

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 8-K**  
**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Date of report (Date of earliest event reported): **March 8, 2017**

**KINGSWAY FINANCIAL SERVICES INC.**

(Exact Name of Registrant as Specified in Its Charter)

<b>Ontario, Canada</b> (State or Other Jurisdiction of Incorporation)	<b>001-15204</b> (Commission File Number)	<b>Not Applicable</b> (IRS Employer Identification No.)
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**45 St. Clair Ave. West, Suite 400, Toronto, Ontario, Canada M4V 1K9**

(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, Including Area Code: **(416) 848-1171**

**Not Applicable**

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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## **ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

On March 8, 2017, Kingsway Financial Services Inc. (the “Company”) issued a press release regarding its financial results for the fourth quarter and year ended December 31, 2016. A copy of the press release is furnished as Exhibit 99.1 to this report.

## **ITEM 5.02 DEPARTURE OF DIRECTORS OR CERTAIN OFFICERS; ELECTION OF DIRECTORS; APPOINTMENT OF CERTAIN OFFICERS; COMPENSATORY ARRANGEMENTS OF CERTAIN OFFICERS**

On April 21, 2016, the Company restructured its insurance services segment with the acquisition of Argo Management Group LLC (“Argo”) and the formation of 1347 Warranty Holdings (“1347 Warranty”). Argo's primary business is to act as the Managing Member of Argo Holdings Fund I, LLC, an investment fund organized for purposes of making control-oriented equity investments in established lower middle market companies based in North America, with a focus on search fund investments. Mr. John T. Fitzgerald, the Managing Member of Argo, joined the Company as an Executive Vice President and is leading 1347 Warranty, a unit formed to manage Kingsway's warranty businesses, which comprise IWS Acquisition Corporation and Trinity Warranty Solutions.

As part of the agreement to purchase Argo, Mr. Fitzgerald received 160,000 common shares of the Company and 500,000 restricted stock units scheduled to vest on March 28, 2024 with other terms and conditions substantially similar to those pertaining to the Company's executive officers under the 2013 Equity Incentive Plan. The restricted stock units were issued on August 24, 2016. Mr. Fitzgerald also received 40,000 options granted April 20, 2016, which were immediately vested and exercisable as of that date.

Effective March 8, 2017, the Board of Directors of the Company appointed John T. Fitzgerald as President and Chief Operating Officer. Larry G. Swets, Jr., currently the Company's President and Chief Executive Officer, remains as the Company's Chief Executive Officer.

The information in this Form 8-K provided under these Items 2.02, 5.02 and Exhibit 99.1 attached hereto is being furnished to, and shall not be deemed “filed” with, the U.S. Securities and Exchange Commission or incorporated by reference into the Company's filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

<b>Item 9.01</b>	<b>Financial Statements and Exhibits.</b>
<b><u>Exhibit No.</u></b>	<b><u>Exhibit Description</u></b>
99.1	Press Release titled “Kingsway Announces Fourth Quarter and Year-End 2016 Results”

**SIGNATURE**

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 hereunto duly authorized.

**KINGSWAY FINANCIAL SERVICES INC.**

March 8, 2017

By: /s/ Larry G. Swets, Jr.  
Larry G. Swets, Jr.  
Chief Executive Officer

## EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Exhibit Description</u>
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99.1	Press Release titled "Kingsway Announces Fourth Quarter and Year-End 2016 Results"
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## KINGSWAY ANNOUNCES FOURTH QUARTER AND YEAR-END 2016 RESULTS

Toronto, Ontario (March 8, 2017) - (TSX: KFS, NYSE: KFS) Kingsway Financial Services Inc. (“Kingsway” or the “Company”) today announced its operating results for the fourth quarter and year ended December 31, 2016. All amounts are in U.S. dollars unless indicated otherwise.

The Company reported net loss attributable to common shareholders of \$8.8 million, or \$0.43 per diluted share, in the fourth quarter of 2016. Significant events during the quarter included the following:

- Insurance Underwriting segment incurred net unfavorable development of \$7.6 million related to accident years 2015 and prior.
- The increase in the fair value of the Company’s trust preferred debt resulted in a \$4.8 million loss.
- Net investment income of \$6.2 million included \$4.7 million of income related to the Company’s investment in 1347 Investors LLC, which owns securities in Limbach Holdings, Inc.
- Completion of the fair value analysis related to the Company’s acquisition of CMC resulted in \$0.3 million of net income.

