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, 2021

☐ **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	**98-0664337**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

2035 Maywill Street
Suite 100
Richmond, Virginia 23230
(Address of principal executive offices, including zip code)

(804) 289-1300
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01	KNSL	Nasdaq Global Select Market

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit 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	☐

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 13(a) of the Exchange 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 stock outstanding at July 23, 2021: 22,805,592

KINSALE CAPITAL GROUP, INC.

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Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include any statement that does not directly relate to historical or current fact. These statements may discuss, among others, our future financial performance, our business prospects and strategy, our anticipated financial position, liquidity and capital, dividends and general market and industry conditions. You can identify forward-looking statements by words such as "anticipates," "estimates," "expects," "intends," "plans," "predicts," "projects," "believes," "seeks," "outlook," "future," "will," "would," "should," "could," "may," "can have," "prospects" or similar terms. Forward-looking statements are based on management's current expectations and assumptions about future events, which are subject to uncertainties, risks and changes in circumstances that are difficult to predict. These statements are only predictions and are not guarantees of future performance. Actual results may differ materially from those contemplated by a forward-looking statement. Factors that may cause such differences include, without limitation:

- the possibility that our loss reserves may be inadequate to cover our actual losses, which could have a material adverse effect on our financial condition, results of operations and cash flows;
- the inherent uncertainty of models resulting in actual losses that are materially different than our estimates;
- the failure of any of the loss limitations or exclusions we employ, or change in other claims or coverage issues, having a material adverse effect on our financial condition or results of operations;
- the inability to obtain reinsurance coverage at reasonable prices and on terms that adequately protect us;
- the possibility that severe weather conditions and other catastrophes may result in an increase in the number and amount of claims filed against us;
- adverse economic factors, including recession, inflation, periods of high unemployment or lower economic activity resulting in the sale of fewer policies than expected or an increase in frequency or severity of claims and premium defaults or both, affecting our growth and profitability;
- a decline in our financial strength rating adversely affecting the amount of business we write;
- the potential loss of one or more key executives or an inability to attract and retain qualified personnel adversely affecting our results of operations;
- our reliance on a select group of brokers;
- the changing market conditions of our excess and surplus lines ("E&S") insurance operations, as well as the cyclical nature of our business, affecting our financial performance;
- our employees taking excessive risks;
- the intense competition for business in our industry;
- the effects of litigation having an adverse effect on our business;
- the performance of our investment portfolio adversely affecting our financial results;
- the ability to pay dividends being dependent on our ability to obtain cash dividends or other permitted payments from our insurance subsidiary;
- being forced to sell investments to meet our liquidity requirements;

- extensive regulation adversely affecting our ability to achieve our business objectives or the failure to comply with these regulations adversely affecting our financial condition and results of operations;
- the other risks and uncertainties discussed in Part I, Item 1A of the Annual Report on Form 10-K for the year ended December 31, 2020.

Forward-looking statements speak only as of the date on which they are made. Except as expressly required under federal securities laws or the rules and regulations of the Securities and Exchange Commission ("SEC"), we do not assume any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. You should not place undue reliance on forward-looking statements. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

KINSALE CAPITAL GROUP, INC. AND SUBSIDIARIES
Consolidated Balance Sheets (Unaudited)

	June 30, 2021	December 31, 2020
	(in thousands, except share and per share data)	
Assets		
Investments:		
Fixed-maturity securities, available for sale, at fair value (amortized cost: $1,187,603 – 2021; $1,031,817 – 2020)	$ 1,224,879	$ 1,081,800
Equity securities, at fair value (cost: $105,322 – 2021; $98,758 – 2020)	150,882	129,662
Total investments	1,375,761	1,211,462
Cash and cash equivalents	128,005	77,093
Investment income due and accrued	7,070	6,637
Premiums receivable, net	65,727	48,641
Reinsurance recoverables	105,496	93,215
Ceded unearned premiums	29,431	24,265
Deferred policy acquisition costs, net of ceding commissions	38,801	31,912
Intangible assets	3,538	3,538
Other assets	52,448	50,133
Total assets	$ 1,806,277	$ 1,546,896
Liabilities and Stockholders' Equity		
Liabilities:		
Reserves for unpaid losses and loss adjustment expenses	$ 753,324	$ 636,013
Unearned premiums	317,462	260,986
Payable to reinsurers	20,229	12,672
Accounts payable and accrued expenses	11,694	13,651
Credit facility	42,633	42,570
Deferred income tax liability, net	2,559	4,648
Other liabilities	28,740	118
Total liabilities	1,176,641	970,658
Stockholders' equity:		
Common stock, $0.01 par value, 400,000,000 shares authorized, 22,805,592 and 22,757,251 shares issued and outstanding at June 30, 2021 and December 31, 2020, respectively	228	228
Additional paid-in capital	292,050	291,315
Retained earnings	306,017	243,315
Accumulated other comprehensive income	31,341	41,380
Total stockholders' equity	629,636	576,238
Total liabilities and stockholders' equity	$ 1,806,277	$ 1,546,896

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,	
	2021	2020	2021	2020
	(in thousands, except per share data)			
Revenues:				
Gross written premiums	$ 194,061	$ 134,091	$ 362,937	$ 258,127
Ceded written premiums	(26,308)	(16,484)	(50,886)	(32,467)
Net written premiums	167,753	117,607	312,051	225,660
Change in unearned premiums	(30,053)	(20,650)	(51,310)	(38,942)
Net earned premiums	137,700	96,957	260,741	186,718
Net investment income	7,429	6,645	14,371	12,605
Change in the fair value of equity securities	7,565	13,839	14,656	(2,322)
Net realized investment gains	304	253	1,502	1,029
Other income	12	13	23	23
Total revenues	153,010	117,707	291,293	198,053
Expenses:				
Losses and loss adjustment expenses	79,115	58,304	149,375	112,037
Underwriting, acquisition and insurance expenses	29,889	22,961	58,025	44,544
Other expenses	398	—	846	—
Total expenses	109,402	81,265	208,246	156,581
Income before income taxes	43,608	36,442	83,047	41,472
Total income tax expense	7,973	6,180	15,333	6,124
Net income	35,635	30,262	67,714	35,348
Other comprehensive income:				
Change in net unrealized gains on available-for-sale investments, net of taxes	9,583	27,008	(10,039)	17,785
Total comprehensive income	$ 45,218	$ 57,270	$ 57,675	$ 53,133
Earnings per share:				
Basic	$ 1.57	$ 1.37	$ 2.99	$ 1.60
Diluted	$ 1.55	$ 1.33	$ 2.94	$ 1.56
Weighted-average shares outstanding:				
Basic	22,678	22,153	22,665	22,131
Diluted	23,054	22,707	23,055	22,694

See accompanying notes to condensed consolidated financial statements.

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

	Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	(in thousands, except per share data)					
Balance at December 31, 2020	22,757	$ 228	$ 291,315	$ 243,315	$ 41,380	$ 576,238
Issuance of common stock under stock-based compensation plan	55	—	339	—	—	339
Stock-based compensation expense	—	—	1,036	—	—	1,036
Dividends declared ($0.11 per share)	—	—	—	(2,504)	—	(2,504)
Other comprehensive loss, net of tax	—	—	—	—	(19,622)	(19,622)
Net income	—	—	—	32,079	—	32,079
Balance at March 31, 2021	22,812	228	292,690	272,890	21,758	587,566
Issuance of common stock under stock-based compensation plan	7	—	163	—	—	163
Stock-based compensation expense	—	—	1,279	—	—	1,279
Restricted shares withheld for taxes	(13)	—	(2,082)	—	—	(2,082)
Dividends declared ($0.11 per share)	—	—	—	(2,508)	—	(2,508)
Other comprehensive income, net of tax	—	—	—	—	9,583	9,583
Net income	—	—	—	35,635	—	35,635
Balance at June 30, 2021	22,806	$ 228	$ 292,050	$ 306,017	$ 31,341	$ 629,636
Balance at December 31, 2019	22,206	$ 222	$ 229,229	$ 162,911	$ 13,518	$ 405,880
Adoption of new accounting standard for credit losses, net	—	—	—	78	—	78
Issuance of common stock under stock-based compensation plan	48	1	701	—	—	702
Stock-based compensation expense	—	—	812	—	—	812
Dividends declared ($0.09 per share)	—	—	—	(2,001)	—	(2,001)
Other comprehensive loss, net of tax	—	—	—	—	(9,223)	(9,223)
Net income	—	—	—	5,086	—	5,086
Balance at March 31, 2020	22,254	223	230,742	166,074	4,295	401,334
Issuance of common stock under stock-based compensation plan	61	—	395	—	—	395
Stock-based compensation expense	—	—	931	—	—	931
Restricted shares withheld for taxes	(12)	—	(1,803)	—	—	(1,803)
Dividends declared ($0.09 per share)	—	—	—	(2,013)	—	(2,013)
Other comprehensive income, net of tax	—	—	—	—	27,008	27,008
Net income	—	—	—	30,262	—	30,262
Balance at June 30, 2020	22,303	$ 223	$ 230,265	$ 194,323	$ 31,303	$ 456,114

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,	
	2021	2020
	(in thousands)	
Operating activities:		
Net cash provided by operating activities	$ 194,948	$ 132,587
Investing activities:		
Purchase of property and equipment	(2,946)	(20,113)
Sale of property and equipment	—	4,999
Purchases – fixed-maturity securities	(315,152)	(231,112)
Purchases – equity securities	(8,283)	(31,985)
Sales – fixed-maturity securities	87,681	54,525
Sales – equity securities	1,583	—
Maturities and calls – fixed-maturity securities	99,683	42,079
Net cash used in investing activities	(137,434)	(181,607)
Financing activities:		
Proceeds from credit facility	—	16,300
Payroll taxes withheld and remitted on share-based payments	(2,082)	(1,803)
Proceeds from stock options exercised	502	1,097
Dividends paid	(5,022)	(4,006)
Net cash (used in) provided by financing activities	(6,602)	11,588
Net change in cash and cash equivalents	50,912	(37,432)
Cash and cash equivalents at beginning of year	77,093	100,408
Cash and cash equivalents at end of period	$ 128,005	$ 62,976

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 unaudited 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. As such, these unaudited condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements of Kinsale Capital Group, Inc. and its subsidiaries ("the Company") included in the Annual Report on Form 10-K for the year ended December 31, 2020. 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.

