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 June 30, 2011

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 þ 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 filer	o	Non-accelerated filer (Do not check if a smaller reporting company)	o	Smaller reporting company	þ

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 August 15, 2011, there were 3,838,386 shares of the registrant's common stock outstanding.

KINGSTONE COMPANIES, INC.

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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, 2010 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.

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

	June 30, 2011 (unaudited)	December 31, 2010*
Assets		
Fixed-maturity securities, held to maturity, at amortized cost (fair value of $596,683 at June 30, 2011 and $606,398 at December 31, 2010)	$606,234	$605,424
Fixed-maturity securities, available for sale, at fair value (amortized cost of $18,226,972 at June 30, 2011 and $16,277,052 at December 31, 2010)	18,570,793	16,339,101
Equity securities, available-for-sale, at fair value (cost of $2,741,606 at June 30, 2011 and $2,825,015 at December 31, 2010)	2,951,160	2,983,035
Total investments	22,128,187	19,927,560
Cash and cash equivalents	87,184	326,620
Premiums receivable, net of provision for uncollectible amounts	6,239,129	5,001,886
Receivables - reinsurance contracts	2,902,903	1,174,729
Reinsurance receivables, net of provision for uncollectible amounts	23,043,406	20,720,194
Notes receivable-sale of business	407,341	705,019
Deferred acquisition costs	4,205,661	3,619,001
Intangible assets, net	3,898,529	4,136,386
Property and equipment, net of accumulated depreciation	1,532,742	1,585,029
Other assets	624,886	1,486,249
Total assets	$65,069,968	$58,682,673
Liabilities		
Loss and loss adjustment expenses	$18,505,367	$17,711,907
Unearned premiums	20,190,149	17,277,332
Advance premiums	605,578	410,574
Reinsurance balances payable	3,004,668	1,106,897
Deferred ceding commission revenue	3,672,391	3,219,513
Notes payable and capital lease obligations (includes payable to related parties of $378,000 at June 30, 2011 and $785,000 at December 31, 2010)	747,000	1,460,997
Accounts payable, accrued expenses and other liabilities	2,115,744	2,553,031
Income taxes payable	164,876	-
Deferred income taxes	1,935,645	1,998,557
Total liabilities	50,941,418	45,738,808
Commitments and Contingencies		
Stockholders' Equity		
Common stock, $.01 par value; authorized 10,000,000 shares; issued 4,643,122 shares;		

outstanding 3,838,386 shares	46,432	46,432
Preferred stock, $.01 par value; authorized 1,000,000 shares;		
-0- shares issued and outstanding	-	-
Capital in excess of par	13,698,061	13,633,913
Accumulated other comprehensive income	365,229	145,247
Retained earnings	1,182,086	281,531
	15,291,808	14,107,123
Treasury stock, at cost, 804,736 shares	(1,163,258)	(1,163,258)
Total stockholders' equity	14,128,550	12,943,865
Total liabilities and stockholders' equity	$65,069,968	$58,682,673

* derived from audited financial information

See accompanying notes to condensed consolidated financial statements.

