

KINGSWAY FINANCIAL SERVICES INC  
Form 10-Q  
May 14, 2018  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

(Mark  
One)

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

For Quarterly Period Ended  
March 31, 2018

or

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: 001-15204

Kingsway Financial Services Inc.  
(Exact name of registrant as specified in its charter)

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Ontario, Canada  
(State or other jurisdiction of  
incorporation or organization) Not Applicable (I.R.S. Employer  
Identification No.)

45 St. Clair Avenue West, Suite 400 Toronto, Ontario M4V 1K9  
(Address of principal executive offices and zip code)

1-416-848-1171

(Registrant's telephone number, including area code)

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Indicate by checkmark 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 the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T ( 232.405 of this chapter) during the preceding 12 months (or for such shorter period the registrant was required to submit and post such files). Yes  No

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

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>	Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller Reporting Company <input type="checkbox"/>	Emerging Growth Company <input type="checkbox"/>
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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 Act). Yes  No   
The number of shares, including restricted common shares, outstanding of the registrant's common stock as of May 14, 2018 was 23,660,855.

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KINGSWAY  
FINANCIAL  
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INC.

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## Consolidated Balance Sheets

(in thousands, except share data)

	March 31, 2018	December 31, 2017
	(unaudited)	
Assets		
Investments:		
Fixed maturities, at fair value (amortized cost of \$51,403 and \$53,746, respectively)	\$ 50,499	\$ 53,214
Equity investments, at fair value (cost of \$5,922 and \$9,146, respectively)	6,472	8,994
Limited liability investments	25,749	25,173
Limited liability investment, at fair value	8,925	10,314
Other investments, at cost which approximates fair value	3,316	3,721
Short-term investments, at cost which approximates fair value	151	151
Total investments	95,112	101,567
Cash and cash equivalents	47,197	44,286
Investment in investee	5,331	5,230
Accrued investment income	358	526
Premiums receivable, net of allowance for doubtful accounts of \$115 and \$115, respectively	31,428	27,855
Service fee receivable, net of allowance for doubtful accounts of \$333 and \$318, respectively	5,707	4,286
Other receivables, net of allowance for doubtful accounts of zero and zero, respectively	7,398	7,139
Deferred acquisition costs, net	10,646	13,045
Property and equipment, net of accumulated depreciation of \$14,716 and \$13,600, respectively	107,166	108,230
Goodwill	80,112	80,112
Intangible assets, net of accumulated amortization of \$8,605 and \$8,333, respectively	87,343	87,615
Other assets	15,202	4,709
Total Assets	\$493,000	\$ 484,600
Liabilities and Shareholders' Equity		
Liabilities:		
Unpaid loss and loss adjustment expenses:		
Property and casualty	\$ 61,658	\$ 63,652
Vehicle service agreements	2,683	2,779
Total unpaid loss and loss adjustment expenses	64,341	66,431
Unearned premiums	39,921	36,686
Note payable	185,530	186,469
Bank loan	4,667	4,917
Subordinated debt, at fair value	53,458	52,105
Net deferred income tax liabilities	30,352	30,331
Deferred service fees	41,072	39,741
Income taxes payable	2,876	2,644

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Accrued expenses and other liabilities	24,135	15,966
Total Liabilities	446,352	435,290
Class A preferred stock, no par value; unlimited number authorized; 222,876 and 222,876 issued and outstanding at March 31, 2018 and December 31, 2017, respectively; redemption amount of \$5,572	5,469	5,461
Shareholders' Equity:		
Common stock, no par value; unlimited number authorized; 21,708,190 and 21,708,190 issued and outstanding at March 31, 2018 and December 31, 2017, respectively	—	—
Additional paid-in capital	356,313	356,021
Accumulated deficit	(356,273 )	(313,487 )
Accumulated other comprehensive income (loss)	35,844	(3,852 )
Shareholders' equity attributable to common shareholders	35,884	38,682
Noncontrolling interests in consolidated subsidiaries	5,295	5,167
Total Shareholders' Equity	41,179	43,849
Total Liabilities, Class A preferred stock and Shareholders' Equity	\$ 493,000	\$ 484,600

See accompanying notes to unaudited consolidated financial statements.

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Consolidated Statements of Operations  
(in thousands, except per share data)  
(Unaudited)

	Three months ended March 31,	
	2018	2017
Revenues:		
Net premiums earned	\$28,636	\$32,922
Service fee and commission income	10,557	6,562
Rental income	3,348	