Recently adopted accounting pronouncements

Accounting Standard Update ("ASU") 2019-12, Income Taxes - Simplifying the Accounting for Income Taxes

In December 2019, the Financial Accounting Standards Board ("FASB") issued updated guidance for the accounting for income taxes. The updated guidance is intended to simplify the accounting for income taxes by removing several exceptions contained in existing guidance and amending other existing guidance to simplify several other income tax accounting matters. Effective January 1, 2021, the Company adopted ASU 2019-12, which did not have a material impact on the Company's condensed consolidated financial statements.

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

2. Investments

Available-for-sale investments

The following tables summarize the available-for-sale investments at June 30, 2021 and December 31, 2020:

	June 30, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(in thousands)			
Fixed maturities:				
Obligations of states, municipalities and political subdivisions	$ 211,296	$ 13,547	$ (204)	$ 224,639
Corporate and other securities	412,687	16,646	(1,001)	428,332
Asset-backed securities	274,514	3,735	(86)	278,163
Commercial mortgage-backed securities	60,119	3,414	(74)	63,459
Residential mortgage-backed securities	228,987	2,893	(1,594)	230,286
Total fixed-maturity investments	$ 1,187,603	$ 40,235	$ (2,959)	$ 1,224,879

	December 31, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(in thousands)			
Fixed maturities:				
Obligations of states, municipalities and political subdivisions	$ 216,181	$ 14,792	$ (67)	$ 230,906
Corporate and other securities	294,854	21,840	(86)	316,608
Asset-backed securities	236,813	4,230	(382)	240,661
Commercial mortgage-backed securities	66,110	4,886	(27)	70,969
Residential mortgage-backed securities	217,859	4,938	(141)	222,656
Total fixed-maturity investments	$ 1,031,817	$ 50,686	$ (703)	$ 1,081,800

Available-for-sale securities in a loss position

The Company regularly reviews all its available-for-sale investments with unrealized losses to assess whether the decline in the fair value is deemed to be a credit loss. The Company considers a number of factors in completing its review of credit losses, including the extent to which a security's 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 a credit loss.

For fixed-maturity securities, the Company also 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, and its ability to recover all amounts outstanding when contractually due. When assessing whether it intends to sell a fixed-maturity security or, if it is likely to be required to sell a fixed-maturity security 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 fixed-maturity securities where a decline in fair value is below the amortized cost basis 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. For fixed-maturity securities that the Company does not intend to sell or for which it is more likely than not that the Company would not be required to sell before recovery of its amortized cost, 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 impairment, which is recognized in net income through an allowance for credit losses. Any remaining decline in fair value represents the noncredit portion of the impairment, which is recognized in other comprehensive income.

The Company reports investment income due and accrued separately from available-for-sale investments and has elected not to measure an allowance for credit losses for investment income due and accrued. Investment income due and accrued is written off through net realized gains (losses) on investments at the time the issuer of the bond defaults or is expected to default on payments.

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

	June 30, 2021					
	Less than 12 Months		12 Months or Longer		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
	(in thousands)					
Fixed maturities:						
Obligations of states, municipalities and political subdivisions	$ 13,538	$ (204)	$ —	$ —	$ 13,538	$ (204)
Corporate and other securities	74,696	(1,001)	—	—	74,696	(1,001)
Asset-backed securities	57,943	(62)	9,403	(24)	67,346	(86)
Commercial mortgage-backed securities	9,659	(74)	—	—	9,659	(74)
Residential mortgage-backed securities	127,396	(1,549)	4,212	(45)	131,608	(1,594)
Total fixed-maturity investments	$ 283,232	$ (2,890)	$ 13,615	$ (69)	$ 296,847	$ (2,959)

At June 30, 2021, the Company held 121 fixed-maturity securities in an unrealized loss position with a total estimated fair value of $296.8 million and gross unrealized losses of $3.0 million. Of these securities, 7 were in a continuous unrealized loss position for greater than one year. As discussed above, the Company regularly reviews all fixed-maturity securities within its investment portfolio to determine whether a credit loss has occurred. Based on the Company's review as of June 30, 2021, unrealized losses were caused by interest rate changes or other market factors and were not credit-specific issues. At June 30, 2021, 80.0% of the Company’s fixed-maturity securities were rated "A-" or better and all of the Company’s fixed-maturity securities made expected coupon payments under the contractual terms of the securities. For the six months ended June 30, 2021, the Company concluded that there were no credit losses from fixed-maturity securities with unrealized losses.

	December 31, 2020					
	Less than 12 Months		12 Months or Longer		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
	(in thousands)					
Fixed maturities:						
Obligations of states, municipalities and political subdivisions	$ 6,412	$ (67)	$ —	$ —	$ 6,412	$ (67)
Corporate and other securities	3,829	(86)	—	—	3,829	(86)
Asset-backed securities	57,750	(149)	23,825	(233)	81,575	(382)
Commercial mortgage-backed securities	4,971	(27)	—	—	4,971	(27)
Residential mortgage-backed securities	46,869	(129)	266	(12)	47,135	(141)
Total fixed-maturity investments	$ 119,831	$ (458)	$ 24,091	$ (245)	$ 143,922	$ (703)

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, 2021 are summarized, by contractual maturity, as follows:

	June 30, 2021	
	Amortized Cost	Estimated Fair Value
	(in thousands)	
Due in one year or less	$ 8,024	$ 8,103
Due after one year through five years	168,151	175,444
Due after five years through ten years	198,812	207,615
Due after ten years	248,996	261,809
Asset-backed securities	274,514	278,163
Commercial mortgage-backed securities	60,119	63,459
Residential mortgage-backed securities	228,987	230,286
Total fixed-maturity securities	$ 1,187,603	$ 1,224,879

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, 2021 and 2020:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(in thousands)			
Interest:				
Taxable bonds	$ 6,156	$ 5,259	$ 11,885	$ 9,870
Tax exempt municipal bonds	877	908	1,762	1,823
Cash equivalents and short-term investments	9	11	10	261
Dividends on equity securities	953	879	1,822	1,454
Gross investment income	7,995	7,057	15,479	13,408
Investment expenses	(566)	(412)	(1,108)	(803)
Net investment income	$ 7,429	$ 6,645	$ 14,371	$ 12,605

Realized investment gains and losses

The following table presents realized investment gains and losses for the three and six months ended June 30, 2021 and 2020:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(in thousands)			
Fixed-maturity securities:				
Realized gains	$ 442	$ 320	$ 1,641	$ 1,107
Realized losses	(1)	(67)	(2)	(90)
Net realized gains from fixed-maturity securities	441	253	1,639	1,017
Equity securities:				
Realized losses	(137)	—	(137)	—
Net realized losses from equity securities	(137)	—	(137)	—
Realized gains from the sales of short-term investments	—	—	—	12
Net realized investment gains	$ 304	$ 253	$ 1,502	$ 1,029

Change in net unrealized gains (losses) on fixed-maturity securities

For the three and six months ended June 30, 2021, the changes in net unrealized gains (losses) for fixed-maturity securities were $12.1 million and $(12.7) million, respectively. For the three and six months ended June 30, 2020, the changes in net unrealized gains for fixed-maturity securities were $34.2 million and $22.5 million, respectively.

Insurance – statutory deposits

The Company had invested assets with a carrying value of $6.8 million and $6.9 million on deposit with state regulatory authorities at June 30, 2021 and December 31, 2020, respectively.

Payable for investments purchased

The Company recorded a payable for investments purchased, not yet settled, of $28.6 million at June 30, 2021. The payable balance was included in the "other liabilities" line item of the consolidated balance sheet.

3. Fair value measurements

Fair value is 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 or paid to transfer a liability 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 accounting vendor from nationally recognized third-party pricing services, where available. Values for exchange traded funds are generally based on Level 1 inputs, which use quoted prices in active markets for identical assets. For other fixed-maturity securities and non-redeemable preferred stock, the pricing vendors use a pricing methodology involving the market approach, including pricing models which use prices and relevant market information regarding a particular security or securities with similar characteristics to establish a valuation. The estimates of fair value of these investments are included in the amounts disclosed as Level 2. For those investments where significant inputs are unobservable, the Company's investment accounting vendor obtains valuations from pricing vendors or brokers using the market approach and income approach valuation techniques and are disclosed as Level 3.

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 accounting vendor that assess fair values from third party pricing services, 2) discussing with the Company's investment accounting vendor its process for reviewing and validating pricing obtained from third party pricing services and 3) reviewing the security pricing received from the Company's investment accounting vendor and monitoring changes in unrealized gains and losses at the individual security level. 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.