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations and Comprehensive Income (Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2011	2010	2011	2010
Revenues				
Net premiums earned	$ 3,517,249	$ 2,622,114	$ 6,884,948	$ 4,840,061
Ceding commission revenue	2,727,867	1,971,144	5,040,442	4,182,281
Net investment income	160,464	148,923	338,134	281,203
Net realized gain on investments	89,961	110,089	160,432	144,749
Other income	217,101	228,381	464,573	449,485
Total revenues	6,712,642	5,080,651	12,888,529	9,897,779
Expenses				
Loss and loss adjustment expenses	1,823,630	1,175,718	4,374,394	2,610,336
Commission expense	1,504,894	1,223,484	2,876,643	2,360,103
Other underwriting expenses	1,734,095	1,428,142	3,310,914	2,532,062
Other operating expenses	299,002	377,188	602,965	916,807
Depreciation and amortization	154,682	151,801	313,142	308,488
Interest expense	38,907	47,100	84,672	92,302
Interest expense - mandatorily redeemable preferred stock	-	37,353	-	74,706
Total expenses	5,555,210	4,440,786	11,562,730	8,894,804
Income from continuing operations before taxes	1,157,432	639,865	1,325,799	1,002,975
Income tax expense	383,501	291,546	425,244	436,110
Income from continuing operations	773,931	348,319	900,555	566,865
Income from discontinued operations, net of taxes	-	10,000	-	23,848
Net income	773,931	358,319	900,555	590,713
Gross unrealized investment holding gains (losses) arising during period	301,456	(3,232)	333,306	36,647
Income tax (expense) benefit related to items of other comprehensive income (loss)	(102,495)	1,099	(113,324)	(12,460)
Comprehensive income	$ 972,892	$ 356,186	$ 1,120,537	$ 614,900
Basic and diluted earnings per common share:				
Income from continuing operations	$ 0.20	$ 0.11	$ 0.23	$ 0.19
Income from discontinued operations	$ 0.00	$ 0.00	$ 0.00	$ 0.01
Income per common share	$ 0.20	$ 0.11	$ 0.23	$ 0.20
Weighted average common shares outstanding				
Basic	3,838,386	3,079,451	3,838,386	3,016,830
Diluted	3,918,763	3,079,451	3,921,289	3,016,830

See accompanying notes to condensed consolidated financial statements.

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES

Condensed Consolidated Statement of Stockholders' Equity

Six months ended June 30, 2011 (unaudited)

	Common Stock		Preferred Stock		Capital in Excess	Accumulated Other Comprehensive	Retained	Treasury Stock		
	Shares	Amount	Shares	Amount	of Par	Income	Earnings	Shares	Amount	Total
Balance, December 31, 2010	4,643,122	$46,432	-	$-	$13,633,913	$145,247	$281,531	804,736	$(1,163,258)	$12,943,865
Stock-based payments	-	-	-	-	64,148	-	-	-	-	64,148
Net income	-	-	-	-	-	-	900,555	-	-	900,555
Net unrealized gains on securities available for sale, net of income tax	-	-	-	-	-	219,982	-	-	-	219,982
Balance, June 30, 2011	4,643,122	$46,432	-	$-	$13,698,061	$365,229	$1,182,086	804,736	$(1,163,258)	$14,128,550

See accompanying notes to condensed consolidated financial statements.

KINGSTONE COMPANIES, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows (Unaudited)

Six months ended June 30,

	2011	2010
Cash flows provided by operating activities:		
Net income	$900,555	$590,713
Adjustments to reconcile net income to net cash provided by operations:		
Gain on sale of investments	(160,432)	(144,749)
Depreciation and amortization	313,142	308,488
Amortization of bond premium, net	123,001	34,605
Stock-based payments	64,148	271,208
Deferred income taxes	(176,236)	(73,382)
(Increase) decrease in assets:		
Short term investments	-	225,336
Premiums receivable, net	(1,237,243)	(1,111,551)
Receivables - reinsurance contracts	(1,728,174)	(331,874)
Reinsurance receivables, net	(2,323,212)	281,415
Deferred acquisition costs	(586,660)	(527,636)
Other assets	858,805	(27,068)
Increase (decrease) in liabilities:		
Loss and loss adjustment expenses	793,460	(190,042)
Unearned premiums	2,912,817	2,528,165
Advance premiums	195,004	38,083
Reinsurance balances payable	1,897,771	514,199
Deferred ceding commission revenue	452,878	(214,816)
Income taxes payable	164,876	-
Accounts payable, accrued expenses and other liabilities	(437,287)	(522,278)
Net cash provided by operating activities of continuing operations	2,027,213	1,648,816
Operating activities of discontinued operations	-	(26,000)
Net cash flows provided by operating activities	2,027,213	1,622,816
Cash flows used in investing activities:		
Purchase - fixed-maturity securities held to maturity	-	(106,205)
Purchase - fixed-maturity securities available for sale	(4,065,722)	(3,116,725)
Purchase - equity securities	(1,056,775)	(877,639)
Sale or maturity - fixed-maturity securities available for sale	2,079,869	1,566,632
Sale - equity securities	1,215,296	604,217
Collections of notes receivable and accrued interest - Sale of businesses	297,678	213,665
Other investing activities	(22,998)	(4,922)
Net cash flows used in investing activities	(1,552,652)	(1,720,977)
Cash flows (used in) provided by financing activities:		
Proceeds from long term debt (includes $200,000 from related parties in 2010)	-	400,000
Principal payments on long-term debt (includes $407,000 to related parties in 2011)	(713,997)	(12,040)
Net cash flows (used in) provided by financing activities	(713,997)	387,960

