REPORT ON EXAMINATION

OF THE

KINGSTONE INSURANCE COMPANY

AS OF

DECEMBER 31, 2011

DATE OF REPORT	AUGUST 30, 2012
EXAMINER	SHEIK H. MOHAMED

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NEW YORK STATE
DEPARTMENT of
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Benjamin M. Lawsky
Superintendent

August 30, 2012

Honorable Benjamin M. Lawsky
Superintendent of Financial Services
Albany, New York 12257

Sir:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 30760 dated September 14, 2011, attached hereto, I have made an examination into the condition and affairs of Kingstone Insurance Company as of December 31, 2011, and submit the following report thereon.

Wherever the designation “the Company” appears herein without qualification, it should be understood to indicate Kingstone Insurance Company.

Wherever the term “Department” appears herein without qualification, it should be understood to mean the New York State Department of Financial Services.

The examination was conducted at the Company’s home office located at 15 Joys Lane, Kingston, New York, 12401.

1. SCOPE OF EXAMINATION

The Department has performed an individual examination of the Company, a multi-state insurer. The previous examination was conducted as of December 31, 2006. This examination covered the five-year period from January 1, 2007 through December 31, 2011. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

This examination was conducted in accordance with the National Association of Insurance Commissioners ("NAIC") Financial Condition Examiners Handbook ("Handbook"), which requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. This examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All financially significant accounts and activities of the Company were considered in accordance with the risk-focused examination process. This examination also included a review and evaluation of the Company's own control environment assessment and an evaluation based upon the Company's Sarbanes Oxley documentation and testing. The examiners also relied upon audit work performed by the Company's independent public accountants when appropriate.

This examination report includes a summary of significant findings for the following items as called for in the Handbook:

Significant subsequent events
Company history
Corporate records
Management and control
Fidelity bonds and other insurance
Territory and plan of operation
Growth of Company
Loss experience
Reinsurance
Accounts and records
Statutory deposits
Financial statements
Summary of recommendations

A review was also made to ascertain what action was taken by the Company with regard to comments and recommendations contained in the prior report on examination.

This report on examination is confined to financial statements and comments on those matters that involve departures from laws, regulations or rules, or that are deemed to require explanation or description.

2. DESCRIPTION OF COMPANY

The Company was organized in 1886 under the name of the Co-operative Fire Insurance Company of Greene, Schoharie and Delaware Counties. It was the first advanced premium cooperative fire insurance company in New York. In 1922 the Company changed its name to The Co-operative Fire Insurance Company of Catskill and in 1935 the Company assumed all of the assets and liabilities of its affiliate, the Commercial Mutual Fire Insurance Company of Greene County. In 1976, the merged company adopted the name of Commercial Mutual Insurance Company ("CMIC").

On April 1, 1998, Eagle Insurance Company ("Eagle") obtained a controlling interest of the Company by investing $3 million in the form of a Section 1307 surplus note. On March 12, 1999, Eagle purchased another surplus note in the amount of $750,000. Interest accrued on the surplus notes at a rate of the lesser of 8.5% per annum or prime. Payment of principal and interest on the surplus notes can only be made with the prior approval of the Department. The Company has paid $375,000 of accrued interest since inception.

On January 31, 2006, the surplus notes with a principal amount of $3,750,000 were sold by Eagle to the DCAP Group, Inc., currently known as Kingstone Companies, Inc ("Kingstone").

In March 2007, the Company's Board of Directors approved a resolution to convert (demutualize) CMIC from an advance premium cooperative insurance company to a domestic stock property and casualty insurance company pursuant to Section 7307 of the New York Insurance Law. The charter, by-laws and plan of conversion were submitted to the Department and approved on April 15, 2009. On June 8, 2009, the eligible policyholders of CMIC voted in favor of the conversion by the required two-third majority. On June 30, 2009, the Department gave final approval of the demutualization to become effective July 1, 2009. Upon the effective date of the conversion, CMIC's name was changed to Kingstone Insurance Company.

Pursuant to the plan of conversion, Kingstone acquired a 100% equity interest in the Company in consideration of the exchange of the $3,750,000 principal amount of surplus notes of CMIC. Accordingly, on July 1, 2009, the Company issued 3,000 shares of common stock to Kingstone and the $3,750,000 surplus note was discharged. In addition, Kingstone forgave all accrued and unpaid interest on the surplus notes as of the date of conversion.