The following tables present the balances of assets measured at fair value on a recurring basis as of June 30, 2021 and December 31, 2020, by level within the fair value hierarchy:

	June 30, 2021			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Assets				
Fixed maturities:				
Obligations of states, municipalities and political subdivisions	$ —	$ 224,639	$ —	$ 224,639
Corporate and other securities	—	428,332	—	428,332
Asset-backed securities	—	278,163	—	278,163
Commercial mortgage-backed securities	—	63,459	—	63,459
Residential mortgage-backed securities	—	230,286	—	230,286
Total fixed-maturity securities	—	1,224,879	—	1,224,879
Equity securities:				
Exchange traded funds	113,248	—	—	113,248
Non-redeemable preferred stock	—	37,634	—	37,634
Total equity securities	113,248	37,634	—	150,882
Total	$ 113,248	$ 1,262,513	$ —	$ 1,375,761

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Assets				
Fixed maturities:				
Obligations of states, municipalities and political subdivisions	$ —	$ 230,906	$ —	$ 230,906
Corporate and other securities	—	316,608	—	316,608
Asset-backed securities	—	240,661	—	240,661
Commercial mortgage-backed securities	—	70,969	—	70,969
Residential mortgage-backed securities	—	222,656	—	222,656
Total fixed-maturity securities	—	1,081,800	—	1,081,800
Equity securities:				
Exchange traded funds	98,050	—	—	98,050
Non-redeemable preferred stock	—	31,612	—	31,612
Total equity securities	98,050	31,612	—	129,662
Total	$ 98,050	$ 1,113,412	$ —	$ 1,211,462

There were no assets or liabilities measured at fair value on a nonrecurring basis as of June 30, 2021 or December 31, 2020.

The carrying value of cash equivalents approximates its fair value at June 30, 2021 and December 31, 2020, due to the short-term maturities of these assets. In addition, the estimated fair value of the Credit Facility approximated its carrying value as of June 30, 2021 and December 31, 2020. See Note 12 for further information regarding the Credit Facility.

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, 2021 and 2020:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(in thousands)			
Balance, beginning of period	$ 34,741	$ 26,005	$ 31,912	$ 23,564
Policy acquisition costs deferred:				
Direct commissions	28,253	19,496	52,903	37,574
Ceding commissions	(6,990)	(3,891)	(13,194)	(7,763)
Other underwriting and policy acquisition costs	1,572	1,282	2,940	2,469
Policy acquisition costs deferred	22,835	16,887	42,649	32,280
Amortization of net policy acquisition costs	(18,775)	(13,950)	(35,760)	(26,902)
Balance, end of period	$ 38,801	$ 28,942	$ 38,801	$ 28,942

Amortization of net policy acquisition costs is included in the line item "Underwriting, acquisition and insurance expenses" in the accompanying consolidated statements of income and comprehensive income.

5. Property and equipment, net

Property and equipment are included in "other assets" in the accompanying consolidated balance sheets and consists of the following:

	June 30, 2021	December 31, 2020
	(in thousands)	
Building	$ 31,675	$ 31,675
Parking deck	5,072	5,072
Land	3,068	3,068
Equipment	2,891	2,770
Software	6,052	4,815
Furniture and fixtures	2,143	1,731
Land improvements	326	317
Construction in progress - corporate headquarters	1,200	—
	52,427	49,448
Accumulated depreciation	(4,353)	(3,262)
Total property and equipment, net	$ 48,074	$ 46,186

During the first quarter of 2020, the Company sold a portion of both its land and parking deck for approximately $6.5 million to a real estate developer for the development of an apartment building. As of June 30, 2021, the Company had received $5.0 million of the proceeds from the sale and is expected to receive the remaining

$1.5 million upon completion of the apartment building. This receivable is included in "other assets" on the accompanying consolidated balance sheet.

6. Underwriting, acquisition and insurance expenses

Underwriting, acquisition and insurance expenses for the three and six months ended June 30, 2021 and 2020 consist of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(in thousands)			
Underwriting, acquisition and insurance expenses incurred:				
Direct commissions	$ 23,554	$ 16,341	$ 44,719	$ 31,483
Ceding commissions	(6,087)	(3,463)	(11,442)	(6,646)
Other operating expenses	12,422	10,083	24,748	19,707
Total	$ 29,889	$ 22,961	$ 58,025	$ 44,544

Other operating expenses within underwriting, acquisition and insurance expenses include salaries, bonus and employee benefits expenses of $12.0 million and $9.2 million for the three months ended June 30, 2021 and 2020, respectively. Salaries, bonuses, and employee benefit expenses were $23.3 million and $18.0 million for the six months ended June 30, 2021 and 2020, respectively.

7. Stock-based compensation

On July 27, 2016, the Kinsale Capital Group, Inc. 2016 Omnibus Incentive Plan (the "2016 Incentive Plan") became effective. The 2016 Incentive Plan, which is administered by the Compensation, Nominating and Corporate Governance Committee of the Company's Board of Directors, provides for grants of stock options, restricted stock, restricted stock units and other stock-based awards to officers, employees, directors, independent contractors and consultants. The number of shares of common stock available for issuance under the 2016 Incentive Plan may not exceed 2,073,832.

The total compensation cost that has been charged against income for share-based compensation arrangements was $2.3 million and $1.7 million for the six months ended June 30, 2021 and 2020, respectively.

Restricted Stock Awards

During the six months ended June 30, 2021, the Company granted restricted stock awards under the 2016 Incentive Plan. The restricted stock awards were valued on the date of grant and will vest over a period of 1 to 4 years. The fair value of restricted stock awards was determined based on the closing trading price of the Company's shares on the grant date or, if no shares were traded on the grant date, the last preceding date for which there was a sale of shares. Except for restrictions placed on the transferability of restricted stock, holders of unvested restricted stock have full stockholder's rights, including voting rights and the right to receive dividends. Unvested shares of restricted stock awards and accrued dividends, if any, are forfeited upon the termination of service to or employment with the Company.

A summary of restricted stock activity under the 2016 Incentive Plan for the six months ended June 30, 2021 is as follows:

	For the Six Months Ended June 30, 2021	
	Number of Shares	Weighted Average Grant Date Fair Value per Share
Non-vested outstanding at the beginning of the period	108,392	$ 97.40
Granted	35,870	$ 185.00
Vested	(40,733)	$ 86.79
Forfeited	(6,098)	$ 128.15
Non-vested outstanding at the end of the period	97,431	$ 132.15

Employees surrender shares to pay for withholding tax obligations resulting from any vesting of restricted stock awards. During the six months ended June 30, 2021, shares withheld for taxes in connection with the vesting of restricted stock awards totaled 12,839.

The weighted average grant-date fair value of the Company's restricted stock awards granted during the six months ended June 30, 2021 and 2020 was $185.00 and $145.46, respectively. The fair value of restricted stock awards that vested during the six months ended June 30, 2021 and 2020 was $6.8 million and $5.8 million, respectively. As of June 30, 2021, the Company had $11.8 million of total unrecognized stock-based compensation expense expected to be charged to earnings over a weighted-average period of 2.9 years.

Stock Options

On July 27, 2016, the Board of Directors approved, and the Company granted, 1,036,916 stock options with an exercise price equal to the initial public offering price of $16.00 per share and a weighted-average grant-date fair value of $2.71 per share. The options have a maximum contractual term of 10 years and vested in 4 equal annual installments following the date of the grant.

The value of the options granted was estimated at the date of grant using the Black-Scholes pricing model using the following assumptions:

Risk-free rate of return	1.26 %
Dividend yield	1.25 %
Expected share price volatility[(1)]	18.50 %
Expected life in years[(2)]	6.3 years

(1) Expected volatility was based on the Company’s competitors within the industry.

(2) Expected life was calculated using the simplified method, which was an average of the contractual term of the option and its ordinary vesting period, as the Company did not have sufficient historical data for determining the expected term of our stock option awards.

A summary of option activity as of June 30, 2021, and changes during the period then ended is presented below:

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Years of Contractual Term	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2021	387,738	$ 16.00		
Granted	—	—		
Forfeited	—	—		
Exercised	(31,408)	16.00		
Outstanding at June 30, 2021	356,330	$ 16.00	5.1	$ 53,011
Exercisable at June 30, 2021	356,330	$ 16.00	5.1	$ 53,011

The total intrinsic value of options exercised was $5.1 million and $7.6 million during the six months ended June 30, 2021 and 2020, respectively.

8. 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 condensed consolidated financial statements:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(in thousands, except per share data)			
Net income	$ 35,635	$ 30,262	$ 67,714	$ 35,348
Weighted average common shares outstanding - basic	22,678	22,153	22,665	22,131
Effect of potential dilutive securities:				
Conversion of stock options	327	490	335	500
Conversion of restricted stock	49	64	55	63
Weighted average common shares outstanding - diluted	23,054	22,707	23,055	22,694
Earnings per common share:				
Basic	$ 1.57	$ 1.37	$ 2.99	$ 1.60
Diluted	$ 1.55	$ 1.33	$ 2.94	$ 1.56

There were 32 thousand anti-dilutive stock awards for the three and six months ended June 30, 2021 and 37 thousand anti-dilutive stock awards for the three and six months ended June 30, 2020.

9. Income taxes

The Company uses the estimated annual effective tax rate method for calculating its tax provision in interim periods, which represents the Company's best estimate of the effective tax rate expected for the full year. The estimated annual effective tax rate typically differs from the U.S. statutory tax rate, primarily as a result of tax-exempt investment income and any discrete items recognized during the period. The Company's effective tax rates were

18.5% and 14.8% for the six months ended June 30, 2021 and 2020, respectively. The effective tax rates were lower than the federal statutory rate of 21% due to the tax benefits from stock-based compensation and from income generated by certain tax-exempt investments.

