

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

- Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended June 30, 2017**
- 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: 001-37848

KINSALE CAPITAL GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

98-0664337
(I.R.S. Employer
Identification Number)

**2221 Edward Holland Drive, Suite 600
Richmond, VA 23230**

(Address of principal executive offices)

(804) 289-1300

(Registrant's telephone number, including area code)

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 No

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 No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company
(Do not check if a smaller reporting company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Number of shares of the registrant's common shares outstanding at August 1, 2017: 20,968,707

KINSALE CAPITAL GROUP, INC.

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PART 1. FINANCIAL INFORMATION**Item 1. Financial Statements****KINSALE CAPITAL GROUP, INC. AND SUBSIDIARIES**
Consolidated Balance Sheets (Unaudited)

	June 30, 2017	December 31, 2016
(in thousands, except share and per share data)		
Assets		
Investments:		
Fixed maturity securities available-for-sale, at fair value (amortized cost: \$389,484 in 2017; \$413,526 in 2016)	\$ 390,678	\$ 411,223
Equity securities available-for-sale, at fair value (cost: \$20,651 in 2017; \$14,350 in 2016)	26,173	18,374
Short-term investments	14,481	—
Total investments	431,332	429,597
Cash and cash equivalents	93,430	50,752
Investment income due and accrued	2,522	2,293
Premiums receivable, net	19,043	16,984
Receivable from reinsurers	—	8,567
Reinsurance recoverables	39,742	70,317
Ceded unearned premiums	13,911	13,512
Deferred policy acquisition costs, net of ceding commissions	11,578	10,150
Intangible assets	3,538	3,538
Deferred income tax asset, net	6,210	6,605
Other assets	1,660	2,074
Total assets	\$ 622,966	\$ 614,389
Liabilities and Stockholders' Equity		
Liabilities:		
Reserves for unpaid losses and loss adjustment expenses	\$ 284,428	\$ 264,801
Unearned premiums	100,193	89,344
Payable to reinsurers	3,246	4,090
Funds held for reinsurers	—	36,497
Accounts payable and accrued expenses	4,986	8,752
Other liabilities	4,068	691
Total liabilities	396,921	404,175
Stockholders' equity:		
Common stock, \$0.01 par value, 400,000,000 shares authorized, 20,968,707 shares issued and outstanding at June 30, 2017 and December 31, 2016	210	210
Additional paid-in capital	153,677	153,353
Retained earnings	65,900	53,640
Accumulated other comprehensive income	6,258	3,011
Stockholders' equity	226,045	210,214
Total liabilities and stockholders' equity	\$ 622,966	\$ 614,389

See accompanying notes to condensed consolidated financial statements.

KINSALE CAPITAL GROUP, INC. AND SUBSIDIARIES
Consolidated Statements of Income and Comprehensive Income (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
(in thousands, except per share data)				
Revenues:				
Gross written premiums	\$ 57,753	\$ 50,107	\$ 110,615	\$ 93,189
Ceded written premiums	(7,980)	(14,446)	(16,680)	(9,733)
Net written premiums	49,773	35,661	93,935	83,456
Change in unearned premiums	(6,721)	(3,878)	(10,450)	(21,076)
Net earned premiums	43,052	31,783	83,485	62,380
Net investment income	2,432	1,819	4,718	3,495
Net realized investment gains (losses)	24	(4)	(8)	383
Other income	—	78	—	136
Total revenues	45,508	33,676	88,195	66,394
Expenses:				
Losses and loss adjustment expenses	21,859	17,456	43,966	35,577
Underwriting, acquisition and insurance expenses	10,492	6,481	21,786	12,729
Other expenses	402	486	402	946
Total expenses	32,753	24,423	66,154	49,252
Income before income taxes	12,755	9,253	22,041	17,142
Total income tax expense	4,260	3,196	7,265	5,828
Net income	8,495	6,057	14,776	11,314
Other comprehensive income:				
Change in unrealized gains, net of taxes of \$1,171 and \$1,748 in 2017 and \$1,557 and \$2,702 in 2016	2,174	2,890	3,247	5,016
Total comprehensive income	\$ 10,669	\$ 8,947	\$ 18,023	\$ 16,330
Earnings per share - basic:				
Common stock	\$ 0.41	\$ —	\$ 0.70	\$ —
Common stock - Class A	\$ —	\$ 0.42	\$ —	\$ 0.79
Common stock - Class B	\$ —	\$ 0.19	\$ —	\$ 0.26
Earnings per share - diluted:				
Common stock	\$ 0.40	\$ —	\$ 0.69	\$ —
Common stock - Class A	\$ —	\$ 0.42	\$ —	\$ 0.79
Common stock - Class B	\$ —	\$ 0.18	\$ —	\$ 0.25
Weighted-average shares outstanding - basic:				
Common stock	20,969	—	20,969	—
Common stock - Class A	—	13,803	—	13,803
Common stock - Class B	—	1,583	—	1,557
Weighted-average shares outstanding - diluted:				
Common stock	21,457	—	21,425	—
Common stock - Class A	—	13,803	—	13,803
Common stock - Class B	—	1,666	—	1,650

See accompanying notes to condensed consolidated financial statements.

KINSALE CAPITAL GROUP, INC. AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Equity (Unaudited)

	Shares of Class A Common Stock	Shares of Class B Common Stock	Shares of Common Stock	Class A Common Stock	Class B Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
(in thousands)										
Balance at December 31, 2015	13,803	1,514	—	\$ 1	\$ —	\$ —	\$ 80,229	\$ 29,570	\$ 3,651	\$ 113,451
Stock-based compensation	—	162	—	—	—	—	44	—	—	44
Other comprehensive income, net of tax	—	—	—	—	—	—	—	—	5,016	5,016
Net income	—	—	—	—	—	—	—	11,314	—	11,314
Balance at June 30, 2016	<u>13,803</u>	<u>1,676</u>	<u>—</u>	<u>\$ 1</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 80,273</u>	<u>\$ 40,884</u>	<u>\$ 8,667</u>	<u>\$ 129,825</u>
Balance at December 31, 2016	—	—	20,969	\$ —	\$ —	\$ 210	\$ 153,353	\$ 53,640	\$ 3,011	\$ 210,214
Stock-based compensation	—	—	—	—	—	—	324	—	—	324
Dividends	—	—	—	—	—	—	—	(2,516)	—	(2,516)
Other comprehensive income, net of tax	—	—	—	—	—	—	—	—	3,247	3,247
Net income	—	—	—	—	—	—	—	14,776	—	14,776
Balance at June 30, 2017	<u>—</u>	<u>—</u>	<u>20,969</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 210</u>	<u>\$ 153,677</u>	<u>\$ 65,900</u>	<u>\$ 6,258</u>	<u>\$ 226,045</u>

See accompanying notes to condensed consolidated financial statements.

KINSALE CAPITAL GROUP, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows (Unaudited)

	Six Months Ended June 30,	
	2017	2016
	(in thousands)	
Operating activities:		
Net cash provided by operating activities	\$ 40,782	\$ 36,480
Investing activities:		
Purchase of property and equipment	(62)	(236)
Change in short-term investments, net	(14,481)	(4,354)
Securities available-for-sale:		
Purchases – fixed maturity securities	(21,161)	(64,207)
Purchases – equity securities	(6,301)	(2,202)
Sales – fixed maturity securities	719	13,055
Maturities and calls – fixed maturity securities	45,707	19,223
Net cash provided by (used in) investing activities	4,421	(38,721)
Financing activities:		
Dividends paid	(2,516)	—
Payments on capital lease	(9)	(67)
Net cash used in financing activities	(2,525)	(67)
Net change in cash and cash equivalents	42,678	(2,308)
Cash and cash equivalents at beginning of year	50,752	24,544
Cash and cash equivalents at end of period	\$ 93,430	\$ 22,236

See accompanying notes to condensed consolidated financial statements.

KINSALE CAPITAL GROUP, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

1. Summary of significant accounting policies

Basis of presentation

The accompanying condensed consolidated financial statements and notes have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and do not contain all of the information and footnotes required by U.S. GAAP for complete financial statements. For a more complete description of the Company's business and accounting policies, these condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements of Kinsale Capital Group, Inc. and its wholly owned subsidiaries (the "Company") included in the Annual Report on Form 10-K for the year ended December 31, 2016. In the opinion of management, all adjustments necessary for a fair presentation of the condensed consolidated financial statements have been included. Such adjustments consist only of normal recurring items. All significant intercompany balances and transactions have been eliminated in consolidation. Interim results are not necessarily indicative of results of operations for the full year.

Use of estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management periodically reviews its estimates and assumptions.

Prospective accounting pronouncements

ASU 2016-01, Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities," which requires equity investments to be measured at fair value with changes in fair value recognized in net income, requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes, requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset, and eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost. The amendments in this ASU are effective for public companies for annual reporting periods beginning after December 15, 2017, including interim periods within those fiscal years. The Company is currently evaluating the impact of the adoption of this ASU on its consolidated financial statements, which may introduce additional volatility in the Company's results of operations.

ASU 2016-02, Leases (Topic 842)

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)" to improve the financial reporting of leasing transactions. Under this ASU, lessees will recognize a right-of-use asset and corresponding liability on the balance sheet for all leases, except for leases covering a period of fewer than 12 months. The liability is to be initially measured at the present value of the future minimum lease payments taking into account renewal options if applicable plus initial incremental direct costs such as commissions. The minimum payments are discounted using the rate implicit in the lease or, if not known, the lessee's incremental borrowing rate at the inception of the lease. The lessee's income statement treatment for leases will vary depending on the nature of what is being leased. A

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financing type lease is present when, among other matters, the asset is being leased for a substantial portion of its economic life or has an end-of-term title transfer or a bargain purchase option as in today's practice. The payment of the liability set up for such leases will be apportioned between interest and principal; the right-of use asset will be generally amortized on a straight-line basis. If the lease does not qualify as a financing type lease, it will be accounted for on the income statement as rent on a straight-line basis. This ASU is effective for annual and interim reporting periods beginning after December 15, 2018. Early adoption is permitted. The Company is currently evaluating the impact of the adoption on its consolidated financial statements.

ASU 2016-13, Financial Instruments – Credit Losses (Topic 326)

On June 16, 2016, the FASB issued ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326)" to provide more useful information about the expected credit losses on financial instruments. Current GAAP delays the recognition of credit losses until it is probable a loss has been incurred. The update will require a financial asset measured at amortized cost to be presented at the net amount expected to be collected by means of an allowance for credit losses that runs through net income. Credit losses relating to available-for-sale debt securities will also be recorded through an allowance for credit losses. However, the amendments would limit the amount of the allowance to the amount by which fair value is below amortized cost. The measurement of credit losses on available-for-sale securities is similar under current GAAP, but the update requires the use of the allowance account through which amounts can be reversed, rather than through an irreversible write-down. This ASU is effective for annual and interim reporting periods beginning after December 15, 2019. Early adoption is permitted beginning after December 15, 2018. Upon adoption, the update will be applied using the modified-retrospective approach, by which a cumulative-effect adjustment will be made to retained earnings as of the beginning of the first reporting period presented. The Company is currently evaluating the impact of the adoption on its consolidated financial statements.

