

Initiated 2026-09-25 · Price \$336.82 (as of 2026-09-25 intraday, stockanalysis.com) · Mkt cap \$7.67bn · Financials / E&S property-casualty insurance · Model: verified

Rating: Hold — Conviction: Low

Kinsale is the lowest-cost underwriter in excess and surplus (E&S) lines. It earns a mid-70s combined ratio and a 24% operating return on equity. The underwriting cycle has turned against it: written premium fell 5% in Q2 as commercial-property competition took a third off that division. At 3.8x book, the price still assumes something close to today's returns lasting. The model's base case, in which the combined ratio drifts into the low 80s, sits 26% below the price. The bull case, in which the high 70s hold, sits 32% above it. It is a Hold rather than a Sell because the gap between the two is one assumption, the path of the combined ratio, and Kinsale's current results are still at the bull end of it.

MODEL VALUE RANGE VS PRICE



Business overview

Kinsale writes small, hard-to-place commercial risks in the E&S market, only through wholesale brokers. The book is casualty-heavy: general liability, excess casualty, products, professional lines and commercial auto. It also has a commercial property division, where competition is now fiercest. Net earned premium was \$1.58bn in FY2025 (up from \$583mm in FY2021), and investments were \$5.30bn at June 2026. Earnings depend on three variables:

- **Written-premium growth**, driven by submissions and rate.
- **The combined ratio**: a 21.4% expense ratio, well below most peers, plus losses, which include favourable reserve development of 4.5 points in H1 2026.
- **The yield on a float that is growing fast**: 4.3% annualized in H1 2026.

Competition

Kinsale competes with the E&S units of W. R. Berkley, Markel and RLI, with Skyward Specialty, and with admitted carriers pushing back into E&S as pricing softens. Pressure shows up first in property. Kinsale's Commercial Property gross written premium fell 32.7% in Q2 2026 and 30.9% in H1 on "heightened competition". Outside property, GWP grew only 3.7%, with lower average premium per policy even though submissions grew at double digits (Q2 2026 release, 2026-07-23). On P/B (stockanalysis, 2026-09-25), RLI trades at 2.94x, W. R. Berkley at 2.66x and Skyward at 1.92x, against Kinsale's 3.81x. RLI's forward P/E of 21x is distorted: its trailing earnings of 11.8x include investment gains.

Bull case

1. **Submission flow converts once pricing stabilises.** Double-digit submission growth in most divisions, and 4.8% ex-property GWP growth in H1, show that demand has not gone away; only price has softened. Plays out if competition in property burns out within a year and E&S keeps taking admitted-market business. *Model: npe_growth*
2. **The cost advantage holds the combined ratio in the high 70s.** The ratio was 76.4% in H1 2026, against 78.8% a year earlier. Plays out if reserve releases continue at ~4 points and the expense ratio stays near 21%. *Model: combined_ratio*
3. **Float compounds.** Investments grew 27% in FY2025. Net investment income was +23% in H1 2026 at a 4.3% yield. Plays out if yields hold near current levels. *Model: ia_growth, investment_yield*

Bear case

1. **The soft market spreads from property to casualty.** Net written premium fell 1.4% in Q2, so earned-premium growth will slow sharply from H1's 10%. Plays out if casualty rates follow property down in 2027. *Model: npe_growth, combined_ratio*
2. **Reserve releases fade or reverse.** Favourable development was worth 4.5 points of the H1 combined ratio. Casualty accident years written during rapid growth carry social-inflation risk. Plays out if development turns adverse on 2022–2024 casualty years. *Model: combined_ratio*
3. **The book multiple de-rates as ROE falls.** At 3.9x FY2025 book value, the price needs a return on equity in the mid-20s. If ROE falls toward the high teens, the justified multiple falls toward peers at 2–3x. *Model: cost_of_equity, terminal_growth*
4. **Rate cuts trim investment income.** Plays out if reinvestment yields fall below ~3.8%. *Model: investment_yield*

Valuation & balance sheet

Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
P/B (book value per share \$89.34, June 2026)	3.81x	n/a (unverified)	RLI 2.94x · W. R. Berkley 2.66x · Skyward 1.92x	stockanalysis.com, 2026-09-25
Forward P/E (consensus 2026 EPS \$21.13)	16.0x	n/a (unverified)	W. R. Berkley 14.2x · Skyward 10.6x · RLI 21.1x (distorted)	stockanalysis.com, 2026-09-25
Combined ratio (H1, GAAP)	76.4%	H1 2025 78.8%	n/a (unverified)	Q2 2026 release
Operating ROE (annualized)	24.4% (H1 2026)	24.7% H1 2025	ROE: RLI 25.2% · W. R. Berkley 20.2% · Skyward 17.3%	Q2 2026 release; stockanalysis.com

