Kingstone Investment Analysis

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Introduction

Kingstone Companies, Inc.(NASDAQ: KINS) is a specialty property and casualty insurance holding company. Kingstone Companies, Inc. was founded in 1886 and has been publicly traded since 1994. Kingstone has transitioned from being a regional multi-line insurer, into a coastal property specialist following a strategic repositioning from 2022-2023.

Kingstone's core business model focuses on insuring personal and commercial lines in the New York & New England regions. A comprehensive list of geographic regions and premium composition follows: Long Island, NY (66%), Coastal Connecticut (5%), New Jersey Barrier Islands (3%) (Q3 2025 Investor Presentation), New York City Coastal Boroughs and Lower Hudson Valley (26%) (imputed from remaining percentage). Kingstone serves a deliberately segmented coastal property market distributed exclusively through approximately 200 independent agencies. Kingstone is primarily segmented into 78% coastal home policies, 22% coastal small businesses (Kingstone 10-K, 2023).

As of Dec 11, 2025, Kingstone has a market capitalization of $221.973 million and price to equity ratio of 6.97, flagging it as a possibly under-priced stock. In our analysis we use technical and theoretical analysis to demonstrate KINS can be expected to grow greater than 20% in the next 12 months.

Financials

KINS Insurance - Financial Summary (2014-2025 Q3)

Period	Revenue	Costs	Operating Profit	Net Income	ROA	ROE	Combined Ratio
2014	$50.05M	$43.85M	$6.20M	$5.33M	3.95%	13.16%	N/A
2015	$64.18M	$56.18M	$7.99M	$6.96M	4.67%	15.37%	77.1%
2016	$77.44M	$66.41M	$11.02M	$8.90M	5.25%	15.70%	80.0%
2017	$92.77M	$77.06M	$15.71M	$9.99M	3.92%	10.56%	79.2%
2018	$113.77M	$108.98M	$4.79M	$3.09M	1.16%	3.49%	80.6%
2019	$145.12M	$150.36M	$-5.24M	$-5.99M	-1.86%	-6.76%	94.8%
2020	$131.37M	$129.79M	$1.58M	$0.97M	0.31%	1.05%	100.4%
2021	$161.23M	$167.35M	$-6.12M	$-7.38M	-2.23%	-9.75%	111.5%
2022	$130.16M	$154.80M	$-24.64M	$-22.53M	-7.03%	-62.28%	113.3%
2023	$144.19M	$148.58M	$-4.39M	$-6.17M	-1.94%	-17.88%	105.3%
2024	$155.14M	$129.41M	$25.74M	$18.36M	4.90%	27.52%	80.0%
2025Q1	$50.50M	$45.16M	$5.34M	$3.88M	1.01%	4.72%	91.3%
2025Q2	$52.30M	$37.52M	$14.78M	$11.25M	2.86%	11.86%	71.5%
2025Q3	$55.65M	$41.30M	$14.35M	$10.87M	2.54%	10.10%	72.7%