ASU 2017-08, Premium Amortization on Purchased Callable Debt Securities

On March 30, 2017, the FASB issued ASU 2017-08, "Premium Amortization on Purchased Callable Debt Securities," which shortens the amortization period of the premium for certain callable debt securities, from the contractual maturity date to the earliest call date. This ASU is effective in fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted, including in an interim period. Upon adoption, the update will be applied on a modified retrospective basis, with a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period presented. The Company is currently evaluating the impact of the adoption on its consolidated financial statements.

There are no other prospective accounting standards which, upon their effective date, would have a material impact on the Company's consolidated financial statements.

2. Investments

Available-for-sale investments

The following tables summarize the Company's available-for-sale investments at June 30, 2017 and December 31, 2016:

	June 30, 2017			
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
(in thousands)				
Fixed maturities:				
U.S. Treasury securities and obligations of U.S. government agencies	\$ 9,106	\$ 6	\$ (25)	\$ 9,087
Obligations of states, municipalities and political subdivisions	132,826	2,694	(1,357)	134,163
Corporate and other securities	91,557	615	(117)	92,055
Asset-backed securities	76,929	400	(176)	77,153
Residential mortgage-backed securities	79,066	512	(1,358)	78,220
Total fixed maturities	<u>389,484</u>	<u>4,227</u>	<u>(3,033)</u>	<u>390,678</u>
Equity securities:				
Exchange traded funds	20,651	5,535	(13)	26,173
Total available-for-sale investments	<u>\$ 410,135</u>	<u>\$ 9,762</u>	<u>\$ (3,046)</u>	<u>\$ 416,851</u>

	December 31, 2016			
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
(in thousands)				
Fixed maturities:				
U.S. Treasury securities and obligations of U.S. government agencies	\$ 12,106	\$ 8	\$ (16)	\$ 12,098
Obligations of states, municipalities and political subdivisions	124,728	1,470	(2,960)	123,238
Corporate and other securities	118,473	550	(233)	118,790
Asset-backed securities	73,317	241	(264)	73,294
Residential mortgage-backed securities	84,902	585	(1,684)	83,803
Total fixed maturities	<u>413,526</u>	<u>2,854</u>	<u>(5,157)</u>	<u>411,223</u>
Equity securities:				
Exchange traded funds	14,350	4,026	(2)	18,374
Total available-for-sale investments	<u>\$ 427,876</u>	<u>\$ 6,880</u>	<u>\$ (5,159)</u>	<u>\$ 429,597</u>

Available-for-sale securities in a loss position

The Company regularly reviews all securities with unrealized losses to assess whether the decline in the securities' fair value is deemed to be an other-than-temporary impairment ("OTTI"). The Company considers a number of

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factors in completing its OTTI review, including the length of time and the extent to which fair value has been below cost and the financial condition of an issuer. In addition to specific issuer information, the Company also evaluates the current market and interest rate environment. Generally, a change in a security's value caused by a change in the market or interest rate environment does not constitute an OTTI, but rather a temporary decline in market value.

For fixed maturities, the Company considers whether it intends to sell the security or if it is more likely than not that it will be required to sell the security before recovery, the credit quality of the issuer and the ability to recover all amounts outstanding when contractually due. When assessing whether it intends to sell a fixed maturity or if it is likely to be required to sell a fixed maturity before recovery of its amortized cost, the Company evaluates facts and circumstances including, but not limited to, decisions to reposition the investment portfolio, potential sales of investments to meet cash flow needs and potential sales of investments to capitalize on favorable pricing. For equity securities, the Company considers the near-term prospects of an issuer and its ability and intent to hold the security for a period of time sufficient to allow for anticipated recovery.

For fixed maturities where a decline in fair value is considered to be other-than-temporary and the Company intends to sell the security, or it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost, an impairment is recognized in net income based on the fair value of the security at the time of assessment, resulting in a new cost basis for the security. If the decline in fair value of a fixed maturity security below its amortized cost is considered to be other-than-temporary based upon other considerations, the Company compares the estimated present value of the cash flows expected to be collected to the amortized cost of the security. The extent to which the estimated present value of the cash flows expected to be collected is less than the amortized cost of the security represents the credit-related portion of the OTTI, which is recognized in net income, resulting in a new cost basis for the security. Any remaining decline in fair value represents the noncredit portion of the OTTI, which is recognized in other comprehensive income. For equity securities, a decline in fair value that is considered to be other-than-temporary is recognized in net income based on the fair value of the security at the time of assessment, resulting in a new cost basis for the security.

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The following tables summarize gross unrealized losses and fair value for available-for-sale securities by length of time that the securities have continuously been in an unrealized loss position:

	June 30, 2017					
	Less than 12 Months		12 Months or Longer		Total	
	Estimated Fair Value	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Losses
(in thousands)						
Fixed maturities:						
U.S. Treasury securities and obligations of U.S. government agencies	\$ 8,972	\$ (25)	\$ —	\$ —	\$ 8,972	\$ (25)
Obligations of states, municipalities and political subdivisions	61,143	(1,318)	3,236	(39)	64,379	(1,357)
Corporate and other securities	31,520	(64)	7,697	(53)	39,217	(117)
Asset-backed securities	19,211	(171)	1,071	(5)	20,282	(176)
Residential mortgage-backed securities	60,390	(1,122)	6,619	(236)	67,009	(1,358)
Total fixed maturities	181,236	(2,700)	18,623	(333)	199,859	(3,033)
Equity securities:						
Exchange traded funds	1,680	(13)	—	—	1,680	(13)
Total	\$ 182,916	\$ (2,713)	\$ 18,623	\$ (333)	\$ 201,539	\$ (3,046)

At June 30, 2017, the Company held 199 fixed maturity securities with a total estimated fair value of \$199.9 million and gross unrealized losses of \$3.0 million. Of these securities, 15 were in a continuous unrealized loss position for greater than one year. As discussed above, the Company regularly reviews all securities within its investment portfolio to determine whether any impairment has occurred. Unrealized losses were caused by interest rate changes or other market factors and were not credit specific issues. At June 30, 2017, 92.2% of the Company's fixed maturity securities were rated "A-" or better and made expected coupon payments under the contractual terms of the securities. At June 30, 2017, the Company held three exchange traded funds ("ETFs") in its equity portfolio with a total estimated fair value of \$1.7 million and gross unrealized losses of \$13 thousand. None of these securities were in a continuous unrealized loss position for greater than one year. Management concluded that there were no other-than-temporary impairments from fixed maturity or equity securities with unrealized losses for the six months ended June 30, 2017.

December 31, 2016

	Less than 12 Months		12 Months or Longer		Total	
	Estimated Fair Value	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Losses
(in thousands)						
Fixed maturities:						
U.S. Treasury securities and obligations of U.S. government agencies	\$ 8,980	\$ (16)	\$ —	\$ —	\$ 8,980	\$ (16)
Obligations of states, municipalities and political subdivisions	70,727	(2,960)	—	—	70,727	(2,960)
Corporate and other securities	50,274	(145)	12,375	(88)	62,649	(233)
Asset-backed securities	14,750	(232)	9,961	(32)	24,711	(264)
Residential mortgage-backed securities	65,439	(1,403)	7,186	(281)	72,625	(1,684)
Total fixed maturities	210,170	(4,756)	29,522	(401)	239,692	(5,157)
Equity securities:						
Exchange traded funds	388	(2)	—	—	388	(2)
Total	\$ 210,558	\$ (4,758)	\$ 29,522	\$ (401)	\$ 240,080	\$ (5,159)

At December 31, 2016, the Company held 231 fixed maturity securities with a total estimated fair value of \$239.7 million and gross unrealized losses of \$5.2 million. Of those securities, 24 were in a continuous unrealized loss position for greater than one year. Unrealized losses were caused by interest rate changes or other market factors and were not credit specific issues. At December 31, 2016, 92.6% of the Company's fixed maturity securities were rated "A-" or better and made expected coupon payments under the contractual terms of the securities. Based on its review, the Company concluded that none of the fixed maturity securities with an unrealized loss at December 31, 2016 experienced an other-than-temporary impairment.

Within its equity portfolio, the Company holds an ETF with exposure across developed and emerging non-U.S. equity markets around the world. This ETF had been in an unrealized loss position for greater than one year and, management concluded based upon its review, it was other-than-temporarily impaired. The Company recognized an impairment loss of \$0.3 million on this fund for the year ended December 31, 2016.

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Contractual maturities of available-for-sale fixed maturity securities

The amortized cost and estimated fair value of available-for-sale fixed maturity securities at June 30, 2017 are summarized, by contractual maturity, as follows:

	June 30, 2017	
	Amortized Cost	Estimated Fair Value
	(in thousands)	
Due in one year or less	\$ 59,336	\$ 59,330
Due after one year through five years	45,464	46,012
Due after five years through ten years	24,489	25,425
Due after ten years	104,200	104,538
Asset-backed securities	76,929	77,153
Residential mortgage-backed securities	79,066	78,220
Total fixed maturities	<u>\$ 389,484</u>	<u>\$ 390,678</u>

Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties, and the lenders may have the right to put the securities back to the borrower.

Net investment income

The following table presents the components of net investment income for the three and six months ended June 30, 2017 and 2016:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(in thousands)			
Interest:				
Taxable bonds	\$ 1,508	\$ 1,524	\$ 3,045	\$ 2,913
Municipal bonds (tax exempt)	818	375	1,612	781
Cash, cash equivalents, and short-term investments	167	12	254	20
Dividends on equity securities	185	118	295	202
Gross investment income	2,678	2,029	5,206	3,916
Investment expenses	(246)	(210)	(488)	(421)
Net investment income	<u>\$ 2,432</u>	<u>\$ 1,819</u>	<u>\$ 4,718</u>	<u>\$ 3,495</u>

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Realized investment gains and losses

The following table presents realized investment gains and losses for the three and six months ended June 30, 2017 and 2016:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
(in thousands)				
Realized gains:				
Sales of fixed maturities	\$ 24	\$ 23	\$ 24	\$ 410
Sales of short-term and other	—	1	—	1
Total realized gains	24	24	24	411
Realized losses:				
Sales of fixed maturities	—	(28)	(32)	(28)
Total realized losses	—	(28)	(32)	(28)
Net investment gains (losses)	\$ 24	\$ (4)	\$ (8)	\$ 383

Change in net unrealized gains on investments

The following table presents the change in available-for-sale net unrealized gains by investment type for the three and six months ended June 30, 2017 and 2016:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
(in thousands)				
Change in net unrealized gains:				
Fixed maturities	\$ 2,768	\$ 4,087	\$ 3,497	\$ 7,016
Equity securities	577	360	1,498	701
Net increase	\$ 3,345	\$ 4,447	\$ 4,995	\$ 7,717

Insurance – statutory deposits

The Company had invested assets with a carrying value of \$7.1 million and \$7.0 million on deposit with state regulatory authorities at June 30, 2017 and December 31, 2016, respectively.

