

Kingstone Companies, Inc.

NasdaqCM:KINS

FQ1 2026 Earnings Call Transcripts

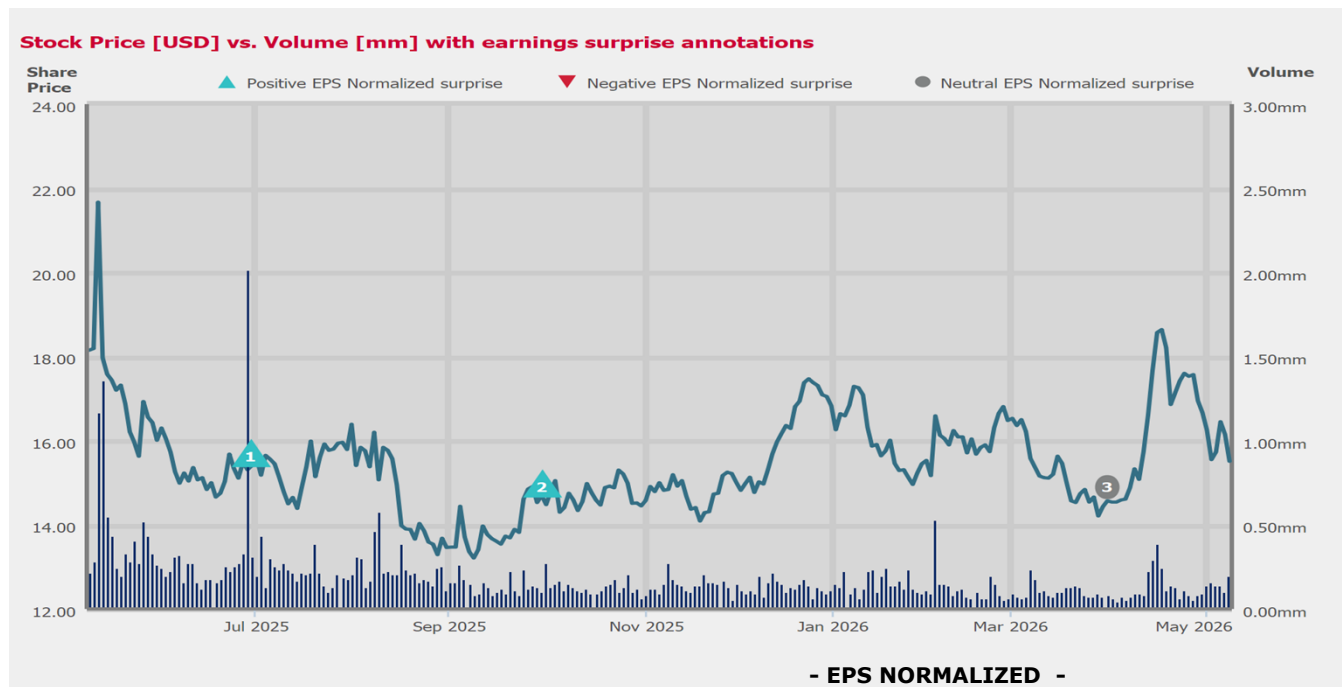
Friday, May 8, 2026 12:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2026-			-FQ2 2026-	-FY 2026-	-FY 2027-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	(0.26)	(0.35)	NM	0.80	2.30	2.90
Revenue (mm)	58.20	55.87	▼ (4.00 %)	61.80	257.30	314.10

Currency: USD

Consensus as of Mar-19-2026 4:39 PM GMT



	CONSENSUS	ACTUAL	SURPRISE
FQ2 2025	0.55	0.75	▲ 36.36 %
FQ3 2025	0.71	0.73	▲ 2.82 %
FQ1 2026	(0.26)	(0.35)	NM

Table of Contents

Call Participants	3
Presentation	4
Question and Answer	8

Call Participants

EXECUTIVES

Meryl S. Golden

President, CEO & Director

Randy Lee Patten

VP, Chief Financial Officer & Treasurer

Stefan Norbom

ANALYSTS

Robert Edward Farnam

Brean Capital, LLC, Research Division

ATTENDEES

Gabriel McClure

Presentation

Operator

Greetings, and welcome to the Kingstone Company's First Quarter 2026 Earnings Conference Call. As a reminder, this conference is being recorded. I would now like to turn the call over to your host, Stefan Norbom, Kingstone's Investor Relations representative. You may begin.