Fig. 1.1

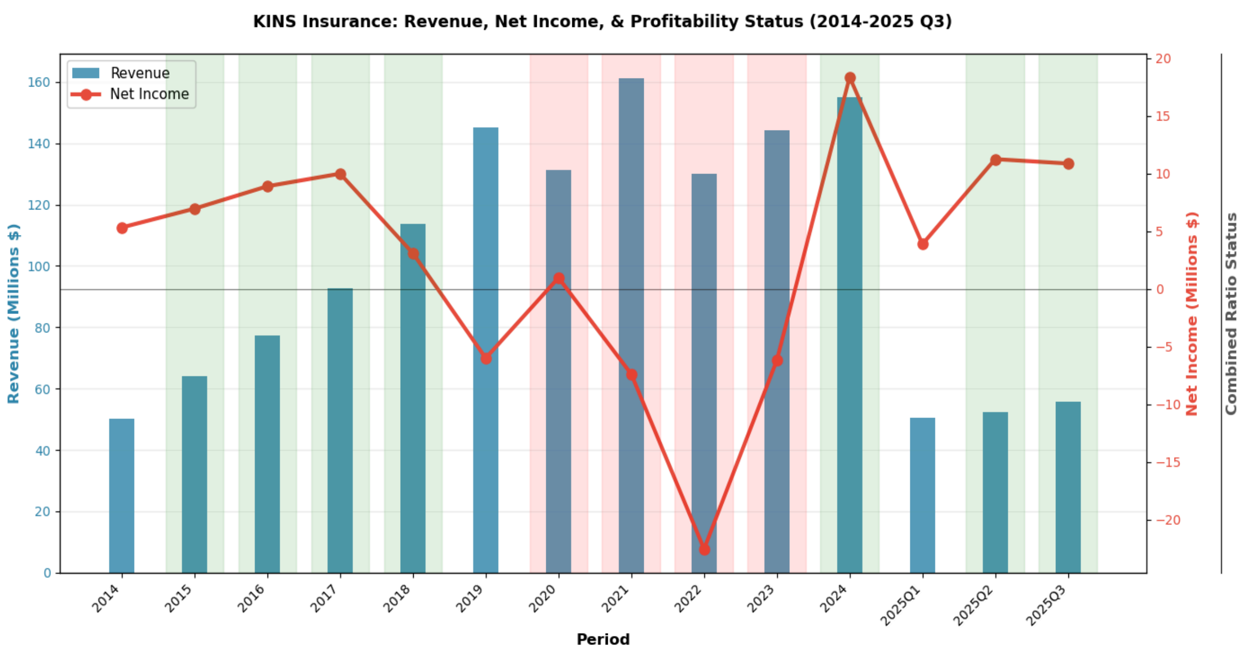

Fig 1.2

Kingstone's financials over the last decade depict a recovery (*Fig 1)* in which the firm has stabilized following a period of severe unprofitability. This weak period was driven by a failed geographic expansion strategy, rather than a core commercial book failure. Kingstone aggressively expanded into Florida and other non-core states in 2018. The company failed to expand for the following reasons: 1.) Florida's litigious claims environment led to claims settling for higher than Kingstone projected. 2.) Kingstone lacked their usual localized data advantage and mispriced claims. 3.) The company faced intense competition from regional specialists. 4.) The factors previously mentioned raised default risk, which raised reinsurance cost (Lenz, M. 2021). Kingstone pulled back from expansion efforts in 2022, executing their plan *Kingstone 3.0*. The strategy revolved around; "aggressively reducing the non-core book of business, which has had a disproportionately negative impact on underwriting results, adjusting pricing to stay ahead of loss trends, including inflation, tightly managing reinsurance requirements and costs, using risk selection and other underwriting capabilities to manage the growth rate of our PML, and reducing expenses" (Kingstone 10-K, 2025).

Following *Kingstone 3.0*, non-core policies took up 22% of all policies provided by the company. As of November 2024, non-core policies took up just 7%, while core homeowners policies took up 61% of all policies provided (Q3 Investor Presentation 2024). Kingstone continues to take control of their core geography and strategically exit from unprofitable policies. Direct premiums written have increased by 31%, driven by competitor exits. Kingstone successfully shrank its bad businesses and paid off its debt, entering 2025 as a highly profitable New York insurance carrier (Kingstone 10-K 2025).

Strategy

Kingstone Companies, Inc. strategy falls under the categories of niche and cost leadership. Kingstone has exclusive long-term agent/contractor connections, a comprehensive 30yr. dataset on local property metrics, and specific experience valuating risk in coastal New York. They have a significant information asymmetry advantage and are able to more effectively price in risk than their competitors, allowing them to charge less for premiums whilst simultaneously enjoying stronger margins than other firms.