Payable for investments purchased

The Company recorded a payable for investments purchased, not yet settled, of \$3.0 million at June 30, 2017 and \$0.6 million at December 31, 2016. The payable balances were included in the "other liabilities" line item of the balance sheet and treated as non-cash transactions for purposes of cash flow presentation.

3. Fair value measurements

Fair value was estimated for each class of financial instrument for which it was practical to estimate fair value. Fair value is defined as the price in the principal market that would be received for an asset to facilitate an orderly transaction between market participants on the measurement date. Market participants are assumed to be independent, knowledgeable, able and willing to transact an exchange and not acting under duress. Fair value hierarchy disclosures are based on the quality of inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Adjustments to transaction prices or quoted market prices may be required in illiquid or disorderly markets in order to estimate fair value.

The three levels of the fair value hierarchy are defined as follows:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets.

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.

Fair values of the Company's investment portfolio are estimated using unadjusted prices obtained by its investment manager from third party pricing services, where available. For securities where the Company is unable to obtain fair values from a pricing service or broker, fair values are estimated using information obtained from the Company's investment manager. Management performs several procedures to ascertain the reasonableness of investment values included in the condensed consolidated financial statements including 1) obtaining and reviewing internal control reports from the Company's investment manager that obtain fair values from third party pricing services, 2) discussing with the Company's investment manager its process for reviewing and validating pricing obtained from outside pricing services and 3) reviewing the security pricing received from the Company's investment manager and monitoring changes in unrealized gains and losses. The Company has evaluated the various types of securities in its investment portfolio to determine an appropriate fair value hierarchy level based upon trading activity and the observability of market inputs.

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The following tables present the balances of assets measured at fair value on a recurring basis as of June 30, 2017 and December 31, 2016, by level within the fair value hierarchy.

June 30, 2017				
	Level 1	Level 2	Level 3	Total
(in thousands)				
Assets				
Fixed maturities:				
U.S. Treasury securities and obligations of U.S. government agencies	\$ 9,087	\$ —	\$ —	\$ 9,087
Obligations of states, municipalities and political subdivisions	—	134,163	—	134,163
Corporate and other securities	—	92,055	—	92,055
Asset-backed securities	—	74,653	2,500	77,153
Residential mortgage-backed securities	—	78,220	—	78,220
Total fixed maturities	9,087	379,091	2,500	390,678
Equity securities:				
Exchange traded funds	26,173	—	—	26,173
Total	\$ 35,260	\$ 379,091	\$ 2,500	\$ 416,851

December 31, 2016				
	Level 1	Level 2	Level 3	Total
(in thousands)				
Assets				
Fixed maturities:				
U.S. Treasury securities and obligations of U.S. government agencies	\$ 12,098	\$ —	\$ —	\$ 12,098
Obligations of states, municipalities and political subdivisions	—	123,238	—	123,238
Corporate and other securities	—	118,790	—	118,790
Asset-backed securities	—	73,294	—	73,294
Residential mortgage-backed securities	—	83,803	—	83,803
Total fixed maturities	12,098	399,125	—	411,223
Equity securities:				
Exchange traded funds	18,374	—	—	18,374
Total	\$ 30,472	\$ 399,125	\$ —	\$ 429,597

During the second quarter of 2017, the Company purchased one asset-backed security for \$2.5 million, which was classified as a Level 3 investment since the fair value of the security was estimated using a single broker quote.

There were no transfers into or out of Level 1 and Level 2 during the six months ended June 30, 2017. There were no assets or liabilities measured at fair value on a nonrecurring basis as of June 30, 2017 and December 31, 2016.

Due to the relatively short-term nature of cash and cash equivalents, short-term investments, receivables and payables, their carrying amounts are reasonable estimates of fair value.

4. Deferred policy acquisition costs

The following table presents the amounts of policy acquisition costs deferred and amortized for the three and six months ended June 30, 2017 and 2016:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(in thousands)			
Balance, beginning of period	\$ 10,501	\$ 5,305	\$ 10,150	\$ (1,696)
Policy acquisition costs deferred:				
Direct commissions	8,625	7,448	16,505	13,848
Ceding commissions	(2,392)	(4,995)	(4,983)	(2,204)
Other underwriting and policy acquisition costs	756	700	1,517	1,426
Policy acquisition costs deferred	6,989	3,153	13,039	13,070
Amortization of net policy acquisition costs	(5,912)	(2,943)	(11,611)	(5,859)
Balance, end of period	\$ 11,578	\$ 5,515	\$ 11,578	\$ 5,515

For the three and six months ended June 30, 2016, the deferred ceding commissions were affected by the change in the ceding percentage under the Company's multi-line quota share reinsurance treaty ("MLQS"). See Note 8 for further details regarding the MLQS.

5. Underwriting, acquisition and insurance expenses

Underwriting, acquisition and insurance expenses for the three and six months ended June 30, 2017 and 2016 consist of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(in thousands)			
Underwriting, acquisition and insurance expenses incurred:				
Direct commissions	\$ 7,544	\$ 6,668	\$ 14,693	\$ 13,074
Ceding commissions	(2,466)	(5,218)	(4,812)	(10,626)
Other operating expenses	5,414	5,031	11,905	10,281
Total	\$ 10,492	\$ 6,481	\$ 21,786	\$ 12,729

Other operating expenses within underwriting, acquisition and insurance expenses include salaries, bonus and employee benefits expenses of \$4.5 million and \$4.2 million for the three months ended June 30, 2017 and 2016, respectively. Salaries, bonus and employee benefits expenses were \$9.5 million and \$8.8 million for the six months ended June 30, 2017 and 2016.

6. Earnings per share

The following represents a reconciliation of the numerator and denominator of the basic and diluted earnings per share computations contained in the consolidated financial statements:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
(in thousands, except per share data)				
Earnings allocable to common stockholders	\$ 8,495	\$ —	\$ 14,776	\$ —
Earnings allocable to Class A stockholders	\$ —	\$ 5,754	\$ —	\$ 10,909
Earnings allocable to Class B stockholders	\$ —	\$ 303	\$ —	\$ 405
Basic earnings per share:				
Common stock	\$ 0.41	\$ —	\$ 0.70	\$ —
Class A common stock	\$ —	\$ 0.42	\$ —	\$ 0.79
Class B common stock	\$ —	\$ 0.19	\$ —	\$ 0.26
Diluted earnings per share:				
Common stock	\$ 0.40	\$ —	\$ 0.69	\$ —
Class A common stock	\$ —	\$ 0.42	\$ —	\$ 0.79
Class B common stock	\$ —	\$ 0.18	\$ —	\$ 0.25
Basic weighted average shares outstanding:				
Common stock	20,969	—	20,969	—
Class A common stock	—	13,803	—	13,803
Class B common stock	—	1,583	—	1,557
Dilutive effect of shares issued under stock compensation arrangements:				
Common stock - stock options	488	—	456	—
Class B common stock - unvested restricted stock grants	—	83	—	93
Diluted weighted average shares outstanding:				
Common stock	21,457	—	21,425	—
Class A common stock	—	13,803	—	13,803
Class B common stock	—	1,666	—	1,650

Prior to the reclassification of common stock on July 28, 2016, all of the earnings of the Company were allocated to Class A and Class B common stock and earnings per share was calculated using the two-class method. Under the two-class method, earnings attributable to Class A and Class B common stockholders were determined by allocating undistributed earnings to each class of stock. The undistributed earnings attributable to common stockholders were allocated based on the contractual participation rights of the Class A common stock and Class B common stock as if those earnings for the period had been distributed. Earnings attributable to Class A common stockholders equaled the sum of dividends at the rate per annum of 12% compounding annually during the period ("Accruing Dividends")

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plus seventy-five percent of any remaining assets of the Company available for distribution to its stockholders in the event of a liquidation, dissolution, winding up or sale of the Company after payment of the Accruing Dividends ("Residual Proceeds"). Earnings attributable to Class B common stockholders equaled twenty-five percent of the Residual Proceeds. After the reclassification of common stock on July 28, 2016, all of the earnings of the Company were attributable to the single class of common stock.

Basic earnings per share for each class of common stock was computed by dividing the earnings attributable to the common stockholders by the weighted average number of shares of each respective class of common stock outstanding during the period. Diluted earnings per share attributable to each class of common stock was computed by dividing earnings attributable to common stockholders by the weighted average shares outstanding for each respective class of common stock outstanding during the period, including potentially dilutive shares of common stock for the period determined using the treasury stock method. There were no potentially dilutive shares attributable to Class A common stockholders for the three and six months ended June 30, 2016. For purposes of the diluted earnings per share attributable to Class B common stockholders calculation, unvested restricted grants of common stock were considered to be potentially dilutive shares of common stock. There were no material anti-dilutive Class B shares for the three and six months ended June 30, 2016.

There were no anti-dilutive stock options for the three and six months ended June 30, 2017.

7. Reserves for unpaid losses and loss adjustment expenses

The following table presents a reconciliation of consolidated beginning and ending reserves for unpaid losses and loss adjustment expenses:

	June 30,	
	2017	2016
	(in thousands)	
Net reserves for unpaid losses and loss adjustment expenses, beginning of year	\$ 194,602	\$ 124,126
Commutation of MLQS	27,929	24,296
Adjusted net reserves for losses and loss adjustment expenses, beginning of year	222,531	148,422
Incurred losses and loss adjustment expenses:		
Current year	52,902	40,984
Prior years	(8,936)	(5,407)
Total net losses and loss adjustment expenses incurred	43,966	35,577
Payments:		
Current year	2,185	1,078
Prior years	19,508	13,026
Total payments	21,693	14,104
Net reserves for unpaid losses and loss adjustment expenses, end of period	244,804	169,895
Reinsurance recoverable on unpaid losses	39,624	75,315
Gross reserves for unpaid losses and loss adjustment expenses, end of period	\$ 284,428	\$ 245,210

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During the six months ended June 30, 2017, the reserves for unpaid losses and loss adjustment expenses held at December 31, 2016 developed favorably by \$8.9 million. The favorable development was primarily attributable to \$5.8 million and \$3.7 million from the 2016 and 2015 accident years, respectively and due to reported losses emerging at a lower level than expected.

During the six months ended June 30, 2016, the reserves for unpaid losses and loss adjustment expenses held at December 31, 2015 developed favorably by \$5.4 million. The favorable development was attributable primarily to \$2.8 million and \$3.3 million from the 2015 and 2014 accident years, respectively and due to reported losses emerging at a lower level than expected.

See Note 8 for further details regarding the commutation of the MLQS.

