KINGSTONE COMPANIES, INC.
Form 10-Q
May 19, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark one)

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

For the quarterly period ended March 31, 2010

OR

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

For the transition period from _________to _________

Commission File Number 0-1665

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

Delaware	36-2476480
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

1154 Broadway
Hewlett, NY 11557
(Address of principal executive offices)

(516) 374-7600
(Registrant's telephone number, including area code)

(Former Name, if Changed Since Last Report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filero	Non-accelerated filer o	Smaller reporting company þ

(Do not check if a smaller reporting company)

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

As of May 13, 2010, there were 3,042,543 shares of the registrant's common stock outstanding.

KINGSTONE COMPANIES, INC.
INDEX

Forward-Looking Statements

This Quarterly Report contains forward-looking statements as that term is defined in the federal securities laws. The events described in forward-looking statements contained in this Quarterly Report may not occur. Generally these statements relate to business plans or strategies, projected or anticipated benefits or other consequences of our plans or strategies, projected or anticipated benefits from acquisitions to be made by us, or projections involving anticipated revenues, earnings or other aspects of our operating results. The words "may," "will," "expect," "believe," "anticipate," "project," "plan," "intend," "estimate," and "continue," and their opposites and similar expressions are intended to identify forward-looking statements. We caution you that these statements are not guarantees of future performance or events and are subject to a number of uncertainties, risks and other influences, many of which are beyond our control, that may influence the accuracy of the statements and the projections upon which the statements are based. Factors which may affect our results include, but are not limited to, the risks and uncertainties discussed in Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2009 under “Factors That May Affect Future Results and Financial Condition”.

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

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

2

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

	March 31, 2010 (unaudited)	December 31, 2009
Assets		
Short term investments	$385,392	$225,336
Fixed-maturity securities, available for sale, at fair value (amortized cost of $12,926,257 at March 31, 2010 and $12,676,867 at December 31, 2009)	13,071,634	12,791,080
Equity securities, available-for-sale, at fair value (cost of $1,831,168 at March 31, 2010 and $1,973,738 at December 31, 2009)	2,053,071	2,186,926
Total investments	15,510,097	15,203,342
Cash and cash equivalents	760,599	625,320
Investment income receivable	173,374	135,251
Premiums receivable, net of of provision for uncollectible amounts	4,840,077	4,479,363
Receivables - reinsurance contracts	962,376	564,408
Reinsurance receivables, net of of provision for uncollectible amounts	20,245,656	20,849,621
Notes receivable-sale of business	1,051,596	1,119,365
Deferred acquisition costs	3,119,493	2,917,984
Intangible assets, net	4,493,171	4,612,100
Property and equipment, net of accumulated depreciation	1,622,735	1,659,015
Equities in pools and associations	220,708	220,708
Other assets	320,134	257,276
Total assets	$53,320,016	$52,643,753
Liabilities		
Loss and loss adjustment expenses	$16,536,820	$16,513,318
Unearned premiums	14,976,136	14,088,187
Advance premiums	428,429	411,676
Reinsurance balances payable	1,897,031	1,918,169
Deferred ceding commission revenue	2,841,284	3,298,245
Notes payable (payable to related parties of $785,000 at March 31, 2010 and $585,000 at December 31, 2009)	1,479,685	1,085,637
Accounts payable, accrued liabilities and other liabilities	1,838,296	2,446,558
Deferred income taxes	1,173,779	1,173,256
Mandatorily redeemable preferred stock	1,299,231	1,299,231
Liabilties of discontinued operations	6,500	26,000
Total liabilities	42,477,191	42,260,277
Commitments		
Stockholders' Equity:		
Common stock, $.01 par value; authorized 10,000,000 shares; issued 3,854,536 shares at March 31, 2010 and 3,804,536 shares at December 31, 2009; outstanding 3,038,511 shares at March 31, 2010 and 2,988,511 shares at December 31, 2009	38,546	38,046

Preferred stock, $.01 par value; authorized		
1,000,000 shares; 0 shares issued and outstanding	-	-
Capital in excess of par	12,251,468	12,051,332
Accumulated other comprehensive income	242,405	216,086
Accumulated deficit	(469,212)	(701,606)
	12,063,207	11,603,858
Treasury stock, at cost, 816,025 shares	(1,220,382)	(1,220,382)
Total stockholders' equity	10,842,825	10,383,476
Total liabilities and stockholders' equity	$53,320,016	$52,643,753

See notes to condensed consolidated financial statements.