Another major factor at play in the coastal New York market is hurricane damage and the associated risk. Moderate and severe hurricanes have the potential to significantly damage coastal homes, which burns insurance companies with exposure to coastal properties. The risk associated with Hurricane damages has been so excessive in the NY coastal market, that Kingstone's major competitors, Allstate and Statefarm, are strategically pulling out from the market altogether. Allstate and Statefarm are far too large to bother investing tens of millions of dollars on compiling a localized dataset comparable to Kingstone, and have lumbering IT and bureaucracy networks. A change that Kingstone may recognize and implement in premium pricing or policy selection within 45-60 days (NY DFS) would take a national-carrier 90-180+ days (NY DFS). In a 2013 case study: "Post-Sandy Renovation Credit", it was demonstrated that following Hurricane Sandy, an opportunity was available to evaluate renovation credits based on home upgrade details. Kingstone successfully implemented their renovation credits in 3 months, whilst it took Statefarm 15 months. Kingstone captured 100% of qualified renovated homes as a result.

In insurance markets, information asymmetry typically favors the insured. By introducing a product with high deductibles, Kingstone creates a separating equilibrium. Low risk agents self select into the new product, while high risk agents are filtered out or priced into another insurance product available. This reduces the marginal cost of claims.

Kingstone is additionally well accustomed and networked within the NY Department of Financial Services, meaning they more effectively navigate regulation and bureaucracy than competitors. An 2019 Independent Agent Survey (Insurance Journal), noted Kingstone could make an underwriting decision within 2-4 hours via a local underwriter, whilst statefarm would take 24+ hours to get approved by a regional office. Kingstone utilizes local information asymmetry and bureaucratic mobility, to incur niche and cost advantages over competitors in their relevant market.