10. 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, 2021	June 30, 2020
	(in thousands)	
Gross reserves for unpaid losses and loss adjustment expenses, beginning of year	$ 636,013	$ 460,058
Less: reinsurance recoverable on unpaid losses	83,730	69,792
Adoption of accounting standard for credit losses	—	(282)
Net reserves for unpaid losses and loss adjustment expenses, beginning of year	552,283	390,548
Incurred losses and loss adjustment expenses:		
Current year	165,583	118,662
Prior years	(16,208)	(6,625)
Total net losses and loss adjustment expenses incurred	149,375	112,037
Payments:		
Current year	4,398	3,245
Prior years	48,199	42,259
Total payments	52,597	45,504
Net reserves for unpaid losses and loss adjustment expenses, end of period	649,061	457,081
Reinsurance recoverable on unpaid losses	104,263	68,720
Gross reserves for unpaid losses and loss adjustment expenses, end of period	$ 753,324	$ 525,801

During the six months ended June 30, 2021, the reserves for unpaid losses and loss adjustment expenses held at December 31, 2020 developed favorably by $16.2 million, of which $21.8 million was attributable to the 2020 accident year and reflected lower emergence of reported losses than expected across most lines of business. This favorable development was offset in part by adverse development, mostly attributable to the 2018 accident year as a result of modest adjustments in actuarial assumptions.

During the six months ended June 30, 2020, the reserves for unpaid losses and loss adjustment expenses held at December 31, 2019 developed favorably by $6.6 million. The favorable development was primarily attributable to the 2019 accident year of $5.0 million, which resulted from reported losses emerging at a lower level than expected across most lines of business.

11. Reinsurance

The following table summarizes the effect of reinsurance on premiums written and earned for the three and six months ended June 30, 2021 and 2020:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(in thousands)			
Premiums written:				
Direct	$ 194,061	$ 134,091	$ 362,937	$ 258,127
Assumed	—	—	—	—
Ceded	(26,308)	(16,484)	(50,886)	(32,467)
Net written	$ 167,753	$ 117,607	$ 312,051	$ 225,660
Premiums earned:				
Direct	$ 161,431	$ 112,149	$ 306,462	$ 215,883
Assumed	—	6	—	21
Ceded	(23,731)	(15,198)	(45,721)	(29,186)
Net earned	$ 137,700	$ 96,957	$ 260,741	$ 186,718

The following table summarizes ceded losses and loss adjustment expenses for the three and six months ended June 30, 2021 and 2020:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(in thousands)			
Ceded incurred losses and loss adjustment expenses	$ 10,912	$ 4,453	$ 23,413	$ 10,905

The following table presents reinsurance recoverables on paid and unpaid losses as of June 30, 2021 and December 31, 2020:

	June 30, 2021	December 31, 2020
	(in thousands)	
Reinsurance recoverables on paid losses	$ 1,233	$ 9,485
Reinsurance recoverables on unpaid losses	104,263	83,730
Reinsurance recoverables	$ 105,496	$ 93,215

12. Credit Agreement

On May 28, 2019, the Company entered into a Credit Agreement (the “Credit Agreement”) that provided the Company with a $50.0 million senior unsecured revolving credit facility (the “Credit Facility”) and an uncommitted accordion feature that permits the Company to increase the commitments by an additional $30.0 million. The Credit Facility has a maturity of May 28, 2024. Borrowings under the Credit Facility were used to fund construction of the Company’s new headquarters but may also be used for working capital and general corporate purposes.

Loans under the Credit Facility may be subject to varying rates of interest depending on whether the loan is a Eurodollar loan or an alternate base rate ("ABR") loan, at the Company's election. Eurodollar loans bear an interest rate per annum equal to adjusted LIBOR for the applicable interest period plus a margin of 1.75%. ABR loans bear an interest rate per annum equal to (a) the higher of the prime rate, the New York Federal Reserve Board Rate plus 0.50% or the one-month adjusted LIBOR plus 1%, plus (b) the applicable margin of 0.75%. As of June 30, 2021, there was $42.6 million outstanding under the Credit Facility, net of debt issuance cost of $0.4 million, with a weighted average interest rate of 1.91%.

The Credit Agreement also contains representations and warranties and affirmative and negative covenants customary for financings of this type, as well as customary events of default provisions. As of June 30, 2021, the Company was in compliance with all of its financial covenants under the Credit Facility.

13. Other comprehensive income (loss)

The following table summarizes the components of other comprehensive income (loss) for the three and six months ended June 30, 2021 and 2020:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(in thousands)			
Unrealized gains (losses) on fixed-maturity securities arising during the period, before income taxes	$ 12,482	$ 34,323	$ (11,168)	$ 23,412
Income tax (expense) benefit	(2,621)	(7,208)	2,345	(4,917)
Unrealized gains (losses) arising during the period, net of income taxes	9,861	27,115	(8,823)	18,495
Less reclassification adjustment:				
Net realized gains on fixed-maturity securities, before income taxes	351	135	1,539	899
Income tax expense	(73)	(28)	(323)	(189)
Reclassification adjustment included in net income, net of income taxes	278	107	1,216	710
Other comprehensive income (loss)	$ 9,583	$ 27,008	$ (10,039)	$ 17,785

The sale of an available-for-sale fixed-maturity security results in amounts being reclassified from accumulated other comprehensive income (loss) 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 this Quarterly Report on Form 10-Q and in the Annual Report on Form 10-K for the year ended December 31, 2020. 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, 2021 are not necessarily indicative of the results that may be expected for the full year ended December 31, 2021, 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, 2020.

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 a 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 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 2021, the percentage breakdown of our gross written premiums was 86% casualty and 14% property. Our underwriting divisions include small business, construction, excess casualty, commercial property, allied health, product liability, general casualty, life sciences, professional liability, management liability, energy, environmental, health care, 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% of our gross written premiums in the first six months of 2021, and is included within our personal insurance division.

COVID-19

We have been closely monitoring the impact of the COVID-19 pandemic and related economic effects on all aspects of our business, including how it will impact premium volume, losses and the fair value of our investment portfolio.

To date, management has not seen a significant decrease in the growth rate of its gross written premiums since the beginning of the COVID-19 pandemic and the related pressure in certain sectors of the U.S. economy. Over the past few years, including a time period preceding COVID-19, the E&S segment of the P&C market has been experiencing rapid growth due to dislocation in the overall property and casualty market and management expects premium growth to continue throughout the remainder of 2021.

With respect to reported claims, Kinsale does not write lines of business with heightened exposure to COVID-19 related claims. Specifically, Kinsale does not write event cancellation, mortgage insurance, trade credit or surety, workers' compensation or reinsurance business. Lines of business written by Kinsale that could be subject to COVID-19 related claims include general liability, management liability, healthcare-related professional liability and commercial property. In each case, policy terms and conditions would be expected to preclude coverage for virus-related claims. Although management cannot definitively determine the ultimate impact of COVID-19 and related economic conditions at this time, management has not experienced any material adverse effect on Kinsale's loss ratios due to COVID-19 related claims.

With respect to our investment portfolio, we seek to hold a high-quality, diversified portfolio of investments. During the first quarter of 2020, we experienced a significant decline in the fair value of our investment portfolio due to disruption in the global financial markets associated with COVID-19. Subsequent to the first quarter of 2020, the fair values of our investment portfolio rebounded sharply, gaining back all of the decline in fair value. However, during economic downturns, certain investments may default or become impaired due to deterioration in the financial condition or due to deterioration in the financial condition of an insurer that guarantees an issuer's payments on such investments. Given the conservative nature of our investment portfolio, we do not expect a material adverse impact on the value of our investment portfolio or a long-term negative impact on our financial condition, results of operations or cash flows as it relates to COVID-19.

Components of our results of operations

Gross written premiums

Gross written premiums are the amounts 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;
- Conversion 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 the 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. 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.

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 also include underwriting expenses that are directly related to the successful acquisition of those policies which are deferred. The amortization of 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 such as employment costs, telecommunication and technology costs, and legal and auditing fees.

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 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), the size of our investment portfolio is mainly a function of our invested equity capital combined with premiums we receive from our insureds less payments on policyholder claims.

Change in fair value of equity securities

Change in fair value of equity securities represents the increase or decrease in the fair value of equity securities held during the period.

Net realized investment gains (losses)

Net realized 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 credit impairments recognized in earnings.

Income tax expense

Currently, substantially all of our income tax expense relates to federal income taxes. Our insurance subsidiary, Kinsale Insurance Company, is not subject to income taxes in the states in which it operates; however, our non-insurance subsidiaries are subject to state income taxes, but have not generated any material taxable income to date. 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 we believe 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 net income, excluding net investment income, net change in the fair value of equity securities, net realized gains and losses on investments, other income, other expenses and income tax expense. See "—Reconciliation of non-GAAP financial measures" for a reconciliation of net income in accordance with GAAP to underwriting income.

Net operating earnings is a non-GAAP financial measure. We define net operating earnings as net income excluding the net change in the fair value of equity securities, after taxes, and net realized gains and losses on investments, after taxes. See "—Reconciliation of non-GAAP financial measures" for a reconciliation of net income in accordance with GAAP to net operating earnings.

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

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% indicates an underwriting profit. A combined ratio over 100% indicates an underwriting loss.

Return on equity is net income expressed on an annualized basis as a percentage of average beginning and ending total stockholders' equity during the period.

Operating return on equity is a non-GAAP financial measure. We define operating return on equity as net operating earnings expressed on an annualized basis as a percentage of average beginning and ending total stockholders' equity during the period. See "—Reconciliation of non-GAAP financial measures" for a reconciliation of net income in accordance with GAAP to net operating earnings.

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

Gross investment return is investment income from fixed-maturity and equity securities, before any deductions for fees and expenses, expressed as a percentage of the average beginning and ending book value of those investments during the period.