Capital paid in is $1,500,000 consisting of 3,000 shares of $500 par value per share common stock. Gross paid in and contributed surplus is $2,250,000.

A. Management

Pursuant to the Company's charter and by-laws, management of the Company is vested in a board of directors consisting of not less than seven nor more than eighteen members. The board meets four times during each calendar year. At December 31, 2011, the board of directors was comprised of the following ten members:

Name and Residence	Principal Business Affiliation
Victor J. Brodsky Hewlett, NY	Treasurer, Assistant Secretary, and Chief Financial Officer, Kingstone Insurance Company
Michael R. Feinsod New York, NY	Secretary, Kingstone Insurance Company Executive, Investment Manager, Infinity Capital Partners L.P.
Barry B. Goldstein Hewlett, NY	Chairman of the Board and Chief Investment Officer, Kingstone Insurance Company
Jay M. Haft New York, NY	Attorney, Columbus Nova, Inc.
David A. Lyons Stamford, CT	Principal, Den Ventures, LLC
John D. Reiersen Port Jefferson, NY	President and Chief Executive Officer, Kingstone Insurance Company
Jack D. Seibald Hewlett, NY	Executive, Investment Management and Brokerage, Concept Capital Markets, LLC.

Name and Residence	Principal Business Affiliation
Steven Shapiro Dix Hills, NY	Sales/Management Sandlar, Inc.
Floyd R. Tupper New York, NY	Certified Public Accountant Private Practice
Samuel Yedid Hewlett, NY	Attorney, Laxer, Aptheker, Rosella & Yedid, P.C.

A review of the minutes of the board of directors' meetings held during the examination period indicated that the meetings were generally well attended and each board member had an acceptable record of attendance.

As of December 31, 2011, the principal officers of the Company were as follows:

Name	Title
John D. Reiersen	President
Michael R. Feinsod	Secretary
Victor J. Brodsky	Treasurer
Barry B. Goldstein	Chief Investment Officer
Thomas G. Seccia	General Counsel

Conflict of Interest Statements

The previous report on examination included a recommendation that the Company exercise due care in obtaining and maintaining signed conflict of interest statements from its board of directors, officers and employees.

The Company has in place a procedure to distribute conflict of interest questionnaires to its board of directors and executive officers annually. Based upon the review of signed conflict of interest statements for the period of examination 2007 through 2011, it was noted that several directors and officers were not completing their conflict of interest statements in a timely manner.

It is again recommended that the Company exercise due care in obtaining and maintaining signed conflict of interest questionnaires from its board of directors, officers and key employees.

B. Territory and Plan of Operation

As of December 31, 2011, the Company was licensed to write business in New York and Pennsylvania.

As of the examination date, the Company was authorized to transact the kinds of insurance as defined in the following numbered paragraphs of Section 1113(a) of the New York Insurance Law:

Paragraph	Line of Business
4	Fire
5	Miscellaneous property damage
6	Water damage
7	Burglary and theft
8	Glass
9	Boiler and machinery
12	Collision
13	Personal injury liability
14	Property damage liability
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine

Based on the lines of business for which the Company is licensed and the Company's current capital structure, and pursuant to the requirements of Articles 13 and 41 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of $1,700,000.

The following schedule shows the direct premiums written by the Company in New York for the period under examination:

Calendar Year	Direct Premiums Written
2007	$23,263,973
2008	$24,735,109
2009	$26,955,318
2010	$33,249,331
2011	$40,734,768

Kingstone Insurance Company writes primarily the following risks in New York State: homeowners, dwelling fire, artisans' liability, commercial auto, business owners, special multi peril, and physical damage only on for-hire vehicles. This business is written through approximately 350 independent agents and brokers.

C. Reinsurance

Assumed reinsurance accounted for less than 1% of the Company’s gross premium written at December 31, 2011. During the period covered by this examination, the Company’s assumed reinsurance business has remained stable. The assumed reinsurance as of the examination date represents business obtained through mandatory pool participation in the New York Special Risk Distribution Program. The Company utilizes reinsurance accounting as defined in Statement of Statutory Accounting Principle ("SSAP") No. 62 for all of its assumed reinsurance business.