Mispricing of Stock

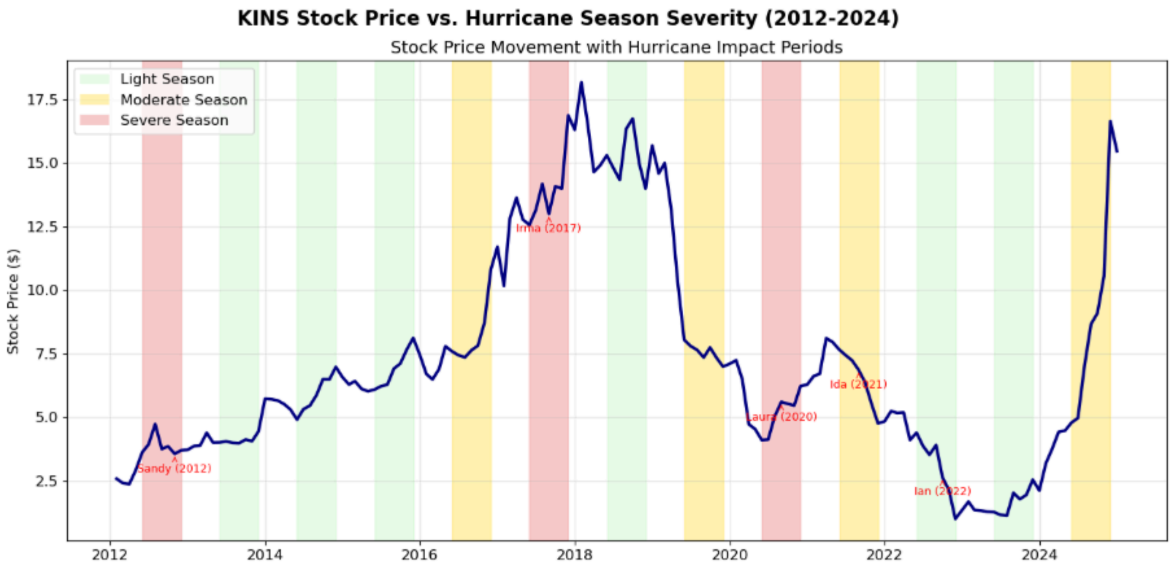

Fig. 2

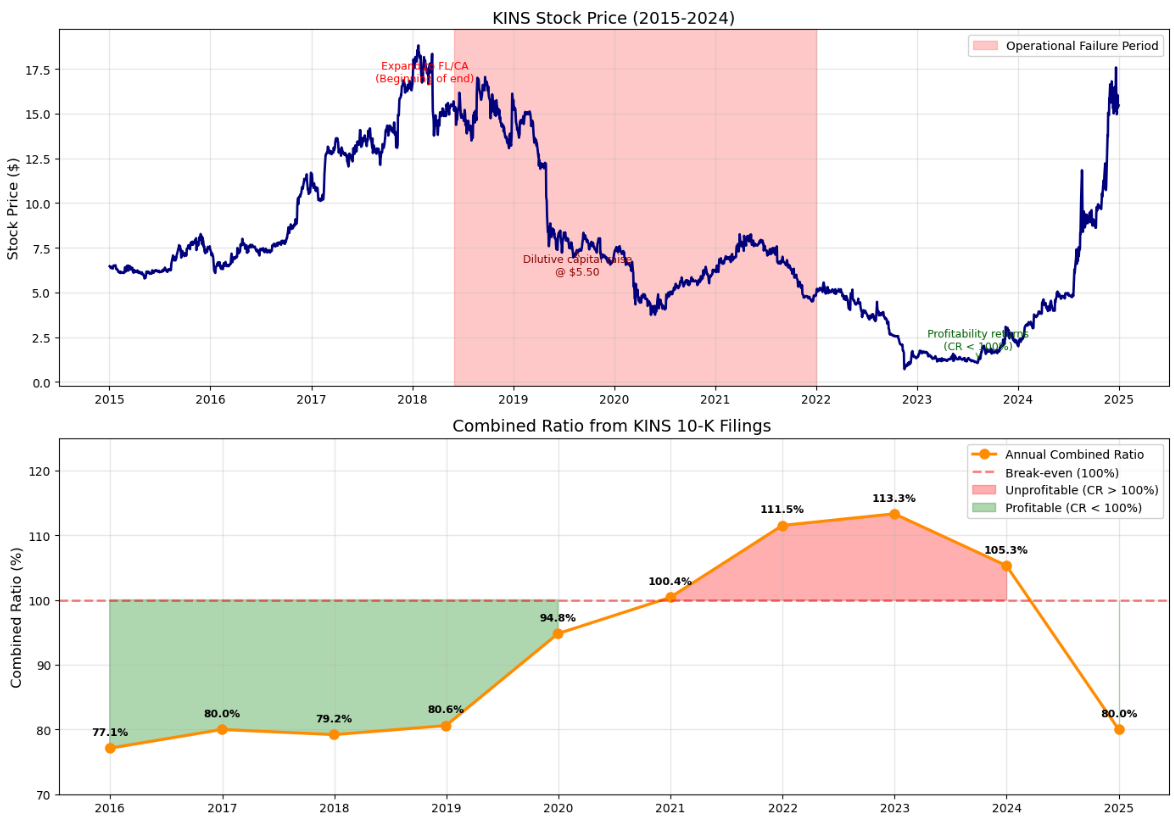

Fig. 3

In the insurance industry, an AM Best rating is a strong signal of solvency. Strong ratings lower the cost of capital, and are often a requirement for banks to accept homeowner policies. Kingstone voluntarily withdrew its AM Best rating, and now solely relies on Demotech, a smaller and less recognized rating agency. As Demotech is less prestigious in capital markets, many institutions are restricted from investing in insurers without an AM Best rating. This creates an artificial demand constraint, depressing price due to limited pool of eligible buyers. This suggests that Kingstone's lower stock prices aren't entirely due to poor cash flow or profitability metrics.