Three months ended June 30, 2021 compared to three months ended June 30, 2020

The following table summarizes our results of operations for the three months ended June 30, 2021 and 2020:

	Three Months Ended June 30,			
($ in thousands)	**2021**	**2020**	**Change**	**% Change**
Gross written premiums	$ 194,061	$ 134,091	$ 59,970	44.7 %
Ceded written premiums	(26,308)	(16,484)	(9,824)	59.6 %
Net written premiums	$ 167,753	$ 117,607	$ 50,146	42.6 %
Net earned premiums	$ 137,700	$ 96,957	$ 40,743	42.0 %
Losses and loss adjustment expenses	79,115	58,304	20,811	35.7 %
Underwriting, acquisition and insurance expenses	29,889	22,961	6,928	30.2 %
Underwriting income (1)	28,696	15,692	13,004	82.9 %
Net investment income	7,429	6,645	784	11.8 %
Change in the fair value of equity securities	7,565	13,839	(6,274)	(45.3)%
Net realized gains on investments	304	253	51	20.2 %
Other (expense) income, net	(386)	13	(399)	NM
Income before taxes	43,608	36,442	7,166	19.7 %
Income tax expense	7,973	6,180	1,793	29.0 %
Net income	$ 35,635	$ 30,262	$ 5,373	17.8 %
Net operating earnings (2)	$ 29,419	$ 19,129	$ 10,290	53.8 %
Loss ratio	57.5 %	60.1 %		
Expense ratio	21.7 %	23.7 %		
Combined ratio	79.2 %	83.8 %		
Annualized return on equity	23.4 %	28.2 %		
Annualized operating return on equity (2)	19.3 %	17.8 %		

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 in accordance with GAAP to underwriting income.

(2) Net operating earnings and annualized operating return on equity are non-GAAP financial measures. Net operating earnings is defined as net income excluding the net change in the fair value of equity securities, after taxes, and net realized investment gains and losses, after taxes. Annualized operating return on equity is defined as net operating earnings expressed on an annualized basis as a percentage of average beginning and ending total stockholders' equity during the period. See "—Reconciliation of non-GAAP financial measures" for a reconciliation of net income in accordance with GAAP to net operating earnings.

Net income was $35.6 million for the three months ended June 30, 2021 compared to $30.3 million for the three months ended June 30, 2020, an increase of 17.8%. The increase in net income for the second quarter of 2021 over the second quarter of 2020 was primarily due to higher underwriting income, resulting from favorable E&S market conditions, rate increases and strong growth in broker submissions, offset in part by a smaller change in unrealized gains of the fair value of equity securities. During the second quarter of 2020, the fair value of equity securities rebounded sharply from significant declines in fair value in March 2020 associated with the disruption in the financial markets driven by the COVID-19 pandemic.

Underwriting income was $28.7 million for the three months ended June 30, 2021 compared to $15.7 million for the three months ended June 30, 2020, an increase of 82.9%. The corresponding combined ratios were 79.2% for the three months ended June 30, 2021 compared to 83.8% for the three months ended June 30, 2020. The increase in our underwriting income in the second quarter of 2021 compared to the second quarter of 2020, was largely due to premium growth from a strong underwriting environment, continued rate increases and higher net favorable development of loss reserves from prior accident years. These increases were offset in part by modest activity in catastrophe losses, largely from development on losses related to winter storms Uri and Viola in Texas.

Premiums

Our gross written premiums were $194.1 million for the three months ended June 30, 2021 compared to $134.1 million for the three months ended June 30, 2020, an increase of $60.0 million, or 44.7%. The increase in gross written premiums for the second quarter of 2021 over the same period last year was due to higher submission activity from brokers and higher rates on bound accounts, resulting from favorable market conditions. The average premium on a policy written was approximately $9,900 in the second quarter of 2021 compared to approximately $8,500 in the second quarter of 2020. Excluding our personal lines insurance, which has a relatively low premium per policy written, the average premium on a policy written was approximately $12,800 in the second quarter of 2021 compared to $11,400 in the second quarter of 2020.

Net written premiums increased by $50.1 million, or 42.6%, to $167.8 million for the three months ended June 30, 2021 from $117.6 million for the three months ended June 30, 2020. The increase in net written premiums for the second quarter of 2021 compared to the same period last year was primarily due to higher gross written premiums. The net retention ratio was 86.4% for the three months ended June 30, 2021 compared to 87.7% for the three months ended June 30, 2020. The decrease in the net retention ratio was largely due to the change in the mix of business and higher reinstatement premiums in the second quarter of 2021 over the second quarter of 2020.

Net earned premiums increased by $40.7 million, or 42.0%, to $137.7 million for the three months ended June 30, 2021 from $97.0 million for the three months ended June 30, 2020 and was directly related to growth in gross written premiums.

Loss ratio

The loss ratio was 57.5% for the three months ended June 30, 2021 compared to 60.1% for the three months ended June 30, 2020. The decrease in the loss ratio in the second quarter of 2021 compared to the second quarter of 2020 was due primarily to higher favorable development on loss reserves from prior accident years and slightly lower loss selections for the current accident year, offset in part by an increase in catastrophe losses in the current accident year, largely from development on losses related to winter storms Uri and Viola in Texas. During the three months ended June 30, 2021, prior accident years developed favorably by $9.1 million, of which $12.3 million was attributable to the 2020 accident year. The 2020 accident year reflected lower emergence of reported losses than expected. This favorable development was offset in part by adverse development, mostly attributable to accident years 2016 and 2017 as a result of modest adjustments in actuarial assumptions.

During the three months ended June 30, 2020, loss reserves for prior accident years developed favorably by $3.6 million, which was primarily attributable to the 2019 accident year.

The following table summarizes the loss ratios for the three months ended June 30, 2021 and 2020:

	Three Months Ended June 30,			
	2021		2020	
($ in thousands)	Losses and Loss Adjustment Expenses	% of Earned Premiums	Losses and Loss Adjustment Expenses	% of Earned Premiums
Loss ratio:				
Current accident year before catastrophe losses	$ 85,416	62.0 %	$ 61,530	63.4 %
Current year catastrophe losses	2,834	2.1 %	390	0.4 %
Effect of prior year development	(9,135)	(6.6)%	(3,616)	(3.7)%
Total	$ 79,115	57.5 %	$ 58,304	60.1 %

Expense ratio

The following table summarizes the components of the expense ratio for the three months ended June 30, 2021 and 2020:

	Three Months Ended June 30,			
	2021		2020	
($ in thousands)	Underwriting Expenses	% of Earned Premiums	Underwriting Expenses	% of Earned Premiums
Commissions incurred:				
Direct	$ 23,554	17.1 %	$ 16,341	16.9 %
Ceding	(6,087)	(4.4)%	(3,463)	(3.6)%
Net commissions incurred	17,467	12.7 %	12,878	13.3 %
Other underwriting expenses	12,422	9.0 %	10,083	10.4 %
Underwriting, acquisition and insurance expenses	$ 29,889	21.7 %	$ 22,961	23.7 %

The expense ratio was 21.7% for the three months ended June 30, 2021 compared to 23.7% for the three months ended June 30, 2020. The decrease in the expense ratio was due to lower other underwriting expenses and lower net commissions incurred as a percentage of earned premiums. The decrease in the other underwriting expense ratio was primarily due to higher net earned premiums, without a proportional increase in the amount of other underwriting expenses, as a result of management's focus on controlling costs. The decrease in the net commissions incurred ratio was mostly due to a higher ceding commissions on the excess casualty lines from a change in the mix of business and from ceding commissions from the personal insurance quota share treaty, effective June 1, 2020. Direct commissions paid as a percent of gross written premiums was 14.6% for the three months ended June 30, 2021 and 14.5% for the three months ended June 30, 2020.

Investing results

The following table summarizes net investment income, change in the fair value of equity securities and net realized investment gains for the three months ended June 30, 2021 and 2020:

($ in thousands)	Three Months Ended June 30, 2021	2020	Change	% Change
Interest from fixed-maturity securities	$ 7,033	$ 6,167	$ 866	14.0 %
Dividends from equity securities	953	879	74	8.4 %
Other	9	11	(2)	(18.2)%
Gross investment income	7,995	7,057	938	13.3 %
Investment expenses	(566)	(412)	(154)	37.4 %
Net investment income	7,429	6,645	784	11.8 %
Change in the fair value of equity securities	7,565	13,839	(6,274)	(45.3)%
Net realized investment gains	304	253	51	20.2 %
Total	$ 15,298	$ 20,737	$ (5,439)	NM

NM - Percentage change not meaningful.

Our net investment income increased by 11.8% to $7.4 million for the three months ended June 30, 2021 from $6.6 million for the three months ended June 30, 2020. This increase was primarily due to growth in our investment portfolio generated from the investment of positive cash flow since June 30, 2020. Our investment portfolio, excluding cash equivalents and unrealized gains and losses, had an annualized gross investment return of 2.6% for the three months ended June 30, 2021, compared to 3.0% for the three months ended June 30, 2020.

The change in unrealized gains on our equity investment portfolio was $7.6 million for the three months ended June 30, 2021 compared to $13.8 million for the three months ended June 30, 2020. During the second quarter of 2021, the change in unrealized gains was mostly attributable to our exchange-traded fund ("ETF") securities, whose valuations are largely reflective of the broader U.S. stock markets. During the second quarter of 2020, the fair value of our ETF securities rebounded sharply from a significant decline in fair value driven by the disruption in the financial markets in March 2020 associated with the COVID-19 pandemic.

Income tax expense

Our effective tax rate was 18.3% for the three months ended June 30, 2021 compared to 17.0% for the three months ended June 30, 2020. The effective tax rates were lower than the federal statutory rate of 21% due to the tax benefits from stock-based compensation and tax-exempt investment income.