Stefan Norbom

Thank you, and good morning, everyone. Joining us today on the call will be 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 be materially different 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 a reconciliation of these non-GAAP measures to GAAP figures, please see the tables in the latest earnings release available on the company's website at www.kingstonecompanies.com. With that, it's 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. Let me start with the headlines. Our GAAP net combined ratio for the first quarter was a 112%, and we had a net loss of \$5.8 million or \$0.40 per diluted share. The quarter's results were driven by 11 winter catastrophe events across the Northeast, contributing 26 points to the loss ratio. The winter storm season in the first quarter was exceptionally severe for downstate New York and ranked as the coldest and snowiest in 11 years. I'm extremely proud of the way our claims organization handled these catastrophe events with many staff members working nights and weekends for months to be accessible and help our policyholders return to their pre-loss condition.

This level of catastrophe activity was contemplated in our full year guidance. Now let me turn to what I believe is the more important story this quarter, the health of our underlying business. Last quarter, we introduced the underlying combined ratio as our primary operating metric specifically to give investors a clearer view of the business we control separated from the inherent volatility of catastrophe events. That framework was designed for exactly this type of quarter. And when you look at what we control, every key metric improved. Our underlying combined ratio improved by 5.1 points year-over-year to 88.3%. The underlying loss ratio improved by over 4 points to 57.9%. The expense ratio improved by about 1 point to 30.4%. Direct premiums written grew by almost 20%. Net premiums earned grew by 28%. Investment income increased by 63% and policies in force were up over 7% from the prior year quarter and up 2.5% from year-end.

Let me give you more insight into the quarter. The 20% growth in direct premium written was driven by continued momentum in our New York Personal Lines business with new business policies growing 19% year-over-year, average renewal premium up 10% and retention increasing by about 1 point. Policies in force grew over 7% to more than 82,000. Our renewal rights deal contributed approximately \$2.5 million in direct premiums written for the quarter, so inorganic growth contributed about 4% and our organic growth in New York was a very strong 16%.

While policy volume was more moderate in January and February, likely due to the severe weather, March represented one of our strongest months of new business volume, reflecting sustained demand and the competitiveness of our product offering. The downstate New York market is still hard. While we have seen

a few new market entrants and a bit of softening, we continue to see strong demand for our products from our producers.

Net premiums earned growth remains a powerful tailwind, increasing 28% in the quarter, primarily due to our reduced quota share, which allows us to retain a greater share of premiums and underwriting profit. As a reminder, for the '26 treaty year, we reduced our quota share from 16% to 5% for our core New York business, reflecting our confidence in the quality of the book.

Non-catastrophe claim frequency continues to be very low, but up modestly from the prior year quarter and in line with the full year 2025. Adjusted for inflation, non-cat severity was comparable to the prior year quarter. During the quarter, we also recognized 2.3 points of favorable prior year reserve development. On an inception-to-date basis, our Select homeowner claim frequency continues to be phenomenal and more than 33% lower than our legacy product, which bodes well for the future as Select is only 60% of our policies in force today.

Our expense ratio improved by 0.9 points to 30.4%, reflecting continued operating leverage as we scale. Underwriting expense dollars are growing at a slower pace than the growth in net earned premium. To put this in context, from full year '23 to full year '25, -- we improved the combined ratio from 105% to 75%, grew direct premiums written by nearly 40%, built the balance sheet with no long-term debt and positioned the company for its next phase of growth. One elevated winter quarter does not change that trajectory. The structural improvements we have made in risk selection in our operating model and in our claims organization are durable.

Turning to our strategic initiatives. We remain on track to enter California in the second quarter on an excess and surplus lines basis. As we outlined in our shareholder letter in April, California is one of the largest homeowner markets in the country with the fastest-growing excess and surplus lines market for homeowners. Our approach is to grow in a very deliberate and controlled fashion as we learn more about our pricing and risk selection. We'll be starting with a small number of agencies, all of whom are existing Kingstone partners in New York.

On an abundance of conservatism, we have a 3% quota share in place for California. While the initial contribution to our results will be modest, with most of our volume continuing to come from New York, we believe California can become a significant contributor to our growth and profit long term. We also recently incorporated Kingstone America Insurance Company, a new subsidiary domiciled in Connecticut that gives us flexibility to write business on both an admitted and non-admitted basis. We expect to begin writing admitted homeowners business in Connecticut in the third quarter. These initiatives are important milestones in our 5-year plan to reach \$500 million in direct written premium by year-end 2029.

