S&P Global
Market Intelligence

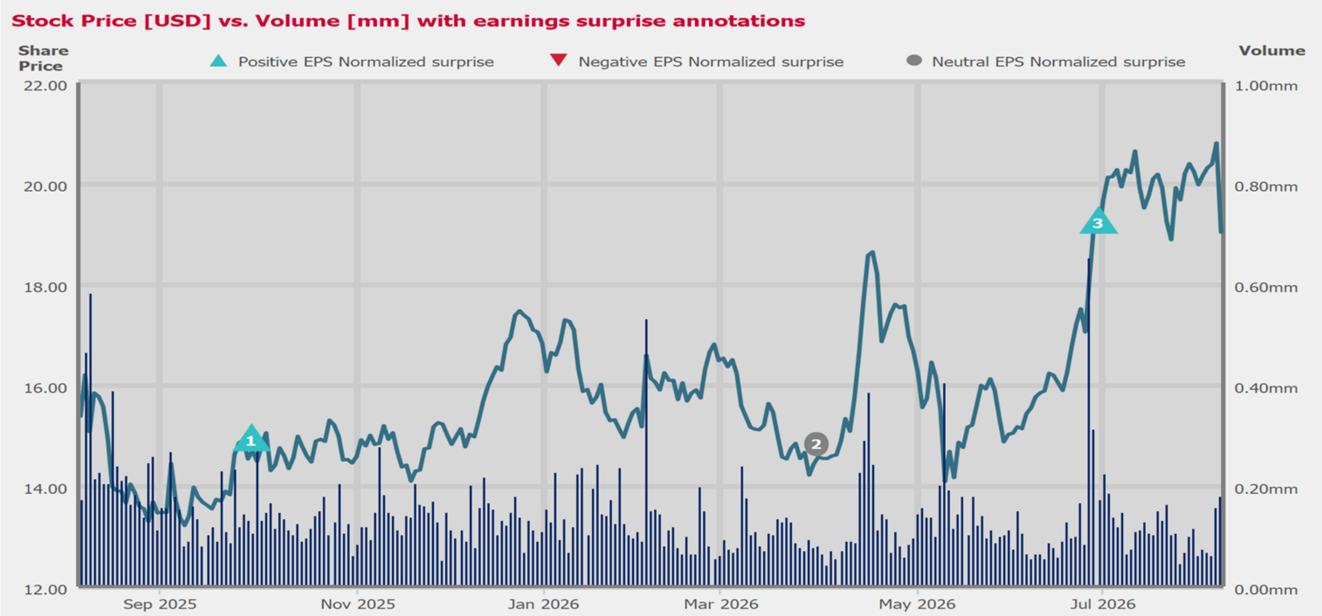
Kingstone Companies, Inc.
NasdaqCM:KINS
FQ2 2026 Earnings Call Transcripts

Friday, August 7, 2026 12:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2026-			-FQ3 2026-	-FY 2026-	-FY 2027-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.95	1.04	▲9.47	0.93	2.60	3.00
Revenue (mm)	61.70	60.47	▼(1.99 %)	65.80	254.00	298.40

Currency: USD
Consensus as of May-20-2026 11:40 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ3 2025	0.71	0.73	▲1 2.82 %
FQ1 2026	(0.26)	(0.35)	NM
FQ2 2026	0.95	1.04	▲2 9.47 %

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Call Participants

EXECUTIVES

Meryl S. Golden
President, CEO & Director

Randy Lee Patten
VP, Chief Financial Officer & Treasurer

Stefan Norbom

ANALYSTS

Cameron Bianchi
Piper Sandler & Co., Research Division

Robert Edward Farnam
Brean Capital, LLC, Research Division

ATTENDEES

Gabriel McClure

Unknown Attendee

Presentation

Operator

Good morning, and welcome to Kingstone Companies' Second Quarter 2026 Earnings Conference Call. As a reminder, today's conference is being recorded. I'll now turn the call over to your host, Stefan Norbom, Kingstone's Investor Relations representative. Stefan, you may begin.

Stefan Norbom

Thank you, and good morning, everyone. Joining us today are President and Chief Executive Officer, Meryl Golden; and Vice President and Chief Financial Officer, Randy Patten. On behalf of the company, I would like to note that this conference call may contain forward-looking statements, which involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from projected results.