(Decrease) increase in cash and cash equivalents	(239,436)	289,799
Cash and cash equivalents, beginning of period	326,620	625,320
Cash and cash equivalents, end of period	$87,184	$915,119
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	$329,762	$486,525
Cash paid for interest	$125,994	$170,018
Supplemental Schedule of Non-Cash Investing and Finacing Activities:		
Mandatorily redeemable preferred stock exchanged for common stock	-	$1,299,231

See accompanying 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

Kingstone Companies, Inc. (referred to herein as "Kingstone" or the “Company”), through its subsidiary Kingstone Insurance Company (“KICO”), offers property and casualty insurance products to small businesses and individuals in New York State.

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, 2010 and notes thereto included in the Company’s Annual Report on Form 10-K filed on March 31, 2011. 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 six months ended June 30, 2011 may not be indicative of the results that may be expected for the year ending December 31, 2011.

Note 2 – Accounting Policies and Basis of Presentation

Use of Estimates

The preparation of financial statements in conformity with 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 2010 statements of consolidated operations and cash flows to conform to the 2011 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 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

In October 2010, the FASB issued new guidance concerning the accounting for costs associated with acquiring or renewing insurance contracts. This guidance generally follows the model of that for loan origination costs. Under the new guidance, only direct incremental costs associated with successful insurance contract acquisitions or renewals are deferrable. The Company adopted this guidance retrospectively effective January 1, 2011. The adoption of this guidance did not have a material impact on the Company's results of operations, financial position or liquidity.

In April 2011, the FASB issued ASU No. 2011-03, "Reconsideration of Effective Control for Repurchase Agreements" ("ASU 2011-03"). ASU 2011-03 provides amendments to Accounting Standards Codification ("ASC") No. 860 "Transfers and Servicing", which remove from the assessment of effective control (1) the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee, and (2) the collateral maintenance implementation guidance related to that criterion. The amendments in this update are effective prospectively for transactions or modifications of existing transactions that occur on or after the beginning of the first interim or annual reporting period beginning on or after December 15, 2011, with early adoption not permitted.

In May 2011, the FASB issued ASU No. 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS" ("ASU 2011-04"). ASU 2011-04 provides amendments to ASC No. 820 "Fair Value Measurement", which results in a consistent definition of fair value and common requirements for measurement of and disclosure of fair value between U.S. GAAP and IFRS. Some of the amendments clarify the FASB's intent about the application of existing fair value measurement requirements, while others change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. The amendments in this update are effective prospectively during interim and annual periods beginning after December 15, 2011, with early adoption not permitted.

In June 2011, the FASB issued ASU No. 2011-05, "Presentation of Comprehensive Income" ("ASU 2011-05"). ASU 2011-05 provides amendments to ASC No. 220 "Comprehensive Income", which require an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The amendments in this update are effective retrospectively for fiscal years and interim periods within those years, beginning after December 15, 2011, with early adoption permitted.