### Management Comments

Larry G. Swets, Jr., President and Chief Executive Officer, stated, “Our fourth quarter earnings were affected meaningfully by the four significant events noted above. One of those events related to historical performance in our non-standard automobile business unit. We announced in July that Steve Harrison had joined our insurance management team as an executive vice president. In August, we promoted Steve to President of our insurance operations. Throughout the year, Steve and his team have launched a number of initiatives intended to improve the operating performance of our insurance operations, particularly with respect to strengthening the management of our Claim Department. We have been aggressively increasing premium rates throughout the second half of 2016 and into 2017 and are actively pursuing initiatives related to increasing policy fee income, reducing bad debt expense, outsourcing the first notice of loss function, outsourcing much of the salvage and subrogation function and entering into an agreement with an outside vendor to migrate to a new policy administration and claim-handling operating platform sometime in 2017. While we are not happy to have to report adverse development on old accident years, we are optimistic about the direction Steve is taking the insurance operations and the potential positive impact to our segment operating income from the implementation of these initiatives. During the quarter, we recorded unfavorable development of approximately \$9.1 million related to accident years 2015 and prior in our continuing operations while we recorded favorable development of approximately \$1.5 million related to our continuing run-offs of Kingsway Amigo Insurance Company and Mendakota Casualty Company.”

Mr. Swets continued, “We also reported a loss of \$4.8 million during the quarter related to the increase in the fair value of our \$90.5 million principal value of trust preferred debt, maturing from 2032 through 2034, as a result of increases in LIBOR and changes in the estimate of Kingsway’s implied credit spread as developed by a third party.

“We are pleased to report another significant gain, related to our investment in 1347 Investors LLC, as a result of the previously announced business combination between 1347 Capital Corp. and Limbach Holdings LLC. We reported \$6.2 million of net investment income during the quarter, \$4.7 million of which relates to our investment exposure to Limbach by virtue of our interest in 1347 Investors. We are extremely satisfied with this investment which we initiated in July of 2014. Since the combination between 1347 Capital Corp. and Limbach closed this past July, Kingsway has recorded an \$8.8 million increase in its shareholders’ equity as a result of this investment.”

Mr. Swets concluded, “We have completed the fair value analysis of our acquisition of CMC for purposes of recording the assets and liabilities acquired. The completion of the CMC exercise has resulted in some reallocation of previously reported results between Leased Real Estate segment operating earnings and amortization expense, which is reported separately from segment results. As a result, we are reporting a loss of \$0.1 million during the fourth quarter for the Leased Real Estate segment, which includes CMC, but we are separately reversing \$0.4 million of amortization expense previously recorded during the third quarter. As a result, CMC contributed \$0.3 million to our net income during the fourth quarter and \$0.6 million to our net income since the time of the acquisition in July. CMC represents an opportunity to create long-term value over the next 17 years. We encourage you to read our 2016 Form 10-K once it is filed for more information about each of these events.”

## Operating Results

The Company reported net loss attributable to common shareholders of \$8.8 million, or \$0.43 per diluted share, in the fourth quarter of 2016, compared to net loss attributable to common shareholders of \$2.3 million, or \$0.12 per diluted share, in the fourth quarter of 2015.

For the year ended December 31, 2016, Kingsway reported net loss attributable to common shareholders of \$9.5 million, or \$0.48 per diluted share, compared to net income attributable to common shareholders of \$0.8 million, or \$0.04 per diluted share, in the prior year period.

Following are highlights of Kingsway's fourth quarter 2016 results. Operating loss reflects the Company's core operating activities, including its reportable segments, passive investment portfolio, merchant banking activities and corporate operating expenses.

- Operating loss was \$2.6 million for the fourth quarter of 2016 compared to operating loss of \$0.9 million for the fourth quarter of 2015.
  - Insurance Underwriting segment operating loss was \$8.0 million for the fourth quarter of 2016 compared to \$0.8 million for the fourth quarter of 2015.
  - Insurance Services segment operating income was \$0.9 million for the fourth quarter of 2016 compared to segment operating loss of \$0.2 million for the fourth quarter of 2015.
  - Operating loss attributable to the Leased Real Estate segment was \$0.1 million for the fourth quarter of 2016 compared to zero for the fourth quarter of 2015.
  - Net investment income of \$6.2 million was reported for the fourth quarter of 2016 compared to \$0.3 million for the fourth quarter of 2015.
  - Net realized gains of \$0.4 million were reported for the fourth quarter of 2016 compared to \$1.1 million for the fourth quarter of 2015.
  - Other operating income and expense was a net expense of \$2.0 million for the fourth quarter of 2016 compared to \$1.3 million for the fourth quarter of 2015.
- Adjusted operating loss was \$1.1 million for the fourth quarter of 2016 compared to \$0.2 million for the fourth quarter of 2015.
- Book value decreased to \$2.19 per share at December 31, 2016 from \$2.22 per share at December 31, 2015, and increased from \$2.15 per share at September 30, 2016. The Company also carries a valuation allowance, in the amount of \$10.95 per share at December 31, 2016, against the deferred tax asset, primarily related to its loss carryforwards.