Forward-looking statements speak only as of the date on which they are made, and Kingstone undertakes no obligation to update the information discussed. For more information, please refer to the section entitled Risk Factors in Part 1, Item 1A of the company's latest Form 10-K.

Additionally, today's remarks may include references to non-GAAP measures. For definitions and reconciliations of these non-GAAP measures to the most directly comparable GAAP measures, please see the tables in our latest earnings release available at kingstonecompanies.com.

With that, it is my pleasure to turn the call over to Meryl Golden. Meryl?

Meryl S. Golden
President, CEO & Director

Thanks, Stefan. Good morning, everyone, and thanks for joining our call. Kingstone delivered the most profitable quarter in our history. Net income reached a record $15.5 million. Net income per diluted share increased 35% to $1.05, and our GAAP net combined ratio improved 1.3 points to 70.2% that performance produced an annualized return on equity of 50.8%.

Diluted book value per share reached $8.69, up 35% year-over-year, reflecting the value we are creating for shareholders. The earnings contribution was broad-based, driven by premium growth, underwriting profitability, operating efficiency and higher investment income.

Turning to growth. Direct premiums written increased 19% to $72.5 million, led by continued strength in New York Personal lines. Relative to the prior year quarter, new business policy count increased 35%, retention improved by 2 percentage points and average renewal premium increased 8% Net premiums earned grew 31% to $60.5 million as prior period growth continued to earn in and our lower quota share session allowed us to retain more premium.

While growth was robust this quarter, we are seeing signs of a softening market and an increasingly competitive environment. The pressure so far is most visible in the dwelling fire line. Demand across the broader franchise remains healthy as our new business and retention results show. Competition has entered and exited this market over time, while Kingstone's broad and long-standing producer relationships have supported our performance throughout market cycles.

Select has proven effective at risk selection and matching rate to risk, which matters even more in this environment. We will not chase volume at the expense of underwriting discipline. As competition increases, New York growth will moderate from first half levels. Our 16% to 20% full year guidance growth outlook already reflects the likelihood of increased competition.

Turning to underwriting. Attritional claim frequency remains very low overall, flat for non-weather water losses, our largest peril and up modestly from the prior year quarter for fire losses. Attritional severity for the non-weather water and fire perils combined increased, consistent with inflation and offset by the increase in average premium.

Against an exceptionally strong prior year quarter, the underlying loss ratio was 4.4 points higher. Year-to-date, though, it's up only 0.2 points. The catastrophe loss ratio was negative as favorable development on first quarter catastrophe losses exceeded second quarter catastrophe losses. We also recognized $1.6 million or 2.7 points of favorable prior-year development.

The Select product continues to perform well. On an exception-to-date basis, our Select homeowners claim frequency is more than 34% lower than our legacy product, while Select dwelling fire frequency is 19% lower. Select now represents 62% of our homeowner policies in force and 40% of our dwelling fire policies in force, extending our runway for continued mix improvement.

Our expense ratio improved by 2.1 points to 30.6%, reflecting continued operating leverage as we scale. Underwriting expense dollars are growing more slowly than net earned premium. The net combined ratio for the quarter was 70.2%, down 1.3 points from the prior year quarter. Randy will provide a more detailed review of our financial results.

We were pleased with our July 1 catastrophe reinsurance placement. We increased total catastrophe protection by 14% to $500 million, added wildfire protection and lowered the risk-adjusted cost of our core catastrophe excess of loss coverage by more than 15%. We also maintained low first event retention across all perils, including wildfire. This program is built for quarters unlike this one. It protects the balance sheet against adverse catastrophe scenarios, reduces earnings volatility and supports continued profitable growth.

We entered California in the last week of the quarter through only a handful of agencies, so it's too early to draw conclusions from the initial activity. Our California business leader knows the market well and has strong producer relationships, which are helping us understand how conditions are evolving. We expected new carriers and MGAs to enter California on an E&S basis. What has changed is that admitted carriers are also beginning to selectively reopen for new business and competition is building faster than we anticipated. That's why we started small.