8. Reinsurance

The following table summarizes the effect of reinsurance on premiums written and earned for the three and six months ended June 30, 2017 and 2016:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
(in thousands)				
Written:				
Direct	\$ 57,753	\$ 50,161	\$ 110,615	\$ 93,151
Assumed	—	(54)	—	38
Ceded	(7,980)	(14,446)	(16,680)	(9,733)
Net written	<u>\$ 49,773</u>	<u>\$ 35,661</u>	<u>\$ 93,935</u>	<u>\$ 83,456</u>
Eamed:				
Direct	\$ 51,304	\$ 44,895	\$ 99,766	\$ 87,987
Assumed	—	2	—	34
Ceded	(8,252)	(13,114)	(16,281)	(25,641)
Net eamed	<u>\$ 43,052</u>	<u>\$ 31,783</u>	<u>\$ 83,485</u>	<u>\$ 62,380</u>

Incurred losses and loss adjustment expenses were net of reinsurance (ceded incurred losses and loss adjustment expenses) of \$(0.6) million and \$3.4 million for the three months ended June 30, 2017 and 2016, respectively. Ceded incurred losses and loss adjustment expenses were \$1.8 million and \$7.8 million for the six months ended June 30, 2017 and 2016, respectively. At June 30, 2017 reinsurance recoverables on paid and unpaid losses were \$0.1 million and \$39.6 million, respectively. At December 31, 2016, reinsurance recoverables on paid and unpaid losses were \$0.1 million and \$70.2 million, respectively.

Multi-line quota share reinsurance

Historically, the Company participated in a MLQS treaty that transferred a proportion of the risk related to certain lines of business written by its subsidiary, Kinsale Insurance Company, an Arkansas insurance company ("Kinsale Insurance"), to third-party reinsurers in exchange for a proportion of the direct written premiums on that business. The MLQS was subject to annual renewal and, in accordance with the terms of the MLQS, the Company could adjust the amount of business ceded on a quarterly basis. Under the terms of the MLQS covering the period January 1, 2016 to December 31, 2016 (the "2016 MLQS"), Kinsale Insurance received a provisional ceding commission

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equal to 41% of ceded written premiums and paid a reinsurance margin equal to 4% of ceded written premium. The 2016 MLQS included a sliding scale commission provision that adjusted the ceding commissions within a range of 25% to 41% based on the loss experience of the business ceded. As a result of the successful completion of the initial public offering ("IPO") in August 2016, the Company terminated and commuted the 2016 MLQS on October 1, 2016.

Effective January 1, 2017, the Company commuted the MLQS covering the period January 1, 2015 to December 31, 2015 (the "2015 MLQS"). The commutation reduced reinsurance recoverables on unpaid losses and receivable from reinsurers by approximately \$36.5 million, with a corresponding reduction to funds held for reinsurers. The Company did not renew the MLQS for the 2017 calendar year and there are no remaining MLQS balances outstanding as of January 1, 2017. The commutations did not have any effect on the Company's results of operations or cash flows for the applicable periods.

9. Other comprehensive income

The following table summarizes the components of other comprehensive income for the three and six months ended June 30, 2017 and 2016:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(in thousands)			
Unrealized gains arising during the period, before income taxes	\$ 3,369	\$ 4,421	\$ 4,987	\$ 8,079
Income taxes	(1,179)	(1,548)	(1,745)	(2,828)
Unrealized gains arising during the period, net of income taxes	2,190	2,873	3,242	5,251
Less reclassification adjustment:				
Net realized investment gains (losses)	24	(26)	(8)	361
Income taxes	(8)	9	3	(126)
Reclassification adjustment included in net income	16	(17)	(5)	235
Other comprehensive income	\$ 2,174	\$ 2,890	\$ 3,247	\$ 5,016

The sale of an available-for-sale security results in amounts being reclassified from accumulated other comprehensive income to realized gains or losses in current period earnings. The related tax effect of the reclassification adjustment is recorded in income tax expense in current period earnings. See Note 2 for additional information.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The discussion and analysis below includes certain forward-looking statements that are subject to risks, uncertainties and other factors described in "Risk Factors" in the Annual Report on Form 10-K for the year ended December 31, 2016. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors.

The results of operations for the three and six months ended June 30, 2017 are not necessarily indicative of the results that may be expected for the full year ended December 31, 2017, or for any other future period. The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and the notes thereto included in Part I, Item 1 of this Quarterly Report, and in conjunction with our audited consolidated financial statements and the notes thereto included in the Annual Report on Form 10-K for the year ended December 31, 2016.

References to the "Company," "Kinsale," "we," "us," and "our" are to Kinsale Capital Group, Inc. and its subsidiaries, unless the context otherwise requires.

Overview

Founded in 2009, Kinsale is an established and growing specialty insurance company. Kinsale focuses exclusively on the excess and surplus lines ("E&S") market in the U.S., where we use our underwriting expertise to write coverages for hard-to-place small business risks and personal lines risks. We market and sell these insurance products in all 50 states, the District of Columbia, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, primarily through a network of independent insurance brokers.

We have one reportable segment, our Excess and Surplus Lines Insurance segment, which offers property and casualty ("P&C") insurance products through the E&S market. For the first six months of 2017, the percentage breakdown of our gross written premiums was 93.0% casualty and 7.0% property. Our commercial lines offerings include construction, small business, general casualty, energy, excess casualty, professional liability, life sciences, product liability, allied health, health care, commercial property, environmental, management liability, inland marine, public entity and commercial insurance. We also write a small amount of homeowners insurance in the personal lines market, which in aggregate represented 4.2% of our gross written premiums in the first six months of 2017.

Factors affecting our results of operations

The MLQS

Historically, a significant amount of our business had been reinsured through our MLQS with third-party reinsurers. This agreement allowed us to cede a portion of the risk related to certain lines of underwritten business in exchange for a portion of our direct written premiums on that business, less a ceding commission. The MLQS was subject to annual renewal; however, we retained the right to adjust the amount of business we ceded on a quarterly basis in accordance with the terms of the MLQS. We monitored the ceding percentage under the MLQS and adjusted this percentage based on our projected direct written premiums. We adjusted the ceding percentage under the MLQS for future periods depending on future business conditions in our industry. Generally, we increased the ceding percentage when the growth rate of gross written premiums was higher relative to the growth rate of Kinsale Insurance's capital position, and decreased the ceding percentage when the growth rate of Kinsale Insurance's capital position was higher relative to the growth rate of gross written premiums.

As a result of the successful completion of our IPO in August 2016, we terminated and commuted the 2016 MLQS contract on October 1, 2016. Effective January 1, 2017, the remaining MLQS was commuted, which covered the 2015 calendar year. We did not renew the MLQS for the 2017 calendar year and there are no remaining MLQS balances outstanding as of January 1, 2017.

The effect of the MLQS on our results of operations was primarily reflected in our ceded written premiums, losses and loss adjustment expenses, as well as our underwriting, acquisition and insurance expenses. The following tables

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summarize the effect of the MLQS on our underwriting income for the three and six months ended June 30, 2017 and 2016:

(\$ in thousands)	Three Months Ended June 30, 2017			Three Months Ended June 30, 2016		
	Including Quota Share	Effect of Quota Share	Excluding Quota Share	Including Quota Share	Effect of Quota Share	Excluding Quota Share
Gross written premiums	\$ 57,753	\$ —	\$ 57,753	\$ 50,107	\$ —	\$ 50,107
Ceded written premiums	(7,980)	—	(7,980)	(14,446)	(6,363)	(8,083)
Net written premiums	\$ 49,773	\$ —	\$ 49,773	\$ 35,661	\$ (6,363)	\$ 42,024
Net retention ⁽¹⁾	86.2%	—	86.2%	71.2%	—	83.9%
Net earned premiums	\$ 43,052	\$ —	\$ 43,052	\$ 31,783	\$ (5,692)	\$ 37,475
Losses and loss adjustment expenses	(21,859)	—	(21,859)	(17,456)	2,385	(19,841)
Underwriting, acquisition and insurance expenses	(10,492)	—	(10,492)	(6,481)	3,080	(9,561)
Underwriting income ⁽²⁾	\$ 10,701	\$ —	\$ 10,701	\$ 7,846	\$ (227)	\$ 8,073
Loss ratio	50.8%	—%	—	54.9%	41.9%	—
Expense ratio	24.4%	—%	—	20.4%	54.1%	—
Combined ratio	75.2%	—%	—	75.3%	96.0%	—
Adjusted loss ratio ⁽³⁾	—	—	50.8%	—	—	52.9%
Adjusted expense ratio ⁽³⁾	—	—	24.4%	—	—	25.5%
Adjusted combined ratio ⁽³⁾	—	—	75.2%	—	—	78.4%
(\$ in thousands)	Six Months Ended June 30, 2017			Six Months Ended June 30, 2016		
	Including Quota Share	Effect of Quota Share	Excluding Quota Share	Including Quota Share	Effect of Quota Share	Excluding Quota Share
Gross written premiums	\$ 110,615	\$ —	\$ 110,615	\$ 93,189	\$ —	\$ 93,189
Ceded written premiums	(16,680)	—	(16,680)	(9,733)	5,226	(14,959)
Net written premiums	\$ 93,935	\$ —	\$ 93,935	\$ 83,456	\$ 5,226	\$ 78,230
Net retention ⁽¹⁾	84.9%	—	84.9%	89.6%	—	83.9%
Net earned premiums	\$ 83,485	\$ —	\$ 83,485	\$ 62,380	\$ (11,124)	\$ 73,504
Losses and loss adjustment expenses	(43,966)	—	(43,966)	(35,577)	4,195	(39,772)
Underwriting, acquisition and insurance expenses	(21,786)	—	(21,786)	(12,729)	6,485	(19,214)
Underwriting income ⁽²⁾	\$ 17,733	\$ —	\$ 17,733	\$ 14,074	\$ (444)	\$ 14,518
Loss ratio	52.7%	—%	—	57.0%	37.7%	—
Expense ratio	26.1%	—%	—	20.4%	58.3%	—
Combined ratio	78.8%	—%	—	77.4%	96.0%	—
Adjusted loss ratio ⁽³⁾	—	—	52.7%	—	—	54.1%
Adjusted expense ratio ⁽³⁾	—	—	26.1%	—	—	26.1%
Adjusted combined ratio ⁽³⁾	—	—	78.8%	—	—	80.2%

⁽¹⁾ The ratio of net written premiums to gross written premiums.

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⁽²⁾ Underwriting income is a non-GAAP financial measure. See "— Reconciliation of non-GAAP financial measures" for a reconciliation of net income to underwriting income in accordance with GAAP.

⁽³⁾ Our adjusted loss ratio, adjusted expense ratio and adjusted combined ratio are non-GAAP financial measures. We define our adjusted loss ratio, adjusted expense ratio and adjusted combined ratio as each of our loss ratio, expense ratio and combined ratio, respectively, excluding the effects of the MLQS. We use these adjusted ratios as an internal performance measure in the management of our operations because we believe they give our management and other users of our financial information useful insight into our results of operations and our underlying business performance. Our adjusted loss ratio, adjusted expense ratio and adjusted combined ratio should not be viewed as substitutes for our loss ratio, expense ratio and combined ratio, respectively, which are presented in accordance with GAAP.

