

KINGSWAY FINANCIAL SERVICES INC.

AUDIT COMMITTEE CHARTER

I. Purpose

The Audit Committee (the “**Committee**”) is appointed by the Board of Directors (the “**Board**”) of Kingsway Financial Services Inc. (the “**Company**”) to assist the Board in fulfilling its oversight responsibilities with respect to (a) the integrity of the Company’s financial statements, (b) the Company’s compliance with legal and regulatory requirements, (c) the external auditor’s qualifications and independence, and (d) the performance of the Company’s corporate internal audit department function and the performance of the external auditors. The Committee’s primary purpose is to:

- (i) Identify and monitor the management of the principal risks that could impact the financial reporting of the Company;
- (ii) Monitor the integrity of the Company’s financial reporting process and system of internal controls regarding financial reporting and accounting appropriateness and compliance;
- (iii) Appoint, replace and monitor the independence and performance of the Company’s external auditors;
- (iv) Provide an avenue of communication among the external auditors, management and the Board; and
- (v) Review the annual audited and quarterly unaudited financial statements with management and the external auditors.

II. Organization

The Committee shall consist of three or more directors, each of whom shall be outside directors who are unrelated to the Company, free from any relationship that would interfere with the exercise of his or her independent judgment and each of whom shall be “independent” under the listing rules of the New York Stock Exchange. Committee members shall meet the requirements of the Business Corporations Act (Ontario), all applicable securities laws, and the Toronto Stock Exchange and the New York Stock Exchange. All members of the Committee shall be financially literate, being defined as able to read and understand basic financial statements, and the Chair of the Committee shall have accounting or related financial management expertise. At least one member of the Committee shall be an “audit committee financial expert” as defined in the rules and regulations of the U.S. Securities and Exchange Commission (the “**SEC**”). Members of the Committee shall not simultaneously serve on the audit committees of more than two other public companies without the approval of the Committee.

Committee members shall be elected by the Board annually at the first meeting of the Board following the annual general shareholders meeting; members shall serve until their successors are duly elected and qualified. The Committee's chairperson shall be designated by the full Board or,

if it does not do so, the Committee members shall elect a chairperson by vote of a majority of the full Committee.

The Committee may form and delegate authority to subcommittees when appropriate.

III. Structure and Meetings

The chairperson of the Committee will preside at each meeting of the Committee and, in consultation with the other members of the Committee, shall set the frequency and length of each meeting.

The Committee shall meet at least quarterly, or more frequently, as circumstances dictate. The Committee should meet privately in executive session with each of management, the external auditors, the corporate internal auditor and as a Committee to discuss any matters that the Committee or each of these groups believe should be discussed.

IV. Duties and Responsibilities

The Committee shall have the power and authority of the Board to perform the following duties and to fulfill the following responsibilities:

Review Procedures

- (i) Review and discuss the Company's annual audited financial statements and quarterly financial statements and related documents prior to release of earnings information and the filing or distribution of the financial statements. Review should include discussion with management and external auditors of significant issues regarding accounting principles, practice, and significant management estimates and judgments as well as the contents of "Management's Discussion and Analysis". The Company's financial statements shall be reviewed by the full Board prior to issuance;
- (ii) In consultation with management and the external auditors, consider the integrity of the Company's financial reporting processes and internal controls. Discuss significant financial risk exposures and the steps management has taken to monitor, control, and report such exposures. Review significant findings prepared by the external auditors together with management's responses;
- (iii) Identify and monitor the management of the principal risks that could impact the financial reporting of the Company and provide the Committee's view with respect to such risks to the Board;
- (iv) Review and discuss with management, the Company's earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies;

