

KINGSWAY FINANCIAL SERVICES INC  
Form 10-Q  
May 05, 2016  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

---

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, 2016

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)

---

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)

---

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

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

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

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

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 outstanding of the registrant's common stock as of May 5, 2016 was 19,855,906.

---

KINGSWAY  
FINANCIAL  
SERVICES  
INC.

Table Of Contents

PART I - FINANCIAL INFORMATION	<u>3</u>
ITEM 1. FINANCIAL STATEMENTS	<u>3</u>
Consolidated Balance Sheets as of March 31, 2016 (unaudited) and December 31, 2015	<u>3</u>
Consolidated Statements of Operations for the Three Months Ended March 31, 2016 and 2015 (unaudited)	<u>4</u>
Consolidated Statements of Comprehensive (Loss) Income for the Three Months Ended March 31, 2016 and 2015 (unaudited)	<u>5</u>
Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2016 and 2015 (unaudited)	<u>6</u>
Notes to Consolidated Financial Statements (unaudited)	<u>7</u>
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	<u>31</u>
ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	<u>40</u>
ITEM 4. CONTROLS AND PROCEDURES	<u>40</u>
PART II - OTHER INFORMATION	<u>40</u>
ITEM 1. LEGAL PROCEEDINGS	<u>40</u>
ITEM 1A. RISK FACTORS	<u>40</u>
ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS	<u>40</u>
ITEM 3. DEFAULTS UPON SENIOR SECURITIES	<u>40</u>
ITEM 4. MINE SAFETY DISCLOSURES	<u>40</u>
ITEM 5. OTHER INFORMATION	<u>41</u>
ITEM 6. EXHIBITS	<u>42</u>
SIGNATURES	<u>43</u>

KINGSWAY  
FINANCIAL  
SERVICES  
INC.

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## Consolidated Balance Sheets

(in thousands, except per share data)

	March 31, 2016	December 31, 2015
	(unaudited)	
Assets		
Investments:		
Fixed maturities, at fair value (amortized cost of \$61,589 and \$55,606, respectively)	\$ 62,012	\$ 55,559
Equity investments, at fair value (cost of \$26,185 and \$26,428, respectively)	26,303	27,559
Limited liability investments	20,240	20,141
Other investments, at cost which approximates fair value	4,060	4,077
Short-term investments, at cost which approximates fair value	935	400
Total investments	113,550	107,736
Cash and cash equivalents	40,984	51,701
Investment in investee	1,702	1,772
Accrued investment income	506	594
Premiums receivable, net of allowance for doubtful accounts of \$165 and \$165, respectively	32,670	27,090
Service fee receivable, net of allowance for doubtful accounts of \$283 and \$276, respectively	765	911
Other receivables, net of allowance for doubtful accounts of \$806 and \$806, respectively	3,452	3,789
Reinsurance recoverable	1,176	1,422
Prepaid reinsurance premiums	134	7
Deferred acquisition costs, net	13,440	12,143
Income taxes recoverable	60	61
Property and equipment, net of accumulated depreciation of \$12,667 and \$12,537, respectively	5,458	5,577
Goodwill	10,078	10,078
Intangible assets, net of accumulated amortization of \$6,304 and \$6,009, respectively	14,441	14,736
Other assets	3,128	3,405
Total Assets	\$ 241,544	\$ 241,022
Liabilities and Shareholders' Equity		
Liabilities:		
Unpaid loss and loss adjustment expenses:		
Property and casualty	\$ 52,870	\$ 55,471
Vehicle service agreements	2,975	2,975
Total unpaid loss and loss adjustment expenses	55,845	58,446
Unearned premiums	41,555	35,234
Reinsurance payable	272	145
Subordinated debt, at fair value	37,370	39,898
Deferred income tax liability	2,946	2,924

Edgar Filing: KINGSWAY FINANCIAL SERVICES INC - Form 10-Q

Deferred service fees	34,771	34,319
Accrued expenses and other liabilities	20,227	19,959
Total Liabilities	192,986	190,925
Class A preferred stock, no par value; unlimited number authorized; 262,876 and 262,876 issued and outstanding at March 31, 2016 and December 31, 2015, respectively; redemption amount of \$6,572	6,402	6,394
Shareholders' Equity:		
Common stock, no par value; unlimited number authorized; 19,709,706 and 19,709,706 issued and outstanding at March 31, 2016 and December 31, 2015, respectively	—	—
Additional paid-in capital	341,847	341,646
Accumulated deficit	(310,547 )	(308,995 )
Accumulated other comprehensive income	9,143	9,300
Shareholders' equity attributable to common shareholders	40,443	41,951
Noncontrolling interests in consolidated subsidiaries	1,713	1,752
Total Shareholders' Equity	42,156	43,703
Total Liabilities and Shareholders' Equity	\$ 241,544	\$ 241,022
See accompanying notes to unaudited consolidated financial statements.		

KINGSWAY  
FINANCIAL  
SERVICES  
INC.

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

	Three months ended March 31,	
	2016	2015
Revenues:		
Net premiums earned	\$29,427	\$29,030
Service fee and commission income	5,322	5,398
Net investment (loss) income	(72 )	1,313