The Company has determined that all other recently issued accounting pronouncements will not have a material impact on its consolidated financial position, results of operations and cash flows, or do not apply to its operations.

Note 3 - Investments

Available for Sale Securities

The amortized cost and fair value of investments in available for sale fixed-maturity securities, equities and short term investments as of June 30, 2011 and December 31, 2010 are summarized as follows:

	June 30, 2011					
	Cost or	Gross	Gross Unrealized Losses			Unrealized
	Amortized	Unrealized	Less than 12	More than 12	Fair	Gains/
Category	Cost	Gains	Months	Months	Value	(Losses)
			(unaudited)			
Fixed-Maturity Securities:						

U.S. Treasury securities and obligations of U.S. government corporations and agencies	$1,000,242	$55,719	$-	$ -	$1,055,961	$55,719
Political subdivisions of States, Territories and Possessions	6,161,995	180,375	-	(880)	6,341,490	179,495
Corporate and other bonds Industrial and miscellaneous	11,064,735	210,008	(99,069)	(2,332)	11,173,342	108,607
Total fixed-maturity securities	18,226,972	446,102	(99,069)	(3,212)	18,570,793	343,821
Equity Securities:						
Preferred stocks	896,228	25,224	(9,397)	-	912,055	15,827
Common stocks	1,845,378	222,241	(28,514)	-	2,039,105	193,727
Total equity securities	2,741,606	247,465	(37,911)	-	2,951,160	209,554
Total	$20,968,578	$693,567	$(136,980)	$ (3,212)	$21,521,953	$553,375

	December 31, 2010					
	Cost or	Gross	Gross Unrealized Losses			Unrealized
	Amortized	Unrealized	Less than 12	More than 12	Fair	Gains/
Category	Cost	Gains	Months	Months	Value	(Losses)
Fixed-Maturity Securities:						
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$1,000,572	$42,085	$-	$ -	$1,042,657	$42,085
Political subdivisions of States, Territories and Possessions	7,278,663	79,791	(86,234)	(12,995)	7,259,225	(19,438)
Corporate and other bonds Industrial and miscellaneous	7,997,817	176,999	(137,597)	-	8,037,219	39,402
Total fixed-maturity securities	16,277,052	298,875	(223,831)	(12,995)	16,339,101	62,049
Equity Securities:						
Preferred stocks	824,569	29,934	(6,333)	-	848,170	23,601
Common stocks	2,000,446	188,783	(54,364)	-	2,134,865	134,419
Total equity securities	2,825,015	218,717	(60,697)	-	2,983,035	158,020
Total	$19,102,067	$517,592	$(284,528)	$ (12,995)	$19,322,136	$220,069

A summary of the amortized cost and fair value of the Company's available for sale investments in fixed-maturity securities by contractual maturity as of June 30, 2011 and December 31, 2010 is shown below:

	June 30, 2011		December 31, 2010	
Remaining Time to Maturity	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(unaudited)			
Less than one year	$302,204	$305,388	$263,098	$253,385
One to five years	6,662,009	6,915,777	6,868,952	6,997,694
Five to ten years	9,976,605	10,039,474	7,132,079	7,118,405
More than 10 years	1,286,154	1,310,154	2,012,923	1,969,617
Total	$18,226,972	$18,570,793	$16,277,052	$16,339,101

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

Held to Maturity Securities

The amortized cost and fair value of investments in held to maturity fixed-maturity securities as of June 30, 2011 and December 31, 2010 are summarized as follows:

	June 30, 2011					
	Cost or	Gross	Gross Unrealized Losses			Unrealized
Category	Amortized Cost	Unrealized Gains	Less than 12 Months	More than 12 Months	Fair Value	Gains/ (Losses)
	(unaudited)					
U.S. Treasury securities	$606,234	$1,699	$(11,250)	$ -	$596,683	$(9,551)

	December 31, 2010					
	Cost or	Gross	Gross Unrealized Losses			
Category	Amortized Cost	Unrealized Gains	Less than 12 Months	More than 12 Months	Fair Value	Gains/ (Losses)
U.S. Treasury securities	$605,424	$974	$-	$ -	$606,398	$974

All held to maturity securities are held in trust pursuant to the New York State Insurance Department's minimum funds requirement.