A quick comment on the insurance bills introduced by Governor Hochul earlier this year focused on insurance affordability. To date, all activity has been focused on auto insurance. And as such, I am optimistic that there will be no changes during the budget process impacting property insurance this year. What continues to set Kingstone apart is clear. First, our Select product continues to drive low claim frequency through improved risk selection and a low loss ratio by matching rate to risk. Second, our producer relationships generate strong retention and consistent new business flow. Third, our operating efficiency with an expense ratio now at 30%, provides durable margin advantage.

And last, our conservative reinsurance program ensures that catastrophe events are an earnings event, not a capital event. We will recover under our winter storm and catastrophe reinsurance programs during the quarter and are grateful to our reinsurance partners for their support. As far as our outlook, we are reaffirming all elements of our full '26 guidance, which was issued on March 5. Our guidance for direct premiums written growth of 15% to 20% and underlying combined ratio of 74% to 76% a catastrophe loss ratio of 7 to 10 points, diluted earnings per share of \$2.20 to \$2.90 and return on equity of 24% to 30% remain unchanged.

The first quarter catastrophe activity was within the scenario set embedded in our guidance. As a reminder, each 1 point of catastrophe loss ratio has an approximate \$0.13 per share impact on diluted earnings per share, which we provided last quarter to give investors the tools to model different scenarios. I want to emphasize that the earnings power of this franchise is concentrated in the second through

fourth quarters, consistent with typical seasonality for our business. Our underlying performance trends, combined with continued rate adequacy and disciplined growth, position us well to deliver on our full year outlook. With that, I'll turn the call over to Randy Patten, our Chief Financial Officer, for a more detailed review of our results. Randy?

Randy Lee Patten

VP, Chief Financial Officer & Treasurer

Thank you, Meryl, and good morning again, everyone. The first quarter of 2026 was impacted by losses from 11 winter catastrophe events. During the quarter, we reported a net loss of \$5.8 million, a diluted loss per share of \$0.40, 112% combined ratio and an annualized return on equity of minus 19.6%.

Catastrophe losses added 26 points to the combined ratio in the first quarter of 2026 versus 1.7 points in the prior year quarter. We also recognized 2.3 points of favorable reserve development during the first quarter of 2026 compared to 1.4 points in the prior year quarter. Removing the impact from catastrophe losses and favorable reserve development, our underlying combined ratio in the first quarter of 2026 improved 5.1 points to 88.3% from 93.4% in the first quarter of 2025. The underlying loss ratio of 57.9% improved over 4 points from the prior year quarter. And including catastrophes alone, the loss ratio improved 5.1 points to 55.6%.

This improvement in the underlying loss ratio is supported by low non-catastrophe loss frequency, higher average premium and continued discipline in underwriting. These results reinforce the structural profitability improvements we have made over the past several years. Net premiums earned grew 28% to \$55.9 million in the quarter, primarily reflecting the continued growth in direct premiums written, along with the reduced quota share session Meryl described. As a financial matter, the reduction in the quota shares contributing approximately \$0.20 of incremental earnings per share for the full year is incorporated in our 2026 guidance. So to bring it together, our reported net combined ratio of 112% compared to 93.7% in the prior year quarter reflects an exceptionally severe winter season.

Removing catastrophe losses, the underlying combined ratio of 88.3% improved 5.1 points year-over-year. As Meryl mentioned, we introduced the underlying combined ratio last year specifically to isolate the performance we control from catastrophe volatility and the first quarter is precisely the type of quarter for which the metric was designed. Our net investment income for the quarter increased 63% to \$3.3 million, up from \$2 million in the same quarter last year. The momentum continues to be driven by robust cash generation from operations over the last year, which enabled us to grow our investment portfolio to \$313.4 million, and we benefited from higher fixed income yields. While we remain conservative in our investment strategy, we are actively seeking opportunities to enhance our portfolio's yield.

As of March 31, 2026, our portfolio yield is 4.3%, up from 3.7% at March 31, 2025, an increase of 60 basis points with an effective duration of 4.3 years. For the first quarter of 2026, we reported an expense ratio of 30.4%, an improvement of 0.9 percentage points from the first quarter of 2025. We continue to be diligent with expense management, realizing economies of scale as we continue to grow. As a reminder, the company's expense ratio was 41% in 2021. In less than 5 years, we have lowered it by 10 points, and we see opportunity to improve further as we gain scale.

Moving on to our capital position. As a reminder, we have no debt at the holding company. Shareholders' equity ended the quarter at \$114.5 million, a decrease of \$8.2 million during the quarter, a 39% increase in the first quarter of 2025. Book value per diluted share was \$7.70 at March 31, 2026, a decrease of \$0.58 from December 31, 2025, but an increase of 38% from \$5.57 at March 31, 2025. Excluding accumulated other comprehensive income, book value per diluted share was \$8.23, an increase of 32% from the prior year.