## Management Change

Kingsway is also taking this opportunity to announce that John T. Fitzgerald, currently Executive Vice President, will become President and Chief Operating Officer. Larry G. Swets, Jr., currently Kingsway's President and Chief Executive Officer, will remain as the Company's Chief Executive Officer. Mr. Swets stated, "We have been impressed with JT since he joined us last April. We are pleased with the turnaround of the Insurance Services segment, which reported segment operating income for the second consecutive quarter since we announced in July that we had restructured the segment with the appointment of JT to lead our Company's warranty businesses. We expect continued evidence of profitable growth from this segment during 2017. Recently, JT has also assumed responsibility for supervising our non-standard automobile business unit. It gives me great pleasure to recognize JT's contributions to our Company with this promotion."

## About the Company

Kingsway is a holding company functioning as a merchant bank with a focus on long-term value-creation. The Company owns or controls stakes in several insurance industry assets and utilizes its subsidiaries, 1347 Advisors LLC and 1347 Capital LLC, to pursue opportunities acting as an advisor, an investor and a financier. The common shares of Kingsway are listed on the Toronto Stock Exchange and the New York Stock Exchange under the trading symbol "KFS."

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

	Three months ended December 31,		Years ended December 31,	
	2016	2015	2016	2015
	(unaudited)		(unaudited)	
<b>Revenues:</b>				
Net premiums earned	\$ 33,419	\$ 29,006	\$ 127,608	\$ 117,433
Service fee and commission income	7,186	5,536	24,232	22,966
Rental Income	2,993	—	5,419	—
Net investment income	6,164	286	8,200	2,918
Net realized gains	418	1,061	360	1,197
Other-than-temporary impairment loss	(157)	—	(157)	(10)
Other income	2,765	2,288	10,968	15,462
<b>Total revenues</b>	<b>52,788</b>	<b>38,177</b>	<b>176,630</b>	<b>159,966</b>
<b>Operating expenses:</b>				
Loss and loss adjustment expenses	34,470	23,758	109,609	92,812
Commissions and premium taxes	6,933	5,574	24,562	22,773
Cost of services sold	1,269	915	4,193	4,044
General and administrative expenses	11,303	10,012	41,629	41,760
Leased real estate segment interest expense	1,579	—	2,899	—
Amortization of intangible assets	(139)	307	1,242	1,244
Contingent consideration benefit	—	(1,503)	(657)	(1,139)
<b>Total operating expenses</b>	<b>55,415</b>	<b>39,063</b>	<b>183,477</b>	<b>161,494</b>
<b>Operating loss</b>	<b>(2,627)</b>	<b>(886)</b>	<b>(6,847)</b>	<b>(1,528)</b>
<b>Other (revenues) expenses, net:</b>				
Interest expense not allocated to segments	1,167	1,225	4,496	5,278
Foreign exchange losses, net	1	5	15	1,215
Loss (gain) on change in fair value of debt	4,845	33	3,721	(1,458)
(Gain) loss on deconsolidation of subsidiaries	—	—	(5,643)	4,420
Equity in net loss (income) of investees	13	(60)	1,017	339
<b>Total other expenses, net</b>	<b>6,026</b>	<b>1,203</b>	<b>3,606</b>	<b>9,794</b>
<b>Loss from continuing operations before income tax expense</b>	<b>(8,653)</b>	<b>(2,089)</b>	<b>(10,453)</b>	<b>(11,322)</b>
Income tax expense	88	14	195	93
<b>Loss from continuing operations</b>	<b>(8,741)</b>	<b>(2,103)</b>	<b>(10,648)</b>	<b>(11,415)</b>
(Loss) income from discontinued operations, net of taxes	—	(9)	—	1,417
Gain on disposal of discontinued operations, net of taxes	131	8	1,255	11,267
<b>Net (loss) income</b>	<b>(8,610)</b>	<b>(2,104)</b>	<b>(9,393)</b>	<b>1,269</b>
Less: net income (loss) attributable to noncontrolling interests in consolidated subsidiaries	71	88	(281)	162
Less: dividends on preferred stock	124	83	398	329
<b>Net (loss) income attributable to common shareholders</b>	<b>\$ (8,805)</b>	<b>\$ (2,275)</b>	<b>\$ (9,510)</b>	<b>\$ 778</b>
<b>Loss per share - continuing operations:</b>				
Basic:	\$ (0.43)	\$ (0.12)	\$ (0.54)	\$ (0.60)
Diluted:	\$ (0.43)	\$ (0.12)	\$ (0.54)	\$ (0.60)
<b>Earnings per share - discontinued operations:</b>				
Basic:	\$ 0.01	\$ —	\$ 0.06	\$ 0.64
Diluted:	\$ 0.01	\$ —	\$ 0.06	\$ 0.64
(Loss) earnings per share – net (loss) income attributable to common shareholders:				
Basic:	\$ (0.43)	\$ (0.12)	\$ (0.48)	\$ 0.04
Diluted:	\$ (0.43)	\$ (0.12)	\$ (0.48)	\$ 0.04
<b>Weighted average shares outstanding (in '000s):</b>				
Basic:	20,633	19,710	20,003	19,710
Diluted:	20,633	19,710	20,003	19,710