Our results of operations may be difficult to compare from period to period as we made periodic adjustments to the amount of business we ceded under the terms of the MLQS, and may have commuted and terminated the MLQS in a given period. In light of the impact of the MLQS on our results of operations, we internally evaluated our financial performance both including and excluding the effects of the MLQS.

Components of our results of operations

Gross written premiums

Gross written premiums are the amount received or to be received for insurance policies written or assumed by us during a specific period of time without reduction for policy acquisition costs, reinsurance costs or other deductions. The volume of our gross written premiums in any given period is generally influenced by:

- New business submissions;
- Binding of new business submissions into policies;
- Renewals of existing policies; and
- Average size and premium rate of bound policies.

We earn insurance premiums on a pro rata basis over the term of a policy. Our insurance policies generally have a term of one year. Net earned premiums represent the earned portion of our gross written premiums, less that portion of our gross written premiums that is ceded to third-party reinsurers under our reinsurance agreements.

Ceded written premiums

Ceded written premiums are the amount of gross written premiums ceded to reinsurers. We enter into reinsurance contracts to limit our exposure to potential large losses as well as to provide additional capacity for growth. Ceded written premiums are earned over the reinsurance contract period in proportion to the period of risk covered. The volume of our ceded written premiums is impacted by the level of our gross written premiums and any decision we make to increase or decrease retention levels.

Net investment income

Net investment income is an important component of our results of operations. We earn investment income on our portfolio of cash and invested assets. Our cash and invested assets are primarily comprised of fixed maturity securities, and may also include cash and cash equivalents, equity securities and short-term investments. The principal factors that influence net investment income are the size of our investment portfolio and the yield on that portfolio. As measured by amortized cost (which excludes changes in fair value, such as from changes in interest rates), the size of our investment portfolio is mainly a function of our invested equity capital along with premiums we receive from our insureds less payments on policyholder claims.

Net investment gains (losses)

Net investment gains (losses) are a function of the difference between the amount received by us on the sale of a security and the security's amortized cost, as well as any "other-than-temporary" impairments recognized in earnings.

Losses and loss adjustment expenses

Losses and loss adjustment expenses are a function of the amount and type of insurance contracts we write and the loss experience associated with the underlying coverage. In general, our losses and loss adjustment expenses are affected by:

- Frequency of claims associated with the particular types of insurance contracts that we write;
- Trends in the average size of losses incurred on a particular type of business;
- Mix of business written by us;
- Changes in the legal or regulatory environment related to the business we write;
- Trends in legal defense costs;
- Wage inflation; and
- Inflation in medical costs.

Losses and loss adjustment expenses are based on an actuarial analysis of the estimated losses, including losses incurred during the period and changes in estimates from prior periods. Losses and loss adjustment expenses may be paid out over a period of years.

Underwriting, acquisition and insurance expenses

Underwriting, acquisition and insurance expenses include policy acquisition costs and other underwriting expenses. Policy acquisition costs are principally comprised of the commissions we pay our brokers, net of ceding commissions we receive on business ceded under certain reinsurance contracts. Policy acquisition costs that are directly related to the successful acquisition of those policies are deferred. The amortization of such policy acquisition costs is charged to expense in proportion to premium earned over the policy life. Other underwriting expenses represent the general and administrative expenses of our insurance business including employment costs, telecommunication and technology costs, the costs of our lease, and legal and auditing fees.

Income tax expense

Currently all of our income tax expense relates to federal income taxes. Kinsale Insurance is generally not subject to income taxes in the states in which it operates; however, our non-insurance subsidiaries are subject to state income taxes. The amount of income tax expense or benefit recorded in future periods will depend on the jurisdictions in which we operate and the tax laws and regulations in effect.

Key metrics

We discuss certain key metrics, described below, which provide useful information about our business and the operational factors underlying our financial performance.

Underwriting income is a non-GAAP financial measure. We define underwriting income as pre-tax income, excluding net investment income, net investment gains and losses, and other income and expenses. See "—Reconciliation of non-GAAP financial measures" for a reconciliation of net income to underwriting income in accordance with GAAP.

Loss ratio, expressed as a percentage, is the ratio of losses and loss adjustment expenses to net earned premiums, net of the effects of reinsurance.

Expense ratio, expressed as a percentage, is the ratio of underwriting, acquisition and insurance expenses to net earned premiums.

Combined ratio is the sum of the loss ratio and the expense ratio. A combined ratio under 100% generally indicates an underwriting profit. A combined ratio over 100% generally indicates an underwriting loss.

Adjusted loss ratio is a non-GAAP financial measure. We define adjusted loss ratio as the loss ratio, excluding the effects of the MLQS. For additional detail on the impact of the MLQS on our results of operations, see "—Factors affecting our results of operations — The MLQS."

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Adjusted expense ratio is a non-GAAP financial measure. We define adjusted expense ratio as the expense ratio, excluding the effects of the MLQS. For additional detail on the impact of the MLQS on our results of operations, see "—Factors affecting our results of operations — The MLQS."

Adjusted combined ratio is a non-GAAP financial measure. We define adjusted combined ratio as the loss ratio, excluding the effects of the MLQS. For additional detail on the impact of the MLQS on our results of operations, see "—Factors affecting our results of operations — The MLQS."

Return on equity is net income expressed on an annualized basis as a percentage of average beginning and ending stockholders' equity during the period. Our overall financial goal is to produce a return on equity in the mid-teens over the long-term.

Net retention ratio is the ratio of net written premiums to gross written premiums.

Results of operations

Three months ended June 30, 2017 compared to three months ended June 30, 2016

The following table summarizes our results of operations for the three months ended June 30, 2017 and 2016:

(\$ in thousands)	Three Months Ended June 30,			
	2017	2016	Change	Percent
Gross written premiums	\$ 57,753	\$ 50,107	\$ 7,646	15.3 %
Ceded written premiums	(7,980)	(14,446)	6,466	(44.8)%
Net written premiums	\$ 49,773	\$ 35,661	\$ 14,112	39.6 %
Net earned premiums	\$ 43,052	\$ 31,783	\$ 11,269	35.5 %
Losses and loss adjustment expenses	21,859	17,456	4,403	25.2 %
Underwriting, acquisition and insurance expenses	10,492	6,481	4,011	61.9 %
Underwriting income ⁽¹⁾	10,701	7,846	2,855	36.4 %
Other expenses, net	(402)	(408)	6	(1.5)%
Net investment income	2,432	1,819	613	33.7 %
Net investment gains (losses)	24	(4)	28	NM
Income before taxes	12,755	9,253	3,502	37.8 %
Income tax expense	4,260	3,196	1,064	33.3
Net income	\$ 8,495	\$ 6,057	\$ 2,438	40.3 %
Loss ratio	50.8%	54.9%		
Expense ratio	24.4%	20.4%		
Combined ratio	75.2%	75.3%		

NM - Percentage change not meaningful

⁽¹⁾ Underwriting income is a non-GAAP financial measure. See "—Reconciliation of non-GAAP financial measures" for a reconciliation of net income to underwriting income in accordance with GAAP.

Net income was \$8.5 million for the three months ended June 30, 2017 compared to \$6.1 million for the three months ended June 30, 2016, an increase of 40.3%. Underwriting income was \$10.7 million for the three months ended June 30, 2017 compared to \$7.8 million for the three months ended June 30, 2016, an increase of 36.4%. The corresponding combined ratio was 75.2% for the three months ended June 30, 2017 compared to 75.3% for the three months ended June 30, 2016. As previously discussed, the MLQS was not renewed for the 2017 calendar year. Excluding the effect of the 2016 MLQS, underwriting income was \$8.1 million and the corresponding adjusted combined ratio was 78.4% for the three months ended June 30, 2016. The increase in our underwriting income during the period was due primarily to an increase in premiums written and higher net favorable prior year loss reserve development.

Premiums

Our gross written premiums were \$57.8 million for the three months ended June 30, 2017 compared to \$50.1 million for the three months ended June 30, 2016, an increase of \$7.6 million, or 15.3%. The increase in gross written premiums for the second quarter of 2017 over the same period last year was primarily due to growth across most lines of business and was most notable in the small business, construction, energy and product liability, and personal

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insurance divisions. The average premium per policy written was approximately \$7,800 in the second quarter of 2017 compared to approximately \$8,700 in the second quarter of 2016. The decrease in the average premium per policy written was due to changes in the mix of business, primarily growth in the small business and personal insurance divisions, from the second quarter of 2016 to the second quarter of 2017.

Net written premiums were \$49.8 million for the three months ended June 30, 2017 compared to \$35.7 million for the three months ended June 30, 2016, an increase of \$14.1 million, or 39.6%. The increase in net written premiums was primarily due to higher gross written premiums quarter over quarter and non-renewal of the MLQS for the 2017 calendar year. The net retention ratio was 86.2% for the three months ended June 30, 2017 compared to 71.2% for the three months ended June 30, 2016. Excluding the effect of the 2016 MLQS, our net retention ratio was 83.9% for the three months ended June 30, 2016.

Net earned premiums increased by \$11.3 million, or 35.5%, to \$43.1 million for the three months ended June 30, 2017 from \$31.8 million for the three months ended June 30, 2016. The increase in net earned premiums in the second quarter of 2017 compared to the second quarter of 2016 was due to growth in gross written premiums and the non-renewal of the MLQS for the 2017 calendar year. Excluding the effect of the MLQS, net earned premiums were \$37.5 million for the three months ended June 30, 2016, or an increase of 14.9% for the three months ended June 30, 2017 over the three months ended June 30, 2016.

Loss ratio

The loss ratio was 50.8% for the three months ended June 30, 2017 compared to 54.9% for the three months ended June 30, 2016. Our adjusted loss ratio was 52.9% for the three months ended June 30, 2016. This decrease in the loss ratio for the second quarter of 2017 compared to the same period in 2016 was due primarily to favorable loss emergence across the casualty lines of business.