3

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations and Comprehensive Income (Unaudited)

Three Months Ended March 31,	2010	2009
Revenues		
Net premiums earned	$2,217,947	$-
Ceding commission revenue	1,809,593	-
Net investment income	132,280	-
Net realized gains on investments	34,660	-
Other income	221,104	112,037
Total revenues	4,415,584	112,037
Expenses		
Loss and loss adjustment expenses	1,434,618	-
Commission expense	1,136,619	-
Other underwriting expenses	702,376	-
Other operating expenses	539,619	281,913
Depreciation and amortization	156,687	4,436
Interest expense	45,202	80,267
Interest expense - mandatorily redeemable preferred stock	37,353	19,500
Total expenses	4,052,474	386,116
Income (loss) from operations	363,110	(274,079)
Interest income-CMIC note receivable	-	30,469
Income (loss) from continuing operations before taxes	363,110	(243,610)
Income tax expense (benefit)	144,564	(87,775)
Income (loss) from continuing operations	218,546	(155,835)
Income (loss) from discontinued operations, net of taxes	13,848	(15,679)
Net income (loss)	232,394	(171,514)
Gross unrealized investment holding gains arising during period	39,879	-
Income tax expense related to items of other comprehensive income	(13,559)	-
Comprehensive income (loss)	$258,714	$(171,514)
Basic and diluted earnings (loss) per common share:		
Income (loss) from continuing operations	$0.07	$(0.05)
Loss from discontinued operations	$0.01	$(0.01)
Income (loss) per common share	$0.08	$(0.06)
Number of weighted average common shares used in computation of basic and diluted earnings (loss) per share	2,992,400	2,972,746

See notes to condensed consolidated financial statements.

4

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES

Consolidated Statement of Stockholders' Equity (Unaudited)
Year ended Decemeber 31, 2009 and Three Months Ended March 31, 2010

	Common Stock Shares	Common Stock Amount	Preferred Stock Shares	Preferred Stock Amount	Capital in Excess of Par	Accumulated Other Comprehensive Income	Accumulated (Deficit)	Treasury Stock Shares	Treasury Stock Amount	Total
Balance, December 31, 2008	3,788,771	$37,888	-	$-	$11,962,512	$-	$(5,522,448)	816,025	$(1,220,382)	$5,257,570
Stock-based payments	15,765	158	-	-	88,820	-	-	-	-	88,978
Net income	-	-	-	-	-		4,820,842	-	-	4,820,842
Net unrealized gains on securities										-
available for sale, net of income tax	-	-	-	-	-	216,086	-	-	-	216,086
Balance, December 31, 2009	3,804,536	38,046	-	-	12,051,332	216,086	(701,606)	816,025	(1,220,382)	10,383,476
Stock-based payments	50,000	500	-	-	200,136	-	-	-	-	200,636
Net income	-	-	-	-	-	-	232,394	-	-	232,394
Net unrealized gains on securities										
available for sale, net of income tax	-	-	-	-	-	26,319	-	-	-	26,319
Balance, March 31, 2010	3,854,536	$38,546	-	$-	$12,251,468	$242,405	$(469,212)	816,025	$(1,220,382)	$10,842,825

See notes to condensed consolidated financial statements.

5

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Unaudited)