**Consolidated Balance Sheets**  
**(in thousands, except share data)**

	December 31, 2016	December 31, 2015
<b>Assets</b>		
Investments:		
Fixed maturities, at fair value (amortized cost of \$62,136 and \$55,606, respectively)	\$ 61,764	\$ 55,559
Equity investments, at fair value (cost of \$19,099 and \$26,428, respectively)	23,230	27,559
Limited liability investments	22,974	20,141
Limited liability investment, at fair value	10,700	—
Other investments, at cost which approximates fair value	7,975	4,077
Short-term investments, at cost which approximates fair value	401	400
<b>Total investments</b>	<b>127,044</b>	<b>107,736</b>
Cash and cash equivalents	36,475	51,701
Investments in investees	3,116	1,772
Accrued investment income	790	594
Premiums receivable, net of allowance for doubtful accounts of \$115 and \$165, respectively	31,564	27,090
Service fee receivable, net of allowance for doubtful accounts of \$274 and \$276, respectively	1,320	911
Other receivables, net of allowance for doubtful accounts of \$806 and \$806, respectively	4,692	3,789
Reinsurance recoverable	784	1,422
Deferred acquisition costs, net	13,609	12,143
Income taxes recoverable	—	61
Property and equipment, net of accumulated depreciation of \$10,603 and \$12,537, respectively	116,961	5,577
Goodwill	19,424	10,078
Intangible assets, net of accumulated amortization of \$7,181 and \$6,009, respectively	89,017	14,736
Other assets	4,588	3,412
<b>Total Assets</b>	<b>\$ 449,384</b>	<b>\$ 241,022</b>
<b>Liabilities and Shareholders' Equity</b>		
Liabilities:		
Unpaid loss and loss adjustment expenses:		
Property and casualty	\$ 53,795	\$ 55,471
Vehicle service agreements	2,915	2,975
<b>Total unpaid loss and loss adjustment expenses</b>	<b>56,710</b>	<b>58,446</b>
Unearned premiums	40,176	35,234
Reinsurance payable	100	145
Note payable	190,074	—
Subordinated debt, at fair value	43,619	39,898
Deferred income tax liability	6,998	2,924
Deferred service fees	35,822	34,319
Income taxes payable	2,051	—
Accrued expenses and other liabilities	20,487	19,959
<b>Total Liabilities</b>	<b>396,037</b>	<b>190,925</b>
Class A preferred stock, no par value; unlimited number authorized; 262,876 and 262,876 issued and outstanding at December 31, 2016 and December 31, 2015, respectively; redemption amount of \$6,572	6,427	6,394
Shareholders' Equity:		
Common stock, no par value; unlimited number authorized; 21,458,190 and 19,709,706 issued and outstanding at December 31, 2016 and December 31, 2015, respectively	—	—
Additional paid-in capital	353,882	341,646
Accumulated deficit	(307,583)	(297,209)
Accumulated other comprehensive loss	(208)	(2,486)
Shareholders' equity attributable to common shareholders	46,091	41,951
Noncontrolling interests in consolidated subsidiaries	829	1,752
<b>Total Shareholders' Equity</b>	<b>46,920</b>	<b>43,703</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 449,384</b>	<b>\$ 241,022</b>



## Non-U.S. GAAP Financial Measures

Segment Operating Loss

Segment operating loss represents one measure of the pretax profitability of Kingsway's segments and is derived by subtracting direct segment expenses from direct segment revenues. Please refer to the section entitled "Non-U.S. GAAP Financial Measures" in the Management's Discussion and Analysis section of the Company's Annual Report on Form 10-K for the year ended December 31, 2015 for a detailed description of this non-U.S. GAAP measure.