We're using that early feedback to refine our approach before adding meaningful volume. Our E&S structure and platform allow us to remain nimble, adjusting pricing and appetite as market conditions evolve. We will scale only as the business meets our underwriting and return requirements. We are also on track to enter Connecticut on an admitted basis late in the third quarter. The Department of Insurance has been moving quickly on our filings, and we are preparing to begin writing business once our approvals are received.

New York remains our primary growth and earnings engine. California and Connecticut are measured steps toward a more geographically diversified company and over time, a less concentrated catastrophe footprint. These initiatives support our goal of reaching $500 million direct premiums written by year-end 2029. We will pursue that goal at a pace consistent with our return requirements, reinsurance protection and capital capacity.

Turning to our outlook. We are reaffirming all elements of our full year '26 guidance. We continue to expect direct premiums written growth of 16% to 20%, a GAAP net combined ratio of 81% to 86% and underlying combined ratio of 74% to 76% and a catastrophe loss ratio of 7% to 10%. The catastrophe range reflects the elevated winter storm activity in the first quarter. We also continue to expect diluted net income per share of $2.20 to $2.90 and return on equity of 24% to 30%.

Our modeling assumptions continue to include an effective tax rate of 21% and weighted average diluted shares outstanding of 14.8 million. The operating drivers we control are on track. With the most active months of hurricane season ahead and competitive conditions evolving, we believe maintaining our current ranges is appropriate. We remain confident in our full year outlook.

The second quarter demonstrates the earning power of the business we have built. Our New York franchise is growing. Our operating platform is converting that growth into earnings and our reinsurance and capital position support disciplined expansion. Our second half priorities are clear: grow New York while protecting rate adequacy, build California deliberately, launch Connecticut on schedule and continue translating profitable growth into earnings and book value per share.

I remain confident in Kingstone's trajectory because the drivers are clear: disciplined pricing and risk selection, strong producer relationships, expense control and prudent capital management. I want to thank the entire Kingstone team for their execution and our select producers for their continued partnership.

With that, I'll turn the call over to Randy for a more detailed review of our financial results. Randy?

Randy Lee Patten
VP, Chief Financial Officer & Treasurer

Thank you, Meryl, and good morning again, everyone. From a net income and EPS standpoint, the second quarter was our most profitable quarter in company history with net income of $15.5 million and EPS of $1.05 per diluted share compared with $11.3 million or $0.78 per diluted share in the same quarter prior year.

Operating net income increased 41% to $15.3 million and diluted operating net income per share was $1.04 in the second quarter of 2026 compared with $0.75 in the prior year quarter. Annualized GAAP return on equity was 50.8% during the second quarter of 2026. As a reminder, the second quarter is typically our most profitable quarter. Net premiums earned increased 31% to $60.5 million in the second quarter of 2026, primarily reflecting continued growth in direct premiums written, along with the reduced quota share session. Our New York quota share session is 5% for the 2026 treaty year, a decrease of 11 percentage points from 16% in the 2025 treaty year, allowing us to retain more premium and underwriting profit.

Direct premiums written increased 19% to $72.5 million and policies in force increased 9.9% to 84,570. Net investment income increased 49% to $3.4 million in the second quarter of 2026 compared with the same quarter prior year, driven by an increase in invested assets and higher average yields that increased to 4.4%. Total investments were $334.1 million at June 30, up $24.4 million from year-end.

Turning to underwriting. The GAAP net loss ratio was 39.6% compared with 38.8% in the prior year quarter. The catastrophe loss ratio was negative 0.8% compared with 0.6% in the prior year quarter. Favorable development on our first quarter 2026 catastrophe losses exceeded the low catastrophe losses experienced during the second quarter of 2026, reducing the negative ratio.

Separately, we recognized 2.7 points of favorable prior year reserve development related to accident years before 2026. Excluding both CAT losses and favorable prior year reserve development, the underlying performance of the book was strong in the second quarter of 2026, with an underlying loss ratio of 43.1%. This compares with 38.7% underlying loss ratio in the second quarter of 2025 a quarter when the underlying performance of the book was also exceptionally strong.