Three Months Ended March 31,	2010	2009
Cash flows provided by (used in) operating activities:		
Net income (loss)	$232,394	$(171,514)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operations:		
Gain on sale of investments	(34,660)	-
Depreciation and amortization	156,687	4,436
Stock-based payments	200,636	6,792
Deferred income taxes	(13,036)	(94,000)
(Increase) decrease in assets:		
Short term investments	(160,056)	-
Premiums receivable, net	(360,714)	-
Receivables - reinsurance contracts	(397,968)	-
Reinsurance receivables, net	603,965	-
Deferred acquisition costs	(201,509)	-
Other assets	(100,784)	(11,361)
Increase (decrease) in liabilities:		
Loss and loss adjustment expenses	23,502	-
Unearned premiums	887,949	-
Advance premiums	16,753	-
Reinsurance balances payable	(21,138)	-
Deferred ceding commission revenue	(456,961)	-
Accounts payable, accrued liabilities and other liabilities	(608,262)	76,742
Net cash used in operating activities of continuing operations	(233,202)	(188,905)
Operating activities of discontinued operations	(19,500)	249,849
Net cash flows (used in) provided by operations	(252,702)	60,944
Cash flows used in investing activities:		
Purchase - fixed-maturity securities	(249,390)	-
Purchase - equity securities	(233,135)	-
Sale - equity securities	410,167	-
Increase in accrued interest - Commercial Mutual Insurance Company	-	(30,468)
Collections of notes receivable and accrued interest - Sale of businesses	67,769	-
Other investing activities	(1,478)	-
Net cash used in investing activities of continuing operations	(6,067)	(30,468)
Investing activities of discontinued operations	-	(745)
Net cash flows used in investing activities	(6,067)	(31,213)
Cash flows provided by (used in) financing activities:		
Proceeds from long term debt (includes $200,000 from related parties)	400,000	-
Principal payments on long-term debt	(5,952)	(17,798)
Net cash used in (provided by) financing activities of continuing operations	394,048	(17,798)
Financing activities of discontinued operations	-	-
Net cash flows provided by (used in) financing activities	394,048	(17,798)
Increase in cash and cash equivalents	135,279	11,933

Cash and cash equivalents, beginning of period	625,320	142,949
Cash and cash equivalents, end of period	$760,599	$154,882

See notes to condensed consolidated financial statements.

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 - Basis of Presentation and Nature of Business

On July 1, 2009, Kingstone Companies, Inc. (referred to herein as "Kingstone" or the “Company”) completed the acquisition of 100% of the issued and outstanding common stock of Kingstone Insurance Company (“KICO”) (formerly Commercial Mutual Insurance Company (“CMIC”)) pursuant to the conversion of CMIC from an advance premium cooperative to a stock property and casualty insurance company (see Note 3). Pursuant to the plan of conversion, Kingstone acquired a 100% equity interest in KICO, in consideration for the exchange of $3,750,000 principal amount of surplus notes of CMIC. In addition, Kingstone forgave all accrued and unpaid interest of approximately $2,246,000 on the surplus notes as of the date of conversion.

Effective July 1, 2009, Kingstone, through its subsidiary KICO, offers property and casualty insurance products to small businesses and individuals in New York State. The effect of the KICO acquisition is only included in the Company’s results of operations and cash flows for the period from July 1, 2009 (the KICO acquisition date) through March 31, 2010. Accordingly, only the disclosures for the three month period ended March 31, 2010 will include KICO. As a result, disclosures for the three month periods ended March 31, 2010 and 2009 are not comparable.

Until December 2008, continuing operations primarily consisted of the ownership and operation of a network of retail insurance brokerage and agency offices engaged in the sale of retail auto, motorcycle, boat, business, and homeowner's insurance.

In December 2008, due to declining revenues and profits, the Company made a decision to restructure its network of retail offices (the “Retail Business”). The plan of restructuring called for the closing of seven of the least profitable locations during the month of December 2008 and the entry into negotiations to sell the remaining 19 locations of the Retail Business. On April 17, 2009, the Company sold substantially all of the assets, including the book of business, of its 16 remaining Retail Business locations that it owned in New York State (the “New York Sale”) (see Note 14). Effective June 30, 2009, the Company sold all of the outstanding stock of the subsidiary that operated its three remaining Retail Locations in Pennsylvania (the “Pennsylvania Sale”) (see Note 14). As a result of the restructuring in December 2008, the New York Sale on April 17, 2009 and the Pennsylvania Sale effective June 30, 2009, the Retail Business has been presented as discontinued operations and prior periods have been restated.

Until May 2009, the Company operated a DCAP franchise business. Effective May 1, 2009, the Company sold all of the outstanding stock of the subsidiaries that operated such DCAP franchise business (see Note 14). As a result of the sale, the franchise business has been presented as discontinued operations and prior periods have been restated.