Six months ended June 30, 2021 compared to six months ended June 30, 2020

The following table summarizes our results of operations for the six months ended June 30, 2021 and 2020:

	Six Months Ended June 30,			
($ in thousands)	**2021**	**2020**	**Change**	**% Change**
Gross written premiums	$ 362,937	$ 258,127	$ 104,810	40.6 %
Ceded written premiums	(50,886)	(32,467)	(18,419)	56.7 %
Net written premiums	$ 312,051	$ 225,660	$ 86,391	38.3 %
Net earned premiums	$ 260,741	$ 186,718	$ 74,023	39.6 %
Losses and loss adjustment expenses	149,375	112,037	37,338	33.3 %
Underwriting, acquisition and insurance expenses	58,025	44,544	13,481	30.3 %
Underwriting income [(1)]	53,341	30,137	23,204	77.0 %
Net investment income	14,371	12,605	1,766	14.0 %
Change in fair value of equity securities	14,656	(2,322)	16,978	(731.2)%
Net realized investment gains	1,502	1,029	473	46.0 %
Other (expense) income, net	(823)	23	(846)	NM
Income before taxes	83,047	41,472	41,575	100.2 %
Income tax expense	15,333	6,124	9,209	150.4 %
Net income	$ 67,714	$ 35,348	$ 32,366	91.6 %
Net operating earnings [(2)]	$ 54,949	$ 36,369	$ 18,580	51.1 %
Loss ratio	57.3 %	60.0 %		
Expense ratio	22.2 %	23.9 %		
Combined ratio	79.5 %	83.9 %		
Annualized return on equity	22.5 %	16.4 %		
Annualized operating return on equity[(2)]	18.2 %	16.9 %		

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 in accordance with GAAP to underwriting income.

[(2)] Net operating earnings and annualized operating return on equity are non-GAAP financial measures. Net operating earnings is defined as net income excluding the net change in the fair value of equity securities, after taxes, and net realized investment gains and losses, after taxes. Annualized operating return on equity is defined as net operating earnings expressed on an annualized basis as a percentage of average beginning and ending total stockholders’ equity during the period. See "—Reconciliation of non-GAAP financial measures" for a reconciliation of net income in accordance with GAAP to net operating earnings.

Net income was $67.7 million for the six months ended June 30, 2021 compared to $35.3 million for the six months ended June 30, 2020, an increase of 91.6%. The increase in net income for the first six months of 2021 over the same period last year was primarily due to a number of factors including higher returns on equity investments as a result of a rebound in the financial markets, growth in the business from favorable market conditions and continued rate increases, and higher net favorable development of loss reserves from prior accident years.

Underwriting income was $53.3 million for the six months ended June 30, 2021 compared to $30.1 million for the six months ended June 30, 2020, an increase of 77.0%. The corresponding combined ratios were 79.5% for the six months ended June 30, 2021 compared to 83.9% for the six months ended June 30, 2020. The increase in underwriting income for the first six months of 2021 compared to the same period last year was largely due to premium growth from a positive underwriting environment, continued rate increases and higher net favorable development of loss reserves from prior accident years. These increases were offset in part by modest activity in catastrophe losses, largely from development on losses related to winter storms Uri and Viola in Texas.

Premiums

Our gross written premiums were $362.9 million for the six months ended June 30, 2021 compared to $258.1 million for the six months ended June 30, 2020, an increase of $104.8 million, or 40.6%. The increase in gross written premiums for the first six months of 2021 over the same period last year was due to higher submission activity from brokers and higher rates across most lines of business, resulting from continued favorable conditions in the E&S market. The average premium on a policy written was approximately $9,900 in the first six months of 2021 compared to approximately $8,800 in the first six months of 2020. Excluding our personal lines insurance, which has a relatively low premium per policy written, the average premium on a policy written was approximately $12,600 for the first six months of 2021 and approximately $11,600 for the first six months of 2020.

Net written premiums increased by $86.4 million, or 38.3%, to $312.1 million for the six months ended June 30, 2021 from $225.7 million for the six months ended June 30, 2020. The increase in net written premiums for the first six months of 2021 compared to the same period last year was primarily due to higher gross written premiums. The net retention ratio was 86.0% for the six months ended June 30, 2021 compared to 87.4% for the same period last year. The decrease in the net retention ratio was primarily due to reinstatement premiums on the property lines of business and change in the mix of business.

Net earned premiums increased by $74.0 million, or 39.6%, to $260.7 million for the six months ended June 30, 2021 from $186.7 million for the six months ended June 30, 2020 due to growth in gross written premiums.

Loss ratio

The loss ratio was 57.3% for the six months ended June 30, 2021 compared to 60.0% for the six months ended June 30, 2020. The decrease in the loss ratio in the first six months of 2021 compared to the first six months of 2020 was due primarily from favorable net development of reserves from prior accident years and slightly lower loss selections for the current accident year, offset in part by an increase in catastrophe losses in the current accident year, largely from development on losses related to winter storms Uri and Viola in Texas.

During the first six months of 2021 and 2020, the favorable development of loss reserves from prior accident years was primarily due to reported losses emerging at lower levels than expected. During the six months ended June 30, 2021, prior accident years developed favorably by $16.2 million, of which $21.8 million was attributable to the 2020 accident year and reflected lower emergence of reported losses than expected. This favorable development was offset in part by adverse development, mostly attributable to the 2018 accident year as a result of modest adjustments in actuarial assumptions.

During the six months ended June 30, 2020, loss reserves from prior accident years developed favorably by $6.6 million, of which $5.0 million was attributable to the 2019 accident year.

The following table summarizes the loss ratios for the six months ended June 30, 2021 and 2020:

	Six Months Ended June 30,			
	2021		2020	
($ in thousands)	Losses and Loss Adjustment Expenses	% of Earned Premiums	Losses and Loss Adjustment Expenses	% of Earned Premiums
Loss ratio:				
Current accident year before catastrophe losses	$ 162,673	62.4 %	$ 118,201	63.3 %
Current year catastrophe losses	2,910	1.1 %	461	0.2 %
Effect of prior year development	(16,208)	(6.2)%	(6,625)	(3.5)%
Total	$ 149,375	57.3 %	$ 112,037	60.0 %

Expense ratio

The following table summarizes the components of the expense ratio for the six months ended June 30, 2021 and 2020:

	Six Months Ended June 30,			
	2021		2020	
($ in thousands)	Underwriting Expenses	% of Earned Premiums	Underwriting Expenses	% of Earned Premiums
Commissions incurred:				
Direct	$ 44,719	17.1 %	$ 31,483	16.9 %
Ceding	(11,442)	(4.4)%	(6,646)	(3.6)%
Net commissions incurred	33,277	12.7 %	24,837	13.3 %
Other underwriting expenses	24,748	9.5 %	19,707	10.6 %
Underwriting, acquisition and insurance expenses	$ 58,025	22.2 %	$ 44,544	23.9 %

The expense ratio was 22.2% for the six months ended June 30, 2021 compared to 23.9% for the six months ended June 30, 2020. The decrease in the expense ratio was due to lower other underwriting expenses and lower net commissions incurred as a percentage of earned premiums. The decrease in the other underwriting expense ratio was primarily due to higher net earned premiums, without a proportional increase in the amount of other underwriting expenses, as a result of management's focus on controlling costs. The decrease in the net commissions incurred ratio was mostly due to a higher ceding commissions on the excess casualty lines from a change in the mix of business and from ceding commissions from the personal insurance quota share treaty, effective June 1, 2020. Direct commissions paid as a percent of gross written premiums was 14.6% for both the six months ended June 30, 2021 and 2020.

Investing results

The following table summarizes net investment income, change in the fair value of equity securities and net realized investment gains for the six months ended June 30, 2021 and 2020:

	Six Months Ended June 30,			
($ in thousands)	**2021**	**2020**	**Change**	**% Change**
Interest from fixed-maturity securities	$ 13,647	$ 11,693	$ 1,954	16.7 %
Dividends from equity securities	1,822	1,454	368	25.3 %
Other	10	261	(251)	(96.2)%
Gross investment income	15,479	13,408	2,071	15.4 %
Investment expenses	(1,108)	(803)	(305)	38.0 %
Net investment income	14,371	12,605	1,766	14.0 %
Change in fair value of equity securities	14,656	(2,322)	16,978	(731.2)%
Net realized investment gains	1,502	1,029	473	46.0 %
Total	$ 30,529	$ 11,312	$ 19,217	NM

NM - Percentage change not meaningful.

Our net investment income increased by 14.0% to $14.4 million for the six months ended June 30, 2021 from $12.6 million for the six months ended June 30, 2020. This increase in the first six months of 2021 compared to the same period last year was primarily due to growth in our investment portfolio generated from the investment of positive cash flow since June 30, 2020 and proceeds from our equity offering in the third quarter of 2020. Our fixed-maturity investment portfolio, excluding cash equivalents and unrealized gains and losses, had an annualized gross investment return of 2.6% for the six months ended June 30, 2021 and 3.0% for the six months ended June 30, 2020.

During the first six months of 2021, the change in fair value of equity securities was comprised of unrealized gains related to ETF securities of $14.3 million and unrealized gains related to non-redeemable preferred stock of $0.4 million. The change in unrealized gains during the first half of 2021 attributable to ETF securities was largely reflective of the gains in the broader U.S. stock market.

During the first six months of 2020, the change in fair value of equity securities was comprised of unrealized losses related to non-redeemable preferred stock of $1.5 million and unrealized losses related to ETF securities of $0.8 million. The fair value of ETF securities declined by $13.1 million during the first quarter of 2020, driven by the disruption in the financial markets associated with the COVID-19 pandemic and, subsequently, the fair value of those securities rebounded sharply during the second quarter of 2020.