The Company has structured its ceded reinsurance program to limit its maximum exposure on any one risk as follows:

Homeowners and Dwelling Fire

For the period July 1, 2011 through June 30, 2012 all business is covered by three treaties designed to cap the Company's per occurrence limit at $175,000. The treaties are as follows:

- 75% quota share of the Company’s net liability;
- The Company retains 25% of the $700,000 excess of loss retention as respects any one risk, per loss. $1.5 million in excess of the $700,000 is 100% reinsured; and
- Catastrophe coverage of $54 million per occurrence in excess of $500,000.

Commercial Auto Insurance

For the period January 1, 2011 through December 31, 2011 commercial auto business is covered by one treaty in order to cap the Company's per occurrence limit at $250,000. The treaty is as follows:

- Excess of loss treaty providing $1,750,000 in excess of $250,000 each occurrence.

Commercial General Liability

For the period July 1, 2011 through June 30, 2012 all business is covered by two treaties designed to cap the Company's per occurrence limit at $280,000. The treaties are as follows:

- 60% quota share of the Company’s net liability, and
- The Company retains 40% of the $700,000 excess of loss retention as respects any one risk, per loss. $1.5 million in excess of the $700,000 is 100% reinsured.

Personal Umbrella Liability

For the period July 1, 2011 through June 30, 2012 all business is covered by one treaty designed to cap the Company's per occurrence limit at $100,000. The treaty is as follows:

- 90% quota share of the Company’s net liability for the first million; and
- 100% quota share of the Company’s net liability for the second million, if written.

It is the Company's policy to obtain the appropriate collateral for its cessions to unauthorized reinsurers. Letters of credit obtained by the Company to take credit for cessions to unauthorized reinsurers were reviewed for compliance with Department Regulation 133. No exceptions were noted.

All ceded reinsurance agreements in effect as of the examination date were reviewed and found to contain the required clauses, including an insolvency clause meeting the requirements of Section 1308 of the New York Insurance Law.

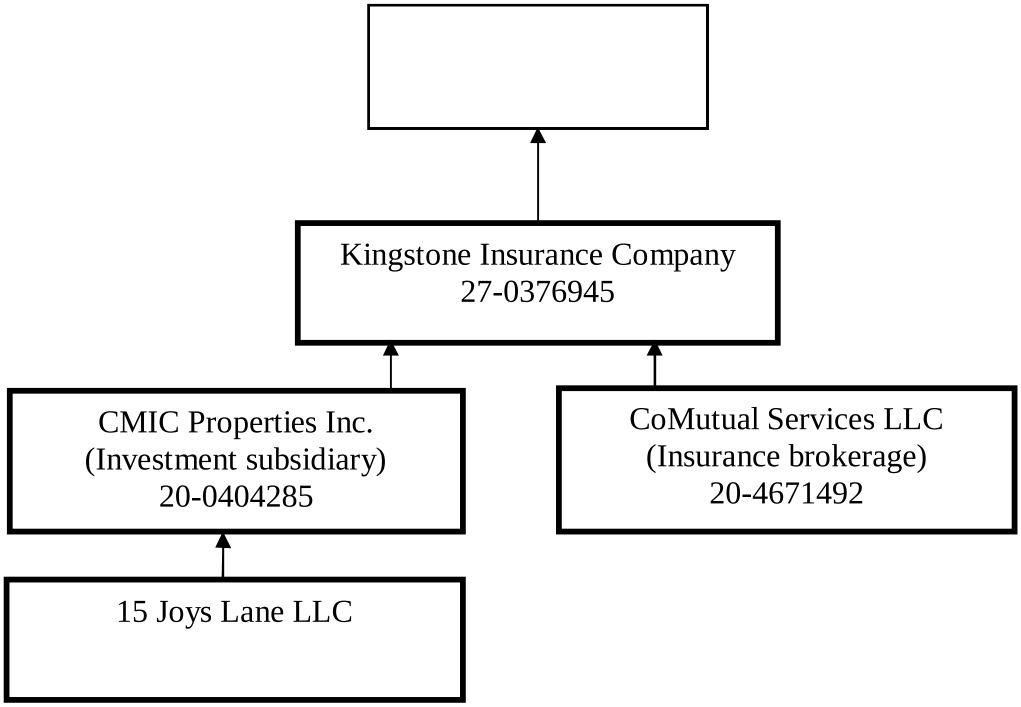
Examination review of the Schedule F data reported by the Company in its filed annual statement was found to accurately reflect its reinsurance transactions. Additionally, management has represented that all material ceded reinsurance agreements transfer both underwriting and timing risk as set forth in SSAP No. 62. Representations were supported by appropriate risk transfer analyses and an attestation from the Company's Chief Executive Officer pursuant to the NAIC Annual Statement Instructions. Additionally, examination review indicated that the Company was not a party to any finite reinsurance agreements. All ceded reinsurance agreements were accounted for utilizing reinsurance accounting as set forth in paragraph 18 through 25 of SSAP No. 62R.