Kingstone had remarkably poor performance in margins/net income from 2018-2022. due to their expansion into Florida, which reduced underwriting discipline, raised combined ratio, and hurt profitability. Investor confidence plummeted as combined ratio exceeded 110%, resulting in major losses which forced Kingstone to dilute shares to maintain solvency. As of 2019, KINS had 2.7 million shares at $5.50, and diluted 30% of shares pushing stock price to $3. A negative feedback cycle began as profits declined, reinsurers charged higher premiums, cost basis increased, and investors pulled back.

Kingstone's management learned from the failed expansion, strategically retreating to New England, where their niche exists. Following their retreat, Kingstone has steadily improved its operating margins, and recent earnings calls confirm management's commitment to maintain this strategy.

While environmental catastrophes could affect KINS, their catastrophe reinsurance program provides significant protection. In 2024, Kingstone reduced their catastrophe reinsurance limit to $280 million, which should be sufficient to cover a 1-in-100 year catastrophe (Kingstone 10-K 2024). Historical analysis demonstrates that severe hurricanes, such as Sandy in 2012 (*Fig. 2*), had little to no negative effect on the stock price. This is because Kingstone are regional risk specialists, using their extensive agent/contractor network and specific historical data to price risk as effectively as possible. One could infer from *Fig. 2,* that their risk-pricing business model is affirmed during hurricane periods, and may even lead to investor confidence and stronger stock prices. We have demonstrated Hurricane periods have a weak relationship with the pricing of KINS, and propose that combined ratio is a far more useful indicator. *Fig. 3* shows a strong inverse association between stock price and combined ratio (underwriting profit = premiums earned * (1-combined ratio)). By maintaining a lower combined ratio, Kingstone enjoys a positive feedback cycle: Lower combined ratio, lower reinsurance costs, lower cost basis, increased investor confidence.

Solvency

After surviving its near-bankruptcy period, Kingstone's combined ratio has hit a low of 71.23 (29% margins), has a debt-to-equity ratio of 0.15 (well below industry median), and has managed to lower their reinsurance costs, incurring the positive feedback cycle mentioned previously. These factors suggest Kingstone is becoming highly solvent and positioned to maintain leadership in its niche.

Competition

Since 2022, Kingstone's competition has been exiting the coastal New York market (primarily exiting downstate NY). Their large-cap competitors: Allstate and Statefarm, who have over 27% market share, are pricing for exit. Allstate and State Farm attempt to reduce exposure, pricing far above market price to prompt policy holders to cancel. This effectively cedes the region to Kingstone. Due to deteriorating financials, Adirondack Insurance Exchange completely exited from the New York market in July of 2024. Tens of thousands of policies were dumped into the market overnight, allowing Kingstone to absorb homeowners immediately.

Kingstone's remaining major competitor is Narragansett Bay Insurance Company, a subsidiary of the Heritage Insurance Holdings group. NBIC was acquired by Heritage Holdings in 2017, Heritage being a large insurer in Florida. Both Kingstone and NBIC specialize in coastal home insurance. NBIC holds less market share in NY than Kingstone, and also has a higher cost basis. NBIC inspects each property individually, whereas Kingstone leverages their extensive contractor network and local dataset. NBIC does not pose a significant competitive threat to Kingstone due to higher cost-basis and information asymmetry.

Kingstone boasts asymmetrical tacit knowledge, an efficient pipeline through bureaucracy, and local agent/contractor connections. It is important to note that Kingstone's local data and contractor networks would be effectively impossible for competitors to obtain, as they were built through decades of personal relationships. These competitive advantages allow Kingstone to maintain cost leadership and niche advantages under Porter's framework.