The net underwriting expense ratio improved 2.1 points to 30.6% as net premiums earned grew faster than our expense base. Together, the GAAP net combined ratio improved 1.3 points to 70.2%. The underlying combined ratio was 73.7% compared with 71.4% in the prior year quarter. The absolute level of profitability remains strong and the expense ratio improvement demonstrates the scalability of the business.

For the first 6 months of 2026, direct premiums written increased 19% to $142.1 million and net premiums earned increased 30% to $116.3 million. Despite elevated winter loss -- winter catastrophe activity in the first quarter of 2026, costing about $14 million in losses, we generated net income of $9.7 million or $0.66 per diluted share and operating net income of $10.3 million or $0.70 per diluted share in the first half of 2026.

The first half of 2026 GAAP net combined ratio was 90.2% compared with 82.3% in the prior year period and included 12 points of catastrophe losses compared with 1.2 points in the first half last year. The underlying combined ratio improved 1.3 points to 80.7% and the underwriting expense ratio improved 1.5

points to 30.5% in the first half of 2026 compared with the first half of 2025, reflecting the strength in the performance of the underlying book of business.

At June 30, diluted book value per share was $8.69, up 35% from $6.44 a year ago. Diluted book value per share, excluding accumulated other comprehensive income, was $9.27, up 32% from $7.04 a year ago. With no holding company debt, our capital position continues to be strong, supporting both profitable expansion and measured shareholder returns.

During the quarter, we repurchased approximately 19,500 shares at an average price of $14.98 per share under the program our Board authorized in May. Following quarter end, our Board increased the quarterly dividend by 20% to $0.06 per share just 1 year after reinstating it. We will continue to allocate capital to support our strategic growth plans while maximizing long-term shareholder value.
With that, operator, we are ready for questions.

Question and Answer

Operator

[Operator Instructions] Our first question is from the line of Bob Farnam with Brean Capital.

Robert Edward Farnam
Brean Capital, LLC, Research Division

I've got a couple of kind of quick questions and one kind of overlooking question. So the quick question, your expense ratio improved to 30.6%, and you're talking about how it's going to improve as the company scales. Do you have any idea of where that expense ratio could fall to when you get up to kind of full speed over the next few years?

Meryl S. Golden
President, CEO & Director

Sure. So we're thinking we could take about 1 point out of the expense ratio. So our interim goal is something like the 29%...

Robert Edward Farnam
Brean Capital, LLC, Research Division

Okay. 29%. And when you're looking to write business, you need to have -- it has to meet your profitability expectations. What -- can you describe kind of what you're looking for when you are writing business, what your profitability targets are?

Meryl S. Golden
President, CEO & Director

Well, we're pricing for an 85% combined. So that's our profitability expectation.

Speaker 4

85% combined is -- yes.

Robert Edward Farnam
Brean Capital, LLC, Research Division

Okay. And I guess the more encompassing one is more competition. I know you offered quite a bit on competition. I kind of wanted to know the differences -- I'm assuming there's a difference between the California competition and the New York competition because California is mostly E&S, New York is admitted, but it sounds like admitted are getting into California as well. Are those admitted the same admitted that you face in New York? Or are they a different cohort of admitted trying to get into California at this point?

Meryl S. Golden
President, CEO & Director

Sure. So perhaps I -- it wasn't clear what I was saying. In California, the admitted carriers had stopped writing new business to a large extent over the past couple of years because of the regulatory environment. And so there has been a surge in volume on the E&S side. And certainly, we expected a lot of new carriers in the E&S space because we had heard about that.

But what we had not anticipated in California was that the admitted carriers, the largest writers of homeowners in California to reopen for business. And we are starting to see that in the marketplace. So that is something we had not anticipated. The difference is in New York, the admitted carriers to a large -- the top 10 carriers to a large extent, avoid catastrophe-exposed property.

So our competition are the companies that focus on catastrophe-exposed property. And in New York, there is like 1 E&S writer, but most of the companies -- actually maybe 2, most of the companies are admitted. In California, our competition is both now the admitted and the E&S carriers. Does that answer your question, Bob?

Robert Edward Farnam
Brean Capital, LLC, Research Division

Yes. So the admitted carriers in California, you're talking the large companies like State Farm and Farmers and whatnot. Are they -- they're not avoiding getting into the catastrophe exposure? I know that the regulator was basically saying you should -- these companies have to write some high-risk policies to be able to write in the state. So they're not avoiding the wildfire exposed areas like they are avoiding the coastal areas in New York. Is that what you're saying? Is that...