D. Holding Company System

The Company is a member of the Kingstone Companies, Inc. The Company is a wholly-owned subsidiary of Kingstone Companies, Inc. formerly known as the DCAP Group, Inc., a Delaware corporation.

A review of the Holding Company Registration Statements filed with this Department indicated that such filings were complete and were filed in a timely manner pursuant to Article 15 of the New York Insurance Law and Department Regulation 52.

The following is a chart of the holding company system at December 31, 2011:


Kingstone Insurance Company
27-0376945
CMIC Properties Inc.
(Investment subsidiary)
20-0404285
CoMutual Services LLC
(Insurance brokerage)
20-4671492
15 Joys Lane LLC

The Company has two subsidiaries in its holding company system at December 31, 2011. A description of the system is as follows:

CMIC Properties Inc. (CPI) was organized in 2003 and is a wholly owned subsidiary of the Company. CPI owns 100% of 15 Joys Lane, LLC (The LLC). The LLC owns 100% of the Company’s home office building located at 15 Joys Lane, Kingston, NY 12401. The building is located in a New York’s Empire Zone which enables the Company to receive 100% of real estate taxes back as a tax credit through 2013. The building was appraised in June, 2009 for $1,510,000, but the Company values the building at amortized cost of slightly over $1 million. CPI has no other function but to manage the Company’s home office investment in 15 Joys Lane, LLC. Comutual Services, LLC, a wholly-owned subsidiary of the Company, is licensed as an Insurance Broker in New York. The subsidiary is dormant, but is available if a potential managing general agent or third party administration opportunity becomes available.

Department Regulation 53 requires the reporting of all transactions entered into during the next preceding calendar year by the Company with any of its subsidiaries. Company Management was asked for supporting documentation of Kingstone Insurance Company's compliance with the reporting requirements outlined in Section 81-1.2 of Regulation 53; in particular the filings required to be submitted on or before March 1st of each year. The Company did not submit the Regulation 53 filing for 2009 regarding Comutual Services LLC. Also, the Company did not submit the Regulation 53 filings for 2007, 2008 and 2009 related to the CMIC Properties Inc. and 15 Joys Lane LLC.

It is recommended that the Company comply with the filing requirements of section 81-1.2 of Department Regulation 53 as it pertains to its current subsidiaries, CMIC Properties Inc., Comutual Services LLC., and 15 Joys Lane LLC. A similar comment was made in the prior report on examination.

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2011, based upon the results of this examination:

Net premiums written to policyholders' surplus	120%
Adjusted liabilities to liquid assets	73%
Gross agents' balances (in collection) to policyholders' surplus	7%

All of the above ratios fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the National Association of Insurance Commissioners.

The underwriting ratios presented below are on an earned/incurred basis and encompass the five-year period covered by this examination:

	Amounts	Ratios
Losses and loss adjustment expenses incurred	$30,009,219	57.42%
Other underwriting expenses incurred	14,112,082	27.00
Net underwriting gain	8,139,447	15.57
Premiums earned	$52,260,748	100.00%

F. Accounts and Records

i. IDP Premium Receivable Aging

The previous report on examination, as of December 31, 2006, included a recommendation as follow:

> "It is recommended that the Company obtains and maintains documentation sufficient to support the Annual Statement reporting of premium receivable balances as well as the aging of those balances, henceforth."

During the current examination it appears that the Company is maintaining documentation sufficient to support the Annual Statement reporting of premium receivable balances. However, the IDP Premium Receivable Aging report contained errors in the aging categories, current amount due, and future installments due columns.