Note 2 – Accounting Policies and Basis of Presentation

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements included in this report have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information and the instructions to Securities and Exchange Commission (“SEC”) Form 10-Q and Article 8-03 of SEC Regulation S-X. The principles for condensed interim financial information do not require the inclusion of all the information and footnotes required by generally accepted accounting principles for complete financial statements. Therefore, these financial statements should be read in conjunction with the consolidated financial statements as of and for the year ended December 31, 2009 and notes thereto included in the Company’s Annual Report on Form 10-K filed on April 7, 2010. The accompanying condensed consolidated financial statements have not been audited by an independent registered public accounting firm in accordance with standards of the Public Company Accounting Oversight Board (United States) but, in the opinion of management, such financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the Company's financial position and results of operations. The results of operations for the three months ended Mach 31, 2010 may not be indicative of the results that may be expected for the year ending December 31, 2010.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification

The Company has reclassified certain amounts in its 2009 consolidated balance sheet and 2009 statements of operations to conform to the 2010 presentation. None of these reclassifications had an effect on the Company's consolidated net earnings, total stockholders' equity or cash flows.

Principles of Consolidation

The consolidated financial statements consist of Kingstone and its wholly-owned subsidiaries. Subsidiaries acquired on July 1, 2009 include KICO and its subsidiaries, CMIC Properties, Inc. ("CMIC Properties") and 15 Joys Lane, LLC ("15 Joys Lane"), which together own the land and building from which KICO operates. All material intercompany transactions have been eliminated in consolidation.

Accounting Pronouncements

Accounting guidance adopted in 2010

In June 2009, the Financial Accounting Standards Board ("FASB") issued new guidance which requires more information about transfers of financial assets, including securitization transactions, and where entities have continuing exposure to the risks related to transferred financial assets. This guidance eliminates the concept of a "qualifying special-purpose entity," changes the requirements for derecognizing financial assets, and requires additional disclosures. The new guidance enhances information reported to users of financial statements by providing greater transparency about transfers of financial assets and an entity's continuing involvement in transferred financial assets. The Company adopted this new guidance on January 1, 2010, with no material effects on its financial statements as of March 31, 2010.

In June 2009, the FASB issued new guidance which concerns the consolidation of variable interest entities and changes how a reporting entity determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether a reporting entity is required to consolidate another entity is based on, among other things, the other entity's purpose and design and the reporting entity's ability to direct the activities of the other entity that most significantly affect the other entity's economic performance. The new guidance requires a reporting entity to provide additional disclosures about its involvement with variable interest entities and any significant changes in risk exposure due to that involvement. A reporting entity is required to disclose how its involvement with a variable interest entity affects the reporting entity's financial statements. The Company adopted this new guidance on January 1, 2010, with no material effects on its financial statements as of March 31, 2010. The Company will apply this guidance on a transaction by transaction basis going forward.

In January 2010, the FASB issued new guidance that requires additional disclosure of the fair value of assets and liabilities. This guidance requires additional disclosures to be made about significant transfers in and out of Levels 1 and 2 of the fair value hierarchy within GAAP. The Company adopted this guidance on January 1, 2010, with the required disclosure included in “Note 5 — Fair Value Measurements”.

Accounting guidance not yet effective

The guidance issued by the FASB in January 2010 also requires additional disclosure about the gross activity within Level 3 of the fair value hierarchy within GAAP as opposed to the net disclosure currently required. This disclosure will be effective for annual and interim periods beginning after December 15, 2010. As this guidance relates to disclosure rather than measurement of assets and liabilities, there will be no effect on the financial results or position of the Company. The Company will comply with this disclosure requirement when it becomes effective.

Pending accounting guidance

The Emerging Issues Task Force of the FASB is discussing Issue No. 09-G, “Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts.” At issue is how the definition of acquisition costs should be interpreted in assessing whether certain costs relating to the acquisition of new or renewal insurance contracts qualify as deferred acquisition costs. The Task Force reached a consensus-for-exposure that acquisition costs that qualify as deferrable should include only those costs that are directly related to the acquisition of insurance contracts by applying a model similar to the accounting for loan origination costs. That definition would not include, for example, any costs incurred in the acquisition of new or renewal contracts related to unsuccessful contract acquisitions. Also, advertising costs incurred by insurance entities should not be included in deferred acquisition costs. While this exposure is being discussed by practitioners, there is no date issued yet for this guidance to be effective.