The following tables summarize the effect of the factors indicated above on the loss ratio for the three months ended June 30, 2017 and 2016:

(\$ in thousands)	Three Months Ended June 30,			
	2017		2016	
	Losses and loss adjustment expenses	% of Earned Premiums	Losses and loss adjustment expenses	% of Earned Premiums
Loss ratio:				
Current accident year	\$ 25,691	59.7 %	\$ 20,140	63.3 %
Effect of prior year development	(3,832)	(8.9)	(2,684)	(8.4)
	<u>\$ 21,859</u>	<u>50.8 %</u>	<u>\$ 17,456</u>	<u>54.9 %</u>

(\$ in thousands)	Three Months Ended June 30,			
	2017		2016	
	Losses and loss adjustment expenses	% of Earned Premiums	Losses and loss adjustment expenses	% of Earned Premiums
Adjusted loss ratio:				
Current accident year	\$ 25,691	59.7 %	\$ 23,287	62.1 %
Effect of prior year development	(3,832)	(8.9)	(3,446)	(9.2)
	<u>\$ 21,859</u>	<u>50.8 %</u>	<u>\$ 19,841</u>	<u>52.9 %</u>

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The following table summarizes the components of the expense ratio for the three months ended June 30, 2017 and 2016:

(\$ in thousands)	Three Months Ended June 30,			
	2017		2016	
	Underwriting Expenses	% of Earned Premiums	Underwriting Expenses	% of Earned Premiums
Commissions incurred:				
Direct	\$ 7,544	17.5 %	\$ 6,668	21.0 %
Ceding - MLQS	—	— %	(3,080)	(9.7)%
Ceding - other	(2,466)	(5.7)%	(2,138)	(6.7)%
Net commissions incurred	5,078	11.8 %	1,450	4.6 %
Other underwriting expenses	5,414	12.6 %	5,031	15.8 %
Underwriting, acquisition and insurance expenses	\$ 10,492	24.4 %	\$ 6,481	20.4 %

The expense ratio was 24.4% for the three months ended June 30, 2017 compared to 20.4% for the three months ended June 30, 2016. The expense ratio, for the three months ended June 30, 2016, was relatively low due to the ceding commissions earned under the MLQS, which was not renewed for the 2017 calendar year. Excluding the effect of the MLQS, our adjusted expense ratio was 25.5% for the three months ended June 30, 2016. The decrease in the expense ratio for the second quarter of 2017 compared to the adjusted expense ratio for the period last year was attributable to higher net earned premiums without a proportional increase in the total amount of operating expenses as a result of management's focus on controlling costs. Direct commissions paid as a percent of gross written premiums was 14.8% for the three months ended June 30, 2017 and 14.9% for the three months ended June 30, 2016.

Combined ratio

Our combined ratio was 75.2% for the three months ended June 30, 2017 compared to 75.3% for the three months ended June 30, 2016. Excluding the effects of the MLQS, the adjusted combined ratio was 78.4% for the three months ended June 30, 2016.

Investing results

Our net investment income increased by 33.7% to \$2.4 million for the three months ended June 30, 2017 from \$1.8 million for the three months ended June 30, 2016, primarily due to the increase in our investment portfolio resulting from the proceeds received from the IPO in the second half of 2016 and additional net operating funds generated since the second quarter of 2016.

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The following table summarizes net investment income and net capital gains (losses) for the three months ended June 30, 2017 and 2016:

(\$ in thousands)	Three Months Ended June 30,			
	2017	2016	Change	% Change
Interest from fixed-maturity securities	\$ 2,326	1,899	\$ 427	22.5%
Dividends on equity securities	185	118	67	56.8
Other	167	12	155	NM
Gross investment income	2,678	2,029	649	32.0
Investment expenses	(246)	(210)	(36)	17.1
Net investment income	2,432	1,819	613	33.7
Net capital gains (losses)	24	(4)	28	NM
Total	\$ 2,456	\$ 1,815	\$ 641	35.3%

NM - Percentage change not meaningful

Our investment portfolio, excluding cash and cash equivalents, had an annualized gross investment return of 2.4% for the three months ended June 30, 2017, compared to 2.2% for the three months ended June 30, 2016.

We perform quarterly reviews of all securities within our investment portfolio to determine whether any other-than-temporary impairment has occurred. Management concluded that there were no other-than-temporary impairments from fixed maturity or equity securities with unrealized losses for the three months ended June 30, 2017 and 2016.

Other expenses, net

Other expenses of \$0.4 million for the three months ended June 30, 2017 were comprised of expenses related to the secondary offering of our common stock in May 2017. Other expenses of \$0.4 million for the three months ended June 30, 2016 were comprised principally of interest expense related to our credit facility, which was repaid in the fourth quarter of 2016.

Income tax expense

Our income tax expense was \$4.3 million for the three months ended June 30, 2017 compared to \$3.2 million for the three months ended June 30, 2016. Our effective tax rate was approximately 33.4% for the three months ended June 30, 2017 compared to 34.5% for the three months ended June 30, 2016. Our effective tax rate differs from the statutory tax rate primarily as a result of favorable tax treatment on certain municipal bond interest income and dividends received from our equity investments.

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Six months ended June 30, 2017 compared to six months ended June 30, 2016

The following table summarizes our results of operations for the six months ended June 30, 2017 and 2016:

(\$ in thousands)	Six Months Ended June 30,			
	2017	2016	Change	Percent
Gross written premiums	\$ 110,615	\$ 93,189	\$ 17,426	18.7 %
Ceded written premiums	(16,680)	(9,733)	(6,947)	71.4 %
Net written premiums	\$ 93,935	\$ 83,456	\$ 10,479	12.6 %
Net earned premiums	\$ 83,485	\$ 62,380	\$ 21,105	33.8 %
Losses and loss adjustment expenses	43,966	35,577	8,389	23.6 %
Underwriting, acquisition and insurance expenses	21,786	12,729	9,057	71.2 %
Underwriting income ⁽¹⁾	17,733	14,074	3,659	26.0 %
Other expenses, net	(402)	(810)	408	(50.4)%
Net investment income	4,718	3,495	1,223	35.0 %
Net investment (losses) gains	(8)	383	(391)	NM
Income before taxes	22,041	17,142	4,899	28.6 %
Income tax expense	7,265	5,828	1,437	24.7
Net income	\$ 14,776	\$ 11,314	\$ 3,462	30.6 %
Return on equity	13.5%	18.6%		
Loss ratio	52.7%	57.0%		
Expense ratio	26.1%	20.4%		
Combined ratio	78.8%	77.4%		

NM - Percentage change not meaningful

⁽¹⁾ Underwriting income is a non-GAAP financial measure. See "—Reconciliation of non-GAAP financial measures" for a reconciliation of net income to underwriting income in accordance with GAAP.

Net income was \$14.8 million for the six months ended June 30, 2017 compared to \$11.3 million for the six months ended June 30, 2016, an increase of 30.6%. Underwriting income was \$17.7 million for the six months ended June 30, 2017 compared to \$14.1 million for the six months ended June 30, 2016, an increase of 26.0%. The corresponding combined ratio was 78.8% for the six months ended June 30, 2017 compared to 77.4% for the six months ended June 30, 2016. Excluding the effect of the 2016 MLQS, underwriting income was \$14.5 million and the corresponding adjusted combined ratio was 80.2% for the six months ended June 30, 2016. The increase in our underwriting income during the period was due primarily to an increase in premiums written and higher net favorable prior year loss reserve development, offset in part by higher employee compensation and public company operating costs.

Premiums

Our gross written premiums were \$110.6 million for the six months ended June 30, 2017 compared to \$93.2 million for the six months ended June 30, 2016, an increase of \$17.4 million, or 18.7%. The increase in gross written premiums for the first half of 2017 over the same period last year was primarily due to increases across most lines of

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business and was most notable in the construction, small business, energy and product liability, and personal insurance divisions. The average premium on a policy written was approximately \$8,200 in the first half of 2017 compared to approximately \$8,800 in the first half of 2016. The decrease in the average premium per policy written was due to changes in the mix of business, primarily growth in the small business and personal insurance divisions, from the first half of 2016 to the first half of 2017.

Net written premiums increased by \$10.5 million, or 12.6%, to \$93.9 million for the six months ended June 30, 2017 from \$83.5 million for the six months ended June 30, 2016. The increase in net written premiums for the first half of 2017 compared to the same period last year was primarily due to higher gross written premiums offset in part by the effect of the MLQS, which was not renewed for the 2017 calendar year. The net retention ratio was 84.9% for the six months ended June 30, 2017 compared to 89.6% for the six months ended June 30, 2016. Excluding the effect of the 2016 MLQS, our net retention ratio was 83.9% for the six months ended June 30, 2016.

Net earned premiums increased by \$21.1 million, or 33.8%, to \$83.5 million for the six months ended June 30, 2017 from \$62.4 million for the six months ended June 30, 2016. Excluding the effect of the MLQS, net earned premiums were \$73.5 million for the six months ended June 30, 2016, or an increase of 13.6% in the first half of 2017 compared to the first half of 2016, due to growth in gross written premiums.

Loss ratio

The loss ratio was 52.7% for the six months ended June 30, 2017 compared to 57.0% for the six months ended June 30, 2016. Our adjusted loss ratio was 54.1% for the six months ended June 30, 2016. This decrease in the loss ratio for the first half of 2017 was due primarily to favorable loss emergence across the casualty lines of business.

The following tables summarize the effect of the factors indicated above on the loss ratio for the six months ended June 30, 2017 and 2016:

(\$ in thousands)	Six Months Ended June 30,			
	2017		2016	
	Losses and loss adjustment expenses	% of Earned Premiums	Losses and loss adjustment expenses	% of Earned Premiums
Loss ratio:				
Current accident year	\$ 52,902	63.4 %	\$ 40,984	65.7 %
Effect of prior year development	(8,936)	(10.7)	(5,407)	(8.7)
	<u>\$ 43,966</u>	<u>52.7 %</u>	<u>\$ 35,577</u>	<u>57.0 %</u>

(\$ in thousands)	Six Months Ended June 30,			
	2017		2016	
	Losses and loss adjustment expenses	% of Earned Premiums	Losses and loss adjustment expenses	% of Earned Premiums
Adjusted loss ratio:				
Current accident year	\$ 52,902	63.4 %	\$ 47,347	64.4 %
Effect of prior year development	(8,936)	(10.7)	(7,575)	(10.3)
	<u>\$ 43,966</u>	<u>52.7 %</u>	<u>\$ 39,772</u>	<u>54.1 %</u>

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The following table summarizes the components of the expense ratio for the six months ended June 30, 2017 and 2016:

(\$ in thousands)	Six Months Ended June 30,			
	2017		2016	
	Underwriting Expenses	% of Earned Premiums	Underwriting Expenses	% of Earned Premiums
Commissions incurred:				
Direct	\$ 14,693	17.6 %	\$ 13,074	20.9 %
Ceding - MLQS	—	— %	(6,485)	(10.4)%
Ceding - other	(4,812)	(5.8)%	(4,141)	(6.6)%
Net commissions incurred	9,881	11.8 %	2,448	3.9 %
Other underwriting expenses	11,905	14.3 %	10,281	16.5 %
Underwriting, acquisition and insurance expenses	\$ 21,786	26.1 %	\$ 12,729	20.4 %

The expense ratio was 26.1% for the six months ended June 30, 2017 compared to 20.4% for the six months ended June 30, 2016. For the first half of June 30, 2016, the expense ratio was relatively low due to the effect of the MLQS. Excluding the effect of the MLQS, the adjusted expense ratio was 26.1% for the six months ended June 30, 2017 and 2016, which reflected the benefit of higher net earned premiums without a proportional increase in the total amount of operating expenses from management's focus on controlling costs. Other underwriting expenses increased by \$1.6 million, or 15.8%, which was primarily due to higher employee compensation and public company operating costs in the first half of 2017 relative to the first half of 2016. Direct commissions paid as a percent of gross written premiums was 14.8% for the six months ended June 30, 2017 and 14.9% for the six months ended June 30, 2016.

Combined ratio

Our combined ratio was 78.8% for the six months ended June 30, 2017 compared to 77.4% for the six months ended June 30, 2016. Excluding the effects of the MLQS, the adjusted combined ratio was 80.2% for the six months ended June 30, 2016.