Adjusted Operating (Loss) Income

Adjusted operating (loss) income represents another measure used by the Company to assess the profitability of the Company's segments, its passive investment portfolio and its merchant banking activities. Adjusted operating (loss) income is comprised of segment operating loss as well as net investment income, net realized gains, other-than-temporary impairment loss, equity in net (loss) income of investees and net revenues of 1347 Advisors. A reconciliation of segment operating loss and adjusted operating (loss) income to net (loss) income for the three months and years ended December 31, 2016 and 2015 is presented below:

(in thousands)	Three months ended December 31,		Years ended December 31,	
	2016	2015	2016	2015
Segment operating loss	\$ (7,228)	\$ (928)	\$ (7,069)	\$ (1,775)
Net investment income	6,164	286	8,200	2,918
Net realized gains	418	1,061	360	1,197
Other-than-temporary impairment loss	(157)	—	(157)	(10)
Equity in net (loss) income of investees	(13)	60	(1,017)	(339)
Revenues of 1347 Advisors, net of related outside professional and advisory expenses	(280)	(639)	(825)	5,167
Adjusted operating (loss) income	(1,096)	(160)	(508)	7,158
Equity in net loss (income) of investees	13	(60)	1,017	339
Corporate operating expenses and other <sup>(1)</sup>	(1,683)	(1,862)	(6,771)	(8,920)
Amortization of intangible assets	139	(307)	(1,242)	(1,244)
Contingent consideration benefit	—	1,503	657	1,139
Operating loss	(2,627)	(886)	(6,847)	(1,528)
Equity in net (loss) income of investees	(13)	60	(1,017)	(339)
Interest expense not allocated to segments	(1,167)	(1,225)	(4,496)	(5,278)
Foreign exchange losses, net	(1)	(5)	(15)	(1,215)
(Loss) gain on change in fair value of debt	(4,845)	(33)	(3,721)	1,458
Gain (loss) on deconsolidation of subsidiaries	—	—	5,643	(4,420)
Loss from continuing operations before income tax expense	(8,653)	(2,089)	(10,453)	(11,322)
Income tax expense	(88)	(14)	(195)	(93)
Loss from continuing operations	(8,741)	(2,103)	(10,648)	(11,415)
(Loss) income from discontinued operations, net of taxes	—	(9)	—	1,417
Gain on disposal of discontinued operations, net of taxes	131	8	1,255	11,267
Net (loss) income	\$ (8,610)	\$ (2,104)	\$ (9,393)	\$ 1,269

(1) Corporate operating expenses and other includes corporate operating expenses, stock-based compensation expense and non-cash expenses related to the consolidation of KLROC Trust.

**Forward-Looking Statements**

This press release includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 that are not historical facts, and involve risks and uncertainties that could cause actual results to differ materially from those expected and projected. Words such as “expects”, “believes”, “anticipates”, “intends”, “estimates”, “seeks” and variations and similar words and expressions are intended to identify such forward-looking statements. Such forward-looking statements relate to future events or future performance, but reflect Kingsway management’s current beliefs, based on information currently available. A number of factors could cause actual events, performance or results to differ materially from the events, performance and results discussed in the forward-looking statements. For information identifying important factors that could cause actual results to differ materially from those anticipated in the forward looking statements, please refer to the section entitled “Risk Factors” in the Company’s 2015 Annual Report on Form 10-K. Except as expressly required by applicable securities law, the Company disclaims any intention or obligation to update or revise any forward looking statements whether as a result of new information, future events or otherwise.

**Additional Information**

Additional information about Kingsway, including a copy of its 2015 Annual Report and filings on Forms 10-Q and 8-K, can be accessed on the Canadian Securities Administrators’ website at [www.sedar.com](http://www.sedar.com), on the EDGAR section of the U.S. Securities and Exchange Commission’s website at [www.sec.gov](http://www.sec.gov) or through the Company’s website at [www.kingsway-financial.com](http://www.kingsway-financial.com).

For a current review of the Company and a discussion of its plan to create and sustain long-term shareholder value, management invites you to review its Annual Letter to Shareholders, which may be accessed at the Company’s website or directly at <http://bit.ly/kfs2015>.