During April 2026, we declared our fourth consecutive quarterly dividend and have ample capital to fund the disciplined growth initiatives that we have outlined, including our entry into California in the second quarter and our launch of Kingstone American Insurance Company in Connecticut later this year. To wrap up our prepared remarks, it's not uncommon for Kingstone to experience its greatest level of catastrophe losses in the first quarter of the year being a Northeast writer.

However, the first quarter of 2026 was one of the coldest and snowiest winters in the last 11 years after experienced 2 of the more unusually mild winters in the previous 2 years. Looking beyond the catastrophe losses, the trajectory of the business has not changed. We continue to execute on our strategy. In the first quarter, we delivered improvements in underwriting, growth in premiums and increased investment income and continued diligent expense management, which will all carry through the rest of the year. Our capital position gives us the flexibility to execute against our growth plan without compromising balance sheet strength. And therefore, we are reaffirming all metrics in our 2026 projections. With that, operator, we are ready for questions.

Question and Answer

Operator

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

Robert Edward Farnam

Brean Capital, LLC, Research Division

I had several questions here. But -- so one question I had was how much of the cats got into the reinsurance layer. Now it sounded like you're going to have some sort of recovery from the reinsurance companies. So it sounds like it did. So can you give us an idea of what kind of gross losses look like relative to net losses?

Meryl S. Golden

President, CEO & Director

Sure. So we -- if you recall, we bought first event winter storm coverage. So that is a \$5 million recovery. And then we have roughly \$4 million, maybe \$5 million going into the reinsurance tower. So our gross loss was about \$25 million.

Robert Edward Farnam

Brean Capital, LLC, Research Division

Okay. And net was 14.5%, something.

Meryl S. Golden

President, CEO & Director

Yes. 26 points, yes.

Robert Edward Farnam

Brean Capital, LLC, Research Division

Okay. So I don't want to get too much into forward-looking stuff, but you said that the policy count growth was accelerated in March. Can you give us an idea how -- did that continue into April? Or is that something that you don't want to touch at this point?

Meryl S. Golden

President, CEO & Director

Yes. Our growth -- I can tell you that our growth have continued into the second quarter. We're at even a slightly higher premium growth than we've been experiencing. So I feel really good about our position in New York.

Robert Edward Farnam

Brean Capital, LLC, Research Division

Okay. Great. One quick question for -- I guess, probably for Randy. So other operating expenses was higher than I expected. I wasn't sure if that was consulting fees related to get it to California or something like that. I just want to know if that was more of a run rate or is that a one-off relative to the last year, it seems like it was a lot higher.

Randy Lee Patten

VP, Chief Financial Officer & Treasurer

Yes Bob, that's Randy. Yes. So other operating expenses, yes, that was a onetime expense, and that was really related to some board-level projects. So we don't expect that to continue in the future.

Robert Edward Farnam

Brean Capital, LLC, Research Division

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Okay. Great. And the last one I have, California. So it's probably more of an all-encompassing question. So all I hear over the last several months is ex company getting into California on an excess surplus lines basis, ex MGAs getting into California on an excess and surplus lines basis. I'm not sure what this does to the competitive environment in California, but I just kind of want to have an idea from you whether or not if the increased competition has an impact on your business plans, how amenable are you to tweaking your business plans? So I just maybe get a feel for kind of what the California situation is going to be looking like.

Meryl S. Golden

President, CEO & Director

Sure. So let's not forget that the California market is \$15 billion in homeowners premium, and it's the largest E&S homeowners market in the United States. So -- and lots of the admitted companies have pulled back. So there is a huge need for capacity in California. So I have heard of lots of different companies or MGAs entering on an E&S basis, but I really don't think it is going to change the demand for our product given the need for capacity. If you recall, our plan was to enter in a very conservative way. We're anticipating that California volume will be less than 5% for 2026. So I don't think there will be any implications on our plan in California at this point. But Kingstone is a very nimble company, and we will change our strategy in order to win in California. So we'll do what we need to do. But right now, I don't think there's any change that we need to make.

Robert Edward Farnam

Brean Capital, LLC, Research Division

Okay. And I know I've asked you before, but so in the competitive environment in California, so what does Kingstone offer that will give agents the options to say, hey, we're going to put you with Kingstone over 30 other companies that might be looking for this business?