Model-implied value range (from `model-summary.json`; insurer module, residual income and justified P/BV, midpoints): Bear \$125.96 · Base \$250.03 · Bull \$443.16 per share, i.e. implied returns of –62.6% / –25.8% / +31.6% vs \$336.82. *These ranges show how the bull and bear drivers translate into value; they are not price targets.* The price sits a little closer to the base than to the bull. The market is pricing a mild softening, not a full cycle turn. The downside is about twice the size of the upside.

Re-rating. The two methods agree within 1% (residual income \$248.92, justified P/BV \$251.13). The base case embeds a de-rating: justified P/BV falls to ~2.9x FY2025 book (est., $\text{value_b} \div \text{FY0 book per share}$), against 3.9x today on the same book value. That puts it at the top of the peer range, not above it.

Why Hold and not Sell. The base case is a forecast of the cycle, not an observation. Kinsale's reported combined ratio is still 76%, the bull-case level, and management is still buying back stock: \$100mm in Q2 at an average of \$311.47. That is not a valuation endorsement, since it was bought below today's price and is ~1.3% of market cap. The call turns on whether the combined ratio moves, and the next two quarters will show it.

Balance sheet: net leverage not meaningful. Debt of \$224.5mm is 0.35x FY0 pre-tax earnings and ~10% of capital. Coverage is ~52x. Cash is \$210.5mm. The investment portfolio is AA- quality, with a duration of 4.3 years. Nearest maturity: n/a (unverified). Ratings: n/a (unverified).

Model note: tier `full` , status `built` , verification `verified` (all formula cells matched in LibreOffice). Unverified input: `market.other_claims` (zero, est.). The debt's split, coupon and maturity are placeholders. No assumptions without basis. Scenario consistency is `OK` on all 14 rows.

Other notes:

- FY0 pre-tax income includes investment gains, which the forward years do not project.
- AOCI is not modeled.
- Base Y1 EPS of \$20.83 is within 2% of the \$21.13 consensus.

Scenario stress test

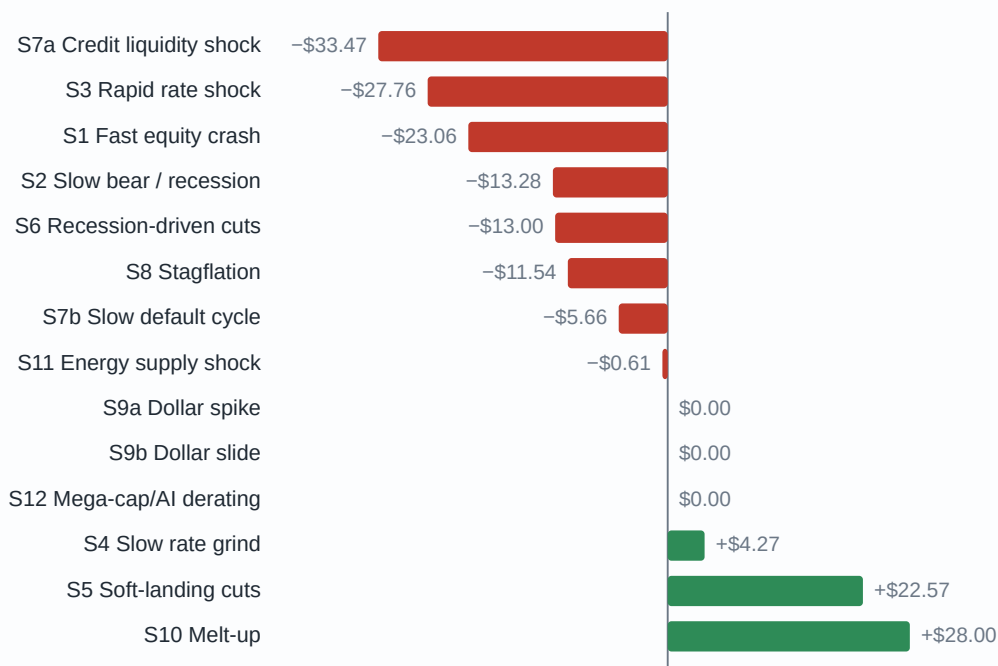
Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S1 Fast equity crash	–	Risk-premium spike lifts the cost of equity; no operating channel over weeks	Med	–\$23.06
S2 Slow bear / recession	–	Small-business exposure base shrinks and yields fall. Far milder than Base – Bear because casualty loss costs are not strongly cyclical; the bear case is a pricing cycle, not a recession	Med	–\$13.28
S3 Rapid rate shock	±	Higher reinvestment yields vs a higher cost of equity; the AOCI mark on a 4.3-year portfolio is not modeled	High	–\$27.76
S4 Slow rate grind	+	Portfolio reinvests higher over several years	Low	+\$4.27
S5 Soft-landing cuts	±	Lower yields vs a lower cost of equity; the model nets positive	Med	+\$22.57
S6 Recession-driven cuts	–	Yields fall and the insured base shrinks	Med	–\$13.00
S7a Credit liquidity shock	–	Cost of equity jumps; the residual-income terminal value is sensitive to it; bond marks not modeled	High	–\$33.47
S7b Slow default cycle	–	Portfolio credit losses; management-liability and contractor claims rise with defaults	Low	–\$5.66
S8 Stagflation	–	Loss-cost and social inflation on a casualty book outrun softening prices; higher yields partly offset	Med	–\$11.54
S9a Dollar spike	0	No material effect, not modeled — domestic insurer	—	\$0.00
S9b Dollar slide	0	No material effect, not modeled — as S9a	—	\$0.00
S10 Melt-up	+	Risk appetite lowers the cost of equity	High	+\$28.00
S11 Energy supply shock	–	Energy and commercial-auto claim costs rise	Low	–\$0.61
S12 Mega-cap/AI derating	0	No material effect, not modeled — no operating linkage	—	\$0.00