The amount included in the category “other deferred acquisition expenses” may be significantly reduced as a result of the adoption of this pending guidance.

Note 3 - Acquisition of Kingstone Insurance Company

On July 1, 2009, Kingstone completed the acquisition of 100% of the issued and outstanding common stock of KICO, pursuant to the conversion of CMIC from an advance premium cooperative to a stock property and casualty insurance company. The total purchase price was $5,996,461.

As of June 30, 2009, Kingstone held two surplus notes issued by CMIC in the aggregate principal amount of $3,750,000. Previously accrued and unpaid interest on the notes as of June 30, 2009 was approximately $2,246,000. Pursuant to the plan of conversion, effective July 1, 2009, Kingstone acquired a 100% equity interest in KICO in consideration of the exchange of the principal amount of surplus notes of CMIC. In addition, Kingstone forgave all accrued and unpaid interest on the surplus notes as of the date of conversion. The transaction was considered a bargain purchase, resulting in a gain on acquisition.

The Company began consolidating KICO’s financial statements as of the closing date in accordance with GAAP. The purchase consideration has been allocated to the assets acquired and liabilities assumed, including separately identified intangible assets, based on their fair values as of the close of the acquisition.

Note 4 - Investments

The amortized cost and fair value of investments in fixed-maturity securities, equities and short term investments as of March 31, 2010 and December 31, 2009 are summarized as follows:

	March 31, 2010					
Category	Cost or Amortized Cost (a)	Gross Unrealized Gains	Gross Unrealized Losses Less than 12 Months	Gross Unrealized Losses More than 12 Months	Fair Value	Unrealized Gains/ (Losses)
	(unaudited)					
Fixed-Maturity Securities:						
U.S. Treasury securities and obligations of U.S. government corporations and agencies (b)	$3,549,616	$43,430	$(28,218)	$-	$3,564,828	$15,212
Political subdivisions of States, Territories and Possessions	5,751,979	62,034	(12,728)	-	5,801,285	49,306
Corporate and other bonds Industrial and miscellaneous	3,624,662	90,837	(9,978)	-	3,705,521	80,859
Total fixed-maturity securities	12,926,257	196,301	(50,924)	-	13,071,634	145,377
Equity Securities:						
Preferred stocks	742,747	47,436	(3,688)	-	786,495	43,748
Common stocks	1,088,421	178,509	(354)	-	1,266,576	178,155
Total equity securities	1,831,168	225,945	(4,042)	-	2,053,071	221,903
Short term investments	385,392	-	-	-	385,392	-
Total	$15,142,817	$422,246	$(54,966)	$-	$15,510,097	$367,280

	December 31, 2009					
Category	Cost or Amortized Cost (a)	Gross Unrealized Gains	Gross Unrealized Losses Less than 12 Months	Gross Unrealized Losses More than 12 Months	Fair Value	Unrealized Gains/ (Losses)
Fixed-Maturity Securities:						
U.S. Treasury securities and obligations of U.S. government corporations and agencies (b)	$3,549,616	$38,790	$(23,929)	$-	$3,564,477	$14,861
Political subdivisions of States, Territories and Possessions	5,751,979	82,480	(12,356)	-	5,822,103	70,124
Corporate and other bonds Industrial and miscellaneous	3,375,272	54,384	(25,156)	-	3,404,500	29,228

Total fixed-maturity securities	12,676,867	175,654	(61,441	)	-	12,791,080	114,213
Equity Securities:							
Preferred stocks	716,903	33,661	(5,564	)	-	745,000	28,097
Common stocks	1,256,835	191,075	(5,984	)	-	1,441,926	185,091
Total equity securities	1,973,738	224,736	(11,548	)	-	2,186,926	213,188
Short term investments	225,336	-	-		-	225,336	-
Total	$14,875,941	$400,390	$(72,989	)	$-	$15,203,342	$327,401

10

(a) The cost or amortized cost of securities acquired in the KICO acquisition are equal to their fair value as of the July 1, 2009 acquisition date.

(b) Includes U. S. Treasury securities with fair values at March 31, 2010 and December 31, 2009 of $605,340 and $608,327, respectively, held in trust pursuant to the New York State Insurance Department's minimum funds requirement.