Contractual maturities of all held to maturity securities are greater than ten years.

Investment Income

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

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
	(unaudited)		(unaudited)	
Income				
Fixed-maturity securities	$174,363	$125,616	$356,500	$254,723
Equity securities	33,474	32,225	70,298	59,526
Cash and cash equivalents	236	2,967	2,223	4,817
Other	(3,325)	6	(3,315)	21
Total	204,748	160,814	425,706	319,087
Expenses				
Investment expenses	44,284	11,891	87,572	37,884
Net investment income	$160,464	$148,923	$338,134	$281,203

Proceeds from the sale and maturity of fixed-maturity securities were $2,079,869 and $1,566,632 for the six months ended June 30, 2011 and 2010.

Proceeds from the sale of equity securities were $1,215,296 and $604,217 for the six months ended June 30, 2011 and 2010, respectively.

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

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
	(unaudited)		(unaudited)	
Fixed-maturity securities				
Gross realized gains	$87,302	$95,997	$87,302	$95,997
Gross realized losses	(1,983)	(18,562)	(1,983)	(18,562)
	85,319	77,435	85,319	77,435
Equity securities				
Gross realized gains	18,484	37,854	135,817	84,252
Gross realized losses	(13,842)	(5,200)	(60,704)	(16,938)
	4,642	32,654	75,113	67,314
Net realized gains	$89,961	$110,089	$160,432	$144,749

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 ("OTTI") 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 condensed consolidated statement of operations and comprehensive income 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. There are 41 securities at June 30, 2011 that account for the gross unrealized loss. The Company determined that none of the unrealized losses were deemed to be OTTI for its portfolio of fixed maturity investments and equity securities for the six months ended June 30, 2011 and 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 June 30, 2011 as follows:

	June 30, 2011							
	Less than 12 months			12 months or more			Total	
Category	Fair Value	Unrealized Losses	No. of Positions Held	Fair Value	Unrealized Losses	No. of Positions Held	Aggregate Fair Value	Unrealized Losses
				(unaudited)				
Fixed-Maturity Securities:								
Political subdivisions of States, Territories and Possessions	$-	$-	-	$231,548	$(880)	1	$231,548	$(880)
Corporate and other bonds industrial and miscellaneous	4,282,600	(99,069)	22	397,668	(2,332)	1	4,680,268	(101,401)
Total fixed-maturity securities	$4,282,600	$(99,069)	22	$629,216	$(3,212)	2	$4,911,816	$(102,281)
Equity Securities:								
Preferred stocks	$316,000	$(9,397)	8	$-	$-	-	$316,000	$(9,397)
Common stocks	488,948	(28,514)	9	-	-	-	488,948	(28,514)
Total equity securities	$804,948	$(37,911)	17	$-	$-	-	$804,948	$(37,911)

Total	$5,087,548	$(136,980)	39	$629,216	$(3,212)	2	$5,716,764	$(140,192)

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Note 4 - Fair Value Measurements

The Company follows GAAP guidance regarding fair value measurements. The valuation technique used to fair value the financial instruments is the market approach which uses prices and other relevant information generated by market transactions involving identical or comparable assets.

This guidance establishes a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets or liabilities fall within different levels of the hierarchy, the classification is based on the lowest level input that is significant to the fair value measurement of the asset or liability. Classification of assets and liabilities within the hierarchy considers the markets in which the assets and liabilities are traded, including during period of market disruption, and the reliability and transparency of the assumptions used to determine fair value. The hierarchy requires the use of observable market data when available. The levels of the hierarchy and those investments included in each are as follows:

Level 1—Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets. Included are those investments traded on an active exchange, such as the NASDAQ Global Select Market, U.S. Treasury securities and obligations of U.S. government agencies, together with municipal bonds, corporate debt securities that are generally investment grade.