Meryl S. Golden

President, CEO & Director

Sure. So our strategy in California is to capitalize on the same strengths that we have demonstrated in the New York market. So the first is that we're going to have a very high -- we created a select product specific for California. So we'll have a very highly segmented product to match rate to risk. So potentially, our price could be a reason that an agent puts business with us.

Second, we are a company, not an MGA. So -- and we are very much committed to the long term in California. We are committed to independent agents, and our plan is to enter the state and offer ease of use to the independent agents. We want their business, and we want a long-term relationship with them, which is different than some of the entrants who are just looking to capitalize on short-term market opportunities. So we feel pretty good that we'll be able to succeed in California.

Operator

Our next questions come from the line of Gabriel McClure.

Gabriel McClure

I was going to ask you if there's any color or updates on the AmGUARD opportunity.

Meryl S. Golden

President, CEO & Director

Sure. So for those that don't know, we did sign a renewal rights agreement with AmGUARD. We started writing business last September and the business is being nonrenewed over a 3-year period in New York, consistent with the minimum policy term, and we offer a quote to our producers when the business is renewing. So we've been writing about \$800,000 a month since last September. In the first quarter, we wrote \$2.5 million. So it represented about 4% of our growth in the quarter.

Gabriel McClure

Okay. Great. Are you doing any investing or work around AI right now?

Meryl S. Golden

President, CEO & Director

Sure. So we do a lot in AI. We don't talk about it much, but everything we're doing is about improving the productivity of our staff. So I'll give you some examples. So on the claims side, we are about to elevate AI and agentic AI for first notice of loss. So that will be very helpful in the event of catastrophe, which we hope we don't have any more this year. We've had enough. But that will -- there will be no limit on the number of losses that can be taken at any point in time. We also use a system to generate all of the coverage letters for the claims adjusters. And we use AI in terms of the content claims process, which has been very successful in improving the customer experience as well as reducing indemnity costs.

On the underwriting side, we use AI to evaluate property condition and also to identify inconsistencies between all the different sources the underwriters use to evaluate an individual property. So I could go on and on like it's evolving and changing. And I would say we're -- while we're doing a lot, just like many companies, we're early on, and we look forward to enhancing our usage of AI in the future.

Gabriel McClure

That sounds really, really good. Yes. I think Bob asked you about the increased pace of growth in the first quarter. And just to kind of reaffirm, you said that the pace was continuing to be brisk, if not a little bit brisker in this quarter, if I heard right. And I was going to also ask you, I live out here in Arizona, so stupid question, but do you guys have any cat activity in Q2 so far?

Meryl S. Golden

President, CEO & Director

So I think the answer is no. We experienced all that we could handle in Q1. Typically, Q2 is a very low cat quarter. And as far as I know, so far this quarter, there have been no catastrophe events.

Gabriel McClure

Okay. Okay. Very good. And then I want to ask you about Connecticut. -- you kind of announced that we're going in on an admitted basis. And just kind of wondering about your thinking on going in on an admitted basis versus a non-admitted basis when you have a few more strings tied to you when you go in on an admitted basis.

Meryl S. Golden

President, CEO & Director

Yes. So on any individual state entry, we evaluate whether we should do it on an admitted or a non-admitted basis. And the Connecticut insurance department is pretty insurance company friendly. We've operated here before. They move pretty quickly on filings. They're very reasonable. And really feedback we received from producers is that we would be adversely selected against as an E&S writer. There is an opportunity is on the admitted side. So it's really a combination of, let's call it, a friendly regulatory environment, along with the needs in the marketplace, and we think we can be successful in Connecticut on an admitted basis.

Gabriel McClure

Okay. Okay. And then if I could, just one last question maybe for Randy. There was, I think, a \$2 million loss in AOCI. Was that tied to higher interest rates marking down the bonds?

Randy Lee Patten

VP, Chief Financial Officer & Treasurer

Yes, that's exactly right, Gabe. Yes, that's correct.

Operator

[operator instructions] I'm showing no further questions at this time. I'd now like to hand the call back over to Meryl Golden, President and CEO, for any closing remarks.

Meryl S. Golden

President, CEO & Director

Thanks for joining the call today. We're going to continue to execute with discipline, manage catastrophe exposure prudently and invest in scalable growth opportunities to deliver long-term value to our shareholders. We look forward to updating you as the year progresses. Have a good day.

Operator

Ladies and gentlemen, thank you so much. This does conclude today's teleconference. We appreciate your participation. You may disconnect your lines at this time. Enjoy the rest of your day.

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