External Auditors

- (v) Appoint or replace the external auditor, with respect to which matters the Committee shall have sole authority. The external auditor shall report directly to the Committee. The Committee shall review and evaluate the independence and performance of the external auditor annually;
- (vi) Pre-approve all auditing services, internal control related services and permitted non-audit services (including the range of fees and the terms thereof) to be performed for the Company by the external auditor, subject to certain exceptions for de minimis non-audit services in accordance with requirements of the Securities Exchange Act of 1934, as amended;
- (vii) Review and discuss with the external auditors all significant relationships they have with the Company that could impair the non-audit related services on no less than an annual basis;
- (viii) Review the external auditor's audit plan and in particular, discuss and approve audit scoping, staffing, locations, reliance upon management and general audit approach;
- (ix) Review and discuss quarterly reports from the external auditors on:
 - (1) all critical accounting policies and practices to be used;
 - (2) all alternative treatments of financial information within GAAP that have been discussed with management, including ramification of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditor; and
 - (3) other material written communications between the auditor and the management of the Company, such as any management representation letter, schedule of unadjusted differences, reports on observations and recommendations on internal control, engagement letter and independence letter;
- (x) Discuss the results of the audit with the external auditors prior to releasing the year-end earnings. Discuss certain matters required to be communicated to audit committees in accordance with the standards established by the Canadian Institute of Chartered Accountants, the Public Company Accounting Oversight Board, and other applicable regulatory authorities;
- (xi) Consider the external auditor's judgments about the quality and appropriateness of the Company's accounting principles as applied in the Company's financial reporting;
- (xii) Set clear hiring policies for employees or former employees of the external auditors;

Corporate Internal Audit Department

- (xiii) Review the appointment and replacement of the senior internal auditing executive or outside provider of internal audit services;
- (xiv) Discuss policies with respect to risk assessment and risk management;
- (xv) Obtain and review a report by the external auditor describing the Company's internal quality-control review, or peer review of the Company on not less than an annual basis;
- (xvi) Review significant internal audit reports together with internal auditors and with external auditors;
- (xvii) Meet separately, periodically, with management, with internal auditors and with external auditors;
- (xviii) Review formal whistleblower procedures that address the receipt, retention and treatment of complaints regarding accounting, internal controls and auditing matters and the confidential anonymous submission by employees of any concerns regarding questionable accounting or auditing matters;
- (xix) Review with counsel any legal matters that could have a significant impact on the organization's financial statements, the Company's compliance with applicable laws and regulations, and inquiries received from regulators or governmental agencies;

Other Committee Responsibilities

- (xx) Conduct any investigation appropriate to fulfilling its responsibilities;
- (xxi) Establish, review, and update periodically a Code of Conduct for the Chief Executive Officer and other senior financial officers and Code of Business Conduct and Ethics for others and ensure that management has established a system to enforce these codes;
- (xxii) Review and approve or ratify all conflict of interest transactions in accordance with the Company's Code of Business Conduct and Ethics;
- (xxiii) Review and approve or ratify all related party transactions in accordance with the Company's Related Party Transaction Policy;
- (xxiv) Prepare the Committee report required by the rules of the U.S. Securities and Exchange Commission to be included in the Company's annual proxy statement;
- (xxv) Report regularly to the Board with respect to (a) such matters as are relevant to the Committee's discharge of its responsibilities and (b) such recommendations as the Committee may deem appropriate;

- (xxvi) Annually review and reassess the adequacy of this Charter and recommend any proposed changes to the Board for approval;
- (xxvii) Annually evaluate the performance of the Committee; and
- (xxviii) Perform such other duties and responsibilities, consistent with this Charter, the Company's bylaws, governing law, the rules and regulations of the New York Stock Exchange and the Toronto Stock Exchange, the U.S. and Canada federal securities laws and such other requirements applicable to the Company, delegated to the Committee by the Board.

V. Committee Resources

The Committee shall have the sole authority to retain and terminate (or obtain the advice of) any adviser to assist it in the performance of its duties. The Committee shall be directly responsible for the appointment, compensation and oversight of the work of any adviser retained by the Committee, and shall have sole authority to approve the adviser's fees and the other terms and conditions of the adviser's retention. The Company must provide funding, as determined by the Committee, for payment of reasonable compensation to any adviser retained by the Committee.

Adopted by the Board on March 17, 2017.