The errors in the IDP Premium Receivable Aging report did not have a material effect on the Company's balance sheet; however, it is recommended that the Company fix its IDP Direct Bill Aged Receivables report so that the aging categories, current amount due, and future installments due amounts are accurate.

3. FINANCIAL STATEMENTS

A Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2011 as determined by this examination and as reported by the Company:

Assets	Assets	Examination Assets Not Admitted	Net Admitted Assets
Bonds	$22,808,630	$ 0	$22,808,630
Preferred stocks (stocks)	1,383,350	0	1,383,350
Common stocks (stocks)	4,172,133	200	4,171,933
Cash, cash equivalents and short-term investments	(1,520,729)	0	(1,520,729)
Investment income due and accrued	305,103	0	305,103
Uncollected premiums and agents' balances in the course of collection	984,446	91,740	892,706
Deferred premiums, agents' balances and installments booked but deferred and not yet due	4,886,379	0	4,886,379
Amounts recoverable from reinsurers	1,615,981	0	1,615,981
Other amounts receivable under reinsurance contracts	1,738,608	0	1,738,608
Net deferred tax asset	805,768	0	805,768
Electronic data processing equipment and software	31,328	20,276	11,052
Aggregate write-ins for other than invested assets	315,662	88,402	227,260
Totals	$37,526,659	$200,618	$37,326,041

Liabilities, surplus and other funds	Examination
Losses and Loss Adjustment Expenses	$ 8,479,657
Reinsurance payable on paid losses and loss adjustment expenses	2,719
Commissions payable, contingent commissions and other similar charges	706,805
Other expenses (excluding taxes, licenses and fees)	1,075,201
Taxes, licenses and fees (excluding federal and foreign income taxes)	(7,986)
Current federal and foreign income taxes	554,019
Unearned premiums	8,978,661
Advance premium	544,791
Ceded reinsurance premiums payable (net of ceding commissions)	2,761,828
Amounts withheld or retained by company for account of others	(43,444)
Payable to parent, subsidiaries and affiliates	105,777
Aggregate write-ins for liabilities	565,312
Total liabilities	$23,723,340
Common capital stock	$ 1,500,000
Gross paid in and contributed surplus	2,250,000
Unassigned funds (surplus)	9,852,701
Surplus as regards policyholders	$13,602,701
Totals	$37,326,041

Note: The Internal Revenue Service has completed its audits of the Company's Federal Income Tax returns through tax year 2009. All material adjustments, if any, made subsequent to the date of examination and arising from said audits, are reflected in the financial statements included in this report. The Internal Revenue Service has not yet begun to audit tax returns covering tax years 2010 and 2011. The examiner is unaware of any potential exposure of the Company to any tax assessment and no liability has been established herein relative to such contingency.

B. Statement of Income

Surplus as regards policyholders increased $9,318,632 during the five-year examination period January 1, 2007 through December 31, 2011, detailed as follows:

Underwriting Income		
Premiums earned		$52,260,748
Deductions:		
Losses and loss adjustment expenses incurred	$30,009,219	
Other underwriting expenses incurred	14,012,082	
Aggregate write-ins for underwriting deductions	100,000	
Total underwriting deductions		44,121,301
Net underwriting gain or (loss)		$ 8,139,447
Investment Income		
Net investment income earned	$ 2,575,389	
Net realized capital gain	468,604	
Net investment gain or (loss)		3,043,993
Other Income		
Net gain or (loss) from agents' or premium balances charged off	$ (334,271)	
Finance and service charges not included in premiums	2,234,185	
Aggregate write-ins for miscellaneous income	(75,529)	
Total other income		1,824,385
Net income before dividends to policyholders and before federal and foreign income taxes		$13,007,825
Dividends to policyholders		0
Net income after dividends to policyholders but before federal and foreign income taxes		$13,007,825
Federal and foreign income taxes incurred		4,003,121
Net Income		$ 9,004,704

	Gains in Surplus	Losses in Surplus	
Surplus as regards policyholders per report on examination as of December 31, 2006			$ 4,284,069
Net income	$ 9,004,704		
Net unrealized capital gains or (losses)	531,801		
Change in net deferred income tax	433,278		
Change in nonadmitted assets	357,918		
Capital changes paid in	1,500,000		
Surplus adjustments paid in		1,500,000	
Dividends to stockholders		350,000	
Aggregate write-ins for gains and losses in surplus		659,069	
Net increase (decrease) in surplus	$11,827,701	$2,509,069	$ 9,318,632
Surplus as regards policyholders per report on examination as of December 31, 2011			$13,602,701

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of $8,479,657 is the same as reported by the Company as of December 31, 2011. The examination analysis was conducted in accordance with generally accepted actuarial principles and practices and was based on statistical information contained in the Company's internal records and in its filed annual statements.