Meryl S. Golden
President, CEO & Director

First of all, it's certainly not State Farm that I'm talking about. But what I'm like there is in California, something called the sustainable insurance plan and companies who file that they will write some more wildfire business, then they get access to forward-looking wildfire models and to include reinsurance in their pricing and other things.

So we're still seeing that admitted carriers have a limited appetite, particularly for business that is exposed to wildfire, but we just had not anticipated that they would start writing business again because so many of them were very restrictive until recently.

Robert Edward Farnam
Brean Capital, LLC, Research Division

Okay. All right. And you're talking about the growth moderating in New York in the second half of the year, you're talking about increased competition. Is that new competition? Or is that same kind of the similar thing you're getting companies that had been there [back] writing and now they're slowly but surely dipping their toe back into the water?

Meryl S. Golden
President, CEO & Director

Yes. I mean it's really both. So look, it's not a surprise. We all knew that the soft market is coming. But what we did see in July, we saw a tick down in our new business for dwelling fire. And from talking to agents, they're just talking more now about the softer market. So there have been a few new market entrants and existing competitors have loosened some of their guidelines.

There is one company that is priced in a really irrational way. So we hope they figure that out sooner rather than later. But listen, I want to reiterate that Kingstone has an unique position in the downstate New York market. We have broad and deep distribution and those agencies have stuck with us through various market cycles.

We have our select product that does a great job with risk selection and matching rate to risk, which is even more important in a soft market. We have low expenses. So I feel very confident we're going to continue to grow, but perhaps modestly slower than we have been. So again, it's just a different part of the cycle, and we'll do our best.

Operator

The next question is from the line of Cam Bianchi with Piper Sandler.

Cameron Bianchi
Piper Sandler & Co., Research Division

This is Cam on for Paul. Considering the expense ratio improvement you saw in the quarter, I'm wondering does the 30% quota share in the California book create any near-term expense ratio drag if that state ramps that would offset any New York-driven efficiency gains? As I know you mentioned about 29% is the target there. But just curious if that California book has any offset in there.

Meryl S. Golden
President, CEO & Director

So thanks for your question. So right now, California is such a small piece of the pie, like we're -- even by the end of this year, it's going to be way less than 5% of our total business. And the 30% quota share was really intended just for risk aversion. We wanted to make sure that we didn't have a material impact on our profitability. So to answer your question, it has 0, really like no impact on the expense ratio at all.

Cameron Bianchi
Piper Sandler & Co., Research Division

Got it. Understood. And then I guess just looking forward a little bit once the California book ramps up a little bit and maybe just on the road to that, how are you guys prioritizing capital deployment between California and Connecticut expansion, increasing the dividend and opportunistic repurchases?

Meryl S. Golden
President, CEO & Director

Randy, I'll let you take that.

Randy Lee Patten
VP, Chief Financial Officer & Treasurer

Sure. Yes. So our capital allocation really remains the same even entering California. And our priorities are, first, to fund that profitable growth, and we've rebuilt surplus here over the last couple of years. And then we're focused on growing that quarterly dividend. And in the past quarter, our Board did increase our dividend by 20% to $0.06 per share. And then third, looking at when the opportunities present themselves, we will repurchase shares, but really in that order.

Operator

The next question is from the line of [Greg Fortuner], private investor.

Unknown Attendee

Great number. It sounds like the market is getting a little soft. But when you did your -- when you figured your numbers earlier in the year, were you considering that? Or is that something that could affect what you're thinking going forward?

Meryl S. Golden
President, CEO & Director

Yes. So if you're talking about our guidance on growth in particular, we did anticipate a softer market in the second half of the year. So the range is 16% to 20%. And year-to-date, we're at 19%. So we'll have to see how it goes. But right now, we're comfortable reaffirming our guidance.

Unknown Attendee

Okay. Is it wrong to think that assume -- aside from any catastrophes that might hit that this earnings is a new run rate for us? Or am I getting too far ahead of myself?