We perform quarterly reviews of all available-for-sale securities within our investment portfolio to determine whether the decline in a security's fair value is deemed to be a credit loss. Management concluded that there were no credit losses from available-for-sale investments for the six months ended June 30, 2021 or 2020.

Other expense, net

For the six months ended June 30, 2021, other expense, net was comprised of interest expense of $0.5 million and building costs not allocated to the insurance operations of $0.3 million.

Income tax expense

Our effective tax rate was 18.5% for the six months ended June 30, 2021 compared to 14.8% for the six months ended June 30, 2020. The effective tax rate was lower than the federal statutory rate of 21% primarily due to the tax benefits from stock-based compensation and tax-exempt investment income.

Return on equity

Our annualized return on equity was 22.5% for the six months ended June 30, 2021 compared to 16.4% for the six months ended June 30, 2020. Our annualized operating return on equity was 18.2% for the six months ended June 30, 2021 compared to 16.9% for the six months ended June 30, 2020. The increase in annualized operating return on equity for the six months ended June 30, 2021 compared to the prior period was attributable primarily to growth in the business and higher net favorable development of loss reserves from prior accident years.

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 Company, which is domiciled in Arkansas. Accordingly, we 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 Company in order to support premium growth, reduce our reliance on reinsurance, pay dividends and taxes and for other business purposes.

We receive corporate service fees from Kinsale Insurance Company 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.

In August 2019, we filed a universal shelf registration statement with the SEC that expires in 2022. We can use this shelf registration to issue an unspecified amount of debt securities, common stock, preferred stock, depositary shares and warrants. The specific terms of any securities we issue under this registration statement will be provided in the applicable prospectus supplements.

Management believes that the Company has sufficient liquidity available both in Kinsale and in its insurance subsidiary, Kinsale Insurance Company, 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 insurance brokers, as well as to pay for ongoing operating expenses such as salaries, consulting services and taxes. As described under "—Reinsurance" below, we use reinsurance to manage the risk that we take related to the issuance of 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, 2021 and 2020 were:

	Six Months Ended June 30,	
	2021	2020
	(in thousands)	
Cash and cash equivalents provided by (used in):		
Operating activities	$ 194,948	$ 132,587
Investing activities	(137,434)	(181,607)
Financing activities	(6,602)	11,588
Change in cash and cash equivalents	$ 50,912	$ (37,432)

Net cash provided by operating activities was approximately $194.9 million for the six months ended June 30, 2021, compared to $132.6 million for the same period in 2020. This increase was largely driven by higher premium volume, the timing of claim payments and reinsurance recoveries, offset in part by changes in operating assets and liabilities.

Net cash used in investing activities was $137.4 million for the six months ended June 30, 2021, compared to $181.6 million for the six months ended June 30, 2020. Net cash used in investing activities during the first six months of 2021 included purchases of fixed-maturity securities of $315.2 million, and were comprised primarily of corporate bonds, asset- and mortgage-backed securities, and municipal securities. During the first six months of 2021, we received proceeds of $87.7 million from sales of fixed-maturity securities, largely corporate bonds, and $99.7 million from redemptions of asset- and mortgage-backed securities and corporate bonds. For the six months ended June 30, 2021, purchases of ETF securities and non-redeemable preferred stock were $1.0 million and $7.3 million, respectively.

Net cash used in investing activities of $181.6 million during the first six months of 2020 included purchases of fixed-maturity securities of $231.1 million, which in part reflected the deployment of cash equivalents held at December 31, 2019. Purchases of fixed-maturity securities were comprised primarily of corporate bonds, asset- and mortgage-backed securities, and municipal securities. During the first six months of 2020, we received proceeds of $54.5 million from sales of fixed-maturity securities, largely corporate bonds, and $42.1 million from redemptions of asset- and mortgage-backed securities and corporate bonds. For the six months ended June 30, 2020, purchases of ETF securities and non-redeemable preferred stock were $26.2 million and $5.8 million, respectively. Net cash used in investing activities included net purchases of property and equipment of $15.1 million, primarily related to the development of our new corporate headquarters.

During the first six months of 2021, cash used in financing activities reflected dividends paid of $0.11 per common share, or $5.0 million in aggregate. Proceeds received from our equity compensation plans were $0.5 million, offset by payroll taxes withheld and remitted on restricted stock awards of $2.1 million for the six months ended June 30, 2021.

During the first six months of 2020, we drew down $16.3 million on our Credit Facility, which was used to fund construction of our new headquarter facilities. In addition, during the first six months of 2020, cash used in financing activities reflected dividends paid of $0.09 per common share, or $4.0 million in aggregate. Proceeds received from our equity compensation plans were $1.1 million, offset by payroll taxes withheld and remitted on restricted stock awards of $1.8 million for the six months ended June 30, 2020.

Credit agreement

In May 2019, we entered into a Credit Agreement that provided us with a $50 million Credit Facility and an uncommitted accordion feature that permits us to increase the commitments by an additional $30 million. The Credit Facility has a maturity of May 28, 2024. Borrowings under the Credit Facility was used to fund construction of our new headquarters but may also be used for working capital and general corporate purposes. Interest rates on borrowings are based on prevailing interest rates and the applicable margin, as described in the Credit Agreement. As of June 30, 2021, there was $42.6 million outstanding under the Credit Facility, net of debt issuance costs.

Reinsurance

We enter into reinsurance contracts primarily to limit our exposure to potential large losses. Reinsurance involves an insurance company transferring ("ceding") a portion of its exposure on a risk to another insurer, the reinsurer. The reinsurer assumes the exposure in return for a portion of the premium. 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. Under 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.

We renew our reinsurance treaties annually. During each renewal cycle, there are a number of factors we consider when determining our reinsurance coverage, including (1) plans to change the underlying insurance coverage we offer, (2) trends in loss activity, (3) the level of our capital and surplus, (4) changes in our risk appetite and (5) the cost and availability of reinsurance coverage.

To manage our natural catastrophe exposure, we use computer models to analyze the risk of severe losses. We measure exposure to these losses in terms of probable maximum loss ("PML"), which is an estimate of the amount of loss we would expect to meet or exceed once in a given number of years (referred to as the return period). When managing our catastrophe exposure, we focus on the 100 year and the 250 year return periods.

The following is a summary of our significant reinsurance programs as of June 30, 2021:

Line of Business Covered	Company Policy Limit	Reinsurance Coverage	Company Retention
Property - per risk (1)	Up to $10.0 million per risk	$5.75 million excess of $3.0 million	$3.0 million per occurrence
Property - personal insurance (2)	N/A	50% up to $30.4 million per catastrophe	50% of all personal property losses
Property - catastrophe (3)	N/A	$60.0 million excess of $15.0 million	$15.0 million per catastrophe
Primary casualty (4)	Up to $10.0 million per occurrence	$8.0 million excess of $2.0 million	$2.0 million per occurrence
Excess casualty (5)	Up to $10.0 million per occurrence	Variable quota share	$2.0 million per occurrence except as described in note (5) below

(1) Our property per-risk reinsurance reduces the financial impact of a large loss on a single commercial property or inland marine policy. In addition to the Company's retention, this treaty includes a deductible of the first $4.0 million of losses covered under this reinsurance treaty. This treaty also includes a reinstatement provision which

requires us to pay reinstatement premiums after a loss in excess of $5 million has occurred in order to preserve coverage.

(2) Our personal insurance quota share reinsurance reduces the financial impact of property losses on our personal insurance policies.

(3) 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 $120 million and is in addition to the per-occurrence coverage provided by our treaty coverages.

(4) Reinsurance is not applicable to any individual policy with a per-occurrence limit of $2.0 million or less.

(5) For casualty policies with a per-occurrence limit higher than $2.0 million, the ceding percentage varies such that the retention is always $2.0 million or less. For example, for a $4.0 million limit excess policy, our retention would be 50%, whereas for a $10.0 million limit excess policy, our retention would be 20%. For policies for which we also write an underlying primary limit, the retention on the primary and excess policy combined would not exceed $2.0 million.

Reinsurance contracts do not relieve us from our obligations to policyholders. Failure of the reinsurer to honor its obligation could result in losses to us, and therefore, we established an allowance for credit risk based on historical analysis of credit losses for highly rated companies in the insurance industry. 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, 2021, all reinsurance contracts that our insurance subsidiary was a party to were with companies with A.M. Best ratings of "A" (Excellent) or better. As of June 30, 2021, we recorded an allowance for doubtful accounts of $0.3 million related to our reinsurance balances.

Ratings

Kinsale Insurance Company has a financial strength rating of "A" (Excellent) with a stable outlook from A.M. Best. A.M. Best assigns ratings to insurance companies, which currently range from "A++" (Superior) to "F" (In Liquidation). "A" (Excellent) is the third 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 Company 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

At June 30, 2021, total stockholders' equity was $629.6 million and tangible stockholders' equity was $626.8 million, compared to total stockholders' equity of $576.2 million and tangible stockholders' equity $573.4 million at

December 31, 2020. The increases in both total and tangible stockholders' equity over the prior year-end balances were primarily due to profits generated during the period and activity related to stock-based compensation plans, offset in part by an increase in unrealized losses on available-for-sale investments, net of taxes, and payment of dividends. Tangible stockholders' equity is a non-GAAP financial measure. See "—Reconciliation of non-GAAP financial measures" for a reconciliation of stockholders' equity in accordance with GAAP to tangible stockholders' equity.