The examination review of the Company's 2011 loss and loss adjustment expense data found that for most lines, the Company fails to establish defense and cost containment ("DCC") known case reserves.

It is recommended that the Company establish DCC known case reserves and segregate them from known pure losses when filing its Schedule P data in the future. A similar comment was made in the prior report on examination.

5. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained twenty six recommendations as follows (page numbers refer to the prior report):

ITEM		PAGE NO.
A.	Management	
i.	It was recommended that the Company comply with the requirements of Article III, Section 1 of its by-laws henceforth and ensure that the position of President, Secretary, and Treasurer are chosen by the Board of Directors from among its members at the annual meeting for a term of one year. The Company has complied with this recommendation.	9
ii.	It was recommended that the Company comply with the requirements of Article III, Section 2 of its by-laws henceforth and ensure that the compensation of all officers was fixed by the Board of Directors. The Company's by-laws were amended and this provision removed. Therefore, this recommendation is not applicable.	9
iii.	It was recommended that the Company exercise due care in obtaining and maintaining signed conflict of interest questionnaires from it board of directors, officers and key employees. The Company has not complied with this recommendation. A similar comment is made in this report.	10
B.	Reinsurance	
i.	It was recommended that the Company comply with the Annual Statement Instructions when completing Schedule F Part 3 and show the correct name and NAIC Company Code numbers for its reinsurers. The Company has complied with this recommendation.	12
ii.	It was recommended that the Company obtain and retain documentation of the risk transfer analysis performed in accordance with SSAP No. 62 paragraph 14 and 15 on each of its reinsurance contracts. Such analysis should be kept in the respective reinsurance underwriting file. The Company has complied with this recommendation.	13

ITEM		PAGE NO.
C.	Holding Company	
i.	It was recommended that the Company comply with Department Regulation 59 henceforth. The Company has complied with this recommendation.	16
ii.	It was recommended that the Company comply fully with all future Department directives unless there exists a valid reason for not doing so. The Company has complied with this recommendation.	16
iii.	It was recommended that the Company comply with the filing requirements of section 81-1.2 of Department Regulation 53 as it pertains to its current subsidiary, CMIC Properties Inc., as well as any future subsidiaries formed. The Company has not complied with this recommendation. A similar comment is made in this report.	16
D.	Loans to Officers	
	It was recommended that the Company comply with Section 1411(a) as well as 1411(f)(1) of the New York Insurance Law, henceforth. The Company has complied with this recommendation.	17
E.	Accounts and Records	
i.	It was recommended that the Company ensures that the written contract with its certified public accountant incorporates the requirements and specific wording of Department Regulation 118, henceforth. The Company has complied with this recommendation.	18
ii.	It was recommended that the Company amend its corporate resolutions with Trustco Bank in order to accurately reflect the current officers authorized to act on the Company’s behalf. The Company has complied with this recommendation.	18
iii.	It was recommended that the Company comply with Insurance Department recommendations and obtain agreements for its custodial accounts that include the safeguards and controls as set forth in the NAIC Financial Condition Examiner Handbook. The Company has complied with this recommendation.	19