Meryl S. Golden
President, CEO & Director

Are you saying for Q2 or Q2...

Unknown Attendee

Right. I'm just saying -- right. So is this -- I know the second quarter is always the best quarter. But that being said, if you go through the third quarter with no major storms and nothing out of the ordinary on the regular claims, should this be the run rate that we're expecting?

Meryl S. Golden
President, CEO & Director

Yes. So I would say that our underlying combined ratio, so if you take out CAT loss and the prior favorable prior year development, that is the run rate we're expecting. So in our guidance, we split it between the underlying, and which are all the things that we control, and that's a combined ratio of 74% to 76% and then the CAT loss. So yes, I would say that the run rate is consistent with the guidance that we put out in March.

Unknown Attendee

Okay. I understand that, except I'll just press you a little bit more to say, if you make $1.05 this quarter and then you make $1.05 next quarter, you're basically at your low end. And then it's just the fourth quarter to see how much you beat it by. Is that I mean, so you're being pretty conservative. Is that fair or no?

Meryl S. Golden
President, CEO & Director

I mean, listen, we want our guidance to be accurate and durable. And while we feel very positive about our outlook, it is just the very beginning of the hurricane season. And Q3 is typically a quarter where we see sizable catastrophe losses.

So it's just -- and then with the change in the competitive environment, I just thought it was most prudent to maintain our guidance until we had better visibility into the rest of the year. So I hope you're right, Greg. I hope we're at the very high end, and we can update guidance next quarter.

Unknown Attendee

All right. Two more quick questions. So when you talk about the competition, obviously, it takes time for policies to roll off, people can't just leave mid-policy and write a new policy to someone else. So I mean, when will we see the effects of what might be some competition?

Meryl S. Golden
President, CEO & Director

Yes. So typically, in a soft market, look, we want to retain our renewals and consumers generally are much more price sensitive when on new business than they are on renewal business. So I think what we'll see -- what we're most likely to see is a decline in new business writings rather than any impact on the renewal rate, but time will tell. Like it really depends on how aggressive the competition is.

Unknown Attendee

Okay. So you're expecting more of a moderation of new business versus our current book. Okay. Understand.

Meryl S. Golden
President, CEO & Director

Yes.

Unknown Attendee

And then my last question. In the past, you've told us what our maximum loss would be in the case of like a Sandy or some major storm. Has that changed since we wrote the new reinsurance policy? Or is that similar to -- I think you had said like maybe $5 million-ish or somewhere around that number?

Meryl S. Golden

President, CEO & Director

Yes. So one of the -- we had this very successful placement this year, and we were able to retain our low first event retention across all perils. So our first event retention is $3.5 million for wildfire $4.75 million for named storm like a Sandy and then winter storm and severe convective storm is $6 million.

And so in the past, we've talked about let's take if a storm like Sandy hit us today with our current footprint, it would cost us roughly $5 million, $4.7 million pretax, $4 million after tax and about $0.27 per diluted share. So it is certainly just an earnings event for Kingstone, not a capital event. So to your question, Greg, nothing has changed. We've maintained that same very conservative first event retention to protect our surplus.

Unknown Attendee

I guess to think if you can only lose $0.27 in a major storm, that's pretty -- you sleep in that, I imagine.

Meryl S. Golden
President, CEO & Director

Absolutely.

Operator

The next question is from the line of Gabriel McClure, Private Investor.

Gabriel McClure

Congrats on another record quarter. So when you were talking about the policies in force growth, you threw a number out there. I just wanted to make sure I heard you right because on the press here, it said that there's a 9.9% growth. Could you repeat that again, please?

Meryl S. Golden
President, CEO & Director

I don't recall talking about policy in force growth. I said new business for the quarter was up 35%. Retention was up 2% and our average premium was up 8%. But we are really delighted that our policy in force growth was up almost 10% quarter-over-quarter. So you're right, what's in the press release is correct.

Operator

[Operator Instructions] At this time, I'll turn the floor back to Meryl for closing comments.

Meryl S. Golden
President, CEO & Director

Terrific. Thank you so much for your interest in Kingstone, and thanks for joining us today. Have a wonderful day.

Operator
This will conclude today's conference. Thank you for your participation. You may now disconnect your lines at this time.