A summary of the amortized cost and fair value of the Company's investments in fixed-maturity securities by contractual maturity as of March 31, 2010 and December 31, 2009 is shown below:

	March 31, 2010		December 31, 2009	
Remaining Time to Maturity	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(unaudited)			
Less than one year	$ 1,190,320	$ 1,165,399	$ 1,190,319	$ 1,176,050
One to five years	5,202,936	5,275,823	5,202,936	5,260,443
Five to ten years	5,195,177	5,262,435	4,945,787	4,986,236
More than 10 years	1,337,824	1,367,977	1,337,825	1,368,351
Total	$ 12,926,257	$ 13,071,634	$ 12,676,867	$ 12,791,080

The actual maturities may differ from contractual maturities because certain borrowers have the right to call or prepay obligations with or without penalties.

Major categories of the Company's net investment income are summarized as follows:

	Three months ended March 31,	
	2010	2009
	(unaudited)	
Income		
Fixed-maturity securities	$ 129,107	$ -
Equity securities	27,301	-
Cash and cash equivalents	1,850	-
Other	15	-
Total	158,273	-
Expenses		
Investment expenses	25,993	-
Net investment income	$ 132,280	$ -

There were no proceeds from the sale and maturity of fixed-maturity securities for the three months ended March 31, 2010 and 2009.

Proceeds from the sale of equity securities were $410,167 and $-0- for the three months ended March 31, 2010 and 2009.

The Company's gross realized gains and losses on investments are summarized as follows:

11

	Three months ended March 31, 2010 (unaudited)	2009
Fixed-maturity securities		
Gross realized gains	$ -	$ -
Gross realized losses	-	-
	-	-
Equity securities		
Gross realized gains	46,398	-
Gross realized losses	(11,738)	-
	34,660	-
Other-than-temporary impairment losses		
Fixed-maturity securities	-	-
Equity securities	-	-
	-	-
Cash and short term investments	-	-
Net realized gains	$ 34,660	$ -

Impairment Review

The Company regularly reviews its fixed-maturity securities and equity securities portfolios to evaluate the necessity of recording impairment losses for other-than-temporary declines in the fair value of investments. In evaluating potential impairment, management considers, among other criteria: (i) the current fair value compared to amortized cost or cost, as appropriate; (ii) the length of time the security's fair value has been below amortized cost or cost; (iii) specific credit issues related to the issuer such as changes in credit rating, reduction or elimination of dividends or non-payment of scheduled interest payments; (iv) management's intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in value to cost; and (v) current economic conditions.

OTTI losses are recorded in the consolidated statement of operations as net realized losses on investments and result in a permanent reduction of the cost basis of the underlying investment. The determination of OTTI is a subjective process and different judgments and assumptions could affect the timing of loss realization. The Company determined there was no OTTI for its portfolio of fixed maturity investments, equity securities and short term investments for the three months ended March 31, 2010. Significant factors influencing the Company's determination that unrealized losses were temporary included the magnitude of the unrealized losses in relation to each security's cost, the nature of the investment and management's intent and ability to retain the investment for a period of time sufficient to allow for anticipated recovery of fair value to the Company's cost basis.

The Company held securities with unrealized losses representing declines that were considered temporary at March 31, 2010 as follows:

	Less than 12 months			12 months or more		Total	
Category	Fair Value	Unrealized Losses	No. of Positions Held	Fair Value (unaudited)	Unrealized Losses	Fair Value	Unrealized Losses
Fixed-Maturity Securities:							
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$1,411,089	$(28,218)	4	$-	$-	$1,411,089	$(28,218)
Political subdivisions of States, Territories and Possessions	2,184,932	(12,728)	7	-	-	2,184,932	(12,728)
Corporate and other bonds							
Industrial and miscellaneous	549,844	(9,978)	2	-	-	549,844	(9,978)
Total fixed-maturity securities	4,145,865	(50,924)	13	-	-	4,145,865	(50,924)
Equity Securities:							
Preferred stocks	$44,484	$(3,688)	2	$-	$-	$44,484	$(3,688)
Common stocks	1,388,128	(354)	1	-	-	1,388,128	(354)
Total equity securities	1,432,612	(4,042)	3	-	-	1,432,612	(4,042)