ITEM		PAGE NO.
iv.	It was recommended that the Company correctly complete the Annual Statement interrogatories relative to its custodial agreements, henceforth. The Company has complied with this recommendation.	19
v.	It was recommended that the Company obtain and maintain documentation sufficient to support the Annual Statement reporting of premium receivable balances as well as the ageing of these balances, henceforth. The Company has not complied with this recommendation. A similar comment is made in this report.	20
vi.	It was recommended that the Company comply with the Annual Statement Instructions as well as SSAP No.'s 67 and 53 relative to the reporting of Remittances and items not allocated and Advance premiums, henceforth. The Company has complied with this recommendation.	20
vii.	It was recommended that the Company execute a written contract specifying the terms of its business relationship with Subrogation Partners. The Company has complied with this recommendation.	21
viii.	It was recommended that the Company comply henceforth with the settlement provisions of this as well as any future intercompany agreements entered into. The Company has complied with this recommendation.	22
ix.	It was recommended that the Company obtain and retain documentation of compliance with any and all future commitments made to the New York State Insurance Department. The expense sharing agreement that resulted in this recommendation is no longer in existence. Therefore, this recommendation is no longer applicable.	22
x.	It was recommended that copies of all contracts and amendments thereto be retained by Company Management in accordance with the record retention requirements Department Regulation 152, section 243.2. The expense sharing agreement that resulted in this recommendation is no longer in existence. Therefore, this recommendation is no longer applicable.	22

ITEM		PAGE NO.
xi.	It was recommended that the Company adhere to the provisions of Department Regulation 30 regarding the allocation of expenses between insurance companies and to the major expense groups (support for the allocation percentages needs to be obtained i.e. time studies need to be generated. The Company has complied with this recommendation.	23
F.	Net Deferred Tax Asset ("DTA")	
	It was recommended that the Company comply with SSAP No. 10, Annual Statement Instructions as well as Part 83.4 (b) of Regulation 172 in computing and reporting the Deferred Tax Asset, henceforth. The Company has complied with this recommendation.	29
G.	Losses and Loss Adjustment expense	
i.	It was recommended that the Company establish DCC known case reserves and segregate them from the known case pure losses when filing their Schedule P data in the future. The Company has not complied with this recommendation. A similar comment is made in this report.	30
ii	It was recommended that the Company allocate its loss adjustment expenses reserves more appropriately to each accident year when filing their Schedule P data in the future. The Company has complied with this recommendation.	30
H	Market Conduct Activities	
i.	It was recommended that the Company comply fully with Section 218.4 of Department Regulation 90 and indicate in the termination letter sent to agents and brokers the specific reason(s) for terminating the agreement and not use generalized statements like "low volume" or "poor loss ratio." The Company has complied with this recommendation.	31
ii	It was recommended that the Company comply fully with Section 218.5 of Department Regulation 90 and update the redlining notice used in its producer termination letters so as to reflect the website address as well as the accurate mailing address for the State Insurance Department. The Company has complied with this recommendation.	31

ITEM		PAGE NO.
iii	It was recommended that the Company revise its complaint log to incorporate the data with the requisite column headings as required by Circular Letter No. 1978-11. The Company has complied with this recommendation.	31

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEM		PAGE NO.
A	Management It is recommended that the Company exercise due care in obtaining and maintaining signed conflict of interest questionnaires from its board of directors, officers and key employees.	6
B	Holding Company System It is recommended that the Company complies with the filing requirements of section 81-1.2 of Department Regulation 53 as it pertains to its current subsidiary, CMIC Properties Inc., Comutual Services LLC., and 15 Joys Lane LLC.	10
C	Accounts and Records IDP Premium Receivable Aging It is recommended that the Company fix its IDP Direct Bill Aged Receivables report so that the aging categories, current amount due, and future installments due amounts are accurate.	11
D	Losses and Loss Adjustment Expense It is recommended that the Company establish DCC known case reserves and segregate them from known pure losses when filing its Schedule P data in the future.	15

Respectfully submitted,

_____________/s/_____________
Sheik H. Mohamed, CPCU
Senior Insurance Examiner

STATE OF NEW YORK)
)ss:
COUNTY OF NEW YORK)

Sheik H. Mohamed, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

_____________/s/_____________
Sheik H. Mohamed

Subscribed and sworn to before me

this_________ day of __________________, 2012.

Appointment No. 30760

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, James J. Wrynn *Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:*

Sheik Mohamed

as proper person to examine into the affairs of the

KINGSTONE INSURANCE COMPANY

and to make a report to me in writing of the condition of the said

Company

with such other information as he shall deem requisite.

In Witness Whereof, I have hereunto subscribed by the name and affixed the official Seal of this Department, at the City of New York,

this 14th *day of* September, *2011*

JAMES J. WRYNN
Superintendent of Insurance