Equilibrium

Because of the bureaucratic, information, and reinsurance barriers, Kingstone will likely not face competition from large firms in their specialty area in the foreseeable future. However, Kingstone may see the entrance of similarly scaled insurance agencies that will look to undercut them. These firms will not have the information or network advantage Kingstone does, and will be forced out of the industry following moderate-severe hurricane cycles. As a logical entrant into the market would observe that Kingstone has strong competitive advantages, this will select for entrants that are less rational. The entry of less rational firms has the potential to temporarily reduce profits through price wars, but price-pressure and losses from hurricane cycles will force competitors out of Kingstone's niche. Kingstone currently operates much like a monopoly, and will remain to do so, contingent on the absence of large-scale expansion attempts. If they attempt to expand beyond their specialty area, they will forgo their competitive advantages. The probable mechanism by which profits would eventually return to equilibrium, would be through regulatory intervention. The NY DFS could force Kingstone to insure unprofitable properties if Kingstone remains too selective in the long run. Kingstone must be an effective lobbyist to protect against regulatory intervention.

Profit Maximization

To continue to maximize profits, Kingstone simply needs to maintain/improve upon their information advantage, remain in their geographical area of specialty, lobby effectively to maintain bureaucratic leverage and mobility, and apply game theory if/when new entrants attempt to compete. If they maintain their advantages, and signal to entrants that they are the dominant low cost firm, it is reasonable that they will collect economic rents for the foreseeable future.

Valuation

1.1 Forward Net Income

Kingstone's net income for the first three quarters of 2025 is:

$$NI_{Q1} = 3.883\,M, \quad NI_{Q2} = 11.252\,M, \quad NI_{Q3} = 10.873\,M.$$

$$NI_{1-3} = 3.883 + 11.252 + 10.873 = 26.008\,M.$$

Annualizing to estimate full-year 2025 net income:

$$NI_{2025} = NI_{1-3} \times \frac{4}{3} = 26.008 \times \frac{4}{3} \approx 34.677\,M.$$

1.2 Forward EPS

With 14.5 million shares outstanding:

$$EPS_{2025} = \frac{NI_{2025}}{14.5} = \frac{34.677}{14.5} \approx 2.39.$$

Alternatively, using the Q3 EPS run-rate (0.74 per quarter) annualized:

$$EPS_{rr} = 4 \times 0.74 = 2.96.$$

1.3 P/E-Based Valuation

Applying typical P/E multiples for regional P&C insurers:

$$P/E_{low} = 7, \quad P/E_{mid} = 10, \quad P/E_{high} = 13.$$

Corresponding price ranges:

$$P_{low} = 7 \times EPS \approx 16.7,$$

$$P_{mid} = 10 \times EPS \approx 23.9,$$

$$P_{high} = 13 \times EPS \approx 31.1.$$

Market capitalization ranges:

$$MC = P \times 14.5\,Mshares \quad \Rightarrow \quad MC_{range} \in [242.2\,M, 451.0\,M].$$

1.7 Present Value of Steady-State Profits

Assuming steady-state net income $NI = 25{-}36\ M$, the PV of profits as a perpetuity is:

$$PV = \frac{NI}{r}$$

Primary Discount Rate (10%)

$$PV_{10\%} \in \left[\frac{25}{0.10}, \frac{36}{0.10}\right] \approx [250, 360]\ M$$

Pricing Hypothesis

Kingstone has multiple sustainable competitive advantages in their niche, implying that they should collect economic rents for the foreseeable future. Their recent ROE, Net Income, and Combined Ratio figures support our theoretical assumptions. Our market capitalization and present value estimates suggest that share price can reasonably range from [$16.7-$31.1]. If Kingstone keeps its current contribution margin stable (very likely given performance pre-expansion), this will signal to investors that KINS has earnings potential and lower risk. In practice, an increase in investor confidence should raise the P/E, raising share price proportionately. Based on our somewhat arbitrary medium case price, Kingstone can be reasonably expected to provide roughly 52% return from a $15.69 base price, if/when the market accurately prices in. It is important to note if KINS achieves a market capitalization of $300M, it will hit the minimum threshold for certain ETFs, Mutual Funds, and Pension funds. If market sentiment is positive, this may cause the stock price to increase dramatically.

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