, particularly the reduced availability of credit and tightened lending requirements, have impacted the ability of borrowers to refinance loans at more affordable rates. As with most businesses, we believe that difficult conditions in the economy could have an adverse effect on our business and operating results. General economic conditions also could adversely affect us in the form of consumer behavior, which may include decreased demand for our products. As consumers become more cost conscious, they may choose lower levels of insurance.

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

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

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

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

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

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

The enactment of tort reform could adversely affect our business.

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

Risks Related to Our Common Stock

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

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

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

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

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

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

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

We have an effective registration on Form S-3 under the Securities Act registering for resale 659,100 shares of our common stock and effective registration statements on Form S-8 under the Securities Act registering an aggregate of 700,000 shares of our common stock issuable under our 2005 Equity Participation Plan. Options to purchase 321,365 shares of our common stock are outstanding under the 2005 plan and 1,135 shares are reserved for issuance thereunder. We plan to file a registration statement on Form S-8 under the Securities Act to register the 700,000 shares issuable under our 2014 Equity Participation Plan. Options to purchase 50,000 shares of our common stock are outstanding, and 650,000 shares are reserved for issuance, under the 2014 plan, subject to shareholder approval of the plan. The shares subject to the registration statement on Form S-3 will be freely tradeable in the public market. In addition, the shares issuable pursuant to the registration statements on Form S-8 will be freely tradable in the public market, except for shares held by affiliates.

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

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

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

As of March 16, 2015, our executive officers and directors beneficially owned 2,284,128 shares of our common stock (including options to purchase 112,500 shares of our common stock), representing 31% of the outstanding shares of our common stock.

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

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

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

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

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The financial statements required by this Item 8 are included in this Annual Report following Item 15 hereof. As a smaller reporting company, we are not required to provide supplementary financial information.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) that are designed to assure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

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

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

Internal Control over Financial Reporting

Management's Annual Report on Internal Control over Financial Reporting

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

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

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

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the evaluation of the effectiveness of our internal control over financial reporting management concluded that our internal control over financial reporting was effective as of December 31, 2014.

Changes in Internal Control Over Financial Reporting

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

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Executive Officers and Directors

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

Name	Age	Positions and Offices Held
Barry B. Goldstein	62	President, Chairman of the Board, Chief Executive Officer and Director
Victor J. Brodsky	57	Chief Financial Officer and Treasurer
John D. Reiersen	72	Executive Vice President, Kingstone Insurance Company
Benjamin Walden	47	Senior Vice President and Chief Actuary, Kingstone Insurance Company
Michael R. Feinsod	44	Secretary and Director
Jay M. Haft	79	Director
Jack D. Seibald	54	Director
Floyd R. Tupper	60	Director

Barry B. Goldstein

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

Victor J. Brodsky

Mr. Brodsky has served as our Chief Financial Officer since August 2009 and as our Treasurer since August 2013. He served as our Chief Accounting Officer from August 2007 through July 2009, as our Principal Financial Officer for Securities and Exchange Commission ("SEC") reporting purposes from November 2007 through July 2009 and as our Secretary from December 2008 to August 2013. In addition, Mr. Brodsky has served as a director of KICO since February 2008, as Chief Financial Officer of KICO since September 2010 and as Senior Vice President of KICO since January 2012. He also served as Treasurer of KICO from September 2010 through December 2011. Mr.

Brodsky served from May 2008 through March 15, 2010 as Vice President of Financial Reporting and Principal Financial Officer for SEC reporting purposes of Vertical Branding Inc. Mr. Brodsky served as Chief Financial Officer of Vertical Branding from March 1998 through May 2008 and as a director of Vertical Branding from May 2002 through November 2005. He served as its Secretary from November 2005 through May 2008 and from April 2009 to March 15, 2010. A receiver was appointed for the business of Vertical Branding in February 2010. Prior to joining Vertical Branding, Mr. Brodsky spent 16 years at the CPA firm of Michael & Adest in New York. Mr. Brodsky earned a Bachelor of Business Administration degree from Hofstra University, with a major in accounting, and is a licensed CPA in New York.

John D. Reiersen

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

Benjamin Walden

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

Michael R. Feinsod

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

Jay M. Haft

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

Jack D. Seibald

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

Floyd R. Tupper

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

Family Relationships

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

Term of Office

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

Audit Committee

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

Audit Committee Financial Expert

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

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16 of the Exchange Act requires that reports of beneficial ownership of common shares and changes in such ownership be filed with the Securities and Exchange Commission by Section 16 "reporting persons," including directors, certain officers, holders of more than 10% of the outstanding common shares and certain trusts of which reporting persons are trustees. We are required to disclose in this Annual Report each reporting person whom we know to have failed to file any required reports under Section 16 on a timely basis during the fiscal year ended December 31, 2014. To our knowledge, based solely on a review of copies of Forms 3, 4 and 5 filed with the Securities and Exchange Commission and written representations that no other reports were required, during the fiscal year ended December 31, 2014, our officers, directors and 10% stockholders complied with all Section 16(a) filing requirements applicable to them.

Code of Ethics; Officer and Director Trading Restrictions Policy

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

ITEM 11. EXECUTIVE COMPENSATION.

Summary Compensation Table

The following table sets forth certain information concerning the compensation for the fiscal years ended December 31, 2014 and 2013 for certain executive officers, including our Chief Executive Officer:

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

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

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

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

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

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

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

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

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Employment Contracts

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

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

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

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

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

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

Termination of Employment and Change-in-Control Arrangements

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

Compensation of Directors

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

DIRECTOR COMPENSATION

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

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

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

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

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

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

Security Ownership

The following table sets forth certain information as of March 16, 2015 regarding the beneficial ownership of our shares of common stock by (i) each person who we believe to be the beneficial owner of more than 5% of our outstanding shares of common stock, (ii) each present director, (iii) each person listed in the Summary Compensation Table under "Executive Compensation," and (iv) all of our present executive officers and directors as a group.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Approximate Percent of Class
Barry B. Goldstein 15 Joys Lane Kingston, New York	1,099,524 (1)(2)	14.8%
Michael R. Feinsod c/o Infinity Capital 200 South Service Road Roslyn, New York	463,775 (1)(3)	6.3%
Jack D. Seibald 1336 Boxwood Drive West Hewlett Harbor, New York	408,147 (1)(4)	5.6%
Jay M. Haft		