Currently active/on watch per the playbook:

- S3 is partially active. It is a net negative here, but a milder one than for long-duration equities, because a 4.3-year bond book reinvests higher.
- S8, S10 and S11 are on watch. S8 is the operating risk for a casualty writer.

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if:

- Total GWP growth turns positive again with property stabilising; or
- The combined ratio holds $\leq 78\%$ through H2 2026 with reserve releases intact; or
- The price falls toward $\sim 3\times$ book while returns hold.

Downgrades if:

- Ex-property GWP growth turns negative; or
- Reserve development turns adverse; or
- The expense ratio rises above $\sim 23\%$, or the combined ratio exceeds 82% for a full year.

Watch items

- **W1:** Q3 2026 gross written premium growth, total and ex-property, against -5.0% and $+3.7\%$ in Q2. Source: Q3 2026 release (late October 2026). *Model: npe_growth*
- **W2:** Combined ratio and prior-year development, against 75.5% and 4.5 points in Q2. Source: Q3 2026 release. *Model: combined_ratio*
- **W3:** Expense ratio trend, against 21.7% in Q2 (20.7% a year earlier). Source: Q3 2026 release. *Model: combined_ratio*
- **W4:** Net investment income and portfolio yield, against $\$55.7\text{mm}$ and $\sim 4.3\%$ in Q2. Source: Q3 2026 release. *Model: investment_yield*

Sources

- Kinsale Capital Group Q2 2026 earnings release (8-K) — <https://www.sec.gov/Archives/edgar/data/1669162/000166916226000039/earningsrelease2q2026.htm> — accessed 2026-09-25
- SEC EDGAR XBRL companyconcept, CIK 0001669162 (net premiums earned, investments, stockholders' equity, pre-tax income; FY2021–FY2025) — <https://data.sec.gov/api/xbrl/companyconcept/CIK0001669162/us-gaap/PremiumsEarnedNet.json> — accessed 2026-09-25
- Kinsale statistics and forecasts — <https://stockanalysis.com/stocks/knsl/statistics/> · <https://stockanalysis.com/stocks/knsl/forecast/> — accessed 2026-09-25
- Peer statistics: RLI <https://stockanalysis.com/stocks/rli/statistics/> · W. R. Berkley <https://stockanalysis.com/stocks/wrb/statistics/> · Skyward <https://stockanalysis.com/stocks/skwd/statistics/> — accessed 2026-09-25
- The Insurer, Kinsale's GWP drops 5% in Q2 earnings beat — <https://www.theinsurer.com/e-and-s/news/kinsales-gwp-drops-5-in-q2-earnings-beat-2026-07-23/> — accessed 2026-09-25

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