Investing results

Our net investment income increased by 35.0% to \$4.7 million for the six months ended June 30, 2017 from \$3.5 million for the six months ended June 30, 2016, primarily due to the increase in our investment portfolio resulting from the proceeds received from the IPO in the second half of 2016 and additional net operating funds generated since the second quarter of 2016.

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The following table summarizes net investment income and net capital (losses) gains for the six months ended June 30, 2017 and 2016:

(\$ in thousands)	Six Months Ended June 30,			
	2017	2016	Change	% Change
Interest from fixed-maturity securities	\$ 4,657	3,694	\$ 963	26.1%
Dividends on equity securities	295	202	93	46.0
Other	254	20	234	NM
Gross investment income	5,206	3,916	1,290	32.9
Investment expenses	(488)	(421)	(67)	15.9
Net investment income	4,718	3,495	1,223	35.0%
Net capital (losses) gains	(8)	383	(391)	NM
Total	\$ 4,710	\$ 3,878	\$ 832	21.5%

NM - Percentage change not meaningful

Our investment portfolio, excluding cash and cash equivalents, had an annualized gross investment return of 2.3% for the six months ended June 30, 2017, compared to 2.1% for the six months ended June 30, 2016.

We perform quarterly reviews of all securities within our investment portfolio to determine whether any other-than-temporary impairment has occurred. Management concluded that there were no other-than-temporary impairments from fixed maturity or equity securities with unrealized losses for the six months ended June 30, 2017 and 2016.

Other expenses, net

Other expenses of \$0.4 million for the six months ended June 30, 2017 were comprised of expenses related to the secondary offering of our common stock in May 2017. Other expenses of \$0.8 million for the six months ended June 30, 2016 were comprised principally of interest expense related to our credit facility, which was repaid in the fourth quarter of 2016.

Income tax expense

Our income tax expense was \$7.3 million for the six months ended June 30, 2017 compared to \$5.8 million for the six months ended June 30, 2016. Our effective tax rate was approximately 33.0% for the six months ended June 30, 2017 compared to 34.0% for the six months ended June 30, 2016. Our effective tax rate differs from the statutory tax rate primarily as a result of favorable tax treatment on certain municipal bond interest income and dividends received from our equity investments.

Return on equity

Our annualized return on equity was 13.5% for the six months ended June 30, 2017 compared to 18.6% for the six months ended June 30, 2016. Annualized return on equity for the six months ended June 30, 2017 was lower as a result of the increase in our stockholders' equity from the net proceeds received from the IPO during 2016.

Liquidity and capital resources

Sources and uses of funds

We are organized as a Delaware holding company with our operations primarily conducted by our wholly-owned insurance subsidiary, Kinsale Insurance, which is domiciled in Arkansas. Accordingly, Kinsale may receive cash through (1) loans from banks and other third parties, (2) issuance of equity and debt securities, (3) corporate service fees from our insurance subsidiary, (4) payments from our subsidiaries pursuant to our consolidated tax allocation agreement and other transactions, and (5) dividends from our insurance subsidiary. We may use the proceeds from these sources to contribute funds to Kinsale Insurance in order to support premium growth, reduce our reliance on reinsurance, pay dividends and taxes and for other business purposes.

We also receive corporate service fees from Kinsale Insurance to reimburse us for most of the operating expenses that we incur. Reimbursement of expenses through corporate service fees is based on the actual costs that we expect to incur with no mark-up above our expected costs.

Management believes that the Company has sufficient liquidity available both in Kinsale and in its insurance subsidiary, Kinsale Insurance, as well as in its other operating subsidiaries, to meet its operating cash needs and obligations and committed capital expenditures for the next 12 months.

Cash flows

Our most significant source of cash is from premiums received from our insureds, which, for most policies, we receive at the beginning of the coverage period. Our most significant cash outflow is for claims that arise when a policyholder incurs an insured loss. Because the payment of claims occurs after the receipt of the premium, often years later, we invest the cash in various investment securities that earn interest and dividends. We also use cash to pay commissions to brokers, as well as to pay for ongoing operating expenses such as salaries, rent and taxes. As described under "—Reinsurance" below, we use reinsurance to manage the risk that we take on our policies. We cede, or pay out, part of the premiums we receive to our reinsurers and collect cash back when losses subject to our reinsurance coverage are paid.

The timing of our cash flows from operating activities can vary among periods due to the timing by which payments are made or received. Some of our payments and receipts, including loss settlements and subsequent reinsurance receipts, can be significant, so their timing can influence cash flows from operating activities in any given period. Management believes that cash receipts from premiums, proceeds from investment sales and redemptions and investment income are sufficient to cover cash outflows in the foreseeable future.

Our cash flows for the six months ended June 30, 2017 and 2016 were:

	Six Months Ended June 30,	
	2017	2016
	(in thousands)	
Cash and cash equivalents provided by (used in):		
Operating activities	\$ 40,782	\$ 36,480
Investing activities	4,421	(38,721)
Financing activities	(2,525)	(67)
Change in cash and cash equivalents	<u>\$ 42,678</u>	<u>\$ (2,308)</u>

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Net cash provided by operating activities was approximately \$40.8 million for the six months ended June 30, 2017, compared with \$36.5 million for the same period in 2016. This increase was largely driven by premium volume, the timing of claim payments, reinsurance recoveries, and changes in operating assets and liabilities.

Net cash provided by investing activities was \$4.4 million for the six months ended June 30, 2017, compared with net cash used in investing activities of \$38.7 million for the six months ended June 30, 2016. Cash provided by investing activities during the first half of 2017 reflected proceeds of \$46.4 million from maturities and sales of fixed income securities, offset in part by selective purchases of fixed income securities, principally municipal bonds and asset backed securities of \$21.2 million, and purchases of short-term investments of \$14.5 million. In addition, we purchased \$6.3 million of equity securities during the first half of 2017. Cash used in investing activities during the six months ended June 30, 2016, resulted from purchases of fixed income securities and short term investments of \$68.6 million from the reinvestment of cash from operating activities and \$19.2 million of maturing fixed income securities. Sales of fixed income securities of \$13.1 million reflected opportunistic sales of certain municipal bonds in the first quarter of 2016 of \$9.1 million to take advantage of favorable market conditions. We purchased \$2.2 million of equity securities during the first half of 2016.

The cash used in financing activities primarily reflects dividends paid of \$0.12 per common share, or \$2.5 million in aggregate, during the six months ended June 30, 2017. There were no significant cash flows related to financing activities for the six months ended June 30, 2016.

Reinsurance

We enter into reinsurance contracts to limit our exposure to potential large losses as well as to provide additional capacity for growth. Our reinsurance is primarily contracted under quota-share reinsurance contracts and excess of loss contracts. In quota share reinsurance, the reinsurer agrees to assume a specified percentage of the ceding company's losses arising out of a defined class of business in exchange for a corresponding percentage of premiums, net of a ceding commission. In excess of loss reinsurance, the reinsurer agrees to assume all or a portion of the ceding company's losses, in excess of a specified amount. In excess of loss reinsurance, the premium payable to the reinsurer is negotiated by the parties based on their assessment of the amount of risk being ceded to the reinsurer because the reinsurer does not share proportionately in the ceding company's losses.

Historically, we ceded risks through our MLQS. The MLQS transferred a portion of the risk related to certain lines of business written by us to reinsurers in exchange for a proportion of the gross written premiums on that business. Transferring risk to the reinsurers also reduced the amount of capital required to support our insurance operations. Under the terms of the MLQS contract covering the 2016 calendar year ("2016 MLQS"), we received a provisional ceding commission equal to 41% of ceded written premiums and paid a reinsurance margin equal to 4% of ceded written premium. The MLQS included a sliding scale commission provision that reduced the ceding commission to 25% or increased the ceding commission to 41% based on the loss experience of the business ceded. Additionally, we were entitled to an additional contingent profit commission up to an amount equal to all of the reinsurers' profits above the margin based on the underwriting results of the business ceded, upon commutation of the contract. The contract had a loss ratio cap of 110%, which means that we could not cede any losses in excess of a 110% loss ratio to the reinsurers. As a result of the successful completion of our IPO in August 2016, we terminated and commuted the 2016 MLQS contract on October 1, 2016. Effective January 1, 2017, we commuted the remaining outstanding MLQS contract, which covered the period January 1, 2015 through December 31, 2015. For a discussion regarding the effects of the MLQS contract on our results, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Overview."

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In addition to the MLQS described above, the following is a summary of our other significant reinsurance programs as of June 30, 2017:

Line of Business Covered	Company Policy Limit	Reinsurance Coverage	Company Retention
Property	Up to \$10.0 million per risk	\$9.0 million excess of \$1.0 million	\$1.0 million per risk
Property - catastrophe (1)	Up to \$10.0 million per occurrence	\$45.0 million excess of \$5.0 million	\$5.0 million per occurrence
Excess casualty (2)	Up to \$10.0 million per occurrence	Variable quota share	\$1.5 million per occurrence except as described in note (2) below

- (1) Our property catastrophe reinsurance reduces the financial impact of a catastrophe event involving multiple claims and policyholders. Our property catastrophe reinsurance includes a reinstatement provision which requires us to pay reinstatement premiums after a loss has occurred in order to preserve coverage. Including the reinstatement provision, the maximum aggregate loss recovery limit is \$90 million and is in addition to the per-occurrence coverage provided by our facultative and other treaty coverages.
- (2) Reinsurance is not applicable to any individual policy with a per occurrence limit of less than \$1.5 million. For policies with a per occurrence limit of \$1.5 million or higher, the quota share ceding percentage varies such that the retention is always \$1.5 million. For example, for a \$2.0 million limit excess policy, our retention would be 75%, whereas for a \$10.0 million limit excess policy, our retention would be 15%. For policies for which we also write an underlying primary limit, the retention on the combined primary and excess policy would not exceed \$1.5 million.

At each renewal, we consider any plans to change the underlying insurance coverage we offer, as well as updated loss activity, the level of our capital and surplus, changes in our risk appetite and the cost and availability of reinsurance treaties.

Reinsurance contracts do not relieve us from our obligations to policyholders. Failure of the reinsurer to honor its obligations could result in losses to us, and therefore, we establish allowances for amounts considered uncollectible. In formulating our reinsurance programs, we are selective in our choice of reinsurers and we consider numerous factors, the most important of which are the financial stability of the reinsurer, its history of responding to claims and its overall reputation. In an effort to minimize our exposure to the insolvency of our reinsurers, we review the financial condition of each reinsurer annually. In addition, we continually monitor for rating downgrades involving any of our reinsurers. At June 30, 2017, all reinsurance contracts that our insurance subsidiary was party to were with companies with A.M. Best ratings of "A" (Excellent) or better. As of June 30, 2017, we have never had an allowance for uncollectible reinsurance.

