



## Kingsway's Related Party Transaction Policy

January 6, 2017

### Introduction

The Securities and Exchange Commission (“SEC”) requires companies to provide disclosure relating to their policies and procedures governing Related Party Transactions. This document represents the Related Party Transaction policy of Kingsway Financial Services Inc. and its majority controlled and consolidated subsidiaries (“Kingsway”).

### Definitions

For the purpose of this policy, the SEC defines a “Related Party Transaction” requiring public disclosure in documents filed with the SEC as a transaction, arrangement or relationship, or any series of similar transactions, arrangements or relationships, in which 1) Kingsway is or will be a participant; 2) the aggregate amount involved will or may be reasonably expected to exceed US\$120,000 in any calendar year; and 3) any Related Party had, has or will have a direct or indirect material interest (other than solely as a result of being a director, limited partner or less than ten percent beneficial owner of another entity). A “direct or indirect material interest” depends on the individual facts and circumstances of the transaction, arrangement or relationship, or series thereof. Because potentially difficult and complex materiality determinations may arise, this policy requires that all direct or indirect interests of each director, Executive Officer or nominee for director in any potential Related Party Transaction be reported to the Chief Financial Officer or his designee (“CFO”). The question of whether a direct or indirect interest of a director, Executive Officer or nominee for director is material will be determined by the Audit Committee with assistance from the CFO. Kingsway’s outside counsel may also be consulted. Directors, Executive Officers and nominees for director must report all potential Related Party Transactions.

The term “Related Party” in this policy means:

- Any person who is, or at any time since the beginning of Kingsway’s last fiscal year was, a director or Executive Officer of Kingsway or a nominee to become a director of Kingsway;
- Any security holder who is known to be the beneficial owner of more than 5% of any class of voting securities of Kingsway;
- Any immediate family member of any foregoing parties, which means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of the director, Executive Officer, nominee for the director or more than 5% beneficial owner, and any person (other than the tenant or employee) sharing the household of such director, Executive Officer, nominee for director or more than 5% beneficial owner; or
- Any firm, corporation or other entity in which any non-employee director is employed or is a partner or principal or in a similar position or in which such person has a 5% or greater beneficial ownership interest.

The term “Executive Officer” in this policy is defined as:

Any officer of Kingsway who holds the title of Vice President or above.

### **How To Report A Potential Related Party Transaction**

It is the responsibility of all Kingsway employees and the Board of Directors to monitor and report all potential Related Party Transactions or conflicts of interest that may arise in the course of normal business operations. If a potential Related Party Transaction is identified, it must be promptly reported to the CFO. Potential Related Party Transactions may be reported via telephone, email or other reasonable electronic means, mail or the quarterly Internal Control Questionnaire. The CFO maintains a log of all potential Related Party Transactions submitted.

When reporting a potential Related Party Transaction, the following information is required:

- The identity of the Related Party and their relationship to Kingsway
- Type of transaction (e.g. one-time transaction, a series of transactions or an ongoing business relationship)
- The expected or estimated aggregate value of the transaction
- Any other information regarding the transaction that would be considered material to investors

### **Related Party Transaction Management and Documentation**

- **Related Party Transaction Checklist**

On a quarterly basis, the CFO completes and signs off on the Related Party Transaction Checklist. The checklist is used to monitor how Related Party Transactions are identified, reviewed and approved.

- **Related Party Master List**

The CFO maintains a current list of all directors, Executive Officers and 5% shareholders of Kingsway.

- **Code of Business Conduct and Ethics (“COBCE”) Survey Responses**

On an annual basis, the Human Resources Department requires every employee to complete the COBCE Survey. This survey asks if the employee is aware of any conflicts of interest. If an employee identifies a potential conflict of interest, Human Resource Management follows up on the conflict and reports all findings to the Chief Executive Officer and CFO. The CFO reviews all findings. Any such conflict of interest shall be analyzed to determine whether it is a Related Party Transaction.

- **Director and Officer Questionnaire Responses**

On an annual basis, all directors and named executive officers in Kingsway’s proxy statement, and, upon nomination to the Board of Directors, all director nominees, are required to complete the Directors and Officers Questionnaire. This questionnaire requests information that relates to family

relationships, percentage ownership in stock and other securities, and current transactions and contracts with Kingsway. The CFO reviews the completed questionnaires and, if necessary, investigates and follows-up regarding potential Related Party Transactions.

- **Internal Control Questionnaire Responses**

On a quarterly basis, each subsidiary is required to complete the Internal Control Questionnaire. This questionnaire requests information about potential Related Party Transactions that have been identified in the current quarter. Each subsidiary submits the questionnaire to the CFO.

- **Audit Committee Meeting Responses**

During the quarterly Audit Committee meetings, the CFO will verbally ask the Audit Committee members if they are aware of any Related Party Transactions that have taken place within the most recent quarter. The responses will be documented in the meeting minutes.

- **Email Responses from Officers**

On a quarterly basis, the CFO sends an email to any officer at Kingsway who holds the title of Vice President or above asking if any such officer is aware of any potential Related Party Transactions that may have taken place with any Related Parties. The CFO follows up on all findings.

- **General Ledger Searches**

On a quarterly basis, the CFO performs vendor searches to identify any Related Party Transactions that may not have otherwise been reported.

- **CFO Review**

The CFO determines whether disclosure is needed in the 10Q/10K or proxy statement filings with respect to any potential Related Party Transactions identified.

## **Review and Approval of Related Party Transactions**

All transactions between Kingsway and Related Parties where the aggregate amount involved will or may be reasonably expected to be less than US\$25,000 in any calendar year must be approved by the CFO. All transactions between Kingsway and Related Parties where the aggregate amount involved will or may be reasonably expected to equal or exceed US\$25,000 in any calendar year, including Related Party Transactions in excess of US\$120,000 requiring public disclosure in documents filed with the SEC, must be approved by the Audit Committee. The Audit Committee may delegate responsibility for approval of transactions to the chair. The CFO may be consulted with respect to whether the transaction meets the definition of a Related Party Transaction. Kingsway's outside counsel may also be consulted.

If a Related Party Transaction is discovered after a transaction has been executed, the transaction needs to be disclosed to the CFO and should be promptly reported to the Audit Committee for its consideration and ratification.

The Audit Committee must annually review and approve any previously approved Related Party Transactions that remain in effect from prior years.

All Related Party Transactions will be presented in filings made by Kingsway to the extent required by the Securities Act of 1933 and the Securities Exchange Act of 1934 and related rules.