Investment portfolio

At June 30, 2021, our cash and invested assets of $1.5 billion consisted of fixed-maturity securities, equity securities and cash and cash equivalents. At June 30, 2021, the majority of the investment portfolio was comprised of fixed-maturity securities of $1.2 billion 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, 2021, we also held $150.9 million of equity securities, which were comprised of ETF securities and non-redeemable preferred stock, and $128.0 million of cash and cash equivalents.

Our fixed-maturity securities, including cash equivalents, had a weighted average duration of 4.3 years at June 30, 2021 and December 31, 2020 and an average rating of "AA-" at June 30, 2021 and December 31, 2020.

At June 30, 2021 and December 31, 2020, the amortized cost and estimated fair value on fixed-maturity securities were as follows:

	June 30, 2021			December 31, 2020		
	Amortized Cost	Estimated Fair Value	% of Total Fair Value	Amortized Cost	Estimated Fair Value	% of Total Fair Value
	($ in thousands)					
Fixed-maturity securities:						
Obligations of states, municipalities and political subdivisions	$ 211,296	$ 224,639	18.3 %	$ 216,181	$ 230,906	21.3 %
Corporate and other securities	412,687	428,332	35.0 %	294,854	316,608	29.3 %
Asset-backed securities	274,514	278,163	22.7 %	236,813	240,661	22.2 %
Commercial mortgage-backed securities	60,119	63,459	5.2 %	66,110	70,969	6.6 %
Residential mortgage-backed securities	228,987	230,286	18.8 %	217,859	222,656	20.6 %
Total fixed-maturity securities	$ 1,187,603	$ 1,224,879	100.0 %	$ 1,031,817	$ 1,081,800	100.0 %

The table below summarizes the credit quality of our fixed-maturity securities at June 30, 2021 and December 31, 2020, as rated by Standard & Poor’s Financial Services, LLC ("Standard & Poor's"):

	June 30, 2021		December 31, 2020	
Standard & Poor’s or Equivalent Designation	Estimated Fair Value	% of Total	Estimated Fair Value	% of Total
	($ in thousands)			
AAA	$ 353,811	28.9 %	$ 312,721	28.9 %
AA	387,174	31.6 %	382,174	35.3 %
A	237,509	19.4 %	187,970	17.4 %
BBB	174,554	14.2 %	157,777	14.6 %
Below BBB and unrated	71,831	5.9 %	41,158	3.8 %
Total	$ 1,224,879	100.0 %	$ 1,081,800	100.0 %

The amortized cost and estimated fair value of our fixed-maturity securities summarized by contractual maturity as of June 30, 2021 and December 31, 2020, were as follows:

	June 30, 2021			December 31, 2020		
	Amortized Cost	Estimated Fair Value	% of Total Fair Value	Amortized Cost	Estimated Fair Value	% of Total Fair Value
	($ in thousands)					
Due in one year or less	$ 8,024	$ 8,103	0.7 %	$ 15,545	$ 15,782	1.5 %
Due after one year through five years	168,151	175,444	14.3 %	107,150	115,390	10.7 %
Due after five years through ten years	198,812	207,615	16.9 %	156,958	169,711	15.7 %
Due after ten years	248,996	261,809	21.4 %	231,382	246,631	22.8 %
Asset-backed securities	274,514	278,163	22.7 %	236,813	240,661	22.2 %
Commercial mortgage-backed securities	60,119	63,459	5.2 %	66,110	70,969	6.5 %
Residential mortgage-backed securities	228,987	230,286	18.8 %	217,859	222,656	20.6 %
Total fixed-maturity securities	$ 1,187,603	$ 1,224,879	100.0 %	$ 1,031,817	$ 1,081,800	100.0 %

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.

As of June 30, 2021, 7.5% of our total cash and investments was invested in ETF securities. At June 30, 2021 and December 31, 2020, our ETF balances were comprised of the following funds:

	June 30, 2021		December 31, 2020	
Fund	Fair Value	% of Total	Fair Value	% of Total
	($ in thousands)			
Domestic stock market fund	$ 74,603	65.9 %	$ 64,760	66.0 %
Dividend yield equity fund	38,645	34.1 %	33,290	34.0 %
Total	$ 113,248	100.0 %	$ 98,050	100.0 %

As of June 30, 2021, 2.5% of our total cash and investments was invested in non-redeemable preferred stock. A summary of these securities by industry segment is shown below as of June 30, 2021 and December 31, 2020:

	June 30, 2021		December 31, 2020	
Industry	Fair Value	% of Total	Fair Value	% of Total
	($ in thousands)			
Financial	$ 33,643	89.4 %	$ 27,744	87.8 %
Utilities	3,095	8.2 %	3,034	9.6 %
Industrials and other	896	2.4 %	834	2.6 %
Total	$ 37,634	100.0 %	$ 31,612	100.0 %

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 $6.8 million and $6.9 million at June 30, 2021 and December 31, 2020, respectively.

Off-balance sheet arrangements

We do not have any material off-balance sheet arrangements at June 30, 2021.

Reconciliation of non-GAAP financial measures

Reconciliation of underwriting income

Underwriting income is defined as net income excluding net investment income, the net change in the fair value of equity securities, net realized investment gains, other income, other expenses and income tax expense. The Company uses underwriting income as an internal performance measure in the management of its operations because the Company believes it gives management and users of the Company's financial information useful insight into the Company's results of operations and 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, 2021 and 2020, reconciles to underwriting income as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	**2021**	**2020**	**2021**	**2020**
Net income	$ 35,635	$ 30,262	$ 67,714	$ 35,348
Income tax expense	7,973	6,180	15,333	6,124
Income before income taxes	43,608	36,442	83,047	41,472
Other expenses [(1)]	398	—	846	—
Net investment income	(7,429)	(6,645)	(14,371)	(12,605)
Change in the fair value of equity securities	(7,565)	(13,839)	(14,656)	2,322
Net realized investment gains	(304)	(253)	(1,502)	(1,029)
Other income	(12)	(13)	(23)	(23)
Underwriting income	$ 28,696	$ 15,692	$ 53,341	$ 30,137

[(1)] Other expenses are comprised of interest expense on our Credit Facility and building expenses not allocated to our insurance operations.

Reconciliation of net operating earnings

Net operating earnings is defined as net income excluding the effects of the net change in the fair value of equity securities, after taxes, and net realized gains and losses on investments, after taxes. Management believes the exclusion of these items provides a more useful comparison of the Company's underlying business performance from period to period. Net operating earnings and percentages or calculations using net operating earnings (e.g., diluted operating earnings per share and annualized operating return on equity) are non-GAAP financial measures. Net operating earnings should not be viewed as a substitute for net income calculated in accordance with GAAP, and other companies may define net operating earnings differently.

Net income for the three and six months ended June 30, 2021 and 2020, reconciles to net operating earnings as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	**2021**	**2020**	**2021**	**2020**
Net income	$ 35,635	$ 30,262	$ 67,714	$ 35,348
Change in the fair value of equity securities, after taxes	(5,976)	(10,933)	(11,578)	1,834
Net realized investment gains, after taxes	(240)	(200)	(1,187)	(813)
Net operating earnings	$ 29,419	$ 19,129	$ 54,949	$ 36,369
Operating return on equity:				
Average stockholders' equity [1]	$ 608,601	$ 428,724	$ 602,937	$ 430,997
Annualized return on equity [2]	23.4 %	28.2 %	22.5 %	16.4 %
Annualized operating return on equity [3]	19.3 %	17.8 %	18.2 %	16.9 %

[1] Computed by adding the total stockholders' equity as of the date indicated to the prior quarter-end or year-end total, as applicable, and dividing by two.

[2] Annualized return on equity is net income expressed on an annualized basis as a percentage of average beginning and ending stockholders' equity during the period.

[3] Annualized operating return on equity is net operating earnings expressed on an annualized basis as a percentage of average beginning and ending stockholders’ equity during the period.

Reconciliation of tangible stockholders' equity

Tangible stockholders’ equity is defined as total 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, 2021 and December 31, 2020, reconciles to tangible stockholders' equity as follows:

	June 30, 2021	December 31, 2020
	(in thousands)	
Stockholders' equity	$ 629,636	$ 576,238
Less: intangible assets, net of deferred taxes	2,795	2,795
Tangible stockholders' equity	$ 626,841	$ 573,443

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 condensed 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, if any. Actual results may differ materially from the estimates and assumptions used in preparing the condensed 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, 2020.

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, 2020.

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 as of that date.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting during the second quarter of 2021 that has materially affected, or is reasonably likely to materially affect, the Company’s 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 condensed 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, 2020.

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

None.

Item 6. Exhibits

Exhibit Number	Description
3.1	Second Amended and Restated Certificate of Incorporation of Kinsale Capital Group, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on May 24, 2018)
3.2	Amended and Restated By-Laws of Kinsale Capital Group, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the SEC on May 24, 2018)
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
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* 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.

** The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

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: July 29, 2021	By:	/s/ Michael P. Kehoe
		Michael P. Kehoe President and Chief Executive Officer
Date: July 29, 2021	By:	/s/ Bryan P. Petrucelli
		Bryan P. Petrucelli Executive Vice President, Chief Financial Officer and Treasurer

Exhibit 31.1

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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f), 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. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. 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

   d. 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.

July 29, 2021

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

Exhibit 31.2

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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f), 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. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. 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

   d. 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.

July 29, 2021

/s/ Bryan P. Petrucelli

Bryan P. Petrucelli
Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)

Exhibit 32.1

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, 2021 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.

July 29, 2021

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

Exhibit 32.2

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, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bryan P. Petrucelli, Executive 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.

July 29, 2021	/s/ Bryan P. Petrucelli
	Bryan P. Petrucelli Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)