Ratings

Kinsale Insurance has a financial strength rating of "A-" (Excellent) from A.M. Best. A.M. Best assigns 16 ratings to insurance companies, which currently range from "A++" (Superior) to "F" (In Liquidation). "A-" (Excellent) is the fourth highest rating issued by A.M. Best. The "A-" (Excellent) rating is assigned to insurers that have, in A.M. Best's opinion, an excellent ability to meet their ongoing obligations to policyholders. This rating is intended to provide an independent opinion of an insurer's ability to meet its obligation to policyholders and is not an evaluation directed at investors.

The financial strength ratings assigned by A.M. Best have an impact on the ability of the insurance companies to attract and retain agents and brokers and on the risk profiles of the submissions for insurance that the insurance companies receive. The "A-" (Excellent) rating obtained by Kinsale Insurance is consistent with our business plan and allows us to actively pursue relationships with the agents and brokers identified in our marketing plan.

Financial condition

Stockholders' equity

As of June 30, 2017, total stockholders' equity was \$226.0 million and tangible stockholders' equity was \$223.7 million, compared to total stockholders' equity of \$210.2 million and tangible stockholders' equity \$207.9 million as of December 31, 2016. The increases in both total and tangible stockholders' equity over the prior year end balances were primarily due to net income and increases in unrealized gains on investments, net of taxes, offset in part by payment of dividends.

Tangible stockholders' equity is a non-GAAP financial measure. We define tangible stockholders' equity as stockholders' equity less intangible assets, net of deferred taxes. Our definition of tangible stockholders' equity may not be comparable to that of other companies, and it should not be viewed as a substitute for stockholders' equity calculated in accordance with GAAP. We use tangible stockholders' equity internally to evaluate the strength of our balance sheet and to compare returns relative to this measure.

Stockholders' equity at June 30, 2017 and December 31, 2016, reconciles to tangible stockholders' equity as follows:

	June 30, 2017		December 31, 2016
	(in thousands)		
Stockholders' equity	\$ 226,045	\$	210,214
Less: intangible assets, net of deferred taxes	2,300		2,300
Tangible stockholders' equity	<u>\$ 223,745</u>	<u>\$</u>	<u>207,914</u>

Investment portfolio

At June 30, 2017, our cash and invested assets of \$524.8 million consisted of fixed maturity securities, cash and cash equivalents, equity securities and short-term investments. At June 30, 2017, the majority of the investment portfolio was comprised of fixed maturity securities of \$390.7 million that were classified as available-for-sale. Available-for-sale investments are carried at fair value with unrealized gains and losses on these securities, net of applicable taxes, reported as a separate component of accumulated other comprehensive income. At June 30, 2017, we also held \$93.4 million of cash and cash equivalents, \$26.2 million of equity securities classified as available-for-sale, and \$14.5 million of short-term investments. Our fixed maturity securities, including cash equivalents, had a weighted average duration of 3.4 years at June 30, 2017 compared to 3.7 years at December 31, 2016 and an average rating of "AA" at June 30, 2017 and December 31, 2016.

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At June 30, 2017 and December 31, 2016, the amortized cost and fair value on available-for-sale securities were as follows:

	June 30, 2017			December 31, 2016		
	Amortized Cost	Estimated Fair Value	% of Total Fair Value	Amortized Cost	Estimated Fair Value	% of Total Fair Value
(in thousands)						
Fixed maturities:						
U.S. Treasury securities and obligations of U.S. government agencies	\$ 9,106	\$ 9,087	2.2%	\$ 12,106	\$ 12,098	2.8%
Obligations of states, municipalities and political subdivisions	132,826	134,163	32.2%	124,728	123,238	28.7%
Corporate and other securities	91,557	92,055	22.1%	118,473	118,790	27.6%
Asset-backed securities	76,929	77,153	18.5%	73,317	73,294	17.1%
Residential mortgage-backed securities	79,066	78,220	18.7%	84,902	83,803	19.5%
Total fixed maturities	389,484	390,678	93.7%	413,526	411,223	95.7%
Equity securities:						
Exchange traded funds	20,651	26,173	6.3%	14,350	18,374	4.3%
Total investments available for sale	\$ 410,135	\$ 416,851	100.0%	\$ 427,876	\$ 429,597	100.0%

The table below summarizes the credit quality of our fixed-maturity securities at June 30, 2017 and December 31, 2016, as rated by Standard & Poor's Financial Services, LLC ("Standard & Poor's"):

Standard & Poor's or Equivalent Designation	June 30, 2017		December 31, 2016	
	Fair Value	% of Total	Estimated Fair Value	% of Total
(in thousands)				
AAA	\$ 74,705	19.1%	\$ 77,192	18.8%
AA	170,951	43.8%	169,864	41.3%
A	114,448	29.3%	133,587	32.5%
BBB	23,873	6.1%	25,143	6.1%
Below BBB and unrated	6,701	1.7%	5,437	1.3%
Total	\$ 390,678	100.0%	\$ 411,223	100.0%

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The amortized cost and fair value of our available-for-sale investments in fixed maturity securities summarized by contractual maturity as of June 30, 2017 and December 31, 2016, were as follows:

	June 30, 2017			December 31, 2016		
	Amortized Cost	Estimated Fair Value	% of Fair Value	Amortized Cost	Estimated Fair Value	% of Fair Value
	(in thousands)					
Due in one year or less	\$ 59,336	\$ 59,330	15.2%	\$ 54,222	\$ 54,232	13.2%
Due after one year through five years	45,464	46,012	11.8%	77,714	77,928	18.9%
Due after five years through ten years	24,489	25,425	6.5%	24,881	25,435	6.2%
Due after ten years	104,200	104,538	26.8%	98,490	96,531	23.5%
Asset-backed securities	76,929	77,153	19.7%	73,317	73,294	17.8%
Residential mortgage-backed securities	79,066	78,220	20.0%	84,902	83,803	20.4%
Total fixed maturities	<u>\$ 389,484</u>	<u>\$ 390,678</u>	<u>100.0%</u>	<u>\$ 413,526</u>	<u>\$ 411,223</u>	<u>100.0%</u>

Actual maturities may differ from contractual maturities because some borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Restricted investments

In order to conduct business in certain states, we are required to maintain letters of credit or assets on deposit to support state-mandated insurance regulatory requirements and to comply with certain third-party agreements. Assets held on deposit or in trust accounts are primarily in the form of high-grade securities. The fair value of our restricted assets was \$7.1 million at June 30, 2017 and \$7.0 million at December 31, 2016.

Off-balance sheet arrangements

We do not have any material off-balance sheet arrangements.

Reconciliation of non-GAAP financial measures

Reconciliation of underwriting income

Underwriting income is a non-GAAP financial measure that is useful in evaluating our underwriting performance without regard to investment income. Underwriting income represents the pre-tax profitability of our insurance operations and is derived by subtracting losses and loss adjustment expenses and underwriting, acquisition and insurance expenses from net earned premiums. We use underwriting income as an internal performance measure in the management of our operations because we believe it gives us and users of our financial information useful insight into our results of operations and our underlying business performance. Underwriting income should not be viewed as a substitute for net income calculated in accordance with GAAP, and other companies may define underwriting income differently.

Net income for the three and six months ended June 30, 2017 and 2016, reconciles to underwriting income as follows:

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income	\$ 8,495	\$ 6,057	\$ 14,776	\$ 11,314
Income tax expense	4,260	3,196	7,265	5,828
Other expenses	402	486	402	946
Net investment income	(2,432)	(1,819)	(4,718)	(3,495)
Net realized investment (gains) losses	(24)	4	8	(383)
Other income	—	(78)	—	(136)
Underwriting income	\$ 10,701	\$ 7,846	\$ 17,733	\$ 14,074

Critical accounting estimates

We identified the accounting estimates which are critical to the understanding of our financial position and results of operations. Critical accounting estimates are defined as those estimates that are both important to the portrayal of our financial condition and results of operations and require us to exercise significant judgment. We use significant judgment concerning future results and developments in applying these critical accounting estimates and in preparing our consolidated financial statements. These judgments and estimates affect our reported amounts of assets, liabilities, revenues and expenses and the disclosure of our material contingent assets and liabilities. Actual results may differ materially from the estimates and assumptions used in preparing the consolidated financial statements. We evaluate our estimates regularly using information that we believe to be relevant. Our critical accounting policies and estimates are described in our annual consolidated financial statements and the related notes in our Annual Report on Form 10-K for the year ended December 31, 2016.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the risk of economic losses due to adverse changes in the estimated fair value of a financial instrument as the result of changes in interest rates, equity prices, foreign currency exchange rates and commodity prices. Our primary market risks have been equity price risk associated with investments in equity securities and interest rate risk associated with investments in fixed maturities. We do not have any material exposure to foreign currency exchange rate risk or commodity risk.

There have been no material changes in market risk from the information provided in our Annual Report on Form 10-K for the year ended December 31, 2016.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports we file under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required financial disclosure.

As of the end of the period covered by this Quarterly Report on Form 10-Q, we carried out an evaluation, under the supervision and with the participation of our management, including our CEO and CFO, of the effectiveness of the design and operation of our disclosure controls and procedures defined under Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based upon this evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective.

Changes in Internal Controls over Financial Reporting

No changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the quarter ended June 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

The effectiveness of any system of controls and procedures is subject to certain limitations, and, as a result, there can be no assurance that our controls and procedures will detect all errors or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be attained.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are party to legal proceedings which arise in the ordinary course of business. We believe that the outcome of such matters, individually and in the aggregate, will not have a material adverse effect on our consolidated financial position.

Item 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2016.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 6. Exhibits

See Exhibit Index for a list of exhibits filed as part of this report.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

KINSALE CAPITAL GROUP, INC.

Date: August 3, 2017

By: /s/ Michael P. Kehoe

Michael P. Kehoe
President and Chief Executive Officer

Date: August 3, 2017

By: /s/ Bryan P. Petrucelli

Bryan P. Petrucelli
Senior Vice President, Chief Financial Officer and Treasurer

Exhibit Index

Exhibit Number	Description
31.1	Certification of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document

* This certification is deemed not filed for purposes of section 18 of the Exchange Act, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act.

** Furnished with this Quarterly Report. Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933 and are deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934.

CERTIFICATION

I, Michael P. Kehoe, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kinsale Capital Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 3, 2017

/s/ Michael P. Kehoe

Michael P. Kehoe

President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Bryan P. Petrucelli, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kinsale Capital Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 3, 2017

/s/ Bryan P. Petrucelli

Bryan P. Petrucelli

Senior Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with the Quarterly Report on Form 10-Q of Kinsale Capital Group, Inc. (the "Company") for the period ended June 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael P. Kehoe, President and Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 3, 2017

/s/ Michael P. Kehoe

Michael P. Kehoe
President and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with the Quarterly Report on Form 10-Q of Kinsale Capital Group, Inc. (the "Company") for the period ended June 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bryan P. Petrucelli, Senior Vice President, Chief Financial Officer and Treasurer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 3, 2017

/s/ Bryan P. Petrucelli

Bryan P. Petrucelli

Senior Vice President, Chief Financial Officer and Treasurer

(Principal Financial Officer)