Level 2—Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and market-corroborated inputs.

Level 3—Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement. Material assumptions and factors considered in pricing investment securities and other assets may include appraisals, projected cash flows, market clearing activity or liquidity circumstances in the security or similar securities that may have occurred since the prior pricing period. Included in this valuation methodology are the real estate assets owned by the Company that are utilized in its operations.

The availability of observable inputs varies and is affected by a wide variety of factors. When the valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires significantly more judgment. The degree of judgment exercised by management in determining fair value is greatest for investments categorized as Level 3. For investments in this category, the Company considers prices and inputs that are current as of the measurement date. In periods of market dislocation, as characterized by current market conditions, the observability of prices and inputs may be reduced for many instruments. This condition could cause a security to be reclassified between levels.

The Company’s investments are allocated among pricing input levels at June 30, 2011 and December 31, 2010 as follows:

	June 30, 2011			
($ in thousands)	Level 1	Level 2	Level 3	Total
	(unaudited)			
Fixed-maturity investments available for sale				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$1,056	$-	$-	$1,056

Political subdivisions of States, Territories and Possessions	4,984	1,358	-	6,342
Corporate and other bonds industrial and miscellaneous	10,942	231	-	11,173
Total fixed maturities	16,982	1,589	-	18,571
Equity investments	2,951	-	-	2,951
Total investments	$19,933	$1,589	$-	$21,522

($ in thousands)	December 31, 2010 Level 1	Level 2	Level 3	Total
Fixed-maturity investments				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$1,043	$-	$-	$1,043
Political subdivisions of States, Territories and Possessions	5,351	1,908	-	7,259
Corporate and other bonds industrial and miscellaneous	8,037	-	-	8,037
Total fixed maturities	14,431	1,908	-	16,339
Equity investments	2,983	-	-	2,983
Total investments	$17,414	$1,908	$-	$19,322

Note 5 - Fair Value of Financial Instruments

GAAP requires all entities to disclose the fair value of financial instruments, both assets and liabilities recognized and not recognized in the balance sheet, for which it is practicable to estimate fair value. The Company uses the following methods and assumptions in estimating its fair value disclosures for financial instruments:

Equity and fixed income investments: Fair value disclosures for investments are included in “Note 3 - Investments.”

Cash and cash equivalents: The carrying values of cash and cash equivalents approximate their fair values because of the short maturity of these instruments.

Premiums receivable, reinsurance receivables: The carrying values reported in the accompanying condensed consolidated balance sheets for these financial instruments approximate their fair values due to the short term nature of the assets.

Notes receivable: The carrying amount of notes receivable related to the sale of businesses approximates fair value because of the recently negotiated interest rates based on term of the loan, risk and guaranty.

Real Estate: The fair value of the land and building included in property and equipment, which is used in the Company’s operations, approximates the carrying value. The fair value was based on an appraisal prepared using the sales comparison approach.

Reinsurance balances payable: The carrying value reported in the condensed consolidated balance sheets for these financial instruments approximates fair value.

Notes payable (including related parties): The Company estimates that the carrying amount of notes payable approximates fair value because of the recently negotiated interest rates based on term of the loan, risk and guaranty.

The estimated fair values of the Company's financial instruments are as follows:

	June 30, 2011		December 31, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(unaudited)			
Fixed-maturity investments held to maturity	$606,234	$596,683	$605,424	$606,398
Cash and cash equivalents	87,184	87,184	326,620	326,620
Premiums receivable	6,239,129	6,239,129	5,001,886	5,001,886
Receivables - reinsurance contracts	2,902,903	2,902,903	1,174,729	1,174,729